

Appraisal of the

**4338 Halley Terrace SE
Units 1A, 1, 2, 3 and 4
Washington, DC 20032**

Prepared For:

Mrs. Cynthia Eagle
Answer Title/District of Columbia
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Prepared By:

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July 21, 2014

Mrs. Cynthia Eagle
Answer Title/District of Columbia
10 G Street NE Suite 460
Washington, DC 20002

Regarding: 4338 Halley Terrace SE Unit 1A, 1, 2, 3 and 4 Washington, DC 20032

Mrs. Eagle:

Accurate Appraisals has performed an appraisal of the subject property, in consideration of all relevant valuation techniques. The data, analysis and conclusions resulting in the market value estimate are described in the attached appraisal report, which is presented in a summary format.

The subject property is a semi-detached multi-family building situated on 3,384 SF site. The building is boarded and in shell condition. Based on a review of the assessment card, the subject property has been approved and subdivided for development of 5 two-bedroom one-bathroom condominium units.

The purpose of this appraisal assignment is to estimate the fair market value of the fee simple interest in the subject property.

In performing this assignment, the appraiser has contemplated the actions of the market and has concluded to an estimate of market value in consideration of current economic indicators extracted from the marketplace. Our study consisted of a personal inspection of the property and a comprehensive investigation into the competitive marketplace for similar assets. All relevant factors, as they relate to value, were examined in consideration of the current economic environment.

This report is presented in a summary format as established in Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. The report has been prepared in conformity with, and subject to, the appraisal guidelines of the Code of Professional Ethics and Standards of Conduct of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation.

Page Two

Mrs. Cynthia Eagle
Answer Title/District of Columbia

Regarding: 4338 Halley Terrace SE Unit 1A, 1, 2, 3 and 4 Washington, DC 20032

Based upon my findings, it is my opinion that the market value of the fee simple interest in the subject property identified as **4338 Halley Terrace SE Unit 1A, 1, 2, 3 and 4**, in its "as is" condition, as of July 11, 2014, is:

TWO HUNDRED THOUSAND DOLLARS
\$200,000

The attached appraisal report describes the data and analysis, which serves as the basis for our value conclusion. Separation of the signature pages from the balance of this report is inappropriate.

Respectfully submitted,



E. Michael Jordan
Principal

District of Columbia - Certified General Real Estate Appraiser #11349

SUBJECT PHOTOGRAPHS



FRONT VIEW



SIDE VIEW



SIDE VIEW



STREET VIEW

TABLE OF CONTENTS

SECTION I - INTRODUCTION

Certificate of Value 2
Basic Assumptions and Limiting Conditions..... 4

SECTION II - GENERAL INFORMATION

Identification of the Property 8
Purpose of the Appraisal 8
Scope of Work and Intended Use..... 8
Relevant Valuation Dates... 8
History of Ownership 9
Property Rights Appraised and Relevant Definitions 9
Neighborhood Analysis 10
Market Analysis 14
Description of the Site and Improvement 17
Zoning 18
Real Estate Assessments and Taxes 18
Highest and Best Analysis.... 19

SECTION III - VALUATION OF THE PROPERTY

Appraisal Process 20
Income Capitalization Approach Not Applicable
Sales Comparison Approach. 21
Cost Approach..... Not Applicable
Final Reconciliation 26

SECTION IV - ADDENDA

Engagement Letter
Qualifications of the Appraisers

I, E Michael Jordan, certify that I have personally inspected the subject property. I have considered all of the pertinent facts affecting the value thereof. Also, I certify that all market data accumulated from various sources pertaining to the final value estimate has been, where possible, personally examined and verified as to details, motivation, and validity.

Additionally, I certify that:

- **The statements of fact contained in this report are true and correct.**
- **The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.**
- **I previously performed an appraisal of the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.**
- **I have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.**
- **I have no bias with respect to the property that is the subject of this report, or to the parties involved in this assignment.**
- **I have performed no (or the specified) services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the five-year period immediately preceding acceptance of this assignment.**
- **My engagement was not contingent upon developing or reporting predetermined results.**
- **My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event related to the intended use of appraisal.**
- **My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.**
- **I have made a personal inspection of the property that is the subject of this report.**
- **No one else assisted the appraiser in performing the formal inspection of the subject property.**

Additionally, I certify that:

- **I am competent to perform this appraisal based upon past experience appraising similar commercial properties throughout the Baltimore-Washington area.**
- **That the appraisal report conforms to the Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA").**
- **That this Certificate of Value is only valid when accompanied by the attached Basic Assumptions and Limiting Conditions.**
- **Use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representative.**

CERTIFICATION

3

This report has been made in conformity with, and subject to, the minimum requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute (AI) as adopted by the Appraisal Standards Board of the Appraisal Foundation.

I hold the necessary state certification to appraise the subject property in conjunction with federally related transactions.

Based upon my findings, it is my opinion that the market value of the fee simple interest in the subject property identified as *4338 Halley Terrace SE Unit 1A, 1, 2, 3 and 4*, in its "as is" condition, as of July 11, 2014, is:

TWO HUNDRED THOUSAND DOLLARS
\$200,000

Presentation of this signature page from the balance of our report is not an appropriate use of the document.

Accurate Appraisals



E. Michael Jordan

Principal

District of Columbia - Certified General Real Estate Appraiser #11349

This appraisal report is subject to the underlying assumptions and limiting conditions qualifying the information contained in this report as follows.

This appraisal is based on the national and local economic conditions, purchasing power of money, and financing rates prevailing on the effective date of valuation.

The valuation estimate and market or feasibility conclusions apply only to the property specifically identified and described in this report.

By reason of the purpose of this appraisal, and the function of the report herein set forth, the value reported is only applicable to the property rights appraised and the appraisal report should not be used for any other purpose.

Information and data contained in this report, although obtained from public records and other reliable sources and, where possible, carefully checked by the appraiser, are accepted as satisfactory evidence upon which rests the final estimate of property value. Information identified as being furnished or prepared by others is believed to be reliable, but no responsibility for its accuracy is assumed. We have relied upon historical operating statements, rent ceilings, a rent roll and other financial data that was provided by the borrower, onsite property manager and our client.

