

## Bald Head Island Ferry Terminal - Parcel A

2 Marina Wynd

Bald Head Island, Brunswick County, NC 28461

NKF Job No.: 21-0147725-2

### **Appraisal Report Prepared For:**

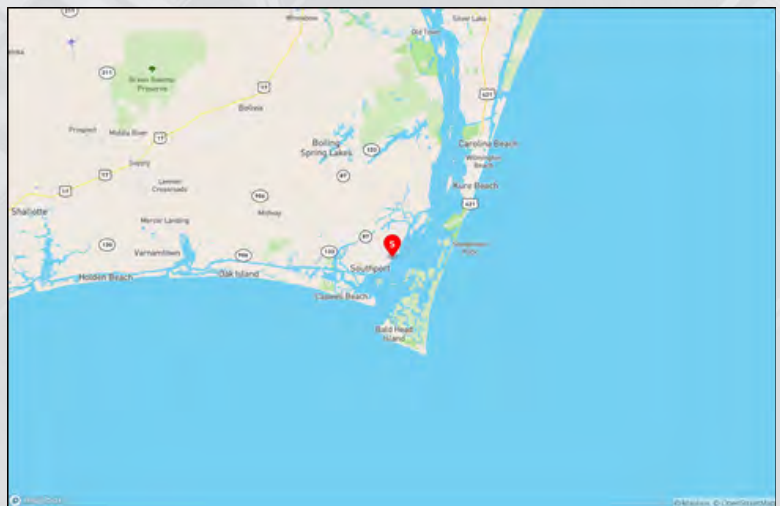
Susan Rabon

Chair

Bald Head Island Transportation Authority

1029 N. Howe Street, Authority Office

Southport, NC 28461



### **Prepared By:**

**Newmark Knight Frank**

Valuation & Advisory, LLC

1400 Centrepark Blvd, Suite 310

West Palm Beach, Florida 33401



July 25, 2021

Susan Rabon  
Chair  
Bald Head Island Transportation Authority  
1029 N. Howe Street, Authority Office  
Southport, NC 28461

RE: Appraisal of a single-tenant ferry terminal property known as the Bald Head Island Ferry Terminal (Parcel A) located at 2 Marina Wynd, Bald Head Island, Brunswick County, NC 28461, prepared by Newmark Knight Frank Valuation & Advisory, LLC (herein "Firm" or "NKF")

NKF Job No.: 21-0147725-2

Dear Ms. Rabon:

The "Subject Property" is an 8,816 square foot one-story terminal building that houses the Bald Head Island (BHI) – Southport Ferry and identified as 2 Marina Wynd - Parcel A located within the Bald Head Island Marina. The building is in average condition, is of average quality and tenant appeal, and was built in 1988. The site encompasses approximately 5.577 acres (242,934 square feet) of which approximately 2.77 acres is unimproved beachfront land. Currently, the improvements are 100% occupied and leased via an internal lease with an entity related to the existing ownership. This lease is disregarded to value the fee simple interest in the subject land and improvements. The valuation specifically excludes both the ferry system and any FF&E related to the ferry and baggage operations.

## Key Value Considerations

### Strengths

- ❖ Subject is the sole provider of ferry and barge service to the island for both passengers and goods.
- ❖ Strong housing demand and additional development parcels bode well for increased demand.
- ❖ The ferry system is the most common form of transportation to BHI with alternatives limited to private vessels. Air service is predominantly for medical emergencies.
- ❖ The growth of work-from-home initiatives have resulted in rapidly escalating property values in resort areas as homeowners can work from their vacation homes which also increases the need for goods and services on the island.

### Risk Factors

- ❖ As a barrier island in the Atlantic Ocean, the primary physical risk is from hurricanes.

July 25, 2021  
Susan Rabon

- ❑ Inflation is increasing the cost of goods and services with increased risk of interest rate hikes which will make housing more expensive and create greater risk of a bubble should a rapid correction occur.
- ❑ Ongoing pandemic risk reduced ferry capacity in 2020 due to social distancing and new variants of the virus create risk of additional shutdowns or economic distress.

### COVID-19 Pandemic

The COVID-19 Pandemic has had a significant impact on the economy and, by extension, real estate markets. Commercial real estate is transforming and adapting with some similarities and some differences to previous crises. As the Pandemic has progressed, there has been greater clarity about the effects through metric and transactional data as well as market participant information and expectations. Effects and projections related to COVID-19 will be addressed throughout the report.

Based on the analysis contained in the following report, the opinion of value for the subject is:

Value Conclusions			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value "As Is"	Fee Simple	7/17/2021	\$6,500,000
Compiled by NKF			

### Extraordinary Assumptions

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

1. None

### Hypothetical Conditions

A hypothetical condition is defined in USPAP as a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

1. None

The appraisal was developed based on, and this report has been prepared in conformance with the Client's appraisal requirements, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, Title XI of the Financial Institution Reform, Recovery and Enforcement Act (FIRREA) of 1989, and the Interagency Appraisal and Evaluation Guidelines (December 2, 2010).



## Certification

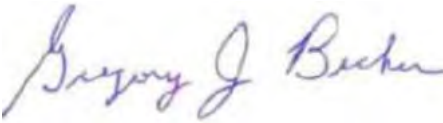
We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of North Carolina.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. As of the date of this report, Greg Becker, MAI, MRICS has completed the continuing education program for Designated Members of the Appraisal Institute.
12. Greg Becker, MAI, MRICS made a personal inspection of the property that is the subject of this report.
13. Significant real property appraisal assistance was provided by Daniel Stoops who has not signed this certification. The assistance of Daniel Stoops consisted of participating in research on the market, subject property, and transactions involving comparable properties and assisting in report writing, all under the supervision of the person(s) signing this report.
14. The Firm operates as an independent economic entity. Although employees of other service lines or affiliates of the Firm may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
15. Within this report, "Newmark Knight Frank", "NKF Valuation & Advisory", "NKF, Inc.", and similar forms of reference refer only to the appraiser(s) who have signed this certification and any persons noted above as having provided significant real property appraisal assistance to the persons signing this report.



## Certification

16. Greg Becker, MAI, MRICS has not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.



Greg Becker, MAI, MRICS  
Senior Managing Director  
Certified General Real Estate Appraiser  
North Carolina # A7729  
Telephone: (561) 212-5165  
Email: Greg.Becker@nmrk.com



# Table of Contents

## Appraisal Transmittal and Certification

Certification

Table of Contents

Subject Maps

Subject Photographs

E. Comparable Data

Land Sales

F. Précis Metro Report - Economy.Com, Inc.

G. Appraiser Qualifications and Licenses

**Executive Summary 12**

**Introduction 14**

**Economic Analysis 17**

The Impact of COVID-19 17

Area Analysis 17

Neighborhood Analysis 24

**Land and Site Analysis 38**

**Improvements Analysis 43**

**Real Estate Taxes 46**

**Highest and Best Use 48**

**Land Valuation 50**

**Cost Approach 53**

Cost Approach Conclusion 55

**Income Capitalization Approach 56**

Market Rent Analysis 56

Operating Expense Analysis 58

Direct Capitalization 59

Adjustments to Value 60

Direct Capitalization Summary 61

**Reconciliation of Value 62**

**Assumptions and Limiting Conditions 65**

## Addenda

A. Glossary of Terms

B. Engagement Letter

C. Legal Description

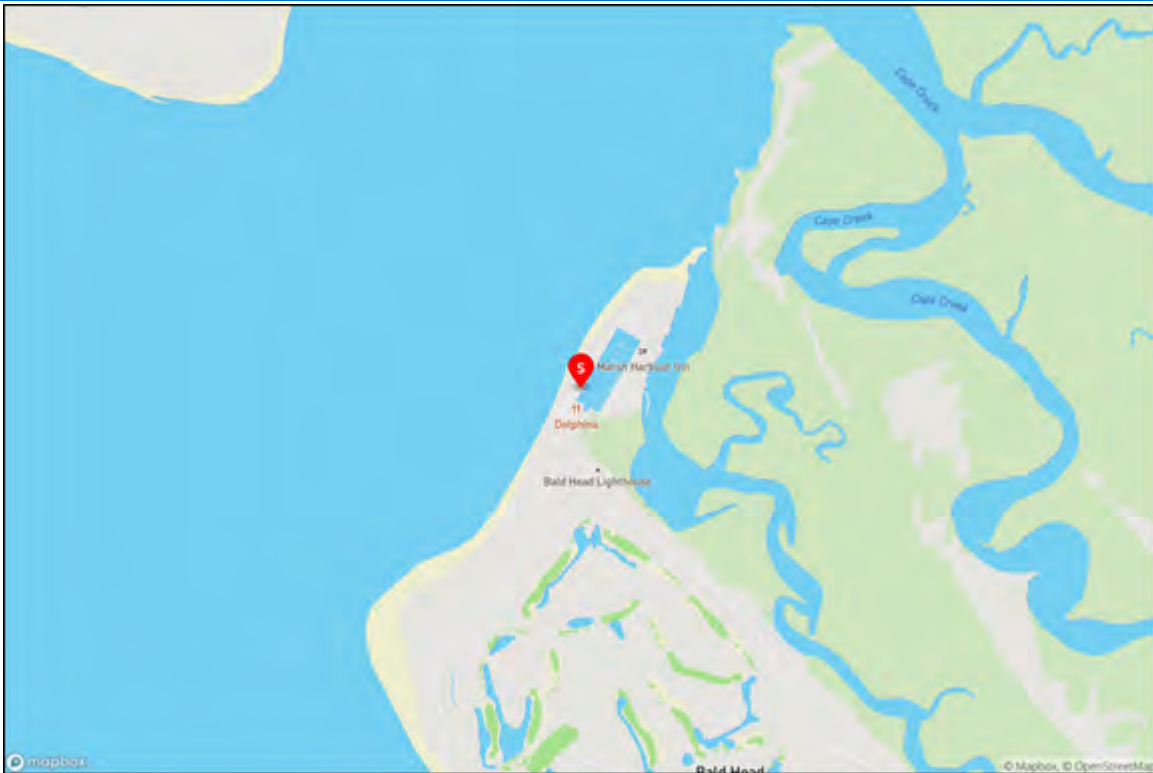
D. Financials and Property Information







Aerial Photo



Location Map

Subject Photographs



*Subject View*



*Subject View*



*Subject View*



*Subject View*



*Road Access*



*Road Access*



Subject Photographs



Road Access



Road Access



Barge Operation



Docking Area



Passenger Loading/Drop Off



Passenger Loading/Drop Off

OFFICIAL COPY

Feb 28 2023

Subject Photographs



Luggage Drop



Luggage Drop



Barge Ramp



Barge Ramp



Barge Ramp



Marina View

Subject Photographs

OFFICIAL COPY  
Feb 28 2023



Marina View



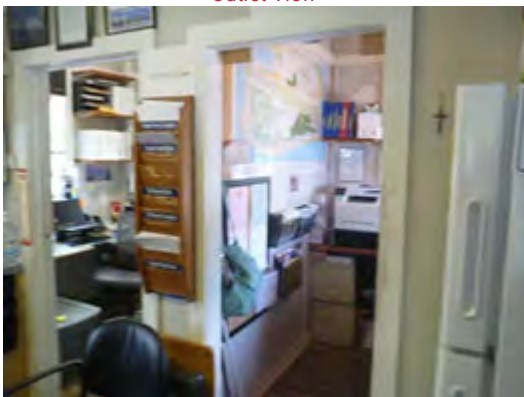
Outlet View



Outlet View



Interior View



Interior View



Undeveloped Land



# Executive Summary

## Bald Head Island Ferry Terminal - Parcel A

Property Type:	Specialty-Ferry System
Street Address:	2 Marina Wynd
City, State & Zip:	Bald Head Island, Brunswick County, NC 28461
Gross Building Area (SF):	8,816
Net Rentable Area (SF):	8,816
Year Built:	1988
Current Occupancy:	N/A
Land Area:	2.807 acres; 122,273 SF
Zoning:	PD-3C
Highest and Best Use - As Vacant:	A Commercial Use
Highest and Best Use - As Improved:	Commercial Use

## In-Contract Summary

Buying Entity:	Bald Head Island Transportation Authority
Selling Entity:	Bald Head Island Transportation, Inc. & Bald Head Island Limited, LLC
Purchase Price (Overall Property - no allocation provided):	\$47,750,000
Contract Date:	Draft - June 2021

## Analysis Details

Valuation Date:	July 17, 2021
Market Value "As Is"	July 17, 2021
Inspection Date and Date of Photos:	July 17, 2021
Report Date:	July 25, 2021
Report Type:	Appraisal Report
Client:	Bald Head Island Transportation Authority
Intended Use:	Asset Valuation
Intended User:	Bald Head Island Transportation Authority
Appraisal Premise:	Market Value "As Is"
Intended Use and User:	The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non-intended users does not extend reliance to any other party and Newmark Knight Frank will not be responsible for unauthorized use of the report, its conclusions or contents used partially or in its entirety.
Interest Appraised:	Fee Simple
Exposure Time (Marketing Period) Estimate:	10 Months (10 Months)

## Valuation Summary

Cost Approach	\$/SF	\$ Total
Replacement Cost New (Including Dev. Profit)		\$3,054,716
Depreciated Cost		\$1,200,000
Land Value		\$6,300,000
Stabilization Discount		\$0
Deferred Maintenance		(\$1,000,000)
Near Term Capital Expenses		\$0
Indicated Cost Approach Value	As Is	\$737.30 \$6,500,000





Income Capitalization Approach - Direct Capitalization Method		\$/SF	\$ Total
Capitalization Rate Indicators and Conclusion		Indication	
Investor Surveys		7.0% - 8.0%	
Band of Investment		7.25%	
Concluded Going-In Capitalization Rate		7.50%	
Stabilized Income Estimate			
Potential Gross Income		\$63.80	\$562,500
Stabilized % Vacancy & Collection Loss		0.00%	\$0
Net Other Income		\$0.00	\$0
Effective Gross Income		\$63.80	\$562,500
Operating Expenses		\$0.00	\$0
Operating Expense Ratio			0.0%
Net Operating Income		\$63.80	\$562,500
Capitalization Rate			7.50%
Indicated Direct Capitalization Value	As Is	\$737.30	\$6,500,000
Indicated Income Capitalization Approach Value	As Is	\$737.30	\$6,500,000
<b>Market Value Conclusion</b>	<b>As Is</b>	<b>\$737.30</b>	<b>\$6,500,000</b>
Exposure / Marketing Time	Min	Max	Average
Concluded Exposure Time	10 Months or Less		
Concluded Marketing Time	10 Months or Less		

Compiled by NKF

### Extraordinary Assumptions and Hypothetical Conditions

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

1. None

A hypothetical condition is defined in USPAP as a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

1. None

Compiled by NKF



# Introduction

## Ownership History

The current owner is Bald Head Island Limited LLC.

### Ownership History

To the best of our knowledge, no sale or transfer of ownership has taken place within the three-year period prior to the effective date of the appraisal.

Listing Status:	Not Listed For Sale
In-Contract:	Draft - June 2021
Buyer:	Bald Head Island Transportation Authority
Seller:	Bald Head Island Transportation, Inc. & Bald Head Island Limited, LLC
Purchase Price:	\$47,750,000
Sales in the Previous Three Years:	None

*Compiled by NKF*

The above pricing reflects the overall purchase, inclusive of the Deep Point Marina Ferry Terminal, the subject, the barge and ferry operation as well as the supporting FF&E. No allocation of the purchase price was provided. To the best of our knowledge, no other sale or transfer of ownership has taken place within a three-year period prior to the effective date of the appraisal.

## Definition of Value

Market value is defined as:

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

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

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



## Appraisal Report

This appraisal is presented in the form of an appraisal report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP. This report incorporates sufficient information regarding the data, reasoning and analysis that were used to develop the opinion of value in accordance with the intended use and user.

## Purpose of the Appraisal

The primary purpose of the appraisal is to develop an opinion of the As Is value of the Fee Simple interest in the property.

### Purpose of the Appraisal

Appraisal Premise	Interest Appraised	Date of Value
Market Value "As Is"	Fee Simple	7/17/2021
<i>Compiled by NKF</i>		

## Scope of Work

### Extent to Which the Property is Identified

- ❑ Physical characteristics
- ❑ Legal characteristics
- ❑ Economic characteristics

### Extent to Which the Property is Inspected

NKF inspected the subject property on July 17, 2021 as per the defined scope of work. Greg Becker, MAI, MRICS made a personal inspection of the property that is the subject of this report.

### Type and Extent of the Data Researched

- ❑ Exposure and marketing time;
- ❑ Neighborhood and land use trends;
- ❑ Demographic trends;
- ❑ Market trends relative to the subject property type;
- ❑ Physical characteristics of the site and applicable improvements;
- ❑ Flood zone status;
- ❑ Zoning requirements and compliance;
- ❑ Real estate tax data;
- ❑ Relevant applicable comparable data; and
- ❑ Investment rates

### Type and Extent of Analysis Applied

We analyzed the property and market data gathered through the use of appropriate, relevant, and accepted market-derived methods and procedures. Further, we employed the appropriate and relevant approaches to value, and correlated and reconciled the results into an estimate of market value, as demonstrated within the appraisal report.



### Application of Approaches to Value

Approach	Comments
Cost Approach	The Cost Approach is applicable and is utilized in this appraisal.
Sales Comparison Approach	The Sales Comparison Approach is not applicable and is not utilized in this appraisal.
Income Capitalization Approach	The Income Capitalization Approach is applicable and is utilized in this appraisal.

*Compiled by NKF*

The sales comparison approach was not used because there is inadequate market data to develop a value estimate for this approach. The exclusion of this approach is not considered to impact the reliability of the appraisal.





