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THE OREGON SHOPPING PLAZA

OREGON, WISCONSIN

Landmark
Research
Inc.

Landmark Research, Inc.

OREGON SHOPPING PLAZA

Landmark
Research
Inc.

July 2, 1981

James A. Graaskamp, Ph.D., SREA, CRE
Tim Warner, MS, MAI, SREA
Jean B. Davis, MS

Mr. Ray Tomlinson
P.O. Box 2075
Madison, WI 53705

Mr. George Fait
P.O. Box 2075
Madison, WI 53705

Dear Mr. Tomlinson and Mr. Fait:

With this letter we are delivering to you the appraisal of the Oregon shopping Plaza located in the Village of Oregon, Dane County, Wisconsin, which was requested as a measure of the fair market value as of January 1, 1981, for the purpose of contesting the proposed assessment by the Village of Oregon Assessor.

Both James A. Graaskamp, the appraiser, and Landmark Research, Inc.'s research associate, Martha G. Heisel, have inspected the property and its environs. You provided us with the needed information such as lease terms, rental rates and occupancy data, and we also received information from your accountant, Armand Jay Simon, Jr., C.P.A. It was necessary to reconstruct these records in accordance with appraisal methods. We were careful to distinguish between the real estate and the personal property of the tenants such as shelving, display cabinetry and other store furnishings.

The present use of the site is assumed to be its most probable use.

Our value assumes a cash sale of the property; this assumption is necessary to be consistent with Wisconsin Real Estate Tax law since the purpose of the appraisal is to serve as a basis for real estate tax assessment valuation as of January 1, 1981.

As further explained within the report, the market approach and the cost approach to value are inapplicable at the present time for this shopping center. Therefore, our estimate is based upon the income approach to value.

Based upon the assumptions, limiting conditions, and property tax law as presented in the attached report, it is the opinion of the appraiser that the highest most probable price in dollars and fair market value of the subject property, more precisely described herein, which might be obtained as of January 1, 1981, is the amount of:

SEVEN HUNDRED FIFTY THOUSAND DOLLARS
(\$750,000)

We are pleased to have been of service, and Mrs. Heisel and I remain available to answer any specific questions you may have regarding this report. Please give me adequate notice as to date, time, and location of presentations to the Village of Oregon Assessor, the Village Board of Review, or hearings related thereto about which we have not already communicated.

FOR LANDMARK RESEARCH, INC.

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

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I. BASIC APPRAISAL CONDITIONS

A. The Issue

The issue for which this appraisal will serve as a benchmark is a real estate tax appeal filed with The Board of Review of the Village of Oregon regarding the Oregon Shopping Plaza assessed value as of January 1, 1981. The property is owned as a partnership by George A. Fait and Ray A. Tomlinson.

B. Definition of Value

In Wisconsin for purposes of tax assessment valuation the definition presumes cash to the seller at a price that would be paid by another owner/user, or in essence, fair market value as defined jointly by the American Institute of Real Estate Appraisers on page 160 of the revised edition of REAL ESTATE APPRAISAL TERMINOLOGY:

The most probable price in terms of money which a property should bring in competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, 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 each acting in what they consider their own best interest.
3. a reasonable time is allowed for exposure in the open market.
4. payment is made in cash or its equivalent.
5. financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale.
6. the price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs, or credits incurred in the transaction.

C. The Property to be Appraised

Property to be appraised is characterized as a neighborhood shopping center on the northern outskirts of the Village of Oregon, at 827 Main Street, legally described as:

Lots Two (2) and Three (3), Certified Survey Map 2139, recorded in Volume Eight (8) of Certified Survey Maps, Dane County Registry, Page 364 as Document No. 1484311 and consisting of 6.745 acres, more or less, lying and being in the County of Dane.

The tax description continues to recognize two parcels of land with the building situated on only one of them, a misstatement of the fact since the building lies astride both parcels so that the total assessment on the shopping center is the sum of two tax parcels. The assessed value for these two parcels proposed for January 1, 1981 and subject to appeal are:

<u>Parcel Number</u>	<u>Land Assessment</u>	<u>Building Assessment</u>	<u>Total Assessment</u>
52-01-259.6	\$127,000.00	\$693,700.00	\$820,700.00
52-01-259.14	66,400.00		66,400.00
	<hr/>	<hr/>	<hr/>
	\$193,400.00	\$693,700.00	\$887,100.00

D. Legal Right to be Appraised

This appraisal assumes the sale of fee simple title of the property described above despite the existence of encumbrances created by certain leases described later in the report and a first mortgage lein to the benefit of the Wisconsin Life Insurance Company dated April 27, 1978. The mortgage terms do not permit assignment, or assumption in the event of sale, unless the lender provides written consent upon such terms, conditions, and the payment of fees as the mortgagee in its sole discretion may impose. In short, the mortgage contains a due-on-sale clause so that sale on January 1, 1981 must presume financing at interest rates and terms available in the market place. The existence of leases at a given rent must be overlooked to the degree that market rents would be higher than contract rents as of the date of appraisal. No leasehold interests were found to exist as of January 1, 1981 but may appear in the future as changing times may cause long term leases to become unfair to the landlord relative to the market.

