

Appraisal in a Restricted Report
81 Tremont Avenue
Newark City, Essex County, New Jersey

Effective Valuation Date:

“Prospective” Scenarios:
August 24, 2023

Prepared For:

Invest Newark



APPRAISAL CAPITAL SERVICES, LLC

SSSREAL ESTATE APPRAISERS & CONSULTANTS

File#1397

S

APPRAISAL CAPITAL SERVICES, LLC

SSSREAL ESTATE APPRAISERS & CONSULTANTS

March 7, 2023

Ms. Reesa Abraham
Invest Newark
111 Mulberry Street, Market Street Suite LL
Newark, NJ 07102

Re: 81 Tremont Avenue
Block 4219, Lot 6
Newark City, Essex County, New Jersey

Dear Ms. Reesa Abraham

Pursuant to your request, we are pleased to provide a Restricted Report of an Appraisal relative to the above referenced property. The opinions and conclusions stated within this report are subject to the General Assumptions and General Limiting Conditions contained within and are based upon two prospective market valuations of the leased fee interest in the subject property based upon the following two options: Scenario #1 where the 2nd floor apartment unit is renovated and Scenario #2 where the 2nd floor apartment is subdivided into two apartments and renovated, both values are as of August 24, 2023 assuming 6 months to renovate. This report was prepared by Appraisal Capital Services, LLC and conforms with the requirements established by the Uniform Standards for Professional Appraisal Practice (USPAP) in addition to the Standards of Professional Practice of the Appraisal Institute.

Restricted Appraisal Report: *This appraisal report complies with the reporting requirements set forth under Standard Rule 2-2(c) of the Uniform Standards of Professional Appraisal Practice (USPAP) concerning restricted appraisal reports. The ensuing appraisal report will have limited or no discussion of the data reasoning or analyses that were employed in the appraisal process to develop our opinion of value. Further, this appraisal will be limited to the most appropriate valuation method; a course of action deemed in the instant case to not lead to a misleading value conclusion. Supporting documentation, including data, reasoning and analyses are retained in our work file as required by USPAP. The depth of discussion and analysis contained in this report is specific to the needs of the client and for the stated intended use; further, the intended client, Invest Newark, and the undersigned, have discussed and mutually agreed to the adequacy of the scope of work based on a limited investigation undertaken for the intended use. Further, this report is only for the use of the client; we are not responsible for unauthorized use of this appraisal report.*

As of February 24, 2023 the subject property, located at 81 Tremont Avenue in Newark City, New Jersey, consists of a 2-story mixed use retail store on the first floor and one apartment on the 2nd floor situated on a 0.0530± acre site.

March 7, 2023
Ms. Reesa Abraham
Invest Newark

Re: 81 Tremont Avenue
Block 4219, Lot 6
Newark City, Essex County, New Jersey

“Prospective Value:” Based upon the analyses and conclusions set forth within this report, we are of the opinion that the subject property’s “prospective” market value per Scenario #1 of the leased fee interest as of August 24, 2023 is:

THREE HUNDRED THOUSAND DOLLARS
\$300,000

“Prospective Value:” Based upon the analyses and conclusions set forth within this report, we are of the opinion that the subject property’s “prospective” market value per Scenario #2 of the leased fee interest as of August 24, 2023 is:

FOUR HUNDRED FORTY THOUSAND DOLLARS
\$440,000

The value indicated above is subject to the following Special Limiting Conditions:

1. I was not able to inspect the interior of the first floor store. It is an extraordinary assumption that the stores physical condition is average condition per the market. If this assumption should prove false then the conclusion of this appraisal report would be invalidated.

The analysis, opinions, and conclusions were prepared by the undersigned. If you should have any questions, comments or further requests, please feel free to contact us at 908-361-4331. Thank you for the opportunity to be of service.

Respectfully Submitted,



Thomas P. Lenahan, MAI
SCGRE in NJ

APPRAISAL CAPITAL SERVICES, LLC File#1397

TABLE OF CONTENTS

Certification of Value	1
General Assumptions & Limitations	3
Subject Photo Summary.....	5
Regional Map.....	7
Aerial Photo.....	7
Summary of Important Facts & Conclusions	8
Scope of Work.....	9
Identification of the Property, Legal Description.....	10
History of the Property.....	10
Identification of Type of Appraisal and Report Format	10
Purpose and Use of the Appraisal.....	11
Definition of Value and Date of Value Estimate	11
Competency Provision.....	11
Neighborhood Description.....	12
Competitive Market Analysis	12
Site Data	13
Description of Improvements	15
Zoning.....	16
Taxes and Assessment Data.....	16
Highest and Best Use.....	17
Introduction to the Valuation Process	17
Income Capitalization Approach	18
Comparable Apartment Leases.....	21
Reconciliation and Final Value Estimate	31
Addenda	i
Definitions	i
Qualifications of Appraisers.....	vi

CERTIFICATION OF VALUE

I, the undersigned, do hereby certify that to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analysis, opinions and conclusions are limited only by the report assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.

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.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

I have not performed a previous appraisal of the subject property or any other service within the three years prior to this assignment.

Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

Thomas P. Lenahan, MAI made a personal inspection of the property that is the subject of this report.

No one provided significant real property appraisal assistance to the persons signing this certification.

The professional assistance of the Appraisal Capital Services, LLC staff is noted regarding development of comparable market data and photographs.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, Thomas P. Lenahan has completed the requirements of the continuing education program of the Appraisal Institute and the State of New Jersey.

“Prospective Value:” We hereby certify that the prospective market value in Scenario #1 of the leased fee interest, in the property, on August 24, 2023 is:


THREE HUNDRED THOUSAND DOLLARS
\$300,000

“Prospective Value:” We hereby certify that the prospective market value in Scenario #2 of the leased fee interest, in the property, on August 24, 2023 is:

FOUR HUNDRED FORTY THOUSAND DOLLARS
\$440,000

The value indicated above is subject to the following Special Limiting Conditions:

1. I was not able to inspect the interior of the first floor store. It is an extraordinary assumption that the stores physical condition is average condition per the market. If this assumption should prove false then the conclusion of this appraisal report would be invalidated.



Thomas P. Lenahan, MAI
SCGREA in NJ

GENERAL ASSUMPTIONS & LIMITATIONS

GENERAL ASSUMPTIONS

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

1. That title to the property is assumed to be good and marketable unless otherwise stated. No responsibility is assumed for the legal description or any legal matter.
2. That the definition of value together with other definitions and assumptions on which our analyses are based are set forth in appropriate sections of the report and are to be part of these General Assumptions as if included in their entirety.
3. The property is considered to be under responsible ownership and management and is free of all liens and encumbrances except as specifically discussed herein.
4. The information provided by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. The sketches, plot plans and drawings included in this report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or other apparent conditions in the property, subsoil, or structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which would be required to discover them. All insulating and building materials used in the structures (if any) on the appraised property are assumed to be free of potential health risks. Good structural and mechanical conditions are assumed to exist, and no opinion as to these matters is to be inferred or construed from the attached report.
7. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, legislative or administrative consents from any local state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the utilization of the land and/or improvements is within the boundaries or property lines of the property described herein and that there are no encroachments or trespasses unless noted within the report.
11. For the Prospective Valuation(s), we make the extraordinary assumption that the improvements are completed in a workmanlike and timely manner consistent with those represented in the data provided (plans, specifications, resolution, etc.) and further that the current market conditions will continue to prevail though the prospective valuation date(s).

