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**APPRAISAL OF**  
**A SINGLE TENANT INDUSTRIAL PROPERTY**  
**LOCATED AT**  
**203 AND 213 PRAIRIE STREET**  
**MONTGOMERY, MONTGOMERY COUNTY, TEXAS 77356**

**DATE OF VALUE**  
**FEBRUARY 27, 2023**

**DATE OF REPORT**  
**MARCH 16, 2023**

**DATE OF INSPECTION**  
**FEBRUARY 27, 2023**

**PREPARED FOR**  
**CITY OF MONTGOMERY, TEXAS**  
101 OLD PLANTERSVILLE ROAD  
MONTGOMERY, TEXAS 77316

**PREPARED BY**  
**NATIONAL APPRAISAL PARTNERS, LLP**

**NAP LLP FILE #: 23-592**



# NATIONAL APPRAISAL PARTNERS, LLP

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March 16, 2023

Mr. Gary Palmer, ICMA-CM, AICP  
City of Montgomery, Texas  
101 Old Plantersville Road  
Montgomery, Texas 77316

**Re: Appraisal of a single tenant industrial property located at 203 and 213 Prairie Street, Montgomery, Montgomery County, Texas 77356**

Dear Mr. Palmer,

At your request we have appraised the above referenced property. The purpose of this appraisal is to provide an estimate of the market value of the fee simple interest of the above referenced property "As Is" as of the date of inspection, or February 27, 2023. **During the First Quarter of 2020, a global pandemic, COVID-19, spread to the United States of America and the State of Texas. The pandemic and the response to the pandemic by federal, state and local governments have affected the real estate market. After various closures, the Governor began reopening the Texas economy in phases during the Third Quarter of 2020. During the Fourth Quarter of 2020, the first two COVID-19 vaccines were granted emergency use authorization in the United States and all adults in Texas are currently eligible to receive a vaccine. We have attempted to reflect current market conditions in light of these recent events.**

The subject of this appraisal is a single tenant industrial property with a total of 4,858 square feet of gross building area on 29,447 square feet or 0.676 acres of land. A detailed description of the property is included in the Site and Improvements Analysis sections of this report.

The intended use of this appraisal is for potential disposition purposes by the City of Montgomery, Texas. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.

Mr. Gary Palmer, ICMA-CM, AICP  
March 16, 2023  
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Our valuation was prepared in conformance with the Uniform Standards of Professional Appraisal Practice ("USPAP") of The Appraisal Foundation, and with regulations adopted by the Department of the Treasury, Office of the Comptroller of the Currency, required under Title XI of the Financial Institution Reform, Recovery, and Enforcement Act of 1989. This Appraisal Report is the written result of our findings and analysis. These opinions are to be used solely for the purposes stated above and are subject to the accompanying definition of market value and Statement of General Assumptions and Limiting Conditions.

Extraordinary Assumptions (the use of which might have affected the assignment results herein):

1. During our inspection we noticed pooled water on the floor in the warehouse area and could not determine where the water originated. We are not roofing, plumbing or engineering experts and we recommend the building be professionally inspected to determine the cause of the pooled water. We assume there are no significant roof leaks or plumbing issues for this appraisal.

Hypothetical Conditions (the use of which might have affected the assignment results herein):

1. There are no Hypothetical Conditions for this appraisal.

Based on the investigation described in this report, the market value of the fee simple interest of the subject property "As Is" as of the date of inspection, or February 27, 2023, is as follows:

**ONE MILLION ONE HUNDRED THOUSAND DOLLARS**  
**\$1,100,000**

Mr. Gary Palmer, ICMA-CM, AICP  
March 16, 2023  
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We appreciate the opportunity to perform this service for the City of Montgomery, Texas.

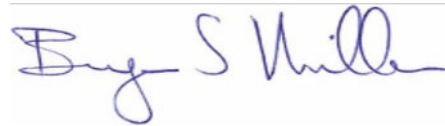
Sincerely,

NATIONAL APPRAISAL PARTNERS, LLP



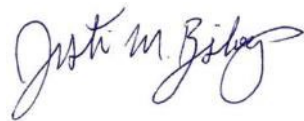
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Thomas A. Stark, MAI, Partner  
State Certified General Real Estate Appraiser  
TX-1325319-G



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Bryan S. Miller, MAI, CCIM, Partner  
State Certified General Real Estate Appraiser  
TX-1328184-G



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Justin M. Bishop  
State Certified General Real Estate Appraiser  
TX-1380401-G

Attachments

## EXECUTIVE SUMMARY

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### **Property Identification**

Property Appraised:	Single Tenant Industrial Property
Address:	203 and 213 Prairie Street Montgomery, Montgomery County, Texas 77356
Location:	W/S Prairie Street and E/S Maiden Lane, 120 feet north of Caroline Street
Date of Inspection:	February 27, 2023
Date of Value:	February 27, 2023
Interest Appraised:	Fee Simple

### **Property Data**

Year Completed:	1994
Year Renovated:	N/A
Number of Buildings:	One
Gross Building Area (GBA):	4,858 SF
Construction Type:	Hardiplank Siding with Masonry Trim
Percentage Office:	52.9%
Percentage HVAC:	52.9%
Clear Height:	14 Feet
Land Area:	29,447 Square Feet 0.676 Acres
Land-to-Building Ratio:	6.06 to 1
Highest and Best Use	
Site As If Vacant:	Retail/commercial development
Property As Improved:	Continued use as an industrial facility

## EXECUTIVE SUMMARY

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Marketing/Exposure Time: 12 months or less

### Income Approach Assumptions

Overall Capitalization Rate: 6.75%  
Estimated Market Rent/SF: \$1.30 PSF per month triple net  
Stabilized Vacancy Rate: 4.0%  
Collection Loss: 1.0%

### Value Indications

	<u>Aggregate</u>	<u>Per Square Foot</u>
<b>"As Is"</b>		
Cost Approach:	N/A	N/A
Sales Comparison Approach:	\$1,120,000	\$230.55
Income Capitalization Approach:	\$1,020,000	\$209.96
<b>Final Value Estimate</b>		
<b>"As Is"</b>	<b>\$1,100,000</b>	<b>\$226.43</b>



Aerial view of the subject property



View of the subject property looking southeast across Maiden Lane





Looking north along Maiden Lane with the subject property on the right



Looking south along Maiden Lane with the subject property on the left



Looking north along Prairie Street with the subject property on the left



Looking south along Prairie Street with the subject property on the right



**Exterior view of the subject building**



**Interior view of the office area**



Interior view of the office area



Interior view of the warehouse area



Interior view of the warehouse area



View of the pooled water (see Extraordinary Assumptions 1)

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## **SCOPE OF THE APPRAISAL**

### **Scope of Work**

The scope of this appraisal involved the systematic research and analysis necessary to reach a value conclusion for the subject. The initial step was to inspect the subject property and the surrounding area. The extent of our inspection of the subject property included a complete inspection of the interior and exterior of the building. After analyzing the macro environment, research was conducted relevant to the valuation process, including gathering comparable sales and listings, comparable rental data, expense data, real estate tax data and other pertinent information. We have completed the Sales Comparison and Income Capitalization Approaches to value for this appraisal. The Cost Approach is not an appropriate approach to value the subject property given its age and overall physical characteristics. Therefore, we have not completed the Cost Approach for this appraisal. The scope of work defined herein is adequate to derive a credible value opinion of the subject property. This Appraisal Report is the written result of our findings and analysis.

### **Date of the Appraisal**

The date of the market value of the fee simple interest of the subject property “As Is” is the date of inspection, or February 27, 2023. The date of this report is March 16, 2023.

### **Purpose and Intended Use of the Appraisal**

The purpose of this appraisal is to estimate the market value of the fee simple interest of the subject property “As Is”. The intended use of this appraisal is for potential disposition purposes by the City of Montgomery, Texas. This report is for the exclusive use of the City of Montgomery, Texas, its affiliates, designates and assignees and no other party shall have any right to rely on any service provided by National Appraisal Partners, LLP without prior written consent. The client for this appraisal is the City of Montgomery, Texas.

### **Property Rights Appraised**

Fee simple interest, as used herein, is defined by *The Dictionary of Real Estate Appraisal*, Sixth Edition, 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.*



## **Definition of Market Value**

The current definition of market value, as defined by the Financial Institution Reform, Recovery and Enforcement Act (FIRREA), effective August 24, 1990, is as follows:

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

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

## **GENERAL DATA**

### **Property Identification**

A brief legal description of the subject property is as follows:

*0.676 acres, being Tracts 4-6, Area B, Montgomery Townsite 2, Montgomery County, Texas.*

The subject property is located along the west side of Prairie Street and east side of Maiden Lane, 120 feet north of Caroline Street in Montgomery, Montgomery County, Texas. The subject property address is 203 and 213 Prairie Street, Montgomery, Montgomery County, Texas 77356.

### **Ownership History of the Property**

According to the Montgomery County Appraisal District (MCAD), the current owner of record for the subject property is the City of Montgomery, Texas. The City of Montgomery, Texas acquired the subject property from CWK Real Estate Holdings, LLC in May 2022 for \$1,000,000, or \$205.85 per square foot. Based on the analysis presented herein, the prior sale price was near a market level at the time of the sale. Prior to the prior sale, the subject property was listed for sale for two months for \$1,200,000, or \$247.02 per square foot. Based on the analysis presented herein, the prior listing price was above a market level. The subject property is not currently being offered for sale nor are any sales currently pending. Based on our research, there have been no other transactions involving the subject property over the past three years.

### **Exposure/Marketing Period**

The comparable sales used in this appraisal and our interviews with local market participants indicate that the exposure/marketing period for properties similar to the subject is typically less than one year. Therefore, we estimate an exposure/marketing period of 12 months or less for the subject property.

## Area Analysis

The subject property is located within the Houston Metropolitan Statistical Area (MSA), which includes Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto and Waller Counties. The subject property is heavily influenced by factors affecting the City of Houston and the immediate outlying areas.

The City of Houston covers approximately 600 square miles of land. The Texas Medical Center, NASA and the energy industry are significant influences on the area. Houston is the fourth largest city in the United States and is the most populous city in the State of Texas. Houston is the county seat of Harris County.

## **Population**

Houston MSA, State of Texas and United States population trends are presented on the table below.

<b>Population Growth and Forecasts</b>					
	<b>2020</b>	<b>2022</b>	<b>Annual % Change</b>	<b>2027 Projection</b>	<b>Annual % Change</b>
<b>Houston MSA</b>	7,122,240	7,421,501	2.10%	7,800,183	1.02%
Texas	29,145,505	30,157,100	1.74%	31,502,395	0.89%
United States	331,449,281	335,707,897	0.64%	339,902,796	0.25%

*Source: STDB Online*

The Houston MSA experienced strong population growth from 2020 to 2022. The Houston MSA population growth rate exceeded the state and nation during the period. Population growth for the Houston MSA is projected to exceed the state and national growth rates between 2022 and 2027.

## **Income**

The following table summarizes median household income for the Houston MSA, the State of Texas and the United States.

<b>Median Household Income</b>			
	<b>2022</b>	<b>2027 Projection</b>	<b>Annual % Change</b>
<b>Houston MSA</b>	\$77,032	\$89,714	3.29%
Texas	\$70,834	\$81,850	3.11%
United States	\$72,414	\$84,445	3.32%

*Source: STDB Online*

The median household income for the Houston MSA is greater than the State of Texas and the United States. Median household income growth for the Houston MSA is projected to exceed the State of Texas and trail the United States through 2027.

### Employment

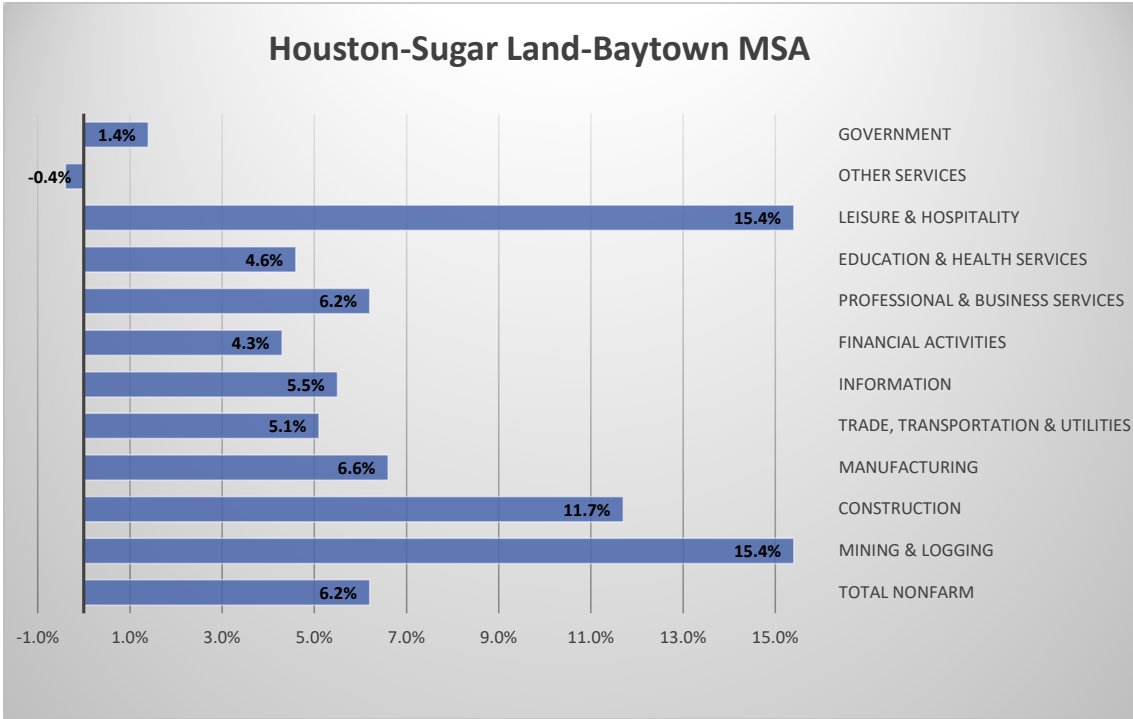
The following table summarizes historic employment levels for the Houston MSA and the State of Texas.

Employment				
	Houston MSA		Texas	
Year	Total	% Change	Total	% Change
2017	3,142,202		12,888,025	
2018	3,202,853	1.9%	13,149,672	2.0%
2019	3,257,564	1.7%	13,381,020	1.8%
2020	3,091,352	-5.1%	12,808,616	-4.3%
2021	3,205,107	3.7%	13,413,036	4.7%
2022 (Oct)	3,397,276	6.0%	14,081,390	5.0%

Source: Texas A&M Real Estate Center

Over the past four full years, employment growth in the Houston MSA has averaged 0.6% per year. The average employment growth for the State of Texas was 1.1% over the same period. As of October 2022, employment growth is positive for both the State of Texas and the Houston MSA.

The following chart outlines Houston MSA employment growth rates by industry sector over the past twelve months.



Source: U.S. Bureau of Labor Statistics October 2022

The largest employment growths in the Houston MSA occurred in the mining and logging sector (15.4%), the leisure and hospitality sector (15.4%) and the construction sector (11.7%). The other services sector (-0.4%) declined over the past twelve months.

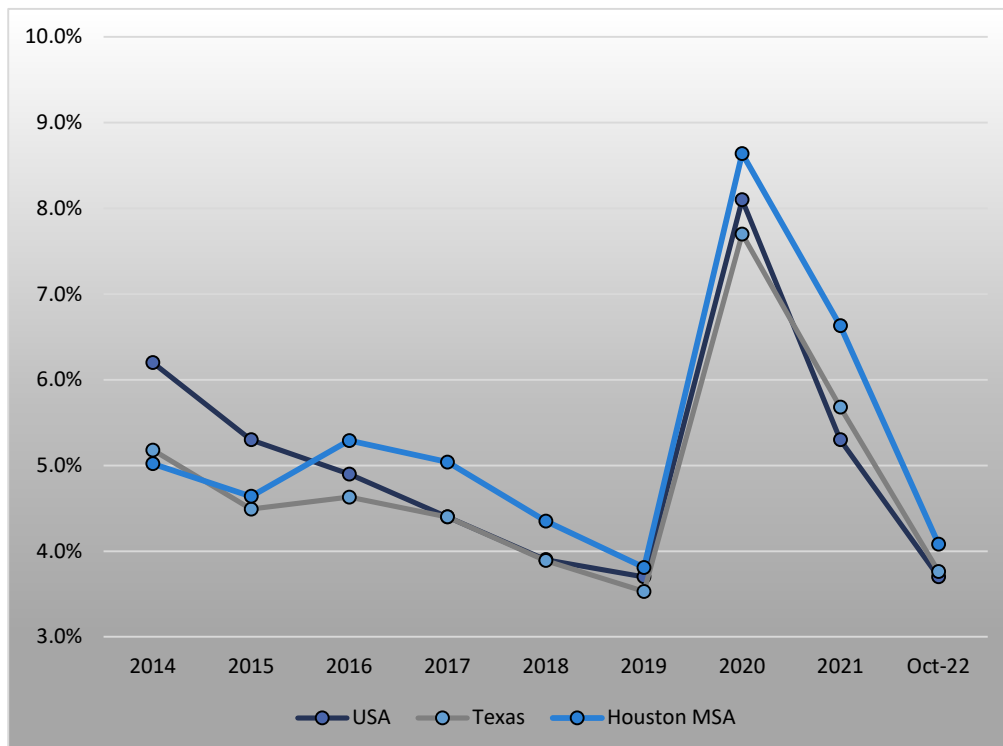
The following table lists the top five employers in the Houston MSA.

Top Five Employers	
Employer	# Local Employees
Memorial Herman Health System	35,360
Walmart	29,797
HEB	29,657
Houston Methodist	26,098
The University of Texas MD Anderson Cancer Center	21,576

Source: *Houston Comprehensive Annual Report 2021*

## Unemployment

The following chart tracks unemployment rates for the Houston MSA, the State of Texas and the United States over the past eight years.