Property rights include the interest in land, building, and such finishes and features which are added to the structure as fixtures and are not the property of the tenant. Shelving, display cabinetry and other store furnishings are not included and remain the personal property of the tenant.

II. PROPERTY PRODUCTIVITY

To understand the most probable use of the property will also infer the most probable buyer type to the analyst. The combined profile of buyer and property suggest what to look for as comparable property sales, or how much he is willing to pay. The unit of comparison or basis for estimating a purchase price reflect the productivity of the site. In this case the site is occupied by a newly built neighborhood shopping center (developed during 1978 and 1979 with some 2,500 square feet of tenant space still vacant, unfinished, and floorless). This use will be the best use of the site for some time to come, but it is important to analyze the fit of the building to the site and the site to the community in order to judge its quality as a commercial investment property for purposes of market or income valuation.

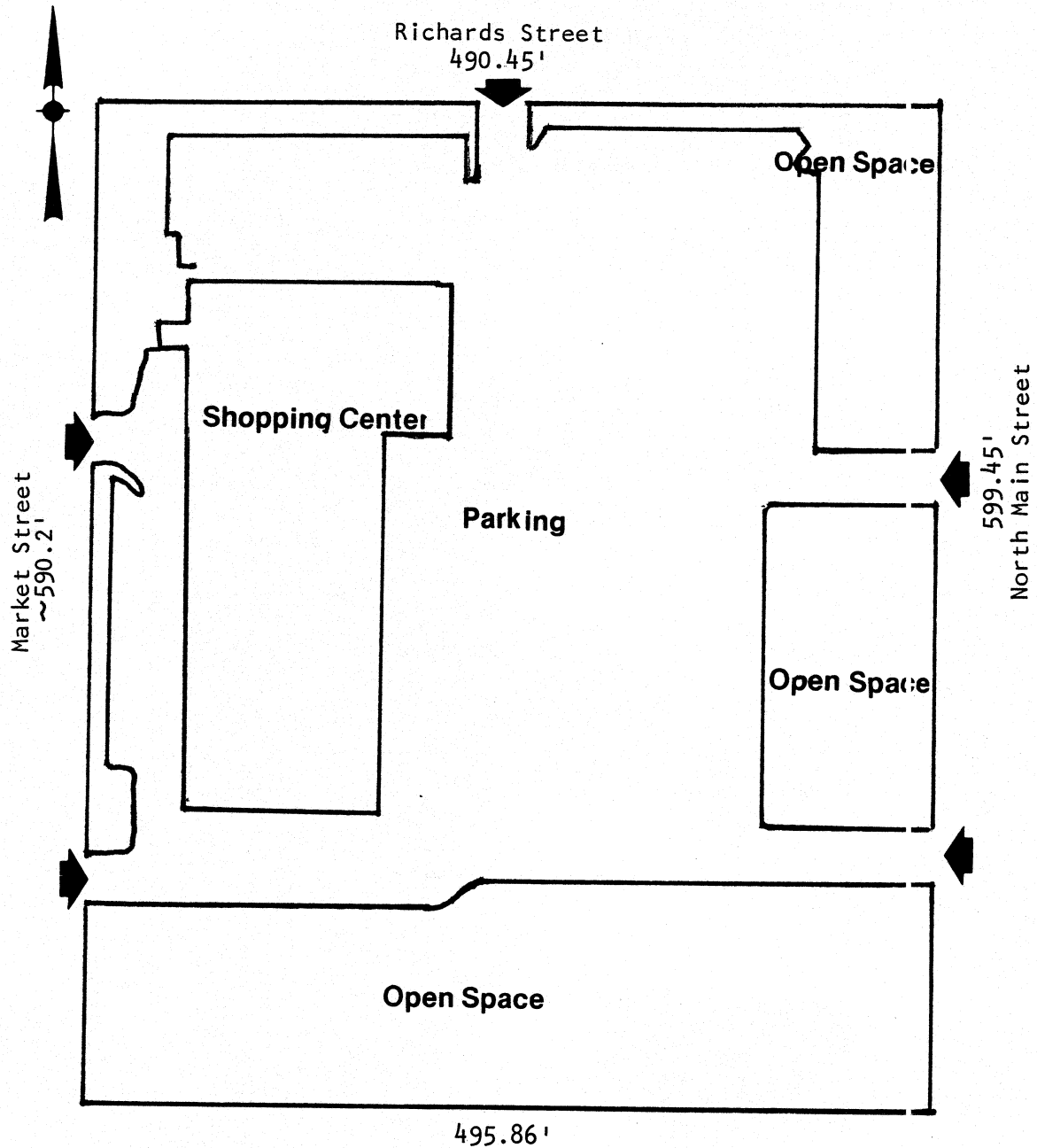
A. The Site

The site is rectangular, 6.75 acres, more or less, and zoned C-1 for Business. The topography is well suited for a shopping center as it slopes up gently from Main Street while tapering down slightly to the north toward its northern border on Richard Street. See Exhibit 1 for site plan. At the same time, its rear boundary on the west is Market Street, the beginning of a village industrial park. The site drops off sharply along Market Street, providing an excellent loading dock level along the rear so that deliveries are well separated from customer cars and pedestrians but trucks do not have to cross through the site or travel through residential areas. At the same time, the taper of the lot to the north permits the ceiling heights on the Certco Supermarket to be approximately 30 inches higher for this largest store unit than for the other smaller area stores in the building while maintaining a straight, strong roofline and fascia to tie the building together aesthetically. The total site area of 294,000 square feet is generous relative to the building area of 39,575 square feet. The Urban Land Institute recommended parking ratio of 5.5 spaces per thousand square feet of gross leaseable area would suggest two hundred twenty parking spaces while the site would permit more than six hundred. As a result, there is a generous apron of lawn facing North Main Street and along the shallow banks facing Richard Street on the north and Market Street on the west. The project is highly visible from either southern or northern approaches on Main Street, the old Oregon Highway and present connector to Highway 14.

