

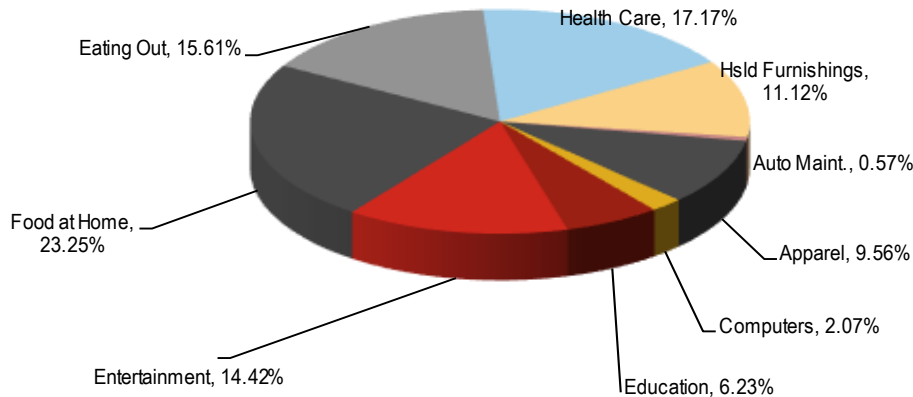
**Household Trends**

The 2015 number of households in the metropolitan area was 280,056. The number of households in the metropolitan area is projected to grow by 1.8% annually, increasing the number of households to 306,320 by 2020. The 2015 average household size for the metropolitan area was 2.6, which was -0.61% smaller than the United States average household size of 2.61 for 2015. The average household size in the metropolitan area is anticipated to grow by 0.39% annually, raising the average household size to 2.65 by 2020. The Charleston-North Charleston metropolitan area had a 94,858 renter occupied units, compared to the higher 569,805 in South Carolina and the higher 41,522,395 in the United States.

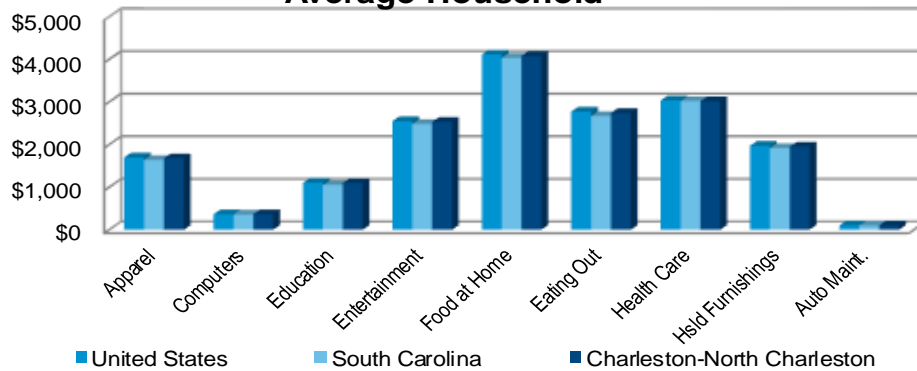
**Income Trends**

The 2015 median household income for the metropolitan area was \$52,222, which was -2.6% lower than the United States median household income of \$53,608. The median household income for the metropolitan area is projected to retract by 0.0% annually, reducing the median household income to \$52,156 by 2020. As is often the case when the median household income levels are lower than [similar to] than the national average, the cost of living index is also lower. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the Charleston-North Charleston, SC MSA's cost of living is 98.6 compared to the national average score of 100. The ACCRA Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services for over 300 urban areas.

**Consumer Spending Charleston-North Charleston**



**Consumer Spending Comparison Average Household**



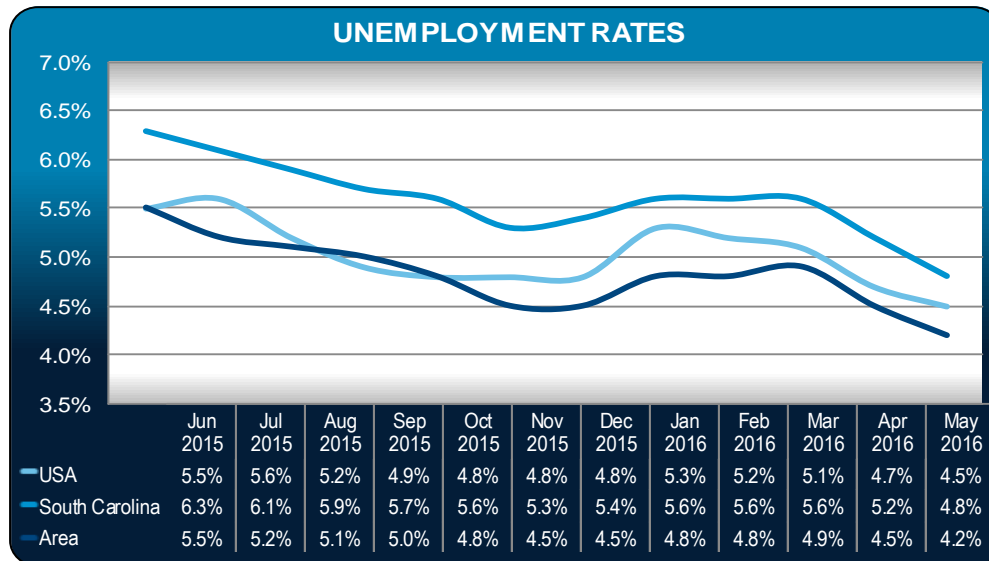
**EMPLOYMENT**

Total employment has increased annually over the past decade in the state of South Carolina by 0.8% and increased annually by 2.0% in the area. From 2014 to 2015 unemployment decreased in South Carolina by 0.4% and decreased by 0.4% in the area. In the state of South Carolina unemployment has decreased over the previous month by 0.4% and decreased by 0.3% in the area.

**EMPLOYMENT & UNEMPLOYMENT STATISTICS 2006 - 2015**

Year	TOTAL EMPLOYMENT				UNEMPLOYMENT RATE		
	South Carolina		Charleston-North Charleston, SC Metropolitan Statistical Area		United States*	South Carolina	Charleston-North Charleston, SC Metropolitan Statistical Area
	Total	% Δ Yr Ago	Total	% Δ Yr Ago			
2005	1,929,233	-	279,789	-	5.1%	6.7%	5.4%
2006	1,973,337	2.3%	287,755	2.8%	4.6%	6.4%	5.2%
2007	2,005,686	1.6%	299,313	4.0%	4.6%	5.7%	4.5%
2008	1,996,409	(0.5%)	299,909	0.2%	5.8%	6.8%	5.6%
2009	1,910,670	(4.3%)	288,390	(3.8%)	9.3%	11.2%	9.3%
2010	1,915,045	0.2%	296,891	2.9%	9.6%	11.2%	9.3%
2011	1,945,900	1.6%	306,358	3.2%	8.9%	10.6%	8.8%
2012	1,983,506	1.9%	316,679	3.4%	8.1%	9.2%	7.6%
2013	2,022,444	2.0%	323,107	2.0%	7.4%	7.6%	6.3%
2014	2,074,277	2.6%	333,175	3.1%	6.2%	6.4%	5.5%
2015	2,122,573	2.3%	342,988	2.9%	5.3%	6.0%	5.1%
<b>CAGR</b>	<b>0.8%</b>	<b>-</b>	<b>2.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Source: U.S. Bureau of Labor Statistics \*Unadjusted Non-Seasonal Rate



Below is a summary of employment in the region by sector as well as the largest employers overall.

### TOP EMPLOYERS

EMPLOYER NAME	EMPLOYEES	INDUSTRY
Joint Base Charleston	22,000	Government
Medical University of SC	13,000	Healthcare
Boeing Charleston	6,500	Manufacturing
Roper St. Francis	5,300	Healthcare
Charleston County School District	5,300	Education
Berkeley County School District	3,700	Education
JEM Restaurant Group, Inc	3,000	Restaurants
Dorchester County School District	2,900	Education
Trident Health System	2,500	Healthcare
College of Charleston	2,400	Education

Source: Charleston Metro Chamber of Commerce

### AIRPORT | PORT STATISTICS

The following chart summarizes the local airport statistics.

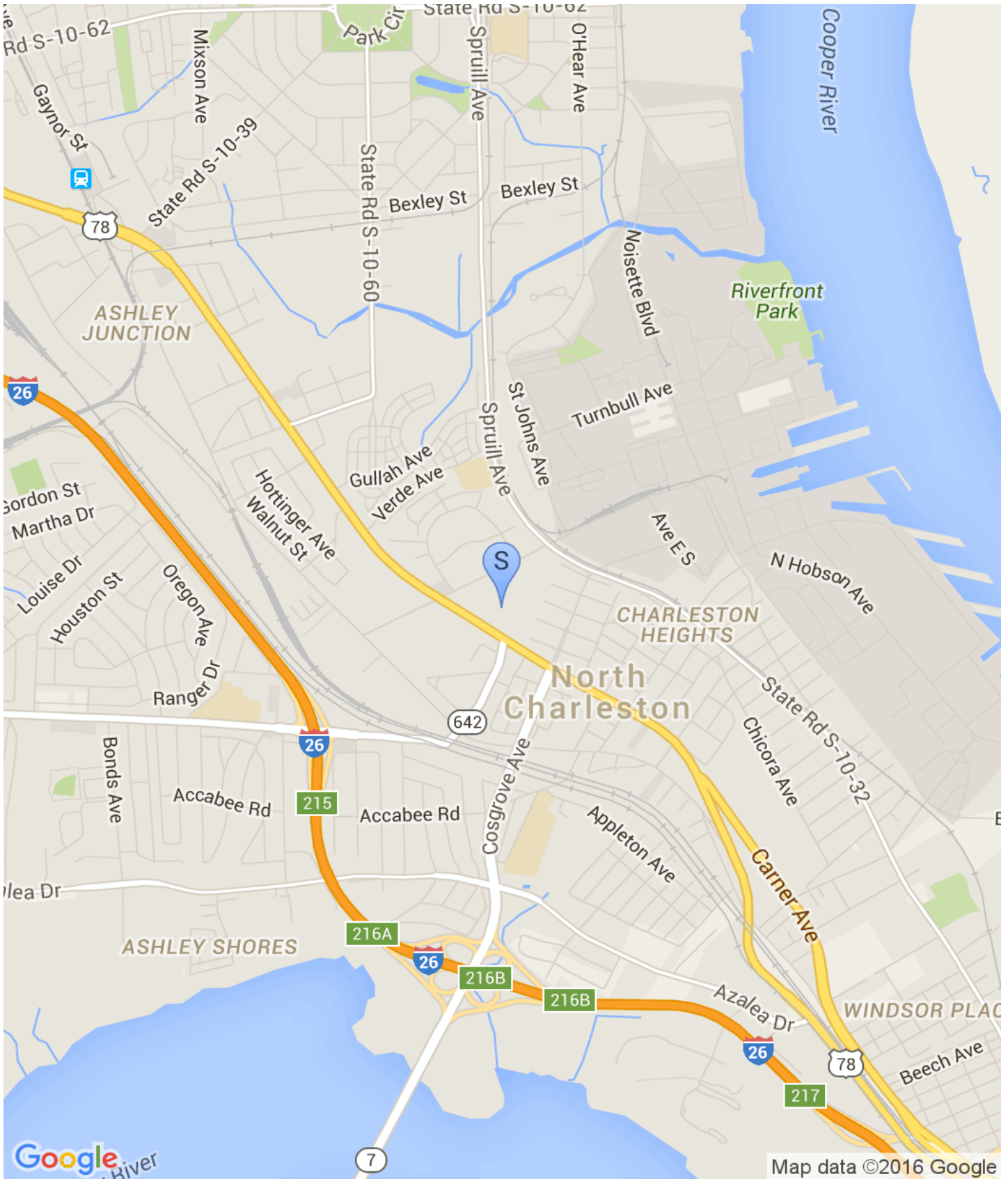
#### CHARLESTON AFB/INTERNATIONAL AIRPORT (CHS)

