



Counter-Offer Memo

TO: Commissioner's Court

FROM: Jaime Salinas,
Hidalgo County Right of Way Department

TE: January 29, 2019

RE: Precinct No.2 Indoor Baseball Park Project (Alianza Business Park)

Attached: please find Counter-offer letter provided by property owner for the above-mentioned project.

Appraised Value: \$ 1,725,000.00

Settlement Request: \$ 1,956,517.00

Difference to Landowner \$ 231,517.00

Commissioners Court Executive Session January 29, 2019

Approved; _____

Not Approved; _____



January 14, 2019

RE: Counter Offer to Offer dated 12/13/2018

Hidalgo County Precinct 2
Commissioner Cantu
300 W. Hall Acres
Suite G
Pharr, Texas 78577

Commissioner Cantu,

I am in receipt of your offer letter and appraisal to purchase the property located at Alianza Business Park with an address of 3600 E. Eldora Rd. Pharr Texas. Your offer of \$1,725,000.00 is in accordance with the appraisal that you conducted. However, as per the appraisal, page 2, "the market value conclusion is representative of the real property only and does not include any personal property of FF&E" Thus I would like to ask for an additional \$231,517.00 for a grand total \$1,956,517.00

Attached please find a cover sheet summary and the supporting invoices that include all the FF&E that were purchased and installed for the facility. As you will see I discounted 33% from the purchase price for less than one year of usage. What you will get in return is a complete baseball & softball training facility as well as a fully equipped strength and conditioning gym.

With this in mind I thank you in advance for your interest in the property as well as your consideration on my counter offer. I look forward to your comments and thoughts. If you have any further questions please call me at 956-522-3926.

Sincerely,

A handwritten signature in black ink, appearing to read "Ruben Garza", with a large, sweeping flourish extending to the right.

Ruben Garza

BASEBALL SOFTBALL

FF E

**PERFORM BETTER
VALLEY DESIGN
ON DECK SPORTS
Hit Trax**

**GYM \$ 47,452.00
Office Furnitture \$ 40,123.02
Baseball Equipment \$217,444.00
Analyzis Technology \$ 40,529.00**

SUB TOTAL \$345,548.02

DISCOUNT \$114,030.85

GRAND TOTAL \$231,517.17

**APPRAISAL REPORT
REAL ESTATE APPRAISAL**

**Of
Office/Warehouse**



3600 E Eldora Road
Pharr, Hidalgo County, Texas, 78577

As of
September 5, 2018

Prepared For
Hidalgo County Precinct #2
Mr. Eduardo Cantu, Commissioner
300 W Hall Acres Road
Pharr, Texas, 78589

Prepared by
PROFESSIONAL APPRAISAL SERVICES, INC.
John Malcom, MAI, AI-GRS, SR/WA, CCIM
TX-1320239-G

PROFESSIONAL APPRAISAL SERVICES, INC.

PO Box 3722
McAllen, Texas, 78502

Phone 956-687-9535
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September 18, 2018

Hidalgo County Precinct #2
Mr. Eduardo Cantu, Commissioner
300 W Hall Acres Road
Pharr, Texas 78589

Re: Appraisal Report, Real Estate Appraisal
Office/Warehouse
3600 E Eldora Road
Pharr, Hidalgo County, Texas, 78577

File Name: PAS 2018-6876
PO #784861

Dear Mr. Cantu:

At your request, I have prepared an appraisal for the above referenced property, which may be briefly described as follows:

A 24,750 square foot warehouse located along the south side of Eldora Road between Athol Street and Birch Street in the Alianza Business Park in northern Pharr, Texas. The physical address is 3600 E Eldora Road.

Please reference page 5 of this report for important information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this estimate of value. The appraiser has not performed any prior services regarding the subject within the previous three years of the appraisal date.

Your attention is directed to the Limiting Conditions and Assumptions section of this report (page 3). Acceptance of this report constitutes an agreement with these conditions and assumptions. In particular, I note the following:

Hypothetical Conditions:

- There are no hypothetical conditions for this appraisal.

Extraordinary Assumptions:

- There are no Extraordinary Assumptions for this appraisal.

Based on the appraisal described in the accompanying report, subject to the Limiting Conditions and Assumptions, Extraordinary Assumptions and Hypothetical Conditions (if any), I have made the following value conclusion(s):

Current As Is Market Value: The “As Is” market value of the Fee Simple estate of the property, as of September 5, 2018, is

One Million Seven Hundred Twenty Five Thousand Dollars (\$1,725,000)

The concluded market value equates to approximately \$62.63 per square foot of building area; the market value conclusion is representative of real property only and does not include any personal property or FF&E.

Exposure time is defined as the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of appraisal. Exposure time is always retrospective based upon an analysis of past events in a competitive and open market. Based on a review of the comparable sales presented in this report, the market exposure time preceding September 5, 2018 would have been 12 months and the estimated marketing period as of September 5, 2018 is 12 months.

We trust this report satisfies the conditions of your request. Please call on us if any item is not clear or if further amplification of any point in this report would be helpful. Thank you for the confidence placed in us by virtue of this assignment and for the opportunity of providing our appraisal and consultation services to you.

Respectfully submitted,
Professional Appraisal Services, Inc.



John Malcom, MAI, AI-GRS, SR/WA,
CCIM
TX-1320239-G



Brandon Terry SR/WA
TX-1338768-G

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Summary of Important Facts and Conclusions

GENERAL

Subject: Office/Warehouse
3600 E Eldora Road
Pharr, Hidalgo County, Texas, 78577

Owner: Bliss Sand Holdings Inc.

Legal Description: Lot C3, Alianza Business Park, an addition to the City of Pharr, Hidalgo County, Texas, according to the map recorded in Volume 49, Page 132, Map Records.

Date of Report: September 18, 2018

Intended Use: The intended use is for possible acquisition.

Intended User(s): The client, Hidalgo County Precinct #2 and/or representatives. The use of the report by others, for any reason, is not authorized.

Assessment:

Real Estate Assessment and Taxes					
Tax ID	Land	Improvements	Total	Tax Rate	Taxes
A2662-00-000-00C3-00	\$363,540	\$0	\$363,540	\$2.9475	\$10,715

Notes:

Sale History: The subject is currently under the ownership of Bliss Sand Holdings Inc and has been since June 27, 2017. The property was conveyed from Felipe Cavazos with the conveyance being recorded in Warranty Deed #2826924 in the Hidalgo County Clerk's office. The sales price is unknown. Prior to this, the property was acquired by Mr. Cavazos on April 13, 2015 with a reported sales price of \$170,000 and was bank owned at the time of sale. No other conveyances or offers to either sell or purchase are known by the appraisers over the prior three-year period.

Current Listing/Contract(s): As of the appraisal date, the subject is not currently listed for sale or under contract to be purchased.

Land:

Land Summary						
Parcel ID	Gross Land Area (Acres)	Gross Land Area (Sq Ft)	Usable Land Area (Acres)	Usable Land Area (Sq Ft)	Topography	Shape
Subject	1.40	60,950	1.40	60,950	Level	Rectangular

Improvements:

Building Summary						
Building Name/ID	Year Built	Condition	Number of Stories	Gross Building Area	Rentable Area	Number of Units
Subject	2018	Average	1.0	24,750	24,750	1

Notes:

Zoning: General Business**Highest and Best Use of the Site:** Commercial development**Highest and Best Use as Improved:** Continued use of the improvements for commercial or light industrial use. This could include light industrial uses as well as indoor training for activities such as soccer, baseball, dance, cheerleading, gymnastics and martial arts.**Type of Value:** Market Value

VALUE INDICATIONS	
Cost Approach:	\$1,725,000
Sales Comparison Approach:	\$1,725,000
Income Approach:	
Direct Capitalization	\$1,725,000
Reconciled Value(s):	<u>As Is</u>
Value Conclusion(s)	\$1,725,000
Effective Date (s)	September 5, 2018
Property Rights	Fee Simple

Limiting Conditions and Assumptions

Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

This appraisal is to be used only for the purpose stated herein. While distribution of this appraisal in its entirety is at the discretion of the client, individual sections shall not be distributed; this report is intended to be used in whole and not in part.

No part of this appraisal, its value estimates or the identity of the firm or the appraiser(s) may be communicated to the public through advertising, public relations, media sales, or other media.

All files, work papers and documents developed in connection with this assignment are the property of Professional Appraisal Services, Inc.. Information, estimates and opinions are verified where possible, but cannot be guaranteed. Plans provided are intended to assist the client in visualizing the property; no other use of these plans is intended or permitted.

No hidden or unapparent conditions of the property, subsoil or structure, which would make the property more or less valuable, were discovered by the appraiser(s) or made known to the appraiser(s). No responsibility is assumed for such conditions or engineering necessary to discover them. Unless otherwise stated, this appraisal assumes there is no existence of hazardous materials or conditions, in any form, on or near the subject property.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of the appraiser nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value opinion developed herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, nor for any expertise or knowledge required to discover them.

Unless stated herein, the property is assumed to be outside of areas where flood hazard insurance is mandatory. Maps used by public and private agencies to determine these areas are limited with respect to accuracy. Due diligence has been exercised in interpreting these maps, but no responsibility is assumed for misinterpretation.

Good title, free of liens, encumbrances and special assessments is assumed. No responsibility is assumed for matters of a legal nature.

Necessary licenses, permits, consents, legislative or administrative authority from any local, state or Federal government or private entity are assumed to be in place or reasonably obtainable.

It is assumed there are no zoning violations, encroachments, easements or other restrictions which would affect the subject property, unless otherwise stated.

The appraiser(s) are not required to give testimony in Court in connection with this appraisal. If the appraisers are subpoenaed pursuant to a court order, the client agrees to pay the appraiser(s) Professional Appraisal Services, Inc.'s regular per diem rate plus expenses.

Appraisals are based on the data available at the time the assignment is completed. Amendments/modifications to appraisals based on new information made available after the appraisal was completed will be made, as soon as reasonably possible, for an additional fee.

Americans with Disabilities Act (ADA) of 1990

A civil rights act passed by Congress guaranteeing individuals with disabilities equal opportunity in public accommodations, employment, transportation, government services, and telecommunications. Statutory deadlines become effective on various dates between 1990 and 1997. Professional Appraisal Services, Inc. has not made a determination regarding the subject's ADA compliance or non-compliance. **Non-compliance could have a negative impact on value, however this has not been considered or analyzed in this appraisal.**

Scope of Work

Scope of Work defined: Scope of Work is defined as the type and extent of research and analysis in an assignment. ¹

The Scope of Work Rule requires an appraiser to complete the following three elements in performing and communicating the results of an appraisal:

- Identify the problem to be solved
- Determine and perform the scope of work necessary to develop credible assignment results, and
- Disclose the scope of work in the report.

Scope of work includes, but is not limited to the following considerations:
The extent to which the property is identified,
The extent to which tangible property is inspected,
The type and extent of data researched, and
The type and extent of analysis applied to arrive at opinions and conclusion.

This appraisal is prepared for Mr. Eduardo Cantu, Commission of Hidalgo County Precinct #2. The problem to be solved is to estimate the 'as is' market value of the subject property. The intended use is for possible acquisition. This appraisal is intended for the use of client, Hidalgo County Precinct #2 and/or representatives. The use of the report by others, for any reason, is not authorized.

SCOPE OF WORK

Report Type:	This is an Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2(a). This format provides a summary or description of the appraisal process, subject and market data and valuation analyses.
Property Identification:	The subject has been identified by the legal description and the assessors' parcel number.
Inspection:	A complete interior and exterior observation of the subject property has been made, and photographs taken.
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions has been made. The appraiser maintains and has access to comprehensive databases for this market area and has reviewed the market for sales and listings relevant to this analysis.

¹ Uniform Standards of Professional Appraisal Practice, 2018-2019 Edition. *The Appraisal Foundation*.

Highest and Best Use Analysis: A complete as vacant and as improved highest and best use analysis for the subject has been made. Physically possible, legally permissible and financially feasible uses were considered, and the maximally productive use was concluded.

Type of Value: Market Value (Refer to page 99 the market value definition (Uniform Standards for Federal Land Acquisitions)).

Valuation Analyses

Cost Approach: A cost approach was applied as there is adequate data to develop a land value and the depreciation accrued to the improvements can be reasonably measured as they are newer construction.

Sales Comparison Approach: A sales approach was applied as there is adequate data to develop a value estimate and this approach reflects market behavior for this property type.

Income Approach: An income approach was applied as the subject is an income producing property and there is adequate data to develop a value estimate with this approach.

Hypothetical Conditions:

- There are no hypothetical conditions for this appraisal.

Extraordinary Assumptions:

- There are no Extraordinary Assumptions for this appraisal.

Area Description

A market area can be a portion of a larger community in which there is a homogenous group of inhabitants, buildings, and business enterprises in which inhabitants may have a common community interest and a similarity of economic levels or cultural backgrounds. Market area boundaries may consist of well-defined natural or man-made barriers or they can be more or less well defined such as by a district or a change in land use. They may be devoted to such uses as residential, commercial, agricultural, or a mix of uses. Analysis of the market area in which a particular property is located is important due to the fact that the various economic, social, political, and physical forces which affect that market area also directly affect the individual properties within it.

The market area for the subject property is the McAllen/Edinburg/Mission MSA which includes all of Hidalgo County.

Market Area Location, Boundaries, and Transportation

For the purpose of this appraisal, the subject market area includes the McAllen/Edinburg/Mission MSA as well as the remainder of Hidalgo County.

The market area extends to Brook County on the north and the Rio Grande River on the south. It is bordered by Cameron and Willacy Counties on the east and Starr County on the west. Within the defined area is US 83/I-2, along which are the communities of Sullivan City, La Joya, Palmview, Mission, McAllen, Pharr, San Juan, Alamo, Donna, Weslaco, and Mercedes. Traffic flow within the area is enhanced by a good system of paved all-weather roads. Primary east/west traffic arteries in the southern portion include Military Highway (US 281), Business Highway 83, and US 83/I-2. SH 107 provides east/west travel through the central portion of the area and FM 490 and SH 186 provide east/west traffic flow in the northern portion of the area. The primary north/south arteries are I-69C or US 281 which extends north through Edinburg and provides access to points north of the Rio Grande Valley. Numerous Farm-to-Market (FM) roads support north/south travel. These include FM 681, SH 107/Conway Avenue, and Ware Road which are located west of US 281/I-69C and FM 491, FM 1015, FM 88, FM 493, FM 907, and FM 1426 which are located east of US 281/I-69C in Hidalgo County.

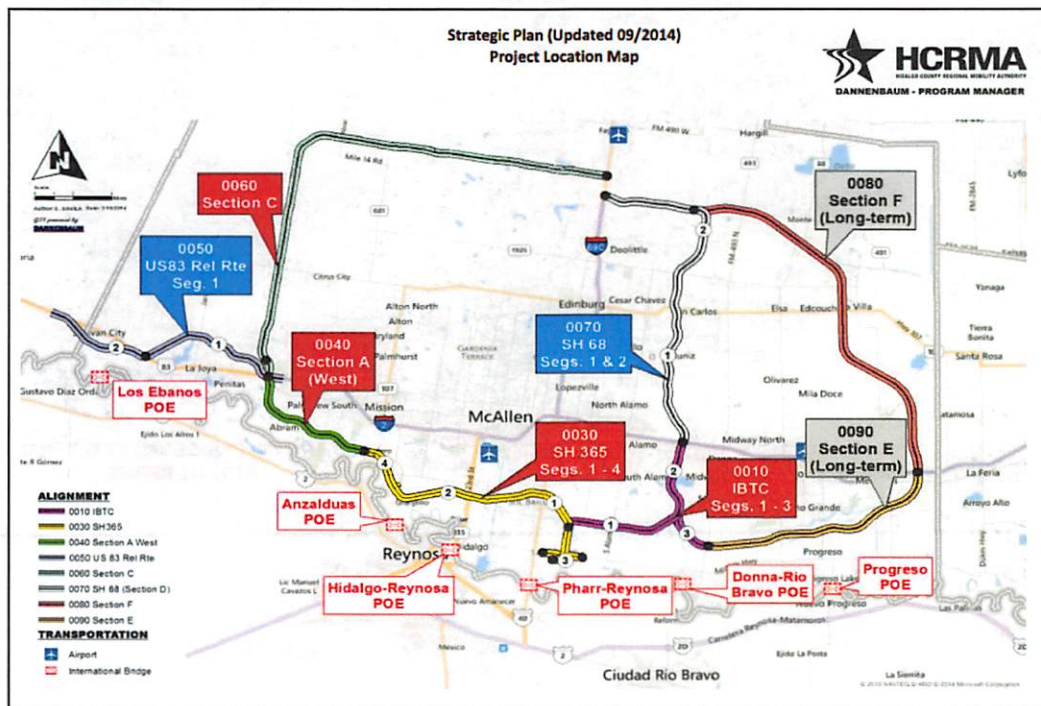
Within proximity of the subject property, US 83/I-2 and SH 107 are the primary east/west traffic arteries and US 281/I-69C is the primary north/south artery.

Currently in the initial planning and acquisition stages in Hidalgo County are several toll and non-toll road projects designed to facilitate more efficient transportation of goods and services, alleviate existing bottlenecks, and aid in community development. The Hidalgo County Regional Mobility Authority (HCRMA) and the Texas Department of Transportation (TxDOT) Pharr District are planning nearly 50 miles of roadway improvements, including toll and non-toll road and frontage road improvements.

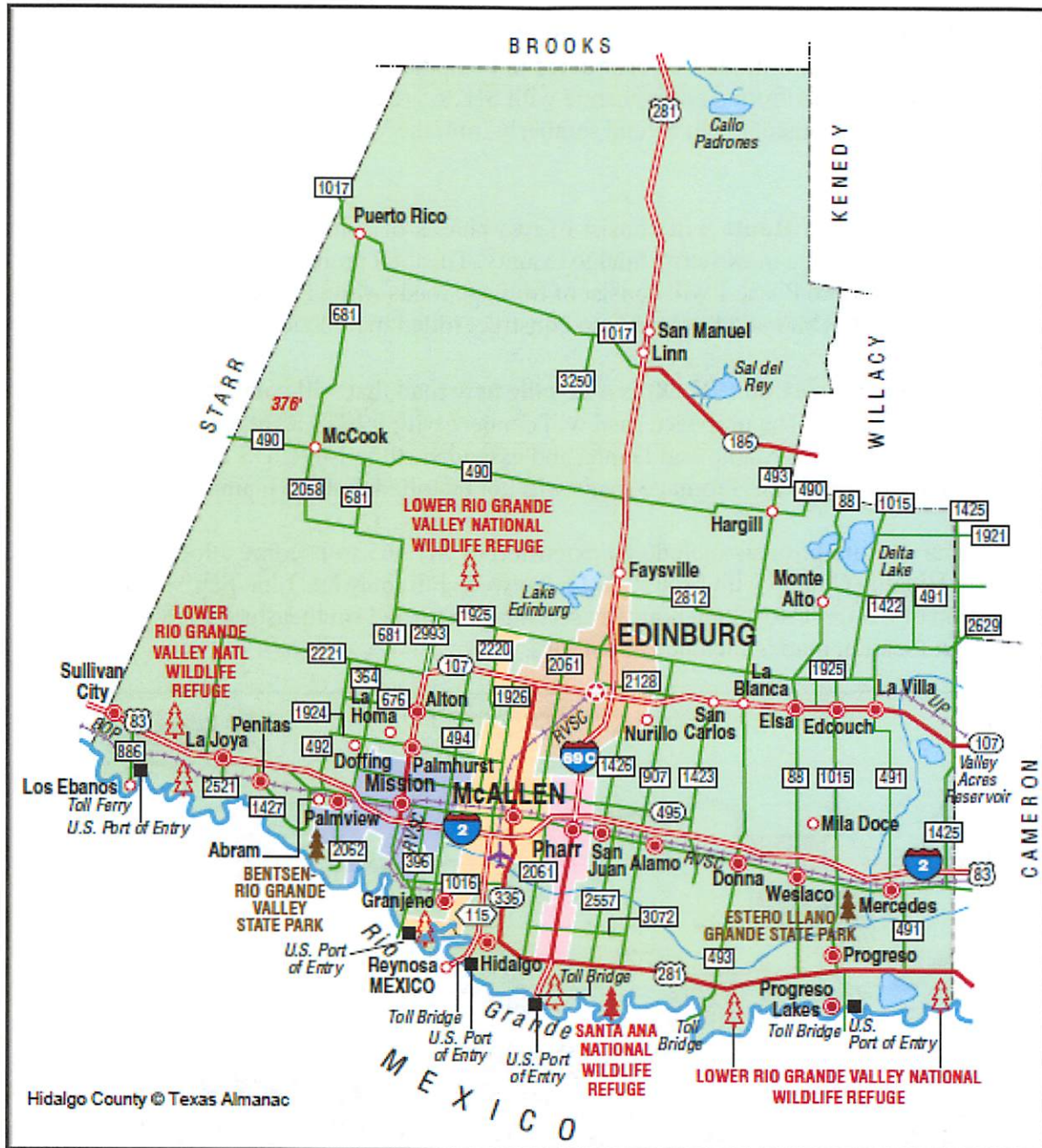
The projects considered to be the most imminent include the following:

- **State Highway 365 (SH 365)** consists of four segments of improvements from FM 396/Anzalduas Highway to US 281/Military Highway for a project length of 17.4 miles. Construction will include both toll and non-toll roadways.
- **International Bridge Trade Corridor (IBTC)** comprises 3 segments with a project length of 13.2 miles to be constructed in two phases. Segments 1 and 2 include toll improvements from an interchange with SH 365 (near FM 3072/Dicker Road) to I-2/US 83. Segment 3 will extend southerly from the Valley View Road interchange to FM 493.
- **US 83 Relief Route** will consist of two phases of construction to build a bypass around La Joya in western Hidalgo County. The total project length is approximately 8.9 miles and Phase 1 will consist of frontage roads while Phase 2 (to be undertaken by the HCRMA at a later time) to construct tolled main lanes.
- **State Highway 68 (SH 68)** is a 22-mile new road that will connect I-2/US 83 to I-69C/US 281. The proposed road will connect with I-2/US 83 at the northern end of IBTC between Alamo and Donna and extend north to I-69C/US 281 near FM 490, north of Edinburg. Frontage roads will not be tolled; but the main lanes will be.

