

OREGON CITY MUNICIPAL BUILDING AND SURPLUS LAND

320 Warner Milne Rd
Oregon City, Oregon 97045

APPRAISAL REPORT

Date of Report: June 19, 2019

Colliers File #: PDX190429



PREPARED FOR
Kelly Dilbeck
Oregon City Police Department
320 Warner Milne Rd
PO Box 3040
Oregon City, OR 97045

PREPARED BY
COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

LETTER OF TRANSMITTAL

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June 19, 2019

Kelly Dilbeck
Oregon City Police Department
320 Warner Milne Rd
PO Box 3040
Oregon City, OR 97045

RE: Oregon City Municipal Building and Surplus Land
320 Warner Milne Rd
Oregon City, Oregon 97045

Colliers File #: PDX190429

Ms. Dilbeck:

This appraisal report satisfies the scope of work and requirements agreed upon by Oregon City Police Department and Colliers International Valuation & Advisory Services. At the request of the client, this appraisal is presented in an Appraisal Report format as defined by *USPAP* Standards Rule 2-2(a). Our appraisal format provides a summary description of the appraisal process, subject and market data and valuation analyses.

The purpose of this appraisal is to develop an opinion of the As-Is Market Value of the subject property's fee simple interest. The following table conveys the final opinion of market value of the subject property that is developed within this appraisal report:

VALUE TYPE	INTEREST APPRAISED	DATE OF VALUE	VALUE
As-Is Market Value	Fee Simple	June 11, 2019	\$3,120,000

The subject is an Office (Low-Rise Office) property totaling 16,220 SF of NRA located on a 3.20-acre site at 320 Warner Milne Rd in Oregon City, Oregon. The improvements are comprised of a Main Office building totaling 11,900 SF NRA (800 SF basement not included in NRA) built in 1970 and three Modular Office buildings totaling 4,320 SF NRA (1,440 SF each) built in 1991 with periodic renovations. We have estimated the improvements are located on an economic site of 1.86 AC (81,100 SF) with surplus land area of 1.34 AC (58,292 SF). The improvements overall are in average condition and have a remaining economic life of 25 years based on our estimate.

The subject property has a single-tenant design that is fully owner-occupied, which is above the stabilized occupancy level estimate of 95% that was developed in this appraisal.

The analyses, opinions and conclusions communicated within this appraisal report were developed based upon the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter. *USPAP* defines an Extraordinary Assumption as, "an assignment specific-assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions". *USPAP* defines a Hypothetical Condition as, "that which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis".

The Extraordinary Assumptions and/or Hypothetical Conditions that were made during the appraisal process to arrive at our opinion of value are fully discussed below. We advise the client to consider these issues carefully given the intended use of this appraisal, as their use might have affected the assignment results.

EXTRAORDINARY ASSUMPTIONS

No Extraordinary Assumptions were made for this assignment.

HYPOTHETICAL CONDITIONS

No Hypothetical Conditions were made for this assignment.

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

The signatures below indicate our assurance to the client that the development process and extent of analysis for this assignment adhere to the scope requirements and intended use of the appraisal. If you have any specific questions or concerns regarding the attached appraisal report, or if Colliers International Valuation & Advisory Services can be of additional assistance, please contact the individuals listed below.

Sincerely,

COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES



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REPORT ORGANIZATION**PROPERTY AND ASSIGNMENT OVERVIEW**

Executive Summary	1
Area Analysis	11
Exhibits	17
Site Description	20
Improvement Description	22
Assessment & Taxation	24
Zoning Analysis	25
Market Analysis	26
Highest & Best Use	29

VALUATION	30
Valuation Methods	30
Income Approach	31
Sales Approach	40
Land Valuation	46
Reconciliation of Value Conclusions	52

CERTIFICATION OF APPRAISAL**ASSUMPTIONS & LIMITING CONDITIONS****ADDENDA**

Valuation Glossary	
Qualifications of Appraisers	
Qualifications of Colliers International Valuation & Advisory Services	

GENERAL INFORMATION

Property Name	Oregon City Municipal Building and Surplus Land
Property Type	Office - Low-Rise Office
Address	320 Warner Milne Rd
City	Oregon City
State	Oregon
Zip Code	97045
County	Clackamas
Core Based Statistical Area (CBSA)	Portland-Vancouver-Beaverton, OR-WA
Market	Portland MSA
Submarket	Oregon City
Latitude	45.336162
Longitude	-122.594234
Number Of Parcels	2
Assessor Parcels	00846847, 00846981
Census Tract Number	226.05

SITE INFORMATION

Land Area	Acres	Square Feet
Economic Site	1.86	81,100
<u>Surplus Land</u>	<u>1.34</u>	<u>58,292</u>
Total	3.20	139,392
Topography	Level at street grade	
Shape	Irregular	
Access	Average	
Exposure	Average	
Current Zoning	General Commercial (C)	
Flood Zone	Zone X (Unshaded)	
Seismic Zone	High Risk	

IMPROVEMENT INFORMATION

Net Rentable Area (NRA)	16,220 SF
Gross Building Area SF (GBA)	17,020 SF
Main Office SF (NRA)	11,900 SF
Modular Office SF (NRA)	4,320 SF
Basement SF (Not in NRA)	800 SF
Total Number Of Buildings	4
Total Number Of Stories	1 Plus Basement
Year Built	1970 & 1991
Quality	Average
Condition	Average
Type Of Construction	Concrete Block (Main Office), Wood Frame (Modular Offices)
Land To Building Ratio (Economic Site)	4.8 : 1
Site Coverage Ratio (Economic Site)	20.0%
Number of Parking Spaces (Economic Site)	68
Parking Ratio (Spaces/1,000SF NRA)	4.2/1,000 SF NRA

HIGHEST & BEST USE

As Vacant	Commercial Development
As Improved	Continued Use As Improved As An Office Building With Surplus Land

EXPOSURE TIME & MARKETING PERIOD

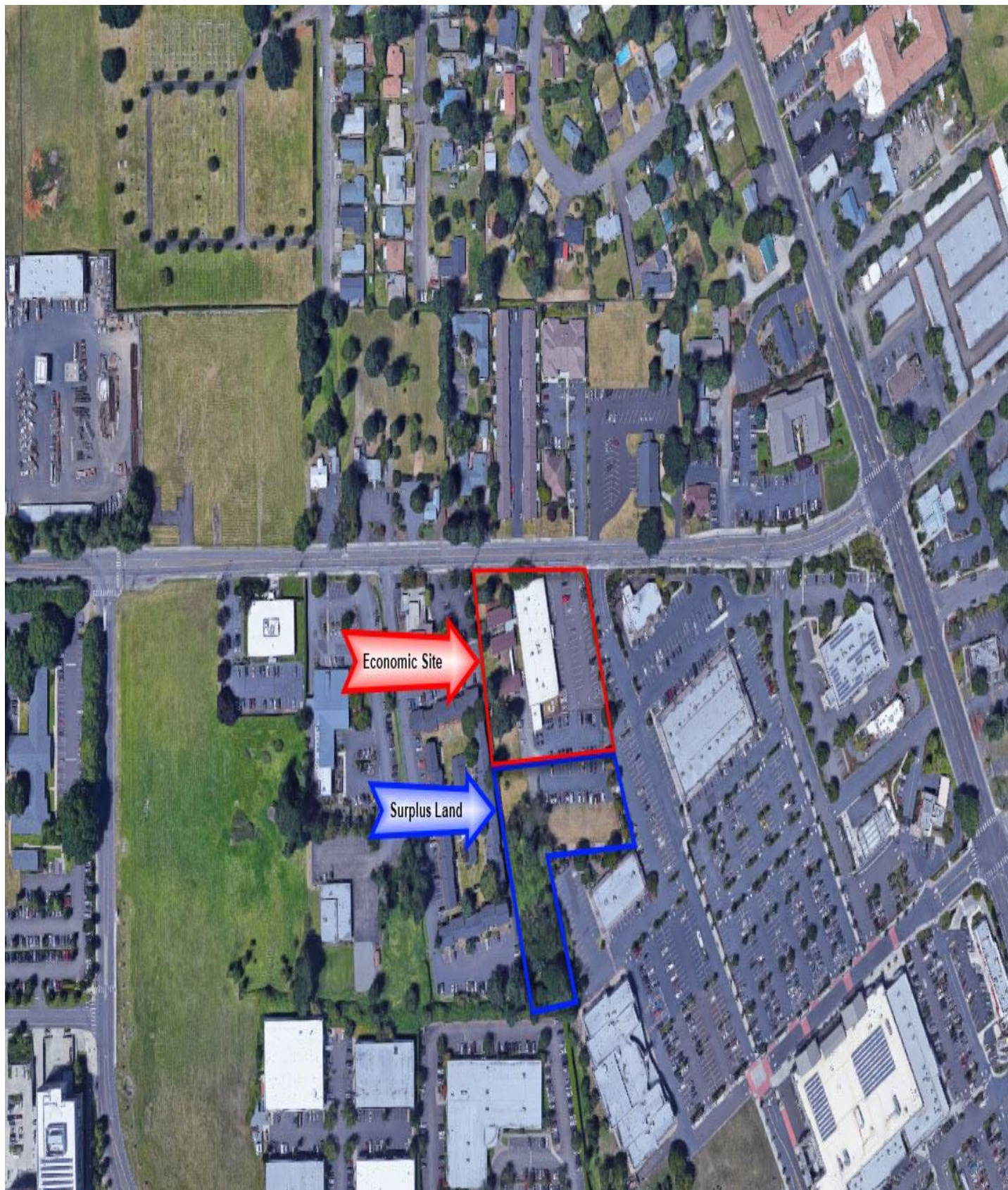
Exposure Time	Six to Nine Months
Marketing Period	Six to Nine Months

TENANCY INFORMATION

Tenancy	Single-Tenant Owner-Occupied
Occupancy	100.0%
Occupied SF	16,220 SF

VALUATION SUMMARY	
VALUATION INDICES	AS-IS MARKET VALUE
INTEREST APPRAISED	FEE SIMPLE
DATE OF VALUE	JUNE 11, 2019
INCOME CAPITALIZATION APPROACH	
Direct Capitalization	\$3,170,000
Direct Capitalization \$/SF	\$195/SF
NOI Proforma	\$185,516
NOI \$/SF	\$11.44/SF
Capitalization Rate	7.25%
SALES COMPARISON APPROACH	
SALES CONCLUSION	\$3,120,000
Sales Conclusion \$/SF	\$192/SF
FINAL VALUE CONCLUSION	
FINAL VALUE	\$3,120,000
\$/SF	\$192/SF

AERIAL PHOTOGRAPH



SUBJECT PHOTOGRAPHS



EXTERIOR LOOKING NORTHWEST



EXTERIOR LOOKING WEST



EXTERIOR LOOKING SOUTHEAST



MODULAR OFFICES LOOKING NORTH



MAIN OFFICE FINISH



MAIN OFFICE KITCHENETTE



MAIN OFFICE FINISH



MAIN OFFICE MUNICIPAL COURT SPACE



MODULAR OFFICE INTERIOR FINISH



MODULAR OFFICE INTERIOR FINISH



SURPLUS LAND LOOKING SOUTHWEST



WARNER MILNE RD LOOKING WEST

PROPERTY IDENTIFICATION

The subject is an Office (Low-Rise Office) property totaling 16,220 SF of NRA located on a 3.20-acre site at 320 Warner Milne Rd in Oregon City, Oregon. The improvements are comprised of a Main Office building totaling 11,900 SF NRA (800 SF basement not included in NRA) built in 1970 and three Modular Office buildings totaling 4,320 SF NRA (1,440 SF each) built in 1991 with periodic renovations. We have estimated the improvements are located on an economic site of 1.86 AC (81,100 SF) with surplus land area of 1.34 AC (58,292 SF). The improvements overall are in average condition and have a remaining economic life of 25 years based on our estimate.

The subject property has a single-tenant design that is fully owner-occupied, which is above the stabilized occupancy level estimate of 95% that was developed in this appraisal. The assessor's parcel numbers are: 00846847, 00846981. A detailed legal description was not provided.

SCOPE OF WORK

The scope of work for this appraisal assignment is outlined below:

- The appraisers analyzed the regional and local area economic profiles including employment, population, household income, and real estate trends.
- The appraisers confirmed and analyzed legal and physical features of the subject, and how they impact the functionality and overall competitive position of the property.
- The appraisers completed an office supply/demand market analysis of the Portland MSA market and Oregon City submarket. Conclusions were drawn regarding the subject property's competitive position given its physical and locational characteristics, the prevailing economic conditions and external influences.
- The appraisers conducted a Highest and Best Use analysis and conclusions were drawn for the highest and best use of the subject property As-Vacant and As-Improved.
- The appraisers confirmed and analyzed financial features of the subject property. This information, as well as trends established by confirmed market indicators, was used to forecast performance of the subject property.
- Selection of the valuation methods was based on the identifications required in USPAP relating to the intended use, intended users, definition and date of value, relevant property characteristics and assignment conditions. This appraisal developed the Income (Direct Capitalization) and Sales Comparison approaches to value, which were adjusted and reconciled as appropriate.
- Reporting of this appraisal is in an Appraisal Report format as required in USPAP Standard 2. The appraiser's analysis and conclusions are summarized within this document.
- We understand the Competency Rule of USPAP and the authors of this report meet the standards.
- Colin Meisner (Oregon State Registered Appraiser Assistant No. AA03310) provided significant real property appraisal assistance to the appraisers signing the certification. Assistance included gathering, analyzing and reporting regional, local area, zoning, and tax information, confirming some of the comparable data, and assisting with portions of the valuation analysis.

SOURCES OF INFORMATION

The following sources were contacted to obtain relevant information:

SOURCES OF INFORMATION	
ITEM	SOURCE
Tax Information	Clackamas County Tax Assessor
Zoning Information	City of Oregon City Zoning Code
Site Size Information	Clackamas County Tax Assessor
Building Size Information	Clackamas County Tax Assessor
New Construction	CoStar
Flood Map	InterFlood
Demographics	Pitney Bowes/Gadberry Group - GroundView®
Comparable Information	See Comparable tables for details
Legal Description	Not Provided
Other Property Data	Clackamas County Property Records

SUBJECT PROPERTY INSPECTION

The following table illustrates the Colliers International professionals involved with this appraisal report and their status related to the property inspection.

SUBJECT PROPERTY INSPECTION			
APPRAISER	INSPECTED	EXTENT	DATE OF INSPECTION
Colin Meisner	No	-	-
Brandon Krahn	Yes	Interior/Exterior	June 11, 2019
Brian Kelley, MAI	No	-	-

CLIENT IDENTIFICATION

The client of this specific assignment is Oregon City Police Department.

PURPOSE

The purpose of this appraisal is to develop an opinion of the As-Is Market Value of the subject property's fee simple interest.

INTENDED USE

The intended use of this appraisal is for internal use only. The report is not intended for any other use.

INTENDED USERS

Oregon City Police Department is the only intended user of this report. Use of this report by third parties and other unintended users is not permitted. This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.

ASSIGNMENT DATES

Date of Report	June 19, 2019
Date of Inspection	June 11, 2019
Valuation Date - As-Is	June 11, 2019

PERSONAL AND INTANGIBLE PROPERTY

No personal property or intangible items are included in this valuation.

PROPERTY AND SALES HISTORY

Current Owner

The subject title is currently recorded in the name of the City of Oregon City who acquired title to the property over three years ago, as recorded in the Clackamas County Deed Records.

Three-Year Sales History

The subject has not sold in the last three years.

Subject Sale Status

The subject is not currently listed for sale. However, it is noted that the purpose of this appraisal is to develop a value for the subject in order to establish a listing price at which to bring the subject to market.

DEFINITIONS OF VALUE

Given the scope and intended use of this assignment, the definition of Market Value is applicable.

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 that the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the fee simple interest.

Fee Simple Interest

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.²

VALUE SCENARIOS

The valuation scenarios developed in this appraisal report include the As-Is Market Value of the subject property's fee simple interest.

As-Is Value

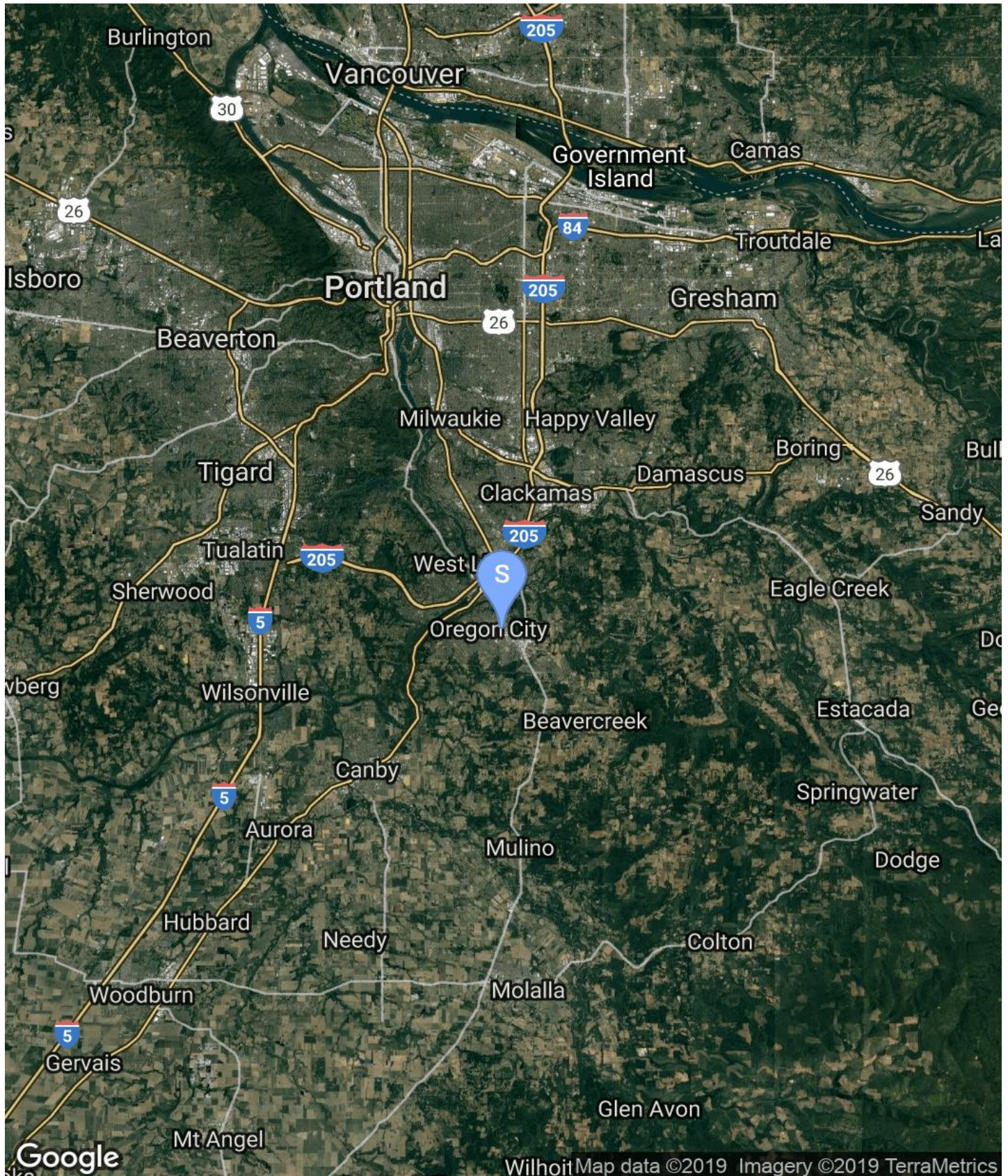
The estimate of the value of real property in its current physical condition, use, and zoning as of the appraisal date.³

¹ Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); This is also compatible with the FDIC, FRS and NCUA definitions of market value.