YEAR	ENPLANED PASSENGERS	% CHG
2004	909,084	-
2005	1,072,182	17.9%
2006	944,143	(11.9%)
2007	1,145,129	21.3%
2008	1,174,667	2.6%
2009	1,095,038	(6.8%)
2010	1,013,418	(7.5%)
2011	1,247,459	23.1%
2012	1,283,970	2.9%
2013	1,441,415	12.3%
2014	1,539,326	6.8%

Source: U.S. Department of Transportation

### SUMMARY

The Charleston economy could best be described as growing with moderate economic indicators throughout each sector of the market. The real estate market has been growing at a moderate pace particularly in downtown Charleston. Given the diversified economy and other external factors that exist, slow to moderate growth is expected to continue. Therefore, the four basic factors influencing real estate values, identified as social, economic, governmental and physical, all appear to be balanced, creating a somewhat stable overall real estate market in the Charleston area.



## INTRODUCTION

In this section of the report, I provide details about the local area and describe the influences that bear on the real estate market as well as the subject property. A map of the local area is presented on the prior page. Below are insights into the local area based on fieldwork, interviews, demographic data and experience working in this market.

## LOCAL AREA PROFILE

The subject property is located along Rivers Avenue between Cosgrove Avenue and McMillan Avenue in the lower section of North Charleston. The general area is considered to be the commercial areas along Rivers Avenue around Cosgrove Avenue to Interstate 526 to the north, Cooper River to the east, and Interstate 26 to the west. This would also include the former Charleston Naval Base property.

The northern section of the general neighborhood is the area around Park Circle, which is a North Charleston landmark. This is an older section of North Charleston that had long been closely associated with the Base.

East Montague Avenue is one of the major arterial roads through the old city of North Charleston area. The stretch between Virginia and Spruill Avenues was the original downtown area prior to the mid 1970's when the City was incorporated and the City Hall was relocated to LaCross Road near Montague Avenue and Interstate 26. Over the past 10 years, many buildings have been purchased and renovated for uses, which include day spas, antique stores, restaurants, art galleries, and destination commercial developments. The streetscape has been renovated with the creation of center-landscaped medians, reworking sidewalks and street side landscaping. This ongoing gentrification has made the "Olde Village" very trendy with young professional and has had a positive effect on the neighborhood in general.

## DEMOGRAPHIC PROFILE

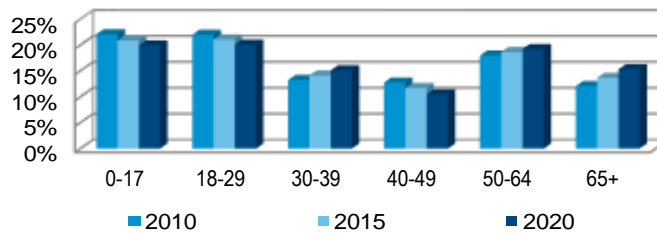
Below is a demographic study of the area, sourced by *Pitney Bowes/Gadberry Group - GroundView®*, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of properties and geographical areas. Please note that our demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation. We are aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology(ies), are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

**LOCAL AREA DEMOGRAPHICS**

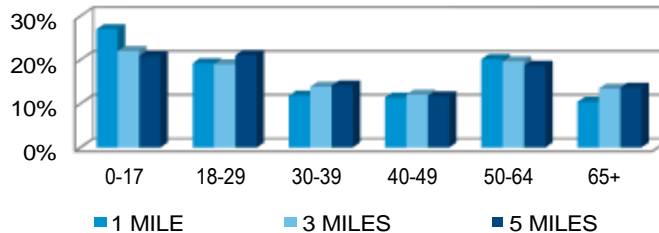
DESCRIPTION	1 MILE	3 MILES	5 MILES	DESCRIPTION	1 MILE	3 MILES	5 MILES
<b>POPULATION</b>				<b>AVERAGE HOUSEHOLD INCOME</b>			
2000 Population	12,016	37,982	111,712	2015	\$34,829	\$44,277	\$57,971
2010 Population	10,182	33,929	111,785	2020	\$34,393	\$44,124	\$59,212
2015 Population	10,521	36,190	120,411	Change 2015-2020	(1.25%)	(0.35%)	2.14%
2020 Population	10,869	37,741	129,157	<b>MEDIAN HOUSEHOLD INCOME</b>			
Change 2000-2010	(15.26%)	(10.67%)	0.07%	2015	\$22,274	\$27,963	\$38,781
Change 2010-2015	3.33%	6.66%	7.72%	2020	\$21,715	\$27,368	\$38,122
Change 2015-2020	3.31%	4.29%	7.26%	Change 2015-2020	(2.51%)	(2.13%)	(1.70%)
<b>POPULATION 65+</b>				<b>PER CAPITA INCOME</b>			
2010 Population	933	4,017	13,464	2015	\$13,065	\$17,413	\$23,787
2015 Population	1,095	4,855	16,439	2020	\$12,674	\$17,034	\$23,817
2020 Population	1,281	5,618	19,754	Change 2015-2020	(3.00%)	(2.18%)	0.13%
Change 2010-2015	17.36%	20.86%	22.10%	<b>2015 HOUSEHOLDS BY INCOME</b>			
Change 2015-2020	16.99%	15.72%	20.17%	<\$15,000	33.3%	27.8%	21.2%
<b>NUMBER OF HOUSEHOLDS</b>				\$15,000-\$24,999	21.8%	18.5%	14.3%
2000 Households	4,281	13,932	43,824	\$25,000-\$34,999	11.0%	11.2%	11.0%
2010 Households	3,863	12,667	45,561	\$35,000-\$49,999	11.9%	13.0%	13.7%
2015 Households	3,893	13,199	47,372	\$50,000-\$74,999	11.6%	13.2%	16.4%
2020 Households	3,954	13,513	49,905	\$75,000-\$99,999	4.8%	6.7%	8.4%
Change 2000-2010	(9.76%)	(9.08%)	3.96%	\$100,000-\$149,999	4.1%	6.3%	8.8%
Change 2010-2015	0.78%	4.20%	3.97%	\$150,000-\$199,999	1.0%	1.9%	3.0%
Change 2015-2020	1.57%	2.38%	5.35%	\$200,000 or greater	0.4%	1.4%	3.1%
<b>HOUSING UNITS (2015)</b>				<b>MEDIAN HOME VALUE</b>			
Owner Occupied	1,123	5,907	22,821		\$85,034	\$125,932	\$175,373
Renter Occupied	2,799	7,313	24,456	<b>AVERAGE HOME VALUE</b>			
<b>HOUSING UNITS BY YEAR BUILT</b>							
Built 2010 or later	72	116	458	<b>HOUSING UNITS BY UNITS IN STRUCTURE</b>			
Built 2000 to 2009	386	1,256	7,944	1, detached	2,227	8,243	24,992
Built 1990 to 1999	136	690	4,258	1, attached	81	280	1,967
Built 1980 to 1989	310	1,275	6,605	2	397	857	2,557
Built 1970 to 1979	469	1,872	7,678	3 or 4	255	652	2,610
Built 1960 to 1969	679	2,336	7,544	5 to 9	351	1,041	5,078
Built 1950 to 1959	930	3,278	6,721	10 to 19	225	689	3,721
Built 1940 to 1949	651	1,715	3,027	20 to 49	110	280	1,608
Built 1939 or earlier	259	662	3,139	50 or more	97	249	1,398
				Mobile home	178	929	3,339
				Boat, RV, van, etc.	0	0	7

Source: Pitney Bowes/Gadberry Group - GroundView®

**POPULATION GROWTH BY AGE - 5 MILES**



**POPULATION BY AGE**



**Transportation Routes**

Rivers Avenue is a main north-south local traffic thoroughfare in the City of North Charleston and is second only to Interstate 26 as the primary traffic artery for north-south traffic.

Rivers Avenue (Highway 52) originates in the industrial "neck area" of North Charleston and extends north through Goose Creek and further points north. Toward the south, the area along Rivers Avenue is developed with a combination of heavy and light industrial uses, both single tenant and multi-tenant retail uses, offices, churches and lower to lower middle income housing. The former Naval Hospital (Subject) is also located in this stretch.

Once past Remount Road traveling north, the complexion of Rivers Avenue has been changing from middle to lower income properties to suburban retail. This is best exemplified by the historical traffic counts along Rivers Avenue.

RIVERS AVENUE TRAFFIC COUNTS					
Rivers Avenue		Cars Per Day			
Nearest Cross Ref	Station	2012	2013	2014	2015
Reynolds Ave	151	8,300	8,500	7,700	7,000
Durant Ave	153	16,300	16,700	15,100	17,500
I-526	155	25,000	25,600	23,000	27,100
Remount Rd	157	33,700	34,500	31,200	31,600
Aviation Ave	159	43,700	44,700	40,100	40,900
Ashley Phos Rd	161	42,900	43,900	37,800	36,000
N Rivers (Past I-26 Spur)	163	69,100	70,700	60,700	69,900

As the traffic counts show, vehicular traffic increases steadily while traveling north on Rivers Avenue. The historical downward trend near the subject is also indicative of the immediate area.

