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**Dominion Realty Advisors, Inc.**  
Real Estate Appraisers and Consultants

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January 21, 2021

**TowneBank - Appraisal Services Department**

c/o Ms. Carolyn Kapusta  
6001 Harbour View Boulevard  
Suffolk, Virginia 23435  
Phone: 757-673-1508

Reference: *Appraisal Report*  
441 Washington Street (±6,054 Square Feet NRA)  
Portsmouth, Virginia 23704  
(DRA File #008-21)  
(RIMS No.: 21-000035-01-01)

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. The owner is renovating the subject improvements and plans to lease the entire building to a single tenant. As such, the prospective values “upon completion of renovation” as of March 1, 2021 and “upon stabilization” as of June 1, 2021 will also be determined.

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), the requirements of the Interagency Appraisal and Evaluation Guidelines and the appraisal requirements of TowneBank.

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 current owner is currently completing further renovations, including all new custom windows, new HVAC, interior and exterior painting. 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 January 13, 2021 was as follows:

**SIX HUNDRED TWENTY-FIVE THOUSAND DOLLARS ..... \$625,000**

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 Prospective Value "Upon Completion of Renovation" of the fee simple estate of the subject property, as of March 1, 2021 will be:

**EIGHT HUNDRED SIXTY THOUSAND DOLLARS ..... \$860,000**

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 Prospective Value "Upon Stabilization" of the fee simple estate of the subject property, as of June 1, 2021 will be:

**NINE HUNDRED THOUSAND DOLLARS ..... \$900,000**

This letter must remain attached to the report, which contains 60 pages plus related exhibits in order for the value opinion set forth to be considered valid.

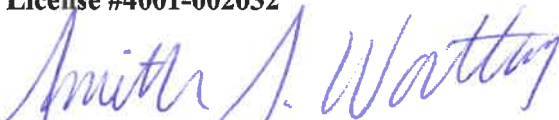
The recent global outbreak of Covid-19, a novel corona virus, has been declared a pandemic by the World Health Organization (WHO). It is not currently clear what direct or indirect effect this event may have on the national economy, the local economy, the market in which the subject property is located, 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**



**Bradley R. Sanford, MAI, Principal  
VA Certified General Appraiser  
License #4001-002032**



**Smith S. Worthy, MAI, Associate  
VA Certified General Appraiser  
License #4001-009865**

**REAL ESTATE  
APPRAISAL REPORT**

**OF**

**441 WASHINGTON STREET**  
Portsmouth, Virginia 23704  
(DRA File #008-21)  
(RIMS No.: 21-000035-01-01)



**Prepared By:**

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

Bradley R. Sanford, MAI  
Smith S. Worthy, MAI

## EXECUTIVE SUMMARY

DRA File #:	008-21
RIMS No.:	21-000035-01-01
Property Location:	441 Washington Street Portsmouth, Virginia 23704
Parcel Number:	00120841
Owner of Record:	441 Washington Street, LLC
Dates of Valuation:	January 13, 2021 - "As Is" March 1, 2021 - "Upon Completion of Renovation" June 1, 2021 - "Upon Stabilization"
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 ±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 current owner is currently completing further renovations, including all new custom windows, new HVAC, interior and exterior painting. 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.
Occupancy:	Vacant

**EXECUTIVE SUMMARY  
(Continued)**

Highest and Best Use

As Vacant:

As Improved:

Office development.

Continued utilization as an office building.

Tax Map:



Subject Property:



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## **PURPOSE OF THE APPRAISAL**

The purpose of this appraisal assignment is to describe the data and analysis that lead to a logical conclusion of market value “as is” and the prospective values “upon completion of renovation” and “upon stabilization” of the fee simple estate of the subject property as of the effective valuation dates.

## **INTENDED USE AND USER OF THE APPRAISAL**

The intended use of this appraisal is for loan underwriting and/or credit decisions by TowneBank and/or participants. Dominion Realty Advisors, Inc., was retained by Ms. Carolyn Kapusta with TowneBank by Letter of Engagement to Provide Real Estate Appraisal Services dated July 30, 2020, a copy of which is in the Addendum. The intended users of this report are TowneBank and/or affiliates.

## **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.

## **DATES OF VALUATION**

The subject is being appraised on an “as is” basis, as of January 13, 2021, the date of our inspection. Also, Also, the dates of the prospective values “upon completion of renovation” is March 1, 2021 and “upon stabilization” is June 1, 2021. All factors pertinent to the valuation of the subject property have been considered as of these dates.

## **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.

### **Extraordinary Assumption**

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis.

Source: Appraisal Institute, Dictionary of Real Estate Appraisal, Sixth Edition, 2015; Page 83.

***This appraisal contains the extraordinary assumptions that 1) the renovations to the subject will be completed as of March 1, 2021; 2) the costs for the renovations will be as projected by the buyer; 3) the subject will have a tenant in place as of June 1, 2021; and 4) market conditions on the dates of completion and stabilization remain consistent with conditions as of the date of this Appraisal Report.***

## **PROPERTY RIGHTS APPRAISED**

The value estimate as set forth in this report is the market value "as is" and the prospective values "upon completion of renovation" and "upon stabilization", 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 current owner is currently completing further renovations, including all new custom windows, new HVAC, interior and exterior painting. 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 included in the Addendum.

## **OWNERSHIP**

There has been no change in title for the past three years. Ownership of the subject property is vested in the name of 441 Washington Street, LLC. The subject was scheduled to go to auction and was a distressed asset. Prior to being auctioned, 441 Washington Street LLC was sold in October 2020 for a consideration of \$460,395. It appears that the only asset of 441 Washington Street LLC was the real property at 441 Washington Street. The previous 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 had been on the market for about 2 years with an original asking price of \$875,000. The price had been reduced several times and to the last listing at \$775,000. The new owner of the subject is spending approximately \$260,650 in additional renovations.

## 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, Bradley R. Sanford, 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. Bradley R. Sanford, MAI and Smith S. Worthy, MAI have made a personal inspection of the property that is the subject of this report.
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 Reform, Recovery and Enforcement Act of 1989, 12 USC 3310, 3331-3351, and to the

**CERTIFICATION  
(Continued)**

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. David E. Richards, MAI and Smith S. Worthy, MAI, with Dominion Realty Advisors, Inc. previously appraised the subject property for the previous owner with a report date of July 28, 2020. Within the prior three years, Bradley R. Sanford, MAI has 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 January 13, 2021, was as follows:

**SIX HUNDRED TWENTY-FIVE THOUSAND DOLLARS.. ..... \$625,000**

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 Prospective Value "Upon Completion of Renovation" of the fee simple estate of the subject property, as of March 1, 2021 will be:

**EIGHT HUNDRED SIXTY THOUSAND DOLLARS ..... \$860,000**

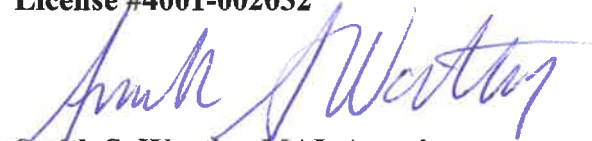
Based on our analysis of the data, subject to the assumptions and limiting conditions set forth in the attached report, it is our opinion that the Prospective Value "Upon Stabilization" of the fee simple estate of the subject property, as of June 1, 2021 will be:

**NINE HUNDRED THOUSAND DOLLARS ..... \$900,000**

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



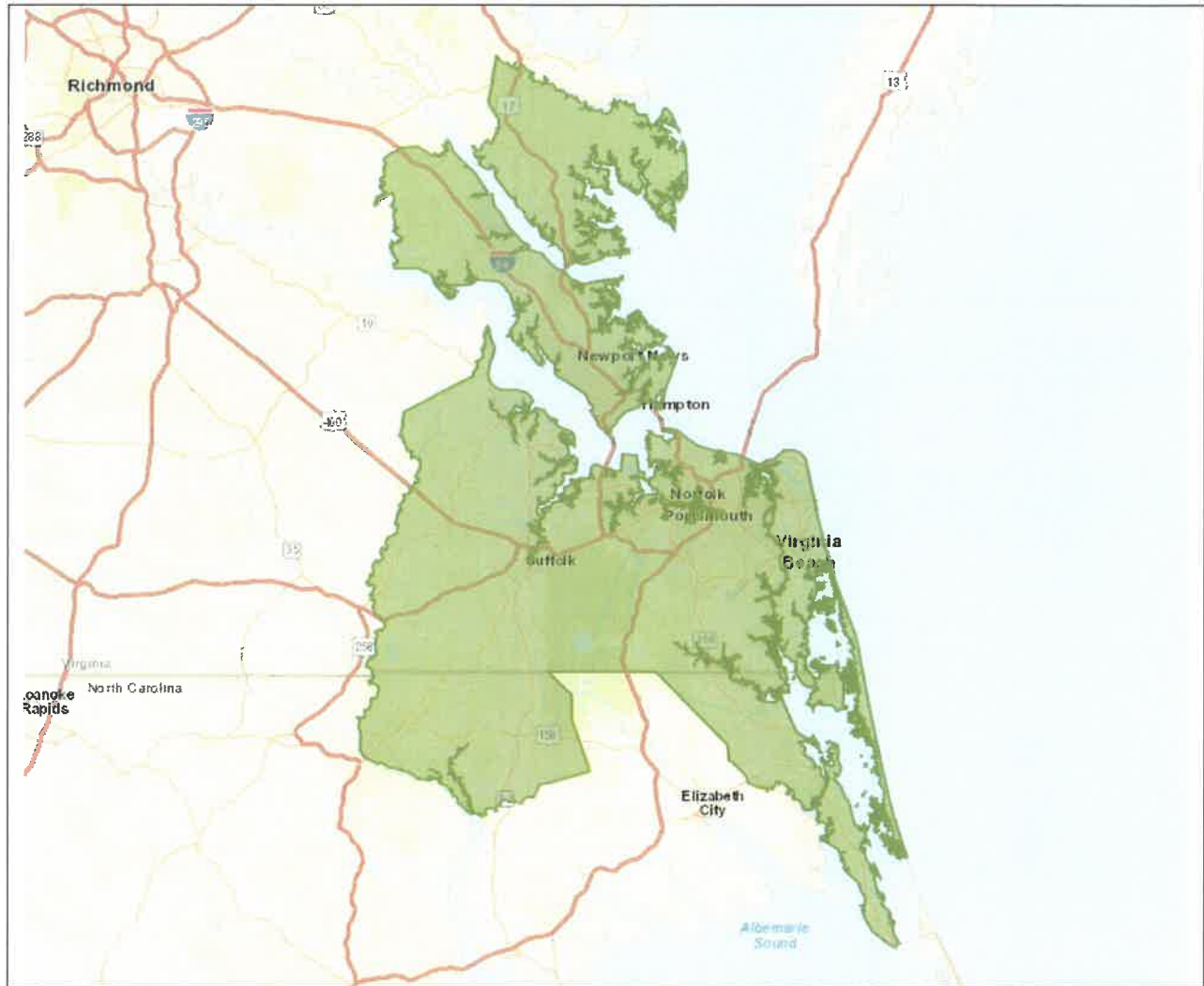
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# REGIONAL ANALYSIS

## *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 37<sup>th</sup> 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  $\pm 56.5$  F° and the average annual precipitation is  $\pm 43.2$  inches. Typically, the month of July is the hottest month of the year with an average of  $\pm 74.8$  F°, whereas January is the coldest month with an average of  $\pm 34.8$  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  $\pm 87.9$ °F whereas January is the coldest month with an average of  $\pm 30.9$ °F. Average annual rainfall is  $\pm 47.1$  inches distributed throughout the year, but with maximum amounts typically falling in late summer. Snowfall precipitation, within the region, on average totals  $\pm 6.3$  inches. On average, the Virginia Beach-Norfolk-Newport News MSA enjoys  $\pm 212$  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
<b>Hampton Roads MSA</b>	<b>1,580,387</b>	<b>1,676,822</b>	<b>1,773,133</b>	<b>0.6%</b>	<b>0.6%</b>	<b>1,829,535</b>
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	249,954	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%
<b>Total MSA</b>	<b>1,580,057</b>	<b>1,676,822</b>	<b>1,773,133</b>	<b>6.1%</b>	<b>5.7%</b>	<b>1,829,882</b>	<b>3.2%</b>
<b>Virginia</b>	<b>7,078,515</b>	<b>8,001,024</b>	<b>8,566,397</b>	<b>13.0%</b>	<b>7.1%</b>	<b>8,926,740</b>	<b>4.2%</b>
<b>United States</b>	<b>281,421,906</b>	<b>308,745,538</b>	<b>330,088,686</b>	<b>9.7%</b>	<b>6.9%</b>	<b>343,954,683</b>	<b>4.2%</b>

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

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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%
<b>Total MSA</b>	<b>\$61,617</b>	<b>\$70,277</b>	<b>12.2%</b>
<b>Virginia</b>	<b>\$68,682</b>	<b>\$78,884</b>	<b>14.9%</b>
<b>United States</b>	<b>\$58,100</b>	<b>\$65,727</b>	<b>13.1%</b>

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**

<b>Industry</b>	<b>2018</b>	<b>%</b>
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%
<b>Total</b>	<b>819,279</b>	<b>100.0%</b>

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.

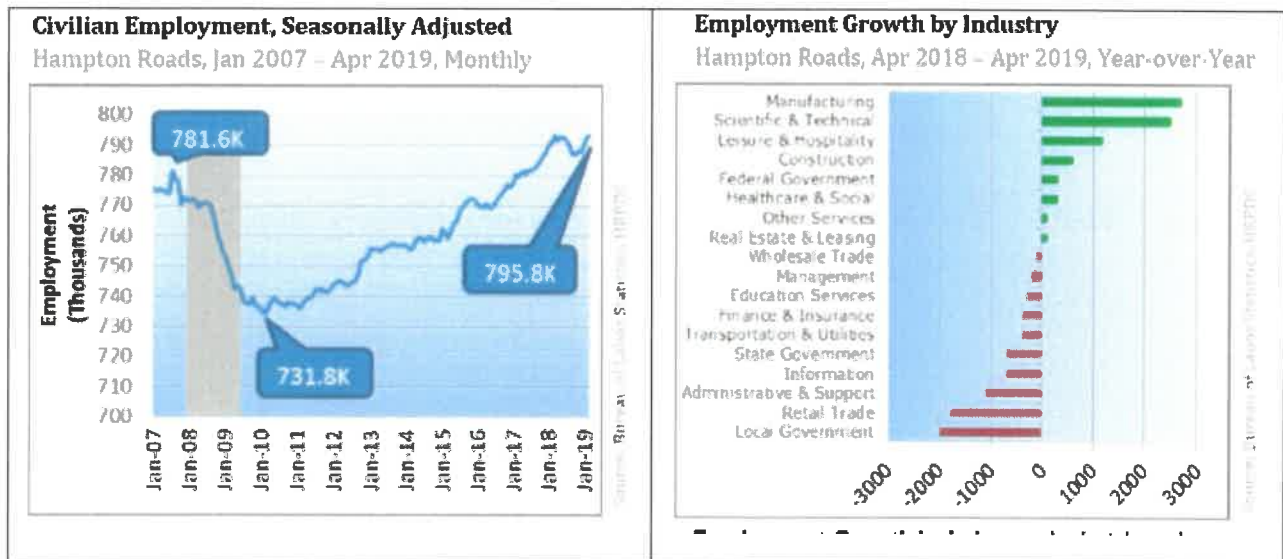
### Unemployment Rates in Hampton Roads

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).

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

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  $\pm 46.3$  inches distributed throughout the year, but with maximum amounts typically falling in late summer. Snowfall precipitation, within the region, on average totals  $\pm 8.0$  inches. On average, Portsmouth enjoys  $\pm 217$  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
<i>Hampton Roads (VA part)</i>	<i>1,558,180</i>	<i>1,648,136</i>	<i>1,694,891</i>	<i>0.6%</i>	<i>0.6%</i>	<i>0.6%</i>	<i>1,835,529</i>
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  $\pm 36.5$ . In comparison, the median age within the MSA median is estimated at  $\pm 36.3$ , the state median is  $\pm 38.3$ , and the national median is  $\pm 38.0$ .

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 populous 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  $\pm 8.7$  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  $\pm 130$  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  $\pm 22$  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.

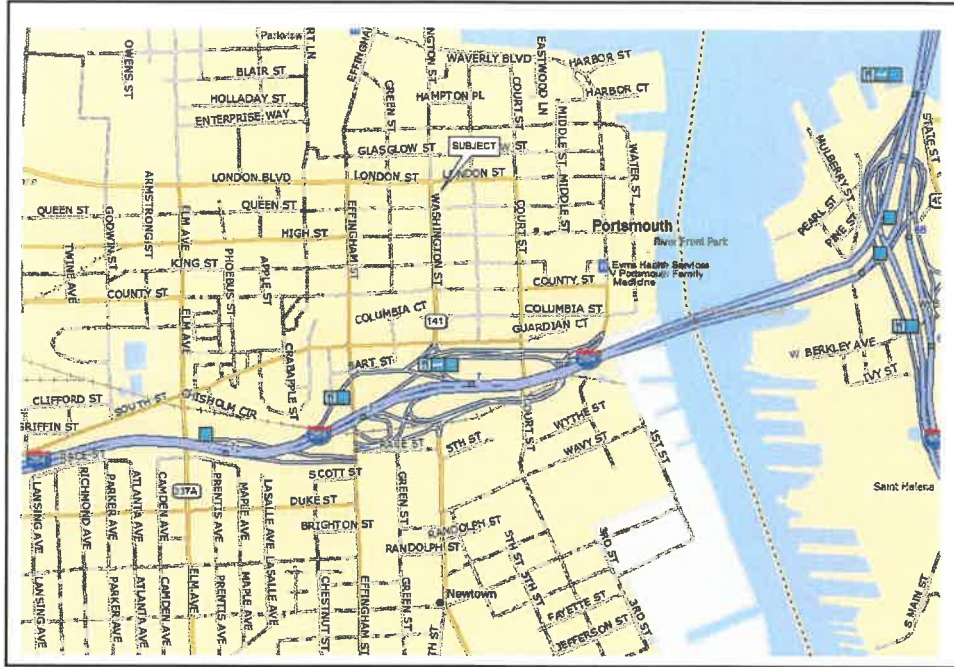
Countless companies rely heavily on the region's modern transportation system for their distribution of goods to and from points throughout the United States and the world. Portsmouth is marketing their port related potential with the slogan, "90 Miles of Shoreline. 360 Degrees of Opportunity" and has 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 2020-2021 taxable year levies an annual real estate tax of \$1.30 per \$100 of assessed valuation. A summary of subject's 2020-2021 assessment is as follows using the current tax rate of \$1.30 per \$100 of assessed value.