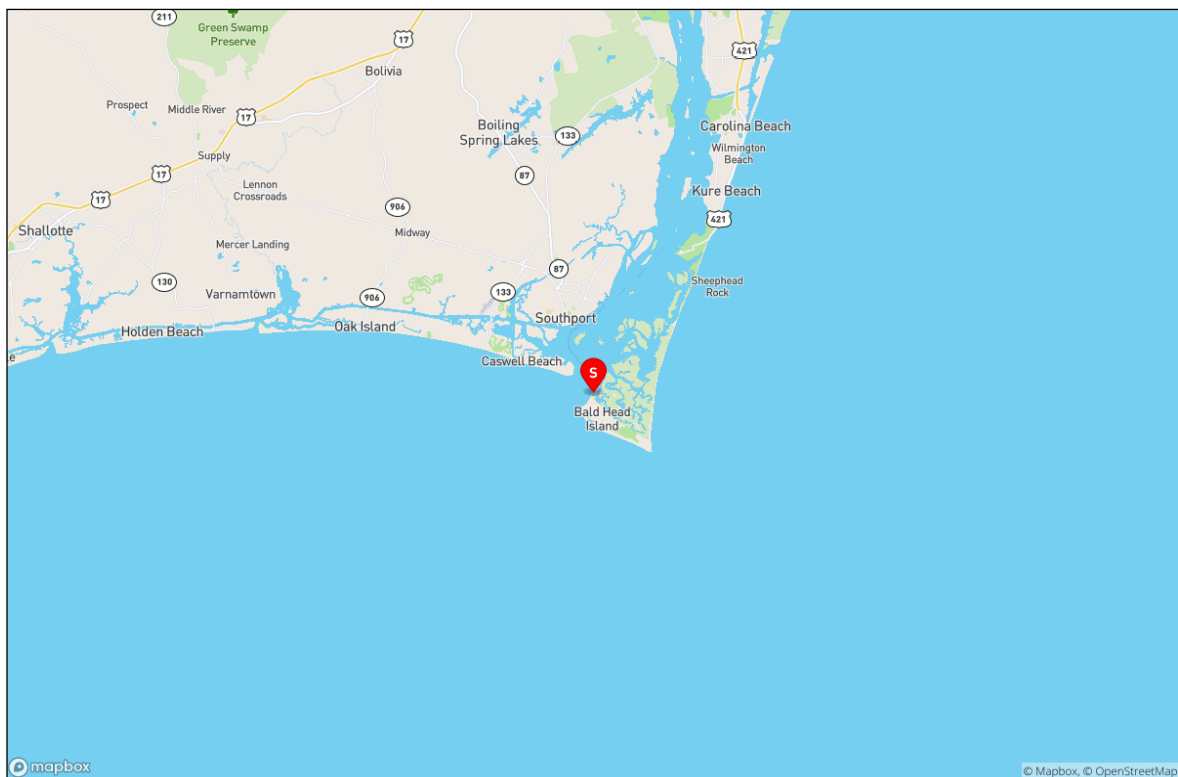
# Economic Analysis

## The Impact of COVID-19

It is well known that the past several months have been volatile. Real estate market volatility has resulted from the COVID-19 pandemic as well as other events such as oil price declines. Every day, there is greater clarity about the effects and expectations as evidenced by transaction activity, various data sources, and market participants. We have continuously reached out to brokers and other market participants to understand how the market is reacting.

Most of our major data sources, such as Moody's Economy.com, include both COVID-19 pandemic period data and projections inclusive of its effects. This data is included within this section as well as throughout this report and is a central foundation of our analysis. There are an increasing number of transactions occurring and these are providing indications of trends.

## Area Analysis



Area Map

The subject is located within Southport and Brunswick County, North Carolina. It is part of the Myrtle Beach-Conway-North Myrtle Beach metro area (Myrtle Beach Metropolitan Statistical Area). Southport-Brunswick County are currently petitioning to revert to its prior positioning in the Wilmington MSA; however, at the present time, it remains part of the Myrtle Beach MSA.

## Area Analysis

Moody's Analytics' Economy.com provides the following economic summary for the Myrtle Beach Metropolitan Statistical Area as of April, 2021.

Moody's Analytics Précis® Metro Indicators: Myrtle Beach Metropolitan Statistical Area												
2015	2016	2017	2018	2019	2020	INDICATORS	2021	2022	2023	2024	2025	2026
16.7	17.0	17.3	17.6	17.9	17.5	Gross metro product (C12\$ bil)	18.8	20.5	21.6	22.7	23.6	24.6
1.8	1.9	2.3	1.7	1.4	-2.3	% change	7.6	9.0	5.3	4.9	4.2	4.0
155.4	160.9	166.9	171.6	175.2	162.2	Total employment (ths)	172.1	180.8	185.4	188.8	191.7	194.6
2.6	3.5	3.7	2.8	2.1	-7.4	% change	6.1	5.0	2.6	1.8	1.5	1.5
7.2	6.0	5.2	4.6	4.0	8.8	Unemployment rate (%)	5.7	5.0	4.9	4.9	4.9	4.9
8.7	7.2	6.6	8.2	6.3	8.0	Personal income growth (%)	5.0	0.9	7.3	6.6	5.7	5.6
46.1	47.6	49.0	52.4	57.0	64.2	Median household income (\$ ths)	65.8	63.9	65.9	67.8	69.4	71.0
431.2	447.3	463.5	481.0	496.9	512.4	Population (ths)	522.5	535.5	548.6	561.7	574.9	588.0
3.6	3.7	3.6	3.8	3.3	3.1	% change	2.0	2.5	2.4	2.4	2.3	2.3
15.2	16.7	16.9	18.7	17.2	16.9	Net migration (ths)	11.5	14.6	14.7	14.9	15.1	15.2
5,763	6,209	7,468	6,741	6,989	8,411	Single-family permits (#)	10,318	11,788	11,320	11,393	11,790	11,655
391	316	1,119	705	851	851	Multifamily permits (#)	2,956	4,946	4,274	4,425	4,295	3,592
187	194	204	216	230	244	FHFA house price (1995Q1=100)	256	266	275	281	285	287

Source: Moody's Analytics Précis® US Metro

Moody's summarizes the area's economic performance in recent months as follows:

### Recent Performance

Myrtle Beach Metropolitan Statistical Area is mounting an exceptional comeback in light of its deep recession just a year ago. Despite falling much further than average in 2020, payroll growth has consistently outpaced the U.S. and the South over the past few months. This climaxed in April when payrolls surged more than 24% from a year earlier, more than twice the national and regional averages. Most of these gains were in leisure and hospitality as tourism season got fully underway and more of the country emerged from lockdown. The only limit on the pace of hiring over the next several months will be the metro-area workforce. Myrtle Beach is behind both the South and the U.S. when it comes to drawing workers back into the labor market.

### Market Comparison

The following table illustrates key economic indicators and a comparison of the Myrtle Beach Metropolitan Statistical Area to the regional grouping as a whole. As indicated, Myrtle Beach is projected to outperform the South Region Metros in six of eight performance categories shown over the next five years.

Comparison of Key Economic Indicators - Myrtle Beach Metropolitan Statistical Area Metro to South Region										
Indicator	Myrtle Beach Metropolitan Statistical Area			Annual Growth		South Region Metros			Annual Growth	
	2015	2020	2025	2015 - 2020	2020 - 2025	2015	2020	2025	2015 - 2020	2020 - 2025
Gross metro product (C12\$ bil)	17.0	18.8	24.6	2.1%	5.5%	5,420	5,744	6,953	1.2%	3.9%
Total employment (ths)	160.9	172.1	194.6	1.4%	2.5%	47,822	49,052	54,113	0.5%	2.0%
Unemployment rate (%)	6.0%	5.7%	4.9%			5.3%	7.1%	4.2%		
Personal income growth (%)	7.2%	5.0%	5.6%			4.2%	5.4%	4.9%		
Population (ths)	447.3	522.5	588.0	3.2%	2.4%	113,395	118,897	123,636	1.0%	0.8%
Single-family permits (#)	6,209	10,318	11,655	10.7%	2.5%	362,601	542,304	671,104	8.4%	4.4%
Multifamily permits (#)	316	2,956	3,592	56.4%	4.0%	182,944	186,669	179,649	0.4%	-0.8%
FHFA house price (1995Q1=100)	194	256	287	5.7%	2.3%	304	399	437	5.6%	1.8%
Myrtle Beach Metropolitan Statistical Area outperforming South Region Metros										
Myrtle Beach Metropolitan Statistical Area underperforming South Region Metros										

Source: Moody's Analytics Précis® US Metro; Compiled by NKF



## Employment Sectors and Trends

Employment data by occupation and business/industry sectors provides an indication of the amount of diversification and stability in the local economy. Job sector composition also gives an indication of the predominant drivers of current and future demand for supporting commercial real estate sectors. The following tables display employment data by occupation sector and by business/industry sector for the area and region.

Current Employment by Occupation Sector										
Occupation Sector	28461		Southport City		Brunswick County		Myrtle Beach-Conway- North Myrtle Beach, SC-NC		North Carolina	
							MSA			
<b>White Collar</b>	<b>4,705</b>	<b>59.8%</b>	<b>950</b>	<b>59.3%</b>	<b>29,258</b>	<b>55.6%</b>	<b>114,881</b>	<b>57.5%</b>	<b>3,084,783</b>	<b>62.1%</b>
Administrative Support	676	8.6%	108	6.7%	5,468	10.4%	20,313	10.2%	504,768	10.2%
Management/Business/Financial	1,281	16.3%	245	15.3%	7,466	14.2%	29,785	14.9%	884,363	17.8%
Professional	1,864	23.7%	377	23.5%	10,123	19.2%	36,953	18.5%	1,208,140	24.3%
Sales and Sales Related	884	11.2%	220	13.7%	6,201	11.8%	27,830	13.9%	487,512	9.8%
<b>Services</b>	<b>1,245</b>	<b>15.8%</b>	<b>198</b>	<b>12.4%</b>	<b>9,738</b>	<b>18.5%</b>	<b>41,577</b>	<b>20.8%</b>	<b>732,969</b>	<b>14.8%</b>
<b>Blue Collar</b>	<b>1,918</b>	<b>24.4%</b>	<b>454</b>	<b>28.3%</b>	<b>13,656</b>	<b>25.9%</b>	<b>43,259</b>	<b>21.7%</b>	<b>1,146,102</b>	<b>23.1%</b>
Construction/Extraction	763	9.7%	185	11.5%	4,960	9.4%	15,309	7.7%	267,702	5.4%
Farming/Fishing/Forestry	47	0.6%	0	0.0%	229	0.4%	851	0.4%	24,316	0.5%
Installation/Maintenance/Repair	280	3.6%	75	4.7%	2,144	4.1%	6,815	3.4%	166,202	3.3%
Production	305	3.9%	54	3.4%	2,530	4.8%	7,904	4.0%	305,389	6.2%
Transportation/Material Moving	523	6.6%	140	8.7%	3,793	7.2%	12,380	6.2%	382,493	7.7%
<b>Total Employees (16+ Occupation Base)</b>	<b>7,868</b>	<b>100.0%</b>	<b>1,602</b>	<b>100.0%</b>	<b>52,652</b>	<b>100.0%</b>	<b>199,717</b>	<b>100.0%</b>	<b>4,963,854</b>	<b>100.0%</b>

Source: ESRI; Compiled by NKF

Current Employment by Industry Sector										
Industry Sector	28461		Southport City		Brunswick County		Myrtle Beach-Conway- North Myrtle Beach, SC-NC		North Carolina	
							MSA			
Agriculture/Mining	117	1.5%	8	0.5%	426	0.8%	1,636	0.8%	57,664	1.2%
Construction	1,048	13.3%	250	15.6%	6,999	13.3%	22,382	11.2%	380,270	7.7%
Manufacturing	346	4.4%	130	8.1%	3,309	6.3%	9,483	4.7%	586,018	11.8%
Wholesale Trade	47	0.6%	6	0.4%	609	1.2%	3,325	1.7%	121,721	2.5%
Retail Trade	895	11.4%	118	7.4%	7,510	14.3%	31,051	15.5%	548,365	11.0%
Transportation/Utilities	886	11.3%	215	13.4%	3,703	7.0%	8,751	4.4%	265,009	5.3%
Information	78	1.0%	18	1.1%	691	1.3%	2,644	1.3%	75,132	1.5%
Finance/Insurance/Real Estate	485	6.2%	119	7.4%	3,220	6.1%	14,345	7.2%	350,247	7.1%
Services	3,680	46.8%	728	45.4%	23,621	44.9%	98,565	49.4%	2,351,975	47.4%
Public Administration	286	3.6%	13	0.8%	2,564	4.9%	7,535	3.8%	227,453	4.6%
<b>Total Employees (16+ Occupation Base)</b>	<b>7,868</b>	<b>100.0%</b>	<b>1,602</b>	<b>100.2%</b>	<b>52,652</b>	<b>100.0%</b>	<b>199,717</b>	<b>100.0%</b>	<b>4,963,854</b>	<b>100.0%</b>

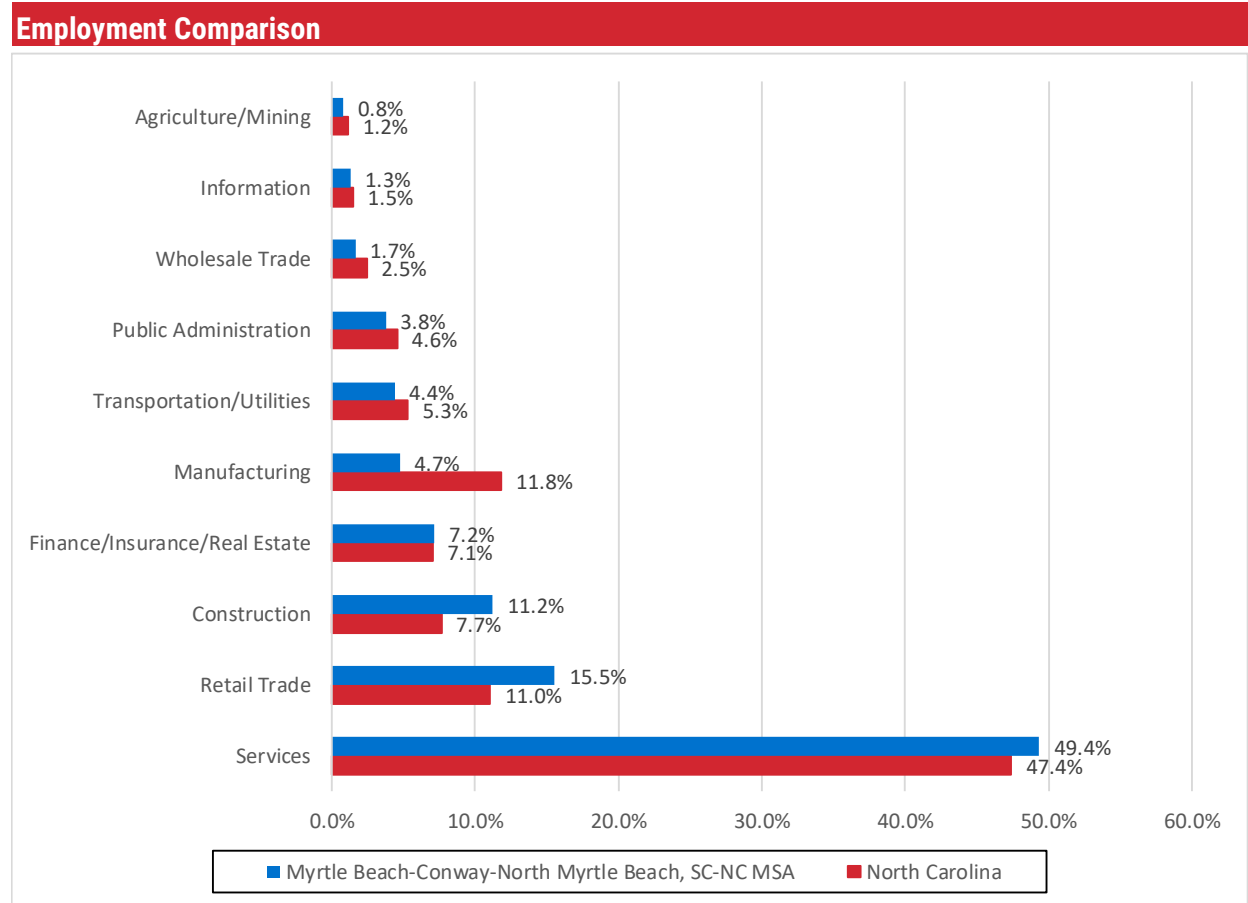
Source: ESRI; Compiled by NKF

Comparing the industry sectors for the local market area (Myrtle Beach-Conway-North Myrtle Beach, SC-NC MSA) to North Carolina indicates the local market area is somewhat more heavily weighted toward the Retail Trade, Construction, Services, and Finance/Insurance/Real Estate sectors.



## Area Analysis

By contrast, the industry employment totals for North Carolina indicate somewhat higher proportions within the Manufacturing, Transportation/Utilities, Public Administration, Wholesale Trade, Agriculture/Mining, and Information sectors. The following graphic further illustrates this comparison.



Source: ESRI; Compiled by NKF

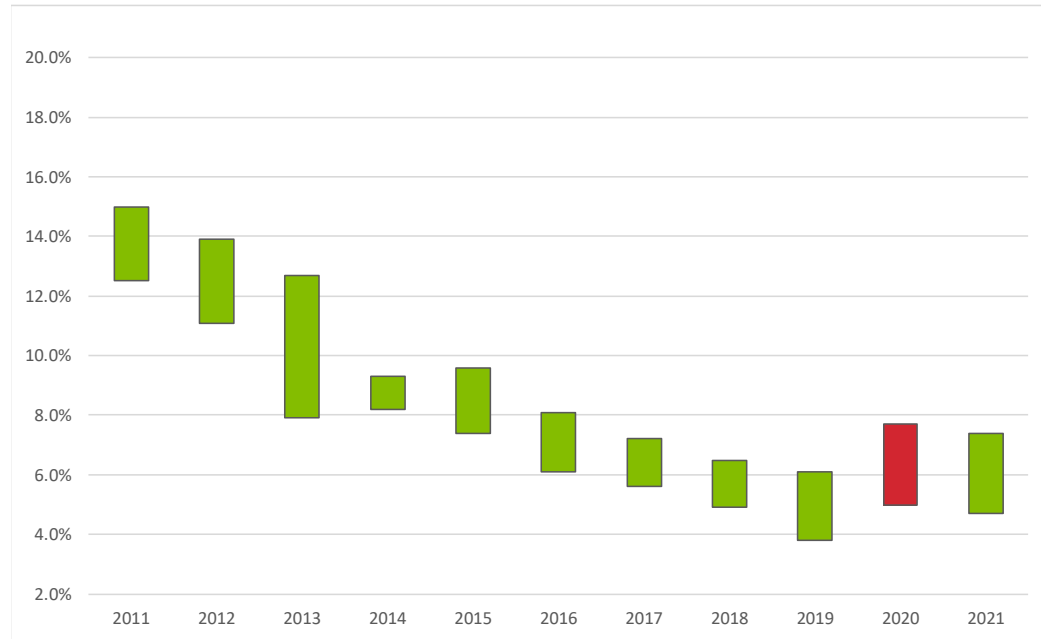


## Area Anlaysis

### Unemployment

The following table displays the historical unemployment data for the area derived from the US Department of Commerce, Bureau of Labor Statistics. The most recent reported unemployment rate for the Myrtle Beach-Conway-North Myrtle Beach, SC-NC Metropolitan Statistical Area is 4.7% (May 2021).

**Unemployment Rate: Myrtle Beach-Conway-North Myrtle Beach, SC-NC Metropolitan Statistical Area**



Bars represent beginning to end range of unemployment rates in each year

Red bars denote increasing unemployment from beginning to end of year

Green bars are declining unemployment from beginning to end of year

Compiled by NKF

## Major Employers

The following table lists a number of major employers with the Myrtle Beach Metropolitan Statistical Area as reported by Moody's. While not all-encompassing, this list provides further indication of the types of economic sectors that are drivers for the area.

