

PREPARED FOR

Ms [REDACTED]

3 Park Central, Suite 1700
Dallas, Texas 75251

APPRAISAL OF AN EXISTING

**Advance Auto Parts
Retail Building**

LOCATED AT

1420 SE Washington Boulevard, Bartlesville, Washington County, Oklahoma 74006

APPRAISAL DATE

October 5, 2018

PREPARED BY

NET LEASE APPRAISALS

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Dallas, Texas 75218

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NET LEASE APPRAISALS

October 18, 2018

[REDACTED]

3 Park Central, Suite 1700
Dallas, Texas 75251

RE: Appraisal of a 6,797 square foot Advance Auto Parts retail building located at 1420 SE Washington Boulevard, Bartlesville, Washington County, Oklahoma 74006

Dear [REDACTED]:

At your request, we have estimated the "as is" market value of the Leased Fee Estate of the above referenced property.

The Subject consists of an 6,797 SF retail building occupied by Advance Auto Parts located on 0.87 acres (37,505 SF per survey in lease) of land located at 1420 SE Washington Boulevard, Bartlesville, Washington County, Texas 74006. The property was built in 2007 and is of average quality "Class C" construction and is operated as Advance Auto Parts. The floor area ratio is 0.18 to 1. The site is in FEMA flood Zone X, an area of minimal flood hazard. The property is leased and occupied by Advance Auto Parts, a national credit tenant that is in the eleventh year of a 15 year lease at a rate of [REDACTED]/SF, NNN. There are three, five year option periods.

"AS IS" MARKET VALUE

Based upon our analysis of the Subject property and the NNN market, the "as is" market value of the Leased Fee Estate, as of October 5, 2018 is considered to be:

[REDACTED]

Your attention is directed to the assumptions and limiting conditions contained within the body of this report for a more thorough understanding of the conditions upon which the value indications and conclusions herein were based.

Sincerely,

NET LEASE APPRAISALS

Ronald E. Dunham, MAI

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property Type:	Single Tenant Retail Building
City/County/State/Zip:	Bartlesville, Washington County, Texas 74006
Address:	1420 SE Washington Boulevard
Legal Description:	PART SECT 16-26-13 BEG 97.5' E OF SW COR SW NW SW GO N 0 DEG 55 MIN E 150.02' E 247.6' S 150' W 250' TO BEG; AND BEG AT NW COR OF NW SW SW GO 109.06' TO POB: S 89 DEG 56 MIN 12 SEC E 215.03'; S 0 DEG 53 MIN 21 SEC E 3'; N 89 DEG 56 MIN 12 SEC W 215.03'; N 0 DEG 53 MIN 21 SEC W 3' TO BEG: .87 AC B'VILLE PART SEC
Date of Value Estimate:	October 5, 2018
Date of Property Inspection:	October 5, 2018
Date of Report:	October 18, 2018
Property Rights Appraised:	Leased Fee Estate

PHYSICAL DATA

Description:	The Subject consists of an 6,797 SF retail building occupied by Advance Auto Parts located on 0.87 acres (37,505 SF per survey in lease) of land located at 1420 SE Washington Boulevard, Bartlesville, Washington County, Texas 74006. The property was built in 2007 and is of average quality "Class C" construction and is operated as Advance Auto Parts. The floor area ratio is 0.18 to 1. The site is in FEMA flood Zone X, an area of minimal flood hazard. The property is leased and occupied by Advance Auto Parts, a national credit tenant that is in the eleventh year of a 15 year lease at a rate of [REDACTED]/SF, NNN. There are three, five year option periods.
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Zoning:	"C-5" General Commercial District
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VALUE INDICATIONS

"As Is" Market Value	[REDACTED]
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Advance Auto Parts Overview

Advance Auto Parts, Inc. is a leading automotive aftermarket parts provider that serves both professional installer and do-it-yourself customers. As of July 14, 2018, Advance operated 5,026 stores and 133 Worldpac branches in the United States, Canada, Puerto Rico and the U.S. Virgin Islands. The Company also serves 1,219 independently owned Carquest branded stores across these locations in addition to Mexico and the Bahamas, Turks and Caicos, British Virgin Islands and Pacific Islands.

Walmart.com and Advance Auto Parts, Inc. (NYSE: AAP), a leading automotive aftermarket parts provider in North America, today announced a comprehensive, strategic partnership that will create an automotive specialty store on Walmart.com. Expected to begin rolling out in the first half of 2019, the new omnichannel shopping experience will provide customers with access to Advance's extensive portfolio of aftermarket automotive parts, accessories and maintenance items.

Financial Highlights for 2017 include:

	2017	2016
Total Net Sales (in billions)	\$9.37	\$9.57
Diluted EPS	\$6.42	\$6.20
Adjusted EPS	\$5.37	\$7.15
Free Cash Flow (in millions)	\$411	\$264

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PHOTOGRAPHS OF SUBJECT

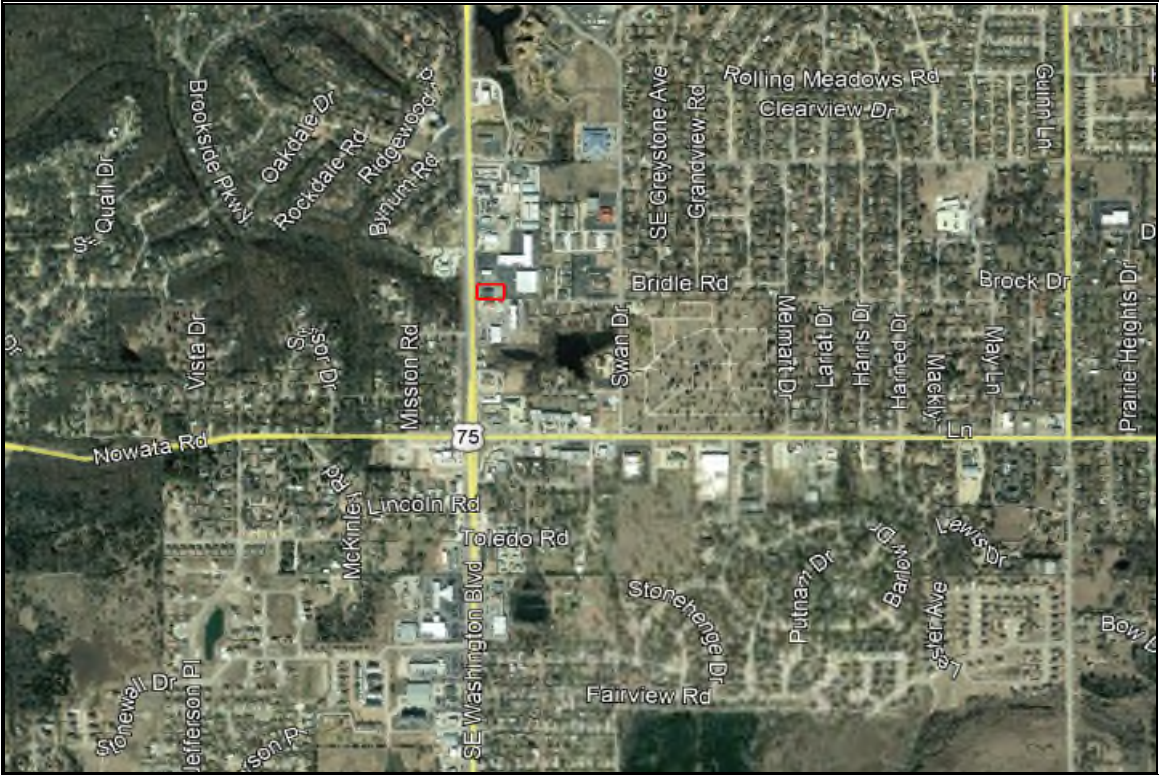
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Aerial views



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Closer in aerial views



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Front view of Subject



Front and west side of Subject

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Rear view of Subject



Rear and west side of Subject

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Front and east side of Subject



Interior view of Subject

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Interior view of Subject

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Street in front of Subject facing east



Street scene in front of Subject facing west

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ASSUMPTIONS AND LIMITING CONDITIONS

The Certification of Value appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraisers in the report.

1. The Appraisers assume no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor do the Appraisers render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership, competent management, and is appraised as if free and clear of any or all liens or encumbrances.
2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraisers have made no survey of the property.
3. The Appraisers are not required to give testimony or appear in court because of having made the appraisal in reference to the property in question, unless arrangements have been previously made.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The Appraisers assume that there are no hidden or unapparent conditions of the property, subsoil, or structure, which would render it more or less valuable. The Appraisers assume no responsibility for such conditions, or for engineering, which might be required to discover such factors.
6. Information, estimates and opinions furnished to the Appraisers, and contained in the report, were obtained from sources considered reliable and are believed to be true and correct. However, no responsibility for the accuracy of such items furnished the Appraisers can be assumed by the Appraisers.
7. Disclosure of the contents of this appraisal is governed by the Bylaws and Regulations of the Appraisal Institute.
8. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected) shall be disseminated to the public through advertising media, public relations media, news media or any other public means of communication without the prior written consent and approval of the appraisers.

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**APPRAISER'S LIABILITY LIMITATIONS,
AND SPECIAL REPORT CONDITIONS
AND CLIENT AGREEMENTS**

The acceptance of this report and its use by the client in any manner whatsoever or for any purpose is acknowledgment by the client that his report is a satisfactory professional product, and that the client has personally read the report, and specifically agrees that the data herein is accurate to the best of the Appraiser's ability.

The report remains the personal property of the signer and may not be transmitted to the third party without the signer's written permission. (Permission is granted to transmit to third party mortgagor.)

Dunham Commercial Appraisers, Inc. or the Appraiser's personal responsibilities do not extend to a third party under any circumstances whatsoever.

As a part of the Appraiser-Client employment agreement, the Client agrees to notify the Appraiser of any error, omission, or invalid data herein within 15 days of receipt and to return the report along with all copies to the Appraiser for correction prior to any use whatsoever. Corrections will be made at the Appraiser's discretion.

Thus, by acceptance of this report, the client acknowledges that a value opinion is the product of a trained professional, but nevertheless is an opinion only and not a provable fact. As a personal opinion, valuation may vary between Appraisers based on the same facts.

Thus, Dunham Commercial Appraisers warrants only that the value conclusion is the Appraiser's best opinion estimate as of the exact day of valuation.

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PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to provide a supportable estimate of the "as is" market value of the Subject property.

USER AND USE OF THE APPRAISAL

The use of this appraisal is for collateral valuation purposes by TBK Bank, our client.

DATE OF VALUE ESTIMATE

The effective date of the market value estimate is October 5, 2018. The appraisers conducted a physical inspection of the property on October 5, 2018.

DATE OF REPORT

The date of this report is October 18, 2018.

COMPETENCY OF APPRAISERS

The appraisal firm of Dunham Commercial Appraisers, Inc., is competent to appraise the subject property by having requisite abilities, qualities, knowledge, and insight to the surrounding subject area. Dunham Commercial Appraisers, Inc., combines a vast amount of appraisal experience along with continuous academics in order to remain abreast of current and future trends in the real estate market and the appraisal profession. Qualifications of the appraiser are included in the Addenda. The appraiser has valued numerous similar properties in the region.

