

Sample Appraisal for Educational Purposes

Appraisal of Real Estate

Appraisal Report

Office

123 Market Street, Sunbury
Northumberland County, PA

Appraisal Company
56 Smith Avenue
Anytown, PA 16241

April 26, 2022

Represent US, LLC
c/o Allie P. Cat, Esquire
345 ReAssessment Road
Sunbury, PA 17801

Re: Office, 123 Market Street, Sunbury, Northumberland County, PA

Dear Client:

As you requested, I have made an appraisal of the commercial property located at 123 Market Street, City of Sunbury, Northumberland County, Pennsylvania. In accordance with USPAP Standard 2-2 there are two reporting options for the transmittal of market value opinions. They include an Appraisal Report and a Restricted Appraisal Report. This report is intended to comply with the Appraisal Report option.

I have completed an interior and exterior inspection of the subject property. The purpose of this appraisal is to form an opinion of the current as is market value of the fee simple interest in the subject property. I am aware that the subject is predominately owner occupied. The second floor apartment and minimal office space are rented on a short-term basis but it does not rise to the level of creating a leased fee interest. There are no extraordinary assumptions or hypothetical conditions in this appraisal report. I have not completed prior services on this property within the past three years.

The analysis, opinions, and conclusions contained in this report have been developed in accordance with the Code of Professional Ethics and Standards of Professional Practice adopted by the Appraisal Standards Board of the Appraisal Foundation. This report considers all three approaches to value and presents the conclusions derived by application of the appropriate approaches

Based upon my investigation into and analysis of the data gathered in completing this assignment, I have formed the opinion that the market value of the fee simple interest in the subject property as of the effective date of this appraisal, April 25, 2022, was:

MARKET VALUE OF THE FEE SIMPLE INTEREST

\$285,500

TWO HUNDRED EIGHTY-FIVE THOUSAND FIVE HUNDRED DOLLARS

The estimated value reported herein reflects the total value of the subject property, as if unaffected by any potentially hazardous substances. The presence of hazardous substances may have a negative influence on the subject property, but the consideration of the effects of these substances on the value of the subject property is beyond the scope of this appraisal. The client is urged to obtain a Phase I environmental study, if desired.

Respectfully submitted,

Joseph T. Appraiser
President

Pennsylvania Certified General
Real Estate Appraiser
Certification Number GA012345L

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Summary of Salient Facts and Conclusions

Location	123 Market Street, Sunbury, Northumberland County, Pennsylvania
Client	Represent US, LLC
Owner of Record	Mr. Justin Time
Interest Valued	Fee Simple
Tax Parcel Number	0001-02-001-002
Deed Reference	Deed Book 0000, Page 0
Land Area	8,625 square feet or 0.198 of an acre of land
Tax Liability	\$7,156.63
Zoning	Central Business
Date of Inspection	April 25, 2022
Topography	Level at street grade
Utilities	Municipal water and sewer, natural gas, electric, telephone, and cable
Improvements	2-story painted brick office building with an addition containing 5,724 square feet. There is an attached 2-story residence containing 880 square feet.
Gross Building Area	6,604 square feet plus 3 rd floor storage and basement area
Highest and Best Use	Continued professional office/residential use
Effective Date of Value	April 25, 2022
Sales Comparison Approach	\$285,000
Cost Approach	Considered but not presented
Income Approach	\$286,000
Final Value Conclusion	\$285,500
Special Assumptions	
<p>The estimated value reported herein reflects the total value of the subject property, as if unaffected by any potentially hazardous substances. The presence of hazardous substances may have a negative influence on the subject property, but the consideration of the effects of these substances on the value of the subject property is beyond the scope of this appraisal. The client is urged to obtain a Phase I environmental study, if desired.</p>	

Assumptions and Limiting Conditions

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

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or in apparent 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.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in the appraisal report.
9. 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.
10. It is assumed that the utilization of the land and improvements is within the boundaries of property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. Unless otherwise stated in the Appraisal, the existence of potentially hazardous or toxic materials, which may have been used in the construction or maintenance of the improvements or may be located at or about the property, was not considered in arriving at the opinion of value stated in the appraisal. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may affect the value of the property. The Appraiser is not qualified to detect such substances and I urge that an expert in this field be employed to determine the economic impact of these matters on the opinion of value stated in the appraisal.

12. The Appraiser is not an engineers and any references to physical property characteristics in terms of quality, condition, cost, suitability, soil conditions, flood risk, obsolescence, etc., are strictly related to their economic impact on the property. No liability is assumed for any engineering-related issues.
13. The Americans with Disabilities Act became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.
14. If required by governmental authorities, any environmental impact statement prepared for the subject property will be favorable and will win approval of the appropriate regulatory bodies.
15. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective.
16. It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state, or national governmental 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.
17. That there are no significant changes in the supply and demand patterns as indicated in this report. It is emphasized that this is not a study of market feasibility; rather it is an appraisal of the property under market conditions as observed as of the date of our market research. These market conditions have been researched and are believed to be correct; however, the Appraiser's assume no liability should market conditions materially change because of unusual or unforeseen circumstances.
18. The value found herein is subject to these and to any other assumptions set forth in the body of this report, but which may have been omitted herein.
19. I was not required to report a predetermined value or direction in value that favors the cause of the client or any related party, the amount of the value estimate, the attainment of a specific result, or the occurrence of a subsequent event in order to receive my compensation and/or employment for performing the appraisal. I did not base the appraisal report on a requested minimum valuation or a specific valuation.

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

1. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication.
3. The Appraiser herein, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the Appraiser, or the firm with which the Appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the Appraiser.

Excerpts from The Appraisal of Real Estate, Fifteenth Edition, Appraisal Institute.

Definition of Market Value (Pennsylvania Tax Assessment Appeal)

Market value is defined as the price a purchaser, who is willing, but not obliged to buy, would pay an owner, willing, but not obliged to sell, taking into consideration all uses to which the property is adapted and might in reason be applied. *Buhl Found. v. Board of Property Assessment*, 180 A.2d 900 (Pa. 1962).

This appraisal report is being prepared for use in a tax appeal and is prepared under the definition of market value (Pennsylvania Tax Assessment Appeal) presented above. The USPAP definition of market value is similar in many but not all respects. It has not been used in this report, as it is not appropriate.

Premise of the Appraisal

Purpose of the Appraisal

The purpose of this appraisal is to form an opinion of the current as is market value of the fee simple interest in the subject property as of the effective date identified in the Summary of Important Facts and Conclusions section of the report.

Intended Use

This appraisal is intended to assist my client, Represent US, LLC, in decision making purposes regarding a real estate tax assessment appeal. It is also intended to serve as evidence in a real estate tax assessment appeal if required.

Intended User

This report is prepared for my client, Represent US, LLC. The intended users of this report include Represent US, LLC and or affiliates and persons specifically authorized by the client, such as the property owner. The real estate tax assessment appeal board or Court of Common Pleas is also named as an additional user. Data from this report may not be provided in whole or part to anyone other than the intended users without express written permission of the client and the authors of this report.

Definition of Property Rights Appraised

I am forming an opinion of the fee simple estate in the subject. The following definitions describe the fee simple estate and leased fee estate so the reader/user of this report will understand the difference and the interest being appraised.

Fee Simple Interest

The fee simple estate is defined by the Appraisal Institute in the Dictionary of Real Estate Appraisal, Seventh 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."

Leased Fee Interest

The leased fee estate is defined by the Appraisal Institute in the Dictionary of Real Estate Appraisal, Seventh Edition as "the ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires."

Scope of Work

In order to form an opinion of the market value of the subject, I first made an inspection of the site. I completed an interior and exterior inspection of the subject. Data pertaining to the subject site, improvements, zoning, tax, general location and potential uses were obtained.

All three approaches to value will be considered in this appraisal report. It is my opinion that sufficient time was spent in the data collection process to uncover the majority of relevant data available.

The cost approach has not been presented in forming my opinion of market value of the subject. The cost approach is most applicable for new construction. It is my opinion that the cost approach is of little consequence when forming an opinion of value for a building older than 10 years of age. Applying this approach to value would require significant depreciation estimates which could result in a misleading opinion of market value. Market participants rarely relate cost to value for buildings of this age. Thus, although considered, I have not presented the cost approach to value in this assignment.

The Income Approach was completed and presented. The preparation of the income approach began with a discussion of the current rates with the property owner. Next, I completed a review of comparable rents, vacancy rates, and operating data from similar properties in the local and regional market. Operating expenses were estimated based upon historic data along with data from the local market, and a potential net operating income was calculated. A capitalization rate was developed through the band-of-investment and the lender's band-of-investment technique. These rates were further supported by published national information. I applied a market oriented capitalization rate to arrive at an indication of market value.

The sales comparison approach was completed and presented. I obtained data in the form of comparable improved sales from deeds of record, our personal database, and multiple listing records. A thorough search for comparable sales was made throughout the Sunbury market and surrounding communities. I interviewed numerous industry professionals, searched courthouse records, utilized industry websites, and utilized our internal office database as well as various other sources in an effort to uncover comparable office sales data. The most similar sales uncovered were presented and utilized to assist in forming an opinion of the market value of the subject.

Statement of Competency

I have interviewed owners, buyers, and sellers of commercial properties during the course of this and other recent appraisals. I appraise multiple types of real estate throughout Pennsylvania and I am locationally competent to appraise the subject property.

Personal Property and FF&E

No personal property is included in my analysis.

Identification of Subject Property

The subject property is located at 123 Market Street, City of Sunbury, Northumberland County, Pennsylvania 17801. The subject is identified as tax parcel 0001-02-001-002.

Recorded	Deed Book 0000, Page 0
Date	June 9, 1959
Consideration	\$50,000
Grantor	Robert Rocket
Grantee	Justin Time

Subject Property History

The most recent transfer of the subject is summarized in the previous table. There have been no other transfers to the subject property in the prior 3 years. A copy of the deed can be found on the following pages of this report. I am not qualified to determine matters of title. I am making an appraisal of the fee simple estate in the property. Research of the applicable public records, private data services and an interview with the property contact for this assignment, revealed the subject has not transferred during the past three years.

Analysis of Agreement of Sale/Historic Marketing Data

To the best of my knowledge the subject property is not under an agreement of sale nor currently marketed for sale.

Subject Property Deed
Full and complete copy of Deed

Exposure Time

Reasonable exposure time is one of a series of conditions in most market value definitions. Exposure time is always presumed to precede the effective date of the appraisal. Exposure time may be defined as:

“The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.”

Exposure time is different for various types of real estate and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. This statement focuses on the time component. The estimate may be expressed as a range and can be based on one or more of the following:

- Statistical information about days on market;
- Information gathered through sales verification; and,
- Interviews with market participants.

Taking a retrospective view of the information presented in the body of the report, which follows, assuming continued competent management and stabilized occupancy, a reasonable exposure time for the subject property at the indicated market value is 3 to 6 months. (The reader should note that exposure time is different than marketing time in that exposure time is always presumed to precede the effective date of an appraisal, whereas marketing time is a time period immediately subsequent to the date of the appraisal.)

Marketing Period

Marketing time is the time it takes an interest in real property to sell on the market subsequent to the date of an appraisal. While it is impossible to know exactly how long a marketing period might be, there are some indicators that help to understand the basic dynamics of any market in relation to equilibrium.

The support for these findings is based on evidence ranging from conversations with local market participants to primary field research and technical analysis. Only a general estimate of the date of equilibrium can be made since all of the data sources are historically focused.

It should be noted that the various judgments regarding property performance and investor expectations contained within the appraisal are based on criteria that are currently in use in this market. Therefore, the estimate of value reflects current market and investment criteria. No changes in the real estate or capital markets are required for the estimate of value to be realized.

The reasonable marketing time is an estimate of the amount of time it might take to sell a property interest in real estate at the estimated market value level during the period immediately after the effective date of an appraisal. Marketing time is different from exposure time which is always presumed to precede the effective date of an appraisal.

Based upon my research on the trends of the local and regional market, specifically as they pertain to properties of this type, a review of lease data from regional market participants and interviews with market participants in this sector, it is my opinion the subject would require a 3 to 6 month marketing period.

