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## **An appraisal of 313 West Beltline Highway, Madison, Wisconsin. January 1, 1985**

Landmark Research, Inc.

[s.l.]: [s.n.], January 1, 1985

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*Office Copy*

AN APPRAISAL OF  
313 WEST BELTLINE HIGHWAY  
MADISON, WISCONSIN

*Landmark  
Research  
Inc.*

AN APPRAISAL OF  
313 WEST BELTLINE HIGHWAY  
MADISON, WISCONSIN

AS OF  
JANUARY 1, 1985

PREPARED FOR  
MADISON REAL ESTATE INVESTMENT FUND

PREPARED BY  
LANDMARK RESEARCH, INC.

Landmark  
Research  
Inc.

James A. Graaskamp, Ph.D., S.R.E.A., C.R.E.

Jean B. Davis, M.S.

June 18, 1985

Messrs. Gordon and Greg Rice  
Executive Management, Inc.  
6000 Gisholt Drive  
P.O. Box 8685  
Madison, WI 53708

Gentlemen:

This letter transmits our appraisal of the office/warehouse property located at 313 West Beltline Highway, Madison, Wisconsin.

We have established fair market value as of January 1, 1985, assuming cash to the seller, and subject to the assumptions and limiting conditions noted throughout the report.

The appraisers have inspected the property and have no vested interest, present or future, in the properties owned by the Madison Real Estate Investment Fund (MREIF) except, of the 374,204 total MREIF shares outstanding as of January 10, 1985, James A. Graaskamp owns 60 shares and Jean B. Davis owns 100 shares. This ownership position pre-dates any appraisal assignment by six or more years.

Market value as of January 1, 1985, of the property, subject to existing leases, but sold for cash is:

FOUR HUNDRED TWENTY THOUSAND DOLLARS

(\$420,000)

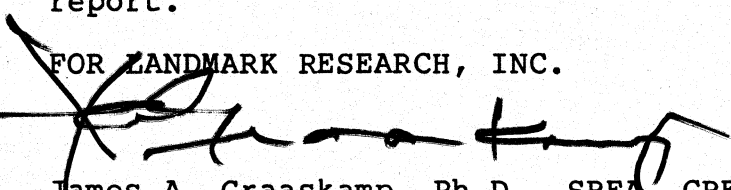


Messrs. Gordon and Greg Rice  
Page Two  
June 18, 1985

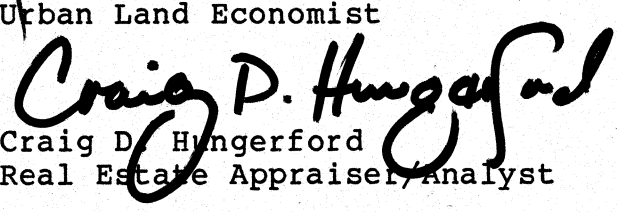
The appraisers note that the market value for the office/warehouse property is \$484,200 below the assessor's 1984 estimated market value of \$904,200, suggesting the opportunity for appeal by MREIF. This differential is partly explained by the uncertain future of the building when it is cut off from the Beltline by the plans for reconstruction to be completed by 1989. The building will be located at the end of a half-mile long, dead-end, switchback frontage road. Visibility will remain without accessibility.

We are pleased to have been of service, and we remain available to answer any specific questions you may have regarding this report.

FOR LANDMARK RESEARCH, INC.



James A. Graaskamp, Ph.D., SREA, CRE  
Urban Land Economist



Craig D. Hungerford  
Real Estate Appraiser/Analyst

Enclosures

jc

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## I. PURPOSE OF THE APPRAISAL

An appraisal report serves to communicate a defensible benchmark of value where value is determined by the context and assumptions inherent in the property, data base, or factors affecting buyers and sellers in the marketplace. Defining the value situation provides the basis for determination of the appropriate valuation methodology.

### A. Appraisal Issue and Appropriate Methodology

The issue for which this appraisal is required as a benchmark is the possible liquidation and sale of the subject property located at 313 West Beltline Highway, in the Town of Madison, Dane County, Wisconsin. The appraisal will serve as a benchmark for the Board of Directors representing the best interests of the shareholders in the Madison Real Estate Investment Fund (MREIF) and as a guide to prospective purchasers to the investment characteristics of the property.

A comparable sales or market comparison approach relies on an evaluation of physical attributes between the subject and similar properties. Income properties, however, distinguish themselves by intangible characteristics such as lease conditions or provisions (where, for example, one may have the opportunity to pass through future expense increases), and other related factors important to a property's investment character

and ultimately the investor. An appropriate model would include these intangible factors in its decision process. Such a model is referred to in traditional appraisal as the income approach to value. When applied to this valuation problem, the income approach model yields the most reliable value estimate, assuming a probable buyer/investor will price the subject based on expected cash flows provided by the leasing agreements and debt capital requirements necessary for a competitive return on equity.

B. Identification of the Subject Property and  
the Legal Interests Appraised

The title of the subject property is encumbered with certain existing leases and financing agreements, and it is an assumption of the appraisers that these contracts and encumbrances would be sold with the property as of the appraisal date, January 1, 1985, to the degree assignable. Comprised of three tax parcels, the subject site is identified as follows:

PARCEL NUMBER	SQUARE FOOTAGE	1984 ASSESSMENT	ESTIMATED FAIR MARKET VALUE
16-01-641.3	36,937	\$403,800	\$753,800
16-01-641.5	31,231	\$ 15,600	\$ 29,100
16-01-653	65,079	\$ 65,000	<u>\$121,300</u>
			\$904,200

Technically, parcel 16-01-641.5 has part of the structure on it, but the assessor has placed all of the building value on parcel 16-01-641.3. Exhibit I-1 is a plat map of the subject. A complete legal description is in Appendix A.

#### C. Definition of Value

The most probable price in cash, terms equivalent to cash, or in other precisely revealed terms, for which the appraised property will sell in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.

Fundamental assumptions and conditions presumed in this definition are

1. Buyer and seller are motivated by self-interest.
2. Buyer and seller are well informed and are acting prudently.
3. The property is exposed for a reasonable time on the open market.
4. Payment is made in cash, its equivalent, or in specified financing terms generally available for the property type in its locale on the effective appraisal date.
5. The effect, if any, on the amount of market value of atypical financing, services, or fees shall be clearly and precisely revealed in the appraisal report. [1]

#### D. Statement of General Assumptions and Limiting Conditions

##### 1. Contributions of Other Professionals

- . Information furnished by others in the report, while believed to be reliable, is in no sense guaranteed by the appraisers.

[1] American Institute of Real Estate Appraisers, The Appraisal of Real Estate, Eighth Edition, Chicago, IL, 1983, p. 33.



# PLAT MAP OF THE SUBJECT PROPERTY

U.S.H. 12 & 18

I have surveyed the above described property and the map hereon is a true representation thereof and shows the size and location of the property, its exterior boundaries, the location and dimensions of all visible structures thereon, fences, apparent easements and roadways and visible encroachments, if any. This survey is made for the exclusive use of the present owners of the property, and also those who purchase, mortgage, or guarantee the title thereto within one (1) year from date hereof, and as to them I certify the accuracy of said survey and map.

Dated at Madison, Wisconsin, this 29th day of SEPTEMBER, 1982.

*David M. Kottke*  
David M. Kottke

BLDG

BLDG

CONC

LOT 1

C.S.M.

# 813

# 860

## DESCRIPTION

A PARCEL OF LAND LOCATED IN THE NE1/4 OF THE SE1/4 OF SEC. 35, T7N, R5E, TOWN OF MADISON, DANE COUNTY, WISCONSIN 53511

COMMENCING AT THE EAST QUARTER CORNER OF SAID SECTION 35, THENCE S01°01'10"E, 33.00 FEET; THENCE S70°01'10"W, 1,051.79 FEET TO THE POINT OF BEGINNING; THENCE S00°09'10"W, 455.26 FEET; THENCE S70°01'10"W, 170.42 FEET; THENCE N43°09'20"E, 453.26 FEET; THENCE N70°01'10"E, 170.42 FEET TO THE POINT OF BEGINNING. THE ABOVE PARCEL IS SUBJECT TO A 20-FOOT WIDE RIGHT-OF-WAY AGREEMENT ACROSS THE FRONT.

I HAVE SURVEYED THE ABOVE DESCRIBED PROPERTY AND THE ABOVE MAP IS A TRUE REPRESENTATION THEREOF AND SHOWS THE SIZE AND LOCATION OF THE PROPERTY, ITS EXTERIOR BOUNDARIES, THE LOCATION AND DIMENSIONS OF ALL VISIBLE STRUCTURES THEREON, FENCES, APPARENT EASEMENTS AND ROADWAYS AND VISIBLE ENCROACHMENTS, IF ANY. THIS SURVEY IS MADE FOR THE EXCLUSIVE USE OF THE PRESENT OWNERS OF THE PROPERTY, AND ALSO THOSE WHO PURCHASE, MORTGAGE, OR GUARANTEE THE TITLE THERETO WITHIN ONE (1) YEAR FROM DATE HEREOF; AND AS TO THEM I CERTIFY THE ACCURACY OF SAID SURVEY AND MAP.

DATED AT MADISON, WISCONSIN, THIS 29th day of September, 1982.

*David M. Kottke*  
DAVID M. KOTTE  
REGISTERED LAND SURVEYOR

REVISED: 8-31-76

EXHIBIT 1-1

*Landmark Research, Inc.*

- . The appraiser assumes no responsibility for legal matters.
- . All information furnished regarding property for sale or rent, financing, or projections of income and expenses is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and it is submitted subject to errors, prior sale, lease, financing, or withdrawal without notice.

## 2. Facts and Forecasts Under Conditions of Uncertainty

- . The comparable sales data relied upon in the appraisal is believed to be from reliable sources. Though all the comparables were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.
- . Forecasts of the effective demand for space are based upon the best available data concerning the market, but are projected under conditions of uncertainty.
- . Engineering analyses of the subject property were neither provided for use nor made as a part of this appraisal contract. Any representation as to the suitability of the property for uses suggested in this analysis is therefore based only on a rudimentary investigation by the appraiser and the value conclusions are subject to said limitations.
- . Since the projected mathematical models are based on estimates and assumptions, which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved.
- . Sketches in the report are included to assist the reader in visualizing the property. These drawings are for illustrative purposes only and do not represent an actual survey of the property.

## 3. Controls on Use of Appraisal

- . Values for various components of the subject parcel as contained within the report are valid only when making a summation and are not to be used independently for any purpose and must be considered invalid if so used.
- . Possession of the report or any copy thereof does not carry with it the right of publication nor may the same be used for any other purpose by anyone without the previous written consent of the appraiser or the applicant and, in any event, only in its entirety.

- . Neither all nor any part of the contents of the report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the author, particularly regarding the valuation conclusions and the identity of the appraiser, of the firm with which he is connected, or any of his associates.
- . The report shall not be used in the client's reports or financial statements or in any documents filed with any governmental agency, unless: (1) prior to making any such reference in any report or statement or any documents filed with the Securities and Exchange Commission or other governmental agency, the appraiser is allowed to review the text of such reference to determine the accuracy and adequacy of such reference to the appraisal report prepared by the appraiser; (2) in the appraiser's opinion the proposed reference is not untrue or misleading in light of the circumstances under which it is made; and (3) written permission has been obtained by the client from the appraiser for these uses.
- . The appraiser shall not be required to give testimony or to attend any governmental hearing regarding the subject matter of this appraisal without agreement as to additional compensation and without sufficient notice to allow adequate preparation.

## II. DESCRIPTION AND ANALYSIS OF THE SUBJECT PROPERTY

### A. Site Description and Analysis

Located at 313 West Beltline Highway, the subject property consists of 2.93 acres, or 127,819 square feet, of land known as Lot 1 of Certified Survey Map 813 and 860, Town of Madison, Dane County, Wisconsin; a locational map is shown in Exhibit II-1. The site which is situated on the West Beltline frontage drive presently has good grade level access and visibility to vehicular traffic. To the rear, or the southern portion of the site, the slope is steep and significant. Exhibit II-2 provides photographs of the subject and the site. Along the southern edge of the site runs a 6 foot utility easement for 236 feet. A larger 10 to 20 foot sewer and water easement begins in the northeast corner of the site and cuts through the site exiting through the southwestern corner of the site.

Plans for upgrading the West Beltline Highway (U. S. 12 & 18) to a six-lane limited access highway will dramatically affect access to the subject property (Exhibit II-3). Direct access from the Beltline to the frontage road and to East Badger Road will be cut off as a result of the road improvements to be completed by 1989 or 1990. East Badger Road is to be extended from Granada Way along an existing right-of-way to just west of the subject where it will terminate in a cul-de-sac.

## Exhibits

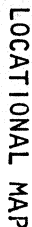




EXHIBIT II-2  
PHOTOGRAPHS OF THE SUBJECT PROPERTY



Front and side view from parking lot.



Rear and side of lower level and loading docks.

EXHIBIT II-2 (Continued)



View from frontage road with subject to the right.



View from frontage road parking lot to southeast.



EXHIBIT II-2 (Continued)



View from frontage road to southwest.



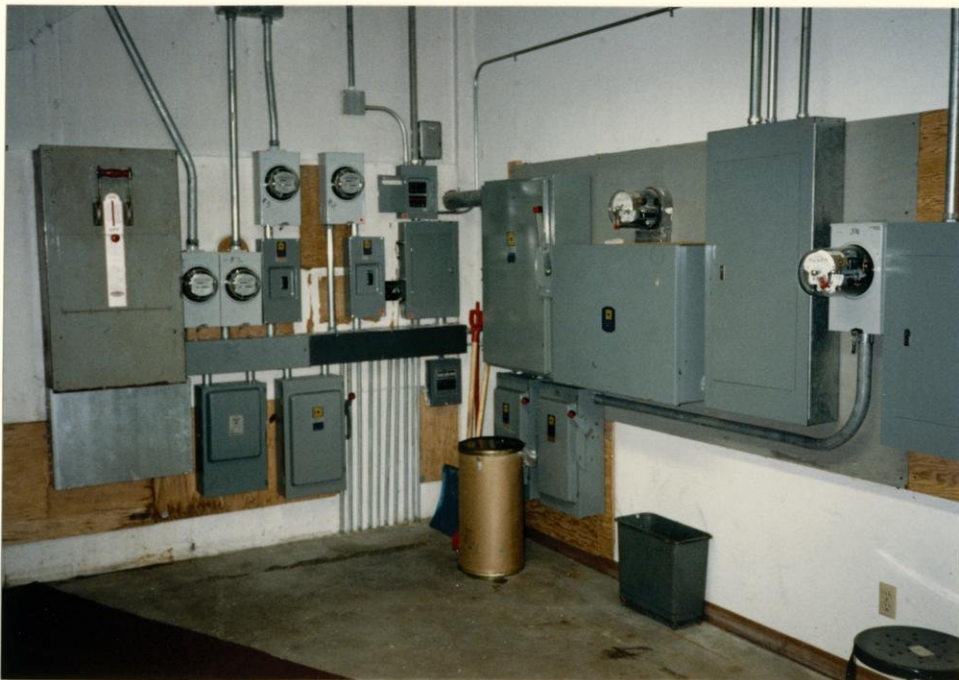
Rear view of Furniture Warehouse looking to north.



