APPRAISAL
REPORT

Light Industrial Property
1206 Bowling Street
Columbia, Missouri

AS OF
August 28, 2019

MOORE & SHRYOCK
REAL ESTATE APPRAISERS

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September 4, 2019

Mr. William Strawn
City of Columbia Water & Light
1510 Business Loop 70 East
Columbia, MO 65205

Re: Real estate appraisal report of the light industrial property located at 1206 Bowling Street in Columbia, Missouri, and under the ownership of BAMDA Properties LLC.
File No.: C908033

Dear Mr. Strawn:

Per your request for professional valuation services, this appraisal report has been prepared in accordance with the agreed upon scope of work and presents details and analyses in support of the conclusion of the as is market value of the leased fee estate in the referenced parcel of real estate, as of August 28, 2019. The market value conclusion is:

FOUR HUNDRED FIFTY THOUSAND DOLLARS

$450,000

The value reported is qualified by certain definitions, assumptions, limiting conditions, and certifications, which follow the description and analysis of the subject property. This letter is invalid if detached from the report.

The appraisal is subject to the following extraordinary assumptions: None

The appraisal is subject to the following hypothetical conditions: None

The appraisal report has been prepared in accordance with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and the *Uniform Standards of Professional Appraisal Practice* (USPAP).

Please contact the undersigned if there are any questions concerning the report. Thank you for the opportunity to be of service.

Respectfully,

Clinton K. Cooper
License No. 2016033613

J.D. Moran, MAI
License No. 2006028567

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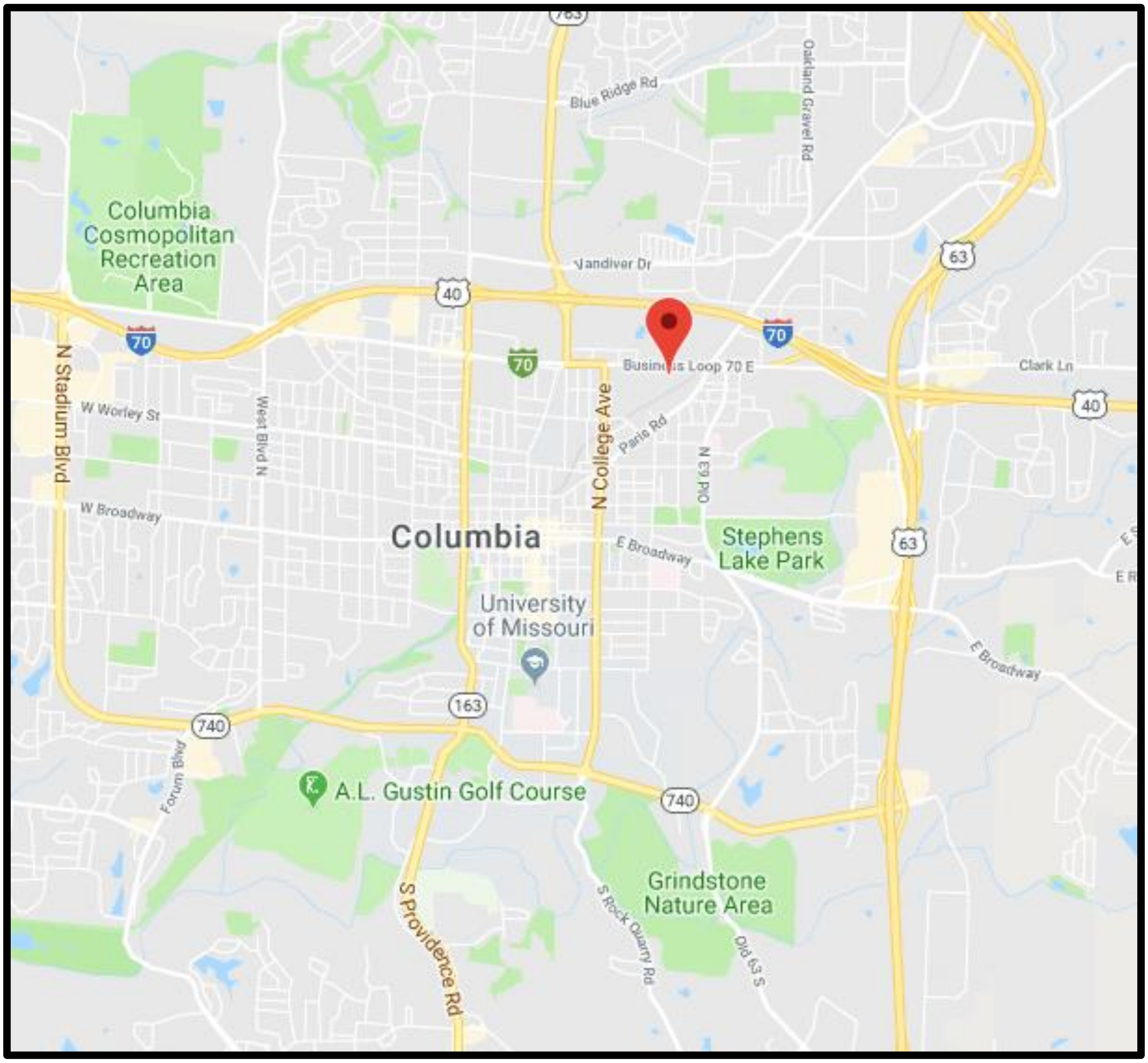
EXECUTIVE SUMMARY

PROPERTY LOCATION:	1206 Bowling Street, Columbia, Missouri
OWNERSHIP:	BAMDA Properties LLC
CLIENT:	City of Columbia Water & Light
PURPOSE OF APPRAISAL:	Develop the market value of the leased fee estate
EFFECTIVE DATE OF APPRAISAL:	August 28, 2019
TYPE OF PROPERTY:	Light industrial
LAND AREA:	23,380 square feet
BUILDING AREA:	10,000 square feet
ZONING:	I-G: Industrial General District
CONCLUSION OF MARKET VALUE:	$450,000
SALES COMPARISON APPROACH:	$475,000
VALUE BY INCOME APPROACH:	$415,000
ESTIMATED EXPOSURE TIME:	One year
EXTRAORDINARY ASSUMPTIONS:	None
HYPOTHETICAL CONDITIONS:	None

SUBJECT LOCATION MAP



SUBJECT PHOTOGRAPHS

Note: Unit C was inspected but photos were not permitted by the tenant. The unit was materially similar to Units A and B in terms of quality and condition; however, the space was filled with personal items and equipment.

North and west elevations

South elevation

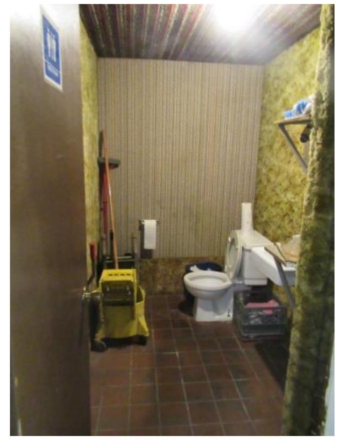
North and east elevations

Unit A – Office

Unit A – Mezzanine

Unit A – Shop / warehouse


Unit A – Shop / warehouse


Unit A – Bathroom


Unit B – Office


Unit B – Bathroom


Unit B – Shop / warehouse


Unit B – Shop / warehouse


View of subject from Bowling Street


North driveway / parking area


East driveway / parking area


Bowling Street facing north


Bowling Street facing south


Nearby development across Bowling Street

IDENTIFICATION OF PROPERTY

The subject property is street addressed as 1206 Bowling Street, Columbia, Missouri. The 23,380 square foot site is improved with a 10,000 square foot light industrial building.

PROPERTY OWNERSHIP AND RECENT HISTORY

The subject property is owned by BAMDA Properties LLC, which acquired the property in June 2016. The sale price from this transaction was requested but not provided. The property owner indicated the seller was a close family friend. There have not been any transfers recorded in the last three years, and there are no contracts, options, or listings known to exist. The entire 10,000 square foot property is currently offered for lease for $4,000 per month ($4.80 per square foot), or a 7,500 square foot portion of the building is available for lease for $3,425 per month ($5.48 per square foot). Unit C (2,500 square feet) is currently leased for $575 per month, or $2.76 per square foot, on a month-to-month basis to a tenant that has reportedly been in the building for many years. The property contact indicated Units A and B had recently been leased as a combined 7,500 square foot space for between $1,800 and $2,000 per month, or around $3.00 per square foot with gross lease terms.

LEGAL DESCRIPTION

The following legal description was ascertained from a Trustee's Deed Under Active Trust dated June 30, 2016 and provided by the Boone County Recorder of Deeds.

> **Lots Eight (8) and Eleven (11) of More's Addition to the City of Columbia, Boone County, Missouri, as shown by the plat thereof recorded in Book 87, Page 94, Records of Boone County, Missouri,**

INTENDED USERS

The intended user of this report is City of Columbia Water & Light.

INTENDED USE

The intended use of this appraisal is for a purchasing decision.

EFFECTIVE DATE OF THE APPRAISAL

The effective date of this appraisal report is the date the property was observed, which was August 28, 2019. Unless otherwise stated, all factors pertinent to a determination of value, as estimated herein, were considered as of this date. The date of the report is September 4, 2019.

SCOPE OF WORK

The scope of work is defined by USPAP as the type and extent of research and analyses in an assignment. The scope of work includes, but is not limited to, the extent to which the property is identified; the extent to which tangible property is inspected; the type and extent of data researched; and the type and extent of analyses applied to arrive at the conclusion. In developing a real property appraisal, the problem to be solved must be identified, the scope of work necessary to solve the problem must be determined, and research and analyses must be completed correctly to produce a credible value conclusion that will serve the needs of the client.

The extent of research completed for this report began with market data from the office files of Moore & Shryock, as well as factual information provided by the owner. An investigation of additional comparable data sources is subsequently completed to the extent possible including: public records, personal contacts with buyers, sellers and developers familiar with similar properties, real estate brokers, other real estate appraisers with experience similar properties, property managers and mortgage lenders. Moore & Shryock periodically is engaged in appraisal assignments involving properties similar to the subject of this report. The specific data and conclusions from these studies also provided valuable comparisons.

In preparation of this appraisal, the following has been completed:

1. Observed the interior and exterior of the subject improvements and surrounding area in order to gather information about the physical characteristics that are relevant to the valuation problem.
2. Assembled and analyzed pertinent economic data.
3. Identified and analyzed comparable property transactions. This data has been confirmed with the buyer, seller, another appraiser, or agent handling the transaction.
4. Reconciled the above research data in concluding to the market value for the subject property.

This appraisal report includes the following items.

1. A description of the land and building improvements being appraised.
2. A sales history of the subject property.
3. A summary of property trends in the local market including identification of current and projected competition and a forecast of effective demand.
4. A highest and best use analysis is based on a survey of the market, supply and demand factors, and examination of the feasibility of alternative uses.
5. The sales comparison and income approaches were completed and then reconciled to arrive at a final market value for the subject property. The cost approach was not considered because it is not typically relied upon by market participants for this property type.
6. Appropriate photographs, maps, graphics and addendum/exhibits have been included to support the analyses and conclusions.

DEFINITIONS

MARKET VALUE

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

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

Source: Code of Federal Regulations, Title 12, Banks and Banking, Part 722.2-Definitions

FEE SIMPLE ESTATE

An absolute ownership unencumbered by any other interest or estate. A fee simple estate is subject only to the limitations imposed by the governmental powers of taxation, eminent domain, escheat and police power.

LEASED FEE INTEREST

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

EXTRAORDINARY ASSUMPTION

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

HYPOTHETICAL CONDITION

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

EXCESS LAND

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel.

SURPLUS LAND

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.

AREA DATA

LOCATION

The City of Columbia is located in central Missouri at the intersection of Interstate Highway 70 and U.S. Highway 63. Columbia is midway between St. Louis and Kansas City, being approximately 125 miles from the center of each metropolitan area. Jefferson City, the state capital, is located 33 miles to the south of Columbia.

GOVERNMENT

The City of Columbia operates under a home rule (Council-Manager) form of government. The City has a zoning ordinance, building codes, and a comprehensive city plan. The City Council is composed of the mayor and six ward representatives. The Council is the policy and lawmaking body for Columbia.

Columbia is the county seat of Boone County. The County is governed by a commission composed of three commissioners. The Commission oversees the budget and makes policy decisions pertaining to county government. The County maintains a planning and zoning program by use of a zoning ordinance, subdivision regulations, and building codes.

POPULATION AND WORK FORCE

The US Census Bureau estimated population in 2010 at 108,500 for the City of Columbia and 162,642 for Boone County. The Columbia population showed an increase of 28.36% from the 2000 Census estimate of 84,531. The 2017 census estimate is 121,717 persons. The population of Boone County increased 20.1% from the 2000 census of 135,454 to a total of 162,642. The county population in 2017 was estimated at approximately 178,271 persons.

The period from 1960 to 2000 was a time of dramatic population growth in Boone County. From 1960 to 1980 the population of Boone County changed from 55,205 to 100,376, an increase of 81.8%. This represents an average annual increase of 4%. The period from 1980 to 2000 indicated a change in population of Boone County from 100,376 to 135,454, an increase of 34.9%. This represents an average annual increase of 1.7%. The period from 2000 to 2010 represents an average annual increase of 2.8%.

EMPLOYMENT AND ECONOMY

The unemployment rate in Columbia is consistently lower than state and national rates due to the diverse economic base of the area. The largest employment sectors in the Columbia MSA are education, services, government, and retail trade. The education sector includes the University of Missouri, Columbia's largest employer. The service sector includes a large healthcare and insurance component.

Below is a list of employers within the Columbia MSA that employ 500 or more people. An analysis of the most significant industries/sectors is provided after the list of employers.

Organization	Product/Service	Number of Employees
University of Missouri (MU)	Education	8,750
University Hospital & Clinics	Medical/Education	4,502
Columbia Public Schools	Education	2,524
Boone Hospital Center	Medical Care	2,000
City of Columbia	Government	1,360
Harry S. Truman Veteran's Hospital	Medical Care	1,400
Veterans United Home Loans	Mortgage Lending	1,442
Shelter Insurance Companies	Insurance	1,128
MBS Textbook Exchange	Education/Retail	851
State Farm Insurance Companies	Insurance	850
Columbia College	Education	766
Joe Machens Dealerships	Auto Sales	711
Hubbell Power Systems, Inc.	Manufacturing	580
Kraft Foods	Food Production	550
State of Missouri (excludes MU)	Government	502

HEALTH SERVICES

With six major hospitals and approximately 1,256 hospital beds, Columbia has hospital facilities capable of serving a regional population of 450,000. The employed labor force working in medically related occupations includes over 1,000 doctors specializing in every medical field and over 2,200 registered nurses and over 660 licensed practical nurses.

Columbia's healthcare facilities include a major teaching hospital and children's hospital (University Hospital), one private community hospital (Boone Hospital Center), a veteran's hospital (Harry S. Truman Memorial Veteran's Hospital), a cancer treatment center (Ellis Fischel Cancer Center), a 60-bed rehabilitation hospital (Rusk Rehabilitation Center), a psychiatric care facility (Missouri Psychiatric Center) and a long term acute care hospital (Landmark Hospital of Columbia). Both the University and Boone hospitals recently expanded their facilities and programs. The University projects include three phases with a projected cost of $850 million dollars. The Ellis Fischel relocation to the University of Missouri campus was completed in 2013. Boone Hospital completed a 920 space-parking garage and patient tower in 2013. The cost was $120 million dollars. Boone Hospital recently completed the first phase of a south campus office facility. The south campus will include a 65,000 square foot main building, two 12,000 square foot buildings and a 35,000 square foot facility. Some of the building will be available for lease to health care professionals.

In our opinion, Columbia's medical industry will continue to grow; due in part to a large referral practice conducted by central Missouri physicians. The medical industry not only provides an excellent level of health care for residents, but also has a positive impact on the economy. The Boone Hospital Center lease with BJC is up for renewal and the hospital is seeking proposals for a new management agreement.

Columbia is expanding the Health Services industry by attracting high-tech medical companies. Clinical research organization, BioPharma Services Inc. has recently chosen Columbia to open new facilities. Northwest Medical Isotopes recently revealed plans to invest $50 million dollars to construct a radioisotope production facility at Discovery Ridge Research Park, which will bring 68 high-paying jobs to the region.

EDUCATION

Education is Columbia's largest and most important employment sectors. Education accounts for a majority of the jobs in Columbia. The education system includes: one university, two liberal-arts colleges, trade schools, satellite locations of other colleges, the public school system, parochial schools, and private schools.

The flagship campus of the University of Missouri is located in Columbia. The Columbia campus was established in 1839 as a land grant institution. The campus, which includes 1,358 acres of land, is located in the central sector of the city at the south edge of the central business district ("The District").

At present, the University offers degree programs in 18 schools and colleges, and maintains an enrollment of over 30,000. The enrollment has grown significantly over the past 10 years but has declined since 2015. The 2018 freshman class increased by approximately 9% over the 2017 freshman class, however it was smaller than the 2018 graduating class, and total enrollment decreased by 3.3% overall from 2017.

Significant cuts in enrollment and funding have been met with reductions in staff and course offerings. Additional cuts to staff/programs were made in Fall 2018. The University is making significant strides to improve the situation with changes in administration including a new chancellor and president.

In the near term, the funding cuts and lower enrollment will adversely affect most segments of the local economy to some extent. Real estate will not escape the effects. Student oriented businesses and student housing are projected to be the most directly impacted, however, all segments will be affected to some extent. Staff reductions and uncertainty will adversely affect the single family home market to some degree. Apartment vacancies for Fall 2018 have increased while future rates will be dependent on the extent of enrollment increases and new apartment construction.

The number of students enrolled at the University of Missouri for the last seven years is as follows:

Historic:

MU Fall Enrollment	2011	2012	2013	2014	2015	2016	2017	2018
Campus Total	33,805	34,748	34,658	35,441	35,448	33,266	30,870	29,866
Increase (%)	4.29%	2.79%	-0.26%	2.26%	0.20%	-6.16%	-7.20%	-3.25%

Enrollment had previously been projected to continue increasing through 2019; however, enrollment peaked in 2014-2015 and has followed a declining trend since that time. The decline was due to a combination of factors including shrinking freshman class size, including smaller high school class sizes, increased recruiting from other universities, and campus turmoil in the Fall 2015. Although the freshmen class in 2018 is larger than the 2017 class, indicating enrollment may be stabilizing, overall enrollment continued to fall in 2018 due to larger classes continuing to cycle through the university system. It will likely take several years before overall enrollment increases to historic numbers.