<b>Assessment Summary 00120841</b>	
<b>Year</b>	<b>2020-2021</b>
Land	\$ 148,100
Improvements	\$ 767,300
Total	\$ 915,400
Tax Rate	x 0.0130
Annual Tax	\$ 11,900.20

The subject's 2020-2021 assessment equates to approximately \$151 per square foot ( $\pm 6,054$  SF NRA), which is considered reasonable compared to the assessments of similar properties within the city. The current assessment is slightly above but in line with our prospective value "Upon Stabilization" of this report and as such will be appropriately assessed once the building's renovation is complete and it is operating on a stabilized basis.

### **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 the right to lease and use 12 parking spaces and a perpetual non-exclusive variable easement for ingress and egress from the church adjacent to the subject site as contained in the deed recorded as Instrument Number 04006099. See Addendum for the legal description, which includes the parking spaces. The owner and the church have reportedly agreed to a lease amount of \$60 per space per month. It should be noted there is non-metered on-street parking along Washington Street as well.

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:** Good

**Parking:** Good; the right to lease and use 12 deeded spaces on the adjoining parcel for \$60 per month; also 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 and 2021.

**Market Appeal:** Class B

**Gross Building Area:** ±6,054 square feet (per marketing material)

**Net Leasable Area:** ±6,054 square feet

Occupancy: Vacant; to be leased to a single tenant upon completion of renovation

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) - new in 2021

Interior Finishes: Typical interiors include painted drywall walls, bead-board wainscoting in hallways, maple hardwood and ceramic tile flooring, and diagonal bead-board ceilings (13' 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. The owner is currently renovating the building. Improvements include new custom made wood windows (building is historical), new HVAC, painting the exterior and interior, repairing the rear porch, and new sump pumps installed in the basement at a total cost of \$260,650. The owner has spent \$ 45,750 to date, with remaining renovation costs of \$214,900. Upon completion of renovation, the building will be in very good condition and typical of Class B office build-out.

Parking: The right to lease and use 12 deeded spaces on the adjoining parcel for \$60 per month; also on-street parking is available along Washington Street

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. As described above the new owner is currently completing additional renovations to the subject. Upon completion of renovation, the building will be in very good condition and typical of Class B office build-out.

**Subject Property:**



**Strengths:**

- Location in the Olde Towne area of downtown Portsmouth
- Historic building with good market appeal and utility as a single-tenant office facility. The building has many distinct architectural features, including ±13'

ceilings on both floors, extensive millwork throughout and will be in very good condition upon completion of renovation.

-The owner has reported that he has three seriously interested potential tenants

Weaknesses:

-No elevator

-No on site-parking, though the subject is deeded the right to lease 12 spaces from the adjacent church and there is non-metered, on-street parking available along Washington Street.

Most Probable Buyer:

A local investor or an owner-user

## OFFICE MARKET OVERVIEW

The following market overview has been prepared to briefly illustrate current trends which exist in the Hampton Roads Office Market. According to *CoStar's Office Market Report* for the overall Hampton Roads area (December 2020), the region contains over 54 million square feet of office space with a 8.0% overall vacancy level.

<b>Hampton Roads Office Market - December 2020</b>							
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	10,660,543	10.2%	\$24.54	13.2%	19,144	192,800	121,000
3 Star	28,549,260	8.7%	\$19.67	11.1%	32,676	0	4,500
1 & 2 Star	15,727,209	5.1%	\$15.84	8.1%	(15,005)	0	0
<b>Market</b>	<b>54,937,012</b>	<b>8.0%</b>	<b>\$19.53</b>	<b>10.7%</b>	<b>36,815</b>	<b>192,800</b>	<b>125,500</b>

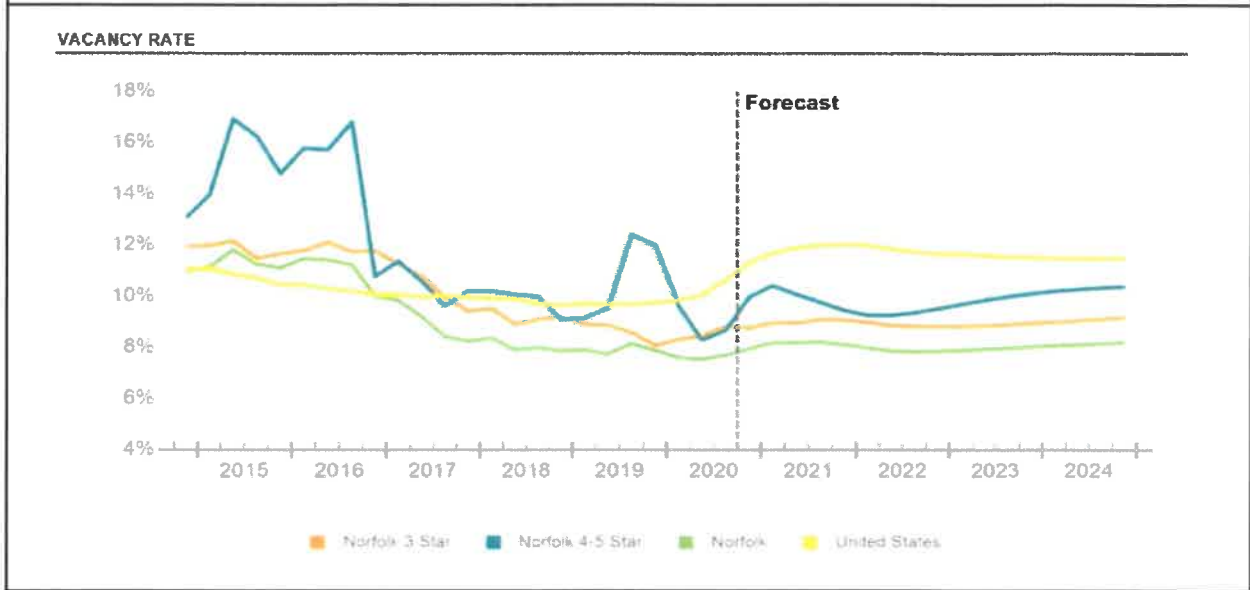
CoStar reports that vacancies within the region average 8.0% overall which is slightly below the national average of about 10%. The current 8.0% vacancy indication is consistent with the prior year indication of 8.0%. A slowdown in office deliveries over the past several years has helped the Hampton Roads office market vacancy rates remain relatively stable and compress in some areas. Couple that with healthy demand over the past few years, and the Hampton Roads market is experiencing decade-low vacancies. However, the market is set to undergo some changes in the near future following the departure of Norfolk Southern and increased speculative new construction, particularly by Dollar Tree.

Norfolk Southern, with 280,000 SF, plans to move out of Downtown Norfolk to Atlanta in two waves, moving 100 people in 2019 and the remaining 880 people will either be let go or moved in 2021. Summit Pointe, the developer of Dollar Tree's new headquarters in Greenbrier in Chesapeake, is rounding out the new mixed-use development with an additional 172,000 SF of speculative Class A office space to be delivered in 2020. The developer also hopes to attract millennials working for Dollar Tree to live and play in the area with new luxury apartment units and a significant expansion of ground floor retail space.

Looking forward, the biggest curb on office demand will be the lack of job growth in the market. Unlike other tier two markets, Hampton Roads has not seen accelerated job growth during the current cycle (since prior to the recession). Lack of high-growth sectors (typically office-using) and slowing job growth weakened the appetite for additional office space in the region. However, until the departure of Norfolk Southern and the opening of Dollar Tree's speculative office building, the Hampton Roads market should continue its current trajectory of stable low vacancy rates and positive rent growth.

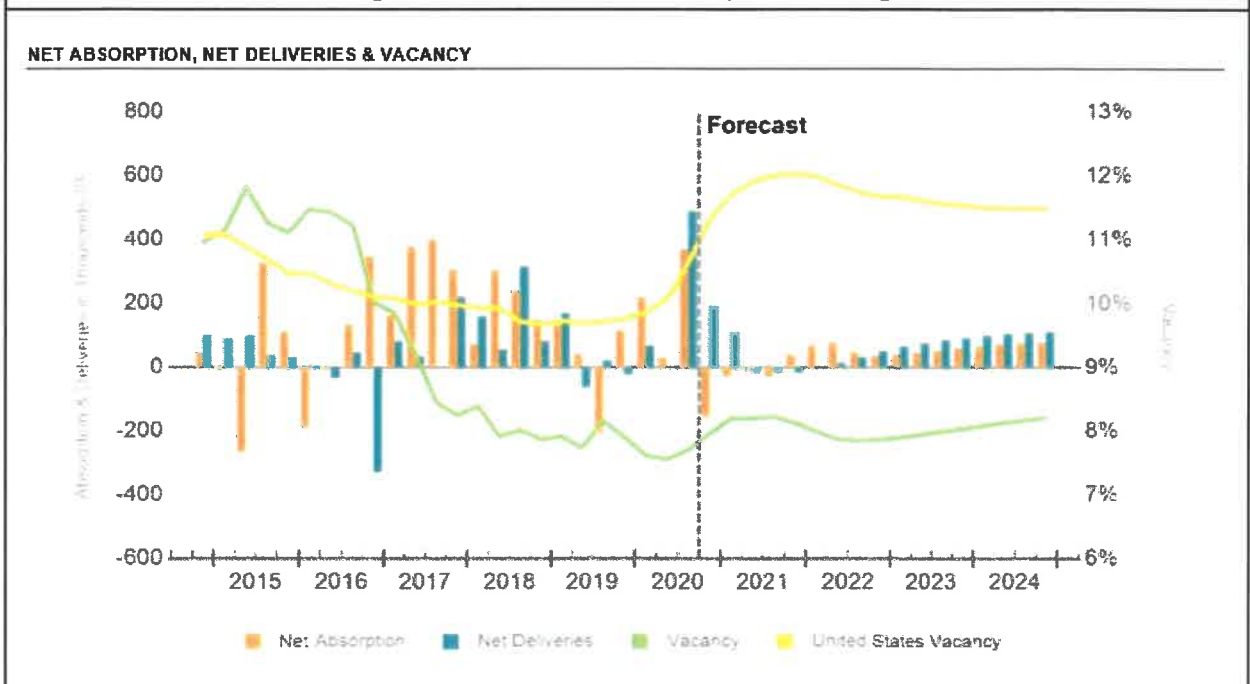
The Hampton Roads Total office vacancy rate has steadily declined from a high of 11.0% - 12.4% in 2009-2012, to between 10.0% - 10.6% in 2013-2016, and further declining to about 8.3% in 2017-2018, and 7.9% - 8.5% in 2019. Current vacancy is reported at 8.0% (December 2020). This steady decline in vacancy has resulted in moderate growth in rents over the last year. The below table summarizes historical vacancy levels by building class in the greater Hampton Roads office market.

### Hampton Roads Office Vacancy Rates



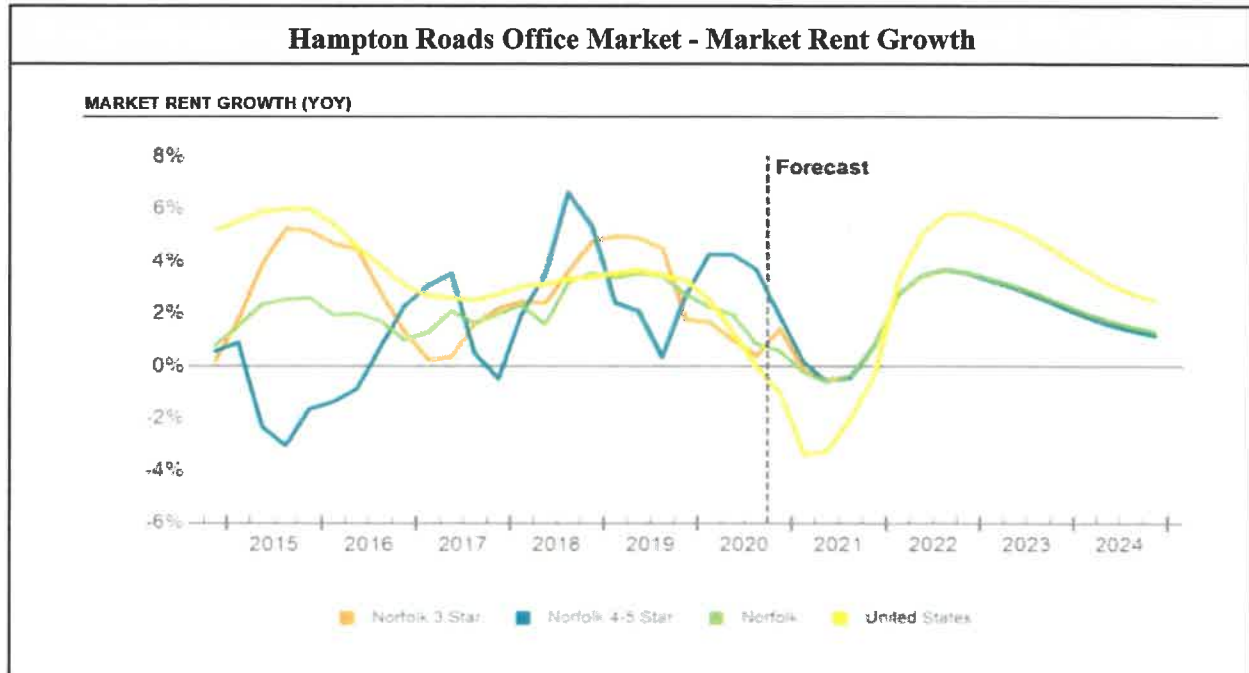
As noted in the above table, the region’s Class A (4-5 Star) and Class B (3-Star) office product have experienced the higher vacancy levels over the past several years. The Class A product has ranged from a high of 17% in 2015 to 2016, declining to 10.3% in 2016 and further declining to about 9.6% in 2017 and 8.8% in 2018. The late 2019 rate for Class A has spiked to 10.9%. The Class B product has ranged from a high of about 11.2% to 13.7% in 2009-2015, declining to 9.2% in 2017 and 2018. The late 2019 rate for Class B is 8.8%. Cyclical low vacancies are likely to increase in 2020 as several new speculative developments enter the market such as Dollar Tree’s new Summit Pointe development and as Norfolk Southern moves forward with its departure from the area. The below table summarizes historical net absorption, net deliveries and vacancy trends and forecasts.

### Hampton Roads Office - Vacancy and Absorption





The above discussed market indicators generally reflect market conditions prior to the onset of the Covid-19 pandemic in mid March 2020. The effects of the Covid-19 pandemic will be felt across the economy as businesses struggle to stay afloat and meet rent obligations in the midst of the government mandated lockdowns. As some office related businesses increase work-from-home operations coupled with the likelihood of recessionary trends the demand for office space will likely decline in the near term with a resulting increase in vacancy levels and declining rent growth and possible declining rents. Fortunately, the significant military presence in Hampton Roads will help mitigate some of these negative trends. The below table illustrates rent trends and CoStar's rent forecasts for year-end 2020 through 2023.



Average quoted Total office rents in Hampton Roads peaked in 2008 at \$18.03/SF prior to the onset of the national recession later that year. With the onset of the recession in late 2008, rental rates began to decline as landlords competed for fewer tenants. Quoted rents declined to about \$17.50/SF in 2009-2010, and further to about \$16.50 to \$17.00/SF in 2011-2016. However, in 2017 in conjunction with steadily declining vacancy levels, rents began to experience modest growth to \$17.28/SF, with 2018 at about \$17.88/SF and 2019 at \$17.86 to \$18.01/SF. The above table summarizes historical office rent growth and forecast for the Hampton Roads area. Note is made that due to the onset of the Covid-19 pandemic in March 2020 rent forecast for the region have moved into to the negative trend lines for the second half of 2020 and early 2021 with rent recovery anticipated by 2022.

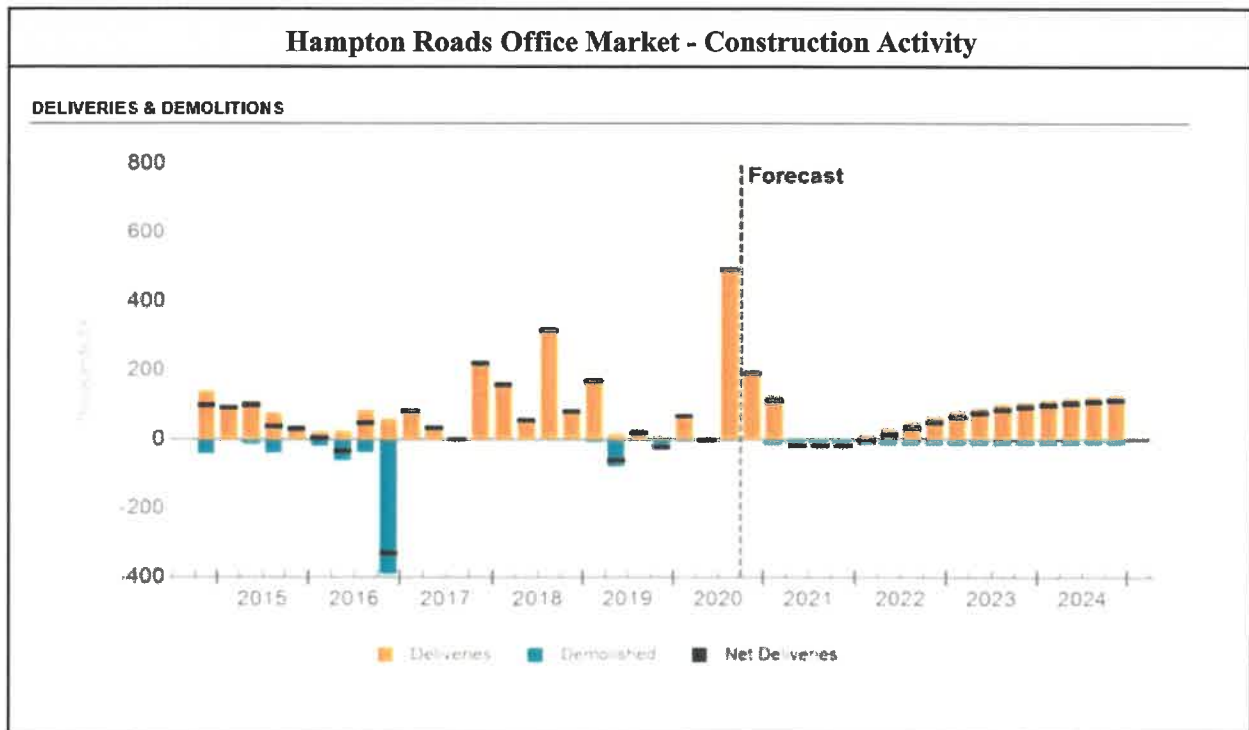
The current office market cycle since the recession has been marked by a distinct lack of new construction. Almost half of what is currently under construction is the Dollar Tree headquarters, which is over 510,000 SF and broke ground in 2Q2018 and opened in 2Q2019. This new headquarters is the result of Dollar Tree's relocation of Family Dollar's headquarters from Matthews, NC.



