

APPRAISAL REPORT

OF

BUDDA'LICIOUS
BEACHMAR COMMERCIAL CONDOMINIUM III - UNIT 887
A 2,650 (GLA) SQUARE FOOT SPECIALTY CONDOMINIUM
LOCATED AT 887 ALBACORE STREET
MONTERAY SHORES PUD, POPLAR BRANCH TOWNSHIP, CURRITUCK COUNTY, NC



Prepared For:

Mr. Kenneth B. Weckstein
17016 Falls Pointe Drive
Great Falls, Virginia 22066-1600

Prepared By:

Gregory L. Bourne, MAI
Bourne Appraisal Service
Post Office Box 1687
Nags Head, North Carolina 27959

Effective Date of Appraisal (Date of Appraisal):

July 18, 2019 (August 2, 2019)

Bourne Appraisal Service

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Mr. Kenneth B. Weckstein
10716 Falls Pointe Drive
Great Falls, Virginia 22066-1600

August 2, 2019

Re: Appraisal Report of *Budda'Licious, BeachMar Commercial Condominium III - Unit 887*, a 2,650 square foot (GLA) specialty condominium, located at 887 Albacore Street, in Monterey Shores PUD, Poplar Branch Township, Currituck County, NC (Our File #: 19-5629).

Dear Mr. Weckstein:

I have made an inspection of the above referenced property, reviewed the necessary documents and have collected market data indicative of the **“as is” market value** of same. This report has been prepared in accordance with sound appraisal practice and the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute, as amended, and The Appraisal Foundation's Uniform Standards of Professional Appraisal Practice (USPAP). This document reflects an Appraisal Report as defined in Standard 2: Real Property Appraisal, Reporting in USPAP and it meets or exceeds the reporting requirements contained therein. The appraisal will be used by the property owners, who are the intended users, for asset management and/or marketing purposes.

I submit herewith the following report which sets forth a brief description of the property as well as the pertinent data, analysis and conclusions derived from my investigation.

Based on my analysis of the data collected, subject to the limiting conditions and definitions set forth in this report, I concluded that the **“as is” market value**, of the commercial condominium with restaurant FF & E, in **fee simple** title and as of July 18, 2019, was:

FIVE HUNDRED FIVE THOUSAND DOLLARS

(\$505,000)

The depreciated value of the restaurant's FF & E was estimated at \$35,000 and as such, the value of the real property was \$470,000 (\$505,000 - \$35,000). At the appraised value, the marketing time is 12 months while the reasonable exposure time, which reflects the days on the market prior to a hypothetical sale on the effective date of appraisal, is also estimated at 12 months.

[continues]

Mr. Kenneth B. Weckstein
August 2, 2019
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Thank you for this opportunity to be of service to you. If I can be of further assistance, please advise.

Respectfully submitted,

Gregory L. Bourne, MAI

Gregory L. Bourne, MAI



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Addenda

State License Certificate
Subject Deed
Tax Abstract
Equipment Appraisal and List

CERTIFICATION

The undersigned does hereby certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved. **I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period IMMEDIATELY PRECEDING ACCEPTANCE OF THIS ASSIGNMENT.**
4. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. My 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 results, or the occurrence of a subsequent event directly related to the intended use of this appraisal. **The appraisal assignment was not made, nor was the appraisal rendered on the basis of a requested minimum valuation, specific valuation, or an amount which would result in approval of a loan.**
6. My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with, the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, as well as the Uniform Standards of Professional Appraisal Practice.
7. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
8. No one other than the undersigned prepared that analyses, conclusions, and opinions concerning the real estate that are set forth in this appraisal report. However, other members of the staff of Bourne Appraisal Service may have assisted in obtaining and processing portions of the data used. The undersigned has made a personal inspection of the property that is the subject of this report.
9. No one provided significant professional assistance to the person(s) signing this report.
10. As of the date of this report, the undersigned designated appraiser has completed the requirements under the continuing education program of the Appraisal Institute.
11. The appraiser last inspected the subject on July 18, 2019 and concluded that the **“as is” market value** estimate, **in fee simple title** and subject to the contingent and limiting conditions contained herein, as of July 18, 2019, was \$505,000 which includes both real and personal property (FF & E).

Gregory L. Bourne, MAI

Gregory L. Bourne, MAI
State Certified General Appraiser # NC A215



SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property Location:	The subject is located at 887 Albacore Street, in Monterey Shores PUD, Corolla, Poplar Branch Township, Currituck County, North Carolina (Postal Zip Code: 27927).										
Tax Identification:	Pin # 116H-000-0887-0000										
Present Use:	Prior to being vacated during November of 2017, the subject was operated as a food service establishment known as <i>Budda'Licious</i> ; The property is currently unoccupied and on July 28, 2018, it was listed for sale in the Outer Banks MLS. The subject of this appraisal reflects the commercial condominium's real property and restaurant FF & E.										
Property Rights Appraised:	Fee Simple Estate										
Hypothetical Conditions:	None										
Extraordinary Assumptions:	None										
Property Owners:	Kenneth B. Weckstein, Andrea G. Weckstein and Dr. Scott H. Leaf.										
Site Data:	BeachMar Commercial Condominiums (i.e. formerly Monterey Plaza Shopping Center) is situated on a 9.33 acre commercial tract which has extensive frontage along Ocean Trail (NC 12) and Albacore Street. This project is composed of a number of commercial buildings that share parking and ingress and egress easements.										
Zoning:	Although the subject's base zoning is residential, it is situated within a Planned Unit Development Overlay District (PUD) and as such, its development potential is governed by the Master Plan for Monterey Shores PUD which allows commercial uses of this site.										
Assessments and Taxes (2019):	<table border="0" style="margin-left: 20px;"> <tr> <td style="padding-right: 20px;">Land Assessment</td> <td style="text-align: right;">\$ 64,500</td> </tr> <tr> <td>Improvements</td> <td style="text-align: right;">312,300</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">\$376,800</td> </tr> <tr> <td style="padding-top: 10px;">Tax Liability</td> <td style="text-align: right; padding-top: 10px;">\$1,997.04</td> </tr> <tr> <td style="padding-top: 10px;">Delinquent Taxes:</td> <td style="text-align: right; padding-top: 10px;">\$0.00</td> </tr> </table>	Land Assessment	\$ 64,500	Improvements	312,300		\$376,800	Tax Liability	\$1,997.04	Delinquent Taxes:	\$0.00
Land Assessment	\$ 64,500										
Improvements	312,300										
	\$376,800										
Tax Liability	\$1,997.04										
Delinquent Taxes:	\$0.00										

Description of Improvements:

The subject contains 2,650 square feet of gross building area (GBA) and it is located in the original section of Monterey Plaza that was constructed during 1991. The building has brick exterior walls and a flat roof with metal decking and a plastic membrane roof cover. BeachMar Commercial Condominium (i.e. formerly Monterey Plaza Shopping Center) has a total gross leasable area of 122,890 square feet. This retail project was first developed during 1991 and it reflected a strip shopping center with a Food Lion anchor and adjacent local commercial space. The primary complex was enlarged during 1995 and out-parcels were improved during 2001. The shopping center is composed of a number of masonry frame and structural steel buildings which are built on concrete slab foundations and the exterior walls are a mixture of synthetic stucco and brick. The condominium has an effective age of 25 years and a total economic life of 50 years. The remaining economic life is 25 years.

Highest and Best Use:

Land as Though Vacant:

Commercial uses

As Improved:

Present usage

Budda'Licious
Units 887, BeachMar III, Commercial Condominium

“As Is” Market Value Estimate	
Effective Date of Appraisal	July 18, 2019
Marketing Time	12 months
Property Rights Appraised	Fee Simple Estate
Estimated Depreciated Value of FF & E	\$35,000
Estimated Value of Real Property without FF & E	\$470,000
Total Property Value including Realty & FF & E	\$505,000
Cost Approach	N/A
Sale Comparison Approach (no FF & E)	\$470,000
Income Approach (including FF & E)	\$490,000
Final Value Estimate (excluding FF & E)	\$470,000

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

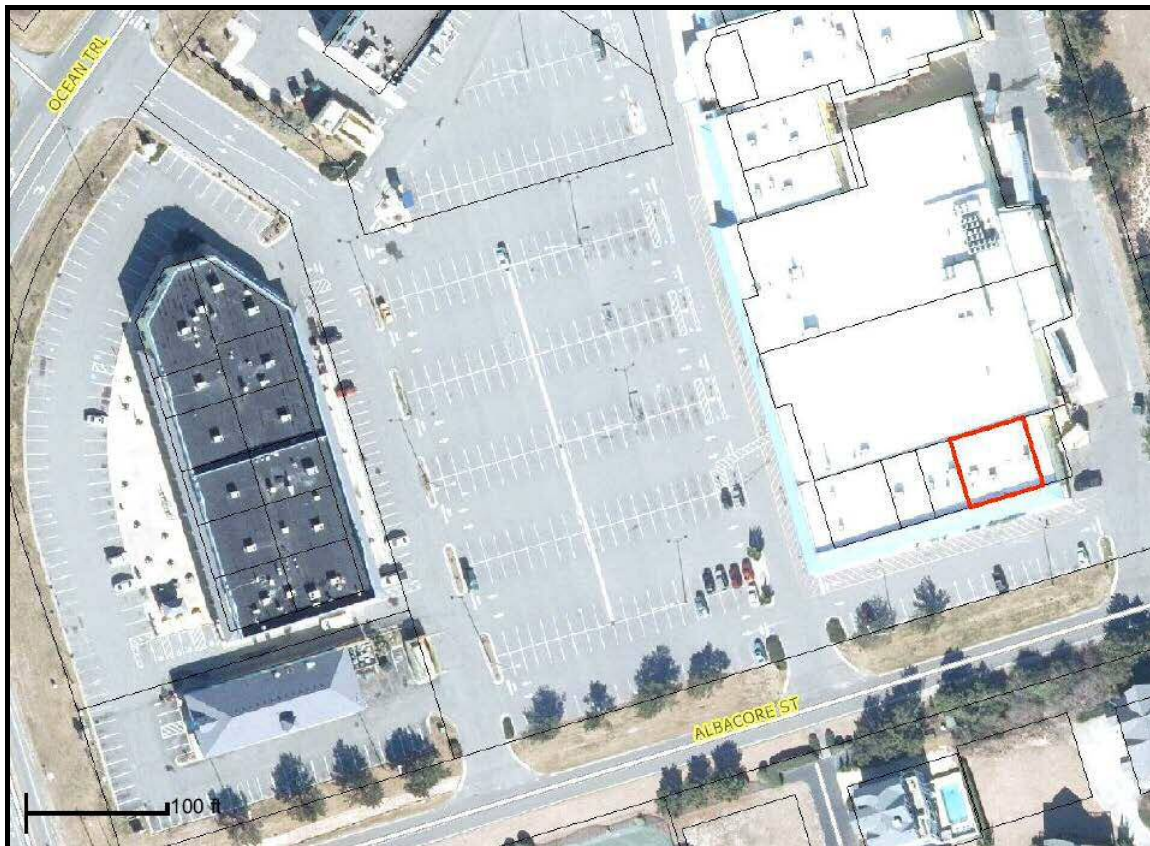
This appraisal report has been made with the following general assumptions and limiting conditions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined and considered in the appraisal report.
9. It is assumed 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 estimate contained in this report is based.
10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. **No survey was made especially for this appraisal. Property lines, area calculations, etc., of record, or otherwise provided, are assumed to be correct.**
12. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

13. Possession of this report, or a copy thereof, does not carry with it the right of publication.
14. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony or be in attendance in court with reference to the property in question unless arrangements have been previously made.
15. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales or other media without the prior written consent and approval of the appraiser.
16. The forecasts, projections or operating estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factors and a continued stable economy. These forecasts are, therefore, subject to changes in the future.
17. In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of any building, such as the presence of urea formaldehyde foam insulation and/or the existence of toxic waste, which may or may not be present on the property, has not been considered. The appraiser is not qualified to detect such substances. The client is urged to retain an expert in this field, if desired.
18. It is assumed that the subject has never been utilized as a waste disposal site for toxic or other hazardous waste materials as defined by the appropriate government agencies.
19. This appraisal report has been prepared for the exclusive benefit of the property owners who are the intended users of this appraisal report. It may not be used or relied upon by any other party and use by others is not intended by the appraiser. Any party who uses or relies upon any information in this report, without the preparer's written consent, does so at his own risk.
20. The Americans with Disabilities Act ("ADA") became effective January 26, 1992, after the construction of the subject. Only a specific compliance survey and analysis of the subject can determine conformity with the requirements of the ADA. The appraiser is not qualified to determine ADA compliance. If the client is concerned about ADA issues, he is urged to obtain a specific compliance survey.

IDENTIFICATION OF THE PROPERTY

Monterey Plaza is located at the northeast quadrant of Ocean Trail (NC 12) and Albacore Street intersection, in Monterey Shores PUD, Currituck Outer Banks, Poplar Branch Township, Currituck County, North Carolina (Postal Zip Code: 27927). Monterey Plaza contains a gross leasable area of 122,890 square feet and it has been converted into a commercial condominium known as BeachMar Commercial Condominium. The subject's legal description is Unit 887, BeachMar Commercial Condominium III and its street address is 887 Albacore Street. The subject is identified in the Currituck County Tax Office by Pin # 116H-000-0887-0000.



Location Map



SUBJECT PHOTOGRAPHS



Subject View Facing Northwest



Subject View Facing Northeast



Interior View



Interior View



Interior View



Interior View



Interior View



Interior View



Interior View



Service Drive Behind Shopping Center



Albacore Drive Facing West



Albacore Drive Facing East

PURPOSE, USE AND DATE OF THE APPRAISAL

This appraisal will be used to establish the subject's "as is" market value. The appraisal will be used by the property owners, who are the intended users, for asset management and/or marketing purposes. The effective date of appraisal is July 18, 2019 which is the date of my interior and exterior inspection. The date of appraisal, which reflects the date on which the appraisal is transmitted to the client, is August 2, 2019.

DEFINITION OF MARKET VALUE

Per 12C.F.R. § 323.2-(g) of Rules and Regulations of the FDIC and Interagency Appraisal and Evaluation Guidelines (December 2, 2010), "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, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and each acting in what he considers his own best interest;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

In this appraisal assignment, your appraiser has assumed that the market value estimate is based on a cash sale or typical financing which could be secured through a commercial lending institution. Typical mortgage financing can be secured at a 5.00 to 6.00 percent annual interest rate with a 15 to 20 year amortization period and a three (3) to seven (7) year call. The typical loan to value ratio is 70 to 80 percent with an one (1) point loan fee.

MARKETING PERIOD AND EXPOSURE TIME

From interviews with brokers and knowledgeable market participants and sales of Outer Banks commercial, residential and mixed use properties, it appears the typical marketing period is 12 months provided the property is offered at a reasonable asking price. The marketing period is a function of the asking price for the property. If an owner lists a property at an unrealistically high value, it will have an extended marketing period unless the asking price is adjusted to reflect current market return rates and expectations. The subject's "as is" market value estimate is based on a 12 month marketing period. The subject's reasonable exposure time, which reflects the days on the market prior to a hypothetical sale on the effective date of appraisal, is estimated at 12 months. The typical brokerage fee for a property similar to the subject is five (5) to six (6) percent and within Currituck County, the seller pays a 1.00 percent land transfer tax which is based on the gross sales price.

PROPERTY RIGHTS APPRAISED

The fee simple estate is appraised in this report. The term fee simple estate can be defined as an "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, escheat, police power, and escheat."¹

STATEMENT OF OWNERSHIP

The subject is owned by Kenneth B. Weckstein, Andrea G. Weckstein and Dr. Scott H. Leaf.

¹Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th Edition, p. 90.

SCOPE OF WORK RULE

Under the Scope of Work Rule, “an appraiser must: 1. identify the problem to be solved; 2. determine and perform the scope of work necessary to develop credible assignment results; and 3. disclose the scope of work in the report.”² In this assignment, the subject’s “as is” market value has been estimated. Most of the elements of the Scope of Work Rule are discussed throughout this appraisal report while some issues are considered in this section. **In this appraisal, it is assumed the reader is familiar with most appraisal concepts as well as the subject’s general market area and as such, boiler-plated descriptions have been minimized while a detailed analysis is made in the valuations sections. Furthermore, minimal demographic data have been included while greatest emphasis has been placed on current economic trends and analysis.**

The scope of the appraisal defines how and where the data sources are collected and the extent that these data are applied to standard appraisal practices and procedures. In this appraisal assignment, area and neighborhood data are collected from the North Carolina Office of State Budget and Management, the North Carolina Department of Revenue, North Carolina Department of Transportation, North Carolina Power Company, Outer Banks Chamber of Commerce and a physical inspection of the neighborhood. Also, local government officials are interviewed about zoning and real property assessment issues.

