

APPRAISAL REPORT

Of

1533-1601 N. Road Street

Elizabeth City

Appraised
As of
September 21, 2021

Prepared For
CLAUDIA TWIFORD

Prepared by
JOSH TUNNELL APPRAISAL SERVICE
Josh Tunnell, Jr.,
State Certified General Appraiser,
NC-A289

File Name KC 2108

JOSH TUNNELL APPRAISAL SERVICE

PO Box 554
Elizabeth City
North Carolina, 27909

252-335-5219

January 19, 2022

CLAUDIA TWIFORD
1545 N Road St Ste F
Elizabeth City, NC 27909

Re: Appraisal Report
1533-1601 N. Road Street,
Elizabeth City, NC 27909

File Name KC 2108

Dear Mrs. Twiford:

At your request we have prepared an appraisal for the above referenced property. Please reference page 8 of this report for important information regarding the scope of work, research, and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I appraised these properties with an effective date of January 22, 2021 which was also the inspection date. The report date was March 3, 2021. Mrs. Mary Spence Chappell was living at the time, but passed on September 21, 2021, the current effective date.

Your attention is directed to the Limiting Conditions and Assumptions section of this report (page 6). Acceptance of this report constitutes an agreement with these conditions and assumptions. In particular, we note the following:

Hypothetical Conditions: None

Extraordinary Assumptions: All data provided by the client is correct.
There have been no changes in the condition of any of the buildings since the date of the prior appraisal unless noted in the description of the individual parcels.

Based on the appraisal described in the accompanying report, subject to the Limiting Conditions and Assumptions, Extraordinary Assumptions and Hypothetical Conditions (if any), we have made the following value conclusion(s):

Current As Is Market Value:

The “As Is” market value of the fee simple estate of the property, as of the effective date September 21, 2021, subject to all limiting conditions, extraordinary assumptions, and hypothetical conditions is estimated to be:

\$1,230,000

One million two hundred thirty thousand dollars

The market exposure time prior to September 21, 2021 would have been twelve months or more.

This letter must remain attached to the report, which contains 85 pages including related addenda, in order for the opinion of value set forth to be considered valid. This report is to be used only in its entirety, by the client or intended users, for the purposes stated in the report. It may not be used for any other purpose, in whole or in part, by anyone not identified in the report.

Neither all, nor any part of the contents of this report shall be reproduced, published or disseminated to the public through any media or any other public means of communications without prior written consent of the appraiser who signed this report. Possession of the report, or copy of the report, does not imply of allow publication rights.

Neither the appraiser nor any representative of Josh Tunnell Appraisal Service will discuss this appraisal or report with you unless you are named as the client, or the client has given prior written consent directly, to Josh Tunnell Appraisal Service

Respectfully submitted,

A. Josh Tunnell Jr.



Josh Tunnell, Jr.
State Certified General
Real Estate Appraiser #A289

Certification Statement

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

- The statements of fact contained in this report are true and correct.
- The reported analysis, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, unbiased professional analyses, opinions and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- We have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person(s) signing this certification.
- We certify sufficient competence to appraise this property through education and experience, in addition to the internal resources of the appraisal firm.
- The appraiser has not performed and prior services regarding the subject within the previous three years of the appraisal date.
- The value conclusion(s) and other opinions expressed herein are not based on a requested minimum value, a specific value or approval of a loan.
- Josh Tunnell has made a personal inspection of the property that is the subject of this report from the exterior only.

Respectfully submitted,

A. Josh Tunnell Jr.



Josh Tunnell, Jr.
State Certified General
Real Estate Appraiser #A289

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Summary of Important Facts and Conclusions

General

Subject	Three office buildings, two houses, and parking lot 1533-1601 N. Road Street, Elizabeth City, NC 27909
Owner:	The estate of Mary Spence Chappell 109 Country Club Drive Elizabeth City, NC 27909 1535 N Road St is owned by: Calvin M Chappell Sr Testamentary CRED Shelter Trust
Legal Description:	Pasquotank County Deed Book 535, Page 106 1535 N Road St is Book 1088, Page 735 1533 N Road St is Will 8 E 32 1601 N Road St is Will 8 E 32
Date of Report:	September 21, 2021
Intended Use:	Pricing for Estate
Intended User(s):	CLAUDIA TWIFORD
Sale History:	No recent sales
Current Listing/Contract(s):	The property is not currently listed
Land Area:	6 parcels
Improvements:	Three multi-office buildings, one parking lot, and two houses
Zoning:	C-1 Commercial
Flood Zone:	X

Limiting Conditions and Assumptions

Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

This appraisal is to be used only for the purpose stated herein. Individual sections shall not be distributed; this report is intended to be used in whole and not in part.

No part of this appraisal, its value estimates or the identity of the firm or the appraiser(s) may be communicated to the public through advertising, public relations, media sales, or other media.

All files, work papers and documents developed in connection with this assignment are the property of Josh Tunnell Appraisal Service. Information, estimates and opinions are verified where possible, but cannot be guaranteed. Plans and/or drawings provided are intended to assist the client in visualizing the property; no other use of these plans is intended or permitted.

No hidden or unapparent conditions of the property, subsoil or structure, which would make the property more or less valuable, were discovered by the appraiser(s) or made known to the appraiser(s). No responsibility is assumed for such conditions or engineering necessary to discover them. Unless otherwise stated, this appraisal assumes there is no existence of hazardous materials or conditions, in any form, on or near the subject property.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of the appraiser nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value opinion developed herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, nor for any expertise or knowledge required to discover them.

Unless stated herein, the property is assumed to be outside of areas where flood hazard insurance is mandatory. Maps used by public and private agencies to determine these areas are limited with respect to accuracy. Due diligence had been exercised in interpreting these maps, but no responsibility is assumed for misinterpretation.

Good title, free of liens, encumbrances and special assessments is assumed. No responsibility is assumed for matters of a legal nature.

Necessary licenses, permits, consents, legislative or administrative authority from any local, state or Federal government or private entity are assumed to be in place or reasonably obtainable.

It is assumed there are no zoning violations, encroachments, easements or other restrictions which would affect the subject property, unless otherwise stated.

The appraiser(s) are not required to give testimony in Court in connection with this appraisal. If the appraisers are subpoenaed pursuant to a court order, the client agrees to pay the appraiser(s) Josh Tunnell Appraisal Service's regular per diem rate plus expenses.

Appraisals are based on the data available at the time the assignment is completed. Amendments/modifications to appraisals based on new information made available after the appraisal was completed will be made, as soon as reasonably possible, for an additional fee.

Americans with Disabilities Act (ADA) of 1990

A civil rights act passed by Congress guaranteeing individuals with disabilities equal opportunity in public accommodations, employment, transportation, government services, and telecommunications. Statutory deadlines become effective on various dates between 1990 and 1997. Josh Tunnell Appraisal Service has not made a determination regarding the subject's ADA compliance or non-compliance. **Non-compliance could have a negative impact on value, however this has not been considered or analyzed in this appraisal.**

Scope of Work

According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report an appraisal based on a scope of work that results in credible results, appropriate for the client's stated use. The factors necessary to accomplish these requirements are considered in this appraisal.

The client and intended users: **CLAUDIA TWIFORD**

The intended use of the report: Valuation for Estate settlement

The type and definition of value: Market Value

Market Value: As defined by the Office of the Controller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title IX of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

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

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

TYPE OWNERSHIP:

A **Leased Fee** interest is defined as:

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

The APPRAISAL OF REAL ESTATE, 11th edition by the Appraisal Institute pages 137 & 138.

Dates of the appraisal:

Date of inspection: December 27, 2021

The effective date of value: September 21, 2021

Date of the report: January 19, 2022

Report Type: This is an Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards rule 2-2(a).

Hypothetical Conditions: None

Extraordinary Assumptions: All data provided by the client is correct.
There have been no changes in the condition of any of the buildings since the date of the prior appraisal unless noted in the description of the individual parcels.

Prior Service on the Subject: I appraised these properties with an effective date of January 22, 2021 and a report date of March 3, 2021. The purpose of the appraisal was pricing for potential Sale.

Property Identification:

Address:	1533 N Road St	1535 N Road St	1537 N Road St	1541 N Road St	1545 N Road St	1601 N Road St
Owner:	Mary S. Chappell	* Note Below	Mary S. Chappell	Mary S. Chappell	Mary S. Chappell	Mary S. Chappell
Tax ID #	891503325750	891503324771	891503323774	891503322852	891503321817	891503228990
Map #	P142B-34	P142B-35	P142B-36	P142B-37	P142B-38	P142B-39
Deed Bk & Pg	Will Bk 08-E- 32	1088, 735	535, 106	Will Bk 08-E- 32	535, 106	535, 106
* Calvin M Chappell, Sr Testamentary CRED Shelter Trust						

Inspection:

Three commercial units were inspected from the interior with the remainder inspected from exterior only.

The property was inspection was made on December 27, 2021. Exterior measurements were taken and photographs taken mostly from the exterior. Interior photos were taken in 3 units.

I discussed the interior condition with Claudia Twiford. She stated that the offices are in very similar condition to the date of the prior inspection. No change in the exterior was noted during the current inspection. The interior of the two units inspected was similar to the prior inspection. An extraordinary assumption is included that there have been no changes in the condition of any of the buildings since the date of the prior appraisal unless noted in the description of the individual parcels.

Additional data on the property was searched and found in the Pasquotank County Tax Office, GIS, and Register of Deeds Office.

Regional Data

LOCATION	<p>The property is located in the Northeastern Corner of North Carolina. The region is well defined by the Chowan River to the West, Albemarle Sound to the South, the Atlantic Ocean to the East, and the state line dividing North Carolina from Virginia. Six of North Carolina's one hundred counties are included: Gates, Chowan, Perquimans, Pasquotank, Camden, and Currituck.</p>
SERVICING HIGHWAYS	<p>US Hwy 17 (scheduled to be I 87) runs north and south from Virginia through Camden, Pasquotank, Perquimans, and Chowan. The highway extends to South Carolina.</p> <p>US 158 runs east to west connecting the outer banks through Currituck, Camden, Pasquotank, and Gates Counties</p> <p>US Highway 13 runs east and west through Gates County only.</p>
METROPOLITAN AND MICROPOLITAN	<p>Camden, Perquimans, and Pasquotank Counties are included in the Elizabeth City Micropolitan Statistical Area. Currituck County is in the Virginia Beach Metropolitan Statistical Area.</p>
HEALTH CARE	<p>Sentara Albemarle Medical Center is located in Elizabeth City. They are planning a new facility to be complete in the next five years. The only other hospital in the region is Chowan Vident Hospital in Edenton. Vident also has a hospital, Vident Roanoke Chowan Hospital, in Ahoskie just outside of the region. These hospitals offer limited surgery on a scheduled basis and 24 hour emergency care. Other nearby health care facilities for major trauma (level 1) include Vident hospital in Greenville and several hospitals in the Greater Hampton Roads area of Virginia.</p>
EDUCATION	<p>There are four institutions of higher education. Chowan University is located in Murfreesboro in the northern part of Hertford County.</p> <p>The local community college, College of The Albemarle, offers associates degree programs, continuing education and vocational training.</p> <p>A bible college, Mid Atlantic Christian University (FNA Roanoke Bible College), offers bachelor degree programs in Theology, Arts and Science.</p> <p>Elizabeth City State University, a constituent institution of the University of North Carolina offers bachelor, graduate, professional programs and continuing education.</p>

POPULATION

The estimated population for the region is 116,842. That is just over 1% of the state's total population, and a 1.93% increase from 2010 when the population of the six counties stood at 114,631. I checked the OSMB web site, but found some counties changed and some had not. Use of current data would be inaccurate. The data from the prior appraisal using data from 2019 was used.

(Source: North Carolina office of State Budget and Management: www.osbm.state.nc.us accessed January 2022).

LABOR FORCE

The labor force for the six county area compared to the amount of Employed. The years covered are from 2001 through 2013. The labor force of 44,165 in 2001 grew to 52,719 in 2007. It has since reduced 6.85% to 49,108. The data indicates there may be a substantial number of persons no longer looking for employment.

The unemployment rate was at 4.61% in 2001 and remained below 5% until 2008. It reached a high of 9.45% in 2011 and reduced slightly to 9.01% in 2012 with the most current data from 2019 showing an additional reduction in unemployment to 4.8%. (Source: Access NC)

DEMOGRAPHIC DATA							
COUNTY	POPULATION			EMPLOYMENT 2020			
	2010	2017		LABOR FORCE	EMPLOYED	UNEMPLOYED	RATE
Camden	9980	10358	3.79%	4660	4491	169	3.63%
Chowan	14793	14243	-3.72%	5599	5356	243	4.34%
Currituck	23547	26666	13.25%	14149	13598	551	3.89%
Gates	12197	12043	-1.26%	5357	5146	211	3.94%
Pasquotank	40661	39653	-1.74%	16778	16015	763	4.55%
Perquimans	13453	13690	1.76%	5013	4777	236	4.71%
Total	114631	116842	1.93%	51556	49383	2173	4.21%

SUMMARY

Elizabeth City is the economic center of the region. Retail businesses benefit from the location near the center of these counties. Competition is primarily in the Virginia Beach-Norfolk-Newport News metropolitan area. The number of employed has decreased from the maximum level in 2007. The number of unemployment rate peaked in 2011 and has reduced to its current level of 4.21%. It is assumed to be similar.

