

# APPRAISAL REPORT

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If you are an authorized user identified in the following engagement letter and would prefer a more readable PDF please contact us at your convenience.

## PREPARED FOR

Rosalind Harsaran  
Stonegate Bank

Client ID:  
Rechter Holdings - 913 NE 4th Ave FLL

## REAL PROPERTY APPRAISED

**Progresso Pointe**  
**913 NE 4th Avenue**  
**Incorporated City of**  
**Fort Lauderdale, Florida 33304-1941**  
**Broward County**

## DATE OF THE REPORT & CERTIFICATION

August 16, 2017

## DATES OF VALUE

Current Market Value of the Leased	8/10/17
Fee Interest As-Is:	
Prospective Value of the Leased Fee	1 month 10/1/17
Interest Upon Stabilized Occupancy:	

## PREPARED BY

**SOUTH FLORIDA REAL ESTATE APPRAISAL, LLC**  
CERTIFIED APPRAISAL AND EVALUATION SERVICES

**2800 GLADES CIRCLE, SUITE 154**  
**WESTON, FLORIDA 33327**



**MICHAEL P. JACOBS, MA, MAI, SRA**

[What is an MAI/SRA?](#)

[State-certified](#) general real estate [appraiser](#) RZ#2621

SFREA Appraisal File No. 170821a



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(954) 649-0666



## Progresso Pointe

913 NE 4th Avenue

Incorporated City of  
Fort Lauderdale, Florida 33304-1941

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Stonegate Bank Client ID:  
Rechter Holdings - 913 NE 4th Ave FLL



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2800 Glades Circle, Suite 154  
Weston, Florida 33327

August 16, 2017

Rosalind Harsaran  
Credit Policy Officer  
Stonegate Bank  
400 North Federal Highway NMLS-ID: 942093  
Pompano Beach, FL 33062

Re: Client ID: Rechter Holdings - 913 NE 4th Ave FLL  
SFREA File No.: 170821a  
Progresso Pointe  
913 NE 4th Avenue  
Incorporated City of Fort Lauderdale, FL 33304-1941  
Broward County

Dear Ms. Harsaran:

This *Appraisal Report* has been prepared at the request of Stonegate Bank according to the engagement terms in Addendum, and under standards and reporting requirements of the Uniform Standards of Professional Appraisal Practice (“USPAP”) adopted by the Appraisal Standards Board of the Appraisal Foundation ([www.appraisalfoundation.org](http://www.appraisalfoundation.org)), as well as the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, the appraisal regulations issued in connection with the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), and Stonegate Bank guidelines.

This is an Appraisal Report as defined by the Uniform Standard of Professional Appraisal Practice under Standards Rule 2-2(a). This format provides a detailed and complete description of the appraisal process, subject data and valuation. The approaches employed in this appraisal report are credible, market-standard methodology in solving the appraisal problem.

This report is intended for use by Stonegate Bank, the client, and the intended use of this appraisal is for mortgage underwriting. Stonegate Bank affiliates, successors or assigns and participating financial institutions are also intended users. This report is also subject to review by duly authorized representatives of the Appraisal Institute, and the State of Florida real estate appraisal subcommittee of the Florida Real Estate Commission. Any other entity, including clients or customers of Stonegate Bank, is an unauthorized user and may not rely on anything within this appraisal report.

**Appraisal Report: Progresso Pointe**

Client: Stonegate Bank

Report Date: August 16, 2017

This report has been prepared for the purposes of estimating the “As-Is” market value of the leased fee interest as of August 10, 2017. An Insurable Value analysis was requested for this appraisal engagement. The analysis, found in the addenda, must not be used to obtain property insurance and the authors of this appraisal reject any insurance claim liability. Any use (purported, attempted, actual or otherwise) of the estimate in this appraisal by the client, property owner, their designees, assignees or agents for purposes of binding or obtaining insurance for the appraised property is strictly prohibited. It is not in any way to be considered market or fair value.

You will find a table of contents, a USPAP requirements checklist, a brief summary of salient facts and conclusions, exhibits, certification and general assumptions and limiting conditions in the next few pages. Acceptance of this report constitutes an agreement with these conditions and assumptions. A discussion of the parameters and scope of the appraisal follows.

This is a real estate appraisal only. The appraisal does not include any furniture, fixtures or equipment (“FF&E”) necessary to operate any business, or any business entities occupying the property. Fixtures of nominal value are sometimes included in real estate sales, and not itemized.

*Extraordinary Assumptions* and *Hypothetical Conditions* terms are defined within the Definitions Section, and may have significant impact on appraisal observations and conclusions when present.

- This appraisal contains no extraordinary assumptions.
- This appraisal is not based on any hypothetical conditions.

As a result of my investigation my conclusions are as follows:

Value Parameter	Effective Date	Conclusion of Value	Improved \$/SqFt Bldg	Land \$/SqFt
Personal property, fixtures & intangibles:		None		
Current Market Value of the Leased Fee Interest As-Is:	8/10/17	\$2,500,000	\$414.39	\$123.84
<i>Market Exposure Time:</i>	<i>6 months</i>			
Prospective Value of the Leased Fee Interest Upon Stabilized Occupancy:	10/1/17	\$2,640,000	\$437.59	\$130.77

Please tell your peers about our appraisal report. If your experience with South Florida Real Estate Appraisal, LLC has been anything less than exceptional, or this is not one of the best certified commercial real estate *Appraisal Reports* you have read, I hope you will contact me with suggestions to improve our service.

Respectfully submitted,



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- Monroe

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**MICHAEL P. JACOBS, MA, MAI, SRA**

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Progreso Pointe  
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Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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**Appraisal Report**  
**Progresso Pointe**  
**Minimum USPAP Requirements Checklist**

Client: Stonegate Bank  
 Client ID: Rechter Holdings - 913 NE 4th Ave FLL

## MINIMUM USPAP REQUIREMENTS CHECKLIST

Note: some items may be simply stated rather than summarized for Restricted Appraisal Reports

Please let us know if we can customize this for your company: (954) 649-0666 or [Mike@SFREAAppraisal.com](mailto:Mike@SFREAAppraisal.com)

Prominently state the USPAP report option used	Transmittal Letter, page 1
State the identity of the client	Transmittal Letter, page 1
State the identity of the intended users (by name or type)	Transmittal Letter, page 1
State the intended use of the appraisal	Transmittal Letter, page 1
Summarize information sufficient to identify the real estate, including relevant physical, legal, and economic characteristics	Pg. 38 and Addendum
State the real property interest appraised	Transmittal, page 1
State the type of value	Transmittal, page 1
State the definition of value	Definitions Pg. 30
Cite the source of the value definition	Definitions Pg. 30
State the effective date of the appraisal	Transmittal Letter, page 1
State the date of the report	Transmittal Letter, page 1
Summarize the scope of the work used to develop the appraisal	Scope Pg. 33 to 36
Properly disclose significant real property appraisal assistance (if any)	Certificate of Value pg. 6
Summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions and conclusions	Valuation Section pg. 87 and throughout approaches used.
Explain the exclusion of the sales comparison, cost, and/or income approaches	Pg. 87 - 87
Summarize the reconciliation process	Pg. 153
Summarize the results of analyzing the subject agreement, options, or listings, or prior sales history	Pg. 39
State the use of the real estate existing as of the date of value, and the use of the real estate reflected in the appraisal	Pg. 38
Summarize the support and rationale for the opinion of highest and best use (if developed)	Pg. 83
Clearly and conspicuously state all extraordinary assumptions and hypothetical conditions (if applicable)	Letter of Transmittal pg. 2
State that the use of extraordinary assumptions and/or hypothetical conditions might have affected the assignment results (if applicable)	Letter of Transmittal pg. 2
Include a signed certification in accordance with Standards Rule 2-3	Pg. 6
Does certification include statement regarding whether or not prior services were provided by the appraiser within the prior three years?	Certification pg. 6

## CERTIFICATION OF VALUE

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, and 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 no personal interest with respect to the parties involved.
4. 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.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. 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 result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the following requirements:
  - a. The Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
  - b. Uniform Standards of Professional Appraisal Practice (USPAP).
  - c. The State of Florida requirements for state-certified appraisers.
  - d. The prevailing guidelines issued under Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).
  - e. Office of the Comptroller of the Currency of the United States of America.
  - f. Federal Deposit Insurance Corporation (FDIC).
  - g. Stonegate Bank commercial appraisal reporting guidelines.
  - h. Stonegate Bank affiliates, successors or assigns and participating financial institutions are also intended users.
9. I personally inspected the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the person signing this certification.



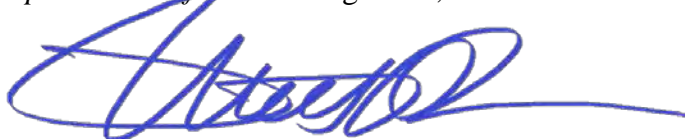
**Appraisal Report  
Progresso Pointe  
Certification of Value**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

11. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. Additionally, it is subject to review by the state of Florida relating to review by the real estate appraisal subcommittee of the Florida Real Estate Commission.
13. As of the date of this report, Michael P. Jacobs, MA, MAI, SRA has completed the continuing education program for Designated Members of the Appraisal Institute.
14. I have complied with the USPAP Competency Rule.
15. This appraisal report sets forth all of the limiting conditions imposed by the terms of this assignment or by the undersigned affecting the analyses, opinions and conclusions contained in this report.
16. This appraisal report does not reflect the value of any furniture, fixtures or equipment necessary to operate any business, or businesses entities occupying the subject property.
17. An Insurable Value analysis was requested for this appraisal engagement. The analysis, found in the addenda, must not be used to obtain property insurance and the authors of this appraisal reject any insurance claim liability. Any use (purported, attempted, actual or otherwise) of the estimate in this appraisal by the client, property owner, their designees, assignees or agents for purposes of binding or obtaining insurance for the appraised property is strictly prohibited. It is not in any way to be considered market or fair value.
18. Value conclusions are as follows:

Value Parameter	Effective Date	Conclusion of Value	Improved \$/SqFt Bldg	Land \$/SqFt
Personal property, fixtures & intangibles:		None		
Current Market Value of the Leased Fee Interest As-Is:	8/10/17	\$2,500,000	\$414.39	\$123.84
<i>Market Exposure Time:</i>	<i>6 months</i>			
Prospective Value of the Leased Fee Interest Upon Stabilized Occupancy:	10/1/17	\$2,640,000	\$437.59	\$130.77

*Date of Report & Certification:* August 16, 2017



**MICHAEL P. JACOBS, MA, MAI, SRA**  
State-certified general real estate appraiser RZ#2621  
Mike@SFREAppraisal.com (954) 649-0666

## GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

### General Assumptions

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

1. No responsibility is assumed for the legal description or for matters pertaining to 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 but, no warranty is given for its accuracy.
5. All engineering studies are assumed to be correct. Any plot plans or illustrative material in this report are included only to help the reader visualize 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 obtaining the engineering that may be required to discover them. The values estimated herein are subject to typical inspections such as roof, structural, and termite, if applicable.
7. It is assumed that the property is in full compliance with all applicable federal, state and local environmental regulations and laws unless the lack of compliance is stated, described and considered in the appraisal.
8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless non-conformity has been identified, described and considered in the appraisal.
9. It is assumed that all required licenses, certificates of occupancy, consents, and 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 opinion of value contained in this report is based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and considered in the appraisal.
11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presences of substances such as asbestos, urea formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

12. The physical condition of the improvements, if any, described herein was based on appearance only. No liability is assumed for the soundness of structural members, since no engineering tests were made of same.
13. Neither all nor any part of this appraisal report shall be disseminated to the general public using the appraiser's name or appraisal designation, without prior written consent of the appraisers signing this appraisal report.
14. Authorization is not allowed for the out-of-context quoting from, or partial reprinting of, this appraisal report.
15. By reason of the report, there is no requirement to testify with reference to the property herein appraised, unless arrangements have been previously made.
16. To the best of my ability, the analysis, opinions, and conclusions were developed in this report was prepared in accordance with the standards and reporting requirements of FIRREA of 1989-XI and its updates, the office of the Comptroller of the Currency of the United States of America (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation.
17. The reader should be advised that my employment was not contingent on the appraisal providing a minimum valuation, a specific calculation or the approval of a loan. Additionally, I have complied with the USPAP Competency Rule.

### **Limiting Conditions**

1. The allocation of total value between land and improvements applies only under the described utilization. The separate valuations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
2. The Americans with Disability Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the requirements of the ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.
3. In addition extraordinary assumptions and hypothetical conditions are considered:

#### **Extraordinary assumption(s):**

- This appraisal contains no extraordinary assumptions.

#### **Hypothetical condition(s):**

- This appraisal is not based on any hypothetical conditions.

# INTRODUCTION

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## SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

### APPRAISAL ASSIGNMENT

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Report Type: Appraisal Report

Client & Intended User(s): Stonegate Bank  
Stonegate Bank affiliates, successors or assigns and participating financial institutions are also intended users.

Client ID: Rechter Holdings - 913 NE 4th Ave FLL

Prior Services: 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.

Use: Mortgage underwriting.

Purpose & Interests Appraised: This report has been prepared for the purposes of estimating the "As-Is" market value of the leased fee interest as of August 10, 2017.

Sale Status of the Property: To the best of my knowledge the property is not under contract for purchase as of the effective date of the appraisal. There is no evidence that it is offered for sale at this time.

### IDENTIFICATION OF THE PROPERTY

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Property Name: Progresso Pointe

Address: 913 NE 4th Avenue  
Incorporated City of Fort Lauderdale, FL 33304-1941

Location: The subject property is located in the incorporated City of Fort Lauderdale, within Broward County and the Miami - Fort Lauderdale - Pompano Beach MSA, in the Fort Lauderdale Office-Retail Submarket in the Progresso/Flagler Village redevelopment district on the NWC of NE 9th Street and NE 4th Avenue with corner exposure on the Progresso Drive corridor.

Parcel Number: 49-42-34-05-7050

Census Tract: 417.00

### INFORMATION REQUEST

The following items were requested from the borrower and/or my client or designees. Any deviation from the information supplied and the assumptions used may result in a change of value. Income tax returns were not requested or audited because income and expense allocations in tax returns can legally be reported or allocated for tax purposes differently than an investor might underwrite.

Information Request	Provided by borrower	Not Provided	Remarks
Purchase contract		x	<i>None per borrower.</i>
Current & recent listing information		x	<i>Unavailable.</i>
Title report		x	<i>Unavailable.</i>
Site plan	x		<i>Provided.</i>
Survey	x		<i>Provided.</i>
Building diagram with measurements	x		<i>Provided.</i>
Building interior floor plan		x	<i>Unavailable.</i>
Recent capital improvements	x		<i>Gut-Renovation</i>
Prospective capital improvements	x		<i>\$135,000 Remaining Expense</i>
Current or pending tax changes	x		<i>None per borrower.</i>
Recent or pending land use issues	x		<i>Zoning Change (no impact)</i>
Recent operating statements		x	<i>Unavailable.</i>
Year to date operating statement		x	<i>Unavailable.</i>
Current budget	x		<i>Provided by borrower.</i>
Copies of all leases	x		<i>Provided by borrower.</i>

Because of the property profile, most market participants would conclude that a credible appraisal could be completed without the information not provided within the context of the Scope and Limiting Conditions of this report.



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## OVERALL PROPERTY SUMMARY & MARKET DEMAND PROFILE

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Property Type: Retail (general commercial building as proposed).

Highest & Best Use Vacant: A retail use when warranted by demand.

Highest & Best Use Improved: A retail use as improved.

The subject property consists of a freestanding general commercial building. The appraised land area contains one tax-parcel with a total of 20,188 square feet (0.463 acres). The site is effectively 100% usable.

Size estimates are not always conclusive because principals, brokers, rent rolls, official public records and other sources can all legitimately differ. A building diagram with measurements was provided. I took sample on-site and/or aerial photograph measurements, and my observations are discussed in sections describing the property. The improvements consist of one building of 6,033 square feet, built in 1958 of average quality, and in good condition considering the market standard for the construction era and design-profile.

Market demand and valuation are functions of the property occupancy and financing-profile. The most likely buyer is a leased asset investor. The property is 100% tenant-occupied. Market participants would consider the property to be at economic stabilization. A significant leasehold estate term exists and therefore market participants would base market value on the leased fee estate. The value of the fee simple estate is not relevant as of the effective date of appraisal.

Market participants would expect the strongest demand for the subject property from a local or regional investor that intends to benefit from personal management of the tenants. The property does not reflect investment-grade attributes and therefore would not be of interest to institutional investors.

The most compelling property attributes are:

- Positive attributes include the property's exposure on a commuter bypass and commercial corridor within the Flagler Village District sphere of influence, with more than 40 high-rise luxury apartment and townhome developments are being built and an avant garde adaptive reuse of older industrial is underway.
- Negative attributes include Progressive Drive's frequent congestion resulting from its commute-hour traffic volume, irregular shape and FECR right of way crossing with daily Amtrak, commuter tail and long cargo trains.

During the appraisal process I found:

- No material deferred maintenance or repairs threatening structural integrity that should be cured immediately, or evidence of environmental or health hazards for further investigation.
- No delinquent property taxes. Property taxes are low, and market participants would assume that they should not appeal although most would recognize that at some point they will be marked-to-market, especially following renovation or sale. This presumption is reflected in the following analysis.
- No historical significance or special resource issues that should be investigated further.

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#### APPRAISED SITE SUMMARY

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Subject Situs Address: 913 NE 4th Avenue  
Incorporated City of  
Fort Lauderdale, Florida 33304-1941  
Broward County

Subject APN: 49-42-34-05-7050

Land Use: Retail (general commercial building as proposed).

Zoning: NWRAC-MUe NW Regional Activity Center - Mixed Use East by  
Fort Lauderdale, Florida.

Gross Land Area: 20,188 SqFt (0.463 Acres)

Net Land Area: 20,188 SqFt (0.463 Acres) - The site is effectively 100% usable.

Shape: Irregular.

Dimensions: Approximately 200 x 117 feet wide.

Topography: Level.

Flood: Zone AH, Community Panel 125105 - 12011C0369H (August 18,  
2014).

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### APPRAISED IMPROVEMENT SUMMARY

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Property Name: Progresso Pointe  
 Appraised GLA: 6,033 SqFt (0% Add-On Factor)

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### APPRAISED BUILDING SQUARE FOOT BREAKDOWN

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	Total	Percent
Suite 1 (American Icon Brewery)	2,830	47%
Suite 2 (ABG6 LLC Office)	1,996	33%
Suite 3 (ABG6 LLC Back Office)	1,207	20%
Total Gross Leasable Area	6,033	100%
Excluded Covered Patio Area	854	

---

Construction:	CMU	No. Buildings Appraised:	1
Year Built/Renovated:	1958/2017	Competitive Class:	B
Actual Age:	59 years	Stories:	1
Effective Age:	25 years	Quality:	Average
Remaining Economic Life:	50 years	Condition:	Good
Parking Ratio:	2.65 per 1,000 SqFt		
Land-to-Building Ratio:	3.35:1.0		
Excess Land:	None		
Surplus Land:	None		

## VALUATION SUMMARY

The most likely buyer is a leased asset investor. The property is 100% tenant-occupied. Market participants would consider the property to be at economic stabilization. A significant leasehold estate term exists and therefore market participants would base market value on the leased fee estate. The value of the fee simple estate is not relevant as of the effective date of appraisal.

**Cost Approach** *0% weight.*

**Income Capitalization** *100% weight.*

<b>Total Occupancy:</b>	100%	<b>Owner Occ.:</b>	0.0% (0 spaces)
<b>Vacancy:</b>	0.0% (0 spaces)	<b>Tenant Occ.:</b>	100.0% (2 tenants)

### Market Lease Terms:

No.	Space Type	Market \$/SqFt	Est. Expenses	Expense Terms	Term Months	Ann. Increase	Tenant Improv.	Lease Rate	Contracts NNN
1	Restaurant-Bar	\$35.00	\$12.66	NNN	120 mos.	CPI	\$0.00	\$40.00	\$8.00
2	Office Showroom	\$20.50	\$12.66	NNN	60 mos.	CPI	\$0.00	\$25.00	\$8.00

**Vacancy/Collection:** 4.50%

**Capitalization Rate:** 7.25%

**Sales Comparison** *0% weight.*

5 sales were used

Price Range

Low

Average

Median

High

Unadjusted		Net	Absolute	Adjusted
\$/SqFt	\$/SF Land	Adj.	Adj.	\$/SqFt Bldg
\$321.76	\$94.13	-40.0%	35.0%	\$370.02
\$619.54	\$158.20	-20.0%	44.0%	\$443.28
\$613.35	\$163.49	-25.0%	45.0%	\$472.40
\$841.68	\$186.67	15.0%	55.0%	\$477.95

**Appraisal Report**  
**Progresso Pointe**  
**Summary of Important Facts and Conclusions**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

## CONCLUSIONS OF VALUE

		As-Is Market Value of the Leased Fee Interest	Prospective Value of the Leased Fee Interest Upon Stabilized Occupancy
Interest Appraised:			
Improved Square Feet:		6,033 SqFt	6,033 SqFt
Usable Land Area Square Footage:		20,188 SqFt	20,188 SqFt
Effective Date:	<i>Weight</i>	August 10, 2017	October 1, 2017
Cost Approach	0%	N/A	Not Applicable
Income Capitalization Approach	100%	\$2,500,000	\$2,640,000
<i>Improved Price per Square Foot</i>		\$414.39	\$437.59
<i>Land Area Price per Square Foot</i>		\$123.84	\$130.77
Sales Comparison Approach	0%	\$2,460,000	\$2,590,000
<i>Improved Price per Square Foot</i>		\$407.76	\$429.31
<i>Land Area Price per Square Foot</i>		\$121.85	\$128.29
<b>Final Value Estimate</b>		<b>\$2,500,000</b>	<b>\$2,640,000</b>
<i>Improved Price per Square Foot</i>		<b>\$414.39</b>	<b>\$437.59</b>
<i>Land Area Price per Square Foot</i>		<b>\$123.84</b>	<b>\$130.77</b>
<i>Personal property, fixtures &amp; intangibles:</i>		None	
Date of the report		August 16, 2017	
Market Exposure Time		6 months	
<i>From Improved Sales (2 Reported)</i>		29 months	
Marketing Period		6 months	
Extraordinary Assumption(s):	This appraisal contains no extraordinary assumptions.		
Hypothetical Condition(s):	This appraisal is not based on any hypothetical conditions.		

## MAPS, DIAGRAMS AND PHOTOGRAPHS

### BROWARD COUNTY MAP

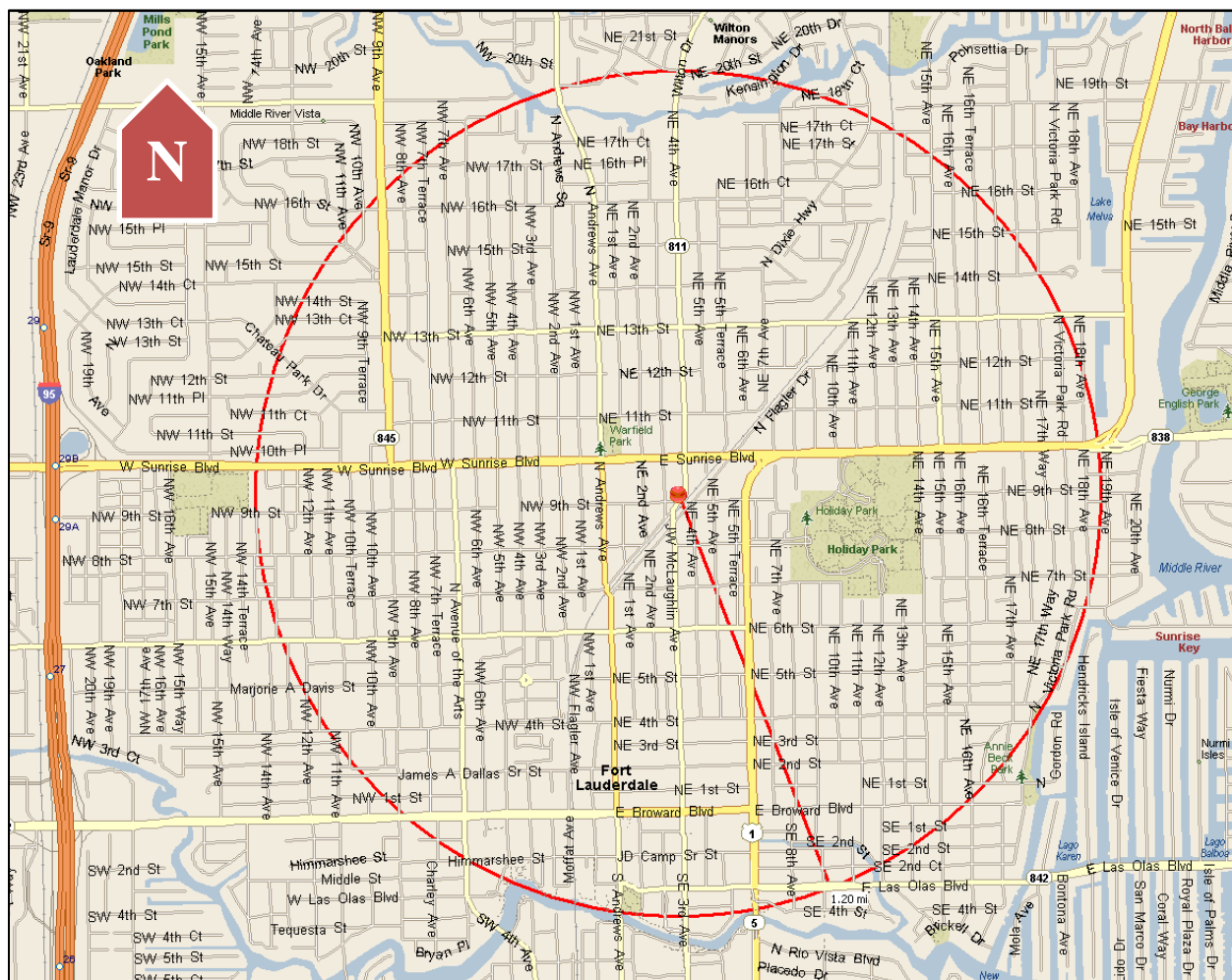




**Appraisal Report  
Progreso Pointe  
Maps, Diagrams and Photographs**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

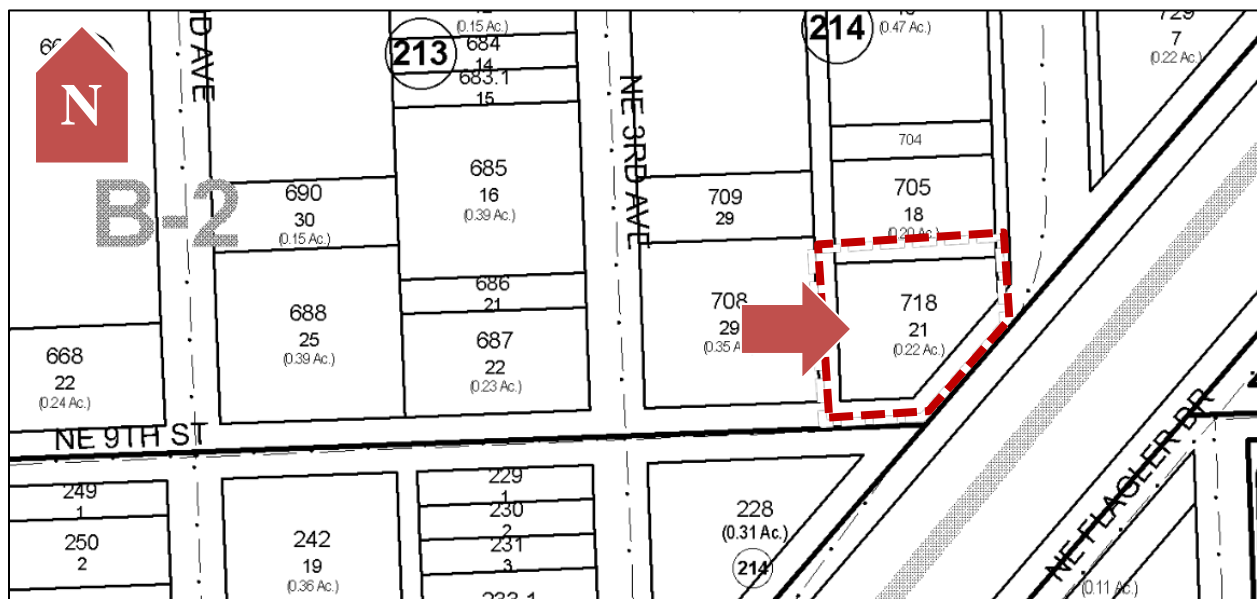
**LOCAL AREA MAP**



**Appraisal Report  
Progresso Pointe  
Maps, Diagrams and Photographs**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

**PARCEL MAP**

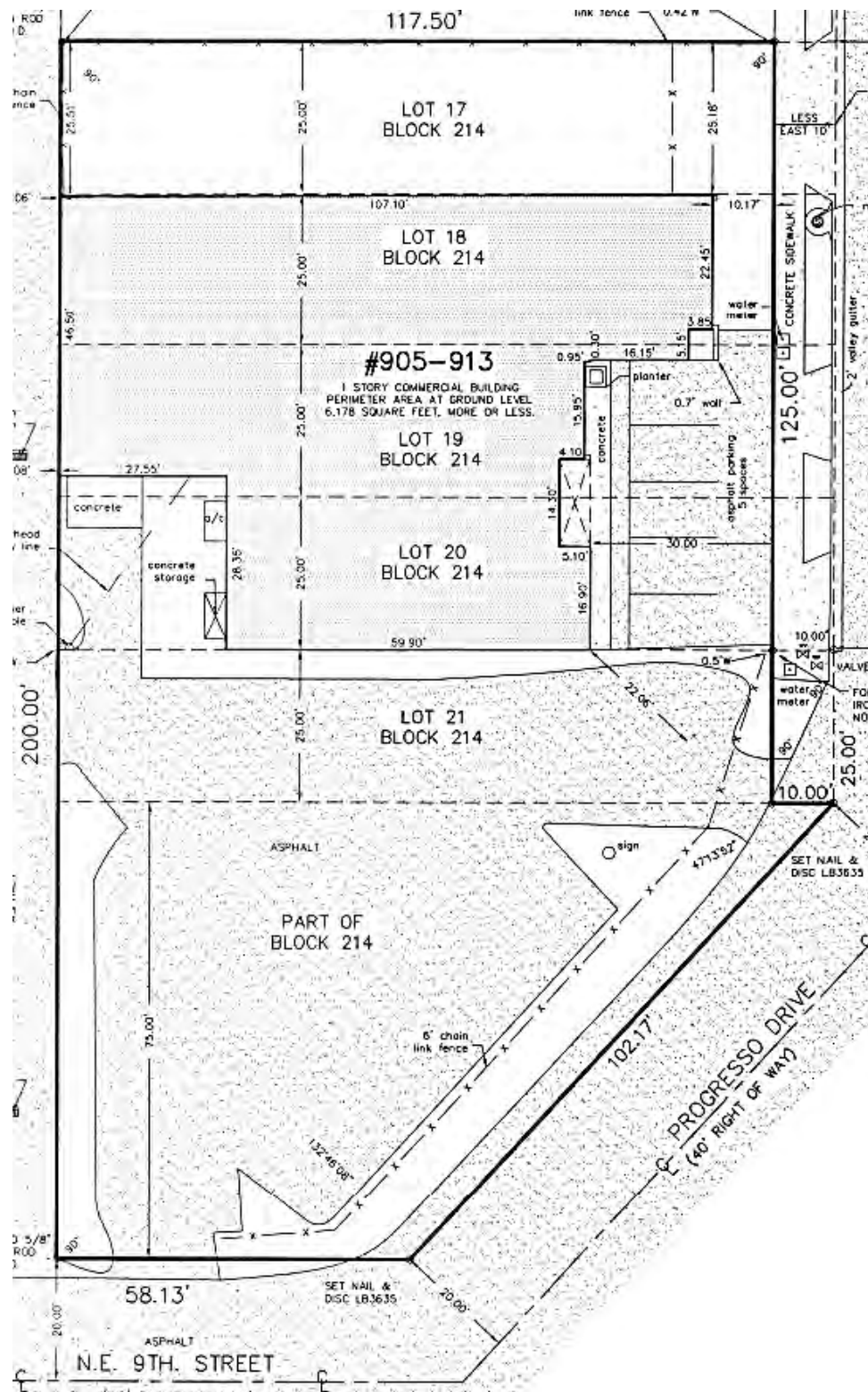




**Appraisal Report  
Progresso Pointe  
Maps, Diagrams and Photographs**

Client: Stonegate Bank  
Client ID: Rechte Holdings - 913 NE 4th Ave FLL

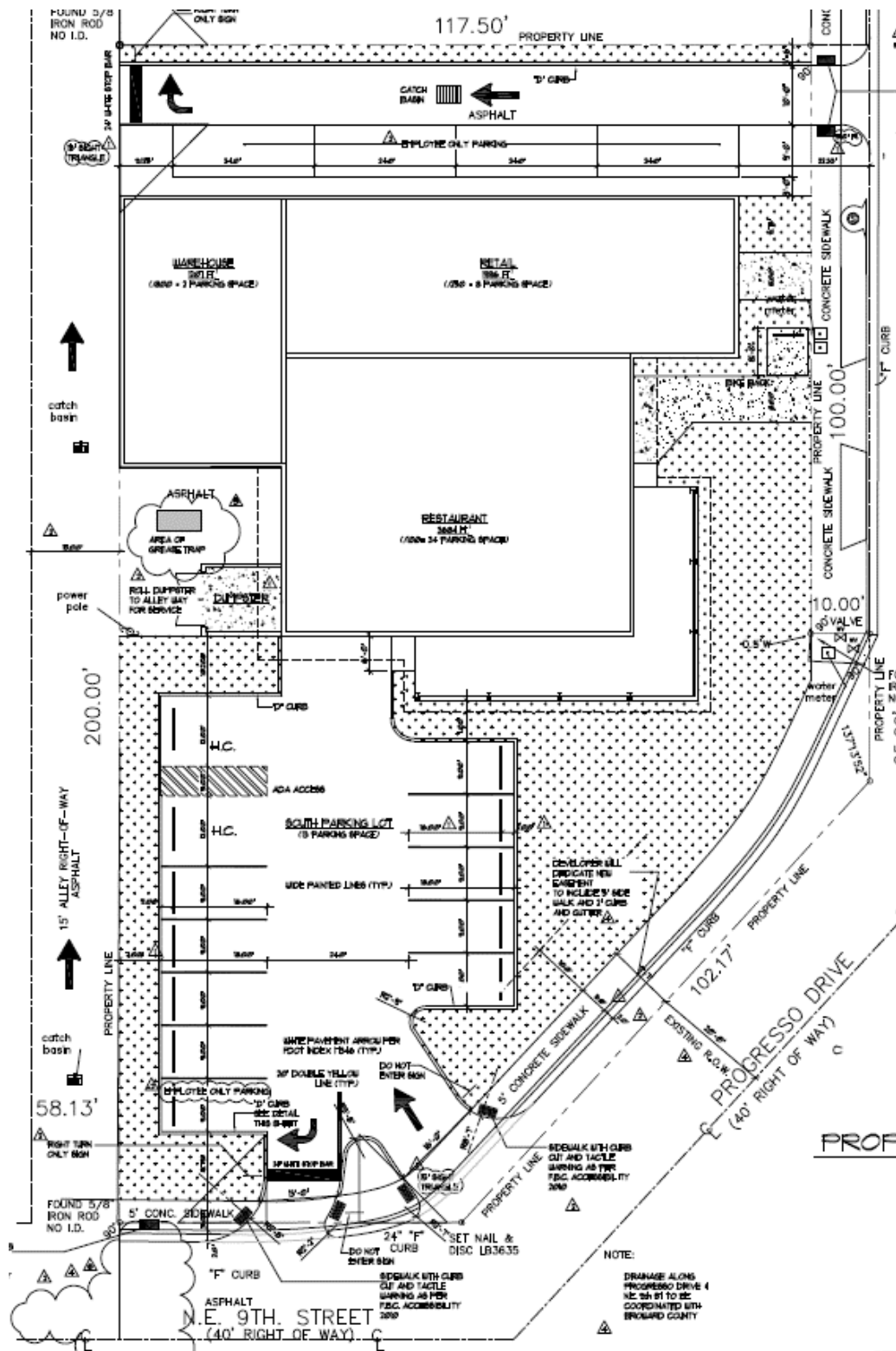
**SURVEY**



**Appraisal Report  
Progresso Pointe  
Maps, Diagrams and Photographs**

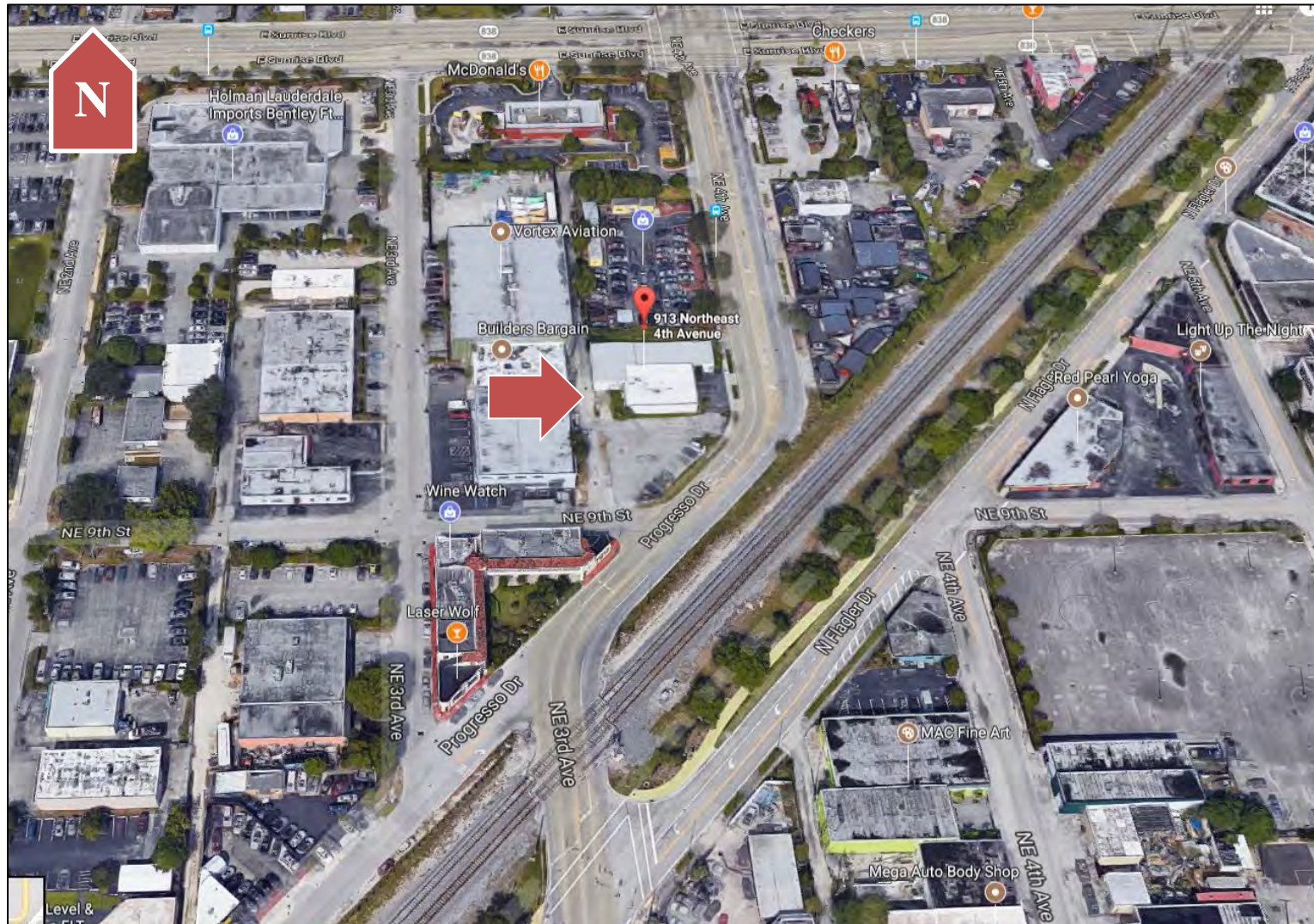
Client: Stonegate Bank  
Client ID: Rechte Holdings - 913 NE 4th Ave FLL

**SITE PLAN**





### AERIAL PHOTOGRAPHY (CoStar/BING)





## SUBJECT PHOTOGRAPHS

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Prospective SEC frontage



Prospective south wall from parking lot



Prospective SWC from street



Prospective "front" entrances to each unit



**Appraisal Report  
Progresso Pointe  
Maps, Diagrams and Photographs**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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South wall of subject from Progresso Dr.