No responsibility beyond reason is assumed for matters of a legal nature, whether existing or pending. Title to the property is assumed to be good and marketable unless otherwise stated.

It is assumed that all information known to the client and relative to the valuation has been accurately furnished and that there are no undisclosed leases, agreements, liens, or other encumbrances affecting the use of the property. The property is being appraised free and clear of any or all liens or encumbrances unless otherwise stated.

Ownership and management are assumed to be competent and in responsible hands.

The appraisers have made no legal survey nor have they commissioned one to be prepared; therefore, reference to a sketch, plat, diagram, or previous survey appearing in this report is only for the purpose of the reader to visualize the property.

The appraisers are not engineers, and any references to physical property characteristics in terms of quality, condition, cost, suitability, soil conditions, flood risk, obsolescence, etc., are strictly related to their economic impact on the property. No liability is assumed for any engineering-related issues.

The appraisers have not been furnished with soil or subsoil tests. In the absence of soil boring tests, it is assumed that there are no unusual subsoil conditions or, if any do exist, they can be or have been corrected through the use of modern construction techniques at a reasonable cost.

It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the report. The existence of potentially hazardous materials used in construction or maintenance of the building, such as the presence of urea formaldehyde foam insulation, asbestos, and/or existence of toxic waste, which may or may not be present on the property, has not been considered. The valuation is subject to change if any such potentially hazardous materials were detected by a qualified expert in these areas. The appraisers reserve the rights to modify this valuation if so warranted.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the report. It is also assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

The valuation contained in this report does not include any cost to cure (if necessary) limitations in the improvements that do not satisfy the Americans with Disabilities Act of 1990 (P.L. 101-336). The appraisers were not made aware of any such deficiencies (unless stated in this report) and are not experts in the field of detecting their presence or estimating the costs to cure pre-existing, non-conforming structures.

It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report. The distribution of the total valuation in this report between land and improvements applies only under the existing or proposed program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisals and are invalid if so used.

If the subject of this report is a proposed building or project, the appraisers reserve the right to: (A) review finalized plans; (B) require a current on-site inspection prior to release of funds; and (C) recertify the previously reported value.

Neither all nor part of the contents of this report, especially any conclusions as to value, the identity of the appraisers, the firm with which they are connected, any reference to the Appraisal Institute or the MAI or SRA designations, shall be reproduced for dissemination to the public through advertising, public relations, news, or sales media, or any other public means of communication without the prior consent and written approval of the appraisers.

Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute and has been prepared with the intention of conforming with the reporting standards of the Office of the Comptroller of the Currency, and the Uniform Standards of Professional Practice, except that the Departure Provision shall not apply.

The appraisers, by reason of this appraisal, shall not be required to give testimony as an expert witness in any legal hearing or before any court of law unless justly and fairly compensated for such services.

Possession of this report or a copy thereof does not imply right of publication, nor use for any purpose by any other than the person to whom it is addressed, without the written consent of the authors.

I have relied upon information obtained from the property owner in making certain decisions that relate to the valuation of the property. It is assumed that the information provided is correct, as this was relied upon in the appraisal process.

I have predicated our estimate of market value on a sale involving cash, or financial arrangements equivalent to cash (i.e. market rate financing). Market evidence indicates that the property will likely be acquired through the use of financing.

Any separation of the signature pages from the balance of our report invalidates the conclusion.

SECTION II - GENERAL INFORMATION

Identification of the Subject Property

The subject property is identified in the District of Columbia land records as lots 2001, 2002, 2003, 2004 and 2005 on Square 6214.

Purpose of the Appraisal

The purpose of this appraisal is to estimate the as is market value of the fee simple interest in the subject property in it's "as is" condition, as of a current date.

Scope of Work and Intended Use of the Appraisal

The intended use of the appraisal is to assist my client, Answer Title/District of Columbia, in evaluating the asset for internal management purposes.

The appraisal process was initiated with an inspection of the subject property, which occurred on July 11, 2014. During this process, the appraiser walked the perimeter of the entire site. In addition to the inspection, the appraiser obtained property specific information from public records, and information obtained from the contact person.

General economic data such as population, income, households, employment, etc., was gathered from governmental sources and through secondary sources, such as the Regional Multiple Listing and CoStar. Other information such as taxes, ownership history and zoning was provided by governmental and private sources. The property specific data is analyzed in consideration of the overall economic conditions and investment parameters for similar properties in the market area.

The subject property is a multi-family building in shell boarded condition. Upon inspection of the site and a review of the appraisal problem, it was determined that the Sales Comparison Approach is the only applicable valuation techniques. The Cost Approach and Income Capitalization Approach are not applicable in the valuation analysis and were not considered.

Market data used in this report was obtained through a variety of sources, including: interviews with commercial real estate brokers, leasing agents and property managers, assessment and land records from the various local jurisdictions, loopnet, the Regional MLS and Costar/Comps. The sales data included herein was confirmed through our conversations with market participants that were involved in the various transactions and the most relevant sales were employed in a comparison to the subject property, wherein adjustments are applied to reflect variances between the subject property and comparables. The adjusted indications are then reconciled to extract an indication of market value for the subject property.

Upon completion of the applicable valuation techniques, the value indications are weighted based on their relevance to the appraisal problem and the quality of the data available. The appraiser then concludes to an estimate of market value in consideration of the relevant approaches.

Valuation Dates

The effective date of the appraisal is the date of our most recent inspection, which occurred on July 11, 2014. The date of report reflects the time period during which I worked on the assignment. This transpired between July 11 and July 21, 2014.

History of Ownership

Based on a review of the assessment card, the District of Columbia is the current owner of the subject property. To the best of our knowledge, there have not been any other recent transfers involving the subject property in the past five years.

Property Rights Appraised and Relevant Definitions

Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.¹

Market Value²: means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

¹ Appraisal Institute, Dictionary of Real Estate Appraisal, 3rd ed. (Chicago: Appraisal Institute, 2002), 140.

² Dictionary of Real Estate Appraisal, 222.

