

**SUMMARY  
APPRAISAL REPORT**

*of:*

STONE RIDGE PUBLIC USE SITE #3  
MILLSTREAM DRIVE  
ALDIE, LOUDOUN COUNTY, VIRGINIA 20105  
JMSP FILE NO.: 2009-0520A

*as of:*

JANUARY 1, 2010

*prepared for:*

STONE RIDGE COMMUNITY DEVELOPMENT IV, LLC  
c/o MR. ROY BARNETT  
VAN METRE COMPANIES  
5252 LYNNGATE COURT  
BURKE, VA 22015

*prepared by:*

JMSP, INC.  
610 HERNDON PARKWAY, SUITE 700  
HERNDON, VIRGINIA 20170  
(703) 467-8424

# JMSP

*Real Estate Appraisers and Consultants*

*JMSP, Inc.  
610 Herndon Parkway  
Suite 700  
Herndon, Virginia 20170*

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January 13, 2010

Stone Ridge Community Development IV, LLC  
c/o Mr. Roy Barnett  
Van Metre Companies  
5252 Lyngate Court  
Burke, Virginia 22015

Re: Stone Ridge Public Land Use Site #3  
Millstream Drive  
Aldie, Virginia 20105  
JMSP File No.: 2009-0520A

Dear Mr. Barnett:

At your request, I have completed an appraisal of the referenced property; a copy of the letter of engagement is included in the Addenda to this report. This is a Summary Report according to USPAP. The subject is a 5.6 acre site in the planned community of Stone Ridge. The owner is proffering to convey the site to Loudoun County as part of a rezoning request in exchange for certain Capital Facilities Credits.

The purpose of the appraisal is to estimate the Market Value of the parcel using Loudoun County land proffer valuation guidelines. In estimating Market Value, I have invoked the USPAP Jurisdictional Exception, as the valuation process required by Loudoun County does not conform to USPAP regulations. In addition, I have assumed that infrastructure development is in place (that is, I have made the Hypothetical Assumption that Millstream Drive is complete and all utilities are at the site). effective date of value is January 1, 2010. Property rights appraised constitute the fee simple estate.

This appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan. This letter is part of the attached report and should not be used except in conjunction with the entire report, which describes the property being appraised, the market data which was considered and the reasoning which led to the conclusions set forth herein.

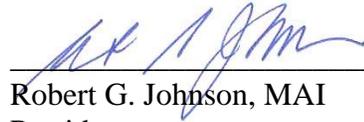
Based on a physical inspection of the property and the investigation and analyses undertaken, and subject to the underlying assumptions and limiting conditions set forth in the accompanying report, I estimate the Market Value As If Infrastructure Development Were Complete, of the fee simple interest in the subject, Using Loudoun County Proffer Valuation Guidelines, as of January 1, 2010, to be:

**TWO MILLION NINETY THOUSAND DOLLARS  
\$2,090,000.**

Mr. Roy Barnett  
January 13, 2010  
Page Two

This value is stated in terms of cash. In addition, I have concluded that both the exposure time and marketing period for the subject are approximately **12 months**. If you have any questions or comments regarding this appraisal report, please do not hesitate to call.  
Respectfully submitted,

JMSP, Inc.

A handwritten signature in blue ink, appearing to read "R. G. Johnson", is written over a horizontal line.

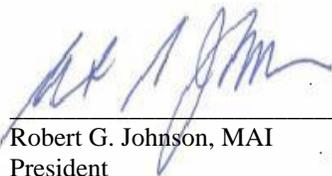
Robert G. Johnson, MAI  
President  
Virginia Certified General Real Estate  
Appraiser Number 4001-1398

## CERTIFICATION OF THE APPRAISER

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, 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.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 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.
- My opinions and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice, and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- Robert G. Johnson, MAI, has 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 report.
- As of the date of this report, Robert G. Johnson, MAI, has completed the requirements of the continuing education program of the Appraisal Institute.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
- I possess the necessary experience and competence to complete this appraisal.
- The use of this report is subject to the requirements of the Appraisal Institute, relating to review by its duly authorized representatives.
- Based on a physical inspection of the property and the investigation and analyses undertaken, and subject to the underlying assumptions and limiting conditions set forth in the accompanying report, I estimate the Market Value As If Infrastructure Development Were Complete, Using Loudoun County Land Proffer Valuation Guidelines, of the fee simple interest in the subject, as of January 1, 2010, to be **\$2,090,000**.
- This value is stated in terms of cash. In addition, I have concluded that both the exposure time and marketing period for the subject are approximately **12 months**.

JMSP, Inc.



Robert G. Johnson, MAI  
President  
Virginia Certified General Real Estate  
Appraiser Number 4001-1398

## **UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS**

In conducting this appraisal, I/we have assumed that:

1. Title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions, except those specifically discussed in this report. The property is under responsible ownership and competent management and is available for its highest and best use, unless otherwise noted in the appraisal.
2. Unless otherwise noted in this appraisal, existing judgments or pending or threatened litigation are assumed to have no effect on the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements which would render the property more or less valuable. Furthermore, there is no exposed asbestos in the property, unless otherwise noted in this appraisal.
4. The revenue stamps placed on any deed to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning and other federal, state and local laws, regulations and codes, unless otherwise noted in this appraisal.
6. Unless otherwise noted in this appraisal, the property is not located in an area in which the purchase of flood insurance is required as a condition for federal or federally related financial assistance.
7. If the appraisal is for property to be built or under construction, construction will be completed as outlined in this report.
8. This appraisal does not give effect to any proposed federal income tax legislation now under consideration. Uncertainties in the marketplace could eventually have a material effect on a property's Market Value.

The appraisal report is subject to the following limiting conditions:

1. An appraisal is inherently subjective and represents only one estimate of a property's Market Value.
2. The conclusions stated in this appraisal apply only as of the date of value and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Service Code) are anticipated, unless otherwise noted in this appraisal.
4. If no environmental impact studies were either requested or made in conjunction with this appraisal, the appraisers reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. Required revisions, beyond the scope of the original appraisal assignment, would be subject to a new appraisal engagement letter. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. By reason of this assignment, the appraisers are not required to give testimony or to be in attendance in court or any government or other hearing with reference to the property without written contractual arrangements having been made relative to such additional employment.
6. The appraisers have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only. No such sketch or survey is scaled for size, unless otherwise noted in this appraisal. The appraisal covers the property as described in this report, and the areas and dimensions set forth herein are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, and the appraisers have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in this appraisal.
8. No responsibility is accepted by the appraisers for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters, geologic considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural or other engineering.
9. The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. This appraisal shall be considered in its entirety. No part hereof shall be utilized separately or out of context.
10. Neither all nor any part of the content of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including, without limitation, prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the appraisers.
11. Information, estimates and opinions contained in this report, obtained from third parties or sources outside of this office, are assumed to be reliable and have not been verified.
12. The appraisers have not reviewed any financial statements pertaining to the property, unless otherwise noted in this appraisal.
13. Any income and expense estimates contained in this appraisal are used only for the purpose of estimating current Market Value and do not constitute predictions of future operating results.
14. If the value of the property is relevant for federal income tax purposes, the methodology and/or results of the appraisal may be challenged by the Internal Revenue Service. In the event of such a challenge, there can be no assurance that the methodology and/or results of the appraisal will be accepted. In particular, the methodology for appraising certain types of properties, including, without limitation, government subsidized housing, has been the subject of debate among professional appraisers and may be especially susceptible to challenge.
15. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal cannot take into account the condition of the economy, of the real estate industry or of the appraised property at the time the leases expire or otherwise terminate.
16. Unless otherwise noted in this appraisal, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
17. The current purchasing power of the dollar is the basis for the value stated in this appraisal; the appraisers have assumed that no extreme fluctuations in economic cycles will occur.
18. Soils in the area are adequate for existing structures or construction of improvements as proposed, if any are proposed.

