



Dominion Realty Advisors, Inc.
Real Estate Appraisers and Consultants

July 28, 2020

Cheryl Holloway
441 Washington Street, LLC
1729 Royal Park Court
Virginia Beach, Virginia 23454
Email: Hollowaysells2020@gmail.com

Reference: *Appraisal Report*
441 Washington Street (±6,054 Square Feet NRA)
Portsmouth, Virginia 23704
(DRA File #258-20)

Dear Reader:

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 fee simple estate of the subject property.

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) and the requirements of the Interagency Appraisal and Evaluation Guidelines.

The subject of this report is an existing ±6,054-square foot (NRA) Class B office building constructed in 1891, with extensive renovations/restoration in 2006, on a ±0.139-acre site in the Olde Towne Historic District of downtown Portsmouth. The subject property has a physical address of 441 Washington Street, Portsmouth, Virginia and is further identified by the Portsmouth Real Estate Assessor's Office as parcel number 00120841.

Based on our analysis of the data, subject to the assumptions and limiting conditions set forth in the attached report, it is our opinion that the Market Value "As Is" of the fee simple estate of the subject property, as of July 23, 2020 was as follows:

SIX HUNDRED EIGHTY THOUSAND DOLLARS \$680,000

This letter must remain attached to the report, which contains 46 pages plus related exhibits in order for the value opinion set forth to be considered valid.

The recent global outbreak of Covid-19, a novel corona virus, has been declared a pandemic by the World Health Organization (WHO). It is not currently clear what direct or indirect effect this event may have on the national economy, the local economy, the market in which the subject property is located, or the subject property type. The reader is cautioned that the conclusions presented in this appraisal report apply only as of the effective date(s) of value indicated.

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

DOMINION REALTY ADVISORS, INC.
Real Estate Appraisers and Consultants



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**REAL ESTATE
APPRAISAL REPORT**

OF

441 WASHINGTON STREET
Portsmouth, Virginia 23704
(DRA File #258-20)



Prepared By:

Dominion Realty Advisors, Inc.
5360 Robin Hood Road, Suite 101
Norfolk, Virginia 23513

David E. Richards, MAI
Smith S. Worthy, MAI

EXECUTIVE SUMMARY

DRA File #: 258-20

Property Location: 441 Washington Street
Portsmouth, Virginia 23704

Parcel Number: 00120841

Owner of Record: 441 Washington Street, LLC

Date of Valuation: July 23, 2020

Property Rights Appraised: Fee Simple Estate

Census Tract Number: 2109.00

Flood Zone: Zone "AE" (Community Panel 515529-0083D, August 3, 2015).

Drainage: Served by municipal storm sewer system and appears adequate.

Access: Average

Visibility: Good

Zoning: HLO, Historic Limited Office District

Improvements Description: The subject of this report is an existing $\pm 6,054$ -square foot (NRA) Class B office building constructed in 1891, with extensive renovations/restoration in 2006, on a ± 0.139 -acre site in the Olde Towne Historic District of Downtown Portsmouth. The subject property has a physical address of 441 Washington Street, Portsmouth, Virginia and is further identified by the Portsmouth Real Estate Assessor's Office as parcel number 00120841.

Land Size: ± 0.139 acre (per city assessment records)

Occupancy: Vacant

Highest and Best Use
As Vacant: Office development.
As Improved: Continued utilization as an office building.

**Executive Summary
(Continued)**

Tax Map:



Subject Property:



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PURPOSE OF THE APPRAISAL

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

INTENDED USE AND USER OF THE APPRAISAL

The intended use of this appraisal is to assist the client in internal decision making. The client engaging Dominion Realty Advisors, Inc. is Cheryl Holloway, who is also the intended user of this report. Dominion Realty Advisors, Inc. has been retained by Cheryl Holloway by letter of engagement dated July 15, 2020. A copy of this correspondence is provided 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.

The appraisers have inspected the subject property and properties similar to the subject 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.

The most pertinent of 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 is being appraised on an "as is" basis, as of July 23, 2020, the date of our inspection. 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 C.F.R., Part 34.42 (g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994 as follows:

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

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

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 fee simple estate of the subject property with no encumbrances that cannot be cleared through normal channels.

DESCRIPTION FOR IDENTIFICATION

The subject of this report is an existing ±6,054-square foot (NRA) Class B office building constructed in 1891 as a school, with extensive renovations/restoration in 2006, on a ±0.139-acre site in the Olde Towne Historic District of Downtown Portsmouth. The subject property has a physical address of 441 Washington Street, Portsmouth, Virginia and is further identified by the Portsmouth Real Estate Assessor’s Office as parcel number 00120841. Specifics of the site and the improvements will be detailed later in the Property Description section of this report. The subject’s legal description is Parcel B.

OWNERSHIP

There has been no change in ownership entity for the past three years. Ownership of the subject property is vested in the name of 441 Washington Street, LLC. The current owners purchased the subject from the City of Portsmouth in 2005 for \$25,000. The building had been vacant since the school closed its doors in 1991. The owners then invested approximately \$750,000 in extensive renovations/restoration of the building and re-purposing it for office use. The subject has been on the market for about 2 years with an original asking price of \$875,000. The price has been reduced several times and to the last listing at \$775,000.

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.
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. This report has not considered this act and the impact it may have on the subject with respect to general compliance and renovation costs. 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, impartial, and 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 property or parties involved.
4. Neither our engagement nor our compensation is 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 directly related to the intended use of this appraisal.
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 Uniform 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 has completed the requirements under the continuing education program of the Appraisal Institute.
8. As of the date of this report, Smith S. Worthy, MAI has completed the requirements under the continuing education program of the Appraisal Institute.
9. David E. Richards, MAI and Smith S. Worthy, MAI have made a personal inspection of the property that is the subject of this report. David E. Richards' inspection was of the exterior only.
10. 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.
11. The appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
12. 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

**CERTIFICATION
(Continued)**

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.

13. Within the prior three years, David E. Richards, MAI , Smith S, Worthy, MAI, or any other appraiser with Dominion Realty Advisors, Inc., have not provided any appraisal services or any other services in any capacity whatsoever regarding the subject property.

Based on our analysis of the data, subject to the assumptions and limiting conditions set forth in the attached report, it is our opinion that the Market Value "As Is" of the fee simple estate of the subject property, as of July 23, 2020, was as follows:

SIX HUNDRED EIGHTY THOUSAND DOLLARS.. \$680,000

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



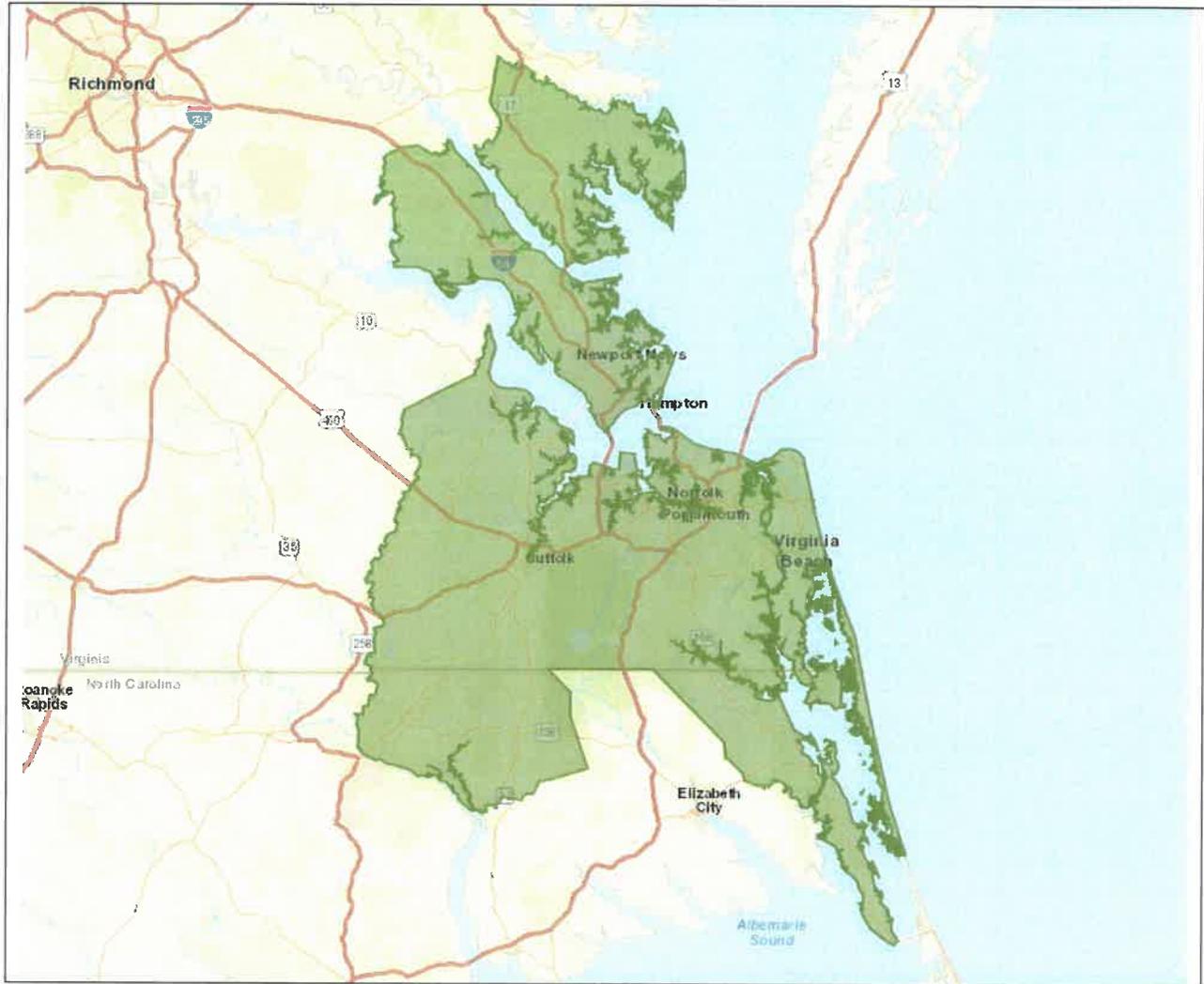
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REGIONAL ANALYSIS

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



OVERVIEW

The U.S. Bureau of the Census refers to the Hampton Roads region as the Virginia Beach-Norfolk-Newport News, VA-NC Metropolitan Statistical Area (MSA) that contains sixteen municipalities (fourteen in Virginia and two in North Carolina). The municipalities included in the MSA are as follows: in Virginia, Chesapeake City, Gloucester County, Hampton City, Isle of Wight County, James City County, Mathews County, Newport News City, Norfolk City, Poquoson City, Portsmouth City, Suffolk City, Virginia Beach City, Williamsburg City, and York County; and, in North Carolina, Currituck County and Gates County.

The Virginia Beach-Norfolk-Newport News MSA, commonly referred to as the Hampton Roads MSA, is the 37th largest in the United States and the second largest behind Charlotte, North Carolina, between Washington, D.C. and Atlanta, Georgia, maintaining a firm position within the top 50 MSAs in the United States. The MSA is currently the ninth largest MSA amongst the southeastern United States and is noted to be the fourth largest consumer market between Washington, D.C. and Atlanta, GA. Hampton Roads' position within the top 50 MSAs throughout the country provides the region with greater exposure to companies that are looking to expand, invest, relocate, or start a new business venture.

