# An appraisal of the Bellevue Apartments located in the city of Madison at 29 East Wilson Street. August 1, 1981

Landmark Research, Inc.
[s.l.]: [s.n.], August 1, 1981

# THE BELLEVUE APARTMENTS

29 EAST WILSON STREET

MADISON, WISCONSIN

Landmark Research Inc.

# AN APPRAISAL

# OF

# THE BELLEVUE APARTMENTS

# LOCATED IN

# THE CITY OF MADISON

# AT

# 29 EAST WILSON STREET

AS OF

AUGUST 1, 1981

PREPARED FOR

TOM LINK

PREPARED BY

LANDMARK RESEARCH, INC.

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November 10, 1981

Mr. Tom Link
158 East 14th Avenue
Eugene, Oregon 97401

Dear Mr. Link:

With this letter we are delivering to you the appraisal of the Bellevue Apartments located at 29 East Wilson Street, City of Madison, County of Dane, in Wisconsin, which was requested as a measure of the fair market value as of August 1, 1981, to estimate the most probable selling price of the property.

Jean B. Davis, the appraiser, and James A. Graaskamp, review appraiser, have inspected the property and its environs. You and your property manager, Mark Knaebe, have provided us with needed information such as rent schedules, occupancy data, and accounting information which included a record of operating expenses, a record of utility expenditures over the last year and a half, and estimates to repair and to improve the building submitted by several contractors. It was necessary to reconstruct these records in accordance with appraisal methods.

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

The value estimate assumes a cash sale of the property as you have requested. We have also provided you with the corresponding value estimate assuming seller financing currently prevailing in the market as of the valuation date.

As further explained within the report, the market approach using a gross rent multiplier is inapplicable because of a lack of sales of properties of a similar age and operating inefficiency as the subject property. The cost approach is inappropriate because of the age of the improvements. Therefore, the value estimate is based upon the income approach using an overall rate extracted from market data to best reflect investor behavior in an uncertain and volatile market.

Mr. Tom Link
Page Two
November 10, 1981

Based upon the underlying assumptions and limiting conditions contained herein, 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 August 1, 1981, is the amount of:

FOUR HUNDRED EIGHTY FIVE THOUSAND DOLLARS

($485,000)

assuming cash to the seller,

or

FIVE HUNDRED THIRTY THOUSAND DOLLARS

($530,000)

assuming a land contract with 20 to 35 percent down, 9 to 10 percent interest with a three to five year term.

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

FOR LANDMARK RESEARCH, INC.

Jean B. Davis

Jean B. Davis, MS

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

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# I. PROBLEM ASSIGNMENT

The content of an appraisal is determined by the decision for which it will serve as a benchmark and by the limiting assumptions inherent in the property, data base, or other factors in the decision context.

This appraisal is requested as a measure of fair market value as of August 1, 1981, of the property located at 29 East Wilson Street in the City of Madison for the purpose of determining the most probable selling price for the property.

## A. Legal Interest to be Appraised

### 1. Property Identification

The subject property of this appraisal is the Bellevue Apartment Building in downtown Madison, Wisconsin, identified as 29 East Wilson Street (see Exhibit 1 for location near the Capitol Square), and more specifically identified as tax parcel number 0709-242-0114-1.

### 2. Legal Description

According to the records in the City Assessor's office the legal description of the subject property is as follows:

> NE1/2 of Lot 4 and all of Lot 5 except the part used for RR purposes, Block 87, in the Original Plat of the City of Madison, Dane County, Wisconsin.

3. Qualification of Property to be Appraised

The appraisal is to include only the real estate interests at the above location; since it is common practice to include refrigerators and stoves in the sale of residential income property, the estimate of fair market of the subject property will assume inclusion of these personalty items.

The legal interest to be appraised is the fee simple interest of the subject property.

B. Selection of Fair Market Value Appraisal Methodology

1. Value Definition

The fundamental purpose of an appraisal assignment is most usually to estimate value. Conventionally, the value required is Market Value, defined as:

> 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 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.[1]

This definition assumes a perfect market where a number of fully informed, reasonably prudent buyers and sellers are acting rationally and logically to maximize their financial well-being. It also assumes payment in cash if cash sales prevail.

In this case it will be shown that monetary and banking conditions as of August 1, 1981, necessitated the use of land contracts as the predominant sale instrument with down payments from 19 to 37 percent and terms from two to almost eight years used in the transactions analyzed.

For purposes of this appraisal, the value sought is the fair market value assuming a cash sale. Therefore, the land contract selling prices of the market transactions will be adjusted to their cash equivalent value when used as benchmarks with which to estimate value. In this case the cash equivalent prices range from 87 to 97 percent of the nominal sale price.

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[1]Byrl N. Boyce, REAL ESTATE APPRAISAL TERMINOLOGY, Revised Edition, AIREA, SREA, (Ballinger, Cambridge, Mass., 1981) pp. 160-161.

2. Preference for the Market Data Approach

The appraisal process prefers to base valuations on actual sales of comparable property. Madison buyers of small to moderately sized residential income property commonly use the gross rent multiplier as one measure of value.

Gross rent multipliers (GRM) derived from market data simply express the ratio between sales price of a residential income property and its effective gross rental income. A property's capacity to generate gross rent is presumably attributable to the real estate itself: its characteristics, its condition and utility, its use potential, and its location. Thus, the gross rental income is used as the primary unit of comparison for the market data approach.

In this case there were no sales of older residential income properties in the downtown area from which to calculate a gross rent multiplier that would accurately reflect the age, deferred maintenance, and other property attributes of the subject that affect value; a market GRM is inappropriate without adjustments. To effectively use this method, an accurate and detailed estimate must be made of all capital expenditures necessary to reduce operating expenses, in this case, to 40 to 50 percent of effective

gross revenues to make the subject comparable to the market sales. An estimate of the most probable price a prudent investor would pay is the difference between estimated value (GRM x effective gross income) and the capital costs needed to make operating expenses comparable to the newer properties which have recently sold. The GRM will be used only as a check on the value estimate made by the income approach; in this case the rough cost estimates presented in Section II will be subtracted from the product of the market GRM multiplied by the subject's effective gross income.

3. The Income Approach

Since a detailed, professional estimate of all necessary capital expenditures is not available, the preferred method of valuation is the income approach whereby the net operating income (NOI), which reflects the inefficiency of the subject property, is capitalized using overall rates from recent sales.

4. The Cost Approach

The cost approach to value is limited to those situations where improvements are new and represent the optimum use of the site in question. The improvement on the subject property is not new, and though the improvement represents the highest and best use of the site in its

present state, it is not optimum, as will be discussed in Section II.

## II. PROPERTY PRODUCTIVITY

An understanding of the most probable use of a property will also infer to the analyst the most probable buyer type. The combined profile of the buyer and the property suggest the type of comparable sales to use as benchmarks in the estimation of the most probable selling price which, in turn, should reflect the economic productivity of the real estate.

In this case, the site is occupied by an older 36 unit apartment building. This use is presently assumed to be the most probable use of the property; the potential for conversion to condominiums in the future is too speculative for consideration in this analysis and valuation.

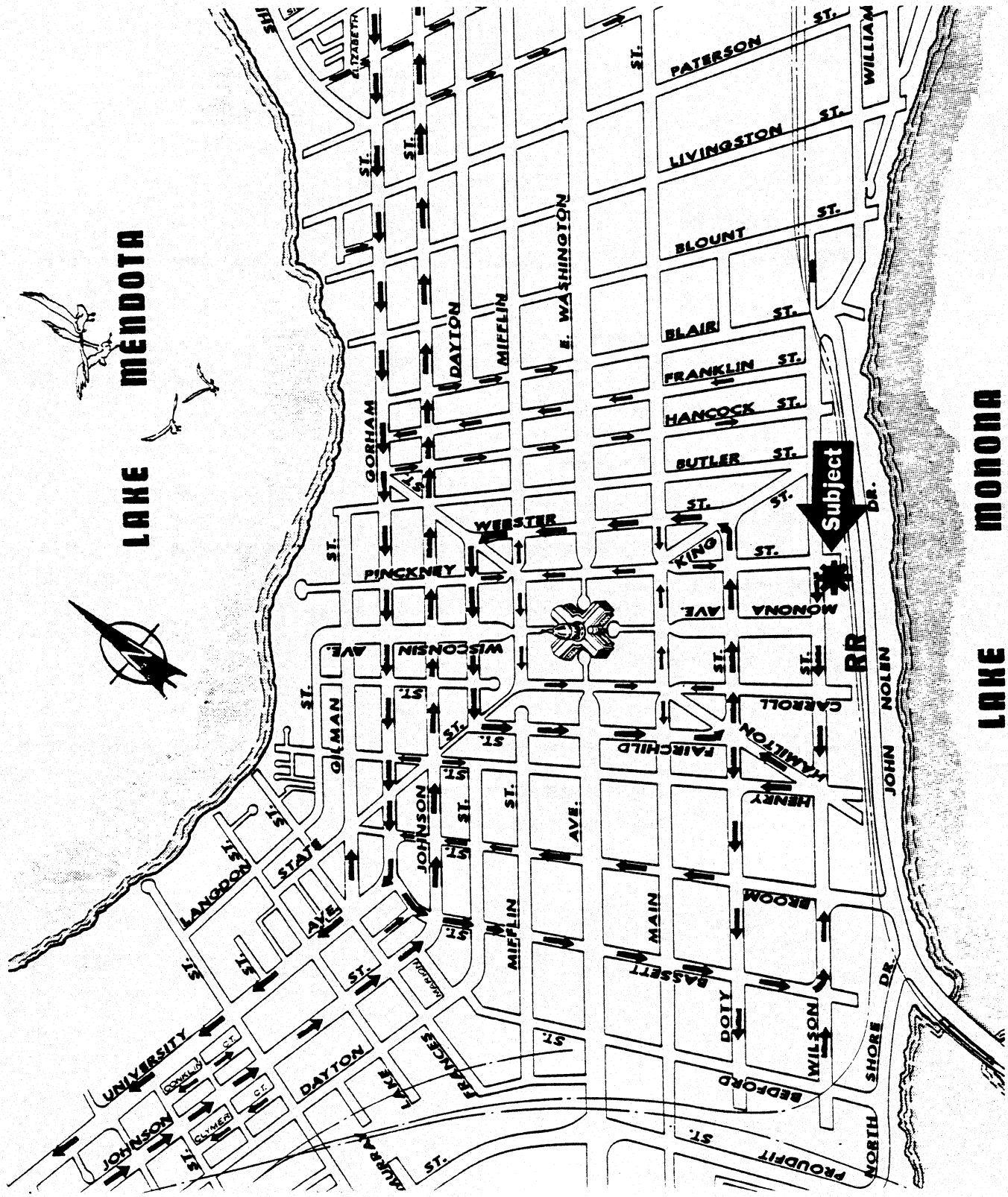
An analysis of the fit of the building to the site and the site to the community is necessary in order to judge the subject property's quality as a residential investment property for purposes of market or income valuation.