Preliminary future projects include an extension of SH 365 to become a loop connecting western Hidalgo County with I-69C/US 281 between Edinburg and Linn/San Manuel and an extension of the IBTC to a loop highway serving eastern and southeastern Hidalgo County. A project location map is included as follows.



Market Area Map



Market Area and Property Characteristics

The subject area includes the agricultural and rural area where the predominant land uses tend to be agricultural uses such as irrigated farming, dry land farming, and pasture uses. The heaviest development is in the southern portion of the area along the US Expressway 83/I-2 and US 281/I-69E corridors. Population density varies within the area with the higher density development closer to US Expressway 83/I-2 and Business Highway 83 on the south and US 281/I-69E on the east.

Demographics

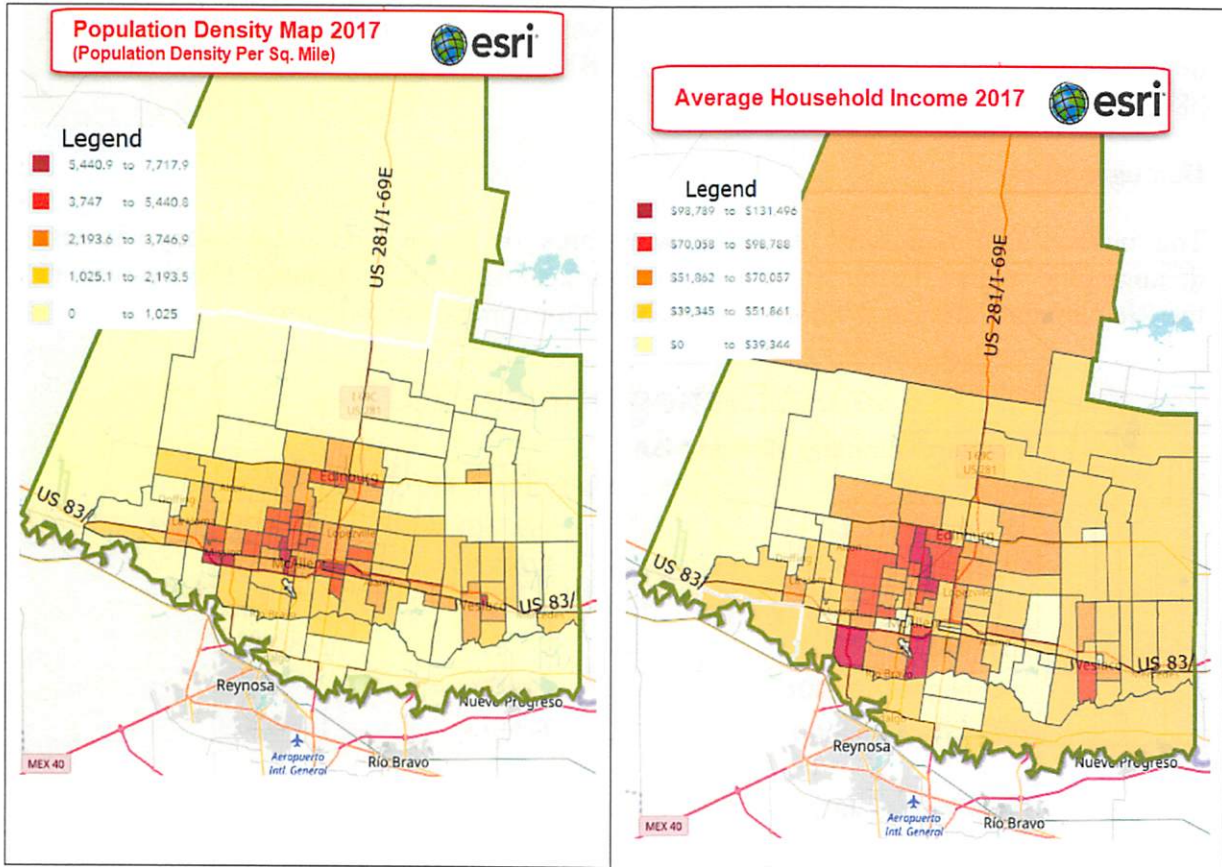
The market area represents a fast-growing area of the Rio Grande Valley. Select demographics within the market area are summarized in the following table. The figures for the Rio Grande Valley as a whole were included for comparison purposes.

Select Demographics - 2017		
McAllen/Edinburg/Mission MSA		
Population	Market Area	Rio Grande Valley
2000 Population	569,463	978,369
2010 Population	774,769	1,264,091
% Change 2000 - 2010	3.13%	2.60%
2017 Population	871,103	1,392,991
% Change 2010 - 2017	1.63%	1.35%
2022 Est Population	943,613	1,490,478
Households - 2017		
Total Households	241,735	394,462
Average household Size	3.57	3.5
Owner Occupied Housing	59.5%	58.1%
Renter Occupied Housing	28.1%	28.3%
Vacant Housing Units	12.4%	13.6%
Source: US Census Bureau. Esri forecasts for 2017 and 2022		

The area is impacted by the dynamics of the communities of the Rio Grande Valley as a whole. Several of the market area's north/south thoroughfares provide access to international bridges, which give the area direct connections to Mexico.

The defined area includes a mix of development types, with agricultural being the predominant land use. Residential development is typically comprised of either homes on large rural sites or single family residential subdivisions. The following maps compiled by ESRI illustrate the market area's 1) population density and 2) median household income.

Population Density and Average Household Income Comparisons



The population density approximates 2,194 to 3,747 people per square mile. The higher population density is indicated by darker shades on the left map.

The average household income approximates \$29,245 to \$51,261 per year. The higher household income is indicated by darker shades on the right map.

The household income for the McAllen MSA, the Rio Grande Valley and the State of Texas is shown in the following table.

Comparison of Household Income			
Subject Area, Hidalgo County and State of Texas			
Median Household Income	McAllen MSA	Rio Grande Valley	Texas
2017 Median Household Income	\$36,828	\$36,291	\$56,247
2022 Median Household Income	\$40,672	\$39,931	\$62,805
2017-2022 Annual Rate	2.01%	1.93%	2.23%
Average Household Income			
2017 Average Household Income	\$54,566	\$53,745	\$81,216
2022 Average Household Income	\$63,105	\$62,078	\$92,443
2017-2022 Annual Rate	2.95%	2.92%	2.62%
Per Capita Income			
2017 Per Capita Income	\$15,384	\$15,474	\$29,100
2022 Per Capita Income	\$17,689	\$17,780	\$32,953
2017-2022 Annual Rate	2.83%	2.82%	2.52%
Current median household income is \$33,828 in the area, compared to \$56,124 for all U.S. households. Median household income is projected to be \$40,672 in five years, compared to \$62,316 for all U.S. households.			
Current average household income is \$54,566 in this area, compared to \$80,675 for all U.S. households. Average household income is projected to be \$63,105 in five years, compared to \$91,585 for all U.S. households.			
Current per capita income is \$15,384 in the area, compared to the U.S. per capita income of \$30,820. The per capita income is projected to be \$17,689 in five years, compared to \$34,828 for all U.S. households.			
Data Note: Income is expressed in current dollars			
Source: US Census Bureau, 2010 Summary. Esri forecasts for 2017 and 2022			

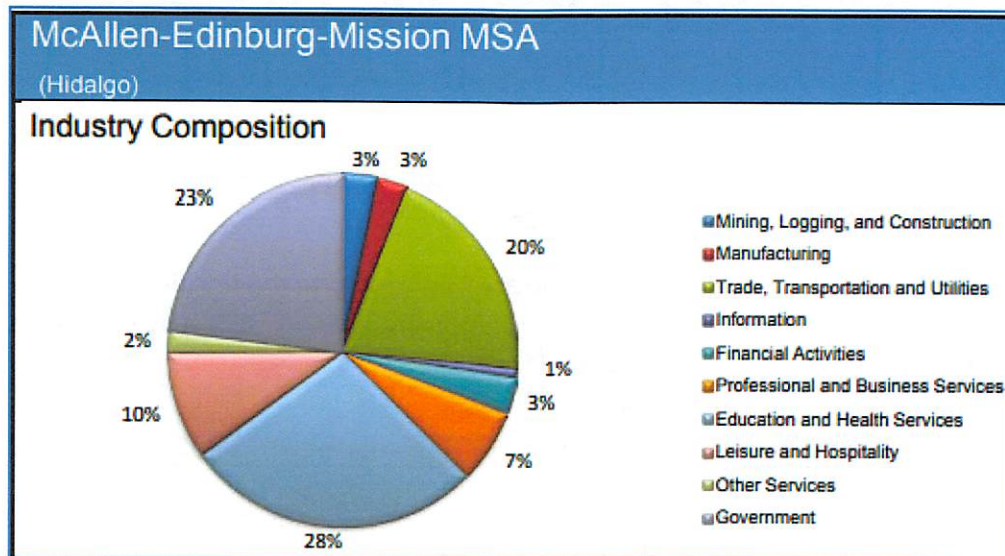
The overall level of income in the McAllen MSA is similar to the income level for the Rio Grande Valley as a whole. Both fall far below the income level for the State of Texas.

Employment and Labor Statistics

The subject property is located within the McAllen-Edinburg-Mission Metropolitan Statistical Area (MSA). According to the Texas Workforce Commission, the MSA has a June 2018 unemployment rate of 7.2% as illustrated in the following table.

Unemployment Information (all estimates in thousands)								
	McAllen-Edinburg-Mission MSA				Texas (Actual)			
	C.L.F.	Emp.	Unemp.	Rate	C.L.F.	Emp.	Unemp.	Rate
Jun-18	346.3	321.3	25.0	7.2	13,845.5	13,262.6	582.9	4.2
May-18	347.5	326.0	21.5	6.2	13,834.3	13,319.1	515.1	3.7
Jun-17	343.8	316.4	27.3	7.9	13,543.4	12,935.1	608.3	4.5

Over the last year, the unemployment rate has dropped from 7.9% to 7.2%. This reflects an employment gain of around 4,900 jobs. The unemployment rate in the MSA has generally been higher than the state and national unemployment rate. The overall employment by industry is shown in the following table:



The largest employment sector is Education and Health Services (28%) which is followed by Government (23%) and Trade Transportation and Utilities (20%). These three industries comprise 71% of the employment in Hidalgo County.

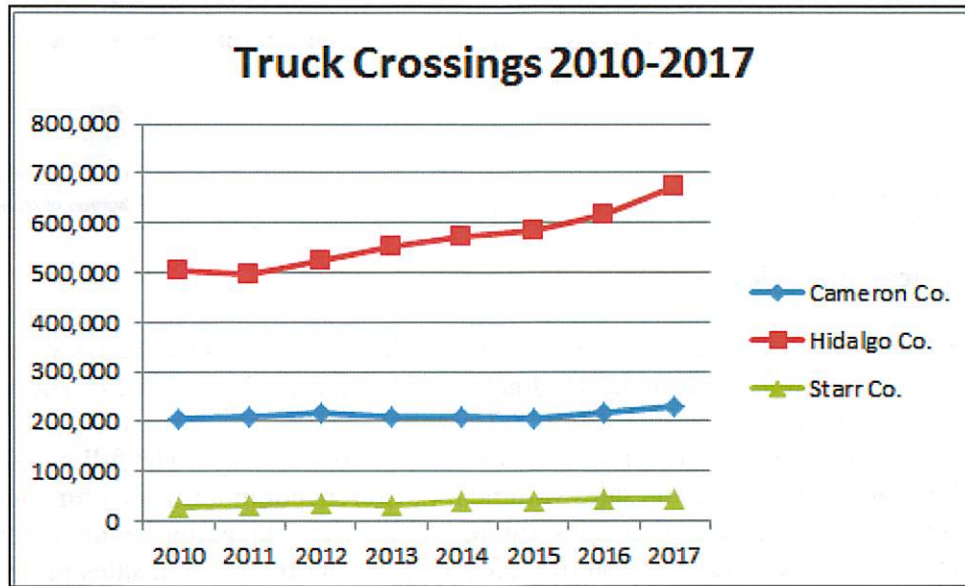
Trade

As represented above, trade and transportation are a major economic component of the Rio Grande Valley. Because of the geographic location along the United States/Mexico Border and proximity to other US metropolitan areas (San Antonio and Houston) the area is ripe with international travel both for retail and trade.

The Office of the United States Trade Representative reports International trade with Mexico in the amount of \$579.7 billion in 2016 and \$616.- billion in 2017. The 2017 trade included

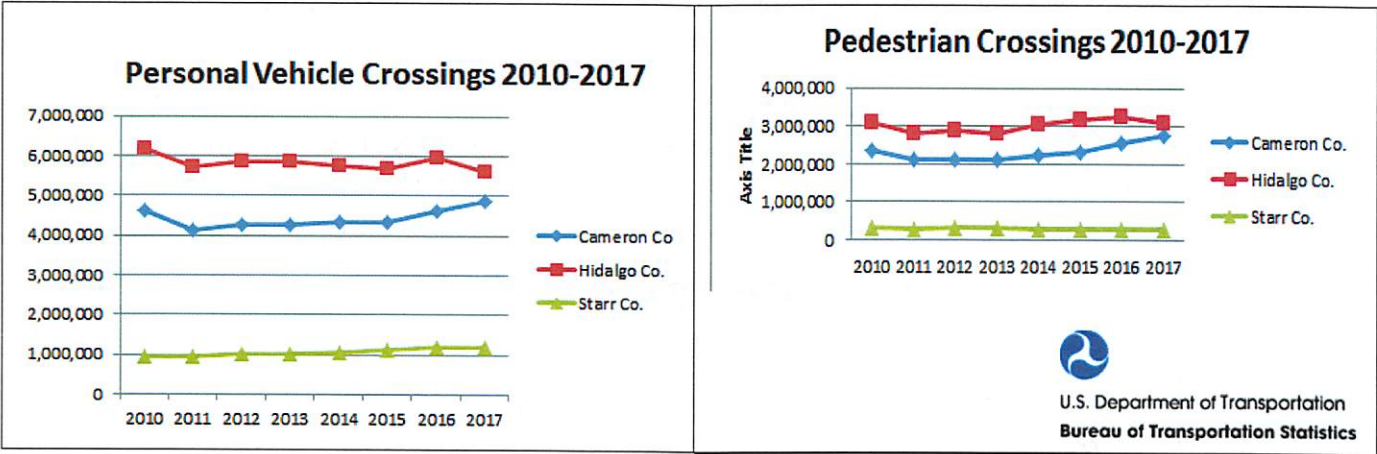
276.2 B in exports and \$340.3 B in imports. Mexico was the United States 2nd largest trading partner for imports and exports in 2016.

In the Rio Grande Valley, international trade is expressed primarily through the international ports of entry. One measure of commerce is the number of crossings at the Ports of Entry. The following chart represents the yearly crossings for commercial vehicles:



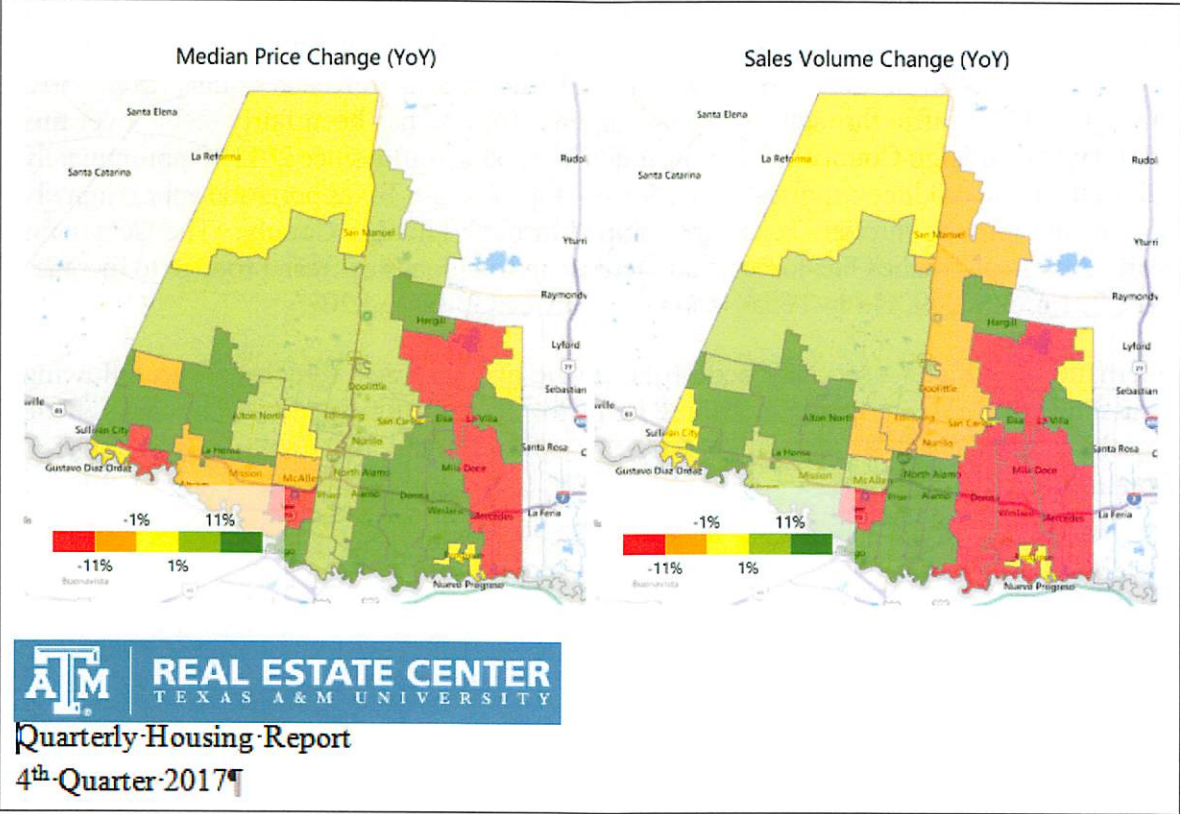
The Rio Grande Valley is home to 12 international bridges with 2 in Starr County and 4 in Cameron County. Hidalgo County has 5 international bridges and a hand operated ferry. The chart has been prepared to show the total truck traffic for each county from 2010 through 2017. Traffic through Starr and Cameron County has been fairly stable over this period while Hidalgo County has demonstrated increasing traffic since 2011. Approximately half of the fresh produce exported from Mexico ships through Texas ports and approximately 65% of the imports through Texas are shipped through Hidalgo County. The Center for North American Studies has forecast an increase in truckloads of fresh produce to increase from 221,662 to 349,956 in Texas land ports between 2016 and 2025.

International bridges also carry pedestrian traffic and personal vehicles. The following charts indicate bridge crossings for these items for the same time period. Personal vehicle crossings and pedestrian crossings show an upward trend for Cameron and Hidalgo Counties.



Housing Prices and Sales Volume

Within the MSA, sales volume for single family residential homes increased 4.8% and the median price increased 2.2% from the 4th Quarter 2016 to the 4th Quarter 2017. The number of months of inventory increased 1.8% to 8.7 months. During the same time period, the number of residential listings increased 10.3% to 2,157 active listings. The following charts indicate the median sales price and sales volume for different communities within the MSA. The chart on the right indicates that sales volume within the subject market area increased during that time period. The chart on the left indicates that the median sales price in the subject market was slightly higher in the 4th quarter 2017 as compared to 2016.