Regional Market Area

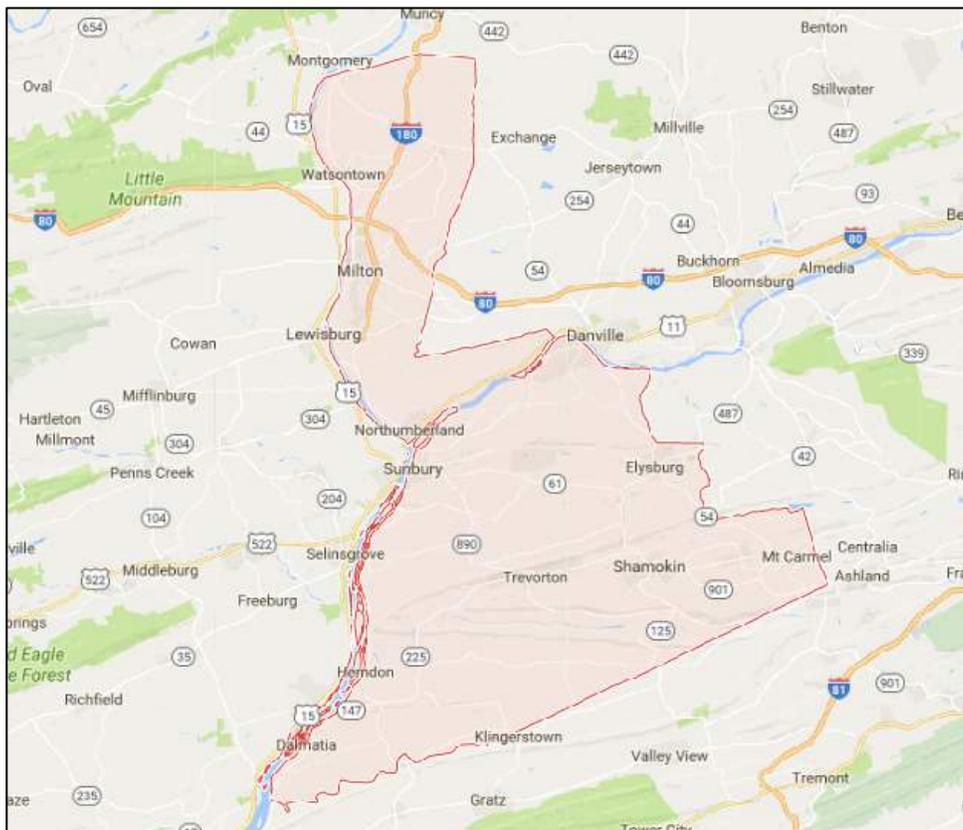
Market area is described in the *Dictionary of Real Estate Appraisal, Seventh Edition* as “the geographic region from which a majority of demand comes and in which the majority of competition is located. Depending on the market, a market area may be further subdivided into components such as primary, secondary, and tertiary market areas may be distinguished from the general market area.”

This section of the analysis is designed to identify and examine the economic characteristics of a region that can influence and create value for the subject property.

Market Area Boundaries

The subject is located in Northumberland County, which is part of a region known as the Central Susquehanna Valley region of Pennsylvania. Included in this market area are the surrounding counties of Union, Snyder, Montour, Lycoming and Columbia. Neighboring counties in the market area include Juniata, Perry and Dauphin.

Northumberland County is within a 150 mile radius of major U.S. cities such as Philadelphia, New York, Syracuse, Rochester, Buffalo, Erie, Baltimore, and Washington DC where more than 37 million people live which is more than 10% of the US population. While Northumberland County is close to major markets and populated areas, it remains uncluttered and reasonably priced for new businesses.



Population

The following data was collected to portray the regional population:

The Pennsylvania State Data Center & US Census Data

County	Census 2020	Census 2010	Census 2000	Census 1990	Census 1980	% Change 2000-2020
Pennsylvania	13,002,700	12,702,379	12,281,054	11,881,643	11,864,751	3.7
Columbia	64,717	67,295	64,151	63,202	61,967	-3.8
Lycoming	114,188	116,111	120,044	118,710	118,416	-1.7
Montour	18,136	18,267	18,236	17,735	16,675	-0.7
Northumberland	91,647	94,528	94,556	96,771	100,381	-3.0
Snyder	39,736	39,702	37,546	36,680	33,584	0.0
Union	42,681	44,947	41,624	36,176	32,870	-5.0

The population of Northumberland County has declined from 1980 through 2000 with stabilization in 2010. The most recent census taking shows the county experiencing a 3% decline in population. The declines in population have been attributed to the lack of quality employment opportunities in the county.

Regional Demographics

Northumberland County has a diversified population that can be characterized as low/middle income. Residents typically live and work within the region, with most of the region's population traveling less than 24 minutes to their place of employment. The median household income in 2016 was \$46,783 per year, lower than the surrounding counties. The per capita personal income was \$38,764 in 2016. Approximately 14.6 percent of the population lives below the poverty level, and the average home value is \$119,847. The economic level of the Northumberland County area is lower than the surrounding counties of Union, Snyder, Montour and Lycoming.

Transportation Systems

The major routes of transportation in Northumberland County are primarily located north of the Susquehanna River. Major highways located in the northern portion of the county are Interstates 80 and 180 and US Route 11. Route 11 is a heavily traveled route which connects Northumberland County to Harrisburg in the south and Wilkes-Barre in the north. Route 11 connects to Interstate 80 outside the town of Bloomsburg and to Interstate 81 outside of the City of Wilkes-Barre. Interstate 80 is a heavily traveled east/west route throughout the state of Pennsylvania. Located near the southern portion of the county is Interstate 81. Interstate 81 provides north/south access through the region and connects with Interstate 80 to the north.

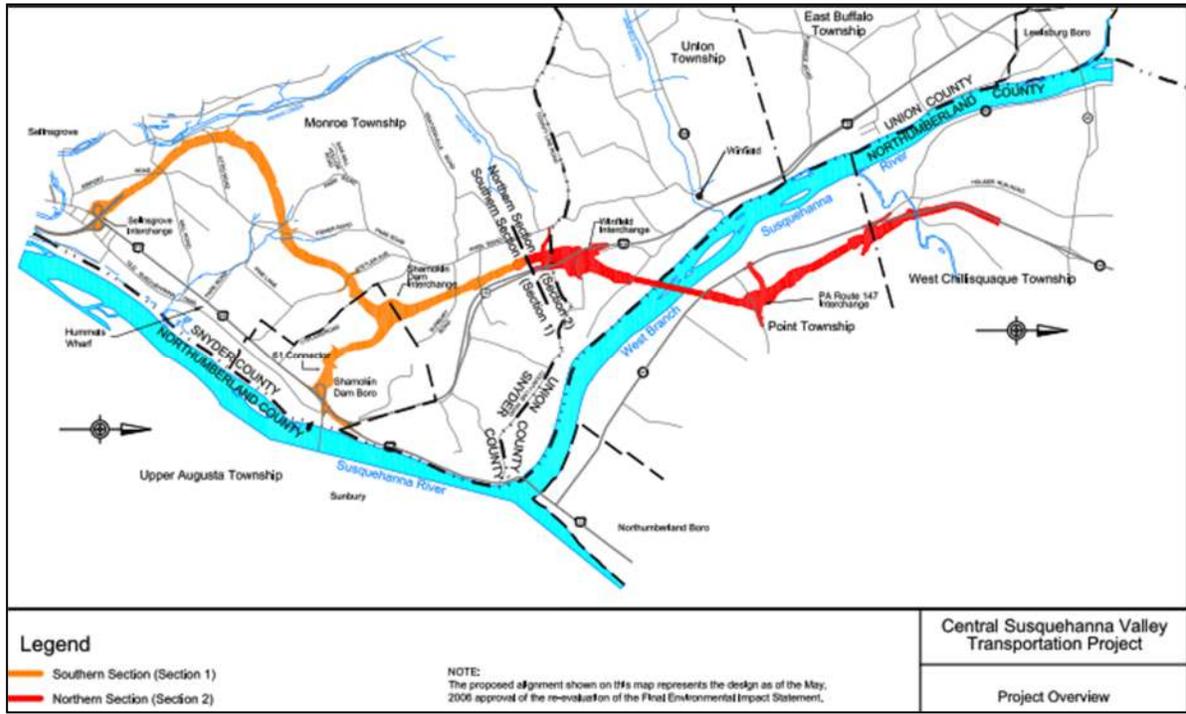
There is currently a large amount of truck traffic along US Route 11/15 in Shamokin Dam/Selinsgrove, Snyder County, Route 147 (Duke Street) in Northumberland Borough, Northumberland County, and on US Route 15 in Lewisburg, Union County. Because of this traffic the long awaited Central Susquehanna Valley Transportation Project (CSVT) is currently under construction. This will ultimately be a 13-mile limited access highway connecting PA 147 to US 11/15 just north of Selinsgrove Borough. It is expected the project will provide a bypass for thru traffic on US Route 15, reducing traffic on Route 15 in Lewisburg, on Route 11/15 in Selinsgrove/Shamokin Dam and on Route 147 in Northumberland. The project is divided into a southern and northern section.

The northern section, which includes a 4,545 foot long bridge across the West Branch of the Susquehanna River, directly connects Route 15 south of Winfield to Route 147 near Montandon. The bridge was completed within the anticipated 155.6 million budget. The bridge is expected to open to the public in 2022 and is currently being used by construction vehicles. A photo of the construction as of summer 2021 and a map of the project is presented following this discussion.

The southern section, between the new Route 15 interchange and the northern end of the Selinsgrove bypass is in its final design. The construction of the southern section of the project has been delayed for several years due to the presence of ash basins where the development was to occur. Approvals have been received to modify the project to avoid those basins. The construction of this section is expected to begin sometime in 2022.

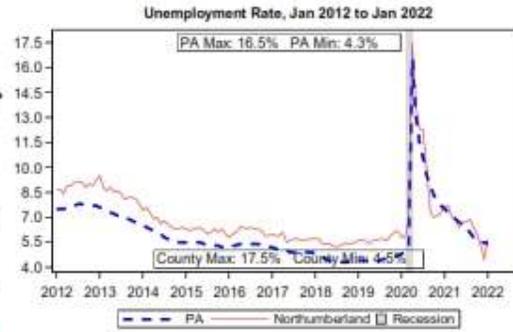
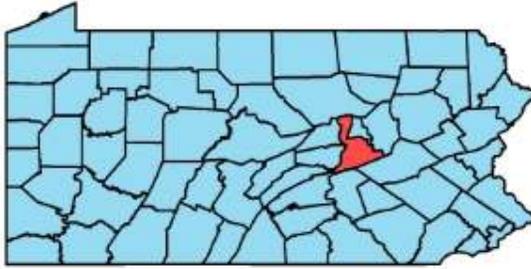


This is a photo looking in the northern direction with the Winfield Interchange visible in the lower right hand corner of the picture. The Ridge Road Interchange is near the center of the photo just across the West Branch of the Susquehanna River.



Northumberland County Profile

March 2022



2019 Population		
Demographic	County	PA
Total Population	91,761	12,791,530

Local Area Unemployment Statistics		
Jan 2022	County	PA
Unemployment Rate	5.7%	5.4%
Labor Force	41,500	6,371,000
Employed	39,100	6,030,000
Unemployed	2,400	341,000

Notes: Current month's data are preliminary. Data are Seasonally Adjusted.

Unemployment Compensation Exhaustees				
Feb 2021 to Jan 2022	Volume		Percent of Total	
	County	PA	County	PA
Natural Resources & Mining	20	1,540	2.0%	1.0%
Construction	120	13,520	11.5%	9.0%
Manufacturing	200	14,800	19.0%	9.5%
Trade, Transportation & Utilities	200	29,160	19.0%	19.0%
Information	0	1,650	0.0%	1.0%
Financial Activities	20	5,840	2.0%	4.0%
Professional & Business Services	120	23,750	11.5%	15.5%
Education & Health Services	160	28,540	15.0%	19.0%
Leisure & Hospitality	140	21,400	13.0%	14.0%
Other Services	30	5,390	3.0%	3.5%
Government	50	5,270	4.5%	3.5%
Info Not Available	0	1,140	0.0%	1.0%
Total	1,060	152,000	100%	100%

Note: Percentages less than 0.5% will be displayed as 0.0%.
Source: Pennsylvania Unemployment Compensation System

Source: U.S. Census 5 Year Estimate 2015-2019 (Tables: DP05 and B01001)

Online Job Postings		
	County	PA
January 2022	155	115,660
January 2021	353	104,346
Annual Volume Change	-198	11,314
Annual Percent Change	-56.1%	10.8%

Source: Burning Glass Technologies Help Wanted OnLine™

2019 Veterans		
	County	PA
Total Veterans	8,543	759,474
Veteran Median Income	\$35,268	\$38,725
Non-Veteran Median Income	\$26,465	\$31,116
Veteran Unemployment Rate	5.4%	4.6%
Non-Veteran Unemployment Rate	4.9%	5.3%

Source: U.S. Census 5 Year Estimate 2015-2019 (Table: S2101)

2019 Resident Income		
	County	PA
Per Capita Income	\$43,289	\$58,032
Total Personal Income (in thousands)	\$3,932,473	\$742,924,296
Total Earnings (in thousands)	\$2,196,085	\$467,779,834
Total Dividends/Interest/Rent (in thousands)	\$615,277	\$131,208,117
Total Transfer Payments (in thousands)	\$1,121,111	\$143,936,345

Source: Bureau of Economic Analysis

Top 10 Employers by Employment in Q3 of 2021	
Weis Markets Inc	
Knoebels Amusement Resort	
State Government	
Conagra Foods	
Northumberland County	
Furman Foods Inc	
Watsonstown Trucking Co Inc	
Geisinger Medical Center	
Cherokee Pharmaceuticals LLC	
Shikellamy School District	