EXHIBIT II-2 (Continued)



View from parking lot of  
present median access to subject.



Lower level utility meters within common area.

EXHIBIT II-2 (Continued)



Lower level view of Wisconsin Physician's Service (WPS) and Furniture Warehouse common area.



WPS storage area on front lower level.



EXHIBIT II-2 (Continued)

Satellite Store showroom.



Merchandising Unlimited reception area.

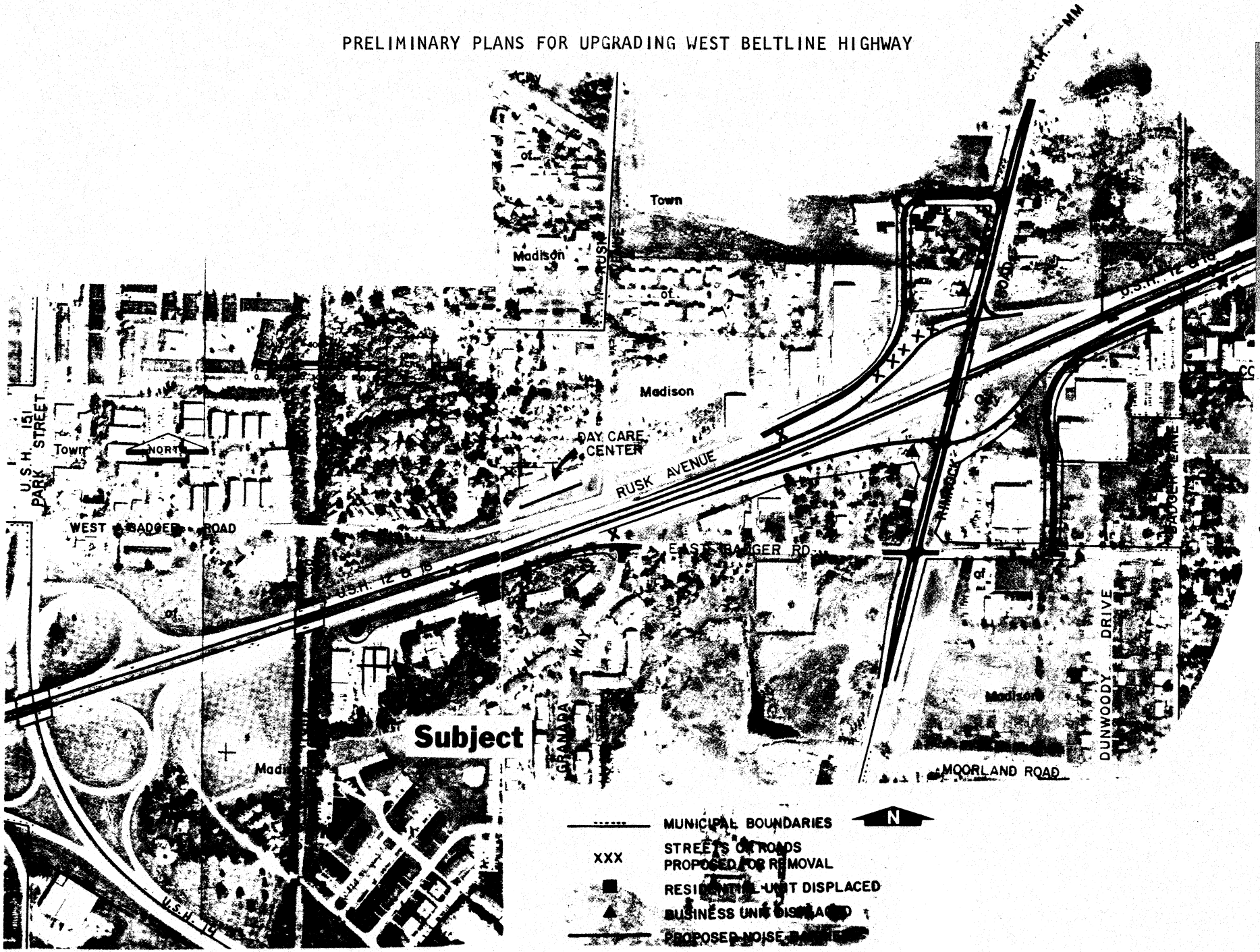
EXHIBIT II-2 (Continued)



Merchandising Unlimited shop area.

# PRELIMINARY PLANS FOR UPGRADING WEST BELTLINE HIGHWAY

16



Stammark Research, Inc.

EXHIBIT 11-3

The two added lanes of the Beltline will be within the existing right-of-way. Chainlink fence will prevent pedestrians from crossing the highway; there have been four pedestrian fatalities along this section of the Beltline. The Town of Madison hopes to persuade the Department of Transportation to build a pedestrian overpass for access over the new highway. In addition, the Town of Madison plans to build a sidewalk along the new portion of East Badger Road resulting in a special assessment to the subject property.

New access for westbound traffic will turn off at Rimrock Road to reach East Badger Road. This turn is well out of sight of the subject as opposed to the left turn across the median strip directly onto the frontage road. Eastbound Beltline traffic will exit at a new off-ramp to Rimrock Road and drive west on East Badger Road having already passed the site. The future loss of visibility and ease of access will not hurt the warehouse uses of the subject, but will constrain the type of viable retail or office uses.

The property is zoned C1, Town of Madison, (see Appendix B for permitted uses) and is subject to the easements already discussed. Site services are provided by the Town of Madison.

#### B. Building Description and Analysis

The structure is 190.1 feet long and 100.4 feet wide with the lower floor comprised of 10 and 12 inch poured concrete foundation walls and the upper floor a pre-engineered steel building with a steel joist and beam supported metal roof.



Lower floor walls are not insulated but upper floor walls and roof are well insulated. The upper floor is constructed of pre-stressed concrete slabs supported by I-beams and steel bearing ten-inch posts. Some small cracks in a few of the concrete floor slabs were noted, however one tenant indicated that in five years there had been no change in the number or size of the cracks. No other significant foundation or structural problems were noted.

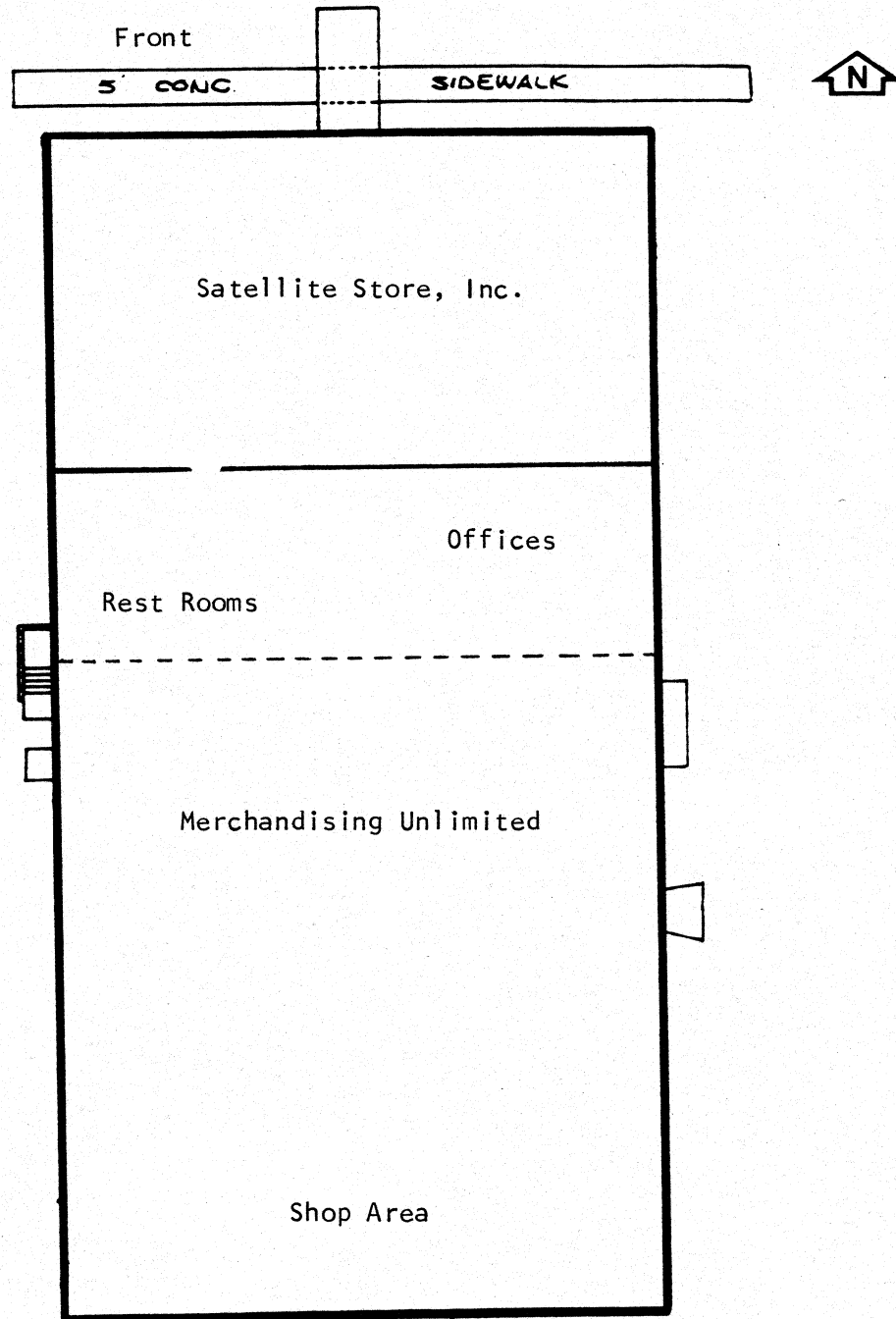
Originally constructed in 1967, the building was doubled in size by an addition in 1974. The original building, or the northern most half, was 100.4 feet wide by approximately 93 feet long. By exterior measure the building contains 36,876 square feet, however the leases are written based on interior wall dimensions of the building. Therefore, the leasable square footage in the building is 35,257 square feet with 18,847 square feet on the upper level and 16,410 square feet on the lower level. The lower level common area is comprised of a corridor with adjoining restrooms, kitchen and break area. The upper level common area contains a corridor and bathrooms for the benefit of both upper floor leases, however, the area is technically within the demised area of Merchandising Unlimited. (Exhibit II-4.)

The Wisconsin Physician's Service area, which is the northern portion of the lower floor, is a heated record storage annex facility. Burlington Furniture Warehouse, which is

EXHIBIT 11-4

Frontage Road

(East Badger Road Extended)



313 West Beltline Highway

UPPER FLOOR



the southern portion of the lower floor, is a partially heated warehouse area. Both lower floor tenants have access to the common area facilities. (See Exhibit II-5.)

The Satellite Store, which is the front 53 feet of the upper level, is a showroom office for that retail establishment. Merchandising Unlimited occupies the remainder of the upper floor which is a related company to the lessee, Wally Heilman and Company. Approximately 9,000 square feet of this leased area is furnished shop area and printing and fabricating areas, and the remainder of the space is office use with somewhat poor utilization.

Gas and electric service are individually metered within the back half or newer building section. However, the original portion of the building is on a single gas meter which is billed to the landlord who then collects pro rata reimbursements from each tenant for their space.

#### C. Lease Description and Analysis

The subject property is currently leased and occupied by four tenants: Wisconsin Physician's Service, Satellite Store, Inc., Merchandising Unlimited, Inc./Capital Graphics, Inc., and Burlington Warehouse Furniture. Their leases are summarized in Exhibit II-6. It should be noted that the standard lease form used by MREIF has been customized for each tenant. For purposes of valuation, the appraiser has taken contract rents to be the basis for appraisal to the end of the existing lease term and then modified the rents to anticipated market rents at the time