The Hampton Roads region has had a long and vibrant history. Prior to the discovery of the new world, the region was occupied by the Kecoughtan, one of the Algonquian tribes that inhabited the Atlantic Coast and northern regions of North America. The Virginia Peninsula and the Chesapeake Bay was first discovered by Spanish explorers in the early sixteenth century. Although the Spanish attempted to settle the area, the first permanent settlement did not occur until 1607 with the establishment of the Jamestown Colony on the northern banks of the James River by the Virginia Company. Point Comfort a point of land in what is now the City of Hampton where the James, Elizabeth, and Nansemond rivers meet. The early colonists saw this as a strategic location because of its defensive location at the entrance to the body of water which is now known as Hampton Roads. Point Comfort witnessed the first steps of the English settlers to the new world in 1607 and the first steps of the first African slaves, twelve years later. Since that time, the region has witnessed firsthand many important events in the history of the United States.

Hampton Roads harbor, at the mouth of the James River on the Chesapeake Bay, has developed into one of the most significant shipping and naval centers in the world. The Hampton Roads region boasts the world's largest naval base and the country's largest concentration of shipyards. It is also home to the world's largest ice-free harbor and the second busiest port on the East Coast of the United States.

The James River divides the MSA into two sections. The northern section is known as the *Peninsula*, and the southern section is referred to as *the Southside* (Currituck County, North Carolina is not generally included in the Southside). The Southside has an area of 2,247 square miles and the Southside has an area of 699 square miles. Combined with the counties in North Carolina, the MSA encompasses 3,264 square miles.

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.

The Hampton Roads area 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 ± 87.9 °F whereas January is the coldest month with an average of ± 30.9 °F. Average annual rainfall is ± 47.1 inches distributed throughout the year, but with maximum amounts typically falling in late summer. Snowfall precipitation, within the region, on average totals ± 6.3 inches. On average, the Virginia Beach-Norfolk-Newport News MSA enjoys ± 212 sunny days per year.

POPULATION

Population trends in the MSA have illustrated a pattern of continual growth during the past half century. In 1950 the U.S. Census reported that the population in the Hampton Roads region was 417,634. Between 1950 and 1960 the population grew at a compound annual rate of 5.7% to 726,643. Between 1960 and 1970 the population grew at a compound annual rate of 3.8% to 1,195,955. This period of high population growth was due mostly to the influx of military personal and increased development at the Port of Hampton Roads. The compound annual rate of population growth between 1970 and 1980 was 1.3%, and between 1980 and 1990 was 1.8%. Between 1990 and 2000 the population grew at an annual rate of 0.8%, and between 2000 and 2010 grew at an annual rate of 0.6% to 1,676,822. Between 2010 and 2019, the population has grown an annual rate of 0.6% to 1,771,431. The 2024 population is forecast to grow 1.82 million, reflecting an annual growth rate of 0.55%.

As illustrated in the following chart, the MSA had a compound annual growth rate of 0.6% between the 2000 and 2010 Census and 0.6% between 2010 and 2019. Although population growth has slowed in recent decades, the region continues to be one of the fastest growing areas in the state and the nation. Overall, the compound annual growth rate for the region between 1950 and 2010 was 2.3%.

Population Trends in the MSA, Virginia, and the Nation

Municipality	2000 Census	2010 Census	2018 Estimates	Annual Rate 2000-2010	Annual Rate 2010-2018	2023 Projected Population
Hampton Roads MSA	1,580,387	1,676,822	1,773,133	0.6%	0.6%	1,829,535
Virginia	7,078,515	8,001,024	8,566,397	1.3%	1.0%	8,929,882
United States	281,421,906	308,745,538	330,088,686	1.0%	0.9%	358,471,000

Source: U.S. Census Bureau: Population Estimates

The following chart provides a comparison of the population trends experienced throughout the MSA as illustrated by the 2000 and 2010 Census collections, including current estimates.

Population Trends in Hampton Roads

Location	2000 Census	2010 Census	2018 Estimates	% Change 2000-2010	% Change 2010-2018	2023 Estimate	% Change 2018-2023
Currituck Cnty NC	18,190	23,547	27,338	29.5%	16.1%	30,007	9.8%
Gates County NC	10,516	12,197	11,846	16.0%	-2.9%	11,525	-2.7%
Chesapeake City	199,184	222,209	246,615	11.6%	11.0%	262,063	6.3%
Gloucester County	34,780	36,858	39,399	6.0%	6.9%	40,934	2.5%
Hampton City	146,437	137,436	137,048	-6.2%	0.0%	134,798	-1.6%
Isle of Wight Cnty	29,728	35,270	38,020	18.6%	7.8%	39,941	5.0%
James City County	48,102	67,009	77,427	39.3%	15.5%	84,624	9.3%
Mathews County	9,207	8,978	8,815	-2.5%	-1.8%	8,633	-2.0%
Newport News City	180,697	180,787	187,396	0.0%	3.7%	190,504	1.7%
Norfolk City	234,403	242,803	249,9543	3.6%	3.0%	253,305	1.3%
Poquoson City	11,566	12,150	12,275	5.1%	1.0%	12,256	0.0%
Portsmouth City	100,565	95,535	96,161	-5.0%	0.7%	95,391	-0.1%
Suffolk City	63,677	84,585	94,678	32.8%	11.9%	102,096	7.8%
Virginia Beach City	425,257	437,994	461,588	3.0%	5.4%	475,672	3.0%
Williamsburg City	11,998	14,068	15,108	17.3%	7.4%	15,676	3.8%
York County	56,297	65,464	69,465	16.3%	6.1%	72,457	4.3%
Total MSA	1,580,057	1,676,822	1,773,133	6.1%	5.7%	1,829,882	3.2%
Virginia	7,078,515	8,001,024	8,566,397	13.0%	7.1%	8,926,740	4.2%
United States	281,421,906	308,745,538	330,088,686	9.7%	6.9%	343,954,683	4.2%

Source: Site to Do Business

Virginia Beach, the second largest locality in Virginia, is the biggest municipality within the MSA with a population estimate of 461,588 in 2018. The smallest county in the MSA, per size of population, is Mathews County with an estimate of 9,207 in 2018.

In Hampton Roads, as with other MSAs across the nation, shifts in population growth patterns tend to favor the suburbs and outlying areas at the expense of older urban areas. This shift of population from the urban core areas into the outlying suburbs has a significant effect on employment and other

aspects of municipal health. This trend is evident in the Hampton Roads area as population growth has slowed or stopped in urban areas, such as Hampton and Portsmouth, and has accelerated significantly in outlying areas, such as the cities of Chesapeake, Virginia Beach and Suffolk on the Southside and the counties of James City and York on the Peninsula.

MEDIAN HOUSEHOLD INCOME

The ability of a given population within some definable market area to satisfy its material desires is important in real estate analysis. Total median household income for the Hampton Roads MSA is shown in the following table.

Median Household Income Trends in Hampton Roads

Location	2018 Estimates	2023 Estimates	% Change 2018–2023
Currituck Cnty NC	\$60,764	\$66,142	8.1%
Gates County NC	\$50,865	\$57,336	11.3%
Chesapeake City	\$75,278	\$82,224	8.4%
Gloucester County	\$64,205	\$74,383	13.7%
Hampton City	\$52,610	\$57,850	9.1%
Isle of Wight Cnty	\$71,043	\$80,989	12.3%
James City County	\$83,244	\$96,788	14.0%
Mathews County	\$62,548	\$75,381	17.0%
Newport News City	\$52,373	\$57,507	8.9%
Norfolk City	\$45,971	\$52,110	11.8%
Poquoson City	\$86,126	\$96,741	11.0%
Portsmouth City	\$47,915	\$52,849	9.3%
Suffolk City	\$69,102	\$78,250	11.7%
Virginia Beach City	\$69,775	\$78,113	10.7%
Williamsburg City	\$51,433	\$59,457	13.5%
York County	\$87,677	\$98,150	10.7%
Total MSA	\$61,617	\$70,277	12.2%
Virginia	\$68,682	\$78,884	14.9%
United States	\$58,100	\$65,727	13.1%

Source: Site to Do Business

The median household income for the Hampton Roads MSA is expected to increase 12.2% over the next five years, or at an annual rate of 2.67%. In comparison, median household income for the State of Virginia is forecast to increase at an annual rate of about 2.8% and the United States at about 2.5%.

TRANSPORTATION

Highways

Hampton Roads is at the eastern terminus of Interstate 64 that provides access to Richmond, the state capital, and points west. U.S. Routes 60, 460, and 58 are important east–west highways that provide access to other areas within Virginia and to the primary north–south linkages of Interstates 95 and 85. Additional north–south highways include U.S. Route 17, which runs along the eastern seaboard and connects Hampton Roads to communities in the northern parts of Virginia, and U.S. Route 13 (the "Ocean Highway"), which connects the Eastern Shore of Virginia with the mainland via the Chesapeake Bay Bridge–Tunnel. Many interconnecting primary state highways supplement these major routes.

There are three major water crossings connecting the Southside and Peninsula within the MSA. The James River Bridge and the Hampton Roads Bridge-Tunnel (Interstate 64) link the Peninsula and the Southside areas of the MSA. The Monitor-Merrimac Bridge-Tunnel and Interstate 664 connects the central MSA municipalities of Chesapeake and Suffolk to Newport News, Norfolk, and Hampton. In addition, construction is scheduled to begin in late 2019 on a project to expand the Hampton Roads Bridge-Tunnel and to increase the lane capacity on I-64 from I-664 to I-564, with completion in 2024. This interstate system forms an important beltway around Hampton Roads providing a convenient access to municipalities that were previously more isolated from the more populous areas of the MSA.

Hampton Roads enjoys easy access to six of the country's ten largest population centers, all within 750 miles. Excellent interstate and state highway systems, coupled with the third busiest cargo port on the eastern seaboard, make the area a natural choice for many of the nation's busy freight companies. Over 100 truck carriers operate within the MSA and rely heavily on the region's modern highway system for their distribution of goods to and from points throughout the United States.

The Port

The Port of Hampton Roads includes the Newport News Marine Terminal (NNMT), Norfolk International Terminals (NIT), the Portsmouth Marine Terminal (PMT), Virginia International Gateway (VIG), the Virginia Inland Port (VIP in Front Royal) and the Richmond Marine Terminal (RMT). The Port of Hampton Roads boasts the best natural harbor on the East Coast of the United States. The harbor is ±55 feet deep and maintains an unobstructed channel ideal for even the largest container ships. The Port is the only U.S. port on the East Coast with Congressional authorization for 55-foot depth channels. Located 18 miles from the open sea, it takes 2.5 hours for a large vessel to reach the open sea, significantly less time than that of its nearest competitor, the Port of Baltimore.

The port is estimated to generate more than 374,000 jobs and \$60 billion in total economic impact throughout the Commonwealth. In addition to the terminals noted above, there are plans to develop an expanded portion of approximately 600 acres in Portsmouth. Once complete, it would nearly double cargo capacity for the Port of Virginia.