Another large portion of the under-construction pipeline is the new Ferguson headquarters in Newport News. The wholesale distributor of plumbing equipment is in the process of building a 260,000 SF headquarters in the Oyster Pointe submarket on the Peninsula that will include collaborative spaces, a rooftop terrace, and views of City Center fountain park. The project’s budget is \$82.8 million and will be the workplace for around 1,600 employees. The building is nearing completion as of the end of 2020.

In addition to the above owner-occupied new Class A buildings, the pipeline of speculative construction is also significant. The largest is Summit Pointe’s 172,000 SF speculative Class A office building, located next to the new Dollar Tree headquarters in Greenbrier in Chesapeake. Construction started in 1Q2019 delivered in 3Q2020. This building includes ground floor retail and restaurants as well as an adjacent new luxury apartment complex.

By total square footage built and by a percentage of inventory, developers in Hampton Roads have been quiet compared with competing metro areas. Only about 1.3 million SF has been built in Hampton Roads since the start of 2015 and, though the construction pipeline is filled, most of that construction will be build-to-suit. When compared to nearby and comparable cities such as Richmond, Durham, Memphis, Charleston and Louisville, Hampton Roads built the least amount of square footage, with Louisville being the lone exception. These East Coast, tier-two cities provide affordable alternatives to Washington, D.C., Baltimore and Raleigh. But without the modern office space that attracts millennials and companies alike, stimulating economic growth could be challenging.



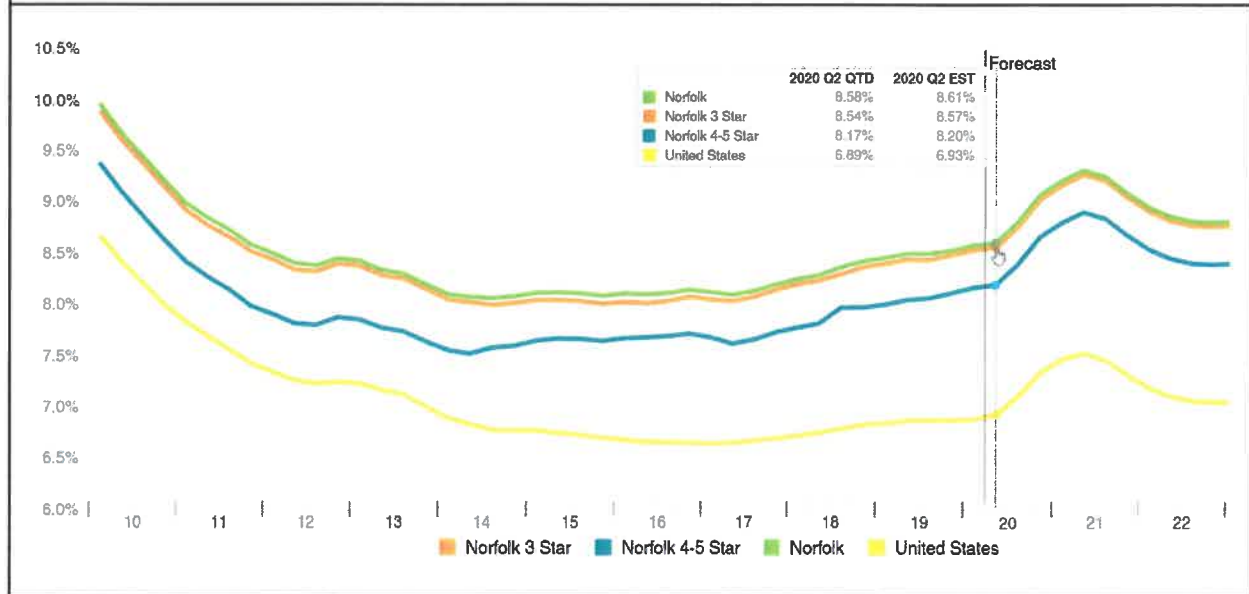
## Hampton Roads Office Market - Construction Submarkets

### SUBMARKET CONSTRUCTION

No.	Submarket	Under Construction Inventory				Average Building Size			
		Bids	SF (000)	Pre-Leased SF (000)	Pre-Leased %	Rank	All Existing	Under Constr	Rank
1	Norfolk-ODU/Ghent	1	121	121	100%	1	12,235	121,000	1
2	Greenbrier	1	5	0	0%	2	26,912	4,500	2
3	Airport/Northampton	0	-	-	-	-	10,558	-	-
4	Battlefield	0	-	-	-	-	29,169	-	-
5	Central Norfolk	0	-	-	-	-	22,649	-	-
6	Churchland	0	-	-	-	-	7,460	-	-
7	Coliseum Central	0	-	-	-	-	17,899	-	-
8	Currituck County	0	-	-	-	-	4,597	-	-
9	Downtown Hampton	0	-	-	-	-	14,037	-	-
10	Downtown Newport News	0	-	-	-	-	26,839	-	-
	All Other	0	-	-	-	-	14,160	-	-
<b>Totals</b>		<b>2</b>	<b>126</b>	<b>121</b>	<b>96.4%</b>		<b>15,240</b>	<b>62,750</b>	

Office sales in the Hampton Roads region in the first quarter of 2020 were in-line with average prices in recent previous quarters despite the early effects of the Covid-19 pandemic which was declared on March 13, 2020. CoStar market analytics predicts that the pandemic will slow both sale volume and price growth nationwide for the office sector in 2020. CoStar predicts overall capitalization rates in the office market to increase significantly in late 2020 and 2021 as a result of the pandemic. However, the projected growth in cap rates is anticipated to be a short-term event with rates falling again in late 2021. The below table summarizes recent historical cap rate averages for the Norfolk region as well as CoStar's cap rate projections of the next several years.

### Market Cap Rates - CoStar Historical Trends and Future Projections



**Summary** - The Hampton Roads office market has shown slow but consistent growth in occupancy levels and rents over the past two years. Although over 600,000 square feet of office space is currently under construction, approximately 80% of this space has been pre-leased which should mitigate the cyclical increase in vacancy levels to some degree as this new space comes on-line. In short, the local office market is considered stable at this juncture, however, modest increases in vacancy are expected in light of new construction and the current Covid-19 Pandemic (see comments below) which may also result in an increase in overall capitalization rates. Note is made that according to CoStar, the subject property is within the Downtown Portsmouth Submarket which currently exhibits an overall vacancy level of 6.6% and an average quoted asking rent of \$18.07/SF as of year-end 2020.

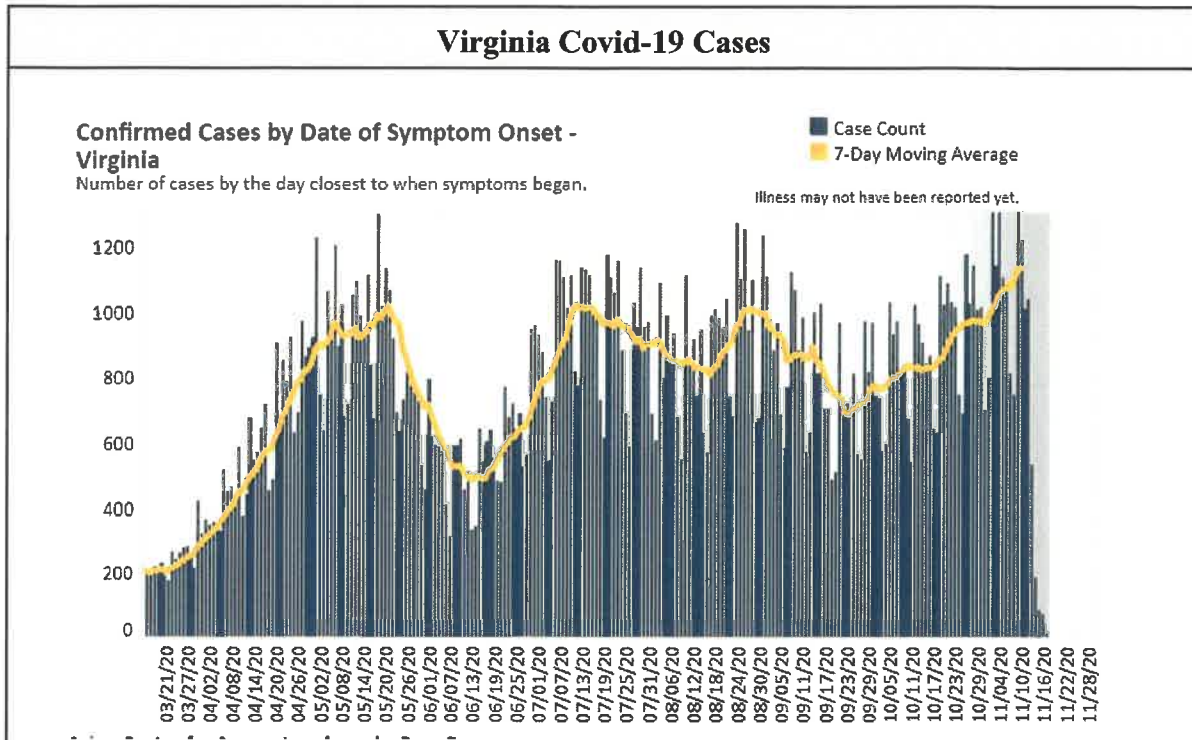
## COVID-19 PANDEMIC COMMENTS

The stock market and commerce activity experienced a massive decline in March-April 2020 as a result of the Covid-19 pandemic and associated government restrictions and social distancing policies (closed restaurants, spas, salons, non-essential businesses, etc.). The economic slowdown is not the result of weak market fundamentals but rather a temporary creation as a result of government forced business closures and social distancing. Most economists and real estate professionals believe that the economic slowdown will resemble a “V” or “U” with the current sharp market decline followed by a rapid market growth period as pent-up demand creates strong market activity after the pandemic crisis passes. After a pro-longed period of sheltering-in-place, Americans will celebrate the passing of this temporary slowdown with renewed appetite for spending and moving forward with their lives. Some evidence of this is garnered from the recent re-opening of the Las Vegas casinos on June 3, 2020. The casinos reportedly opened to huge crowds and the demand for hotel rooms exceeded expectations with room bookings at a high pace through the summer months. In addition, the stock market has regained much of the losses it incurred at the on-set of the pandemic. The Dow Jones Industrial Average was trading at a volume of 29,348 in late February 2020 and fell to 18,591 on March 23, 2020. As of January 6, 2021 volume had increased to 30,829.

The office market in Hampton Roads has been stable over the past several years prior to the Covid-19 pandemic, with stable to moderating increasing occupancy levels and generally stable rent levels. Interviews with local developers, landlords, leasing firms and brokers indicate that the demand for office space in the region should not be significantly impacted by the Covid-19 crisis in the long term due to the strong market and economic fundamentals in the region. However, the longer the national, and respective state, lockdowns persist the likelihood of deepening and more permanent economic damages increases. Also, the office market appears to have somewhat greater exposure to the negative attributes of the pandemic as numerous office works become accustomed to working from home.

In the short term, landlords for office product may experience moderate increases in vacancy and collection losses (bad debt) as unemployment increases from the prior level of about 3.2% to 10% to 20% coupled anecdotal information from office landlords who reported from May to July 2020 that they have received no-rent notices from some office tenants. Nonetheless, this will be somewhat offset by the federal relief package.

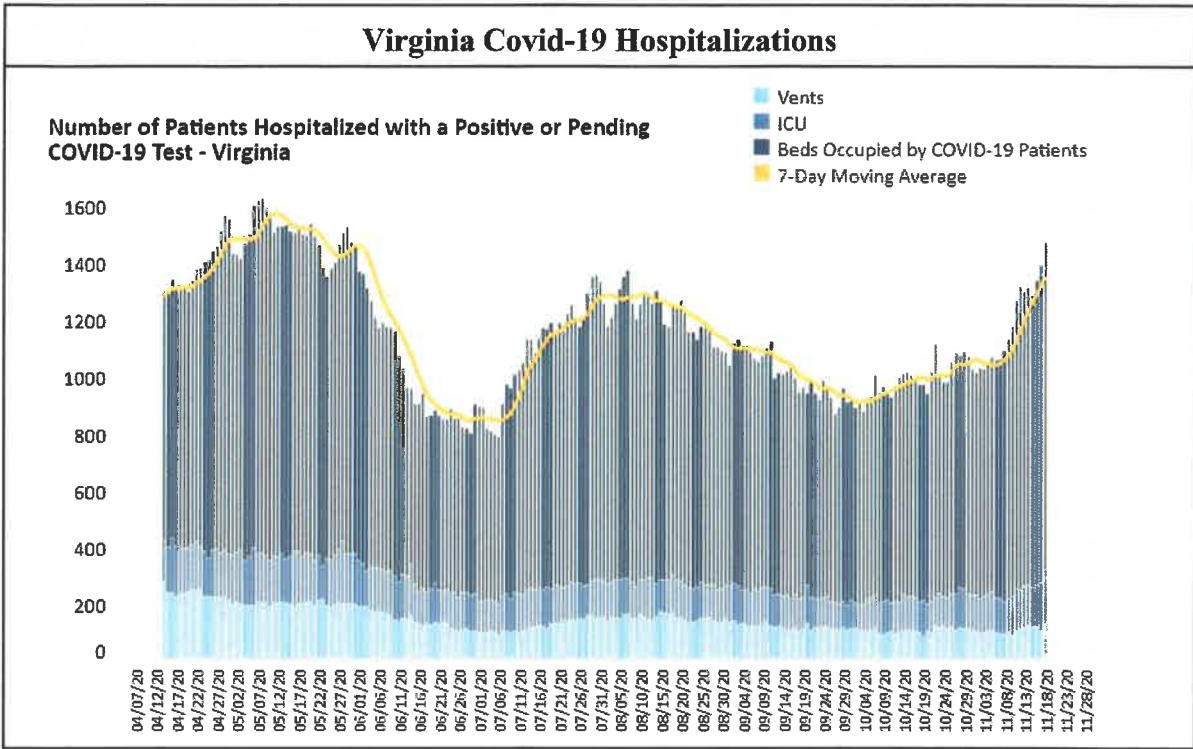
Furthermore, the statewide lockdown restrictions in Virginia were eased on May 15, 2020 with the partial opening of restaurants allowing outdoor dining. On June 5, 2020 Virginia entered Phase II of the re-opening which included indoor dining and the opening of various previously closed businesses. On July 1, 2020 the Commonwealth of Virginia entered into Phase III of the re-opening, however, beginning in early July the state has experienced an increase in the rate of positive Covid-19 cases in conjunction with increased testing.



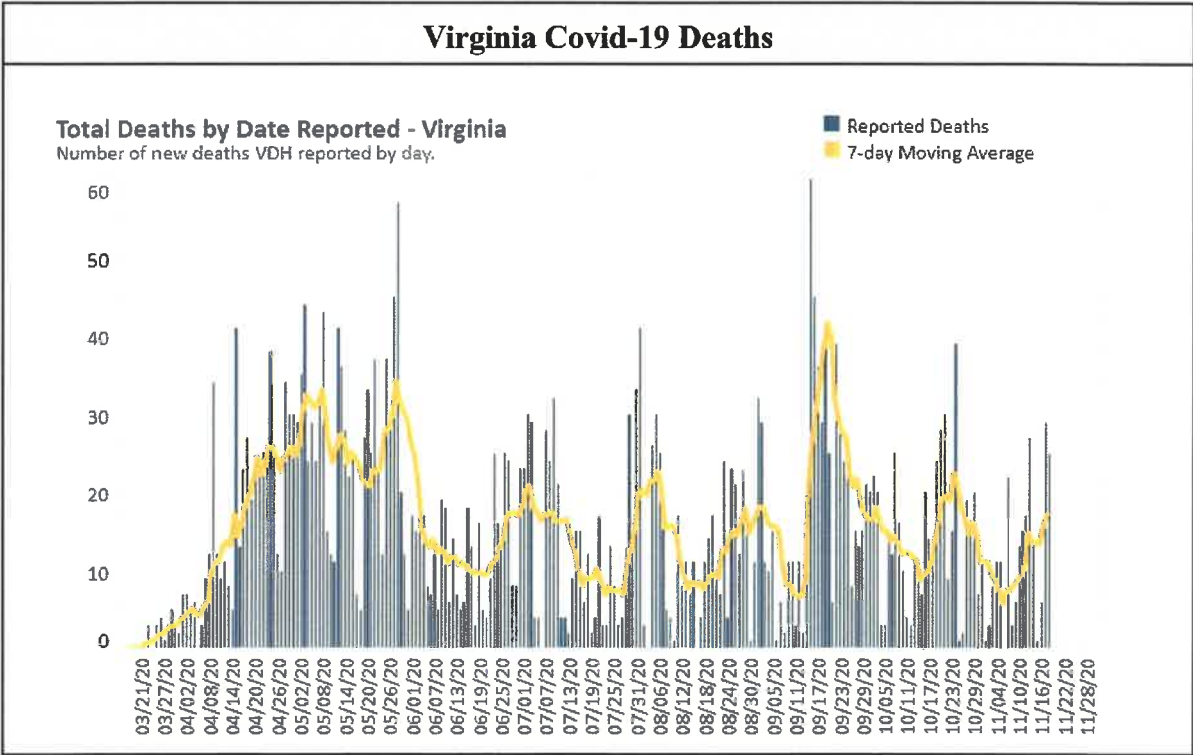
Source: Virginia Department of Health (VDH) updated November 18, 2020

Although increased testing has resulted in increasing case numbers in July, economic activity continues to increase as the state progresses into Phase III of the re-opening. Another positive sign is the continued decline in the Covid-19 related hospitalizations and deaths in October. As illustrated in the following tables the Virginia Department of Health (VDH) continues to report declining hospitalization and death rates for the state. However, as of November 18 the number of hospitalizations in Virginia has risen, up by more than 400 patients in a two-week span. Virginia now has 1,469 patients hospitalized, less than 200 patients under its peak levels in May. It should be noted that despite the increase in hospitalizations in Virginia, the death rate continues to trend down and is at 1.85% for the state as on November 18, 2020. Also, it has been recently announced that two vaccines with over 94% efficacy have been developed by Pfizer and Moderna. The F.D.A. Advisory Panel recommended authorization of the Pfizer vaccination on December 10, 2020. The distribution of the Pfizer vaccine began December 14, with front-line health care workers receiving the first doses. A second COVID-19 vaccine with a 94% efficacy rate developed by Moderna was recommended for FDA authorization by an advisory panel December 17, 2020. As such, this vaccine started being administered the week of Christmas.