Columbia College, a private college founded in 1851, is located at the north edge of "The District". The Columbia campus currently maintains an enrollment, including evening and extended studies students, of 16,946 students. The total annual enrollment including day, evening, nationwide campuses, online campus, and graduate studies is about 27,500. Thirteen major programs offered at Columbia College include art, business administration, criminal justice administration, education, administration, psychology, and social work. Future enrollment is anticipated to grow slowly. The college recently received approval for a four-story classroom and residence hall.

Stephens College is a private women's college located at the east edge of "The District". Established in 1833, the college has a current enrollment of 866, including graduate and continuing studies programs. The residential student population is 700. The college offers programs for business administration, radio-TV-film, fashion, legal assistants, and equestrian science. Moberly Area Community College, Bryan College, William Woods University, and Central Methodist University also have Columbia campuses.

The Columbia Public School District includes 21 elementary, 6 middle schools and 4 senior high schools, and an area vocational school. Battle High School opened in 2013. Over 18,654 students were enrolled in high school, 4,166 enrolled in junior high school, and 9,033 enrolled in elementary school for the 2018-2019 school year, and over 2,000 faculty and staff members are a part of this system. The school district has an AAA rating, the highest possible in Missouri, and is recognized for excellence on a regular basis both state and nationwide. According to the Missouri State Board of Education there are 12 non-public schools in Columbia with an enrollment of over 1,200 students. In 2012, Father Tolton Catholic High School completed construction in south Columbia on Gans Road west of Highway 63. Columbia Independent School purchased and renovated a former office building for school use in 2009, and made a significant addition to the property in 2017. There is a total of 17 private and parochial schools.

INSURANCE

The insurance industry has a significant role in Columbia's economy. Columbia is the corporate headquarters of Shelter Insurance and the regional headquarters of State Farm Insurance. Shelter Insurance is the second largest private employer in Columbia and is currently expanding their office campus. In 2004-05 State Farm relocated several jobs to Columbia as a result of closing offices in Monroe, Louisiana, however, in the last few years their staff has declined. Other insurance companies operating in Columbia include Columbia Mutual Insurance Company and Missouri Employers Mutual Insurance Company.

INDUSTRY AND MANUFACTURING

The manufacturing sector continues to represent a decreasing percentage of Columbia's economic base. According to the Missouri Economic Research and Information Center, about 4% of the employed labor force in Boone County is employed in manufacturing.

The largest industrial employers in the area include: Hubbell/Chance Co, Columbia Foods (Oscar Mayer), Square D Company, Watlow Electric, Dana Corporation, EAG Laboratories, Inc., 3-M Company, Otscon, and PepsiCo.

A majority of Columbia's industrial base is made up of "clean" industry, with very few "smokestack" type industries operating locally. Our market has had difficulty, along with the region, in securing larger manufacturing concerns and the local economic development corporation is focusing on the recruitment of technology or knowledge-based employers that can benefit from a relationship with MU. In our opinion, this will have noticeable rewards over the next 10 years.

American Outdoor Brands Corporation, a leading provider of quality products for shooting, hunting, and rugged outdoor enthusiasts, is currently building a 500,000 square foot distribution warehouse on 208 acres along Route Z south of St. Charles Road. The company expects to hire over 300 new employees for the warehouse over the course of the first several years of operation. Many of the new jobs (61) will be in management and administration, with an average salary of $83,700 per year. Another 44 jobs will be in research and development with an average salary of $79,900 per year.

In 2017 the Columbia City Council unanimously approved the Purchase and Sale Agreement of the city-owned Missouri state certified Sutter Industrial Site to AOD-MO Holdings, LLC. Affiliates of AOD-MO Holdings, LLC are the leading producers of store-brand organic milk and butter for U.S. retailers and is headquartered in Boulder, Colorado.

With this purchase and capital investment, AOD-MO Holdings, LLC will construct an approximately 80,000 square foot dairy processing facility including warehouse distribution of their product. The first phase of the project will include a capital investment of $89 million in building and equipment. It will also create 100 or more full-time positions that pay an average wage above the Boone County average wage of $36,225/annually (plus benefits). The project includes plans for an expansion anticipated within the first five years of operation that would bring an additional $50 million capital and add an additional 40 or more full-time positions.

RETAIL TRADE

Approximately 13% of the employed labor force works in the retail sector. Columbia serves as a regional shopping center for mid-Missouri and has tremendous buying power within its own population. Sales growth slowed in 2008 due to the recession and expansion of shopping facilities in other central Missouri towns, such as Jefferson City, but has resumed increases since 2010. The trend in taxable sales, which are tabulated by the Missouri Department of Revenue, provides a good indication of the growth in this sector. A summary of taxable sales for Columbia, published by the City of Columbia for the last 6 years follows. Note: These figures are not adjusted for inflation.

Year	Taxable Sales	$ Increase/Decrease	% Change
2013	$2,278,696,416	$92,327,703	4.22%
2014	$2,354,780,274	$76,083,858	3.34%
2015	$2,436,445,426	$81,665,152	3.47%
2016	$2,335,637,157	-$100,808,269	-4.32%
2017	$2,451,407,328	$115,770,171	4.96%
2018	$2,455,394,126	$3,986,798	0.16%

CONVENTION AND TOURISM TRADE

Columbia maintains a strong convention trade due to its strategic geographic location within the state and the facilities it offers for lodging and convention type business. There are four exhibition facilities and numerous hotels with meeting facilities.

The Columbia hotel/motel market includes a total of 37 hotels/motels with 3,555 guestrooms. The most recent addition in the local market is the Candlewood Suites, which was recently completed just north of Clark Lane. This extended-stay hotel includes 96 rooms. The Holiday Inn Express and Suites, was constructed in 2014 at the Stadium Boulevard and Highway 63 interchange. This hotel includes 121 rooms. The Broadway Columbia, a Doubletree hotel located downtown was completed in 2014 and includes 114 guestrooms. A Best Western Plus was opened in 2015 at the Highway 63 and I-70 interchange. This hotel had formerly been a Comfort Inn, but had been closed in recent years. A Springhill Suites is currently under construction north of Clark Lane and this hotel will include 82 rooms. A TownPlace by Marriott is under construction at the Highway 63 and Gans Discovery Parkway interchange and this hotel will include 96 rooms. The Howard Johnson Inn located on I-70 Drive Southeast was recently razed and construction of a new Drury Inn & Suites with 210 rooms was completed in 2018 at a cost of approximately $9 million. The Baymont Inn & Suites located at 801 Keene Street recently converted to a Quality Inn.

Columbia's tourism trade is supported by college events such as sports and graduation, and by other events such as the annual Show-Me State Games and Special Olympics state games (both multi-sport competition with participants from throughout the state) and the Roots and Blues and BBQ festival.

One measure of the health of Columbia's convention and tourism trade is the tax collected for the Convention and Tourism Fund. This room tax was increased in January 2000 from 2% to 4%, and again in January 2017 to 5% of all receipts from the rental of any sleeping accommodations at hotels or motels. A summary of the tax for 2013 through 2018 follows. Annual reporting is on a fiscal year of October 1 to September 30 for the City of Columbia.

YEAR	TAX REV	$ CHANGE	% CHANGE
2013	$2,153,251	$146,283.00	7.3%
2014	$2,365,746	$212,495.00	9.9%
2015	$2,496,339	$130,593.00	5.5%
2016	$2,555,875	$59,536.00	2.4%
2017	$3,227,138	$671,263.00	26.3%
2018	$3,296,867	$69,729	2.2%

COMMERCIAL DEVELOPMENT

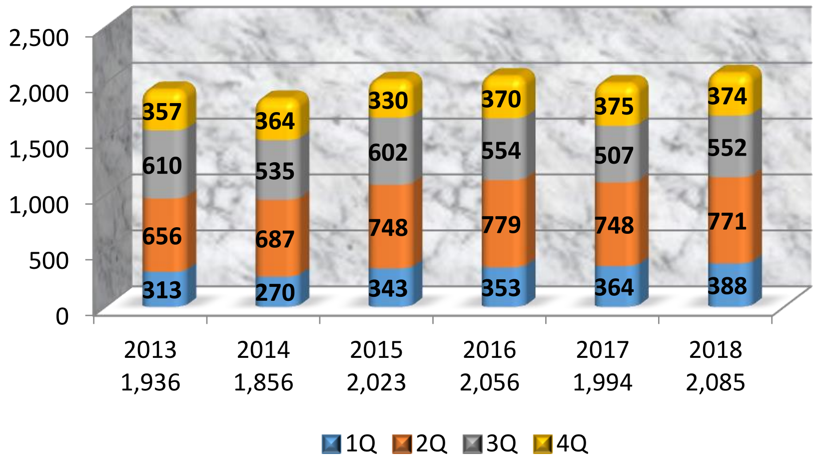
Permits for commercial construction activity during the last six years, as tracked by the Columbia Community Development Department, are summarized below.

	New Non-Residential Construction		Non-Residential Additions and Alterations	
YEAR	PERMITS	AMOUNT	PERMITS	AMOUNT
2013	35	$43,975,518	251	$53,452,800
2014	45	$77,156,400	220	$42,914,737
2015	57	$49,635,694	214	$72,051,847
2016	58	$57,541,695	178	$45,636,235
2017	70	$102,002,762	185	$49,069,741
2018	49	$55,947,473	162	$31,889,209

HOUSING DEVELOPMENT

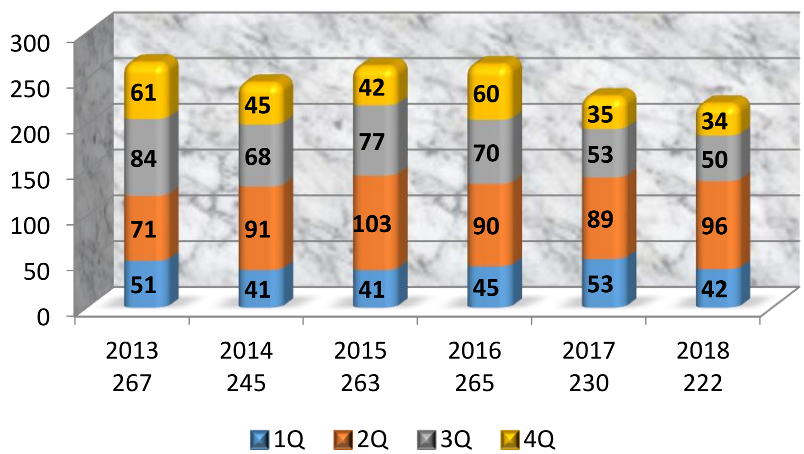
As of the 2010 Census, the City of Columbia included 46,758 total housing units. Total housing units increased from 35,916 in 2000, an average annual increase of 3%. While total sales appear to have stabilized over the past three years, new home sales and permits have declined during this same period, with new home sales in 2018 being the lowest since 2011, and building permits in 2018 being the lowest since tracking began in 2002. Interest rates are not scheduled to increase significantly in 2019; however, due to some uncertainty with some of the area's major employers, minimal change (or potentially a small decline) is expected in total and new home sales throughout the next year. Much of the oversupply of new homes was absorbed in 2018, thus, stabilization is expected in regard to new home construction. Permits for residential construction activity, as well as total sales and new home sales, during the last six years follows.

New & Pre-Owned Home Sales

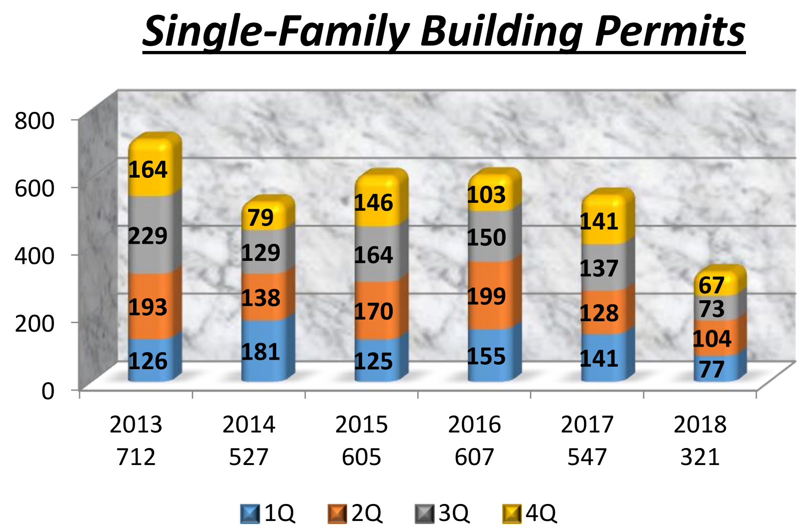


Source: Columbia Board of Realtors® MLS

New Home Sales



Source: Columbia Board of Realtors® MLS



Source: City of Columbia Community Development Department and Boone County Planning and Building Department

Columbia Apartment Market

Moore and Shryock conducts a survey of the Columbia apartment market every year. The Fall 2018 report indicated the following vacancy rates.

Market Sector	Vacancy Rate
Conventional	7.97%
Student Downtown	2.87%
Student Off-Campus	36.01%

The 2018 survey included 72 apartment complexes within the Columbia market. These complexes comprise two distinct market segments: the conventional market and student market. Each of which contain sub-sectors which were analyzed in the survey. The student complexes are defined as those that are purpose-built for this use and offer amenities that are attractive to this segment of the market. Twenty-six complexes in this survey were defined as student complexes. The remainder were defined as conventional complexes.

Factors influencing vacancy rates include strong home sales in the Columbia area as well as the decline in enrollment for the Fall 2016-Fall 2018 semesters at the University of Missouri. However, a limited increase in supply of conventional units has minimized these negative effects on the market.

The off-campus student sector had the highest vacancy rate and the downtown/on-campus sector of the student market had the lowest vacancy rate. The student market had the highest number of units added in the last five years. Many units were added to the downtown sector and it continues to capture more of the market supply. Over 25% of student beds in the market are now located downtown. Owners and managers noted that increases in vacancy were attributed to a large number of student complexes that were added within the past five years coupled with large decreases in enrollment at the University of Missouri.

No new complexes have been proposed since 2016. The decrease in enrollment at the University of Missouri was not experienced immediately in the apartment market because freshman are required to live on campus. Over this same time period the University of Missouri has recruited more students to live in dorms on campus after their freshman year. The dorm occupancy at MU has increased to over 93% this fall, up from 77% dorm occupancy the prior year. All of these trends have contributed to the higher vacancies in the overall student market. The vacancy rate for off-campus student housing outside of the downtown sector has increased significantly over the past two years.

COST OF LIVING INDEX

The Columbia, MO MSA index averaged near 95% for several years. This rate is higher than Kansas City, Springfield, and St. Louis. Columbia's cost of living is below the U.S. average due in part to the affordability of housing.

SUMMARY AND OUTLOOK

Overall, Columbia is a prosperous community and an appealing place to live. The city's economic success is indirectly supported by its exceptionally high quality of life. There are a wide variety of cultural, social and recreational opportunities available to visitors and residents.

The economy of Columbia is generally stable due to the diversity of industries, which comprise the base. The government sector is large and these jobs are generally affected less by business cycles than manufacturing and retail sectors. The medical and insurance industries are also reasonably stable. The stability of these industries filters into other businesses and job sectors, and the real estate market in general. The lower enrollment at the University of Missouri will continue to affect the local economy to some extent over the next few years.

In the future, we expect additional population growth as new job opportunities develop. Columbia's strategic location, economic stability, quality of life, and non-union orientation will continue to attract new employers over the long term.

MARKET CONDITIONS SUMMARY-2ND QUARTER 2019

According to the May Beige Book for the Eighth District Economic conditions have been unchanged since our previous report. Firms continue to report that difficulties finding employees is the main constraint on growth. Wages continue to increase moderately, with relatively stronger growth for low-wage and entry-level positions. Overall inflation pressures continue to weaken, consistent with firms' prior expectations. Most firms see some ability to raise prices over the next few months. Overall, the outlook among contacts remained slightly optimistic, but notably weaker than the same time last year. On net, a slightly greater share of contacts expect conditions during the remainder of 2019 to be better or somewhat better than the same period in 2018. Reports from general retailers, auto dealers, and hoteliers indicate consumer activity has slightly increased since our previous report.

Agriculture conditions declined moderately from our previous report and have significantly worsened relative to the same time last year. The number of acres planted experienced significant declines compared with previous years, which contacts have attributed to significant flooding along the Mississippi River. As of mid-May, the percentages of planned acreage planted for corn and soybeans were around 50 percent lower than this time last year and about 30 percent lower for rice and cotton. Contacts have continued to report concerns over depressed crop prices and the effects of renewed trade tensions with China.

U.S. GDP growth is expected to slow slightly in 2019 in the range of 2-2.6%. While growth in 2018 has been boosted by the tax cut, the strength in the U.S. dollar and tariffs will act as a headwind to export growth going forward. Real gross domestic product (GDP) increased at an annual rate of 3.1 percent in the first quarter of 2019, according to the "third" estimate released by the Bureau of Economic Analysis. In the fourth quarter of 2018, real GDP increased 2.2 percent.

The Wells Fargo Midwest Housing Market Index (HMI) was up to 59 for June 2019 as compared to 49 as of March 2019. The index is down from 63 in July 2018 and from its all-time high of 76 in December 2017. Any rate above 50 is considering favorable. Lower interest rates have improved home demand and price growth in the since early 2019. Further rate cuts could improve conditions before the end of the year.

According to Freddie Mac, the number of people that say renting is more affordable than owning has increased. The company's report notes that it has been about 10 years since the cumulative cost to own was less than the cost to rent. But those costs have been soaring since that time, with Freddie Mac estimating that the cost of ownership has increased by 60 percent from 2013 to 2018 compared to rents rising 30 percent over the same time period.