19. The existence of hazardous materials or conditions, which may or may not be present at the subject property, was not observed by the appraisers. The appraisers have no knowledge of the existence of any hazardous materials in or on the property, in any supplied public utility, or in or on a neighboring property affecting the subject property. The appraisers are not, however, qualified in the arts and sciences of environmental hazard detection and assume no responsibility for any such conditions. If any user of this appraisal report is concerned with the possibility of environmental hazard, I/we recommend retention of appropriate experts for counsel and advice.
20. *The Americans with Disabilities Act (ADA)* became effective January 26, 1992. The appraisers 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 *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 the appraisers have no direct evidence relating to this issue, possible noncompliance with the requirements of the *ADA* was not considered in estimating the value of the property.

#### **HYPOTHETICAL ASSUMPTION**

21. *Currently, Millstream Drive is not yet complete and utilities have not yet been extended to the subject. At the request of the Client, I have assumed that infrastructure development (Millstream Drive and utility extension) is complete.*

## PHOTOGRAPHS OF THE SUBJECT



A view westward, along Millstream Drive under construction - the subject is in the distance, on the left side.



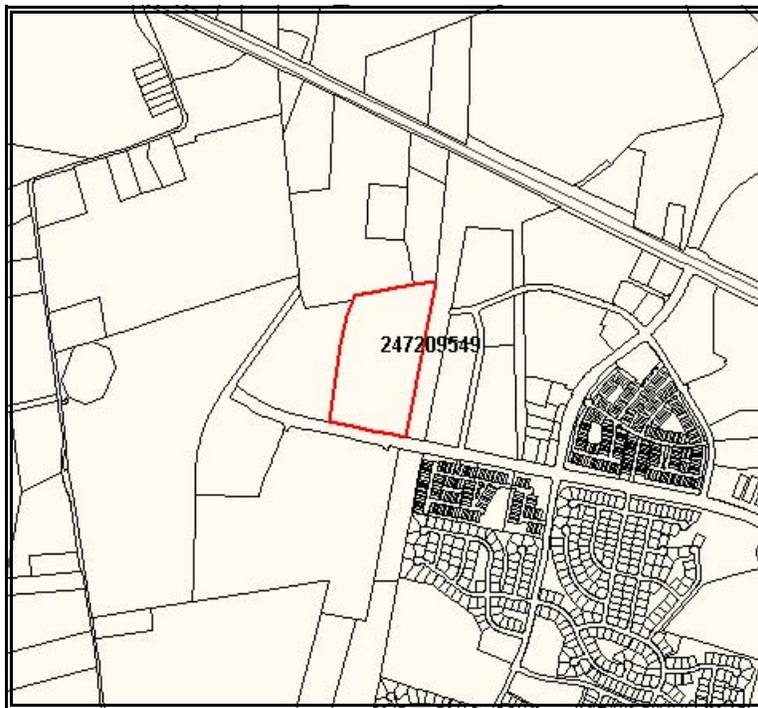
A view northward along the power line easement - the subject is in the distance, on the left side.



## SCOPE OF THE ASSIGNMENT

The subject is a 5.6 acre site in the planned community of Stone Ridge. The owner is proffering to convey the site to Loudoun County as part of a rezoning request in exchange for certain Capital Facilities Credits. This appraisal does not include any value associated with personal property or business interests. The analysis herein takes into account the following:

1. **Subject Street Address:** Millstream Drive  
Aldie, Virginia 20105
2. **Jurisdiction:** Loudoun County, Virginia.
3. **Legal Description:** Part of Stone Ridge West, Land Bay 7
4. **Tax ID Numbers:** Part of 247-20-9549



5. **Ownership** Stone Ridge Community Development Associates IV, LLC.
6. **Acquisition:** There have been no deed transfers during the past three years.
7. **Listing/Contract:** The subject is not listed for sale or under contract.
8. **Type of Value:** Market Value As if Infrastructure Were Complete Using Loudoun County Land Proffer Valuation Guidelines

9. **Interest Appraised:** Fee Simple Estate (see Addenda for Definitions)
10. **Intended Use:** The owner is proffering to convey the subject to Loudoun County in exchange for certain Capital Facilities Credits. I understand that this appraisal may be use to help ascertain the amount of such credit.
11. **Client:** This appraisal was requested by Mr. Roy Barnett of behalf of Stone Ridge Community Development, LLC. Stone Ridge Development IV, LLC, is the Client.
12. **Intended User(s):** Intended users include Stone Ridge Community Development IV, LLC, the Van Metre Companies and Loudoun County. JMSP, Inc. is not responsible or liable for any unauthorized use of this appraisal.
13. **Effective Date of Value:** January 1, 2010
14. **Report Date:** January 13, 2010
15. **Inspection:** The subject was inspected by Robert G. Johnson, MAI
16. **Market Considered:** The market for light industrial land
17. **Information Sources:** Market participants (i.e. real estate agents, investors and developers), published commercial sources (i.e. Win2Data, CoStar, MRIS, the *Korpacz Real Estate Investor Survey* published by PriceWaterhouseCoopers and the Marshall Valuation Service), other real estate appraisers and lenders.
18. **Approaches to Value:** Based on the stated requirements of the client and my consideration of the scope of this analysis, I used the Sales Comparison Approach to estimate the value of subject. Neither the Cost nor Income approaches are relevant in the valuation of industrial land, and their elimination does not affect my ability to provide a credible value estimate.

## LOUDOUN COUNTY

Loudoun County is one of the twenty counties in Virginia, Maryland and West Virginia that comprise the Washington, D.C. Metropolitan Statistical Area (Washington MSA). Bordering the county are Fairfax and Prince William Counties to the southeast; Fauquier County to the southwest; Jefferson and Clark Counties in West Virginia to the northwest; and the Potomac River and Montgomery and Frederick Counties in Maryland to the northeast. Loudoun County is located approximately 25 miles west of Washington, D.C., and has a total land area of 517 square miles.