### A. Site Attributes

The site encompasses approximately 19,800 square feet with 99 feet of frontage along East Wilson Street. The site slopes downward from East Wilson Street toward John Nolen Drive; a vertical drop-off at the rear of property prevents access from the parking lot at the rear of building to the railroad track or road below. (See Exhibit 1.)

EXHIBIT 1

LOCATION OF SUBJECT PROPERTY



The site is zoned C-4, central commercial district, and is subject to that section of the Madison General Ordinance which preserves the view of the State Capitol Building by imposing height limitations on surrounding buildings in the C-4 District. Any new or major alterations of a downtown building's exterior are subject to approval by the Madison Planning Commission and also require conditional use approval. The site improvements include a concrete driveway along the northeast side of the building that leads to a delivery area and a 16 vehicle parking lot at the rear of the building. A low, metal two-bar railing built along the rear of the lot protects the pedestrian from the steep drop to the railroad tracks below. An expansive view of Lake Monona can be seen from this vantage point.

A private, well-kept side yard buffers the building from its neighbor on the southeast side of the site. See Exhibit 2 for photos of site improvements.

B. Building Attributes

1. Apartment Structure

The brick and concrete uninsulated building, erected in the early 1900s, contains approximately 32,800 square feet of gross rentable area and approximately 23,000 square feet of net rentable area based upon a building efficiency of 70 percent. Built on a downward sloping site, there are four

EXHIBIT 2

PHOTOGRAPHS OF SITE IMPROVEMENTS

Parking area at rear of building. Entrance to side yard is through opening in bushes

EXHIBIT 2 (Continued)

Parking lot at rear of building. Note railing which protects from sharp drop to railroad tracks and John Nolen Drive

EXHIBIT 2 (Continued)


Driveway along northeast side of property

EXHIBIT 2 (Continued)

View of Lake Monona and Law Park from rear parking lot. Note John Nolen Drive in foreground.

stories at East Wilson Street with five stories at the rear. The built-up asphalt roofing is laid over a concrete frame; the floor structure is poured-in-place concrete. The 15 inch exterior walls consist of brick, an air pocket, concrete and plaster. (See Exhibit 3 for photos of the building.)

The furnace room located under the parking area at the rear of the building houses the heating system. The four lower level living units and utility rooms occupy approximately 60 percent of the area of a full floor. The partial basement, which is below the lower level, contains storage bins for tenants, the incinerator, and assorted storage areas. A narrow stairwell leads down to the furnace room mentioned earlier.

Four light shafts in the building allow for windows and vents in each bathroom. Most of the dumbwaiters, from an earlier era when there was a main kitchen in the lower level, have been closed off to provide more kitchen space. The few remaining dumbwaiter shafts, now unused, are wasted space and a potential source of leaking and natural paths for fire, as are the light shafts.

An old four-person elevator serves all of the building's levels; the doors are manually operated, and the car, which does not level well, misses each floor by 3 to 4

EXHIBIT 3

PHOTOGRAPHS OF SUBJECT PROPERTY

Looking at northeast side of structure from parking lot of adjacent property. Note cut stone finish at window subsills and between lower level and main floor. Sunporches are located in sections which are extended from main face of building; each has four connected windows.

EXHIBIT 3 (Continued)

Front entrance at 29 E. Wilson Street.
Note garden area at right of picture

EXHIBIT 3 (Continued)

Entrance and fire escape on southwest side of building off of garden. Note brick quoins on building corners

inches, but the unit is reported to be in reasonable and safe operating condition. An AC motor powers the elevator car which brakes like an automobile.

The building has a low pressure steam heating system. The Kewanee boiler has been converted from oil to gas and is estimated by the building manager to have a remaining life of ten years. Bock 100-gallon gas-fired hot water heaters provide circulating hot water to within three feet of each apartment's faucets. A Fox water softener is also a part of the building's mechanicals. An incinerator, fed at the basement level, is used for trash burning; trash disposal chutes, which in earlier years fed into the main incinerator, used to be available at each level, but have now been tightly sealed from use as dictated by code.

Coin operated washers and dryers are provided in the basement but are not considered part of the real estate for this valuation.

All apartments except apartment 101 are now individually metered, and each tenant pays for his own electricity. The electrical system was upgraded in the 1960s and according to the building manager, 70 amp service is provided to each unit; there are still some cases of fuses blowing, especially on the wall outlet circuits. The below average amperage capacity for the

entire building is 300 amps; it would be impossible, for example, for each tenant to add an air conditioner to his unit. There are 33 separate gas meters which measure the fuel used by the stoves in the individual units. Four units share meters and apartment 101 uses the main meter. Smoke detectors have been installed in each hallway throughout the building. (See Exhibit 4 for a diagram of the structure.)

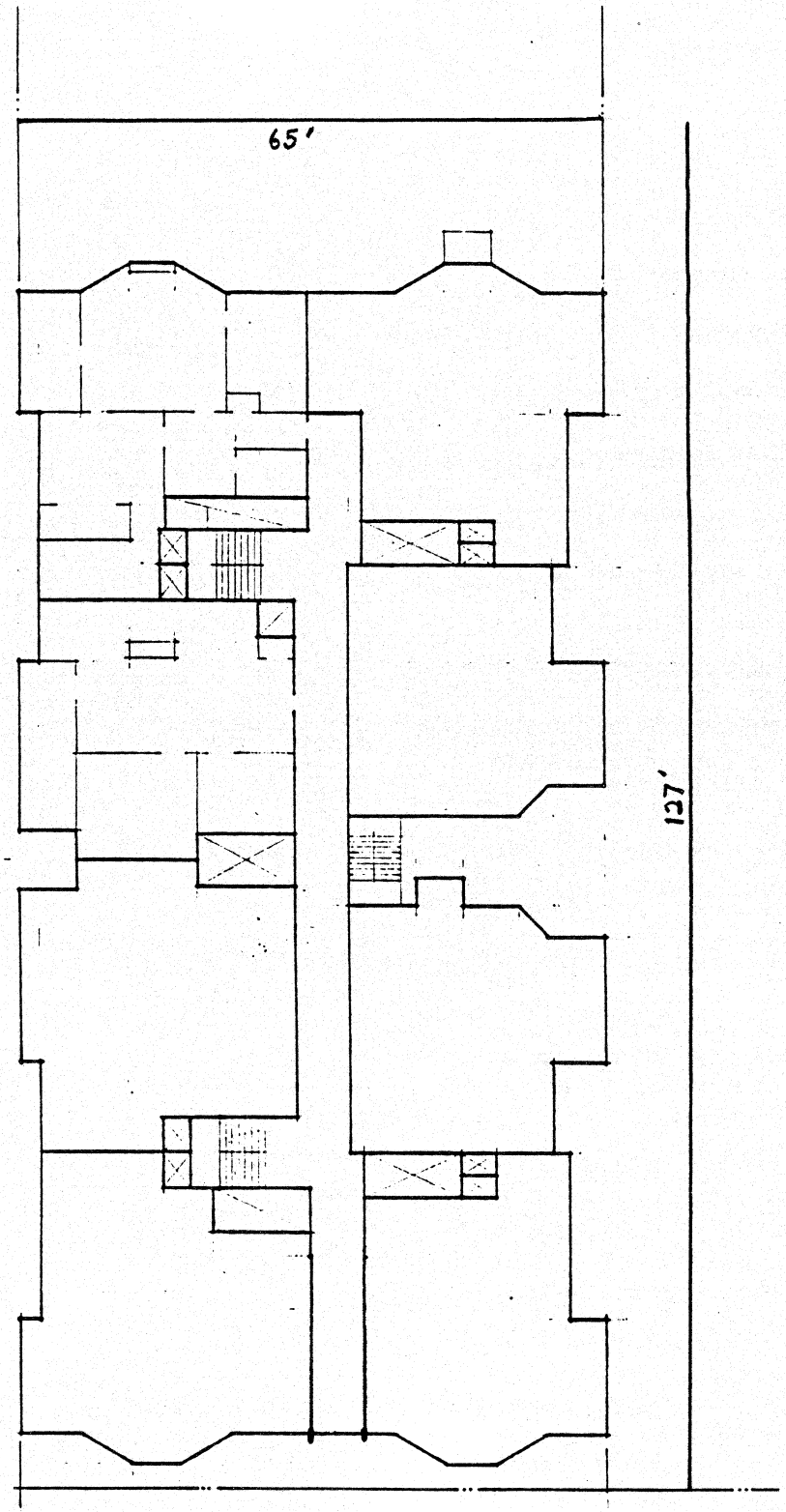
2. Living Units

There are 36 living units within the building. On the lower level there is one efficiency apartment with a shower stall in the kitchen and a bathroom and storage area across the hall. Two corner units and one smaller unit comprise the remaining living area in the lower level.

The 32 apartments on the remaining four floors consist of eight corner units overlooking Lake Monona, eight corner units overlooking East Wilson Street, and sixteen units of varying sizes. Because of space taken for a main exit, the two units on the main level are smaller than similarly located units on the other three floors. Each unit has a fireplace; and except for apartment 101, each has a living room, a very small bedroom with or without a closet, a galley-type kitchen, and a sunporch of variable size. The larger units have another room between the living room and

EXHIBIT 4

DIAGRAM OF APARTMENT STRUCTURE




29 East Wilson Street

a kitchen which can be used as a dining area. It appears that the original plan was to use this area as a flexible bedroom/living room with a Murphy bed built into the wall. Most of the Murphy beds are no longer in place. The kitchens are small and are equipped with refrigerators and stoves and a minimum of cabinet space. The bathrooms have tubs, with ceramic floors and baseboards; some of the tubs have showers.

3. Deferred Maintenance

Over the years the subject property has been neglected. Ordinary maintenance has accumulated and capital improvements needed to modernize the structure and the individual living units have not been done.

The exterior brick walls are in need of tuckpointing, especially on the lake side; the front steps facing East Wilson Street are crumbling; the plumbing pipes have become inefficient due to mineral deposits; the steam distribution system leaks badly and is inefficient; the individual radiator control valves in each unit have been disconnected; there is water damage in the hallway walls due to leakage and condensation from apartment bathroom tubs; there are no individual thermostats in the living units; the hallways are dark and uninviting; the single-glazed window frames have deteriorated and leak

badly; the interior walls are in need of paint throughout the building; the roofing and roof drains are in need of repair and/or replacement; most of the valves in the sink faucets and toilets need to be reseated; the elevator is old with an increasing probability of malfunction; and the dampers in the fireplaces need repair.