**Community Services**

Community services and facilities are readily available in the surrounding area. These include public services such as fire stations, hospitals, police stations, and schools (all ages). The subject property is located in the Charleston 01 School District. GreatSchools.org is an on-line tool that rates every school and school district on a scale of one to ten based on test scores. The chart details the subject's nearby high schools and their respective ratings. Of note, Hanahan High School is in Berkeley County.

HIGH SCHOOLS							
HIGH SCHOOLS	GREATSCHOOLS RATING	PARENT RATING	SCHOOL TYPE	GRADES SERVED	DISTANCE FROM SBJ.	CITY LOCATION	ENROLLMENT PER GRADE
Military Magnet Academy	4	4	public	6-12	0.84 miles	North Charleston	460
Garrett Academy Of Technology	3	4	public	9-12	1.40 miles	North Charleston	740
North Charleston High School	2	3	public	9-12	1.60 miles	North Charleston	492
Charleston School of the Arts	10	5	public	6-12	2.22 miles	North Charleston	1,060
Academic Magnet High School	9	5	public	9-12	2.22 miles	North Charleston	618
Hanahan High School	6	4	public	9-12	4.29 miles	Hanahan	1,034
Burke High School	2	4	public	7-12	4.71 miles	Charleston	553
Montessori Community School	-	5	public	n/a	4.84 miles	Charleston	-
West Ashley High School	5	3	public	9-12	6.20 miles	Charleston	1,861
R. B. Stall High School	3	3	public	9-12	7.65 miles	North Charleston	984

Source: GreatSchools.com

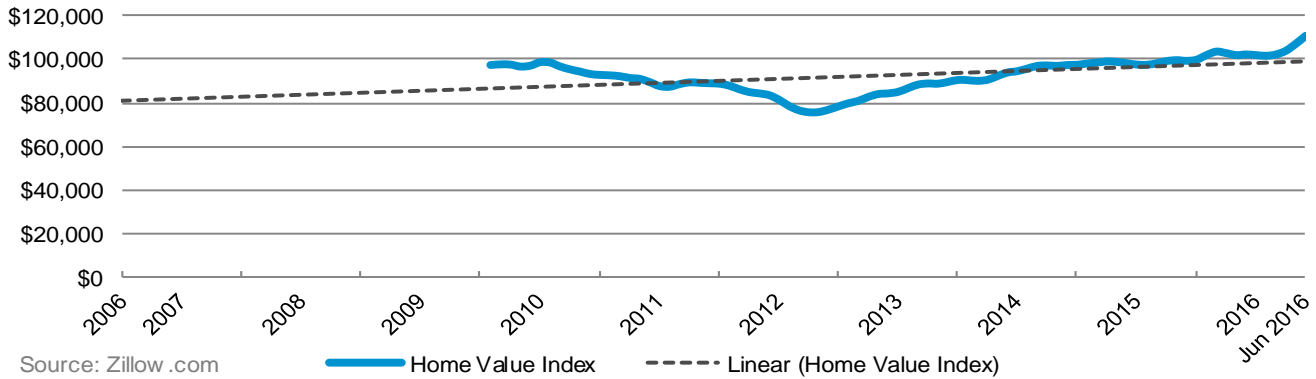
**IMMEDIATE AREA PROFILE**

This section discusses uses and development trends in the immediate area that directly impact the performance and appeal of the subject property.

**Residential Development**

Residential users in the immediate area are primarily lower income single family residential. The following graph shows the Zillow Home Value Index (ZHVI) for the subject zip code which is the mid-point of estimated home values for the area. Half the estimated home values are above this number and half are below.

**BRENTWOOD, NORTH CHARLESTON, SC 29405 ZILLOW HOME VALUE INDEX**



The following chart shows the average home size breakdown for the subject zip code.

**HOME SIZE BREAKDOWN - 29405**

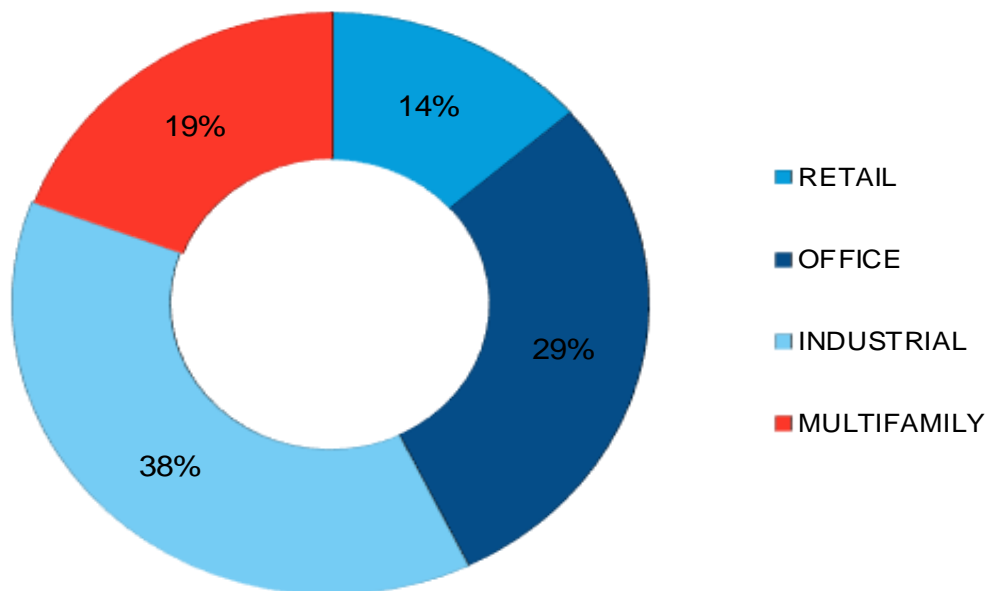


Source: Zillow .com

**Predominant Land Uses**

Significant development in the immediate area consists of office, retail, industrial, mixed-use and auto related uses along major arterials that are interspersed with multi-family complexes and single-family residential development removed from arterials. The local area has a mix of commercial uses nearby and the composition is shown in the following graph.

**COMMERCIAL AREA COMPOSITION**



©CoStar



### Multi-Family Development

The following chart shows a summary of multi-family data by type in the immediate area from CoStar.

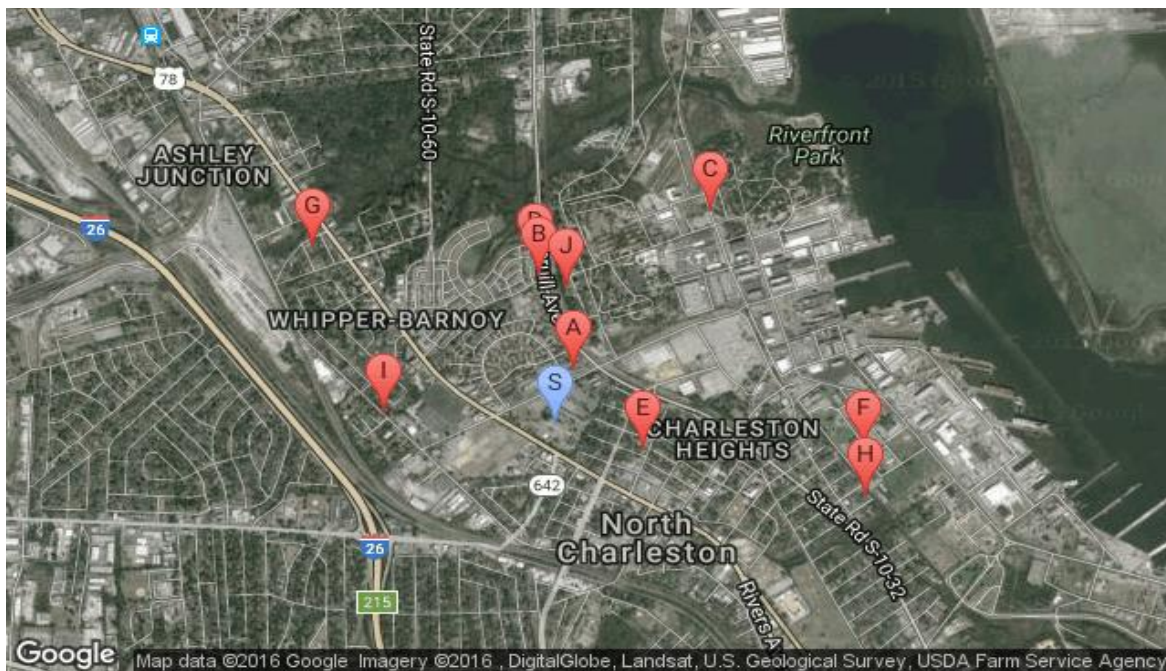
MULTIFAMILY SUMMARY			
CLASS	PROPERTIES	NRA (SF)	AVG YR BLT
A	0	0	
B	9	866,214	1983
C	34	410,332	1974
<b>TOTAL</b>	<b>43</b>	<b>1,276,546</b>	<b>1976</b>

Source: CoStar

The following chart and map shows the subject property and the 10 largest multi-family properties in the immediate area from CoStar.

LARGEST MULTIFAMILY PROPERTIES						
NAME	MAP PIN	CLASS	NRA (SF)	STORIES	YEAR BUILT	
Pine Crest Apartments	A	B	380,388	2	1942	
Barony Place	B	B	326,452	2	2007	
West Yard Lofts	C	B	94,364	4	2011	
The Manor	D	C	47,799	3	2007	
Cherokee Place Apartments	E	C	38,000	2	1972	
Multifamily Building	F	F	32,850	3	-	
Northside apartments	G	C	26,044	2	2009	
Multifamily Building	H	C	24,932	2	1964	
Multifamily Building	I	C	21,600	1	-	
Multifamily Building	J	C	17,998	2	1968	

Source: CoStar



**Retail Development**

The following chart shows a summary of retail data by type in the immediate area from CoStar.