Educational Attainment

Educational attainment is reported for persons age 25 and older. This is the traditional age by which most people have completed their formal education, although a trend has developed in recent years or persons to return for schooling past age 25. Still, these figures provide a picture of the general educational level of the population. Educational attainment is usually associated with income. In 2017, the educational attainment of the population aged 25 years or older in the market area was distributed as follows:

Educational Attainment by Age 25			
Education Completed	McAllen MSA	Rio Grande Valley	Texas
Less than 9th grade	23.3%	23.3%	8.8%
9th-12th grade, no diploma	13.5%	13.5%	8.5%
High School Diploma	19.5%	19.6%	20.9%
GED	4.2%	4.4%	4.4%
Some College, no degree	16.8%	16.9%	21.5%
Associate's degree	5.0%	5.2%	7.0%
Bachelor's degree	12.6%	12.2%	19.1%
Graduate/Professional degree	5.1%	4.9%	9.8%
Total	100.0%	100.0%	100.0%

Source: U.S. Census Bureau, 2010. Esri forecast for 2017, Community Profile Report

Higher education is obtained from multiple colleges and universities in the Rio Grande Valley. The University of Texas-Rio Grande Valley, a comprehensive regional institution serving the Rio Grande Valley is located in both Edinburg and Brownsville. UTRGV is the fourth largest university in the University of Texas System and the 9th largest in the state with a current enrollment in excess of 28,000 students. There are eleven academic divisions offering over forty bachelor's degrees and over forty master's degrees in more than fifty fields of the sciences, business, arts and humanities, education and social and behavioral sciences. The University of Texas Rio Grande Valley was created by the Texas Legislature in 2013 and combined the resources and assets of the University of Texas at Brownsville and the University of Texas-Pan American. The combined universities will benefit from the Permanent University Fund - a public endowment contributing support to the University of Texas System and the Texas A&M University System. The inaugural class of first year students began during the fall 2015 semester.

Medical

One of the most prominent industries in the Rio Grande Valley today is the medical industry. The McAllen/Mission/Edinburg MSA is currently serviced by seven acute care hospitals, which include Doctor's Hospital at Renaissance (DHR), Knapp Medical Center, Edinburg Regional Center, McAllen Medical Center, Mission Regional Medical Center, as well as others. Of these hospitals, DHR is currently the most active securing permission from the Federal Government to grow the facility from 530 beds to just over 1,100 rooms, which would make it the largest hospital in the Rio Grande Valley. DHR continues to provide care in specific areas of medicine by developing facilities on its main campus to facilitate care in Rehabilitation, Oncology, and Women's Care Facility. The facility has recently completed its certification in becoming a Level III Trauma Center and strives to be the first facility to

become a Level I Trauma Center south of San Antonio.

The recent transformation of the University of Texas – Pan American to the University of Texas – Rio Grande Valley included development of a 21st Century Medical School. This was an indication of the dire need of medical care and medical research needed in the Rio Grande Valley. The institution recently inaugurated its first class of 55 medical students.

Commercial Real Estate Market

Office Market: Real estate market statistics have been compiled by CoStar for the primary markets in the Rio Grande Valley. Information is presented for the McAllen/Edinburg/Pharr MSA (Hidalgo County) as well as the Brownsville/Harlingen MSA (Cameron County). The following table provides statistics for the office market for the period from 2014 through 2017.

Office Market - Brownsville Harlingen, McAllen Edinburg Pharr									
Year	Brownsville Harlingen SF	Vacancy EOY	Quoted Rates EOY	McAllen Pharr Edinburg SF	Vacancy EOY	Quoted Rates EOY	Total SF EOY	Vacancy EOY	Quoted Rates EOY
2017-Class A	124,752	18.3%	\$20.37	218,566	6.9%	\$26.67	343,339	11.0%	\$24.38
Class B	2,688,469	5.9%	\$14.83	5,665,662	5.9%	\$14.99	8,354,146	5.9%	\$14.94
Class C	1,270,739	4.1%	\$11.99	2,044,521	5.6%	\$14.04	3,315,272	5.0%	\$13.25
Total Office	4,083,960	5.7%	\$15.15	7,928,749	5.9%	\$15.26	12,012,724	5.8%	\$15.22
2016-Class A	124,752	7.7%	\$20.76	218,566	0.0%	\$19.38	343,339	2.8%	\$19.88
Class B	2,677,329	5.2%	\$15.94	5,665,662	4.5%	\$14.46	8,343,007	4.7%	\$14.93
Total Office	4,072,820	5.4%	\$15.60	7,928,749	4.9%	\$14.19	12,001,585	5.1%	\$14.67
2015-Class A	124,752	26.1%	\$19.64	218,566	6.8%	\$21.92	343,338	13.8%	\$21.09
Class B	2,660,257	7.0%	\$15.54	5,653,974	6.5%	\$14.06	8,314,247	6.7%	\$14.53
Total Office	4,055,748	7.4%	\$15.21	7,917,061	6.4%	\$14.44	11,972,824	6.7%	\$14.70
2014-Class A	124,752	39.6%	\$18.63	218,566	7.1%	\$22.78	343,337	18.9%	\$21.27
Class B	2,660,257	8.4%	\$14.57	5,643,799	7.8%	\$14.39	8,304,071	8.0%	\$14.45
Total Office	4,055,748	9.8%	\$13.87	7,906,886	9.2%	\$14.38	11,962,648	9.4%	\$14.21

At year end 2017, the McAllen/Edinburg/Pharr market had 7,928,749 square feet of office space with an average vacancy of 5.9%. The highest vacancy was in the Class A market which was reported at 6.9%.

The Brownsville Harlingen market was similar. Brownsville/Harlingen had 4,083,960 square feet of office space with an average vacancy of 5.8%. The highest vacancy was in the Class A office sector which registered 18.3%.

Across the Rio Grande valley, the average vacancy was 5.8%. The average quoted rental rates ranged from \$15.15 to \$15.26 over the three year period.

Retail Market: Information is presented for the McAllen/Edinburg/Pharr MSA (Hidalgo County) as well as the Brownsville/Harlingen MSA (Cameron County). Statistics are included for the retail market for the period from 2015 through 2017. CoStar provides the following statistics regarding the retail market:

Retail Market - Brownsville Harlingen, McAllen Edinburg Pharr									
Year	Brownsville Harlingen SF	Vacancy EOY	Quoted Rates EOY	McAllen Pharr Edinburg SF	Vacancy EOY	Quoted Rates EOY	Total SF EOY	Vacancy EOY	Quoted Rates EOY
2017-General Retail	9,408,766	3.7%	\$14.19	13,104,205	3.9%	\$18.75	22,512,985	3.8%	\$16.84
Malls	1,411,853	0.4%	\$27.50	2,093,914	0.0%		3,505,795	0.2%	\$27.50
Power Centers	1,027,848	1.8%	\$18.00	2,354,813	7.7%	\$16.54	3,382,679	5.9%	\$16.98
Shopping Centers	3,584,931	11.2%	\$14.63	6,158,114	8.2%	\$17.92	9,743,060	9.3%	\$16.71
Specialty Center				225,000	0.0%		225,000	0.0%	\$0.00
Total Retail Market	15,433,398	5.0%	\$14.49	23,936,046	5.0%	\$18.30	39,369,459	5.0%	\$16.81
2016-General Retail	9,198,056	3.3%	\$14.07	12,114,556	2.5%	\$13.87	21,312,626	2.8%	\$13.96
Malls	1,411,853	6.6%	\$19.03	1,808,101	0.0%		3,219,973	2.9%	\$19.03
Power Centers	927,848	1.5%	\$18.58	2,292,313	16.3%	\$17.86	3,220,180	12.0%	\$18.07
Shopping Centers	3,584,931	12.5%	\$13.62	6,136,558	8.9%	\$15.41	9,721,503	10.2%	\$14.75
Specialty Center				225,000	0.0%		225,000	0.0%	\$0.00
Total Retail Market	15,122,688	5.7%	\$14.43	23,576,528	5.3%	\$14.87	38,699,230	5.5%	\$14.70
2015-General Retail	9,130,799	4.5%	\$12.56	13,012,407	3.6%	\$13.53	22,143,219	4.0%	\$13.13
Malls	1,411,853	6.7%	\$19.03	1,808,101	0.0%	\$22.00	3,219,973	2.9%	\$20.70
Power Centers	923,514	3.3%	\$18.88	1,892,613	3.1%	\$23.68	2,816,146	3.2%	\$22.11
Shopping Centers	3,584,931	12.5%	\$13.62	6,067,654	11.0%	\$15.91	9,652,599	11.6%	\$15.06
Specialty Center				225,000	0.0%		225,000	0.0%	\$0.00
Total Retail Market	15,030,547	6.6%	\$13.73	23,005,775	5.2%	\$15.28	38,036,336	5.8%	\$14.67

The McAllen/Edinburg/Pharr market has demonstrated a 4.0% increase in the amount of retail space and stable to decreasing vacancy. The largest increase in rental rates was in Shopping Centers and General Retail space. Power Centers were the only component that showed a decrease on quoted rental rates in 2017. This was followed by a large increase in Power Center vacancies in 2016.

The Brownsville/Harlingen area has demonstrated 2.7% growth in retail space with slightly declining vacancy rates and stable to increasing rental rates. The largest increase in rental rates was observed for general retail spaces. Shopping center rates were stable from 2015 to 2016 and increased in 2017. Occupancy levels for Power Centers were stable but quoted rental rates declined slightly in the Brownsville/Harlingen area.

Industrial Market: Information is presented for the McAllen/Edinburg/Pharr MSA (Hidalgo County) as well as the Brownsville/Harlingen MSA (Cameron County). The following table provides statistics for the Industrial market for the period from 2014 through 2017. The following statistics were reported for the industrial market.

Industrial Market - Brownsville Harlingen, McAllen Edinburg Pharr						
Year	Area	Beginning Inventory	Ending Inventory	# Buidlings EOY	Vacancy EOY	Quoted Rates EOY
2017	Cameron	11,501,534	11,612,956	313	8.6%	\$4.12
	Hidalgo	20,015,797	20,173,297	471	7.7%	\$5.31
	Total	31,517,331	31,786,253	784	8.0%	\$4.88
2016	Cameron	11,501,534	11,501,534	310	6.1%	\$3.75
	Hidalgo	19,953,244	20,015,797	470	10.3%	\$5.32
	Total	31,454,778	31,517,331	780	8.8%	\$4.75
2015	Cameron	11,497,534	11,501,534	310	13.6%	\$3.45
	Hidalgo	19,707,244	19,807,244	467	12.9%	\$4.96
	Total	31,204,778	31,308,778	777	13.2%	\$4.41
2014	Cameron	11,497,534	11,497,534	309	12.1%	\$3.54
	Hidalgo	19,583,866	19,707,244	466	13.9%	\$4.47
	Total	31,081,400	31,204,778	775	13.2%	\$4.13

The amount of industrial space has increased from 31,081,400 square feet to 31,517,331 from 2014 through 2017. This represents a gain of 435,9311 square feet or 1.4%. Most of the new retail space was constructed in the Hidalgo County market area which has also experienced higher quoted rental rates. Average rental rates have been trending slowly upward and vacancy rates have fallen in each of the four years.

Market Area Conclusion

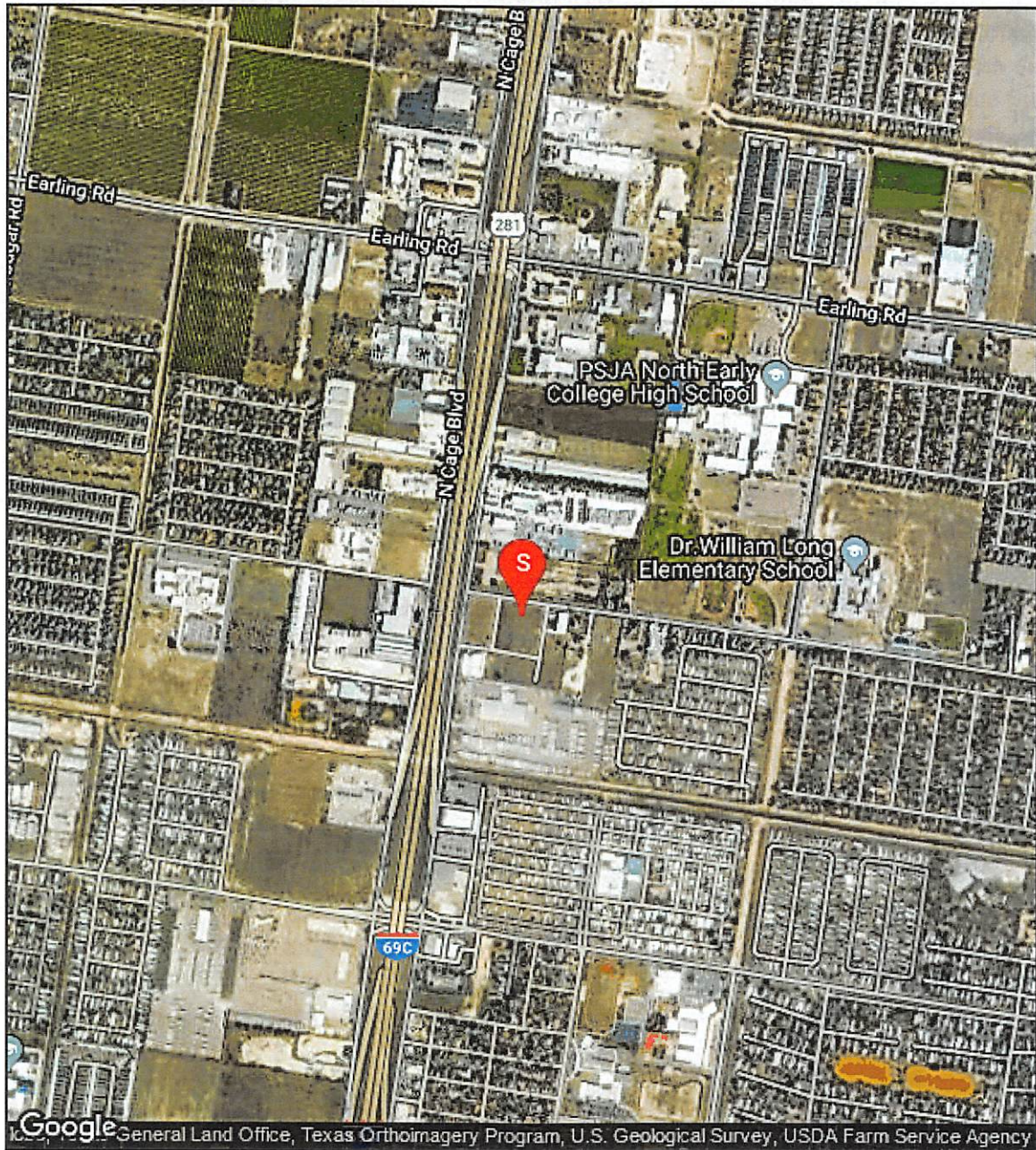
Hidalgo County, with its numerous ports of entry, is one of the United States' most important links with Mexico. This position should continue to strengthen as the Rio Grande Valley is seeing more importation of fresh produce and industrial goods from the Mexican interior due the Durango-Mazatlán Highway shifting trade patterns in its favor. In addition, the deregulation of oil resources in Mexico will also increase exports of heavy equipment and supplies that companies will require for the exploration and extraction of the natural resources.

As development occurs within the urban areas, new subdivisions will be developed in areas where utilities have been extended. For this reason, much of the land that has not been developed within the market area will not be available for development within the next five year period. The majority of commercial development will occur along the primary traffic arteries such as US Expressway 83/I-2, Business Highway 83, and US 281/I-69C. Residential development will extend along and out from the arterial roads.

The described area reflects the demographic attributes of the McAllen/Edinburg/Pharr MSA. The MSA and the Rio Grande Valley experience lower income levels, a lower median age, and lower employment levels than the State of Texas and the United States. This is reflected in terms of lower wages and income as well as educational attainment and employment.

The market area as defined herein should experience continued growth. There is a sufficient land available for development and sufficient infrastructure to accommodate development for many years. As the industrial base and residential population expands in the area, commercial development can be anticipated to follow.

Location Map



Property Description

Various data sources have been considered to complete this assignment. This includes an analysis of the subject neighborhood, market trends and comparable data to analyze the subject. Applicable data sources include but are not limited to local real estate experts, governmental agencies, grantors and grantees.

Land Summary						
Parcel ID	Gross Land Area (Acres)	Gross Land Area (Sq Ft)	Usable Land Area (Acres)	Usable Land Area (Sq Ft)	Topography	Shape
Subject	1.40	60,950	1.40	60,950	Level	Rectangular

SITE

Location: The subject is located along the south side of Eldora Road between Athol Street on the west and Birch Street on the east in northern Pharr, Texas. The physical address is 3600 E Eldora Road.

Current Use of the Property: Baseball training facility

Site Size: Total: 1.399 acres; 60,950 square feet
Usable: 1.399 acres; 60,950 square feet

The appraised property is a subdivided lot with no portions being located within the road right of way. The gross and usable land areas are considered the same.

Shape: The site is basically rectangular in shape with 268' (plus clip corners) of frontage along Eldora Road with a depth of 167.5' (plus clip corners) along both Athol Street and Birch Street.

Frontage/Access: The subject property has average access with frontage as follows:

- Eldora Road: 268.00 feet (plus clip corners)
- Athol Street: 167.50 feet (plus clip corner)
- Birch Street: 167.50 feet (plus clip corner)

The site has a total depth of 167.50 feet from north to south. The site offers adequate frontage, access and circulation for the current use along all three streets.

Visibility: Average

Topography: The subject has level topography at grade and no areas of wetlands.

Soil Conditions: The soil conditions observed at the subject appear to be typical of the region and adequate to support development.

Utilities: Electricity: Electricity
Sewer: City sewer
Water: City water

Underground Utilities: The site is serviced by underground utilities.

Adequacy: The subject's utilities are typical and adequate for the market area.

Site Improvements:

- Asphalt and concrete paving.
- Landscaping

Flood Zone: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject is located in FEMA flood zone B, which is not classified as a flood hazard area.

FEMA Map Number: 4803470005C

FEMA Map Date: October 19, 1982

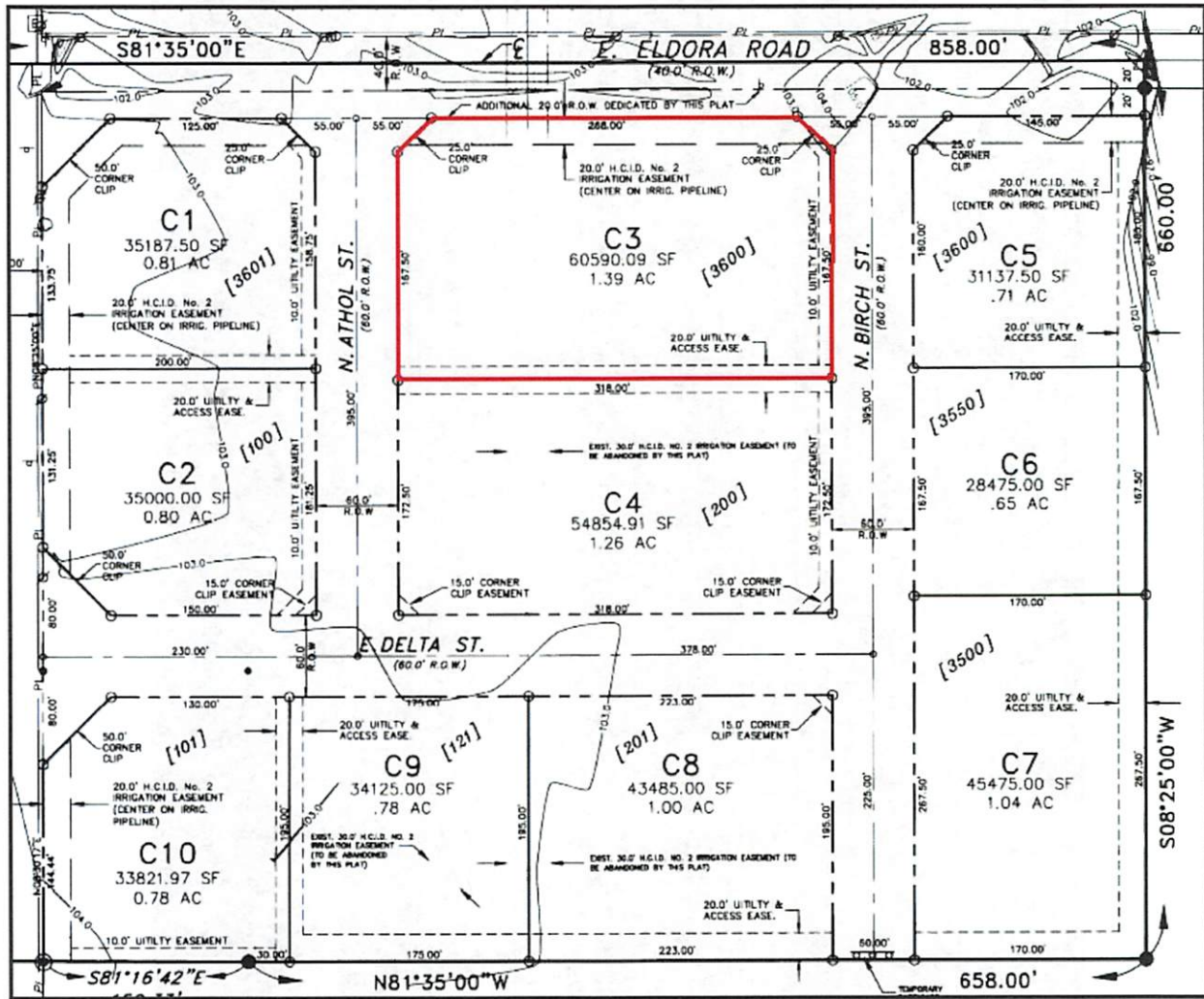
The subject is outside the 500 year flood plain. The appraiser is not an expert in this matter and is reporting data from FEMA maps.