The major consequence of this neglect, coupled with increasing costs of fuel, is exorbitant and uncontrollable utility costs.

The uncontrolled and variable temperatures in the individual units lead to overheated tenants opening windows during the heating season. The unpredictable south sun and north winds, the lack of individual heating controls, an inefficient heat distribution system, and the lack of storm windows on two-thirds of the approximately 400 windows, contribute to this condition.

4. Estimated Costs to Repair and Improve

To correct the deferred maintenance and to prevent its recurrence, the following cost estimates have been made. Past income and expense records and current estimates obtained from contractors by the building manager and/or appraiser's estimates are the basis for these figures.

Correction of Deferred Maintenance:

| | |
|---|---|
| Tuck pointing masonry walls | $25,000 |
| Repair existing heating system | 30,000 |
| Repair front steps | 1,500 |
| Paint ceilings and walls | 35,200 |
| | $91,700 |

Estimated Costs for Capital Improvements:

| | |
|---|---|
| Roof repair and betterment (6" foam insulation added) | $15,000 |
| Combination storms on remaining windows | 20,000 |
| Install security system | 5,000 |
| Improve hallway lighting | 1,000 |
| Panel hallway wall to cover moisture damage from bathtubs | 5,000 |
| Renovation of plumbing system | 61,300 |
| | $107,300 |

The repairs and improvements listed above are assumed to be those necessary, in part, to bring the operating expense ratio of the subject in line with those of better maintained residential income properties in central Madison. To shift the cost of utilities to the tenant (except for common area costs), individual furnaces will be needed; an initial cost estimate for this major renovation is $125,000. If the above repairs and capital improvements are made, a total outlay of $199,000 is estimated. Individual furnaces would eliminate the $30,000 repair to the heating system; the total outlay needed would be

$294,000 if the tenants absorbed the heating costs of the living units.

C. Dynamic Attributes of Subject Property

Dynamic attributes have to do with the mental or emotional responses which the subject property stimulate and how they affect the decision-making behavior of the consumer.

The subject property, known as the Bellevue Apartments, is considered by many to be a city landmark in central Madison. The building, located two blocks from the Capitol Square, is near the prestigious Madison Club, the Catholic Diocese, and the renovated General Casualty Insurance Company. The old Post Office Building, recently converted into City and Federal offices is located across the street. Directly to the north, across the street, is the city's Doty Street parking ramp.

The most marketable attributes of the property include its central location, the natural wood floors, the fireplaces, the sun porches, and the view of Lake Monona.

Presently, the darkness and drabness of the common areas, the lack of a security system, the uneveness and lack of control of the building's temperature, and the general deterioration of the interior decor are the property's main drawbacks.

D. Most Probable Buyer

Professional investors who seek to maximize a property's potential through renovation and/or conversion and who seek tax shelter and appreciation, or individuals seeking tax shelter, some cash flow, plus appreciation as an inflation hedge are active in the downtown residential income property market.

The professional investors seek a product with remodeling potential to meet a changing market and to obtain the most favorable financing. Condominium conversion potential is also a consideration.

The professional investor's strategy includes buying on short-term money with small payments and a balloon in five or more years using a line of credit to improve the property and maximize its rent potential in the interim. When the money market is favorable, and/or at the end of the land contract, the property is refinanced so money is available for reinvestment.

As an alternative strategy, an investor would pay cash to the seller and would seek lender participation in the cash throw-off and in the before-tax reversion in return for favorable financing that would cover the cost of the needed improvements in an older building, thereby maximizing revenue potential early in the holding period.

The individual buyer who owns and manages one to a few

residential income properties is more likely to prefer a property that currently maximizes the income potential of the space available and is less concerned about refinancing or changing market strategies.

Thus, the most probable buyer of the subject property is a group of professional investors who recognize the marketing potential of this stately landmark which is ideally located downtown, with a commanding view both of Lake Monona and of the State Capital.

# III. VALUATION METHODOLOGY

The lack of a reasonable degree of consistency between operating ratios of the subject property and the sale properties makes an estimate of value using the gross rent multiplier, a market data evaluation method, unreliable and not reflective of the deferred maintainence and inefficiencies inherent in the subject. Therefore, the income approach is selected using an overall rate taken from the market and assumed to be reflective of investor behavior.

## A. The Income Approach

Income producing property is typically purchased for investment purposes and the projected net income stream is the critical factor affecting its market value.

An investor purchasing income-producing real estate is in effect trading a sum of present dollars, usually represented by a down payment, for the right to a stream of future dollars. There is a relationship between the two, and the connecting link is the process of capitalization. Because future dollars are worth less than present dollars, the anticipated future dollars are discounted to a present worth on some basis that reflects the risk and the waiting time involved. The overall rate taken from the market is the discount factor in this case.

The income approach is practical only when an income stream attributable to the real estate can be estimated. This income estimate may be developed and supported by comparisons in the local market.

B. Determination of Market Rents

An analysis of the Central Madison rental market is summarized in Exhibit 5. Rents for one bedroom apartments in which the landlord pays the heat and the tenant pays the electricity, similar to the subject property, range from $235 per month to $330 per month, with the highest rent paid for the best view and/or heat. For the subject, the small size of the bedrooms and the lack of windows in some, the need for redecorating, and the uncontrollable heat problem will bring the market rent for the subject apartments to a middle of the range.

The actual rent schedule for the subject property as of August 1, 1981, and the rent schedule, adjusted to reflect market rents, is found in Exhibit 6.

C. Net Operating Income

The projected gross potential revenue determined from the schedule of market rents is used in Exhibit 7 to determine the

MARKET RENTAL ANALYSIS
Apartment Buildings in Central Madison
as of August 1, 1981

| Name and Address | Kennedy Manor<br>1 Langdon Street | Baskerville Apartments<br>W. Doty & S. Hamilton | Capitol Hill Apartments<br>24 N. Webster | Carpenter Apartments<br>111 W. Wilson Street | Shorecrest<br>139 W. Wilson | 202 N. Pinckney |
|---|---|---|---|---|---|---|
| Number and Type of units | 16 - Eff<br>38 - 1 BR<br>6 - 2 BR | 1 - Eff<br>23 - 1 BR<br>1 - 2 BR<br>1 - 4 BR | 24 - 1 BR<br>3 - 2 BR | 30 - Eff<br>24 - 1 BR<br>8 - 2 BR | 26 - 1 BR | 12 units<br>Mix of 1 and 2 BR |
| Residential Vacancy Rate | 0 | 0 | 12.5% | 0 | 11.5% | 0 |
| Rental Rates | Eff = $230<br>1 BR = $295-303<br>2 BR = $425 | Eff = $190<br>1 BR = $280-330<br>2 BR = $350<br>4 BR = $550 | 1 BR = $235-305<br>2 BR = $395 | Eff = $155-165<br>1 BR = $255-270<br>2 BR = $400 | 1 BR - $295-315/mo | 1 BR = $270-325<br>2 BR = $360-375 |
| Utility Payment | L = Heat & Elect. | L = Heat<br>T = Elect. | L = Heat<br>T = Elect. | L = Heat<br>T = Elect. | L = Heat<br>T = Elect. | L = Heat & Elect. |
| Locational Attributes | Across street from Edgewater Hotel and Lake Mendota; 3-1/2 blocks from Square | 1/2 block from Square | 1 block from Square | Overlooks Lake Monona and Wilson St.; 2-1/2 blocks from Square | Overlooks Lake Monona and Wilson St; approximately 3 blocks from Square | Corner of Dayton and Pinckney St.; 2 blocks from Square |
| Building Security | Security guard on duty--each apartment security locked | Resident manager on 1st floor--building not security locked to date | Building is security locked | Building not security locked | Building is secur- locked | N/A |
| Amenities | Rent includes maid service. Dining room in lower level. Some apts. have Lake Mendota view. | Price range varies with view | - | Parking available on site. $10/mo. outside and $20/mo. covered. All apts. have A/C. | Parking available on site $40/mo outside. | Parking available on site at $26/mo. outside (plus 4 open stalls). |
| Year Built | 1920's | 1913 | 1924 | 1956 | 1962 | 1898 |
| Tenant Mix | Tenants span many ages, but only a few are students | Tenants are a mix of students, legislators, elderly, working persons | Tenants are mainly students with a few working and elderly persons. | Predominantly retired persons; some working persons and no students | Mix of students, working, and retired persons | Primarily students from MATC |



EXHIBIT 5

EXHIBIT 6

Projected Rental Schedule
Bellevue Apartments
as of August 1, 1981

| Apartment # | Quality* Ranking | Contract Rent per Month | Market Rent per Month |
|---|---|---|---|
| **Lower Level** | | | |
| 101 | 5 | $190 | $190 |
| 102 | 4 | 265 | 265 |
| 103 | 2 | 280 | 280 |
| 104 | 2 | 280 | 280 |
| **Main Level** | | | |
| 201 | 1 | 285 | 285 |
| 202 | 1 | 280 | 285 |
| 203 | 4 | 225 | 265 |
| 204 | 2 | 255 | 275 |
| 205 | 4 | 265 | 265 |
| 206 | 2 | 245 | 275 |
| 207 | 1 | 280 | 285 |
| 208 | 1 | 255 | 285 |
| **Second Floor** | | | |
| 301 | 1 | 260 | 285 |
| 302 | 1 | 280 | 285 |
| 303 | 3 | 255 | 265 |
| 304 | 2 | 265 | 275 |
| 305 | 3 | 240 | 265 |
| 306 | 2 | 245 | 275 |
| 307 | 1 | 262 | 285 |
| 308 | 1 | 265 | 285 |
| **Third Floor** | | | |
| 401 | 1 | 260 | 285 |
| 402 | 1 | 255 | 285 |
| 403 | 3 | 265 | 265 |
| 404 | 2 | 245 | 275 |
| 405 | 3 | 237 | 265 |
| 406 | 2 | 265 | 275 |
| 407 | 1 | 262 | 285 |
| 408 | 1 | 275 | 285 |

EXHIBIT 6 (Continued)

| Apartment # | Quality Ranking | Contract Rent per Month | Market Rent per Month |
|---|---|---|---|
| Fourth Floor | | | |
| 501 | 1 | 254 | 285 |
| 502 | 1 | 275 | 285 |
| 503 | 3 | 265 | 265 |
| 504 | 2 | 240 | 275 |
| 505 | 3 | 265 | 265 |
| 506 | 2 | 265 | 275 |
| 507 | 1 | 280 | 285 |
| 508 | 1 | 267 | 285 |
| Totals 36 units | | $9,352/mo. x 12 months | $9,895/mo. x 12 months |
| Gross Potential Revenue | | $112,224 | $118,740 |

#Quality Ranking:
1 = Corner
2 = Large or corner at lower level
3 = Medium
4 = Small
5 = No bath

EXHIBIT 7

Bellevue Apartments
29 East Wilson Street
Schedule of Projected Revenues and Expenses
August 1, 1981 through July 31, 1982

32800 SF GBA
#/SF/GBA

| | | |
|---|---|---|
| Potential Gross Revenue: | | |
| 36 residential units | $118,740 | |
| 16 parking stalls @ $26/mo. | 4,990 | |
| less vacancy of 1-1/2% | (1,860) | |
| Effective Gross Revenue | $121,870 | 3.7155 |
| Operating Expenses | | |
| Advertising | 510 | .016 |
| Management (5% of EGR) | 5,940 | .180 |
| Audit and Accounting | 500 | .015 |
| Maintenance and Repairs | 19,250 | .587 |
| Insurance | 2,400 | .073 |
| Personal Property Tax | 50 | .0015 |
| R.E. Taxes | 14,770 | .45 |
| Utilities | | |
| Gas and Electricity | 30,050 | .916 |
| Water and Sewer | 2,560 | .078 |
| Total Operating Expenses | $76,030 | 2.3165 .622 |
| Net Operating Income (NOI) | $45,840 | 1.3990 |

NOI upon which the investor would base his determination of a most probable purchase price.