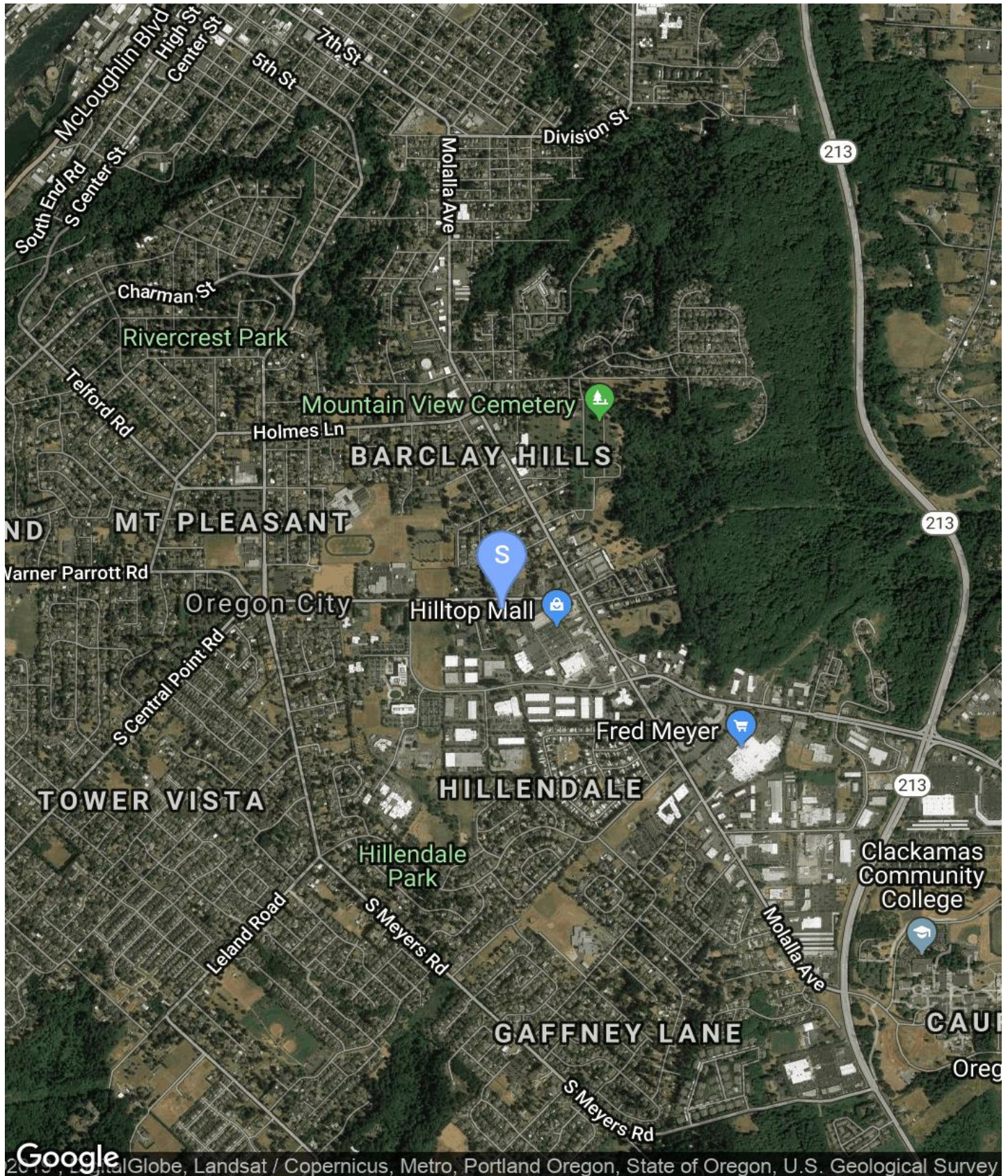
² The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

³ The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

REGIONAL MAP



LOCAL AREA MAP



REGIONAL ANALYSIS

The Portland – Vancouver - Hillsboro Metropolitan Statistical Area (MSA) is located in the northwestern section of Oregon along the banks of the Willamette River and its confluence with the Columbia River. Numerous Freeway systems intersect near Portland including Interstates 5, 84, and 205. The Portland MSA consists of Clackamas, Columbia, Multnomah, Washington, and Yamhill Counties in Oregon; as well as Clark and Skamania Counties in Washington. Portland is the state's largest city and its two main counties (Multnomah & Washington) account for one-third of the state's population.



DEMOGRAPHIC ANALYSIS

Based on regional data provided by Pitney Bowes/Gadberry Group – Groundview ®,¹ the Portland MSA comprises over half of the total population and households for the state and is projected to continue grow at a faster rate than the rest of Oregon. Supported by a growing younger population, the Portland MSA is the most densely populated region in the state with a large proportion of renter-occupied units. The larger renter population is also a product of comparatively high home values in the region; however, the median household income is much higher in the Portland region in comparison to the rest of the state and is slightly higher than the national average. Overall, the area has a growing population achieving higher than average wages.

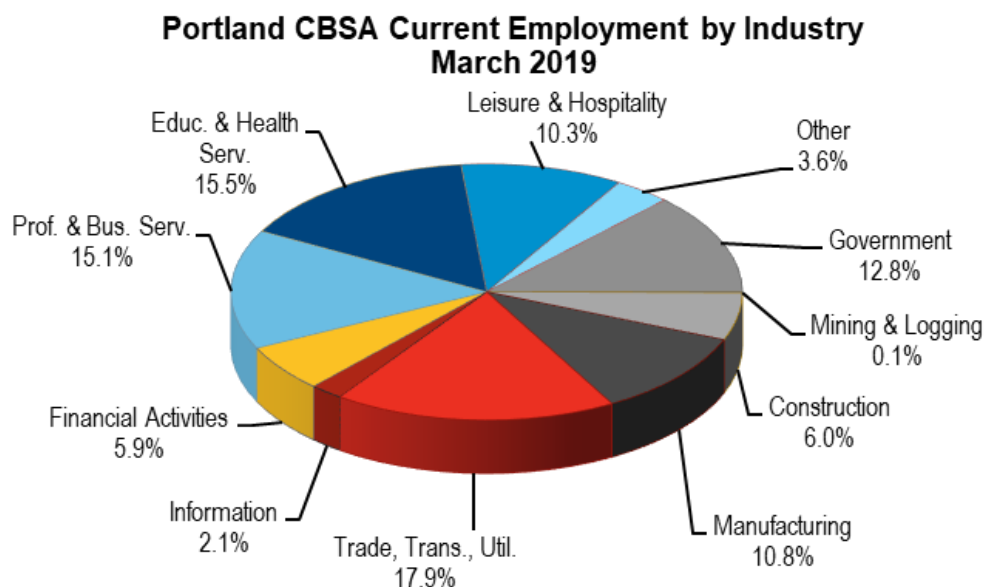
REGIONAL AREA DEMOGRAPHICS							
YEAR	US	OR	CBSA	YEAR	US	OR	CBSA
POPULATION				NUMBER OF HOUSEHOLDS			
2010 Total Population	308,745,538	3,831,074	2,226,009	2018	122,929,625	1,585,798	919,548
2018 Total Population	328,062,672	4,186,155	2,485,238	2023	126,604,011	1,625,871	952,106
2023 Total Population	339,788,898	4,403,315	2,645,479	CAGR	0.6%	0.5%	0.7%
2010 - 2018 CAGR	0.8%	1.1%	1.4%	AVERAGE HOUSEHOLD SIZE			
2018 - 2023 CAGR	0.7%	1.0%	1.3%	2018	2.60	2.58	2.66
POPULATION DENSITY				2023	2.62	2.65	2.74
2018 Per Square Mile	91	43	365	CAGR	0.13%	0.52%	0.57%
2023 Per Square Mile	94	45	389	HOUSING UNITS			
MEDIAN AGE				Owner Occupied	80,041,309	984,595	566,000
2018	37.35	38.48	37.42	Renter Occupied	42,888,316	601,203	353,548
2023	38.09	39.18	37.99	AVERAGE HOUSEHOLD INCOME			
CAGR	0.39%	0.36%	0.30%	2018	\$84,367	\$78,756	\$92,132
MEDIAN HOME VALUE				2023	\$100,862	\$94,108	\$109,069
2018	\$183,983	\$247,259	\$286,412	CAGR	3.6%	3.6%	3.4%
PER CAPITA INCOME				MEDIAN HOUSEHOLD INCOME			
2018	\$32,413	\$30,490	\$34,644	2018	\$58,828	\$56,767	\$67,561
2023	\$38,504	\$35,492	\$39,867	2023	\$70,600	\$67,984	\$80,281
CAGR	3.5%	3.1%	2.8%	CAGR	3.7%	3.7%	3.5%

Source: Pitney Bowes/Gadberry Group - GroundView®

Our demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation. We are aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology(ies), are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

ECONOMY

The Portland region benefits from a diversified economy that historically has been less dependent upon the lumber and wood products industry and more so reflects national business trends. Numerous large corporations, universities, hospitals and public sector (government) employers are located in Portland and are an integral part of the state and regional economies. Strategically in its favor are the Ports of Portland and Vancouver serving as a West Coast hub for trade, commerce and travel. Also, under the authority of the Port of Portland is the Portland International Airport (PDX), which accounts for the vast majority of passenger travel and air cargo in the state. The following chart displays the current sector employment for the Portland MSA as of March 2019:



The Portland region serves as headquarters for two Fortune 500 companies including Nike (sportswear and equipment supplier) and Precision Castparts (manufacturer of cast metal parts). As shown on the chart below of the top ten employers by size Nike is #5, However Precision Castparts has fallen to #20 and not shown on the chart below. The high-tech, healthcare, and education industries are all integral parts of the regional economy as shown on the following chart of regional top employers:

TOP EMPLOYERS		
EMPLOYER NAME	EMPLOYEES	INDUSTRY
Intel	20,000	Technology
Providence Health System	18,286	Healthcare
Oregon Health & Science University	16,658	Health & Education
Kaiser Permanente	12,400	Healthcare
Nike Inc.	12,000	Retail
Legacy Health	11,250	Healthcare
City of Portland	9,710	Government
Fred Meyer	7,741	Retail
Portland Public Schools	7,600	Education
Beaverton School District	5,457	Education

Source: Portland Business Journal As of 12/28/18

Intel, the world's largest semiconductor chip maker employed 102,700 people worldwide as of December 2018 and is one of the region's top employers employing over 20,000 people locally; however, 2016 Intel cut 12,000 positions nationwide, with 784 layoffs locally. In early September 2017 Amazon announced its plan to open a third fulfillment center in Portland by 2018 set to create 3,500 full time positions across all Amazon's Oregon facilities. Among the top tech company's expanding in the Portland MSA are, Ebay, Mozilla, Airbnb and Salesforce.com. Outside of Intel, the importance of healthcare systems within the Portland MSA is well defined with several healthcare providers listed in the top employer's chart above.

It is also evident that government and education-related industries comprise a large proportion of the regional employment base. Oregon State University (OSU) is the largest and fastest growing school in Oregon with a total enrollment of 30,354, with Portland State University (PSU) listed as the second largest and fastest growing school in the Oregon University System boasting an enrollment of nearly 27,305 students (2018-2019). PSU had previously been ranked #11 on the top employers list but has since moved down to #14. Also, not shown on the list above but yet another of the largest post-secondary institutions in Oregon is the Portland Community College with 71,000 student headcount as of (2017-2018), Furthermore, Oregon Health & Science University (OHSU) is a nationally renowned public university with its main campus and two hospitals located in Portland and #2 on the list.

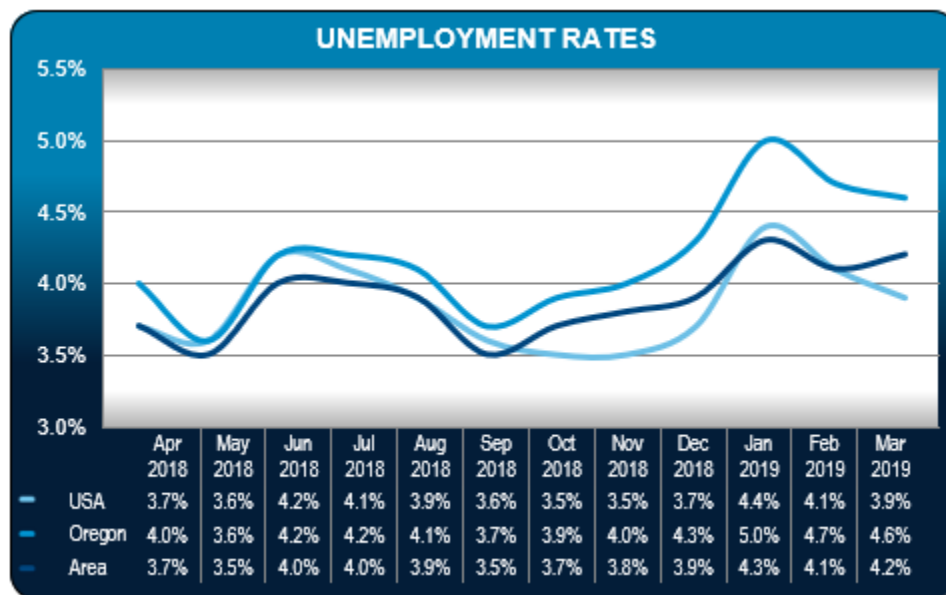
EMPLOYMENT

Historically, Oregon and the Portland MSA experienced employment gains in the first half of the decade, followed by a steep decline in 2009 corresponding with the recession. Following the recession there were two years of strong employment gains followed by two years of modest declines, followed by four years of gains in both the State and MSA. Despite total employment fluctuations over the last six years, the region's annual unemployment rate has been decreasing year-over-year. The annual 2018 unemployment rate in the MSA sits at 3.9% which is below both the Nation (3.9%) and State (4.2%), which gives more indication that the region has recovered from the recession.

EMPLOYMENT & UNEMPLOYMENT STATISTICS 2009 - 2018							
TOTAL EMPLOYMENT					UNEMPLOYMENT RATE		
Year	Oregon		Portland-Vancouver-Hillsboro, OR-WA Metropolitan Statistical Area		United States*	Oregon	Portland-Vancouver-Hillsboro, OR-WA Metropolitan Statistical Area
	Total	% Δ Yr Ago	Total	% Δ Yr Ago			
2009	1,753,682	(4.0%)	1,055,193	(4.0%)	9.3%	11.3%	10.9%
2010	1,773,076	1.1%	1,084,124	2.7%	9.6%	10.6%	10.2%
2011	1,804,320	1.8%	1,105,837	2.0%	8.9%	9.5%	9.0%
2012	1,780,790	(1.3%)	1,103,184	(0.2%)	8.1%	8.8%	8.0%
2013	1,760,302	(1.2%)	1,096,738	(0.6%)	7.4%	7.9%	7.1%
2014	1,805,524	2.6%	1,125,590	2.6%	6.2%	6.8%	6.1%
2015	1,867,909	3.5%	1,165,039	3.5%	5.3%	5.6%	5.2%
2016	1,949,928	4.4%	1,214,361	4.2%	4.9%	4.8%	4.6%
2017	2,004,580	2.8%	1,252,335	3.1%	4.4%	4.1%	3.9%
2018	2,017,155	0.6%	1,261,999	0.8%	3.9%	4.2%	3.9%
YTD 2019 Mar	2,016,009	(0.1%)	1,272,563	0.8%	3.9%	4.6%	4.2%

Source: U.S. Bureau of Labor Statistics *Unadjusted Non-Seasonal Rate

The Portland MSA's not-seasonally adjusted month to month unemployment rate slightly wavered through the course of the last 12 months, but there has been an overall decline. As seen on the graph below, the unemployment rate for the MSA has consistently been lower than the state average for the past twelve months.



LABOR

Industry employment information from the Oregon Employment Department's (OED) Current Employment Statistics (CES) program provides one of the best measures of state and local economic trends. Over the last year (March 2018 to March 2019), the Portland MSA gained +21,800 total private sector jobs. Notable year-over-year growth occurred in eight out of eleven employment sectors, notable gains were made to the following sectors: Education and health services gained (+6,100 jobs or (+3.4%)), Manufacturing gained (+4,500 jobs or (+3.6%)), Trade, transportation and utilities gained (+3,200 jobs or (+1.5%)), Construction gained (+2,800 jobs or (+4.0%)), Leisure and Hospitality gained (+2,500 jobs or (+2.1%)), Government gained (+2,000 jobs or (+1.3%)), Other services gained (+1,500 jobs or (+3.6%)), and Financial Activities gained (+600 jobs or (+0.8%)). Two employment sectors posted losses year over year, those sectors are: Professional and business services lost (-1,200 jobs or (-0.7%)) and Information lost (-200 jobs or (-0.8%)). One employment sector posted neither gains nor losses year over year, that sector is: Mining and Logging. Overall, the Portland MSA's private-sector growth indicates a broad-based and healthy continued growth.

SUMMARY

Employment gains during 2018 are noteworthy as evidenced by the highest employed levels in the history of the MSA and the lowest unemployment rates since the recession. Job growth is expected to follow or outpace national growth trends, and the employment/unemployment levels are expected to remain stable in the near term. Most importantly, nearly every Portland MSA private-sector industry gained jobs over the year, indicating a broad-based and healthy recovery. Overall, the Portland market is experiencing strong employment indicators, which should bolster housing.

LOCAL AREA ANALYSIS

The subject market area is within Oregon City, situated along the eastern side of the Willamette River, approximately 13 miles southeast of downtown Portland. Oregon City is a historic, suburban city within the Portland metropolitan area. The general market boundaries are Abernethy Road to the north, Meyers Road to the south, Oregon State Highway 213 to the east and Highway 99 to the west. The immediate area is a suburban area of Oregon City with retail and office uses, with supportive residential development removed from arterials the historic Downtown Oregon City located to the northwest.