Selected Major Employers: Myrtle Beach Metropolitan Statistical Area		
Rank	Employer	Employees
1	Wal-Mart Stores Inc.	2,623
2	Coastal Carolina University	1,582
3	Conway Medical Center	1,500
4	Grand Strand Regional Medical Center	1,400
5	Progress Energy Co.	>1,000
6	Food Lion	1,000
7	Myrtle Beach National	980
8	Blue Cross/Blue Shield	837
9	National Golf Management	800
10	HTC Communications	684
11	(McLeod Loris Seacoast) Loris Healthcare	680
12	Wyndham Vacation Ownership	650
13	Lowe's Building Supply	603
14	Kingston Plantation	550
15	Novant Medical/Brunswick College	500-999
16	Sands Oceanfront Resorts	500
17	Bi-Lo	468
18	Ocean Lakes Family Campground	450
19	Conbraco Industries Inc.	410
20	AVX Corp.	400

Source: Moody's Analytics Précis® US Metro

## Analysis

Further economic analysis from Moody's is detailed as follows:

### Tourism

Myrtle Beach's economic outlook is always dominated by tourism, but for the next year and a half this will especially be the case. Leisure/hospitality payrolls will outperform national and regional averages by orders of magnitude this summer as the metro area is perfectly positioned to benefit from the impending surge in consumer spending and pent-up demand among vacationers. Myrtle Beach has offerings for a wide range of visitors from across the socioeconomic spectrum, catering to lower-income vacationers as easily as high-income visitors. This, coupled with its ease of access to most of the East Coast, will help it recover and expand faster than many of its peers. These trends are already beginning to play out in the data. Air traffic at Myrtle Beach International Airport has already surpassed 2019, pre-pandemic levels. Occupancy rates and revenue per



available room are almost double 2019 levels. Leisure/hospitality employment has nearly doubled from a year ago, in turn, and will surpass pre-pandemic peaks by mid-2022, more than a full year before the rest of the South.

### Retirees

The end of the pandemic will also bring a reacceleration of retiree in-migration to Myrtle Beach. After a year and a half of tremendous uncertainty, pent-up retirements and relocations will boost population growth in retiree havens across the country, but Myrtle Beach will especially benefit. The metro area boasts one of the most affordable environments for retirees on the East Coast, and house prices are still very competitive despite the near-term pressures from the pandemic. The growing retiree population will support continued expansion in the healthcare sector, which so far this year is on pace to see the fastest rate of job growth in more than a decade.

### Housing

Faster population gains will turbocharge the metro area's already fast-paced housing market. Prices have been growing faster than in the U.S. and the South for the past three years, well before the demand surge during the pandemic. This has allowed Myrtle Beach to get off to a faster start regarding construction than other parts of the country. Permits have increased to a level not seen since before the Great Recession and building activity is steadily outpacing that in the rest of the already high-flying South. Strong demand and high affordability for a retiree destination will allow the metro area to continue to see stronger price growth throughout the forecast. This price appreciation will eventually eat into affordability, however, as prices rise faster than incomes.

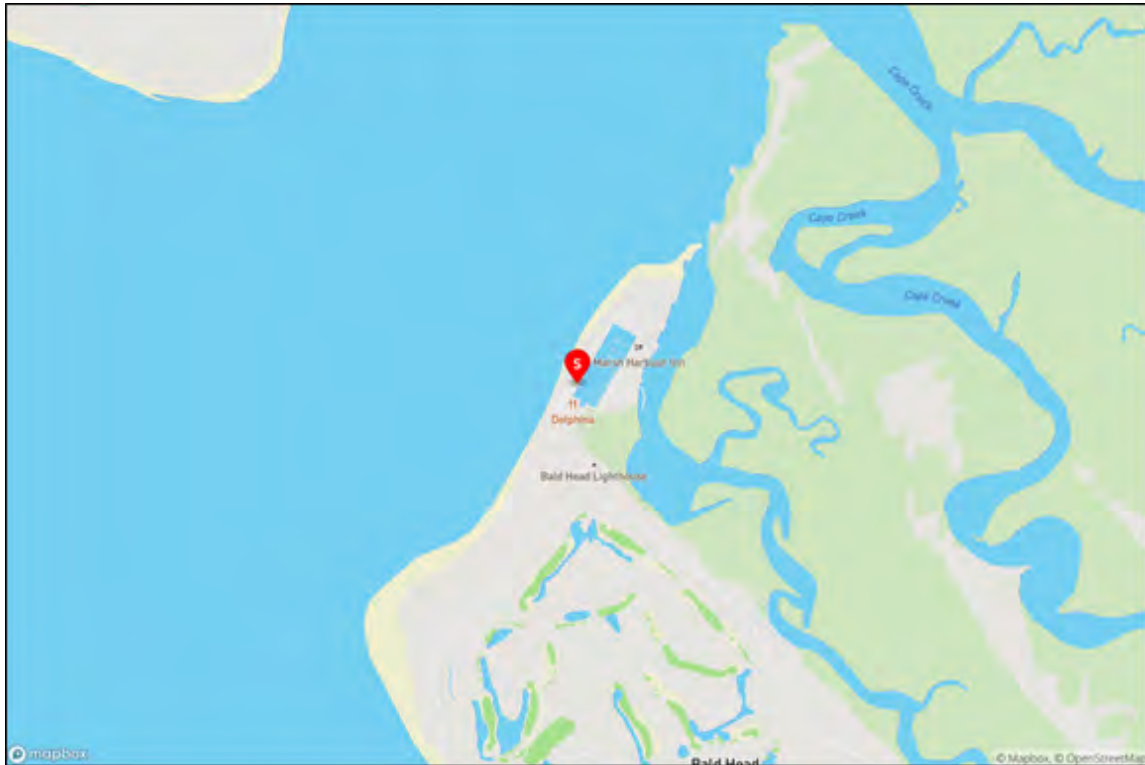
### Conclusion

Positive Attributes	Negative Attributes
❑ Popular destination for tourists, retirees.	❑ Volatility from dependence on tourism and national discretionary consumer spending.
❑ Very strong population growth, including	
❑ favorable migration trends.	❑ Risk of property damage due to coastal location.
❑ Low cost of doing business.	

Myrtle Beach Metropolitan Statistical Area has a strong few years of growth ahead. Its relatively low costs and industry mix position it to benefit perfectly from the nascent surge in consumer demand. The only real limit on the pace of near-term hiring will be the pace of recovery in the labor force. However, rising average hourly earnings and the expiration of enhanced unemployment benefits are sure to alleviate much of those pressures by the end of the year.



## Neighborhood Analysis



### Boundaries

The subject is located on Bald Head Island within Brunswick County. The neighborhood is considered to be Bald Head Island.

### Surrounding Area of Influence Trends

#### Description

The subject's surrounding area is viewed as the commercial core within a resort residential area. The immediate area around the subject can be described as residential and commercial developments.

#### Fundamental Real Estate Cycle

The surrounding area is considered to be within the expansion stage of its real estate cycle.

#### Nuisances or Hazards

Our observation of the area revealed no evidence of significant nuisances or hazards.



## Access

### Primary Access

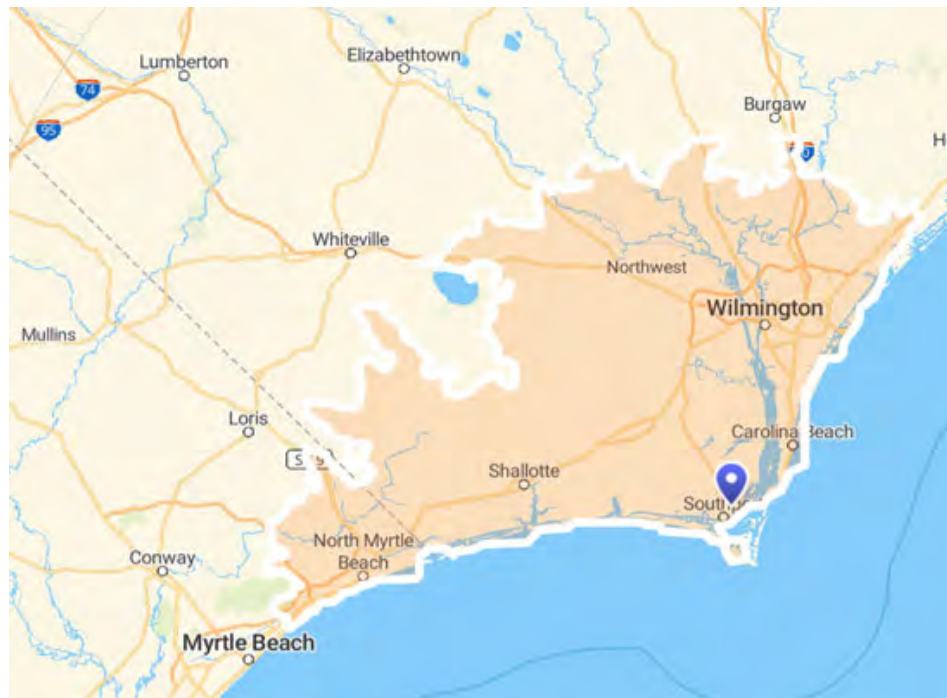
Primary access to the subject site is provided by the Bald Head Ferry System. This is the only public transportation to and from the island.

### Transportation

Brunswick Transit System, Inc. (BTS) is a non-profit community transportation system that coordinates general public and human services transportation for the residents of Brunswick County. BTS was incorporated in 1989 and operates under the NC Nonprofit Corporation Act and the USC 501(c)(3) Internal Revenue Code. The transit system operates a fleet of 17 vehicles, including ADA equipped vehicles to assist persons with special needs.

### Distance from Key Locations

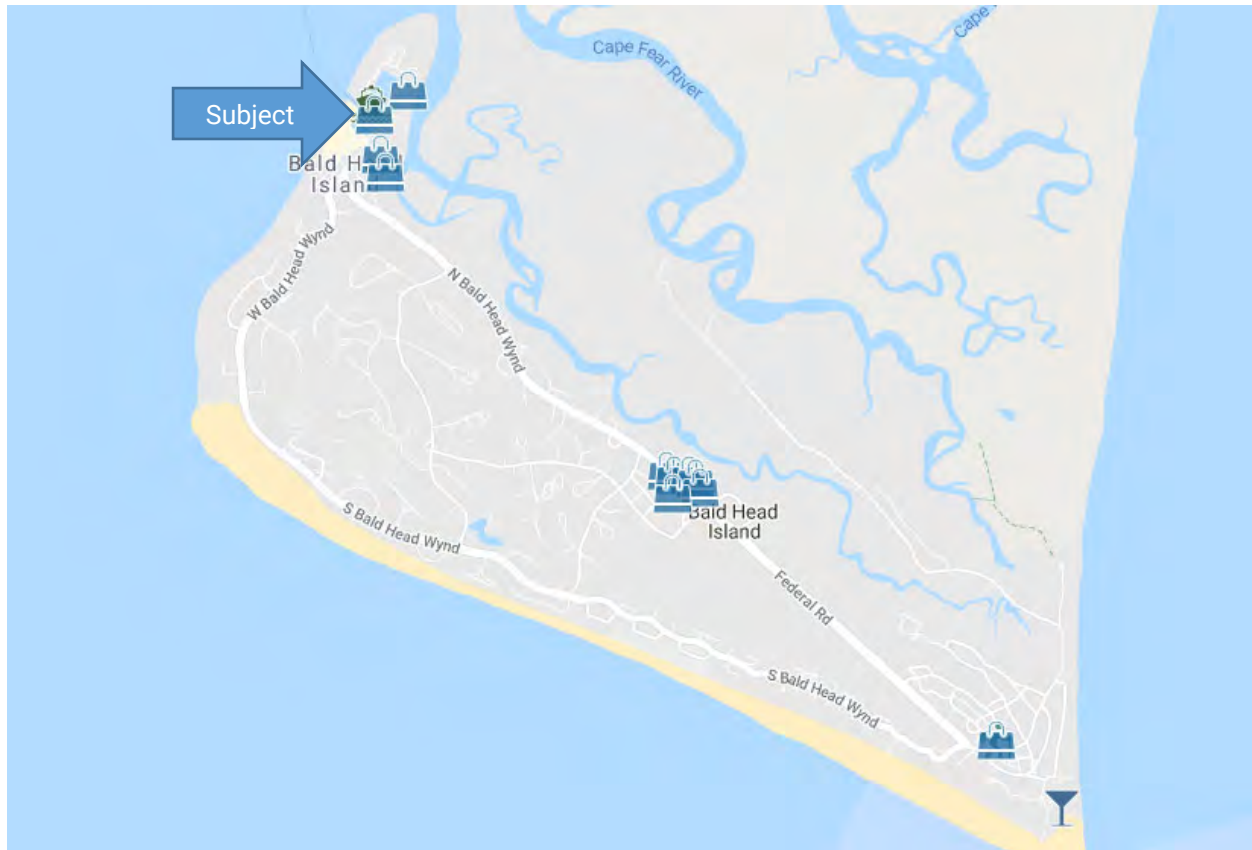
The commute to the Downtown Wilmington Information Center is about fifty minutes and the drive to Wilmington International Airport is about forty minutes. The following illustrates the 60-minute transport time from the subject via the Deep Point Ferry Terminal as Bald Head Island does not permit private vehicles.



Drive Time Map

## Land Use

Bald Head Island is predominantly residential with two main commercial nodes a central node with dining and shopping options and the western node which is the marina with supporting and ancillary development such as the ferry system, marina, recreational and dining options. The southern tip of the island is home to the Shoals Club and the Bald Head Island Conservancy.



## Neighborhood Analysis

## Demographics

A demographic summary for the defined area is illustrated as follows:

Demographic Analysis								
	1-Mile Radius	3-Miles Radius	5-Miles Radius	28461	Southport City	Brunswick County	Myrtle Beach-Conway - North Myrtle Beach, SC-NC MSA	North Carolina
<b>Population</b>								
2010 Total Population	91	199	4,733	16,143	2,833	107,431	376,722	9,535,483
2021 Total Population	116	246	5,922	20,624	4,219	143,291	506,593	10,822,111
2026 Total Population	130	272	6,552	22,871	4,694	161,841	571,044	11,430,355
Projected Annual Growth %	2.3%	2.0%	2.0%	2.1%	2.2%	2.5%	2.4%	1.1%
<b>Households</b>								
2010 Total Households	47	99	2,194	7,181	1,294	46,297	158,522	3,745,155
2021 Total Households	61	125	2,786	9,255	1,949	62,278	213,470	4,251,028
2026 Total Households	68	138	3,096	10,306	2,180	70,518	241,159	4,493,166
Projected Annual Growth %	2.2%	2.0%	2.1%	2.2%	2.3%	2.5%	2.5%	1.1%
<b>Income</b>								
2021 Median Household Income	\$123,192	\$123,960	\$72,881	\$71,562	\$59,877	\$60,977	\$55,446	\$56,585
2021 Average Household Income	\$177,604	\$175,373	\$100,278	\$98,002	\$82,854	\$81,403	\$74,594	\$80,263
2021 Per Capita Income	\$94,993	\$91,853	\$47,031	\$43,997	\$37,647	\$35,389	\$31,458	\$31,659
<b>Housing</b>								
2021 Owner Occupied Housing Units	7.5%	8.2%	40.2%	57.7%	58.3%	50.6%	46.0%	57.1%
2021 Renter Occupied Housing Units	0.3%	0.3%	8.7%	8.8%	14.0%	9.5%	16.0%	29.3%
2021 Median Home Value	\$773,438	\$715,909	\$364,423	\$317,225	\$329,487	\$269,066	\$236,282	\$217,574
Median Year Structure Built	1998	1998	1995	2001	1997	1997	1995	1988
<b>Miscellaneous Data Items</b>								
2021 Bachelor's Degree	38.4%	37.2%	23.3%	23.6%	19.7%	20.0%	17.4%	20.7%
2021 Grad/Professional Degree	49.1%	46.2%	16.9%	14.7%	10.8%	11.6%	10.1%	12.1%
2021 College Graduate %	87.5%	83.3%	40.2%	38.2%	30.5%	31.5%	27.5%	32.8%
2021 Average Household Size	1.90	1.96	2.06	2.21	2.07	2.29	2.35	2.48
2021 Median Age	67.9	67.7	59.7	58.0	57.4	50.8	45.5	39.2

Source: ESRI; Compiled by NKF

- As shown above, the current population within a three-mile drive distance of the subject is 246, and the average household size is 1.96. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to Brunswick County overall, the population within a three-mile drive distance is projected to grow at a similar rate.
- Median household income is \$123,960, is higher than the household income for Brunswick County. Residents within a three-mile drive distance have a higher level of educational attainment than those of Brunswick County, while median owner-occupied home values are also substantially higher.
- Population growth in the surrounding area has been strong with income levels increasing. This has a positive effect on retail and services related real estate demand. This trend is projected to continue into the foreseeable future.



## Economic Analysis

## Recent Housing Transactions

The following snapshot provides the most recent housing transactions in the Bald Head Island and Southport area. The following transactions represent the most recent sales of 2021.