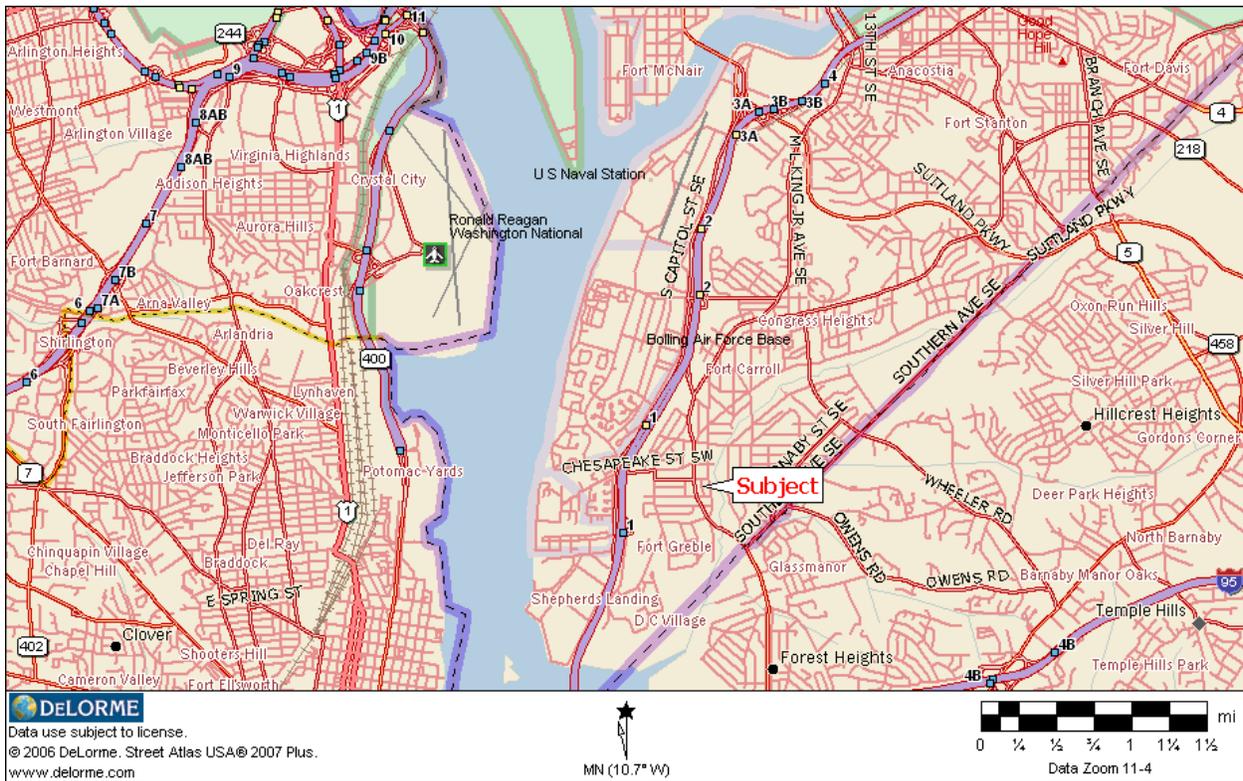
**SECTION III - DESCRIPTION, ANALYSIS,
AND
CONCLUSIONS**

In the Dictionary of Real Estate Appraisal, 4th Edition, a neighborhood is defined as “a group of complimentary land uses; a congruous grouping of inhabitants, buildings or business enterprise”. The goal of this analysis is to define the relevant governmental, environmental, economic and social factors that most directly influence the value of the subject property.

Regional Economic conditions as well as employment and population shifts impact the valuation of property in the District of Columbia. However, due the subject’s small size, the more relevant exterior influences are exerted on a local or neighborhood level.

The subject property is located within the Congress Heights/Bellevue neighborhood of the southeast quadrant Washington, DC. The neighborhood is approximately 7.0 miles or 15 minutes southeast of the Washington D.C. central business district. The neighborhood is defined as the area south of Saint Elizabeth Hospital, east of South Capitol Street SE, and northwest of Southern Avenue SE. The following maps illustrate the subject’s location in the region and neighborhood.





Governmental Influences

The primary government influence on real property in the subject’s neighborhood is exerted by the District of Columbia. The District controls real estate assessment and taxation, planning and zoning, police service, fire and rescue services, education and judicial process.

Environmental Influences

With regard to environmental influences, the relevant characteristics relate to development patterns and access.

Development Patterns:

The Congress Heights/Bellevue neighborhood is an urban residential district that is mostly developed with apartment projects, some semi-detached single family homes with commercial development situated along South Capitol, which is the main commuter/commercial corridor within the neighborhood. Similar 5-unit apartment buildings are adjacent to the subject property. A 110-unit apartment complex known as the Crescent Park Village is immediately south of the subject property and an 80-unit apartment complex known as the Delwin Apartments is north of the subject. lex is just west of the property. Most of the development was constructed during the 1940’s and the surrounding properties appear to be well maintained.

The largest land uses within the neighborhood include the 350 acre Saint Elizabeths Hospital campus and Bolling Air Force Base. The Saint Elizabeth campus is currently being redeveloped and will contain the new headquarters for the U.S. Department of Homeland Security. This new development is projected to bring approximately 14,000 new employees to the neighborhood. In addition, the U.S. Coast Guard’s new 1.2 million square feet headquarters is under construction and expected to open in 2014, bringing 3,700 new employees to the area.

The neighborhood has also experienced some of the District’s newest residential construction and renovations over the past ten years. Since 2001, 30 development projects valued at more than \$1 billion have been completed, including 2,975 residential units and 114,000 square feet of retail space.

Access and Exposure:

The neighborhood provides convenient access to public transportation, shopping and employment centers and major thoroughfares. The following chart illustrates linkages and access for the subject property.

	Distance to Subject
Bus Service	1 Block
Public Train Station	1.90 miles
Schools	2.00 mile radius
Grocery Anchored Shopping Plaza	0.95 miles
Washington DC Central Business District	5.60 miles

Population/Social/Economic Trends

To gain a better understanding of the social and economic characteristics among residents in the subject’s neighborhood, we considered statistical information pertaining to residents in a one and three mile radius from the subject property. This data was obtained through M&S Connect (Marshall and Swift), which uses data supplied from Applied Demographic Solutions.

