



Dominion Realty Advisors, Inc.
Real Estate Appraisers and Consultants

November 25, 2019

Churchland Jewelers and Pawn Shop, Inc.

448 N. Battlefield Boulevard, Suite B

Chesapeake, Virginia 23320

c/o Mr. Edward Linett

Phone: 757-410-9000

Email: Churchlandpawnychesapeake@yahoo.com

Reference: *Real Estate Appraisal*
448 N. Battlefield Boulevard
Chesapeake, Virginia 23320
(DRA File #467-19)

Dear Mr. Linett:

Per your request, we have inspected the above referenced property more fully described in the body of this report and assembled data indicative of the market value "as is" of the leased fee interest in the subject property.

The subject property consists of an existing $\pm 6,454$ -square foot retail building situated on a $\pm 10,935$ -square foot site on the west side of N. Battlefield Boulevard, just south of the Great Bridge Bypass in Chesapeake, Virginia 23320. The two-story building, originally constructed in 1961 and extensively renovated in 2014, is 100% occupied by two tenants including an ownership entity. The subject's mailing address is 448 N. Battlefield Boulevard and the property is further identified by the Chesapeake Real Estate Assessor's Office as tax account number 0482001000070.

We submit the following report which contains the most pertinent of the data assembled, our analysis and conclusions. This report has been prepared in accordance with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. It has further been prepared in consideration of the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standard's Board of the Appraisal Foundation and the guidelines set forth by the Financial Institution's Reform, Recovery and Enforcement Act of 1989 (FIRREA).

Based on our analysis of the data, subject to the limiting conditions, assumptions and definitions set forth in this report, it is our opinion that the market value "as is" of the leased fee interest in the subject property, as of November 13, 2019, the date of the last inspection, was:

SEVEN HUNDRED THIRTY-FIVE THOUSAND DOLLARS\$735,000

This letter must remain attached to the report, which contains 39 pages plus related exhibits, in order for the value opinions set forth to be considered valid.

Thank you for this opportunity to be of service and if we can be of any further assistance, please advise.

Respectfully submitted,

DOMINION REALTY ADVISORS, INC.
Real Estate Appraisers and Consultants



**David E. Richards, MAI, Principal
Certified General Appraiser
Virginia License #4001-001053**



**Bradley R. Sanford, MAI, Principal
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**REAL ESTATE
APPRAISAL REPORT**

OF

448 N. Battlefield Boulevard
Chesapeake, Virginia 23320
(DRA File #467-19)



Prepared For:
Churchland Jewelers and Pawn Shop, Inc.

448 N. Battlefield Boulevard, Suite B
Chesapeake, Virginia 23320
c/o Mr. Edward Linett
Phone: 757-410-9000

Email: Churchlandpawnychesapeake@yahoo.com

Prepared By:

David E. Richards, MAI
Bradley R. Sanford, MAI
Lauren S. Leffler, Associate
Dominion Realty Advisors, Inc.
5360 Robin Hood Road, Suite 101
Norfolk, Virginia 23513

EXECUTIVE SUMMARY

Property Location: 448 N. Battlefield Boulevard
Chesapeake, Virginia 23320

Tax Account Number: 0482001000070

DRA File #: 467-19

Owner of Record: Churchland Jewelers & Pawn Shop, Inc.

Date of Valuation: November 13, 2019

Property Rights Appraised: Leased Fee Interest

Property Description: The subject property consists of an existing ±6,454-square foot retail building situated on a ±10,935-square foot site on the west side of N. Battlefield Boulevard, just south of the Great Bridge Bypass in Chesapeake, Virginia 23320. The two-story building, originally constructed in 1961 and extensively renovated in 2014, is 100% occupied by two tenants including an ownership entity. The subject's mailing address is 448 N. Battlefield Boulevard and the property is further identified by the Chesapeake Real Estate Assessor's Office as tax account number 0482001000070.

Highest and Best Use
As If Vacant: Commercial development.

As Improved: Existing improvements are considered in keeping with the site's highest and best use.

Aerial:



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PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to describe data and analysis that lead to a logical conclusion of the market value “as is” of the leased fee interest in the subject property as of the effective valuation date.

INTENDED USE AND USER OF THE APPRAISAL

The intended use of this appraisal is for internal use, including but not limited to, rendering a decision relative to a financial transaction or asset valuation. Dominion Realty Advisors, Inc. was retained by Mr. Eddie Linett with Churchland Jewelers and Pawn Shop, Inc., by Authorization and Agreement for Real Estate Consultation Services dated November 6, 2019, a copy of which is in the Addendum.

SCOPE OF THE APPRAISAL

The scope of this appraisal assignment is to conduct the investigations necessary to gather sufficient data from which an opinion of value can be derived. An appraisal is composed of a number of integrated, interrelated and inseparable procedures that have a common objective: a convincing, reliable estimate of value. The Income Approach and Sales Comparison Approach have been utilized in this appraisal.

The Cost Approach has been omitted from this analysis due to the age of the improvements and the associated difficulty in accurately estimating depreciation. This is considered appropriate in this instance due to the fact that investors typically do not rely on the Cost Approach when making buy/sell decisions for this property type.

An inspection of the property and its neighborhood was conducted to determine the physical features and condition of the subject and the environment in which it is located. A search of municipal records has been completed to ascertain the current and historical assessment and ownership data regarding the property. Contacts were made with other municipal authorities (public works and utilities, zoning administration, planning, etc.) to determine compliance or noncompliance to local, state and federal regulations.

Properties similar to the subject improvements were explored throughout the market area to determine existing and proposed inventory, supply and demand and marketability of properties within the subject classification. A thorough research effort was conducted to extract market data to be used in the application of the traditional approaches to value.

This data has been reported and every effort was made to verify the authenticity of this information from public records and personal interviews. To the best of our ability, the research, analysis and interpretation of the information in the marketplace was completed in accordance with sound appraisal principles and the opinions and conclusions of value are considered to be reasonable and reliable.

DATE OF VALUATION

The subject property was most recently inspected on November 13, 2019, which date serves as the date of valuation on an "as is" basis. All factors pertinent to the valuation of the subject property have been considered as of this date.

DEFINITIONS

Market Value

Market Value, as used in this report, is defined in the Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C - Appraisals, 34.42 Definitions [f] as follows:

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

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and each acting in what they consider their 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."

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.

Source: Appraisal Institute, Dictionary of Real Estate Appraisal, Sixth Edition, 2015; Page 90.

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.

Source: Appraisal Institute, Dictionary of Real Estate Appraisal, Sixth Edition, 2015; Page 128.

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.

Source: Appraisal Institute, Dictionary of Real Estate Appraisal, Sixth Edition, 2015; Page 13.

PROPERTY RIGHTS APPRAISED

The value estimate as set forth in this report is the market value “as is”, as defined, assuming a leased fee interest in the subject property with no encumbrances that cannot be cleared through normal channels.

DESCRIPTION FOR IDENTIFICATION

The subject property consists of an existing ±6,454-square foot retail building situated on a ±10,935-square foot site on the west side of N. Battlefield Boulevard, just south of the Great Bridge Bypass in Chesapeake, Virginia 23320. The two-story building, originally constructed in 1961 and extensively renovated in 2014, is 100% occupied by two tenants including an ownership entity. The subject’s mailing address is 448 N. Battlefield Boulevard and the property is further identified by the Chesapeake Real Estate Assessor’s Office as tax account number 0482001000070. Specifics of the site and the improvements will be detailed later in the Property Description section of this report.

OWNERSHIP

Ownership of the subject property is vested in the name of Churchland Jewelers & Pawn, Inc., who acquired title to the property from Barnard Properties, LLC, as recorded on October 22, 2013 in Deed Book 9245, Page 408, for an indicated consideration of \$415,000. The building was subsequently extensively renovated, including the addition of the second floor.

To our knowledge, the subject is not currently actively listed for sale or under contract.

ASSUMPTIONS AND LIMITING CONDITIONS

General Assumptions

1. The owner of record is assumed to have a free and clear fee simple title with no encumbrances that cannot be cleared through normal channels.
2. The information on which this appraisal is based has been obtained from sources normally used by **Dominion Realty Advisors, Inc.** and is considered to be reliable, but is in no sense guaranteed.
3. The information furnished by others is believed to be reliable. No warranty is given for its accuracy.

4. **Dominion Realty Advisors, Inc.** reserves the right to alter its opinion of value on the basis of information withheld or not discovered in the normal course of a diligent investigation.
5. The appraisers assume no responsibility for the legal description or matters of a legal nature affecting the property or the title thereto. The appraiser does not render any opinion as to title, which is assumed to be good and marketable.
6. Responsible ownership and competent property management are assumed.
7. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. The appraisers are not required to give testimony or appear in court because of having made this appraisal with reference to the property in question, unless arrangements have been previously made therefore. The fee charged for this appraisal does not include payment for court testimony or for further consultation.
11. No opinion of an engineering nature is intentionally expressed or implied and no responsibility is assumed for matters of this nature.
12. No survey was made especially for this appraisal. Property lines, area, etc., of record or otherwise provided, are assumed to be correct.
13. No engineering survey has been made by the appraisers. Except as specifically stated, size and area were taken from sources considered reliable and no encroachment of real property improvements is assumed to exist.
14. Maps, plats and exhibits are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.
15. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

16. No opinion is expressed as to the value of subsurface oil, gas or mineral rights. The property is not subject to surface entry for the exploration or removal of such materials except as is expressly stated.
17. Disclosure of the contents of the appraisal is governed by the Bylaws and Regulations of the professional organizations with which **Dominion Realty Advisors, Inc.** is affiliated.
18. Acceptance of and/or use of this report constitutes acceptance of these assumptions and limiting conditions.
19. This report complies with the Code of Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. It is further intended to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) and the guidelines set forth by the Financial Institution's Reform, Recovery and Enforcement Act of 1989 (FIRREA).

Limiting Conditions

1. Possession of this report, or a copy, does not carry with it the right of publication.
2. Neither all nor any part of the contents of this report (especially any conclusions as to value, identity of the appraisers or firm with which they are connected or any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through the advertising media or any other public means of communication without the prior written consent and approval of **Dominion Realty Advisors, Inc.** and the signatories of the report. Acceptance of and/or use of this report constitutes acceptance of these restrictions.
3. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
4. The forecasts, projections or operating estimates contained herein are based upon current market conditions, anticipated short term supply and demand factors and a continued stable economy. These forecasts are, therefore, subject to changes in future conditions.
5. Load bearing capacity of subsoil is assumed to be adequate for the existing utilization, but no borings or engineering studies have been made especially for this appraisal and the value conclusion could be affected by such information.
6. Unless otherwise stated, no consideration in the valuation process has been given to mineral deposits (oil, gas, coal, gravel, etc.) or timber, if any, that may be found on the subject.

7. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are 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. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
8. On January 26, 1992, the Americans With Disabilities Act (ADA) took effect. The subject property reflects 2007 construction and is assumed to be in compliance with this legislation. Should a report be provided which indicates a required renovation, we reserve the right to amend this report.
9. This report has been prepared in compliance with the competency provision explicitly detailed in the Uniform Standards of Professional Appraisal Practice (USPAP). The appraisers are fully experienced in the appraisal of this product type (see Qualifications).

CERTIFICATION

The undersigned certify that to the best of our knowledge and belief and except as otherwise noted in this appraisal report:

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 our personal, unbiased professional analyses, opinions and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
4. Neither our engagement to make this appraisal (or any future appraisals for this client), nor any compensation therefore, are contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
5. Our 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.
6. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
7. As of the date of this report, David E. Richards, MAI, and Bradley R. Sanford, MAI have completed the requirements under the continuing education program of the Appraisal Institute.
8. Bradley R. Sanford, MAI, and Lauren S. Leffler have made a personal inspection of the property that is the subject of this report.
9. No one other than the undersigned provided significant professional assistance to the persons signing this report. Other members of the staff of **Dominion Realty Advisors, Inc.** have assisted in obtaining and processing portions of the data used.
10. The appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.

**CERTIFICATION
(Continued)**

- 11. The undersigned hereby certifies 1) that this appraisal conforms to the Uniform Standards of Professional Appraisal Practice issued by the Appraisal Standards Board of the Appraisal Foundation, to the applicable provisions of Title XI of the Federal Financial Institution Reform, Recovery and Enforcement Act of 1989, 12 USC 3310, 3331-3351, and to the regulations of the Federal Reserve System, 12 CFR Parts 208 and 225 and 2) the undersigned holds the requisite license issued by the Virginia Real Estate Appraiser Board to be able to perform this appraisal in compliance with Virginia law and regulation.

- 12. Dominion Realty Advisors, Inc., and/or the undersigned previously appraised the subject property in September 2018. We have not performed any other services as appraisers or in any other capacity relative to the subject property within the three-year period immediately preceding acceptance of this assignment.