GENERAL LIMITING CONDITIONS

This appraisal report has been made with, and subject to, the following General Limiting Conditions:

1. The appraisers herein, by reason of this appraisal report, are not required to give further consultation, testimony or to be in attendance in court or at any governmental or other hearing with reference to the property without prior arrangements having been made relative to such additional employment.
2. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
3. Use and disclosure of the contents of this report is governed by the bylaws and regulations of the Appraisal Institute. Neither all or any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute, or to the MAI designation) shall be disseminated to the general public through advertising or sales media, public relations media, news media, or other public means of communication without prior written consent and approval of the appraisers.
4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with proper written qualifications and only in its entirety.
5. The party for whom this appraisal report was prepared may distribute copies of this appraisal report in its entirety, to such third parties as may be selected by the party for whom this appraisal report was prepared; however, portions of this appraisal report shall not be given to third parties without the prior written consent of the signatories of this report.
6. In this appraisal assignment, the existence of potential hazardous materials used in the construction or maintenance of the building, such as the presence of urea-formaldehyde foam insulating, asbestos, and/or the existence of toxic waste, which may or may not be present on the property, was not observed by us; nor do we have any knowledge of the existence of such materials on or in the property. The appraiser(s), however, are not qualified to detect such substances. The existence of any potential hazardous insulation, building materials or toxic waste may have an effect on the value of the property and therefore we urge the client to retain an expert in this field if desired.
7. The Americans With Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, we have 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 ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of the ADA in estimating the value of the property.

SUBJECT PHOTO SUMMARY



Front View



Side & Rear View



Kitchen



Kitchen



Bedroom

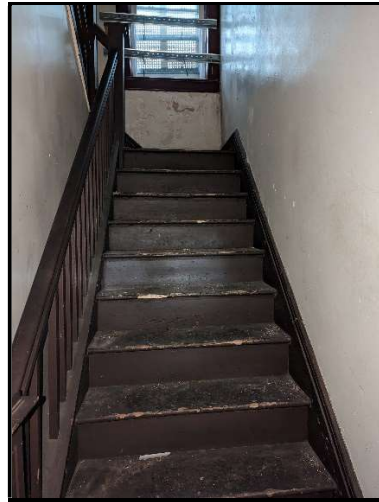


Dining Room

SUBJECT PHOTOS, CONTINUED



Hallway



Stairwell



Bathroom



Garage

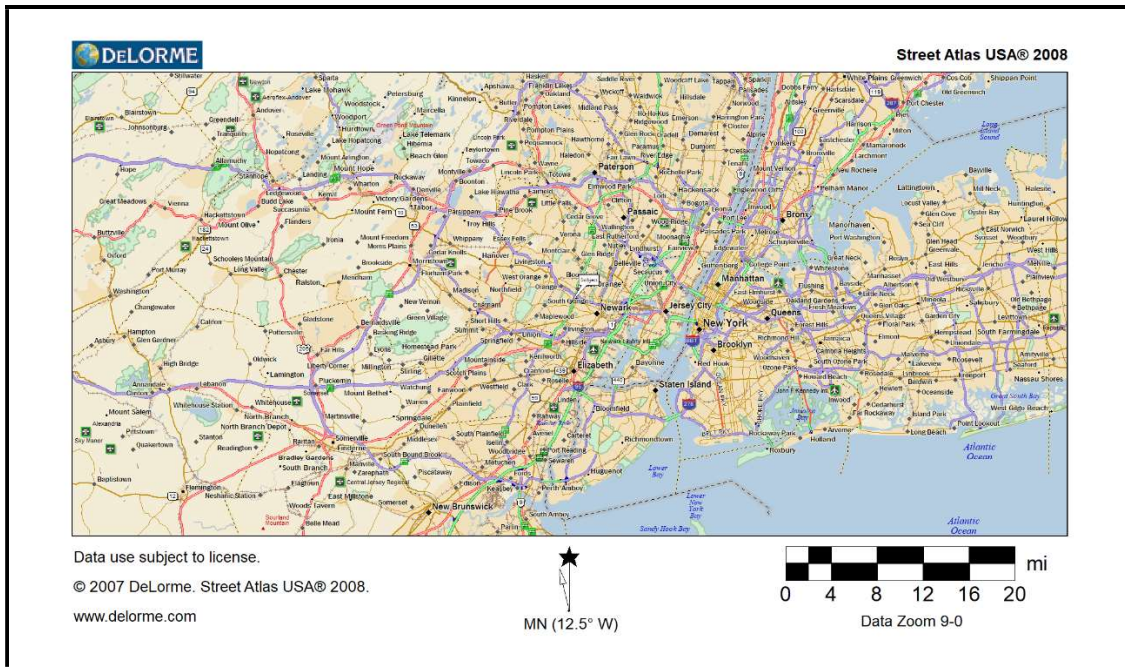


Looking East on Tremont Ave.