As of January 2009, the population, according to DemographicsNow.com, for Loudoun County was 301,232. The 2000 Census revealed a population of 169,599, and in 1990 it was 85,958 representing an increase of 97.3 percent. It is estimated that the population in this area will be 380,446 in 2013, representing an increase of 26.3 percent from 2008. The population density in Loudoun County is 578.0 people per square mile. There are currently 88,961 households in Loudoun County. The Census revealed household counts of 59,900 in 2000, up from 30,444 in 1990, representing an increase of 96.8 percent. It is estimated that the number of households in this area will be 105,950 in 2013, representing an increase of 19.1 percent from the current year. In 2008, the median

number of years in residence is 2.61. The most noteworthy recent development to have begun in Loudoun County is a world-class \$500 million genetics research campus near Ashburn known as the Howard Hughes Medical Institute. The campus is located on 281 acres adjacent to the west of the mixed-use University Center development. When completed, the medical institute campus will house a permanent research staff of 300 scientists. The Hughes campus represents the single largest biotechnology investment in Virginia. It is expected to serve as a magnet for other business and research ventures in the biomedical field to come to Loudoun. The complex includes glass-enclosed lab buildings along the Potomac River with views of Sugarloaf Mountain, conference housing and apartments for visiting scientists.

Noteworthy business highlights for Loudoun County during 2007 include the following:

- Orbital Sciences Corporation announced plans to construct four new buildings on its 77-acre campus located on Severn Way in Sterling. Their plans are to hire 200 people in 2008 and 100 people per year for the next several years in addition to the existing staff of 1,500.

- Peterson Companies sold 47 acres in Commonwealth Center to Visa USA, Inc. Plans for Commonwealth Center include 1.4 million square feet of corporate office space, five restaurants, one hotel and 100,000 square feet of employee support amenities.
- In addition to Loudoun County's existing data center inventory of 2.4 million square feet, AT&T announced plans to add 30,000 square feet to its existing data center in Ashburn and Dupont Fabros has plans to building another 500,000 square feet in two, data center buildings in Ashburn.
- United Airlines began airplane flights to Beijing in April of 2007 being the first direct flight between the Washington, DC area and China.
- Merritt Properties LLC completed the first phase of a 381,000-square-foot development known as Ashbrook Five. The first phase includes 206,300 square feet and is fully leased. Construction began on the first building in the second phase in early 2007. The second phase will include 175,000 square feet of office space.
- In 2007, AOL moved its corporate headquarters from Loudoun County to New York. In April 2009, Raytheon announced that they will be moving into 600,000 square feet on the AOL campus, bringing 2,000 employees to this location.

In 2008, there were 169,617 people over the age of 16 in the labor force in Loudoun County. Of these 73.7 percent were employed, 1.7 percent were unemployed, and 0.6 percent were in the Armed Forces. In 2008, there were 123,275 employees (daytime population) and there were 9,181 establishments. In 1990, 70.4 percent of employees were employed in white-collar occupations and 29.6 percent were employed in blue-collar occupations. In 2000, white collar workers made up 77.3 percent of the population, and those employed in blue collar occupations made up 22.7 percent.

In 2008, the median household income in Loudoun County was \$105,160, compared to the US median income of \$52,599. The Census revealed median household incomes of \$80,852 in 2000 and \$52,258 in 1990 representing an increase of 54.7 percent. It is estimated that the median household income in this area will be \$118,993 in 2013, which would represent an increase of 13.2 percent from the current year. In 2008, the per capita income in this area was \$37,960, compared to the US per capita of \$26,464. The 2008 average household income for Loudoun County was \$128,013, compared to the US average of \$68,953.

The median housing value in Loudoun County was \$169,773 in 1990, compared to the US median of \$78,382 for the same year. The 2000 Census median housing value was \$200,364, which is a 18.0 percent increase from 1990. In 1990, there were 22,297 owner occupied housing units in this area versus 47,539 in 2000. Also in 1990, there were 8,146 renter occupied housing units in this area versus 12,361 in 2000.

Loudoun is served by a network of highways and secondary roads primarily located in the eastern part of the county. The Dulles Greenway and the Dulles Toll Road (both known as Route 267) are the major arterials that link Loudoun County to the Capital Beltway (I-495) and Washington, D.C. The Greenway connects to the Dulles Toll Road at Route 28 which is the county's primary north-

south arterial. Construction is currently underway increasing the Greenway from four lanes to a six-lane road.

The primary stimulus for the rapid growth in progress for eastern Loudoun County has clearly been the emergence of the Washington Dulles International Airport which is presently the nation's fastest growing airport in terms of passenger flights. Today, Dulles is the single most important economic asset in Loudoun County and is credited as a major driving force by practically all relocating technology firms as a key component of their decision-making process. This complex is situated on 11,000 acres of land straddling the border of Fairfax and Loudoun Counties adjacent to Route 28.

In summary, Loudoun County is an outer suburb located to the west of Fairfax County. As development potential of the inner suburbs of Arlington, Alexandria and Fairfax Counties has decreased, interest in Loudoun County has increased. Residential developers have dominated construction in Loudoun County over the past five years due to the fact that there were many large vacant sites available for immediate development, rezoning and/or future development. As in other areas of Northern Virginia, large residential developments also include a commercial component which include various combinations of office, retail, industrial and/or recreational uses. New home buyers continue to support the already high income demographics for the County; and, therefore, retail development has quickly followed residential development. Industrial development has been strong due to the presence of Dulles Airport within the County. Office development has been slower than other commercial development although it is an important contributor to the projected tax base.

## **NEIGHBORHOOD ANALYSIS**

The subject is located in Stone Ridge, a large mixed use community located on the south side of John Mosby Highway (US Route 50), west of Gum Spring Road, in Chantilly, Loudoun County, Virginia. The Route 50 corridor has been the focus of intense residential development over the past three years. In addition to the subject, there have been a number of other new communities that are being developed. Prior to these developments, the Route 50 corridor was an undeveloped, semi-rural area. The most significant developments in the area are described below.

### **South Riding**

South Riding is a large-scale planned community located on the south side of U.S. Route 50 between Poland Road (Route 742) and Gum Spring Road (Route 659) in the Chantilly area of Loudoun County. This golf course community is being developed on approximately 2,021 acres, and is approved for the construction of up to 5,370 dwelling units, including 2,400 single-family detached, 1,870 single-family townhouse, and 1,100 multifamily units. In addition to the residential uses, the development incorporates a number of commercial uses, passive and active recreational amenities and community support uses such as schools, libraries and day care centers. The developer and homebuilder is Toll Brothers. Land development and house construction is on-going.