Subdivision Builder	Housing Type	Recorded Closings	Sale Price Avg	Sale Price Range	% Financed	Fin SF Avg	Fin SF Range	Bed Avg	Bath Avg	Lot SF Avg	Acres Avg
<b>BALD HEAD ISLAND</b>											
DR Horton Inc	Detached	1	\$245,000	\$245,000	95.0%	1,983	1,983	4.0	3.0	20,281	0.47
DR Horton Inc	Other/Unk	1	\$239,000	\$239,000	95.0%					20,069	0.46
<b>Subdivision Totals</b>		<b>2</b>	<b>\$242,000</b>	<b>\$239,000-\$245,000</b>	<b>95.0%</b>	<b>1,983</b>	<b>1,983</b>	<b>4.0</b>	<b>3.0</b>	<b>20,175</b>	<b>0.46</b>
<b>BALD HEAD ISLAND STAGE</b>											
522 Flipper LLC	Detached	1	\$591,500	\$591,500	46.5%	2,533	2,533	4.0	4.5	43,560	1.00
Homes by Parrish LLC	Other/Unk	1	\$852,500	\$852,500	80.0%					43,560	1.00
Revel BHI 1 Partners Ltd	Other/Unk	1	\$1,479,000	\$1,479,000						10,100	0.23
<b>Subdivision Totals</b>		<b>3</b>	<b>\$974,333</b>	<b>\$591,500-\$1,479,000</b>	<b>63.2%</b>	<b>2,533</b>	<b>2,533</b>	<b>4.0</b>	<b>4.5</b>	<b>32,407</b>	<b>0.74</b>
<b>SOUTHBEND</b>											
Village Homes Builders LLC	Detached	3	\$233,000	\$230,000-\$235,000	85.5%	1,402	1,384-1,432	3.0	2.0	7,115	0.16
<b>SOUTHERN HOMEBUILDERS INC</b>											
Southern Homebuilders Inc	Detached	1	\$264,500	\$264,500	90.0%	1,316	1,316	3.0	2.0		
<b>SOUTHPORT HGT</b>											
Herrick Homes Inc	Detached	1	\$394,000	\$394,000		1,914	1,914	3.0	2.5	12,197	0.28
<b>SOUTHVIEW PARK</b>											
H & H Homes Inc	Detached	7	\$215,714	\$200,000-\$223,000	95.2%	2,041	1,520-2,348	3.0	2.3	7,070	0.16
H & H Homes Inc	Other/Unk	6	\$211,750	\$199,500-\$221,000	95.3%					6,722	0.15
<b>Subdivision Totals</b>		<b>13</b>	<b>\$213,885</b>	<b>\$199,500-\$223,000</b>	<b>95.3%</b>	<b>2,041</b>	<b>1,520-2,348</b>	<b>3.0</b>	<b>2.3</b>	<b>6,909</b>	<b>0.16</b>



## Marina Market Analysis

The primary potential alternative use for the subject would be for expansion of the existing adjoining marinas. This market analysis forms a basis for assessing market area boundaries, supply and demand factors, and indications of financial feasibility. Primary data sources utilized for this analysis include:

- ❖ National Marine Manufacturers Association, "2019 Recreational Boating Statistical Abstract", published in September 2020. This is the most current national marina data available.
- ❖ National Marine Manufacturers Association, "2016 Recreational Boating Participation Study", published in August 2017. This is the most current data available.
- ❖ US Coast Guard
- ❖ Association of Marina Industries
- ❖ Marine Dock Age "2019 Industry Trends", Published March 2020. This is the most current data available.
- ❖ Rental Surveys of Competitive Properties
- ❖ Dozier's Waterway Guide
- ❖ Marinas.com
- ❖ ESRI Demographic Data
- ❖ Interviews with Local Market Participants
- ❖ Subject Property Data

## National Marine Market

### Market Summary

According to the 2019 edition of the National Marine Manufacturers Association, (NMMA), 2019 Recreational Boating Statistical Abstract, the NMMA Statistical Abstract and the Recreational Boating Economic Study, recreational boating continues to be an important factor to the U.S. economy.

The following is a snapshot of the position and trends in the boating industry as reported in the 2019 Recreational Boating Statistical Abstract.

- ❖ U.S. expenditures on new boats, engines, aftermarket accessories and related costs totaled \$43.1 billion in 2019, up 3.1% from 2018. New boat sales (powerboats, sailboats, and personal watercraft) slightly declined after a seventh consecutive increase year in 2018, the slight decrease represents a 0.89% total unit decrease from an eleven-year high of 281,800 in 2018, total units sold in 2019 totaled 279,300 units.
- ❖ In 2019, there were 12 million registered boats in the U.S., equal to one registered boat for every 10.3 households in the U.S.



- ❑ Florida led all states in boat registrations in 2019, followed by Minnesota, Michigan, California and Wisconsin, in that order.
- ❑ Sales of new outboard boats grew for the ninth consecutive year to a 13-year high of 280,300 units in 2019; corresponding dollar sales totaled \$2.9 billion. Outboard boats remained the most popular category of boats sold in 2019, accounting for 62% of new boat sales.
- ❑ Pontoon boats accounted for the largest share (33.9%) of new retail sales for outboard boats in 2019. Center console boats were the second largest sales category with a 17% market share, followed by Bass boats and “other” boats with 14.1% and 14.0% shares, respectively.
- ❑ The average retail price of an aluminum outboard boat rose 17.7% to \$26,562 in 2019.
- ❑ Unit sales of pre-owned craft were up in four categories in 2019: inboard ski/tow boats, inboard cruisers, personal watercraft (PWC) and jet boats; unit sales of outboard boats, sterndrive boats, and sailboats declined.
- ❑ Sales of pre-owned boats moderated in 2019, down 1.2% to 966,200 units.
- ❑ Recreational boat and marine engine imports rose to an all-time high of \$3.5 billion in 2019, up 5% from 2018. Boat imports were up 7.1% to \$2 billion in 2019. Engine imports also increased, up 2.1% to \$1.5 billion.
- ❑ Recreational boat exports were down 27.8% to \$237.6 million in 2019, likely due to the combined effect of counter tariffs resulting in higher costs for European importers, and the strong dollar in 2019 which strengthened against the Euro and made U.S. products more expensive to countries in the region.
- ❑ Outboard engine sales increased for the eighth consecutive year in 2019, up 0.6% to a 13-year high of 280,300 units; corresponding dollar sales totaled \$2.9 billion in 2019, up 8.5% from 2018. Consumer demand for higher-performance engines continued to trend upward in 2019 with double-digit gains in engines sales for each of the 200.0 and greater horsepower categories.

### Barriers to Entry

By far, the most difficult barrier to entry into the marina market is the lack of good waterfront development sites. We are aware of very few marinas and mixed-use waterfront projects that have been built on waterfront land that wasn't previously developed.

Over the past 2 to 3 years, wet slip occupancies have increased, approaching or exceeding their former market highs in 2005 and 2006. Many marinas are at or above 80%. The market fundamentals in the state currently support marina development in well-chosen locations as well as the renovation, redevelopment and expansion of existing marina developments along the coast.



## Economic Analysis

U.S. boat registrations totaled 12 million in 2019, up 0.84% compared to 2018. The top five states for boat registrations in 2019 were unchanged from 2018, and included Florida, Minnesota, Michigan, California and Wisconsin, in that order. Two states within the top 20 states for boat registrations changed rank in 2018. Texas moved from seventh to eight (switching with South Carolina) and Illinois moved from fifteenth to eighteenth (switching with Tennessee).

TABLE 4 U.S. state recreational boat registrations

2019 Ranking	State	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	'19 vs. '18 % Change
1	Florida	991,680	974,553	949,030	914,535	889,895	870,031	870,749	873,507	889,350	905,298	918,255	925,141	935,742	1.1%
2	Minnesota	866,496	867,446	811,775	813,976	808,783	817,996	808,744	809,292	808,627	817,560	825,658	819,317	813,955	-0.7%
3	Michigan	830,743	816,752	811,670	812,066	803,391	804,088	795,875	789,458	787,637	794,137	798,544	795,374	806,296	1.4%
4	California	964,881	858,853	906,988	810,008	855,243	776,584	820,490	728,679	772,542	697,412	745,641	670,102	711,173	6.1%
5	Wisconsin	617,366	634,546	626,304	615,335	628,743	622,563	613,516	627,352	623,217	611,240	624,353	614,750	607,211	-1.2%
6	Ohio	415,228	416,586	424,877	430,710	432,696	441,732	449,541	459,778	474,185	505,082	541,898	573,050	586,159	2.3%
7	South Carolina	442,040	436,844	435,528	435,491	447,745	460,564	466,589	462,680	502,210	518,269	533,419	551,477	567,443	2.9%
8	Texas	599,567	597,428	622,184	596,830	577,174	580,064	575,402	566,897	572,666	573,425	565,422	562,424	563,820	0.2%
9	New York	494,020	485,541	479,161	475,689	467,828	463,539	456,909	451,862	446,582	448,480	444,710	444,103	440,381	-0.8%
10	North Carolina	375,815	371,879	405,663	400,846	392,566	391,711	386,884	380,670	374,823	367,225	358,171	359,361	361,970	0.7%
11	Georgia	344,597	350,479	352,054	353,950	322,346	323,116	319,871	321,740	327,657	335,723	338,210	330,853	331,461	0.2%
12	Louisiana	301,249	302,753	303,111	302,141	302,974	305,081	307,464	307,059	306,731	306,689	305,783	303,966	316,439	4.1%
13	Pennsylvania	342,427	338,316	337,747	365,872	331,590	332,431	329,578	322,195	318,873	315,503	313,478	306,781	301,287	-1.8%
14	Missouri	321,782	322,253	314,131	297,194	302,271	300,714	297,562	294,009	293,660	293,185	290,376	289,854	289,416	-0.2%
15	Tennessee	274,914	271,475	269,361	266,185	259,904	259,632	258,167	256,862	257,172	254,091	248,599	239,313	245,991	2.8%
16	Alabama	274,176	272,558	270,726	271,377	265,526	268,374	265,626	262,926	261,183	265,973	266,357	244,619	245,636	0.4%
17	Washington	270,789	264,393	269,845	237,921	234,543	230,684	229,403	226,662	228,528	234,035	239,316	244,618	241,760	-1.2%
18	Illinois	379,454	378,208	373,530	370,522	371,365	368,224	310,853	274,906	236,513	242,275	250,776	245,621	233,788	-4.8%
19	Virginia	251,440	249,312	249,235	245,940	242,473	239,878	237,551	236,521	234,052	233,236	224,031	225,732	221,629	-1.8%
20	Indiana	241,474	271,532	268,424	281,908	217,297	214,487	214,889	212,466	209,867	209,622	219,870	211,287	208,599	-1.3%
21	Iowa	213,767	231,333	247,190	209,660	228,743	235,095	202,886	221,939	236,466	205,145	213,392	231,346	196,965	-14.9%
22	Oklahoma	223,758	196,052	205,079	209,457	199,337	201,069	194,801	192,600	203,829	202,388	202,594	196,478	194,966	-1.8%
23	Maryland	202,892	199,087	196,806	193,259	188,623	185,626	181,544	178,573	178,798	176,207	172,304	170,365	169,891	-0.3%
24	Kentucky	176,716	173,981	176,535	175,863	171,936	175,286	174,218	174,358	172,315	173,881	173,344	165,987	166,760	0.5%
25	Oregon	184,147	180,063	180,552	177,634	171,983	169,188	166,664	163,358	168,175	156,168	168,933	168,100	165,253	-1.7%
26	Arkansas	206,195	199,104	198,805	205,925	200,915	199,546	237,466	206,283	171,268	189,514	189,695	172,112	160,932	-6.5%
27	New Jersey	183,147	185,359	173,994	169,750	166,037	160,345	154,178	152,889	151,450	150,968	153,372	149,971	147,618	-1.6%
28	Massachusetts	145,496	145,113	142,625	141,959	139,991	139,123	137,668	135,750	134,678	140,008	134,538	132,440	132,106	-0.3%
29	Mississippi	180,356	191,312	194,016	156,216	156,743	133,556	130,959	133,406	134,991	132,441	131,873	127,029	125,252	-1.4%
30	Arizona	144,570	140,291	136,463	135,326	131,665	129,221	125,646	124,425	124,076	123,263	123,177	123,223	124,055	0.7%
31	Maine	112,818	109,657	109,169	111,873	106,679	108,502	107,211	106,328	107,475	111,116	109,774	111,681	112,396	0.6%
32	New Hampshire	100,261	96,205	95,402	94,773	91,950	92,976	92,046	92,258	92,979	94,806	94,810	95,444	96,006	0.6%
33	Connecticut	108,539	110,650	109,213	108,078	105,499	103,992	101,887	99,658	95,527	93,364	92,058	90,728	91,791	1.2%
34	Idaho	91,612	89,026	90,501	87,662	84,290	85,749	85,780	86,270	86,969	87,211	84,015	86,801	88,450	1.9%
35	Colorado	98,055	95,330	95,822	91,424	89,321	87,225	83,549	83,683	84,111	84,676	84,936	84,083	85,001	1.1%
36	Kansas	93,900	91,067	90,522	89,315	88,041	85,840	83,422	82,016	80,979	81,243	83,775	82,700	80,356	-2.8%
37	Nebraska	83,722	83,280	80,089	83,832	84,471	86,248	87,078	86,778	86,853	87,596	87,865	86,622	78,212	-11.7%
38	Montana	79,651	84,988	83,394	52,105	42,985	54,642	63,438	47,427	60,087	68,229	51,373	63,063	72,480	14.9%
39	North Dakota	53,519	46,067	51,609	56,128	47,537	62,799	69,381	53,560	69,581	67,022	56,933	62,740	66,961	6.7%
40	Utah	76,921	73,009	72,419	70,321	68,427	70,144	66,012	66,804	66,497	65,873	66,136	64,208	64,949	1.2%
41	South Dakota	53,570	56,604	60,094	56,624	56,615	58,449	57,209	57,209	58,972	59,485	59,525	58,896	57,825	-1.8%
42	West Virginia	63,064	49,930	57,415	64,510	51,752	57,085	61,961	48,139	50,324	57,305	43,839	51,239	56,297	9.9%
43	Delaware	61,569	56,669	61,523	62,983	57,687	58,541	59,186	59,337	59,467	61,901	58,557	55,047	52,740	-4.2%
44	Alaska	47,548	47,534	48,892	48,891	50,219	50,142	49,939	50,123	50,781	51,144	50,044	48,829	50,788	4.0%
45	Nevada	59,895	57,519	56,053	53,464	50,864	50,499	46,327	44,196	41,794	42,426	43,129	40,930	41,522	1.4%
46	Rhode Island	43,665	42,524	42,519	45,930	40,989	40,451	39,602	36,291	40,075	40,178	39,685	39,230	38,836	-1.0%
47	New Mexico	38,100	33,304	36,544	37,340	37,469	36,846	34,862	34,647	33,933	33,780	33,340	32,505	32,005	-1.5%
48	Vermont	31,482	30,429	30,480	30,315	28,807	28,987	30,008	27,861	28,179	29,353	28,852	28,690	28,333	-1.2%
49	Wyoming	26,956	27,243	27,955	28,249	28,164	28,620	28,081	27,117	27,711	27,288	26,963	26,656	25,659	-3.7%
50	Hawaii	15,094	15,404	15,709	14,835	13,375	14,098	14,258	12,033	10,807	11,238	11,658	12,371	12,100	-2.2%
51	Dist. of Columbia	2,866	2,922	2,798	3,017	2,889	2,118	2,622	1,963	2,120	2,115	2,512	2,433	2,048	-15.8%
52	U.S. Territories	71,579	70,129	70,010	73,712	35,579	38,435	28,835	29,334	29,707	30,251	27,519	29,279	29,813	1.8%
Total U.S.		12,875,568	12,692,892	12,721,541	12,438,926	12,173,935	12,101,936	12,014,387	11,782,134	11,867,049	11,866,043	11,953,187	11,852,969	11,878,542	0.2%
Percent change		1.0%	-1.4%	0.2%	-2.2%	-2.1%	-0.6%	-0.7%	-1.9%	0.7%	-0.01%	0.7%	-0.8%	0.2%	



The above data table shows the total number of boating registrations by state. Florida remains at the top of the chart, followed this year by Minnesota, Michigan, California, and Wisconsin to round out the top five.





## Demand Generators

Demand for boat storage includes use of wet slips, dry rack storage, surface storage as well as a very limited amount of on-trailer storage. The demand for these boat storage options within the market is a function of population, disposable income, marina location, proximity to popular fishing and family destinations, pricing, quality of the facility, fuel prices, etcetera.

We have already discussed several factors that identify a vacant waterfront site as being suited to marina development. However, once a marina development is in place, the quality, condition and reliability of service are key elements to the long-term sustainability of the development. An ongoing maintenance program of capital improvements is vital to a professional marina management plan.

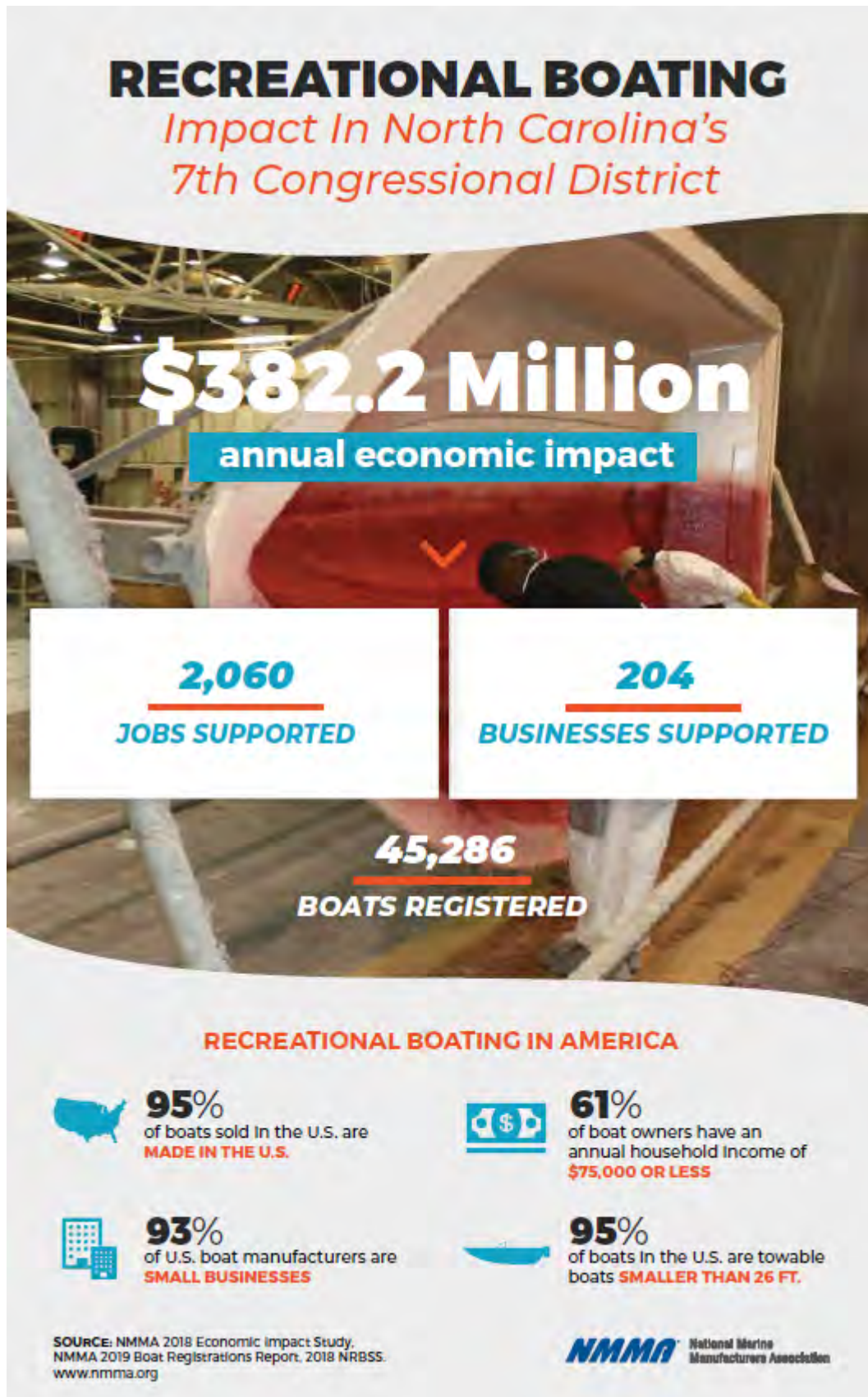
Full service marinas have a significant competitive advantage over limited service or no service marinas. Full service marinas create an “All Inclusive” boating experience that keep their wet slip tenants on-site, long after the vessel is back in its slip. The inclusion of an amenity package such as restaurants, a captain’s lounge and, (based on location), family specific recreational amenities such as an outdoor pool can give a marina property an additional competitive advantage. Finally, the importance of a best-in class Wi-Fi system cannot be overstated. One national marina owner/developer was quoted as saying, “My Wi-Fi is as important as my docks”.