Based on our analysis of the data, subject to the limiting conditions, assumptions and definitions set forth in this report, it is our opinion that the market value "as is" of the leased fee interest in the subject property, as of November 13, 2019, the date of the last inspection, was:

SEVEN HUNDRED THIRTY-FIVE THOUSAND DOLLARS\$735,000

**DOMINION REALTY ADVISORS, INC.
Real Estate Appraisers and Consultants**



**David E. Richards, MAI, Principal
Certified General Appraiser
Virginia License #4001-001053**



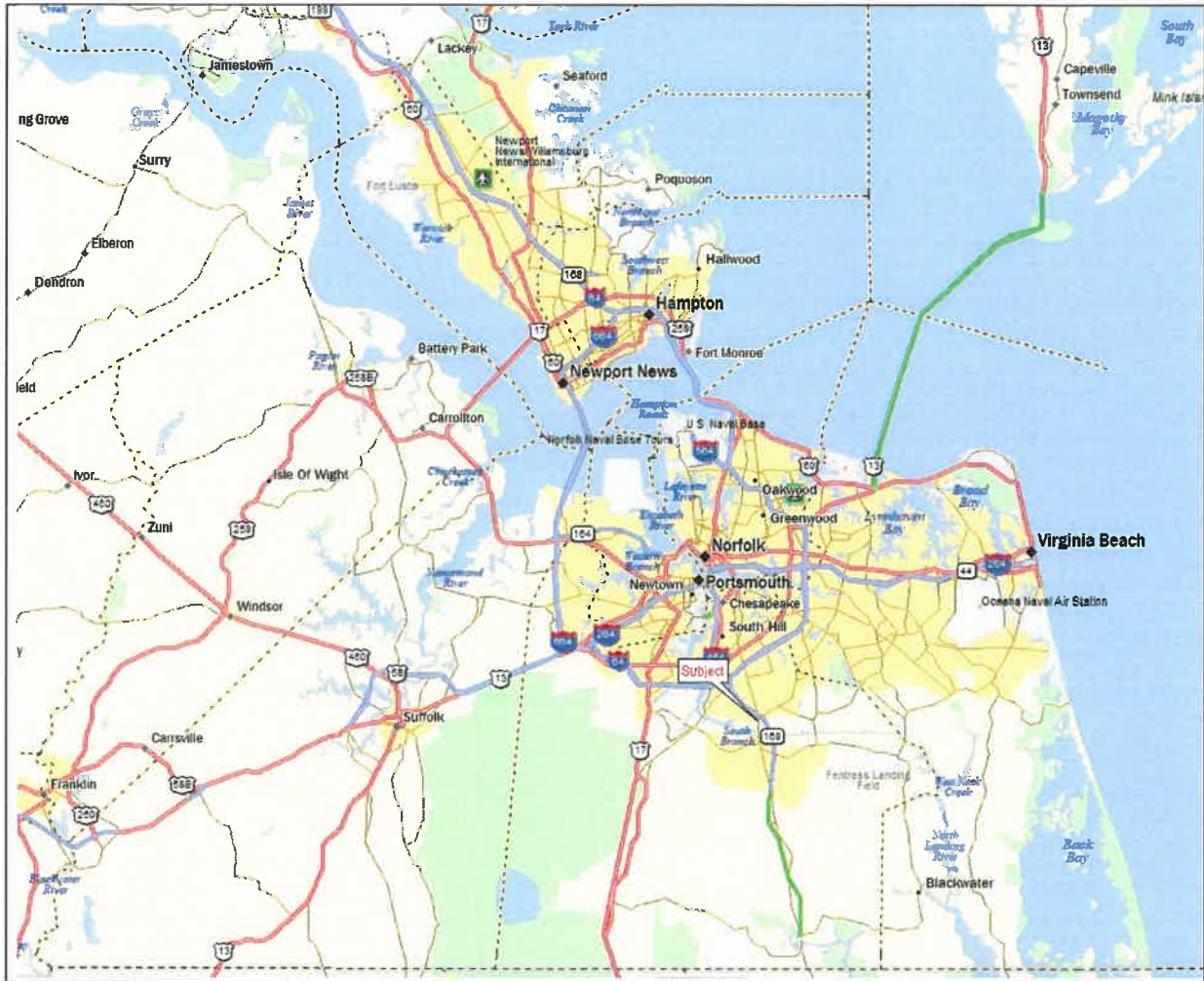
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**Lauren S. Leffler, Associate
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REGIONAL ANALYSIS

Norfolk-Virginia Beach-Newport News, VA-NC Metropolitan Statistical Area



The physical features of the Hampton Roads region offer a positive environment for residents and businesses alike. Cultural, social, recreational, and educational opportunities are readily available to the influx of new households into the region. New and existing businesses are also supported by an excellent network of transportation routes, the physical features bolstering the tourist business, and one of the largest and most aggressive port facilities in the world. The Mid-Atlantic location should continue to attract residents and businesses to this region.

The population of the region has continued to experience increases in personal and household incomes. However, the current economic environment has slowed the amount of growth, and unless there is upsurge in economic recovery, there is a possibility of effective income loss as incomes growth is not keeping pace with increases in the cost of living. While average income levels are somewhat low compared to average state income levels, the military makes additional contributions in terms of non-cash benefits, which, in effect, increase actual household incomes over most published data. With this factor in mind, the region's average household income is

on par with that of the state. However, these non-cash benefits will obviously decrease if the downsizing of the military continues.

Retail sales are influenced greatly by tourism in Hampton Roads. With historical Williamsburg to the northwest, the oceanfront at Virginia Beach to the southeast, and many attractions in between, it is only natural that the retail sales segment of the total economy rises and falls with the level of tourism. Economic forces affecting retail sales weakened during the recent recession and 2009 actually registered the first decrease in retail sales. However, the region has rebounded since the recession and retail and restaurant sales are increasing. Attendance at the region's tourist attractions have stabilized with Virginia Beach seeing the strongest growth over the past few years.

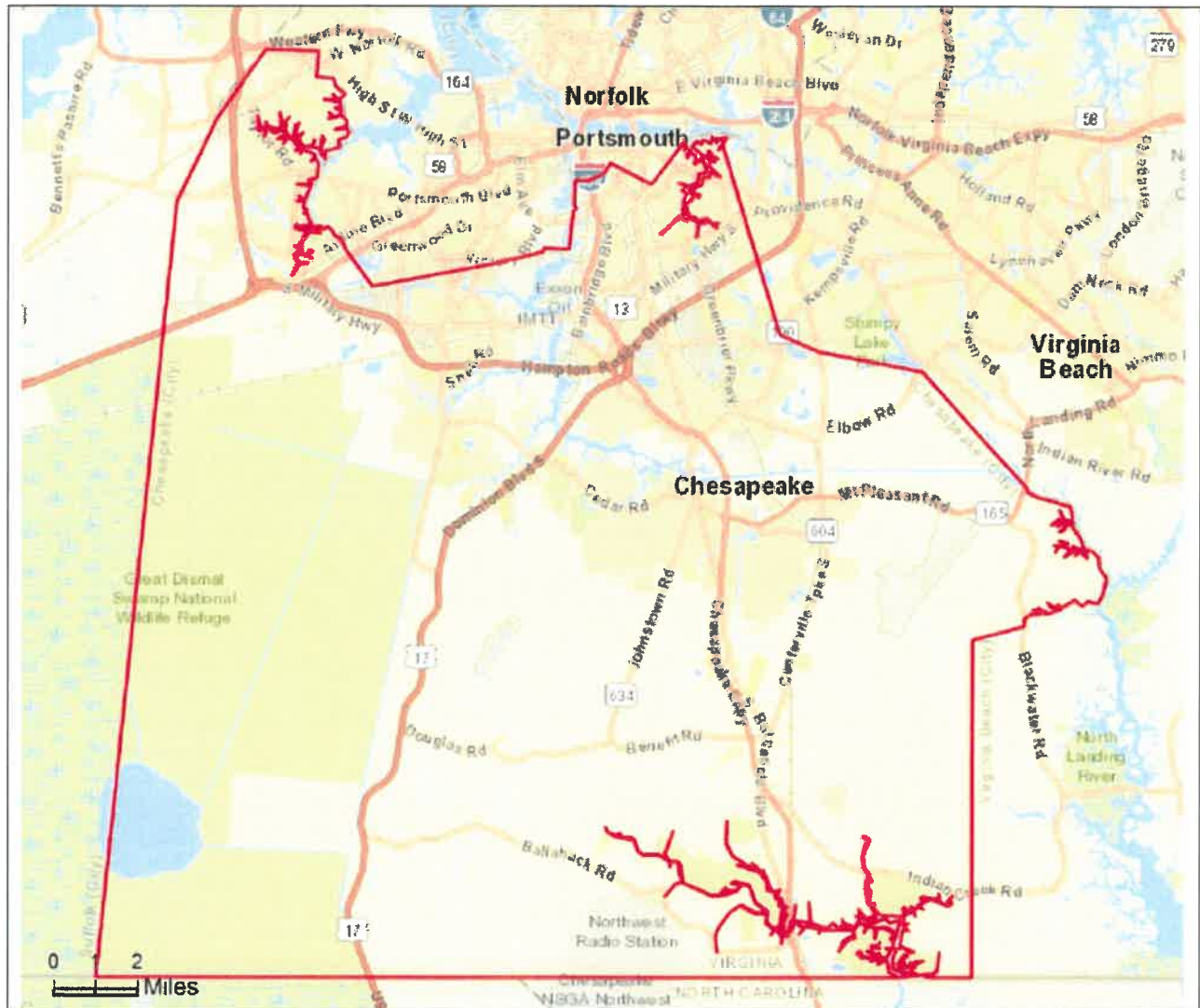
With the increase of new businesses entering the market and the expansion of The Port of Hampton Roads, there was an increase in building activity throughout the region between 2001 and 2006. The level of residential development decreased dramatically in 2007 through 2011. However, when compared to development in 2010 to 2012 there was growth in residential construction in 2013 to 2015, especially in the moderate price levels. Commercial development was also negatively impacted by the recession with virtually every commercial and industrial segment showing signs of softening as a result of the weakened economy. However, since the end of the recession, there has been a gradual improvement in most segments of the commercial market as reflected by decreasing vacancy rates in industrial, office and retail segments. As the economy continues to recover, continued improvement in these segments is forecast, as long as excessive speculative development is not undertaken.

Critics of the Hampton Roads marketplace point to the fact that the economy is too heavily dependent upon government and military spending. In the past, this dependence has created "boom and bust" years depending largely upon the region's capture of defense dollars. This reliance was long cited as a weakness of the region and, in an effort to minimize this reliance on defense spending, the region has diversified substantially. However, during a recession, the military presence helps stabilize the region so that the impact of the recession was not as devastating in Hampton Roads as it was in some areas of the country. The BRAC decisions have had an impact on the region's economy, especially in the City of Hampton, although the long-term effect has yet to be determined. However, attempts to authorize a new round of BRAC have been overwhelmingly defeated where in 2015 the House Armed Services Committee voted down the idea 60-2. Furthermore, a Defense Department official stated that "Norfolk isn't ever going to be on the list. It's one of the finest platforms in the entire world." Operations in 2019 remain strong at the area's various military installations.

Two influential testimonials to the quality of life in the region and the caliber of the work force are the number of new industries choosing Hampton Roads over the past several years and the emergence of the Port as one of the most important shipping centers on the East Coast. The Hampton Roads region is expected to continue to grow and gain in importance as a metropolitan area in Virginia and on the Eastern Seaboard.

CITY OF CHESAPEAKE ANALYSIS

Economic and Demographic Overview



The City of Chesapeake is one of sixteen municipalities that comprise the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA). The city is in what is locally known as Southside Hampton Roads. Chesapeake is bordered by Norfolk and Portsmouth cities to the north, the City of Virginia Beach to the east, the State of North Carolina to the south, and the City of Suffolk to the west.

Prior to English settlement, the region was part of the Powhatan Confederacy consisting of approximately 30 tributary peoples under the leadership of the paramount chief, Wahunsunacawh (Powhatan to the English). The City of Chesapeake was established when the city of South Norfolk and Norfolk County merged in 1963. Today, the city covers ± 351 square miles, of which ± 10 square miles is water, and is the fourth largest municipality by total land size in the MSA.

Chesapeake is ± 106 miles southeast of Richmond and ± 215 miles southeast of Washington, D.C.