EXHIBIT 11-5

313 W. Beltline Highway

LOWER FLOOR

Front

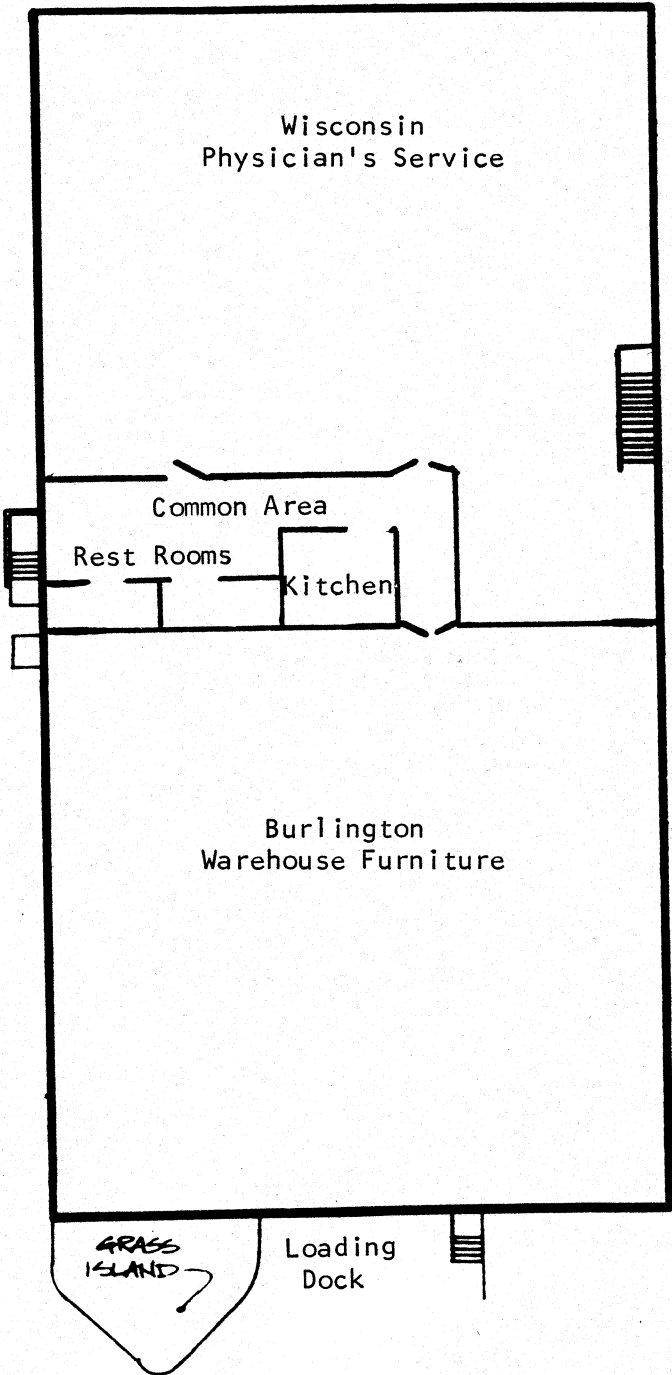


EXHIBIT II-6

TENANT DATA - CURRENT LEASES

LESSEE NO. 1:	WISCONSIN PHYSICIANS SERVICE
SQUARE FEET LEASED:	7,100 square feet of the front, lower level.
LEASE TERM:	Original effective date of lease was October 1, 1981, for a two-year term. The lease was amended in June 1983 to extend the term of the lease for an additional term of two years.
1984 ANNUAL RENT:	\$14,555/year
1984 ANNUAL RENT/SF:	\$2.05/SF
<u>EXPENSES</u>	
UTILITIES:	Lessor pays for hot and cold running water. Electricity, lighting, and heating is the responsibility of the lessee based on a pro rata share of the demised premises in relationship to the square footage of the entire building. $(7,100/36,876 = 19.3\%)$
INSURANCE:	Lessor procures and maintains fire and extended insurance for not less than 80 percent of insurable value. Tenant carries and pays premiums for public liability insurance in an amount not less than \$200,000/\$500,000 and \$100,000 property damage.
REPAIRS AND MAINTENANCE:	Lessor maintains demised premises, the building and its exterior, common areas, grounds, and parking lot and driveways in good, sightly, and reasonably attractive condition. Lessor provides janitorial service, but not routine cleaning.
REAL ESTATE TAXES:	Lessor pays real estate taxes, but is reimbursed by the lessee for real estate taxes based on a proportionate share of the increase in real estate taxes above a 1980 tax assessment.

EXHIBIT II-6 (Continued)

LESSEE NO. 2: WALLY HEILMAN AND JUNE HEILMAN, d/b/a  
MERCHANDISING UNLIMITED, INC., CAPITAL  
GRAPHICS, INC.

SQUARE FEET LEASED: 13,646 SF

LEASE TERM: Two years from December 1983 through  
November 30, 1985. Lease termination:  
Lease may be terminated by either party  
on 60 days' written notice.

INITIAL ANNUAL RENT: \$39,576.30/annual square foot rent

ANNUAL RENT/SF: \$2.90/SF

ESCALATOR: Based on change in CPI, but not to  
exceed 5 percent increase over previous  
year.

EXPENSES

UTILITIES: Landlord pays all water and sewer.  
Tenant pays all gas and electric and  
any other utility services. That  
portion of the demised premises located  
in the rear half of the building is on  
meters billed directly to the tenant,  
that portion of the demised premises  
located in the front half of the  
building is on a meter billed to the  
landlord and prorated to this tenant  
and Lessee No. 4.

INSURANCE: Lessor procures and maintains fire and  
extended insurance for not less than 80  
percent of insurable value. Tenant  
carries and pays premiums for public  
liability insurance in an amount not  
less than \$200,000/\$500,000 and  
\$100,000 property damage.

REPAIRS AND MAINTENANCE: Lessor maintains demised premises, the  
building and its exterior, common  
areas, grounds, and parking lot and  
driveways in good, sightly, and  
reasonably attractive condition.  
Lessor provides janitorial service, but  
not routine cleaning.

REAL ESTATE TAXES: Lessor pays annual bill. No  
pass-through to tenant.

EXHIBIT II-6 (Continued)

LESSEE NO. 3: KEVIN HUGHES AND PAT MARTINELLI, d/b/a  
BURLINGTON WAREHOUSE FURNITURE, A  
WISCONSIN PARTNERSHIP

SQUARE FEET LEASED: 9,310 SF

LEASE TERM: One year from February 4, 1984, to  
February 28, 1985 renewed for one  
year.

ANNUAL RENT: \$23,275/year increased to  
\$24,205.08/year

ANNUAL RENT/SF: \$2.50/SF - March 1, 1984  
Increase to \$2.60/SF in 1985

ESCALATOR: None

EXPENSES

UTILITIES: Landlord pays all water and sewer.  
Tenant pays gas, electricity, and any  
other utility services.

INSURANCE: Lessor procures and maintains fire and  
extended insurance for not less than 80  
percent of insurable value. Tenant  
carries and pays premiums for public  
liability insurance in an amount not  
less than \$200,000/\$500,000 and  
\$100,000 property damage.

REPAIRS AND MAINTENANCE: Lessor maintains demised premises, the  
building and its exterior, common  
areas, grounds, and parking lot and  
driveways in good, sightly, and  
reasonably attractive condition.  
Lessor provides janitorial service, but  
not routine cleaning.

REAL ESTATE TAXES: Landlord pays real estate taxes.

EXHIBIT II-6 (Continued)

LESSEE NO. 4:	SATELLITE STORE, INC.
SQUARE FEET LEASED:	5,200 SF
LEASE TERM:	One year from April 15, 1984, through April 30, 1985 - renewed on month-to-month basis.
ANNUAL RENT:	\$25,200/year
ANNUAL RENT/SF:	\$4.85/SF
ESCALATOR:	If the tenant chooses to renew on 60 days' notice, rent will be 5 percent increase over the base annual rent.
 <u>EXPENSES</u>	
UTILITIES:	Landlord pays all water and sewer. Tenant reimburses landlord for pro rata share of the front half of the upper level of the building.
INSURANCE:	Lessor procures and maintains fire and extended insurance for not less than 80 percent of insurable value. Tenant carries and pays premiums for public liability insurance in an amount not less than \$200,000/\$500,000 and \$100,000 property damage.
REPAIRS AND MAINTENANCE:	Lessor maintains demised premises, the building and its exterior, common areas, grounds, and parking lot and driveways in good, sightly, and reasonably attractive condition. Lessor provides janitorial service, but not routine cleaning.
REAL ESTATE TAXES:	Landlord pays all real estate taxes.

## EXHIBIT II-6 (Continued)

## AS REPORTED BY MREIF

1984 REVENUE: \$116,981.31

## 1984 EXPENSES:

Utilities	\$11,341.66
Repairs and Maintenance	10,054.48
Real Estate Taxes	20,644.18
Management Fees	5,101.98
Leasing Fees	3,631.75
Insurance	1,435.86
Administrative	<u>5,815.14</u>

\$ 58,025.05

1984 NET OPERATING INCOME

\$ 58,956.26  
=====



of renewal, as will be demonstrated later in proforma forecasts and footnotes in Section IV.

D. Operating Expenses, Reimbursements, and Appraisal Assumptions

For the landlord the basic expenses are a majority of the real estate taxes, insurance, leasing expenses, management fees, and long-term structural maintenance of the parking surfaces and exterior and structural frame of the building. Although current leases vary as to tenant reimbursements, as previously noted, it is assumed the tenant leases which are open for renegotiation will eventually move toward a net lease basis where the tenant pays increases from the base year in real estate taxes and insurance and converts all tenants to separately metered electric, gas, sewer, and janitorial costs. Landlord maintenance includes common areas, grounds, parking lot and driveways, and janitorial service, but not routine cleaning.

E. Financing Description and Analysis

Existing financing on the subject is according to the mortgage and note held by First Wisconsin-Madison. Based on existing unaudited revenue and expense documents from MREIF, the annual mortgage debt service of \$71,256 could not be met by existing net operating income. Although the mortgage does not state whether or not financing is assumable, it would be safe to assume that any purchaser would have to acquire new financing given that the loan has less than six months remaining on a three-year balloon note. Current terms available for this type of property would require an interest rate of 13.25 percent on a



loan amortized over a 25-year term, but ballooning in seven years. Cost to originate would not exceed one percent of the loan and the maximum balance would be determined by a debt cover ratio (DCR) of approximately 1.3 based on first year normalized net income. These terms were quoted by Mr. Donsing at American Family Life Insurance Company in Madison, Wisconsin.

### III. MOST PROBABLE USE AND MOST PROBABLE BUYER

#### A. Analysis of the Madison Office/Warehouse Market

The Madison market, while steady, has not experienced significant growth in industrial and wholesale employment since the mid 1970s. County Business Patterns 1982 - Wisconsin [2], page 36, Table 2, indicated total employment in the wholesale trade category in the Spring of 1982 at 6,893 persons as opposed to 6,436 persons in the Fall of 1977 for Dane County [3]. By the same token, County Business Patterns 1982 - Wisconsin, page 34, Table 2, indicated 18,431 persons in manufacturing of all types in March of 1983 as compared to 18,987 persons in September of 1977, as reported by the Dane County Department of Industry in the Dane County Economic Profile. Nor is there a great distinction between M-1 and C-3 City of Madison zoning categories and C-1 Town of Madison zoning. Although C-3L has somewhat more limited permissable uses, it is primarily characteristic of the southcentral market for commercial services.

[2] County Business Patterns 1982 - Wisconsin, United States Dept. of Commerce, Bureau of the Census, Table 2, Page 34,.

[3] Dane County Economic Profile 1978.

Since more than one-third of the County's jobs are in government, expansion in government service has had little impact on the need for supportive warehousing. The need for office/warehouse facilities are generally associated with an adjacent or nearby office/retail business needing convenient storage space--not regional warehouse facilities.

Space requirements have increased slightly and rents have advanced steadily due to the practice of adjusting base rents with the Consumer Price Index (CPI). Leases advance 50 to 100 percent of the annual change in the CPI. Landlords tend to prefer the CPI for Small Metro Areas in the Northcentral States as presented in Exhibit III-1. The past two years of controlled inflation indicate an average annual change in the CPI of 4 percent. In estimating revenue increases as well as appreciation in land costs and inflation of nonlabor or utility operating costs, 4 percent will be used. Rents can be expected to rise because of inflation adjustments rather than any sudden imbalance of demand in excess of supply.

#### B. Comparable Rental Warehouse Properties

The market for wholesale and light industrial warehouses in Madison is clearly subdivided by location and consistently stable in terms of rent/cost relationships. The appraisers used rental comparables (Exhibit III-2) from three areas: the airport zone, the far east side, and the southcentral side of Madison. The location of the rental comparables are shown in Exhibit III-3.

CHANGE IN CONSUMER PRICE INDEX (CPI)  
PAST FIVE YEARS

SMALL METRO AREAS  
NORTH CENTRAL STATES  
FOR ALL URBAN CONSUMERS  
DECEMBER 1977 = 100

AS OF FEB	INDEX	PERCENT CHANGE IN INDEX	AS OF JUNE	INDEX	PERCENT CHANGE IN INDEX	AS OF OCT	INDEX	IN INDEX
1979	111.8	N/A	1979	116.8	N/A	1979	121.9	N/A
1980	126.4	13.1%	1980	131.9	12.9%	1980	135.1	10.8%
1981	139.7	10.5	1981	142.3	7.9	1981	145.9	8.0
1982	149.1	6.7	1982	155.2	9.1	1982	155.9	6.9
1983	155.8	4.5	1983	158.3	2.0	1983	161.1	3.3
1984	162.5	4.3	1984	164.7	4.0	1984	167.2	3.8

EXHIBIT 111-1

CHANGE FROM OCTOBER OF PRECEDING YEAR TO  
DECEMBER OF FOLLOWING YEAR

OCT		DEC		% CHANGE
1979	121.9	1980	136.6	12%
1980	135.1	1981	147.4	9
1981	145.9	1982	156.2	7
1982	155.9	1983	161.6	3.7
1983	161.1	1984	~ 168.0	~ 4.2
1984	167.2	1985		

SUMMARY OF MARKET RENT  
COMPARABLES FOR  
INDUSTRIAL AND OFFICE/WAREHOUSE  
PROPERTIES IN THE MADISON AREA

LOCATION	TYPE OF CONSTRUCTION	YEAR BUILT	TOTAL SIZE OF LEASED SPACE	OFFICE	WAREHOUSE	NO. AND TYPE OF LOADING DOCKS	ANNUAL RENT	ANNUAL RENTAL RATE/SF/YEAR	UTILITIES	RESPONSIBILITY FOR PAYMENT OF R.E. TAXES	PROVISION FOR ANNUAL ADJUSTMENT OF RENT	REMARKS
2009 S. Stoughton Rd.	Steel		25000	0	25000	10 ground level	\$68750	\$2.75	tenant	owner	4% with pass through of taxes above base year	Ross Menard, 12/12/84 Has 10 showroom/office distribution warehouses
4625 Femrite	Steel/Masonry		16250	0	16250	13-ground level	40560	2.50	tenant	owner		Mrs. Tom Cramer, owner's wife, 12/12/84
2823 Index Rd.	Steel		10800	800	10000	3-ground level 2-dock level	29700	2.75-2.90	tenant	owner	2.5 to 5 yr. lease, year 2-5 rent increases to \$2.90/sq.ft.; increase in r.e. tax is passed through over base year	John Pinger, leasing agent, 12/13/84
901 Watson	Steel	1966	25000			3-dock level	whse-\$2.90/sq.ft./yr. off-\$4.00/sq.ft./yr.		tenant/owner owner-sewer/water	tenant, owner	Most are annual leases, negotiable each year	Vern Miller, leasing agent, 12/12/84
2402 Advance Rd.	Steel	1983	10000	0	10000	1-ground level	24000	2.40	owner	owner	Lease term negotiable	Mrs. Jean Stewart, owner, 12/13/84
3220 Commercial Ave	Masonry		7100	1300	5800	4-ground level	12000	1.69-2.03 (asking)	tenant	owner	Second year increase to \$14400 or \$2.03/SF	Delores Warren, Lakewood Realty; Owner is listing bldg. for \$135000, 18-24 mo. L.C., will take back a second mtg.; 12/12/84
56 Corry St.			9600	200	9400		14400	1.50	tenant	tenant	Only a two year lease	Robert Keller, leasing agent, 12/13/84; described as "junky"
1115 O'Neill	Masonry/ Steel	1965	13832	2766	11066	2-ground level	11880	1.19 (for WHSE)	owner	owner	Month to month lease	Mrs. Jean Stewart, former owner, 12/84
4622 Femrite	Brick/ Steel	1964 1970	17312	3000	14312	3-ground level	62400	3.60	tenant	owner		Al Bachmann, owner, 11/16/84 Owner occupies 2500 SF
4609 Femrite	Steel	1973	6000	1200	4800	1-ground level	13800	2.30	tenant	tenant	Month to month lease	Robert Keller, former owner, 12/13/84
615 Mayfair	Steel	1978	12150	0	12150	2-dock level	23085	1.90	tenant	tenant		Paul Easton, American Family Ins., tenant (now owner)
929 Watson	Brick	1979	14684	1598	13086		42526	2.91	tenant	tenant	Ten year lease with two-5 yr. options with cost of living increase	John Pinger, leasing agent, 12/17/84