In 2018 alone, the cost to own has increased by 12.1 percent due to house prices increasing by 4.8 percent and mortgage rates gaining 70 bps, the outlook stated. The trend is expected to continue into 2019, with the cost to own inching up nearly 10 percent, while rent rates are projected to increase by 4 percent. The cost to own versus rent will continue to support apartment demand.

Millennials, the largest prospective home-buying generation, are encountering obstacles that are forcing them to delay buying homes. Multifamily housing permits (those for buildings with two or more units) dropped in September to the lowest level since early 2016, following signs of an oversupply in some markets. As of April, permits had increased somewhat.

Investors are cautious, and many believe the Fed's pause regarding increasing rates will stabilize cap rates in the near term. Even though most investors believe the U.S. economy and the commercial real estate industry are both healthy enough to withstand a few interest rate increases, they also know that future increases will restrict lending, push up overall cap rates, and lower property values too quickly if not implemented correctly.

Because the new economy is built on technology it will change the commercial real estate sector forever. Many brick and mortar stores are struggling to stay afloat as customers are increasingly choosing to make online purchases, however, some industry experts believe brick and mortar stores will remain relevant. Many retail properties are in prime locations and can easily be repurposed. E-commerce is propelling demand for warehousing in some locations.

One key risk toward the end of economic cycles is the supposition that expansion will persist well into the future. It seems self-contradictory, but many take comfort in the adage that turning points are impossible to predict and that no trigger for a downturn is now apparent on the horizon. At present, however, it seems that rather than a single trigger, there is an accumulating number of risks that interact with each other (labor shortages, a flattening yield curve, a potential asset bubble on Wall Street, tariff and trade tensions, ongoing geopolitical risk) and argue for greater defensiveness. The decline in real estate transaction volume seems to say that investors as a group are pulling back in the face of such concerns. But even while that is happening, cap rates not only have trended low but also are convergent (with just a 30-basis-point differential between offices, retail, and industrials at midyear 2018). At current cap rates, risk premiums are so thin that it is likely that many deals are pricing risk too cheaply. That mispricing becomes apparent once recession strikes—and that is not a question of if, but rather when.

In Columbia, the local economy is buoyed by the number of persons employed by the University of Missouri, other state supported institutions, the medical industry and the insurance industry. At present, the University offers degree programs in 18 schools and colleges and maintains an enrollment of near 30,000. The enrollment has grown significantly over the past 10 years but has declined since 2015. The 2018 freshman class increased, however it was smaller than the 2018 graduating class, thus, total enrollment is now 29,866. In April, the University announced that they expect 500-700 more first-time freshmen to enroll in August. This total is 5,200 to 5,400 which is up from 4,134 in the fall of 2017. The announcement indicated that the University would likely seek leases for some off-campus housing due to a lease on Responsibility Hall which extends one more year. The properties targeted were near campus but the added demand may trickle over to the off-campus apartment market which has seen vacancies increase to all-time highs.

The funding cuts and lower enrollment at MU are adversely affecting most segments of the local economy to some extent. Real estate has not escaped the effects. Student oriented businesses and student housing are the most directly impacted, however, all segments are affected to some extent. Staff reductions and uncertainty will adversely affect the single family home market to some degree. Student apartment vacancies for Fall 2018 increased and expectations are for another increase in Fall 2019.

Several off-campus apartment properties have been subject to foreclosure due to high vacancy. Future repricing of these units and associated rental rates may have an overall negative effect on the student apartment market.

As the U.S. economic recovery gains momentum, most commercial markets have improved. The volume of land sales with commercial development potential has improved. While there were land sales for single-family residential development in 2017 and 2018, lot inventory continues to increase. A strong demand for lots and small acreage home sites outside the city limits continues, however permits for new single family homes have fallen significantly while more new lots are being completed.

Land suitable for multi-family or student housing was in strong demand until 2016, especially in "The District", however, the number of units under construction, combined with significant declines in enrollment at MU, softened demand. Based on recent transactions and interviews with commercial brokers, demand and prices for downtown land suitable for large multi-family projects has declined. Increases in sales of downtown land and improved properties has increased in 2019 due to greater availability of properties.

Commercial improved property sales and leasing has improved from the first quarter according to local commercial brokers. Interest in select properties has been driven in part by the passage of the Medical Marijuana ordinance and the requirements for licensing.

The Plaza Commercial Realty 2019 Market Report indicates decreases in occupancy for office and retail and increases for industrial markets. All remain below the national averages.

Apartments have been the strongest segment both locally and nationally for the past few years and expansion of this market continued through 2018. There were several student-oriented complexes that opened in August 2017. The new apartments delivered included downtown student housing (1,400+ beds) and market rate units in the southwest and southeast areas. Several market rate units will be delivered in Fall of 2019. Demographics of increasing population, young people entering the housing market, cost of renting vs. owning, and the increasing number of single person households all will have a positive effect on the future apartment market, however, declines in MU enrollment will offset gains in the next few years.

The local retail market has begun to experience higher vacancy rates in the general and downtown markets. Online sales are adversely affecting growth of city revenue and the city's ability to fund operations. Retail remains the riskiest sector.

The District (downtown business district) has experienced declining occupancy and flat rents. There have been more sales of improved properties for office or retail use. The retail market segment will be directly impacted by MU enrollment declines. There is a notable absence of new development in The District since form-based zoning was adopted. There has been some infill and renovation, but no new retail, office or apartment projects. Scarcity of land is part of the problem but development costs have increased too.

The demand for office space within The District remains relatively stable with governmental and financial institutions providing a stable base. Trends of less space per employee and more efficient use of space are likely to continue. Squeezing more people into less space will put structural stress on office building systems and public parking.

The general office market has been generally steady with limited new product coming on line. Demand by Veterans United, the largest local employer, has absorbed significant available supply.

The medical office market has been somewhat affected by the concern over the future operation and viability of Boone Hospital. The existing long-term lease with BJC will expire in 2020. Boone recorded operating losses over the past three years. It appears that Boone may continue to operate independently. Many tenants and potential tenants of the subject property are independent physicians who perform surgery at Boone. The viability of Boone is critical to many of their practices.

Meanwhile the University of Missouri has actively purchased several area practices and announced it is exploring purchasing hospitals in Mexico and Jefferson City, Missouri. MU Hospitals, in the year ending June 30, set a record with $1 billion in revenue and $104 million in net operating margin. In response, many physicians have organized an IPN or independent physician's network.

Medical office rental rates range from a low of $16 per square foot gross including utilities (subject property) to a high of $25 per square foot net. The newer space commands the highest rates and the older space typically falls near the low side of the range. Overall occupancy appears to be about 90% with some older properties experiencing lower occupancy rates.

The manufacturing/warehouse market is steady. While there has been growth in the industrial sector nationwide, locally there has been limited new development. Sources are indicating an improvement in leasing demand due to the improvement in the economy. While our market has had difficulty, along with the region, in securing larger manufacturing prospects, several older industrial buildings have sold and several larger tracts of industrial land have been absorbed for new development.

The local hotel market has experienced expansion of new facilities as some older properties struggle. A Drury Plaza Hotel recently opened, and an expansion of the Broadway Hotel downtown is planned.

While long-term prospects for the area are good, MU enrollment declines and funding cuts will adversely impact the local economy to some extent over the next few years.

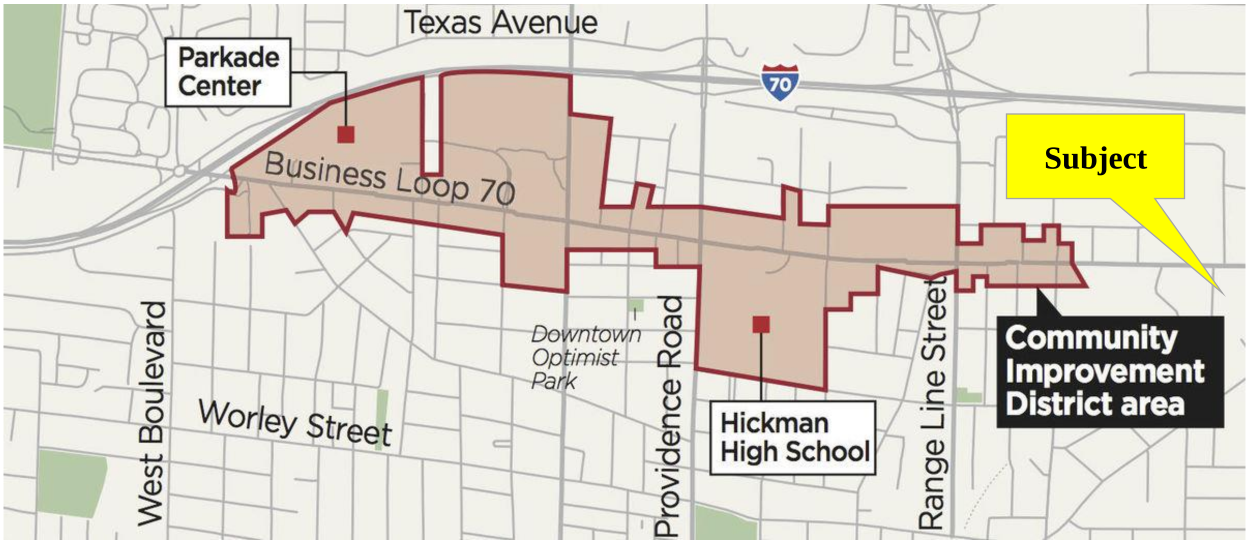
NEIGHBORHOOD DESCRIPTION

The subject property is located approximately 150 feet south of Business Loop 70 E, east of Providence Road. The subject neighborhood is defined as the Business Loop 70 corridor.

The neighborhood benefits from the elevated level of traffic which flows through the primary arteries in the area. Daily traffic counts provided by MoDOT for the primary commercial corridors in the subject neighborhood are: 60,000 to 70,000 vehicles on Interstate 70; 23,019 vehicles per day on Providence Road; and between 15,500 and 18,500 vehicles per day along the core of the Business Loop. While daily traffic on the east end of the Business Loop near the subject is lower at 12,957 vehicles per day, daily traffic in this area has increased in recent years.

The core of the Business Loop corridor, between Providence and I-70, has experienced more recent redevelopment than those areas to the east of Providence. Overall, the core Business Loop neighborhood includes a mix of commercial land uses, varying from light industrial along the interior corridors to first-tier retail uses including fast food restaurants at the primary intersections and frontages along Providence and Business Loop 70. Other significant developments in the neighborhood include the Mizzou North facility (formerly Ellis Fischel Cancer Center) at the northwest corner of Business Loop 70 & Garth, the neighboring Rusk Rehabilitation Center, and the Parkade Center near the corner of Business Loop 70 West and Interstate 70. One of the defining features of the neighborhood is the number of automotive dealerships; which include Joe Machen's Nissan at the southwest corner of Interstate 70 & Providence Road, Bob McCosh GMC/Chevrolet at the northeast corner of Business Loop 70 West & Garth Avenue, and Head Motor Company (Kia) at the southeast corner of Business Loop 70 West & Sexton Road. Various other automotive dealerships are located nearby, along Interstate 70 Drive SW between the Business Loop and Stadium Blvd, as well as the area generally north of Interstate 70, south of Vandiver Drive and near Rangeline Street.

A half-cent sales tax was approved in December 2015 as part of the creation of a Community Improvement District (CID), which affects properties with frontage on the Business Loop. The sales tax is expected to generate the bulk of funding to the CID. A property tax affecting real estate within the CID boundaries had already been implemented prior to the sales tax vote. The CID is expected to improve the area in various ways, including conducting a traffic study, removal of some medians and improving turn lanes, installation of a bike lane and adding a crosswalk at Madison Street and Parkade Boulevard. Utilities have been reinstalled underground along the Business Loop, and a new dual-lane, dual round a bout at the I-70 / Business Loop 70 West intersection was completed in late 2016, which is expected to improve traffic flow to and from the interstate. The boundaries of the Business Loop CID are illustrated below. The subject is located on the east end of the Business Loop 70 corridor and is not in the CID; however, it is our opinion that improvement of the overall desirability and appeal of the core Business Loop area will also improve the appeal of the east segment in the vicinity of the subject property.



Source: *Columbia Daily Tribune*

The east end of the Business Loop 70 corridor is comprised generally of a mix of retail and industrial properties. The area is also influenced by the presence of the Hickman High School at the southeast corner of the Business Loop and Providence Road. Notable properties in the area include the O'Reilly Auto Parts Store, an Auto Zone across the street, Dave Griggs Flooring America, the Columbia Senior Activity Center, the Boone Electric Cooperative facility, the Columbia Solid Waste Services facility, and the Westlake Ace Hardware store. The Columbia Municipal Power Plant is located on the north side of the Business Loop between Rangeline and Paris Road. This plant was originally built in 1910 as a coal-powered plant but as of late 2015, the plant ceased using coal and now primarily burns natural gas. The subject property is located southeast of the power plant, approximately 150 feet south of the Business Loop and on the east side of Bowling Street. Adjacent and nearby developments are primarily sales / service and light industrial type properties. We observed few retail vacancies in the neighborhood. We have also observed good demand for light industrial / shop type properties in this area.

The Business Loop was extended east to Conley Road in 2018, which connected Business Loop traffic to the major retail developments along Conley Road near the I-70 / Highway 63 interchange and has elevated the daily traffic on the east segment of the Business Loop. In our opinion, this extension bodes well for the east segment of the Business Loop corridor.

The subject neighborhood is one of the older commercial districts in the city, and many buildings in the area are 30 years old or more. There are a few older residences in the neighborhood located on the interior streets and few undeveloped tracts of land. The neighborhood is a significant commercial district in Columbia and is currently in a period of revitalization. However, many properties on the Business Loop are located in zones identified as a critical downstream locations by the City of Columbia. Razing existing buildings in favor of new construction or expanding the footprint of a building requires additional storm water management efforts, and as a result, many developers choose to renovate existing structures as opposed to raze and build new. The subject is not in a critical downstream location.

In conclusion, land uses within the subject neighborhood are well established and include a mix of retail properties along the primary traffic corridors and light industrial properties in secondary locations which lack high-traffic exposure. The neighborhood benefits from the proximity to several significant traffic arteries, including Interstate 70, the Business Loop, and Providence Road. The neighborhood is in a period of revitalization which is expected to continue; however, most of the recent redevelopment has been in the core area of the Business Loop, west of Providence Road. While redevelopment on the east end of the Business Loop corridor has been slow in recent years, the recent Business Loop extension to Conley Road has improved access one of the city's largest retail areas and is likely to have a positive effect on the east end of the Business Loop neighborhood in coming years.

SUBJECT PROPERTY DATA

ASSESSED VALUE & TAXES

The current assessed value for the subject property is $55,168. The 2018 property taxes for the subject amounted to $4,295 Tax rates for this year have not been established to date; however, a significant change in the rates is not anticipated in the near future.

REASONABLENESS OF ASSESSED VALUE & TAXES

Based on the specifics of the subject property and available market data, the current taxes are reasonable.

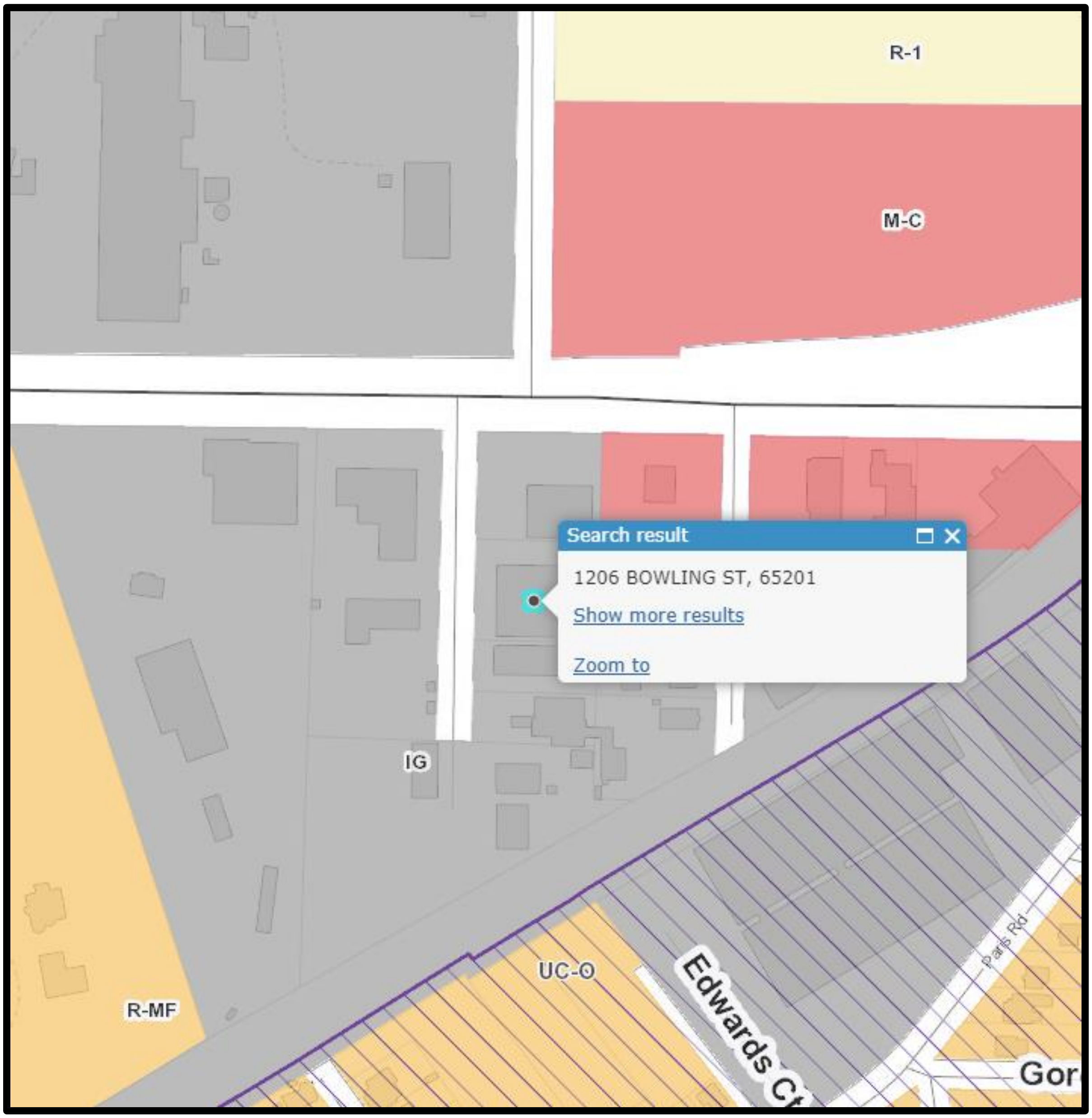
ZONING

The subject site is zoned I-G: Industrial General District by the City of Columbia. The purpose of the I-G district is to allow for manufacturing, warehousing, office activities, general industrial uses, and access to underground mining, resource, and storage activities, while protecting surrounding areas from any adverse impacts of those activities without need for rezoning to a Planned Development district. A wide range of uses are permitted in the I-G district, including: assembly halls; public utility services; hotels; various office uses; self-storage facilities; various retail uses; light and/or heavy vehicle sales, rental and servicing; heavy commercial services; storage and wholesale distribution; machine shops; and light industrial uses. Heavy industrial uses are possible as a conditional use. No use shall be permitted or so operated as to produce or emit: smoke or particulate matter in violation of the ordinances of the City; dust, fly ash, radiation, gases, heat, glare, or other effects which are obviously injurious to humans at the property line; vibration or concussion perceptible without instruments at the property line; and industrial wastes of such quantity and nature as to overburden the public sewage disposal facilities or cause odor and unsanitary effects beyond the property line.

