

Michael J. Shafer
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E-File

July 12, 2021

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17120-3265

**Re: Application of PPL Electric Utilities Corporation to Transfer by Sale to
Praveen Patel and Karan Patel of Real Property and Facilities
Docket No. A-2021-3026800**

Dear Secretary Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation are responses to the data requests issued by the Bureau of Technical Utility Services in the above referenced matter.

Pursuant to 52 Pa. Code § 1.11, the enclosed document is to be deemed filed on July 12, 2021, which is the date it was filed electronically using the Commission's E-filing system.

If you have any questions, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Michael J. Shafer", is written over a light blue horizontal line.

Michael J. Shafer

Enclosure

cc: Lee Yalcin – via email

WITNESS: Thomas Martino, Jr.

**PPL Electric Utilities Corporation
Response to the Data Request of
The Bureau of Technical Utility Services
Dated July 1, 2021
Docket No. A-2021-3026800**

A-1 Reference Agreement of Sale and Purchase ¶ 1, Exhibit A – Applicant failed to include Exhibit A or a detailed information for the real property and facilities. Please provide property and facility details including PPL’s use of the property and facility, diagrams, maps, pictures, etc.

PPL Response PPL Electric Utilities Corporation’s (“PPL Electric”) sole use of the property was as an office building for the Schuylkill area. For additional information, including facility details, maps, and pictures, please see Attachment A-1.

**PPL Electric Utilities Corporation
Response to the Data Request of
The Bureau of Technical Utility Services
Dated July 1, 2021
Docket No. A-2021-3026800**

A-3 Reference Application for Transfer by Sale, Application ¶ 14 – Please provide the following:

- a. Which party initiated the sale of real property and facilities;
- b. The date the real property and facilities were advertised for sale;
- c. An explanation on how the real property and facilities were advertised for sale;
- d. The original asking price for the real property and facilities;
- e. The date the winning offer was made and explain if this was the buyer's original offer price or a compromised negotiation;
- f. Please provide the details on any other offers received.

PPL
Response

- a. PPL Electric initiated the sale of real property and facilities.
- b. The real property and facilities were advertised for sale on June 1, 2019.
- c. All advertising and marketing was managed exclusively through NAI Summit, a commercial real estate services company.
- d. Original asking prices was \$495,000. The price was reduced to \$469,000 in February 2020 due to lack of any offers. Asking price was again reduced in December 2020 to \$395,000.
- e. Buyer originally offered \$225,000 on January 7, 2021. The final sale price of \$305,000 was reached through negotiation.
- f. No other offers were made for the property.

VERIFICATION

I, THOMAS MARTINO, JR., being the Supervisor – Real Estate & Property Tax at PPL Electric Utilities Corporation, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect PPL Electric Utilities Corporation to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: 07/09/2021


Thomas Martino (Jul 9, 2021 15:54 EDT)

Thomas Martino, Jr.

ATTACHMENT 1

**APPRAISAL REPORT
OF REAL PROPERTY**

9,704 SQUARE FOOT OFFICE BUILDING ON 15.73 ACRES

LOCATED AT
**178 INDUSTRIAL ROAD
WEST MAHANAY TOWNSHIP
SCHUYLKILL COUNTY, PENNSYLVANIA**

AS OF
FEBRUARY 22, 2019

PREPARED FOR
**MR. THOMAS MARTINO, JR.
SUPERVISOR - REAL ESTATE ASSET MANAGEMENT
PPL EU SERVICES CORPORATION
2 NORTH NINTH STREET
ALLENTOWN, PA 18101**

PREPARED BY
**MID-ATLANTIC
VALUATION GROUP, INC.**

www.mvginc.com

MVG File Number: 19018



MID-ATLANTIC

Valuation Group, Inc.

March 19, 2019

Mr. Thomas Martino, Jr.
Supervisor - Real Estate Asset Management
PPL EU Services Corporation
2 North Ninth Street
Allentown, PA 18101

Re: Appraisals of the fee simple estate in
178 Industrial Road
West Mahanoy Township
Schuylkill County, Pennsylvania

Dear Mr. Martino:

The attached report presents the results of the above referenced real property appraisal assignment. The real estate that is the subject of this real property appraisal assignment is a 15.73 acre site improved with a owner-occupied, single-story office building containing a gross building area (GBA) of 9,704 square feet and a net rentable area (NRA) of 9,289 square feet. The property is located in the Frackville Industrial Park at 178 Industrial Road in West Mahanoy Township, Schuylkill County, Pennsylvania.

The objective of this appraisal assignment is as follows: 1) to provide an opinion of the market value of the fee simple estate in the subject property as of the stated effective date; and 2) to provide an opinion of the market value of the fee simple estate of the land for the entire site. In this assignment, the client is PPL EU Services Corporation. The intended use of this appraisal report is to assist PPL EU Services Corporation in matters related to establishing a sale price for the subject property. This appraisal report is not intended for any other use. This report is intended for use only by PPL EU Services Corporation. Use of this report by others is not intended by the appraiser(s). The appraisal report is not to be relied upon by any third parties for

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PH (717) 699-4434

*Providing Real Property Valuation and Consulting Services in
Pennsylvania, New Jersey, Maryland and Delaware*

WWW.MVGINC.COM

ATTACHMENT 1

Mr. Thomas Martino, Jr.
PPL EU Services Corporation
March 19, 2019
Page 2

any purpose, whatsoever. Any other party who uses or relies upon any information contained in this report does so at their own risk.

This is an appraisal of the fee simple estate in the subject property. The effective date of value for this appraisal assignment is February 22, 2019, the date on which Mid-Atlantic Valuation Group personnel physically inspected the property.

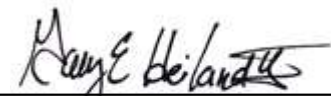
The reader is directed to the Executive Summary and Reconciliation and Final Value Opinion(s) sections of the accompanying report for the value conclusion(s). Also, a thorough understanding of any Extraordinary Assumptions or Hypothetical Conditions applicable to this appraisal assignment (see Appraisal Overview) is critical.

The appraisal assignment has been developed, and this report has been prepared, in conformity with the Code of Professional Ethics & Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation.

The attached report communicates the results of this appraisal assignment and has been prepared as an **Appraisal Report** as defined in Standards Rule 2-2(a) of USPAP. Please refer to the General Information section of the attached report for a detailed explanation of the scope of work undertaken for this appraisal assignment.

If there are any questions or comments regarding the attached appraisal report, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,
MID-ATLANTIC VALUATION GROUP, INC.



Gary E. Heiland II, MAI, AI-GRS
Principal

Pennsylvania Certified General
Real Estate Appraiser
Certification Number GA001676R



Lawrence B. O'Brien
Associate

Pennsylvania Licensed
Appraiser Trainee
License Number LAT000642

MID-ATLANTIC

Valuation Group, Inc.

ATTACHMENT 1

178 Industrial Road - Frackville, PA
MVG 19018

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APPRAISAL OVERVIEW

EXECUTIVE SUMMARY

**SUBJECT REAL ESTATE
9,704 SQUARE FOOT OFFICE BUILDING ON 15.73 ACRES**

LOCATED AT
178 INDUSTRIAL ROAD
WEST MAHANoy TOWNSHIP
SCHUYLKILL COUNTY, PENNSYLVANIA

Appraisal Client	PPL EU Services Corporation
Property Owner	Pennsylvania Power & Light Company
Objective of the Assignment	The objective of this appraisal assignment is as follows: 1) to provide an opinion of the market value of the fee simple estate in the subject property as of the stated effective date; and 2) to provide an opinion of the market value of the fee simple estate of the land for the entire site.
Property Rights Appraised	Fee simple estate
Effective Date(s) of the Appraisal	February 22, 2019
Date of Appraisal Report	March 19, 2019
Property Tax Identification	36-06-0006.002
Zoning Designation	I-2, Heavy Industrial Zone
Property Zip Code	17931 (Frackville, PA)
Property Description	The real estate that is the subject of this real property appraisal assignment is a 15.73 acre site improved with an owner-occupied, single-story office building containing a GBA of 9,704 square feet and an estimated NRA of 9,289 square feet. The property is located in the Frackville Industrial Park at 178 Industrial Road in West Mahanoy Township, Schuylkill County, Pennsylvania.

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178 Industrial Road - Frackville, PA
MVG 19018

Appraisal Overview

Highest and Best Use
As Vacant

Industrial development

As Improved

Continued office use and industrial
development of the surplus land

Valuation Summary

Market Value	Value Indications
Estimated Market Value by the Sales Comparison Approach	\$470,000
Estimated Market Value by the Income Capitalization Approach	\$470,000
Final Opinion of Market Value (as of February 22, 2019)	\$470,000

Market Value of Land	Value Indication
Estimated Market Value by the Sales Comparison Approach	\$290,000
Final Opinion of Market Value (as of February 22, 2019)	\$290,000

SUBJECT PHOTOGRAPHS

Note: Except for the aerial photo(s), all subject photographs were taken on February 22, 2019 by Lawrence B. O'Brien.



North side of the office building



West side of the office building

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178 Industrial Road - Frackville, PA
MVG 19018

Appraisal Overview



South side of the office building



East side of the office building

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178 Industrial Road - Frackville, PA
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Appraisal Overview



Technical clerical office

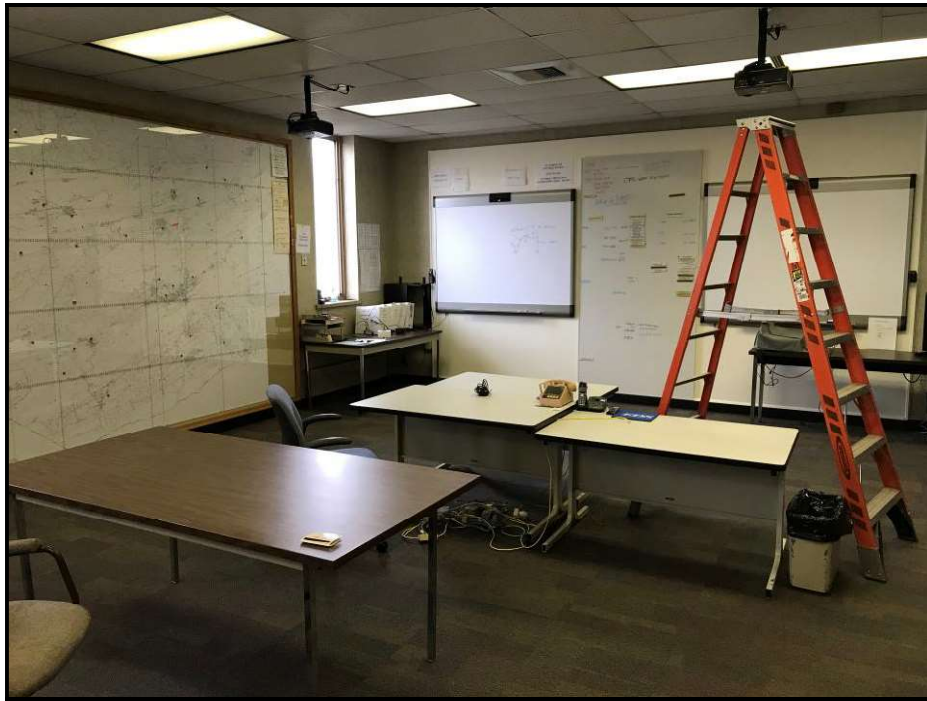


Storage room

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178 Industrial Road - Frackville, PA
MVG 19018

Appraisal Overview



Emergency Area

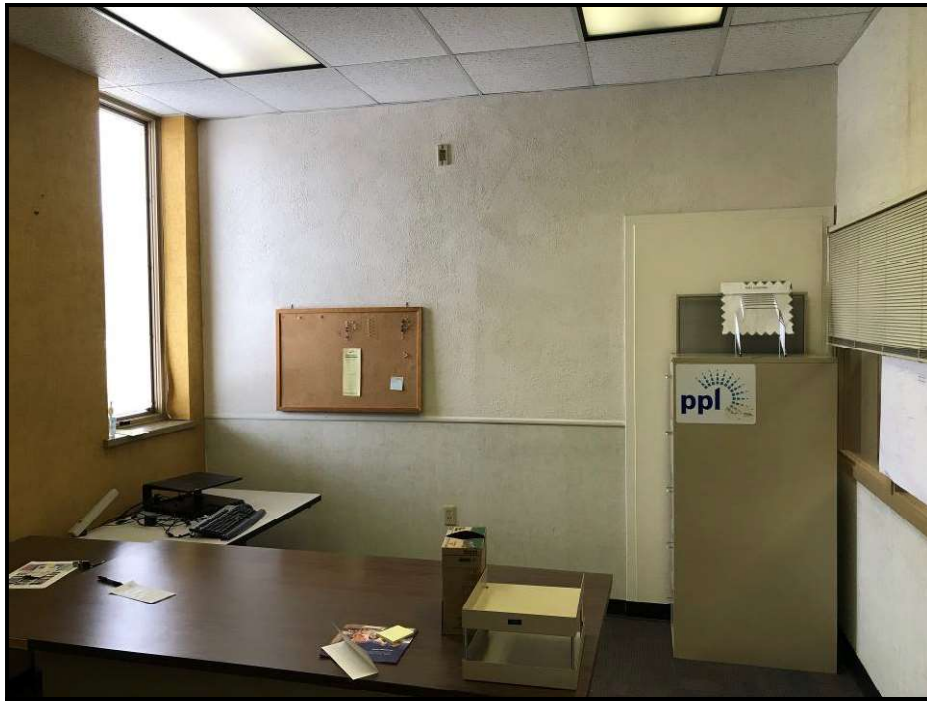


Conference Room

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178 Industrial Road - Frackville, PA
MVG 19018

Appraisal Overview



Private office



Main north-south hallway

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178 Industrial Road - Frackville, PA
MVG 19018

Appraisal Overview



Servicemen's Area



Private office

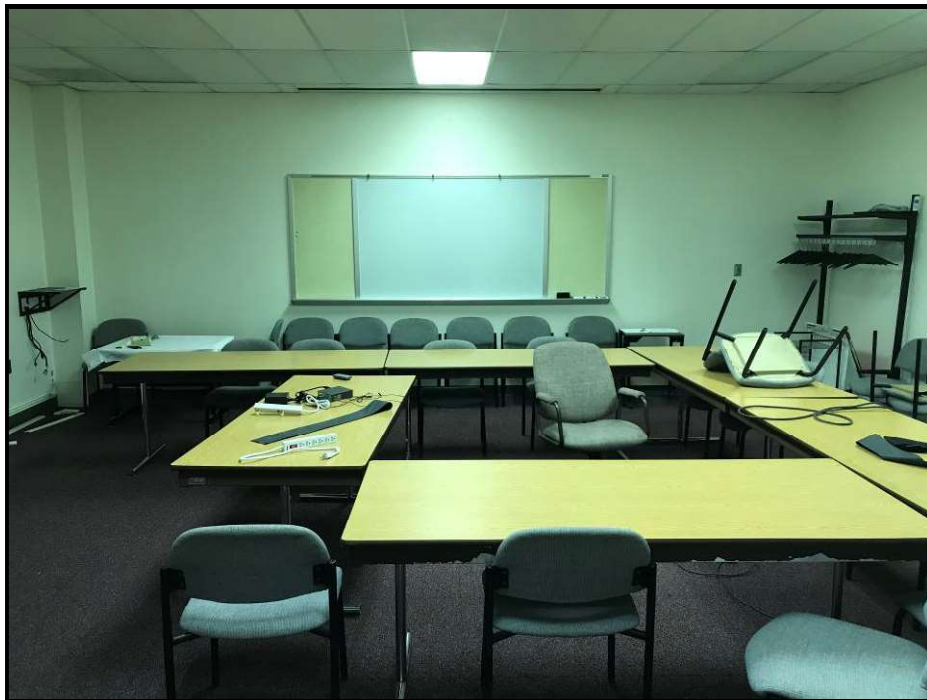
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Appraisal Overview



Break Room



Conference Room

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Appraisal Overview



Electrical / Telephone Room



Bathroom



Stained ceiling tile



Main west entrance staining and loose exterior brick

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**178 Industrial Road - Frackville, PA
MVG 19018**

Appraisal Overview



Main parking lot facing west



Fenced rear parking lot facing west

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178 Industrial Road - Frackville, PA
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Appraisal Overview



Flagpole and pole mounted lighting



Land north of office building

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178 Industrial Road - Frackville, PA
MVG 19018

Appraisal Overview



Land south of fenced parking facing west



Land east of office building facing south

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178 Industrial Road - Frackville, PA
MVG 19018

Appraisal Overview



Wooded land south of the improvements



Access drive at Industrial Drive facing north

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178 Industrial Road - Frackville, PA
MVG 19018

Appraisal Overview



Industrial Road facing west (subject to the left)



Industrial Road facing east (subject to the right)

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178 Industrial Road - Frackville, PA
MVG 19018

Appraisal Overview



Aerial photo dated 4/17/2016 (Pictometry)



Aerial photo dated 3/24/2016 (Pictometry)

EXTRAORDINARY ASSUMPTIONS

An *Extraordinary Assumption* is defined by the Uniform Standards of Professional Appraisal Practice as “an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinion or conclusions.”¹ USPAP goes on to comment that “uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis.”²

The appraisal analysis has been made without any extraordinary assumptions.

HYPOTHETICAL CONDITIONS

A *Hypothetical Condition* is defined by the Uniform Standards of Professional Appraisal Practice as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.”³ USPAP adds the comment that “hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.”⁴

The appraisal analysis has been made without any hypothetical conditions.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

- No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the subject property is assumed to be good and marketable unless otherwise stated.
- The appraisers cannot guarantee that the property is free of encroachments or easements, and recommend further investigation and survey. The property is appraised

¹ Appraisal Standards Board, *Uniform Standards of Professional Appraisal Practice (USPAP)*, 2018-2019 Edition (Washington, DC: The Appraisal Foundation), 4.

² USPAP, 2018-2019 Edition, 4.

³ USPAP, 2018-2019 Edition, 4.

⁴ USPAP, 2018-2019 Edition, 4.

free and clear of any or all liens, encumbrances, encroachments, easements and restrictions, unless otherwise stated.

- No responsibility beyond reason is assumed for matters of a legal nature, whether existing or pending. It is assumed that there are no existing judgments or pending or threatened litigation which could affect the value of the property.
- Responsible ownership and competent property management are assumed.
- Information and data contained in the appraisal report, although obtained from public record and other reliable sources and, to the extent possible, carefully checked by the appraiser(s), are accepted as satisfactory evidence upon which rest the opinions expressed herein. Any information furnished by others is believed to be reliable, but no responsibility for its accuracy is assumed. Unless otherwise noted, it is assumed that all information known to the client/landowner/tenant(s) etc. and relevant to the valuation has been accurately furnished and that there are no undisclosed leases, agreements, liens or other encumbrances affecting the use or value of the property. Any financial information provided to us with respect to the operation of the property, such as financial statements and reports, rent rolls and lease data, is assumed to be complete, true and correct. Any lease, mortgage, deed of trust or other agreement or instrument reviewed by us relating to the property is assumed to be legal, valid, binding and enforceable in accordance with its express terms.
- All engineering studies are assumed to be correct. The appraisers have made no legal survey, nor have they commissioned one to be prepared; therefore, any plot plans or other such illustrative materials in this report are included only to help the reader visualize the property.
- No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in the appraisal report.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that would render it more or less valuable, would affect its highest and best use, or would have a material effect on its utility. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them. Unless otherwise noted, the property is not located in an area in which the purchase of flood insurance is required as a condition for federal or federally related financial assistance.
- If the appraisal assignment includes a land valuation, the appraisers' conclusion of value is based upon the assumption that there are no hidden or unapparent conditions of the property that might impact buildability. The appraisers recommend due diligence to be conducted through the local building department or appropriate municipal authority to investigate buildability and whether the property is suitable for its intended use or for any use. The appraisers make no representations, guarantees or warranties.
- It is assumed that there are no structural defects hidden by floor or wall coverings or any other hidden or unapparent conditions of the property, that all mechanical equipment and appliances are in good working condition, and that all electrical components and the roofing are in average condition unless otherwise noted in the report.

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178 Industrial Road - Frackville, PA
MVG 19018

Appraisal Overview

- It is assumed that the property is in full compliance with all federal, state and local laws and environmental regulations unless the lack of compliance is stated, described and considered in the attached report.
- It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the attached report.
- It is assumed that all required licenses, certificates of occupancy, consents and other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which any value opinions contained in this report are based.
- It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
- If the appraisal assignment is for property to be built or under construction, it is assumed that construction will be completed as outlined in the report. The appraiser reserves the right to review finalized plans, require a current on-site inspection prior to the release of any funds and/or recertify any values reported.
- Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraisers. The appraisers have no knowledge of the existence of such materials on or in the property. However, the appraisers are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value opinions are predicated on the assumption that there is no such material on or in the property that would cause a loss in value; furthermore, no responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The client and all intended users of the appraisal report are urged to retain an expert in this field, if desired. The valuation is subject to modification if a qualified expert in these areas detects any such potentially hazardous materials or conditions. The appraisers reserve the right to modify any qualitative or quantitative conclusions reported herein if so warranted.
- No environmental impact studies were conducted in conjunction with this appraisal assignment, and our value opinions are subject to revision based upon any such studies. If any environmental impact statement is required by law, the appraisal assignment assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
- The appraisers have not been made aware of, nor are they qualified to ascertain, the existence of radon, a radioactive gas which occurs naturally in the soil of certain identified areas. In concentrated form, this gas has been shown to have detrimental health effects, and its existence would potentially have a negative impact on the value(s) reported in the appraisal report. The value estimate(s) assume that the subject is free and clear of radon gas.

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178 Industrial Road - Frackville, PA
MVG 19018

Appraisal Overview

This appraisal report has been made with the following general limiting conditions:

- An appraisal is inherently subjective and represents only an opinion of a property's value.
- This appraisal report shall be considered only in its entirety and no part of this appraisal report shall be utilized separately or out of context. Any separation of the signature pages from the balance of the appraisal report invalidates the conclusions established herein.
- Any valuation opinions and/or any market or feasibility conclusions found herein apply only to the property or properties specifically identified and described in this report.
- The value reported herein is only applicable to the Property Rights Appraised in conjunction with the Objective of the Appraisal Assignment and the Intended Use of the Appraisal Report as herein set forth; the appraisal report is not to be used for any other objectives or uses.
- The conclusions stated in the appraisal report apply only as of the effective date(s) indicated and no representation is made as to the effect of any subsequent events.
- Any opinions of value provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the opinion of value, unless such proration or division of interests has been set forth in the report.
- Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. Any separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- Unless otherwise noted herein, the value opinions presented in this report do not include any value attributable to machinery, equipment or other personal property items.
- The appraisers reserve the right to modify the opinions and conclusions found herein should future engineering studies or consultations determine that the site and/or building measurements reported herein are inaccurate.
- Appraisers provide opinions of value and are not building or environmental inspectors. This appraisal assignment does not guarantee that the property is free of defects or environmental problems. Appraisers perform inspections of visible and accessible areas only. Defects such as mold may be present in areas that an appraiser cannot see. A professional building inspection or environmental inspection is always recommended.
- The individual appraisers signing the report and Mid-Atlantic Valuation Group, Inc. are in no way to be responsible for any costs incurred to discover or correct any deficiencies of any type present in the property - physically, financially and/or legally.
- We reserve the right to require, as a condition to our rendering an opinion as to value, the engagement of professional experts in certain disciplines. The engagement of any such expert and the compensation of such expert shall be solely the responsibility of the client.
- If a Cost Approach is presented herein, it has only been developed as an analysis to support the appraiser's opinion of market value. Use of this data, in whole or in part, for other purposes is not intended by the appraiser. Nothing set forth in the appraisal assignment or report should be relied upon for the purpose of determining the amount or type of insurance coverage appropriate for the subject property. The appraiser does not guarantee that any insurable value estimate inferred from this report will result in the

subject property being fully insured for any loss that may be sustained, and the appraiser assumes no liability for any such inference. Further, the Cost Approach may not be a reliable indication of replacement or reproduction cost for any date other than the effective date of this appraisal assignment due to changing costs of labor and materials and due to changing building codes and governmental regulations and requirements.

- If an estimate of insurable value is provided herein, neither the intended user, the intended use, nor the objective of the appraisal assignment changes from that described herein. The appraiser assumes no liability for any Insurable Value estimate provided and does not guarantee that any estimate or opinion will result in the subject property being fully insured for any possible loss that may be sustained. The appraiser recommends that an insurance professional be consulted. An Insurable Value presented herein may not be a reliable indication of replacement or reproduction cost for any date other than the effective date of this appraisal assignment due to changing costs of labor and materials and due to changing building codes and governmental regulations and requirements.
- The Americans with Disabilities Act (ADA) became effective January 26, 1992. Unless otherwise noted herein, a specific compliance survey or analysis of this property has not been made to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since there is no direct evidence relating to this issue, any possible noncompliance with the requirements of the ADA was not considered in estimating the value of the subject property.
- Any income and expense estimates contained in this appraisal report are used only for the purpose of estimating current value and do not constitute predictions of future operating results.
- The forecasts, projections and estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions. This appraisal assignment is based on the condition of local and national economies, purchasing power of money, and financing rates prevailing as of the effective date(s) of value.
- If a prospective value opinion is rendered herein, it is important to emphasize that prospective value opinions are intended to reflect the expectations and perceptions of market participants at the time the report was written; therefore, the appraisal assignment cannot account for - and the appraiser(s) cannot be held responsible for - unforeseen events that may occur and that may alter market conditions prior to the effective date of the appraisal assignment.
- Possession of this report, or a copy thereof, does not carry with it the right of publication.
- Neither all nor any part of the contents of this report (especially any conclusions as to value(s), the identity of the appraiser, or the firm with which the appraiser is affiliated) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraisers.
- The liability of the individual appraisers signing the appraisal report and Mid-Atlantic Valuation Group, Inc. is limited to the client only and to the fee actually received by the

appraisers. Furthermore, there is no accountability, obligation or liability to any other party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment. Acceptance and use of this analysis by the client or any third party constitutes acceptance of the above conditions. The appraiser(s) have no liability to any parties other than the client.