### **Stone Ridge**

Stone Ridge is being developed on a 802.6334-acre tract located at the southwest quadrant of U.S. Route 50 (John Mosby Highway) and Watson Road (Route 860). This property was purchased in April 2001 by Stone Ridge Community Development, LLC, for \$36,000,000. It is currently zoned and concept plan approved for the development of a planned community with 3,265 residential dwelling units of various types, 316,378 square feet of retail space, 269,800 square feet of office space, and 570,250 square feet of flex and industrial space. As a condition of rezoning, the property will also incorporate the development of 166 affordable dwelling units. The property is zoned PD-H4, R-8, R-16, R-24, PD-CC(SC), PD-OP, PD-IP and PD-GI. To jump start the community, the developer sold an 87.8499-acre land bay (Deed Book 1902, Page 1746) in Phase 1 of Stone Ridge North to a joint venture between Centex and Beazer Homes for \$9,444,254, or \$29,059 per unit based on 325 market rate units. Infrastructure and within bay land development along with new home construction is on-going.

### **Brambleton**

Brambleton in its entirety is an assemblage of forty-one individual land parcels containing an aggregate area of approximately 2,028.94 acres zoned PD-H4, PD-IP, PD-GI, CR-1, and A-3. The project is oriented around the intersection of Ryan Road (Route 772) and Belmont Ridge Road (Route 659) in the Ashburn area of the County. It is approved for the development of 6,240 residential dwelling units, divided into 5,690 market rate units and 550 affordable dwelling units. Additional proposed uses include 450,000 square feet of neighborhood and community retail, 220,000 square feet of office, and up to 1,439,397 of light-industrial uses. As of the effective date, Phase 1 site development has been completed, and house construction is on-going. Phase 2 site development is currently in process with the first production lots delivered in September 2004.

Phase 2 homebuilders include Centex Homes, Miller & Smith, Stanley Martin Companies, Winchester Homes, Beazer Homes, and The Gulick Group. Phase 3 is ready to begin development.

### **Kirkpatrick Farm**

Kirkpatrick Farms abuts Stone Ridge to the southeast, and straddles both sides of Braddock Road (Route 620). This property was rezoned in the late-1997 from A-3 to PD-H4 for the development of 1,385 residential units, including 824 single-family detached, 345 townhouse and 216 multifamily units on approximately 453 acres. The developer is Greenvest. L.C. The only two active homebuilders are NVHomes and Ryan Homes. Development is on-going.

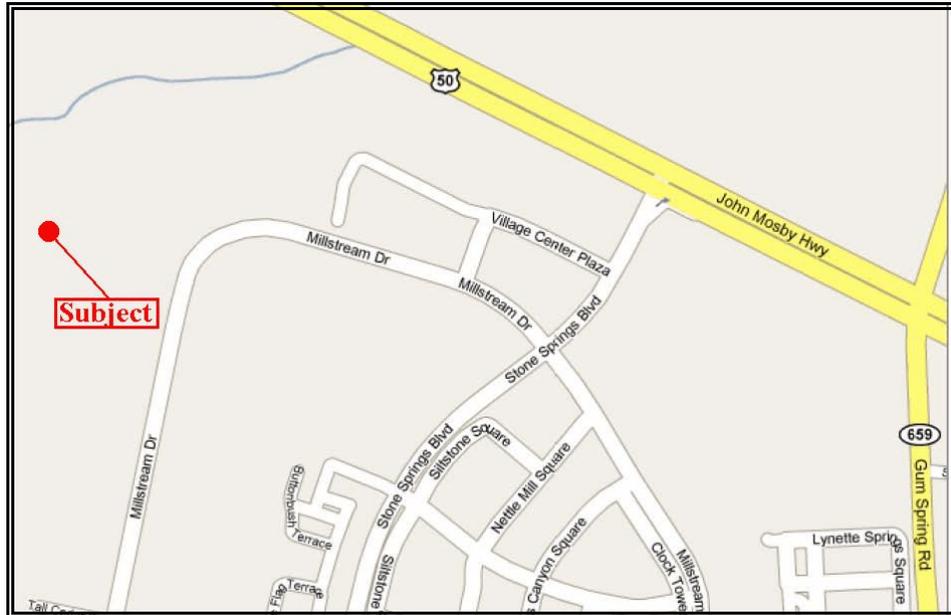
### **Avonlea**

This project is located at the southeast quadrant of the intersection of the John S. Mosby Highway (U.S. Route 50) and Pinebrook Road (Route 827) in the Chantilly area of Loudoun County. The property is an assemblage of eight (8) parcels and a portion of vacated roadway containing an aggregate area of approximately 164.46 acres, or 7,164,103 square feet. The proposed plan is to subdivide the property into 408 lots in two phases for single-family detached and townhouse development. Sixty-five (65) detached lots will be developed with an average width of 75 feet. The balance of 343 lots will be for townhouse development with interior lots widths of 18 feet (24 lots), 24 feet (80 lots), 28 feet (93 lots) and 34 feet (146 lots). All 24 of the 18-foot lots will be developed under the affordable dwelling unit (ADU) ordinance in Loudoun County. In addition to the residential component, approximately 38.08 acres located on the south side of John S. Mosby Highway (U.S. Route 50), and north of the proposed Tall Cedars Parkway, will be held for future development. Phase 1 is nearly complete, however the project is now closed and the builder, Edgemoor Homes, has filed for bankruptcy.

## DESCRIPTION OF THE SITE

### LOCATION:

Stone Ridge is located on the south side of U.S. Route 50 (John S. Mosby Highway) between that artery's intersection with Gum Spring Road (Route 659) and Goshen Road (Route 616) in the Aldie area of eastern Loudoun County, Virginia. The subject is an industrial site in Stone Ridge, located on the south side of Millstream Drive, just west of the Power Line easement. Please refer to the map included below.



### SIZE AND SHAPE:

The subject is a 5.6 acre parcel, which is part of a larger parcel that is 27.39 acres in size. The shape of the parcel is irregular, as shown at the end of this section.

### TOPOGRAPHY

Nearly flat and at grade with street frontages

### DRAINAGE

Appears to be adequate; storm water management facility is offsite

### FLOOD PLAIN:

Based on FEMA Flood Insurance Rates Map 51107C0360 D and 51107C0370 D (effective 7-5-2001), the site is located within Zone X which is defined as areas determined to be outside 500-year flood plain.

### ACCESS

*Millstream Drive, which fronts the subject, is not yet complete. I have made the Hypothetical Assumption that the road is complete at the request of the Client. The owner/developer plans to convey the parcel to the County as proffer, and then be responsible for the timely completion of Millstream Drive.*

**SOILS**

A soils data report was not provided for use in this report. Therefore, I have assumed that the existing soils are adequate to support the site's development to its highest and best use as stated herein. As previously stated in the Assumptions and Limiting Conditions, JMSP, Inc. are not soils experts, nor are we trained to detect any existing or potential soil problems.