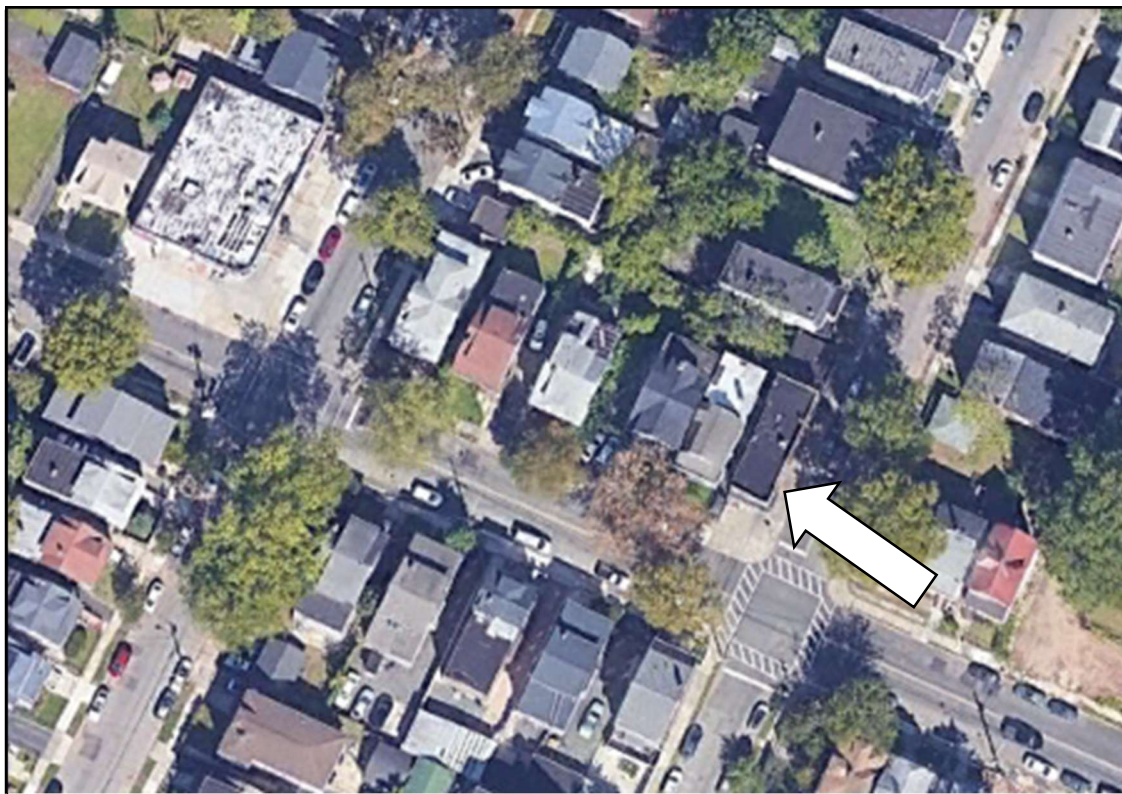


Looking West on Tremont Ave.

REGIONAL MAP



AERIAL PHOTO



SUMMARY OF IMPORTANT FACTS & CONCLUSIONS

Valuation Date:	February 24, 2023
Inspection Date:	February 24, 2023
Report Date:	March 7, 2023
Property Identification:	Block 4219, Lot(s) 6
Owner of Record:	Invest Newark
Street Address:	81 Tremont Avenue, Newark City Essex County, New Jersey
Purpose:	To estimate the “as complete” market value based upon two scenarios.
Intended Use:	Internal guidance for Invest Newark.
Property Type:	Mixed use retail/apartment building.
Land Area	0.0530 ± acres, 2.308 ± square feet
Gross Building Area (GBA):	2,386± square feet
Year Built:	Estimate 1920’s
Flood Plain Map Panel Number & Date:	34013C0152F, June 4, 2007
Flood Plain Designation:	Zone X
Subject Description:	A 2-story mixed use retail store with one apartment on the 2 nd floor.
Zoning:	R-1, Residential One Family Zone
Highest and Best Use:	Mixed use.
Current Occupancy:	50% occupied.
Property Rights Appraised:	The leased fee interest.
Exposure Time:	6 months.
Marketing Time:	6 months.

VALUATION SUMMARY

“Prospective” Valuation as of February 24, 2023 Scenario 1

Income Capitalization Approach..... \$300,000

Final Reconciled Estimate of Market Value \$300,000

“Prospective” Valuation as of February 24, 2023 Scenario 2

Income Capitalization Approach..... \$440,000

Final Reconciled Estimate of Market Value \$440,000

The value indicated above is subject to the following Special Limiting Conditions:

1. I was not able to inspect the interior of the first floor store. It is an extraordinary assumption that the stores physical condition is in average condition per the market. If this assumption should prove false then the conclusion of this appraisal report would be invalidated.

SCOPE OF WORK

The term “Scope of Work” is the work an appraiser performs to develop assignment results. USPAP defines “scope of work” as the type and extent of research and analyses in an assignment.

The scope of the appraisal requires compliance with the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards Board of the Appraisal Foundation. The standards contain rules that must be followed and specific guidelines that deal with the procedures to be followed in developing an appraisal, analysis, or opinion. These uniform standards also set the requirements to communicate the appraisers' analyses, opinions, and conclusions in a manner that will be meaningful and not misleading in the marketplace. The “scope of work” further requires compliance with the client's requirements if it allows the appraiser to develop credible results.

The ensuing appraisal report will have limited or no discussion of the data reasoning or analyses that were employed in the appraisal process to develop our opinion of value. Further, this appraisal will be limited to the most appropriate valuation method; a course of action deemed in the instant case to not lead to a misleading value conclusion. Supporting documentation, including data, reasoning and analyses are retained in our work file as required by USPAP. The depth of discussion and analysis contained in this report is specific to the needs of the client and for the stated intended use; further, the intended client, Invest Newark, and the undersigned, have discussed and mutually agreed to the adequacy of the scope of work based on a limited investigation undertaken for the intended use. Further, this report is only for the use of the client; we are not responsible for unauthorized use of this appraisal report.

IDENTIFICATION OF THE PROPERTY, LEGAL DESCRIPTION

The street address of the subject is: 81 Tremont Avenue

The subject is identified as: Block 4219, Lot(s) 6
On the tax records of Newark City, Essex County,
New Jersey.

A legal description via deed or survey was not provided, we have relied on municipal tax maps (see Site Description).

HISTORY OF THE PROPERTY

The most recent transfer of title was from City of Newark, to Invest Newark on February 11, 2021 as recorded in the Essex County Deed Book Instrument#2021059538. The recorded consideration was \$1.00 and is not considered an arms-length transaction. Prior to this transaction The City of Newark acquired it back in 2018 in a tax foreclosure.

IDENTIFICATION OF TYPE OF APPRAISAL AND REPORT FORMAT

This appraisal has been formatted in accordance with The Uniform Standards of Professional Appraisal Practice, "USPAP" Standards Rule 2-2 (FIRREA) regarding the communication of appraisal reports.

REPORT FORMAT: Restricted

Restricted Appraisal Report: *This appraisal report complies with the reporting requirements set forth under Standard Rule 2-2(c) of the Uniform Standards of Professional Appraisal Practice (USPAP) concerning restricted appraisal reports. The ensuing appraisal report will have limited or no discussion of the data reasoning or analyses that were employed in the appraisal process to develop our opinion of value. Further, this appraisal will be limited to the most appropriate valuation method; a course of action deemed in the instant case to not lead to a misleading value conclusion. Supporting documentation, including data, reasoning and analyses are retained in our work file as required by USPAP. The depth of discussion and analysis contained in this report is specific to the needs of the client and for the stated intended use; further, the intended client, Invest Newark, and the undersigned, have discussed and mutually agreed to the adequacy of the scope of work based on a limited investigation undertaken for the intended use. Further, this report is only for the use of the client; we are not responsible for unauthorized use of this appraisal report.*

PURPOSE AND USE OF THE APPRAISAL

PURPOSE:

The purpose of this appraisal is to derive our opinion of the market value of the leased fee interest of the subject as of the effective date of this appraisal, August 24, 2023. Unless otherwise stated, all factors pertinent to a determination of value have been considered as of this date. The property was inspected on February 24, 2023 by Thomas P. Lenahan, MAI.

USE:

This appraisal report has been prepared for Ms. Reesa Abraham of Invest Newark 111 Mulberry Street, Market Street Suite LL Newark, NJ 07102 for use for internal guidance. It is not intended for any other use.

INTENDED USERS:

The intended user of this report is for the exclusive use of Ms. Reesa Abraham of Invest Newark 111 Mulberry Street, Market Street Suite LL, Newark, NJ 07102.