- The appraiser(s), by reason of this appraisal assignment, are not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made for just and fair compensation for said services.
- The value found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from these General Assumptions and Limiting Conditions.

GENERAL INFORMATION

IDENTIFICATION OF SUBJECT PROPERTY

The real estate that is the subject of this real property appraisal assignment is a 15.73 acre site improved with a owner-occupied, single-story office building containing a GBA of 9,704 square feet and an estimated NRA of 9,289 square feet. The property is located in the Frackville Industrial Park at 178 Industrial Road in West Mahanoy Township, Schuylkill County, Pennsylvania.

The mailing address of the subject property is 178 Industrial Road, Frackville, Pennsylvania 17931. It is commonly referred to as PPL's Schuylkill Office Building. The property is identified by the Schuylkill County Tax Assessment Office as parcel 36-06-0006.002.

OWNERSHIP, OCCUPANCY AND HISTORY

Title to the subject property is currently held by Pennsylvania Power & Light Company, as evidenced by a deed dated October 31, 1973 and recorded in the Schuylkill County Recorder of Deeds office in deed book 1182, page 0367. The consideration indicated on the deed is \$18,221.00.

There have been no transfers of title within the last five years. It has been reported to the appraisers that the subject property is not under agreement of sale or option and is not offered for sale on the open market by the owner. The owner plans to sell the subject property in the near future and the purposes of this appraisal assignment is to assist the client in establishing a sale price.

According to Schuylkill County tax assessment records, the office building was built in 1981. It is reported that PPL has occupied the building from original construction to the present. The subject property is currently 100% owner-occupied.

IDENTIFICATION OF CLIENT

The Uniform Standards of Professional Appraisal Practice (USPAP) defines client as "the party or parties who engage, by employment or contract, an appraiser in a specific assignment."⁵ Furthermore, USPAP notes that "the client in an appraisal assignment may be an individual, group or entity, and may engage and communicate with the appraiser directly or through an agent."⁶

⁵ USPAP, 2018-2019 Edition, 4.

⁶ USPAP, 2018-2019 Edition, 4.

In this assignment, the client is PPL EU Services Corporation.

OBJECTIVE OF THE APPRAISAL ASSIGNMENT

The objective of this appraisal assignment is as follows: 1) to provide an opinion of the market value of the fee simple estate in the subject property as of the stated effective date; and 2) to provide an opinion of the market value of the fee simple estate of the land for the entire site.

INTENDED USE AND USERS OF THE APPRAISAL REPORT

The intended use of this appraisal report is to assist PPL EU Services Corporation in matters related to establishing a sale price for the subject property. This appraisal report is not intended for any other use. This report is intended for use only by PPL EU Services Corporation. Use of this report by others is not intended by the appraiser(s). The appraisal report is not to be relied upon by any third parties for any purpose, whatsoever. Any other party who uses or relies upon any information contained in this report does so at their own risk.

DEFINITION OF VALUE

Market Value - The definition of market value used herein is as follows:

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.⁷

In applying the definition cited above to this assignment, it is important to note that the “price” is considered in terms of cash in US dollars or in terms of financial arrangements comparable thereto.

⁷ Appraisal Institute, *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), 58.

PROPERTY RIGHTS APPRAISED

These appraisals are of the fee simple estate in the subject property. Fee simple estate is defined as 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.⁸

EFFECTIVE DATE OF APPRAISAL

The effective date of value for this appraisal assignment is February 22, 2019, the date that Mid-Atlantic Valuation Group personnel physically inspected the subject property.

APPRAISAL SCOPE OF WORK

The scope of work is defined by USPAP as “the type and extent of research and analyses in an appraisal or appraisal review assignment.”⁹ USPAP requires that appraisers be prepared to demonstrate that the scope of work performed in an appraisal is sufficient to produce credible assignment results. USPAP states that the scope of work should include, but is not limited to:

- 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 analyses applied to arrive at opinions or conclusions.¹⁰

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal. An appraisal scope of work must include the research and analyses that are necessary to develop credible assignment results.

USPAP determines that a scope of work is acceptable when it meets or exceeds:

- the expectations of parties who are regularly intended users for similar assignments; and

⁸ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Edition (Chicago: Appraisal Institute, 2015), 90.

⁹ USPAP, 2018-2019 Edition, 4.

¹⁰ USPAP, 2018-2019 Edition, 14.

- what an appraiser's peers' actions would be in performing the same or a similar assignment.¹¹

The scope of this appraisal assignment has been developed in accordance with the current edition of USPAP. The following is a list detailing the scope of work performed in the development of this appraisal assignment.

Subject Property Data - The subject property related data were assembled from available public records and a physical appraisal inspection of the property. Possible sources of this data include, but are not limited to:

- the last recorded deed involving the subject property;
- zoning ordinances and maps;
- Planning office data;
- tax assessment cards (property record cards) or printouts;
- tax assessment maps; and
- other GIS tools.

Additionally, the property contact or client has also provided the following for review in conjunction with this appraisal assignment:

- Electrical bills 2018-2019;
- Building Evacuation Plan showing building floor plan;
- Aerial tax map (source unknown);
- Tax bills 2016-2018; and
- Schuylkill Office Building Expenses 2013-2018.

Appraisal Inspection - An appraisal inspection is not the same as a professional property inspection. During an appraisal inspection, appraisers generally observe the interior of the improvements and tour portions of the subject site. While appraisers must be familiar with the professional property inspection process, the aim of an appraiser in the field is not to comprehensively research or inspect the subject property; rather, an appraiser observes the components and characteristics of the subject property that will influence value in the marketplace.

The subject property was inspected by Lawrence B. O'Brien on February 22, 2019, accompanied by Mr. Thomas Martino, Jr. of PPL. Mr. Mark Borger of PPL was also interviewed by phone in regards to the subject property. Access to the roof was not possible; therefore, the roof was not inspected. Photographs taken during the

¹¹ USPAP, 2018-2019 Edition, 15.

inspection are presented in the Appraisal Overview section. Gary E. Heiland II, MAI, AI-GRS did not inspect the property.

Prior Assignments Involving the Subject Property - It is acknowledged that no one currently affiliated with Mid-Atlantic Valuation Group has performed a previous appraisal involving the subject property, an appraisal review involving the subject property, an appraisal consulting assignment involving the subject property, or any other real estate oriented service involving the subject property, within the three years preceding the engagement for this assignment.

Data Collection - Demographic and other statistical information on areas deemed relevant to the assignment were researched. Mid-Atlantic Valuation Group relies upon multiple resources for such data.

Data on sales, leases and listings of comparable properties was researched via various means.

Comparable Data Verification - All comparable sales contained in this appraisal report have been, at a minimum, verified with public records. An employee or contractor of Mid-Atlantic Valuation Group has physically viewed the deed for each comparable sale used in this appraisal report. Additionally, attempts have been made to verify every comparable sale or lease with a party to the transaction. Often, multiple parties to a transaction are interviewed.

Unless otherwise noted in the report, employees and/or contractors of Mid-Atlantic Valuation Group externally viewed and photographed all of the comparable properties presented herein. Occasionally, a photograph of a comparable property is obtained from a third party source for presentation in the report because it provides a more relevant representation of the comparable property or because it better depicts the comparable property at the time it was sold or leased.

Valuation Approaches - In estimating the market value of a given property, it is normal appraisal practice to assemble as much relevant data from the marketplace as possible. For an improved property, this data is then applied in the three recognized approaches to value: Sales Comparison Approach, Cost Approach and Income Capitalization Approach. In this appraisal assignment, all three generally accepted valuation approaches have been considered in determining a credible opinion of value for the subject property. The Sales Comparison Approach and Income Capitalization Approaches were developed in relation to the as is value of the subject property. Only the Sales Comparison Approach was developed in relation to the value of the land valuation.

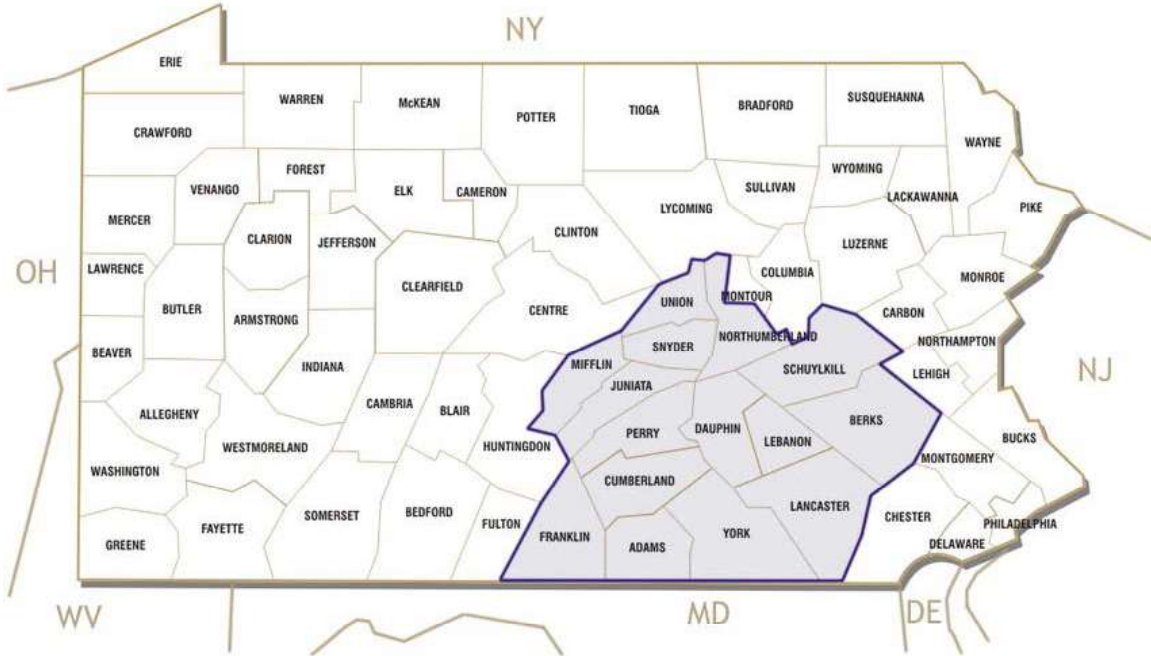
MARKET AREA ANALYSIS

SUSQUEHANNA VALLEY REGIONAL ANALYSIS

The ever changing nature of the basic forces that motivate buyers and sellers within a given market area can have a direct impact on the area's real estate values. This section of the appraisal report provides an analysis that outlines the general economic conditions, outlook and trends of the subject market area.

Introduction

The subject property is located within the Susquehanna Valley Region as delineated by the Pennsylvania Department of Labor and Industry. The following map shows the subject county along with other counties in the region.



The Susquehanna Valley consists of 15 counties that comprise a total land area of 8,686 square miles, exclusive of water areas. It is conveniently located within a three-hour drive of New York, Philadelphia, Baltimore and Washington, DC. The proximity to these markets makes it an exceptional location for business. The City of Harrisburg is the state capital and is located in Dauphin County.

Character and Influences

The Susquehanna Valley can be divided into four smaller sub-regions. In the northern sub-region are Juniata, Mifflin, Northumberland, Snyder and Union Counties. These counties are more rural in nature, have smaller populations and have high

concentrations of farmland and wooded areas. Agriculture, manufacturing and mining are the primary industries.

The southern sub-region is made up of York, Adams and Franklin Counties. Although these counties have vast amounts of farmland, they are more developed than counties in the northern part of the region. Situated on the border of Maryland, this area is heavily influenced by the Baltimore-Washington metropolitan area. Population in these counties has dramatically increased as residents from Maryland and DC have moved here to take advantage of the lower cost of housing. Manufacturing, government, retail and tourism are the primary employment sectors for this sub-region.

Dauphin, Cumberland, Lebanon and Perry Counties comprise what is known as the Capital Region. Dauphin and Cumberland Counties are more developed; Lebanon and Perry Counties remain more rural in nature, with Perry County being the most rural. Harrisburg, the state capital, is the primary influence for the area. An efficient transportation and highway system provides excellent access to other major US markets including New York, Philadelphia, Baltimore and Washington, DC. Government, manufacturing, health care, professional services and retail are the primary employment sectors.

Finally, the eastern sub-region includes Berks, Lancaster and Schuylkill Counties. These counties are a mix of urban, suburban and rural settings. Schuylkill County is very rural, with no major urban center within the county. Agriculture and coal mining are the largest employment sectors in Schuylkill County. Lancaster and Berks Counties have rich agricultural histories. Today, these counties have diverse employment bases. Lancaster has a strong tourism base due to the Amish presence and concentration of outlet shopping venues along US Route 30. Manufacturing, government, business, health care and retail are the largest employment sectors for the area.

Regional Demographics

The following table displays basic information about counties in the Susquehanna Valley.

Susquehanna Valley Region County Quick Facts					
County	County Seat	Square Miles	2018 Population	Population Density (mi ²)	
Adams	Gettysburg	520	105,243	202	
Berks	Reading	859	420,834	490	
Cumberland	Carlisle	550	256,177	466	
Dauphin	Harrisburg (state capital)	525	277,575	529	
Franklin	Chambersburg	772	156,010	202	
Juniata	Mifflintown	392	25,156	64	
Lancaster	City of Lancaster	949	549,061	579	
Lebanon	City of Lebanon	362	141,970	392	
Mifflin	Lewistown	411	47,621	116	
Northumberland	Sunbury	460	93,128	202	
Perry	Bloomfield	554	46,979	85	
Schuylkill	Pottsville	779	146,085	188	
Snyder	Middleburg	331	41,335	125	
Union	Lewisburg	317	45,405	143	
York	City of York	905	453,095	501	

Source: US Census

Population

The following table shows a demographic analysis of the Susquehanna Valley as compared to the state of Pennsylvania. Cumberland, Lancaster and Lebanon Counties are expected to have the highest annual population growth rates through 2023. This growth pattern represents a shift in historical growth patterns, where growth in the region had been largely due to an influx of population from the Maryland and Washington, DC areas. New residents had been particularly attracted to the southern counties of the region because of their proximity to the Baltimore/Washington, DC markets and the comparatively lower cost of housing. While Lancaster County's location on the Maryland border still speaks to this influence, the more centralized areas of the region along the Pennsylvania Turnpike are now projected to grow faster. The region's total annual population growth has exceeded the state's population growth rate, and this trend is expected to continue over the next several years.

ATTACHMENT 1

178 Industrial Road - Frackville, PA
MVG 19018

Market Area Analysis

Susquehanna Valley Population by County							
Sources: US Census and Esri							
County	2000	2010	2018 Estimate	2023 Projection	Annual Growth / Decline		
					2000 to 2010	2010 to 2018	2018 to 2023
Adams	91,292	101,407	105,243	107,826	1.1%	0.5%	0.5%
Berks	373,638	411,442	420,834	426,990	1.0%	0.3%	0.3%
Cumberland	213,674	235,406	256,177	270,090	1.0%	1.3%	1.1%
Dauphin	251,798	268,100	277,575	283,488	0.6%	0.5%	0.4%
Franklin	129,313	149,618	156,010	160,163	1.6%	0.6%	0.5%
Juniata	22,821	24,636	25,156	25,547	0.8%	0.3%	0.3%
Lancaster	470,658	519,445	549,061	567,549	1.0%	0.8%	0.7%
Lebanon	120,327	133,568	141,970	147,648	1.1%	0.9%	0.8%
Mifflin	46,486	46,682	47,621	47,963	0.0%	0.3%	0.1%
Northumberland	94,556	94,528	93,128	91,055	0.0%	-0.2%	-0.4%
Perry	43,602	45,969	46,979	47,749	0.5%	0.3%	0.3%
Schuylkill	150,336	148,289	146,085	143,587	-0.1%	-0.2%	-0.3%
Snyder	37,546	39,702	41,335	42,129	0.6%	0.6%	0.4%
Union	41,624	44,947	45,405	46,121	0.8%	0.1%	0.3%
York	381,751	434,972	453,095	465,831	1.4%	0.6%	0.6%
Total Region	2,469,422	2,698,711	2,805,674	2,873,736	0.9%	0.6%	0.5%
Pennsylvania	12,281,054	12,702,379	12,992,598	13,140,705	0.3%	0.3%	0.2%
Region as % of PA	20.1%	21.2%	21.6%	21.9%			

Households

The following table displays household statistics for the Susquehanna Valley. Cumberland, Lancaster and Lebanon Counties are expected to have the highest annual household growth rates through 2023, consistent with population statistics. Overall, household growth in the region is projected to be higher than for the state as a whole.

ATTACHMENT 1

178 Industrial Road - Frackville, PA
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Market Area Analysis

Susquehanna Valley Households by County							
Sources: US Census and Esri							
County	2000	2010	2018 Estimate	2023 Projection	Annual Growth / Decline		
					2000 to 2010	2010 to 2018	2018 to 2023
Adams	33,652	38,013	39,331	40,275	1.3%	0.5%	0.5%
Berks	141,570	154,356	156,474	158,202	0.9%	0.2%	0.2%
Cumberland	83,015	93,943	101,766	107,161	1.3%	1.2%	1.1%
Dauphin	102,670	110,435	114,506	117,033	0.8%	0.5%	0.4%
Franklin	50,633	58,389	60,728	62,268	1.5%	0.6%	0.5%
Juniata	8,584	9,476	9,676	9,827	1.0%	0.3%	0.3%
Lancaster	172,560	193,602	203,351	209,763	1.2%	0.7%	0.6%
Lebanon	46,551	52,258	55,043	57,065	1.2%	0.8%	0.7%
Mifflin	18,413	18,743	19,010	19,104	0.2%	0.2%	0.1%
Northumberland	38,835	39,242	38,800	38,001	0.1%	-0.2%	-0.4%
Perry	16,695	17,903	18,326	18,640	0.7%	0.3%	0.3%
Schuylkill	60,530	60,192	58,931	57,724	-0.1%	-0.3%	-0.4%
Snyder	13,654	14,750	15,216	15,500	0.8%	0.5%	0.4%
Union	13,178	14,765	15,046	15,313	1.2%	0.3%	0.4%
York	148,219	168,372	173,847	178,212	1.4%	0.5%	0.5%
Total Region	948,759	1,044,439	1,080,051	1,104,088	1.0%	0.5%	0.4%
Pennsylvania	4,777,003	5,018,904	5,117,327	5,168,154	0.5%	0.3%	0.2%
Region as % of PA	19.9%	20.8%	21.1%	21.4%			

Income Characteristics

The following table shows median household income statistics for the counties in the Susquehanna Valley. Median household income levels have shown steady increases through 2010. Mifflin County has the highest projected annual income growth rate through 2023, although its income level is the lowest among the region's counties. It is noted that the region closely mirrors Pennsylvania overall in terms of median household income levels: seven of the region's counties are below Pennsylvania's median, and eight are equal to or above it.

ATTACHMENT 1

178 Industrial Road - Frackville, PA
MVG 19018

Market Area Analysis

Susquehanna Valley Median Household Income							
Source: US Census and Esri							
County	2000	2010	2018 Estimate	2023 Projection	Annual Growth / Decline		
					2000 to 2010	2010 to 2018	2018 to 2023
Adams	\$42,865	\$61,706	\$62,283	\$71,526	4.4%	0.1%	3.0%
Berks	\$44,719	\$57,786	\$60,124	\$67,450	2.9%	0.6%	2.4%
Cumberland	\$46,766	\$64,737	\$66,820	\$75,428	3.8%	0.5%	2.6%
Dauphin	\$41,657	\$57,627	\$58,216	\$65,238	3.8%	0.1%	2.4%
Franklin	\$40,477	\$55,651	\$56,936	\$64,407	3.7%	0.3%	2.6%
Juniata	\$34,710	\$46,818	\$50,326	\$53,807	3.5%	1.1%	1.4%
Lancaster	\$45,488	\$59,360	\$61,215	\$69,174	3.0%	0.4%	2.6%
Lebanon	\$40,819	\$58,098	\$58,531	\$65,618	4.2%	0.1%	2.4%
Mifflin	\$32,386	\$41,431	\$43,353	\$50,356	2.8%	0.7%	3.2%
Northumberland	\$31,228	\$43,352	\$43,824	\$50,425	3.9%	0.2%	3.0%
Perry	\$41,967	\$59,504	\$59,077	\$67,616	4.2%	-0.1%	2.9%
Schuylkill	\$32,738	\$47,237	\$49,246	\$54,664	4.4%	0.6%	2.2%
Snyder	\$35,819	\$49,339	\$51,153	\$56,568	3.8%	0.5%	2.1%
Union	\$40,366	\$49,376	\$52,751	\$59,101	2.2%	1.0%	2.4%
York	\$45,261	\$62,198	\$63,102	\$71,504	3.7%	0.2%	2.7%
Pennsylvania	\$40,108	\$55,172	\$57,362	\$64,778	3.8%	0.6%	2.6%

Overall, median household income growth rates are expected to increase moderately throughout the counties in the region.

Unemployment

The following table compares unemployment rates for all counties in Pennsylvania. Most of the counties in the region have comparatively lower unemployment rates than the rest of the state. The highest unemployment in the region is held by Northumberland and Schuylkill Counties.

Pennsylvania County Unemployment Rates as of September 2018					
County	Unemployment Rate **	County	Unemployment Rate **	County	Unemployment Rate **
Adams County	3.0%	Berks County	3.8%	Venango County	4.1%
Chester County	3.0%	Bradford County	3.8%	Cameron County	4.2%
Centre County	3.1%	Delaware County	3.8%	Clearfield County	4.2%
Cumberland County	3.1%	Fulton County	3.8%	Greene County	4.2%
Lancaster County	3.1%	Warren County	3.8%	Indiana County	4.2%
Montour County	3.1%	Wayne County	3.8%	Lawrence County	4.2%
Montgomery County	3.2%	Westmoreland County	3.8%	Mercer County	4.2%
Butler County	3.3%	Armstrong County	3.9%	Huntingdon County	4.3%
Juniata County	3.3%	Beaver County	3.9%	Lycoming County	4.3%
Perry County	3.3%	Clarion County	3.9%	Cambria County	4.4%
Snyder County	3.3%	Crawford County	3.9%	Clinton County	4.4%
Union County	3.3%	Jefferson County	3.9%	Lehigh County	4.4%
Elk County	3.4%	Wyoming County	3.9%	Northumberland County	4.5%
Franklin County	3.4%	Erie County	4.0%	Carbon County	4.6%
Lebanon County	3.4%	Lackawanna County	4.0%	Fayette County	4.7%
Susquehanna County	3.4%	McKean County	4.0%	Schuylkill County	4.7%
Bucks County	3.5%	Mifflin County	4.0%	Forest County	4.9%
York County	3.5%	Somerset County	4.0%	Luzerne County	4.9%
Allegheny County	3.7%	Sullivan County	4.0%	Monroe County	4.9%
Bedford County	3.7%	Columbia County	4.1%	Pike County	4.9%
Blair County	3.7%	Northampton County	4.1%	Philadelphia County	5.2%
Dauphin County	3.7%	Potter County	4.1%		
Washington County	3.7%	Tioga County	4.1%		

Source: PA Department of Labor & Industry
**Not Seasonally Adjusted

Education

The Susquehanna Valley offers many opportunities for quality education. Within the region, there are nationally recognized colleges and universities, technical institutions, and quality public and private schools. A highly educated work force helps keep the region competitive with other parts of the state and the nation.

History and Tourism

The Susquehanna Valley is steeped with rich history and tradition. Its natural beauty, historical attractions and entertainment hubs draw tourists from all around the world. Although opportunities for new business and development have recently been encouraged, the region prides itself for maintaining much of its natural and historical charm. Rural farming communities, small quaint towns, rolling hillsides and waterways are abundant.

There is a strong historical presence in the region. With Harrisburg being the state capital, it is the nucleus for much of the state’s government operations. Historical buildings, including the State Capitol and the Governor’s Residence, various museums,

art galleries and restaurants make Harrisburg an urban center. Also located in Dauphin County is the Hershey Entertainment Complex. This complex features an amusement park, a zoo, a resort hotel, a sports stadium, theatres, museums and golf courses.

Not far from Harrisburg, in Adams County, is Gettysburg. Gettysburg played an integral part in early American history. The Battle of Gettysburg and President Lincoln's famous "Gettysburg Address" took place here during the Civil War era.

Also notable in the region is Lancaster County, often referred to as Pennsylvania Dutch Country. Lancaster is popular for being home to one of the largest and oldest Amish communities in the United States. Every year millions visit to get a glimpse into their unique way of life.

York County is home to Harley Davidson's largest motorcycle manufacturing plant. Thousands of enthusiasts travel to York each year to tour the facility.