Port of Virginia Cargo

Category	FY 2018	% Change 2017–2018
Total TEUs	2,885,904	4.5%
Total Containers	1,612,886	3.0%
Total Rail Containers	559,307	-1.7%
Total Truck Containers	995,003	4.7%
RMT Barge Containers	27,626	22.8%

Source: Port of Virginia Annual Report

The Port also supports one passenger cruise terminal. The \$37 million Half Moone Cruise and Celebration Center was constructed in 2007 and is an 80,000 square foot state of the art terminal adjacent to the Nauticus Maritime Museum in Norfolk. The terminal was the first in the United States to fully comply with the new Homeland Security Standards. The center contains approximately 54,000 square feet of convention space (900 persons sit down). Royal Caribbean and Carnival Cruise lines were active at the terminal off and on at the terminal from 2010, but due to deployment changes were dropped for a time. Carnival has resumed offering cruises in 2019 and other cruise lines are scheduled to make port-of-call visits to Norfolk in 2019 and 2020.

Rail

Railroads are another important transportation component benefitting the MSA. Commodities can reach every major distribution center east of the Mississippi via a one-line haul. Norfolk handles the greatest volume of freight transportation in the metropolitan area and is the eastern terminus for the Norfolk Southern Railroad, running east west through Virginia and connecting with the industrial centers of the Midwest. CSX Transportation Inc., headquartered in Jacksonville, Florida, has facilities in Newport News, Norfolk, and Portsmouth and operates train service via 23,000 miles of tracks within 23-states and two Canadian provinces. CSX's railroads and its barge line, American Commercial Lines, lead the transportation industry in hauling coal, which accounts for the vast majority of the rail freight carried in Virginia. Combining the tracks owned and operated by the Norfolk Southern Railroad and CSX Transportation with the smaller short-line partners, including Eastern Shore Railroad, Inc. and Chesapeake & Albemarle Railroad Company, the total land distance accessible from Hampton Roads equals ±39,600 miles.

Norfolk Southern Corporation is the parent company of the Norfolk and Western Railway, Southern Railway and North American Van Lines, Inc. Its system serves 22 states in the Southeast, Midwest, and Ontario, Canada, operates on 21,500 miles of track, provides service at 20 ports and connects its customers to markets around the world. Norfolk and Western operates the Lambert's Point coal handling complex on the banks of the Elizabeth River in Norfolk.

CSX Transportation and Norfolk Southern jointly own the Norfolk and Portsmouth Beltline Railroads. This beltline connects all rail lines entering Norfolk, Portsmouth, Chesapeake, and Newport News.

Amtrak provides passenger rail service from its terminals on Warwick Boulevard in Newport News and at Harbor Park in Norfolk.

The first light rail system in Virginia was constructed in 2011 by the Hampton Roads Transit Authority in Norfolk. Called “The Tide,” this system extends 7.4 miles on an east to west alignment from the Eastern Virginia Medical Center through downtown Norfolk, continuing along the Norfolk Southern right-of-way, adjacent to I-264, to Newtown Road at the border with Virginia Beach. This light rail system cost an estimated \$232 million. Eleven stations are along the route with four park and ride locations that provide access to major areas such as Norfolk State University, Tidewater Community College (Norfolk Campus), Harbor Park, City Hall, MacArthur Center, and the Sentara Norfolk General Hospital. The Tide began operation on August 19, 2011.

Air

There are two commercial airports servicing the Virginia Beach-Norfolk-Newport News MSA: Norfolk International Airport and Newport News/Williamsburg International Airport. Norfolk International is the largest airport serving Hampton Roads and the surrounding regions. These airports provide air service for approximately four million passengers annually. In addition to the regional airports, there are two privately owned airports: Chesapeake Regional Airport and Hampton Roads Executive Airport, and two municipal fields, Suffolk Municipal Airport, and Williamsburg-Jamestown Airport.

EMPLOYMENT

Distribution of employment by sector reflects the area’s economic character. Employment by industry for the region is shown in the following table.

Employment by Industry - MSA

Industry	2018	%
Agriculture/Mining	4,096	0.5%
Construction	55,711	6.8%
Manufacturing	69,639	8.5%
Wholesale Trad	15,566	1.9%
Retail Trade	94,217	11.5%
Transportation/Utilities	36,048	4.4%
Information	12,289	1.5%
Finance, Insurance, Real Estate	46,699	5.7%
Services	412,917	50.4%
Public Administration	72,097	8.8%
Total	819,279	100.0%

Source: Site to Do Business

Traditionally, the area’s dominant industries have been shipbuilding and repair, the military, port activities, agriculture and tourism. However, in the past two decades, the region has grown into a focal point on the East Coast for financial firms, distribution companies, telemarketing, and customer service operations. Nonetheless, the government sector is a major employer of the workforce. Hampton Roads has numerous military installations which include the Norfolk Naval Base, Joint Expeditionary Base Little Creek-Fort Story, the Naval Air Station-Oceana, Norfolk

Naval Shipyard, Naval Medical Center Portsmouth, Naval Weapons Station-Yorktown, Langley Air Force Base, Fort Eustis Army Base, and several other smaller installations. The region has the highest military concentration in the nation and the largest naval installation in the world (Naval Station Norfolk), as well as the country's largest concentration of shipyards. The concentration creates jobs beyond the soldiers and sailors. Historically, the government segment has had a strong, stabilizing influence on Hampton Roads due to the many military installations in the area.

Base Realignment and Closure Commission (BRAC)

On November 8, 2005, Congress accepted the Base Realignment and Closure Commission's recommendations for reshaping the Defense Department's infrastructure. The 2005 BRAC recommendations were the most aggressive proposed by the Commission since its formation in 1990, per the Defense Base Closure and Realignment Act of 1990 (P.L. 101-510). Approximately 800 installations were affected by the 2005 recommendations. This includes 22 installations in Virginia, of which 10 are in the Hampton Roads MSA.

Of the 10 military installations in the MSA, only Fort Monroe, in the City of Hampton, was closed. Four installations were realigned: Fort Eustis, Naval Air Station Oceana, Naval Medical Center Portsmouth, and the Naval Weapons Station Yorktown. The remaining five facilities, Langley Air Force Base, Naval Amphibious Base Little Creek, and the Naval Shipyard, Station and Support Activity in Norfolk, received economic gain due to BRAC's recommendations.

Naval Air Station-Oceana is the largest employer in the City of Virginia Beach and was added to the BRAC Commission list in 2005 for further evaluation and possible closure. The BRAC commission set demands on the local municipalities as they relate to Oceana NAS in Virginia Beach and Fentress Air Field in Chesapeake, mandating that Virginia Beach and the Commonwealth of Virginia spend millions of dollars over the next few years to buy properties that lie in the certain specified aircraft crash zones near the base in order to stop and reverse a trend of development encroachment. Virginia Beach implemented an immediate plan to spend \$182 million to minimize encroachment and has invested over \$200 million in transportation improvements. The City of Virginia Beach indicated that they would not acquire existing homes and businesses in the crash zone but would offer incentives to current owners to move. The City will not allow any new development and will acquire some undeveloped land in the affected areas. Some undeveloped land that was approved for re-zoning with higher density development had to be down-zoned or acquired by the City. The City is continuing to implement the plan set and, at this time, the base appears to be spared.

Similar efforts have been made in Chesapeake near Naval Auxiliary Landing Field Fentress. The City of Chesapeake has diligently pursued measures for a number of years to protect NALF Fentress. In 2014, the Fentress NALF Encroachment Protection Acquisition Program was established where property rights are purchased from willing sellers located in the Fentress Airfield Overlay District to prevent further encroachment and to mitigate or eliminate incompatible land uses. Funds are appropriated by the Commonwealth of Virginia and city matching funds. Since 2014, City of Chesapeake officials have spent over \$3.8 million buying up more than 100 acres.

According to a news article from the Hampton Roads Chamber of Commerce, a report published by the Commander Navy Region Mid-Atlantic, showed that the military presence in Hampton Roads is crucial for the region and the state. The report indicated that Oceana employs a total of 10,754 military and civilian personnel with a total payroll of \$821 million. The total number of Navy

“Family” in the region is 266,874. If Oceana were to close, it could materially affect the region. The market does not appear to have been affected to date.

Tenants and investors are cautious given the uncertainty of potential defense budget cuts, downsizing of the military, and the full effects of the changes the unresolved fiscal cliff might impose. Termed “sequestration”, which refers to across the board reductions to planned increases in federal spending, the area most affected is discretionary spending. This discretionary spending includes defense and non-defense elements. While Hampton Roads has felt the impact of sequestration in the past, the Congressional Budget Office reports that sequestration will not be required for 2018-2019.

In 2014, the Navy completed its transfer of three ships from Norfolk Naval Station to Mayport Naval Station in Florida, which relocated approximately 1,800 sailors. Since 2009 Florida lawmakers have also been suggesting that there is a need to move a carrier from Norfolk to Florida, but various budget cuts have postponed the project. According to the Navy Times, Florida lawmakers are seeking funds to upgrade Mayport Naval Station so that the base could support a nuclear-powered aircraft carrier permanently. Florida’s Senators wrote a letter to President Trump in January 2018, requesting that he include the funding in the Presidential Budget for fiscal year 2019.

Cuts in military spending did negatively impact the job market in Hampton Roads as more than 1,000 workers were laid off at Huntington Ingalls Industries (Newport News Shipyard); however, in 2017, Newport News Shipbuilding announced that it was planning to hire for 3,000 positions. In September 2017, Huntington Ingalls was awarded the \$2.8 billion contract to complete the Refueling and Complex Overhaul (RCOH) of the USS George Washington. This project is expected to take until August 2021 to complete. In addition, they are currently working on building the USS John F. Kennedy and expect to deliver it to the Navy in 2022.

The budget passed by Congress and signed by President Trump for fiscal 2018 included an increase to defense spending by \$61 billion. President Trump has displayed ambitions to expand the Navy and other military branches, including adding more ships, more fighter jets, more sailors, and more marines. As a result, the Hampton Roads economy will get a major boost. However, this may be tempered somewhat as President Trump proposes diverting some of the funds earmarked for defense spending to the construction of his Border Wall with Mexico.

Irrespective of the BRAC recommendations concerning military installations within the MSA, sequestration, and the Border Wall, the economic impact of the military to the region’s economy is expected to remain strong. While the regional economy has been faulted for its heavy reliance on the military, during recessionary economics, a strong military presence has helped to insulate Hampton Roads, to some extent, from the negative impacts of a recession. 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. 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.”

Unemployment

Typically, a good indicator of positive and negative change within an area is the level of job growth or decline. The table below shows current and past unemployment rates for the region.