UTILITIES

WATER:	City of Columbia
ELECTRIC:	City of Columbia
GAS:	Ameren
SEWER:	City of Columbia

ZONING MAP

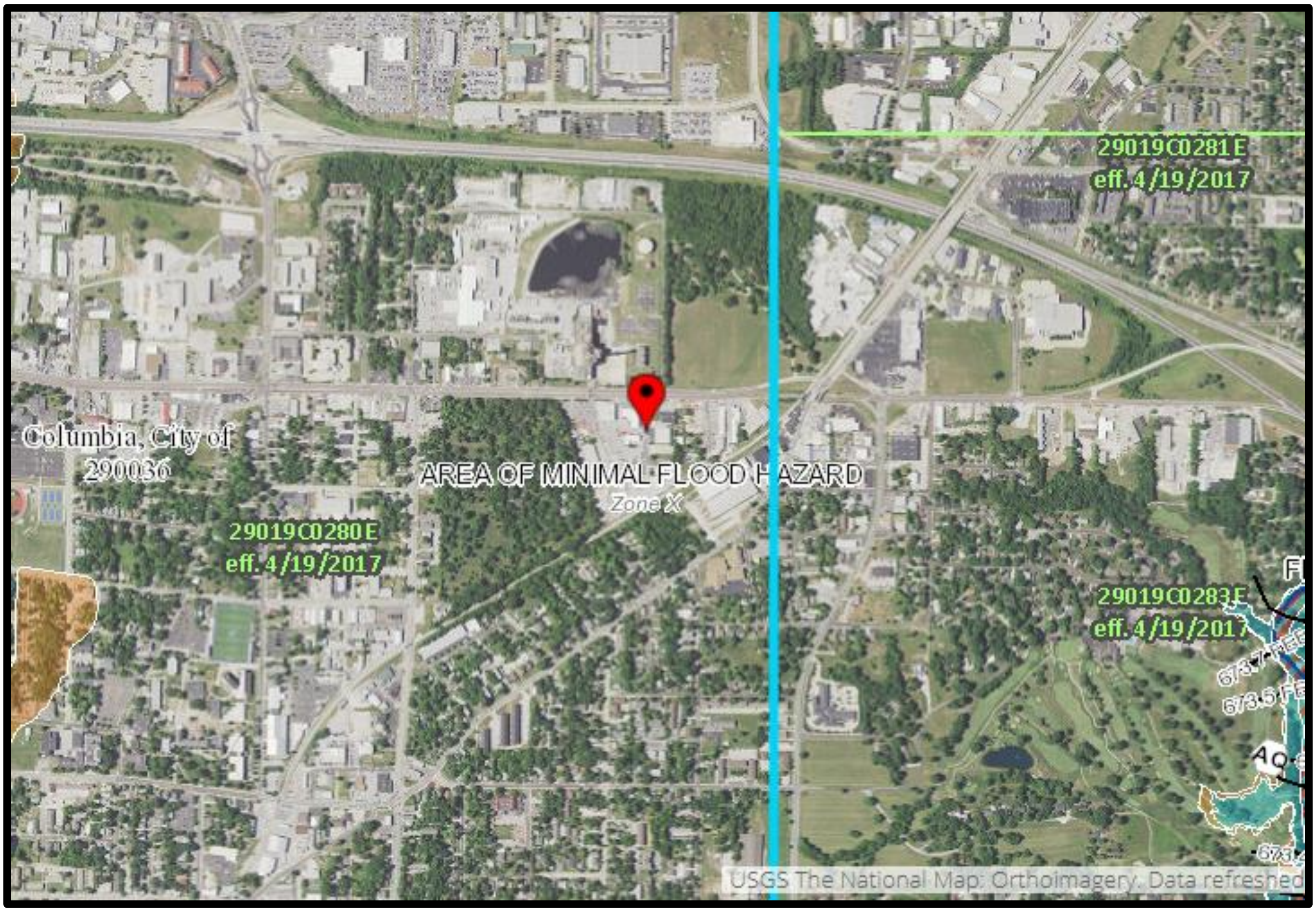


Description of the Site

Site Size:	23,380 square feet
Configuration:	Rectangular
Topography/Drainage:	Level / assumed adequate
Soil Type/Stability:	Clay loam assumed/average stability assumed
Flood Plain:	None
Frontage/Street Type:	The site has 140 feet of frontage on Bowling Street, which is a minor two-lane street accessing light industrial developments near the subject property. The street begins approximately 150 feet north of the subject at the Business Loop, and terminates 140 feet south of the subject property.
Access:	Access to the site is available via Bowling Street and is adequate for light industrial type use.
Visibility/Exposure:	The site has visibility from Bowling Street, which is a minor street with low daily traffic. The property also has limited / indirect visibility from Business Loop 70 East.
Traffic Count:	Low / local traffic only on Bowling Street; 12,957 vehicles per day on Business Loop 70 East (MoDOT)
Easements/Encumbrances:	None known to be adverse
Encroachments:	None known
Environmental:	As referenced in the Assumptions and Limiting Conditions to this report, we are not considered expert nor competent to assess environmental issues. Upon physical inspection of the subject property, no indication "to the untrained eye" of environmental hazard could be found.
Comments:	The site is located on Bowling Street, which is a minor street that terminates nearby and is developed with older light industrial type properties. While the property has limited / indirect visibility from the Business Loop, the visibility is not conducive to retail type use.

AERIAL PHOTOGRAPH

<u>FLOOD MAP</u>



29019C0281E
eff. 4/19/2017
Columbia, City of
290036
AREA OF MINIMAL FLOOD HAZARD
Zone X
29019C0280E
eff. 4/19/2017
29019C0283E
eff. 4/19/2017
USGS The National Map: Orthoimagery. Data refreshed

Description of the Improvements

Design:	Single story, multi-tenant light industrial building
Construction Quality:	Average quality – Steel frame, metal panel exterior walls and roof
Actual Age:	47 years (built 1972)
Effective Age:	30 years

Building Area:

Finished Area:	1,378 square feet (14%)
Unfinished Area:	8,622 square feet
Gross Area:	10,000 square feet
Net Leasable Area:	100%

Exterior Walls:	Painted metal panels
Floor Design/Structure:	Poured concrete slab on grade
Roof Structure:	Steel frame
Roof Cover:	Metal panel
Eave Height:	16 feet
Exterior Condition:	The exterior walls are damaged in various places and the there is reportedly a minor leak originating from the roof or a damaged wall. The overall condition is fair to average.

Interior Finish and Unit Description:

Unit A:	5,000 square feet	This unit comprises the south half of the building and has 762 square feet of finished space including a 600 square foot office area and two half-bathrooms, and a semi-finished mezzanine over the office. The office finishes are average to low cost quality finishes with carpet tile floors, painted drywall / gypsum board partitions, and exposed beams for the ceiling. The shop / warehouse area has concrete flooring, exposed beam and insulation walls and ceilings, and two 12'x12' overhead doors. Lighting and plumbing fixtures in the unit are low-cost fixtures.

Unit B:	2,500 square feet	This unit comprises the northwest quadrant of the building and has 305 square feet of finished space including the office and a half-bathroom. The office area is in poor condition with low quality finishes that include concrete flooring, wood panel partitions, and acoustical ceiling tiles. The bathroom is also in poor condition. Most users would anticipate upgrades and repairs to the office and bathroom. An additional area partitioned adjacent to the bathroom has damaged walls, concrete flooring, no ceiling, and is not included in our calculation of finished area. The shop / warehouse area has concrete flooring, exposed beam and insulation walls and ceilings, and two overhead doors (12'x14' and 12'x7'). Lighting and plumbing fixtures in the unit are low-cost fixtures.
Unit C:	2,500 square feet	This unit comprises the northeast quadrant of the building and does not have direct visibility from Bowling Street. The appraisers were able to inspect this unit; however, photos were not permitted by the tenant. The unit has 311 square feet of finished space including the office and a half-bathroom. The office finishes are dated and will likely require updating by most new users of the space. The bathroom is in poor overall condition. The shop / warehouse area has concrete flooring, exposed beam and insulation walls and ceilings, and one 12'x14' overhead door. Lighting and plumbing fixtures in the unit are low-cost fixtures.

SPECIAL FEATURES: Unit A has a 600 square foot semi-finished mezzanine that is not included in the gross building area indicated above.

ENTRANCES: Each unit has a separate pedestrian entrance, which are located on the west and south elevations. There are also five total overhead doors in the building.

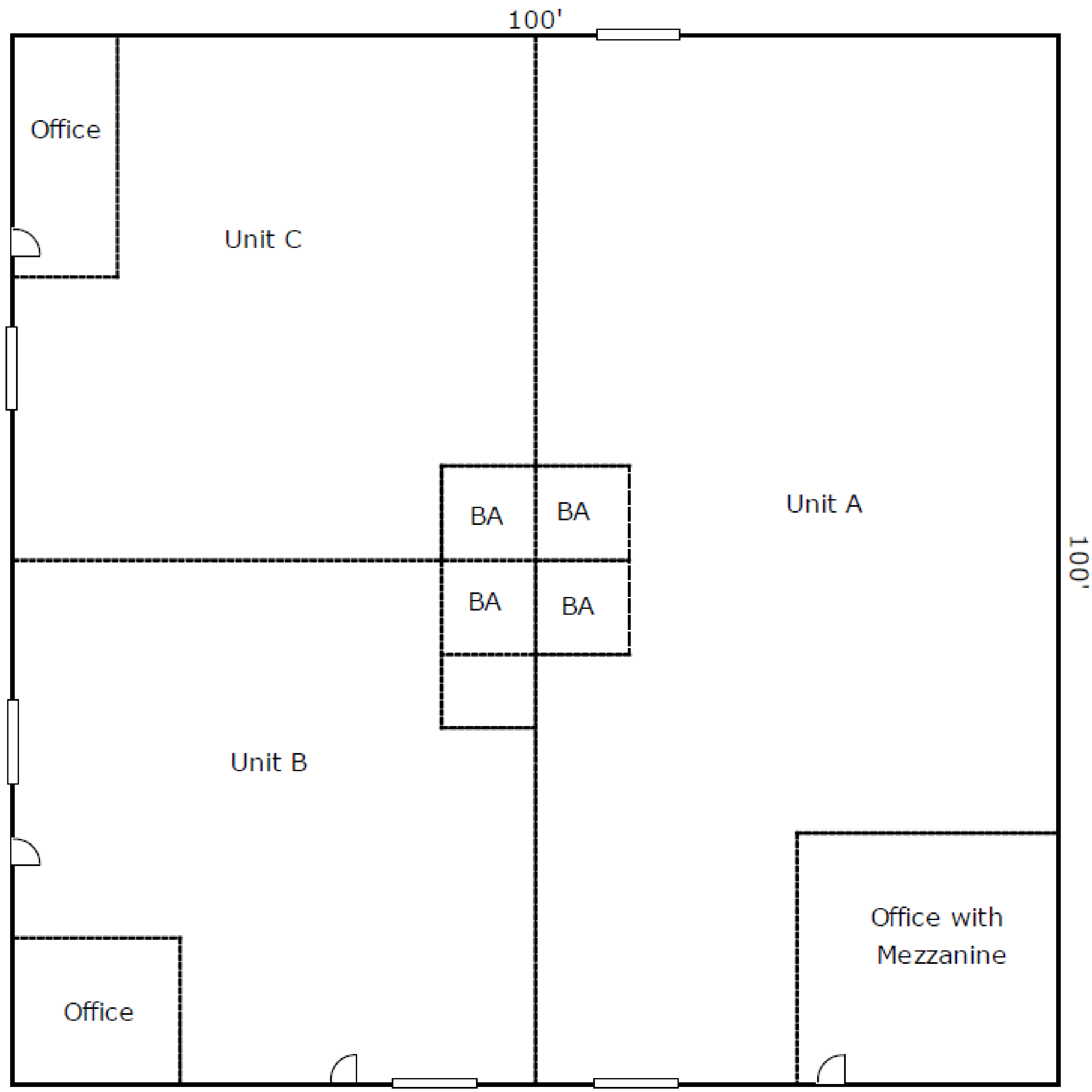
INTERIOR CONDITION: The overall condition of the interior is fair to average, and most users would require upgrades and repairs to the finished office areas. We also observed damaged insulation in some areas, and some of the bathrooms appear to be inoperable.

PLUMBING: There are four half-bathrooms in the building, some of which appear to be inoperable and will likely require repairs.

SPRINKLER SYSTEM: None

INSULATION:	The building is insulated; however, some is damaged.
HVAC:	Unit A has a full HVAC system in the finished office. Units B and C have window AC units in the office areas. The shop / warehouse spaces have suspended gas space heaters.
ELECTRICAL:	Assumed adequate
UTILITY METERING:	The units are separately metered for utilities.
LIGHTING:	Fluorescent
FIRE PROTECTION:	Assumed per code
CONDITION OF MECHANICALS:	The air conditioning unit in Unit A appears to be a newer system. Other mechanical systems observed, including the window AC units and space heaters, are older and showing signs of age.
PARKING AREA:	Asphalt paved, minimal
LANDSCAPING:	None
DRAINAGE/RETENTION:	Drainage away from the building could be improved with new downspouts.
DEFERRED MAINTENANCE:	Various items of deferred maintenance were observed, including damaged exterior walls, a minor roof leak in Unit C, damaged insulation, several bathrooms appear to be inoperable and will likely require repairs, and some of the office areas are damaged and/or have dated finishes.
FUNCTIONAL UTILITY:	The building is currently demised for use by three occupants, and is adequately configured for a variety of office / warehouse and shop type uses including use by small local contractors. The office areas are separate from the bathrooms, which is somewhat atypical for this property type. The paved area is tight, leaving minimal space for parking or truck delivery.

BUILDING LAYOUT



HIGHEST AND BEST USE

Highest and best use analysis is an economic study of market forces that are focused on the subject property. It reflects an assumption about market behavior -- that buyers will pay prices for properties that are derived from conclusions about the most profitable use of a site or property.

Highest and best use is defined in The Appraisal of Real Estate, 14th edition, published in 2013 by the Appraisal Institute as:

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

In developing a highest and best use analysis, it is necessary to evaluate the property's highest and best use as though vacant and as improved. As long as the value of the property as improved is greater than the value of the site as unimproved, the highest and best use is use of the property as improved. Once the value of the vacant land exceeds the value of the improved property, the highest and best use becomes use of the land as though vacant.

The highest and best use of land or a site as though vacant assumes that the land parcel is vacant or can be made vacant by demolishing the existing improvements. The following is considered: what use should be made of the land, what type of improvement should be constructed, and when. The purpose of determining the highest and best use of land as though vacant is to identify a site's potential use, which governs its value.

Highest and best use of a property as improved pertains to the use that should be made of an improved property in light of its improvements. The purpose of determining the highest and best use of property as improved is to identify the use that is expected to produce the greatest overall return on the capital invested, and to help identify the most comparable market data available.

The highest and best use of a property must meet four criteria, which include:

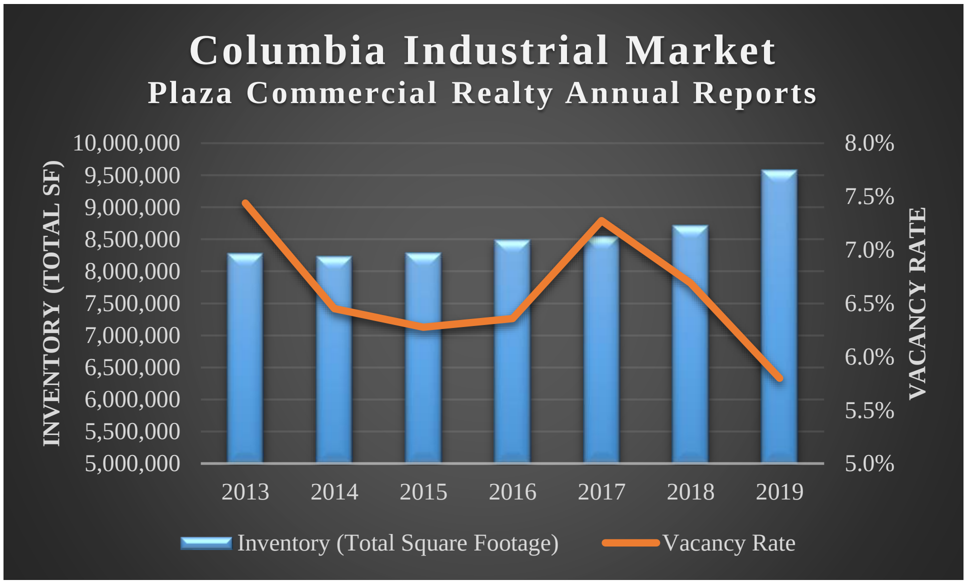
1. **LEGALLY PERMISSIBLE -** What possible uses are permitted by zoning and deed restrictions.
2. **PHYSICALLY POSSIBLE -** What uses of the property in question are physically possible.
3. **FINANCIALLY FEASIBLE -** Which possible and permissible uses will produce a positive return to the property owner.
4. **MAXIMALLY PRODUCTIVE -** Among the feasible uses, which use will produce the highest net return or the highest present worth.