Source: *U.S. Bureau of Labor Statistics October 2022*

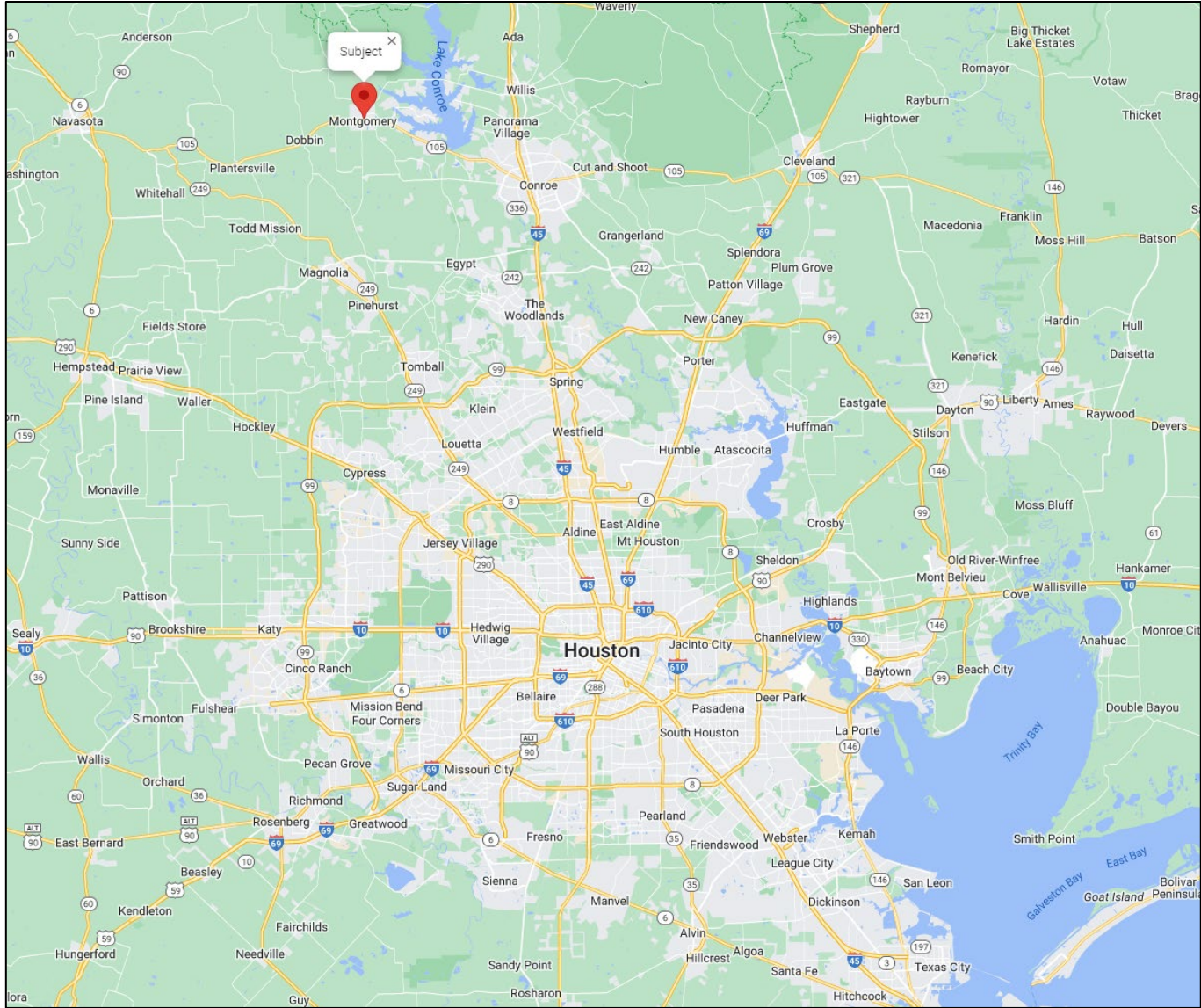
The Houston MSA unemployment rate declined between 2014 and 2015, increased in 2016, and then decreased between 2016 and 2019. The Houston MSA unemployment rate was similar to the State of Texas and below the United States between 2014 and 2015. However, Houston’s unemployment rate increased above the State of Texas and the United States in 2016 and stayed above both through October 2022. The unemployment rate significantly increased during March and April 2020 due to the halt in the economy as a result of the coronavirus, COVID-19, and the sharp decrease in petroleum production. However, unemployment rates started to decrease as of May 2020 and are expected to continue decreasing as the economy stabilizes and businesses reopen. Between January 2021 and October 2022, the unemployment rate has continued to decrease.

In late January 2020 the World Health Organization declared a public health emergency in response to the spread of a novel coronavirus (COVID-19), leading to travel restrictions and business disruptions around the globe. Locally and throughout Texas and the United States, state and local governments enacted “stay at home” orders requiring citizens to “social distance” themselves and prohibiting “non-essential” businesses from normal operations, which has had a significant impact on the overall economy for the Houston MSA, the State of Texas and the United States. In late 2020, the first two vaccines were granted emergency use authorization in the United States by the Food and Drug Administration. As of March 2021, all adults in Texas are eligible to receive a COVID-19 vaccine. As more Texas residents are vaccinated, the economy is expected to continue to reopen and stabilize.

## **Conclusion**

Overall, the outlook for the Houston MSA is cautiously optimistic. The uncertainty surrounding the coronavirus, COVID-19, will affect the Houston MSA’s economy. Longer term, population growth, employment and household income growth levels are projected to stabilize.

# Area Map



## **Neighborhood Analysis**

### **Neighborhood Defined/Location**

The subject property is located in Montgomery, Texas. The neighborhood is roughly bound by Lone Star Parkway to the north, Eva Street (State Highway 105) to the south, Lone Star Parkway to the east and Liberty Street to the west. The neighborhood includes portions of the City of Montgomery and portions of unincorporated Montgomery County. The neighborhood is located approximately forty seven miles northwest of the Houston Central Business District.

### **Predominant Development/Stage of Development**

The neighborhood includes a mixture of retail/commercial, industrial and residential development. The neighborhood also includes tracts of vacant land. Retail/commercial development in the neighborhood includes hotels, retail centers, restaurants and freestanding retail buildings. Retail/commercial development is concentrated along the primary roadways in the neighborhood such as Liberty Street, C B Stewart Drive, Buffalo Springs Drive, Lone Star Parkway, Berkeley Drive, Clepper Drive and Eva Street (State Highway 105). Residential development is scattered throughout the neighborhood, predominantly along secondary thoroughfares. Industrial development is located along primary and secondary roadways in the subject neighborhood, on freestanding sites and within industrial parks. Overall, the subject neighborhood is established, with new development and redevelopment occurring.

### **Accessibility**

Primary north/south roadways in the subject neighborhood include Liberty Street, C B Stewart Drive, Buffalo Springs Drive and Lone Star Parkway. Primary east/west roadways in the subject neighborhood include Lone Star Parkway, Berkeley Drive, Clepper Drive and Eva Street (State Highway 105). Overall, the accessibility of the neighborhood is good.

### **Immediate Vicinity**

The immediate vicinity of the subject property includes a mixture of retail/commercial, industrial and residential development, and tracts of vacant land. The following chart outlines land uses adjacent to the subject site.

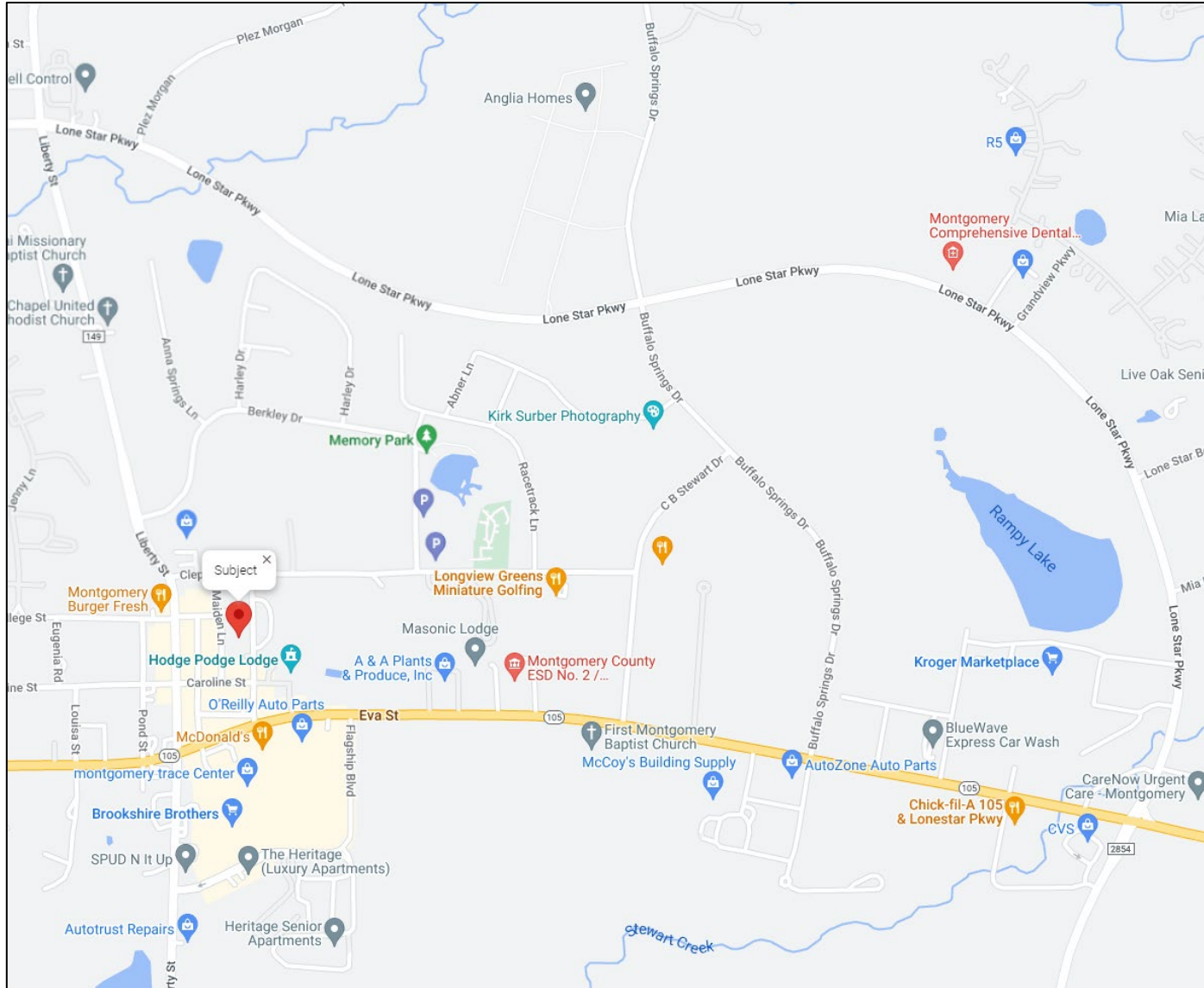
North:	Industrial Property, Mason Street, Industrial Property, Clepper Drive
South:	Retail Buildings, Caroline Street, Retail Buildings, Restaurant, John A Butler Street, Retail Buildings, Eva Street (State Highway 105)
East:	Prairie Street, Retail Building, Event Venue, Vacant Land, Office Buildings
West:	Maiden Lane, Retail Buildings, Restaurants, McCown Street



## **Conclusion**

The subject neighborhood includes primarily a mixture of retail/commercial, industrial and tracts of vacant land. Overall, the subject neighborhood is established with new development and redevelopment occurring. The neighborhood has good access to other portions of the greater Houston Area. The outlook for the neighborhood is optimistic. A neighborhood map follows.

# Neighborhood Map



## **Site Analysis**

The following is a description of the physical characteristics of the subject site. A survey, a plat map and a flood plain map of the subject site follow this site analysis section.

### **Location**

The subject site is located along the west side of Prairie Street and east side of Maiden Lane, 120 feet north of Caroline Street, in Montgomery, Montgomery County, Texas. The subject property address is 203 and 213 Prairie Street, Montgomery, Montgomery County, Texas 77356.

### **Size/Shape**

The subject site contains 0.676 acres or 29,447 square feet of land area and is rectangular in shape.

### **Accessibility/Frontage**

The site has 165.19 feet of frontage along the west side of Prairie Street and 168.32 feet of frontage along the east side of Maiden Lane. Prairie Street is a two-lane, two way asphalt paved secondary roadway with open ditch drainage in the vicinity of the subject. Maiden Lane is a two-lane, two way asphalt paved secondary roadway with open ditch drainage in the vicinity of the subject. Overall, the access/frontage of the site is average.

### **Topography**

The subject site is basically level and at the grade of the adjacent roadways.

### **Flood Plain**

According to FEMA Map Community Panel Number 48339C0200G dated August 18, 2014, the subject is located in flood zone X, outside of the flood plain.

### **Zoning**

The subject site is located within the city limits of Montgomery and is zoned Commercial. This zoning designation allows for most types of commercial uses, including the current use.

### **Utilities and Services**

Water and sewer services are provided to the site by the City of Montgomery. Natural gas service is provided to the site by CenterPoint Energy. Electricity is provided to the site by various providers.

### **Easements and Encroachments**

According to the survey, an adjacent tract to the subject property includes a shed which slightly encroaches the north boundary of the subject property. Given the nature of this encroachment, it does not appear to significantly impact the utility of the subject site or improvements. The site has typical utility easements which do not appear to impact the development potential of the site.

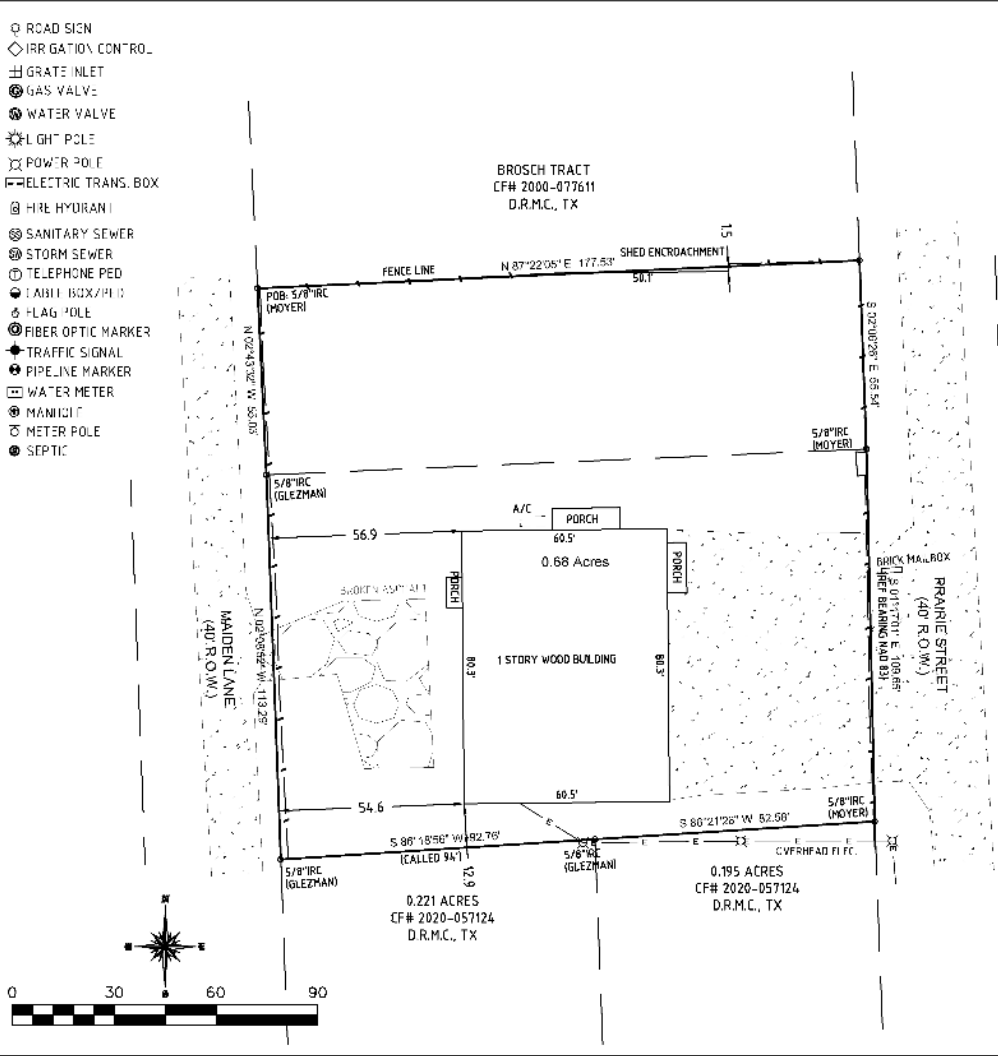
## **Environmental Considerations**

During our inspection we did not notice any obvious environmental hazards associated with the subject site. However, we are not qualified to detect such hazards and the valuation herein assumes that the site is free and clear of any environmental problems.

## **Conclusion**

The subject site is located along the west side of Prairie Street and east side of Maiden Lane, 120 feet north of Caroline Street in Montgomery, Montgomery County, Texas. The size and shape of the site are well suited for development. The access/frontage of the site is average. All public utilities are available to the subject site. Overall, the development potential of the subject site is good. A survey, a plat map and a flood plain map of the subject site follow.

- ◇ ROAD SIGN
- ◇ IRRIGATION CONTROL
- ⊞ GRATE INLET
- ⊙ GAS VALVE
- ⊙ WATER VALVE
- ⊙ LIGHT POLE
- ⊙ POWER POLE
- ⊞ ELECTRIC TRANS. BOX
- ⊙ FIRE HYDRANT
- ⊙ SANITARY SEWER
- ⊙ STORM SEWER
- ⊙ TELEPHONE PED
- ⊙ LIGHT BOX/PED
- ⊙ FLAG POLE
- ⊙ FIBER OPTIC MARKER
- ⊙ TRAFFIC SIGNAL
- ⊙ PIPELINE MARKER
- ⊞ WATER METER
- ⊙ MANHOLE
- ⊙ METER POLE
- ⊙ SEPTIC

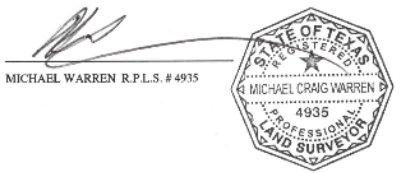


CATEGORY 1A  
**SURVEY OF**

0.68 ACRES  
ALL OF 0.225 & 0.451 ACRE TRACTS

LOCATED IN THE M. CORNER SURVEY, ABSTRACT NO. A 8  
 BASED ON THE DEED THE RECORDED IN  
 COUNTY CLERK'S FILE 2012-09786  
 THE DEED RECORDS MONTGOMERY COUNTY, TEXAS  
 REF: MONTGOMERY G. P. 2008-21 DATE: MAR 20, 2022

TO THE CITY OF MONTGOMERY AND OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY  
 I HEREBY CERTIFY THAT THIS CATEGORY 1A SURVEY WAS MADE ON THE GROUND, AND TO THE BEST OF MY KNOWLEDGE, THIS PLAT CORRECTLY REPRESENTS THE FACTS AT THE TIME OF THE SURVEY AND THAT THERE ARE NO VISIBLE ENCROACHMENTS, OVERLAPS, DISCREPANCIES, OR CONFLICTS EXCEPT AS SHOWN HEREON.