EXHIBIT 111-2





- 1 - 2009 S. Stoughton Road
- 2 - 4625 Femrite Drive
- 3 - 2823 Index Road
- 4 - 901 Watson Avenue
- 5 - 2402 Advance Road
- 6 - 3220 Commercial Avenue
- 7 - 56 Corry Street
- 8 - 1115 O'Neill Avenue
- 9 - 4622 Femrite Drive
- 10 - 4609 Femrite Drive
- 11 - 615 Mayfair Avenue
- 12 - 929 Watson Avenue

1. The airport zone is an area northeast of First Street and generally flanking the major routes to the airport, Pennsylvania and Packers Avenues on the northwest, and Highway 51 and East Washington Avenue on the southeast. Warehouses in this area serve tenants and owners distributing to the state hinterland via the highway network or the airport. Much of the space is used for agri-industry, specifically bulk storage of seeds, chemicals, processed food products, and other bulk storage.
2. The east side locations serve light manufacturing and distribution of commercial products as opposed to seasonal agriculture warehousing. Many of the industrial warehouses are owner-occupied and combine office with storage use. There is about an even split regarding lessor-lessee responsibility for the payment of real estate taxes which should be reflected in the nominal rental rate.
3. The southcentral district has many more small buildings to house local service companies which require the Beltline Highway to reach residential markets on Madison's west side. Rents tend to be higher because spaces are smaller, tenants bid for alternatives, spaces turn over more frequently requiring greater allowances for vacancy, and many were custom-built for tenants long since departed along Watson Road, Stewart Avenue, and related streets.

The engineered steel building with long, clear span, insulated steel wall and roof patterns, space heaters, and small office areas are easily built to suit for \$12 to \$15 per square foot of GBA, including the cost of land, so that owners with stable needs can build their own facilities if rents rise too quickly on the limited supply of rentable area. Currently, it appears that rents and investment values have lagged construction costs except for long-term agricultural surplus leases. The classic buy/lease trade off analysis constrains over-building. Only the owner-occupied service/distribution warehouse structures tend to offer more decorative masonry, architectural entrances, and fenestration, as well as finished office and display space.

#### C. Most Probable Use

Due to construction improvements to the new Beltline Highway, good access to the subject will be drastically affected. No longer will the subject provide the necessary convenient access required of retail uses. Also, the current retail tenant, Satellite Store, Inc., will probably be vacating the premises within the next six months as lease arrangements are on a month-to-month basis and the tenant is delinquent with recent rent payments. A reasonable assumption is that retail space will become a low traffic volume office use with a considerable discount in the current annual rent. Therefore, the most probable use of the subject property will be as office/warehouse space.

D. Most Probable Buyer

Not only demand/supply pressures from the standpoint of the tenant must be considered, but the appraiser must also consider demand on the most probable buyers of office/warehouse properties. Steel structures lack the glamour of typical office buildings or the traditional appeal of apartment structures where oversupply and undersupply influence property owners. Investors in office/warehouse properties expect steady cash income in terms of 9 to 11 percent on cash investment, conservative loan-to-value ratios, and tax shelter benefits. The investment advantage of shorter useful lives has been lost since all real properties must use an 18 year useful life at minimum. Moreover, in 1985-86, investors anticipate further loss in tax shelter benefits to real estate so that cash dividends will become more important as the major source of return, pushing cash income requirements to 11 or 12 percent. The number of appropriate properties available for investment in Madison is limited for lack of economic growth and the equilibrium of lease/buy factors. It is assumed that the most probable purchaser of the subject property will be an individual or partnership interest.

#### IV. VALUATION OF THE SUBJECT PROPERTY

The Income Approach combines a basic mortgage financing model to determine an acceptable mortgage amount justified by the property income with the present value of cash dividends and capital gains to the equity investor. The premise is that investment value is the sum of the present value of benefits to the owner plus the original balance to the loan since a loan is the present value of all of the interest and principal payments due the lender under the contract.

The revenue and expense model requires a simple spreadsheet forecast reflecting contract rents until lease renewals permit realization of market rents and standardized lease terms. These forecasts are intensively documented by footnotes. (See Exhibit IV-1.)

Net revenues and expenses are then input to an investment valuation model known as After Tax Value (ATV), developed by ValuSoft and Micromatrix, Inc. The model has a detailed revenue, expense, financing, and income tax format which permits it to solve for a value justified by specified constraints of interest rates, amortization term, debt cover or loan-to-value ratio, given an acceptable investor after-tax discount rate.

The financial results of the value computed are then analyzed in terms of key ratios, such as cash breakeven point, equity payback, and equity dividend rates. The valuation model



## EXHIBIT IV-1

OFFICE/WAREHOUSE AT 313 WEST BELTLINE HIGHWAY  
SCHEDULE OF REVENUES AND EXPENSES  
FROM JANUARY 1, 1985, THROUGH DECEMBER 31, 1989

	GBA LEASED (SQ. FT.)	1984 ANNUAL ADJUSTMENT BASE FACTOR	1985	1986	1987	1988	1989	
REVENUES								
Potential Gross Rent								
Wisconsin Physicians Service [1]	7,100	2.05	1.04	15,285	15,896	16,532	17,193	17,881
Merchandising Unlimited, Inc. [2]	13,647	2.90	1.04	41,164	42,810	44,523	46,304	48,156
Burlington Warehouse Furniture [3]	9,310	2.50	1.04	24,051	25,013	26,013	27,054	28,136
Satellite Store, Inc. [4]	5,200	4.85	1.04	25,893	14,300	14,872	15,467	16,086
Subtotal	35,257			106,392	98,020	101,940	106,018	110,259
Reimbursables								
Real Estate Taxes [5]		1.080	1.077	1,164	0	925	1,922	2,995
Utilities [6]			1.04	25,993	27,033	28,114	29,239	30,408
Insurance [7]			1.04	0	57	115	176	240
Total Potential Gross Revenue				133,549	125,109	131,095	137,354	143,902
Less: Vacancy @ 12.0% [8]		0.12		16,026	15,013	15,731	16,482	17,268
EFFECTIVE GROSS REVENUE				117,523	110,096	115,363	120,872	126,633
EXPENSES								
Utilities				25,993	27,033	28,114	29,239	30,408
Repairs and Maintenance [9]	10,054	1.04		6,483	6,742	7,012	7,292	7,584
Management [10]		0.05		6,677	6,255	6,555	6,868	7,195
Leasing Fee [11]		0.04		5,342	5,004	5,244	5,494	5,756
Insurance		0.04		1,410	1,467	1,525	1,586	1,650
Subtotal:								
Expenses Before Real Estate Taxes				45,906	46,502	48,450	50,479	52,593
Income before Real Estate taxes				71,617	63,595	66,913	70,392	74,040
Real Estate Taxes	20,143	1.077		21,694	12,015	12,940	13,937	15,010
Total Expenses				67,600	58,517	61,390	64,416	67,603
NET OPERATING INCOME				49,923	51,580	53,973	56,456	59,030

FOOTNOTES TO SCHEDULE OF REVENUES AND EXPENSES  
FROM JANUARY 1, 1985 THROUGH DECEMBER 31, 1989

- [1] Wisconsin Physicians Service's two-year lease began October 1, 1981, with a base rent of \$2.05 per square foot per year and no annual increases. In June 1983 the lease was amended to extend the term an additional two years under the same conditions. In October 1985 the lease expires and the appraiser assumes that renewal will be at annual increases tied to the Consumer Price Index (CPI) of at least 4 percent for each succeeding year.
- [2] Merchandising Unlimited, Inc.'s two-year lease began December 1983 with a base rent of \$2.90 per square foot per year with annual increases to be based on annual changes in the CPI, but not to exceed a 5 percent increase over the previous year. A 4.2 percent increase in the CPI from November 1983 to November 1984 results in a base rent for October 1984 through October 1985 of \$3.00 per square foot per year.
- [3] Burlington Warehouse Furniture, a Wisconsin partnership, received a one-year lease beginning February 4, 1984, with a base rent of \$2.50 per square foot per year. It was renewed for one year starting March 1, 1985, under the same terms at \$2.60 per square foot per year (a 4 percent increase). Rents are assumed to increase 4 percent per annum in succeeding years.
- [4] Satellite Store, Inc.'s one-year lease began April 15, 1984, with a base rent of \$4.95 per square foot per year with 5 percent annual increases over the base amount. The lease was not renewed for another year, but continues on a month-to-month basis as the tenant is delinquent in making monthly payments prior to the April 30 expiration of the original lease. It is the landlord's desire to remove the tenant as soon as possible. But due to the highway construction and decreased access to the subject, a discount in the annual rent to \$3.00 per square foot per year reflects a change in use to office from retail.
- [5] The lessor pays most real estate taxes, but is reimbursed by Wisconsin Physicians Service for real estate taxes based on a proportionate share (percent of square footage to total, or  $7,100 \text{ SF} / 36,876 \text{ SF} = 19.3\%$ ) of the increase in real estate taxes above the 1980 tax assessment.

1984 taxes           \$20,143.24  
1980 taxes           \$14,545.55

Difference           \$ 5,597.69 x 0.193 = \$1,080.35

Taxes have increased at an annual rate of 7.7 percent since 1980.  $(\$20,143.24 - \$14,545.55)/5 = \$1,119.54$   
 $1,119.54/\$14,545.55 = \$0.077$ . Taxes for 1986 reflect an adjustment to the assessed value to correct the apparent current over-assessment.

1986 Income Before Real Estate Taxes       \$ 63,595  
Capitalization Rate                               .13

Value   \$489,192

Value Times Equalization Rate = Assessed Value  
 $\$489,192 \times 0.5357 = \$262,060$

Assessed Value x Tax Rate = Total Real Estate Taxes  
 $\$262,060 \times 0.04584943 = \$12,015$

Years 1987-89 reflect reimbursables based on increases above 1986 assessed value, pro rated to each tenant by percent of leasable area to total leasable square foot.

- [6] Lessor pays for all water and sewer. Tenants pay for gas, electricity, and any other utility services. The newer back half of the building is metered and billed directly to the tenant. However, the front half of the building is on a meter billed to the landlord and must be prorated to each tenant for landlord to receive a reimbursement. According to the 1984 BOMA Experience Exchange Report, average 1983 utility expenses were \$1.08 per square foot per year of rentable area for Madison, Wisconsin. With a 4 percent per year increase in costs, 1985 expenses would be \$1.17 per square foot, or \$41,250.69 for the entire building. Of the 35,257 rentable square feet, 13,040 is metered to individual tenants. The remaining 22,217 square feet is allocated to tenants as follows:

TENANT	% ALLOCATION	SQ. FT.	UTILITY COST
Wisconsin Physicians Service	32%	7,100	\$ 8,307
Satellite Store	23%	5,200	\$ 6,084
Burlington Furniture Warehouse	<u>45%</u>	<u>9,917</u>	<u>\$11,603</u>
Total	100%	22,217	\$25,993

Utilities are assumed to increase at 4 percent per year.

- [7] Insurance is assumed to be \$0.04 per square foot for not less than 80 percent of insurable value. Tenants carry and pay premiums for public liability insurance in an amount not less than \$200,000/\$500,000 and \$100,000 property damage. Reimbursements reflect increases above the 1985 level which are pass-throughs to tenants pro rata as a percent of total leasable area.
- [8] A 12 percent vacancy rate is based on the fact that tenants in the southcentral area tend to turn over more frequently and the inconvenience caused by the new highway reducing access. A vacancy of 12 percent assumes, on the average, a one-tenant vacancy for a six-month period every year over the next five years.
- [9] Cost reported by MREIF for 1984 including janitorial, repairs and maintenance, and elevator maintenance. Costs for 1985-89 are estimated from the 1984 BOMA Experience Exchange Report of 18.4 cents per square foot assumed to increase at 4 percent per annum.
- [10] Management fees are 5 percent of effective gross revenue.
- [11] Leasing fees are 4 percent of effective gross revenue.

presumes resale value at some specified multiplier of net income at the end of the holding period based upon revenue and expense projections for the forecast period.

For purposes of the appraisal, it is assumed that equity investors in 1985-86 will seek cash dividends of a minimum of 9 to 11 percent on cash investments with a preferred goal of 11 percent as tax changes diminish tax shelter benefits and a modest rate of resale value increases which would provide a 16 percent internal rate of return (IRR) to the investor over a five-year holding period. Those investment targets are based on current returns by property class as reported by the Frank Russell Index of Institutional Real Estate Performance.

#### A. Net Operating Income

Future cash flows from the subject are fixed over some period of time by the current lease contracts. Since any buyer would be subject to these lease contracts, they must be explicitly recognized in the net operating income forecast. Current lease rates and future rate assumptions are detailed in the footnotes which follow the five-year net operating income statement. This methodology necessitates specific assumptions regarding a variety of factors such as changes in the market rentals for re-lease, timing and duration of vacancies, and reimbursements paid to the lessor for a variety of operating expenses. The resulting schedule of revenues and expenses, including reimbursables, vacancies, and real estate taxes are summarized in Exhibit IV-1.