²Uniform Standards of Professional Appraisal Practice, 2018-2019 Edition, Appraisal Standards Board, The Appraisal Foundation, page 12.

Improved sales are collected from transfers of properties located in Dare and Currituck Counties. Sales data are assembled by researching tax records, transfer data and the Outer Banks MLS. These sales are confirmed with either a real estate agent involved in the transaction, the grantee, the grantor or other knowledgeable market participant. Market rent and leasing information is obtained from interviews with owners and leasing agents of similar properties located within the subject's general market area. As a commercial condominium in which all of the elements (land, site improvements and building) are held in common by the Owners Association, the cost approach is not deemed an appropriate measure of market value. Also, the subject's underlying land value has not been estimated. In this appraisal assignment, only the sales comparison and income approaches are employed. The subject is a single occupant, owner occupied or single tenant property and Outer Banks buyers of this property class do not consider a discounted cash flow analysis (DCF) in their investment decision and as such, a DCF has not been performed.

AREA ANALYSIS - OUTER BANKS (SUMMARIZED)

The subject is located in a seasonal resort area known as the Outer Banks which includes the Currituck Outer Banks. From 2001 to 2005, Dare and Currituck Counties had strong growth in all economic sectors. Building activity and real estate sales have increased significantly while the traditional measures of the tourist trade, including occupancy tax collections, retail sales and food/beverage sales, have risen dramatically. Overall, the Outer Banks economy had displayed consistent growth patterns from 2001 to 2005. **Please refer to the Current Market Outlook on page 27.**

NEIGHBORHOOD ANALYSIS - CURRITUCK OUTER BANKS (SUMMARIZED)

On the Currituck Outer Banks, there is a very limited amount of commercial space and historically vacancy has been low. Within the neighborhood, properties (both improved and vacant) sell for a premium as compared to most areas on the Outer Banks. Prior to the Great Recession, the subject's neighborhood had some of the highest property values on the Outer Banks and construction activity was brisk. From 2001 to 2005, commercial, waterfront and water view values (especially sound front, oceanfront and near water properties) had risen significantly as the supply of available lots dwindled (or disappeared) due to the finite supply and rising demand; however, by 2006/2007, values had peaked and after the onset of the Great Recession, property values fell considerably. **However, values appear to have rebounded modestly in the past couple years.**

On the Currituck Outer Banks, the primary shopping hub is located at the intersection of Ocean Trail (NC 12) and Albacore Street. Monteray Plaza Shopping Center (a.k.a. BeachMar Commercial Condominium) is situated at the northeast quadrant of the Albacore Street and Ocean Trail intersection which has one of Currituck Outer Bank's two traffic lights. This large retail complex has a Food Lion, dining theater, restaurants, retail shops and offices and at the present time, the project is fully occupied. Located at the southwest corner of the aforementioned intersection, there is shopping complex known as TimBuck II which is composed of 17 building pads and the vast majority of the project reflects common areas which include landscaped open space, streets, sidewalks, entrance signage, etc. The project is dominated by two (2) large retail buildings (37,535.5 s.f. in total GLA) located in the center of the development while a number of commercial buildings front Sunset Boulevard. Other uses include realty offices, speciality retail shops, a go-cart track, miniature golf course, freestanding restaurants, drive-thru beverage store and recreational uses. Similar to Monteray Plaza, TimBuck II is fully built-out and it is a very successful retail complex with high rental levels and occupancy rates. Within The Currituck Club, there are two (2) commercial areas and the primary commercial area is located at the signalized intersection of Clubhouse Drive and Ocean Trail (i.e. the Currituck OBX's 2nd traffic light). At 601 Clubhouse Drive, there is a 57,310 square foot shopping center with a 48,910 square foot Harris Teeter and 8,400 s.f. of local space. A two (2) story retail/office building with 10,601 s.f. is situated at 620 Clubhouse Drive. The Currituck Club's other commercial section is located along Ocean Trail with commercial buildings fronting either Hunt Club Drive or Old Stoney Road and this area is composed of five (5) retail/office buildings that contain 38,563 square feet (range: 3,806 s.f. to 15,720 s.f.). Other commercial projects are situated in Corolla Light and Corolla Village.

The North Carolina Department of Transportation has purchased the eastern landing point for the Mid-Currituck Bridge which will land along the sound front in Section 2 of Corolla Bay. The NC DOT has acquired 6.925 acres in fee simple title as well as 0.236 acres of permanent drainage easements. Construction on the Bridge was to begin in Fiscal Year 2017 with the span open by 2023. However, an environmental group has challenged the planned Bridge in Court and construction has been delayed. The Bridge was anticipated to cost \$440 million and it was to be financed by bonds that will be repaid via tolls. At the present time, the NC DOT has not secured the western landing point or right-of-ways to US 158. The Toll Bridge will connect the Currituck Outer Banks with the Mainland and its western landing point will be in Aydlett. The proposed route for the Bridge is portrayed as follows:

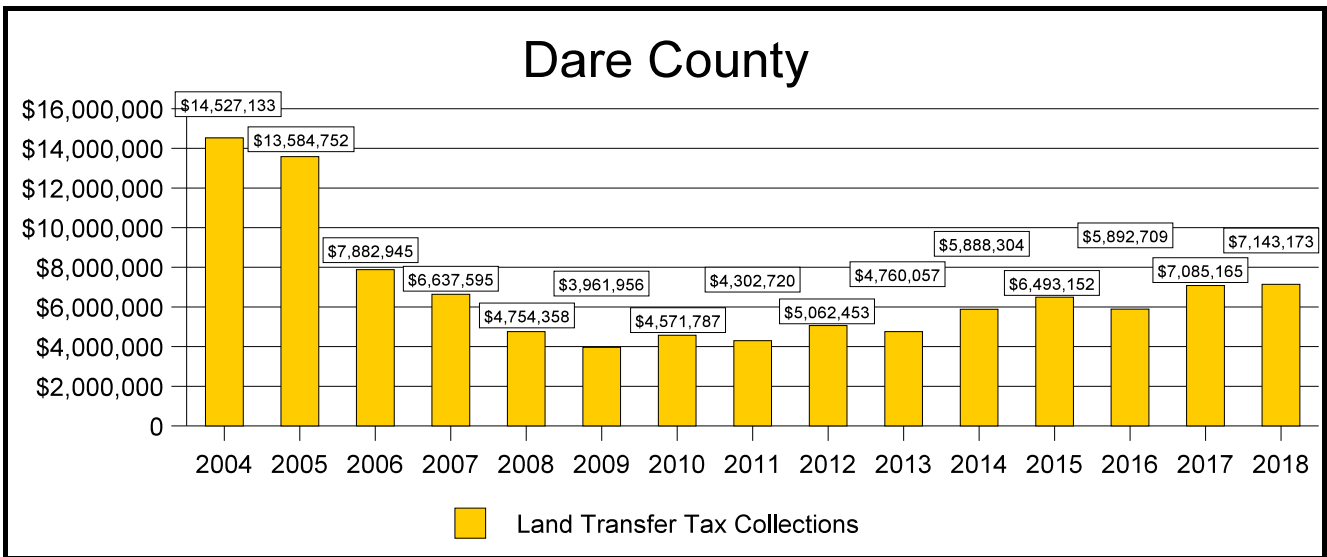
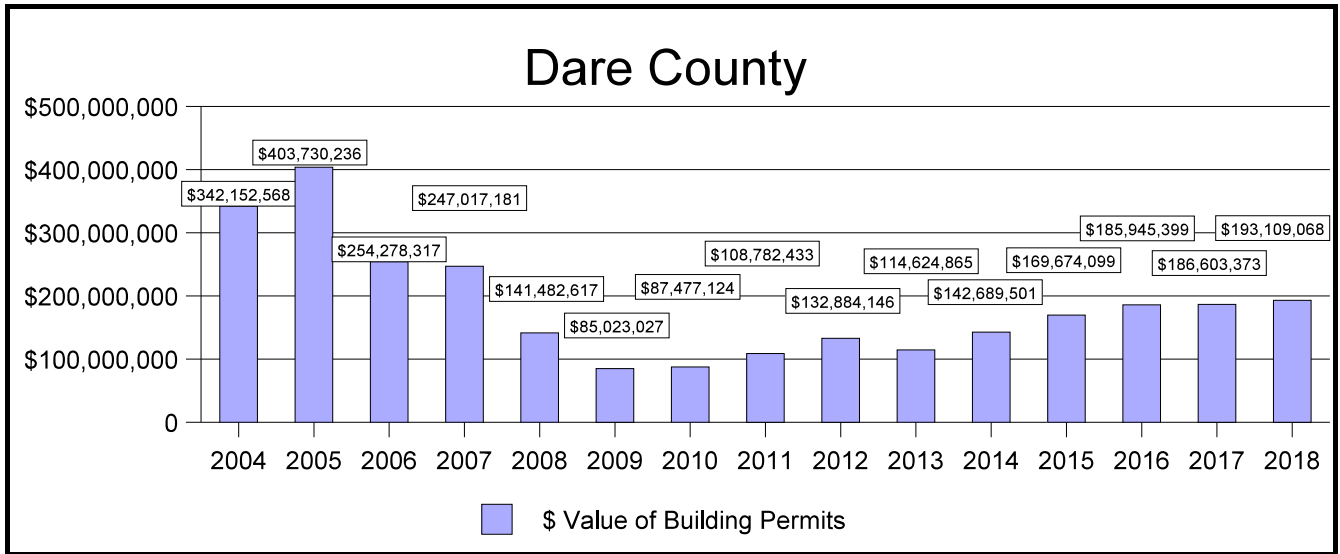


Currently, all traffic headed to the Currituck Outer Banks must travel southward along US 158 and across the Wright Memorial Bridge to Kitty Hawk and vehicles must then travel northward along NC 12, a two (2) lane highway, through Southern Shores and Duck to reach various Currituck Outer Banks locations including the Northern Beaches in the “4-Wheel Drive Territory”. The distance from Southern Shores to Corolla is about 25 miles. During the busy summer tourist season and holiday weekends, the traffic volume is very heavy and hours long delays are the norm. Construction of the Mid-Currituck Bridge would greatly reduce the travel time to the Currituck Outer Banks and once completed, it would totally change the dynamics of the market. Not only will the Currituck Outer Banks become more accessible to tourists, it would be possible for property owners and guests to reach the Currituck Outer Banks in about an hour from many points in the Southside of Virginia (i.e. Norfolk, Chesapeake, Portsmouth, Suffolk). However, as mentioned previously, the future of the proposed bridge is uncertain.

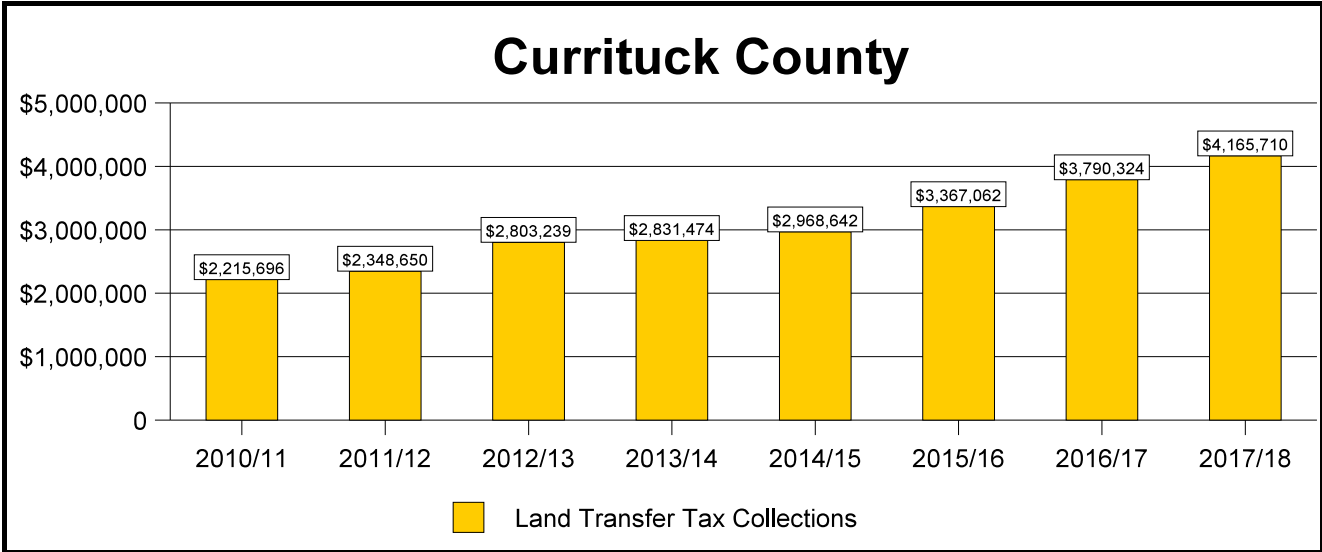
CURRENT MARKET OUTLOOK

Dare, Currituck and Hyde Counties experienced tremendous growth, especially during 2001 to 2005, and over this period, property values for vacant land, commercial properties and residential dwellings (single family, townhouse, condominium) increased dramatically. Based on my interviews with brokers, sales agents, developers, accountants, residential appraisers and other market professionals, the market slowed significantly after mid summer of 2005 although values did not peak until 2006/2007. As sales activity rebounded after 2011, supply has fallen and reasonably priced product can be expected to sell in less than 12 months. Values did not bottom until 2012/2013 and in some sub-markets, property values have increased although most are still well below peak levels. Oceanfront property values in superior markets have rebounded to near pre-recession levels.

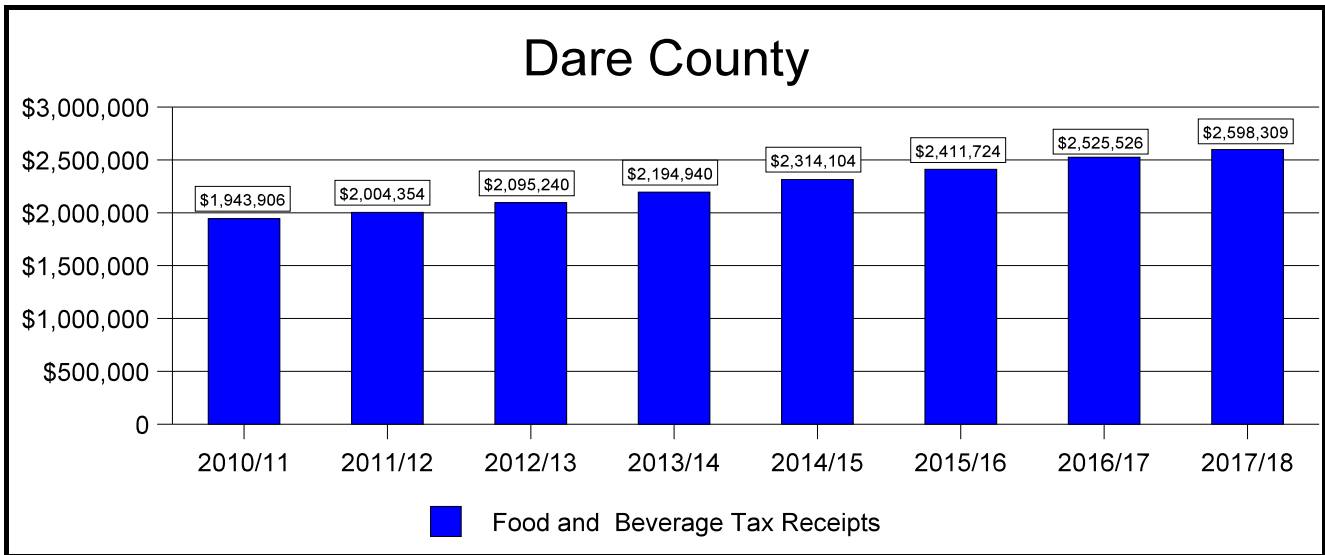
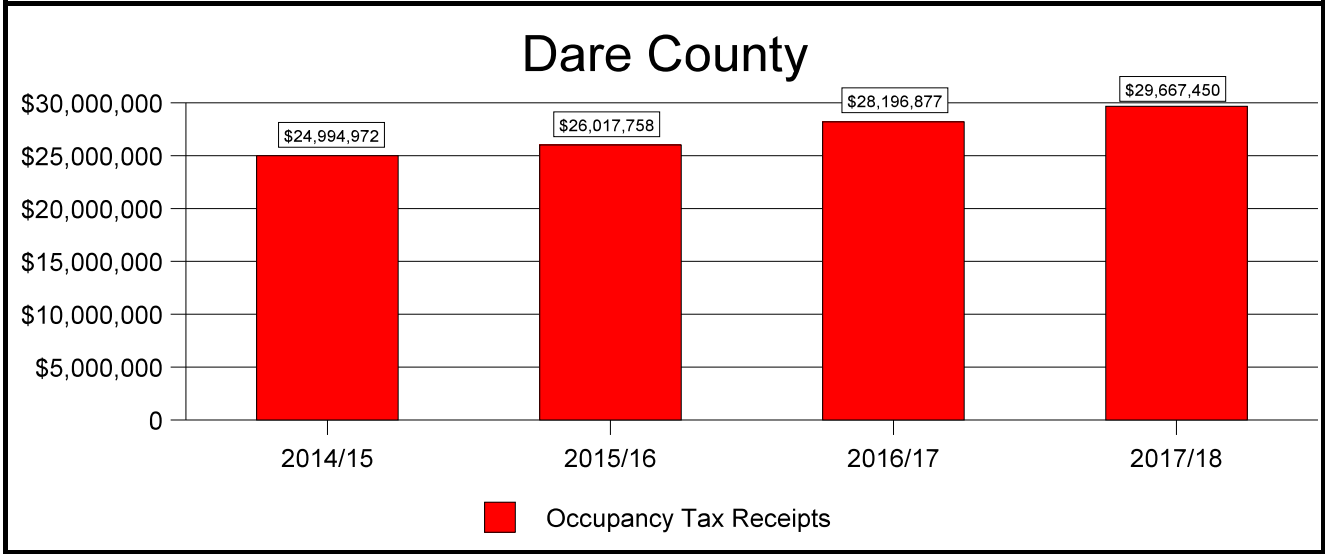
Based on year to year comparisons of land transfer tax collections and building permits from Dare County, real estate sales and building activity have fallen dramatically in the past years and the current trends are summarized in the following charts. Despite increasing modestly after the trough in 2009, the dollar value of building permits in 2018 is only 48 percent of the peak construction activity achieved in 2005 although they have more than doubled since the depths of the Great Recession (2009). Also, real estate sales in 2018 are just 49 percent of 2004 levels but similar to construction, they have rebounded strongly in recent years. The post 2014 period portrays a more sustainable level of property sales and construction activities and looking back, the mid 2000s reflected an unhealthy bubble driven by speculation and wreck less lending.