SEC frontage from Progresso Dr



NEC frontage & sideyard access



NEC & sideyard curb cut



NEC – sideyard access detail



NWC – north wall on sideyard access

**Appraisal Report  
Progresso Pointe  
Maps, Diagrams and Photographs**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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NWC – alley southward



SWC – alley north (subject right)



SWC – back bay from alley



New individual metering



SWC - frontage



**Appraisal Report  
Progresso Pointe  
Maps, Diagrams and Photographs**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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North on Progresso Drive (subject left)



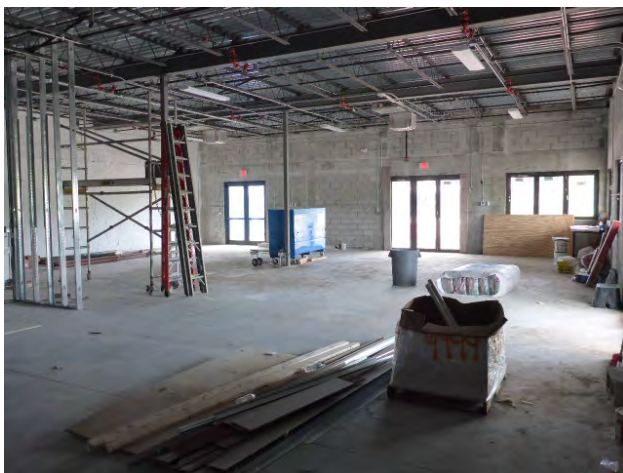
South on Progresso Drive (subject right)



West on NE 9<sup>th</sup> Street (subject left)



Exit from parking lot from building (back)



Unit 1 – American Icon Brewery



Unit 2 – Developer's office/showroom

**Appraisal Report  
Progresso Pointe  
Maps, Diagrams and Photographs**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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Unit 3 – Developer's back-office



Unit 2-3 joining door & Unit 3 restroom

## PURPOSE OF THE APPRAISAL REPORT

This report has been prepared for the purposes of estimating the “As-Is” market value of the leased fee interest as of August 10, 2017.

## CLIENT, INTENDED USER AND USE OF THE APPRAISAL REPORT

This report is intended for use by Stonegate Bank, the client, and the intended use is for mortgage underwriting. Stonegate Bank affiliates, successors or assigns and participating financial institutions are also intended users. Use of this report by others is not intended by the appraiser. No one else, or any other entities, may rely on this appraisal.

According to my client the intended use of this appraisal is for mortgage underwriting although specific terms were not provided. Typical market financing terms are assumed.

## DEFINITIONS

### DEFINITION OF MARKET VALUE

The focus of the appraisal problem for this assignment is Market Value. Both economic and legal definitions of Market Value have been developed and refined by numerous entities for a number of different purposes. The economic definition agreed upon by federal financial institutions in the United States of America and intended in this appraisal is:

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

1. Buyer and seller are typically motivated
2. Both parties are well informed or well advised and acting in what they consider their own best interest
3. A reasonable time is allowed for exposure to 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. Price represents a normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition is suggested by FIRREA of 1989- Title XI and its updates, the Uniform Standards of Professional Appraisal Practice (USPAP), the Appraisal Institute and the Federal Deposit Insurance Corporation, and was the basis of the valuation in this appraisal.

Source: [12 CFR 34.42](#)

Code of Federal Regulations: Title 12; - Bank and Banking Chapter I – Comptroller of the Currency,  
Department of the Treasury;  
Part 34 – Real Estate Lending and Appraisals – Subpart C – Appraisals, Section 34.42 Definitions;  
*Revised as of January 1, 2000*



## DEFINITIONS FROM THE DICTIONARY OF REAL ESTATE APPRAISAL

*Source:* Appraisal Institute, the Dictionary of Real Estate Appraisal, 5th ed.,  
Chicago: Appraisal Institute, 2010).

"Market Value as-is" is an estimate of market value of the property in the condition observed upon inspection and as it physically and legally exists as of the date the appraisal is prepared. Most financial institutions will not accept hypothetical conditions, assumptions or qualifications in this value estimate.

Definition of Estate Interests - The value estimated is for the leased fee estate. The types of ownership estates are defined as follows.

- *Fee Simple Interest*: an absolute fee without limitations to any particular class of heirs, but subject to the limitations of eminent domain, escheat, police power and taxation. Fee Simple is an inheritable estate.
- *Leased Fee Interest* is a freehold (ownership interest) where the possessory interest has been granted to another party by the creation of a contractual landlord-tenant relationship (i.e., a lease).

## **TERMS “EXTRAORDINARY ASSUMPTION” & “HYPOTHETICAL CONDITION”**

When used in an appraisal report, extraordinary assumptions and hypothetical conditions can have a profound impact on the appraisal observations and conclusions. It is essential to understand these terms to understand the appraisal report.

### **Extraordinary Assumption**

Extraordinary assumptions and hypothetical conditions may affect the assignment results. Definitions of these terms are obtained from The Appraisal Foundations Uniform Standards of Professional Appraisal Practice (USPAP) 2014-2015 Edition on [page U-3](#).

Extraordinary assumptions may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact.

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis.

### **Hypothetical Condition**

Hypothetical conditions may also affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

## SCOPE OF WORK

### **Conditions of the Appraisal**

This is an Appraisal Report as defined by the Uniform Standard of Professional Appraisal Practice under Standards Rule 2-2(a). This format provides a detailed and complete description of the appraisal process, subject data and valuation. The appraiser's workfile contains additional information.

All appraisals begin by identifying the appraisal problem. This report has been prepared for the purposes of estimating the "As-Is" market value of the leased fee interest as of August 10, 2017.

### **Valuation Methodology Scope**

The approaches employed in this appraisal report are sufficient to develop credible assignment results in solving the appraisal problem. For each assignment, all typical approaches to value are considered although only the most reliable are typically used in the report. These approaches to value are the cost approach, the sales comparison approach and the income capitalization approach including market-standard variations when necessary or required under this engagement.

### **Scope of the Property Description**

Facts assumed for the purposes of valuation are not always clearly evident or interpreted the same by all. As a result an appraiser observes rather than determines fundamental property conditions to generate a credible analysis.

As noted in the Limiting Conditions section of this report, while I promulgate information requests through my client, I am not responsible for errors and omissions from data sources, my client, designated property contacts or their assigns, or field observations.

As a service appraisers rely on many sources to compile basic information, one of which is field-observations.

- Appraisers are not structural engineers and therefore cannot attest to the soundness of a structure or soil quality.
- I do not measure land. Land size is based on information provided by my client, designated contacts or assigns, surveys provided, public records and recorded plats. Occasionally it is necessary to use judgment where measurements are ambiguous, and these cases are identified as extraordinary assumptions when obvious or revealed to me.
- The scale and impact of easements and unusable land area are often ambiguous and will be noted as an extraordinary assumption where obvious or revealed to me, but their research and legal interpretation is beyond the scope of this appraisal report.

- Obstructions, obscured building elements and other factors limit an appraiser's ability to measure accurately, and the description of the improvements is based primarily on information provided by my client, their primary property contact or assigns. As a practical matter, I reconcile descriptions from multiple market-standard sources such as the property owner, other market participants, rent rolls, the County Property Appraiser, provided surveys and/or building plans. As a result, while when practical I confirm measurements, I accept no responsibility for my measurements and errors or omissions by others. This process is described within each appraisal report and flagged with an extraordinary assumption when potential discrepancies are obvious or revealed to me.
- Occupancy status is described to me by my client, their designated contacts and their assigns. As an appraiser I cannot tell whether the property is owner or tenant occupied. Properties may appear physically vacant but actually occupied or leased. I do not make any representations other than those provided through estoppel or other representations.
- Financials must be provided by my client, their designated contacts or assigns. I am often called upon to use judgment to reconcile between various sources and versions. I do not audit financial records or tax returns.

### **Market Data Scope**

Like most market participants, I typically give considerable weight to the most reliable market era closest to the effective date(s) of this appraisal. However, I also research and consider older sales that market participants would consider reliable even though dated, especially under conditions where comparables are limited and/or very different from the subject property.

- I inspected all comparables as a condition of the engagement. When practical, possible and appropriate considering their relevance and scope of the assignment comparables were inspected from the exterior with interior inspections.
- Photographs were obtained at the time of each comparable property inspection or obtained from commercial services when they provided a better representation of conditions at the time of sale and when consistent with the scope of the assignment.
- Sale prices, conditions of sale, financing and property attributes were obtained from as many sources as possible and practical including public records, parties to the transaction and third party data providers. I subscribe to and typically use CoStar, LoopNet and RealQuest to research listing and sale information from for every comparable, as well as Regional MLS when appropriate (typically smaller properties). Each data source provides unique insights on each comparable.
- As a practical matter it is sometimes necessary for an appraiser to "fill in the blanks" when something about a comparable is not evident and parties to the transaction cannot or will not provide confirmation. Often, two or more parties to a transaction will provide different information. In these cases appraisers consider the property and information source profile(s), their real estate sophistication, potential motivations, and what a typical buyer would consider reasonable.

### **Size Estimates of Comparable Properties**

Every reasonable effort was made to be certain that the size of each comparable is consistent with the measurement method for the subject, although market participants do not always report measurements consistently or correctly. Even market participants in the same transaction can measure differently. For example, depending on the market and property profile space can be sold and/or leased on a usable, saleable, adjusted (from the Broward County Property Appraiser), net or gross rentable, gross building area or other basis. It is not uncommon to find a variety of measurements used for the same property depending on the source, and property measurement standards are often inconsistent depending on perspective.

- Square footage is often reported as gross area when vertical penetrations, common areas and restrooms are occupied by a single occupant. This may not be an error, but the measurement technique should be consistent between the subject property and comparables.
- Under BOMA market standards building measures exclude vertical penetrations. Owners and sales brokers frequently include them to cast the property in the best light – higher square footage or unit count results in a lower price per square foot and/or unit.
- Unconventional space such as a mezzanine is sometimes included, and while a facility may have more floor space as a result, there is a functional trade-off. Again, consistency is necessary.
- Errors sometimes become the market-standard for a property when carried through by a series market participants.
- This concept extends to other parameters such as clear ceiling height, usable land area, and other measurements.

When information is not ideal, appraisers use judgment and experience to apply a consistent measurement. Generally, the difference in the rental rate should not be significant since in reality market participants rarely measure space, and any incremental variance will be within a reasonable range.

## **Data Sources**

Market data research included, but was not limited to, using the following data sources:

- CoStar.
- LoopNet Sales (premium service).
- REIS Reports.
- Regional MLS (MLXchange).
- National Multiple Listing Service.
- Marshall and Swift Commercial Cost Estimator.
- CoreLogic RealQuest.
- Moody's Analytics Précis Metro.
- RealtyRates.com.
- PwC Real Estate Investor Survey™ of PricewaterhouseCoopers LLP.
- Broward County Property Appraiser's website.
- Commercial Real Estate Industry Periodicals.

I maintain training and the legal right to use the following valuation technology:

- Microsoft Word and Excel.
- Templates I have developed over many years in the appraisal and real estate industry.
- Narrative1 Software providing the integration application between MS Word and Excel.
- Argus Financial Software.
- Adobe Acrobat.
- Dropbox, YouSendIt and other services as necessary.

During the course of most assignments market participants provide verbal or e-mail confirmations, observations and opinions which influence my analysis depending on the source, context and relevance.

All relevant information sources are analyzed in processing the appraisal reports and as support for the estimated value.

# DESCRIPTION & ANALYSIS

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- Miami-Dade
- Broward
- Palm Beach
- Collier/Lee
- Monroe

[www.SFREAppraisal.com](http://www.SFREAppraisal.com)  
[Mike@SFREAppraisal.com](mailto:Mike@SFREAppraisal.com)  
(954) 649-0666



## IDENTIFICATION & HISTORY OF THE SUBJECT PROPERTY

### LOCATION AND ADDRESS

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Property Name: Progresso Pointe  
Location: 913 NE 4th Avenue  
Incorporated City of Fort Lauderdale, FL  
Broward County  
Parcel Number: 49-42-34-05-7050  
Orientation: The subject property is located in the Fort Lauderdale Office-Retail Submarket in the Progresso/Flagler Village redevelopment district on the NWC of NE 9th Street and NE 4th Avenue with corner exposure on the Progresso Drive corridor.  
MSA: Miami - Fort Lauderdale - Pompano Beach

### Legal Description

See addendum within the Broward County Property Appraiser's tax card (an image of the website) and/or RealQuest Situs Report.

### Owner of Record

The Broward County Property Appraiser shows the following as the current property owner and mailing address per CoreLogic RealQuest:

RECHTER HOLDINGS INC  
241 NE 44TH ST  
OAKLAND PARK FL 33334-1441

### CURRENT USE AND OCCUPANCY PROFILE

- According to CoStar the subject for purposes of comparison is considered a retail use as improved, specifically a general commercial building as proposed. This is the same use reflected in the appraisal.
- The property is presently leased to two tenants pending the Certificate of Occupancy waiting on approximately \$135,000 in remaining street and interior work, and to the best of my knowledge after C/O the status is not expected to change significantly in the foreseeable future.
- The best way to characterize occupancy is a food and beverage tenant (American Icon Brewery) and professional office (a local developer's office/showroom and back-office).

## SALE AND LISTING HISTORY OF THE SUBJECT PROPERTY

### Summary

USPAP requires a summary of the analysis of the subject sales, agreements of sale, options, and listings. The last market transaction was May 7, 2014 for \$615,000 or \$101.94 per square foot. According to RE/MAX Commercial Associates Robert Edlin the sale was arm's length. The buyer renovated and market conditions have increased since the transaction. There is no evidence that it is offered for sale at this time. To the best of my knowledge the property is not under contract for purchase as of the effective date of the appraisal. I found no evidence and have not been informed of any other agreements of sale or options.

Based on my observations, most market participants would conclude that the last market sale was at market at the time, and since the borrower has gut-renovated and obtained appropriate tenants. Additionally, the market has improved significantly since the purchase.

## SITE DESCRIPTION

A *site* is land made usable for a purpose and may have been improved with utilities, water and sewer, roads and/or street improvements, clearings, grading, fill, drainage and/or approvals. The legal description of the property is contained in the addendum of this report.

I personally inspected the subject site. The appraised site area conforms well to the retail (general commercial building as proposed) market standard for similar properties in the local area.

## SITE DESCRIPTION

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### APPRAISED SITE SUMMARY

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Subject Situs Address:	913 NE 4th Avenue Incorporated City of Fort Lauderdale, Florida 33304-1941 Broward County
Subject APN:	49-42-34-05-7050
Land Use:	Retail (general commercial building as proposed).
Zoning:	NWRAC-MUe NW Regional Activity Center - Mixed Use East by Fort Lauderdale, Florida.
Gross Land Area:	20,188 SqFt (0.463 Acres)
Net Land Area:	20,188 SqFt (0.463 Acres) - The site is effectively 100% usable.
Shape:	Irregular.
Approximate Dimensions:	200 x 117 feet wide.
Topography:	Level.

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## SITE ATTRIBUTES

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**Percent usable:** For purposes of developing the lot to its highest and best use, the site is effectively 100% usable.

**Off-Site Improvements:**

- The site is on an asphalt-paved public street with two lanes in each direction.
- The median is painted with a turn lane.
- Curbs, gutters and sidewalks are present.
- Overhead utilities.

**Frontage & Access:**

- The site has conforming frontage and access compared to the retail market standard within the local area.
- The access street is not a highway and the subject has no highway visibility.
- The site is a corner lot but is not signaled. It has direct access with adequate frontage.

**Visibility:** Adequate.

**Commercial Exposure:** The exposure-profile is retail. Traffic levels and the value of commercial exposure are above average. Progresso Drive at this point is largely a commuter bypass between Sunrise Boulevard and Downtown Fort Lauderdale.

**Traffic Counts:** Traffic counts surrounding the subject property according to CoStar sources are follows.

Collection Street	X-Street Street	X-Street Dist/Dir	Traffic Volume	Count Year	Dist from Subject
E Sunrise Blvd	NE 5th Ave	0.02 E	41,000	2016	0.1 Mi.
N Andrews Ave	NE 8th St	0.02 S	16,500	2016	0.3 Mi.
Estimated Subject Count:			N/A		

**Utilities:**

Electricity: FP&L                      Natural Gas: Private Services

Sewer: Municipal                      Water: Municipal

All available utilities are assumed to be of sufficient capacity for reasonable development.

**Soil Conditions:** A soil report was not provided. This appraisal assumes that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). Evidence to the contrary was not observed or disclosed. Drainage is assumed to be adequate.

**Appraisal Report  
Progresso Pointe  
Site Description**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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<b>Wetlands/ Watershed:</b>	A Wetlands survey was not provided. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. A wetlands survey by a competent wetlands scientist is recommended.
<b>Drainage</b>	Drainage and flood mitigation appear to be adequate with off-site water retention.
<b>Environmental Issues:</b>	Evidence of toxic or hazardous substances on the subject site or other nearby properties was not observed or disclosed. However, appraisers do not perform technical environmental inspections and the services of a professional engineer for this purpose are recommended.
<b>Land Use Restrictions, Easements and/or Encroachments:</b>	A title report was requested but not provided and a survey was provided. The appraiser has no knowledge of easements, encroachments, or restrictions that would adversely affect the site's use. However, a title search and review by a qualified attorney or land-use professional is necessary to determine whether any adverse conditions exist. Additionally, there is no evidence of a License to Use affecting the site.

## **Adjacent Uses**

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- North:** Auto sales and/or service lot (Coastal Limousine).
- South:** Progresso Plaza (south of NE 9<sup>th</sup> Avenue), a two-story 12,000 SqFt landmark building containing office over ground floor commercial including WineWatch, LaserWolf Craft Beer pub, Innerlight studio day spa and Event Bliss.
- East:** Used auto sales lot.
- West:** Office over industrial occupied by Builder's Warehouse (business-to-business contractor supply).
- Compatibility:** The subject site conforms well to others throughout the district with average overall functionality and conforming relationship to adjoining properties.

## **Earthquake Hazard**

The subject property is not located in an active seismic region or active FEMA Seismic Zone.

## **Flood Zone**

According to FEMA Map Community Panel Number 125105 - 12011C0369H (FEMA Map dated August 18, 2014) the subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject is located in FEMA flood zone AH, which represents high risk, and mandatory flood insurance purchase requirements apply. According to FEMA, these are areas with a 1% annual chance of shallow flooding, usually in the form of a pond, with an average depth ranging from 1 to 3 feet. These areas have a 26% chance of flooding over the life of a 30-year mortgage. Base flood elevations derived from detailed analyses are shown at selected intervals within these zones. For insurance purposes, a surveyor should be contacted to verify the exact zone by a flood elevation certificate, as well as its impact on insurance. A copy of the flood zone map provided by CoreLogic RealQuest is in addenda.

***Source:** CoreLogic RealQuest Professional, FEMA Map Service Center ("FEMA Flood Zone Designations"). The following map/report was produced using multiple sources. It is provided for informational purposes only. This map/report should not be relied upon by any third parties. It is not intended to satisfy any regulatory guidelines and should not be used for this or any other purpose.*

## **CONCLUSION OF SITE DESCRIPTION**

The subject site is essentially a commercial lot fronting on a commuter-bypass in a predominantly industrial district.

## DESCRIPTION OF THE IMPROVEMENTS

### Inspection and Information Sources

I inspected the improvements on August 10, 2017. A building diagram with measurements was provided. A building interior floor plan was requested but not provided, and all areas of the property were available to me although I only inspected sample areas necessary to obtain a general basis to assess overall marketability.

Size estimates are not always conclusive because principals, brokers, rent rolls, official public records and other sources can all legitimately differ. A building diagram with measurements was provided. I took sample on-site and/or aerial photograph measurements, but the appraiser's measurements are not a substitute for professional surveys, site plans and/or as-built diagrams. Factors such as irregular ground or floor areas, indirect access, dimensions that do not square, obstructions and other issues will almost always create a variance. The appraiser accepts no liability for measurements.

### Overview

The subject property is essentially a conforming general commercial building as proposed that has been renovated and with approximately \$135,000 remaining in costs is expected to receive the Certificate of Occupancy in vanilla-shell condition one month following the effective date of appraisal when the tenants will finish their specific build-out and begin paying rent. As a result, market participants would underwrite the property "completed" and the effective date of the appraisal and the prospective values upon physical and economic stabilization are the same.

The borrower's cost basis in the property is as follows.

### **BORROWER'S ACQUISITION AND COST BASIS**

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Cost - Acquisition		\$ 650,000
% of Parking Lot Acquisition	33.33%	\$ 200,000
Cost - Remodeling		\$ 1,500,000
Cost - Commission / TI / Soft		\$ 200,000
CRA		(\$207,000)
Total Costs:		\$ 2,343,000.00



**Appraisal Report**  
**Progresso Pointe**  
**Description of the Improvements**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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## **BORROWER'S EXPLANATION OF OWNER-PAID COSTS ABOVE GC REMODELING COST**

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### **913 NE 4<sup>th</sup> Avenue**

On owner paid costs above the \$1.45M general contractor AIA contract – see attached from Quick Books (let me know if you need underlying contracts/invoices):

City of Ft. Lauderdale	\$30,000	Permit Fees/Fire Service
Electrical Fixtures	\$38,000	
Broward County	\$13,000	Impact Fees
XXI Engineering	\$43,000	MEP & Civil Engineering
Roof	\$58,000	
Landscape Architect	\$7,000	
RJB General Contractor	\$30,000	Original GC – Demo, Etc.
Builders Risk, Misc.	\$10,000	

Approximately \$229K or so, so essentially, total Cap Ex for 913 is approximately \$1.7M.

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## **REMODELING SUMMARY**

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### **PROPOSED SITE DATA**

NET LOT AREA:	22,881 SF.
BUILDING FOOTPRINT:	6,334 SF.
TOTAL WALKWAY/AC PADS:	403 SF.
TOTAL V.I.A. (ASPHALT PAVING):	9,335.34 SF.
TOTAL IMPERVIOUS AREA:	15,916 SF.
TOTAL PERVIOUS AREA:	6,961 SF.

### **ALTERATION LEVEL**

LEVEL 2

### **TOTAL SQUARE FOOTAGE**

WAREHOUSE GROSS =	1201 SF.
RETAIL GROSS =	1,996 SF.
RESTAURANT GROSS =	3,684 SF. (2,830 SF INT. 4 854 SF EXT.)
	<u>6,881 SF.</u>

### **PARKING**

16 SPACES TOTAL PROVIDED  
PARKING REDUCTION APPROVED  
PER TRANSPORTATION & MOBILITY

**Appraisal Report**  
**Progresso Pointe**  
**Description of the Improvements**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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**APPRAISED IMPROVEMENT SUMMARY**

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**Property Name:** Progresso Pointe

**Situs Address:** 913 NE 4th Avenue  
Incorporated City of  
Fort Lauderdale, Florida 33304-1941  
Broward County

**APN:** 49-42-34-05-7050

**Property Use:** Retail (general commercial building as proposed).

**Proposed Changes:** The property has been leased and gut renovations are being completed to deliver the property to tenants in vanilla-shell condition. Tenants will then complete buildout at their expense. To the best of my knowledge there are no proposals for significant changes or repositioning of the property following occupancy.

**Personalty:** Personalty is excluded from this appraisal including FF&E, the occupant's trade fixtures even if attached, and all other non-realty components.

**Business Value:** The contributory value of the occupant's going-concern (if any) or business profile is not considered a factor. An appraisal assumes a market-sale to a non-affiliated third party.

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**APPRAISED BUILDING SQUARE FOOT BREAKDOWN**

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	<u>Total</u>	<u>Percent</u>
Suite 1 (American Icon Brewery)	2,830	47%
Suite 2 (ABG6 LLC Office)	1,996	33%
Suite 3 (ABG6 LLC Back Office)	1,207	20%
Total Gross Leasable Area	6,033	100%
Excluded Covered Patio Area	854	

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### **Total Building Size and Site Relationship**

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Competitive Class:	B
Year Built:	1958
Last Renovations:	2017
Gross Building Area:	6,033 square feet.
Parking Ratio:	2.65 per 1,000 SqFt overall. Comparables in the sales comparison approach reflect parking ratios from 0.4 to 5.6, with an average of 2.9 and median of 2.4. The subject's parking ratio therefore conforms to the market standard for comparable properties.
Land-to-Building Ratio:	3.35:1.0; land-to-building ratios of comparables recited in the sales comparison approach range from 2.8 to 4.9, averaging 3.9 with a median of 3.8. The subject's ratio is compatible with the market standard.
<i>Excess Land:</i>	None.
<i>Surplus Land SqFt:</i>	None.
Gross Leasable Area:	6,033 square feet.
Add-On Factor:	0%
Adjusted Area	6,284 square feet (per the Broward County Property Appraiser) which should not be relied upon without verification.

## **Structural Attributes**

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Stories:	1
No. Buildings Appraised:	1
Foundation:	Reinforced concrete footings.
Exterior Walls:	CMU.
Roof Construction:	The roof was not inspected. It is assumed to be metal assemblies with exposed flat light concrete deck.
Roof Cover:	Tar and gravel.
Power:	Standard retail power assumed.
Plumbing:	Adequate retail plumbing assumed.
Utility Metering:	Leased spaces are individually metered for electricity with a master water meter.
Pedestrian Access:	The main suite entrances are single or double impact glass doors in aluminum frames. The prior warehouse door is metal.
Windows:	Impact glass.
Security:	Proprietary.

**Appraisal Report**  
**Progresso Pointe**  
**Description of the Improvements**

Client: Stonegate Bank  
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**Prospective Interior Finishing**

	<u>Suite 1 (American Icon Brewery)</u>	<u>Suite 2 (ABG6 LLC Office)</u>	<u>Suite 3 (ABG6 LLC Back Office)</u>
Size:	2,830 SqFt	1,996 SqFt	1,207 SqFt
Demising:	Delivered open.	Delivered open.	Delivered open.
Restrooms:	Two multi-stall restrooms, to be replaced by tenant.	One.	One.
Sprinklers:	Yes.	Yes	Yes
Air Conditioning:	Package HVAC.	Package HVAC.	Package HVAC.
Flooring:	Delivered broom-clean concrete.	Delivered broom-clean concrete.	Delivered broom-clean concrete.
Walls:	Delivered CMU.	Delivered drywall.	Delivered drywall.
Ceilings:	Exposed to metal truss & insulated deck.	Exposed to metal truss & insulated deck.	Exposed to metal truss & insulated deck.
Dominant Lighting:	Delivered dark.	Delivered dark.	Delivered dark.
Other Equipment:	None included.	None included.	None included.
Overall Condition:	New.	New.	New.
Functional Utility:	Suitable for most business profiles.	Good rectangular.	Good rectangular.



## **Overall Ratings**

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Quality:	Average based on the market-standard for properties of this age and profile.
General Compatibility:	Average compared to surrounding retail land uses.
Condition:	Good considering the property's construction era and design.
<i>Deferred Maintenance:</i>	Significant deferred maintenance issues necessary to maintain the property's market position were not revealed and not observed.
<i>Capital Improvements:</i>	Significant capital improvements necessary to maintain the property's market position were not revealed and not observed. The roof age and HVAC condition were not revealed.
Design/Functional Utility:	Average for typical users of the property profile.
Appeal/Appearance:	Above average to good overall, considering the property market-standard and most likely buyer profile.
Effective Age:	25 years
Remaining Economic Life:	50 years; the subject improvements consist primarily of long-lived construction elements, capable of standing indefinitely with maintenance and located in a stable urbanized environment without compelling environmental catalysts suggesting absolute, compelling changes in land use patterns in the foreseeable future.

## **Americans with Disabilities Act**

See the General Assumptions and Limiting Conditions section of this report.

## **Hazardous Substances**

See the General Assumptions and Limiting Conditions section of this report.

### **Description of the Site Improvements**

A site plan was provided. The appraised site area conforms well to the retail (general commercial building as proposed) market standard for similar properties in the local area.

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On-Site Parking Spaces:	16 total, overall.
Parking Ratio:	2.65 per 1,000 SqFt.
<i>Space Dimensions:</i>	Most are approximately 9' or 10' x 20' (consistent with the preferred market standard).
<i>Handicap Parking:</i>	Appears to be adequate to code and the market standard, and accessible to entries and common areas.
<i>Off-Site/Supplemental:</i>	None.
Parking Surface:	Asphalt.
Curb Cuts:	Two plus rear alley access.
Speed Bumps, Interrupts:	None.
Walks and Landings:	Concrete.
Yard Lighting:	None.
Yard Fencing:	None.
Pylon Signage:	None.
Landscaping/Hardscape:	Low maintenance landscaping with typical hardscape.
Functional Utility:	The building placement is functional and conforming, and permits adequate on-site navigation and overall utility.

### **Overall General Marketability**

The building is a general commercial building. The subject property was gut-renovated and will be delivered to tenants in broom-clean vanilla shell condition. Tenant improvements will be completed at each tenant's expense, and plans, specifications and costs were not revealed.

**Appraisal Report  
Progresso Pointe  
Zoning**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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## ZONING

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**Zoning Code:** NWRAC-MUe NW Regional Activity Center - Mixed Use East by Fort Lauderdale, Florida.

**Permitted Uses:** Auto & marine parts and supplies (enclosed), indoor retail recreation, restaurants (food & beverage except liquor), hospitality, and civic/government uses.

**Requirements:** Zoning District:  
*NW Regional Activity Center - Mixed Use East (NWRAC-MUe)*

	<u>Required:</u>	<u>Existing:</u>
Construction Setbacks		
Front	None	N/A
Side	None	N/A
Side Street	None	N/A
Rear	None	N/A
Site		
Minimum Lot Area	None	20,188 SqFt
Minimum Lot Frontage	N/A	N/A
Minimum Lot Width	None	N/A
Minimum Lot Depth	N/A	N/A
Open Space (landscaping/pervious)	N/A	N/A
Ground Floor Coverage Ratio	N/A	N/A
Building		
Maximum Building Height	120 Feet	Meets code
Residential Density	None	N/A
Parking Requirement	By Approval	By Approval
Floor Area Ratio (FAR)	None	0.30
Other Land Use Regulations	None known.	
Maximum density under zoning	By Approval	6,033 SqFt

**Appraisal Report  
Progresso Pointe  
Zoning**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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**Conformity to Code:** The current use is not a legal, conforming use because of likely parking insufficiency. It is however grandfathered-in as it was constructed prior to the current zoning.

As a consequence of the legal, non-conforming use of the property it is likely that the improvements would not be permitted in the current configuration if destroyed by a natural disaster or abandoned.

This factor does not significantly affect marketability or Market Value because it is not outside of the market-standard for the subject property profile.

**Variances Required:** Variances necessary to accommodate the current use are not apparent, and none were revealed. However, this issue was not researched with the Fort Lauderdale zoning department.

**Zoning Change:** Unlikely.

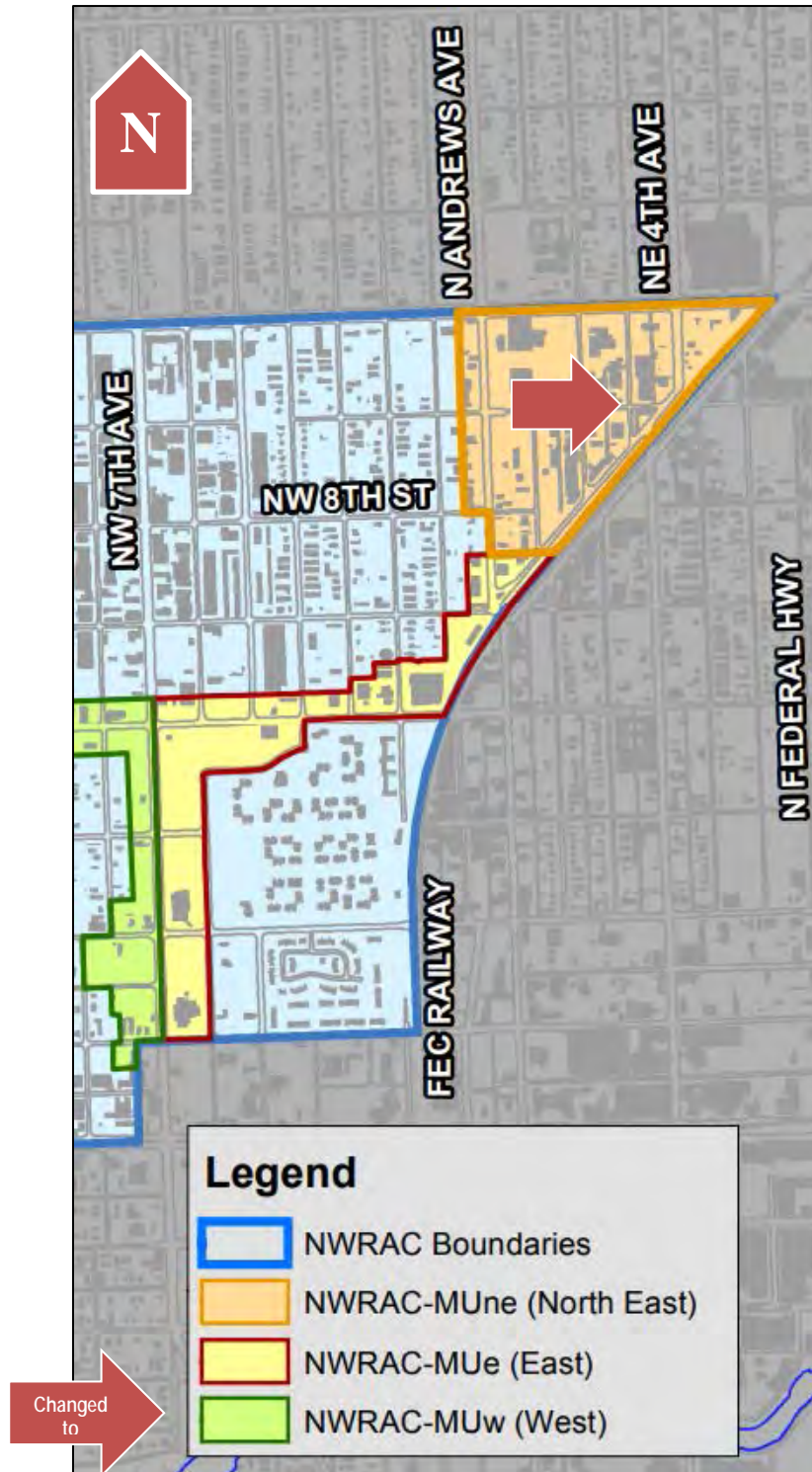
**Concurrency & Impact Fees:** Based on our analysis the subject property is improved to its reasonable highest and best use and changes are not required. As a result concurrency is not a significant factor in this case.