Wetlands/Watershed: No wetlands were observed during our site inspection.

Environmental Issues: There are no known adverse environmental conditions on the subject site. Please reference Limiting Conditions and Assumptions.

Encumbrance / Easements: There are no known adverse encumbrances or easements. Please reference Limiting Conditions and Assumptions.

Site Plat



Flood Insurance Rate Map



IMPROVEMENTS DESCRIPTION

Development/Property Name: Office/Warehouse

Property Type: Warehouse

Building Summary

Building Name/ID	Year Built	Condition	Number of Stories	Gross Building Area	Rentable Area	Number of Units
Subject	2018	Average	1.0	24,750	24,750	1

Notes:

GENERAL - SUBJECT

Building Identification: Subject

Building Description: Warehouse

Construction: Class S

Construction Quality: Average

Year Built: 2018

Effective Age: 0 years

Remaining Useful Life: 45 years

Condition: Average

Appeal/Appearance: Average

Areas, Ratios & Numbers:
Number of Stories: 1.00
Gross Building Area: 24,750
Gross Leasable Area: 24,750
Rentable Area: 24,750
Building Efficiency Ratio: 100.0%
Land to Building Ratio: 2.46 to 1

FOUNDATION, FRAME & EXTERIOR - SUBJECT

Foundation:	Poured concrete slab
Structural Frame:	Steel frame
Exterior:	Metal panel
Windows:	None
Roof/Cover:	Flat / Metal panel
Service Access/ Overhead Doors:	The primary access is on the north entering from the parking lot with overhead roll-up doors located along the west, south and east sides.

INTERIOR - SUBJECT

Interior Layout:	Average
Floor Cover:	The offices include a mix of tile and exposed concrete. The warehouse area is primarily synthetic turf on concrete along with some exposed stained concrete around the offices.
Walls:	Metal panel
Ceilings & Ceiling Height:	Metal panel, single pitch / 25'
Lighting:	Suspended fixtures
Restrooms:	There are two restrooms with each offering two fixtures.

MECHANICAL SYSTEMS - SUBJECT

Heating:	Electric
Cooling:	Package unit
Electrical:	Adequate
Plumbing Condition:	Average
Sprinkler:	Yes

PARKING

Parking Type and Number of Spaces:	Type: Open lot Spaces: 30 spaces along the north and west sides of the building. Condition: Average
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PROPERTY ANALYSIS

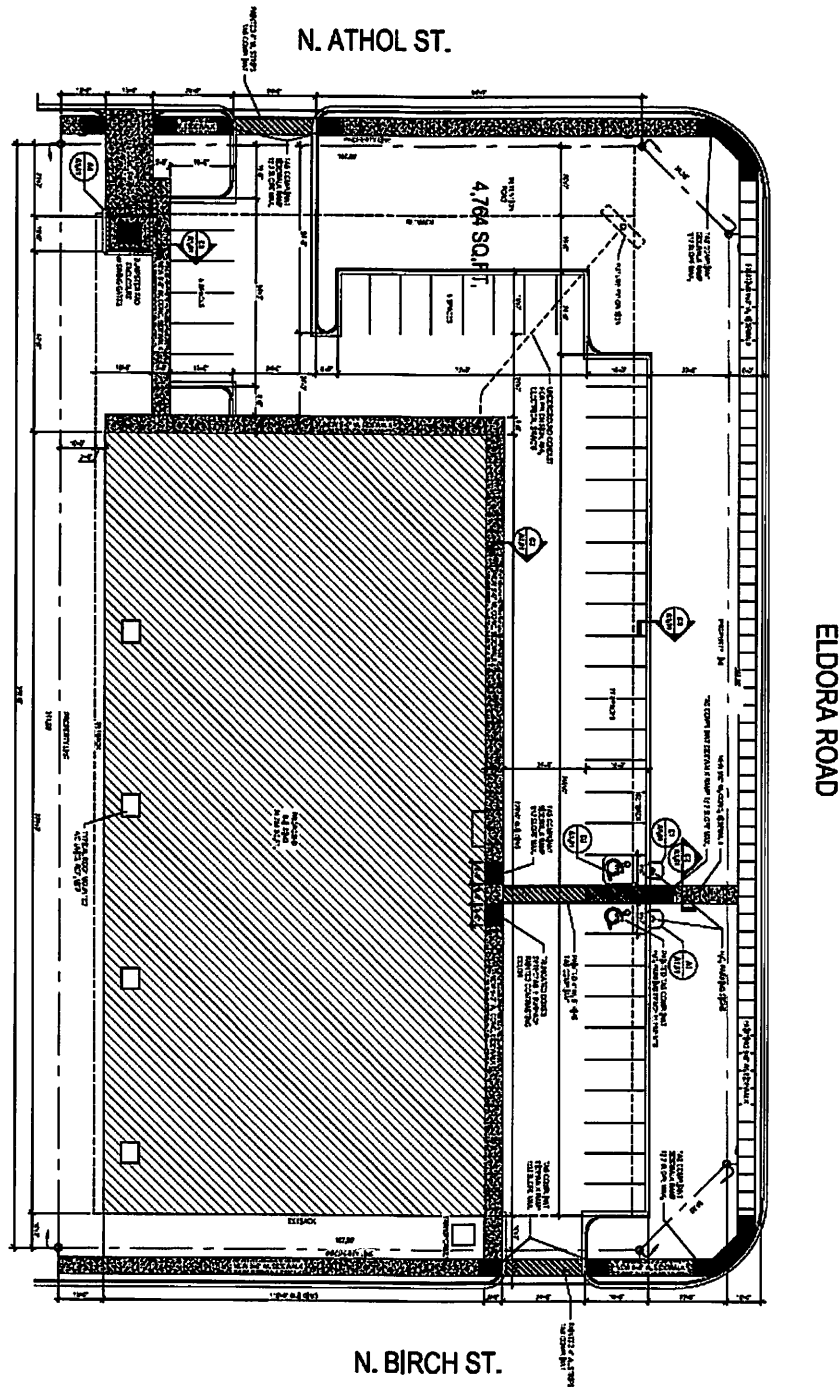
Design & Functional Utility:	The overall design of the improvements is consistent with modern construction standards and is suitable for continued use.
Deferred Maintenance:	The property is recently constructed and was in good condition with no deferred maintenance noted during the inspection.
Capital Improvements:	The property owner did not inform the appraisers of any planned improvements to the subject.

SUMMARY

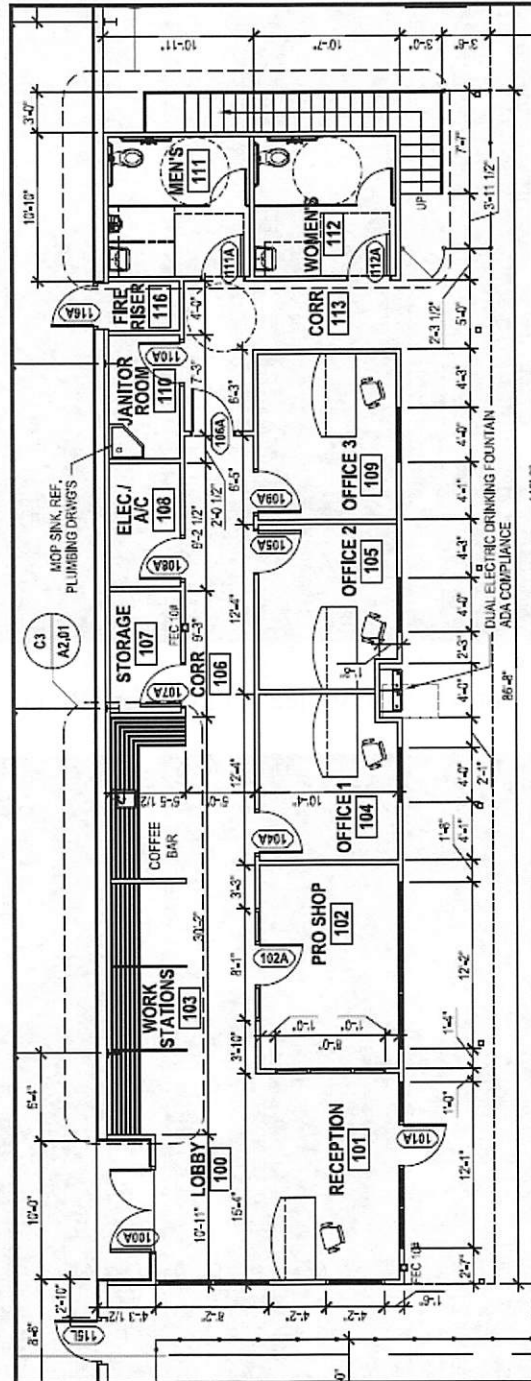
The site is improved with a light industrial warehouse that is being utilized as a baseball training facility. The building offers 24,750 square feet of total building area with the building measuring 110' x 225'. The measurements utilized were taken by the appraisers during the inspection. Within the building is a 1,826 square feet office and reception area that offers three office spaces, storage room, two restrooms, janitorial closet, break area and study desks. In addition, a mezzanine viewing area is located on top of the office building.

Site improvements include asphalt and concrete paved drives and walkways along with perimeter landscaping. The building improvements are of average quality construction and were in new condition on the inspection date.

Site Layout



Office Layout



Subject Photographs



Front View of Subject from Eldora Road



View West along Eldora Road – Subject on Left



View East along Eldora Road – Subject on Right



Rear View of Subject from Birch Street



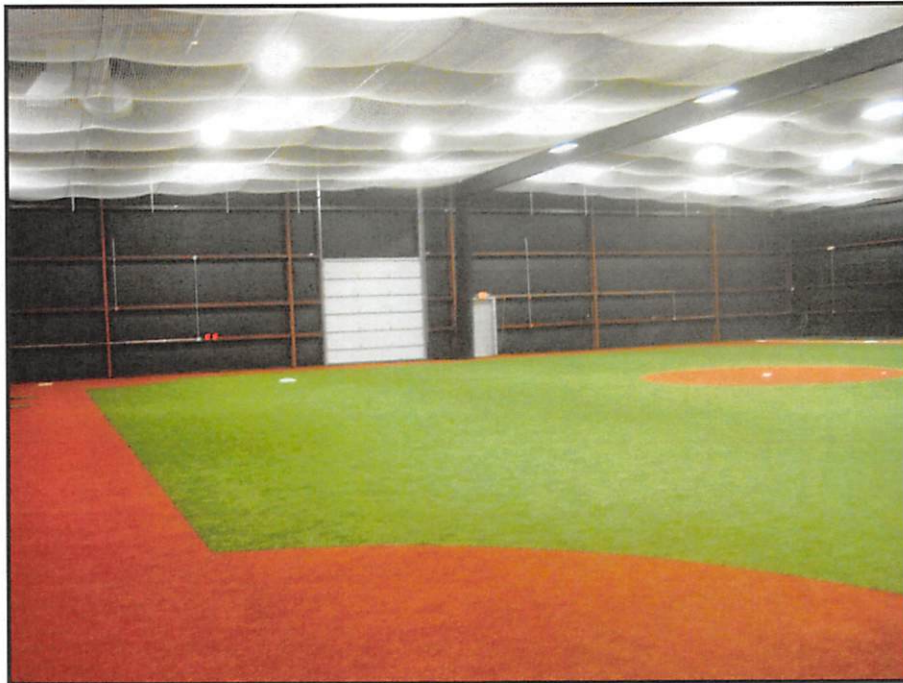
View North along Athol Street – Subject on Right



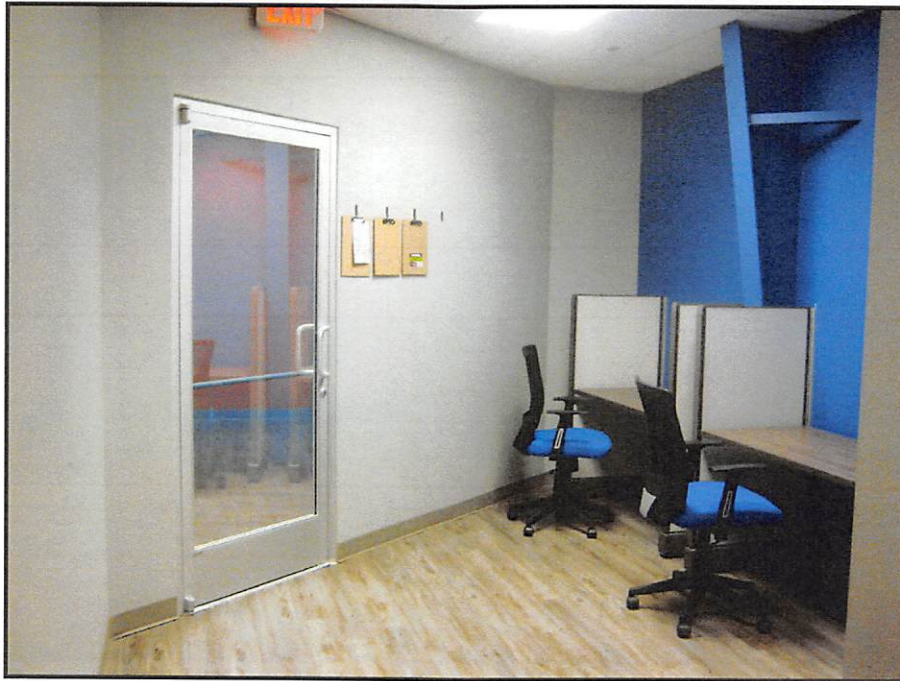
View South along Birch Street – Subject on Right



Interior View – Training Area



Interior View – Training Area



Interior View - Office Area



View of Hallway Corridor in Office Area



Interior View - Office Space



Interior View - Break Area



Interior View - Mezzanine Viewing Area



Interior View - Restroom

Assessment and Taxes

Taxing Authority City of Pharr, Drainage District #1, Hidalgo County, South Texas College, Road District 17, PSJA ISD and South Texas School.

Assessment Year 2018

Real Estate Assessment and Taxes					
Tax ID	Land	Improvements	Total	Tax Rate	Taxes
A2662-00-000-00C3-00	\$363,540	\$0	\$363,540	\$2.9475	\$10,715

Notes:

Comments

The assessed values presented is based upon information obtained from the Hidalgo County Appraisal District for 2018. The improvements are newer construction and not reported on the tax card as of the appraisal date. A reassessment is anticipated.

Zoning

LAND USE CONTROLS

Zoning Code General Business

Zoning Comments Acceptable uses include any commercial uses such as any retail businesses, personal services or business services, household goods warehousing and storage in individually rented storage units, hospitals, hotels, motels, restaurants, automotive repair as an accessory use to a permitted retail use such as retail sale of automobiles or retail sale of automobile parts.

Highest and Best Use

Highest and best use may be defined as the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

Physically Possible: The appraised property is a commercial land tract in an area with good demand for various uses. Tract size is approximately 60,950 square feet with frontage and exposure along Eldora Road, Athol Street and Birch Street. City utility services are available and the site is not located within a special flood hazard area. Topography is near level and appears to be at or above road grade. The site is physically adaptable to various developments such as single or multi-family as well as commercial or light industrial uses.

Legally Permissible: The appraised property is located within the City of Pharr and is currently zoned General Business. Acceptable uses may include automobile sales lots, banks, hotel/motels, personal services such as barbershops and photography studios, and restaurants. The current zoning allows for the existing use and no zoning change is anticipated.

Financially Feasible: Financially feasible uses are limited to considerations that are both physically possible and legally permissible. The subject site is located within a developing commercial park offering visibility along US Highway 281 which is a primary traffic artery in the area. Based on the location, commercial development represents a financially feasible type of development in the current market.

Maximally Productive: The maximally productive use for the site is that which develops the greatest sustainable value for the land. Considering the location and recent construction, the maximally productive use of the site is for commercial development.

Highest and Best Use of the Site

The highest and best use of the site, as vacant, is for Commercial development.

Highest and Best Use as Improved

The subject site is improved with an approximate 24,750 square foot light industrial warehouse that was recently constructed. The building improvements were in good condition at the time of inspection. The use as a warehouse meets the test of physically possible and there is no excess land associated with the development. The improvements are considered to be a legally permissible use, given the current zoning, and the subject appears to meet all parking requirements. The improvements can generate positive cash flows and are considered to be a financially feasible use as of the effective date of appraisal. Lastly, the improvements contribute substantially to the overall property value and are considered to be the maximally productive use of the subject site. Therefore, the highest and best use of the subject as improved is for Continued use of the improvements for commercial or light industrial use. This could include light industrial uses as well as indoor training for activities such as soccer, baseball, dance, cheerleading, gymnastics and martial arts.

Valuation Methodology

Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Cost Approach

The Cost Approach is summarized as follows:

$$\begin{array}{r} \text{Cost New} \\ - \text{Depreciation} \\ + \text{Land Value} \\ \hline = \text{Value} \end{array}$$

Income Approach

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and or a discounting process.

Sales Comparison Approach

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

Final Reconciliation

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied for a single estimate of market value. Different properties require different means of analysis and lend themselves to one approach over the others.

Analyses Applied

A **cost analysis** was considered and was developed because there is adequate data to develop a land value and the depreciation accrued to the improvements can be reasonably measured as they are newer construction.

A **sales comparison analysis** was considered and was developed because there is adequate data to develop a value estimate and this approach reflects market behavior for this property type.

An **income analysis** was considered and was developed because the subject is an income producing property and there is adequate data to develop a value estimate with this approach.

Cost Approach

The Cost Approach is based on the principle of substitution - that a prudent and rational person would pay no more for a property than the cost to construct a similar and competitive property, assuming no undue delay in the process. The Cost Approach tends to set the upper limit of value before depreciation is considered. The applied process is as follows:

- Estimate the land value according to its Highest and Best Use. I have used the Sales Comparison Approach; the process is as follows:
 - Comparable sales, contracts for sale and current offerings are researched and documented.
 - Each comparable is analyzed and adjusted to equate with the subject property.
 - The value indication of each comparable is analyzed and the data reconciled for a land value indication.
- Estimate the replacement cost of the building and site improvements.
- Estimate the physical, functional and/or external depreciation accrued to the improvements.
- Sum the depreciated value of the improvements with the value of the land for an indication of value.

Land Value

The subject's land value has been developed via the sales comparison approach.

Sales Comparison Approach – Land Valuation

The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. The following steps describe the applied process of the Sales Comparison Approach.

- The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.
- The most pertinent data is further analyzed and the quality of the transaction is determined.
- The most meaningful unit of value for the subject property is determined.
- Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.
- The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the Sales Comparison Approach.

Land Comparables

I have researched four comparables for this analysis; these are documented on the following pages followed by a location map and analysis grid. All sales have been researched through numerous sources, inspected and verified by a party to the transaction.