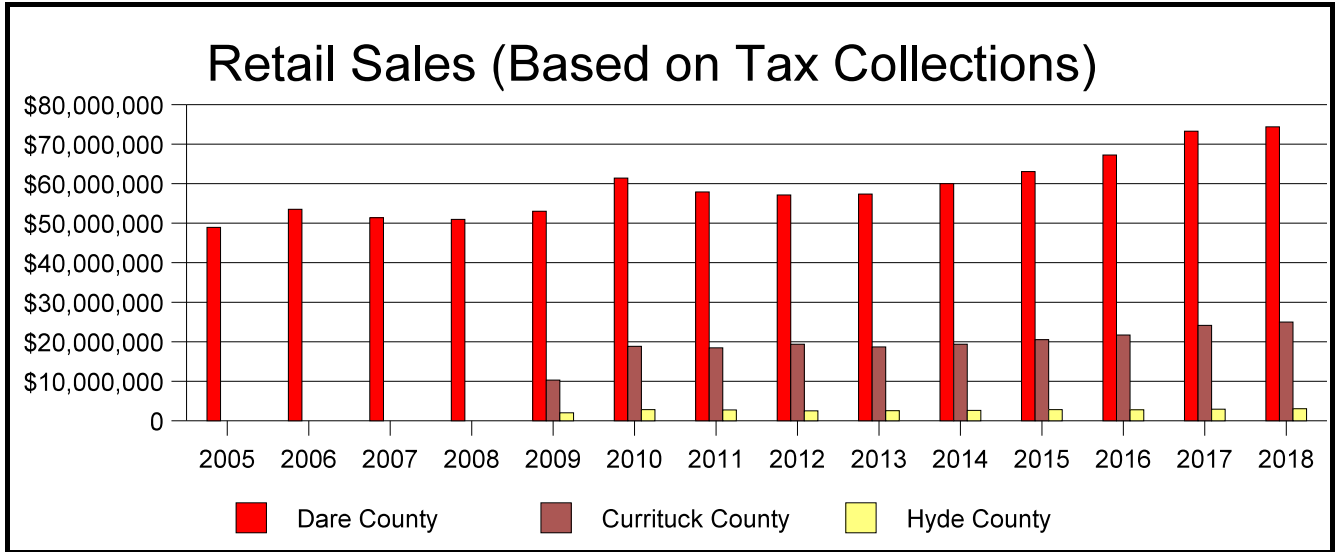


I was unable to obtain historic building permit values from Currituck County but land transfer data was available for a number of fiscal years ending on June 30th and it is listed in the following table. Over the past seven (7) years, land transfers have increased by almost 90 percent. **In the long-run**, the Outer Banks is anticipated to experience moderate growth along with increasing property values and rental rates.



Occupancy tax receipts and food and beverage sales from Dare County as well as retail sales from Dare, Currituck and Hyde Counties are summarized in the following charts. Since the tax rate for the Dare County Occupancy Tax increased from 5.00% to 6.00% on January 1, 2014, only post 2013 annual figures are included in the table while Food & Beverage Tax Receipts are reported on a fiscal year basis ending on June 30th. Figures for the past few years have been trending steadily upward and they are indicative of a healthy tourism market.



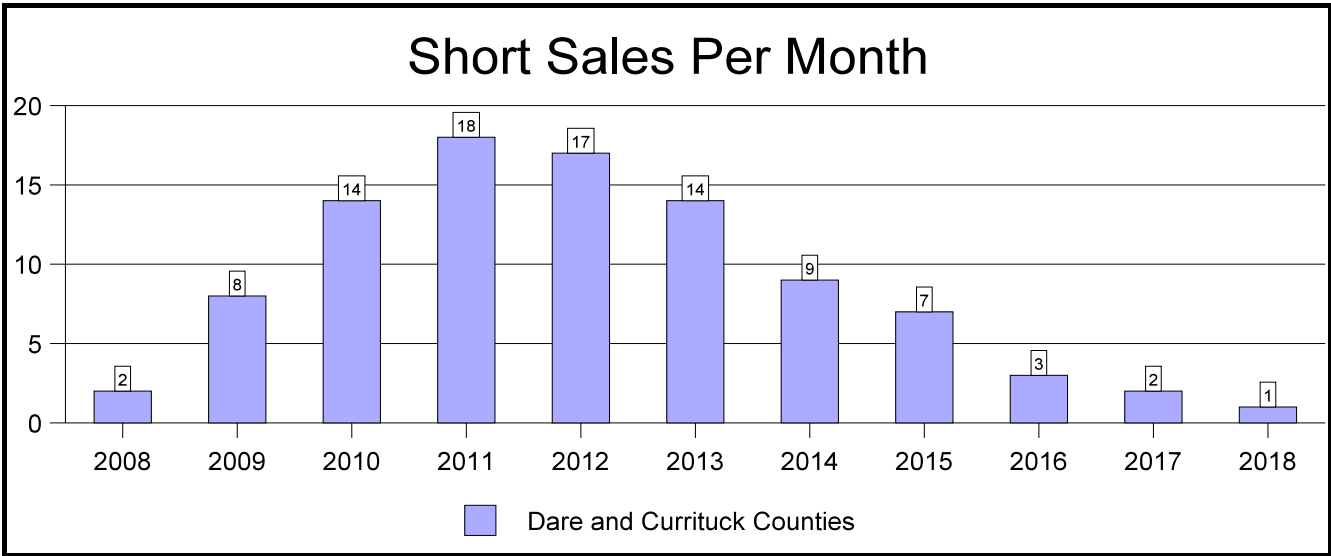
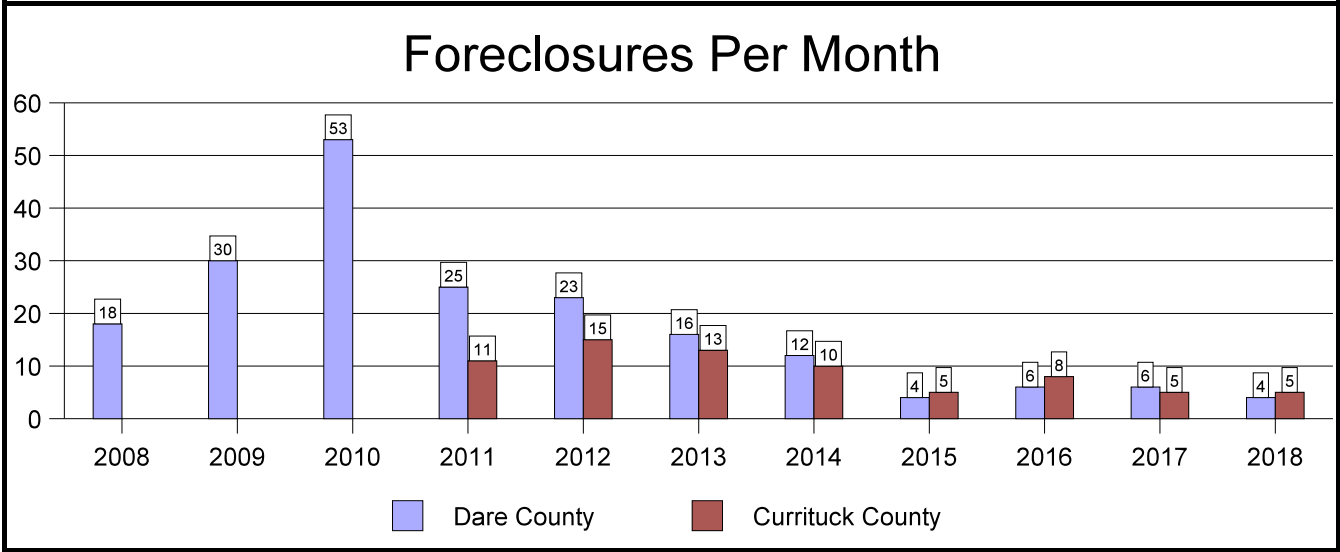


Despite the dramatic declines in sales and construction, the typical measures of the tourist trade (i.e. retail sales, occupancy and food/beverage sales) have risen over the years. Historically, tourists may curtail their purchases and dining-out but overall visitation to the Outer Banks does not drop dramatically even in the worst of economic times. In fact, the overall trend portrays steady growth with only modest fluctuations due to national economic conditions.

Foreclosure Rates and Short Sales

The following table and charts summarize foreclosures (including Deeds In Lieu) and short sales which are based on the average monthly rate (rounded to nearest whole number). As lenders liquidate their inventories of troubled properties, distress property sales and foreclosures have steadily been falling and they have remained relatively stable for the past four (4) years. In fact, short sales are becoming rarer in today's healthy real estate market.

	Foreclosures (Per Month)		Short Sales (Per Month)
Year	Dare County	Currituck County	Dare and Currituck
2008	18	n/a	2
2009	30	n/a	8
2010	53	n/a	14
2011	25	11	18
2012	23	15	17
2013	16	13	14
2014	12	10	9
2015	4	5	7
2016	6	8	3
2017	6	5	2
2018	4	5	1



MARKET PARTICIPANT INTERVIEWS

In addition to published sources which tend to have a two (2) to four (4) month lag time, I have interviewed market participants about current economic conditions. Individuals contacted during February of 2019 include owners of brokerage firms which have considerable commercial/industrial sales and rental experience, local investors, seasonal rental managers, building contractors, retail business owners, restaurateurs and lodging managers/owners. As a tourist destination, retail sales, food and beverage sales and seasonal lodging best portray local economic activity while construction and real estate sales also reflect a significant source of business revenues. Despite recent storms, visitation for 2013 and 2014 was very good and this trend continued from 2015 to 2018. The only blemish on the 2017 Season was the accidental cutting of the primary power line to Hatteras Island by the company building the new Bonner Bridge. Between July 27th and August 4th, tourists were not allowed on the Island and obviously, local businesses suffered during one of the tourist season's peak weeks.

Demand for year around housing is good and given the limited supply of yearly rental housing, monthly rents have increased by \$50 to \$75 in the past couple years. For most restaurants, sales revenues have increased in recent years. With a larger number of visitors renting costly rental machines (i.e. 8 to 25 bedrooms), that often have multiple appliances (i.e. 2 refrigerators, 2 range/ovens, 2 dishwashers, etc.), some tourists have curtailed dining out although any losses in restaurant revenues are compensated by increased sales in grocery stores and speciality food markets.

Real estate sales have rebounded from the depths of the Great Recession while the number of foreclosure and short sales have been declining. Sales agents report that the number of non distressed sales has increased as the Outer Banks slowly returns to a more normal market. The commercial and light industrial markets have also seen an increase in activity in the past three (3) years and many of these sales were not distressed properties. Both commercial and residential sales increased strongly in 2018 and most sales agents expect a solid, if not spectacular, 2019. Residential, construction and commercial/industrial lending has become more accommodative in the past three (3) years. Overall, most market participants were very satisfied with economic activity during the past few years and historically low gasoline prices (i.e. in real terms) should increase visitation, retail sales, food and beverage sales, etc. on the Outer Banks, which reflects a driving destination for most tourists. Rental agents report that bookings for the 2019 season have been strong and market participants' outlook for 2019 is positive.

STRENGTHS AND WEAKNESSES OF SUBJECT

Strengths of Subject:

- ▣ **Location:** BeachMar Commercial Condominium occupies one of the two signalized intersections along Ocean Trail on the Currituck Outer Banks and as such, it has a superior corner location within a highly developed commercial area.
- ▣ **Supply:** There are very few commercial zoned parcels on the Currituck Outer Banks and at the present time, commercial occupancy levels are high.

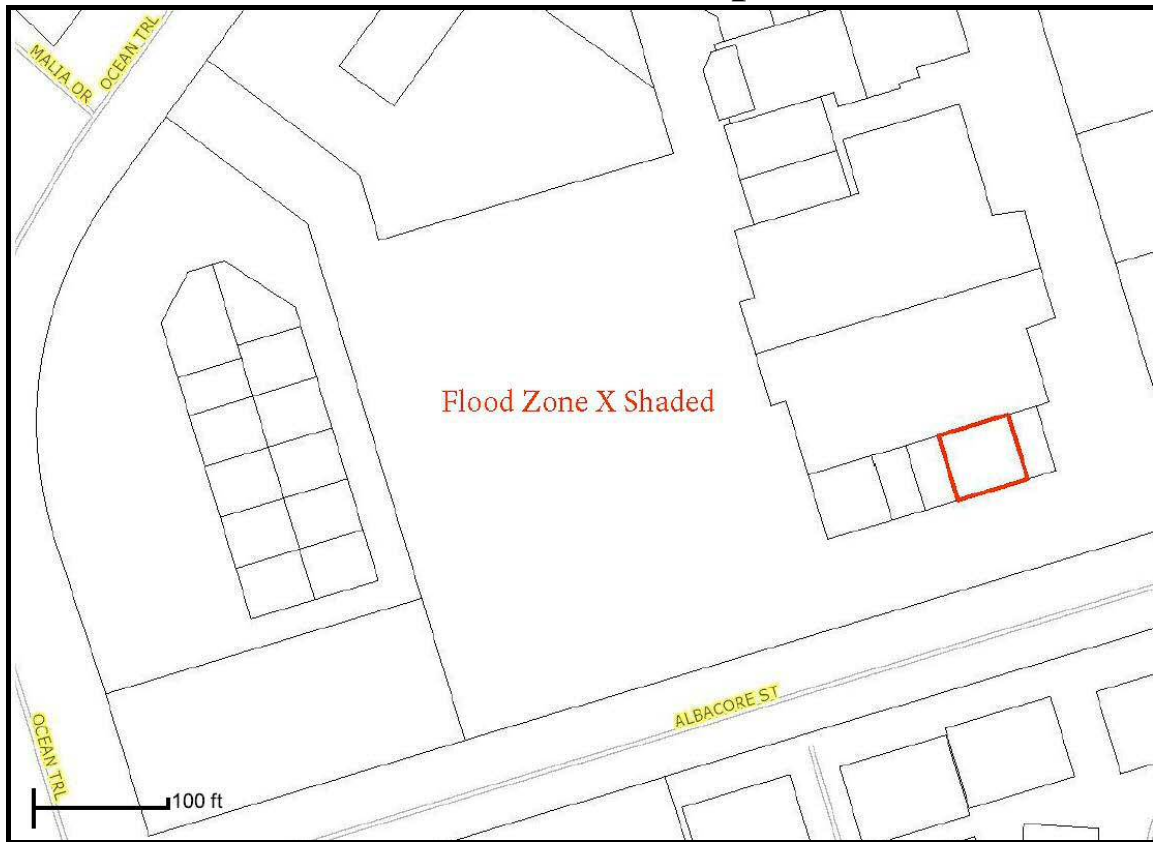
Weaknesses of Subject:

- ▣ **Unit Location:** The vast majority of the units within BeachMar Commercial Condominium face either Ocean Trail or the large interior parking lot. On the other hand, the subject faces Albacore Street at the eastern end of the shopping complex and it has much less visibility than most units within the project.
- ▣ **Economic:** As portrayed by the recent Great Recession, real estate sales and construction may fall dramatically during an economic downturn while visitation remains relatively strong even during the worst of recessions. Short of a total economic collapse, it is hard to image a scenario in which the demand for food service and retail businesses would be adversely impacted.

