



**Valbridge**  
PROPERTY ADVISORS

## Appraisal Report

16 Unit Apartment  
24 W Colorado Avenue  
Memphis, Shelby County, Tennessee 38106

Report Date: June 26, 2025



FOR:

Simmons Bank  
Danita Webb, JM  
601 E Third Street, 6th Floor Appraisal Department  
Little Rock, Arkansas 72201

Client Number: 11421

### **Valbridge Property Advisors | Memphis**

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Valbridge File Number:  
TN01-25-0235-000



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June 26, 2025

Andrew Trott, MAI,  
901-206-2260  
atrott@valbridge.com

Danita Webb, JM  
Simmons Bank  
601 E Third Street, 6th Floor Appraisal Department  
Little Rock, Arkansas 72201

RE: Appraisal Report  
16 Unit Apartment  
24 W Colorado Avenue  
Memphis, Shelby County, Tennessee 38106

Dear Webb:

In accordance with your request, an appraisal of the above referenced property was performed. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to the value opinions. This letter of transmittal does not constitute an appraisal report and the rationale behind the value opinion(s) reported cannot be adequately understood without the accompanying appraisal report.

The subject property, as referenced above, is located on the northeast corner of West Colorado Avenue and Tennessee Street and is further identified as tax parcel number 012057 00015. The subject site is a 0.310-acre or 13,500-square-foot parcel. The subject is a 16 unit apartment complex built in 1957. All of the subject units are one bedroom, one bath. The property was 81% occupied at the time of the inspection and in average condition. The units have space heat and window unit a/c.

The analyses, opinions, and conclusions were developed, and this report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute; the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA); and the requirements of our client.

The client in this assignment is Simmons Bank and the intended user of this report is the client and no others. The intended use is for loan underwriting and/or credit decisions. The value opinions reported herein are subject to the definitions, assumptions, limiting conditions, and certifications contained in this report.

The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

#### Extraordinary Assumptions:

- An interior inspection was performed on only a portion of the subject units. It is assumed that the units inspected are representative of the condition of the units.

#### Hypothetical Conditions:

- None.

The value conclusions are based on the analysis in the following report and presented in the following table:

#### Value Conclusions

Component	As Is
Value Type	Market Value
Real Property Interest	Leased Fee
Effective Date of Value	June 10, 2025
<b>Value Conclusion</b>	<b>\$640,000</b>
	<b>\$40,000 per unit</b>

Respectfully submitted,  
Valbridge Property Advisors | Memphis



Andrew Trott, MAI  
Director  
Tennessee License CG-1469



Todd Glidewell, MAI  
Senior Managing Director  
Tennessee License CG-41

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# Summary of Salient Facts

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## Property Identification

Client Identification Number	11421
Property Name	16 Unit Apartment
Property Address	24 W Colorado Avenue Memphis, Shelby County, Tennessee 38106
Latitude & Longitude	35.121063, -90.062731
Census Tract	6931.02
Tax Parcel Number	012057 00015
Property Owner	D C C Rentals LLC

## Site

Zoning	Light Industrial (EMP)
FEMA Flood Map No.	47157C0405F
Flood Zone	X
Primary Land Area	0.310 acres

## Existing Improvements

Property Use	Garden, Low-Rise
Investment Class	C
Occupancy	81.0%
Gross Building Area (GBA)	9,104 sf
Net Rentable Area (NRA)	9,104 sf
Number of Units	16
Number of Buildings	1
Number of Stories	2
Year Built	1957
Condition	Average
Construction Class	D - Wood Frame
Construction Quality	Average

## Valuation Opinions

Highest & Best Use - As Vacant	A build-to-suit or owner-occupied building as permitted by the zoning
Highest & Best Use - As Improved	Continuation of the existing use
Reasonable Exposure Time	3 to 6 months
Reasonable Marketing Time	3 to 6 months

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### Value Indications

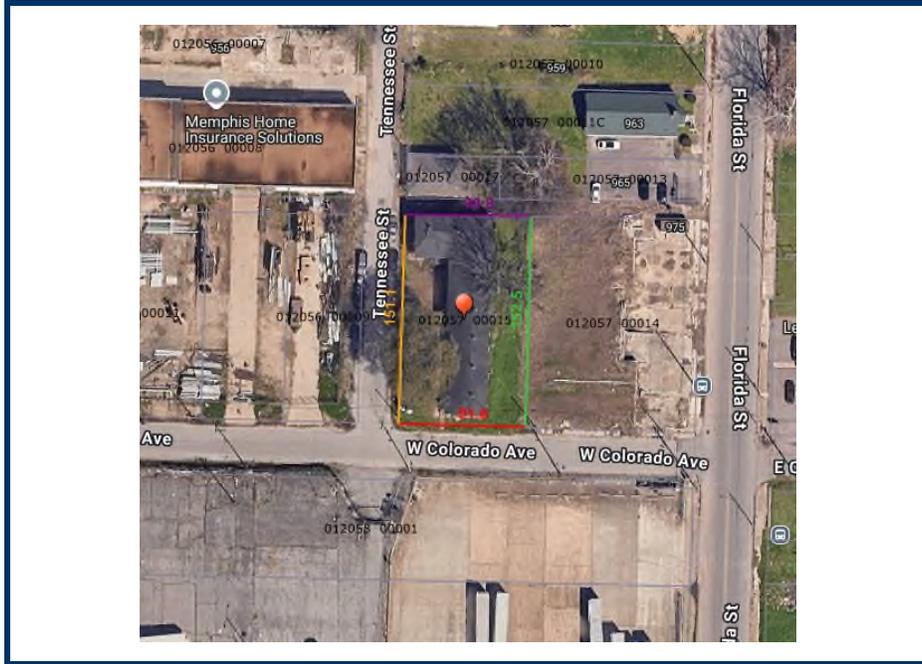
Approach to Value	As Is
Cost	Not Developed
Sales Comparison	\$690,000
Income Capitalization	\$640,000

### Value Conclusions

Component	As Is
Value Type	Market Value
Real Property Interest	Leased Fee
Effective Date of Value	June 10, 2025
<b>Value Conclusion</b>	<b>\$640,000</b>
	<b>\$40,000 per unit</b>

# Aerial and Front Views

**AERIAL VIEW**



**FRONT VIEW**





# Introduction

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## Client and Intended Users of the Appraisal

The client in this assignment is Simmons Bank and the intended user of this report is the client. Under no circumstances shall any of the following parties be entitled to use or rely on the appraisal or this appraisal report:

- i. The borrower(s) on any loans or financing relating to or secured by the subject property,
- ii. Any guarantor(s) of such loans or financing; or
- iii. Principals, shareholders, investors, members or partners in such borrower(s) or guarantors.

## Intended Use of the Appraisal

The intended use of this report is for loan underwriting and/or credit decisions.

## Real Estate Identification

The subject property is located at 24 W Colorado Avenue, Memphis, Shelby County, Tennessee 38106. The subject property is further identified by the tax parcel number 012057 00015.

## Legal Description

The legal description is as follows:

Lot s 20, 21, and 22, Block 66, Sears Williams Subdivision, as shown on plat of record in Plat Book 1, Page 121, in the Register's Office of Shelby County, Tennessee, to which plat reference is hereby made for a more particular description of said property.

Being one and the same property conveyed to Grantor(s) herein by Substitute Trustee's Deed at Instrument No. 08148094, of record in the Register's Office of Shelby County, Tennessee.

The property herein described is unencumbered except for 2009 City of Memphis and 2009 Shelby County taxes, not yet due and payable; and subdivision restrictions, building lines and easements of record in Plat Book 1, Page 121, of record in the Register's Office of Shelby County, Tennessee.

TAX PARCEL ID NO. 12-57-15

## Use of Real Estate as of the Effective Date of Value

As of the current date of value, the subject was a garden apartment property.

## Use of Real Estate as Reflected in this Appraisal

The current opinion of value for the subject property reflects use as an garden, low-rise.

## Ownership of the Property

According to Tax assessor, title to the subject property is vested in D C C Rentals LLC.

## History of the Property

Ownership of the subject property has not changed within the past three years.

### Active Listing/Offer/Contract

The subject property was not being marketed for sale and there were no unsolicited offers or pending contracts for sale.

## Type and Definition of Value

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

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

Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

## Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Opinions of value for the subject property were developed under the following valuation scenarios:

Valuation Scenario	Effective Date of Value
As Is Market Value of the Leased Fee Interest	June 10, 2025

## Date of Report

The date of this report is June 26, 2025.

## List of Items Requested but Not Provided

- All information necessary to complete our analysis is believed to have been provided.

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<sup>1</sup> FIRREA Code of Federal Regulations, Title 12, Part 34 Subpart C - 34.42, 1990; also Interagency Appraisal and Evaluation Guidelines, Federal Register / Vol.75, No. 237, 2010

## Assumptions and Conditions of the Appraisal

This appraisal assignment and the opinions reported herein are subject to the General Assumptions and Limiting Conditions contained in the report and the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results.

### Extraordinary Assumptions

- An interior inspection was performed on only a portion of the subject units. It is assumed that the units inspected are representative of the condition of the units.

### Hypothetical Conditions

- None.

# Scope of Work

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The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed as below.

## Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics - The subject was legally identified via tax assessor records.
- Economic Characteristics - The subject property economic characteristics were identified via information provided by the borrower, market surveys, discussions with market participants, and our database.
- Physical Characteristics - The subject property physical characteristics were identified via personal observation, information provided by the property owner, market surveys, discussions with market participants, and our database.

## Extent to Which the Property Was Inspected

We completed an interior inspection of a portion of the subject units and exterior inspection of the readily visible aspects of the property on June 10, 2025. The improvements were measured during the course of the inspection.

## Type and Extent of Data Researched

The following data was researched and analyzed: (1) market area data, (2) property-specific market data, (3) zoning and land-use data, and (4) current data on comparable listings and transactions. Professionals familiar with the subject market/property type were also interviewed.

## Type and Extent of Analysis Applied (Valuation Methodology)

Surrounding land use trends, the condition of any improvements, demand for the subject property, and relevant legal limitations were observed in the process of concluding a highest and best use for the subject property. The subject property was then valued based on the highest and best use conclusion.

Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis: the cost approach, sales comparison approach, and income capitalization approach. One or more of these approaches are used in all estimations of value.

- Cost Approach - In the cost approach, the value indication reflects the sum of current depreciated replacement or reproduction cost, land value, and an appropriate entrepreneurial incentive or profit.
- Sales Comparison Approach - In the sales comparison approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the

impact of material differences in both economic and physical elements between the subject and the comparables.

- Income Capitalization Approach - In the income capitalization approach, value is indicated by the capitalization of anticipated future income. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.

All these approaches to value were considered. The availability of data and applicability of each approach to value within the context of the characteristics of the subject property, along with the needs and requirements of the client, were assessed. Based on this assessment, the Sales Comparison and Income Capitalization Approaches were developed. Further discussion of the extent of our analysis and the methodology of each approach is provided later in the respective valuation sections. The most likely buyer would be an investor and the replacement costs and depreciated value of the improvements are secondary factors in the purchase decision. The Cost Approach would be given nominal, if any, weight if completed. For this reason, the Cost Approach was not performed.

### Appraisal Conformity and Report Type

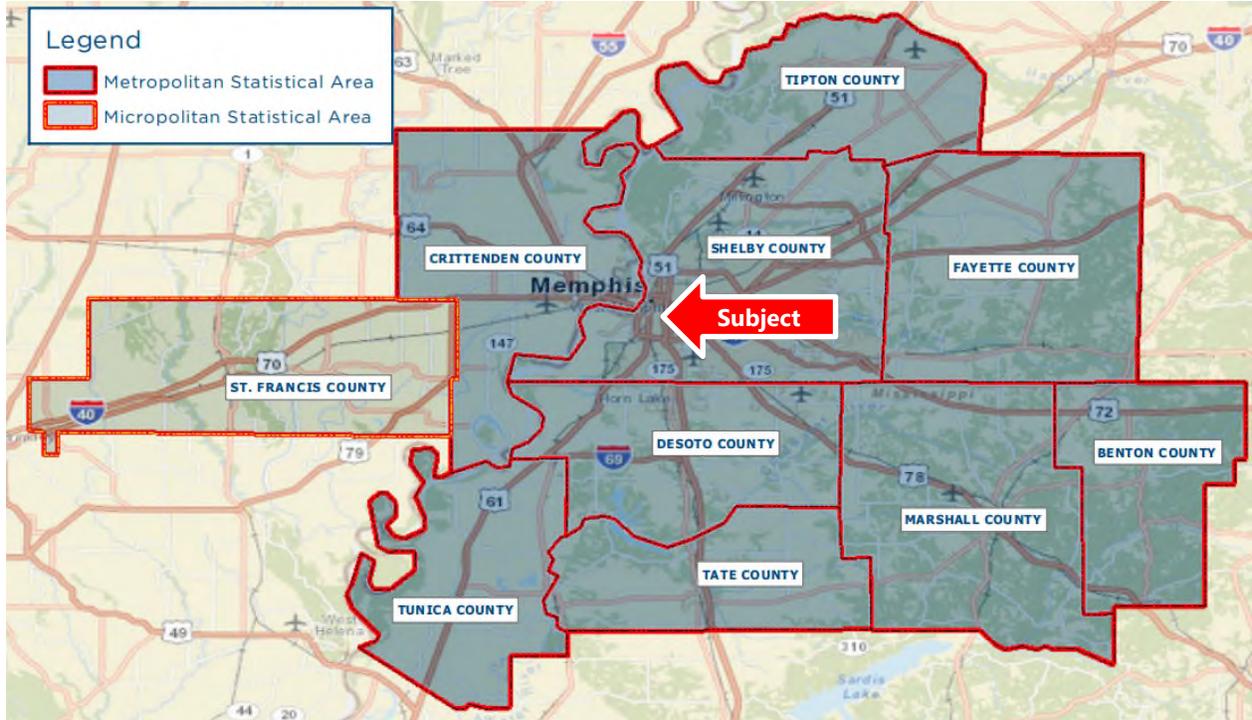
The analyses, opinions, and conclusions were developed and this report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute; the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA); and the requirements of our client. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

### Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only. Removable fixtures such as kitchen appliances and hot water heaters are considered to be real estate fixtures that are essential to the use and operation of the complex. The comparable sales utilized in our report included similar real estate fixtures and none included personal property.

# Regional Economic Summary

**REGION MAP**



Memphis and the surrounding communities are a diversified metropolitan area mixing industry, service, and agribusiness to serve both national and international markets. The Memphis Metropolitan Area has established itself as a centrally located distribution point in the United States. The Memphis MSA (Metropolitan Statistical Area) consists of nine counties in three states: Tennessee, Mississippi, and Arkansas.

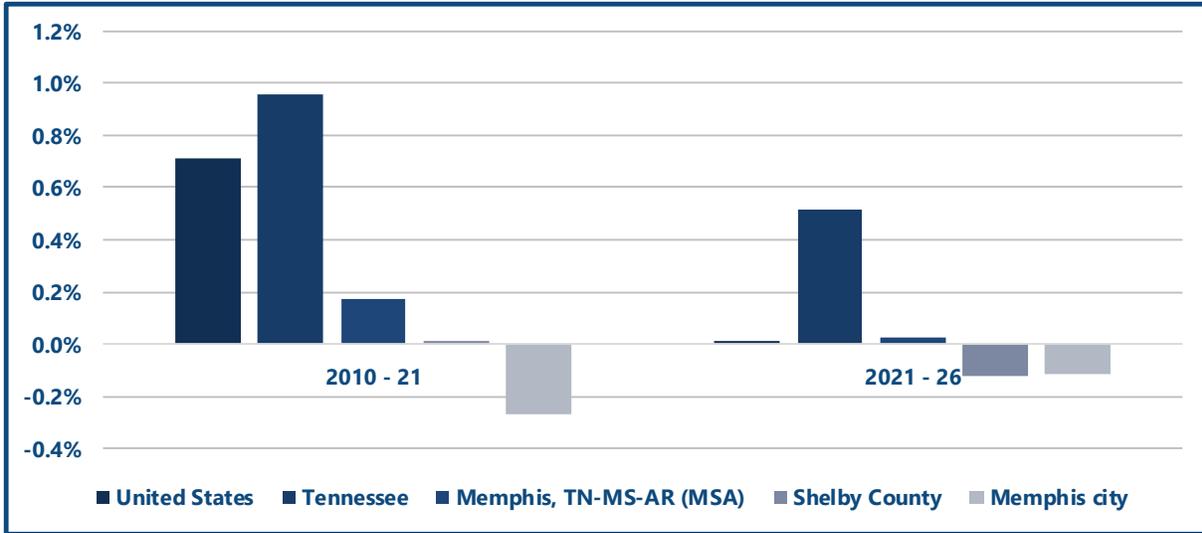
## Population

The following chart illustrates the population characteristics:

### Population

Area	2010	Estimated 2021	Annual Δ 2010 - 21	Projected 2026	Annual Δ 2021 - 26
United States	308,745,538	333,793,107	0.7%	333,934,112	0.0%
Tennessee	6,346,105	7,049,134	1.0%	7,233,909	0.5%
Memphis, TN-MS-AR (MSA)	1,316,100	1,341,320	0.2%	1,343,178	0.0%
Shelby County	927,644	928,521	0.0%	922,985	-0.1%
Memphis city	650,222	631,187	-0.3%	627,528	-0.1%

Source: ESRI (ArcGIS)

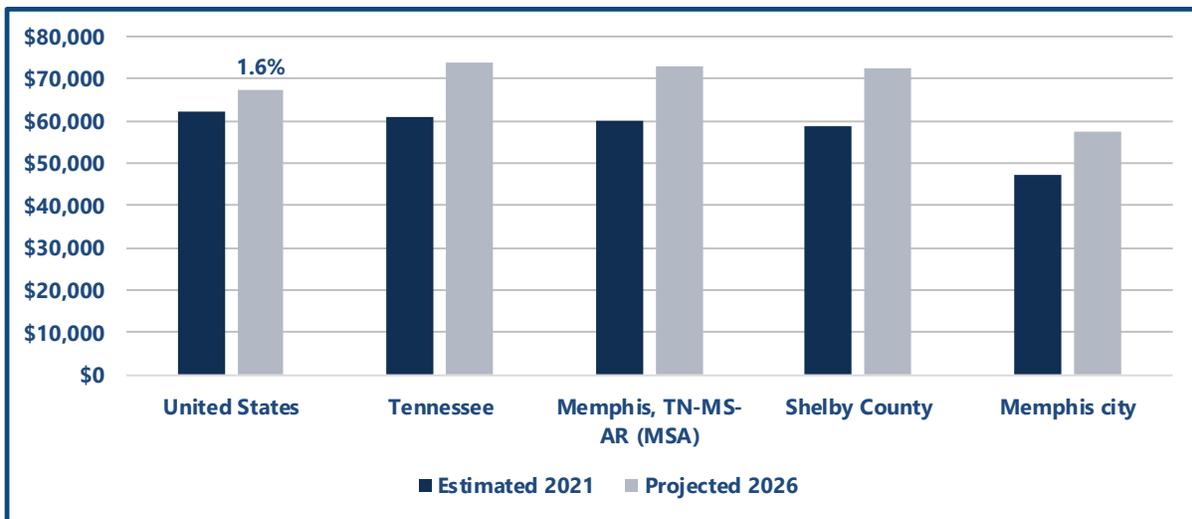


Source: Bureau of Labor Statistics - data not seasonally adjusted; <sup>1</sup>Annual - most recent for US, others lag by 1-2 mos.)

The MSA population has shown to be relatively stable over the past ten years. That trend is expected to continue over the next five years.

### Income

The income trends in the MSA have been consistent with the national and state trends. The median household income for selected years is presented below.



Source: ESRI (ArcGIS)

### Median Household Income

Area	Estimated 2021	Projected 2026	Annual Δ 2021 - 26
United States	\$62,203	\$67,325	1.6%
Tennessee	\$61,059	\$73,828	3.9%
Memphis, TN-MS-AR (MSA)	\$60,088	\$73,025	4.0%
Shelby County	\$58,770	\$72,242	4.2%
Memphis city	\$47,144	\$57,520	4.1%

Source: ESRI (ArcGIS)

### Education

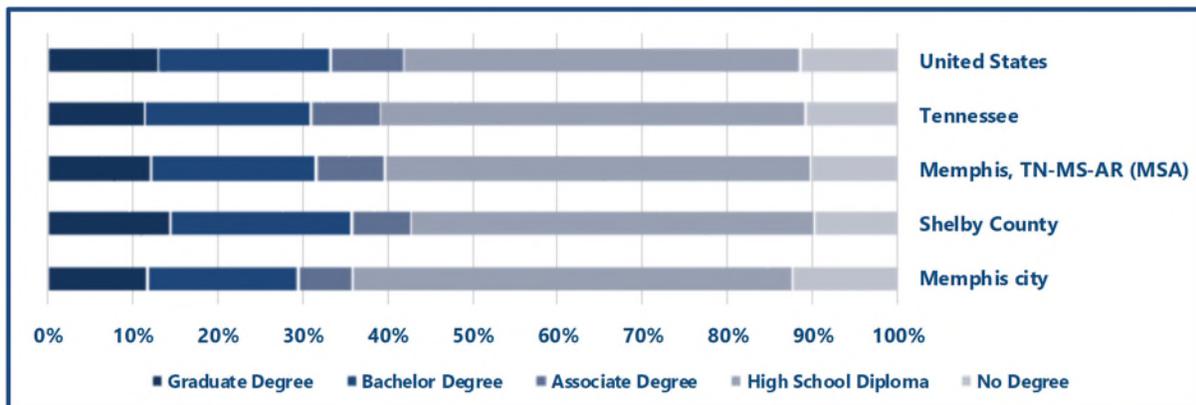
Educational attainment refers to the highest level of education completed. Higher ratios of graduate and bachelor's degree attainment generally reflect a more desirable employee base. The following chart presents education attainment for the region:

#### EDUCATION ATTAINMENT

##### Education Attainment

Area	Graduate Degree	Bachelor Degree	Associate Degree	High School Diploma	No Degree
United States	12.9%	20.2%	8.7%	46.8%	11.4%
Tennessee	11.4%	19.4%	8.2%	50.4%	10.7%
Memphis, TN-MS-AR (MSA)	12.2%	19.2%	8.2%	50.2%	10.1%
Shelby County	14.3%	21.2%	7.1%	47.6%	9.8%
Memphis city	11.7%	17.6%	6.4%	51.9%	12.4%

Source: ESRI (ArcGIS)



Source: ESRI (ArcGIS)

### Employment

The Memphis MSA labor market is diverse. Several large corporations have regional or corporate headquarters in the area. Large public and private companies include FedEx, Auto Zone, Sedgwick, Smith & Nephew Orthopedics, Medtronic, Thomas and Betts, ServiceMaster, International Paper, Kroger and AT&T.