Natural landmarks such as the Susquehanna and Juniata Rivers, the Blue and Appalachian Mountains, the many covered bridges and green pastures are all popular for boating, fishing, bicycling, hiking and scenic drive routes.

These attractions, along with a host of others, are all vital contributors to the region's economy and overall appeal.

Transportation

The Susquehanna Valley region has a good highway network that allows convenient access to other major Northeastern, Southeastern and Midwestern markets. Within the region, most major limited access arterials converge in Harrisburg. These highways create a vast network providing a link to the northeast corridor of the eastern seaboard. Because of this excellent road network and the proximity to major ports and employment centers, the Susquehanna Valley has become a major focus for warehouse development, with most of the development occurring along Interstate 81.

Highways

The region features several prominent interstate highways and multiple heavily traveled secondary arterials.

Interstate 76 (the Pennsylvania Turnpike), which passes just south of Harrisburg, is a toll road that gives access from Ohio at the west side of the state to New Jersey on the east. This primary automobile route features several tunnels as it traverses the state. Within the region, Interstate 76 passes through Franklin, Cumberland, York, Dauphin, Lebanon, Lancaster and Berks Counties.

Interstate 80 traverses the state well north of Harrisburg. This roadway provides for mixed truck/auto traffic and is the only east/west non-toll interstate in Pennsylvania. Of the counties comprising the Susquehanna Valley, Interstate 80 only traverses Northumberland and Union Counties.

Interstate 78 connects with Interstate 81 in Lebanon County and provides access east into Allentown and further on into New Jersey. Within the region, this interstate traverses Lebanon and Berks Counties. It is the only east/west interstate that has seen notable distribution demand. While there are large several distribution centers in the Fredericksburg area of Lebanon County, the main focus has been in the neighboring Lehigh Valley region.

Interstate 81 provides a transportation route from Maryland in the south through Pennsylvania into New York in the north. The roadway passes through Franklin, Cumberland, Dauphin, Lebanon and Schuylkill Counties. This roadway is a focus of distribution warehouse activity and has been a prime catalyst in a recent shift from a more manufacturing industrial base to one of storage and distribution.

Interstate 83 in York County crosses and interchanges with Interstate 76. Interstate 83 is also a north/south arterial coming north out of Maryland, through York County, Cumberland County and terminating in Dauphin County where it connects with Interstate 81. This highway has also recently been the target of several substantial warehouse projects, including a 705,000 square foot spec warehouse that was leased prior to completion of construction.

Interstates 176 and 180 are also located within the region. These are shorter limited access highways. Interstate 176 connects Interstate 76 in Morgantown, Berks County with the City of Reading via a short connection with Route 422. Interstate 180 traverses the northern portion of Northumberland County, connecting Interstate 80 in the Milton area with Williamsport to the northwest.

US Routes 11/15, 22, 30, 61, 283, 322 and 422 are some other heavily traveled regional arteries.

It is noted that Adams, Juniata, Mifflin, Perry and Snyder Counties are within the region, but lack direct access to limited access highways. These counties are generally more rural in nature.

Rail, Air and Water

Freight rail service in the region is provided by Norfolk Southern and CSX as well as many regional and shortline freight railroads. Amtrak provides passenger connections in the City of Harrisburg and City of Lancaster. Major air access to the region is provided by the Harrisburg International Airport and Capital City Airport.

Conclusion

Overall, the Susquehanna Valley is a vibrant region benefiting from its proximity to other major US markets. Its strong transportation and highway systems provide excellent market access and help to keep the region's economy competitive with other areas of the state and nation. Population projections indicate that the area is growing, and this growth trend is expected to continue. The increases in new residents from other areas of the country will be accompanied by supporting increases in housing units. Income and employment levels are stronger than state and national levels. A well-established government employment base and a sizeable services sector have contributed to the area's lower unemployment rates. While the recent downturn in the global economy has had an effect, the impact on the region has been less than in other areas of the country and state. The overall economic picture of the region is positive and conducive to development.

Immediate Neighborhood

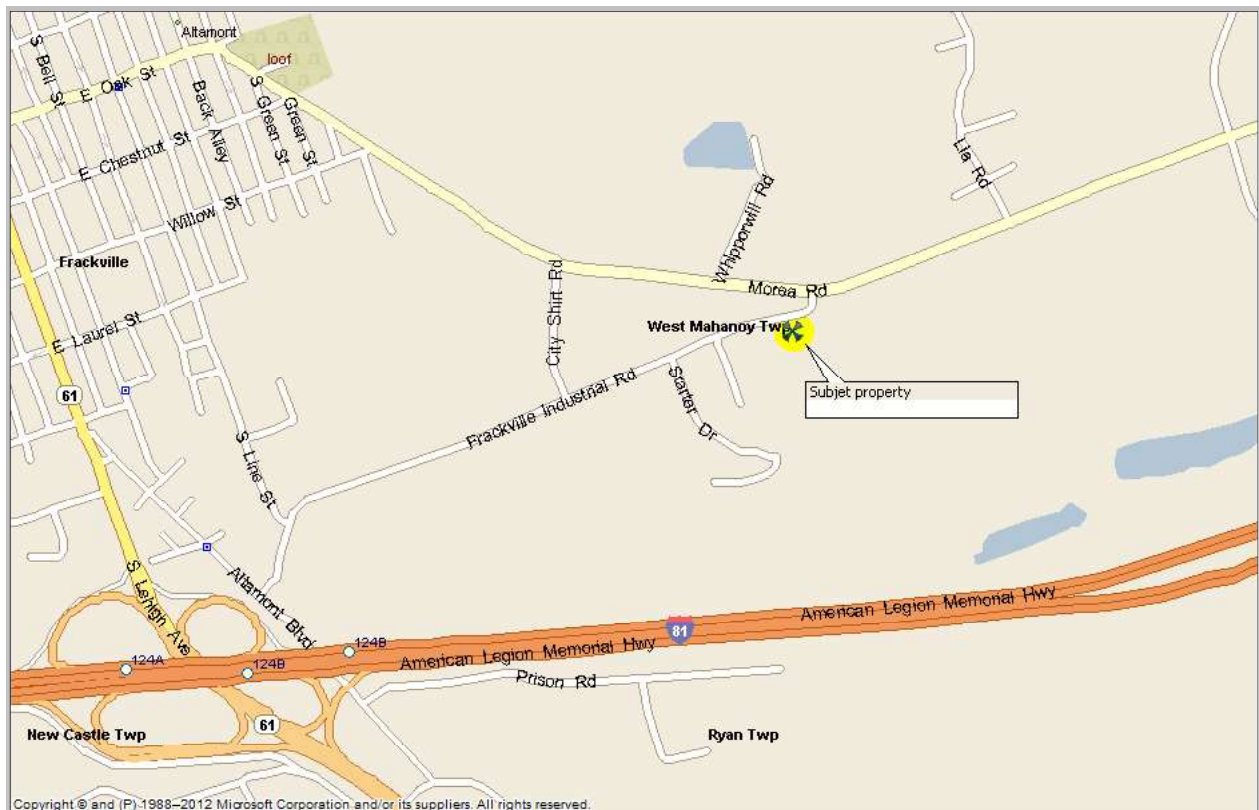
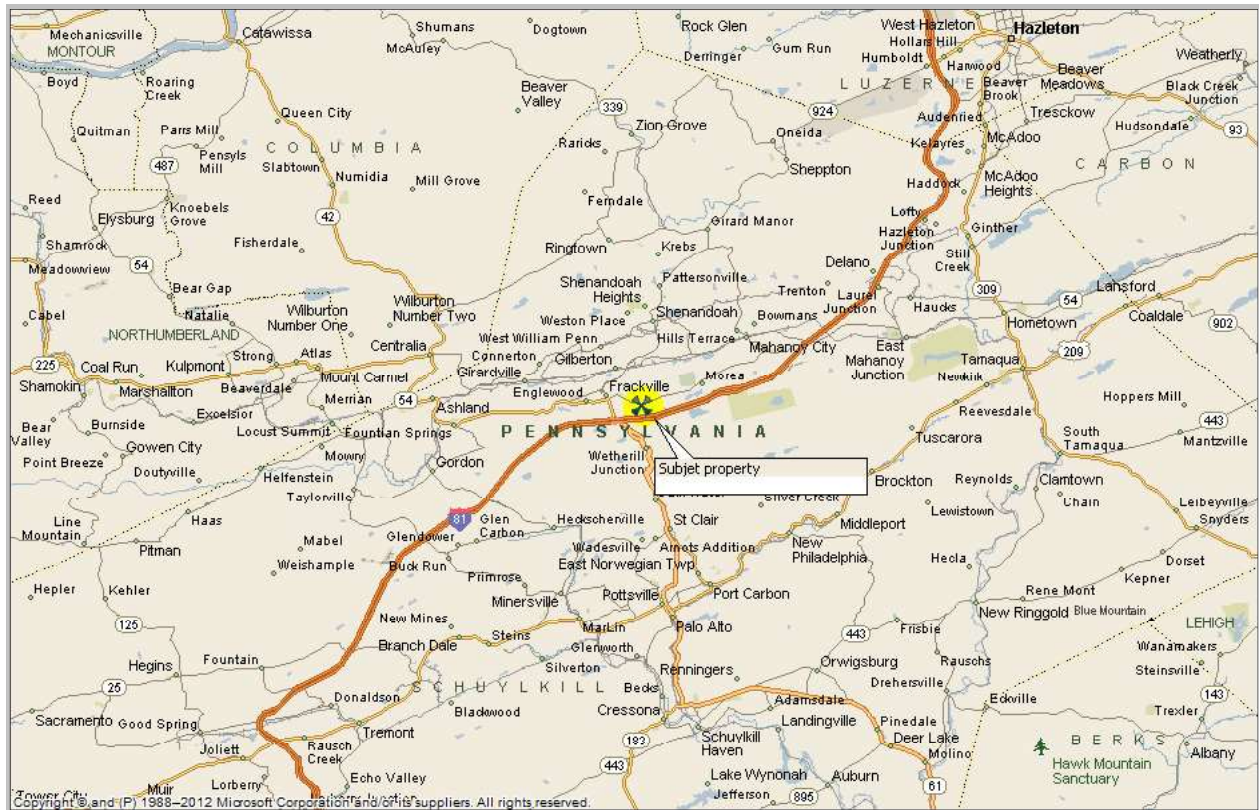
The subject property is located in the Frackville Industrial Park in West Mahanoy Township just east of Frackville Borough. West Mahanoy Township is bounded by Union Township, Butler Township, Frackville Borough, Gilberton Borough, Shenandoah Borough and Mahanoy Township. This industrial park that was developed by the Schuylkill Economic Development Corporation and is a mix of industrial users and commercial users. In addition, there are single-family residential units immediately across the street and north of the subject.

The location of the subject property is shown on the following maps and aerial followed by a plan of the Frackville Industrial Park.

ATTACHMENT 1

178 Industrial Road - Frackville, PA
MVG 19018

Market Area Analysis



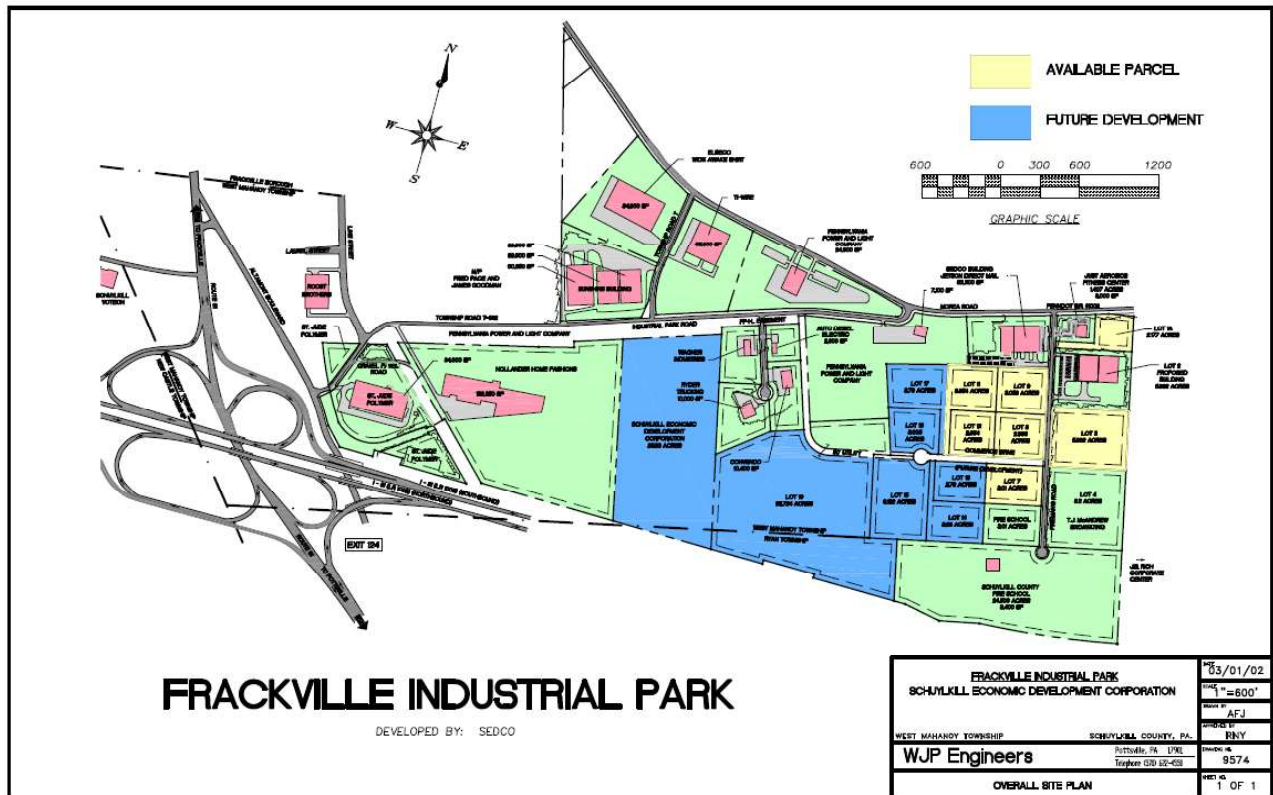
ATTACHMENT 1

178 Industrial Road - Frackville, PA
MVG 19018

Market Area Analysis



Aerial photo dated 3/24/2016 (Pictometry)



ATTACHMENT 1

178 Industrial Road - Frackville, PA
MVG 19018

Market Area Analysis

Other nearby users in the Frackville Industrial Park include a Komatsu dealer, Blackrock Trucks, Fastenal, St. Jude Polymer Corporation, Perryman Company, Wagner Industries, Ryder Transportation Services, Canteen, Mc Andrews Excavating, STP Storage, Auto Diesel Electric Service, PPL Service Center, UGI, Summit Packaging Company, Bear Ridge Machine & Fabrication, Inc., Midatlantic Machinery, Inc. and the Schuylkill County Volunteer Firefighters' Association Training Center & Fallen Firefighters Memorial. Summary demographic information for West Mahanoy Township and Schuylkill County follows.

W Mahanoy Township, Schuylkill County, Pennsylvania							
Demographic Summary							
<i>Source: Esri</i>							
	2010	2018	<u>2010-2018 Change</u>		2023	<u>2018-2023 Change</u>	
	Census	Est.	Number	%Δ	Proj.	Number	%Δ
Population	2,872	2,791	-81	-2.8%	2,722	-69	-2.5%
Households	1,226	1,188	-38	-3.1%	1,157	-31	-2.6%
Per Capita Income	N/A	\$24,940	N/A	N/A	\$28,963	\$4,023	16.1%
Avg. Household Income	N/A	\$57,837	N/A	N/A	\$67,364	\$9,527	16.5%
Median Household Income	N/A	\$46,874	N/A	N/A	\$54,580	\$7,706	16.4%

Schuylkill County, Pennsylvania							
Demographic Summary							
<i>Source: Esri</i>							
	2010	2018	<u>2010-2018 Change</u>		2023	<u>2018-2023 Change</u>	
	Census	Est.	Number	%Δ	Proj.	Number	%Δ
Population	148,289	146,085	-2,204	-1.5%	143,587	-2,498	-1.7%
Households	60,192	58,931	-1,261	-2.1%	57,724	-1,207	-2.0%
Per Capita Income	N/A	\$25,320	N/A	N/A	\$28,816	\$3,496	13.8%
Avg. Household Income	N/A	\$61,548	N/A	N/A	\$70,435	\$8,887	14.4%
Median Household Income	N/A	\$49,246	N/A	N/A	\$54,664	\$5,418	11.0%

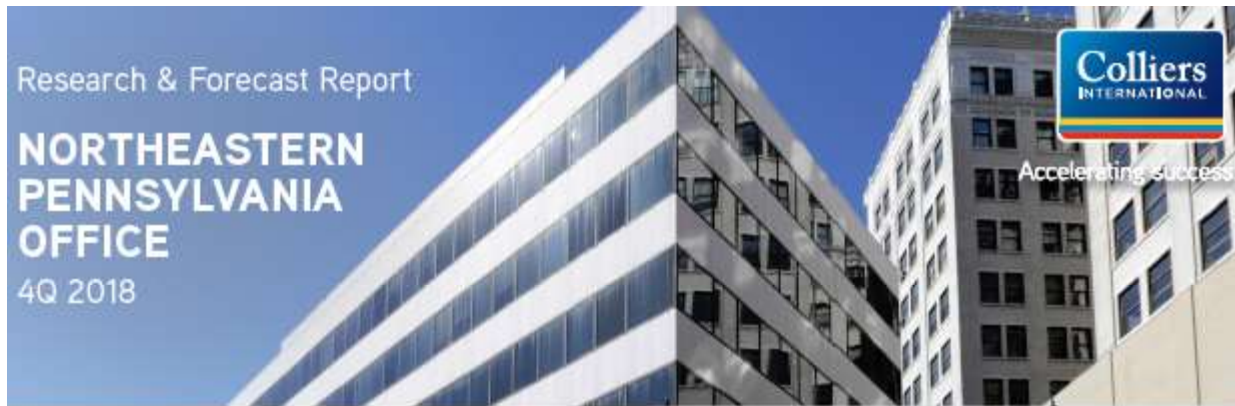
Comparisons between W Mahanoy Township and Schuylkill County		
<i>Source: Esri</i>		
Population and Households	2010-2018	2018-2023
Annual Population Growth		
W Mahanoy Township	-0.35%	-0.49%
Schuylkill County	-0.19%	-0.34%
Annual Household Growth		
W Mahanoy Township	-0.39%	-0.52%
Schuylkill County	-0.26%	-0.41%
Income Levels	2018	2023
Per Capita Income		
W Mahanoy Township	\$24,940	\$28,963
Schuylkill County	\$25,320	\$28,816
Township as % of County	98.5%	100.5%
Avg. Household Income		
W Mahanoy Township	\$57,837	\$67,364
Schuylkill County	\$61,548	\$70,435
Township as % of County	94.0%	95.6%
Median Household Income		
W Mahanoy Township	\$46,874	\$54,580
Schuylkill County	\$49,246	\$54,664
Township as % of County	95.2%	99.8%

The subject property is located less than a mile from Interstate 81 Exit 124 which allows access to Interstate 81 both northbound and southbound. This strong transportation linkage to Interstate 81 allows nearby connection to both Interstate 78 and Interstate 80, allowing good access to the entire Mid-Atlantic region and the rest of the interstate system beyond.

In conclusion, it should be noted that the subject property is located in an industrial park conveniently located less than a mile from an Interstate 81 interchange. The Frackville Industrial Park is primarily industrial users. There is little apparent demand for an office building in this specific location.

Submarket Summary

The subject property is located in an industrial park in a tertiary market a short distance from an Interstate 81 interchange. It is noted that this specific location is not an area of any appreciable office demand. The property is part of the greater Northeast Pennsylvania office market. The 4th Quarter Research & Forecast Report for the Northeast Pennsylvania Office Market from Colliers International follows. Again, given the location of the subject property, the trends and activity noted within the following analysis may have little correlation to the subject property.



2018 | The Rear-View Mirror

- > The vacancy rate dropped from 8.1% to 7.9% at the end of the fourth quarter of 2018, although that was still at the highest level since the end of 2013. Class A vacancy decreased during the fourth quarter to 10.8%, but was up by almost six percentage points for the year. This was mainly a result of the large Bank of America vacancy at 1 Fleet Way. Class B vacancy has been slowly trending downward, ending the year at 6.5%.
- > Demand for office space lagged during 2018, reflecting the metro area's lack of job growth in office-using sectors. Employment in the Information and Professional-Business Services sectors decreased during 2018. However, Financial and Education-Health Services employment increased from the end of 2017.
- > The weighted average rental rate rose by 2.0% during 2018. Class A rent increased by 3.2% to an average of \$19.76 per square foot, full service. The increase for Class B space leveled off during the fourth quarter, and averaged \$18.80 per square foot.

2019 | The Year Ahead

- > According to Moody's Analytics, Scranton-Wilkes Barre-Hazleton's economy will continue to grow but at an "unremarkable pace". The sector with the highest potential for employment growth, Transportation and Warehousing, will not directly benefit the office market.
- > A potential boost may come from the \$150 million funding increase at Tobyhanna Army Depot. The increase in tech-related jobs at the base may provide a stimulus for growth in the region's information sector.
- > The changing healthcare landscape and need for cost-controls and occupancy efficiencies may result in additional office space consolidation by the region's healthcare systems.
- > The population of prime working-age adults increased for the first time since 1991. This may help to increase the region's visibility for potential employers.

Market Indicators (Relative to Prior Period)

	Q4 2018	Q1 2019*
VACANCY	↓	↓
NET ABSORPTION	↓	↑
CONSTRUCTION	↔	↑
RENTAL RATES	↑	↔

*Projected

Arrows compare current period to the previous period and forecast the next period.

New Supply, Vacancy and Absorption



Market Update

CLASS	INVENTORY	DIRECT VACANT	SUBLET VACANT	TOTAL VACANT	VACANCY RATE	NET ABSORPTION YTD	COMPLETIONS YTD	UNDER CONSTRUCTION	AVG. ASKING RENT
A	2,106,938	202,939	23,724	226,663	10.8%	-115,442	0	121,000	\$19.76
B	4,157,211	264,203	4,000	268,203	6.5%	24,226	0	0	\$18.80
Total	6,264,149	467,142	27,724	494,866	7.9%	-91,216	0	121,000	\$19.24

New Construction

- > Geisinger Health System's new build-to-suit 79,000 square foot office building at CenterPoint in Pittston being developed by Mericle Commercial Real Estate Services will be completed in early 2019.
- > Coordinated Health is moving ahead with its previously announced plans to build a hospital in Dickson City, expanding its current location at 330-334 Main Street with an additional 78,000 square feet of medical space. The healthcare company bought the Main Street office properties and tenant Scranton Orthopedic Specialists in September 2017.
- > Brooklyn-based Tirno Equities proposes to create 56 apartments in the former Oppenheim Building at 409 Lackawanna Avenue in Scranton, removing a substantial portion of this 200,000 square foot building from the CBD's office inventory. Construction is expected to commence in late 2019.
- > Locally-based Waterfront Management Group is expected to begin conversion of a 102,000-square-foot warehouse on Pittston's Susquehanna River waterfront into apartments, offices, retail space and a business incubator. The property at East Street and Kennedy Boulevard has been approved for a \$2,000,000 grant from Pennsylvania's Redevelopment Capital Assistance Program.
- > Construction of Coordinated Health's new medical campus and ambulatory surgical center at Humboldt Station in Hazle Township has resumed with plans to build a bigger building than the 42,000 square feet planned when construction started in late 2016. Completion is projected for the second half of 2019.

Market Activity

- > Despite limited activity during most of 2018, there was an increase in leasing activity during the fourth quarter.
- > The investment market was dormant during the fourth quarter with no notable sales or new offerings.

NOTABLE LEASES				
PROPERTY ADDRESS	LOCATION	TENANT	SIZE SF	TYPE
613 Baltimore Drive	Wilkes Barre	Dental Plan Administrators	12,900	New
60 Public Square	Wilkes Barre	M&T Bank	10,000	New
15 Public Square	Wilkes Barre	Elliott Greenleaf	3,400	Renewal
142 Mundy Street	Wilkes Barre	PA Department of General Services	2,481	New
670 S. River Street	Plains	U.S. Armed Forces Career Center	2,119	New

The area analysis notes that the overall area office market saw limited activity during most of 2018. In conclusion, the subject property is located in an industrial park and is not in an area of substantial office leasing or purchase activity.