LOCAL AREA DEMOGRAPHICS

DESCRIPTION	1 MILE	3 MILES	5 MILES	DESCRIPTION	1 MILE	3 MILES	5 MILES
POPULATION				AVERAGE HOUSEHOLD INCOME			
2000 Population	10,819	42,384	91,236	2018	\$76,276	\$94,835	\$99,285
2010 Population	11,813	49,366	100,865	2023	\$89,744	\$111,988	\$116,552
2018 Population	13,163	56,063	111,237	Change 2018-2023	17.66%	18.09%	17.39%
2023 Population	13,948	60,290	117,526	MEDIAN HOUSEHOLD INCOME			
Change 2000-2010	9.19%	16.47%	10.55%	2018	\$65,003	\$74,070	\$74,094
Change 2010-2018	11.43%	13.57%	10.28%	2023	\$75,373	\$88,075	\$88,112
Change 2018-2023	5.96%	7.54%	5.65%	Change 2018-2023	15.95%	18.91%	18.92%
POPULATION 65+				PER CAPITA INCOME			
2010 Population	1,374	5,723	13,026	2018	\$28,079	\$34,266	\$36,407
2018 Population	1,739	8,074	17,819	2023	\$32,134	\$39,361	\$41,586
2023 Population	2,115	9,913	21,361	Change 2018-2023	14.44%	14.87%	14.23%
Change 2010-2018	26.56%	41.08%	36.80%	2018 HOUSEHOLDS BY INCOME			
Change 2018-2023	21.62%	22.78%	19.88%	<\$15,000	8.1%	7.0%	7.2%
NUMBER OF HOUSEHOLDS				\$15,000-\$24,999	8.4%	6.4%	6.3%
2000 Households	3,849	15,617	33,729	\$25,000-\$34,999	6.6%	7.2%	7.0%
2010 Households	4,398	18,635	38,589	\$35,000-\$49,999	14.1%	11.9%	12.2%
2018 Households	4,620	19,999	40,312	\$50,000-\$74,999	22.7%	18.2%	17.8%
2023 Households	4,759	20,923	41,442	\$75,000-\$99,999	15.3%	16.4%	15.1%
Change 2000-2010	14.26%	19.33%	14.41%	\$100,000-\$149,999	16.5%	18.7%	18.2%
Change 2010-2018	5.05%	7.32%	4.47%	\$150,000-\$199,999	5.9%	7.2%	7.4%
Change 2018-2023	3.01%	4.62%	2.80%	\$200,000 or greater	2.3%	7.0%	8.7%
HOUSING UNITS (2018)				MEDIAN HOME VALUE			
Owner Occupied	2,763	14,134	28,858		\$254,940	\$291,413	\$302,419
Renter Occupied	1,883	5,946	11,492	AVERAGE HOME VALUE			
HOUSING UNITS BY YEAR BUILT					\$265,214	\$317,733	\$347,492
Built 2010 or later	132	731	984	HOUSING UNITS BY UNITS IN STRUCTURE			
Built 2000 to 2009	533	3,599	5,784	1, detached	3,090	14,507	29,146
Built 1990 to 1999	1,087	4,668	8,182	1, attached	161	1,014	1,685
Built 1980 to 1989	397	2,000	4,730	2	135	357	851
Built 1970 to 1979	1,339	3,946	10,240	3 or 4	144	502	1,099
Built 1960 to 1969	308	1,200	3,375	5 to 9	324	839	1,503
Built 1950 to 1959	229	892	2,340	10 to 19	155	540	1,178
Built 1940 to 1949	106	533	1,129	20 to 49	172	411	695
Built 1939 or earlier	487	2,431	3,548	50 or more	227	585	1,535
				Mobile home	239	1,291	2,604
				Boat, RV, van, etc.	0	35	54

Source: Pitney Bowes/Gadberry Group - GroundView®

Residential Development

Residential development in the subject market is varied and consists of multi-family projects, older homes on acreage tracts and newer subdivision development. The average home value in a three-mile radius of the subject property is \$291,413. Multi-family development in Oregon City consists of both smaller multi-story apartment complexes and larger wood-framed, low-rise, average-quality, garden court apartment complexes.

Multi-family projects in Oregon City mostly consist of garden court projects built in the 1960s through the 1990s and are of generally average quality and in average condition. There has been minimal new apartment development over the past 15 years. The largest concentration of apartment development is in the southeast section of Oregon City near Clackamas Community College along S. Beavercreek Road, S. Molalla Avenue and Cascade Highway (Hwy. 213). Apartment developments in this area are a mixture of older apartments constructed during the 1970s and newer apartments constructed during the 1990s. In general, Oregon City has more affordable rent levels relative to the rest of the Portland metropolitan area. It should be noted that there are numerous apartments located along or near SE McLoughlin Boulevard (Hwy 99E) in the cities of Gladstone and Milwaukie to the north. Please see the market analysis section ahead for further details on the apartments in the area.

Commercial & Industrial Development

Commercial development in Oregon City first occurred in the historical downtown area adjacent to the Willamette River, and later developed along Molalla Avenue, which is now the primary commercial corridor for the city. The downtown core consists of older, average quality commercial buildings, while the properties along the southern stretch of Molalla Avenue are typically newer and of varying quality consisting of several shopping centers, restaurants, bank branches and some smaller office buildings. Shopping centers include the Hilltop Mall (200,000 SF built in 1974), South Ridge Shopping Center (125,224 SF built in 1978), Fred Meyer (186,300 SF built in 1981, the Berry Hill Shopping Center (200,000 SF built in 1989), and more recently, Trails End Market Place (107,000 SF built in 2000).

There are many industrial users located along Beavercreek Road in the local area. Significant commercial development is also found along Oregon State Highway 99E and its fifteen-mile stretch to Portland.

Community Services/Transportation

Community services and facilities are readily available in the surrounding area. These include public services such as police and fire stations, Providence Willamette Falls Medical Center and schools (all ages). Clackamas Community College is a major land use in the city. There are a number of parks and other recreational facilities in the area.

Public transportation is available throughout the area. There are a number of parks, golf courses, and other recreational facilities in the area, including the recently updated Clackamette Park, which is owned and operated by Oregon City. The park includes extensive trails, 38 RV parking spaces, a skate park, a sandy beach and a boat dock.

SUBJECT PROPERTY ANALYSIS

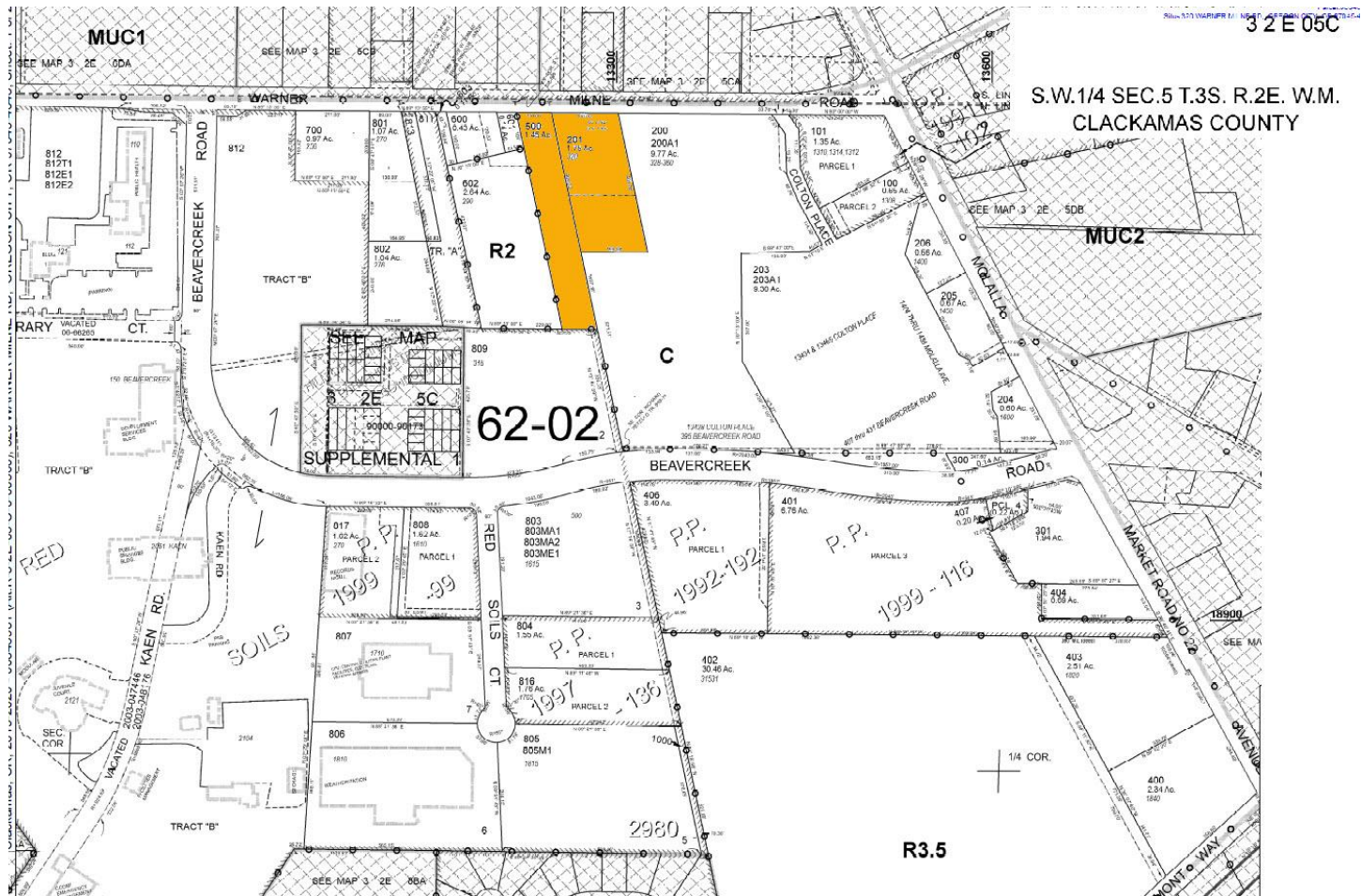
The following discussion draws context and analysis on how the subject property is influenced by the local and immediate areas.

The uses adjacent to the property are noted below:

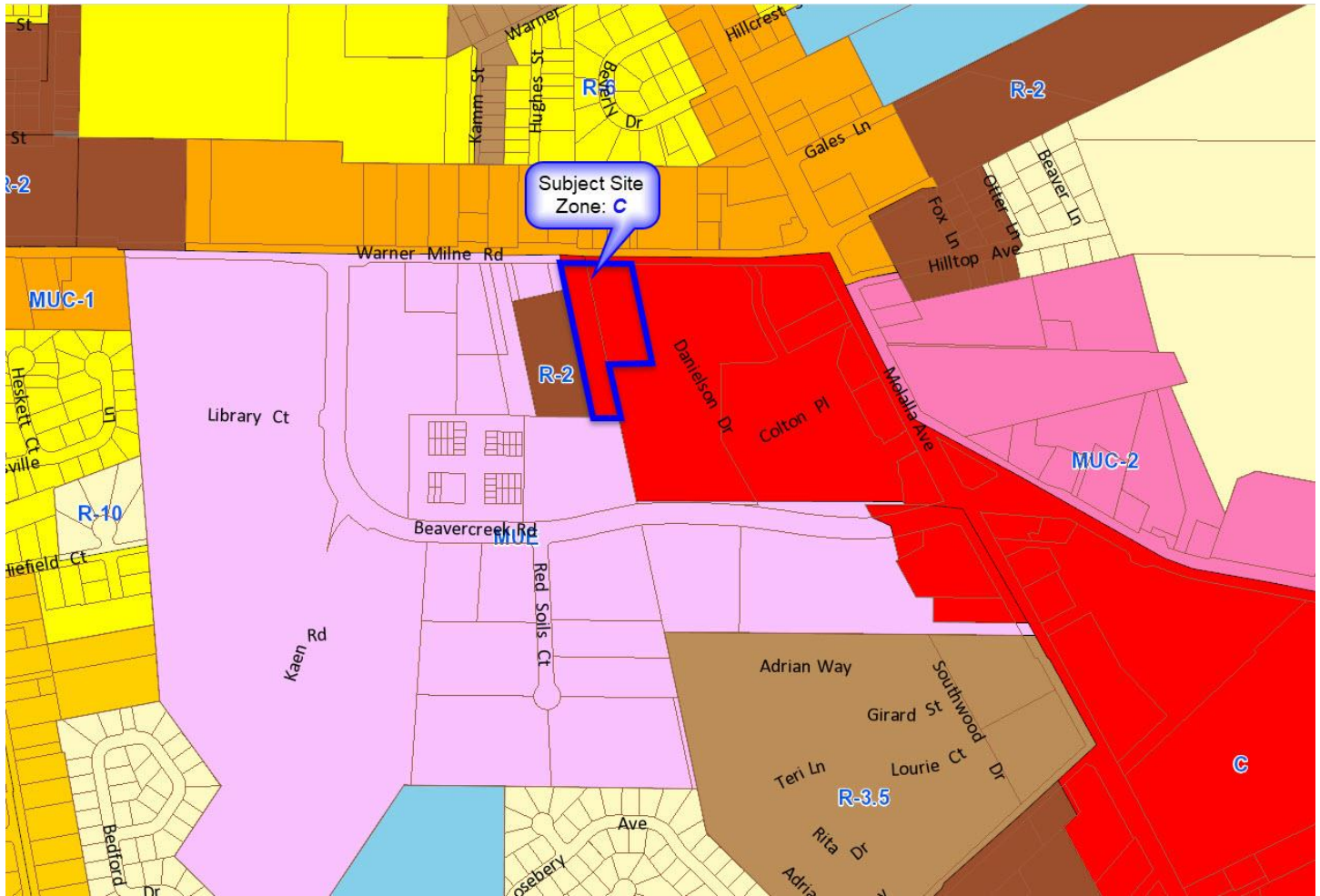
- › **North** - Office/Multi Family Development Over Warner Milne Rd
- › **South** - Hilltop Mall Shopping Center
- › **East** - Hilltop Mall Shopping Center
- › **West** - Office/Multi Family Development

The subject benefits from its location just off a primary arterial with a mid-block location on a minor arterial. Adjacent retail and office development and renovation and conversion of uses that has been occurring in the area and convenient access to major transportation routes are all positive factors impacting the subject property. Considering these factors, real estate values in the market area are anticipated to remain stable or appreciate in the long-term.

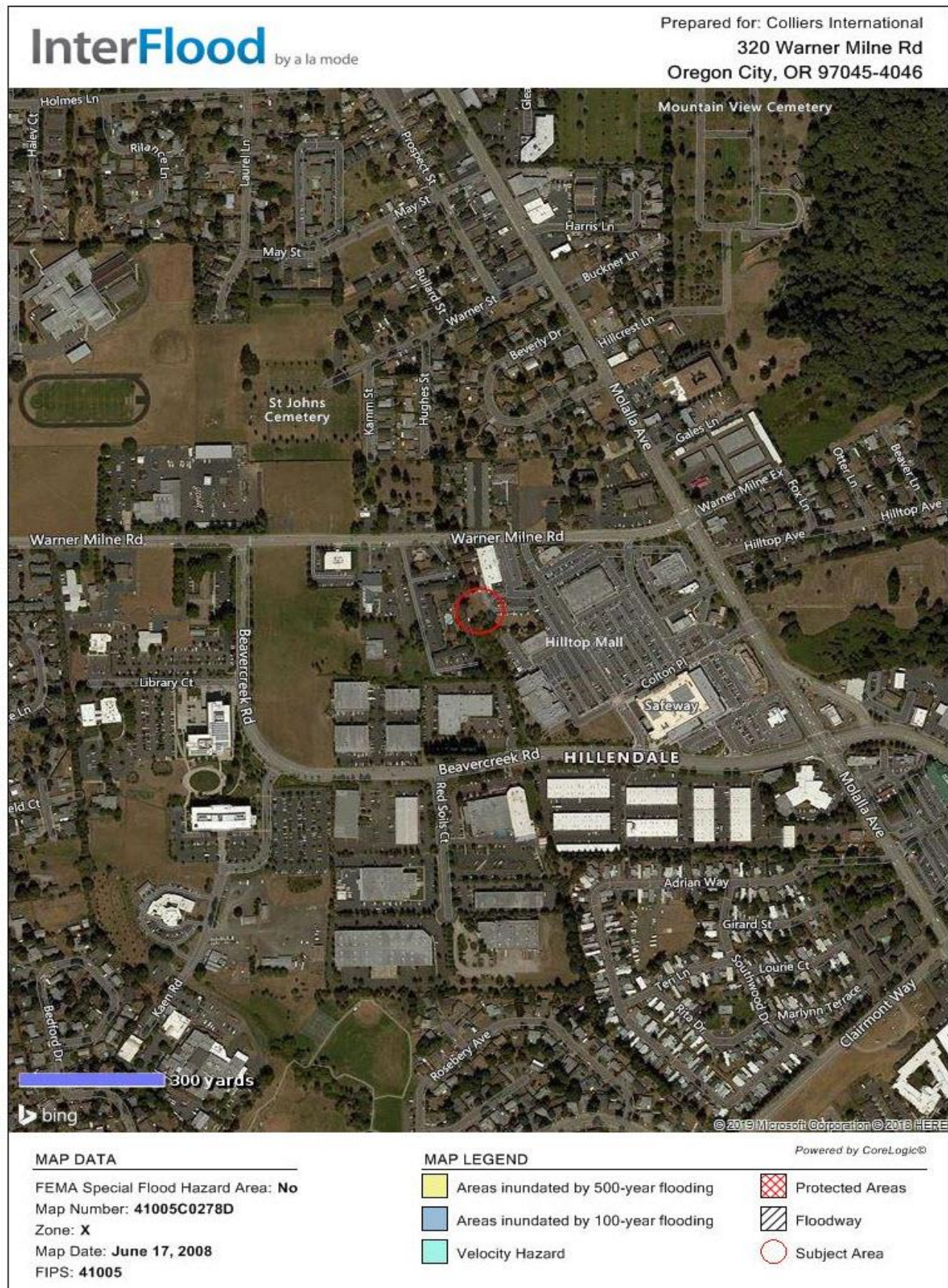
PLAT MAP



ZONING MAP



FLOOD MAP



SITE DESCRIPTION

General Description

The subject site consists of 2 parcels totaling 139,392 SF (3.20 AC) of land area. The subject currently has a site coverage ratio of 11% which is outside of market standards and is not separately marketable indicating surplus land. We have utilized a typical site coverage ratio for suburban office buildings at 20% of the improvements in order to obtain an economic site of 81,100 SF (16,220 SF NRA / 20%). The surplus land area of 58,292 SF (1.34 AC) has less functional utility than the economic site based on its size and shape. The following discussion summarizes the subject site size and characteristics.

Assessor Parcels

00846847, 00846981

Number Of Parcels

2

Land Area

Acres

Square Feet

Economic Site

1.86

81,100

Surplus Land

1.34

58,292

Total Land Area

3.20

139,392

Shape

Irregular - See Plat Map for Exact Shape

Topography

Level at street grade

Drainage

Assumed Adequate

Utilities

All available to the site

Street Improvements

Street

Direction

No. Lanes

Street Type

Curbs

Sidewalks

Streetlights

Center Lane

Gutters

Warner Milne Rd

Primary Street

two-way

two-lane

minor arterial

✓

✓

✓

✓

Frontage

Approximately 290 feet along Warner Milne Rd

MULTIPLE PARCEL SITE DESCRIPTION GRID

PARCEL	ECONOMIC SITE		SURPLUS		TOTAL		FRONTING STREET	SHAPE	ACCESS	EXPOSURE
	SF	AC	SF	AC	SF	AC				
00846847	81,100	1.86	0	0.00	81,100	1.86	Warner Milne Rd	Rectangular	Average	Average
00846981	0	0.00	58,292	1.34	58,292	1.34	N/A	Irregular	Average	Average
TOTAL	81,100	1.86	58,292	1.34	139,392	3.20				

Accessibility

Average - There are two curb cuts along Warner Milne Rd.

Exposure

Average - The subject is at a mid-block location along a minor arterial adjacent to a shopping center.

Seismic

The subject is located in an area designated as High Risk

Site Rating

Overall, the subject site is considered an average office site in terms of its location, exposure, and access to employment, education and commercial services, recognizing its location along a minor arterial.

Flood Zone

Zone X (Unshaded). This is referenced by Community Number 410021, Panel Number 41005C0278D, dated June 17, 2008. Zone X (unshaded) is a moderate and minimal risk area. Areas of moderate or minimal hazard are studied based upon the principal source of flood in the area. However, buildings in these zones could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Local stormwater drainage systems are not normally considered in a community's flood insurance study. The failure of a local drainage system can create areas of high flood risk within these zones. Flood insurance is available in participating communities, but is not required by regulation in these zones. Nearly 25-percent of all flood claims filed are for structures located within these zones. Minimal risk areas outside the 1-percent and .2-percent-annual-chance floodplains. No BFEs or base flood depths are shown within these zones. (Zone X (unshaded) is used on new and revised maps in place of Zone C.)

Easements

A preliminary title report was not available for review. During the on-site inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there is no negative value impact on the subject improvements. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.

Soils

A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.

Hazardous Waste

We have not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer.