Pasquotank County Data

The county is located on the Pasquotank River, one of the largest tributaries that connected to the Albemarle Sound. This location enhances the availability of water sports ranging from fishing to sailing. A moth boat regatta and power boat regatta are held in Elizabeth City each year.

An alternate route of the Inland Waterway System is through the George Washington Canal also known as the Dismal Swamp Canal. Many boaters take this route through the locks of Virginia and the historic locks at South Mills, where they enter the northern end of the Pasquotank River. Free boat docks, that have received national attention, are available for those passing through Elizabeth City.

BOUNDARIES

Pasquotank County is located in Northeast North Carolina. It is bound to the north and east by Camden County and to the west by Perquimans and Gates Counties. The southern boundary is the Albemarle Sound.

It is divided from Camden County by the Pasquotank River and from Perquimans County by the Little River with the county lines near the center of the rivers. The county is basically a peninsula. Elizabeth City is the largest municipality in Pasquotank County and in the general region.

POPULATION

The county population increased by 1.65% per year average from 2000 to 2010 but has decreased by .23% 2020 census. The population drop from 2010 to 2020 is from 40,661 to 40,568.

INCOME

Over the same time frame, median household income increased only moderately since the 2000 census. It was checked January 11, 2022 but has not been updated. Since 2019. Median household income is as followed:

2000 Median Household Income	\$30,479
2014 Median Household Income	\$41,279
2019 Median Household Income	\$51,245

The above statistics are from the Industrial development commission web site “accessnc.commerce.state.nc.us” accessed Feb 2021, statistics are from 2019.

PASQUOTANK COUNTY TOP EMPLOYERS

Access NC no longer publishes a list of top employers for each county. Based on past data, and no new large establishments, local government is the largest employer. This includes schools, utilities, maintenance, and other government functions. The US Department of Homeland Security (formerly US Coast Guard) is another major employer. Retail establishments are another source of employment. There is some industrial employment in the area and others available to those willing to commute to the Virginia area for employment.

INDUSTRIAL

The area has an agricultural base. Agriculture remains the largest single industry in the region. The lumber industry has diminished somewhat in importance in recent years.

Most of the industry is in or around Elizabeth City. The amount of industry in the area has generally increased over the past decade. Businesses that have closed or moved have generally been replaced. There are three industrial parks that were created by local governing entities. There are several smaller parks varying in size. Although there are some vacant industrial or commercial buildings available, most are occupied.

The newest commercial/industrial park is located north of Elizabeth City, on US 17 North. This is a much larger facility with approximately 400 acres. County water and sewage are available. One of the occupants at this time is a new state prison facility. Several lots have been sold and facilities built by the purchasers.

RETAIL SALES:

Retail Sales for Pasquotank County have grown since 1970. Sales were as followed:

1970	\$ 59,567,000	
1980	\$158,810,000	166% increase
1990	\$292,752,000	84% increase
2000	\$488,703,231	67% increase
2010	\$450,207,877	8% decrease
2013	\$493,700,000 (est.)	10% increase
2015	\$542,700,000	10% increase
2017	\$679,900,000	25% increase

Data for 2020 was not found.

INFRASTRUCTURE

The highway system includes U.S. Highway 17 (North & South), with a by-pass around Elizabeth City. Roads leading into and out of Elizabeth City are four lane with some other four lane in higher traffic areas. These highways are the main source for transportation of goods and travel to and from the area. North Carolina & Virginia Railroad Co. (Railtex) has a rail line into the county. There are several motor freight carrier terminals within 70 miles of Pasquotank County. The primary access to the area is US highway 17 which provides four lane access to US highway 64 and the center of the state. The same highway provides access to the Tidewater Virginia Area. Interstate 95 in North Carolina is approximately 100 miles away at Rocky Mount. Interstate 85 in North Carolina is approximately 120 miles away in Roanoke Rapids. Interstate 64 is the closest interstate at 30 miles in Chesapeake Virginia.

DEVELOPMENT

Growth has been primarily from expansion of the Tidewater Area of Virginia. This has supported the population and retail sales, but not to the industrial base.

Halstead Boulevard and Ehringhaus Street are the areas that have benefit most commercially from growth. A new shopping center with several chain retailers opened on Halstead Boulevard in 2017.

CONCLUSION:

Pasquotank County is estimated to have lost population since the 2010 census. Pasquotank County is the center of retail, higher education, and health care for the region. Retail sales are expected to increase due to a new shopping center with several stores new to the area. Due to the addition of these new and popular chain store, there is less reason to drive to the Tidewater Virginia area for shopping. The county location near the center of the region and its proximity to the Tidewater Virginia is substantially responsible for growth.

Neighborhood Data

DESCRIPTION:

The neighborhood description includes

- County: Pasquotank
- Boundaries: The neighborhood includes: Either side of North Road Street between the Knobbs Creek Bridge and the beginning of the split highway, about 3 miles from the bridge.
-

The total neighborhood appears to be made up of the following classes and rated as either Under supply(U), Balanced (B), or Over Supply (O).

- | | | |
|--------------------------|-----|----------|
| • Office | 20% | B |
| • Institutional | 20% | B |
| • Retail | 20% | B |
| • Industrial | Na | Na |
| • Residential | 30% | B |
| • Vacant and agriculture | 10% | Comments |

Office uses are mostly either medical or medically related. Most of the offices are in the immediate area around the hospital.

Three institutional uses include Sentara Albemarle Medical Center, The College of the Albemarle, and the YMCA are in a line on the east side of Road Street. These three uses occupy more than half of the east side of the street. In addition to these three, there is a dental clinic across the street from the Hospital. Sentara is planning to move to Halstead Boulevard in the next five years.

Retail uses are along the west side of the road and on both sides after the YMCA. The majority are near the north end of the neighborhood with Hall Ford and University Plaza.

The residential uses are mostly those existing for many years. Subdivisions include Rosewood (1950's and 1960's) and Old Oak (1980's). There is one older mobile home park and a 144 unit apartment building. Pine Lake Subdivision (1970's) along with Fairway Estates (1990's and 2000's) are located at the far northern end of the development. There are many older homes built along the west side of Road St. and other roads running perpendicular. Overall, there are over 1000 housing units within the neighborhood.

EMPLOYMENT:

Sentara Albemarle Medical Center is one of the larger employers in the area with approximately 750 employees. The College of the Albemarle hires between 200 and 300 employees. The YMCA and car dealership add another 100 to 200 employees.

TRENDS

Development trends:

This neighborhood has experienced little growth in new businesses over the past few years. There are few vacant buildings in the neighborhood, there seems to be a reasonable balance between the existing institutional use, residential use, offices, and retail uses to support them. The medical center will be moving out of the area within the next five years. A new facility is being built on Halstead Boulevard. This could lead to a reduction in the number of offices in the area. Doctors may prefer to be closer to the hospital. There is no indication that any substantial amount of office or retail use are needed. Basically, the neighborhood has a reasonable balance at this time, but could be over supplied in the future.

Vacancy trends: Most of the offices are older, but have been well kept. The vacancy rate is low. Most other available space is occupied.

The primary use of office space is medically related. This is because of the hospital being located in the neighborhood. The hospital plans will eventually have an effect on the general neighborhood. Many of the medical uses could move to the Halstead Boulevard area leaving vacancies.

Value trends: There have been insufficient sales in the neighborhood to indicate any recent trends.

Employment trends: Most of the businesses in the immediate area have been in place for several years and have continued stable employment. The greatest change has been the hospital. It has been a county owned facility for many years, but has been sold to Sentara. There has been a loss of employees in the past three years.

COMMENTS:

This has been a stable neighborhood with slow growth over the past twenty to 30 years. Although the majority of business growth is trending along Ehringhaus Street and Halstead Boulevard Extended, the defined neighborhood is the primary route north from Elizabeth City to the end of the bypass, and one of the three entrances to Elizabeth City. It has also benefitted from the hospital, College of the Albemarle, YMCA, and a number of residential developments.

Neighborhood and location map



1533 – 1601 North Road Street are marked by the red arrows.

Property description

SITE

Location:	1533-1601 North Road Street Elizabeth City, Pasquotank County, NC 27909
Site size:	Approximately 75,000 Sq. Ft. for 1533 through 1545 N Road St. Approximately 22,500 Sq. Ft. for 1,601 Total 97,500 or 2.24 Acres
Shape:	Generally Rectangular
Frontage:	672 feet N. Road Street, 336.5 feet Country Club Drive From Map Book 1, page 138 1537 N. Road St 124 feet 1545 N. Road St 178 feet Country Club Dr. 110 feet 1601 N. Road St 55 feet Country Club Dr. 226.5 feet By measure from map (map book 1, page 138) 1533 N. Road St 95 feet 1535 N. Road St 95 feet
Access:	One Driveway from N Road Street to each property from 1533 to 1545. 1545 has an additional driveway from Country Club Drive There are two driveways from Country Club Drive to 1601 N. Road Street.
Visibility:	The site and building have good visibility when approaching the property from either direction of Road Street
Topography:	Generally level
Zone:	C-1 as describe in the zoning section of this report.
Flood Zone:	X
Utilities:	Electric - Dominion Power Sewer - Private Water - County

This aerial map shows a residential neighborhood with property boundaries outlined in cyan. Lot numbers are displayed in white boxes with red borders. Major streets include N Road St, Country Club Dr, Pineview Dr, and Glighthouse Rd. Orange arrows indicate a traffic flow pattern starting from the left edge, moving east along N Road St, then turning south onto Country Club Dr, and finally turning east again. The map also shows various buildings, including a large multi-unit structure in the upper left and several smaller houses scattered throughout the area.

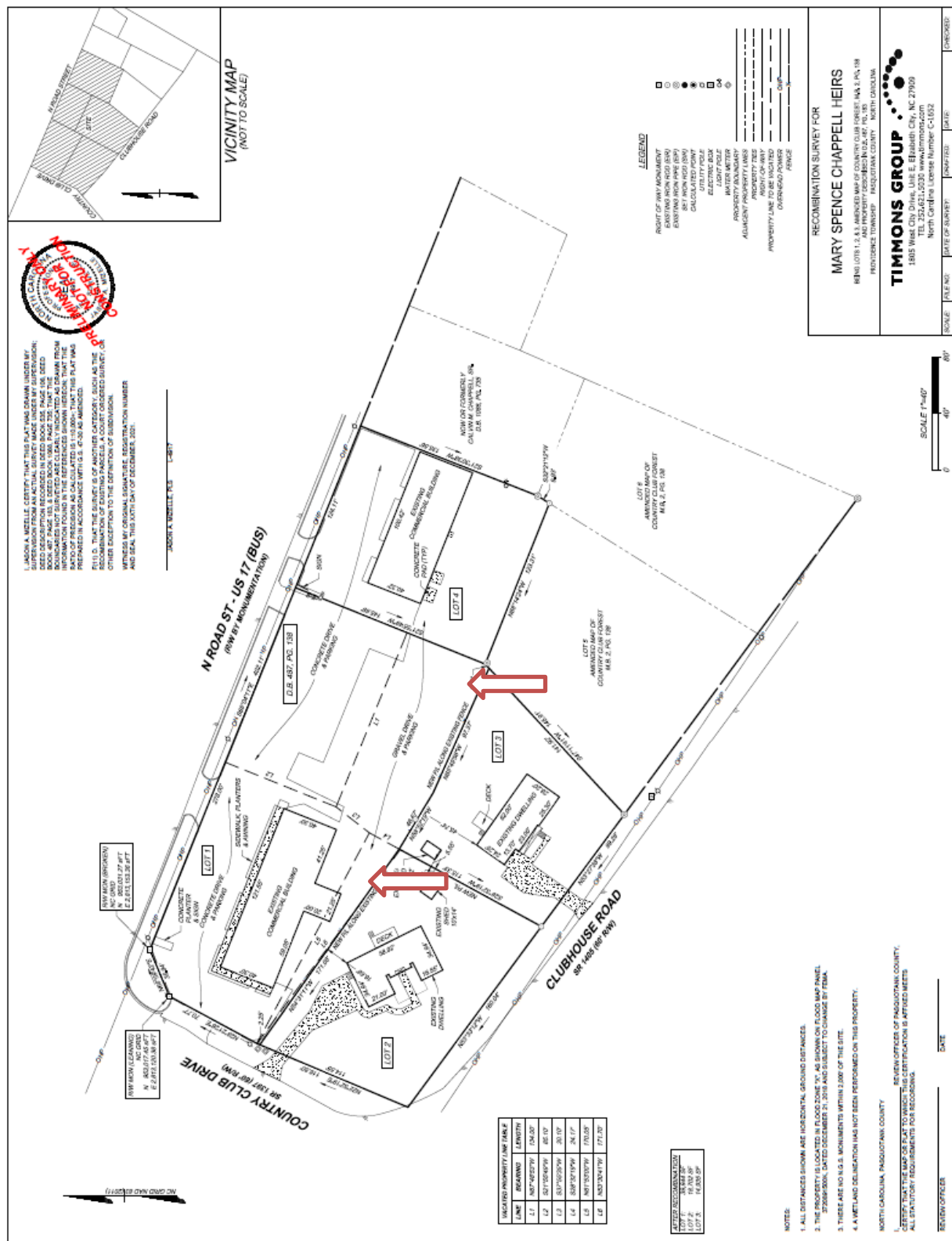
Overhead: 1533-1601 N. Road Street , Elizabeth City NC







Recombination map showing boundary change lot 1541 and 1545 N Road St.