The supply and demand characteristics of the marina market in the southeast region have strengthened significantly since the last recession. Over the past several years, marina portfolio operators have been accumulating mixed-use waterfront properties for their corporate portfolios. Once acquired and renovated, these individual assets, which individually might be valued at cap rates ranging from 7.50% up to 8.50%, are expected to command a cap rate for the entire portfolio of 100 up to 200 basis points lower than they would individually. Much of this spread is driven by quality, condition and critical mass. Thus, there is great incentive in the marina market to acquire and renovate multiple marina properties, especially within a dynamic region such as the southeast where the market fundamentals are already strong.

## National Marine Market - Conclusion

The marine industry has a profound effect on the US economy with \$43.1 billion in total boating related sales in 2019. The popularity of boating has increased from 2006 to 2019. At the same time, the average annual hourly wage has increased modestly. All of the data sets indicate that the American family has recovered from the recession of 2007 and that many have re-entered boating after a three to five year hiatus. Based on the above data and analysis, it is our opinion that nationally the boating industry will strengthen steadily throughout the foreseeable future.







## VALUATION PARAMETERS

In appraisal practice, the two most used unit value indications that can be abstracted from a marina or mixed-use waterfront sale are the price per slip and the capitalization rate. The following is a discussion of the trends and central tendencies of these two components.

### Sale Price Per Slip

Many factors affect the price per slip including the number and size of ancillary profit centers that contribute to the sale price, the location of the property, its condition on the date of sale and how well the existing improvements match the current expectations of potential tenants within the local market.

In general, Top Tier marinas that sell in the \$30,000 to \$90,000 per slip range reflect multiple profit centers, newer construction, high occupancy levels and excellent proximity relative to landward and waterward destinations. These marinas are well located, relatively new, well occupied, well designed and well maintained. However, the majority of marinas in the US sell in the \$15,000 to \$30,000 range. They have some, but not all of the characteristics of the top-tier marinas as discussed above.

Trophy properties have good to excellent proximity to a major interstate highway, heavy traffic counts on an adjacent local roadway, direct exposure or signage on an adjacent heavily traveled waterway as well as good to excellent waterward proximity, access and exposure. Therefore, the primary characteristics of a trophy property are excellent proximity, access and exposure combined with large amounts of "Drive-By" traffic in terms of both vessels and vehicles. In order for an optimal marina property to exist, it must have the foregoing locational characteristics plus the positive synergy of well-designed and maintained building and site improvements.

Prior to 2007, marina buyers purchased active marinas for redevelopment, primarily for condominiums. In a redevelopment scenario, the motivation to purchase the property was the number of condominium units that could be developed on the land. Today, condominium redevelopment is much less frequent, as price points and construction costs have collided in many waterfront markets.

Most of the recent improved marina sales represent the acquisition of going concern operations which were purchased for their income potential either in an as-is scenario or as a value-added play.

### Typical Acquisition Parameters

We have held discussions with most of the active marina purchasers in the United States market today. Most corporate purchasers are acquiring marinas based on existing in-place income for stabilized marinas, or on a stabilized year NOI for value-added properties.





Typical holding periods range from 7 to 10 years or more. Typical buyers are offering to purchase stabilized saltwater properties with capitalization rates of 7.00% to 9.00%. The lower end of the range typically includes marinas with good to excellent project fundamentals. Most freshwater marinas would command cap rates in the 8.00% to 10.00% range. However, well positioned properties, "Best in Class" properties and properties with in- place Net Operating Incomes of \$1,000,000 or more will typically command a premium.

There are many portfolio collectors that own 2 to 10 marinas. These buyers are very active in marina acquisition. Many small acquisition groups have been formed over the last 8 to 10 years which are targeting marinas and marina portfolios. Individual buyers are targeting marina properties with purchase prices in the \$1,000,000+ range. Many times, these buyers are retiring from another profession and have little or no experience or training in marina management. These investors are much less sophisticated and usually hire marina management companies to handle the day to day operations. Many times, the location of a marina in proximity to family and the prospects of a monthly income are all that is required.

Regardless of whether the investor is corporate or private, the motivation to purchase is not the purchase price divided by the number of wet and dry slips. For both investor groups, the motivation is for a return on and then return of investment.

### Capitalization Rates

Two of the capitalization rates that can typically be extracted from an improved marina sale are:

- ❖ The actual cap rate based on the in-place NOI and
- ❖ The pro-forma cap rate based on stabilized, as-cured or pro-forma NOI.

### Demand Generators

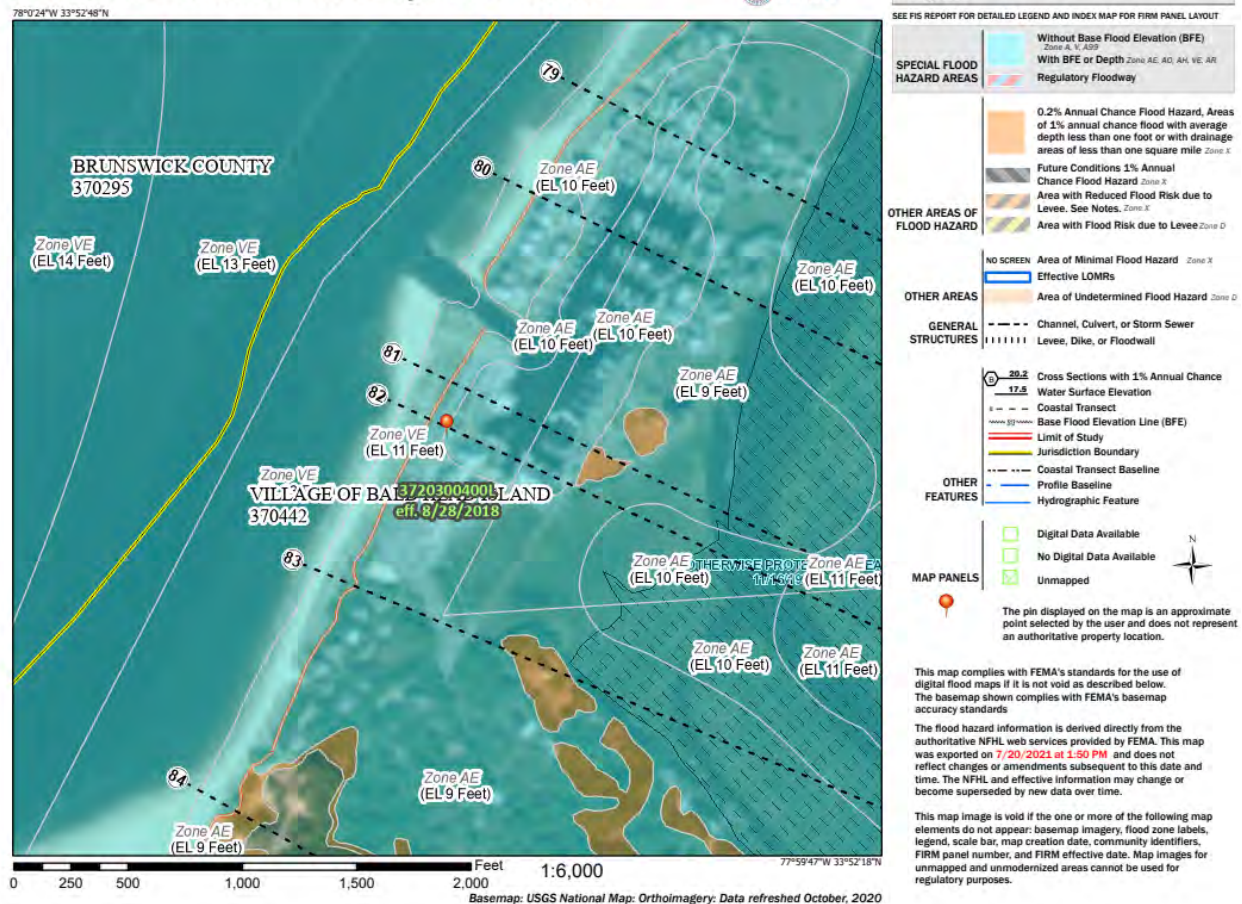
Demand for boat storage includes wet slips, dry rack storage, surface storage as well as on-trailer storage. The demand for these boat storage options within the market is a function of population, disposable income, marina location, proximity to popular fishing and family destinations, the pricing of wet versus dry storage, quality of the facility, fuel prices etcetera.

A very important element in the boat storage business is location, proximity to popular boating destinations, as well as the service and reliability associated with the facility. The newer the facility, the higher the demand, all other things being equal. Full service marinas have a significant competitive advantage over limited service or no service storage options as they create an "All Inclusive" boating experience. The inclusion of an amenity package such as restaurants, lounges and family recreational amenities such as an outdoor pool can give a marina property an additional competitive advantage.



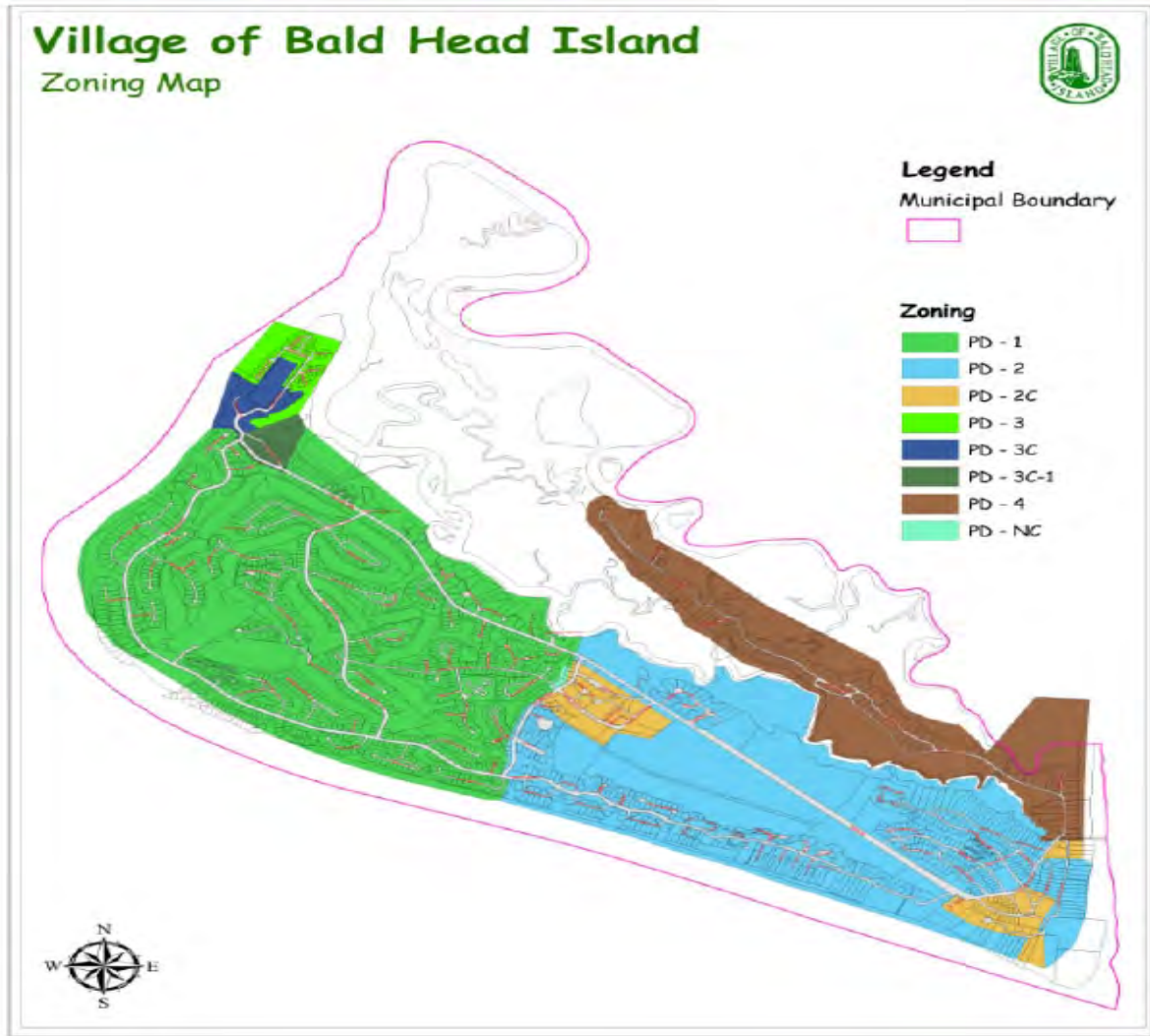


## National Flood Hazard Layer FIRMette



## Flood Map





Zoning Map

### Land Parcels

Parcel Summary	Associated APN(s)	Classification	Land Area (SF)	Land Area (Acres)
Island Parcel A - Ferry	260JA008 (por)	Primary Site 1	122,273	2.8070
Island Parcel A - Beach Area	260JA008 (por)	Excess Site 1	120,661	2.7700
Total Gross Land Area			242,934	5.5770
Total Usable Land Area			122,273	2.8070
Total Surplus Land Area			0	0.0000
Total Excess Land Area			120,661	2.7700

Compiled by NKF



**Land Description**

Total Land Area	5.5770 Acres; 242,934 SF
Usable Land Area	2.8070 Acres; 122,273 SF
Excess Land Area	2.7700 Acres; 120,661 SF
Surplus Land Area	None
Source of Land Area	Survey

**Site Characteristics**

Primary Street Frontage	West Bald Head Wynd (659 FF)
Traffic Control at Entry	Stop Sign
Traffic Flow	Low
Accessibility Rating	Average
Visibility Rating	Average
Shape	Irregular
Topography	Level At Street Grade
Easements / Encroachments	Various Access and Utility Easements
Environmental Hazards	None Noted

**Flood Zone Analysis**

Flood Area Panel Number	3720300400L
Date	8/28/2018
Zone	Zone VE
Description	An area inundated by 1% annual chance flooding with velocity hazard (wave action); BFEs have been determined.
Insurance Required?	Yes

**Utilities**

Utility Services	Electricity, Sewer, Water
------------------	---------------------------

*Compiled by NKF***Excess or Surplus Land**

Analysis of the site and current use indicates that there is an area of the site that is not in use and would be viewed as excess land. We included this land in the overall site value; however, there is potential for additional development on the site.

**Environmental Issues**

No environmental issues were observed or reported. NKF is not qualified to detect the existence of potentially hazardous issues such as soil contaminants, the presence of abandoned underground tanks, or other below-ground sources of potential site contamination. The existence of such substances may affect the value of the property. For this assignment, we have specifically assumed that any hazardous materials that would cause a loss in value do not affect the subject.

We have reviewed an environmental report, dated February 6, 2019, performed by S&ME, Inc. According to this report, no material evidence of site contamination was found except for the following outlined in the conclusion.



## 9.0 CONCLUSIONS

We have performed a Phase I Environmental Site Assessment in conformance with the scope and limitations of ASTM E 1527-13 of the property located on Marina Wynd in Bald Head Island, Brunswick County, North Carolina and the subject property. Any exceptions to, or deletions from, this practice are described in Sections 1.5 and 10 of this report.

This assessment has revealed no evidence of *recognized environmental conditions* or controlled or historical recognized environmental conditions in connection with the subject property, except for the following:

- ♦ Two underground storage tanks and associated underground transfer lines installed in 2007 on the western adjacent Harbormaster property, presents a material threat of a release of petroleum product to the soil and groundwater.

## Zoning and Legal Restrictions

Zoning Summary	
Category	Description
Zoning Jurisdiction	City of Bald Head Island
Zoning Designation	PD-3C
Description	Planned Development 3 Commercial District
Legally Conforming?	Yes
Zoning Change Likely?	Unlikely
Permitted Uses	residential, commercial services, offices, marina and marina related, club facilities, transient inn and leisure activities and their attendant uses
Other	None Noted

*Compiled by NKF*

## Conclusion

The subject appears to be legally conforming based on analysis of zoning ordinances. We are not experts in the interpretation of zoning ordinances. A qualified land use/zoning expert should be engaged if there are any zoning concerns or if a determination of compliance with zoning is required.



# Improvements Analysis



## Site Plan

The subject is a specialty-ferry system development known as Bald Head Island Ferry Terminal - Parcel A, located at 2 Marina Wynd, Bald Head Island, NC 28461. The subject was built in 1988. It includes four specialty buildings.

## Improvements Analysis

The improvements are more fully described in the following table.

Improvements Description					
Component Structures					
Improvements (Structures)	Ferry Terminal	Foot Baggage Area	Storage Buildings	Barge Equipment Building	Subtotal
General Improvement Type	Specialty	Specialty	Specialty	Specialty	
Use Description	Marina	Marina	Marina	Marina	
No. Buildings	1	1	1	1	4
GBA (SF)	5,621	2,345	450	400	8,816
Rentable SF	5,621	2,345	450	400	8,816
Construction Status	Existing, Stabilized Operations	Existing, Stabilized Operations	Existing, Stabilized Operations	Existing, Stabilized Operations	
Construction Class	D	D	D	D	
Quality	Average	Average	Average	Average	
Current Condition	Average	Average	Average	Average	
Age/Life Depreciation Analysis					
Year Built	1988	1988	1988	1988	
Year Renovated	None	None	None	None	
Actual Age (Yrs.)	33	33	33	33	
Economic Life (Yrs.)	45	45	40	40	
Effective Age (Yrs.)	20	20	20	20	
Remaining Economic Life (Yrs.)	25	25	20	20	
Percent Depreciation	44.44%	44.44%	50.00%	50.00%	
Floor Area Analysis					
Number of Stories	1	1	1	1	1.00
Est. Ground Floor Area (GBA)	5,621	2,345	450	400	8,816
Attributed Site Area (SF)	77,960	32,524	6,241	5,548	122,273
Site Coverage	7.2%	7.2%	7.2%	7.2%	7.2%
Floor Area Ratio (FAR)	0.072	0.072	0.072	0.072	0.072
Land to Building Ratio	13.869	13.869	13.869	13.869	13.869
Construction Details					
	Marina	Marina	Marina	Marina	
Foundation	Reinforced Concrete Slab & Pilings	Reinforced Concrete	Reinforced Concrete	Wood Subfloor & Pilings	
Basement	None	None	None	None	
Structural Frame	Wood Frame	Steel	Steel	Wood	
Exterior Walls	Wood	Wood	Wood	Wood	
Windows	Tempered Glass	Tempered Glass	Tempered Glass	Tempered Glass	
Roof	Metal	Metal	Metal	Metal	
Interior Finish					
	Marina	Marina	Marina	Marina	
Floors	Tile & wood	Wood & concrete	Wood & concrete	Wood & concrete	
Walls	Textured and painted sheetrock	None, open structure	Wood	Wood	
Ceilings	Suspended Acoustic Tile	Open	Open	Open	
Lighting	Fluorescent/LED	Fluorescent/LED	Fluorescent/LED	Fluorescent/LED	
Engineering & Mechanical					
	Marina	Marina	Marina	Marina	
HVAC	Package HVAC	None	None	None	
Electrical	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	
Plumbing	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	
Rest Rooms	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	
Fire Sprinklers	Yes	No	No	No	

Compiled by NKF

## Space Type/Classification

Improvements Summary				
Building Summary	Property Type	No. Buildings	GBA (SF)	Rentable SF
Ferry Terminal	Specialty-Marina	1	5,621	5,621
Foot Baggage Area	Specialty-Marina	1	2,345	2,345
Storage Buildings	Specialty-Marina	1	450	450
Barge Equipment Building	Specialty-Marina	1	400	400
Property Type Subtotals				
Specialty-Marina		4	8,816	8,816
Improvements Total		4	8,816	8,816

Compiled by NKF

## Functional Utility

Based on our inspection and consideration of its current use, there do not appear to be any significant items of functional obsolescence.