IMPROVEMENT DESCRIPTION

The information presented below is a basic description of the existing improvements using sources deemed dependable for this analysis. It is assumed that there are no hidden defects, and that all structural components are functional and operational, unless otherwise noted.

Property Type	Office - Low-Rise Office
Design	Single-Tenant Owner-Occupied
Number of Buildings	4
Number of Stories	1 Plus Basement
Net Rentable Area (NRA)	16,220 SF
Gross Building Area (GBA)	17,020 SF
Main Office SF (NRA)	11,900 SF
Modular Office SF (NRA)	4,320 SF
Basement SF (Not in NRA)	800 SF
Site Coverage Ratio	20% (Economic Site)
Land to Building Ratio	4.8 : 1 (Economic Site)
Parking (Economic Site)	68 (Surface) 4.2/1,000 SF NRA
Year Built	1970 & 1991
Year Renovated	Periodic
Age/Life Analysis (Overall)	
Actual Age	28-49 Years
Effective Age	20 Years
Economic Life	25-50 Years
Remaining Life	25 Years
Quality	Average
Condition	Average

MULTIPLE BUILDING DESCRIPTION GRID

BUILDING	GBA	NRA	YEAR BUILT	STORIES	QUALITY	CONDITION
Main Office	12,700	11,900	1970	1 Plus Basement	Average	Average
Modular Offices	1,440	1,440	1991	1	Average	Average
Modular Offices	1,440	1,440	1991	1	Average	Average
Modular Offices	1,440	1,440	1991	1	Average	Average
TOTAL	17,020	16,220				

Basic Construction	Concrete Block (Main Office), Wood Frame (Modular Offices)
Foundation	Concrete Slab (Main Office), Block Pier (Modular Office)
Exterior Walls	Concrete Block (Main Office), Vertical Wood Siding (Modular Office)
Roof	Flat Built Up Roof with Composition Cover (Main Office), Pitched Roofing with Composition Shingle Cover
Insulation	Assumed Adequate
Heating/AC	Forced Air Gas, Roof Mounted HVAC (Main Office), Electric (Modular Office)

Lighting	Recessed Fluorescent Lighting
Interior Walls	Concrete Block, Painted Drywall and Decorative Wood
Electrical	Assumed adequate and to code
Ceilings	Dropped Acoustical Ceiling Tile
Windows	Glass in Aluminum and Vinyl Frames
Doors	Glass in Metal Frames
Flooring	Commercial Grade Carpeting, Sheet Vinyl in the Restrooms/Locker Rooms
Plumbing	Two Single User Lobby Restrooms, Two Multi User Restrooms and a Men's and Women's Locker Room with One Shower (Main Office), Two Single User Restrooms (Modular Office- One Building Only)
Fire Protection	The Subject has a Fire Sprinkler System
Landscaping	Asphalt Paving, Concrete Sidewalks, Concrete Curbing, Pole Mounted Lights, Fencing and Low Maintenance Landscaping
Parking	The subject property has an asphalt paved parking lot that is in average condition. The subject's parking lot provides a ratio of 4.2 spaces per 1,000 SF on the economic site, which is within typical market standards from 4 to 5 per 1,000 SF. It is noted there are 32 parking spaces located on the surplus land area.
Deferred Maintenance	The subject property has an ongoing maintenance program in place. Based on our interview with the property contact and the onsite inspection by the field appraiser, the property presents average condition overall.
Surplus Land	The surplus land area of 58,292 SF (1.34 AC) has less functional utility than the economic site based on its size and shape. The surplus land appeal to the adjacent shopping center and apartment owners as they are contiguous sites with additional to potential buyers that could develop additional office related improvements in conjunction with the existing space.
Functional Design	The subject improvements offer average utility to the current owner/user with an average parking ratio and site coverage ratios on the economic site. The ownership reported recent renovations in the past 7-8 years totaling \$320,000 related to exterior painting, interior finishes, partial fascia replacement and site improvements including fencing and partial resurfacing/restripping on the surplus land area. The improvements are jointly utilized as a municipal office building with a police station, municipal court and supporting city functions. The improvements consist of a Main Office building connected via covered deck to three Modular Office buildings. The build out is primarily of a general office nature with a main reception area, multiple private and shared office spaces, break room, kitchenette and multiple locker rooms, court room and secured areas with an unfinished basement utilized as lockup. Overall, the subject has a functional design considering the site and building configurations and could be utilized as a general office space in its current configuration with minor modification to any slightly specialized areas.

ASSESSMENT & TAXATION

The subject property is located within the Clackamas County municipality. The assessed value and property tax for the current year are summarized in the following table.

ASSESSMENT & TAXES						
Tax Year	2018/2019				Tax Rate	1.7834%
Tax Rate Area	062002				Taxes Current	Yes
Taxes SF Basis	Net Rentable Area					
APN	LAND	IMPV	TOTAL	EXEMPTIONS	TAXABLE	BASE TAX
00846847	\$937,861	\$1,543,250	\$2,481,111	\$2,481,111	\$0	\$0
00846981	\$485,113	\$358,860	\$843,973	\$843,973	\$0	\$0
Totals	\$1,422,974	\$1,902,110	\$3,325,084	\$3,325,084	\$0	\$0
Total/SF	\$87.73	\$117.27	\$205.00	\$205.00	\$0.00	\$0.00

Source: Clackamas County Assessment & Taxation

Subject Property Analysis

The total assessment for the subject property is \$3,325,084 or \$205.00/SF according to Clackamas County Tax Assessor. The subject is currently owned by a governmental agency that is fully tax exempt. If the property is sold to a non-exempt entity a reassessment would likely be made with current taxes due at the local millage rate and changed property ratio.

In Oregon, Measure 50 was passed in the May 20, 1997 special election. This measure establishes the maximum assessed value of property in Oregon for the 1997/1998 tax year as 90 percent of the property's real market value in the 1995/96 tax year. Any increases in assessed value for tax years following 1997/1998 are limited to 3 percent per year. Assessed value will be adjusted for new property or property improvements and certain other events. Certain local option taxes are permitted, if approved by voters. Measure 50 retains the existing total property tax rate for all property taxes, including local option taxes but excluding taxes for bonds at \$5 per \$1,000 of value for schools and \$10 per \$1,000 of value for non-school government.

ZONING ANALYSIS

Uses in the general commercial district are designed to serve the city and the surrounding area. Land uses are characterized by a wide variety of establishments such as retail, service, office, multi-family residential, lodging, recreation and meeting facilities or a similar use as defined by the community development director.

The zoning characteristics for the subject property are summarized below:

ZONING SUMMARY	
Municipality Governing Zoning	City of Oregon City Planning & Zoning Department
Current Zoning	General Commercial (C)
Permitted Uses	Hotel/Motel, Gas Station, Medical, Retail Trade, Office, Multi-Family
Current Use	Oregon City Municipal Building with Surplus Land
Is Current Use Legally Permitted?	Yes
Zoning Change	Not Likely
ZONING REQUIREMENTS	
Conforming Use	The existing improvements represent a conforming use within this zone
Minimum Site Area (SF)	None
Minimum Yard Setbacks	
Front (Feet)	None unless abutting a residential zone
Rear (Feet)	None unless abutting a residential zone
Side (Feet)	None unless abutting a residential zone
Maximum Site Coverage	85%
Maximum Building Height	60 Feet
Parking Requirement	
Spaces Required	44
Spaces Provided	68

Source: City of Oregon City Planning & Zoning Department

Zoning Conclusions

Based on the interpretation of the zoning ordinance, the subject property is an outright permitted use that could be rebuilt if unintentionally destroyed.

MARKET ANALYSIS

This section provides a study of office supply/demand conditions for the Portland MSA Market and Oregon City Submarket. These findings are used to support our conclusions for the competitive position, general vacancy and exposure period for the subject property.

PORTLAND MSA OFFICE MARKET

The following is an analysis of supply/demand trends in the Portland MSA Office market using information provided by CoStar, widely recognized as a credible source for tracking market statistics. The table below presents historical data for key market indicators.

PORTLAND MSA HISTORICAL STATISTICS (LAST TEN YEARS)					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2009	101,251,994 SF	809,610 SF	(1,038,254) SF	10.5%	\$19.71/SF
2010	101,999,556 SF	898,017 SF	608,134 SF	11.3%	\$19.50/SF
2011	102,162,383 SF	294,310 SF	935,680 SF	10.6%	\$19.32/SF
2012	102,737,073 SF	596,867 SF	1,095,260 SF	10.0%	\$19.48/SF
2013	102,644,040 SF	94,649 SF	756,601 SF	9.0%	\$19.90/SF
2014	103,437,671 SF	1,222,611 SF	1,791,572 SF	8.4%	\$20.86/SF
2015	103,511,780 SF	285,799 SF	343,409 SF	7.9%	\$22.22/SF
2016	104,746,462 SF	1,447,140 SF	1,467,508 SF	7.4%	\$23.60/SF
2017	105,075,586 SF	501,617 SF	777,726 SF	7.2%	\$24.39/SF
2018	106,814,220 SF	1,824,221 SF	1,035,256 SF	7.3%	\$25.72/SF
CAGR	0.5%	-	-	-	2.7%

*Supply numbers based on information which is amended/updated on an on-going basis by Costar.

Source: Costar®

The following table summarizes the trailing four quarter performance of the Portland MSA market.

PORTLAND MSA TRAILING FOUR QUARTER PERFORMANCE					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2018 Q2	106,067,839 SF	694,695 SF	707,902 SF	7.2%	\$25.47/SF
2018 Q3	106,235,937 SF	187,932 SF	257,074 SF	7.1%	\$25.51/SF
2018 Q4	106,814,220 SF	614,349 SF	288,551 SF	7.4%	\$26.37/SF
2019 Q1	106,918,960 SF	104,740 SF	163,632 SF	7.3%	\$26.63/SF

Source: Costar®

Key supply/demand statistics for the most recent quarter, last year and historical averages are summarized below.

PORTLAND MSA MARKET TREND ANALYSIS			
	Q1 2019	2018	Last 10
Total SF	106,918,960	106,814,220	103,438,077
Vacant SF	7,805,599	7,744,031	9,244,261
Market Vacancy	7.3%	7.3%	8.9%
Construction Growth Rate	0.1%	1.7%	0.5%
Absorption Rate	0.2%	1.0%	0.7%
Average Asking Rent/SF	\$26.63	\$25.72	\$21.47

Source: Costar®

Portland MSA Market Conclusion

Based on the preceding analysis, the Portland MSA office market demonstrates relatively sound fundamentals and has shown considerable improvement from the 2008 economic downturn. The Portland market is benefiting from an improving economy that has recovered jobs lost during the Great Recession. The growth has been met with diminishing availabilities, especially among large blocks of space. Portland has seen a tendency for traditionally large tenants (legal or finance users, for example) to consolidate and downsize while creative (such as software or design firms) users have shown a tendency to expand their footprints.

OREGON CITY OFFICE SUBMARKET OVERVIEW

The following is an analysis of supply/demand trends in the Oregon City Office submarket using information provided by CoStar. The table below presents historical data for key market indicators.

OREGON CITY HISTORICAL STATISTICS (LAST TEN YEARS)					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2009	1,053,680 SF	0 SF	12,343 SF	5.8%	\$17.65/SF
2010	1,053,680 SF	0 SF	(2,761) SF	5.1%	\$16.17/SF
2011	1,050,572 SF	0 SF	(16,390) SF	7.4%	\$14.83/SF
2012	1,050,572 SF	0 SF	(23,105) SF	9.5%	\$14.45/SF
2013	1,061,488 SF	10,916 SF	3,527 SF	9.8%	\$15.42/SF
2014	1,061,488 SF	0 SF	6,777 SF	9.7%	\$16.30/SF
2015	1,061,488 SF	0 SF	12,221 SF	8.6%	\$16.79/SF
2016	1,061,488 SF	0 SF	48,970 SF	5.4%	\$16.46/SF
2017	1,061,488 SF	0 SF	4,674 SF	3.4%	\$16.35/SF
2018	1,061,488 SF	0 SF	12,900 SF	3.5%	\$17.84/SF
CAGR	0.1%	-	-	-	0.1%

*Supply numbers based on information which is amended/updated on an on-going basis by Costar.

Source: Costar®

The following table summarizes the trailing four quarter performance of the Oregon City submarket.

OREGON CITY TRAILING FOUR QUARTER PERFORMANCE					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2018 Q2	1,061,488 SF	0 SF	2,383 SF	3.9%	\$17.74/SF
2018 Q3	1,061,488 SF	0 SF	(3,631) SF	4.2%	\$18.35/SF
2018 Q4	1,061,488 SF	0 SF	27,222 SF	1.6%	\$18.14/SF
2019 Q1	1,061,488 SF	0 SF	3,772 SF	1.3%	\$17.15/SF

Source: Costar®

Key supply/demand statistics for the most recent quarter, last year and historical averages are summarized below.

OREGON CITY MARKET TREND ANALYSIS			
	Q1 2019	2018	Last 10
Total SF	1,061,488	1,061,488	1,057,743
Vacant SF	13,740	36,621	72,096
Market Vacancy	1.3%	3.5%	6.8%
Construction Growth Rate	0.0%	0.0%	0.1%
Absorption Rate	0.4%	1.2%	0.6%
Average Asking Rent/SF	\$17.15	\$17.84	\$16.23

Source: Costar®

Oregon City Submarket Conclusion

The submarket has typically seen vacancy slightly lower than the Portland Market and lower rental rates. Minimal supply additions have occurred during the last four quarters, and vacancy has fluctuated due to negative and positive absorption. Emphasis should be placed on the overall vacancy range from 3.5% to 9.7% over the last ten years, which is considered reasonable, and current vacancy at 1.3% (21Q 2019). Overall the market appears to be stable with a trend of increasing rent levels and decreasing vacancies.

SUBJECT PROPERTY ANALYSIS

The subject is an Office (Low-Rise Office) property totaling 16,220 SF of NRA located on a 3.20-acre site at 320 Warner Milne Rd in Oregon City, Oregon. The improvements are comprised of a Main Office building totaling 11,900 SF NRA (800 SF basement not included in NRA) built in 1970 and three Modular Office buildings totaling 4,320 SF NRA (1,440 SF each) built in 1991 with periodic renovations. We have estimated the improvements are located on an economic site of 1.86 AC (81,100 SF) with surplus land area of 1.34 AC (58,292 SF). The improvements overall are in average condition and have a remaining economic life of 25 years based on our estimate.

The subject property has a single-tenant design that is fully owner-occupied, which is above the stabilized occupancy level estimate of 95% that was developed in this appraisal.

EXPOSURE TIME & MARKETING PERIOD

Exposure time is best established based the recent history of marketing periods for comparable sales, discussions with market participants and information from published surveys. The following table summarizes the information that was taken into consideration to develop an estimate of exposure time and marketing period for the subject property:

EXPOSURE TIME & MARKETING PERIOD				
SOURCE	QUARTER	RANGE		AVG
Market Participant	2Q 19	1.0	to 12.0	6.5
Comparable Sales Dataset	2017-2019	0.0	to 6.0	2.0
AVERAGE		0.5	to 9.0	4.3

The preceding information generally supports an exposure time range from 0 to 12 months for Office (Low-Rise Office) properties. The availability of acquisition financing also factors into exposure time and marketing period. Our review of the local capital market indicate that adequate financing options would have been available to consummate a sale of the subject on the date of value. Considering the subject's physical and locational characteristics and surplus land a conclusion toward the middle end of the range is indicated for the subject.

Exposure Time Conclusion

Six To Nine Months

Marketing Period Conclusion

Six To Nine Months

HIGHEST AND BEST USE ANALYSIS

This section develops the highest and best use of the subject property as-vacant and as-improved. The highest and best use, or most probable use, must be legally permissible, physically possible, financially feasible, and maximally productive.

As-Vacant Analysis

Permitted uses of the subject's General Commercial (C) zoning were listed in the Zoning Analysis section and include a wide range of retail, office and multi-residential uses. Regarding physical characteristics, the subject site is irregular in shape and has level topography with average access and average exposure. The subject site has frontage on a minor arterial. The immediate area is developed with office, retail, mixed-use and shopping center development along major arterials that is interspersed with multi-family complexes and single-family residential development removed from arterials. Based on our observations of land development trends for sites with similar zoning and physical characteristics as the subject and analysis of current supply/demand trends, the highest and best use of the subject site as-vacant is commercial development.

As-Improved Analysis

The subject's Office (Low-Rise Office) use (as-improved) is permitted outright by the C zoning. The legal factors influencing the highest and best use of the subject property support the existing use. The subject's improvements were constructed in 1970 & 1991 and have an overall remaining economic life of 25 years based on our estimate. The project is of average quality construction and in average condition, with adequate service amenities. Legal, physical, locational and marketability factors support the existing use as the highest and best use of the subject site.

In addition to legal, physical and locational considerations, analysis of the subject property as-improved requires the treatment of alternative uses for the property. The five possible alternative treatments of the property are demolition, expansion, renovation, conversion, and the subject's use "as-improved". Among the five alternative uses, continued use as improved as an office building with surplus land is the Highest and Best Use of the subject property as-improved. The surplus land has less functional utility than the economic site based on its size and shape. The surplus land appeal to the adjacent shopping center and apartment owners as they are contiguous sites with additional to potential buyers that could develop additional office related improvements.

VALUATION METHODS

The following presentation of the appraisal process deals directly with the valuation of the subject property. The paragraphs below describe the standard approaches to value that were considered for this analysis.

Income Approach

The two fundamental methods of this valuation technique include Discounted Cash Flow and Direct Capitalization.

Characteristics specific to the subject property warrant that this valuation technique is developed. Development of the Income Approach is a specific scope requirement of this assignment. The subject has secondary appeal as an investment property; therefore, the Income Approach represents the decision making process of knowledgeable buyers and sellers of this property type. The Direct Capitalization method is used in this analysis. Discounted Cash Flow analysis does not contribute substantially to estimating value beyond the direct capitalization method and is not used in this analysis.

Sales Comparison Approach

Characteristics specific to the subject property warrant that this valuation technique to be developed. Development of the Sales Comparison Approach is a specific scope requirement of this assignment. Sufficient sales data is available to provide a credible value estimate by the Sales Comparison Approach. Based on this reasoning, the Sales Comparison Approach is presented within this appraisal.

Land Valuation

Characteristics specific to the subject property warrant that a site value is developed. Development of the subject site value is a specific scope requirement of this assignment. The subject site has surplus land that is not separately marketable from the economic site that requires valuation. Within the Site Valuation section, only the subject's surplus land is valued.

Cost Approach

Characteristics specific to the subject property do not warrant that this valuation technique is developed. Development of the Cost Approach is not a specific scope requirement of this assignment. The Cost Approach has limited applicability due to the age of the improvements and lack of market based data to support an estimate of accrued depreciation. Based on the preceding information, the Cost Approach will not be presented.

Reconciliation of Value Conclusions

The Income (Direct Capitalization) and Sales Comparison approaches are used to value the subject property, which will be reconciled into the final opinion of market value in the Analysis of Value Conclusions section. In addition, the subject's surplus land was separately valued and added to the previously concluded value in the Income and Sales Approaches.

INCOME APPROACH

As previously discussed within the Valuation Methods section, the Direct Capitalization method is used in this analysis, and Discounted Cash Flow analysis is not developed.

Direct Capitalization

The first step in the direct capitalization method is to estimate the subject's durable rental income through reconciliation of the subject's in-place lease terms and market rent analysis. Next, we analyze other income items including reimbursements and miscellaneous revenue. Then, vacancy allowance and operating expenses are estimated based on analysis of the subject and market indicators. Finally, the resulting net operating income is capitalized at an appropriate supported rate. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

Rental Income Analysis

In this section, we developed an opinion of the subject's rental income through examination of subject lease terms and market rent analysis. The rental income conclusion was reconciled taking into account such items as durability of in-place contract rents, lease escalations and market terms as measured by rent comparables.