PROPERTY RIGHTS APPRAISED

The property rights appraised in this report are Leased Fee Estate, which is defined as follows:

“An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others: the rights of the lessor (the leased fee owner) and leased fee are specified by contract terms contained within the lease.”

Source: The Appraisal of Real Estate, published by The Appraisal Institute

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SCOPE OF THE APPRAISAL

The appraisal contained herein considers the Cost Approach, Sales Comparison, and the Income Capitalization Approaches to value and is prepared in summary to conform with the Ethics and Standards of the Appraisal Institute, Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, as well as TBK Bank's reporting guidelines. Since the property is leased by a national credit tenant, Advance Auto Parts, similar Advance Auto Parts rents and sales were utilized.

MARKET VALUE DEFINITION

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

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

¹ Federal Reserve System, 12CFR, *Subpart G Section 225.62f

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Exposure Time

The Market Value estimate is based on the assumption that a reasonable time is allowed for exposure in the open market. A reasonable exposure time was estimated based upon market evidence including actual exposure times for retail buildings and the projected marketing time required to sell a property similar to the Subject.

Exposure time is defined as:

“ The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal” (TO, Statement 6).

Due to the lack of similar comparables in the immediate area, the market value estimated in this appraisal specifically relates to the sale of similar Advance Auto Parts in the region. The preferred method for estimating exposure time is considered the actual exposure time required to market and sell similar properties. Conversations with local brokers have indicated that if properly priced and aggressively marketed vacant land will typically require a 6 to 12 month marketing period. Obviously, properties in locations where growth has occurred and where demand for property exists will command the shortest marketing periods. Other factors include the size and price of the property. There are typically fewer buyers for larger properties and thus the marketing period would need to be extended. On the other hand, a larger property in an area with proven need could have in excess of its cost, and thus a short marketing period, as it typically requires several years to plan and develop such a property. As mentioned in the area analysis, the area has experienced considerable growth during the last ten years. As more people move into the area, demand for property similar to the subject will increase. Therefore, it would appear as if a 6-12 month exposure period would be reasonable for the Subject facility.

Marketing Time

The projected marketing time required to market and sell a property(s) similar to the Subject was estimated by interviews with brokers active in the market. Marketing Time is defined as:

An estimate of the amount of time it might take to sell a property interest in real estate at the estimated market value level during the period immediately after the effective date of an appraisal” (TO, Advisory Opinion G-7).

Our research indicates the typical scenario for the sale of improved properties similar to the Subject via open market (real estate broker) or direct (per principal) transactions between organizations. Therefore, we interviewed several brokers involved in the sales of vacant properties to determine the marketing time required to sell a property similar to the subject. The brokers interviewed indicated the marketing time would primarily depend on the asking price and the price a seller would be willing to accept. Other factors obviously include demand for similar type properties, the areas future growth pattern, the marketing plan and even the planned uses possible for the facility.

For the same reasons we discussed in the previous paragraph under Exposure Time, the typical marketing time is also estimated at 6-12 months from the date of appraisal.

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PART TWO
FACTUAL DESCRIPTIONS

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HISTORY OF THE SUBJECT PROPERTY

In accordance with standard rule 1-5 (b), of the "Standards of Professional Practice" of the Appraisal Institute, a three-year sales history for the Subject property shall be included for all non-residential properties.

Express Limited, LTD, the current owners, purchased the Subject from Ted Blank & Associates in June 2018 for \$1,300,000 or \$191.26/sf. Ted Blank & Associates purchased it from 2006 GBR, LLC in September 2017 for \$1,252,500 or \$184.27/sf. No other information is available. No other transactions were recorded over the past three years.

IDENTIFICATION OF PROPERTY

According to the Washington Assessor's Office, the legal description is as follows:

PART SECT 16-26-13 BEG 97.5' E OF SW COR SW NW SW GO N 0 DEG 55 MIN E 150.02' E 247.6' S 150' W 250' TO BEG; AND BEG AT NW COR OF NW SW SW GO 109.06' TO POB: S 89 DEG 56 MIN 12 SEC E 215.03'; S 0 DEG 53 MIN 21 SEC E 3'; N 89 DEG 56 MIN 12 SEC W 215.03'; N 0 DEG 53 MIN 21 SEC W 3' TO BEG: .87 AC B'VILLE PART SEC

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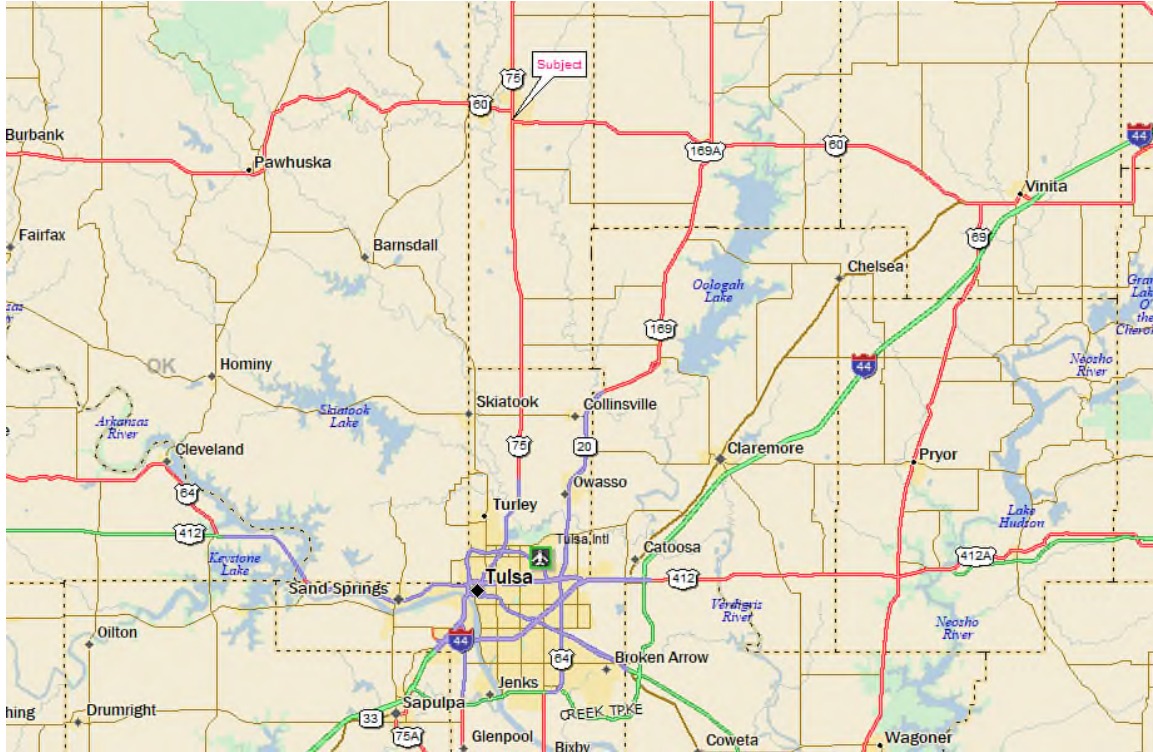
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REGIONAL ANALYSIS

The Subject though not included in the Tulsa MSA is heavily influenced by Tulsa. A map indicating the location of the Subject is as follows:



Tulsa is the second-largest city in the State of Oklahoma and 46th-largest city in the United States. The city serves as the county seat of Tulsa County, the most densely populated county in Oklahoma, and extends into Osage, Rogers, and Wagoner counties.

Tulsa was first settled between 1828 and 1836 by the Lochapoka Band of Creek Native American tribe. For most of the 20th century, the city held the nickname "Oil Capital of the World" and played a major role as one of the most important hubs for the American oil industry. Tulsa, along with several other cities, claims to be the birthplace of U.S. Route 66 and is also known for its Western Swing music.

Once heavily dependent on the oil industry, economic downturn and subsequent diversification efforts created an economic base in the energy, finance, aviation, telecommunications and technology sectors. The Tulsa Port of Catoosa, at the head of the McClellan-Kerr Arkansas River Navigation System, is the most inland river port in the U.S. with access to international waterways. Tulsa is located in the northeastern corner of Oklahoma, 99 miles northeast of Oklahoma City.

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The following analysis over various sectors were provided by *Moody's* for the **Tulsa MSA** as of May 2018.

Recent Performance: Tulsa's expansion is in a mature, late-cycle phase. Payroll employment has recovered from its early-year hiccup; job growth over the last three and 12 months exceeds the state, regional and U.S. averages and the rates in Oklahoma City. The acceleration comes from goods-producing industries, which have added about half of the metro area's jobs over the past year. The majority of these originate from manufacturing and construction rather than mining. The job market is tighter; while the labor force has consistently risen over the past year, the jobless rate has fallen to a new cyclical low of just over 4%. The scarcity of labor has led to higher wages, with average hourly pay rising at a faster pace than elsewhere in the state and slightly above that of the nation. On the downside, the housing market is little improved. Prices are rising at about one-third of the U.S. pace, and single-family permits are sluggish.

Energy: Energy activity around TUL has picked up, and favorable growth prospects in this part of the economy will help extend the life of the expansion. Production restraint from OPEC, along with instability in Venezuela and the potential for reduced Iranian exports after the new U.S. sanctions, has allowed crude oil to sustain a long rally and reach its highest price since late 2014. According to the Kansas City Federal Reserve energy survey, the average profitable price for regional firms is just \$52 per barrel, and prices of nearly \$70 per barrel mean that firms are generating healthier profits. Oklahoma's energy firms are responding to the recent oil rally, with active rig counts jumping from 120 at the start of 2018 to a more than three-year high of 140 in May. The state's oil production has risen by 32% over the past year, far more than the 13% rise nationally. New projects are planned for TUL's Cherokee Platform oil play, and further gains in exploration will create high-wage jobs in extraction and support activities as well as in high-value-added engineering and construction services.

Manufacturing: Manufacturers should be cautiously optimistic for the rest of 2018, but risks are weighted to the downside. One-quarter of new jobs added in TUL in the past are in manufacturing, which has been bolstered by a rebound in the energy sector and support from overseas demand; the metro area supplies over half of the state's exports, which are up close to 12% year to date. Energy will drive domestic demand for energy-related equipment. But headwinds are forming; for one, tariffs have been enacted on steel and aluminum products, which will raise input costs on finished goods. Also, the problem of scarce labor will become more prominent. Oklahoma's monthly economic survey is at its highest level since early 2011. Finding labor will become a bigger headwind in manufacturing and services as TUL's unemployment rate takes aim at 3%.

Demographics: Unsteady demographics will hinder TUL's ability to weather changes in the business cycle. Population gains decelerated in 2017 to the slowest rate in more than a decade, dropping below the U.S. average. Since 2000, migration patterns in TUL have been weaker than those in nearby Oklahoma City, where the economy is more diverse and housing is more affordable. Population growth is forecast to pick up in 2018, but it will still be slow compared with that of other large West South Central metro areas.