Overhead with flood zone overlay showing X flood zone



Description of Improvements

Address: 1533-1601 N. Road Street

Property type: Office buildings and residential

Building Size: **Gross Building Area** (GBA) is the total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. Gross building area for office buildings is computed by measuring to the outside finished surface of permanent outer building walls without any deductions. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded¹

Gross Building Area (exterior): 12,881 sq. ft. Office, 2194 Residential

1533	1194 Residential
1535	1140 Residential
1537	4073 Office
1545	4888 Office
1601	3914 Office

Description: 1533 North Road Street is a residential rental property. This is an older house, but with vinyl siding, a newer style roof, and replacement windows. The interior has some dating features such as fiber tile ceilings and some knotty pine paneling. The kitchen has more modern style cabinets and counter tops. Heating and cooling are provided by a heat pump. The house is in generally good condition.

The property next door, 1535 North Road Street is also a residential rental. This house has asbestos (assumed) shingles. The roof appears to be nearing the end of its useful life. The living area of the house is smaller, but there is a large enclosed porch that is now part of the living area. It has a large garage with doors in the front and back. The interior has some dating features including some fiber tile ceilings and some knotty pine paneling. The kitchen has newer style floor cabinets, but the older style overhead cabinets. Heat and air conditioning are provided by a heat pump. The house is in average to good condition.

1537 North Road Street is a 4073 square foot metal building with a brick front and three offices. Each office has a separate heat pump. The interior of Suite A has laminate floors and drywall interior. Light fixtures are modern and in good condition. The restroom is very modern. The unit has been remodeled fairly recently. A garage style room is included near the back of the unit.

Suite B is in similar condition to suite A, but with carpet floors.

Suite C has carpet floors. The walls are a combination of drywall, panel, and painted paneling. The ceilings are suspended. The bathroom is in good condition, but not as modern as the other two.

1545 is a metal building with a front bricked and a low tapered “A” roof and front facia. There is a garage attached to the back of the building with an exterior entrance. The GIS shows the garage intruding on 1544 Golf Club Road. The recombination map on page 25 makes an adjustment to correct this potential problem. This building has five current office spaces all with separate heat pumps. The larger space which is listed as suites A&E has a tenant that has single tenant. The finish is older with carpet floors, a combination of panel and drywall walls. The ceilings are suspended with lighting in the ceiling. Half of the office has a flat ceiling. The other half is tapered to the center of the building. The bathroom is older style, but handicap assessable.

Suite B has carpet floors, painted panel walls and suspended ceilings.

Suite C has some remodeling. The floors are laminate but with painted panel walls and suspended ceilings. The bathroom is in good condition, but older style.

Suite D has carpet, painted panel walls and suspended ceilings. This unit has a kitchenet and bathroom with tile floors.

Suite F has mostly carpet floors with panel and painted panel walls. Ceilings are suspended. This unit also has a kitchenette with older style cabinets. The bathroom as a combination of mostly painted panel walls with some ceramic. The floor is vinyl.

1601 is also a metal building with two brick fronts, one facing North Road Street and the other facing Country Club Drive. There is a porch six feet wide along both brick fronts. Suites A & B are combined into one remodeled office. The floors are an office style carpet. Walls and ceilings are painted drywall. The four restrooms were all remodeled. Suite C is similar to suites A & B, but was remodeled earlier. This office also has a kitchenette. Overall, the interior of this building appears much newer than the age of the building.

Each of the three buildings have parking areas on the lot with the building. These offices were built before current regulations by the county. Generally offices are now required to have a minimum of 1 parking space for every 250 square feet of building space. There are exceptions for certain uses that may require more space, but none of those uses are represented in these buildings. The chart below shows the parking ratios that would be recommended, but not required for these spaces.

Address	Building	Sq Ft per	Space	Actual	Handicap	Total	Deficit (-)
N Road St	sq ft	parking sp.	required	regular	spaces	parking	or surplus
			rounded	spaces		spaces	
1537	4078	250	16	9	0	9	-7
1545	4888	250	20	13	1	14	-6
1601	3915	250	16	21	2	23	7

Lots 1537 and 1545 have 13 spaces less than currently requirements, but lot 1541 is between them. It has no building, but has 23 paved parking spaces plus 2 handicap spaces. In addition, it has 22 unpaved spaces near the back of the lot. That is an excess of 12 parking spaces more than current requirements. Due to the License Plat Agency, there are times that nearly all of the paved parking spaces are used. 1601 has an excess of 7 parking spaces over the required number by current standards. Including lot 1541 there is more than ample parking for all three commercial buildings.

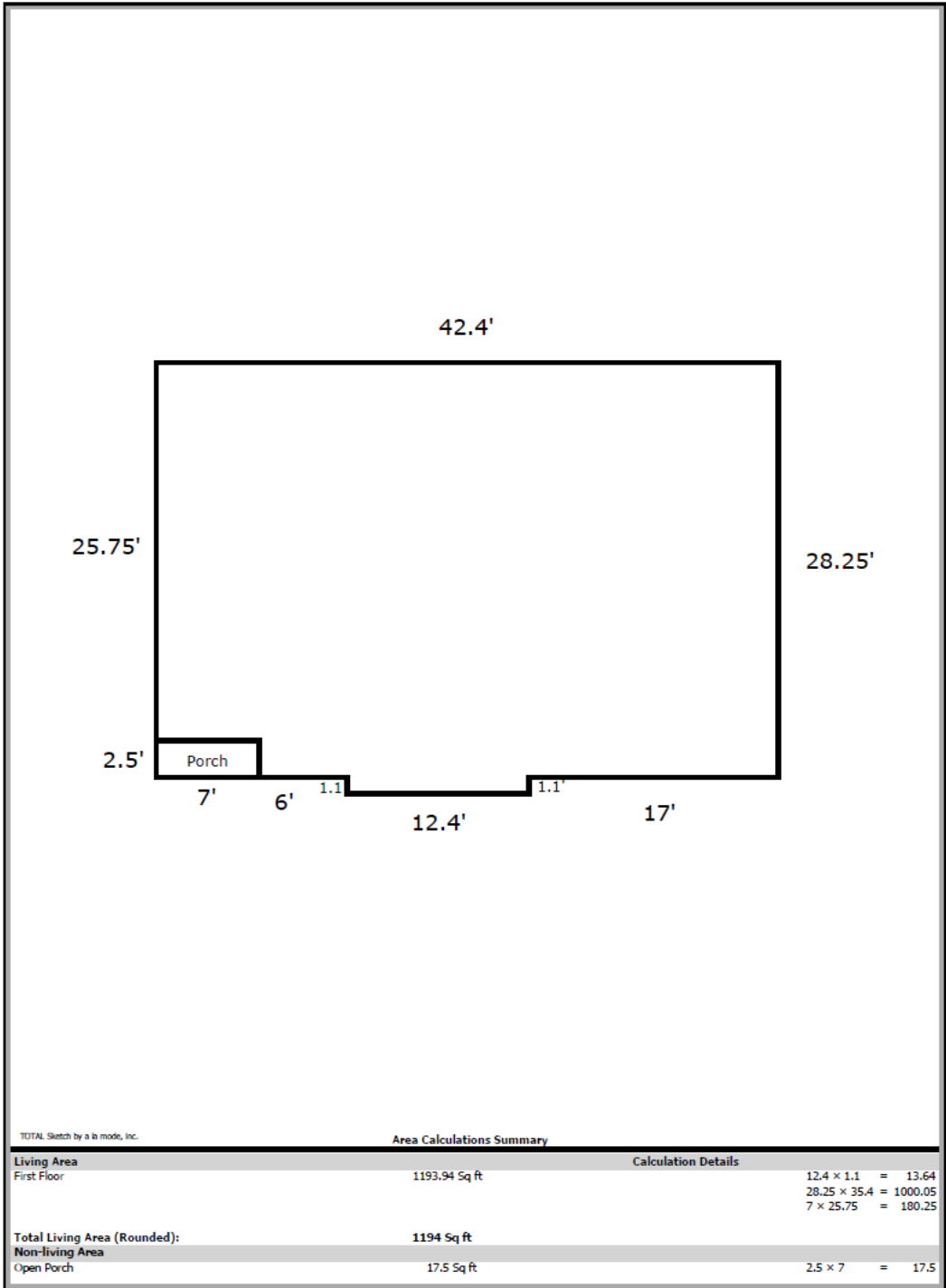
An additional 22 unpaved parking spaces are available. The GIS shows part of these spaces as part of 1542 Golf Club Road. It also shows the remainder of the unpaved spaces partially on the 1542 Golf Club Road lot. A recombination survey shows all of these parking spaces now a part of 1541 North Road Street, and not part of 1542 Golf Club Road. The survey is shown on page 25.

Note:

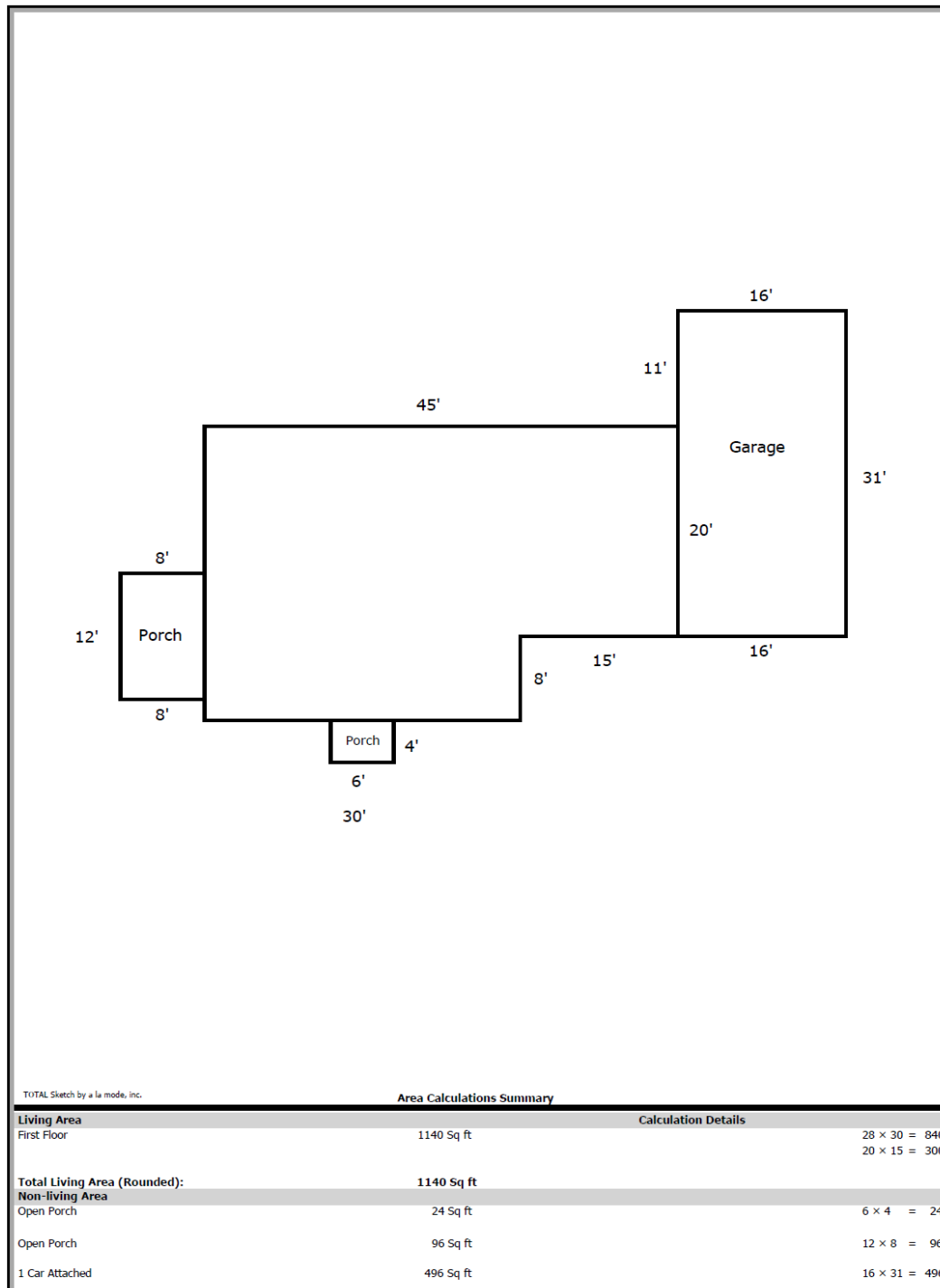
I am not an expert on the various systems including, but not limited to, HVAC, electrical, plumbing, or structure. The explanation here is based on what I saw and my interpretation. An expert in each of these systems could give a better explanation of the system and its functionality.

I recommend surveys to determine actual boundaries and to allow correct any problems that may be shown.