Comp	Address	Date	Shape	Depth
Comp	City	Price	Price Per Land	Road Frontage
Subject	3600 E Eldora Road	9/5/2018	Rectangular	168
	Pharr	--	--	268
1	3600 E. Eldora Road	4/13/2015	Rectangular	168
	Pharr	\$170,000	\$2.79	268
2	3500 N. Birch Street	6/28/2017	Rectangular	170
	Pharr	\$170,000	\$3.74	268
3	3600 N. Birch Street	2/26/2015	Rectangular	170
	Pharr	\$130,000	\$4.18	145
4	931 W. Sharm Drive	10/11/2016	Rectangular	171
	Pharr	\$154,000	\$4.29	110

Land Comparable 1



Transaction

ID	698	Date	4/13/2015
Address	3600 E. Eldora Road	Price	\$170,000
City	Pharr	Price Per Land SF	\$2.79
State	Texas	Financing	Cash
Tax ID	A2662-00-00C3-00	Property Rights	Fee Simple
Grantor	Lone Star National Bank	Days on Market	225 days
Grantee	Felipe Cavazos	Verification Source	Grantor
Legal Description	Lot C3, Alianza Business Park, an addition to the City of Pharr, Hidalgo County, Texas, according to the map recorded in Volume 49, Page 132, Map Records.		

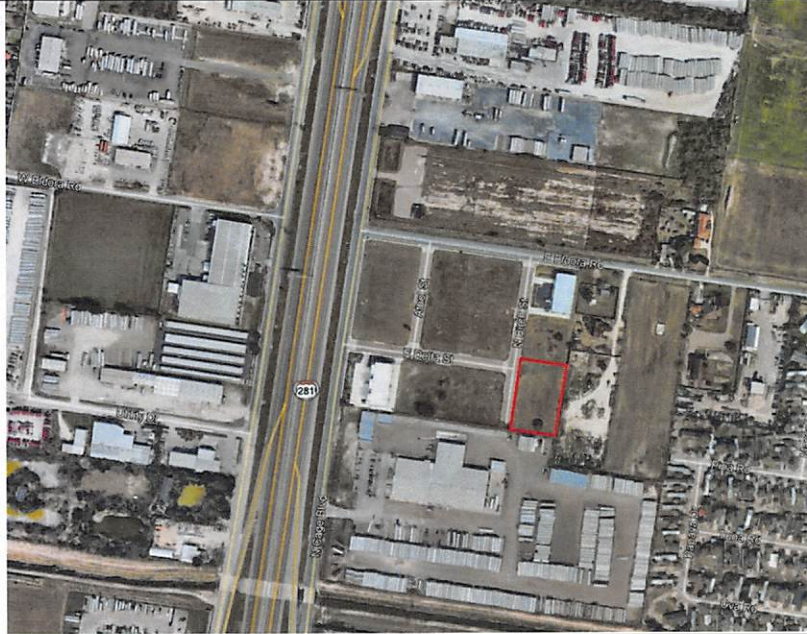
Site

Acres	1.399	Topography	Level
Land SF	60,950	Zoning	Commercial
Road Frontage	268	Flood Zone	B
Shape	Rectangular	Encumbrance or	No adverse noted
Utilities	City water & sewer	Environmental Issues	None known

Comments

This sale is located along the south side of Eldora Road and contained between N. Athol Street on the west and N. Birch Street on the east. The site is part of a newer developing commercial park that offers convenient access to US Highway 281 and other primary traffic arteries through the area.

Land Comparable 2



Transaction

ID	1375	Date	6/28/2017
Address	3500 N. Birch Street	Price	\$170,000
City	Pharr	Price Per Land SF	\$3.74
State	Texas	Financing	Cash
Tax ID	A2662-00-00C7-00	Property Rights	Fee Simple
Grantor	Papo Capital Investments	Days on Market	190 days
Grantee	Roberto Salinas Jr	Verification Source	956 Realty
Legal Description	Lot C7, Alianza Business Park, an addition to the City of Pharr, Hidalgo County, Texas, according to the map recorded in Volume 49, Page 132, Map Records.		

Site

Acres	1.040	Topography	Level
Land SF	45,475	Zoning	Commercial
Road Frontage	268	Flood Zone	B
Shape	Rectangular	Encumbrance or	No adverse noted
Utilities	City water & sewer	Environmental Issues	None known

Comments

This sale is located along the east side Birch Street south of Eldora Road. The site is part of a newer developing commercial park that offers convenient access to US Highway 281 and other primary traffic arteries through the area.

Land Comparable 3



Transaction

ID	699	Date	2/26/2015
Address	3600 N. Birch Street	Price	\$130,000
City	Pharr	Price Per Land SF	\$4.18
State	Texas	Financing	Cash
Tax ID	A2662-00-00C5-00	Property Rights	Fee Simple
Grantor	Luis Gonzalez	Days on Market	856 days
Grantee	Eldora Investments LLC	Verification Source	Grantor
Legal Description	Lot C5, Alianza Business Park, an addition to the City of Pharr, Hidalgo County, Texas, according to the map recorded in Volume 49, Page 132, Map Records.		

Site

Acres	0.710	Topography	Level
Land SF	31,137	Zoning	Commercial
Road Frontage	145	Flood Zone	B
Shape	Rectangular	Encumbrance or	No adverse noted
Utilities	City water & sewer	Environmental Issues	None known

Comments

This sale is located along the southeast corner of Eldora Road and Birch Street. The site offers 145' of frontage along Eldora Road and 160' along Birch Street. The site is part of a newer developing commercial park that offers convenient access to US Highway 281 and other primary traffic arteries through the area.

Land Comparable 4



Transaction

ID	1070	Date	10/11/2016
Address	931 W. Sharm Drive	Price	\$154,000
City	Pharr	Price Per Land SF	\$4.29
State	Texas	Financing	Cash
Tax ID	J6940-00-000-0005-00	Property Rights	Fee Simple
Grantor	Tim Stephens	Days on Market	Unknown
Grantee	South Texas Wastewater	Verification Source	Contract
Legal Description	Lots 5 and 6, Johnstone Supply Subdivision, an addition to the City of Pharr, Hidalgo County, Texas, according to the map recorded in Document #2407382, County Clerk's office.		

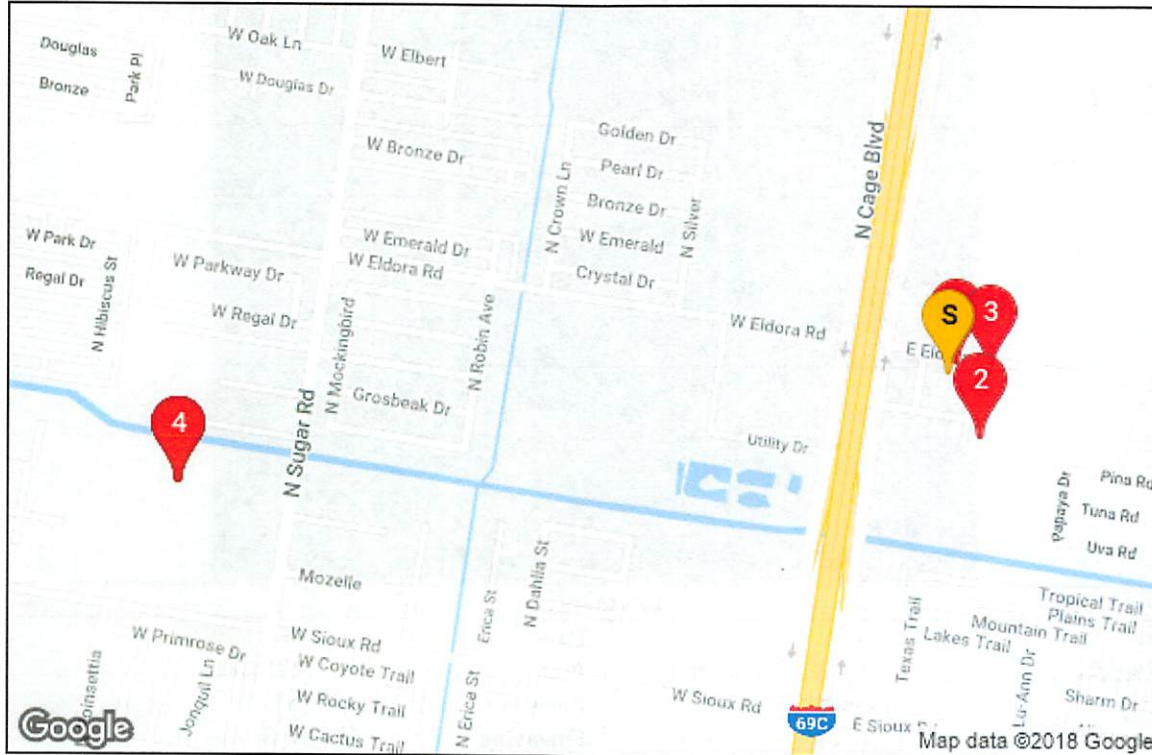
Site

Acres	0.820	Topography	Level
Land SF	35,910	Zoning	Limited Industrial
Road Frontage	110	Flood Zone	B
Shape	Rectangular	Encumbrance or	No adverse noted
Utilities	City water & sewer	Environmental Issues	None known

Comments

This sale is located along the south side of Sharm Drive west of Sugar Road in Pharr. The subdivision is a newer development in an area characterized by light industrial warehouse development.

Comparables Map



The location marker for land sale #1 is behind the subject.

Analysis Grid

The above sales have been analyzed and compared with the subject property. I have considered adjustments in the areas of:

- Property Rights Sold
- Financing
- Conditions of Sale
- Market Trends
- Location
- Physical Characteristics

On the following page is a sales comparison grid displaying the subject property, the comparables and the adjustments applied.

Land Analysis Grid		Comp 1	Comp 2	Comp 3	Comp 4
Address	3600 E Eldora Road	3600 E. Eldora Road	3500 N. Birch Street	3600 N. Birch Street	931 W. Sharm Drive
City	Pharr	Pharr	Pharr	Pharr	Pharr
State	Texas	Texas	Texas	Texas	Texas
Date	9/5/2018	4/13/2015	6/28/2017	2/26/2015	10/11/2016
Price	--	\$170,000	\$170,000	\$130,000	\$154,000
Land SF	60,950	60,950	45,475	31,137	35,910
Land SF Unit Price	\$0	\$2.79	\$3.74	\$4.18	\$4.29
Transaction Adjustments					
Property Rights	Fee Simple	Simple	0.0%	Simple	0.0%
Financing	Conventional	Cash	0.0%	Cash	0.0%
Conditions of Sale	Cash	Length	0.0%	Length	0.0%
Adjusted Land SF Unit Price		\$2.79	\$3.74	\$4.18	\$4.29
Market Trends Through	9/5/2018	0.0%	0.0%	0.0%	0.0%
Adjusted Land SF Unit Price		\$2.79	\$3.74	\$4.18	\$4.29
Location	Average	Similar	Similar	Similar	Similar
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Land SF	60,950	60,950	45,475	31,137	35,910
% Adjustment		0%	-5%	-10%	-5%
\$ Adjustment		\$0.00	-\$0.19	-\$0.42	-\$0.21
Depth	168	168	170	170	171
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Topography	Level	Level	Level	Level	Level
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Shape	Rectangular	Rectangular	Rectangular	Rectangular	Rectangular
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Flood Zone	B	B	B	B	B
% Adjustment		0%	0%	0%	0%
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Adjusted Land SF Unit Price		\$2.79	\$3.55	\$3.76	\$4.07
Net Adjustments		0.0%	-5.0%	-10.0%	-5.0%
Gross Adjustments		0.0%	5.0%	10.0%	5.0%

Comparable Land Sale Adjustments

Property Rights

All comparable sales conveyed based on fee simple estates subject to conventional existing easements. No adjustment is required for property rights conveyed.

Financing

The comparable sales included cash and third-party financing. All of the comparable sales are rated cash equivalent and no adjustment is required for financing.

Conditions of Sale

All sales are arm's length, third party transactions. Although no adjustments have been included for condition of sale, the appraisers' note that sale 1 was a sale of a foreclosed tract from Lone Star National Bank.

Economic Trends

Demand for a property typically varies over time as a result of factors both internal and external to the subject neighborhood. If properties within the market have appreciated or depreciated over the period represented by the sales data, each sale must be adjusted by the appreciation or depreciation factor to show what the property would sell for, given the current demand for that property type.

The data range in date of sale from February, 2015 to September, 2017 with the effective date of the appraisal being September, 2018. The best method for estimating changes in market conditions is the sale and resale of the same property. Unfortunately, the sale and resale of the same property were not located. The data does not indicate that market conditions at the respective dates of sale were notably different than those present and no adjustments have been included due to a lack of comparable data to support a change in direction for market conditions.

Location

The subject property is located along Eldora Road within a developing business park along the east side of US Highway 281. Comparable land sales have been identified in similar developing areas along primary traffic arteries.

Land sales 1 through 3 are each located within the subject subdivision with sale 1 being the previous sale of the subject. Each of these sales are similar for location and were not adjusted.

Land sale 4 is located along Sharm Drive west of Sugar Road in a developing light industrial park. This area is considered similar for development density and access and no adjustment was included.

Size Adjustment

The element of size is considered a necessary adjustment in this market area. Size adjustments reflect the observed condition that smaller sized tracts frequently sell for higher unit values than larger sized tracts. The adjustment is based on a doubling basis with an adjustment of 10% for each doubling in size between the subject and the comparable sale.

As an example, the subject offers approximately 60,950 square feet of land area and sale 3 offers 31,137 square feet. The comparable must double 1.0 time in order to approximate the size of the subject ($31,137 \text{ sf} \times 2.0 = 62,274$ square feet). The adjustment is based on 1.0 doubling in size, times the adjustment rate of 10%, or 10%. Since the comparable is smaller than the subject, the comparable is superior for size so the adjustment is negative. The remaining sales are adjusted based on the same rationale.

Tract Shape/Dimensions

The subject property is a rectangular shaped tract that offers adequate size and depth for various developments. Each of the comparable sales offer sites considered similar to the subject property for development potential and no adjustments are required.

The comparable sales range in depth from 168 to 170 feet with the subject offering 168' of total depth. Each is considered similar and adequate for development requiring no adjustments.

Topography/Flood Zone

The appraised property and comparable sales are all level tracts and are in similar flood zone areas. No adjustment for topography or flood zone is necessary.

Sales Comparison Approach Conclusion – Land Valuation

The adjusted values of the comparable properties range from \$2.79 to \$4.07; the average is \$3.54. Even though there have been few sales of similar properties in the immediate area, four sales have been presented that offer adequate alternatives in developing commercial area. Two of the sales are getting dated but are located within the subject subdivision and are still considered reliable as the market has been stable during this period.

Each sale has been analyzed and adjusted for various elements of comparison to derive an adjusted range of unit values for the subject property. The adjusted unit values indicate a fairly narrow range of unit values and a value within this range is considered adequate and supportable. Based on the above analysis, all of the value indications have been considered but sales 2 through 4 are accorded primary consideration in arriving at my final reconciled per square foot value of \$3.80. The land value is calculated as follows:

As Is Market Value	
Indicated Value per Square Foot:	\$3.80
Subject Size:	60,950
Indicated Value:	\$231,608
Rounded:	\$230,000
Two Hundred Thirty Thousand Dollars	

Cost Analysis

The next step in the Cost Approach is to estimate the cost new of the buildings and site improvements. Cost information from the recent construction was requested from the owner but was not provided. For valuation purposes, the replacement cost of the subject building is based on the Marshall & Swift which has been reconstructed on the following page.

The cost new is derived from Section 14; Garages, Industrials and Warehouses. The appraised property includes a steel framed building offering approximately 24,750 total square feet. Construction class includes "Class S" with page 35 indicating a cost new for both the shell building and interior finish. The subject is considered to be consistent with average quality (\$32.00/sf) and good quality (\$45.00/sf) and a unit cost of \$45.00 per square foot has been considered for the shell building. The warehouse area is climate controlled so an additional \$13.90 per square foot has been added as indicated on page 36. The total cost included for the shell building has been rounded to \$60.00 per square foot. The current cost multiplier is 0.99 and the local multiplier is 0.76. In addition to the current and local cost multipliers, the appraiser will include a perimeter multiplier of 1.000 and a height multiplier of 1.000.

In addition to the shell, there is an approximate 1,826 square foot office constructed within the shell building. The interior finish is considered to be average quality and consistent with similar manufacturing buildings in the immediate area. The cost new is indicated to be \$54.00 per square foot and this amount has been included.

A fire sprinkler is installed within the property and has been included at \$3.00 per square foot which is between average (\$2.66/sf) and good (\$3.16) quality.

The site improvements include asphalt paving for the parking lot and concrete for the walkways. The total paved area is estimated at 15,000 and included at a cost of \$3.00/square foot.

Developer's Profit

This factor reflects the profit necessary for the developer to undertake the management, responsibility and risks of construction associated with the subject property. Current valuation theory states that the four components that create value are land, labor, capital and coordination. Developer's profit as used in the Cost Approach reflects the coordination component of value. Typically, developer's profit runs 10% to 20%: I have computed developer's profit at 10.0% of construction costs.

Soft Costs

These costs are the costs that you can't visibly see. Soft costs include architects fees, engineering reports and fees, appraisal fees, building permits, assessments, utility connections and financial costs such as construction period interest and loan fees. The soft costs will be included at 5% which is the estimated percent of indicated soft costs to overall cost in the estimate.

Marshall & Swift	
Cost Source: Marshall & Swift	# 14: Garages, Industrials, Lofts, Warehouse
No. of Stories Multiplier: 1.0000	Local Multiplier: 0.7600
Height/Story Multiplier: 1.0000	Current Cost Multiplier: 0.9900
Perimeter Multiplier: 1.0000	Combined Multipliers: 0.7524

Building Improvements					
Item	Unit Type	Cost	Quantity	Multiplier	Total
Warehouse Shell	Sq. Ft.	\$60.00	24,750	0.7524	\$1,117,314
Interior Finish	Sq. Ft.	\$54.00	1,826	0.7524	\$74,190
Fire Sprinklers	Sq. Ft.	\$3.00	24,750	0.7524	\$55,866
Total Building Improvement Costs					\$1,247,369
Price per SF Gross Building Area					\$50.40

Site Improvements					
Item	Unit Type	Cost	Quantity		Total
Asphalt paving	Sq. Ft.	\$3.00	15,000		\$45,000
Total Site Improvement Costs					\$45,000
Subtotal: Building & Site Costs					\$1,292,369
Price per SF Gross Building Area					\$52.22

Soft Costs			
Item		Percent Type	Total
Soft Costs	5.0%	% Bld. & Site Cost	\$64,618
Leasing			\$0
Total Soft Costs			\$64,618
Insurable Value (Excludes Site Improvements, related Site Soft Costs and Developer's Profit)			\$1,309,738
Total Costs			
Subtotal: Building, Site & Soft Costs			\$1,356,988
Developer's Profit 10.0%			\$135,699
Total Cost			\$1,492,687
Price per SF Gross Building Area			\$60.31

Depreciation: Section 1 of 1					
Component	Eff. Age	Life	Percent		Amount
Physical Depreciation: Building	0	45	0%		\$0
Physical Depreciation: Site	0	20	0%		\$0
Functional Obsolescence Building			0%		\$0
External Obsolescence Building			0%		\$0
Total Depreciation					\$0
Depreciated Value of Improvements					\$1,492,687
Cost Per Square Foot Gross Building Area					\$60.31

Land Value	
Land Value	\$230,000
Cost Approach Value Indication	\$1,722,687
Rounded	\$1,725,000
Price per SF Gross Building Area	\$69.70

Depreciation Analysis

Depreciation may be defined as any loss of value from any cause. There are three general areas of depreciation: physical deterioration, functional obsolescence and external obsolescence. Depreciation may be curable or incurable, the test being that money spent to cure the depreciation be gained in value. If the depreciation costs more to fix than will be gained in value, then the depreciation is considered incurable.

Physical Deterioration

This results from deterioration from aging and use. This type of depreciation may be curable or incurable. Based on the recent completion of the improvements, no curable or incurable deterioration was noted during the inspection.

Functional Obsolescence

This results from a lack of utility or desirability due to design or market perception of the improvements. This type of depreciation may be curable or incurable. The subject is an existing building that includes materials and layouts that are consistent with similar competing buildings in the immediate area. The subject property does not suffer from any functional obsolescence and none has been included.

External Obsolescence

This is due to circumstances outside the property itself, such as industry, demographic and economic conditions or an undesirable proximate use. As previously discussed, the subject is located in a developing commercial and industrial area that has high occupancy levels and new construction noted. Therefore, it is my conclusion that there is no measurable external obsolescence on the subject.

Depreciation Accrued to the Subject

Depreciation: Section 1 of 1					
Component	Eff. Age	Life	Percent		Amount
Physical Depreciation: Building	0	45	0%		\$0
Physical Depreciation: Site	0	20	0%		\$0
Functional Obsolescence Building			0%		\$0
External Obsolescence Building			0%		\$0
			Total Depreciation		\$0
			Depreciated Value of Improvements		\$1,492,687

Analysis

The appraised property is existing light industrial warehouse that was recently constructed and was in good condition at the time of inspection. The construction is consistent with current market standards and the design is functional for a variety of uses.