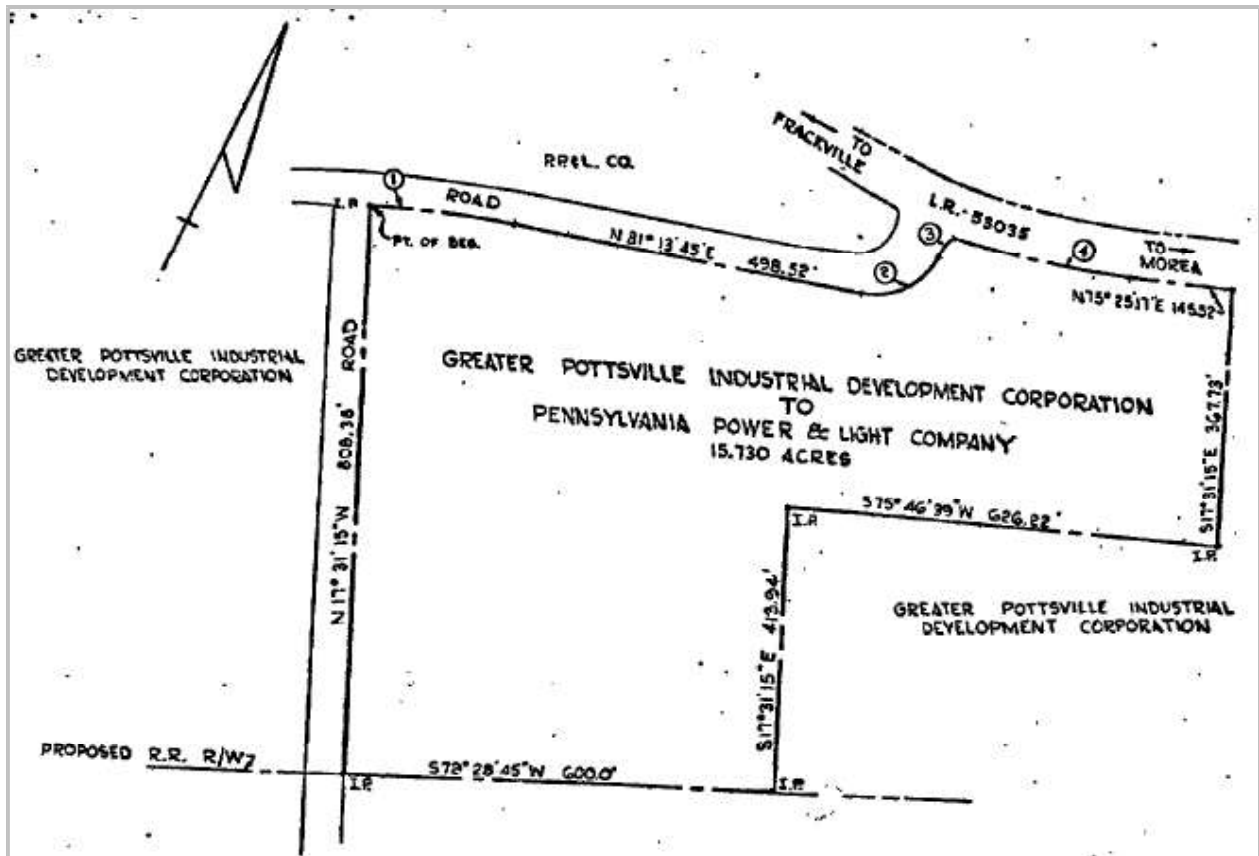
PROPERTY DESCRIPTION

DESCRIPTION OF THE SITE

Land Area: The subject site totals 15.73 acres according to both Schuylkill County tax assessment records and the most recent deed for the subject property.

Tax Parcel ID: 36-06-0006.002

Shape: Irregular



Survey from most current deed for the subject property

Topography/Soils: The topography of the site is generally level to gently sloping. The area of improvements is generally level. The wooded area on the southern portion of the property is gently sloping downward to the southern boundary. No apparent drainage problems were observed but it should be noted that the scope of this appraisal assignment does not include specific tests

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178 Industrial Road - Frackville, PA
MVG 19018

Property Description

for adequacy. Similarly, soils have not been tested but are believed to be adequate for this type of development.

Visibility and Access:

The subject has average visibility along Industrial Road and Morea Road and is accessed via Industrial Road.

Frontage:

The subject property has frontage along Industrial Road and Morea Road. The estimated traffic count along Morea Road is 3,800 vehicles per day. The estimated traffic count along nearby Interstate 81 is 27,000 vehicles per day. Historical surveys made available for the subject property show a road right-of-way between the subject property and the adjacent properties to the west of the subject, but this road has never been developed.

Land-to-Building Ratio:

70.7:1

The valuation approaches herein address that the subject property has substantial surplus acreage.

Paving/Parking:

The property includes approximately 69,000 square feet of paving according to Schuylkill County tax assessment records. The size of the paving was confirmed by aerial photographs. There are roughly 100 striped parking spaces and considerable additional area that could be striped. The 100 spaces equate to a parking ratio of 10.3 spaces per 1,000 square feet of GBA. This is more than double what is typical for office space. As such, it is concluded that the property has excessive paving. The paving shows substantial cracking and is considered to be in fair condition.

Landscaping:

Minimal at the front of the building

Utilities:

The subject property operates on all public utilities. The office building is heated by electric and is not connected to natural gas supply. Gas is reportedly available along Morea Road.

Flood Zone:

According to a review of Flood Insurance Rate Map Number 42107C0164E (effective date November 19,

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Property Description

2014) of the Federal Emergency Management Agency's National Flood Insurance Program, it appears as though the subject property is located in an area designated as Zone X, which indicates areas of minimal flooding.

Hazardous Materials:

The scope of this appraisal assignment has not included any environmental audits or testing for hazardous materials. As in the case of all real estate, parties with interest in the subject property are advised to have a complete understanding of the environmental issues surrounding the subject site. The appraisers are not aware of negative environmental conditions at the subject property. This appraisal assignment assumes that the subject property is environmentally clean.

Underground Tanks:

The property contact reports that no underground storage tanks (USTs) are located on the property. Appraisers are not experts at detecting underground tanks. Parties with interest in the subject property are advised to have an environmental expert retained to confirm the presence or absence of such tanks.

Wetlands:

A wetlands survey has not been reviewed as part of the scope of this assignment. In addition, no obvious wetlands areas were noted during the inspection or reported by the property contact or client. This appraisal assignment assumes that no wetlands exist on the subject property. If wetlands are found to be present, the valuation may require reconsideration.

Easements/Encroachments:

Since a survey of title is beyond the scope of this report, a precise rendering of recorded easements and encroachments was not available. From a review of the current deed and from the physical inspection of the subject site, no additional easements or encroachments, other than typical utility easements, are apparent that would inhibit utilization of the site.

Zoning:

The subject property is located in the I-2, Heavy Industrial zoning district of West Mahanoy Township. The zoning officer, Mr. Marvin Livergood, was interviewed for this assignment and confirmed that the subject property is located in the I-2, Heavy

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Property Description

Industrial Zone. Despite office use not being listed in the zoning ordinance as a permitted use, Mr. Livergood indicated that the current office use is a legally permitted and conforming use within this zone.

Selected permitted uses within the I-2, Heavy Industrial zone include:

- Storage
- Packing
- Testing
- Manufacturing
- Railroad Yards
- Repair Shops
- Wholesale business
- Storage & Warehouse
- Truck & Freight Terminals
- Deliver & Distribution Centers
- Wholesale Produce & Meat Markets
- Mechanical & Vehicle Equipment Repair
- Laundries
- Sign Painting
- Automatic Car Wash
- Graphic Reproduction Shops
- Printing & Publishing
- Radio & Television Studios
- Transmission or Receiving Towers
- Animal & Veterinary Hospitals 7 Clinics
- Animal Kennels
- Materials & Fuel Storage
- New & Used Machinery Storage & Sales
- Vehicle & Trailer Sales & Storage
- Farm Equipment & Construction Machinery
- Monument Works
- Nurseries & Greenhouses
- Auto Service Stations

Other Site Improvements:

Site improvements, other than the subject building(s), include paved parking, flag pole, curbing, pole-mounted lighting and fencing.

Approval Status:

In an appraisal of vacant land, it is important to identify the status of development approvals for the

subject property and for the comparable sales. Generally speaking, land transactions fall under one of three categories: unapproved, contingent on the buyer procuring approvals prior to settlement and approved (where the seller has secured the approvals).

Unapproved land is also commonly referred to as raw land. When unapproved land is purchased without an approval contingency, the buyer recognizes significant risk associated with the following:

- 1) If engineering has not been completed, the buyer does not know what density or development is ultimately achievable.
- 2) If engineering has not been completed, the buyer is unaware of what the site costs may be.
- 3) The buyer does not know exactly how long the approval process will take.
- 4) The buyer does not know what off-site costs may be required by the municipality.
- 5) Because the amount of time to take the property through the approval process is unknown, the buyer risks possible market changes that could affect the market value of the property.
- 6) The buyer may recognize a lost opportunity cost during the approval process as he must carry the property for an uncertain amount of time.

Of the three approval status categories noted previously, unapproved sites generally sell for the lowest prices per acre (all other things being equal).

Developers often purchase land contingent on their ability to get the site approved for development. In this scenario, all costs of the approval process are still borne by the developer. However, much of the uncertainty is removed and the ultimate purchase is of approved ground. The risks recognized by the developer-buyer are reduced because:

- 1) Upon settlement, the buyer knows exactly what can be developed.
- 2) Site development costs can be more accurately projected.
- 3) If the project is infeasible due to an insufficient site yield, site conditions, etc., the buyer can walk away from the deal.

- 4) If the market changes negatively during the approval process, the buyer can walk away from the deal.
- 5) The buyer does not have to carry the property during the approval process.

Prices paid for land that is purchased contingent on the buyer procuring the approvals are generally higher than land purchased unapproved (raw).

Some property owners take land through the approval process themselves, and then market approved/unimproved land to developers and/or builders who can then install site infrastructure immediately. Transactions involving land that is already approved represent the highest prices paid for land (all other things being equal), because all of the risk related to obtaining the approvals has already been borne by the seller, not the buyer. As with contingent sales where the buyer procures the approvals, the buyer knows exactly what can be built, but here, no additional time or money must be expended by the buyer to procure the approvals.

Typically, after site plan approval has been achieved and permitting has been obtained for a development, the value of the land increases substantially.¹²

The subject property has no additional approvals beyond the existing office building and improvements and the land will be appraised as unapproved.

¹² Appraisal Institute, *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), 361.

DESCRIPTION OF THE IMPROVEMENTS

Main Improvement: The subject site is improved with a single-story office building containing a gross building area (GBA) of 9,704 square feet and an estimated net rentable area (NRA) of 9,289 square feet. The GBA and NRA are based on measurements taken by the appraisers and will be relied upon within this appraisal assignment. The GBA according to Schuylkill County tax assessment records is 9,693 square feet and varies only slightly from the GBA concluded. The building consist of entirely office space. Based on the measured GBA and the estimated NRA, the building has a 95.7% efficiency.

There is inconsistency in the subject's market relating to how office area is measured and leases are written. Office landlords, brokers/agents and managers use various methods to define tenant-occupied areas. Some leases are based on GBA, some on NRA and others on useable area. Many leased areas have a core factor applied to an occupied area to arrive at the "leased area." Many leases do not specify the method of measurement, and often tenants, landlords and agents are not clear about how space was measured. It is important to be as consistent as possible in analyzing sizes. For clarity, the following terms are explained.

Gross Building Area (GBA) is measured from the outside finished surface of permanent outer building walls, without deductions.

Net Rentable Area (NRA), often also called rentable area, is measured from the inside wall face of exterior walls, less vertical penetrations in the building (elevator shafts, HVAC ducts and stairwells). The NRA is often larger than the physically occupied space because it also includes a proportionate amount of common area.

Useable Area is the actual physical area that can be occupied by tenants. It is measured from the interior wall face of exterior walls to the middle of common walls. Useable area does not include vertical penetrations, mechanical rooms, or other common areas in the building.

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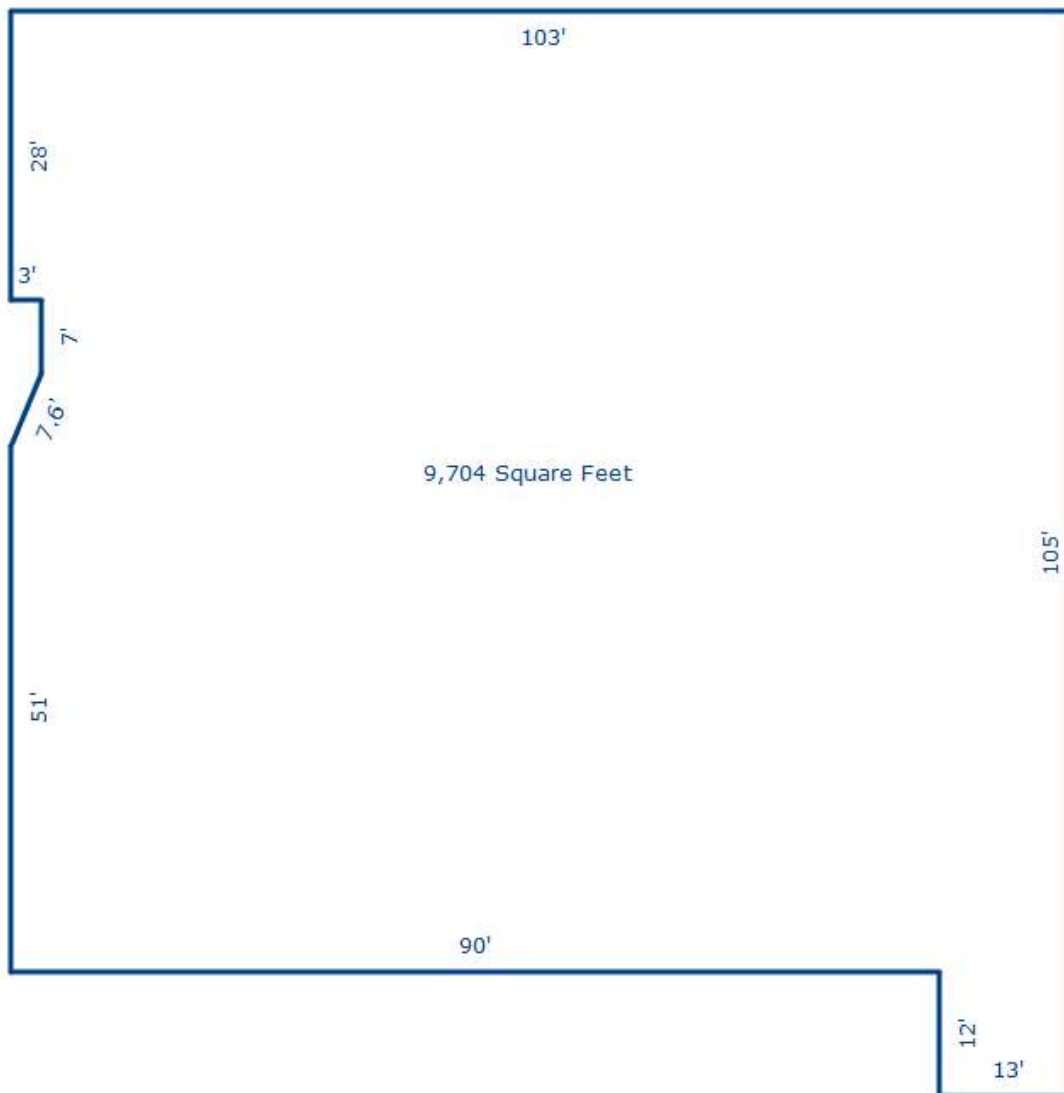
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Property Description

The building *Efficiency Ratio* is the ratio of NRA to GBA, expressed as a percentage. As NRA is always less than GBA, the efficiency ratio will always be less than 100%.

The building *Core Factor* is the ratio of NRA to useable area. Because NRA is always greater than useable area, the building core factor is always greater than 1.0. Note that NRA is also equivalent to the useable area multiplied by the core factor.

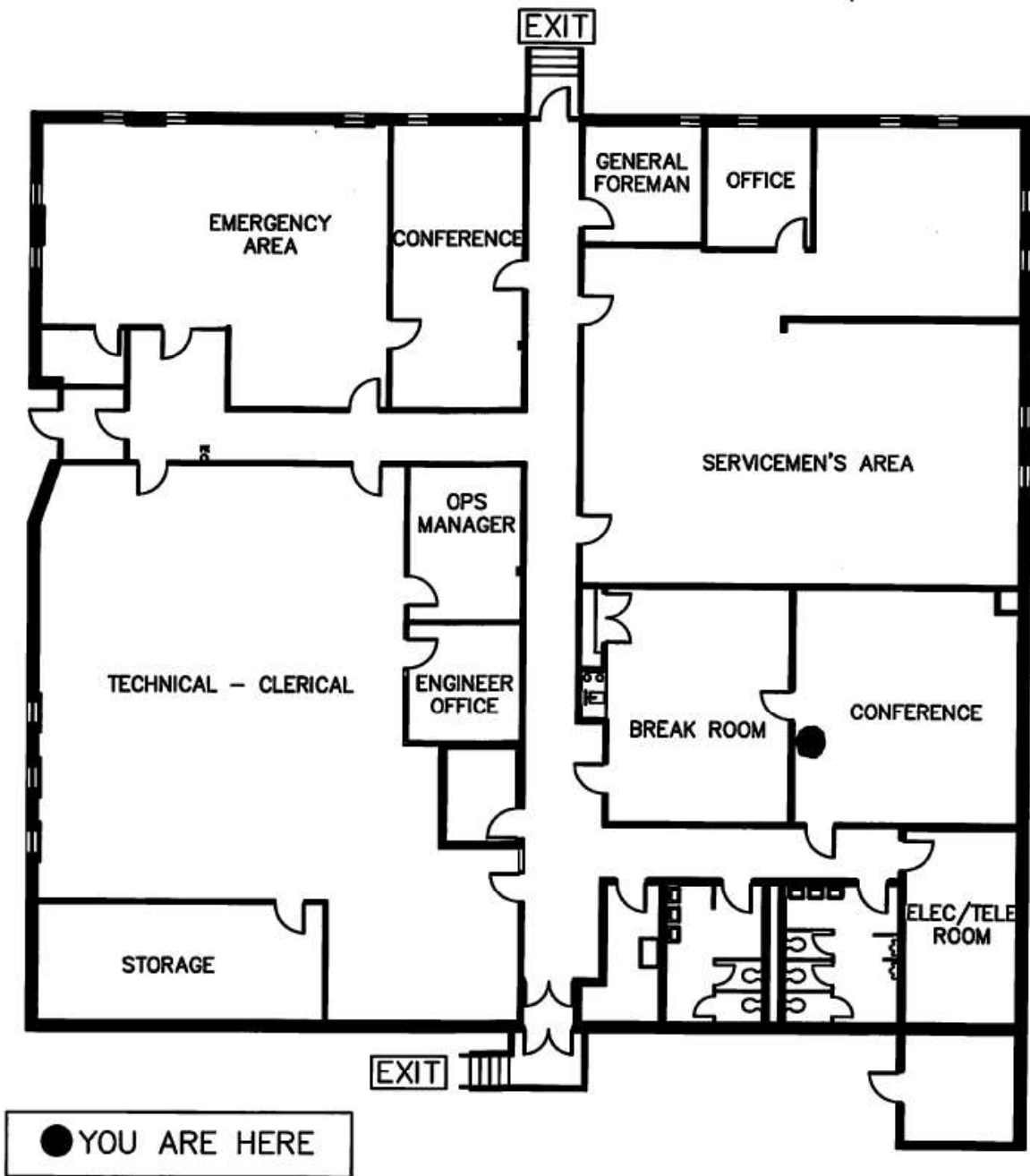
The following sketch shows the layout of the subject improvements based on measurements taken during the inspection, followed by a floor plan provided by the client.



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Property Description



- Foundation: Slab on grade
- Building Frame: Steel frame with masonry
- Exterior Walls: The office building exterior is a mix of fluted concrete texture block wall and brick.

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Roof:	The roof was not able to be inspected during the appraisal inspection. The property contact reported that the roof is flat but the roof material is unknown. Aerial photos show a light colored material, but the exact material is unknown. The exact age of the roof is unknown and one of the subject contacts reports that there have been some leaks in the recent past and that the roof is likely approaching the end of its useful life.
Fenestration:	The entrance doors are a mix of insulated double-pane glass and steel commercial grade units. The office windows are aluminum-frame, insulated, double-pane units.
Interior Walls:	Interior walls are a mix of textured wallpaper and painted drywall surfaces. There are also some painted block walls and bathrooms include partial ceramic tile surfaces.
Floors:	The floors are primarily finished with commercial grade carpet, but some areas also include VCT floor surfaces. Bathroom floors are covered with ceramic tiles.
Ceilings:	Ceilings throughout the office building are 9.5 feet clear and are exclusively suspended acoustic tiles.
Loading/Receiving Areas:	None
Basement:	None
Electricity:	The main switchgear is reported to be rated at 800 amps. The office building also reportedly includes a backup generator. It is assumed that the subject property's electrical system conforms to all applicable building codes and regulations. The property representative did not note any problems with the system.
Lighting:	The lighting throughout the office building is a mix of older T8 and T12 florescent fixtures.
HVAC:	The office building is heated and cooled by four rooftop heat exchangers powered entirely by electricity. According to one of the property contacts, these units are estimated to be between 15 and 20 years old and are likely approaching the end of their useful lives.

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Property Description

- Plumbing:** It is assumed that the subject property's plumbing system conforms to all applicable building codes and regulations.
- Elevators:** None
- Sprinklers:** None. The office building reportedly includes a fire alarm system.
- Functional Utility:** The subject property is a single-story office building with a mix of private offices, conference room and open office areas. The building is handicap accessible. There is abundant parking at grade immediately adjacent to the building. The buildout is appropriate for general office use. The functional utility of the subject is considered average.
- Age and Condition:** According to Schuylkill County tax assessment records, the subject office building was built in 1981. The roof, HVAC and carpet are reported to be at or near the end of their useful lives. The office building is considered to be in fair to average condition. The paving is considered to be in fair condition.

TAX ASSESSMENT ANALYSIS

The subject property is identified by the Schuylkill County Tax Assessment Office as parcel 36-06-0006.002. The location of the subject parcel(s) is shown on the following tax map.



Each county in Pennsylvania has a predetermined ratio that equates the assessed value to its corresponding initial “base year” market value (generally as of the date of the last re-assessment). In addition, the State Tax Equalization Board (STEB)/Tax Equalization Division (TED) assigns each county an annual common level ratio. This is the ratio between the assessment and the current implied market value (based on previous year sales activity).

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Property Description

The following is a summary of the subject property's tax assessment and liability.

Tax Assessment Summary Table			
Tax Identification Number 36-06-0006.002			
Land Assessment	\$37,165	Municipal Millage Rate	0.007150
Building Assessment	<u>\$194,685</u>	County Millage Rate	0.015380
Total Assessment	\$231,850	School District Millage Rate	0.056975
		Other Millage Rate	<u>0.000600</u>
Predetermined Ratio	50.0%	Total Millage Rate	0.080105
Common Level Ratio	41.6%		
		Effective Tax Rate	0.033324
Implied Value	\$557,332	Tax Liability	\$18,572

The reader should note that if the implied market value is lower than the appraised market value, there is risk that the assessment could be challenged and the taxes increased. Conversely, if the implied market value is higher than the appraised market value, a tax assessment appeal should be investigated by the property owner.

VALUATION

HIGHEST AND BEST USE ANALYSIS

Introduction

Highest and best use reflects a basic assumption about real estate market behavior; that the price buyers will pay for a property is based on their conclusion about the most profitable use of the property. The determination of highest and best use is based on careful consideration of prevailing market conditions, trends affecting market participation and change, and the existing use of the subject property.

Highest and best use may be defined as 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.

To conclude that a given use is the highest and best use, the use must meet four criteria. The highest and best use must be

- 1) legally permissible;
- 2) physically possible;
- 3) financially feasible; and
- 4) maximally productive.

Each factor is considered in sequential order, thereby eliminating, at each level, uses that do not qualify. Finally, the use that remains is the highest and best use.

Highest and Best Use as Vacant

First, the highest and best use of the subject site as though vacant is determined. Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination, is regarded as the highest and best use of the land. It is assumed that the parcel of land in question is vacant. Even an improved site can be made vacant by demolishing the improvements. The question to be answered is: If the subject site were vacant, what new improvement(s), if any, should be constructed?

This 15.73-acre site is served by public water and sewer. The site is located in the I-2, Heavy Industrial Zone that permits a wide variety of industrial uses. The site is located within an industrial park and has good access to Interstate 81. The site size allows for a wide variety of industrial uses and purportedly office use.

Considering the four factors of Highest and Best Use, namely legally permissible, physically possible, financially feasible and maximally productive, the highest and best use of the subject site, as if vacant and available for development, as of the valuation date, is concluded to be for industrial development.

Highest and Best Use as Improved

The highest and best use of a property, as improved, refers to the optimal use that could be made of the property considering all existing structures. The implication is that the existing improvements should be renovated or retained so long as they continue 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 improvements and redevelopment of the site.

The subject is improved with a single-story office building. The building is in fair-to-average condition and contains a GBA of 9,704 square feet and an estimated NRA of 9,289 square feet. The building has average functional utility for continued office use and contributes to the overall value of the property. It is noted that the property includes substantial surplus land area.

Considering the same four factors as in the “as vacant” scenario but applied to the subject as improved, the highest and best use as improved, is concluded to be for continued office use and industrial development of the surplus land.

LAND VALUATION

The client has requested a value for the vacant unimproved land without any existing improvements. It is noted that the property has no current development approvals beyond the existing improvements.

Land Valuation

There are six generally accepted methods to value land. These methods include sales comparison, allocation, extraction, subdivision development, land residual and ground rent capitalization. In this analysis, only the Sales Comparison Approach is developed.

The Sales Comparison Approach is defined as “the process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.”¹³

The Sales Comparison Approach is dependent upon a number of factors, including the availability of comparable sales data, the verification of the sales data, the degree of comparability and the extent of adjustment necessary for differences and the absence of non-typical conditions affecting the sale price.

The Sales Comparison Approach is by far the most reliable approach to land value when a sufficient number of reliable, comparable sales are available. The other methods of estimating land value are either less reliable than the Sales Comparison Approach or not developable.