**ENVIRONMENTAL**

An environmental report was not provided for use in this report. In the absence of any information to the contrary, I have assumed that there are no known or observed environmentally sensitive or suspect on-site conditions, and that there is no evidence of discharges, leachate, migration, or run-off of potential contaminants from off-site sources. During my inspection of the subject, I did not become aware of the existence of any toxic substances or hazardous materials, nor did I detect any evidence that toxic or hazardous materials had ever been used or stored within the boundaries of the property. As stated within the Assumptions and Limiting Conditions, the appraiser is not qualified to detect such materials or contamination.

**UTILITIES**

Utilities available at or near the property include public water, sanitary sewer, natural gas, electricity and telephone service. Public water and sanitary sewer is provided by the Loudoun County Sanitation Authority (LCSA). Natural gas service is provided by Washington Gas. Electricity is provided by Dominion Resources (Virginia Power). Telephone service is provided by Verizon. Shortages and/or moratoriums are foreseen during the foreseeable future. *Utility extensions have not yet been made to the subject, however, I have made the Hypothetical Assumption that utilities have been extended to the site for the purpose of this appraisal at the request of the Client. The owner/developer plans to convey the subject parcel to the County as proffer, and then be responsible for the timely extension of utilities to the site.*

**EASEMENTS**

No detrimental easements are known to exist, however, this document does not take the place of a title report.

**ENCROACHMENTS**

None known to exist

**LEGAL RESTRICTIONS**

None known to exist



## **ASSESSMENT AND REAL ESTATE TAX**

The laws of the Commonwealth of Virginia require that real estate assessments represent 100 percent of market value. Assessments are based on a variety of factors that include, but are not limited to, location, utilities, zoning, market conditions, comparable transactions of similar properties and current land use as indicated by the Loudoun County Assessor. Assessments in Loudoun County are conducted on an annual basis.

The subject is part of a larger parcel. The 2009 assessments for the larger parcel is \$1,780,400 (land only). The tax rate for 2009 is \$1.245 per \$100, resulting in a tax liability for the larger parcel of \$22,166.

Taxes within Loudoun County are paid on a semi-annual basis on or before June 5<sup>th</sup> and December 5<sup>th</sup>. The subject's taxes are current.

## **PLANNING & ZONING**

The subject is part of a parcel that is zoned PD-IP. Under Loudoun County Proffer Valuation Guidelines, the zoning of a parcel is irrelevant. Therefore, I will not describe the zoning regulations here.

The Loudoun County Board of Supervisors land proffer valuation methodology requires that all land proffer site appraisals be based on the site's planned land use as contained in the Revised General Plan. The subject is planned as Business Community. Uses are generally industrial and office, and retail use is allowed where appropriate. The subject is in an area that would seem to support light industrial use, and would not be appropriate for either office or retail use.

Therefore, I conclude that the highest and best use of the subject under the Revised General Plan is light industrial use.

## MARKETABILITY STUDY\

The Washington, DC Metropolitan area industrial market ended the first quarter of 2009 with a vacancy rate of 12.2%. The vacancy rate was up over the previous quarter with net absorption totaling negative (1,155,583) square feet in the first quarter. A total of 6 buildings delivered, adding 306,603 square feet. The total flex inventory is now 67.7 million square feet, and the total warehouse inventory is 132.2 million square feet. The vacancy rate for warehouse is 10.8% while flex is 14.9%.

Loudoun County currently has an industrial and flex inventory of 403 buildings together containing a total of 21,638,080 square feet and the great majority of these buildings is located in the Route 28 North submarket. There is very little industrial inventory along the Route 50 Corridor, so in this analysis, I just show statistics for the major markets in Loudoun County, the Dulles Industrial Corridor and North Loudoun.

<b>INDUSTRIAL MARKET IN LOUDOUN COUNTY</b>					
<b>1st Qtr 2009</b>					
<b>Market</b>	<b>No Bldgs</b>	<b>Sq. Ft.</b>	<b>Vacancy Rate</b>	<b>YTD Absorption</b>	<b>Under Constr.</b>
<b>Flex</b>					
Dulles Corridor	334	18,276,657	15.90%	83,369	177,804
North Loudoun	10	602,718	12.20%	-7,049	0
<b>Warehouse</b>					
Dulles Corridor	311	15,565,795	13.60%	-26,516	740,196
North Loudoun	16	373,913	0	0	0
<b>Total Industrial</b>	<b>671</b>	<b>34,819,083</b>	<b>14.6%</b>	<b>49,804</b>	<b>918,000</b>

Flex square footage outnumbered the warehouse inventory, however, the difference is often small, and many buildings are advertised as both. However, vacancy in the flex inventory is 15.90% percent as compared to the industrial vacancy rate of 13.6%.

## HIGHEST AND BEST USE

Highest and Best Use is defined as:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability."<sup>1</sup>

It is recognized that in cases where a site has existing improvements on it, the highest and best use may be determined to be different from the existing use. The existing use will continue however, unless and until the land in its highest and best use exceeds the total value of the property in its existing use. Therefore, whenever a property does have existing improvements, it is necessary to estimate the highest and best use of the site both as if it were vacant and as it currently exists.

As the definition above implies, there are four criteria which help to identify the highest and best use. These are:

1. Legally Permissible
2. Physically Possible
3. Financially Feasible
4. Maximally Productive

The Loudoun County Board of Supervisors land proffer valuation methodology requires that all land proffer site appraisals be based on the site's planned land use as contained in the Revised General Plan. The subject is planned as Business Community. Uses are generally light industrial and office, and retail use is allowed where appropriate. The subject is in an area that would seem to support light industrial use, and would not be appropriate for either office or retail use.

***Therefore, I conclude that the highest and best use of the subject under the Revised General Plan is light industrial use.***

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<sup>1</sup>The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Chicago, 1993, p. 171.

## APPRAISAL PROCESS

The **Cost Approach** is founded on two basic principles, substitution and contribution. The principle of substitution uses the premise that an informed and rational purchaser (investor) will pay no more for an existing improved income property than the cost of producing a substitute property with the same utility. Contribution holds that the present worth of the improvements as of the valuation date is a measure of their contribution to total property value, in addition to the independently estimated value of the site. In the present case, the Cost Approach **was not** used to estimate the subject's Market Value, because it is not appropriate in the valuation of unimproved land.

The **Sales Comparison Approach** is based primarily on the principle of substitution and is premised on the idea that an informed and prudent rational purchaser (investor) would pay no more than the cost of acquiring a similar, competitive property with the same utility, as of the valuation date. This approach assumes there is an active market for properties similar to the subject and that the prices paid for similar competitive properties, which represent bona fide arm's-length transactions, are indicative of the most probable sale price for the subject, as of the valuation date. In this approach, salient characteristics of the subject property are identified and compared with recent sales of similar properties. Differences between the comparable sales and the subject are adjusted to the subject, based on market evidence, and the adjusted sales prices correlated into an indication of value, as of the valuation date. The Sales Comparison Approach **was** used as a basis to estimate the subject's Market Value.