Source: Quarterly Census of Employment and Wages

Center for Workforce Information & Analysis

Quarterly Census of Employment and Wages, 2020 Annual Averages									
NAICS	NAICS Description	Estab.		Employment		Employment %		Wages	
		County	LQ	County	PA	County	PA	County	PA
	Total, All Industries	1,849	1.00	25,654	5,489,656	100.0%	100.0%	\$45,549	\$62,071
11	Agriculture, Forestry, Fishing and Hunting	32	2.90	345	25,441	1.3%	0.5%	\$31,889	\$38,500
21	Mining, Quarrying, and Oil & Gas	10	1.61	169	22,505	0.7%	0.4%	\$53,409	\$88,369
22	Utilities	16	1.75	278	34,019	1.1%	0.6%	\$74,923	\$102,137
23	Construction	148	0.96	1,115	249,632	4.3%	4.5%	\$49,416	\$70,075
31-33	Manufacturing	90	1.65	4,142	538,188	16.1%	9.8%	\$55,552	\$86,967
42	Wholesale Trade	63	0.86	821	204,302	3.2%	3.7%	\$52,217	\$86,362
44-45	Retail Trade	254	1.00	2,651	589,847	10.3%	10.4%	\$29,235	\$33,162
48-49	Transportation and Warehousing	124	1.92	2,778	309,513	10.8%	5.6%	\$51,245	\$52,554
51	Information	17	0.59	240	86,364	0.9%	1.6%	\$40,454	\$105,107
52	Finance and Insurance	74	0.38	474	268,895	1.8%	4.9%	\$58,436	\$103,588
53	Real Estate and Rental and Leasing	34	0.53	154	61,911	0.6%	1.1%	\$39,229	\$68,118
54	Professional and Technical Services	91	0.25	416	361,637	1.6%	6.6%	\$39,897	\$103,752
55	Management of Companies and Enterprises	9	ND	ND	126,974	ND	2.3%	ND	\$139,607
56	Administrative and Waste Services	88	0.42	563	286,444	2.2%	5.2%	\$34,148	\$42,122
61	Educational Services	58	0.91	1,970	463,106	7.7%	6.4%	\$48,496	\$62,215
62	Health Care and Social Assistance	335	0.92	4,497	1,050,527	17.5%	19.1%	\$41,289	\$55,974
71	Arts, Entertainment, and Recreation	20	ND	ND	69,616	ND	1.3%	ND	\$40,214
72	Accommodation and Food Services	180	0.78	1,296	357,118	5.1%	6.5%	\$14,953	\$19,732
81	Other Services (Except Public Administration)	180	1.12	894	171,263	3.5%	3.1%	\$28,157	\$39,485
92	Public Administration	69	1.54	1,691	234,354	6.6%	4.3%	\$50,255	\$66,086
	Total, Suppressed Local Industries	29		1,159		4.5%			
Company Ownership									
	Total, All Ownership	1,849	1.00	25,654	5,489,656	100.0%	100.0%	\$45,549	\$62,071
	Private Ownership	1,696	0.96	21,723	4,830,414	84.7%	88.0%	\$44,729	\$61,976
	Federal Ownership	24	0.35	167	101,283	0.7%	1.8%	\$56,043	\$78,719
	State Ownership	20	1.43	856	128,526	3.3%	2.3%	\$68,013	\$66,625
	Local Ownership	107	1.45	2,908	429,433	11.3%	7.8%	\$44,457	\$57,854

Notes: *Estab. = Establishments. LQ (Location Quotient) is the percent of county employment by sector divided by the percent of PA's employment by sector.

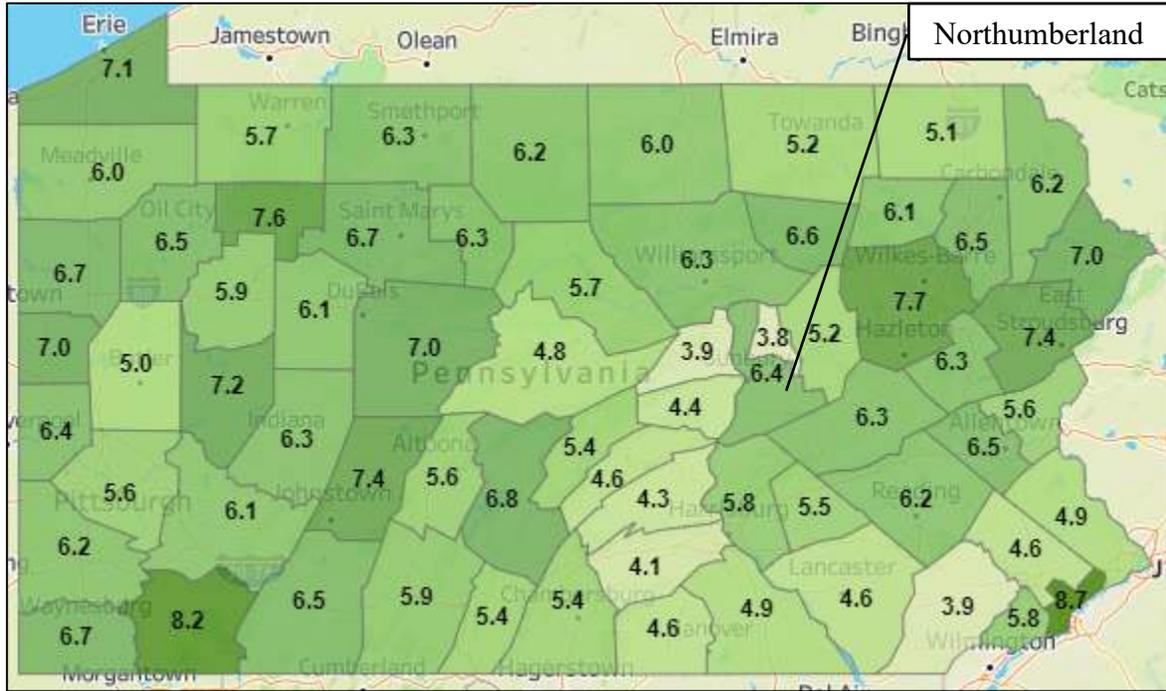
Occupational Wages, 2020 Annual Averages					
SOC Code	Major Occupational Group	Entry-Level Wage		Average Wage	
		County	PA	County	PA
00-0000	Total, All Occupations	\$23,150	\$24,250	\$43,050	\$53,950
11-0000	Management	\$52,960	\$64,660	\$101,590	\$127,660
13-0000	Business & Financial Operations	\$32,010	\$46,690	\$59,450	\$78,750
15-0000	Computer & Mathematical	\$34,300	\$52,000	\$62,400	\$87,970
17-0000	Architecture & Engineering	\$48,600	\$50,300	\$73,040	\$83,300
19-0000	Life, Physical & Social Science	\$39,580	\$41,190	\$66,260	\$75,530
21-0000	Community & Social Services	\$25,410	\$30,970	\$36,770	\$48,360
23-0000	Legal	\$41,940	\$45,780	\$94,140	\$105,870
25-0000	Education, Training & Library	\$23,810	\$30,440	\$43,390	\$63,960
27-0000	Arts, Design, Entertainment, Sports & Media	\$25,130	\$26,650	\$38,180	\$55,550
29-0000	Healthcare Practitioners & Technical	\$38,470	\$41,350	\$74,020	\$80,640
31-0000	Healthcare Support	\$22,660	\$22,730	\$29,140	\$30,250
33-0000	Protective Service	\$37,270	\$24,850	\$59,650	\$50,080
35-0000	Food Preparation & Serving Related	\$17,870	\$18,060	\$24,780	\$26,130
37-0000	Building & Grounds Cleaning & Maintenance	\$19,950	\$21,440	\$27,160	\$31,770
39-0000	Personal Care & Service	\$17,620	\$18,810	\$28,460	\$30,030
41-0000	Sales & Related	\$19,810	\$20,570	\$35,700	\$45,270
43-0000	Office & Administrative Support	\$23,640	\$26,560	\$37,110	\$41,890
45-0000	Farming, Fishing & Forestry	\$22,550	\$21,760	\$33,160	\$36,120
47-0000	Construction & Extraction	\$28,800	\$33,540	\$40,710	\$55,570
49-0000	Installation, Maintenance & Repair	\$27,210	\$31,590	\$41,750	\$52,270
51-0000	Production	\$24,350	\$26,500	\$39,120	\$42,010
53-0000	Transportation & Material Moving	\$26,890	\$23,770	\$40,710	\$37,870

Note: *ND represents Non-Disclosable information.



Website: www.workstats.dli.pa.gov Email: workforceinfo@pa.gov Phone: 877-4WF-DATA

Employment



the recession of 2008. The state and national unemployment rates continued to rise each quarter from late 2008 through the second quarter 2010. From January 2008 to January 2010, the state unemployment rate increased significantly from 4.6% to 8.8%. During the third quarter of 2010, the rates began to fall and continued to fluctuate some until 2013 when the rate steadily declined for 3 years. The unemployment rate for the US continued to decline; however, the PA rate began to increase in March 2016 and still remains higher than the US average. In April 2017, the PA unemployment rate finally reached the pre-recession rate of 4.9%.

In March 2020 the unemployment rate throughout Pennsylvania and the United States as a whole increased significantly due to government mandates which required many businesses to close in mitigation efforts to help stop the spread of SARS-CoV-2 (Covid-19). The state unemployment rate increased to more than 10% during March 2020 and continued to increase in April 2020 to a high of 16.1%. The rate was at record highs for several months but has since declined as more and more businesses have been re-opened. The state unemployment rate as of November 2021 is now 5.7%.

As of November 2021, Chester County has the lowest unemployment rate at 3.1% and Philadelphia County has the highest rate at 6.8%.

Regional Conclusions

Most of the counties in the region have active industrial development boards. The area offers access to utilities that are adequate for many development opportunities. The area is known for its hard-working blue-collar workforce. Northumberland County has historically experienced the least amount of commercial and industrial growth in the region. Average incomes and property values in the county are towards the lower end of the range for the Susquehanna Valley region. This area was significantly impacted by the economic recession as more than 1,600 jobs were lost due to plant closings in 2008/2009. Several more plants closed in 2010 & 2011 adding to this total. Few jobs have been replaced since the economic downturn of 2008/2009.

College opportunities are abundant in the region. Northumberland County offers a satellite office of Luzerne County Community College on the top floor of the Northumberland County Career Center in Shamokin. In Union County, Lewisburg is home to Bucknell University while Susquehanna University is located in Selinsgrove, Snyder County. Columbia County is home to Bloomsburg University. Expanding the region, Williamsport in Lycoming County is home to Lycoming College and the Pennsylvania Area College of Technology. Campuses of Penn State University, including the main campus, are located within driving distance of the region.

Founded in 1915, Geisinger Health System is the most prominent hospital in the region. They provide more than two million people in 31 counties in Pennsylvania a complete continuum of quality health care. The Geisinger Health System enjoys national recognition as a model for quality health service delivery and has been listed in Best Hospitals in America. Geisinger actively seeks medical offices and hospitals to acquire. Since 2011,

they acquired within the market area, Shamokin Area Community Hospital and Bloomsburg Hospital. Geisinger is a major employer in the region. The Elysburg community is located approximately 20 minutes from the main campus of the hospital in Danville. Geisinger continues to acquire property in the regional market. In March 2016, Geisinger purchased the former Paper Magic property in Elysburg containing approximately 264,000 square feet. Geisinger has indicated they intend to utilize the property for warehouse space.

Northumberland County is home to Knoebels Amusement Resort, America's largest free admission amusement park. The park provides attractions for all ages. There are campsites available at the park for overnight stays and Knoebels Three Ponds 18-hole golf course is located just outside the park.

In August 2012, the Sunbury Riverfront project was completed. The Riverfront project included the enhancement of the riverfront area along Front Street in Sunbury. Improvements made included a park with walk paths, riverbank stabilization, an amphitheater, and marina. The project stretches along Front Street between Race and Garringer Streets covering approximately 1.25 miles. The total estimated cost was approximately \$11.0 million.

Northumberland County officials broke ground in 2017 on the renovation of the former Northwestern Academy juvenile detention center in Coal Township to turn it into the new county prison. The center was purchased for \$6.5 million. With extensive renovations and updates completed the final cost of the prison as reported by the County Commissioners was \$32 million. On August 29, 2018 the ribbon was cut on the new Northumberland County Prison. The facility includes 282 beds for both restricted inmate housing and work release housing and also a 65-bed drug rehabilitation facility. In October 2018 all of the inmates were moved to the new facility without incident.

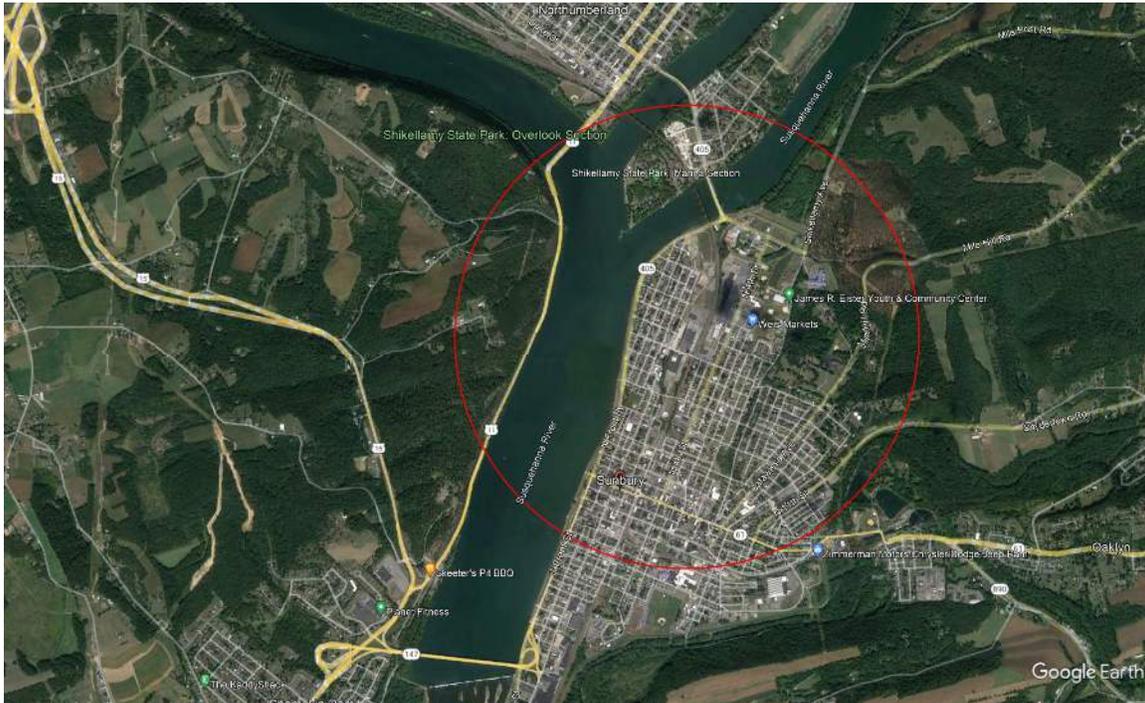
In conclusion, the Susquehanna Valley appears to have a stable population base. The cost of living is moderate in this area when compared to many of the larger surrounding regions and states. The subject region is slow to experience rapid fluctuation in market conditions. I expect slow, but stable growth for the area.