	1.00 mile	3.00 mile
2010 Population	34,742	142,768
2013 Population	35,109	144,447
2018 Population (projection)	36,879	151,860
Projected Change 2013-2018	0.99% annually	1.03% annually
2013 Households	14,485	58,656
2013 Average Household Size	2.39 persons	2.41 persons
2013 Per Capita Income	\$19,988	\$25,848
2013 Median Household Income	\$36,765	\$43,963
2013 Average Household Income	\$48,962	\$63,322
2013 Households by Income		
% Households < \$25,000	32.8%	26.3%
% Households \$25,000-\$50,000	32.0%	29.2%
% Households \$50,000-\$75,000	16.3%	18.0%
% Households \$75,000-\$100,000	8.2%	9.6%
% Households \$100,000-\$150,000	7.8%	10.0%
% Households \$150,000+	2.9%	6.8%
2013 Housing		
Owner Occupied Housing Units	24.9%	33.8%
Renter Occupied Housing Units	75.1%	66.2%

These demographics encompass the subject’s defined neighborhood. The data suggests a stable population base. The average household income within a 1- mile radius of the subject is \$48,962, compared to the \$97,935 for entire District of Columbia. These numbers suggest that the neighborhood residents have below average income levels. In terms of housing costs, I examined information gathered through the multiple listing services (MRIS) and found that from July 1, 2013 to July 1, 2014 net sales prices for single-family homes within a 1-mile radius of the subject ranged from \$41,997 to \$460,000 with an average of \$175,236 and a median of \$173,688.

District of Columbia Employment

The following chart summarizes employment and un-employment trends in the District of Columbia over the past years.

DISTRICT OF COLUMBIA EMPLOYMENT				
Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
YTD 2014	369,466	342,274	27,192	7.4%
2013	373,576	341,755	31,821	8.5%
2012	358,279	324,915	33,364	9.3%
2011	349,658	314,794	34,864	10.0%
2010	345,299	309,884	35,415	10.3%
2009	333,400	303,617	29,783	8.9%
2008	332,478	313,293	19,185	5.8%

Source: LAUS and Bureau of Labor Statistics

The 2010 unemployment rate of 10.3% was the highest rate the District has experienced over the past years. There has been some recent improvement as the unemployment rate decreased to 7.4% as of January 2014.

Conclusion:

The subject property is located within an urban residential district that is mostly developed with apartment projects. The neighborhood provides good access to shopping and employment centers, public transportation, schools and major roadways. There neighborhood had been in a period of revitalization. The revitalization slowed with the downturn in the economy but there are still major development projects under construction that could have a positive impact on real estate values over the next few years.

The subject property is an unimproved, residential zoned parcel. This section identifies and discusses market conditions impacting residential zoned sites in the market area. The subject is within the Congress Heights/Washington Highlands neighborhood. However, the relevant market area is defined to include all District of Columbia neighborhoods that are east of the Anacostia River.

Multifamily Property Sales in Shell Condition

In the course of completing this assignment, I researched multi-family property sales within the East of the Anacostia River market area. Similar to the subject property, these sales involve multi-family buildings that were in shell condition and purchased for redevelopment. The following chart is a list of these recent transfers.

Location	Sale date	Unit Mix Lot Size (SF)	Sale Price	Total Units	Price/Unit
2907 Gainesville St. SE Washington, DC 20020	5/2014	12 Two Bedrooms 11,462 SF Lot	\$551,000	13	\$42,385
3142 Buena Vista SE Washington, DC 20020	12/2013	6 Three Bedrooms 14,497 SF Lot	\$400,000	6	\$66,667
419 Burbank St SE Washington, DC 20019	3/2013	5 One Bedrooms 4,250 SF Lot	\$235,000	5	\$39,167
37 Forrester Street SE Washington, DC 20032	12/2012	4 One Bedrooms 3,640 SF Lot	\$215,000	4	\$53,750
2335 Altamont Pl SE Washington, DC 20020	6/2012	20 Two Bedrooms 12,100 SF Lot	\$1,350,000	20	\$67,500
831 51 st Street SE Washington, DC 20019	1/2012	2 Onebed,1 Three bed 6,561 SF Lot	\$136,000	3	\$45,333
426 Condon Terrace SE Washington, DC 20032	5/2012	3Twobed,1ThreeBed 3,440 SF Lot	\$175,000	4	\$43,750
3109 Buena Vista SE Washington, DC 20020	4/2012	5 Two Bedrooms 6,579 SF Lot	\$171,000	5	\$34,200
4635 Hillside Road SE Washington, DC 20019	1/2012	4 Two Bedrooms 3,874 SF Lot	\$164,900	4	\$41,225
5045 Hanna Place SE Washington, DC 20019	8/2011	4 One Bedrooms 5,312 SF Lot	\$146,000	4	\$36,500
4234 6 th Street SE Washington, DC 20032	11/2011	5 One Bedrooms 7,213 SF Lot	\$90,000	5	\$18,000
570 Newcomb St SE Washington, DC 20032	8/2011	4 Two Bedrooms 3,600 SF Lot	\$175,000	4	\$43,750
4342 Halley Terrace SE Washington, DC 20032	3/2011	2 Two bed,2 One Bed 3,168 SF Lot	\$125,000	4	\$31,250
73 Forrester St SE Washington DC 20032	2/2011	4 Two Bedrooms 4,472 SF Lot	\$189,900	4	\$47,475
55 Forrester Street SE Washington, DC 20032	1/2011	4 One Bedrooms	\$130,000	4	\$32,500
					Low \$18,000 High \$67,500 Avg. \$43,132 Median \$43,750

The above-cited sales involve sites that might be a suitable alternative acquisition in comparison to the subject as they all required extensive renovations. The sales prices range from \$18,000/Unit to \$67,500/Unit with an average of \$43,132/Unit and a median of \$43,750/Unit. The factors that influence the sales prices include location, access, unit mix, the land to building ratios, parking and size.