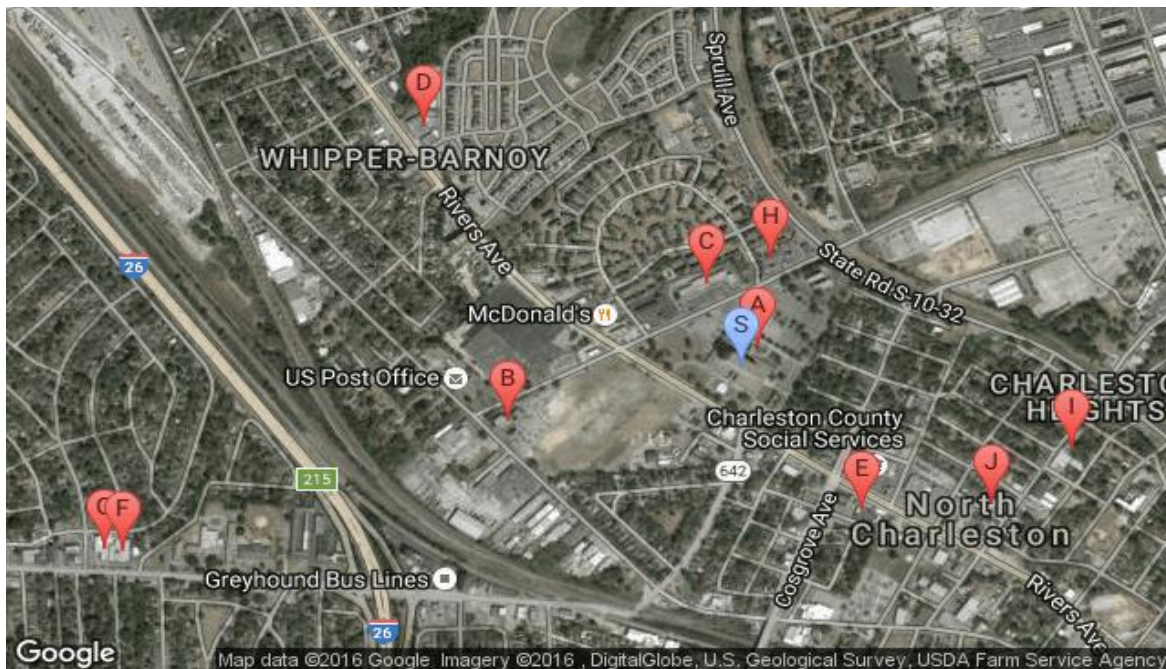
RETAIL SUMMARY					
TYPE	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
Strip Center	7	75,634	1960	97.6	\$18.00
General Retail	164	821,019	1975	96.2	\$11.75
<b>TOTAL</b>	<b>171</b>	<b>896,653</b>	<b>1974</b>	<b>96.3</b>	<b>\$12.01</b>

Source: CoStar

The following chart and map shows the subject property and the 10 largest retail properties in the immediate area from CoStar.

LARGEST SHOPPING CENTERS						
NAME	MAP PIN	TYPE	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Chelsey Point	A	General Retail	191,362	-	2007	N/Av
Retail Building	B	General Retail	27,269	100.0	-	N/Av
Ace Cash Express	C	Strip Center	27,000	100.0	-	N/Av
Dual Lane Plaza	D	Strip Center	16,000	100.0	-	N/Av
Retail Building	E	Strip Center	15,690	100.0	-	N/Av
Retail Building	F	General Retail	14,475	100.0	-	N/Av
Retail Building	G	General Retail	13,692	100.0	-	N/Av
Retail Building	H	General Retail	13,000	100.0	-	N/Av
Retail Building	I	General Retail	11,223	100.0	-	N/Av
Retail Building	J	General Retail	10,929	100.0	-	\$5.50

Source: CoStar



**Office Development**

The following chart shows a summary of office data by class in the immediate area from CoStar.

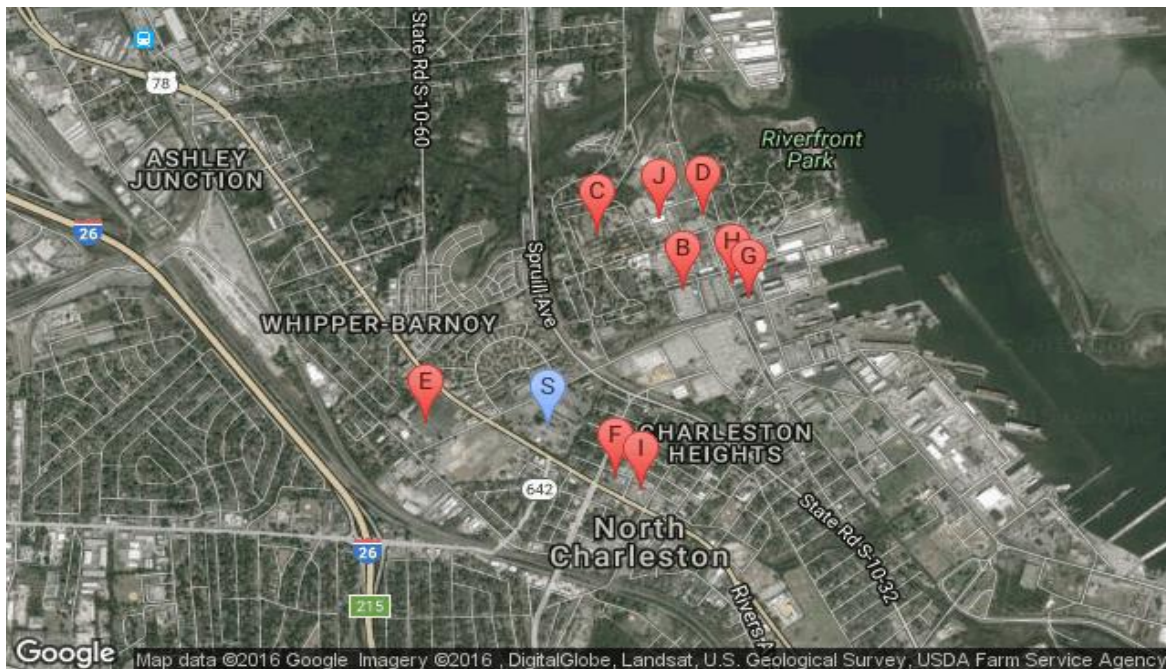
OFFICE SUMMARY						
CLASS	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT	
A	2	216,000	1972	100.0	-	
B	19	572,894	1966	84.5	\$19.56	
C	117	1,148,054	1954	95.2	\$13.68	
<b>TOTAL</b>	<b>138</b>	<b>1,936,948</b>	<b>1956</b>	<b>93.8</b>	<b>\$14.29</b>	

Source: CoStar

The following chart and map shows the subject property and the 10 largest office properties in the immediate area from CoStar.

LARGEST OFFICE BUILDINGS						
NAME	MAP PIN	CLASS	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
I	A	B	396,000	4.4	-	\$14.50
The Navy Yard	B	C	241,899	100.0	-	N/Av
The Navy Yard	C	C	156,825	100.0	-	N/Av
The Navy Yard at Noisette	D	A	156,000	100.0	1950	N/Av
Office Building	E	C	110,543	100.0	1973	N/Av
Office Building	F	C	77,630	100.0	-	N/Av
11 Storehouse Row	G	A	60,000	100.0	1994	N/Av
The Navy Yard at Noisette	H	B	54,000	100.0	1903	N/Av
Charleston Heights Shopping Cer	I	C	40,501	100.0	1955	N/Av
The Navy Yard at Noisette	J	C	40,000	100.0	-	N/Av

Source: CoStar



**Industrial Development**

The following chart shows a summary of industrial data by type in the immediate area from CoStar.

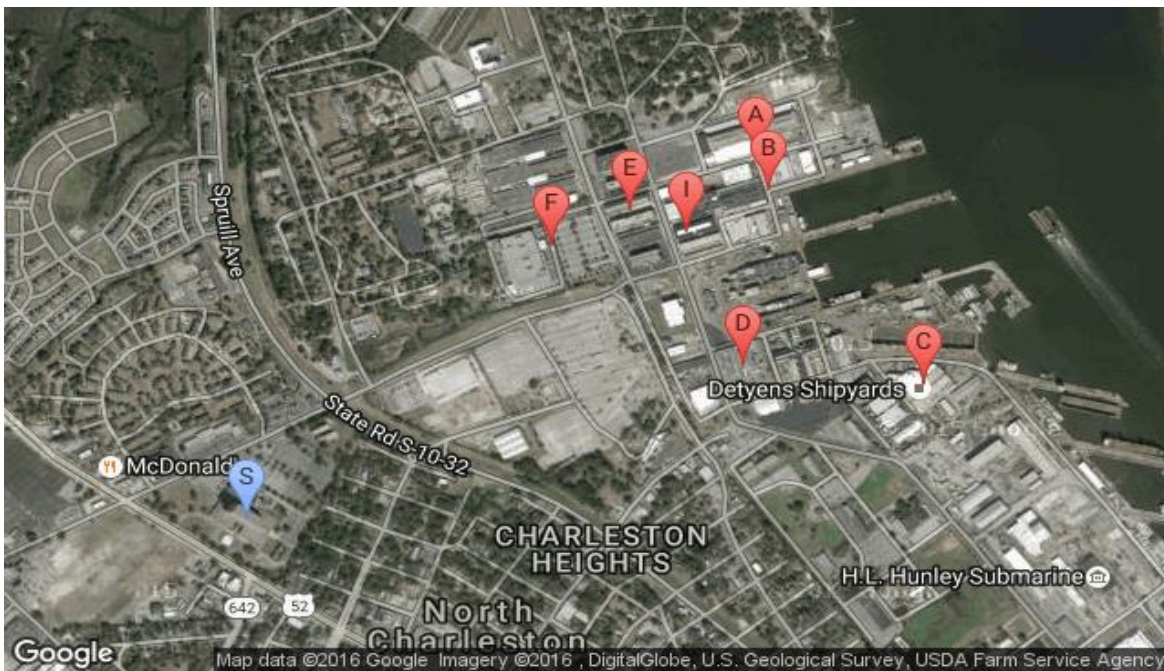
INDUSTRIAL SUMMARY					
TYPE	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
Industrial	115	2,325,484	1966	98.2	\$12.58
Flex	26	179,153	1965	100.0	\$17.50
<b>TOTAL</b>	<b>141</b>	<b>2,504,637</b>	<b>1966</b>	<b>98.5</b>	<b>\$13.48</b>