Actual historical operating expenses which best reflect the to estimate

projected operating expenses. Income/Expense Analysis -- Apartments--1980 Edition, published by the Institute of Real Estate Management (IREM), provides data collected in 1979 for older apartment buildings (1920-1945) which is used as a benchmark for the subject (See Exhibit 8.) To correspond with revenue projections, the figures used for the subject property are based upon 1981-82 projections and therefore will be affected by inflation as well as by the unique attributes of the subject property. Based upon a net rentable area of 23,000 square feet for the subject, the following selected cost per square feet comparisons are made.

IREM Income/Expense Analysis

| | 1979 National Data Med. -- High | | Projected for Subject Property |
|---|---|---|---|
| Administrative | $.22 | $.33 | $.30 |
| Utilities | .77 | 1.08 | 1.42 |
| Maintenance and Repairs | .38 | .58 | .84 |
| Real Estate Taxes | .41 | .79 | .64 |
| Insurance | .10 | .13 | .10 |
| Total Operating Expenses | 2.20 | 2.89 | 3.30 |

EXHIBIT 8

MEDIAN OPERATING EXPENSES FOR OLDER BUILDINGS
IREM - 1980

# LOW RISE—25 OR MORE UNITS

LOW-RISE BUILDINGS - 25 OR MORE UNITS
UNFURNISHED

MEDIAN INCOME AND OPERATING COSTS

SELECTED AGE GROUPS
BY CITY

| | 1920 TO 1945<br>123 BUILDINGS 5,918 APARTMENTS<br>2,762,249 RENTABLE SQUARE FEET | | | | | | 1946 TO 1959<br>51 BUILDINGS 4,409 APARTMENTS<br>2,353,122 RENTABLE SQUARE FEET | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | BLDGS. | -----% OF GPTI------ | | | ----$/SQ.FT.---- | | | BLDGS. | -----% OF GPTI------ | | | ----$/SQ.FT.---- | | |
| INCOME | | MED | LOW | HIGH | MED | LOW | HIGH | | MED | LOW | HIGH | MED | LOW | HIGH |
| RENTS-APARTMENTS | ( 123) | 99.4% | 97.6% | 100.0% | 3.37 | 2.75 | 3.98 | ( 51) | 98.9% | 97.6% | 99.6% | 3.94 | 3.15 | 4.50 |
| RENTS-GARAGE/PARKING | ( 21) | 1.9 | .7 | 2.8 | .09 | .03 | .12 | ( 13) | 2.5 | 1.4 | 3.2 | .14 | | |
| RENTS-STORES/OFFICES | ( 12) | 8.6 | 7.8 | 10.4 | .31 | | | ( 1) | 1.8 | | | .05 | | |
| GROSS POSSIBLE RENTS | ( 123) | 99.7% | 99.1% | 100.0% | 3.41 | 2.81 | 4.13 | ( 51) | 99.3% | 98.5% | 99.8% | 3.94 | 3.15 | 4.50 |
| VACANCIES/RENT LOSS | ( 114) | 2.0 | .9 | 4.3 | .07 | .03 | .16 | ( 44) | 3.7 | 1.5 | 5.8 | .14 | .10 | .22 |
| TOTAL RENTS COLLECTED | ( 123) | 97.6 | 94.8 | 98.8 | 3.29 | 2.71 | 4.06 | ( 51) | 96.3 | 93.6 | 98.1 | 3.79 | 2.97 | 4.50 |
| OTHER INCOME | ( 80) | .7 | .3 | 1.2 | .02 | .01 | .05 | ( 40) | 1.0 | .5 | 1.5 | .04 | .02 | .07 |
| GROSS POSSIBLE INCOME | ( 123) | 100.0% | 100.0% | 100.0% | 3.41 | 2.87 | 4.16 | ( 51) | 100.0% | 100.0% | 100.0% | 3.97 | 3.19 | 4.76 |
| TOTAL COLLECTIONS | ( 123) | 98.1 | 95.8 | 99.4 | 3.35 | 2.77 | 4.07 | ( 51) | 97.4 | 94.7 | 99.2 | 3.86 | 2.97 | 4.56 |
| EXPENSES | | | | | | | | | | | | | | |
| MANAGEMENT COSTS** | ( 123) | 5.8 | 4.9 | 7.1 | .19 | .14 | .30 | ( 51) | 5.0 | 4.6 | 5.8 | .21 | .16 | .25 |
| OTHER ADMINISTRATIVE | ( 109) | .9 | .5 | 1.8 | .02 | .01 | .06 | ( 44) | 1.2 | .6 | 2.1 | .05 | .02 | .07 |
| SUBTOTAL ADMINISTR. | ( 123) | 6.9% | 5.8% | 8.3% | .22 | .17 | .33 | ( 51) | 6.2% | 5.3% | 7.5% | .24 | .21 | .30 |
| SUPPLIES | ( 118) | .9 | .5 | 1.5 | .03 | .01 | .04 | ( 43) | .7 | .3 | 1.4 | .03 | .02 | .06 |
| HEATING FUEL-CA ONLY* | ( 3) | 12.8 | | | .44 | | | ( 3) | 1.1 | | | .08 | | |
| CA & APTS.* | ( 120) | 14.3 | 10.5 | 17.6 | .42 | .32 | .61 | ( 32) | 8.1 | 6.4 | 12.4 | .37 | .24 | .45 |
| ELECTRICITY--CA ONLY* | ( 101) | 1.9 | 1.4 | 2.8 | .06 | .04 | .09 | ( 38) | 1.8 | 1.1 | 2.5 | .07 | .05 | .09 |
| CA & APTS.* | ( 22) | 5.9 | 4.3 | 8.9 | .21 | .08 | .26 | ( 12) | 5.6 | 2.3 | 6.8 | .22 | | |
| WATER/SEWER--CA ONLY* | ( 3) | .7 | | | .02 | | | ( 1) | .5 | | | | | |
| CA & APTS.* | ( 118) | 2.1 | 1.2 | 2.5 | .07 | .04 | .09 | ( 48) | 2.3 | 1.2 | 3.1 | .07 | .05 | .11 |
| GAS----------CA ONLY* | ( 25) | .2 | .1 | .7 | .01 | .00 | .02 | ( 15) | .6 | .4 | .9 | .02 | .02 | .06 |
| CA & APTS.* | ( 39) | 2.1 | 1.5 | 3.4 | .07 | .05 | .12 | ( 18) | 2.8 | 2.0 | 4.5 | .10 | .07 | .15 |
| BUILDING SERVICES | ( 70) | 1.2 | .6 | 2.0 | .03 | .02 | .05 | ( 32) | 1.1 | .7 | 1.6 | .03 | .03 | .07 |
| OTHER OPERATING | ( 68) | .8 | .3 | 1.6 | .03 | .01 | .07 | ( 32) | .7 | .2 | 1.0 | .02 | .01 | .04 |
| SUBTOTAL OPERATING | ( 123) | 22.2% | 18.4% | 27.8% | .75 | .59 | .91 | ( 51) | 12.7% | 9.0% | 19.2% | .55 | .28 | .75 |
| SECURITY** | ( 11) | .2 | .1 | .2 | .01 | .00 | .01 | ( 1) | .9 | | | .03 | | |
| GROUNDS MAINTENANCE** | ( 54) | .5 | .1 | 1.6 | .02 | .01 | .05 | ( 27) | .8 | .6 | 1.5 | .04 | .02 | .05 |
| MAINTENANCE-REPAIRS | ( 123) | 7.6 | 4.7 | 11.9 | .25 | .17 | .33 | ( 51) | 7.1 | 3.8 | 10.5 | .26 | .17 | .38 |
| PAINTING/DECORATING** | ( 118) | 3.4 | 2.2 | 4.8 | .12 | .07 | .20 | ( 47) | 3.1 | 1.6 | 4.0 | .11 | .07 | .17 |
| SUBTOTAL MAINTENANCE | ( 123) | 11.5% | 8.5% | 16.9% | .38 | .28 | .58 | ( 51) | 11.0% | 6.6% | 14.9% | .40 | .27 | .56 |
| REAL ESTATE TAXES | ( 123) | 10.4 | 6.8 | 15.8 | .41 | .21 | .79 | ( 51) | 10.2 | 6.2 | 12.6 | .33 | .26 | .47 |
| OTHER TAX/FEE/PERMIT | ( 57) | .2 | .1 | .6 | .01 | .00 | .02 | ( 27) | .4 | .2 | .8 | .01 | .01 | .03 |
| INSURANCE | ( 123) | 3.4 | 2.3 | 4.5 | .10 | .07 | .13 | ( 51) | 2.4 | 1.9 | 3.1 | .11 | .08 | .13 |
| SUBTOTAL TAX-INSURNCE | ( 123) | 14.3% | 11.2% | 21.1% | .54 | .36 | .90 | ( 51) | 13.5% | 8.9% | 17.4% | .46 | .35 | .64 |
| RECREATNL/AMENITIES** | ( ) | | | | | | | ( 6) | 1.1 | | | .04 | | |
| OTHER PAYROLL** | ( 87) | 7.7 | 5.2 | 9.3 | .27 | .14 | .37 | ( 30) | 4.8 | 3.4 | 7.4 | .22 | .13 | .24 |
| TOTAL ALL EXPENSES | ( 123) | 67.3% | 54.8% | 75.7% | 2.20 | 1.73 | 2.89 | ( 51) | 50.4% | 43.1% | 57.9% | 1.86 | 1.57 | 2.42 |
| NET OPERATING INCOME | ( 123) | 31.1% | 20.6% | 42.0% | 1.11 | .73 | 1.50 | ( 51) | 46.9% | 39.0% | 53.3% | 1.85 | 1.49 | 2.16 |
| PAYROLL RECAP** | ( 95) | 8.3 | 5.2 | 11.7 | .30 | .21 | .43 | ( 37) | 6.0 | 4.0 | 7.5 | .24 | .17 | .32 |

FOOTNOTE: For a description of Utility Expense (*) and Payroll Cost (**) reporting, and an explanation of the report layouts and method of data analysis, refer to the sections entitled "Guidelines for Use of this Data", and "Interpretation of a Page of Data". For definitions of the income and expense categories, refer to the Appendix, pages 210-213.