### Major Employers

Company Name	Employees	Primary Business/Local Function
FedEx Corp.	30,000	Global Logistics, E-Commerce, Business Services
Shelby County Schools	16,000	Education for K-12 grade
Tennessee State Government	14,500	State Government
United States Government	13,400	Federal Government
Methodist Le Bonheur Healthcare	9,000	Integrated Health Care Delivery System
City of Memphis	8,000	City Government
Shelby County Government	5,600	County Government
St. Jude Children's Research Hospital	4,700	Medical Research Hospital
Baptist Memorial Health Care Corp.	4,000	Integrated Health Care System
University of Tennessee Health Science Center	4,000	Health Science University
International Paper Co.	3,000	Packaging, Paper & Distribution

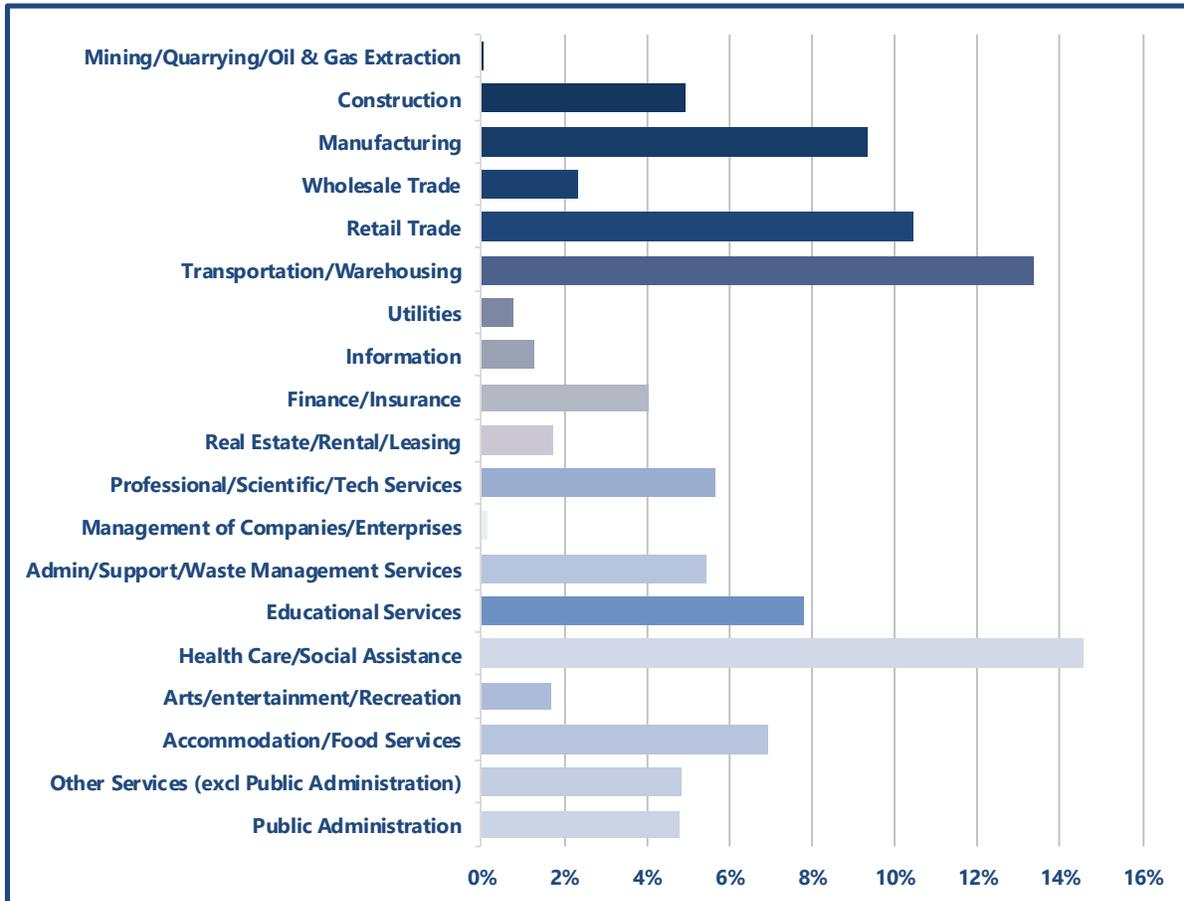
Source: Memphis Regional Chamber

Employment in the region is diverse as shown in the tables and charts to follow. Distribution, healthcare, retail trade, and manufacturing are the leaders among a long list of industries within the area. Employment levels in the Memphis area have been consistent with other areas of the US. Employment and job growth should align with national trends as the economy continues its.

### Employment by Industry - Memphis, TN-MS-AR (MSA)

Industry	2021 Estimate	Percent of Employment
Agriculture/Forestry/Fishing/Hunting	3,229	0.47%
Mining/Quarrying/Oil & Gas Extraction	345	0.05%
Construction	39,704	5.80%
Manufacturing	67,103	9.81%
Wholesale Trade	24,180	3.53%
Retail Trade	71,788	10.49%
Transportation/Warehousing	91,135	13.32%
Utilities	4,764	0.70%
Information	7,633	1.12%
Finance/Insurance	26,984	3.94%
Real Estate/Rental/Leasing	12,289	1.80%
Professional/Scientific/Tech Services	31,910	4.66%
Management of Companies/Enterprises	561	0.08%
Admin/Support/Waste Management Services	33,463	4.89%
Educational Services	55,319	8.09%
Health Care/Social Assistance	99,942	14.61%
Arts/entertainment/Recreation	8,840	1.29%
Accommodation/Food Services	39,191	5.73%
Other Services (excl Public Administration)	31,315	4.58%
Public Administration	34,442	5.03%
<b>Total</b>	<b>684,137</b>	<b>100.0%</b>

Source: ESRI (ArcGIS)

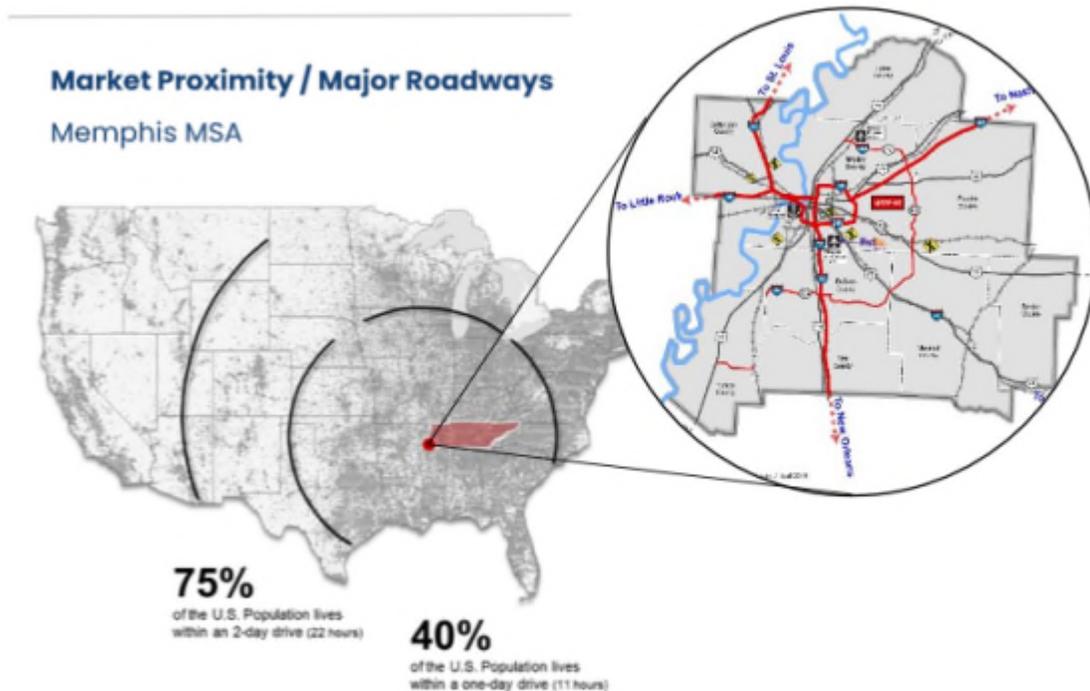


Employment by Industry for Shelby County - Source: ESRI (ArcGIS)

## Location/Transportation

Memphis' geographic position has been the dominant factor in making the region one of the largest distribution hubs in the nation. Transportation of goods is enhanced by the city's position on the Mississippi River and by the Memphis International Airport. The Mid-South area is known as "America's Distribution Center" because of its ideal location and combination of four primary modes of transportation. Using air, rail, truck and water, companies can distribute goods and commodities to the majority of the United States quickly and economically.

Memphis is within a one-day drive of 40% of the U.S. population and within a two-day drive of 75% of the U.S. Population. Memphis serves 152 metropolitan areas with overnight trucking or rail delivery; which is more than any city in the Midwest. Thirty-five states (including Canada and Mexico) can be reached in two-day ground service by the over 200 LTL carriers located in Memphis. This has created interest among major manufacturers and distributors in the U.S. Memphis offers multiple intermodal transportation options including: water to rail to truck, rail to truck, air to truck, and truck to air. Transportation and distribution facilities continue to grow in the region.



## Tourism

Prior to COVID-19, the Greater Memphis Chamber of Commerce estimates an economic contribution of more than \$3.5 billion to the local economy through tourism and employs over 50,000 people directly and through third-party manufactures, vendors and suppliers. With attractions such as the Memphis Zoo which is ranked as one of the top zoos in the nation, Graceland being the second most visited private residence in the country after the White House, Shelby Farms with more than 2 million annual visitors, Bass Pro Shops at the Pyramid with about 2 million annual visitors, and Beale Street with over 5 million visitors a year, Memphis has attracted a consistent and sizable flow of tourism which is expected to continue post COVID.

## Conclusion

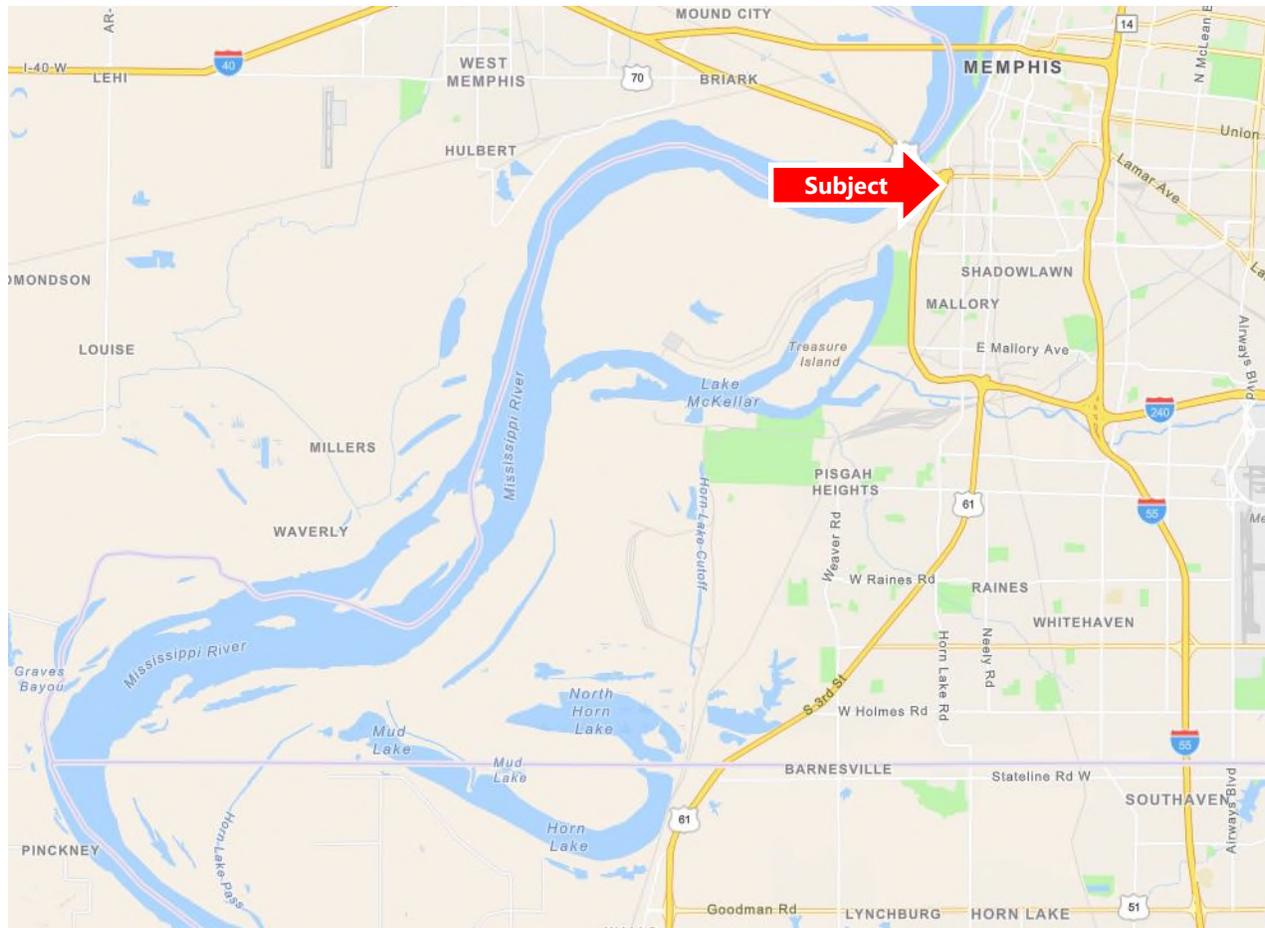
The economic, social, governmental, and environmental forces affect local and regional property values. These have interacted in such a way that the MSA has become recognized as a center for distribution, education, and agribusiness. The area has realized growth in tourism and offers excellent healthcare options. The MSA economic conditions tend to mirror the national economy. With low land costs, affordable housing and cost of living, mild climates, and diverse industries, the MSA is expected to align with the national economy in most categories.

# City/Neighborhood Analysis

## Boundaries

The general market area of the Subject is commonly referred to as Southwest Memphis bound by I-240 to the north, State Line Road to the south, I-55 to the east, and the Mississippi River to the west. The following map outlines the general area.

**AREA MAP**



## Overview

The market area is approximately 60% developed, and a wide variety of land uses are represented. Commercial land uses are concentrated along the major thoroughfares with retail and service oriented properties located along interior streets. Properties in the market area include low to moderate density single-family housing, strip retail centers, community retail centers, office buildings, restaurants, apartments, schools, industrial buildings and places of worship.

Most public services are offered to landowners including utilities, schools, police/fire protection, and public transportation. The inhabitants have many services offered through the public and private sectors. Several aspects of the market are summarized in the following paragraphs.

## Employment Centers

Employment providers of many types are situated in the market area. While there are employment opportunities in every section of the MSA, there are three primary areas with a high concentration of employment: The Central Business District or “CBD”, East Memphis, and the Airport area.

The Subject Property is located south of the CBD. The drive time between the Subject Property and the CBD is approximately 5 minutes. This highly commercialized area is commonly known as the “Downtown” area. Governmental buildings and services, along with many government related firms, are located in this district. There are numerous local, state, and federal agencies with offices located in the CBD. This area is also a major entertainment center for the region. FedEx Forum, Mud Island theme park, and the Beale Street entertainment district are located within the CBD.

The drive time between the Subject Property and East Memphis is approximately 30 minutes. This is another commercialized locale within the MSA. It is generally centered at the intersection of Interstate 240 and Poplar Avenue. There are numerous Class A and B office buildings and many retail properties in the immediate area. There are two hospitals in this market area, and many medical professionals have offices in this market. This area employs many individuals and will continue to be a major employment center for professionals and the service sector.

There is also a high concentration of employment in the area surrounding the Memphis International Airport. A wide variety of jobs for nearly all sectors of the workforce exists in the Southeast and Airport Submarkets. The drive time to this area of the MSA is approximately 15 minutes. The airport is surrounded by many service and industrial related properties. This section of Memphis is known for many distribution facilities, service companies, and manufacturing firms. This general area has the largest concentration of bulk industrial space in the county. The airport is also the site of the World Hub of Federal Express. This is the largest overnight package service in the world. It is estimated that this firm employs more than 30,000 individuals in the Memphis area with the majority of those employees living in this area of the MSA.

## Traffic Patterns

The major traffic arteries in this market are I-55, I-240, I-69, E.H. Crump Blvd, and South Third Street. Most streets and roads are public and maintained by local government. Curbs, gutters, storm sewers and sidewalks are common. In general, the area is well served by streets and highways. Access to major roads and other parts of the MSA is good.

## Demographics

The following table depicts the area demographics within a one-, three-, and five-mile radius from the subject.

### Neighborhood Demographics

Radius (Miles)	1 Mile	3 Mile	5 Mile
Trade Area (Sq. Mi.)	3.14	28.27	78.54
Trade Density (Pop/Sq. Mi.)	2,176	1,785	1,535
<b>Population</b>			
Census Population (2010)	5,413	53,327	130,679
Census Population (2020)	6,564	49,186	119,549
Current Population (2023)	6,829	50,460	120,508
Projected Population (2028)	6,995	51,161	120,105
<u>Compound Annual Growth</u>			
2010 - 2020	1.9%	-0.8%	-0.9%
2020 - 2023	1.3%	0.9%	0.3%
2023 - 2028	0.5%	0.3%	-0.1%
<b>Households</b>			
Census Households (2010)	2,357	22,314	55,148
Census Households (2020)	3,564	23,894	55,616
Current Households (2023)	3,824	25,213	57,590
Projected Households (2028)	3,997	26,293	58,947
<u>Compound Annual Growth</u>			
2010 - 2020	4.2%	0.7%	0.1%
2020 - 2023	2.4%	1.8%	1.2%
2023 - 2028	0.9%	0.8%	0.5%
Average Household Size (2023)	1.76	1.90	2.01

Source: ESRI (ArcGIS)

(Lat: 35.121063, Lon: -90.062731)

### Neighborhood Demographics (cont.)

Radius (Miles)	1 Mile	3 Mile	5 Mile
Trade Area (Sq. Mi.)	3.14	28.27	78.54
Trade Density (Pop/Sq. Mi.)	2,176	1,785	1,535
<b>2023 Housing Units</b>			
Median Home Value	\$378,125	\$139,798	\$223,768
Median Year Built	1995	1959	1957
Total Housing Units	4,261	29,316	66,594
Owner-Occupied Housing %	28.8%	23.5%	31.8%
Renter-Occupied Housing %	60.9%	62.6%	54.7%
Vacant Housing %	10.3%	14.0%	13.5%
<b>2023 Employment</b>			
Total Establishments	416	3,424	6,149
Total Employees	8,479	77,828	113,087
Average Commute Time	n/a	n/a	n/a
% College Graduates	48.9%	30.7%	34.0%
<b>2023 Income Summary</b>			
Median Household Income	\$69,415	\$37,520	\$42,744
Average Household Income	\$110,077	\$70,520	\$75,459
Avg Spending/Household	\$30,694	\$20,239	\$21,816
Per Capita Income	\$61,480	\$35,193	\$36,293

Source: ESRI (ArcGIS)

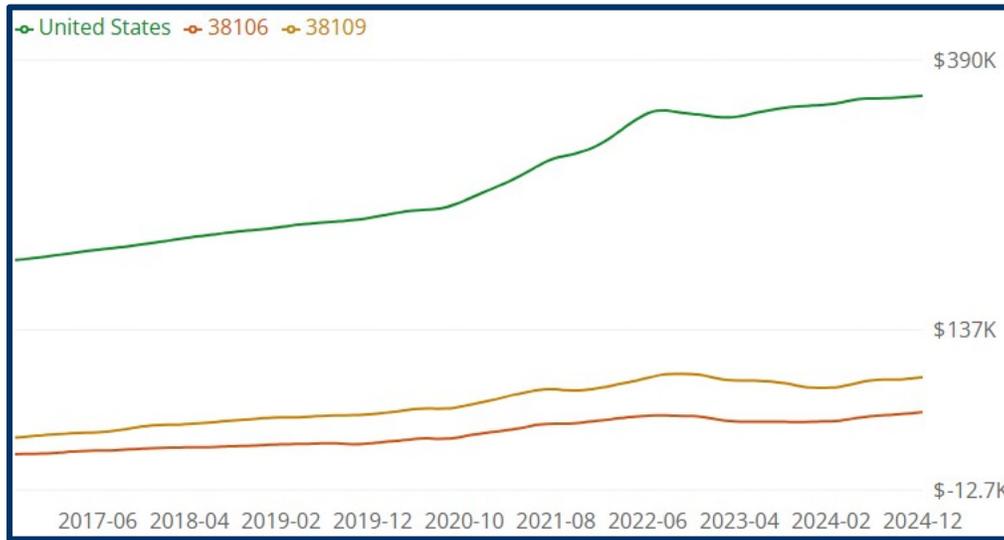
(Lat: 35.121063, Lon: -90.062731)

The population is 50,460 within a three-mile radius of the subject property with a projected annual growth rate of 0.3%. There were 29,316 housing units within the three-mile radius. Most housing is owner-occupied.. The median household income was \$37,520 within a three-mile radius of the subject property.

### Housing Data

Home sale activity can be indicators of demand for commercial property. The data below is provided by Zillow and provides basic information on home sales within this market area. The data is drawn from the zip code(s) in the subject market area and includes single family homes and condominiums.

### HOME SALE CHART



Source: Zillow.com

The average home price in the zip code covering the subject market is below the national average. Pricing has shown a flat trend since early 2022. Home sale volume has been good in most markets within the MSA; however, interest rates are expected to dictate the sale rates and pricing.

Multi-family is a prevalent use in this market area. There is a variety of rental units in the area with most being in the Class B and Class C mid-rise, and garden category. The majority of multi-family property is located in the northern section of the market area near East McLemore Avenue. Many of the multi-family units in the market area are within the South Memphis submarket. This area has the highest vacancy and lowest rental rates when compared to the MSA.

SUBMARKET RENT											
No.	Market	Asking Rents				Effective Rents					
		Per Unit	Per SF	Rank	Yr. Growth	Per Unit	Per SF	Rank	Yr. Growth	Concessi on	Rank
1	Collierville	\$1,787	\$1.71	1	0.1%	\$1,761	\$1.69	1	-0.8%	1.5%	1
2	Crittenden County	\$866	\$0.98	14	2.2%	\$861	\$0.97	14	1.9%	0.6%	16
3	DeSoto County	\$1,319	\$1.29	7	1.1%	\$1,310	\$1.28	7	1.9%	0.7%	13
4	Downtown Memphis	\$1,425	\$1.61	2	-1.9%	\$1,405	\$1.59	2	-2.4%	1.4%	2
5	East Memphis	\$1,056	\$1.26	8	1.2%	\$1,048	\$1.25	8	2.8%	0.8%	8
6	Fayette County	-	-	-	-	-	-	-	-	0%	-
7	Frayser-Raleigh	\$794	\$0.89	15	0.1%	\$787	\$0.89	15	0%	0.8%	7
8	Germantown	\$1,433	\$1.40	6	-1.1%	\$1,422	\$1.39	6	-1.1%	0.8%	10
9	Marshall County	\$588	\$0.65	18	1.1%	\$583	\$0.65	18	1.1%	0.8%	6
10	Midtown Memphis	\$1,149	\$1.48	4	0.2%	\$1,135	\$1.46	4	0.5%	1.2%	3
11	Millington	\$1,175	\$1.20	10	-6.1%	\$1,168	\$1.19	10	-5.8%	0.6%	15
12	North Memphis	\$1,216	\$1.50	3	-4.9%	\$1,206	\$1.48	3	-4.5%	0.8%	9
13	Northeast Memphis	\$1,201	\$1.23	9	-2.2%	\$1,189	\$1.22	9	-2.3%	1.0%	4
14	South Memphis	\$775	\$0.88	16	1.8%	\$769	\$0.87	16	2.0%	0.7%	14
15	Southaven/Olive Branch...	\$1,475	\$1.43	5	2.8%	\$1,464	\$1.42	5	3.3%	0.8%	11
16	Southeast Memphis	\$978	\$1.05	12	2.4%	\$971	\$1.05	12	2.8%	0.7%	12
17	Tate County	\$1,065	\$1.02	13	0.4%	\$1,062	\$1.02	13	0.5%	0.3%	18
18	Tipton County	\$1,035	\$1.08	11	1.3%	\$1,030	\$1.07	11	1.2%	0.5%	17
19	Tunica County	\$863	\$0.87	17	-2.5%	\$855	\$0.86	17	-1.9%	1.0%	5



## Commercial Land Uses

As stated, there is a wide variety of commercial land uses in the market area. A brief summary of the retail, office, and industrial markets is shown in the following tables. More pertinent and specific data for properties similar to the Subject is presented later in the report.