On a national level many states, including Virginia, are reporting increases in case numbers as testing continues to increase and states reopen. However, as case numbers increase, death rates continue to remain flat or decline resulting in a significantly lower mortality rate for the disease than originally forecast. The lower mortality rates along with the recent announcement of two vaccines should bolster renewed confidence in consumers to return to normal retail/shopping activities.



Source: Virginia Department of Health (VDH) updated November 18, 2020

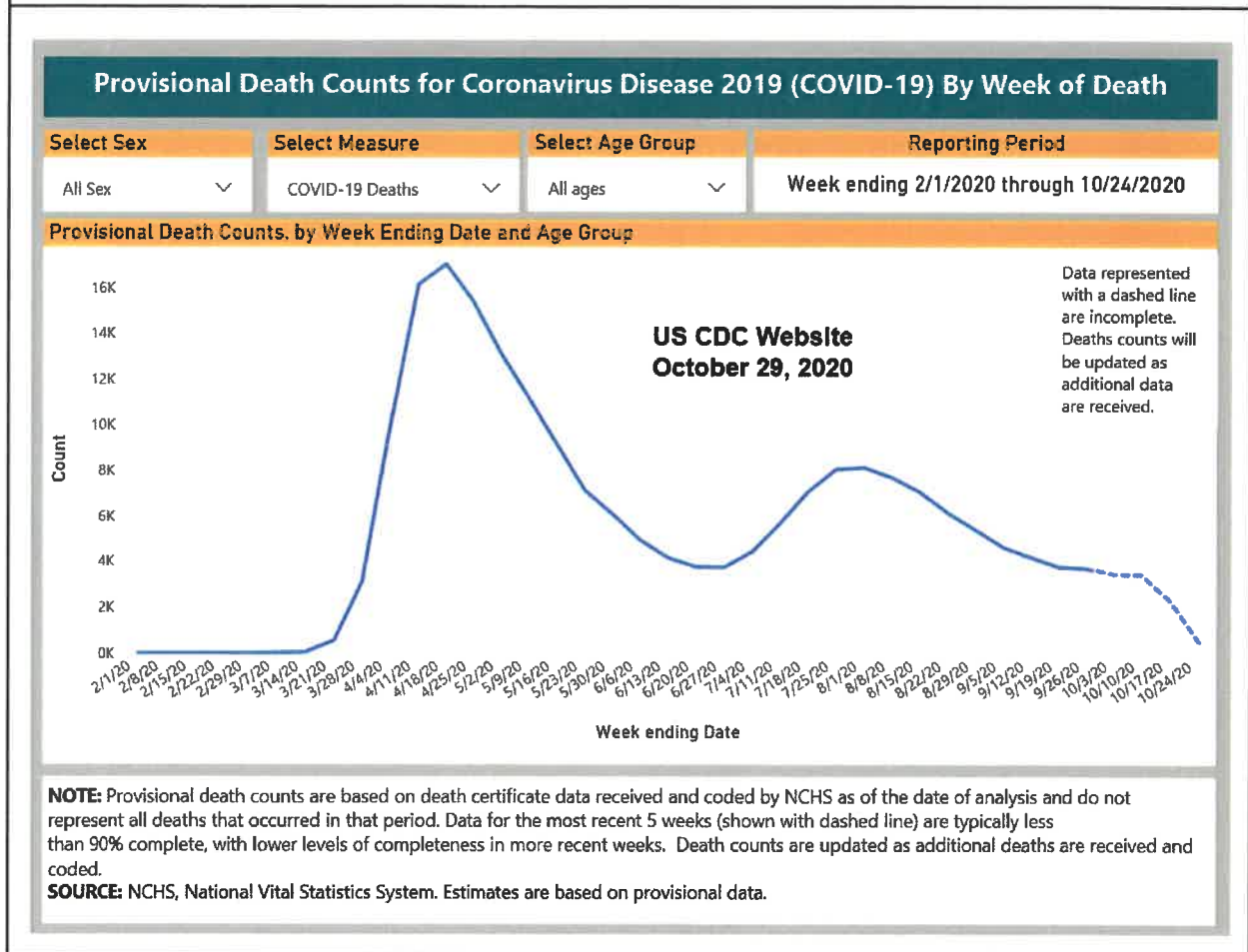


Source: Virginia Department of Health (VDH) updated November 18, 2020

The above charts summarize current hospitalization and deaths attributed to Covid-19 in Virginia and illustrate the continued decline in the state. Note is made that recent data indicate an increase in hospitalizations in some areas, however, the number of deaths continue to decline. The below table summarizes death counts by age group in the United States and illustrates the significant decline in Covid-19 mortality rates over the past several months.



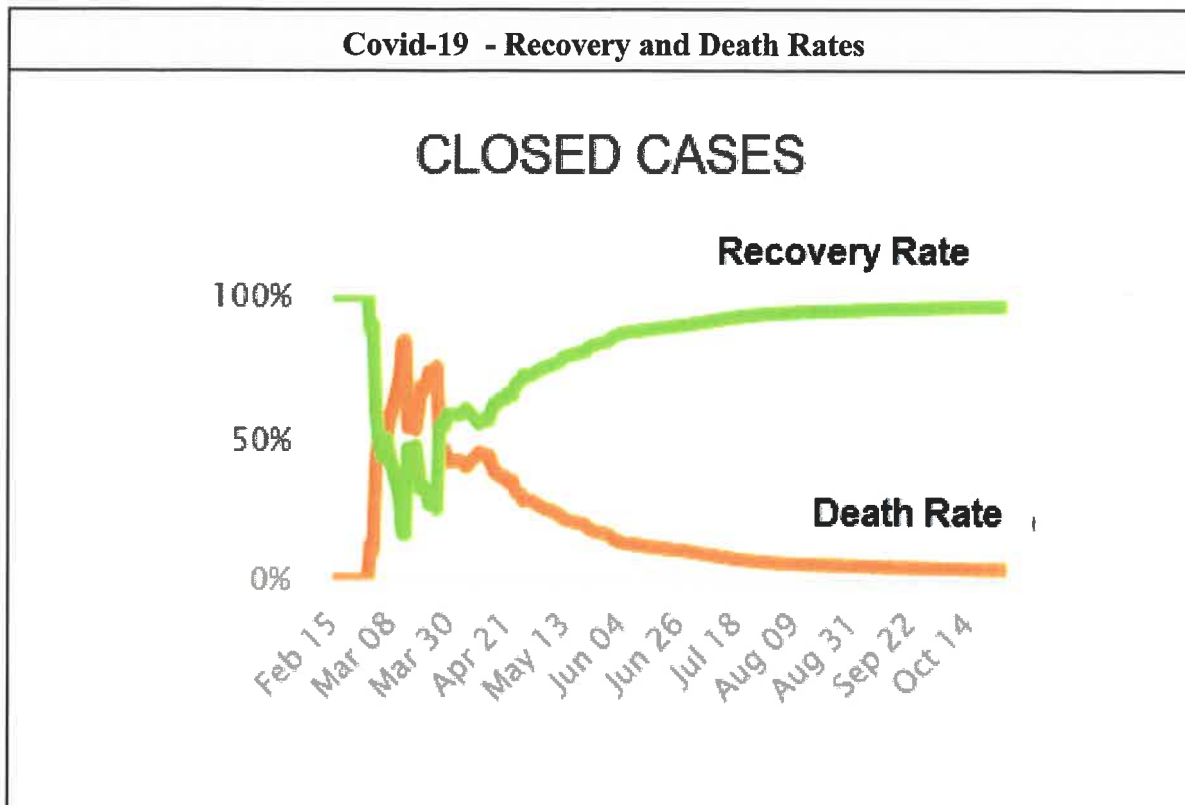
## United States - Death Counts by Age Group - CDC Data



Source: U.S. CDC/NCHS updated October 29, 2020

On the negative side of the pandemic equation Covid-19 positive cases are reported to be trending upward in the United States in the fourth quarter 2020. This is partly attributed to increased testing across the country resulting in more positive cases. Nonetheless, the increased case numbers have given many experts and citizens concern which could lead to a slow down in economic activity as Americans again begin to shelter “in-place”. However, the increasing case numbers are mitigated by the continued decline in the disease’s mortality rate, the continued improvement in treatment options (therapeutics) and the pending approval of a vaccine by year-end 2020.

The bottom line is no one is certain how long the pandemic will last in the United States, however, there has been a slow transition to more normal economic activity as Americans become accustomed to the new Covid protocols and begin to return to basic economic activity under the “new normal” climate. Many Americans have grown weary of the daily Covid restrictions and are seeking a return to normal activity. Two vaccines are available at the start of 2021, and possibly two additional vaccines will be available in early 2021. This, combined with the case mortality rate continuing its downward trend with 99% of infected patients recovering, has many experts and laymen forecasting a return to a pre-Covid-19 normal in mid 2021. Again, this is speculation regarding the duration of the pandemic and a return to “normal”.



The Covid-19 pandemic has impacted the various commercial real estate markets to varying degrees (office, retail, industrial, apartments). Most industry reports and real estate professionals concur that the hardest hit sectors are anticipated to be the retail and office sectors with industrial and apartment properties faring somewhat better.

In the short term, landlords for office product may experience moderate increases in vacancy and collection losses (bad debt) as unemployment increases from the prior level of about 3.2% to 10% to 20% coupled anecdotal information from office landlords who reported from May to July 2020 that they have received no-rent notices from some office tenants. Nonetheless, this will be somewhat offset by the federal relief package.

The subject property is an existing single-tenant office historic building located in the Olde Towne Historic District of downtown Portsmouth. The building was extensively renovated/restored in 2006 and is currently undergoing further renovations. The owner has reported that he has three serious potential tenants, all of whom are interested in leasing the entire building on a triple-net basis upon completion for long terms. Thus, the potential adverse impact to the subject from the COVID-19 public health emergency is mitigated by the subject's market appeal, location, very good condition and utility as a single-tenant office facility. In view of this the Covid-19 pandemic is not considered to have a negative impact on the subject property at this juncture of the pandemic and Virginia's re-opening phase. Thus, no adjustments will be applied in the subsequent Income and Sales Comparison Approaches to Value.



## 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 January 14, 2021 was at approximately 8.0% while office vacancy within the Downtown Portsmouth sub-market (subject area) was reported at lower level of 6.6% (CoStar - Office Market Report, January 14, 2021).

### **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, extensively renovated/restored in 2006 and currently undergoing further renovation. The improvements reflect sound construction quality and appear to have been well maintained since construction and upon completion of renovation will be in overall very 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. As such, the highest and best use, as improved, is for continued use as a single-user office facility.

## **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.

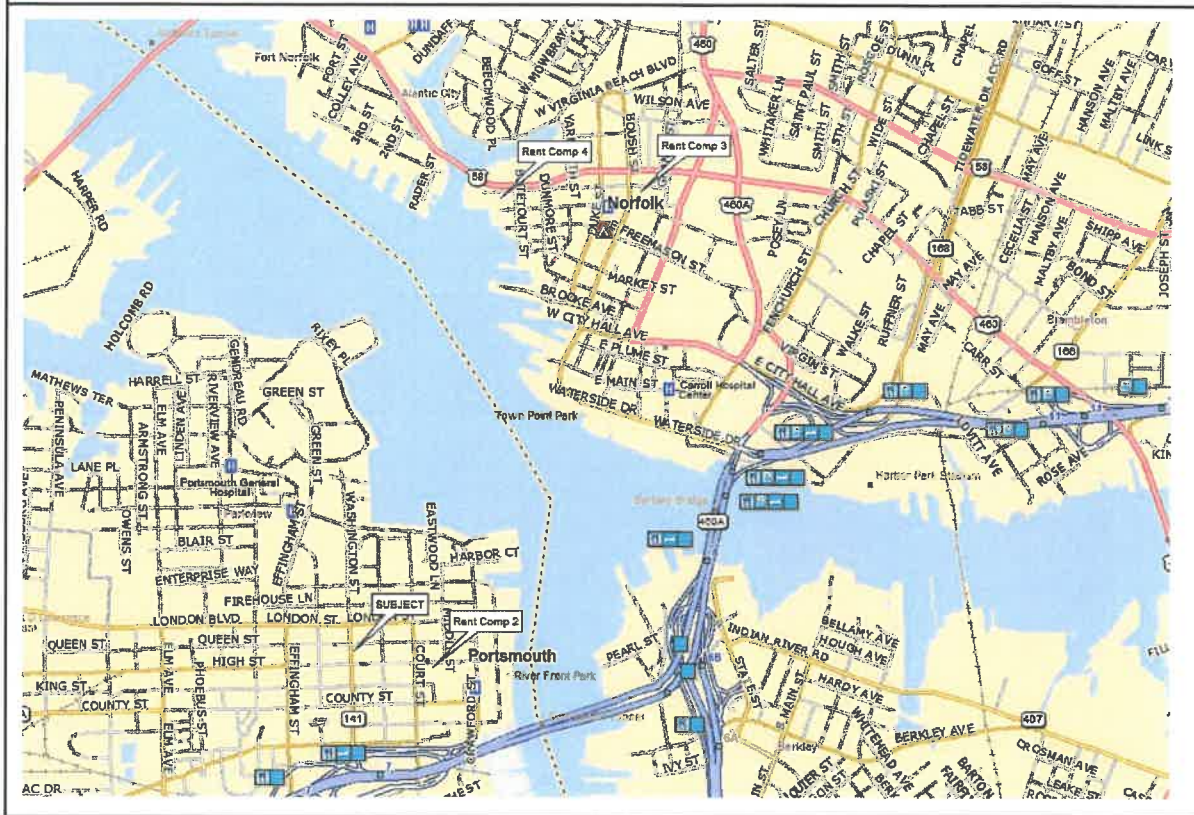
### **Analysis of Revenue**

The subject contains ±6,054 square feet of net leasable area (NLA) and is currently under renovation and vacant with no tenant in place. As such, a fee simple analysis is appropriate. The owner reported that he has several serious prospective tenants. He is asking \$13.50 per square foot on a triple net basis and plans to lease the building to a single tenant. He expects to have a tenant in place June 1, 2021. 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. Note: Rent Comparable 1 is a property Dominion Realty Advisors, Inc. has recently appraised and is therefore confidential. Photographs of the remaining rent comparables are provided in the Addendum. The relative location of the subject property and the remaining rent comparables is shown in the following Location Map.

## Location Map



The rent comparables have unadjusted rental rates, which range \$10.50 to \$17.00 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, Rent Comparables 2, 3 and 4 are current listings and reflect a -5% adjustment. After adjustments, the rental rates range from \$11.47 to \$15.30 per square foot, with an average of \$13.70 per square foot. Therefore, given the relative appeal of the subject compared to the rent comparables utilized herein, a **market rental rate of \$13.50 per square foot**, on a triple net basis, is estimated for the subject and is in line with the owner's asking rental rate.

### Rent Comparable Adjustment Chart

Element	Subject	Rent Comp 1	Rent Comp 2	Rent Comp 3	Rent Comp 3
Year		2020	2021 Listing	2020 Listing	2020 Listing
Location	441 Washington St Portsmouth	Confidential Norfolk	313 High St Portsmouth	130 W York St Norfolk	415 W York St Norfolk
Location Appeal	Good	Superior	Similar	Superior	Superior
Building Class	Class B Office	Class B Office	Class B Office	Class C Office	Class B Office
Unit Size (SF)	6,054	4,234	3,226	3,306	6,784
Year Built/Condition	1891, Ren 2006, 2020/Good	1902, Ren 2013 & 2020/Good	1988/Average	1946/Average	1949, Ren 2010s/Good
Rent \$/SF	Solve	\$17.00	\$10.50	\$13.00	\$16.00
Expense Terms	NNN	NNN	NNN	NNN	NNN
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Adjusted Rent/SF		\$17.00	\$10.50	\$13.00	\$16.00
Conditions Adjustment		0%	-5%	-5%	-5%
Time Adjustment		0%	0%	0%	0%
Rent/SF		\$17.00	\$9.98	\$12.35	\$15.20
Preliminary Adjusted Rent/SF	Solve	\$17.00	\$9.98	\$12.35	\$15.20
Location Adjustment	Portsmouth	Superior -10%	Similar 0%	Superior -10%	Superior -10%
Size Adjustment	6,054	4,234 -5%	3,226 -5%	3,306 -5%	6,784 0%
Age/Condition Adjustment	1891, Ren 2006, 2020/Good	1902, Ren 2013 & 2020/Good 5%	1988/Average 20%	1946/Average 20%	1949, Ren 2010s/Good 5%
Market Appeal Adjustment	Class B Office	Class B Office 0%	Class B Office 0%	Class C Office 5%	Class B Office 0%
Net Physical Adjustment		-10%	15%	10%	-5%
Final Adjusted Rent/SF	Solve	\$15.30	\$11.47	\$13.59	\$14.44

### 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.

<b>Indicated Vacancy Via Estimated Downtime</b>			
<b>Lease Term</b>	<b>Downtime</b>	<b>Calculation</b>	<b>Indicated Vacancy</b>
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 as of January 14, 2021 was at approximately 8.0% while office vacancy within the Downtown Portsmouth sub-market (subject area) was reported at lower level of 6.6% (CoStar - Office Market Report, January 14, 2021). Considering the subject's location and physical attributes, an overall vacancy allowance of 7% 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 8% 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**

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 4% of effective gross income. In light of the triple net leasing basis that we are using in this analysis and the single tenancy assumed, we have estimated an expense of 3% of effective gross income for management/administration.

#### **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 \$0.15 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.