Multi-family Rental Rates and Supply and Demand

In the course of completing this assignment, I surveyed the occupancy and rental rates of several complexes in the subject’s immediate area. These properties are summarized as follows:

Complex	# of Units	Occupancy	Current Rental Rate 2 Bedroom 1 Bath
Friendship Crossing	222	99%	\$959 Plus Utilities
Gardens at Wingate	329	87%	\$999 Plus Utilities
Madison Courts	77	100%	\$975 Plus Utilities
Crescent Park Village	110	99%	\$985 Plus Utilities
Delwin Apartment	80	90%	\$925 Plus Utilities
The Colonnade	128	98%	\$995

Based on our survey, supply and demand factors are generally in balance. Occupancy levels among well maintained and well managed properties, with market-oriented pricing, generally tend to be above 95%. These high occupancy levels are an indication of healthy apartment market conditions.

The current rental rates for two-bedroom one-bath units range from \$925 to \$995. The renovated properties and properties that include all utilities within the rental rate tend to have higher rental rates and vice versa.

2 Bedroom 1 Bath Condominium Market Analyses

The following chart illustrates the annual sales data for Two-Bedroom One-Bathroom condominium units within the subject’s zip code area.

Neighborhood Condo Sales

Annual Net Sales Data for Two-Bedroom One-Bathroom Condo Units						
Year	2009	2010	2011	2012	2013	YTD 2014
Sales Volume	8	7	13	12	11	6
Lowest Net Sale Price	\$24,500	\$27,000	\$20,849	\$34,900	\$40,000	\$53,000
Highest Net Sale Price	\$155,195	\$118,450	\$70,000	\$72,400	\$72,000	\$80,000
Median Net Sale Price	\$56,050	\$39,000	\$35,000	\$47,500	\$64,900	\$60,000
Average Net Sale Price	\$77,456	\$52,993	\$36,675	\$49,208	\$59,355	\$62,000
Foreclosures	5	5	11	4	0	0
Short Sales	0	0	0	8	6	3
Avg. Days on Market	101	120	125	59	69	33

The limited sales volumes and high number of foreclosure and short sales is an indication of soft market conditions for condo units. The year to date median sale price for 2 bedroom 1 bath condo units is \$60,000. If the subject property is developed for sell off of condo units, it seems possible to obtain a market price range from \$60,000 to \$70,000 per unit.

Estimates for Exposure and Marketing Time

The estimated marketing period is a prediction of how long it should take to sell the subject property at the indicated market value/price level, in the period immediately following the effective date of sale. The exposure time estimate is intended to reflect the estimated marketing period, which should be anticipated for the subject property to sell at the estimated market value level, prior to a hypothetical sale on the effective date of appraisal. These predictions are a function of both price and time. For instance, a property could be listed at an unreasonable price 18 months if the price is then dropped to a reasonable level, which results in a sale of the property six months later, the extracted marketing time would be six months, rather than two years. Recent sales of multi-family properties in shell condition within the submarket required marketing periods from 5 to 461 days with an average of 57 days and a median of 24. Market evidence suggests that the subject property should sell in 2-3 months, assuming market oriented pricing and professional marketing.

Conclusion

According to brokers in the market, there is strong demand and limited supply of affordable housing units within the District of Columbia. This demand for affordable housing has generated moderate demand for land available for new rental units. The sales prices for multi-family properties in shell condition range from \$18,000/Unit to \$67,500/Unit with an average of \$43,132/Unit and a median of \$43,750/Unit.

DESCRIPTION OF THE SITE & IMPROVEMENTS

17

The following description of the subject property was compiled through an inspection of the property and from a review of tax maps and plats.

Description of the Site

The following chart illustrates the size, shape, topography flood plain and census trac of the subject property.

Size	Shape	Topography	Flood Plain	Census Trac
3,384 SF	Rectangular	Level	No-FEMA Zone X Map Date 9/27/2010 FEMA Map # 1100010059C	0098.10

Description of Improvements

The subject is semi-detached, multi-family building. Based on an exterior inspection, it contains 2-stories and a basement. The building was constructed in 1944 and is currently boarded and in shell condition. Based on a review of the assessment cards, the subject has been approved and subdivided for development of 5 two bedroom one bath condo units.

ZONING

The subject property is within the General Residential (R-5-A) Zoning District. The R-5-A district permits matter-of-right development of single-family residential uses (including detached, semi-detached, row dwellings, and flats), churches and public schools. With the approval of the Board of Zoning Adjustment, new residential development of low density residential uses including row houses, flats and apartments to a maximum lot occupancy of 40%, 60% for churches and public schools; a maximum floor area ratio (FAR) of 0.9, and a maximum height of three (3) stories/forty (40) feet. Conversion of existing buildings to flat or apartment uses is permitted as a matter of right provided all other provisions of the zoning regulations are complied with.

REAL ESTATE ASSESSMENTS AND TAXES

The subject property is identified in the District of Columbia land records as lots 2001, 2002, 2003, 2004 and 2005 on Square 6214. The District of Columbia is also the current owner of the property.

The District of Columbia has an annual assessment program where all real property is reassessed at 100% of the estimated fair market value as of January 1 of each year. The subject's combined 2014 assessment value is \$453,310 or \$90,662/Unit.

The tax year for the District of Columbia extends from January 1 through December 31 and the annual tax liability is calculated by multiplying a tax rate by the assessed value. The current tax rate is \$0.85/\$100 of assessed value for residential properties. Since the District of Columbia owns the subject property it does not have a current tax liability. However, the following chart illustrates the subject's 2014 projected assessment value and tax liability.

	2014
Combined Land Assessment Value	\$136,000
Combined Improvements Assessment Value	\$317,310
Total Combined Assessment Value	\$453,310
Tax Rate per \$100 assessed	\$0.85
Projected 2014 Tax Liability	\$3,853

Conclusion:

Upon rehabilitation the subject's combined assessment value would be reasonable.

Highest and best use may be defined as:

"That reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."¹

In arriving at the highest and best use of the subject property, it was necessary to carefully examine the area in which the property is located and the actions of the market, past, present and future. The highest and best use of a property generally sets the parameters within which that property is evaluated.