### Retail

Retail is a prominent land use and many of the facilities are more than 30 years old. They are concentrated along the major traffic corridors of Elvis Presley Boulevard and South Parkway. The retail market is stable as there have been few build-to-suit projects in recent years. The area is mature and densely developed which inhibits new development despite the demand. Retail occupancy is greater than the average for the MSA.

SUBMARKET RENT							
No.	Submarket	Market Asking Rent		12 Month Market Asking Rent		QTD Annualized Market Asking Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	Collierville	\$19.96	3	-0.1%	5	-3.6%	17
2	Cordova	\$18.87	5	1.0%	1	-2.7%	8
3	Crittenden County	\$11.92	14	-1.7%	16	-2.6%	5
4	Downtown/Midtown	\$15.63	9	-0.5%	8	-4.2%	18
5	East	\$21.38	2	0.5%	2	-3.3%	15
6	Fayette County	\$13.18	12	-1.6%	11	-2.6%	7
7	Germantown	\$26.04	1	0.2%	4	-3.3%	16
8	Marshall County	\$8.93	18	-1.6%	12	-2.2%	1
9	North	\$12.48	13	-1.7%	17	-2.3%	3
10	Northeast	\$18.06	6	-0.4%	7	-3.0%	14
11	Olive Branch	\$19.58	4	0.2%	3	-2.9%	13
12	Outlying DeSoto Cnty	\$16.37	7	-0.7%	9	-2.8%	10
13	South	\$11.38	15	-1.7%	14	-2.4%	4
14	Southaven-Horn Lake	\$16.05	8	-1.4%	10	-2.6%	6
15	Southeast	\$13.78	11	-0.3%	6	-2.9%	11
16	Tate County	\$10.61	16	-1.8%	18	-2.9%	12
17	Tipton County	\$14.12	10	-1.7%	15	-2.3%	2
18	Tunica County	\$9.60	17	-1.6%	13	-2.7%	9



### Office

The Subject property is south of the Memphis CBD, and office properties are not a prominent land use in the immediate area. Most offices are small, residential style buildings to older Class C multi-tenant facilities. As users occupied new office developments in the suburban markets, vacancy and rental rates decreased in this section of the Downtown market. The Downtown market data illustrates an adequate supply in relation to demand.

SUBMARKET RENT							
No.	Submarket	Market Asking Rent		12 Month Market Asking Rent		QTD Annualized Market Asking Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	385 Corridor	\$22.60	2	2.4%	3	-10.1%	2
2	Airport	\$18.12	13	2.2%	7	-11.4%	8
3	Crittenden County	\$20.21	11	2.1%	9	-12.1%	10
4	DeSoto County	\$20.80	7	2.1%	11	-11.1%	6
5	Down town	\$21.49	4	2.3%	4	-10.8%	3
6	East	\$25.56	1	2.3%	5	-8.4%	1
7	Fayette County	\$20.65	8	2.2%	6	-11.2%	7
8	Marshall County	\$20.94	5	2.4%	2	-12.2%	12
9	Midtown	\$20.39	10	2.1%	12	-11.7%	9
10	North	\$17.73	14	2.2%	8	-10.8%	4
11	Northeast	\$21.84	3	2.4%	1	-10.9%	5
12	Tate County	\$20.46	9	2.0%	13	-12.7%	13
13	Tipton County	\$20.86	6	2.1%	10	-12.1%	11
14	Tunica County	\$19.75	12	1.7%	14	-12.9%	14

### Industrial

This property category is primarily concentrated in the west section of the market area near I-55. This market area is part of the Southwest submarket, which has several industrial parks. The majority of industrial properties would compete in the 2<sup>nd</sup> and 3<sup>rd</sup> tier categories. Occupancy levels are higher than the MSA as a whole.

SUBMARKET RENT							
No.	Submarket	Market Asking Rent		12 Month Market Asking Rent		QTD Annualized Market Asking Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	Crittenden County	\$6.13	5	5.2%	5	2.5%	1
2	DeSoto	\$5.58	6	5.5%	1	1.4%	7
3	Fayette County	\$6.48	4	5.2%	3	0.3%	11
4	Marshall County	\$5.49	7	5.1%	7	1.5%	5
5	Northeast	\$9.73	1	4.1%	11	1.8%	3
6	Northwest	\$3.73	11	5.1%	6	0.5%	9
7	Southeast	\$5.33	9	5.3%	2	1.4%	6
8	Southwest	\$5.36	8	4.5%	9	0.4%	10
9	Tate County	\$7.73	2	4.3%	10	2.0%	2
10	Tipton County	\$4.89	10	5.2%	4	0.9%	8
11	Tunica County	\$7.62	3	4.7%	8	1.8%	4

### Neighborhood Life Cycle

Neighborhood life cycles generally occur in order of the following four stages: (1) growth, (2) stability, (3) decline, or (4) revitalization. The subject neighborhood is best classified as being in the stability stage of its life cycle.

## Summary

The characteristics of the market area can be summarized as follows:

- A population growth of approximately 0.3% annually is projected;
- Employment centers are within reasonable driving times;
- The road system is modern and provides good access to adjoining markets;
- Land uses are varied with most property types represented;
- Improvements vary greatly in effective age ranging from new to over 40 years;
- Vacant land suitable for development is not readily available;
- Most commercial properties would compete in the 2<sup>nd</sup> and 3<sup>rd</sup> Tier categories;
- Commercial property values are stable;
- The subject market area should remain stable with select development for build-to-suit projects on the major corridors. The area offers an urban location, proximity to the employment districts, stable demographics, and good road systems.

# Site Description

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The subject site is located on the northeast corner of West Colorado Avenue and Tennessee Street. The characteristics of the site are summarized as follows:

## Site Characteristics

Gross Land Area:	0.310 Acres or 13,500 SF
Usable Land Area:	0.310 Acres or 13,500 SF
Usable Land %:	100.0%
Shape:	Rectangular
Average Depth:	150.00 feet
Topography:	Level
Drainage:	Appears adequate
Grade:	At street grade
Utilities:	All Available - Public
Off-Site Improvements:	None.
Interior or Corner:	Corner
Signalized Intersection:	No
Excess/Surplus Land:	None

## Street Frontage / Access

Frontage Road	Primary	Secondary
Street Name:	West Colorado Avenue	Tennessee Street
Street Type:	Public	Public
Frontage (Linear Ft.):	90.00	150.00
Number of Curb Cuts:	0	0
Traffic Count (Cars/Day):	Not published	

## Flood Zone Data

Flood Map Panel/Number:	47157C0405F
Flood Map Date:	09-28-2007
Flood Zone:	X

This is an area of minimal flood hazard, usually depicted on FIRMs as above the 500 year flood level. Zone X is the area determined to be outside the 500 year flood and protected by levee from 100 year flood.

Portion in Flood Hazard Area:	0.00%
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## Other Site Conditions

Environmental Issues:	No detrimental environmental conditions that would adversely affect value are known to exist. Please see the general assumptions and limiting conditions.
Easements/Encroachments:	Typical utility easements within setbacks
Wetlands Classification:	Not in a wetlands area

## Adjacent Land Uses

North:	Residential
South:	Industrial
East:	Vacant Land/Residential
West:	Industrial

## Site Ratings

Access:	Average
Visibility:	Average

## Zoning Designation

Zoning Jurisdiction:	Memphis
Zoning Classification:	EMP, Light Industrial
Permitted Uses:	Light Industrial
Zoning Comments:	The EMP District is intended to accommodate office, light manufacturing, research and development, warehousing, wholesale, processing and commercial uses in order promote economic viability, encourage employment growth, and limit the encroachment of non-industrial development within established industrial areas. Development should be operated in a relatively clean and quiet manner, and should not be obnoxious to nearby residential or commercial uses.

## Earthquake/Fault Zones

The Memphis MSA is located within the damage range of the New Madrid Fault Zone. The New Madrid Seismic Zone lies within the central Mississippi Valley. The northernmost point is in Southern Illinois and extends southward into Eastern Arkansas and West Tennessee. The southern edge is approximately 50 miles north of the geographic center of the Memphis MSA.

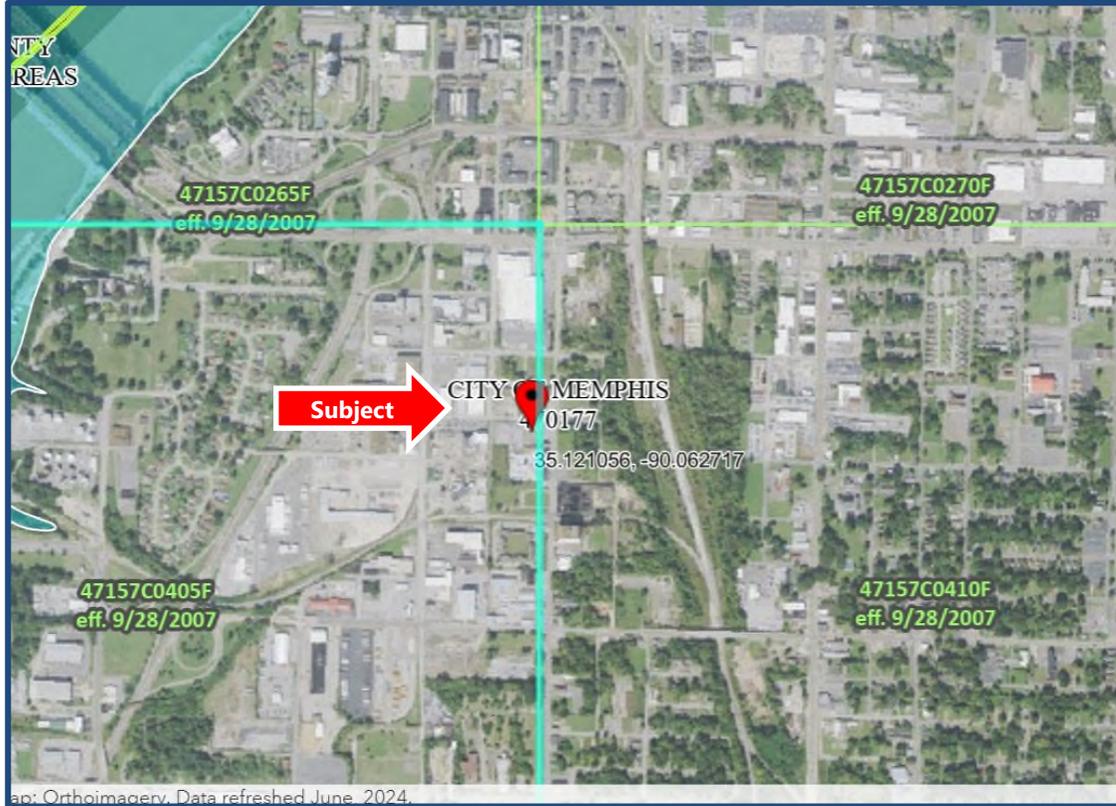
## Analysis/Comments on Site

The subject is a corner commercial site zoned for light industrial drive. All utilities are available.

**TAX/PLAT MAP**



**FLOOD MAP**



**ZONING MAP**



## Improvements Description

The subject is a 16 unit apartment complex built in 1957. All of the subject units are one bedroom, one bath. The property was 81% occupied at the time of the inspection an in average condition. The units have space heat and window unit a/c.

### Improvement Characteristics

Property Type:	Multifamily
Property Subtype:	Garden, Low-Rise
Investment Class:	Class C
Number of Buildings:	1
Number of Stories	2
Construction Class:	D - Wood Frame per Marshall Valuation Service
Construction Quality:	Average
Gross Building Area (GBA):	9,104 SF (based on Measurements, tax assessor)

### UNIT MIX

#### Unit Mix

Unit Type	Number of Bedrooms	Number of Baths	Total Units	Average Unit Size	Total SF
1 Bed/1 Bath	1	1	16	569 sf	9,104 sf
<b>Totals</b>			<b>16</b>	<b>569 sf</b>	<b>9,104 sf</b>

### Property Features

Clubhouse On-Site:	No
Swimming Pools:	No
Gated Parking/Access:	No
Storage Units:	No
Security Personnel:	No
Other Property Amenities:	None

### Unit Features

Kitchen Appliances/Finish:	Refrigerator and Stove (tenant provided)
Fireplace in Units:	No
Washer/Dryer Connection:	No
Washer/Dryer Included:	No
Restroom Finish:	Vanity, toilet and tub
Patio/Balcony:	No
Security System in Unit:	No
Other Unit Amenities:	None

### Ratios & Parking

Land-to-Building Ratio:	1.48 to 1 (Usable Land/GBA)
Floor Area Ratio (FAR):	0.67 (based on GBA)
Parking Spaces:	0, on-street parking only

### Age / Life

Year Built:	1957
Renovated/Yr. Renovated:	Yes
Yr. Blt./Renovated Comments:	Various times
Condition:	Average
Actual Age:	68 years
Effective Age:	25 years
Typical Building Life:	45 years
Remaining Economic Life:	20 years

### Structural Characteristics

Foundation:	Concrete slab
Building Frame:	Wood frame
Exterior Walls:	Brick Veneer
Roof Type / Material:	Pitched / Asphalt shingle

### Interior

Floors:	Tile and vinyl
Walls:	Brick
Ceilings:	Painted drywall
Lighting:	Incandescent

### Mechanical Systems

Electrical:	Adequate
Plumbing:	Appears adequate and typical for the intended use
Heating:	Electric wall units
Air Conditioning:	Window units
Fire Protection/Sprinklers:	None

### Site Improvements

Site Improvements:	Sidewalks, landscaping
Landscaping:	Average

### Legal, Conforming Status

Legally Permitted Use:	No
Conforms to Parking:	No
Conformity Conclusion:	The subject is a legal, non-conforming use. The subject could not be rebuilt if destroyed without a special use permit or re-zoning which would be likely based on surrounding property types. Legal, non-conforming uses are typical in this market and this type of non-conformity is not a detriment to the subject property.

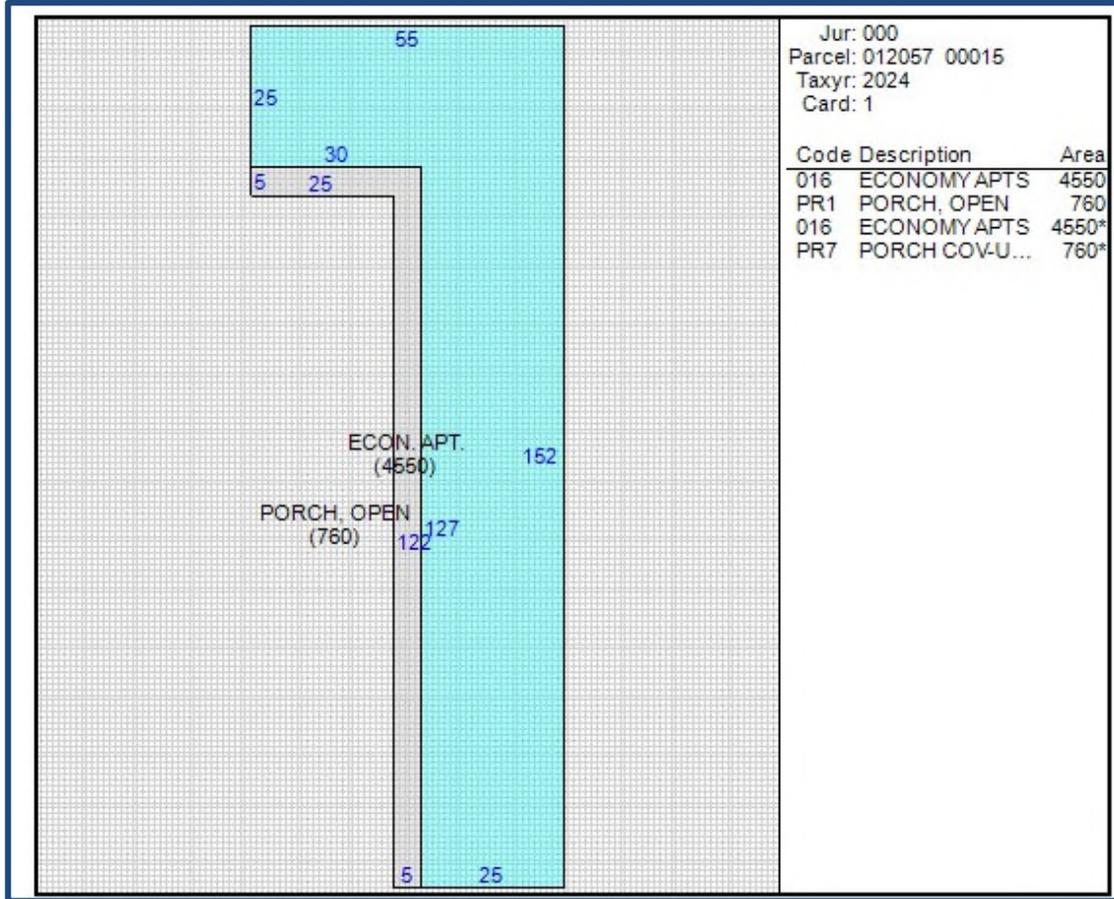
### Deferred Maintenance

No significant items of deferred maintenance was noted.

### Analysis/Comments on Improvements

The subject is a 16 unit apartment complex built in 1957. All of the subject units are one bedroom, one bath. The property was 81% occupied at the time of the inspection an in average condition. The units have space heat and window unit a/c. The function and utility of the property is average based upon a comparison of similar properties in the market area.

**BUILDING SKETCH - TAX ASSESSOR**



## Subject Photographs

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Front Elevation



Rear View



Interior View



Interior View

*Additional photos are included in the Addenda.*

## Assessment and Tax Data

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The Assessor Parcel Number(s) are listed in the table below. An overview of property taxes is as follows:

- Properties in Shelby County are appraised every four years for tax purposes;
- The last re-appraisal in Shelby County was completed in 2025;
- Typically, the tax appraisal does not change until a property is re-appraised unless substantial improvements or renovations are performed;
- A sale or transfer does not result in a new appraisal or assessment;
- The tax assessor must appraise the fee simple rights for all properties;
- Commercial properties (land and improvements) are assessed at 40% of the tax appraisal;
- Residential properties (land and improvements) are assessed at 25% of the tax appraisal.

In 2025, real property tax appraisals in most Tennessee counties will become effective due to a county-wide re-appraisal on all tax parcels. The date of value utilized by assessors will be January 1, 2025. Assessors are bound by state law to assign a market value to the fee simple property rights unencumbered by a lease or other influences. Based on recent market activity and trends, we anticipate that tax appraisals, in the aggregate, will increase in all property categories. According to the statutes, uniformity of value must be considered by the assessor. The tax appraisal for a property must be within a reasonable range to the tax appraisals of similar properties. Owners have the right to contest the tax appraisal for any property at the local board of equalization, also, there are several levels of appeal.

While values may increase, it is not appropriate to project a substantial increase in property taxes for a property due to a re-appraisal alone. The state statutes prohibit a "windfall" from a re-appraisal and the tax rates within the applicable jurisdictions are to be adjusted for any increases created by the re-appraisal. In theory, the tax liability should not realize a substantial change even in situations where the tax appraisal has increased. There will be instances where the property tax liability will increase due to the re-appraisal in spite of adjusted tax rates. However, we believe that buyers have considered this within the purchase decision and any impact that may be caused by a tax re-appraisal is reflected in the prices paid.

As of the date of the appraisal, the 2025 re-appraisal and tax rates were published but the revised tax rates have not been certified. We will utilize the 2025 tax appraisal at the projected tax rates in our analysis. In most cases, we will include an increase to account for the re-appraisal and inflation.

The subject property is not within an incorporated municipality and is subject to county taxes only. The property taxes are calculated and projected as follows:

### Ad Valorem Tax Schedule

**Tax Parcel Number: 012057 00015**

Shelby County Year	Preliminary 2025
<b>Appraised Value</b>	
Land:	\$17,700
Improvements:	\$127,800
Total:	\$145,500
Per Unit:	\$9,094
% Change:	N/A
<b>Assessment Ratio</b>	40.00%
<b>Assessed Value</b>	
Land:	\$7,080
Improvements:	\$51,120
Total:	\$58,200
% Change:	N/A
<b>Tax Rate per \$100</b>	\$5.930000
% Change:	N/A
<b>Tax Expense</b>	Preliminary 2025
Total:	\$3,451
Per Unit:	\$216

### Conclusions

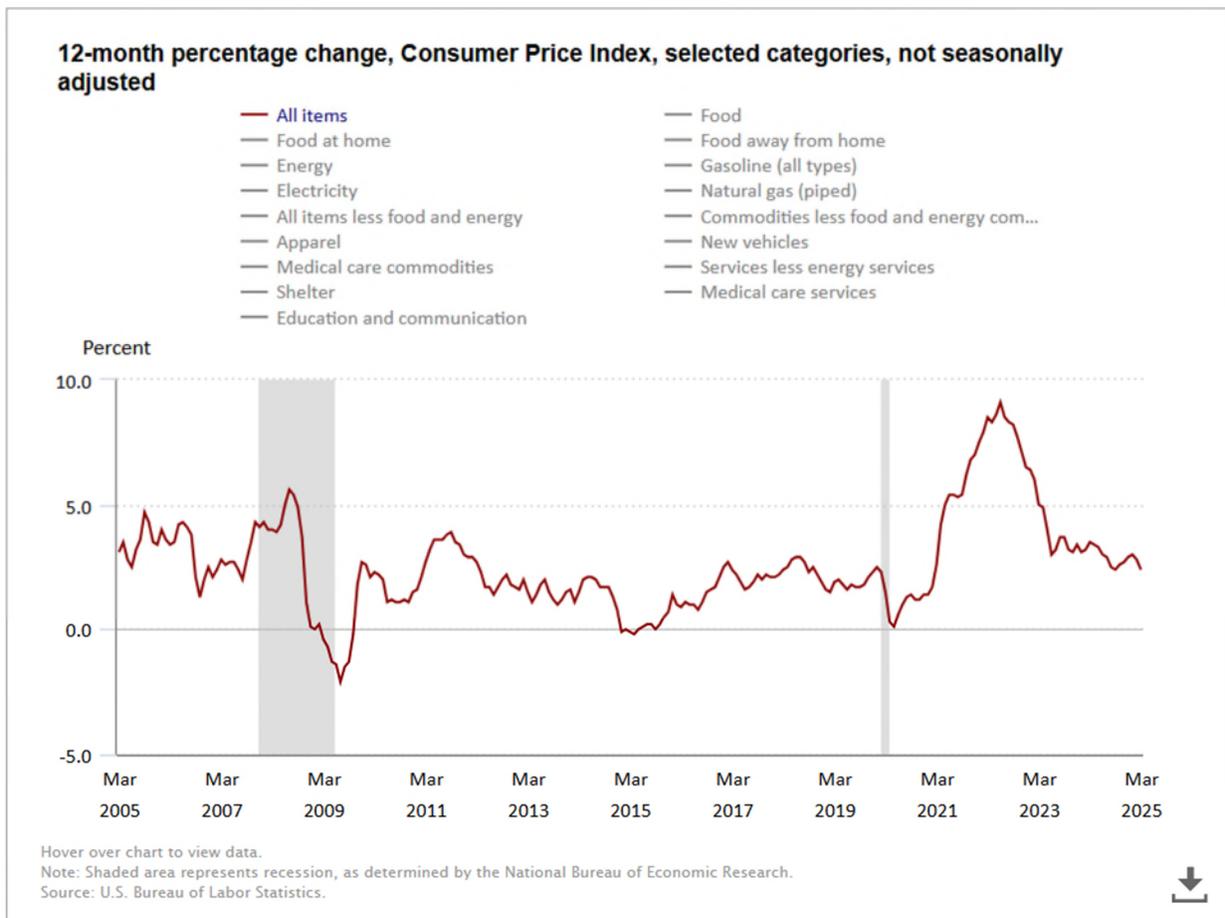
- The assessor's appraised value for the subject property is expected to remain unchanged as presented in the preceding table in the following year.
- We have reviewed the online data which indicates that the subject property taxes were current as of the date of value.
- The assessed value of the subject is less than the market value of the subject. An appeal of the assessed value is not recommended.

