

AN APPRAISAL REPORT

of

TWO COMMERCIAL LOTS

located

**117 AND 123 ELM STREET
SANGER, DENTON COUNTY, TEXAS**

as of

DECEMBER 5, 2022

prepared for

**THE CITY OF SANGER
502 ELM STREET
SANGER, TX 76266**

prepared by

**MERIT ADVISORS
801 E. CALIFORNIA STREET, P.O. BOX 330
GAINESVILLE, TX 76240**



801 E. California Street, P.O. Box 330, Gainesville, TX 76241-0330
Telephone (940) 665-6452/Fax (940) 612-3921

December 6, 2022

John Noblitt
City of Sanger
502 Elm Street
Sanger, TX 76266

RE: **Appraisal File No: Sng-Elm-117_123-1222**
Two Commercial Lots
Located on the N/S of Elm Street and the E/S or 2nd Street and addressed as
117 and 123 Elm Street
Sanger, Denton County, Texas

Dear Mr. Noblitt:

In accordance with your request, Merit Advisors has prepared an Appraisal Report on the above referenced property for the purpose of estimating the "**As Is**" Market Value of the Fee Simple Estate. The property's legal description and scope of this assignment is presented in the section of the report titled Nature of Assignment. The definition of Market Value is also included in this section of the report.

An inspection of the appraised property was conducted on December 5, 2022. The analysis of the appraised property includes consideration of relevant facts about the property, the influences of the regional and community environment upon the subject property and the prevalent economic conditions and trends present in the market. The assessment of this information and the opinions concluded are set forth in the accompanying appraisal report. The report also includes maps, plats, photographs and other exhibits as visual aids. This report is subject to the Assumptions and Limiting Conditions which further identify the scope and use of this report.

The appraisal has been made in compliance with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute. To the best of my knowledge, this appraisal conforms to the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Foundation, as well as Appraisal Instructions to Appraiser from the client.

The subject property in this report is not considered to have any significant natural, cultural, recreational or scientific value.

The subject property consists of two commercial lots with both being 20,000 SF.

Based on the foregoing investigation and analyses, it is my opinion that the subject property will have an estimated marketing time of six to twelve months under the current market conditions. My estimate of the "As Is" Market Value of the Fee Simple Estate of the subject property, as of December 5, 2022, is:

117 Elm Street - \$70,000

123 Elm Street - \$78,000

I appreciate the opportunity to provide this appraisal for you. Should you have any questions regarding this appraisal, please do not hesitate to contact my office.

Respectfully submitted,

Merit Advisors

A handwritten signature in black ink that reads "Ben Hawkins". The signature is written in a cursive, flowing style.

Benjamin T. Hawkins
State Certified #TX-1380683-G

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SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Date of Report: December 6, 2022

Effective Date of Appraisal: December 5, 2022

Subject Property: Two Commercial lots

Location: N/S of Elm Street and the E/S of 2nd Street Addressed as:
117 and 123 Elm Street
Sanger, Denton County, Texas

Zoning: I-1 "Light Industrial"

Site Size: 20,000 SF per lot

Improvements: None

Current Use: Vacant

Highest and Best Use:

As If Vacant: Industrial development

Purpose of Appraisal: To estimate the "**As Is**" Market Value of the Fee Simple Estate of the subject property, as of the date of appraisal, subject to the assumptions and limiting conditions as set forth within this report.

Intended Use of Appraisal: The intended use of this appraisal is to serve as a basis for possible purchase

Intended User of Appraisal: City of Sanger

SUMMARY OF SALIENT FACTS AND CONCLUSIONS (Continued)

Indicated Values:

"As Is"

Cost Approach

Not in Scope

Income Approach

Not in Scope

Direct Sales Comparison:

117 Elm Street - \$70,000

123 Elm Street - \$78,000

Final Estimates of Value:

Total Market Value:

117 Elm Street - \$70,000

123 Elm Street - \$78,000

Marketing Period:

6 - 12 months

Appraiser:

Ben Hawkins

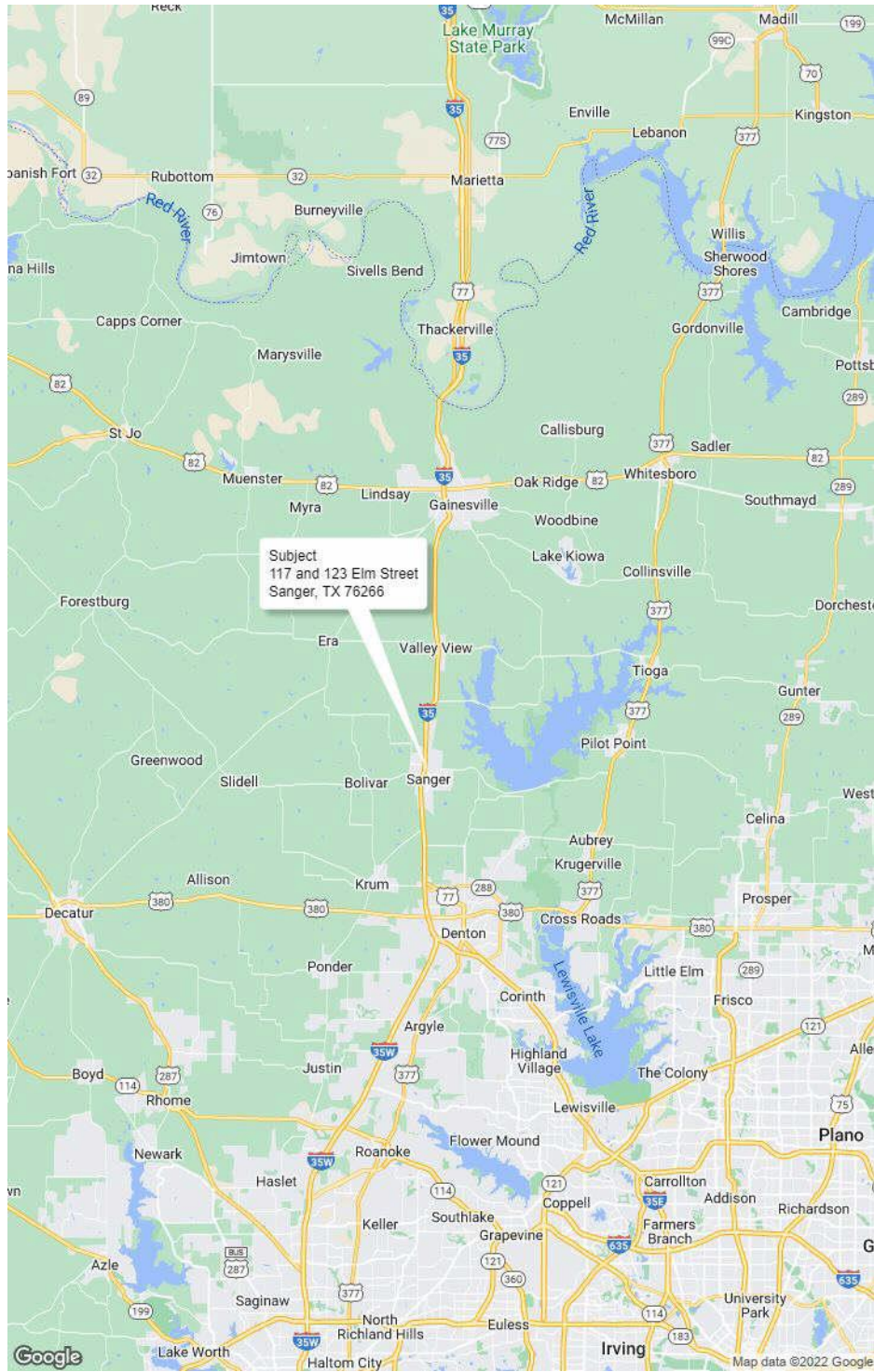
Merit Advisors

801 W. California Street, P.O. Box 330

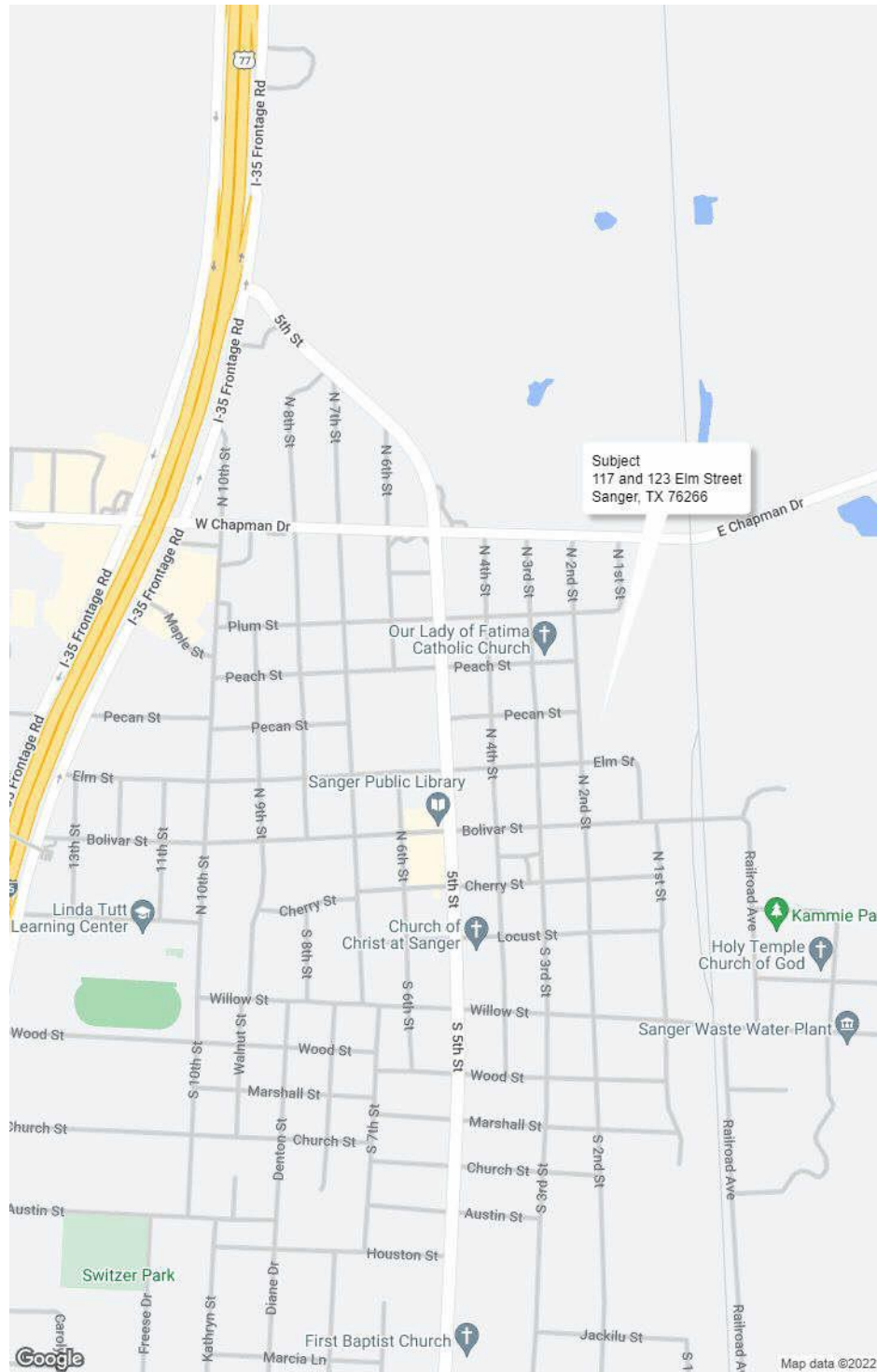
Gainesville, TX 76241-0330

SUBJECT PROPERTY LOCATION MAPS AND PHOTOGRAPHS

REGIONAL LOCATION MAP



NEIGHBORHOOD LOCATION MAP



SUBJECT PHOTOGRAPHS
Photographs December 5, 2022



Looking NE from SW corner



Looking NW from SE corner

SUBJECT PHOTOGRAPHS



Looking SW from NE corner



Looking SE from NW corner

SUBJECT PHOTOGRAPHS



Street scene looking south on 2nd Street



Looking west on Elm Street extension

LIMITING CONDITIONS AND GENERAL PROPERTY INFORMATION

LIMITING CONDITIONS AND ASSUMPTIONS

1. **LIMIT OF LIABILITY** - The liability of Merit Advisors and employees is limited to the fee collected for preparation of the appraisal. There is no accountability or liability to any third party.
2. **COPIES, PUBLICATION, DISTRIBUTION, USE OF REPORT** - Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use; the physical report(s) remain the property of the appraiser for the use of the client, the fee being for the analytical services only. The report may not be used for any purpose by any person or corporation other than the clients or the party to whom it is addressed or copied without the written consent of Merit Advisors and then only in its entirety.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations efforts, news, sales or other media, without the written consent and approval of Merit Advisors nor may any reference be made in such a public communication.

