Multi-Tenant Medical Office Building

1928 Randolph Road
Charlotte, North Carolina 28203

SELF-CONTAINED APPRAISAL REPORT

Date of Report: January 10, 2013

Colliers File #: CLT120127

PREPARED FOR
Bryan Collins
Vice President
Jefferies LoanCore LLC
1420 Peachtree Street 250
Atlanta, GA 30309

PREPARED BY
COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

LETTER OF TRANSMITTAL

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January 10, 2013

Bryan Collins
Vice President
Jefferies LoanCore LLC
1420 Peachtree Street
250
Atlanta, GA 30309

RE: Multi-Tenant Medical Office Building
1928 Randolph Road
Charlotte, North Carolina 28203

Colliers File #: CLT120127

Mr. Collins:

Pursuant with our engagement, the above captioned property was appraised utilizing best practice appraisal principles for this property type. This appraisal report is intended to satisfy the scope of work and requirements agreed upon by Jefferies LoanCore LLC ("JLC") and Colliers International Valuation & Advisory Services.

The date of this report is January 10, 2013. At the request of the client, this appraisal is presented in a Self-Contained appraisal format as defined by *USPAP* Standards Rule 2-2(a). This format provides a detailed description of the appraisal process, subject and market data and valuation analyses.

The purpose of this appraisal is to develop opinions of the As-Is Market Value and Insurable Replacement Cost of the subject property's leased fee interest. The following table conveys the final opinions of market value of the subject property that are developed within this appraisal report:

VALUE TYPE	INTEREST APPRAISED	DATE OF VALUE	VALUE
As-Is Market Value	Leased Fee	December 4, 2012	$6,600,000
OTHER CONCLUSIONS	**AS OF DECEMBER 4, 2012**		
Insurable Replacement Cost			$5,810,000

The subject is an Office (Medical Office) property totaling 33,207 SF of NRA located on a 1.66-acre site at 1928 Randolph Road in Charlotte, North Carolina. The improvements were built in 1964, are in average condition and have a remaining economic life of 33 years based on our estimate.

The subject property has a multi-tenant design that is currently occupied by third party tenants, and has a current occupancy level of 83.2%, which is below the stabilized occupancy level estimate of 89.5% that was developed in this appraisal.

The analyses, opinions and conclusions communicated within this appraisal report were developed based upon our interpretation of the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. The report is intended to conform to the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) standards and the appraisal guidelines of Jefferies LoanCore LLC.

Jefferies LoanCore LLC its affiliates, employees, agents, successors and assigns, and its co-lender, may rely upon this report in evaluating a request for an extension of credit to be secured by the property and/or any pledges of the property owner's equity (the "Property Note"). This information may also be used by any actual or prospective purchaser, transferee, assignee or servicer of the Property Note (or any portion thereof), any actual or prospective investor (including an agent or advisor) in any securities evidencing a beneficial interest in or backed by the Property Note (or any portion thereof), any rating agency actually or prospectively rating any such securities, any indenture trustee, and any institutional provider(s) from time to time of any liquidity facility or credit support for such financing. In addition, this report or a reference to this report may be included or quoted in any offering circular, private placement memorandum, registration statement or prospectus and Colliers International agrees to cooperate in answering questions by any of the above parties in connection with a securitization or transaction involving the Property Note (or any portion thereof) and/or such securities.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter. *USPAP* defines an Extraordinary Assumption as, “an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions. *USPAP* defines a Hypothetical Condition as, “that which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.”

The Extraordinary Assumptions and/or Hypothetical Conditions that were made during the appraisal process to arrive at our opinions of value are fully discussed below. We advise the client to consider these issues carefully given the intended use of this appraisal, as this use might have affected the assignment results.