CLIMATE

Virginia's Climate

In the *Virginia's Climate*, published by the Climate Office in the Department of Environmental Sciences at the University of Virginia, climatologists Bruce P. Hayden and Patrick J. Michaels state that Virginia has five different climate regions: the Tidewater, Piedmont, Northern Virginia, Western Mountain, and southwestern Mountain regions. As a result, the state of Virginia has a more diverse climate than many states within the nation. For example, the Piedmont region has long growing seasons with good rainfall and infrequent subzero temperature minimums. The mountain regions, particularly along the Blue Ridge, experience bitterly cold winters similar to those in Chicago. This variation in climate is due, in part, to the Atlantic Ocean and the Gulf Stream, the Appalachian and Blue Ridge mountain systems, and Virginia's complex pattern of rivers and streams.

A diverse climate greatly benefits Virginia's agricultural industry. However, the close proximity of diverse regions can result in varying and unusual weather patterns that could potentially cross boundaries between climate zones and, in extreme cases, cause droughts, crop failure, and economic loss.

According to the Southeast Regional Climate Center at the University of North Carolina, the average annual temperature in Virginia is ± 56.5 F° and the average annual precipitation is ± 43.2 inches. Typically, the month of July is the hottest month of the year with an average of ± 74.8 F°, whereas January is the coldest month with an average of ± 34.8 F°. On average, the summer months experience the highest rainfall, while the highest snowfall rates occur during the winter months, and typically in the southwestern and northwestern regions of the state.

Chesapeake Climate Averages

The City of Chesapeake is within the Tidewater climate region of the state and occupies a generally flat peninsulas extending eastward into the Chesapeake Bay. There are, therefore, no physical barriers influencing air mass movement within the Tidewater climate region of Virginia.

Temperatures rarely fall below zero and the summer months do not see extremely hot weather. Typically, the month of July is the hottest month of the year with an average of ± 87.0 °F whereas January is the coldest month with an average of ± 31.9 °F. Average annual rainfall is ± 47.8 inches distributed throughout the year, but with maximum amounts typically falling in late summer. Snowfall precipitation, within the region, on average totals ± 7.1 inches. On average, Chesapeake enjoys ± 211 sunny days per year.

POPULATION TRENDS

A highly significant indicator of structural change within a regional economy is the rate of increase or decline in an area's population base. Typically, population growth benefits businesses, creates jobs, and enhances all aspects of the local tax base. The rate of increase or decline in an area's population base also has a direct and obvious effect on real estate values. Since the supply of land is fixed, an increase in the population base will be reflected in a higher demand for property. Naturally, this pattern of demand will be translated into value for the whole spectrum of property types within the region.

New Delineations for Metropolitan Areas

In February 2013, the Office of Management and Budget (OMB) reassessed the delineation of the Hampton Roads MSA and removed Surry County and added Gates County, North Carolina. NOTE: the number of workers commuting from to Surry to other municipalities within the Norfolk-Virginia Beach-Newport News MSA dropped below the 25% requirement and, therefore, Surry is no longer included as one of the municipalities within the MSA. As a result of these changes in delineation, current population estimates do not accurately compare with those from the 2010 Census because of the removal of Surry County and the addition of Gates County, North Carolina to the Hampton Roads MSA. For the purpose of accurate analysis, all further discussion will use the the new delineation for the MSA for data collected in 2000 and 2010.

Population characteristics and projections for Chesapeake, Southside Hampton Roads, and the Hampton Roads MSA are summarized in the following table.

Population Trends, 2000 – 2024 (*Estimates*)

Municipality	2000 Census	2010 Census	2019 Estimates	Annual Rate 2000-2010	Annual Rate 2010-2019	Annual Rate 2019-2024	2024 Projected
City of Chesapeake	199,174	222,199	248,720	1.1%	1.23%	1.15%	263,317
<i>Hampton Roads</i>	<i>1,558,180</i>	<i>1,648,136</i>	<i>1,771,432</i>	<i>0.6%</i>	<i>0.60%</i>	<i>0.55%</i>	<i>1,820,700</i>
Virginia	7,079,030	8,001,024	8,62,203	1.2%	0.82%	0.80%	8,982,126
United States	281,162,411	308,745,538	332,417,793	0.9%	0.80%	0.77%	345,487,602

Source: Site to Do Business

According to the U.S. Census Bureau, the median age in Chesapeake in 2019 is estimated at ± 38.4 . In comparison, the median age within the MSA median is estimated at ± 37.1 , the state median is ± 38.8 , and the national median is ± 38.5 .

The population in Chesapeake has increased 24.9% since 2000. This increase is due in part to the transfer of population from more urban areas to outlying suburban communities. The decline in population in Portsmouth and Norfolk since 2000 has resulted in a dramatic increase in population in the adjoining areas of Suffolk, Virginia Beach, Chesapeake. Population analysts predict that these trends will continue and are projecting that by 2024, Chesapeake's population will increase by 5.9% over the 2019 figure to 263,317, representing an annual rate of 1.15%

REGIONAL TRANSPORTATION

Interstate and Highway Linkages

Chesapeake has easy access to interstate highways, airports, railways and the Port of Hampton Roads. An excellent interstate and state highway system connects Chesapeake to both the Southside and the Peninsula of Hampton Roads. Interstates 64 and 664 crisscross Chesapeake and connect the region to Interstate 95 located 101 miles northwest of the city. The area's interstate and highway configuration provide the city with easy access to six of the country's ten largest population centers — *all* within 750 miles of the city.

Airport Accessibility

Air transportation is more than adequately provided by two international airports and various smaller regional airports.

Norfolk International Airport (ORF) is ±19.8 miles north of central Chesapeake and is the largest airport serving Hampton Roads and the surrounding regions, including Southside Virginia. The airport dates back to the 1920s and has become one of the nation's leading regional or feeder airports offering ±130 daily nonstop flights to destinations throughout the country and around the world. There are currently four airline carriers operating at Norfolk International and include American Airlines, Delta, Southwest, and United. In addition to passenger service, the airport provides air cargo services via several carriers, including Federal Express, Mountain Air Cargo, and United Parcel Service.

Newport News/Williamsburg International Airport (PFH) is ±45.2 miles northwest of Chesapeake and is the second largest airport in Hampton Roads. The airport commenced operation in November 1949. There are currently two airline carriers operating at the airport: Delta and American Airlines provide non-stop service to Atlanta, Charlotte, and Philadelphia. In addition to passenger service, the airport provides corporate and general aviation services through three full service *fixed base operators*: Rick Aviation, Inc., Atlantic Aviation, and Freedom Aviation.

In addition to the two regional airports, Chesapeake Regional Airport is a privately owned airport within the city.

Rail Services

Norfolk Southern and CSX Transportation provide commercial rail service to the MSA, including the City of Chesapeake. Commodities can reach every major distribution center east of the Mississippi via a one-line haul. All other points within North, Central and South America can be reached via one or more interchanges. Passenger rail service is provided via the Amtrak terminals in Newport News, ±28 miles northwest, and Norfolk, ±4.4 miles north of Chesapeake.

Waterways and Ports

The city is part of the Port of Hampton Roads region which boasts the best natural harbor on the East Coast of the United States. The harbor is ±50 feet deep and maintains an unobstructed channel ideal for even the largest container ships. Located ±18 miles from the open sea, closer than its nearest competitor (Baltimore), Hampton Roads has developed into a thriving shipping center for the immediate region and the East Coast. The Port was the first in the United States to fund and dredge its harbor. This continued effort secures Virginia's status as the deepest commercially developed port on the East Coast. Today, Hampton Roads is internationally recognized as the largest natural deep-water harbor in the world. In 2018, the Port of Virginia continued to be the third most active port on the East Coast and the seventh largest port, by total cargo, in the nation.

Countless companies rely heavily on the region's modern transportation system for their distribution of goods to and from points throughout the United States and the world.

New Construction and Development Highlights

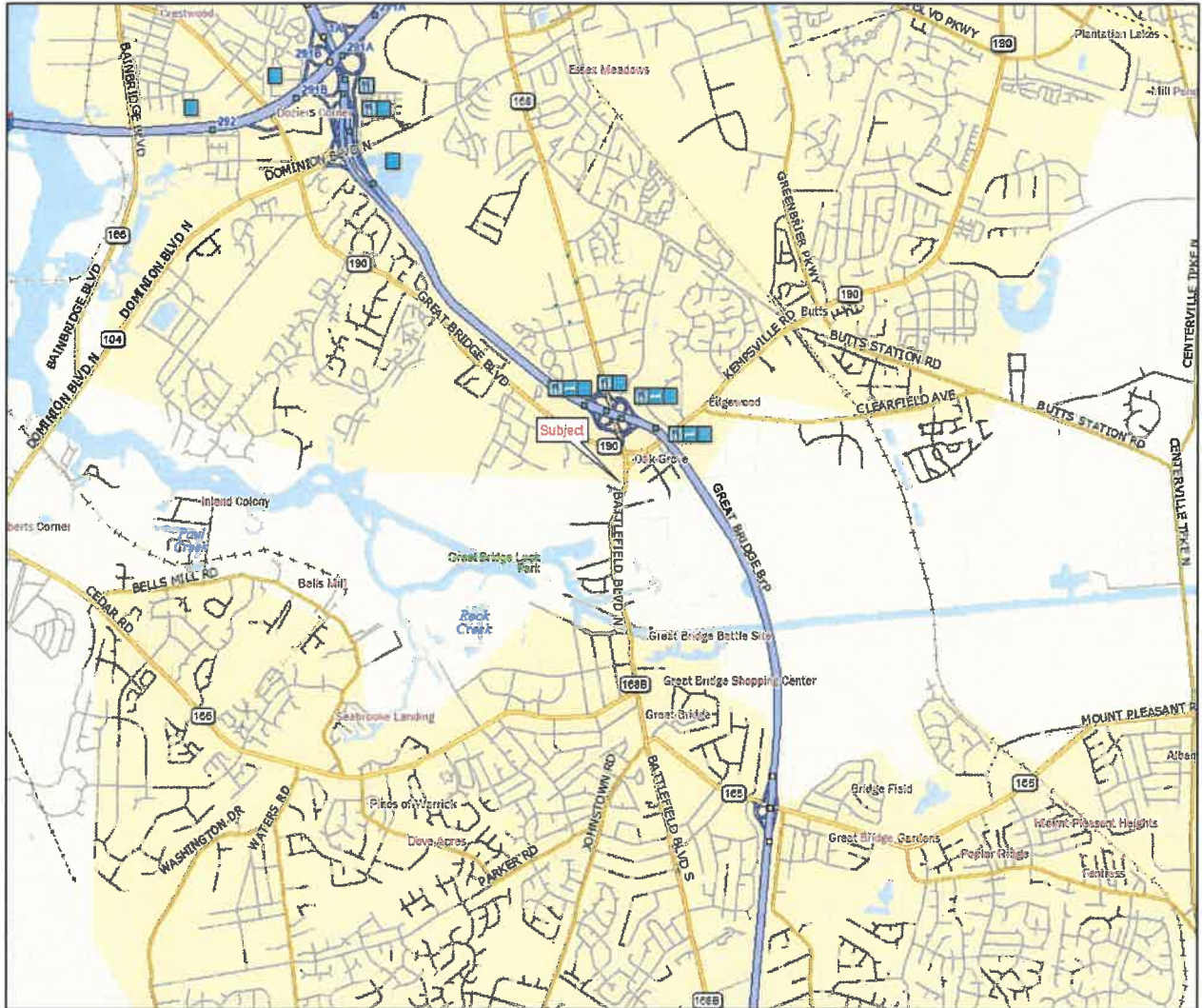
The Greenbrier Business District and the Battlefield Boulevard corridor near the intersections of Greenbrier and Battlefield Boulevards with Interstate 64 and southward have been the dominant commercial areas of the city for many years. Most commercial development in these areas has been in place for over 30 years. Thus, most new development in these areas is infill in nature. Oceanering International Inc.'s Marine Services Division opened a 150,000 square foot complex in Greenbrier North Commerce Park in 2015. Also, a new neighborhood shopping center is being development at the I-64/Battlefield Boulevard intersection recently opened and is anchored by a Kroger Center, a Field and Stream and a Dick's Sporting Goods.

Edinburgh is a Precon Development Corp. mixed use development in the southern part of the city. The 658-acre development features premier residential homes ranging in price from \$600,000 to \$2,000,000, approximately 200-acres of retail space and office space. Most of the commercial development in this area was completed between 2005 and 2011 which included Wal Mart, Target and Home Depot as well as smaller neighborhood oriented retail strips and fast food restaurants. There have been no recent large scale commercial developments in Edinburgh since 2011 and the most recent significant development in area was the delivery of a 336-unit up-scale apartment development in 2015 as well as a Cinema Café movie theater, a 20,000 SF medical office building, and large single- and multi-family subdivisions and homes to the south.