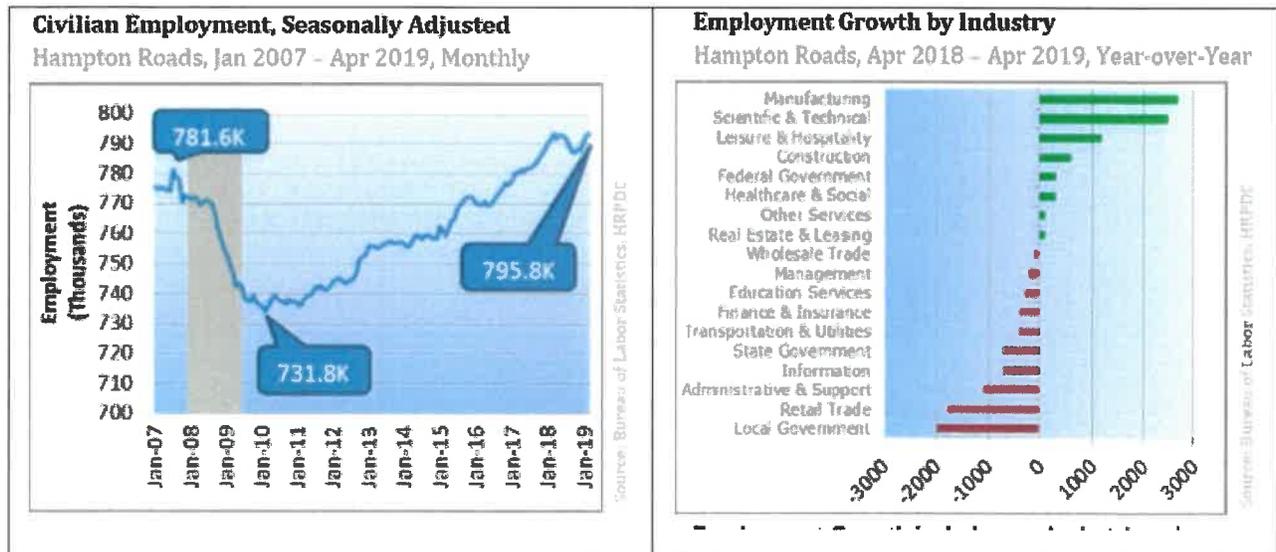
Unemployment Rates in Hampton Roads

Area	2011	2012	2013	2014	2015	2016	2017	2018	2019 YTD
Hampton Roads MSA	7.1%	6.3%	5.7%	5.1%	4.4%	4.4%	3.8%	3.1%	3.1%
Virginia	6.4%	5.8%	5.5%	4.9%	4.1%	4.1%	3.6%	2.8%	2.9%
United States	8.5%	7.9%	6.7%	5.6%	5.0%	4.7%	4.1%	3.9%	3.7%

Source: Bureau of Labor Statistics, Year End

Unemployment rates for the MSA have steadily declined since 2011, similar to the State and U.S. rates, and have been consistently below the U.S. rates and slightly above the State rates.

The following charts illustrate trends in the local job market according to the Hampton Roads Planning District Commission's *Economic Monthly Report* in May 2019, which reports data through April 2019. Note that the region's employment levels in 2018 and 2019, at about 795,000 exceeded the pre-recession employment peak of 781,600 in 2007 after declining to a low of 731,800 in 2010.



Hampton Roads was slower to be affected by the Great Recession than Virginia or the U.S. as a whole. However, the region has not recovered as fast as Virginia or the U.S. The nation worked toward a sustained recovery following the recession, while the Hampton Roads region has suffered numerous setbacks. The region has experienced repeated cuts in federal expenditures, cuts to military personnel, and a significant housing market correction, all while under a blanket of budget uncertainty. The Hampton Roads region lost over 55,000 jobs after the recession. However, the region has rebounded slowly and reached its pre-recession peak level of employment in April 2018, some ten years and ten months after the the Great Recession hit in August 2007. In comparison, both the nation and the state returned to pre-recession levels of employment in 2014, four years before Hampton Roads' recovery. Nonetheless, 2018 proved to be a good year the Hampton Roads

economy and employment increased by 13,000 jobs and the labor force expanded by 16,000 people and the unemployment rate dipped down to 3.0%. The forecast for 2019 economy in the region is for an even better year as increases in Department of Defense funding has provided a degree of certainty for the region’s significant defense presence, including a 2.6% increase in military pay (the largest increase in nine years).

2019 HRPDC Regional Economic Forecast		
	2018	2019
	(Year to Date)	Forecast
U.S.		
Interest Rates		
Short Government Rates	2.0%	2.8%
Long Government Rates	2.9%	3.3%
Hampton Roads		
Gross Product	NA	2.2%
Civilian Employment	0.6%	1.2%
Unemployment Rate	3.3%	3.2%
Retail Sales	3.3%	3.4%
Auto and Truck Sales	-1.3%	-0.9%
Value of Single-Family Residential Building Permits	2.6%	3.0%

Source: Hampton Roads Planning District Commission’s Economic Monthly Report, January 2019

IN SUMMARY

The physical features of the 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 attracted to the MSA for many reasons, including the presence of an excellent network of transportation routes, a large tourist industry, and one of the largest and most aggressive port facilities in the world. Hampton Roads’ central location on the East Coast of the United States is expected to continue to attract residents and businesses to this region. The Hampton Roads MSA is one of the more significant metropolitan areas in the state of Virginia and is the dominant MSA in the southern portion of the state.

The population of the region has continued to experience increases in personal and household incomes. Although the Great Recession slowed the amount of growth, the region’s economy has gradually rebounded, surpassing pre-recession peaks. The largest criticism of the Hampton Roads region is the heavy dependence on government and military spending. Officials have recognized this issue and have attempted to diversify the economy of the past several years. This has helped draw new industries into the market. In addition, the Port is a significant benefit to the region as it is considered one of the most important shipping centers on the East Coast. The Hampton Roads region is expected to grow, albeit at a moderate pace, and to continue to gain in importance as a significant metropolitan area in Virginia and the Eastern Seaboard.

ECONOMIC AND DEMOGRAPHIC OVERVIEW

City of Portsmouth

The City of Portsmouth 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. Portsmouth is bordered by the waters of the Elizabeth River to the north, the City of Norfolk to the east, the City of Chesapeake to the south, and the City of Suffolk to the west.

The Town of Portsmouth was established in 1752 and was given the status of an independent city in 1858. The city covers ±33 square miles and is the third smallest municipality in the MSA.

The City of Portsmouth is ±105 miles southeast of Richmond and ±205 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.

Portsmouth Climate Averages

The City of Portsmouth 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 $\pm 87.0^{\circ}\text{F}$ whereas January is the coldest month with an average of $\pm 31.9^{\circ}\text{F}$. Average annual rainfall is ± 46.3 inches distributed throughout the year, but with maximum amounts typically falling in late summer. Snowfall precipitation, within the region, on average totals ± 8.0 inches. On average, Portsmouth enjoys ± 217 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 Portsmouth, Southside Hampton Roads, and the Hampton Roads MSA are summarized in the following table.

Population Trends, 2000 – 2030 (*Estimates*)

Municipality	2000 Census	2010 Census	2015 Estimates	Annual Rate 2000-2010	Annual Rate 2000-2015	Annual Rate 2010-2015	2030 Projected
City of Portsmouth	100,565	95,535	96,201	-0.5%	-0.3%	0.1%	97,826
Southside (VA part)	1,052,814	1,118,396	1,155,243	0.6%	0.6%	0.7%	1,228,358
Hampton Roads (VA part)	1,558,180	1,648,136	1,694,891	0.6%	0.6%	0.6%	1,835,529
Virginia	7,079,030	8,001,024	8,462,749	1.2%	1.2%	1.1%	9,645,281
Nation	281,162,411	308,745,538	321,418,820	0.9%	0.9%	0.8%	358,471,000

Source: U.S. Census Bureau: Population Estimates, June 2016

According to the U.S. Census Bureau, the median age in Portsmouth in 2016 is estimated at ± 36.5 . In comparison, the median age within the MSA median is estimated at ± 36.3 , the state median is ± 38.3 , and the national median is ± 38.0 .

The population in Portsmouth has decreased approximately $\pm 7.4\%$ since 1990. This decrease is due in part to the transfer of population from city areas to outlying suburban communities. The decline in population in Portsmouth and Norfolk since 1990 has resulted in a dramatic increase in population in the adjoining areas of Suffolk and Chesapeake. This decrease is expected to steady with population analysts projecting that by 2030, the city's population will increase $\pm 2.4\%$ from 2010 Census population figures bringing the total population to around $\pm 97,826$.

REGIONAL TRANSPORTATION

Interstate and Highway Linkages

The City of Portsmouth has easy access to interstate highways, airports, railways and the Port of Hampton Roads. An excellent interstate and state highway system connects Portsmouth to both the Southside and the Peninsula of Hampton Roads. Interstate 264 extends from Downtown Portsmouth to the Interstate 64/664 beltway around Hampton Roads. 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.

The latest highway improvement in Portsmouth was the expansion of the Midtown Tunnel which connects Norfolk with the City of Portsmouth. The Midtown Tunnel was recently improved via the \$2.1 billion Midtown Tunnel Expansion Project. The new Midtown Tunnel has been expanded to four lanes in two tunnels to better accommodate the nearly 40,000 vehicles a day that travel through the existing tunnel. Completion of the project occurred in late 2017.

Airport Accessibility

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

Norfolk International Airport (ORF) is ± 8.7 miles north of Portsmouth 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 ± 22 miles northwest of Suffolk 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.

Rail Services

Norfolk Southern and CSX Transportation provide commercial rail service to the MSA, including Suffolk City. 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 Amtrak terminals in Norfolk and in Newport News, ±2 and ±21 miles east and north, respectively, of Portsmouth.

Waterways and Ports

The city is in close proximity to The Port of Hampton Roads 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. Portsmouth is marketing their port related potential with the slogan, "90 Miles of Shoreline. 360 Degrees of Opportunity" and has seen some success in attracting port related business and industry to the city. The InterChange Group, Inc., developed a 200,000 square foot warehouse on Elmhurst Lane in 2016.

IN SUMMARY

In light of its age and built-out nature, Portsmouth has experienced a declining population over the past decade. However, the city has initiated revitalization efforts to stabilize the population and attract new development. Excellent access to the regional transportation system and a substantial supply of commercial and industrial zoned waterfront property should bolster future economic development. The Portsmouth *Comprehensive Plan* should guide growth and redevelopment in the future by improving the city's planning strategy and diversifying the economy. In the short term, the recent economic recession and lagging population growth will limit new commercial and residential development; however, the long term outlook for the city is positive as revitalization efforts take root.

MARKET AREA DESCRIPTION



The subject property is at the southeast corner of Washington Street and London Street in the Olde Towne Historic District of Downtown Portsmouth. This location is just north of Interstate 264 and southwest of the Elizabeth River. The market area includes a mix of commercial uses and a mix of residential development. The subject's immediate vicinity between Effingham Street and Crawford Street, north of High Street, is comprised of a mix of middle- to upper-income single-family and multi-family housing as well as a mix of office and commercial uses concentrated along the primary transportation arteries.

Crawford Street is a primary commercial corridor in the immediate downtown area which runs generally north-south along the Elizabeth River and is developed with predominantly commercial and institutional uses such as general office and the Portsmouth Municipal Center as well as intermixed multi-family residential uses.

High Street, two blocks south of the subject property, is a primary commercial corridor within the city which is developed with a mix of retail and service commercial uses and runs in an east-west direction. Effingham Street, several blocks west of the subject, is a north-south commercial artery. The major east to west roadway in the market area, as well as the city, is Interstate 264. Interstate 264 is a six-lane, divided, limited access highway which provides the primary access from residential areas within Portsmouth to the Norfolk Central Business District, the regional financial center of Hampton Roads approximately 3 mile east of the subject (across the Elizabeth River), as well as to the Virginia Beach oceanfront approximately 25 miles east of the subject. The subject benefits from convenient access to Interstate 264.