Several land sales have been analyzed and compared to the subject site as if it was vacant and available for development to its highest and best use. It should be noted that the unit of comparison used in this analysis is the price paid per acre for each property. The price per acre gives a reasonable indication of the market's development expectations of the subject site. Several land sales have been selected as being most comparable to the subject and are indicated on the map on the following page. A summary of the sales and detailed descriptions of each are presented following the map.

¹³ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Edition (Chicago: Appraisal Institute, 2015), 207.

Comparable Land Sale 1

State Route 61
LOB 00349

Location Data

Location:	State Route 61
Municipality:	Norwegian Township
County:	Schuylkill
State:	PA
Tax Identification:	20-02-0011.000 & 20-02-0040.000

Physical Data

Property Type:	Industrial Land
Land Area (acres):	19.40 acres
Land Area (sf):	845,064 square feet
Shape:	Irregular
Zoning:	C-2, I
Topography:	Sloping
Utilities:	All public to site
Approvals:	Unapproved
Site Improvements:	None



Aerial photo dated 3/24/2016 (Pictometry)



Aerial tax map from Schuylkill County GIS

Sale Data

Sale Status:	Sold
Sale Date:	09/2018
Marketing/Exposure:	Since at least 1/2013
Deed Reference:	2639/0337
Grantor:	Seitzinger Group
Grantee:	Dochose Holdings, LLC

Property Rights Conveyed:	Fee simple estate
Sale Price:	\$190,000
Unit Rates:	\$9,794 per acre \$0.22 per sf
Prior Asking Price:	\$395,000, reduced to \$195,000
Financing:	Cash to seller

Confirmation Source: Eric Seitzinger of BHHS Homesale Realty, tax assessment records and deed

Comments

The real estate that is the subject of this transaction was two parcels of vacant land. One parcel was zoned commercial and one parcel was zoned industrial. The buyer attempted to get the commercial land re-zoned industrial prior to settlement, but the buyer ultimately settled on the land without re-zoning or approvals complete. The property had over 1,100 feet of frontage on PA Route 61. The property was sloping which impacted the purchase price substantially according to the listing agent who also had an interest in the property. The buyer was a medical marijuana grower with plans to build a 50,000 square foot growing facility. The deed notes that the sale includes coal rights under at least a portion of the land.

Comparable Land Sale 2

**70 Bordnersville Road
BDC 00533**

Location Data

Location:	70 Bordnersville Rd
Municipality:	Union Township
County:	Lebanon
State:	PA
Tax Identification:	33-2311945-402648-0000

Physical Data

Property Type:	Industrial Land
Land Area (acres):	32.95 acres
Land Area (sf):	1,435,302 square feet
Shape:	Irregular
Zoning:	Agricultural
Topography:	Generally level
Utilities:	All public to site
Approvals:	Approvals contingent on buyer
Site Improvements:	See comments



Tax map



Aerial photo dated 2/26/2018 (Pictometry)

Sale Data

Sale Status:	Sold
Sale Date:	10/2017
Marketing/Exposure:	Not disclosed
Deed Reference:	201714184
Grantor:	Abe Harounzadeh and Doughlas S. Dohner
Grantee:	SVF Bordnersville Property, LLC

Property Rights Conveyed:	Fee simple estate
Sale Price:	\$545,000
Unit Rates:	\$16,540 per acre \$0.38 per sf
Prior Asking Price:	Not available
Financing:	Cash to seller

Confirmation Source: Vincent Ranalli of CBRE and deed

Comments

The real estate involved in this transaction is a farmstead that was sold contingent on the buyer being able to obtain approvals for development of the property with a warehouse. The site has a strong location in the northeast quadrant of the junction of Interstates 78 and 81.

ATTACHMENT 1

178 Industrial Road - Frackville, PA
MVG 19018

Valuation

Reportedly, the property was placed under agreement of sale for a contract price of \$500,000, contingent on the buyer (Brewster Development) getting development approvals. Prior to closing, Brewster was able to procure the necessary approvals to develop the site with a 345,600 square foot warehouse. Brewster then assigned their position in the purchase agreement to the ultimate buyer, SVF Bordnersville Property, LLC. SVF paid Brewster an assignment fee of \$4,227,078 to replace Brewster as buyer. The deed price (\$500,000) reflects the sale price of the land contingent on approvals. The site was also improved with a large barn, a two-story farmhouse, a garage and several outbuildings that had an estimated GBA of 9,000 square feet. Demolition of these improvements was completed and paid for by the ultimate buyer, SVF. Demolition costs have been estimated by the appraisers at \$45,000. Therefore, the effective sale price is \$545,000 (deed price plus demolition costs). The ultimate price paid for the fully-approved, shovel-ready site was \$4,727,078.

Note that while the site was not impacted by flood plain, there was a small stream toward the southern end of the property. Federal wetland maps do not indicate the presence of wetlands on the site.

Comparable Land Sale 3

50 MSC Drive
BDC 00532

Location Data

Location: 50 MSC Drive
Municipality: Union Township
County: Lebanon
State: PA
Tax Identification: Parts of 33-2307866-406660 and 33-2308830-407153 (now 33-2308577-405695)

Physical Data

Property Type: Industrial Land
Land Area (acres): 35.53 acres
Land Area (sf): 1,547,687 square feet
Shape: Irregular
Zoning: Industrial
Topography: Generally level
Utilities: All public to site
Approvals: Contingent on buyer
Site Improvements: None



Image from CBRE marketing flyer



Undated aerial from Lebanon County Property Viewer

Sale Data

Sale Status:	Sold	Property Rights Conveyed:	Fee simple estate
Sale Date:	11/2015	Sale Price:	\$900,000
Marketing/Exposure:	Since at least 2/2010	Unit Rates:	\$25,331 per acre
Deed Reference:	201515217 and 201515218		\$0.58 per sf
Grantor:	Craig E. Steiner and Kathy S. Steiner (parcel 406660) and Trinity United Methodist Church (parcel 407153)	Prior Asking Price:	NA
Grantee:	RPG SVF Jonestown Property, LP	Financing:	Cash to seller
Confirmation Source:	Joe McDermott and Vincent Ranalli of CBRE and deed		

Comments

Reportedly, the property was placed under agreement of sale for a contract price of \$900,000, contingent on the buyer (Brewster Development) getting development approvals. Prior to closing, Brewster was able to procure the necessary approvals and assigned their position in the purchase agreement to the ultimate buyer, RPG SVF

ATTACHMENT 1

178 Industrial Road - Frackville, PA
MVG 19018

Valuation

Jonestown Property, LP. RPG originally agreed to pay Brewster an assignment fee of \$3,350,000. Ultimately, the assignment fee was reduced to \$3,190,000 to credit Brewster \$160,000 for costs associated with relocating a gas line on the property. The combined deed prices (\$900,000) reflects the sale price of the land contingent on approvals. The ultimate price paid for the fully-approved, shovel-ready site was \$4,090,000.

Comparable Land Sale 4

100 Liberty Valley Road
LOB 00112

Location Data

Location:	100 Liberty Valley Road
Municipality:	Valley Township
County:	Montour
State:	PA
Tax Identification:	8-13-91

Physical Data

Property Type:	Industrial Land
Land Area (acres):	26.00 acres
Land Area (sf):	1,132,560 square feet
Shape:	Irregular
Zoning:	Industrial
Topography:	Gently sloping
Utilities:	All public nearby
Approvals:	Unapproved
Site Improvements:	None



Aerial photo dated 03/09/2013 (Pictometry)



Undated aerial photo (Esri)

Sale Data

Sale Status:	Sold	Property Rights Conveyed:	Fee simple estate
Sale Date:	10/2014	Sale Price:	\$715,000
Marketing/Exposure:	Since at least 10/2013	Unit Rates:	\$27,500 per acre
Deed Reference:	2014-001870		\$0.63 per sf
Grantor:	Edward G. Pulsifer and Cheryl J. Pulsifer	Prior Asking Price:	\$988,000
Grantee:	Mifflinville Realty, LLC	Financing:	Cash to seller
Confirmation Source:	Craig Rahn of NAI/CIR and deed		

Comments

The real estate that is the subject of this transaction is a raw piece of vacant land zoned industrial. The seller had previously subdivided this land from a larger parcel. Although known as 100 Liberty Valley Road, the property has no frontage on Liberty Valley Road, but rather has frontage and access at the northeast corner of the property on an unnamed road connected to Old Valley School Road, which in turn connects to Continental Boulevard (PA Route 54) and further to nearby Interstate 80. The buyer operates a concrete plant on a leased parcel immediately north of the subject property. The buyer purchased the property with plans to move his operation in time to the subject property.

Comparable Land Sale 5 (Listing)

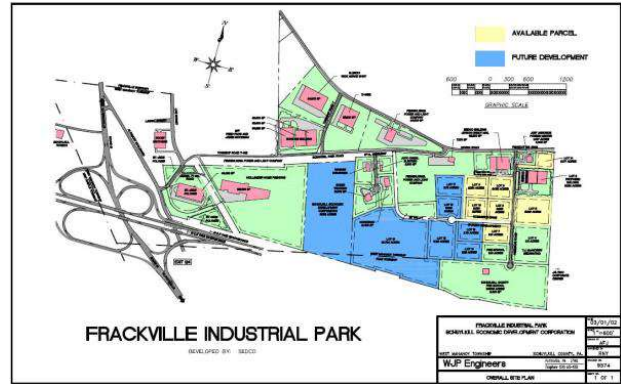
Frackville Industrial Park
LOB 00348

Location Data

Location: Fireman's Road
Municipality: West Mahanoy Township
County: Schuylkill
State: PA
Tax Identification: Various

Physical Data

Property Type: Industrial Land
Land Area (acres): 55.00 acres
Land Area (sf): 2,395,800 square feet
Shape: Irregular
Zoning: I-2, Heavy Industrial Zone
Topography: Generally level to gently sloping
Utilities: All public to site
Approvals: Unapproved
Site Improvements: See comments



Listing Park Map



Aerial photo dated 3/24/2016 (Pictometry)

Sale Data

Sale Status: For sale
Sale Date: Current listing
Marketing/Exposure: Since at least 2011
Deed Reference: Current listing
Grantor: Current listing
Grantee: Current listing

Property Rights Conveyed: Fee simple estate
Sale Price: \$1,100,000
Unit Rates: \$20,000 per acre
\$0.46 per sf
Prior Asking Price: Not available
Financing: Assumed cash to seller

Confirmation Source: Frank Zukas of SEDCO and listing information

Comments

The real estate that is the subject of this listing is industrial land within the Frackville Industrial Park. The property totals approximately 55 acres of mostly contiguous land which is offered in lots ranging from 3-15 acres. Some of these lots are immediately available, while additional lots would be available in the future subject to the development of a required access road. All lots would have access on either Fireman's Road, Morea Road, Industrial Road or a road to be developed in the future. Public utilities are available at the street for all lots.

Analysis of the Comparable Land Sales

The following is a relative comparison analysis and a ranking analysis for the valuation of the subject site via the Sales Comparison Approach. Relative comparison analysis is defined by the Appraisal Institute as “a qualitative technique for analyzing comparable sales; used to determine whether the characteristics of a comparable property are inferior, superior, or similar to those of the subject property.”¹⁴ The comparable land sales have been analyzed based on several elements of comparison. These elements of comparison are described below.

Elements of Comparison

In the upcoming table, each comparable land sale is compared to the subject based on several elements of comparison. These are the characteristics or attributes of properties and transactions that cause the land prices to vary. They include items such as market conditions, location, land size, etc. The following paragraphs explain the rationale behind each element of comparison.

Property Rights Conveyed - In most land valuations, the fee simple estate is valued. This category accounts for different property rights between the subject site and the comparable land sales.

Terms of Sale/Financing - This category accounts for atypical financing arrangements for comparable sales. The subject site is appraised in terms of cash in US dollars or in terms of financial arrangements comparable thereto. Sales involving favorable financing or non-cash consideration may be inferior or superior to the subject.

Conditions of Sale - This element of comparison considers factors that may have impacted the sale price due to motivations by the buyer or seller, or other transactional conditions that influence sale prices. For example, it is common for buyers of neighboring properties to pay a premium to control adjacent properties. In these cases, the prices may be superior to the subject. Listings regularly exhibit higher asking prices than their ultimately achieved prices. Therefore, listings will often be analyzed as superior to a subject property.

Market Conditions (Time) - This element of comparison accounts for changing market conditions from the date of each comparable sale to the effective date of this appraisal. For example, sales that occurred during a weaker market may be shown as some level of inferior to the effective date of this appraisal.

Location - This element of comparison is based on the relative strength of the surrounding land uses, accessibility to major activity centers and access ways,

¹⁴ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Edition (Chicago: Appraisal Institute, 2015), 194.

strength of local economy and amount of competition. Stronger locations will be shown as superior and weaker locations as inferior.

Site Size - Size considerations are based on the concept of economies of scale, as larger sites often sell for lower unit prices with all other factors being equal. In addition, the buyer pool is somewhat reduced with larger sites and larger acquisition prices. Therefore, if the comparable sale is significantly larger than the subject site, it may be shown as inferior. Conversely, a significantly smaller comparable sale may be shown as superior to the subject.

Zoning - This element of comparison addresses differences in zoning districts. Note that while zoning districts may have similar names in different municipalities, the permitted uses and limitations in those zones may be very different.

Flood Zone - This element of comparison accounts for differences in flood zone status. A property predominantly in a flood zone will likely be inferior to a property that is not in a flood zone.

Topography/Physical Issues - This category is based on issues that may affect the site's utility, such as easements, topography, access, shape, etc.

Utilities - Occasionally, there are differences in the availability of public utilities between the subject and comparable sales. This category accounts for those differences. For example, if the subject is serviced by public water and sewer and the comparable sale has well water and septic, the comparable sale may be inferior to the subject.

Approvals - Land can sell raw, without any development approvals, contingent on the buyer procuring approvals, or approved by the seller. This category accounts for differences in value among these different stages of approval.

The following table(s) summarizes the relative comparison analysis. A ranking analysis will then follow.

ATTACHMENT 1

**178 Industrial Road - Frackville, PA
MVG 19018**

Valuation

Analysis of Comparable Land Sales 1 through 5						
	<u>Subject</u>	<u>Sale 1</u>	<u>Sale 2</u>	<u>Sale 3</u>	<u>Sale 4</u>	<u>Sale 5</u>
Address	178 Industrial Road	State Route 61	70 Bordnersville Road	50 MSC Drive	100 Liberty Valley Road	Fireman's Road
Municipality	West Mahanoy Township	Norwegian Township	Union Township	Union Township	Valley Township	West Mahanoy Township
County	Schuylkill	Schuylkill	Lebanon	Lebanon	Montour	Schuylkill
State	Pennsylvania	Pennsylvania	Pennsylvania	Pennsylvania	Pennsylvania	Pennsylvania
Property Rights Conveyed	Fee simple estate	Fee simple estate	Fee simple estate	Fee simple estate	Fee simple estate	Fee simple estate
Terms of Sale/Financing		Cash to seller	Cash to seller	Cash to seller	Cash to seller	Assumed cash to seller
Conditions of Sale		Arm's length	Arm's length	Arm's length	Neighbor purchase	Current listing
Sale Date		Sep-18	Oct-17	Nov-15	Oct-14	Current listing
Sale Price		\$190,000	\$545,000	\$900,000	\$715,000	\$1,100,000
Land Area (acres)	15.73	19.40	32.95	35.53	26.00	55.00
Zoning	I-2, Heavy Industrial	C-2, Commercial	Agricultural	Industrial	Industrial	I-2, Heavy Industrial
Topography	Level to gently sloping	Sloping	Generally level	Generally level	Gently sloping	Level to gently sloping
Flood Zone	None	None	None	None	None	None
Utilities	All public	All public	All public	All public	All public nearby	All public
Approvals	Unapproved	Unapproved	Contingent on buyer	Contingent on buyer	Unapproved	Unapproved
Sale Price per Acre		\$9,794	\$16,540	\$25,331	\$27,500	\$20,000
Property Rights Conveyed		Similar	Similar	Similar	Similar	Similar
Terms of Sale/Financing		Similar	Similar	Similar	Similar	Similar
Conditions of Sale		Similar	Similar	Similar	Superior	Mildly superior
Market Conditions (time)		Similar	Similar	Similar	Similar	Similar
Location		Similar	Mildly superior	Mildly superior	Similar	Similar
Site Size		Similar	Mildly inferior	Mildly inferior	Mildly inferior	Similar
Zoning		Mildly superior	Inferior	Similar	Similar	Similar
Flood Zone		Similar	Similar	Similar	Similar	Similar
Topography/Physical Issues		Highly inferior	Similar	Similar	Similar	Similar
Utilities		Similar	Similar	Similar	Mildly inferior	Similar
Approvals		Similar	Mildly superior	Mildly superior	Similar	Similar
Overall Rating		Inferior	Mildly inferior	Mildly superior	Superior	Mildly superior
Sale Price/Acre (rounded)		\$9,800	\$16,500	\$25,300	\$27,500	\$20,000

Ranking of the Comparable Land Sales

A ranking analysis is now performed. The Appraisal Institute defines ranking analysis as “a qualitative technique for analyzing comparable sales; a variant of relative comparison analysis in which comparable sales are ranked in descending or ascending order of desirability and each is analyzed to determine its position relative to the subject.”¹⁵ As shown in the following table, the comparable sales have been ranked from highest to lowest in terms of price per acre.

¹⁵ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Edition (Chicago: Appraisal Institute, 2015), 185.

Ranking of Comparable Land Sales		
Sale	Sale Price per Acre	Overall Rating
4	\$27,500	Superior
3	\$25,300	Mildly superior
5	\$20,000	Mildly superior
2	\$16,500	Mildly inferior
1	\$9,800	Inferior

The comparable land sales indicate unit rates ranging between \$9,800 per acre and \$27,500 per acre. From the ranking analysis and discussion above, it is apparent that the appropriate unit rate for the subject property is between \$16,500 and \$20,000 per acre. A unit rate of \$18,250 per acre is concluded. Therefore, applying this unit rate to the subject's site size of 15.73 acres yields a market value of \$287,073, rounded to \$290,000.

Conclusion to the Sales Comparison Approach - Land Valuation

The Sales Comparison Approach indicates that the market value of the fee simple estate in the subject land, as of February 22, 2019, is \$290,000.

COST APPROACH

To estimate the value of the subject property by the Cost Approach, the value of the land, as if vacant and available for development to its highest and best use, must first be addressed. Then, the depreciated replacement cost of the subject improvements, including entrepreneurial incentive (if applicable), must be estimated. The summation of land value and depreciated replacement cost equates to the indicated market value.

As noted previously, the Cost Approach was considered but has not been developed in this appraisal assignment. *The Appraisal of Real Estate*, 14th ed., states that the Cost Approach...

... is important in estimating the market value of new or relatively new construction. The approach is especially persuasive when land value is well supported and the improvements are new or suffer only minor depreciation and, therefore, approximate the ideal improvement that is the highest and best use of the land as though vacant.¹⁶

The Appraisal of Real Estate, 14th ed., goes on to say...

When improvements are considerably older or do not represent the highest and best use of the land as though vacant, the physical deterioration, functional obsolescence, and external obsolescence may be more difficult to estimate.¹⁷

The Cost Approach was considered but has not been developed in this appraisal assignment. This approach is most useful when appraising new or nearly new properties. The effective age of the improvements results in significant depreciation, which is difficult to estimate and thus decreases the reliability of the value indication from the Cost Approach analysis. Finally, given the age of the property, a purchaser would be least interested in a Cost Approach analysis in determining an appropriate purchase price for the subject.

¹⁶ Appraisal Institute, *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), 566.

¹⁷ Appraisal Institute, *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), 567.

SALES COMPARISON APPROACH

The Sales Comparison Approach is defined as “the process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.”¹⁸

This approach is based on the Principle of Substitution, which states that “when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution.”¹⁹ This is the primary principle upon which the cost and sales comparison approaches are based.

The Sales Comparison Approach is considered important to most appraisal problems since it indicates the price paid for interests in similar properties by knowledgeable buyers in the open market. This approach is most reliable when the property type under analysis is bought and sold regularly.

Applying this approach is a systematic procedure where similar sales are researched and analyzed through the most relevant elements of comparison.

Selection of Comparable Improved Sales

In most valuation situations, the problem to be solved is market value, or *value in exchange (transfer)*, not *value in use* or *use value*. The value in exchange concept is the basic underpinning of the definition of market value. According to USPAP, market value always presumes the transfer of a property as of a certain date, under specific conditions.²⁰

In a Sales Comparison Approach, the best comparable sales are those that reflect the same property rights as are being appraised. When valuing a fee simple estate (either a vacant and unencumbered property or one that is owner-occupied), sales reflecting leased fee interests (properties encumbered by a lease or leases) may not be ideal for comparison, even those believed to be leased at market. According to an article in *The Appraisal Journal*, even if the lease is at market rent, the fee does not

¹⁸ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Edition (Chicago: Appraisal Institute, 2015), 207.

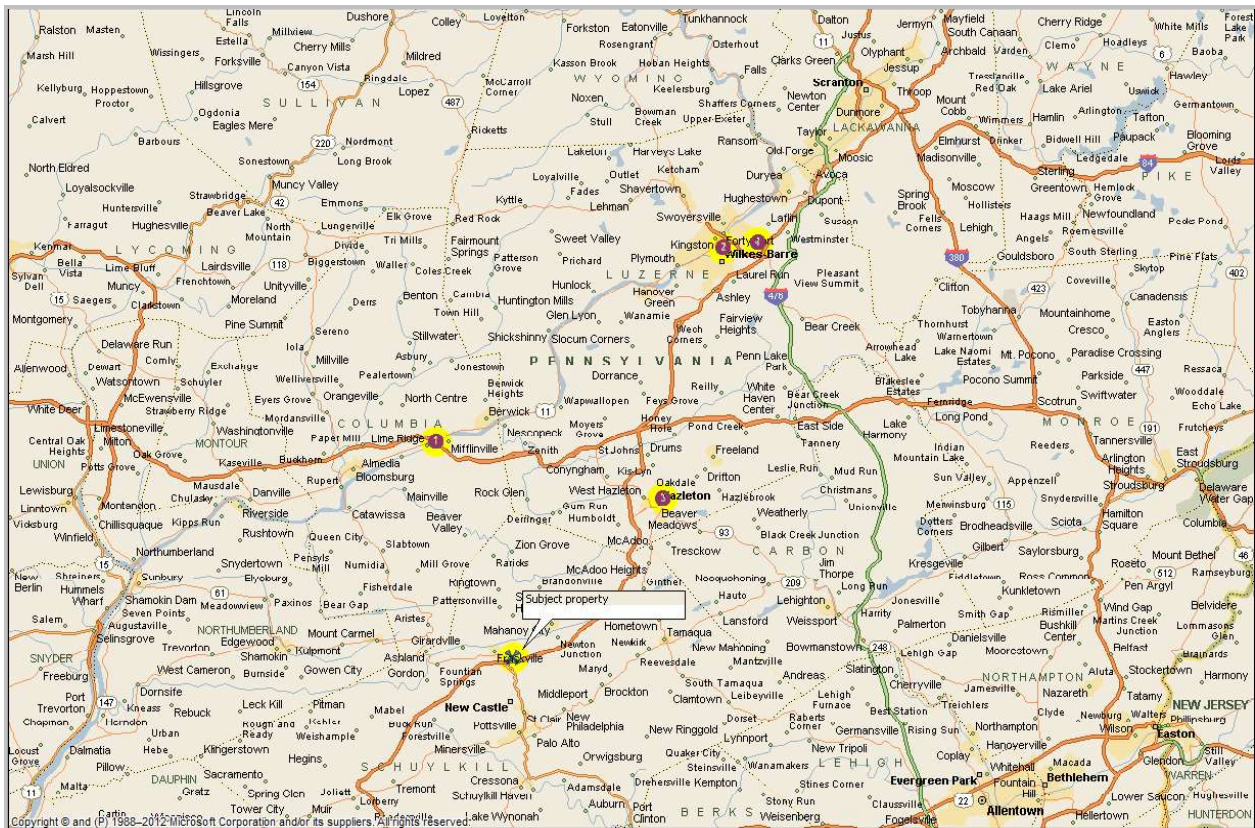
¹⁹ Appraisal Institute, *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), 30.

²⁰ USPAP, 2018-2019 Edition, 128.

necessarily equal the leased fee.²¹ Conversely, when appraising a leased fee interest, sales of properties that represent the transfer of fee simple estates may not be ideal for comparison.

Sales Applicable to the Subject Property

A search has been conducted in the subject’s immediate market and other nearby and comparable markets for sales of similar properties. Several sales have been determined to be the most comparable and confirmed to be arm's length transactions. The sales have been analyzed based on sale price per square foot of building area since this is the unit of comparison on which market participants place the most weight. A map showing their locations relative to the subject is presented in the next exhibit, followed by detailed descriptions of the sales.



²¹ David C. Lennhoff, MAI, SRA, “You Can’t Get the Value Right If You Get the Rights Wrong,” *The Appraisal Journal* (Winter 2009): 61.

