

SUBJECT PROPERTY

Facing west



PARCEL NUMBER-----23901000
ADDRESS.....2308 S Green Bay Rd
ASSESSED VALUE.....\$13,375,000/\$81.46 sq.ft
STYLE.....Neighborhood Center
SIZE.....164,201
LAND SQ FT 779,904
EXTERIOR.....Masonry
YR BUILT.....1987
CONDITION.....Average

Facing north



Sales Comparison Approach

Comparable 1



ADDRESS.....7201-7255 S 76TH ST, FRANKLIN
SP/SQ FT/TIME ADJUSTED...\$12,151,000/ \$100.75/ \$110.32
SALE DATE..... 12/28/2016
STYLE..... Neighborhood Center
SIZE..... 120,608
LAND SQ FT 633,362
EXTERIOR.....Masonry
YR BUILT..... 1992
CONDITION..... Average

COMPARABLE 2



ADDRESS.....2525-2677 S 108th St, West Allis
SP/SQ FT/TIME ADJUSTED.....\$18,100,000/\$70.17/\$71.39
SALE DATE.....8/9/2019
STYLE..... Neighborhood Center
SIZE..... 257,957
LAND SQ FT.....918,245
EXTERIOR.....Masonry
YR BUILT.....1964
CONDITION.....Average

COMPARABLE 3



ADDRESS.....320-380 E Capitol Dr, Milwaukee
SP/SQ FT/TIME ADJUSTED...\$9,000,000/\$85.71/\$87.86
SALE DATE..... 4/29/2019
STYLE.....Neighborhood Center
SIZE.....105,000
LAND SQ FT..... 325,955
EXTERIOR..... Masonry
YR BUILT.....1988
CONDITION.....Average

COMPARABLE 4



ADDRESS.....7600-7610 W Capitol Dr, Milwaukee
SP/SQ FT/TIME ADJUSTED...\$7,700,000/\$92.86/\$96.11
SALE DATE.....1/10/2019
STYLE..... Neighborhood Center
SIZE..... 82,917
LAND SQ FT.....284,011
EXTERIOR.....Masonry
YR BUILT.....1956
CONDITION.....Average

Below is a comp grid for the above sales:

	Subject	Comp 1	Comp 2	Comp 3	Comp 4
Address	2308-2406 S Green Bay Rd	7201-7255 S 76th St	2525-2677 S 108th St	320-380 E Capitol Dr	7600-7610 W Capitol Dr
Notable Tenants	Hobby Lobby, Harbor Freight	Pick N Save, Office Max(dar	Pick N Save, Kohls, Marshalls	Office Max, Ross, Walgreens	Walgreens, Dollar Tree
City	Racine	Franklin	West Allis	Milwaukee	Milwaukee
2021 Assessment	\$ 13,375,000				
2021 Assessment per Sq Ft	\$ 81.46				
Sale Price	\$ 12,500,000	\$ 12,151,000	\$ 18,100,000	\$ 9,000,000	\$ 7,700,000
Sale Date	2/29/2016	12/28/2016	8/9/2019	4/29/2019	1/10/2019
Sq Ft	164,201	120,608	257,957	105,000	82,917
Year Built	1987	1992	1964	1988	1956
Land-Sq Ft	779,904	633,362	918,245	325,955	284,011
Unadjusted SP/Ft	\$ 76.13	\$ 100.75	\$ 70.17	\$ 85.71	\$ 92.86
Market Adjustment-3% annually to March 2020	\$ 9.14	\$ 9.57	\$ 1.23	\$ 2.14	\$ 3.25
Market Adjusted SP/Ft	\$ 85.26	\$ 110.32	\$ 71.39	\$ 87.86	\$ 96.11
Comps 1-4					
Market Adjusted SP/Ft-Low	\$ 71.39				
Market Adjusted SP/Ft-High	\$ 110.32				
Market Adjusted SP/Ft-Average	\$ 91.42				
Market Adjusted SP/Ft-Median	\$ 91.99				

Comps 1,2,3 and 4 were selected as most similar to the subject. The sales have been adjusted to February 2020 at 3% annual appreciation. The selected comps time adjusted average sale price per foot is \$91.42 and a median of \$91.99. The subject sold 2/29/2016 for \$12,500,000 and is currently assessed for \$13,375,000 which s \$81.46 per foot.

Conclusion

The comparables listed bracket the subject in square footage, most sales are recent and in similar markets. South Green Bay Road in Racine remains a major shopping destination for most consumers because of the diverse selection of shopping and dining venues available.