All public utilities including electricity, natural gas, telephone, water, and sewer are available in the subject market area and offer sufficient capacity for most commercial uses. Municipal police and

fire protection services are considered adequate.

It is anticipated that current development patterns within the subject market area will continue with commercial uses concentrated along the primary transportation arteries such as High Street and Effingham Street with periphery residential development. We are not aware of any major developments or redevelopments which will significantly impact or alter the character of the market area and the forecast for the near future is for stable property values.

REAL ESTATE RATIOS AND PROPERTY TAX RATES

The Office of the Assessor of Real Estate for Portsmouth was consulted to confirm the current tax structure for the city. The city assesses at a ratio of 100% of market value and for the 2020 taxable year levies an annual real estate tax of \$1.30 per \$100 of assessed valuation. A summary of subject's 2020 assessment is as follows using the current tax rate of \$1.30 per \$100 of assessed value.

Assessment Summary 00120841	
Year	2020
Land	\$ 123,420
Improvements	\$ 767,300
Total	\$ 890,720
Tax Rate	x 0.0130
Annual Tax	\$ 11,579.36

The subject’s 2020 assessment equates to approximately \$147 per square foot (±6,054 SF NRA), which is considered reasonable compared to the assessments of similar properties within the city. The current assessment is above the concluded market value of this report. The subject appears to be over-assessed and potentially could be appealed. However, we cannot assume that this appeal would be successful; therefore, the current real estate tax burden will be used in this analysis.

ZONING AND OTHER RESTRICTIONS

The subject is zoned HLO, Historic Limited Office District. This district “is intended for professional office uses as well as limited residential and institutional uses”. Office development such as that found at the subject property is a permitted use. Off-street parking requirements are one space per 500 square feet of office space, which equates to 12 parking spaces. The subject has no off-street parking on its site. There is on-street parking available along Washington Street. As such, the subject property is considered a legal non- conforming use (grandfathered).

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.

We were not provided with an environmental report on the property. During our physical inspection no obvious signs of environmental contamination were observed. However, we are not experts in this field and the client is urged to obtain a Phase I environmental study from a qualified professional

to more accurately ascertain the environmental liability of the property. This analysis assumes that the property is free of significant environmental concerns. To our knowledge, the subject is not adversely affected by the Chesapeake Bay Preservation Act.

PROPERTY DESCRIPTION

The following description is broken down into two parts, first a description of the site followed by a description of the improvements. Information was obtained from a physical inspection of the property as well as that provided by ownership and assessment records.

Description of Site

Property Location: 441 Washington Street
Virginia Beach, Virginia 23452

Parcel Number: 00120841

Census Tract Number: 2109.00

Flood Zone: Zone "AE" , an area inundated by 1% annual chance flooding for which BFEs have been determined (Community Panel 515529-0083D, August 3, 2015)

Size: ±0.139 Acre (per Assessor's records)

Topography: Generally level and at street grade. No apparent drainage problems.

Shape: Rectangular (please see tax map below).

Frontage: ±77' along Washington Street

Tax Map:



Drainage:	Served by municipal storm sewer system and appears adequate.
Access:	Average, no on-site parking available, but on-street parking is available along Washington Street
Visibility:	Good
Utilities:	All public utilities are available to the subject site including municipal water, sewer service, storm drainage, electricity, telephone, and natural gas.

Description of the Improvements

Type:	Single-Tenant Office Building
Number of Buildings:	One
Stories:	Two
Year Built:	1891 with extensive renovations/restoration in 2006
Market Appeal:	Class B
Gross Building Area:	±6,054 square feet (per marketing material)
Net Leasable Area:	±6,054 square feet
Occupancy:	Vacant
Land to Building Ratio:	1:1
Framing:	Masonry
Exterior Walls:	Brick
Roof:	Pitched with “Buckingham” slate shingles
Foundation	Masonry, full unfinished basement
Floors:	Hardwood and ceramic tile
HVAC:	Electric Heat Pumps (4 units)

Interior Finishes:

Typical interiors include painted drywall walls, bead-board wainscoting in hallways, maple hardwood and ceramic tile flooring, and diagonal bead-board ceilings (18' ceiling heights on both floors). There is a front and a rear staircase. There is no elevator. There are two restrooms on the first floor. Typical Class B office build-out. Overall, the improvements have been well maintained and are in good condition.

Parking:

On-street only

Summary:

The subject reflects a two-story, single-user, Class B historic building originally constructed in 1891 as a school (St. Paul's Academy for Boys). The building was extensively renovated/restored in 2006 for office use at an approximate cost of \$750,000. This work included the removal of the 1957 facade, repairs to the original slate roof, re-building the entrance tower, fixing and refinishing the original maple floors and diagonal bead-board ceilings and recreating the building's original staircase, window replacement, as well as all new electric, plumbing and HVAC. The building was presented the Best Renovated/Historic Rehabilitation by the HRACRE Design Awards (Hampton Roads Association for Commercial Real Estate) in 2006. The improvements are in good condition overall.

Most Probable Buyer:

Owner-user

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 and legal 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: Appraisal Institute, Dictionary of Real Estate Appraisal, Sixth Edition, 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.

Highest and Best Use, As If Vacant

Legally Permissible

The subject is zoned HLO, Historic Limited Office District, in which a variety of commercial development such as professional office uses are permitted by right. No private restrictions or easements were uncovered that would adversely impact the development of the site and the site is not negatively impacted by the Chesapeake Bay Preservation Act.

Physically Possible

The subject site contains ±0.139 acre and is basically rectangular, level and at street grade with no apparent drainage problems. In short, its physical characteristics are conducive to a variety of uses. All necessary utilities are available. As such, there do not appear to be any physical limitations to the development of the site.

Financially Feasible

All physically possible and legally permitted uses that are able to produce a positive return are regarded as financially feasible. To produce a positive return, they must generate income equal to or greater than the amount needed to satisfy operating expenses, financial obligations and capital amortization.

The overall site has appropriate access, visibility and demographic support for office development in a viable commercial submarket. Sites similar to the subject have been improved with office buildings and, where allowed, complementary commercial development. Based on these parameters, it is anticipated that the greatest return to the land would be generated by office development.

Office development is considered financially feasible based on a site-specific market/cost study. However, purely speculative development is considered questionable at this juncture in light of current economic conditions.

The overall office vacancy level for the Hampton Roads market as reported as of July 17, 2019 was at approximately 7.8% while office vacancy within the Downtown Portsmouth sub-market (subject area) was reported at a more healthy level of 2.2% (CoStar - Office Market Report, July 17, 2020).

Maximally Productive

The use that is maximally productive is one that generates the highest net return. The use or uses that are maximally productive are those uses which are compatible with nearby projects and which are in conformity with current standards and tastes. Based on the character of adjacent uses to the subject and uses in the immediate vicinity, it is our opinion that office development, as permitted by zoning, is the maximally productive use of the subject site. The highest and best use of the subject site, as if vacant, is therefore considered to be for office development by an owner-occupant or on a predominantly pre-leased basis. Purely speculative development is considered questionable at this juncture in light of current supply/demand conditions.

Highest and Best Use, As Improved

The subject site is improved with a ±6,054-square foot, two-story, single-user, Class B office building, which was constructed in 1891 and extensively renovated/restored in 2006. The improvements reflect sound construction quality and appear to have been well maintained since construction and are presently in good physical condition. They appear functional for their current use as an office facility and at this time there does not appear to be an alternative use for the site which would justify demolition or adaptive re-use of the improvements. It should be noted that the building does not have an elevator or on-site parking, which affects its overall functional use. Regardless, the highest and best use, as improved, is for continued use as a single-user office facility. Note: As previously discussed, the subject does not meet the on-site parking requirements under the current zoning ordinance. As such, the improvement represents a legal, non-conforming (grandfathered) use of the site.

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 concept 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 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

The Income Capitalization Approach to Value is usually the major technique used when valuing properties that are attractive primarily to investors. These properties are bought and sold on the basis of their income-producing potential. This approach is based on the principle that the value of a property is indicated by the net return to the going concern or what is also known as the present worth of future benefits. The future benefits from income-producing properties is the net income before debt service and depreciation derived from a forecast of income and expenses. These future benefits can then be converted into an indication of market value through a Capitalization Process.

In this approach the subject is valued by analyzing the office market, examining existing competition and developing a forecast of income and expenses that reflects current expected trends. As mentioned earlier, this approach is usually given priority in the analysis of income-producing properties that are primarily attractive to investors.

Due to the subject's size, age and tenant profile it would likely be most appealing to local investors who would typically apply Direct Capitalization of a one year stabilized projection. The use of a Yield Capitalization Process over a 7 to 10 year holding period would not be appropriate for properties comparable to the subject.

There are three steps generally followed in assembling and processing the Income Capitalization Approach to Value. These include the analysis of income from all sources, the estimation of annual expenses paid by the owner and the determination of an appropriate capitalization rate (overall rate). This will translate net operating income into a present value estimate.

Analysis of Revenue

The subject contains ±6,054 square feet of net leasable area (NLA), and is currently vacant, thus a fee simple analysis is appropriate. Lease information was collected from comparable commercial properties to determine an appropriate market rent estimate for the subject property.

A "triple net" leasing structure is an expense arrangement where the tenant pays all operating expenses, to include real estate taxes, insurance, non-structural repairs and maintenance, and all utilities. The landlord pays for structural repairs and maintenance (via a reserve fund). Also, the landlord would likely incur an administrative expense.

In forecasting market rent for the subject, we have reviewed the lease terms and asking rents for comparable office properties within the general Hampton Roads market area. This information has been summarized at the top of the Rent Comparable Adjustment Chart on a following page. Photographs of the rent comparables are provided in the Addendum. The relative location of the subject property and the rent comparables is shown in the following Location Map.

Location Map



The rent comparables have unadjusted rental rates, which range \$10.00 to \$13.00 per square foot. Adjustments for expense terms, location, size, age/condition, and market appeal have been considered as outlined on the Rent Comparable Adjustment Chart. Also, all of the rent comparables are current listings and reflect a -10% adjustment. After adjustments, the rental rates range from \$10.40 to \$12.87 per square foot, with an average of \$11.36 per square foot and a median of \$10.80 per square foot. Rent Comparables 1 and 2 are in Portsmouth, with adjusted rental rates of \$10.80 and \$10.40 per square foot, respectively. Therefore, given the relative appeal of the subject compared to the rent comparables utilized herein, a **market rental rate of \$10.50 per square foot**, on a triple net basis, is estimated for the subject.