Subject Lease Analysis

The subject property is fully owner-occupied and is therefore unencumbered by an arm's length lease. The rental income conclusion was based solely on market rent analysis. We have utilized a triple net expense structure in line with similar single tenant retail/office buildings where the tenant is directly responsible for taxes, insurance and maintenance directly and the ownership is responsible for management and structural maintenance represented by reserves for replacement.

Market Rent Analysis

This section examines competitive comparable properties within the marketplace to establish our opinion of market rent for the subject property. This allows for a comparison of the subject property's contract to what is attainable in the current market.

Adjustment Process

Quantitative adjustments are made to the comparable leases. The following adjustments or general market trends were considered for the basis of market rent analysis.

Transactional Adjustments	If warranted, the comparable leases were adjusted for varying lease structures, atypical concessions and market conditions. Comparables 2, 3, 4 and 5 are adjusted downward \$2.25 from a modified gross lease to triple net lease structure.
Concession Adjustment	The adjustment for rent concessions is a basis for creating a comparable market
Property Adjustments	Quantitative percentage adjustments were made for location and physical characteristics such as size, age, condition, exposure and parking ratio. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject site.

The following table summarizes the market conditions adjustment applied in this analysis.

MARKET CONDITIONS ADJUSTMENT			
Per Year As Of	June 2019	(As-Is)	3%

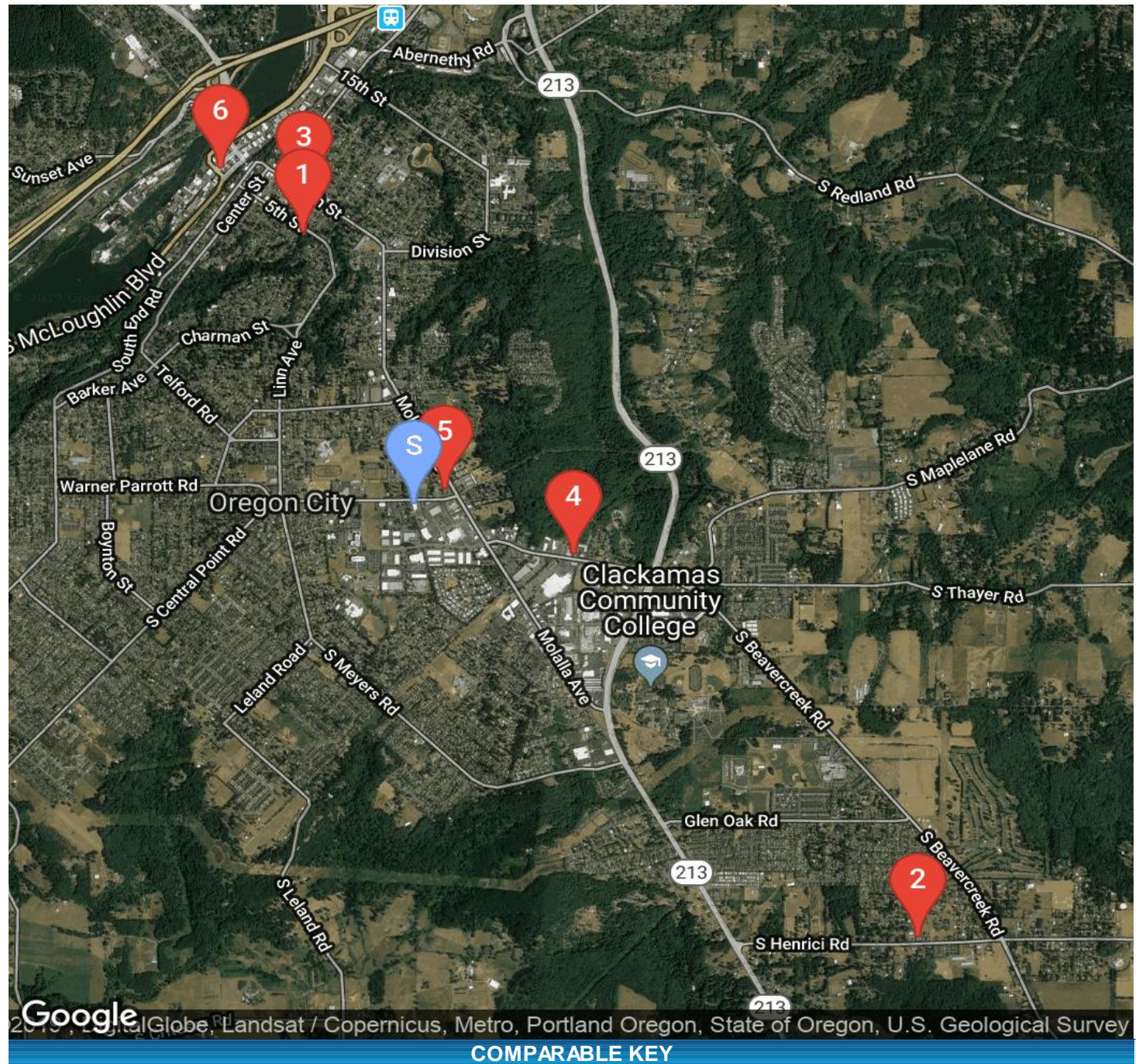
The analysis applies an upward market conditions adjustment of 3% annually reflecting the conditions between the oldest comparable lease date up through the effective valuation date.

Analysis of Comparable Office Leases

The Office lease analysis is used to derive an opinion of market rent and correlating leasing assumptions for the Office MLA category. The following pages present a summation table of the comparables selected for this analysis, a location map and comparable photographs, the lease comparable adjustment process and our market rent conclusion.

OFFICE LEASE SUMMATION TABLE							
COMPARABLE	SUBJECT	LEASE 1	LEASE 2	LEASE 3	LEASE 4	LEASE 5	LEASE 6
Name	Oregon City Municipal Building and Surplus Land	Oregon City Office	Oregon City Office	Tarelton Building	Oregon City Building	Pioneer Plaza Office Park	Oregon City Retail Bldg
Address	320 Warner Milne Rd	1010 5th St	15223 Henrici Rd	619 Madison Street	2005 Beaver Creek Rd	365 Warner Milne Rd	504 Main St
City	Oregon City	Oregon City	Oregon City	Oregon City	Oregon City	Oregon City	Oregon City
State	OR	OR	OR	OR	OR	OR	OR
PHYSICAL INFORMATION							
Property Type	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial
NRA	16,220	5,889	6,000	18,000	4,000	16,793	3,850
Parking Ratio	4.2	1.02	1.7	2.0	2.00	2.0	2.5
Year Built	1970 & 1991	1964	1973	1947	1975	1999	1930
Year Renovated	Periodic	Periodic	Periodic	Periodic	Periodic	-	Periodic
Site Coverage	20%	32%	15%	64%	18%	31%	37%
LEASE INFORMATION							
Tenant Name		Guild Mortgage Company	Beaver Creek Telephone	Professional Office Tenant	Professional Office	Office Tenant	Acadia
Commencement Date		5/1/2018	2/1/2017	11/1/2016	2/1/2015	1/1/2017	3/1/2019
Lease Type		New	New	New	New	New	New
Lease Status		Signed	Signed	Signed	Signed	Signed	Signed
Rate Type		NNN	MG	MG	MG	Adj. to NNN	MG
Size (SF)		5,889	3,000	1,292	1,100	1,100	1,800
Term (Yrs)		3	3	3	3	5	8
Rent (\$/SF/Yr.)		\$14.50	\$14.00	\$12.00	\$13.00	\$17.00	\$12.00
Avg. Escalation/Yr		3.0%	3.0%	3.0%	-	3.0%	3.0%
Concessions		1 Mos.	-	-	-	-	-
TI's (\$/SF)		-	-	-	-	-	-
Options		-	-	-	-	-	-

RENT COMPARABLE LOCATION MAP



COMPARABLE KEY

COMP	DISTANCE	NAME	ADDRESS	TENANT	SF	\$/SF
SUBJECT	-	Oregon City Municipal Building and Surplus Land	320 Warner Milne Rd, Oregon City, OR	-	-	\$12.50
No. 1	1.2 Miles	Oregon City Office	1010 5th St, Oregon City, OR	Guild Mortgage Company	5,889	\$14.50
No. 2	2.7 Miles	Oregon City Office	15223 Henrici Rd, Oregon City, OR	Beaver Creek Telephone	3,000	\$14.00
No. 3	1.4 Miles	Tarelton Building	619 Madison Street, Oregon City, OR	Professional Office Tenant	1,292	\$12.00
No. 4	0.7 Miles	Oregon City Building	2005 Beaver Creek Rd, Oregon City, OR	Professional Office	1,100	\$13.00
No. 5	0.1 Miles	Pioneer Plaza Office Park	365 Warner Milne Rd, Oregon City, OR	Office Tenant	1,100	\$17.00
No. 6	1.6 Miles	Oregon City Retail Bldg	504 Main St, Oregon City, OR	Acadia	1,800	\$12.00

COMPARABLE OFFICE RENT PHOTOGRAPHS

**COMPARABLE 1****COMPARABLE 2****COMPARABLE 3****COMPARABLE 4****COMPARABLE 5****COMPARABLE 6**

OFFICE LEASE ADJUSTMENT TABLE

COMPARABLE	SUBJECT	LEASE 1	LEASE 2	LEASE 3	LEASE 4	LEASE 5	LEASE 6
Name	Oregon City Municipal Building and Surplus Land	Oregon City Office	Oregon City Office	Tarellton Building	Oregon City Building	Pioneer Plaza Office Park	Oregon City Retail Bldg
Address	320 Warner Milne Rd	1010 5th St	15223 Henrici Rd	619 Madison Street	2005 Beaver Creek Rd	365 Warner Milne Rd	504 Main St
City	Oregon City	Oregon City	Oregon City	Oregon City	Oregon City	Oregon City	Oregon City
NRA	16,220	5,889	6,000	18,000	4,000	16,793	3,850
Parking Ratio	4.2	1.02	1.7	2.0	2.00	2.0	2.5
Year Built	1970 & 1991	1964	1973	1947	1975	1999	1930
Year Renovated	Periodic	Periodic	Periodic	Periodic	Periodic	-	Periodic
Site Coverage	20%	32%	15%	64%	18%	31%	37%
LEASE INFORMATION							
Tenant Name		Guild Mortgage Company	Beaver Creek Telephone	Professional Office Tenant	Professional Office	Office Tenant	Acadia
Commencement Date		5/1/2018	2/1/2017	11/1/2016	2/1/2015	1/1/2017	3/1/2019
Lease Type		New	New	New	New	New	New
Lease Status		Signed	Signed	Signed	Signed	Signed	Signed
Rate Type		NNN	MG	MG	MG	Adj. to NNN	MG
Size (SF)		5,889	3,000	1,292	1,100	1,100	1,800
Term (Yrs)		3.0	3.0	3.0	3.0	5.0	8.0
Rent (\$/SF/Yr.)		\$14.50	\$14.00	\$12.00	\$13.00	\$17.00	\$12.00
Avg. Escalation/Yr		3.0%	3.0%	3.0%	-	3.0%	3.0%
Concessions		1 Mos.	-	-	-	-	-
TI's (\$/SF)		-	-	-	-	-	-
TRANSACTIONAL ADJUSTMENTS							
Lease Type		\$0.00	(\$2.00)	(\$2.00)	(\$2.00)	\$0.00	(\$2.00)
Concessions		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Market Conditions¹		3%	7%	8%	14%	7%	1%
Subtotal Eff Rent		\$14.94	\$12.84	\$10.80	\$12.54	\$18.19	\$10.10
PROPERTY ADJUSTMENTS							
Location	Average	Average	Average	Average	Average	Average	Average
<i>Adjustment</i>		0%	0%	0%	0%	0%	0%
Size (Property)	16,220	5,889	3,000	1,292	1,100	1,100	1,800
<i>Adjustment</i>		-5%	-5%	-5%	-5%	-5%	-5%
Quality	Average	Average	Average/Good	Average	Average/Good	Average/Good	Average
<i>Adjustment</i>		0%	-5%	0%	-5%	-5%	0%
Condition	Average	Average/Good	Average/Good	Average	Average/Good	Good	Average
<i>Adjustment</i>		-5%	-5%	0%	-5%	-10%	0%
Exposure	Average	Average/Good	Average	Average	Average	Good	Average
<i>Adjustment</i>		-5%	0%	0%	0%	-10%	0%
Access	Average	Average/Good	Average	Average	Average	Average/Good	Average
<i>Adjustment</i>		-5%	0%	0%	0%	-5%	0%
Parking Ratio	4.2	1.02	1.7	2.0	2.00	2.0	2.5
<i>Adjustment</i>		10%	10%	5%	5%	5%	5%
Subtotal Property Adj		-10%	-5%	0%	-10%	-30%	0%
TOTAL ADJUSTED RENT		\$13.45	\$12.20	\$10.80	\$11.29	\$12.73	\$10.10
STATISTICS	UNADJUSTED	ADJUSTED					
LOW	\$12.00	\$10.10					
HIGH	\$17.00	\$13.45					
MEDIAN	\$13.50	\$11.75					
AVERAGE	\$13.75	\$11.76					

¹ Market Conditions Adjustment - Compound annual change in market conditions: 3%

Date of Value (for adjustment calculations): 6/11/19

The lease comparables indicate an adjusted lease rate range from \$10.10/SF to \$13.45/SF, with a median of \$11.75/SF and an average of \$11.76/SF. The range of total net adjustment applied to the comparables was from -25% to -7%. The level of total adjustment applied to the comparables is considered to be minimal to moderate. Overall, the availability of market data and extent of analysis was adequate to develop a reasonably credible lease rate conclusion.

Comparables 3 and 6 (\$10.10/SF-\$10.80/SF adj) are the commercial leases near downtown Oregon City. The comparables are adjusted downward for their smaller sizes with similar quality, condition, exposure and access. These comparables are adjusted upward for its inferior parking ratios. After moderate net adjustments and with consideration to their slightly difference locations, these comparables warrant secondary emphasis.

Comparable 2 (\$12.20/SF adj) is the lease of an office tenant located in southwest Oregon City that is adjusted downward for its smaller size, superior quality and condition. After moderate net adjustments this comparable warrants primary emphasis and is a good indicator.

Comparables 1 and 5 (\$12.73/SF-\$13.45/SF adj) are the leases of office tenants located near the subject that are adjusted downward for their smaller sizes, superior quality, condition, access and exposure along major arterials. These comparables are adjusted upward for their inferior parking ratios. After minimal to moderate net adjustments, these comparables warrant primary emphasis and are reasonable indicators.

The comparables indicate an adjusted lease rate range from \$10.10/SF to \$13.45/SF, with a median of \$11.75/SF and an average of \$11.76/SF. Based on the results of the preceding analysis, Comparable 1 (\$13.45/SF adjusted), Comparable 2 (\$12.20/SF adjusted) and Comparable 5 (\$12.73/SF adjusted) are given primary consideration for the lease rate conclusion. A conclusion is well supported by the presented comparables at \$12.50/SF based on the subject's physical and locational characteristics.

OFFICE SPACE MARKET RENT CONCLUSION

The following table summarizes the analysis of the comparables leases and the Office market rent conclusion.

OFFICE LEASE CONCLUSION TABLE								
LEASE	LEASE RATE	ADJUSTMENT				NET ADJ %	GROSS ADJ %	OVERALL COMPARISON
		TRANSACTIONAL ¹	ADJUSTED	PROPERTY ²	FINAL			
1	\$14.50	\$0.44	\$14.94	-10%	\$13.45	-7%	33%	PRIMARY
2	\$14.00	(\$1.16)	\$12.84	-5%	\$12.20	-13%	46%	PRIMARY
3	\$12.00	(\$1.20)	\$10.80	0%	\$10.80	-10%	35%	SECONDARY
4	\$13.00	(\$0.46)	\$12.54	-10%	\$11.29	-13%	49%	SECONDARY
5	\$17.00	\$1.19	\$18.19	-30%	\$12.73	-25%	47%	PRIMARY
6	\$12.00	(\$1.90)	\$10.10	0%	\$10.10	-16%	28%	SECONDARY
LOW	\$10.10					AVERAGE		\$11.76
HIGH	\$13.45					MEDIAN		\$11.75
ACHIEVABLE MRKT RANGE								CONCLUSION
Office				\$11.00 - \$13.00				\$12.50

¹Cumulative ²Additive (Includes Tenant Adjustments)

POTENTIAL GROSS RENT

Our analysis and conclusions of the subject's potential gross rent are detailed as follows:

POTENTIAL GROSS RENT	
SF Leased	16,220
Market Rent	\$12.50
Expense Structure	Triple Net
Contract or Market	Market
POTENTIAL GROSS RENT CONCLUSION	
Annual	\$202,750
PSF (YR.)	\$12.50
PSF (MO.)	\$1.04

INCOME & EXPENSE ANALYSIS

In this section, we estimate additional revenue sources, vacancy and credit loss, and applicable operating expenses. Considering the single tenant nature of the improvements with operating expenses incurred directly by the tenant pass through expenses are not analyzed in line with market standards.

VACANCY AND CREDIT LOSS

General vacancy was discussed in depth in the market analysis section of this report. Please reference that discussion for a full analysis. Regarding credit loss, non-sophisticated investors of single-tenant assets most often lump this allocation within the general vacancy loss factor, which is applied in this analysis. Our vacancy and credit loss conclusions are summarized in the following table and are intended to mirror behavior of typical purchasers of the subject.

VACANCY & CREDIT LOSS	
General Vacancy Rate	5.0%
Credit Loss Conclusion	0.0%
Total	5.0%

CONCLUSION OF OPERATING EXPENSES

In the following section we discuss the individual expense conclusions for the subject property.

EXPENSE CONCLUSIONS				
EXPENSE	%EGI	\$/SF	TOTAL	COMMENT
Management Fees	2.0%	\$0.24	\$3,852	The concluded amount is based on 2.0% of the concluded Effective Gross Income considering the single tenant orientation representing opportunity costs associated with passive management of a net leased property.
Reserves	1.7%	\$0.20	\$3,244	The concluded amount is based on \$0.20/SF of the subject's building area considering the subject's age and condition.
TOTAL EXPENSES	3.7%	\$0.44	\$7,096	

DEVELOPMENT OF CAPITALIZATION RATE

In developing our opinion of the capitalization rate, also known as overall rate (OAR), the following techniques were used:

- Comparable Sales
- Band of Investment Technique

Comparable Sales

The following table presents a summary of the comparable sales used ahead in the Sales Comparison Approach, and the capitalization rates from each of those sales (with capitalization rates). We have included additional sales (Comparables 2-6) to further support capitalization rate trends for the subject property.