Source: CoStar

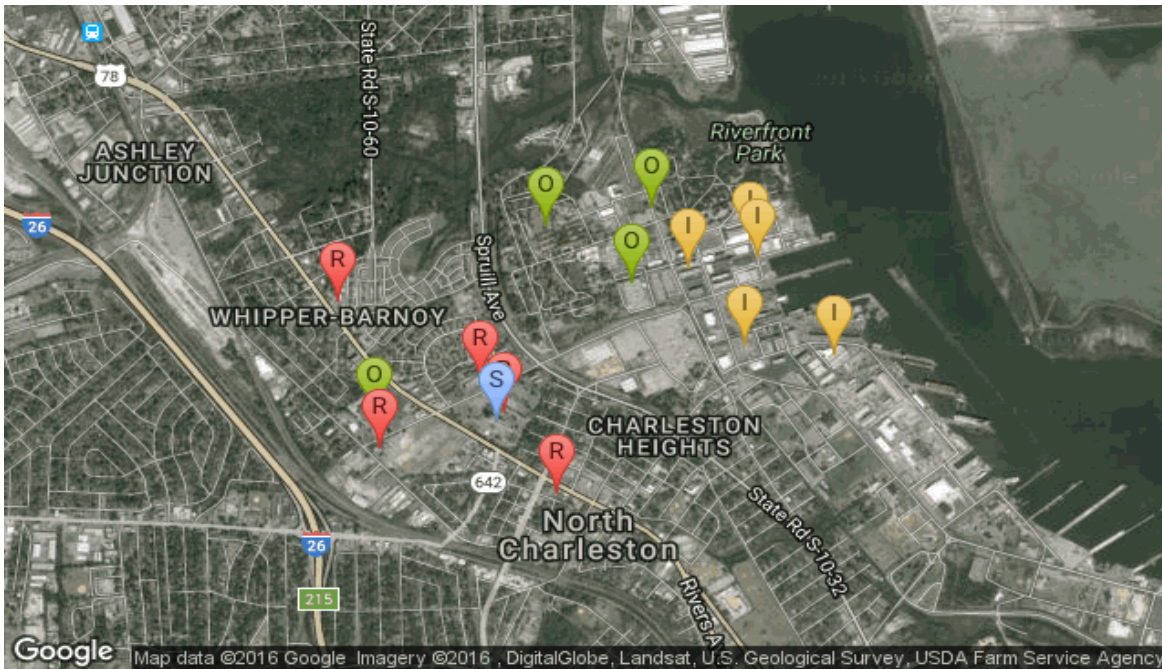
The following chart and map shows the subject property and the 10 largest industrial properties in the immediate area from CoStar.

LARGEST INDUSTRIAL PROPERTIES						
NAME	MAP PIN	TYPE	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Industrial Building	A	Industrial	280,683	100.0	1906	N/Av
1	B	Industrial	103,354	100.0	-	N/Av
Deyton Shipyard	C	Industrial	87,504	100.0	-	N/Av
Navy Yard at Noisette	D	Industrial	78,066	100.0	-	N/Av
The Navy Yard at Noisette	E	Industrial	78,000	100.0	1917	N/Av
The Navy Yard	F	Industrial	71,793	100.0	-	N/Av
The Navy Yard	G	Industrial	71,522	100.0	-	N/Av
The Navy Yard	H	Industrial	69,953	100.0	-	N/Av
Navy Yard at Noisette	I	Industrial	67,707	100.0	-	N/Av
Dreyton Shipyard	J	Industrial	60,081	100.0	-	N/Av

Source: CoStar



The following map shows the subject property and the five largest retail, office, and industrial properties in the immediate area from CoStar.



## SUBJECT PROPERTY ANALYSIS

The following discussion draws context and analysis on how the subject property is influenced by the local and immediate areas.

### Subject Property Analysis

The uses adjacent to the property are noted below:

- › **North** - Retail/Residential
- › **South** - Office/Retail/Residential
- › **East** - Residential
- › **West** - Vacant Land/Retail

### Access

The subject site has frontage on Rivers Avenue and McMillan Avenue. Based on my field work, the subject's access is rated average/good compared to other properties with which it competes.

### Visibility

The subject is clearly visible in both directions along the street. The visibility of the property is not hampered by adjacent properties, trees or other obstructions. In comparison to competitive properties, the subject property has good visibility.

## SUMMARY

The subject property is located in an area in close proximity to employment centers. It is comprised of a mixture of heavy industrial uses that have capitalized on the close proximity of the port terminals, and also consists of neighborhood commercial and lower to lower middle income residential uses. Despite the City's commitment to improve the area, commercial uses are limited to servicing the immediate resident population, which does not have a great deal of purchasing power. External influences have tended to support the heavy industrial base and distribution uses far more than the other uses in the area. This trend expected to continue given the expanding Port facilities and the ongoing redevelopment of the former Charleston Naval Base.

**General Description** The subject property is located on the east side of Rivers Avenue and the south side of McMillan Avenue in the Chicora area North Charleston. The former Charleston Naval Base campus is immediately to the east. The subject site is irregular in shape and contains 23.25 acres of land area. The following discussion summarizes the subject site size and characteristics.

**Assessor Parcel** 469-07-00-001

**Number Of Parcels** 1

Land Area	Acres	Square Feet
Primary Parcel	23.25	1,012,770
Unusable Land	0.00	0
Excess Land	0.00	0
Surplus Land	0.00	0
<b>Total Land Area</b>	<b>23.25</b>	<b>1,012,770</b>

**Shape** Irregular - See Plat Map For Exact Shape

**Topography** Generally Level at street grade

**Drainage** Assumed Adequate

**Utilities** All available to the site

Street Improvements	Street	Direction	No. Lanes	Street Type	Curbs	Sidewalks	Streetslights	Center Lane	Gutters
Rivers Avenue	Primary Street	two-way	four-lane	major arterial	✓	✓	✓	✓	✓

**Frontage** Rivers Avenue and McMillan Avenue

**Accessibility** Average/Good - The subject has two curb cuts on Rivers Avenue and three access points on McMillan Avenue. All but one of the entrances are closed with the current access via a controlled gate on McMillan.

**Exposure** Good - The subject represents one of the tallest buildings in the Charleston MSA and also has one of the highest base elevations. As a result, exposure is regional.

**Seismic** The subject is in a very high risk zone.

**Flood Zone** Zone X (Unshaded). This is referenced by Community Number 45019C, Panel Number 0501J, dated November 17, 2004. Zone X (unshaded) is a moderate and minimal risk area. Areas of moderate or minimal hazard are studied based upon the principal source of flood in the area. However, buildings in these zones could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Local stormwater drainage systems are not normally considered in a community's flood insurance study. The failure of a local drainage system can create areas of high flood risk within these zones. Flood insurance is available in participating communities, but is not required by regulation in these zones. Nearly 25-percent of all flood claims filed are for structures located within these zones. Minimal risk areas outside the 1-percent and .2-percent-annual-chance floodplains. No BFEs or base flood depths are shown within these zones. (Zone X (unshaded) is used on new and revised maps in place of Zone C.)

**Easements**

A preliminary title report was not available for review. During the on-site inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there is no negative value impact on the subject improvements. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.

**Soils**

A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.

**Hazardous Waste**

We have not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer.

**Summary**

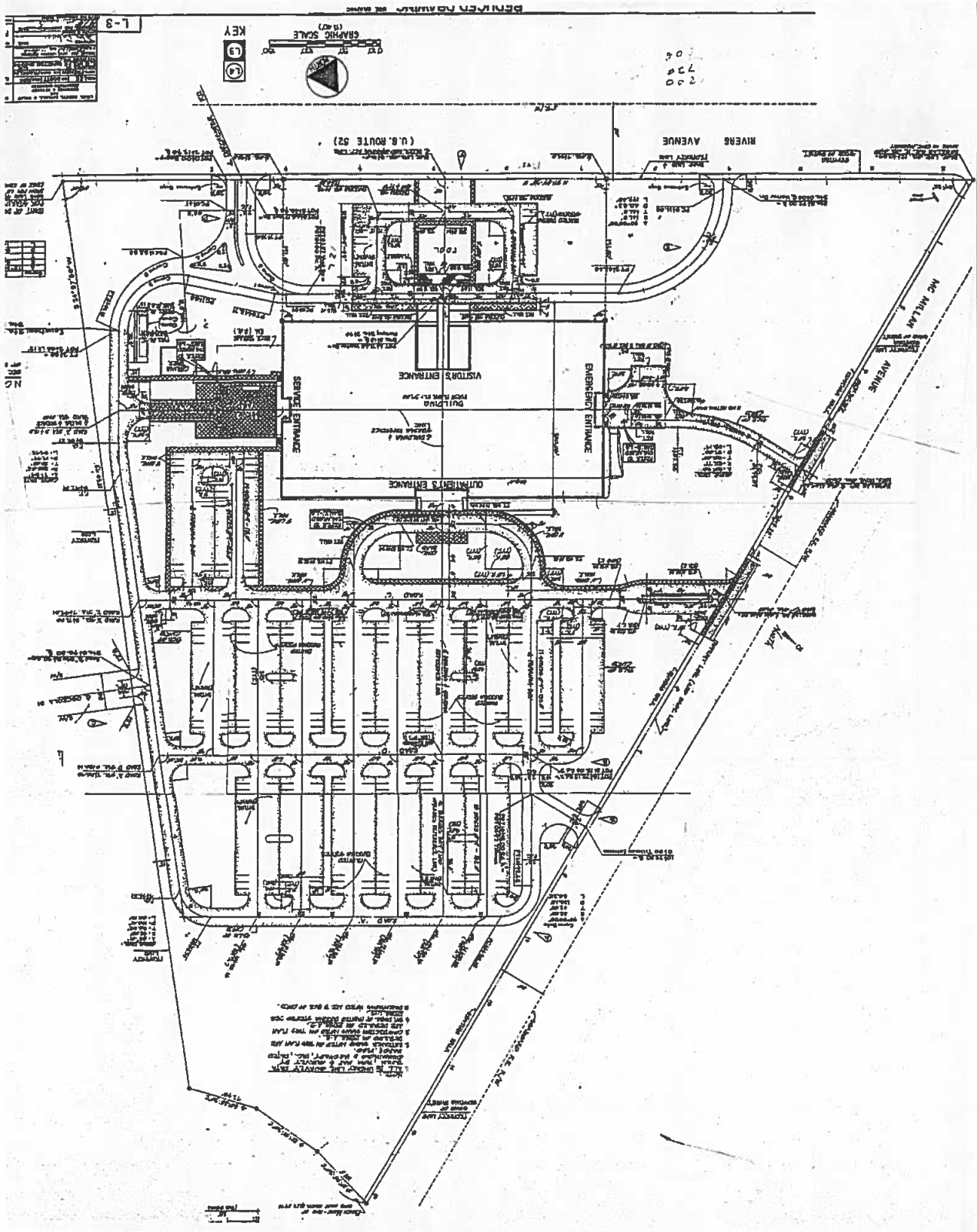
The property is a functional size and shape for a commercial use, and there are no known adverse easements to the site. It consists of approximately 23.25 acres of developable land, which allows for flexibility in the development process. Access and visibility are average to good. The physical and functional characteristics of the land meet the standards of the typical purchasers of this type of property.