3. **CONFIDENTIALITY** - The appraiser may not divulge the material (evaluation) contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or his designee as specified in writing or by a court of law or body with the power of subpoena.

This appraisal is to be used only in its entirety and no part is to be used without the whole report. All conclusions and opinions concerning the analysis which are set forth in the report were prepared by the Appraiser(s) whose signature(s) appear on the appraisal report, unless indicated as "Review Appraiser". No change of any item in the report shall be made by anyone other than the Appraiser, and the Appraiser and firm shall have no responsibility if any such unauthorized change is made.

4. **TRADE SECRETS** - This appraisal was obtained from Merit Advisors and consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempted from disclosure under 5 U.S.C. 552 (b)(4). Notify the appraiser(s) signing the report of any request to reproduce this appraisal in whole or in part.
5. **INFORMATION USED** - No responsibility is assumed for accuracy of information furnished by or from others, the client, his designee, or public records. I am not liable for such information or the work of possible subcontractors. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit; all are considered appropriate for inclusion to the best of my factual judgment and knowledge.
6. **TESTIMONY, CONSULTATION, COMPLETION OF CONTRACT FOR APPRAISAL SERVICES** - The contract for appraisal, consultation or analytical service is fulfilled and the total fee payable upon completion of the report. The appraiser(s) or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, nor engage in post appraisal consultation with client or third parties except under separate and special arrangement and at an additional fee.
7. **EXHIBITS** - The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photos, if any, are included for the same purpose and are not intended to represent the property in other than actual status, as of the date of the photos.
8. **LEGAL, ENGINEERING, FINANCIAL, STRUCTURAL, OR MECHANICAL NATURE, HIDDEN COMPONENTS, SOIL** - No responsibility is assumed for matters legal in character or

nature, nor matters of survey, nor of any architectural, structural, mechanical, or engineering nature. No opinion is rendered as to the title, which is presumed to be good and merchantable. The property is appraised as if free and clear, unless otherwise stated in particular parts of the report. The legal description is assumed to be correct as used in this report as furnished by the client, his designee, or as derived by the appraiser(s).

The appraiser(s) has inspected, by observation, the land and the improvements thereon; however, it was not possible to personally observe conditions beneath the soil or hidden structure, or other components, or any mechanical components within the improvements; no representations are made herein as to these matters unless specifically stated and considered in the report; the value estimate considers there being no such conditions that would cause a loss of value. The land or the soil of the area being appraised appears firm; however, the appraiser(s) do not warrant against occurrence of problems arising from soil conditions. In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the building, such as the presence of urea-formaldehyde foam insulation, and/or the existence of toxic waste, which may or may not be present on the property, was not observed by the Appraiser; The appraiser, however, is not qualified to detect such substances. The existence of urea-formaldehyde foam insulation or other potentially hazardous waste material may have an effect on the value of the property. I urge the client to retain an expert in this field if desired.

9. **LEGALITY OF USE** - The appraisal is based on the premise that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization has been or can be obtained or renewed for any use considered in the value estimate.
10. **COMPONENT VALUES** - The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
11. **AUXILIARY AND RELATED STUDIES** - No environmental or impact studies, special market study or analysis, highest and best use analysis study or feasibility study has been requested or made unless otherwise specified in an agreement for services or in the report. The appraiser reserves the unlimited right to alter, amend, revise or rescind any of the statements, findings, opinions, values, estimates, or conclusions upon any subsequent such study or analysis or previous study or analysis subsequently becoming known to him.
12. **DOLLAR VALUES, PURCHASING POWER** - The market value estimated, and the costs used, are as of the date of the estimate of value. All dollar amounts are based on the purchasing power and price of the US dollar as of the date of the value estimate.
13. **INCLUSIONS** - Furnishings and equipment or business operations except as specifically indicated and typically considered as a part of real estate have been disregarded with only the real estate being considered.
14. **PROPOSED IMPROVEMENTS, CONDITIONED VALUE** - Improvements proposed, if any, on or off site, as well as any repairs required are considered, for purposes of this appraisal, to be completed in good and workmanlike manner according to information submitted and/or considered by the appraiser. In cases

of proposed construction, the appraisal is subject to change upon inspection of property after construction is completed. This estimate of market value is as of the date shown, as proposed, as if completed and operating at levels shown and projected.

15. **VALUE CHANGE, DYNAMIC MARKET, INFLUENCES** - The estimated market value is subject to change with market changes over time; value is highly related to exposure, time, promotional effort, terms, motivation, and conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property physically and economically in the marketplace. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

In cases of appraisals involving the capitalization of income benefits, the market value estimate is a reflection of such benefits and appraiser's interpretation of income, yields and other factors derived from general and specific market information. Such estimates are as of the date of the value estimate; and are thus subject to change as the market is dynamic and may naturally change over time.

16. **MANAGEMENT OF THE PROPERTY** - It is assumed that the property which is the subject of this report will be under prudent and competent ownership and management, neither inefficient nor super efficient.

17. **GENERAL CONDITIONS -**

- A. The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report.
- B. **ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.**
- C. It is intended that this appraisal report comply with all statutes, rules and regulations prohibiting discrimination on the basis of race, color, religion, sex, national origin and marital status.

GENERAL APPRAISAL INFORMATION PERTAINING TO THIS REPORT

Property Identification and Legal Description: A physical inspection of the subject property and surrounding area was conducted on December 5, 2022. The subject of this report is two 20,000 SF commercial lots in Sanger on the north side of Elm Street and the east side of 2nd Street just east of the Downtown Sanger area. The property's physical street address is 117 and 123 Elm Street. The site is considered to be readily accessible to all areas of the city, as well as IH-35.

The subject property is legally described as:

Lots 1 – 4 Block 8 Original Town of Sanger, Sanger, Texas

Neighborhood Environment: The subject is located along the north side of Elm Street and the east side of 2nd Street just east of the Downtown Sanger area. The area has direct access to all areas of Denton County, as well as the D/FW area to the south, via IH-35, and is in an area that is primarily commercial use.

Due to the limited number of similar buildings in the immediate neighborhood, the expanded neighborhood is considered to be all of Sanger, as well as similar cities in North Texas and Oklahoma. Therefore, the location is considered good for most forms of commercial development.