DEFINITION OF VALUE AND DATE OF VALUE ESTIMATE

TYPE OF VALUE ESTIMATE:	Market Value
DEFINITION OF MARKET VALUE:	See Addenda.
DATE(S) OF VALUE ESTIMATE:	August 24, 2023.
DATE OF INSPECTION:	February 24, 2023

COMPETENCY PROVISION

I certify that I am competent to complete the above assignment and that I have the experience, knowledge and expertise required by USPAP to be in compliance with the Competency Provision.

NEIGHBORHOOD DESCRIPTION

Location:	In the West Ward of Newark.
Neighborhood Area:	East to the Garden State Parkway, I-280 to the north, south to South Orange Avenue and west to Clinton St.
Stage in Cycle:	Stabilizing
Predominant Surrounding Use:	Residential with a few mixed uses.
Typical Condition/Maintenance:	Average to needs work.
Observed Occupancy/Vacancy:	5%±
Access to Local Main Roadways:	Adequate
Access to Highways:	Good
Access to Public Transportation	Adequate
Comments/Conclusions:	The subject is located in the Vailsburg section one block from East Orange.

COMPETITIVE MARKET ANALYSIS

Market Type:	Retail/apartment
Market Comparison:	Lower end of the spectrum.
Sales Price Range (Per SF):	\$80.00/SF to \$300.00/SF
Market Rent Range:	\$12 psf to \$20 psf, modified gross basis
Average Vacancy (mixed use):	5%
Supply (mixed use):	Adequate
Demand (mixed use):	Good but cautious.
Trends:	Retail demand is weak while apartment demand is strong.
Significant Influences On Market:	Rising interest rates, inflation and housing prices.
Comments:	Weak retail market while the apartment market is strong but showing signs of weakness from rents starting to outpace salary increases.

SITE DATA

Parcel ID: Block: 4219; Lot: 6
 Newark City, Essex County
 New Jersey

Size: 0.0530± acres

Shape: Rectangular

Topography: Level

Frontage: 23.82 Feet on Tremont Avenue and 100 feet on Chelsea Avenue.

Visibility: Good

Utilities: Public Water, Public Sewer, Gas & Electric.

Ingress/Egress Issues: 2 car driveway apron to garage.

Corner: Yes, with Chelsea Avenue.

Easements: No.

Site Improvements: Concrete sidewalks.

Off Street Parking: 2 car garage parking only.

Flood Plain Data: X zone of 100-year flooding, as indicated on community panel 34013C0152F, dated June 4, 2007.

Item	Road Description	
	Tremont Ave.	Chelsea Ave.
# Lanes	2	2
Divided	No	No
Traffic Levels	Moderate	Light
Intersection Monitor	Stop Signs	Stop Signs
Surface	Asphalt	Asphalt
Sidewalks	Yes	Yes
Curbs	Yes	Yes
Condition	Average	Average

During our inspection we did not notice any items of nuisance, hazard or other detrimental influences. However, we are not experts in such matters; if the reader is concerned, proper professionals in Environmental Assessment work should be retained.

TAX MAP



DESCRIPTION OF IMPROVEMENTS

On the date of valuation, February 24, 2023, the subject consisted of a two-story building with a retail liquor store) on the first floor and a two-bedroom apartment on the second floor. The apartment was the only unit inspected. The liquor store was not opened during the inspection and its condition is assumed to match the age of the building and local market. The apartment appears to have been vacant for many years and needs total gut renovating. The walls, floor, ceilings all need to be replaced and most likely the wiring and plumbing service is old and needs replacing. It needs a new kitchen and bathroom as well. However, the apartment is of good size at 1,189 sf. It has a sizeable living room and formal dining room, there is a kitchen and two bedrooms. Overall, the 2-bedroom apartment is on the larger size for the market.

General Information

Property Type:	Retail/apartment building.
Current Use:	Retail and apartment use.
Year Built:	Estimated 1920.
Current Condition:	Fair
Gross Building Area:	2,386 square feet
Architectural Style:	A mixed use 2-story brick masonry building.
Stories:	Two
Number of Rental Units:	Two

Interior Details

Interior Layout:	Liquor store on first floor, apartment on second floor.
Partitions:	Typically plaster.
Ceilings:	Plaster walls.
Walls:	Plaster walls.
Floors:	Hardwood.
Lighting:	Incandescent spot lighting.
Sprinklers:	None
Elevators:	None
Current Use:	Liquor store and a vacant apartment.
Condition:	Fair condition
ADA Compliance:	Management reports compliance.

Construction Details:

Foundation:	Concrete block.
Exterior Walls:	Brick
Structural Frame:	Masonry and wood frame.
Roof	Flat style, not inspected, assumed adequate.
Plumbing:	Needs total upgrading in the apartment.
Electrical:	Needs total upgrading in the apartment.
HVAC:	No heat or electric or fixtures were in place.
Security:	Door locks and board up windows.
Loading:	From street.
Windows:	Wood double hung (need replacing).
Doors:	Wood – (need replacing).

The liquor store was not inspected but assumed to be old like the building but not as bad a shape as the apartment. We will assume that it is in marketable condition. The heat, electric and water utilities were not working/turned off, or missing when we inspected.

The subject is of average quality and in fair condition. The condition is not unusual for improvements in the neighborhood. The subject is of average functionality.

ZONING

The subject is located within the R-1, One family residential zone as indicated by the Newark City zoning map. Mixed use is not a permitted use in this single-family zone. Therefore, it is a pre-existing legal non-conforming use.

TAXES AND ASSESSMENT DATA

In the State of New Jersey, real estate tax assessments are a function of the municipal tax assessor’s office and the process of real property assessment is overseen by the county. Real estate tax assessments for the current tax year are set on October 1st of the previous calendar year. Real estate taxes in New Jersey represent *ad valorem* taxes meaning that tax is applied in proportion to value. Taxes are due on a quarterly basis.

The property is identified in the Newark tax rolls as Block 4219, Lot(s) 6. The current assessed values, tax rate, assessments are summarized below.

2022 -23 Assessments			
Land:	\$10,800		
<u>Improvements:</u>	<u>\$295,800</u>		
Total:	\$306,600		
Grand Total:	\$306,600		
	Year	2022	2023
	Tax Rate per \$100:	\$3.736	TBD
	Taxes:	\$11,455	TBD
	Tax Ratio:	85.66%	75.92%
	Equalized Value:	\$357,927	\$403,846

HIGHEST AND BEST USE

HIGHEST AND BEST USE OF THE LAND AS THOUGH VACANT

The highest and best use of the land as though vacant is mixed use development.

HIGHEST AND BEST USE OF THE LAND AS IMPROVED

The current improvements are maximally productive. Therefore, the highest and best use as improved is continued mixed use.

INTRODUCTION TO THE VALUATION PROCESS

This is a restricted, limited appraisal, and only the most applicable approach to value has been considered. Only the Income Capitalization Approach will be developed.

INCOME CAPITALIZATION APPROACH

The search for leases of comparable properties was conducted first in the subject neighborhood and in Essex County. The results of this search are the leases listed on the following pages following the presentation of the subject leases. This is followed by the analysis and determination of an indication of market value of the subject property by this approach.