Appraisal Report  
Progresso Pointe  
Zoning

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

## ZONING MAP

Note: NWRAC-MUn (North East was changed to West)





## BROWARD COUNTY 2016 PROPERTY ASSESSMENT & TAX

### Property Tax Parameters

The following calendar summarizes real property taxation in Florida. A sliding discount is given for early (November through February) payment of taxes and typically budgeted by market participants. The Florida property tax calendar is as follows.

### FLORIDA PROPERTY TAX CALENDAR, TYPICAL YEAR

TYPICAL DATE	AD VALOREM TAXES	TYPICAL DATE	NON-AD VALOREM ASSESSMENTS
		Before Jan 1	Advertise and adopt resolution to include assessment (fee) with ad valorem tax bill.
Jan 1	Assessment and valuation date	Jan 1	Assessment date
		Jan 10	Notify PA, TC, and DOR of intent resolution.
Mar 1	Exemption application due		
Mar 31	Deferral application due	Mar 31	Deferral application due
Apr 1	Tangible personal property return due		
April 30	Installment application due		
		April 30	Installment application due
		Before Jun 1	PA provides taxpayers' names, addresses, and parcel descriptions to local governments
		Before hearings	Notice mailed to taxpayers and noticed in newspaper for 4 weeks
		Jan 1 to Sep 15	Hearings to create assessments. Property owners may file written objections within 20 days of hearing.
Jun 30	Payment 1 for installment plan	Jun 30	Payment 1 for installment plan
Jul 1	PA certifies value to taxing authorities		
Jul 1	PA mails exemption denials		
Aug 24	PA mails TRIM (Notice of Proposed Property Taxes) to taxpayers	Aug 24	PA mails TRIM Notice to taxpayers, may include non-ad valorem assessments.
		Sep 15	Local governments certify non-ad valorem rolls to TC
Sep 18	VAB deadline for petitions about value, portability, and late filing. (25 days after TRIM)		
Sep 30	Payment 2 for installment plan	Sep 30	Payment 2 for installment plan
Oct 10	Taxing authorities finalize their millage		
Oct	PA certifies tax roll to TC	Oct	PA certifies tax roll to TC
Nov 1	TC sends tax bill (Notice of Taxes)	Nov 1	TC sends tax bill (Notice of Taxes), may include notice of non-ad valorem assessments.
Nov	4% discount on taxes	Nov	4% discount
Dec	3% discount on taxes	Dec	3% discount
		Dec 15	TC sends roll report to DOR
Dec 31	Payment 3 for installment plan	Dec 31	Payment 3 for installment plan
YEAR AFTER TAX YEAR			
Jan	2% discount on taxes	Jan	2% discount
Feb	1% discount on taxes	Feb	1% discount
Mar 31	Payment 4 for installment plan	Mar 31	Payment 4 for installment plan
Apr 1	Taxes become delinquent, interest accrues	Apr 1	Taxes become delinquent, interest accrues
Jun 1	Tax certificates sold on real property with delinquent taxes	Jun 1	Tax certificates sold on real property
SECOND YEAR AFTER TAX YEAR			
May 29	Warrants on tangible personal property ratified by circuit court		

## Current Assessment

### **SUMMARY OF PROPERTY TAXES FOR ANALYTICAL PURPOSES**

Parcel Number:	49-42-34-05-7050
Situs Address:	913 NE 4th Avenue
	Incorporated City of Fort Lauderdale, Florida 33304-1941
	Broward County
Adjusted Square Feet:	6,284 Square Feet (per assessor).
Land:	\$132,180
Improvements:	\$290,340
Total:	\$422,520
Ratio:	x 97%
Assessed Value:	\$408,850
Rounded Tax Rate:	x 1.928%
Ad Valorem Tax:	\$7,884
Non Ad Valorem Tax:	\$306
Total Property Taxes:	\$8,190

According to the Broward Property Appraiser's website, paid tax status is as follows. This is informational only. Unpaid taxes or tax certificates are not reflected in the conclusions of value.

### **TOTAL PROPERTY TAXES DUE**

Current Property Taxes:	Paid
Past Due Taxes	
2015	Paid
2014	Paid
2013	Paid
Total Past Due	None
Total Taxes Due	Paid

### **Property Tax Reasonableness**

The subject proforma leasing profile is Triple Net (NNN). When leases are Triple Net terms, where tenants pay or reimburse taxes, changes in taxes have a low or negligible impact on value.

Market participants do not consider tax comparables for the subject property profile. Tax comparables provide little or no credibility in determining the reasonableness of property taxes in Broward County because the Market Value is estimated specifically for each property. When a property has not sold or been renovated in some time, its assessment may be out of date. Investors realize that real estate is typically reassessed annually, with more likelihood of significant change following a sale or – although often lagging – substantial remodeling or renovations.

### **Reassessment Forecast**

Market participants realize that property taxes are likely to change through the annual re-appraisal process, following construction or significant renovations, or a sale. Commonly, assessment is based on market-based price comparisons (sales comparison approach), ignoring existing economics (lease terms, expense levels and occupancy ratio, going-concern, etc.).

Based on a variety of market observations (below) the subject property's real estate assessment would be regarded as low by most market participants, and therefore would assume that they should not appeal although most would recognize that at some point they will be marked-to-market, especially following renovation or sale. This presumption is reflected in the following analysis. Weighting the actual assessed value and Market Value estimate results in a reasonable proforma forecast.

## CURRENT AND FORECAST PROPERTY TAX ASSESSMENT

	Amount	Adjusted \$/Sqft
<u>Current Assessment</u>		
Total Assessed Value	\$408,850	\$65.06
Property taxes including non ad valorem taxes	\$8,190	\$1.30
Overall tax rate including non advalorem taxes	2.00%	
<b>Current Tax Net the 4% Early Pay Discount</b>	<b>\$7,862</b>	<b>\$1.25</b>
<b>Rounded</b>	<b>\$7,850</b>	<b>\$1.25</b>
<u>Estimated Reassessment Value</u>		
Market Sources of Value Estimates		
Sales Comparison Approach	\$2,590,000	\$412.16
Prior Sale 5/14	\$615,000	\$97.87
Stabilized Sales Comparison Approach	\$2,590,000	\$412.16
Assessment Ratio	x 85%	
Indicated Re-Assessment Value	\$2,201,500	\$350.33
<u>Estimated Reassessed Property Taxes</u>		
100% Weighting to the Reassessed Value	\$2,201,500	
0% Weighting to the Actual Assessed Value	\$0	
Total (Adjusted Reassessment Value)	\$2,201,500	\$350.33
Current Tax Rate	x 2.0032%	
Gross Adjusted Taxes	\$44,100	\$7.02
Less: 4% Early-Payment Discount	(1,764)	
<b>Tax Projection Assuming Reassessment</b>	<b>\$42,336</b>	<b>\$6.74</b>
<b>Rounded</b>	<b>\$42,350</b>	<b>\$6.74</b>



**Appraisal Report  
Progresso Pointe  
Neighborhood Description**

Client: Stonegate Bank  
Client ID: Rechtek Holdings - 913 NE 4th Ave FLL

## NEIGHBORHOOD DESCRIPTION

The subject is located in the incorporated City of Fort Lauderdale in Broward County, Florida. Specifically, it is located in the Progresso/Flagler Village redevelopment district on the NWC of NE 9th Street and NE 4th Avenue with corner exposure on the Progresso Drive corridor. According to CoStar, this area is part of the Fort Lauderdale Office-Retail Submarket. The subject's competitive boundaries extend throughout the County, but the neighborhood is generally delineated as follows:

**North:** Sunrise Boulevard.

**South:** NE 7<sup>th</sup> Street

**East:** FEC Railway and Progresso Drive

**West:** N Andrews Avenue.

## SUBJECT PROPERTY "NEIGHBORHOOD"





## ACCESS AND LINKAGES

The subject property is located on Progressive Drive west of the FECR right of way and between Sunrise Boulevard on the north and the NE 3<sup>rd</sup> Avenue crossing.

This is an older mixed-industrial and service-commercial district within the Downtown Fort Lauderdale sphere of influence, accessed primarily from Sunrise Boulevard on its north but also within the Flagler Village sphere of influence.

The MASS District is loosely defined as the area between Federal Highway and N Andrews Avenue south of Sunrise ("Music & Arts South of Sunrise"), and owners in the small area are attempting to attract some of the avant garde commercial activity from Flagler Village on the west.

The district technically includes some of the north triangle of Flagler Village, but the area "west of Progresso" is separated from Flagler Village by Progresso Drive and the FECR right of way. Here the single railroad crossing is irregular and sometimes blocked by long passing freight trains.

Market participants hope the district becomes a "go-to" arts and entertainment area for the thousands of consumers living in Flagler Village high-rise luxury apartment and townhouse consumers, much like the northern tip of Flagler Village. These residents have few options within walking distance although Downtown, Las Olas, Himarshee and other retail – entertainment destinations are only just over a mile south. This is a bit far to walk during Fort Lauderdale's hottest seasons even in the evening.

The neighborhood is dominated by Holman Automotive, which uses it to support large dealerships on Sunrise Boulevard at the north of the district, and the balance is largely small light industrial manufacturing buildings occupied by end-users.

Retail development in the district is focused on Progresso Drive north of NE 3<sup>rd</sup> Avenue, although Sunrise Boulevard and NE 4<sup>th</sup> Avenue northward pull considerable consumer demand.

As a result the district is slowly gaining momentum with activity on Progresso Drive. The subject property will be one of the first high-end adaptive re-uses within the center of the district.

## DEMAND GENERATORS

The dominant retail demand catalysts for the local area include the property's proximity to beneficial local and regional resources. The most significant demand-generator bringing businesses and consumers to this location is proximity to Downtown Fort Lauderdale and the Flagler Village luxury residential district. The established occupants of the district tend to be in auto maintenance industries or provide and other light industrial services, although as north Flagler Village avant garde commercial overflows as expected with dense residential redevelopment owners hope to see more commercial move into the area.

As a result, the prospective remodeling and tenanting of subject property is compatible with the local environment.

## GENERAL AREA DESCRIPTION

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Urban or Suburban Location:	Urban.
Adverse Influences:	The dominant older light industrial land uses in the area are nonconforming with proposed high-end retail encroachment. The local area has inconvenient access from the largest source of commercial demand: Flagler Village.
Advantages and Amenities:	Good central Fort Lauderdale location with immediate access to the Sunrise Boulevard commuter and commercial corridor, growing commercial activity in the contiguous Flagler Village District.
Built Up:	Fully developed.
<i>Change in Dominant Land Use:</i>	Not likely.
Dominant Land Uses in District:	10% Commercial Retail. 60% Light Industrial. 25% Office. 5% Other including civic and government.
Utility Availabilitiy, Cost & Adequacy:	Average.
Growth Rate:	Nominal or no growth.
Property Values:	Stabilizing after significant decreases, which followed significant increases.

**Appraisal Report**  
**Progresso Pointe**  
**Neighborhood Description**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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## LINKAGE

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Nearest Bus Stop:	Municipal	1 block north.
Expressway Access:	Interstate 95	1.5 miles west.
Housing:	Good array of owner, management and employee housing.	Surrounding.
Employment Centers:	Downtown Fort Lauderdale.	<1 mile south.
Commercial Services:	Sunrise Boulevard	1 block north
	Federal Highway/US-1	5 blocks east
Transportation Linkages:		
<i>Commuter Rail:</i>	Fort Lauderdale Amtrak & Tri-Rail	2 miles southwest.
<i>Air Passenger Service:</i>	Fort Lauderdale/Hollywood International Airport (FLL)	4.5 miles south.

**Appraisal Report  
Progreso Pointe  
Neighborhood Description**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

## DEMOGRAPHICS

The following demographics were obtained from ESRI (www.esri.com) through CoStar, an aggregator of market data deemed reliable by market participants. The most relevant demographics for the subject property are as follows.

### Population Attributes

The following demographics illustrate a population of strong growth statistics with lower overall income levels compared to the immediate area.

Radius	Density/Sq. Mile			Density/Sq. Mile		
	1 Mile	3 Mile	5 Mile	1 Mile	3 Mile	5 Mile
Population:						
2022 Projection	23,649	156,504	333,780	7,528	5,535	4,250
2017 Estimate	22,193	147,566	313,948	7,064	5,219	3,997
2010 Census	20,004	137,019	287,115	6,367	4,846	3,656
Growth 2017-2022	6.56%	6.06%	6.32%			
Growth 2010-2017	10.94%	7.70%	9.35%			

Households:						
2022 Projection	10,836	69,051	139,954	3,449	2,442	1,782
2017 Estimate	10,228	65,393	132,104	3,256	2,313	1,682
2010 Census	9,447	61,662	122,094	3,007	2,181	1,555
Growth 2017 - 2022	5.94%	5.59%	5.94%			
Growth 2010 - 2017	8.27%	6.05%	8.20%			
Owner Occupied	2,786	31,555	74,018	887	1,116	942
Renter Occupied	7,442	33,838	58,086	2,369	1,197	740
2017 Avg Household Income	\$65,701	\$78,342	\$73,069			
2017 Med Household Income	\$44,410	\$50,883	\$49,861			

#### 2017 Households by Household Inc:

<\$25,000	2,794	16,660	32,770	889	589	417
\$25,000 - \$50,000	2,809	15,606	33,434	894	552	426
\$50,000 - \$75,000	1,561	10,965	24,257	497	388	309
\$75,000 - \$100,000	924	6,440	13,560	294	228	173
\$100,000 - \$125,000	1,036	4,901	9,577	330	173	122
\$125,000 - \$150,000	281	2,237	4,258	89	79	54
\$150,000 - \$200,000	408	3,217	5,918	130	114	75
\$200,000+	416	5,366	8,330	132	190	106

**Appraisal Report**  
**Progresso Pointe**  
**Neighborhood Description**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

## **Daytime Employment**

Daytime employment statistics reflect a relatively high activity in the following highlighted categories.

Business Employment Density By Type Radius	# Employees/Business			Businesses/Sq. Mile			Employees/Sq. Mile		
	1 Mile	3 Mile	5 Mile	1 Mile	3 Mile	5 Mile	1 Mile	3 Mile	5 Mile
<b>Total Businesses</b>	<b>13</b>	<b>10</b>	<b>10</b>	<b>774</b>	<b>546</b>	<b>350</b>	<b>9,725</b>	<b>5,569</b>	<b>3,490</b>
Retail	8	9	8	100	74	48	813	626	402
Wholesale	165	32	21	20	14	11	3,308	468	245
Hospitality & Food Service	11	23	20	28	32	19	315	715	378
Real Estate, Renting, Leasing	6	7	7	49	40	25	278	283	178
Finance & Insurance	8	11	9	57	39	25	462	418	233
Information	15	12	19	25	12	8	377	148	148
Scientific & Technology Services	8	6	6	207	114	61	1,722	670	363
Management of Companies	3	3	3	2	1	1	6	4	2
Health Care & Social Assistance	5	12	11	69	63	46	338	727	506
Education Services	33	34	31	13	9	6	423	303	182
Public Administration & Sales	27	26	28	18	13	7	502	353	188
Arts, Entertainment, Recreation	6	7	7	13	10	5	73	73	40
Utilities	20	10	10	0	0	0	6	2	1
Admin Support & Waste Management	9	6	8	34	25	18	300	164	147
Construction	7	7	7	34	31	23	237	221	159
Manufacturing	8	9	12	17	13	10	144	112	116
Agriculture, Mining, Fishing	2	2	3	1	0	0	1	1	1
Other Services	5	5	6	87	55	36	418	281	201



**Appraisal Report  
Progresso Pointe  
Neighborhood Description**

Client: Stonegate Bank  
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## **Consumer Spending**

Average household consumer spending in the immediate area is lower than the surrounding area.

<b>Annual Consumer Spending</b>	<b>2017</b>			<b>2022</b>		
<b>Radius</b>	<b>1 Mile</b>	<b>3 Mile</b>	<b>5 Mile</b>	<b>1 Mile</b>	<b>3 Mile</b>	<b>5 Mile</b>
<b>Total Specified Consumer Spending (\$)</b>	19,545	22,728	22,518	21,453	24,929	24,691
<b>Apparel:</b>						
<b>Total Apparel</b>	1,247	1,352	1,370	1,327	1,436	1,453
Women's Apparel	468	528	539	497	560	570
Men's Apparel	294	320	311	309	338	328
Girl's Apparel	91	94	99	102	104	107
Boy's Apparel	64	65	67	72	71	73
Infant Apparel	63	60	61	66	63	65
Footwear	266	284	293	282	300	309
<b>Entertainment, Hobbies &amp; Pets:</b>						
<b>Total Entertainment, Hobbies &amp; Pets</b>	1,612	1,798	1,769	1,656	1,846	1,815
Entertainment	233	261	260	243	270	269
Audio & Visual Equipment/Service	888	946	942	914	973	968
Reading Materials	62	82	76	64	84	78
Pets, Toys, Hobbies	428	510	491	435	520	500
Personal Items	1,571	1,869	1,841	1,702	2,013	1,979
<b>Food &amp; Alcohol:</b>						
<b>Total Food &amp; Alcohol</b>	5,656	6,222	6,163	6,189	6,797	6,727
Food at Home	3,018	3,302	3,368	3,335	3,629	3,694
Food Away From Home	2,235	2,470	2,386	2,444	2,704	2,610
Alcoholic Beverages	403	449	409	409	464	423
<b>Household:</b>						
<b>Total Household</b>	2,690	3,455	3,392	2,803	3,616	3,549
House Maintenance & Repair	323	569	626	334	594	653
Household Equipment & Furnishings	1,187	1,377	1,343	1,211	1,405	1,370
Household Operations	857	1,082	1,041	919	1,167	1,124
Housing Costs	322	427	382	339	450	403
<b>Transportation and Maintenance:</b>						
<b>Total Transportation and Maintenance</b>	4,534	5,209	5,266	5,280	6,073	6,143
Vehicle Purchases	1,529	1,851	1,930	1,683	2,056	2,148
Vehicle Expenses	159	223	205	181	256	236
Gasoline	1,791	1,920	1,963	2,256	2,418	2,472
Transportation	428	511	470	488	585	538
Automotive Repair & Maintenance	628	705	698	672	756	749
<b>Health Care:</b>						
<b>Total Health Care</b>	902	1,189	1,201	1,031	1,343	1,352
Medical Services	475	625	621	538	705	697
Prescription Drugs	326	442	459	377	501	517
Medical Supplies	101	121	122	116	137	138
<b>Education &amp; Day Care:</b>						
<b>Total Education &amp; Day Care</b>	1,333	1,634	1,515	1,464	1,805	1,672
Education	894	1,066	1,004	1,004	1,209	1,136
Fees & Admissions	439	567	512	461	596	537

## **Demographic Summary and Observations**

Generally, demographics are representative of current and future Broward County trends. The subject property design and occupancy-profile are compatible with demographic observations and retail land use fundamentals. As a result, most market participants would expect the subject property to attract and retain demand into the foreseeable future or at least until redevelopment is warranted.

## **SUMMARY RATINGS & CONCLUSIONS**

Center of retail activity:	Above Average.
General Appearance of Properties:	Below Average.
Overall Appeal to Market:	Average.
Property Compatibility:	Below Average.
Protection from Detrimental Condition:	Average.
Off-Site Infrastructure:	Below Average.
Adequacy of Utilities:	Average.
Police and Fire Protection:	Average.
Employment Opportunity:	Above Average.
Adequacy of Commercial Services:	Above Average
Controlled Access Highway Proximity:	Average.
Consumer Markets:	Above Average
Social Infrastructure and Services:	Above Average.

## SUPPLY AND DEMAND

### PWC BAROMETER: RETAIL REAL ESTATE CYCLE

The PwC Real Estate Investor Survey™ is one of the commercial real estate industry's most important benchmarks, having profound influence on investor consensus. According to PwC, real estate cycles vary across markets and geographic areas, as well as within markets and geographic locations based on property type – office, retail, industrial, and multifamily. This observation means that national cycles differ for the same property type across individual markets. It also means that within a specific location, the cycle for each property type can be in a different phase at any given time.

Real estate markets are dynamic over time and influenced by a host of factors. PwC considers in-depth analysis of historical and forecast stock data provided by CBRE Economic Advisors and Reis to gauge each sector's likely shifts over the near term.

The PwC terms *Expansion*, *Contraction*, *Recession* and *Recovery* are not intended to convey alarming shifts in pricing and marketability – they are simply labels. Under most market conditions these terms refer to micro-cycles that might not even be detectable to the majority of market participants. However, they can explain fluctuations in sales volume, timing and price-change trends.

The retail barometer reading for the subject property profile and location is explained by PwC as follows.

The uncertainty surrounding the U.S. retail sector's ongoing transformation is apparent as the bulk of the metros in our analysis are expected to be in recession each year through 2019 (see Chart REB-2). By year-end 2018, the percentage of cities in recession is forecast to surge to 61.0% with the fewest (4.0%) in expansion.

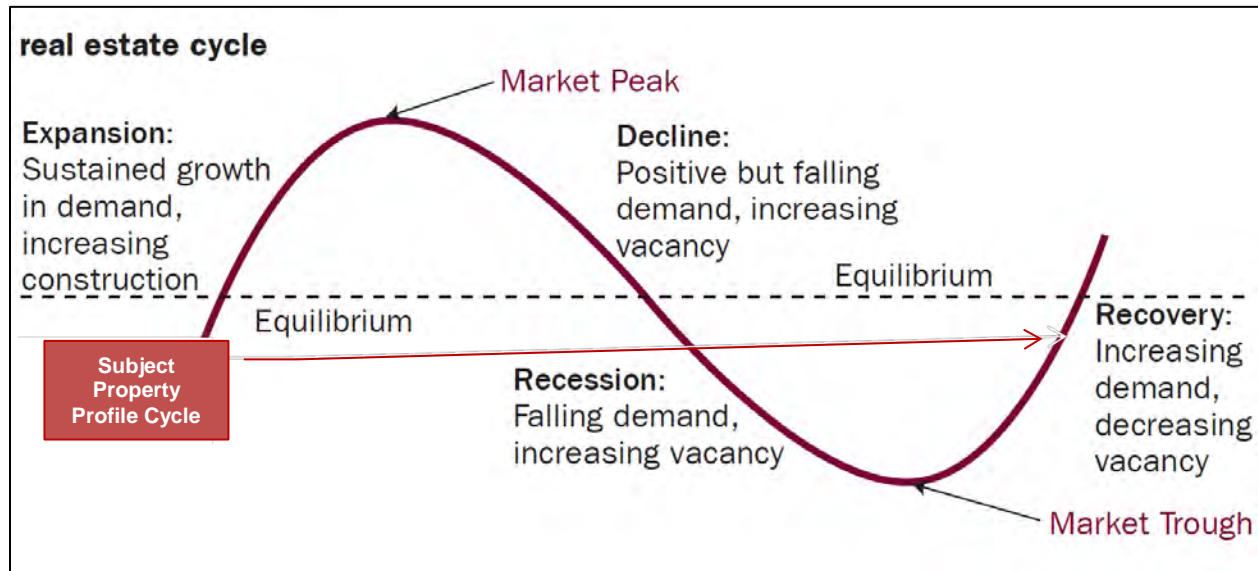
According to PwC national investors generally consider Broward County retail property to be in mid to late recovery, characterized by tightening market conditions and a shift in supply/demand balance leading to a declining vacancy rate trend, more balanced rental growth, and a stabilization of overall cap rates. During recovery, most market participants perceive historical sales as lower and adjust upward for market conditions. Buyer-underwriting is often a little more aggressive so that favorable adjustments are slightly stronger while negative adjustments are weaker.

Although indiscernable to most market participants under current market conditions, by 2018 PwC forecasts a brief down-cycle (“recession”), characterized by sluggish demand and an observable increase in supply that began during previous expansion and contraction phases, before a more prolonged expansion, characterized by good demand and tightening market conditions pressuring vacancy rates, rental growth, and overall cap rates.

This is generally regarded as a favorable market forecast, and the Downtown redevelopment districts should see even greater progress with the lease-up and stabilization of Flagler Village District luxury residential.

The relevance of this analysis is to illustrate not only current investor sentiment, but also the perception of prior market participants while analyzing past trends and market data. These observations and assumptions are reflected throughout the valuation section.

#### SUBJECT'S MARKETING PROFILE IN THE REAL ESTATE CYCLE





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**PWC REAL ESTATE CYCLE**

Forecast-2

**PWC REAL ESTATE BAROMETER**

U.S. Retail Market Forecasts (2017 to 2020)

United States	2017	2018	2019	2020

**NORTHEAST REGION**

MSA Name	2017	2018	2019	2020
Boston				
Buffalo				
Central New Jersey				
Fairfield County				
Hartford				
Long Island				
New Haven				
Northern New Jersey				
Philadelphia				
Pittsburgh				
Rochester				
Syracuse				
Westchester				

**MIDWEST REGION**

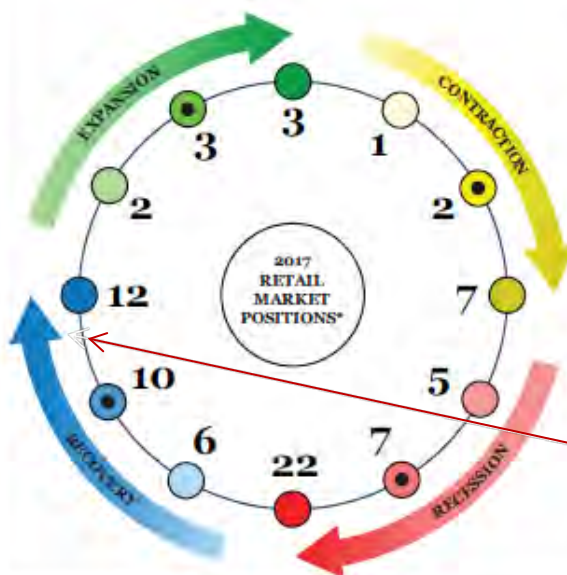
MSA Name	2017	2018	2019	2020
Chicago				
Cincinnati				
Cleveland				
Columbus				
Dayton				
Detroit				
Indianapolis				
Kansas City				
Milwaukee				
Minneapolis				
Omaha				
St. Louis				
Wichita				

**WEST REGION**

MSA Name	2017	2018	2019	2020
Albuquerque				
Colorado Springs				
Denver				
Las Vegas				
Los Angeles				
Oakland-East Bay				
Orange County				
Phoenix				
Portland				
Sacramento				
Salt Lake City				
San Bernardino				
San Diego				
San Francisco				
San Jose				
Seattle				
Tacoma				
Tucson				
Ventura				

**SOUTH REGION**

MSA Name	2017	2018	2019	2020
Atlanta				
Austin				
Baltimore				
Birmingham				
Charleston				
Charlotte				
Chattanooga				
Columbia				
Dallas				
Fort Lauderdale				
Fort Worth				
Greensboro/Winston-Salem				
Greenville				
Houston				
Jacksonville				
Knoxville				
Lexington				
Little Rock				
Louisville				
Memphis				
Miami				
Nashville				
New Orleans				
Norfolk				
Oklahoma City				
Orlando				
Palm Beach County				
Providence				
Raleigh				
Richmond				
San Antonio				
Suburban Maryland				
Suburban Virginia				
Tampa				
Tulsa				



\*=Number of MSAs in position in 2017



## **COSTAR BROWARD COUNTY MARKET LEASING CONDITIONS**

The following analysis was obtained from CoStar, which closely monitors leasing conditions in the Southeast Florida market by surveying property managers and acting as a listing service for owners and brokers. As a result of their coverage they are regarded locally as the most reliable source of local commercial real estate market and submarket information.

The Broward County retail market experienced a slight improvement in market conditions in the second quarter 2017. The vacancy rate went from 3.8% in the previous quarter to 3.5% in the current quarter. Net absorption was positive 541,788 square feet, and vacant sublease space decreased by (59,626) square feet. Quoted rental rates increased from first quarter 2017 levels, ending at \$21.07 per square foot per year. A total of 12 retail buildings with 176,695 square feet of retail space were delivered to the market in the quarter, with 760,128 square feet still under construction at the end of the quarter.

## **COSTAR SUBMARKET LEASING AND SALES TRENDS**

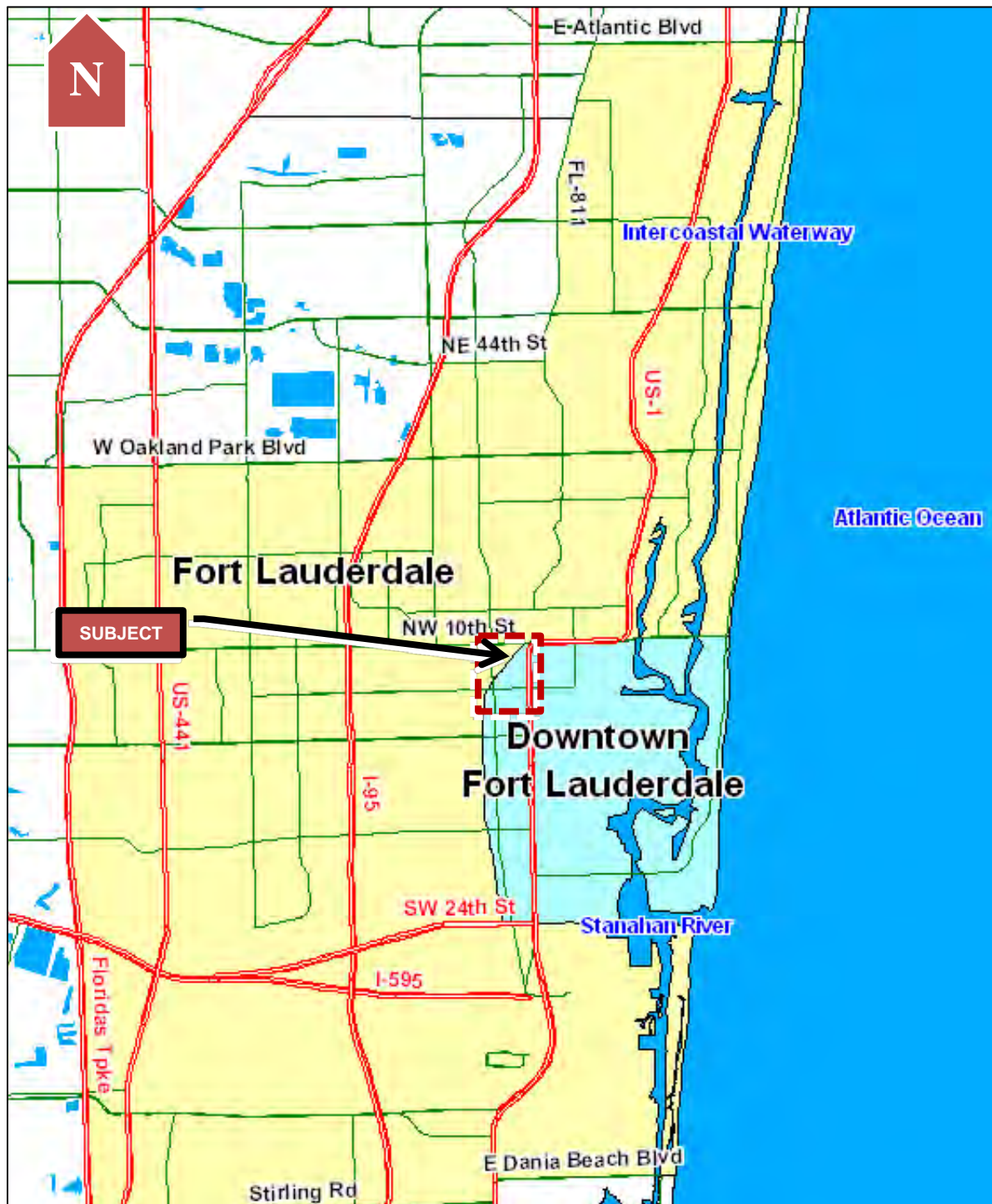
According to CoStar the subject is located in the Fort Lauderdale Office-Retail Submarket and for purposes of comparison is considered a retail use as improved, specifically general commercial building as proposed. The subject property's overall design, utility and marketability is highly compatible overall.

General Retail: Typically are single tenant freestanding general purpose commercial buildings with parking. Many single retail buildings fall into this use code, especially when they don't meet any of the more detailed use code descriptions.

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**CoSTAR MARKET AREA MAP**



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## CoStar District Comparison

In Broward County overall, the Fort Lauderdale Office-Retail Submarket has weaker occupancy rates but stronger asking rental rates. This is because the inventory is older requiring modernization (typically at tenant expense under current market conditions) and landlords are hesitant to enter into long term contracts expecting increases in market rents.

## CoSTAR MARKET AREAS

### General Retail Market Statistics

Mid-Year 2017

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total GLA	Direct SF	Total SF	Vac %				
Commercial Blvd	59	483,609	11,108	11,108	2.3%	(7,748)	0	0	\$25.00
Cypress Creek	144	1,043,932	35,442	35,442	3.4%	(4,550)	0	5,800	\$17.60
Downtown Fort Lauderdale	376	2,845,700	131,400	132,000	4.6%	(13,396)	17,156	128,000	\$27.97
Fort Lauderdale	1,669	11,231,235	288,950	299,142	2.7%	71,962	25,200	64,222	\$24.88
Hallandale	389	1,880,468	33,386	33,386	1.8%	21,874	0	98,059	\$25.22
Hollywood	805	4,457,487	92,007	92,007	2.1%	(5,425)	0	87,909	\$20.08
NW Broward/Coral Springs	340	4,187,471	67,620	67,620	1.6%	36,558	14,440	62,754	\$21.07
Outlying Broward County	3	16,338	0	0	0.0%	4,445	0	13,200	\$0.00
Plantation	294	3,081,396	114,157	114,157	3.7%	42,927	33,556	33,569	\$24.77
Pompano Beach	679	6,690,650	68,790	74,888	1.1%	20,160	10,858	53,449	\$19.49
Sawgrass Park	39	1,025,755	0	0	0.0%	0	0	0	\$25.00
Southwest Broward	304	5,026,601	64,823	77,014	1.5%	115,121	138,826	31,968	\$22.66
<b>Totals</b>	<b>5,101</b>	<b>41,970,642</b>	<b>907,683</b>	<b>936,764</b>	<b>2.2%</b>	<b>281,928</b>	<b>240,036</b>	<b>579,917</b>	<b>\$22.67</b>

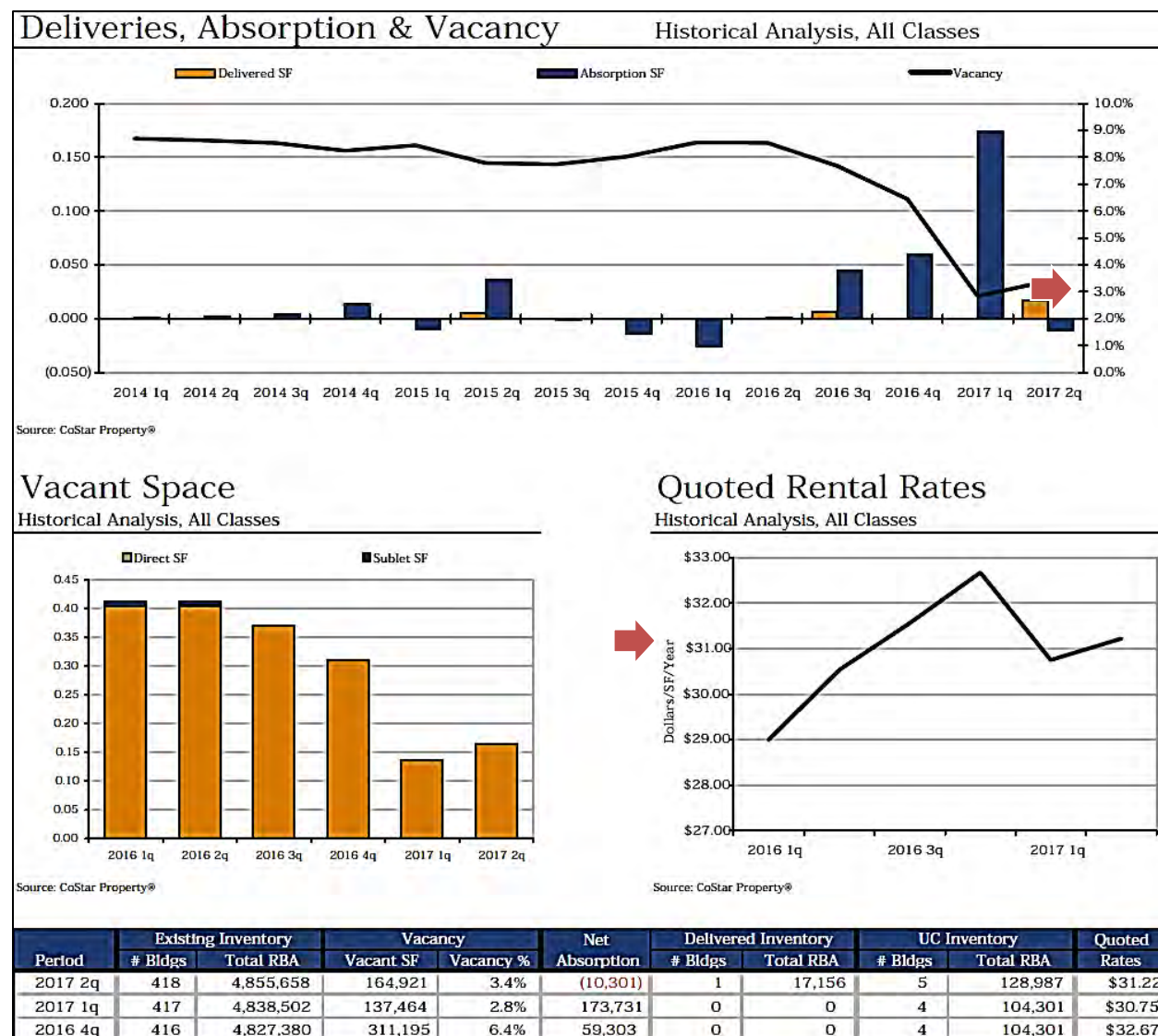
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## CoStar District Leasing Statistics

CoStar leasing surveys of the overall retail submarket suggest declining vacancy with increasing asking rates. The following table contains all retail property types including general commercial building as proposed with all others. The subject's specific overall profile generally performs consistently with the Fort Lauderdale Office-Retail Submarket overall because Flagler Village is just one of several high profile commercial locations.