To fulfill the highest and best use four criteria should be considered. It must be: (1) physically possible, (2) legally permissible, (3) financially feasible, and (4) maximally productive. Typically, this criteria should be considered in relation to the subject property under both the "*as improved*" and "*as if vacant*" scenarios.

Physically Possible

The subject property has a land area of 3,384 SF. The site is rectangular in shape with a level topography. The site has good access and frontage along a residential street. The subject site can physically support a variety of improvements

Legally Permissible

In terms of legal uses, the primary legal constraint relates to zoning. The subject property has a single family residential zoning classification that also permits public and special purpose uses such as churches, schools and child development centers. With the approval of the Board of Zoning adjustment, a multi-family or apartment building is also permitted. As indicated, the subject has been approved and subdivided into 5 condominium units.

Financial Feasible

Based on the average market value of \$60,000 for a 2 bedroom 1 bath condo units, poor market demand for condo units, and the projected acquisition and development cost of \$90,000/ unit, a condominium sell off is not financially feasible.

The market rent of \$995 for the subject's 5 two-bedroom one-bath units, a 5% market vacancy rate, and a 20% expense ratio, would results in an annual net income of \$44,775. Applying a capitalizing rate of 6.5% to the net income of \$44,775 results in a market value estimate of \$688,846 for the subject property.

Maximally Productive

There is a strong demand for affordable housing units within the District of Columbia. The immediate neighborhood has below average household income levels and 75.1% of the housing units are renter occupied. Therefore, residential rental development is the maximally productive use of the site both as improved and vacant.

¹ Appraisal Institute, *The Appraisal Of Real Estate*, 11th Edition, 1996. Page 45.

**SECTION III - VALUATION OF
THE PROPERTY**

The purpose of this appraisal is to determine the market value of the subject property in accordance with commonly accepted valuation procedures. The valuation process is a systematic procedure employed to provide the answer to a client's question about real property value. There are three traditional approaches involved in the valuation of real property: the Income Capitalization Approach, the Sales Comparison Approach, and the Cost Approach.

The Income Capitalization Approach "consists of methods, techniques and mathematical procedures that an appraiser uses to analyze a property's capacity to generate benefits (i.e. the monetary benefits of income and reversion) and convert these benefits into an indication of present value." This analysis is typically performed through direct capitalization, wherein a stabilized income stream is capitalized at a market-oriented rate to derive a value indication ($\text{Net Income} / \text{Capitalization Rate} = \text{Value}$). Another technique is the discounted cash flow analysis, where the anticipated income stream and reversion of a property are projected through an anticipated holding period and then correlated to a present value indication through the application of a market-oriented discount rate (IRR).

In the Sales Comparison Approach, "market value is estimated by comparing the subject property to similar properties that have recently sold, are listed for sale or under contract. A major premise of the Sales Comparison Approach is that the market value of the property is directly related to the prices of comparable, competitive properties." By comparing recent sale data extracted from the marketplace to the subject property, the appraiser applies adjustments to the comparable data to derive a market value indication relative to the subject property.

When performing the Cost Approach, the appraiser "estimates the cost to construct a reproduction or replacement of the existing structure and site improvements (including direct costs, indirect costs and entrepreneurial profit), then deducts all accrued depreciation in the property being appraised from the reproduction or replacement cost of the structure." The results provide an estimate of the depreciated building value, which is then added to the land value in order to obtain a value indication through the Cost Approach. This technique is most applicable with newer properties in areas with a significant amount of similar, available sites.

In each approach, the most important source of data is the marketplace for comparable and competing properties. This applies not only to comparable sales, but also to the determination of rent levels, vacancy rates, expenses and capitalization rates, as well as the estimation of construction costs, accrued depreciation and remaining economic life. At the conclusion, the value indicators are correlated into a final value estimate in consideration of the type of property being appraised and the adequacy of the market data.

Because the subject property is multi-family property in shell condition, the Sales Comparison Approach is the only applicable valuation procedure. The Cost Approach and Income Capitalization Approach are not applicable.

The Sales Comparison Approach involves a process of comparing market data; that is, the price paid for similar properties, prices asked by owners, and offers made by prospective purchasers willing to buy. This market data provides good evidence of value because it represents the actions of users and investors.

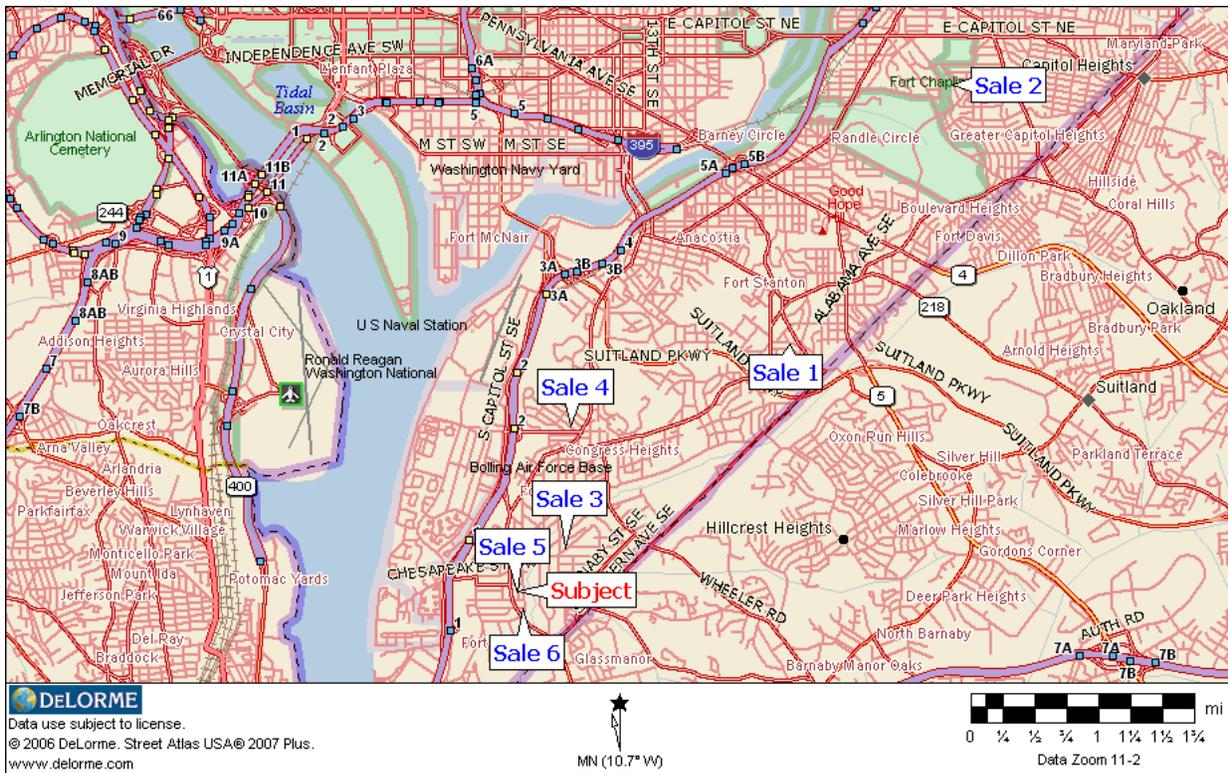
The Sales Comparison Approach is based on the principle of substitution, which states that a prudent buyer will not pay more to buy a property than it will cost to buy a comparable substitute property. This process recognizes that the typical buyer will compare asking prices and work through the most advantageous acquisition. In the Sales Comparison Approach, the appraisers are observers of the buyer's actions. The buyer is comparing those properties which constitute the market for a given type and class.