Subject Lease Data Analysis

The following is a summary of the contract leases on the subject property.

Lease #1:

Lessee:	Bush Liquor & Deli		
Inception Date:	2/11/2021		
Term:	1 year and 10 months		
Terms:	Mod. Gross		
Rentable Area:	1,189 Square Feet		
Rent:	From	Annual Rent	Rent/SF
	2/21	\$14,400	\$12.11
	1/23	\$15,840	\$13.32
Coming Year Rent:	\$13.32/SF, \$15,840		
Comments:	Lease terms are gross plus insurance, electricity and heat. Tenant takes care of interior repairs. Landlord pays all other operating expenses. Tenant can vacate upon 60 days notice. Landlord can terminate lease on 30 days notice.		

The second floor 2-bedroom apartment is vacant and appears to have been vacant for along time. It needs a total gut renovation. Thus, we look to market evidence and will apply market rent to the unit as renovated.

The client asked for two (2) scenarios. Scenario #1 assumes the two bedroom apartment has been renovated and leased to a tenant. Scenario #2 assumes the two bedroom apartment has been subdivided into two apartments which per the client are to be analyzed as 2 one-bedroom units. Thus, the second scenario is with two apartments and one retail unit.

Comparable Commercial Lease Photographs



434 Chancellor Ave.



445-447 Central Ave.



454 Kerrigan Blvd.



45 Monroe St.

Comparable Commercial Leases

COMPARABLE COMMERCIAL RENTS						
Address Municipality Tenant Name	SqFt	Start Date Term	Rate & Amount Per SF Annually	Description of Operating Expense Reimbursements	Notes	
1 434 Chancellor Ave. Newark Weequahic Family Success Center	2,000	2/26/2021 2 Years	\$13.80 \$16,800	Mod. Gross: Pays TE & Heat Int. Repairs	Corner unit South Ward	
2 445-447 Central Ave. Newark Classic Beauty	1,500	10/1/2020 6 Years	\$17.98 \$26,970	Mod. Gross: Pays TE & Heat Int. Repairs	Local neighborhood Store Central Ward	
3 454 Kerrigan Blvd Newark Confidential	800	9/1/2021 1 Year	\$12.75 \$34,500	Mod. Gross: Pays TE & Heat Int. Repairs	Local neighborhood Store Vailsburg	
4 45 Monroe St. Newark Confidential	3,000	4/11/2022 2 Years	\$17.60 \$175,200	Mod. Gross: Pays TE & Heat Int. Repairs	Retail in a 4-story mixed use building Ironbound	

Conclusion – Commercial Market Rent:

The range of rental rates shown are from \$12.75 to \$17.98 per square foot. The subject's current rent is \$13.32 psf. The comparables are strong and generally equivalent. Based on the above data, market rent for the liquor store is estimated at **\$13.50 per square foot on a modified gross basis.**

Rental Concessions

An examination of the comparable rentals and the recent leases within the subject reveal rental concessions that are very limited. In most cases there was no tenant improvement allowance. No free rent or other rental concessions appear typical within the subject market.

Subject Apartment Lease Data Analysis

The apartment lease terms are gross with the tenant only responsible for paying for electricity, heat (gas), internet, cable TV and insurance (personal property). Leases are for one year. No free rent or promotions are currently running.

COMPARABLE APARTMENT LEASES

In order to establish market rent, we completed a survey of apartment complexes in the area and included terms, concessions, expense structure, and any other factors that would affect the rent paid. Generally, terms are for one year and require a security deposit. The subject terms are gross + TE + Heat. Below are the results of a market study used to determine the subject property's market rent:

One-Bedroom Apartment Comparables –

APARTMENT COMPARABLE RENTS					
Address Municipality	Room Count	Start Date Term	Rent Monthly Annually	Description of Operating Expense Reimbursements	Notes
1 441-443 Kerrigan Newark	4/1/1	5/29/2022 1 Year	\$1,300 \$15,600	Gross: Pays Elec.	1st floor unit in 2 story building
2 98 Grand Ave. Newark	4/1/1	7/21/2022 1 Year	\$1,300 \$15,600	Gross: Pays Elec. & Heat	3rd floor unit in 3-story building
3 183 Shephard Ave. Newark	3/1/1	7/1/2022 1 Year	\$1,200 \$14,400	Gross: Pays Elec. & Heat	3rd floor unit in 3-story building
4 1 Noll Plce Unit #13 Newark	2/1/1	7/25/2022 1 Year	\$1,300 \$15,600	Gross: Pays Elec. & Heat	2nd floor unit in a 3.5 story building.

1 Bedroom Apartments Conclusion:

The subject does not have 1-bedroom apartments but the assumption here is that the existing 2-bedroom unit is divided into two 1-bedroom apartments. We will assume they are new construction and in good condition. They feature all of the amenities expected of each apartment unit including stainless steel appliances, microwaves, dishwashers etc. The comparables are similarly appointed. Based on the above data we opine to the following market rents for the typical 2-bedroom unit to be \$1,300 per month plus electric and heat:

Two-Bedroom Apartment Comparables –

APARTMENT COMPARABLE RENTS						
	Address	Room	Start Date	Rent	Description of	Notes
	Municipality	Count	Term	Monthly	Operating Expense	
				Annually	Reimbursements	
1	185 Elery Ave. Newark	5/2/1	10/23/2022 1 Year	\$1,650 \$19,800	Gross: Pays Elec. & Heat	1st floor apartment in a 2-family
2	305 Sanford Ave Newark	4/2/1	7/8/2022 1 Year	\$1,750 \$21,000	Gross: Pays Elec. & Heat	2nd floor unit in in a 2-family
3	367-369 Sanford Ave. Newark	5/2/1	9/28/2022 1 Year	\$1,650 \$19,800	Gross: Pays Elec. & Heat	2nd floor unit 2-story apt. building
4	123 Palm St. Newark	4/2/1	2/20/2023 1 Year	\$1,600 \$19,200	Gross: Pays Elec. & Heat	1st floor apartment in a 2-family

2 Bedroom Apartments Conclusion:

The subject 2-bedroom apartments are not in rentable condition. For this part of the analysis they are assumed to be renovated and up to market standards. They feature all of the amenities expected of each apartment unit including stainless steel appliances, microwaves, dishwashers etc. The comparables are similarly appointed. The subject is a large sized apartment. Based on the above data we opine to the following market rents for the 2-bedroom unit to be at the upper end of the range or \$1,750 per month plus electric and heat:

Apartment Comparable Photographs

1 Bedroom Apartments



441-443 Kerrigan Blvd.



98 Grand Ave.



183 Shephard Ave.



1 Noll Place

Apartment Comparable Photographs Continued...

2 Bedroom Apartments



185 Ellery Ave.



305 Sanford Ave.



367 Sanford Ave.



123 Palm St.

RENT CONTROL:

Rent control regulations place restrictions on landlords with regards to increasing apartment rental rates. This is not only true for the annual allowable percentage increase, but also regulates the rental rate during times of vacancies. Vacancy decontrol permits the landlord to raise the rent of an apartment unit to market levels at the time of a vacancy.