Neighborhood

A neighborhood is described in the *Dictionary of Real Estate Appraisal, Seventh Edition* as “a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.”

Neighborhood Boundaries

The subject is located in the western portion of Northumberland County in the city of Sunbury. The subject neighborhood can be described as incorporating the City of Sunbury. The following map depicts the general neighborhood.



Predominate Land Uses

The subject is located in the main downtown section of Sunbury. The downtown shopping district is approximately seven blocks long. Commercial and mixed-use properties are predominate in the neighborhood.

Population

The Pennsylvania State Data Center & US Census Data

Municipality	Census 2010	Census 2000	Census 1990	Census 1980	Census 1970	% Change 2000 to 2010
Northumberland County	94,528	94,556	96,771	100,381	99,190	0.0
Upper Augusta Township	2,586	2,556	2,681	2,745	2,354	1.2
City of Sunbury	9,905	10,610	11,591	12,292	13,025	-6.6
Point Township	3,685	3,722	3,466	3,338	2,308	-1.0
Lower Augusta Township	1,064	1,079	1,024	983	664	-1.4
Rockefeller Township	2,273	2,221	2,029	1,851	1,312	2.3
Milton Borough	7,042	6,650	6,746	6,730	7,723	5.9

Northumberland County as a whole has seen its population decline over the past ten years. Of the above neighboring areas to Sunbury, only three townships have seen increases. It is expected that this trend will continue, as people tend to move into more rural areas. I do not expect any changes in the subject neighborhood that would adversely affect the population base.

Transportation Systems

There is limited public transportation in the neighborhood. RabbitTransit offers shared ride services with limited hours and specific travel areas requiring a reservation process. Rates are greatly reduced for persons 65 and older and are dependent on the county. The counties serviced through this service include Northumberland, Montour, Perry, Union/Snyder, Franklin, Cumberland, Columbia, York and Adams. A shuttle bus has a route between the Sunbury and Selinsgrove areas. Route 147, Front Street and Route 61 are the most heavily traveled roads in the neighborhood.

Neighborhood Demographics

I have reviewed statistics compiled by the United States Census Bureau which identify the subject property as being within census tract 420970821. The census tract is comprised of a portion of the City of Sunbury. The following data is taken from the FFIEC Geocoding/Mapping System and is based on US Census Data.

FFIEC DEMOGRAPHIC MAP

Neighborhood Conclusions

Sunbury, the county seat, is home to the majority of county employment including many county legislative offices, courthouse employees and health and human services to name a few. The subject is in a section of the city that is predominantly residential. Overall, I view the neighborhood as an average in-town central PA location.

Northumberland County is one of the larger counties in terms of size and population when compared to the other counties that are in the region. The subject neighborhood is at a similar economic level as the surrounding areas. Education levels, incomes and housing values are similar in this area to the county average. The local population is slowly decreasing, as shown in the statistics. Local township and borough governments have had limited success in guiding both residential and commercial development. This area changes little regardless of the positive or negative swings in the market.

The latest development in Sunbury was the Sunbury Riverfront project. The Riverfront project included the enhancement of the riverfront area along Front Street in Sunbury. Improvements made included a park with walk paths, riverbank stabilization, an amphitheater, and marina. The project stretches along Front Street between Race and Garringer Streets covering approximately 1.25 miles. The total estimated cost is approximately \$11.0 million. The project was completed in August of 2012.

In 2020, two major employers have closed their doors within Sunbury. UPMC Susquehanna Sunbury Hospital with 154 employees closed in March 2020. Due to Covid 19, the marketing of the property has been delayed and there have been no interested parties to date. In June 2020, Glen Raven textile manufacturing facility announced their plans to shut the Sunbury plant by the end of August 2020. They had more than 100 employees. Since their closing, the property was subdivided and sold in 2021. The oldest and largest part of the facility containing more than 350,000 square feet was purchased by an industrial hemp manufacturer and the newer section was purchased by Fresh Roasted Coffee who anticipate adding approximately 45 employees. The hemp manufacturer, Sivana Converting, LLC plans to employ approximately 50 people.

Not unlike other small central and northeastern Pennsylvania locations, downtown Sunbury has historically experienced peaks and valleys relating to occupancy, demand and real estate values. Recent sales data indicates market values are flat to declining.

Property Description

Area & Dimensions

The subject site is described as a rectangular tract of land measuring 57.6'x150' containing 8,625 square feet or 0.198 of an acre of land. The subject has 150' frontage along Market Street. A copy of the tax map representing the shape is presented within this report.

Access

Vehicle access is made to the subject from Market Street. Off-street parking is available from Market Street.

Topography

The site is level at street grade.

Site Improvements

The subject site is improved with paved parking with approximately 11 lined spaces. There are concrete sidewalks along Market Street providing access to the entrances. There is mature landscaping.

Utilities

The subject property is serviced by public water, sewer and natural gas. Public telephones and electric are available and present onsite.

Flood Data

I have reviewed Community Panel Number 42097ABCDE FIRM (Flood Insurance Rate Map) of the National Flood Insurance Program prepared by the Federal Emergency Management Agency effective September 16, 2016. The subject property is located in Zone "X500". Flood Zone "X500" is described as "Areas of moderate flood hazard inundated by 0.2% annual chance flood; areas of shallow flooding with average depths of less than one foot or drainage areas less than 1 square mile; and areas protected by levees from 100-year flood." A copy of the flood map is enclosed on the following pages.

Legal Restrictions/Easements

The current deed of record states the following:

TOGETHER with the right to construct and maintain a sewer from the land herein described in a northerly direction over and across other lands adjoining the western line now or formerly of Aftab A. Gazder and Dawn C. Gazder, as reasonably can be done to connect with the sewer in Woodlawn Avenue as provided in a right of easement for sewer agreement between Mary Caroline Packer and J. Simpson Kline, which Indenture is dated March 31, 1920 and recorded May 2, 1921 in Deed Book 197 at Page 38, in the Office for the Recording of Deeds in and for Northumberland County, Pennsylvania.

UNDER AND SUBJECT to that certain easement or right-of-way not to exceed twelve (12) feet in width extending from the present entrance from Market Street across the parking lot of the premises hereby conveyed to the adjoining premises now or formerly of Sally Swope to provide for ingress, egress to and from Market Street and to and from said land of Sally E. Swope; which easement or right-of-way shall be held in common with Sally E. Swope, her heirs, successors and assigns, and the Grantee, his heirs, successors and assigns.

Functional Adequacy

The subject property does not appear to have physical features that adversely affect the functional adequacy of the site.

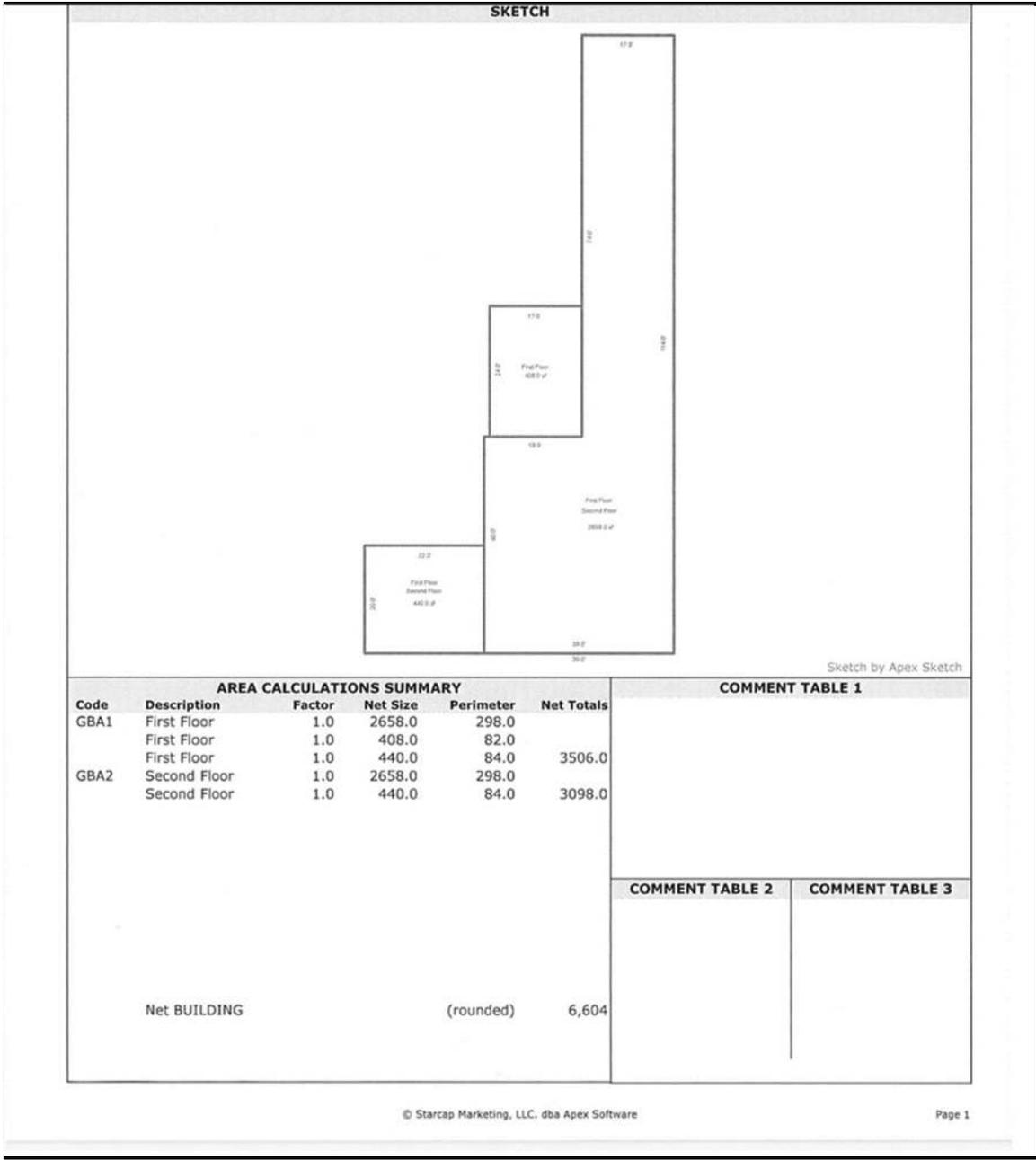
Environmental Data

The estimated value reported herein reflects the total value of the subject property as if unaffected by any potentially hazardous substances. The presence of hazardous substances may have a negative influence on the subject property, but the consideration of the effects of these substances on the value of the subject property is beyond the scope of this appraisal. The client is urged to obtain a Phase I environmental study, if desired.

Subject Property Flood Map

Building Description

Constructed	Older
Design	2-story painted brick office building containing 5,724 square feet with an attached two-story residence measuring 22' x 20' containing 880 square feet.
Gross Building Area	5,724 square feet - Office 880 square feet - Residence 6,604 square feet- Total Gross Building Area
Exterior	
Foundation & Footings	Concrete footings & stone foundations
Exterior Walls	Painted brick
Roof	Office - Composition shingle Residence - Metal
Drainage	Aluminum downspouts and gutters
Interior	
Division of Space	The portion of the office consists of four rooms on the first floor – conference room, two private offices, two restrooms, and work area. The second floor has a large conference room, two rooms, and restrooms.
Interior Finish	
Floor Coverings	Wood floors
Walls	Painted/wallpaper covered walls over plaster
Ceilings	Painted plaster
Mechanical	
Plumbing	Office – (4) 2- fixture baths one on each floor and one sink Residence – (1) 3-fixture bath
Heating/Cooling System	Office – oil radiators and baseboard, 1 built-in a/c Residence - GHA
Heating Fuel	Oil
Utilities	Municipal water and sewer, telephone and electricity
Electric	Ample
Lighting	Fluorescent & incandescent lighting
Other	The office is well maintained. There is a large amount of wood work with many built in shelves and counters. There are five separate entrances to the first floor.