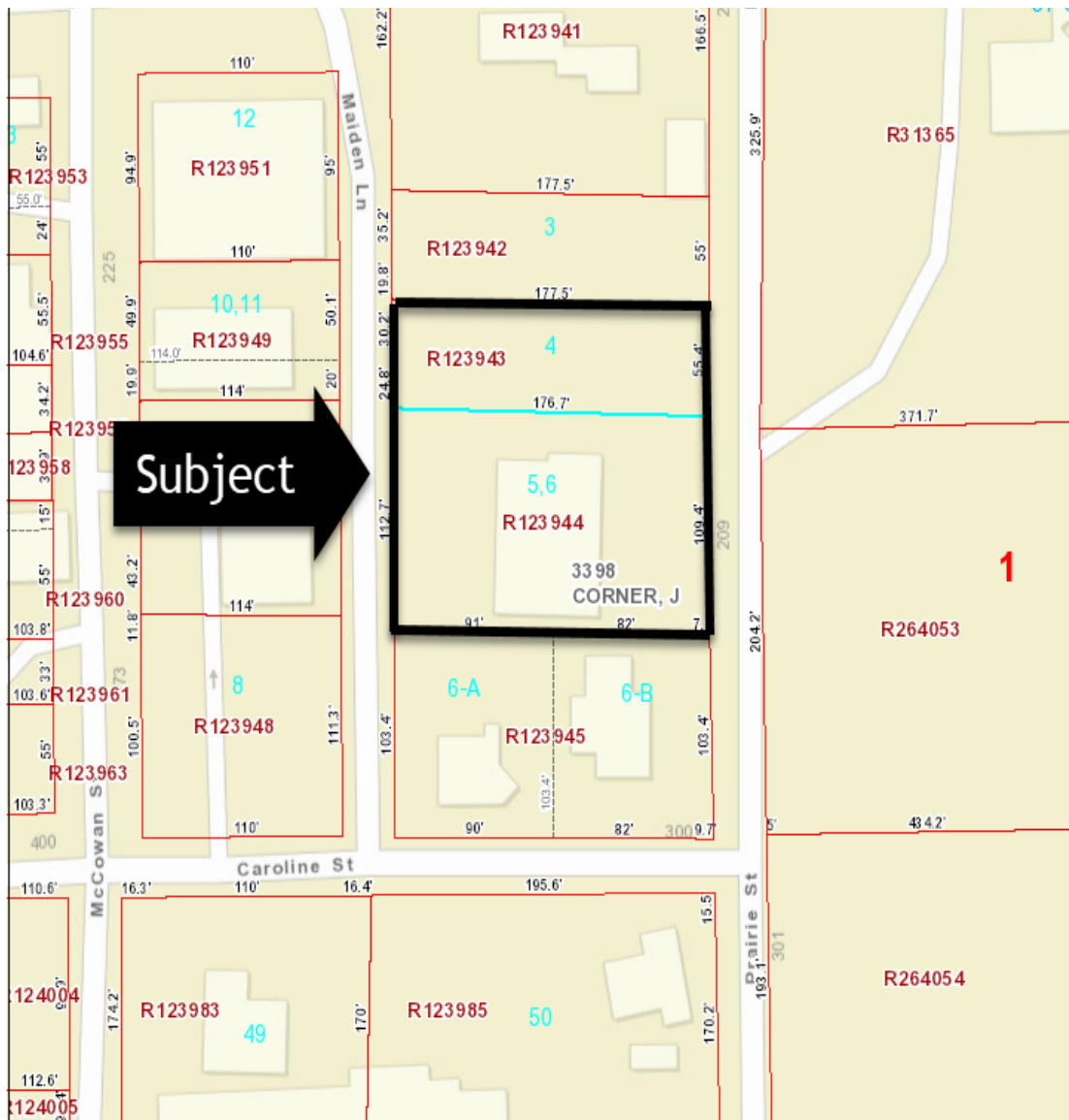
MICHAEL WARREN R.P.L.S. # 4935

- 1) THE BEARINGS SHOWN HEREON ARE BASED ON NAD 83, TEXAS CENTRAL ZONE.
- 2) THE SURVEYOR HAS NOT ABSTRACTED THE SUBJECT PROPERTY.
- 3) THIS SURVEY RELIES ON THE TITLE COMMITMENT PROVIDED BY OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY (FILE No. 2206-24) DATED MARCH 22, 2017, FOR ALL THINGS OF RECORDS.
- 4) SURVEYOR HAS MADE NO INVESTIGATION OR INDEPENDENT SEARCH FOR CASEMENTS OF RECORD, ENCUMBRANCES, RESTRICTIVE COVENANTS, OWNERSHIP, TITLE BY DEED, OR ANY OTHER FACTS THAT AN ACCURATE AND UP-TO-DATE SEARCH MAY DISCLOSE.
- 5) ALL BUILDING TIPS ARE PERPENDICULAR TO THE BOUNDARY LINE.
- 6) ALL ADJOINER DEED INFORMATION MAY NOT REPRESENT CURRENT OWNER OR OWNERS.
- 7) THE FENCE LINES SHOWN ARE SHOWN AT THE POINTS WHERE MEASUREMENTS WERE MADE AND MAY MEANDER ALONG THE LINE.
- 8) OTHER MINOR IMPROVEMENTS SUCH AS LANDSCAPING, LIGHTS, ETC. MAY BE PRESENT, BUT NOT SHOWN.
- 9) PROPERTY SUBJECT TO UNLOCATABLE GULF STATE UTILITIES AS RECORDED UNDER COUNTY CLERK'S FILE No. 8024357

LINE & SYMBOL	LEGEND
---	BROCH TRACT
---	0.221 ACRES TRACT
---	0.195 ACRES TRACT
---	ADJOINER DEED RECORDS OF MONTGOMERY COUNTY TEXAS
---	ADJOINER DEED RECORDS OF MONTGOMERY COUNTY TEXAS
---	ADJOINER DEED RECORDS OF MONTGOMERY COUNTY TEXAS
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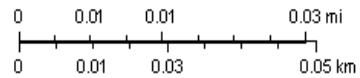
P.O. BOX 6281 CORPUS CHRISTI, TEXAS 78418-0628  
 TEL: 361-844-4444 FAX: 361-844-4447  
 WWW.SURVEYORS-AND-LANDMARKERS.COM



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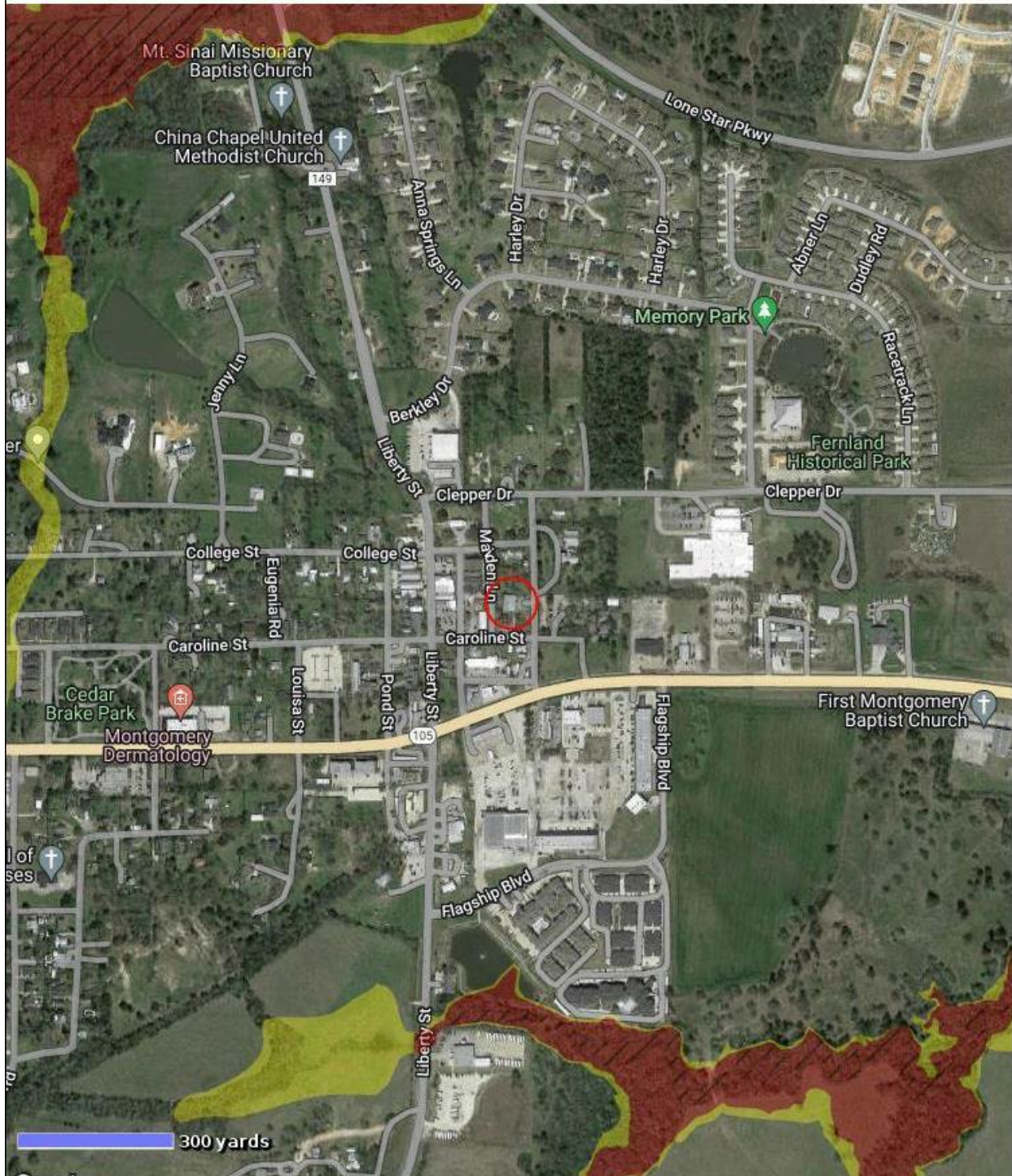
1:1,128

- Abstracts
- Parcels
- Lot Lines
- Lot Lines
- Parcel Line
- Abstracts
- Parcel ID



Esri | HERE, Garmin, INCREMENT P, NOAA, USGS

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**MAP DATA**

FEMA Special Flood Hazard Area: **No**  
 Map Number: 48339C0200G  
 Zone: **X**  
 Map Date: **August 18, 2014**  
 FIPS: 48339

**MAP LEGEND**

- Areas inundated by 500-year flooding
- Areas inundated by 100-year flooding
- Velocity Hazard
- Protected Areas
- Floodway
- Subject Area

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## Improvements Analysis

The subject of this appraisal is a single tenant industrial property with a total of 4,858 square feet of gross building area. The building was constructed in 1994. Building plans were not provided to the appraisers. A building sketch and an Ad Valorem Tax Schedule exhibit are included after this improvements analysis section.

The following outline provides a description of the physical characteristics of the subject improvements based on our inspection of the property.

<u>Type:</u>	Single Tenant Industrial Property
<u>Number of Buildings:</u>	One
<u>Year Built:</u>	1994
<u>Year Renovated:</u>	N/A
<u>Size:</u>	4,858 square feet of gross building area
<u>Office Space Percentage:</u>	52.9% or 2,568 square feet
<u>HVAC:</u>	There is a central HVAC system for the office area of the building only. Therefore, 52.9%, or 2,568 square feet of the total property is heated and cooled. The warehouse area include ridge vents and exhaust fans only.
<u>Land-to-Building Ratio:</u>	6.06 to 1
<u>Foundation:</u>	Concrete slab
<u>Floors:</u>	There are exposed concrete floors throughout the warehouse area. The office area includes a mixture of ceramic tiled, wood and carpeted floors.
<u>Clear Height:</u>	14 Feet
<u>Walls:</u>	The exterior walls are hardiplank siding with masonry trim. The interior walls in the warehouse area are metal and painted sheetrock. The interior walls in the office area are painted sheetrock.
<u>Doors:</u>	The building includes three grade level overhead doors. The external pedestrian doors in the warehouse area are metal. The office area includes a combination of metal, hollow wood and glass set in a wood frame doors.
<u>Roof:</u>	The roof is pitched insulated metal.



Plumbing and Restrooms:

There is one restroom in the office area, which is adequate to serve the property.

Lighting:

The warehouse area includes hung fluorescent lighting. The office area includes recessed fluorescent fixtures and hung fluorescent fixtures in a drop grid acoustical tile and painted sheetrock ceiling.

Cranes:

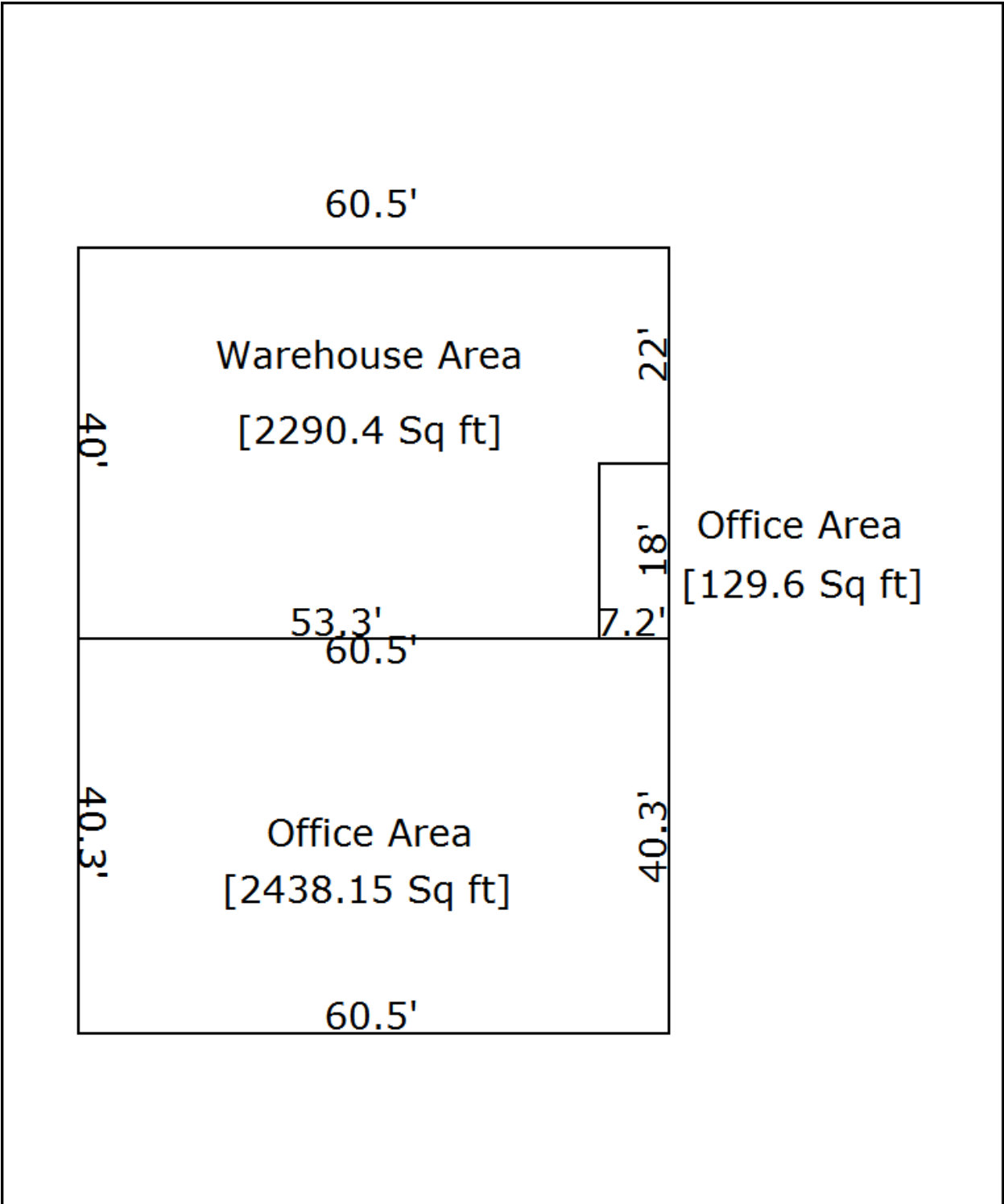
The building has no cranes.

Site Improvements:

The subject site improvements include asphalt paving, landscaping, wood fencing, a metal gate, bollards and canopies. There is adequate paved area for parking and yard storage on the site.

**Conclusion**

The subject improvements are typical of an average quality single tenant industrial property which is in average condition. Overall, the property appears to conform to other uses in the subject neighborhood. A building sketch and an Ad Valorem Tax Schedule exhibit follow.



TOTAL Sketch by a la mode, Inc.

**Area Calculations Summary**

<b>Living Area</b>	
Office Area	129.6 Sq ft
Warehouse Area	2290.4 Sq ft
Office Area	2438.15 Sq ft
<b>Total Living Area (Rounded):</b>	<b>4858 Sq ft</b>

## AD VALOREM TAX SCHEDULE

Property Address: 203 and 213 Prairie Street  
 Montgomery, Montgomery County, Texas 77356

Owner: City of Montgomery

Account Numbers: R123943, R123944

Land Size<sup>(1)</sup>: 0.883 Acs.

Bldg. Size<sup>(1)</sup>: 4,800 Sq.Ft.

	2021	2022
<b>Tax Assessment</b>		
Land	\$123,190	\$153,870
Improvements	<u>\$201,040</u>	<u>\$141,420</u>
Total	\$324,230	\$295,290
Total PSF	\$67.55	\$61.52

**Tax Rates** (\$ per \$100 of assessed value)

Jurisdiction:		
City of Montgomery	\$0.400000	\$0.400000
Emergency Services District #2	\$0.094800	\$0.099200
Montgomery County	\$0.374200	\$0.408300
Montgomery County Hospital	\$0.050200	\$0.056700
Montgomery ISD	<u>\$1.228900</u>	<u>\$1.260000</u>
Combined tax rate:	\$2.148100	\$2.224200

**Total Tax Payments<sup>(2)</sup>**

Jurisdiction:		
City of Montgomery	\$1,297	\$1,181
Emergency Services District #2	\$307	\$293
Montgomery County	\$1,213	\$1,206
Montgomery County Hospital	\$163	\$167
Montgomery ISD	<u>\$3,985</u>	<u>\$3,721</u>
Total	<b>\$6,965</b>	<b>\$6,568</b>
Total PSF	<u>\$1.45</u>	<u>\$1.37</u>

Notes:

<sup>(1)</sup> Montgomery County Appraisal District recorded size.