EXTRAORDINARY ASSUMPTIONS

- We have assumed a pending LOI with an existing tenant to expand was executed as of the effective date of this appraisal report.
- According to the staff representative at the Mecklenburg County Tax Office, 2012 real estate taxes for the subject property are past due as of the date of this report and will become delinquent as of January 8, 2013, the county-wide due date for real estate taxes. There are delinquent taxes on APN #15501212 for the 2011 tax year in the amount of $63,593.79, inclusive of accrued interest of $6,221.27. Past due taxes are assumed to be current on the effective date of this appraisal report.

HYPOTHETICAL CONDITIONS

- No Hypothetical Conditions were made for this assignment.

The signatures below indicate our assurance to the client that the development process and extent of analysis for this assignment adhere to the scope requirements and intended use of the appraisal. If you have any specific questions or concerns regarding the attached appraisal report, or if Colliers International Valuation & Advisory Services can be of additional assistance, please contact the individuals listed below.

Sincerely,

COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

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Senior Valuation Specialist
Certified General Real Estate Appraiser
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GENERAL INFORMATION

Property Name	Multi-Tenant Medical Office Building
Property Type	Office - Medical Office
Address	1928 Randolph Road
City	Charlotte
State	North Carolina
Zip Code	28203
County	Mecklenburg
Core Based Statistical Area (CBSA)	Charlotte-Gastonia-Concord, NC-SC
Longitude	-80.824079
Latitude	35.210229
Number Of Parcels	2
Assessor Parcels	15501212, 15501210
Census Tract Number	24.00

SITE INFORMATION

Land Area	**Acres**	**Square Feet**
Usable	1.66	72,222
Excess	0.00	0
Surplus	0.00	0
Total	**1.66**	**72,222**
Topography	Level at street grade	
Shape	Generally Rectangular	
Access	Average	
Exposure	Average	
Current Zoning	Office District (O-2)	
Flood Zone	Zone X (Unshaded)	
Seismic Zone	Low Risk	

IMPROVEMENT INFORMATION

Net Rentable Area SF (NRA)	33,207 SF
Gross Building Area SF (GBA)	33,870 SF
Floor Plate SF	9,839 SF
Total Number Of Stories	3
Year Built	1964
Year Renovated	-
Quality	Average/Fair
Condition	Average
Building Class	B
Air-Conditioned %	100%
Load/Loss Factor	98%
Type Of Construction	Steel and masonry
Land To Building Ratio	2.1 : 1
Site Coverage Ratio	13.6%
Parking Type	Surface
Number of Parking Spaces	138
Parking Ratio (Spaces/1,000 SF NRA)	4.2/1,000 SF NRA

HIGHEST & BEST USE	
As Vacant	Hold For Office Development
As Improved	Continued Utilization Of The Existing Improvements

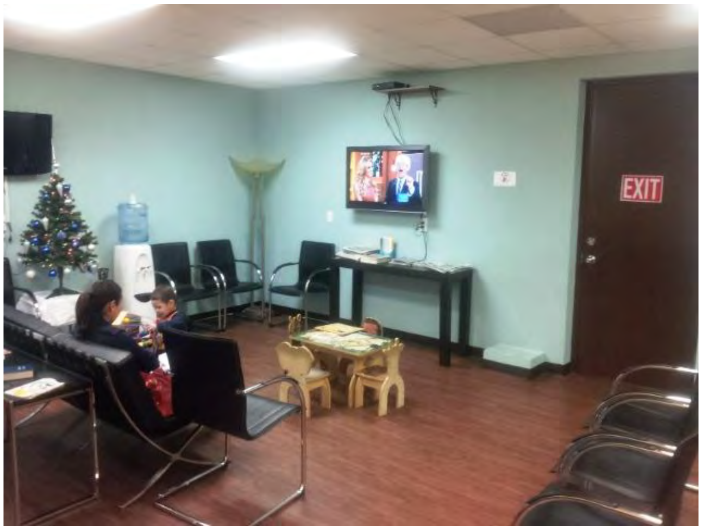
EXPOSURE TIME & MARKETING PERIOD	
Exposure Time	Six to Nine Months
Marketing Period	Six to Nine Months