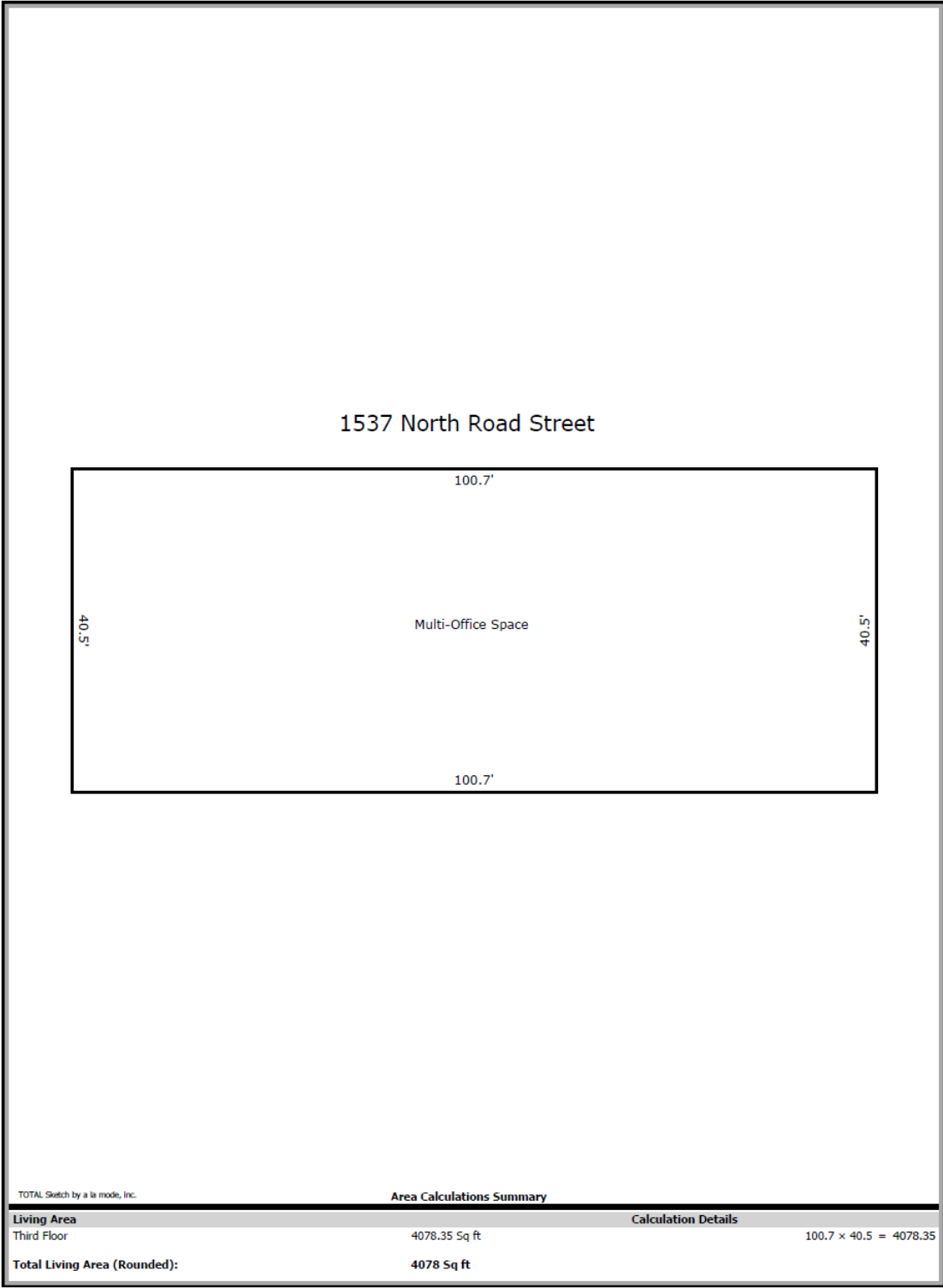
1533 North Road Street Drawing:



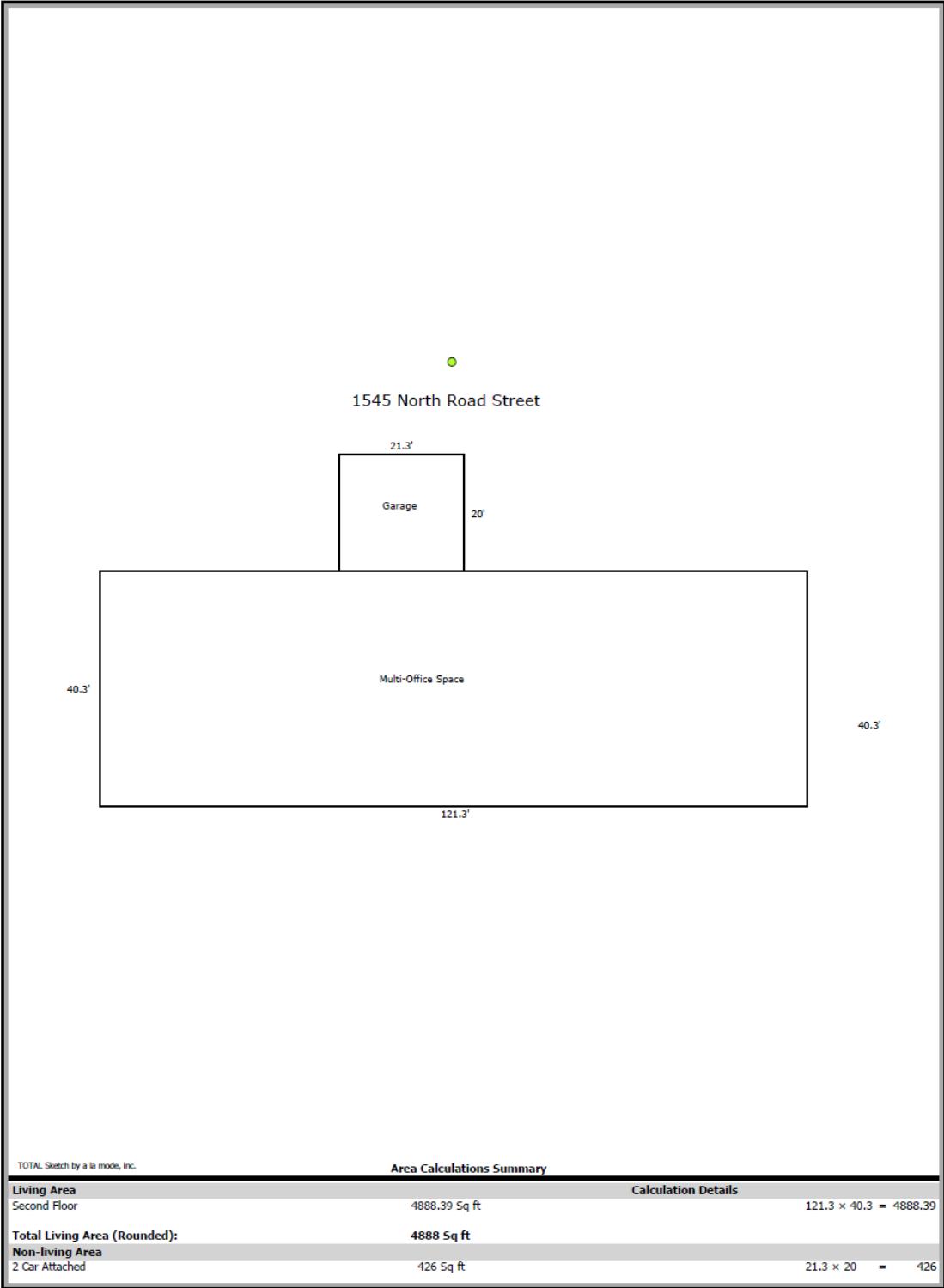
1535 North Road Street Drawing:



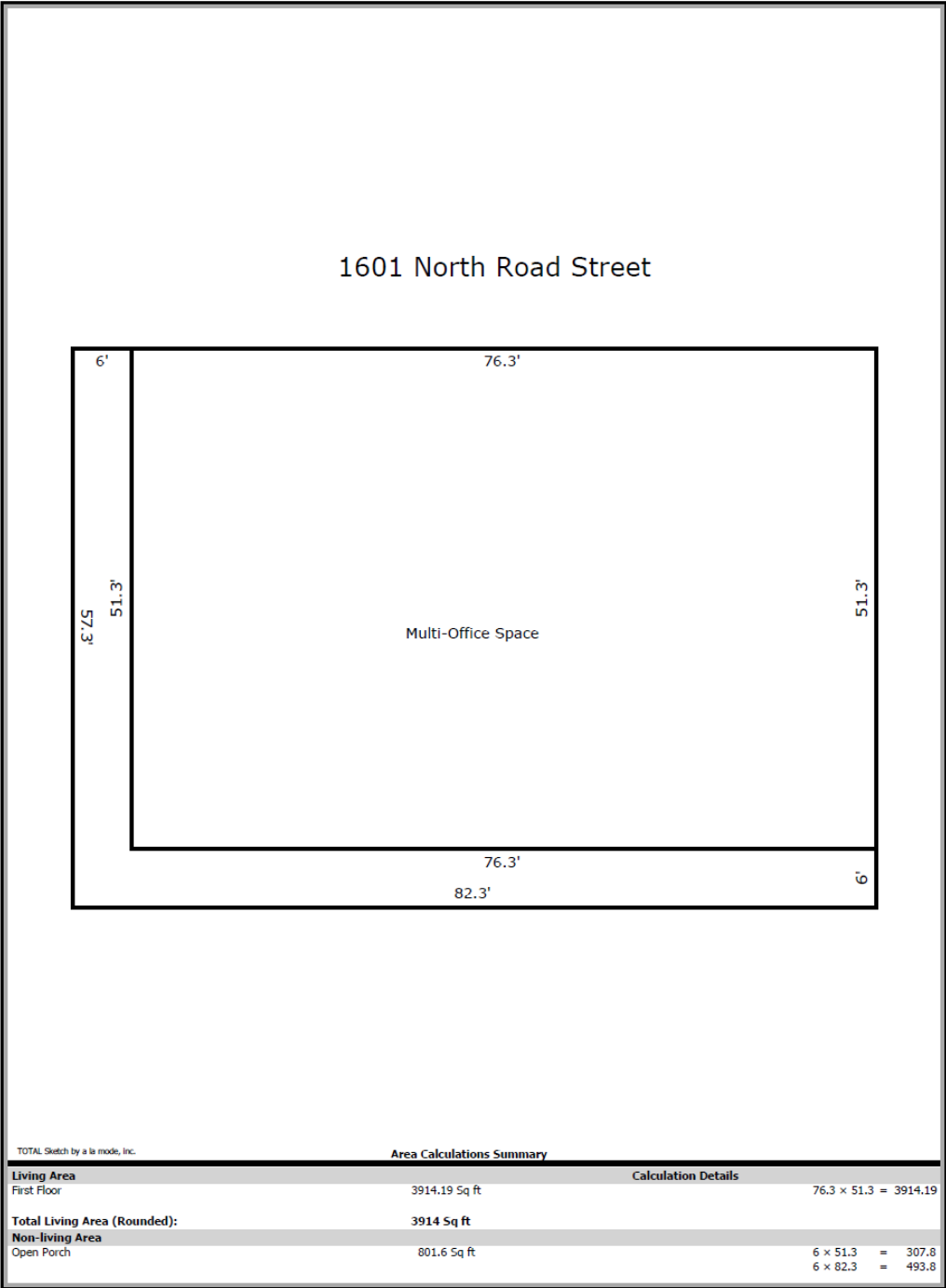
1537 North Road Street Drawing:



1545 North Road Street Drawing:



1601 North Road Street Drawing:



Photos of 1533 Road Street

MOST OF THE INTERIOR PHOTOS AND SOME OF THE EXTERIOR PHOTOS ARE FROM THE APPRAISAL REPORT COMPLETED IN JANUARY 2021.

	
Front	Rear View
	
Street view for all properties	Living room and dining room
	
Kitchen	One of two bedrooms

Photos of 1535 Road Street

		
Front	Rear view	Living room
		
Family room	Family room	Kitchen
		
Bathroom	Bedroom 1	Bedroom 2

Photos of 1537 Road Street







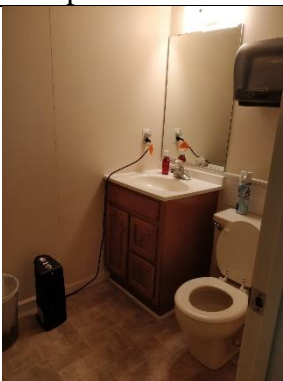

SUITE A - OCEAN TANNING



SUITE B – McPHERSON ACCOUNTING

					
		Reception area			Office
					
Office 2		Office/kitchenette		Restroom	

SUITE C – BEMBRIDGE INSURANCE

		
	Reception area	Office
		
Office 2	Restroom	Kitchenette & furnace room

Photos of 1541 Road Street



View from highway



View from across highway shows paved area,
Driveway from road, unpaved parking is
behind the car to the right of center.