The depreciation methods selected by the appraisers are the economic age/life and market extraction methods of depreciation. Depreciation is developed based on the ratio of the effective age of the building divided by the estimated economic life of the improvements. In applying the concepts of effective age, economic life and remaining economic life expectancy, all elements of depreciation is considered in one calculation. Therefore, the effective age estimate includes not only the physical wear and tear but also any loss in value for functional and external considerations. Over the past several years, the market has been improving with vacant spaces being occupied and new construction noted. The subject is located within an area of high occupancy levels although most properties are owner occupied.

The design and appeal of the subject property is average and functional for a variety of uses. Based on an analysis of the comparable sales and the subject condition at the time of inspection, an effective age of 0 years has been considered applicable based on the recent completion. The ratio of effective age to economic life is 0% and the remaining economic life is estimated at 45 years.

The site improvements are new and in good condition. The effective age estimated at 0 years. The remaining economic life is estimated at 20 years.

Cost Approach Conclusion

Based on the analysis detailed on the following page, as of September 5, 2018, I have reconciled to a cost approach value of:

\$1,725,000

One Million Seven Hundred Twenty Five Thousand Dollars

Sales Comparison Approach

The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. The following steps describe the applied process of the Sales Comparison Approach.

- The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.
- The most pertinent data is further analyzed and the quality of the transaction is determined.
- The most meaningful unit of value for the subject property is determined.
- Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.
- The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the Sales Comparison Approach.

Comparables

I have researched five comparables for this analysis; these are documented on the following pages followed by a location map and analysis grid. All sales have been researched through numerous sources, inspected and verified by a party to the transaction.

Comp Comp	Address City	Grantor Grantee	Price Date	Price Per Unit GBA	Year Built Construction
Subject	3600 E Eldora Road Pharr	Bliss Sand Holdings Inc.	-- 9/5/2018	-- 24,750	2018 Class S
1	209 E Hall Acres Road San Juan	Lone Star National Bank Elda L M Lozano	\$650,000 5/28/2015	\$42.57 15,270	2007 Concrete tilt
2	1201 Business Park Drive Mission	IDC Properties No. 2 Direct Enterprises	\$1,400,000 8/9/2016	\$44.87 31,200	2007 Masonry frame
3	3700 N McColl Road McAllen	C&C Powersports Lucar LLC	\$650,000 3/24/2017	\$55.84 11,640	1988 Masonry
4	10311 Keystone Drive Pharr	Intertrans Forwarding Services Inc Highland Hill Texas LLC	\$1,705,000 5/12/2017	\$60.22 28,314	2008 Masonry
5	1201 S Bentsen Road McAllen	Ted & Diana Cureton Trust Believe Investments LLC	\$3,710,000 7/11/2018	\$90.11 41,171	1975 Steel frame

Comparable 1



Transaction

ID	898	Date	5/28/2015
Address	209 E Hall Acres Road	Price	\$650,000
City	San Juan	Price Per SF	\$42.57
State	Texas	Transaction Type	Closed
Tax ID	S0900-00-000-0039-07	Financing	Cash
Grantor	Lone Star National Bank	Property Rights	Fee Simple
Grantee	Elda L M Lozano	Days on Market	277 days
		Verification Source	Alliance Real Estate
Legal Description	A 2.29 (2.73 gross) acres out of the West 7.60 acres of Lot 39, San Juan Hacienda Estates Unit No. 1, recorded in Volume 6, Page 35, Map Records in the Office of the County Clerk Hidalgo County, Texas		

Site

Acres	2.29	Topography	Level
Land SF	99,752	Zoning	Industrial
Road Frontage	320	Flood Zone	B
Shape	Rectangular	Encumbrance or	No adverse noted
Utilities	City water & sewer	Environmental Issues	None known

Improvements & Financial Data

Source For SF Area	Personal Inspection	PGI	\$96,075
Rentable Area	15,270	EGI	\$86,468
Effective Age	23 years	Expense Ratio	55.00%
Year Built	2007	NOI	\$33,093
Quality	Average	Cap Rate	5.09%
Condition	Average	EGIM	6.94

Comments

This sale is located along the south side of Hall Acres Road in a developing area that has experienced an increase in development over the past few years. The estimated cost new of the improvements is \$1,114,425 or approximately \$73.08/square foot. The improvements include a complete air conditioned building with 9,620 square feet of warehouse space previously used for manufacturing and the remaining 5,650 being office space. At the time of sale, the office was unfinished and a cost of \$50,000 was estimated to complete it. The sales price was \$600,000 but the \$50,000 estimate was added to the sales price above.

Comparable 2



Transaction

ID	1019	Date	8/9/2016
Address	1201 Business Park Drive	Price	\$1,400,000
City	Mission	Price Per SF	\$44.87
State	Texas	Transaction Type	Closed
Tax ID	E8465-09-000-0001-00	Financing	Cash
Grantor	IDC Properties No. 2	Property Rights	Fee Simple
Grantee	Direct Enterprises	Days on Market	290 days
		Verification Source	Aztec Realty
Legal Description	Lot 1, Expressway Business Park Phase 9, an addition to the City of McAllen, Hidalgo County, Texas.		

Site

Acres	2.50	Topography	Level
Land SF	108,898	Zoning	Industrial
Road Frontage	308	Flood Zone	B
Shape	Rectangular	Encumbrance or	No adverse noted
Utilities	City water & sewer	Environmental Issues	None known

Improvements & Financial Data

Source For SF Area	HCAD	PGI	\$190,824
Rentable Area	31,200	EGI	\$171,742
Effective Age	9 years	Expense Ratio	32.00%
Year Built	2007	NOI	\$111,444
Quality	Average	Cap Rate	7.96%
Condition	Average	EGIM	8.15

Comments

This sale is located along the east side of Business Park Drive south of US Expressway 83 in a developing light industrial area of southern Mission. The area has experienced an increase in development over the past few years influenced by the opening of the Anzalduas International Bridge located south of this area along Bryan Road. The estimated cost new of the improvements is \$1,325,283 or approximately \$42.48/square foot. The sale was confirmed by the grantee and while the space does include finished office space, the amount of finished and unfinished areas is unknown.

Comparable 3



Transaction

ID	1360	Date	3/24/2017
Address	3700 N McColl Road	Price	\$650,000
City	McAllen	Price Per SF	\$55.84
State	Texas	Transaction Type	Closed
Tax ID	S5950-00-008-0001-01	Financing	Cash
Grantor	C&C Powersports	Property Rights	Fee Simple
Grantee	Lucar LLC	Days on Market	217
		Verification Source	Broker
Legal Description	A tract of land out of Lot 1, Block 8, Steele and Pershing Subdivision, Hidalgo County, Texas, said tract being described by metes and bounds.		

Site

Acres	1.486	Topography	Level
Land SF	64,749	Zoning	General Business
Road Frontage	141	Flood Zone	B
Shape	Rectangular	Encumbrance or	No adverse noted
Utilities	City water & sewer	Environmental Issues	None known

Improvements & Financial Data

Source For SF Area	Inspection	PGI	\$93,120
Rentable Area	11,640	EGI	\$83,808
Effective Age	20 years	Expense Ratio	39.00%
Year Built	1988	NOI	\$51,312
Quality	Average	Cap Rate	8.00%
Condition	Average	EGIM	7.76

Comments

This sale is located along the east side of McColl Road south of Nolana Avenue in central McAllen. The building includes 6,000 square feet of finished office/retail space fronting McColl Road with the remaining 5,640 square feet being warehouse area.

Comparable 4



Transaction

ID	1379	Date	5/12/2017
Address	10311 Keystone Drive	Price	\$1,705,000
City	Pharr	Price Per SF	\$60.22
State	Texas	Transaction Type	Closed
Tax ID	K3353-00-000-0002-00	Financing	Cash
Grantor	Intertrans Forwarding	Property Rights	Fee Simple
Grantee	Highland Hill Texas LLC	Days on Market	416 days
		Verification Source	Berkshire Hathaway
Legal Description	Lot 2, Keystone Business Center, an addition to the City of Pharr, Hidalgo County, Texas.		

Site

Acres	3.69	Topography	Level
Land SF	160,665	Zoning	Limited Industrial
Road Frontage	174	Flood Zone	B
Shape	Irregular	Encumbrance or	No adverse noted
Utilities	City water & sewer	Environmental Issues	None known

Improvements & Financial Data

Source For SF Area	Plans	PGI	\$237,838
Rentable Area	28,314	EGI	\$214,054
Effective Age	5 years	Expense Ratio	54.00%
Year Built	2008	NOI	\$128,214
Quality	Good	Cap Rate	7.52%
Condition	Average	EGIM	7.97

Comments

This sale is located in southern Pharr in an established and developing light industrial area influenced by the close proximity to the International Bridges in Pharr and Hidalgo. The building consists of 3,870 square feet of finished office space which includes a main office area of 3,000 square feet and is two stories constructed on the west side of the building. An additional 870 square foot office building is constructed within the warehouse area. The remaining 24,444 square feet is non-climate controlled warehouse area.

Comparable 5



Transaction

ID	1380	Date	7/11/2018
Address	1201 S Bentsen Road	Price	\$3,710,000
City	McAllen	Price Per SF	\$90.11
State	Texas	Transaction Type	Closed
Tax ID	L2085-00-000-0001-00	Financing	Cash
Grantor	Ted & Diana Cureton	Property Rights	Leased fee
Grantee	Believe Investments LLC	Days on Market	130 days
		Verification Source	Broker-Nacho Pecina Jr
Legal Description	The north 440.42' of Lot 1, Villa Real Subdivision, an addition to the City of McAllen, Hidalgo County, Texas.		

Site

Acres	6.01	Topography	Level
Land SF	262,223	Zoning	Commercial
Road Frontage	440	Flood Zone	B
Shape	Rectangular	Encumbrance or	No adverse noted
Utilities	City water & sewer	Environmental Issues	None known

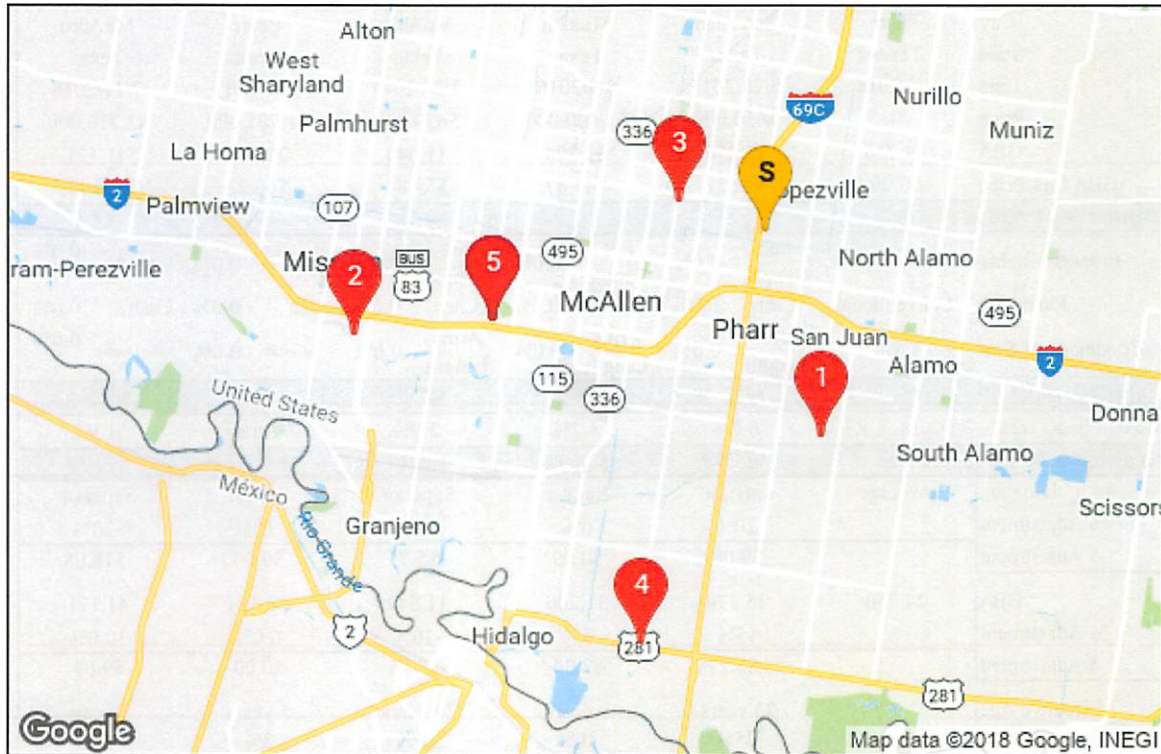
Improvements & Financial Data

Source For SF Area	Listing	PGI	\$320,393
Rentable Area	41,171	EGI	\$320,393
Effective Age	5 years	Expense Ratio	10.00%
Year Built	1975	NOI	\$273,416
Quality	Average	Cap Rate	7.37%
Condition	Average	EGIM	11.58

Comments

The subject is located along the east side of Bentsen Road north of US Expressway 83 in western McAllen. The improvements include an approximate 29,171 square foot building consisting of 3,000 square feet of office area, 27,251 square feet of open retail area and 4,000 square feet of warehouse area. The entire building includes air-conditioning. In addition, there is a detached warehouse that offers an additional 12,000 square feet and does not include any office space. The property is presently occupied and leased as a Harley Davidson dealership. According to the broker, the lease was renewed July 1, 2018 for a 5 year term. The rental amount is \$26,700/month on a triple-net basis.

Comparables Map



Analysis Grid

The above sales have been analyzed and compared with the subject property. I have considered adjustments in the areas of:

- Property Rights Sold
- Financing
- Conditions of Sale
- Market Trends
- Location
- Physical Characteristics

On the following page is a sales comparison grid displaying the subject property, the comparables and the adjustments applied.

Analysis Grid		Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Address	3600 E Eldora Road	209 E Hall Acres Road	1201 Business Park Drive	3700 N McColl Road	10311 Keystone Drive	1201 S Bentsen Road
City	Pharr	San Juan	Mission	McAllen	Pharr	McAllen
State	Texas	Texas	Texas	Texas	Texas	Texas
Date	9/5/2018	5/28/2015	8/9/2016	3/24/2017	5/12/2017	7/11/2018
Price	--	\$650,000	\$1,400,000	\$650,000	\$1,705,000	\$3,710,000
GBA	24,750	15,270	31,200	11,640	28,314	41,171
GBA Unit Price	\$0.00	\$42.57	\$44.87	\$55.84	\$60.22	\$90.11
Transaction Adjustments						
Property Rights	Fee Simple	Fee Simple 0.0%	Fee Simple 0.0%	Fee Simple 0.0%	Fee Simple 0.0%	Leased fee 0.0%
Financing	Conventional	Cash 0.0%	Cash 0.0%	Cash 0.0%	Cash 0.0%	Cash 0.0%
Conditions of Sale	Cash	Arms Length 0.0%	Arms Length 0.0%	Arms Length 0.0%	Arms Length 0.0%	Arms Length 0.0%
Adjusted GBA Unit Price		\$42.57	\$44.87	\$55.84	\$60.22	\$90.11
Market Trends Through	9/5/2018	2.0%	6.7%	4.2%	2.9%	2.6%
Adjusted GBA Unit Price		\$45.42	\$46.75	\$57.47	\$61.81	\$90.39
Location	Average	Inferior	Similar	Superior	Similar	Superior
% Adjustment		20%	0%	-10%	0%	-20%
\$ Adjustment		\$9.08	\$0.00	-\$5.75	\$0.00	-\$18.08
GBA	24,750	15,270	31,200	11,640	28,314	41,171
% Adjustment		-5%	5%	-10%	0.0%	10.0%
\$ Adjustment		-\$2.27	\$2.34	-\$5.75	\$0.00	\$9.04
Effective Age	0	23 years	9 years	20 years	5 years	5 years
% Adjustment		25%	10%	20%	5%	5%
\$ Adjustment		\$11.36	\$4.68	\$11.49	\$3.09	\$4.52
Condition	Average	Average	Average	Average	Average	Average
% Adjustment		0%	0%	0%	0%	0%
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Climate Controlled	Yes	Yes	No	No	No	Yes
% Adjustment		0%	10%	10%	10%	0%
\$ Adjustment		\$0.00	\$4.68	\$5.75	\$6.18	\$0.00
Adjusted GBA Unit Price		\$63.59	\$58.44	\$63.22	\$71.08	\$85.87
Net Adjustments		40.0%	25.0%	10.0%	15.0%	-5.0%
Gross		50.0%	25.0%	50.0%	15.0%	35.0%

Comparable Sale Adjustments

Property Rights

The property rights for the appraised property are the fee simple estate. The comparable sales were all fee simple estates at the time of sale with the exception of sale 5 which was leased as a Harley Davidson dealership at the time of sale. Based on the rental information obtained from the broker, the current rate is consistent with market and no adjustment was included.

Financing

All of the sales are cash or third-party financing. No adjustment is required for financing.

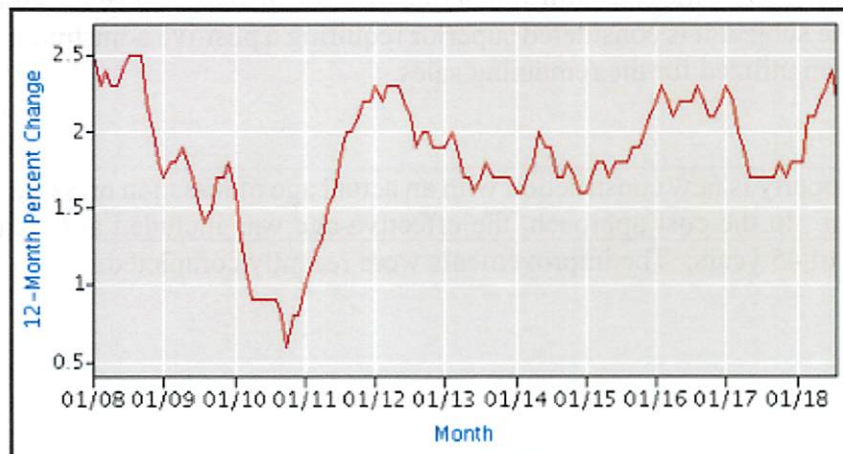
Conditions of Sale

All sales are arm's length, third party transactions. No adjustment for condition of sale is utilized. The appraisers' note that sale 1 was bank owned at the time of sale.

Market Conditions

Demand for a property typically varies over time as a result of factors both internal and external to the subject neighborhood. If properties within the market have appreciated or depreciated over the period represented by the sales data, each sale must be adjusted by the appreciation or depreciation factor to show what the property would sell for, given the current demand for that property type.

The comparable improved sales were conveyed between May, 2015 and July, 2018 with the effective date of the current appraisal being September, 2018. The best method for estimating changes in market conditions is the sale and resale of the same property. Unfortunately, the sale and resale of the same property were not located. Properties have been steadily increasing over the past few years and a market conditions adjustment is considered. The adjustment has been included at 2% per year consistent with the current US rate of inflation as illustrated in the following table:



Location

The subject is located in a developing area of Pharr along Eldora Road east of US Highway 281. Comparable sales have been identified that offer similar uses within the local market.

Comparable sale 1 is located along Hall Acres Road west of Stewart Road in southern San Juan. This is a suburban location away from the higher density areas with the area being primary agricultural uses. The sale is considered inferior to the subject and was adjusted upward.

Comparable sales 2 and 4 are located in high density industrial areas of southern Mission and Pharr influenced by the proximity to the International Bridges. Each of these sales are considered similar to the subject and were not adjusted.

Comparable sale 3 is located along McColl Road south of Nolana Avenue in central McAllen. This is a primary commercial area with McColl Road being a primary traffic artery that experiences high traffic volumes. The sale is considered superior and was adjusted downward.

Comparable sale 5 is located along Bentsen Road just north of US Expressway 83. This section of the expressway has experienced a high growth of commercial developments over the past few years extending from Shary Road on the west to Ware Road on the east. Even though the site does not front the expressway it offers visibility and is influenced by the proximity. The sale was considered superior and adjusted downward.

Size

The element of size is considered to be a necessary adjustment in this market area. Size adjustment reflects the observed condition that smaller sized buildings frequently sell for higher unit values than larger buildings. Size adjustments are based on a doubling basis with an adjustment of 10% for each doubling in size between the subject and the comparable sale. The subject offers 24,750 square feet. As an example, sale 3 must double 1.0 time in order to approximate the size of the subject ($11,640 \text{ sf} \times 2.0 = 23,280 \text{ sf}$). The adjustment is based on 1.0 doubling in size times the adjustment rate of 10%, or 10%. Since the comparable is smaller than the subject it is considered superior requiring a positive adjustment. The same process has been utilized for the remaining sales.