Newark is one of the municipalities in the State of New Jersey which has a rent control ordinance. This ordinance regulates the rent a landlord may charge for all residences in the town which are leased or rented, including month-to-month tenancies, (regardless of size, style of dwelling or number of units). The legal rent, less any surcharges that have a limited duration, is called the base rent. The base rent is established when the apartment is initially rented. The rent control law does not permit a landlord to increase the rent except for an annual cost of living adjustment, a tax surcharge, a capital improvement surcharge, or a hardship increase.

Project Gross Rental Income:

The potential gross rental income is the current contractual income plus market rent for any vacant units. The resultant income figure is the projection for the coming 12 months. Since this is the income a buyer would anticipate, this figure will be utilized for valuation purposes.

Typical market leases are on gross plus the tenant paying for electricity and heat directly from the supplier, thus the landlord is responsible for all other operating expenses. Based on the previous market rent analysis and the one lease in effect, the potential gross rental income of the subject is as follows.

Scenario 1						
	Area	Units	Monthly Rent	Rent PSF	Annual Income	
Liquor Store	1,189	1	\$1,320	\$ 13.32	\$15,840	
Apartment 2 Bedroom	1,197	1	\$ 1,750		\$21,000	
Garage Rents		2	\$ 200		\$4,800	
POTENTIAL GROSS INCOME	2,386				\$41,640	
Scenario 2						
	Area	Units	Monthly Rent	Rent PSF	Annual Income	
Liquor Store	1,189	1	\$1,320	\$ 13.32	\$15,840	
Apartment 1 Bedroom	599	1	\$ 1,300		\$15,600	
Apartment 1 Bedroom	599	1	\$ 1,300		\$15,600	
Garage Rents		2	\$ 200		\$4,800	
POTENTIAL GROSS INCOME	2,386				\$51,840	

Reimbursement Income: Since the apartment leases are on modified gross plus utilities terms, the potential gross income not include expense reimbursements for real estate taxes, insurance, repairs, general and administrative charges, and management. Heat and electricity are paid directly to the supplier. The retail tenant expenses are similar but they take care of interior maintenance and insurance.

Vacancy & Collection Loss:

Vacancy in the neighborhood is approximately 5% to 8%

Other Income:

There is no other income.

Projected Operating Statement:

Below is our pro-forma income and expense statement for the subject property. Following this analysis is a presentation of reconstructed operating expense statements of comparable properties.

SCENARIO 1			
INCOME & EXPENSE RECONSTRUCTION			
FORECAST			
	Reconstructed	In Dollars	Percent
	Income & Expense	Per SF	Of EGI
Base Rent	\$41,640	\$17.45	
Expense Reimbursements	<u>\$835</u>	\$0.35	
POTENTIAL GROSS INCOME	\$42,475	\$17.80	
Vacancy & Collection Loss	<u>\$2,124</u>	<u>\$0.89</u>	5.00%
EFFECTIVE GROSS RENT	\$40,351	\$16.91	
Other Income	<u>\$0</u>	<u>\$0.00</u>	
EFFECTIVE GROSS INCOME	\$40,351	\$16.91	
Real Estate Taxes	\$11,684	\$4.90	28.96%
Insurance	\$1,909	\$0.80	4.73%
Utilities	\$1,670	\$0.70	4.14%
Repairs & Maint.	\$1,312	\$0.55	3.25%
General & Admin	\$477	\$0.20	1.18%
Management	\$1,614	\$0.68	4.00%
Replacement Reserves	\$1,500	\$0.63	3.72%
TOTAL EXPENSES	\$20,167	\$8.45	49.98%
NET OPERATING INCOME	\$20,185	\$8.46	50.02%
Annual Rent/SF	\$17.45		
Annual Expenses/SF	\$8.45		
Vacancy & Collection Loss	5.00%		

Comparable Expense Grid:

Below is a table of comparable expenses in similar type buildings.

RETAIL/APARTMENT EXPENSE COMPARABLES - PER SF BASIS											
Location	Year Built	Expense NRA	Expense Year	Actual/ Budget	Taxes	Insur	Utils	R & M	Gen. Oper.	Mgmt	Total
Perth Amboy	1905	13,600	2021	Budget	\$2.36	\$0.62	\$0.59	\$0.08	\$0.00	\$0.54	\$4.19
Jersey City	1920	7,250	2020	Budget	\$0.45	\$0.45	\$0.61	\$0.79	\$0.71	\$0.58	\$3.59
Jersey City	1900	6,550	2020	Budget	\$3.82	\$1.47	\$2.08	\$0.00	\$0.00	\$0.44	\$7.80
New Brunswick	1990	6,800	2020	Budget	\$7.23	\$0.00	\$0.03	\$0.42	\$0.61	\$0.92	\$9.21
Newark	1928	5100	2019	Budget	\$2.33	\$0.93	\$0.54	\$0.71	\$0.32	\$0.66	\$5.49
Newark	1920	11220	2019	Budget	\$2.07	\$0.43	\$1.31	\$0.53	\$0.53	\$0.52	\$5.40
Bloomingtondale	2019	13738	2019	Budget	\$3.71	\$0.87	\$0.26	\$0.96	\$0.09	\$0.00	\$5.90
Montclair	1910	3,050	2018	Actual	\$6.30	\$1.28	\$0.85	\$0.44	\$0.00	\$1.11	\$9.98
Montclair	1920	4,500	2018	Actual	\$5.23	\$1.10	\$0.04	\$0.11	\$0.00	\$0.93	\$7.41
Newark	1940	7,200	2017	Budget	\$1.39	\$0.28	\$0.00	\$0.36	\$0.27	\$0.48	\$2.78
Union City	1920	9,123	2016	Budget	\$2.01	\$0.55	\$1.41	\$0.66	\$0.29	\$0.99	\$5.91
Newark	1930	7,940	2015	Actual	\$3.01	\$0.60	\$3.12	\$0.22	\$0.00	\$0.00	\$6.95
Minimums	1910	3,050			\$1.39	\$0.28	\$0.00	\$0.11	\$0.00	\$0.00	\$2.78
Averages	1936	7,734			\$3.26	\$0.76	\$0.94	\$0.50	\$0.19	\$0.59	\$6.23
Maximums	2019	13,738			\$6.30	\$1.28	\$3.12	\$0.96	\$0.53	\$1.11	\$9.98

Net Operating Income

The net operating income (NOI) is the difference between the effective gross income and the total operating expenses, which is the instant case is projected to be \$20,185.

Capitalization of Income

There are a variety of methods to determine and overall rate (OAR). The methods that will be used here are (1) extracted from sales, (2) the band of investment technique.

- (1) **Market Extracted OARs:** Capitalization rates extracted from the market sales, show a range of rates. We represent the table below.