TENANCY INFORMATION	
Tenancy	Multi-Tenant Occupied By Third Party Tenants
Occupancy	83.2%
Occupied SF	27,641 SF
Vacant SF	5,566 SF
Number of Tenants in Occupancy	14
Number Of Vacant Spaces	3
Year One NOI	$498,354
Contract Income (Occupied Space)	$28.06/SF
Market Income (Occupied Space)	$25.25/SF
Contract Income As % of Market Income	111%
Space Leased To Credit Tenants	0 SF
% SF Expiring in First Five Years	71%
% SF Expiring over Holding Period	171%

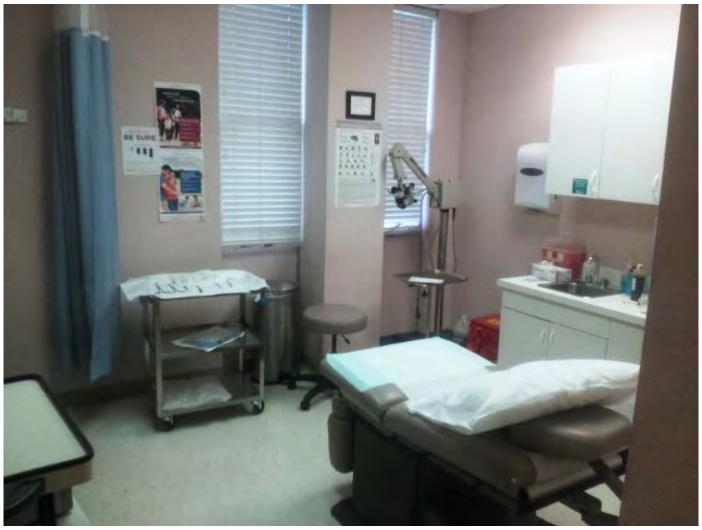
VALUATION SUMMARY	
VALUATION INDICES	**AS-IS MARKET VALUE**
INTEREST APPRAISED	**LEASED FEE**
DATE OF VALUE	**DECEMBER 4, 2012**
INCOME CAPITALIZATION APPROACH	
Discounted Cash Flow (DCF)	**$6,600,000**
DCF $/SF (NRA)	$198.75/SF
Holding Period	11 Years
Terminal Capitalization Rate	8.00%
Internal Rate of Return (Cash Flow)	9.00%
Internal Rate of Return (Reversion)	9.00%
Static Direct Capitalization	**$6,200,000**
Direct Capitalization $/SF (NRA)	$186.71/SF
NOI (Stabilized - Year 2)	-
NOI $/SF (NRA)	-
Capitalization Rate	7.75%
INCOME CONCLUSION	**$6,600,000**
Income Conclusion $/SF (NRA)	$198.75/SF
SALES COMPARISON APPROACH	
SALES CONCLUSION	**$5,700,000**
Sales Conclusion $/SF	$172/SF
FINAL VALUE CONCLUSION	
FINAL VALUE	**$6,600,000**
$/SF (NRA)	$198.75/SF
LAND VALUATION	
LAND VALUE (Primary Site)	**$2,700,000**
Value/SF	$37.50/SF
OTHER CONCLUSIONS	
Insurable Replacement Cost	**$5,810,000**
Insurable Replacement Cost/SF	$171.54/SF