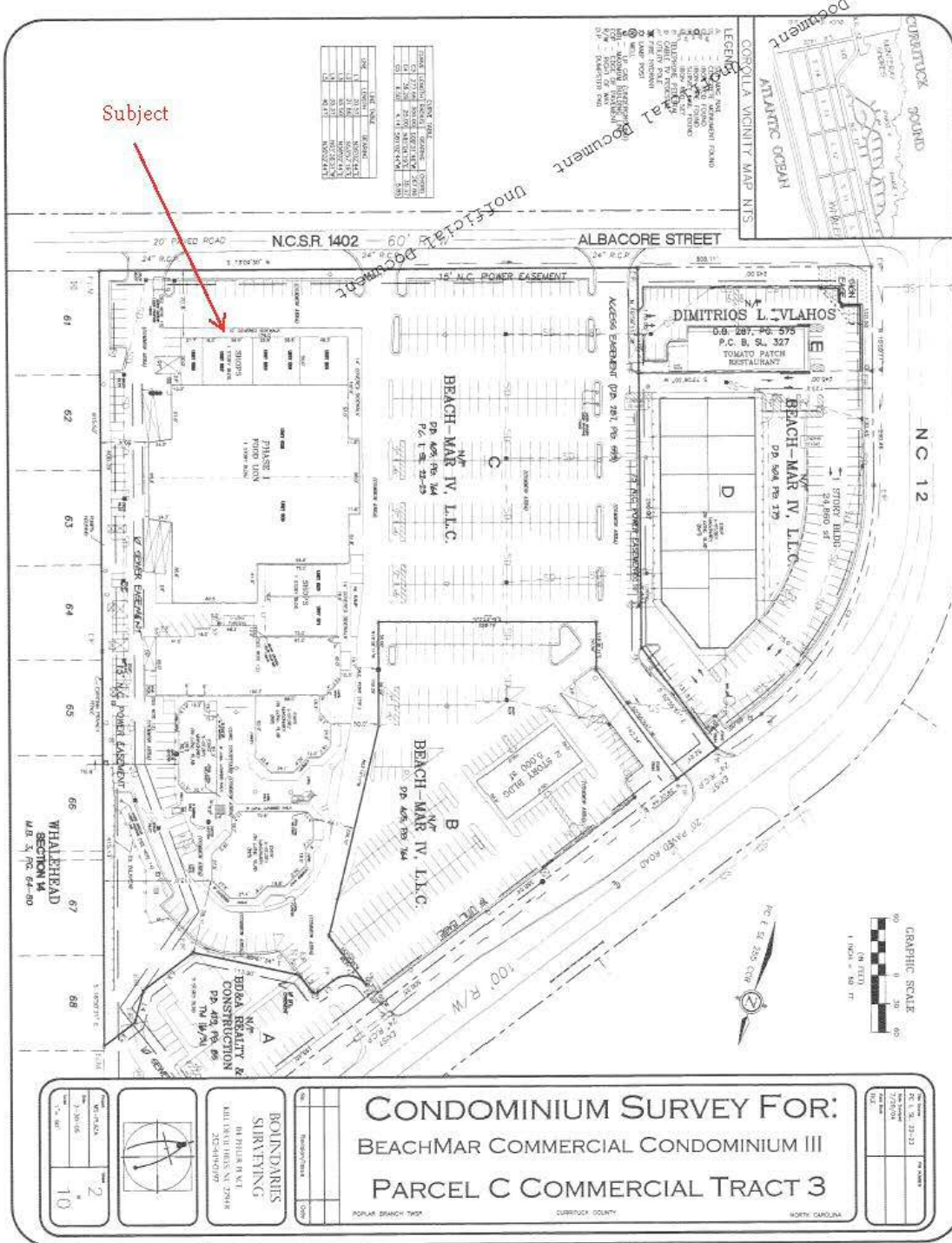
SITE DATA

Size:	BeachMar Commercial Condominiums (i.e. formerly Monterey Plaza Shopping Center) is situated on a 9.33 acre commercial tract.
Frontage and Shape:	The complex has extensive frontage along Ocean Trail (NC 12) and Albacore Street and the intersection of the aforementioned streets has a traffic light. Unit 887, faces Albacore Street at the eastern end of the property and compared to most units which face either the shopping center's primary parking lot or Ocean Trail, it has much less visibility and exposure.
Drainage:	Well drained sandy soils
Topography and Vegetation:	Level and cleared
Utilities:	Water: Carolina Water Service, Inc. of NC Sewer: Carolina Water Service, Inc. of NC Standard: Electric; telephone; cable TV Other: None
Site Improvements:	All of the site infrastructure reflects common elements within BeachMar Commercial Condominium.
Location:	Adequate for use
Flood Hazard Zone:	The subject is not located in a flood hazard zone (X Shaded), as shown by FIRM Map 370078 9935 J, dated December 16, 2005.
Easements and Encroachments:	Besides typical utility easements, no other adverse encroachments or easements have been uncovered. There are no known external nuisances, hazards or other negative factors affecting the property.
Comments:	The parking lot provides ample parking for all of the shopping center's units.

GIS Flood Map



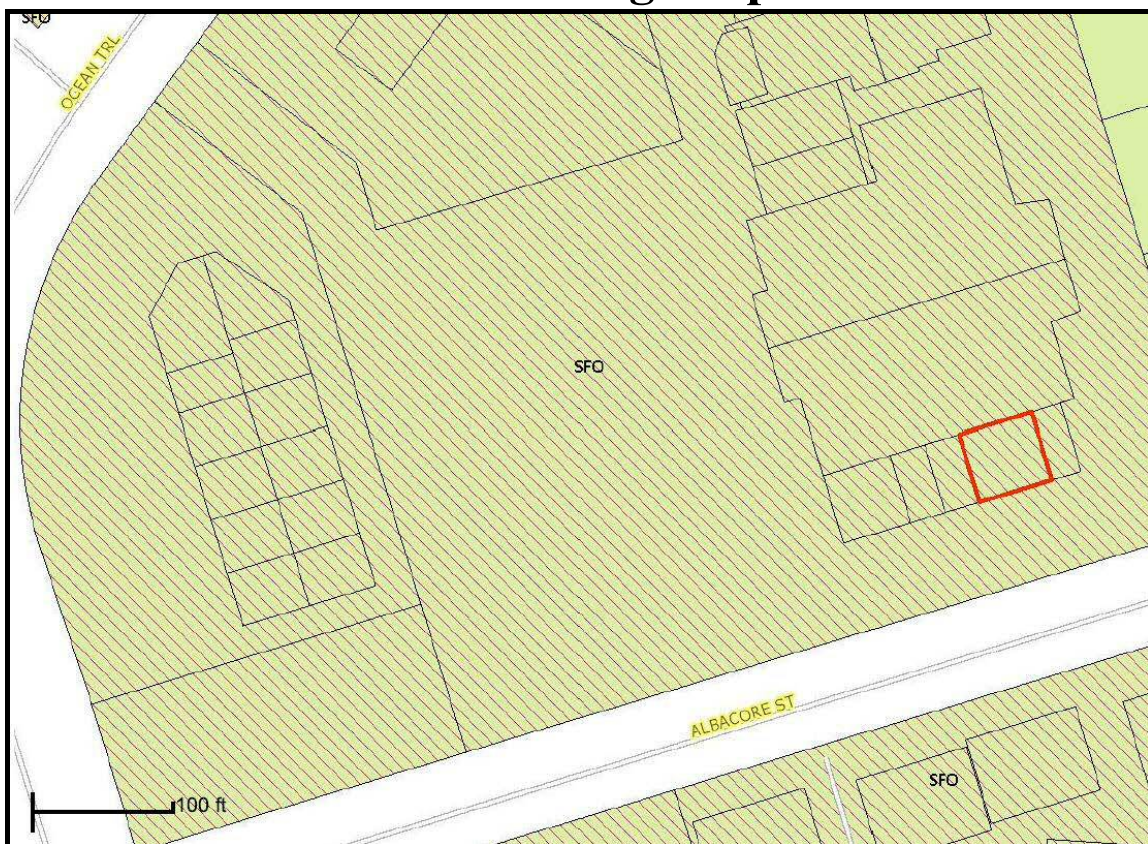
Condominium Survey



ZONING AND LEGAL RESTRICTIONS

Although the subject's base zoning is residential (i.e. SFO: Single Family Outer Banks), it is situated within a Planned Unit Development Overlay District (PUD) and as such, its development potential is governed by the Master Plan for Monterey Shores PUD which allows a commercial and food service uses of this site. The subject reflects a permitted and conforming property use. Please note that setbacks, lot coverage, minimum lot sizes, etc. are established in the PUD approval process. There are no other significant public or private restrictions which adversely impact the subject's value, marketability or utility.

GIS Zoning Map



ASSESSMENTS AND TAXES

The subject is identified by Pin number 116H-000-0887-0000 and the historic assessments and tax liabilities are listed below. Please note that the subject's FF & E is assessed at \$135,878 and the combined personal and real property assessment is \$512,678 (\$376,800 + \$135,878).

	Tax Year		
	2017	2018	2019
Land Assessment	\$64,500	\$64,500	\$64,500
Improvement Assessment	312,300	312,300	312,300
Total Assessment	\$376,800	\$376,800	\$376,800
Tax Rate per \$100	\$0.5300	\$0.5300	\$0.5300
Tax Liability	\$1,997.04	\$1,997.04	\$1,997.04

During 2012, Currituck County under went a complete tax reevaluation whereby assessments were updated to January 1, 2013 market values. The next reevaluation is scheduled for January 1, 2021. Given past trends in assessments and tax rates, real estate taxes should increase below the annual inflation rate during the foreseeable future. Currituck County reassesses properties every eight (8) years and the last reevaluation was effective as of January 1, 2013. At that time, the properties were assessed at 100% of their fair market value. Unless changes are made to the improvements (i.e. additions, renovations, etc.), the assessments remain unchanged until the next reevaluation. A change in ownership does not result in a property being reassessed. **As of the effective date of appraisal, there were no back taxes due on the subject property. Please note that it is not unusual for the Currituck County Tax Department to under assess a food service commercial condominium (real property component) such as the subject.**

HISTORY

On April 28, 2005, Beach-Mar IV, LLC sold Unit 887 to Kenneth B. Weckstein and wife, Andrea G. Weckstein ($\frac{2}{3}$ undivided interest) and Scott Leaf ($\frac{1}{3}$ undivided interest), As Tenants in Common, for \$769,500 and this arms-length, all cash sale is recorded in Deed Book 870, page 101. On July 28, 2018, the subject was listed in the Outer Banks MLS at \$698,000 which was reduced to \$589,000 on April 25, 2019. According to the listing broker, the asking price includes all of the restaurant's FF & E. Also, the property is being offered for rent at \$3,850 per month or \$46,200 per year (\$17.43 per square foot) on a triple net basis and the asking rent reflects a three (3) year lease which includes the real estate and all FF & E. The listing offers "[f]ree rent incentive 3 months for each year of a three year lease!" and including the rent concession, the effective rental rate over the three (3) year term would be \$13.08 per s.f. annually. Although there has been some interest in the property, no bonafide offers have been recently made for the restaurant on either a sale or rental basis. Research of the applicable public records, private data services and an interview of the current owner and listing broker, revealed that the subject property is not under contract agreement or option. Additionally, according to these sources, there have not been any transfers of the subject in the past three (3) years.

DESCRIPTION OF THE IMPROVEMENTS

Size:	The subject reflects a rectangular shaped unit (50± feet deep by 53± feet wide) and it contains a total of 2,650 square feet of gross building area (GBA). The subject is located in the original section of Monterey Plaza and it is situated within BeachMar Commercial Condominium (i.e. formerly Monterey Plaza Shopping Center) which has a total gross leasable area of 122,890 square feet. I confirmed the building area by physical measurement. Based on its recorded condominium documents, the subject condominium square footage is 2,581 s.f. which is measured from the interior wall surfaces. Most Outer Banks condo's square footage is equivalent to GBA.
Foundation:	Concrete slab and footers
Structural Components:	One (1) story masonry frame and structural steel
Walls, Windows and Roof Cover:	The exterior walls are brick and the windows are metal frame with double glazed glass. The flat roof has a plastic membrane roof cover.
Mechanical Components:	HVAC: Roof mounted complete HVAC unit Electric: Typical of Grade Plumbing: Typical of Grade Other: None
Interior Floors, Walls and Ceilings:	On the interior, the restaurant has laminate flooring in the dining room, bar area and restrooms while the walls are a mixture of painted drywall and wood. Except in the restrooms which have painted drywall ceilings, the ceilings are mostly drop acoustical tiles. The kitchen has clay tile pavers on the floors and the walls have FRP board panels. Based on my count on the day of inspection, the restaurant had 80 dining seats and eight (8) bar seats.
Year Built:	1991; This retail project was first developed during 1991 and it reflected a strip shopping center with a Food Lion anchor and adjacent local commercial space. The primary complex was enlarged during 1995 and 2001 and out-parcels were improved during 2001.

Effective Age and Economic Life:

This good quality commercial condominium is in average condition and its economic life is estimate at 50 years. The subject's effective age is estimated at 25 years. The remaining economic life is 25 years.

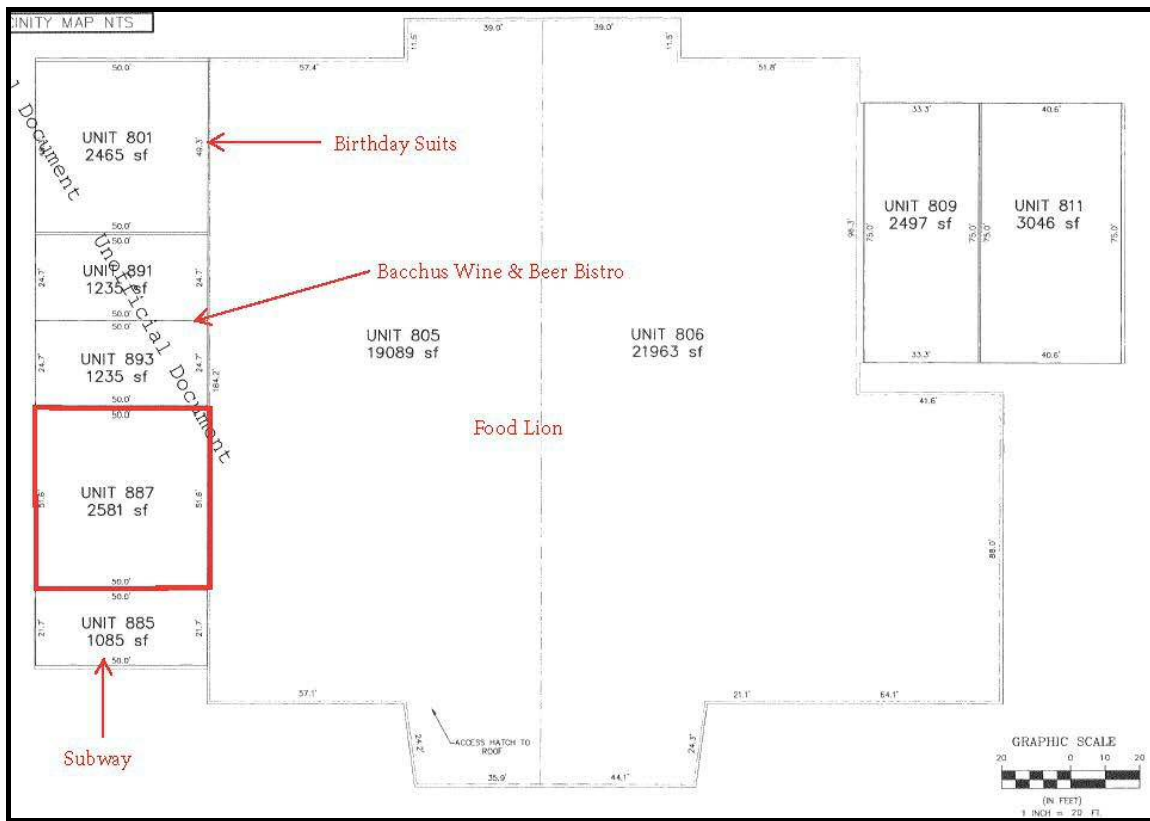
Speciality Features:

The subject is a fully equipped restaurant and an equipment list can be found in an appraisal prepared by Beaman L. Hines of BLH, OBX, Inc. The appraisal is dated February 8, 2018. According to the appraisal, "[i]f the equipment stays in the restaurant, the estimated value is \$20,215.00 If sold individually or at auction, the estimated value would be \$17,635.00 minus a 30% commission fee." A copy of this appraisal which contains an equipment list is included among the addenda.