Tulsa will be on much firmer ground into the end of the year. Energy and support services will keep expanding as geopolitics largely favor higher oil prices and related expansion. Manufacturing will grow moderately, but headwinds to job additions will build into 2019. Long term, the cyclical nature of TUL's drivers will keep the area moving in lockstep with the U.S.

ECONOMIC DRIVERS		EMPLOYMENT GROWTH RANK		RELATIVE COSTS		VITALITY	
LOGISTICS	HIGH TECH	2017-2019 189 3rd quintile	2017-2022 213 3rd quintile	LIVING 94%	BUSINESS 88%	RELATIVE 102%	RANK 122
		Best=1, Worst=409		U.S.=100%		U.S.=100% Best=1, Worst=402	

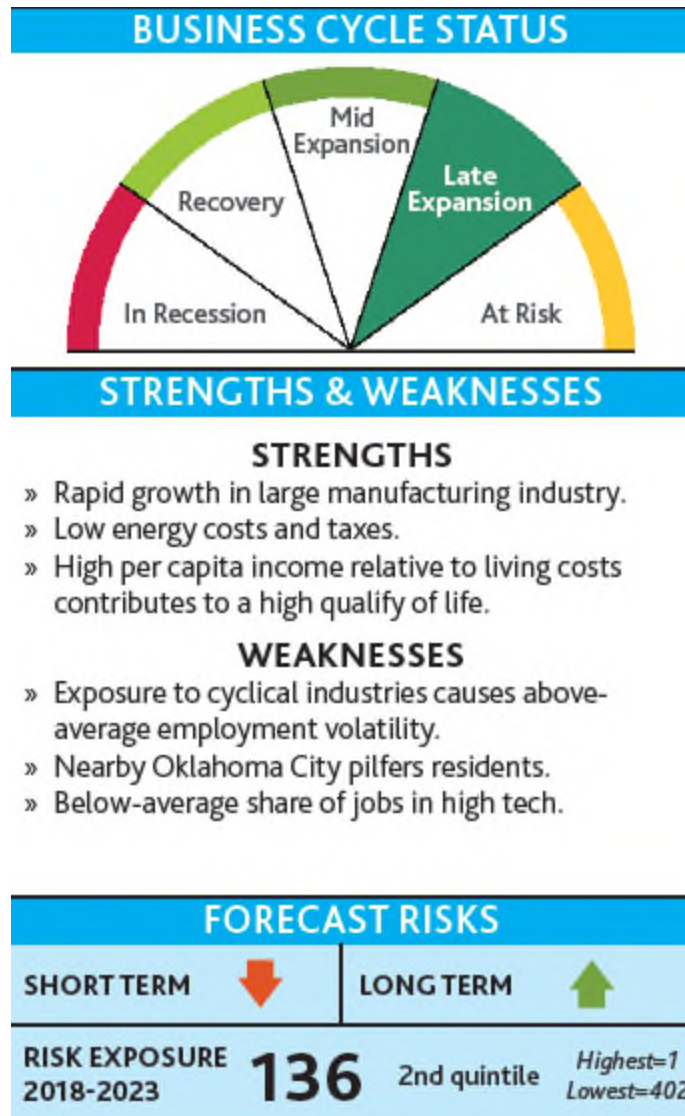
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UPSIDE

- » Manufacturing headwinds turn out to be less substantial than expected.
- » Stronger pick up in net migration allows for larger labor force, job gains.

DOWNSIDE

- » Energy prices falter, dampening firms' profitability and expansion prospects.
- » More tariffs are enacted and dollar strengthens unexpectedly, hurting export support from local manufacturing.

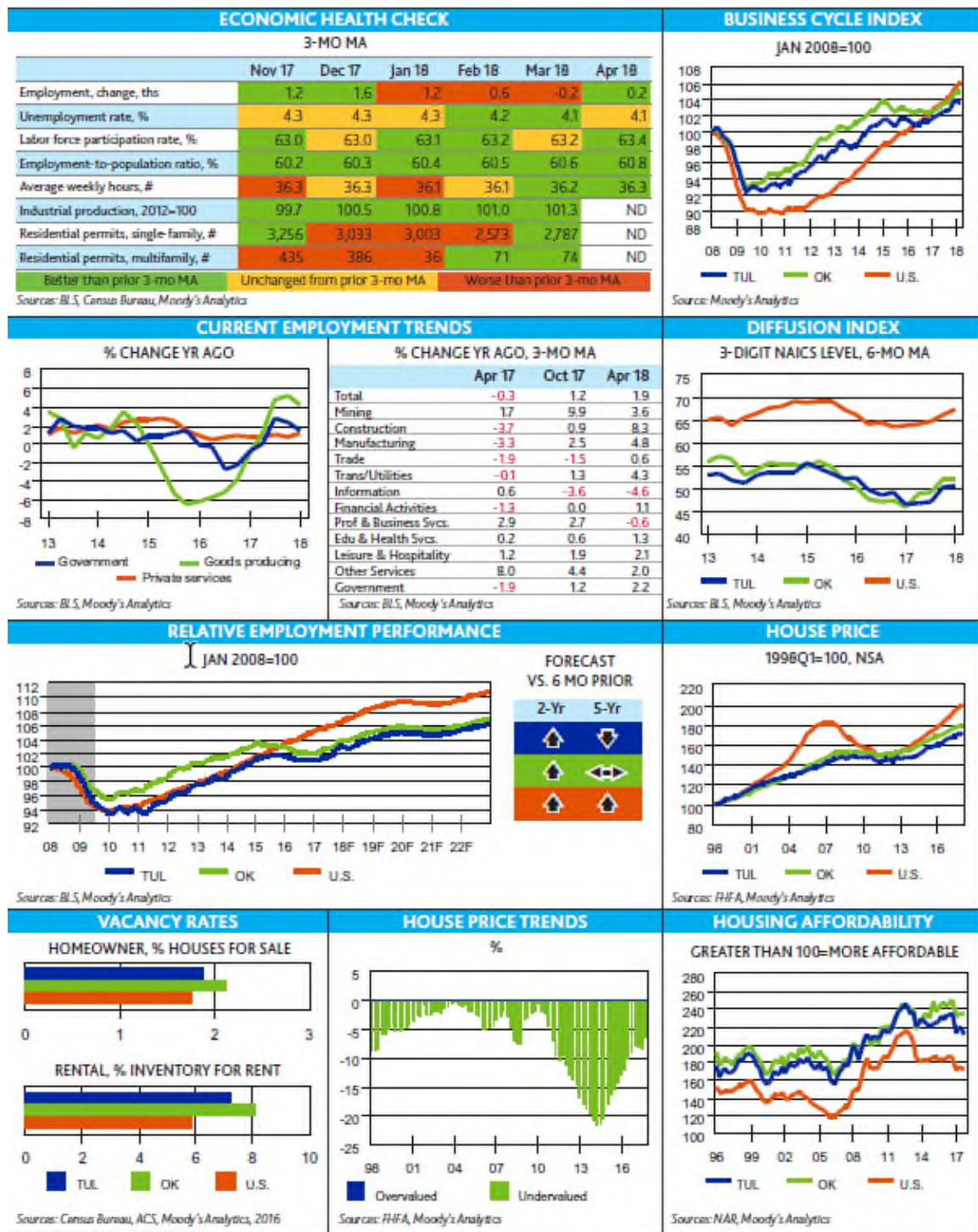
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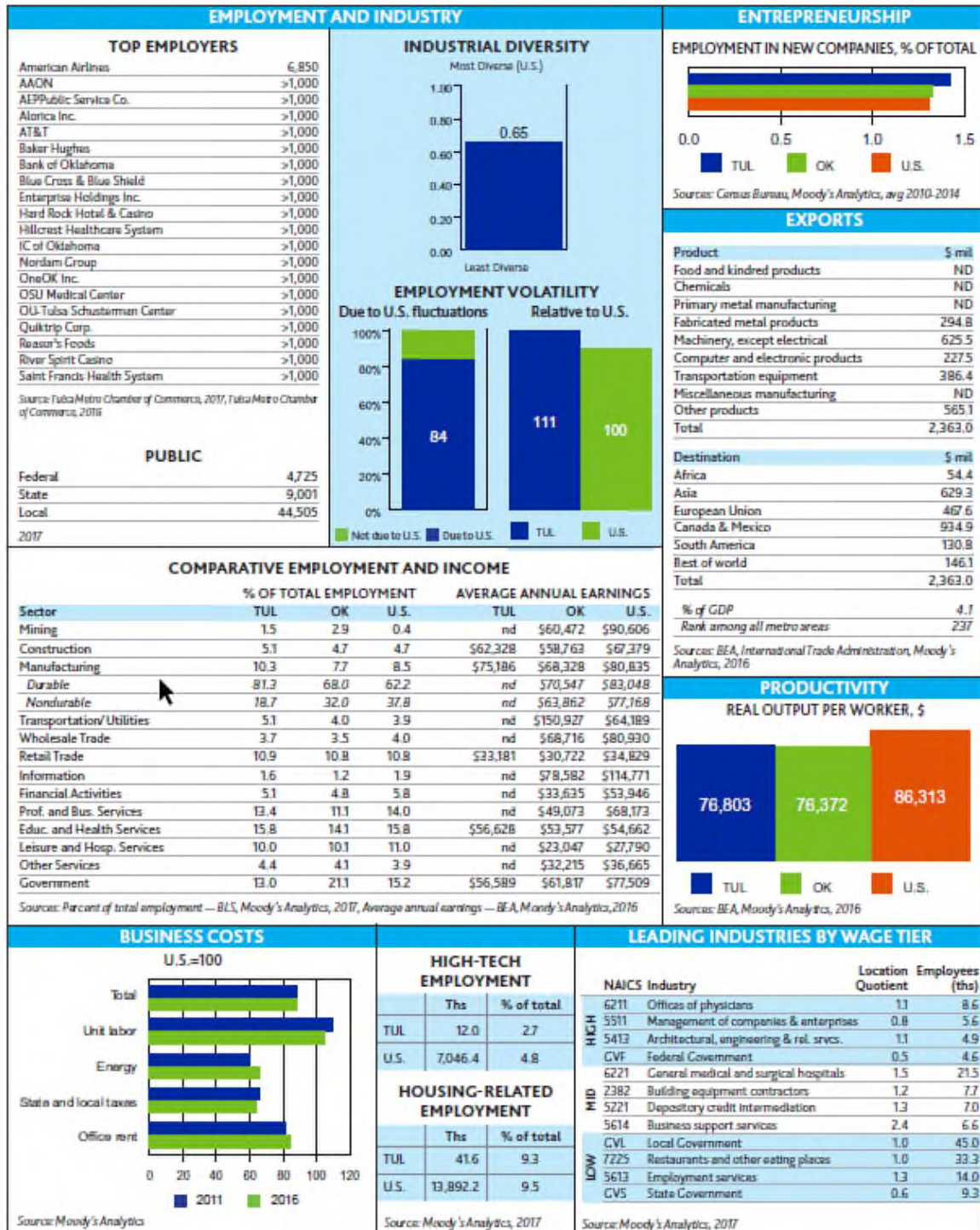
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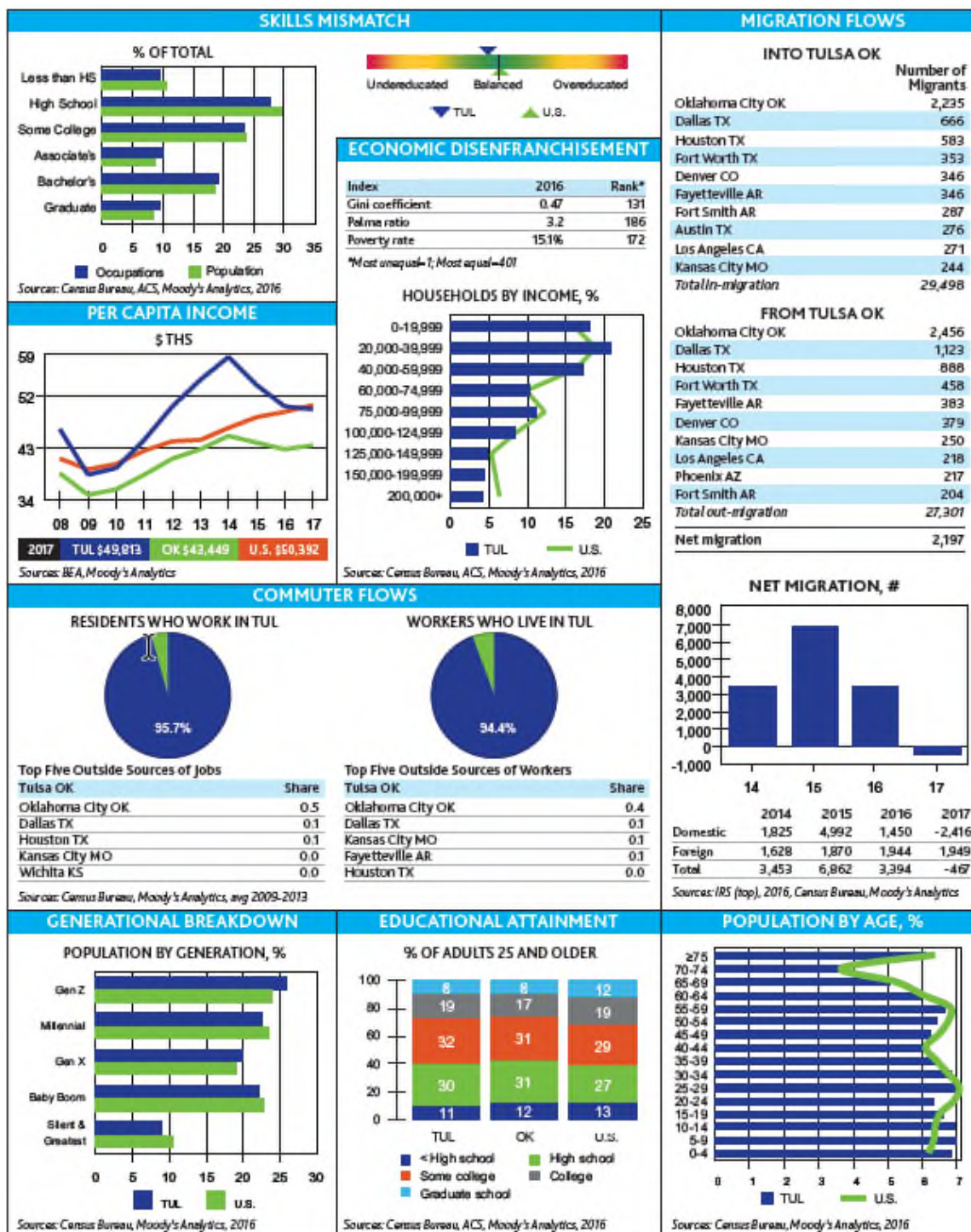
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CONCLUSION