B. Capital Budget Assumptions for  
Discounted Cash Flow Approach to Value

Essential parameters for discounted cash flow valuation beyond revenues, expenses, and financing, are the value assigned to vacant land, equity dividend required by investors, tax depreciation limits, debt cover ratio, and a formula for anticipated resale price at the end of an assumed projection period. The appraiser has chosen to utilize a five-year projection period. The following values have been assigned to these capital budget assumptions:

1. Although land value cannot be considered separate from total value, for purposes of income tax treatment, the subject parcel has a market supported value of \$1.95 per square foot which, multiplied times its area of 127,819 square feet, suggests a land value of approximately \$250,000. (See Appendix C.)
2. The equity dividend rate desired in the first year of the investment by the most probable buyers is 9 to 11 percent, equivalent to a tax exempt rate because of available depreciation shelter, but the dividend is anticipated to increase with time. Typically, equity dividends are about 200 basis points below interest rates because the equity investor enjoys the benefit of loan amortization, tax shelter, and property appreciation in addition to dividends.
3. Tax shelter for property income is based on straight-line depreciation of 100 percent of the value

of the building improvements over a term of 18 years, assuming the most probable buyer is in a 40 percent marginal income tax bracket, either as a small corporation or as a sophisticated individual investor already enjoying some degree of tax shelter investment income.

4. The final source of return to the most probable buyer is the increased net worth realized upon sale of the property at the end of a proposed five-year investment period. To estimate that value, the appraiser has chosen to multiply net operating income in the fifth year by a factor of 8.88, a computation comparable to capitalization at a factor of 0.11265, a ratio of income to price for office/warehouse properties that is reasonably constant, unless there are severe upsets to financial markets, and the income tax law in the interim. (Exhibit IV-2.)
5. Each of the above items define the ultimate cash throw-off to the investor from all sources. These must be discounted at a minimum threshold rate of return from all sources of 16 percent after taxes to justify the business and financial risks incurred. This is the minimum equity rate currently reported as typical of managed real estate funds and used as a purchasing benchmark by Madison investors in a stable investment office/warehouse market. The present value of all benefits to the equity position discounted at 16

## EXHIBIT IV-2

SUMMARY OF FINANCING PARAMETERS  
FOR COMMERCIAL WAREHOUSE BUILDINGS  
BY QUARTER

QUARTER	LOAN/VALUE	DEBT COVERAGE	CAPITALIZATION RATE
II 84	63.1	1.48	10.8
I 84	70.4	1.17	10.5
IV 83	70.1	1.22	11.1
III 83	67.9	1.21	10.4
II 83	69.2	1.28	11.2
I 83	70.2	1.20	11.2
IV 82	70.1	1.21	12.0
III 82	N/A	N/A	N/A
II 82	70.2	1.20	12.8
I 82	N/A	N/A	N/A
IV 81	68.8	1.27	12.3
III 81	70.8	1.26	12.3
II 81	57.5	1.33	11.2
I 81	76.6	1.22	12.7
IV 80	71.3	1.23	11.5
III 80	73.6	1.22	11.4
II 80	73.6	1.27	12.7
I 80	68.7	1.25	11.3
IV 79	73.3	1.21	10.0
III 79	73.8	1.21	10.1
II 79	73.7	1.20	9.8
I 79	73.8	1.23	10.0
AVERAGE	70.3	1.24	11.3

Source: American Council of Life Insurance, Investment Bulletin, Table L, Volume 891, October 24, 1984.

percent, if held for five years and sold at the assumed price when added to the original mortgage balance, equals the market value of the subject property using the income approach.

6. Preferably an average debt cover ratio based on the first-year net operating income is used to determine the mortgage amount. Commercial warehouse properties reflect an average ratio of 1.24, which is increased to 1.3 for the subject reflecting the risk of higher than normal vacancy and reduced access. (Exhibit IV-2.)

#### C. Discounted Cash Flow Value Conclusion

The assumptions used in the discounted cash flow model are found in Exhibit IV-3 . The discounted after tax value of the subject property if held for five years is \$418,929 or \$420,000 rounded, using a minimum 16 percent discount factor for all the benefits to the equity position. If the property were purchased at this price, the investor would enjoy a risk position reflected by; (1) a cash breakeven ratio or default point of less than 77 percent; (2) a payback of 56.5 percent of the initial equity investment of \$139,851 by the end of the fifth year prior to resale; and (3) cash dividends of greater than 9 percent by year two increasing to almost 15 percent by the end of the fifth year. (Exhibit IV-3.) Over time a higher value could be obtained as the property reflects expense pass-throughs, adjustments to the assessed value and stabilized lease arrangements. But given current leases and no opportunity to challenge the current year's assessment, the discounted cash

# EXHIBIT IV-3

## AFTER TAX DISCOUNTED CASH FLOW MODEL AND RATIO ANALYSIS

VALUE	\$418,929.
AFTER TAX YIELD	16.00000
OVERALL RATE	0.11917
MORTGAGE CONSTANT	0.13760
MORTGAGE VALUE	\$279,078.
BUILDING VALUE	\$168,929.
EQUITY VALUE	\$139,851.
EQUITY DIVIDEND	0.08238

### CASH FLOW SUMMARY

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
NOI	\$49,923.	\$51,580.	\$53,973.	\$56,456.	\$59,030.
DEBT SER#1	-\$38,402.	-\$38,402.	-\$38,402.	-\$38,402.	-\$38,402.
BTCF	\$11,521.	\$13,178.	\$15,571.	\$18,054.	\$20,628.
NOI	\$49,923.	\$51,580.	\$53,973.	\$56,456.	\$59,030.
INTEREST 1	-\$36,888.	-\$36,675.	-\$36,432.	-\$36,154.	-\$35,837.
DEPREC	-\$9,385.	-\$9,385.	-\$9,385.	-\$9,385.	-\$9,385.
TAXABLE	\$3,650.	\$5,520.	\$8,157.	\$10,917.	\$13,808.
TAXES	\$1,460.	\$2,208.	\$3,263.	\$4,367.	\$5,523.
ATCF	\$10,061.	\$10,970.	\$12,308.	\$13,687.	\$15,105.

RESALE PRICE	\$528,000.
SELLING COST	-\$21,120.
LOAN BALANCE # 1	-\$269,052.

RESALE PRICE	\$528,000.
SELLING COST	-\$21,120.
ADJUSTED BASIS	-\$372,004.
TAXABLE GAIN	\$134,876.
LONG TERM GAIN	\$134,876.
ORDINARY TAXES	\$0.
CAPITAL GAINS TAX	\$26,975.

BEFORE TAX PROCEEDS	\$237,828.
TAXES	-\$26,975.
AFTER TAX PROCEEDS	\$210,852.

### EQUITY CASH FLOW SUMMARY

YEAR	CASH FLOW
0	-\$139,851.
1	\$10,061.
2	\$10,970.
3	\$12,308.
4	\$13,687.
5	\$225,957.



EXHIBIT IV-3 (Continued)

=====				
1985	1986	1987	1988	1989
<hr/>				
<u>Default Ratio</u>				
76.9	74.5	71.1	68.0	65.0
 <u>Equity Dividend Rate</u>				
8.24	9.4	11.1	12.9	14.7
 <u>Percent Equity Payback</u>				
8.24	17.6	28.8	41.7	56.5
<hr/>				

flow value of the subject property is \$419,929, or \$420,000 rounded.

D. Market Comparison Approach to Price

It is possible to infer from market price behavior of past transactions the probable price and range of a transaction involving the subject property and a probable buyer of the type defined, assuming that a buyer will pay no more for a property than the amount another property offering similar utility would cost. Of course, properties sell with respect to their location, size, marketability, and other factors. It is therefore necessary to reduce these differences to a common denominator or unit within which price comparison and patterns can be identified. Each property is scored on a point system that is weighted for priorities of the investor in the current market. The price per square foot of each property is divided by its score to determine a price per square foot per point. The weighted points per square foot price is first tested as a pricing formula on comparable sales. If the predicted prices are similar to the actual prices paid, then the pricing formula which has the minimum dispersion in predicting prices is applied to the subject property to determine the market comparison value of the subject parcel.

Changes in the purchasing power of the dollar, inflation, and an allowance for change in market conditions and real growth must be considered. A GNP Implicit Price Deflator was used to adjust comparables in compensating for inflation effects. Real growth or decline was negligible during this period.

Next, a comparison of the site with similar sales is made to infer a sales price. A list of variables was developed to score each property, (Exhibit IV-4), the intent being to simulate the buyer's logic in paying a sales price. Difference in attributes such as investor market recognition, access, and building height and size were used. The differences are reduced to a common measure that reflects the significance each factor has on buyer perception.

A weighted matrix which reports the calculations of total point score for comparable properties and for the subject is found in Exhibit IV-6. Then the adjusted price per square foot for each comparable is divided by its point score to determine the price per point per square foot which will be the basis for determining the mean price per point and unexplained dispersion for the comparable transactions. Finally, the pricing formula of price per point per square foot is tested for ability to predict the price of each comparable and observe an acceptable variance from actual price.

Office/warehouse sale comparables are detailed in Exhibit IV-5 which follows. Sales from south central and east areas of Madison were used to determine square foot price. The market for office/warehouse buildings is relatively homogeneous and is reflected in the small variance and predictability of the model. Exhibit IV-6 contains an attribute weighting, comparable price and size, weighted matrix, and a calculation of the mean price per point and price per square foot. The market comparison model indicates a range in property values from

## EXHIBIT IV-4

SCALE FOR SCORING COMPARABLE SALES  
 BASED ON PRICE SENSITIVE ATTRIBUTES

=====		
ATTRIBUTE	WEIGHT	SCORE
BUILDING HEIGHT	15%	5 - Greater than 18 feet 3 - 12 to 18 feet 1 - Less than 12 feet
BUILDING SIZE	20%	5 - Greater than 50,000 SF 3 - 10,000 to 50,000 SF 1 - Less than 10,000 SF
LOCATION IN MADISON	5%	5 - West 3 - Southcentral 1 - East
ACCESS/VISIBILITY AS AFFECTED BY HIGHWAY CONSTRUCTION	25%	5 - Not affected 3 - Moderately affected 1 - Drastically affected
AGE CONSTRUCTED	10%	5 - After 1977 3 - 1970 to 1977 1 - Before 1970
OFFICE/GROSS AREA RATIO	10%	5 - Greater than 40% 3 - 15% to 40% 1 - Less than 15%
LAND/BUILDING RATIO	15%	5 - Greater than 4.0 3 - 3.1 to 4.0 1 - Less than 3.1

EXHIBIT IV-5  
COMPARABLE SALE NO. 1



LOCATION: 1109 Jonathan  
NOMINAL SALE PRICE: \$340,000  
CASH EQUIVALENT PRICE: \$322,928  
SELLER: Top Brands, Inc.  
BUYER: Brad Ragan, Inc.  
DATE OF CLOSING: 8/8/80  
RECORDING DATA: Volume 2129, Page 1, Dane County  
Register of Deeds  
INSTRUMENT TYPE: Land Contract  
SITE SIZE: 101,598 square feet  
ZONING: C-3L  
PARKING: Space for customers and employees  
YEAR BUILT: 1964  
CONSTRUCTION TYPE: Masonry/Steel



## COMPARABLE SALE NO. 1 (Continued)

GROSS FLOOR AREA: 17,134 square feet

OFFICE AREA: 960 square feet

WAREHOUSE AREA: 16,174 square feet

HEAT: Suspended gas forced-air

AIR CONDITIONING: In office

SPRINKLERED: No

TRUCK DOCKS: 4

COMPARABLE SALE NO. 2



LOCATION:	4806 East Broadway
NOMINAL SALE PRICE:	\$250,000
CASH EQUIVALENT PRICE:	\$240,000
SELLER:	Budget Rent-A-Car
BUYER:	Dean E. Schwark
DATE OF CLOSING:	2/23/84
RECORDING DATA:	Volume 5392, Page 52, Dane County Register of Deeds
INSTRUMENT TYPE:	Warranty Deed
SITE SIZE:	44,820 square feet
ZONING:	C-3L
PARKING:	30 spaces
YEAR BUILT:	1971
CONSTRUCTION TYPE:	Masonry/Steel
GROSS FLOOR AREA:	10,000 square feet

## COMPARABLE SALE NO. 2 (Continued)

OFFICE AREA:	4,000 square feet
WAREHOUSE AREA:	6,000 square feet
HEAT:	Gas forced-air
AIR CONDITIONING:	Central
SPRINKLERED:	No
TRUCK DOCKS:	3

## COMPARABLE SALE NO. 3



LOCATION: 1115 O'Neill Avenue

NOMINAL SALE PRICE: \$210,000

CASH EQUIVALENT PRICE: \$200,000

SELLER: Jean Stewart

BUYER: Owen Keith Decker (Decker Supply Co.)

DATE OF CLOSING: 6/27/84

RECORDING DATA: Volume 5825, Page 81, Dane County Register of Deeds

INSTRUMENT TYPE: Land Contract

SITE SIZE: 1.05 acres, or 45,920 square feet, rectangular in shape

ZONING: M1, City of Madison

PARKING: Approximately six stalls in front of office area and three-quarters of an acre fenced yard area for truck, tools, equipment and product storage.



## COMPARABLE SALE NO. 3 (Continued)

YEAR BUILT: 1965

CONSTRUCTION TYPE: Masonry/Steel

GROSS FLOOR AREA: 13,832 square feet

OFFICE AREA: Approximately 15 percent of GBA, or 2,000 square feet. (Minor remodeling since sale.)

WAREHOUSE AREA: 11,832 square feet

HEAT: Gas heat for warehouse and office space

AIR CONDITIONING: Air conditioning in office.

SPRINKLERED: No

TRUCK DOCKS: Two overhead doors with one at grade level and one with a truck height dock excavated four feet below grade.



COMPARABLE SALE NO. 4



LOCATION: 3103 Watford Way

NOMINAL SALE PRICE: \$220,000

CASH EQUIVALENT PRICE: \$209,000

SELLER: Joseph M. Daniels

BUYER: Richard W. Rasmussen

DATE OF CLOSING: 6/30/82

RECORDING DATA: Volume 3675, Page 5, Dane County  
Register of Deeds

INSTRUMENT TYPE: Land Contract

SITE SIZE: 0.618 acres, or 26,942 square feet

ZONING: M1, City of Madison

PARKING: Approximately 12 to 14 stalls in front  
of building.

YEAR BUILT: 1970

COMPARABLE SALE NO. 4 (Continued)

CONSTRUCTION TYPE:	Pre-engineered steel frame
GROSS FLOOR AREA:	14,000 square feet
OFFICE AREA:	1,400 square feet
WAREHOUSE AREA:	12,600 square feet
HEAT:	Unheated warehouse at time of sale. Space heaters in office.
AIR CONDITIONING:	Air conditioning in office
SPRINKLERED:	No
TRUCK DOCKS:	Two overhead doors with one at grade level and one with truck height dock of 4 feet created by excavated ramp below grade.