The latest census information for the City of Sanger and County of Denton per the US Census Bureau and the North Central Texas Council of Governments data indicated the following:

<u>Year</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
County	432,976	662,614	906,422
Sanger	4,534	6,916	8,839

The primary road that services the area is IH-35, a 4-lane highway being converted to 6 lanes, that provides very good access to the immediate area and all regional areas. Per a physical inspection of the neighborhood, access is considered to be adequate to handle current and near future demand. As such, no adverse access conditions are considered to be present that would affect the subject neighborhood.

The subject neighborhood is approximately 90% built-up and is comprised of all forms of development. Surrounding property consists of light commercial/industrial in all directions, as well as multifamily to the NW with residential located just beyond the commercial development in all directions. Occupancy in the subject's area is high, primarily due to the stable growth of Sanger and Denton County over the years. There is no change in development patterns or in city government that would change this development use. Education, shopping, and recreation facilities are considered adequate in Sanger, with major employment opportunities are located in the city of Denton just to the south, as well as the Dallas/Fort Worth metro area to the south, with several national corporations operate manufacturing plants in these areas. The Denton business district is approximately 10 miles south and the Dallas/Fort Worth metro area business district is approximately 40 miles south. The area is served by the Sanger

Independent School District. Additionally, several daycare facilities are located in Sanger and surrounding areas.

Area Market Analysis:

Based on the information contained in this report, other information obtained while researching and preparing this report and other prior assignment in the area, prior to the COVID-19 pandemic, property values and occupancy rates had been relatively stable to increasing for commercial property in the subject market.

The subject market economy is primality based in manufacturing but is also tied directly to ongoing oil and gas production just to the west. Area and national employment rates saw a significant drop as a result of the uncertainty surrounding the COVID19 situation and a drop in oil prices. Based on appraiser's research in the area, current light commercial/industrial space occupancy is high, and values have been relatively stable. The light commercial sector was less affected by the current situation compared to other sectors such as retail/office. As of the date of this report, businesses are open with no restrictions in place with COVID cases dropping. Additionally, oil prices are near 7-year highs with production companies actively hiring workers. In the appraiser's opinion, the economy will return to a similar state within 6 - 12 months of the end of the pandemic. However, exactly when this happens is very uncertain as of the date of this report. However, based on appraiser's research for this assignment and other recent assignments, it appear that the recovery has begun across most sectors. There is also some uncertainty regarding the economic conditions with inflation rising and home sales slowing and prices leveling off. However, the local job market remains strong, which is helping maintain activity of both commercial and residential properties. The Appraiser's sources of information include North Texas Real Estate Network, CoStar Commercial Data Service, CBRE reports, local brokers, property owners, property managers, and other appraisers, as well as published reports from Tierra Grande Magazine, a Texas A&M Real Estate Center publication, and The Appraisal Institute.

Ownership History: According to available ownership records, the subject property is presently owned by KW Elm Street Investments LLC, who has held the property for a period exceeding three years. According to information provided to the appraiser by the client, the subject property is not currently under contract for sale or listed for sale.

Purpose and Date of Appraisal: The purpose of this appraisal is to estimate the "As Is" Market Value of the Fee Simple Estate of the subject property as it presently and physically exists, as of December 5, 2022, subject to the Limiting Conditions and Assumptions set forth in the report.

Intended Use of the Appraisal: The function of this appraisal is to serve as a basis for possible purchase.

Intended User of the Appraisal: The intended user of this appraisal is the City of Sanger.

Property Rights Being Appraised: The property rights being appraised are those of the ***Fee Simple Estate***. ***Fee Simple*** is defined by the Appraisal Institute's Dictionary of Real Estate Appraisal, (6th Edition, 2015), as follows:

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.

Scope of the Assignment:

The appraiser relied on Denton County Appraisal District records to identify the subject property.

The appraiser visually observed the subject property by walking about it. **This is not an inspection in accordance with Texas Real Estate Commission rules.**

The appraiser collected data from the North Texas Real Estate Information System (MLS), CoStar Commercial Data Service, local brokers and appraisers, and local businesses and property owners regarding land sales, improved sales, and leases.

The appraiser utilized one of the three approaches to value in order to estimate the value of the subject property, that being the Sales Approach. The Cost Approach was not utilized due to the property being vacant land. The Income Approach was not utilized due to the property being vacant land and this type of vacant land not typically held for income purposes. The appraiser is of the opinion that a credible value can be determined using only the Sales Approach to value, which is summarized in the respective section of the report and considered the final value estimate.

Definition of Market Value: The value concluded by this appraisal is based upon the definition of ***Market Value*** as set forth by The Dictionary of Real Estate Appraisal, Sixth Edition:

Market Value is defined as the most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress.

- 1) buyer and seller are typically motivated.
- 2) both parties well informed or well advised and acting in what they consider their own best interest.
- 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 normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

SUBJECT PROPERTY DATA

SITE ANALYSIS -

Location and Description: The subject sites are both rectangular-shaped parcels of land that contain approximately 20,000 SF of land. The sites are situated on the north side of Elm Street and the east side of 2nd Street just east of the Downtown Sanger area.

The subject property in this report is not considered to have any significant natural, cultural, recreational or scientific value.

Topography: The subject sites are relatively level and near the grade of surrounding streets. According to F.I.R.M., Community Flood Map Panel 48121-C0210G, dated 4/18/2011, none of the subject is located a flood area. A professional survey and flood certificate are recommended to determine the status of the flood plain on the subject property.

Easements/Encroachments: According to visual inspection of the subject property, there does not appear to be any adverse site easements or encroachments noted as of the date of appraisal.

Access: Access to the east lot is from Elm Street on the south side of the property while the west lot has frontage on Elm Street on the south side and 2nd Street on the west side. Therefore, access is considered good for properties along Elm Street.

Utilities: All necessary utilities are available to the subject site, with water and sewer provided by the City of Sanger.

Zoning: The subject site is zoned I-1 "Light Industrial" by the City of Sanger, which allows for development of most types of light commercial and industrial uses with the exception of heavy industrial uses.

Deed Restrictions: For the purpose of this appraisal, it is assumed there are no deed restrictions which adversely affect development of the subject site.

Relationship of the Subject Site to Its Surroundings: The subject property is bordered by light commercial/industrial use in all directions, with multi-family to the NW. The surrounding land uses are not considered to be detrimental to the subject with the subject considered homogenous to the surrounding development.

Hazardous Materials: No hazardous wastes or materials were noted during the physical inspection of the subject property. However, no soil analysis or engineering study was provided to verify this information. The client should satisfy themselves regarding the existence of hazardous waste by employing an expert in this field to conduct a study is deemed appropriate.