### CoSTAR STATISTICS FOR THE FORT LAUDERDALE OFFICE-RETAIL SUBMARKET



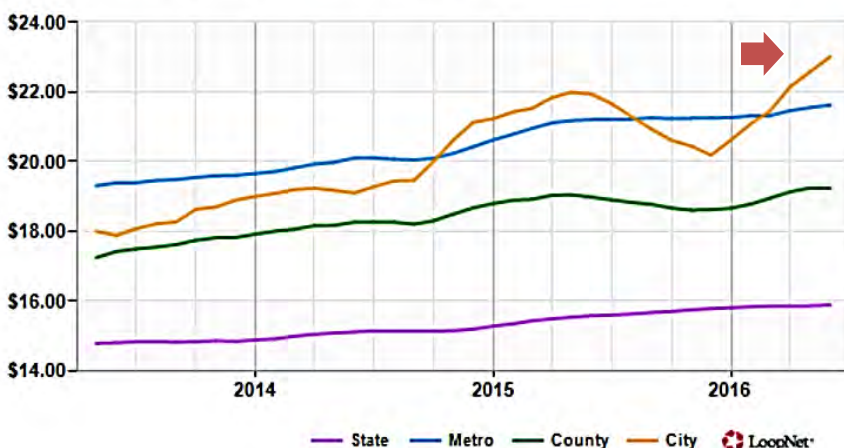


## LOOPNET LOCAL-MARKET LEASING AND SALES TRENDS

### LoopNet Leasing Trend

LoopNet leasing statistics reveal the same general pattern. The following is based on listings reported by principals and brokers for marketing purposes. LoopNet statistics suggest that current market conditions favor landlords, as illustrated below:

Asking Rent Retail for Lease Fort Lauderdale, FL (\$/SF/Year)



	Jun 16	vs. 3 mo. prior	Y-O-Y
State	\$15.89	+0.2%	+2.0%
Metro	\$21.62	+1.4%	+2.0%
County	\$19.23	+1.5%	+1.3%
City	\$23.01	+7.2%	+4.9%

The average asking rental rate per sq ft/year for Retail Commercial properties in Fort Lauderdale, FL as of Jun 16 was \$23.01. This represents an increase of 7.2% compared to the prior 3 months, with an increase of +4.9% year-over-year. County-wide, average rental rates in Fort Lauderdale are +1.5% higher at \$19.23 per sq ft/year for Retail Commercial properties currently for lease.

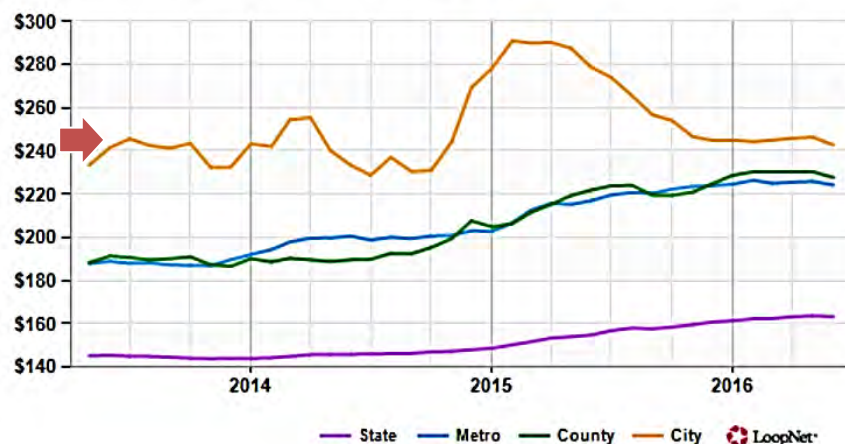
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## LoopNet Sale Trend

LoopNet for-sale trends are as follows, still recovering from a prolonged decline since the market's peak in 2006. Most real estate submarkets are stabilizing under new supply and demand relationships. Market participants often note the absence of availabilities presently, suggesting "seller's-market" conditions. LoopNet trends suggest that current market conditions favor sellers, in spite of general retail weakness throughout the City of Fort Lauderdale as follows

Asking Prices Retail for Sale Fort Lauderdale, FL (\$/SF)



	Jun 16	vs. 3 mo. prior	Y-O-Y
State	\$163.26	+0.5%	+5.5%
Metro	\$224.27	-0.3%	+3.3%
County	\$227.68	-1.2%	+2.6%
City	\$242.80	-0.9%	-12.9%

Current Fort Lauderdale market trends data indicates a decrease of -0.9% in the median asking price per sq ft for Retail Commercial properties compared to the prior 3 months, with a decrease of -12.9% compared to last year's prices. County-wide, asking prices for Retail Commercial properties are -1.2% lower at \$228 per sq ft compared to the current median price of \$243 per sq ft for Retail Commercial properties in Fort Lauderdale, FL.



## LoopNet Supply & Demand Trends

The following charts illustrates what market participants are recognizing throughout most of Southeast Florida and across most property subtypes: declining supply (listing inventory) with simultaneous increasing demand (measured by web inquiries). Irregularities in the supply-line are regarded as a sign that seller-optimism is returning to the retail market and suggests some correction of the preceding imbalances.

### SUPPLY

Index of Total No. of Listings Retail for Sale Miami-Fort Lauderdale-Miami Beach, FL (May 08=100)



### DEMAND

Profile View Index Retail for Sale Miami-Fort Lauderdale-Miami Beach, FL (Jan 08=100)



These conditions tend to place upward pressure on prices. The pressure is somewhat mitigated by a latent supply of sellers holding for more favorable market conditions, ongoing yet much lower threat of OREO competition at lower prices, and relatively low pressure on buyers because the economic outlook remains somewhat weak in many sectors.

## COMPETITIVE PEERS

Investors typically would not regard peering to have significance in analyzing the subject property profile. Lease comparables are addressed in the Income Capitalization Approach section.

## ABSORPTION ANALYSIS

Absorption analysis is academic under the parameters of this appraisal report. The property is fully leased.

## SUPPLY & DEMAND ANALYSIS OBSERVATIONS AND CONCLUSIONS

Overall market conditions have mostly stabilized after a period of decline and slow recovery, yet leasing fundamentals remain somewhat mixed as businesses continue to adapt. The subject property leasing profile is conforming to the market-standard and competing properties in the same general area.

Based on the market summary above, investors would regard a general vacancy factor in the 4.00% range reasonable. Adding 0.50% credit loss results in a total 4.5% vacancy and credit loss factor.

Sales trends suggest upward pressure on prices from an absence of supply with increasing demand. This is clear from discussions with brokers throughout the region and from commercial research services discussed above. The future is clouded by the OREO pipeline and latent supply of owners that wish to sell but are reluctant until prices improve. At the same time low prices are the dominant compelling purchase-justification for many buyers since the economy and market remain somewhat weak.

## HIGHEST AND BEST USE

The highest and best use of the subject property was developed for this appraisal. Analysis of the subject property's highest and best use is essential because it defines its overall marketability with insights to the most probable buyer, what they expect, and how long it will take to sell (use, user and timing).

- Establishes the criteria for selecting comparable sales
- Establishes the elements of comparison
- Provides the basis for estimates of physical, functional and external obsolescence
- Provides the basis for forecasts required to apply the income capitalization approach
  - Occupancy
  - Timing (absorption)
  - Amount (capture)
  - Rents

The appraised site area conforms well to the retail (general commercial building as proposed) market standard for similar properties in the local area.

## METHODOLOGY

The term *highest and best use* is defined by the Appraisal Institute's *Dictionary of Real Estate Appraisal* as the reasonable and probable use that supports the highest present value of vacant land or improved property, as of the effective date of the appraisal.

In analyzing the highest and best use, the following four questions are answered:

1. **Legally Permissible.** What uses are legally permitted on the subject site with respect to zoning ordinances and deed restrictions?

The term *legally permissible* primarily pertains to the zoning of the property and its restrictions, such as a deed restriction. For the most part, appraisers center their analysis on the various zoning aspects including but not limited to permitted uses, minimum lot size and maximum building size, height and capacity.

Another consideration is whether the existing structure is a legal non-conforming use. A legal non-conforming use may be "grandfathered," meaning that the structure is approved to remain as is but would not be allowed to be built under current zoning requirements.

2. **Physically Possible.** Which uses of those legally allowed are physically possible on the subject site?

Of the legal uses the appraiser must take into consideration the size, shape, topography and accessibility of the site to determine what is physically possible. This includes but is not limited to size (adequacy or superadequacy), topography, egress, soil capacity and ingress/egress.

An analysis of “physically possible” also examines current improvements, typically whether the conforming or non-conforming. A high land-to-building ratio may suggest excess saleable land, for example.

3. **Financially Feasible.** Of those uses determined to be physically possible and legally permissible, which ones will produce a positive return?

Feasible uses may be implied by the surrounding real estate environment considering the character and presence or absence of development activity, or suggested by market participants. The array of permissible and possible uses for a site are said to be *feasible* when they produce a positive return on the investment required for development. Alternatives that produce a loss are not feasible.

The analysis may go beyond simply identifying feasible land uses, suggesting justifiable physical attributes (design, finish, etc.) based on their incremental value. However, it is not usually practical to go to this level without specific design and cost proposals.

It is not always possible to measure or justify the financial feasibility of special-use properties where the rationalization for development costs are attributed to a going concern or non-economic utility. Owner-user, civic and government uses are sometimes difficult to justify financially yet still developed. These exceptions, among others, are said to be financially feasible for the intended user only. They are not feasible on a speculative or short-lived basis.

An as-is analysis considers the economic productivity of the current and adaptive re-uses of the property as-built, sometimes suggesting that the existing improvements are interim subject to redevelopment in the foreseeable future.

4. **Maximally Productive.** Of those that are feasible, legally permissible, and physically possible, which will produce the highest rate of return or value?

The bottom line for the appraiser is which feasible development profile would be most financially productive, typically measured by Market Value which can involve any or all of the approaches to value (cost, income capitalization and sales comparison).

The conclusion as though vacant as well as improved will indicate the overall marketability of the property including its most likely buyer, what they will pay for, and how long it will probably take to sell.

The above four questions are answered in order.

## HIGHEST AND BEST USE ANALYSIS

### Legally Permissible

The subject property is zoned NWRAC-MUe (NW Regional Activity Center - Mixed Use East) by the Fort Lauderdale planning department. A title report was requested but not provided and a survey was provided. For the purposes of this appraisal the appraiser assumes that there are no deed restrictions, easements or encroachments legally limiting the allowable uses on the subject site. None were disclosed and this was not researched.

A detailed interpretation and analysis of entitlements was not provided, and should be obtained from a professional land planner working with Fort Lauderdale.

As Vacant	As Improved
Legally permissible uses include auto & marine parts and supplies (enclosed), indoor retail recreation, restaurants (food & beverage except liquor), hospitality, and civic/government uses..	The property currently consists of a freestanding general commercial building which is consistent with legally permissible uses under grandfathering.

### Physically Possible

The appraised property contains one parcel with a total of 20,188 square feet (0.463 acres). The site is effectively 100% usable. The size and irregular shape are such that construction would not be hindered. No soil conditions are known that would restrict construction on the subject site.

As Vacant	As Improved
Therefore, any of the allowable uses would be physically possible on the subject property site.	The existing improvements are physically possible.

## **Financially Feasible**

Of those uses which are legally permissible and physically possible, a determination must be made as to which uses are most financially feasible.

<b>As Vacant</b>	<b>As Improved</b>
<p>There is an active speculative-construction market for the subject property profile under current market conditions. Investors or developers are not developing anticipating an immediate sale for profit.</p> <p>End-users including build-to-suit developers will operate under different criteria, but the decision to rent or build is still based on affordability.</p>	<p>The subject land use is retail. Improvements are in a marketable condition and contribute value well above that of the land as though vacant. Until the value of the land as though vacant is in excess of the value of the land with the building, the current use is most financially feasible.</p> <p>The existing improvements provide positive ownership financial benefits that would be recognized by the market, and these are expected to continue. Therefore, a continuation of the current use is concluded to be financially feasible.</p>



### **Maximally Productive**

This is the use of all those that meet the previous criteria which yields the highest rate of return or value.

<b>As Vacant</b>	<b>As Improved</b>
<p>There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than commercial development.</p>	<p>The existing use is below that which would be maximally productive if the site were vacant. However, as improvements exist and are most financially feasible they are considered to be maximally productive as there is no need for additional construction at present.</p> <p>Based on my analysis, there does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the value of the existing improved property exceeds the value of the site, as though vacant. For these reasons, continued use is concluded to be maximally productive and the highest and best use of the property as improved.</p> <p>Alternatives include any number of general commercial uses.</p>

## **Conclusion of the Highest and Best Use**

<b>As Vacant</b>	<b>As Improved</b>
The most likely use of the site as though vacant would be a retail use when warranted by demand. Therefore, it is concluded to be the highest and best use of the property as though vacant.	A retail use as improved represents a reasonable land use for the subject property. The subject improvements consist of a freestanding general commercial building, which is consistent with the highest and best use of the site as though it were vacant.

## **MARKETING TIME AND EXPOSURE TIME**

An estimate of exposure time preceding the Market Value estimate is required for this appraisal under the definition of Market Value and is required under USPAP.

### **Overview**

The Appraisal Institute's Dictionary of Real Estate Appraisal and other sources have defined these terms. For the purposes of this appraisal:

- Reasonable exposure time is the estimated time the property would have been offered on the market prior to a hypothetical sale at Market Value on the effective date of the appraisal. Reasonable exposure time is always presumed to precede the effective date of the appraisal.
- By contrast, a marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded Market Value level during the period immediately after the effective date of an appraisal.

Exposure and marketing time are affected by the property profile in-use on the effective date (and possibly likely alternative uses) and conditions of sale (terms including motivation, pricing, and marketing commitment).

The actual exposure time may have differed from the reasonable exposure time. Reasonable exposure time varies by type of real estate. A property may require extended exposure if overpriced and/or is not marketed aggressively.

Market participants, commercial surveys and listing history provide insights to reasonable exposure time.

**Appraisal Report  
Progresso Pointe  
Highest and Best Use**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

## **PwC Real Estate Investor Survey™**

The PwC Real Estate Investor Survey™ of PricewaterhouseCoopers LLP surveys mostly investment-grade market participants. The subject property is not considered investment grade, so this information is not ideal.

### **PWC INSTITUTIONAL INVESTOR SURVEY EXPECTED MONTHS ON MARKET**

**Table 3**  
**NATIONAL STRIP SHOPPING CENTER MARKET**  
Second Quarter 2017

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
<b>MARKETING TIME<sup>c</sup></b>					
Range	2 – 18	2 – 12	2 – 12	2 – 12	2 – 18
Average	6.2	6.3	5.8	6.3	7.0
Change (▼, ▲, =)		▼	▲	▼	▼

a. Rate on unleveraged, all-cash transactions    b. Initial rate of change    c. In months

## **Most Comparable Sales to the Subject Property**

The range of exposure times of transactions recited in the sales comparison approach is as follows. While the subject property profile is not a commodity with exposure parameters that can be predicted with certainty, the following are historical facts and therefore relevant.

However, it is important to understand that initial seller expectations are frequently unrealistic, discouraging buyers and extending the marketing time. Most start with a “high” negotiating margin with one or more “price reductions” before the final sale. Others may wait for a property to “appreciate” into the target price and do not make price reductions.

As a result, exposure time is faster for properties priced at market. This appraisal assumes that the subject property would be offered with a realistic negotiation margin – not overpriced – and an offer close to the appraisal conclusion would be accepted.

### **IMPROVED SALES SUMMARY**

	Price	Date	\$/SqFt Land	Building \$/SqFt	Listing \$/SqFt	Negotiating Margin	Exposure Time
<b>Subject</b>					N/A	N/A	N/A
<i>Reporting</i>	5	5	5	5	2	2	2
Minimum	\$2,735,000	5/16	\$94.13	\$321.76	\$823.53	-16%	28 Months
Average	\$4,337,000	11/16	\$158.20	\$619.54	\$912.77	-38%	29 Months
Median	\$4,750,000	1/17	\$163.49	\$613.35	\$912.77	-38%	29 Months
Maximum	\$5,200,000	3/17	\$186.67	\$841.68	\$1,002.00	-61%	29 Months

## **Conclusion**

With two improved sales of those used in the sales comparison approach reporting an exposure time, the range was from twenty-eight to twenty-nine months with an average of twenty-nine and median of twenty-nine. These reflect various buyer and seller motivations and based upon the subject's location, size and functionality, would have been about six months under recent market conditions assuming that the property would have been positioned closer to Market Value and aggressively marketed.

A reasonable marketing time for the property, if professionally and aggressively marketed at the as-is Market Value conclusion of this report is six months, based on historical observations discussed above as well as anticipated market conditions over the next six months.

## **MOST LIKELY BUYER AND TYPICAL USER OF THE SUBJECT**

The subject is a freestanding general commercial building. Market demand and valuation are functions of the property occupancy and financing-profile. The most likely buyer is a leased asset investor. The property is 100% tenant-occupied. Market participants would consider the property to be at economic stabilization. A significant leasehold estate term exists and therefore market participants would base market value on the leased fee estate. The value of the fee simple estate is not relevant as of the effective date of appraisal.

Market participants would expect the strongest demand for the subject property from a local or regional investor that intends to benefit from personal management of the tenants. The property does not reflect investment-grade attributes and therefore would not be of interest to institutional investors.

## **National Investor Perspective**

The property does not reflect investment-grade attributes and would not be of interest to institutional investors.

# VALUATION

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- Miami-Dade
- Broward
- Palm Beach
- Collier/Lee
- Monroe

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## VALUATION METHODOLOGY

### THE THREE APPROACHES TO VALUE

To estimate Market Value, three separate approaches – cost, sales comparison and income capitalization – have been considered. Although these three approaches to value are always considered during every appraisal assignment, all three are rarely appropriate. The following summarizes the credibility of each and whether they are recited in this appraisal.

#### **Cost Approach**

The cost approach is based on the principle of substitution which states that an informed purchaser would not pay more for a property than the cost of reproducing a property with the same utility. It entails estimating the cost of producing the improvements, deducting an estimate of depreciation, and then adding the value of the site as though vacant. To this value an entrepreneurial incentive is added to arrive at the estimated value by the cost approach. The cost approach is most appropriate for newer construction and less reliable in cases of heavy depreciation.

- The cost approach is not relevant to this appraisal assignment because the property improvements are older with extraordinary depreciation that cannot be estimated with sufficient credibility. Market participants recognize this limitation and do not rely on the cost approach as a meaningful estimator of value.

#### **Income Capitalization Approach**

The income capitalization approach is based on the concept that value is created by the expectations of future benefits (economic productivity), and higher productivity should result in higher values. Income producing real estate is purchased for the right to receive future income. The income capitalization approach consists of methods to analyze a property's capacity to generate income and a reversion, and convert these monetary benefits into an estimate of value.

- Market participants recognize that the dominant buyer-profile for the subject property is a leased-asset investor, and therefore the income capitalization approach is considered highly reliable. Market participants would expect to see an income capitalization approach in this case.

#### **Sales Comparison Approach**

The sales comparison approach is based on the principle of substitution which suggests that, within competitive markets, similar products will realize similar prices. Inherent in this concept is the premise that a purchaser would not pay more for a property than the cost to acquire another property with the same amenities and utility. The sales comparison approach is frequently used to estimate real estate value.

- Market participants consider sales comparison a primary approach for the subject property profile.



## QUALITATIVE VS. QUANTITATIVE ADJUSTMENT METHODS

**Qualitative analysis** is a relative comparison process ranking sales based on comparative desirability to the subject, typically expressed as plus or minus signs. Most market participants – brokers, principals, etc. – rely on this method almost exclusively. However, in fact few appraisal consumers accept qualitative adjustments since they fail to address the magnitude of differences as intuitively as percentage or dollar adjustments.

**Quantitative analysis** is the process of adjusting sales to the subject property on a dollar or a percentage basis. Adjustment methods include: Matched Paired Analysis, Regression Analysis, Grouped Analysis, Allocation, Income Approach, Cost Approach and Depreciated Cost.

However, appraisers frequently use only judgment to apply adjustments which creates reliability issues. In Working RE Magazine's News Edition (Vol. 318 Published by OREP, E&O Insurance Experts, on 9/24/2014 found at <http://www.workingre.com/adjustments-opinion-doesnt-count/>) Richard Hagar, SRA makes the valid point that, "Regulations state that appraisal adjustments cannot be based upon an appraiser's opinion. According to federal and state law, adjustments must be based on support and evidence – proof if you will, and an appraiser's opinion is not considered to be support." Most consumers of appraisals prefer this as well.

The most common method, paired sales analysis, empirically extracts the incremental value of property differences by isolating them. Superior characteristics are given negative adjustments while inferior are given positive adjustments, ideally bracketing the value of the subject. This analysis requires an abundance of sales data, and can easily suggest false outcomes without a statistically significant sample. The other adjustment-methods are similarly challenged.

As a practical matter, most appraisers use (and prefer) percentage or dollar adjustments based on judgment. However, by definition this is still a qualitative analysis because adjustments are not based on empirical market-extraction methods. An appraiser's objective in this case is to "nudge" comparable sale prices toward the subject property, ideally bracketing its value, expressing both the direction and magnitude of the differences rather than just the plus/minus direction.

In this case paired-sales data is insufficient and this appraisal report employs qualitative analysis with percentage adjustments to suggest the direction and magnitude of value differences.

## RECONCILIATION

The final steps in the appraisal process are review and reconciliation of the data and conclusions. In reaching a final conclusion of value, the entire process involving the approaches that were estimated must be reviewed for accuracy, completeness and consistency. After analysis, evaluation and reconciliation of the indications a value is estimated. The essence of this final reconciliation should be a defensible and rational conclusion of value.

## **COST APPROACH – EXCLUDED**

### **Method Exclusion**

The justification and use of this approach is summarized in the preceding Valuation Methodology section.

As noted, the cost approach was considered but not reported.

An Insurable Value analysis was requested for this appraisal engagement. The analysis, found in the addenda, must not be used to obtain property insurance and the authors of this appraisal reject any insurance claim liability. Any use (purported, attempted, actual or otherwise) of the estimate in this appraisal by the client, property owner, their designees, assignees or agents for purposes of binding or obtaining insurance for the appraised property is strictly prohibited. It is not in any way to be considered market or fair value.

## INCOME CAPITALIZATION APPROACH

The justification and use of the income capitalization approach is summarized in the preceding Valuation Methodology section.

Income producing real estate is typically purchased as an investment, and from an investor's point of view economic productivity is the critical element affecting property value. One basic investment premise holds that the higher the earnings, the higher value, provided the amount of the risk remains constant. Investors purchasing income-producing real estate are essentially trading present dollars for the expectation of receiving future dollars. The income capitalization approach to value consists of methods, techniques, and mathematical procedures that an appraiser uses to analyze a property's capacity to generate benefits (i.e., usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. The principle of anticipation is fundamental to the approach.<sup>1</sup>

The following section considers in order:

- The leased status of the property,
- Space-specific market rental rates and terms,
- Projected potential gross income based on the leased status of the property and market terms that market participants would consider reasonable and appropriate,
- Market-based vacancy and collection loss,
- Operating expenses, and
- The proforma net operating income, including a stabilization adjustment when appropriate.

The two most common methods of converting net income into value are Direct Capitalization and Discounted Cash Flow. In direct capitalization, net operating income is divided by an overall capitalization rate to indicate an opinion of Market Value. In the discounted cash flow method, anticipated future cash flows and a reversionary value are discounted to an opinion of net present value at a chosen yield rate (internal rate of return).

In this analysis, a stabilized market capitalization rate is estimated first, and then is adjusted for the subject property attributes. As a result, the subject capitalization rate sometimes differs from the market capitalization rate for like properties in general.

As a result of the subject property's occupancy and leasing profile, considering the market-standard application of each, most market participants would concur that the direct capitalization method is appropriate in the scope and context of this approach.

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<sup>1</sup> Ibid., 445

## **Application**

Market participants would simply capitalize net operating income in this case, without regard for lease-up costs (expenses including concessions and commissions) or absorption. The most likely buyer profile for the subject property does not usually have the ability and/or interest in a complicated lease-by-lease and discounted cash flow analysis.

## **Investment Atmosphere**

The PwC Restaurant-Bar real estate cycle barometer discussed in the Supply and Demand section has profound impact on investor behavior. In that section it was determined that national investors generally consider Broward County retail property to be in mid to late recovery, characterized by tightening market conditions and a shift in supply/demand balance leading to a declining vacancy rate trend, more balanced rental growth, and a stabilization of overall cap rates. During recovery, most market participants perceive historical sales as lower and adjust upward for market conditions. Buyer-underwriting is often a little more aggressive so that favorable adjustments are slightly stronger while negative adjustments are weaker.

Although indiscernable to most market participants under current market conditions, by 2018 PwC forecasts a brief down-cycle (“recession”), characterized by sluggish demand and an observable increase in supply that began during previous expansion and contraction phases, before a more prolonged expansion, characterized by good demand and tightening market conditions pressuring vacancy rates, rental growth, and overall cap rates.

This is generally regarded as a favorable market forecast, and the Downtown redevelopment districts should see even greater progress with the lease-up and stabilization of Flagler Village District luxury residential.

The relevance of this analysis is to illustrate not only current investor sentiment, but also the perception of prior market participants while analyzing past trends and market data. These observations and assumptions are reflected throughout the valuation section. As a result of these observations market participants would expect to see leasing conditions favoring landlords a little more, and more aggressive buyer-underwriting.

## **Market Lease Terms**

Market lease and expense reimbursement terms that may be relevant in this appraisal are as follows.

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### **EXPLANATION OF MARKET LEASE TERMS**

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Net Lease	<p>A lease in which the tenant pays all expenses including structural maintenance and repairs; usually a long-term lease to a credit tenant.</p> <p><i>“Net” refers to one reimbursement of tax, insurance or CAM, while “Net-Net” refers to two. In most markets including Southeast Florida this is known as a “triple net” lease (or NNN) because it is “net” taxes, utilities and common area maintenance costs including insurance. Some property profiles are typically owner-managed and the cost is not passed through to tenants. Also, reserves for capital item replacement are excluded.</i></p>
Modified Net	<p><i>A lease where most expenses are reimbursed, but not all.</i></p>
Gross Lease	<p>A lease in which the landlord receives stipulated rent and is obligated to pay all or most of the property's operating expenses and real estate taxes.</p> <p><i>Separately metered tenants sometimes pay their own utilities, which may be seen as “Gross + TE”. This may also be defined as a net lease in some markets.</i></p>
Modified Gross Lease	<p>A lease in which the landlord receives stipulated rent and is obligated to pay most, but not all, of the property's operating expenses and real estate taxes is known as a “Modified Gross Lease” (“MG”).</p> <p><i>Depending on the balance of expenses paid by the landlord, this may also be known as a “Modified Net Lease.” Modified leases may be complicated by base-year reimbursement stops and other issues.</i></p> <p><i>Tenants in “Industrial Gross” leases typically pay rent plus metered utilities, property maintenance, and increases in taxes and insurance over a base year (usually the initial tax year). On short term leases market participants do not underwrite base year increases.</i></p>

Source: Appraisal Institute, the Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010). Appraiser's comments are italicized.

## LEASED STATUS OF THE SUBJECT PROPERTY

### Occupancy Profile

The property is 100% tenant-occupied. Market participants would consider the property to be at economic stabilization. The borrower provided the following rent roll.

### Borrower's Rent Roll

The borrower provided the following lease summary. Leases are retained in the appraiser's workfile and should also be retained by my client as well.

#### BORROWER'S RENT ROLL

Base Rental Revenue	SF		
Restaurant/Bar Space (+854 SF Patio)	2,830	\$	113,200
Office/Retail Space	1,996	\$	59,880
Gallery Space	1,207	\$	24,140

### Overview Following Review of the Rent Roll and Leases with the Borrower

Estoppel was not provided. According to the borrower and a review of leases:

- Spaces are expected to receive CO within one month of the effective date of appraisal (lease commencement date).
- The developer's proforma does not reflect the lease contract terms for the office-retail and gallery space. Specifically, base rental revenue is based on \$30/SqFt NNN for the front office-showroom suite and \$20/SqFt NNN for the back-office gallery. The contract rate, however is \$25/SqFt NNN for the entire space. As a result, the developer's proforma overstates gross rent.
- Essentially, the property is leased "true-NNN" with tenants reimbursing property taxes, insurance, management, administration (professional services), maintenance including capital expenses (through reserves), and house utilities.
- Reimbursements include an additional 15% administrative fee on all expenses.
- Tenants have one month free following commencement. Spaces are delivered vanilla-shell. Tenants will provide all interior buildout.
  - American Brewery also has an 854 SqFt covered patio. The suite has multi-occupant restrooms but tenant improvements include re-finishing as well as installation of restaurant and bar partitions. The tenant is a Vero Beach brewery and this will be their first satellite tap room.
  - ABG6 LLC is a local developer and is taking suites two and three which are enjoined by a fire-rated door. Each suite has its own restroom. They will use the front suite for office and showroom space and the rear space for development engineering. Tenant improvements are expected to be light with an open floor plan.



- There are no detrimental lease clauses present in the rent roll such as early termination clauses without cause, overly restrictive non-compete, expansion-options or other favorable options. Tenants may sublease with approval.
- There are no purchase options.

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#### EXPENSE REIMBURSEMENT FROM LEASES

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#### 4.4. Operating Expenses for the Common Areas.

4.4.1. Operating Expenses shall include without limitation: the cost and expenses of commercially reasonable cleaning, landscaping, gardening and planting, painting, decorating, repaving, lighting, sanitary control, removal of trash, garbage and other refuse; illumination and maintenance of signs; heating, ventilating and air conditioning (except as otherwise provided for herein); fire protection; security devices and personnel and any other costs of policing and securing the Common Areas; electricity, water and sewage charges, parcel pickup and delivery services, extermination and other utilities (including all energy costs) including all usage, service, hook-up, connection, availability and/or standby fees or charges pertaining to same; the cost of all types of insurance carried by Landlord covering the buildings and Common Areas, all in limits selected by Landlord; the cost of operation of public restrooms; maintenance, repair and replacement of utility systems serving the Common Areas, including water, sanitary sewer and storm water lines and other utility lines, pipes and conduits; purchase, the repair and replacement (or depreciation) of machinery and equipment owned and used in the operation, maintenance, security, and repair of the Common Areas or the rental charges for such machinery and equipment; costs and expenses in connection with maintaining Federal, State or local governmental ambient air and environmental standards; the charges of any independent contractor who, under contract with the Landlord or its representatives, does any of the

work of operating, managing, maintaining or repairing the Common Areas, including management fees; maintenance for retention ponds; maintenance, repair and replacement of decorations in non-leasable areas; acquisition, maintenance, repair and replacement of seasonal decorations; Taxes; licensing fees; accounting and bookkeeping fees and expenses; all costs and expenses of enforcing the Rules and Regulations established by Landlord for the building; operating costs, maintenance, repair and replacement of mechanical equipment including any automatic door openers, elevators, lighting fixtures (including replacement of tubes and bulbs), fire sprinkler systems, security alarm systems, life safety system, energy maintenance system and all other items of equipment serving the Property; paper supplies in restrooms located in or about such areas; patching, repairing, resurfacing, topping, striping and marking of all parking and drive areas; curbs, gutters, sidewalks, drainage and irrigation ditches, conduits, pipes and canals serving the Property; commercially reasonable professional and technical fees incurred in connection with the performance of any of the foregoing; and any other expense or charge whether or not hereinbefore mentioned, which would be considered a commercially reasonable expense of owning, operating, managing, equipping, maintaining or repairing the Property in accordance with this Lease or otherwise. Notwithstanding the foregoing, Landlord's obligation with respect to furnishing and maintaining services and utilities to and within the Demised Premises is subject to the provisions of Article 6 (Utilities) herein. In addition, the Operating Costs shall include an Administrative fee payable to Landlord for supervision and maintenance of the Common Area and for administration and collection of the Operating Costs equal to the product of (A) fifteen percent (15%) and (B) the total of the aforementioned expenses for each calendar year. Landlord may cause any or all of such services to be provided by an independent contractor or contractors.

- 4.4.2. Operating Expenses shall not include: leasing commissions paid to real estate brokers; attorneys' fees and other costs incurred in connection with negotiations with prospective tenants; costs incurred in renovating or otherwise improving or decorating, painting or redecorating vacant space for tenants; interest on debt or amortization payments or increases in interest or debt on any mortgage or any other debt for borrowed money; interest on depreciation; initial acquisition cost or costs of construction incurred prior to the issuance of a certificate of completion for the building; salaries, bonuses and benefits for any personnel of the Landlord engaged in leasing, as opposed to management or maintenance functions; travel and entertainment expenses; inducement or "sign up" payments paid to tenants for signing new leases for the building; contributions to local charitable or civic organizations; contributions to any candidates for political office; repairs and other work occasioned by fire, windstorm or other casualty or loss, to the extent that Landlord is reimbursed by insurance proceeds (except for any deductibles); and franchise, income taxes or other tax based on income.

### **Reconstructed Rent Roll**

Rent roll details follow, reconstructed from information provided by the borrower. Where the rent roll and leases vary, the rent roll has been given preference since it reflects the borrower's current accounting. Lease modifications can be verbal, informally documented or not at all relying on an understanding between landlord and tenant. Estoppel is the mechanism whereby tenant terms are documented for purposes of sale, and has not been provided for this analysis.

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**Income Capitalization Approach**

Client: Stonegate Bank  
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**RECONSTRUCTED RENT ROLL BASED ON INFORMATION PROVIDED**

August, 2017						Months		Actual		Ann.	Market		Remain.	Option	% of
No.	Tenant	Unit	SqFt	Start	End	Term	Ends	\$/SF	+ Exp.	Increase	\$/SF	+ Exp.	Options	\$/Sq.Ft.	Total
1	American Icon Brewery	1	2,830	11/17	11/27	120	122	\$40.00	\$8.00	3.00%	\$35.00	\$12.66	2 x 5	Market	47%
2	ABG6 LLC Office	2-3	3,203	11/17	11/22	60	63	\$25.00	\$8.00	3.00%	\$20.50	\$12.66	1 x 5	+10%	53%
Total		2	6,033			90	93								100%
Occupied		2	6,033	100.0%											
Tenant Space:		2	6,033	100.0%											
Owner Occupied:		0	0	0.0%											
Vacant Space:		0	0	0.0%											

## **Lease Expiration Schedule**

The lease expiration schedule provides insight to vacancy exposure and leasing expenses.

### **INITIAL-TERM LEASE EXPIRATION SCHEDULE**

Analysis Year	Expiring	% Total	% of Total
August 10, 2018	0	0%	0%
August 10, 2019	0	0%	0%
August 10, 2020	0	0%	0%
August 10, 2021	0	0%	0%
August 10, 2022	0	0%	0%
August 10, 2023	3,203	53%	53%
August 10, 2024	0	0%	53%
August 10, 2025	0	0%	53%
August 10, 2026	0	0%	53%
August 10, 2027	0	0%	53%
August 10, 2028	2,830	47%	100%
Total Rollover:	6,033		

## MARKET RENTAL ANALYSIS

### Asking Rates

The following offering was recently canceled on LoopNet when the tenants signed.