Comments:

The subject is divided into a dining room, bar area, two (2) restrooms, kitchen and storage areas. The prior tenant reportedly made \$150,000 of improvements to the unit including \$40,000 in new equipment.

Recorded Condominium Plan



HIGHEST AND BEST USE ANALYSIS

Highest and best use is the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum profitability. In this appraisal assignment, the highest and best use of the property as if the land were vacant and the highest and best use of the property as improved are examined. Each of these scenarios will be analyzed in the following sections.

Highest and Best Use of Land as Though Vacant

To determine the highest and best use as though vacant, the land is assumed to be vacant, or any improvements, which are located on the site, can be demolished and the site can be made ready for development. In order to be at its highest and best use, as if vacant, the proposed use must be physically possible, legally permissible, financially feasible and maximally productive. These four criteria will be examined sequentially so that the highest and best use can be selected from the array of potential uses.

As a portion of a 9.33 acre tract, the highest and best use as if unimproved is similar to the entire tract of which the subject is a part. The size and physical characteristics of the parcel would allow residential, commercial or industrial development; however, under its PUD Overlay, potential uses are restricted to commercial developments. Given the subject's size, zoning, physical characteristics and location at a busy commercial hub with an array of office, retail, restaurant, recreational and other speciality commercial uses, the highest and best use of the unimproved tract is a resort commercial project. Unlike most of the Outer Banks which has seen dramatically falling property values and rental rates as well as rising vacancy, commercial space in Monterey Plaza and nearby TimBuck II has been much less impacted by the Great

Recession and due to the limited supply of properties, occupancy levels are very high and commercial space commands some of the highest rents on the Outer Banks.

Statement of Highest and Best Use of Land as Though Vacant

Given the subject's size, site visibility, location, legal constraints and development patterns within Monteray Shores PUD, the highest and best use as though vacant is a large commercial complex composed of retail, restaurant, specialty commercial space as well as a grocery store anchor.

Highest and Best Use as Improved

The highest and best use as improved is analyzed to identify the use of the property that can be expected to produce the highest overall return for each dollar of capital invested and to help identify comparable properties. At the present time, the subject has an estimated remaining economic life of approximately 25 years; subsequently, in future years, the improvements will contribute significant value. However, the improvements could be modified to increase the property's return during its remaining economic life. Similar to the highest and best use as though vacant analysis, all potential uses are studied to determine if they are physically possible, legally permissible, financially feasible and maximally productive.

The site is fully developed and therefore, physically possible uses of the improvements are limited to continuing the existing use as presently configured. Given the subject's basic design as a commercial condominium within an established project, it is unlikely that any other use would be physically possible without extensive alterations to the unit. In the present economic climate, it is unlikely that a major renovation would be financially feasible or warranted.

Statement of Highest and Best Use as Improved

The highest and best use as improved of the existing improvements is food service usage.

METHOD OF VALUATION

The appraisal process typically involves three approaches in estimating value which consists of the cost approach, sales comparison approach and income capitalization approach. A brief description of each technique is as follows:

The **Cost Approach** - An appraisal procedure using depreciated replacement or reproduction costs of improvements plus land value as a basis for estimating market value. The underlying assumption is most reliable when the improvements are relatively new and are the highest and best use of the land.

The **Sales Comparison Approach** - An appraisal method which uses sales prices of whole properties similar to the subject property as a basis for estimating market value. The nature and condition of each sale are analyzed, making adjustments for dissimilar characteristics. This approach offers a good indication of value when a sufficient quantity and quality of sales exists in the marketplace.

The **Income Capitalization Approach** - An appraisal procedure using capitalization of expected future benefits as a basis for estimating market value. In this approach, there is a direct relationship between the amount of income a property earns and its value. The reconstructed net operating income is processed into value using a capitalization rate. Also, utilizing a discounted cash flow analysis, future benefits can be converted into a present estimate of value. Factors such as risk, time, interest on the capital investment, and recapture of the depreciating asset are considered in deriving an overall rate and a discount rate. The underlying assumption in this approach is that an informed purchaser will pay no more for the subject property than he would pay for another property with an income stream of comparable amount, duration, and quality.

The final step in the appraisal process is the reconciliation of value indications and the final estimate of value. The appraiser considers and weighs each approach according to its appropriateness in view of the peculiarities of the property being appraised and the quantity and quality of the information available. The result is a final indication of market value for the subject.

SALES COMPARISON APPROACH

The sales comparison approach is usually a reliable indicator of market value when an ample supply of sales data are available. After the market data are confirmed and analyzed, the resulting estimate of value reflects the actions and reactions of buyers and sellers in the market. The market value estimate is based on the principle of substitution that states that when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution. At any point in time, the market value estimate is influence by the supply of and demand for similar improved properties and external economic conditions.

Market Data

The following sales represent improved properties which are somewhat similar to the subject in location, date of sale, utility, construction quality, condition and highest and best use. **After reviewing recent sales data, researching the Outer Banks MLS for active listings, pending contracts, failed transactions, withdrawn or expired listings and interviewing market participants, I found one (1) comparable listing which has been discussed in the sales comparison approach. No additional sales data in valuing the subject's commercial condominium unit was found. The following data reflects the best information available as of the effective date of appraisal.**

Commercial Condominium Sale Number 1

Property: Unit 807F, BeachMar Commercial Condominium II (Philly Steak Subs).

Location: 807F Ocean Trail, Monterey Shores PUD, Poplar Branch Township, Currituck County, North Carolina.

Date of Sale: November 2, 2016

Grantor: Philly Steaks, Inc.

Grantee: Dick's Salty Dog, Inc.

Deed Reference: Deed Book 1385, Page 912

Condition of Sale: Arms-length

Confirmed Sales Price: \$450,000

Verification: Joe Staten, broker

Financing: Cash to seller

Prior Sale: There have been no arms-length sales in the past three years.

Tax Reference: Pin # 116G-000-807F-0000

Land Area: BeachMar Commercial Condominium is situated on a 9.33 acre tract.

Building Description:

- Gross Building Area: 2,000 square feet; GLA = GBA
- Foundation: Concrete slab
- Structural Members: Concrete block and structural steel
- Exterior Walls: Dryvit
- Year Built: 2001; Effective age is 15 years.
- Quality: Good
- Condition: Good

Gross Income: \$40,000 (estimated at \$20.00 per s.f., triple net)

Vacancy/Collection Losses: \$ 2,400 (estimated at 6%)

Effective Gross Income: \$37,600

Operating Expenses: \$ 1,880 (estimated at 5.00%)

Net Operating Income: \$35,720

Price per S.F. of GBA: \$225.00

Effective Gross Income Multiplier: 11.97

Capitalization Rate: 7.94 percent (overall cap rate)

Comments:

This unit is situated in BeachMar Commercial Condominium II which reflects a 24,858 s.f. out-parcel building. The unit faces Food Lion and the primary parking lot. The original list price was \$495,000 and the unit was on the market for 310 days.

Improved Sale No. 1 (continued)



Commercial Condominium Sale Number 2

Property:	Unit 815A, BeachMar Commercial Condominium III (Formerly Alice's).
Location:	815A Ocean Trail, Monterey Shores PUD, Poplar Branch Township, Currituck County, North Carolina.
Date of Sale:	December 15, 2016
Grantor:	Good Steward Properties, LLC
Grantee:	Lucky's Pizza and Sub House, LLC
Deed Reference:	Deed Book 1391, Page 161
Condition of Sale:	Arms-length
Confirmed Sales Price:	\$330,000
Verification:	Dan Martier, broker
Financing:	Cash sale
Prior Sale:	There have been no arms-length sales in the past three years.
Tax Reference:	Pin # 116H-000-815A-0000
Land Area:	BeachMar Commercial Condominium is situated on a 9.33 acre tract.
Building Description:	
Gross Building Area:	1,451 square feet
Foundation:	Concrete slab
Structural Members:	Concrete block and structural steel
Exterior Walls:	Dryvit
Year Built:	2001; Effective age is 15 years.
Quality:	Good
Condition:	Good
Gross Income:	\$29,020 (estimated at \$20.00 per s.f., triple net)
Vacancy/Collection Losses:	\$ 1,741 (estimated at 6%)
Effective Gross Income:	\$27,279
Operating Expenses:	\$ 1,364 (estimated at 5.00%)
Net Operating Income:	\$25,915
Price per S.F. of GBA:	\$227.43
Effective Gross Income Multiplier:	12.10
Capitalization Rate:	7.85 percent (overall cap rate)
Comments:	

This unit is situated in BeachMar Commercial Condominium III and it is located in the 35,684 s.f. section that reflects the 2001 addition made to the primary shopping center. This lot faces the primary parking lot and Ocean Trail although it has limited visibility from the street. The asking price was \$339,000 and the marketing time was 82 days. The prior owner utilized the unit as a retail store which will be converted into a food service establishment by the new owner.

Improved Sale No. 2 (continued)



Commercial Condominium Sale Number 3

Property: Unit 807J, BeachMar Commercial Condominium II (Corolla Surf Shop).

Location: 807J Ocean Trail, Monteray Shores PUD, Poplar Branch Township, Currituck County, North Carolina.

Date of Sale: December 27, 2018

Grantor: GM Smith, LLC

Grantee: Raqua, LLC

Deed Reference: Deed Book 1467, Page 397

Condition of Sale: Arms-length

Confirmed Sales Price: \$460,000

Verification: Gary Smith, Grantor

Financing: Cash sale

Prior Sale: There have been no arms-length sales in the past three years.

Tax Reference: Pin # 116G-000-807J-0000

Land Area: BeachMar Commercial Condominium is situated on a 9.33 acre tract.

Building Description:

- Gross Building Area: 2,000 square feet; GLA = GBA
- Foundation: Concrete slab
- Structural Members: Concrete block and structural steel
- Exterior Walls: Dryvit
- Year Built: 2001; Effective age is 17 years.
- Quality: Good
- Condition: Good

Gross Income: \$40,000 (estimated at \$20.00 per s.f., triple net)

Vacancy/Collection Losses: \$ 2,400 (estimated at 6%)

Effective Gross Income: \$37,600

Operating Expenses: \$ 1,880 (estimated at 5.00%)

Net Operating Income: \$35,720

Price per S.F. of GBA: \$230.00

Effective Gross Income Multiplier: 12.23

Capitalization Rate: 7.77 percent (overall cap rate)

Comments:

This unit is situated in BeachMar Commercial Condominium II which reflects a 24,858 s.f. out-parcel building. The unit faces Ocean Trail.

Improved Sale No. 3 (continued)



Commercial Condominium Sale Number 4

Property: Unit 807D, BeachMar Commercial Condominium II (Sooney's BBQ & Rib Shack).

Location: 807D Ocean Trail, Monterey Shores PUD, Poplar Branch Township, Currituck County, North Carolina.

Date of Sale: March 19, 2018

Grantor: Xing Rong Wang et al

Grantee: Beaman Hines

Deed Reference: Deed Book 1437, Page 761

Condition of Sale: Arms-length

Confirmed Sales Price: \$450,000

Verification: Beaman Hines, Grantee; Contract in Bourne Appraisal Service File.

Financing: Cash to seller

Prior Sale: There have been no arms-length sales in the past three years.

Tax Reference: Pin # 116G-000-807D-0000

Land Area: BeachMar Commercial Condominium is situated on a 9.33 acre tract.

Building Description:

- Gross Building Area: 2,000 square feet; GLA = GBA
- Foundation: Concrete slab
- Structural Members: Concrete block and structural steel
- Exterior Walls: Dryvit
- Year Built: 2001; Effective age is 15 years.
- Quality: Good
- Condition: Good

Gross Income: \$38,400 (contract at \$19.20 per s.f., triple net)

Vacancy/Collection Losses: \$ 2,304 (estimated at 6%)

Effective Gross Income: \$36,096

Operating Expenses: \$ 1,805 (estimated at 5.00%)

Net Operating Income: \$34,291

Price per S.F. of GBA: \$225.00

Effective Gross Income Multiplier: 12.47

Capitalization Rate: 7.62 percent (overall cap rate)

Comments:

This unit is situated in BeachMar Commercial Condominium II which reflects a 24,858 s.f. out-parcel building. The unit faces Food Lion and the primary parking lot. The property was acquired via a Lease/Purchase Agreement that was executed on September 23, 2016 and on this date, the tenant purchased all of the FF & E via a Bill of Sale.

Improved Sale No. 4 (continued)



Units of Comparison

Price per square foot of gross leasable area (GLA) is considered in this analysis.

Adjustments

In the sales comparison approach, several potential adjustments are examined. All of the improved sales are arms-length transactions which transferred the fee simple interest. Also, the sales are financed at typical market terms and rates; consequently, adjustments for rights conveyed, condition of sale and financing are not required. The improved sales are reflective of prevailing market conditions. The subject and all the improved sales have good locations within Monterey Plaza.

The subject is considered a good quality commercial condominium in average condition for its age and it is similar to all of the improved sales. Please note that the quality and condition adjustment is only required for properties which are significantly above or below market standards while slight variations in quality and condition are typically reflected in the building effective age adjustment.

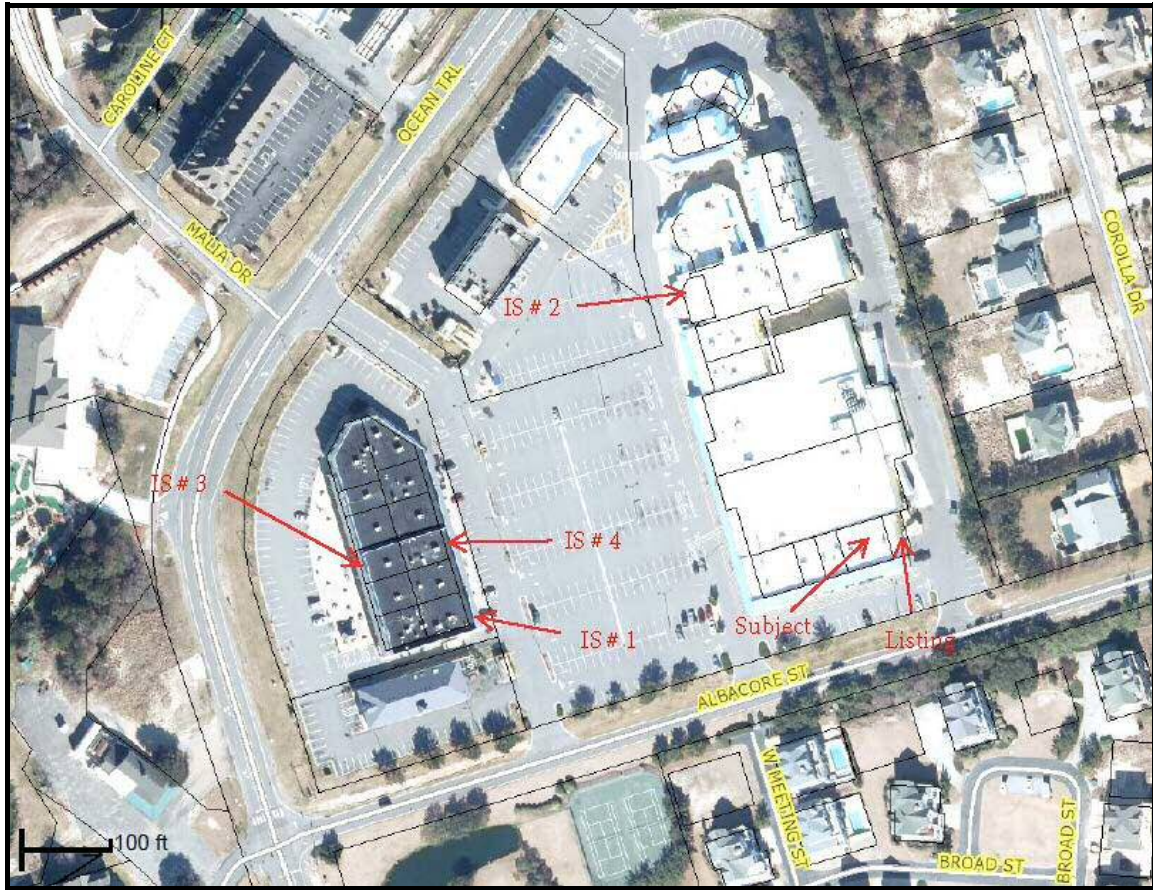
Condo units with limited visibility normally sell and rent for less than otherwise similar units which have good exposure to a street or an interior traffic lane. All of the improved sales front either Ocean Trail or the primary parking lot in Monterey Plaza and they have good visibility and exposure. On the other hand, the subject units fronts Albacore Street at the eastern end of the shopping center and its overall visibility is deemed average. The subject is inferior to the comparable sales and negative 15 percent unit visibility adjustments are applied.