When the sales are adjusted to reflect the impact of inflation/appreciation (time adjusted) the sales fully support the current assessment. As of a matter of fact all, except for comp 2, sold for more per foot than subject's per foot assessment. Comp 2 is nearly 60% larger which drives down the sales price per foot due to economy of scale where larger properties sell for less per foot than smaller ones.

Income Approach

The income approach is based on the premise that the income stream generated by a property attracts potential buyers in search of solid returns on their monetary investments. As such, that income can be capitalized from market activity to estimate property values. The process involves dividing the net operating income(NOI) by the appropriate capitalization(cap) rate.

A key component of the cap rate is how the property taxes are addressed. The tax burden on the income stream can be part of the operating expenses or as is the case with assessors the taxes are removed from the operating expenses and added to cap rate by increasing ("loading") the base cap rate with the prior year's mill rate.

Since the subject is a triple net leased property (NNN), meaning the tenants are paying many of the typical operating expenses such as taxes, maintenance, etc. When the property owner is not paying the taxes it is inappropriate to "load" the cap, since the tax burden is not impacting the property's net operating income.

I have valued the subject based upon property owner submitted income and expense data for the years 2016-2020. The property owner asserts the 2021 valuation should be based on the most recent year's income which is inconsistent with appraisal practice. Generally, the appraiser will consider the average of the 3 most recent years of data in order to smooth out market volatility.

Considering how the country responded to Covid19, 2020 is truly an outlier in the history of this country. While the virus impacted 2020 activity, loosening of restrictions as of late indicate a return to prior days.

Additionally, the property owner's representative attempts to load the cap rate, which as previously discussed is not correct since the subject is a NNN rental where the tenants absorb the tax burden.

In the following chart I have used the property owner income and expense information and simply applied the owner's representative's chosen cap rate of 8.60%.

My research indicates a 7.2%-7.6% cap rate according to Realty Rates and CoStar as shown below. In addition, contacting local lenders and market participants and utilizing the band of investment approach produces a range of 6.8%-7.2% cap rates. The band of investment approach involves assigning a percentage of market interest rates and investor equity rates to arrive at the final overall rate. Local commercial rates range from 3.00-4.5% and the equity rate is estimated at 20%.

Retail

The following summarizes market data for anchored neighborhood and community and unanchored strip retail centers nationwide (continental U.S.).

RealtyRates.com MARKET SURVEY - 1st Quarter 2021*						
Nationwide - Class A & B Neighborhood, Community & Strip Retail Centers						
	4thQ 2020		3rdQ 2020		% Change	
	Anch	Un-Anch	Anch	Un-Anch	Anch	Un-Anch
Operating Data						
Income						
Asking Rent	\$17.27	\$16.84	\$17.54	\$17.10	-1.5%	-1.5%
Effective Rent	\$16.35	\$15.88	\$16.60	\$16.12	-1.5%	-1.5%
Other Income	\$0.82	\$0.79	\$0.83	\$0.81	-1.5%	-1.5%
Total Income	\$17.17	\$16.67	\$17.43	\$16.93	-1.5%	-1.5%
Vacancy Rate	8.1%	7.8%	7.8%	7.5%	4.1%	4.3%
Effective Gross Income (EGI)	\$15.78	\$15.37	\$16.08	\$15.66	-1.9%	-1.8%
Expenses						
Total Expenses	\$9.79	\$9.21	\$9.77	\$9.19	0.3%	0.3%
Expense Ratio	62.06%	59.94%	60.75%	58.67%	2.2%	2.2%
Net Operating Income (NOI)	\$5.99	\$6.16	\$6.31	\$6.47	-5.1%	-4.9%
Investment Data						
Avg Sale Price	\$83	\$84	\$88	\$89	-5.7%	-5.6%
Overall Cap. Rate (OAR)	7.2%	7.3%	7.2%	7.2%	0.6%	0.8%
Gross Rent Multiplier (GRM)	5.09	5.31	5.31	5.54	-4.3%	-4.1%
Effective Gross Income Multiplier (EGIM)	5.27	5.49	5.49	5.70	-3.9%	-3.8%