Photos of 1545 Road Street

	
Front	View from across the highway

SUITES A-E – LICENSE PLATE AGENCY

		
Waiting area	Service desk 2 with office in back	Service desk 1 with entrance to the back behind the counter
		
Waiting area with entrance to the left	Restroom	Offices not shown for privacy

SUITE B – Vape Shop



Front room



Front room from entry door









Small office space



Restroom

SUITE C – SICARIO PROPERTIES

			
Counter			
			
Main area		Storage room	
			
Front section of main area		Restroom	

SUITE D – KARIN H. VENTURA ACCOUNTING

		
	Reception area	Part of reception area
		
Office	Kitchenette	Restroom

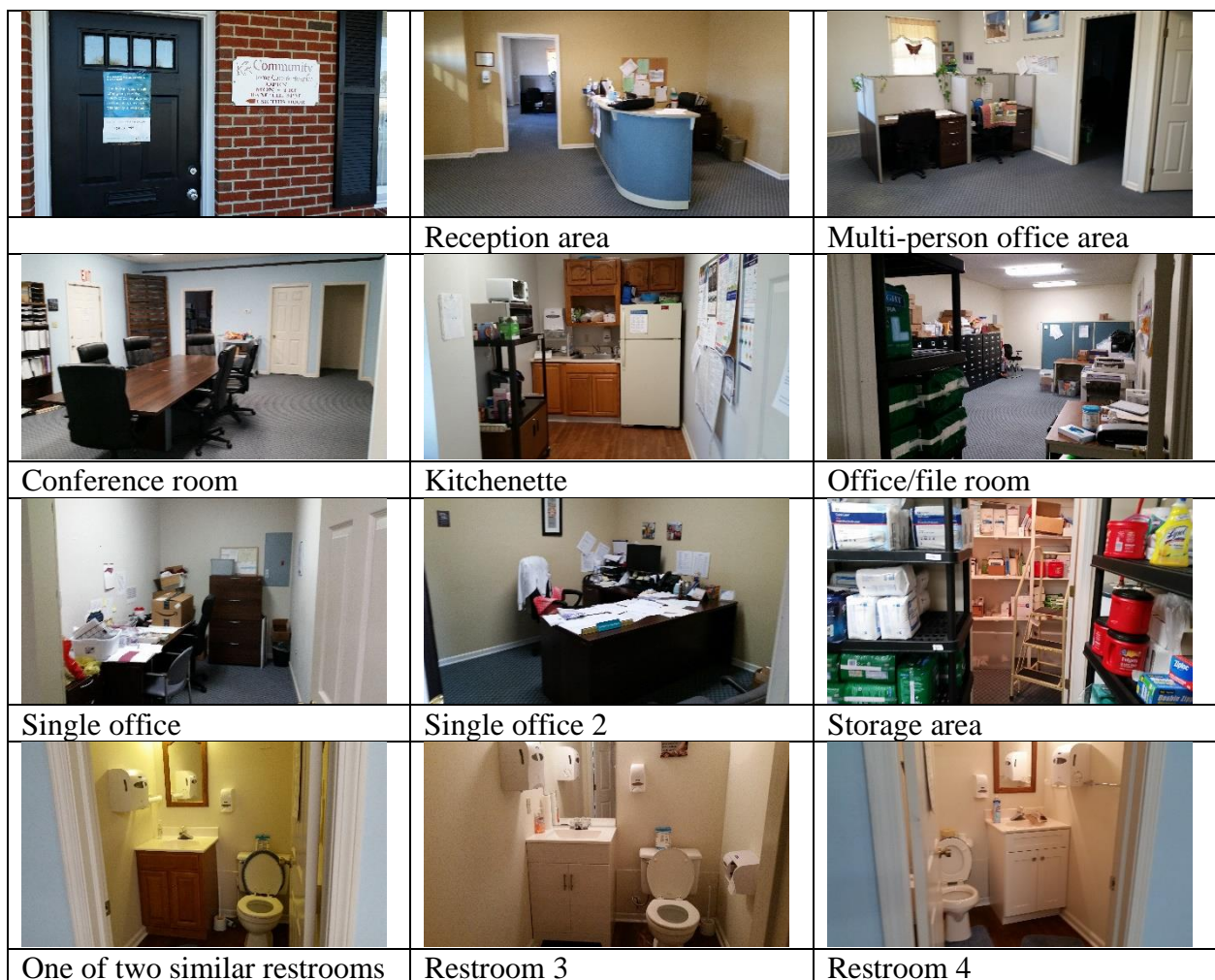
SUITE F – CHAPPELL REALTY

		
	Reception area	Reception area
		
Office 1	Office 2	Kitchenette
		
Hall & door to storage area	Restroom	Storage area




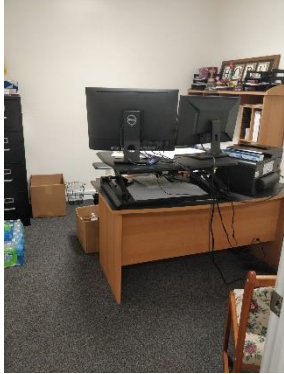

Photos of 1601 North Road Street



1601 SUITE A-B – COMMUNITY HEALTH



1601 SUITE C – COASTAL STAFFING

		
	Reception and hall	Reception area from back
		
Office	File and storage	Kitchenette
		
Restroom		

Taxes and Assessments

TAXES AND ASSESSMENTS						
Address:	1533	1535	1537	1541	1545	1601
	N Road St	N Road St	N Road St	N Road St	N Road St	N Road St
Tax ID #	891503325750	891503324771	891503323774	891503322852	891503321817	891503228990
Map #	P142B-34	P142B-35	P142B-36	P142B-37	P142B-38	P142B-39
Tax Value	\$127,300	\$123,300	\$167,200	\$20,000	\$194,800	\$313,400
Tax Rate	\$0.0077	\$0.0077	\$0.0077	\$0.0077	\$0.0077	\$0.0077
Tax	\$980	\$949	\$1,287	\$154	\$1,500	\$2,413
Assessments	\$144	\$144	\$144		\$144	\$144
Total	\$1,124	\$1,093	\$1,431	\$154	\$1,644	\$2,557
Total tax & assessments						\$8,004
Comments:	Tax data is quoted from the Pasquotank County tax cards as listed on the GIS site. According to a					
	representative from the Pasquotank County Tax Office, the current amount of tax due on these properties					
	is \$0.					

These are the amounts showing on the tax cards attached to the GIS. They are usually revised in July and The tax amount will probably be different by the end of the year.

Zoning

Zoning Code

C-1

Conformity

After a discussion with a zoning official, the current use is legally conforming. The building uses are in conformity with current zoning. Two of the individual lots, 1537 and 1545 have less parking than current requirements, but is grandfathered. The parking is mitigated by the parking area on 1541 North Road Street.

PASQUOTANK COUNTY ZONING ORDINANCE: SECTION 5.05 - C-1, COMMERCIAL DISTRICT

This district is defined as certain areas that are designed to serve both non-residents and residents using the major state and county roads that run through the county. This district is designed to accommodate retail or service establishments customarily patronized by transient traffic as well as non-transient traffic. (See Articles 6 through 8 for permitted uses and area and yard requirements.)



Highest and Best Use

Definition:

The reasonable probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

1. **Legally Permissible:** What uses are permitted by zoning, deed restrictions, and other legal restrictions.
2. **Physically Possible:** what uses may the site physically adapt to.
3. **Financially Feasible:** Which of the legally permissible and physically possible uses will produce a positive return to the owner.
4. **Maximally Productive:** Of the financially feasible uses, which use will produce the highest financial return.

Analysis:

Typically, the highest and best use of the site is considered first and then the highest and best use of the improved property.

As Vacant:

Many Legally Permissible uses are Physically Possible. Financially Feasible uses could include office or retail uses. The visibility makes it acceptable for either, but the current use suggest that office use is the highest and best use as vacant.

As improved:

There are several considerations for the six sites as improved.

1. The two houses at 1533 and 1535 North Road Street:
The value of the two houses and lots is substantially greater than the value of the two lots as if vacant. To use the lots for office use, the cost would include the new building and the cost of removing the existing structures. The added value based on income would be the amount the new office space would rent for less the rental income from the houses. Due to current set back requirements and parking requirements, the size of the building would be smaller than the current buildings. The cost of building would probably not be supported by the income difference.

Another consideration is that the hospital will be moving in the next five years. Unless the county comes up with an equal or better use for the site, several offices around the hospital will probably become vacant possibly leaving more office space

than demand for new space. The highest and best use is to remain as housing.

1541 North Road Street is currently vacant and used for parking. The site is large enough to support another building if approved by the county. The cost of the building would need to be matched by the income provided. Due to changes coming to this area, the highest and best use of this site is to support the other sites with parking. Use as additional office/retail space would only be the highest and best use with a secure tenant with a longer lease term.

The other three properties are currently office space with only one of space vacant. Occupancy is 12,081 square feet of 12,881 square feet or 93.8% occupied. Several of the tenants are long term tenants. Due to both the type of building, finish, occupancy, and length of tenancy, multi-unit office space is the highest and best use as improved.

The Appraisal Process

Three basic approaches to value may be used in the appraisal process. Each approach will be discussed along with its appropriateness for this particular property.

The COST APPROACH is based on an estimate of the cost to replace the current improvements with a new improvement with similar utility. The cost new is then adjusted for all types of depreciation applicable to the property. The value of the land, as if vacant, is added to the depreciated cost. The result is a value estimate.

This approach is most applicable on odd properties without other comparable data and on newer properties. This approach tends to be less applicable in older properties and on properties that are sold based on a particular factor such as income. Considering the age of this property, this approach was not used in this appraisal.

The MARKET or SALES COMPARISON APPROCH is based on comparison with other similar properties that have sold. The comparison may indicate a total value or a unit value such as the value per square foot. If multiple sales of similar properties can be found, this is an excellent approach because all factors are considered. Even with sales of properties not as similar as desirable, this approach often allows a range of values that set a high and low parameter for the subject.

The INCOME APPROACH is most effective on income producing properties. There are several ways to apply this approach, but the most common one is with a capitalization rate. Many income properties are advertised and priced based on the net operating income (NOI) and a capitalization rate. This is often the most supportable data as the capitalization rate tends to be more stable over a large area.

Sales Comparison Approach

The sales approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same or similar utility to the buyer. Supply and demand are significant influences on this method.

As part of the process, the following factors will be considered in order:

- ❖ The market in which the property competes
- ❖ Sales, listings, and contracts for sale are compared to the property being appraised
- ❖ The sales are analyzed to determine which are most pertinent
- ❖ The most meaningful unit of value is determined
- ❖ Adjustments are made to the sales where needed.
- ❖ The value indicated by the sales is analyzed and a final indication of value from the approach is determined.

We researched sales in several counties through the Albemarle Area Multiple Listing Service. northeastern North Carolina and parts of southeastern Virginia were checked through commercial listing services. The sales were searched from various sources and verified by a combination of MLS, national commercial data sources, public records, and where possible, parties to the transactions.

COMPARABLE SALES - OFFICES

1537 NORTH ROAD STREET



PROPERTY IDENTIFICATION			CONTRACT & TRANSACTION DATA		
ADDRESS:	1537 North Road Street		DATE:	Na	
CITY:	Elizabeth City		PRICE:	Na	
STATE:	NC		PRICE PR Sq. Ft.	Na	
ZIP:	27909		FINANCING:	Na	
OWNER OF RECORD:	Mary S. Chappell		DAYS ON MARKET:	Na	
PURCHASER:	Na		GROSS INCOME:		
TAX ID:	891503323774		EFF. GROSS INCOME:		
DEED BK, PG:	535, 106		EXPENCE RATIO:		
			NOI:		
			CAP RATE:		
			EGIM:		
SITE DATA			BUILDING DATA		
SIZE	Sq. Ft.	19840	SIZE	SQ FT:	4078
ROAD FRONT:	124 Ft North Road Street		RENTABLE AREA:	4078	
ZONE:	C-1		NUMBER OF UNITS:	3	
FLOOD ZONE:	X		YEAR BUILT:	Circa 1975	
ACCESS:	North Road Street		Year Renovated:	Continuous	
SHAPE:	Generally rectangular		Condition	Good	
TOPOGRAPHY:	Level				
ENCUMBERANCES:	None noted				
NOTES					

This is a brick front, metal building with three offices. Part of the interior has a newer finish and other office are older, but all are in good condition.

1545 NORTH ROAD STREET



PROPERTY IDENTIFICATION		CONTRACT & TRANSACTION DATA	
ADDRESS:	1545 North Road Street	DATE:	Na
CITY:	Elizabeth City	PRICE:	Na
STATE:	NC	PRICE PR Sq. Ft.	Na
ZIP:	27909	FINANCING:	Na
OWNER OF RECORD:	Mary S. Chappell	DAYS ON MARKET:	Na
PURCHASER:	Na	GROSS INCOME:	
TAX ID:	891503321817	EFF. GROSS INCOME:	
DEED BK, PG:	535, 106	EXPENCE RATIO:	
		NOI:	
		CAP RATE:	
		EGIM:	
SITE DATA		BUILDING DATA	
SIZE	Sq. Ft. 21,402	SIZE	SQ FT: 5314
ROAD FRONT:	178 Ft N Road St: 110 Ft Country Club Dr	RENTABLE AREA:	4888
ZONE:	C-1	NUMBER OF UNITS:	3
FLOOD ZONE:	X	YEAR BUILT:	Circa 1975
ACCESS:	North Road St & Country Club Dr	Year Renovated:	Continuous
SHAPE:	Generally rectangular	Condition	Good
TOPOGRAPHY:	Level		
ENCUMBERANCES:	None noted		
NOTES			

Two of the offices in this building have more current remodeling. The larger office is an older finish, but has been well cared for by a very long term tenant. The square footage that is not listed as Rentable Area is a garage attached to Suite F. The space is rentable, but not at the same rate as the other offices.

1601 NORTH ROAD STREET

PROPERTY IDENTIFICATION		CONTRACT & TRANSACTION DATA	
ADDRESS:	1601 North Road Street	DATE:	Na
CITY:	Elizabeth City	PRICE:	Na
STATE:	NC	PRICE PR Sq. Ft.	Na
ZIP:	27909	FINANCING:	Na
OWNER OF RECORD:	Mary S. Chappell	DAYS ON MARKET:	Na
PURCHASER:	Na	GROSS INCOME:	
TAX ID:	891503228990	EFF. GROSS INCOME:	
DEED BK, PG:	Will	EXPENCE RATIO:	
		NOI:	
		CAP RATE:	
		EGIM:	
SITE DATA		BUILDING DATA	
SIZE	Sq. Ft. 21,825	SIZE	SQ FT: 3914
ROAD FRONT:	35 Ft North Road St: 226 Ft Country Club Dr	RENTABLE AREA:	3914
ZONE:	C-1	NUMBER OF UNITS:	3
FLOOD ZONE:	X	YEAR BUILT:	Circa 1980
ACCESS:	North Road St & Country Club Dr	Year Renovated:	Recent
SHAPE:	Generally rectangular	Condition	Good
TOPOGRAPHY:	Level		
ENCUMBERANCES:	None noted		
NOTES			

There are three suites in this building, but two are rented together. The offices have been kept up to date and are in good condition.