In less than two years, maintenance and repair expenses for the subject have doubled when compared to national median figures; this is reflective of the problems which have accumulated over the years. Currently for the subject the expense to effective gross income ratio (E/I) is 62 percent. The normal range of E/I for apartments in which the tenants pay electricity and the landlord pays the heat is between 40 to 50 percent.

The NOI for the subject in its current condition is projected to be $45,840 in the year from August 1, 1981, to July 31, 1982. The applied vacancy rate of 1-1/2 percent assumes that only one unit will be vacant for about six months in the year ahead.

The utility expenses are based upon actual expenses of $28,070 from July 1980 through June 1981 and escalated 7 percent to account for price increases. This is a modest projected increase; the American Gas Association recently predicted national gas prices to double by 1985 with increases of 12 to 15 percent annually. Electricity increases are expected to be 5 to 6 percent per year and water costs are expected to increase 10 percent per year.

Maintenance and repair expenses include $4,176 per yr for the resident caretaker and $3,157 per yr. for the elevator maintenance contract. Expenditures for maintenance and repair

totalled $9,746 from January through June 1981; the projected amount of $19,250 follows the pattern of increasing cost to maintain because so much was neglected for so long. Major repairs and improvements described in Section II, B, if done, would be expected to reduce the annual maintenance and repair budget to a more realistic amount of $8,000 to $10,000, which would be in line with low to moderate costs, detailed in the 1980 IREM publication.

D. The Overall Rate

An overall rate at which residential income properties of a size, location, and functional utility similar to the subject location have been bought and sold is factual support of a market capitalization rate acceptable to typical prospective purchasers, even though rates of return to specific components of the investment are not identified.

In recent years Madison investors have been buying residential income property for tax shelter and future appreciation. Break-even or even slightly negative cash flow has been acceptable in the early part of the holding period. In the past few months, investors' expectations of appreciation rates have scaled downward to a more realistic 3 to 5 percent per year.

Cash sales requiring traditional lender financing at 17 to 19 percent interest have been non-existent; for buyers to receive break-even cash flow, sellers have had to provide more favorable financing and therefore have required higher transaction prices to compensate for the discounted dollars received in the future. The calculation of the cash equivalent price is discussed with the analysis of sales.

The use of the net operating income (effective gross revenue less operating expenses) allows for an accounting of the inefficiency of the subject as compared to newer residential properties that have recently sold.

E. Analysis of Market Transactions

To determine the overall capitalization rate reflective of investor behavior, data from five recent sales of residential income properties is analyzed. Apartments with from 22 to 55 units sold within the last two years form the basis for the market data. The location of each sale is shown in Exhibit 9.

A summary of the market transactions are shown in Exhibit 10; included in the summary are the nominal sale price and the corresponding cash equivalent price, income and expense information obtained from the buyers and/or sellers, and the calculation of market ratios and units of comparison both in terms of nominal sale price and cash equivalent price. Photographs of the market are found in Exhibit 11.

EXHIBIT 9

LOCATION OF RECENT MARKET TRANSACTIONS
APARTMENT BUILDINGS - CENTRAL MADISON

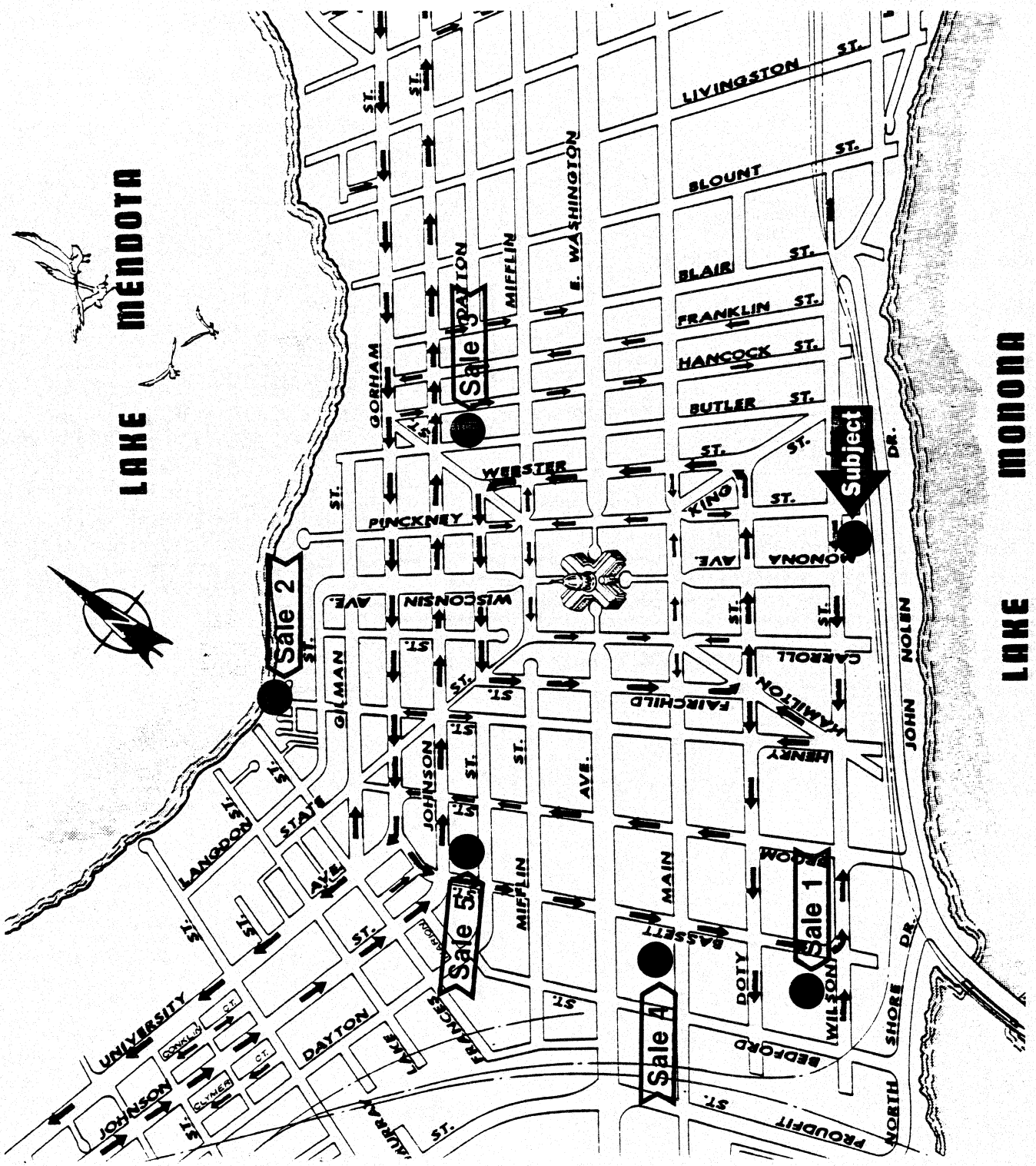


EXHIBIT 10

ANALYSIS OF RECENT MARKET TRANSACTIONS

| | SALE #1 | SALE #2 | SALE #3 | SALE #4 | SALE #5 |
|---|---|---|---|---|---|
| Address | 522 West Wilson | 140 Iota Court | 130 North Hancock | 518 West Main | 454 West Dayton |
| Date of Sale | 6/81 | 1/12/81 | 12/31/80 | 7/80 | 11/30/79 |
| Nominal Sale Price | $525,000 | $700,000 | $390,000 | $640,000 | $850,000 |
| Instrument | 7-1/2% Land Contract | 10% Land Contract | 10% Land Contract | 12% Land Contract | 11% Land Contract |
| Cash Equivalent Price | $457,000 | $627,000 | $360,000 | $623,000 | $813,000 |
| Number and Type of Units | 25 Eff. 2-1 BR | 28 Eff. 7-1 BR | 4 Eff. 18 Studios | 32-1 BR | 48 Eff. 7-1 BR |
| Number of Rooms | 56 | 77 | 44 | 96 | 117 |
| Approximate Year Built | late 1960s | 1970 | 1971 | 1965 | 1972 |
| Rental Rates projected at time of sale | Eff.=$225 1 BR =$275 | Eff.=$215 1 BR =$340 | Eff.=$192.50 Studios=$220.56 | 1 BR =$279 | Eff.=$170 1 BR =$210 |
| Utility Payments | L=Heat T=Elec. | T=Heat & Elec. | L=Heat T=Elec. | L=Heat & Elec. | T=Heat & Elec. |
| Effective Gross Revenue (3% vacancy) and Parking | $74,600 | $99,250 | $55,180 | $103,600 | $112,100 |
| Expenses | $32,000 | $39,700 | $21,800 | $46,620 | $39,250 |
| Expense Ratio | .45 | .40 | .40 | .45 | Est. @ .35 |
| Net Operating Income (NOI) | $42,600 | $59,550 | $33,380 | $56,980 | $72,850 |
| Gross Rent Multiplier* with Nominal Sale Price | 7.31 | 6.41 | 7.07 | 6.41 | 6.47 |
| with Cash Equivalent Price | 6.36 | 5.74 | 6.52 | 6.25 | 6.19 |
| Price per Room with Nominal Sale Price | $9,375 | $9,090 | $8,864 | $6,667 | $7,265 |
| with Cash Equivalent Price | $8,160 | $8,143 | $8,182 | $6,490 | $6,949 |
| NOI per Room | $761 | $773 | $754 | $594 | $623 |
| Overall Rate with Nominal Sale Price | .081 | .085 | .086 | .089 | .085 |
| with Cash Equivalent Price | .093 | .095 | .093 | .091 | .090 |

*To calculate gross rent multiplier, effective gross rent is adjusted as though the landlord pays the heat and the tenant pays the electricity. Also, for the GRM, parking revenue is not included.

EXHIBIT 11

PHOTOGRAPHS OF RECENT SALE PROPERTIES

SALE NO. 1

522 West Wilson Street

EXHIBIT 11 (Continued)

SALE NO. 2

140 Iota Court
Lake Mendota Side

EXHIBIT 11 (Continued)

SALE NO. 3

130 North Hancock Street

EXHIBIT 11 (Continued)

SALE NO. 4

518 West Main Street

EXHIBIT 11 (Continued)

SALE NO. 5

454 West Dayton Street

To arrive at a cash equivalent price, the stream of receipts to the seller are discountd at the prevailing opportunity cost of money at the time of the sale. The terms and conditions for the five transactions used to determine the prevailing overall rate have been analyzed and the cash equivalent price calculated in Exhibit 12.