Comparable Improved Sale 1

25 Naus Way
MAH 00047

Location Data

Location:	25 Naus Way
Municipality:	South Centre Twp.
County:	Columbia
State:	PA
Tax Identification:	12-03-009-12-000

Physical Data

Property Type:	Office, Office Building
Construction Type:	Steel and masonry
Gross Building Area:	8,260 square feet
Net Rentable Area:	7,847 square feet
Efficiency Ratio:	95.0 %
Office Percentage:	100 %
Sprinkler Coverage:	100% wet
No. of Stories:	Single story
Year Built:	1997
Property Condition:	Average
Occupancy at Sale:	Vacant
Land Area (acres):	4.00 acres
Zoning:	C, Commercial
Topography:	Generally level
Utilities:	All public to site
Parking:	Adequate
Land-to-Building Ratio:	21.1:1



Photo taken 7/6/2017 by Gary E. Heiland II, MAI, AI-GRS



Aerial photo dated 4/6/2016 (Pictometry)

Sale Data

Sale Status:	Sold
Sale Date:	01/2019
Marketing/Exposure:	Since at least 7/2017
Deed Reference:	201900088
Grantor:	Jake's Place, LP
Grantee:	Haccp Assurance Services, Inc.
Property Rights Conveyed:	Fee simple estate

Sale Price:	\$275,000
Unit Rates:	\$33.29 per sf of GBA \$35.05 per sf of NRA
Prior Asking Price:	\$489,000
Financing:	Cash to seller

Confirmation Source: Donna Santoroski of Lewith & Freeman and deed

Comments

The real estate that is the subject of this appraisal was formerly used as a daycare. The property was vacant for a couple of years. The property has multiple bathrooms due to its prior use as a daycare center. The listing agent indicated that the presence of the excessive bathrooms is seen negatively to purchasers looking at the property for office use. The existing layout likely impacted the final sale price. The buyer reportedly purchased the property as an owner-user for office use. Most of the property, including the entire building is located in the 100-year floodplain.

Comparable Improved Sale 2

Former Valley Open MRI
LOB 00156

Location Data

Location: 451 Third Avenue
Municipality: Kingston Borough
County: Luzerne
State: PA
Tax Identification: H9NE204C02B-34

Physical Data

Property Type: Office, Medical Office
Construction Type: Masonry and steel
Gross Building Area: 12,289 square feet
Net Rentable Area: 11,675 square feet
Efficiency Ratio: 95.0 %
Office Percentage: 100 %
Sprinkler Coverage: None
No. of Stories: Single-story
Year Built: 1978, reno. 1998, 2000, 2005

Property Condition: Average
Occupancy at Sale: Vacant
Land Area (acres): 0.89 acres
Zoning: C-2, Community Business
Topography: Generally level
Utilities: All public to site
Parking: Adequate
Land-to-Building Ratio: 3.2:1



Photo taken 1/27/2016 by Lawrence B. O'Brien



Aerial photo dated 5/25/2007 (Pictometry)

Sale Data

Sale Status: Sold
Sale Date: 03/2017
Marketing/Exposure: Since at least 4/2015
Deed Reference: 201715391

Grantor: FNCB Bank
Grantee: Mornington Commercial Properties, LLC
Property Rights Conveyed: Fee simple estate

Confirmation Source: Dan Naylor of Mericle Commercial and deed

Sale Price: \$815,000
Unit Rates: \$66.32 per sf of GBA
\$69.81 per sf of NRA
Prior Asking Price: \$1,400,000, reduced to \$1,100,000
Financing: Cash to seller

Comments

This is the listing of a vacant medical office building. The property includes 38 parking spaces. Heating is electric roof-mounted heat pumps. According to a review of Flood Insurance Rate Map Number 42079C0219E (effective date November 2, 2012) of the Federal Emergency Management Agency's National Flood Insurance Program, it appears as though the property is located in an area shown as being protected from the 1% annual chance or greater flood hazard by a levee system that has been provisionally accredited. It is likely that flood insurance is

ATTACHMENT 1

178 Industrial Road - Frackville, PA
MVG 19018

Valuation

still required. The NRA is estimated assuming a 95% building efficiency. This was a bank sale. The buyer was an investor who purchased the property with a tenant in hand and plans to convert the building to professional office.

Comparable Improved Sale 3

762 N Church Street
LOB 00311

Location Data

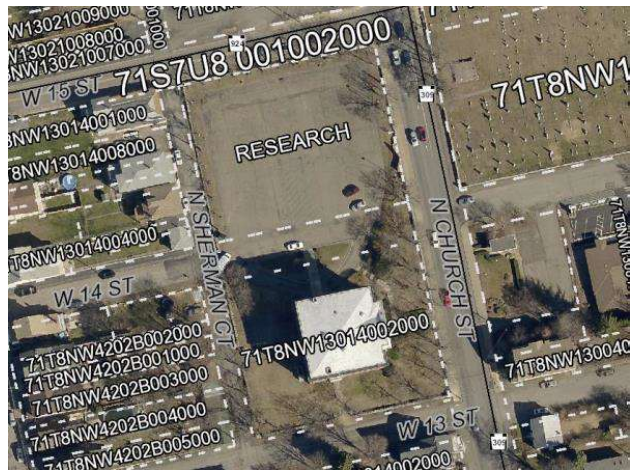
Location: 762 N Church Street
Municipality: City of Hazleton
County: Luzerne
State: PA
Tax Identification: 71-T8NW13-014-002-000

Physical Data

Property Type: Office, Medical Office
Construction Type: Steel and masonry
Gross Building Area: 17,787 square feet
Net Rentable Area: 16,008 square feet
Efficiency Ratio: 90.0 %
Office Percentage: 100 %
Sprinkler Coverage: None
No. of Stories: Three-story
Year Built: 1911
Property Condition: Average
Occupancy at Sale: Vacant
Land Area (acres): 1.72 acres
Zoning: R-2, Medium Density Residential
Topography: Rolling
Utilities: All public to site
Parking: 60 parking spaces
Land-to-Building Ratio: 4.2:1



Photo taken 5/1/2018 by Lawrence B. O'Brien



Aerial tax map from Luzerne County GIS

Sale Data

Sale Status: Sold
Sale Date: 01/2017
Marketing/Exposure: Since at least 9/2015
Deed Reference: 201706131
Grantor: St. Joseph Hospital, now by merger, Northeastern Pennsylvania Health Corporation dba Hazleton General Hospital
Grantee: Gottstein Realty Company, LLC
Property Rights Conveyed: Fee simple estate
Confirmation Source: Al Guari of Mericle Commercial Real Estate Services and deed

Sale Price: \$275,000
Unit Rates: \$15.46 per sf of GBA
\$17.18 per sf of NRA
Prior Asking Price: \$1,100,000, reduced to \$895,000
Financing: Cash to seller

Comments

The real estate that is the subject of this transaction is a medical office complex that was formerly the home of St. Joseph Hospital Cancer Treatment Center. The property transferred with a deed restriction that prohibits use of the property for a hospital, surgery center, medical clinic, physician's office, physical therapist's office, chiropractor's office, or any other healthcare or healthcare-related facility, practice or business, whether for profit or not for profit, which competes, may compete or intends to compete, in whole or part with the seller. The building had a brick exterior, rubber roof, gas forced hot air heat and central air conditioning. The net rentable building area was estimated assuming a 90% building efficiency ratio. The buyer reportedly purchased the property as an investment with plans to use for retail and office.

Comparable Improved Sale 4

**501 East Main Street
LOB 00150**

Location Data

Location: 501 East Main Street
Municipality: Plains Township
County: Luzerne
State: PA
Tax Identification: 50-G11-00A-11J-000

Physical Data

Property Type: Office, Office Building
Construction Type: Masonry and steel
Gross Building Area: 11,600 square feet
Net Rentable Area: 10,440 square feet
Efficiency Ratio: 90.0 %
Office Percentage: 100 %
Sprinkler Coverage: None
No. of Stories: Two-story
Year Built: 1969
Property Condition: Average
Occupancy at Sale: Vacant
Land Area (acres): 1.37 acres
Zoning: C-3, Commercial
Topography: Generally level
Utilities: All public to site
Parking: Adequate
Land-to-Building Ratio: 5.1:1



Photo taken 1/18/2016 by Patrick W. Cullen



Aerial photo dated 05/04/2010 (Pictometry)

Sale Data

Sale Status:	Sold	Sale Price:	\$700,000
Sale Date:	10/2015	Unit Rates:	\$60.34 per sf of GBA \$67.05 per sf of NRA
Marketing/Exposure:	Since at least 4/2014 (lease only)	Prior Asking Price:	Not offered for sale
Deed Reference:	201550004	Financing:	Cash to seller
Grantor:	Mornington Commercial Properties, LLC		
Grantee:	Choice One Community Credit Union		
Property Rights Conveyed:	Fee simple estate		
Confirmation Source:	Griff Keefer of Hinerfeld Commercial and deed		

Comments

The real estate that is the subject of this transaction is an office building. The property includes 65 parking spaces. The property was marketed for lease only, but was ultimately sold vacant to an owner-user. The building had no elevator. The NRA was estimated assuming a 90% building efficiency.

Analysis of the Comparable Improved Sales

The following is a relative comparison analysis and a ranking analysis for the valuation of the subject property via the Sales Comparison Approach. Relative comparison analysis is defined by the Appraisal Institute as “a qualitative technique for analyzing comparable sales; used to determine whether the characteristics of a comparable property are inferior, superior, or similar to those of the subject property.”²² The comparable sales have been analyzed based on several elements of comparison. These elements of comparison are described below.

Elements of Comparison

In the upcoming table, each comparable improved sale is compared to the subject based on several elements of comparison. These are the characteristics or attributes of properties and transactions that cause prices to vary. They include items such as market conditions, location, age/condition, functional utility, etc. The following paragraphs explain the rationale behind each element of comparison.

Property Rights Conveyed - This category accounts for different property rights between the subject and the comparable sales.

Terms of Sale/Financing - This category accounts for atypical financing arrangements for comparable sales. The subject site is appraised in terms of cash in US dollars or in terms of financial arrangements comparable thereto. Sales involving favorable financing or non-cash consideration may be inferior or superior to the subject.

Conditions of Sale - This element of comparison considers factors that may have impacted the sale price due to motivations by the buyer or seller, or other transactional conditions that influence sale prices. For example, it is common for buyers of neighboring properties to pay a premium to control adjacent properties. In these cases, the prices may be superior to the subject. Additionally, in 1031 exchanges, replacement properties may be superior to non-1031 transactions due to the tax benefits that are enjoyed by the buyer. Additionally, buyers in a 1031 exchange typically have a limited time to identify replacement properties, and further limited time to settle on replacement properties. This may reduce their negotiating power in a particular transaction. For these reasons, 1031 replacement properties are often analyzed as superior to a subject property. As another example, listings regularly exhibit higher asking prices than their ultimately achieved sale prices. Therefore, listings will often be analyzed as superior to a subject property.

Market Conditions (Time) - This element of comparison accounts for changing market conditions from the date of each comparable sale to the effective date of this

²² Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Edition (Chicago: Appraisal Institute, 2015), 194.

appraisal. For example, sales that occurred during a weaker market may be shown as some level of inferior to the effective date of this appraisal.

Location - This element of comparison is based on the relative strength of the surrounding land uses, accessibility to major activity centers and access ways, strength of local economy and amount of competition. Stronger locations will be shown as superior and weaker locations as inferior.

Age/Condition - This category accounts for differences between the comparable sales and the subject in terms of chronological age and overall property condition. For example, a newer, better maintained comparable sale may be shown as superior to the subject. One of older age, or showing deferred maintenance that is not present at the subject, may be shown as inferior.

Building Size - Building size considerations are based on the concept of economies of scale, as larger buildings often sell for lower unit prices with all other factors being equal. Therefore, if the comparable sale is significantly larger than the subject, it may be shown as inferior. Conversely, a significantly smaller comparable sale may be shown as superior to the subject.

Utilities - Occasionally, there are differences in the availability of public utilities between the subject and comparable sales. This category accounts for those differences. For example, if the subject is serviced by public water and sewer and the comparable sale has well water and septic, the comparable sale may be inferior to the subject.

Flood Zone - This element of comparison accounts for differences in flood zone status. A property predominantly in a flood zone will likely be inferior to a property that is not in a flood zone.

Functional Utility - This element of comparison accounts for the usability of the property for its highest and best use. In office buildings, design features, layout, adequacy of fenestration, presence of elevators in multi-story buildings, etc., availability of parking, etc. are considered.

Land-to-Building Ratio - This element of comparison addresses differences in land-to-building ratios. Properties with higher land-to-building ratios may be superior as they may have expansion potential. Properties with lower land-to-building ratios may be inferior. In this case, each comparable sale has a significantly lower land-to-building ratio than the subject. As such, a quantified adjustment is calculated based on the land value per acre concluded to previously.

The following table(s) summarizes the relative comparison analysis. A ranking analysis will then follow.

ATTACHMENT 1

**178 Industrial Road - Frackville, PA
MVG 19018**

Valuation

Analysis of Comparable Sales 1 through 4					
	<u>Subject</u>	<u>Sale 1</u>	<u>Sale 2</u>	<u>Sale 3</u>	<u>Sale 4</u>
Address	178 Industrial Road	25 Naus Way	451 Third Avenue	762 N Church Street	501 East Main Street
Municipality	West Mahanoy Township	South Centre Township	Kingston Borough	City of Hazleton	Plains Township
County	Schuykill	Columbia	Luzerne	Luzerne	Luzerne
State	Pennsylvania	Pennsylvania	Pennsylvania	Pennsylvania	Pennsylvania
Property Rights Conveyed	Fee simple estate	Fee simple estate	Fee simple estate	Fee simple estate	Fee simple estate
Terms of Sale/Financing		Cash to seller	Cash to seller	Cash to seller	Cash to seller
Conditions of Sale		Arm's length	Bank sale	Arm's length/Deed restrict	Arm's length
Sale Date		Jan-19	Mar-17	Jan-17	Oct-15
Sale Price		\$275,000	\$815,000	\$275,000	\$700,000
Gross Building Area (GBA square feet)	9,704	8,260	12,289	17,787	11,600
Net Rentable Area (NRA square feet)	9,289	7,847	11,675	16,008	10,440
Efficiency Ratio	95.7%	95.0%	95.0%	90.0%	90.0%
Occupancy at Sale	Owner-occupied	Vacant	Vacant	Vacant	Vacant
Building Age	1981	1997	1975, reno 1998-2005	1911	1969
Sprinkler System	None	100% wet	None	None	None
Building Condition	Fair to average	Average	Average	Average	Average
Utilities	All public	All public	All public	All public	All public
Land Area (acres)	15.73	4.00	0.89	1.72	1.37
Land-to-building Ratio	70.6:1	21.1:1	3.2:1	4.2:1	5.1:1
Sale Price Per Square Foot of GBA		\$33.29	\$66.32	\$15.46	\$60.34
Property Rights Conveyed		Similar	Similar	Similar	Similar
Terms of Sale/Financing		Similar	Similar	Similar	Similar
Conditions of Sale		Similar	Inferior	Inferior	Similar
Market Conditions (time)		Similar	Similar	Similar	Similar
Location		Mildly superior	Superior	Superior	Superior
Age/Condition		Superior	Mildly superior	Superior	Mildly superior
Building Size		Similar	Similar	Mildly inferior	Similar
Utilities		Similar	Similar	Similar	Similar
Flood Zone		Inferior	Mildly inferior	Similar	Similar
Functional Utility		Mildly inferior	Superior	Mildly inferior	Mildly inferior
Land-to-building Ratio		62.0%	43.0%	180.0%	45.0%
Overall Rating		Roughly similar	Superior	Roughly similar	Superior
Sale Price/sf GBA (rounded)		\$53.90	\$94.80	\$43.30	\$87.50

Ranking of the Comparable Sales

A ranking analysis is now performed. The Appraisal Institute defines ranking analysis as “a qualitative technique for analyzing comparable sales; a variant of relative comparison analysis in which comparable sales are ranked in descending or ascending order of desirability and each is analyzed to determine its position relative to the subject.”²³ As shown in the following table, the comparable sales have been ranked from highest to lowest in terms of price per square foot.

²³ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Edition (Chicago: Appraisal Institute, 2015), 185.

Ranking of Comparable Improved Sales		
Sale	Partially Adjusted Sale Price per sf of GBA	Overall Rating
2	\$94.80	Superior
4	\$87.50	Superior
1	\$53.90	Roughly similar
3	\$43.30	Roughly similar

The comparable sales indicate partially adjusted unit rates (adjusted for land) ranging between \$43.30 per square foot and \$94.80 per square foot. From the ranking analysis and discussion above, it is apparent that the appropriate unit rate for the subject property is between \$43.30 per square foot and \$53.90 per square foot. A unit rate of \$48.60 per square foot is concluded. Therefore, applying this unit rate to the subject's GBA of 9,704 square feet yields a market value of \$471,614, rounded to \$470,000.

Conclusion to the Sales Comparison Approach

The Sales Comparison Approach indicates that the market value of the fee simple estate in the subject property, as of February 22, 2019, is \$470,000.

INCOME CAPITALIZATION APPROACH

The Income Capitalization Approach allows the appraiser to reflect the actions of the typical investor-buyer being concerned with the property's income potential and future marketability. The present value of cash flows and future sale proceeds is quantified based on the timing, duration, stability and risk of these components of investment return. The investor trades present dollars for the right to receive future dollars in anticipation of making a profit. This is the Principle of Anticipation that is fundamental to this approach.

There are several methods of estimating value based on an Income Capitalization Approach. Two of the most common include direct capitalization and yield capitalization (also known as discounted cash-flow). Direct capitalization requires market-derived capitalization rates from similar properties and transactions and then applies them to the subject property's stabilized net operating income without explicit attention to "return on" and "return of" capital. Discounted cash flow is more complex and requires interpreting expectations and attitudes into formulas designed to convert several years' net income into a present value estimate. For the subject property, a direct capitalization analysis was developed and is presented on the following pages.

Direct Capitalization Analysis

The discussion that follows is a direct capitalization analysis of the subject property. The net operating income resulting from the subtraction of estimated operating expenses from effective gross income (income after vacancy allowance) is capitalized at a rate appropriate for the type of property, risk of investment and current market conditions.

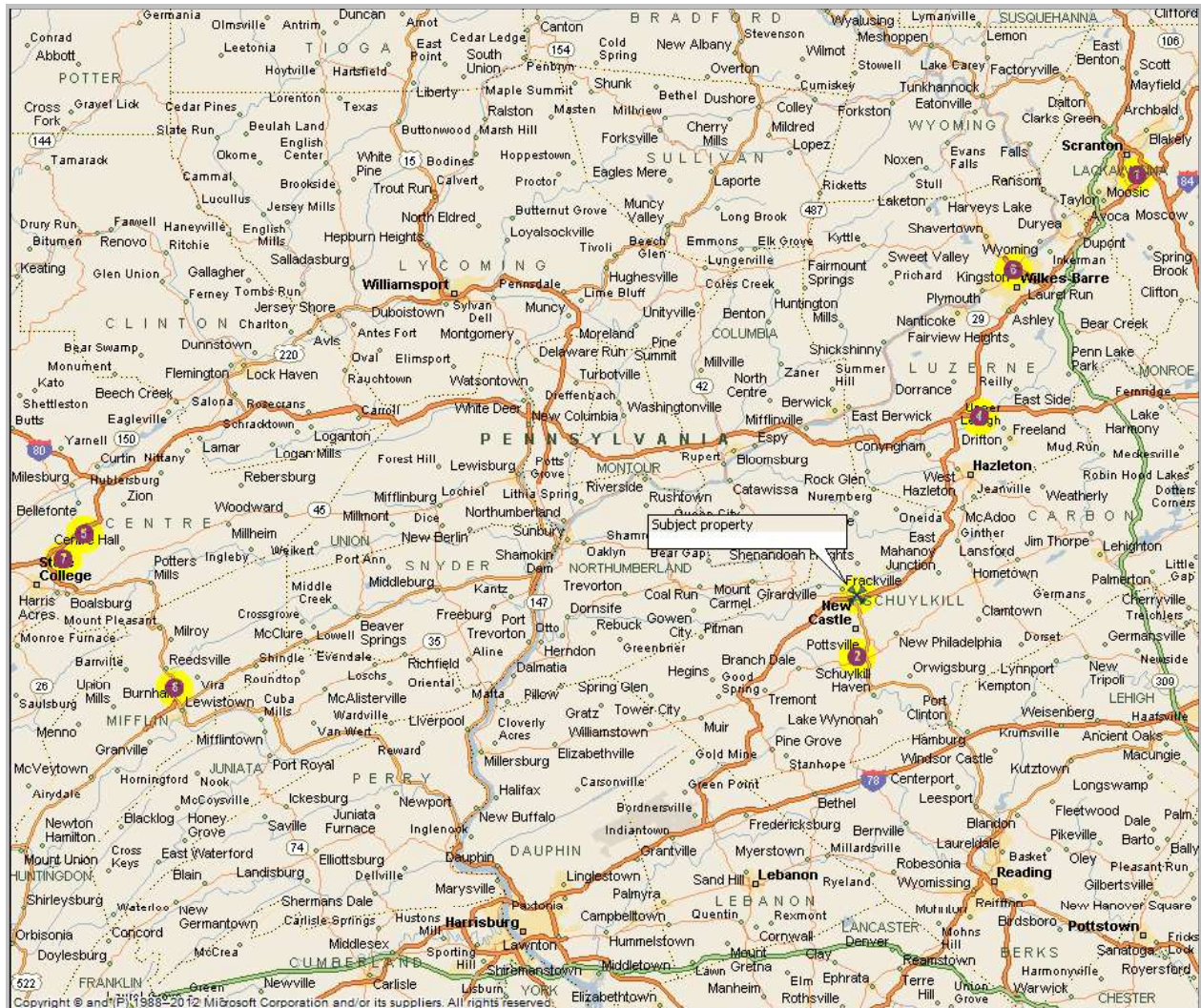
Potential Gross Income

As noted earlier, the subject property is currently 100% owner-occupied and therefore, comparable leases have been investigated to determine market rent for the subject property. The best comparable leases are those in similar locations and for buildings with similar functional utility and design. Several arm's length leases were found in the subject's market and have been analyzed for comparability to the subject. A map showing their locations relative to the subject is presented in the next exhibit, followed by detailed descriptions of the leases. Comparable Lease 3 is not shown on the map to maintain confidentiality.

ATTACHMENT 1

178 Industrial Road - Frackville, PA
MVG 19018

Valuation



Comparable Lease 1

**1300 Wheeler Avenue
LOB 00316**

Location Data

Location:	1300 Wheeler Borough
Municipality:	Dunmore Avenue
County:	Lackawanna
State:	PA

Lease Data

Status of Lease:	Executed lease
Tenant Name:	Northeast Pennsylvania Nephrology Associates
Leased Area:	6,800 square feet
Commencement Date:	01/2018
Initial Annual Lease Rate:	\$12.00 per sf
Expense Structure:	Triple-net (NNN)
Type of Lease:	Second generation
Term of Lease:	5.0 years
Annual Adjustments:	Unknown
Options to Renew:	Yes
Concessions:	None
TI Allowance:	None

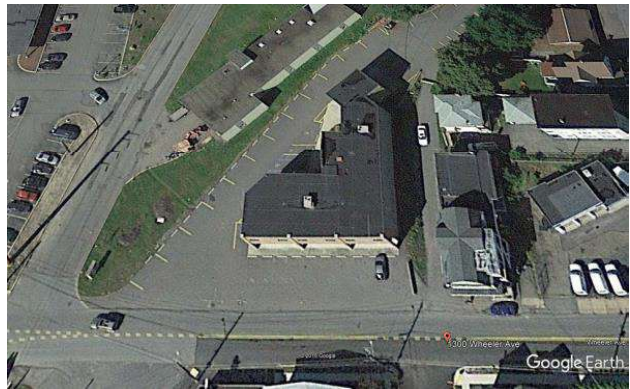
Physical Data

Property Type:	Medical Office
Construction Type:	Steel and masonry
Office Percentage:	100 %
Sprinkler Coverage:	Unknown
No. of Stories:	Two story
Year Built:	2007
Parking:	Surface parking for 50 cars
Property Condition:	Average

Confirmation Source: Leah Gianacopoulos of Classic Properties



Photo taken 5/1/2018 by Lawrence B. O'Brien



Aerial photo dated 9/20/2017 (Google Earth)

Comments

This transaction is a lease of professional office space. A lease was entered into with a medical user. The tenant made some improvements to that space at tenant expense. The lease included one five year renewal option. The building was elevator served.

Comparable Lease 2

**Laurel Business Center
LOB 00350**

Location Data

Location:	1410 Laurel Boulevard
Municipality:	City of Pottsville
County:	Schuylkill
State:	PA

Lease Data

Status of Lease:	Executed lease
Tenant Name:	US Department of Veterans Affairs
Leased Area:	9,765 square feet
Commencement Date:	01/2018
Initial Annual Lease Rate:	\$9.75 per sf
Expense Structure:	Triple-net (NNN)
Type of Lease:	Second generation
Term of Lease:	10.0 years
Annual Adjustments:	See comments
Options to Renew:	Yes
Concessions:	None
TI Allowance:	None

Physical Data

Property Type:	Office Building
Construction Type:	Steel and masonry
Office Percentage:	100 %
Sprinkler Coverage:	Unknown
No. of Stories:	Single story
Year Built:	1951, renovated
Parking:	Surface parking
Property Condition:	Average

Confirmation Source: Eric Seitzinger of BHHS Realty, Inc., tax assessment records and listing documents



Undated photo from listing document



Aerial photo dated 4/17/2016 (Pictometry)

Comments

The space that is the subject of this lease is office space in a business park. The space was in shell plus condition. The tenant completed substantial buildout at their cost. NNN charges are estimated at \$0.80 per square foot by the listing agent.