Tax Analysis: The property is situated within the city limits of Sanger, Denton County, Texas, and is subject to the real estate taxes levied by the City of Sanger, Denton County, and the Sanger Independent School District. The taxes are expressed at a rate of \$100 of assessed value.

Taxing Authority	Rate per \$100 of Assessment
Denton County	\$0.217543
Sanger I.S.D.	\$1.410600
City of Sanger	\$0.589497
Total 2022 Combined Rate	\$2.217640

Ad Valorem Tax Assessment – 2022 Assessed Value/2022 Tax Rates					
ID #	Land Value	Improvement Value	Assessed Value	Total Tax Rate	Ad Valorem Taxes
58674	\$74,250	\$0	\$74,250	.0221764	\$1,646.60
58671	\$74,250	\$0	\$74,250	.0221764	\$1,646.60

The subject assessed value is considered reasonable based on the information contained in this report.

HIGHEST AND BEST USE -

Highest and Best Use is defined in Appraisal of Real Estate, sponsored by the Appraisal Institute (14th Edition, 2013), as follows:

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

The appraiser has applied the four tests to potential use of the property, which are 1: Is the use physically possible, 2: Is the use legally permissible, 3: Is the use financially feasible, and 4: Is the use maximally productive. The appraiser has completed an inspection of the subject property, a study of the trends within the neighborhood and region and researched, analyzed and considered the permitted and potential site use.

The subject is a size and shape that would accommodate a variety of uses. Further, the subject is located on a secondary thoroughfare through Sanger in an area that is zoned for industrial use, meaning development of the site is restricted to most industrial/light commercial uses. Based on the information contained in this report as well as the appraiser's experience in the market, occupancy rates are high, and supply/demand of light commercial buildings appears to be in balance. Additionally, based on the amount of new construction in the surrounding area, industrial/light commercial development appears financially feasible. Therefore, the appraiser is of the opinion that the highest and best use of the subject property "as vacant" is for industrial/light commercial use.

VALUATION SECTION

THE APPRAISAL PROCESS -

There are three approaches which may be used in the appraisal of real estate property. These approaches to value include the **Cost Approach**, the **Sales Comparison Approach** and the **Income Approach**. These approaches are defined in Appraisal of Real Estate, sponsored by the Appraisal Institute (14th Edition, 2013), as follows:

The **Cost Approach** is "that approach in appraisal analysis which is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements which represent the highest and best use of the land or when relatively unique or specialized improvements are located on the site and for which there exists no comparable properties on the market."

The **Sales Comparison Approach** is "traditionally an appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and current listings, the former fixing the lower limit of value in static or advancing market (price-wise) and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market. It is a process of analyzing sales of similar, recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this technique is dependent upon (a) the availability of comparable sales data, (b) the verification of the sales data, (c) the degree of comparability or extent of adjustment necessary for time differences, and (d) the absence of non-typical conditions affecting the sales price."

The **Income Capitalization Approach** is "that procedure in appraisal analysis which converts anticipated benefits (dollar income or amenities) to be derived from the ownership of property into a value estimate. The income approach is widely applied to appraising income producing property. Anticipated future income and/or reversions are discounted when applicable."

In essence, all approaches to value (particularly when the purpose of the appraisal is to establish market value) are market data approaches since the data inputs are presumably market derived. The appraiser utilized the only the Sales Comparison Approach to value in order to estimate the value of the subject property. The Cost Approach was not utilized due to the property being vacant land. The Income Approach was not utilized due to the property being vacant land and this type of property not being held for income purposes. It is the appraiser's opinion that a credible value can be derived using on the Sales Approach to value.

Land Valuation -

A value estimate for the subject site may be indicated by employing one of four procedures:

1. The Sales Comparison Approach
2. The Allocation Procedure
3. The Extraction Method
4. The Land Residual Technique

Of these four procedures, the Sales Comparison Approach is considered the most reliable. For this analysis, the Sales Comparison Approach and Extraction Method have been selected to estimate the value of the subject site as though vacant and available to be developed to its highest and best use due to the lack of comparable sales. The lack of more recent comparable land sales in the market is evidence of the past conditions of the market. However, as of the date of appraisal, the sales listed on the following page are considered to be the most comparable sales to that of the subject property. These sales have been verified by either the buyer, the seller, broker or other sources considered reliable and having knowledge of the particular transaction. The selected sales are documented on the following pages with a location map for visual reference as to each sale's location relative to the subject site. Adjustments are required to the prices paid for each of the selected sales to compensate for differences between each tract and the subject site. In applying such adjustments, it is necessary to consider the following factors:

Market Conditions - The date of sale is considered in order to assess the overall trend and changes in price levels in the area caused by a lapse in time. This factor may also be appropriate when necessary to estimate the development potential or timing of a particular sale until the market dictates that it is ready for development.

Location - Location is an important element to land value. Major location considerations include the general character and trend of surrounding development in the neighborhood area, as well as overall access and exposure, and the relative importance of thoroughfare frontage.

Physical/Utility Characteristics - The overall physical utility and/or characteristics of land have a direct bearing upon its development potential and, therefore, land value. Physical elements which must be considered include zoning, topography, soil conditions, availability of utility services, overall size, shape, depth and any extraordinary development costs which might be applicable.

Conditions of Sale - Conditions of sale refers to seller/ buyer motivation, special terms of financing arrangements, and/or abnormal circumstances surrounding the transaction which influenced the sale price. Examples of such conditions might include a forced sale, extraordinary seller financing, sale between related parties, or a sale resulting from the exercise of an old option.

Methods of Comparison:

The appraiser investigated the market with regard to any sales of vacant tracts with similar zoning/potential use. This research indicated that there have been a limited number of comparable sales in the subject's general area. The assembled sales exhibit similar characteristics

to that of the subject property and have been included on the following pages and analyzed in the text that follows.

The sales price per square foot is a unit of comparison which expresses the relationship of the price or value of a property by the property's size in square feet. This is a very common unit of comparison applied to vacant land as well as improved properties. This method of comparison is most reliable when the sales data employed exhibit a high degree of comparability. Due to the large variances in location, size and age/condition at the date of sale as compared to the subject, the appraiser used paired sales, market indicators and judgment to adjust for the differences between the comparables and the subject.

The appraiser has included properties that have sold in the commercial area market segment of Sanger that occurred from mid-2021 to the present date. The subject is two vacant commercial lots well located in the Sanger area market.

Here follows a summary of the comparable sales identified by the appraiser for purposes of analysis.