Subject Building Sketch

Subject Property Photos - Addition



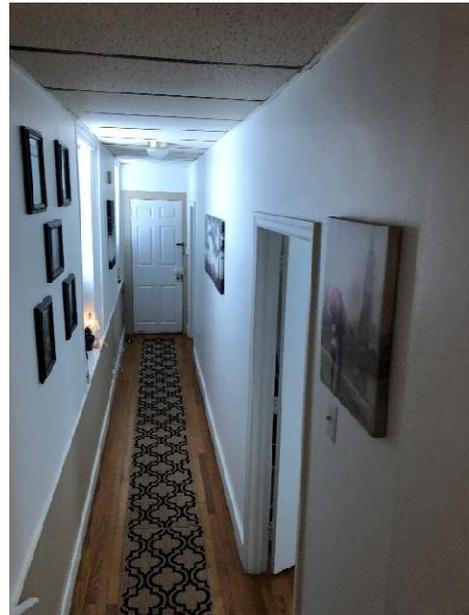
Bathroom



Bathroom



Kitchen



Hallway

Subject Property Photos - Addition



Kitchen



Living Room



Living Room



Bedroom

Subject Property Photos



Bedroom



Bedroom



Conference Room

Exterior

Subject Property Photos



Office



Kitchen



Office



Bathroom

Real Estate Tax & Assessment Data

The Real Estate Tax Assessment, synonymous with assessed value, is the official valuation level of property for ad valorem tax purposes. Since the assessment is a dollar amount assigned to taxable property by the assessor for the purposes at taxation, it may not reflect the independent value conclusions found within this report.

The Northumberland County assessment office identifies the subject as 0001-02-001-002. The current millage equates to a tax rate of \$157.635 per \$1,000 of assessed value for the City of Sunbury. The total tax liability for the subject is as follows:

Tax Parcel	Assessed Value	Millage Rate	Estimated Tax Liability
0001-02-001-002	\$45,400	0.157635	\$7,156.63

The effective tax rate is a measure of property tax potentials in a given political subdivision. The effective tax rate can be derived by multiplying the most recent State Tax Equalization Board Ratio by the total millage. The effective tax rate can be multiplied by any current market value to determine the maximum allowable tax. The data and the effective tax rates are as follows:

City of Sunbury, Northumberland County	
Common Level Ratio	14.0%
Millage Assignments:	
County	30.885
School	95.500
Twtp/Boro	31.250
Total Millage	157.635
Effective Tax Rate	2.207
Example	
Current Market Value	\$100,000
Effective Tax Rate	2.207%
Tax	\$2,207

The current State Tax Equalization Board Ratio is 14.0%. Utilizing the current ratio at the current assessed value, a reflected assessor's market is derived for the subject by the Northumberland County assessment bureau as presented below.

Tax Parcel	Assessed Value	Common Level Ratio	Assessor's Market Value Estimate
0001-02-001-002	\$45,400	14.00%	\$324,286

Subject Property Tax Card & Tax Map

Zoning

Zoning is a function of Government secured by its power to police ownership and use of privately held Real Estate. Generally, zoning looks to the future as a result of planning. The purpose of zoning is to promote and maintain a degree of homogeneity in the use of Real Estate within the confines of a given geographic or political subdivision.

The Dictionary of Real Estate Appraisal, Seventh Edition, defines zoning as “the public regulation of the use of private land through application of police power; accomplished by establishing districts or areas with uniform requirements relating to lot coverage, setbacks, type of improvement, permitted activities, signage, structure height, minimum lot area, density, landscaping, and other aspects of land use and development. Zoning regulations are established by enactment of a local (city, town, or county) zoning ordinance.”

Zoning Designation

The subject is located in the Central Business District of the City of Sunbury. A copy of the zoning regulations and the map can be found on the following pages.

Permitted Uses

Permitted uses in this district include retail stores, personal service shops and department stores, bed and breakfasts, hotels and motels, banks, office, studios, medical centers, specialty shops for custom work and articles to be sold at retail, restaurants, cafes, tearooms, and other places serving food and drink, radio and television studios, assembly halls, post offices, fire halls, libraries, city halls, parks, museums, indoor recreation facilities, private schools, churches, parish houses, and convents, clubs, lodges, and fraternal organizations, signs, uses and building accessory to the permitted uses in this district.

Special Exception Uses

Special exception uses include bus passenger stations and mortuaries/undertaking establishment.

Lot Requirements

There is no limit to lot area and width or coverage. No building shall erected to a height in excess of 110 feet.

Zoning Conclusions

The subject use is a legally permissible use. The continued uninterrupted use of the subject is legally permissible.

§ 175-42 **Purpose.**

The purpose of the CB Central Business District is to identify and to preserve the central business district; to encourage the orderly development of commercial and personal service uses normally associated with a central business district; to establish standards designed to promote commercial activity; to reduce congestion on the streets; to reduce fire and safety hazards and otherwise to create conditions conducive to the carrying out of the overall purposes and intent of this chapter.

§ 175-43 **Permitted uses.**

A building may be used, erected or altered and a lot may be used for any of the following purposes:

- A. Retail stores, personal service shops and department stores, bed-and-breakfasts, hotels and motels, but excluding adult-oriented businesses.
[Amended 6-25-2007]
- B. Banks, offices, studios, medical centers and uses of a similar character.
- C. Specialty shops for custom work and articles to be sold at retail on the premises, such as baking, confectionery, dressmaking, printing, tailoring and similar shops and services.
- D. Restaurants, cafes, tearooms and other places serving food and drink.
- E. Radio and television studios.
- F. Assembly halls, post offices, fire halls, libraries, City halls, parks, museums and similar uses.
- G. Indoor recreation facilities, such as theaters, billiard or pool parlors and bowling alleys.
- H. Private schools.
- I. Churches, parish houses and convents.
- J. Clubs, lodges and fraternal organizations.
- K. (Reserved)^[1]
[1] *Editor's Note: Former Subsection K, concerning multifamily dwellings and apartments, was repealed 8-26-2002.*
- L. Signs, when erected and maintained in accordance with the provisions of Article XIII.
- M. Uses and buildings accessory to the permitted uses in this district.

Zoning Regulations

§ 175-44 **Area regulations.**

- A. Lot area and width. There shall be no limit to lot area and width.
- B. Lot coverage. There shall be no limit to lot coverage.
- C. Yards. Yard areas are not required.

§ 175-45 **Building height.**

No building shall be erected to a height in excess of 110 feet.

§ 175-46 **Off-street parking and loading spaces.**

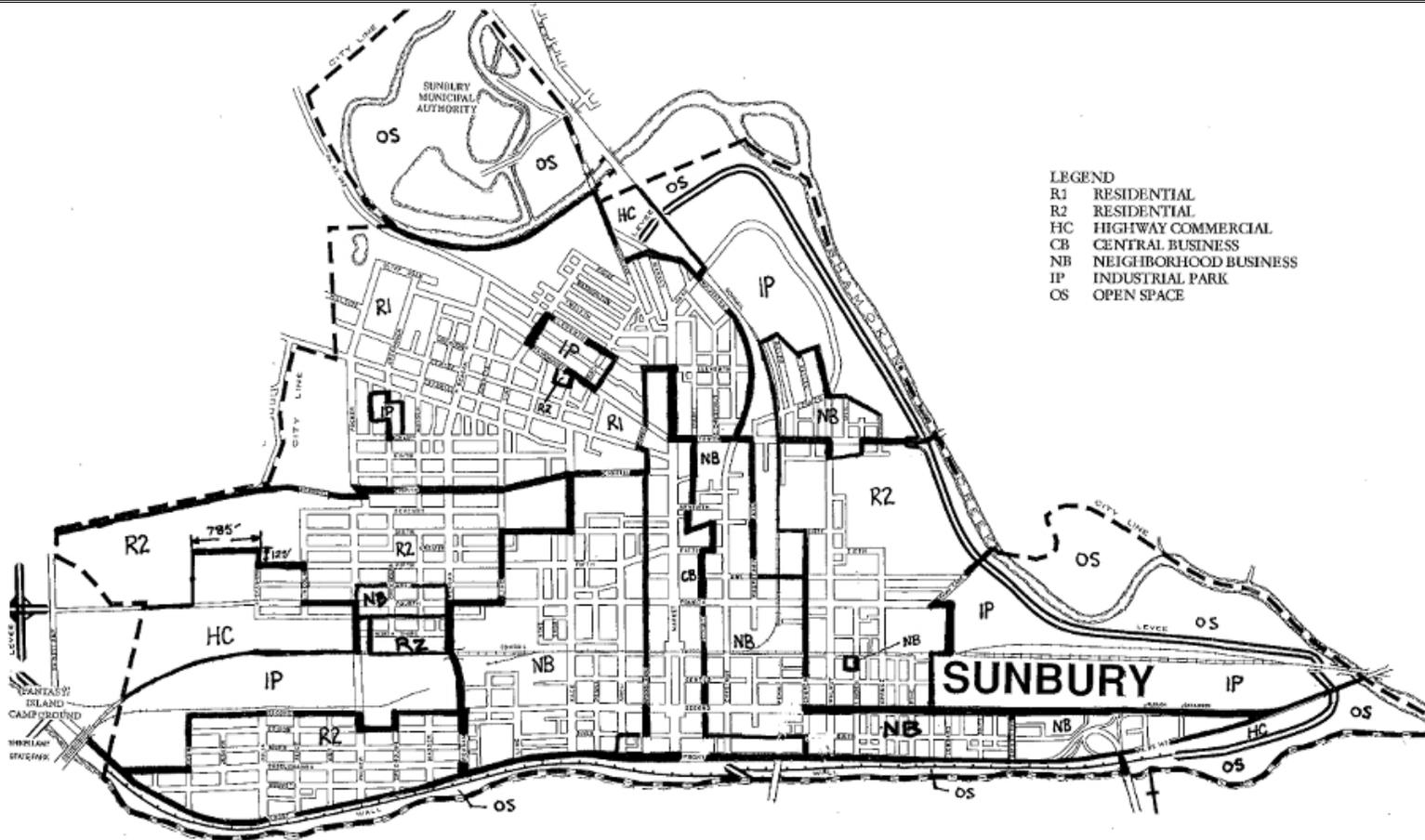
- A. Off-street parking facilities are required for hotel, bed-and-breakfast, residential and similar lodging uses according to the provisions of Article **XIV**. However, there are no off-street parking requirements for the other uses permitted in this district. [Amended 2-13-2017]
- B. Loading space shall be provided for all new construction according to the provisions of Article **XV**.

§ 175-47 **Special exception uses.**

The following uses may be approved as a special exception by the Zoning Hearing Board in accordance with the procedures outlined in Article **XVI**:

- A. Bus passenger stations.
- B. Mortuaries and undertaking establishments.
- C. Hotels and motels.

Zoning Regulations



REVISED 2003 ZONING MAP
 CITY OF SUNBURY, NORTHUMBERLAND COUNTY, PENNSYLVANIA

2011 REVISIONS

Zoning Map

Office
 123 Market Street, City of Sunbury
 Northumberland County, PA 17801

Highest and Best Use

Highest and Best use is a valuation concept that infers an investigation into all possible uses of the land as though vacant and as improved if it is not vacant. Highest and Best use may be defined as the reasonable and probable use that supports the highest present value, as defined, as of the date of the appraisal. This definition usually refers to the highest and best use of an improved parcel. When evaluating the highest and best use of a vacant parcel or the value of the land as though it were vacant, the following definition can apply: The use, from among reasonably probable and legal alternative uses found to be physically possible, appropriately supported, financially feasible, and that results in the highest present use of the land. It is possible to generate two different highest and best uses of a parcel of real estate. There could be one highest use for the property as improved and one highest use as though vacant.

Highest and best use as though vacant:

The subject site is described as a rectangular tract of land measuring 57.6'x150' containing 8,625 square feet or 0.198 of an acre of land. The subject has 150' frontage along Market Street. The site is level at street grade and has access to all public utilities. The subject is located in an area zoned Central Business zoning district. Permitted uses in this district a variety of commercial uses such as retail, restaurants, and offices. There are no minimum lot size requirements in this district. The site is capable of development. Similar sites in the area are improved with single family residential uses, multi-family conversions, and office uses. Office uses have proven to be financially feasible in this general location. In my opinion, there are relatively few investors building new homes in the City of Sunbury. For this reason the most probable use that is also physically possible, legally permissible, and financially feasible is commercial office use. Thus, it is my opinion that the highest and best use of the subject as vacant and available is for professional office use.

Highest and best use as improved:

The property is improved with a 2-story painted brick office building with an addition containing 5,724 square feet. There is an attached 2-story residence containing 880 square feet. The improvements do exist, proving they are physically possible. The subject improvements are utilized as a professional office with a second floor apartment. The subject use is legally permissible. The improvements lend themselves well to their current use. This use has proven itself financially feasible. The subject's current use is a legally permissible use in the Central Business zoning district. The improvements in place best lend themselves to continued office/apartment use. As the subject currently exists, continued office/apartment use is the most probable, most financially feasible use of the improvements. There is no alternate use of the existing improvements that would be more marketable or result in a greater market value. My opinion of highest and best use is for continued office/apartment use.

Valuation Premise

The valuation of real estate is, essentially, the valuation of the rights inherent to the ownership of property. Value can be defined as the present worth of future benefits. In real estate, these benefits are measured in terms of current dollars. The valuation approaches are based upon sound economic principles, as they relate directly to real estate. There are three traditional approaches to value of real estate. They are:

- The Cost Approach
- The Income Approach
- The Sales Comparison Approach

The Cost Approach

In this approach, the improvements are replaced as if new, and any applicable depreciation is deducted to arrive at a net improved value. To this is added to the value of the land and any site improvements or allied appurtenances, in order to arrive at a value estimate.

The Income Approach

This approach relates the net operating income, after all expenses, into a valuation estimate by capitalizing this income by an appropriate rate as derived from a market study of similar or competing properties.

The Sales Comparison Approach

This approach is a technique of finding sales of similar properties and carefully analyzing and comparing them by virtue of their minor differences and major similarities into an indication of value for the appraised property.