## Deferred Maintenance

We have reviewed an engineering report, dated March 5, 2019, performed by Moffatt & Nichol. According to this report, each structure was inspected above and below water for due diligence purposes. The summary and repair estimates can be found below for Deep Point Ferry Marina & Bald Head Island.

Location	Facility	ASCE Condition Rating	Due Diligence Rating	Repair Priority Ranking	Recommended Repair Cost Estimate
Deep Point Ferry Marina	A-Gate Passenger Landing	Good	Good	Low	\$0
	B-Gate Contractor Landing	Satisfactory	Good	Medium	\$11,000
	Maintenance Fixed Pier	Good	Good	Low	\$1,000
	Maintenance Finger Dock	Satisfactory	Good	Low	\$10,000
	"G" Berthing Platform	Good	Good	Low	\$0
	"H" Berthing Platform	Good	Good	Low	\$0
	Bulkhead Wall	Satisfactory	Good	Medium	\$137,000
	DPM Barge Ramp	Satisfactory	Good	Medium	\$154,000
Bald Head Island	BHI Barge Ramp	Satisfactory	Good	Medium	\$130,000
	Contractor Landing	Good	Good	Low	\$10,000
	Passenger Landing	Fair	Good	Medium	\$900,000
Total:					\$1,353,000

The total estimated cost of recommended replacements and repairs over the next ten years, based on the defects observed during this investigation, is \$1,353,000. As part of the recommended routine inspections and maintenance for all of the structural components of the waterfront facilities, routine inspections should be conducted once every five years. The estimated cost to complete each routine inspection is \$65,000, or \$130,000 total over the next ten years. Anticipated additional structural component maintenance repair items discovered during those inspection items can typically be expected on the order of \$100,000 - \$150,000 over the next 10 years based on the conditions observed and typical life expectancy of timber and concrete marine structures. A breakdown of estimated repair/replacement costs is provided in Appendix B.

We have deducted the reported \$910,000 attributable to the BHI repair estimates (BHI Barge Ramp completed already) from the final value conclusion with a 10% allowance for profit, resulting in a rounded deferred maintenance deduction of \$1,000,000. The 10% profit allowance is lower than the overall project profit of 15% as the scope of the project is significantly smaller and the coordination could be handled by onsite staff.

## Personal Property

No personal property items were observed that would have any material contribution to market value as all personal property items are considered to be part of the ferry operation and not part of the real property.

## Conclusion

- ❑ The improvements are of average quality construction and are in average condition.
- ❑ The improvements are considered to be functional for the existing use.
- ❑ Overall, the improvements are well suited for the existing use.
- ❑ Overall, the quality, condition, and functional utility of the improvements are rated as average for their age and location.



# Real Estate Taxes

The subject property is located in Southport, Brunswick County, and is subject to both Town and County millage rates. The subject is identified in the Brunswick County Tax Assessor's Office as tax parcel number 23800003.

Taxes and Assessments								
Tax Year 2021	Assessor's Market Value			Millage Rates		Taxes and Assessments		
Tax ID	Land	Improvements	Total	Assessment Ratio	Land & Improvements	Ad Valorem Taxes	Direct Assessments	Total
260JA008 (por)	\$3,500,340	\$210,290	\$3,710,630	100.0%	12.62100	\$46,832	\$1,484	\$48,316
	\$3,500,340	\$210,290	\$3,710,630	100.0%	12.62100	\$46,832	\$1,484	\$48,316

Compiled by NKF

North Carolina requires that all real estate be assessed at its "true value" or at 100 percent of its fair market value (N.C.G.S. 105-283). State law requires that North Carolina counties revalue all properties a minimum of every eight years. The most recent revaluation in Brunswick County became effective on January 1, 2019 with the next revaluation scheduled for January 1, 2023. According to the assessor's office, the sale of a property typically does (not) trigger a reassessment. The basis for ad valorem taxation is the Fair Market Value (FMV). Property taxes are levied on Assessed Value, which is a specific percentage of FMV based on the property type. The formula for real property taxes is:

$$\text{Fair Market Value} \times \text{Assessment Rate} \times \text{District Millage Rate} = \text{Tax Burden}$$

## Tax Comparables

Assessment to Sales Price Ratio Analysis							
No.	1	2	3	4	5	6	NKF Estimate
Property Name	1333 Dickinson Dr, Leland, NC 28451	852 Sunset Blvd N, Sunset Beach, NC 28468	5160 Ocean Hwy W, Shallotte, NC 28470	75 Lanvale Rd, Winnabow, NC 28479	7295 Beach Dr SW, Ocean Isle Beach, NC 28469	4901 Bellamy Ave, Shallotte, NC 28470	Bald Head Island Ferry Terminal - Parcel A
Improvements SF	40,000	11,538	14,950	48,170	8,000	58,075	8,816
Sale Date	8/24/2018	4/8/2019	12/28/2017	7/31/2019	7/6/2017	8/12/2019	
Sale Price	\$12,400,000	\$5,000,000	\$5,000,000	\$4,215,000	\$2,801,000	\$3,900,000	
Price/SF	\$310.00	\$433.35	\$334.45	\$87.50	\$350.13	\$67.15	
Total Assessed Value	\$8,190,880	\$3,061,370	\$2,111,990	\$1,683,700	\$2,196,150	\$2,004,090	
Assessed Value as % of Sale Price	66%	61%	42%	40%	78%	51%	65%

Compiled by NKF

As presented above, the assessed values as of the date of sale are compared to the sales price to demonstrate that while the assessor is charged with valuing the property at market value, mass appraisal techniques will tend to fall short of actual transaction prices. Beyond the inability of mass appraisal techniques to accurately value an individual parcel, assessors tend to be conservative on value indications to avoid the time and expense of a substantial number of tax appeals by dissatisfied property owners.



## Subject Tax Conclusion

Ad Valorem Tax Analysis		
	Subject History	Conclusion
	2021	
Total Assessed Value	\$3,710,630	\$3,710,630
Total Assessed Value/SF	\$420.90	\$420.90
Tax Rate	1.26210%	1.26210%
Direct Assessments	\$1,484	\$1,484
Ad Valorem Taxes	\$46,832	\$46,832
Actual / Pro Forma Taxes	\$48,316	\$48,316
Reported Tax Delinquencies	None	None
Tax Exemptions or Abatements	None	None

*Compiled by NKF*

The property appraiser is required by state law to appraise the property at 100% of market value, less closing costs and personal property. Our assignment was to determine market value of the subject property. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer. As a sale of the property does not trigger a reassessment, we are reporting the current tax liability; however, upon reassessment in 2023, the assessment would consider the sale of the property. The consequences of this reassessment have been considered in the appropriate valuation sections.

# Highest and Best Use

## As Vacant

The site is zoned PD-3C which allows for residential, commercial services, offices, marina and marina related, club facilities, transient inn and leisure activities and their attendant uses. Based on available data and analysis, no other legal restrictions such as easements or deed covenants are present which would impair the utility of the site. Given that surrounding properties have similar zoning and the future land use plan is focused on similar uses as well, it is unlikely that there would be a change of zoning classification.

The subject site contains 242,934 square feet (5.577 acres), has favorable topography, adequate access, and all necessary utilities to support the range of legally permissible uses. The only noted physical limitation was the shape of the site to accommodate the barge access road. The size of the site is typical for the categories of uses allowed under zoning. In total, the site is physically capable of supporting the legally permissible uses.

Of the legally permissible and physically possible uses, only commercial or mixed uses are considered to be reasonably probable. As presented in the Market Analysis section of this report, the subject submarket is supportive of these potential uses.

Given the underlying market conditions and activity, it appears that a commercial or mixed use development would have a sufficient degree of feasibility.

The financially feasible analysis has yielded the conclusion that development of a commercial or mixed use development is feasible and reasonably probable. The associated risk is typical and market conditions appear to be supportive. Therefore, the highest and best use of the subject as though vacant is the development of a commercial or mixed use development. As noted, market and economic conditions are supportive of the near term development of this use on the site. The most likely buyer would be an owner-user or developer. An investor is a potential buyer as land value appreciation would support speculation although near term development would also be likely.

## As Improved

The existing improvements are legally conforming to zoning. There are no known legal restrictions to the continued use of the improvements as they were designed. As previously discussed, the improvements are rated as average for their age and location. The improvements conform to the expectations of the market and conform in general terms to the highest and best use as though vacant conclusion above. The improvements were designed for this use. Based on our analysis and review, the improvements do not appear to suffer from significant functional obsolescence. Therefore, continuation of the existing use is reasonably probable and appropriate.





In this case, the subject is an income producing property and is capable of generating sufficient income to support the continuation and maintenance of the use. This is demonstrated in the income capitalization approach by the fact that a positive income stream can be generated. Since the concluded value as though improved exceeds the value of the underlying land, it follows that removal of the improvements for redevelopment or substantial conversion to an alternative use is not indicated.

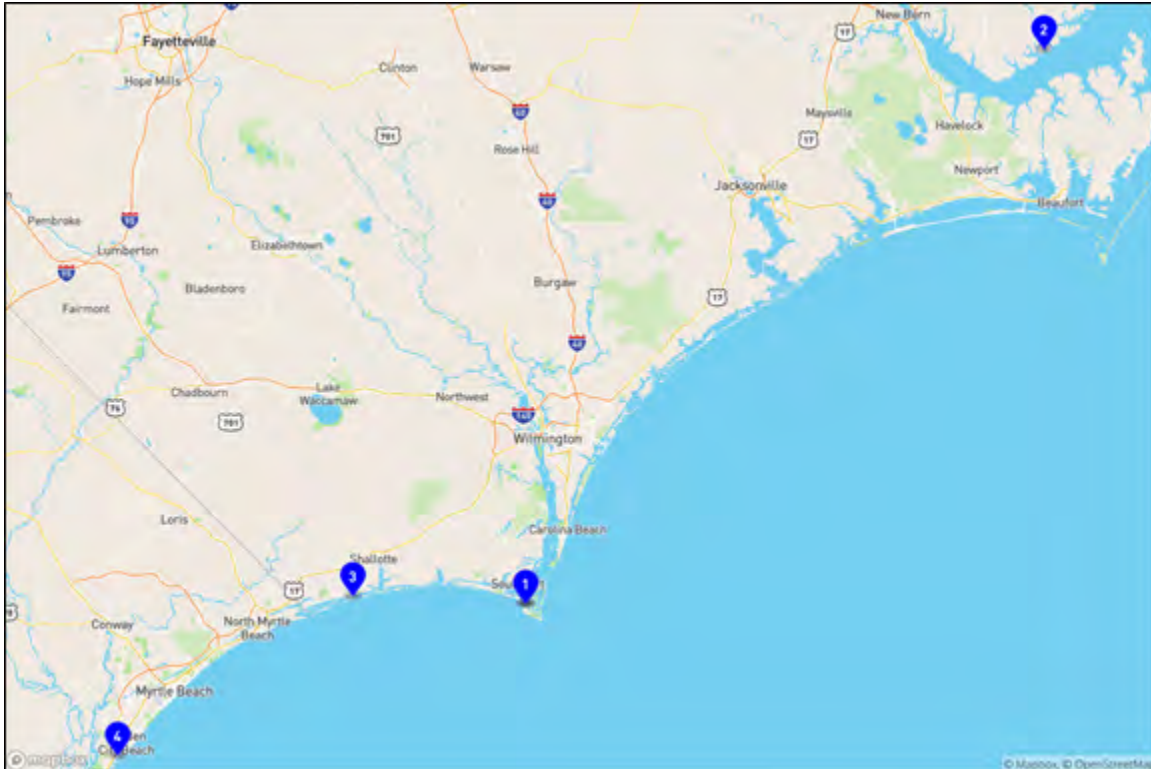
The existing improvements are legally permissible, physically possible, and financially feasible. The concluded value as though improved exceeds the value of the underlying land and removal of the improvements for redevelopment or substantial conversion to an alternative use is not indicated based on current neighborhood trends. Given no alternatives, the highest and best use of the subject as improved is the existing use. Market and economic conditions are supportive of this continued use. The most likely buyer would be an owner-user or investor. This is based on the current ownership and likely potential future purchasers.

### Excess Land

The subject has a 2.77-acre portion of the site that is currently undeveloped and located along the beach which would support some form of residential or recreational development such as single family homes or beachfront vacation cabins, subject to the zoning ordinances. These uses would be consistent with other residential uses in the area, while cabins would be consistent with transient in and leisure activities, while maintaining continuity of ownership with the overall parcel.

# Land Valuation

Land value can be developed from a number of different methodologies. In this case, we have employed sales comparison as sufficient comparable data exists from which to derive a reliable indication of value. Based on a review of market activity, the appropriate unit of comparison is price per usable land sf.



Land Comparables Map

## Comparable Land Sales Summary

	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Address	2 Marina Wynd	Bald Head Island	43 Causeway Drive	1218 Lupton Drive	Calais Point
City, State	Bald Head Island, NC	Bald Head Island, NC	Ocean Isle Beach, NC	Oriental, NC	Charleston, SC
Proposed Use	Commercial	General Commercial	General Commercial	Other	General Commercial
Gross Land SF	242,934 SF	36,590 SF	78,844 SF	43,124 SF	161,172 SF
Useable Acres	5.58 Acres	0.84 Acres	1.81 Acres	0.99 Acres	3.70 Acres
Useable Land SF	242,934 SF	36,590 SF	78,844 SF	43,124 SF	161,172 SF
Shape/Topography	Irregular/Level At	Irregular/Level at Street	Rectangular/Level at	Rectangular/Level at	Irregular/Generally level,
Utilities Available	Electricity, Sewer,	Electricity, Sewer, Water	Electricity, Sewer, Water	Electricity, Sewer, Water	Electricity, Sewer, Water
Zoning	PD-3C	Commercial	OI-C-2	Comm/Ind	Commercial
Transaction Type		Closed	Closed	Closed	Closed
Buyer		The Village of Bald Head Island	McMullen Ventures, LLC	AXL Properties	Joseph Moon
Seller		Bald Head Island Limited, LLC	OIB Holdings, LLC	Arnfast Alan K	Kenneth Leland
Interest Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Transaction Date		Dec-17	Feb-18	Apr-18	Jun-18
Price		\$825,000	\$2,000,000	\$2,500,000	\$2,499,999
Adj. Sale Price		\$825,000	\$2,000,000	\$2,500,000	\$2,499,999
Price per Gross Land Acre		\$982,154	\$1,104,967	\$2,525,276	\$675,675
Price Per Gross Land SF		\$22.55	\$25.37	\$57.97	\$15.51
Price per Usable Land Acre		\$982,154	\$1,104,967	\$2,525,276	\$675,675
Price Per Usable Land SF		\$22.55	\$25.37	\$57.97	\$15.51

Compiled by NKF



## Analysis of Land Comparables

The following analyzes the most relevant comparable data against the subject property.

- ❖ We have included the sales that are most relevant
- ❖ Comparable 1 is the most similar property with regard to location but required an upward location for its inferior frontage as compared to the subject's marina and open water frontage. A downward adjustment was required for the comparable's smaller size.
- ❖ Comparable 2 represents an operating boatyard and is adjusted downward for location, size and infrastructure as we are analyzing the subject's infrastructure separately within the cost approach.
- ❖ Comparables 3 and 4 only required downward adjustments for their smaller size.

Based on our comparative analysis, the following table summarizes the adjustments warranted to each land sale.

Comparable Land Sales Adjustment Grid					
	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Address	2 Marina Wynd	Bald Head Island	43 Causeway Drive	1218 Lupton Drive	Calais Point
City, State	Bald Head Island, NC	Bald Head Island, NC	Ocean Isle Beach, NC	Oriental, NC	Charleston, SC
Gross Land SF	242,934 SF	36,590 SF	78,844 SF	43,124 SF	161,172 SF
Usable Land Area (Acres)	5.58 Acres	0.84 Acres	1.81 Acres	0.99 Acres	3.70 Acres
Usable Land Area (SF)	242,934 SF	36,590 SF	78,844 SF	43,124 SF	161,172 SF
Transaction Type	--	Closed	Closed	Closed	Closed
Transaction Date	--	Dec-17	Feb-18	Apr-18	Jun-18
Price Per Usable Land SF		\$22.55	\$25.37	\$57.97	\$15.51
Transaction Adjustments					
Property Rights		0%	0%	0%	0%
Financing		0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%
Market Conditions (Time)		11%	11%	10%	9%
Subtotal (adjustments are multiplied)		11.0%	11.0%	10.0%	9.0%
Transaction Adjusted Price Per Usable Land SF		\$25.03	\$28.16	\$63.77	\$16.91
Physical Adjustments					
Location		0%	0%	-20%	0%
Corner		0%	0%	0%	0%
Frontage		20%	0%	0%	0%
Size		-20%	-10%	-20%	-10%
Shape		0%	0%	0%	0%
Topography		0%	0%	0%	0%
Utilities		0%	0%	0%	0%
Infrastructure		0%	0%	-20%	0%
Subtotal (adjustments are summed)		0%	-10%	-60%	-10%
Gross Adjustment		51%	21%	70%	19%
Overall Adjustment		11.0%	-0.1%	-56.0%	-1.9%
Indicated Price Per Usable Land SF		\$25.03	\$25.34	\$25.51	\$15.22

Compiled by NKF



## Land Value Conclusion

- ❖ Market participants have indicated land values have been on an upward trend due to increased demand for living in resort areas due to the ability to work from home.
- ❖ Prior to adjustments, the sales reflect a range of \$7.31 to \$57.97 per usable land sf.
- ❖ After adjustment, the range is narrowed to \$7.31 to \$26.26 per usable land sf, with an average of \$19.81 per usable land sf.
- ❖ Most weight was placed on Comparables One, Three and Four which indicate an adjusted value range of \$23.63 to \$25.34 per square foot. The subject property was most similar to these comparables because location and condition. Secondary consideration was given to Comparable Two due to the substantial downward adjustments required.