COMPARABLE SALE 1

PROPERTY IDENTIFICATION		TRANSACTION DATA	
ADDRESS:	422 McArthur Street	DATE:	9/8/2021
CITY:	Elizabeth City	DEED BK & PG:	1423, 227
STATE:	NC	PRICE:	\$285,000
ZIP:	27909	PRICE PR Sq. Ft.	\$50.13
GRANTOR:	Hudson Air Service	FINANCING:	Na
GRANTEE:	Taylor-Muller Realty inc.	DAYS ON MARKET:	597
TAX ID:	891306279995	GROSS INCOME:	Na
MLS #:	98102	EFF. GROSS INCOME:	Na
		EXPENCE RATIO:	Na
		NOI:	Na
		CAP RATE:	Na
		EGIM:	Na
SITE DATA		BUILDING DATA	
SIZE	Sq. Ft. 32,607	SIZE	SQ FT: 5,685
ROAD FRONT:	99.12 Ft McArthur Street	RENTABLE AREA:	5,685
ZONE:	GB General Business		SQ FT:
FLOOD ZONE:	X	YEAR BUILT:	1984
ACCESS:	McArthur Street	Year Renovated:	1984
SHAPE:	Rectangular	Condition	Fair
TOPOGRAPHY:	Level		
ENCUMBERANCES:	None Known		
NOTES			

I inspected this building from inside and outside. It has a concrete paved parking area that is very ample for THE building size. The exterior is masonry and in good condition. The interior had two functioning, but old HVAC systems. The flooring was in poor condition and needed replacement. Many of the walls were a dating paneling. There were most small offices along one wall and across the back wall of the building leaving a large open area. For most uses, a substantial amount of work would be needed, particularly if finished for multi-tenant use.

COMPARABLE SALE 2



PROPERTY IDENTIFICATION		TRANSACTION DATA	
ADDRESS:	923 Halstead Blvd	DATE:	10/21/2021
CITY:	Elizabeth City	DEED BOOK:	1429, 24
STATE:	NC	PRICE:	\$442,500
ZIP:	27909	PRICE PR Sq. Ft.	\$56.73
GRANTOR:	Luther NC Properties LLC	FINANCING:	Cash Sale
GRANTEE:	Three Can, LLC	DAYS ON MARKET:	120
		GROSS INCOME:	Na
TAX ID:	891303333960	EFF. GROSS INCOME:	Na
MLS #:	104435	EXPENCE RATIO:	Na
		NOI:	Na
		CAP RATE:	Na
		EGIM:	Na
SITE DATA		BUILDING DATA	
SIZE	Sq. Ft. 48,352	SIZE	SQ FT: 7,800
ROAD FRONT:	100 Ft Halstead Blvd	RENTABLE AREA:	7,800
ZONE:	GB General Business	NUMBER OF UNITS:	1
FLOOD ZONE:	X	YEAR BUILT:	1978
ACCESS:	Halstead Blvd	Effective Age:	Na
SHAPE:	Generally Rectangular	Condition	Average
TOPOGRAPHY:	Level		
ENCUMBERANCES:	None Noted		
NOTES			

The lot size varied depending on where it was looked up. Based on GIS it appeared to be just over one acre, but with a pond crossing the back of the property leaving about .7 acres high and useable. The siding appeared to be in good condition, but faded, normal for an older metal frame building. There is a retail area in the front of the building with the remaining approximately 6,000 unfinished. There is limited parking with 5 to 6 spaces in front of the building. There is not enough room down the side for both truck access and parking (one or the other). There is room for some addition parking behind the building provided there are no obstructions to prevent paving. Even with added area, parking is limited.

COMPARABLE SALE 3

PROPERTY IDENTIFICATION		TRANSACTION DATA	
ADDRESS:	208 Hastings Lane	DATE:	3/12/2021
CITY:	Elizabeth City	DEED BOOK:	1404, 221
STATE:	NC	PRICE:	\$293,000
ZIP:	27909	PRICE PR Sq. Ft.	\$72.49
GRANTOR:	Karl Brandspigle & Juanita R Coleman	FINANCING:	Conventional
GRANTEE:	Henry T. and Laura F. Gregory	DAYS ON MARKET:	141
TAX ID:	Part of 891504603155	GROSS INCOME:	Na
MLS #:	101776	EFF. GROSS INCOME:	Na
		EXPENCE RATIO:	Na
		NOI:	Na
		CAP RATE:	Na
		EGIM:	Na
SITE DATA		BUILDING DATA	
SIZE	Sq. Ft. 29,650	SIZE	SQ FT: 4,042
ROAD FRONT:	175.53 Ft	RENTABLE AREA:	4,042
ZONE:	GB General Business	NUMBER OF UNITS:	1
FLOOD ZONE:	X	YEAR BUILT:	1994
ACCESS:	Hastings Lane	Year Renovated:	Na
SHAPE:	Irregular - Cul-de-sac	Condition	Good
TOPOGRAPHY:	Level		
ENCUMBERANCES:	None noted		
NOTES			

This building was finished for medical use. It has no visibility from a major road, but is easily accessed from North Road Street. It is in an area with other medical facilities. This was part of a larger parcel. The map is recorded in map book 66 on page 35. The square footage is from measurements on the survey map. Parking is ample and greater than required for new buildings of this size.

COMP #	ADDRESS		SITE SIZE	UNIT	BUILDING	SALE PRICE	PRICE/SF
Subject 1	1537 North Road Street	Na	19,840	Sq. Ft.	4,078	Na	Na
Subject 2	1545 North Road Street	Na	21,402	Sq. Ft.	4,888	Na	Na
Subject 3	1601 North Road Street	Na	21,825	Sq. Ft.	3,914	Na	Na
1	422 McArthur Street	9/8/2021	32,607	Sq. Ft.	5,685	\$285,000	\$50.13
2	923 Halstead Blvd	10/21/2021	48,352	Sq. Ft.	7,800	\$442,500	\$56.73
3	208 Hastings Lane	3/12/2021	29650	Sq. Ft.	4,042	\$293,000	\$72.49

I was able to verify the sale amounts on the sales by MLS and by deed information. Sales 1, 2, were also verified by either the buyer or seller.

Comparable sale 1 was built for and occupied by a state agency until about 2 years before the sale. The interior needed substantial improvements. I considered purchasing this property and dividing it into 4 or 5 units. I have made an adjustment based on the estimates I made for this division.

Comparable sale 2 was vacant when sold. It had been rented to the same tenant for many years. The building could not be divided into several smaller units because of the lack of parking. To be comparable to the subject, the interior of the building would need to be finished. Because it is a metal building, even the exterior walls would need studs. I would expect it to be as much or more per square foot than comparable sale 1. I also have no support for an adjustment to correct the parking problem. This comparison is left without adjustment. The subject is worth substantially more per square foot than this sale.

Comparable 3 was a medical office. The interior finish, based on MLS photos, appears similar to most of the subject. I found no sales of offices along North Road Street to support an adjustment between highway vs interior properties. I also looked for vacant lots sold along North Road Street vs interior lot similar to the lot at 208 Hastings Lane. I did not find any to support an adjustment. Based on past history, knowledge of the area, and one listing. I estimated an adjustment of \$50,000.

COMP #	ADDRESS		SITE SIZE		BUILDING	SALE PRICE	DAYS ON MARKET	ADJUSTMENTS	PRICE/SF
Subject 1	1537 North Road Street	Na	19,840	Sq. Ft.	4,078	Na	Na		Na
Subject 2	1545 North Road Street	Na	21,402	Sq. Ft.	4,888	Na	629		Na
Subject 3	1601 North Road Street	Na	21,825	Sq. Ft.	3,914	Na	120		Na
1	422 McArthur Street	9/8/2021	32,607	Sq. Ft.	5,685	\$285,000	597	\$200,000.00	\$85.31
2	923 Halstead Blvd	10/21/2021	48,352	Sq. Ft.	7,800	\$442,500	120		\$56.73
3	208 Hastings Lane	3/12/2021	29650	Sq. Ft.	4,042	\$293,000	141	\$50,000	\$84.86

Sales 1 and 3 support a value estimate of \$ 80 to \$85 per square foot. Comparable sale 2 supports a value substantially higher than \$56.73. The value estimate is \$80 per square foot.

The value estimate for the two houses and the vacant lot with parking has to be added. The housing value was estimated by comparison to other sales of houses and is shown on following pages.

COMPARABLE SALES – VACANT LOT 1541

Lot 1541 has changed since the last appraisal. For that appraisal, the lot was too small for a building. Its primary value was the paved parking area that could be used with the two surrounding buildings. A recombination map is included on page 24 that shows the increased size of the site. I could not find this map on the Pasquotank County Register of Deeds web site; therefore, I include an assumption that the map is in the process of being recorded and that the size of the lot at 1541 North Road Street is commensurate with the map on page 24.

The most similar sale found was 1324 North Road Street, but that is a site with a house that was converted to an office for a used car lot. This site was sold as one piece, but it was actually two parcels owned by two different people. The price recorded on the deed for the 14,000 square foot lot was \$75,000. Because of the location, this parcel could be expected to sell for more than 1541 North Road Street even though it is smaller. No other comparable sales of land were found. The value estimate for this property is based on the one sale at \$65,000.

COMPARABLE SALES – HOUSES

The best sales would be ones on North Road Street, preferably with land zoned commercial. I found one recent sale on North Road Street zoned commercial, but in the city limits. I found several sales of similar housing not on a similar highway.

The two houses being appraised have some dated features including knotty pine paneling. The cabinets were replaced at some point with newer style wood finished cabinets. The choices of comparisons eliminated concerns with location (discussed above), age, condition, and quality. Adjustments were made for other differences. A discussion of each comparison and pictures follows the comparison grid. The data on the houses was primarily from MLS and MLS photos. The data was verified as much as possible from GIS, tax, and register of deeds data.

1533 North Road Street

Comp #		1	2	3	4
Address	1533 N. Road St	1324 N Road St	105 Merriwood Ave	1729 N Road St	1222 West Main St
Sale Price	Na	\$160,000	\$157,000	\$180,000	\$150,000
Price/Sq Ft	Na	\$138.89	\$133.50	\$127.66	\$117.19
Source	Inspection	MLS # 98357 DOM 635	MLS # 104566; DOM 108	MLS # 103727; DOM 80	MLS # 104929; DOM 148
Concessions				-\$5,000	
Sale Date	Na	11/12/2021	10/22/2021	7/21/2021	12/29/2021
Site Size	8,000 Sq Ft	28,000 Sq Ft	12153 Sq Ft	37,400 Sq Ft	8,550 Sq Ft
Rooms	5	5	4	6	6
Bedrooms	3	2	3	3	3
Baths	1	1	2	2	1.5
Size (Sq Ft)	1194	1152	1176	1410	1280
Heat/AC	Heat Pump	Heat Pump	Heat Pump	Hw/Cent AC	Heat Pump
Porch/Deck	Stoop	Stoop	Stoop	Stoop	Stoop
Garage	None	Det 1 car	None	None	None
Buildings	None	None	None	None	Small
				Deck 12x16	Deck & Fire
				Sunroom	Pit
				-\$2,500	-\$1,500
				-\$10,000	
Net Adjustment		\$0	-\$2,500	-\$32,900	-\$4,000
Adjusted Value		\$160,000	\$154,500	\$147,100	\$146,000
Adjusted Value per sq ft		\$138.89	\$131.38	\$104.33	\$114.06

Adjustments for Concessions included amounts paid by the seller for the buyers closing cost. It was deducted because it was money that the seller did not receive at closing.

Comparable sale 1 has an older garage with a work area. Comparison 1 is in the city limits and located next to the Ford Dealership. It is in a commercial area and has been converted to a used car dealership. The size of the lot, 28,000 square feet, will not allow a building much larger than the house, but allows sufficient room for its intended purpose. No adjustments were made because the price was probably more related to the lot. The two houses being appraised are also on lots zoned for commercial use, but not in an area with the amount of traffic.

Comparable sale 2 similar in size and condition, but is not on a highway and not zoned commercial.

Comparable sale 3 is zoned C-1 commercial and is closer to the subject. The house has had some remodeling, but not substantially more than 1533 North Road Street. The additional remodeling is offset by the hot water baseboard heating system.

Comparable 4 has many similarities to the property being appraised. It is not in a commercial zone, but Main Street is more similar in traffic to the area of Road Street around the subject.

The mean sale price was \$150,800 and the mean price per square foot was \$122.72 (\$146,528). These sales indicate a value for 1533 North Road Street of \$150,000.