Additionally, adjustments are applied for variations in building effective age. A one percent positive adjustment is made for each year that the subject's effective age is less than that of a comparable sale while a one percent negative adjustment is made for each year that the subject's age is greater than a comparable sale. The adjustments are summarized in the market data grid which follows:

MARKET DATA GRID: SALES COMPARISON APPROACH

	Subject	Sale No. 1	Sale No. 2	Sale No. 3	Sale No. 4
Sales price		\$450,000	\$330,000	\$460,000	\$450,000
Real property rights conveyed	Fee simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjusted price		\$450,000	\$330,000	\$460,000	\$450,000
Condition of sale	Arms-length	Arms-length	Arms-length	Arms-length	Arms-length
Financing terms	Market	Market	Market	Market	Market
Adjustment		\$0	\$0	\$0	\$0
Adjusted price		\$450,000	\$330,000	\$460,000	\$450,000
Date of sale	Jul 18, 2019	Nov 2, 2016	Dec 15, 2016	Dec 27, 2018	Mar 19, 2018
Adjustment		0.00%	0.00%	0.00%	0.00%
Adjusted price		\$450,000	\$330,000	\$460,000	\$450,000
Gross leasable area	2,650	2,000	1,451	2,000	2,000
Price per sq. ft. of GLA		\$225.00	\$227.43	\$230.00	\$225.00
Location	Good	Good	Good	Good	Good
Location adjustment		0.00%	0.00%	0.00%	0.00%
Quality and condition	Good	Good	Good	Good	Good
Adjustment		0.00%	0.00%	0.00%	0.00%
Gross building area (GLA)	2,650	2,000	1,451	2,000	2,000
Adjustment (size)		0.00%	0.00%	0.00%	0.00%
Building effective age	25 years	15 years	15 years	17 years	15 years
Adjustment		-10.00%	-10.00%	-8.00%	-10.00%
Functional utility	Typical	Typical	Typical	Typical	Typical
Adjustment		0.00%	0.00%	0.00%	0.00%
Unit visibility	Average	Good	Good	Good	Good
Adjustment		-15.00%	-15.00%	-15.00%	-15.00%
Adjusted price per:					
SF gross leasable area (GLA)		\$168.75	\$170.57	\$177.10	\$168.75

Improved Sales Map



The statistical characteristics of the adjusted sales data, which reflect a sample of a total population, are listed in the following table.

Statistical Analysis of Adjusted Sales Data		
	Price Per S.F. of GLA	
Mean	\$171.29	
Standard Deviation	\$3.97	
	Minimum	Maximum
Data Range	\$168.75	\$177.10
68% Probability Range	\$167.33	\$175.26
95% Probability Range	\$163.36	\$179.22

In addition to the statistical analysis, each sale is compared to the subject on an individual basis. Located at 885 Albacore Street, Unit 885 in BeachMar Commercial Condominium, a 1,100 s.f. unit occupied by a Subway, is being offered for sale at \$300,000 or \$272.73 per square foot and the property has been on the market for 38 days. Similar to the subject, the unit faces Albacore Street and it not visible from either Ocean Trail or the shopping center’s primary parking lot. Given recent sales activity within the subject’s condominium complex, this unit appears overpriced. A photograph of this unit can be found on the following page.

Current Listing



In this analysis, the subject's value via the sales comparison approach is estimated at \$177.10 per s.f. - greatest weight is given to Improved Sale No. 3 which reflects the most recent sale in BeachMar Condominium. A value estimate via the sales comparison approach is made below and this figure reflects only the subject's real property. **Please note that this estimate does not include FF & E.**

Sales Comparison Approach Value Estimate							
2,650	SF of GLA	@	\$177.10	=	\$469,315	Rounded to:	\$470,000

INCOME APPROACH

The income capitalization approach is based on the premise that the value of a property is the present worth of anticipated benefits during the projected holding period. Typically, investors will pay no more for a property than the cost of purchasing a substitute property with similar risk and income characteristics. Along with the general economic climate, the local supply of and demand for similar properties has a direct influence on the amount of income generated, and ultimately, the property's value. In the this approach, the subject's value is based on the **fee simple estate** and typical market equity and debt financing terms and rates.

Income Estimates

In this analysis, the subject's potential gross income, effective gross income and net operating income are estimated. Market rent for the property is derived by examining the rental rates and terms from other similar properties within the area. The market rent will be used to postulate lease terms for the subject that are representative of its market and its product type to arrive at a **fee simple** market value for the subject property via income capitalization.

Potential Gross Income

Potential gross income is the total income attributable to a real property at 100% occupancy before operating expenses are deducted. Since the subject's **fee simple estate** is valued in this analysis, current market rent is utilized to estimate the potential gross income. The potential gross income of vacant units, if applicable, is based on current market rent.

Market Rental Analysis - Commercial

The following comparable rentals offer a representative indication of commercial rental rates within the subject's trade area. **Please note that within the subject's neighborhood, some retail complexes contain both retail, food service and office tenants.**

Rent Comparable Number 1

Property: Corolla Light Town Center

Location: Northeast corner of Ocean Trail and Austin Street, in Corolla Light PUD, Currituck County, North Carolina. The street address is 1159 Austin Street.

Tax Reference: Pin # 115B-000-2P2B-0000

Building Description:

- Square Feet: 36,549 (GLA of commercial space)
- Foundation: Stub wood pilings, concrete slab and concrete block
- Structural Members: One story for commercial space
- Exterior Walls: Lap wood siding, cedar shakes and Hardi-Plank
- Year Built: 1987 and 2006
- Quality: Good (Newer) to Average (Older)
- Condition: Average to Fair

Price per Square Foot: \$18.00 to \$23.00 in newer building along Ocean Trail while the older retail space leases for \$15.00 to \$19.00. These rental rates reflect 2016 and 2017 leases.

Utilities:

- Electric: On tenant
- Water and Sewer: On tenant
- Real Estate Taxes: On tenant
- Building Insurance: On tenant
- Repairs & Maintenance: Interior on tenant; Exterior on landlord
- Leasing/Management: On landlord
- Common Area Maintenance (CAM): On tenant
- Cleaning/Janitorial: On tenant

Lease Terms: Three (3) to five (5) years

Renewal Options: None

Overage Rents: None

Rent Escalators: The rents remain flat over the lease terms.

Rent Concessions: None

Passthroughs: None

Turnover Characteristics: This property was ultimately sold by its lender and as such, it has suffered from deferred maintenance which has impacted its occupancy.

Unleased Space: 7,731 square feet in five (5) units

Vacancy Rate: 21.15 percent

Comments: The Corolla Light Town Center reflects a number of retail buildings connected by decking and parking and in the older section, there are 24 apartments situated above the retail space. Although a new owner has made some improvements, the older section is below market standards for the Currituck OBX.

Rent Comparable No. 1 (continued)



Rent Comparable Number 2

Property: Scarborough Lane Shops

Location: Northeast corner of Duck Road and Scarborough Lane, in Duck, Dare County, North Carolina. The street address is 1171 Duck Road.

Tax Reference: Pin #s 9859.16 83 5584 and 9859.16 83 9641; Parcel #s 027046-000 and 010057-000.

Building Description:

 Square Feet: 35,512 Gross leasable area

 Foundation: Wood pilings

 Structural Members: One story wood frame

 Exterior Walls: Hardi-Plank

 Year Built: 1995 and 2002

 Quality: Average

 Condition: Average

Price per Square Foot: \$19.00 and \$20.00 in 2017 for two (2), 1,003 s.f. standard retail units.

Utilities:

 Electric: On tenant

 Water and Sewer: On tenant

 Real Estate Taxes: On tenant

 Building Insurance: On tenant

 Repairs & Maintenance: Interior on tenant; Exterior on landlord

 Leasing/Management: On landlord

 Common Area Maintenance (CAM): On tenant

 Cleaning/Janitorial: On tenant

Lease Terms: Three (3) to five (5) years

Renewal Options: None

Overage Rents: None

Rent Escalators: The rents remain flat over the lease terms.

Rent Concessions: None

Passthroughs: None

Unleased Space: 4,012 square feet in four (4) units

Vacancy Rate: 11.30 percent

Comments: This retail complex reflects four (4) buildings connected by decking and walkways. CAM charges run \$3.50 per square foot.

Rent Comparable No. 2 (continued)



Rent Comparable Number 3

Property: Currituck Club Retail Center

Location: 601 Currituck Clubhouse Drive, The Currituck Club PUD, Poplar Branch Township, Currituck County, North Carolina. This retail complex occupies the northwest corner of the Ocean Trail and Currituck Clubhouse Drive intersection which is the main entrance into The Currituck Club.

Tax Reference: Pin # 0126-000-003A-0000

Building Description:

- Square Feet: 57,310 square feet
- Foundation: Concrete slab and footings
- Structural Members: One story masonry and metal frame
- Exterior Walls: Face block and some wood siding
- Year Built: 2005 (Harris Teeter) and 2006 (strip shops)
- Quality: Good
- Condition: Good

Price per Square Foot: \$11.55 for 48,910 s.f. Harris Teeter; **A unit has been leased (2017) at \$19.00 per s.f. (triple net) for a 1,200 s.f. local unit.**

Utilities:

- Electric: On tenant
- Water and Sewer: On tenant
- Real Estate Taxes: On tenant
- Building Insurance: On tenant
- Repairs & Maintenance: Minor on tenant; major on landlord
- Leasing/Management: N/A
- Common Area Maintenance (CAM): On tenant
- Cleaning/Janitorial: On tenant

Lease Terms: Two (2) to five (5) year leases for retail units and 20 years for Harris Teeter.

Renewal Options: Each retail tenant has one (1) or two (2) renewal option periods

Overage Rents: None

Rent Escalators: None

Unleased Space: 0 square feet

Vacancy Rate: 0.00 percent; Excluding the anchor tenant, the local vacancy is 0.00 percent.

Comments: There are seven (7) local retail units that contain 1,200 s.f. each (8,400 s.f. total). The cost recovery runs about \$3.30 per square foot.

Rent Comparable No. 3 (continued)



Rent Comparable Number 4

Property: Monterey Plaza - Units 815C and 815D

Location: 815 Ocean Trail, Monterey Shores, Currituck County, North Carolina

Tax Reference: Pin #s 116H-000-815C-0000 and 116H-000-815D-0000

Building Description:

- Square Feet: 2,668 square feet in two (2) units
- Foundation: Concrete slab
- Structural Members: One (1) story masonry frame
- Exterior Walls: Synthetic stucco
- Year Built: 2001
- Quality: Good
- Condition: Good

Price per Square Foot: \$19.00 (2017 rent)

Utilities and Expenses:

- Electric: On tenant
- Water and Sewer: On tenant
- Real Estate Taxes: On tenant
- Building Insurance: On tenant
- Repairs & Maintenance: On tenant
- Leasing/Management: On landlord
- Common Area Maintenance (CAM): On tenant
- Cleaning/Janitorial: On tenant

Lease Terms: Five (5) year lease

Renewal Options: One (1), 5-year renewal term

Overage Rents: None

Rent Escalators: Flat for first three (3) lease years with annual rental increases in the 4th and 5th lease years.

Rent Concessions: None

Passthroughs: The tenant pays a total of \$4.00 per square foot which includes CAM, insurance and real estate taxes.

Turnover Characteristics: These rental condominiums are part of the 122,890 square foot Monterey Plaza which has had occupancy in excess of 95 percent for the past five (5) years.

Unleased Space: 0 square feet

Vacancy Rate: 0.00 percent

Comments: None

Rent Comparable No. 4 (continued)



Units of Comparison

Rent per square foot of gross leasable area is considered the most reliable indicator of market rent. Within the subject's market area, most good quality office suites and retail units are leased on a triple net basis where the landlord pays minimal operating expenses; however, some rental complexes have modified gross lease terms, net leases or double net leases in which, to varying degrees, the operating expenses are split between the tenant and landlord.

Adjustments

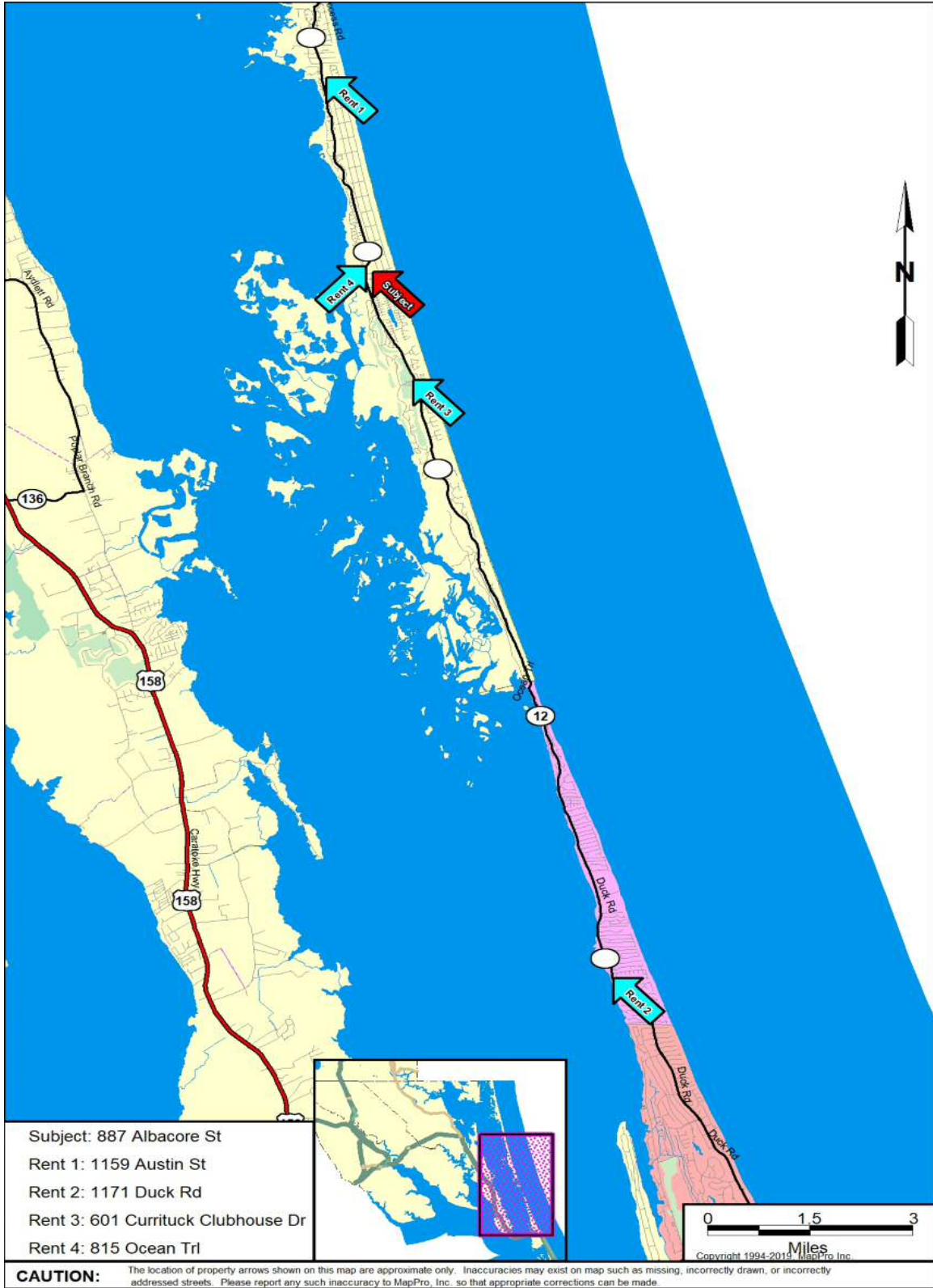
After analyzing the individual comparable rents, the leased fees are deemed arms-length leases. Subsequently, no adjustments for legal rights being appraised or condition of rental are necessary. Rental rates have been relatively stable for the past few years and the comparable rental rates reflect prevailing market conditions. The subject and comparable rentals have desirable locations along either Ocean Trail on the Currituck Outer Banks or Duck Road in Duck and these rental properties are similar to the subject in general location.

As mentioned previously, the subject's unit has inferior visibility as compared to most rental spaces within Monteray Plaza and as such, negative 15 percent adjustments are applied to the comparable rentals which have superior exposure. In this analysis, it is assumed that the subject will have a triple net lease and similar to the subject, all of the comparable rentals triple net leases. The adjustment chart is on the following page.