ATRIUM VIEW

TYPICAL WAITING ROOM FINISH



DR. ARIKWUE EXAM ROOM

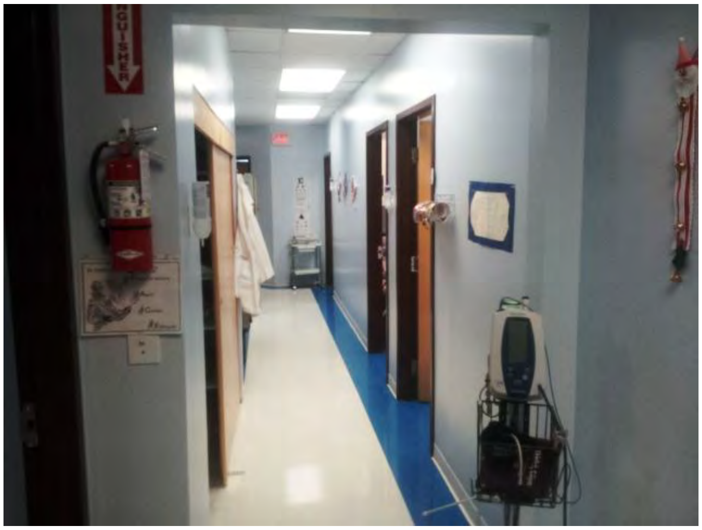


VACANT SUITE 317

COOLING TOWER

GAS-FIRED BOILER

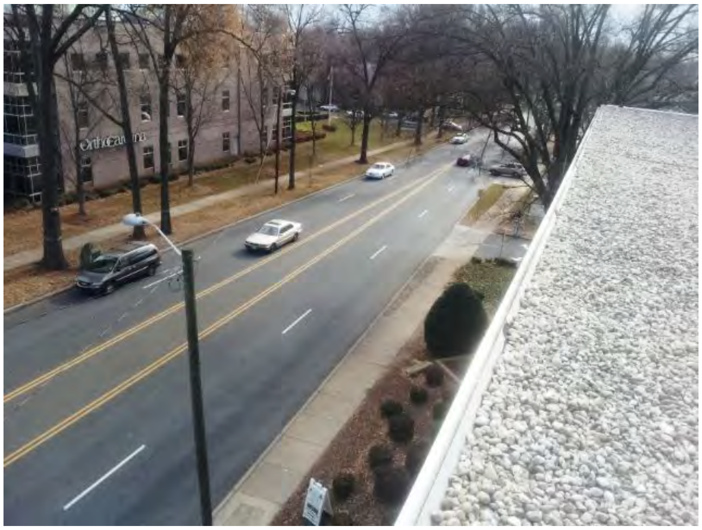
TYPICAL INTERIOR OFFICE FINISH



VACANT SUITE EXAM ROOM

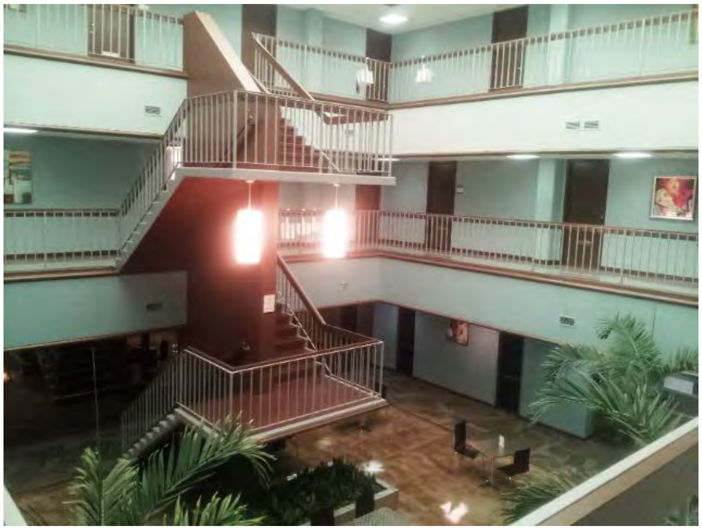
FACING NORTHWEST ALONG RANDOLPH RD

FACING SOUTHEAST ALONG RANDOLPH RD



NEW HOT WATER HEATER

ATRIUM STAIRWELL



PROPERTY IDENTIFICATION

The subject is an Office (Medical Office) property totaling 33,207 SF NRA located on a 1.66-acre site at 1928 Randolph Road in Charlotte, Mecklenburg, North Carolina. The assessor parcel numbers are: 15501212, 15501210.

The legal description of the subject property is presented in the Addenda.