Site linkages to other services are excellent; there is a bank on the south border of the property, a hardware store to the north, and a supper club, A & W Rootbeer Stand, Midas Muffler Shop and other small businesses on the eastern edge of North Main Street. Much of the recent growth in Oregon and its new schools are in the northeast quadrant of the community, close by to the existing center (see village map - Exhibit 2).

EXHIBIT 1

SITE PLAN



Scale: Approximately 1" = 100'

B. Site Improvements

The parking area is a two inch black top finish on a six inch gravel base. It is lighted with ten light poles on concrete footings and striped for parking. A broad concrete walk, partially sheltered by building overhang, connects all the stores on the south and east sides of the building, sloping gradually to the north and the entrance to Certco. Two wheel chair ramps break the curb formed by the sidewalk and a bicycle rack is provided in the shelter of the southern corner formed by Certco and Ben Franklin stores.

C. Store Structure

The basic store structure is a metal building system by Sonoco, designed and constructed by Kenneth L. Sullivan Company of Madison, which is known for quality, turnkey work. The basic steel post and junior I-beam truss system rests on concrete footings. The roof system is a steel deck roof on an insulated panel spanning the light steel truss and purlin system. North and west walls are closed in with insulated metal panels above concrete footings and sidewall to a height of 18 inches above slab.

The south and east walls of the building are dominated by store front windows and four inch face brick at intervals resting on a buffed concrete knee wall which extends from basic footing perimeter. Store fronts and sidewalk are partially protected by a cantilevered, box overhang with clean metal soffit and the broad architectural fascia seen in the photographs contained in Exhibit 3.

Interior finishes are completed only as a lease is signed. The ceiling finish is a dropped acoustical tile in standard T-tracts and commercial lighting fixtures. The floor is a four inch concrete slab with reinforcing mat poured after tenant wiring and plumbing have been installed and generally topped with carpeting, although there is some tile. The interior demising walls between stores are framed with 2x6's, resting on a shallow footing, finished with dry wall and vinyl wall covering. Three store entrances feature a foyer and second door as an air-lock for energy efficiency and demising walls throughout the center go all the way to the ceiling along with six inches of aluminum backed fiberglass insulation so that each store can control its heat and air conditioning level. All the stores have their own roof-top HVAC units so that the structure is reasonably efficient in terms of energy budgets when compared to some of the older buildings of the same type.

In short, the building is attractive, well suited for its present use, reasonably efficient to operate, and its original cost value is efficient, i.e. relatively low for the quality of design.



FRONT (EAST) SIDE OF OREGON SHOPPING PLAZA



FRONT (EAST) SIDE, continued

Page 8 is missing



LOADING AREA (WEST SIDE) OF OREGON SHOPPING PLAZA

D. Most Probable Buyer

A small neighborhood center in a satellite community is generally too small for consideration as an investment by institutional investors such as pension funds and major life insurance companies. Retail units are a favorite investment for small local real estate trusts, real estate investment companies, and wealthy individual investors. However, today these latter investors prefer a situation where leases are about to expire and a history of overage rents suggests that in a year or two space can be released to the existing tenants at a substantial increase in the basic rent.

Properties are priced as the sum of the maximum mortgage which may be available and the capitalized value of the cash dividends available to the owner after debt service and reserves with which to operate the project. The capitalization factor is called the cash-on-cash dividend and is generally calculated on a before tax basis. Higher dividend rates characterize properties which are locked in to a relatively constant income stream for some period of time while lower dividend rates are accepted by investors who anticipate some almost immediate increases in rents and dividends.

E. Appraisal Methodology

Real estate market conditions over the past few years have been volatile and uncertain so that normal market patterns have been upset. In addition, neighborhood shopping centers are generally favored investments so that those that have them keep them. A search of commercial brokers operating in Dane County uncovered no sales of similar properties. Other transactions involving shopping centers generally involved financing transactions such as land sales and lease backs, preferential income participations to limited partners, or transactions among related parties so that prices and capitalization rates are engineered to reflect the particular circumstances to be served rather than representing a market statement about how investors value shopping centers. On the other hand, this is investment property for income, and in Dane County there is clear precedent for preferring the income approach even during the construction phase. Consider the following quote from VIP Plaza vs. City of Madison...

The cost approach has long been recognized by both the federal and the state courts as the least reliable of the appraisal methods and to be avoided wherever there is an alternative methodology. Clearly in this case the income approach is preferable since income and the opportunity for appreciation would be the principal motivation of the next owner. He doesn't care what it would cost to replace nor does he care what others have sold for at different times, places, circumstances, and subject

to other leases and conditions. Therefore primary reliance will be placed on the income approach applied before and after taxes, assuming the buyer must obtain his own financing and the seller will obtain cash.