According to Moody's, Tulsa will be on much firmer ground into the end of the year. Energy and support services will keep expanding as geopolitics largely favor higher oil prices and related expansion. Manufacturing will grow moderately, but headwinds to job additions will build into 2019. Long term, the cyclical nature of TUL's drivers will keep the area moving in lockstep with the U.S.

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BARTLESVILLE ANALYSIS

The seat of Washington County, Bartlesville was Oklahoma's first oil boomtown and a leading energy center of the twentieth century. Located in west-central Washington County, the city lies near the Washington-Osage county line, forty-seven miles north of Tulsa, and is crossed by U.S. Highways 60 and 75, State Highway 123, the South Kansas and Oklahoma Railroad, and the Caney River. Bartlesville covers a land area of 21.105 square miles. The 2010 census counted 35,750 residents and according to STDB, the 2017 population is 37,073. The 2022 population is projected to be 37,949. The Caney River flows through Bartlesville, separating the downtown area from the east side. Bartlesville is located within Washington County, in the northeast portion of Oklahoma. The subject is located approximately 40± miles north of the Tulsa CBD.

Linkages and Infrastructure

The area has good access by virtue of a traffic system consisting of several limited access freeways, as well as an adequate number of primary and secondary neighborhood arterials. The primary arteries in the vicinity of the local market area are SH-75 (**Washington Boulevard**) and SH-60. SH-75 runs north/south through the subject neighborhood and provides access to the Tulsa CBD, SH-412, IH-44 and IH-40. SH-60 runs east/west and bisects SH-75 in the subject neighborhood. SH-60 also provides access to IH-44 and IH-35.

There is limited transit service provided by *CityRide*. *CityRide* provides curb to curb service on a demand-response basis Monday-Saturday.

The subject is located approximately 36±miles from the Tulsa International Airport.

Public utilities are readily available to the neighborhood and include municipal water, sanitary sewer, storm sewer, natural gas, telephone service and electricity. These utilities have reportedly been adequate for past needs and the appraisers noted there appeared to be no shortages.

Economic Influences/Employment Centers

Bartlesville is considered to be a bedroom community of Tulsa. However, there are several major employers within the subject neighborhood. The following chart displays the top employers within Bartlesville:

Bartlesville Top Employers	
Employers	# of Employees
Phillips 66	2,100
Conoco Phillips	1,950
Jane Phillips Med Center	1,140
Bartlesville Public Schools	875
Walmart Logistics	650

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Land Uses

In terms of existing development, land use is varied and includes retail/commercial, office, light industrial, residential and recreational. Commercial and retail uses are concentrated along SH-75 and SH-60. Office uses are concentrated in the CBD. Residential uses are located throughout the interior roads.

Work Force

Bartlesville draws upon a labor force of approximately 28,000 persons within Washington County. Over two-thirds of Washington County's employed work force lives within the County itself, while another 12% come from surrounding Tulsa and Osage Counties. Almost half of the work force residing in Washington County – or 8,877 workers – works outside of the county, with the majority of those out-commuters working in Tulsa County.

Bartlesville's labor force is well-educated and can fulfill a wide range of jobs requiring skill and specialization. Nearly 90% of the population 25 years old and up holds a high school degree or higher, while over one-third – or 29.9% - holds a bachelor degree or higher.

Education

Oklahoma Wesleyan University, a private religious school affiliated with the Wesleyan Church, currently enrolls about 500 students at the main campus in Bartlesville and about 1000 including satellite and online campuses. About 700 students attend the local Rogers State University, campus downtown.

Career and technical training is provided by Tri County Technology Center, which offers several programs for high-school and adult students along with short-term courses.

Bartlesville Public Schools are in the Bartlesville Public School District (BPSD), also known as Independent School District 30. They include six elementary (PreK-5) sites, Central and Madison middle schools (6-8), and the Senior High (9-12).

Private schools in Bartlesville include St. John School, a Catholic school, Coram Deo Classical Academy, and the Wesleyan Christian School, which is affiliated with First Wesleyan Church. Some students also attend Tulsa-area private high schools.

Culture and Tourism

The city hosts several annual festivals and shows, nearly all focused in the downtown. Sunfest is scheduled the first weekend of June. It includes an arts and crafts show, a music festival, a kid's festival, and a classic cars show in Downtown. A second classic air show and festival is held in the fall. An Oklahoma Indian Summer Festival is held at the Community Center in downtown Bartlesville each fall.

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Woolaroc is one of the area's top attractions, boasting a 3,700 acre wildlife preserve, one of American's finest museums, nature trails and the historic Frank Phillips Lodge. Area visitors can see exhibits on art, architecture, history and science at the Price Tower Arts Center. An architectural wonder, the Bartlesville Community Center was designed by the Frank Lloyd Wright Foundation. Other attractions in the area include the frontier town museum at Prairie Song, Keepsake Candle Factory and Country Store, the Phillips Petroleum Museum and the beautiful 11-mile jogging and biking trail throughout the city known as Pathfinder parkway.

Washington Park Mall is located within one mile of the subject at the intersection of Price Road and SE Washington Boulevard. Some of the major retailers within the mall include Dillard's, JCPenney and Regal Cinemas. Oklahoma Wesleyan University is located in the south central portion of the subject neighborhood. There are also several state and recreational parks located within Bartlesville and include Jo Allyn Lowe Park, Johnstone Park, Kiddie Park, Robinwood Park and Sooner Park. Cultural and historical uses include Phillips Petroleum Company Museum, Price Tower Arts Center, and the Frank Phillips House.

IMMEDIATE NEIGHBORHOOD

The subject neighborhood is generally defined as the Bartlesville City Limits. The information which follows is presented in summary chart form to give the reader a quick overview of the Subject neighborhood and how it compares to other neighborhoods in the region.

Neighborhood Boundaries

Boundaries	Generally, Bartlesville City Limits
Miles to CBD	40± miles north of Tulsa CBD

General Neighborhood Characteristics

Location	Urban	X Suburban	Rural
% Developed	X Over 50%	25%-50%	Under 25%
Growth Rate	Rapid	X Stable	Slow
Supply	Shortage	X In Balance	Oversupply
Marketing Time	< 6 Months	X 6-12 Months	Over 1 Year
Values	Increasing	X Stable	Declining

Stage of Life Cycle

Growth	
Stability	X
Decline	
Revitalization	

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Subject Neighborhood Compared to Competing Neighborhoods

	Good	Average	Fair	Poor
Access To:				
Neighborhood:	X			
Employment:	X			
Retail Centers:		X		
Street Patterns and Upkeep:		X		
Property Compatibility:		X		
Population Density:		X		
Extent of Occupant Ownership:		X		
Schools:		X		
Income Levels:		X		
Rent Levels:		X		
Value Levels:		X		
Vacancy Levels:		X		
Water and Sewer Availability:		X		

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DEMOGRAPHICS

A survey of the subject area's population and growth rate is summarized in the following charts, followed by a map of the surveyed area.