## EXHIBIT IV-6

## ATTRIBUTE WEIGHTING

\*\*\*\* 313 WEST BELTLINE \*\*\*\*

# Attributes = 7

Attribute Names, Prelim. Weights

BUILDING HEIGHT 15  
 SIZE 15  
 LOCATION 15  
 ACCESS/VISIBILITY 25  
 AGE 15  
 OFFICE/GROSS AREA RATIO 15  
 LAND/BUILDING RATIO 0

# of Observations = 4

Observ. # 1 1109 JONATHAN Price 18.85

BUILDING HEIGHT 3  
 SIZE 3  
 LOCATION 3  
 ACCESS/VISIBILITY 3  
 AGE 1  
 OFFICE/GROSS AREA RATIO 1  
 LAND/BUILDING RATIO 5

Observ. # 2 4806 BROADWAY Price 24

BUILDING HEIGHT 3  
 SIZE 3  
 LOCATION 3  
 ACCESS/VISIBILITY 5  
 AGE 3  
 OFFICE/GROSS AREA RATIO 5  
 LAND/BUILDING RATIO 3

Observ. # 3 1115 ONEILL Price 14.45

BUILDING HEIGHT 3  
 SIZE 3  
 LOCATION 1  
 ACCESS/VISIBILITY 1  
 AGE 1  
 OFFICE/GROSS AREA RATIO 3  
 LAND/BUILDING RATIO 3

Observ. # 4 3103 WATFORD Price 14.94

BUILDING HEIGHT 5  
 SIZE 3  
 LOCATION 3  
 ACCESS/VISIBILITY 1  
 AGE 3  
 OFFICE/GROSS AREA RATIO 1  
 LAND/BUILDING RATIO 1

The Matrix:

15	15	15	25	15	15	0
5	5	5	15	5	5	-10
10	10	10	20	10	10	-5
20	20	20	30	20	20	5
25	25	25	35	25	25	10

Final Results:

Number of Combinations = 78125  
 Number of Combinations Adding to 100% = 5308

Median = 6.497827  
 Mean = 6.51258  
 Standard Deviation = 3.749299E-02

Weights:  
 BUILDING HEIGHT = 15  
 SIZE = 20  
 LOCATION = 5  
 ACCESS/VISIBILITY = 25  
 AGE = 10  
 OFFICE/GROSS AREA RATIO = 10  
 LAND/BUILDING RATIO = 15

# COMPARABLE SALE PRICE ADJUSTMENTS

	Comparable Number 1	Comparable Number 2	Comparable Number 3	Comparable Number 4	Comparable Number 5	Comparable Number 6	Comparable Number 7	Comparable Number 8
Nominal sale price	0	0	0	0	0	\$0	\$0	\$0
Sales price adjusted for terms	322928	240000	200000	209000	0	\$0	\$0	\$0
Site/structure size	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Additional adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Additional adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted sale price	\$322,928	\$240,000	\$200,000	\$209,000	\$0	\$0	\$0	\$0
BUILDING - sq. ft.	17,134	10,000	13,832	14,000	0	0	0	0
Price per sq. ft.	\$18.85	\$24.00	\$14.46	\$14.93	\$0.00	\$0.00	\$0.00	\$0.00

EXHIBIT IV-6 (Continued)

WEIGHTED ATTRIBUTE MATRIX FOR COMPARABLE PROPERTIES

FEATURE OR ATTRIBUTE	WEIGHT	Subject Property	Comp. No. 1	Comp. No. 2	Comp. No. 3	Comp. No. 4	Comp. No. 5	Comp. No. 6	Comp. No. 7	Comp. No. 8
BUILDING HEIGHT	0.15	3 /0.45	3 /0.45	3 /0.45	3 /0.45	5 /0.75	0 /0.00	0 /0.00	0 /0.00	0 /0.00
SIZE	0.20	3 /0.60	3 /0.60	3 /0.60	3 /0.60	3 /0.60	0 /0.00	0 /0.00	0 /0.00	0 /0.00
LOCATION	0.05	3 /0.15	3 /0.15	3 /0.15	1 /0.05	3 /0.15	0 /0.00	0 /0.00	0 /0.00	0 /0.00
ACCESS/VISIBILITY	0.25	1 /0.25	3 /0.75	5 /1.25	1 /0.25	1 /0.25	0 /0.00	0 /0.00	0 /0.00	0 /0.00
AGE	0.10	1 /0.10	1 /0.10	3 /0.30	1 /0.10	3 /0.30	0 /0.00	0 /0.00	0 /0.00	0 /0.00
OFFICE/GROSS AREA RATIO	0.10	1 /0.10	1 /0.10	5 /0.50	3 /0.30	1 /0.10	0 /0.00	0 /0.00	0 /0.00	0 /0.00
LAND/BUILDING RATIO	0.15	1 /0.15	5 /0.75	3 /0.45	3 /0.45	1 /0.15	0 /0.00	0 /0.00	0 /0.00	0 /0.00
Additional feature or attribute	0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00
TOTAL WEIGHTED SCORE	1.00	1.80	2.90	3.70	2.20	2.30	0.00	0.00	0.00	0.00

EXHIBIT IV-6 (Continued)

CALCULATION OF MOST PROBABLE PRICE  
USING MEAN PRICE PER POINT EQUATION METHOD

Comparable Property	Adjusted Selling Price per SF of GBA	Weighted Point Score	Price per SF ----- Weighted Point Score	Estimated Selling Price Per SF of GBA
1	\$18.85	2.90	\$6.50	\$18.87
2	\$24.00	3.70	\$6.49	\$24.09
3	\$14.46	2.20	\$6.57	\$14.32
4	\$14.93	2.30	\$6.49	\$14.97
5	\$0.00	0.00	\$0.00	
6	\$0.00	0.00	\$0.00	
7	\$0.00	0.00	\$0.00	
8	\$0.00	0.00	\$0.00	
TOTAL			\$26.05	

$$\text{Central Tendency or Mean} = \bar{X} = x/n = \frac{\$26.05}{4} = \$6.51$$

$$\text{Dispersion or Standard Deviation} = \frac{*}{0.040}$$

$$\text{Value range: } x - \text{dispersion} = 6.51 \pm 0.04$$

Gross Building Area Of Subject      Weighted Score

$$\begin{array}{rcl} & 36876 & \\ x & 1.80 & \\ x & 6.51 & + \end{array} \quad 0.04 =$$

High Estimate of 434942.99  
Central Tendency of 432255.36  
Low Estimate of 429567.72



\$11.65 per square foot to \$11.79 per square foot of gross building area adjusted for specific differences listed in Exhibit IV-4. When applied to the 36,876 square feet of gross building area of the subject property, these convert to a range of values from \$429,567 to \$434,942, with a central tendency of \$432,255. The value conclusion from the market comparison approach is \$432,000, or \$11.72 per square foot of GBA.

E. Reconciliation of Value

The income approach, which is the primary indicator of value for this type of building, suggested a value of \$420,000. The market approach indicated a basic price closer to \$432,000. Given the shortage of adequate sales of steel office/warehouses in the immediate area of the subject, and a higher than average vacancy coupled with greatly reduced access caused by new highway construction, primary reliance remains with the investment approach, thus leaving the market approach as a secondary check on value. The appraisers conclude that market value as of January 1, 1985, with cash to the seller, is:

FOUR HUNDRED TWENTY THOUSAND DOLLARS

\$420,000

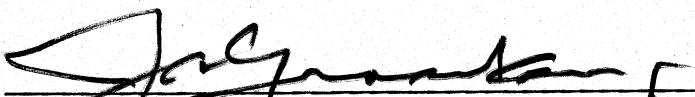
CERTIFICATE OF APPRAISAL


We hereby certify that we have no interest, present or contemplated, in the property and that neither the employment to make the appraisal nor the compensation is contingent on the value of the property. We certify that we have personally inspected the property and that according to our knowledge and belief, all statements and information in the report are true and correct, subject to the underlying assumptions and limiting conditions.

Based on the information and subject to the limiting conditions contained in this report, it is our opinion that the market value as defined herein, of this property as of January 1, 1985, is:

FOUR HUNDRED TWENTY THOUSAND DOLLARS

(\$420,000)

  
James A. Graaskamp, Ph.D., SREA, CRE

  
Craig D. Hungerford

6/21/85

Date

J A M E S   A .   G R A A S K A M P

PROFESSIONAL DESIGNATIONS

SREA, Senior Real Estate Analyst, Society of Real Estate Appraisers

CRE, Counselor of Real Estate, American Society of Real Estate  
Counselors

CPCU, Certified Property Casualty Underwriter, College of Property  
Underwriters

EDUCATION

Ph.D., Urban Land Economics and Risk Management - University of Wisconsin  
Master of Business Administration Security Analysis - Marquette University  
Bachelor of Arts - Rollins College

ACADEMIC AND PROFESSIONAL HONORS

Chairman, Department of Real Estate and Urban Land Economics,  
School of Business, University of Wisconsin  
Urban Land Institute Research Fellow  
University of Wisconsin Fellow  
Omicron Delta Kappa  
Lambda Alpha - Ely Chapter  
Beta Gamma Sigma  
William Kiekhofer Teaching Award (1966)  
Urban Land Institute Trustee

PROFESSIONAL EXPERIENCE

Dr. Graaskamp is the President and founder of Landmark Research, Inc., which was established in 1968. He is also co-founder of a general contracting firm, a land development company, and a farm investment corporation. He is formerly a member of the Board of Directors and treasurer of the Wisconsin Housing Finance Agency. He is currently a member of the Board and Executive Committee of First Asset Realty Advisors, a subsidiary of First Bank Minneapolis. He is the co-designer and instructor of the EDUCARE teaching program for computer applications in the real estate industry. His work includes substantial and varied consulting and valuation assignments to include investment counseling to insurance companies and banks, court testimony as expert witness and the market/financial analysis of various projects, both nationally and locally, and for private and corporate investors and municipalities.

C R A I G D. H U N G E R F O R D

EDUCATION

Master of Science in Business; major in Real Estate Appraisal  
and Investment Analysis - University of Wisconsin - Madison

Master of Arts in Landscape Architecture - University of  
Wisconsin - Madison

Bachelor of Science in Landscape Architecture - University of  
Wisconsin - Madison

PROFESSIONAL EXPERIENCE

Mr. Hungerford is currently associated with Landmark Research, Inc., as an appraiser and research consultant. He has a variety of experience in valuation, feasibility, and land use studies for private, corporate, and municipal clients. His specialties include computer applications and simulation for development and wilderness and valuation purposes.

APPENDIX A  
LEGAL DESCRIPTION

A parcel of land located in the NE1/4 of the SE1/4 of Sec. 35, T7N, R9E, Town of Madison, Dane County, Wisconsin to-wit:

Commencing at the East Quarter corner of said Section 35, Thence S 00 degrees 01'20"E, 33.00 feet; thence S 70 degrees 01'10" W, 1,051.79 feet to the point of beginning; thence S 00 degrees 09'20"W, 453.26 feet; thence S 70 degrees 01'10"W, 170.42 feet; thence N 00 degrees 09'20"E, 453.26 feet; thence N 70 degrees 01'10"E, 170.42 feet to the point of beginning. The above parcel is subject to a 50-foot wide right-of-way agreement across the front.

Source: Survey Map dated August 26, 1976.

APPENDIX B  
C1 ZONING DISTRICT  
PERMITTED USES



SECTION 10.13 C-1 COMMERCIAL DISTRICT

(1) PERMITTED USES.

- (a) Retail and service uses including but not limited to grocery stores, drugstores, hardware stores, appliance and furniture stores, barbershops and beauty shops without limitation as to size.
- (b) Self service laundries and dry cleaning establishments.
- (c) Warehousing and storage incidental to a permitted use on the premises.
- (d) Medical, dental and veterinary clinics.
- (e) Banks, offices, office buildings and condominium office buildings devoting not more than two (2) floors to office space.
- (f) Utility services.
- (g) Rooming and boarding houses.
- (h) Bakeries, printing plants, laundries, dry cleaning plants.
- (i) Distribution centers and wholesale businesses.
- (j) Woodworking shops, machine shops, manufacturing and assembly plants.
- (k) Bicycle sales and service.
- (l) Rental businesses, except for motor vehicles and construction machinery and equipment.
- (m) Experimental laboratories not to exceed 5,000 square feet of floor area.
- (o) Sales and repair of lawn and garden equipment.

(2) CONDITIONAL USES permitted in the C-1 Commercial District.

- (a) Single family residences, duplexes, multi-family residences.
- (b) Banks, offices, office buildings and condominium office buildings devoting more than two floors to office space.
- (c) Motels, hotels, taverns, funeral homes and drive-in establishments. In addition to the standards established in 10.25 (4) (g) the additional standards in 10.11 (2) 1. shall apply to drive-in establishments.
- (d) Hospitals, veterinary hospitals, nursing homes, convalescent centers, extended care facilities.
- (e) Mobile home parks, subject to special conditions as provided for in 10.08 (9).
- (f) Outdoor amusement parks or other entertainment activity that is open to the public on either a permanent or temporary basis.
- (g) Indoor or outdoor movie theater.
- (h) Automobile laundries, car wash facilities.
- (i) Dog and cat boarding kennels, grooming and training facilities.
- (j) Radio, television transmitting towers, microwave towers, community television antenna including the buildings or structures necessary for their operation but not including buildings for offices, studios or the like. The committee may grant the permit if it finds that the tower if it falls will not fall on a public road right-of-way or on adjacent property.
- (k) Storage of motor vehicles awaiting disposition either as abandoned vehicles or for the settlement of an insurance claim.
- (m) Governmental uses.
- (n) Agricultural uses.

(3) BUILDING HEIGHT LIMIT.

(a) For business buildings, including offices, the maximum building height shall be four (4) stories, provided, however, that any building that provides more than two (2) stories devoted to office space, a conditional use permit shall be required.

(b) Lots or building sites for residential purposes or for combined business and residential uses shall comply with the requirements of the R-4 Residence District.

(4) AREA, FRONTAGE AND POPULATION DENSITY REGULATIONS. Area, frontage and population density regulations shall be the same as for the B-1 Local Business District.

(5) SETBACK REQUIREMENTS. Setback from front lot line or highway right-of-way shall comply with the provision of Section 10.17.

(6) SIDE YARD REQUIREMENTS. Side yard requirements shall be the same as for the B-1 Local Business District.