Rent Comparable Adjustment Chart				
Element	Subject	Rent Comp 1	Rent Comp 2	Rent Comp 3
Year		2020 Listing	2020 Listing	2020 Listing
Location	441 Washington St Portsmouth	505-509 Court St Portsmouth	313 High St Portsmouth	130 W York St Norfolk
Location Appeal	Good	Similar	Similar	Superior
Building Class	Class B Office	Class C Office	Class C Office	Class C Office
Unit Size (SF)	6,054	2,000	3,226	3,306
Year Built/Condition	1891, Ren 2006/Good	1860/Average	1988/Average	1946/Average
Rent \$/SF	Solve	\$10.00	\$10.50	\$13.00
Expense Terms	NNN	NNN	NNN	NNN
Adjustment		\$0.00	\$0.00	\$0.00
Adjusted Rent/SF		\$10.00	\$10.50	\$13.00
Conditions Adjustment		-10%	-10%	-10%
Time Adjustment		0%	0%	0%
Rent/SF		\$9.00	\$9.45	\$11.70
Preliminary Adjusted Rent/SF	Solve	\$9.00	\$9.45	\$11.70
Location Adjustment	Portsmouth	Similar 0%	Similar 0%	Superior -10%
Size Adjustment	6,054	2,000 -5%	3,226 -5%	3,306 -5%
Age/Condition Adjustment	1891, Ren 2006/Good	1860/Average 20%	1988/Average 10%	1946/Average 20%
Market Appeal Adjustment	Class B Office	Class C Office 5%	Class C Office 5%	Class C Office 5%
Net Physical Adjustment		20%	10%	10%
Final Adjusted Rent/SF	Solve	\$10.80	\$10.40	\$12.87

Vacancy and Credit Loss

From discussions with agents in the subject marketplace who deal with the leasing of comparable properties, vacant periods for an individual unit or building have typically ranged from two months to four months, depending on the particular characteristics of the suite or building, over the past several years.

Given the marketability of the subject, a down time of three to five months is projected. Lease terms within the marketplace typically vary from 3 to 5 years. From an investor's standpoint, over a 3-year lease, a three to five month downtime would account for an average of 8% to 14% of the property's potential rental income. Over a 5-year lease and a three to five month downtime, vacancy would account for an average of 5% to 8% of the property's potential rental income.

Indicated Vacancy Via Estimated Downtime			
Lease Term	Downtime	Calculation	Indicated Vacancy
3-Year Lease (36 months)	3-5 months	3/36 and 5/36	8% to 14%
5-Year Lease (60 months)	3-5 months	3/60 and 5/60	5% to 8%

The overall office vacancy level for the Hampton Roads market as reported in the fourth quarter of 2019 was at approximately 8.3% while office vacancy within the Lynnhaven sub-market (subject area) was reported at a more healthy level of 3.6% (CoStar - Year-End 2019 Office Market Report). Considering the subject's location and physical attributes, an overall vacancy allowance of 4% is utilized herein. In addition, an allowance for credit loss is prudent. As such, we have estimated a credit loss of 1% for the subject. Given the above, a total vacancy and credit loss of 5% of potential gross income is estimated.

Expense Analysis

For the purpose of this analysis, market rent is in on a triple net basis whereby the only applicable expenses to which the landlord is exposed are a management/administrative expense and capital reserves. As such, the tenant is responsible for utilities, real estate taxes, hazard insurance, management and all maintenance and repairs of the subject property, etc. The following is a discussion of each of the lessor's expenses.

Management/Administrative/Leasing

The allowance for management/administration of similar commercial properties is typically minimal. The tenant is responsible for paying most operating expenses directly, with the owner concerned only with monthly rent collection. Management and general administration (legal, accounting, etc.) typically range between 2% and 3% of effective gross income. Lease commissions typically range between 2% and 3%. In light of the triple net leasing basis that we are using in this analysis and the single tenancy assumed, we have estimated a combined expense of 5% of effective gross income for management/administration/leasing.

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, which is minimal due to the ownership nature of condominium units. 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.

Summary - Based on the above discussion, the following pro forma operating statement is provided for the subject property.

Pro-Forma Income/Expense			
Rental Income	6,054	x \$ 10.50 =	\$ 63,567
Less Vacancy/Collection Loss		5%	\$ (3,178)
Effective Gross Income			\$ 60,389
Expenses			\$/Year
Management, Administrative	5%	of EGI	3,019
Reserves	\$0.20	per SF	1,211
Expenses - Total	\$ 0.70		\$ (4,230)
Net Operating Income			\$ 56,158

Selection of Capitalization Rate

The Capitalization Rate is the rate of return which equals the risk anticipated in the investment. It is the annual rate of return generally necessary to attract an investor based upon the overall investment characteristics. Capitalization Rate selection requires an interpretation of attitudes and expectations of the market participants. Such rates are partly a function of perceived risk. Risk is a function of general economic conditions and characteristics of the investment. The critical elements of an investment include the quantity and certainty of income, operating expenses and resulting net income. Value is a reflection of income expectations and such elements contain inherent risk.

There are several ways to determine a Capitalization Rate for the subject. The first method is the extraction of an Overall Rate from market sales, the second is consultation of national investor surveys and the third being the use of a mortgage/equity technique known as the Band of Investment theory.

The following is a summary of overall rates indicated by recent office sales within the area. The improved sales from the local market reflect overall rates ranging between 5.3% and 8.1%.

Recent Office Sales - Hampton Roads Area							
Property/Location	Date	Consideration	Size/Year Built	Class	\$/SF	EGIM	OAR
174 Camelot Dr, Va Beach, VA	3/19	\$1,625,000	9,150 SF/1990	B Med	\$177.60	NA	7.21%
1020 1 st Colonial Rd, Va Beach, VA	12/18	\$1,650,000	7,126 SF/1983	B Med	\$231.55	NA	7.6%
241 Corporate Blvd, Norfolk, VA	3/18	\$10,750,000	34,177 SF/2005	A Med	\$314.54	NA	5.98%
4705 Columbus St, Va Beach, VA	9/17	\$4040,000	31,880 SF/1985	B	\$126.73	NA	7.9%
109 Phillip Roth St, Newport News, VA	9/17	\$3,446,900	12,971 SF/2006	A/B Med	\$265.74	NA	7.72%
2100 Steppingstone Sq, Ches, VA	8/17	\$9,650,000	36,227 SF/2014	B	\$266.38	NA	6.8%
332 Newtown Rd, Va Beach, VA	4/17	\$2,591,011	6,410 SF/1998	B Med	\$404.21	NA	5.7%
1239 Cedar Rd, Chesapeake, VA	3/17	\$2,750,000	6,291 SF/1998	B Med	\$437.13	NA	5.3%
2020 General Booth Blvd, Va Beach, VA	1/17	\$1,625,000	11,448 SF/1988	B	\$141.95	NA	7.7%
501 Butler Farm Road, Hampton, VA	7/16	\$6,750,000	35,200 SF/2002	A/B	\$191.76	NA	8.1%
5800 Northampton Blvd, Norfolk, VA	12/15	\$56,825,000	314,778 SF/1993	A	\$180.50	NA	7.2%

PriceWaterhouseCoopers (*PwC Real Estate Investor Survey*) publishes investment surveys for property like the subject. Recent indications from the (2nd Quarter 2020) PwC survey have been focused upon. The subject is a downtown office facility and, thus, the CBD (Central Business District) office parameters have been focused upon. Overall rates generally range from 3.75% to 7.50%, with an average of 5.55% in the national CBD office market for institutional grade properties. Rates for non-institutional grade product were not reported this period but typically average 150 basis points higher than institutional product. As such, the range for non-institutional grade product generally ranges between 5.25% and 9.00% with an average of 7.02%.

Mortgage financing is currently available for properties similar to the subject at rates which tend to range between 4.25% and 5.25%. 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 60% to 75% is typical of the market at this time. Based on this information, we assume financing at a 4.5% interest rate, 25-year amortization period and a 70% loan-to-value ratio. On this basis, a mortgage constant of 6.67% 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. Considering particular characteristics of the subject property, we have estimated an equity dividend rate of 12.0% for the subject property. Based on these parameters, an overall capitalization rate is indicated for the subject property via the Band of Investment.

Band-of-Investment		
Mortgage Debt Service	70% x 0.0667 =	0.04669
Equity Dividend Rate	30% x 0.1200 =	0.03600
Capitalization Rate	Say ...8.3%	0.08269

The various capitalization rate indicators are summarized below.

Capitalization Rate Summary		
Product Type	OAR Range	Avg
Band-of-Investment	8.3%	
Local Office Bldg Sales - 2015-2019	5.3% - 8.1%	
Investor Surveys - institutional (2 nd Qtr 2020)	3.75% - 7.50%	5.55%
Investor Surveys - non institutional (2 nd Qtr 2020)	5.25% - 9.00%	7.05%

Considering the particular locational, physical and financial attributes of the subject, an **overall rate of 8.25%** is estimated for the subject. Applying the aforementioned Capitalization Rate of 8.25% to the Net Operating Income results in the value conclusion as shown below:

Net Operating Income (NOI)	\$56,158
Divided by: Overall Capitalization Rate	8.25%
Market Value "As Is" Indicator	\$680,708
via Direct Capitalization	<i>Rounded</i> \$680,000

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 occurred in 2017 and 2019. 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 fee simple estate of the subject property is being appraised in this approach to value. The improved sales reflect either fee simple transfers or leased fee transfers at market rents such that no adjustments for property rights are required.

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 2017 and 2019 and are considered timely. Thus no adjustments for market conditions are warranted. It is noted that all of the improved sales occurred prior to the onset of COVID-19 and there have been no comparable sales closings after the onset of COVID-19. Virginia entered Phase 1 of re-opening March 15, 2020, Phase 2 on June 12, 2020, and as of July 1, 2020 entered Phase 3, with many offices re-opening with employees returning to work. The subject is 100% vacant and its most probable buyer is an owner-user. Thus, the subject is not expected to be significantly impacted by COVID-19 pandemic. Therefore, we have made no adjustments to the improved sales for market conditions.

Location

The subject is in the Olde Towne Historic District of Downtown Portsmouth. Improved Sales 1 and 2 are in also in Downtown Portsmouth and as such, no adjustments are warranted. Improved Sale 3 is in Downtown Norfolk, which is considered to be superior in achievable rental rates and overall values, and reflects a negative adjustment. Improved Sale 4 is in a similar area of Hampton and shows no adjustment.

Age/Condition

The subject property was constructed in 1891, was completely renovated/restored in 2006 and is currently in overall good physical condition. Improved Sales 1, 2 and 4, built in 1978, 1910 and 1912 (renovated in 2002), were in average condition at the time of sale; positive adjustments are shown accordingly for age and/or condition. Improved Sale 3 is considered similar in age and condition; no adjustment is shown.

Size

Typically, larger size properties sell at lower unit prices than smaller size properties due to economies of scale. The subject improvements contain ±6,054 square feet (NRA). Improved Sales 1, 2 and 4 are smaller than the subject and show negative adjustments accordingly. Improved Sale 3 is larger than the subject; a positive adjustment is shown.

Market Appeal/Building Class

The physical characteristics and building of the subject are considered to be a good Class B general office building. Improved Sales 1, 3 and 4 are of Class B office buildings with similar market appeal and as such, no adjustments are shown. Improved Sale 2 is a Class C building, however it has a first floor retail component, superior to the subject; a net adjustment of 0% is shown.