AS VACANT

LEGALLY PERMISSIBLE: The subject site is zoned I-G: Industrial General District by the City of Columbia. The purpose of the I-G district is to allow for manufacturing, warehousing, office activities, general industrial uses, and access to underground mining, resource, and storage activities, while protecting surrounding areas from any adverse impacts of those activities without need for rezoning to a Planned Development district. A wide range of uses are permitted in the I-G district, including: assembly halls; public utility services; hotels; various office uses; self-storage facilities; various retail uses; light and/or heavy vehicle sales, rental and servicing; heavy commercial services; storage and wholesale distribution; machine shops; and light industrial uses. Heavy industrial uses are possible as a conditional use.

PHYSICALLY POSSIBLE: The site is 23,380 square feet in size, rectangular, generally level, and has access to all utility services. The property is located on Bowling Street, which is a secondary street near Business Loop 70 East with low daily traffic. Adjacent and nearby properties with similar frontage (limited visibility from the Business Loop) are generally light industrial properties. The physical features of the site favor a light industrial type use.

FINANCIALLY FEASIBLE: The reader is referred to the *Area Data*, *Market Conditions Summary* and *Neighborhood Description* for summaries of current market trends. We have observed improving market demand for light industrial property in the national, regional and local markets in recent years. The 2019 Plaza Commercial Realty market report indicated a city-wide industrial vacancy rate of 5.8%, which is the lowest vacancy rate observed in this market since at least 2013. The total number of vacant square footage is lower than it has been since 2016, despite a significant amount of recent new construction. The inventory (total square footage) of industrial property increased significantly in 2019 due in large part to the new American Outdoor Brands 500,000 square foot warehouse east of Columbia on Route Z, the new Aurora Organic Dairy property in north / central Columbia (80,000 square feet), as well as two new speculative buildings south of Columbia near the airport (72,500 square feet). The speculative buildings remain vacant at this time. Overall, we have observed and brokers have reported growing demand for a variety of light industrial property types in the local market in recent years. At this time, the supply of industrial property in this market is low relative to the demand. The following graph summarizes the vacancy and square footages indicated by the Plaza Commercial Realty market reports from 2013 through 2019.



Local brokers have reported that interest in commercial properties, including industrial properties that would facilitate indoor cultivation operations, has increased in recent months from potential buyers and tenants aspiring to participate in the medical marijuana industry. Industrial demand is likely to be primarily impacted by cultivators. The state will permit 60 cultivation facilities in Missouri, and the number of applications received for cultivation greatly exceeds this number. Many who aspire to participate in this industry will not receive permits. Few deals have yet to materialize that do not include extended due diligence periods which give potential operators time to determine the feasibility of gaining a license. We have observed several pending sales and leases for properties in Columbia that are essentially contingent upon medical marijuana licensure, but few such sales and leases that have been finalized so far. In our opinion, the new medical marijuana industry will have a positive effect on overall demand for industrial property, though the long term effect will not match the level of interest (inquiries) reported by brokers in recent months. This market should stabilize by early 2020 as licenses are issued.

We have observed significant increases in construction costs in recent years, which has limited the feasibility of new construction in our market. Despite increasing costs we have observed new construction in the market. Recent construction of owner-user properties in our market includes the previously described American Outdoor Brands and Aurora Organic Dairy properties, as well as the new Equipmentshare property on I-70 Drive SE that is currently under construction. Speculative developments include 72,500 square feet near the airport, as well as a new 24,000 light industrial property on Richland Road just east of Columbia. This building was constructed as a speculative investment, and is offered for lease for $6.00 per square foot (NNN) or for sale for $1,200,000 ($50 per square foot). We are aware of recent negotiations to lease this property. There have also been several light industrial buildings constructed in the Millersburg area near I-70 in Callaway County which have been leased, and additional speculative construction is on-going in this area.

The subject's location near the Business Loop, toward the center-city area, is a desirable area of the city for small contractors and other users of this property type that desire good access to various parts of the city. There is good demand for small to mid-sized light industrial properties in this area of the city, with limited supply available for sale. Many of the sales we have observed in and near this area are older properties, often in marginal condition.

Given our observations of improving demand, and the subject's desirable location, it is our opinion that speculative light industrial development on the subject site as vacant is financially feasible despite recent increases in construction costs. The site would also be appealing to owner-users.

MAXIMALLY PRODUCTIVE: The physical features of the subject site favor a light industrial use, which is permitted by zoning. In our opinion, speculative development is financially feasible due in large part to the overall desirability of the location for use by a variety of light industrial type users including local contractors. Based on these considerations, it is our opinion that the maximally productive use of the subject site as vacant is light industrial type development.

AS IMPROVED

The subject is improved with a 10,000 square foot light industrial office / warehouse / shop type building that is demised into three units. The existing improvements are consistent with the highest and best use of the site as vacant. The building was originally constructed in 1972 and has had minimal updating in recent years. Overall, the building is showing signs of age and use. While it is our opinion that razing the building in favor of new development is not financially feasible, most occupants would require varying degrees of updates and repairs to be made. Therefore, we have concluded that the highest and best use of the property is to make updates and repairs to the building that would improve its overall appeal. The building is configured for use by three separate tenants, and would appeal to an investor buyer type. However, the building would also appeal to owner-users that would occupy a portion of the building. The property may also appeal to some owner-users that would occupy the entire building, and these users would anticipate removing some or all of the partitions separating the units as allowed by structural column placement.

SALES COMPARISON APPROACH

The sales comparison approach is a method of developing the market value whereby a subject property is compared with recent sales of similar properties. The sales comparison approach is based on the premise that the market value of a property is directly related to the prices of comparable, competitive properties. The value of a property in the market is set by the availability of substitute properties of similar utility and desirability.

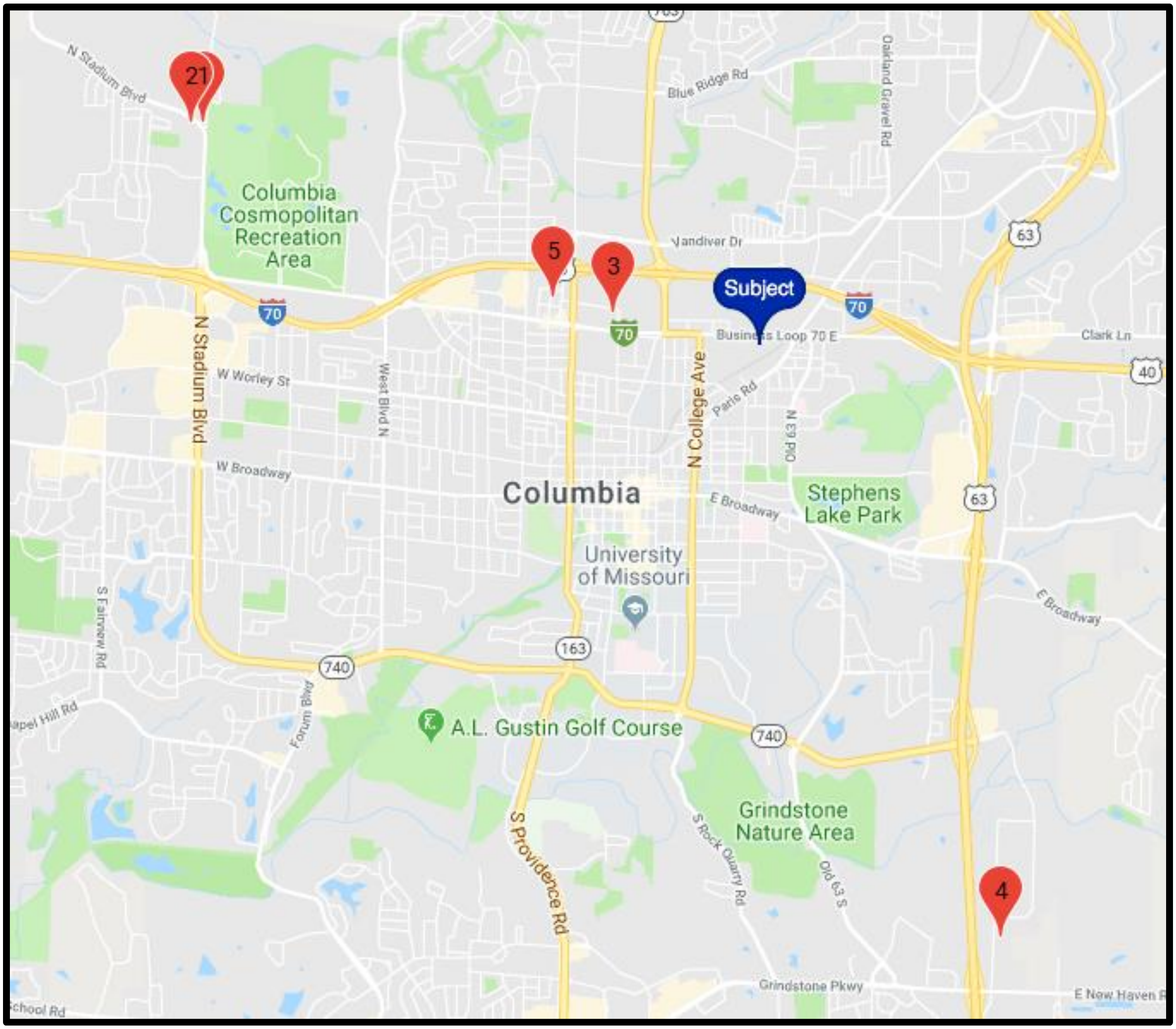
The sales comparison approach is applicable when there is sufficient data on recent market transactions to indicate value patterns. When the market contains an insufficient number of transactions to reveal value patterns, the application of the approach may be limited or inappropriate. The sales comparison approach has broad applicability with regard to property types, and is a reliable measure of value when employed correctly.

To apply the sales comparison approach, a systematic procedure is followed and includes:

1. Research the market to obtain information on sales transactions, listings, and offerings to purchase properties similar to the subject property.
2. Verify the information by confirming that the data obtained is factually accurate and that the transactions reflect arm's length market considerations.
3. Select relevant units of comparison (e.g., price per acre, per square foot, or per income multiplier) and develop a comparative analysis.
4. Compare the subject property and comparable sale properties using the elements of comparison and adjust the sale price of each comparable appropriately, or eliminate the property as a comparable.
5. Reconcile the various value indications produced from the analysis of comparables into a single value indication or a range of values.

A sequence for making adjustments is recommended in all sales comparison analyses. The first adjustment is for property rights conveyed, to account for differences in legal estate. The second adjustment is for conditions of sale to reflect a comparable's probable sale price if sold as an arm's length transaction. The third adjustment is for expenditures after purchase, which is utilized if required capital expenditures were known by the buyer prior to the transfer to cure items of deferred maintenance. Financing terms are also considered, but in the current market said terms rarely have a material effect on prices paid; therefore, this adjustment is only included as a line item if deemed appropriate. The fourth adjustment is for market conditions, to reflect what a comparable would sell for as of the effective date. Finally, adjustments are applied for location, physical characteristics, and economic characteristics to account for these differences between the comparable property and the subject property.

IMPROVED SALES MAP



IMPROVED SALES ADJUSTMENT GRID

	Subject	Sale 1	Sale 2	Sale 3
Location	1206 Bowling Street	2501 Blackfoot Road	2401 Industrial Drive	604 Nebraska
	Columbia, MO	Columbia, MO	Columbia, MO	Columbia, MO
Property Rights	Leased Fee	Fee Simple	Fee Simple	Fee Simple
Financing	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent
Date of Sale	8/28/2019	04/25/19	02/14/19	01/15/19
Land Area (SF)	23,380	18,295	26,340	56,260
Land Area (Acres)	0.5	0.4	0.6	1.3
Land to Building Ratio	2.34:1	6.1:1	2.62:1	7.6:1
Gross Bldg Area	10,000	3,000	10,044	7,400
Finished Bldg %	14%	20%	34%	32%
Net Rentable %	100%	100%	100%	100%
Quality	Average	Average	Average	Average
Condition	Fair to Average	Good	Average	Fair to Average
Year Built	1972	1989	1986	1967
Effective Age	30	15	15	25
Basement	None	None	None	None
Eave Height (ft)	16	14	14	16
Functional Utility	Multi-Tenant Office / Shop	Average	Average	Average
Parking Type/Surface	Asphalt	Concrete	Concrete	Asphalt
Parking Spaces	Minimal	Adequate	Adequate	Adequate
Other Features	600 SF Mezzanine	None	None	None
Sale Price		$296,150	$400,000	$580,000
Real Property Rights			$20,000	
Adjusted Price		$296,150	$420,000	$580,000
Conditions of Sale			$25,500	
Adjusted Price		$296,150	$445,500	$580,000
Expenditures After Purchase				
Adjusted Price		$296,150	$445,500	$580,000
Adjusted Price per Square Foot		$98.72	$44.35	$78.38
Market Conditions				
Adjusted Price Per Square Foot		$98.72	$44.35	$78.38
Location		15.0%	15.0%	-5.0%
Land Area		-10.0%		-10.0%
Gross Bldg Area		-30.0%		-10.0%
Finished Bldg %		-5.0%	-10.0%	-10.0%
Quality				
Condition / Effective Age		-20.0%	-15.0%	-5.0%
Eave Height				
Functional Utility				
Parking Type/Surface				
Net Adjustment ($)		-$49.36	-$4.44	-$31.35
Net Percentage Adjustment		-50.00%	-10.00%	-40.00%
Adjusted Price per SF		$49.36	$39.91	$47.03

IMPROVED SALES ADJUSTMENT GRID *CONTINUED*

	Subject	Sale 4	Sale 5
Location	1206 Bowling Street	3208 LeMone Ind. Blvd	1404 Grand Avenue
	Columbia, MO	Columbia, MO	Columbia, MO
Property Rights	Leased Fee	Leased Fee	Fee Simple
Financing	Cash Equivalent	Cash Equivalent	Cash Equivalent
Date of Sale	8/28/2019	10/31/18	11/03/15
Land Area (SF)	23,380	72,745	16,320
Land Area (Acres)	0.5	1.7	0.4
Land to Building Ratio	2.34:1	4.77:1	2.72:1
Gross Bldg Area	10,000	15,250	6,000
Finished Bldg %	14%	43%	8%
Net Rentable %	100%	100%	100%
Quality	Average	Average	Average
Condition	Fair to Average	Average	Fair to Average
Year Built	1972	1990	1964
Effective Age	30	15	30
Basement	None	None	None
Eave Height (ft)	16	20	12
Functional Utility	Multi-Tenant Office / Shop	Average	Average
Parking Type/Surface	Asphalt	Concrete	Gravel
Parking Spaces	Minimal	Adequate	Adequate
Other Features	600 SF Mezzanine	Mezzanine	None
Sale Price		$925,000	$300,000
Real Property Rights			
Adjusted Price		$925,000	$300,000
Conditions of Sale			
Adjusted Price		$925,000	$300,000
Expenditures After Purchase			
Adjusted Price		$925,000	$300,000
Adjusted Price per Square Foot		$60.66	$50.00
Market Conditions			$5.00
Adjusted Price Per Square Foot		$60.66	$55.00
Location			-5.0%
Land Area		-5.0%	
Gross Bldg Area		10.0%	-15.0%
Finished Bldg %		-10.0%	
Quality			
Condition / Effective Age		-15.0%	
Eave Height		-5.0%	5.0%
Functional Utility			
Parking Type/Surface			5.0%
Net Adjustment ($)		-$15.17	-$5.50
Net Percentage Adjustment		-25.00%	-10.00%
Adjusted Price per SF		$45.49	$49.50

IMPROVED SALES ANALYSES AND VALUE CONCLUSION

Five sales of similar properties were considered in the valuation of the subject property. The adjustment grids are located on the on the prior pages, while additional sale details are located within the Addendum.

Property Rights: Sale #2 was leased back to the seller for five months at a below-market rate. We have applied an upward adjustment of $20,000 to consider the below market lease rate given to the seller. All other sales were of the fee simple interest, or leased at terms typical for the local market with typical risk of vacancy and collection loss; therefore, no adjustments for property rights are necessary.

Conditions of Sale: Sale #2 was not widely marketed for sale, but an independent appraisal of the property was performed as part of the negotiation. The property was purchased by a local real estate broker and the sale price did not include a broker's commission. The typical broker's commission paid in this market is 6%. We have applied an upward adjustment to Sale #2 to consider the typical broker commission paid for this property type in this market. All other sales are reflective of arm's length transactions, thus, no adjustments for conditions of sale are necessary.

Expenditures After Purchase: The sales did not require a significant capital investment that was known to the buyer prior to closing; therefore, no adjustment is applied for expenditures after purchase.

Market Conditions: Sales #1, #2, #3 and #4 occurred between late 2018 and 2019, are generally reflective of current market conditions for this property type, and do not require adjustments. An upward adjustment of 10% is applied to Sale #5 to consider improving market conditions for this property type since 2015.

Location: The subject is located on a secondary street (Bowling Street) near Business Loop 70 East, and near the center-city area of Columbia.

Sales #1 and #2 are located in the northwest sector of Columbia, in an area with limited nearby commercial development, and that is less desirable than the center-city area. The subject location is superior; therefore, upward adjustments are applied to these two sales.

Sales #3 and #5 are located on secondary streets near the Business Loop, but are more centrally located and in areas that are generally more desirable than the subject's location. Therefore, downward adjustments are applied to these two sales.

Sale #4 is located in the southeast sector of Columbia, in a desirable area of the city for industrial type use. In our opinion, the location of Sale #4 has offsetting qualities when compared to the subject location; therefore, no adjustment is applied.