<b>Pro-Forma Income/Expense</b>			
Rental Income	6,054	x \$ 13.50 =	\$ 81,729
Less Vacancy/Collection Loss		8%	\$ (6,538)
<b>Effective Gross Income</b>			<b>\$ 75,191</b>
Expenses			\$/Year
Management, Administrative	3%	of EGI	2,256
Reserves	\$0.15	per SF	908
<b>Expenses - Total</b>	<b>\$ 0.52</b>		<b>\$ (3,164)</b>
<b>Net Operating Income</b>			<b>\$ 72,027</b>

### 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%.

<b>Recent Office Sales - Hampton Roads Area</b>							
<b>Property/Location</b>	<b>Date</b>	<b>Consideration</b>	<b>Size/Year Built</b>	<b>Class</b>	<b>\$/SF</b>	<b>EGIM</b>	<b>OAR</b>
751 J Clyde Morris Bl, Newport News, VA	12/20	\$3,400,000	16,000/1978	B Med	\$212.50	NA	7.2%
110 Wimbledon Sq, Ches, Va	3/20	\$3,250,000	14,031 SF/1981	B Med	\$231.63	11.1	6.4%
174 Camelot Dr, Va Beach, VA	3/19	\$1,625,000	9,150 SF/1990	B Med	\$177.60	NA	7.21%
1020 1 <sup>st</sup> 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 (4<sup>th</sup> Quarter 2020) PwC survey have been focused upon. The subject is a suburban office facility and, thus, the suburban office parameters have been focused upon. Overall rates generally range from 4.0% to 7.50%, with an average of 6.0% in the national suburban 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 5.5% and 9.0% with an average of 7.5%.

Mortgage financing is currently available for properties similar to the subject at rates which tend to range between 3.5% and 4.5% with the financing market indicating substantial rate drops in mid-March 2020 in conjunction with the announcement of the Covid-19 Pandemic. 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 4.0% interest rate, 25-year amortization period and a 70% loan-to-value ratio. On this basis, a mortgage constant of 6.33% is indicated.

With a loan-to-value ratio of 70%, there is a remaining 30% not covered by first mortgage financing which normally comes from the equity investor. There is very little data published relating to cash flow rates which investors attempt to achieve from their real estate investments. Given the character of the subject property coupled with its age, condition and size, it is estimated that equity investors

would require a return of 8% to 12%. As such, the appraisers have estimated an equity return of 10%. Based on the previous information, the Capitalization Rate is structured below.

<b>Band-of-Investment</b>		
Mortgage Debt Service	70% x 0.0633 =	0.04431
Equity Dividend Rate	30% x 0.0100 =	0.03000
Capitalization Rate	Say ...7.5%	07.43

The various capitalization rate indicators are summarized below.

<b>Capitalization Rate Summary</b>		
Product Type	OAR Range	Avg
Band-of-Investment	7.5%	
Local Office Bldg Sales - 2015-2019	5.3% - 8.1%	
Investor Surveys - institutional (4 <sup>th</sup> Qtr 2020)	3.75% - 7.50%	5.55%
Investor Surveys - non institutional (4 <sup>th</sup> Qtr 2020)	5.25% - 9.00%	7.50%

Considering the particular locational, physical and financial attributes of the subject, an **overall rate of 7.75%** is estimated for the subject. Applying the aforementioned Capitalization Rate of 7.75% to the Net Operating Income results in the value conclusion as shown below:

Net Operating Income (NOI)	\$72,027
Divided by: Overall Capitalization Rate	7.75%
Prospective Value "Upon Stabilization" Indicator	\$929,379
via Direct Capitalization	<b><i>Rounded</i></b> <b>\$930,000</b>

## 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 between 2018 and 2020. 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 2018 and 2020 and are considered timely. Thus no adjustments for market conditions are warranted. It is noted Improved Sales 2, 3 and 4 occurred prior to the onset of COVID-19. Virginia entered Phase 1 of re-opening May 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. Improved Sale 1 went under contract and closed during the pandemic. The subject is undergoing renovations with the expected date of completion March 1, 2021 and the owner expects to have a tenant in place June 1, 2021. Thus, the subject is not expected to be significantly impacted by COVID-19 pandemic as of the date of stabilization. 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, 2 and 4 are in Downtown Norfolk, which is considered to be superior in achievable rental rates and overall values, and reflect negative adjustments. Improved Sale 3 is also in Downtown Portsmouth and as such, no adjustment is warranted.

### Age/Condition

The subject property was constructed in 1891, was completely renovated/restored in 2006 and upon completion of renovation and stabilization will be in overall very good physical condition. Improved Sales 1, 2, 3 and 4, built in 1900 (renovated in 2015), 1902 (renovated in 2020), 1978 and 1900 (renovated in 2014), were in good or average condition at the time of sale; positive adjustments are shown accordingly for age and/or condition.

### 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 and 3 are smaller than the subject and show negative adjustments accordingly. Improved Sale 2 is larger than the subject; a positive adjustment is shown. Improved Sale is similar in size and no 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, 2 and 3 are of Class B office buildings with similar market appeal and as such, no adjustments are shown. Improved Sale 4 is a Class B building, however it has a first floor retail component, superior to the subject; a negative adjustment is shown.

### 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 \$130.09 to \$156.66 per square foot, with an average of \$141.50 per square foot. Improved Sales 1 and 2, which average \$143.38 per square foot, are the most recent sales, occurring in 2020. As such, these sales carry more weight. Based on the above discussion, we have estimated a value of \$145.00 per square foot, for the subject as summarized as follows.

Building Size (Rentable Square Feet)	6,054
Multiplied by: Value Indicator per Square Foot	\$145.00
Prospective Value "Upon Stabilization" Indicator	\$877,830
	<b>(Rounded) \$880,000</b>

### Improved Sale Comparison Chart

Element	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Date		Dec-20	Feb-20	Oct-19	Apr-18
Location	441 Washington St Portsmouth	130 Granby Street Norfolk	251 Granby Street Norfolk	801 Court St Portsmouth	140 Granby Street Norfolk
Office Class (A, B, C)	Class B Office	Class B Office	Class B Office	Class B Office	Class B Retail/Office
Building Size (SF NRA)	6,054	3,123	8,840	3,042	7,700
Year Built/Condition	1891, Renov 2006, 2021/V Good	1900, Ren 2008, 2015/Good	1902, Ren 2013, 2020/Good	1978/Average	1900, Ren 2009, 2014/Avg
Land-to Building Ratio	1.0	0.37	0.3	5.9	0.2
Sale Price		\$515,000	\$1,150,000	\$388,000	\$1,070,000
<b>Price Per SF of Building</b>		<b>\$164.91</b>	<b>\$130.09</b>	<b>\$127.55</b>	<b>\$138.96</b>
Real Property Rights	Fee Simple	Fee Simple	Leased Fee	Fee Simple	Leased Fee
Adjustment		0%	0%	0%	0%
Adjusted Price		\$515,000	\$1,150,000	\$388,000	\$1,070,000
Adjusted Price Per SF of Bldg		\$164.91	\$130.09	\$127.55	\$138.96
Financing Terms	Assumes Cash	Market Financing	Market Financing	Market Financing	Market Financing
Adjustment		0%	0%	0%	0%
Adjusted Price		\$515,000	\$1,150,000	\$388,000	\$1,070,000
Conditions of Sale	Assumes Arms-Length	Arms-Length	Arms-Length	Arms-Length	Arms-Length
Adjustment		0%	0%	0%	0%
Adjusted Price		\$515,000	\$1,150,000	\$388,000	\$1,070,000
Market Conditions		Dec-20	Feb-20	Oct-19	Apr-18
Adjustment		0%	0%	0%	0%
<b>Preliminary Adjusted Price</b>	<b>Solve</b>	<b>\$515,000</b>	<b>\$1,150,000</b>	<b>\$388,000</b>	<b>\$1,070,000</b>
<b>Adjusted Price Per SF Bldg Area</b>	<b>Solve</b>	<b>\$164.91</b>	<b>\$130.09</b>	<b>\$127.55</b>	<b>\$138.96</b>
Location	Portsmouth	Norfolk	Norfolk	Portsmouth	Norfolk
Adjustment		-10%	-10%	0%	-10%
Age/Condition	1891, Renov 2006, 2021/V Good	1900, Ren 2008, 2015/Good	1902, Ren 2013, 2020/Good	1978/Average	1900, Ren 2009, 2014/Avg
Adjustment		10%	5%	20%	15%
Building Size	6,054	3,123	8,840	3,042	7,700
Adjustment		-5%	5%	-5%	0%
Market Appeal/Building Class	Class B Office	Class B Office	Class B Office	Class B Office	Class B Retail/Office
Adjustment		0%	0%	0%	-5%
Land-to Building Ratio	1.0	0.4	0.3	5.9	0.2
Adjustment		0%	0%	-5%	0%
Net Physical Adjustment		-5%	0%	10%	0%
<b>Final Adjusted Sales Price per SF</b>	<b>Solve</b>	<b>\$156.66</b>	<b>\$130.09</b>	<b>\$140.30</b>	<b>\$138.96</b>

## RECONCILIATION AND FINAL VALUE ESTIMATE

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

### **Prospective Value “Upon Stabilization” - June 1, 2021**

Income Capitalization Approach to Value .....	\$930,000
Sales Comparison Approach to Value .....	\$880,000

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 supportive of the Income Capitalization Approach.

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 Prospective Value “ Upon Stabilization” of the fee simple estate of the subject property, as of June 1, 2021, will be:

**NINE HUNDRED THOUSAND DOLLARS .....** **\$900,000**

### **Estimate of the Prospective Value “Upon Completion of Construction”**

The value of a property “as is” is considered by participants within this market to be the potential value of the property less the actual and opportunity cost to achieve that potential value. The projected date of completion is March 1, 2021. Therefore, to determine the prospective value “upon completion of construction”, the rent loss, holding costs/operating expenses during lease-up, leasing commissions, as well as some entrepreneurial profit for this time period is deducted from the



stabilized market value. Rent loss for the three-month period is 6,054SF x \$13.50/SF x 1 year x 25% or \$20,432. Leasing commissions are estimated at 4% for a 5-year term. Operating expenses are estimated at \$2 per square foot per year for the three-month period. This calculation is shown as follows.

<b>Prospective Market Value "Upon Stabilization"</b>		<b>\$900,000</b>
<b>Less:</b>		
Rent Loss (6,054 SF @ \$13.50/SF for 3 months)	\$20,432	
Holding Costs (Estimated @ \$2/SF per year for 3 months)	\$3,027	
Leasing Commission (4%, 5-year term)	\$16,357	
Subtotal	\$39,816	
Entrepreneurial Profit (10%)	\$3,982	
Total	<u>          </u>	\$43,797
<b>Estimated Prospective Value "Upon Completion of Renovation"</b>		<b>\$856,203</b>
<b>Rounded</b>		<b>\$860,000</b>

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 Prospective Value “ Upon Completion of Renovation” of the fee simple estate of the subject property, as of March 1, 2021, will be:

**EIGHT HUNDRED SIXTY THOUSAND DOLLARS ..... \$860,000**

**Estimate of the Market Value “As Is”**

The value of a property “as is” is considered by participants within this market to be the potential value of the property less the actual and opportunity cost to achieve that potential value. Therefore, to determine the market value “as is”, the remaining renovation costs as well as some entrepreneurial profit is deducted from the prospective market value “upon completion of renovation”. This calculation is shown as follows.

<b>Prospective Market Value "Upon Completion of Renovation"</b>		<b>\$860,000</b>
<b>Less:</b>		
Remaining Renovation Costs	\$214,900	
Entrepreneurial Profit (10%)	\$21,490	
Total	<u>          </u>	\$236,390
<b>Estimated Market Value "As Is"</b>		<b>\$623,610</b>
<b>Rounded</b>		<b>\$625,000</b>

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 January 13, 2021, was:

**SIX HUNDRED TWENTY-FIVE THOUSAND DOLLARS ..... \$625,000**

## **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**  
**Bradley R. Sanford, MAI Principal**  
**Dominion Realty Advisors, Inc.**

**Experience**

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

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

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

**Education**

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

Old Dominion University: Master Business Administration - Finance, 1982

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

**Appraisal Education**

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

**Professional Affiliations**

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

**Clientele**

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

**COMMONWEALTH of VIRGINIA**

Department of Professional and Occupational Regulation

5960 Mayland Drive, Suite 400, Richmond, VA 23233

Telephone: (804) 367-8500

**EXPIRES ON**  
**01-31-2021**

**NUMBER**  
**4001002032**

**REAL ESTATE APPRAISER BOARD**

**CERTIFIED GENERAL REAL ESTATE APPRAISER**



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



*Jan W. DeBore*  
Jan W. DeBore, 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



*Margaret Vaughn*  
Margaret Vaughn, Acting Director

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

(SEE REVERSE SIDE FOR PRIVILEGES AND INSTRUCTIONS)

DPOR-LIC (02/2017)



## **ENGAGEMENT LETTER**

**DOMINION REALTY ADVISORS, INC.**

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



**Appraisal Services Department**

**LETTER OF ENGAGEMENT TO PROVIDE REAL ESTATE APPRAISAL SERVICES**

This letter will confirm your engagement to prepare a real estate appraisal of the property referenced below on behalf of TowneBank.

Date: January 8, 2021  
RIMS No: 21-000035-01-01

Borrower Name and Address: 441 Washington Street LLC  
441 Washington Street, Portsmouth, VA23704

Property Description: 5994 SF, 2 story office building with one rental unit.

Appraiser Name: Bradley R. Sanford  
Company Name, Address and Phone No. Dominion Realty Advisors, Inc.  
5360 Robin Hood Road, Suite 101  
Norfolk, VA23513

<u>Premise</u>	<u>Qualifier</u>	<u>Interest</u>	<u>Comment</u>
Market Value	As-Is	Fee Simple	
Insurable Value	Upon Completion of Renovation	NA	Please state the flood zone. If subject is in a flood zone, please provide an insurable value and include a separate insurable value for each structure.
Prospective Market Value	Upon Completion of Renovation	Fee Simple	

Report Type: Appraisal Report

Fee: \$2,200

Delivery Date: January 29, 2021

Deliver Reports To: Appraisal Services  
TowneBank  
6013 Harbour View Blvd  
Suffolk, VA 23435

Property Contact: Edward O'Brien, Borrower  
Phone: 757-717-1870

Bank Contact: Carolyn Kapusta  
757-673-1508  
carolyn.kapusta@townebank.net

Intended Use: The intended use of this appraisal is for loan underwriting and-or credit decisions by TowneBank and-or participants.

Intended User: The intended users of this report are TowneBank and-or

affiliates.

Approaches to Value:

All applicable approaches

Inspection Requirements:

An interior and exterior inspection of the subject property with sufficient detail to determine marketability

Additional Work Scope:

STRENGTH/WEAKNESSES/TRENDS/MOST PROBABLE BUYER: Insert a brief description of subject property and include a bullet point summary of the strengths and weaknesses of the property appraised. Discuss the Overall Near-Term Market Trends this market is experiencing as to improving, stable, deteriorating, or if cautionary concerns are present.

Special Instructions:

1) PLEASE COMMUNICATE with the Property Contact within 3 days of this engagement.2) INCLUDE BOTH the Award Letter and the Engagement Letter in the addenda of the appraisal report.

Requester Comments:

NOTE: All Extraordinary Assumptions must receive prior approval by TowneBank Appraisal Services.

Delivery Instructions- Report and Invoice:

Upload an electronic PDF copy of the completed final appraisal report and invoice (separate files) and requested supporting documents to RIMSCentral at [www.rimscentral.com](http://www.rimscentral.com). Include the RIMS No. on the appraisal and invoice.

**Minimum Appraisal Requirements:**At a minimum the appraisal must meet the requirements of USPAP, FIRREA, the Interagency Appraisal and Evaluation Guidelines, and the requirements of TowneBank. Further, a statement to this effect must appear prominently in the appraisal report. Appraisals will be reviewed by or on behalf of the Bank for compliance with these requirements. You agree to make any revisions or corrections requested by the Bank, within the original scope of the assignment, without additional charge.

**Market Value Definition and Source:** The following definition and source of Market Value should be used and referenced. It is based on Federal Register, 12 CFR Part 34, Subpart C, 34.42(g), dated August 24, 1990, used by the Federal Regulatory Agencies, as follows:

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

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

**Appraiser License or Certification:** The appraiser must hold the requisite state license or certification to perform the appraisal. A copy of the license or certification must be in the Addendum of the appraisal.

**Disclosure of Competency:** The appraiser must disclose any lack of knowledge and/or experience for the assignments and any necessary steps taken to comply with the competence provision in USPAP.

**Scope of Work:** The appraisal should include sufficient supporting documentation with all pertinent information

reported so that the appraiser's logic, reasoning, judgment and analysis in arriving at a conclusion indicate to the reader the reasonableness of the market value reported. Appraisals should enable the reader to ascertain the estimated market value and the rationale for the estimate and should provide detail and depth of analysis reflecting the complexity of all the real estate appraised. Credible assignments results require support, relevance and logic, to the degree necessary for the intended use.

**Appraiser Independence and Prior Services:** Include in the certification required by the Interagency Appraisal & Evaluation Guidelines and USPAP and additional statement that the appraiser has acted in an independent capacity and that the appraisal assignments are not based on a requested minimum valuation, a specific valuation, or the approval of a loan. The appraiser must also state whether services have been provided in the past 3 years.

**Engaged Appraiser Must Sign and Responsible for Work:** Our agreement is with the engaged appraiser. This person must either do the work completely, or if assistance from others is enlisted, the appraiser must supervise the work, sign the report, and be fully responsible for the content of the appraisal.

**Environmental Problems:** In the course of the appraisal process, the appraiser should take reasonable steps to detect obvious evidence that the property may have been contaminated by hazardous substances, is located in a flood hazard or wetlands area, Chesapeake Bay Preservation Area (if located in Virginia), the Southern Watershed Act (if located in North Carolina), or includes improvements in which asbestos containing materials may be present. Additionally, comment on whether the property is located in an Air Installation Compatible Use Zone (AICUZ) and any possible effects on value. All such evidence discovered by the appraiser shall be immediately disclosed to the Bank; and the appraisal shall consider such evidence, as well as any evidence of same provided to the appraiser by the Bank or other parties, when estimating the market value of the property.

**Deductions and Discounts:** The appraiser should analyze and report appropriate deductions and discounts for any proposed construction or any completed properties that are partially leased at other than the market rents as of the date of the appraisal, or any developments with unsold units. In addition, all appraisals shall contain an "as is" market value.