<sup>(2)</sup> There are no delinquent taxes reported for the subject property.

## **Industrial Market Study**

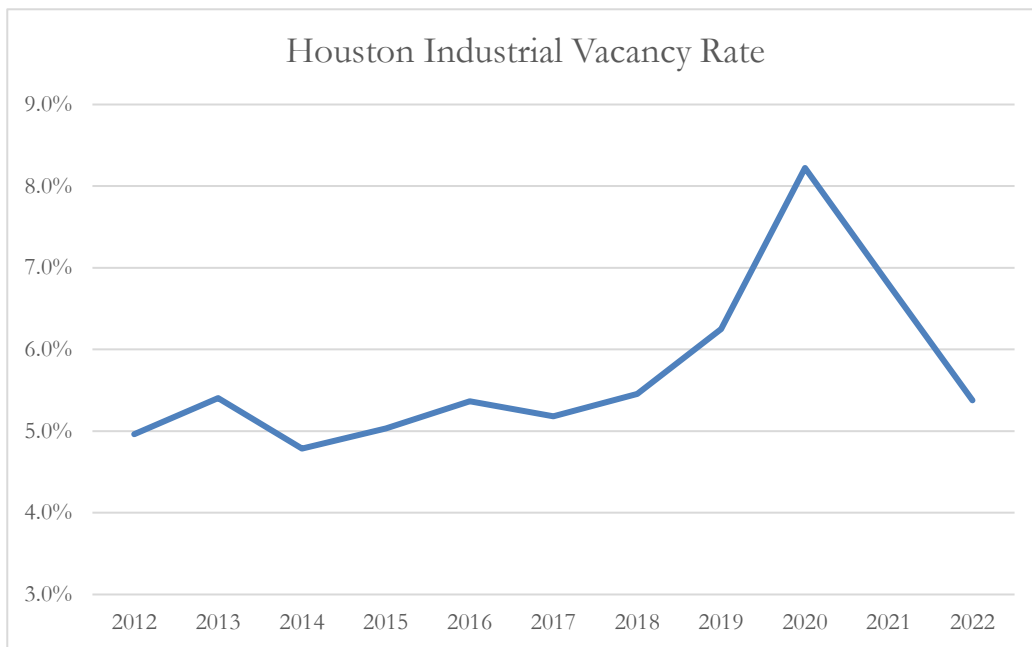
The following market data is taken from the *CoStar Industrial Market Report* for the Houston market as of Fourth Quarter 2022.

### **Overview**

Houston has historically been a powerhouse for industrial tenant demand and entering 2023, the market's trailing 12-month total for industrial space absorbed has surpassed every other major metro area in the U.S. Very few industrial markets have a list of industrial demand drivers as long and diverse as Houston's, which includes the major port, U.S.-leading population growth, along with a massive manufacturing sector and petrochemical industry. With a wealth of open land and minimal zoning constraints, Houston is every bit as hospitable to industrial developers as it is to tenants. Large-scale distribution center construction has historically kept occupancy rates and rent growth below the U.S. average. After reaching 20-year highs in 2022, industrial rent growth in Houston is slowing and this trend will likely continue in the near term, as landlords will be grappling with a record amount of speculative development completing.

Rising commercial mortgage rates may temper sales velocity, and the market could see upward movement of cap rates. Still, most sellers are exiting their investments with notable earnings, and institutional investors such as Prologis, ARES Management, and Mirae Asset Global Investments remain well represented among the list of recent buyers.

### **Vacancy**



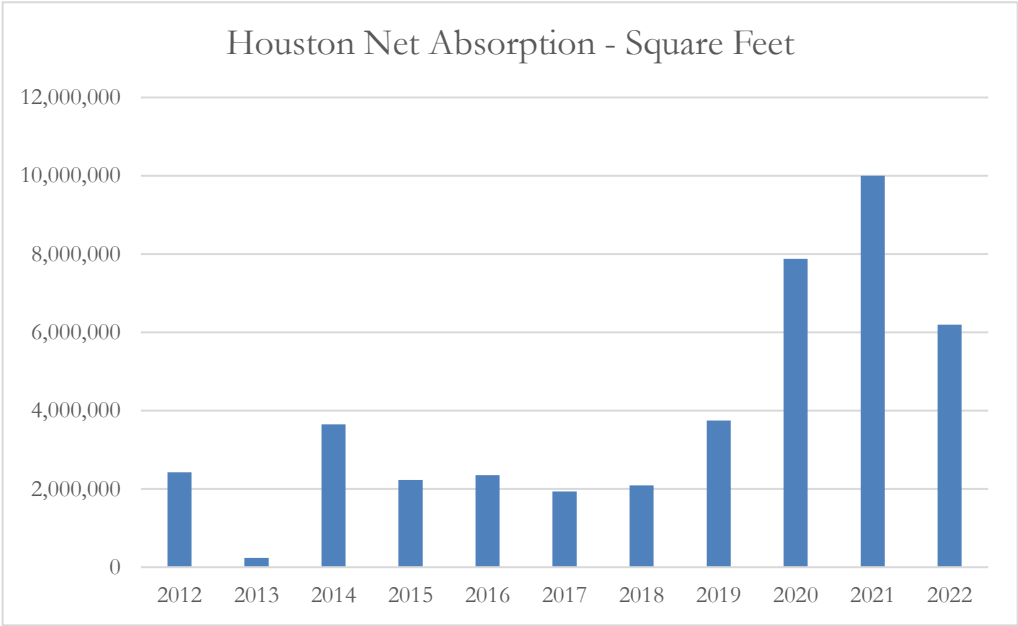
Houston's industrial vacancy rate has been cut by nearly 300 basis points over the past two years, and leasing volume remains at extraordinarily high levels. Through December 2022, trailing three-month total square footage leased was up about 20% compared to the same period in 2021 and up more than five times compared to the levels recorded during the three years prior to the pandemic. Distribution and third-party logistics firms are driving a record number of these large leases rushing to meet consumers' preference toward online shopping, a trend that has only been magnified since

2020. One such example was Wayfair's commitment to a 1.2 million-SF distribution center at the Prologis Presidents Park, which is being developed by Prologis and marked for a late 2023 move in. Similarly, Macy's committed to 910,000 SF at the Interchange 249 business park, which is being developed by Houston-based Lovett Industrial and New York-based Clarion Partners and also scheduled for a 2023 move in. The retailer's new distribution home will anchor the 240-acre business park in Tomball and will have direct access to both the Grand Parkway and Highway 249, allowing for efficient regional and local distribution.

Oncoming new supply could cause vacancy rates to flatline and even potentially rise slightly in 2023. Similar to other fast growing Sun Belt metros, unleased space under construction in Houston is significant. At around 85% it is similar to DFW's levels, but above the levels seen in Orlando (75%), Raleigh (70%) and Nashville (45%). Furthermore, inflationary pressures are testing the strength of the industrial tenant, and stakeholders remain vigilant, especially of the smaller businesses, which must absorb significant rent increases with inflation and labor costs eating up their profit margins.

Small tenants account for the majority of overall demand: More than 80% of all of Houston's industrial leases signed in 2022 were for less than 50,000 SF. If smaller tenants begin to struggle, total demand will inevitably cool.

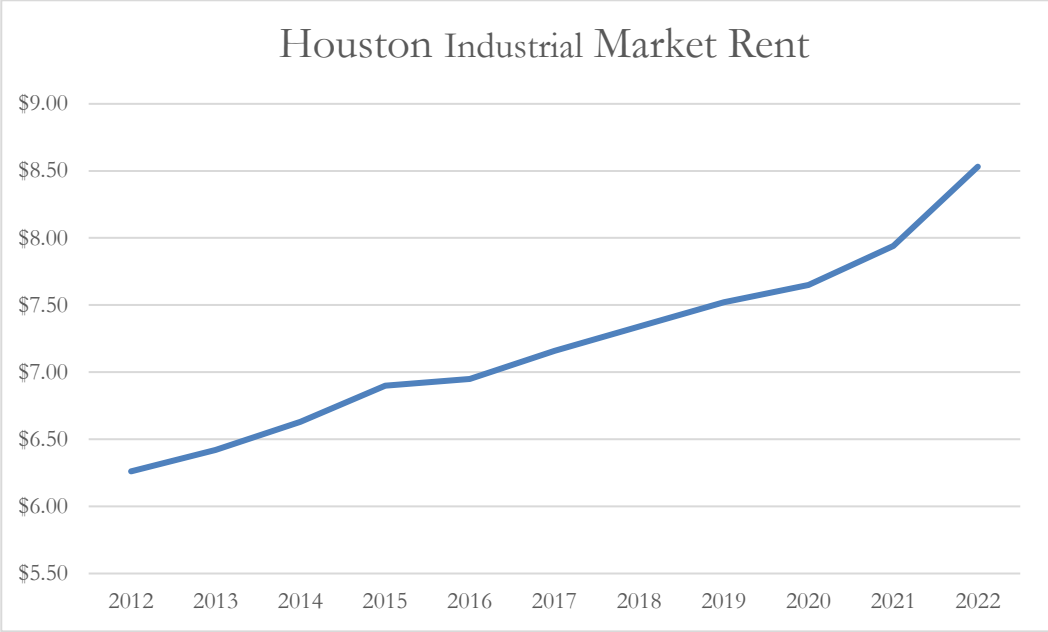
**Absorption**



The Southeast Submarket, which is home to the third largest amount of industrial inventory, regularly leads the market when it comes to net absorption, and despite a heavy construction pipeline, availabilities will likely remain tight. Proximity to infrastructure is one of this submarket's top selling points. It is home to the Port of Houston and the TGS Cedar Port Industrial Park, the country's largest master-planned rail-and-barge-served industrial park. Despite having the most big-box assets (properties larger than 200,000 SF) out of Houston's submarkets, large availabilities in existing assets are rare, and tenants seeking such large amounts of space often resort to build-to-suits. For example, in First Quarter 2023, furniture company Article will move into a 507,000-SF build-to-suit warehouse in the TGS Cedar Port Industrial Park in Baytown as the location for its first Texas distribution center

Meanwhile, Sugar Land (near Southwest Houston) currently has among the highest percentage of its total inventory underway (15%) and at risk of seeing availability rise in the near term as nearly 90% of what is currently under construction consists of speculative projects.

**Rental Rates**



Record levels of demand have translated into stronger rent growth, which is running above its five-year average rate of 3.4%. Rents in Houston have grown annually by 4.9%, though are underperforming the national average, as has historically been the case. With no zoning and relatively lower barriers to entry for new development, the recent supply wave continues to weigh on rent growth compared with other markets. The quarterly pace of asking rent growth was about 6% during First Quarter 2022 and Second Quarter 2022, but decelerated to 5.6% in Third Quarter 2022, the first time quarterly gains have slowed in Houston since the start of the pandemic. This trend continued in Fourth Quarter 2022 and will likely persist in the near term with new supply hitting the market and the potential for an economic slowdown.

From a geographic perspective, submarkets like Southwest Inner Loop and Southwest Outer Loop are reporting the strongest annual rent gains out of Houston's submarkets, aided by healthy net absorption and limited new supply during this time.

**Rent Growth**

Industrial rents across Houston usually range between \$5/SF and \$10/SF, though they can range higher and lower, depending on location and size. Submarkets such as Southeast Outer Loop and East I-10 Outer Loop have asking rents that are far less expensive than areas such as Southwest Inner Loop and CBD-Northwest Inner Loop, which is in part due to the large swaths of available and affordable land.

Despite asking rent growth decelerating, owners continue to offer free rent concessions at relatively low levels. Securing one to three months worth of free rent on leases of five to seven years remains typical.

## **Deliveries and New Construction**

Industrial construction starts in Houston peaked in 2022 and 2023 will mark a record year for new supply, joining markets like D-FW, Orlando, Nashville, and Raleigh, which are also bracing for a record amount of new supply this year. Under-construction projects comprise 4.6% of Houston's current inventory, which compares to the national benchmark of 3.7%. Approximately 85% of all space underway remains available for lease, but if recent leasing trends persist, this new supply should not have much of an effect on fundamentals. Many of these projects are leasing either prior to completion, or shortly after.

The East-Southeast Far Submarket has the most space under construction in Houston. The Cedar Port Industrial Park in Baytown is located in this submarket and is home to some of the largest industrial projects in Houston, including Trans-Global Solutions' 1.2 million-SF distribution center, which is speculative and marked for a Second Quarter 2023 delivery. This will follow another 1.2 million-SF speculative distribution center which Trans-Global Solutions completed in July 2022 and by August 2022 was fully leased by Home Depot. Other recent notable deliveries in Cedar Port include an 850,000-SF build-to-suit for Blackline Cold Storage, which delivered in Second Quarter 2022.

The Northwest Outliers submarket, which is at the heart of West Houston's demographic growth, is also garnering its fair share of attention. PinPoint Commercial is building an 840,000-SF speculative warehouse in the Grand Central West Industrial Park in Katy, marked for a First Quarter 2023 delivery. Meanwhile, Stream Realty continues to bet on the area. It has a 670,000-SF warehouse in the Empire West Business Park in Brookshire, half of which is available and the other half of which is leased to H-E-B. This follows the combined 1.7 million square feet the developer completed in 2022 in that same park. Also in that park, in Fourth Quarter 2022 Tesla leased an entire 1 million-SF warehouse which delivered in Third Quarter 2022.

Industrial construction has been a common sight in Houston for many years, as the strength of its job and population trends have not been lost on developers. All told, nearly 200 million SF of space has been added to the market over the past decade, expanding its total inventory by 30% and ranking among the top four markets in the country in terms of new supply during this time. Only DFW and Inland Empire have added more space during this time.

## **Submarket Analysis**

The following exhibit shows industrial statistics by submarket for all industrial property types (combined) as of the Fourth Quarter of 2022.

INDUSTRIAL SUBMARKET STATISTICS (ALL PROPERTY TYPES) - FOURTH QUARTER 2022							
Submarket	Existing Inventory		Vacancy	YTD Net Absorption	YTD Deliveries	Under Construction	Quoted Rates
	# Buildings	RBA					
Austin County Ind	50	2,416,364	8.0%	24,088	0	0	\$6.76
CBD Ind	2,022	56,121,414	4.3%	10,916	(14,293)	0	\$7.54
Liberty County Ind	93	2,182,661	3.3%	(16,250)	0	0	\$7.90
North Corridor Ind	5,139	147,188,370	5.6%	1,140,735	4,777,404	7,331,647	\$9.09
Northeast Corridor Ind	1,304	49,580,308	6.0%	126,382	2,142,210	2,401,031	\$7.82
Northwest Corridor Ind	6,078	211,164,329	5.9%	2,080,668	8,083,829	8,455,030	\$8.90
Southeast Corridor Ind	3,361	135,997,615	4.5%	1,614,336	5,928,556	7,532,511	\$7.93
Southern Corridor Ind	2,398	56,558,417	3.2%	(265,389)	155,000	2,449,158	\$7.79
Southwest Corridor Ind	3,154	103,785,745	6.6%	1,477,603	3,439,841	6,585,396	\$9.10
<b>Totals</b>	<b>23,599</b>	<b>764,995,223</b>	<b>5.4%</b>	<b>6,193,089</b>	<b>24,512,547</b>	<b>34,754,773</b>	<b>\$8.53</b>

The subject property lies in the Northwest submarket. This submarket is the largest of the nine submarkets.

As of the Fourth Quarter of 2022, the submarket vacancy rate was 5.9%. The submarket vacancy rate is higher than the metro area's overall vacancy rate of 5.4%. The submarket average rental rate is \$8.90 per square foot per year, higher than the metro area's average rental rate of \$8.53 per square foot. As of the Fourth Quarter of 2022, year-to-date net absorption was 2,080,668 square feet for the submarket. There were 8,083,829 square feet of space delivered and 8,455,030 square feet of industrial space was under construction in the submarket as of the Fourth Quarter of 2022.

## Conclusion

Overall, the Houston industrial market strengthened during the Fourth Quarter of 2022. The vacancy rate decreased from 6.8% to 5.4% from 2021 to Fourth Quarter 2022. Total net absorption was 6,193,089 square feet as of Fourth Quarter 2022. Asking rents grew to the current asking rate of \$8.53 per square foot per year. The subject submarket vacancy rate is higher than the overall Houston market vacancy rate. The subject submarket average rental rate is higher than the overall Houston market average rental rate. For the near term, we expect the submarket to be an average performer.

## COVID-19 Effect on Industrial Market

The impact of the COVID-19 pandemic on the industrial market has become more apparent through the Second Quarter of 2022. *Wells Fargo Securities' Commercial Real Estate Chartbook* (June 28, 2022) indicates that commercial real estate has largely recovered from the COVID-19 pandemic. However, commercial real estate activity looks to be moderating amid intensifying inflation and rising interest rates. As a result, Wells Fargo Securities projects that real GDP will dip into negative territory next year. Industrial property fundamentals remain extraordinary. As of First Quarter 2022, asking rents have increased 11.0% year-over-year and have increased 3.2% quarter-over-quarter, the fastest quarterly increase on record. Industrial vacancy rates have declined to 4.1% in the First Quarter of 2022, a new record low dating back to 2000. Net absorption amounted to 98.2 million square feet in the First Quarter of 2022, down from the 153.7 million square feet averaged in the second half of 2021. The ongoing shift to e-commerce will continue to fuel demand for warehouses and distribution facilities. The emerging supply chain needs have boosted industrial activity, a trend that Wells Fargo Securities expects to continue in the years ahead.



CBRE's *U.S. Industrial 2<sup>nd</sup> Quarter 2022* details the performance of the industrial market. Despite the COVID-19 and inflation induced economic downturn, the industrial market remained on solid footing in the Second Quarter of 2022. The industrial market posted record-low vacancy rates and record-high asking rents for the quarter. Overall industrial net absorption for the quarter was positive 75.8 million square feet, down 48% year-over-year. The overall industrial vacancy rate was a record low 2.9% in the Second Quarter of 2022, resulting in limited gains in absorption. Average net asking rates have increased to an all-time high of \$9.40 per square foot in the Second Quarter of 2022, 5.5% higher than the previous quarter and 14.9% higher than the previous year. The industrial market is expected to remain strong as e-commerce and the need for safety stock to counter potential supply chain disruptions is fueling strong demand. A record-breaking 626.6 million square feet of new construction is underway as of the Second Quarter of 2022, with 31.2% of it preleased.