Compendium of Comparable Capitalization Rates - Retail/Apartments						
No.	Property	Location	Sale Date	Sq.Ft.	Price/SF	OAR
1	6322 Bergenline Ave.	West New York	Nov-20	5,920	\$ 160.47	6.78%
2	33 Main St.	Clinton	Jul-21	5,650	\$ 176.11	7.32%
3	45-49 Main St.	Madison	Nov-20	8,085	\$ 117.50	6.20%
4	317-321 Main St.	Boonton	Jan-21	7,278	\$ 190.00	6.01%
5	58 S. Main St.	Manville	Jan-21	5,176	\$ 188.16	8.15%
6	103-105 Union Ave.	Union	Dec-20	6,000	\$ 82.50	6.50%
7	105 1st Street	Elizabeth	Aug-21	9,360	\$ 105.56	8.75%
Source: Costar				Minimum:	5,176 \$	82.50 6.01%
				Average:	6,781 \$	145.76 7.10%
				Median:	6,000 \$	160.47 6.78%
				Maximum:	9,360 \$	190.00 8.75%

The range of overall rates is 6.01% to 8.75% averaging 7.10%.

- (1) **Band of Investment:** The third method of capitalization involves a review of the published rates of return that can be obtained by investors and the rate of return required by lending institutions and investors. These rates are then blended via a method known as the band of investment technique.

Based on data compiled from a variety of sources, brokers, published reports, etc. our assumption of mortgage and equity return requirements are delineated as follows. Rates for mortgages are running around 5.50% on 10-year terms, 30-year amortization on loan-to-value ratios of 70%.

Free and Clear Equity Capitalization Rate rates range widely. However, for apartment investors, low rates are being utilized. The following table is based on ACLI data to derive an implied equity capitalization rate. We will utilize an equity capitalization rate of 6.50% within our analysis which considers the characteristics of the subject building as well as its location within a major submarket.

Type	Overall Rate	Contract Interest Rate	Mortgage Constant	L-T-V Ratio	Mortgage Component	Equity Return	1-L-T-V	Implied Equity Cap Rate
Apartment	4.44%	4.77%	5.65%	58.70%	3.32%	1.12%	41.3%	2.72%
Office	5.34%	4.89%	5.58%	50.80%	2.83%	2.51%	49.2%	5.09%
Retail	6.77%	5.08%	7.11%	59.41%	4.22%	2.55%	40.6%	6.27%
Industrial	4.48%	4.65%	5.06%	53.71%	2.72%	1.76%	46.3%	3.81%
Mixed Use	5.63%	4.81%	5.80%	61.77%	3.58%	2.05%	38.2%	5.36%
Other	5.22%	4.93%	6.42%	60.06%	3.86%	1.36%	39.9%	3.42%
ALL	4.94%	4.82%	5.67%	56.53%	3.21%	1.73%	43.5%	3.99%

Essential Data Taken from ACLI 2022, 3rd Quarter

This results in the following rate calculation.

BAND OF INVESTMENT CALCULATIONS			
Loan-to-Value Ratio	70.00%		
Interest Rate	5.50%		
Amortization Period	30 years		
Mortgage Constant	6.81%		
Equity Ratio	30.00%		
Equity Dividend Rate	6.50%		
Mortgage Components	70.00%	x	6.81% = 4.77%
Equity Components	30.00%	x	6.50% = 1.95%
Overall Capitalization Rate	6.72%	rounded to	6.70%

Conclusion of Capitalization Rate:

The two methods produce consistent results. We considered the age of the subject complex, its present condition and its market. We conclude to a capitalization rate of **6.75%**.

Conclusion of Value via the Income Approach:

The above analysis results in the following value estimate:

Scenario 1

Net Operating Income (NOI)	\$20,185
Cap Rate	6.75%
Value Indication	\$299,037
Value Indication (Rd)	\$300,000

Income Capitalization Approach Value Indicator (rounded) \$300,000
“Scenario 1 – As Complete”

On the next page, based on the same expense information, are the calculations for Scenario #2.

SCENARIO 2

INCOME & EXPENSE RECONSTRUCTION FORECAST			
	Reconstructed	In Dollars	Percent
	Income & Expense	Per SF	Of EGI
Base Rent	\$51,840	\$21.73	
Expense Reimbursements	\$835	\$0.00	
POTENTIAL GROSS INCOME	\$52,675	\$21.73	
Vacancy & Collection Loss	\$2,634	\$1.10	5.00%
EFFECTIVE GROSS RENT	\$50,041	\$20.62	
Other Income	\$0	\$0.00	
EFFECTIVE GROSS INCOME	\$50,041	\$20.62	
Real Estate Taxes	\$11,684	\$4.90	23.35%
Insurance	\$1,909	\$0.80	3.81%
Utilities	\$1,670	\$0.70	3.34%
Repairs & Maint.	\$1,312	\$0.55	2.62%
General & Admin	\$477	\$0.20	0.95%
Management	\$2,002	\$0.84	4.00%
Replacement Reserves	\$1,500	\$0.63	3.00%
TOTAL EXPENSES	\$20,554	\$8.61	41.07%
NET OPERATING INCOME	\$29,487	\$12.01	58.93%
Annual Rent/SF	\$21.73		
Annual Expenses/SF	\$8.61		
Vacancy & Collection Loss	5.00%		

Scenario 2

Net Operating Income (NOI)	\$29,487
Cap Rate	6.75%
Value Indication	\$436,844
Value Indication (Rd)	\$440,000

Income Capitalization Approach Value Indicator (rounded) \$440,000
“Scenario 2 – As Complete”
August 24, 2023

RECONCILIATION AND FINAL VALUE ESTIMATE

“Prospective” Valuation as of February 24, 2023 Scenario 1

Income Capitalization Approach..... \$300,000

Final Reconciled Estimate of Market Value \$300,000

“Prospective” Valuation as of February 24, 2023 Scenario 2

Income Capitalization Approach..... \$440,000

Final Reconciled Estimate of Market Value \$440,000

“Prospective” Valuation: It is our opinion that the prospective market value of the leased fee interest, in the property, on August 24, 2023 is:

THREE HUNDRED THOUSAND DOLLARS

\$300,000

“Prospective” Valuation: It is our opinion that the prospective market value of the leased fee interest, in the property, on August 24, 2023 is:

FOUR HUNDRED FORTY THOUSAND DOLLARS

\$440,000

The value indicated above is subject to the following Special Limiting Conditions:

1. I was not able to inspect the interior of the first floor store. It is an extraordinary assumption that the stores physical condition is average condition per the market. If this assumption should prove false then the conclusion of this appraisal report would be invalidated.

NOTE: To get an “as is” value take the value from Scenario #1 of \$300,000 and subtract the cost to renovate. That cost was not supplied to us. Do not subtract for entrepreneurial profit as Invest Newark is a non-profit. That will calculate the “as is” value.

ADDENDA

DEFINITIONS

All Definitions below are from the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 7th ed. (Chicago: Appraisal Institute, 2022) except as noted. Any other terms not shown below, our default for definitions is this dictionary.

Depreciation:

1. In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
2. In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques.