Land Value Conclusion		
Useable Land SF		242,934
Comparable Sales Indications	Range	Average
Unadjusted Price Per Usable Land SF	\$7.31 - \$57.97	\$23.13
Adjusted Price Per Usable Land SF	\$7.31 - \$26.26	\$19.81
Reconciled Value Per Usable Land SF		\$26.00
Total Indicated Value		\$6,316,284
	Rounded	\$6,300,000

*Compiled by NKF*



# Cost Approach

## Replacement Cost New

Building and Site Improvements - Cost Summary						
Improvements (Structures)	Site Improvements	Ferry Terminal	Foot Baggage Area	Storage Buildings	Barge Equipment Building	Subtotal
MVS Improvement Type		Specialty - Marina	Specialty - Marina	Specialty - Marina	Specialty - Marina	
Construction Class		D	D	D	D	
Quality		Average	Average	Average	Average	
MVS Section		14	14	14	14	
MVS Page		20	27	26	26	
Source Date		2/1/2020	2/1/2020	2/1/2020	2/1/2020	
Base Cost PSF		\$113.00	\$39.75	\$41.25	\$41.25	
+ Sprinklers		3.71	0.00	0.00	0.00	
Adjusted Base Cost PSF		\$116.71	\$39.75	\$41.25	\$41.25	
Height & Size Refinements						
# of Stories Multiplier		1.000	1.000	1.000	1.000	
Ceiling Height Multiplier		1.000	1.000	1.000	1.000	
Perimeter Multiplier		1.000	1.000	1.000	1.000	
Adjusted Base Cost		\$116.71	\$39.75	\$41.25	\$41.25	
Final Calculations						
Current Cost Multiplier		1.160	1.160	1.160	1.160	
Local Area Multiplier		0.920	0.920	0.920	0.920	
Other Multiplier (Site Congestion, etc.)		1.200	1.200	1.200	1.200	
Adjusted Base Cost	\$137.15	\$149.46	\$50.91	\$52.83	\$52.83	
x Structure Size (SF GBA)	8,816	5,621	2,345	450	400	8,816
Adjusted Cost	\$1,209,153	\$840,134	\$119,373	\$23,772	\$21,131	\$2,213,563
Site Improvements		\$0				\$0
+ Indirect Costs @ 20.00%	\$241,831	\$168,027	\$23,875	\$4,754	\$4,226	\$442,713
MVS Indicated Cost New Before Profit	\$1,450,983	\$1,008,161	\$143,248	\$28,526	\$25,357	\$2,656,275

Compiled by NKF

The allowance for indirect costs reflects the additional cost necessary to complete the project beyond the hard construction costs. These soft costs include financing fees, interest, permits and carrying costs throughout the construction period. Our experience with numerous proposed projects indicates that this expense can range from 15% to 35% of hard costs with the subject falling toward the lower end of the range based on the build-to-suit single tenancy but slightly above the low end to reflect the additional coordination costs of waterfront construction.

Site Improvements - Replacement Cost New							
Item	Unit	Measure	Cost/Unit	Cost New	Current Mult.	Local Mult.	Adj. Cost New
Surface Parking	SF	62,357	\$2.59	\$161,505	1.16	0.92	\$172,358
Landscaping	SF	22,700	\$5.93	\$134,611	1.16	0.92	\$143,657
Concrete Sidewalks	SF	28,400	\$8.00	\$227,200	1.16	0.92	\$242,468
Seawall	LF	333	\$1,350	\$449,699	1.16	0.92	\$479,918
Miscellaneous (Barge Ramp)	Lump Sum	1	\$130,000	\$130,000	1.16	0.92	\$138,736
Miscellaneous (Wood Retaining Wall/Walks)	Lump Sum	1	\$30,000	\$30,000	1.16	0.92	\$32,016
Totals				\$1,133,014			\$1,209,153

Compiled by NKF

## Entrepreneurial Profit

Entrepreneurial Profit						
Building and Site Improvements	Site Improvements	Ferry Terminal	Foot Baggage Area	Storage Buildings	Barge Equipment Building	Subtotal
Reconciled Cost New Before Profit	\$1,450,983	\$1,008,161	\$143,248	\$28,526	\$25,357	\$2,656,275
Entrepreneurial Profit @ 15.00%	\$217,647	\$151,224	\$21,487	\$4,279	\$3,804	\$398,441
Replacement Cost New (RCN)	\$1,668,631	\$1,159,385	\$164,735	\$32,805	\$29,160	\$3,054,716

Compiled by NKF



## Depreciation

- ❑ Physical deterioration, both curable and incurable;
- ❑ Functional obsolescence, both curable and incurable; and
- ❑ External obsolescence.

## Physical Deterioration

- ❑ Curable: Deferred maintenance (immediate repairs / feasible to correct) is summarized as follows.

Deferred Maintenance			
Building Improvements	Cost Estimate	Site Improvements	Cost Estimate
Passenger Landing	\$900,000	None	
Contractor Landing	\$10,000		
Building Subtotal	\$910,000	Site Subtotal	\$0
Combined Total for Site and Building Improvements			\$910,000
Entrepreneurial Profit @	10.00%		\$91,000
<b>Total Deferred Maintenance (Rounded)</b>			<b>\$1,000,000</b>

*Compiled by NKF*

- ❑ The 10% profit on deferred maintenance is lower than the overall profit as the coordination would likely be handled by onsite staff.
- ❑ Incurable: Estimated physical deterioration is based on the economic age/life method. Our estimate of incurable physical deterioration attributable to the building and site improvements is shown as follows.

Age/Life Depreciation Summary						
Building and Site Improvements	Site Improvements	Ferry Terminal	Foot Baggage Area	Storage Buildings	Barge Equipment Building	
Year Built	See Site	1988	1988	1988	1988	
Year Renovated	Improvements	None	None	None	None	
Actual Age (Yrs.)	Depreciation	33	33	33	33	
Economic Life (Yrs.)	Detail	45	45	40	40	
Effective Age (Yrs.)		20	20	20	20	
Remaining Economic Life (Yrs.)		25	25	20	20	
Percent Depreciation	66.67%	44.44%	44.44%	50.00%	50.00%	

*Compiled by NKF*





**Site Improvements - Depreciation**

Item	RCN	Life	Eff. Age	REL	Depr. %
Surface Parking	\$237,854	15	10	5.0 Yrs	66.7%
Landscaping	\$198,246	15	10	5.0 Yrs	66.7%
Concrete Sidewalks	\$334,606	15	10	5.0 Yrs	66.7%
Seawall	\$662,287	15	10	5.0 Yrs	66.7%
Miscellaneous (Barge Ramp)	\$191,456	15	10	5.0 Yrs	66.7%
Miscellaneous (Wood Retaining Wall/Walks)	\$44,182	15	10	5.0 Yrs	66.7%
<b>Totals</b>	<b>\$1,668,631</b>				<b>66.67%</b>

*Compiled by NKF***Functional Obsolescence**

- ❌ Based on observation of the improvements, no forms of functional obsolescence were noted.

**External Obsolescence**

- ❌ No external obsolescence was noted.

**Depreciated Replacement Cost**

The calculation of depreciated replacement cost is shown as follows.

<b>Depreciated Replacement Cost</b>						
Building and Site Improvements	Site Improvements	Ferry Terminal	Foot Baggage Area	Storage Buildings	Barge Equipment Building	Subtotal
Replacement Cost New	\$1,668,631	\$1,159,385	\$164,735	\$32,805	\$29,160	\$3,054,716
Less: Age/Life Depreciation	\$1,112,420	\$515,282	\$73,216	\$16,403	\$14,580	\$1,731,901
Adjusted RCN	\$556,210	\$644,103	\$91,519	\$16,403	\$14,580	\$1,322,815
Less: Functional Obsolescence	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted RCN	\$556,210	\$644,103	\$91,519	\$16,403	\$14,580	\$1,322,815
Less: External Obsolescence	\$51,641	\$59,801	\$8,497	\$1,523	\$1,354	\$122,815
Depreciated Replacement Cost	\$504,569	\$584,302	\$83,022	\$14,880	\$13,226	\$1,200,000
\$ PSF	\$57.23	\$103.95	\$35.40	\$33.07	\$33.07	\$136.12

*Compiled by NKF***Cost Approach Conclusion****Cost Approach Conclusions**

As Is	Value Indication
Depreciated Replacement Cost of Building and Site Improvements	\$1,200,000
Land Value	\$6,300,000
As Stabilized Value	\$7,500,000
<b>Rounded</b>	<b>\$7,500,000</b>
Deferred Maintenance	(\$1,000,000)
Near Term Capital Expenses	\$0
As Is Value	\$6,500,000
<b>Rounded</b>	<b>\$6,500,000</b>

*Compiled by NKF*

# Income Capitalization Approach

The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

The direct capitalization method is normally more appropriate for properties with relatively stable operating histories and expectations. The DCF analysis is more appropriate for investment properties with multiple or long-term leases, particularly leases with cancellation clauses or renewal options, and especially in volatile markets.

In this analysis, we utilized only direct capitalization because the subject property is expected to have a stable income stream and this method tracks better with investor and market participant analyses for a property like the subject. Further, we are projecting a NNN lease with the prospective tenant responsible for all operating expenses due to single tenant occupancy based on return on cost basis for calculating rent for the subject as a special purpose property.

The existing operation reflects an internal lease between related parties that is not arm's length and will no longer be in effect upon sale of the property. Based on our fee simple analysis of the subject, this lease is not considered in our analysis.

## Market Rent Analysis

The subject ferry terminal is a special purpose property that is typically owner-occupied, thus a dataset of comparable properties for estimating market rent is not available. Properties similar to the subject are typically built to the tenant's specifications and the rental rate is based on a return on cost to provide for both a return on and a return of capital as the improvements are a depreciating asset with limited alternative uses, the most likely of which, as a marina, would also be an owner-occupied structure with rent charged for the boat slips with the existing structure adapted to support this use, thus the structure would not be generating income.

In the cost approach, we estimated the replacement cost of the property and the cost is based on the depreciated replacement cost prior to any deductions for capital expenditures which will be a below the line deduction to the concluded market value.

To estimate the appropriate return on cost, we interviewed several industrial developers as industrial projects are most commonly developed as built-to-suit endeavors with specific return parameters required for a project to be considered viable for development. The developers focus



on industrial properties either in the southeast or nationally, with the return parameters based on their hurdle rates for investment. The following chart summarizes the return indications from surveyed participants:

Return on Cost Hurdle Rates		
Investor Type	Yield Estimate	
International investment Fund	Leveraged return on & return of cost	12% - 14% IRR
National Developer (Atlanta-based)	Return on Cost	6%
Regional Developer (Florida-based)	Return on Cost	8%
Regional Developer (Florida-based)	Leveraged return on & return of cost	12% - 15% IRR
Compiled by NKF	Conclusion	7.50%

The reported IRR figures are leveraged rates whereas the return on cost figures are based on a cash on cash return and are more applicable to the analysis. The subject should fall toward the upper middle portion of the return on cost figures as the property is a special purpose asset with few alternative users and assumes that the tenant will be maintaining the project in its current state of repair (after near-term capital items are addressed).

## Market Rent Conclusion

Based on the preceding analysis, the following is the concluded market lease terms for the subject:

Market Rent (Special Purpose) - Return on Cost	
Total Depreciated Cost & Land (Excluding Profit and CapEx)	\$7,500,000
Developer Return Parameters	7.50%
Payment	\$562,500
Building Area (SF)	8,816
Annual Rent PSF	\$63.80

Compiled by NKF

## Gross Income Estimate

### Potential Rental Income

Figures presented below reflect the 12-month period following the effective date of the appraisal.

Potential Rental Income		
Subject Historical and Projections	\$/SF	Total
Newmark Projection	\$63.80	\$562,500

Compiled by Newmark



## Operating History

The subject has been owner-operated through a non-arm's length lease and reflects business operations rather than real property projections; thus, no relevant data was available for the individual operations on BHI.

## Expense Recoveries

- ✖ The subject is assumed to be leased on an absolute net basis with all expenses accruing to the tenant.

## Vacancy & Collection Loss Allowance

- ✖ As the subject is assumed to be leased on an absolute net basis to a single tenant, no vacancy or collection losses are charged against the property as tenancy risk is considered in the selection of the overall capitalization rate.
- ✖ Based on available data and analysis, the concluded collection loss allowance is 0.00%.

## Combined Vacancy and Collection Loss Conclusion

Based on this analysis, the total stabilized vacancy and collection loss allowance for the subject is 0.00%.

## Effective Gross Income

Effective Gross Income		
Subject Historical and Projections	\$/SF	Total
Newmark Projection	\$63.80	\$562,500

*Compiled by Newmark*

## Operating Expense Analysis

- ✖ All expenses are assumed to be paid by the tenant.

## Net Operating Income

Net Operating Income			
Source	% of EGI	\$/SF	Total
Subject Historical and Projections			
Newmark Projection	#N/A	\$63.80	\$562,500

*Compiled by Newmark*



## Direct Capitalization

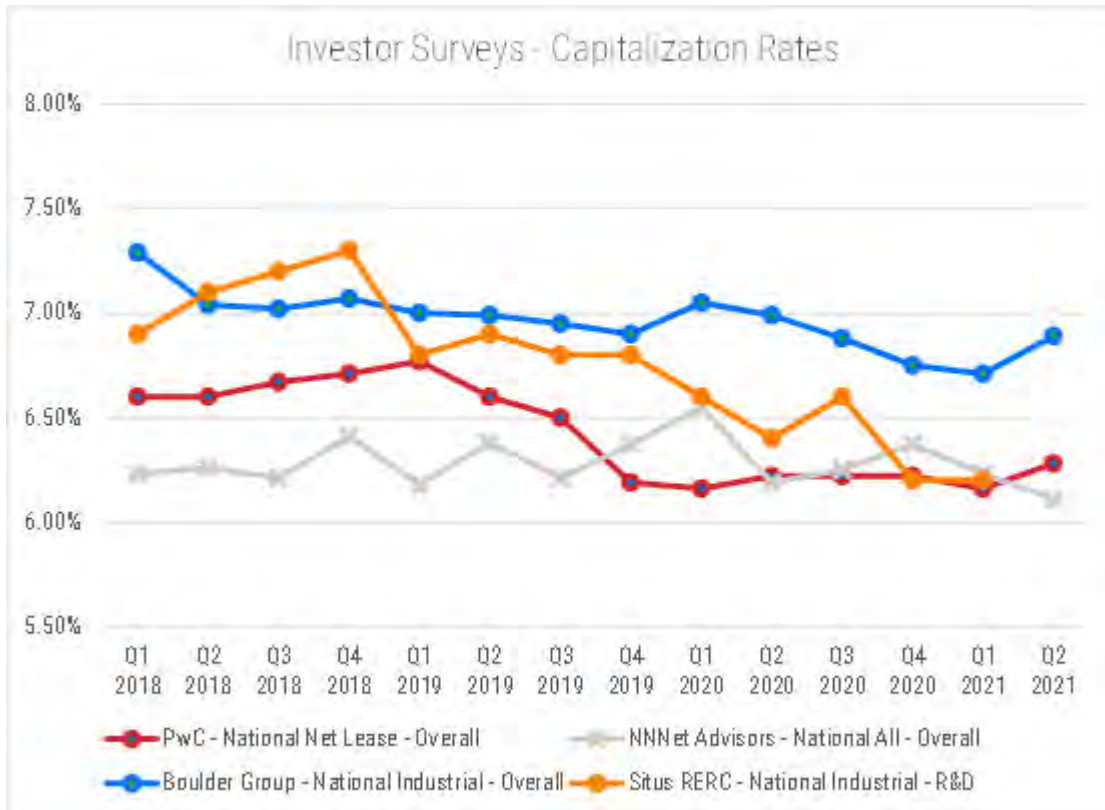
The following subsections represent different techniques for deriving an overall capitalization rate. While comparable sales would be a primary method, a sales comparison approach was not completed, thus rates could not be extract from those transactions. Note that this section does not consider the specific proposed tenancy by the State of North Carolina with its investment grade credit rating.

### Investor Surveys

#### Investor Surveys - Capitalization Rates

Source	Period	Low	High	Average
PwC - National Net Lease - Overall	Q2 2021	5.00%	8.50%	6.28%
NNNet Advisors - National All - Overall	Q2 2021	N/A	N/A	6.11%
Boulder Group - National Industrial - Overall	Q2 2021	N/A	N/A	6.89%
Situs RERC - National Industrial - R&D	Q1 2021	5.00%	7.20%	6.20%

Compiled by NKF



- ❑ The most current national survey data indicates that going-in capitalization rates range from 5.0% to 8.5% with averages ranging from 6.11% to 6.89%.
- ❑ The rate appropriate to the subject is considered to be above to the average rate in the survey data because the subject is a special purpose property with a limited pool of potential tenants and purchasers.



- ✘ Accordingly, based on the survey data, a capitalization rate within a range of 7.0% to 8.0% could be expected for the subject.

### Band of Investment

Band of Investment					
Mortgage/Equity Assumptions					
Loan to Value Ratio	70%				
Interest Rate	3.75%				
Amortization (Years)	25				
Mortgage Constant	0.0617				
Equity Ratio	30%				
Equity Dividend Rate	10.00%				
Weighted Average Of Mortgage/Equity Requirements					
Mortgage Requirement	70%	x	6.17%	=	4.32%
Equity Requirement	30%	x	10.00%	=	3.00%
Indicated Capitalization Rate (Rounded)					7.25%

Compiled by NKF

- ✘ The equity dividend rate is based on prior testing and extraction as well as alternative investments.

### Capitalization Rate Conclusion

Positive Attributes	Negative Attributes
✘ Good quality and appeal and providing primary access to a resort residential island.	✘ Special purpose property
✘ Strong market acceptance of the subject with upward trending ferry passenger counts.	✘ Ongoing pandemic risk.
✘ Barriers to entry reduce risk of competition from new construction	

Capitalization Rate Conclusion	
Source	Indication
Comparable Sales	N/A
Investor Surveys	7.0% - 8.0%
Band of Investment	7.25%
Concluded Going-In Capitalization Rate	7.50%

Compiled by NKF

### Adjustments to Value

Capitalization of the projected stabilized net operating income results in an As Stabilized value indication. To estimate the As Is value, adjustments to the indicated As Stabilized value are



## Income Capitalization Approach

required for existing deferred maintenance (remaining cost to complete), and projected capital expenditures.