The **Income Approach** to value is based on the principle of anticipation and the premise that the value of a property is the present worth of future benefits or future net income receipts over a specific period of time. The net income is then converted to an indication of value using the process of capitalization. The Income Approach analyzes the potential income of the subject, taking into account existing subject leases and market rents. In addition, it analyzes the costs of ownership that must be incurred to generate that income. The Income Approach also addresses the selection, development and application of appropriate capitalization techniques, which are then used to arrive at an indication of value for the subject property as of the date of valuation. The Income Approach **was not** used to estimate the subject's Market Value, because it is not appropriate for the valuation of land which has little or no prospect of being leased.

## **SALES COMPARISON APPROACH**

The Sales Comparison Approach is based primarily on the principle of substitution and includes a comparison of the subject to similar properties that have recently sold. A major premise of this approach is that the market value of a property is directly related to the sale price of comparable, competitive properties.

As applied to the Sales Comparison Approach, the principle of substitution holds that the value of a given property, in this case the subject, tends to be set by the price that would be paid to acquire an equally desirable substitute having similar utility. In order for this approach to be a valid method of estimating value, the principle of substitution assumes that the market for properties like the subject is in balance and is unaffected by external forces, either positive or negative. In the Area Analysis and Neighborhood Analysis sections of this report, the environment in which the subject exists was examined, and will be related to the subject in this section. The Sales Comparison Approach is applicable to all types of properties and to all types of property interests when a sufficient number of reliable sales transactions can be identified, so that value patterns in the market can be found. The following systematic procedure was used to estimate the market value of the subject using the Sales Comparison Approach:

- 1) Research the market for recent sales of similar properties.
- 2) Verify the data obtained to insure the sales represent arm's-length transactions.
- 3) Select relevant units of comparison and develop a comparative analysis for each sale.
- 4) Compare the sales to the subject using the elements of comparison developed and adjust the sales price of each comparable, if and where appropriate.
- 5) Reconcile the various indications produced from the analysis of the comparables into a single value indication for the subject.

### **INDUSTRIAL LAND SALES**

The comparable light industrial land sales used in this analysis of the subject property are summarized in the pages that follow.

## COMPARABLE INDUSTRIAL LOT SALE ONE

---

Project Name: Dulles Summitt

Property Location: Old Ox Road (No number assigned)  
Sterling, Virginia

Jurisdiction: Loudoun County

Parcel ID: 046-45-5196

Grantor: Dulles TRC-DCT/SIP, Inc

Grantee: George and Angela Padiotis

Sale Price: \$1,100,000

Sale Date: February 10, 2009

Deed Reference: 2009-02130007791

Lot Size: 1.85 acres or 80,586 square feet

Price Per Square Foot: \$13.65

Financing: All cash sale.

Utilities: Public water, sanitary sewer, electricity and telephone service is available at the lot.

Zoning: PD-GI

Verification: Comps, Loudoun County Land Records

Comments: The property has direct frontage on Route 606.

## COMPARABLE INDUSTRIAL LOT SALE TWO

---

Project Name: Dulles Trade Center West, Lot 9

Property Location: Trade West Drive  
Sterling, Virginia

Jurisdiction: Loudoun County

Parcel ID: 161-17-5632

Grantor: Dulles Trade Center West LP

Grantee: Merit Men LLC

Sale Price: \$1,581,900

Sale Date: July 31, 2008; Contract date April 2008

Deed Reference: 2008-07310046900

Lot Size: 5.67 acres or 246,985 square feet gross  
3.03 acres or 131,987 square feet net

Price Per Square Foot: \$11.99 net

Financing: All cash sale.

Utilities: Public water, sanitary sewer, electricity and telephone service is available at the lot.

Zoning: PD-GI

Verification: Comps, Loudoun County Land Records, seller, contract

Comments: The floodplain is at the rear of the site. The purchaser is an owner occupant.

## COMPARABLE INDUSTRIAL LOT SALE THREE

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Project Name: Dulles Trade Center West, Lot 12

Property Location: Trade West Drive  
Sterling, Virginia

Jurisdiction: Loudoun County

Parcel ID: 162-47-0244

Grantor: Dulles Trade Center West LP

Grantee: Broad Run Contracting LLC

Sale Price: \$2,994,250

Sale Date: July 22, 2008; contract date March 2008

Deed Reference: 2008-09230057326

Lot Size: 5.5 acres or 239,580 square feet gross

Price Per Square Foot: \$12.50

Financing: All cash sale.

Utilities: Public water, sanitary sewer, electricity and telephone service is available at the lot.

Zoning: PD-GI

Verification: Comps, Loudoun County Land Records, seller, contract

Comments: The purchaser is an owner occupant.

## COMPARABLE INDUSTRIAL LAND SALE FOUR

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Property Location: 7751 Wellingford Road  
Masassas, VA

Jurisdiction: Loudoun County

Tax Map Reference: 7597-11-2542

Grantor: Wellingford Industrial Park, Inc.

Grantee: Zulmira Morais Family Partnership LP

Deed Reference: 20080620000059132

Deed Date: June 20, 2008

Consideration: \$3,400,000

Financing: Cash to seller

Land Area: 9.30 acres

Development Plan: Not available

Unit Price: \$8.39 per square foot of land

Zoning: M-1

Verification: County, CoStar, JDS

Comments:

The property sold as a raw land bay. It backs to a rail spur, however, this did not affect the price.

## COMPARABLE INDUSTRIAL LAND SALE FIVE

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Property Location: 24430 Millstream Drive  
Aldie, VA 20105

Jurisdiction: Loudoun County

Tax Map Reference: 247-20-1488

Grantor: Stone Ridge Community Development LLC

Grantee: Healthsouth Rehabilitation Hospital

Deed Reference: 200808150049743 and 200811170067708P (BLA)

Deed Date: August 15, 2008 and November 17, 2008 (BLA)

Consideration: \$2,600,000 and \$535,200 (BLA), for total of \$3,135,200

Financing: Cash to seller

Land Area: Gross area: 9.16 acres; 1.16 acres not buildable due to steep slopes and flood plain. Net site area is 8.0 acres

Development Plan: The purchaser plans to build a hospital on the site

Unit Price: \$9.00 per square foot of useable land.