Land Area: Land area adjustments are based on each sale's respective land to building ratio in relation to the subject's ratio. A relatively higher ratio indicates there is more land available for building expansion, storage, and/or parking/display; therefore, a higher ratio is superior. The subject site is

23,380 square feet, and the land / building ratio is 2.34:1. The site is small relative to the improvements, and there is limited room available for on-site parking, truck maneuverability or outdoor storage.

Sales #1, #3 and #4 have larger land / building ratios than the subject. The sizes and configurations of these sites result in ample room for parking, outdoor storage or expansion of the improvements. The overall utility of the underlying sites included with Sales #1, #3 and #4 is superior to the subject's site; therefore, downward adjustments are applied to these sales.

Sales #2 and #5 have similar site areas as the subject, and similar land / building ratios. Therefore, neither sale is adjusted.

Gross Building Area: In this market, smaller buildings command higher per unit values than comparable, but larger buildings. Given that smaller buildings command a higher unit value, they are superior; therefore, larger buildings are inferior. Sales #1, #3 and #5 are smaller than the subject and require downward adjustments. Sale #4 is larger than the subject; therefore, an upward adjustment is applied to the sale.

Finished Building Area: The subject has 1,378 square feet of space that is partitioned for office and bathroom use, which represents approximately 14% of the building area. However, most of the finishes are in below average condition, and most users would anticipate upgrades and repairs. Sales #1, #2, #3 and #4 have a greater percentage of finished office area, and the quality and condition of the finished office areas included with these sales are superior to the subject. Therefore, downward adjustments are applied to these four sales.

Sale #5 has two small (10'x12') office areas with separate bathrooms. Including the bathrooms, we have estimated about 450 square feet of finished space in the building, representing 7.5% of the building area. The overall quality and condition of the office areas in this building are generally similar to the subject. Based on these considerations, no adjustment is applied to Sale #5.

Condition/Effective Age: The subject was originally built in 1972, has had limited maintenance and repairs performed in recent years, and is generally in below average condition. We have adopted an effective age of 30 years based on our observation of the overall condition of the building.

Sales #1, #2, #3 and #4 were in superior overall condition at the time of sale and require downward adjustments. Sale #5 was in generally similar condition and is therefore not adjusted.

Eave Height: A lower eave height limits the functional utility of the building by restricting what uses are physically possible, and a greater eave height improves the utility of the building. The subject has a 16-foot eave height. Sales #1, #2 and #3 are generally similar and therefore not adjusted. Sale #4 has a greater eave height and requires a downward adjustment. Sale #5 has a lower eave height; therefore, an upward adjustment is applied to the sale.

Functional Utility: The subject is demised into three separate units. The configuration of the property would be appealing to investor buyers, as well as partial owner-occupants. The property could be occupied by a single user; however, some of the interior partitions would need to be removed. The configuration of the property is likely to appeal to a mix of office / warehouse type users, including small local contractors.

Sale #1 is a single-tenant building that would appeal to a small office / warehouse type user such as a local contractor. However, the property would have limited appeal to an investor buyer type and was purchased by an owner-user. Consideration for the single-tenant configuration and limited appeal to an investor buyer type will be made in the value conclusion.

Sale #2 was configured for use as a single-tenant showroom / warehouse type property. However, the building had previously been demised into separate units, and could be demised into two to three separate spaces with limited reconfiguration necessary. In our opinion, the property would likely appeal to a different type of user than the subject, but the potential to demise the building into multiple units is similar to the subject. Consideration for the different type of user that would find this space appealing will be made in the value conclusion.

Sale #3 is a single-tenant building that would appeal to an office / warehouse type user, including a local contractor. However, the property would have limited appeal to an investor buyer type, and was purchased by an owner-user. Consideration for the single-tenant configuration and limited appeal to an investor buyer type will be made in the value conclusion.

Sale #4 is demised for use by three tenants. However, two of the units share utility meters and HVAC systems, which is not ideal for multi-tenant type use. The property would appeal to a mix of office / warehouse type users that is generally similar to those who would utilize the subject. The property would appeal to a mix of investor buyers and owner-users, and was purchased by a local real estate investor. Consideration for the appeal to a similar mix of users and buyers will be made in the value conclusion. In our opinion, no adjustment is warranted to consider the utility metering and HVAC systems in this building.

Sale #5 was configured for use by a single occupant, but could be demised into two units. The property would appeal to a mix of office / warehouse type users that is generally similar to those who would utilize the subject. Given the potential to demise the building, it is our opinion that it would also have some appeal to an investor buyer type. Consideration for the similar overall functional utility of Sale #5 as compared to the subject will be made in the value conclusion.

Parking Surface/Spaces: The subject has a paved parking area. Sale #5 has gravel parking and requires an upward adjustment.

Other Features: The subject has a 600 square foot semi-finished mezzanine in one unit. Sale #4 has mezzanine storage space; however, none of the other sales included herein have similar mezzanines. In our opinion, no adjustment is warranted to consider the subject’s mezzanine. However, consideration for the mezzanine will be made in the value conclusion.

RECONCILIATION

The adjusted comparable sales indicate a range of values between $39.91 and $49.50 per square foot, with an average of $46.26 per square foot.

Sale #1 is the most recent sale, and is the most reflective of current market conditions for this property type. However, it is much smaller than the subject and is a single-tenant property. It is also located in a different area of the city than the subject. Overall, Sale #1 required a higher level of adjustment than the other sales included herein. Based on these considerations, we have given limited weight to Sale #1 in the value conclusion.

Sale #2 is a recent sale and is the most similar to the subject's size. However, the property is located in a different area of the city than the subject, and is configured for showroom type use which would appeal to a different type of user than the subject. Based on these considerations, we have given limited weight to Sale #2 in the value conclusion.

Sale #3 is a recent sale of a single-tenant building in the center-city area that would appeal to a similar mix of users as the subject property. It is also more similar to the subject in terms of age and condition than many of the other sales included herein. We have given weight to Sale #3 in the value conclusion because it is a recent sale that is generally reflective of current market conditions for this property type, is located in a generally similar area of the city, and would appeal to a similar type of user.

Sale #4 is a multi-tenant industrial building that would appeal to a similar mix of users and buyers as the subject property. Additionally, Sale #4 is the only sale included in this analysis that has a mezzanine like the subject. However, it is located in a different area of the city. We have given secondary weight to Sale #4 based on these considerations.

Although Sale #5 is the oldest sale included herein, it required a lower level of physical adjustment than any of the other sales. The property is the most similar overall to the subject in terms of age and condition, and would appeal to a similar mix of buyers and users as the subject. Sale #5 is also located in the center-city area and is more similar to the subject's location than most of the other sales included herein. Based on these considerations, we have given weight to Sale #5 in the value conclusion.

In addition to the comparable sales considered herein, we have also performed a search of available listings that would compete with the subject for a similar mix of potential buyers, with few results. The properties considered most similar to the subject are summarized in the following table.

Location	Size (SF)	Year Built	Listing Price (per SF)	Single / Multi-Tenant
2614 Calvert Drive	8,234	1968	$78.21	Multi-Tenant
1800 Commerce Court	6,800	1984	$125.00	Single-Tenant

While the listings summarized above are available for sale at prices that exceed the range of values indicated by the adjusted comparable sales, they are superior to the subject in terms of condition. The property at 2614 Calvert Drive is inferior to the subject's location. Special consideration is given to recent negotiations to purchase an additional property that was recently offered for sale and received a full asking price offer after a short listing period. The owner of this property ultimately decided to reject the offer and has since decided not to sell, and has instead offered the property for lease. Details of the negotiations for this additional property are retained in the file. Overall, the limited available sales and additional negotiation to purchase a similar property support the range of values indicated by the adjusted comparable sales.

In conclusion, we have given primary weight to Sales #3 and #5, with secondary weight given to Sale #4, and have adopted a unit value of $47.50 per square foot. Applying this unit value to the 10,000 square foot subject property results in a value of $475,000.

INCOME CAPITALIZATION APPROACH

The income capitalization approach is a basic tool for the valuation of income-producing real estate given that it reflects investor motivation. The principle of anticipation is fundamental to the approach as value is created by the expectation of benefits to be derived in the future.

In the income capitalization approach to value, a property's capacity to generate benefits and convert these benefits into an indication of present value is analyzed. The benefits of owning specific rights in income-producing real estate include the right to receive all profits accruing to the real property during the holding period (i.e., the term of ownership) plus the proceeds from resale on reversion of the property at the termination of the investment.

Various measures of future benefits can be considered in the income capitalization approach. The most commonly used measure is net operating income (NOI); usually expressed as an annual amount. In establishing an NOI figure, first a potential gross income (PGI) estimate must be developed, which is based on prevailing rental rates in the market or on the periodic income anticipated during a holding period. A deduction for vacancy and collection losses is made from the PGI figure to derive an effective gross income (EGI) estimate. Finally, a deduction for all costs of ownership, excluding debt service and book depreciation, is made from the EGI figure to derive an NOI estimate. The net operating income is then capitalized into a market value by either direct or yield capitalization.

Yield capitalization is a method used to convert future benefits to present value by discounting each future benefit at an appropriate yield rate (as in discounted cash flow analysis) or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate (as in mortgage-equity analysis).

Direct capitalization is a 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. This procedure usually entails dividing the net operating income estimate by an appropriate overall capitalization rate. The inverse, or gross income multiplier is another form of direct capitalization. The rate or multiplier selected represents the relationship between income and value observed in the market and is derived through comparable sales analysis.

Whether an income rate--direct capitalization or a yield rate--yield capitalization is utilized, the rate of return used to convert income into property value should represent the annual rate of return necessary to attract investment capital. This rate is influenced by many factors, including current available mortgage rates, inflation expectations, rates of return on alternative investments, the availability of tax shelters, and the degree of apparent risk inherent in the subject property.

A direct capitalization procedure has been utilized in this valuation. A stabilized net operating income estimate has been established for the property. Lease rates of similar properties and ownership expenses are discussed on the following pages. The capitalization process is discussed thereafter.

Gross Income Estimate

Market Rent Analysis

The subject is demised into three separate units. Unit A is 5,000 square feet with a total finished area of 762 square feet including the two half-bathrooms. The finished area represents 15% of the unit size. The unit also has a 600 square foot semi-finished mezzanine over the main office area. Unit B is 2,500 square feet with a 305 square foot office area including the half-bathroom (12% of unit area). Units A and B were vacant at the time of our inspection. However, the property contact indicated the units had recently been leased as a combined 7,500 square foot space for between $1,800 and $2,000 per month, or around $3.00 per square foot with gross lease terms.

Unit C is 2,500 square feet with a total finished area of 311 square feet including the half-bathroom (12% of unit area). This unit is currently leased on a month-to-month basis for $575 per month, or $2.76 per square foot with gross lease terms. The tenant has reportedly been in the building for many years.

The subject is currently offered for lease. The lease listing includes the entire 10,000 square foot building for $4,000 per month ($4.80 per square foot), or the vacant 7,500 square feet for $3,425 per month ($5.48 per square foot) with gross lease terms. As of the effective date of this report, the listing had been advertised for nine days.

The following table summarizes comparable leases we have observed in the local market. The properties include a mix of units in multi-tenant buildings and single-tenant buildings which would appeal to a similar market of potential users as the subject. Additional information regarding these comparable leases is retained in the file. Most of the leases we have observed in the market for this property type are gross leases, whereby the landlord is responsible for payment of taxes, insurance, exterior and structural maintenance, and the tenant is responsible for utilities and interior maintenance. Net and modified gross leases have been adjusted to reflect equivalent gross lease terms.

Comparable Rental Summary

#	Description	Lease Type	Origination/Renewal	Size (SF)	Rent Per SF
1	Brown Station Road - Office / Warehouse Unit	Gross	March 2017	3,100	$8.75
2	Stephens Station Road - Office / Warehouse Unit	*Gross	April 2019	1,800	$7.34
3	Near Vandiver Drive - Office / Warehouse Building	Gross	May 2019	12,000	$6.75
4	Stephens Station Road - Office / Warehouse Unit	*Gross	September 2018	1,800	$6.67
5	Stephens Station Road - Office / Warehouse Unit	*Gross	December 2018	1,800	$6.67
6	Stephens Station Road - Office / Warehouse Unit	*Gross	April 2019	1,800	$6.67
7	Near Business Loop 70W - Office / Warehouse Unit	Gross	July 2018	2,990	$6.62
8	North Stadium - Showroom / Warehouse	Gross	June 2019	10,044	$6.45
9	Near Business Loop 70W - Office / Warehouse Building	Gross	June 2017	3,200	$6.38
10	Stephens Station Road - Office / Warehouse Building	Gross	Month-to-Month	7,500	$6.08
11	Near Business Loop 70W - Office / Warehouse Building	Gross	October 2017	3,200	$5.63
12	Stephens Station Road - Office / Warehouse Unit	Gross	Month-to-Month	3,750	$5.52
13	North Stadium - Office / Warehouse Building	Gross	January 2016	12,000	$5.50
14	Brown Station Road - Office / Warehouse Unit	Gross	November 2017	5,000	$5.04
15	Brown Station Road - Office / Warehouse Unit	Gross	November 2017	2,500	$5.04
16	Brown Station Road - Office / Warehouse Unit	Gross	November 2017	2,500	$5.04
17	Waco Road - Office / Warehouse Unit	Gross	Month-to-Month	2,500	$5.04
18	Waco Road - Office / Warehouse Unit	Gross	Month-to-Month	2,500	$5.04
19	Waco Road - Office / Warehouse Unit	Gross	Month-to-Month	2,500	$5.04
20	I-70 Drive SE - Office / Warehouse Unit	Gross	Month-to-Month	2,500	$4.80
21	I-70 Drive SE - Office / Warehouse Unit	Gross	June 2017	2,500	$4.80
22	I-70 Drive SE - Office / Warehouse Unit	Gross	May 2017	2,500	$4.80
Available for Lease					
23	1311A Illinois Avenue	Gross	Available	2,500	$11.04
24	1313 Grand Avenue	Gross	Available	2,849	$9.26
25	722 W. Sexton Road, Suite 104	*Gross	Available	4,000	$9.00
26	1313 Grand Avenue	Gross	Available	5,055	$8.31
27	1000 Pannell Street	Gross	Available	4,000	$7.50

***Note:** Net leases have been adjusted to reflect equivalent gross lease terms.

The comparable leases summarized above achieved a range of rates between $4.80 and $8.75 per square foot, with an average of $5.89 per square foot. Many of the leases summarized above are newer properties, in superior overall condition, with larger and more functional office areas. However, the subject's location is superior to most of the comparable leases summarized above.

Special consideration is given to Leases #7 and #11, which are located near the Business Loop and have similar proximity to the center-city area as the subject. However, it is our opinion that these units are in a generally more desirable area than the subject. Additionally, these are newer properties in superior condition, with more functional finished offices. Lease #11 is a wood-frame building with a lower eave height, which are somewhat offsetting features when compared to the subject's steel frame and greater eave height. Overall, it is our opinion that Leases #7 and #11 are superior to the subject, and the rates achieved by these two leases exceed the subject's market lease rate.

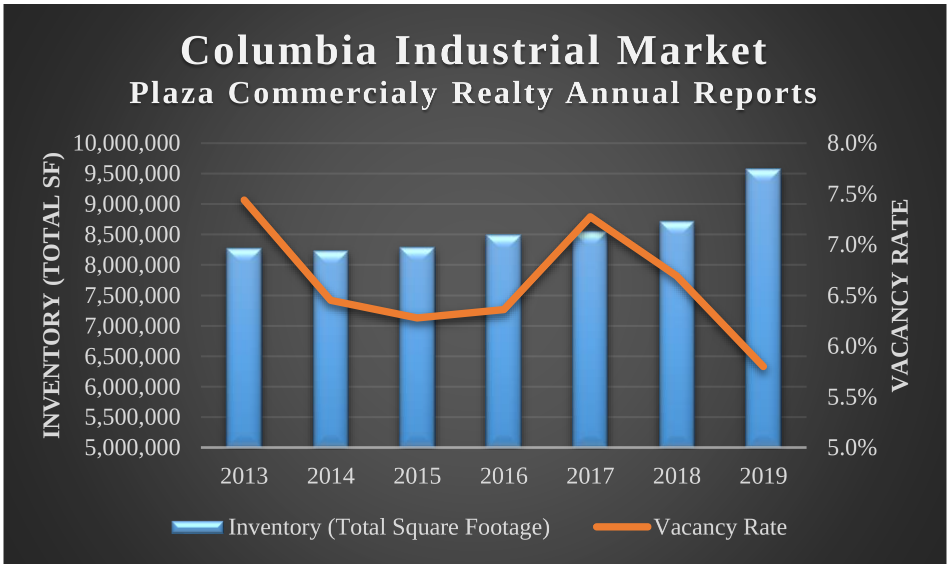
Leases #20, #21 and #22 represent the low end of the range, with lease rates of $4.80 per square foot. These units are generally similar to the subject in terms of age, but are somewhat superior in terms of overall condition. However, the subject's eave height is greater than these three units. While the subject's location is generally more desirable than these units, Leases #20, #21 and #22 have visibility from Interstate 70 which is an offsetting factor. Overall, it is our opinion that these three units have offsetting qualities when compared to the subject.

We have also given consideration to five properties currently available for lease that would compete with the subject for a similar mix of tenants. These units are located in the center-city area, and are available at rates between $7.50 and $11.04 per square foot. Overall, these properties are superior to the subject in terms of age and condition, and are generally comparable in terms of location. In our opinion, the subject would have to be priced competitively against these properties to attract a tenant.

Giving consideration to the comparable leases we have observed in the market, our review of available properties that would compete with the subject for a similar mix of tenants, and the subject's current listings for lease, as well as the subject's current and recent lease rates, we have adopted market lease rates of $4.80 per square foot for each of the subject's units. Although we have noted that Unit A is larger than Units B and C, it is in superior overall condition and includes a 600 square foot semi-finished mezzanine, which offset the difference in size.