**Prior Sales and Current Contracts or Listings:** The appraiser must analyze and consider all prior sales or transfers of ownership in the last 3 years or longer if necessary, and current listings for sale or contracts as they relate to the current value estimate. Merely stating the sales is not acceptable.

**Current Revenues and Expenses:** Analyze and report data on current revenues, expenses, and vacancies for each property if it is and will continue to be income producing. Current revenues are based on those currently being earned on competing properties.

**Legal Description:** The appraisal must include a legal description of all real estate being appraised, in addition to the description required by USPAP.

**Marketing Period and Exposure Time:** The appraiser must analyze and report a reasonable marketing period and exposure time for each subject property including the disclosure of the assumptions used.

**Trends:** The appraiser must analyze and report on current market conditions and trends that will affect projected income or the absorption period and overall property values, to the extent they affect the value of each subject property.

**Cite Sources and Definitions of Building and Land Areas:** The appraiser must cite the sources of the building and land areas used in the appraisal - i.e. field measurements, architectural plans, assessment records, survey, etc. Further, the appraiser must specifically define what the building areas represent - i.e. gross building area, net rentable area, net usable area, as defined by BOMA, etc. Actual field measurements are expected unless impractical.

**Deferred Maintenance, Structural and Functional Deficiencies:** These should be adequately described in the appraisal, and their effect on value should be considered. Include photos when possible.

**Furniture, Fixtures, and Equipment (FF&E)/Intangible Value:** As required by the Interagency Appraisal & Evaluation Guidelines, the contributing value of these must be reported separately from the real estate value.

**Personal Property:** The contributing value of these must be reported separately from the real estate value.

**Sales Comparison Approach:** Regardless of the quantity of data available for analysis, we expect the key characteristics of the property and transaction to be presented with a focus on the similarities and dissimilarities between the comparable sales and the subject property. Where differences are apparent and significant, discussion should focus on the rationale for relying on the particular sale, and the reasoning applied to better equate it to the

subject property in determining the value it would indicate for the subject. We expect the focus of the discussion related to the analysis of the presented sales to be on the following key factors: market conditions at the time of sale, conditions of the sale, location, highest and best use, physical characteristics, quantitative versus qualitative adjustments, magnitude of adjustments, and "bracketing" of estimated value. In addition, the appraisal must include photos of all comparable improved sales and corresponding location maps. The appraisal should analyze comparable listings and a discussion of those properties as compared and support the value of the subject. In addition, the appraisal must include adjustment grids for all comparable sales, listings and rentals.

**Broker Interviews:** The appraiser is to state the results of all broker interviews relating to the subject property and market trends.

**Confidential:** This assignment is for the exclusive use of TowneBank. The Bank is your client. The appraiser must make all effort to ensure that no information is divulged concerning the subject of this assignment, the appraisal report, the analysis or conclusions to anyone other than the authorized representative of the Bank. All information not in the public domain regarding the subject property shall be treated as confidential.

**Late Delivery of Appraisal:** If the appraiser is running late on meeting the delivery date, for any reason, the Bank Contact must be notified (via phone or email) at least 5 days prior to the original delivery date.

**Late Delivery Penalty:** At the Job Manager's discretion, the Bank reserves the right to impose a financial penalty on the appraiser for late delivery of an appraisal in the amount of 5% of the appraisal fee per day. A penalty will not be imposed if the late delivery is contributed to fully or in part by the Bank or the borrower's inability to properly provide information to the appraiser required for proper completion of the assignment.

**Unacceptability of Appraisal:** If upon review, the appraisal report is considered unacceptable by the Bank for non-compliance issues, and requested changes and/or additions are not properly considered, the Bank may elect to refuse payment of the appraiser's invoice.

**Copy of Letter of Engagement and Request in the Addendum:** Please include a copy of the Letter of Engagement and Request in the Addendum of the appraisal.

**Acceptance of this Engagement:** Please indicate your acceptance of this engagement by responding appropriately in RIMS as soon as possible.

**-Award Information**

Date Awarded: 1/8/2021  
 Cancelled: No  
 Fee: \$2,200.00  
 Property Contact(s): Edward O'Brien, 757-717-1870  
 Award Comments: INSURABLE VALUE: Please state the flood zone. If subject is in a flood zone, please provide an insurable value and include a separate insurable value for each structure.

Directly Awarded: No  
 Delivery Date: 1/29/2021

NOTE: All Extraordinary Assumptions must receive prior approval by TowneBank Appraisal Services.

MINIMUM APPRAISAL REQUIREMENTS: At a minimum the appraisal must meet the requirements of USPAP, FIRREA, the Interagency Appraisal and Evaluation Guidelines, and the requirements of TowneBank. Further, a statement to this effect must appear prominently in the appraisal report. Appraisals will be reviewed by or on behalf of the Bank for compliance with these requirements. You agree to make any revisions or corrections requested by the Bank, within the original scope of the assignment, without additional charge.

COMMENT: See Additional Scope of Work in the Engagement Letter for any additional instructions that may apply.

Please address report to TowneBank - Appraisal Services Department. When completed, please upload an electronic copy of your report, supporting documents and invoice to <http://www.rimscentral.com>.

Job Attachments:  
 There are currently no job attachments

**-Bid Information**

Proposed Fee: \$2,200.00  
 Signatory Information: BRAD SANFORD  
 Prior Services: Have you performed or provided any services regarding the subject property within the prior three years, as an appraiser or in any other capacity? If Yes, please provide details in the Comments field.  
 Bid Comments: We appraised this property for the owner and auction/marketing firm in July 2020 and the property sold in October 2020.

Proposed Delivery Date: 3 weeks  
 Office Location: NORFOLK

**-RFP Information**

Purpose Of Request: Renewal/New Money  
 Response Deadline: 1/08/2021  
 Desired Delivery Date: 1/29/2021

Bank Contact: Carolyn Kapusta  
 Contact Phone: 757-673-1508

ADDRESSEES:

First name	Last name	Company	Address
Appraisal	Services	TowneBank	6013 Harbour View Blvd Suffolk, VA 23435

Total Addressees: 1

SCOPE OF SERVICES: **Intended Use** The intended use of this appraisal is for loan underwriting and-or credit decisions by TowneBank and-or participants.

**Intended User** The intended users of this report are TowneBank and-or affiliates.

**Approaches to Value** Approach - ALL  
 All applicable approaches

**Inspection Requirements** Inspect - Full Subject  
 An interior and exterior inspection of the subject property with sufficient detail to determine marketability

**Additional Work Scope** STRENGTH/WEAKNESSES/TRENDS/MOST PROBABLE BUYER: Insert a brief description of subject property and include a bullet point summary of the strengths and weaknesses of the property appraised. Discuss the Overall Near-Term Market Trends this market is experiencing as to improving, stable, deteriorating, or if cautionary concerns are present.

**Special Instructions** 1) PLEASE COMMUNICATE with the Property Contact within 3 days of this engagement.2) INCLUDE BOTH the Award Letter and the Engagement Letter in the addenda of the appraisal report.

Report Type: Appraisal Report  
 Report Format: Narrative

VALUATION SCENARIOS:	Valuation Premise	Premise Qualifier	Property Interest	Comment
	Insurable Value	Upon Completion of Renovation	NA	Please state the flood zone. If subject is in a flood zone, please provide an insurable value and include a separate insurable value for each structure.
	Prospective Market Value	Upon Completion of Renovation	Fee Simple	
	Market Value	As-Is	Fee Simple	

RFP Comments: COVID-19 PROTOCOL: The appraisal should include a discussion of current market conditions especially in light of the COVID-19 outbreak and its possible impact. In most markets it is not yet clear to what extent the impact will be. At this point, we are looking to our appraisal professionals to mirror the actions of the market participants as best they can based upon their experience and knowledge of the market.

We also are cognizant of the risk of the property inspection. Our preference is for an exterior and interior inspection, but at no time do we want to place our appraisers at risk.

Please see the attached Real Property Inspection Protocol, during COVID-19 Pandemic.

INSURABLE VALUE: Please state the flood zone. If subject is in a flood zone, please provide an insurable value and include a separate insurable value for each structure.

SIGNATORIES: Please indicate in your bid which appraiser(s) will be signatories on this assignment.

NOTE: All Extraordinary Assumptions must receive prior approval by TowneBank Appraisal Services.

This is an office building to be renovated. The historic building was recently converted to its original state. The building is vacant at this time. Please request the renovation plans from the borrower.

SPECIFIC REFERENCE DOCUMENTS

File	Description
Real Property Inspection Protocol During COVID-19 Pandemic.pdf	

**-Property Information**

Project Name: 441 Washington Street LLC  
Property Description / Construction Type: 5994 SF, 2 story office building with one rental unit.  
Property Type: HG2 - Office - Office Building-Low-Rise - A one- to six-story office building.  
Address: 441 Washington Street, Portsmouth, VA 23704  
County: Portsmouth City  
Improvement Size (Primary): 5,994 SF  
Land Size: 0.20 Acres  
Property Status: Existing  
Property Tenancy: Single Tenant Investor

## AMENDING AGREEMENT #1

THIS AMENDING AGREEMENT dated 01/13/2021

BETWEEN:

TowneBank

OF THE FIRST PART

- AND -

Bradley R. Sanford / Dominion Realty Advisors, Inc.

OF THE SECOND PART

### **Background**

- A. TowneBank and Bradley R. Sanford (the Parties) entered into the contract (the "Contract") dated 01/08/2021, for Valuation services.
- B. The Parties desire to amend the Contract on the terms and conditions set forth in the Amending Agreement (the "Agreement").
- C. This Agreement is amendment #1 to the Contract.

**IN CONSIDERATION OF** the Parties agreeing to amend their obligations in the existing Contract, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree to keep, perform, and fulfill the promises, conditions and agreements below:

### **Amendments**

The Contract is amended as follows:

Award Fee (as amended): \$2,200.00

Due Date (as amended): 01/29/2021

Scope Comments: Please provide the Prospective Value "Upon Stabilization" in addition to the other values requested in the original Engagement Letter.

### **No Other Change**

Except as otherwise expressly provided in this Agreement, all of the terms and conditions of the Contract remain unchanged and in full force and effect.

### **Miscellaneous Terms**

Capitalized terms not otherwise defined in this Agreement will have the meanings ascribed to them in the Contract. Headings are inserted for the convenience of the parties only and are not to be considered when interpreting this Agreement. Words in the singular mena and include the plural and vice versa. Words in the masculine include the feminine and vice versa. No regard for gender is intended by the language in this Agreement.

### **Governing Law**

Subject to the terms of the Contract, it is the intention of the Parties that this Agreement, and all



suits and special proceedings under this Agreement, be construed in accordance with and governed, to the exclusion of the law of any other forum, by the laws of the state of , without regard to the jurisdiction in which any action or special proceeding may be instituted.

Your signature is not required. Acceptance of this amendment in RIMS serves as your electronic signature acknowledging the above mentioned changes to the assignment.

Sincerely,

***Carolyn Kapusta***

Senior Appraiser  
TowneBank

## **SALES AGREEMENT & LEGAL DESCRIPTION**

**DOMINION REALTY ADVISORS, INC.**

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



**MEMORANDUM OF SALE AGREEMENT**  
**441 Washington Street LLC**

**THIS MEMORANDUM OF SALE** (the “Memorandum of Sale”) is made this 9<sup>th</sup> day of October, 2020 by and between, Cheryl Holloway (“Seller”) and Edward E. O’Brien (“Purchaser(s)”).

**AGREEMENT**

For and in consideration of the payment type of the “Purchase Price” and the “Deposit”, as such terms are hereinafter defined, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the parties, the parties agree as follows:

1. The Purchaser agrees to buy, and the Seller agrees to sell **441 Washington Street LLC**, which shall include the Real Property located at **441 Washington Street, Portsmouth, Virginia 23704** for:
  - (a) \$ 418,000.00 (the “Knock-Down Price” of 441 Washington Street, Portsmouth, VA),
  - (b) \$ 41,800.00 plus 10.0% of the Knock-Down Price (the “Buyer’s Premium”)
  - (c) \$ 459,800.00 (the “Total Purchase Price”).
  - (d) \$ 595.00 (Processing fee/Other Costs – see page 2)
  - (e) \$ 460,395.00 (the “Total Gross Purchase Price”)
  - (f) And a deposit of \$ 100,000.00, which equals 10.00 percent (10%) or greater, of the Gross Purchase Price (the “Purchase Deposit”) and shall be in the form of cash, wire transfer or certified or cashier’s check drawn on a commercial bank, made payable to Atlantic Asset Management Group, Inc., upon execution of this Memorandum of Sale. A personal or company check will only be accepted if accompanied by a bank letter of guarantee as follows: “We will guarantee payment of checks written on account# \_\_\_\_\_ up to \$ \_\_\_\_\_ for purchases made at your auction/sale on \_\_\_\_\_, 2020.” This letter must be written on bank letterhead and signed by a bank official. No third-party checks will be accepted. Please note that all certified checks should be made payable to Atlantic Asset Management Group, Inc.
  - (g) If this Auction falls on a Saturday, the Purchaser may request the balance of the non-refundable Deposit be paid via personal check without said accompanying bank letter of guarantee, however, Agent can accept or decline based on its’ own judgment. In the event such method is accepted by the Agent, it MUST be substituted for cash, certified or cashier’s check drawn on a commercial bank NO LATER THAN August 21, 2020 at 4:30pm or within twenty four hours of the last high bid accepted, at which time the personal check will either be destroyed, or returned to the purchaser. If said substitution does not occur, Agent will deposit the personal check, without further notice to Purchaser.
  
2. The Gross Purchase Price shall be paid as follows:
  - (a) \$ 460,395.00 Gross Purchase Price (from above) in US Dollars
  - (b) \$ 0.00 Less: Bidder’s deposit applied to Purchase Deposit

Seller: DS  
CH
 Purchaser: DS  
EO
 Auctioneer: DS  
WJSS

- (c) \$ 100,000.00 Less: Purchase Deposit, in US Dollars, made payable to Atlantic Asset Management Group, Inc., on the effective date.
  - (d) \$ 360,395.00 Balance Due to be paid to Seller in cash, certified or cashier's check drawn on a commercial bank or by wire transfer no later than the Settlement Date, as applicable and such as terms are hereinafter defined, time being of the essence as to the Purchaser's performance hereunder.
3. Seller shall provide to Purchaser the necessary documentation to transfer ownership of 441 Washington Street LLC as required by the Virginia State Corporation Commission. The Real Property pursuant to the Notice of Sale is being offered for sale, transfer and conveyance "AS IS, WHERE IS". Neither the Seller or authorized representatives of the Seller make any representation or warranty relating to the title or any physical, environmental, health or safety conditions existing in, on, at or relating to the Real Property, and any and all responsibilities or liabilities arising out of or in any way relating to any such condition expressly are disclaimed. Also, the Real Property is being sold subject to any unpaid taxes, special assessments, restrictions and easements of record, prior liens, any transfer taxes associated with any foreclosure, and prior liens or encumbrances of record, any recorded leases, and the sale will be further subject to the right, if any, of the United States of America to redeem the Real Property for a period of 120 days following the confirmation of the sale.
  4. The Seller disclaims, and the Purchaser hereby waives, any implied warranty of any kind or nature with regard to the Real Property or any of the improvements thereon or any of the personal property or fixtures located therein, including but not limited to:
    - (a) Any implied warranty of merchantability;
    - (b) Title to convey via special warranty deed;
    - (c) Any implied warranty of fitness for a particular purpose;
    - (d) Any implied warranty that the improvements to the Real Property, together with all their fixtures, are free from structural defects so as to pass without objection in the trade;
    - (e) Any implied warranty that the improvements to the Real Property, together with all fixtures, are constructed in a workmanlike manner so as to pass without objection in the trade;
    - (f) Any implied warranty that the improvements to the Real Property, together with all their fixtures, are fit for habitation; and
    - (g) Any warranty relating to the zoning, structural integrity, environmental condition, physical condition, or extent of construction.
  5. The Purchaser acknowledges and agrees that the risk of loss or damage to the real property passes to the Purchaser as of the Settlement Date. All other liabilities of ownership of the Real Property shall be the sole responsibility of the Purchaser, and shall pass to the Purchaser as of the Settlement Date.
  6. All past due real estate taxes and assessments affecting the Real Property through the Sale Date shall be paid from the Purchase Price.
  7. The Purchaser shall pay all of the costs and expenses of the "Property Information Package" (PIP or buyers due diligence report)
 

(a) Survey, Elevation & Flood Certificate (paid to Seller)	\$ 0.00
(b) Appraisal Report (paid to Seller)	\$ 0.00
(c) Home/Building Inspection Report (paid to Seller)	\$ 0.00
(d) Termite & Moisture Inspection Report (paid to Seller)	\$ 0.00
(e) Title Search Report (paid to Seller)	\$ 0.00
(f) Condo Owners Association Rules & Regulations Package N/A	\$ 0.00
(g) Processing Fee (Retained by Agent)	\$ 595.00
(h) Securing Property N/A	\$ 0.00
<b>Total</b> _____	<b>\$ 595.00</b>

DS  
Seller: CH
DS  
Purchaser: EO
DS  
Auctioneer: WJSS

8. The premium for any owner's title insurance that the Purchaser may desire, the costs of recording the deed to the Real Property, the Virginia Excise Tax on the conveyance of the Real Property to the Purchaser, the costs of the preparation of the deed to the Real Property and all other costs and expenses of the Purchaser are in connection with Settlement and shall be the Responsibility of the Purchaser.
9. Settlement and completion of this transaction shall take place on the ("Settlement Date") at such place as Seller and Purchaser can agree. The Settlement Date shall be determined to be on or before December 31, 2020, provided Purchaser's lender shall agree to defer payments on loan secured and/or assumed to purchase aforementioned property, for a period of six (6) months. Additionally, the Purchaser shall pay a Purchase Deposit in the amount of \$100,000.00 at the execution of this Agreement and finance the balance owed at settlement with a Lender of his selection. The Purchase Deposit paid at the execution of this Memorandum of Sale Agreement shall be applied to the amounts owed to Seller, Agent and/or Lender. Atlantic Asset Management Group, Inc. shall be paid the Buyer's Premium and fees while the Seller will receive any applicable cost reimbursements and any net proceeds from the sale, at completion of this transaction.
10. Default by the Seller:
  - (a) In the event of default by the seller, the sole remedy to the Buyer is return of its deposit.
11. Default by the Buyer:
  - (a) In the event the Purchaser fails to obtain financing from selected lending institution, the full Purchase deposit will be returned to the Purchaser. Otherwise, if the Purchaser should fail to perform under it's obligation to provide the balance of the required deposit, above and beyond the initial "Bidder's Deposit", the no-refundable deposit paid will be dispersed as follows: AAMG to be paid stated commission and any advanced marketing costs; seller to be paid balance of deposit.
    - i. In the event of such action, all parties, seller and buyers hereby acknowledges that actions concerning default will be addressed according to the state real estate and/or auction commission license law, rules and regulations. Atlantic Asset Management Group, Inc. hereby informs all parties, that all Federal, State and local Regulatory Laws will be abided by concerning any transaction. Such rights shall be cumulative and shall include but shall not be limited to:
      1. Action to require the Purchaser to close on its bid.
      2. Closing with the next highest bidder for the Real Property.
  - (b) Purchaser will be fully responsible for any deficit in price obtained, and all cost associated with remarketing the property.
  - (c) If the Purchaser shall fail to close by the Settlement Date, as applicable, the Purchaser's Deposit shall be forfeited to the Seller. In addition the Seller shall have the right, in his sole discretion, to declare the Purchaser in default of this Memorandum of Sale and to pursue any and all rights to which he may be entitled hereunder and under the laws of the Commonwealth of Virginia and of the United States. Such rights shall be cumulative and shall include but shall not be limited to:
    - i. Action to require the Purchaser to close on its bid.
    - ii. Closing with the next highest bidder for the Real Property. If the Seller fails to convey title to the Real Property to the Purchaser.
  - (d) Auctioneer will endeavor to sign-up a contingency buyer's contract with the 2<sup>nd</sup> high bidder at the auction in case of a default by the 1<sup>st</sup> high bidder.
  - (e) This contract is contingent upon loan pre-approval by the lending institution.
12. Deposit/Earnest Money
  - (a) All deposit/earnest monies collected will be deposited to the account determined by Atlantic Asset Management Group, Inc.