III. THE INCOME APPROACH

The income approach builds on a reliable estimate of rents and expenses which produce a net income estimate for the property. Since the amount of real estate taxes helps determine net income and yet the purpose of this appraisal is to determine market value for real estate assessment purposes, it is desirable to neutralize real estate taxes and treat net income as before real estate taxes. It is then necessary to convert net income to a capitalized value.

A. Review of Leases and Estimate of Net Income

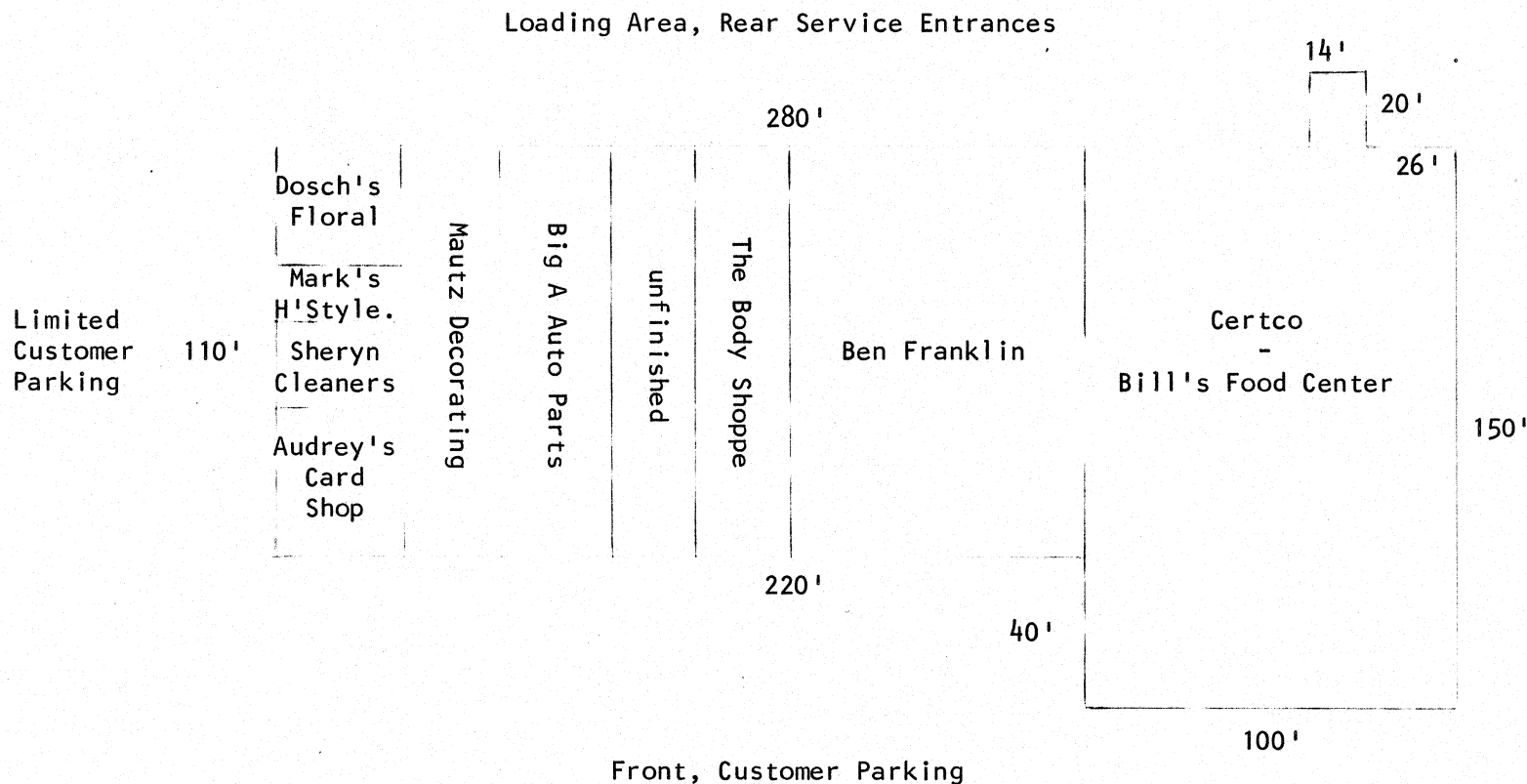
The bases for the income forecast are found in Exhibit 4 and Exhibit 5. Exhibit 4 contains a general layout of tenant spaces including 2,500 square feet vacant on January 1, 1981 and for six months to the present and thereafter; Exhibit 5 summarizes base rents, common area charges, and percentage rents which may be paid if tenant sales exceed a specified minimum level.