VACANCY EXPECTATIONS

The following table summarizes the *Plaza Commercial Realty Market Reports* from 2013 through 2019 for industrial properties in the Columbia market. The inventory (total square footage) in the local industrial market increased considerably from 2018 to 2019, by nearly 10% or over 860,000 square feet. This is due in large part to the completion of the new American Outdoor Brands 500,000 square foot distribution warehouse, the 80,000 square foot Aurora Organic Dairy facility, and two new vacant / speculative industrial buildings located near the Columbia airport which total 72,500 square feet. As the American Outdoor Brands and Aurora Organic Dairy properties were built for owner-use, they are considered to have had a positive effect on the city's overall occupancy rate. As of the 2019 report, city-wide industrial vacancy was 5.8%, which is the lowest vacancy rate observed for this property type in recent years.



We have observed improving demand for office / warehouse type property in the local market in recent years, and brokers have reported a high level of more recent inquiries and demand resulting from potential participants in the new medical marijuana industry. We also observed generally strong occupancy in the subject's neighborhood during our recent inspection. Based on the city-wide industrial vacancy and our observations of trends in the local market and industrial occupancy in the center-city area, it is our opinion that a vacancy and collection loss estimate of 5% is appropriate for the subject property.

EXPENSES

The stabilized expenses adopted exclude leasing commissions, tenant improvements, debt service, and reserves.

TAXES – The 2018 real estate taxes for the subject amounted to $4,295. A significant change in the tax rate is not anticipated; therefore, we have adopted a tax expense of $4,300 in the pro-forma analysis.

INSURANCE – We have adopted an insurance expense of $0.20 per square foot based on our observations of the annual insurance expense we have observed for other similar properties in the local market.

MANAGEMENT – Based on interviews with local property managers and commercial brokers, management expenses for commercial properties typically range from approximately 3% to 7% excluding leasing commissions. Taking into consideration the age/condition and location of the subject, a management expense equal to 5% of the effective gross rental income has been deducted. This expense should account for all expenses associated with managing the property.

MAINTENANCE & REPAIRS – This expense should cover the costs for snow removal, lawn maintenance/ landscaping, and other structural and routine mechanical maintenance to the various common elements of the property, including during periods of tenant turnover. We have adopted an expense of $0.35 per square foot based on our observations of the typical maintenance expenses for similar properties in the local market, with consideration also given to the age and condition of the subject, and the minimal amount of lawn / landscaping.

MISCELLANEOUS – A miscellaneous expense account is established for the infrequent and unforeseen costs of property ownership. This expense has been set at 1% of effective gross income.

Pro-Forma Operating Statement

Income/Expense	Size (SF)	Rent $/SF	Income
Unit A	5,000	$4.80	$24,000
Unit B	2,500	$4.80	$12,000
Unit C	2,500	$4.80	$12,000
Potential Gross Income	10,000		$48,000
Less: Vacancy & Collection Loss		5.0%	$2,400
Effective Gross Income			$45,600
Operating Expenses	% of EGI	$/SF	Expense
Taxes	9%	$0.43	$4,300
Insurance	4%	$0.20	$2,000
Management	5%	$0.23	$2,280
Maintenance & Repairs	8%	$0.35	$3,500
Miscellaneous	1%	$0.05	$456
Total Operating Expenses	27%	$1.26	$12,536
Net Operating Income			$33,064

CAPITALIZATION PROCESS AND VALUE CONCLUSION

As previously noted, a direct capitalization procedure is utilized to develop the subject's market value within the income approach. In the procedure used, a stabilized net operating income estimate is established for the property. This figure is divided by an overall capitalization rate. The conclusions as to an appropriate overall rate for the subject property are detailed below.

Comparable Sales: The overall rates observed from the comparable sales are as follows. The overall rates are based on actual income and expenses when available, otherwise they may be estimated.

Sale	Sale Date	Cap Rate
1	*April 2019*	*5.7%*
2	*February 2019*	*9.2%*
3	*January 2019*	*7.0%*
4	*October 2018*	*8.5%*
5	*November 2015*	*8.3%*

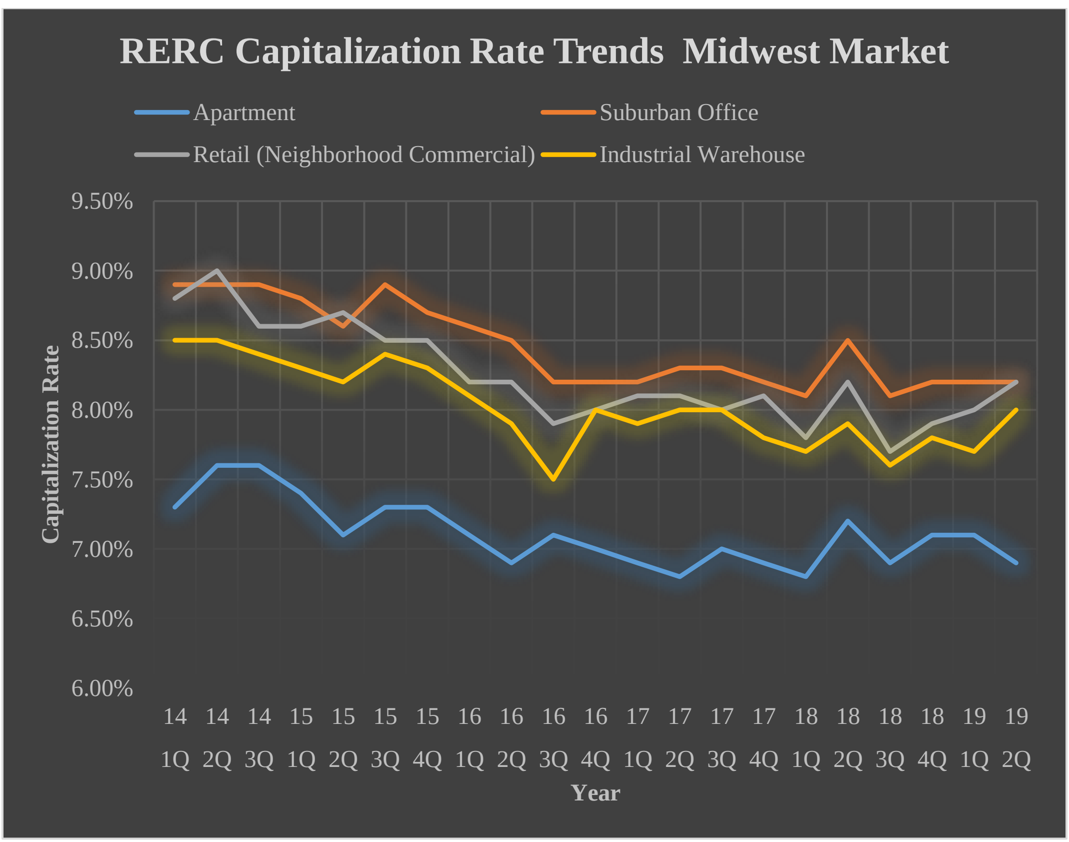
The comparable sales achieved capitalization rates between 5.7% and 9.2%. Sale #1 is the most recent sale, the most reflective of current market conditions, and achieved the lowest cap rate observed herein. However, the sale price achieved is generally above the range we typically see in the market for this property type and may reflect an atypically motivated buyer. Additionally, Sale #1 is configured for single-tenant use and would appeal primarily to an owner-user. Sale #2 represents the upper end of the range. The property was configured for showroom type use, and could be demised into two to three units. The property was purchased by a local property investor. However, Sale #2 is located in a different area of the city than the subject. Sale #3 is a recent sale and is located in the center-city area. However, the building is configured for single-tenant use and would appeal primarily to an owner-user. Sale #4 is a multi-tenant property that would appeal to a similar mix of users, and to a similar mix of owner-occupants and investor buyers as the subject. However, it is located in a different area of the city than the subject. The physical features of Sale #5 are the most similar to the subject overall. However, it is an older sale, and we have observed declining capitalization rates since the date of this sale. As indicated by the RERC trends reported below, industrial / warehouse capitalization rates are down 30 basis points as compared to the 4th Quarter 2015.

Market Survey: We have also given consideration to the indications provided by the 2nd Quarter 2019 RERC Real Estate Investor Survey for industrial / warehouse properties in the Midwest market. The RERC survey includes information for 1st, 2nd, and 3rd tier properties, with 1st-tier properties being newer properties in prime locations. Given the subject's age, condition, location and overall appeal, it is our opinion that it is similar to a 2nd to 3rd-tier property.

RERC - Midwest 2nd Quarter 2019			
		Industrial/ Whse	
	1st Tier	*2nd Tier*	*3rd Tier*
Average	7.0%	8.0%	8.9%
Change*	-10	+30	+20

*Change in basis points from prior quarter.

The capitalization rates reported in the RERC market survey have followed generally declining trends over the last five-year period for a variety of property types, including retail (neighborhood commercial), suburban office, industrial / warehouse and apartment properties. Rates stabilized beginning in the 2nd half of 2016 through the 1st Quarter 2018. Fluctuations were observed during the first three quarters of 2018, with 20 to 40 basis point increases occurring in the 2nd Quarter 2018, which were largely erased in the 3rd Quarter. Cap rates since the 3rd Quarter 2018 have been more stable, though have increased 50 basis points for retail and 40 basis points for industrial properties. The Federal Reserve began raising the Federal Funds rate in the 4th Quarter 2015, and enacted several subsequent 25 basis point increases. However, indications by the Federal Reserve have been mixed this year, and a 25 basis point cut was enacted at the July 2019 FOMC meeting. Lower interest rates typically apply downward pressure on loan rates, investment yield requirements, and capitalization rates. The following graph summarizes the capitalization rates reported by RERC over the last five year period.



Summary & Conclusion: In conclusion, we have given primary weight to the capitalization rates indicated by recent comparable sales in the local market, with secondary consideration given to the rates and trends indicated by the RERC investor surveys. We have also given consideration to the good demand for this property type and limited supply in the current market, as well as the age and overall condition of the property, and have adopted a unit value of 8.0%. Applying this capitalization rate to the stabilized net operating income ($33,064) results in a value of $413,300, rounded to $415,000.

FINAL RECONCILIATION OF VALUE

The values indicated by the approaches utilized are noted below. An analysis of each approach and the conclusion of value follows the indications.

Sales Comparison Approach:	$475,000
Income Approach:	$415,000

The sales comparison approach included a comparison of the subject to five sales of generally similar properties in the local market. The sales were adjusted to consider various differences from the subject, including location, land area, size, and age / condition among other considerations. Primary weight was given to two sales that would appeal to a similar mix of users as the subject and are located in the center-city area. In our opinion, the subject would appeal to a mix of buyers that include partial or full owner-users, as well as investors. Based on these considerations, we have given weight to the sales comparison approach in the value conclusion.

The pro-forma analysis utilized in the income approach applied market lease rates to the subject's three units based on our observations of similar leases in the Columbia market, with consideration also given to the rates currently offered to lease the property. Estimates were applied to consider vacancy and most operating expenses. A capitalization rate was applied to the resulting net operating income based on our observations of the rates achieved by comparable properties in the local market, with consideration also given to the rates and trends indicated by the RERC investor survey for industrial / warehouse type properties in the Midwest market. In our opinion, the subject is likely to appeal to a mix of buyers that includes investors; therefore, we have given weight to the income approach in the value conclusion.

In conclusion, we have given weight to the sales comparison and income approaches and have adopted a value of $450,000 as our opinion of the market value of the subject property.

EXPOSURE & MARKETING TIME

EXPOSURE TIME

Reasonable exposure time is defined as follows: 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. The reasonable exposure time inherent in the market value concept is always presumed to precede the effective date of the appraisal. The estimate includes consideration of the type of property and the value range.

MARKETING TIME

Marketing time is the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Statistical information about days on market and interviews with market participants have been considered in adopting an exposure time of one year and a marketing time of one year or less.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is subject to the following assumptions and limiting conditions:

1. No responsibility is assumed for the legal description provided or for matters pertaining to 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. Information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.

6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.

7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated in the appraisal report.

8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been described in the appraisal report.

9. It is assumed that all required licenses, certificates of occupancy, consents, and 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 opinion of value contained in this report is based.

10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

12. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

13. 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 they are.

<u>CERTIFICATION OF APPRAISERS</u>

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

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- we have no present or prospective interest or bias in the property that is the subject of this report and no personal interest with respect to the parties involved.
- we have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of 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 *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics and Standards of Professional Practice* of the Appraisal Institute.
- I, J.D. Moran, and I, Clinton K. Cooper, 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 persons signing this certification.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- as of the date of this report, I, J.D. Moran, have completed the requirements under the continuing education program of the Appraisal Institute.
- as of the date of this report, I, Clinton K. Cooper, have completed the Standards and Ethics Requirements for Candidates of the Appraisal Institute.

Clinton K. Cooper License No. 2016033613	J.D. Moran, MAI License No. 2006028567

QUALIFICATIONS OF CLINTON K. COOPER
CERTIFIED GENERAL REAL ESTATE APPRAISER

609 E. Broadway
Columbia, Missouri 65201

573-874-1207 (Phone)
573-449-2791 (Fax)

www.ms-app.com
ccooper@ms-app.com

EDUCATION

University of Missouri - Columbia
- Bachelor of Science Business Administration
  - Dual Emphasis in Finance & Banking and Real Estate

State of Missouri Certified General Appraiser
- Certificate #2016033613

Appraisal Institute
- Candidate for Designation

The Appraisal Institute and the State of Missouri conduct a program of continuing education for its members, candidates and affiliates. Appraisers who meet the minimum standards of this program are awarded periodic educational certification. Mr. Cooper is certified under these programs. Please refer to his profile on our website for an up to date list of qualifying and continuing education completed.

EXPERIENCE

Moore & Shryock, LLC
- Commercial Real Estate Appraiser (2014 - Present)

Southwest Valuation LLC, Springfield, MO
- Commercial Real Estate Appraiser (2013 - 2014)

Central Bancompany & Affiliates (2006 - 2013)
- Commercial Appraisal Review
- Internal Real Estate Valuation
- Loan Review / Financial Analyst
- Commercial Loan Officer

Mr. Cooper has provided appraisal and consulting services throughout Missouri involving most property types and has held a variety of positions in commercial banking. In addition to land, multifamily, office, retail, and industrial properties appraised in Boone County and surrounding communities, he is also experienced with various specialty properties including: self-storage, hotel/motel, senior living, convenience store/gas station, and net lease properties.

LICENSE FOR CLINTON K. COOPER

State of Missouri

Department of Insurance, Financial Institutions and Professional Registration
Division of Professional Registration
Real Estate Appraisers Commission
State Certified General Real Estate Appraiser

VALID THROUGH JUNE 30, 2020
ORIGINAL CERTIFICATE/LICENSE NO. 2016033613

CLINTON K COOPER
3400 SNOW LEOPARD DRIVE
COLUMBIA MO 65202
USA

Vanessa Beauchamp
EXECUTIVE DIRECTOR

Kimberly Grinston Dennis
DIVISION DIRECTOR

QUALIFICATIONS OF J.D. MORAN, MAI
PARTNER

609 E. Broadway
Columbia, Missouri 65201

573-874-1207 (Phone)
573-449-2791 (Fax)

www.ms-app.com
jmoran@ms-app.com

EDUCATION

Southeast Missouri State University – Cape Girardeau
- Bachelor of Science in Business Administration
  - Management-Organizational Leadership

State of Missouri Certified General Appraiser
- Certificate #2006028567

Appraisal Institute
- MAI Designated Member (#453782)

The Appraisal Institute and the State of Missouri conduct a program of continuing education for its members. Appraisers who meet the minimum standards of this program are awarded periodic educational certification. Mr. Moran is certified under these programs. Please refer to his profile on our website for an up to date list of qualifying and continuing education completed.

EXPERIENCE

Moore & Shryock, LLC
- Appraiser (2004-2016)
- Partner (2017-Current)

Appraisal Institute – St. Louis Chapter
- Member (2014-2017)

Mr. Moran has provided appraisal and consulting services throughout Missouri involving most property types. In addition to the land, multifamily, office, retail, and industrial properties appraised in Boone County and surrounding communities, he is the lead appraiser for Moore & Shryock for the following specialty properties: multifamily, office and residential care/assisted living.

LICENSE FOR JOHN D. MORAN, MAI

State of Missouri

Department of Insurance, Financial Institutions and Professional Registration
Division of Professional Registration
Real Estate Appraisers Commission

State Certified General Real Estate Appraiser

VALID THROUGH JUNE 30, 2020
ORIGINAL CERTIFICATE/LICENSE NO. 2006028567

JOHN D MORAN
MOORE & SHRYOCK
609 E BROADWAY
COLUMBIA MO 65201
USA

EXECUTIVE DIRECTOR

DIVISION DIRECTOR

ADDENDUM

ENGAGEMENT LETTER

AGREEMENT FOR PROFESSIONAL VALUATION SERVICES

DATE OF AGREEMENT: 8-14-2019

PARTIES TO AGREEMENT:

Client:
City of Columbia Water & Light
C/o Mr. William Strawn
1510 Business Loop 70 East
Columbia, Missouri 65205
William.strawn@como.gov

Appraiser:
Moore and Shryock, LLC
609 E. Broadway
Columbia, MO 65201
Ph: 573-874-1207
Fax: 573-449-2791
E-mail: jmoran@ms-app.com

BILL TO:
SAME AS ABOVE

Per City of Columbia Contract Bid Number 42/2018

Client hereby engages Appraiser to complete an appraisal assignment as follows:

PROPERTY IDENTIFICATION
1206 Bowling Street
Columbia, Missouri

Parcel #17-113-00-02-015.00 01

PROPERTY VALUES/INTEREST:
Market value/fee simple estate

Site Visit
Observation on site

Report option:
Appraisal Report

Intended Use:
Purchasing Decisions

Intended User:
Client

Valuation approaches
Sales comparison approach, income approach

CONTACT FOR PROPERTY ACCESS, IF APPLICABLE

Mr. William Strawn	573-874-6210 (City of Columbia)
Mr. Matthew Beckett	573-424-2895 (property owner)

DATE OF APPRAISAL
Current

DELIVERY DATE
Three weeks from signed engagement letter

1

Delivery Method
E mail pdf

Three Year Appraisal Service
Moore & Shryock has not provided an appraisal service on this property during the prior three years.

Payment to Appraiser
Not to exceed $1,600 based on billing rate of $125 per hour per City of Columbia contract.