Sales Comparison Approach

Sales comparison approach is defined as: *“The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.” (The Dictionary of Real Estate Appraisal, 7th Edition)*

Elements of comparison is defined as: *The characteristics or attributes of properties and transactions that cause the prices of real property to vary; include real property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, physical characteristics, and other characteristics such as economic characteristics, use, and non-realty components of value. (The Dictionary of Real Estate Appraisal, 7th Edition)*

In the sales comparison approach, the value of a property is estimated by comparing it with similar, recently sold properties in the surrounding or competing area. Inherent in this approach is the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set by the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

Through the analysis of sales of verified arm’s-length transactions, market value and price trends are identified. The sales utilized are comparable to the subject in physical, functional, and economic characteristics. The basic procedure is as follows:

1. Identify the most recent relevant sales from which to select and analyze truly comparable sales, with consideration given to the date of sale.
2. Identify any changes in economic conditions between the date of sale and the date of value.
3. Consider the cash equivalent price for any sale that includes favorable financing if applicable.
4. Reduce the sale price to a unit of comparison such as the sale price per square foot or sale price per unit.
5. Consider appropriate adjustments to the prices of the comparable sale properties for differences in the relevant elements of comparison.
6. Interpret the results to derive a value indication from the sales comparison approach.

The following grid summarizes the comparable sales presented on the following pages.

SALES SUMMARY TABLE

No.	Location	Sale Date	Price	Building Size (SF)	Price/SF
1.	20 South Market Street, Selinsgrove Borough, Snyder County, PA	06/28/2018	\$200,000	4,032	\$49.60
2.	28 N Market St, Selinsgrove Borough, Snyder County, PA	08/01/2019	\$300,000	5,464	\$54.90
3.	120 Main Street, Watsonstown Borough, Northumberland County, PA	05/30/2019	\$280,000	7,740	\$36.18
4.	100 North 3rd Street, City of Sunbury, Northumberland County, PA	10/09/2020	\$450,000	8,856	\$50.81
5.	214 Market St & Woodlawn Ave, City of Sunbury, Northumberland County, PA	07/09/2019	\$200,000	4,083	\$48.98

Significant research has been completed in this market with respect to sale transactions of similar properties. The following map represents the locations of the most comparable sales relative to the market area and the subject property.



Improved Sale No. 1



Improved Sale No. 1 (Cont.)

Property Identification

Record ID 13385
Property Type Commercial, Retail/Apartment
Property Name Commercial with Apartment
Address 20 South Market Street , Selinsgrove, Snyder County,
Pennsylvania 17870
Location Selinsgrove Borough
Tax ID 15-07-139
Latitude, Longitude W40.799060, N-76.862250

Sale Data

Grantor Central PA Enterprise
Grantee Breckson One, LL
Sale Date June 28, 2018
Deed Book/Page 1153-532
Property Rights Fee Simple
Conditions of Sale Arm's length
Financing Cash
Sale History Sold 6/2017 for \$165,000
Verification Other sources: Tax Card, Confirmed by Richard Drzewiecki

Sale Price \$200,000
Cash Equivalent \$200,000

Land Data

Land Size 0.077 Acres or 3,360 SF
Zoning Central Business District
Topography Generally level
Utilities Public water and sewer, natural gas, electric and telephone
available
Dimensions 21 x 160
Shape Rectangular
Flood Info Flood Zone C

Indicators

Sale Price/Gross SF \$49.60
Floor Area Ratio 1.20
Land to Building Ratio .83:1

Remarks

1st floor store front, 2nd floor apartment

Improved Sale No. 2



Property Identification

Record ID	13413
Property Type	Commercial , Retail
Property Name	Kleinbauer's
Address	28 N Market St, Selingsrove, Snyder County, Pennsylvania 17870
Location	Selingsrove Boro
Tax ID	15-07-194
Latitude, Longitude	W40.800220, N-76.861940

Sale Data

Grantor	Joe W. Kleinbauer
Grantee	Crusader Ventures, LLC
Sale Date	August 01, 2019
Deed Book/Page	1191/687
Property Rights	Fee Simple
Conditions of Sale	Arms Length
Financing	Conventional
Verification	Other sources: STEB, GIS, Tax Card, MLS

Improved Sale No. 2 (Cont.)

Sale Price \$300,000
Cash Equivalent \$300,000

Land Data

Land Size 0.189 Acres or 8,250 SF
Front Footage 55 ft Market St;
Zoning CBD, Central Business District
Topography Generally Level
Utilities All Public
Shape Rectangular
Flood Info Zone X

General Physical Data

Building Name J. Kleinbauer
Building Type Single Tenant
Gross SF 5,464

Construction Type Brick
Roof Type Shingle
Stories 2
Year Built 1870 Remod. 1970

Indicators

Sale Price/Gross SF \$54.90
Floor Area Ratio 0.66
Land to Building Ratio 1.51:1

Remarks

Two story brick building consisting of 5,464 square feet. This is the former Kleinbauer Men's clothing store. MLS states "The hallmark retail corner of the Selinsgrove Business District with great visibility wonderful craftsmanship, Ewing remodeled, off street parking, fully finished working/storage lower level. You can live on the 2nd floor. Full working plans available for a 3 BR, 2 bath, luxury apartment. Possibilities are for 2-3 separate uses on the first floor." There are 10 paved and lined parking spaces at the rear of the building.

Improved Sale No. 3



Improved Sale No. 3 (Cont.)

Property Identification

Record ID 13419
Property Type Commercial, Office
Property Name Phoenix Physical Therapy
Address 120 Main Street , Watsontown, Northumberland County, Pennsylvania 17777
Location Watsontown Boro
Tax ID 060-01-001-121-A
Latitude, Longitude W41.082060, N-76.860970

Sale Data

Grantor Buck, Norman E/ Nancy J
Grantee Granato Group LLC
Sale Date May 30, 2019
Deed Book/Page 2926-337
Property Rights Fee Simple
Conditions of Sale Arms Length
Financing Conventional
Verification Other sources: GIS, Tax Card, STEB, Confirmed by Richard Drzewiecki

Sale Price \$280,000
Cash Equivalent \$280,000

Land Data

Land Size 0.203 Acres or 8,864 SF
Front Footage 32 ft Main Street;
Zoning CC, Central Commercial
Topography Level
Utilities All public
Shape Rectangular
Flood Info Front Half along main Street X500& rear X

General Physical Data

Building Name Phoenix/Apartments
Building Type Single Tenant
Gross SF 7,740

Area Breakdown

2 story section	1,080
3 story section	3,780
3 story section rear	2,880

Construction Type Brick
Stories 3

Improved Sale No. 3 (Cont.)

Indicators

Sale Price/ SF	\$36.18
Floor Area Ratio	0.87
Land to Building Ratio	1.15:1

Remarks

Phoenix Therapy office and apartment building contains 2 and 3 story sections. This building has 7,740 square feet of office and apartment space with off street parking.

Improved Sale No. 4



Office
123 Market Street, City of Sunbury
Northumberland County, PA 17801

Improved Sale No. 4 (Cont.)

Property Identification

Record ID 13765
Property Type Commercial , Office
Property Name Woodring Station Offices
Address 100 North 3rd Street, Sunbury, Northumberland County,
Pennsylvania 17801
Location City of Sunbury
Tax ID 047-01-002-123
Latitude, Longitude W40.863590, N-76.791850

Sale Data

Grantor 100 North Third Street Sunbury LLC
Grantee Sunbury Station, LLC
Sale Date October 09, 2020
Deed Book/Page 3032-59
Property Rights Fee Simple
Conditions of Sale Arms Length
Financing Cash at settlement
Verification Realtor; August 19, 2020; Other sources: Prior services, Site
visit, Confirmed by Dean LaCrosse
Sale Price \$450,000
Cash Equivalent \$450,000

Land Data

Land Size 0.589 Acres or 25,657 SF
Front Footage 485 ft 3rd Street; 60 ft Arch Street;
Zoning NB, Neighborhood Business
Topography Level
Utilities All public utilities
Shape Rectangular
Flood Info Zone X500

General Physical Data

Building Type Single Tenant
Gross SF 8,856

Area Breakdown

1st Floor	3,888
2nd Floor	3,888
3rd Floor	1,080

Construction Type Brick
Roof Type Composition shingle
Electrical 5 separate meters
HVAC 3 Trane HVAC units
Stories 3
Year Built 1872

Improved Sale No. 4 (Cont.)

Indicators

Sale Price/Gross SF	\$50.81
Floor Area Ratio	0.35
Land to Building Ratio	2.9:1

Remarks

The building was constructed in 1872 as a railroad station and is listed on the National Register of Historic Places. The building was extensively renovated and converted for office use in 1992 and additional renovations were made in 1999. The building is suitable for single or multi-tenant use. The site includes 39 paved and lined parking spaces.

Improved Sale No. 5



Property Identification

Record ID	14231
Property Type	Commercial, Office
Property Name	Office
Address	214 Market St & Woodlawn Ave, Sunbury, Northumberland County, Pennsylvania 17801
Location	City of Sunbury
Tax ID	046-02-001-050, 046-02-001-051 and 046-02-001-051-A
Latitude, Longitude	W40.862660, N-76.794180

Sale Data

Grantor	Woodring Associates LTD
Grantee	Jo & CO LLC
Sale Date	July 09, 2019
Deed Book/Page	2935-540
Conditions of Sale	Arms Length
Financing	Cash at Settlement
Verification	Other sources: STEB, tax cards, Confirmed by Richard Drzewiecki

Improved Sale No. 5 (Cont.)

Sale Price \$200,000
Cash Equivalent \$200,000

Land Data

Land Size 0.156 Acres or 6,795 SF
Zoning CB, Central Business
Topography Generally level
Utilities All public
Shape Rectangular
Flood Info X500

General Physical Data

Building Name Mixed
Building Type Single Tenant
Gross SF 1,620
Area Breakdown 1st floor 1,020
 2nd floor 600
Stories 1&2
Year Built Est. Early 1900s

General Physical Data

Building Name Mixed
Building Type Single Tenant
Gross SF 2,463
Stories 3
Year Built Est. Early 1900s

Summary for Multiple Buildings

<u>Building Name</u>	<u>Construction Type</u>	<u>Year Built</u>	<u>Gross Sq. Ft.</u>	<u>Sq. Ft.</u>	<u>No. Stories</u>	<u>Avg. Fl. Ht.</u>
Mixed			1,620		1&2	
Mixed			2,463		3	
Gross SF			4,083			

Indicators

Sale Price/Gross SF \$48.98
Floor Area Ratio 0.60
Land to Building Ratio 1.66:1

Remarks

3-story mixed use 2,463 square feet building with office and apartments and a 2-story mixed use 2,463 square feet building.

Comparable Improved Sale Grid 1 of 2

	Subject	Sale 1		Sale 2		Sale 3	
Property Name	Downtown Commercial/ Apartment Building	Commercial w/Apartment		Former Kleinbauer's		Phoenix Physical Therapy	
Reference Number	N/A	13385		13413		13419	
Address	123 Market Street	20 S. Market Street		28 N. Market Street		120 Main Street	
Location	City of Sunbury	Selinsgrove Borough		Selinsgrove Borough		Watsonstown Borough	
City	Sunbury	Selinsgrove		Selinsgrove		Watsonstown	
County	Northumberland	Snyder		Snyder		Northumberland	
State	PA	PA		PA		PA	
Grantor	Robert Rocket	Central PA Enterprise		Joe W. Kleinbauer		Norman E & Nancy J Buck	
Grantee		Breckson One, LL		Crusader Ventures, LLC		Granato Group LLC	
Sale Date		Jun-18		Aug-19		May-19	
Sale Price	N/A	\$200,000		\$300,000		\$280,000	
Transactional Adjustments							
Interest Conveyed	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Conventional	Cash		Conventional		Conventional	
Conditions of Sale	Arms Length	Arm's length		Arm's length		Arms Length	
Expenditures Made Immediately Subsequent to the Sale	None	None		None		None	
Market Conditions	Mar-22	Jun-18	\$22,159	Aug-19	\$23,400	May-19	\$23,290
Subtotal			\$22,159		\$23,400		\$23,290
Adjusted Price			\$222,159		\$323,400		\$303,290
Price/SqFt of Improvements			\$55.10		\$59.19		\$39.18
Location	Market St., Sunbury, Northumberland County, PA	Market St, Selinsgrove, Snyder County, PA	-20%	Market St, Selinsgrove, Snyder County, PA	-20%	Main St, Watsonstown, Northumberland County, PA	0%
Physical Adjustments							
Size Marketability/Gross Building Area Above Grade (square feet)	6,604	4,032	0%	5,464	0%	7,740	0%
Building Quality/Condition/ Finish	1st floor 3,506 sf 2 commercial units, Unit 1 - Office & Unit 2 -Office; 2nd floor 3,098 sf law office & apartment; 3rd floor storage	1st floor retail, 2nd floor apartment	0%	1-story facility utilized for retail	-10%	2 & 3-story with office and apartments	0%
Age of Improvements	Older	Old		1870		Old, renovated	
Functional Utility	Average	Average		Average		Average	
Access To Utilities	All public	Similar		Similar		Similar	
Total Site Size (acres)	0.198	0.077	0%	0.189	0%	0.203	0%
Land to Building Ratio (1:_)	1.3	0.8		1.5		1.1	
Flood Zone	X500	Zone C		Zone X		Front half along Main St X500 and rear X	
Zoning	Central Business District	Central Business District		Central Business District		Central Commercial	
Topography	Generally level at street grade	Generally level		Generally level		Level	
Parking	Paved parking in rear	Public parking	5%	10 paved & lined parking spaces in rear	0%	Offstreet parking	0%
Overall Adjustment			-20%		-30%		0%
Adjusted Unit Rate	\$43.16		\$44.08		\$41.43		\$39.18
Indicated Subject Value Before	\$285,000		\$291,099		\$273,612		\$258,776