# Market Analysis

## Inflation

Inflation is one of the more important concerns for CRE markets and investors. Elevated inflation rates are driven by both demand (stimulus, more businesses opening, high savings rates) and supply factors (labor shortages and supply chain disruptions). Inflation will likely remain elevated above 2.0% for the near-term. The Federal Reserve (Fed) made three rate cuts at a total of 100 basis points in 2024. They have not made any further reductions and continue to do so as of their latest (May 6-7, 2025) meeting. The CPI has decreased from 3.4% in March (2024) to 2.4% as of March 2025 (latest result). The following table presents historical inflations rates:

### ANNUAL CPI RATE OF CHANGE



The March 2025 CPI reading was an annual rate of 2.4%, down from the annual rate of 2.8% in February, both lower than the recent peak in June 2022 of 9.1%. Because of the unique nature of the causes of this rate of inflation, the demand outlook does not point to accelerating inflation over the near term, which is most important for the overall economic outlook and for decision makers at the Fed.

The comments released from the Federal Open Market Committee meeting indicated that there are no plans for future reductions as they want to see how the duties impact consumer prices and the

economy. Some professionals reacted with projections that there will be 1 to 3 rate cuts this year. There are 5 Fed meetings scheduled for the remainder of the year.

The concern of unexpected runaway inflation is not in the forefront. A dire situation like that could clearly be damaging to the economy and negatively affect commercial property markets. In some cases, elevated inflation can have a net positive impact on commercial property values.

### Interest Rates

Federal Reserve's decisions have an impact on the economy along with affecting borrowing costs for consumers, employment rates, and inflation. The Fed has avoided volatile rate hikes and they have maintained a fairly consistent approach to addressing inflation. They have stated that the risk of higher unemployment and inflation has increased.

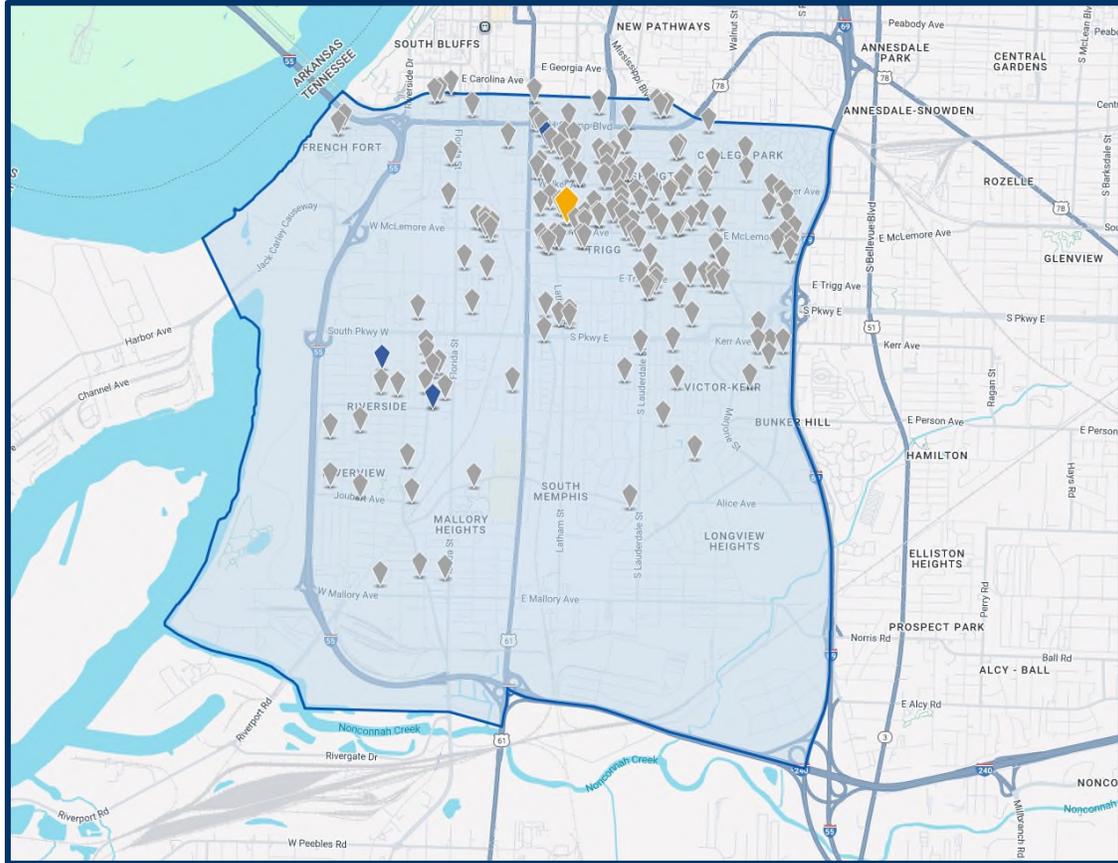
To combat such, the Federal Reserve had raised the federal funds rate by 25 basis points in July 2023, reflecting 11 increases in the past 18 months. They have chosen to move the Federal Funds Rate from 3.00% to 3.25% in September 2022 to 5.25% to 5.50% in July 2023 to the current range of 4.5% to 4.50%. Their goal for inflation remains at 2.0%. The FOMC stated that they remain "attentive" to risks inherent in unemployment and inflation and did not signal when future movement of the Fed Funds Rate range might be adjusted.

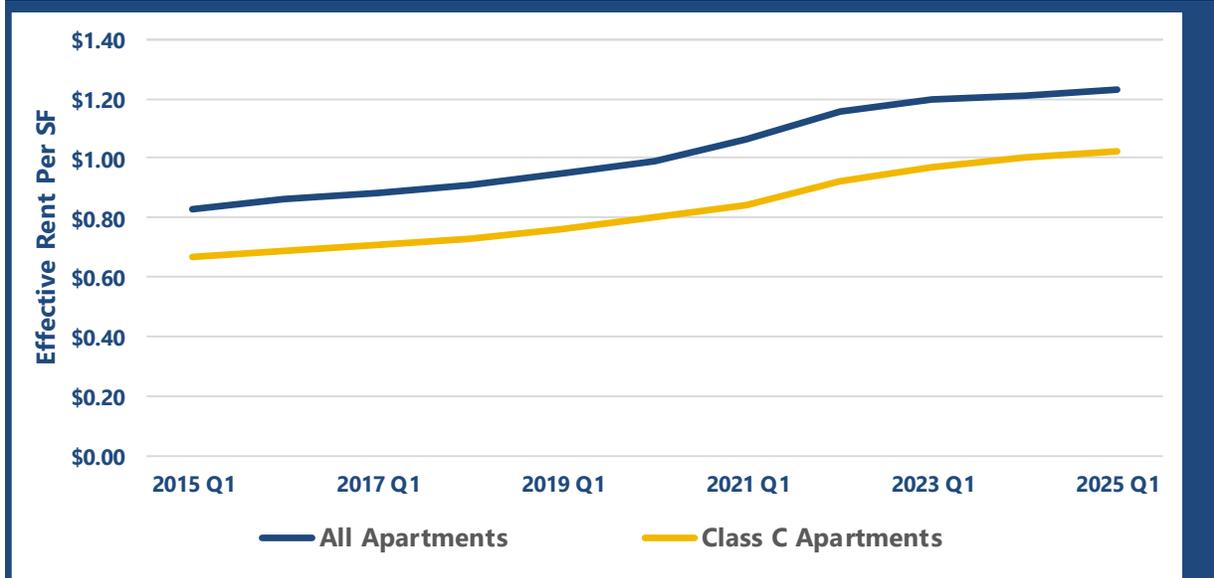
Interest rate increases affect capital-intensive industries like real estate. As credit becomes more expensive, investor return requirements increase, which can lead to expectations of higher capitalization rates. As inflation persists and interest rates fluctuate, CRE transaction volume is expected to continue to vary.

### Local Market Performance

Market analysis is a study of market conditions for a specific property type. The following market analysis of the Memphis MSA Market All Apartments property market is based on data obtained from the CoStar Inc., a leading provider of real estate information services. The analysis presents the subject property's macro and micro markets and includes a breakdown of Class C Apartments space. The following is the Memphis MSA Market multifamily market map, as presented by CoStar Inc.:

**COSTAR SUBMARKET MAP**



**MEMPHIS MSA MARKET - QUOTED RENTAL RATE TRENDS**


Time Period	2025 Q1	1-Year	3-Year	5-Year	10-Year
<b>Memphis MSA Market - All Apartments</b>					
2025 Q1	\$1.23 PSF	\$1.21 PSF	\$1.16 PSF	\$0.99 PSF	\$0.83 PSF
Annual Growth Rate	-	1.7%	2.0%	4.4%	4.0%
Concessions (Disc. from Ask)	1.1%	1.0%	0.4%	0.7%	2.7%
<b>Memphis MSA Market - Class C Apartments</b>					
2025 Q1	\$1.02 PSF	\$1.00 PSF	\$0.92 PSF	\$0.80 PSF	\$0.67 PSF
Annual Growth Rate	-	2.0%	3.5%	5.0%	4.3%
Concessions (Disc. from Ask)	0.7%	1.0%	0.4%	0.7%	2.5%

Source: CoStar Group, Inc.

### Memphis MSA Market - All Apartments

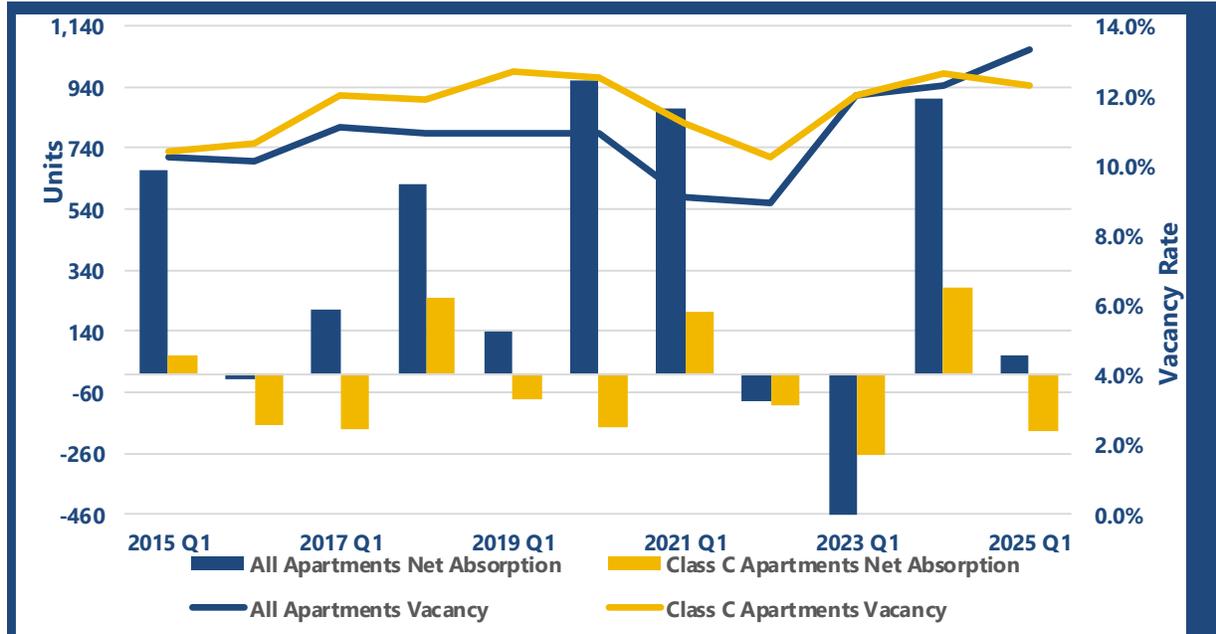
The Memphis MSA Market had a 2025 1st Quarter average effective rental rate of \$1.23 per square foot for All Apartments units, compared to \$1.21 in the 2024 1st Quarter, or a 1.7% increase over the prior year. This was lower than the long-term trend.

### Memphis MSA Market - Class C Apartments

The Memphis MSA Market had a 2025 1st Quarter average effective rental rate of \$1.02 per square foot for Class C Apartments units, compared to \$1.00 in the 2024 1st Quarter, or a 2.0% increase over the prior year. This was lower than the long-term trend.

### Sector Comparison

The average effective rental rate for Class C Apartments units was 17.1% lower than All Apartments units and the long-term growth trend was similar.

**MEMPHIS MSA MARKET - VACANCY AND NET ABSORPTION TRENDS**


Time Period	2025 Q1	1-Year	3-Year	5-Year	10-Year
<b>Memphis MSA Market - All Apartments</b>					
<b>Apartment Vacancy Rate</b>	13.3%	12.3%	8.9%	10.9%	10.2%
<i>Avg. Annual Net Absorp. Units</i>	-	1.2K	-286	695	567
<i>Avg. Annual Deliveries Units</i>	-	3K	1.8K	1.5K	1.3K
<b>Memphis MSA Market - Class C Apartments</b>					
<b>Class C Apartment Vacancy Rate</b>	12.3%	12.6%	10.2%	12.5%	10.4%
<i>Avg. Annual Net Absorp. Units</i>	-	153	-460	-26	-204
<i>Avg. Annual Deliveries Units</i>	-	0	0	1	51

Source: CoStar Group, Inc.

### Memphis MSA Market - All Apartments

The Memphis MSA Market had a 2025 1st Quarter vacancy rate of 13.3% for All Apartments units. Net absorption was positive with 1,212 units absorbed in the prior year and 3,032 units delivered. This resulted in a vacancy rate increase of 100 basis points.

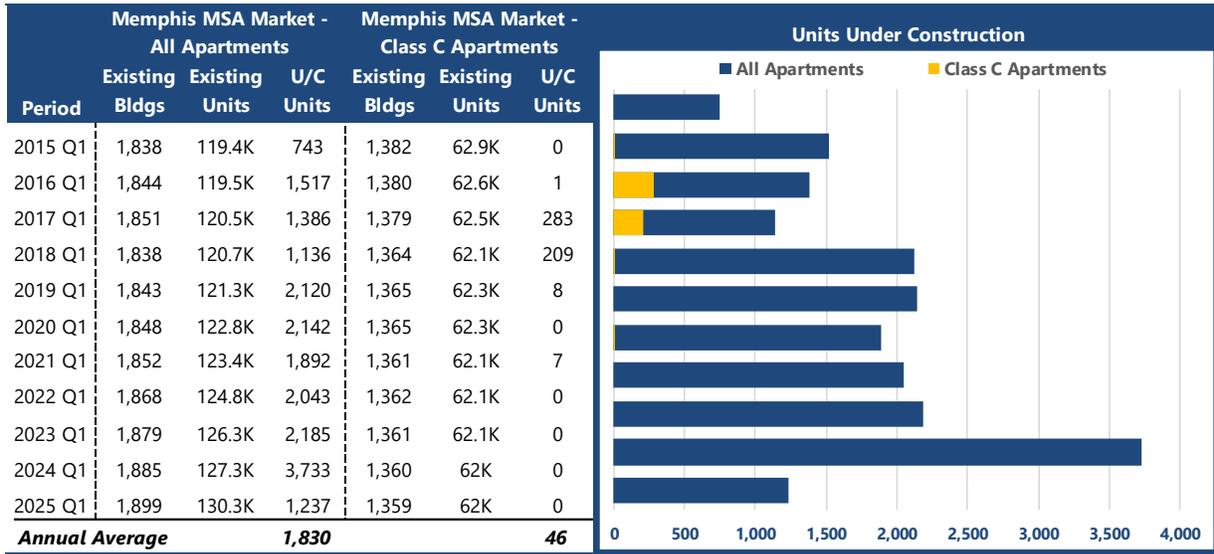
### Memphis MSA Market - Class C Apartments

The Memphis MSA Market had a 2025 1st Quarter vacancy rate of 12.3% for Class C Apartments units. Net absorption was positive with 153 units absorbed in the prior year and no units delivered. This resulted in a vacancy rate decrease of 30 basis points.

### Sector Comparison

The vacancy rate for Class C Apartments units was lower than all apartments units. The All Apartments sector had a vacancy rate that was higher than the long-term trend, but the Class C Apartments sector had a vacancy rate that was relatively consistent with the long-term trend.

### MEMPHIS MSA MARKET - EXISTING SUPPLY AND CONSTRUCTION TRENDS



Source: CoStar Group, Inc.

#### Memphis MSA Market - All Apartments

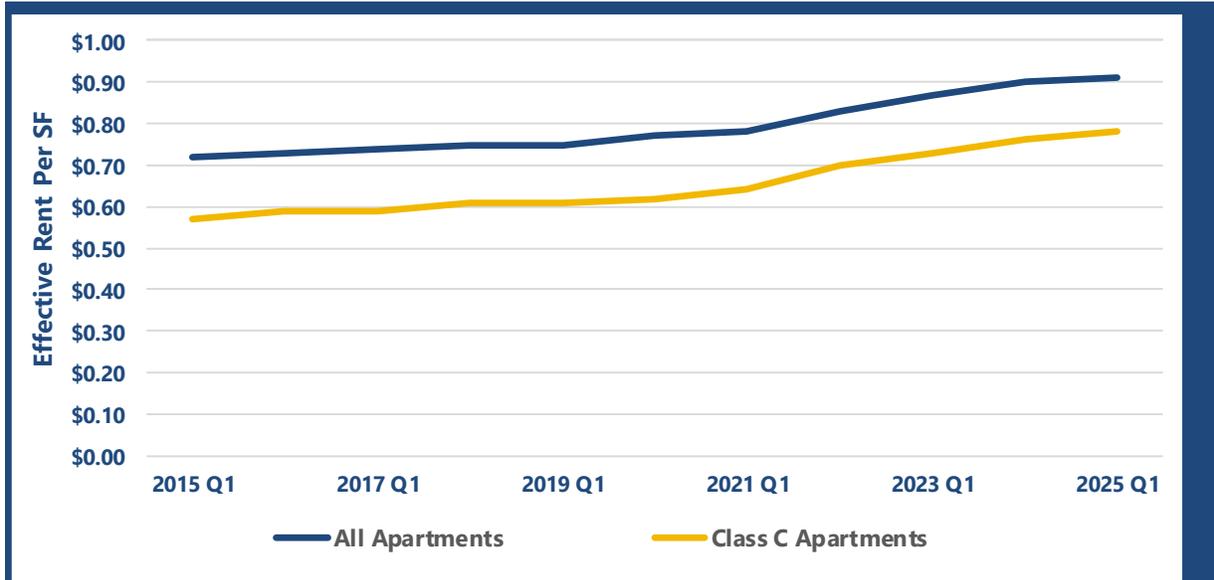
There were 1,899 All Apartments buildings totaling 130,265 units in the Memphis MSA Market with 1,237 units under construction in the 2025 1st Quarter. New construction represented 0.9% of existing supply.

#### Memphis MSA Market - Class C Apartments

There were 1,359 Class C Apartments buildings totaling 62,023 units in the Memphis MSA Market with 0 units under construction U in the 2025 1st Quarter. No new construction was occurring.

#### Sector Comparison

Class C Apartments units represented 47.6% of existing supply and none of new construction in the 2025 1st Quarter.

**SOUTH MEMPHIS SUBMARKET - QUOTED RENTAL RATE TRENDS**


Time Period	2025 Q1	1-Year	3-Year	5-Year	10-Year
<b>South Memphis Submarket - All Apartments</b>					
Effective Rent	\$0.91 PSF	\$0.90 PSF	\$0.83 PSF	\$0.77 PSF	\$0.72 PSF
Annual Growth Rate	-	1.1%	3.1%	3.4%	2.4%
Concessions (Disc. from Ask)	0.6%	0.6%	0.4%	0.6%	1.2%
<b>South Memphis Submarket - Class C Apartments</b>					
Effective Rent	\$0.78 PSF	\$0.76 PSF	\$0.70 PSF	\$0.62 PSF	\$0.57 PSF
Annual Growth Rate	-	2.6%	3.7%	4.7%	3.2%
Concessions (Disc. from Ask)	1.0%	0.9%	0.6%	0.9%	1.6%

Source: CoStar Group, Inc.

### South Memphis Submarket - All Apartments

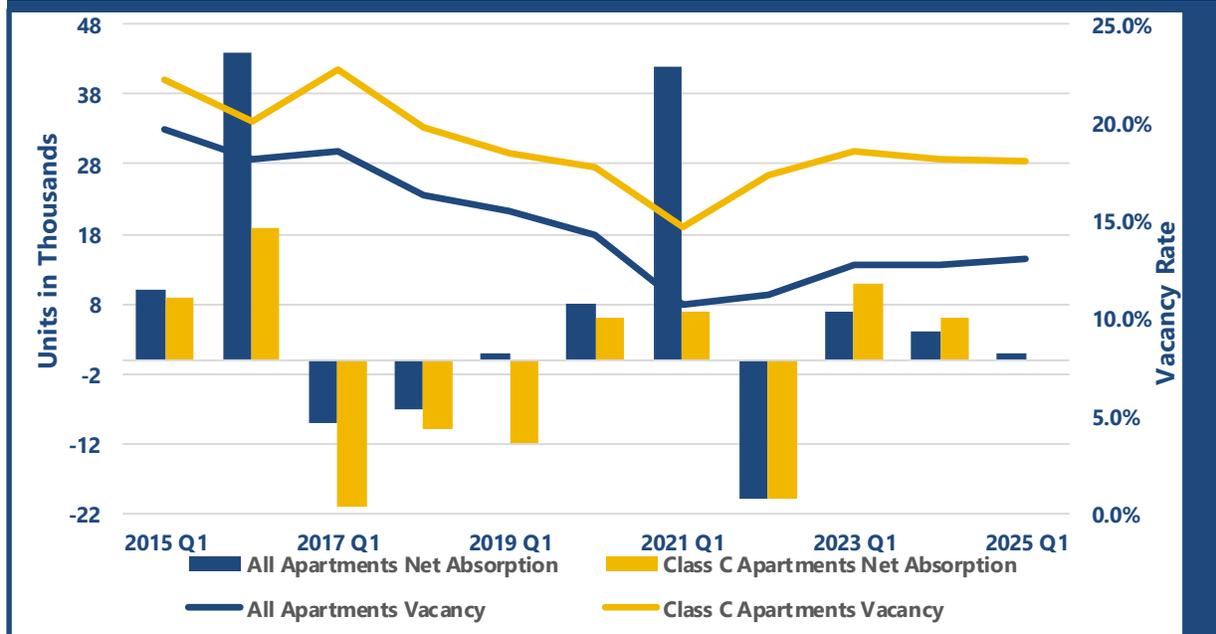
The South Memphis Submarket had a 2025 1st Quarter average effective rental rate of \$0.91 per square foot for All Apartments units, compared to \$0.90 in the 2024 1st Quarter, or a 1.1% increase over the prior year. This was lower than the long-term trend.

### South Memphis Submarket - Class C Apartments

The South Memphis Submarket had a 2025 1st Quarter average effective rental rate of \$0.78 per square foot for Class C Apartments units, compared to \$0.76 in the 2024 1st Quarter, or a 2.6% increase over the prior year. This was lower than the long-term trend.

### Sector Comparison

The average effective rental rate for Class C Apartments units was 14.3% lower than All Apartments units and the long-term growth trend was higher.