Zoning: PD-IP

Verification: Grantor, Public records, HUD-1

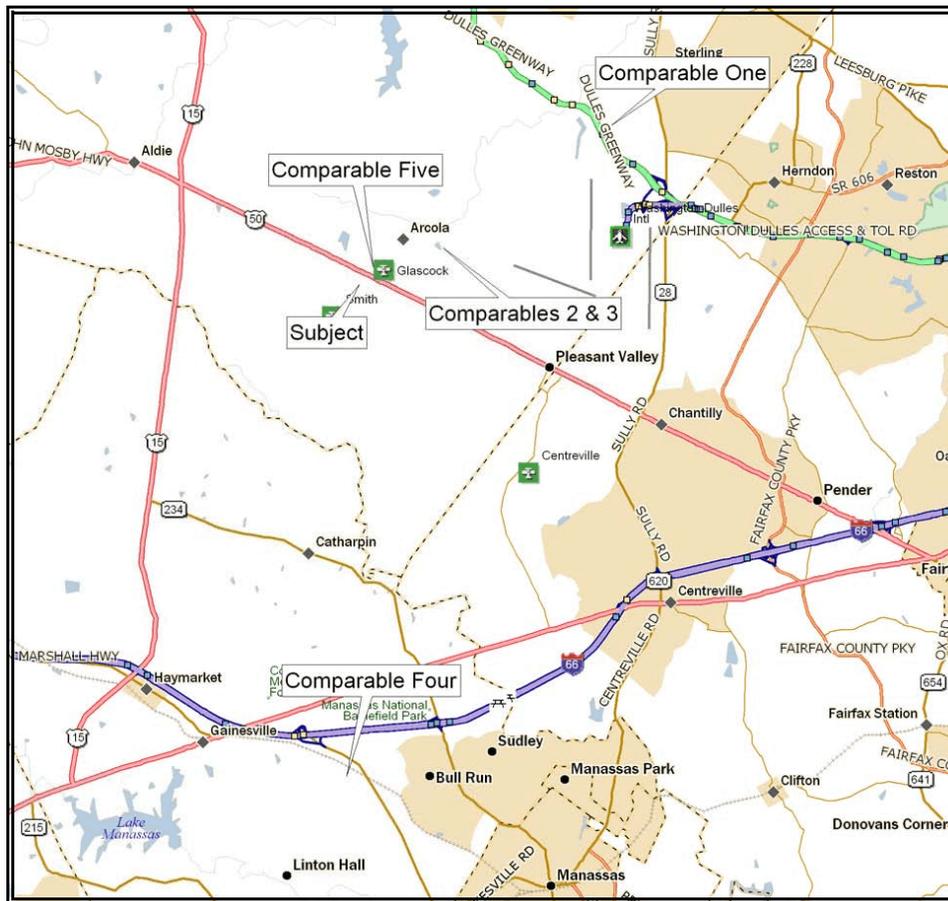
Comments:

This parcel is located just south of Route 50, between the retail center on the east side and the power line easement on the west side. Healthsouth plans to build a 40 bed rehabilitation hospital on the site. The two transactions involve the purchase of about 7 acres in August 2008, followed by the purchase of the remainder, associated with a Boundary Line Adjustment in November.

## ANALYSIS OF LOT SALES

The comparable lot sales detailed on the previous pages are summarized below.

SUMMARY OF INDUSTRIAL LAND SALES				
Comp. No.	Location	Lot Size (Acres)	Sale Date	Price per Square Foot
1	Old Ox Road Sterling, Virginia	1.85	Feb-09	\$13.65
2	Trade West Drive Sterling, Virginia	3.03 (net)	Jul-08	\$11.99 (net)
3	Trade West Drive Sterling, Virginia	5.50	Jul-08	\$12.50
4	Wellingford Dr Manassas, VA	9.30	Jun-08	\$8.39
5	Millstream Dr Aldie, VA	8.0 (net)	Aug/Nov-08	\$9.00



## **ADJUSTMENTS**

All of the sales involved the fee-simple interest. Adjustments for property rights conveyed were not warranted. For all of the comparable sales, the reported consideration was either in terms of cash or involved market level financing in the form of amended credit line deeds of trust. None of the sales include unpaid bond debt. Adjustments for cash equivalency were not warranted. There were no unusual conditions of sale. I made adjustments for Market Conditions, Location, Zoning and Size. These adjustments are summarized in the grid on the following page and described below.

### **Market Conditions Adjustment**

Comparable One, a 2007 sale, was adjusted downward by 10 percent for market conditions. The others are 2008 sales and were adjusted downward by 5 percent.

### **Location Adjustment**

Comparable One has a superior location on a busy street and was adjusted downward. Comparable Four, in Prince William County, is inferior and was adjusted upward. The others are similar in terms of Location.

### **Zoning**

Comparables One, Two and Three are PD-GI, which the market perceives as a superior industrial zone, because it allows outdoor storage. These sales were adjusted downward.

### **Size**

Comparable One is significantly smaller than the subject and was adjusted downward.

### **Summary**

After adjustments, the comparable sales indicate a range of value from \$8.55 to \$10.09 per square foot. I relied most heavily on Comparable Five, which is very close in proximity to the subject, and reconciled to a unit value for the subject of \$8.55 per square foot of land. When applied to the subject's land area of 5.6 acres, this results in a value of \$2,085,652.

Therefore, based on this analysis, I estimate the Market Value As If Infrastructure Development Were Complete, of the fee simple interest in the subject, using Loudoun County Land Proffer Valuation Guidelines, as of January 1, 2010, to be **\$2,090,000** (rounded).

A summary of the sales and adjustments are shown on the following page.

**LAND SALES ADJUSTMENT GRID**

COMPARABLE NUMBER	ONE		TWO		THREE		FOUR		FIVE	
ELEMENTS OF COMPARISON	%	PER SQ.FT.								
SALE PRICE PER SQ. FT.		\$13.65		\$11.99		\$12.50		\$8.39		\$9.00
ADJUSTMENT - RIGHTS CONVEYED	FEE SIMPLE									
ADJUSTMENT	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00
ADJUSTMENT - CASH EQUIVALENCY	MARKET									
ADJUSTMENT	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00
ADJUSTMENT - CONDITIONS OF SALE	ARMS LENGTH									
ADJUSTMENT	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00
ADJUSTED VALUE		\$13.65		\$11.99		\$12.50		\$8.39		\$9.00
SALE DATE		May-07		Jul-08		Jul-08		Jun-08		Aug/Nov-08
ADJUSTMENT - MARKET CONDITIONS	-10.00%	(\$1.37)	-5.00%	(\$0.60)	-5.00%	(\$0.63)	-5.00%	(\$0.42)	-5.00%	(\$0.45)
ADJUSTED VALUE		\$12.29		\$11.39		\$11.88		\$7.97		\$8.55
ADJUSTMENT - LOCATION	-10.00%	(\$1.23)	0.00%	\$0.00	0.00%	\$0.00	10.00%	\$0.80	0.00%	\$0.00
ADJUSTMENT - ZONING	-15.00%	(\$1.84)	-15.00%	(\$1.71)	-15.00%	(\$1.78)	0.00%	\$0.00	0.00%	\$0.00
ADJUSTMENT - SIZE	-5.00%	(\$0.61)	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00
TOTAL ADJUSTMENTS	-30.00%	(\$3.69)	-15.00%	(\$1.71)	-15.00%	(\$1.78)	10.00%	\$0.80	0.00%	\$0.00
INDICATED ADJUSTED VALUE		\$8.60		\$9.68		\$10.09		\$8.77		\$8.55

## **RECONCILIATION AND FINAL VALUE ESTIMATES**

The Sales Comparison Approach was used to estimate the Market Value. Based on this analysis, I estimate the Market Value As If Infrastructure Development Were Complete, of the fee simple interest in the subject, using Loudoun County Land Proffer Valuation Guidelines, as of January 1, 2010, to be **\$2,090,000** (rounded).