TAX MAP

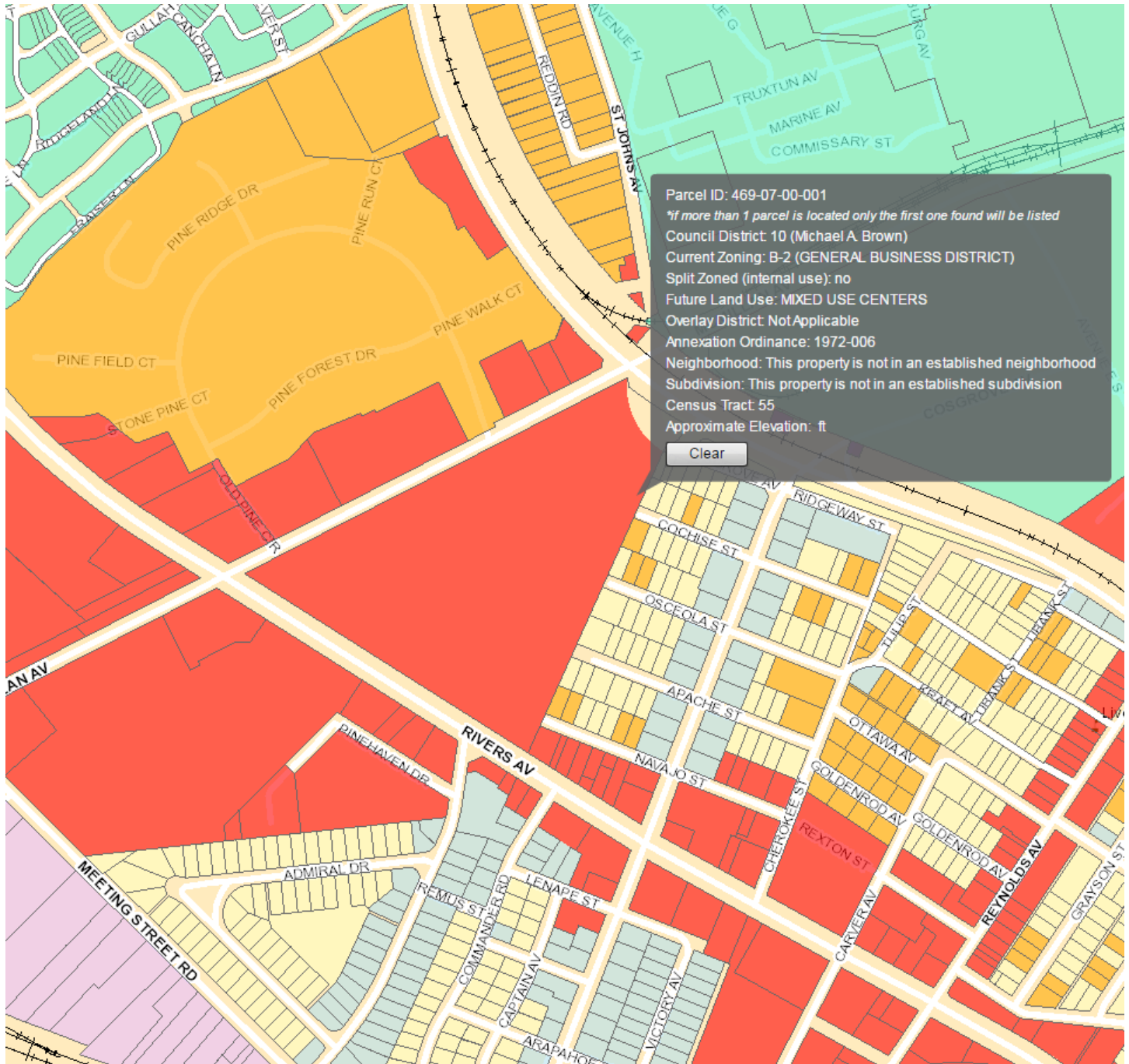




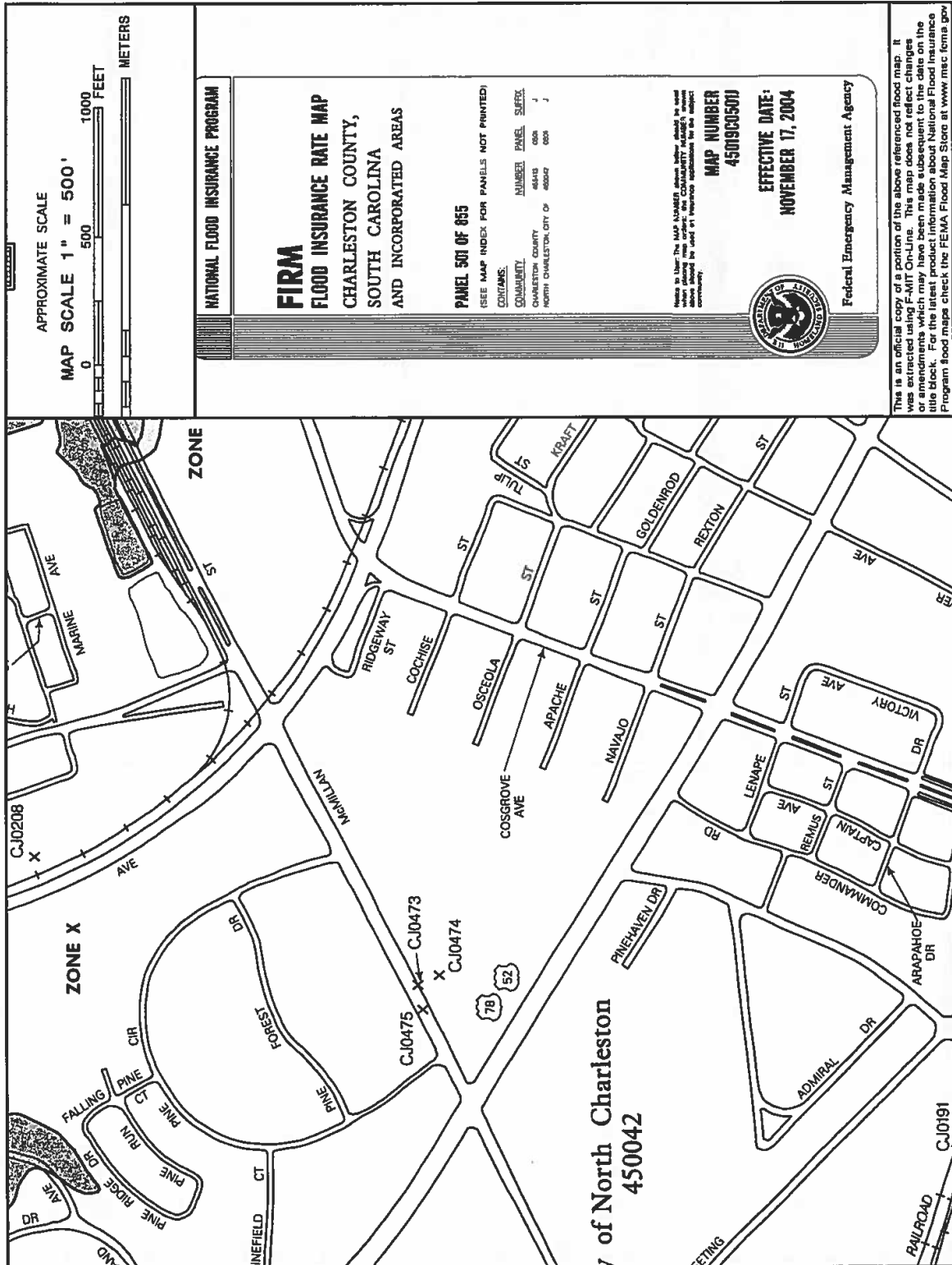
PLAT MAP



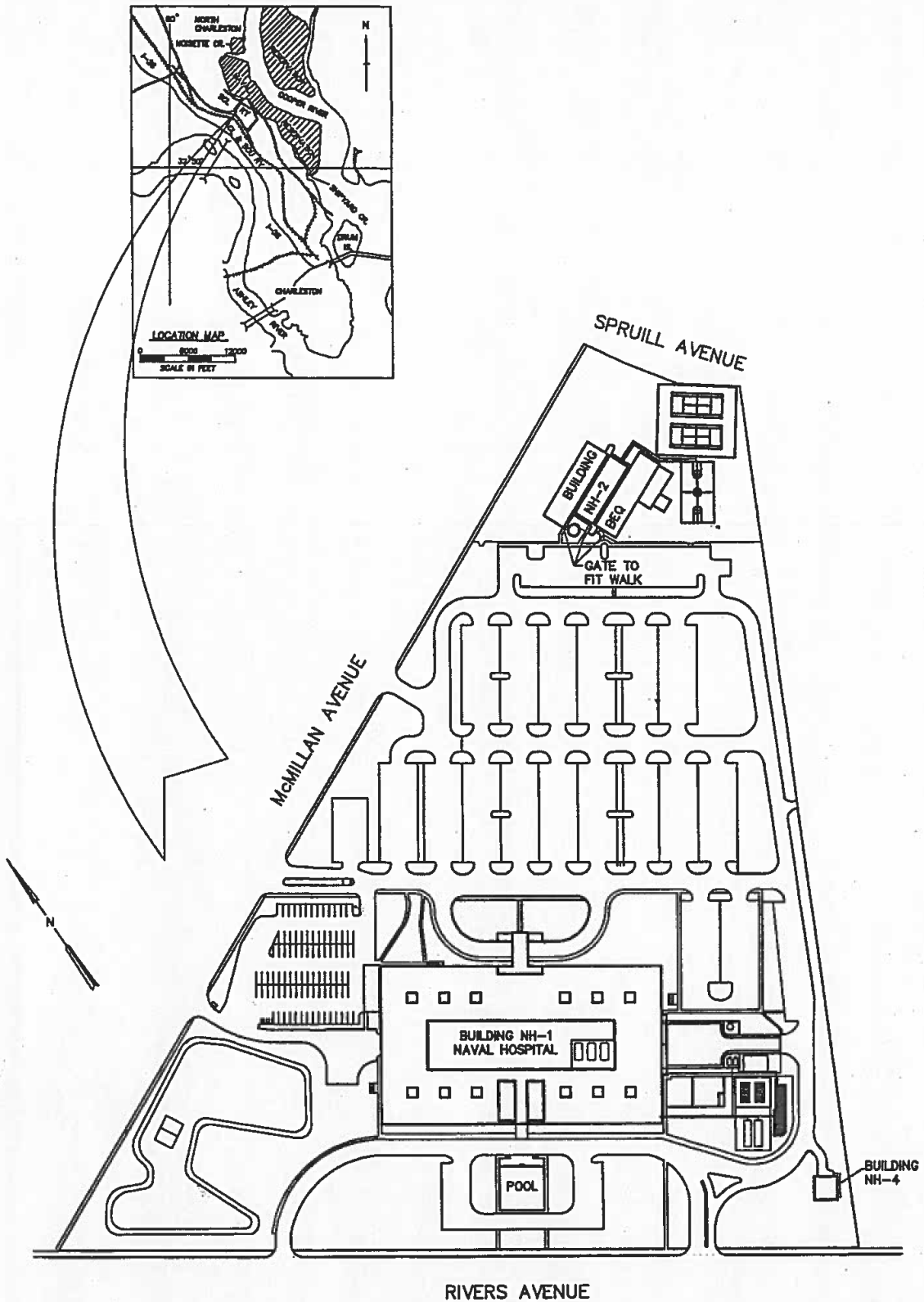
ZONING MAP



FLOOD MAP



SITE PLAN



## INTRODUCTION

The subject is improved with a 12 story building containing approximately 424,782 SF of GBA and 402,474 SF of NRA. It was originally constructed in 1972 by the federal government and operated as a Navy Hospital until the mid-1990s. It remained vacant for years and was then purchased in late 2014 by a private group for redevelopment. The building is of heavy concrete construction that typical of governmental or institutional use. The breakdown of the building is presented below.

Building Breakdown by Floor					
Floor	Usable	Common,/FL	RA	Vertical Pen./ Unrentable	GBA
1	86,836 SF	10,686 SF	<b>102,147 SF</b>	5,322 SF	107,469 SF
2	12,715 SF	1,352 SF	<b>14,957 SF</b>	1,550 SF	16,476 SF
3	12,494 SF	1,619 SF	<b>14,697 SF</b>	1,550 SF	17,134 SF
4	20,103 SF	1,015 SF	<b>23,647 SF</b>	1,120 SF	23,633 SF
5	18,786 SF	0 SF	<b>22,098 SF</b>	1,240 SF	23,633 SF
6	19,288 SF	0 SF	<b>22,689 SF</b>	1,424 SF	23,633 SF
7	19,349 SF	1,239 SF	<b>22,761 SF</b>	959 SF	23,633 SF
8	19,355 SF	0 SF	<b>22,768 SF</b>	1,244 SF	23,633 SF
9	18,270 SF	1,245 SF	<b>21,491 SF</b>	1,243 SF	23,633 SF
10	19,125 SF	448 SF	<b>22,497 SF</b>	1,080 SF	23,633 SF
	246,321 SF	17,604 SF	<b>289,752 SF</b>	16,732 SF	306,510 SF
Ground	80,826 SF	36,959 SF	<b>95,077 SF</b>	1,484 SF	119,269 SF
Penthouse	15,000 SF	5,763 SF	<b>17,645 SF</b>	4,066 SF	24,829 SF
	342,147 SF	60,326 SF	<b>402,474 SF</b>	22,282 SF	450,608 SF

Below is the building efficiency calculation and resulting load factor.

Building Efficiency	
Total Usable	342,147 SF
Total Common	60,326 SF
Total Rentable	402,474 SF
Load Factor	1.1763

Reference is made to floor plans shown in the Addenda.

The information presented below is a basic description of the existing improvements. This information is used in the valuation of the property. Reliance has been placed upon information provided by sources deemed dependable for this analysis. It is assumed that there are no hidden defects, and that all structural components are functional and operational, unless otherwise noted. If questions arise regarding the integrity of the improvements or their operational components, it may be necessary to consult additional professional resources.

<b>Property Type</b>	Office - High-Rise Office
<b>Design</b>	Multi-Tenant Occupied By Third Party Tenants
<b>Number of Buildings</b>	1
<b>Number of Stories</b>	12
<b>Net Rentable Area (NRA)</b>	402,474 SF
<b>Gross Building Area (GBA)</b>	424,782 SF
<b>Floor Plate</b>	120,284 SF
<b>Building Class</b>	C
<b>Site Coverage Ratio</b>	11.9%
<b>Land to Building Ratio</b>	2.4 : 1
<b>Parking</b>	982 (Surface) 2.4/1,000 SF NRA
<b>Year Built</b>	1972
<b>Year Renovated</b>	2016
<b>Age/Life Analysis</b>	
Actual Age	44 Years
Effective Age	25 Years
Economic Life	60 Years
Remaining Life	35 Years
<b>Quality</b>	Average
<b>Condition</b>	Average
<b>Basic Construction</b>	Reinforced concrete
<b>Foundation</b>	Reinforced concrete slab on piles
<b>Framing</b>	Heavy masonry frame
<b>Exterior Walls</b>	Combination of precast concrete panels; brick; and aggregate textured finish.
<b>Roof</b>	Flat roof with a rubber membrane and gravel ballast.
<b>Insulation</b>	Assumed to be standard and to code for both walls and ceilings
<b>Heating/Air Conditioning</b>	Ground level has a zoned system; Floors 2-11 has forced heat and chillers.
<b>Lighting</b>	Fluorescent and Incandescent
<b>Interior Walls</b>	Textured concrete with a painted finish
<b>Electrical</b>	Assumed adequate for potential load demands.
<b>Ceilings</b>	Finished areas are a combination of acoustical tile and painted textured concrete. Unfinished floors are exposed.
<b>Windows</b>	Clear glass; uniform throughout the building
<b>Doors</b>	Three sets of double glass doors at the front, rear, and side; interior doors are solid wood in metal frames.
<b>Flooring</b>	Mostly polished concrete; private offices have carpet.
<b>Plumbing</b>	Extensive. Building is a former hospital with a high level of plumbing from the former use