**SOUTH MEMPHIS SUBMARKET - VACANCY AND NET ABSORPTION TRENDS**


Time Period	2025 Q1	1-Year	3-Year	5-Year	10-Year
<b>South Memphis Submarket - All Apartments</b>					
	13.0%	12.7%	11.2%	14.2%	19.6%
<i>Avg. Annual Net Absorp. Units</i>	-	-10	-10	11	40
<i>Avg. Annual Deliveries Units</i>	-	0	8	5	27
<b>South Memphis Submarket - Class C Apartments</b>					
	18.0%	18.1%	17.3%	17.7%	22.2%
<i>Avg. Annual Net Absorp. Units</i>	-	1	-4	-1	6
<i>Avg. Annual Deliveries Units</i>	-	0	0	0	0

Source: CoStar Group, Inc.

### South Memphis Submarket - All Apartments

The South Memphis Submarket had a 2025 1st Quarter vacancy rate of 13.0% for All Apartments properties. Net absorption was negative with -10 units absorbed in the prior year and no units delivered. This resulted in a vacancy rate increase of 30 basis points.

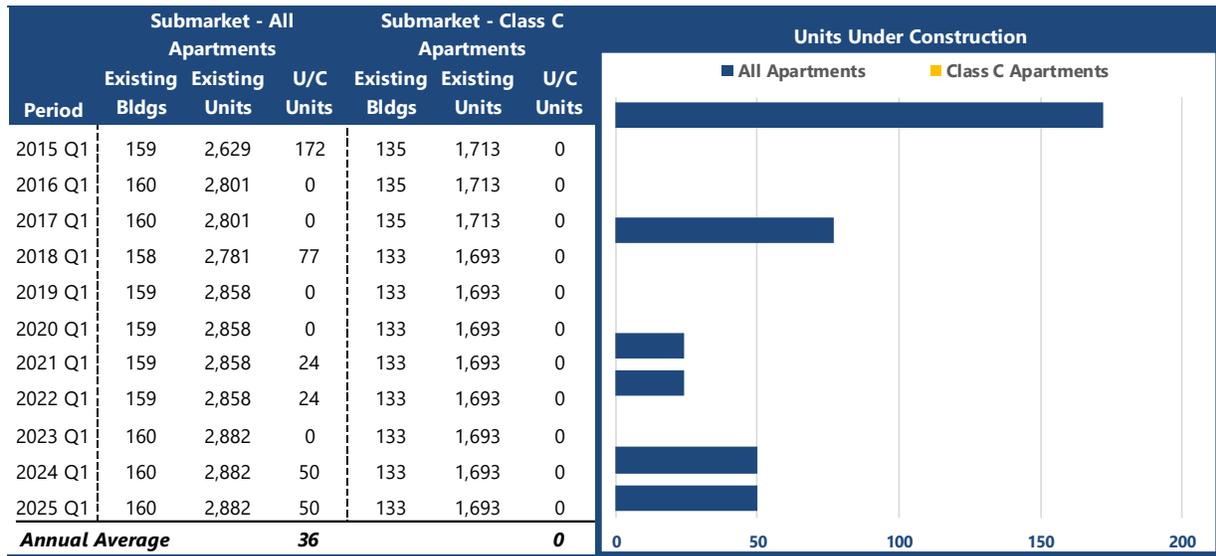
### South Memphis Submarket - Class C Apartments

The South Memphis Submarket had a 2025 1st Quarter vacancy rate of 18.0% for Class C Apartments properties. Net absorption was positive with 1 units absorbed in the prior year with no units delivered. This resulted in a vacancy rate decrease of 10 basis points.

### Sector Comparison

The vacancy rate for Class C Apartments space was higher than all apartments space. The All Apartments sector had a vacancy rate that was lower than the long-term trend, but the Class C Apartments sector had a vacancy rate that was relatively consistent with the long-term trend.

### SOUTH MEMPHIS SUBMARKET - EXISTING SUPPLY AND CONSTRUCTION TRENDS



Source: CoStar Group, Inc.

#### South Memphis Submarket - All Apartments

There were 160 All Apartments buildings totaling 2,882 units in the South Memphis Submarket with 50 units under construction in the 2025 1st Quarter. New construction represented 1.7% of existing supply.

#### South Memphis Submarket - Class C Apartments

There were 133 Class C Apartments buildings totaling 1,693 units in the South Memphis Submarket with no units under construction in the 2025 1st Quarter.

#### Sector Comparison

Class C Apartments units represented 58.7% of existing supply and none of new construction in the 2025 1st Quarter.

### Market Analysis Conclusions

The rental rate trends, vacancy rate and absorption trends, and existing supply and new construction levels indicate the market is in equilibrium.

#### Conclusion

Overall, the market has been active in sales and rent transactions. Sectors that saw little impact during the pandemic included industrial, multi-family, single family housing, medical, and net leased properties. Multi-family remains attractive to investors even though lending rates have risen considerably. Investors expect the rental market to show growth due to home prices and mortgage rates that are slowing home sales, especially for first time home buyers.

# Highest and Best Use Analysis

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The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

## Highest and Best Use As Though Vacant

The primary determinants of the highest and best use as though vacant are (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

### Legally Permissible

The subject site is zoned EMP, Light Industrial, which controls the general nature of permissible uses and is appropriate for the location and physical elements of the subject property, providing for a consistency of use with the general neighborhood. The location of the subject property is appropriate for the uses allowed. The subject is surrounded by a variety of light industrial and residential uses. There are no known easements, encroachments, covenants or other use restrictions that would unduly limit or impede development.

### Physically Possible

The physical characteristics of the subject site are presented in the Site Description and allow for a number of potential uses. Elements such as size, shape, availability of utilities, known hazards (flood, environmental, etc.), and other potential influences were considered. No physical attributes materially limit legally permissible and appropriate development. The most probable use of the site is for industrial development based on the current zoning, which conforms to the pattern of land use in the immediate area.

### Financially Feasible

A review of published yield, rental and occupancy rates suggest that there is a balanced supply and demand is insufficient to support construction costs and ensure timely absorption of additional inventory in this market. Therefore, near-term speculative development of the subject site is not financially feasible. There are several single tenant and owner occupied buildings nearby and the physical features of the site are suitable for a build to suit or owner occupied building. This would be the most feasible use under current market conditions.

### Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as vacant is for a build-to-suit or owner-occupied building as permitted by the zoning.

### Highest and Best Use As Vacant Conclusion

The conclusion of the highest and best use as vacant is for a build-to-suit or owner-occupied industrial building as permitted by the zoning.

## Highest and Best Use As Improved

The determination of the highest and best use of the subject property as improved is focused on three possible conditions that may represent the maximally productive use of the property: (1) continuation of the existing use, (2) modification of the existing use, or (3) demolition and redevelopment of the land. In addition, the presence of surplus or excess land is identified.

As noted, the analyzed use of the subject property is as a garden apartment building. The subject improvements were completed in 1957 and, as of the date of value, are anticipated to be in average condition. The subject property had an estimated remaining economic life of 20 years. The existing use will generally continue until land value less demolition costs exceeds the value of the existing use.

### Continuation of Existing Use

The improvements are in average condition and there are no items of deferred maintenance that would impact the current economic viability.

Continuation of the improvements as they exist meets the tests for physical possibility, legal permissibility and financial feasibility. Market demand for such properties will continue to provide economic support for the existing use for the foreseeable future.

### Modification of Existing Use

Conversion of the improvements does not meet the tests for physical possibility and legal permissibility. The current use does not align with current market expectations. Therefore, modification of the existing use is not financially feasible.

### Demolition

The market value of the subject property does not exceed the value of the land as though vacant plus demolition costs. Therefore, demolition and redevelopment of the site is not maximally productive.

### Interim Use

In instances where the highest and best use will likely change in the foreseeable future, the current or an alternate use during that interim period is appropriately termed an interim use. Interim uses are current highest and best uses that are anticipated to change in the foreseeable future. Examples of these generally involve surface uses (farms, parking lots, exterior storage, or recreational uses) or older structures no longer appropriate for their intended/initial highest and best use. The current use does not represent an interim use.

### Highest and Best Use As Improved Conclusion

The highest and best use of the subject property, as improved, is the continuation of the existing use.

## Most Probable Buyer

As of the date of value, the most probable buyer of the subject property is a Investor.

# Sales Comparison Approach

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## Methodology

The sales comparison approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

## Unit of Comparison

The primary unit of comparison selected depends on the appraisal problem and nature of the property. The primary unit of comparison in the market for multifamily properties such as the subject property is price per unit.

## Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The primary elements of comparison considered in sales comparison analysis are as follows: (1) property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location, and (7) physical characteristics.

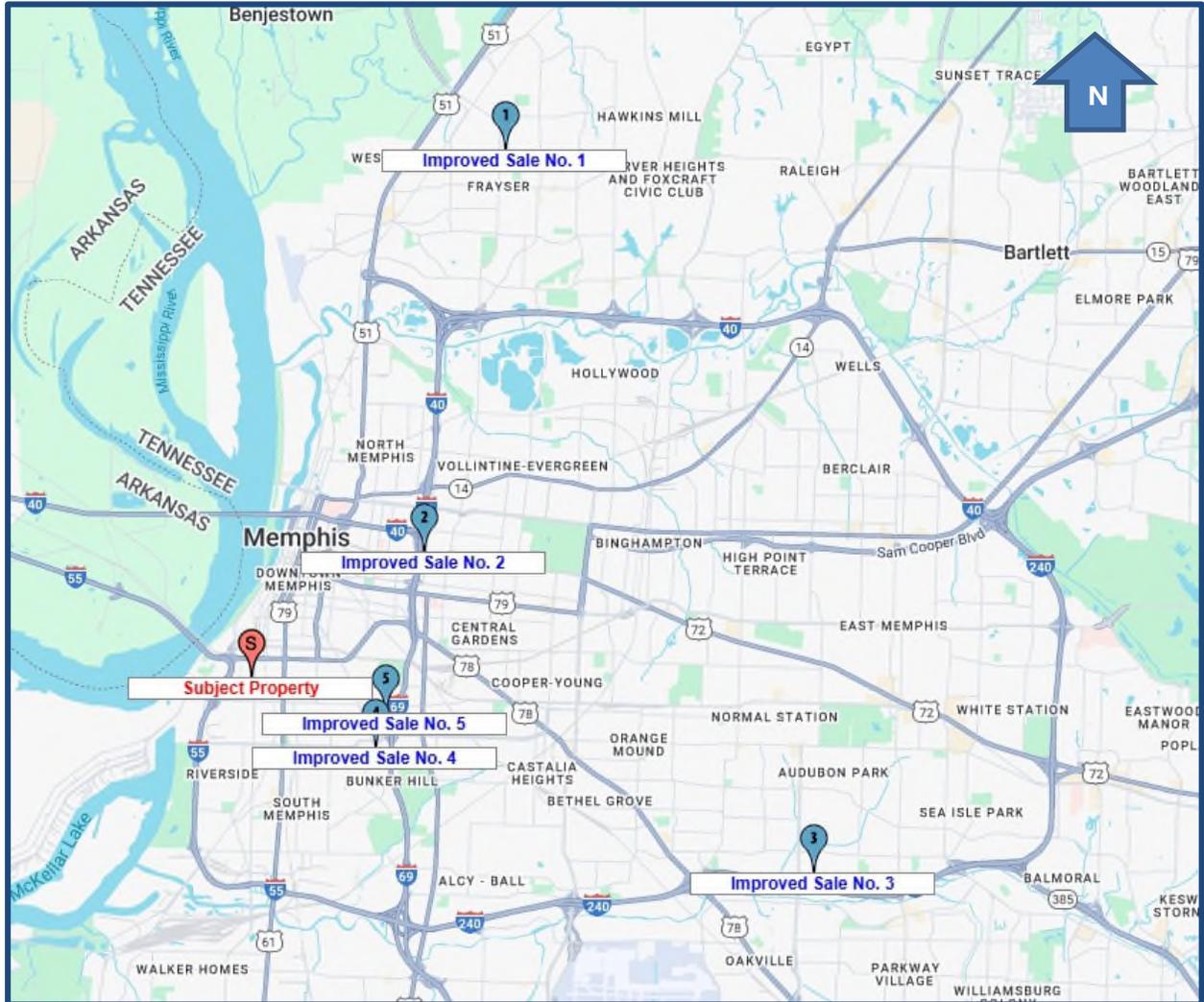
## Comparable Sales Data

To obtain and verify comparable sales and listings of multifamily properties, we conducted a search of public records, field surveys, interviews with knowledgeable real estate professionals in the area, as well as a review of our internal database.

The sales presented in our analysis were judged to be the most comparable to develop an indication of market value for the subject property. The following is a table summarizing each sale comparable and a map illustrating the location of each in relation to the subject. Details of each comparable follow the location map.

**Improved Sales Summary**

Comp. No.	Date of Sale	Property Name	Location	Year Built	No. of Units	Occupancy at Sale	Unadjusted Sale Price	Unadjusted Price per Unit	
1	April-24	Romeo's Manor Apartments	1861 Corning Avenue	Memphis, Tennessee	1964	14	100.0%	\$620,000	\$44,286
2	July-23	6 Unit and 12 Unit Apartment Buildings	265 and 323 N. Bellevue	Memphis, Tennessee	1962	18	92.0%	\$842,000	\$46,778
3	November-23	The Chateau Apartments	1799 Titus Road	Memphis, Tennessee	1973	27	100.0%	\$1,336,000	\$49,481
4	October-23	Chateau Kerr	888 Kerr Ave	Memphis, Tennessee	1965	36	97.0%	\$1,260,000	\$35,000
5	June-23	Eight Unit Apartment Building	1201 College Street	Memphis, Tennessee	1965	8	100.0%	\$380,000	\$47,500

**COMPARABLE SALES MAP**


## SALE COMPARABLE 1

### Property Identification

<b>Property Name</b>	Romeo's Manor Apartments
<b>Address</b>	1861 Corning Avenue
<b>City County State Zip</b>	Memphis, Shelby County, Tennessee 38127
<b>MSA</b>	Memphis, TN-AR-MS
<b>Tax ID</b>	072001 00114
<b>VPA Property/Sale ID</b>	11421765/1736194

### Transaction Data

<b>Sale Status</b>	Closed
<b>Sale Date</b>	04-30-2024
<b>Grantor/Seller</b>	Peter Wofford
<b>Grantee/Buyer</b>	Dinesh Awbwani and Laksimi Pramod Gutha
<b>Recording Number</b>	24035000
<b>Property Rights</b>	Leased Fee
<b>Financing</b>	Cash to Seller
<b>Conditions of Sale</b>	Typical
<b>Sales Price</b>	\$620,000
<b>Adjusted Sales Price</b>	<b>\$620,000</b>

### Adjusted Units of Comparison

<b>Price PSF of GBA</b>	\$46.37
<b>Price PSF of NRA</b>	\$46.37
<b>Price per Unit</b>	\$44,286
<b>Occupancy at Sale</b>	100.0%

### Financial Data

<b>NOI PSF</b>	\$3.28
<b>NOI per Unit</b>	\$3,131
<b>Cap. Rate (OAR)</b>	7.07%



### Property Description

<b>Property Type</b>	Garden, Low-Rise
<b>Tenancy</b>	Multi-Tenant
<b>Occupancy Type</b>	Tenant occupied
<b>Investment Class</b>	C
<b>MVS Const. Class</b>	D - Wood Frame
<b>Construction Quality</b>	Average
<b>Gross Building SF</b>	13,370
<b>Net Rentable SF</b>	13,370
<b>No. of Units</b>	14
<b>Average Unit Size</b>	955
<b>Year Built</b>	1964
<b>Effective Age Est.</b>	20
<b>Building Condition</b>	Average
<b>Number of Stories</b>	2
<b>Sprinklers</b>	None
<b>Usable Land/LtB Ratio</b>	0.856 Acres / 2.79:1
<b>Flr. Area Ratio (FAR)</b>	0.36
<b>Flood Hazard Zone</b>	X
<b>Zoning Code</b>	RU-3

### Verification

<b>Confirmed By</b>	Andrew Trott, MAI
<b>Confirmation Source</b>	Broker, appraiser files

### Remarks

Sale of a 14 unit apartment building located in the Frayser area of north Memphis. The property was 100% occupied at the time of sale and in average condition. The income and expense information is based on appraisers proforma which is consistent with actuals and includes management and reserves.

## SALE COMPARABLE 2

### Property Identification

<b>Property Name</b>	6 Unit and 12 Unit Apartment Buildings
<b>Address</b>	265 and 323 N. Bellevue
<b>City County State Zip</b>	Memphis, Shelby County, Tennessee 38105
<b>MSA</b>	Memphis, TN-AR-MS
<b>Tax ID</b>	020093 0004 and 13
<b>VPA Property/Sale ID</b>	11393876/1711916



### Transaction Data

<b>Sale Status</b>	Closed
<b>Sale Date</b>	07-21-2023
<b>Grantor/Seller</b>	Peter Wofford
<b>Grantee/Buyer</b>	Tonga Properties LLC
<b>Deed Book/Page</b>	23063758 and 23063759
<b>Property Rights</b>	Leased Fee
<b>Financing</b>	Cash to Seller
<b>Conditions of Sale</b>	Typical
<b>Sales Price</b>	\$842,000
<b>Adjusted Sales Price</b>	<b>\$842,000</b>
<b>Contrib. Value of Imp.</b>	\$842,000

### Adjusted Units of Comparison

<b>Price PSF of GBA</b>	\$47.59
<b>Price PSF of NRA</b>	\$47.59
<b>Price per Unit</b>	\$46,778
<b>Price PSF of Improvements</b>	\$47.59
<b>Occupancy at Sale</b>	92.0%

### Financial Data

<b>Expense PSF</b>	\$3.15
<b>Expense per Unit</b>	\$3,100
<b>NOI PSF</b>	\$2.95
<b>NOI per Unit</b>	\$2,900
<b>Cap. Rate (OAR)</b>	6.20%
<b>Expense Ratio</b>	51.67%
<b>EGIM</b>	7.796

### Property Description

<b>Property Type</b>	Garden, Low-Rise
<b>Occupancy Type</b>	Tenant occupied
<b>Investment Class</b>	C
<b>MVS Const. Class</b>	D - Wood Frame
<b>Construction Quality</b>	Average
<b>Gross Building SF</b>	17,694
<b>Net Rentable SF</b>	17,694
<b>No. of Units</b>	18
<b>Average Unit Size</b>	983
<b>Year Built</b>	1962
<b>Effective Age Est.</b>	20
<b>Building Condition</b>	Average
<b>Number of Stories</b>	2
<b>Percent Office Space</b>	0.0%
<b>Sprinklers</b>	None
<b>Usable Land/LtB Ratio</b>	0.421 Acres / 1.04:1
<b>Flr. Area Ratio (FAR)</b>	0.96
<b>Density (Units/Acre)</b>	42.76
<b>Excess Land Acres</b>	0.000
<b>Flood Hazard Zone</b>	Zone X (unshaded)
<b>Zoning Code</b>	R-6

### Verification

<b>Confirmed By</b>	Andrew Trott, MAI
<b>Confirmation Source</b>	Selling Broker

### Remarks

Sale of two apartment building located along Bellevue with a total of 18 units. The properties were sold in two deeds but sold a portfolio. The property was 92% occupied at the time of sale. Income and expense data is based on buyers proforma and includes \$200 per unit in reserves.

## SALE COMPARABLE 3

### Property Identification

<b>Property Name</b>	The Chateau Apartments
<b>Address</b>	1799 Titus Road
<b>City County State Zip</b>	Memphis, Shelby County, Tennessee 38111
<b>MSA</b>	Memphis, TN-AR-MS
<b>Tax ID</b>	058097 00014C
<b>VPA Property/Sale ID</b>	11377027/1699209

### Transaction Data

<b>Sale Status</b>	Closed
<b>Sale Date</b>	11-20-2023
<b>Grantor/Seller</b>	Peter Wofford
<b>Grantee/Buyer</b>	Island Home LLC
<b>Recording Number</b>	23101003
<b>Property Rights</b>	Leased Fee
<b>Financing</b>	Cash to Seller
<b>Conditions of Sale</b>	Typical
<b>Sales Price</b>	\$1,336,000
<b>Adjusted Sales Price</b>	<b>\$1,336,000</b>

### Adjusted Units of Comparison

<b>Price PSF of GBA</b>	\$58.19
<b>Price PSF of NRA</b>	\$60.34
<b>Price per Unit</b>	\$49,481
<b>Occupancy at Sale</b>	100.0%

### Financial Data

<b>NOI PSF</b>	\$3.86
<b>NOI per Unit</b>	\$3,167
<b>Cap. Rate (OAR)</b>	6.40%



### Property Description

<b>Property Type</b>	Garden, Low-Rise
<b>Tenancy</b>	Multi-Tenant
<b>Occupancy Type</b>	Tenant occupied
<b>Investment Class</b>	C
<b>MVS Const. Class</b>	D - Wood Frame
<b>Construction Quality</b>	Average
<b>Gross Building SF</b>	22,960
<b>Net Rentable SF</b>	22,140
<b>No. of Units</b>	27
<b>Average Unit Size</b>	820
<b>Year Built</b>	1973
<b>Effective Age Est.</b>	25
<b>Building Condition</b>	Average
<b>Number of Stories</b>	2
<b>Sprinklers</b>	None
<b>Usable Land/LtB Ratio</b>	1.189 Acres / 2.26:1
<b>Flr. Area Ratio (FAR)</b>	0.44
<b>Flood Hazard Zone</b>	AE
<b>Zoning Code</b>	RU-3

### Verification

<b>Confirmed By</b>	Andrew Trott, MAI
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### Remarks

Sale of a 27 unit apartment complex. The property was 100% occupied at the time of the inspection and was in average condition. The income and expense information is based on in-place income and expenses which include management and reserves.

## SALE COMPARABLE 4

### Property Identification

<b>Property Name</b>	Chateau Kerr
<b>Address</b>	888 Kerr Ave
<b>City County State Zip</b>	Memphis, Shelby County, Tennessee 38106
<b>MSA</b>	Memphis, TN-AR-MS
<b>Tax ID</b>	014038 00024C
<b>VPA Property/Sale ID</b>	11328608/1656551

### Transaction Data

<b>Sale Status</b>	Closed
<b>Sale Date</b>	10-05-2023
<b>Grantor/Seller</b>	Peter Worford
<b>Grantee/Buyer</b>	Kerr Avenue Partners LLC
<b>Recording Number</b>	23084584
<b>Property Rights</b>	Leased Fee
<b>Financing</b>	Cash to Seller
<b>Conditions of Sale</b>	Typical
<b>Sales Price</b>	\$1,260,000
<b>Adjusted Sales Price</b>	<b>\$1,260,000</b>

### Adjusted Units of Comparison

<b>Price PSF of GBA</b>	\$46.88
<b>Price PSF of NRA</b>	\$46.88
<b>Price per Unit</b>	\$35,000
<b>Occupancy at Sale</b>	97.0%

### Financial Data

<b>Expense PSF</b>	\$3.54
<b>Expense per Unit</b>	\$2,645
<b>NOI PSF</b>	\$3.18
<b>NOI per Unit</b>	\$2,377
<b>Cap. Rate (OAR)</b>	6.79%
<b>Expense Ratio</b>	52.68%
<b>EGIM</b>	6.969



### Property Description

<b>Property Type</b>	Garden, Low-Rise
<b>Tenancy</b>	Multi-Tenant
<b>Occupancy Type</b>	Tenant occupied
<b>Investment Class</b>	C
<b>MVS Const. Class</b>	D - Wood Frame
<b>Construction Quality</b>	Average
<b>Gross Building SF</b>	26,880
<b>Net Rentable SF</b>	26,880
<b>No. of Units</b>	36
<b>Average Unit Size</b>	747
<b>Year Built</b>	1965
<b>Building Condition</b>	Fair
<b>Number of Stories</b>	2
<b>Sprinklers</b>	None
<b>Usable Land/LtB Ratio</b>	1.271 Acres / 2.06:1
<b>Flr. Area Ratio (FAR)</b>	0.49
<b>Flood Hazard Zone</b>	X
<b>Zoning Code</b>	CMU-1

### Verification

<b>Confirmed By</b>	Andrew Trott, MAI
<b>Confirmation Source</b>	Agent, deed

### Remarks

Sale of a 36 unit apartment complex built in 1965. All of the units are two bedroom, one bath with approximately 747 square feet. The property was 97% occupied and in average condition at the time of the inspection.