### Direct Capitalization Summary

Net operating income is divided by the capitalization rate to derive the stabilized value of the subject. The as is value indication is derived through the adjustments noted above. Valuation of the subject by direct capitalization is shown in the table immediately following.

Income Capitalization Approach				
Summary of Stabilized Net Operating Income				
Item Description		% of Income	\$ / SF	Total \$
Specialty Income			8,816 SF	
Rental Income			\$63.80	\$562,500
Potential Rental Income			\$63.80	\$562,500
Vacancy		0.00%	\$0.00	\$0
Collection Loss		0.00%	\$0.00	\$0
Effective Gross Specialty Income			\$63.80	\$562,500
Operating Expenses			8,816 SF	
Real Estate Taxes	Paid by Tenant		\$0.00	\$0
Insurance	Paid by Tenant		\$0.00	\$0
Utilities	Paid by Tenant		\$0.00	\$0
Repairs and Maintenance	Paid by Tenant		\$0.00	\$0
Payroll and Benefits	Paid by Tenant		\$0.00	\$0
General and Administrative	Paid by Tenant		\$0.00	\$0
Management	Paid by Tenant	0.00%	\$0.00	\$0
Other Expenses	Paid by Tenant		\$0.00	\$0
Total Operating Expenses		0.00%	\$0.00	\$0
Net Operating Income			\$63.80	\$562,500
Direct Capitalization Method				
Value Indication			\$ / SF	Total \$
Stabilized Net Operating Income			\$63.80	\$562,500
Overall Capitalization Rate				7.50%
As Stabilized Value		Effective Date: 7/17/2021		\$7,500,000
Rounded			\$850.73	\$7,500,000
			Valuation Matrix	
			OAR	Value
			7.00%	\$8,035,714
			7.25%	\$7,758,621
			7.50%	\$7,500,000
			7.75%	\$7,258,065
			8.00%	\$7,031,250
As Is				
As Stabilized Value as of Current Date		Effective Date: 7/17/2021		\$7,500,000
Stabilization Discount				\$0
Deferred Maintenance				(\$1,000,000)
Near Term Capital Expenses				\$0
As Is Value		Effective Date: 7/17/2021		\$6,500,000
Rounded			\$737.30	\$6,500,000

Compiled by NKF



# Reconciliation of Value

The values indicated by our analyses are as follows:

Market Value Indications	
Market Value Premise As of Date:	As Is July 17, 2021
Cost Approach:	\$6,500,000
Sales Comparison Approach:	Not Used
Income Capitalization Approach:	\$6,500,000
Market Value Conclusion	\$6,500,000

*Compiled by NKF*

## Cost Approach

The Cost Approach has best applicability for properties with new or nearly new improvements. It is a summation approach in that the underlying land value is added to the depreciated replacement cost for the indicated value. In this case, the underlying land value was well established through sales comparison and is considered reliable. The replacement cost was developed through both Marshall Valuation Service data and cost comparables. The weakness to the cost approach is the estimate of depreciation but the newer age of the improvements limits the impact. Still, the subject property is an income producing property and the cost approach would be given the least credence by investors. Accordingly, the cost approach is given limited to no weight in this appraisal.

## Sales Comparison Approach

The subject property is a special purpose property with no sufficiently comparable properties. As such, this approach was not used as a standalone indication of value; however, the sales comparison methodology was used in the valuation of the underlying site.

## Income Capitalization Approach

The subject property is a single tenant special purpose property. The rental rate and income projections are based on a build-to-suit analysis using the depreciated replacement cost to mirror the market and consider appropriate return parameters. As the single tenant lease would be executed on an absolute net basis, only the direct capitalization was developed. Capitalization rates were developed from various sources. In total, the income capitalization approach is considered to be applicable to the subject and supportive of the cost approach conclusion, thus given secondary weight for that reason.



**Value Conclusions**

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value "As Is"	Fee Simple	7/17/2021	\$6,500,000

*Compiled by NKF***Extraordinary Assumptions and Hypothetical Conditions**

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

1. None

A hypothetical condition is defined in USPAP as a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

1. None

*Compiled by NKF***Exposure Time**

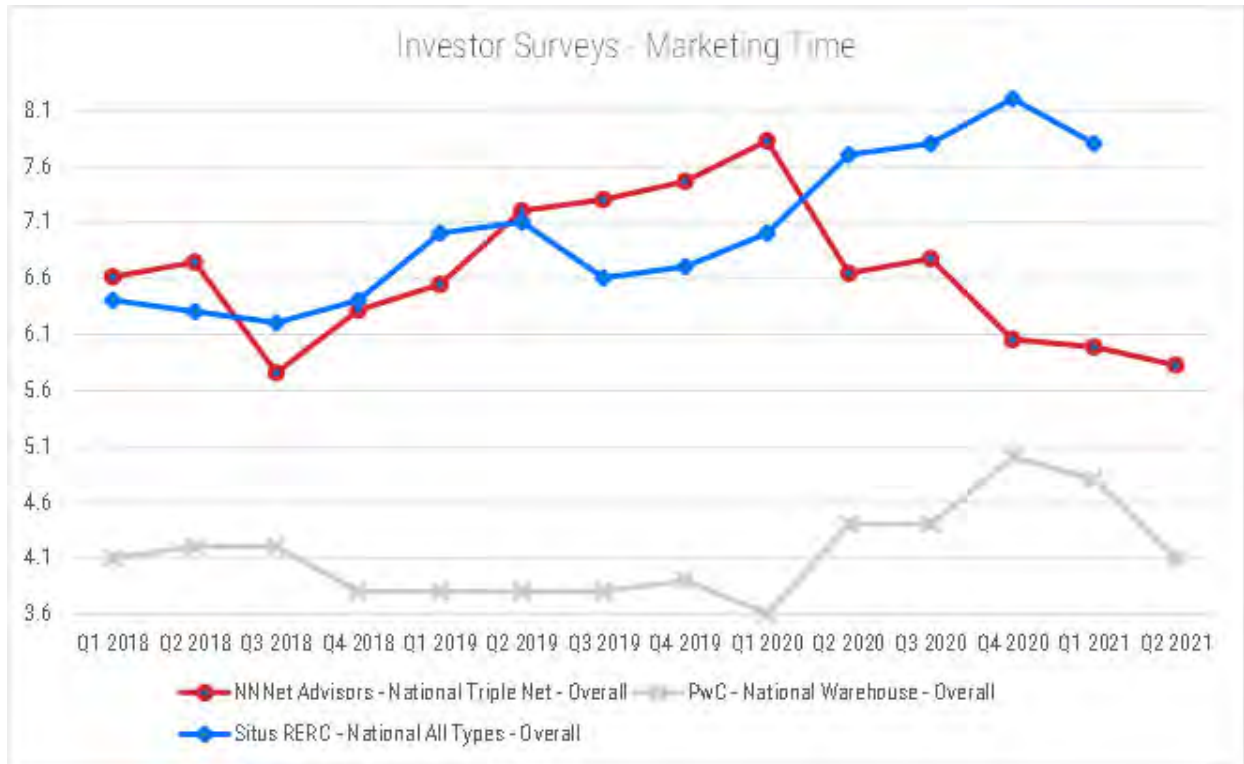
Exposure time is the estimated length of time the subject property would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. It is a retrospective estimate based on an analysis of past events assuming a competitive and open market. There is a limited pool of potential investors and the subject would likely sell as a sale-leaseback to an operator or to an owner-user; however, the user would consider the rate restrictions imposed by the state for an essential transportation source. Using an assumed absolute net lease transaction as the basis of comparison, the marketing and exposure time for the subject would be at the upper end of the range given the extensive due diligence required.

The following is national investor survey data which is one source for the underlying data to this conclusion.

**Investor Surveys - Marketing Times**

Source	Period	Low	High	Average
NNNet Advisors - National Triple Net - Overall	Q2 2021	N/A	N/A	5.8
PwC - National Warehouse - Overall	Q2 2021	1.0	10.0	4.1
Situs RERC - National All Types - Overall	Q1 2021	N/A	N/A	7.8

*Compiled by NKF*



Recent sales transaction data for similar properties, supply and demand characteristics for the local specialty market, and the opinions of local market participants were reviewed and analyzed. Based on this data and analysis, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 10 months.

## Marketing Time

Marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. As no significant changes in market conditions are foreseen in the near term, it is our opinion that a reasonable marketing period for the subject is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 10 months.



# Assumptions and Limiting Conditions

The Appraisal contained in this Report (herein "Report") is subject to the following assumptions and limiting conditions:

1. Unless otherwise stated in this report, title to the property which is the subject of this report (herein "Property") is assumed to be good and marketable and free and clear of all liens and encumbrances and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. No responsibility is assumed for the legal description, zoning, condition of title or any matters which are legal in nature or otherwise require expertise other than that of a professional real estate appraiser. This report shall not constitute a survey of the Property.
2. Unless otherwise stated in this report, it is assumed: that the improvements on the Property are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the Property and improvements conform to all applicable local, state, and federal laws, codes, ordinances and regulations including environmental laws and regulations. No responsibility is assumed for soil or subsoil conditions or engineering or structural matters. The Property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated. The physical condition of the Property reflected in this report is solely based on a visual inspection as typically conducted by a professional appraiser not someone with engineering expertise. Responsible ownership and competent property management are assumed.
3. Unless otherwise stated in this report, this report did not take into consideration the existence of asbestos, PCB transformers or other toxic, hazardous, or contaminated substances or underground storage tanks, or the cost of encapsulation, removal or remediation thereof. Real estate appraisers are not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials and substances may adversely affect the value of the Property. Unless otherwise stated in this report, the opinion of value is predicated on the assumption that there is no such material or substances at, on or in the Property.
4. All statements of fact contained in this report as a basis of the analyses, opinions, and conclusions herein are true and correct to the best of the appraiser's actual knowledge and belief. The appraiser is entitled to and relies upon the accuracy of information and material furnished by the owner of the Property or owner's representatives and on information and data provided by sources upon which members of the appraisal profession typically rely and that are deemed to be reliable by such members. Such information and data obtained from third party sources are assumed to be reliable and have not been independently verified. No warranty is made as to the accuracy of any of such information and data. Any material error in any of the said information or data could have a



substantial impact on the conclusions of this Report. The appraiser reserves the right to amend conclusions reported if made aware of any such error.

5. The opinion of value stated in this report is only as of the date of value stated in this report. An appraisal is inherently subjective and the conclusions stated apply only as of said date of value, and no representation is made as to the effect of subsequent events. This report speaks only as of the date hereof.
6. Any projected cash flows included in the analysis are forecasts of estimated future operating characteristics and are predicated on the information and assumptions contained within this report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of market expectations of future income and expenses. The achievement of any financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. There is no warranty or assurances that these forecasts will occur. Projections may be affected by circumstances beyond anyone's knowledge or control. Any income and expense estimates contained in this report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
7. The analyses contained in this report may necessarily incorporate numerous estimates and assumptions regarding Property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by the analysis will vary from estimates, and the variations may be material.
8. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraphs, several events may occur that could substantially alter the outcome of the estimates such as, but not limited to changes in the economy, interest rates, capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. In making prospective estimates and forecasts, it is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
9. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. This report shall be considered only in its entirety. No part of this report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the Firm. Possession of this report, or a copy hereof, does not carry with it the right of publication.
11. Client and any other Intended User identified herein should consider this report and the opinion of value contained herein as only one factor together with its own independent considerations and



Assumptions and Limiting Conditions

---

underwriting guidelines in making any decision or investment or taking any action regarding the Property. Client agrees that Firm shall not be responsible in any way for any decision of Client or any Intended User related to the Property or for the advice or services provided by any other advisors or contractors. The use of this report and the appraisal contained herein by anyone other than an Intended User identified herein, or for a use other than the Intended Use identified herein, is strictly prohibited. No party other than an Intended User identified herein may rely on this report and the appraisal contained herein.

12. Unless otherwise stated in the agreement to prepare this report, the appraiser shall not be required to participate in or prepare for or attend any judicial, arbitration, or administrative proceedings.
13. The Americans with Disabilities Act (ADA) became effective January 26, 1992. No survey or analysis of the Property has been made in connection with this report to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. No expertise in ADA issues is claimed, and the report renders no opinion regarding the Property's compliance with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
14. Acceptance and/or use of this report constitutes full acceptance of these Assumptions and Limiting Conditions and any others contained in this report, including any Extraordinary Assumptions and Hypothetical Conditions, and is subject to the terms and conditions contained in the agreement to prepare this report and full acceptance of any limitation of liability or claims contained therein.



Addenda

---

OFFICIAL COPY

Feb 28 2023

## **Addendum A**

## **Glossary of Terms**



The following definitions are derived from The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).

- ◆ **Absorption Period:** The actual or expected period required from the time a property, group of properties, or commodity is initially offered for lease, purchase, or use by its eventual users until all portions have been sold or stabilized occupancy has been achieved.
- ◆ **Absorption Rate:** 1) Broadly, the rate at which vacant space in a property or group of properties for sale or lease has been or is expected to be successfully sold or leased over a specified period of time. 2) In subdivision analysis, the rate of sales of lots or units in a subdivision.
- ◆ **Ad Valorem Tax:** A tax levied in proportion to the value of the thing(s) being taxed. Exclusive of exemptions, use-value assessment provisions, and the like, the property tax is an ad valorem tax. (International Association of Assessing Officers [IAAO])
- ◆ **Assessed Value:** The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value.
- ◆ **Cash Equivalency:** An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash or its equivalent.
- ◆ **Contract Rent:** The actual rental income specified in a lease.
- ◆ **Disposition Value:** The most probable price that a specified interest in property should bring under the following conditions: 1) Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) An adequate marketing effort will be made during the exposure time. 8) Payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This definition can also be modified to provide for valuation with specified financing terms.
- ◆ **Effective Rent:** Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord.
- ◆ **Excess Land:** Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. See also **surplus land**.





- ◆ **Excess Rent:** The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties.
- ◆ **Exposure Time:** 1) The time a property remains on the market. 2) [The] estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.
- ◆ **Extraordinary Assumption:** An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. See also **hypothetical condition**.
- ◆ **Fee Simple Estate:** Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.
- ◆ **Floor Area Ratio (FAR):** The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.
- ◆ **Frictional Vacancy:** The amount of vacant space needed in a market for its orderly operation. Frictional vacancy allows for move-ins and move-outs.
- ◆ **Full Service Lease:** See **gross lease**.
- ◆ **General Vacancy:** A method of calculating any remaining vacancy and collection loss considerations when using discounted cash flow (DCF) analysis, where turnover vacancy has been used as part of the income estimate. The combined effects of turnover vacancy and general vacancy relate to total vacancy and collection loss.
- ◆ **Going-Concern Premise:** One of the premises under which the total assets of a business can be valued; the assumption that a company is expected to continue operating well into the future (usually indefinitely).
- ◆ **Going Concern Value:** An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern or market value of the total assets of the business.
- ◆ **Gross Building Area (GBA):** 1) Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved. 2) Gross leasable area plus all common areas. 3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space.



- ◆ **Gross Lease:** A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called full-service lease.
- ◆ **Hypothetical Condition:** 1) A condition that is presumed to be true when it is known to be false. (Appraisal Institute: The Standards of Valuation Practice [SVP]) 2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. See also **extraordinary assumption**.
- ◆ **Intended Users:** 1) The party or parties the valuer intends will use the report. (SVP) 2) The client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment. (USPAP, 2020-2021 ed.)
- ◆ **Investment Value:** 1) The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. 2) The value of an asset to the owner or a prospective owner for individual investment or operational objectives. (International Valuation Standards [IVS])
- ◆ **Land-to-Building Ratio:** The proportion of land area to gross building area; one of the factors determining comparability of properties.
- ◆ **Lease:** A contract in which the rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.
- ◆ **Leased Fee Interest:** The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.
- ◆ **Leasehold Interest:** The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.
- ◆ **Lessee:** One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement.
- ◆ **Lessor:** One who conveys the rights of occupancy and use to others under a lease agreement.
- ◆ **Liquidation Value:** The most probable price that a specified interest in property should bring under the following conditions: 1) Consummation of a sale within a short time period. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under extreme compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) A normal marketing effort is not possible due to the brief exposure time. 8) Payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone



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

- ◆ **Market Rent:** The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).
- ◆ **Market Value:** A type of value that is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined, such as the following. 1) The most widely accepted components of market value are incorporated in the following definition: The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress. 2) Market value is described, not defined, in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. <sup>1</sup>
- ◆ **Market Value of the Going Concern:** The market value of an established and operating business including the real property, personal property, financial assets, and the intangible assets of the business.
- ◆ **Marketing Time:** An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.
- ◆ **Modified Gross Lease:** A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease.
- ◆ **Net Lease:** A lease in which the landlord passes on all expenses to the tenant. See also **gross lease;** **modified gross lease.**
- ◆ **Net Net Net Lease:** An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called NNN lease, triple net lease, or fully net lease.

---

<sup>1</sup> The actual definition of value used for this appraisal is contained within the body of the report. The definition of market value given above is general in viewpoint and is only provided for amplification.



## Addenda

- ◆ **Occupancy Rate:** 1) The relationship or ratio between the potential income from the currently rented units in a property and the income that would be received if all the units were occupied. 2) The ratio of occupied space to total rentable space in a building.
- ◆ **Overage Rent:** The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakpoint sales volume.
- ◆ **Percentage Rent:** Rental income received in accordance with the terms of a percentage lease; typically derived from retail store and restaurant tenants and based on a certain percentage of their gross sales.
- ◆ **Prospective Opinion of Value:** A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.
- ◆ **Rentable Area:** For office or retail buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.
- ◆ **Retrospective Value Opinion:** A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion."
- ◆ **Shell Rent:** The typical rent paid for retail, office, or industrial tenant space based on minimal "shell" interior finishes (called vanilla finish or white wall finish in some areas). Usually the landlord delivers the main building shell space or some minimum level of interior build-out, and the tenant completes the interior finish, which can include wall, ceiling, and floor finishes, mechanical systems, interior electricity, and plumbing. Typically these are long-term leases with tenants paying all or most property expenses.
- ◆ **Surplus Land:** Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. See also **excess land**.
- ◆ **Turnover Vacancy:** A method of calculating vacancy allowance that is estimated or considered as part of the potential income estimate when using discounted cash flow (DCF) analysis. As units or suites turn over and are available for re-leasing, the periodic vacancy time frame (vacancy window) to release the space is considered.

Addenda

---

- ♦ **Usable Area:** 1) For office buildings, the actual occupiable area of a floor or an office space; computed by measuring from the finished surface of the office side of corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Sometimes called net building area or net floor area. See also floor area. 2) The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas.
- ♦ **Use Value:** The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Use value may or may not be equal to market value but is different conceptually. See also **value in use**.
- ♦ **Value In Use:** The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. See also **use value**.
- ♦ **Value Indication:** A valuer's conclusion of value resulting from the application of an approach to value, e.g., the value indication by the sales comparison approach.