Demographics						
	2017			2022		
Summary	1 mile	3 mile	5 mile	1 mile	3 mile	5 mile
Population	4,730	31,007	39,568	4,911	31,865	40,537
Households	2,029	13,128	16,357	2,099	13,433	16,687
Families	1,334	8,408	10,567	1,374	8,571	10,741
Average Household Size	2.32	2.32	2.38	2.33	2.33	2.39
Owner Occupied Housing Units	1,538	8,976	11,217	1,593	9,160	11,423
Renter Occupied Housing Units	492	4,152	5,140	506	4,273	5,264
Median Age	48.2	42.1	41.6	48.9	42.3	41.7
Population by Age	1 mile	3 mile	5 mile	1 mile	3 mile	5 mile
0 - 4	4.5%	5.8%	6.1%	4.5%	5.8%	6.0%
5 - 9	5.1%	6.0%	6.2%	5.0%	5.9%	6.1%
10 - 14	6.0%	6.1%	6.2%	5.7%	6.2%	6.3%
15 - 19	5.9%	6.0%	5.9%	5.8%	6.1%	6.1%
20 - 24	4.7%	6.1%	6.1%	4.3%	5.8%	5.7%
25 - 34	9.0%	11.9%	12.2%	9.1%	11.8%	12.0%
35 - 44	10.8%	11.1%	11.1%	11.0%	11.5%	11.6%
45 - 54	12.7%	11.9%	11.9%	12.1%	11.1%	11.1%
55 - 64	15.9%	14.0%	13.9%	14.9%	13.0%	12.9%
65 - 74	11.9%	10.8%	10.7%	14.1%	12.2%	12.1%
75 - 84	7.8%	6.6%	6.4%	8.5%	7.2%	7.0%
85+	5.6%	3.6%	3.3%	4.8%	3.4%	3.2%
Households by Income	1 mile	3 mile	5 mile	1 mile	3 mile	5 mile
<\$15,000	7.00%	10.70%	11.80%	7.10%	10.90%	11.90%
\$15,000 - \$24,999	5.70%	10.40%	11.40%	5.20%	9.90%	10.80%
\$25,000 - \$34,999	8.00%	10.10%	10.70%	7.40%	9.30%	9.80%
\$35,000 - \$49,999	12.10%	13.00%	13.10%	10.70%	11.50%	11.60%
\$50,000 - \$74,999	21.70%	20.60%	20.00%	20.90%	19.90%	19.30%
\$75,000 - \$99,999	12.10%	10.80%	10.90%	12.30%	11.20%	11.50%
\$100,000 - \$149,999	22.10%	15.10%	13.80%	23.10%	15.90%	14.70%
\$150,000 - \$199,999	4.20%	4.20%	3.70%	5.00%	5.10%	4.60%
\$200,000+	7.00%	5.20%	4.70%	8.40%	6.30%	5.70%
Median Household Income	\$67,942	\$55,146	\$52,641	\$72,814	\$58,131	\$55,552
Average Household Income	\$91,811	\$77,017	\$72,977	\$102,697	\$86,291	\$82,145
Per Capita Income	\$39,787	\$32,665	\$30,401	\$44,333	\$36,412	\$34,042

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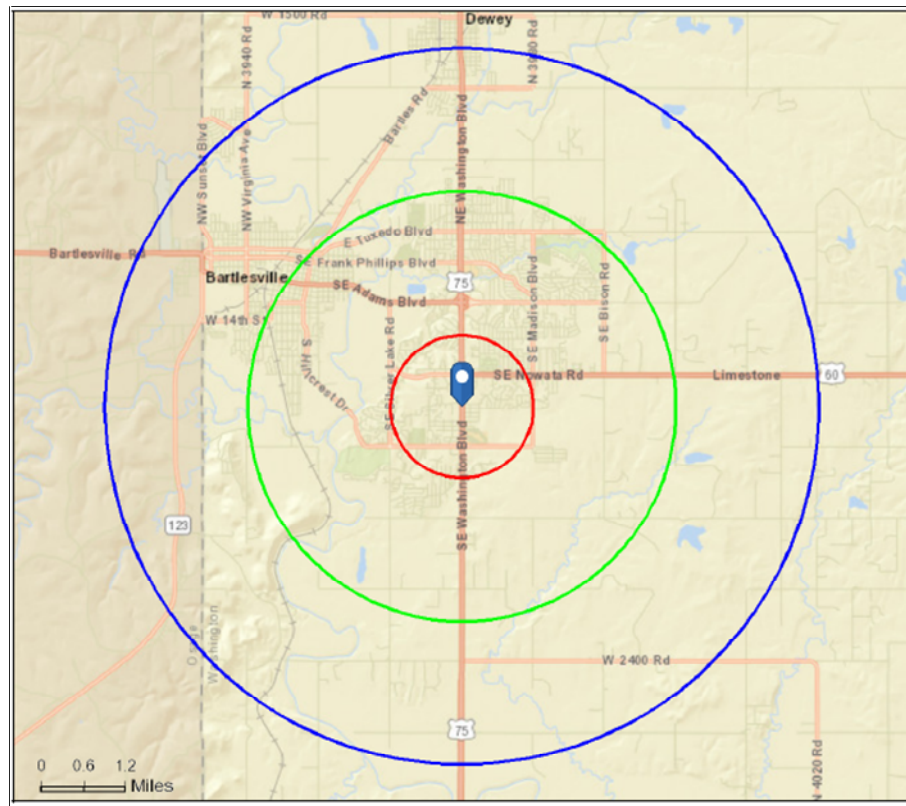
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Trends: 2017 - 2022 Annual Rate			
1 mile Radius	Area	State	National
Population	0.75%	0.90%	0.83%
Households	0.68%	0.84%	0.79%
Families	0.59%	0.76%	0.71%
Owner HHs	0.71%	0.85%	0.72%
Median Household Income	1.39%	1.64%	2.12%
3 mile Radius	Area	State	National
Population	0.55%	0.90%	0.83%
Households	0.46%	0.84%	0.79%
Families	0.38%	0.76%	0.71%
Owner HHs	0.41%	0.85%	0.72%
Median Household Income	1.06%	1.64%	2.12%
5 mile Radius	Area	State	National
Population	0.49%	0.90%	0.83%
Households	0.40%	0.84%	0.79%
Families	0.33%	0.76%	0.71%
Owner HHs	0.36%	0.85%	0.72%
Median Household Income	1.08%	1.64%	2.12%



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Governmental and Environmental Factors

Governmental forces consist of zoning regulations, building codes and prevailing property tax levels within a district. Most of the subject neighborhood is zoned for mixed commercial uses, consistent with existing developments. Furthermore, these zoning ordinances have not been a deterrent to development in the neighborhood. The quality of police and fire protection provided by the City of Bartlesville has been satisfactory. The property tax burden within the neighborhood is similar to other areas of the Bartlesville MSA.

Environmental forces consist of physical features that are contained in or affect the neighborhood. The majority of improvements within the neighborhood consist of commercial, residential and office properties. The maintenance of these properties is good, as exhibited by adequate upkeep. No hazards or nuisances were noted such as litter, dust, odors or smog with the exception of vehicular and air traffic. The Subject neighborhood does have some designated FEMA flood hazard areas, but the area is generally well drained by a network of creeks and drainage channels.

Utilities and Services

The following chart displays the providers of services in the subject neighborhood:

Providers & Services	
Electric	Pubic Service Company of Oklahoma (PSO)
Water & Sewer	City of Bartlesville
Natural Gas	Oklahoma Natural Gas Company (ONG)
Telephone	AT&T
Police & Fire	City of Bartlesville

LIFE CYCLE

A neighborhood's life cycle usually consists of four stages:

- Growth - a period during which the neighborhood gains public favor and acceptance
- Stability - a period of equilibrium without marked gains or losses
- Decline - a period of diminishing demand
- Revitalization - a period of renewal, redevelopment, modernization, and increasing demand

The neighborhood is considered to be in the Stability stage of the life cycle.

CONCLUSION

In conclusion, the subject and its surrounding neighborhood, as delineated by the boundaries, is a stable residential and commercial area. Several factors have combined for the stability of this area. Accessibility, location, and demographics have been a positive influence. The area has not changed significantly during the past year. Overall, it appears there are no apparent conflicting land uses. The area has a substantial residential base and convenient access to employment centers. Considering these factors and the growth pattern of Tulsa the long-term outlook for the local market area appears to be stable

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REAL ESTATE TAXES

The subject had a 2017 mill levy of 122.32.

Year	Property #	Land Value Land	AV Improvements	Total
2018	010999-162613-003000-29	\$398,690	\$476,580	\$875,270

Tax Summary of Subject	
Ownership Name	Express Development, LTD
2018 Assessed Value	\$105,033
Total Estimated 2018 Taxes	$\$105,033 * 122.32/1000 = \$12,847.64$

Taxes are current.

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ZONING

The Subject is zoned “C-5” General Commercial District by the City of Bartlesville. The “C-5” district is designed to accommodate miscellaneous commercial enterprises serving the consumer public, business, industry, and agriculture. This district will provide for commercial uses that do not need to be in shopping centers or the central business district or which are undesirable in such areas.

Setbacks:

Lot area minimum: 5,000 sf

Lot width at front of building line: 50’

Maximum floor area ratio and/or maximum gross floor area for any building: 0.5

Required yards, minimum feet

Where abutting an arterial street: 50’

Where abutting a non arterial street: 25’

Where abutting property in a residential district: 40’

Where abutting property in a non residential district: 0

Parking requirements:

One per 300 SF of floor area, the Subject exceeds requirements.

The Subject represents a legal and conforming use.

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SITE ANALYSIS

The Subject consists of 0.87 acre or 37,505 SF of land located at 1420 SE Washington Boulevard in Bartlesville, Washington County, Texas 74006.

Access

The Subject is at the east side of SE Washington Boulevard (US 60). Access into the site is good from SE Washington Boulevard.

Abutting and Vicinity Uses

Commercial uses are to the north and south of the Subject. Residential uses are found to the east and west.

Topography/Flood Zone

The topography of the site is basically level. The Subject is in FEMA flood plain map 40147C018D and is in Zone X, an area of minimal flood hazard.

Utilities/City Services

The Subject has all available utilities and services.

Zoning

The site is platted for commercial use and is reportedly a legal conforming use according to personnel at the planning office.

Easements/Deed Restrictions

A title policy is not available to us in order to determine the existence of all easements affecting the property. Easements for access, utilities and drainage are assumed to be on and about the subject site. To our knowledge, no deed restrictions affect or limit the use of the property. However, this should not be considered as a guaranty or warranty that no such restrictions exist. Deed restrictions are a legal matter, and normally only a title search by a title attorney discovers any restrictions. Thus, it is recommended that a title search and survey be made if any questions regarding deed restrictions/easements arise.

Environmental Hazards

An environmental study of the Subject is not available. Based on our inspection no environmental hazards appeared to be present (but we are not environmental experts). Therefore, we recommend an environmental survey.

Conclusion

The site is well located and well suited for its current use. No environmental hazards were noted.

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Flood map



Plat map

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IMPROVEMENTS DESCRIPTION

The Subject consists of an 6,797 SF retail building occupied by Advance Auto Parts located on 0.87 acres (37,505 SF per survey in lease) of land located at 1420 SE Washington Boulevard, Bartlesville, Washington County, Texas 74006. The property was built in 2007 and is of average quality "Class C" construction and is operated as Advance Auto Parts

The 6,797 square foot retail building has one level. The building consists of a sales floor area, warehouse area , men's and woman's restrooms, and office/staff area. The interior finish is average.