#### FOR LEASE OFFERING

<a href="#">View Active Lease Listing</a> \$1.83 - \$2.50/SF/Month 1,207 - 3,203 SF 6,033 SF Fully Renovated Property including all new HVAC, Roof, Site, Exterior, Signage.	Jun 2017	Rent Changed	\$22.00/SF/Yr from \$15.00/SF/Yr
	Jun 2017	Rent Changed	\$30.00/SF/Yr from \$22.00/SF/Yr
	Jun 2017	Rent Changed	\$30.00/SF/Yr
	Jun 2017	Set Off-Market	\$30.00/SF/Yr
	May 2017	Rent Changed	\$30.00/SF/Yr
	May 2017	Rent Changed	\$22.00/SF/Yr
	May 2017	Rent Changed	\$15.00/SF/Yr
	Jan 2017	Rent Changed	\$15.00/SF/Yr
	Jan 2017	Rent Changed	\$22.00/SF/Yr
	Jan 2017	Rent Changed	\$30.00/SF/Yr
	Sep 2016	Rent Changed	\$30.00/SF/Yr
	Sep 2016	Rent Changed	\$22.00/SF/Yr
	Sep 2016	Rent Changed	\$15.00/SF/Yr
	Aug 2016	Rent Changed	\$15.00/SF/Yr
	Aug 2016	Rent Changed	\$22.00/SF/Yr
	Aug 2016	Rent Changed	\$30.00/SF/Yr
	Apr 2016	Rent Changed	\$30.00/SF/Yr
	Apr 2016	Rent Changed	\$22.00/SF/Yr
	Apr 2016	Rent Changed	\$15.00/SF/Yr
	Apr 2016	Rent Changed	\$15.00/SF/Yr from \$12.00/SF/Yr
	Apr 2016	Rent Changed	\$22.00/SF/Yr from \$20.00/SF/Yr



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913 NE 4th Avenue

Fort Lauderdale, FL 33316 · 3,203 SF · Retail For Lease

\$22 - \$30  
 /SF/Year



**Progresso/FAT V Restaurant & Office/Retail/Gallery**

Rental Rate	\$22 - \$30 /SF/Year	Building Size	6,033 SF
Total Space Available	3,203 SF	Year Built	1960
Min. Divisible	1,207 SF	Lot Size	21,160 SF
Max. Contiguous	3,203 SF	Cross Streets	Progresso Drive (NE 4th Ave) / Sunrise Blvd
Property Type	Retail	Zoning Description	B-2

**2 Spaces Available**

Display Rental Rate as Entered ▾

**Space 913**

Rental Rate	\$30 /SF/Year	Additional Space Types	Office Building Residential (land)
Space Available	1,996 SF	Lease Type	NNN
Max. Contiguous	3,203 SF	No. Parking Spaces	66
Space Type	Street Retail		

Modern, open space w/ polished concrete floors, open ceilings, great visibility.

**Space 915**

Rental Rate	\$22 /SF/Year	Additional Space Types	Creative/Loft Flex Space
Space Available	1,207 SF	Lease Type	NNN
Max. Contiguous	3,203 SF	Features	Cooling is available - Y Heating is available - Y Lighting is Available - Y
Space Type	Warehouse		

**Description**

6,033 SF Fully Renovated Property including all new HVAC, Roof, Site, Exterior, Signage.

Progresso/Flagler Village Centerpiece. Extraordinary location "On The Bend" on Progresso Drive, a major entranceway to downtown Fort Lauderdale.



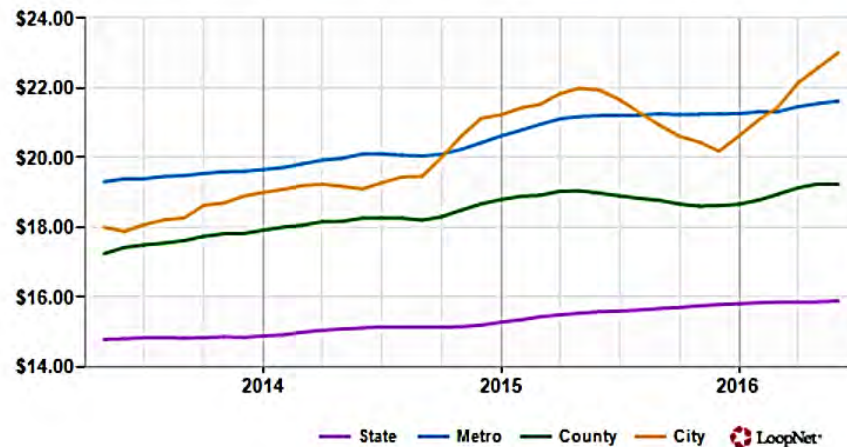
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## Market Conditions

LoopNet statistics suggest that current market conditions favor landlords, as illustrated below:

Asking Rent Retail for Lease Fort Lauderdale, FL (\$/SF/Year)



The average asking rental rate per sq ft/year for Retail Commercial properties in Fort Lauderdale, FL as of Jun 16 was \$23.01. This represents an increase of 7.2% compared to the prior 3 months, with an increase of +4.9% year-over-year. County-wide, average rental rates in Fort Lauderdale are +1.5% higher at \$19.23 per sq ft/year for Retail Commercial properties currently for lease.

## **Selection of Rent Comparables**

The process of selecting the most applicable rent comparables and applying a market-based analysis is a complicated process. The most compelling property attributes are:

- Positive attributes include the property's exposure on a commuter bypass and commercial corridor within the Flagler Village District sphere of influence, with more than 40 high-rise luxury apartment and townhome developments are being built and an avant garde adaptive reuse of older industrial is underway.
- Negative attributes include Progressive Drive's frequent congestion resulting from its commute-hour traffic volume, irregular shape and FECR right of way crossing with daily Amtrak, commuter tail and long cargo trains.

Ideal comparables would be located in the same unique Progresso Drive corridor, although no comparables were available. As a result, most market participants would consider a wide array of alternative locations compatible with food and beverage service, as well as office and general commercial from within Flagler Village and surrounding districts.

Most properties of this profile in the competitive area are owner-occupied or long-term leased, so there is a limited number of comparables. Ideal market data is further limited by low turnover, highly proprietary information closely held by brokers, and complex terms that are rarely revealed and/or interpreted differently by market participants.

## **Operating Expense Terms**

Based on the market standard, rents are analyzed on the basis of total occupancy cost which is equal to base rent plus expense reimbursement.

The landlord is presently quoting \$8.00 per square foot expense reimbursements under Modified Gross terms. Projected terms are Triple Net (NNN).

The following expense reimbursements are analyzed in the following Expense Analysis section, and presented here for informational purposes to explain the effect of expense reimbursements on the market rental rate.

### **EXPENSE REIMBURSEMENT SUMMARY**

Effective Gross Income		\$257,527	\$42.69		
Operating Expenses		Proforma Expense		Reimbursable	
Real Estate Tax	Reassessed	\$42,350	\$7.02	\$42,350	\$7.02
Insurance	Provided	6,033	1.00	6,033	1.00
Management	2.00%	5,151	0.85	5,151	0.85
Administrative	Professional Svc.	800	0.13	800	0.13
Maintenance		3,017	0.50	3,017	0.50
Utilities	By landlord	6,033	1.00	6,033	1.00
Reserves		3,017	0.50	3,017	0.50
Total Operating Expenses	26%	\$66,400	\$11.01	\$66,400	\$11.01

### **Restaurant-Bar Market Rental Analysis**

The following rent comparables would be accessible and most meaningful to market participants because they reflect similar location, utility and appeal to the same general tenant-profile. They are therefore the closest alternatives to the subject's Restaurant-Bar space.

**Appraisal Report  
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Income Capitalization Approach**

Client: Stonegate Bank  
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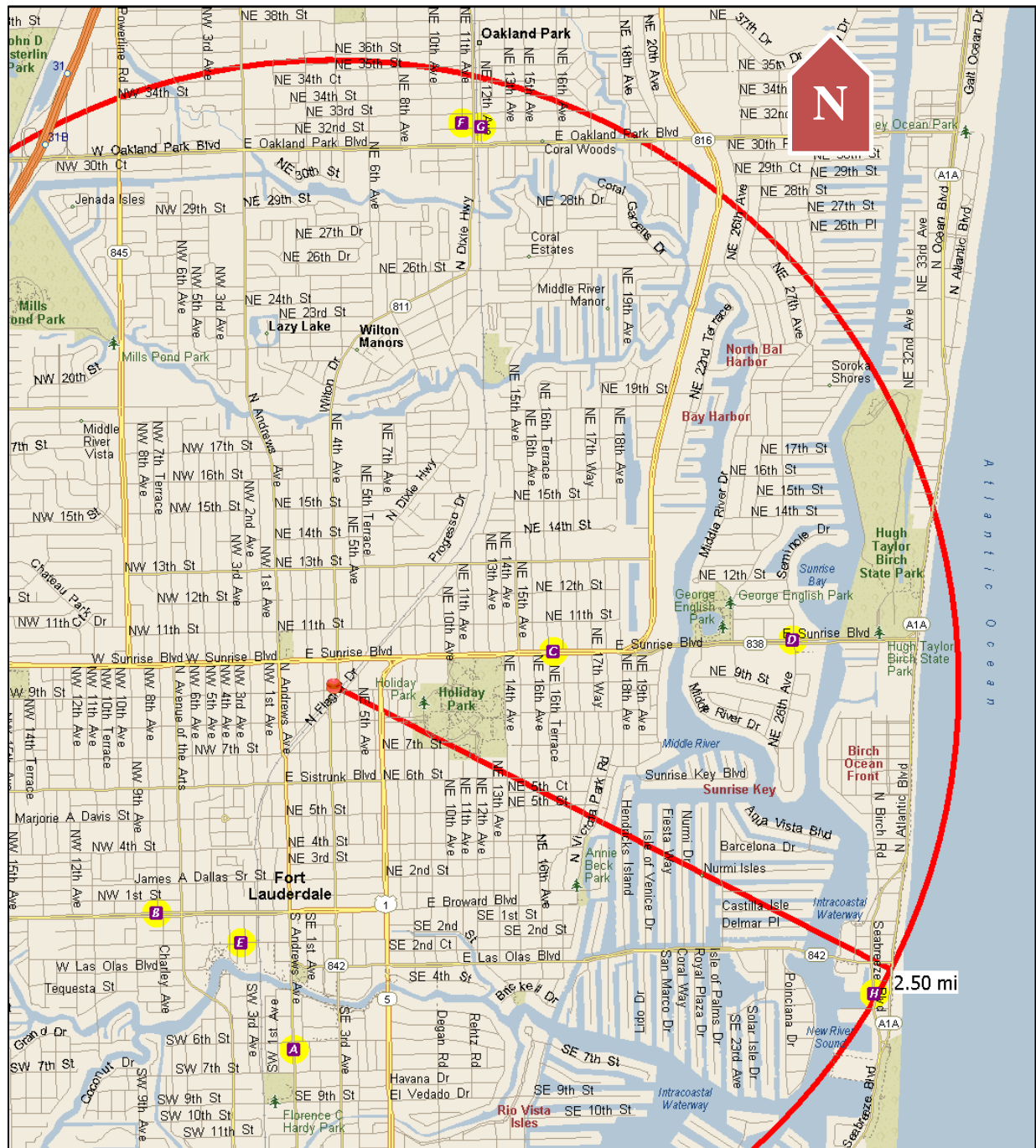
**RESTAURANT-BAR RENT COMPARABLES**

Restaurant-Bar Rent Comparables				Date				Leased	Face	Tenant		Total		
No.	Building	Address	Tenant	Leased	Term	Bldg	Parking	Built	SqFt	Rate	+	Exp.	=	Rent
A	Downtown Strip Center	627 S Andrews Ave., Fort Lauderdale, FL 33301	Framework	5/16	Undisclosed	3,000	8.00	1962	2,000	\$35.00	+	\$0.00	=	\$35.00
B	Downtown Freestanding	805 W Broward Blvd., Fort Lauderdale, FL 33312	Southern Florida Construction	6/16	60 Mo	2,000	8.00	1979	2,000	\$35.00	+	\$0.00	=	\$35.00
C	Former 7/11	1637 E Sunrise Blvd., Fort Lauderdale, FL 33304	Diva Casa Italia	6/16	Undisclosed	3,200	3.39	1986	3,200	\$32.00	+	\$7.00	=	\$39.00
D	Sunrise Harbor Shopping Center	2501-2595 E Sunrise Blvd, Fort Lauderdale, FL 33304	Verizon Wireless	4/17	Undisclosed	61,500	3.39	1960	1,750	\$44.00	+	\$7.00	=	\$51.00
E	New River Trading Post	330 Himmarshee St, Fort Lauderdale, FL 33312	Undisclosed	3/17	Undisclosed	35,000	0.63	2008	2,400	\$26.00	+	\$7.50	=	\$33.50
F	Freestanding Restaurant/Bar	3236 NE 11th Ave., Oakland Park, FL 33334	BBQ	8/17	Undisclosed	864	7.20	1936	864	\$38.89	+	\$0.00	=	\$38.89
G	Culinary Arts District	3200 NE 12th Ave, Oakland Park, FL 33334	Kalvin Lewis	9/16	60 Mo	2,650	1.00	1980	2,650	\$31.00	+	\$7.00	=	\$38.00
H	Coconuts	429 Seabreeze Blvd, Fort Lauderdale, FL 33316	Sublease	6/16	12 Mo	10,500	4.77	1964	1,154	\$46.25	+	\$0.00	=	\$46.25
	Subject	913 NE 4th Avenue, Fort Lauderdale, FL	American Icon Brewery			6,033	2.65	1958	2,830	\$40.00		\$8.00		\$48.00

**Appraisal Report  
Progresso Pointe  
Income Capitalization Approach**

Client: Stonegate Bank  
Client ID: Rechtek Holdings - 913 NE 4th Ave FLL

**RESTAURANT-BAR RENT COMPARABLES MAP**





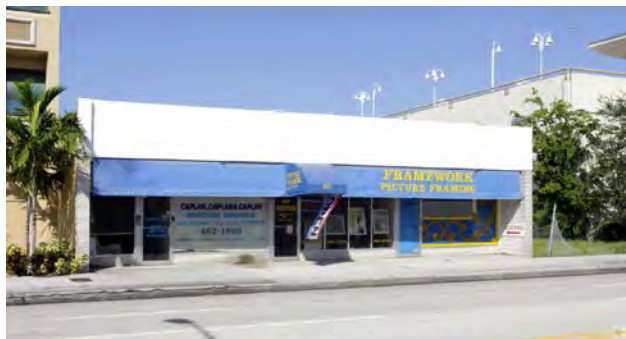
**Appraisal Report  
Progresso Pointe  
Income Capitalization Approach**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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**RESTAURANT-BAR RENT COMPARABLE PHOTOS**

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Rental A: Downtown Strip Center  
627 S Andrews Ave., Fort Lauderdale, FL 33301



Rental B: Downtown Freestanding Commercial  
805 W Broward Blvd., Fort Lauderdale, FL 33312



Rental C: Former 7/11  
1637 E Sunrise Blvd., Fort Lauderdale, FL 33304



Rental D: Sunrise Harbor Shopping Center  
2501-2595 E Sunrise Blvd, Fort Lauderdale, FL 33304



Rental E: New River Trading Post  
330 Himmarshee St, Fort Lauderdale, FL 33312



Rental F: Freestanding Restaurant/Bar  
3236 NE 11th Ave., Oakland Park, FL 33334



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Client: Stonegate Bank  
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Rental G: Culinary Arts District  
3200 NE 12th Ave, Oakland Park, FL 33334



Rental H: Coconuts  
429 Seabreeze Blvd, Fort Lauderdale, FL 33316

### **Discussion of Restaurant-Bar Rent Comparables**

The comparables above represent the most similar to the subject property in the local area available, and they would be considered most reliable by prospective investors. “Gross” face rates (rent plus all typical operating expense reimbursements for the subject property’s leasing profile) range from \$33.50 to \$51.00 and average \$39.58 per square foot. Comparable terms are mixed.

The comparables provide a range suggesting that the contract rent is not unreasonable. Most market participants would underwrite contract rent.

### **Conclusion of Restaurant-Bar Market Rents**

The following summarizes asking and market terms for restaurant-bar space. Rates are analyzed in context of the best available estimate of expense reimbursements to arrive at an equivalent base rent. The actual rate at the subject is \$48.00 per square foot which includes base rent and NNN expenses.

Based on analysis of the subject property tenant amenities, the condition of the leasing market and these restaurant-bar rent comparables most market participants would not regard an asking base rental rate of \$48.00 per square foot to be unreasonable. Except in homogeneous markets, asking rates tend to be discounted by a negotiating margin and/or concessions. In this case a reasonable negotiating margin would not be discernable. Additionally, expenses of \$12.66 per square foot are deducted to arrive at the base market rental rate. This is higher than the broker’s proforma. As a result, market rent is projected at \$35.00 under Triple Net (NNN) terms for 120 months with CPI escalations.

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## RESTAURANT-BAR MARKET RENT OBSERVATIONS, SUMMARY AND CONCLUSIONS

No. Comparison	Date Leased	Base Rent	Tenant Exp.	Total \$/SqFt
A Downtown Strip Center 627 S Andrews Ave., Fort Lauderdale, FL 33301 Original 2nd generation condition, two of three storefront bays, next to Publix Downtown.	5/16	Asked \$35.00	Estimated + \$0.00	Inferior = \$35.00
B Downtown Freestanding Commercial 805 W Broward Blvd., Fort Lauderdale, FL 33312 Whole building, kitchen & bath showroom.	6/16	Contract \$35.00	Reported + \$0.00	Inferior = \$35.00
C Former 7/11 1637 E Sunrise Blvd., Fort Lauderdale, FL 33304 Former C-store, good access and exposure, renovated.	6/16	Contract \$32.00	Estimated + \$7.00	Similar = \$39.00
D Sunrise Harbor Shopping Center 2501-2595 E Sunrise Blvd, Fort Lauderdale, FL 33304 Center bay, across from The Galleria Mall.	4/17	Asked \$44.00	Estimated + \$7.00	Superior = \$51.00
E New River Trading Post 330 Himmarshee St, Fort Lauderdale, FL 33312 New Himmarshee District ground floor retail.	3/17	Contract \$26.00	Estimated + \$7.50	Inferior = \$33.50
F Freestanding Restaurant/Bar 3236 NE 11th Ave., Oakland Park, FL 33334 Older freestanding restaurant near the Oakland Park Culinary Arts District.	8/17	Asked \$38.89	Reported + \$0.00	Inferior = \$38.89
G Culinary Arts District 3200 NE 12th Ave, Oakland Park, FL 33334 Renovated restaurant in the Oakland Park Culinary Arts District.	9/16	Contract \$31.00	Estimated + \$7.00	Inferior = \$38.00
H Coconuts 429 Seabreeze Blvd, Fort Lauderdale, FL 33316 Second floor water-view restaurant.	6/16	Asked \$46.25	Estimated + \$0.00	Superior = \$46.25
Minimum				\$33.50
Average				\$39.58
Median				\$38.45
Maximum				\$51.00
Actual Rate at the Subject		\$40.00	+ \$8.00	= \$48.00
Indicated Total Asking Market Rental Rate				\$48.00
Less: Negotiating Margin/Concessions			0%	0.00
Less: Forecast Expense Reimbursements (expenses plus 15% administration fee)			15%	(12.66)
Indicated Market Rental Rate				\$35.34
Rounded				\$35.00
Expense reimbursement terms		Triple Net (NNN)		
Lease term (months)		120 months		
Annual increases		CPI		

### **Office Showroom Market Rental Analysis**

The following rent comparables would be accessible and most meaningful to market participants because they reflect similar location, utility and appeal to the same general tenant-profile. They are therefore the closest alternatives to the subject's Office Showroom space.

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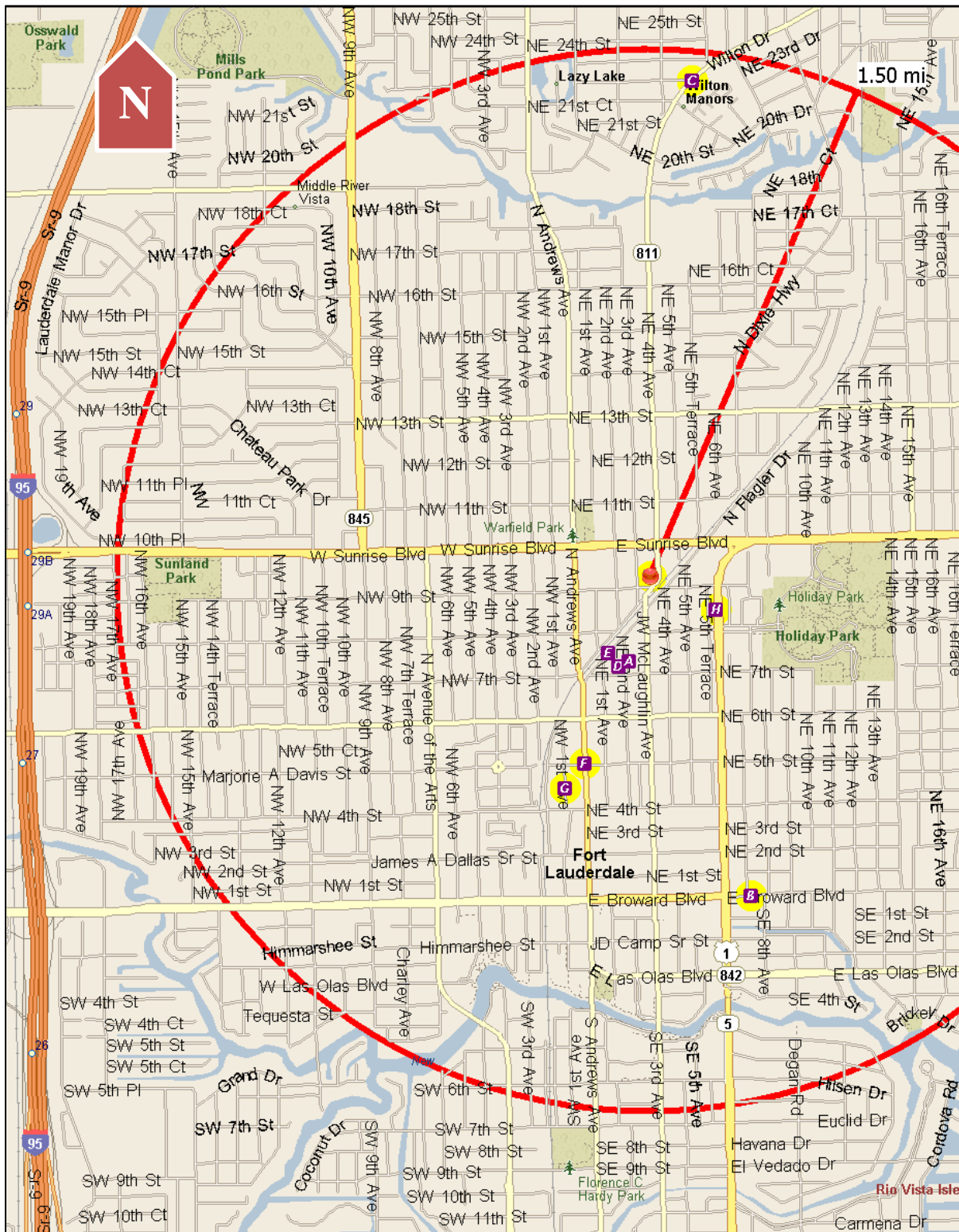
**OFFICE SHOWROOM RENT COMPARABLES**

Office Showroom Rent Comparables										Date		Leased	Face	Tenant	Total	
No.	Building	Address	Tenant	Leased	Term	Site	Bldg	Ratio	Parking	Built	SqFt	Rate	+	Exp.	=	Rent
A	Office Warehouse Bay	723-725 NE 2nd Ave., Fort Lauderdale, FL 33304	Broward Art Gallery	4/16	60 Mo	5,100	4,079	1.25	17.00	1955	4,079	\$18.00	+	\$0.00	=	\$18.00
B	Las Olas Storefront	719 E Broward Blvd., Fort Lauderdale, FL 33301	Prototype House	12/15	36 Mo	12,420	3,384	3.67	3.55	1956/2013	1,070	\$36.00	+	\$0.00	=	\$36.00
C	Wilton Manors Street Retail	2201 Wilton Dr., Wilton Manors, FL 33305	Undisclosed	6/17	36 Mo	8,514	793	10.74	1.28	1974	1,245	\$30.00	+	\$6.50	=	\$36.50
D	Freestanding Commercial	726 NE 2nd Ave., Fort Lauderdale, FL 33304	Tap Room	3/16	N/A	6,679	2,802	2.38	2.14	1955	2,802	\$18.00	+	\$7.50	=	\$25.50
E	Strip Retail	750 N Flagler Dr., Fort Lauderdale, FL 33304	Undisclosed	6/17	N/A	11,256	18,000	0.63	1.38	1958/2016	2,000	\$30.00	+	\$6.50	=	\$36.50
F	FAT Village Commercial	501 N Andrews Ave., Fort Lauderdale, FL 33301	Undisclosed	5/17	12 Mo	11,250	8,000	1.41	3.00	1957/2007	1,250	\$24.00	+	\$0.00	=	\$24.00
G	SW Flagler Village Commercial	441-445 NW 1st Ave., Fort Lauderdale, FL 33301	Undisclosed	4/16	N/A	12,750	8,000	1.59	0.50	1966	8,000	\$10.00	+	\$7.50	=	\$17.50
H	Interim Street Retail	831-845 N Federal Hwy., Fort Lauderdale, FL 33304	Undisclosed	3/16	36 Mo	5,162	4,200	1.23	1.45	1956	1,800	\$19.00	+	\$0.00	=	\$19.00
	Subject	913 NE 4th Avenue, Fort Lauderdale, FL				20,188	6,033	3.35	2.65	1958	1,600	\$25.00	+	\$8.00	=	\$33.00

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**OFFICE SHOWROOM RENT COMPARABLES MAP**





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Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

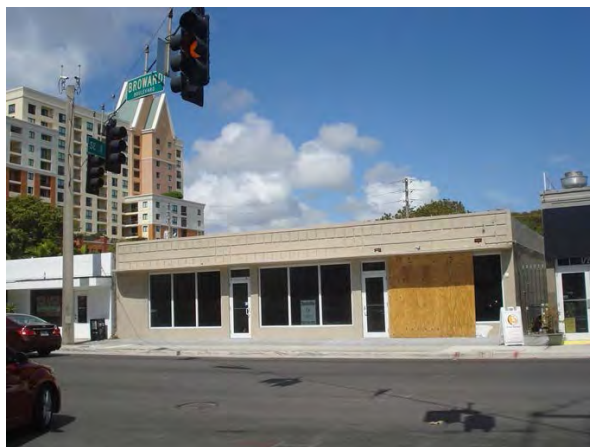
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**OFFICE SHOWROOM RENT COMPARABLE PHOTOS**

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Rental A: Office Warehouse Bay  
723-725 NE 2nd Ave., Fort Lauderdale, FL 33304



Rental B: Las Olas Storefront  
719 E Broward Blvd., Fort Lauderdale, FL 33301



Rental C: Wilton Manors Street Retail  
2201 Wilton Dr., Wilton Manors, FL 33305



Rental D: Freestanding Commercial  
726 NE 2nd Ave., Fort Lauderdale, FL 33304



Rental E: Strip Retail  
750 N Flagler Dr., Fort Lauderdale, FL 33304



Rental F: FAT Village Commercial  
501 N Andrews Ave., Fort Lauderdale, FL 33301



**Appraisal Report  
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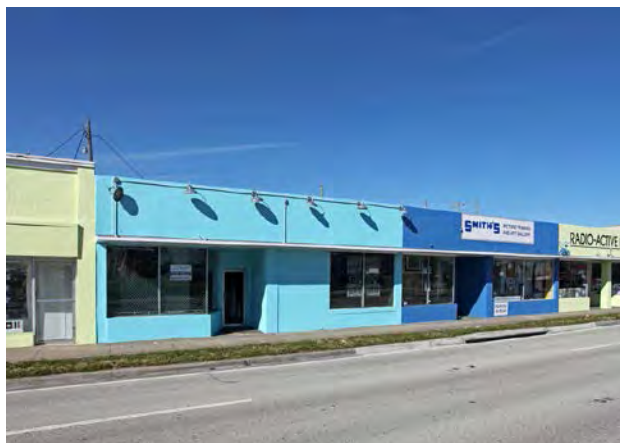
Client: Stonegate Bank

Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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Rental G: SW Flagler Village Commercial  
441-445 NW 1st Ave., Fort Lauderdale, FL 33301



Rental H: Interim Street Retail  
831-845 N Federal Hwy., Fort Lauderdale, FL 33304

### **Discussion of Office Showroom Rent Comparables**

The comparables above represent the most similar to the subject property in the local area available, and they would be considered most reliable by prospective investors.

### **Conclusion of Office Showroom Market Rents**

The following summarizes asking and market terms for office showroom space. Rates are analyzed in context of the best available estimate of expense reimbursements to arrive at an equivalent base rent.

**Appraisal Report**  
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No. Comparison	Date Leased	Base Rent	Tenant Exp.	Total \$/SqFt
A Office Warehouse Bay 723-725 NE 2nd Ave., Fort Lauderdale, FL 33304 Raw office warehouse on an avant garde street.	4/16	Contract \$18.00	Reported + \$0.00	Inferior = \$18.00
B Las Olas Storefront 719 E Broward Blvd., Fort Lauderdale, FL 33301 Interior bay, compensating locational factors, large rear lot.	12/15	Contract \$36.00	Reported + \$0.00	Superior = \$36.00
C Wilton Manors Street Retail 2201 Wilton Dr., Wilton Manors, FL 33305 Better retail environment & exposure, Downtown Wilton Manors street retail.	6/17	Contract \$30.00	Estimated + \$6.50	Superior = \$36.50
D Freestanding Commercial 726 NE 2nd Ave., Fort Lauderdale, FL 33304 General commercial on an avant garde street, renovated by tenant.	3/16	Asked \$18.00	Estimated + \$7.50	Similar = \$25.50
E Strip Retail 750 N Flagler Dr., Fort Lauderdale, FL 33304 Renovated street retail. Fit Stop took 2,400 SF for \$25NNN 11/16.	6/17	Asked \$30.00	Estimated + \$6.50	Similar = \$36.50
F FAT Village Commercial 501 N Andrews Ave., Fort Lauderdale, FL 33301 General commercial, better exposure.	5/17	Asked \$24.00	Reported + \$0.00	Similar = \$24.00
G SW Flagler Village Commercial 441-445 NW 1st Ave., Fort Lauderdale, FL 33301 Full building, corner, back-out parking.	4/16	Asked \$10.00	Estimated + \$7.50	Inferior = \$17.50
H Interim Street Retail 831-845 N Federal Hwy., Fort Lauderdale, FL 33304 Better commercial street, storefront with rear parking. Very inferior access; short term.	3/16	Asked \$19.00	Estimated + \$0.00	Inferior = \$19.00
Minimum				\$17.50
Average				\$26.63
Median				\$24.75
Maximum				\$36.50
Actual Rate at the Subject		\$25.00	+ \$8.00	= \$33.00
Indicated Total Asking Market Rental Rate				\$33.00
Less: Negotiating Margin/Concessions			0%	\$0.00
Less: Forecast Expense Reimbursements (expenses plus 15% administration fee)			15%	(\$12.66)
Indicated Market Rental Rate				\$20.34
Rounded				\$20.50
Expense reimbursement terms		Triple Net (NNN)		
Lease term (months)		60 months		
Annual increases		CPI		

## SUMMARY OF POTENTIAL GROSS REVENUE

Sources of revenue typically include base rent, reimbursement revenue and other income.

## **Potential Gross Income from Base Rent Revenue**

### **Contract Rent**

The following table illustrates summarizes annualized rent in place on the effective date of the appraisal, as well as market rates. Revenue does include expense reimbursements.

#### **SUMMARY OF CONTRACT RENTAL REVENUE**

Occupied Space	SqFt	Contract	\$/SqFt	Market	\$/Sqft	Ratio
Restaurant-Bar	2,830	\$135,840	\$48.00	\$134,882	\$47.66	101%
Office Showroom	3,203	\$105,699	\$33.00	\$106,216	\$33.16	100%
Occupied Total	6,033	\$241,539	\$40.04	\$241,098	\$39.96	100%

### **Contract Rent vs. Market Rent**

The following table compares and contrasts rents at market with rents at contract (with vacancies at market).

#### **MARKET AND CONTRACT RENTAL REVENUE COMPARISON**

PGI at Market Rent:		PGI at Contract Rent:	
Market PGI for Occupied Space	\$241,098	Contract Rent Occupied	\$241,539
Market PGI for Vacant Space	0	Vacant Space at Market	0
Market Potential Gross Income	\$241,098	Total	\$241,539
Market PGI \$/SqFt	\$39.96	Contract & Market PGI \$/SqFt	\$40.04
		Contract:Market Ratio	100%

The variance between market and contract rent levels suggests that that contract rents are essentially at market, and as a result most market participants would underwrite contract rent for Based on the property profile and prevailing market conditions, most market participants would underwrite Contract Revenue rent to estimate Market Value.

### **Leased-Asset Property Lease-Up Analysis**

The borrower has only \$135,000 in costs left to deliver the property under the lease terms in approximately one month. Most market participants would simply deduct the cost without profit because it is nominal.

### **Expense Reimbursement Revenue**

Market participants do not typically underwrite NNN reimbursements or expenses. However, these expenses are necessary for the estimation of total occupancy cost relative to comparables.

### **Other Income**

There are no other significant sources of ongoing revenue that would be considered relevant by market participants.

### **VACANCY AND COLLECTION LOSS**

Vacancy and collection loss is discussed in the Supply and Demand section of this report, where it was concluded that investors would consider a vacancy and credit loss of 4.5% reasonable.

Note that calculations involve rounding and complex circular references, so that as a result there may be an insignificant variance.

Other income is exempt from vacancy and collection loss calculations.

### **PROJECTED STABILIZED EFFECTIVE GROSS INCOME**

The following summarizes stabilized effective gross income. Note that calculations involve rounding and complex circular references, so that as a result there may be one or more insignificant variances.

#### **PROJECTED STABILIZED EFFECTIVE GROSS INCOME**

		Contract Revenue	
		Year-1	\$/SqFt
Potential Gross Revenue			
Base Rent		\$193,275	\$32.04
Expense Reimbursement Revenue		65,398	0.00
Administrative Fee on Expenses	15.00%	9,810	1.63
Total Potential Gross Revenue		\$268,482	\$44.50
Vacancy & Collection Loss	4.00%	(10,739)	(1.78)
Effective Gross Income Before Other Income		\$257,743	\$42.72
Other Income		0	
Effective Gross Income		\$257,743	\$42.72

## OPERATING EXPENSE ANALYSIS

- The last three years' operating statements were requested but were not provided.
- Year-to-date financials were requested but were not provided.
- A proforma expense budget was requested and provided.

### **Operating Expense Information Provided by the Borrower**

The following expenses were reported by the borrower. Note that income tax statements have not been audited, since tax preparation and property proforma analysis can vary significantly. As a limiting condition of this report, all information provided is assumed to be factual. The owner's financials are reconciled in the next table to standardized categories for purposes of analysis and comparison.

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**BORROWER'S PROFORMA OPERATING STATEMENT & CASH FLOW PROJECTION**

PROFORMA		PROGRESSO POINTE - FT. LAUDERDALE									
For the Years Ending		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Base Rental Revenue</b>	SF										
Restaurant/Bar Space (+854 SF Patio)	<b>2,830</b>	\$ 113,200	116,596	120,094	123,697	127,408	131,230	135,167	139,222	143,398	147,700
Office/Retail Space	<b>1,996</b>	\$ 59,880	61,676	63,527	65,432	67,395	69,417	71,500	73,645	75,854	78,130
Gallery Space	<b>1,207</b>	\$ 24,140	24,864	25,610	26,378	27,170	27,985	28,824	29,689	30,580	31,497
<b>Total Base Rental</b>	6,033	\$ 197,220	\$ 203,137	\$ 209,231	\$ 215,508	\$ 221,973	\$ 228,632	\$ 235,491	\$ 242,556	\$ 249,832	\$ 257,327
<b>Expense Revenue</b>	PSF										
Restaurant / Bar Space	\$8.00	\$ 22,640	\$ 23,093	\$ 23,555	\$ 24,026	\$ 24,506	\$ 24,996	\$ 25,496	\$ 26,006	\$ 26,526	\$ 27,057
Office Space	\$8.00	15,968	16,287	16,613	16,945	17,284	17,630	17,983	18,342	18,709	19,083
Warehouse Space	\$8.00	9,656	9,849	10,046	10,247	10,452	10,661	10,874	11,092	11,314	11,540
<b>Total Expense Revenue</b>		\$ 48,264	\$ 49,229	\$ 50,214	\$ 51,218	\$ 52,243	\$ 53,287	\$ 54,353	\$ 55,440	\$ 56,549	\$ 57,680
<b>Operating Expenses</b>	PSF										
Property Maintenance	\$0.50	\$ 3,017	\$ 3,107	\$ 3,200	\$ 3,296	\$ 3,395	\$ 3,497	\$ 3,602	\$ 3,710	\$ 3,821	\$ 3,936
Utilities	\$0.50	3,017	3,107	3,200	3,296	3,395	3,497	3,602	3,710	3,821	3,936
RE Taxes	\$5.00	30,165	31,070	32,002	32,962	33,951	34,970	36,019	37,099	38,212	39,358
Insurance	\$1.00	6,033	6,335	6,651	6,984	7,333	7,700	8,085	8,489	8,913	9,359
Management Fee* (4% of Gross)	\$0.50	3,017	10,095	10,378	10,669	10,969	11,277	11,594	11,920	12,255	12,600
Trash	\$0.50	3,017	3,107	3,200	3,296	3,395	3,497	3,602	3,710	3,821	3,936
<b>Total Operating Expenses</b>	\$8.00	\$ 48,264	\$ 56,820	\$ 58,632	\$ 60,504	\$ 62,438	\$ 64,437	\$ 66,503	\$ 68,638	\$ 70,844	\$ 73,125
<b>Net Operating Income</b>		\$ 197,220	\$ 195,546	\$ 200,813	\$ 206,222	\$ 211,777	\$ 217,482	\$ 223,341	\$ 229,358	\$ 235,537	\$ 241,882



## **Reconciliation and Standardization of Borrower's Operating Statement**

For purposes of analysis the borrower's operating statement is standardized as follows. Property owners and managers frequently use different accounting systems and/or specialized expense categories. The following breakdown is regarded as industry-standard.