*4th Quarter 2020 Data

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Investment Trends

Regency Point Shopping Center

Sale Comparables

Avg. Cap Rate

Avg. Price/SF

Avg. Vacancy At Sale

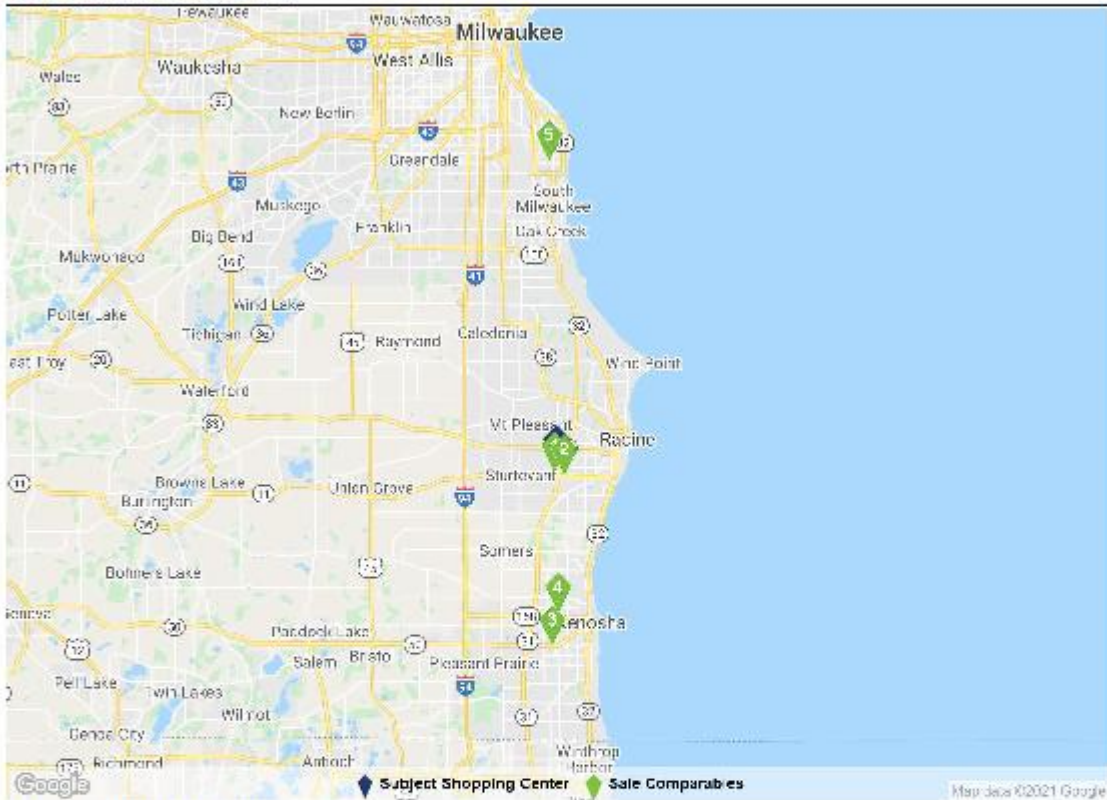
5

7.6%

\$58

13.0%

SALE COMPARABLE LOCATIONS

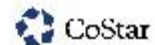


SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$875,000	\$5,219,000	\$2,920,000	\$17,800,000
Price Per SF	\$10	\$58	\$29	\$253
Cap Rate	7.6%	7.6%	7.6%	7.6%
Time Since Sale in Months	6.3	17.6	18.9	28.4
Center Attributes	Low	Average	Median	High
GLA	32,245	89,334	86,294	154,464
Vacancy Rate At Sale	0%	13.0%	0%	91.3%
Year Built	1970	1989	1992	2011



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Although research indicates a lower cap rate which would increase the opinion of value, I have used the taxpayer submitted income & expenses and the taxpayer's suggested cap rate. Normalizing(averaging) the net operating income(NOI) for the past three years and capitalizing with 8.6% cap rate calculates to a rounded \$14,370,000 valuation. See below spreadsheet.