**EXPOSURE TIME AND MARKETING PERIOD:** 12 months or less

## **ADDENDA**

## **QUALIFICATIONS OF THE APPRAISER**

Qualifications of: **ROBERT G. JOHNSON, MAI**

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**PROFESSIONAL DESIGNATION:** MAI, Appraisal Institute

**LICENSES**

Virginia Certified General Real Estate Appraiser (4001 001398)  
Maryland Certified General Real Estate Appraiser (10102)  
District of Columbia Certified General Real Estate Appraiser (10191)

**EDUCATION**

MBA - Virginia Tech  
MS - University of Maryland  
BS - University of Maryland

**PROFESSIONAL EXPERIENCE**

1992-Present, Principal  
JMSP, Inc.  
Real Estate Appraisers and Consultants  
610 Herndon Parkway Suite 700  
Herndon, Virginia 20170  
(703) 467-8424

1991-92, Commercial Real Estate Appraiser, Libeg, Moroney & Associates, Inc., Rockville, MD

1988-90, Commercial Real Estate Appraiser, Jefferson and Lee Appraisals, Inc., McLean, VA

1986-1988, Commercial and Residential Real Estate Appraiser, Venable and Co., McLean, VA

**APPRAISAL EXPERIENCE**

Property types:

Hotels and Motels, Office Buildings, R&D/Flex Buildings, Warehouses, Industrial Buildings, Retail Centers, Automobile Dealerships, Miscellaneous Retail and Commercial Buildings, Residential Subdivisions and PUDs, Multi-Family Buildings, Commercial and Industrial Condominium Projects, and Commercial, Industrial and Residential Land.

Geographic areas covered:

Maryland - Montgomery and Prince George's Counties  
Virginia - City of Alexandria; Arlington, Fairfax, Loudoun, and Prince William Counties  
The District of Columbia

## **DEFINITIONS**

## **DISPOSITION VALUE**

The most probable price which a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale will occur within a limited future marketing period specified by the client.
2. Actual market conditions are those currently obtaining for the property interest appraised.
3. The buyer and seller is each 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 their best interests.
7. An adequate marketing effort will be made in the limited time allowed for the completion of a sale.
8. Payment will be made in cash in U.S. dollars 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.<sup>1</sup>

## **FAIR VALUE**

"The cash price that might reasonably be anticipated in a current sale under all conditions requisite to a fair sale. A fair sale means that the Buyer and Seller are each acting prudently, knowledgeably, and under no necessity to buy or sell--i.e., other than in a forced or liquidation sale. The appraiser should estimate the cash price that might be received upon exposure to the open market for a reasonable time, considering the property type and local market conditions. When a current sale is unlikely--i.e., when it is unlikely that the sale can be completed within 12 months--the appraiser must discount all cash flows generated by the property to obtain the estimate of fair value. These cash flows include, but are not limited to, those arising from ownership, development, operation and sale of the property. This discount applied shall reflect the appraiser's judgement of what a prudent, knowledgeable purchaser under no necessity to buy would be willing to pay to purchase the property in a current sale."

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<sup>1</sup>The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Chicago, 1993, p. 103.

## **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."

## **FORCED PRICE**

"The price paid in a forced sale or purchase, i.e., a sale in which a reasonable time was not allowed to find a purchaser, or the purchaser was forced to buy."

## **GOING CONCERN VALUE**

The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate.

## **GROSS RETAIL SELLOUT**

"The sum of the appraised values of the individual units in a subdivision, as if all units were completed and available for retail sale, as of the date of the appraisal. The sum of the retail sales includes an allowance for lot premiums, if applicable, but excludes all allowances for carrying costs."<sup>2</sup>

## **HYPOTHETICAL CONDITION**

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions 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. A hypothetical condition may be used in an assignment only if:

- Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- Use of the hypothetical condition results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

## **INSURABLE VALUE**

The portion of the value of an asset or asset group that is acknowledged or recognized under the provisions of an applicable loss insurance policy. Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost less deterioration and non-insurable items. Sometimes cash value or market value but often entirely a cost concept. (Marshall & Swift)<sup>3</sup>

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<sup>2</sup>The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Chicago, 1993, p. 8.

<sup>3</sup>The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Chicago, 1993, p. 184

## **LEASED FEE ESTATE**

"An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease."<sup>4</sup>

## **LEASEHOLD ESTATE**

"The interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions."<sup>5</sup>

## **LIQUIDATION VALUE**

"The most probable price which a specified interest in real property is likely to bring under all of the following conditions:

- A. Consummation of a sale will occur within a severely limited future marketing period specified by the client.
- B. Actual market conditions are those currently obtaining the property interest appraised.
- C. The buyer is acting prudently and knowledgeably.
- D. The seller is under extreme compulsion to sell.
- E. The buyer is typically motivated.
- F. The buyer is acting in what he or she considers his or her best interests.
- G. A limited marketing effort and time will be allowed for the completion of a sale.
- H. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- I. 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."<sup>6</sup>

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<sup>4</sup>The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Chicago, 1993, p. 204.

<sup>5</sup>The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Chicago, 1993, p. 204.

<sup>6</sup>The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Chicago, 1993, pgs. 211 & 212.

## **MARKET VALUE**

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

- B. both parties are well informed or well advised and each acting in what they consider their own best interest;
- C. a reasonable time is allowed for exposure in the open market;
- D. payment is made in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and
- E. 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.

"Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs that are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to a comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar-for-dollar cost of the financing concession, but the dollar amount of the adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment."<sup>7</sup>

## **PROSPECTIVE VALUE**

"A forecast of the value expected at a specified future date. A prospective value estimate is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of occupancy at the time the appraisal report is written."<sup>8</sup>

## **STABILIZED OCCUPANCY**

"Occupancy at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those expected to continue over the economic life of the property; the optimum range of long-term occupancy which an income-producing real estate project is expected to achieve under competent management after exposure for leasing in the open market for a reasonable period of time at terms and conditions comparable to competitive offerings."<sup>9</sup>

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<sup>7</sup>Office of the Comptroller of the Currency, Definitions, Chapter I, Title 12, Part 34, Code of Federal Regulations, Part 34.42 (f), August 24, 1990.

<sup>8</sup>The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Chicago, 1993, p. 283.

<sup>9</sup>The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Chicago, 1993, p. 345.