The resulting overall rates range from .09 to .095 when the cash equivalent price is related to the properties' NOI at time of sale. When seller financing is provided, the overall rates ranged from .081 to .089. The higher overall rates are assumed to be more reflective of the higher risk involved in the purchase of an older building in poor condition. Therefore, the rates selected to value the subject are .0945 and .086, respectively.

In keeping with the recent trend of increasingly more favorable seller financing terms provided to consummate sales, it should be noted that the spread between the cash equivalent price and the nominal sale price has widened over time. Sales of apartment buildings in Central Madison in the past two years have been predominantly by land contract; from the transactions found to be most comparable to the subject, that is, sales of

EXHIBIT 12

CASH EQUIVALENT SALE PRICE

Sale No. 1

522 West Wilson

Sale Price: $525,000

Sale Date: 6/81

| Terms: | | |
|---|---|---|
| | Sale Price | $525,000 |
| | Less Down Payment | (100,000) |
| | Land Contract | 425,000 |
| | Less Principal Payment 1/82 | (25,000) |
| | Balance Due 6/83 | $400,000 |

Interest only @ 7-1/2% on unpaid balance

Calculation of Cash Equivalent Sale Price:

| | |
|---|---|
| Interest rate at time of sale | 17% |
| Present value (P.V.) of down payment | $100,000 |
| P.V. of interest on balance of $425,000 from 6/81 to 1/82 ($18,594) - 7 months | 16,850 |
| P.V. of payment 1/82 of $25,000 - 7 months | 22,656 |
| P.V. of interest on balance of $400,000 from 1/82 to 6/83 ($45,000) - 18 months | 32,106 |
| P.V. of balance of $400,000 paid 6/83 | 285,388 |
| CASH EQUIVALENT SALE PRICE | $457,000 |

EXHIBIT 12 (Continued)

CASH EQUIVALENT SALE PRICE
Sale No. 2

140 Iota Court

Sale Price: $100,000

Sale Date: 1/12/81

| Terms: | | | |
|---|---|---|---|
| | Down Payment | Approx. | $257,000 |
| | Note Payable | | 115,000 |
| | Land Contract Balance Assumed | | 328,000 |
| | Sale Price | | $700,000 |

a) Note payable at 10% interest only from 1/12/81 to 12/31/83
b) Land Contract balance amortized - $3,214 per month with balance due as of 12/31/83 of $297,306

Calculation of Cash Equivalency Sale Price:

| | | |
|---|---|---|
| Interest rate at time of sale | | 15% |
| Down Payment | Approx. | $257,000 |
| P.V. of $3,214 per month for 93 months | | 176,136 |
| P.V. of $297,306 due in 93rd month | | 93,641 |
| P.V. of $11,122 interest on note due in 11.6 months | | 9,629 |
| P.V. of $11,500 interest on note due in 23.6 months | | 8,578 |
| P.V. of $2,875 interest on note due in 26.6 months | | 2,066 |
| P.V. of $2,875 interest on note due in 29.6 months | | 1,990 |
| P.V. of $2,875 interest on note due in 32,6 months | | 1,918 |
| P.V. of $117,875 (interest & principal) due in 35.6 months | | 75,746 |
| CASH EQUIVALENCY SALE PRICE | | $626,904 |
| Say | | $627,000 |

EXHIBIT 12 (Continued)

CASH EQUIVALENT SALE PRICE
Sale No. 3

130 North Hancock

Sale Price: $390,000

Sale Date: 12/31/80

| Terms: | | |
|---|---|---|
| | Sale Price | $390,000 |
| | Less Down Payment | (140,000) |
| | Land Contract | $250,000 |

Balance due 1/1/84

Interest due monthly - 36 months at 10%

Calculation of Cash Equivalency Sale Price:

| | |
|---|---|
| Interest rate at time of sale | 15% |
| P.V. of down payment | $140,000 |
| P.V. of monthly interest payments $2,083.33 per month - 36 months | 60,098 |
| P.V. of balance of $250,000 paid 1/1/84 | 159,852 |
| CASH EQUIVALENT SALE PRICE | $359,950 |
| Say | $360,000 |

EXHIBIT 12 (Continued)

CASH EQUIVALENT SALE PRICE
Sale No. 4

518 West Main Street

Sale Price: $640,000

Sale Date: 7/18/80

| Terms: | | |
|---|---|---|
| | Sale Price | $640,000 |
| | Less Down Payment | (125,000) |
| | Land Contract | $515,000 |

a) Payments of $4,810 per month - amortize $450,000 mortgage at 12.5%
Balance due 7/1/83 = $444,682.46
b) Payments of $6,500 per year for interest only on $65,000 at 10%

Calculation of Cash Equivalent Sale Price:

| | |
|---|---|
| Interest rate at time of sale | 13.5% |
| P.V. of down payment | $125,000 |
| P.V. of $4,810 per month - 36 months | 141,740 |
| P.V. of $6,500 due in 12 months | 5,683 |
| P.V. of $6,500 due in 24 months | 4,969 |
| P.V. of $6,500 due in 36 months | 4,345 |
| P.V. of $444,682 + $65,000 = $509,682 Balance due 7/1/83 | 340,716 |
| CASH EQUIVALENT SALE PRICE | $622,453 |
| Say | $623,000 |

EXHIBIT 12 (Continued)

CASH EQUIVALENT SALE PRICE
Sale No. 5

454 W. Dayton

Sale Price: $850,000

Sale Date: 11/30/79

| Terms: | | |
|---|---|---|
| | Sale Price | $850,000 |
| | Less Down Payment | (190,000) |
| | Land Contract | 660,000 |
| | Less Principal Build-up (36 months' amortization) | (12,200) |
| | Less Principal Payment - Year 3 | (25,000) |
| | Less Principal Payment - Year 4 | (25,000) |
| | Balance Due 11/84 | $597,800 |

a) Years 1-3 $660,000 at 10%, 30 years at $5,792 per month for 36 months
b) Year 4 11% interest only = $5,709 per month between months 37 to 48
c) Year 5 12% interest only = $5,978 per month between months 49 to 60

Calculation of Cash Equivalency Sale Price:

| | |
|---|---|
| Interest rate at time of sale | 12% |
| P.V. of down payment | $190,000 |
| P.V. of $5,792 per month - 36 months | 174,383 |
| P.V. of $25,000 - due end of 36 months | 17,473 |
| P.V. of $5,709 per month - between months 37 - 48 | 44,909 |
| P.V. of $25,000 - due end of 48 months | 15,507 |
| P.V. of $5,978 per month - between months 49 - 60 | 41,733 |
| P.V. of $597,800 due 11/30/84 | 329,059 |
| CASH EQUIVALENT SALE PRICE | $813,064 |
| Say | $813,000 |

centrally located, moderately sized apartment buildings, the cash equivalent price has shifted from approximately 96 to 87 percent of the nominal selling price over the past two years.

F. Value Conclusion

Greater emphasis is placed upon the overall rates obtained from the most recent apartment sales to most accurately estimate investor behavior, given the high and volatile interest rates in an uncertain economy. The projected net operating income of $45,840, capitalized at an overall rate of The NOI, capitalized at an overall rate of .0945 equates to a cash equivalent value estimate of $485,079. The NOI, capitalized at an overall rate of .086, equates to a nominal sale price of $533,023. Therefore, the value of the subject property located at 29 East Wilson Street as of August 1, 1981, is estimated to be:

FOUR HUNDRED EIGHTY FIVE THOUSAND DOLLARS

($485,000)

assuming cash to the seller,

or

FIVE HUNDRED THIRTY THOUSAND DOLLARS

($530,000)

assuming seller financing with 20 to 35 percent down, 9 to 10 percent interest and a three to five year term.

G. Test of Value Conclusion

It is assumed the most probable buyer, a group of investors, will purchase the subject property with the intent of making those repairs and improvements necessary to maximize the marketability, and therefore, the rent potential of the Bellevue.

If purchased for $530,000 with seller financing, the buyers have two possible courses of action. They could continue operating the building as is until interest rates make short term loans or refinancing, and therefore, major capital improvements, feasible; it is assumed that any increases in operating expenses would be passed through to the tenants. The lower than market interest at 10 percent on a five-year land contract would result in a slightly negative cash throw-off, as is common in today's market.

If, in the worst case, interest rates did not decrease and the property was held for the term of the land contract and resold for the same purchase price of $530,000, the after tax internal rate of return of 9.7 percent does not make this an attractive option. The results of the discounted cash flow for this scenario are shown in Exhibit 13.

A second course of action would be the use of equity money to make the necessary capital improvements at the beginning of the holding period. The initial investment would be $824,000

EXHIBIT 13

SCENARIO NO. 1

BUY ON LAND CONTRACT AND HOLD

INPUT PARAMETERS
**********

```
1. ENTER PROJECT NAME ? BELLEVUE
2. ENTER PROJECTION PERIOD ?  5
3. DO YOU WANT TO ENTER EFFECTIVE GROSS REVENUE INSTEAD OF NOI? N
   TO REPEAT PREVIOUS YEARS NOI OR EGR FOR BAL OF PROJECTION ENTER 0
   N.O.I. YEAR  1? 45840
   N.O.I. YEAR  2? 0
4. VALUE: ? 530000
5. DO YOU WANT TO USE STANDARD FINANCING? Y OR N?Y
   MTG. RATIO OR AMOUNT, INT., TERM, NO PAY/YR ? .8, .1, 25, 12
6. IMP./TOTAL VALUE RATIO, IMPROVEMENTS LIFE ? .65, 15
7. DEPRECIATION METHOD ? 2
   ENTER D.B. %: ? 175
   IS PROPERTY SUBSIDIZED HOUSING ? Y OR N ?N
   IS PROPERTY NON-RESIDENTIAL? Y OR N? N
8. IS OWNER A TAXABLE CORPORATION? Y OR N ?N
   THE MAXIMUM FEDERAL INDIVIDUAL ORDINARY RATE COULD BE:
           70% (PRE-1981 LAW)
           50% (1981 LAW, EFFECTIVE 1982)

           (PLUS STATE RATE)

    ENTER:
   1) EFFECTIVE ORDINARY RATE  2) EFFECTIVE ORDINARY RATE (YEAR OF SALE)
?  .5, .5
9. RESALE PRICE (NET OF SALE COSTS) ? 530000
10. IS THERE LENDER PARTICIPATION ?N
```

EXHIBIT 13 (Continued)