The *PwC Real Estate Investor Survey 3<sup>rd</sup> Quarter 2022* surveyed investor participants in July 2022 regarding the ongoing COVID-19 pandemic. While occupancy and rental rate growth rates were exceeding expectations throughout most of the industrial sector at the start of the year, it appears that leasing activity has begun to slightly cool off a little. 43 of the 55 metro areas included in the *PwC Real Estate Investor Survey 3<sup>rd</sup> Quarter 2022's* industrial analysis are expected to be in the expansion phase of the real estate cycle by year-end 2022. However, 31 of the metro areas are expected to be in the contraction phase of the real estate cycle by year-end 2023. When surveyed about the current national warehouse market, 9.0% of investor participants indicated that market conditions favor buyers, 82.0% of investor participants indicated that market conditions favor sellers and 9.0% of investor participants indicated that market conditions are neutral, favoring buyers and sellers equally. When surveyed about the current pricing of the national warehouse market, 40.0% of investor participants indicated that the market is overpriced and 60.0% of investor participants indicated that the market is fairly priced. The *PwC Real Estate Investor Survey 3<sup>rd</sup> Quarter 2022* indicates a forecasted value change range from -25.0% to 20.0%, with an average of 4.0% for the national warehouse market (institutional grade properties) over the next twelve months. The *PwC Real Estate Investor Survey 3<sup>rd</sup> Quarter 2022* indicates an overall capitalization rate range from 3.00% to 5.75%, with an average of 4.29% for the national warehouse market (institutional grade properties). The average overall capitalization rate of 4.29% is a decrease of 8 basis points from the previous quarter and a decrease of 14 basis point from the previous year. When surveyed about the forecasted change in overall capitalization rates over the next six months, 18.0% of investor participants anticipate overall capitalization rates to increase, 18.0% of investor participants anticipate overall capitalization rates to decrease and 64.0% of investors anticipate overall capitalization rates to hold steady. The *PwC Real Estate Investor Survey 3<sup>rd</sup> Quarter 2022* indicates a forecasted market rent change range from 0.00% to 10.00%, with an average of 3.15% for the national warehouse market (institutional grade properties) over the next twelve months. The average forecasted market rent change of 3.15% is a decrease of 13 basis points from the previous quarter and an increase of 45 basis points from the previous year. The *PwC Real Estate Investor Survey 3<sup>rd</sup> Quarter 2022* indicates a forecasted marketing time range from 1 to 9 months, with an average of 3.4 months for the national warehouse market (institutional grade properties). The average forecasted marketing time of 3.4 months is equal to 3.4 months one quarter ago and equal to 3.4 months one year ago.

*CBRE's U.S. Real Estate Market Outlook 2022* forecasts the performance of the industrial market going forward. CBRE anticipates that the industrial market will continue to flourish in 2022 with amid record demand, rent growth and investment activity. Demand will be driven by growing e-commerce sales, the improving economy, population migration and the need for onshore "safety stock" inventory to avoid further supply chain disruptions. A record-setting 448.9 million square

feet of space was under construction as of the Third Quarter of 2021. Demand is expected to continue to outpace supply in 2022, leading to even higher rents.

## **HIGHEST AND BEST USE**

The uses to which a property can be put affect its value. This is recognized by the concept of highest and best use, generally understood to mean:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. These four factors influence the developability and the marketability/value of property:

- ⇒ Legal permissibility (zoning, deed restrictions, building codes, etc.)
- ⇒ Physical possibility (size, shape, frontage, utilities, etc.)
- ⇒ Financial feasibility (demand to support development)
- ⇒ Maximum productivity

Two separate analyses are performed to develop an opinion of highest and best use: first, an examination of the site as vacant and available for development and second, an examination of the existing improvements and an investigation of their contribution to the value of the property. For an existing improved property, as long as the value of the property as improved is greater than the value of the vacant site less demolition costs, the highest and best use is the use as improved. Once the value of the vacant land exceeds the value of the improved property, the highest and best use becomes the use of the land as vacant.

### **Site as if Vacant**

#### **Physically Possible**

The subject site contains 0.676 acres or 29,447 square feet of land area. The site is rectangular in shape, with frontage along two secondary neighborhood roadways. All utilities are available to the site. Based on our interviews with local brokers and investors, physically possible (and likely) uses include most types of retail/commercial development.

#### **Legally Permissible**

The subject property is located in Montgomery and is zoned Commercial. This zoning designation allows for most types of commercial uses, including the current use. There do not appear to be any adverse restrictions which would limit the development of the subject site.

#### **Financially Feasible/Maximally Productive**

During our inspection, we noted new retail/commercial development occurring in the subject neighborhood. Rental rates and occupancy levels appear to support new retail/commercial development on the subject site. According to local brokers and developers, retail/commercial development is financially feasible in the subject neighborhood. Based on this analysis, the highest and best use of the subject site as if vacant is for retail/commercial development.

### **Property as Improved**

The subject site is improved with a 4,858 square foot single tenant industrial property and related site improvements. Based on the use, physical characteristics, location and condition of the improvements, they appear to add value to the site. Therefore, the highest and best use of the property as improved is for continued use as an industrial facility.

## **SALES COMPARISON APPROACH**

### **Introduction**

In order to apply the Sales Comparison Approach to the subject property we have researched and analyzed recent sales and listings of similar properties in the greater Houston Area. We contacted individuals having knowledge of the transaction details and discussed the sales to the fullest extent possible. The most pertinent sales to analyze the subject are summarized on the exhibit following this introduction. The units of comparison were adjusted for cash equivalency, rent loss, deferred maintenance and rehabilitation costs where applicable. A detailed write-up of each sale can be found in the Addenda.

Investors indicate that they rely on the sale price per square foot method to analyze similar properties. For the sale price per square foot method, we compared the sales to the subject property and adjusted their sale price per square foot for differences in market conditions (time), conditions of sale, location and various physical characteristics. The adjusted prices for the sales were then reconciled into a final value indication via this approach.

An Improved Sales Summary and Adjustment Grid follows which outlines the terms and characteristics of the sales as well as the adjustments we applied to each sale. An Improved Sales Map also follows.

**IMPROVED SALES SUMMARY AND ADJUSTMENT GRID**

MARKET DATA	SUBJECT	1	2	3	4	5	6
Property Name	Single Tenant Industrial Property	14069 Horseshoe Bend Industrial Building	12412 & 12424 FM 2854 Industrial Property	West Woodland Business Park Building 5	Commercial Property	38927 FM 1774 Industrial Property - Unit 9	15225 Walden Road Boat Dealership
Address	203 and 213 Prairie Street	14069 Horseshoe Bend	12412 & 12424 FM 2854	8765 West Lane	602 West Semands Street	38927 FM 1774	15225 Walden Road
City	Montgomery	Conroe	Conroe	Magnolia	Conroe	Magnolia	Montgomery
Year Built	1994	2013	2000	2022	1984	2002	2000
Year Renovated	N/A	N/A	N/A	N/A	2008	N/A	2016
Construction	Hardiplank Sliding with Masonry Trim	Metal	Hardiplank, Stone and Metal	Metal with stucco facade	Metal	Metal	Metal
Gross Building Area	4,858	7,200	4,566	6,000	5,843	2,400	10,775
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Building Use	Office/Warehouse	Office/Warehouse	Office/Warehouse	Office/Warehouse	Single-Tenant	Office/Warehouse	Office/Warehouse
Percent Office	52.9%	4.2%	47.4%	70.0%	74.0%	60.0%	62.5%
Percent HVAC	52.9%	4.2%	47.4%	100.0%	74.0%	60.0%	62.5%
Clear Height	14'	16'	11'	16'	14'	17'	17'
Acreage	0.676	0.91	1.92	0.37	0.46	1.02	2.47
Site Square Footage	29,447	39,640	83,635	16,117	20,038	44,431	107,593
Land-to-Building Ratio	6.06 to 1	5.49 to 1	18.32 to 1	2.69 to 1	3.39 to 1	18.57 to 1	9.98 to 1
Sale Date	--	Aug-22	Jun-22	Mar-22	Mar-22	Aug-21	Sep-20
Sale Price	--	\$1,350,000	\$1,150,000	\$1,330,000	\$850,000	\$380,000	\$2,105,000
Price Per Sq. Ft. (Land & Improvements)	--	\$187.50	\$251.86	\$221.67	\$145.47	\$158.33	\$195.36

**COMPARATIVE ANALYSIS**

MULTIPLIED ADJUSTMENTS	0.5 years	0.7 years	1.0 years	1.0 years	1.5 years	2.4 years
Elapsed Time (Years)	0.5 years	0.7 years	1.0 years	1.0 years	1.5 years	2.4 years
Market Conditions/Time Adjustment	1.5%	2.1%	3.0%	3.0%	4.5%	7.2%
Conditions of Sale Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Ceq. Cond/Time Adj. Price PSF	\$190.31	\$257.15	\$228.32	\$149.83	\$165.45	\$209.43
ADDED ADJUSTMENTS						
Location	5%	0%	5%	-5%	10%	-5%
Access/Frontage	0%	-5%	0%	0%	-5%	-5%
Age/Condition	-5%	0%	-10%	5%	0%	-5%
Quality of Construction	5%	0%	0%	5%	5%	5%
Size	0%	0%	0%	0%	-5%	5%
Percent Office	15%	0%	-5%	-5%	0%	0%
Percent HVAC	0%	0%	-5%	0%	0%	0%
Cranes	0%	0%	0%	0%	0%	0%
Clear Height	0%	0%	0%	0%	0%	0%
Land-to-Building Ratio	0%	-5%	5%	5%	-5%	0%
Total Adjustment	20%	-10%	-10%	5%	0%	-5%
Adjusted Price/Sq. Ft.	\$228.37	\$231.44	\$205.49	\$157.32	\$165.45	\$198.96

PSF METHOD	Low:	\$157.32
	High:	\$231.44
	Mean:	\$197.84
	Median:	\$202.23

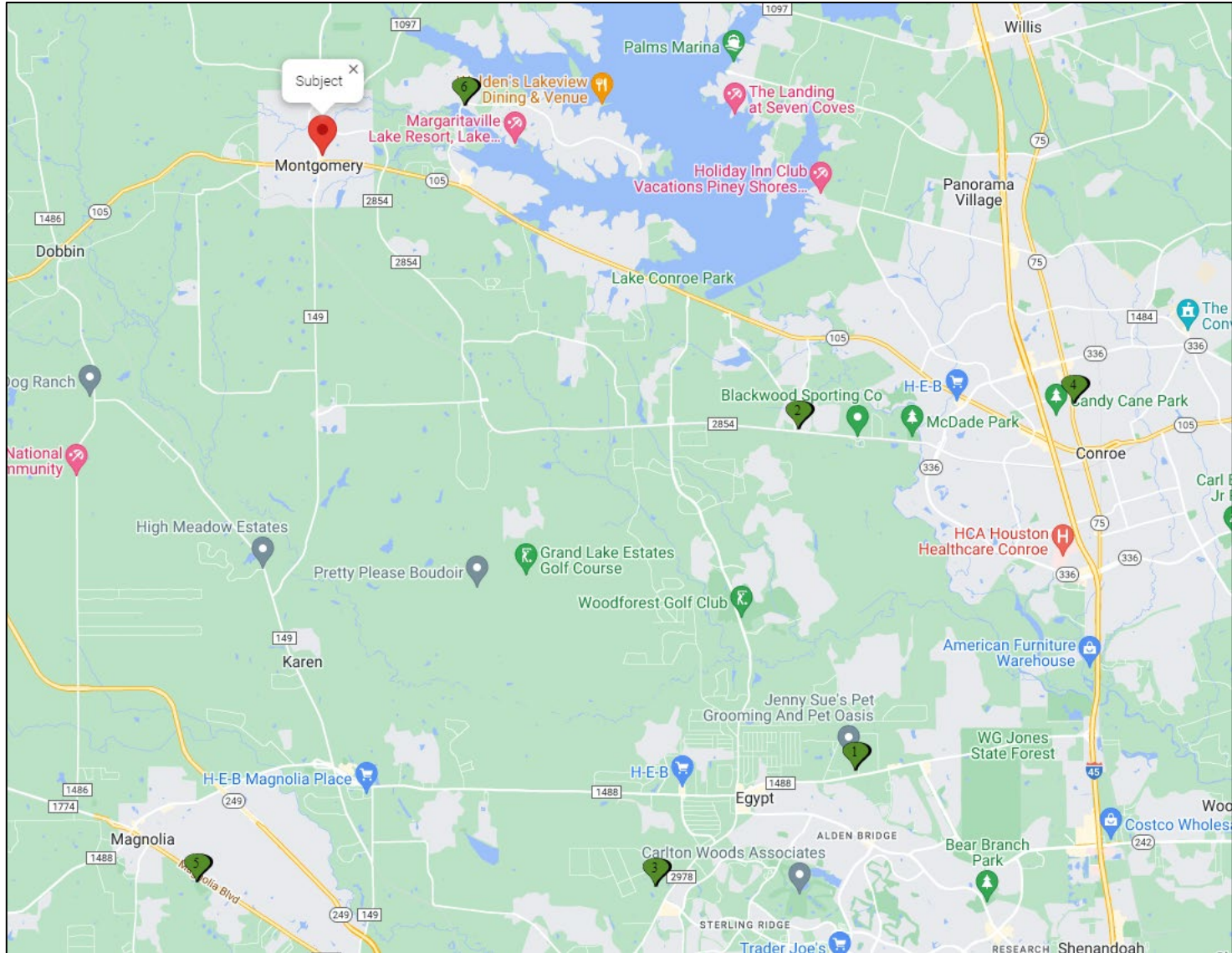
INDICATED VALUE ESTIMATE

\$230.00	X	4,858	=	\$1,117,340
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Indicated Market Value "As Is" Via Sales Comparison Approach (Rounded):	\$1,120,000
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Notes:

## Improved Sales Map



## **Comparative Analysis**

For this analysis, we compared the sales to the subject and adjusted them for differences in market conditions (time), conditions of sale, location and various physical characteristics. The adjusted prices for the sales were then reconciled into a final value indication for this approach.

Our analysis includes six sales. The sales range in date of sale from September 2020 to August 2022 and in size from 2,400 to 10,775 square feet. The sales range in unadjusted sale price from \$145.47 to \$251.86 per square foot.

## **Market Conditions**

The comparable sales occurred between September 2020 and August 2022. We interviewed brokers involved in the sale of similar facilities regarding the health of the market as well as current influences. They indicated that interest rate increases have affected some buyers but overall demand for facilities such as the subject has held up amid relatively short supply since the beginning of 2022. They also indicated that inflationary influences like high construction/replacement cost trends have caused record pricing amongst existing properties. While factors such as interest rates and inflation are currently influencing the market, local supply, demand and demographic shifts appear to be more significant. Therefore, we have applied an upward adjustment of 3.0% per year for market conditions.

## **Conditions of Sale**

An adjustment is warranted for conditions of sale when a transaction involves atypical motivations that affect the price of a property. All of the sales were reported to be typical arm's length transactions and were not adjusted for this characteristic.

## **Location**

Location adjustments are necessary when the locations of the comparable properties are different than the subject. Sales 1, 3 and 5 are inferior to the subject with respect to location and were adjusted upward for this characteristic. Sales 4 and 6 are superior to the subject with respect to location and were adjusted downward for this characteristic. Sale 2 is similar to the subject property with respect to location. Therefore, adjustments were not applied to this comparable for this characteristic.

## **Access/Frontage**

The access/frontage characteristics of a property will usually affect its sale price. The subject property is located along Prairie Street and Maiden Lane, two secondary neighborhood roadways. Sales 2, 5 and 6 have superior access/frontage as compared to the subject property. Therefore, these comparables were adjusted downward for their superior access/frontage characteristics. The remaining comparables are similar to the subject with respect to access/frontage and were not adjusted for this characteristic.



## **Age/Condition**

The subject property was constructed in 1994 and is in average condition. Sales 1, 3 and 6 are superior to the subject with respect to age/condition and were adjusted downward for this characteristic. Sale 4 is inferior to the subject with respect to age/condition and was adjusted upward for this characteristic. The remaining comparables are similar to the subject with respect to age/condition and were not adjusted for this characteristic.

## **Quality of Construction**

Different qualities of construction may affect the sale price of an industrial property. Sales 1, 4, 5 and 6 are inferior to the subject with respect to quality of construction and were adjusted upward for this characteristic. The remaining comparables are similar to the subject with respect to quality of construction and were not adjusted for this characteristic.

## **Size**

The size of a property will usually affect its per unit sale price. An inverse relationship typically exists between the size of a property and its sale price per square foot. The larger the size of a property, the smaller the per unit price, and vice versa, assuming all other variables are constant. The subject property contains 4,858 square feet of gross building area. The sales range in size from 2,400 to 10,775 square feet of gross building area. Sale 6 is larger than the subject and was adjusted upward for this characteristic. Sale 5 is smaller than the subject and was adjusted downward for this characteristic. A 5% per doubling/halving adjustment was applied. This adjustment is based on a comparison of the sales and our conversations with local brokers and investors in the market. The remaining comparables are similar to the subject with respect to size and were not adjusted for this characteristic.

## **Office Percentage**

The overall price of a property will generally be positively impacted by a higher percentage of finished office space. The subject property contains 52.9% finished office space. The comparables range in percentage of office space from 4.2% to 74.0%. Sales 3 and 4 have a higher percentage of finished office space compared to the subject. Therefore, these comparables were adjusted downward for this characteristic. Sale 1 has a lower percentage of finished office space compared to the subject. Therefore, this comparable was adjusted upward for this characteristic. The remaining comparables are similar to the subject with respect to office percentage and were not adjusted for this characteristic.

## **HVAC Percentage**

The overall price of a property will generally be positively impacted by a higher percentage of HVAC space. The subject property has HVAC in the office portion of the building only. Sale 3 is superior to the subject with respect to HVAC percentage and was adjusted downward for this characteristic. The remaining comparables are similar to the subject with respect to HVAC percentage and were not adjusted for this characteristic.

## **Cranes**

The presence of overhead cranes in a warehouse is often directly related to the sale price of a property. The subject property contains no cranes. The comparables contain no cranes and were not adjusted for this characteristic.

## **Clear Height**

The clear height in a warehouse is often directly related to the sale price of a property. The subject property has a clear height of 14 feet. All of the comparables are similar to the subject with respect to clear height and were not adjusted for this characteristic.