LAND SALE NO. 1

Location: TBD I-35, Sanger
Legal Desc. Part of Lot 1 Block 2 Sable Business Park Phase 1
Grantor: Kelly
Grantee: Dior Holdings LLC

Property Data:

Size:	21,257 SF	Flood Plain:	None
Zoning:	B-2 Business	Shape:	Rectangular
Utilities:	All available	Easements:	None detrimental
Frontage:	Interstate 35	Improvements:	None at date of sale
Topography:	Mostly level	Intended Use:	Commercial development

Sales Data:

Sale Date: 9/8/2021
Recording Data: 2021-177872
Sales Price: \$87,000 or \$4.09/SF
Terms: Cash to Seller

Comments: Located just northwest of the subject on Interstate 35. All utilities available.
Source: Broker/Denton County deed records

LAND SALE NO. 2

Location: 209 Southland Drive
Legal Desc. Lot 11A Block 1 Sanger South Addn.
Grantor: Mathews
Grantee: Punj Land LLC

Property Data:

Size:	49,963 SF	Flood Plain:	None
Zoning:	B-1 Business	Shape:	Rectangular
Utilities:	All available	Easements:	None detrimental
Frontage:	S. 5th and Southland	Improvements:	None at date of sale
Topography:	Level	Intended Use:	Commercial development

Sales Data:

Sale Date: 10/25/2022
Recording Data: 2022-151416
Sales Price: \$225,000 or \$4.50/SF
Terms: Cash to Seller

Comments: Located just southwest of the subject just off I-35.
Source: Broker/Denton County deed records

LAND SALE NO. 3

Location: 220 S. 1st Street
Legal Desc. Lot 1 Block 3 Shirley Addn.
Grantor: Elerson
Grantee: Janin

Property Data:

Size:	16,584 SF	Flood Plain:	None
Zoning:	PD B-1 Planned Development Business	Shape:	Rectangular
Utilities:	All available	Easements:	None detrimental
Frontage:	1 st Street	Improvements:	4,300 SF commercial building
Topography:	Mostly Level	Intended Use:	Continued commercial development

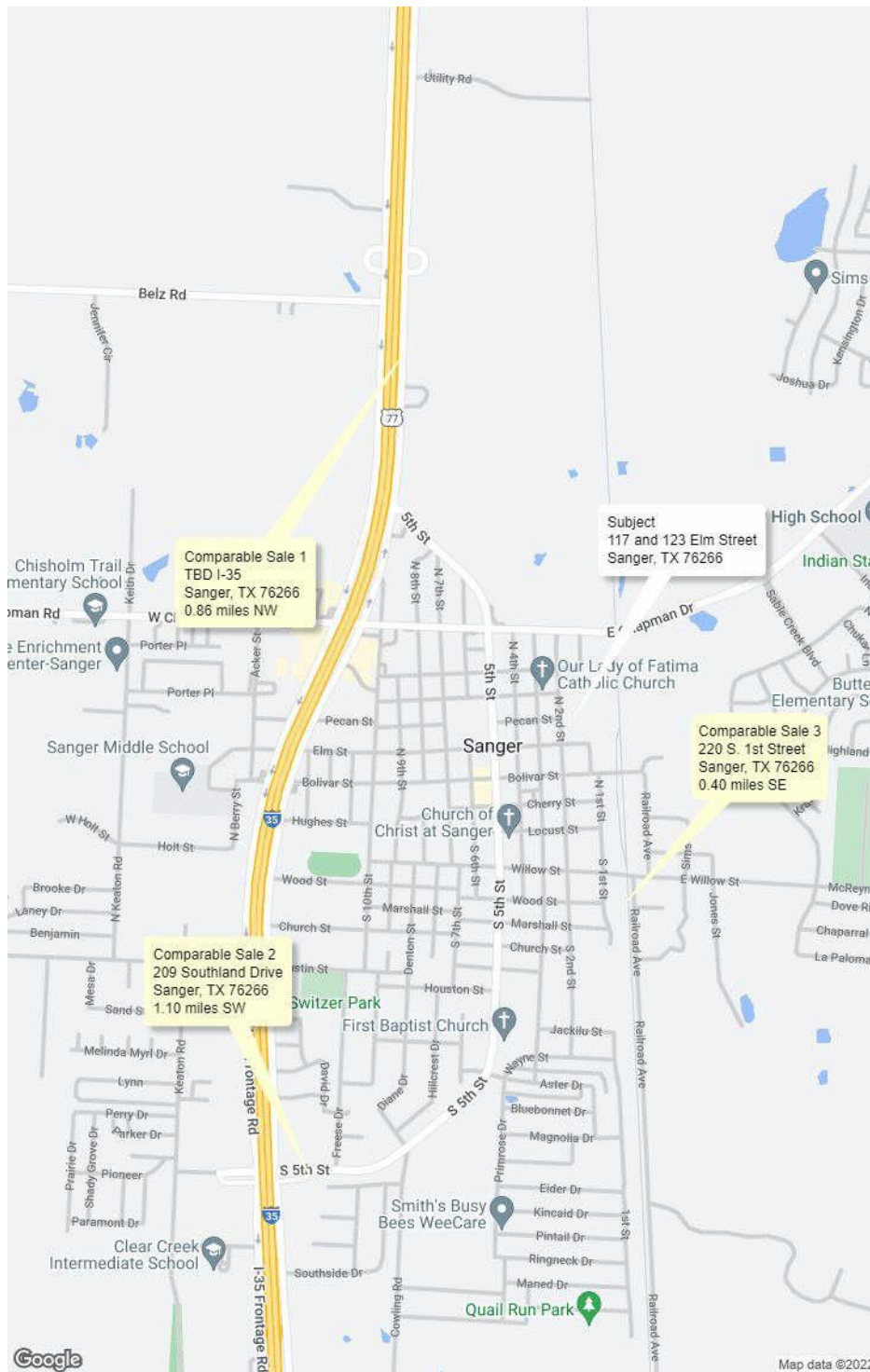
Sales Data:

Sale Date: 10/6/2021
Recording Data: 2021-186038
Sales Price: \$275,000 or \$3.62/SF for land only
Terms: Cash to Seller

Comments: Just south of the subject off 1st Street. Building has estimated contributory value of \$50/SF or \$215,000.