MARKET DATA GRID: MARKET RENTAL ANALYSIS

	Subject	Rental No. 1	Rental No. 2	Rental No. 3	Rental No. 4
Rent per s.f. of GLA (annual):		\$20.50	\$19.50	\$19.00	\$19.00
Legal rights being appraised	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee
Conditions of rental	Arms-length	Arms-length	Arms-length	Arms-length	Arms-length
Market conditions	Market	Market	Market	Market	Market
Market conditions adjustment		0.00%	0.00%	0.00%	0.00%
Adjusted price per s.f. of GLA:		\$20.50	\$19.50	\$19.00	\$19.00
Location	Good	Good	Good	Good	Good
Location adjustment		0.00%	0.00%	0.00%	0.00%
Quality and condition	Typical	Typical	Typical	Typical	Typical
Quality and condition adjustment		0.00%	0.00%	0.00%	0.00%
Unit visibility	Average	Good	Good	Good	Good
Visibility adjustment		-15.00%	-15.00%	-15.00%	-15.00%
Functional utility	Typical	Typical	Typical	Typical	Typical
Utility adjustment		0.00%	0.00%	0.00%	0.00%
Income producing characteristics	N-N-N	N-N-N	N-N-N	N-N-N	N-N-N
Income adjustment		0.00%	0.00%	0.00%	0.00%
Indication of rental per s.f.		\$17.43	\$16.58	\$16.15	\$16.15

Comparable Rental Map



The statistical characteristics of the adjusted rental data, which reflect a sample of a total population, are listed in the following table.

Statistical Analysis of Rental Data		
Mean	\$16.58	
Standard Deviation	\$0.60	
	Minimum	Maximum
Data Range	\$16.15	\$17.43
68% Probability Range	\$15.97	\$17.18
95% Probability Range	\$15.37	\$17.78

In addition to the statistical analysis, each rental is compared to the subject on an individual basis. The subject is presently being offered for rent at \$3,875 per month or \$17.55 per square foot on a triple net basis and the rental rate includes all FF & E. The property has been listed in the Outer Banks MLS for 339 days and after considering rent concessions (3 months free rent for each year of three (3) year lease term), its effective asking rent is \$13.08 per square foot. The restaurant has been vacant for about 20 months and the proposed lease rate and terms reflects the owners' desire for the property generate income to cover holding costs and provide some return on their investment. If a tenant were secured, it is likely that any renewal options would not have lease concessions. Considering both the market rental data and the subject's asking rent, its market rent is estimated at \$16.00 per square foot and its potential gross income is estimated below.

2,650	SF	@	\$16.00	=	\$42,400
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Contract Rent

The subject is presently vacant and as such, there are no leases to consider.

Effective Gross Income

Effective gross income is the anticipated income from all operations of the real property after allowance for vacancy and collection losses. Based on my 2019 inventory analysis of Outer Banks commercial and industrial space, I have calculated the current vacancy rate for properties which would be competitive with the subject. The data are listed in the following table.

Retail and Office Inventory Analysis Currituck Outer Banks					
Property Type	Number	S.F.	Average Size	Vacancy in S.F.	Vacancy Rate
Retail/Office-Single Tenancy	15	59,044	3,936	0	0.00%
Retail/Office-Multiple Tenancy	12	354,453	29,538	10,273	2.90%
Totals	27	413,497	15,315	10,273	2.48%

As portrayed by the data, the vacancy rate for single tenant retail and office buildings is zero and multi-tenancy retail projects have a modest amount of vacancy - primarily in office buildings located off Ocean Trail in The Currituck Club. Except for 2018 when a 1,440 s.f. retail building was unoccupied and vacancy was 2.44%, single tenancy vacancy has been zero (0%) for 2016, 2017 and 2019. Multiple-tenancy vacancy during 2017 and 2018 was 7.20% and 3.77%, respectively. In this analysis, a **stabilized** vacancy allowance of three (3) percent is deemed appropriate. Depending on the risk character of the property, collection losses typically range from 0.50 to 4.00 percent. Similar to the vacancy allowance, collection losses are stabilized at a nominal 1.00 percent of potential gross income as a risk factor.

Net Operating Income

Net operating income is defined as the anticipated net income remaining after all operating expenses are deducted from effective gross income but before mortgage debt service and depreciation are deducted. Operating expenses are usually divided into fixed and variable expenses. Fixed expenses are operating expenses that generally do not vary with occupancy and have to be paid whether the property is occupied or vacant while variable expenses are all operating expenses that generally vary with the level of occupancy.

Fixed Expenses

The subject property has two fixed expenses, property taxes and property insurance. In this analysis, it is assumed that the subject is leased on a triple net basis and the tenant will reimburse the landlord for these costs. At the present time, the subject's real property assessment is \$376,800 while the FF & E is assessed at \$135,878 and based on the 2019 tax rate, the tax liability is estimated at \$2,717 $((\$376,800 + \$135,878) / \$100) \times \0.53). The subject's pro rata share of the cost to insure the building is \$1,729 per year.

Variable Expenses

In addition to these fixed expenses, the subject has variable expenses which include the following categories.

Landlord's Repairs and Maintenance - Under triple net terms, the tenant is directly responsible for interior repairs and maintenance expenses including systems while the landlord must pay structural repairs and exterior maintenance costs which are **stabilized** at 2.00 percent of effective gross income. The tenant would be directly responsible for repairs and maintenance costs.

Management Fees - This expense typically ranges for 2.00 to 6.00 percent of effective gross income. These rates are based on interviews with numerous leasing agents throughout the Outer Banks and Hampton Roads MSA. As a single tenant or owner occupied condo unit, a 2.00 percent management fee is included in this analysis and it is applied to the effective gross income.

Common Area Maintenance (CAM) - Based on the subject's actual charges, this expense is forecasted at \$5,049. Under triple net terms, the tenant reimburses the landlord for this expense. Although the dues include an allowance for replacements, these amounts are usually inadequate and special assessments are often made for capital improvements. Tenants normally resist paying substantial additional charges.

Association Dues - Other association charges include annual assessments for BeachMar Condominium and the subject's specific phase (i.e. building) and it also reflects payments for repairs, parking lot stripping, power washing the building, etc. and based on recent expenses, this expense is projected at \$1,907. Although some of these expenses may occur on an infrequent basis, under triple net terms, the tenant reimburses the landlord for these modest costs.

Replacement Allowance - The allowance covers future capital improvements such as roofs, HVAC systems, etc. Typically, purchasers of resort commercial properties do not consider reserves under direct capitalization in their computation of the net operating income; therefore, no replacement allowance is deducted from net operating income for this analysis.

A reconstructed operating statement and estimate of net operating income can be found on the following page.

Budda'Licious
Unit 887, BeachMar III Commercial Condominium

Operating Income and Expense Schedule

Number of Square Feet of GLA:	2,650		
		Per SF	Percent
	Year 1	of GLA	of PGI
Income			
Base rent (based on market rent)	\$42,400	\$16.00	78.81%
Reimbursements	11,402	4.30	21.19%
Potential gross income	\$53,802	\$20.30	100.00%
Vacancy loss	\$1,614	0.61	3.00%
Collection loss	538	0.20	1.00%
Effective gross income	\$51,650	\$19.49	96.00%
Operating expenses			
Real estate taxes (real property & FF & E)	\$2,717	\$1.03	5.05%
Property insurance	1,729	0.65	3.21%
Landlord's repairs & maintenance	1,033	0.39	1.92%
Common area maintenance (CAM)	5,049	1.91	9.38%
Management fee	1,033	0.39	1.92%
Owner's association dues	1,907	0.72	3.54%
Total operating expenses	\$13,468	\$5.08	25.03%
NET OPERATING INCOME	\$38,182	\$14.41	70.97%

DIRECT CAPITALIZATION

Direct capitalization is a process in which a single year's income is converted into an estimate of value. In this analysis, the overall capitalization rate is utilized to estimate the subject's value. This rate is equal to the net operating income divided by the sales price. From the sales data, contained in this report, several capitalization rates are calculated and listed below.

Property	Overall Capitalization Rate
Improved Sale No. 1	7.94%
Improved Sale No. 2	7.85%
Improved Sale No. 3	7.77%
Improved Sale No. 4	7.62%
Mean	7.80%
Median	7.81%

Given the subject's effective age, size, product type, age, condition and location, the going-in capitalization rate is estimated at 7.77 percent - greatest weight is given to Improve Sale No. 3, the most recent sale. Within the subject's market, replacement allowances are not normally deducted by property owners, and they are not deducted in the income estimates of the comparable sales. Therefore, the subject's NOI prior to replacement allowances, leasing commissions and tenant improvements is capitalized.

Income Approach Value Estimate							
NOI of	\$38,182	/	7.77%	=	\$491,402	Rounded to:	\$490,000

Furniture, Fixtures & Equipment (FF & E)

The subject contains numerous items such as restaurant furniture and fixtures and kitchen equipment. This FF & E is indispensable to the operation of the restaurant and these items are typically sold along with real property rights. Please note that realty items such as HVAC units, flooring, hot water heaters, etc. are considered realty and the value of these items is reflected in the real estate value.

Until the onset of the Great Recession, there had been a relatively active market for restaurant realty, leaseholds and businesses although sales activity has slowed dramatically in the past 10 years. When a restaurant business is sold, the sales price typically includes the business name, goodwill, inventory, licences and FF & E. Also, the real property, if any, is sold by Deed transfer while FF & E and intangible assets are sold via a Bill of Sale. Although purchasers may make allocations between these components, the values attributed to each item are often driven by tax implications rather than fair market value. I have found two (2) sales of used FF & E packages that conveyed with the realty and I have collected some data on individual items sold. Please note that as a package, used equipment typically sells for less than the sum of its individual components. Although the book value of these items may be considerable, their salvage value is typically **much less** than their book value and oftentimes, they sell for only 15 to 35 percent of replacement cost. Marshall Valuation Service lists the typical life expectancy for restaurant FF & E at seven (7) to 10 years although many items will still be in use well after a decade. These older FF & E have some residual value. Sales prices of FF & E are highly dependent on the motivation of individual buyers and sellers and as such, there is often a large range in prices.

As mentioned previously, the owner obtained a FF & E appraisal from BLH OBX and based on this analysis, the equipment value if it is included in the sale of the real estate would be \$20,215. The FF & E value would be \$17,635 if sold individually or at auction and in this scenario, the broker would receive a 30 percent commission fee. Please note that the inventory list did not include the hood fan system which would have a contributory value of \$5,000 to \$7,500.

I am privy to a recent sale of an FF & E package included with the realty purchase of a restaurant condominium and the sale price was \$50,000 which included all kitchen equipment including cookers, fryers, hood fan system, refrigeration, etc. as well as dining room and service items. The data for this confidential sale is maintained in my appraisal file.

On April 5, 2016, Philly Steaks, Inc. sold the Philly Steak Subs business to Dick's Salty Dog, Inc. while the condominium unit in which the business is located sold on November 2, 2016 to the same buyer (See Improved Sale No. 1). The sale was brokered by Joe Staten with Sun Realty (252-982-6136). The 2,000 square foot unit is identified as Unit 807F, BeachMar Commercial Condominium II and it is located at 807F Ocean Trial, in Monteray Shores PUD, Corolla, Currituck County, North Carolina. The purchaser paid \$300,000 cash for the business name, goodwill, inventory, licences and FF & E and of this figure, the broker estimates that the FF & E contributed \$25,000.

As described previously, there is a large range of FF & E values depending on the circumstances of the buyer and seller, whether the equipments either stays in the restaurant or is removed by the purchaser, the age and condition of the FF & E, etc. In this analysis, the subject's FF & E has an estimated contributory value of \$35,000 if it is conveyed with the real property.

RECONCILIATION OF VALUE AND FINAL VALUE ESTIMATE

A résumé of the foregoing indications of value are as follows:

Budda'Licious Units 887, BeachMar III, Commercial Condominium	
	“As Is” Market Value Estimate
Effective Date of Appraisal	July 18, 2019
Marketing Time	12 months
Property Rights Appraised	Fee Simple Estate
Estimated Depreciated Value of FF & E	\$35,000
Estimated Value of Real Property without FF & E	\$470,000
Total Property Value including Realty & FF & E	\$505,000
Cost Approach	N/A
Sale Comparison Approach (no FF & E)	\$470,000
Income Approach (including FF & E)	\$490,000
Final Value Estimate (excluding FF & E)	\$470,000

The final step in the appraisal process is the reconciliation of the data and indicated values resulting from the application of the three approaches. This step correlates the facts and involves the careful reviewing and evaluation of each estimate of value. Upon analysis, a conclusion of final value is formed.

Cost Approach

The cost approach is usually a good indicator of value for new or proposed projects since they have little or no accumulated depreciation. The cost approach is mainly utilized as a check on the financial feasibility of an existing project and when all forms of depreciation are deducted, it can yield an accurate indication of value for the property. As a specialty condominium in which all of the physical components (i.e. land, site improvements and building) of the subject are common elements, the cost approach is not an appropriate measure of value and as such, it has been omitted.

Sales Comparison Approach

The sales comparison approach is considered a reliable indicator when there is an ample supply of market data. In this analysis, several comparable sales are researched from which an estimate of market value is made. Given the quality of the market data, the sales comparison approach is considered an accurate and appropriate value indicator. **Please note that the \$470,000 value estimate via the sales comparison approach does not include the FF & E and adding the contributory value of the restaurant's equipment yields a total value of \$505,000 (\$470,000 + \$35,000).**

Income Capitalization Approach

The income capitalization approach is typically an appropriate measure of market value for properties which are held for income generation. Similar properties are frequently constructed or bought and held for their income potential and for commercial condominiums, the income approach is sometimes considered an accurate and reliable measure of market value. **The subject's lease rate reflects a fully equipped restaurant and as such, it includes a return on the FF & E. At \$490,000, the income approach provides some support to the sales comparison's value estimate derived by adding the real and personal property values.**

After careful consideration of the approaches to value, most weight is given to the sales comparison approach; therefore, it is my opinion that the “as is” market value (**real property only**), as defined herein, of the subject property in fee simple title as of July 18, 2019, was:

FOUR HUNDRED SEVENTY THOUSAND DOLLARS

(\$470,000)

Including the FF & E value estimated at \$35,000, the subject’s total value is \$505,000. At the appraised value, the marketing time is 12 months while the reasonable exposure time, which reflects the days on the market prior to a hypothetical sale on the effective date of appraisal, is also estimated at 12 months.

QUALIFICATIONS OF GREGORY L. BOURNE, MAI

Post Office Drawer 1687
Nags Head, North Carolina 27959

PROFESSIONAL DESIGNATIONS AND CERTIFICATIONS

Member Appraisal Institute (MAI) - The Appraisal Institute, Certificate Number 8805, 1991

State-Certified General Real Estate Appraiser - NC License Number A215, VA License Number 4001 001251 (inactive), SC License Number CG 2447 (inactive)

PROFESSIONAL EXPERIENCE

Bourne Appraisal Service, 1996 - Present
Real Estate Appraisers and Consultants

Bourne & Culpepper Appraisals, 1990 - 1995
Real Estate Appraisers and Consultants

Sauter, Phelan & Associates, 1987 - 1989
Real Estate Appraisers and Consultants

Robert B. Miller & Associates, 1986
Real Estate Appraisers and Consultants

EDUCATIONAL BACKGROUND AND TRAINING

B.S. Degree in Finance, Virginia Polytechnic Institute and State University, Blacksburg, Virginia, 1984

Real Estate Appraisal Principles,
Exam 1A-1/8-1, 1986
Basic Valuation Procedures, Exam 1A-2, 1986
Capitalization Theory & Technique, Part A,
Exam 1B-A, 1986
Capitalization Theory & Technique, Part B,
Exam 1B-B, 1986
Standards of Professional Practice, 1987
Case Studies in Real Estate Valuation,
Exam 2-1, 1986
Residential Valuation, Exam 8-2, 1987
Market Analysis, Examination 10, 1987
Report Writing and Valuation Analysis, Exam 2-2, 1990

BUSINESS AND PROFESSIONAL AFFILIATIONS

Appraisal Institute - Member
Alpha Kappa Psi, Professional Business Fraternity
Dare County Board of Realtors - Broker Member

TYPES OF PROPERTIES APPRAISED

Multi-Family Residential, Residential Condominium Developments, Commercial Condominium Developments, Office Properties, Retail Properties, Feasibility Studies, Convenience Stores, Gas Stations, Acreage, Residential Subdivision Analyses, Highest and Best Use Studies, Shopping Centers, Commercial Condominium Conversions, Restaurants, Special Purpose Buildings, Trailer Parks, Day Care Centers, Apartments, Motels, Cottage Courts, Marinas, Warehouse Properties, Resort Developments and Ocean Beach Properties, Highway Right-of-way Acquisitions, State Park Acquisitions, Timberland, Wetland, Conservation Land, Residential Subdivision Lots, and Planned Communities

INSTITUTIONAL CLIENTS

North Carolina State Property Office
North Carolina Department of Transportation
North Carolina Nature Conservancy
North Carolina Rural Rehabilitation Corporation
North Carolina Department of Commerce
Religious Institutions
County of Currituck and Dare
U.S. Fish & Wildlife Service
General Administration Services (GSA)