CLIENT IDENTIFICATION

The client of this specific assignment is Jefferies LoanCore LLC.

PURPOSE

The purpose of this appraisal is to develop opinions of the As-Is Market Value and Insurable Replacement Cost of the subject property's leased fee interest.

INTENDED USE

The intended use of this appraisal is to assist the client in making internal business decisions related to this asset

INTENDED USERS

Jefferies LoanCore LLC is the only intended user of this report.

ASSIGNMENT DATES

Date of Report	January 10, 2013
Valuation Date - As-Is	December 4, 2012
Valuation Date - Prospective At Stabilization	December 4, 2013

PERSONAL INTANGIBLE PROPERTY

No personal property or intangible items are included in this valuation.

PROPERTY AND SALES HISTORY

Current Owner

Title to the property is currently vested in the name of The Grove in Elizabeth, LLC, who acquired ownership to the property on May 22, 2007, via three deeds totaling $4,000,000, as recorded in Book 22259, Pages 196, 201 and 206 of the Register of Deeds of Mecklenburg County. This sale of the subject appears to have been arm's length, but was not verified given the age of the transaction. There was a related party transfer of ownership that occurred in September 2012 that we also have not considered.

Three-Year Sales History

The subject has not sold in an arm's length transaction the last three years.

Subject Sale Status

The subject is not currently listed for sale.

DEFINITIONS

This section summarizes the definitions of value, property rights appraised, and value scenarios that are applicable for this appraisal assignment. All other applicable definitions for this assignment are located in the Valuation Glossary section of the Addenda.

DEFINITIONS OF VALUE

Given the scope and intended use of this assignment, the following definition of value is applicable:

Market Value
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, knowledgeably, and assuming that 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 United States 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]

PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the leased fee interest.

Leased Fee Interest
A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship.[2]

VALUE SCENARIOS

As-Is Value
The estimate of the value of real property in its current physical condition, use, and zoning as of the appraisal date.[3]

[1] Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); This is also compatible with the FDIC, FRS and NCUA definitions of market value.
[2] The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010
[3] The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010

INTRODUCTION

The appraisal development and reporting processes requires gathering and analyzing information about those assignment elements necessary to properly identify the appraisal problem to be solved. The scope of work decision must include the research and analyses that are necessary to develop credible assignment results given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. The scope of work for this appraisal assignment is outlined below:

- The appraisers analyzed the regional and local area economic profiles including employment, population, household income, and real estate trends. The local area was further studied to assess the general quality and condition, and emerging development trends for the real estate market. The immediate market area was inspected and examined to consider external influences on the subject.
- The appraisers confirmed and analyzed legal and physical features of the subject property including sizes of the site and improvements, flood plain data, seismic zone, zoning, easements and encumbrances, access and exposure of the site, and construction materials and condition of the improvements. This process also included estimating the remaining economic life of the improvements, analysis of the subject’s site coverage and parking ratios compared to market standards, a process to identify deferred maintenance and a conclusion of the subject’s overall functional utility.
- The appraisers completed an office market analysis that included national, market and sub-market overviews. The Charlotte market and Midtown/Randolph Road sub-market overviews analyzed supply/demand conditions using vacancy, absorption, supply change and rent change statistics. Conclusions were drawn regarding the subject property’s competitive position given its physical and locational characteristics, the prevailing economic conditions and external influences.
- The appraisers conducted a Highest and Best Use analysis, determining the highest and best use of the subject property As-Vacant and As-Improved. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject property. Development of the Highest and Best Use As-Improved explored potential alternative treatments of the property including demolition, expansion, renovation, conversion, and continued use "as-is."
- The appraisers confirmed and analyzed financial features of the subject property including historical income/expense data, rent roll, lease abstracts, lease documents, and tax and assessment records. This information as well as trends established by confirmed market indicators was used to forecast performance of the subject property.
- In order to select the appropriate valuation methodology, the appraisers considered the scope requirements and assessed the applicability of each traditional approach to value given the characteristics of the subject property and the intended use of the appraisal. As a result, this appraisal developed the Income (Discounted Cash Flow & Direct Capitalization) and Sales Comparison approaches to value. The resulting value indicators were reconciled within the Analysis of Value Conclusions section. The appraisal develops opinions of the As-Is Market Value, Prospective Value Upon Stabilization and Insurable Replacement Cost of the subject property’s leased fee interest. The reasoning for including or excluding traditional approaches to value is developed within the Valuation Methodology section.
- Preparation of this appraisal in a Self-Contained format as indicated in USPAP Standard 2.
- We understand the Competency Rule of USPAP and the authors of this report meet the standards.
- No one provided significant real property appraisal assistance to appraisers signing this certification.