Utility

As previously discussed, the subject does not have an elevator or on-site parking. Improved Sale 1 is a one-story building with on-site parking and shows a negative adjustment. Improved Sale 2 is similar to the subject as it has no elevator or on-site parking; no adjustment is shown. Improved Sale 3 has an elevator and reflects a negative adjustment. Improved Sale 4 has a municipal parking lot adjacent to its site and reflects a negative adjustment.

Land-to Building Ratio

A property's land-to-building ratio is often an indicator of available land for outdoor storage, parking/loading and potential expansion. The subject has a land-to-building ratio of 1-to-1. Improved Sale 3, with a much larger ratio of 5.9, shows a negative adjustment. The remaining improved sales are considered similar to the subject in this regard; no adjustments are warranted.

Conclusion

An Improved Sale Comparison chart which summarizes the adjustments is provided on the following page. After adjustments, the sales reflect unit values ranging from \$94.84 to \$121.17 per square foot, with an average of \$107.43 per square foot. Improved Sales 1 and 2, which average \$111.70 per square foot, are the most recent sales and are both in Downtown Portsmouth. As such, these sales carry more weight. Based on the above discussion, we have estimated a value of \$112.00 per square foot, for the subject as summarized as follows.

Building Size (Rentable Square Feet)	6,054
Multiplied by: Value Indicator per Square Foot	\$112.00
Market Value "As Is" Indicator	\$678,048
	(Rounded) \$680,000

Improved Sale Comparison Chart

Element	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Date		Oct-19	Apr-19	Sep-17	Dec-17
Location	441 Washington St Portsmouth	801 Court St Portsmouth	607-609 High St Portsmouth	120 Atlantic Ave Norfolk	19-21 E Mellen St Hampton
Office Class (A, B, C)	Class B Office	Class B Office	Class C Office/Retail	Class B Office	Class B Office
Building Size (SF)	6,054	3,042	3,600	18,064	4,481
Year Built/Condition	1891, Renov 2006/Good	1978/Average	1910/Average	1900's, Ren 2000's/Good	1912, renov 2002/Average
Land-to Building Ratio	1.0	5.9	1.0	0.2	1.0
Sale Price		\$388,000	\$320,000	\$2,120,000	\$425,000
Price Per SF of Building		\$127.55	\$88.89	\$117.36	\$94.84
Real Property Rights	Fee Simple	Fee Simple	Leased Fee	Fee Simple	Fee Simple
Adjustment		0%	0%	0%	0%
Adjusted Price		\$388,000	\$320,000	\$2,120,000	\$425,000
Adjusted Price Per SF of Bldg		\$127.55	\$88.89	\$117.36	\$94.84
Financing Terms	Assumes Cash	Market Financing	Market Financing	Market Financing	Market Financing
Adjustment		0%	0%	0%	0%
Adjusted Price		\$388,000	\$320,000	\$2,120,000	\$425,000
Conditions of Sale	Assumes Arms-Length	Arms-Length	Arms-Length	Arms-Length	Arms-Length
Adjustment		0%	0%	0%	0%
Adjusted Price		\$388,000	\$320,000	\$2,120,000	\$425,000
Market Conditions		Oct-19	Apr-19	Sep-17	Dec-17
Adjustment		0%	0%	0%	0%
Preliminary Adjusted Price	Solve	\$388,000	\$320,000	\$2,120,000	\$425,000
Adjusted Price Per SF Bldg Area	Solve	\$127.55	\$88.89	\$117.36	\$94.84
Location	Portsmouth	Portsmouth	Portsmouth	Norfolk	Hampton
Adjustment		0%	0%	-10%	0%
Age/Condition	1891, Renov 2006/Good	1978/Average	1910/Average	1900's, Ren 2000's/Good	1912, renov 2002/Average
Adjustment		15%	20%	0%	10%
Building Size	6,054	3,042	3,600	18,064	4,481
Adjustment		-5%	-5%	10%	-5%
Market Appeal/Building Class	Class B Office	Class B Office	Class C Office/Retail	Class B Office	Class B Office
Adjustment		0%	0%	0%	0%
Functional Utility	Below Average	Superior	Similar	Superior	Superior
Adjustment		-5%	0%	-5%	-5%
Land-to Building Ratio	1.0	5.9	1.0	0.2	1.0
Adjustment		-10%	0%	0%	0%
Net Physical Adjustment		-5%	15%	-5%	0%
Final Adjusted Sales Price per SF	Solve	\$121.17	\$102.22	\$111.49	\$94.84

RECONCILIATION AND FINAL VALUE ESTIMATE

The preceding analysis has resulted in the following indications of value for the subject property.

Market Value “As Is”

Income Capitalization Approach to Value	\$680,000
Sales Comparison Approach to Value	\$680,000

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 most appropriate in the analysis of an investor owned property. The major portion of this report is centered around this approach as this is the methodology which is applied by investors when considering the development, purchase or disposition of a given investment property. We have researched comparable properties within the subject neighborhood to determine a defensible market rental rate. From this data an estimate of the subject's net operating income was determined and converted into an indication of value via the Direct Capitalization method.

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.

Based on our analysis of the data, subject to the assumptions and limiting conditions set forth in this report, it is our opinion that the Market Value “As Is” of the fee simple estate of the subject property, as of July 23, 2020, was:

SIX HUNDRED EIGHTY THOUSAND DOLLARS **\$680,000**

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 3 to 6 months. However, due to the COVID-19 pandemic and the current uncertain market conditions, we have estimated a marketing time of 6 to 12 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:

National USPAP Update - December 2019

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 23233

Telephone: (804) 367-8500

EXPIRES ON
02-28-2022

NUMBER
4001001053

REAL ESTATE APPRAISER BOARD

CERTIFIED GENERAL REAL ESTATE APPRAISER



DAVID E RICHARDS
115 ALGONQUIN RD
HAMPTON, VA 23661



Mary Groz-Vaughan
Mary Groz-Vaughan Director

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

(SEE REVERSE SIDE FOR PRIVILEGES AND INSTRUCTIONS)

DPOR-LIC (02/2017)

QUALIFICATIONS
Smith S. Worthy, MAI
Dominion Realty Advisors, Inc.

Experience:

1/2018 – Present Associate Real Estate Appraiser, Dominion Realty Advisors, Inc., Norfolk Virginia
2/2013 – 12/2017 Senior Real Estate Appraiser, Walter Duke + Partners, Inc., Fort Lauderdale, Florida
3/2002 – 3/2012 Associate Real Estate Appraiser, Miller Long & Associates, Inc., Roanoke, Virginia

Education:

Bachelor of Arts Degree, University of Virginia, Charlottesville, Virginia 1985

Real Estate Appraisal Education:

Has successfully completed the following courses:

Appraisal Institute: Course 510 Advanced Income Capitalization – 2004
Course 540 Report Writing and Valuation Analysis – 2005
Course 530 Advanced sales Comparison & Cost Approaches – 2006
Advanced Market Analysis and Highest & Best Use – 2012
Advanced Concepts and Case Studies – 2013
Introduction to Green Buildings: Principles & Concepts - 2017

Appraisal assignments include the valuation and/or evaluation of a wide variety of commercial properties prepared for financial institutions, municipalities, estates and individual investors. Property types include, but are not limited to, shopping centers, office buildings, warehouses and industrial properties, rental apartment projects, residential condominium projects, commercial/industrial land, multifamily land and mixed-use properties.

Professional Affiliations:

MAI – Member, Appraisal Institute, No. 436076

State Certified General Real Estate Appraiser – Commonwealth of Virginia, No. 4001 009865

State Certified General Real Estate Appraiser – State of Florida, No. RZ3518

State Certified General Real Estate Appraiser – State of North Carolina A8358

COMMONWEALTH of VIRGINIA

Department of Professional and Occupational Regulation

9960 Mayland Drive, Suite 400, Richmond, VA 23233

Telephone: (804) 367-8500

EXPIRES ON
09-30-2021

NUMBER
4001009865

REAL ESTATE APPRAISER BOARD

CERTIFIED GENERAL REAL ESTATE APPRAISER



SMITH SMELTZER WORTHY
5360 ROBIN HOOD ROAD
SUITE 101
NORFOLK, VA 23513



Mark Bro. Vaughan
Mark Bro. Vaughan, Acting Director

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

(SEE REVERSE SIDE FOR PRIVILEGES AND INSTRUCTIONS)

DPOR-LIC (02/2017)



LIA Administrators & Insurance Services

**APPRAISAL, VALUATION AND PROPERTY SERVICES
PROFESSIONAL LIABILITY INSURANCE POLICY**



DECLARATIONS

Aspen Specialty Insurance Company

(Referred to below as the "Company")
590 Madison Avenue, 7th Floor
New York, NY 10022
877-245-3510

Date Issued	Policy Number	Previous Policy Number
3/26/2020	ASI000290-06	ASI000290-05

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

<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>2. Policy Period: From: 04/10/2020 To: 04/10/2021 12:01 A.M. Standard Time at the address stated in 1 above.</p>	<p>Robert C. Wiley License No.681290 P.O. Box 1319 Santa Barbara, CA 93102 Tel: (800) 334-0652</p>
<p>3. Deductible: \$2500 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>Subpoena Response: \$5,000 Supplemental Payment Coverage Pre-Claim Assistance: \$5,000 Supplemental Payment Coverage Disciplinary Proceeding: \$12,500 Supplemental Payment Coverage Loss of Earnings: \$500 per day Supplemental Payment Coverage</p>	

7. Covered Professional Services (as defined in the Policy and/or by Endorsement):			
Real Estate Appraisal and Valuation:	Yes	<input checked="" type="checkbox"/>	No <input type="checkbox"/>
Residential Property:	Yes	<input checked="" type="checkbox"/>	No <input type="checkbox"/>
Commercial Property:	Yes	<input checked="" type="checkbox"/>	No <input type="checkbox"/>
Bodily Injury and Property Damage Caused During Appraisal Inspection (\$100,000 Sub-Limit):	Yes	<input checked="" type="checkbox"/>	No <input type="checkbox"/> If "yes", added by endorsement)
Right of Way Agent and Relocation:	Yes	<input type="checkbox"/>	No <input checked="" type="checkbox"/>
Machinery and Equipment Valuation:	Yes	<input type="checkbox"/>	No <input checked="" type="checkbox"/>
Personal Property Appraisal:	Yes	<input type="checkbox"/>	No <input checked="" type="checkbox"/> If "yes", added by endorsement)
Real Estate Sales/Brokerage	Yes	<input type="checkbox"/>	No <input checked="" type="checkbox"/> If "yes", added by endorsement)

8.	Report Claims to: LIA Administrators & Insurance Services, 800-334-0652, P.O. Box 1319, 1600 Anacapa St, Santa Barbara, California 93101
9.	Annual Premium: \$5,999.00
10.	Forms attached at issue: LIA002S (04/19) ASPCO002 0715 LIA012 (05/19) LIA018 (05/19) LIA164 (05/19) LIA165 (05/19)

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.

03/26/2020

Date



By

Authorized Representative

Appraisal, Valuation and Property Services Professional Liability Insurance Policy

Named Insured: DOMINION REALTY ADVISORS, INC.