IN SUMMARY

Chesapeake is a successful component of the Hampton Roads region. The city is strategically situated on the mid-Atlantic Coast and enjoys a strong and diversified economic base focused on trade, services, and government. Over the last decade, Chesapeake has shown strong population growth that is expected to continue into the next decade. A diversified economic base focused on trade, services, and government provides a variety of job opportunities in the city, and recent growth in the manufacturing sector contributes to the employment base. Unemployment in the city has remained relatively low during recent years while income levels and retail sales activity have increased as businesses continue to take advantage of the city's strategic location.

MARKET AREA ANALYSIS



The subject property is influenced by the real estate market in Hampton Roads. Information concerning the area, in general, and Chesapeake, in particular, has been previously presented. On a smaller scale, the subject is most notably influenced by a more limited area, or market area. The subject is in the Great Bridge section of the City of Chesapeake.

The subject is in the central portion of the City of Chesapeake. Great Bridge is bounded on the north by Great Bridge Boulevard and Kempville Road, on the east by Centerville Turnpike, on the south by Benefit Road, and on the west by Dominion Boulevard and Shillelagh Road. The immediate area is considered middle- to upper-income residential, with commercial uses along Cedar Road and Battlefield Boulevard. There are limited industrial uses predominantly in the immediate subject market area centered on Tilden Avenue just north of the subject and waterfront parcels in the vicinity of Tilden Avenue.

Chesapeake does not have a Central Business District; however, a concentration of commercial activity is located along Cedar Road from Great Bridge Boulevard on the east to Dominion Boulevard on the west. Commercial activity is also the predominant use along Battlefield Boulevard from Hanbury Road on the south extending north through central Great Bridge to Interstate 64.

The dominant feature in the market area is the Chesapeake Municipal Center and the city's Central Library on Cedar Road. The growth of the city has resulted in continued expansion of the center of government resulting in the addition of many new employees. This trend should continue for the foreseeable future and municipal government will continue to be the single largest employer in the area.

Great Bridge is home to the Chesapeake Campus of Tidewater Community College on the north side of Cedar Road, approximately one mile east of Dominion Boulevard. Furthermore, the public schools within Great Bridge are well respected in a school system regarded as one of the best in the region. In addition to the above, the area is approximately two miles south of Chesapeake General Hospital. Recreational facilities include two golf courses, Cahoon Plantation and Seven Springs, located on the south side of Cedar Road.

The Great Bridge By-Pass is a four-mile stretch of four-lane, divided roadway which stretches from just north of Hillcrest Parkway to Battlefield Boulevard north of Great Bridge. In the late 1990s, the Oak Grove Connector extended this roadway to Interstates 64 and 464 to the north. In the Spring 2001, the Chesapeake Expressway was opened from the southern terminus of the Great Bridge By-pass to the North Carolina State Line. These improvements to the transportation network have eased traffic congestion on Battlefield Boulevard.

Chesapeake has been one the fastest growing areas in Hampton Roads for several years. The primary reasons are the abundance of available land for development, the convenience of the city to major employment opportunities, the availability of quality educational opportunities and the overall quality of life.

In summary, the subject market area has experienced substantial growth in recent years. It is proximate to employment and shopping centers, has good transportation linkages and public utilities are available. Land remains available for development, which, combined with the area's growing popularity, bodes well for the market area. Property values are projected to change parallel the regional commercial real estate market and the national economy.

REAL ESTATE ASSESSMENT RATIOS AND PROPERTY TAX RATES

The Office of the Assessor of Real Estate for the City of Chesapeake was consulted to confirm the current tax structure for the city. The city assesses based on a fiscal year which begins July 1 and ends June 30. Properties are assessed at a ratio of 100% of market value and for the 2008-2009 through 2019-2020 fiscal years, the tax rate has been \$1.05 per \$100 of assessed valuation. A summary of the recent real estate assessments and taxes for the subject is below.

448 N. Battlefield Boulevard Chesapeake, Virginia 23320 Tax Parcel #0482001000070			
Year	2017-2018	2018-2019	2019-2020
Land	\$ 157,800	\$ 184,100	\$ 210,400
Improvements	345,200	345,200	346,600
Total	\$ 503,000	\$ 529,300	\$ 557,000
Tax Rate	x 0.0105	x 0.0105	x 0.0105
Taxes	\$ 5,281.50	\$ 5,557.65	\$ 5,848.50

The market value “as is” estimated herein of \$735,000 is greater than the current total assessment of \$557,000. A review of assessments for commercial buildings generally similar to the subject in the City of Chesapeake indicates that the subject is assessed equitably. Assessor’s offices tend to keep assessments equitable within a particular property type. Nonetheless, the potential for an increase in the real estate assessment and, therefore, real estate taxes, exists.

ZONING AND OTHER RESTRICTIONS

The subject property is zoned B-2 (General Business District). The purpose of the B-2 district is to provide standards for retail development throughout the city. A variety of commercial uses are permitted within the B-2 district. Based on a review of the B-2 zoning ordinance and a physical inspection of the property, the subject improvements appear to conform to zoning requirements. The subject property is considered a legal and conforming use herein.

There do not appear to be any private legal or deed restrictions which limit utilization of the subject site. No adverse easements were uncovered that negatively impact the property. The site is encumbered by typical utility easements which serve to benefit the property.

No adverse easements, encroachments or deed restrictions were discovered during the course of our investigation. Typical drainage and utility easements are located on the property which serve to benefit the site. The subject property does not appear to have any adverse environmental factors; however, we are not expert in this field and it is recommended that the client obtain an environmental inspection of the property from a qualified expert, if desired. This analysis assumes that the property is free of significant environmental contamination. The subject falls within the Chesapeake Bay Preservation Area but is not adversely affected by the Chesapeake Bay Preservation Act.

PROPERTY DESCRIPTION

The following property description is based on Information obtained from the City of Chesapeake assessment records, the client and a personal inspection.

Description of Site

Location: 448 N. Battlefield Boulevard
Chesapeake, Virginia 23320

Parcels: One

Size: 10,935 square feet; 0.251 acre

Shape: Generally rectangular in shape with no loss of site utility (see aerial below).

Frontage: Approximately 145' along the west side of N. Battlefield Boulevard

Aerial:



Topography: Level and at street grade

Drainage: Adequate

Access: Average

Visibility: Good

Utilities: All available

Flood Zone: Zone "X", an area of minimal flood hazard. Community Panel 510034-0038D, revised December 16, 2014.

Description of Improvements

Current Use:	Retail Building
Classification:	Average Quality Class "C" (<i>Marshall Valuation Service</i>).
Year Built:	1961, extensively renovated in 2014
Stories:	Two
Building Size:	±3,663 Square Feet - First Floor ±2,791 Square Feet - Second Floor ±6,454 Square Feet Total
Current Occupancy:	100%
Land to Building Ratio:	1.7:1
Parking:	On-site parking is limited with a total of 9 parking spaces.
Exterior Walls:	Masonry block with a stucco veneer on the front facade (new stucco veneer in 2014).
Windows:	Plate glass fixed pane storefront type in aluminum frames.
Roof:	Pitched roof with architectural shingles (new in 2014).
Floors:	Concrete Slab. Floor coverings consist of a mixture of vinyl tile, ceramic tile, composite wood flooring and carpeting.
Walls:	Interior walls reflect a mix of painted drywall, wood paneling and masonry block, with a mix of acoustical tile and painted drywall ceilings and recessed and suspended fluorescent lighting throughout.
HVAC:	Individually metered HVAC units (new HVAC installed in 2014).
Summary:	<p>The subject property was extensively renovated in 2014, which included the addition of the second-floor retail space, a new roof, new HVAC system, new stucco exterior and new interior finishes.</p> <p>The interior finishes are in good condition overall.</p>

Subject Property:



HIGHEST AND BEST USE

The determination of highest and best use is the foundation for valuing all types of real property. "An understanding of market behavior is essential to the concept of highest and best use. Market forces create market value, so the interaction between market forces and highest and best use is of crucial importance. When the purpose of an appraisal is to estimate market value, highest and best use analysis identifies the most profitable, competitive use to which the property can be put. Therefore, highest and best use is a market-driven concept."

Highest and Best Use may be defined as "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."

Source: The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, 2015; Page 109.

The highest and best use of the property is analyzed first, as if vacant, and secondly, as improved. The four criteria studied in estimating the highest and best use of any property are 1) legally permissible, 2) physically possible, 3) financially feasible and 4) maximally productive.

The highest and best use of the subject property (448 N. Battlefield Boulevard), as if vacant, is for commercial development commensurate with the B-2 zoning classification. The subject's current utilization as a retail building is legally permissible, physically possible and conforms to the market area. In addition, the subject improvements were extensively renovated in 2014 and are in good physical condition with substantial remaining economic life. As such, the highest and best use, as improved, is for continued commercial/retail utilization of the existing building improvements.

APPROACHES TO VALUE

The three recognized approaches to estimate the value of real estate are the Cost Approach, the Income Capitalization Approach and the Sales Comparison Approach. The concepts of these approaches are briefly described.

Cost Approach to Value

The first consideration in the appraisal process entails an estimate of the subject's land value. Recent sales, offerings and contracts for similar properties within the area are collected, analyzed and compared to the subject site. This is the comparative approach to valuing land, commonly referred to as the Sales Comparison Approach. A potential purchaser, much like the appraisers, examines sales and listings of similar properties and compares them to the subject. The comparison of sales throughout the market area is the preferred method of valuing land. The advantages and disadvantages of the subject, as compared to the sales, can be identified through this process.

With this in mind, the depreciated cost of the improvements is estimated. This provides an indication of market value by the Cost Approach. The Cost Approach develops an estimate of Replacement Cost New for the improvements using information extracted from the local market and/or a nationally recognized cost index. From cost new figures, estimates of accrued depreciation are deducted. Depreciation is considered from three sources: physical, functional and external.

The Cost Approach is most reliable when dealing with a relatively new or proposed structure. It is less reliable for older, mature properties where numerous items of depreciation are evident.

Income Capitalization Approach to Value

In the Income Capitalization Approach, an analysis of the gross income potential of the subject is made and from the total income, estimates of vacancy, credit loss and annual expenditures are deducted. These expenditures are those typically being the responsibility of the owner or lessor. This results in an estimate of the subject's Net Operating Income.

The resulting Net Operating Income is converted into value by means of the capitalization process. This process uses market-oriented information and results in a value which is considered to be indicative of the marketplace for this type of property. This approach is considered to be reliable in the analysis of income-producing properties because it takes into account the existing and potential income-producing capability of the property.

Sales Comparison Approach to Value

The Sales Comparison Approach, as improved, is an appraisal method in which the estimated market value is predicted based upon prices paid in actual market transactions and current offerings for sale. It is a process of analysis and correlation of similar recently sold properties.

A premise of the Sales Comparison Approach is that the market will determine a price for the property being appraised in the same manner that it determines the prices of comparable, competitive properties. As it relates to real estate, the comparison is applied to the unique characteristics of the economic factors that cause real estate prices to vary.

The reliability of this approach is dependent upon the degree of comparability of the sales to the subject. The elements of comparison are the characteristics of the property and their transactions that cause prices to vary. These elements are property rights, financing terms, conditions of sale, market conditions (time), location, physical characteristics and income characteristics.

Summary

The three approaches are seldom completely independent. An appraisal is composed of a number of integrated, interrelated and inseparable procedures that have a common objective: a convincing, reliable estimate of value. The above described Income and Sales Comparison approaches will be utilized in this appraisal. *The Cost Approach has been omitted from this analysis due to the age of the improvements and the associated difficulty in accurately estimating*

depreciation. This is considered appropriate in this instance due to the fact that investors typically do not rely on the Cost Approach when making buy/sell decisions for this property type.

After the development of each appropriate approach to value, the appraisers must weigh the reliability and accuracy of each method. The final reconciliation places the most credence on the best approach, weighted with the other value indications, to arrive at a final estimate of market value.

INCOME CAPITALIZATION APPROACH TO VALUE

Income-producing real estate is typically purchased as an investment and, from the investor's point of view, earning power is the critical element affecting property value. An investor is, in effect, foregoing a sum of dollars today for the right to receive dollars in the future. The Income Capitalization Approach converts the monetary benefits of income and Reversion into an indication of present value. This approach is the basic tool for the valuation of income-producing real estate because it reflects the investment potential of the property.

The process of estimating anticipated economic benefits from an income-producing property requires estimates of potential revenue less vacancy and credit loss, fixed and operating expenses and the selection of the most appropriate capitalization method.

There are two methods of Capitalization - Direct and Yield. These methods are based on different measures of expected earnings and include different assumptions concerning the relationship between earnings and value. Direct and Yield Capitalization are discussed briefly in the following paragraphs.