SOURCES OF INFORMATION

The following sources were contacted to obtain relevant information:

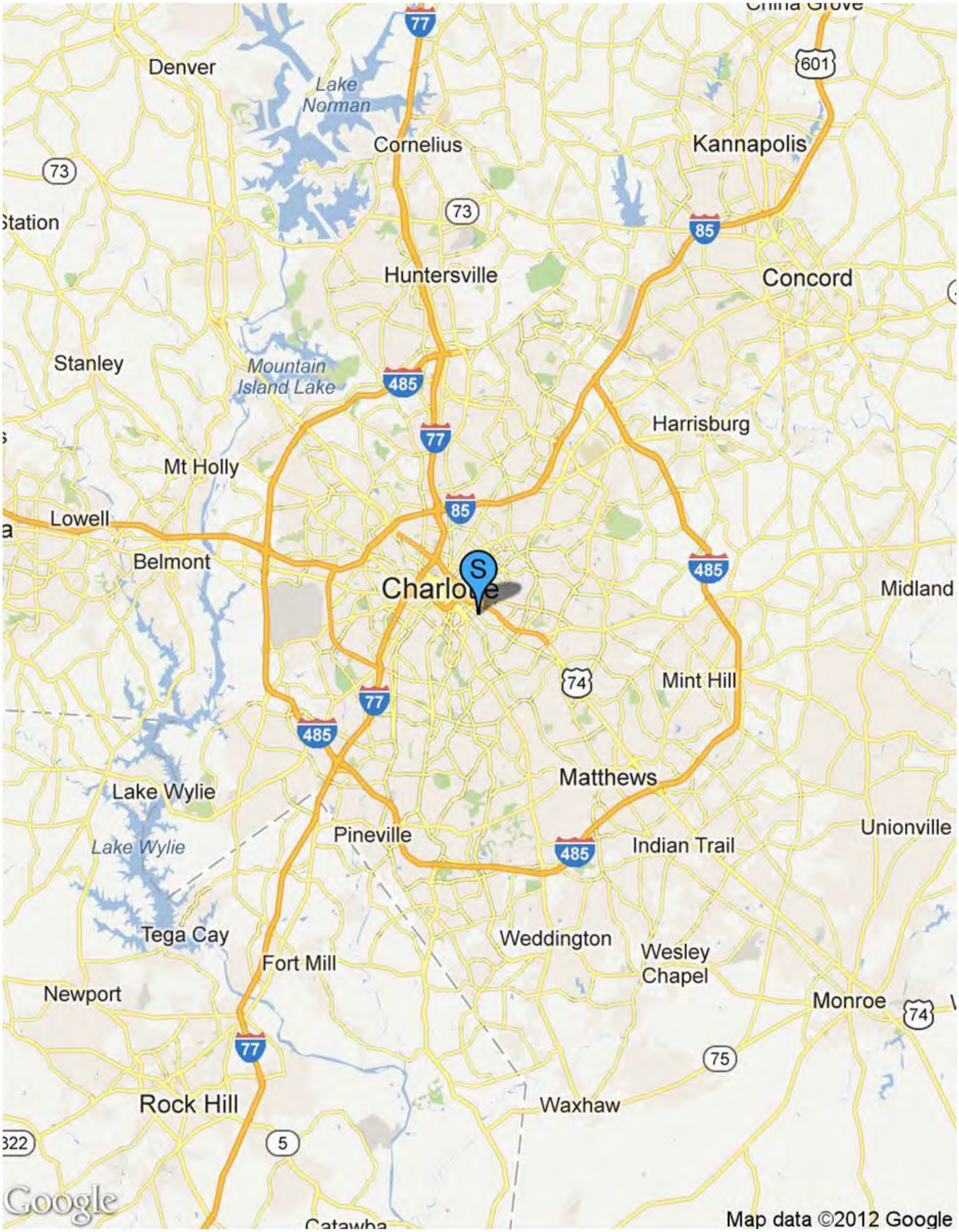
SOURCES OF INFORMATION	
ITEM	**SOURCE**
Tax Information	Mecklenburg County Tax Assessor
Zoning Information	City of Charlotte Zoning Code
Site Size Information	ALTA Survey
Building Size Information	GBA - Mecklenburg County; NRA - Rent Roll
New Construction	Karnes
Flood Map	STDB On-line
Demographics	STDB On-line
Comparable Information	See Comparable Datasheets for details
Legal Description	Deed