### **RECONCILIATION OF BUYER'S OPERATING STATEMENT FOR STANDARDIZATION**

Standardized Category	Budget	2018
Potential Gross Revenue	Potential Gross Revenue	197,220
Expense Reimbursement Revenue	Expense Reimbursement Revenue	48,264
Maintenance	Property Maintenance	3,017
Utilities	Utilities	3,017
Real Estate Tax	RE Taxes	30,165
Insurance	Insurance	6,033
Management	Management Fee* (4% of Gross)	3,017
Utilities	Trash	3,017

## **Expense Comparables for Small Commercial Leased Assets – Not Applicable**

Expense comparables are not reliable in this case. The subject property profile is frequently self-managed without expense allocations for management, administration or miscellaneous operating costs. Furthermore, property taxes, insurance, maintenance and utilities are often property-specific reducing the reliability of expense comparables. Expense comparables would therefore not be reliable or expected, and not directly analyzed in this analysis.

## **Operating Expense Analysis**

Operating expenses are generally based on property performance. In this case expenses were based on the following.

Real Estate Tax	Proforma real estate taxes of \$42,350 or \$7.02 per square foot are based on the tax analysis section of this report, and reflect the most likely stabilized property taxes assuming a sale under Broward County Property Appraiser policies and other factors that are analyzed there.
Insurance	Insurance costs, underwritten at \$6,033 per year (stabilized) or \$1.00 per square foot, are normally property-specific and based on physical attributes, historical insurance claims activity and the anticipated use of a facility. In this case the current cost was provided and does not appear to be unreasonable.

Management	<p>Third party management of 2.00% is based on the market-standard for the subject property profile.</p> <p>Third party management is nominal for properties of the subject's profile, and often not budgeted because they are usually self-managed. However, if management is not included in the proforma an investor would load the capitalization rate. Still, management needs to be sufficient to provide incentive to experienced property managers, and is not simply a percentage of EGI. In this case market participants would consider a management fee of \$5,151 or \$429 per month reasonable.</p>
Administrative	<p>Administrative costs are limited to professional services such as tax preparation. In this case \$800 would be sufficient (\$0.13 per square foot).</p>
Maintenance	<p>Tenants typically maintain interiors, including janitorial. Landlords typically maintain exteriors and interior equipment. Proforma expenses should be in the \$0.50 per square foot range based on the property profile.</p>
Utilities	<p>Tenants pay all utilities. Proforma vacancy-term utilities are reflected in capitalization rate assumptions. Utilities not paid directly by tenants are expected to be in the \$1.00 per square foot range or about \$503 each month,</p>
Reserves	<p>Replacement reserves for maintenance of longer-lived capital items can be estimated by an engineer or contractor, but in this case a study was not provided for the subject property. Many market participants ignore reserves, with some preferring to include a combination of operating, extraordinary and capital expenses, while others ignore the expense in an attempt to present a more attractive return on investment.</p> <p>The more knowledgeable and conscientious brokers and advisors typically estimate replacement reserves from a market-standard range rather than invest in an estimator.</p> <p>The estimated reserve budget of \$0.50 per square foot includes maintenance and replacement costs for long-lived items, and considers improvement age, condition, and the expected remaining economic life. As properties approach the end of economic life the need for future capital item replacement and/or maintenance declines.</p> <p>The guidelines below are useful in estimating reserve budgets anticipated by ReisReports survey responders.</p>

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## REPLACEMENT RESERVE SURVEY GUIDELINES

RealtyRates.com INVESTOR SURVEY - 2nd Quarter 2017*									
SURVEYED RESERVE REQUIREMENTS									
Property Type	Per SF			Per Unit			% of EGI		
	Min.	Max.	Typical	Min.	Max.	Typical	Min.	Max.	Typical
Apartments				\$155	\$390	\$362			
Golf				\$1,250	\$7,200	\$3,320	2.0%	4.0%	3.0%
Health Care/Senior Housing				\$255	\$695	\$388			
Industrial	\$0.22	\$0.62	\$0.42						
Lodging							4.0%	8.0%	4.5%
Mobile Home/RV Park				\$28	\$282	\$156	2.0%	5.0%	4.0%
Office	\$0.28	\$0.72	\$0.52						
Restaurants							2.0%	5.0%	3.0%
Retail	\$0.28	\$0.88	\$0.57						
Self-Storage	\$0.22	\$0.55	\$0.51	\$28	\$185	\$116			
Special Purpose	\$0.24	\$0.78	\$0.56						

\*1st Quarter 2017 Data

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**Income Capitalization Approach**

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## UNDERWRITTEN NET OPERATING INCOME

Subtracting operating expenses including reserves from effective gross income reveals the property's underwritten net operating income. Note that calculations involve rounding and complex circular references, so that as a result insignificant variances may be present.

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### STABILIZED PROFORMA

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		Contract Revenue	
		Year-1	\$/SqFt
Potential Gross Revenue			
Base Rent		\$193,275	\$32.04
Expense Reimbursement Revenue		66,423	0.00
Administrative Fee on Expenses	15.00%	9,963	1.65
Total Potential Gross Revenue		\$269,662	\$44.70
Vacancy & Collection Loss	4.50%	(12,135)	(2.01)
Effective Gross Income Before Other Income		\$257,527	\$42.69
Other Income		0	
Effective Gross Income		\$257,527	\$42.69
Operating Expenses		Proforma Expense	
Real Estate Tax	Reassessed	\$42,350	\$7.02
Insurance	Provided	6,033	1.00
Management	2.00%	5,151	0.85
Administrative	Professional Svc.	800	0.13
Maintenance		3,017	0.50
Utilities	By landlord	6,033	1.00
Reserves		3,017	0.50
Total Operating Expenses	26%	\$66,400	\$11.01
Net Operating Income		\$191,127	\$31.68

## OVERALL CAPITALIZATION RATE ESTIMATION

Three methods will be used to estimate the overall capitalization rate in this section: debt coverage ratio (DCR), band-of-investment and market transactions.

Market overall capitalization rates (“OAR”) may be derived from several sources: market transactions, band-of-investment or weighted average techniques based on allocations to mortgage and equity components ( $R_M$  and  $R_E$ ) or land and building components ( $R_L$  and  $R_E$ ), debt coverage ratios (DCRs), and yield capitalization techniques. Dividing NOI by the capitalization rate indicates value.

$$\text{Value} = \frac{\text{Net Operating Income}}{\text{Overall Capitalization Rate}}$$

The following analysis reflects a *typical* financing-profile for the subject property based on the most likely buyer, and may differ significantly from the actual terms of any current or prospective financing that may be modified for specific borrower or non-realty related issues. Specific parameters for any proposed financing were not provided.

A great deal of effort is spent in estimating a market capitalization rate first, which is then then adjusted to the unique attributes of the subject property to produce its specific appropriate capitalization rate.

## **Band of Investment and Debt Coverage Ratio Methods**

The Band of Investment (Mortgage/Equity) and Debt Service Coverage (Underwriter's Method) are market-standard capitalization-building techniques based on risk-adjusted debt and equity returns required by market participants. The variables utilized in this approach are summarized in the following tables and based on typical financing terms and investor requirements indicated by our most recent research.

- **Mortgage/Equity or Band of Investment Technique** - Because most properties are purchased with debt and equity capital, the overall capitalization rate must satisfy the market return requirements of both of these investment positions, or bands of investment. In this technique, the capitalization rates attributable to the debt and equity components of invested capital are weighted and combined to derive a weighted average rate attributable to the overall investment.
- **Debt Service Coverage or the Underwriter's Technique** - The availability of debt financing may have a substantial impact on real estate values due to the fact that investors desire to maximize the impact of leverage, and lenders typically constrain mortgage size based on debt service coverage ratio (DCR). Therefore, the amount of debt that a property can service with a satisfactory multiple serves to indirectly limit the amount investors are willing to pay in order to minimize their equity injection. Applying the formula  $DCR \times R_M \times LTV$  yields an implied overall capitalization rate (OAR).

In estimating the overall capitalization rate by band-of-investment, the debt and equity portion of the investment are summed to yield the overall capitalization rate ( $R_O$ ). If the data utilized for the assumptions within the band-of-investment is sufficient from the market, the band-of-investment is considered an excellent indication of an overall capitalization rate.



## Lending Survey Parameters

The following national survey provides the low, high and average range for lending and equity parameters most closely resembling the subject property profile, as well as overall rates. The subject property remaining economic life is estimated to be 50 years, although the structure is capable of interim use indefinitely, and the capitalization rate would most likely be in the middle of the range because of its general profile.

### NATIONAL MARKET-LENDING PARAMETER SURVEY

RealtyRates.com INVESTOR SURVEY - 2nd Quarter 2017*						
RETAIL - FREE STANDING						
Item	Input					OAR
<b>Minimum</b>						
Spread Over 10-Year Treasury	0.78%	DCR Technique	1.18	0.044142	0.90	<b>4.67</b>
Debt Coverage Ratio	1.18	<b>Band of Investment Technique</b>				
Interest Rate	3.17%	Mortgage		90%	0.044142	0.039728
Amortization	40	Equity		10%	0.079568	0.007957
Mortgage Constant	0.044142	OAR				<b>4.77</b>
Loan-to-Value Ratio	90%	<b>Surveyed Rates</b>				<b>4.96</b>
Equity Dividend Rate	7.96%					
<b>Maximum</b>						
Spread Over 10-Year Treasury	5.56%	DCR Technique	1.73	0.128317	0.60	<b>13.28</b>
Debt Coverage Ratio	1.73	<b>Band of Investment Technique</b>				
Interest Rate	9.91%	Mortgage		60%	0.128317	0.076990
Amortization	15	Equity		40%	0.173508	0.069403
Mortgage Constant	0.128317	OAR				<b>14.64</b>
Loan-to-Value Ratio	60%	<b>Surveyed Rates</b>				<b>13.96</b>
Equity Dividend Rate	17.35%					
<b>Average</b>						
Spread Over 10-Year Treasury	3.17%	DCR Technique	1.45	0.071038	0.75	<b>7.70</b>
Debt Coverage Ratio	1.45	<b>Band of Investment Technique</b>				
Interest Rate	5.56%	Mortgage		75%	0.071038	0.053278
Amortization	28	Equity		25%	0.121841	0.030460
Mortgage Constant	0.071038	OAR				<b>8.37</b>
Loan-to-Value Ratio	75%	<b>Surveyed Rates</b>				<b>10.51</b>
Equity Dividend Rate	12.18%					

\*1st Quarter 2017 Data

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## Equity Capitalization Rate

Within the band-of-investment method of estimating the overall capitalization rate, the equity capitalization rate ( $R_E$ ) is an important variable. The equity capitalization rate is the "cash on cash" return. This is calculated by dividing the cash investment into the available cash after expenses and debt service is paid.

However, this is sometimes not a true cash-on-cash return because rates are calculated differently throughout the real estate industry. For example, it is not unusual for credit NNN-leased investors or investors that self-manage properties to ignore management, replacement allowance and other miscellaneous expenses. Equity capitalization rates without allowing for management and reserves are higher than rates where management and reserves are budgeted. Investments in areas that expect greater than typical appreciation will have lower equity capitalization rates while those investments in areas that are expected to depreciate will have higher equity capitalization rates.

### NATIONAL INVESTOR EQUITY CAPITALIZATION REQUIREMENTS

RealtyRates.com INVESTOR SURVEY - 2nd Quarter 2017*			
EQUITY DIVIDEND RATES			
Property Type	Min.	Max.	Avg.
Retail	8.01%	18.10%	13.56%
Anchored	8.01%	16.90%	12.01%
Un-Anchored	8.21%	18.10%	12.66%
Convenience/Gas	8.11%	17.50%	12.33%
Free Standing	7.96%	17.35%	12.18%
All Properties	6.48%	22.13%	12.80%

\*1st Quarter 2017 Data

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Today's investor is looking for an equity return between 7.96% and 17.35%. Leased asset investors will require an appropriate market return. Within the band-of-investment method of estimating the overall capitalization rate, an equity capitalization rate of 12.18% was utilized.

**Appraisal Report  
Progreso Pointe  
Income Capitalization Approach**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

## Current Permanent Financing Parameters

Interest rates quoted by commercial lenders fluctuate on a daily basis, and are available on both a fixed and an adjustable schedule.

### NATIONAL INTEREST RATE SURVEY

RealtyRates.com INVESTOR SURVEY - 2nd Quarter 2017*											
PERMANENT FINANCING											
	Apt.	Golf	Health Senior Housing	Ind.	Lodging	RV/Camp Mfg Hsg MH Park	Office	Restaurant	Retail	Self Storage	Special Purpose
Spread Over Base**											
Minimum	0.70%	1.20%	1.26%	0.86%	1.26%	1.05%	1.05%	1.86%	0.75%	1.05%	1.36%
Maximum	6.11%	11.96%	7.48%	6.11%	11.59%	8.81%	6.11%	11.06%	7.48%	6.11%	12.00%
Average	2.66%	5.35%	3.37%	3.01%	3.62%	4.00%	3.08%	4.71%	3.13%	4.13%	4.76%
Interest Rate											
Minimum	3.09%	3.59%	3.65%	3.25%	3.65%	3.44%	3.44%	4.25%	3.14%	3.14%	3.75%
Maximum	8.50%	14.35%	9.87%	8.50%	13.98%	11.20%	8.50%	13.45%	9.87%	9.87%	14.39%
Average	5.05%	7.74%	5.76%	5.40%	6.01%	6.39%	5.47%	7.11%	5.52%	5.52%	7.15%
Debt Coverage Ratio											
Minimum	1.10	1.10	1.10	1.10	1.00	1.10	1.10	1.10	1.05	1.10	1.15
Maximum	1.86	2.15	2.30	2.05	2.85	2.05	2.15	2.15	2.15	2.50	2.10
Average	1.43	1.53	1.53	1.48	1.54	1.39	1.63	1.64	1.40	1.64	1.70
Loan-to-Value Ratio											
Minimum	50%	50%	50%	50%	50%	50%	50%	50%	50%	90%	50%
Maximum	90%	80%	90%	90%	80%	90%	90%	75%	90%	50%	80%
Average	73%	66%	70%	70%	67%	70%	73%	64%	71%	69%	65%
Amortization (Yrs.)											
Minimum	15	15	15	15	15	15	15	15	15	40	15
Maximum	40	40	40	40	40	40	40	30	40	15	40
Average	26	21	25	25	22	25	30	21	25	28	22
Term (Yrs.)											
Minimum	3	5	3	3	5	5	3	3	3	3	3
Maximum	40	30	25	30	30	30	30	15	10	10	20
Average	20.50	9.00	13.65	11.46	7.80	9.15	8.00	7.45	6.20	6.10	7.85
** 10-Year Treasury											

\*1st Quarter 2017 Data

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## Conclusion of Current Lending Parameters

Based on the surveys and analysis above, the following parameters are used to estimate an overall rate by DCR and Band of Investment methods.

### MORTGAGE & EQUITY VARIABLES

Survey Variable:	Low	High	Avg.	Estimate
Debt Coverage Ratio (DCR)	1.18	1.73	1.45	1.45
Mortgage Interest Rate (I)	3.17%	9.91%	5.56%	5.56%
Mortgage Term (monthly)	40 Years	15 Years	28 Years	28 Years
Mortgage Constant (RM)	0.04414	0.12829	0.07052	0.07052
Loan-to-Value Ratio (LTV)	90%	60%	75%	75%
Equity Capitalization Rate (RE)	7.96%	17.35%	12.18%	12.18%
RealtyRates Survey Range:*	4.21%	13.21%	9.76%	8.00%

\*Note: These are 75 bp lower than the published rates. RealtyRates does not subtract reserves, which can increase the overall rate by as much as 50 to 100 basis points. As a result, RealtyRates brackets the upper limits of the range compared to South Florida Real Estate Appraisal LLC underwriting.

## Estimates of an Overall Capitalization Rate

### DCR AND MORTGAGE-EQUITY CAPITALIZATION RATE CALCULATIONS

#### Overall Capitalization Rate by Debt Coverage Ratio

Debt Coverage Ratio	x	Mortgage (I)	x	Mortgage Constant	=	Overall Capitalization Rate
1.45		75%		0.07052		7.67%
Rounded to						7.75%

#### Overall Capitalization Rate by Band of Investment

Capital	x	Ratio	x	Rate	=	Weighted Rate
Mortgage (VM)		75%		0.07052		0.05289
Equity (VE)		25%		0.12180		0.03045
Overall Capitalization Rate (RO)						0.08334
Rounded to						8.25%

## Overall Capitalization Rate by Market Participant Surveys and Transactions

### Market Participant Survey

Local market participants are not good sources for capitalization rate estimates under prevailing market conditions.

- Market capitalization rates are not well defined because low sales volume, distress or low-occupancy conditions and unreported capitalization rates have resulted in inefficient market information.
- Broker calculations often vary, some dropping management for single-user properties assuming landlords will self-manage. They also rarely budget reserves or administrative costs.

### National Investor Surveys

Investor surveys such as PwC Real Estate Investor Survey™ of PricewaterhouseCoopers LLP or The RealtyRates Investor Survey are less reliable because they do not reflect reliable survey-data for the subject property profile.

Following is a summary of going-in capitalization rates from PwC Real Estate Investor Survey™ of PricewaterhouseCoopers LLP and the RealtyRates Investor Survey.

#### PWC REAL ESTATE INVESTOR SURVEY™ OF PRICEWATERHOUSECOOPERS LLP

Table 3  
**NATIONAL STRIP SHOPPING CENTER MARKET**  
 Second Quarter 2017

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
<b>OVERALL CAP RATE (OAR)<sup>a</sup></b>					
Range	4.00% – 9.50%	4.00% – 9.50%	4.50% – 9.50%	5.00% – 10.00%	5.50% – 9.50%
Average	6.26%	6.32%	6.26%	7.09%	7.18%
Change (Basis Points)		– 6	0	– 83	– 92

a. Rate on unleveraged, all-cash transactions

b. Initial rate of change



c. In months

**Appraisal Report  
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## REALTYRATES INVESTOR SURVEY

Note: RealtyRates does not subtract reserves, which can increase the overall rate by as much as 50 to 100 basis points. As a result, RealtyRates brackets the upper limits of the range compared to South Florida Real Estate Appraisal LLC underwriting.

RealtyRates.com INVESTOR SURVEY - 2nd Quarter 2017*																								
CURRENT & HISTORICAL CAP RATE INDICES																								
Method-Weighted* Property Category Indices																								Weighted* Composite Indices
Year	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office			Retail		Restaurant		Self Storage		Special Purpose		
	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg		
	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg		
2017	8.17	5	11.76	2	8.91	-1	8.98	-10	10.34	12	9.31	16	8.92		9.21	-6	11.58	2	9.59	-7	11.25	4	9.45	-3
1st Qtr	8.17	-12	11.76	-2	8.91	-14	8.98	-24	10.34	3	9.31	1	8.92	-38	9.21	-16	11.58	-3	9.59	-26	11.25	-7	9.45	-16
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
4th Qtr	8.29	32	11.79	23	9.06	35	9.22	31	10.31	30	9.30	38	9.31	27	9.38	32	11.61	16	9.85	39	11.32	43	9.61	31
* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey																								
** Further weighted by property category																								

\* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

\* Further weighted by property category

\*1st Quarter 2017 Data

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## Market Derived Rates

### Capitalization Rates from Comparable Sales

Capitalization rates were not revealed for the comparable sales.

### CoStar Reported Capitalization Rates

This analysis has been omitted. A CoStar capitalization survey is not highly reliable for the subject property profile because properties are often self-managed and NOI calculations are inconsistent. This data could tend to overstate capitalization rates underwritten on all operating expenses and reserves (lowering expenses increases NOI, increasing the calculated OAR).

### Conclusion of the Market Overall Capitalization Rate

The surveys referenced on the prior page are for all types and qualities of properties. These surveys indicate that overall capitalization rates for the subject property type range from 4.21% to 13.21%. The methods used to estimate the overall capitalization rate specifically for the subject property conclude to the following.

### CAPITALIZATION RATE FORECAST RECONCILIATION

Band of Investment	8.25%
Debt Coverage Ratio	7.75%
Market Transaction	4.21% to 13.21%
Historical Investor Range	9.76%
Reconciled Market OAR	8.00%



## Adjustment to Reflect the Subject Capitalization Rate

The market capitalization rate analysis above suggests that most investors would begin with a stabilized 8.00% overall rate for the subject property profile. However, each property is unique and property-specific positive or negative attributes (risk factors) can have significant impact on the capitalization rate market participants would apply to the subject property.

The following table summarizes the impact of major factors on the subject's specific capitalization rate, indicating that market participants would expect the capitalization rate for the subject property to be lower than the market OAR of 8.00%. While the analysis is not empirical an OAR estimate of 7.25% would be considered reasonable for the subject property by most market participants.

### MARKET CAPITALIZATION RATE ADJUSTMENTS FOR THE SUBJECT PROPERTY

ESTIMATED "MARKET" CAPITALIZATION RATE			8.00%
CAPITALIZATION RATE ESTIMATE FOR THE SUBJECT PROPERTY			
Risk Factor	Issues	Impact on Subject	Adjustment
Buyer Profile	End user or investor (value added, long-term hold, speculator, etc.)	None	0 bp
Income Characteristics	Rollover, escalation pattern, above/below market rents, tenant credit strength.	None	0 bp
Competitive Market Position	Construction, design & curb appeal, condition, effective age, functional utility.	Newly Renovated.	-25 bp
Location	Environment, demographics, proximity issues, access and support infrastructure.	Flagler Village sphere of influence.	-50 bp
Market	Occupancy and rental rate trends, supply & demand.	None	0 bp
Highest & Best Use	Upside from redevelopment, adaptation and expansion potential.	None	0 bp
TOTAL ADJUSTMENT			-75 bp    -0.75%
INDICATED CAPITALIZATION RATE FOR THE SUBJECT PROPERTY			7.25%

- This 7.25% OAR rate for the subject property specifically falls below the general market transaction survey cap rate range for the subject property profile of 4.21% to 13.21%, typically about 9.76%.

This suggests that market participants would not find an OAR of 7.25% unreasonable for the subject property considering its unique attributes.

Appraisal Report  
Progresso Pointe  
Income Capitalization Approach

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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## DIRECT CAPITALIZATION

The 7.25% capitalization rate estimated above specifically for the subject property's unique attributes is divided into the stabilized net operating income estimated previously to indicate a value by the income capitalization approach. Note that calculations involve rounding and complex circular references, so that as a result insignificant variances may be present.

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### DIRECT CAPITALIZATION ANALYSIS AND CONCLUSIONS

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Projected Net Operating Income	\$191,127
Divided by	÷ 7.25%
Indicated Prospective Value Upon Stabilized Occupancy	\$2,636,234
Rounded to nearest \$10,000 as of October 1, 2017	<b>\$2,640,000</b>
Per Square Foot	\$437.59
Renovation Budget	(\$135,000)
Indicated Market Value As Is	\$2,501,234
Rounded to nearest \$10,000 as of August 10, 2017	<b>\$2,500,000</b>
Per Square Foot	<b>\$414.39</b>

---

## CONCLUSION OF VALUE BY THE INCOME CAPITALIZATION APPROACH

Direct capitalization and discounted cash flow methods were considered for this appraisal. As a result of the subject property's occupancy and leasing profile, considering the market-standard application of each, most market participants would concur that the direct capitalization method is appropriate in the scope and context of this approach.

Assuming market terms NOI would be expected to change steadily over a typical holding period. Therefore, if properly applied, a discounted cash flow analysis would indicate a value very similar to the direct capitalization method.

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### INCOME CAPITALIZATION APPROACH SUMMARY & CONCLUSIONS

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Method	Weight	As-Is Market Value of the Leased Fee Interest 8/10/17	Prospective Value of the Leased Fee Interest Upon Stabilized Occupancy 10/1/17
Direct Capitalization	100%	\$2,500,000	\$2,640,000
<i>Per Square Foot</i>		\$414.39	\$437.59
Discounted Cash Flow	0%	N/A	\$3,060,000
<i>Per Square Foot</i>		N/A	\$507.21
Final Estimate		<b>\$2,500,000</b>	<b>\$2,640,000</b>
<i>Per Square Foot</i>		<b>\$414.39</b>	<b>\$437.59</b>

## SALES COMPARISON APPROACH

The justification and use of this approach is summarized in the preceding Valuation Methodology section. A sales comparison analysis was considered and was developed because it would be considered relevant by market participants.

The sales comparison approach is based on the principle of substitution. The principle of substitution holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time.<sup>2</sup>

In the sales comparison approach, an opinion of Market Value is developed by comparing properties similar to the subject property that have recently sold, are listed for sale, or are under contract (i.e., for which purchase offers and a deposit have been recently submitted). A major premise of the sales comparison approach is that an opinion of the Market Value of a property can be supported by studying the market's reaction to comparable and competitive properties.

The adjustment process is qualitative despite the use of percentage adjustments because they are based on the appraiser's judgment and opinion. Justification for this procedure is outlined at the end of the Valuation Methodology section.

## SELECTION OF COMPARABLES

### Unit of Comparison

Considering the data profile available for comparison to the subject property, comparables are analyzed on a price per square foot basis. This is consistent with the market standard for the subject property type and most market participants recognize it intuitively.

All building area measurements are consistent between the subject property and Land sales. In this case the local market standard for the subject property profile is gross leasable area ("GLA").

### Market Atmosphere

The PwC Retail real estate cycle barometer discussed in the Supply and Demand section provides a reference for buyer-behavior, and influences the comparison process. Depending on when the price was established during the exposure process, comparables may have been "priced" during earlier eras in the cycle.

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<sup>2</sup> The Appraisal of Real Estate 13th Addition, 2008, page 298-299

In the Supply and Demand section it was determined that national investors generally consider Broward County retail property to be in mid to late recovery, characterized by tightening market conditions and a shift in supply/demand balance leading to a declining vacancy rate trend, more balanced rental growth, and a stabilization of overall cap rates. During recovery, most market participants perceive historical sales as lower and adjust upward for market conditions. Buyer-underwriting is often a little more aggressive so that favorable adjustments are slightly stronger while negative adjustments are weaker.

Although indiscernable to most market participants under current market conditions, by 2018 PwC forecasts a brief down-cycle (“recession”), characterized by sluggish demand and an observable increase in supply that began during previous expansion and contraction phases, before a more prolonged expansion, characterized by good demand and tightening market conditions pressuring vacancy rates, rental growth, and overall cap rates.

This is generally regarded as a favorable market forecast, and the Downtown redevelopment districts should see even greater progress with the lease-up and stabilization of Flagler Village District luxury residential.

The relevance of this analysis is to illustrate not only current investor sentiment, but also the perception of prior market participants while analyzing past trends and market data. These observations and assumptions are reflected throughout the valuation section. As a result of these observations:

- Market participants regard (historical) comparable sales pricing levels as low compared to current price levels, warranting a market conditions adjustment depending on the date of sale.
- Market participants are more aggressive in price underwriting today than in the past warranting stronger positive adjustments and weaker negative adjustments since buyers are more motivated.

While not always explicitly reflected in adjustments, the appraiser has considered these factors among a wide array of others in analyzing comparable sales data.

## **Research Parameters**

In appraisal practice the sales comparison approach is regarded as more reliable when comparables are ideal, reflecting highly correlated locational, physical and economic attributes.

The most compelling property attributes are:

- Positive attributes include the property's exposure on a commuter bypass and commercial corridor within the Flagler Village District sphere of influence, with more than 40 high-rise luxury apartment and townhome developments are being built and an avant garde adaptive reuse of older industrial is underway.
- Negative attributes include Progressive Drive's frequent congestion resulting from its commute-hour traffic volume, irregular shape and FECR right of way crossing with daily Amtrak, commuter tail and long cargo trains.

These represent somewhat unique property attributes and as a result comparable sales are less frequent. Ideal sales comparables have not occurred.

The selection of comparables is therefore an attempt to bracket a reasonable value range considering the most likely buyer and each property characteristic – while all cannot be ideal alternatives each comparable has some relationship to the demand profile of the subject property.

## **Inspection and Verification of Comparables**

I inspected all comparables under the parameters of the engagement. Where practical, possible and appropriate for the assignment, comparables were inspected from the street. In each case, principal motivations and conditions of sale were confirmed with parties to the transaction. Sometimes, but rarely, only public record confirmation is available. In these cases the rationale for reliance and the possibility of unusual conditions of sale or other issues affecting the price are considered in the final reconciliation.

## **IMPROVED SALES GRID**

Comparables were selected for their date of sale, location, occupancy profile, buyer motives and physical attributes including design, appeal and utility. A summary table, map, data sheets containing detailed descriptions as well as recent sale and marketing histories for each comparable follow. In the following table comparables marked with a percentage ("%") are given most weight in the final analysis.

On a price per square foot basis, the unadjusted values of the comparable properties range from \$321.76 to \$841.68 with an average of \$619.54 and median of \$613.35 per square foot. The comparable summary grid, bracketing-summary, location map and data-sheets follow.



**Appraisal Report**  
**Progresso Pointe**  
**Sales Comparison Approach**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

**IMPROVED SALES SUMMARY GRID**

No.	Property	Price	Conditions of Sale	Traffic Count	1-Mile Population	Net Site SqFt	Quality	Pkg Ratio /1,000 SF	Land:Bl Ratio	\$/SqFt Land	Building \$/SqFt
Most Weight	Location	Date	Financing	Profile	Med. Income	GLA	Condition	Built	Zoning	Other	Occ%
	SUBJECT: 913 NE 4th Avenue, Fort Lauderdale FL			Elevated	23,600	20,188	Average	2.7	3.3		
				Commuter	\$44,400	6,033	Good	1958	NWRAC-MUe	None	100%
1 40%	Belmar Residential over Retail 3134-3150 NE 9th Street, Fort Lauderdale, FL 33304	\$2,735,000 3/17	None Cash	N/A Avant Garde	7,800 \$73,000	29,055 8,500	Average- Average-	1.6 1959	3.4 S-L-A	\$94.13 None	\$321.76 90%
Somewhat similar avant garde district but on Fort Lauderdale Beach with a major restaurant-bar tenant. Building includes three second-floor apartments.											
2 30%	Federal Highway Strip Center 195 N Federal Hwy, Fort Lauderdale, FL 33301	\$4,750,000 2/17	None Seller	52,500 Retail	23,000 \$66,000	29,054 5,963	Average Average+	4.5 1995	4.9 RAC-CC	\$163.49 None	\$796.58 100%
Closest True-NNN leased multi-tenant retail, just north of Sunrise Boulevard. Mostly local tenants but very well established.											
3 20%	Maguires Hill 16 535 N Andrews Avenue, Fort Lauderdale, FL 33301	\$4,200,000 1/17	None Cash	17,000 Flagler Village	26,000 \$47,500	22,500 4,990	Average Average	5.6 1941	4.5 RAC-UV	\$186.67 None	\$841.68 100%
Very successful Irish Pub just south in Flagler Village on the Andrews corridor. Business was presumably included in a separate allocation.											
4	Downtown Street Retail 512-520 S Andrews Avenue, Fort Lauderdale, FL 33301	\$4,800,000 6/16	1031 Exchange Cash	20,000 Downtown	23,000 \$63,500	26,000 9,155	Average Average	0.4 1959	2.8 RAC-CC	\$184.62 None	\$524.30 100%
Downtown street retail row. Leased below-market terms.											
5 10%	Federal Shoppes 1579-1595 N Federal Hwy, Fort Lauderdale, FL 33304	\$5,200,000 5/16	None Cash	44,000 Retail	15,500 \$65,000	32,079 8,478	Average Good	2.4 1972	3.8 B-1	\$162.10 None	\$613.35 100%
Another True-NNN leased strip center north of Sunrise, including mostly high-profile national tenants. Financials not disclosed.											

**Appraisal Report**  
**Progresso Pointe**  
**Sales Comparison Approach**

Client: Stonegate Bank  
 Client ID: Rechter Holdings - 913 NE 4th Ave FLL

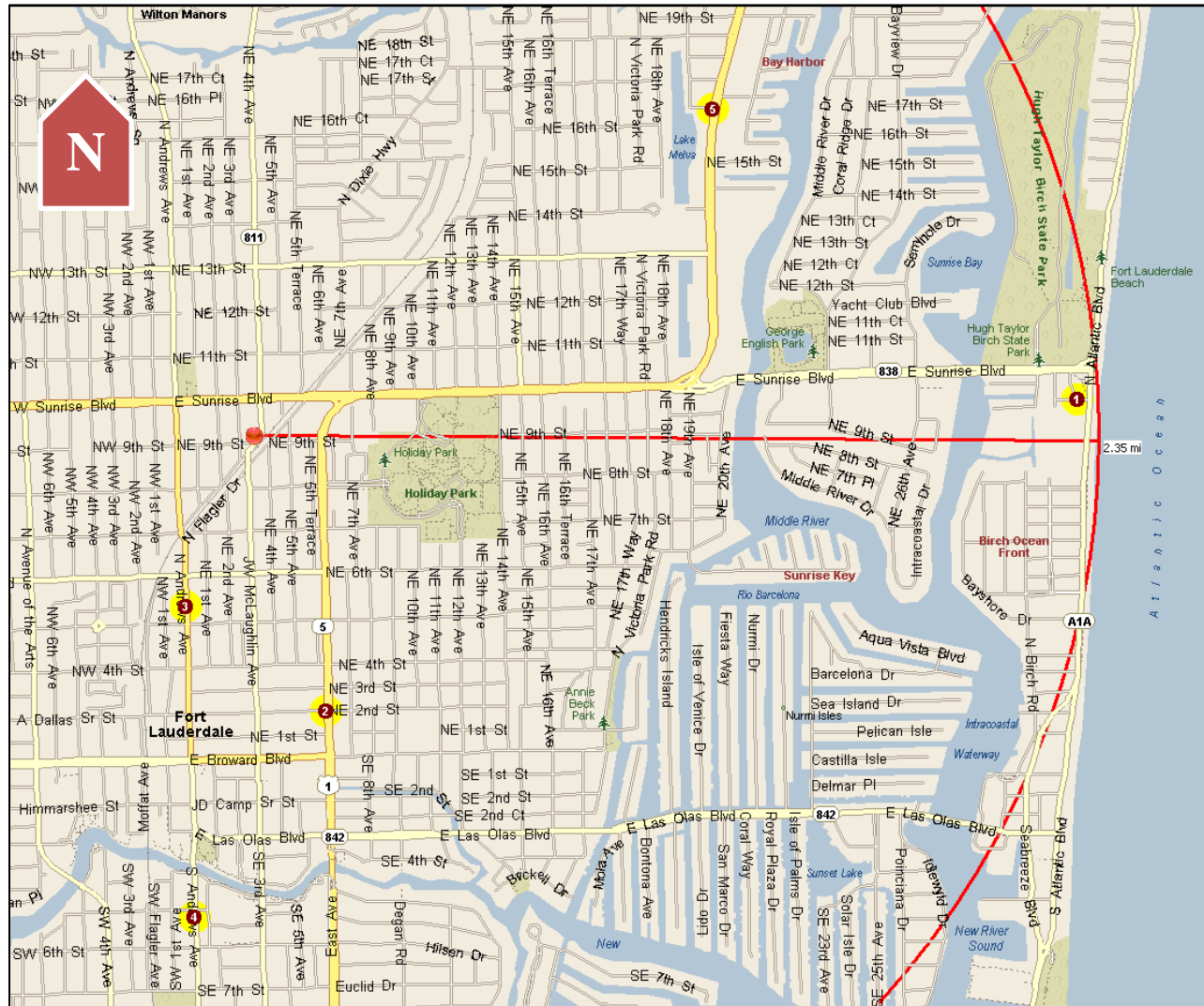
**LAND MARKET DATA BRACKETING STATISTICS**

Subject	Price	Date	\$/SqFt Land	Building \$/SqFt	Listing \$/SqFt	Negotiating Margin	Exposure Time	Traffic Count	1-Mile Population	Median HH Income	Site SqFt	Building SqFt	Land:Bldg Ratio	Built	Pkg Ratio /1,000 SF
					N/A	N/A	N/A	Elevated	23,600	\$44,400	20,188	6,033	3.3	1958	2.7
<i>Reporting</i>	5	5	5	5	2	2	2	4	5	5	5	5	5	5	5
Minimum	\$2,735,000	5/16	\$94.13	\$321.76	\$823.53	-16%	28 Months	17,000	7,800	\$47,500	22,500	4,990	2.8	1941	0.4
Average	\$4,337,000	11/16	\$158.20	\$619.54	\$912.77	-38%	29 Months	33,375	19,060	\$63,000	27,738	7,417	3.9	1965	2.9
Median	\$4,750,000	1/17	\$163.49	\$613.35	\$912.77	-38%	29 Months	32,000	23,000	\$65,000	29,054	8,478	3.8	1959	2.4
Maximum	\$5,200,000	3/17	\$186.67	\$841.68	\$1,002.00	-61%	29 Months	52,500	26,000	\$73,000	32,079	9,155	4.9	1995	5.6

**Appraisal Report  
Progresso Pointe  
Sales Comparison Approach**

Client: Stonegate Bank  
Client ID: Rechte Holdings - 913 NE 4th Ave FLL

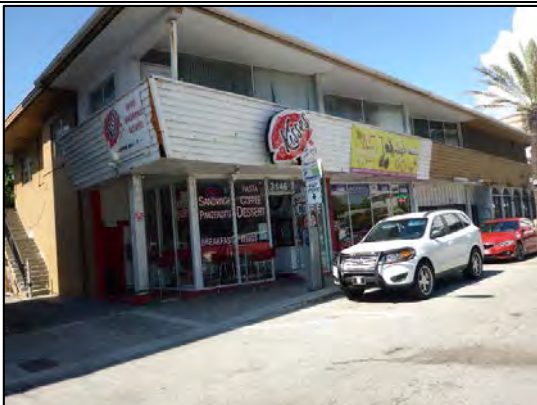
## IMPROVED SALE COMPARABLES MAP



**Appraisal Report  
Progresso Pointe  
Sales Comparison Approach**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

**Improved Sale Comparable 1**



Belmar Residential over Retail  
3134-3150 NE 9th Street, Fort Lauderdale, FL 33304

Grantor CHIEFTAIN HOLDINGS LP  
Grantee 3134 NE 9TH LLC  
Document No. 114285158  
Parcel Number(s) 50-42-01-33-0060  
Verification: Buyer Justin Greenbaum 954-465-7923

<b>Last Market Sale</b>	\$2,900,000	<b>Last Listing</b>	\$7,000,000	NOTE: There has been no market sale activity in the previous five years.
Date	04/07/2010	Date	12/14	
\$/SqFt	\$341.18	\$/SqFt	\$823.53	
Mkt. Conditions	Inferior	Negotiating Margin	-61%	
Cond. of Sale	None Known	Conditions	None Known	
% Change	-6%	On Market	28 Months	

Price	\$2,735,000	Date	3/17	\$/SqFt	\$321.76
Conditions of Sale	None	Financing	Cash	\$/SqFt Land	\$94.13
Property Rights	Leased Fee	Buyer	Investor	Occ%	90%
Expense Ratio	N/A	GIM	N/A	Cap Rate	N/A

**SITE**

Net Land SqFt	29,055	Acres	0.7	Zoning	S-L-A
Traffic Count	N/A	Street Profile	Avant Garde		
1-Mile Population	7,800	Median HH Income	\$73,000		

**IMPROVEMENTS**

Building Size	8,500	Quality	Average-	Built	1959
Land:Bldg	3.42	Condition	Average-	Parking Ratio	1.65

The property consists of a two-story commercial building in an avant garde district in the southwest quadrant of A1A and Sunrise Boulevard, which is across the street from Fort Lauderdale Beach. The well established quadrant is made up of mostly tourism and personal services, but dominated by restaurants, food and nightclubs. The ground floor contains six bays, four leased to the Old Bluefish Cafe Restaurant with two general retail. The second floor contains three apartments. According to brokers the property is not well managed and leases were below-market terms. However, this was an off-market deal and brokers were reportedly not involved. Financials were not revealed, and no unusual conditions of sale were disclosed.