Direct Capitalization

Direct Capitalization is a method used to convert an estimate of a single year's net income expectancy or an annual average of several years into an indication of value in one step, either by dividing the income estimate by an appropriate rate or multiplying it by an appropriate factor. The Direct Capitalization formula is:

$$\text{Value} = \text{Income} / \text{Capitalization Rate}$$

The Capitalization Rate or factor is often derived directly from the market. No distinction is made between return on and of invested capital because the method does not simulate investor's assumptions or forecasts concerning the holding period, the pattern of income, or change in the value of the original investment. A satisfactory rate of return for the investor and recapture of the capital invested are implicit in the rates or factors used in Direct Capitalization because they are market derived from similar investment properties.

Yield Capitalization

Yield Capitalization is a method used to convert future benefits to a present value estimate by discounting each future benefit at an appropriate yield rate or by developing an Overall Rate that explicitly reflects the investment's income pattern, value change and yield rate. This method is profit or yield oriented, simulating typical investor assumptions with mathematical procedures that calculate the present value of expected benefits assuming specific profit or yield requirements.

The procedure used to convert periodic income streams and the property Reversion into a present value estimate is known as discounting. The investor's required rate of return is the discount rate. The discounting procedure presumes that the investor will receive a satisfactory return on the investment and complete recovery of the capital invested. The discounting procedure most commonly utilized is the Discounted Cash Flow (DCF) Analysis. A DCF Analysis requires the appraisers to specify the quantity, variability, timing and duration of periodic income and the quantity and timing of Reversion, discounting each to its present value at a specific discount rate.

Direct and Yield Capitalization and Discounting

Direct Capitalization is simply and easily understood. The Capitalization Rate or factor is derived directly from the market and no distinction is made between return on and return of capital. Direct Capitalization does not explain value in terms of specific investor assumptions.

Yield Capitalization, on the other hand, tends to be complex requiring the use of special tables, calculators or computer programs. To select a market-oriented discount rate, market attitudes and expectations must be interpreted. In Yield Capitalization specific investment goals for the return on and of invested capital are considered and simulated with formulas and numerical multipliers or factors that reflect investment expectations. Selecting appropriate discount rates and the need to make numerous assumptions plus forecasting revenue and expenses complicates the process. The subjective assumptions make the analysis more prone to interpretation.

The Income Capitalization Approach need not be limited to a single capitalization method. With adequate information and proper use, Direct and Yield Capitalization methods should produce similar value indications. Both methods are market derived and should reflect a typical investor's view of market value.

Conclusion

With adequate information and proper use, Direct and Yield Capitalization should produce similar value indications. The subject property is 100% occupied by two tenants, including an ownership-entity. As such, the appropriate methodology to employ in the Income Capitalization Approach to Value is Direct Capitalization due to the limited number of tenants, historical stabilized occupancy, and small size of the building. Yield Capitalization is more appropriate for larger, multi-tenant buildings as occupancy levels and rental rates tend to vary over the holding period.

Basis of Financial Analysis

The primary sources of information used in analyzing the subject's income and expenses include the subject's current rent structure and data extracted from competitive properties' income and expense statements and leasing characteristics.

Analysis of Revenue

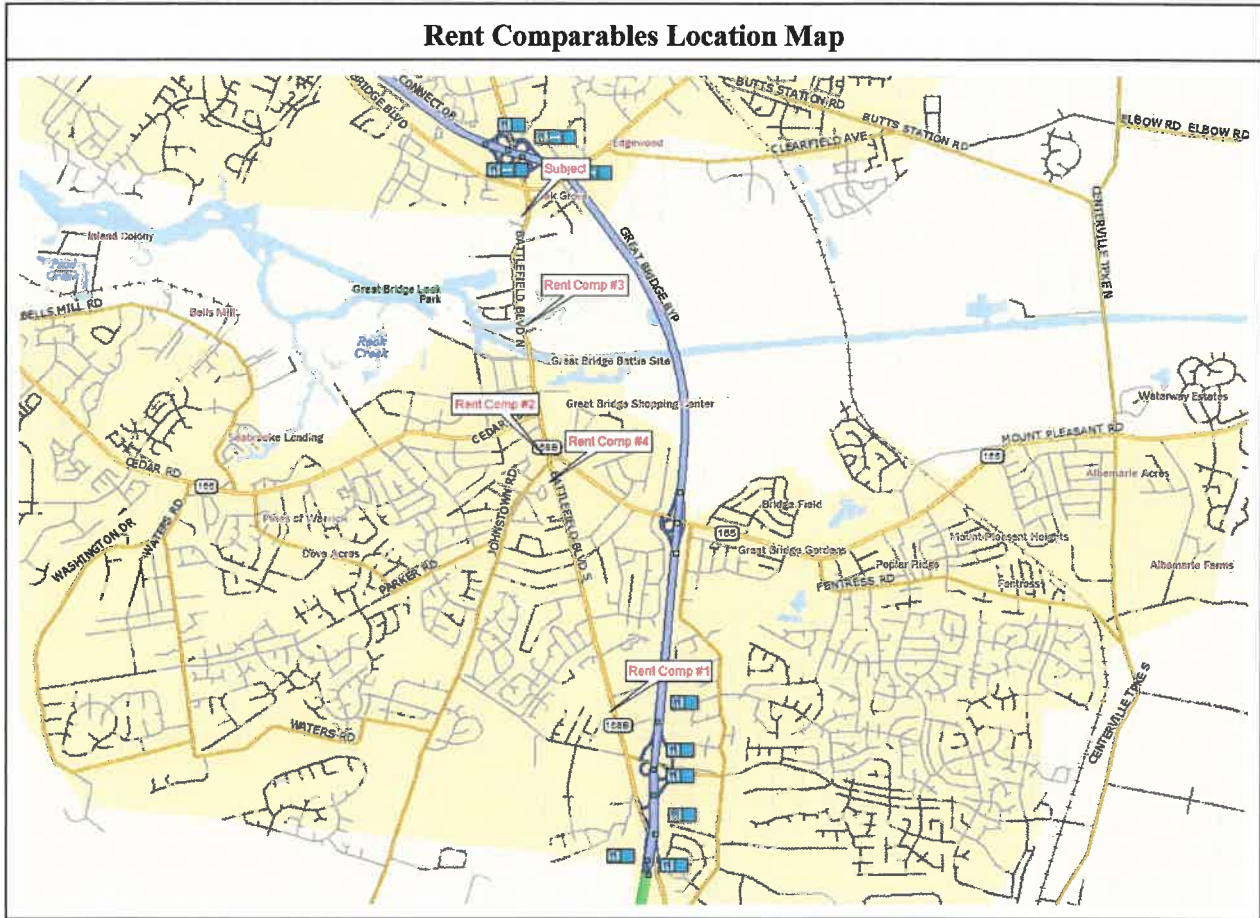
In the case of the subject property, the property rights being appraised are the leased fee interest. The subject building totals ±6,454 square feet and is 100% occupied by two tenants, including an ownership-related entity. Approximately ±5,904 square feet (91%) of first and second floor space is owner-occupied and no lease was provided for this space. The remaining space is leased to one tenant (550 square feet of first floor space), the terms of which are summarized in the following chart.

Lease Summary	
Tenant	Reginald Lionel Woodley
Suite Size	550 SF
Start Date	June 1, 2019
End Date	June 30, 2020
Term	1 Year
Expense Terms	Modified Net (Net electricity, janitorial, interior R&M; Landlord responsible for payment of management, real estate taxes, insurance, water/sewer)
Current Rent	\$27.27/SF (\$15,000 annually)
Renewal Options	One 1-year term with a 3% escalation

The subject lease is structured on a modified net basis, wherein the tenant is responsible for payment of utilities (except water/sewer), interior repairs & maintenance and janitorial expenses. The landlord is responsible for payment of management/administrative expenses, real estate taxes, insurance, water/sewer and structural repairs.

Market Rent Analysis

In forecasting market rent for the subject property, we have reviewed the terms of actual leases and current listings within the competitive market. The rent comparable information garnered from the market is summarized on the Rent Comparable Summary Chart on a following page with photos in the Addendum.



Rent Comparables Summary							
#	Location Year Built	Size (SF)	Status	Rent/SF	Expense Structure	Adj to Mod. Net	Comments
1	920 S. Battlefield Blvd 1997	3,000	Available	\$15.00	NNN	\$17.00	This is the asking rent for retail space in a retail strip center three miles south of the subject.
2	324 S. Battlefield Blvd 1972, Ren 1992	1,150	Available	\$22.00	NNN	\$24.00	Asking rent for available retail space in a strip retail center anchored by a Rite Aid and Taylor's Do It Center, located 1.5 miles south of the subject. This property is superior as it is part of an established shopping center.
3	123 N. Battlefield Blvd 1986	1,650	Available	\$14.00	Mod. Net	\$14.00	Asking rent for retail space in a small strip retail center 1 mile south of the subject.
4	390 S. Battlefield Blvd 1988	2,400	Available	\$20.00	NNN	\$22.00	Asking rent for available retail/commercial space in a 2,400± SF, free-standing, one-story building 1.5 miles south of the subject.

The rent comparables indicate a market range between \$14.00 and \$24.00 per square foot, adjusted to a modified net basis, for similar retail space within the subject's market area. The upper end of the range is set by the asking rent for space in a shopping center anchored by Rite Aid and Taylor's Do It Center (RC #2, \$24.00/SF) and by a free-standing, single-tenant building (RC #4, \$22.00/SF), which are both superior to the subject in appeal. Rent Comparables #1 (\$17.00/SF) and #3 (\$14.00/SF) reflect the asking rents for retail space in small strip retail buildings, most similar in appeal to the subject.

The subject is largely owner-occupied (5,904 square feet, or 91%) with no lease in place. In addition, a significant amount (approximately 50%) of the owner-occupied space is situated on the second floor. Second floor commercial space typically commands a lower rent than first floor retail space. The subject's second floor retail space is accessed via one stairwell and does not have any windows, and as such, a discount of 50% is appropriate and utilized herein. Considering the above, a first-floor market rent of \$17.00 per square foot is estimated for the subject owner-occupied space, which results in an estimated second-floor rent of \$8.50 per square foot (\$17.00 x 50%). This equates to an overall average rent of \$12.75 per square foot

(\$17.00 x 50% + \$8.50 x 50%). Hence, we have estimated market rent for the subject two-story, owner-occupied suite at \$12.75 per square foot, on a modified net basis.

The remaining 550-square foot space is leased at \$27.27 per square foot, modified net, which is somewhat above the range indicated by the market. Given the leased fee nature of this analysis, the contractual terms are utilized herein and the above-market character of this lease will be accounted for in the capitalization rate discussion.

Vacancy and Credit Loss

The overall vacancy rate for the general Hampton Roads retail market was reported in Third Quarter 2019 at approximately 5.1%; however, vacancy within the subject's Great Bridge retail sub-market was reported at a somewhat lower level of 3.3% (CoStar – 3rd Quarter 2019 Retail Market Survey). Based on the above and noting the subject property's two-story character, an overall vacancy allowance of 5.0% is utilized herein. In addition, an allowance for credit loss is prudent. As such, we have estimated a credit loss of 1.0% for the subject. Given the above, a total vacancy and credit loss of 6.0% of potential gross income is estimated.

Effective Gross Income

Based on a 6.0% vacancy and credit loss and potential gross income of \$90,276, vacancy and collection loss is estimated at \$5,417. Effective gross income is estimated at \$84,859 (\$90,276 - \$5,417).

Operating Expenses

The subject is leased on a modified net basis, wherein the tenant is responsible for electricity, gas, telephone, interior repairs & maintenance and janitorial. The landlord is responsible for management/administrative/leasing expenses, real estate taxes, insurance, water/sewer and structural repairs.

Management/Leasing/Administration - The allowance for management of similar retail properties is typically minimal. The tenant is responsible for paying most operating expenses directly, with the owner concerned only with monthly rent collection. Discussions with local informed sources indicate generally that management fees, when provided exclusive of the leasing function, vary widely from 1% to 4% of effective gross income depending upon the number of tenants involved and the type of lease structure. If only one tenant is involved and the lease is triple-net, management fees of 1% to 2% may be appropriate. In the case with several tenants and various pass-through expenses, management fees of 3% to 4% are typical. In cases where the management firm also performs the leasing function, which is most common for small office and retail properties, a combined management and leasing fee of 4% to 8% is typical. General administration (legal, accounting, etc.) typically range between 1% and 2% of effective gross income. In light of the two-tenant character of the property, we have estimated a combined expense of 6% of effective gross income for management and leasing and administration.

Real Estate Taxes -The subject's 2019-2020 tax liability is \$5,558, which is utilized herein.