## **Land-to-Building Ratio**

The land-to-building ratio typically has a direct relationship to the price of industrial properties as additional land typically allows for additional storage capacity and expansion potential. The subject property has a land-to-building ratio of 6.06 to 1 to 1.0. The land-to-building ratios for the comparables range from 2.69 to 1.0 to 18.57 to 1.0. Sales 2 and 5 have larger land-to-building ratios as compared to the subject and were adjusted downward for this characteristic. Sales 3 and 4 have smaller land-to-building ratios as compared to the subject and were adjusted upward for this characteristic. This adjustment is based on a review of land sales and our interviews with market participants regarding this characteristic. All of the remaining comparables are similar to the subject with respect to land-to-building ratio and were not adjusted for this characteristic.

## **Sales Comparison Approach Conclusion**

The adjusted sale prices of the comparable improved sales range from \$157.32 to \$231.44 per square foot. The mean of the data is \$197.84 per square foot, and the median is \$202.23 per square foot. We have placed primary emphasis on Sales 1 and 2 in our reconciliation, which are the most recent sales. These sales indicate an average adjusted sale price of \$229.91 per square foot. Considering the above data, we estimate the market value of the fee simple interest of the subject property "As Is" via the Sales Comparison Approach as follows:

4,858 square feet	X \$230.00 per square foot =	\$1,117,340
	<b>"As Is" Rounded:</b>	<b>\$1,120,000</b>

## INCOME CAPITALIZATION APPROACH

The Income Capitalization Approach is based on the premise that value is created by the expectation of future benefits. We estimated the present value of those benefits to derive an indication of the amount that a prudent, informed purchaser/investor would pay for the right to receive them as of the date of value.

This approach requires an estimate of the net operating income (NOI) of a property. The estimated NOI is then converted to a value indication by use of either the direct capitalization method or a discounted cash flow analysis.

Direct capitalization uses a single year's stabilized NOI as a basis for a value indication by dividing the income by an overall capitalization rate. The rate chosen accounts for a recapture of the investment by the investor and should reflect all factors that influence the value of the property, such as tenant quality, property condition, neighborhood change, market trends, interest rates and inflation. The rate may be extracted from local market transactions or, when transaction evidence is lacking, obtained from published trade sources and/or primary research with market participants.

A discounted cash flow analysis focuses on the operating cash flows expected from the property and the proceeds of a hypothetical sale at the end of a holding period (the reversion). The cash flows and reversion are discounted to their present values using a market derived discount rate and are added together to obtain a value indication. Because benefits to be received in the future are worth less than the same benefits received in the present, this method weights income in the early years more heavily than the income and the sale proceeds to be received later. The strength of the discounted cash flow analysis is its ability to recognize variations in projected net income, such as those caused by inflation, stepped leases, neighborhood change, or tenant turnover. Its weakness is that it requires many judgments regarding the actions of likely buyers and sellers of the property in the future.

In most situations, both methods yield similar results. The discounted cash flow analysis is typically more appropriate for the analysis of investment properties with multiple or long term leases, particularly leases with cancellation clauses or renewal options. It is especially useful for multi-tenant properties in volatile markets. The direct capitalization method is normally more appropriate for properties with relatively stable operating histories and expectations.

Based upon our conversations with market participants active in the sale and acquisition of industrial properties similar to the subject, the direct capitalization method is most commonly used. Therefore, we have applied the direct capitalization method to estimate the market value of the fee simple interest of the subject property via the Income Capitalization Approach.

## **Income Analysis**

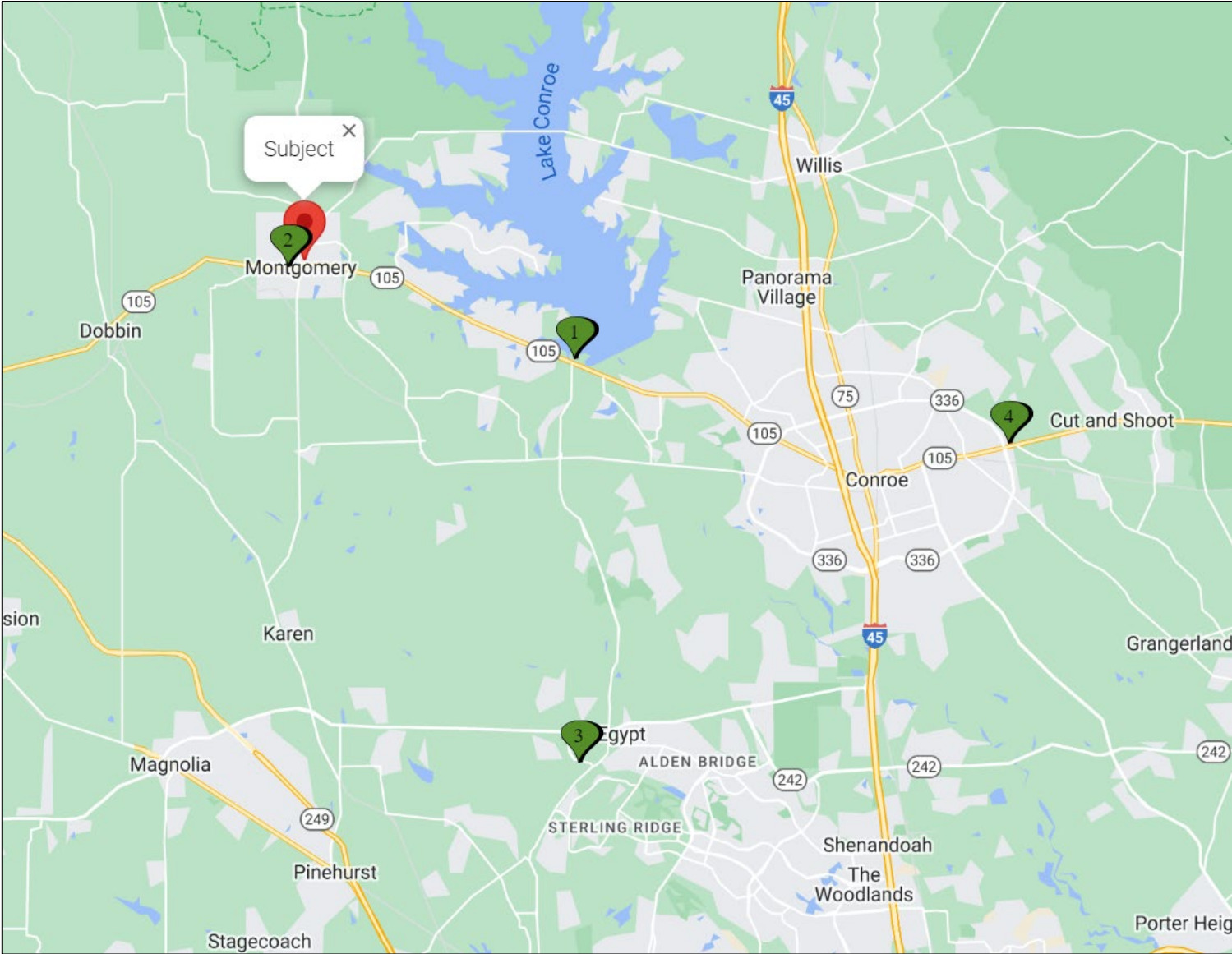
### **Market Rent Analysis**

The following describes the data, analysis and rationale behind our estimate of market rent for the subject property. A detailed write-up of each rent comparable can be found in the Addenda. A Rent Comparable Summary and Adjustment Grid and a Rent Comparables Map follow.

**RENT COMPARABLE SUMMARY AND ADJUSTMENT GRID**

<u>MARKET DATA</u>	<u>SUBJECT</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
Property Name	<b>Single Tenant Industrial Property</b>	410 Beach Walk Boulevard Industrial Property	Eva Street Office Building	Tamina Road Condominium Unit - Suite D	Old Highway 105 Industrial Property
Address	<b>203 and 213 Prairie Street</b>	410 Beach Walk Boulevard	21325 Eva Street	32319 Tamina Road	11443 Old Highway 105
City	<b>Montgomery</b>	Conroe	Montgomery	Magnolia	Conroe
Year Built	<b>1994</b>	1994	2000	2015	1991
Year Renovated	<b>N/A</b>	N/A	N/A	N/A	N/A
Construction	<b>Hardiplank Siding with Masonry Trim</b>	Metal	Hardiboard	Metal	Metal
Gross Building Area	<b>4,858</b>	3,000	2,356	3,795	12,752
Occupancy	<b>100.0%</b>	100.0%	100.0%	100.0%	0.0%
Percent Office	<b>52.9%</b>	10.0%	100.0%	38.6%	12.0%
Percent HVAC	<b>52.9%</b>	10.0%	100.0%	100.0%	12.0%
Land-to-Building Ratio	<b>6.06 to 1</b>	4.07 to 1	9.80 to 1	2.63 to 1	14.52 to 1
Clear Height	<b>14'</b>	14'	12'	20'	14'
Rent Per Sq. Ft.	--	\$1.25	\$1.67	\$1.03	\$1.33
<b>COMPARATIVE ANALYSIS</b>					
Rental Rate/SF		\$1.25	\$1.67	\$1.03	\$1.33
Lease Type Adjustment		0.0%	0.0%	0.0%	0.0%
Adjusted Rent/SF		\$1.25	\$1.67	\$1.03	\$1.33
Location		-5%	0%	0%	0%
Access/Frontage		0%	-5%	0%	0%
Age/Condition		0%	0%	-5%	0%
Quality of Construction		5%	0%	5%	5%
Size		0%	-5%	0%	5%
Percent Office		10%	-15%	5%	10%
Percent HVAC		0%	0%	-5%	0%
Land-to-Building Ratio		0%	0%	5%	-5%
Cranes		0%	0%	0%	0%
Clear Height		0%	0%	-5%	0%
Total Adjustment		10%	-25%	0%	15%
Adjusted Rent/Sq. Ft.		\$1.38	\$1.25	\$1.03	\$1.53
<b>PSF METHOD<sup>(1)</sup></b>		Low: \$1.03			
		High: \$1.53			
		Mean: \$1.30			
		Median: \$1.32			
<b>Market Rent Estimate PSF:<sup>(1)</sup></b>					<b>\$1.30</b>
<b>Notes:</b>					
<sup>(1)</sup> Triple net basis.					

Rent Comparables Map



The rent comparables range in size from 2,356 to 12,752 square feet, and in year built from 1991 to 2015. The comparables range in occupancy from 0.0% to 100.0%. Quoted lease rates range from \$1.25 to \$1.67 per square foot per month on a triple net basis. Quoted lease terms range from 2.5 to 10 years in length.

Rent Comparable 1 is a 3,000 square foot single tenant industrial property which was built in 1994. This comparable was adjusted upward for its inferior quality of construction, inferior office percentage as compared to the subject. This comparable was adjusted downward for its superior location as compared to the subject.

Rent Comparable 2 is a 2,356 square foot office building which was built in 2000. This comparable was adjusted downward for its superior access/frontage, smaller size and superior office percentage as compared to the subject.

Rent Comparable 3 is a 3,795 square foot single tenant industrial property which was built in 2015. This comparable was adjusted upward for its inferior quality of construction, inferior office percentage and inferior land-to-building ratio as compared to the subject. This comparable was adjusted downward for its superior age/condition, superior HVAC percentage and superior clear height as compared to the subject.

Rent Comparable 4 is a 12,752 square foot single tenant industrial property which was built in 1991. This comparable was adjusted upward for its inferior quality of construction, larger size and inferior office percentage as compared to the subject. This comparable was adjusted downward for its superior land-to-building ratio as compared to the subject.

After adjustments, the rent comparables indicate a market rent range from \$1.03 to \$1.53 per square foot per month on a triple net basis, with an average of \$1.30 per square foot per month and a median of \$1.32 per square foot per month. We have relied equally on all of the comparables in our reconciliation. Considering the above analysis, we estimate market rent for the subject property at \$1.30 per square foot per month on a triple net basis.

### **Vacancy and Collection Loss**

To arrive at net operating income (NOI), an allowance for vacancy and collection loss must be deducted from potential gross income to arrive at effective gross income. As of Fourth Quarter 2022, the overall Houston market had a 5.4% vacancy rate. The subject Northwest Submarket indicates a vacancy rate of 5.9%. The rent comparables range in occupancy from 0% to 100%. Investors indicate that they apply vacancy and collection loss allowances in the 0% to 10% range for similar properties. Based on the above data, we project a vacancy and collection loss allowance of 5.0% (4.0% vacancy and 1.0% collection loss) for the subject property.

### **Expense Analysis**

In order to estimate operating expenses for the property, we have analyzed historical operating expenses for the subject property and operating expenses for similar single tenant industrial properties in the Houston area (see Industrial Expense Comparables Summary in Addenda). The operating expenses for the subject property have been estimated as follows.

## **Property Taxes**

The subject property is currently assessed for \$295,290, or \$61.52 per square foot (based on the Montgomery County Appraisal District reported size of 4,800 square feet). This assessment appears to be reasonable based on tax comparable data. The rent comparables outlined previously indicate assessments in the \$57.12 to \$113.00 per square foot range. Based on the current assessed value of \$295,290, and the current tax rate of \$2.224200 per \$100 of assessed value, we have estimated property taxes for the subject property of \$6,568 (consistent with actual taxes), or \$1.35 per square foot. This estimate appears reasonable based on the tax comparable data.

## **Management**

Based on our interviews with local brokers and our review of operating statements for similar industrial properties in the area, we have estimated a management expense of 2.0% of effective gross income for the subject.

## **Repairs and Maintenance**

Under a triple net lease, the tenant is directly responsible for repairs and maintenance expenses. Therefore, we have projected no repairs and maintenance expenses for the subject.

## **Insurance**

The subject property's historic insurance expense was not available. The expense comparables range from \$0.24 to \$1.35 per square foot, with an average of \$0.51 per square foot. Based on the data, we estimate this expense at \$0.45 per square foot for the subject.

## **General/Administrative**

The subject property's historic general/administrative expense was not available. The expense comparables range from \$0.00 to \$0.25 per square foot with an average of \$0.05 per square foot. Based on the data, we estimate this expense at \$0.10 per square foot.

## **Reserves for Replacement**

Based on our interviews with market participants, a reserve for replacement allowance is typically deducted for similar properties ranging from \$0.00 to \$0.15 per square foot. Considering the quality and condition of the subject property, we estimate a reserve for replacement allowance of \$0.10 per square foot for the subject property.

## **Total Operating Expenses**

Our estimate of the subject property's operating expense (excluding reserves) totals \$2.23 per square foot. Based on the expense comparables, which range from \$1.20 to \$4.32 per square foot, our expense estimate appears reasonable.



## **Direct Capitalization Method**

After projecting the income and expenses for the property, the next step in the valuation process is to capitalize the net operating income into an estimate of value. The selected overall capitalization rate ("OAR") covers return both on and of capital. It is the overall rate of return an investor expects based on a single year's net operating income.

### **Overall Capitalization Rate Analysis**

Overall capitalization rates can generally be inferred from market transactions if there are sufficient comparable sales for which information is available. Results are best when the data are numerous and reliable, income and expenses are estimated on the same basis for all the properties involved, and the properties have similar physical and economic characteristics. All of the sales outlined in the Sales Comparison Approach were purchased for owner-occupancy. Therefore, overall capitalization rates could not be extracted from the sales. The following chart outlines overall capitalization rates for similar properties.

<b>Address</b>	<b>Date of Sale</b>	<b>OAR</b>
400 Graham Road, College Station, Texas	11/1/2022	6.40%
11420 Dover Street, Houston, Texas	9/30/2022	7.00%
20820 Park Row Drive, Katy, Texas	9/6/2022	6.94%
2013 Trader Ridge Drive, Conroe, Texas	5/27/2022	6.96%
6811 McHard Road, Houston, Texas	2/25/2021	6.25%

The sales above indicate a range of overall capitalization rates from 6.25% to 7.00%, with an average of 6.71%.

The *PwC Real Estate Investor Survey 4<sup>th</sup> Quarter 2022* indicates an overall capitalization rate range from 2.00% to 6.25 %, with an average of 4.43% for the national warehouse market (institutional properties). Based on the *PwC Real Estate Investor Survey 4<sup>th</sup> Quarter 2022*, the rates for non-institutional grade properties are 205 basis points higher on average.

Local brokers and investors reported that a reasonable overall capitalization rate for the subject property would be in the 6.25% to 7.25% range, considering the location and physical characteristics of the property. Local brokers and investors have indicated that interest rate increases have affected some buyers but overall demand for leased industrial properties has held up amid relatively short supply since the beginning of 2022. While factors such as interest rates are currently influencing the market, local supply, demand and demographic shifts appear to be more significant.

Weighing all of the above factors together, and considering the location and physical characteristics of the subject property as well as current conditions in the local market, we have used an overall capitalization rate of 6.75% for the subject property. A Direct Capitalization Analysis Exhibit follows.

**INCOME APPROACH SUMMARY - DIRECT CAPITALIZATION ANALYSIS EXHIBIT**

Potential Gross Rental Revenue	4,858 SF	x	\$15.60 PSF Per Year	\$75,785
Expense Reimbursement Revenue				<u>\$8,754</u>
Total Potential Gross Income				\$84,539
Vacancy & Collection Loss Allowance	5.0%			<u>(\$4,227)</u>
Effective Gross Revenue				\$80,312
Less Expenses				
	Property Taxes		\$1.35 PSF	\$6,568
	Insurance		\$0.45 PSF	\$2,186
	Management @ 2.0%		\$0.33 PSF	\$1,606
	Repairs and Maintenance	Paid directly by tenant		\$0
	General/Administrative		\$0.10 PSF	\$486
	Reserves		\$0.10 PSF	\$486
Total Expenses			\$2.33 PSF	<u>(\$11,332)</u>
Net Operating Income			\$14.20 PSF	\$68,980
Divided by Capitalization Rate				<u>6.75%</u>
Equals				\$1,021,926
<b>Indicated Market Value "As Is" Via Direct Capitalization Method:</b>			<b>Rounded, PSF</b>	<b>\$1,020,000</b>
				<b>\$209.96</b>

Notes:

### **Income Capitalization Approach Conclusion**

Based on the previous analysis, we estimate the market value of the fee simple interest of the subject property "As Is" as of the date of inspection, or February 27, 2023, via the Income Capitalization Approach as follows:

**\$1,020,000**

## **RECONCILIATION AND FINAL VALUE ESTIMATE**

For this appraisal, we used the Sales Comparison and Income Capitalization Approaches to estimate the market value of the fee simple interest of the subject property. The Cost Approach is not an appropriate approach to value the subject property given its age and overall physical characteristics. Therefore, we have not completed the Cost Approach for this appraisal. We considered and evaluated the alternative value indications, weighing the relative significance, applicability and defensibility of each approach. Our value conclusion for each approach to value is as follows.