Properties under contract for sale
If the property appraised is currently under contract for sale, Client shall provide to Appraiser a copy of said contract including all addenda.

Confidentiality
Appraiser shall not provide a copy of the written Appraisal Report to, or disclose the results of the appraisal review prepared in accordance with this Agreement with, any party other than Client, unless Client authorizes, except as stipulated in the Confidentiality Section of the ETHICS RULE of the Uniform Standards of Professional Appraisal Practice (USPAP).

Changes to Agreement
Any changes to the assignment as outlined in this Agreement shall necessitate a new Agreement. The identity of the client, intended users, or intended use; the date of value, type of value, or property appraised, cannot be changed without a new Agreement.

Cancellation
Client may cancel this Agreement at any time prior to the Appraiser's delivery of the Appraisal Report upon written notification to the Appraiser. Client shall pay Appraiser for work completed on assignment prior to Appraiser's receipt of written cancellation notice, unless otherwise agreed upon by Appraiser and Client in writing.

No Third Party Beneficiaries
Nothing in this Agreement shall create a contractual relationship between the Appraiser or the Client and any third party, or any cause of action in favor of any third party. This Agreement shall not be construed to render any person or entity a third party beneficiary of this Agreement, including, but not limited to, any third parties identified herein.

Use of employees or independent contractors
Appraiser may use employees or independent contractors at Appraiser's discretion to complete the assignment, unless otherwise agreed by the parties.

Testimony at Court or Other Proceedings
Unless otherwise stated in this Agreement, Client agrees that Appraiser's assignment pursuant to this Agreement shall not include the Appraiser's participation in or preparation for, whether voluntarily or pursuant to subpoena, any oral or written discovery, sworn testimony in a judicial, arbitration or administrative proceeding, or attendance at any judicial, arbitration, or administrative proceeding relating to this assignment. Client agrees to compensate the appraiser at an hourly rate of $160/hour for such additional work if performed.

Appraiser independence
Appraiser cannot agree to provide an opinion that is contingent on a predetermined amount. Appraiser cannot guarantee the outcome of the assignment in advance. Appraiser cannot insure that the opinion developed as a result of this Assignment will serve to facilitate any specific objective by Client or others or advance any particular cause. Appraiser's opinion will be developed competently and with independence, impartiality and objectivity.

Expiration of Agreement
This Agreement is valid only if signed by both Appraiser and Client by 8/20/2019

Governing Law & Jurisdiction
The interpretation and enforcement of this Agreement shall be governed by the laws of the state in which the Appraiser's principal place of business is located, exclusive of any choice of law rules.

2

All Terms + Conditions previously agreed upon in contract 42/2018 shall govern. DCT 8-19-19

By Appraiser:	By Client:
(Signature)	(Signature)
J.D. Moran, MAI (Printed name)	Cale Turner (Printed name)
8/14/2019 (date)	8-19-19 (date)

3

IMPROVED SALE NUMBER 1

SALE INFORMATION

Address:	2501 Blackfoot Road Columbia, MO	**County:**	Boone
Grantor:	AHHA Properties LLC		
Grantee:	Manda Ventures LLC		
Date of Sale:	4/25/2019	**Sale Price:**	$296,150.00
Property Rights:	Fee Simple	**Price/SF:**	$98.72
Financing:	Cash Equivalent	**No. of Units:**	1
Instrument:	Warranty Deed	**Price Per Unit:**	$296,150.00
Book/Page:	5012/183	**Conditions of Sale:**	Arm's Length
Marketing Period (days):	1		

IMPROVEMENT DESCRIPTION

Category:	Industrial	
Property Type:	Office/Warehouse	
Gross SF:	3,000	
Finished SF:	600	20%
Net Rentable SF:	3,000	100%
# of Units:	1	
Year Built:	1989	
Effective Age:	15	
Design:	1 Story	
Ceiling Ht.:	14	
Parking Spaces:	Adequate	
Parking Type:	Concrete	
Condition:	Good	
Quality:	Average	
Basement:	None	
Functional Utility:	Average	
Other Features:		

LAND DESCRIPTION

Land Area SF	18,295
Land Area Acres	0.42
Primary Frontage (Ft):	185
Traffic Count:	1,975
Corner Site:	Yes
Zoning:	I-G
Flood Zone:	No

INCOME / EXPENSE PROJECTION

Rental Income:	$24,000.00
Reimbursement Income:	
Potential Gross Income:	$24,000.00
Vacancy Loss:	$1,200.00
Effective Gross Income:	$22,800.00
Total Expenses:	$5,846.00
Total Expenses %:	25.64%
Net Operating Income:	$16,954.00

SALE ANALYSIS

Land Contribution:	
Excess Land:	
Avg. Ann. Depr. Rate:	
Overall Cap Rate:	5.72%

SALE VERIFICATION

Verified By:	Agent		
Verified To:	Clint Cooper		
Verified On:	07/08/2019	**Improved Sale No.:**	104844

IMPROVED SALE NUMBER 1 *CONTINUED*

ADDITIONAL COMMENTS	
Specific Location of Sale:	Northeast corner of Stadium & Blackfoot Road
Legal Description:	
Environmental:	No indication to the "untrained eye" of environmental hazard could be found.
Encumbrance:	No adverse easements or encumbrances.
Comments:	This light industrial building was reportedly in average to good condition at the time of sale, but an average quality product overall. The broker indicated there was strong demand for the property given the short marketing period. The property was listed for $300,000 and sold for nearly this amount. The buyer owns a handyman business that had been operated from his house. He had a need to expand and move into a new space and wanted to buy. There were few other properties to choose from at the time this property sold. The sale price achieved represents the upper end of the market, and is reflective of a limited supply of available comparable properties for sale and high construction costs. The configuration of the site is conducive to expansion of the building or additional outdoor storage space beyond the current paved parking lot. The relatively small size is also considered to be a factor in the price achieved.

IMPROVED SALE NUMBER 2

SALE INFORMATION

Address:	2401 Industrial Drive	**County:**	Boone
	Columbia, MO		
Grantor:	Danko Properties LLC		
Grantee:	Last Enterprises LLC		
Date of Sale:	2/14/2019	**Sale Price:**	$400,000.00
Property Rights:	Fee Simple	**Price/SF:**	$39.82
Financing:	Cash Equivalent	**No. of Units:**	1
Instrument:	Warranty Deed	**Price Per Unit:**	$400,000.00
Book/Page:	4989 / 47	**Conditions of Sale:**	Arm's Length
Marketing Period (days):			

IMPROVEMENT DESCRIPTION

Category:	Industrial	
Property Type:	Office/Showroom	
Gross SF:	10,044	
Finished SF:	3,454	34.4%
Net Rentable SF:	10,044	100%
# of Units:	1	
Year Built:	1986	
Effective Age:	15	
Design:	1 Story	
Ceiling Ht.:	14	
Parking Spaces:	Adequate	
Parking Type:	Concrete	
Condition:	Average	
Quality:	Average	
Basement:	None	
Functional Utility:	Average	
Other Features:	None	

LAND DESCRIPTION

Land Area SF	26,340
Land Area Acres	0.6
Primary Frontage (Ft):	200
Traffic Count:	131
Corner Site:	Yes
Zoning:	IG
Flood Zone:	No

INCOME / EXPENSE PROJECTION

Rental Income:	$60,264.00
Reimbursement Income:	
Potential Gross Income:	$60,264.00
Vacancy Loss:	$4,519.80
Effective Gross Income:	$55,744.20
Total Expenses:	$14,781.65
Total Expenses %:	26.52%
Net Operating Income:	$40,962.55

SALE ANALYSIS

Land Contribution:	
Excess Land:	
Avg. Ann. Depr. Rate:	
Overall Cap Rate:	10.24%

SALE VERIFICATION

Verified By:	Buyer		
Verified To:	Clint Cooper		
Verified On:	02/28/2019	**Improved Sale No.:**	104738

IMPROVED SALE NUMBER 2 *CONTINUED*

ADDITIONAL COMMENTS	
Specific Location of Sale:	SW corner of N. Stadium & Industrial Drive
Legal Description:	
Environmental:	No indication to the "untrained eye" of environmental hazard could be found.
Encumbrance:	No adverse easements or encumbrances.
Comments:	This showroom / warehouse was purchased in 2016 for $330,000 as a three-tenant light industrial property in below average condition, and was renovated for use as a single-tenant showroom type property (see File 103567). The configuration of the building would support two (possibly three) tenant use with minor reconfiguration necessary. The building includes a front showroom and a fairly significant amount of office space. Most of the finished area consists of office space. The prior owner operated a business in the building; however, this purchase was made by an investor. The sale was negotiated privately between the buyer and seller, and an independent appraisal of the property was included in the negotiations. The buyer is also a local real estate broker and investor. In our opinion, the final sale price was somewhat below market, due in part to no broker commission being paid on the sale. The broker fee equates to about $25,500. The seller also leased the property back for five months at a below-market lease rate. Based on our review of the subject's market lease rate and the below-market rate given to the tenant for a five-month period ($1.19/SF), an adjustment of $20,000 may be warranted. However, the lease provides the landlord with some revenue while searching for a new tenant which is a somewhat offsetting factor. Adjusting the sale price for the broker fee and below-market rent results in a cap rate of 9.2%.

IMPROVED SALE NUMBER 3

SALE INFORMATION

Address:	604 Nebraska Columbia, MO	**County:**	Boone
Grantor:	AWS Properties of Missouri LLC		
Grantee:	White Oak Investment Properties LLC		
Date of Sale:	1/15/2019	**Sale Price:**	$580,000.00
Property Rights:	Fee Simple	**Price/SF:**	$78.38
Financing:	Cash Equivalent	**No. of Units:**	1
Instrument:	Warranty Deed	**Price Per Unit:**	$580,000.00
Book/Page:	4980 / 204	**Conditions of Sale:**	Arm's Length
Marketing Period (days):			

IMPROVEMENT DESCRIPTION

Category:	Industrial	
Property Type:	Office/Warehouse	
Gross SF:	7,400	
Finished SF:	2,400	32.4%
Net Rentable SF:	7,400	100%
# of Units:	1	
Year Built:	1967	
Effective Age:	25	
Design:	1 Story	
Ceiling Ht.:	16	
Parking Spaces:	Adequate	
Parking Type:	Asphalt	
Condition:	Fair to Average	
Quality:	Average	
Basement:	None	
Functional Utility:	Average	
Other Features:	None	

LAND DESCRIPTION

Land Area SF	56,260
Land Area Acres	1.29
Primary Frontage (Ft):	188
Traffic Count:	
Corner Site:	No
Zoning:	I-G
Flood Zone:	No

INCOME / EXPENSE PROJECTION

Rental Income:	$59,200.00
Reimbursement Income:	
Potential Gross Income:	$59,200.00
Vacancy Loss:	$2,960.00
Effective Gross Income:	$56,240.00
Total Expenses:	$15,814.40
Total Expenses %:	28.12%
Net Operating Income:	$40,425.60

SALE ANALYSIS

Land Contribution:	
Excess Land:	
Avg. Ann. Depr. Rate:	
Overall Cap Rate:	6.97%

SALE VERIFICATION

Verified By:	Agent		
Verified To:	Clint Cooper		
Verified On:	08/27/2019	**Improved Sale No.:**	104588

IMPROVED SALE NUMBER 3 *CONTINUED*

ADDITIONAL COMMENTS	
Specific Location of Sale:	South side of Nebraska Avenue, just west of 7th Street
Legal Description:	
Environmental:	
Encumbrance:	
Comments:	The building consists of 5,000 square feet of warehouse space and 2,400 square feet of office space. The building has two overhead doors and a relatively large site. The warehouse needed new lighting, HVAC and plumbing. The buyers own Logboat Brewery and are believed to have purchased this building for a similar use. The property was originally offered for sale for $635,000 before ultimately selling for $580,000. The property was also offered for lease for $10 per square foot; however, we have adopted a lease rate of $8.00 per square foot in the pro-forma analysis based on our review of comparable leases, and with consideration for the difference between the listing price and sale price achieved. The property transferred from DLC Group to AWS Properties in March 2017; however, the sale price from this transaction is unknown.

IMPROVED SALE NUMBER 4

SALE INFORMATION			
Address:	3208 LeMone Industrial Blvd Columbia, MO 65205	**County:**	Boone
Grantor:	NTI Leasing Company LLC		
Grantee:	OTA Properties LLC		
Date of Sale:	10/31/2018	**Sale Price:**	$925,000.00
Property Rights:	Leased Fee	**Price/SF:**	$60.66
Financing:	Cash Equivalent	**No. of Units:**	3
Instrument:	Warranty Deed	**Price Per Unit:**	$308,333.33
Book/Page:	4958/121	**Conditions of Sale:**	Arm's Length
Marketing Period (days):			

IMPROVEMENT DESCRIPTION		
Category:	Industrial	
Property Type:	Office/Warehouse	
Gross SF:	15,250	
Finished SF:	6,589	43.2%
Net Rentable SF:	15,250	100%
# of Units:	3	
Year Built:	1990	
Effective Age:	15	
Design:	1 Story	
Ceiling Ht.:	20	
Parking Spaces:	Adequate	
Parking Type:	Concrete	
Condition:	Average	
Quality:	Average	
Basement:	None	
Functional Utility:	Average	
Other Features:	Mezzanine	

LAND DESCRIPTION	
Land Area SF	72,745
Land Area Acres	1.67
Primary Frontage (Ft):	171
Traffic Count:	2,000
Corner Site:	No
Zoning:	IG
Flood Zone:	No

INCOME / EXPENSE PROJECTION	
Rental Income:	$118,345.00
Reimbursement Income:	$20,500.00
Potential Gross Income:	$138,845.00
Vacancy Loss:	$8,331.00
Effective Gross Income:	$130,514.00
Total Expenses:	$52,331.00
Total Expenses %:	40.1%
Net Operating Income:	$78,183.00

SALE ANALYSIS	
Land Contribution:	
Excess Land:	
Avg. Ann. Depr. Rate:	
Overall Cap Rate:	8.45%

SALE VERIFICATION			
Verified By:	Agent		
Verified To:	Clint Cooper		
Verified On:	10/31/2018	**Improved Sale No.:**	104628

IMPROVED SALE NUMBER 4 *CONTINUED*

ADDITIONAL COMMENTS	
Specific Location of Sale:	East side of LeMone Industrial Blvd, 1,500 feet north of Grindstone / New Haven Road
Legal Description:	
Environmental:	No indication to the "untrained eye" of environmental hazard could be found.
Encumbrance:	No adverse easements or encumbrances.
Comments:	The property was offered for sale for $1,100,000 prior to going under contract. A 7,000 square foot portion of the building was also offered for lease beginning May 2019. The units varied in size from 2,663 to 7,000 square feet. Office finishes are average to low-quality finishes in the office areas. Two units included a total of 2,042 square feet of mezzanine storage space. The pro-forma analysis includes pass-through reimbursements for utility/janitorial expenses and $2,500 per year in maintenance expenses. Utilities are prorated and invoiced to tenants. Two units share HVAC systems and are not individually metered, and the tenants reimburse the landlord for these expenses. The buyer is a local real estate investor.

Improved Sale Number 5

Sale Information

Address:	1404 Grand Avenue Columbia, MO	**County:**	Boone
Grantor:	Cynthia L. Barklage, successor trustee of Rosa May Powell Martial Trust		
Grantee:	Creative Space, LLC		
Date of Sale:	11/3/2015	**Sale Price:**	$300,000.00
Property Rights:	Fee Simple	**Price/SF:**	$50.00
Financing:	Cash Equivalent	**No. of Units:**	2
Instrument:	Trustee's Deed	**Price Per Unit:**	$150,000.00
Book/Page:	4517/12	**Conditions of Sale:**	Arm's Length
Marketing Period (days):	197		

Improvement Description

Category:	Industrial	
Property Type:	Office/Warehouse	
Gross SF:	6,000	
Finished SF:	250	4.2%
Net Rentable SF:	6,000	100%
# of Units:	2	
Year Built:	1964	
Effective Age:	30	
Design:	1 Story	
Ceiling Ht.:	12	
Parking Spaces:	Adequate	
Parking Type:	Gravel	
Condition:	Fair to Average	
Quality:	Steel/Avg.	
Basement:	None	
Functional Utility:	Average	
Other Features:	None	

Land Description

Land Area SF	16,320
Land Area Acres	
Primary Frontage (Ft):	
Traffic Count:	
Corner Site:	No
Zoning:	M-1
Flood Zone:	No

Income / Expense Projection

Rental Income:	$36,000.00
Reimbursement Income:	
Potential Gross Income:	$36,000.00
Vacancy Loss:	$1,800.00
Effective Gross Income:	$34,200.00
Total Expenses:	$9,298.00
Total Expenses %:	27.19%
Net Operating Income:	$24,902.00

Sale Analysis

Land Contribution:	$100,000.00
Excess Land:	
Avg. Ann. Depr. Rate:	
Overall Cap Rate:	8.3%

Sale Verification

Verified By:	Agent		
Verified To:	Clint Cooper		
Verified On:	02/09/2017	**Improved Sale No.:**	103607

IMPROVED SALE NUMBER 5 *CONTINUED*

ADDITIONAL COMMENTS	
Specific Location of Sale:	Located on the east side of Grand Avenue
Legal Description:	Conley + Perkins SD Lots 79 & 80. Mapping ID: 16-311-00-04-037.00 01
Environmental:	No indication to the "untrained eye" of environmental hazard could be found.
Encumbrance:	No adverse easements or encumbrances.
Comments:	The building had previously been used as an automotive repair shop prior to the sale. The buyer purchased the building for use as a shared space by local craftsmen (furniture making/ repair, etc.). The building was in rough condition at the time of sale and the broker described the building as a "warm shell", with working gas space heaters and other mechanical systems, but otherwise requiring an all new interior. While the building was completely open and had been used by a single tenant, there were two separate office areas estimated to be about 10'x12' each, plus small bathrooms. We have estimated the total finished area to be about 450 feet including the bathrooms. However, these office areas and bathrooms were noted as being in poor condition. The building could easily be partitioned for use by two tenants. The building had high electric capacity and had air compressor lines and plumbing, but the air compressor was not included in the sale. The roof was also old, leaking and in need of repair.