Analysis of Comparable Sales

I have conducted an extensive search for sales of comparable properties in the subject's market area. The sales include similar multi-family buildings that were in poor condition and purchased for redevelopment. The sales selected for direct comparison to the subject property are summarized in the chart on the following page. A map illustrating their location relative to the subject property and aerial photographs of the comparable sales follow the chart.

Comparable Multi-Family Sales Shell Condition

Location	Sale date	Unit Mix Lot Size (SF)	Sale Price	Total Units	Price/Unit
1. 2907 Gainesville St. SE Washington, DC 20020	5/2014	12 Two Bedrooms 11,462 SF Lot	\$551,000	13	\$42,385
2. 419 Burbank St SE Washington, DC 20019	3/2013	5 One Bedrooms 4,250 SF Lot	\$235,000	5	\$39,167
3. 426 Condon Terrace SE Washington, DC 20032	5/2012	3TwoBed,1ThreeBed 3,440 SF Lot	\$175,000	4	\$43,750
4. 570 Newcomb St SE Washington, DC 20032	8/2011	4 Two Bedrooms 3,600 SF Lot	\$175,000	4	\$43,750
5. 4342 Halley Terrace SE Washington, DC 20032	3/2011	2 Two bed,2 One Bed 3,168 SF Lot	\$125,000	4	\$31,250
6. 73 Forrester St SE Washington DC 20032	2/2011	4 Two Bedrooms 4,472 SF Lot	\$189,900	4	\$47,475



PHOTOGRAPHS OF COMPARABLE SALES



© 2012 MRIS

SALE 1



© 2013 MRIS

SALE 2



© 2011 MRIS

SALE 3



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SALE 4



© 2011 MRIS

SALE 5



© 2003 MRIS

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SALE 6

The previously cited sales reflect the most recent, comparable transactions. These sales involve similar multi-family properties in poor condition located within the east of the Anacostia market area. To correlate the sales to reflect a market value indication for the subject property, the data must be denominated to an appropriate unit of comparison, and then analyzed in relation to the subject property. This analysis is performed on the basis of dollars/unit.

Initial Adjustment Criteria

Initially, adjustments are considered for factors such as financing, property rights conveyed, conditions of sale and changes in market conditions. In this instance, no adjustments are warranted for these factors.

Primary Adjustment Criteria

The primary adjustment criteria are unit mix and condition.

Unit Mix

The subject has been subdivided into 5 two-bedroom one-bath condo units. Because comp 2 contains all one bedroom units it is inferior to the subject and requires an upward adjustment. Comp 3 contains a three-bedroom unit warranting a downward adjustment. Comp 5 contains 2 one-bedroom units. As a result it requires an upward adjustment to equate to the subject.

Access

Because comparable 2 is within closer proximity to a metro train station, it is superior to the subject and requires a downward access adjustment.

SALES COMPARISON APPROACH

In order to quantify the adjustments, I have presented the following adjustment grid below.

Sale Number	1	2	3	4	5	6
Sale Price \$/Unit	\$42,385	\$39,167	\$43,750	\$43,750	\$31,250	\$47,475
Financing	0	0	0	0	0	0
Conditions of Sale	0	0	0	0	0	0
Market Conditions	0	0	0	0	0	0
Property Rights Conveyed	0	0	0	0	0	0
Adjusted Sale Price	0	0	0	0	0	0
Location	0	0	0	0	0	0
Access	0	-5%	0	0	0	0
Condition	0	0	0	0	0	0
Unit Mix	0	10%	-5%	0	5%	0
Economic Characteristics	0	0	0	0	0	0
Size	0	0	0	0	0	0
Total Adjustment	0%	+5%	-5%	0%	5%	0%
Adjusted Indication	\$42,385	\$41,125	\$43,750	\$43,750	\$32,813	\$47,475

After adjustment, the comparable sales indicate a market value range \$32,813/unit and \$47,475/unit, with an average of \$41,883/unit. The subject is most similar to comparable 4, while comp 5 is within closer proximity. Considering all of the data and analysis, a value conclusion of **\$40,000/unit** is applied to the subject property.

Conclusion:

Based on the data and analysis, I reconcile market value for the subject property, in "as is" condition, at \$40,000/unit, or \$200,000. The calculation is summarized as follows:

Market Value Estimate "As Is"

# Units	Market Value/Unit	Value Indication
5	\$40,000/unit	\$200,000
Rounded		\$200,000

Based on the Sales Comparison Approach, market value for the subject site in "as is" condition, as of July 11, 2014, is estimated at:

TWO HUNDRED THOUSAND DOLLARS
\$200,000

The appraiser has considered the traditional approaches in the estimation of the subject property.