The front of the building has storefront glass doors and windows. The floors are linoleum and the walls are painted gypsum board. The ceilings are lowered acoustic tile with fluorescent lighting. Air conditioning and heating are via a central unit

SITE IMPROVEMENTS

Additional site improvements include 40 paved parking spaces and landscaping. Landscaping is minimal.

CONCLUSION

The improvements are of average quality construction and are designed for retail use. The improvements have an effective age of ten years and a remaining economic life of 40 years. Depreciation is estimated to be 20% .

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PART THREE
ANALYSIS AND CONCLUSIONS

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HIGHEST AND BEST USE

One of the basic elements of real estate valuation is the theory of highest, best and most profitable use.

As quoted from The Dictionary of Real Estate Appraisal, highest and best use is defined as that reasonable and probable use that supports the highest present value of vacant land or improved property, as defined, as of the effective date of the appraisal.

Or, as defined in the Appraisal of Real Estate, the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and which results in highest land value.

These definitions recognize that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

Because the use of land can be limited by the presence of improvements, highest and best use is determined separately for the land or site as though vacant and available to be put to its highest and best use, and for the property as improved.

In appraisal practice, highest and best use analysis not only identifies the use of the property expected to produce the maximum net present value, but also helps the appraiser select comparable properties.

Four basic criteria are examined in estimating the Highest and Best Use of a property both as vacant and as improved. These stages of analysis are as follows:

- a) Possible Use - the uses to which it is physically possible to put on the site in question.
- b) Permissible Use (Legal) - the uses that are permitted by zoning and deed restrictions on the site in question.
- c) Feasible Use - the possible and permissible uses that will produce any net return to the owner of the site.
- d) Highest and Best Use - among the feasible uses, the use that will produce the highest net return on the highest present worth.

The highest and best use of a specific parcel of land is not determined through subjective analysis by the property owner, the developer, or the appraiser; rather, highest and best use is shaped by the competitive forces within the market where the property is located. Therefore, the analysis and interpretation of highest and best use is an economic study of market forces focused on the subject property.

Market forces also shape market value, so the general data that are collected and analyzed to derive an opinion of market value are also used to formulate an opinion of the property's highest and best use as of the appraisal date.

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SITE AS VACANT

The Subject consists of 0.87 acres or 37,505 of land located at 1420 SE Washington Boulevard in Bartlesville, Washington County, Texas 74006. Commercial uses are the predominate use along Washington Boulevard. Residential development is in the outlying areas.

Physically Possible

In arriving at our opinion of highest and best use for the improved subject site, it was first necessary to determine if the physical characteristics of the site - such as soil conditions, topography, shape, and frontage were favorable for development. No differential settlement was observed which would indicate unusually unstable soil-bearing capacities in the surrounding area. The tract is of sufficient size to be economically adaptable for development and benefits from adequate frontage and accessibility. The topography imposes no discernible problem for development. Thus, the physical characteristics impose no insurmountable limitations to permissible development.

Legally Permissible

The Subject site is zoned for commercial use. Upon analysis of the legally permissible uses of the site, many commercial uses are allowed.

Financially Feasible

The surrounding properties and land uses are considered for compatibility in determination of feasible use. The general area is mostly developed with single family residential and commercial/retail uses.

Advance Auto Parts rental rates found in the upcoming Income Approach range from \$6.90 to \$9.90 per square foot and are typically based on the cost to construct the property (including the land) plus a small amount for profit. The Subject's rent is \$9.37 per square foot. To determine if the Subject's rental rate is market oriented we examined rental rates for similar retail buildings in the immediate area. Non anchor rents range from \$8.47 to \$18.00 per square foot based on data retained in our file. The Subject fits in the lower end of the range. This seems reasonable considering the quality of the Subject.

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Based on the previous a rental rate of at least \$14.25 per square foot (NNN) would be typical for a new building with reasonable finish. On this basis, expenses (un-reimbursed) are projected at \$0.65 per square foot. It is also anticipated that a new building on the site could maintain an occupancy rate of 95%.

A feasibility analysis for retail construction is illustrated by the following calculations:

Average Rent /SF/Year	\$14.25
Less: Vacancy and Collection Loss @5.0%	\$0.71
Effective Gross Income per SF	\$13.54
Less: Expenses/SF	\$0.65
Net Operating Income	\$12.89
Capitalized at 8.00%	\$161.13

Marshall & Swift, a construction cost estimator service, reports construction cost of an average quality, Class "S" retail to be between \$50.00 and \$75.00 per square foot, including profit and exclusive of land costs.

Therefore, upon inclusion of the land cost, it appears that an average quality retail building is feasible.

Maximally Productive

The financially feasible use of the Subject site would be for development of a retail use similar to the current use. Therefore, it is our opinion that the maximally productive use of the Subject site as vacant is for *retail development as the market dictates*.

HIGHEST AND BEST USE AS IMPROVED

Physically Possible

As indicated by their existence, the subject improvements are the most appropriate physical use of the site.

Legally Permissible

As discussed above, the legally permissible uses for the site includes the current use.

Economically Feasible

The value of the existing improvements would exceed the value of the land, demolition costs and construction costs of any alternate use. The value of the Subject improvements as concluded herein exceeds the value of the land.

Maximally Productive

The current use would be the maximally feasible use of the Subject.

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DISCUSSION OF THE APPRAISAL PROCESS

For the purpose of estimating the market value of the property, the appraisers will employ three traditional approaches in the valuation process: the Cost Approach, the Income Capitalization Approach, and the Sales Comparison Approach.

In the Cost Approach, the cost to replace the improvements is estimated. A deduction is made for any depreciation, and the result is combined with the estimated value of the underlying land. The approach is applicable when each component is independently measurable, and then the sum of all components is believed to reflect market value.

The Sales Comparison Approach will be the second approach employed in the valuation process. A search of the local market will be conducted by the appraisers for recent sales of comparable commercial condominiums. Upon gathering such information, an analysis of the data will be made to relate the subject's unique characteristics to those of the comparable sales. A reconciliation of the data will direct the appraisers to an estimate of value via the Sales Comparison Approach.

In the Income Capitalization Approach, the appraisers will ascertain the property's capability of producing income and analyze fixed and variable operating expenses to estimate the net operating income. The potential income and expenses will be projected.

The appraisers will then consider the importance and influence of each approach in relation to the reactions of typical users and investors in the NNN market. The approaches will then be reconciled into a final value conclusion.

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THE COST APPROACH

The cost approach is primarily based on the principle of substitution. The principle of substitution states that a person is not justified in paying more for a property than that amount by which an investor can obtain, by purchase of a site and construction of a structure, without undue delay, a property of equal desirability and utility.

When the property represents a proper improvement, meeting the definition of Highest and Best Use, then this approach is based upon the assumption that the replacement cost is the upper limit of value.

The cost approach consists of four distinct steps:

1. Valuation of the site as if vacant.
2. Estimation of replacement cost new of the existing structures and/or improvements.
3. An estimate of accrued depreciation found in the improvements. The various types of depreciation and how each relates to the subject will be accounted for in this section. The total depreciation present in the improvements is deducted from its replacement cost new to indicate a depreciated value of the improvements.
4. The addition of the site value and the depreciated cost of the structures and improvements to a value estimate.

The technique involved in estimating the value of the site utilizes the principle of substitution as the basis for analysis, and the methodology includes an analysis of properties in the area that have sold. The value of the site, therefore, is derived from sales of comparable properties in the area. It is necessary to evaluate such factors as conditions of sale, financing, market conditions (time), location, physical characteristics, and other items when making adjustments.

Since the property was built for and leased to Advance Auto Parts, a national credit tenant, and when valuing the property in the "Leased Fee Estate" the value of the property is mainly determined by the income generated by the lease and the strength of the tenant's credit. Thus, we have omitted the Cost Approach. The omission of the Cost Approach does not lessen the credibility of this report.

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SALES COMPARISON APPROACH

The sales comparison approach involves a direct comparison of the Property being appraised to similar properties for which value indications are available in similar markets in order to derive a value indication for the Property. Carefully verified and analyzed market data is considered to be a good reflection of value when it represents typical actions and reactions of buyers, sellers, users, and investors. While all approaches are market oriented with respect to the information utilized in each, this approach involves the comparison of the Property with other similar properties. As a result, this approach is considered to be an interpretation of what is taking place within the market.

This approach, like the cost approach, is based on the principle of substitution, which implies that a prudent person will not pay more to buy a property than it would cost to buy a comparable substitute property. One method of valuation by this approach is a comparison based on the sales price per square foot of building area. This is a simplistic comparison, and it can be affected by numerous characteristics of each property, such as age, condition, construction quality, and deferred maintenance, as well as the basic dissimilarities between the properties. Another method of valuation is the Potential Gross Income Multiplier (PGIM) technique. A PGIM is a number that expresses the ratio between the sales price of a property and its potential gross income. We will use sales price per square foot of building area method.

The Sales are all Advance Auto Parts properties with older leases since the Subject has less than five years remaining on their lease. They all have option periods remaining.

The improved comparables are presented on the following pages.

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IMPROVED SALE 1

Address: 450 N. Plano Road, Garland, Texas

Grantor: Primax Properties, LLC

Grantee: Zippy Twinkie, LLC

Date of Sale: April 10, 2017

Consideration: \$1,950,000

Financing: Cash to Seller

Cash Equivalent Price: \$1,950,000

Property Description:

Land Area: 0.813 Acres (35,393 SF)

YOC: 2014

Construction: Class C

Net Rentable Area: 6,912 SF

Occupancy at Sale: 100.0%

Land to Building Ratio: 5.12

Condition: Good

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Improved Sale 1 (continued)

Income Data	Total	Per SF	% of EGI
Potential Gross Income	\$117,020	\$16.93	
Less: Vacancy & Collection @ 0.0%	\$0	\$0.00	
Effective Gross Income	\$117,020	\$16.93	100.0%
Less: Expenses	\$2,340	\$0.34	2.0%
Net Operating Income	\$114,680	\$16.59	98.0%

Units of Comparison	Actual
Price/SF:	\$282.12
EGIM:	16.66x
OER:	2.0%
Overall Rate (Ro):	5.88%

Comments: There were about twelve years remaining on a 15 year lease when the property sold

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IMPROVED SALE 2

Name:	Advance Auto Parts
Address:	18260 Zane Street, NW, Elk River, Minnesota
Grantor:	Bessante, LLC
Grantee:	Rubinstein Aurora, LLC
Date of Sale:	February 1, 2018
Consideration:	\$1,640,000
Financing:	Cash to Seller
Cash Equivalent Price:	\$1,640,000

Property Description:

Land Area:	0.920 Acres (40,075 SF)
YOC:	2003
Construction:	Class C
Net Rentable Area:	7,000 SF
Occupancy at Sale:	100.0%
Land to Building Ratio:	3.59
Number of Stories:	1 Stories
Condition:	Good

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Improved Sale 2 (continued)

Income Data	Total	Per SF	% of EGI
Potential Gross Income	\$109,830	\$15.69	
Less: Vacancy & Collection @ 0.0%	\$0	\$0.00	
Effective Gross Income	\$109,830	\$15.69	100.0%
Less: Expenses	\$2,197	\$0.31	-2.0%
Net Operating Income	\$107,633	\$15.38	98.0%

Units of Comparison	Estimated
Price/SF:	\$234.29
EGIM:	14.93x
OER:	-2.0%
Overall Rate (Ro):	6.56%

Comments: There were about 7.5 years remaining on the lease when the property sold.