**Appraisal Report**  
**Progresso Pointe**  
**Sales Comparison Approach**

Client: Stonegate Bank  
 Client ID: Rechter Holdings - 913 NE 4th Ave FLL

**Improved Sale Comparable 2**



Federal Highway Strip Center  
 195 N Federal Hwy, Fort Lauderdale, FL 33301

Grantor TWENTY-FIVE OLSON LLC  
 Grantee 195 FEDERAL LLC  
 Document No. 114196689  
 Parcel Number(s) 50-42-10-12-1330  
 Verification: Seller Andrew Martin 954-467-3351

<b>Last Market Sale</b>	N/A	<b>Last Listing</b>	N/A	NOTE: There has been no market sale activity in the previous five years.	
Date	N/A	Date	N/A		
\$/SqFt	N/A	\$/SqFt	N/A		
Mkt. Conditions	N/A	Negotiating Margin	N/A		
Cond. of Sale	N/A	Conditions	N/A		
% Change	N/A	On Market	N/A		
Price	\$4,750,000	Date	2/17	\$/SqFt	\$796.58
Conditions of Sale	None	Financing	Seller	\$/SqFt Land	\$163.49
Property Rights	Leased Fee	Buyer	Investor	Occ%	100%
Expense Ratio	N/A	GIM	N/A	Cap Rate	N/A
<b>SITE</b>					
Net Land SqFt	29,054	Acres	0.7	Zoning	RAC-CC
Traffic Count	52,500	Street Profile	Retail		
1-Mile Population	23,000	Median HH Income	\$66,000		
<b>IMPROVEMENTS</b>					
Building Size	5,963	Quality	Average	Built	1995
Land:Bldg	4.87	Condition	Average+	Parking Ratio	4.53

The property consists of a five-tenant strip retail building in the N Federal Highway/US-1 commercial corridor just north of the Sunrise Boulevard split. The property has direct exposure and good corner access. In-line tenants include ATT, PetNutrition and two locals, reportedly paying in the \$20.00 to \$25.00/SqFt range plus \$12.50/SqFt in NNN. However, financials were not revealed. This was an off-market sale with no brokers evident or LoopNet listings, and financials were not revealed.

**Appraisal Report  
Progresso Pointe  
Sales Comparison Approach**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

**Improved Sale Comparable 3**



Maguires Hill 16  
535 N Andrews Avenue, Fort Lauderdale, FL 33301

Grantor CILLDARA INC  
Grantee FAT VILLAGE PROPERTIES LLC  
Document No. 114144290  
Parcel Number(s) 50-42-03-02-1150, -1160, -1170  
Verification: JLL broker William McGee (954) 760-4848

<b>Last Market Sale</b>	N/A	<b>Last Listing</b>	\$5,000,000	NOTE: There has been no market sale activity in the previous five years.
Date	N/A	Date	9/14	
\$/SqFt	N/A	\$/SqFt	\$1,002.00	
Mkt. Conditions	N/A	Negotiating Margin	-16%	
Cond. of Sale	N/A	Conditions	None Known	
% Change	N/A	On Market	29 Months	

Price	\$4,200,000	Date	1/17	\$/SqFt	\$841.68
Conditions of Sale	None	Financing	Cash	\$/SqFt Land	\$186.67
Property Rights	Leased Fee	Buyer	Investor	Occ%	100%
Expense Ratio	N/A	GIM	N/A	Cap Rate	N/A

**SITE**

Net Land SqFt	22,500	Acres	0.5	Zoning	RAC-UV
Traffic Count	17,000	Street Profile	Flagler Village		
1-Mile Population	26,000	Median HH Income	\$47,500		

**IMPROVEMENTS**

Building Size	4,990	Quality	Average	Built	1941
Land:Bldg	4.51	Condition	Average	Parking Ratio	5.61

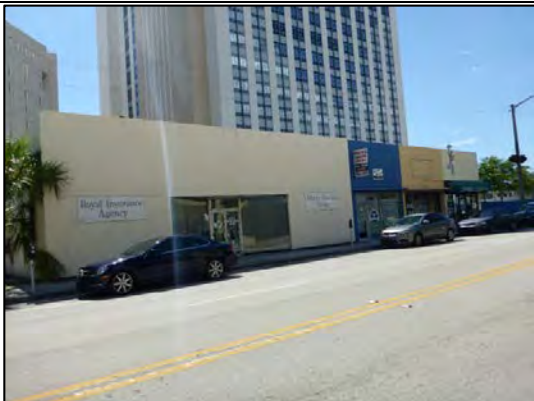
The property consists of a well established Irish Pub in the Downtown Fort Lauderdale sphere of influence in the Andrews Avenue commuter and Downtown commercial corridor. It has good frontage and access on N Andrews just south of NW 6th St/Sistrunk Blvd, which is within the Flagler Village District and closely associated with FAT Village. The sale includes three tax parcels: the building and two open parking lots. The bar was recognized as one of the most successful Irish Pubs in the nation. The buyer is a partner in Restaurant People, which owns YOLO, Tarpon Bend, Sun Surf and Sand and Boatyard restaurants, but plans have not been revealed. The broker revealed no unusual conditions of sale affecting the price.



**Appraisal Report  
Progresso Pointe  
Sales Comparison Approach**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

**Improved Sale Comparable 4**



**Downtown Street Retail**

512-520 S Andrews Avenue, Fort Lauderdale, FL 33301

Grantor NAUGLE JAMES T & CAROL-LISA  
Grantee BLACKHAWK PROPERTIES & INVESTMENTS LLC  
Document No. 113784740  
Parcel Number(s) 50-42-10-01-4380, -4390, -4400 & -4410  
Verification: Jim Naugle & Company broker Jim Naugle (954) 632-3636

<b>Last Market Sale</b>	N/A	<b>Last Listing</b>	N/A	NOTE: There has been no market sale activity in the previous five years.
Date	N/A	Date	N/A	
\$/SqFt	N/A	\$/SqFt	N/A	
Mkt. Conditions	N/A	Negotiating Margin	N/A	
Cond. of Sale	N/A	Conditions	N/A	
% Change	N/A	On Market	N/A	

Price	\$4,800,000	Date	6/16	\$/SqFt	\$524.30
Conditions of Sale	1031 Exchange	Financing	Cash	\$/SqFt Land	\$184.62
Property Rights	Leased Fee	Buyer	Investor	Occ%	100%
Expense Ratio	N/A	GIM	N/A	Cap Rate	N/A

**SITE**

Net Land SqFt	26,000	Acres	0.6	Zoning	RAC-CC
Traffic Count	20,000	Street Profile	Downtown		
1-Mile Population	23,000	Median HH Income	\$63,500		

**IMPROVEMENTS**

Building Size	9,155	Quality	Average	Built	1959
Land:Bldg	2.84	Condition	Average	Parking Ratio	0.44

The property consists of four tax parcels improved with attached storefronts in the Courthouse District of Downtown Fort Lauderdale, south of the CBD and Tarpon River. The property backs to the County jail and is contiguous to the courthouse complex. The corridor is largely parking, office and a new Publix one block south. Bays are occupied by long-term tenants and reportedly were below-market, including an insurance brokerage, pizza and two more recent local tenants. The property was not stabilized and financials were not used to underwrite the sale, but were not provided. This was an all-cash transaction and a 1031 exchange for the sellers. Sellers represented themselves without brokerage, and no unusual conditions of sale were revealed.

**Appraisal Report  
Progresso Pointe  
Sales Comparison Approach**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

**Improved Sale Comparable 5**



**Federal Shoppes**

1579-1595 N Federal Hwy, Fort Lauderdale, FL 33304

Grantor               FRAM FED ELEVEN LLC  
Grantee               CH RETAIL FUND I LAUDERDALE  
Document No.       113727245  
Parcel Number(s)   49-42-36-00-0070  
Verification:       Buyer Ron Mastriana (954) 566-1366

<b>Last Market Sale</b>	N/A	<b>Last Listing</b>	N/A	NOTE: There has been no market sale activity in the previous five years.
Date	N/A	Date	N/A	
\$/SqFt	N/A	\$/SqFt	N/A	
Mkt. Conditions	N/A	Negotiating Margin	N/A	
Cond. of Sale	N/A	Conditions	N/A	
% Change	N/A	On Market	N/A	

Price	\$5,200,000	Date	5/16	\$/SqFt	\$613.35
Conditions of Sale	None	Financing	Cash	\$/SqFt Land	\$162.10
Property Rights	Leased Fee	Buyer	Investor	Occ%	100%
Expense Ratio	N/A	GIM	N/A	Cap Rate	N/A

**SITE**

Net Land SqFt	32,079	Acres	0.7	Zoning	B-1
Traffic Count	44,000	Street Profile	Retail		
1-Mile Population	15,500	Median HH Income	\$65,000		

**IMPROVEMENTS**

Building Size	8,478	Quality	Average	Built	1972
Land:Bldg	3.78	Condition	Good	Parking Ratio	2.36

The property consists of a true-NNN strip center built in 2006 with national companies including Kinkos, Gym Source, Edward Jones, and Space Coast Credit Union. It is located in a dense retail zone north of the Sunrise Boulevard split, across the street from a new Trader Joe's and down the street from Whole Foods. Tenants are reportedly in the \$40.00/SqFt range plus NNN of \$8.50/SqFt. Financials were not disclosed, however, and the principals did not use brokerage representation. No unusual conditions of sale were revealed.

## ADJUSTMENT GRID & ANALYSIS

Characteristics of the sales were compared to the subject and summarized in the following Sales Adjustment Grid. Percentage adjustments were utilized. In the strictest interpretation of appraisal standards this methodology requires an empirical pairing of sales to extract value differences.

However, insufficient data exists to provide pairings for value differences in this case and as a result the use of *qualitative* percentage adjustments is justified (see the end of the Valuation Methodology section for a more thorough discussion).

The following grid contains adjustments based upon the data presented in preceding pages. A positive adjustment indicates the price per square foot of the sale was adjusted upward because the characteristic is inferior to the subject. A negative adjustment indicates the price per square foot of the sale was adjusted downward since the characteristic is superior to the subject.

Percentage adjustments are very subjective without the availability of paired sales. However, market participants recognize that judgment based solely on experience produces reasonable adjustments that, ideally, bracket a value range and produce a credible indication of value.

Complicated calculations may produce slight rounding variance. These do not affect overall observations or conclusions.

In the following table comparables marked with a percentage (“%”) are given most weight in the final analysis.

**Appraisal Report**  
**Progresso Pointe**  
**Sales Comparison Approach**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

**SALES ADJUSTMENT GRID**

Economic Adjustments (Cumulative)					Property Characteristic Adjustments (Additive)							Adj. \$/SqFt Net Adj.	Overall Absolute Gross Adj.	
No. Most Weight	\$/SqFt Date	Property Rights Financing	Conditions of Sale Mkt. Conditions	Subtotal	Median HH Income/ Location	Environment Access & Exposure	Size: Building GLA	Improvement Utility & Quality	Improvement Age & Condition	Land:Bldg, Occupancy & Economics Parking	Tenants, Occupancy & Economics			
SUBJECT PROPERTY					\$44,400/HH	Elevated	6,033	Average	1958/Good	3.3/2.7	Locals			
<u>1</u> 40%	<b>\$321.76</b> 3/17	3134-3150 NE 9th Street, Fort Lauderdale, FL			\$73,000/HH	Average	8,500	Average-	1959/Average-	3.4/1.6	Apartments			
		Leased Fee	None	<b>\$321.76</b> 0.0%	Superior		Larger	Inferior	Inferior			<b>\$370.02</b> 15.0%	Inferior 35.0%	
		Cash	Similar		-10.0%		5.0%	10.0%	10.0%			\$48.26		
					-\$32.18		\$16.09	\$32.18	\$32.18					
<u>2</u> 30%	<b>\$796.58</b> 2/17	195 N Federal Hwy, Fort Lauderdale, FL 33301			\$66,000/HH	52,500 ADT	5,963	Average	1995/Average+	4.9/4.5	Mixed			
		Leased Fee	None	<b>\$796.58</b> 0.0%	Superior	Superior				Superior		<b>\$477.95</b> -40.0%	Superior 40.0%	
		Seller	Similar		-10.0%	-20.0%		-10.0%						
					-\$79.66	-\$159.32				-\$79.66			-\$318.63	
<u>3</u> 20%	<b>\$841.68</b> 1/17	535 N Andrews Avenue, Fort Lauderdale, FL			\$47,500/HH	17,000 ADT	4,990	Average	1941/Average	4.5/5.6	Owner-User			
		Leased Fee	None	-25.0%	<b>\$631.26</b> -25.0%	Superior	Superior	Smaller		Inferior	Superior		<b>\$473.45</b> -25.0%	Superior 45.0%
		Cash	Similar	-10.0%		-10.0%	-5.0%	10.0%	-10.0%					
					-\$63.13	-\$63.13	-\$31.56		\$63.13	-\$63.13			-\$157.82	
<u>4</u>	<b>\$524.30</b> 6/16	512-520 S Andrews Avenue, Fort Lauderdale,			\$63,500/HH	20,000 ADT	9,155	Average	1959/Average	2.8/0.4	Locals			
		Leased Fee	1031 Xch	<b>\$555.76</b> 6.0%	Superior	Superior	Larger		Inferior	Inferior		<b>\$472.40</b> -15.0%	Superior 55.0%	
		Cash	Inferior		6.0%	-25.0%	-10.0%	5.0%	5.0%	10.0%				
					-\$138.94	-\$55.58	\$27.79		\$27.79	\$55.58			-\$83.36	
<u>5</u> 10%	<b>\$613.35</b> 5/16	1579-1595 N Federal Hwy, Fort Lauderdale, FL			\$65,000/HH	44,000 ADT	8,478	Average	1972/Good	3.8/2.4	Credit NNN			
		Leased Fee	None	<b>\$650.15</b> 6.0%	Superior	Superior	Larger				Superior		<b>\$422.60</b> -35.0%	Superior 45.0%
		Cash	Inferior		6.0%	-10.0%	-20.0%	5.0%				-10.0%		
					-\$65.02	-\$130.03	\$32.51				-\$65.02		-\$227.55	

(%) Most Weight is given to these comparables.

## **Comparable Sale Adjustments**

Cumulative adjustments are applied incrementally in a certain order depending on the priority of market and sales conditions. Property characteristics are adjusted in an additive fashion without regard to priority.

## **Cumulative Economic Adjustments**

- Property Rights:** Adjustments are not warranted. The subject property is appraised as a leased fee estate. Sales involved leased fee estates.
- Financing:** Comparable two involved seller financing. Although terms were not revealed, within the current low interest rate environment seller financing is generally regarded as cash equivalent by market participants.
- The financing of the other sales did not indicate any adjustments of their sale prices are warranted for favorable financing. The sales were all financed with loans at or near market rates, or purchased for all cash.
- Conditions of Sale:** All of the sales were arm's length transactions. No evidence was found that would suggest that any of the sales were not a fair sale. An arm's length sale means that the buyer and seller are each acting prudently, knowledgeably, and under no necessity to buy or sell, i.e., a sale that is other than in a forced or liquidation sale. In addition, none of the sales were purchased by adjoining owners, whereby a premium was paid for assemblage. Therefore, no adjustments were made to any of the sales.
- Market Conditions:** This adjustment considers prevailing market conditions on the effective date of value compared to market conditions in place at the time of the comparable sale ("time adjustment"). The market has appreciated throughout the period covered by the comparable sales to the effective date of the appraisal.
- An average annual adjustment of 5.00% was applied to the date of August 10, 2017. It is reasonable to assume that investors are expecting prices to continue to increase at a moderate rate.

## **Additive Property Characteristic Adjustments**

- Median HH Income/ Location:** The subject property is located in an emerging market area. Comparables are superior to the subject and adjusted -10.0%, with comparable four significantly superior for a -25.0% adjustment.
- Environment Access & Exposure:** The subject property has somewhat complicated exposure and access issues compared to other investment retail in the area, with comparables two and five significantly superior (-20.0%) and comparables three and four somewhat superior (-10.0%).

<b>Size: Building GLA:</b>	<p>The subject property GLA for purposes of analysis is 6,033 square feet.</p> <p>The inverse size adjustment is based on the principle of economies of scale whereby larger properties tend to sell for less per square foot. This is due to a number of factors including different property management and maintenance profiles, buyer-capitalization requirements and the number of potential competitors.</p> <p>Comparable one is 8,500 square feet. Compared to the subject most market participants would regard this as significantly larger and it is adjusted 5.0%.</p> <p>Comparable three is 4,990 square feet and it is adjusted -5.0%.</p> <p>Comparable four is 9,155 square feet and it is adjusted 5.0%.</p> <p>Comparable five is 8,478 square feet. Compared to the subject most market participants would regard this as significantly larger and it is adjusted 5.0%.</p>
<b>Improvement Utility &amp; Quality:</b>	<p>The subject property reflects overall average design and quality.</p> <p>Comparable one is of average- construction BUT significantly inferior to the subject warranting an adjustment of 10.0%.</p> <p>Other comparables are compatible with their market profile and not adjusted.</p>
<b>Improvement Age &amp; Condition:</b>	<p>The subject property was built in 1958 with an effective age of 25 years and is in good condition. The adjustment grid assumes the prospective property condition upon completion of improvements.</p> <p>Comparable one was built in 1959 and was in average- condition at the time of sale warranting an adjustment of 10.0%. This equates to a comparative budget of approximately \$273,000 to make the properties more competitive in condition.</p> <p>Comparable three was built in 1941 and was in average condition at the time of sale warranting an adjustment of 10.0%. This equates to a comparative budget of approximately \$315,000 to make the properties more similar in condition.</p> <p>Comparable four was built in 1959 and was in average condition at the time of sale warranting an adjustment of 5.0%. This equates to a comparative budget of approximately \$254,000 to mitigate differences in condition.</p>



**Land:Bldg, Parking:** The subject has a land-to-building ratio of 3.35:1.0 and a parking ratio of 2.65:1,000 SqFt. These factors are correlated. The land-to-building ratio (land size divided by improvement size) indicates the relationship of the land size to the improvement size. The higher this ratio, the more land is available for parking, landscaping and open areas.

Comparable two has a 4.9 land-to-building ratio and a 4.5:1,000 SqFt parking ratio. This is considered significantly superior to the subject and an adjustment of -10.0% is justified.

Comparable three has a 4.5 land-to-building ratio and a 5.6:1,000 SqFt parking ratio. This is considered significantly superior to the subject and an adjustment of -10.0% is justified.

Comparable four has a 2.8 land-to-building ratio and a 0.4:1,000 SqFt parking ratio. This is considered significantly inferior to the subject and an adjustment of 10.0% is justified.

**Tenants, Occupancy & Economics:** The subject property is appraised as though 100% occupied. Tenants are considered “locals” and have no compelling credit advantage.

Comparable one was sold 90% occupied but has apartments on the second floor. No adjustment is warranted.

Comparable five was sold 100% occupied with a stronger rent roll, warranting a -10.0% adjustment for stabilization costs, risk and incentive.

## Adjustment Process

The adjustment process was effective in reducing the indicated range of value from sales data. On a price per square foot basis, the adjusted values of the comparable properties range from \$370.02 to \$477.95 with an average of \$443.28 and median of \$472.40 per square foot. This is in favorable contrast with the wider unadjusted values from \$321.76 to \$841.68 with an average of \$619.54 and median of \$613.35 per square foot of building area.

Although wider than more “commoditized” markets, the adjusted range and magnitude of adjustments are within reasonable parameters considering prevailing market conditions for the subject property profile. While the net adjustments ranged from -40.0% to 15.0% with an average of -20.0% and median of -25.0%, absolute adjustments were from 35.0% to 55.0% with an average of 44.0% and median of 45.0%.

**Appraisal Report  
Progresso Pointe  
Sales Comparison Approach**

Client: Stonegate Bank  
Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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Most market participants would consider the following most reliable.

Weight	No.	Remarks
40%	1	Somewhat similar avant garde district but on Fort Lauderdale Beach with a major restaurant-bar tenant. Building includes three second-floor apartments. Sold for \$321.76 per square foot or \$321.76 per square foot after considering economic adjustments, and after a net adjustment of 15.0% (absolute adjustment of 35.0%), indicates a value of \$370.02 per square foot.
30%	2	Closest True-NNN leased multi-tenant retail, just north of Sunrise Boulevard. Mostly local tenants but very well established. Sold for \$796.58 per square foot or \$796.58 per square foot after considering economic adjustments, and after a net adjustment of -40.0% (absolute adjustment of 40.0%), indicates a value of \$477.95 per square foot.
20%	3	Very successful Irish Pub just south in Flagler Village on the Andrews corridor. Business was presumably included in a separate allocation. Sold for \$841.68 per square foot or \$631.26 per square foot after considering economic adjustments, and after a net adjustment of -25.0% (absolute adjustment of 45.0%), indicates a value of \$473.45 per square foot.
--	4	Downtown street retail row. Leased below-market terms. Sold for \$524.30 per square foot or \$555.76 per square foot after considering economic adjustments, and after a net adjustment of -15.0% (absolute adjustment of 55.0%), indicates a value of \$472.40 per square foot.
10%	5	Another True-NNN leased strip center north of Sunrise, including mostly high-profile national tenants. Financials not disclosed. Sold for \$613.35 per square foot or \$650.15 per square foot after considering economic adjustments, and after a net adjustment of -35.0% (absolute adjustment of 45.0%), indicates a value of \$422.60 per square foot.

## LISTINGS

Listings typically bracket the absolute upper limits of value since market participants frequently build negotiating margins into asking prices, expecting buyers to offer something less. Negotiating margins of the sales recited above are as follows. These illustrate typical “discounts” from asking prices, as well as the number of months required to sell. Often, although not always, steep negotiating margins correlate with longer exposure periods.

### NEGOTIATING MARGIN & EXPOSURE TIME STATISTICS FROM MOST COMPARABLE SALES

	Price	Date	\$/SqFt Land	Building \$/SqFt	Listing \$/SqFt	Negotiating Margin	Exposure Time
Subject					N/A	N/A	N/A
Reporting	5	5	5	5	2	2	2
Minimum	\$2,735,000	5/16	\$94.13	\$321.76	\$823.53	-16%	28 Months
Average	\$4,337,000	11/16	\$158.20	\$619.54	\$912.77	-38%	29 Months
Median	\$4,750,000	1/17	\$163.49	\$613.35	\$912.77	-38%	29 Months
Maximum	\$5,200,000	3/17	\$186.67	\$841.68	\$1,002.00	-61%	29 Months

A negotiating margin may be nominal or even negative under conditions of severe seller-distress or strong motivation, however. These low prices usually produce rapid sales, and overall price-stability for the remaining inventory is unaffected. Therefore, the presence of a few distress sales below the indicated value range of the subject property is not a cause for concern.

Furthermore, negotiating margins are typically greater for nonconforming real estate since market participants typically ask the most they can, and value parameters for nonconforming properties or property attributes are by definition poorly defined.

There are no meaningful competitors and listing data is insufficient to define the subject property's value range.

## CONCLUSION OF VALUE BY THE SALES COMPARISON APPROACH

All comparables have been given consideration as all are located in the same general market area and share similar economic amenities with the subject property.

However, while the sample size in commercial real estate analysis is too small to make statistical analysis reliable, statistics can provide some valuable insights to the level of variance between the most relevant comparables and their reliability.

Considering the objectives of the most likely buyer-profile, most weight is given to comparables one, two, three, and five (marked with “%” in the grids). The overall standard deviation of indicated values before adjustment is \$211.23, while the adjusted overall standard deviation is \$46.78. The comparables given most weight reflect a standard deviation of \$50.64, which suggests essentially the same reliability.

The Coefficient of Variation, which helps to put the standard deviation in context, is 34% before adjustment and 10.6% after adjustments. Since most weight is given to comparables one, two, three, and five, the CofV is increased to 10.7% which suggests no better level of reliability.

The summary of observations and conclusion by the sales comparison approach are as follows.

**Appraisal Report**  
**Progresso Pointe**  
**Sales Comparison Approach**

Client: Stonegate Bank  
 Client ID: Rechter Holdings - 913 NE 4th Ave FLL

**SUMMARY OF OBSERVATIONS AND CONCLUSION OF VALUE**

5 sales were used	Unadjusted		Net	Absolute	Adjusted
Price Range	\$/SqFt	\$/SF Land	Adj.	Adj.	\$/SqFt Bldg
Low	\$321.76	\$94.13	-40.0%	35.0%	\$370.02
Average	\$619.54	\$158.20	-20.0%	44.0%	\$443.28
Median	\$613.35	\$163.49	-25.0%	45.0%	\$472.40
High	\$841.68	\$186.67	15.0%	55.0%	\$477.95
Standard Deviation	\$211.23	\$37.60			\$46.78
Coefficient of Variation	34%	24%			10.6%
Most Weight <sup>(*)</sup>					
Weighted Average					\$428.34
Standard Deviation					\$50.64
Low	\$321.76				\$370.02
Average	\$643.34				\$436.00
Median	\$704.97				\$448.02
High	\$841.68				\$477.95
Standard Deviation	\$236.03				\$46.78
Coefficient of Variation	37%				10.7%
VALUE CONCLUSION					\$/SqFt Bldg
Indicated Value					\$430.00
Square Feet					x 6,033
Indicated Prospective Market Value Upon Stabilized Occupancy					\$2,594,190
Rounded to nearest \$10,000 as of October 1, 2017					<b>\$2,590,000</b>
Price Per Square Foot					<b>\$429.31</b>
Renovation Budget					(135,000)
Indicated Market Value As Is					\$2,459,190
Rounded to nearest \$10,000 as of August 10, 2017					<b>\$2,460,000</b>
Price Per Square Foot					<b>\$407.76</b>
Per Square Foot of Land Area					\$121.85
Gross Income Multiplier					9.12

## REVIEW AND RECONCILIATION OF VALUE

### EXTRAORDINARY ASSUMPTIONS & HYPOTHETICAL CONDITIONS

Extraordinary assumptions may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, the right to modify the observations and conclusions is reserved.

- This appraisal contains no extraordinary assumptions.

Hypothetical conditions may also affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

- This appraisal is not based on any hypothetical conditions.

### RECONCILIATION

The reconciliation process considers the approaches which were utilized in this report. Each approach to value is analyzed as to its reliability and applicability.

#### Cost Approach

The cost approach estimates the land value and adds the depreciated value of the improvements. An estimate of entrepreneurial incentive is typically added to this amount. The cost approach is normally considered most reliable for newer construction where depreciation is not a significant issue, and for unique special-use properties that are often valued by potential users on a replacement cost basis.

- The cost approach is not relevant to this appraisal assignment because the property improvements are older with extraordinary depreciation that cannot be estimated with sufficient credibility. Market participants recognize this limitation and do not rely on the cost approach as a meaningful estimator of value.

#### Income Capitalization Approach

The income capitalization approach analyzes the actual and projected income and expenses of a property and capitalizes the net income into a value estimate. Two methods are considered, direct capitalization and discounted cash flow analysis. Direct capitalization assumes stabilized net operating income into perpetuity. It is the process of dividing the overall capitalization rate into the net operating income to indicate value. A discounted cash flow analysis projects increases and decreases in income over a holding period. Assumptions for these projections are based on those of typical investors. When appropriate, costs to reach economic stabilization are deducted from the stabilized value estimate to yield an as-is value estimate. Income-producing properties are purchased based on their projected future income.

- Market participants recognize that the dominant buyer-profile for the subject property is a leased-asset investor, and therefore the income capitalization approach is considered highly reliable.



## Sales Comparison Approach

The sales comparison approach compares sales of similar properties to the subject property. Sales are analyzed for differences such as conditions of sale, market conditions, location, design, size, age and condition, and land-to-building ratio/parking. Based on these comparisons, a value is then estimated for the subject property. The strength of this approach relies on the quality of the comparable sales. Sales which closely resemble and can be compared easily with the subject are most desirable. The more comparable the sales, the more reliable the sales comparison approach.

- Market participants consider sales comparison a primary approach for the subject property profile.

## DISCOUNTS AND ADJUSTMENTS

Discounts and/or adjustments for proposed construction, completed partially leased projects, projects at other than market rents or tract developments with unsold units were necessary within the scope of this appraisal report.

The property requires \$135,000 to finish, according to the borrower. This is a nominal amount of work and is not further adjusted for profit.

## ASSESSMENT OF OVERALL DATA QUALITY

When using more than one approach, the quality of the information available to market participants could have profound influence on which they consider most reliable. The subject property is very unique and therefore the sales comparison would be regarded as very weak compared to the income capitalization approach.

## CONCLUSION OF VALUE

The most likely buyer is a leased asset investor. The property is 100% tenant-occupied. Market participants would consider the property to be at economic stabilization. A significant leasehold estate term exists and therefore market participants would base market value on the leased fee estate. The value of the fee simple estate is not relevant as of the effective date of appraisal.

The following conclusions are based on the market-standard methodology for the subject property, weighted appropriately based on relevance and the quality of market data available and used within each approach.

**Appraisal Report**  
**Progresso Pointe**  
**Review and Reconciliation of Value**

Client: Stonegate Bank  
 Client ID: Rechter Holdings - 913 NE 4th Ave FLL

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**SUMMARY OF OBSERVATIONS AND RECONCILIATION OF VALUE**

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		As-Is Market Value of the Leased Fee Interest	Prospective Value of the Leased Fee Interest Upon Stabilized Occupancy
Interest Appraised:			
Improved Square Feet:		6,033 SqFt	6,033 SqFt
Usable Land Area Square Footage:		20,188 SqFt	20,188 SqFt
Effective Date:	<u>Weight</u>	August 10, 2017	October 1, 2017
Cost Approach	0%	N/A	Not Applicable
Income Capitalization Approach	100%	\$2,500,000	\$2,640,000
<i>Improved Price per Square Foot</i>		\$414.39	\$437.59
<i>Land Area Price per Square Foot</i>		\$123.84	\$130.77
Sales Comparison Approach	0%	\$2,460,000	\$2,590,000
<i>Improved Price per Square Foot</i>		\$407.76	\$429.31
<i>Land Area Price per Square Foot</i>		\$121.85	\$128.29
<b>Final Value Estimate</b>		<b>\$2,500,000</b>	<b>\$2,640,000</b>
<i>Improved Price per Square Foot</i>		<b>\$414.39</b>	<b>\$437.59</b>
<i>Land Area Price per Square Foot</i>		<b>\$123.84</b>	<b>\$130.77</b>
<i>Personal property, fixtures &amp; intangibles:</i>		None	
Date of the report		August 16, 2017	
Market Exposure Time		6 months	
<i>From Improved Sales (2 Reported)</i>		<i>29 months</i>	
Marketing Period		6 months	

# ADDENDA

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- A Qualifications & License
- B Broward County Regional Analysis
- C Non-Binding Insurable Value Analysis
- D RealQuest Flood Map, Situs Report
- E Broward County Assessor
- F Engagement Letter

## **ADDENDUM A**

### **QUALIFICATIONS & LICENSE**

www.SFREAppraisal.com



## Qualifications of the Appraiser

### Michael P. Jacobs, MA, MAI, SRA

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Weston Park of Commerce  
2800 Glades Circle, Suite 154  
Weston, FL 33327

**Education:** Appraisal Institute Accredited Master of Arts (MA) in Real Estate and Urban Land Analysis at The University of Florida, Gainesville, Florida (1994).

Bachelor of Science in Business Administration, California State University at Long Beach.

Continuing education for Florida State Certification and Appraisal Institute Designation including ongoing law, principles and practices, financial analysis, and specializations including litigation support and mediation, environmental, appraisal of individual property types, and others.

**Experience:** More than 35 years in local appraisal, nationwide appraisal & management, and high-profile valuation and commercial real estate technology development throughout the United States.

Present: Principal, South Florida Real Estate Appraisal, LLC

2009-2011: Senior Commercial Appraiser, Integra Realty Resources (Miami, FL)

2004-2009: Senior Commercial Appraiser, Roe Minor Realty Consultants (Fort Lauderdale, FL)

1998-2004: Director of Valuation Technology, Cushman & Wakefield Valuation Advisory (NYC)

1997-1998: Consultant, Commercial Real Estate Mortgage REIT pipeline database

1996-1997: Dow Jones/Aegon Teleres Commercial Real Estate Product Developer

1994-1996: Commercial Real Estate Appraiser, CB Richard Ellis/CBRE (Atlanta, GA)

1993-1994: Arthur Andersen & Co. (MAI program internship, Atlanta, GA)

1982-1992: Principal, Appraisal & Research Services (Southern California)

Recent Assignments Completed: 2016 - 102      2015 - 88      2014 - 80  
2013 - 128      2012 - 131

Older - typically 75 to 110 assignments annually.

**Services:** Certified Appraisals of all property types (except single-unit residential):

Commercial Office/Retail	Hospitality	Automotive - Sales & Service
Industrial	Charter Schools	Aviation & Airport Related
Apartments	Daycare/Preschool	Service Stations
Subdivision Analysis	Special Use (unique)	All Proposed Construction

Feasibility Analysis and Market Studies for development and all levels of government.

**Affiliations:** Designated Member of the Appraisal Institute (MAI and SRA).

Urban Land Institute (ULI) - Technical Advisory Panel Volunteer for better urban planning.

Florida State-certified general real estate appraiser RZ#2621.

**Resources:** CoStar (full system including Tenant), LoopNet (Premium), Reis Reports, MLS, PwC/Korpacz, Marshall & Swift, RealQuest CoreLogic, RealtyRates, Narrative1, Argus Financial Software, Moody's Précis Metro, MapWise & the South Florida Business Journal.

**Other:** United States Marine Corps (Reserve) Honorable Discharge, Sergeant of Marines, 1976-1984.  
Boy Scouts of America - Scout dad.



STATE OF FLORIDA  
DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION

FLORIDA REAL ESTATE APPRAISAL BD  
2601 BLAIR STONE ROAD  
TALLAHASSEE FL 32399-0783

850-487-1395

JACOBS, MICHAEL PATRICK  
1500 WESTON ROAD  
SOUTH FLORIDA REAL ESTATE APPRAISAL, LLC  
WESTON FL 33326

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Every day we work to improve the way we do business in order to serve you better. For information about our services, please log onto [www.myfloridalicense.com](http://www.myfloridalicense.com). There you can find more information about our divisions and the regulations that impact you, subscribe to department newsletters and learn more about the Department's initiatives.