Policy Number: ASI000290-06

Effective Date: 04/10/2020

Customer ID: 110739

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL COVERED PROFESSIONALS 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
David E. Richards	04/10/2020
Bradley R. Sanford	04/10/2020
Peter M. McCrary	04/10/2020
David L. Stankus	04/10/2020
Lauren S. Leffler	04/10/2020
Eric C. Richards	04/10/2020
Smith S. Worthy	04/10/2020

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: Cheryl Holloway
1729 Royal Park Court
Virginia Beach, Virginia 23454
Email: Hollowaysells2020@gmail.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: Office Building
441 Washington Street
Portsmouth, Virginia 23704

The purpose of the assignment is to provide an estimate of market value, "as is," of the fee simple estate of the referenced 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.

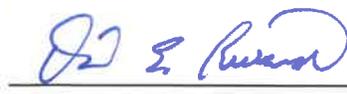
Our fee to provide an appraisal report on the above-reference property is \$2,500, with a retainer of \$1,250 due upon commencement of the assignment and the remaining balance of \$1,250 due upon completion of the report. Delivery of the report will be within two weeks of receipt of signed contract and retainer, subject to unforeseen circumstances or conditions beyond the control of Dominion Realty Advisors, Inc.

The concluded valuation and analysis 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.

Client


Cheryl Holloway
Date 7/15/20

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


David E. Richards, MAI
Date 7-7-2020

FLOOD MAP

National Flood Hazard Layer FIRMette

76°18'32"W 36°50'26"N



Legend

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

SPECIAL FLOOD HAZARD AREAS

- Without Base Flood Elevation (BFE)
Zone A, V, A99
- 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 I*
- 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

- NO SCREEN
- Area of Minimal Flood Hazard *Zone X*
- Effective LOMRS
- Area of Undetermined Flood Hazard *Zone D*

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

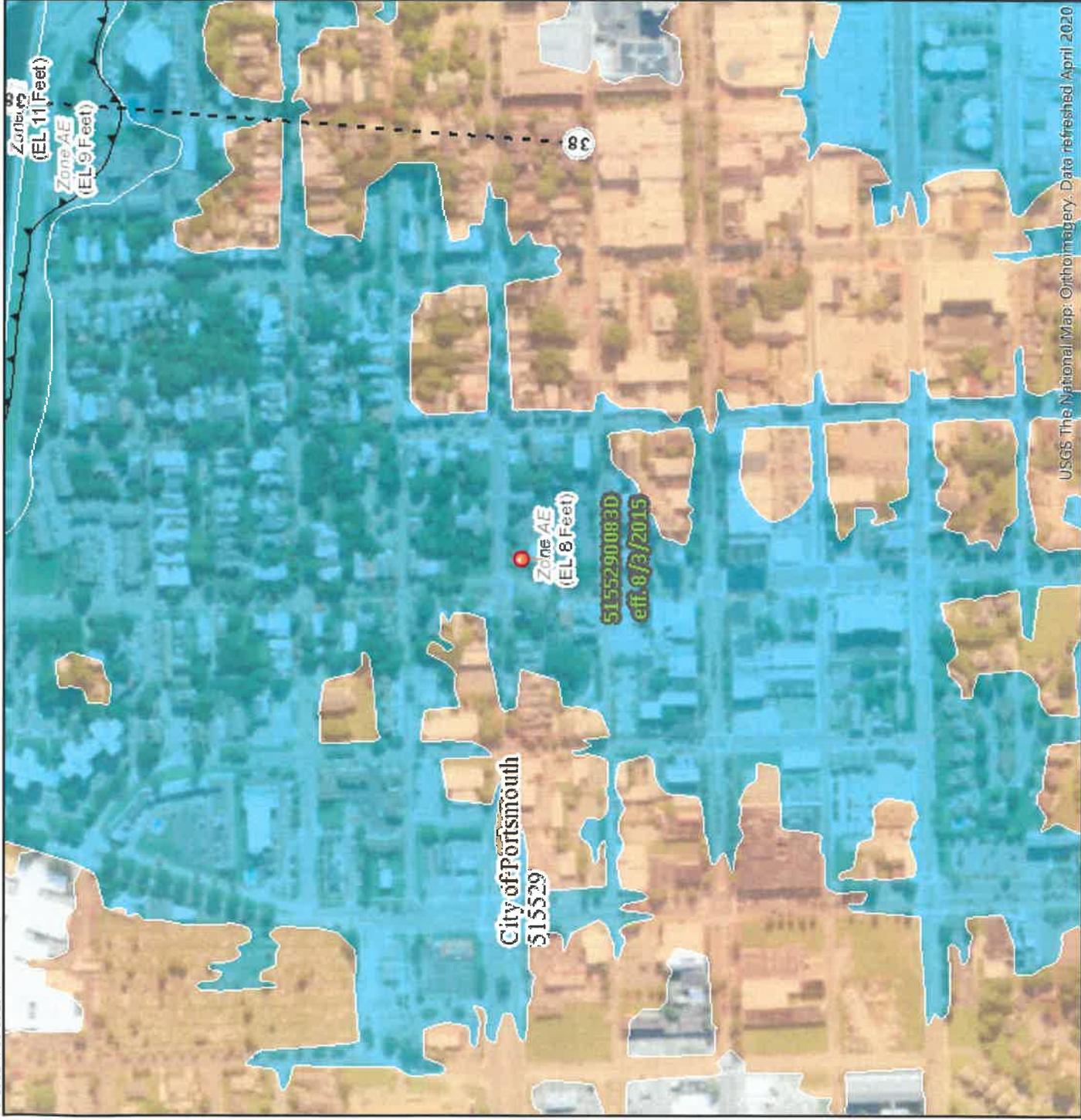


The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.

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 **7/15/2020 at 4:19 PM** 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.



USGS The National Map: Orthoimagery, Data refreshed April 2020

76°17'54"W 36°49'57"N



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 COMPARABLE PHOTOGRAPHS



Rent Comparable #1 - 505-509 Court Street, Portsmouth, VA



Rent Comparable #2 - 313 High Street, Portsmouth, VA



Rent Comparable#4 - 130 W York Street, Norfolk, VA

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:	801 Court Street Portsmouth, Virginia
DRA File Number:	258-20
Tax Map Number:	0009180
Grantor:	Familycare Realty LP
Grantee:	Lilliben Properties LLC
Date Recorded:	October 2, 2019
Reference:	D190009955
Consideration:	\$388,000
Financing:	Market Terms Assumed
Land Size:	0.41 acre
Building Size:	3,042 Square Feet
Year Built:	1978
Land/Building Ratio:	5.9-to-1
Zoning:	D-1 (T-5)
Price/SF of Building:	\$127.55
Verification:	Municipal Records, CoStar, Contract

Comments: This is the sale of a one-story, masonry general office building in the downtown area of Portsmouth on Court Street. The building was in average condition as of the date of sale and purchased for owner occupancy.

IMPROVED SALE #2



Location:	607-609 High Street Portsmouth, Virginia
DRA File Number:	258-20
Tax Map Number:	00250140
Grantor:	James K. Jolley
Grantee:	Crystal Kemppainen
Date Recorded:	April 11, 2019
Reference:	19-0004000
Consideration:	\$320,000
Financing:	Market Terms Assumed
Land Size:	0.08 acre
Building Size:	3,600 Square Feet
Year Built:	1910
Land/Building Ratio:	1.0-to-1
Zoning:	D-1 (T-5)
Price/SF of Building:	\$88.89
Verification:	Municipal Records and CoStar

Comments: This is the sale of a two-story, masonry commercial building in the downtown area of Portsmouth on High Street. The building, comprised of retail on the first floor and office on the second floor, was reportedly in average condition as of the date of sale. There is no on-site parking. The 609 portion is currently operating as a hair salon.

IMPROVED SALE #3



Location:	120 Atlantic Avenue Norfolk, Virginia
DRA File Number:	258-20
Tax Account Number:	1427-95-5275
Grantor:	Atlantic Property Associates, LLC
Grantee:	120 Atlantic Street, LLC
Date Recorded:	September 29, 2017
Reference:	170022066
Consideration:	\$2,120,000
Financing:	All Cash to Seller
Land Size:	4,294 Square Feet; 0.0986 Acre
Building Size:	18,064 Square Feet
Land-to-Building Ratio:	0.2-to-1
Year Built:	1900s, Renovated in the 2000s
Price/SF:	\$117.36

Comments: This reflects the sale of a freestanding, 4-story commercial building located on the east side of Atlantic Street in Downtown Norfolk. The building was originally constructed in 1900, with renovations most recently completed in the 2000s, and at the time of purchase reflected good quality office space in very good condition. The building does have an elevator, but no on-site parking. The property was purchased for partial owner-occupancy by an accounting firm.

IMPROVED SALE #4



Location:	19-21 E. Mellen Street Hampton, Virginia
DRA File Number:	258-20
Tax Map Number:	12001384
Grantor:	BRR Investments, LLC
Grantee:	Richard G. Levin
Date Recorded:	December 11, 2017
Reference:	17-0015818
Consideration:	\$425,000
Financing:	Market Terms Assumed
Land Size:	0.10 acre
Building Size:	4,481 Square Feet
Year Built:	1912 (renovated circa 2002)
Land/Building Ratio:	1.0-to-1
Zoning:	PH-1, Phoebus District
Price/SF of Building:	\$94.84
Verification:	Municipal Records and Grantee

Comments: This is the sale of a two-story, masonry office building in the Phoebus area of Hampton. The building is predominantly occupied as office space, however, the building is also functional for first floor retail use similar to various surrounding buildings on E. Mellen Street. There is no on-site parking, but there is a municipal parking lot behind the building.

PROPERTY PHOTOGRAPHS

SUBJECT PHOTOGRAPHS
July 23, 2020



Subject Property
Front (West) Elevation



Subject Property
Front (West) Elevation



Subject Property
Side (North) Elevation



Subject Property
Side (South) Elevation



Subject Property
Rear (East) Elevation



Subject Property
Historical Marker

SUBJECT PHOTOGRAPHS
July 23, 2020



Subject Property
Interior Finish, Front Entrance



Subject Property
Interior Finish, Central Hall



Subject Property
Interior Finish, 1st Floor



Subject Property
Interior Finish, First Floor



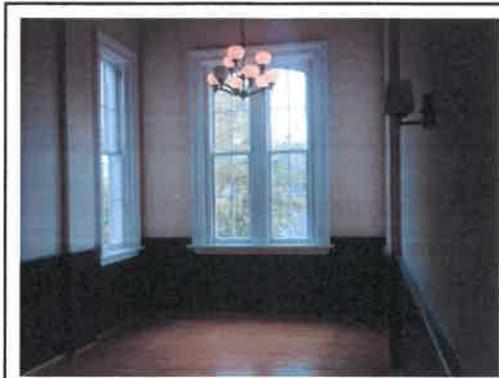
Subject Property
Interior Finish, Break Room



Subject Property
Interior Finish, Restroom

SUBJECT PHOTOGRAPHS

July 23, 2020



**Subject Property
Interior Finish, 2nd Floor**



**Subject Property
Interior Finish, 2nd Floor**



**Subject Property
Interior Finish, 2nd Floor**



**Subject Property
Interior Finish, Basement**



**Subject Property
Interior Finish, Basement**



**Subject Property
HVAC Units**

SUBJECT PHOTOGRAPHS
July 23, 2020



Washington Street, North
Subject to the right

Washington Street, South