Comparable Improved Sale Grid 2 of 2

	<i>Subject</i>	<i>Sale 4</i>		<i>Sale 5</i>	
Property Name	Downtown Commercial/ Apartment Building	Woodring Station Offices		Office	
Reference Number	N/A	13765		14231	
Address	123 Market Street	100 N 3rd Street		214 Market St & Woodlawn Ave	
Location	City of Sunbury	City of Sunbury		City of Sunbury	
City	Sunbury	Sunbury		Sunbury	
County	Northumberland	Northumberland		Northumberland	
State	PA	PA		PA	
Grantor	Robert Rocket	100 North Third Street Sunbury LLC		Woodring Associates LTD	
Grantee		Sunbury Station, LLC		Jo & COLLC	
Sale Date		Oct-20		Jul-19	
Sale Price	N/A	\$450,000		\$200,000	
Transactional Adjustments					
Interest Conveyed	Fee Simple	Fee Simple		Similar	
Financing Terms	Conventional	Cash at Settlement		Cash at Settlement	
Conditions of Sale	Arms Length	Arms Length		Arms Length	
Expenditures Made Immediately Subsequent to the Sale	None	None		None	
Market Conditions	Mar-22	Oct-20	\$19,011	Jul-19	\$15,978
Subtotal			\$19,011		\$15,978
Adjusted Price			\$469,011		\$215,978
Price/SqFt of Improvements			\$52.96		\$52.90
Location	Market St., Sunbury, Northumberland County, PA	3rd St, Sunbury, Northumberland County, PA	0%	Market St & Woodlawn Ave, Sunbury, Northumberland County, PA	0%
Physical Adjustments					
Size Marketability/Gross Building Area Above Grade (square feet)	6,604	8,856	0%	4,083	0%
Building Quality/Condition/ Finish	1st floor 3,506 sf 2 commercial units, Unit 1- Office & Unit 2 -Office; 2nd floor 3,098 sf law office & apartment; 3rd floor storage	Former railroad station converted to office use	-15%	3-story office & apartments, 2-story mixed use building	-15%
Age of Improvements	Older	1872, renovated		Old	
Functional Utility	Average	Average		Average	
Access To Utilities	All public	Similar		Similar	
Total Site Size (acres)	0.198	0.59	0%	0.16	0%
Land to Building Ratio (1:_)	1.3	2.9		1.7	
Flood Zone	X500	X500		X500	
Zoning	Central Business District	Neighborhood Business		Central Business	
Topography	Generally level at street grade	Level		Generally level	
Parking	Paved parking in rear	39 paved & lined parking spaces	-10%	Public parking	5%
Overall Adjustment			-15%		-15%
Adjusted Unit Rate	\$43.16		\$45.02		\$44.96
Indicated Subject Value Before	\$285,000		\$297,284		\$296,932

Office
123 Market Street, City of Sunbury
Northumberland County, PA 17801

Sales Comparison Approach Summary

In forming an opinion of the value of the subject in the sales comparison approach, I selected the best closed sales in the Sunbury market and surrounding communities. I selected the best comparable sales of reasonably similar properties. The sale prices of the comparable sales range from \$200,000 to \$450,000. The sales range in size from 4,032 square feet to 7,740 square feet of gross building area reflecting unit rates from \$36.18 per square foot to \$54.90 per square foot of gross building area. I completed my analysis on the indicated price per square foot this is a commonly applied, industry accepted method of comparison and is considered most appropriate in this assignment. The following is a summary of the adjustments made in the grid on the previous page. I will begin by explaining adjustments that were made to all or the majority of the sales. This will be followed by a discussion of each sale and any additional adjustments made in my analysis.

Adjustments have been made to recognize market appreciation taking place during. It is reasonable and appropriate to apply an adjustment of 3 percent annually to all sales to recognize market appreciation from the date of each sale to the effective date of this appraisal.

The first adjustment made was for location. Comparable sales one and two are located on Market Street in Selinsgrove, Snyder County, which is a superior location. Negative adjustments were made to these two sales for this superior characteristic. No adjustments were made to comparable sales three, four, and five as they similar in terms of location.

The second adjustment was made for building quality/condition/finish/age of improvements. Comparable sales two, four, and five are superior in terms of this characteristic and negative adjustments were made. No adjustments were made to sales one or three as they similar in this characteristic.

The third adjustment was made for parking. Comparable sales one and five have public parking and positive adjustments were made for this inferior characteristic. Comparable sale four has ample paved parking and a negative adjustment was made for this superior characteristic. Comparable sales two and three are similar in this characteristic.

As adjusted, the sales indicate a range of unit rates from \$39.18 per square foot to \$45.02 per square foot. When applied to the subject a range of market value from \$258,776 to \$297,284. I have placed similar weight on all of the comparable sales.

Based on the data collected and presented herein, I am of the opinion that the sales comparison approach yields an indication of market value for the subject property as of the effective date of this appraisal of:

MARKET VALUE OF THE FEE SIMPLE INTEREST

\$285,000

TWO HUNDRED EIGHTY-FIVE THOUSAND DOLLARS

Income Capitalization Approach

Capitalization Premise

Capitalization in Real Estate Terminology is the process by which an income projection is converted into an indication of value. The element that transforms the income projection is a rate that reflects the return necessary to attract investment capital. The process of Income Capitalization generally reflects the principle of anticipation. Thought of as the present worth of an anticipated future benefit, anticipation follows a pattern similar to investor thinking and motivation.

Direct capitalization and yield capitalization are two generally accepted capitalization methods. Direct capitalization is the method used to convert an estimate of a single year's income expectancy or an annual average of several years' income expectancies into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor.

Yield capitalization is the capitalization method used to convert future benefits to present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate.

Direct Capitalization utilizing an overall capitalization rate derived by use of the Band of Investment technique will be presented. In my opinion, direct capitalization is the most appropriate method in determining my opinion of market value for the subject.

Direct Capitalization Technique

The following steps are to be utilized in this technique:

1. Project a net operating income attributable to the real estate. This may be defined as the remaining income after subtracting vacancy losses and operating expenses from the gross potential income.
2. Select Capitalization Rate by the employment of market derived rates.
3. Capitalize the projected Net Operating Income by the rate selected.

Step 1 – Project a Net Operating Income

The subject is an office building that was most recently owner occupied with an attached two-story residence.

Presented below are comparable rents for the commercial space.

Comparable Rents					
Comp #	Property Type	Address	Square Feet	Rent Per SF	Monthly Rent
1	Office	2nd Street	1,279	\$12.20	
2	Office	Airport Rd	3,800	\$7.90	
3	Office	Main St	1,555	\$6.17	
5	3-BR	Washington Blvd	1,280		\$1,100.00
6	3-BR	Broad St	1,450		\$1,150.00
7	4-BR	Main St	1,800		\$1,300.00

Conclusion of Market rent

Based upon the data presented above, I have applied the following rents as shown in the table below.

Appraiser's Opinion of Potential Gross Rental Income

				Appraiser's Stabilized Projections	
Income			Per Month		
1st Floor Main, General Office	3,066	\$9.00	\$2,299.50	\$27,594	
2nd floor, Apartment & Office	2,658	\$5.42	\$1,200.00	\$14,400	
1st and 2nd Floor Office	880	\$6.50	\$476.67	\$5,720	
	6,604				
Potential Gross Income				\$47,714	

Now that I have formed an opinion of market rent and potential gross rental income, I will present my income and expense analysis.

Income & Expense Data					
				Appraiser's Stabilized Projections	
Income			Per Month		
1st Floor Main, General Office	3,066	\$9.00	\$2,299.50	\$27,594	
2nd floor, Apartment & Office	2,658	\$5.42	\$1,200.00	\$14,400	
1st and 2nd Floor Office	880	\$6.50	\$476.67	\$5,720	
	6,604				
Potential Gross Income				\$47,714	
Vacancy and Collection Loss				\$4,771	10%
Effective Gross Income				\$42,943	
Operating Expenses					
Professional Services				\$250	0.58%
Management Expenses				\$2,577	6.00%
Advertising Expense				\$100	0.23%
Insurance	Allocation			\$1,800	4.19%
Heat - Provided by Owner in Rent				\$2,500	5.82%
Water / Sewer				\$1,600	3.73%
Real Estate Taxes				\$0	0.00%
Maintenance				\$2,500	5.82%
Reserves				\$1,000	2.33%
Total Expenses				\$12,327	28.70%
Net Operating Income				\$30,616	71.30%

Income & Expense Summary

I have discussed historic operating data with the property owner. Estimates were based on data collected from prior assignments. The expenses provided appear reasonable and market oriented.

Vacancy and Collection Loss

The subject is currently fully occupied. The residential apartment market in Sunbury is good. While the commercial rental market is not as strong, the subject's commercial space is well located. At my opinion of market rent an overall vacancy rate of 10 percent is reasonable.

Real Estate Taxes

The real estate tax expense was calculated by a review of assessment records and the millage rates currently in place. This topic is thoroughly covered earlier within this report. The actual level was allocated and later removed to develop net exclusive of real estate tax. Actual taxes were not used as a direct expense but were considered in the overall rate. This is typically known as "loading the cap rate" which is simply adding the effective tax rate to the estimated capitalization rate and not taking real estate taxes as an expense item.

Insurance

The insurance expense is estimated at approximately \$1,800 annually. This is in line with data collected from prior assignments.

Management

It is typical in the local market for properties of this size to be managed by the property owner. In these situations, the expense for management expense can be looked at as an additional source of income. An allocation for management is included in my analysis to account for the expense if owner management was not available to, or capable of, providing this service.

Most property managers in the local market are full service real estate companies who also provide management for investment properties as a sideline. A property of this type requires commercial management skills fees range between four percent and ten percent of collected income.

It is essential to have aggressive management to avoid excessive rent and collection losses. I have allocated and applied a market oriented management expense of 6 percent to cover both onsite and offsite management.

Utilities

Water/Sewer

Water and sewer rates in the city are based on usage. Based upon my discussion with the property owner, I have made an allocation of \$1,600.

Heat

The property is heated with gas fired hot water. My analysis is completed with the owner being responsible for the heating expense. Based on data collected from prior assignments, I have made an allocation of \$2,500 annually.

Repairs and Maintenance

Based upon discussions with the property owner, I have made my allocation at \$2,500 annually.

Reserves

Reserves for replacement is an allocation to replace both short (appliances) and long (roof) lived items. This expense represents the cost to a property owner each year as these items gradually wear out. Property owners may or may not contribute to reserves on an annual basis. This allocation is taken as a “cushion” against large maintenance expenses when replacements and improvements are needed. For example, if the cost to replace the roof of the subject facility is \$2.00 per square foot and the expected life of the roof is 40 years then I have estimated \$0.05 per square foot as a reserve for the eventual replacement of the roof. ($\$2.00 / 40 \text{ years}$).

Market participants do not always consider reserve replacements when buying and selling properties similar to the subject. Given the age and size of the building, it is my opinion that allowing for reserves is prudent. Based on the quality and condition of the subject, I made an allowance of \$1,000 annually or \$0.15 per square foot.

Step 2 - Rate Selection and Conclusion

RATE SELECTION – The overall capitalization rate has been estimated by interviewing local commercial lenders to uncover the current financing options available to market participants, by interviewing market participants and reviewing national market studies.

Most properties are purchased with a combination of debt and equity capital. The overall capitalization rate must satisfy the investment requirements of both the debt and equity investor. The debt investor, usually a lending institution, seeks income in the form of interest payments and the repayment of principal. The equity investor seeks a positive return on equity invested and a possible appreciation in the value of the real estate.

I have utilized several methods to estimate an appropriate capitalization rate for the subject. These methods include the Band of Investors, the Lender's Band of Investment, and national real estate studies. The following is a presentation of the estimates derived from each of these methods.

Band of Investment

The Band of Investment method will be considered. This method of estimating an overall capitalization rate is defined by the Appraisal Institute in The Dictionary of Real Estate Appraisal Seventh Edition as "a technique in which the capitalization rates attributable to components of an investment are weighted and combined to derive a weighted-average rate attributable to the total investment (i.e., debt and equity, land and improvements)."

The Band of Investment rate is comprised of the mortgage and equity components. The ratio at which these components are weighted is known as the loan-to-value ratio. The loan-to-value ratio is the ratio of the amount mortgaged (the loan) to the amount of equity (the value) in a property.

The mortgage (or loan) portion of the loan-to-value ratio is multiplied by the mortgage constant to arrive at the weighted rate for the mortgage component portion of the band of investment. The mortgage constant can be described as the ratio of annual debt service to the principle of a mortgage loan.

Currently, regional lending institutions report offering interest rates for commercial properties similar to the subject ranging from 4.00 percent to 6.50 percent fixed rate. Most lenders only offer a fixed rate for the initial five years of the term.

I have also reviewed national data from RealtyRates.com. Currently, interest rates for office properties as reported by realtyrates.com range from 2.86 percent to 7.26 percent with an average of 4.56 percent with average amortization term of 30 years. The properties in this survey are generally expected to differ considerably from the subject. This survey includes many major metropolitan markets and should be tempered as such. Local mortgage rates are far more reliable for the subject.