<b>Fire Protection</b>	The subject has a fire sprinkler system.
<b>Elevators</b>	Seven per passenger elevators and two freight elevators. Passenger elevators are to be replaced with one extended to the penthouse.
<b>Landscaping</b>	Asphalt paving, concrete sidewalks, concrete curbing, pole mounted lights and low maintenance sprinklered landscaping
<b>Work to Complete</b>	As of the effective date of the appraisal, the majority of Floors 1, 2, and 8 had been built out and about half of the 4 <sup>th</sup> floor had been completed. Outside of the tenant space areas, the only cost remaining is for new elevators. This cost was provided by the owner and is \$900,000.
<b>Build-out/TIs</b>	Later in the Market Analysis section and the Income Approach, the market rent is based on the usable space being delivered in shell condition. The TI allowance is specific to each floor and is based on contractor estimates. Moving forward, as space re-leases, Tis are projected at \$8.00/SF for new leases and \$1.00/SF for renewals.
<b>Parking</b>	The subject property has an asphalt paved parking lot that is in average condition. There are a total of 982 striped parking spaces in place currently with the ability to expand the parking area to 1,200.
<b>Hazardous Materials</b>	This appraisal assumes that the improvements are constructed free of all hazardous waste and toxic materials, including (but not limited to) asbestos. Please refer to the Assumptions and Limiting Conditions section regarding this issue.
<b>ADA Compliance</b>	This analysis assumes that the subject complies with all ADA requirements. Please refer to the Assumptions and Limiting Conditions section regarding this issue.
<b>Functional Design</b>	The subject has three access points and lobby areas with the main building core in the center of the building. Each floor plate in the town is similar. The building construction and design result in a less than optimal efficiency ratio, but not uncommon for building of its age. Parking is nearby. Overall, the building is functional for a multi-tenant office use.

## INTRODUCTION

Under the current Constitution and Statutes of the State of South Carolina, the assessment function is in the hands of the County Assessor, except for manufacturing concerns and utilities, which are assessed by the South Carolina State Tax Commission. Valuation is based on use and/or market value with different ratios for different classes of property.

Privately owned agricultural property is assessed 4% of use value, upon approved application, and at 6% for corporate ownership. A primary residence is assessed at 4% upon application. Manufacturing and utility properties are assessed at 10.5% of the Tax Commission appraised value. All other property is assessed at 6% of market value.

The subject is located in Tax District 43 - City of North Charleston with taxes levied by the City of North Charleston and Charleston County. The current millage rate is 281.0. The district is also eligible for a sales tax credit of 0.00170.

ASSESSMENT & TAXES						
Tax Year	2015			Tax Rate	0.2810	
				Tax Credit	0.00170	
Tax Rate Area	4-3 N. Chas			Taxes Current	Yes	
Taxes SF Basis	Net Rentable Area					
APN	LAND	IMPV	TOTAL	CAPPED	ASSESSED	BASE TAX
469-07-00-001	\$3,000,000	\$500,000	\$3,500,000	\$3,500,000	\$210,000	\$53,060
<b>Totals</b>	<b>\$3,000,000</b>	<b>\$500,000</b>	<b>\$3,500,000</b>	<b>\$3,500,000</b>	<b>\$210,000</b>	<b>\$53,060</b>
<b>Total/SF</b>	<b>\$7.45</b>	<b>\$1.24</b>	<b>\$8.70</b>	<b>\$8.70</b>	<b>\$0.52</b>	<b>\$0.13</b>

Source: Charleston County Assessment & Taxation

## SUBJECT PROPERTY ANALYSIS

The subject's total ad valorem value is \$3,500,000, which is also the capped value. The Capped Value is used for taxing purposes. The total assessed value is \$210,000, and the 2015 taxes and fees were \$53,060, or \$0.15/SF. According to the Charleston County Treasurer's office, the 2015 taxes in the amount of \$53,060 were paid on November 6, 2015. The 2016 tax bills will be delivered in October of this year and will be due by January 15, 2017. Little or no increase in the millage is expected.