## SALE COMPARABLE 5

### Property Identification

<b>Property Name</b>	Eight Unit Apartment Building
<b>Address</b>	1201 College Street
<b>City County State Zip</b>	Memphis, Shelby County, Tennessee 38106
<b>MSA</b>	Memphis, TN-AR-MS
<b>Tax ID</b>	014030 00017
<b>VPA Property/Sale ID</b>	11006287/1645130

### Transaction Data

<b>Sale Status</b>	Closed
<b>Sale Date</b>	06-08-2023
<b>Grantor/Seller</b>	Memphis Rental Investments LLC
<b>Grantee/Buyer</b>	Three Sixty RE LLC
<b>Recording Number</b>	23045127
<b>Property Rights</b>	Leased Fee
<b>Financing</b>	Cash to Seller
<b>Conditions of Sale</b>	Typical
<b>Sales Price</b>	\$380,000
<b>Post-Sale Exp. Adj.</b>	\$0
<b>Adjusted Sales Price</b>	<b>\$380,000</b>

### Adjusted Units of Comparison

<b>Price PSF of GBA</b>	\$76.00
<b>Price PSF of NRA</b>	\$76.00
<b>Price per Unit</b>	\$47,500
<b>Occupancy at Sale</b>	100.0%

### Financial Data

<b>Expense PSF</b>	\$3.70
<b>Expense per Unit</b>	\$2,312
<b>NOI PSF</b>	\$4.20
<b>NOI per Unit</b>	\$2,625
<b>Cap. Rate (OAR)</b>	5.53%
<b>Expense Ratio</b>	46.84%
<b>EGIM</b>	9.620



### Property Description

<b>Property Type</b>	Garden, Low-Rise
<b>Tenancy</b>	Multi-Tenant
<b>Occupancy Type</b>	Tenant occupied
<b>Investment Class</b>	C
<b>MVS Const. Class</b>	D - Wood Frame
<b>Construction Quality</b>	Average
<b>Gross Building SF</b>	5,000
<b>Net Rentable SF</b>	5,000
<b>No. of Units</b>	8
<b>Average Unit Size</b>	625
<b>Year Built</b>	1965
<b>Effective Age Est.</b>	25
<b>Building Condition</b>	Average
<b>Number of Stories</b>	2
<b>Sprinklers</b>	None
<b>Usable Land/LtB Ratio</b>	0.310 Acres / 2.70:1
<b>Flr. Area Ratio (FAR)</b>	0.37
<b>Density (Units/Acre)</b>	25.81
<b>Flood Hazard Zone</b>	Zone X (unshaded)
<b>Zoning Code</b>	RU-3

### Verification

<b>Confirmed By</b>	Andrew Trott, MAI
<b>Confirmation Source</b>	Buyer/Deed

### Remarks

Sale of a eight unit apartment building in average condition. The property was 100% occupied at the time of the inspection. The income and expense information is based on the buyers proforma and includes \$250 per unit in reserves.

## Sales Comparison Analysis

When necessary, adjustments were made for differences in various elements of comparison, including property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, and other physical characteristics. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment to the comparable was applied if inferior. A summary of the elements of comparison follows.

## Transaction Adjustments

Transaction adjustments include: (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, and (4) expenditures made immediately after purchase. These items, which are applied prior to the market conditions and property adjustments, are discussed as follows:

### Real Property Rights Conveyed

Real property rights conveyed influence sale prices and must be considered when analyzing a sale comparable. In the case of the subject property, the leased fee interest is considered. All of the sale comparables conveyed the leased fee interest as well; no adjustments were required.

### Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. Sales involving financing terms that are not at or near market terms require adjustments for cash equivalency to reflect typical market terms. Unless noted within the sale summary presented, all of the sales are believed to have sold with cash to the seller or at terms equivalent to cash. Any necessary adjustments are addressed in the sale description.

### Conditions of Sale

Atypical conditions of sale may result in a price that is higher or lower than a normal transaction. Such atypical conditions of sale often occur in conjunction with sales between related parties or those in which one of the parties is atypically motivated to complete the transaction. Any necessary adjustments were addressed in the sale description.

### Expenditures Made Immediately After Purchase

A knowledgeable buyer considers expenditures required upon purchase of a property, as these costs affect the price the buyer agrees to pay. Such expenditures may include: costs to cure deferred maintenance, costs to demolish and remove any portion of the improvements, costs to petition for a zoning change, costs to remediate environmental contamination, and/or costs to occupy or stabilize the property. The relevant figure is not the actual cost incurred, but the cost anticipated by both the buyer and seller. Where adjustments are applied, the factors supporting those adjustments have been discussed in the summary of the affected sale.

## Market Conditions Adjustment

Market conditions change over time because of inflation, deflation, fluctuations in supply and demand, or other factors. Changing market conditions may create a need for adjustment to comparable sale transactions completed during periods of dissimilar market conditions.

Prices for the properties in the subject property category increased from 2017 and continued through October of 2022. Rising interest rates and inflation slowed and stalled prices for many property categories. Currently, prices are trending in a flat pattern in most groups. Price gains realized through 2022 have been offset by economic conditions. We have made no adjustments to the sales for Market Conditions.

## Property Adjustments

Property adjustments are usually expressed quantitatively as percentages or dollar amounts that reflect the differences in value attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. These adjustments are based on locational and physical characteristics and are applied after the application of transaction and market conditions adjustments.

Our reasoning for the property adjustments made to each sale comparable follows. The discussion will analyze each adjustment category deemed applicable to the subject property.

### Location

Location adjustments are based on differences between underlying land values, market rents of the sales, and submarket occupancy rates as compared to the subject. All of the sales are located in the same or similar submarkets. No adjustments for location were made.

### Size

The project size adjustment identifies variances in the physical size (# of units) of the comparables and the subject improvements. Typically, the larger a building, the lower the sale price per unit. This inverse relationship is due, in part, to the principle of "economies of scale." The comparable sales do not indicate a correlation between size and price paid per square foot. For this reason, the sales are not adjusted for size.

### Age/Condition

Age and condition can influence price since this category often reflects expenses for repairs and routine maintenance. Older properties tend to require higher maintenance costs which can decrease cash flow to the owner. However, a property may be physically older than another property but the effective age may be similar and no adjustment warranted. We have based this adjustment category on the estimated effective age of the comparables since this takes the overall condition of a property. All of the sales are similar in condition and were not adjusted.

### Average Unit Size

The unit size adjustment identifies variances in the physical size of the average property unit, comparables and the subject improvements. Typically, the larger the unit, the more rent is generated and the higher the sales price. Sales 1 and 2 have larger unit sizes and were adjusted downward.

### Amenities

This adjustment is for amenities internal to the dwelling units such as appliances and amenities available to the entire property such as laundry rooms, pool, fitness centers, etc. All of the comparables are generally similar in respect to the amenities and were not adjusted.

## Summary of Adjustments

Presented below is a summary of the adjustments made to the sale comparables. As noted earlier, these quantitative adjustments were based on our market research, best judgment, and experience in the appraisal of similar properties.

### COMPARABLE SALES ADJUSTMENT GRID

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5
Sale ID		1736194	1711916	1699209	1656551	1645130
Date of Value & Sale	June-25	April-24	July-23	November-23	October-23	June-23
Property Name	16 Unit Apartment	Romeo's Manor Apartments	6 Unit and 12 Unit Apartment Buildings	The Chateau Apartments	Chateau Kerr	Eight Unit Apartment Building
Gross Building Area	9,104 sf	13,370	17,694	22,960	26,880	5,000
Number of Units	16 units	14	18	27	36	8
Land Area (acres)	0.3099	0.8560	0.4210	1.1892	1.2709	0.3099
Unadjusted Sales Price		\$620,000	\$842,000	\$1,336,000	\$1,260,000	\$380,000
<b>Unadjusted Sales Price per Unit</b>		<b>\$44,286</b>	<b>\$46,778</b>	<b>\$49,481</b>	<b>\$35,000</b>	<b>\$47,500</b>
<b>Transactional Adjustments</b>						
<b>Property Rights Conveyed</b>	<i>Leased Fee</i>	<i>Leased Fee</i>	<i>Leased Fee</i>	<i>Leased Fee</i>	<i>Leased Fee</i>	<i>Leased Fee</i>
Adjusted Sales Price		\$44,286	\$46,778	\$49,481	\$35,000	\$47,500
<b>Financing Terms</b>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>	<i>Cash to Seller</i>
Adjusted Sales Price		\$44,286	\$46,778	\$49,481	\$35,000	\$47,500
<b>Conditions of Sale</b>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>
Adjusted Sales Price		\$44,286	\$46,778	\$49,481	\$35,000	\$47,500
<b>Expenditures after Sale</b>						\$0
Adjustment		-	-	-	-	-
<b>Adjusted Sales Price</b>		<b>\$44,286</b>	<b>\$46,778</b>	<b>\$49,481</b>	<b>\$35,000</b>	<b>\$47,500</b>
<b>Market Conditions Adjustments</b>						
<b>Elapsed Time from Date of Value</b>		<i>1.11 years</i>	<i>1.89 years</i>	<i>1.56 years</i>	<i>1.68 years</i>	<i>2.01 years</i>
Market Trend Through	October-22	-	-	-	-	-
Subsequent Trend Endin	June-25	-	-	-	-	-
<b>Analyzed Sales Price</b>		<b>\$44,286</b>	<b>\$46,778</b>	<b>\$49,481</b>	<b>\$35,000</b>	<b>\$47,500</b>
<b>Property Adjustments</b>						
<b>Location</b>	<i>24 W Colorado Avenue Memphis, Tennessee</i>	<i>1861 Corning Avenue Memphis, Tennessee</i>	<i>265 and 323 N. Bellevue Memphis, Tennessee</i>	<i>1799 Titus Road Memphis, Tennessee</i>	<i>888 Kerr Ave Memphis, Tennessee</i>	<i>1201 College Street Memphis, Tennessee</i>
Adjustment		-	-	-	-	-
<b>Size</b>	16 units	14 units	18 units	27 units	36 units	8 units
Adjustment		-	-	-	-	-
<b>Age/Condition</b>	Year Built Condition	<i>1957 Average</i>	<i>1964 Average</i>	<i>1962 Average</i>	<i>1973 Average</i>	<i>1965 Average</i>
Adjustment		-	-	-	-	-
<b>Average Unit Size</b>	<i>569 sf</i>	<i>955 sf</i>	<i>983 sf</i>	<i>820 sf</i>	<i>747 sf</i>	<i>625 sf</i>
Adjustment		-5.0%	-5.0%	-	-	-
<b>Amenities</b>		<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>	<i>Similar</i>
Adjustment		-	-	-	-	-
Net Physical Adjustment		-5.0%	-5.0%	-	-	-
<b>Adjusted Sales Price per Unit</b>		<b>\$42,071</b>	<b>\$44,439</b>	<b>\$49,481</b>	<b>\$35,000</b>	<b>\$47,500</b>

### Sales Comparison Approach Value Indication

From the market data available, we used similar sales in competitive market areas which were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted sale prices:

#### Improved Sales Statistics

Metric	Unadjusted	Analyzed	Adjusted
Minimum Sale Price per Unit	\$35,000	\$35,000	\$35,000
Maximum Sale Price per Unit	\$49,481	\$49,481	\$49,481
Median Sale Price per Unit	\$46,778	\$46,778	\$44,439
Mean Sale Price per Unit	\$44,609	\$44,609	\$43,698

Sales 2-5 are the least adjusted sales and were given primary weight. These sales have an adjusted range from \$35,000 to \$49,481 per unit.

Based on the adjusted prices and the most comparable sale, a unit value for the subject property is near the middle of the adjusted range, or \$43,000 per unit. This indicated an as is leased fee market value indication of \$690,000.

Based on this analysis, the sales comparison indication is summarized as follows:

#### Improved Sales Comparison Approach Value Indication

##### As Is Leased Fee Market Value Indication

16 units	x	<b>\$43,000</b>	=	<b>\$690,000</b>
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# Income Capitalization Approach

## Methodology

The income capitalization approach is developed by converting a projection of future installments of income into a present value by a capitalization process. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.

Income-producing properties, by nature, are developed and purchased for investment purposes, where earning power, including an income stream and return of investment, are the most critical elements affecting value. The forecast of income and selection of appropriate rate(s) are therefore important aspects of the valuation process. The steps in developing the income approach are as follows: Market Rent Analysis, Income Analysis, Vacancy Analysis, Expense Analysis, and Rate Analysis.

## Application of Methodology

In this appraisal, we employed the direct capitalization method to develop an indication of market value for the subject property.

## Subject Property

The following table presents the subject's unit mix.

### Unit Mix

Unit Type	Number of Bedrooms	Number of Baths	Total Units	Average Unit Size	Total SF
1 Bed/1 Bath	1	1	16	569 sf	9,104 sf
<b>Totals</b>			<b>16</b>	<b>569 sf</b>	<b>9,104 sf</b>

The subject property was 81.0% occupied as of the effective date of value. The following table presents the subject's contract rental rates as of the effective date of value.

### Subject Rental Rates

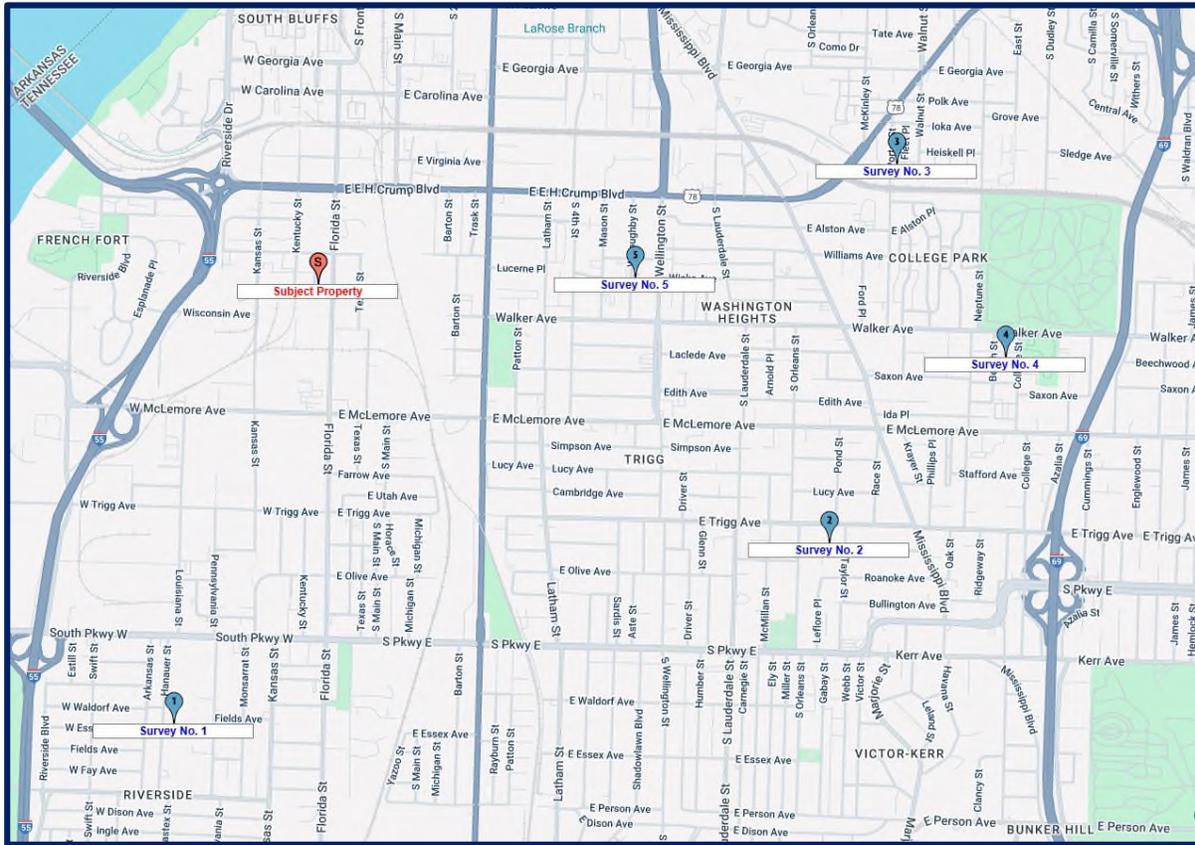
Unit Type	Average Unit Size	Total Units	Vacant Units	Occupied Units	Occupancy Rate	Contract Rent	
						Average Rent	Average Rent PSF
1 Bed/1 Bath	569 sf	16	3	13	81.3%	\$537	\$0.94
<b>Total/Average</b>	<b>569 sf</b>	<b>16</b>	<b>3</b>	<b>13</b>	<b>81.3%</b>	<b>\$537</b>	<b>\$0.94</b>

The subject's weighted average contract rent is \$537 per month, which equates to \$0.94 per square foot.

## Estimate of Market Rent

To develop an opinion of market rent, we surveyed representatives of comparable and competitive properties in the local market area, focusing on apartment complexes with similar locations, size and market appeal. We have included apartment rent comparables that were used to derive an appropriate market rent for the subject property's apartment units.

**COMPARABLES MAP**



### Summary of Comparable Rentals

Comp No.	Property	Total Units	Avg. Unit Size	Occ.	One-bedroom Units			
					No. Units	Avg. Size	Avg. Rent	Avg. Rent PSF
1	10 Unit Apartment Complex 1572 Hanauer Street Memphis	10	548	90.0%	8	520	\$650	\$1.25
2	Six Unit Apartment Building 688 Richmond Ave Memphis	6		100.0%	6	580	\$750	\$1.29
3	Six Unit Apartment Building 784 Porter Street Memphis	6		90.0%	6	533	\$775	\$1.45
4	College Street Apartments 1043 College Street Memphis	20	600	90.0%	3	500	\$650	\$1.30
5	Eight Unit Apartment Building 950 Willoughby Street Memphis	8	560	100.0%	8	560	\$550	\$0.98
	Minimum	6	548	90.0%	3	500	\$550	\$0.98
	Maximum	20	600	100.0%	8	580	\$775	\$1.45
	Median	8	560	90.0%	6	533	\$650	\$1.29
	Mean	10	569	94.0%	6	539	\$675	\$1.26

## RENT COMPARABLE 1

### Property Identification

<b>Property Name</b>	10 Unit Apartment Complex
<b>Address</b>	1572 Hanauer Street
<b>City County State Zip</b>	Memphis, Shelby County, Tennessee 38109
<b>MSA</b>	Memphis, TN-AR-MS
<b>Tax ID</b>	035067 00016
<b>VPA Property/Rent ID</b>	11265482/628270



### Property Description

<b>Property Type</b>	Garden, Low-Rise
<b>Investment Class</b>	C
<b>Construction Quality</b>	Average
<b>No. of Units</b>	10
<b>Average Unit Size</b>	548
<b>Year Built</b>	1952
<b>Number of Stories</b>	1
<b>Clubhouse</b>	No
<b>Fitness Facilities</b>	No
<b>Kitchen Description</b>	Refrigerator, range/oven (tenant provided)
<b>Other Unit Features</b>	None.
<b>W/D Connections</b>	No

### Rental Statistics

<b>Survey Date</b>	04-15-2025
<b>Occupancy</b>	90.0%
<b>Average Monthly Rent</b>	\$670
<b>Average Monthly PSF</b>	\$1.22

### Tenant Paid Services

<b>Water</b>	No
<b>Sewer</b>	No
<b>Trash</b>	No
<b>Electric</b>	Yes
<b>Gas</b>	Yes

### Verification

<b>Confirmed By</b>	Andrew Trott, MAI
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### Unit Mix and Monthly Rental Rates

Unit Type	No. of Units	No. of BR	No. of BA	Average Size	Average Rent	PSF
1 Bed/1 Bath	8	1	1.0	520	\$650	\$1.25
2 Bed/1 Bath	2	2	1.0	658	\$750	\$1.14
* Totals *	10	12	10.0	548	\$670	\$1.22

### Remarks

10 unit apartment building. The property is 100% leased and is in average condition. The property offers minimal amenities which is typical for the submarket.

## RENT COMPARABLE 2

### Property Identification

<b>Property Name</b>	Six Unit Apartment Building
<b>Address</b>	688 Richmond Ave
<b>City County State Zip</b>	Memphis, Shelby County, Tennessee 38106
<b>MSA</b>	Memphis, TN-AR-MS
<b>Tax ID</b>	025073 00017
<b>VPA Property/Rent ID</b>	11385620/669439



### Property Description

<b>Property Type</b>	Garden, Low-Rise
<b>Investment Class</b>	C
<b>Construction Quality</b>	Average
<b>No. of Units</b>	6
<b>Year Built</b>	1965
<b>Number of Stories</b>	2
<b>Kitchen Description</b>	Typical kitchen with fridge and range/oven
<b>W/D Connections</b>	Yes

### Rental Statistics

<b>Survey Date</b>	04-12-2025
<b>Occupancy</b>	100.0%
<b>Average Monthly Rent</b>	\$750
<b>Average Monthly PSF</b>	\$1.29

### Tenant Paid Services

<b>Water</b>	Yes
<b>Sewer</b>	Yes
<b>Electric</b>	Yes
<b>Gas</b>	Yes

### Verification

<b>Confirmed By</b>	Andrew Trott, MAI
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### Unit Mix and Monthly Rental Rates

Unit Type	No. of Units	No. of BR	No. of BA	Average Size	Average Rent	PSF
1 Bed/1 Bath	6	1	1.0	580	\$750	\$1.29

### Remarks

Six unit complex that was renovated in 2018. Units have washer and dryer connections. The apartments have wall heat and window unit a/c.

## RENT COMPARABLE 3

### Property Identification

<b>Property Name</b>	Six Unit Apartment Building
<b>Address</b>	784 Porter Street
<b>City County State Zip</b>	Memphis, Shelby County, Tennessee 38126
<b>MSA</b>	Memphis, TN-AR-MS
<b>Tax ID</b>	011038 000011
<b>VPA Property/Rent ID</b>	11284570/661701



### Property Description

<b>Property Type</b>	Garden, Low-Rise
<b>Investment Class</b>	C
<b>Construction Quality</b>	Average
<b>No. of Units</b>	6
<b>Year Built</b>	1960
<b>Number of Stories</b>	2
<b>Clubhouse</b>	No
<b>Fitness Facilities</b>	No
<b>Kitchen Description</b>	Refrigerator, range/oven
<b>Other Unit Features</b>	None.
<b>W/D Connections</b>	Yes
<b>Fireplaces in Units</b>	No

### Rental Statistics

<b>Survey Date</b>	04-15-2025
<b>Occupancy</b>	90.0%
<b>Average Monthly Rent</b>	\$775
<b>Average Monthly PSF</b>	\$1.45

### Tenant Paid Services

<b>Water</b>	Yes
<b>Sewer</b>	No
<b>Trash</b>	No
<b>Electric</b>	Yes
<b>Gas</b>	No

### Verification

<b>Confirmed By</b>	Andrew Trott, MAI
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### Unit Mix and Monthly Rental Rates

Unit Type	No. of Units	No. of BR	No. of BA	Average Size	Average Rent	PSF
1 Bed/1 Bath	6	1	1.0	533	\$775	\$1.45

### Remarks

Six unit apartment building that has recently been renovated located in southwest Memphis. All of the units are one bedroom, one bath. The units have no amenities. Units include refrigerator and stove.