AFTER TAX CASH FLOW PROJECTION
BELLEVUE
DATE 11/10/81

DATA SUMMARY
**********

| | | | |
|---|---|---|---|
| VALUE: | $530,000. | MTG. AMT.: | $424,000. |
| NOI 1ST YR: | $45,840. | MTG. INT.: | 10% |
| ORG. EQUITY: | $106,000. | MTG. TERM: | 25. YRS |
| IMP. VALUE: | $344,500. | MTG. CONST.: | .10904419 |
| INC. TX RATE: | 50% | IMP. LIFE: | 15 YRS |
| SALE YR RATE: | 50% | OWNER: | INDIVIDUAL |

DEPRECIATION METHOD : 175% D.B.
RESIDENTIAL PROPERTY

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS PROVIDED BY J. DAVIS ARE PROPER OR THAT THE CURRENT TAX ESTIMATES USED IN THIS PROJECTION WILL BE ACCEPTABLE TO TAXING AUTHORITIES. NO ESTIMATE HAS BEEN MADE OF MINIMUM PREFERENCE TAX.

| YEAR | NOI | MTG INT & LENDERS % | BOOK DEP | TAXABLE INCOME | INCOME TAX | AFTER TAX CASH FLOW |
|---|---|---|---|---|---|---|
| 1. | 45840. | 42219. | 40192. | -36572. | -18287. | 17892. |
| 2. | 45840. | 41799. | 35503. | -31462. | -15732. | 15337. |
| 3. | 45840. | 41334. | 31361. | -26856. | -13429. | 13034. |
| 4. | 45840. | 40821. | 27702. | -22684. | -11343. | 10948. |
| 5. | 45840. | 40254. | 24470. | -18885. | -9443. | 9048. |
| | $229200. | $206428. | $159227. | $-136459. | $-68234. | $66260. |

EXHIBIT 13 (Continued)

| | | | |
|---|---|---|---|
| RESALE PRICE: | $530,000. | 1ST YR EQ DIV: | -.3724% |
| LESS MORTGAGE BALANCE: | $399,254. | AVG DEBT COVER RATIO: | .9915 |
| PROCEEDS BEFORE TAXES: | $130,746. | | |
| LESS LENDER'S %: | $0. | | |
| NET SALES PROCEEDS BEFORE TAXES: | $130,746. | | |

| | |
|---|---|
| RESALE PRICE: | $530,000. |
| LESS LENDER'S %: | $0. |
| NET RESALE PRICE: | $530,000. |
| LESS BASIS: | $370,773. |
| TOTAL GAIN: | $159,227. |
| LESS EXCESS DEPREC.: | $44,394. |
| CAPITAL GAIN: | $114,833. |

| | |
|---|---|
| CAPITAL GAINS TAX: | $22,967. |
| PLUS EXCESS DEP TAX: | $22,197. |
| PLUS MORTGAGE BAL: | $399,254. |
| TOTAL DEDUCTIONS FROM NET RESALE PRICE: | $444,418. |

| | |
|---|---|
| NET SALES PROCEEDS AFTER TAX: | $85,582. |

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR $530,000.
THEN I.R.R. IS 3.9427% BEFORE TAXES 9.7149% AFTER TAXES

which includes $530,000 to the seller on a land contract plus the cost of $294,000 repairs and capital improvements which include a separate furnace for each unit. Increased rents and the shift of heating costs to the tenants are assumed to reflect the increased marketability of the rehabilitated structure and are forecast to increase at 4 percent per year with expenses at 37 percent of effective gross revenue. It is optimistically assumed the property will appreciate approximately 5 percent a year over a holding period of ten years. In this case the after tax internal rate of return is 13.7 percent, when unadjusted for the favorable effects of expensing the repairs the first year of operation. The adjusted after tax IRR is 14.2 percent. The results of the discounted cash flow for this scenario are found in Exhibit 14.

The 13 to 14 percent after tax internal rate of return is minimal for a property that has a higher risk because of age and potential undetected structural problems. An investor would prefer an after tax return closer to 18 percent for this property type.

If the property is purchased for $485,000, the estimated most probable selling price, with cash to the seller and the recommended repairs and improvements are made at a cost of $294,000 including the installation of individual furnaces, the total initial investment would be $779,000. The down payment

EXHIBIT 14

SCENARIO No. 2

BUY ON LAND CONTRACT AND MAKE
IMPROVEMENTS WITH EQUITY CONTRIBUTION

INPUT PARAMETERS
**********

```
1. ENTER PROJECT NAME ? BELLEVUE
2. ENTER PROJECTION PERIOD ?  10
3. DO YOU WANT TO ENTER EFFECTIVE GROSS REVENUE INSTEAD OF NOI? Y
   TO REPEAT PREVIOUS YEARS NOI OR EGR FOR BAL OF PROJECTION ENTER 0

   EFFECTIVE GROSS REVENUE YEAR  1? 135280
   EFFECTIVE GROSS REVENUE YEAR  2? 140691
   EFFECTIVE GROSS REVENUE YEAR  3? 146319
   EFFECTIVE GROSS REVENUE YEAR  4? 152172
   EFFECTIVE GROSS REVENUE YEAR  5? 158258
   EFFECTIVE GROSS REVENUE YEAR  6? 164589
   EFFECTIVE GROSS REVENUE YEAR  7? 171172
   EFFECTIVE GROSS REVENUE YEAR  8? 178019
   EFFECTIVE GROSS REVENUE YEAR  9? 185140
   EFFECTIVE GROSS REVENUE YEAR  10? 192545

   VAR OP EXPENSE (%) YEAR  1? .37
   VAR OP EXPENSE (%) YEAR  2? 0

   FIXED OP EXPENSE YEAR  1? 0
   FIXED OP EXPENSE YEAR  2? 0
4. VALUE: ? 824000
5. DO YOU WANT TO USE STANDARD FINANCING? Y OR N?Y
   MTG. RATIO OR AMOUNT, INT., TERM, NO PAY/YR ? 424000, .1, 25, 12
6. IMP./TOTAL VALUE RATIO, IMPROVEMENTS LIFE ? .7815534, 15
7. DEPRECIATION METHOD ? 2
   ENTER D.B. %: ? 175
   IS PROPERTY SUBSIDIZED HOUSING ? Y OR N ?N
   IS PROPERTY NON-RESIDENTIAL? Y OR N? N
8. IS OWNER A TAXABLE CORPORATION? Y OR N ?N
   THE MAXIMUM FEDERAL INDIVIDUAL ORDINARY RATE COULD BE:
           70% (PRE-1981 LAW)
           50% (1981 LAW, EFFECTIVE 1982)

           (PLUS STATE RATE)

    ENTER:
   1) EFFECTIVE ORDINARY RATE  2) EFFECTIVE ORDINARY RATE (YEAR OF SALE)
?  .5, .5
9. RESALE PRICE (NET OF SALE COSTS) ? 1236000
10. IS THERE LENDER PARTICIPATION ?Y
   ENTER % CASH THROW-OFF, % PROCEEDS BEFORE TAXES:  .2, .1
```

EXHIBIT 14 (Continued)

AFTER TAX CASH FLOW PROJECTION
BELLEVUE
DATE 11/11/81

DATA SUMMARY
**********

| | | | |
|---|---|---|---|
| VALUE: | $824,000. | MTG. AMT.: | $424,000. |
| NOI 1ST YR: | $85,226. | MTG. INT.: | 10% |
| ORG. EQUITY: | $400,000. | MTG. TERM: | 25. YRS |
| IMP. VALUE: | $644,000. | MTG. CONST.: | .10904419 |
| INC. TX RATE: | 50% | IMP. LIFE: | 15 YRS |
| SALE YR RATE: | 50% | OWNER: | INDIVIDUAL |

DEPRECIATION METHOD : 175% D.B.
RESIDENTIAL PROPERTY
LENDER PARTICIPATION: CASH THROW-OFF: 20% REVERSION: 10%

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS PROVIDED BY J. DAVIS ARE PROPER OR THAT THE CURRENT TAX ESTIMATES USED IN THIS PROJECTION WILL BE ACCEPTABLE TO TAXING AUTHORITIES. NO ESTIMATE HAS BEEN MADE OF MINIMUM PREFERENCE TAX.

| YEAR | NOI | MTG INT & LENDERS % | BOOK DEP | TAXABLE INCOME | INCOME TAX | AFTER TAX CASH FLOW |
|---|---|---|---|---|---|---|
| 1. | 85226. | 50018. | 75133. | -39926. | -19964. | 51157. |
| 2. | 88635. | 50279. | 66368. | -28012. | -14007. | 47927. |
| 3. | 92181. | 50524. | 58625. | -16968. | -8485. | 45242. |
| 4. | 95868. | 50748. | 51785. | -6666. | -3334. | 43041. |
| 5. | 99703. | 50948. | 45744. | 3011. | 1506. | 41268. |
| 6. | 103691. | 51119. | 40407. | 12165. | 6083. | 39882. |
| 7. | 107838. | 51257. | 35693. | 20889. | 10445. | 38838. |
| 8. | 112152. | 51356. | 33781. | 27016. | 13508. | 39226. |
| 9. | 116638. | 51408. | 33781. | 31449. | 15725. | 40598. |
| 10. | 121303. | 51409. | 33781. | 36114. | 18057. | 41998. |
| | $1023237. | $509065. | $475097. | $39072. | $19534. | $429177. |

EXHIBIT 14 (Continued)

| | | | |
|---|---|---|---|
| RESALE PRICE: | $1,236,000. | 1ST YR EQ DIV: | 7.7983% |
| LESS MORTGAGE BALANCE: | $358,540. | AVG DEBT COVER RATIO: | 2.2131 |
| PROCEEDS BEFORE TAXES: | $877,460. | AVG DEFAULT RATIO: | .6547 |
| LESS LENDER'S %: | $87,746. | | |
| NET SALES PROCEEDS BEFORE TAXES: | $789,714. | | |

| | |
|---|---|
| RESALE PRICE: | $1,236,000. |
| LESS LENDER'S %: | $87,746. |
| NET RESALE PRICE: | $1,148,254. |
| LESS BASIS: | $348,903. |
| TOTAL GAIN: | $799,351. |
| LESS EXCESS DEPREC.: | $82,988. |
| CAPITAL GAIN: | $716,362. |

| | |
|---|---|
| CAPITAL GAINS TAX: | $143,272. |
| PLUS EXCESS DEP TAX: | $41,494. |
| PLUS MORTGAGE BAL: | $358,540. |
| TOTAL DEDUCTIONS FROM NET RESALE PRICE: | $543,306. |

| | |
|---|---|
| NET SALES PROCEEDS AFTER TAX: | $604,948. |

IF PURCHASED AS ABOVE, HELD 10 YEARS & SOLD FOR $1,236,000.
THEN I.R.R. IS 15.1011% BEFORE TAXES 13.7249% AFTER TAXES

would be $234,775, assuming the lender would require a debt cover ratio of 1.3, an interest rate of 14 percent plus 20 percent of each year's cash throw off, and 10 percent of the before tax reversion.