Insurance - A review of the market indicates insurance expense rates for buildings comparable to the subject typically in the \$0.25 to \$0.40 per square foot range. Hence, we have utilized an insurance expense of \$0.35 per square foot in this analysis.

Water/Sewer - The landlord is responsible for payment of water/sewer, which expense typically ranges from \$0.35 to \$0.75 per square foot. We have utilized a water/sewer expense of \$0.50 per square foot in this analysis.

Reserve for Replacements (Capital Reserves) - The reserve for replacement item is a non-operating expense which is set up to finance replacements of major components over the period of ownership. This fund will allow for replacement, when necessary, of items which the landlord is required to repair. A reserve for replacements of \$0.20 per square foot of building area is expected to be adequate given the subject's age and condition.

Net Operating Income

The preceding income and expense data and assumptions have been incorporated into a Pro-Forma Stabilized Operating Statement below. The indicated effective gross income (after vacancy) is \$84,859. Total operating expenses are estimated at \$17,717, including reserves for replacements. Hence, the Pro-Forma Stabilized Operating Statement reflects a resulting net operating income of \$67,142.

Pro-Forma Operating Statement			
Income	<u>Size</u>	<u>Rent/SF</u>	<u>Annual</u>
Lisa McKinley	550	\$27.27	\$15,000
Owner-Occupied	<u>5,904</u>	<u>\$12.75</u>	<u>\$75,276</u>
	6,454 SF		\$90,276
Gross Potential Income			\$90,276
Vacancy & Credit Loss	6.0%		<u>5,417</u>
Effective Gross Income			\$84,859
Expenses			
Management/Admin	6.0% EGI		\$5,092
Real Estate Taxes	\$0.91 /SF		5,849
Insurance	\$0.35 /SF		2,259
Water/Sewer	\$0.50 /SF		3,227
Reserves for Replacement	<u>\$0.20 /SF</u>		<u>1,291</u>
Total Expenses	\$2.75 /SF		<u>17,717</u>
Net Operating Income			\$67,142

Selection of Capitalization Rate

There are typically two methods of developing an overall rate, market extraction and band of investment.

Market Extraction: In the market extraction technique, an overall rate is estimated for the subject property based on rates calculated for recent sales in the market. The following is a summary of overall rates indicated by recent sales of retail centers in the Hampton Roads area. The retail improved sales reflect overall capitalization rates ranging between 6.7% and 9.5%. The older properties (1977 to 1994) reflect a higher range between 7.5% and 9.5%.

Retail Center Sales				
Center	Sale Date	Consideration	Size/Year Built	OAR
2011 Von Schilling, Newport News	4/19	\$5,900,000	14,850 SF/2017	7.9%
Gallery Shops, 6560 Richmond Rd, JCC	2/19	\$2,200,000	18,486 SF/1987	8.5%
Shoppes at Gloucester, Market Drive	9/18	\$5,215,000	74,863 SF/1994	8.7%
Shops at Norge, JCC	8/18	\$1,875,000	12,998 SF/2006	6.7%
Heritage Square, York County	4/18	\$5,100,000	74,891 SF/1977/78	9.5%
Commonwealth Center, NN	5/18	\$3,550,000	30,279 SF/1989	7.5%
Knells Ridge Plaza, Chesapeake	1/18	\$3,093,000	15,617 SF/1987	8.3%
5720 Hoggard Road, Norfolk	5/17	\$1,240,000	7,181 SF/2007	9.2%

Investor Surveys: We have analyzed surveys of investment criteria and data regarding investments in similar real estate projects. PriceWaterhouseCoopers (*PWC Investor Survey*) publishes investment surveys for property like the subject. Recent indications from the (3rd Quarter 2019) PWC survey have been focused upon. For national strip shopping centers overall rates generally range from 4.5% to 10.0%, with an average of 6.77% in this category for institutional grade properties. Rates for non-institutional grade properties were not reported, however, they typically reflect an additional 150 basis points over institutional grade properties indicating a range from 6.0% to 11.5% with an average of 8.27%.

Mortgage financing is currently available for properties similar to the subject at rates which tend to range between 4.5% and 5.5%. Typically, mortgage terms range from five to 10 years with amortization based on a 15- to 30-year payoff period. A loan-to-value ratio of 65% to 75% is typical of the market at this time. Based on this information, the appraisers assume financing at a 5.0% interest rate, 20-year amortization period and a 70% loan-to-value ratio. That interest rate and terms have been verified as reasonable for a commercial retail property. On this basis, a mortgage constant of 7.92% is indicated.

With a loan-to-value of 70%, there is a remaining 30% not covered by first mortgage financing which normally comes from the equity investor. There is little data published relating to cash flow rates which investors attempt to achieve from their real estate investments. Typically, in periods of higher inflation, investors are willing to accept lower cash flow rates in anticipation of higher yields from increasing rents or proceeds at resale. It is estimated that equity investors would require at least a 9% return for a property such as the subject. Based on the previous information, the Capitalization Rate is structured below.

Band-of-Investment		
Mortgage Debt Service	70% x 0.0792 =	0.0554
Equity Dividend Rate	30% x 0.0900 =	0.0270
Capitalization Rate	Say .. 8.2%	0.0824

The various capitalization rate indicators are summarized below.

Capitalization Rate Summary		
Product Type	OAR Range	Avg
Band-of-Investment	8.2%	
Local Retail Center Sales	7.8% - 9.5%	
Investor Surveys - Institutional - Retail	4.5% - 10.0%	6.77%
Investor Surveys - Non Institutional - Retail	6.0% - 11.5%	8.27%

The subject is largely owner-occupied; however, there is a small, 550-square foot suite leased at an above-market rent. As such, a somewhat higher capitalization rate is appropriate to account for the risk associated with the above-market rent. Considering the particular locational, physical and financial attributes of the subject, and giving particular consideration to the somewhat above-market rent in place for a portion of the subject property, **an overall rate of 9.25% is considered appropriate for the subject property.** When the net operating income of \$67,142 is divided by the Capitalization Rate of 9.25%, a value of \$725,861 results, rounded to \$725,000.

Income Capitalization Approach – Market Value “As Is”\$725,000

SALES COMPARISON APPROACH TO VALUE

The Sales Comparison Approach to value provides another indicator of value. It is based on the assumption that no rational, knowledgeable buyer would pay more for a property than the cost of purchasing a similar substitute, assuming no undue delay. When sufficient market data is available and the comparable sales share a high degree of similarity to the subject, this approach tends to be one of the better indicators of value.

The subject property has been analyzed utilizing the price paid per square foot methodology. In the price per square foot method, adjustments are made on the basis of market indicated differences based on property rights, financing, conditions of sale, market conditions and physical characteristics of the facility.

An extensive search was conducted throughout the Hampton Roads suburban market for properties conveyed which represent similar characteristics to that of the subject property. Four sales have been utilized which are considered most comparable to the subject and reflective of the current market. Pertinent details of these sales are summarized at the top of the Improved Sales Comparison Chart. The relative location of the improved sales and the subject property is presented in the below location map. Further details of each sale as well as a photograph are provided in the Addendum.



Price Per Square Foot Method

Each parcel of real estate is unique because of its fixed location and it is necessary to consider whether or not adjustments are required for the differences. The comparison process requires that consideration be given to financing, conditions of sale, time or market conditions at the time of sale, location, market appeal, age/condition and occupancy.

Explanation of Adjustments

Property Rights

The leased fee interest in the subject property is being appraised and a current market rent was applied to the subject owner-occupied space in the prior Income Approach to Value. The improved sales reflect fee simple transfers or transfers of leased fee interests that were leased at market level rates such that no adjustments for property rights are required. The improved sales reflect leased fee transfers leased at market rents or were purchased for owner-occupancy and are not adjusted.

Financing

Financing at all the improved sales were within market parameters and, as such, no adjustments are required.

Conditions of Sale

The market value definition assumes all transactions are arms-length and no unusual circumstances affected the sale price. The condition surrounding the improved sales are considered arms-length such that no adjustments are deemed necessary

Market Conditions (Time)

The improved sales utilized occurred between September 2017 and January 2019 under market conditions that are equivalent to today and require no adjustments.

Location

The subject is in an appropriate retail location along N. Battlefield Boulevard in the Great Bridge retail submarket, in close proximity to Chesapeake Regional Medical Center and just south of the Great Bridge Bypass. Improved Sale #1 is south of the subject on S. Battlefield Boulevard and reflects a corner parcel with superior frontages, surrounded by somewhat superior commercial development. Hence, Improved Sale #1 is adjusted downward 10%. Improved Sale #2 is on W. Mercury Boulevard in Hampton and is adjusted upward 15% for inferior location appeal compared to the subject's Chesapeake location. Improved Sale #4 is on Pleasure House Road in Virginia Beach in a secondary commercial location inferior to the subject and is adjusted upward 20%. Improved Sale #4 is in an area of inferior location appeal in Portsmouth and is adjusted upward 25%.

Size

Typically, larger size properties sell at lower unit prices than smaller size properties due to economies of scale. The subject building contains approximately ±6,454 square feet. The improved sales range in size from 2,398 to 17,008 square feet and are adjusted accordingly.

Age/Condition/Appeal

The subject improvements were constructed in 1961 and extensively renovated in 2014, reflecting good condition overall. Improved Sale #1 was originally built in 1962 but has since undergone more recent renovations and was similar in overall condition compared to the sale and requires no adjustment. Improved Sale #2, built in 1957, reflects a masonry exterior superior to the subject but is inferior in overall condition and is adjusted upward 15%. Improved Sales #3 and #4, built in 1973 and 1992, respectively, were in fair to average condition at the time of sale and had overall inferior appeal compared to the subject and are adjusted upward 20% and 30%, respectively.

Land-to-Building Ratio

The subject property reflects a land-to-building ratio of 1.7-to-1, with a small on-site parking lot providing limited parking (9 spaces total). The improved sales reflect higher land-to-building ratios of 2.5- to 6.7to-1, with superior on-site parking available, and are adjusted downward accordingly.

Other

The subject property reflects a two-story commercial building. Typically, first floor space is more appealing to tenants and commands higher rents than commercial space situated on upper floors. All of the improved sales reflect one-story commercial properties superior in appeal and are adjusted downward 15% each.

Conclusion

An Improved Sale Comparison chart which summarizes the adjustments is provided below. Prior to adjustments, the sales reflect unit value ranging from \$78.41 to \$263.76 per square foot. After adjustments, the sales reflect unit values ranging from \$104.65 to \$131.88 per square foot, with an average of \$115.45 per square foot. Based on the above discussion, we have estimated a value of \$115.00 per square foot resulting in a value indication of \$742,210 (6,454 SF x \$115.00/SF), rounded to \$740,000.

Sales Comparison Approach to Value\$740,000

Improved Sale Comparison Chart

Sale Number	Subject	1	2	3	4
Location	448 N. Battlefield Chesapeake Retail	213 S. Battlefield Chesapeake Retail	2501 W. Mercury Hampton Retail	2456 Pleasure House Va Beach Retail	2330 Portsmouth Bl Portsmouth Retail
Date of Sale	N/A	May-17	Apr-18	Jan-19	Sep-17
Sales Price	N/A	\$632,500	\$1,625,000	\$500,000	\$550,000
Year Built	1961, Ren.2014	1962	1957	1973	1992
Building Size (SF NRA)	6,454	2,398	17,008	5,733	7,014
Land/Building Ratio	1.7	6.7	2.5	3.2	3.5
Price/SF NRA Bldg Area	N/A	\$263.76	\$95.54	\$87.21	\$78.41
Adjustments for					
Conditions of Sale		0.0%	0.0%	0.0%	0.0%
Property Rights		0.0%	0.0%	0.0%	0.0%
Financing		0.0%	0.0%	0.0%	0.0%
Market Conditions		0.0%	0.0%	0.0%	0.0%
Adjusted Price/SF NRA		\$263.76	\$95.54	\$87.21	\$78.41
Other Adjustments					
Location/Frontage		-10%	15%	20%	25%
Size		-10%	15%	0%	0%
Age/Condition		0%	15%	20%	30%
Lnd/Bldg Ratio		-15%	-5%	-5%	-5%
Other		-15%	-15%	-15%	-15%
Net Adjustment		-50%	25%	20%	35%
Indicated Price/SF NRA		\$131.88	\$119.43	\$104.65	\$105.85
Minimum	\$104.65				
Maximum	\$131.88				
Average	\$115.45				

RECONCILIATION AND FINAL VALUE ESTIMATE

The previous analysis has resulted in the following value indications.

Market Value "As Is" – November 13, 2019

Cost Approach	N/A
Income Capitalization Approach	\$725,000
Sales Comparison Approach.....	\$740,000

Each approach is a comparative analysis of the data in the marketplace which is significant and applicable to the use of the respective approach. The accuracy and reliability of each approach is dependent upon the quality and quantity of the market data available, the type of property being appraised and the definition of market value.