The basic leasing strategy of the developer-owner was to establish a net rent for a finished store shell and then pro-rate real estate taxes, maintenance and other operating costs through to the tenants. Each tenant would pay in terms of the percentage of their leasable area to the total leased area in the center. This objective has not been completely achieved since 2,500 square feet or 6% of rentable area is not rented and because two tenants have worked out concessions or trade offs between common area charges and percentage of sales bonus rents. Nevertheless, the result is the tenants pay the real estate tax via the common area charge; if taxes are reduced the common area charge is reduced and if taxes are increased, the increase is passed through to the tenants for the most part. Therefore, to eliminate real estate taxes from the net income figure, it should be noted that revenue from common area charges has been reduced by real estate taxes collected during that time and increased by a common area charge that would have been paid were there a tenant in the vacant space. See Exhibit 6. A standard 3% vacancy and collection allowance has been substituted as per instruction in the Wisconsin State Tax Manual. Note the estimate of percentage rates is added back so that it is not affected by the vacancy deduction since tenants who are making money are neither likely to move or default.

Expenses other than real estate taxes have been deducted from gross revenues forecast for 1981; since more than six months has already passed without finding a tenant, the vacancy loss is less than that which would be incurred if the tenant signed tomorrow. Other expenses are based on accounting work sheets for 1980 provided by owner's accountant, Armand Jay Simon, Jr., and adjusted for accrual accounting and expected inflationary increases in rates. Expense projections are rounded to two significant figures. Reference to Exhibit 6

EXHIBIT 4

LAYOUT OF TENANT SPACES



Approximate Scale: 1" = 50'

This is the approximate layout of the OREGON SHOPPING PLAZA with overall measurements taken from a copy of the assessor's appraisal card.

EXHIBIT 5

SCHEDULE OF TENANTS, SQUARE FEET, MONTHLY RENT,
ANNUAL RENT AND COMMON AREA CHARGES
AS OF JANUARY 1, 1981

	<u>SQUARE FEET</u>	<u>MONTHLY RENT</u>	<u>ANNUAL INCOME RENT</u>	<u>COMMON CHARGES</u>
Certco	15300			
Ben Franklin	8800			
Body Shoppe	2750			
Big A Auto 1/80 2-12/80	3080			
			RETAINED AS CONFIDENTIAL	
			AT THE OWNERS' REQUEST	
Mautz Decorating	2550			
Audrey's 1-11/14/80 11/15/80-12/80	1400			
			TOTALS ARE CORRECT	
			AS DETERMINED BY THE APPRAISER	
Sheryn's	800			
Mark's H'Styling	480			
Dosch's Floral 1-7/31/80 8-12/80	1120			
Total Area Currently Under Lease	36280		\$109513.77	\$16124.06
Total Yearly Rent			\$109513.77	
Total Common Area Charges			\$16124.06	
Additional Rents Received: Percentage Rent -			\$1686.48	

*The Body Shoppe actually was rented for only 3 months of 1980, however the yearly rent includes rent as though it were rented for the full 12 months of the year.

EXHIBIT 6
ESTIMATE OF NET INCOME

Base Rent (Leases in place 1/1/81)		\$109,512
Current Vacancy of 2,500 sq. ft. x \$3.50		8,750
Common Area Charge Less Real Estate Taxes		
Annual Share Collected 1980	16,124	
Annual Share from Vacancy	1,000	
Less 1980 Real Estate Tax	<u>(14,871)</u>	<u>2,253</u>
Net Revenue to Partnership		120,515
Less: 3% Vacancy & Collection Loss		<u>(3,615)</u>
Basic Revenues Collected on Average		116,900
Percentage Rent to be Collected in 1981		<u>1,800</u>
		118,700
Insurance	9,100	
Repairs & Maintenance	1,600	
Snow Plowing	1,300	
Utilities	1,150	
Legal & Accounting	3,000	
Contingencies	1,000	
Leasing Commissions	<u>435</u>	<u>(17,585)</u>
Net Income Available for Debt Service and		\$101,115
Cash Dividends to Equity		or
		rounded, \$101,000

will lead to a conclusion that net income available for debt service and equity dividends before tax is in the neighborhood of \$101,115 or \$101,000 rounded, based upon 100% occupancy less allowable vacancy.

B. Conversion of Net Income to Value

To convert net income available for debt service and cash dividends the real estate broker or intelligent investor will relate the price he is willing to pay to the maximum he can borrow from a financial institution which looks to the real estate for security and the maximum cash equity the buyer himself will provide in view of his needs for some minimum cash dividend.

Reference to Exhibit 7 will show that it is first necessary to determine the maximum allowable debt service; lenders on small shopping centers today want net income to be between 1.25 and 1.3 times the annual interest and principal payments on the mortgage. Step 2 converts debt service to the maximum amount that can be borrowed by reference to the annual constant. Assuming a non-participatory loan was available on January 1, 1981, the interest rate would have been at least 15% and although the mortgage would be amortized as though it had a 25 year term, it would probably be renegotiable as to interest rate every three to five years. The interest rate is supported by benchmarks printed in the Society of Real Estate Appraisers BRIEFS, Volume 16, Number 6, March 18, 1981 as shown in Exhibit 8.

Step 3 in Exhibit 7 subtracts debt service from net income available to estimate cash available for distribution to equity. In January of 1981 equity investors were requiring 8-10% cash dividends from small commercial properties, depending on how soon base rents might be increased and overage rents could be expected. Note that this dividend rate is less than the cash return on money certificates or U.S. Treasury Notes despite the added risk, because the investor anticipates some increases in his equity from repayment of the mortgage and some appreciation in property prices due to income increases, falling interest rates in the future, or declining investor expectations due to an absence of adequate alternative investments.