Provided I&E Statement

Regency Point per Ryan LLC													Assessor Worksheet			
													2018-2020 Normalized	2017-2020 Normalized	Typical Years	
															2017-2019	2017-2018
Income	2020	% of EGI	\$/SQFT	2019	% of EGI	\$/SQFT	2018	% of EGI	\$/SQFT	2017	% of EGI	\$/SQFT				
Base Rent	\$ 964,410	63.72%	\$ 5.91	\$ 1,205,281	65.60%	\$ 7.38	\$ 1,212,577	66.57%	\$ 7.43	\$ 1,195,351	67.95%	\$ 7.32				
CAM reimbursement	\$ 515,558	34.06%	\$ 3.16	\$ 631,917	34.40%	\$ 3.87	\$ 607,296	33.34%	\$ 3.72	\$ 563,703	32.05%	\$ 3.45				
Other	\$ 33,548	2.22%	\$ 0.21	\$ -	0.00%	\$ -	\$ 1,500	0.08%	\$ 0.01	\$ -	0.00%	\$ -				
Total Income	\$ 1,513,516	100.00%	\$ 9.27	\$ 1,837,198	100.00%	\$ 11.25	\$ 1,821,373	100.00%	\$ 11.16	\$ 1,759,054	100.00%	\$ 10.78	\$ 1,724,029	\$ 1,732,785	\$ 1,805,875	\$ 1,790,214
Expenses																
Insurance	\$ 32,974	2.18%	\$ 0.20	\$ 33,111	1.80%	\$ 0.20	\$ 29,438	1.62%	\$ 0.18	\$ 24,918	1.42%	\$ 0.15				
Management Fee	\$ 58,114	3.84%	\$ 0.36	\$ 74,778	4.07%	\$ 0.46	\$ 74,531	4.09%	\$ 0.46	\$ 69,180	3.93%	\$ 0.42				
CAM	\$ 231,981	15.33%	\$ 1.42	\$ 310,191	16.88%	\$ 1.90	\$ 302,980	16.63%	\$ 1.86	\$ 250,239	14.23%	\$ 1.53				
Utilities	\$ 21,221	1.40%	\$ 0.13	\$ 23,023	1.25%	\$ 0.14	\$ 23,646	1.30%	\$ 0.14	\$ 22,210	1.26%	\$ 0.14				
Non-CAM	\$ 40,792	2.70%	\$ 0.25	\$ 35,603	1.94%	\$ 0.22	\$ 15,857	0.87%	\$ 0.10	\$ 16,988	0.97%	\$ 0.10				
Administrative	\$ -	0.00%	\$ -	\$ -	0.00%	\$ -	\$ 10,557	0.58%	\$ 0.06	\$ 34,476	1.96%	\$ 0.21				
Replacement Reserve	\$ 48,976	3.24%	\$ 0.30	\$ 48,976	2.67%	\$ 0.30	\$ 48,976	2.69%	\$ 0.30	\$ 48,976	2.78%	\$ 0.30				
Total Expenses	\$ 434,058	28.68%	\$ 2.66	\$ 525,682	28.61%	\$ 3.22	\$ 505,985	27.78%	\$ 3.10	\$ 466,986	26.55%	\$ 2.86	\$ 488,575	\$ 483,178	\$ 499,551	\$ 486,486
Net Operating Income	\$ 1,079,458	71.32%	\$ 6.61	\$ 1,311,516	71.39%	\$ 8.03	\$ 1,315,388	72.22%	\$ 8.06	\$ 1,292,068	73.45%	\$ 7.91	\$ 1,235,454	\$ 1,249,608	\$ 1,306,324	\$ 1,303,728
													Unloaded Cap Rate		8.60%	
FMV With Cap Rate: 11.38%	\$ 9,488,910		\$ 58.12										\$ 14,365,749	\$ 14,530,322	\$ 15,189,815	\$ 15,159,627
Including Effective Tax Rate													Rounded		\$ 14,370,000	\$ 15,190,000
Average last 3 years	\$ 10,860,183		\$ 66.52													
Occupied SQFT	132,852	81.38%		134,345	82.29%		158,242	96.93%		160,469	98.30%					
Vacant SQFT	30,400	18.62%		28,907	17.71%		5,010	3.07%		2,783	1.70%					
Total SQFT	163,252	100.00%		163,252	100.00%		163,252	100.00%		163,252	100.00%					

Conclusion

Using the correct cap rate is the key in the income approach, as previously mentioned the subject's tenants pay the property taxes, therefore there is no impact in the net operating income(NOI). USPAP requires appraisers to use techniques that are used by our peers and normalizing(averaging) the income over a number of years is the common approach taken. Depending upon the range selected my opinion of value is between \$14,370,000-\$15,190,000 when using the owner's cap rate and reported income and expenses.

Reconciliation

The subject is current assessment is \$13,375,000 with the per foot assessment of \$81.46. and sold in 2016 for \$12,500,000.

The sales approach and the selected comparable sales have a median time adjusted sale price of \$91.99 which applied to the subject produces a value of \$15,100,000.

The income approach using the average NOI for the 2018-2020 from the property owner and the property owner's cap rate produces a value of \$14,370,000.

The current assessment is fully supported when viewing recent market activity (comparable sales approach) and the income approach which represents the investor's perspective when comparing competing properties.