The Cost Approach has been omitted from this analysis due to the age of the subject improvements and the associated difficulty in estimating depreciation. The omission of the Cost Approach is not considered to weaken the reliability of this appraisal because the Cost Approach is typically not relied upon by investors in making buy/sell decisions for properties of the subject's age and overall property type.

The Income Capitalization Approach is typically the preferred approach when dealing with properties which have strong income possibilities. In the marketplace, many properties like the subject are owner-occupied. Nonetheless, the subject property is leased and the appraisers estimated market rents for the subject based upon an analysis of rents from competitive properties. An analysis of the market indicated that the subject is leased within market parameters. Expenses were based on actual operating expenses specific to the subject, data from the appraisers' files and industry standards. In the appraisers' opinion, the value indicated by the Income Capitalization Approach is considered well supported.

The Sales Comparison Approach typically represents the actions of buyers and sellers in the marketplace and is a reliable indicator when the sales are similar to the subject. Sales were analyzed on a price per square foot basis and were considered reasonably similar to the subject property. The value estimated via this approach is considered reasonable and given secondary consideration.

Considering the owner-occupied character of the subject property (91% owner-occupied), somewhat greater consideration is given to the Sales Comparison Approach, supported by the Income Capitalization Approach.

Based on our analysis of the data, subject to the limiting conditions, assumptions and definitions set forth in this report, it is our opinion that the market value "as is" of the leased fee interest in the subject as of November 13, 2019, the date of the last inspection, was:

SEVEN HUNDRED THIRTY-FIVE THOUSAND DOLLARS\$735,000

MARKET EXPOSURE/MARKETING TIME

Based upon the data presented, a reasonable market exposure based on historical trends and the subject's particular attributes including location, physical characteristics, pricing and market conditions, is estimated at approximately 6 to 18 months. Similarly, based on current and anticipated soft market conditions, lack of financing, economic recession, and the subject's particular characteristics, we have estimated a marketing time of 6 to 18 months for the subject property.

ADDENDUM

QUALIFICATIONS

QUALIFICATIONS
David E. Richards, MAI, Principal
Dominion Realty Advisors, Inc.

Experience:

Entered RE appraisal field in 1974 with the City of Waynesboro, Virginia. Entered fee appraisal field in 1978. Active in the appraisal profession as a licensed Certified General Real Estate Appraiser in the Commonwealth of Virginia, #4001-001053, and the State of North Carolina, #A4512.

Education:

Graduate of Christopher Newport College in Newport News, Virginia in December of 1973 with a B.S. in Business Administration.

Appraisal Education:

Successfully completed required courses sponsored by the Appraisal Institute (former American Institute of Real Estate Appraisers) as prerequisites for the MAI designation which was awarded in February 1989.

Continuing education completed includes the following courses/seminars:

- Senior Living - Nursing Home Appraisal - June 2018
- National USPAP Update - February 2018
- Review Theory - General - May 2017
- Fundamentals of Separating Real, Personal Property, and Intangible Business Assets - March 2012
- Discounted Cash Flow Model - November 2010
- Litigation Skills for the Appraiser - October 2010
- Appraising Distressed Commercial RE - April 2009

Memberships:

Member Appraisal Institute (MAI), Continuing Education Requirements Met

General Appraisal Experience:

Adult care facilities, apartments, automobile dealerships, banks, churches, commercial properties including retail and service commercial uses, hotels, golf courses, industrial buildings including mini-warehouses and warehouses, vacant land including commercial, industrial and residential land uses, motels, office buildings, residential dwellings including duplex, single and multi-family dwellings, condominium and townhouse developments, residential subdivisions, restaurants, marinas, service stations, shopping centers and mobile home parks.

COMMONWEALTH of VIRGINIA

Department of Professional and Occupational Regulation
9960 Mayland Drive, Suite 400, Richmond, VA 23235
Telephone: (804) 367-8500

EXPIRES ON
02-29-2020

NUMBER
4001001053

REAL ESTATE APPRAISER BOARD

CERTIFIED GENERAL REAL ESTATE APPRAISER



**DAVID E RICHARDS
115 ALGONQUIN RD
HAMPTON, VA 23661**



Status can be verified at <http://www.dpor.virginia.gov>

Jay W. DeBoer
Jay W. DeBoer Director

(SEE REVERSE SIDE FOR PRIVILEGES AND INSTRUCTIONS)

DPOR-LIC (02/2017)

Qualifications
Bradley R. Sanford, MAI Principal
Dominion Realty Advisors, Inc.

Experience

Real estate appraiser and consultant since 1984. Principal with Dominion Realty Advisors, Inc. since 1992. Valuation and consultation assignments have included most types of real property predominantly in the Mid-Atlantic states including apartment communities, office buildings, medical offices, hotel/motel, retail, drugstores, restaurants, shopping centers, regional malls, industrial facilities, office/warehouse, self-storage, automobile dealerships, shipyards, marinas, mixed-use subdivisions, business parks, golf courses /country clubs, day care, churches, nursing homes, assisted living facilities, psychiatric hospitals, CCRCs, historic buildings, adaptive reuse buildings, schools, and various types of land including agricultural, residential, multi-family, condo, mixed-use, retail, healthcare, recreational, industrial, marina, etc.

In addition to others, featured assignments in Hampton Roads include: Chesapeake Square Mall, Pembroke Mall and Waterside Festival Marketplace; the World Trade Center, Main Street Tower, Dominion Tower office buildings; Heritage at Freemason, The River House, Monticello Town Center, and Christopher Newport University student apartments; East Beach, Ford's Colony, Villages at West Neck, and Bay Creek subdivisions; Sanctuary at False Cape, Pier Pointe, 900 Oceans, Mariner's Mark, and Harbor Heights condominiums; the TPC Virginia Beach, Heron Ridge, Signature at West Neck, Bay Creek, Ford's Colony, Williamsburg CC, James River CC, and Williamsburg National golf courses. Adaptive reuse assignments include The Chamberlin ALF and several office/industrial buildings converted to apartments.

Qualified as an expert witness in the Circuit Courts of Norfolk, Virginia Beach, Chesapeake, Portsmouth, VA, and in U.S. Bankruptcy Court, Norfolk, Newport News, Harrisonburg and Alexandria, VA.

Education

Virginia Polytechnic Institute and State University: Bachelor of Arts - English, 1974

Old Dominion University: Master Business Administration - Finance, 1982

Instructor and Guest Lecturer at Old Dominion University and Virginia Association of Assessing Officers

Appraisal Education

Successfully completed numerous courses and seminars sponsored by the Appraisal Institute, including: Real Estate Appraisal Principles, Valuation Procedures, Residential Valuation, Capitalization Theory and Techniques, Case Studies in Real Estate Valuation, Uniform Standards of Professional Appraisal Practice, Valuation of Nursing Homes, Affordable Housing Valuation, Litigation Skills, Expert Witness Testimony, Condemnation Valuation, Analyzing Operating Expenses, Valuation of Detrimental Conditions, Highest & Best Use Applications, Subdivision Analysis, Advanced Techniques in Investment Feasibility, Valuation of Distressed Commercial Real Estate, among others.

Professional Affiliations

Licensed Certified General Real Estate Appraiser Commonwealth of Virginia -Certification #4001-002032. Licensed Certified General Real Estate Appraiser State of North Carolina - Appraiser Number A6096. MAI Designation, Member Appraisal Institute - currently certified under the Continuing Education Program of the Appraisal Institute. President of the Hampton Roads Chapter of the Appraisal Institute (2008). Chair of the Executive Committee for the E. V. Williams Center for Real Estate and Economic Development (CREED) at Old Dominion University (2009-2011) and current committee member.

Clientele

Local, state and federal agencies, city and county governments and housing authorities, local and national corporations, insurance companies, regional and national banking and financial institutions, accountants, attorneys, developers, investors and private individuals.

COMMONWEALTH of VIRGINIA

Department of Professional and Occupational Regulation

9960 Mayland Drive, Suite 400, Richmond, VA 23233

Telephone: (804) 367-8500

EXPIRES ON

01-31-2021

NUMBER

4001002032

REAL ESTATE APPRAISER BOARD

CERTIFIED GENERAL REAL ESTATE APPRAISER

BRADLEY R SANFORD
1324 CORNWALL PLACE
NORFOLK, VA 23508-0000



Status can be verified at <http://www.dpor.virginia.gov>

Jay A. DeBoer
Jay A. DeBoer, Director

(SEE REVERSE SIDE FOR PRIVILEGES AND INSTRUCTIONS)

DPOR-LIC (02/2017)

Qualifications
Lauren S. Leffler, Associate
Dominion Realty Advisors, Inc.

Experience:

Certified General Real Estate Appraiser concentrating on commercial property valuation. Appraisal assignments include residential, commercial, industrial and other income-producing properties, and vacant land.

Education:

Bachelor of Business Administration, Finance, College of William & Mary, Williamsburg, Virginia - 2006.

Appraisal Education:

Attended the course and successfully passed the following Appraisal Institute examinations:

Basic Appraisal Principles (30 Hours)

Basic Appraisal Procedures (30 Hours)

15-Hour National USPAP Equivalent Course

Real Estate Finance Statistics and Valuation Modeling (15 Hours)

Commercial Real Estate Investing & the Role of the Appraiser (2 Hours)

Business Practices and Ethics (7 Hours)

General Appraiser Sales Comparison Approach (30 Hours)

The Discounted Cash Flow Model: Concepts, Issues and Apps. (7 Hours)

General Appraiser Site Valuation and Cost Approach (30 Hours)

General Appraiser Income Approach/Part I (30 Hours)

General Appraiser Income Approach/Part II (30 Hours)

General Appraiser Market Analysis and Highest & Best Use (30 Hours)

General Appraiser Report Writing and Case Studies (30 Hours)

Advanced Income Capitalization Approach Exam

Advanced Market Analysis and Highest and Best Use Exam

Advanced Concepts and Case Studies Exam

Professional Affiliations:

Licensed as a Certified General Real Estate Appraiser in the Commonwealth of Virginia - Certification #4001-017052. Licensed Certified General Real Estate Appraiser State of North Carolina - Appraiser Number A7983.

Clientele:

Local and state agencies, local and national corporations, insurance companies, regional and national banking and financial institutions, accountants, attorneys, developers, investors and private individuals.

COMMONWEALTH of VIRGINIA

Department of Professional and Occupational Regulation

9960 Mayland Drive, Suite 400, Richmond, VA 23233

Telephone: (804) 367-8500

EXPIRES ON

12-31-2020

NUMBER

4001017052

REAL ESTATE APPRAISER BOARD

CERTIFIED GENERAL REAL ESTATE APPRAISER



LAUREN SANFORD LEFFLER
7404 COLONY POINT ROAD
NORFOLK, VA 23505



Status can be verified at <http://www.dpor.virginia.gov>

W. DeBorja
Jay M. DeBorja, Director

(SEE REVERSE SIDE FOR PRIVILEGES AND INSTRUCTIONS)

DPOR-LIC (02/2017)



LIA Administrators & Insurance Services

**APPRAISAL AND VALUATION
PROFESSIONAL LIABILITY INSURANCE POLICY**



ASPEN

DECLARATIONS

ASPEN SPECIALTY INSURANCE COMPANY
(A stock insurance company herein called the "Company")
175 Capitol Blvd. Suite 100
Rocky Hill, CT 06067

Date Issued	Policy Number	Previous Policy Number
04/09/2019	ASI000290-05	ASI000290-04

THIS IS A CLAIMS MADE AND REPORTED POLICY. COVERAGE IS LIMITED TO LIABILITY FOR ONLY THOSE CLAIMS THAT ARE FIRST MADE AGAINST THE INSURED DURING THE POLICY PERIOD AND THEN REPORTED TO THE COMPANY IN WRITING NO LATER THAN SIXTY (60) DAYS AFTER EXPIRATION OR TERMINATION OF THIS POLICY, OR DURING THE EXTENDED REPORTING PERIOD, IF APPLICABLE, FOR A WRONGFUL ACT COMMITTED ON OR AFTER THE RETROACTIVE DATE AND BEFORE THE END OF THE POLICY PERIOD. PLEASE READ THE POLICY CAREFULLY.