If the investor finds a lender willing to make the larger loan, he will probably want an extra percentage point for his dividend which will be a little more volatile; if the investor received the smaller loan he would have to raise more equity, which increases both risk and opportunity costs. Thus we have tried in Step 3 to represent four alternative prices within a range of offering prices that might be expected and we have taken the average of these four representative justified prices to be indicative of the most probable price or central tendency of offers. The average in Step 4 suggests a price of \$750,000 and as a check point the overall cap rate on such a purchase (Step 5) would be 13.5%, assuming about \$10,000 in net income.

EXHIBIT 7

CONVERSION OF NET INCOME TO VALUE

1. $\frac{101,115}{1.3} = 77,780 = \text{Maximum allowable debt service}$
 $\frac{101,115}{1.25} = 80,892 = \text{Maximum allowable debt service}$
2. $\frac{77,780}{.1537} = 506,000 = \text{Maximum allowable mortgage @ 1.3 d/c}$
 (constant for 15%, 25 year mortgage)
 $\frac{80,892}{.1537} = 526,000 = \text{Maximum allowable mortgage @ 1.25 d/c}$
3. $101,115 - 77,780 = 23,335/.09 = 259,277 \text{ Maximum equity}$
 $23,335/.10 = 233,350$
 $101,115 - 80,892 = 20,223/.10 = 202,230$
 $20,223/.09 = 224,700 \text{ Maximum equity}$
4. Price equals maximum mortgage plus justified equity:
 $506,000 + 259,277 = 765,277$
 $506,000 + 233,350 = 739,350$
 $526,000 + 202,230 = 728,230$
 $526,000 + 224,700 = 750,700$

 Average = 745,889 Or \$750,000
5. Cap rate check
 $\frac{101,115}{750,000} = 13.48\% \text{ OAR}$
6. $750,000 \times .945 = \$708,750$
 Or
 \$709,000 with Assessed Value @ 94.5% of market value

Benchmarks

	January	December	November
Housing Starts (seasonally adjusted annual rate)	up 3.4%	down 1%	down 0.4%
Single Family	941,000	947,000	987,000
Multi-Family	644,000	601,000	568,000
Total	1,585,000	1,548,000	1,555,000
Canadian Housing Starts	163,000	166,000	173,000r
New Home Sales	493,000	545,000	564,000r
Existing Home Sales	2,600,000	3,000,000	3,280,000
Unemployment	7.4%	7.4%	7.4%
Construction Unemployment		13.8%	
Price of Construction Materials	up 0.5%	up 1.3%	
Consumer Price Index (1967 = 100)	260.5	258.4	256.2
Canadian Consumer Price Index (1971 = 100)	224.1	221.3	220.0
Consumer Confidence Index (1969 = 100)		72.5	83.4
Apt. Mortgages Interest Rate	Not available	Not available	Not available
* Shopping Center Mortgage Interest Rate	Mtge. rate + P or equity adding up to 15-17%	Mtge. rate + P or equity adding up to 15-17%	Mtge. rate + P or equity adding up to 15½-16½%
Credit Projects Interest Rate (shopping centers, office or industrial)	Mtge. rate + P or equity adding up to 15-16½%	Mtge. rate + P or equity adding up to 15-16½%	Mtge. rate + P or equity adding up to 15½-16%

r = revised
P = Participation

SOURCE: SREA BRIEFS
Vol. 16, No. 6
March 18, 1981

An overall rate of 13.5% conforms with the pattern of current capitalization rate expectations of local professional investors in small shopping centers including Al Anding of Anding Investment Company, Greg Rice of Executive Management, Inc. and local assessors contacted as part of the market research discussed in the next section.

A fair market value via the income approach is \$750,000 and the equalization rate in the Village of Oregon is .945 (source: Doug Christenson of the State of Wisconsin - Property Tax, Madison District Office, 1980 equalized value ratio for real estate for the Village of Oregon was 94.91); then the assessed value should properly be \$709,000.00 for both tax parcels combined as per Step 6 in Exhibit 7.

C. Test for Investment Yield at Fair Market Value

To test the economic reasonableness of the estimated fair market value, a discounted cash flow computer program, BFCF¹, is used to solve for a before and after tax investment yield.

When the estimated fair market value of \$750,000, the cash flow and financing assumptions employed in the appraisal process, and a resale price of \$858,000 are used in BFCF, the cash-on-cash is an acceptable 9.0 percent in the first year and the internal rate of return or investment yield is 18.8% before taxes and 16.8% after taxes which is an acceptable overall rate for shopping centers purchased as investment vehicles. Therefore, \$750,000 is confirmed as the highest price, i.e. estimated fair market value under Wisconsin law, as calculated using the income approach, that a knowledgeable investor would pay for the subject property as of January 1, 1981. (See Exhibit 9.)

¹ BFCF is a discounted cash flow program developed by Benedict J. Frederick, Jr., and is found in the library of programs provided by EDUCARE Network, Inc., on the G.E. Time Sharing Service.