## RENT COMPARABLE 4

### Property Identification

<b>Property Name</b>	College Street Apartments
<b>Address</b>	1043 College Street
<b>City County State Zip</b>	Memphis, Shelby County, Tennessee 38106
<b>MSA</b>	Memphis, TN-AR-MS
<b>Tax ID</b>	014020 00001
<b>VPA Property/Rent ID</b>	127425/96668



### Property Description

<b>Property Type</b>	Garden, Low-Rise
<b>Investment Class</b>	C
<b>Construction Quality</b>	Average
<b>No. of Units</b>	20
<b>Average Unit Size</b>	600
<b>Year Built</b>	1959
<b>Number of Stories</b>	2
<b>Clubhouse</b>	No
<b>Fitness Facilities</b>	No
<b>No. of Outdoor Pools</b>	0
<b>Kitchen Description</b>	Refrigerator, range/oven
<b>Other Unit Features</b>	None
<b>Parking Description</b>	Adequate

### Rental Statistics

<b>Survey Date</b>	04-25-2025
<b>Occupancy</b>	90.0%
<b>Average Monthly Rent</b>	\$714
<b>Average Monthly PSF</b>	\$1.21

### Tenant Paid Services

<b>Water</b>	No
<b>Sewer</b>	No
<b>Trash</b>	No
<b>Electric</b>	Yes
<b>Gas</b>	No

### Verification

<b>Confirmed By</b>	Andrew Trott, MAI
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### Unit Mix and Monthly Rental Rates

Unit Type	No. of Units	No. of BR	No. of BA	Average Size	Average Rent	PSF
Studio	1	0	1.0	300	\$325	\$1.08
1 Bed/1 Bath	3	1	1.0	500	\$650	\$1.30
2 Bed/1 Bath	16	2	1.0	625	\$750	\$1.20
* Totals *	20	35	20.0	590	\$714	\$1.21

### Remarks

This is a 20 unit apartment complex located in the southwest portion of Memphis. The property was recently renovated with central HVAC and new flooring and appliances. The current occupancy is 90%.

## RENT COMPARABLE 5

### Property Identification

<b>Property Name</b>	Eight Unit Apartment Building
<b>Address</b>	950 Willoughby Street
<b>City County State Zip</b>	Memphis, Shelby County, Tennessee 38126
<b>MSA</b>	Memphis, TN-AR-MS
<b>Tax ID</b>	013043 00030
<b>VPA Property/Rent ID</b>	11031057/474388



### Property Description

<b>Property Type</b>	Garden, Low-Rise
<b>Investment Class</b>	C
<b>Construction Quality</b>	Average
<b>No. of Units</b>	8
<b>Average Unit Size</b>	560
<b>Year Built</b>	1952
<b>Number of Stories</b>	2
<b>Clubhouse</b>	Yes
<b>Fitness Facilities</b>	No
<b>Kitchen Description</b>	Refrigerator, range/oven
<b>Other Unit Features</b>	None.
<b>W/D Connections</b>	No
<b>Fireplaces in Units</b>	No

### Rental Statistics

<b>Survey Date</b>	05-03-2025
<b>Occupancy</b>	100.0%
<b>Average Monthly Rent</b>	\$550
<b>Average Monthly PSF</b>	\$.98

### Tenant Paid Services

<b>Water</b>	No
<b>Sewer</b>	No
<b>Trash</b>	No
<b>Electric</b>	Yes
<b>Gas</b>	Yes

### Verification

<b>Confirmed By</b>	Andrew Trott, MAI
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### Unit Mix and Monthly Rental Rates

Unit Type	No. of Units	No. of BR	No. of BA	Average Size	Average Rent	PSF
1 Bed/1 Bath	8	1	1.0	560	\$550	\$.98

### Remarks

Eight unit apartment complex located in the South Downtown area. 100% occupied at the time of the survey. All of the units are one bedroom, one bath.

The following analyses will compare the subject's contract rents to the rental comparables.

### One-Bedroom Units

The following table summarizes a comparison of the subject's contract rents to the rental comparables.

<b>One-bedroom Units</b>			
<b>Comparable</b>	<b>Average Unit Size</b>	<b>Average Rent</b>	<b>Average Rent PSF</b>
Rental Comparable 1	520	\$650	\$1.25
Rental Comparable 2	580	\$750	\$1.29
Rental Comparable 3	533	\$775	\$1.45
Rental Comparable 4	500	\$650	\$1.30
Rental Comparable 5	560	\$550	\$0.98
<b>Minimum</b>	<b>500</b>	<b>\$550</b>	<b>\$0.98</b>
<b>Maximum</b>	<b>580</b>	<b>\$775</b>	<b>\$1.45</b>
<b>Median</b>	<b>533</b>	<b>\$650</b>	<b>\$1.29</b>
<b>Mean</b>	<b>539</b>	<b>\$675</b>	<b>\$1.26</b>
<b>Subject</b>	<b>569</b>	<b>\$537</b>	<b>\$0.94</b>

The subject's average one-bedroom unit size is 569 square feet. The subject's average one-bedroom unit size is within the range of the rental comparables and is above the median and above the mean of the rental comparables. The subject's weighted average one-bedroom contract rent is \$537 per month and is Below the range of the rental comparables and is below the median and below the mean of the rental comparables. The subject's weighted average rent per square foot of \$0.94 is Below the range of the rental comparables and is below the median and below the mean of the rental comparables. A market rent of \$600 per month is supported.

### Conclusion

The following table presents the subject's contract rents in comparison to the concluded market rents.

#### Market Rent Conclusions

<b>Unit Type</b>	<b>Contract Rent</b>		<b>Market Rent</b>	
	<b>Per Month</b>	<b>Per Square Foot</b>	<b>Per Month</b>	<b>Per Square Foot</b>
1 Bed/1 Bath	\$537	\$0.94	\$600	\$1.05
<b>Total/Average</b>	<b>\$537</b>	<b>\$0.94</b>	<b>\$600</b>	<b>\$1.05</b>

The subject's weighted average contract rent of \$537 per month is below the concluded average weighted market rent of \$600 per month.

### Income Analysis

A complete rent roll for the subject property is located within the addenda of this report. The following presents the income estimates for the subject property.

### Potential Gross Rental Income

The following table presents the subject's contract rents in comparison to the market concluded rents. The total of these indicated rents are compared on a potential rent basis.

#### Potential Gross Rent

Unit Type	Total Average Units	Average Vacant Unit Size	Average Contract Units	Average Contract Rent per Unit	Total Contract Potential Annual Rent	Market Rent per Unit	Total Market Potential Annual Rent	Contract as Percent of Market
1 Bed/1 Bath	16	569 sf	3	\$537	\$103,104	\$600	\$115,200	89.5%
<b>Totals</b>	<b>16</b>	<b>569 sf</b>	<b>3</b>	<b>\$537</b>	<b>\$103,104</b>	<b>\$600</b>	<b>\$115,200</b>	<b>89.5%</b>

### Vacancy & Collection Loss

Occupancies for properties in average condition in the subject area have remained stable in recent months. The following table shows the historical vacancies for the market, submarket and subject property.

#### Historical Vacancy

Period	Memphis MSA Market - Class C Apartments	Submarket - Class C Apartments	Subject Property
2025 Q1	12.3%	18.0%	17.0%
2024 Q1	12.6%	18.1%	
2023 Q1	12.0%	18.5%	
2022 Q1	10.2%	17.3%	
2021 Q1	11.2%	14.6%	
2020 Q1	12.5%	17.7%	-
<b>Average</b>	<b>11.8%</b>	<b>17.4%</b>	<b>17.0%</b>

The vacancy conclusion is based on the published data, trends in the submarket, and current observations in the subject market area. The vacancy conclusion is further tempered by the location, condition, quality, appeal, and performance of the subject property. Based on the subject's current vacancy rate and the historical vacancy rates in the submarket, an estimated vacancy rate of 12.0% is utilized for the subject property. In addition, a 2.0% collection loss is applied indicating a vacancy and collection loss of 14.0% for the subject property. It is reasonable to assume the subject could achieve stabilized occupancy within 30 days and a lease-up deduction is not warranted.

### Effective Gross Income (EGI)

Effective gross income consists of the income from all operations of the real property after an allowance for vacancy and collection loss has been applied. The revenue, stabilized vacancy and collection loss estimates discussed in the previously indicate a stabilized effective gross income of \$99,072.

### Expense Analysis

Operating expenses represent deductions from the effective gross income that is necessary to maintain the leasing operations of the property.

### Subject Expenses

Although historical operating data has been requested, it was not provided prior to the writing of the report. Therefore, there is no historical data available for analysis. The expense projections are based upon the expenses in comparable properties as presented herein and/or our knowledge of the expenses in similar properties we have recently appraised.

### Expense Comparables

Expense comparables have been compared to the subject property expenses. The following is a summary of the expense comparable data. A search for similar apartment properties with recent expense data was conducted. The following table presents the selected expense comparables.

<b>Expense Comparables</b>												
	<b>Expense Comp # 1</b>			<b>Expense Comp # 2</b>			<b>Expense Comp # 3</b>			<b>Expense Comp # 4</b>		
<b>Expense ID</b>	69405			63145			99536			16976		
<b>Location</b>	Memphis, Tennessee											
<b>Investment Class</b>	C			C			C			C		
<b>Statement Type</b>	Actual			Actual			Actual			Annualized		
<b>Period Ending</b>	December-20			December-20			December-24			March-24		
<b>Occupancy</b>	80.0%						85.0%					
<b>Number of Units</b>	44			38			34			10		
<b>Number of Units</b>	30 to 50			30 to 50			20 to 40			10 to 20		
	<b>Amount</b>	<b>Per Unit</b>	<b>% of EGI</b>	<b>Amount</b>	<b>Per Unit</b>	<b>% of EGI</b>	<b>Amount</b>	<b>Per Unit</b>	<b>% of EGI</b>	<b>Amount</b>	<b>Per Unit</b>	<b>% of EGI</b>
<b>Effective Gross Income</b>	\$210,746	\$4,790	100.0%	\$248,143	\$6,530	100.0%	\$382,650	\$11,254	100.0%	\$110,096	\$11,010	100.0%
<b>Operating Expenses</b>												
General Administration	\$13,137	\$299	6.2%	\$913	\$24	0.4%	\$1,385	\$41	0.4%	\$0		
Management	\$7,500	\$170	3.6%	\$17,340	\$456	7.0%	\$14,400	\$424	3.8%	\$8,716	\$872	7.9%
Utilities	\$21,003	\$477	10.0%	\$2,553	\$67	1.0%	\$25,800	\$759	6.7%	\$1,872	\$187	1.7%
Maintenance	\$61,795	\$1,404	29.3%	\$28,977	\$763	11.7%	\$16,826	\$495	4.4%	\$6,604	\$660	6.0%
Real Estate Taxes	\$11,578	\$263	5.5%	\$28,814	\$758	11.6%	\$38,000	\$1,118	9.9%	\$9,804	\$980	8.9%
Property Insurance	\$10,831	\$246	5.1%	\$9,210	\$242	3.7%	\$30,396	\$894	7.9%	\$6,348	\$635	5.8%
Payroll				\$5,882	\$155	2.4%				\$3,500	\$350	3.2%
Replacement Reserves	\$8,800	\$200	4.2%	\$22,412	\$590	9.0%	\$6,800	\$200	1.8%	\$2,000	\$200	1.8%
<b>Total Operating Expenses</b>	<b>\$134,644</b>	<b>\$3,060</b>	<b>63.9%</b>	<b>\$117,910</b>	<b>\$3,103</b>	<b>47.5%</b>	<b>\$133,607</b>	<b>\$3,930</b>	<b>34.9%</b>	<b>\$38,844</b>	<b>\$3,884</b>	<b>35.3%</b>

### Total Expense Estimate Comparison

The following table provides a direct comparison of the estimated total subject expense to the subject operating expenses and expense comparables without replacement reserves.

<b>Total Operating Expenses</b>	<b>Per Unit</b>	<b>% of EGI</b>
Expense Comp # 1 - Memphis, Tennessee - Actual - 12/2020	\$2,860	59.7%
Expense Comp # 2 - Memphis, Tennessee - Actual - 12/2020	\$2,513	38.5%
Expense Comp # 3 - Memphis, Tennessee - Actual - 12/2024	\$3,730	33.1%
Expense Comp # 4 - Memphis, Tennessee - Annualized - 03/2024	\$3,684	33.5%
<i>Indicator Average</i>	<i>\$3,197</i>	<i>41.2%</i>
<i>Stabilized Estimate:</i>	<i>\$3,187</i>	<i>51.5%</i>

The correlated operating expenses for the subject property are \$54,195 which equates to \$3,387 per unit or 54.7% of effective gross income including replacement reserves. The correlated expenses are within the range of the expense comparables on a per unit basis and as a percentage of effective gross

income. The subject's correlated expense as a percentage of effective gross income is similar to the average of the expense comparables. As such, the correlated expenses are deemed reasonable.

### Stabilized Net Operating Income (NOI)

Net operating income consists of the income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service and other non-periodic leasing and capital expenditures. The stabilized net operating income calculation is presented in the following table.

#### **Stabilized Net Operating Income Schedule**

<b>Category</b>	<b>Per Unit</b>	<b>Total</b>	<b>% of EGI</b>
<b>Potential Gross Income (PGI)</b>	<b>\$7,200</b>	<b>\$115,200</b>	<b>116.3%</b>
<b>Vacancy and Collection Loss</b>			
Less: Rental Vacancy	12.0%	\$13,824	14.0%
Less: Collection Loss	2.0%	\$2,304	2.3%
<b>Less: Total Vacancy and Collection Loss</b>	<b>\$1,008</b>	<b>\$16,128</b>	<b>16.3%</b>
<b>Effective Gross Income (EGI)</b>	<b>\$6,192</b>	<b>\$99,072</b>	<b>100.0%</b>
<b>Operating Expenses</b>			
Management	\$372	\$5,944	6.0%
Utilities	\$650	\$10,400	10.5%
Maintenance	\$800	\$12,800	12.9%
Real Estate Taxes	\$216	\$3,451	3.5%
Property Insurance	\$650	\$10,400	10.5%
Payroll	\$500	\$8,000	8.1%
Replacement Reserves	\$200	\$3,200	3.2%
<b>Less: Total Operating Expenses</b>	<b>\$3,387</b>	<b>\$54,195</b>	<b>54.7%</b>
<b>Stabilized Net Operating Income (NOI)</b>	<b>\$2,805</b>	<b>\$44,877</b>	<b>45.3%</b>

### Rate Analysis

Capitalization of the net operating income and/or cash flow stream is completed through the development and use of the appropriate direct (overall), terminal, and/or yield capitalization rates, discussed as follows:

#### Overall Capitalization Rate (OAR)

Market comparables, investor surveys, and the band of investment technique were employed in order to estimate an appropriate overall capitalization rate for the subject.

#### Market

The overall capitalization rates exhibited by comparable sales are presented in the following table:

**Market Overall Capitalization Rate (OAR) Comparables**

Comp. No.	Date of Sale	Property Name	Location	Year Built	Occupancy at Time of Sale	Actual OAR
1	April-24	Romeo's Manor Apartments	1861 Corning Avenue	Memphis, Tennessee	1964	100.0% 7.07%
2	July-23	6 Unit and 12 Unit Apartment Buildings	265 and 323 N. Bellevue	Memphis, Tennessee	1962	92.0% 6.20%
3	November-23	The Chateau Apartments	1799 Titus Road	Memphis, Tennessee	1973	100.0% 6.40%
4	October-23	Chateau Kerr	888 Kerr Ave	Memphis, Tennessee	1965	97.0% 6.79%
5	June-23	Eight Unit Apartment Building	1201 College Street	Memphis, Tennessee	1965	100.0% 5.53%

After analyzing the differences in the OAR comparables, they tend to support an overall capitalization rate between 5.53% and 7.07% considering the location, age and quality of the subject property, as well as current market conditions.

**Investor Surveys**

The overall capitalization rates published by investor surveys are presented in the following table:

**Investor Surveys - Overall Capitalization Rates**

Survey	Date	Rate Range	Average
PwC - National Apartment Market	1Q25	4.00% to 6.25%	5.25%
RERC - National Apartment Market	4Q24	4.50% to 6.00%	5.30%
Realty Rates - Apartments	1Q25	5.24% to 12.03%	8.36%
<b>Average</b>		<b>4.58% to 8.09%</b>	<b>6.30%</b>

**Band of Investment Technique**

The band of investment technique assumptions and calculations are presented in the following table:

**Band of Investment Technique**

Valbridge Assumptions	Survey	RealtyRates Range	Average
Mortgage Interest Rate = 6.50%	1Q25	4.86% to 9.16%	7.16%
Mortgage Term = 30 years		15 yrs to 40 yrs	26 yrs
Mortgage Ratio (M) = 75.0%		55% to 90%	73%
Mortgage Constant (R <sub>M</sub> ) = 0.07585			
Equity Dividend Rate (R <sub>E</sub> ) = 8.00%		4.66% to 12.22%	8.06%
Mortgage (LTV) Ratio (M) 75.0%	x	Mortgage Constant (R <sub>M</sub> ) 0.07585	Mortgage Component 0.05689
1 - Mortgage Ratio (1-M) 25.0%	x	Equity Dividend Rate (R <sub>E</sub> ) 8.00%	Equity Component 0.02000
<b>Overall Rate (R<sub>o</sub>)</b>			<b>7.69%</b>

The overall capitalization rate indications are as follows:

- Stabilized Market Indicated Range: 5.53% to 7.07%
- Investors Survey Indicated Range: 5.00% to 8.00%
- Band of Investment: 7.69%

The overall capitalization rate is a measure of income quality, durability, and growth. Based on the preceding analysis, an overall capitalization rate near the middle of the presented data range, or 7.00% was estimated for the subject property.

## Direct Capitalization Conclusions

### As Is Leased Fee Market Value Indication

Following this discussion is the direct capitalization model that formed the basis of our value conclusions via the direct capitalization technique. As previously discussed, we estimated a stabilized occupancy of 88%. Using the estimated overall capitalization rate of 7.00% indicated a preliminary as is leased fee market value indication of \$640,000.

The direct capitalization calculation is presented as follows:

#### **Direct Capitalization Technique Value Indication**

Stabilized Net Operating Income (NOI)		\$44,877
Divided by Overall Capitalization Rate	÷	7.00%
<b>As Is Leased Fee Market Value Indication</b>		<b>\$640,000</b>

# Reconciliation

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## Summary of Value Indications

The indicated values from the approaches used and our concluded market values for the subject property are summarized in the following table.

### Value Indications

Approach to Value	As Is
Cost	Not Developed
Sales Comparison	\$690,000
Income Capitalization	\$640,000

### Value Conclusions

Component	As Is
Value Type	Market Value
Real Property Interest	Leased Fee
Effective Date of Value	June 10, 2025
<b>Value Conclusion</b>	<b>\$640,000</b>
	<b>\$40,000 per unit</b>

To reach a final opinion of value, we considered the reliability and relevance of each value indication based upon the quality of the data and applicability of the assumptions underlying each approach.

Garden apartment properties leased to third parties, such as the subject, are typically purchased by an investor that most often relies upon the methods employed by the Income Approach. Market rent was used to project the income and our vacancy and expense deductions were supported by subject historical and market data. The OAR applied was based on multiple sources and is supported as well.

Secondary consideration is placed on the results of the Sales Comparison. The sale set is comprised of similar properties but the economic characteristics of each sale can be difficult to adjust with accuracy. The sales support the value conclusion and given the physical similarities, some weight was given to this approach. Due to the property rights appraised, the Income Approach is given primary weight in arriving at our final value conclusions.

The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

#### Extraordinary Assumptions:

- An interior inspection was performed on only a portion of the subject units. It is assumed that the units inspected are representative of the condition of the units.

#### Hypothetical Conditions:

- None.

#### Exposure Time and Marketing Period

The subject is within the multi-family category. Interviews with active brokers in the market area indicated that demand for these properties can vary and pricing was dependent on location, function, or economics such as rent and remaining lease term. Well located, modern or renovated properties could sell in one to six months with properties in secondary locations or with less than ideal function seeing longer times on the market. The range of marketing time per investor surveys is detailed below.

#### Investor Surveys - Marketing Time

Survey	Date	Range (Mos.)			Average
PwC - National Apartment Market	1Q25	3.0	to	15.0	6.9
RERC - National Apartment Market	4Q24	---	to	---	6.1
<i>Source: RERC &amp; PwC</i>		<b>Average</b>	<b>3.0</b>	<b>to</b>	<b>15.0</b>
					<b>6.5</b>

Demand for the subject property type has remained stable based on our observations and discussions with market participants. As such, we have projected marketing and exposure for this property type at 3 to 6 months.

## National Quality Control

Valbridge's top priority is delivering a quality report. Valbridge requires all reports to be reviewed by an experienced director with the MAI designation. This quality control assessment consists of reading the report, checking calculations, and providing feedback on its quality and consistency prior to report delivery. All Valbridge reports are signed by an experienced appraiser with the MAI designation.

Valbridge values all clients' opinions, and any/all feedback is critical to the ongoing efforts to improve client servicing. Please feel free to contact the National Quality Control Director below with any feedback, questions, or comments.

Tye Neilson, MAI, SRA, MRICS, Esq.  
Senior Managing Director  
832.916.4608  
tneilson@valbridge.com

# Insurable Cost Estimate

At the request of the client, an Insurable Cost estimate is included within this report. Insurable cost is based on the replacement and/or reproduction costs of physical items that are subject to loss from hazards. Insurable cost is the portion of cost of an asset that is acknowledged or recognized under the provisions of an applicable insurance policy. Typically, it is replacement/reproduction cost of the property less non-insurable components.

The replacement cost new for all of the improvements was estimated using the Marshall Valuation Service and are presented in the following table:

### Direct Base Building Cost

Building Identification/Name	Multiple Residences
Gross Building Area	9,104 sf
Building Class	D - Wood Frame
Building Quality	Average
Exterior Wall	Brick Veneer
Number of Stories	2
Average Floor Area (GBA)	4552'
Year Built	1957
Effective Age	25 years
<b>Marshall Valuation Service</b>	
Date	Aug-24
Section	12
Page	16
Type	Multiple Residences
<b>Base Square Foot Cost</b>	<b>\$104.00</b>

### Direct Building Cost Refinements

Building Identification/Name	Multiple Residences
Base Square Foot Cost	\$104.00
Number of Stories Mult.	x 1.000
Height per Story Mult.	x 1.000
Floor Area/Perimeter Mult.	x 1.000
Combined Multiplier	x 1.000
<b>Refined Square Foot Cost</b>	<b>\$104.00</b>

### Final Direct Building Cost Refinements and Calculation

Building Identification/Name	Multiple Residences
Refined Square Foot Cost	\$104.00
Current Mult.	x 1.000
Local Mult.	x 0.930
Combined Multiplier	x 0.930
<b>Final Square foot Cost</b>	<b>\$96.72</b>
Gross Building Area	x 9,104
<b>Direct building Cost</b>	<b>\$880,539</b>

### Marshall Valuation Service Direct and Indirect Cost

Component	Cost Estimate
Direct Building Cost	\$880,539
Direct Site Improvement Cost	\$0
Additional Indirect Cost	\$26,416
<b>Total Direct and Indirect Cost</b>	<b>\$906,955</b>

Appraisers are not cost estimators and do not have specific knowledge of insurance requirements. The items included by or excluded from insurance are dictated by the particular insurance policy; however, the policy definitions were not available. This estimate represents typical exclusions based on past experience, but we do not warrant that the costs included and/or excluded reflect the requirements of any given policy. It is recommended that a professional cost estimator or insurance specialist be consulted, with the estimate based on the definitions of coverage and replacement provided by a specific fire and extended coverage policy.