Item

<p>1. Customer ID: 110739 Named Insured: DOMINION REALTY ADVISORS, INC. 5360 Robin Hood Road, Suite 101 Norfolk, VA 23513</p>	<p>Notice to the Insured</p> <p>The insurance policy that you have applied for has been placed with or is being obtained from an insurer approved by the State Corporation Commission as an eligible nonadmitted insurer of the Commonwealth of Virginia. Therefore, you, the policyholder, and persons filing a claim against you are not protected under the Virginia Property and Casualty Insurance Guaranty Association Act (38.2-1600 et seq.) of the code of Virginia against default of the company due to insolvency. In the event of insurance company insolvency, you may be unable to collect any amount owed to you by the company regardless of the terms of this insurance policy, and you may have to pay for any claims made against you.</p> <p>Robert C. Wiley License No.681290 P.O. Box 1319 Santa Barbara, CA 93102 Tel: (800) 334-0652</p>
<p>2. Policy Period: From: 04/10/2019 To: 04/10/2020 12:01 A.M. Standard Time at the address stated in 1 above.</p>	
<p>3. Deductible: \$2,500 Each Claim</p>	
<p>4. Retroactive Date: 04/10/1997</p>	
<p>5. Inception Date: 04/10/2015</p>	
<p>6. Limits of Liability: A. \$1,000,000 Each Claim B. \$2,000,000 Aggregate</p>	
<p>7. Mail all notices, including notice of Claim, to: LIA Administrators & Insurance Services 1600 Anacapa Street Santa Barbara, California 93101 (800) 334-0652; Fax: (805) 962-0652</p>	
<p>8. Annual Premium: \$6,056.00</p>	
<p>9. Forms attached at issue: LIA002S (12/14) ASPCO002 0715 LIA012 (12/14) LIA013 (10/14) LIA018 (10/14) LIA025A (11/14)</p>	

This Declarations Page, together with the completed and signed Policy Application including all attachments and exhibits thereto, and the Policy shall constitute the contract between the Named Insured and the Company.

04/09/2019
Date
LIA-001S (12/14)

By 
Authorized Signature
Aspen Specialty Insurance Company

Appraisal and Valuation Professional Liability Insurance Policy



Named Insured: DOMINION REALTY ADVISORS, INC.

Policy Number: ASI000290-05

Effective Date: 04/10/2019

Customer ID: 110739

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL COVERED APPRAISERS ENDORSEMENT

In consideration of the premium charged, it is agreed that Section IV. DEFINITIONS (I) "Insured" is amended to include:

"Insured" means:

The persons identified below, but only while acting on behalf of the Named Insured:

Name	Coverage Effective Date	Principal/Owner, Appraiser or Trainee
David E. Richards	04/10/2019	Principal/Owner
Bradley R. Sanford	04/10/2019	Principal/Owner
Peter M. McCrary	04/10/2019	Appraiser
David L. Stankus	04/10/2019	Appraiser
Lauren S. Leffler	04/10/2019	Appraiser
Eric C. Richards	04/10/2019	Appraiser
Smith S. Worthy	04/10/2019	Appraiser

All other terms, conditions, and exclusions of this Policy remain unchanged.

Appraisal and Valuation Professional Liability Insurance Policy



Named Insured: DOMINION REALTY ADVISORS, INC.

Policy Number: ASI000290-05

Effective Date: 04/10/2019

Customer ID: 110739

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

COMMERCIAL APPRAISAL ENDORSEMENT

In consideration of the premium charged, it is agreed that the Insureds identified below have been approved by the Company to perform Professional Services involving Commercial Property.

Insured

Effective Date of Approval

David E. Richards
Bradley R. Sanford
Peter M. McCrary
David L. Stankus
Lauren S. Leffler
Smith S. Worthy

04/10/2019
04/10/2019
04/10/2019
04/10/2019
04/10/2019
04/10/2019

Exclusion (N) remains unchanged and effective, however, unless the Insured identified is approved for Professional Services involving undeveloped or vacant land whose proposed use is for multiple unit single-family housing developments, condominium developments, co-operative housing developments or apartment developments consisting of 10 units or more.

All other terms, conditions, and exclusions of this Policy remain unchanged.

ENGAGEMENT LETTER

DOMINION REALTY ADVISORS, INC.

5360 Robin Hood Road, Suite #101, Norfolk, Virginia 23513; Phone: 757-858-1818; Fax: 757-858-1619

**AUTHORIZATION AND AGREEMENT
FOR REAL ESTATE APPRAISAL SERVICES**

Client: Churchland Jewelers and Pawn Shop, Inc.
448 N. Battlefield Boulevard, Suite B
Chesapeake, Virginia 23320
Phone: 757-410-9000
Email: Churchlandpawnychesapeake@yahoo.com

Appraiser: Dominion Realty Advisors, Inc.
Real Estate Appraisers and Consultants
5360 Robin Hood Road, Suite 101
Norfolk, Virginia 23513

The client agrees to employ Dominion Realty Advisors, Inc., to provide an appraisal report on the property referenced below.

Property: Churchland Jewelers and Pawn Shop
448 N. Battlefield Boulevard, Suite B
Chesapeake, Virginia 23320

The purpose of the assignment is to provide an estimate of market value, "as is," of the fee simple estate of the subject property. The appraisal report will set forth the date the property was inspected and the effective date of valuation.

Dominion Realty Advisors, Inc., is prepared to exercise independent judgment and to complete the appraisal in accordance with sound appraisal practice, the Codes of Professional Ethics and Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice.

Our fee to provide an appraisal report on the above-reference property is \$3,000, of which a retainer in the amount of \$1,500 is due (and has been received) upon commencement of the assignment. The balance of the fee of \$1,500 is due upon completion of the assignment. The report will be delivered within 4 weeks from receipt of signed agreement, subject to unforeseen circumstances or conditions beyond the control of Dominion Realty Advisors, Inc.

The concluded valuations and analyses will be the opinion of Dominion Realty Advisors, Inc., and the fee or the payment thereof is in no way contingent upon any particular conclusions. The fee for the assignment is for the service rendered and not necessarily for the time spent on the physical reports.

Churchland Jewelers and Pawn Shop, Inc.
Phone: 757-410-9000


Edward Binett

11/16/19
Date

Dominion Realty Advisors, Inc.
Phone: 757-858-1818


David E. Richards, MAI

Date

FLOOD MAP

DOMINION REALTY ADVISORS, INC.

5360 Robin Hood Road, Suite #101, Norfolk, Virginia 23513; Phone: 757-858-1818; Fax: 757-858-1619

National Flood Hazard Layer FIRMette



36°44'10.86"N

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT



USGS The National Map: Orthoimagery. Data refreshed April, 2019.

36°43'42.03"N

1:6,000

0 250 500 1,000 1,500 2,000 Feet

76°14'5.89"W

Legend

SPECIAL FLOOD HAZARD AREAS

- Without Base Flood Elevation (BFE) Zone A, V, AGG
- With BFE or Depth Zone AE, AO, AH, VE, AR
- Regulatory Floodway

OTHER AREAS OF FLOOD HAZARD

- 0.2% Annual Chance Flood Hazard, Area of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile Zone X
- Future Conditions 1% Annual Chance Flood Hazard Zone X
- Area with Reduced Flood Risk due to Levee. See Notes. Zone X
- Area with Flood Risk due to Levee Zone D

OTHER AREAS

- Area of Minimal Flood Hazard Zone X
- Effective LOWIRs
- Area of Undetermined Flood Hazard Zone X

GENERAL STRUCTURES

- Channel, Culvert, or Storm Sewer
- Levee, Dike, or Floodwall

OTHER FEATURES

- Cross Sections with 1% Annual Chance Water Surface Elevation
- Coastal Transect
- Base Flood Elevation Line (BFE)
- Limit of Study
- Jurisdiction Boundary
- Coastal Transect Baseline
- Profile Baseline
- Hydrographic Feature

MAP PANELS

- Digital Data Available
- No Digital Data Available
- Unmapped

The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.

This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards.

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 11/20/2019 at 10:00:44 AM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

RENT COMPARABLE PHOTOGRAPHS

DOMINION REALTY ADVISORS, INC.

5360 Robin Hood Road, Suite #101, Norfolk, Virginia 23513; Phone: 757-858-1818; Fax: 757-858-1619

RENT COMPARABLES PHOTOGRAPHS



Rent Comparable #1
920 S. Battlefield Blvd



Rent Comparable #2
324 S. Battlefield Blvd



Rent Comparable #3
123 N. Battlefield Blvd



Rent Comparable #4
390 S. Battlefield Blvd

IMPROVED SALES

DOMINION REALTY ADVISORS, INC.

5360 Robin Hood Road, Suite #101, Norfolk, Virginia 23513; Phone: 757-858-1818; Fax: 757-858-1619

IMPROVED SALE #1



Location: 213 S. Battlefield Boulevard
Chesapeake, VA
DRA File #: 467-19
Tax Map Number: 0481004000010
Grantor: Fairfax Sixplex, LLC
Grantee: Romero Enterprises, LLC
Date Recorded: May 2, 2017
Reference: 9782, Page 942
Consideration: \$632,500
Financing: Market Terms Assumed
Net Rentable Area (NRA): 2,398 Square Feet
Year Built: 1962
Land Area: 0.37 Acre; 16,117 Square Feet
Price Per Square Foot: \$263.76
Verification: Municipal Records and CoStar

Comments: This reflects the sale of a free-standing retail building on S. Battlefield Boulevard in Chesapeake, Virginia. The building was vacant at the time of sale, however, the buyer had secured a lease with a cellular phone provider prior to closing.

IMPROVED SALE #2



Location: 2501 W. Mercury Boulevard
Hampton, Virginia

DRA File #: 467-19

Tax Map Number: 3003437

Grantor: Gerry and Donna Wilkins, LLC

Grantee: Xiao Min Lu

Date Recorded: April 11, 2018

Deed Book: 18-0004283

Consideration: \$1,625,000

Financing: Market Terms Assumed

Net Rentable Area (NRA): 17,008 Square Feet

Year Built: 1957

Land Area: 0.99 Acre

Effective Gross Income: \$181,640 (\$10.68/SF)

Operating Expenses: \$28,979 (16%; \$1.70/SF)

Net Operating Income: \$152,661 (\$8.98/SF)

EGIM: 8.9

Overall Rate: 9.4%

Price Per Square Foot: \$95.54

Verification: Public Records, Grantee and Sales Broker

Comments: This is the sale of a 17,008-square foot, strip retail center on W. Mercury Boulevard in Hampton. The center was 86% leased at the time of sale. Capitalizing the income in place results in an indicated cap rate of 9.4%.

IMPROVED SALE #3



Location:	2456 Pleasure House Road Virginia Beach, Virginia
DRA File #:	467-19
Parcel Number:	1570-50-2959
Grantor:	Janmar Props LLC
Grantee:	Beery Ventures LLC
Date Recorded:	January 31, 2019
Reference:	20190131000080940
Consideration:	\$500,000
Financing:	Market Terms Assumed
Net Rentable Area (NRA):	5,733 Square Feet
Year Built:	1973
Land Area:	0.42 Acre
Zoning:	B-2, Community Business District
Price Per Square Foot:	\$87.21
Verification:	Municipal Records, CoStar

Comments: This reflects the sale of a free-standing, multi-tenant retail building in overall average condition located in the Chesapeake Beach area of Virginia Beach.

IMPROVED SALE #4



Location:	2330 Portsmouth Boulevard Portsmouth, Virginia
DRA File #:	467-19
Parcel Number:	02000011
Grantor:	Kebco Enterprises Inc.
Grantee:	Beauty Master Inc
Date Recorded:	September 11, 2017
Reference:	170008783
Consideration:	\$550,000
Financing:	Market Terms Assumed
Net Rentable Area (NRA):	7,014 Square Feet
Year Built:	1992
Land Area:	0.569 Acre
Zoning:	HLB, Historic Limited Business District
Price Per Square Foot:	\$78.41
Verification:	Municipal Records, CoStar

Comments: This reflects the sale of a free-standing retail building in overall average condition that was purchased by the tenant.

PROPERTY PHOTOGRAPHS

DOMINION REALTY ADVISORS, INC.

5360 Robin Hood Road, Suite #101, Norfolk, Virginia 23513; Phone: 757-858-1818; Fax: 757-858-1619

SUBJECT PHOTOGRAPHS
448 N. Battlefield Boulevard, Chesapeake, VA



Haygood Executive Park Entrance



Haygood Executive Park Entrance



Exterior



Exterior



Exterior



Exterior

SUBJECT PHOTOGRAPHS
448 N. Battlefield Boulevard, Chesapeake, VA



ypical Interior



Typical Interior



Typical Interior



Typical Interior



Typical Interior



Typical Interior

SUBJECT PHOTOGRAPHS
448 N. Battlefield Boulevard, Chesapeake, VA



Typical Interior

Typical Interior



Typical Interior

Typical Interior



Typical Interior

Typical Interior

SUBJECT PHOTOGRAPHS
448 N. Battlefield Boulevard, Chesapeake, VA



Interior



Typical Interior



Interior