CAPITALIZATION RATE COMPARABLES (OAR)										
NAME	CITY	ST	SALE DATE	YR BLT	NRA	\$/SF	SALE PRICE	NOI	NOI/SF	CAP RATE
1 Oregon City Office	Oregon City	OR	August 1, 2017	1999	18,362	\$206	\$3,775,000	\$254,401	\$13.85	6.74%
2 Professional Office Buildings	Beaverton	OR	October 14, 2016	1978	8,500	\$121	\$1,030,623	\$74,974	\$8.82	7.27%
3 Oregon City Mixed Use	Oregon City	OR	September 30, 2015	1935	5,118	\$167	\$856,740	\$58,800	\$11.49	7.00%
4 Barclay Office	Oregon City	OR	January 22, 2015	1895	5,200	\$159	\$825,000	\$61,875	\$11.90	7.50%
5 Cornell West	Hillsboro	OR	March 1, 2019	2000	115,071	\$191	\$22,000,000	\$1,656,339	\$14.39	7.53%
6 Sunset Corporate Park	Hillsboro	OR	June 30, 2017	1998	127,736	\$178	\$22,709,684	\$1,739,500	\$13.62	7.66%
LOW			January 22, 2015							6.74%
HIGH			March 1, 2019							7.66%
AVERAGE			December 20, 2016							7.28%
MEDIAN			February 20, 2017							7.39%
CONCLUDED CAPITALIZATION RATE (OAR)										7.25%

The capitalization rate comparables presented indicate a relatively tight range from 6.74-7.66% with an average of 7.28% and represent 2015-2019 sales of office buildings in Oregon City and comparable suburban submarkets. Primary emphasis is placed on Comparables 2-6 (7.00-7.66%) which represent sales of similar office buildings in Oregon City, Hillsboro and Beaverton with bracketing appeal, physical and locational characteristics. Overall, consistent with the average of the range at 7.25% is indicated based on the subject's quality/condition (including consideration of the modular buildings), size and single tenant orientation.

Band of Investment Technique

Most properties are purchased with debt and equity capital; therefore, the overall capitalization rate must satisfy the market return requirements of both investment positions. Available financing information from lenders and the sales comparables indicates the following terms:

BAND OF INVESTMENT ASSUMPTIONS	
Loan Amortization Period	25 Years
Interest Rate	4.50%
Loan-to-Value (LTV) Ratio	70%
Mortgage Constant	6.67%

Equity dividend rates vary depending upon motivations of buyers and financing terms. The previous terms and an appropriate equity dividend rate are used in the Band of Investments calculations, which are presented on the following chart.

BAND OF INVESTMENT CALCULATION					
Mortgage Component	70%	x	6.67%	=	4.669%
Equity Component	30%	x	8.00%	=	2.400%
Indicated Capitalization Rate	7.069%				
INDICATED CAPITALIZATION RATE	7.07%				

Capitalization Rate Conclusion

Taking all factors into consideration, the following table summarizes the various capitalization rate indicators and provides the final capitalization rate conclusion.

CAPITALIZATION RATE CONCLUSION (OAR)			
SOURCE	QUARTER	RANGE	AVG
Comparable Sales		6.74% to 7.66%	7.28%
Band of Investment Technique			7.07%
AVERAGE		6.74% to 7.66%	7.18%
CAPITALIZATION CONCLUSION (FEE SIMPLE)			7.25%

DIRECT CAPITALIZATION CONCLUSION

The table below summarizes the direct capitalization method and the Income Approach Value conclusion.

DIRECT CAPITALIZATION SUMMATION TABLE					
INCOME ITEMS	%PGI	%EGI	\$/SF(MO.)	\$/SF(YR.)	TOTAL
Base Contract Income			\$1.04	\$12.50	\$202,750
TOTAL RENTAL INCOME			\$1.04	\$12.50	\$202,750
POTENTIAL GROSS INCOME (PGI)	100.0%	105.3%	\$1.04	\$12.50	\$202,750
VACANCY & CREDIT LOSS					
Rental Income		(5.0%)	(\$0.05)	(\$0.63)	(\$10,138)
TOTAL VACANCY & CREDIT LOSS		(5.0%)	(\$0.05)	(\$0.63)	(\$10,138)
EFFECTIVE GROSS INCOME (EGI)	95.0%	100.0%	\$0.99	\$11.88	\$192,613
EXPENSE ITEMS					
Management Fees	(1.9%)	(2.0%)	(\$0.02)	(\$0.24)	(\$3,852)
Reserves	(1.6%)	(1.7%)	(\$0.02)	(\$0.20)	(\$3,244)
TOTAL EXPENSES	(3.5%)	(3.7%)	(\$0.04)	(\$0.44)	(\$7,096)
NET OPERATING INCOME (NOI)	91.5%	96.3%	\$0.95	\$11.44	\$185,516
Capitalization Rate					7.25%
Capitalized Value					\$2,558,845
AS-IS MARKET VALUE (ECONOMIC SITE & IMPROVEMENTS)				\$158/SF	\$2,560,000
PLUS: SURPLUS LAND					\$610,000
AS-IS MARKET VALUE				\$195/SF	\$3,170,000

Rounded to nearest \$10,000

ADJUSTMENTS TO VALUE

The subject's concluded surplus land value in our upcoming analysis is added above in order to arrive at the total As-Is Market Value.

SALES APPROACH

The Sales Comparison Approach analyzes comparable sales by applying transactional and property adjustments to bracket the subject property within an appropriate unit value comparison. The most relevant unit of comparison is the price per square foot of NRA, as it best reflects the analysis used by buyers and sellers in this market for improved properties with similar design and utility. We completed a thorough search for similar improved sales in terms of property type, location, physical characteristics, and date of sale. Overall, the sales selected represent the best comparables available for this analysis.

Adjustment Process

The following adjustments or general market trends were considered for the basis of valuation.

Transactional Adjustments

Dollar adjustments to the comparable sales were considered and made when warranted for transactional adjustments including property rights transferred, financing terms, conditions of sale, expenditures after purchase and market conditions. The following table summarizes the market conditions adjustment applied in this analysis.

MARKET CONDITIONS ADJUSTMENT			
Per Year As Of	June 2019	(As-Is)	3%

The analysis applies an upward market conditions adjustment of 3% annually reflecting the conditions between the oldest comparable sale date up through the effective valuation date.

The current listing is adjusted downward to account for the spread between listing and closing price.

Property Adjustments

Quantitative percentage adjustments are also made for location and physical characteristics such as size, age, site and parking ratios, access, exposure, quality and condition, as well as other applicable elements of comparison. Where possible the adjustments applied are based on paired data or other statistical analysis. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject site.

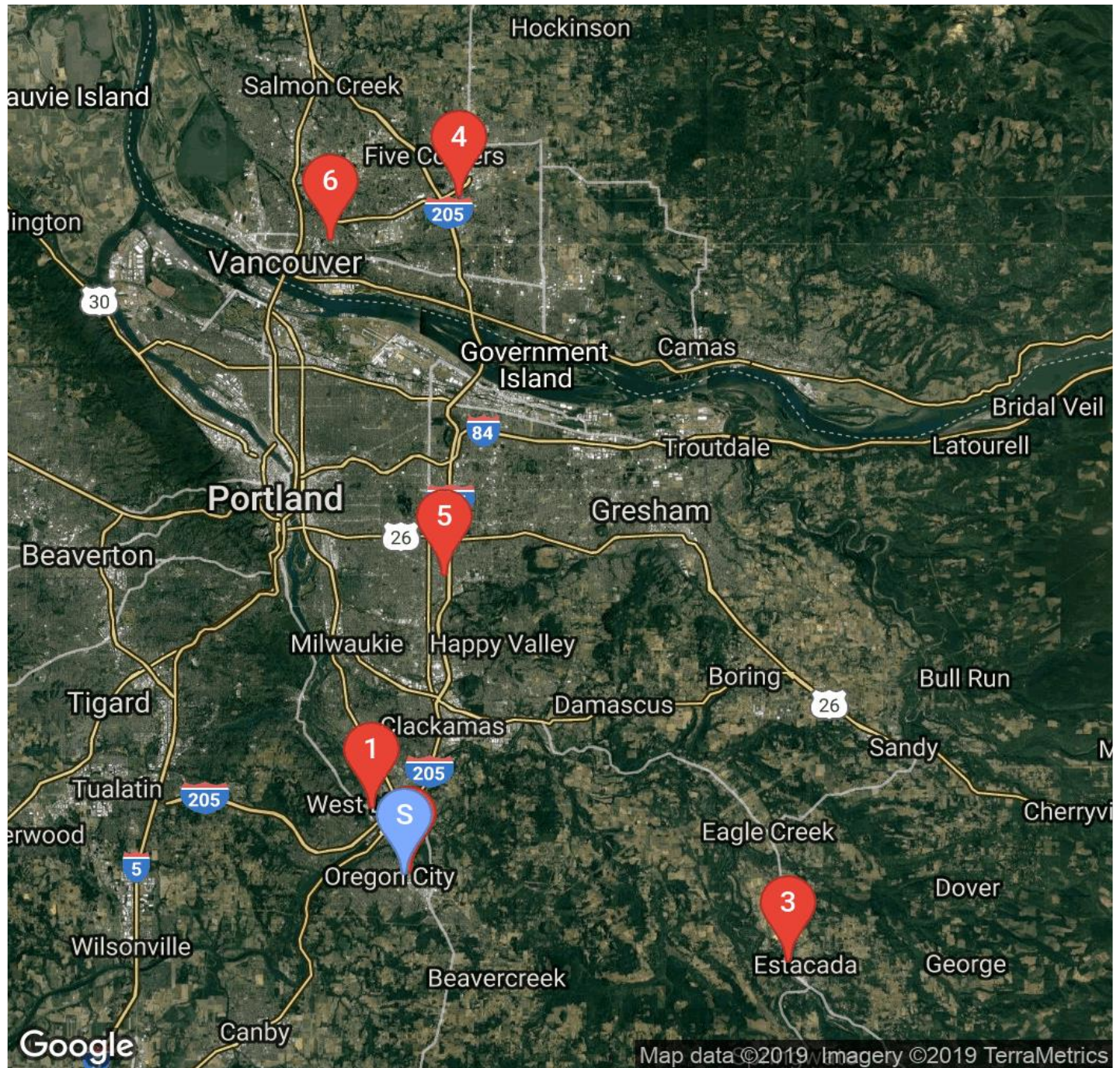
Presentation

The following Sales Summation Table, Location Map and photographs summarize the improved sales data. Following these items, the comparable sales are adjusted for applicable elements of comparison and the opinion of value by the Sales Comparison Approach is concluded.

IMPROVED SALES SUMMATION TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5	COMPARABLE 6
Name	Oregon City Municipal Building and Surplus Land	West Linn Office	Oregon City Office	Former Forest Service Office Building	Former U.S. Forest Service Office Building	Former Portland Church	Former WA State Fish & Wildlife Building
Address	320 Warner Milne Rd	21810 Willamette Dr	365 Warner Milne Rd	595 NW Industrial Way	10600 NE 51st Circle	6220 SE 92nd Ave	2018 Grand Blvd
City	Oregon City	West Linn	Oregon City	Estacada	Vancouver	Portland	Vancouver
State	OR	OR	OR	OR	WA	OR	WA
County	Clackamas	Clackamas	Clackamas	Clackamas	Clark	Multnomah	Clark
PHYSICAL INFORMATION							
Property Type	Office	Office	Office	Office	Office	Office	Office
GBA (SF)	17,020	7,000	18,362	15,220	40,664	19,804	25,782
NRA (SF)	16,220	7,000	18,362	15,220	40,664	19,804	25,782
Land Area (AC)	1.9	0.7	1.2	1.8	3.8	1.2	2.5
Land Area (SF)	81,100	28,314	54,014	76,666	163,350	50,000	108,900
L:B Ratio	4.8	4.0	2.9	5.0	4.0	2.5	4.2
Parking Ratio	4.2	5.0	3.5	6.57	4.11	3.75	4.07
Year Built	1970 & 1991	1992	1999	1984	1997	1962	1975
Year Renovated	Periodic	-	-	-	-	-	-
Site Coverage	20%	12%	17%	20%	25%	40%	24%
SALE INFORMATION							
Date		12/31/2018	8/1/2017	6/10/2019	11/15/2018	5/23/2018	1/24/2018
Status		Recorded	Recorded	Listing	Recorded	Recorded	Recorded
Marketing Period		6 Mos.	-	0 Mos.	6 Mos.	-	-
Rights Transferred		Fee Simple	Leased Fee	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Transaction Price		\$1,266,000	\$3,775,000	\$1,995,000	\$6,850,000	\$3,306,948	\$4,300,000
Analysis Price		\$1,266,000	\$3,775,000	\$1,995,000	\$6,850,000	\$3,406,948	\$4,300,000
\$/SF NRA		\$181	\$206	\$131	\$168	\$172	\$167
Confirmation Source		Pounder Real Estate	First Commercial RE Advisor	More Realty	Confidential	Colliers International	County Records
Confirmation Name		Grayson Pounder	Michael Foley	Timothy Whiting	Confidential	MaryKay West	CoStar

SALES LOCATION MAP



COMPARABLE KEY

COMP	DISTANCE	NAME	ADDRESS	SALE DATE	\$/SF
SUBJECT	-	Oregon City Municipal Building and Surplus Land	320 Warner Milne Rd, Oregon City, OR	-	\$155
No. 1	2.4 Miles	West Linn Office	21810 Willamette Dr, West Linn, OR	12/31/2018	\$181
No. 2	0.1 Miles	Oregon City Office	365 Warner Milne Rd, Oregon City, OR	8/1/2017	\$206
No. 3	12.5 Miles	Former Forest Service Office Building	595 NW Industrial Way, Estacada, OR	6/10/2019	\$131
No. 4	22.3 Miles	Former U.S. Forest Service Office Building	10600 NE 51st Circle, Vancouver, WA	11/15/2018	\$168
No. 5	9.9 Miles	Former Portland Church	6220 SE 92nd Ave, Portland, OR	5/23/2018	\$172
No. 6	20.9 Miles	Former WA State Fish & Wildlife Building	2018 Grand Blvd, Vancouver, WA	1/24/2018	\$167

COMPARABLE SALES PHOTOGRAPHS



COMPARABLE 1



COMPARABLE 2



COMPARABLE 3



COMPARABLE 4



COMPARABLE 5



COMPARABLE 6

IMPROVED SALES ADJUSTMENT TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5	COMPARABLE 6
Name	Oregon City Municipal Building and Surplus Land	West Linn Office	Oregon City Office	Former Forest Service Office Building	Former U.S. Forest Service Office Building	Former Portland Church	Foirmer WA State Fish & Wildlife Building
Address	320 Warner Milne Rd	21810 Willamette Dr	365 Warner Milne Rd	595 NW Industrial Way	10600 NE 51st Circle	6220 SE 92nd Ave	2018 Grand Blvd
City, State	Oregon City, OR	West Linn, OR	Oregon City, OR	Estacada, OR	Vancouver, WA	Portland, OR	Vancouver, WA
GBA	17,020	7,000	18,362	15,220	40,664	19,804	25,782
NRA (SF)	16,220	7,000	18,362	15,220	40,664	19,804	25,782
Land Area (AC)	1.9	0.7	1.2	1.8	3.8	1.2	2.5
Land Area (SF)	81,100	28,314	54,014	76,666	163,350	50,000	108,900
Parking Ratio	4.2	5.0	3.5	6.57	4.11	3.75	4.07
Year Built	1970 & 1991	1992	1999	1984	1997	1962	1975
Year Renovated	Periodic	-	-	-	-	-	-
Site Coverage	20%	12%	17%	20%	25%	40%	24%
L:B Ratio	4.8	4.0	2.9	5.0	4.0	2.5	4.2
SALE INFORMATION							
Date		12/31/2018	8/1/2017	6/10/2019	11/15/2018	5/23/2018	1/24/2018
Status		Recorded	Recorded	Listing	Recorded	Recorded	Recorded
Rights Transferred		Fee Simple	Leased Fee	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Analysis Price		\$1,266,000	\$3,775,000	\$1,995,000	\$6,850,000	\$3,406,948	\$4,300,000
\$/SF NRA		\$181	\$206	\$131	\$168	\$172	\$167
TRANSACTIONAL ADJUSTMENTS							
Property Rights		0%	0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%	0%
Financing		0%	0%	0%	0%	0%	0%
Expenditures After the Sale		0%	0%	0%	0%	0%	0%
Market Conditions¹		1%	6%	-10%	2%	3%	4%
Subtotal Transactional Adj Price		\$183	\$218	\$118	\$171	\$177	\$174
PROPERTY ADJUSTMENTS							
Location	Average	Average/Good	Average	Fair/Average	Average	Average	Average
<i>Adjustment</i>		-10%	0%	10%	0%	0%	0%
Size	16,220	7,000	18,362	15,220	40,664	19,804	25,782
<i>Adjustment</i>		-5%	0%	0%	10%	0%	5%
Quality	Average	Average	Average/Good	Fair/Average	Average/Good	Average	Average/Good
<i>Adjustment</i>		0%	-5%	5%	-5%	0%	-5%
Condition	Average	Average	Good	Fair/Average	Average/Good	Average	Average/Good
<i>Adjustment</i>		0%	-10%	5%	-5%	0%	-5%
Exposure	Average	Average	Good	Average	Average/Good	Average/Good	Average
<i>Adjustment</i>		0%	-10%	0%	-5%	-5%	0%
Access	Average	Average	Average/Good	Average	Average/Good	Average/Good	Average
<i>Adjustment</i>		0%	-5%	0%	-5%	-5%	0%
Parking Ratio	4.2	5.0	3.5	6.57	4.11	3.75	4.07
<i>Adjustment</i>		0%	0%	0%	0%	0%	0%
Site Coverage	20%	12%	17%	20%	25%	40%	24%
<i>Adjustment</i>		0%	0%	0%	0%	5%	0%
Subtotal Property Adjustment		-15%	-30%	20%	-10%	-5%	-5%
TOTAL ADJUSTED PRICE		\$156	\$153	\$142	\$154	\$168	\$165
STATISTICS	UNADJUSTED	ADJUSTED					
LOW	\$131	\$142					
HIGH	\$206	\$168					
MEDIAN	\$170	\$155					
AVERAGE	\$171	\$156					

¹ Market Conditions Adjustment: 3%

Date of Value (for adjustment calculations): 6/11/19

The comparable sales indicate an adjusted value range from \$142/SF to \$168/SF, with a median of \$155/SF and an average of \$156/SF. The range of total net adjustment applied to the comparables was from -26% to 8%. The level of total adjustment applied to the comparables is considered to be minimal to moderate. Overall, the availability of market data and extent of analysis was adequate to develop the subject property's total value.

Comparables 1 and 2 (\$153/SF-\$156/SF adj) are the recent sales of West Linn and Oregon City office buildings. These comparables bracket the subject's location, size, quality, condition, exposure, access and parking ratios with similar site coverage ratios. After moderate adjustments these are good indicators warranting primary emphasis.

Comparables 4 and 6 (\$154/SF-\$165/SF adj) are the recent sales of two former municipal buildings in Vancouver. These comparables bracket the subject's access, exposure and well represent the subject's parking and site coverage ratios. Both comparables are adjusted upward for larger sizes with downward adjustments for superior quality/condition. After minimal adjustments these are good indicators warranting primary emphasis.

Comparable 3 (\$142/SF adj) is the current listing of former forest service office building in Estacada. This comparable is adjusted upward for its inferior locational characteristics, quality and condition. After minimal net adjustments, this comparable warrants secondary emphasis based on its listing status and is a reasonable indicator.

Comparable 5 (\$168/SF adj) is the recent sale of a former special purpose property to be utilized as a homeless shelter. This comparable has a similar location, size, quality and condition with a similar parking ratio. This comparable is adjusted downward for its superior access and exposure partially offset by upward adjustment for its higher site coverage ratio. After minimal adjustments this is a reasonable indicator warranting secondary emphasis.

The comparable sales indicate an adjusted value range from \$142/SF to \$168/SF, with a median of \$155/SF and an average of \$156/SF. Based on the results of the preceding analysis, Comparable 1 (\$156/SF adj), Comparable 2 (\$153/SF adj), Comparable 4 (\$154/SF adj), and Comparable 6 (\$165/SF adj) are given primary consideration for the subject's opinion of value toward the middle of the range at \$155/SF based on the subject's physical and locational characteristics.