The Marshall Valuation Service insurable cost indication excludes the cost of architect's fees, basement excavation, foundation, and below-ground piping, as appropriate. The insurable cost estimates are presented in the following table:

<b>Insurable Cost Estimate</b>			
<b>Building Identification</b>	<b>GBA</b>	<b>Replacement Cost New (No Profit)</b>	
<b>Total</b>	<b>9,104 sf</b>	<b>\$906,955</b>	<b>\$99.62 psf</b>
<b>Exclusions</b>			
Architectural Fees		0.0%	
Foundation:		0.0%	
Sub-surface Electrical/Plumbing:		0.0%	
<b>Total Exclusions</b>		0.0%	
<b>Building Identification</b>	<b>GBA</b>		
<b>Insurable Replacement Cost (RCV)</b>	<b>9,104 sf</b>	<b>\$910,000</b>	<b>\$99.96 psf</b>
<b>Incurable Deterioration</b>			
Effective Age		25 years	
Economic Life		45 years	
<b>Indicated Deterioration Ratio</b>		55.6%	
<b>Building Identification</b>	<b>GBA</b>		
<b>Depreciated Insurable Cost (ACV)</b>	<b>9,104 sf</b>	<b>\$400,000</b>	<b>\$43.94 psf</b>

## General Assumptions and Limiting Conditions

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

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Memphis will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Memphis is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions. Appraiser is not responsible for determining whether the date of value requested by Client is appropriate for Client's intended use.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Memphis and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Memphis.
17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire more precise measurement, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer) as an alternative source. If this alternative measurement source reflects or reveals substantial differences with the measurements used within the report, upon request of the client, the appraiser will submit a revised report for an additional fee.
26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, upon request of the client, the appraiser will submit a revised report for an additional fee.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, and a review of the final plans and specifications reveals substantial differences upon request of the client the appraiser will submit a revised report for an additional fee.

28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

35. You and Valbridge Property Advisors | Memphis both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Memphis and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Valbridge Property Advisors | Memphis or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Memphis for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Valbridge Property Advisors | Memphis shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Memphis. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Memphis and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Memphis harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Memphis in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Valbridge Property Advisors | Memphis. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

## Certification – Andrew Trott, MAI

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services as an appraiser, or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Andrew Trott, MAI has personally inspected the subject property. Todd Glidewell, MAI has not personally inspected the subject property.
10. No one provided significant real property appraisal assistance to those signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



Andrew Trott, MAI  
Director  
Tennessee License CG-1469

## Certification – Todd Glidewell, MAI

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services as an appraiser, or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
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13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



Todd Glidewell, MAI  
Senior Managing Director  
Tennessee License CG-41

# Addenda

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Subject Photos

Rent Roll

Appraisal Engagement

Glossary

Qualifications

- Andrew Trott, MAI, - Director
- Todd Glidewell, MAI, - Senior Managing Director

Information on Valbridge Property Advisors

Office Locations

### Subject Photographs



Exterior View



Exterior View



Exterior View



Exterior View



Exterior View



Exterior View

Subject Photographs



Interior View



Interior View



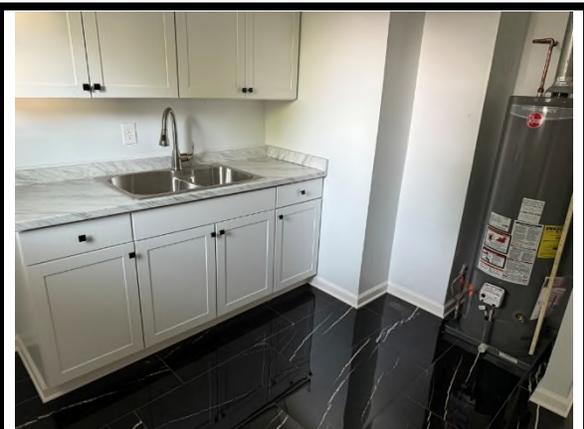
Interior View



Interior View



Interior View



Interior View

## Rent Roll

			24 West Colorado	
			DCC RENTALS LLC	
			16 unit Apartment Complex	
Date	Rent Amount	Mha Paid	Tenant Paid	Balance
2024				
1-Jan	\$ 6,500.00		\$ 6,500.00	
1-Feb	\$ 6,700.00		\$ 6,200.00	\$ 500.00
1-Mar	\$ 7,200.00		\$ 7,200.00	\$ -
1-Apr	\$ 7,200.00		\$ 7,000.00	\$ 200.00
1-May	\$ 6,400.00		\$ 6,400.00	\$ -
1-Jun	\$ 6,700.00		\$ 6,300.00	\$ 400.00
1-Jul	\$ 6,700.00		\$ 5,400.00	\$ 1,300.00
1-Aug	\$ 6,700.00		\$ 6,100.00	\$ 600.00
1-Sep	\$ 5,800.00		\$ 6,000.00	\$ -
1-Oct	\$ 5,500.00		\$ 5,500.00	\$ -
1-Nov	\$ 6,000.00		\$ 5,700.00	\$ 300.00
1-Dec	\$6,000.00		\$ 4,600.00	\$ 1,400.00
Total =	\$77,400.00		\$ 72,900.00	
Deposits Paid \$3000.00				

# Appraisal Engagement



## Appraisal Engagement Contract

**Date Awarded:** 06/06/2025  
**Due Date:** 06/27/2025

**File No.:** 11421  
**Appraisal Fee:** \$

**Appraiser Name:** Todd Gildewell

**Appraiser Company:**

Valbridge Property Advisors | Memphis  
756 Ridge Lake Blvd, Suite 225  
Memphis, TN 38120  
(901) 206-2277  
tgildewell@valbridge.com

### Property Information

**Borrower Name:** DCC Rentals LLC  
**Property Address:** 24 W Colorado Ave Memphis, TN 38106  
**Property Category:** Multifamily  
**Property type:** Other (Specify in Physical Description)  
**Ownership Type:** Owner Occupied  
**Property Status:** Existing  
**Flood Zone:** No  
**Parcel / CAD #:** 012057 00015  
**Site Area:** 0.31 Acres  
**Building Size:** 9,100 SF  
**Approx Year Built:** 1957  
**Physical Description of Property:** 16-unit apartment complex - Each unit 1 bed/1bath 569 SF  
**Legal Description:** Lots 20, 21, and 22, Block 66, Sears Williams Subdivision, as shown on plat of record in Plat Book 1, Page 121, in the Register's Office of Shelby County, Tennessee

### Contact Information

**Access/Contact Information:** Borrower Derrick Christopher Craig  
(901) 212-4476  
dcraig4@hotmail.com

Alternate Contact Info

### Appraisal Scope

**Intended User:** The intended users of this report is Simmons Bank and-or affiliates.  
**Intended Use:** The intended use of this appraisal is for loan underwriting and-or credit decisions by Simmons Bank and-or participants.  
**Appraisal Type:** Commercial Appraisal  
**Report Format:** Appraisal Report  
**SBA Involvement:** No  
**Involvement Type:**  
Lending Partner &  
**Address:**  
**Syndication/Participation:** No  
If no, Agent Bank:  
**Approaches to Value:** All Applicable Approaches  
**Inspection Requirements:** Full Inspection - Certified General Appraiser  
**Scope of Work:**

<u>Value Premise</u>	<u>Value Qualifier</u>	<u>Interest Appraised</u>	<u>Comments</u>
Market Value	As Is	Fee Simple	



**Address Questions to:**  
Danita Webb JM  
501-377-7472  
danita.webb@simmonsbank.com

**Address Final Report to:**  
Simmons Bank c/o Real Estate Valuation Group  
601 E. Third Street  
6th Floor - Appraisal Department  
Little Rock, AR 72201

An electronic copy of your Appraisal Report in PDF format is to be uploaded to Simmons Bank's YouConnect system for the bank to review from the Report Submission web form on or before 06/27/2025.

A signed copy of this engagement letter should be included in with the submission in your report.

The Engagement Contract will serve as Simmons Bank engagement of your services and your authorization to develop an appraisal of the referenced property. All appraisal assignments for Simmons Bank are to be prepared in accordance with the current edition of the Uniform Standard of Professional Appraisal Practice (USPAP), Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), Interagency Appraisal and Evaluation Guidelines 2010 and Simmons Appraisal Guidelines. Appraisals should meet the requirements of the Engagement Contract for each specified job.

The acceptance of the appraisal assignments

- The appraiser and/or appraisers are strictly independent contractors. Nothing herein contained or implied shall be so construed as creating any relationship of employer and employee, partnership, principal and agent or joint venture as between you and the Bank.
- All information provided by the Bank for appraisal assignment is considered confidential, must not be shared and is subject to USPAP provisions and applicable state and federal law and/or regulations concerning confidential information.

#### COMMUNICATION DURING APPRAISAL PROCESS

Please direct all requests for additional information to Danita Webb JM by utilizing the "Vendor/Job Manager Discussion" section located on the Report Submission web form. Please do not utilize external email.

All communication between the external appraiser and Simmons Bank should be via YouConnect platform and/or telephone conversation with the Job Manager. Communication with loan production staff during the assignment should be for the purposes of obtaining project information only. Once the appraisal has been submitted, all communication should be between the reviewing officer and the appraiser.

#### INVOICE REQUIREMENTS

Please upload separately, do not attach a copy of the invoice to the electronic copy of the appraisal report.

If the appraisal is not received on or before the due date, Simmons Bank reserves the right, at its sole discretion, to cancel the assignment for cause without payment of the fee. Any changes in the scope of this assignment, appraisal fee, or due date extension must be authorized by the Simmons Bank Real Estate Valuation Group Job Manager.

#### APPRAISAL REVIEW

All appraisal assignments completed for Simmons Bank are subject to review by Simmons Bank authorized reviewers. Acceptance of an appraisal assignment from Simmons Bank indicates the appraiser(s) will cooperate with the reviewers in correcting errors and providing clarification and/or supplemental information to the report. Full cooperation in the review process is deemed an essential part of the appraisal assignment. When the cause of our subsequent request or inquiry is a deficiency in your report, you agree to cure such deficiency promptly with no cost to the Bank. Timely response to the revision request is required.

#### GENERAL REQUIREMENTS AND SCOPE OF WORK

- The following must be included in the report. Copy signed engagement contract, copy of license, qualifications for all appraisers signing the report, including engaged appraiser.
- "As is" market value as of the effective date of the report is required in all reports.
- Hypothetical condition will not be accepted without written approval from the Bank.
- Appropriate deductions and discounts need to be analyzed and considered when applied to proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units. For proposed or to be renovated properties, typical deductions and discounts including rent loss, leasing commissions, tenant improvements, and entrepreneurial profit must be included. For tract developments, all holding costs, marketing costs and entrepreneurial profit must be deducted (or otherwise accounted for in the concluded discount rate).
- A tract development is defined in the Agencies' appraisal regulations as a project of five units or more that is constructed or is to be constructed as a single development. For purposes of these guidelines, "unit" refers to a residential or commercial lot, single-unit home, and condominium.

#### REPORT REQUIREMENTS



- In conjunction with verification of zoning regulations, please verify parking regulations and indicate if parking requirements are adequate per regulation. If existing or proposed improvements are non-conforming to current zoning ordinance, provide discussion.
- The report must include the designated flood zone map of the property according to the National Flood Insurance Program. If the property is located in a flood hazard area, a discussion of how it affects site utility is required. If improvements are found to be in the flood zone, an Actual Cash Value must be developed. Detailed instructions regarding ACV guidelines on last page.
- A current listing of the subject property must be disclosed and analyzed. The analysis should include the asking price, any reductions and days on market.

**SALES COMPARISON APPROACH**

- A comparable sales adjustment grid is required. The narrative should provide foundation for the adjustments, not just restate the information provided in the adjustment grid.
- All comparables should be confirmed with a party directly involved in the transaction. If unconfirmed sale is used, the appraisal must clearly disclose this and the basis for its consideration.
- Photos and location map are required for each comparable sale with a discussion of each comparable. Aerials with the property outlined are permitted for land appraisal.
- Provide a detailed explanation of your reasoning for your market condition adjustments.

**INCOME APPROACH**

**Leases** - Obtain and analyze a copy of lease(s) or rent roll and provide a synopsis in your income approach. A copy of the rent roll should be included in the addenda.

**Market rent** - Market rent for the subject property must be determined using rent comparables regardless of an existing lease is in place. Rent comparables - which should include recent actual transactions and not asking rents. Rent comparables must be converted to the same basis (net, gross, modified gross) when analyzed. Photos and location map of rent comparables are required with a discussion of each comparable.

**Vacancy and Absorption** - Vacancy assumptions should be supported by market data using the overall market, the submarket, rental comparables and as the historical vacancy rate of the subject. For the subject's vacant space, the absorption period should be supported with market information and related deductions for lost rent and expense recoveries, leasing commissions, tenant improvements and entrepreneurial profit should be considered.

**Operating Expenses** - Expenses should be itemized and supported with expense comparables and/or national publications. The subject's historical expenses should be analyzed.

**Capitalization and Discount Rates** - Capitalization rates using comparable sales with reliable information are required. Appraisers must not substitute their own estimates of income and expenses as direct capitalization rates must be extracted from market. Appraisers must clarify if market-derived capitalization rates are based on historical or anticipated net operating income (NOI). If sales data is not available, other sources may be used such as market participant interviews, national investor surveys, band of investment or derivation from gross income multipliers. If a national survey is used, the appropriate section must be referenced. A discounted cash flow (DCF) analysis should be included when appropriate. The determination of a cap rate, discount rate and terminal rate should be explained and supported in the report. A copy of the analysis must be included in the report.

**COST APPROACH**

If the property is proposed, specs, plans and construction cost must be reviewed by the appraiser prior to issuance of the appraisal report. The developer's cost estimate should be compared to Marshall Valuation Service, other professional cost estimate services or cost comparables to determine reasonableness. The source, section, building class and building quality must be clearly stated. All forms of depreciation need to be considered and, if present, incorporated into the analysis. The analysis must be consistent with the information and conclusions presented in the Description of the Property section.

**Actual Cost Value (ACV)** - Depreciation is deducted from replacement cost new to estimate ACV. Replacement cost should include all direct construction costs, typical general contractor overhead and profit, indirect costs and building permits. It should exclude entrepreneurial (developer) profit.

The ACV should exclude the land and below ground improvements that would not normally be destroyed by fire, flood or other natural disaster, as well as other insurance exclusions. The methodology for estimating ACV is summarized below:

Replacement Cost  
Minus (-) Insurance Exclusions  
Subtotal RCN Less Exclusions  
Minus (-) Depreciation  
Equals (=) ACV

A separate and distinct ACV estimate is required for each individual structure located within the mapped flood zone.

Your acceptance of the award for this project will constitute your agreement with the terms of this Engagement Contract by accepting the award, you acknowledge that you have read and agree to the requirements as well as the Simmons Bank Appraisal Services Guidelines. In addition, you affirm that you are unbiased and competent to perform the assignment, and have no direct or indirect financial interest in the transaction aside from the fee to be paid to you by Simmons Bank upon acceptance of the appraisal. You agree to hold the fee in trust for the appraiser and to release the fee to the appraiser upon completion of the appraisal report. You are not authorized to release the content or conclusions of the appraisal report to anyone without prior written consent of Simmons Bank.

Accepted By: \_\_\_\_\_



## Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 7<sup>th</sup> Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

### 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)

### Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (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. (Interagency Appraisal and Evaluation Guidelines) Note that the use of the “as is” phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States. The concept of an “as is” value is not included in the Standards of Valuation Practice of the Appraisal Institute, Uniform Standards of Professional Appraisal Practice, or International Valuation Standards. (Dictionary)

### Base Rent

The minimum rent stipulated in a lease. (Dictionary)

### Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

### Building Common Area

In office buildings, the areas of the building that provide services to building tenants but that are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

### Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

### Bulk Value

The value of multiple units, subdivided plots, or properties in a portfolio as though sold together in a single transaction. (Dictionary)

### Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

### Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center’s common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security, [amenities,] and upkeep. (ICSC – International Council of Shopping Centers, 4<sup>th</sup> Ed.)

### Condominium

An attached, detached, or stacked unit within or attached to a structure with common areas that are held as tenants in common (an undivided interest) with other owners in the project. The units can be residential, commercial, industrial, or parking spaces or boat docks. These units are commonly defined by state laws in their locations. Because units can be stacked on top of other units, these units can be defined both vertically and horizontally. (Dictionary)

### Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may

permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

### Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

### Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ( $DCR = NOI \div I_m$ ), 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)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

### Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (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 value of the improvement on the same date.

In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (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 to be their best interests;

7. An adequate marketing effort will be made during the exposure time;
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and
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)

### Double Net (Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net lease is defined as a lease in which the tenant is responsible to pay both property taxes and premiums for insuring the building(s). (Valbridge)

(The market definition of a double net lease varies depending on the market)

### Easement

The right to use another's land for a stated purpose. (Dictionary)

### EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

### Effective Date

1. The date on which the appraisal opinion applies. (SVP)
2. The date to which an appraiser's analyses, opinions, and conclusions apply; also referred to as date of value. (USPAP, 2020-2021 ed.)
3. The date that a lease goes into effect. (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 Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

### EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings.

### Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or

index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

### Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

### Excess Land

Land that is not needed to serve or support the existing use. 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. (Dictionary)

### Expense Stop

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

### Exposure Time

1. The time a property remains on the market.
2. An opinion, based on supporting market data, of the 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. (USPAP, 2020-2021 ed.)

### 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.

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

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. In essence, floor common area represents all of the area on the floor that is common to that respective floor with the exception of those areas that penetrate through the floor, such as the elevator shaft and stairwell. The significant point to be made is that floor common area is not part of the tenant's usable area. (BOMA)

### Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full service lease*. (Dictionary)

### Furniture, Fixtures, and Equipment (FF&E)

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

1. 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.
2. Gross leasable area plus all common areas.
3. For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

### Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

### Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as “grossed up.” (Dictionary)

### Gross Sellout Value (Sum of the Retail Values)

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 though sold together in a single transaction; it is simply the total of the individual market value conclusions. An appraisal has an effective date, but summing the sale prices of multiple units over an extended period of time will not be the value on that one day unless the prices are discounted to make the value equivalent to what another developer or investor would pay for the bulk purchase of the units. Also called the *aggregate of the retail values, aggregate retail selling price or sum of the retail values.* (Dictionary)

### Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

### Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

### HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

### Highest and Best Use

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

Appraisal Standards for Federal Land Acquisitions) (Dictionary)

### Hypothetical Condition

1. A condition that is presumed to be true when it is known to be false. (SVP)
2. A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

**Comment:** Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP)

### Insurable Value (Replacement Cost for Insurance Purposes)

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

### Investment Value

1. 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)
2. The value of an asset to the owner or a prospective owner given individual investment or operational objectives (may also be known as worth). (IVS)

### Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (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 reversionary right when the lease expires. (Dictionary)

### Leasehold Interest (Leasehold Estate)

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)

See also Positive Leasehold and Negative Leasehold.

### Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

### Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

### Liquidation Value

The most probable price that a specified interest in 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. (Dictionary)

### Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

### Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

### Market Rent

The most probable rent that a property should bring in a competitive and open market under all the conditions requisite to a fair lease transaction, the lessee and the lessor each acting prudently and knowledgeably, and

assuming the rent is not affected by undue stimulus. Implicit in this definition is the execution of a lease as of a specified date under conditions whereby:

1. Lessee and lessor are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. Payment is made in terms of cash or in terms of financial arrangements comparable thereto; and
4. The rent reflects specified terms and conditions, such as permitted uses, use restrictions, expense obligations, duration, concessions, rental adjustments and revaluations, renewal and purchase options, and tenant improvements (TIs). (Appraisal Institute)

### Market Value

The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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. (Dictionary; 12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)

### Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation)

### Master Lease

1. A lease in which a part or the entire property is leased to a single entity (the master lessee) in return for a stipulated rent. The master lessee then subleases the property to multiple tenants.
2. The first lease in a sandwich lease. (Dictionary)

### Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

### Negative Leasehold

A lease situation in which the market rent is less than the contract rent. (Dictionary)

### Operating Expense Ratio

The ratio of total operating expenses to effective gross income (*TOE/EGI*); the complement of the net income ratio, i.e.,  $OER = 1 - NIR$  (Dictionary)

### Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

### Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common or easement. (Dictionary)

### Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

### Percentage Lease

A lease in which the rent or some portion of the rent represents a specified percentage of the volume of business, productivity, or use achieved by the tenant. (Dictionary)

### Positive Leasehold

A lease situation in which the market rent is greater than the contract rent. (Dictionary)

### Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (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 being 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 yet achieved sellout or a stabilized level of long-term occupancy. (Dictionary)

### 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 of 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)

### Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

### Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

### Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make that claim junior, or subordinate, to the claims of another party. (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)

### TPO

Thermoplastic polyolefin, a resilient synthetic roof covering.

### Triple Net (Net Net 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 lease*, *net net net lease*, or *fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

### Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

### Value-in-Use

1. The amount determined by discounting the future cash flows (including the ultimate proceeds of disposal) expected to be derived from the use of an asset at an appropriate rate that allows for the risk of the activities concerned. (FASB Accounting Standards Codification, Master Glossary)
2. Formerly used in valuation practice as a synonym for *contributory value* or *use value*. (Dictionary)

### VTAB (Value of the Total Assets of a Business)

The total amount that the real property, tangible personal property, and intangible property assets of a business would sell for in an asset-based transaction. (Dictionary)

## Qualifications

### Qualifications of Andrew Trott, MAI

Director

Valbridge Property Advisors | Memphis



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#### State Certifications

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Fundamentals of Separating Real Property, Personal Property, and  
Intangible Business Assets

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Business Practices and Ethics

Analyzing Operating Expenses

Appraising Distressed Commercial Real Estate

The 7-Hour National USPAP Update Course

#### **Experience:**

##### **Director**

ValbridgePropertyAdvisors|C & I Appraisal Services, Inc. (2015-  
Present)

##### **Senior Appraiser**

ValbridgePropertyAdvisors|C & I Appraisal Services, Inc. (2013-2015)

##### **Senior Appraiser**

C & I Appraisal Services, Inc. (1993-2013)

##### **Associate Appraiser**

Realty Services, Inc. (1991-1993)

Appraisal/valuation and consulting assignments include: apartment buildings; retail buildings and shopping centers; office buildings; industrial buildings; and special purpose properties including convenience stores; residential subdivisions; and vacant industrial, commercial and residential land. Assignments also include Fannie Mae and Freddie Mac reports, and HUD MAP valuations and comparability studies. Assignments have been concentrated in the Memphis MSA and surrounding areas.



## Qualifications of Todd Glidewell, MAI

Senior Managing Director  
Valbridge Property Advisors | Memphis



### *Independent Valuations for a Variable World*

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Member: Lambda Alpha – Memphis Chapter  
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Real Estate Appraisal Principals  
Basic Valuation  
Capitalization Theory & Techniques: Part A  
Capitalization Theory & Techniques: Part B  
Case Studies in Real Estate Valuation  
Report Writing & Valuation Analysis  
Fundamentals of Separating Real Property, Personal Property, and  
Intangible Business Assets  
Standards of Professional Practice  
Business Practices & Ethics  
Appraising Retail Properties  
Appraising Industrial Properties  
Land Valuation  
Analyzing Commercial Lease Clauses  
Appraising Distressed Commercial Real Estate  
Uniform Standards for Federal Land Acquisitions (Yellow Book)

#### **Experience:**

##### **Senior Managing Director**

Valbridge Property Advisors | C&I Appraisal Services, Inc. (2013-  
Present)

##### **Partner/President**

C&I Appraisal Services, Inc. (1991-2013)

##### **Staff Appraiser**

Matthews Appraisal Group (1988-1991)

Experience in apartment buildings; retail buildings and shopping centers; office buildings; industrial buildings; religious and educational properties; hotels/ motels; residential subdivisions; multiple types of special use properties and vacant land. Assignments concentrated in the Memphis MSA.

Licenses/Certificates: Todd Glidewell, MAI





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COMPANY INFORMATION

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- Valbridge provides custom appraisal reports in the U.S., Canada, and Puerto Rico.
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