Seller: CH Purchase: ED Auctioneer: WJSS

(b) At the time of closing any expenses, if applicable and commission as stated herein will be deducted from the deposit/earnest money collected with the balance of the proceeds paid to Seller's closing attorney's trust/escrow account or direct to the Seller.

13. Agency Disclosure Clause

(a) AAMG hereby notifies all parties, seller and buyers, that we are a seller's agent/single agent in this transaction. We make no representation to represent the buyer.  
(b) The Seller hereby agrees that AAMG is their agent in this transaction during the listing period and will work with them on a principle/client relationship with honesty and loyalty between all parties involved.

14. Residential Property Disclosure and Disclaimer Statements: Buyer hereby acknowledges that they have read, understood, and executed the attached Residential Property Disclosure and Disclaimer Statements.

15. This Memorandum of Sale constitutes the full and complete understanding between the Purchaser and the Seller and supersedes all previous writings, representations, warranties, advertisements, and other communications, whether oral or written, between The Purchaser and the Seller, or any of Seller's respective officers, directors, employees, agents or attorneys. This Memorandum of Sale may not be modified or amended in any manner other than by written instrument signed by both the Purchaser and the Seller.

16. The terms and conditions of this Memorandum of Sale shall survive closing of the sale of The Real Property to the Purchaser, the conveyance of the Real Property to the Purchaser and the delivery, acceptance, and recording of the deed to the Real Property from the Seller to the Purchaser.

17. Any notices to either party hereunder must be writing and hand-delivered or mailed by United States certified mail, return receipt requested and first-class mail, postage prepaid by the sending party to the receiving party at the address set forth beneath the signature of the receiving party herein.

18. This Memorandum of Sale shall be governed and construed in accordance with the laws of the Commonwealth of Virginia and of the United States.

IN WITNESS WHEREOF, the Purchaser and the Seller have duly executed this Agreement and Memorandum of Sale under seal as of the day and year first above written.

**SELLER:**

Name: Cheryl Holloway  
Address: 1729 Royal Park Court  
Virginia Beach, Virginia 23454

DocuSigned by:

*Cheryl Holloway*

Signature ID: 76456...

Printed: \_\_\_\_\_

Phone#: \_\_\_\_\_

Email: hollowaysells2020@gmail.com

**PURCHASER:**

Name: Edward E. O'Brien  
Address: 130 W Olney Road  
Norfolk, Virginia 23510

DocuSigned by:

*Edward O'Brien*

Signature ID: 403...

Printed: \_\_\_\_\_

Phone#: \_\_\_\_\_

Email: edobrienins@outlook.com

**AUCTION FIRM:**

Atlantic Asset Management Group, Inc.  
1195 Lance Road, Norfolk, Virginia 23502  
VA/AF #359 - NCAL# 8177 EIN: 54-1118581

DocuSigned by:

*William Summs*

By: William Summs, President, CAI - VA/AR #6  
VA/AF #359 - NCAL# 8177 EIN: 54-111858

Seller: CH Purchase: EO Auctioneer: WJSS

**TITLE SEARCH REPORT  
EXHIBIT "A"  
LEGAL DESCRIPTION**

All that certain lot, piece or parcel of land, with the buildings and improvements thereon known as the "Old 1891 Building", situate lying and being in the City of Portsmouth, State of Virginia, and known, numbered and designated as "Parcel B", as shown on that certain plat entitled "Minor Subdivision of the Property of Monumental United Methodist Church, Portsmouth, Virginia", dated January 5, 2004, prepared by Stephen I, Boone and Associates, P.C., Land Surveyors, Portsmouth, Virginia, which said plat is recorded in the Clerk's Office of the Circuit Court of the City of Portsmouth, Virginia, in Map Book 19, pages 198, 199, and to which reference may be made for a more particular description.

Together with those certain rights and privilege to lease and use twelve parking spaces and a perpetual non-exclusive variable easement for ingress and egress as contained in deed recorded in the Clerk's Office of the Circuit Court of the City of Portsmouth, Virginia in Instrument No. 04006099.

Together with those certain rights, privileges and easement as contained in Deed of Temporary Easement recorded in the Clerk's Office of the Circuit Court of the City of Portsmouth, Virginia, in Instrument No. 04006101.

It being the same property conveyed to 441 Washington Street, LLC, a Virginia limited liability company by Deed from Economic Development Authority of the City of Portsmouth, Virginia, formerly the Industrial Development Authority of the City of Portsmouth, Virginia, a political subdivision organized under the laws of the Commonwealth of Virginia dated September 16, 2005, recorded September 28, 2005 in the Clerk's Office of the Circuit Court of Portsmouth City, Virginia in Instrument No. 050020116.

## **INSURABLE VALUE**

**DOMINION REALTY ADVISORS, INC.**

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



<b>REPLACEMENT COST ESTIMATE</b> Marshall Valuation Service Office Buildings Good Class C Section 15, Page 17			
Base Cost Per Square Foot			\$ 167.00
Total Base cost Per Square Foot			\$ 167.00
Multipliers:			
	Area	1.000	
	Current	1.060	
	Local	0.940	
	Composite Multiplier		<u>0.9964</u>
Adjusted Cost Per Square Foot			\$166.40
Gross Building Area (Square Feet)		x	<u>6,054</u>
Replacement Cost			\$ 1,007,378
<b>INSURABLE VALUE ESTIMATE</b> Marshall Valuation Service			
	6,054 GBA (SF)		\$ 1,007,378
<u>Less Exclusions:</u>			
	Foundation Below Ground	3.4% of Cost	
	Architect's Fees	6.5% of Cost	
	Underground Piping	<u>1.0% of Cost</u>	
		10.9% of Cost	= \$ (109,804)
<b>Concluded Insurable Value =====&gt;</b>			<b>\$ 897,574</b>
	<b>Rounded</b>		<b>\$ 900,000</b>
441 Washington Street Office Building			

Note: exclusion percentages take from Marshall Valuation, Section 96, Pages 1 and 2 and Section 99, Page 2.

**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 X)
- Future Conditions 1% Annual Chance Flood Hazard Zone X
- Area with Reduced Flood Risk due to Levee. See Notes, Zone X
- Area with Flood Risk due to Levee Zone D

### OTHER AREAS

- NO SCREEN
- Area of Minimal Flood Hazard Zone X
- Effective LOMRs
- Area of Undetermined Flood Hazard Zone X

### GENERAL STRUCTURES

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

### OTHER FEATURES

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

### MAP PANELS

- Digital Data Available
- No Digital Data Available
- Unmapped

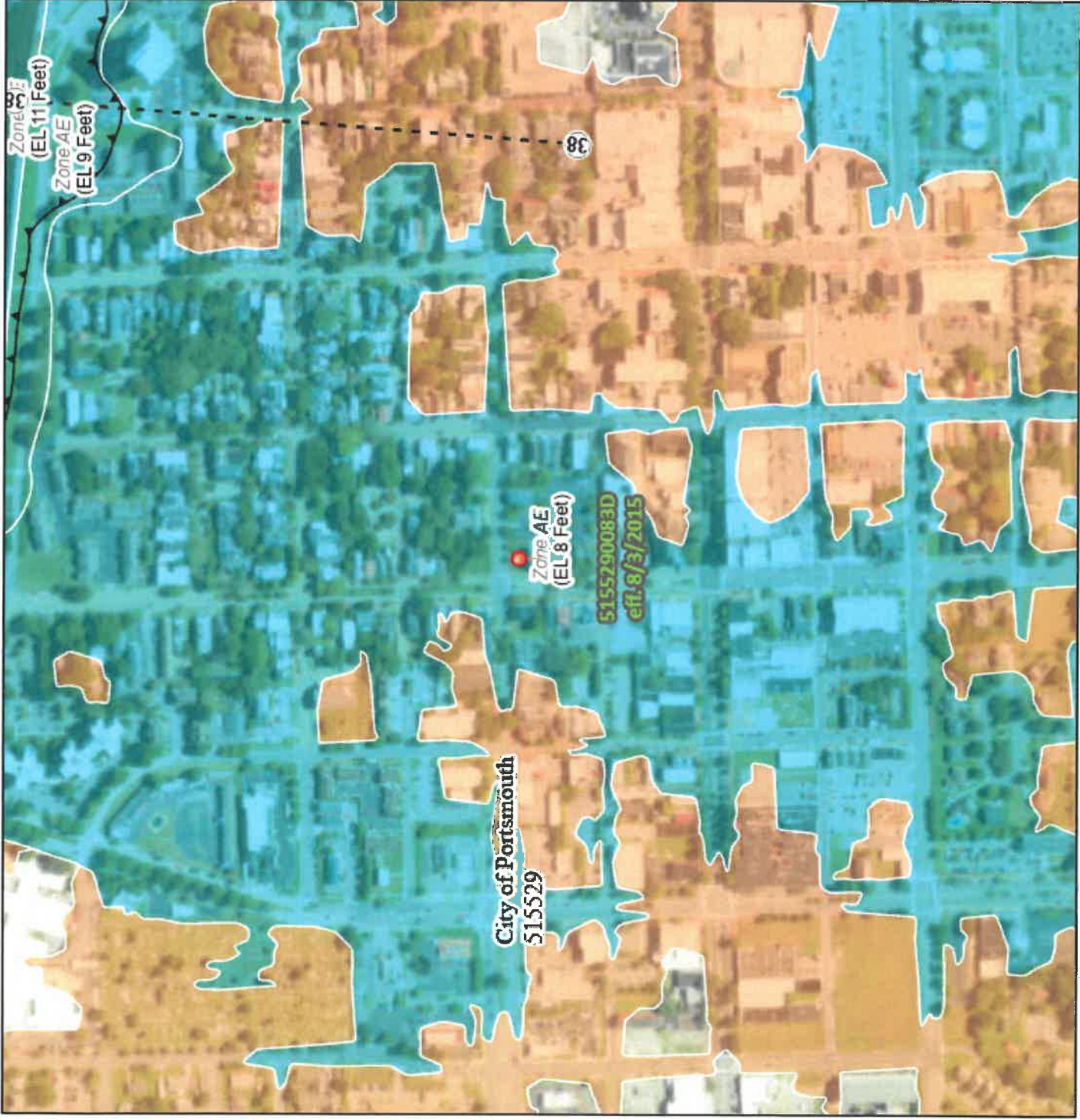


The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.

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

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 1/13/2021 at 12:33 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.



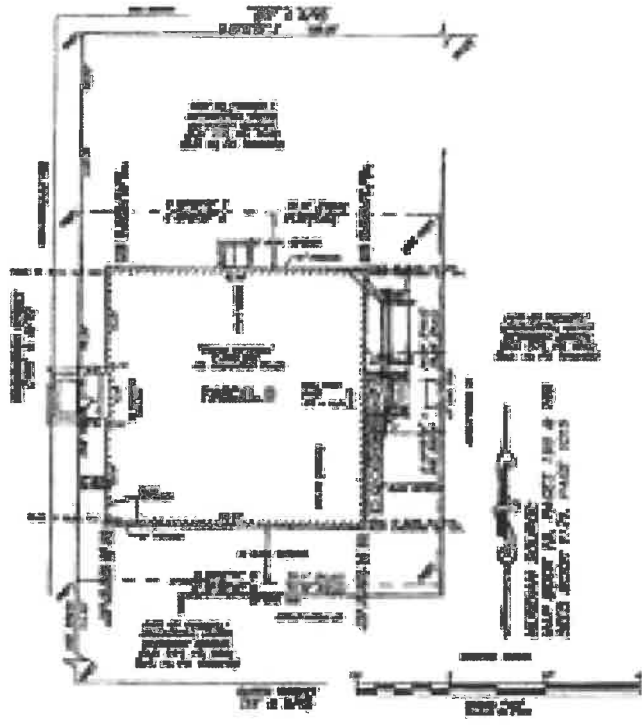
## **PLAT & BUILDING FLOOR PLANS**

**DOMINION REALTY ADVISORS, INC.**

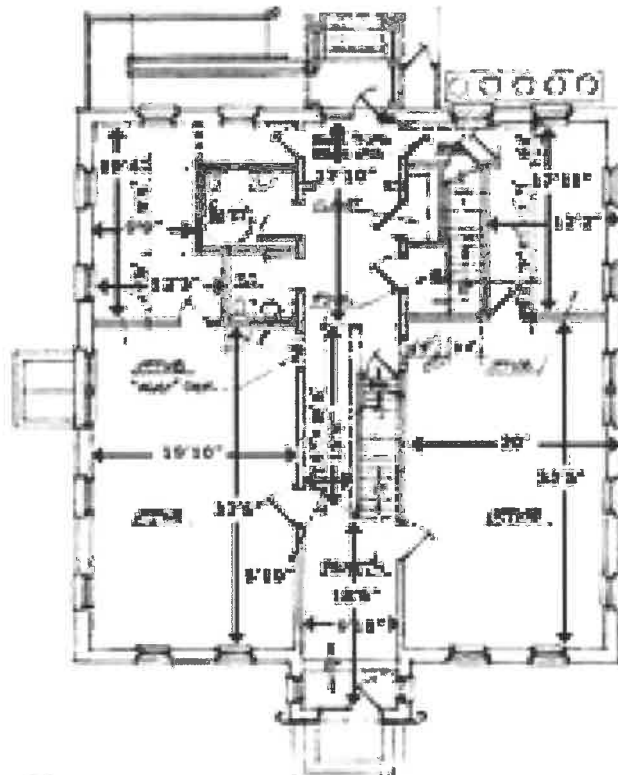
5360 Robin Hood Road, Suite #101, Norfolk, Virginia 23513; Phone: 757-858-1818; Fax: 757-858-1619

# SUBJECT PLAT & FLOOR PLANS

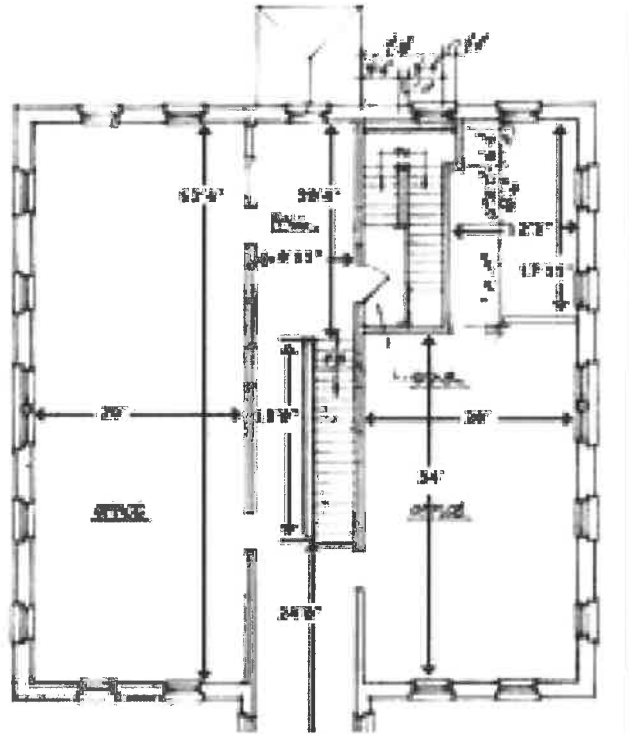
## Plat



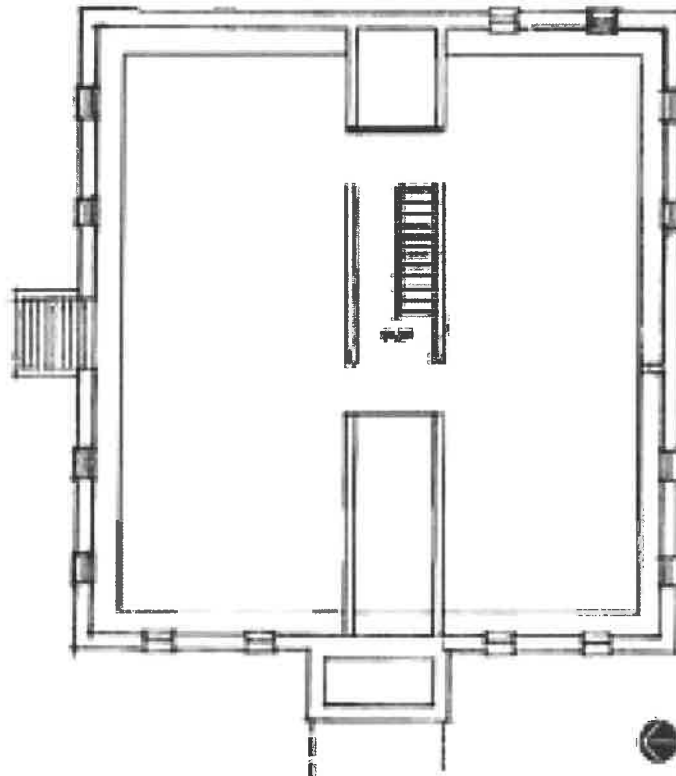
## First Floor



## Second Floor



## Basement



## **RENOVATION COSTS**

MUSEUM RESOURCES  
CONSTRUCTION & MILLWORK, INC.