Age

The subject property is new construction with an actual age of less than one year and was in good condition. In the cost approach, the effective age was included at 0 years with an economic life of 45 years. The improvements were recently completed.

The comparable sales have effective ages ranging from 5 to 23 years. Each of the sales has an economic life of 45 years. The adjustment is calculated based on 50% of the difference in accrued depreciation for the comparable sales and the subject property. As an example, comparable sale 1 has an effective age of 23 years indicating 51% depreciation ($23 / 45 = 51\%$). The difference between the subject and comparable sale is 51% ($51\% \text{ comparable} - 0\% \text{ subject} = 51\%$). The adjustment is based on half of the total depreciation difference or an 25.5% adjustment. Each adjustment is rounded to the nearest 5% so the adjustment included for comparable sale 1 is 25%. Since the comparable has more depreciation than the subject, the comparable is inferior so the adjustment is positive. The remaining sales have been adjusted in the same manner.

Construction/Condition

The subject property includes steel framed buildings with metal panel siding on concrete foundations. The comparable sales include similar characteristics with each including either steel or masonry framed buildings were designed for similar uses. Each sale is considered similar requiring no adjustments.

Sales Comparison Approach Conclusion

The adjusted values of the comparable properties range from \$58.44 to \$85.87 with the average being \$68.44. For comparison purposes, five sales have been presented that offer adequate alternatives for the subject property. Each sale has been analyzed and adjusted for various elements of comparison to derive an adjusted range of unit values for the subject property. In the final analysis, each of the comparable sales have been considered in arriving at my final reconciled per square foot value of \$70.00.

As Is Market Value	
Indicated Value per Square Foot:	\$70.00
Subject Size:	24,750
Indicated Value:	\$1,732,500
Rounded:	\$1,725,000
One Million Seven Hundred Twenty Five Thousand Dollars	

Income Approach

The Income Approach to value is based on the present worth of the future rights to income. This type of analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

Direct Capitalization Analysis

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and/or an analysis of competitive current market income rates.
- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).
- Develop and subtract operating expenses to derive the Net Operating Income (NOI).
- Develop the appropriate capitalization rate (R_o).
- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

Potential Gross Income (PGI)

Market Rent Comparables

I have researched four comparables for this analysis; these are documented on the following pages followed by a location map and analysis grid. All sales have been researched through numerous sources, inspected and verified by a party to the transaction.

Comp	Address City/State	Year Built Condition	Property Name Tenant	Term	Type	Size	Rent/SF
1	209 E Hall Acres Road Pharr, Texas	2007 Average	209 E Hall Acres Road Carbide Source, LLC	10 years	NNN	15,270	\$6.28
2	707 W. Ferguson Avenue Pharr, Texas	1998 Average	Fleetpride Fleetpride	5 years	Modified Gross	20,000	\$6.60
3	1201 S Bentsen Road McAllen, Texas	1975 Average	Harley Davidson Harley Davidson	5 years	NNN	41,171	\$7.78
4	3925 N. Cage Pharr, Texas	2004 Average	3925 N. Cage United Equipment Rental	5 years	NNN	6,450	\$16.74

Rent Comparable 1



Location		Building	
ID	712	Name	209 E Hall Acres Road
Address	209 E Hall Acres Road	Year Built	2007
City	Pharr	Condition	Average
State	Texas	No. of Buildings	1
Market	Pharr	GBA	15,270
Property Sub Type	--	No. of Units	1
		Vacancy	0.0%

Leases					
Tenant	Size	\$/SF	Type	Date	Term
Carbide Source, LLC	15,270	\$6.28	NNN	4/1/2015	10 years

Comments

This sale is located along the south side of Hall Acres Road in the developing light industrial area of southern San Juan/Pharr. The area has experienced an increase in development over the past few years influenced by the opening of the Pharr International Bridge located south of this area along Cage Boulevard. The subject property is leased for \$8,000 a month for 10 years starting April 1, 2015. The lease has 2 renewal options for 5 years each. The tenant is responsible for utilities, landscaping, insurance, and taxes. The pass-through expenses are estimated at \$2.09/square foot.

Rent Comparable 2



Location		Building	
ID	831	Name	Fleetpride
Address	707 W. Ferguson Avenue	Year Built	1998
City	Pharr	Condition	Average
State		No. of Buildings	1
Market	Pharr	GBA	20,000
Property Sub Type	--	No. of Units	1
		Vacancy	0.0%

Leases					
Tenant	Size	S/SF	Type	Date	Term
Fleetpride	20,000	\$6.60	Modified Gross	9/1/2015	5 years

Comments

This rental is located along the southeast corner of Ferguson Avenue and Hibiscus Street in Pharr. The building is partitioned to include 8,160 square feet of office space and 11,840 square feet of warehouse area. The lease was signed at a rate of \$11,000 per month on a modified gross basis with the tenant responsible for utility expenses. The lease is on a five year term with one additional five year term option. The improvements include 8,160 square feet of finished office/retail area with the remaining 11,840 square feet being unfinished warehouse space.

Rent Comparable 3



Location		Building	
ID	904	Name	Harley Davidson
Address	1201 S Bentsen Road	Year Built	1975
City	McAllen	Condition	Average
State	Texas	No. of Buildings	2
Market	McAllen	GBA	41,171
Property Sub Type	--	No. of Units	1
		Vacancy	0.0%

Leases					
Tenant	Size	\$/SF	Type	Date	Term
Harley Davidson	41,171	\$7.78	NNN	7/1/2018	5 years

Comments

The rental is located along the east side of Bentsen Road north of US Expressway 83 in western McAllen. The improvements include an approximate 29,171 square foot building consisting of 3,000 square feet of office area, 27,251 square feet of open retail area and 4,000 square feet of warehouse area. The entire building includes air-conditioning. In addition, there is a detached warehouse that offers an additional 12,000 square feet and does not include any office space. The property is presently occupied and leased as a Harley Davidson dealership. According to the broker, the lease was renewed July 1, 2018 for a 5 year term. The rental amount is \$26,700/month on a triple-net basis.

Rent Comparable 4



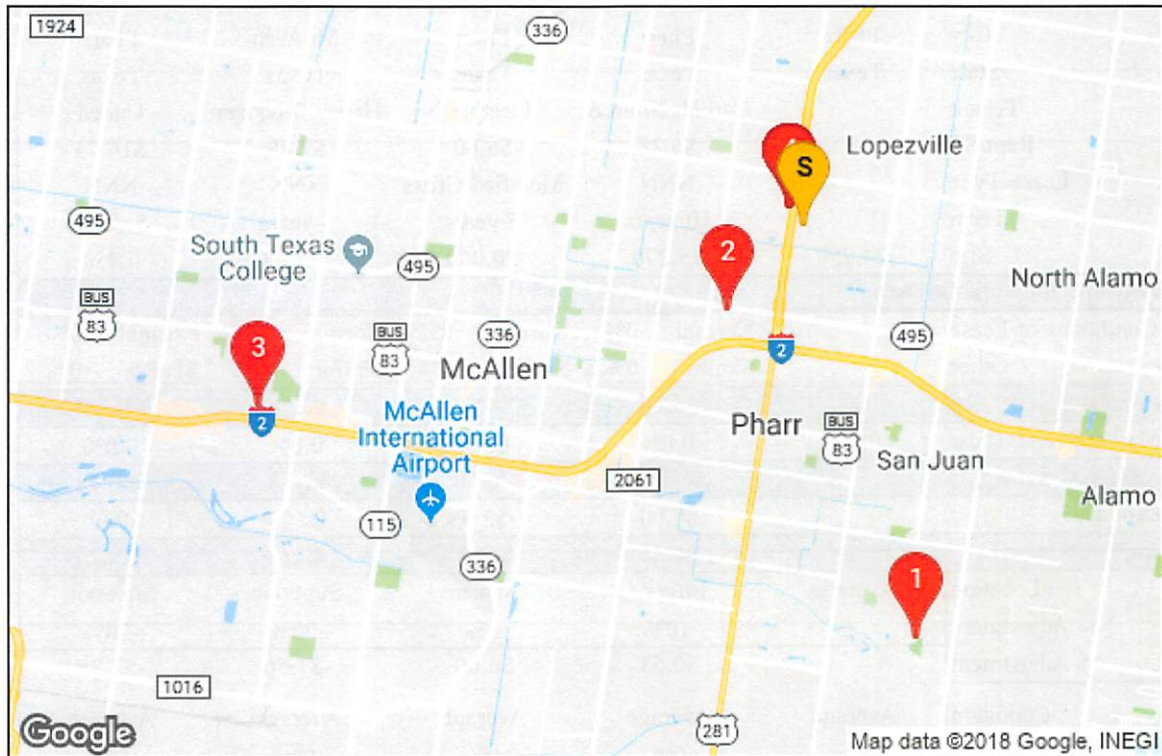
Location		Building	
ID	902	Name	3925 N. Cage
Address	3925 N. Cage	Year Built	2004
City	Pharr	Condition	Average
State	Texas	No. of Buildings	1
Market	Pharr	GBA	6,450
Property Sub Type	--	No. of Units	1
		Vacancy	0.0%

Leases					
Tenant	Size	S/SF	Type	Date	Term
United Equipment Rental	6,450	\$16.74	NNN		5 years

Comments

This is a steel frame, metal panel building located along the west side of US 281 south of Nolana. The tenant has occupied the space for several years. The most recent lease is for 5 years with a rental rate of \$16.74/square foot. The lease includes three 5-year options to extend. The building offers approximately 25%-30% finished office and retail space fronting US Highway 281 with the remaining portion being unfinished warehouse.

Comparables Map



Analysis Grid

The above rentals have been analyzed and compared with the subject property. I have considered adjustments in the areas of:

- Lease Terms
- Economic Trends (time)
- Conditions of Lease
- Location
- Other
- Physical Characteristics

On the following page is a rental comparison grid displaying the subject property, the comparables and the adjustments applied.

Lease Analysis Grid		Comp 1		Comp 2		Comp 3		Comp 4	
Address	3600 E Eldora Road	209 E Hall Acres Road		707 W. Ferguson		1201 S Bentsen Road		3925 N. Cage	
City	Pharr	Pharr		Pharr		McAllen		Pharr	
State	Texas	Texas		Texas		Texas		Texas	
Tenant		Carbide Source,		Fleetpride		Harley Davidson		United	
Rent/SF		\$6.28		\$6.60		\$7.78		\$16.74	
Lease Type		NNN		Modified Gross		NNN		NNN	
Term		10 years		5 years		5 years		5 years	
Size	24,750	15,270		20,000		41,171		6,450	
Transaction Adjustments									
Conditions of Lease		Normal	0%	Normal	0%	Normal	0%	Normal	0%
Other		Similar	0%	Similar	0%	Similar	0%	Similar	0%
Adjusted Rent		\$6.28		\$6.60		\$7.78		\$16.74	
Market Trends/Year	0.0%	0.0%		0.0%		0.0%		0.0%	
Adjusted Rent		\$6.28		\$6.60		\$7.78		\$16.74	
Expenses		\$0.00		-\$2.03		\$0.00		\$0.00	
Adjusted Rent		\$6.28		\$4.57		\$7.78		\$16.74	
Location	Average	Inferior		Similar		Superior		Superior	
% Adjustment		10%		0%		-20%		-20%	
\$ Adjustment		\$0.63		\$0.00		-\$1.56		-\$3.35	
Condition	Average	Average		Average		Average		Average	
% Adjustment		0%		0%		0%		0%	
\$ Adjustment		\$0.00		\$0.00		\$0.00		\$0.00	
Comm 1 SF	24,750	15,270		20,000		41,171		6,450	
% Adjustment		0%		0%		5%		-20%	
\$ Adjustment		\$0.00		\$0.00		\$0.39		-\$3.35	
Adjusted Rent		\$6.91		\$4.57		\$6.61		\$10.04	
Net Adjustments		10.0%		0.0%		-15.0%		-40.0%	
Adjustments		10.0%		0.0%		25.0%		40.0%	

The above table indicates the lessee, the date the lease commenced, the effective rent and the area leased.

Comparable Rent Adjustments

Economic Trends

Each of the comparable rentals are current and considered reflective of current market rates. The local area has been stable over the past couple of years although some areas have had rental rates increase, primarily in the developing industrial parks.

Type of Lease/Expense Structure

Rentals 1, 3 and 4 are net leases with the tenant responsible for additional rental to cover the pass-through expenses for taxes, insurance and maintenance charges. Rental 2 is a modified gross lease and this rental was adjusted downward the estimated pass-through expenses.

Location

Each of the rentals are located in established and developing industrial areas in McAllen and Pharr offering convenient access to primary traffic arteries. Rental 1 is considered inferior as it is further removed from primary traffic arteries with limited visibility and traffic exposure. Rental 1 was adjusted upward. Rental 3 is located in close proximity to US Expressway 83 and rental 4 is located along US Highway 281 with both being in high-density commercial areas considered superior to the subject and were adjusted downward. The remaining rentals are in areas that offer similar characteristic as the subject and were not adjusted.

Condition

The subject is an existing warehouse building that is in average to good condition and quality. The subject is a steel frame and metal panel building in good condition and of average construction quality. Each of the comparable sales appear to have had adequate maintenance and are considered similar to the subject property requiring no adjustments.

Comm 1 SF

The element of size is considered to be a necessary adjustment in this market area. Size adjustment reflects the observed condition that smaller sized buildings frequently sell for higher unit values than larger sized buildings. Size adjustments are based on a doubling basis with an adjustment of 10% for each doubling in size between the subject and the comparable sale.

Market Rent Reconciliation

Overall, the appraised property is rated similar to each of the comparable rentals offering adequate alternatives for the subject property. Comparable rentals #1-3 indicate a fairly narrow range of rental rates. Comparable #4 has a significantly higher rental rate that results from being a relatively small building on a site with 3 acres of land along US 281/I-2. A rental rate closer to Comparable #1-3 is most appropriate. Based on the above analysis and current contract rates, I have reconciled to a NNN market rent of \$7.00/square foot, as of September 5, 2018, for the subject.

Vacancy and Collection Loss

Deducted from the total collectable income for the subject property is an allowance for vacancy and collection loss. There are few vacant/similar properties in the immediate area of the subject at the current time. Brokers seem to differ on the overall market occupancy rate for commercial properties in the Rio Grande Valley. Some report that the occupancy level is in the mid 80% range while others report that the overall occupancy exceeds 90%. There are no occupancy publications available for the subject county or the Rio Grande Valley as no real estate agency currently tracks this data.

The subject property offers an average location in an established and developing commercial and industrial area of northern Pharr. The subject development is a business park that extends along US Highway 281 and Eldora Road and has been increasing in density over the past few years. As discussed in the market analysis, rental conditions for industrial space in the competitive market area have been relatively strong. At present, overall occupancies in the immediate area high with no vacancies noted and a mix of owner and tenant occupied spaces.

Based on a review of market conditions and the occupancy history of the subject property, I have projected a stabilized vacancy and collection loss at 10.00%.

Effective Gross Income

Potential Gross Income	\$173,250
Less: Vacancy & Collection Loss	10.00%
Add: Other Income	\$0
Effective Gross Income	\$155,925

Expenses

The table below details the subject's projected expenses based on public information and information obtained from similar properties in the local market.

Expense Summary		
Expense	Appraisal	
	Amount	\$/SF
Taxes	\$45,883	\$1.85
Insurance	\$9,900	\$0.40
Utilities	\$0	\$0.00
Repairs/Maintenance	\$6,237	\$0.25
Management	\$9,356	\$0.38
Reserves	\$11,138	\$0.45
Totals	\$82,513	\$3.33

Expenses Analysis and Projection

Real Estate Taxes

The current assessment value for the subject property is \$363,540 which includes \$363,540 the land and \$0 for the improvements. Since the improvements are recent construction and are not indicated on the tax account, the estimated cost has been considered. Based on the cost estimated in the Cost Approach and the current tax rate of \$2.9475, the indicated tax load would be \$45,883 and this amount has been included in the expenses.

Insurance

Insurance expenses are included based on current rates for fire and extended coverage insurance. Typical insurance costs for similar properties range from \$0.25 to \$0.65 per square foot. An estimate towards the middle of the range has been considered adequate for the subject and an insurance expense of \$0.40 per square foot has been utilized. The insurance expense has been included at \$9,900 per year.

Utilities

No utility expenses have been included. Once the property is leased, it is assumed that the tenant will be responsible for the utility charges.

Repairs & Maintenance

The overall maintenance and repair budget include all repairs and maintenance expenses associated with the interior and exterior of the subject along with the maintenance of the site improvements. The allocation is based on a charge of 4% of the effective gross income with similar properties typically ranging from 2% to 6% depending on the size and condition of the improvements.

Management

Management includes on site management as well as off site management necessary to maintain the property. Management expenses are included based on a charge of 6% of the effective gross income. This amount is consistent with similar properties in the local market.

Reserves

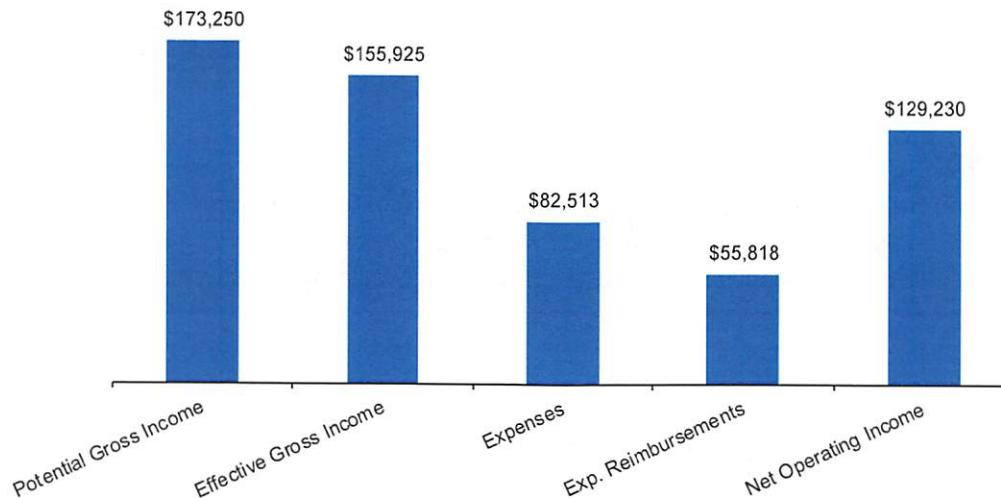
These items cover short-lived building components such as replacement of the roof cover, mechanical equipment, resurfacing the parking lot and other short lived items. The appraisers have utilized RealtyRates.com which is an investor survey and indicates financing requirements such as interest rates, capitalization and discount rates and average reserve requirements for the 3rd quarter of 2018. The reserve requirements for industrial facilities ranges from \$0.25 to \$0.65/square foot with an average of \$0.45/square foot. Since the subject property was recently constructed and is in good condition, a reserve amount toward the low end of the range is considered adequate and has been included at \$0.45/square foot.

Expense Reimbursements

The subject property was based on a net lease consistent with the market rentals presented. A Net Lease is one which the tenant pays additional income to cover expenses for the taxes, insurance, management and exterior maintenance. The following table illustrates the expenses that are considered reimbursable and included in the estimated income for the subject.

Expense Reimbursements			
Expense	Reimbursed	Amount*	Notes
Taxes	Yes	\$41,295	
Insurance	Yes	\$8,910	
Utilities	No		
Repairs/Maintenance	Yes	\$5,613	
Management	No		
Reserves	No		
Total		\$55,818	* Adjusted for vacancy

Cash Flow Profile



ome

Cash Flow	Potential Gross Income	Effective Gross	Expenses	Exp. Reimbursements	NOI
Amount	\$173,250	\$155,925	\$82,513	\$55,818	\$129,230

Capitalization Rate

The capitalization rate is the factor that converts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

$$\text{NOI} \div \text{Sale Price} = \text{Capitalization Rate}$$

For example, if a property sells for \$500,000, and has a stabilized NOI of \$50,000, the indicated capitalization rate is 10%.

Market Extracted Rates

The table below details capitalization rates extracted from the market.

Comparable Sale Cap Rates					
Comparable	Address	Price	Date	NOI	Cap Rate
1	209 E Hall Acres Road	\$650,000	5/28/2015	\$33,093	5.09%
2	1201 Business Park Drive	\$1,400,000	8/9/2016	\$111,444	7.96%
3	3700 N McColl Road	\$650,000	3/24/2017	\$51,312	8.00%
4	10311 Keystone Drive	\$1,705,000	5/12/2017	\$128,214	7.52%
5	1201 S Bentsen Road	\$3,710,000	7/11/2018	\$273,416	7.37%

The capitalization rates indicated by the comparable sales are estimated based upon comparable rentals in the local market for the potential gross income and expense projections based upon public information and information obtained from similar properties.