(7) REAR YARD REQUIREMENTS.

(a) For buildings to be used exclusively for business purposes the minimum depth of any rear yard shall be 10 feet.

(b) For residential buildings, or buildings combining residential and business uses, the minimum depth of any rear yard shall be 25 feet.

(8) OFF-STREET PARKING. Off-street parking space shall be provided in accordance with the provisions of Section 10.18.

(9) SCREENING PROVISIONS. On lots adjacent to or abutting land in a residence district, the screening provisions of Section 10.16 (8) shall be complied with prior to the issuance of a certificate of compliance.

APPENDIX C  
COMPARABLE LAND SALES

COMPARABLE LAND SALE NO. 1



LOCATION: 900 John Nolen Drive

SALE PRICE: \$216,000

ADJUSTED SALE PRICE: \$218,110

ADJUSTED SALE PRICE/SF: \$2.78

SELLER: Wesley Zulty

BUYER: Peter F. Roe and Thomas C. Huset

DATE OF CLOSING: 2/29/84

RECORDING DATA: Volume 5404, Page 3, Dane County Register of  
Deeds

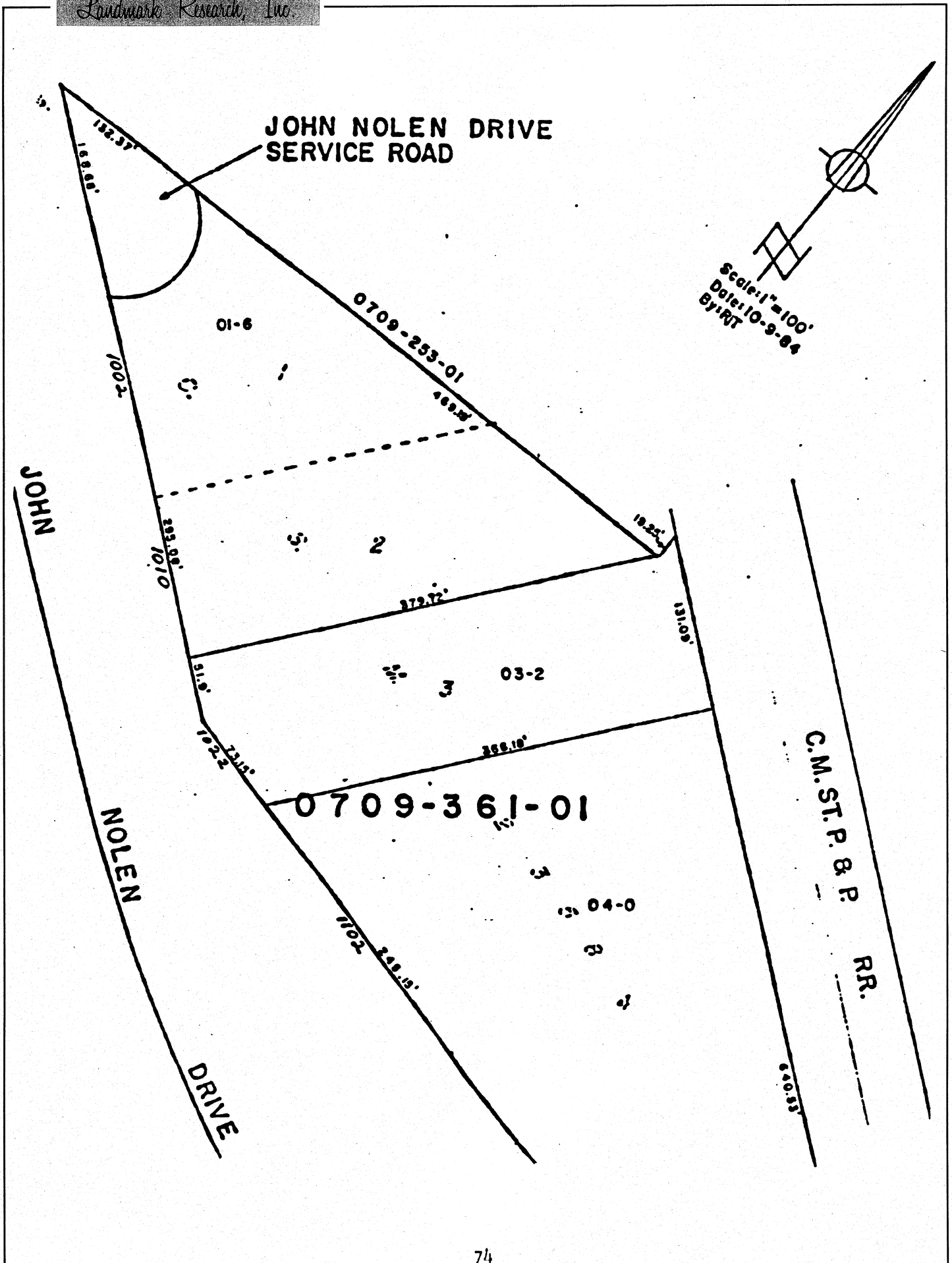
INSTRUMENT TYPE: Warranty Deed

TRANSFER FEE: \$648

SIZE: 78,457 square feet

ZONING: C-3L

PARCEL NO.: 0709-361-0101





COMPARABLE LAND SALE NO. 2



LOCATION: 1325 Applegate

SALE PRICE: \$112,000

ADJUSTED SALE PRICE: \$115,006

ADJUSTED SALE PRICE/SF: \$2.54

LEGAL DESCRIPTION: Lot 10, Commercial Centers

SELLER: Vista Structures, Inc.

BUYER: Ahrens Cadillac-Oldsmobile, Inc.

RECORDING DATA: Recorded 9/16/83, Volume 4823, Page 79, Dane County  
Register of Deeds

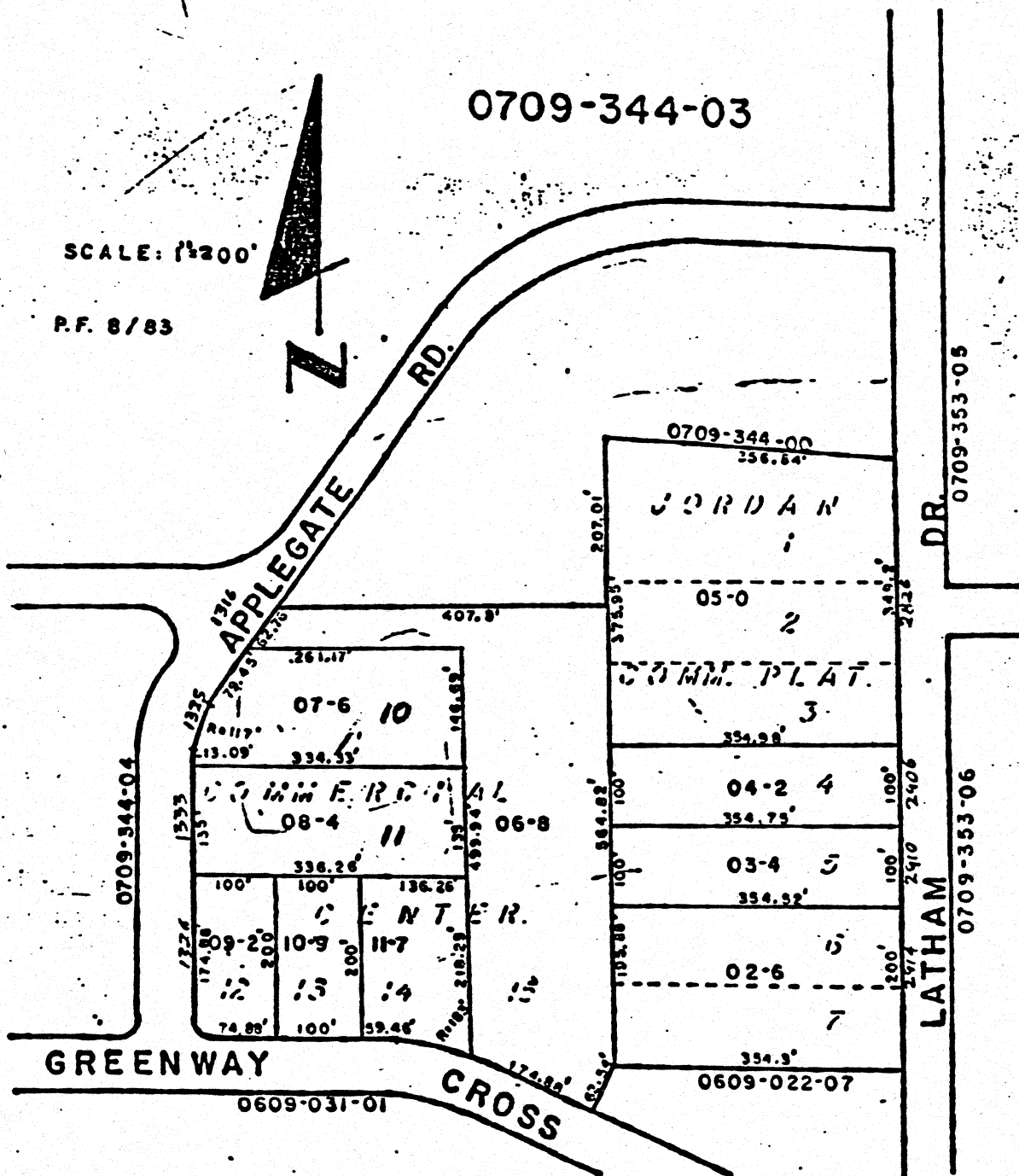
INSTRUMENT TYPE: Warranty Deed

TRANSFER FEE: \$336

SIZE: 45,325 square feet

ZONING: C-3L

PARCEL NO.: 0709-344-0307-6



COMPARABLE LAND SALE NO. 3



LOCATION: 1333 Applegate Road

SALE PRICE: \$116,000

ADJUSTED SALE PRICE: \$119,047

ADJUSTED SALE PRICE/SF: \$2.63

LEGAL DESCRIPTION: Lot 11 - Commercial Center, City of Madison

SELLER: Commercial Center Properties, a partnership

BUYER: Ahrens Cadillac-Oldsmobile, Inc., a Wisconsin Corp.

DATE OF CLOSING: 9/26/83

RECORDING DATA: Volume 4858, Page 33, Dane County Register of Deeds

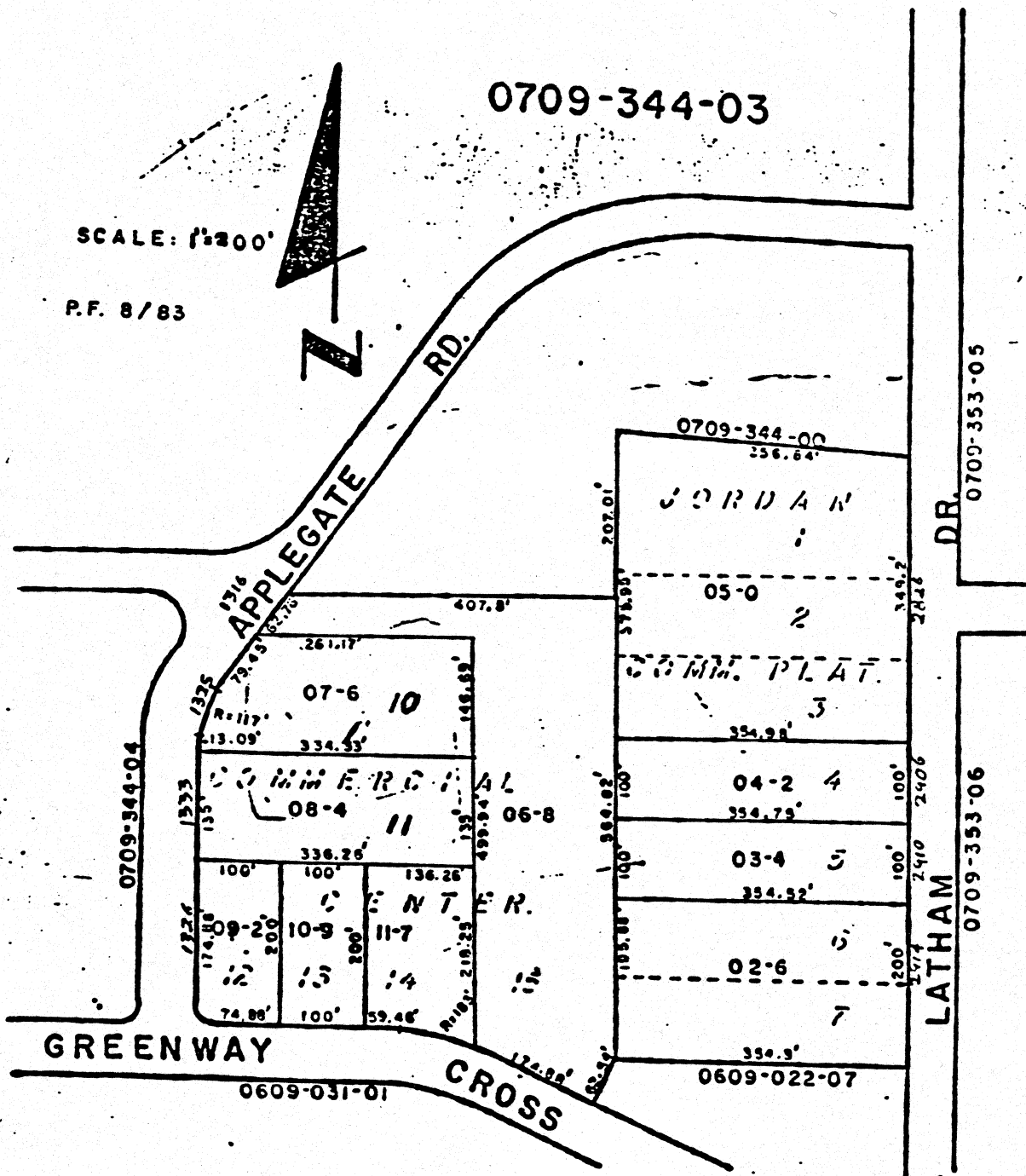
INSTRUMENT TYPE: Warranty Deed

TRANSFER FEE: \$348

SIZE: 45,265 square feet

ZONING: C-3L

PARCEL NO: 0709-344-0307-6





COMPARABLE LAND SALE NO. 4



LOCATION: 1301 Greenway Cross

SALE PRICE: \$87,275

ADJUSTED SALE PRICE: \$88,229

ADJUSTED SALE PRICE/SF: \$2.69

LEGAL DESCRIPTION: Lots 5 and 6 Maple Lawn Heights -  
Commercial Plat, City of Madison