Comparable Lease 3

Confidential
BDC 00508

Location Data

Location:	Confidential
Municipality:	College Township
County:	Centre
State:	PA

Lease Data

Status of Lease:	Executed lease
Tenant Name:	Confidential
Leased Area:	18,000 square feet
Commencement Date:	05/2017
Initial Annual Lease Rate:	\$14.00 per sf
Expense Structure:	Modified gross
Type of Lease:	Build-to-suit
Term of Lease:	10.0 years
Annual Adjustments:	6% every five years
Options to Renew:	Two, five-year options
Concessions:	None
TI Allowance:	None

Physical Data

Property Type:	Office/Warehouse
Construction Type:	Masonry
Office Percentage:	100 %
Sprinkler Coverage:	None
No. of Stories:	Single-story
Year Built:	2017
Parking:	Adequate
Property Condition:	New

Confirmation Source: Landlord and appraisal file

Comments

This is the lease of built-to-suit office and production/storage space. In addition to private office space, the leased area features numerous restrooms, showers, classroom space and a breakroom with kitchen. The production space is fit out with drop ceilings, but has slab floors and minimal finishes. The tenant is responsible for base rent plus utilities. Note that this is a 10-year lease, with options. However, the tenant has the right to terminate the lease with a six-month notice if government funding for their program is discontinued.

Comparable Lease 4

Can Do Corporate Center
TSM 00246

Location Data

Location:	10 Fox Run Road
Municipality:	Butler Township
County:	Luzerne
State:	PA

Lease Data

Status of Lease:	Executed lease
Tenant Name:	BIMBO Bakeries
Leased Area:	6,800 square feet
Commencement Date:	04/2017
Initial Annual Lease Rate:	\$16.00 per sf
Expense Structure:	Modified gross
Type of Lease:	Second generation
Term of Lease:	7.5 years
Annual Adjustments:	2% annual increases
Options to Renew:	N/A
Concessions:	Five months free rent
TI Allowance:	\$15/sf

Physical Data

Property Type:	Office Building
Construction Type:	Masonry and steel
Office Percentage:	100 %
Sprinkler Coverage:	Unknown
No. of Stories:	1
Year Built:	2004
Parking:	Surface parking
Property Condition:	Good



Photo taken 11/20/2018 by Thomas S. McDonough



Aerial photo dated 3/29/2016 (Google Earth)

Confirmation Source: John Susanin of Colliers International, offering memorandum and tax assessment records

Comments

The real estate involved in this transaction is a 6,800 square foot office unit located in a two-unit office building totaling 10,145 square feet. The listing broker confirmed that the initial lease term was for 89 months, which included five months of free rent. Additionally, the initial base rent was \$16 per square foot, gross plus electric and had 2% annual increases. Tenant improvements were estimated at \$15 per square foot. Tenant pays base rent plus electric.

Comparable Lease 5

1300 Benner Pike, Suite C
BDC 00487

Location Data

Location:	1300 Benner Pike
Municipality:	College Township
County:	Centre
State:	PA

Lease Data

Status of Lease:	Executed lease
Tenant Name:	Charis Church
Leased Area:	6,300 square feet
Commencement Date:	03/2017
Initial Annual Lease Rate:	\$12.00 per sf
Expense Structure:	Modified gross
Type of Lease:	Second generation
Term of Lease:	3.0 years
Annual Adjustments:	See comments
Options to Renew:	Two, two-year options
Concessions:	None
TI Allowance:	None

Physical Data

Property Type:	Office - Mixed Use
Construction Type:	Masonry and steel
Office Percentage:	100 %
Sprinkler Coverage:	None
No. of Stories:	Single story
Year Built:	1965; ren. 2017
Parking:	Adequate
Property Condition:	Average

Confirmation Source: Robert Stewart (owner) and review of lease



Photo taken 2/4/2019 by Brian D. Conner, MAI



Aerial photo dated 5/7/2008 (Pictometry)

Comments

The real estate involved in this transaction is for office space in a mixed-use building that is situated roughly one mile north of the Nittany Mall. The tenant intends to occupy the space for a church use. The tenant contributed \$10,000 toward fitting out the space for its intended use. Rent for the space is flat for the initial three-year term, but is to increase 2% annually in the option periods. The tenant is responsible for base rent plus utilities.

Comparable Lease 6

601 Wyoming Avenue
LOB 00312

Location Data

Location: 601 Wyoming Avenue
Municipality: Kingston Borough
County: Luzerne
State: PA

Lease Data

Status of Lease: Executed lease
Tenant Name: Eye Care Specialists
P.C. dba The Cosmetic Center
Leased Area: 2,916 square feet
Commencement Date: 11/2016
Initial Annual Lease Rate: \$10.00 per sf
Expense Structure: Gross
Type of Lease: Second generation
Term of Lease: 3.0 years
Annual Adjustments: See comments
Options to Renew: Yes
Concessions: None
TI Allowance: None

Physical Data

Property Type: Office - Mixed Use
Construction Type: Steel and brick
Office Percentage: 100 %
Sprinkler Coverage: Unknown
No. of Stories: One-story
Year Built: Unknown
Parking: Surface parking
Property Condition: Average
Confirmation Source: Landlord



Photo taken 5/1/2018 by Lawrence B. O'Brien



Aerial tax map from Luzerne County GIS

Comments

The real estate that is the subject of this lease agreement is a multi-tenant building with professional office and retail space. The rent for this space is flat for two years and increases by the Consumer Price Index (CPI) annually thereafter. The tenant pays base rent and liability insurance.

Comparable Lease 7

2780 Benner Pike
BDC 00529

Location Data

Location:	2780 Benner Pike
Municipality:	Benner Township
County:	Centre
State:	PA

Lease Data

Status of Lease:	Available for lease
Tenant Name:	Current listing
Leased Area:	6,300 square feet
Commencement Date:	Current listing
Initial Annual Lease Rate:	\$10.00 per sf
Expense Structure:	Triple-net (NNN)
Type of Lease:	Second generation
Term of Lease:	Negotiable
Annual Adjustments:	Negotiable
Options to Renew:	Negotiable
Concessions:	None
TI Allowance:	None

Physical Data

Property Type:	Office Building
Construction Type:	Masonry
Office Percentage:	100 %
Sprinkler Coverage:	Unknown
No. of Stories:	Single-story
Year Built:	1976
Parking:	Adequate
Property Condition:	Average



Photo taken 2/27/2019 by Brian D. Conner, MAI



Aerial photo dated 7/18/2018 (Pictometry)

Confirmation Source: Frank Savino of Trombley Real Estate

Comments

The real estate offered for lease in this listing is the former G.M. McCrossin Executive offices. The property has frontage along Benner Pike just north of an interchange with Interstate 99. Triple net expenses are estimated at \$3.22 per square foot.

Comparable Lease 8 (Current Listing)

Former Lewistown PA State Police Barracks
LOB 00351

Location Data

Location:	13225 Ferguson Valley Road
Municipality:	Granville Township
County:	Mifflin
State:	PA

Lease Data

Status of Lease:	Available for lease
Tenant Name:	Current listing
Leased Area:	4,861 square feet
Commencement Date:	Current listing
Initial Annual Lease Rate:	\$6.67 per sf
Expense Structure:	Modified gross
Type of Lease:	Second generation
Term of Lease:	Negotiable
Annual Adjustments:	Negotiable
Options to Renew:	Negotiable
Concessions:	Negotiable
TI Allowance:	None

Physical Data

Property Type:	Office Building
Construction Type:	Brick
Office Percentage:	100 %
Sprinkler Coverage:	None
No. of Stories:	Single story
Year Built:	1971
Parking:	Surface parking
Property Condition:	Fair to average



Undated photo from listing package



Aerial photo dated 12/08/2016 (Pictometry)

Confirmation Source: Mike Smith of Jack Gaughen Network Services Hower & Associates, tax assessment records and listing documents

Comments

The space that is the subject of this office lease listing is the former Lewistown PA State Police Barracks. The police vacated toward the end of 2018 after a long tenancy. The property is reportedly in fair to average condition and the space is dated. Tenant to pay utilities, landlord to pay insurance, maintenance and real estate taxes.

Analysis of the Comparable Leases

The following is a relative comparison analysis and a ranking analysis for the estimation of market rent. Relative comparison analysis is defined by the Appraisal Institute as “a qualitative technique for analyzing comparable sales; used to determine whether the characteristics of a comparable property are inferior, superior, or similar to those of the subject property.”²⁴ This technique can also be modified for use in comparing comparable leases. The comparable leases will be analyzed based on several elements of comparison. These elements of comparison are described below.

Elements of Comparison

In the upcoming table, each comparable lease is compared to the subject based on several elements of comparison. These are the characteristics or attributes of properties and transactions that cause the lease rates to vary. They include items such as expense structure adjustments, market conditions, lease conditions, etc. The following paragraphs explain the rationale behind each element of comparison.

Expense Adjustment - This element of comparison accounts for differences between the modeled expense structure and the expense structure of the comparable lease. For example, if market rent is estimated on triple-net (NNN) terms, a comparable lease on gross terms may be adjusted downward for an amount equivalent to reimbursable expenses or qualitatively shown as superior.

Market Conditions (Time) - This element of comparison accounts for changing market conditions from the date of each comparable lease to the effective date of this appraisal. For example, leases that occurred during a weaker market may be shown as some level of inferior to the effective date of this appraisal.

Lease Conditions - This element of comparison accounts for differences in the conditions of the lease. For example, it is common for asking lease rates to be higher than achieved lease rates. Therefore, a lease listing may be shown as superior for lease conditions.

Type of Lease - This element of comparison accounts for differences in the type of lease (generally build-to-suit leases vs. other types of leases). Market rent is always analyzed predicated on a re-leasing of the space. Build-to-suit lease rates are often higher than re-leased space rates. Build-to-suit leases arise from a landowner constructing improvements to a tenant’s exact specifications and in turn receiving rent that is largely based on the total cost of construction and coordination. These leases tend to exhibit rental rates that are often significantly higher than second generation space rents in the same market, not just because the space is new at the time the lease commences, but mainly because build-to-suit spaces are designed for a

²⁴ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Edition (Chicago: Appraisal Institute, 2015), 194.

specific tenant's needs. As observed in scholarly publications, the rent for a custom-built commercial property is routinely higher than the rent for space that is not specifically designed for a tenant.²⁵ Therefore, build-to-suit lease rates will be shown as superior to the subject.

Location - This element of comparison is based on the relative strength of the surrounding land uses, accessibility to major activity centers and access ways, strength of local economy and amount of competition. Stronger locations will be shown as superior and weaker locations as inferior.

Age/Condition - This element of comparison addresses the physical age and condition of the comparable lease as compared to the subject. A newer, better maintained lease example may be shown as superior to the subject. One of older age, or showing deferred maintenance that is not present at the subject may be shown as inferior.

Size of Leased Area - Size considerations are based on the concept of economies of scale, as larger buildings often sell or lease for lower unit prices with all other factors being equal. Therefore, if the comparable lease is significantly larger than the modeled subject area, it may be shown as inferior. Conversely, a significantly smaller comparable lease may be shown as superior to the subject.

Utilities - Occasionally, there are differences in the availability of public utilities between the subject and comparable leases. This category accounts for those differences. For example, if the subject is serviced by public water and sewer and the comparable lease has well water and septic, the comparable lease may be inferior to the subject.

Functional Utility - This element of comparison accounts for the usability of the property for its highest and best use. In office buildings, design features, layout, adequacy of fenestration, presence of elevators in multi-story buildings, etc., availability of parking, etc. are considered.

The following table(s) summarizes the relative comparison analysis. A ranking analysis will then follow.

²⁵ David C. Lennhoff, MAI, SRA, "You Can't Get the Value Right If You Get the Rights Wrong," *The Appraisal Journal* (Winter 2009): 62.

ATTACHMENT 1

**178 Industrial Road - Frackville, PA
MVG 19018**

Valuation

Analysis of Comparable Leases 1 through 4					
	<u>Subject</u>	<u>Lease 1</u>	<u>Lease 2</u>	<u>Lease 3</u>	<u>Lease 4</u>
Tenant Name		NE PA Nephrology	Veterans Administration	Confidential	Bimbo Bakeries
Address	178 Industrial Road	1300 Wheeler Avenue	1410 Laurel Boulevard	Confidential	10 Fox Run Road
Municipality	West Mahanoy Township	Dunmore Borough	Pottsville	College Township	Butler Township
County	Schuylkill	Lackawanna	Schuylkill	Centre	Luzerne
State	Pennsylvania	Pennsylvania	Pennsylvania	Pennsylvania	Pennsylvania
Lease Commencement Date		Jan-18	Jan-18	May-17	Apr-17
Lease Area (square feet)	9,289	6,800	9,765	18,000	6,800
Lease Term (years)		5	10	10	8
Lease Expense Structure	Modified Gross	NNN	NNN	Modified Gross	Modified Gross
Type of Lease	Second generation	Second generation	Second generation	New	Second generation
Building Age	1981	2007	1951, renovated	2017	2004
Sprinkler System	None	Unknown	Unknown	None	Unknown
Building Condition	Fair to average	Average	Average	New	Good
Initial Lease Rate Per Square Foot		\$12.00	\$9.75	\$14.00	\$16.00
Expense Adjustment		\$2.00	\$0.80	\$0.00	\$0.00
Effective Modified Gross Lease Rate		\$14.00	\$10.55	\$14.00	\$16.00
Market Conditions (time)		Similar	Similar	Similar	Similar
Lease Conditions		Similar	Similar	Similar	Superior
Type of Lease		Similar	Similar	Superior	Similar
Location		Mildly superior	Mildly superior	Mildly superior	Similar
Age/Condition		Superior	Mildly superior	Highly superior	Superior
Size of Leased Area		Similar	Similar	Similar	Similar
Utilities		Similar	Similar	Similar	Similar
Functional Utility		Mildly inferior	Mildly inferior	Similar	Similar
Overall Rating		Superior	Mildly superior	Highly superior	Highly superior
Lease Rate/sf (rounded)		\$14.00	\$10.55	\$14.00	\$16.00

ATTACHMENT 1

**178 Industrial Road - Frackville, PA
MVG 19018**

Valuation

Analysis of Comparable Leases 5 through 8					
	<u>Subject</u>	<u>Lease 5</u>	<u>Lease 6</u>	<u>Lease 7</u>	<u>Lease 8</u>
Tenant Name		Charis Church	Eue Care Specialists	Current listing	Current listing
Address	178 Industrial Road	1300 Benner Pike	601 Wyoming Avenue	2780 Benner Pike	13225 Ferguson Valle Rd
Municipality	West Mahanoy Township	College Township	Kingston Borough	Benner Township	Derry Township
County	Schuykill	Centre	Luzerne	Centre	Mifflin
State	Pennsylvania	Pennsylvania	Pennsylvania	Pennsylvania	Pennsylvania
Lease Commencement Date		Mar-17	Nov-16	Current listing	Current listing
Lease Area (square feet)	9,289	6,300	2,916	6,300	4,861
Lease Term (years)	0	3	3	Current listing	Current listing
Lease Expense Structure	Modified Gross	Modified Gross	Gross	NNN	Modified Gross
Type of Lease	Second generation	Second generation	Second generation	Second generation	Second generation
Building Age	1981	1965, reno 2017	Unknown	1976	1971
Sprinkler System	None	None	Unknown	Unknown	None
Building Condition	Fair to average	Average	Average	Average	Fair to average
Initial Lease Rate Per Square Foot		\$12.00	\$10.00	\$10.00	\$6.67
Expense Adjustment		\$0.00	(\$1.00)	\$3.22	\$0.00
Effective Modified Gross Lease Rate		\$12.00	\$9.00	\$13.22	\$6.67
Market Conditions (time)		Similar	Similar	Similar	Similar
Lease Conditions		Similar	Similar	Superior	Mildly superior
Type of Lease		Similar	Similar	Similar	Similar
Location		Mildly superior	Superior	Mildly superior	Similar
Age/Condition		Mildly superior	Similar	Mildly superior	Mildly inferior
Size of Leased Area		Similar	Mildly superior	Similar	Similar
Utilities		Similar	Similar	Similar	Similar
Functional Utility		Similar	Similar	Similar	Inferior
Overall Rating		Superior	Superior	Highly superior	Inferior
Lease Rate/sf (rounded)		\$12.00	\$9.00	\$13.20	\$6.65

Ranking of the Comparable Leases

A ranking analysis is now performed. The Appraisal Institute defines ranking analysis as “a qualitative technique for analyzing comparable sales; a variant of relative comparison analysis in which comparable sales are ranked in descending or ascending order of desirability and each is analyzed to determine its position relative to the subject.”²⁶ This technique can also be modified for use in comparing comparable leases. As shown in the following table, the comparable leases have been ranked from highest to lowest lease rate per square foot, Modified Gross.

²⁶ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Edition (Chicago: Appraisal Institute, 2015), 185.

Ranking of Comparable Leases		
Lease	Lease Rate per sf	Overall Rating
4	\$16.00	Highly superior
1	\$14.00	Superior
1	\$14.00	Superior
7	\$13.20	Highly superior
5	\$12.00	Superior
2	\$10.55	Mildly superior
6	\$9.00	Superior
8	\$6.65	Inferior

As shown, the comparable leases indicate unit rates ranging from \$6.65 per square foot to \$16.00 per square foot, modified gross. This analysis suggests that the market rent for the subject is between \$6.65 per square foot and \$9.00 per square foot. Market rent of \$8.00 per square foot, modified gross is concluded.

Expense Reimbursement Revenue

Under a modified gross lease structure as modeled herein, tenants do not reimburse any operating costs associated with the property, but pay utilities for their space. The landlord is typically responsible for the insurance, real estate tax and maintenance/repairs expenses. In this analysis, no reimbursements are modeled.

Total Potential Gross Income

The addition of potential gross rental income and total reimbursement revenue (in this case, zero) equals total potential gross income.

Vacancy and Collection Losses

Typically, there is a subtraction from potential gross income to account for income lost due to periods when the property is not fully leased or when a tenant is unable to pay its rent in a timely manner. Vacancy and collection loss is not the same as rent loss due to absorption. Rather, vacancy and collection losses refer to losses sustained by the landlord during normal, stabilized occupancy.

Projected stabilized vacancy is a factor of local market conditions, as well as the marketability of the property within its market. For the subject property, stabilized vacancy and collection losses are estimated at 5% of potential gross income.

Effective Gross Income

Effective gross income results from the subtraction of vacancy and collection losses from all sources of potential gross income.

Operating Expenses

As stated previously, market rent for the subject has been estimated on a modified gross basis, as this is a common lease structure in this market area. That is, the landlord would be responsible for all operating expenses (except utilities) including insurance, real estate taxes and maintenance/repairs. The owner would also be responsible for management and replacement reserves.

Management/administrative Fees - This is the profit motive behind a management company acquiring the service contract for a particular type of property. Based on the fees typically charged by professional management firms for a property the size of the subject, a management/administrative fee equivalent to 3% of effective gross income is deemed appropriate.

Insurance - Building insurance includes fire/general liability coverage. It does not include the tenant's coverage or business insurance. Expense examples contained in the files of the appraisers from other similar office facilities show a range of insurance expense from \$0.12 per square foot to \$0.32 per square foot with an average of \$0.22 per square foot. The insurance expense is estimated at \$0.20 per square foot of NRA.

Real Estate Taxes - As described previously in the Tax Assessment Analysis Section, annual real estate taxes are \$18,572. However, because the contributory value of the surplus land is added after capitalization via comparable sales (and would inherently include a tax liability), only the real estate taxes for the building and supporting land (estimated at \$16,079) are included in the direct capitalization reimbursements and expenses. This is based on an estimated land area of 2.5 acres supporting the subject building. The calculation of the taxes applied in this analysis is shown in the next exhibit.

Tax Assessment Summary Table					
Tax Identification Number	36-06-0006.002				
			Assessment for		
	<u>Total Assessment</u>	<u>% of Support Land</u>	<u>Direct Capitalization</u>		
Land Assessment	\$37,165	16.3%	\$6,045	Municipal Millage Rate	0.007150
Building Assessment	<u>\$194,685</u>		<u>\$194,685</u>	County Millage Rate	0.015380
Total Assessment	\$231,850		\$200,730	School District Millage Rate	0.056975
				Other Millage Rate	<u>0.000600</u>
Predetermined Ratio	50.0%			Total Millage Rate	0.080105
Common Level Ratio	41.6%			Effective Tax Rate	0.033324
Implied Value	\$557,332			Tax Liability	\$16,079

Maintenance and Repairs - This expense covers the maintenance and repairs of items such as the parking lot (snow removal), landscaping, mowing, common area utilities

and security system fees, and HVAC maintenance. Expense examples contained in the files of the appraisers from other office facilities show a range of maintenance/repairs expense from \$0.47 per square foot to \$3.13 per square foot with an average of \$1.75 per square foot. This expense is estimated at \$1.75 per square foot of NRA.

Reserve for Replacement - Upon initial review, the structural maintenance reserve would be estimated at \$9,752, or \$1.05 per square foot. This annual reserve includes the cost of replacing short-lived components such as roof and paving. However, the amount is much higher than typical office properties because of the excessive paving. This excessive paving would not be recognized by the typical user to have value. As such, a lesser reserve of \$0.50 per square foot is modeled as it is highly unlikely that a user would maintain the excess paving.

Net Operating Income

Net operating income is the subtraction of operating expenses from effective gross income.

Capitalization Rate Selection

In determining an appropriate overall capitalization rate, two methods were considered. First, information obtained from various published investor surveys was analyzed. Then, overall rates from sales of leased fee office properties in the subject’s area are analyzed. The following paragraphs explain the development of an overall capitalization rate for the subject property.

Market Extraction - published sources

Data on capitalization rates extracted from sales of institutional-grade office properties was reviewed from RealtyRates.com²⁷ and PwC,²⁸ as was data for non-institutional grade office properties from PwC.²⁹ This data is summarized next.

	RealtyRates.com Suburban Office	PwC National Secondary Office (Institutional)	PwC National Secondary Office (Non-Institutional)
Indicated Range	4.99% to 11.93% Avg. - 9.03%	5.00% to 9.50% Average. - 7.53%	5.50% to 12.00% Avg. - 8.80%
(dates of study)	4Q 2018	4Q 2018	4Q 2018

²⁷ RealtyRates.com Investor Survey, RealtyRates.com (Suburban Office), 1st Quarter 2019 (4th Quarter 2018 data).

²⁸ Price Waterhouse Coopers (PwC) Real Estate Investor Survey, National Secondary Office Buildings (Institutional), Fourth Quarter 2018.

²⁹ Price Waterhouse Coopers (PwC) Real Estate Investor Survey, National Secondary Office Buildings (Non-Institutional), Fourth Quarter 2018.

ATTACHMENT 1

178 Industrial Road - Frackville, PA
MVG 19018

Valuation

This data in the prior tables indicates capitalization rates ranging from 4.99% to 12.00%, with averages ranging from 7.53% to 9.03%. The information disclosed by the published sources is considered reliable but is representative of transactions and investor opinions relating to properties in primary/secondary metropolitan markets. The subject property is not in a primary/secondary metropolitan market.

Market Extraction - examples of leased fee sales

This method derives indicated overall rates directly from the market by analyzing comparable sales data. The indicated overall capitalization rate for a comparable sale is the ratio of the indicated net operating income to the sale price. It should be noted that in some cases, the operating expenses for the sale examples were estimated based on typical operating expense ratios. The reader should note that capitalization rates extracted from transfers such as 1031 exchanges may be misleading. This data is summarized in the following table.