Disposition Value:

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

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

Direct cost:

Expenditures for the labor and materials used in the construction of improvements; also called *hard costs*.

Excess Land:

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately.

Exposure Time:

1. The time a property remains on the market.
2. [The] estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (USPAP, 2016-2017 ed.).

Extraordinary Assumption (Revised 2018-19 USPAP):

An assignment-specific assumption, as of the effective date regarding uncertain information used in an analysis, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or integrity of data used in an analysis.

Fee Simple Estate:

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

Highest and Best Use:

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.

Hypothetical Condition:

1. A condition that is presumed to be true when it is known to be false. (SVP)
2. A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.)

Indirect costs (Soft Costs):

Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs; professional fees; financing costs and the interest paid on construction loans; taxes and the builder's or developer's all-risk insurance during construction; and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. Also called soft costs.

Leased Fee Interest:

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Market Value:

A type of value that is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined, such as the following.

1. The most widely accepted components of market value are incorporated in the following definition: The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.
2. Market value is described in the *Uniform Standards of Professional Appraisal Practice (USPAP)* as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. (USPAP, 2018-2019 ed.)

Comment: Forming an opinion of market value is the purpose of many real property appraisal assignments, particularly when the client's intended use includes more than one intended user. The conditions included in market value definitions establish market perspectives for development of the opinion. These conditions may vary from definition to definition but generally fall into three categories:

1. the relationship, knowledge, and motivation of the parties (i.e., seller and buyer);
2. the terms of sale (e.g., cash, cash equivalent, or other terms); and
3. the conditions of sale (e.g., exposure in a competitive market for a reasonable time prior to sale).

Appraisers are cautioned to identify the exact definition of market value, and its authority, applicable in each appraisal completed for the purpose of market value.

USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:

- Identification of the specific property rights to be appraised.
 - Statement of the effective date of the value opinion.
 - Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
 - If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below, or above market interest rates and/or contain unusual conditions or incentives. The terms of above- or below-market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.
3. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
 - a. Buyer and seller are typically motivated;
 - b. Both parties are well informed or well advised, and acting in what they consider their best interests;
 - c. A reasonable time is allowed for exposure in the open market;
 - i. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - d. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (12 C.F.R. Part 34.42(g); 55 *Federal Register* 34696, August 24, 1990, as amended at 57 *Federal Register* 12202, April 9, 1992; 59 *Federal Register* 29499, June 7, 1994).
 4. The International Valuation Standards Council defines *market value* for the purpose of international standards as follows: The estimated amount for which an asset or liability should exchange on the *valuation date* between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. (IVS).

5. The Uniform Standards for Federal Land Acquisitions defines *market value* as follows: Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal. (Uniform Appraisal Standards for Federal Land Acquisitions).

Marketing Time:

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, “Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions” address the determination of reasonable exposure and marketing time.)

Replacement Cost:

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout.

Replacement Cost for Insurance Purposes:

The estimated cost, at current prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design, and layout for insurance coverage purposes guaranteeing that damaged property is replaced with new property (i.e., depreciation is not deducted).

Reproduction Cost:

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

Surplus Land:

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved.

QUALIFICATIONS OF APPRAISERS

**PROFESSIONAL QUALIFICATIONS OF
THOMAS P. LENAHAN, MAI
Real Estate Appraiser
Machinery & Equipment Appraiser**

Education

Rutgers University – Bachelor of Arts – Economics

Rutgers University, Graduate School of Management – Masters in Business Administration

Experience

Thomas P. Lenahan has over 28 years of real estate appraisal experience specializing in commercial and industrial valuation on a regional basis primarily for major financial institutions, government entities and insurance companies. Mr. Lenahan's experience covers the performance of fair market valuations, investment and discounted cash flow analysis, valuation of partial interest, highest and best use studies, and feasibility analysis. Valuations have been performed as a function for the allocation of purchase price, financing, sales, and ad valorem tax appeals. These aspects of appraisal work have been performed for leading financial institutions, government entities and developers. Valuations have been performed on the following types of properties.

- Commercial - Income producing real estate i.e., office buildings, shopping centers, department stores, apartment buildings, mixed-use developments, movie theatres, residential and commercial sub-division analysis, and fast food restaurants.
- Industrial - Manufacturing plants and distribution warehouses, high-tech flex buildings, research and development facilities.
- Special Investment Analysis – Motels, schools, land, proposed mixed use development valuation and discounted cash flow analysis.
- Machinery & Equipment – Restaurant equipment, printing equipment, construction equipment, farm equipment nearly all types of personal property equipment.

Affiliations

Member of the Appraisal Institute, MAI

Certified as a General Appraiser in the State of New Jersey - License No. 42RG00138200 (SCGRE)

Professional Experience

Mr. Lenahan commenced his appraisal career as a staff appraiser with the appraisal firm of Sullivan & Company in 1993 where he performed a variety of commercial and residential appraisals. In 1996 he joined Izenberg Appraisal Associates, thus expanding his knowledge into tax appeals. In 1999 Mr. Lenahan joined James R. Poole & Company as A.V.P., head underwriter. Here he worked directly with mortgage brokers to create loan packages to submit to lenders where the average loan package was ±\$10 million. This entailed borrower analysis, property analysis, market analysis, direct capitalization technique, Argus cash flow analysis, credit checks and tenant analysis. He was also, responsible for the annual financial analysis of an over \$1 billion dollar portfolio in commercial loans.

BACKGROUND AND MULTIPLE SECURITY FEATURES. PLEASE VERIFY AUTHENTICITY.

State Of New Jersey
New Jersey Office of the Attorney General
Division of Consumer Affairs

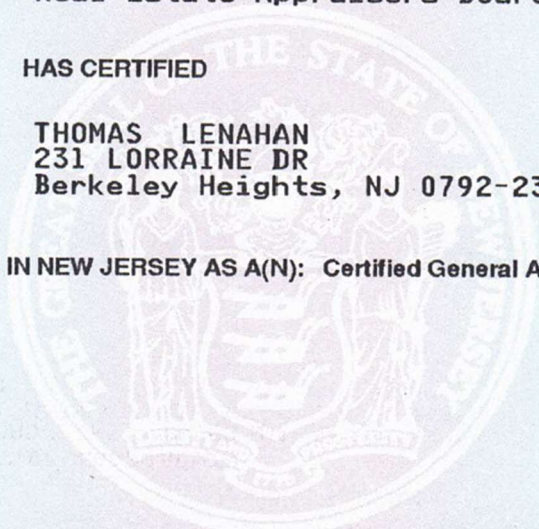


THIS IS TO CERTIFY THAT THE
Real Estate Appraisers Board

HAS CERTIFIED

THOMAS LENAHAN
231 LORRAINE DR
Berkeley Heights, NJ 0792-2341

FOR PRACTICE IN NEW JERSEY AS A(N): **Certified General Appraiser**




12/02/2021 TO 12/31/2023
VALID

42RG00138200
LICENSE/REGISTRATION/CERTIFICATION #



Signature of Licensee/Registrant/Certificate Holder



ACTING DIRECTOR