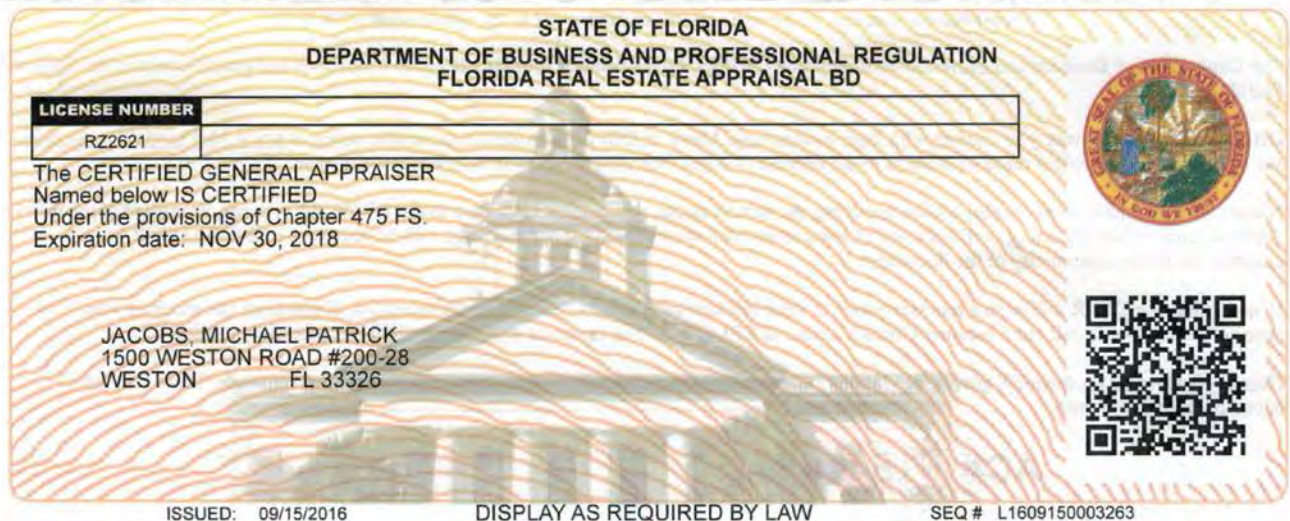
Our mission at the Department is: License Efficiently, Regulate Fairly. We constantly strive to serve you better so that you can serve your customers. Thank you for doing business in Florida, and congratulations on your new license!



DETACH HERE

RICK SCOTT, GOVERNOR

KEN LAWSON, SECRETARY



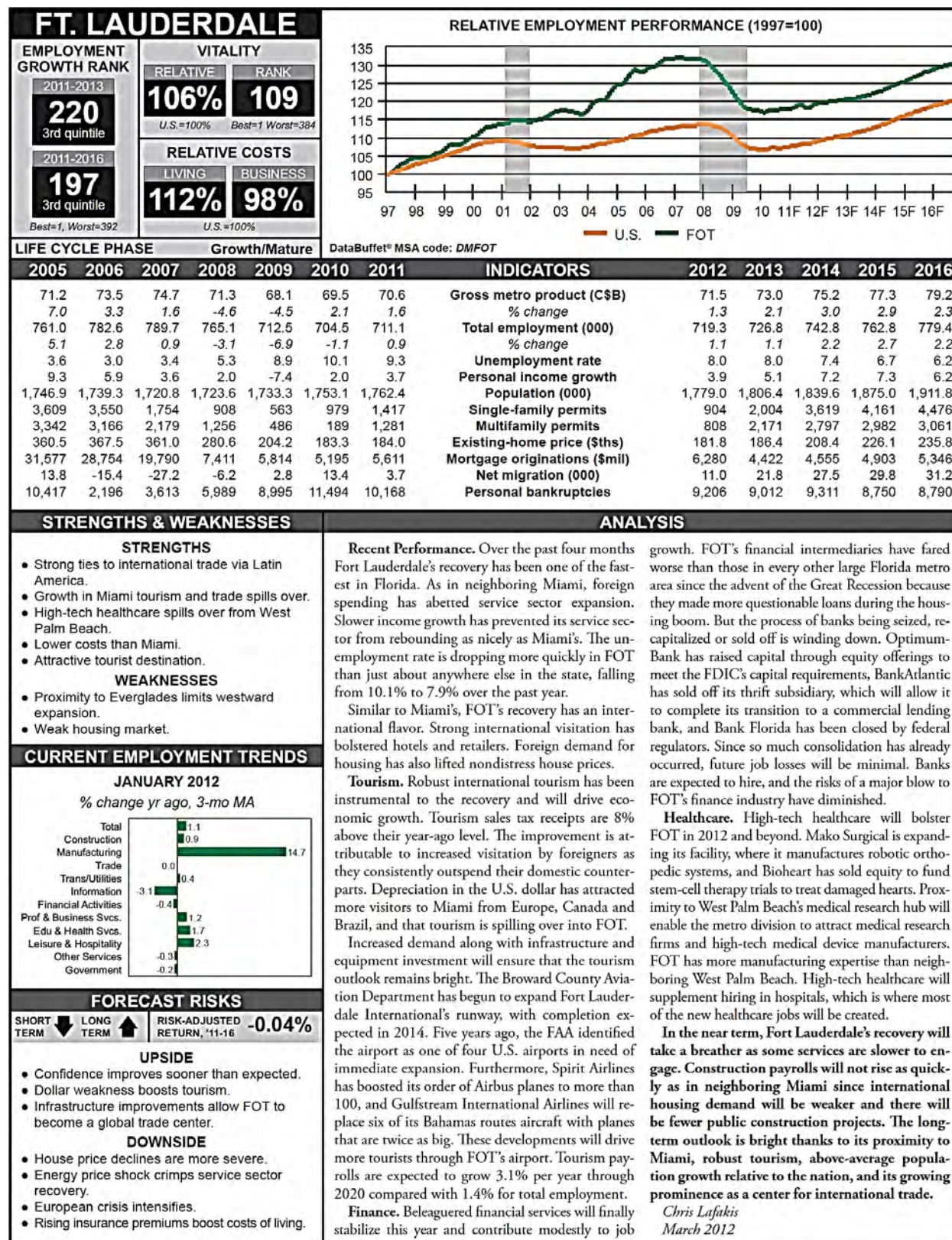


## **ADDENDUM B**

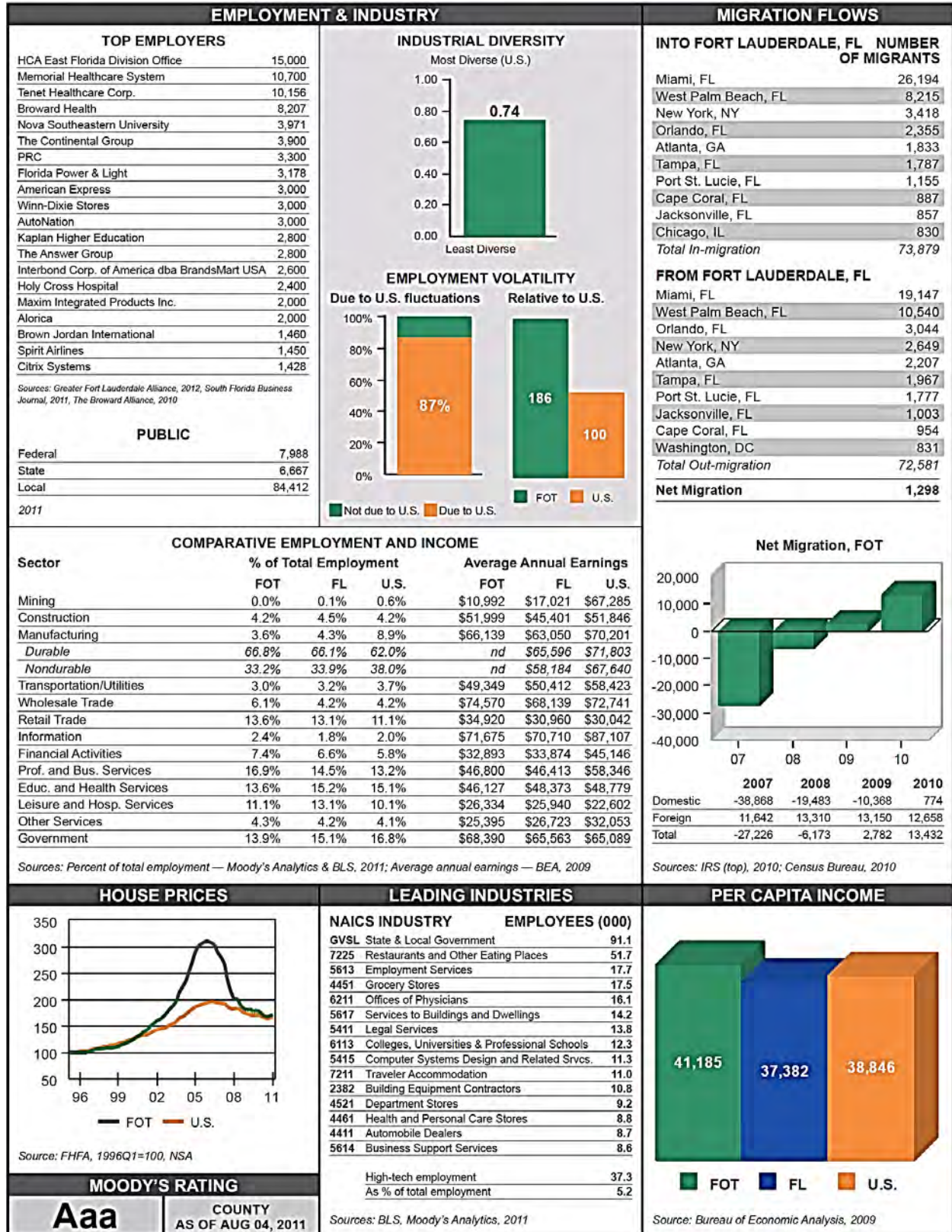
# **BROWARD COUNTY REGIONAL ANALYSIS**

Additional Broward County Regional Information:

<http://www.broward.org/PlanningAndRedevelopment/Pages/Default.aspx>



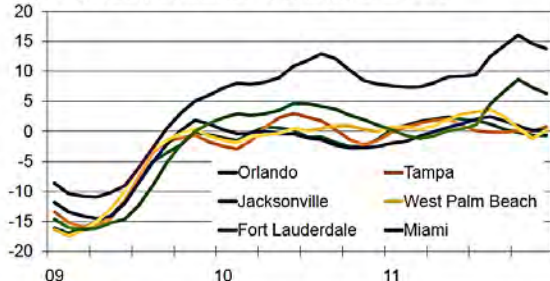




## FT. LAUDERDALE

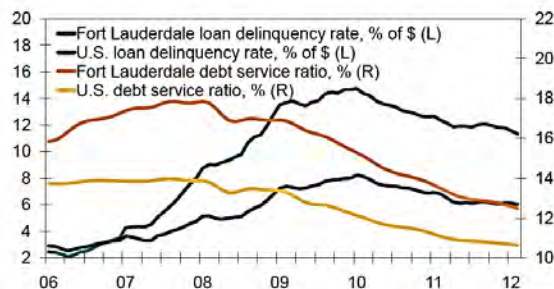
### Fort Lauderdale Becomes a Top Performer

Adversity index, annualized % change, over 6 mo



Source: Moody's Analytics

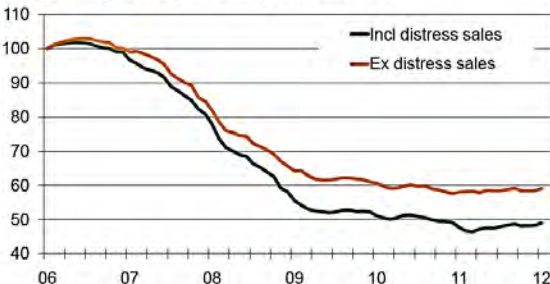
### Household Balance Sheets Recover Faster



Sources: Equifax, Moody's Analytics

### Long Foreclosure Process Delays Price Decline

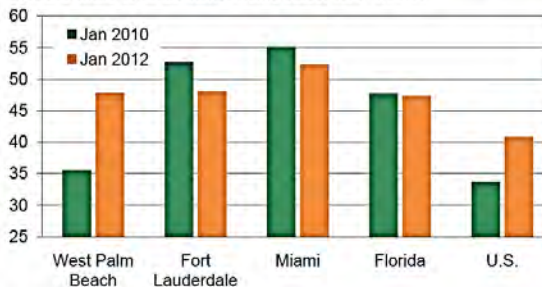
Single-family house price index, Jan 2006=100



Sources: CoreLogic, Moody's Analytics

### Distress Sales Remain a Large Part of the Market

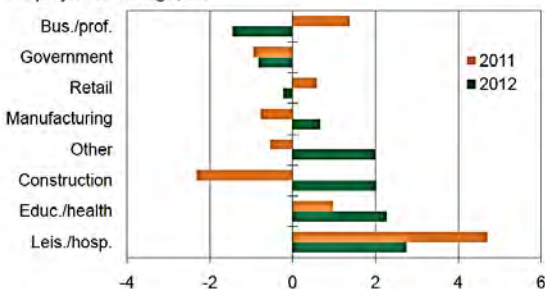
Distress share of single-family home sales, %, 3-mo MA



Sources: CoreLogic, Moody's Analytics

### Job Growth Will Broaden

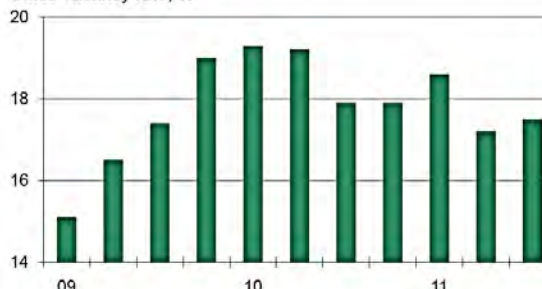
Employment change, ths



Sources: BLS, Moody's Analytics

### Stronger Job Growth Needed to Absorb Space

Office vacancy rate, %



Sources: South Florida Business Journal, Moody's Analytics

Job growth will be about twice as fast in 2012 than in 2011. The improvement in hiring will also broaden and the quality of the jobs being created will improve. In 2011, two out of every three jobs created were in the low-paying leisure/hospitality industry. While the industry will still create more jobs than any other in 2012, employment gains will be almost matched by healthcare and construction, where industry wages are higher. Manufacturing payrolls are also expected to expand, helped in part by growth in medical device manufacturing.

FOT's office vacancy rate will slowly decline because of the metro division's comparatively weak hiring in office-using industries. Professional and business services payrolls are expected to shrink this year, bucking that seen in Florida and nationally. Call center operators are the only employers who could soak up excess office space in FOT in a short period of time. Risks are weighted to the upside. Comcast recently opened a Spanish language call center that employs nearly 300 workers.



## About Moody's Analytics Economic & Consumer Credit Analytics

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Moody's Analytics tracks and analyzes trends in consumer credit and spending, output and income, mortgage activity, population, central bank behavior, and prices. Our customized models, concise and timely reports, and one of the largest assembled financial, economic and demographic databases support firms and policymakers in strategic planning, product and sales forecasting, credit risk and sensitivity management, and investment research. Our customers include multinational corporations, governments at all levels, central banks and financial regulators, retailers, mutual funds, financial institutions, utilities, residential and commercial real estate firms, insurance companies, and professional investors.

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Moody's Analytics added Economy.com to its portfolio in 2005. Its economics and consumer credit analytics arm is based in West Chester PA, a suburb of Philadelphia, with offices in London and Sydney. More information is available at [www.economy.com](http://www.economy.com).

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## **ADDENDUM C**

# **NON-BINDING INSURABLE VALUE ANALYSIS**



## NON-BINDING INSURABLE REPLACEMENT COST ANALYSIS

### Purpose and Authorized Use

My client has requested an analysis of Insurable Value.

This non-binding analysis is provided to the authorized users of this report only, listed in the engagement letter. If you (the reader) do not have the engagement letter and introductory section of this report containing the limiting conditions of my service, you are probably not an authorized user and must not rely on this appraisal and insurable value analysis in any way.

I am not a licensed general contractor or specifically-trained insurable value agent, and the purpose of the following analysis is only to provide the authorized users of this appraisal with guidance to assess the general non-specific adequacy of existing insurance within a reasonably wide margin of error. It is inconclusive.

Only a licensed general contractor or specifically-trained insurable value agent, analyst or risk-management underwriter engaged by a specific insurer may provide a credible insurable value, insurable replacement cost or actual cash value estimate for insurance purposes.

The appraiser assumes no liability for the following estimate provided and does not guarantee that any estimate or opinion will result in the subject property being fully insured for any possible loss that may be sustained for any reason. The estimate may not be a reliable indication of replacement or reproduction cost for any date other than the effective date of this appraisal due to changing costs of labor and materials and due to changing building codes and governmental regulations and requirements.

Any use (purported, attempted, actual or otherwise) of the estimate in this appraisal by the client, property owner, their designees, assignees or agents for purposes of binding or obtaining insurance for the appraised property is strictly prohibited.

The following analysis is only to be used as a guideline to assess whether the insured coverage on the subject property is generally sufficient for loan security. Typically, the variance of the following estimate can be 10% to 20% within the “true” insurable value, but to be credible must be estimated by a fully accredited and qualified professional cost estimator with very specific training for the guidelines of the specific insurance company underwriting insurance for the property. Virtually all insurance companies have unique underwriting policy, and the following general analysis is not specific enough to qualify for any of them.

I do not endorse or recommend any of the following Southeast Florida insurable value estimators but understand that some insurance companies rely on them. Engage at your own risk.

William Jaeger	305-793-8209
Monica Alvarez	786-991-8888
GAB Robbins	800-248-3376
Allied Appraisal	800-273-4623
JR Frazier Reserves	800-298-0683

## Non-Binding Insurable Value or Insurable Replacement Cost Definitions

Insurable value is defined as:

*Insurable Value* is the value of an asset or asset group that is covered by an insurance policy. Insurable value may be based on the replacement or reproduction costs of physical items that are subject to loss from hazards. This value is often controlled by state law and varies from state to state.<sup>3</sup>

Similarly, the general term “Insurable Replacement Value” or “Insurable Replacement Cost Estimate” represents the replacement or reproduction cost of insurable improvements. It is not a “Value”, but rather a Cost Estimate without allowance for land value, depreciation, indirect costs, or developer’s profit. As a result, it is unrelated to Cash Value or Market Value. It is normally defined as follows:

- 1) The value of the property that is recognized as insured under the provisions of the applicable insurance policy.
- 2) The value used by insurance companies as the basis for insurance. The replacement or reproduction cost of the property with materials of like kind and quality intended for the same use less deterioration and non-insurable items. This Value is not market or cash value but rather it is entirely a cost concept.
- 3) In this appraisal report it is calculated by the replacement cost new (GBA x base cost x multipliers) of the primary improvements (vertical construction including parking structures) exclusive of site improvements, landscaping, indirect costs, entrepreneurial profit, less exclusions (i.e., foundations, piping below grade, architect's fees) without consideration of debris removal.

## Replacement Cost New Estimate

The first step in the cost approach is to estimate the replacement cost of the buildings and site improvements. The replacement cost of the subject site and building improvements are based on Marshall Valuation Service (“MVS”), a nationally recognized cost service. Note that the MVS property type, quality and class are unrelated to the *market* equivalents (i.e., the MVS construction class refers to the property construction type, not the property’s marketability class).

The cost estimated from Marshall Valuation Service includes the cost of labor, materials, supervision, contractor's profit and overhead, architect's plans and specifications, sales taxes and insurance. Not included are escrow fees, legal fees, property taxes, demolition, storm drains, or rough grading. The replacement cost does not include any highly specialized removable items such as any customized furnishings, small appliances and other similar items.

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<sup>3</sup> *The Appraisal of Real Estate*, 13th Edition, 2008, Page 32

## MVS BASE COST ANALYSIS

MVS

Line #

Date of the Appraisal Report: August, 2017

1	MVS Publication Date	August, 2017
2	Building	1
3	Property	Progresso Pointe
4	Occupancy type (Section 13)	Retail Stores 353
5	Building quality & class	Average/C Section 13
6	Exterior wall	CMU
7	Stories & height per story	1/11' Est.
8	Average floor area (GBA)	6,033
9	Average perimeter	376 Est.
10	Age & condition	25/Good
11	Region	Eastern
12	Climate	Mild
13	Base MVS Building Cost \$/SqFt	\$80.34
14	Moderate to Mild HVAC	2.84 100%
15	\$0 elevator adjustment	0.00
16	Miscellaneous	
	Sprinklers	3.00
	Dock height floors (s14-p27)	0.00
	0% LEED certification premium	0.00
17	Subtotal	\$86.18

### Multipliers

18	Number of stories	1.00
19	Height per story (7)	1.00
20	Floor area/perimeter (8 & 9)	1.00
21	Product of multipliers	1.00

### Final Calculations

22	Refined square foot cost (17 x 21)	\$86.18
23	Current cost multiplier (Sect 99, p 3)	1.06 Section 13
24	Local multiplier (Sect 99, Broward)	0.97 Broward
25	Final cost per SqFt GBA (22 x 23 x 24)	\$88.61

MVS format Section 10, page 3  
 MVS format dated 12/2016

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## INSURABLE VALUE ANALYSIS

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### MVS BASE COST ESTIMATE

Progresso Pointe Base Cost per Square Foot	6,033	x	\$88.61	=	\$534,586
Plus soft costs not included in MVS (estimated at 15%)					<u>80,188</u>
Subtotal MVS Base Cost Estimate			\$101.90		\$614,774
<i>Rounded</i>			\$101.94		\$615,000

## Common Insurable Value Exclusions

The following calculations are used to determine the insurable value from the previous replacement cost new estimate. This estimate is intended to be a general guide, and I would expect it to be accurate to within 20% of a more precise estimate which would be provided by a general contractor under specific insurance company underwriting criteria which may decrease the level of confidence depending on their guidelines.

## NON-BINDING INSURABLE VALUE OR INSURABLE REPLACEMENT COST BASIS & CONCLUSIONS

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		<u>Total</u>
Replacement Cost New		\$615,000
Less: Insurance Exclusions		
Architect's Fees	3.50%	\$21,525
Basement Excavation	0.00%	0
Foundation Below Ground	1.00%	6,150
Piping Below Ground	0.50%	3,075
Other	0.00%	0
Total Exclusions	5.00%	(\$30,750)
Insurable Value to within 20% considering insurance company underwriting criteria and guidelines:		<u>\$584,250</u>
Rounded		\$584,000
Value per Square Foot		\$96.80

**Special Note:** Insurance exclusions were considered for the foundation, underground utilities and some architectural fees. Insurance exclusions or additions are typically a matter of underwriting and not a matter of valuation. Therefore, the type of coverage should be known to accurately determine this value. Added to the cost would be cost of demolition of items not able to be used in the new construction with deductions as noted for items such as foundations below ground, some architectural fees, piping and utilities below ground. The total net deduction estimate for these items is 5.00%. The cost estimate does not include entrepreneurial incentive.

## **ADDENDUM D**

# **REALQUEST FLOOD MAP, SITUS REPORT**



# Flood Map Report

For Property Located At



CoreLogic  
 RealQuest Professional

913 NE 4TH AVE, FORT LAUDERDALE, FL 33304-1941

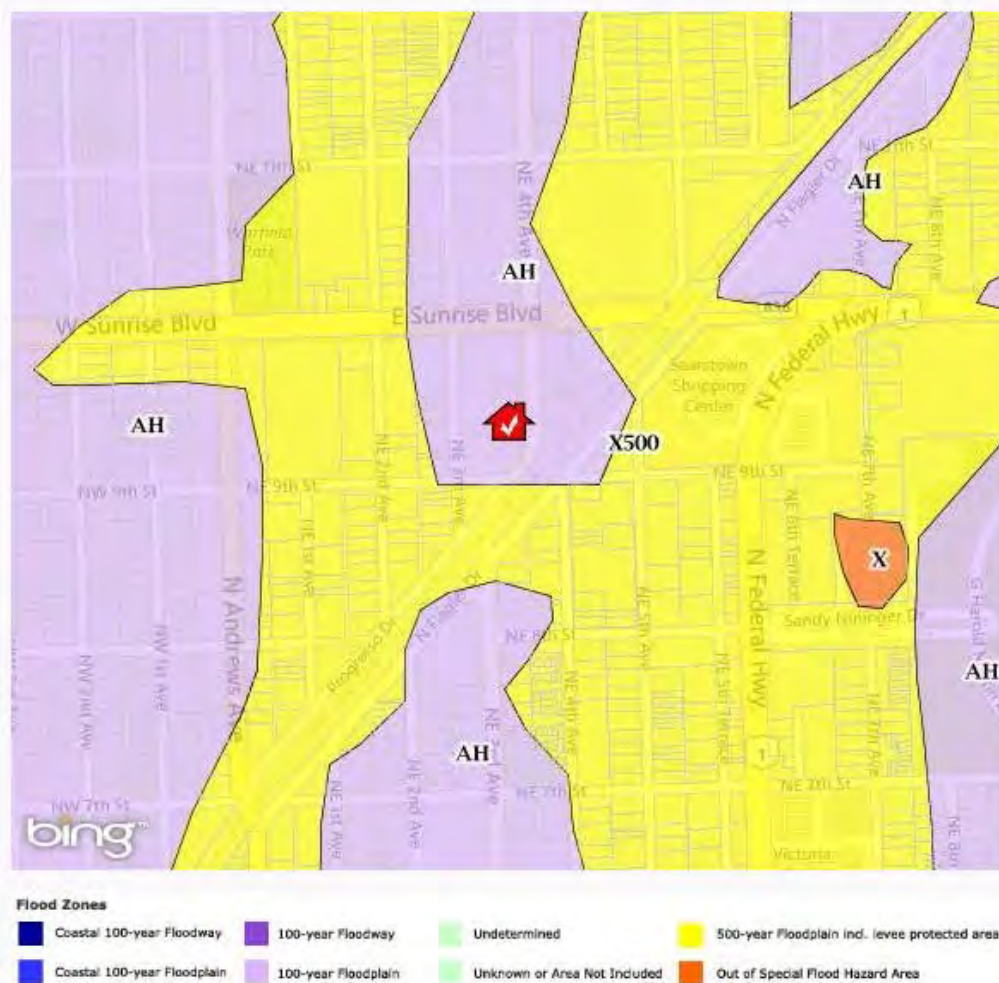
Report Date: 08/10/2017

County: BROWARD, FL

Flood Zone Code	Flood Zone Panel	Panel Date
AH	125105 - 12011C0369H	08/18/2014
Special Flood Hazard Area (SFHA)	Within 250 ft. of multiple flood zones?	Community Name
In	Yes (AH,X500)	FORT LAUDERDALE

## Flood Zone Description:

Zone AH-An area inundated by 100-year flooding (usually an area of ponding), for which BFEs have been determined; flood depths range from 1 to 3 feet.



## Property Detail Report

For Property Located At :

913 NE 4TH AVE, FORT LAUDERDALE, FL 33304-1941



## Owner Information

Photos Available (03/12/2013)

Owner Name: RECHTER HOLDINGS INC  
 Mailing Address: 241 NE 44TH ST, OAKLAND PARK FL 33334-1441 C012  
 Vesting Codes: //

## Location Information

Legal Description: PROGRESSO 2-18 D LOT 17-21 BLK 214 & ALL THAT PT OF BLK 214 LYING S OF LOT 21 & E OF ALLEY, ALL LESS E10 & LESS POR INCLUDED IN INSTR# 113500871  
 County: BROWARD, FL APN: 49-42-34-05-7050  
 Census Tract / Block: 417.00 / 3 Alternate APN:  
 Township-Range-Sect: 49-42-34 Subdivision: PROGRESSO 2-18 D  
 Legal Book/Page: 2-18 Map Reference: / 166  
 Legal Lot: 17 Tract #:  
 Legal Block: 214 School District: 1200180  
 Market Area: 3700 School District Name: BROWARD COUNTY SD  
 Neighbor Code: Munic/Township: FORT LAUDERDALE

## Owner Transfer Information

Recording/Sale Date: / Deed Type:  
 Sale Price: 1st Mtg Document #:  
 Document #:

## Last Market Sale Information

Recording/Sale Date: 05/07/2014 / 04/30/2014 1st Mtg Amount/Type: /  
 Sale Price: \$615,000 1st Mtg Int. Rate/Type: /  
 Sale Type: 1st Mtg Document #: /  
 Document #: 50757-1529 2nd Mtg Amount/Type: /  
 Deed Type: WARRANTY DEED 2nd Mtg Int. Rate/Type: /  
 Transfer Document #: Price Per SqFt: \$97.87  
 New Construction: Multi/Split Sale: MULTI  
 Title Company: ATTORNEY ONLY  
 Lender:  
 Seller Name: HANSEN JOHN III & JOHN IV

## Prior Sale Information

Prior Rec/Sale Date: / 07/1970 Prior Lender:  
 Prior Sale Price: \$30,000 Prior 1st Mtg Amt/Type: /  
 Prior Doc Number: Prior 1st Mtg Rate/Type: /  
 Prior Deed Type: WARRANTY DEED

## Property Characteristics

Year Built / Eff: 1958 / 1959 Total Rooms/Offices  
 Gross Area: 6,284 Total Restrooms:  
 Building Area: 6,284 Roof Type:  
 Tot Adj Area: 6,284 Roof Material: CONCRETE TILE  
 Above Grade: Construction: CONCRETE  
 # of Stories: 1 Foundation: STEM WALL  
 Other Improvements: Building Permit Exterior wall: CONCRETE BRICK COMPOSITION  
 Basement Area: Condition: AVERAGE

## Site Information

Zoning: B-2 Acres: 0.46 County Use:  
 Lot Area: 20,188 Lot Width/Depth: 80 x State Use: WAREHOUSE/TERMINAL (48)  
 Land Use: WAREHOUSE Commercial Units:  
 Site Influence: Sewer Type: Water Type:  
 Building Class:

## Tax Information

Total Value: \$422,520 Assessed Year: 2016 Property Tax: \$8,190.09  
 Land Value: \$132,180 Improved %: 69% Tax Area: 0312  
 Improvement Value: \$290,340 Tax Year: 2016 Tax Exemption:  
 Total Taxable Value: \$422,520

# **ADDENDUM E**

## **BROWARD COUNTY ASSESSOR**

Abbreviated Legal Description	PROGRESSO 2-18 D LOT 17-21 BLK 214 & ALL THAT PT OF BLK 214 LYING S OF LOT 21 & E OF ALLEY, ALL LESS E10 & LESS POR INCLUDED IN INSTR# 113500871
-------------------------------------	---

<b>Property Assessment Values</b> <a href="#">Click here to see 2016 Exemptions and Taxable Values as reflected on the Nov. 1, 2016 tax bill.</a>					
Year	Land	Building / Improvement	Just / Market Value	Assessed / SOH Value	Tax
2017	\$132,180	\$204,600	\$336,780	\$336,780	
2016	\$132,180	\$290,340	\$422,520	\$408,850	\$8,190.09
2015	\$132,180	\$239,510	\$371,690	\$371,690	\$7,593.83

2017 Exemptions and Taxable Values by Taxing Authority				
	County	School Board	Municipal	Independent
Just Value	\$336,780	\$336,780	\$336,780	\$336,780
Portability	0	0	0	0
Assessed/SOH	\$336,780	\$336,780	\$336,780	\$336,780
Homestead	0	0	0	0
Add. Homestead	0	0	0	0
Wid/Vet/Dis	0	0	0	0
Senior	0	0	0	0
Exempt Type	0	0	0	0
Taxable	\$336,780	\$336,780	\$336,780	\$336,780

Sales History -- Search Subdivision Sales				Land Calculations		
Date	Type	Price	Book/Page or CIN	Price	Factor	Type
4/29/2014	WD*-E	\$615,000	112270958	\$15.00	20,188	SF
7/1/1970	WD	\$30,000	1312 / 536			
10/1/1960	WD	\$35,000				
				Adj. Bldg. S.F. (Card, Sketch)		6284
				Eff./Act. Year Built: 1959/1958		

\* Denotes Multi-Parcel Sale (See Deed)

Special Assessments								
Fire	Garb	Light	Drain	Impr	Safe	Storm	Clean	Misc
03								
W								
6284								

## **ADDENDUM F**

## **ENGAGEMENT LETTER**



APPRAISAL ENGAGEMENT LETTER

August 8, 2017

Via fax:

Michael P. Jacobs, MAI, SRA  
South Florida Real Estate Appraisals, LLC  
1500 Weston Road, Suite 200-28  
Weston Florida 33326

RE: Rechter Holdings, Inc. -Borrower

Dear Michael:

This letter is written confirmation of Stonegate Bank's authorization for you to appraise the referenced property pursuant to my previous discussion with you. The subject consists of a Tenant Occupied Office/Warehouse located at 913 NE 4<sup>th</sup> Avenue, Ft. Lauderdale Florida 33304. and identified with Folio# 494234057050. This is for a Refinance'

Please address this appraisal report to **Stonegate Bank** upon receipt, an authorized reviewer for Stonegate Bank will critique your report for compliance and content. I will serve as your contact with our bank and can be reached at e-mail: [rharsaran@stonegatebank.com](mailto:rharsaran@stonegatebank.com) or (954)876-2321. Any subsequent requests for additional support, clarification or considerations based on these reviews will be expeditiously complied with by you and included in the body of the report as necessary.

Information regarding the property is obtainable from the following source:

Contact: Michael Rechter

Phone: 954-727-0054

     A Restrictive Report based on the Sales Comparison and Income Approach to value and be presented in a narrative format.

  X   An Appraisal Report reflecting an "As is" and "As Complete" Market Value based on the Sales Comparison, Cost Approach and Income Approach (***as applicable-minimum two approaches are required***) to value and be presented in a narrative format. For the Approaches utilized please provide adjustment grid(s) to quantify your adjustments and support Market Value estimates.

400 North Federal Highway, Pompano Beach, FL 33062  
Phone: 954-876-2321, Fax: 954-876-2305



Michael P. Jacobs, MAI, SRA  
South Florida Real Estate Appraisal, LLC

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A current interior & exterior inspection with photographs included in the report is required. Full description of all the comparable sales/rentals utilized including photograph of each and a location map is required. Please include an Insurable Valuation and include building and land value for this assignment. In addition, please indicate in the report if any known 'deed restrictions' exists. The appraisal will be completed by August 21<sup>st</sup>, 2017. Should any problems arise which would delay delivery on or by August 21<sup>st</sup>, 2017, please notify this office immediately. It is understood that the fee will be \$2,250.00. This fee, which includes all travel and meal expense, will be disbursed upon completion of the review, which indicates the appraisal report complies with the guidelines included in the following paragraph. Completion of this assignment is expected by August 21<sup>st</sup>, 2017, no later than 5:00 p.m. If the appraisal is late due to no fault of the Bank or the borrower, a late fee in the amount of 1% of the appraisal fee will be deducted for each business day that the appraisal is past due.

To be acceptable, the appraisal report must comply with the guidelines established by the Uniform Standards of Professional Appraisal Practice (USPAP-1999) promulgated by the Appraisal Standards Board of the Appraisal Foundation and Supplemental Standards of Professional Appraisal Practice of the Appraisal Institute and Title XI of the Federal Financial Institutions Reform Act of 1989.

In addition to the certification required by the Uniform Standards of Professional Appraisal Practice, a statement that the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan, is required.

It is understood that the appraisal will be an independent estimate of current market value and the payment of the fee shall not be contingent upon any value estimate reported. The objective is to record your opinion of the estimated market value of the ***Fee Simple interest and/or Lease Fee Estate (as applicable)*** in the property in a sufficiently descriptive manner to enable the reader to understand the appraisal methodology and the rationale for the value estimate.

Please be sure to analyze and report a reasonable marketing period to be reflected in the opinion of value that you render to the property. This is a specific requirement of FIRREA and the analysis should include contact with persons familiar with marketing the property type.

Please include the identification and separate value for any personal property, fixtures, or intangible items that are not real property but are included in the appraisal, and a discussion of the impact of their inclusion or exclusion on the estimate of market value.

Please forward one copy with signature and photographs via e-mail to [rharsaran@stonegatebank.com](mailto:rharsaran@stonegatebank.com) and two (2) original copies of the appraisal to us, including photographs; the appraisal should include copies of this letter and the attached Exhibits. Upon completion, please do not give a copy of the Appraisal to the Borrower, property owner or to any other Stonegate Bank personnel outside of Stonegate Bank's Credit Department without authorization. Please make certain all instructions are followed as noncompliance may cause the appraisal to be returned.

Any and all information, documents, and data of any type whatsoever provided to you regarding this subject property including but not limited to leases, profit and loss statement and legal description will be utilized only to assist in the preparation of this appraisal. You agree not to release to anyone the documents delivered to you or the results of the appraisal. You fully understand that the

Michael P. Jacobs, MAI, SRA  
South Florida Real Estate Appraisal, LLC

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documentation and the appraisal are confidential in nature.

Stonegate Bank reserves the right to inspect your files on any appraisal assignment. If you have any questions or discover information that significantly modifies the appraisal assignment, or prohibits reporting under the format designated in this letter, please contact me directly.

***This agreement is specifically with you, not with others in your firm who may assist in the preparation of the report. You are required to personally inspect the subject property and to sign the appraisal report.***

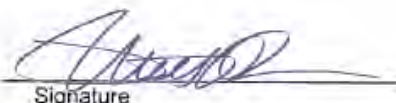
Kindly acknowledge your acceptance and agreement as indicated below.

Best regards,



Rosalind Harsaran  
Credit Policy Officer  
Credit Department

*Please sign below to indicate your acceptance of these terms and conditions and return a copy within 48 hours to my attention via fax; 954-876-2321 or e-mail: rharsaran@stonegatebank.com.*

  
Signature

August 8, 2017  
Date

Print name: Michael P Jacobs, MA, MAI, SRA