1535 North Road Street

Comp #		5		6		7		8	
Address	1535 N. Road St	1802 N Road St		111 Creek Road		1729 N Road St		1222 West Main St	
Sale Price	Na	\$192,500		\$175,000		\$180,000		\$150,000	
Price/Sq Ft	Na	\$135.18		\$140.34		\$127.66		\$117.19	
Source	Inspection	MLS # 104624; DOM 118		MLS # 99092		MLS # 103727; DOM 80		MLS # 104929; DOM 148	
Concessions			-\$2,500				-\$5,000		
Sale Date	Na	11/5/2021		5/22/2020		7/21/2021		12/29/2021	
Site Size	13,250 Sq Ft	13,125 Sq Ft		20,000 Sq Ft		37,400 Sq Ft		8,550 Sq Ft	
Rooms	5	6		5		6		6	
Bedrooms	3	3		3		3		3	
Baths	1	1.5	-\$1,500	1		2	-\$2,500	1.5	-\$1,500
Size (Sq Ft)	1140	1424	-\$13,500	1247	-\$5,500	1410	-\$12,900	1280	-\$7,000
Heat/AC	Heat Pump	Heat Pump		Heat Pump		Hw/Cent AC		Heat Pump	
Porch/Deck	Stoop	Stoop		Stoop		Stoop		Stoop	
Garage	496 Sq Ft	286 Sq Ft	\$2,000	672 sf 2 car	-\$7,500	None	\$10,000	None	\$10,000
Buildings	None	None		Carport	-\$2,500	None		Small	-\$1,000
				Deck	-\$1,000	Deck 12x16	-\$2,500	Deck & Fire	
						Sunroom	-\$10,000	Pit	-\$1,500
Net Adjustment			-\$15,500		-\$16,500		-\$22,900		-\$1,000
Adjusted Value			\$177,000		\$158,500		\$157,100		\$149,000
Adjusted Value per sq ft			\$124.30		\$127.11		\$111.42		\$116.41

Adjustments were made for square footage because sales were over 100 square feet larger. The mean adjusted sale price was \$157,800 and the mean price per square foot was \$121.76 (\$138,806.4). The value of 1535 North Road Street is rounded to \$155,000.

Comparable sales 1 and 3 are in the same neighborhood with sale 3 having the same zoning C-1. All of the comparable sales were larger and required adjustments for size. Adjustments were made from limited comparable data.



C-1 1324 N Road Street



C-2 105 Merriwood



C-3 & 7 1729 North Road Street



C-4 & 8 1222 W Main Street



C-5 1802 North Road Street



C-6 111 Creek Road

VALUE ESTIMATE FROM THE SALES COMPARISON APPROACH

VALUE ESTIMATE FROM THE MARKET COMPARISON APPROACH							
	ADDRESS	SIZE	ESTIMATED VALUE/SQ. FT.			VALUE ESTIMATE MARKET APPROACH	
	1537 N Road Street	4,078		\$80.00		\$326,240	
	1545 N Road Street	4,888		\$80.00		\$391,040	
	1545 Garage	426		\$20.00		\$8,520	
	1601 N Road Street	3,914		\$80.00		\$313,120	
	1541 N Road Street					65000	
	1533 N Road Street	1,194				150000	
	1535 N Road Street	1,140				155000	
	TOTAL					\$1,408,920	
	ROUNDED					\$1,400,000	

Income Approach

The income approach is based on the present worth of the future rights to income and is considered from an investor's point of view. The analysis considers not only the current NOI, but also the stability of the income. These factors influence the capitalization rate selected.

As part of the process, the following factors will be considered in order:

- ❖ The current income for the buildings
- ❖ Current and Asking rents from comparable buildings base on income per square foot
- ❖ Potential income for the buildings
- ❖ Current vacancy for the buildings
- ❖ Potential vacancy for the buildings
- ❖ Estimate of NOI
- ❖ Development of an appropriate capitalization rate (cap rate)
- ❖ Estimate of value from the income approach.
- ❖ **Please note: Capitalization rates are at or near historic lows. The appraisal is completed as of the effective date. Capitalization rates tend to be affected by many factors with interest rates and competitive investment rates being two variables not associated with specific properties. Changes in these rates could result in changes in capitalization rates and potentially substantial changes in value estimates. The estimate is as of the effective date of the appraisal.**

SUBJECT 1

PROPERTY IDENTIFICATION		CONTRACT & TRANSACTION DATA	
ADDRESS:	1533 North Road Street	DATE:	Na
CITY:	Elizabeth City	MONTHLY RENT	\$800
STATE:	NC	GROSS INCOME:	\$9,600
ZIP:	27909	EFF. GROSS INCOME:	\$9,204
OWNER OF RECORD:	Mary S Chappell	EXPENCE:	\$4,529
TAX ID:	8915003325750	NOI:	\$4,675
SIZE	SQ FT: 1,194	NOI per sq. ft.	\$3.92
RENTED AREA:	1,194		
YEAR BUILT:	1952		
NUMBER OF UNITS:	1		
SITE SIZE	SQ FT: 8,000		

NOTES

The house is in generally good condition with vinyl siding and thermal windows. The interior has more modern cabinets than original. There are some dating features such as the paneling in one room and the bathroom. Expenses include tax (\$1,118.59), insurance (\$992), management fee (\$960), repairs (\$1,500). Tax and insurance were provided by the client. Management fees are typical amounts. Repairs were estimated based on percent of long term repairs (ex. roof) and normal annual cost estimates.

SUBJECT 2

PROPERTY IDENTIFICATION			CONTRACT & TRANSACTION DATA	
ADDRESS:	1535 North Road Street		DATE:	Na
CITY:	Elizabeth City		MONTHLY RENT	\$850
STATE:	NC		GROSS INCOME:	\$10,200
ZIP:	27909		EFF. GROSS INCOME:	\$9,780
OWNER OF RECORD:	Mary S Chappell		EXPENCE:	\$5,283
TAX ID:	891503324771		NOI:	\$4,497
SIZE	SQ FT:	1,140	NOI per sq. ft.	\$3.94
RENTED AREA:	1,140			
YEAR BUILT:	1952			
NUMBER OF UNITS:	1			
SIZE	Sq. Ft.	12,500		

NOTES

The house is in generally good condition, but with some dating features including interior paneling, and bathroom. Expenses include tax (\$1,087.94), insurance (\$1,175), management fee (\$1,020), repairs (\$2,000). Tax and insurance were provided by the client. Management fees are typical amounts. Repairs were estimated based on percent of long term repairs (ex. roof) and normal annual cost

SUBJECT 3

PROPERTY IDENTIFICATION		CONTRACT & TRANSACTION DATA	
ADDRESS:	1537 North Road Street	DATE:	Na
CITY:	Elizabeth City	MONTHLY RENT	\$2,100
STATE:	NC	GROSS INCOME:	\$25,200
ZIP:	27909	EFF. GROSS INCOME:	\$24,444
OWNER OF RECORD:	Mary S Chappell	EXPENCE:	\$15,229
TAX ID:	8915003323774	NOI:	\$9,215
SIZE SQ FT:	4,078	NOI per sq. ft.	\$2.26
RENTED AREA:	4,078		
YEAR BUILT:	Circa 1980		
NUMBER OF UNITS:	3		

NOTES

The condition was discussed on pages 26 - 28. Suite A has been occupied by the same business for 15 to 20 years. The business has had more than one owner during that time. Suites B and C have been occupied by the current tenants for most of the life of the building. No work is currently needed in either of these offices. Data furnished by the client.

SUBJECT 4

PROPERTY IDENTIFICATION		CONTRACT & TRANSACTION DATA	
ADDRESS:	1545 North Road Street	DATE:	Na
CITY:	Elizabeth City	MONTHLY RENT	\$4,100
STATE:	NC	GROSS INCOME:	\$49,200
ZIP:	27909	EFF. GROSS INCOME:	\$47,724
OWNER OF RECORD:	Mary S Chappell	EXPENCE:	\$15,194
TAX ID:	8915003322852	NOI:	\$32,530
SIZE SQ FT:	5,314	NOI per sq. ft.	\$6.66
RENTED AREA:	4,888		
YEAR BUILT:	Circa 1979		
NUMBER OF UNITS:	5		

NOTES

The condition was discussed on pages 26 - 28. This building has 5 spaces. One space and the garage attached to the back of the building is occupied by the client (800 sq ft + garage). Another 800 sq ft space was rented in the past year. Two 800 sq ft units have been rented to the same tenants in excess of 10 years. The remaining 1,600 sq ft has been rented to the current tenant for over twenty years. Data pro

SUBJECT 5

PROPERTY IDENTIFICATION		CONTRACT & TRANSACTION DATA	
ADDRESS:	1601 North Road Street	DATE:	Na
CITY:	Elizabeth City	MONTHLY RENT	\$3,240
STATE:	NC	GROSS INCOME:	\$38,880
ZIP:	27909	EFF. GROSS INCOME:	\$37,325
OWNER OF RECORD:	Mary S Chappell	EXPENCE:	\$16,929
TAX ID:	891503228990	NOI:	\$20,396
SIZE	SQ FT: 3,914	NOI per sq. ft.	\$5.21
RENTED AREA:	3,914		
YEAR BUILT:	Circa 1983		
NUMBER OF UNITS:	3		

NOTES

The condition was discussed on pages 26 - 28. This is the newer building. It has two tenants, both have been in place in excess of 10 years. Data provided by the client.

COMPARABLE LEASE 1



PROPERTY IDENTIFICATION			TRANSACTION DATA		
ADDRESS:	1141 North Road Street		DATE:	3/1/2021	
CITY:	Elizabeth City				
STATE:	NC				
ZIP:	27909				
LESSOR:	Northeastern Professional Asso.				
LESSEE:	Various		MONTHLY RENT	\$	12.00
TAX ID:	891402862219		GROSS INCOME:	\$	192,000
				2 currently for rent	
			</		

This is a series of five buildings with a total of 8 tenants. They were built as medical offices and have been generally well maintained. The exterior of some buildings is beginning to need paint. The same rent per square foot is charged for all units. All leases are gross annual rent. Vacancy has traditionally been low; however, one unit has just been rented and two are vacant and advertised in the MLS.

COMPARABLE LEASE 2



PROPERTY IDENTIFICATION		TRANSACTION DATA	
ADDRESS:	1134 North Road Street	Date	6/4/2019
CITY:	Elizabeth City		
STATE:	NC		
ZIP:	27909		
LESSOR:	Bal Park LLC		
LESSEE:	Various	GROSS RENT/SF	\$ 12.00
TAX ID:	891412974191	GROSS INCOME:	\$ 229,200
		NET RENT/SF	
		NET INCO	
SITE DATA		BUILDING DATA	
SIZE	168,142	SIZE	19,100
ROAD FRONT:	North Road Street	RENTABLE AREA:	19,100
ZONE:	C- Commercial	NUMBER OF UNITS:	9
FLOOD ZONE:	X	YEAR BUILT:	1980
ACCESS:	North Road Street	Year Renovated:	Na
SHAPE:	Irregular	Condition	Good
TOPOGRAPHY:	Level		
ENCUMBERANCES:	None Noted		
NOTES			

This property was built as medical offices. They are still mainly medical offices
One vacancy was noted when the photos were taken.

COMPARABLE LEASE 3



PROPERTY IDENTIFICATION			TRANSACTION DATA		
ADDRESS:	143 E Rich Blvd		Date	4/1/2021	
CITY:	Elizabeth City				
STATE:	NC				
ZIP:	27909				
LESSOR:	Richard Grant Inc				
LESSEE:	Na		GROSS RENT/SF	\$	7.00
TAX ID:	891304530919		GROSS INCOME:	\$	9,000.00

Spaces vary from 1,250 or 2,500 sq. ft. each. Rents range from \$6.72 to \$9.60 per square foot with the current asking price for vacant units at \$6 to \$7 per square foot. One unit has recently been rented for \$7.00 per square foot. Another is currently listed in the MLS for \$6.00 per square foot.

COMPARABLE LEASE 4



PROPERTY IDENTIFICATION			TRANSACTION DATA		
ADDRESS:	108 S Ash Street		Date	5/12/2021	
CITY:	Elizabeth City				
STATE:	NC				
ZIP:	27909				
LESSOR:	Na		RENT/SQ FT	\$10.59	
LESSEE:	Na		MONTHLY RENT	\$1,200	
			GROSS INCOME:	\$14,400	

Well kept three bedroom one bath house in Elizabeth City, NC. The kitchen has hard counter tops and tile floors, but the top cabinets do not match the bottom ones. The windows were replaced with double panes. There is a stairway to a second floor.

COMPARABLE LEASE 5



PROPERTY IDENTIFICATION			TRANSACTION DATA		
ADDRESS:	109 Merriwood Ave		Date	10/21/2021	
CITY:	Elizabeth City				
STATE:	NC				
ZIP:	27909				
Lessor:	Na		RENT/SQ FT	\$10.04	
Lessee:	Na		MONTHLY RENT	\$750	
TAX ID:	891418303596		GROSS INCOME:	\$9,000	
TAX MAP #:	75-H-19				

This house has been well cared for, but lacks central heat and air conditioning. The kitchen has older cabinets and a washer and dryer hook up. The windows appear to be original

COMPARISON CHART

COMP #	ADDRESS	LEASE	RENTABLE	RENTED	RENT	ANNUAL	EXPENSES	NET OPERATING
		DATE	SQ. FT.	AREA	SQ FT	RENT		INCOME
Subject 1	1533 North Road Street		1,194	1,194	\$8.04	\$9,600	\$3,366	\$5,838
Subject 2	1535 North Road Street		1,140	1,140	\$8.95	\$10,200	\$3,618	\$6,162
Subject 3	1537 North Road Street		4,078	4,078	\$6.18	\$25,200	\$6,606	\$18,594
Subject 4	1545 North Road Street		4,888	4,088	\$10.07	\$49,200	\$13,779	\$35,273
Subject 5	1601 North Road Street		3,914	3,914	\$9.93	\$38,880	\$8,280	\$30,600
	TOTAL		15,214	14,414	\$9.23	\$133,080	\$35,649	\$96,468
1	1141 North Road Street	3/1/2021	16,000	16,000	\$ 12.00	\$ 192,000	\$28,800	\$163,200
2	1134 North Road Street	6/4/2019	19,100	19,100	\$ 12.00	\$ 229,200	\$30,000	\$199,200
3	143 E Rich Blvd	4/1/2021	10,000	1,250	\$ 7.00	\$9,000		\$9,000
4	108 S Ash Street	5/12/2021	1,360	1,360	\$10.59	\$14,400		\$14,400
5	109 Merriwood Ave	10/21/2021	896	896	\$10.04	\$9,000		\$9,000

The chart above summarizes the current lease data and income for the five properties being appraised.