SELLER: James T. Define, Jr., and Jerome J. Heinrichs

BUYER: Obert L. Bauer

DATE OF CLOSING: 2/16/84

RECORDING DATA: Volume 5369, Page 25, Dane County Register of Deeds

INSTRUMENT TYPE: Warranty Deed

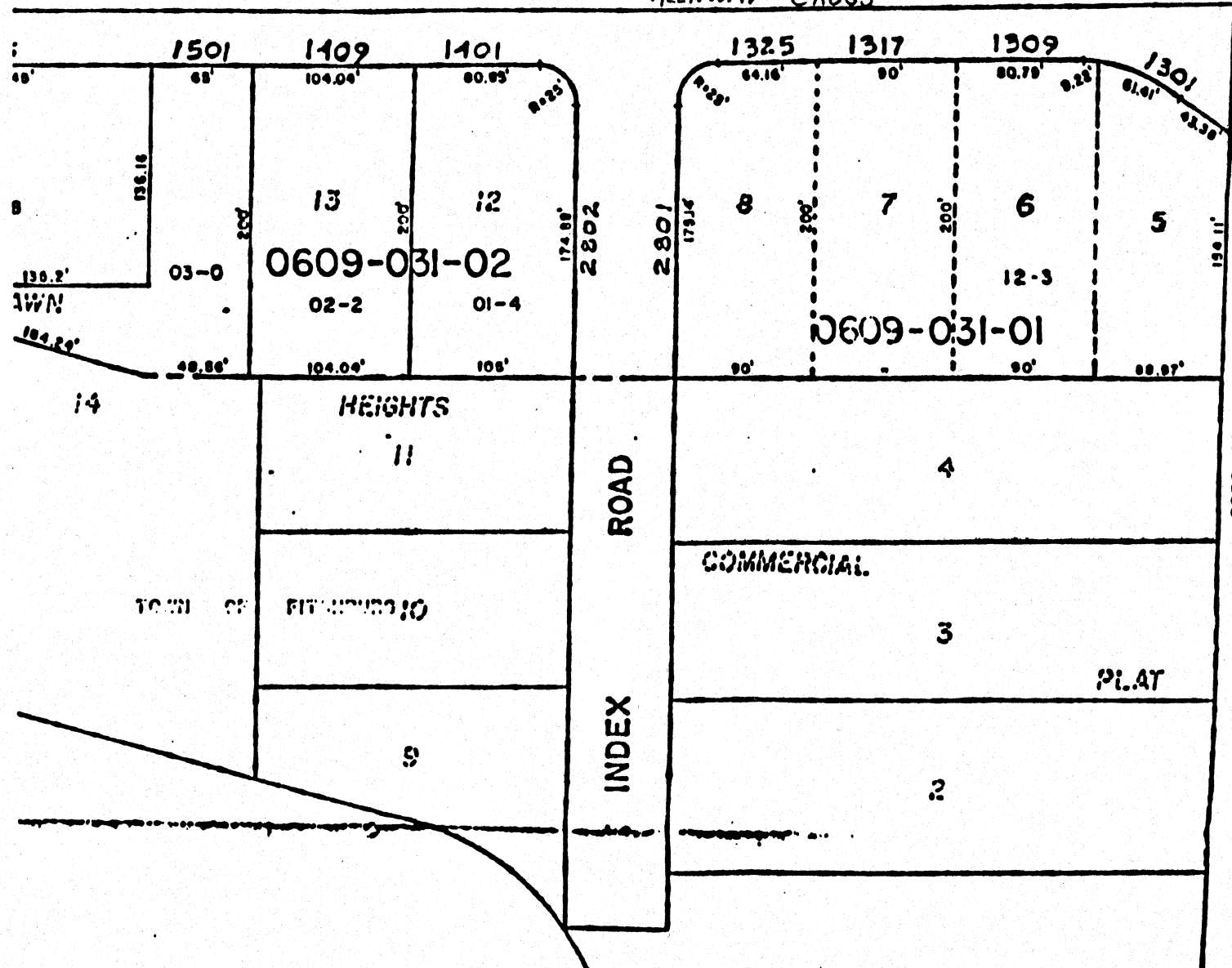
TRANSFER FEE: \$261.83

SIZE: 32,799 square feet

ZONING: C-3L

PARCEL NO: 0609-031-01

## GREENWAY CROSS





COMPARABLE LAND SALE NO. 5



LOCATION: 1317 Greenway Cross

SALE PRICE: \$90,000

ADJUSTED SALE PRICE: \$91,617

ADJUSTED SALE PRICE/SF: \$2.56

LEGAL DESCRIPTION: Lots 7 and 8 Maple Lawn Heights,  
Commercial Plat

SELLER: James T. Define, Jr., and Jerome J. Heinrichs

BUYER: Obert L. Bauer

DATE OF CLOSING: 10/24/83

RECORDING DATA: Volume 5044, Page 66, Dane County Register of Deeds

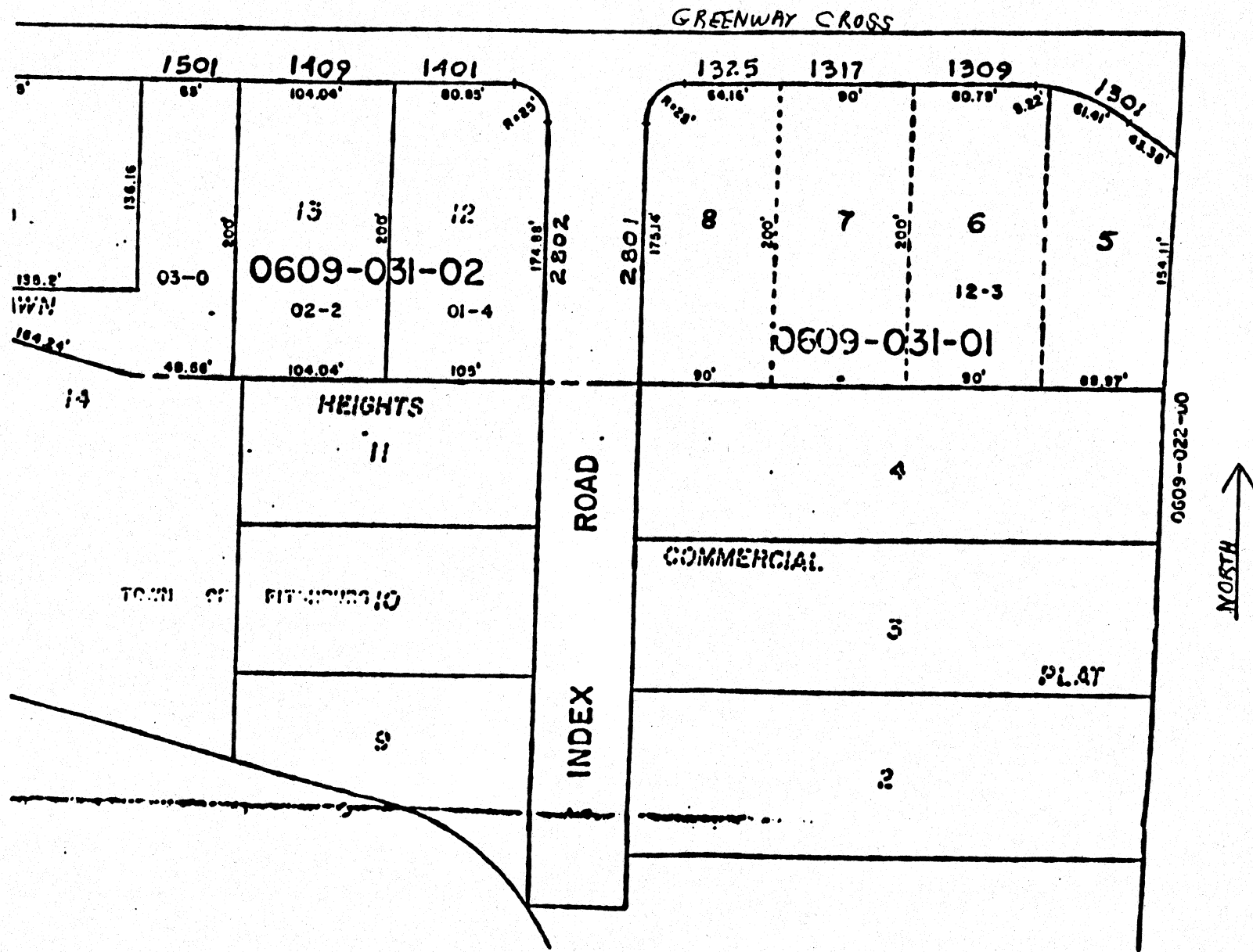
INSTRUMENT TYPE: Warranty Deed

TRANSFER FEE: \$270

SIZE: 35,788 square feet

ZONING: C-3L

PARCEL NO.: 0609-031-01



## APPENDIX C (Continued)

## SCALE FOR SCORING COMPARABLE LAND SALE ATTRIBUTES

## VISIBILITY:

- 5 - Highly visible from the Beltline Highway
- 3 - Partially visible or set back from frontage road a significant distance
- 1 - Not visible from Beltline Highway

## SIZE:

- 5 - Less than 1 acre
- 3 - Between 1 and 2 acres
- 1 - Greater than 2 acres

## FRONTAGE/DEPTH RATIO:

- 5 - Ratio  $< 0.5$
- 3 - Ratio  $0.5 - 1.0$
- 1 - Ratio  $> 1.0$

## APPENDIX C (Continued)

ATTRIBUTE WEIGHTING  
FOR LAND COMPARABLES

# Attributes = 3

Attribute Names, Prelim. Weights

VISABILITY 30

SIZE 55

FRONTAGE/DEPTH RATIO 15

# of Observations = 5

Observ. # 1 1325 APPLGATE Price 2.54

VISABILITY 3

SIZE 3

FRONTAGE/DEPTH RATIO 5

Observ. # 2 1333 APPLGATE Price 2.63

VISABILITY 3

SIZE 3

FRONTAGE/DEPTH RATIO 5

Observ. # 3 900 JOHN NOLEN Price 2.78

VISABILITY 5

SIZE 3

FRONTAGE/DEPTH RATIO 3

Observ. # 4 1301 GREENWAY CROSS Price 2.69

VISABILITY 1

SIZE 5

FRONTAGE/DEPTH RATIO 3

Observ. # 5 1317 GREENWAY CROSS Price 2.56

VISABILITY 1

SIZE 5

FRONTAGE/DEPTH RATIO 1

The Matrix:

30 55 15

20 45 5

25 50 10

35 60 20

40 65 25

Median = .7722222

Mean = .7814921

Standard Deviation = 1.560529E-02

Weights:

VISABILITY = 30

SIZE = 55

FRONTAGE/DEPTH RATIO = 15

Sudworth Research, Inc.

# COMPARABLE SALE PRICE ADJUSTMENTS FOR LAND COMPARABLES

	Comparable Number 1	Comparable Number 2	Comparable Number 3	Comparable Number 4	Comparable Number 5	Comparable Number 6	Comparable Number 7	Comparable Number 8
Nominal sale price	0	0	0	0	0	\$0	\$0	\$0
Sales price adjusted for terms	115006	119047	218110	88229	91617	\$0	\$0	\$0
Site/structure size	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Additional adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Additional adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted sale price	\$115,006	\$119,047	\$218,110	\$88,229	\$91,617	\$0	\$0	\$0
LOT - sq. ft.	45,325	45,265	78,457	32,799	35,788	0	0	0
Price per sq. ft.	\$2.54	\$2.63	\$2.78	\$2.69	\$2.56	\$0.00	\$0.00	\$0.00

# WEIGHTED ATTRIBUTE MATRIX FOR COMPARABLE LAND

FEATURE OR ATTRIBUTE	WEIGHT	Subject Property	Comp. No. 1	Comp. No. 2	Comp. No. 3	Comp. No. 4	Comp. No. 5	Comp. No. 6	Comp. No. 7	Comp. No. 8
VISIBILITY	0.30	5 /1.50	3 /0.90	3 /0.90	5 /1.50	1 /0.30	1 /0.30	0 /0.00	0 /0.00	0 /0.00
SIZE	0.55	1 /0.55	3 /1.65	3 /1.65	3 /1.65	5 /2.75	5 /2.75	0 /0.00	0 /0.00	0 /0.00
FRONTAGE/DEPTH RATIO	0.15	3 /0.45	5 /0.75	5 /0.75	3 /0.45	3 /0.45	1 /0.15	0 /0.00	0 /0.00	0 /0.00
	0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00
Additional feature or attribute	0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00
Additional feature or attribute	0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00
Additional feature or attribute	0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00
Additional feature or attribute	0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00	0 /0.00
TOTAL WEIGHTED SCORE	1.00	2.50	3.30	3.30	3.60	3.50	3.20	0.00	0.00	0.00



CALCULATION OF MOST PROBABLE PRICE  
USING MEAN PRICE PER POINT EQUATION METHOD  
LAND COMPARABLES

Comparable Property	Adjusted Selling Price per SF of GBA	Weighted Point Score	Price per SF Weighted Point Score	Estimated Selling Price Per SF of GBA
1	\$2.54	3.30	\$0.77	\$2.57
2	\$2.63	3.30	\$0.80	\$2.57
3	\$2.78	3.60	\$0.77	\$2.80
4	\$2.69	3.50	\$0.77	\$2.73
5	\$2.56	3.20	\$0.80	\$2.50
6	\$0.00	0.00	\$0.00	
7	\$0.00	0.00	\$0.00	
8	\$0.00	0.00	\$0.00	
TOTAL			\$3.91	

$$\text{Central Tendency or Mean} = \bar{X} = x/n = \frac{\$3.91}{5} = \$0.78$$

$$\text{Dispersion or Standard Deviation} = \frac{*}{0.016}$$

$$\text{Value range: } x - \text{dispersion} = 0.78 \pm 0.02$$

Gross Land Area Of Subject	X	Weighted Point Score	X (Central Tendency + Dispersion) =
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$$\begin{array}{rcl} x & 2.50 & \\ x & 0.78 & + \end{array} \quad 0.02 =$$

High Estimate of	1.99
Central Tendency of	1.95
Low Estimate of	1.91

\*  
The standard deviation equals the square root of the sum of  
 $\frac{(x-x)^2}{n-1}$  for each comparable sale divided by n-1.