**“As Is”:**

Cost Approach: N/A

Sales Comparison Approach: \$1,120,000

Income Capitalization Approach: \$1,020,000

Based on our discussions with brokers and investors active in this market, owner users typically give primary consideration to the Sales Comparison Approach, with secondary reliance placed on the Income Capitalization Approach in making an investment decision for similar industrial properties. Therefore, we have given primary emphasis to the Sales Comparison Approach and secondary emphasis to the Income Capitalization Approach in our reconciliation.

Based on the investigation described in this report, the market value of the fee simple interest of the subject property “As Is” as of the date of inspection, or February 27, 2023, is as follows:

**ONE MILLION ONE HUNDRED THOUSAND DOLLARS  
\$1,100,000**

## CERTIFICATION

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

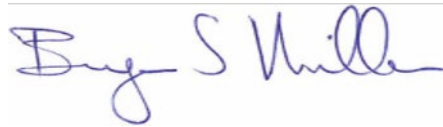
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and assumptions and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I 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.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- This Appraisal Assignment was not based on a requested minimal valuation, a specific valuation or the approval of a loan.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Uniform Standards of Professional Appraisal Practice*.
- Jolee G. Aylesworth made a personal inspection of the property that is the subject of this report. Thomas A. Stark, Bryan S. Miller, Justin M. Bishop and Christian Kitchen did not make a personal inspection of the property that is the subject of this report.
- Christian Kitchen provided significant real property appraisal assistance to the people signing this certification, including research, analysis and writing the report. Jolee G. Aylesworth provided significant real property assistance to the people signing this certification, including inspecting the property.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Thomas A. Stark and Bryan S. Miller have completed the continuing education program for Designated Members of the Appraisal Institute.
- As of the date of this report, Justin M. Bishop has completed the Standards and Ethics Education Requirements for Candidates of the Appraisal Institute.
- Thomas A. Stark, Bryan S. Miller, Jolee G. Aylesworth and Justin M. Bishop currently hold an appropriate state certification allowing the performance of real estate appraisals in connection with federally related transactions in the state in which the subject property is located.

Respectfully submitted,



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Thomas A. Stark, MAI, Partner  
State Certified General Real Estate Appraiser  
TX-1325319-G



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Bryan S. Miller, MAI, CCIM, Partner  
State Certified General Real Estate Appraiser  
TX-1328184-G



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Justin M. Bishop  
State Certified General Real Estate Appraiser  
TX-1380401-G

## **STATEMENT OF GENERAL ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal report has been made with the following general assumptions and limiting conditions.

### General

1. No investigation has been made of, and no responsibility is assumed for, the legal description of the property being valued or for legal matters, including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is further assumed to be free and clear of any or all liens, easements or encumbrances unless otherwise stated.
2. Information furnished by others, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.
3. It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
4. Full compliance with the applicable federal, state and local zoning, use, environmental and similar laws and regulations is assumed, unless otherwise stated.
5. No responsibility is taken for changes in market conditions, and no obligation is assumed to revise this report to reflect events or conditions which occur subsequent to the date hereof.
6. The value estimates herein are predicated on the financial structure prevailing as of the date of this report.
7. Responsible ownership and competent property management are assumed.
8. The allocation, if any, in this report of the total value between components of the property applies only to the program of utilization stated in this report. The separate values for any components may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.
9. Areas and dimensions of the property were obtained from sources believed to be reliable. Maps or sketches, if included in this report, are only to assist the reader in visualizing the property; and no responsibility is assumed for their accuracy. No independent surveys were conducted.
10. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
11. No soil analysis or geological studies were ordered or made in conjunction with this report, nor was an investigation made of any water, oil, gas, coal or other subsurface mineral and use rights or conditions.
12. Neither National Appraisal Partners LLP nor any individual signing or associated with this report shall be required by reason of this report to give further consultation, provide testimony

or appear in court or at other legal proceedings unless specified arrangements therefore have been made.

13. Neither this report nor any portions thereof (including without limitation any conclusions as to value, the identity of National Appraisal Partners LLP or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties, without the prior written consent and approval of National Appraisal Partners LLP.
14. The date of analysis on which the conclusion and opinion expressed in this report apply is set forth in the letter of transmittal. Our value opinion is based on the purchasing power of the United States' dollar as of this date.
15. We are not qualified to investigate or test for the presence of toxic materials or substances. Unless otherwise stated in this report, no hazardous material, which may or may not be present on or near the property, was observed. We have no knowledge of the existence of such materials on or in the property; however, we are not qualified to detect such substances. The presence of potentially hazardous substances, such as asbestos, urea-formaldehyde foam insulation, or industrial wastes, may affect the value of the property. The value conclusions herein are predicated on the assumption that there is no such material on, in, or near the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client should retain an expert in this field if further information is desired.
16. We have not attempted to measure the potential impact on value of recent enforcement of wetlands legislation. Certain areas of the subject site may be dry and developable, while others may contain reclaimable and/or non-reclaimable wetland areas. We are not qualified to make such judgments and recommend retaining an expert in this field, if desired. Our value conclusions are predicated on there being no wetlands impact.
17. We did not make any observations or interpretations on compliance with the Americans With Disabilities Act. We are not experts in this field and are not qualified to make such determinations. Our value estimate is predicated upon the property owner(s) bearing no costs for compliance.

Extraordinary Assumptions (the use of which might have affected the assignment results herein):

1. During our inspection we noticed pooled water on the floor in the warehouse area and could not determine where the water originated. We are not roofing, plumbing or engineering experts and we recommend the building be professionally inspected to determine the cause of the pooled water. We assume there are no significant roof leaks or plumbing issues for this appraisal.

Hypothetical Conditions (the use of which might have affected the assignment results herein):

1. There are no Hypothetical Conditions for this appraisal.

## **ADDENDA**



**IMPROVED SALE WRITE-UPS AND PHOTOGRAPHS**

# Comparable 1

## IDENTIFICATION

Property Name 14069 Horseshoe Bend Industrial Building  
Location W/S Horseshoe Bend, 290 feet north of FM 1488  
Address 14069 Horseshoe Bend  
City Conroe  
County Montgomery  
State Texas (TX)  
Source Seller's broker  
Name/Company/Phone Drew Tenney/Tenney & Company/281-300-5879

Sale  Contract  Offer  Listing NAP # 40444



## PHYSICAL DATA

Property Type Industrial  
Building Type Office/Warehouse  
Year Completed/Renovated 2013 / N/A  
Construction Type Metal  
Condition at Sale Average  
Land Area .908 Acres  
Land-to-Building Ratio 5.49 to 1  
Tenancy Single-tenant  
Number of Buildings 1  
Gross Building Area 7,200 SF  
Percent Office 4.16%  
HVAC 4.16%  
Clear Height (ft) 16'  
Loading 2 Overhead Doors  
Cranes None

## INCOME AND EXPENSE DATA

Occupancy at Sale		0.0%	
Stabilized Occupancy		0.0%	
	Source:	<u>Appraiser's Estimate</u>	<u>PSF</u>
Potential Gross Income <sup>(1)</sup>		\$0	\$0.00
Vacancy & Collection Loss	0.0%	<u>\$0</u>	<u>\$0.00</u>
Effective Gross Income		\$0	\$0.00
Operating Expenses <sup>(2)</sup>		<u>\$0</u>	<u>\$0.00</u>
Net Operating Income		\$0	\$0.00

<sup>(1)</sup> Income estimate includes base rent, escalations and misc. sources of revenue

<sup>(2)</sup> Reserves are not included in expense estimate

Tenants

## TRANSACTION DATA

Sale Date 8/31/2022  
Sale Price \$1,350,000  
Adjusted Sale Price \$1,350,000  
Grantor Tenney Interests LLC  
Grantee REBTX Properties LLC  
Financing Terms Cash to seller  
Recording Data 2022108538  
Marketing Time Less than 12 months  
Type of Buyer Owner-occupant  
Property Rights Fee Simple  
Conditions of Sale Arms Length

## UNITS OF COMPARISON

Sale Price PSF	\$187.50
EGIM	0.0
Overall Capitalization Rate	0.00%
Operating Expense Ratio/NIR	0.0% /

## REMARKS

The property was listed in January 2022.

## Comparable 2

### IDENTIFICATION

Sale  Contract  Offer  Listing NAP # 36534

Property Name 12412 & 12424 FM 2854 Industrial Property  
Location N/S FM 2854, 250 feet west of Felder Road  
Address 12412 & 12424 FM 2854  
City Conroe  
County Montgomery  
State Texas (TX)  
Source Seller's broker  
Name/Company/Phone Bill Smith/RE/MAX/281-723-3336



### PHYSICAL DATA

Property Type Industrial  
Building Type Office/Warehouse  
Year Completed/Renovated 2000 / N/A  
Construction Type Hardiplank, Stone and Metal  
Condition at Sale Good  
Land Area 1.92 Acres  
Land-to-Building Ratio 18.32 to 1  
Tenancy Single-tenant  
Number of Buildings 2  
Gross Building Area 4,566 SF  
Percent Office 47.4%  
HVAC 47.4%  
Clear Height (ft) 11'  
Loading Grade Level  
Cranes None

### INCOME AND EXPENSE DATA

Occupancy at Sale	0.0%		
Stabilized Occupancy	100.0%		
Source:		<u>Past Year's Actual</u>	<u>PSF</u>
Potential Gross Income <sup>(1)</sup>		\$0	\$0.00
Vacancy & Collection Loss	0.0%	<u>\$0</u>	<u>\$0.00</u>
Effective Gross Income		\$0	\$0.00
Operating Expenses <sup>(2)</sup>		<u>\$0</u>	<u>\$0.00</u>
Net Operating Income		\$0	\$0.00

<sup>(1)</sup> Income estimate includes base rent, escalations and misc. sources of revenue

<sup>(2)</sup> Reserves are not included in expense estimate

Tenants N/A

### TRANSACTION DATA

Sale Date 6/23/2022  
Sale Price \$1,150,000  
Adjusted Sale Price \$1,150,000  
Grantor Belle Property Investments LLC  
Grantee Eickenhorst Funeral Services LLC  
Financing Terms Cash to seller  
Recording Data 2022079221  
Marketing Time Less than 9 months  
Type of Buyer Owner-occupant  
Property Rights Fee Simple  
Conditions of Sale Arms Length

### UNITS OF COMPARISON

Sale Price PSF	\$251.86
EGIM	0.0
Overall Capitalization Rate	0.00%
Operating Expense Ratio/NIR	0.0% /

### REMARKS

The property was previously used as a church and will be used as a funeral home by the buyer. The property includes a warehouse and a single-family residence.

# Comparable 3

## IDENTIFICATION

Sale  Contract  Offer  Listing NAP # 39148

Property Name	West Woodland Business Park Building 5
Location	S/S West Lane, 1220 feet west of fm 2978
Address	8765 West Lane
City	Magnolia
County	Montgomery
State	Texas (TX)
Source	Confidential source
Name/Company/Phone	Confidential



## PHYSICAL DATA

Property Type	Industrial
Building Type	Office/Warehouse
Year Completed/Renovated	2022 / N/A
Construction Type	Metal with stucco facade
Condition at Sale	New
Land Area	.37 Acres
Land-to-Building Ratio	2.69 to 1
Tenancy	Single-tenant
Number of Buildings	1
Gross Building Area	6,000 SF
Percent Office	70%
HVAC	100%
Clear Height (ft)	16'
Loading	2 Grade Level Over Head Doors
Cranes	None

## INCOME AND EXPENSE DATA

Occupancy at Sale	0.0%	
Stabilized Occupancy	0.0%	
Source:	<u>Appraiser's Estimate</u>	<u>PSF</u>
Potential Gross Income <sup>(1)</sup>	\$0	\$0.00
Vacancy & Collection Loss	0.0%	<u>\$0</u>
Effective Gross Income	\$0	\$0.00
Operating Expenses <sup>(2)</sup>	<u>\$0</u>	<u>\$0.00</u>
Net Operating Income	\$0	\$0.00
<sup>(1)</sup> Income estimate includes base rent, escalations and misc. sources of revenue		
<sup>(2)</sup> Reserves are included in expense estimate		
Tenants	None	

## TRANSACTION DATA

Sale Date	3/1/2022
Sale Price	\$1,330,000
Adjusted Sale Price	\$1,330,000
Grantor	West Woodland Business Park LLC
Grantee	JLB Real Estate Holdings LLC
Financing Terms	Cash to seller
Recording Data	2022027638
Marketing Time	Less than 12 months
Type of Buyer	Private investor
Property Rights	Fee Simple
Conditions of Sale	Arms Length

## UNITS OF COMPARISON

Sale Price PSF	\$221.67
EGIM	0.0
Overall Capitalization Rate	0.00%
Operating Expense Ratio/NIR	0.0% /

## REMARKS

According to the broker, this building includes 40% office, 30% showroom and 30% warehouse.

# Comparable 4

## IDENTIFICATION

Sale  Contract  Offer  Listing NAP # 40852

Property Name Commercial Property

Location NW/C West Semands Street and Odd Fellows Street

Address 602 West Semands Street

City Conroe

County Montgomery

State Texas (TX)

Source Confidential source

Name/Company/Phone N/A



## PHYSICAL DATA

Property Type Industrial

Building Type Single-Tenant

Year Completed/Renovated 1984 / 2008

Construction Type Metal

Condition at Sale Average

Land Area .455 Acres

Land-to-Building Ratio 3.39 to 1

Tenancy Single-tenant

Number of Buildings 1

Gross Building Area 5,843 SF

Percent Office 74%

HVAC 74%

Clear Height (ft) 14'

Loading Grade Level

Cranes None

## INCOME AND EXPENSE DATA

Occupancy at Sale		0.0%	
Stabilized Occupancy		0.0%	
	Source:	<u>Appraiser's Estimate</u>	<u>PSF</u>
Potential Gross Income <sup>(1)</sup>		\$0	\$0.00
Vacancy & Collection Loss	0.0%	<u>\$0</u>	<u>\$0.00</u>
Effective Gross Income		\$0	\$0.00
Operating Expenses <sup>(2)</sup>		<u>\$0</u>	<u>\$0.00</u>
Net Operating Income		\$0	\$0.00

<sup>(1)</sup> Income estimate includes base rent, escalations and misc. sources of revenue

<sup>(2)</sup> Reserves are included in expense estimate

Tenants N/A

## TRANSACTION DATA

Sale Date 3/1/2022

Sale Price \$850,000

Adjusted Sale Price \$850,000

Grantor TND Property Management

Grantee Milstead Warehouse Holdings LLC

Financing Terms Conventional financing/market terms

Recording Data 2022025756

Marketing Time Less than 3 months

Type of Buyer Private investor

Property Rights Fee Simple

Conditions of Sale Arms Length

## UNITS OF COMPARISON

Sale Price PSF	\$145.47
EGIM	0.0
Overall Capitalization Rate	0.00%
Operating Expense Ratio/NIR	0.0% /

## REMARKS

The property includes 1,500 square feet of unfinished warehouse/storage space (included in gross building area). The most recent tenant at the property was an office tenant who used this space as storage. The buyer plans to lease the property to a future tenant. The property was vacant at the time of the sale.

# Comparable 5

## IDENTIFICATION

Sale  Contract  Offer  Listing NAP # 34144

Property Name 38927 FM 1774 Industrial Property - Unit 9  
 Location Terminus of Willow City Road, 412 feet southeast of David Lane  
 Address 38927 FM 1774  
 City Magnolia  
 County Montgomery  
 State Texas (TX)  
 Source Listing Broker  
 Name/Company/Phone Mike Townsend/MTownsend Interests/832-722-4755



## PHYSICAL DATA

Property Type Industrial  
 Building Type Office/Warehouse  
 Year Completed/Renovated 2002 / N/A  
 Construction Type Metal  
 Condition at Sale Good  
 Land Area 1.023 Acres  
 Land-to-Building Ratio 18.57 to 1  
 Tenancy Single-tenant  
 Number of Buildings 1  
 Gross Building Area 2,400 SF  
 Percent Office 60%  
 HVAC 60%  
 Clear Height (ft) 17'  
 Loading Grade Level  
 Cranes None

## INCOME AND EXPENSE DATA

Occupancy at Sale		0.0%	
Stabilized Occupancy		0.0%	
	Source:	<u>Appraiser's Estimate</u>	<u>PSF</u>
Potential Gross Income <sup>(1)</sup>		\$0	\$0.00
Vacancy & Collection Loss	0.0%	<u>\$0</u>	<u>\$0.00</u>
Effective Gross Income		\$0	\$0.00
Operating Expenses <sup>(2)</sup>		<u>\$0</u>	<u>\$0.00</u>
Net Operating Income		\$0	\$0.00

<sup>(1)</sup> Income estimate includes base rent, escalations and misc. sources of revenue

<sup>(2)</sup> Reserves

Tenants N/A

## TRANSACTION DATA

Sale Date 8/30/2021  
 Sale Price \$380,000  
 Adjusted Sale Price \$380,000  
 Grantor TF Earth Holdings LLC  
 Grantee Volt Era Inc  
 Financing Terms Cash to seller  
 Recording Data 2021119464  
 Marketing Time Less than 12 months  
 Type of Buyer Owner-occupant  
 Property Rights Fee Simple  
 Conditions of Sale Arms Length

## UNITS OF COMPARISON

Sale Price PSF	\$158.33
EGIM	0.0
Overall Capitalization Rate	0.00%
Operating Expense Ratio/NIR	0.0% /

## REMARKS

The property had approximately 1 acre of stabilized yard. It has no direct access to FM 1774.