FINANCIAL CLIENTS

Bank America
SunTrust Bank
First South Bank
PNC Bank
Southern Bank
Wells Fargo Bank
First Bank
Nomura, New York, New York
BB & T
Southern Community Bank
Capital Bank
the little bank
Chesapeake Bank
North State Bank
Royal Bank America
First Citizens Bank
TowneBank
Xenith Bank
Bank of Kansas
Four Oaks Bank
Yadkin Bank

APPRAISAL EXPERIENCE - NORTH CAROLINA

Dare County, Currituck County, Pasquotank County, Hyde County, Chowan County, Gates County, Camden County, Tyrrell County, Perquimans County

COURT EXPERIENCE - EXPERT WITNESS

United States Bankruptcy Court - Wilson, New Bern, Greenville, Raleigh, NC
Tax Appeal Hearings - Dare and Currituck County, North Carolina
Superior Court - Dare, Currituck, Perquimans and Pasquotank Counties

CONTINUING EDUCATION COURSES (Past 5 Years)

Appraisal of Medical Office Buildings (9/2018)
Appraising Convenience Stores (9/2018)
National USPAP Update (1/2018)
Business Practices and Ethics (12/2016)
Evaluating Commercial Construction (2/2014)
Cool Tools: New Technology for Real Estate Appraisers (5/2014)
Analyzing Operating Expenses (8/2014)
Advanced Internet Search Strategies (9/2014)
Case Law 7 (1/2019)
Appraisal FAQ's 2019 (1/2019)
Forecasting Revenue (8/2016)
Rates and Ratios: Making Sense of GIMs, OARs, and DCF (8/2016)
Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets (4/2019)

ADDENDA

- A. State License Certificate
- B. Subject Deed
- C. Tax Abstract
- D. Equipment Appraisal and List

State of North Carolina



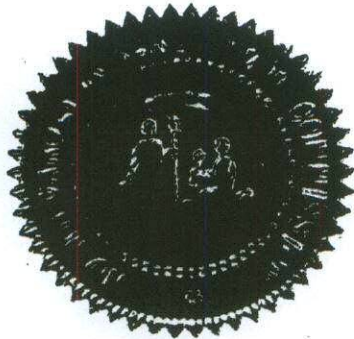
North Carolina Real Estate Commission

GREGORY L. BOURNE

having satisfied the North Carolina Real Estate Commission and the North Carolina Real Estate Appraisal Committee regarding the qualifications to practice as a General Real Estate Appraiser in this State and having complied with the requirements prescribed by law, is hereby certified as a

State-Certified General Real Estate Appraiser

Given under and by virtue of the provisions of Article 5 Chapter 93A of the General Statutes of North Carolina, I hereunto set my hand and seal of the Real Estate Commission at Raleigh on the date below:



NORTH CAROLINA APPRAISAL BOARD		
APPRAISER QUALIFICATION CARD		
Expires June 30, 2020		
REGISTRATION / LICENSE / CERTIFICATE HOLDER		
19	GREGORY L BOURNE	
A215	G	Y
APPRAISER NUMBER	TYPE	NATIONAL REGISTRY
Gregory L. Bourne, MAI		<i>[Signature]</i>
APPRAISER'S SIGNATURE		EXECUTIVE DIRECTOR

[Signature]
Phillip T. Fisher
Executive Director



Doc ID: 000899970002 Type: CRP
Recorded: 06/01/2005 at 04:29:42 PM
Fee Amt: \$9,251.00 Page 1 of 2
Excise Tax: \$1,539.00
Currituck County, NC
Charlene V Dowdy Register of Deeds

BK 870 PG 101-102

41

TRANSFER TAX AMOUNT 7695.00 w
DATE/COLLECTOR 6-1-2005-EHC

Land Transfer No: _____ Recording Time, Book and Page
Excise Tax: \$1,539.00
Land Transfer Tax: \$7,695.00

NORTH CAROLINA GENERAL WARRANTY DEED

Tax Lot No. _____ Parcel Identifier No. _____
Verified by _____ County on the _____ day of _____
by _____

Mail after recording to: Vandeventer Black LLP, PO Box 2, Kitty Hawk, NC 27949

This instrument was prepared by: Vandeventer Black LLP, a licensed North Carolina attorney. Delinquent taxes, if any, to be paid by Daniel D. Khoury, the closing attorney to the county tax collector upon disbursement of closing proceeds. File No. 087140026AT

Brief Description for the index

Unit 887, BeachMar Commercial Condominium III

THIS DEED made this 28th day of April, 2005

GRANTOR

GRANTEE

BEACH-MAR IV, LLC
A North Carolina Limited Liability Company

KENNETH B. WECKSTEIN and wife,
ANDREA G. WECKSTEIN, 2/3 undivided interest
And
SCOT PLEAF, 1/3 undivided interest
As Tenants in Common

Enter in appropriate block for each party: name, address, and, if appropriate, character of entity, e.g., corporation or partnership.

The designation Grantor and Grantee as used herein shall include said parties, their heirs, successors, and assigns, and shall include singular, plural, masculine, feminine or neuter as required by context.

WITNESSETH, that the Grantor, for a valuable consideration paid by the Grantee, the receipt of which is hereby acknowledged, has and by these presents does grant, bargain, sell and convey unto the Grantee in fee simple, all that certain lot or parcel of land situated in **Poplar Branch Township, Currituck County, North Carolina** and more particularly described as follows:

Being known and designated as Unit 887 of BeachMar Commercial Condominium III, as shown on the plat and plans of BeachMar Commercial Condominium III recorded in Condominium Book 1, Pages 150-160 in the office of the Public Registry of Currituck County, North Carolina;

together with the undivided interest in the Common Elements and Limited Common elements allocated to said unit by the Declaration as amended from time to time and all rights and easements appurtenant to said Units as specifically enumerated in that Declaration of BeachMar Commercial Condominium III recorded in Deed Book 857, at page 907 in the office of the Public Registry of Currituck County, North Carolina and any amendments thereto (the "Declaration").

Subject to all the terms, provisions, conditions, obligations, limitations, restrictions and easements binding upon the Units and Unit Owners as more particularly set forth in that Declaration.

NOTE: THIS FORM CONTAINS REVISIONS WHICH ARE DIFFERENT FROM THE PROVISIONS OF THE OFFICIAL FORM PROMULGATED BY THE NORTH CAROLINA BAR ASSOCIATION AND SHOULD BE CAREFULLY REVIEWED PRIOR TO EXECUTION.

The property hereinabove described was acquired by Grantor by instrument recorded in Book 405, Page 764, Currituck County Registry.

A map showing the above described property is recorded in **Condominium Book 1, Pages 150-159.**

TO HAVE AND TO HOLD the aforesaid lot or parcel of land and all privileges and appurtenances thereto belonging to the Grantee in fee simple

And the Grantor covenants with the Grantee, that Grantor is seized of the premises in fee simple, has the right to convey the same in fee simple, that title is marketable and free and clear of all encumbrances, and that Grantor will warrant and defend the title against the lawful claims of all persons whomsoever except for the exceptions hereinafter stated.

Title to the property hereinabove described is subject to the following exceptions:

1. That Declaration filed April 21, 2005 in Book 857, Page 907, Currituck County Registry.
2. Existing easements, restrictions, reservations and rights-of-way of record.
3. All zoning ordinances and other land regulations applicable thereto.
4. 2005 Ad Valorem taxes

IN WITNESS WHEREOF the Grantor has hereunto set his hand and seal, or if corporate, has caused this instrument to be signed in its corporate name by its duly authorized officers and its seal to be hereunto affixed by authority of its Board of Directors, the day and year first above written.

BEACH-MAR IV, LLC
A North Carolina Limited Liability Company

By: Robert R. DeGabriele (SEAL)
Robert R. DeGabriele, Manager

SEAL-STAMP USE
BLACK
INK
ONLY

STATE OF North Carolina
COUNTY OF Dare

I, the undersigned, a Notary Public of the County and State aforesaid, certify that **Robert R. DeGabriele** personally came before me this day and acknowledged that he is Manager of **Beach-Mar IV, LLC, A North Carolina Limited Liability Company**, and that by authority duly given and as the act and deed of the Limited Liability Company, the foregoing instrument was signed and sealed in its name by its Manager.

Witness my hand and official stamp or seal, this the 31st day of May, 2005.



Denise R. Michaud
Notary Public Denise R Michaud

My commission expires: November 6, 2005

The foregoing Certificate of Denise R. Michaud, Notary of Dare County is/are certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

By Charlene y Dowdy REGISTER OF DEEDS FOR CURRITUCK COUNTY
Emily H Castelow Deputy/Assistant Register of Deeds.

NOTE: THIS FORM CONTAINS REVISIONS WHICH ARE DIFFERENT FROM THE PROVISIONS OF THE OFFICIAL FORM PROMULGATED BY THE NORTH CAROLINA BAR ASSOCIATION AND SHOULD BE CAREFULLY REVIEWED PRIOR TO EXECUTION.

PROFILE

Tax Parcel #	116H00008870000	Township	11 - POPLAR BRANCH BCH
Global PIN	9935-83-0119	NBHD	C116H000
Address	887 ALBACORE ST		1-116H00
Owner(s)	WECKSTEIN, KENNETH B LEAF, SCOTT	Zoning	SFO
Mailing Addr	10716 FALLS POINTE DR	Utilities	02 06
	GREAT FALLS VA 22066 1600		

Description		Land Area	0.0593
		Street/Road	ALBACORE ST
Land Use Code	450	Subdivision Name	
LUC Description	C-CONDOMINIUM OFFICE UNITS	Subdivision No.	

VALUE SUMMARY

Land	64500	Building	312300	Total	376800
Deferred Land	0	Exempt Value	0	Total Taxable	376800

PRIMARY RESIDENTIAL CARD

Card	Foundation	-	Frpl Prefab	
Stories	Living SFLA		Frpl OP/ST	/
Attic	HT/AC	-	Bsmt Gar SF	
Use	Fuel	-	Grade	-
Type	System	-	Cond (CDU)	-
Year Built	UF Area		% Complete	%
EFF Year	Fin Bsmt SF		Ext. Material	-
Bedroom	UFin. Bsmt SF		Bsmt Gar	
Full Bath	Half Bath			

COMMERCIAL CARD

Year Built	2001	Stories		Grade	B-
Eff. Yr. Built		Gross Flr. Area	2550	Impr Name	PIZZA GUY
Units		Units	356		
Note 1		Note 2			

LAND

Type	Land Code	Soil Type	Acres	Front	Depth	Use Flag	Land Value
S	28-Commercial	-	0.0593	0	0		64525

AGRICULTURE

Classification	Sub Class	Acres
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OTHER ITEMS

Code	Description	Yr Blt	Sq Ft	Values
PA1	PAVING-	2001	5000	0

SALES HISTORY

Date	Book-Page	Grantor	Sale	Desc	Parcels	Amount
21-APR-2005	COND1--151					0
01-JUN-2005	870--101		Y	VALID SALE		769,500

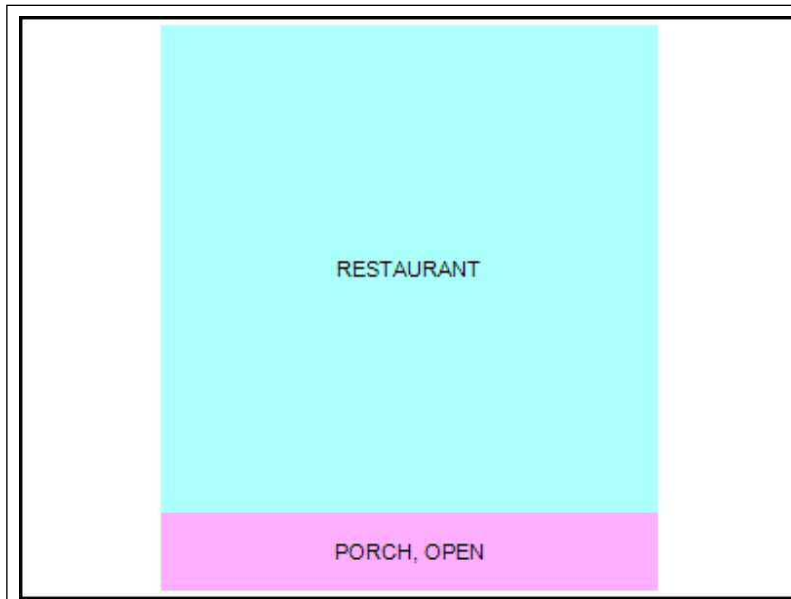
MAP



PHOTO



SKETCH



Sketch Legend

- 1 RESTAURANT - 031:RESTAURANT 2550 Sq. Ft.
- 1 PORCH, OPEN - PR1:PORCH, OPEN 408 Sq. Ft.
- 1 - PA1:PAVING-ASPHALT PA 5000 Sq. Ft.



PREPARED BY:
BLH OBX INC
PO Box 1826
Nags Head, NC 27959

Beaman L Hines
President

BLH OBX Inc
PO Box 1826, Nags Head, NC 27959
Ph: 252 441-2798 Fax: 252 441-4735
Email: blhines@blhinc.net Web: www.blhinc.net

February 8, 2018

Per your request, we respectfully provide a summary appraisal report for certain restaurant equipment items located at Buddhalicious, 887 Albacore St, Corolla, NC 27927.

On February 8th, 2018, Thomas Rice and I performed an appraisal on kitchen equipment and related items at the restaurant. BLH OBX Inc has assumed that all of the equipment is in working order. If the equipment stays in the restaurant, the estimated value is \$20,215.00. If sold individually or at auction, the estimated value would be \$17,635.00 minus a 30% commission fee. The reason for the decrease in price is because items are held at a higher value if used in the original location for which they were purchased.

BLH OBX Inc did not perform any testing on the equipment; therefore, no warranties can be given if they are ever sold. We also suggest that all equipment and related items be professionally cleaned and tested before any sale because of neglect since it was last used.

Respectfully submitted,

B L Hines

Beaman L Hines

President

BLH OBX Inc

PO Box 1826, Nags Head, NC 27959

Ph: 252 441-2798 Fax: 252 441-4735

Email: blhines@blhinc.net Web: www.blhinc.net

Item List

- (9) 30x48 Tables - \$40.00 each
- (2) 30x86 Tables - \$85.00 each
- (1) 30x73 Tables - \$50.00
- (5) 30x30 Tables - \$30.00 each
- (35) Dining Chairs - \$15.00 each
- (10) Bar Stools - \$45.00 each -
- (12) Single Booths - \$70.00 each
- (1) Double Booth - \$145.00
- (3) Positouch POS Systems – Most POS Systems are leased, not purchased. If they were purchased and more than 3 years old, the software will need to be up updated.
- (1) Delfield Pass Thru - \$200.00
- (1) Turbo Air Beer Bottle Cooler - \$1200.00
- (1)Vissani Wine Cooler - \$75.00
- (2) 40 Inch Samsung Televisions - \$100.00 each
- (1) 30 Inch Samsung Television - \$50.00
- (1) Blue Air One Compartment Sink - \$100
- (!) Advance Tabco Baker's Rack - \$40
- (2) Sir Lawrence Fryers - \$275.00 each
- (1) Migali Sandwich Unit \$600.00

- (1) Garland 36 Inch Oven with 24 inch Griddle and (4) 12 Inch Burners - \$800.00
- (1) Adcraft 24 Inch Charbroiler - \$300.00
- (1) Tri Star 10 Burner Range - \$600.00
- (1) Greenwood 72 Inch Sandwich Unit with Double Over Shelf - \$800.00
- (1) 48x28 Stainless Steel Table - \$60.00
- (1) Beverage Air Shallow Depth Beer Box - \$900.00
- (1) Excellence Freezer - \$250.00
- (1) Hoshizaki Counter Showcase - \$500.00
- (1) 30x72 Stainless Steel Table - \$95.00
- (1) 24x48 Stainless Steel Table - \$75.00
- (1) Turbo Air One Door Merchandiser - \$500.00
- (1) KM-500MAH Hoshizaki Ice Make with 500 Pound Ice Bin - \$950.00
- (1) Norlake 14 Foot Wide by 8 Foot Deep Walk In Combination Freezer/ Refrigerator - \$3800.00
- (1) CMA Dishwasher - \$400.00
- (1) 3 Compartment Sink with Double Drain Boards - \$200.00
- (2) True 3 Door Merchandiser – One at \$200 and the other one at \$250.00
- (7) Ceiling Fans - \$30.00 each
- (2) High Chairs - \$20.00 each
- Miscellaneous Serving and Cooking Items - \$1000.00

Estimated Value with equipment staying in the restaurant. - \$20,215.00

Estimated Value if sold individually or at auction. - \$17,635.00 minus a 30% commission fee