Band of Investment

This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate (R_E)

The mortgage variables are used to build the mortgage constant (R_M), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

$$\text{Payments} \times 12 / \text{Original Loan Amount} = \text{Mortgage Constant } (R_M)$$

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

$$\text{After Debt Service Profit} / \text{Equity Investment} = \text{Equity Cap Rate } (R_E)$$

Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

Formula:

$$\begin{aligned} R_M \times M &= \text{rate} \\ R_E \times (1-M) &= \text{rate} \\ &= \text{Cap Rate } (R_o) \end{aligned}$$

Debt Coverage Ratio Analysis

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant (R_M). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

Formula:

$$\begin{aligned} \text{Debt Coverage Ratio} \times \text{Loan to Value Ratio} \times \text{Mortgage Constant} &= R_o \\ \text{or: } \text{DCR} \times M \times R_M &= R_o \end{aligned}$$

I have researched mortgage rates and terms typical for the subject within the market area along with information obtained from Realtyrates.com for current financing requirements. The table below details the Band of Investment and Debt Coverage Ratio Analyses calculations.

Capitalization Rate Calculations

Capitalization Rate Variables

Mortgage Interest Rate	5.50%
Loan Term (Years)	20
Loan To Value Ratio	70.0%
Debt Coverage Ratio	1.4
Equity Dividend Rate	10.00%

Band of Investment Analysis

Mortgage Constant		Loan Ratio	Contributions
0.08255	x	70.0%	= 5.78%
Equity Dividend Rate		Equity Ratio	
10.00%	x	30.0%	= 3.00%
Band of Investment Capitalization Rate			8.78%

Debt Coverage Ratio Analysis

Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant	
1.4 x 0.7 x 0.0825464769431086	= 8.09%
Debt Coverage Ratio Capitalization Rate	
8.09%	

Capitalization Rate Conclusion

The various methods to derive an overall capitalization rate indicate a range of 5.09% to 8.78% with the lowest being indicated by the comparable sales and the highest by the band of investments. Most of the data indicates an overall rate in the mid part of the range. For the valuation of the subject property, a rate consistent with the improved sales is considered most applicable which is supported by the band of investment and debt coverage ratio. With consideration accorded each of the different methods, an overall capitalization rate of 7.50% will be utilized.

Capitalization to Value

Income Capitalization Analysis						
Unit/Space Type	Income	Method	Units/SF	Annual	% of PGI	
Office/Warehouse	\$7.00	\$/SF/Year	24,750	\$173,250	100.0%	
				Potential Gross Income:	\$173,250	100.0%
		Vacancy & Collection Loss	10.00%	\$17,325		
				Other Income:	\$0	
				Effective Gross Income (EGI):	\$155,925	90.0%
Expense	Amount	Method	Annual	S/SF		
Taxes	\$45,883	\$/Year	\$45,883	\$1.85		
Insurance	\$9,900	\$/Unit	\$9,900	\$0.40		
Utilities	\$0	\$/Year	\$0	\$0.00		
Repairs/Maintenance	4%	% of EGI	\$6,237	\$0.25		
Management	6%	% of EGI	\$9,356	\$0.38		
Reserves	\$0.45	\$/SF	\$11,138	\$0.45		
			Total Expenses:	\$82,513	\$3.33	
			Expense Ratio (Expenses/EGI):	52.92%		
			Expense Reimbursements:	\$55,818		
			Net Expense Ratio	17.12%		
			Net Operating Income (NOI):	\$129,230	\$5.22	
			Capitalization Rate:	7.50%		
			Value (NOI/Cap Rate):	\$1,723,067	\$69.62	
			Rounded:	\$1,725,000	\$69.70	

*Appraiser' note: Due to rounding, the numbers may not foot exactly

Direct Capitalization Analysis Conclusion

Based on the above analysis detailed above, as of September 5, 2018 I have reconciled to a direct capitalization approach value of:

\$1,725,000
One Million Seven Hundred Twenty Five Thousand Dollars

Final Reconciliation

The process of reconciliation involves the analysis of each approach to value. The quality of data applied, the significance of each approach as it relates to market behavior and defensibility of each approach are considered and weighed. Finally, each is considered separately and comparatively with each other.

Value Indications

Cost Approach:	\$1,725,000
Sales Comparison Approach:	\$1,725,000
Income Approach:	
Direct Capitalization	\$1,725,000

In each of the approaches, we have attempted to document all of the input data and we have briefly explained our methodology in processing and/or analyzing this data. Insofar as we have been able to determine, the data furnished to us is from reliable sources and has been accepted as being accurate. We have also attempted to give full recognition to the inherent weaknesses in each of the approaches and, because the appraisal of real property is by no means an exact science, a great deal of subjective judgment on the part of the appraisers becomes a part of each approach.

Cost Approach

The cost approach is most reliable when the improvements are new construction, new construction is financially feasible, and the improvements represent the highest and best use of the site. In this case, the improvements are new construction and consistent with current standards and are functional for a variety of uses. Since construction costs and the land value can be reasonably measured, the cost approach is considered a reliable valuation method for this property and it provides support for the income and sales comparison approaches.

Sales Comparison Approach

Five sales were presented that offer adequate alternatives for the subject for commercial and industrial uses. The sales comparison approach indicated a value consistent with the other approaches and as it is market based, it is considered a reliable indicator.

Income Approach

The income approach was based on projected rentals which were supported by competing properties in relatively close proximity. The income approach is one of the primary valuation methods for this type of property and adequate information is available to support the value derived from this approach.

Value Conclusion

Based on the data and analyses developed in this appraisal, I have reconciled to the following value conclusion, as of September 5, 2018, subject to the Limiting Conditions and Assumptions of this appraisal.

Reconciled Value: Premise: As Is
 Interest: Fee Simple
 Value Conclusion: \$1,725,000
 One Million Seven Hundred Twenty Five Thousand Dollars

Certification Statement

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective future interest in the property that is the subject of this report, and have no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).
- No one provided significant real property appraisal assistance to the person(s) signing this certification.
- I certify sufficient competence to appraise this property through education and experience, in addition to the internal resources of the appraisal firm.
- The appraiser has not performed any prior services regarding the subject within the previous three years of the appraisal date.

- John Malcom has made an inspection of the subject property.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, John Malcom, has completed the continuing education program of the Appraisal Institute.

Respectfully submitted,
Professional Appraisal Services, Inc.



John Malcom, MAI, AI-GRS, SR/WA,
CCIM TX-1320239-G



Brandon Terry SR/WA
TX-1338768-G

Addenda

State Certification

Texas Appraiser Licensing and Certification Board

P.O. Box 12188 Austin, Texas 78711-2188

Certified General Real Estate Appraiser

Number: **TX 1320239 G**

Issued: **03/08/2017**

Expires: **03/31/2019**

Appraiser: **JOHN HOLT MALCOM JR**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Texas Occupations Code, Chapter 1103, is authorized to use this title, Certified General Real Estate Appraiser.


Douglas E. Oldmixon
Commissioner

JOHN H. MALCOM JR, MAI, AI-GRS, SR/WA, CCIM

EDUCATION

College

University of Texas at Austin, B.B.A. Degree Finance

Southwest Texas State University

American Institute of Real Estate Appraisers

Exam 1A1- Real Estate Appraisal Principles - July 23, 1982

Exam 1A2- Basic Valuation Procedures - January 28, 1983

Exam I410- Standards of Professional Practice, Part A - March 20, 1997

Exam I420- Standards of Professional Practice, Part B - March 22, 1997

Exam 430 - Standards of Professional Practice, Part C - September 17, 2002

Exam 1B-A Capitalization Theory and Techniques Part A - June 08, 1985

Exam 1B-B Capitalization Theory and Techniques Part B - June 15, 1985

Exam 3 - Rural Valuation - March 17, 1986

Exam 2-1 Case Studies - September 26, 1987

Exam 2-2 Report Writing Valuation & Analysis - October 3, 1987

Comprehensive Examination - Passed February 13, 1989

Commercial Investment Real Estate Institute

Exam CI 101 - Fundamentals Real Estate Investment & Taxation - October 4, 1991

Exam CI 201 - Market Analysis for Commercial Real Estate - June 12, 1992

Exam CI 301 - Decision Analysis for Commercial Real Estate - August 7, 1992

Exam CI 402 - Essentials of Marketing Commercial Property & Services - 9/23/1995

Comprehensive Examination - Passed January 28, 1993

International Right of Way Association

Course 100 - Principles of Land Acquisition - 1998

Course 103 - Ethics and the Right of Way Profession - 2000

Course 214 - Skills of Expert Testimony - 2000

Course 401 - Appraisal of Partial Acquisitions - 1999

Course 800 - Principles of Real Estate Law - 2001

Course 803 - Eminent Domain Law Basics / Right of Way Professionals - 2014

Course 900 - Principles of Real Estate Engineering - 2000

Course 215 - Pipeline Right of Way Agents Development Program - Section - Completed October 18, 2001

PROFESSIONAL AFFILIATIONS

Member National Association of Realtors

Member Texas Association of Realtors

Member Greater McAllen Association of Realtors

Licensed Real Estate Broker State of Texas, #305134

Member Appraisal Institute, MAI Certificate #8467, AI-GRS awarded 6/29/2016

Texas General Real Estate Appraiser, Certificate #TX-1320239-G

Commercial Investment Real Estate Institute, CCIM Certificate #4906

Senior Member, International Right of Way Association, SR/WA - Registration #4785

PROFESSIONAL EXPERIENCE: 1981 to Present - Real estate appraiser Professional Appraisal Service, Inc., Rio Grande Valley and South Texas. Experience includes appraisals of single and multi-family residential units, residential & office condominiums, office buildings, retail centers, motels, country clubs and golf courses, marinas, mobile home and recreational vehicle parks, warehouses, packing sheds, unimproved land, farms, ranches, grain elevators, residential, commercial, and industrial subdivisions, right-of-way appraisals, appraisals of partial interests (leased fee, sandwich leases, and leasehold estates). Qualified as expert witness for court testimony. Primary practice area is in right of way appraisal and appraisal review.

1977 - 1981 Account executive with New York Stock Exchange member of Rotan Mosle in McAllen, Texas. Responsible for investment analysis and portfolio management for individual clients.

CONTINUING EDUCATION - SEMINARS

2011 What Commercial Clients Would Like Appraisers to Know - Online

2011 Real Estate Appraisal Operations - Online

2013 National USPAP Equivalent Course 7 Hours - Online

2011 Data Verification Methods - Online

2011 Cool Tools: New Technology for Real Estate Appraisers - Online

2013 National USPAP Equivalent Course – 7 hours online

2013 Comparative Analysis – 7 hours online

2013 Subdivision Valuation – 7 hours online

2013 Forecasting Revenue – 7 hours online

2013 Introduction to Green Buildings: Concepts and Principles

2013 Residential and Commercial Valuation of Solar

2013 Business Practices & Ethics

2015 Review Theory General

State Certification

Texas Appraiser Licensing and Certification Board

P.O. Box 12188 Austin, Texas 78711-2188

Certified General Real Estate Appraiser

Number: **TX 1338768 G**

Issued: **05/29/2018**

Expires: **05/31/2020**

Appraiser: **BRANDON JAMES TERRY**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Texas Occupations Code, Chapter 1103, is authorized to use this title, Certified General Real Estate Appraiser.


Douglas E. Oldmixon
Commissioner

Qualifications of the Appraiser
Brandon J. Terry, SR/WA

EDUCATION

College

University of Texas Pan American - Finance
University of Texas Pan American - Economics
South Texas College; A.A.S. - Business Management

Appraisal Institute

Exam 100GR - Basic Appraisal Principles - May 20, 2006
Exam 101GR - Basic Appraisal Procedures - March 02, 2007
Exam 202R - Residential Sales and Income Approach - February 26, 2010
Exam 300G - Real Estate Finance and Statistics - April 13, 2008
Exam 400G - Market Analysis and Highest and Best Use - October 24, 2009
Exam 401G - General Appraiser Sales Comparison - April 30, 2009
Exam 402G - General Appraiser Cost and Site Valuation - March 8, 2008
Exam 403G - General Appraiser Income (Part I) - May 10, 2008
Exam 404G - General Appraiser Income (Part II) - September 11, 2009
Exam 405G - General Appraiser Report Writing - November 16, 2009
Exam 501GP - Advanced Income Capitalization - May 13, 2011
Exam 520GP - Advanced Concept and Case Studies - November 19, 2011
Exam 525GP - Advanced Market Analysis & Case Studies – February 13, 2012
Exam - 15 hr. USPAP - March 22, 2012
Business Practices and Ethics - September 19, 2010
Exam - MAI Comprehensive Exam - July 27, 2012

International Right of Way Association

Course 100 - Principles of Land Acquisition - March 3, 2014
Course 103 - Ethics and the Right of Way Profession - June 29, 2011
Course 200 - Principles of Real Estate Negotiation - September 23, 2010
Course 203 - Alternative Dispute Resolution - March 3, 2014
Course 205 - Bargaining Negotiations - October 13, 2010
Course 400 - Principles of Real Estate Appraisal - June 1, 2013
Course 403 - Easement Valuation - September 21, 2010
Course 700 - Introduction to Property Management - June 24, 2011
Course 800 – Principles of Real Estate Law – April 2, 2014
Course 802 - Legal Aspects of Easements - September 25, 2010

PROFESSIONAL AFFILIATIONS

Appraisal Institute – MAI Candidate for Designation
Texas General Real Estate Appraiser, Certificate #TX-1338768-G
Senior Member - International Right of Way Association - SR/WA Certificate #6470
National Association of Realtors - Member
Texas Association of Realtors - Member
Greater McAllen Association of Realtors - Member
Laredo Association of Realtors - Member

PROFESSIONAL EXPERIENCE: 2005 to Present - Real estate appraiser servicing the Rio Grande Valley and South Texas. Experience includes appraisals of single and multi-family residential units, office condominiums, office buildings, retail centers, country clubs and golf courses, marinas, mobile home and recreational vehicle parks, warehouses, packing sheds, unimproved land, farms, ranches, residential-commercial-industrial subdivisions, and right-of-way appraisals.

1997 to 2002 - United States Air Force; Crew chief responsible for the maintenance, repair, and munitions on an A-10 attack aircraft

CONTINUING EDUCATION - SEMINARS

Subdivision Analysis: Guide to Valuing Improved Subdivisions – April, 2014

Comparative Analysis – April, 2014

Forecasting Revenue – April, 2014

Commercial Appraisal Review – May 2016

Discounted Cash Flow Model: Concepts and Issues – May, 2016

2016-2018 USPAP

Glossary

This glossary contains the definitions of common words and phrases, used throughout the appraisal industry, as applied within this document. Please refer to the publications listed in the **Works Cited** section below for more information.

Works Cited:

- Appraisal Institute. *The Appraisal of Real Estate*. 13th ed. Chicago: Appraisal Institute, 2008. Print.
- Appraisal Institute. *The Dictionary of Real Estate Appraisal*. 5th ed. 2010. Print.

Band of Investment

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment. (Dictionary, 5th Edition)

Common Area

1. The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities.
2. In a shopping center, the walkways and areas onto which the stores face and which conduct the flow of customer traffic. (ICSC) (Dictionary, 5th Edition)

Common Area Maintenance (CAM)

1. The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.
 - CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas

and sometimes the exterior walls of the buildings.

- CAM can refer to all operating expenses.
- CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative

load. An example would be a 15% addition to total operating expenses, which are then prorated among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee.

2. The amount of money charged to tenants for their shares of maintaining a center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. The area maintained in common by all tenants, such as parking lots and common passages. The area is often defined in the lease and may or may not include all physical area to be paid for by all tenants. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenances, snow

removal, security, and upkeep. (ICSC) (Dictionary, 5th Edition)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ($DCR = NOI/Im$), which measures the relative ability of a property to meet its debt service out of net operating income; also called debt service coverage ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary, 5th Edition)

Discount Rate

A yield rate used to convert future payments or receipts into present value; usually considered to be a synonym for yield rate. (Dictionary, 5th Edition)

Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. (Dictionary, 5th Edition)

Effective Date

1. The date on which the analyses, opinion, and advice in an appraisal, review, or consulting service apply.
2. In a lease document, the date upon which the lease goes into effect. (Dictionary, 5th Edition)

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the

appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. (Dictionary, 5th Edition)

External Obsolescence

An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, tenant. (Dictionary, 5th Edition)

Extraordinary Assumption

An assumption, directly related to a specific assignment, 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. (USPAP, 2010-2011 ed.) (Dictionary, 5th Edition)

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary, 5th Edition)

Functional Obsolescence

The impairment of functional capacity of a property according to market tastes and standards. (Dictionary, 5th Edition)

Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout,

traffic patterns, and the size and type of rooms. (The Appraisal of Real Estate, 13th Edition)

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region. (Dictionary, 5th Edition)

Gross Leasable Area (GLA)

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. (Dictionary, 5th Edition)

Highest & Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value. (Dictionary, 5th Edition)

Highest and Best Use of Land or a Site as Though Vacant

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements. (Dictionary, 5th Edition)

Highest and Best Use of Property as Improved

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one. (Dictionary, 5th Edition)

Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary, 5th Edition)

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (Dictionary, 5th Edition)

Market Area

The area associated with a subject property that contains its direct competition. (Dictionary, 5th Edition)

Market Rent

The most probably rent that a property should bring is a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant

improvements (TIs). (Dictionary, 5th Edition)

Market Value

The major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined.

1. The most widely accepted components of market value are incorporated in the following definition: The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress.
2. Market value is described in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. (USPAP, 2010-2011 ed.) USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:
 - Identification of the specific property rights to be appraised.
 - Statement of the effective date of the value opinion.
 - Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
- If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below, or above market interest rates and/or contain unusual conditions or incentives. The terms of above—or below—market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.
3. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the 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:
 - Buyer and seller are typically motivated;
 - Both parties are well informed or well advised, and acting in what they consider their best interests;
 - A reasonable time is allowed for exposure in the open market;
 - Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - The price represents the normal consideration for the property sold unaffected by special or creative

financing or sales concessions granted by anyone associated with the sale. (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)

4. The International Valuation Standards Council defines market value for the purpose of international standards as follows: The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion. (International Valuation Standards, 8th ed., 2007)
5. Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure of time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal. (Uniform Standards for Federal Land Acquisitions) (Dictionary, 5th Edition)

Marketing Time

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

(Advisory Opinion 7 of the Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time). (Dictionary, 5th Edition)

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. (Dictionary, 5th Edition)

Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. (Dictionary, 5th Edition)

Parking Ratio

A ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios of various land uses are often stated in zoning ordinances. (Dictionary, 5th Edition)

Rentable Area

For office buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based;

calculated according to local practice. (Dictionary, 5th Edition)

using modern materials and current standards, design, and layout. (Dictionary, 5th Edition)

Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised,

Scope of Work

The type and extent of research and analyses in an assignment. (Dictionary, 5th Edition)

Stabilized Occupancy

An expression of the expected occupancy of a property in its particular market considering current and forecasted supply and demand, assuming it is priced at market rent. (Dictionary, 5th Edition)

Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed and paid for use by a lessee.
2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. (Dictionary, 5th Edition)

Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income reductions due to vacancies, tenant turnover, and non-payment of rent; also called vacancy and credit loss or vacancy and contingency loss. Often vacancy and collection loss is expressed as a percentage of potential gross income and should reflect the competitive market. Its treatment can differ according to the interest being appraised, property type, capitalization method, and whether the property is at stabilized occupancy. (Dictionary, 5th Edition)

Zimbra**erika.zamora@co.hidalgo.tx.us**

ALIANZA PARK COUNTER OFFER

From : Ruben Garza <ruben@arepet.com>
Subject : ALIANZA PARK COUNTER OFFER
To : erika zamora <erika.zamora@co.hidalgo.tx.us>
Cc : eduardo cantu <eduardo.cantu@co.hidalgo.tx.us>

Mon, Jan 14, 2019 03:54 PM

 1 attachment

Erika,

Good afternoon. Attached please find the counter offer letter along with supporting documents for the FF&E. Please let me know if you have further questions or comments.

☐☐ Ruben Garza
☐☐ 3900 N. 10th Street Ste 1010 ☐ McAllen, TX 78501 ☐☐0. (956) 686-1039 ☐
F. (956) 686-1942

“Life is Short, Enjoy”

-----Original Message-----

From: Scanner@arepet.com <Scanner@arepet.com>
Sent: Monday, January 14, 2019 7:43 PM
To: Ruben Garza <ruben@arepet.com>
Subject: Message from "RNP002673E4832F"

This E-mail was sent from "RNP002673E4832F" (MP C3004ex).

Scan Date: 01.14.2019 15:43:10 (-1000)
Queries to: Scanner@arepet.com

 **20190114154310225.pdf**
546 KB