Leased Fee Office Sales (capitalization rate extraction)							
Location	Sale Date	Sale Price	NRA (sf)	Year Built	Sale Price/sf	Capitalization Rate	Comments
2300 Pleasant Valley Road Springlettsbury Township York County, PA	Feb-19	\$4,265,500	22,171	1995	\$192.39	8.5%	This is the sale/leaseback of a three-building property that was 100% occupied by Martin Foot and Ankle Center. Formerly a Class C ambulatory surgical center, the listing broker indicated that there was no longer surgical space in the facility. The lease was based on the upper floor area only (19,138 square feet). Martin leased back the space on a ten-year basis at \$20 per square foot, NNN.
140 North Pointe Boulevard Manheim Township Lancaster County, PA	Jun-18	\$2,562,000	11,178	1997; ren. 2016	\$229.20	7.9%	This is the sale of a medical office building fully leased to WellSpan Cardiology through the end of 2019, with two four-year options. There are annual rent increases throughout the term and option periods. CoStar reported that the sale was part of a 1031 exchange, but did not identify if it was the relinquished property or the replacement property.
241 Alexander Spring Road South Middleton Township Cumberland County, PA	May-18	\$4,160,000	8,550	2001; 2017	\$486.55	7.4%	This is the sale/leaseback of the Carlisle Digestive Disease Associates ambulatory surgical center and medical office building facility. The seller leased back the space on an absolute basis for 20 years, with 2% annual increases.
3801 Paxton Street Swatara Township Dauphin County, PA	Jan-18	\$8,425,000	58,138	2006, ren. 2017	\$144.91	6.9%	This is a former bank headquarters property that was leased by Computer Aid on a new 10-year, NNN lease after having been fully renovated.
250 Fame Ave, Ste. 130 Penn Township York County, PA	May-17	\$4,100,000	9,990	2009	\$410.41	6.9%	This is the sale/leaseback of a medical office condominium unit that was fit out as an ambulatory surgical center. The suite has three operating rooms. The listing broker reports that the lease terms were market-oriented for this type of space.
275 Grandview Avenue East Pennsboro Township Cumberland County, PA	Mar-17	\$6,700,000	57,015	1973	\$117.51	9.4%	This office building was fully leased with a total of seven tenants at the time of sale. The building reportedly had a newer roof still under warranty and a new chiller. Common areas had been upgraded in recent years.
214 Senate Avenue East Pennsboro Township Cumberland County, PA	Mar-17	\$13,900,000	91,447	1988	\$152.00	9.3%	This office building was fully leased by a total of 20 tenants at the time of sale. According to the listing agent, this property is the pre-eminent property for financial services firms in the market. The building reported had a new roof, parking lot, landscaping and a number of other upgrades.
4999 Louise Drive Lower Allen Township Cumberland County, PA	Dec-16	\$8,450,000	56,494	1998	\$149.57	8.6%	This office building was 96% leased by a total of 15 tenants at the time of sale. The property was reportedly purchased by a neighboring property owner in order to allow for expansion of office space in the immediate vicinity that will be accomplished over time as tenants vacate the building.
2320 Rothsville Road Warwick Township Lancaster County, PA	Nov-16	\$3,950,000	25,711	1982; 1996	\$153.63	7.6%	This is a medical office building that was purchased by one of the building's tenants. The building is two-stories but there is a lower level that has direct access from the parking lot. The lower level is finished to standard office specifications. Occupancy at sale was 92.6%.
1001 N 8th Street City of Harrisburg Dauphin County, PA	Sep-16	\$6,385,000	58,014	1985	\$110.06	10.5%	This building is fully leased to Dauphin County Children and Youth (2nd & 3rd Floor) and PHEAA (1st Floor). Property includes minimal parking. First floor is partially below grade. Cap rate reflects first floor re-leasing risk and lack of parking.
1000 Nationwide Drive Susquehanna Township Dauphin County, PA	Apr-16	\$23,352,420	162,194	1976, 1981	\$143.98	7.0%	This is a sale/leaseback transaction with a prime national tenant. The lease was for a term of 12 years with annual escalations.
2550 Interstate Drive Susquehanna Township Dauphin County, PA	Mar-16	\$10,960,000	73,683	1998	\$148.75	8.8%	This is a fully-occupied office building. The sale price was \$10,600,000, but the buyer had to spend ±\$360,000 on HVAC repairs immediately after the sale. AT&T occupied the lower three floors and Crump Life Insurance recently signed a 10-year lease for the upper floor.
144 North Main Street Coty of Greensburg Westmoreland County, PA	Mar-16	\$13,750,000	81,639	2006	\$168.42	7.8%	This is a fully-occupied office building that is leased to the PA Department of Labor & Industry. This was a build-to-suit completed in 2006. The lease includes 304 parking spaces that the landlord leases nearby from the City of Greensburg.
				High end of range:		10.5%	
				Low end of range:		6.9%	
				Mean:		8.2%	

The examples are sales of leased office properties in the region. These sales exhibit capitalization rates in the range of 6.9% to 10.5%, with an average of 8.2%.

Reconciliation of Overall Rate Estimates

The subject property is located along Industrial Road in the Frackville Industrial Park just east of Frackville Borough. The building was designed for single-occupant, office use. The office area is functional for its purpose, but the layout of the space may not be attractive to today’s office users. The functional utility of the office building is considered average. The roof, HVAC and carpet are reported to be at or near the end of their useful lives. The office building is considered to be in fair to average condition. The paving is considered to be in fair condition. Based on a review of this data, and in consideration of the subject’s features and location, a capitalization rate of 9.0% for the subject property is concluded.

Capitalized NOI

Applying the 9.0% capitalization rate to the net operating income results in a capitalized NOI of \$329,334. This is the market value of the property as if it was leased at market rent and stabilized occupancy. However, there are no leases in place. Therefore, a deduction is required to account for the costs bring the property to stabilized occupancy at market rent. These deductions include rent loss during lease-up, utilities during lease-up and leasing commissions. An amount of entrepreneurial incentive is also applied to these costs to reward the investor for their coordination in bringing the property to stabilization.

It may take considerable time to secure tenants for the subject if it was vacant and available. In this analysis a lease-up period of one year has been modeled to account for marketing and normal due diligence. The total deduction has been estimated at \$101,233. The following exhibit summarizes the deductions needed.

Lease-up Costs	
Annual rent loss	\$74,312
Annual dark utilities	<u>\$1,858</u>
Total annual holding cost	\$76,170
Absorption (years)	1.0
Total holding costs	\$76,170
Leasing commissions	<u>\$15,860</u>
Subtotal	\$92,030
Entrepreneurial incentive	<u>\$9,203</u>
Total deduction required	\$101,233

Contributory Value of the Surplus Land

It is estimated that roughly 2.5 acres support the building. As such, 13.23 acres are then considered surplus. Previously, the land was valued at \$18,250 per acre

(recognizing that the surplus land has no approvals). Applying this unit rate to the 13.25 acres of surplus land yields a contributory value of \$241,813.

Conclusion to the Income Capitalization Approach

In order to determine the as-is market of the subject property's fee simple estate, the lease-up costs are deducted from the capitalized NOI. This results in an as-is market value opinion of the fee simple state in the subject property of \$469,913, rounded to \$470,000. The following is a summary of the Income Capitalization Approach.

Income Capitalization Approach Summary			
	Rent/sf	Size	Income
Potential Gross Rental Income			
Market Rent	\$8.00	9,289 square feet	\$74,312
Total Reimbursement Revenue			<u>\$0</u>
Total Potential Gross Income			\$74,312
Vacancy & Collection Losses	5%		<u>(\$3,716)</u>
Effective Gross Income			\$70,596
Operating Expenses			
Management	3%		(\$2,118)
Insurance	\$0.20/square foot		(\$1,858)
Real Estate Taxes	\$1.73/square foot		(\$16,079)
Maintenance/Repairs	\$1.75/square foot		(\$16,256)
Replacement Reserve	\$0.50/square foot		<u>(\$4,645)</u>
Total Operating Expenses			<u>(\$40,956)</u>
Net Operating Income			\$29,640
Capitalization Rate		÷	<u>9.0%</u>
Capitalized NOI			\$329,334
Less: Lease-up Costs			(\$101,233)
Plus: Contributory Value of Surplus Land			<u>\$241,813</u>
Market Value			\$469,913
Rounded to			\$470,000

RECONCILIATION AND FINAL VALUE OPINION(S)

The reconciliation section ties together the information provided throughout this report to conclude to a final opinion of value for the subject property. Final reconciliation is defined as the “phase of a valuation assignment in which two or more value indications are processed into a value opinion, which may be a range of value, a single point estimate, or a reference to a benchmark value.”³⁰

The Sales Comparison and Income Capitalization Approaches have been developed to appraise the fee simple estate in the subject property located at 178 Industrial Road in West Mahanoy Township, Schuylkill County, Pennsylvania. The following summarizes the indicated value estimates:

Sales Comparison Approach	\$470,000
Income Capitalization Approach	\$470,000

Theoretically, the Sales Comparison Approach directly reflects the actions of both buyers and sellers in the marketplace, provided that adequate sales are available. Because office buildings similar to the subject in this location infrequently sell (especially fee simple estates), it was necessary to research comparable improved sales on a broader regional basis. However, an adequate number of sales were found and analyzed. This approach is well supported and reliable.

The Income Capitalization Approach was developed as a hypothetical scenario, first assuming that the property was stabilized and leased at market rent. The stabilized net operating income was then capitalized at a market supported capitalization rate. A deduction for rent loss and expenses during lease-up was applied to adjust the value from a stabilized value to an as-is fee simple value. A limited number of comparable leases were found to support a market rent estimate. Given the location of the subject office building, it is not considered likely that this property would be purchased by an investor with the intent of leasing the office building. While the capitalization rate was derived on the basis of acceptable methodology, there is more subjectivity in this approach. This approach is considered less reliable than the Sales Comparison Approach.

In the final reconciliation, greater emphasis is placed on the Sales Comparison Approach due to the reliability of the sales. In addition, the reliability of the Income Capitalization Approach is weaker than the Sales Comparison Approach since the property is not leased and would likely not appeal to an investor buyer.

³⁰ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Edition (Chicago: Appraisal Institute, 2015), 190.

Market Value Conclusion

Based on an inspection of the referenced property and the investigations and analyses undertaken, and subject to the assumptions and limiting conditions set forth in the accompanying report, it is concluded that the market value of the fee simple estate in the subject property, as of February 22, 2019, is \$470,000 (Four Hundred Seventy Thousand Dollars).

EXPOSURE TIME

Reasonable exposure time is one of a series of conditions in most market value definitions. Exposure time is always presumed to precede the effective date of the appraisal. Exposure time is defined by USPAP as the “estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.”³¹ Exposure time is always presumed to occur prior to the effective date of the appraisal. It is a retrospective opinion based on an analysis of past events assuming a competitive and open market. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.

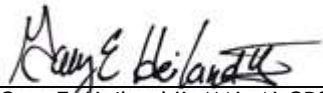
Based on the information presented in the body of the report, a reasonable exposure time for the fee simple estate in the subject property would have been approximately 12 months.

³¹ USPAP, 2018-2019 Edition, 4.

CERTIFICATION

Gary E. Heiland II, MAI, AI-GRS and Lawrence B. O'Brien, to the best of our knowledge and belief, do hereby certify that:

- 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 our personal, impartial and unbiased professional analyses, opinions and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results; furthermore, this assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- Our 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 opinion, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal report.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
- Our reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice (USPAP)*.
- We have not provided any services, as appraisers or in any capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Lawrence B. O'Brien personally inspected the property that is the subject of this report. Gary E. Heiland II, MAI, AI-GRS did not inspect the subject property.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- As of the date of this report, Lawrence B. O'Brien has completed the Standards and Ethics Education Requirements for Practicing Affiliates of the Appraisal Institute.
- As of the date of this report, Gary E. Heiland II, MAI, AI-GRS has completed the continuing education program for Designated Members of the Appraisal Institute.



Gary E. Heiland II, MAI, AI-GRS
Principal

Pennsylvania Certified General
Real Estate Appraiser
Certification Number GA001676R



Lawrence B. O'Brien
Associate

Pennsylvania Licensed
Appraiser Trainee
License Number LAT000642

ADDENDUM

ATTACHMENT 1

GARY E. HEILAND II, MAI, AI-GRS APPRAISER QUALIFICATIONS

Current Position

Principal and co-founder of Mid-Atlantic Valuation Group, Inc.; York and Wayne, Pennsylvania

Work Experience

July 2006 to Present - Principal
Mid-Atlantic Valuation Group, Inc.; York and Wayne, Pennsylvania
February 1999 to June 2006 - President
Mid-Atlantic Appraisals; York, Pennsylvania
May 1996 to February 1999 - Associate Appraiser
Weinstein Realty Advisors; York, Pennsylvania
January 1995 to May 1996 - Associate Appraiser
Ratcliffe, Cali, Duffy, Hughes (RCDH) & Company; Philadelphia, Pennsylvania

Appraisal Certificates and Licenses

Certified General Appraiser, Commonwealth of Pennsylvania #GA001676R
Certified General Real Estate Appraiser, State of Maryland #11203
Certified General Real Property Appraiser, State of Delaware #X1-0000334 (Inactive)
General Appraiser, District of Columbia #GA11461 (Inactive)
Certified General Real Estate Appraiser, State of Ohio #2008000464 (Inactive)
Certified General Real Estate Appraiser, State of New Jersey #42RG00147300 (Inactive)
Certified General Real Estate Appraiser, State of Virginia #4001 013793 (Inactive)

Education

Bachelor of Science in Business Administration - 1994
Shippensburg University, Shippensburg, Pennsylvania
Major: Real Estate

Appraisal Institute Courses and Exams Successfully Completed

Appraisal Principles - Course 110
Appraisal Procedures - Course 120
Basic Income Capitalization - Course 310
General Applications - Course 320
Standards of Professional Practice (USPAP), Part A - Course 410
Standards of Professional Practice, Part B - Course 420
Standards of Professional Practice, Part C - Course 430
Advanced Income Capitalization - Course 510
Highest & Best Use and Market Analysis - Course 520
Advanced Sales Comparison and Cost Approaches - Course 530
Report Writing and Valuation Analysis - Course 540
Advanced Applications - Course 550
General Comprehensive Exam
Standards of Professional Practice (USPAP) Update
The Appraiser as an Expert Witness: Preparation and Testimony

Other Courses and Seminars Completed

USPAP Update - McKissock Data Systems
Pennsylvania Law - McKissock Data Systems
USPAP and Pennsylvania Law Updates - Central Pennsylvania Chapter of the Appraisal Institute

ATTACHMENT 1

GARY HEILAND II, MAI, AI-GRS

APPRAISER QUALIFICATIONS, CONTINUED

Pennsylvania Assessment Laws and Procedures - Philadelphia Metropolitan Chapter of the Appraisal Institute
Pennsylvania Assessment Laws and Procedures - Central Pennsylvania Chapter of the Appraisal Institute
General Demonstration Report Writing Seminar - Appraisal Institute
Comprehensive Appraisal Workshop - Ted Whitmer, MAI
Rates and Ratios: Making Sense of GIMs, OARs and DCF - Ken Lusht, MAI; Central Pennsylvania Chapter of the Appraisal Institute
Hotel Appraisal Issues on the East Coast - John W. O'Neill, MAI; Central Pennsylvania Chapter of the Appraisal Institute
Evaluating Commercial Construction - James C. Canestaro, AIA, AICP; Pittsburgh Metropolitan Chapter of the Appraisal Institute
Appraisal Independence, What Appraisers and Bankers Need to Know to Comply with New Regulatory Guidelines and Procedures - Telephone Briefing; American Bankers Association and Appraisal Institute
United States Real Estate Landscape - Peter Korpacz, MAI; Central Pennsylvania Chapter of the Appraisal Institute
New From Old: Common Architectural Styles in South Central Pennsylvania - Bob Heiserman; Central Pennsylvania Chapter of the Appraisal Institute
Evaluating Residential Construction - James C. Canestaro, AIA, AICP; Central Pennsylvania Chapter of the Appraisal Institute
Review of Pennsylvania Appraisers Certification Act - Appraisal Institute
Appraisal Institute Experience Training Seminar - Appraisal Institute, Baltimore, MD
What Clients Would Like Their Appraisers to Know - Central Pennsylvania Chapter of the Appraisal Institute
Introduction to Eminent Domain - Central Pennsylvania Chapter of the Appraisal Institute
Uniform Standards for Federal Land Acquisitions - Maryland Chapter of the Appraisal Institute
Fair Housing Training - The Virginia Fair Housing Office
Condemnation Appraising: Basic Principles and Applications - Central Pennsylvania Chapter of the Appraisal Institute
Appraisal Challenges: Declining Markets and Sales Concessions - Central Pennsylvania Chapter of the Appraisal Institute
Commercial Appraisal Engagement and Review - Central Pennsylvania Chapter of the Appraisal Institute
Hotel Appraising, New Techniques for Today's Uncertain Times - Steve Rushmore, MAI, FRICS, CHA; Central Pennsylvania Chapter of the Appraisal Institute

Testimony

Board of Assessment Appeals (Pennsylvania)
Counties of Adams, Allegheny, Beaver, Bedford, Berks, Bradford, Bucks, Butler, Cambria, Carbon, Centre, Chester, Clearfield, Clinton, Columbia, Cumberland, Dauphin, Delaware, Elk, Erie, Fayette, Franklin, Huntingdon, Lackawanna, Lancaster, Lawrence, Lebanon, Lehigh, Luzerne, Lycoming, McKean, Mercer, Monroe, Montgomery, Northampton, Northumberland, Schuylkill, Snyder, Tioga, Washington, Wayne, Westmoreland, Wyoming and York

Condemnation Boards of View (Pennsylvania)
Lancaster County and York County

ATTACHMENT 1

GARY HEILAND II, MAI, AI-GRS

APPRAISER QUALIFICATIONS, CONTINUED

Pennsylvania Court of Common Pleas
Allegheny County, Berks County, Clearfield County, Dauphin County, Lancaster County,
Lebanon County, Schuylkill County, Snyder County and York County

United States Bankruptcy Court
Middle District of Pennsylvania

Seminars Presented

- “Real Estate Tax Assessment Seminar;” Gary E. Heiland II, MAI and Helen L. Gemmill, Esquire;
Harrisburg, Pennsylvania
- “Real Estate Tax Assessment Appeals - What You Need to Know;” Gary E. Heiland II, MAI and
Randy L. Varner, Esquire; For the Dauphin County Bar Association Lunch and Learn Series,
Harrisburg, Pennsylvania
- “Assessment Law and Procedure” - Appraisal segment, PBI, Pittsburgh and Mechanicsburg,
Pennsylvania

Published Articles

- “Big Box Retail Properties: Pitfalls of Valuation;” Martin A. Skolnik, MAI and Gary E. Heiland II;
International Association of Assessing Officers (IAAO) 1998 Conference Proceedings,
Pages 360-372
- “Transferable Development Rights in Lancaster County,” The Advisor, A Publication of
Weinstein Realty Advisors; Volume 2, Issue 1, Spring/Summer 1998
- “Annapolis, Maryland Retail Market Area,” The Advisor, A Publication of Weinstein Realty
Advisors; Volume 1, Issue 2, July 1997

Committees and Appointments

- President, Central Pennsylvania Chapter of the Appraisal Institute, 2009
- Second Vice President of the Central Pennsylvania Chapter of the Appraisal Institute, 2008
- Secretary, Board of Directors, Central Pennsylvania Chapter of the Appraisal Institute, 2004
- Associate Guidance Chair - General, Central Pennsylvania Chapter of the Appraisal Institute,
2004-2008
- Education Committee Member, Central Pennsylvania Chapter of the Appraisal Institute, 2004
- Candidate Advisory Committee Member, Central Pennsylvania Chapter of the Appraisal
Institute, 2013
- Director, Board of Directors, Central Pennsylvania Chapter of the Appraisal Institute,
2002, 2003, 2007, 2012, 2013
- National Screener and Experience Review Panel Member for the Appraisal Institute, 2006-2009
- Monarch Ridge Architectural Review Committee, 2009-2010

Professional Designations

- MAI Membership Designation of the Appraisal Institute (received 2004)
- AI-GRS Membership Designation of the Appraisal Institute (received 2015)

ATTACHMENT 1

LAWRENCE B. O'BRIEN QUALIFICATIONS

Current Position

Associate - Mid-Atlantic Valuation Group, Inc.; York and Wayne, Pennsylvania

Work Experience

2004 to 2014 - Brokerage Advisor - Rock Commercial Real Estate, LLC, York, Pennsylvania

2002 to 2003 - Property Manager - CBC Bennett Williams Rotz, York, Pennsylvania

1999 to 2001 - Property Manager - Kramer Enterprises, Silver Spring, Maryland

1996 to 1998 - Store Manager - Dick's Sporting Goods, Inc., Cockeysville, Maryland

1985 to 1996 - Management Trainee, Merchandise Manager, Senior Merchandise Manager, Store Visual Merchandise Manager, Store Operations Manager, Assistant Store Manager
J. C. Penney Company, Inc.; Buffalo and Albany, New York

Appraisal Certificates and Licenses

Licensed Appraiser Trainee, Commonwealth of Pennsylvania LAT000642

Real Estate Certificates and Licenses

Real Estate Salesperson, Commonwealth of Pennsylvania RS276012

Education

Bachelor of Science - 1984

Canisius College, Buffalo, New York

Major: Business Administration, Management

Affiliations

Practicing Affiliate, Appraisal Institute

Certified Commercial Investment Member Designation (CCIM) (2008-2014)

Appraisal Institute Courses and Exams Successfully Completed

Basic Appraisal Principles (30 Hours) - 2014

Basic Appraisal Procedures (30 Hours) - 2014

Business Practices & Ethics (5 Hours) - 2014

Uniform Standards of Professional Appraisal Practice 2014-2015 (USPAP)(15 Hours) - 2014

Pennsylvania Appraiser Certification Act Review (2 Hours) - 2014

Uniform Standards of Professional Appraisal Practice 2014-2015 (USPAP)(7 Hours) - 2015

Supervisory Appraiser/Trainee Appraiser Course (5 Hours) - 2015

Land Analysis Overview: Quick Tips on Best Practices (2 Hours) - 2015

General Appraiser Income Approach Part 1 (30 Hours) - 2015

Uniform Standards of Professional Appraisal Practice 2016-2017 (USPAP)(7 Hours) - 2015

ATTACHMENT 1

General Appraiser Income Approach Part 2 (30 Hours) - 2016

Pennsylvania Appraiser Certification Act Review (2 Hours) - 2017

Real Estate Finance, Statistics, and Valuation Modeling (15 Hours) - 2017

Effect of PA Economic/Demographic Trends on Highest & Best Use (2 Hours) - 2018

Uniform Standards of Professional Appraisal Practice 2018-2019 (USPAP)(7 Hours) - 2018

Other Courses and Seminars

Financial Analysis for Commercial Investment Real Estate (30 Hours) - 2004

Market Analysis for Commercial Investment Real Estate (30 Hours) - 2004

Case Studies in Comparative Lease Analysis (30 Hours) - 2006

User Decision Analysis for Commercial Investment Real Estate (30 Hours) - 2007

Investment Analysis for Commercial Investment Real Estate (30 Hours) - 2007

A Day In The Life Of A Buyer Agent (3 Hours) - 2016

Pennsylvania State Rules & Regulations For Salespersons (3.5 Hours) - 2018

Federal Law and Commercial Real Estate (3.5 Hours) - 2018

Testimony

Board of Assessment Appeals (Pennsylvania)

County of York

ATTACHMENT 1

PENNSYLVANIA STATE BOARD OF CERTIFIED REAL ESTATE APPRAISERS REQUIRED CHECKLIST FOR LICENSED APPRAISAL TRAINEE

THE BOARD REQUIRES THIS CHECKLIST BE USED WHEN A LICENSED APPRAISAL TRAINEE IS UTILIZED IN THE PERFORMANCE OF AN APPRAISAL. THIS CHECKLIST MUST BE SIGNED BY THE CERTIFIED APPRAISER AND MADE PART OF THE APPRAISAL REPORT THAT IS SUBMITTED TO THE CLIENT AND RETAINED IN THE APPRAISAL WORKFILE.

BY COMPLETING THIS CHECKLIST AND MAKING IT PART OF THE APPRAISAL REPORT SUBMITTED TO THE CLIENT, THE TRAINEE AND SUPERVISORY APPRAISER HAVE MET APPLICABLE USPAP REQUIREMENTS FOR ACKNOWLEDGMENT AND DISCLOSURE OF SIGNIFICANT REAL PROPERTY APPRAISAL ASSISTANCE.

THE BOARD CANNOT GRANT EXPERIENCE HOURS FOR APPRAISAL ASSIGNMENTS IN WHICH THE LICENSED APPRAISAL TRAINEE IS NOT PROPERLY ACKNOWLEDGED IN THE REPORT.

SUBJECT PROPERTY ADDRESS: 178 INDUSTRIAL ROAD, FRACKVILLE, PA

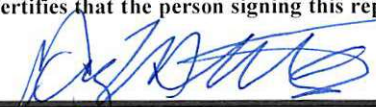
The licensed appraisal trainee to the certified real estate appraiser has contributed significant real property appraisal assistance in this appraisal assignment. Specifically, the licensed appraisal trainee:

- | Yes | No | N/A | |
|-------------------------------------|--------------------------|-------------------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Assisted in the preparation of the workfile with all forms and general information for the appraisal. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Assisted in determining the scope of work of the appraisal. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Assisted in gathering and entering data as follows: tax assessment information and map, flood hazard information and map, zoning information and map, location map and similar information. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Inspected the subject property.
If yes, accompanied by supervisor? <u>NO</u> (yes/no)
Type of inspection (check one): <input checked="" type="checkbox"/> interior <input type="checkbox"/> exterior |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Assisted in analyzing the highest and best use of the subject property. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Assisted in gathering information for comparable land sales data, verified and analyzed the comparable land sales data. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Assisted in gathering data for the cost approach, including estimates of cost new and accrued depreciation. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Assisted in data and analysis for the income approach, including estimates of market rent, vacancy/expense analysis, and development of GRM or capitalization rate. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Assisted in gathering and verifying comparable sales data, and analysis of the comparable sales. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Assisted in the exterior inspection of the sales, rentals, land and/or other comparables. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Assisted in sketch drawing. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Assisted in entering subject and comparable data on the form and in the comment areas. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Assisted in reconciliation and final opinion of value for the subject property. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Assisted in the final review of this report. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Other _____ |

SIGNATURE OF THE APPRAISAL TRAINEE Lawrence B. O'Brien

PRINT/TYPE NAME: LAWRENCE B. O'BRIEN

The supervising certified real estate appraiser certifies that the named individual did assist with the items checked above, and also certifies that he/she reviewed all work done by the trainee. The supervising appraiser further certifies that the person signing this report as trainee understands the concepts and processes associated with the appraisal process.

SIGNATURE OF SUPERVISING CERTIFIED REAL ESTATE APPRAISER: 

PA CERTIFIED GENERAL
REAL ESTATE APPRAISER
CERTIFICATION NUMBER GA001676R