The previously concluded value for the concluded surplus land area is added to our conclusion in order to arrive at the total As Is Market Value for the subject property.

The following table summarizes the analysis of the comparables, reports the reconciled price per NRA value conclusion, and presents the concluded value of the subject property.

SALES COMPARISON APPROACH CONCLUSION (NRA)									
ANALYSIS		ADJUSTMENT				NET	GROSS	OVERALL	
COMP	PRICE	TRANSACTIONAL ¹	ADJUSTED	PROPERTY ²	FINAL	ADJ %	ADJ %	COMPARISON	
1	\$181	1%	\$183	-15%	\$156	-14%	16%	PRIMARY	
2	\$206	6%	\$218	-30%	\$153	-26%	36%	PRIMARY	
3	\$131	-10%	\$118	20%	\$142	8%	30%	SECONDARY	
4	\$168	2%	\$171	-10%	\$154	-8%	32%	PRIMARY	
5	\$172	3%	\$177	-5%	\$168	-2%	18%	SECONDARY	
6	\$167	4%	\$174	-5%	\$165	-1%	19%	PRIMARY	
LOW	\$142						AVERAGE		\$156
HIGH	\$168						MEDIAN		\$155
SUBJECT SF				\$/SF CONCLUSION			VALUE		
AS-IS MARKET VALUE (ECONOMIC SITE & IMPROVEMENTS)			16,220	x	\$155/SF	=	\$2,510,000		
PLUS: SURPLUS LAND			\$610,000						
AS-IS MARKET VALUE					\$192/SF	\$3,120,000			

¹Cumulative ²Additive

Rounded to nearest \$10,000

LAND VALUATION

As previously discussed within the Valuation Methods section, only the subject's surplus land is valued in this appraisal. The most relevant unit of comparison is the price per square foot, as it best reflects the analysis used by buyers and sellers in this market for land with similar utility and zoning. A thorough search was made for similar land sales in terms of proximity to the subject, size, location, development potential, and date of sale. Overall, the sales selected represent the best comparables available for this analysis.

Adjustment Process

The following adjustments or general market trends were considered for the basis of valuation.

Transactional Adjustments

Dollar adjustments to the comparable sales were considered and made when warranted for transactional adjustments including property rights transferred, financing terms, conditions of sale, expenditures after purchase such as demolition costs and market conditions. The following table summarizes the market conditions adjustment applied in this analysis.

MARKET CONDITIONS ADJUSTMENT			
Per Year As Of	June 2019	(As-Is)	3%

The analysis applies an upward market conditions adjustment of 3% annually reflecting the conditions between the oldest comparable sale date up through the effective valuation date.

The current listing is adjusted downward to account for the spread between listing and closing price.

Property Adjustments

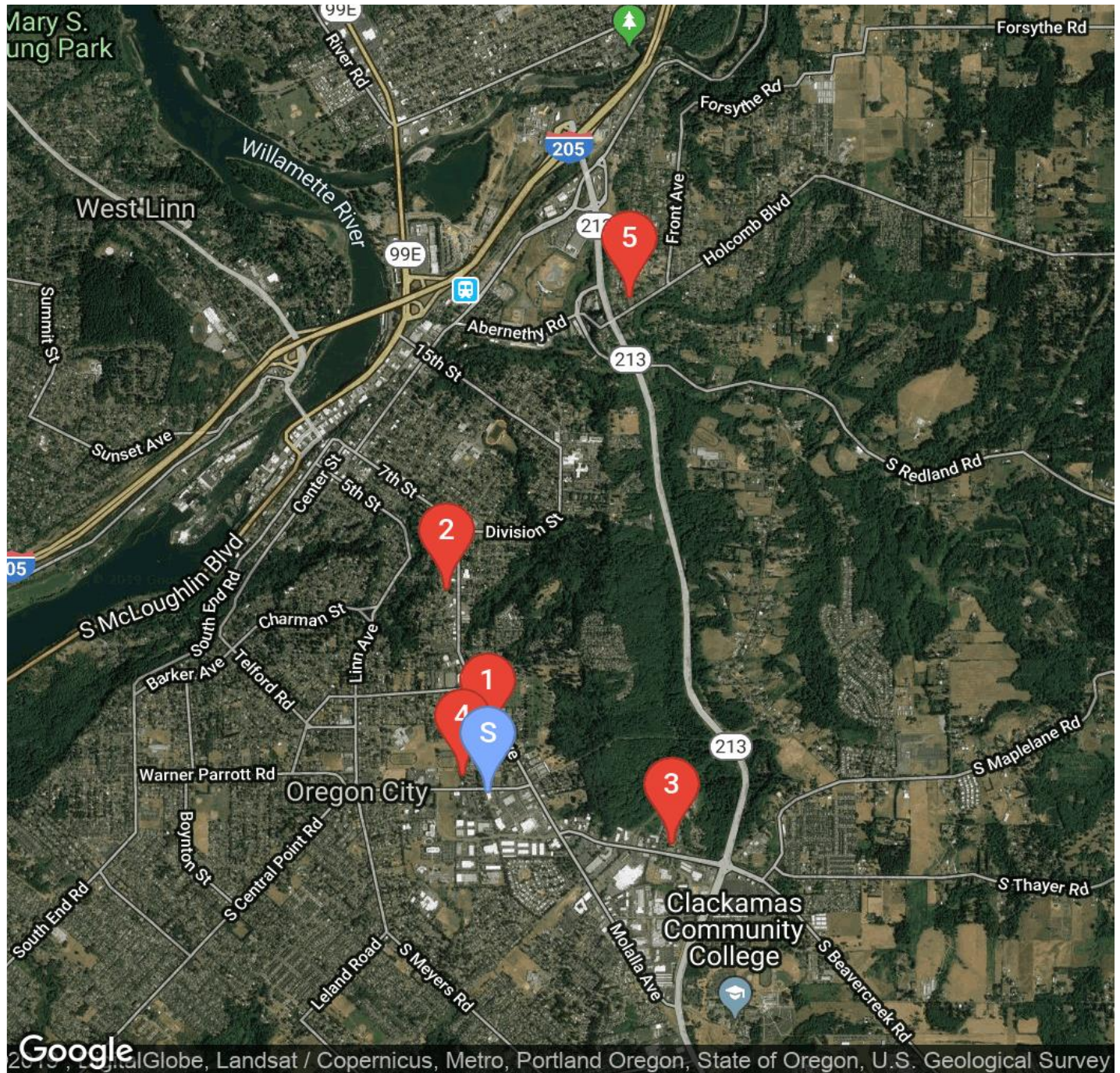
Quantitative percentage adjustments are also made for location and physical characteristics such as size, shape, access, exposure, topography, zoning and overall utility. Where possible the adjustments applied are based on paired data or other statistical analysis. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject site.

Presentation

The following Land Sales Summation Table, Location Map and aerial photographs summarize the sales data used in this analysis. Following these items, the comparable land sales are adjusted for applicable elements of comparison and the opinion of site value is concluded.

LAND SALES SUMMATION TABLE						
COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
Name	Oregon City Municipal Building and Surplus Land	Oregon City Commercial Land	Pleasant Avenue Site	Commercial Land	Oregon City Commercial Land	Holcomb Site
Address	320 Warner Milne Rd	296 Warner Street	314 Pleasant Ave.	2507 Beavercreek Rd	1155 Kamm Street	13849 Holcomb Blvd.
City	Oregon City	Oregon City	Oregon City	Oregon City	Oregon City	Oregon City
State	OR	OR	OR	OR	OR	OR
County	Clackamas	Clackamas	Clackamas	Clackamas	Clackamas	Clackamas
PHYSICAL INFORMATION						
Acres	1.34	0.22	0.99	0.94	0.54	0.58
SF	58,292	9,583	43,041	40,946	23,522	25,264
Zoning	C	MUC1	MUC1	MUC2	MUC1	MUC1
Corner	No	No	Yes	Yes	No	No
Topography	Level	Level	Level	Level	Level	Level
Utilities	Yes	All	All	All	All	All
Easements	Standard	Standard	Standard	Standard	Standard	Standard
Envrmtl Issues	None Noted	None Noted	None Noted	None Noted	None Noted	None Noted
SALE INFORMATION						
Date		8/31/2018	4/29/2016	1/2/2018	10/2/2018	9/16/2015
Status		Recorded	Recorded	Listing	Recorded	Recorded
Rights Transferred		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Transaction Price		\$170,000	\$375,000	\$550,000	\$170,000	\$260,000
Analysis Price		\$170,000	\$375,000	\$550,000	\$170,000	\$260,000
\$/SF Land		\$17.74	\$8.71	\$13.43	\$7.23	\$10.29
Confirmation Source		Clackamas County	NW Housing Alternatives	Macadam Forbes	Century 21 Wright & Assoc	Keller Williams
Confirmation Name		Clackamas County Assessor	Susan Wilson	Brett Bayne	Kathie Goffe	Mike Kauffman

LAND SALES LOCATION MAP



COMPARABLE KEY

COMP	DISTANCE	ADDRESS	SALE DATE	ACRES	SF	\$/SF
SUBJECT	-	320 Warner Milne Rd, Oregon City, OR	-	1.34	58,292	\$10.46
No. 1	0.2 Miles	296 Warner Street, Oregon City, OR	8/31/2018	0.2	9,583	\$17.74
No. 2	0.8 Miles	314 Pleasant Ave., Oregon City, OR	4/29/2016	1.0	43,041	\$8.71
No. 3	0.8 Miles	2507 Beavercreek Rd, Oregon City, OR	1/2/2018	0.9	40,946	\$13.43
No. 4	0.1 Miles	1155 Kamm Street, Oregon City, OR	10/2/2018	0.5	23,522	\$7.23
No. 5	2.1 Miles	13849 Holcomb Blvd., Oregon City, OR	9/16/2015	0.6	25,264	\$10.29

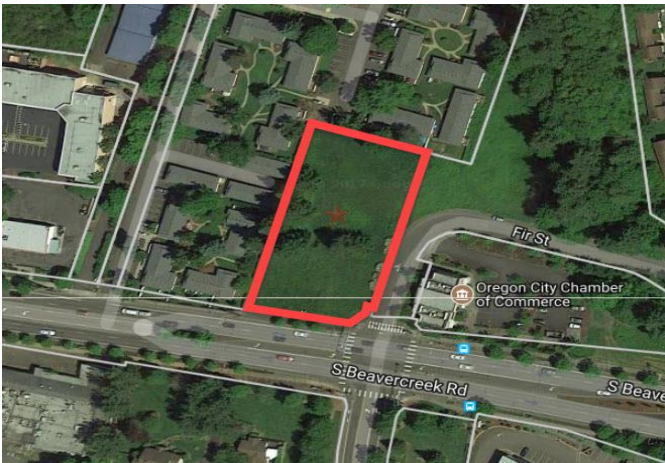
LAND SALES EXHIBITS



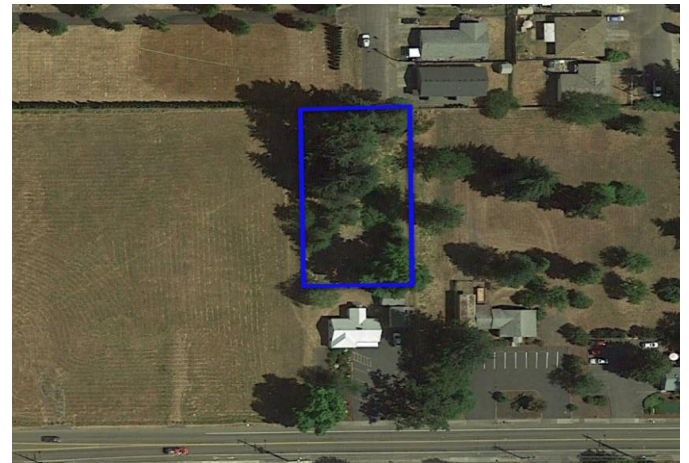
COMPARABLE 1



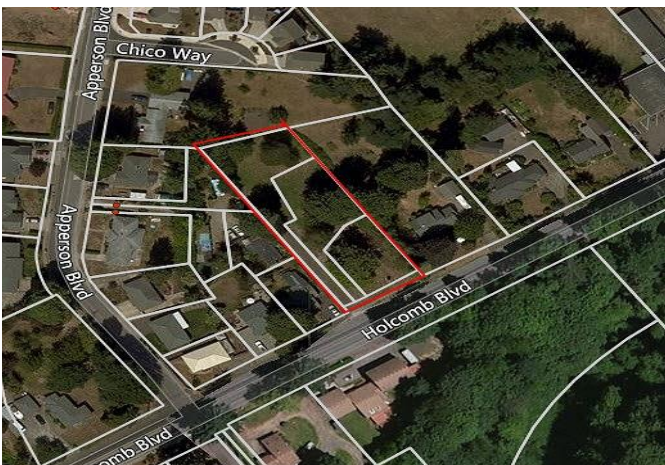
COMPARABLE 2



COMPARABLE 3



COMPARABLE 4



COMPARABLE 5

LAND SALES ADJUSTMENT TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
Name	Oregon City Municipal Building and Surplus Land	Oregon City Commercial Land	Pleasant Avenue Site	Commercial Land	Oregon City Commercial Land	Holcomb Site
Address	320 Warner Milne Rd	296 Warner Street	314 Pleasant Ave.	2507 Beavercreek Rd	1155 Kamm Street	13849 Holcomb Blvd.
City	Oregon City	Oregon City	Oregon City	Oregon City	Oregon City	Oregon City
Acres	1.34	0.22	0.99	0.94	0.54	0.58
SF	58,292	9,583	43,041	40,946	23,522	25,264
Shape	Irregular	Rectangular	Irregular	Rectangular	Rectangular	Rectangular
Zoning	C	MUC1	MUC1	MUC2	MUC1	MUC1
Corner	No	No	Yes	Yes	No	No
Topography	Level	Level	Level	Level	Level	Level
Utilities	Yes	All	All	All	All	All
Easements	Standard	Standard	Standard	Standard	Standard	Standard
Envmtl Issues	None Noted	None Noted	None Noted	None Noted	None Noted	None Noted
SALE INFORMATION						
Date		8/31/2018	4/29/2016	1/2/2018	10/2/2018	9/16/2015
Status		Recorded	Recorded	Listing	Recorded	Recorded
Rights Transferred		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Analysis Price		\$170,000	\$375,000	\$550,000	\$170,000	\$260,000
Price/SF		\$17.74	\$8.71	\$13.43	\$7.23	\$10.29
TRANSACTIONAL ADJUSTMENTS						
Property Rights		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%
Financing		0%	0%	0%	0%	0%
Expenditures After the Sale		0%	0%	0%	0%	0%
Market Conditions¹		2%	10%	-5%	2%	12%
Subtotal Transactional Adj Price		\$18.09	\$9.58	\$12.76	\$7.37	\$11.52
PROPERTY ADJUSTMENTS						
Location	Average	Average	Average	Average	Average	Average
<i>Adjustment</i>		0%	0%	0%	0%	0%
Size	58,292	9,583	43,041	40,946	23,522	25,264
<i>Adjustment</i>		-20%	0%	0%	0%	0%
Exposure	Average	Average/Good	Average	Average/Good	Fair	Average
<i>Adjustment</i>		-5%	0%	-5%	10%	0%
Access	Average	Average/Good	Average	Average/Good	Fair	Average
<i>Adjustment</i>		-5%	0%	-5%	10%	0%
Shape	Irregular	Rectangular	Irregular	Rectangular	Rectangular	Rectangular
<i>Adjustment</i>		0%	0%	0%	0%	0%
Site Utility Rating	Fair/Average	Average/Good	Average	Average/Good	Average	Average
<i>Adjustment</i>		-10%	-5%	-10%	-5%	-5%
Zoning	C	MUC1	MUC1	MUC2	MUC1	MUC1
<i>Adjustment</i>		0%	0%	0%	0%	0%
Subtotal Property Adjustment		-40%	-5%	-20%	15%	-5%
TOTAL ADJUSTED PRICE		\$10.85	\$9.10	\$10.21	\$8.48	\$10.94
STATISTICS	UNADJUSTED	ADJUSTED				
LOW	\$7.23	\$8.48				
HIGH	\$17.74	\$10.94				
MEDIAN	\$10.29	\$10.21				
AVERAGE	\$11.48	\$9.92				

¹ Market Conditions Adjustment: 3%

Date of Value (for adjustment calculations): 6/11/19

The comparable land sales indicate an adjusted value range from \$8.48/SF to \$10.94/SF, with a median of \$10.21/SF and an average of \$9.92/SF. The range of total net adjustment applied to the comparables was from -39% to 17%. The level of total adjustment applied to the comparables is considered to be minimal to moderate. Overall, the availability of market data and extent of analysis was adequate to develop a reasonably credible opinion of land value.

Comparables 1, 2, 4 and 5 (\$8.48/SF-\$10.94/SF adj) are the 2015-2018 sales of Mixed Use Commercial land in Oregon City that well represent the subject's location and zoning with bracketing exposure, access and mid-block/corner orientations. Comparable 1 is adjusted downward for its superior site utility rating and smaller size. Comparables 2, 4 and 5 are adjusted downward for superior utility. After minimal to moderate net adjustments, these comparables warrant primary emphasis and are bracketing indicators.

Comparable 3 (\$10.21/SF adj) is the current listing of commercial land in Oregon City that has similar exposure and access along primary arterials. The comparable is also adjusted downward for its superior site utility rating and corner location. After moderate net adjustments, the comparable warrants secondary emphasis due to its listing status but is a reasonable indicator.

The comparable land sales indicate an adjusted value range from \$8.48/SF to \$10.94/SF, with a median of \$10.21/SF and an average of \$9.92/SF. Based on the results of the preceding analysis, Comparable 1 (\$10.85/SF adj), Comparable 2 (\$9.10/SF adj), Comparable 4 (\$8.48/SF adj) and Comparable 5 (\$10.94/SF adj) are given primary consideration for the subject's opinion of land value. Based on the subject's physical and locational characteristics a conclusion at \$10.50/SF for the subject's surplus land is well supported.

CALCULATION OF LAND VALUE

The following table summarizes the analysis of the comparables, reports the reconciled price per square foot value conclusion, and presents the concluded value of the subject site.

CALCULATION OF LAND VALUE								
COMP	ANALYSIS PRICE	ADJUSTMENT				NET ADJ %	GROSS ADJ %	OVERALL COMPARISON
		TRANSACTIONAL ¹	ADJUSTED	PROPERTY ²	FINAL			
1	\$17.74	2%	\$18.09	-40%	\$10.85	-39%	42%	PRIMARY
2	\$8.71	10%	\$9.58	-5%	\$9.10	4%	15%	PRIMARY
3	\$13.43	-5%	\$12.76	-20%	\$10.21	-24%	25%	SECONDARY
4	\$7.23	2%	\$7.37	15%	\$8.48	17%	27%	PRIMARY
5	\$10.29	12%	\$11.52	-5%	\$10.94	6%	17%	PRIMARY
LOW	\$8.48					AVERAGE		\$9.92
HIGH	\$10.94					MEDIAN		\$10.21
COMPONENT		SUBJECT SF		\$/SF CONCLUSION		VALUE		
Surplus Land		58,292	x	\$10.50	=	\$610,000		

¹Cumulative ²Additive

Rounded to nearest \$10,000

RECONCILIATION OF VALUE CONCLUSIONS

The Analysis of Value Conclusions is the final step in the appraisal process and involves the weighing of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property. The following table summarizes the opinions of the As-Is Market Value of the subject property's fee simple interest. Based on the overall quality of the data and analyses, and considering the decision-making process of the typical buyer profile of the subject asset, primary emphasis was placed on the Sales Approach considering the owner/user appeal with supportive emphasis places on the Income Approach, which is reflected in our final opinion of market value below.