The following table from realtyrates.com summarizes interest rates and other pertinent mortgage components.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2022*											
PERMANENT FINANCING											
	Apt.	Golf	Health Senior Housing	Ind.	Lodging	RV/Camp Mfg Hsg MH Park	Office	Restaurant	Retail	Self Storage	Special Purpose
Spread Over Base**											
Minimum	1.08%	1.30%	1.30%	1.30%	1.30%	1.10%	1.30%	1.69%	1.30%	1.32%	1.65%
Maximum	5.31%	11.20%	6.50%	5.85%	10.50%	8.40%	5.70%	10.98%	6.90%	6.10%	12.60%
Average	2.94%	5.42%	3.49%	3.24%	3.77%	4.03%	3.00%	4.81%	3.41%	4.30%	5.24%
Interest Rate											
Minimum	2.64%	2.86%	2.86%	2.86%	2.86%	2.66%	2.86%	3.25%	2.86%	2.88%	3.21%
Maximum	6.87%	12.76%	8.06%	7.41%	12.06%	9.96%	7.26%	12.54%	8.46%	7.66%	14.16%
Average	4.50%	6.98%	5.05%	4.80%	5.33%	5.59%	4.56%	6.37%	4.97%	5.86%	6.80%
Debt Coverage Ratio											
Minimum	1.10	1.20	1.10	1.15	1.00	1.10	1.15	1.10	1.05	1.15	1.15
Maximum	1.86	2.15	2.25	2.05	2.85	2.05	2.15	2.15	2.15	2.50	2.15
Average	1.43	1.55	1.50	1.46	1.53	1.35	1.65	1.58	1.39	1.53	1.70
Loan-to-Value Ratio											
Minimum	55%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Maximum	90%	80%	90%	80%	80%	80%	80%	80%	80%	80%	80%
Average	73%	67%	71%	70%	67%	70%	68%	66%	70%	70%	66%
Amortization (Yrs.)											
Minimum	15	15	15	15	15	15	15	15	15	40	15
Maximum	40	40	40	40	40	40	40	30	40	15	40
Average	26	23	25	25	22	26	30	22	25	28	23
Term (Yrs.)											
Minimum	3	5	3	3	5	5	3	3	3	3	3
Maximum	40	30	25	30	30	30	30	15	10	10	20
Average	20.50	9.00	13.65	11.46	7.80	9.15	8.00	7.45	6.20	6.10	7.85
** 10-Year Treasury											
*4th Quarter 2021 Data						Copyright 2022 RealtyRates.com™					

Locally, I find rates for office space range between 4.5 and 6 percent with 20 year amortization being typical. Based on the local mortgage market, it is my opinion that an interest rate of 5.0 percent over a ten year holding period at an amortization term of 20 years could be obtained.

Equity Component

The equity component is an equity dividend rate sometimes known as the cash on cash rate, or the equity capitalization rate. It is an income rate that reflects the relationship between a single year's pre-tax cash flow expectancy and the equity investment. When compared to the market for alternative investments, the real estate market has certain characteristics that lead to a requirement for higher yields. Real estate is immobile, slow to change with imbalances in supply and demand, and somewhat non-liquid. Locally, I find equity dividend rates from 6 percent for high quality, low risk investments are acceptable to rates in the 10-12 percent range for higher risk retail properties. Other sectors such as campgrounds and hotels may require even greater equity dividend rates. Based on the level of risk associated with the subject and current market conditions, I have selected an equity-dividend rate of 10.00 percent. The following table summarizes my calculation of an overall rate applying the band of investment method and the rates previously discussed.

Band of Investment					
Mortgage Equity Analysis					
	Interest Rate	Term	Ratio	Annual Constant	Weighted Rate
Mortgage Component	5.00%	20.00	70%	0.0792	5.54%
Equity Component	10%		30%	0.1000	3.00%
Overall Rate					8.54%

Lender's Band of Investment

The lender's band of investment is comprised of the annual constant, the loan-to-value ratio, and the debt coverage ratio. As previously described, the annual constant and the loan-to-value ratio are based upon current lending market rates. The debt coverage ratio is the ratio of net operating income to the annual debt service. The overall rate is calculated by multiplying the annual constant by the loan-to-value ratio by the debt coverage ratio. RealtyRates.com reports a range of debt coverage rates from 1.40 to 2.15 with an average of 1.78. Locally I find lenders debt coverage ratios to range from 1.30 to 1.50. I have selected 1.40 as a reasonable expectation of DCR. This was the most common ratio found in my discussion with local lenders.

Lender's Band of Investment	
(Debt Coverage Analysis)	
Annual Constant	0.0792
Loan to Value Ratio	70%
Debt Coverage Ratio	1.40
Indicated Capitalization Rate	7.76%

Realty Rates.com

I have also reviewed a published study prepared by realty rates.com. The study below is a survey of CBD office properties. As indicated in the following tables the average capitalization rates range from 7.68 percent to 9.26 percent. The national averages are in line with the results of the other methods of capitalization rate selection. This is a national survey including many superior markets.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2022*						
OFFICE - CENTRAL BUSINESS DISTRICT						
Item	Input					ODR
Minimum						
Spread Over 10-Year Treasury	1.50%	DCR Technique	1.40	0.050982	0.65	4.64
Debt Coverage Ratio	1.40	Band of Investment Technique				
Interest Rate	3.06%	Mortgage	65%	0.050982	0.033138	
Amortization	30	Equity	35%	0.075828	0.026540	
Mortgage Constant	0.050982	ODR				5.97
Loan-to-Value Ratio	65%	Surveyed Rates				5.61
Equity Dividend Rate	7.58%					
Maximum						
Spread Over 10-Year Treasury	5.70%	DCR Technique	2.15	0.109611	0.50	11.78
Debt Coverage Ratio	2.15	Band of Investment Technique				
Interest Rate	7.26%	Mortgage	50%	0.109611	0.054806	
Amortization	15	Equity	50%	0.158767	0.079384	
Mortgage Constant	0.109611	ODR				13.42
Loan-to-Value Ratio	50%	Surveyed Rates				12.61
Equity Dividend Rate	15.88%					
Average						
Spread Over 10-Year Treasury	3.60%	DCR Technique	1.78	0.075214	0.58	7.68
Debt Coverage Ratio	1.78	Band of Investment Technique				
Interest Rate	5.16%	Mortgage	58%	0.075214	0.043248	
Amortization	23	Equity	43%	0.113151	0.048089	
Mortgage Constant	0.075214	ODR				9.13
Loan-to-Value Ratio	58%	Surveyed Rates				9.26
Equity Dividend Rate	11.32%					
*4th Quarter 2021 Data			Copyright 2022 RealtyRates.com™			

PwC Real Estate Investor Survey

I reviewed published data prepared by Price Waterhouse Coopers relating to office properties in both the Central Business District and Suburban office markets. The CBD in the survey includes major metropolitan cities across the United States. Thus, including and considering both the CBD and Suburban office data is reasonable and appropriate.

PwC 4 th Quarter 2021 Office Rate Survey			
Property Type	Low	High	Average
National CBD Office	4.25%	8.50%	5.80%
National Suburban Office	4.70%	9.00%	6.19%

In my opinion the Suburban Office data is more reflective of the subject location and when considering the data in the PwC survey, the Suburban Office data will be most heavily weighted.

Market Derived Capitalization Rates

The local market was studied in order to develop overall rates indicated by local sales data. In the subject dataset, comparable sales one, three, and five had lease data and expense data sufficient to project stabilized net operating income. As shown on the table below, the data yields a range from 8.00% to 8.75% with an average indication of 8.38%.

Comparable #	Sale Price	Estimated Net Operating Income	Overall Rate
1	\$200,000	\$16,800	8.40%
3	\$280,000	\$22,400	8.00%
5	\$200,000	\$17,500	8.75%

Summary of Rates

Local Lending Institutions	8.54%
Band Of Investment	7.76%
RealtyRates.com – CBD Office (averages)	7.68% to 9.26%
PwC Real Estate Investor Survey CBD Office District	4.25%-8.50%; Average-5.80%
National Suburban Office	4.70%-9.00%; Average-6.19%
Market Derived Capitalization Rates	8.00% to 8.75% Average 8.38%

The rates from local lending institutions, the Band of Investment, and the Lenders Band of Investment require an amount of speculation. The data indicated by the Realty Rates study is concluded on a regional level and must be tempered as such. Given the increasing trend in mortgage interest rates and the relative risk in the local office market, I would expect a rate towards the upper end of the market range for the subject property. I have heavily weighted the market derived capitalization rates as they represent calculations derived from local data. Based on the data collected and presented, it is my opinion that an overall rate of 8.50 percent plus the 2.21 percent effective tax rate for a loaded capitalization rate of 10.71 percent.

Because the potential use of this report is a real estate tax assessment appeal, it is necessary to treat the real estate tax expense and the overall rate in a different manner than typically used in an income approach utilized for other purposes. The result of the assessment appeal predominately sets a new assessed value and tax amount for a property. Generally, when the taxes are reduced on a property, the indicated value increases. When the amount of tax changes due to the use of the report, it is appropriate to utilize a rate rather than a stabilized

dollar amount It is typical and correct to utilize the effective tax rate rather than the actual tax expense when developing an income approach for purposes of a tax assessment appeal. The process includes excluding real estate taxes as a stabilized amount and adding or “loading” the effective tax rate to the base capitalization rate selected. Using an overall rate in direct capitalization loaded for effective tax rate and excluding real estate taxes is appropriate when taxes are the responsibility of the property owner. In this market for this property type, the responsibility for real estate tax falls on the property owner, therefore I have excluded property taxes and loaded the overall rate.

Step 3 - Capitalization of Income

The third step of this approach is to capitalize income at the computed rate. Dividing the net income by the decimal equivalent of the capitalization rate does this.

A	Net Operating Income	\$30,616
B	Base Overall Rate	8.50%
C	Effective Tax Rate	2.21%
D	Loaded Cap Rate	10.71%
E	Indicated Value by the Income Approach A/D=E	\$285,947
	Rounded To	\$286,000

It is my opinion, based on the data collected and presented herein, as of the effective date of this appraisal and subject to all terms, assumptions and limiting conditions stated herein; the market value of the fee simple interest subject to short term leases in the subject as indicated by direct capitalization analysis as of the effective date of this report was:

MARKET VALUE OF THE FEE SIMPLE INTEREST
\$286,000
TWO HUNDRED EIGHTY-SIX THOUSAND DOLLARS

Correlation and Value Conclusions

As a result of this analysis, the following independent market value estimates are given:

Cost Approach	Considered, but not presented
Sales Comparison Approach	\$285,000
Income Approach	\$286,000

The Cost Approach has not been presented in forming my opinion of market value of the subject. The subject is over 50 years old. The cost approach is most applicable for new construction. It is my opinion that the cost approach is of little consequence when forming an opinion of value for a building older than 10 years of age. Applying this approach to value would require significant depreciation estimates which could result in a misleading opinion of market value. Market participants rarely relate cost to value for buildings of this age. Thus, although considered, I have not presented the cost approach to value in this assignment.

The sales comparison approach was completed and presented. This approach was utilized to form an opinion of the as is market value for the subject. The research for comparable improved sales was specifically targeted to similar properties in similar neighborhoods. It is my opinion that the sales presented in the sales comparison approach provide a good representation of the market. The results of my comparable sale research are presented in the sales comparison approach.

The Income Approach was completed and presented. The preparation of the income approach began with a discussion of the current rates with the property owner. Next, I completed a review of comparable rents, vacancy rates, and operating data from similar properties in the local and regional market. Operating expenses were estimated based upon historic data along with data from the local market, and a potential net operating income was calculated. A capitalization rate was developed through the use of multiple techniques. These rates were further supported by published national information. I applied a market oriented capitalization rate to arrive at an indication of market value.

Equal weight was given to the sales comparison approach and the income approach in developing my opinion of the market value of the fee simple interest of the subject property.

Based upon my investigation into and analysis of the data gathered in completing this assignment, I have formed the opinion that the market value of the fee simple interest in the subject property as of the effective date of this appraisal, April 25, 2022, was:

MARKET VALUE OF THE FEE SIMPLE INTEREST

\$285,500

TWO HUNDRED EIGHTY-FIVE THOUSAND FIVE HUNDRED DOLLARS

The estimated value reported herein reflects the total value of the subject property, as if unaffected by any potentially hazardous substances. The presence of hazardous substances may have a negative influence on the subject property, but the consideration of the effects of these substances on the value of the subject property is beyond the scope of this appraisal. The client is urged to obtain a Phase I environmental study, if desired.

Certification

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, 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 no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- I have made a personal inspection of the property that is the subject of this report unless signified under my signed name below to the contrary.
- No one provided significant real property appraisal assistance to the person signing this certification. I gratefully acknowledge the assistance of my appraisal staff in collecting data, developing exhibits, preparation of reports and other tasks leading to the results presented in the report.
- Unless indicated on the transmittal page of this report to the contrary, 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 acceptance of this assignment.

Date of Report

Respectfully submitted,

Joseph T. Appraiser
President

Pennsylvania Certified General
Real Estate Appraiser
Certification Number GA012345L

Appraiser's Qualifications & Appraiser's Certification

This sample appraisal report has been developed for your educational purpose by Richard J. Drzewiecki, MAI. Richard serves as a consultant to numerous counties throughout the State of Pennsylvania. Mr. Drzewiecki also serves as a consultant to property owners and their representatives regarding tax assessment appeals and numerous other users of appraisal services. The majority of the data within this report is fictitious although some actual representative data is utilized. Mr. Drzewiecki has significant experience in testimony before numerous courts and can be reached at the contact information provided below:

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