# Comparable 6

## IDENTIFICATION

Sale  Contract  Offer  Listing NAP # 5251

Property Name 15225 Walden Road Boat Dealership

Location S/S Private Roadway, 95 feet west of West Palm Boulevard

Address 15225 Walden Road

City Montgomery

County Montgomery

State Texas (TX)

Source Confidential source

Name/Company/Phone Confidential source



## PHYSICAL DATA

Property Type Industrial

Building Type Office/Warehouse

Year Completed/Renovated 2000 / 2016

Construction Type Metal

Condition at Sale Good

Land Area 2.468 Acres

Land-to-Building Ratio 9.98 to 1

Tenancy Single-tenant

Number of Buildings 1

Gross Building Area 10,775 SF

Percent Office 62.5%

HVAC 62.5%

Clear Height (ft) 17'

Loading Grade Level

Cranes None

## INCOME AND EXPENSE DATA

Occupancy at Sale		0.0%	
Stabilized Occupancy		0.0%	
	Source:	<u>Past Year's Actual</u>	<u>PSF</u>
Potential Gross Income <sup>(1)</sup>		\$0	\$0.00
Vacancy & Collection Loss	0.0%	<u>\$0</u>	<u>\$0.00</u>
Effective Gross Income		\$0	\$0.00
Operating Expenses <sup>(2)</sup>		<u>\$0</u>	<u>\$0.00</u>
Net Operating Income		\$0	\$0.00

<sup>(1)</sup> Income estimate includes base rent, escalations and misc. sources of revenue

<sup>(2)</sup> Reserves are included in expense estimate

Tenants N/A

## TRANSACTION DATA

Sale Date 9/18/2020

Sale Price \$2,105,000

Adjusted Sale Price \$2,105,000

Grantor Philip D. & Bonita L. Sohn

Grantee Rinker Holding LLC

Financing Terms Cash to seller

Recording Data 2020104175

Marketing Time N/A

Type of Buyer Owner-occupant

Property Rights Fee Simple

Conditions of Sale Arms Length

## UNITS OF COMPARISON

Sale Price PSF	\$195.36
EGIM	0.0
Overall Capitalization Rate	0.00%
Operating Expense Ratio/NIR	0.0% /

## REMARKS

This property was not openly marketed for sale. The buyer approached the seller directly. The property has water frontage along Lake Conroe.

**RENT COMPARABLE WRITE-UPS AND PHOTOGRAPHS**



# Comparable 1

## IDENTIFICATION

Property Name 410 Beach Walk Boulevard Industrial Property  
Location E/S Beach Walk Boulevard, 460 feet north of State Highway 105  
Address 410 Beach Walk Boulevard  
City Conroe  
County/State Montgomery/Texas (TX)  
Name/Company/Phone Wayne Stroman/Stroman Realty/936-588-2444



## PHYSICAL DATA

Property Type Industrial  
Building Type Office/Warehouse  
Year Completed/Renovated 1994 / N/A  
Construction Type Metal  
Land Area 0.28 Acres  
Land-to-Building Ratio 4.07 to 1  
Gross Building Area 3,000 SF  
Number of Buildings 1  
Tenancy Single-tenant  
Percent Office 10%  
HVAC 10%  
Clear Height 14'  
Loading Grade Level  
Cranes None

## OCCUPANCY DATA

Available Space (SF) 0  
Largest Contiguous Available Area (SF) 0  
Date of Survey Occupancy 100.0%

## LEASE DATA

Space Type Office/Warehouse  
Tenant Name Power Sports of Texas  
New/Renewal/Expansion New  
Start Date 10/01/2021  
NRA (SF) 3,000  
Percent Office 10%  
Clear Height 10'  
Rental Rate (PSF) \$1.25  
Rent Steps None  
Reimbursement Method NNN  
Lease Term 3 Years  
TI Allowance N/A

## REMARKS

The property is located at the entrance to Lakeview Marina on Lake Conroe. There is 5,000 square feet of concrete paving around the building and the property is completely fenced.

## QUOTED RATES

Quoted Rent (PSF)  
Office/Warehouse \$1.25 NNN

Rent Steps None  
Typical Lease Term 3 Years

## EXPENSES/TENANT IMPROVEMENT ALLOWANCE

Operating Expenses PSF \$0.16  
TI's - 1st Generation/Shell (PSF) N/A  
TI's - New (PSF) N/A  
TI's - Renewal (PSF) N/A  
Tenants Power Sport of Texas

## Comparable 2

### IDENTIFICATION

Property Name	Eva Street Office Building
Location	SE/C Eva Street and Houston Street
Address	21325 Eva Street
City	Montgomery
County/State	Montgomery/Texas (TX)
Name/Company/Phone	Barkley Dominey/Promed Realty/936-441-4102



### PHYSICAL DATA

Property Type	Industrial
Building Type	Single-Tenant
Year Completed/Renovated	2000 / N/A
Construction Type	Hardiboard
Land Area	.53 Acres
Land-to-Building Ratio	9.80 to 1
Gross Building Area	2,356 SF
Number of Buildings	1
Tenancy	Single-tenant
Percent Office	100%
HVAC	100%
Clear Height	12'
Loading	None
Cranes	None

### OCCUPANCY DATA

Available Space (SF)	0
Largest Contiguous Available Area (SF)	0
Date of Survey Occupancy	100.0%

### LEASE DATA

Space Type	Typical Office
Tenant Name	Confidential
New/Renewal/Expansion	New
Start Date	07/01/2021
NRA (SF)	2,356
Percent Office	100
Clear Height	12'
Rental Rate (PSF)	\$20.00
Rent Steps	N/A
Reimbursement Method	NNN
Lease Term	5 Years
TI Allowance	N/A

### REMARKS

The broker did not reveal who the tenant was, but indicated it was a local tenant. The property is an office building and has no warehouse.

### QUOTED RATES

Quoted Rent (PSF)	
Typical Office	\$20.00 NNN

Rent Steps	N/A
Typical Lease Term	5 Years

### EXPENSES/TENANT IMPROVEMENT ALLOWANCE

Operating Expenses PSF	\$7.00
TI's - 1st Generation/Shell (PSF)	N/A
TI's - New (PSF)	N/A
TI's - Renewal (PSF)	N/A
Tenants	Confidential

# Comparable 3

## IDENTIFICATION

Property Name	Tamina Road Condominium Unit - Suite D
Location	S/S Tamina Road, 1,160 feet northwest of Ponderosa Drive
Address	32319 Tamina Road
City	Magnolia
County/State	Montgomery/Texas (TX)
Name/Company/Phone	Aradio Zambrano/Woodlands Realty Professionals/(281) 898-1591



## PHYSICAL DATA

Property Type	Industrial
Building Type	Office/Warehouse
Year Completed/Renovated	2015 / N/A
Construction Type	Metal
Land Area	.2295 Acres
Land-to-Building Ratio	2.63 to 1
Gross Building Area	3,795 SF
Number of Buildings	1
Tenancy	Single-tenant
Percent Office	38.6%
HVAC	100%
Clear Height	20'
Loading	Grade Level
Cranes	None

## QUOTED RATES

Quoted Rent (PSF)	
Office/Warehouse Space	\$1.25 NNN

Rent Steps	3% annually
Typical Lease Term	1-3 years

## EXPENSES/TENANT IMPROVEMENT ALLOWANCE

Operating Expenses PSF	\$0.32
TI's - 1st Generation/Shell (PSF)	N/A
TI's - New (PSF)	N/A
TI's - Renewal (PSF)	N/A
Tenants	

## OCCUPANCY DATA

Available Space (SF)	0
Largest Contiguous Available Area (SF)	0
Date of Survey Occupancy	100.0%

## LEASE DATA

Space Type	Flex
Tenant Name	Blen International
New/Renewal/Expansion	New
Start Date	04/01/2021
NRA (SF)	3,795
Percent Office	38.6%
Clear Height	20'
Rental Rate (PSF)	\$1.03
Rent Steps	3% annually
Reimbursement Method	NNN
Lease Term	2.5 Years
TI Allowance	None

## REMARKS

The condominium complex consists of four suites.

# Comparable 4

## IDENTIFICATION

Property Name	Old Highway 105 Industrial Property
Location	N/S Old Highway 105, 330 feet northwest of Highway 105
Address	11443 Old Highway 105
City	Conroe
County/State	Montgomery/Texas (TX)
Name/Company/Phone	Kyle Fischer/Alpine Partners/281-627-0834



## PHYSICAL DATA

Property Type	Industrial
Building Type	Office/Warehouse
Year Completed/Renovated	1991 / N/A
Construction Type	Metal
Land Area	4.25 Acres
Land-to-Building Ratio	14.52 to 1
Gross Building Area	12,752 SF
Number of Buildings	2
Tenancy	Single-tenant
Percent Office	12%
HVAC	12%
Clear Height	14'
Loading	Grade Level
Cranes	None

## QUOTED RATES

Quoted Rent (PSF)	
Industrial	\$1.33 NNN
Rent Steps	N/A
Typical Lease Term	5-10 Years

## OCCUPANCY DATA

Available Space (SF)	12,752
Largest Contiguous Available Area (SF)	12,752
Date of Survey Occupancy	0.0%

## EXPENSES/TENANT IMPROVEMENT ALLOWANCE

Operating Expenses PSF	\$0.25
TI's - 1st Generation/Shell (PSF)	N/A
TI's - New (PSF)	N/A
TI's - Renewal (PSF)	N/A
Tenants	N/A

## LEASE DATA

Space Type	N/A
Tenant Name	
New/Renewal/Expansion	
Start Date	
NRA (SF)	
Percent Office	
Clear Height	
Rental Rate (PSF)	
Rent Steps	
Reimbursement Method	
Lease Term	
TI Allowance	

## REMARKS

Approximately 80% of the property is stabilized.

## **INDUSTRIAL EXPENSE COMPARABLES SUMMARY**

### Industrial Expense Comparables Summary

No.	Months Annual.	Year	YOC	Size	Occup.	Taxes (PSF)	Ins. (PSF)	Mngt. (PSF)	CAM (PSF)	G&A (PSF)	Misc. (PSF)	Reserves (PSF)	TOTAL (PSF)
IE126	12	2020	1978	15,060	100%	\$1.35	\$0.40	\$0.01	\$0.96	\$0.00	\$0.02		\$2.74
IE142	12	2020	1983	18,408	100%	\$1.39	\$0.47		\$0.79				\$2.65
IE150	12	2019	2007	3,450	100%	\$2.12	\$1.35		\$0.62		\$0.23		\$4.32
IE323	12	2020	1990	12,098	100%	\$0.69	\$0.24	\$0.10	\$1.88	\$0.25	\$1.01		\$4.16
IE334	12	2020	1960	18,881	100%	\$0.88	\$0.33						\$1.21
IE335	12	2020	1960	18,881	100%	\$0.87	\$0.33						\$1.20
IE336	12	2021	2003	19,283	100%	\$2.80	\$0.45	\$0.24	\$0.45	\$0.10			\$4.05

Per Square Foot	Taxes (PSF)	Ins. (PSF)	Mngt. (PSF)	CAM (PSF)	G&A (PSF)	Misc. (PSF)	Reserves (PSF)	TOTAL (PSF)
Minimum	\$0.69	\$0.24	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	<b>\$1.20</b>
Average	\$1.44	\$0.51	\$0.05	\$0.67	\$0.05	\$0.18	\$0.00	<b>\$2.90</b>
Maximum	\$2.80	\$1.35	\$0.24	\$1.88	\$0.25	\$1.01	\$0.00	<b>\$4.32</b>

## QUALIFICATIONS

**Thomas A. Stark, MAI**  
**Partner**



Mr. Stark is a Partner in National Appraisal Partners, LLP. He focuses primarily on commercial real estate appraisals. Key clients include financial institutions, accounting firms, attorneys, corporations, developers, government entities and private investors.

**Experience**

Mr. Stark has been actively engaged in the real estate appraisal industry since 1988. In 1994, Mr. Stark joined the Houston Real Estate Valuation and Consulting Group of Arthur Andersen. After being promoted to Senior Manager, he transferred to Dallas to lead the Real Estate Valuation and Consulting Group for the Firm's Southwest Market Circle. In 2002, Mr. Stark co-founded National Appraisal Partners, LLP, a real estate appraisal and consulting firm. His experience includes appraisal, appraisal review, due diligence, and consulting engagements for various property types including office buildings, retail properties, industrial facilities, apartment complexes, gasoline stations/convenience stores, hotels, day care centers, car washes and many special-use properties. Mr. Stark began his real estate career in Palm Beach County, Florida.

**Affiliations/Advisory Boards**

Mr. Stark holds the MAI designation from the Appraisal Institute. He is the Past President of the Houston Chapter of the Appraisal Institute and has served on the Houston Chapter Board of Directors. He has served as a Regional Representative for the Houston Chapter, and has served on numerous national committees and boards including Public Relations, Communications, Public Affairs, Long-Range Planning, AI Holdings, the National Nominating Committee, the Appraisal Institute Relief Foundation and the Appraisal Institute Education Trust, among others. He served two years on the National Board of Directors for the Appraisal Institute as the Chair and Vice Chair of Region VIII, which includes Texas and New Mexico.

Mr. Stark is the past editor of the Regional Real Estate News, a publication of the Appraisal Institute. He has served on the Real Estate Valuation Services Advisory Board for one of the five largest banks in America. Mr. Stark is a State of Texas Certified General Real Estate Appraiser.

**Education**

Mr. Stark holds a Bachelor of Science Degree in Real Estate from Florida State University.



**Bryan S. Miller, MAI, CCIM**  
**Partner**



Mr. Miller is a partner in National Appraisal Partners, LLP. He focuses on commercial real estate valuation and consulting projects. His clients include financial institutions, law firms, accounting firms, pension funds, asset managers, corporations, individuals and developers.

**Experience**

Mr. Miller has been active in the valuation of commercial real estate since 1995. Mr. Miller joined Arthur Andersen's Houston Real Estate Valuation and Consulting Group in 1997 and was promoted to manager in 1999. Mr. Miller co-founded National Appraisal Partners, LLP, an appraisal and consulting firm in 2002. His experience includes valuation and consulting for: retail, office, apartments, industrial buildings, subdivisions, auto dealerships, healthcare facilities, hotels/motels, tax credit properties, vacant land, ranches, mixed use developments, conservation easements and special purpose properties. In addition to valuation services, Bryan has performed a wide range of consulting services from feasibility analyses to portfolio disposition. His engagements have been a result of annual reporting, lending, estates and purchase price allocation.

**Affiliations/Advisory Boards**

Mr. Miller holds the MAI designation from the Appraisal Institute. Mr. Miller was a board member and regional representative of the Houston Chapter of the Appraisal Institute for several years. He was the 2008 Treasurer/Secretary and the 2009 Vice President of the Houston Chapter. He served as the 2010 President of the Houston Chapter. He also served as a committee member on the National University Relations Subcommittee for the Appraisal Institute. Mr. Miller is a CCIM. He was a committee member in 2012 and 2013 for the CCIM Houston Real Estate Forecast Competition. He was the 2013 CCIM Houston Chapter Vice President. He was the Partner's Committee Chair in 2013, 2014 and 2015. Mr. Miller is a State of Texas Certified General Real Estate Appraiser.

**Education**

Mr. Miller holds a master's degree and a bachelor's degree from the University of Texas.

**Justin M. Bishop**  
**Manager**



Mr. Bishop is a manager at National Appraisal Partners, LLP. He focuses on commercial real estate valuation and consulting projects. His clients include financial institutions, law firms, accounting firms, pension funds, asset managers, corporations, individuals and developers.

**Experience**

Mr. Bishop has been active in the valuation of commercial real estate since 2011. Mr. Bishop joined National Appraisal Partners, LLP in 2011 and was promoted to manager in 2014. His experience includes valuation and consulting for: retail, office, apartments, industrial buildings, subdivisions, auto dealerships, healthcare facilities, hotels/motels, tax credit properties, vacant land, ranches, mixed use developments, conservation easements and special purpose properties. In addition to valuation services, Justin has performed a wide range of consulting services from feasibility analyses to portfolio disposition. His engagements have been a result of annual reporting, lending, estates and purchase price allocation.

**Affiliations/Advisory Boards**

Mr. Bishop is a State Certified General Real Estate Appraiser in Texas.

**Education**

Mr. Bishop holds a Bachelor of Business Administration Degree in Real Estate Finance and Development from the University of Texas at San Antonio.

**Jolee Aylesworth**  
**Manager**



Ms. Aylesworth is a Manager at National Appraisal Partners, LLP.

**Experience**

Ms. Aylesworth has been actively engaged in the real estate appraisal industry since 1988, when she was an eminent domain appraiser for the Texas Department of Transportation. From 1990 to 1994, Ms. Aylesworth was an Assistant Vice President in the appraisal department for First Heights Bank. Ms. Aylesworth returned to the Texas Department of Transportation from 1994 to 1996. In 1996, she joined the Houston Real Estate Valuation and Consulting Group of Arthur Andersen LLP. From 2002 from 2006, Ms. Aylesworth was a Senior Appraiser with Avail Consulting. She was with the Deloitte Valuation Group as a Senior Appraiser from 2006 to 2014. She joined National Appraisal Partners in 2015. Her experience includes appraisal and consulting engagements on a number of property types, including office buildings, retail properties, industrial facilities, gasoline stations/convenience stores, and special-use properties across the United States.

**Affiliations/Advisory Boards**

Ms. Aylesworth is a State Certified General Real Estate Appraiser in Texas. She is also an active member of Commercial Real Estate Women (CREW), Houston Association of Government Guaranteed Lenders (HAGGL) and Risk Management Association (RMA)

**Education**

Ms. Aylesworth holds a Bachelor of Science Degree in Agricultural Economics and a Master of Business Administration Degree from Texas A&M University.

## STATE CERTIFICATIONS



# Certified General Real Estate Appraiser

Appraiser: **Thomas Andrew Stark**

License #: **TX 1325319 G**

License Expires: **01/31/2024**

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

For additional information or to file a complaint please contact TALCB at [www.talcb.texas.gov](http://www.talcb.texas.gov).

**Chelsea Buchholtz**  
Commissioner



# Certified General Real Estate Appraiser

Appraiser: **Bryan Scott Miller**

License #: **TX 1328184 G**

License Expires: **10/31/2024**

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

For additional information or to file a complaint please contact TALCB at [www.talcb.texas.gov](http://www.talcb.texas.gov).

A handwritten signature in blue ink, appearing to read 'Chelsea Buchholtz', is located in the bottom right area of the document.

**Chelsea Buchholtz**  
Commissioner



# Certified General Real Estate Appraiser

Appraiser: **Justin Matthew Bishop**

License #: **TX 1380401 G**

License Expires: **12/31/2024**

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

For additional information or to file a complaint please contact TALCB at [www.talcb.texas.gov](http://www.talcb.texas.gov).

**Chelsea Buchholtz**  
Commissioner



# Certified General Real Estate Appraiser

Appraiser: **Jolee Gay Aylesworth**

License #: **TX 1324211 G**

License Expires: **12/31/2024**

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

For additional information or to file a complaint please contact TALCB at [www.talcb.texas.gov](http://www.talcb.texas.gov).

**Chelsea Buchholtz**  
Commissioner