INDICATED VALUE BY APPROACHES:

Income Capitalization Approach:	Not Applicable
Sales Comparison Approach:	\$200,000
Cost Approach:	Not Applicable
Market Value Conclusion:	\$200,000

In the valuation of the subject property "*as is*", the most applicable valuation technique is the Sales Comparison Approach. The Cost Approach and Income Capitalization Approach are not applicable.

Based upon our findings, market value of the fee simple estate in the subject property, in its "*as is*" condition, as of 11th day of July 2014, is estimated at:

TWO HUNDRED THOUSAND DOLLARS
\$200,000

SECTION IV - ADDENDA

ENGAGEMENT LETTER

QUALIFICATIONS OF THE APPRAISER

QUALIFICATIONS OF E. MICHAEL JORDAN

E. Michael Jordan is the Principal of the real estate appraisal and consultation firm Accurate Appraisals located at 551 Park Road N.W., Washington, D.C. 20010.

SERVICES PROVIDED

Accurate Appraisals provides real estate valuation and consultation services for all commercial and residential property types located within the Washington DC-Baltimore Metropolitan area. We prepare narrative and Fannie Mae form reports that are clear concise and coherent. Our due diligence and quality control program ensures accurate, timely and consistent appraisal services.

STATE CERTIFICATIONS AND AFFILIATIONS

District of Columbia, General Appraiser #GA10943
Maryland, Certified General Appraiser #11349
Virginia, Certified General Appraiser #4001 015540
Candidate for Designation Appraisal Institute
FHA Approved Appraiser

EDUCATION:

Bachelor of Arts Degree in Business Administration-Accounting May 1994
Morehouse College Atlanta, Georgia

APPRAISAL EDUCATION:

Appraisal Principles - Appraisal Institute Appraisal
Procedures - Appraisal Institute
Basic Income Capitalization - Appraisal Institute
General Applications - Appraisal Institute
Apartment Appraisal - Appraisal Institute
General Appraiser Report Writing and Case Studies - Appraisal Institute
General Market Analysis Highest and Best Use – Appraisal Institute
Real Estate Finance Statistics and Valuation Modeling - Appraisal Institute
Evaluating Commercial Construction – Appraisal Institute
Business Practices and Ethics – Appraisal Institute
FHA and the Appraisal Process - Appraisal Institute
Standards of Professional Practice - Appraisal Institute
Argus Training - Discounted Cash Flow Consulting & Services

EXPERIENCE:

Accurate Appraisals Washington DC Real Estate Appraiser
(July 2006-Present)

EXPERIENCE (continued):

Joseph J. Blake & Associates, Inc. Washington DC
Commercial Real Estate Appraiser (September 2000– June 2006)

Lerner Corporation, Maryland
Property Manager and Lease Administrator (August 1997- August 2000)

Turner Construction, Virginia
Cost Engineer (February 1994- July 1997)

CLIENT LIST:

M&T Bank
BB&T Bank
KEB NY Financial Corporation
Answer Title
District of Columbia
Interbay Funding
Streetlinks Lender Solutions

Copy of Appraisers Certification

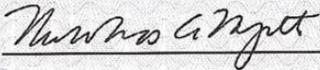
GOVERNMENT OF THE DISTRICT OF COLUMBIA 

DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
Occupational and Professional Licensing Administration

Appraiser Board
certifies that
EDWARD M JORDAN
ACCURATE APPRAISALS
551 PARK ROAD
WASHINGTON DC 20010



*has met all the requirements prescribed
by law and regulations and is hereby licensed as a(n):*
Certified General Appraiser
License Number: GA10943
Issue Date: 01-30-2006
Expiration Date: 02-29-2016



Director, Department of Consumer and Regulatory Affairs



NAVIGATORS INSURANCE COMPANY

THIS IS BOTH A CLAIMS MADE AND REPORTED INSURANCE POLICY.

THIS POLICY APPLIES TO THOSE CLAIMS THAT ARE FIRST MADE AGAINST THE INSURED AND REPORTED IN WRITING TO THE COMPANY DURING THE POLICY PERIOD.

PLEASE READ THIS POLICY CAREFULLY.

REAL ESTATE APPRAISERS ERRORS AND OMISSIONS INSURANCE POLICY DECLARATIONS

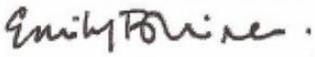
POLICY NUMBER: PH13RAL106347IV RENEWAL OF: PH12RAL106347IV

1. NAMED INSURED: Edward Michael Jordan
2. ADDRESS: 551 Park Road NW
Washington, DC 20010
3. POLICY PERIOD: FROM: 09/22/2013 TO: 09/22/2014
12:01 A.M. Standard Time at the address of the **Named Insured** as stated in Number 2 above.
4. LIMITS OF LIABILITY:
 - A. \$ 1,000,000 Damages Limit of Liability – Each Claim
 - B. \$ 1,000,000 Claim Expenses Limit of Liability – Each Claim
 - C. \$ 1,000,000 Damages Limit of Liability – Policy Aggregate
 - D. \$ 1,000,000 Claim Expenses Limit of Liability – Policy Aggregate
5. DEDUCTIBLE (Inclusive of claim expenses):
 - A. \$ 500 - Each Claim
 - B. \$ 1,000 - Aggregate
6. PREMIUM: \$ 704.00
7. RETROACTIVE DATE: 09/22/2005
8. FORMS ATTACHED: NAV RAL NIC PF (02/11) NAV RAL 300 DC (02 11)
NAV RAL 002 (02 11) NAV RAL 008 (02 11)
NAV-ML-002 (11/12)

PROGRAM ADMINISTRATOR: Herbert H. Landy Insurance Agency Inc.
75 Second Ave Suite 410 Needham, MA 02494-2876

By Acceptance of this policy the Insured agrees that the statements in the Declarations and the Application and any attachments hereto are the Insured's agreements and representations and that this policy embodies all agreements existing between the Insured and the Company or any of its representatives relating to this insurance.

IN WITNESS WHEREOF, we have caused this policy to be signed by our President and Secretary.



[Emily Miner]
Secretary



[Stanley A. Galanski]
President