Source: Broker/Denton County deed records

COMPARABLE IMPROVED SALES LOCATION MAP



LAND SALES SUMMARY				
Sale No.	Location	Size/SF	Sale Date	Sales Price/SF
1	TBD I-35	21,257	9/21	\$4.09
2	209 Southland Drive	49,963	10/22	\$4.50
3	220 S. 1st Street	16,584	10/21	\$3.62*
Subject	117/123 Elm Street	20,000 SF each	----	----

*based on sales price less contributory value of existing building

The sales presented herein, are the most recent sales of similar sized sites with potential uses similar to that of the subject that could be confirmed by the appraiser in relatively close proximity to the subject property. The foregoing sales, in the appraiser's opinion, offer sufficient comparability to provide an estimate as to the value of the subject site. Each of the sales has been analyzed on a sale price per square foot basis, and typically smaller tracts tend to sell for more on a per square foot basis than do larger tracts. Sites such as corner parcels or properties with extensive frontage and good exposure to major thoroughfares or easy access tend to sell for more than do parcels with limited road frontage. Other factors which can influence value include availability of utilities, tract size, topography, density, zoning, site utility, and date of sale.

The sales represent a variety of sites suitable for similar use or development which range in size from 16,584 to 49,963 SF with a sales price range from \$3.62/SF to \$4.50/SF on an unadjusted basis. Each of the sales with the required adjustments is displayed in the Adjustment Chart, on the following page, with the required adjustments summarized in the text that follows. The appraiser has attempted to determine the number of adjustments applicable to each sale with regard to the different variables that affect value. The minimal amount of data available in the area impairs the effectiveness of a paired sales analysis. Therefore, in those areas where a full paired sales analysis was not available, the appraiser has relied upon data from informational services plus his expertise and judgment. Each sale has been analyzed on a per square foot basis for these different variables.

The subject is two 20,000 SF sites.

ADJUSTMENT CHART - AS IS – 20,000 SF SITE				
Sales Price/SF	Subject	Sale 1	Sale 2	Sale 3
	---	\$4.09	\$4.50	\$3.62
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment	---	-0-	-0-	-0-
Condition of Sale	N/A	Cash to Seller	Cash to Seller	Cash to Seller
Adjustment	---	-0-	-0-	-0-
Market Conditions	12/22	9/21	10/22	10/21
Adjustment	---	-0-	-0-	-0-
Adjusted Price/Acre	---	\$4.09	\$4.50	\$3.62
Size (SF)	20,000	21,257	49,963	16,584
Adjustment	---	-0-	+10%	-0-
Location	Average	Superior	Superior	Similar
Adjustment	---	-25%/-15%	-25%/-15%	-0-/ +10%
Final Adjusted Price/Acre	---	\$3.07/ \$3.48	\$3.83/ \$4.28	\$3.62/ \$3.98

EXPLANATION OF ADJUSTMENTS -

Time/Date of Sale, Condition, Ownership Interest - This appraisal is made as of December 5, 2022, considering an Arm's Length/Cash to Seller transaction, and Fee Simple interest. Each sale closed within a reasonable timeframe under similar conditions. Appraiser considered no adjustments necessary.

Size: The comparable sales utilized range in size from 16,584 to 49,963 SF. Under normal market conditions, larger sites sell for less per unit than smaller sites, primarily due to economies of scale. The appraiser has applied subjective analysis of the comparable sales compared to the subject as to a size adjustment. Sales 1 and 3 are considered mostly similar in size, while Sale 2 is considered somewhat larger. Therefore, an upward adjustment of 10% was applied to this sale for the factor of size.

Location: The subject lots are located just east of the Downtown Sanger area in an industrial area on a paved secondary city thoroughfare, with the east lot being an interior lot and the west lot being a corner lot. The appraiser has applied subjective analysis of the comparable sales compared to the subject as to a location adjustment. Sale 1 is located on I-35 just north of Sanger, while Sale 2 is located in Sanger just off I-35. Therefore, each of these sales were adjusted downward 25% for a

superior location for the interior lot value and downward 15% for the corner lot. Sale 3 was mostly similar in location compared to the interior lot and inferior to the corner lot. Therefore, this sale was adjusted upward 10% for the subject corner lot value.

Site Value Conclusion: The three most comparable land sales available, presented in the Adjustment Chart, have been analyzed on a sales price per square foot basis. The summarized adjustments explained on the preceding page indicate a value range from a low of \$3.07 per SF to a high of \$3.83 per SF for the interior lot and \$3.48/SF and \$4.28/SF for the corner lot. A value per SF toward the middle of the range of the adjusted sales is considered to be a reasonable and appropriate value for the subject sites, or \$3.50/SF for the interior lot and \$3.90/SF for the corner lot. Based on the indicated values, the value of the lots, “as vacant”, as of December 5, 2022, is estimated as follows:

Interior - 20,000 SF x \$3.50/SF = \$70,000

Corner - 20,000 SF x \$3.90/SF = \$78,000

RECONCILIATION AND FINAL VALUE ESTIMATE -

Two basic factors in any approach utilized in a value estimate, or appraisal, are immediately apparent based on previously given and widely recognized appraisal definitions. First, rational and informed behavior is primary in the definition of market value. Second, a highest and best use of a property is fundamental in a value estimate. Consideration has been given to the highest and best use analysis, including accessibility, suitability for development and current development in the neighborhood, both existing and proposed.

A summary of the value estimates by the three approaches is as follows:

Cost Approach	Not in Scope
Income Approach	Not in Scope
Sales Comparison Approach	117 Elm - \$70,000
	123 Elm - \$78,000

The **Cost Approach** is based upon the estimated cost of the improvements less depreciation, plus the current market value of the land. This approach tends to provide a long-term value indication. Current market value is sensitive to short term fluctuations in both real estate and money markets. Over time, resulting values tend to fluctuate, both above and below, the depreciated reproduction cost, assuming other factors remain constant. Only the physical components of the subject property are reflected in the Cost Approach, and it is most applicable when the improvements are either proposed or recently constructed or renovated. Due to the subject being vacant land, the Cost Approach was not developed for this assignment.

The **Income Approach** is an analysis and measure of the investment qualities of the appraised property. Because properties of this type are usually purchased by an investor for a perceived internal rate of return or yield, the Income Approach is considered to be a reasonable estimate of value provided market rental rates and expenses can be accurately measured. The strength of this approach is that it quantifies current market conditions and motivations within the market. This approach is based on current market rentals in the immediate area, with expenses based on similar properties within the market area. The subject is vacant land and the type of land not typically held for income purposes. Therefore, the Income Approach was not developed for this assignment.