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IMPROVED SALE 3

Name:	Advance Auto
Address:	246 Lafayette Street, London, Ohio
Grantor:	Ted Syl, LLP
Grantee:	Tyler-Mac Realty, Inc.
Date of Sale:	May 1, 2018
Consideration:	\$1,150,000
Financing:	Cash to Seller
Cash Equivalent Price:	\$1,150,000

Property Description:

Land Area:	0.830 Acres (36,155 SF)
YOC:	2005
Construction:	Class C
Net Rentable Area:	6,790 SF
Occupancy at Sale:	100.0%
Land to Building Ratio:	4.81
Number of Stories:	1 Stories
Condition:	Good

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Improved Sale 3 (continued)

Income Data	Total	Per SF	% of EGI
Potential Gross Income	\$88,202	\$12.99	
Less: Vacancy & Collection @ 0.0%	\$0	\$0.00	
Effective Gross Income	\$88,202	\$12.99	100.0%
Less: Expenses	\$1,764	\$0.26	-2.0%
Net Operating Income	\$86,438	\$12.73	98.0%

Units of Comparison	Estimated
Price/SF:	\$169.37
EGIM:	13.04x
OER:	2.0%
Overall Rate (Ro):	7.52%

Comments: There were about 7.5 years remaining on the lease when the property sold.

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IMPROVED SALE 4

Name:	Advance Auto Parts
Address:	1420 SE Washington Boulevard , Bartlesville, Oklahoma
Date of Sale:	June 1, 2018
Consideration:	\$1,300,000
Financing:	Cash to Seller
Cash Equivalent Price:	\$1,300,000

Property Description:

Land Area:	0.890 Acres (38,768 SF)
YOC:	2007
Construction:	Class C
Net Rentable Area:	6,797 SF
Occupancy at Sale:	100.0%
Land to Building Ratio:	5.90
Number of Stories:	1 Stories
Condition:	Good

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Improved Sale 4 (continued)

Income Data	Total	Per SF	% of EGI
Potential Gross Income	\$113,646	\$16.72	
Less: Vacancy & Collection @ 0.0%	\$0	\$0.00	
Effective Gross Income	\$113,646	\$16.72	100.0%
Less: Expenses	\$2,273	\$0.33	-2.0%
Net Operating Income	\$111,373	\$16.39	98.0%

Units of Comparison	Estimated
Price/SF:	\$191.26
EGIM:	11.44x
OER:	2.0%
Overall Rate (Ro):	8.57%

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IMPROVED SALE 5

Name:	Advance Auto Parts
Address:	800 N. York Street, Muskogee, Oklahoma 74403
Date of Sale:	Listing
Consideration:	\$1,071,540
Financing:	Cash to Seller
Cash Equivalent Price:	\$1,071,540

Property Description:

Land Area:	0.890 Acres (38,768 SF)
YOC:	2005
Construction:	Class C
Net Rentable Area:	6,784 SF
Occupancy at Sale:	100.0%
Land to Building Ratio:	5.91
Number of Stories:	1 Stories
Condition:	Good

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Improved Sale 5 (continued)

Income Data	Total	Per SF	% of EGI
Potential Gross Income	\$107,154	\$15.80	
Less: Vacancy & Collection @ 0.0%	\$0	\$0.00	
Effective Gross Income	\$107,154	\$15.80	100.0%
Less: Expenses	\$2,143	\$0.32	-2.0%
Net Operating Income	\$105,011	\$15.48	98.0%

Units of Comparison	Estimated
Price/SF:	\$157.95
EGIM:	10.00x
OER:	2.0%
Overall Rate (Ro):	9.80%

Comments: There are just over two year remaining on the initial lease term.

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The following chart summarizes the comparable sales utilized, regarding the physical characteristics of each. The price per square foot is based upon the cash equivalent sales price of each sale, adjusted for favorable financing or other miscellaneous items, where applicable.

Sale	Property	YOC	Date	Size SF	Price/SF
1	450 N. Plano Road, Garland, TX	2014	4/10/2017	6,912	\$282.12
2	19260 Zane Street, NW, Elk River, MN	2003	2/1/2018	7,000	\$234.29
3	246 Lafayette Street, London, OH	2005	5/1/2018	6,790	\$169.37
4	1420 SE Washington Blvd, Bartlesville, OK	2007	6/1/2018	6,797	\$191.26
5	800 N. York Street, Muskogee, OK	2007	Listing	6,784	\$191.63
Subject	1420 SE Washington Boulevard	2007	6/1/2018	6,797	

The Subject consists of an 6,797 SF retail building (per lease) located on 0.87 acre (37,505 SF per survey in lease) of land located at 1420 SE Washington Boulevard, Bartlesville, Washington County, Texas 78247. The property was built in 2007 and is of average quality "Class S" construction and is operated as Advance Auto Parts.

Physical Comparisons - Price Per Unit

From the previous discussions, it is evident that the variance in sale prices warrant some considerations in order to better reflect the attributes of the subject property. These adjustments are derived from paired comparisons wherever possible in order to get market derived indications of adjustment. Ideally, a pure pairing of sales that are similar in all but one respect can be compared to isolate how that one difference affects price. In actual practice however, secondary

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pairing where several differences are adjusted to isolate the effect of a single characteristic are often necessary. In cases where this technique was not viable, we must rely on historical data and judgment from past experience.

Terms: All of the sales indicated a cash equivalent sales price. Thus, no adjustments were required for terms of sale.

Conditions of Sale: This adjustment category represents the circumstances surrounding the purchase of the comparable sales. If the comparable sales utilized did not meet the requirements of an arm's length transaction, adjustments would be appropriate in this category. All of the sales were considered to be arm's length transactions, thus no adjustments were required for conditions of sale. Where applicable, the sales have been adjusted for any deferred maintenance items.

Market Conditions: All of the comparable sales occurred between April 2017 and a current listing. No adjustments for market conditions were required.

Location: The Subject is located at 1420 SE Washington Boulevard in Bartlesville, Oklahoma. The immediate area surrounding the Subject is primarily dominated with commercial/retail, residential and vacant land uses.

Since we did not inspect the comparables locational adjustments are difficult. However, all of the sales seem to fit the demographic profile for Advance Auto Parts, subjective adjustments were applied. In this instance minor adjustments were applied.

Age: The age adjustment is intended to adjust the age of the comparable to the age of the subject to the comparables. The estimated chronological life of a retail building similar to the subject and the comparables is 50 years. The Subject was built in 2007 and all the comparables were built in 2003 and 2014. Only minor adjustments were applied. See chart for adjustments.

Condition: The Subject is in good condition with no deferred maintenance. All of the comparables are in similar condition. No adjustments were applied.

Size: The size adjustments are based on the premise that, in general, the larger the tract, the less its selling price on a per unit basis. Typically, through experience with similar properties, a 5%-15% adjustment for each doubling/halving (100%) in size is considered adequate. The Comparables are similar in size. No adjustments were required.

Quality: The subject and the comparables are all of similar quality. No adjustments are required.

Land to Building Ratio: The Subject and the Comparables all have adequate parking. No land to building ratio adjustments were applied.

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The following chart outlines the adjustments.

Sales Price Per Square Foot					
Sale	1	2	3	4	5
Price/SF	\$282.12	\$234.29	\$169.37	\$191.26	\$191.63
Sale Conditions	0.00%	0.00%	0.00%	0.00%	0.00%
Market Conditions	0.00%	0.00%	0.00%	0.00%	-5.00%
Adj. Price/SF	\$282.12	\$234.29	\$169.37	\$191.63	\$190.68
Location	-20%	-15%	10%	0%	0%
Effective Age	0%	0%	0%	0%	0%
Condition	-5%	5%	0%	0%	0%
Size	0%	0%	0%	0%	0%
Quality	0%	0%	0%	0%	0%
LTB:R	0%	0%	0%	0%	0%
Net Adj.	-25%	-15%	10%	0%	0%
Adj. Price/SF	\$211.59	\$199.14	\$186.30	\$191.63	\$190.68

The adjusted sales prices range from \$186.30 to \$211.59 SF. As a result of our research, we will utilize the middle of the range or ██████ per square foot in valuing the retail building. Based on 6,797 square feet this equates to \$██████, rounded.

Economic Units of Comparison

The Effective Gross Income Multiplier (EGIM) is defined as: *"the ratio between sale price or value and effective gross income; a single year's EGI expectancy or an annual average of several years' EGI expectancies (EGIM = V/EGI).*¹

The principal advantage of the technique is that the reflection of rental income is direct. Therefore, differences between properties which could involve adjustments, based on judgment estimates, have been resolved by the free action of the rental market. If the comparable properties have some advantage over the subject in age, condition, accessibility, location or physical characteristics, the difference in actual rental presumable reflects the extent of this advantage.

Implicit in the above explanation is the utilization of market transactions of comparable properties similar in terms of physical, economical and investment characteristics.

Typically, a direct relationship should exist between the expense ratio and the EGIM. This implies that the more cost efficient or profitable a property is, the higher the EGIM. This relation was indicated by the sales. The subject's expense ratio, as shown in the Income Capitalization Approach, equates to 2%.

¹ Appraisal Institute, The Dictionary of Real Estate Appraisal, Third ed. (Chicago: Appraisal Institute, 1993), p. 113

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<u>Sale #</u>	<u>- EGIM (x)</u>	<u>Operating Expenses / Effective Gross Income</u>
1	16.66x	2.0%
2	14.93x	2.0%
3	13.04x	2.0%
4	11.44x	2.0%
5	12.13x	2.0%
Subject		2.00%

The comparables exhibit a range of expense ratios 2.0% and an EGIM range from 11.44x to 16.66x. Based on the prior data, with emphasis on Sale an EGIM in the range of 11.0x to 13.0x appears to be appropriate for the Subject.

Based on the EGIMs indicated by the comparable sales along with the estimate derived from the above model, we are of the opinion that an appropriate EGIM for the Subject is 12.0x.

Effective Gross Income ¹⁰		
Multiplier	x	12.0x
Indicated Value Estimate		
	Rounded	

Value Conclusion

Based on the preceding analyses, the indicated values of the subject by the applied techniques are summarized in the following chart.

Price Per Square Foot	
EGIM	

Based on the previous information and giving most equal emphasis to EGIM technique, we have concluded the value for the subject, by the Sales Comparison Approach is as follows:

“As Is” Sales Comparison Approach Value Estimate	
Estimated Value	

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INCOME CAPITALIZATION APPROACH

The valuation technique utilized in this portion of the Appraisal is referred to as direct capitalization. Direct capitalization is a technique whereby the stabilized net annual income estimate is divided by an overall rate. When occupancies are at or near stabilization, and a project has normal wear and tear, this technique can be very useful. This capitalization method will be utilized in the valuation of the Property and will be presented following the estimation of market rent and expenses.