EXHIBIT 9

BFCF TEST OF INVESTMENT YIELD

RUN BFCF

BFCF 14:24CDT 07/02/81

VER 12/9/80

BFCF IS THE PROPERTY OF BENEDICT J. FREDERICK, JR. MAI

LATEST CHANGES & ADDITIONS:

- 1.) 1979 CAP GAINS LAW-60% INDIVIDUAL EXCLUSION; 28% MAX ON CORP.
- 2.) MTG INT MAY BE SELECTED IN PLACE OF AMORTZ IN PRINT OUT.
- 3.) EQUITY DIVIDEND FOR EACH YR ON ORG & CURRENT EQUITY-MODE E

1. ENTER PROJECT NAME? OREGON SHOPPING PLAZA
2. PROJECTION PERIOD:? 5
TO REPEAT PREV YRS NOI FOR BAL OF PROJ ENTER 0
3. ENTER N.O.I.:
? 101000,104000,107000,110500,113700
4. VALUE:? 750000
5. MTG. RATIO, INT., TERM & NO. PAY/YR:
? .70,.15,25,12
6. IMP./TOTAL VALUE RATIO & IMP. LIFE:? .80,25
7. DEPRECIATION METHOD? 1
IS OWNER A TAXABLE CORPORATION, Y OR N? N
8. ORDINARY INCOME TAX BRACKET & BRACKET IN YR OF SALE:? .40,.28
9. RESALE PRICE:? 858000

I.R.R. BEFORE TAXES IS 18.7991 %.

AFTER TAX I.R.R. IS 16.7614 %.

AVERAGE DEBT SERVICE RATIO IS 1.329

MODE:? P

PRINT MTG INTEREST IN PLACE OF AMTZ? Y OR N:? Y

EXHIBIT 9, continued

AFTER TAX CASH FLOW PROJECTION
OREGON SHOPPING PLAZA
07/02/81

DATA SUMMARY

VALUE:	\$ 750000	MTG. AMT.:	\$ 525000
NOI 1ST YR:	\$ 101000	MTG. INT.:	15. %
ORG. EQUITY:	\$ 225000	MTG. TERM:	25 YRS
IMP. VALUE:	\$ 600000	MTG. CONST.:	0.1537
INC. TAX RATE:	40. %	IMP. LIFE:	25 YRS
SALE YR RATE:	28. %	OWNER:	INDIVIDUAL

YEAR	CASH FLOW	MTG. INT.	BOOK DEP	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1	20308	78611	24000	-1612	-646	20954
2	23308	78276	24000	1724	690	22618
3	26308	77888	24000	5112	2045	24263
4	29808	77437	24000	9063	3625	26183
5	33008	76914	24000	12786	5114	27894
	-----	-----	-----	-----	-----	-----
	\$ 132740	\$ 389126	\$ 120000	\$ 27073	\$ 10828	\$ 121912

DEP. METHOD:	STRAIGHT LINE	1ST YR EQ. DIV:	9.02578 %
SALE PRICE	\$858,000	AVG DEBT SERV RATIO:	1.33
BASIS	630,000		
CAPITAL GAINS	228,000		
CAP GAINS TAX	25,536		
EXCESS DEP TAX	0		
MORTGAGE BALANCE	510,666		

AFTER TAX EQ REV	\$321,797		

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR \$ 858000 THEN
I.R.R. IS 18.7991 % BEFORE TAXES; 16.7614 % AFTER TAXES.

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS RELATIVE TO
CURRENT TAX PROVISIONS USED IN THIS PROJECTION WILL BE ACCEPTABLE
TO TAXING AUTHORITIES. ALTERNATE MINIMUM TAXES ARE NOT INCLUDED.

YR	N.O.I.	YR END EQUITY	EQUITY DIVIDEND		
			AMOUNT	YIELD ON ORG EQ	CUR EQ
1	\$101,000	\$227,081	\$20,308	.0903	.0894
2	104,000	229,497	23,308	.1036	.1016
3	107,000	232,301	26,308	.1169	.1132
4	110,500	235,556	29,808	.1325	.1265
5	113,700	239,334	33,008	.1467	.1379

ORGINIAL EQUITY \$ 225000

IV. THE MARKET APPROACH TO VALUE

A market comparison approach to value is generally preferred in Wisconsin if appropriate transactions can be found. In this case a search for sales involved contacting both Madison brokers of neighborhood retail properties and assessors in satellite communities ringing the City of Madison to identify sales in the eighteen months to two years prior to January 1, 1981. In the opinion of the appraiser sales more than eighteen months old would be inappropriate without significant adjustment for the rapid increase in interest rates and the decline in the willingness of institutional lenders to make mortgage loans without equity participation. A survey of village clerks and assessors in communities not unlike Oregon yielded no sales of small shopping centers in the last year and a half or more and responses are summarized in Exhibit 10.

Two transactions are worth mentioning. In Verona Norbert and Helen Kaltenberg sold a small retail building reported to be 8,720 square feet by the assessor on a lot facing Highway 18 of approximately 257 feet of frontage and 83,000 square feet, more or less, on a land contract for a total of \$265,000.00 with a down payment of \$50,000.00. Full details are provided in Exhibit 11. We were not able to learn gross rents or net income or the current rent schedule from the grantor or grantee and the small scale of the project and absence of triple net rentals led the appraiser to assume it was not comparable.