The **Sales Comparison Approach** is based upon sales of other similar properties and produces an indication of value based upon prices actually paid in the market. This approach is useful, considering the recent sales available in this immediate area; however, its reliability is weakened by the significant differences noted in many of the sales found. The value derived via the Sales Comparison Approach tends to mirror the market. There were a limited number of reasonably comparable sales in the immediate area; however, the data obtained and utilized in this analysis was considered to be both reasonable and appropriate. Further, each of the sales was of a vacant site with similar development potential. Therefore, the appraiser gives all weight to this approach to value in this analysis.

The values indicated by the Sales Approach is considered appropriate for the subject property in this analysis due to the subject being vacant land. Therefore, it is the appraiser's opinion that the "As Is" Market Value of the Fee Simple Estate of the subject property as of December 5, 2022, is:

117 Elm - \$70,000

123 Elm - \$78,000

CERTIFICATE

I do hereby certify that, except as otherwise noted in this appraisal report:

1. The statements of fact contained in this report are true and correct;
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, unbiased professional analyses, opinions and conclusions;
3. I have no present or prospective interest in the property which is the subject of this report and I have no personal interest or bias with respect to the parties involved;
4. My compensation is not contingent upon an action or event resulting from the analyses, opinions or conclusions in, or the use of, this appraisal report;
5. The appraisal was not based on a requested minimum valuation, a specific valuation, or approval of a loan;
6. My analysis, opinions and conclusions were developed, and this report has been prepared in conformance with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute and Title XI-FIRREA, 1989. The use of this report is subject to the requirements of the Institute relating to review by its duly authorized representatives;
7. My analysis, opinions and conclusions were developed, and this report has been prepared in conformity with the rules of the Texas Appraisers Licensing and Certification Board.
8. Benjamin T. Hawkins made a personal inspection of the property which is the subject of this report.
9. No other than the undersigned provided significant professional appraisal assistance in the preparation of this report.
10. It is noted that while it is possible that the subject property could sell within a shorter time period, it is my opinion that a more probable marketing time for the subject property would be six to twelve months.
11. The appraiser has not performed any services, appraisal or otherwise, on the subject within the 3 years preceding the engagement for this assignment.

MERIT ADVISORS



Ben Hawkins
State Certified General License #TX-1380683-G

ADDENDUM

Qualifications of Appraiser



Certified General Real Estate Appraiser

Appraiser: Benjamin Thomas Hawkins

License #: TX 1380683 G

License Expires: 01/31/2025

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.


Chelsea Buchholtz
Commissioner

Benjamin T. Hawkins
bhawkins@meritadvisor.com
State Certified General Real Estate Appraiser
Texas - #1380683-G
Oklahoma - #13226CGA

Qualification Summary

- Over twenty-five years of experience in real estate.
- Over fifteen years of appraisal experience.
- Solid reputation for providing outstanding customer service.
- Experience working with various ethnic, religious and cultural backgrounds.

Employment History

- 2004 – Present Tierra Company / Merit Advisors Gainesville, TX
Staff Appraiser
- 1996 – 2004 Hawkins and Associates - Gainesville, TX
Real Estate Sales, Consulting, and Appraisals

Education

- Bachelor of Business Administration Texas Tech University
 - General Business Major
Emphasis in Marketing, Finance,
Management, and Real Estate

Training

- 120+ hours for Real Estate Salesperson Exam.
- 500+ hours of appraisal course work.
Sample of courses:
Income Capitalization
How to Analyze and Value Income Property
Appraisal and Analysis of Industrial and Flex Buildings
Land and Site Valuation
Appraisal of Owner-Occupied Commercial Property
Appraisal of Small Apartment Properties
Construction Details and Trends
Hotel Appraising: Limited and Full Service
Commercial Appraisal Review
Expert Witness for Commercial Properties
Appraisal of Self-Storage Facilities
- Texas Real Estate Salesperson License # 0449985.

Representative Appraisal Experience

- Commercial Real Estate
- Farm and Ranch/Large Tracts
- Subdivision/Development
- Residential/Multi-family
- Estates
- Divorce Cases
- Condemnation Working for Both Property Owners and Entities

Representative Court Experience

- District Court Testimony in Texas and Oklahoma
- Local County Court Testimony
- Condemnation Hearings in Cooke and Grayson Counties

References:

Mr. Steven Sims, Senior Lender First State Bank, Gainesville (940) 665-1711
Mr. Brandon Bayer, Muenster State Bank, Gainesville (940) 665-7900
Mr. Jeff Brooks, Chief Lending Officer, Legend Bank, (903) 564-5606
Mr. Luke Motley, Attorney, Sherman (903) 892-9133
Mr. Phil Adams, Attorney, Gainesville (940) 668-6666
Mr. Brian Hess, CPA, Gainesville (940) 665-2345

Partial List of Past Clients**Lenders**

First State Bank
Prosperity Bank
Muenster State Bank
NASCOGA FCU
Legend Bank
1st State Bank
Independent Bank
Sanger Bank
American Bank of Texas
Rabo AgriFinance
AgriLand Farm Credit
Texas Star Bank
Valley State Bank
Texans Credit Union
North Texas Bank
TIB – The Independent Bankers Bank
Bank of Texas

Attorneys/Accountants

Adams & Bennett, Gainesville
H. Mack Barnhart, Gainesville
Chuck Bartush Jr., Muenster
Luke Motely, Sherman
Josh Westrom, Denton
Lee Tatum, Gainesville

Sullivant & Sullivant, Gainesville
Hess & Rhomer, Gainesville
Roy G. Bryan, Gainesville
Schumacher & Krahl, Gainesville

Various Entities

City of Sherman
City of Gainesville
Town of Sunnyvale
City of Corinth
Greater Texoma Utility Authority
First State Bank Trust Department
Cooke County Appraisal District
Guarantee Trust Life Insurance
Funeral Directors Life Insurance
B-29 Investments, Gainesville
Select Energy Services, Gainesville
Frost Financial Management Group
J.R. Marriott, Inc.
Gainesville Economic Development Corp
Sherman Economic Development Corp
Trident Tanks & Vessels, Gainesville
Gainesville Housing Authority
Gainesville ISD
Forestburg ISD
Lehigh Hanson Aggregates

FLOOD MAP



FLOOD INFORMATION

Community: Sanger, City of
Property is NOT in a FEMA Special Flood Hazard Area
Map Number: 48121C0210G
Panel: 48121C0210
Zone: X
Map Date: 04-18-2011
FIP5: 48121
Source: FEMA DFIRM

LEGEND

-  = FEMA Special Flood Hazard Area - High Risk
-  = Moderate and Minimal Risk Areas
- Road View:
 -  = Forest
 -  = Water

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AERIAL PHOTO OF PROPERTY