## ASSESSABLE TRANSFER OF INTEREST

In 2006, the State of South Carolina passed a new real estate tax law, which changes the way real estate taxes are assessed. Under the old law, property tax values only changed during countywide reassessments. Under the 2006 law, property tax values are reassessed when there is an "Assessable Transfer of Interest", or ATI, which is usually a change in ownership due to a sale. Once the property is sold, the new appraised value is used for the following tax year. For example, if a property is on the tax rolls based on a value of \$500,000, and the property sold for \$1,000,000, the new appraised value on the tax rolls would increase to \$1,000,000 for the following year. Also, as part of the new law, any new leases that have a term, including renewals, of 20 years or more will also be re-appraised. The law also "caps" all properties at the previous reassessment value, plus no more than a 15% increase on subsequent reassessments.

In 2011, the SC General Assembly changed the rules to create a discount for commercial properties, including rental properties and second homes. Under the changes, the property is still reassessed if there is a transfer of interest, but the new value is discounted by 25% if the owner applies for a "commercial exemption". The discounted assessment cannot be lower than the assessment prior to the sale or transfer. Therefore, a property's value would have to increase 33% to trigger a tax increase related to a sale.



As per South Carolina law, market value assumes a sale will occur. Therefore, regardless of whether or not the subject is under contract of sale, the analysis must treat the current market value as if it were a sale. As a result, the subject appears to have significant reassessment risk.

The following table estimates the proposed tax expense by emulating the process that the Charleston County uses to assess changed properties then applying the millage rate.

PROJECTED TAXES UNDER ATI	
Market Value As Is	\$38,700,000
x Commercial Discount	75%
= Projected Capped Value	\$29,025,000
x Assessment Ratio	6.0%
= Estimated Assessed Value	\$1,741,500
x Current Millage Rate	0.28100
- Tax Credit	0.0017
= <b>Projected Taxes Under ATI</b>	<b>\$440,019</b>
<b>Projected Taxes/SF of NRA</b>	<b>\$1.09</b>

As shown, the subject's taxes would increase to \$1.09/SF as a result of the ATI law. However, future tax liability of the subject has little impact on the net operating income and value derived from the triple net expense structure.

**INTRODUCTION**

Zoning requirements typically establish permitted and prohibited uses, building height, lot coverage, setbacks, parking and other factors that control the size and location of improvements on a site. The subject property is zoned B-2, General Commercial, by the City of North Charleston. This is the broadest commercial zoning designation available and allows virtually any commercial uses. It is the predominant zoning classification for properties fronting Rivers Avenue and other commercial corridors in the area. The zoning characteristics for the subject property are summarized below:

<b>ZONING SUMMARY</b>	
<b>Municipality Governing Zoning</b>	City of North Charleston Planning & Zoning Department
<b>Current Zoning</b>	General Business District (B-2)
<b>Permitted Uses</b>	Multi-Family; Retail; Office; Medical; Hospital; various other commercial uses
<b>Current Use</b>	Office
<b>Is Current Use Legally Permitted?</b>	Yes
<b>Zoning Change</b>	Not Likely

<b>ZONING REQUIREMENTS</b>	
<b>Conforming Use</b>	The existing improvements represent a conforming use within this zone.
<b>Minimum Site Area (SF)</b>	10,000 SF
<b>Minimum Yard Setbacks</b>	
Front (Feet)	10
Rear (Feet)	15
Side (Feet)	10
<b>Parking Requirement</b>	
Spaces Per 1,000 SF	3
Spaces Required	982
Potential To	1,200

Source: City of North Charleston Planning & Zoning Department

**ZONING CONCLUSIONS**

Based on the interpretation of the zoning ordinance, the subject property is an outright permitted use that could be rebuilt if unintentionally destroyed. The subject property is zoned B-2, General Commercial, by the City of North Charleston. This is the broadest commercial zoning designation available and allows virtually any commercial uses. It is the predominant zoning classification for properties fronting Rivers Avenue and other commercial corridors in the area. The zoning characteristics for the subject property are summarized below:

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of my analysis correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through my due diligence. Please note that this appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this real estate appraisal assignment.

**INTRODUCTION**

The market analysis section provides a comprehensive study of supply/demand conditions, examines transaction trends, and interprets ground level information conveyed by market participants. Based on these findings and an analysis of the subject property, conclusions are drawn with regard to the subject's competitive position within the marketplace. Below is a list of the various sections covered in the following Office Market Analysis:

- › Charleston/N Charleston MSA Office Market
- › Lower N Chas/I-26 Corridor Office Submarket
- › Competitive Dataset Analysis
- › Transaction Trends
- › Subject Property Analysis

**CHARLESTON/N CHARLESTON MSA OFFICE MARKET**

The following is an analysis of supply/demand trends in the Charleston/N Charleston MSA Office Market using information provided by CoStar, widely recognized as a credible source for tracking market statistics. The table below presents historical data for key market indicators.

<b>CHARLESTON/N CHARLESTON MSA HISTORICAL STATISTICS (LAST NINE YEARS)</b>						
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT	
2007	25,400,457 SF	485,239 SF	(243,054) SF	9.7%	\$17.22/SF	
2008	26,137,525 SF	737,068 SF	440,744 SF	10.3%	\$18.54/SF	
2009	26,402,126 SF	276,137 SF	(50,658) SF	11.0%	\$18.12/SF	
2010	26,519,153 SF	162,940 SF	314,351 SF	11.3%	\$18.52/SF	
2011	26,787,520 SF	298,741 SF	582,439 SF	10.1%	\$18.09/SF	
2012	27,052,506 SF	281,471 SF	537,551 SF	8.9%	\$17.71/SF	
2013	27,233,545 SF	232,933 SF	411,234 SF	7.8%	\$17.88/SF	
2014	27,364,114 SF	255,577 SF	356,424 SF	7.2%	\$18.51/SF	
2015	27,719,739 SF	369,443 SF	339,384 SF	6.5%	\$19.20/SF	
<b>CAGR</b>	1.0%	-	-	-	1.2%	

\*Supply numbers based on information which is amended/updated on an on-going basis by Costar.  
Source: Costar®

Over the past nine years the Charleston/N Charleston MSA Office market has been strong and steady with a balance in prevailing Office supply/demand conditions. Over this time period the market inventory increased by 12.2%. Further there was positive absorption (10.6% change), moderate decrease in the vacancy rate (-3.3% change) and increase of the asking average rent (11.5% change).

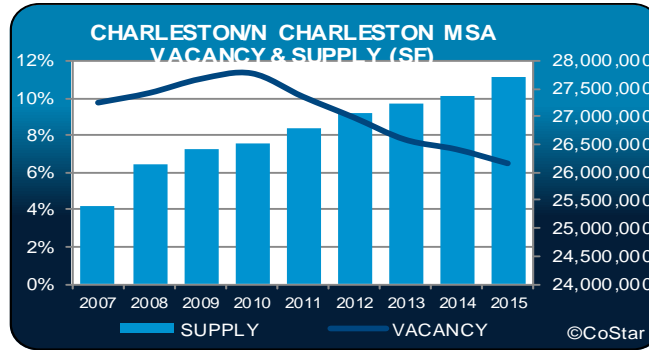
Analysis of the data indicates the Charleston/N Charleston MSA Office market has gone through two distinctive trends over the past nine years.

<b>NINE YEAR HISTORICAL TREND ANALYSIS</b>					
PERIOD	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT	
2007-2015	3,099,549 SF	2,688,415 SF	9.7%→6.5%	\$17.22→\$19.20	
9 Yrs	12.2%	10.6%	-3.3%	11.5%	
2007-2010	1,661,384 SF	461,383 SF	9.7%→11.3%	\$17.22→\$18.52	
4 Yrs	6.5%	1.8%	1.6%	7.5%	
2011-2015	1,438,165 SF	2,227,032 SF	10.1%→6.5%	\$18.09→\$19.20	
5 Yrs	5.4%	8.3%	-3.6%	6.1%	

The four year period from 2007 to 2010 was highlighted with significantly increased supply, slight positive absorption, moderate increase of vacancy rates and considerable increase of asking rent in the market. The

most recent five year period from 2011 to 2015 featured increased supply, significant positive absorption, moderate decrease of vacancy rates and increase of asking rent levels.

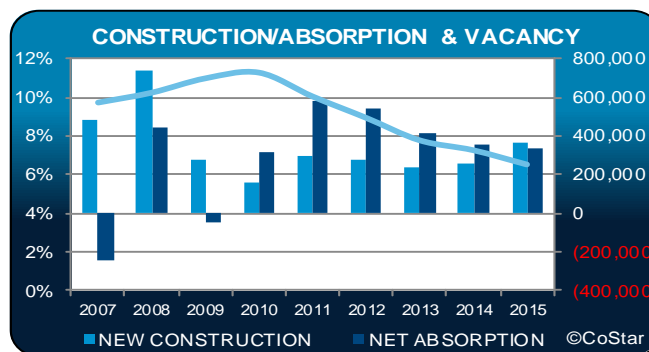
Over the past nine years the market had a compound annual growth rate (CAGR) of 1.0% per year. Vacancy has ranged from 6.5% to 11.3% with an average of 9.2%. Vacancy increased from 9.7% in 2007 to 11.3% in 2010, decreased from 10.1% in 2011 to 6.5% in 2015



Over the past nine years asking rent has experienced a CAGR of 1.2%. Asking rent hit a low of \$17.22/SF in 2007 and a high in 2015 at \$19.20/SF.



In the past nine years a total of 3,099,549 SF were added to the supply with 2,688,415 SF of net absorption achieved during the same period. Supply has outpaced demand over the past nine years.



The following table summarizes the trailing four quarter performance of the Charleston/N Charleston MSA market.

CHARLESTON/N CHARLESTON MSA TRAILING FOUR QUARTER PERFORMANCE					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2015 Q3	27,680,942 SF	59,278 SF	(205,701) SF	7.0%	\$19.56/SF
2015 Q4	27,719,739 SF	52,615 SF	157,356 SF	6.5%	\$18.87/SF
2016 Q1	27,767,540 SF	49,401 SF	31,175 SF	6.6%	\$19.42/SF
2016 Q2	28,039,347 SF	285,766 SF	135,573 SF	7.0%	\$19.40/SF

Source: Costar®