Income-producing property is typically purchased for investment purposes. Estimating and valuing the projected income stream is the critical factor affecting a property's market value. An investor purchasing income-producing real estate is, in effect, spending a sum of present dollars for the right to a stream of future dollars. There is a relationship between the two, and the connecting link is a rate (overall), which reflects the necessary return to attract investment capital. This process is called direct capitalization.

On the following page are the regional credit tenant market comparable rentals.

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RENT COMPARABLE NO. 1

Name	Advance Auto
Location	450 N. Plano Road, Garland, Texas
Building Description	
Number of Buildings	One
Number of Stories	One
Net Rentable Area	6,912 SF
Year of Construction	2014
Exterior	Class C
Parking	Open, concrete
Lease Data	
Rental Rates	\$16.93/SF
Expenses	NNN
Occupancy	100%
Term	This is a 15 year NNN lease with 12 years remaining on the date of sale.

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RENT COMPARABLE NO. 2

Name	Advance Auto
Location	18260 Zane Street, NW, Elk River, Minnesota
Building Description	
Number of Buildings	One
Number of Stories	One
Gross Building Area	7,000 SF
Net Rentable Area	7,000 SF
Year of Construction	2003
Exterior	Class C
Parking	Open, concrete
Lease Data	
Rental Rates	\$15.69/SF
Expenses	NNN
Occupancy	100%
Term	15 years
Tenant Finish	N/A
Comments	There were about 7.5 years remaining on the lease when the property sold.

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RENT COMPARABLE NO. 3

Name	Advance Auto
Location	246 Lafayette Street, London, Ohio
Building Description	
Number of Buildings	One
Number of Stories	One
Gross Building Area	6,790 SF
Net Rentable Area	6,790 SF
Year of Construction	2005
Exterior	Class C
Parking	Open, concrete
Lease Data	
Rental Rates	\$12.99/SF
Expenses	NNN
Occupancy	100%
Term	15 years
Tenant Finish	N/A
Comments	There were 7.5 years remaining on the lease on date of sale

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RENT COMPARABLE NO. 4

Name	Advance Auto Parts
Location	800 N. York Street, Muskogee, Oklahoma
Building Description	
Number of Buildings	One
Number of Stories	One
Gross Building Area	6,784 SF
Net Rentable Area	6,784 SF
Year of Construction	2005
Exterior	Class C
Parking	Open, concrete
Lease Data	
Rental Rates	\$15.80/SF
Expenses	NNN
Occupancy	100%
Term	15 years
Tenant Finish	N/A
Comments	There are just over two year remaining on the initial lease term.

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Market Conclusions

The Advance Auto Parts buildings in the survey are of similar quality as compared to the Subject and are in demographically similar regions offering a competitive product. The surveyed properties are viable alternatives to the Subject to anyone seeking single tenant retail space in the Subject's area. The following chart summarizes the aforementioned rent comparables.

Summary of Comparable Rentals					
Rental No.	Location	Space Type	Year Built	Lease Rate/SF	Lease Basis
1	450 N. Plano Road, Garland, Texas	Single tenant retail	2014	\$16.93	NNN
2	18260 Zane Street, NW, Elk River, Minnesota	Single tenant retail	2003	\$15.69	NNN
3	246 Lafayette Street, London, Ohio	Single tenant retail	2005	\$12.99	NNN
4	800 N. York Street, Muskogee,	Single tenant retail	2015	\$15.80	NNN

Rental Rate

As previously displayed, comparable Advance Auto Parts retail space in the subject's region will rent for \$12.99 to \$16.93 per square foot. All of the comparables have similar physical characteristics and are reflective of the current rental rates in the subject area.

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Below are the terms of the lease information acquired through various sources. It should be noted that the complete lease was not provided. Should we be provided additional information we reserve the right to amend our conclusions.

Advance Auto Parts Lease

Location:	Bartlesville, Texas
Lessor:	N/a
Lessee:	[REDACTED]
Rental Rate:	[REDACTED]
Length:	Through March 31, 2022
Options:	Three, five year options
Expenses:	NNN

Though requested we were not provided with a copy of the lease. The data above was found in the sales brochure from the listing agent, Marcus and Millichap.

Vacancy and Credit Loss

Vacancy loss and loss due to lease defaults are typically expressed as a percentage of potential gross income and then converted into a dollar amount. In order to estimate anticipated vacancy and credit loss for the subject, relevant market data sources have been researched and the operating experience of the subject and comparable properties have been analyzed. The specific characteristics of the subject are taken into consideration regarding its competitive position in the marketplace. For purposes of this appraisal, since the lease is by a national credit tenant for a term of three years and five months (three five year options) years no vacancy has been utilized.

ESTIMATE OF NET OPERATING INCOME

Expense Summary

Expense Reimbursement

Recovered expenses are those that a building owner recaptures in whole or in part, typically through a pass-through stipulation in the lease contract. The majority of the comparables are leased on a NN or NNN basis with the tenant reimbursing the landlord for all of the expenses. We will estimate the lease structure of the Subject on a NNN basis since that is the way the lease is structured. In the upcoming appraisal we will estimate the only expense as being 2% management fee. In the previous Sales utilized we also 2% management fee.

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The stabilized revenue and expense proforma is presented in the following chart.

Stabilized Proforma			
Advance Auto	6,797	NRA (SF)	
Bartlesville, Oklahoma			
Gross Potential Rental Income	Actual	Per SF	
Total Income			
Less: Vacancy & Collection @ 0.0%	\$0	\$0.00	
Effective Gross Income			
Operating Expenses			
	Actual	PSF	EGI %
Management Fee	\$2,272	\$0.33	2.00%
Total Operating Expenses	\$2,272	\$0.33	2.00%
NOI			

The rates for the four sales utilized ranged from 5.88% to 8.57%.

Sale	OAR
1	5.88%
2	6.56%
3	7.51%
4	8.57%
5	8.41%

The capitalization rates form a tight range from 6.56% to 8.57% and we will utilize a 8.5% rate. It should be noted that most Advance Auto Parts sales have lower capitalization rates but since the Subject has only three years and five remaining on the actual lease we will utilize a higher rate. The sales selected also have only a few years remaining on the lease. This is supported by The Korpacz Report founded on the following page that displays a capitalization rate of 5.50 to 8.5%.

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Table 31 NATIONAL NET LEASE MARKET First Quarter 2018					
	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	6.00% – 10.00%	6.00% – 10.00%	6.00% – 10.00%	6.00% – 9.00%	7.00% – 9.00%
Average	8.13%	7.92%	8.00%	7.69%	7.83%
Change (Basis Points)		+ 21	+ 13	+ 44	+ 30
OVERALL CAP RATE (OAR)^a					
Range	5.00% – 8.50%	5.50% – 8.50%	5.25% – 9.00%	6.00% – 8.50%	6.00% – 8.75%
Average	6.60%	6.80%	6.75%	6.93%	7.15%
Change (Basis Points)		– 20	– 15	– 33	– 55
RESIDUAL CAP RATE					
Range	6.00% – 9.00%	6.00% – 9.00%	6.00% – 9.00%	7.00% – 9.00%	7.00% – 9.00%
Average	7.53%	7.41%	7.63%	7.81%	8.13%
Change (Basis Points)		+ 12	– 10	– 28	– 60
MARKET RENT CHANGE^b					
Range	0.00% – 4.00%	0.00% – 4.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%
Average	2.00%	1.90%	1.70%	1.85%	1.35%
Change (Basis Points)		+ 10	+ 30	+ 15	+ 65
EXPENSE CHANGE^b					
Range	0.00% – 4.00%	0.00% – 4.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%
Average	1.90%	1.60%	1.40%	2.15%	1.90%
Change (Basis Points)		+ 30	+ 50	– 25	0
MARKETING TIME^c					
Range	2 – 12	2 – 12	2 – 12	2 – 12	1 – 12
Average	5.8	5.7	4.9	4.5	4.3
Change (▼, ▲, =)		▲	▲	▲	▲
a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months					

Conclusion

The net operating statement and subsequent value conclusion via the Direct Capitalization Technique are following.

AS IS

Net Operating Income:

██████████

Indicated Cap. Rate:

8.5%

Indicated Value:

██████████

Rounded:

██████████

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CORRELATION

In the preceding sections of this Appraisal, value estimates have been derived based upon three separate appraisal approaches. As a result of our analysis of the Property, the indications of value for each approach are:

COST APPROACH	N/a
SALES COMPARISON APPROACH	[REDACTED]
INCOME CAPITALIZATION APPROACH	[REDACTED]

The cost approach is considered a fairly reliable indicator of value for properties upon which the improvements are new. This is especially true when the improvements represent the highest and best use of the site. However, variations in construction techniques, construction specifications, construction management ability, materials prices, and weather conditions play an important role in the costs of improvement construction. Further, estimating depreciation is generally unreliable. It is recognized that cost is not equivalent to market value and that market prices do not follow the costs of reproduction or replacement. In this instance, we have omitted the Cost Approach.

In using the sales comparison approach, care was exercised to locate data on the sales of condominiums as comparable as possible to the Property. Of the sales discovered, research was conducted regarding underlying motivations of buyer and seller and details of the property history and physical characteristics in order to obtain a more precise translation of the indication evident for the Property. Market data is the best way to interpret investor behavior, although the complexity of current sales data makes direct sales comparisons more difficult than in the past. However, the comparables are recent sales of similar properties. Because the market is typically investor oriented relying on the income of the property we have given the sales comparison approach less weight.

Investments such as the subject compete in the market not only among other real estate investments but with alternative investment vehicles. Every effort has been made to provide market support for the income approach assumptions. Our confidence in the income approach is largely an outgrowth of current market conditions, which have seen a steadily improving market with continued increases in occupancies and rental rates. Most weight has been placed upon the value indication as derived via the income capitalization approach.

“AS IS” MARKET VALUE

Based upon our analysis of the Subject and the local market, the "as is" market value of the Leased Fee Estate, as of October 5, 2018, is considered to be:

ONE MILLION THREE HUNDRED TWENTYFIVE T

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CERTIFICATION OF VALUE

Per SR 2-3

We certify that, to the best of our knowledge and belief:

- * The statements of fact contained in this report are true and correct.
- * The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analysis, opinions, and conclusions.
- * We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- * 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.
- * 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.
- * Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- * Ronald E. Dunham has made a personal inspection of the property that is the subject of this report. No other person provided significant professional assistance in preparing this report.
- * This appraisal report has been made in conformity with, and is subject to, the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute.
- * No pertinent information has knowingly been withheld. No single item of information was reportedly relied upon to the exclusion of the other information and all data was analyzed within the framework of our judgment, knowledge, and experience.

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- * This appraisal was not based upon a requested minimum value, a specific valuation, or the approval of a loan.
- * This appraisal is subject to peer review by an authorized committee of the Appraisal Institute. The Appraisal Institute conducts a program of continuing education for its designated members. As of the date of this report, Ronald E. Dunham has completed the requirements of the continuing education program of the Appraisal Institute.
- * We have not previously done any appraisal or any other type of work on this property.



Ronald E. Dunham, MAI
Appraisal Institute Membership #12265
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