Comparable leases 1 and 2 are across the street from each other. They have limited visibility from North Road Street, but no frontage. Both are older medical offices that have been updated as needed. Their location in an area with a traffic pattern of 20,000+ cars per day and being very near the hospital has been a great advantage for these properties. Rental rates have been stable for several years.

Rent for medical office space tends to be higher than other office space because of the additional cost associated with the individual examination rooms, but the rent rates for these offices is more similar to general office space. These offices were also affected by their location in relation to the hospital which is now limited. The indication for rent rates for buildings being appraised is lower than the average \$12. per square foot.

Comparable lease 3 is a metal building built for office/retail space. The building is similar construction and age to the offices of the subject, but does not appear to be in equal condition. It is much closer to the business area of Ehringhaus Street and Halstead Boulevard, but has almost no visibility from Halstead Boulevard.

The rent charged for comparable lease 3 is much lower based on the condition and lack of visibility from any major road. Most tenants are destination type tenants that do not need visibility. This is a limiting factor in office and retail rentals. This indicates a rent potential greater than the \$6.00 to \$7.00 rent per square foot for the last two spaces rented.

Comparable leases 4 and 5 are for comparison to the houses and were selected because they gave the best indication of rent rates for 1533 and 1535 North Road Street.

Lease 4 had similar remodeling to 1533 North Road Street based on the photos and description in the multiple listing. It does have an additional room upstairs that has sloped ceiling.

Lease 5 has old cabinets, old windows, but nice wood flooring. This house was included because the rent should be less than the two houses being appraised.

These two and other properties considered indicated a potential rent range between \$1,000 and \$1,100 per month. The current rents are \$800 and \$850 per month for 1533 and 1535 North Road Street.

The data from these comparisons indicate the rent for all of the properties being appraised is lower than average.

VACANCY

One 800 square foot unit was rented in the last year. All other commercial spaces have been rented to the current tenants for 10 years or more. Five of the tenants occupying slightly over half of the commercial square footage have been in place for over 20 years. Vacancy is virtually zero at this rent rate. The vacancy rate for the two houses is estimated at 6%.

The chart below summarizes current income and expenses to estimate a current Net Operating Income (NOI). Expenses include property tax, insurance, repairs (annual estimate), lawn maintenance, and utilities.

CURRENT INCOME AND EXPENSES										
		VACANCY							TOTAL	NOI
	INCOME	PERCENT	VACANCY	EGI	TAX	INSURANCE	REPAIRS	OTHER	EXPENSE	
1533	\$9,600	6%	\$576	\$9,024	\$1,124	\$945	\$1,297		\$3,942	\$5,658
1535	\$10,200	6%	\$612	\$9,588	\$1,088	\$1,175	\$1,355		\$4,230	\$5,970
1537	\$25,200	0%	\$0	\$25,200	\$1,431	\$1,024	\$3,595	\$556	\$6,606	\$18,594
1541	\$0	0%	\$0	\$0	\$154	\$0	\$0		\$154	-\$154
1545	\$49,200	0%	\$0	\$49,200	\$1,644	\$1,383	\$4,631	\$6,121	\$13,779	\$35,421
1601	\$38,880	0%	\$0	\$38,880	\$2,401	\$1,097	\$2,957	\$1,825	\$8,280	\$30,600
	\$133,080		\$1,188	\$131,892	\$7,842	\$5,624	\$13,835	\$8,502	\$36,991	\$96,089

To convert this income into value, a capitalization rate (cap rate) is needed. Capitalization rates are affected by several factors.

❖ **Please note: Capitalization rates are near historic lows. The appraisal is completed as of the effective date. Capitalization rates tend to be affected by many factors with interest rates and competitive investment rates being two variables not associated with specific properties. Changes in these rates could result in changes in capitalization rates and potentially substantial changes in value estimates.**

Interest rates have stayed low for an extended period of time. There are no factors suggesting any immediate substantial change in either direction.

Property factors that affect capitalization rates include income, tenancy, and property condition among other factors. Cap rates tend to be lowest on newer properties with long term triple net leases to well known economically secure national tenants (often called national credit tenants). Cap rates tend to be highest at the other end of the spectrum, older properties that may need expensive repairs in the next few years with month to month rent and tenants who may have trouble paying rent. Cap rates even vary with national credit tenants depending on the remaining term of the leases. If there are three years remaining on the lease, an investor knows that the building may be vacant with no income at the end of three years. The investor is willing to pay less for the property than a similar property with 15 years remaining on the lease. The higher the cap rate, the lower the value.

The chart below shows three properties found in this general area, and two other areas.

CAPITALIZATION RATE COMPARISONS								
ADDRESS	CITY	SQ FT	SALE DATE	LIST	SALE	INCOME	CAP RATE	
5815-5819 Ramsey Street	Fayetteville	3392	10/15/2020	815000	725000	59360	8.19%	
1873 Tynecastle Hwy	Banner Elk	7138	2/3/2021	625000	615000	44812	7.29%	
1111 Halstead Blvd	Elizabeth City NC	21000	6/18/2021	941066	850000	84696	9.96%	
401 E Church Street	Edenton NC	6812	12/16/2021	1750000	1550000	136268	8.79%	
201 Virginia Road	Edenton NC	1800	12/8/2021	911000	910000	118455	13.02%	

Typically, residential properties are not appraised with capitalization rates. In this case, the total income of the properties is being considered and the income and expenses from the houses is being considered on the same basis.

The properties in Fayetteville and Banner Elk are more similar to the properties being appraised. The Fayetteville properties are more similar in design and quality to the offices of the subject. The property in Banner Elk does not look as nice, but includes office space downstairs and residential upstairs.

The first property on Ramsey Street, Fayetteville is a 3 office 3,392 square foot building constructed in 1985. It has a tenant that has been in place for 25 years. The other two are shorter term, but the length of tenancy was not mentioned.

The second property at 1873 Tynecastle Hwy in Banner Elk was also built in 1985. This is a 7,138 square foot facility. It is advertised as being fully rented with very rare vacancies. The quoted income was NOI. Actual rents are not known, but are advertised as being below market.

These two were added because of the multi-office configuration.

Property number 3 is a single national credit tenant. The current lease expires January 31, 2023. The tenant has purchased a lot in the newer shopping area of town and is not expected to renew the lease. The time between the listing and closing (DOM) was 18 days.

Property number 4 is the only multi-tenant building found locally. This is a five story historic structure that was remodeled, but saved much of the historic look of the interior. Two of the tenants have been in the building since it was remodeled in 2006. Those two tenants occupy 4 of the 5 floors. DOM was 371 days.

The fifth property is in an area near the hospital in Edenton. It is a single tenant building rented to Vident Hospital. DOM was 119 days.

The subject is a facility that currently has 10 tenants and no vacancy. All but one tenant have occupied their space for 10 to close to 40 years. The houses add two more tenants and are both occupied. Most of the offices have received substantial upgrades and are better than average for their age.

1537 North Road Street is rented substantially below average. The average rent for the other two office buildings more reasonable, but still below average. The two houses are also rented at lower than average rates.

Although none of the tenants are hospital related, an area of concern is the number of offices that may be vacant 3 to 5 years from now. They could negatively affect the tenancy or the rent amounts.

I searched two other sources for capitalization rates on similar properties. I found 6 multi-tenant facilities. Four were newer properties in or near larger cities and sold in the latter half of 2021. These cap rates were 6.72, 8.09, 7.56, and 6.99. One was in Charlotte, but did appear to be older and not as well kept. The cap rate was 6.89. One property was in a smaller town not close to a large city. From the photo, it appeared to be newer than the subject and in good condition. It had a 6.78 cap rate.

I cannot account for the differences in cap rates. Two of the rates were from towns smaller than Elizabeth City. Banners Elk has a population of 1,150 (cap rate 7.29) and the other Elizabethton Tn 5,835 (Cap rate 6.78). Local rates were between 8.79 and 13.02. The two higher rates 9.96 and 13.02 both sold quickly. The 8.79 rate had 371 days on the market. Most of the data indicates a cap rate of 7% with the most comparable local data indicating 8.8%. The value range from these estimates is:

$$\begin{array}{rcl} \$96,089/.068 & = & \$1,413,073 \\ & \text{To} & \\ \$96,089/.088 & = & \$1,091,920 \end{array}$$

Because of the lower than average rent and the very long tenancy, and the vacant lot that could possibly be used for another building, the cap rate probably should be lower than the local rates indicate. A rate of 7.8% will be used to estimate the income value.

$$\$96,089/.078 = \$1,231,910$$

The value estimated by income approach is rounded to \$1,230,000.

Exposure time:

Exposure Time is defined¹ as:

1. The time a property remains on the market.
2. 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 always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions. (Appraisal Standards Board of The Appraisal Foundation, Statement on Appraisal Standards No. 6, “Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions”)

I did not find sufficient information from sales of similar properties to estimate an exposure time. I believe the exposure time would have been over six months to one year if priced similar the value indicated in this report.

Final reconciliation:

Two approaches were used to estimate the value and are shown below.

Sales comparison approach	\$1,400,000
Income approach	\$1,230,000

Both approaches to value were supported by properties as similar as possible to the subject, but more local data was available for the sales comparison approach.

The market approach used local data. Because of the variety of properties involved, the values were estimated individually for the houses and vacant lot. The value indicated by the sales comparison approach would be more relevant if each parcel was sold individually.

The income approach used data from local properties to compare to the income paid by the lessees. When combined together, income is most relevant in selling the property.

The market value of the property as of the inspection date September 21, 2021, with an exposure time between six months and one year, subject to all assumptions, limiting conditions, and extraordinary assumptions, is estimated to be:

\$1,230,000

ONE MILLION TWO HUNDRED THIRTY THOUSAND DOLLARS

This letter must remain attached to the report, which contains 85 pages including related addenda, in order for the opinion of value set forth to be considered valid. This report is to be used only in its entirety, by the client or intended users, for the purposes stated in the report. It may not be used for any other purpose, in whole or in part, by anyone not identified in the report.

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Neither the appraiser nor any representative of Josh Tunnell Appraisal Service will discuss this appraisal or report with you unless you are named as the client, or the client has given prior written consent directly, to Josh Tunnell Appraisal Service

Respectfully submitted,

A. Josh Tunnell Jr.



Josh Tunnell, Jr.
State Certified General
Real Estate Appraiser #A289

ADDENDUM “A”: QUALIFICATIONS OF THE APPRAISER

APPRAISAL QUALIFICATIONS OF JOSH TUNNELL, JR

EDUCATION:

Elizabeth City High School - 1965

College of the Albemarle - Associate in Arts 1967

East Carolina University Bachelor of Science in Business Administration/Real Estate-1969

Courses in:

General Business	Economics
General Real Estate	Real Estate Brokerage
Real Estate Appraisal	Macro Economic Fluctuations

Society of Real Estate Appraisers (now Appraisal Institute)

Course 101-Appraising Real Property	1983
Course 102-Applied Residential Property	1984

Appraisal Institute

Capitalization Course A	1988
Capitalization Course B	1988
Standards of Professional Practice	1995
Advanced Applications; Case Studies	1994
Highest and Best Use	2005

Marshall & Swift Residential Building Cost Evaluation Seminar	1984
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Marshall & Swift Commercial Building Cost Evaluation Seminar	1984
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URAR Seminar -	1986
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ERC Seminar-	1987
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USPAP Instructor Class	2003
	2005
	2009
	2011
	2013
	2015
	2017
	2019

LICENSE AND MEMBERSHIP:

N.C. Certified General Real Estate Appraiser # A289

N.C. Real Estate License # 15063

Member of the Albemarle Area Board of Realtors

Member of the Albemarle Area MLS

Realtor Emeritus

Appraisal Quality Board Certified National Instructor for The Uniform Standards of Professional Appraisal Practice # 10681

EXPERIENCE:

Purchase, built, remodeled, rented and/or resold properties including residential, office, industrial, vacant commercial and subdivision properties.	1963-2013
Real Estate Sales and Real Estate Appraisal	1969-1976 1979-2013
Vice President of the Elizabeth City Board of Realtors	1971 & 2001
President of the Elizabeth City Board of Realtors	1972 1973
President of the Albemarle Area Association of Realtors	2003
Chairman Elizabeth City MLS committee	1988-1989
Director Albemarle Area Association of Realtors (Formerly Elizabeth City Board of Realtors)	1988-1992 1997-1999 2000-2002
Appraisal Quality Board Certified USPAP Instructor	2003-2023