P.O. BOX 911  
WILLIAMSBURG, VA 23187

**Bill To**  
MR. EDWARD O'BRIEN  
130 WEST ONLEY ROAD  
NORFOLK, VA 23510  
Re: 441 Washington Street Replace Sashes  
Deposit: 35%

Date 12/14/2020

Invoice # 2020-2489

P.O. No.

Project

Due on receipt

804-966-1800

Item	Description	Est Amt	Prior Amt	Prior %	Curr %	Total %	Amount
	Balance Due when installation complete. (\$ 34,780.00) Deposit Request: 35%- \$ 32,900						

Thank you for your business! Our FED ID # 45-2711954- Kerry Shackelford

<b>Subtotal</b>	\$32,900.00
<b>Balance Due</b>	\$32,900.00

kerrymresources@aol.com



**QUOTE BY**  
**RICHARD KOWALEWITCH or Partners**  
**824 24<sup>TH</sup> Street**  
**Virginia Beach, VA 23451**  
**757-831-6143**  
**RK8@cox.net**

**DATE OF QUOTE:**            **December 21, 2020**

**Address for work to be done:**    **441 Washington Street**  
   **Portsmouth, VA**

**Scope of Work to be Done:**

1.    Pressure wash exterior and basement
2.    Replace sub-pumps in basement
3.    Replace back roof
4.    Replace A/C pad
5.    Replace and install 4 heat systems
6.    Repair, seal, and paint basement walls
7.    Paint exterior of building with specific color chart and includes the lift
8.    Paint interior—all walls, trim, windows, stair rails (does not include doors)—includes covering all floors for protection
9.    Sand and stain and weathertight front and rear doors
10.   Dumpster
11.   Replace missing trim on facia—approximately 4 feet long (does not include any root that we find once we get on a lift to inspect—there will be an additional charge)
12.   Contractor

**TOTAL COST - \$98,000**

**Notes**

There will be an additional charge of \$3,000 to use higher grade paint.

There will be an additional cost if anything is found outside the above scope of work.  
Any additional work to be done must be signed off on and paid for in advance before work will be done.

\_\_\_\_\_  
Ed O'Brien Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Richard Kowalewitch, Contractor Signature

\_\_\_\_\_  
Date

Date: 12/29/2020

**Up~Right Painting**



Client Info. PROJECT: 441 Washington St., Portsmouth

Name: Ed O'Brien

Address: 441 Washington Street  
Portsmouth, VA

Telephone: 757-717-1870

\*Contract proposal for work to be completed at the above address

Office: 757.705.8672 Cell: 757.650.7918

Email: [uprightpainting@aol.com](mailto:uprightpainting@aol.com)

Description	Total
<b>All paint surfaces--interior and exterior--to be two coats</b>	
<b>NO interior doors to be painted</b>	
1. Cover floors with construction paper	
2. Paint windows with Sherwin-Williams -- interior SW7005 Pure White semigloss exterior SW2820 Downing Earth semigloss Paint window trim with interior SW7005 Pure White semigloss Paint baseboard in main rooms with SW7005 Pure White semigloss	
3. Paint interior walls with SW0053 Porcelain satin finish	
4. Scuff wainscot and trim where oil-based paints have been used Fix any bad cracks and caulk all wainscot area Paint wainscot with SW0049 Silver Gray semigloss Wainscot area must be primed	
5. Paint interior door trim in foyers with SW0049 Silver Gray semigloss	
6. Paint stairway band with SW0049 Silver Gray semigloss	
7. Paint stairway handrails with SW6006 Black Bean semigloss (not painting pickets)	
8. Paint bathrooms walls with SW0053 Porcelain satin finish Paint bathroom trim with SW7005 Pure White semigloss	
9. Pressure wash basement and paint walls	
10. Sand and stain front and back doors (both sides) Replace weather trimming where necessary	
11. Supply lift for 30 days for exterior painting	
12. Pressure wash exterior	
13. Prepare and caulk exterior after pressure washing	

Description	Total
14. Paint exterior walls with SW2822 Downing Sand satin finish	
15. Paint exterior trim with SW2820 Downing Earth semigloss	
16. Prepare and paint exterior back rail with black finish	
Total Cost:	\$38,000.00
<b>Payment Schedule</b>	
Complete painting windows and laying floor paper	\$7,000.00
Complete 1 <sup>st</sup> floor	5,000.00
Complete basement	2,000.00
Complete 2 <sup>nd</sup> floor	6,000.00
Deposit to start exterior work	5,000.00
Complete half of exterior work	6,000.00
Complete all of exterior	7,000.00

**\*Balance due at completion of work**

**We propose hereby to furnish material and labor—complete in accordance with above specifications.**

Work to be completed according to standard industry practices. Deviation from contract involving extra cost require written orders, and will incur extra charges over and above the amount set forth above. Below party responsible for payment of contract amount and any additional costs incurred to recover contracted amount. Up Right Builders, Inc. is not responsible for delays caused by contingencies beyond our control. Homeowner is to carry necessary home insurance. Up Right Builders, Inc. is covered by Workers Compensation and Contractor's Liability. Offer is void if not accepted within 10 days.

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_  
 Up-Right Builders, Inc.

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_  
 Homeowner/Authorized Agent

QUOTE: Ed O'Brien  
441 Washington Street  
Portsmouth, VA

December 15, 2020

Gauvin's Home Repair  
703 Mediterranean Avenue  
Virginia Beach, VA 23451  
757-491-1204

Labor Description	
Remove and dispose of old gas furnace and condenser unit	
Replace with 100,000 BTU gas furnace 92% efficiency with 3.5 ton A/C coil and condenser 14 seer 410A Freon	
Replace condensate pump	
Install easy trap with float switch	
Install heat first, and then A/C after pad is built	
LABOR times 2	\$3,100.00
MATERIALS times 2	\$4,200.00
TOTAL	\$14,600.00

**Note: This quote covers the reinstallation and reconnection to existing line sets. If replacement of the line sets is necessary then there will be an additional charge.**

There will be an additional cost if anything is found outside the above scope of work. Any additional work to be done must be signed off on and paid for in advance before work will be done.

  
\_\_\_\_\_  
Property Owner Signature

  
\_\_\_\_\_  
Date

\_\_\_\_\_  
Authorized Signature by Gauvin's Home Repair

\_\_\_\_\_  
Date

QUOTE: Ed O'Brien  
441 Washington Street  
Portsmouth, VA

December 15, 2020

Gauvin's Home Repair  
703 Mediterranean Avenue  
Virginia Beach, VA 23451  
757-491-1204

Labor Description	
Remove and dispose of old heat pump and air handler in attic	
Replace with 4 ton A/C coil and condenser 14 seer heat pump and air handler with 15K heat strip	
Replace drain pan and condensate pump	
Install drain pan float switch and easy trap	
LABOR times 2	\$3,200.00
MATERIALS times 2	\$4,150.00
TOTAL	\$14,700.00

**Note: This quote covers the reinstallation and reconnection to existing line sets. If replacement of the line sets is necessary then there will be an additional charge.**

There will be an additional cost if anything is found outside the above scope of work. Any additional work to be done must be signed off on and paid for in advance before work will be done.

  
\_\_\_\_\_  
Property Owner Signature

  
\_\_\_\_\_  
Date

\_\_\_\_\_  
Authorized Signature by Gauvin's Home Repair

\_\_\_\_\_  
Date

QUOTE: Ed O'Brien  
441 Washington Street  
Portsmouth, VA

December 15, 2020

Gauvin's Home Repair  
703 Mediterranean Avenue  
Virginia Beach, VA 23451  
757-491-1204

Labor Description	
Remove and dispose of 2 old sump pumps in basement	
Install 2 new sump pumps in basement	
Repair any drain lines in basement	
TOTAL – includes labor and materials	\$1,350.00

**Note: Outside drain lines need to be reconfigured and not be on the sidewalk as it is a trip hazard. There will be an additional charge for this.**

There will be an additional cost if anything is found outside the above scope of work. Any additional work to be done must be signed off on and paid for in advance before work will be done.

  
\_\_\_\_\_  
Property Owner Signature

  
\_\_\_\_\_  
Date

\_\_\_\_\_  
Authorized Signature by Gauvin's Home Repair

\_\_\_\_\_  
Date

MUSEUM RESOURCES  
CONSTRUCTION & MILLWORK, INC.

P.O. BOX 911  
WILLIAMSBURG, VA 23187

Date 12/14/2020

Invoice # 2020-2489

P.O. No.

Project

Bill To

MR. EDWARD O'BRIEN  
130 WEST ONLEY ROAD  
NORFOLK, VA 23510  
Re: 441 Washington Street Replace Sashes  
Deposit: 35%

804-966-1800

Due on receipt

Item	Description	Est Amt	Prior Amt	Prior %	Curr %	Total %	Amount
REPAIRS	<p>We propose to perform the following work :</p> <ol style="list-style-type: none"> <li>1. Remove the Storm Windows.</li> <li>2. Remove existing sashes, stop and parting bead.</li> <li>3. Make new sashes to match existing original sashes.</li> <li>4. Re-install new sashes, fixing in place the upper, lower will be operable.</li> <li>5. Ropes will be new, pulleys will be operational.</li> <li>6. Re-apply stop and parting bead.</li> <li>7. Re-install storm windows.</li> </ol> <p>Sashes will be made from Accoya, Windows will arrive primed and ready for paint, once you have put a finish coat of paint on them, we will install on your schedule.</p> <p>Terms: 35% Deposit to begin work. (\$ 32,900.00) 30% Upon Delivery of Sashes. (\$ 26,320.00)</p>	94,000.00			35.00%	35.00%	32,900.00

Thank you for your business! Our FED ID # 45-2711954- Kerry Shackelford

Subtotal

Balance Due

kerrymresources@aol.com

**RENT COMPARABLE PHOTOGRAPHS**



## RENT COMPARABLE PHOTOGRAPHS

CONFIDENTIAL

Rent Comparable #1 - Confidential, Norfolk, VA



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



Rent Comparable #3 - 130 W York Street, Norfolk, VA



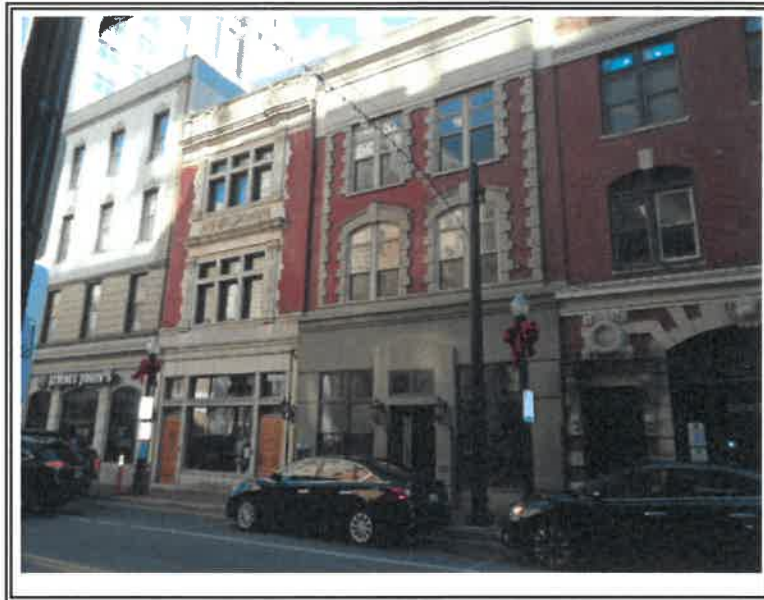
Rent Comparable#4 - 415 W York Street, Norfolk, VA

## **IMPROVED SALES**

**DOMINION REALTY ADVISORS, INC.**

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

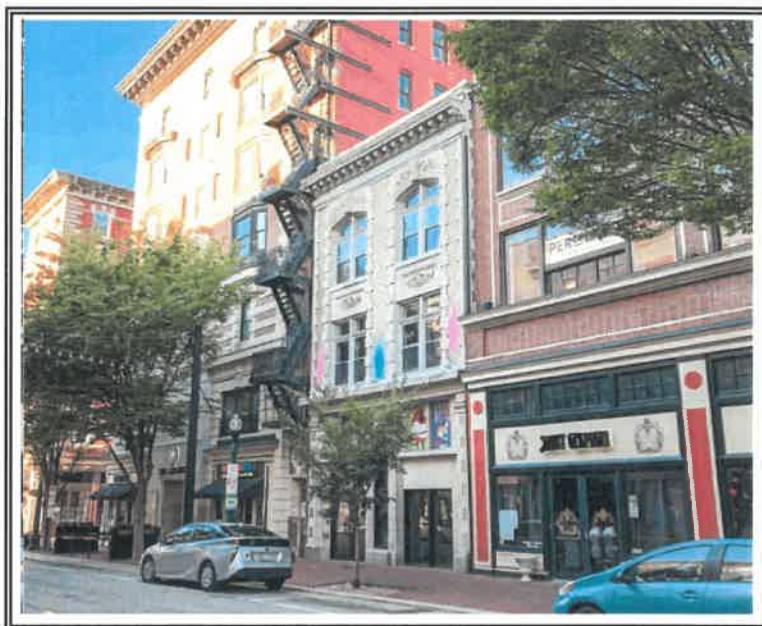
## IMPROVED SALE #1



Location:	130 Granby Street Norfolk, Virginia
DRA File Number:	008-21
Tax Map Number:	1427-85-9490
Grantor:	Lch Props I, LLC
Grantee:	Granby Street Holdings, LLC
Date Recorded:	December 14, 2020
Reference:	200030993
Consideration:	\$515,000
Financing:	Market Terms Assumed
Land Size:	1,051 square feet
Building Size:	3,123 Square Feet (NRA)
Land-to-Building Ratio:	0.3-to-1
Year Built:	1900, with subsequent renovations 2003 (most recently in 2015)
Zoning:	D-MU, Downtown Mixed-Use District
Price/SF of Building:	\$164.91
Verification:	Municipal Records, Contract, Buyer, and CoStar
Previous Sale:	None within prior three years

Comments: This sale reflects the purchase of an existing ±3,123-square foot (NRA) commercial building comprised of three floors located in Downtown Norfolk purchased for 100% owner occupancy. The building was in overall good condition as of the date of sale.

## IMPROVED SALE #2



Location:	251 Granby Street Norfolk, Virginia
DRA File Number:	008-21
Tax Map Number:	1427-96-2302
Grantor:	Tysa Holdings, LLC
Grantee:	251 Granby St, LLC
Date Recorded:	February 11, 2020
Reference:	200003536
Consideration:	\$1,150,000
Financing:	Market Terms Assumed
Land Size:	3,213 square feet (0.0738 acre)
Building Size:	8,840 Square Feet (NRA)
Land-to-Building Ratio:	0.3-to-1
Year Built:	1902, with subsequent renovations 2013 (most recently in 2020)
Zoning:	D-MU, Downtown Mixed-Use District
Price/SF of Building:	\$130.09
Verification:	Municipal Records, Contract, Buyer, Broker, Grantor, CoStar
Previous Sale:	None within prior three years

Comments: This sale reflects the purchase of an existing ±8,840-square foot (NRA) commercial building comprised of three floors plus a basement, located in Downtown Norfolk. The subject building, constructed in 1902, was renovated in 2007 and operated as a restaurant/lounge until it was purchased and renovated extensively in 2013 to convert the second and third floors into owner-occupied office space. The buyer planned to renovate and occupy the 1<sup>st</sup> and 2<sup>nd</sup> floors (52% of the NRA) and lease the 3<sup>rd</sup> and 4<sup>th</sup> floors. The property was in good condition at the time of sale.

### IMPROVED SALE #3



Location:	801 Court Street Portsmouth, Virginia
DRA File Number:	008-21
Tax Map Number:	0009180
Grantor:	Familycare Realty LP
Grantee:	Liliben 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 #4



Location:	140 Granby Street (1 E. Plume Street) Norfolk, Virginia
DRA File Number:	080-21
Tax Account Number:	1427-95-0415
Grantor:	HDBL Land Trust
Grantee:	Kuber Suraj Donuts Corp.
Date:	April 20, 2018
Reference:	180007824
Consideration:	\$1,070,000
Financing:	All Cash to Seller
Land Size:	1,848 Square Feet; 0.0425 Acre
Building Size:	7,700 Square Feet (NLA)
Land-to-Building Ratio:	0.24-to-1
Year Built:	1900, with renovations in 1982, 2009 and 2014
Price/SF:	\$138.96

Comments: This sale reflects the purchase of a four-story, mixed-use building located on the southeast corner of Granby Street and E. Plume Street, in the heart of downtown Norfolk. The building was originally constructed in 1900, with subsequent renovations made in the 1980s, 2009 and 2014. The first floor was leased to Jimmy's Johns, and the upper floors were comprised of typical Class B office space in average condition overall.

## **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**  
**January 13, 2021**



**Subject Property**  
**Interior Finish, Front Entrance**



**Subject Property**  
**Interior Finish, Central Hall**



**Subject Property**  
**Interior Finish, 1<sup>st</sup> Floor**



**Subject Property**  
**Interior Finish, First Floor**



**Subject Property**  
**Interior Finish, Break Room**



**Subject Property**  
**Interior Finish, 2<sup>nd</sup> Floor**

**SUBJECT PHOTOGRAPHS**  
**January 13, 2021**



**Subject Property**  
**Interior Finish, 2<sup>nd</sup> Floor**



**Subject Property**  
**Interior Finish, 2<sup>nd</sup> Floor**



**Subject Property**  
**Interior Finish, 2<sup>nd</sup> Floor**



**Subject Property**  
**Interior Finish, Basement**



**Subject Property**  
**Interior Finish, Basement**



**Olde Towne Signage along Washington**  
**Street**

**SUBJECT PHOTOGRAPHS**  
**January 13, 2021**



Washington Street, North

Washington Street, South  
Subject to the left