The rents are assumed to increase initially from an average of $275 per month including heat to $305 per month excluding heat after the building has been improved and made more marketable. Rents will increase at a rate of 4 percent per year with expenses at 37 percent of effective gross revenue. The E/I ratio is due to the repairs and improvements and to the passing of the heat costs to the tenants. The NOI increases from $85,226 in year one to $121,303 in year ten. The project is assumed to appreciate at an optimistic rate of 5 percent per year.

Based upon the assumptions discussed above, the after tax internal rate of return (IRR) is 16.7 percent before adjustment for the favorable effect of expensing the cost of repairs in the first year. The adjusted after tax IRR of 19.5 percent falls just above the minimum 18 percent required by investors. The discounted cash flow results are displayed in Exhibit 15. Thus, $485,000 is confirmed as the highest price, i.e., estimated fair market value, as determined by a discounted cash flow calculation, that a knowledgeable investor would pay for the subject property as of August 1, 1981.

EXHIBIT 15

SCENARIO NO. 3

CASH TO SELLER, FINANCE WITH LENDER
PARTICIPATION AND MAKE IMPROVEMENTS

INPUT PARAMETERS
**********

```
1. ENTER PROJECT NAME ? BELLEVUE
2. ENTER PROJECTION PERIOD ?  10
3. DO YOU WANT TO ENTER EFFECTIVE GROSS REVENUE INSTEAD OF NOI? Y
   TO REPEAT PREVIOUS YEARS NOI OR EGR FOR BAL OF PROJECTION ENTER 0

   EFFECTIVE GROSS REVENUE YEAR  1? 135280
   EFFECTIVE GROSS REVENUE YEAR  2? 140691
   EFFECTIVE GROSS REVENUE YEAR  3? 146319
   EFFECTIVE GROSS REVENUE YEAR  4? 152172
   EFFECTIVE GROSS REVENUE YEAR  5? 158258
   EFFECTIVE GROSS REVENUE YEAR  6? 164589
   EFFECTIVE GROSS REVENUE YEAR  7? 171172
   EFFECTIVE GROSS REVENUE YEAR  8? 178019
   EFFECTIVE GROSS REVENUE YEAR  9? 185140
   EFFECTIVE GROSS REVENUE YEAR  10? 192545

   VAR OP EXPENSE (%) YEAR  1? .37
   VAR OP EXPENSE (%) YEAR  2? 0

   FIXED OP EXPENSE YEAR  1? 0
   FIXED OP EXPENSE YEAR  2? 0
4. VALUE: ? 779000
5. DO YOU WANT TO USE STANDARD FINANCING? Y OR N?Y
   MTG. RATIO OR AMOUNT, INT., TERM, NO PAY/YR ? 544225, .14, 25, 12
6. IMP./TOTAL VALUE RATIO, IMPROVEMENTS LIFE ? .768935, 15
7. DEPRECIATION METHOD ? 2
   ENTER D.B. %: ? 175
   IS PROPERTY SUBSIDIZED HOUSING ? Y OR N ?N
   IS PROPERTY NON-RESIDENTIAL? Y OR N? N
8. IS OWNER A TAXABLE CORPORATION? Y OR N ?N
   THE MAXIMUM FEDERAL INDIVIDUAL ORDINARY RATE COULD BE:
          70% (PRE-1981 LAW)
          50% (1981 LAW, EFFECTIVE 1982)

          (PLUS STATE RATE)

    ENTER:
   1) EFFECTIVE ORDINARY RATE  2) EFFECTIVE ORDINARY RATE (YEAR OF SALE)
?  .5, .5
9. RESALE PRICE (NET OF SALE COSTS) ? 1168500
10. IS THERE LENDER PARTICIPATION ?Y
   ENTER % CASH THROW-OFF, % PROCEEDS BEFORE TAXES:  .2, .1
```

EXHIBIT 15 (Continued)

AFTER TAX CASH FLOW PROJECTION
BELLEVUE
DATE 11/11/81

DATA SUMMARY
**********

| | | | |
|---|---|---|---|
| VALUE: | $779,000. | MTG. AMT.: | $544,225. |
| NOI 1ST YR: | $85,226. | MTG. INT.: | 14% |
| ORG. EQUITY: | $234,775. | MTG. TERM: | 25. YRS |
| IMP. VALUE: | $599,000. | MTG. CONST.: | .14445128 |
| INC. TX RATE: | 50% | IMP. LIFE: | 15 YRS |
| SALE YR RATE: | 50% | OWNER: | INDIVIDUAL |

DEPRECIATION METHOD : 175% D.B.
RESIDENTIAL PROPERTY
LENDER PARTICIPATION: CASH THROW-OFF: 20% REVERSION: 10%

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS PROVIDED BY J. DAVIS ARE PROPER OR THAT THE CURRENT TAX ESTIMATES USED IN THIS PROJECTION WILL BE ACCEPTABLE TO TAXING AUTHORITIES. NO ESTIMATE HAS BEEN MADE OF MINIMUM PREFERENCE TAX.

| YEAR | NOI | MTG INT & LENDERS % | BOOK DEP | TAXABLE INCOME | INCOME TAX | AFTER TAX CASH FLOW |
|---|---|---|---|---|---|---|
| 1. | 85226. | 77352. | 69883. | -62010. | -31006. | 36296. |
| 2. | 88635. | 77648. | 61730. | -50744. | -25373. | 33390. |
| 3. | 92181. | 77914. | 54528. | -40262. | -20132. | 30986. |
| 4. | 95868. | 78141. | 48167. | -30441. | -15221. | 29024. |
| 5. | 99703. | 78322. | 42547. | -21168. | -10585. | 27456. |
| 6. | 103691. | 78447. | 37583. | -12340. | -6171. | 26233. |
| 7. | 107838. | 78502. | 33199. | -3863. | -1932. | 25311. |
| 8. | 112152. | 78475. | 31420. | 2257. | 1129. | 25701. |
| 9. | 116638. | 78350. | 31420. | 6868. | 3434. | 26985. |
| 10. | 121303. | 78108. | 31420. | 11775. | 5888. | 28263. |
| | $1023237. | $781260. | $441899. | $-199928. | $-99969. | $289646. |

EXHIBIT 15 (Continued)

| | | | |
|---|---|---|---|
| RESALE PRICE: | $1,168,500. | 1ST YR EQ DIV: | 2.2532% |
| LESS MORTGAGE BALANCE: | $491,925. | AVG DEBT COVER RATIO: | 1.3016 |
| PROCEEDS BEFORE TAXES: | $676,575. | AVG DEFAULT RATIO: | .8540 |
| LESS LENDER'S %: | $67,657. | | |
| NET SALES PROCEEDS BEFORE TAXES: | $608,917. | | |

| | |
|---|---|
| RESALE PRICE: | $1,168,500. |
| LESS LENDER'S %: | $67,657. |
| NET RESALE PRICE: | $1,100,843. |
| LESS BASIS: | $337,101. |
| TOTAL GAIN: | $763,742. |
| LESS EXCESS DEPREC.: | $77,189. |
| CAPITAL GAIN: | $686,552. |

| | |
|---|---|
| CAPITAL GAINS TAX: | $137,310. |
| PLUS EXCESS DEP TAX: | $38,595. |
| PLUS MORTGAGE BAL: | $491,925. |
| TOTAL DEDUCTIONS FROM NET RESALE PRICE: | $667,830. |

| | |
|---|---|
| NET SALES PROCEEDS AFTER TAX: | $433,012. |

IF PURCHASED AS ABOVE, HELD 10 YEARS & SOLD FOR $1,168,500.
THEN I.R.R. IS 14.6052% BEFORE TAXES 16.7233% AFTER TAXES

# IV. SUMMARY

There are no recent sales of older apartment bulidings in the Central Madison area which have operating ratios greater than 60 percent so the Market Approach, using direct comparison or the gross rent multiplier, is not applicable.

The cost approach is inappropriate for improvements which are approximately 70 years old.

Therefore, the income approach using an overall rate determined from market transactions of residential income properties best reflects the most probable price an investor will pay for a given net operating income. The revenue the property can command and the expense of operating the property are both measures of the composite attributes of the real estate. Inherent in the overall rate is a measure of the risk, waiting time, and return requirements of the participants in the investment.

Based upon the assumptions and limiting conditions as presented, it is the opinion of the appraiser that the

market value or most probable selling price of the subject property described herein as of August 1, 1981, is:

FOUR HUNDRED EIGHTY FIVE THOUSAND DOLLARS

($485,000)

assuming cash to the seller,

or

FIVE HUNDRED THIRTY THOUSAND DOLLARS

($530,000)

assuming a land contract with 20 to 35 percent down, 9 to 10 percent interest with a three to five 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 rent schedule, the Madison rental market, accounting statements furnished by the owner and his accountant and from cost estimates obtained by the manager.

   - 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.

2. Facts and Forecasts Under Condition of Uncertainty

   - Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by this 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 APPRAISER

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 beliefs, 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 our opinion that the Fair Market Value, as defined herein, of this property as of August 1, 1981, is:

FOUR HUNDRED EIGHTY FIVE THOUSAND DOLLARS

($485,000)

assuming cash to the seller,

or

FIVE HUNDRED THIRTY THOUSAND DOLLARS

($530,000)

assuming a land contract with 20 to 35 percent down, 9 to 10 percent interest with a three to five year term.

Jean B. Davis

Jean B. Davis, MS

James A. Graaskamp, PhD., SREA, CRE
Review Appraiser

# JAMES A. GRAASKAMP

## 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 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, 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.

# J E A N  B.  D A V I S

## EDUCATION

Master of Science - Real Estate Appraisal and Investment Analysis, University of Wisconsin

Master of Arts - Elementary Education, Stanford University

Bachelor of Arts - Stanford University (with distinctions)

Additional graduate and undergraduate work at Columbia Teachers College and the University of Wisconsin

## PROFESSIONAL EDUCATION

### Society of Real Estate Appraisers

| | |
|---|---|
| Appraising Real Property | Course 101 |
| Principles of Income Property Appraising | Course 201 |

### American Institute of Real Estate Appraisers

Residential Valuation (formerly Course VIII)

Certified as Assessor I, Department of Revenue, State of Wisconsin

## PROFESSIONAL EXPERIENCE

With a significant background in education, practiced in California, Hawaii and Wisconsin, Ms. Davis is currently associated with Landmark Research, Inc. Her experience includes the appraisal and analysis of commercial and residential properties, significant involvement in municipal assessment practices, and market and survey research to determine demand potentials.