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

ANALYSIS OF VALUE CONCLUSIONS	
VALUATION INDICES	AS-IS MARKET VALUE
INTEREST APPRAISED	FEE SIMPLE
DATE OF VALUE	JUNE 11, 2019
Sales Comparison Approach	\$3,120,000
Income Approach	\$3,170,000
FINAL VALUE CONCLUSION	\$3,120,000
\$/SF	\$192/SF
Exposure Time	Six to Nine Months
Marketing Period	Six to Nine Months

We 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 of the signers are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The signers of this report has 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.
- Brandon Krahn has provided real property valuation services as an appraiser for the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. Brian Kelley, MAI has provided real property valuation services as an appraiser for the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- The signers are not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The 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.
- The reported analysis, 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.
- Colin Meisner did not inspect the property that is the subject of this report or the presented comparables. Brandon Krahn inspected the property (interior/exterior) that is the subject of this report and the presented comparables (exterior). Brian Kelley, MAI did not inspect the property that is the subject of this report or the presented comparables.
- Colin Meisner (Oregon State Registered Appraiser Assistant No. AA03310) provided significant real property appraisal assistance to the appraisers signing the certification. Assistance included gathering, analyzing and reporting regional, local area, zoning, and tax information, confirming some of the comparable data, and assisting with portions of the valuation analysis.
 - (A) Define the appraisal problem;
 - (B) Conduct preliminary analysis, select and collect applicable data;
 - (C) Conduct an analysis of the subject property;
 - (D) Conduct highest and best use analysis;
 - (F) Estimate value of the property using the income, cost, and sales comparison approaches;
 - (G) Reconcile the value indication and reconcile the final value estimate; and
 - (H) Report estimate(s) of value(s) as defined.

This assistance falls under categories A-E; G-H as defined by OAR 161-025-0025(2)(a)(A-H).

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 Brian Kelley, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.



Brandon Krahn
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 +1 503 542 5456
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June 19, 2019

Date



Brian Kelley, MAI
 Senior Valuation Services Director
 Certified General Real Estate Appraiser
 State of Oregon License #C000141
 +1 503 542 5412
 brian.kelley@colliers.com

June 19, 2019

Date

This appraisal is subject to the following assumptions and limiting conditions:

- The appraisers may or may not have been provided with a survey of the subject property. If further verification is required, a survey by a registered surveyor is advised.
- We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- The appraisers may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.
- The statements of value and all conclusions shall apply as of the dates shown herein.
- There is no present or contemplated future interest in the property by the appraisers which is not specifically disclosed in this report.
- Without the written consent or approval of the authors neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraisers and the firm with which the appraisers are connected.
- This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.
- The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.
- The liability of Colliers International Valuation & Advisory Services, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Colliers International Valuation & Advisory Services and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property damage, or personal

injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.

- The appraisers assume no responsibility for determining if the subject property complies with the *Americans with Disabilities Act (ADA)*. Colliers International Valuation & Advisory Services, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- An on-site inspection of the subject property was conducted. No evidence of asbestos materials on-site was noted. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.
- This analysis assumes that the financial information provided for this appraisal, including rent rolls and historical income and expense statements; accurately reflect the current and historical operations of the subject property.

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Qualifications of Appraisers

Qualifications of Colliers International Valuation & Advisory Services

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Unless specified otherwise, these definitions were extracted from the following sources or publications:

The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015 (*Dictionary*).

Uniform Standards of Professional Appraisal Practice, 2018-2019 Edition (USPAP).

The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, Chicago, Illinois, 2013 (*14th Edition*).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (*Dictionary*)

Ad Valorem Tax

A real estate tax based on the assessed value of the property, which is not necessarily equivalent to its market value. (*14th Edition*)

Aggregate of Retail Values (ARV)

The sum of the separate and distinct market value opinions for each of the units in a condominium; subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called *sum of the retail values*. (*Dictionary*)

Arm's-length Transaction

A transaction between unrelated parties who are each acting in his or her own best interest. (*Dictionary*)

As-Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (*Dictionary*)

Assessed Value

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. (*14th Edition*)

Average Daily Room Rate (ADR)

In the lodging industry, the net rooms revenue derived from the sale of guest rooms divided by the number of paid occupied rooms. (*Dictionary*)

Band of Investment

A technique in which the capitalization rates attributable to components of an investment are weighted and combined to derive a weighted-average rate attributable to the total investment. (*Dictionary*)

Cash-Equivalent Price

The price of a property with nonmarket financing expressed as the price that would have been paid in an all-cash sale. (*Dictionary*)

Common Area

The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. (*Dictionary*)

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Contract Rent

The actual rental income specified in a lease. *(14th Edition)*

Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. *(14th Edition)*

Curable Functional Obsolescence

An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected. *(Dictionary)*

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service, which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. *(Dictionary)*

Deferred Maintenance

Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of a property. *(Dictionary)*

Depreciation

In appraisal, 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. *(Dictionary)*

Direct Costs

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

Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate. *(Dictionary)*

Discount Rate

A rate of return on capital used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*. *(Dictionary)*

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 their best interests.
7. An adequate marketing effort will be made during the exposure time.

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8. Payment will be made in cash in U.S. 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. (*Dictionary*)

Easement

The right to use another's land for a stated purpose. Access or right-of-way easements may be acquired by private parties or public utilities. Governments may be the beneficiaries of easements placed on privately owned land that is dedicated to conservation, open space, or preservation. (*14th Edition*)

Economic Life

The period over which improvements to real property contribute to property value. (*Dictionary*)

Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. (*Dictionary*)

Effective Date

The date on which the appraisal or review opinion applies (SVP) (*Dictionary*)

Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (*Dictionary*)

Effective Gross Income Multiplier (EGIM)

The ratio between the sale price (or value) of a property and its effective gross income. (*Dictionary*)

Effective Rent

The rental rate net of financial concessions such as periods of free rent during the lease term and above or below-market tenant improvements (TIs). (*14th Edition*)

Eminent Domain

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property. (*Dictionary*)

Entrepreneurial Incentive

The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's profit*) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. (*Dictionary*)

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Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. *(Dictionary)*

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 has the potential to be sold separately and is valued separately. *(Dictionary)*

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. Due to the higher risk inherent in the receipt of excess rent, it may be calculated separately and capitalized or discounted at a higher rate in the income capitalization approach. *(14th Edition)*

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. *(Dictionary)*

Exposure Time

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. *(Dictionary)*

External Obsolescence

A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be temporary or permanent. *(Dictionary)*

Extraordinary Assumption

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. 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 the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions. (USPAP)

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Fair Market Value

In nontechnical usage, a term that is equivalent to the contemporary usage of *market value*.

As used in condemnation, litigation, income tax, and property tax situations, a term that is similar in concept to market value but may be defined explicitly by the relevant agency. (*Dictionary*)

Feasibility Analysis

A study of the cost-benefit relationship of an economic endeavor. (*USPAP*)

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. (*Dictionary*)

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. (*Dictionary*)

Functional Obsolescence

The impairment of functional capacity of improvements according to market tastes and standards. (*Dictionary*)

Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. (*Dictionary*)

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (*Dictionary*)

Going-concern

An established and operating business having an indefinite future life. (*Dictionary*)

Going-concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern or market value of the total assets of the business*. (*Dictionary*)

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved. (*Dictionary*)

Gross Leasable Area (GLA) - Commercial

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. (*Dictionary*)

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Gross Living Area (GLA) - Residential

Total area of finished, above-grade residential area; calculated by measuring the outside perimeter of the structure and includes only finished, habitable, above-grade living space. (Finished basements and attic areas are not generally included in total gross living area. Local practices, however, may differ.) (*Dictionary*)

Highest & Best Use

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. 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 that asset when formulating the price that it would be willing to bid (IVS). (*Dictionary*)

Hypothetical Condition

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. 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*)

Income Capitalization Approach

In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. (*14th Edition*)

Incurable Functional Obsolescence

An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected as of the effective date of the appraisal. (*Dictionary*)

Indirect 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*. (*Dictionary*)

Insurable Replacement Cost

The cost estimate, 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 a new property (i.e., depreciation is not deducted). (*Dictionary*)

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Interim Use

The temporary use to which a site or improved property is put until a different use becomes maximally productive. *(Dictionary)*

Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. *(Dictionary)*

Liquidation Value

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

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. 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. *(Dictionary)*

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 reversion right when the lease expires. *(Dictionary)*

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. *(Dictionary)*

Legally Nonconforming Use

A use that was lawfully established and maintained, but no longer conforms to the use regulations of its current zoning; also known as a *grandfathered use*. *(Dictionary)*

Market Area

The geographic region from which a majority of demand comes and in which the majority of competition is located. Depending on the market, a market area may be further subdivided into components such as primary, secondary, and tertiary market areas. *(Dictionary)*

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). *(14th Edition)*

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Market Study

An analysis of the market conditions of supply, demand, and pricing for a specific property type in a specific area. (*Dictionary*)

Market Value (Interagency Guidelines)

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

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

(Interagency Appraisal and Evaluation Guidelines, December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472)

Marketability Analysis

The study of how a specific property is expected to perform in a specific market. A marketability analysis expands on a market analysis by addressing a specific property. (*Dictionary*)

Neighborhood Analysis

The objective analysis of observable or quantifiable data indicating discernible patterns of urban growth, structure, and change that may detract from or enhance property values; focuses on four sets of considerations that influence value: social, economic, governmental, and environmental factors. (*Dictionary*)

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization). (*14th Edition*)

Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. (*Dictionary*)

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Off-site Costs

Costs incurred in the development of a project, excluding on-site costs such as grading and construction of the building and other improvements; also called *common costs* or *off-site improvement costs*. (*Dictionary*)

On-site Costs

Costs incurred for the actual construction of buildings and improvements on a particular site. (*Dictionary*)

Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. (*14th Edition*)

Overall Capitalization Rate (OAR)

The relationship between a single year's net operating income expectancy and the total property price or value. (*Dictionary*)

Parking Ratio

The ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios for various land uses are often stated in zoning ordinances. (*Dictionary*)

Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (*Dictionary*)

Potential Gross Income Multiplier (PGIM)

The ratio between the sale price (or value) of a property and its annual potential gross income. (*Dictionary*)

Present Value (PV)

The value of a future payment or series of future payments discounted to the current date or to time period zero. (*Dictionary*)

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy. (*Dictionary*)

Qualitative Adjustment

An indication that one property is superior, inferior, or the same as another property. Note that the common usage of the term is a misnomer in that an adjustment to the sale price of a comparable property is not made. Rather, the indication of a property's superiority or inferiority to another is used in relative comparison analysis, bracketing, and other forms of qualitative analysis. (*Dictionary*)

Quantitative Adjustment

A numerical (dollar or percentage) adjustment to the indicated value of the comparable property to account for the effect of a difference between two properties on value. (*Dictionary*)

Rentable Area

The amount of space on which the rent is based; calculated according to local practice. (*Dictionary*)

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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. (*Dictionary*)

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. (*Dictionary*)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (*Dictionary*)

Sales Comparison Approach

The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered vacant when an adequate supply of comparable sales is available. (*Dictionary*)

Scope of Work

The type and extent of research and analysis in an appraisal or appraisal review assignment. Scope of work includes, but is not limited to:

The extent to which the property is identified;

The extent to which tangible property is inspected;

The type and extent of data researched; and

The type and extent of analysis applied to arrive at opinions or conclusions. (*USPAP*)

Shopping Center Types

Neighborhood Shopping Center: The smallest type of shopping center, generally with a gross leasable area of between 30,000 and 100,000 square feet. Typical anchors include supermarkets. Neighborhood shopping centers offer convenience goods and personal services and usually depend on a market population support of 3,000 to 40,000 people.

Community Shopping Center: A shopping center of 100,000 to 400,000 square feet that usually contains one junior department store, a variety store, discount or department store. A community shopping center generally has between 20 and 70 retail tenants and a market population support of 40,000 to 150,000 people.

Regional Shopping Center: A shopping center of 300,000 to 900,000 square feet that is built around one or two full-line department stores of approximately 200,000 square feet each plus small tenant spaces. This type of center is typically supported by a minimum population of 150,000 people.

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Shopping Center Types (cont.)

Super-Regional Center: A large center of 600,000 to 2.0 million square feet anchored by three or more full-line department stores. This type of center is typically supported by a population area of 300,000 people. (14th Edition)

Superadequacy

An excess in the capacity or quality of a structure or structural component; determined by market standards. (*Dictionary*)

Surplus Land

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

Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed for use by a lessee.
2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. (*Dictionary*)

Triple Net Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called *NNN*, *triple net lease*, or *fully net lease*. (*Dictionary*)

Usable Area

The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas. (*Dictionary*)

Useful Life

The period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed. (*Dictionary*)

Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income deductions due to vacancies, tenant turnover, and non-payment of rent; also called *vacancy and credit loss* or *vacancy and contingency loss*. (*Dictionary*)

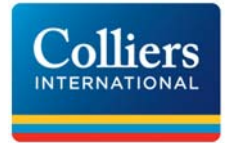
Yield Capitalization

A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate. (*Dictionary*)



Brian L. Kelley, MAI

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EDUCATION AND QUALIFICATIONS

Bachelor of Science,
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Brian L. Kelley was born and raised in Portland, Oregon. He attended Franklin High School, where he participated in varsity football, basketball, and baseball. He graduated from the University of Oregon with a degree in Business Finance, minoring in Real Estate. For seven years prior to joining Colliers International Valuation & Advisory Services, he was active in real estate sales in the Portland metropolitan area. Brian's appraisal assignments vary from timberland to major income-producing properties. He reviews appraisal reports for most property types and works closely with the Portland/Idaho offices on appraisal reviews.

EXPERIENCE

Senior Review Appraiser, Colliers International Valuation & Advisory Services, Responsible for reviewing both in house and outside appraisal assignments of all property types. (More than 30 years of experience.)

PROFESSIONAL MEMBERSHIPS AND ACCREDITATIONS

Member of the Appraisal Institute (MAI)

APPRAISAL INSTITUTE COURSES

Course 1A-1, Real Estate Appraisal Principles

Course 1A-2, Basic Valuation Procedures

Course 1B-A, Capitalization Theory and Technique - Part A

Course 1B-B, Capitalization Theory and Technique - Part B

Course 2-1, Case Studies in Real Estate Valuation

Course 2-2, Valuation Analysis and Report Writing

OTHER RELATED COURSES

Introduction to Real Estate

Real Estate Law

Real Estate Finance

Real Estate Taxation

Real Estate Management

Real Estate Investment Analysis

Real Estate Environment Analysis

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CLASSES & SEMINARS

Standards of Professional Practice Update
Standards of Professional Practice - Part A
Standards of Professional Practice - Part B
Standards of Professional Practice - Part C
Hotel/Motel Valuation
Wetlands Evaluation Issues
Americans with Disabilities Act Seminar
Anatomy of a Real Estate Deal
Developing Tax Credit Financed Low-Income Housing
How to Value Income Property
30 Specialized Appraisal Issues
Commercial Construction
Appraisal of Non-Conforming Properties
Elderly Care Facility Appraisal
Security Issues and Building Design Seminar
Siding and Mold Issues Seminar
Real Estate Fraud: The Appraisers Responsibilities and Liabilities Seminar
Market Analysis and the Site to do Business
Non USPAP Regulatory Compliance
National USPAP 7-Hour Update
Business Practices and Ethics



Appraiser Certification and Licensure Board

State Certified General Appraiser

28 hours of continuing education required

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Issue Date: October 01, 2017

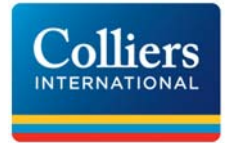
Expiration Date: September 30, 2019


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EXPERIENCE

Senior Valuation Specialist, Colliers International Valuation & Advisory Services, October 2007 to present.

Senior Personal Banker, US Bank July 2005 to April 2007

PROFESSIONAL AFFILIATIONS AND ACCREDITATIONS

Candidate for Designation of the Appraisal Institute

AREAS OF SPECIALIZATION

Retail Valuation
Restaurant Valuation
Church Valuation
School Valuation
Net Leased Valuation
Bowling Alley Valuation
Car Dealership Valuation
Gymnasium Valuation
Gas Station/Convenience Store Valuation
School/Daycare Valuation
Special Purpose Property Valuation
Medical Office Valuation
Shopping Center Valuation
Movie Theater Valuation
Mixed Use Valuation
Land Valuation

APPRAISAL INSTITUTE COURSES

Basic Appraisal Principals
Basic Appraisal Procedures
National USPAP, 15 Hour Course
Real Estate Finance, Statistics and Valuation Modeling
General Appraiser Sales Comparison Approach
General Site Valuation and Cost Approach
General Appraiser Market Analysis & Highest and Best Use
General Appraiser Report Writing & Case Studies
General Appraiser Income Approach Part I
General Appraiser Income Approach Part II
Online Apartment Appraisal, Concepts & Applications
General Report Writing and Case Studies
General Appraisal Subject Matter Electives
Advanced Income Capitalization
Advanced Concepts and Case Studies
Advanced Market Analysis and Highest and Best Use
Quantitative Analysis
Appraising Cell Towers
Apartment Appraisal, Concepts & Applications

OTHER RELATED COURSES

Expert Witness for Commercial Appraisers
Appraisal of Owner Occupied Commercial Properties
Supervising Appraiser Course



Appraiser Certification and Licensure Board

State Certified General Appraiser

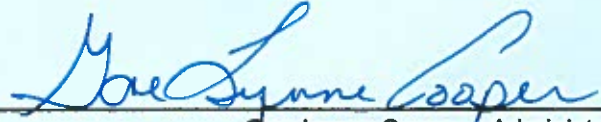
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Valuation & Advisory Services

Services Offered

Single Asset Valuation
Portfolio Valuation
Institutional Asset Valuation
Loan Pool Valuation
Appraisal Review
Appraisal Management
Lease and Cost Analysis
Insurance Valuation
Arbitration & Consulting
Feasibility Studies
Investment Analysis
Highest and Best Use Studies
Tax Appeals
Litigation Support
Segregated-Cost Analysis

Experience That Counts

Office
Industrial
Retail
Multifamily
Mixed-Use Properties
Senior Housing
Land
Self-Storage
Manufactured Housing
Net Lease
Hospitality
Health Care
Subdivisions
Embassies & Consulates
GSA Properties
Special Use Properties
Telecommunications

Real estate valuations play a pivotal role in today's business climate. An accurate and well supported opinion of property value can mean the difference between reaching a critical goal—securing a loan, closing a sale, reporting to investors, choosing the best asset—or failing to achieve it altogether.

Colliers Valuation & Advisory Services' reports are designed to deliver insight into a property's fundamentals, its competition and the overall market dynamics affecting value. A solid valuation report can be a strategic asset for investors, lenders and owners, provided that it addresses both a property's unique characteristics and the most current market conditions.

Commitment to high-end client service, coupled with Colliers International's unparalleled market intelligence and resources, differentiates us as the firm of choice in the real estate industry.

PROFESSIONALS

Our professionals share a commitment to deliver the highest level of service and consistent results. We go the extra mile for our clients, whether this means meeting a tight deadline or working with a complex and challenging property.

TECHNOLOGY

Our unmatched report creation technology speeds appraisals through the pipeline. This secure, centralized production system generates a wide range of reports and high volume portfolio orders without delays.

INFORMATION

Today's business climate places valuation in a more pivotal position than ever before. All our appraisals are evaluated and approved by an experienced review team to ensure our clients receive concise and timely appraisals. With clear, prompt reporting and a comprehensive, big picture approach, Colliers International's Valuation and Advisory reports give our clients the information they need to make better business decisions.

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