A second sale of a small shopping center in Sun Prairie is said to have occurred in January or February of 1981. Mel Thierer is reported to be the grantee and a Mr. Brophy from Montana is reported to be the grantor but neither is listed in the grantee index or grantor index at the Dane County Register of Deeds Office for that time period and, according to the best information available, the sale is unrecorded. In any event, the assessor should be using sales recorded prior to January 1, 1981.

Therefore, the appraiser has concluded that the market comparison approach was not feasible at this time and that reliance must be placed on the income approach of the subject property as of January 1, 1981.

EXHIBIT 10

SUMMARY OF ASSESSOR RESPONSES

The following were called to ascertain if any small shopping centers had been sold in the last year and a half or so:

1. McFarland - Office of the Village Clerk 838-3153 6-15-81
They only have one shopping center and it hasn't changed hands.

2. Stoughton - Ralph Bradley, Assessor 873-6677 6-15-81
There haven't been any sales of small shopping centers in the last year and a half or so.

3. Verona - Mr. Courter, Assessor 845-6495 6-15-81
There was a sale from Kaltenberg to Zimmerman in approximately August of 1980. The center includes a flower store, wine shop, and a meat market - quick "Stop & Go" type store he thought. There is 8720 square feet of space, it is concrete block trimmed in brick, wood siding, no basement, normal stud walls dividing the space. [The former assessor did not keep very good records and Mr. Courter said that he didn't even have the volume and page or sale price but we would have to look it up in the grantor/grantee index.]

4. Fitchburg - Bill Stoneman, Assessor 271-4551 6-16-81
No sales of small shopping centers in the last year and a half or so.

5. Sun Prairie - Dan Etmanczyk, Assessor 837-2511 6-17-81
No sales of small shopping centers that he's aware of in the last year and a half or so. He said it's pretty stable out there.

EXHIBIT 11
DETAILS OF VERONA SALE

Date of Sale: 10/30/80

Sale Price: \$265,000

Recorded, Volume 2353, Page 79, Document #894101

Terms of Sale: Land contract, \$50,000 down (18.9%), 10% interest, 10 year term, payments of \$1,890/month, interest adjustment clause beginning 10/30/85 to be 1% less than Anchor Savings & Loan rate to owner-occupied single family residences with 80% loan, no prepayment penalty.

Grantor: Kaltenberg, Norbert P. and Helen

Grantee: Zimmerman, Richard D.

Partial Legal Description: Part of SE 1/4 SE 1/4 of Section 16, T.6N., R.8E., in City of Verona

V. VALUE CONCLUSION

Since the market comparison approach to value offers no transactions of comparable properties in the satellite communities ringing the City of Madison ...

Since the cost approach is deemed the least reliable of the appriasal methods by both the state and federal courts and is to be avoided wherever there is an alternative methodology ...

It is necessary to base fair market value of the subject property on the income approach. Based upon the assumptions and limiting conditions as presented, it is the opinion of the appraiser that the highest probable price in dollars and fair market value of the subject property herein described as of January 1, 1981, is:

SEVEN HUNDRED FIFTY THOUSAND DOLLARS
(\$750,000)

assuming cash to the seller with a debt cover ratio of 1.25 (70 percent financing) at 15 percent interest for a 30-year term.

STATEMENT OF LIMITING CONDITIONS

1. Contributions of Other Professionals

- The appraiser did not conduct any engineering analysis of the structure components or of the site, of costs to replace, or of other engineering factors.
- Rental income and expenses are the opinion of the appraiser after a review of the leases and accounting statements furnished by the owner and his accountant.
- Sketches in this 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.
- The appraiser assumes no responsibility for matters which are legal in nature nor is any attempt made to render an opinion on the title. The property has been appraised as if title to the subject property were in fee simple, legal ownership with no regard for mortgage loans or other liens or encumbrances.
- The tax description recognizes two parcels of land with the building situated on only one of them: in fact the building lies astride both parcels so that the total assessment on the shopping center is the sum of the two tax parcels.

2. Facts and Forecasts Under Condition of Uncertainty

- No forecast has been made of growth in households or income for the trade area of the Oregon Shopping Plaza which might affect the eventual growth of percentage rents.

This is not believed necessary for assessment purposes because an annual review of rents collected makes it unnecessary to assess a non-vested speculative future value.

- Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by this appraiser. Although before-tax arithmetic of the BFCF model has been handchecked for accuracy, no guarantee of program infallibility can be made by EDUCARE Network, Inc., or by the appraiser.

- All information furnished regarding property sales and rentals, financing, or projections of income and expense is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and it is submitted subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, financing, or withdrawal without notice.

3. Controls on Use of Appraisal

- Values for various components of the subject parcel and improvements 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 this 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 this 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, or of the firm with which he is connected or any of his associates.

CERTIFICATE OF APPRAISAL

I hereby certify that I 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. I certify that I have personally inspected the property and that according to my knowledge and belief, all statements and information in the report are true and correct, subject to the underlying assumptions and limiting conditions.

Based upon the information and subject to the limiting conditions contained in this report, it is my opinion that the Fair Market Value, as defined herein, of this property as of January 1, 1981, is:

SEVEN HUNDRED FIFTY THOUSAND DOLLARS

(\$750,000)

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

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 Managment - University of Wisconsin
Master of Business Administration - Marquette University
Bachelor of Arts - Rollins College

ACADEMIC 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)

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, and land development company and a farm investment corporation. He is 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.