SUBJECT PROPERTY INSPECTION

The following table illustrates the Colliers International professionals involved with this appraisal report and their status related to the property inspection.

SUBJECT PROPERTY INSPECTION			
APPRAISER	**INSPECTED**	**EXTENT**	**DATE OF INSPECTION**
Steve Hovanec	Yes	Interior/Exterior	December 4, 2012
Murray Williams, MAI	No	-	-

It is our understanding that the remaining (non-inspected) tenant spaces are in similar condition to those inspected, with no interior deferred maintenance present in the other units.


Denver
Lake Norman
Cornelius
Kannapolis
Station
Huntersville
Concord
Stanley
Mountain Island Lake
Harrisburg
Mt Holly
Lowell
Belmont
Charlotte
Midland
Mint Hill
Lake Wylie
Matthews
Pineville
Unionville
Indian Trail
Tega Cay
Weddington
Wesley Chapel
Fort Mill
Newport
Monroe
Rock Hill
Waxhaw
Map data ©2012 Google

INTRODUCTION

The subject property is located in the city of Charlotte, Mecklenburg County, North Carolina. Mecklenburg County is part of the Charlotte-Gastonia-Concord NC-SC Metropolitan Statistical Area (MSA). The Charlotte-Gastonia-Concord NC-SC MSA consists of five counties in North Carolina: Gaston, Mecklenburg, Cabarrus, Union and Anson, and one county in South Carolina: York. The following overview examines the Charlotte-Gastonia-Concord NC-SC MSA in comparison to the state of North Carolina.

Economic Factors

Charlotte has become a major U.S. financial center and is considered to be the second largest banking center in the United States (after New York). The nation's second largest financial institution by assets, Bank of America is headquartered in Charlotte. Bank of America's headquarters, along with other regional banking and financial services companies, are located primarily in the Uptown central business district. The city was also the former corporate home of Wachovia until its 2008 acquisition by Wells Fargo in San Francisco CA; Wells Fargo integrated legacy Wachovia, with the two banks fully merged at the end of 2011, which included transitioning all of the Wachovia branches in the Carolinas to Wells Fargo branches by October 2011. Since then, Charlotte became the regional headquarters for East Coast Operations of Wells Fargo. Charlotte also serves as the headquarters for Wells Fargo's capital markets activities including sales and trading, equity research, and investment banking.

The following Fortune 500 companies are headquartered in the Charlotte metropolitan area: Bank of America, Lowe's, Nucor, Duke Energy, Sonic Automotive, Family Dollar, Goodrich Corporation, SPX Corporation, Domtar and Chiquita Brands International, which announced in November 2011 it was relocating its headquarters to Charlotte from Cincinnati. Other major companies headquartered or with corporate operations in Metro Charlotte include: Extended Stay Hotels, Babcock and Wilcox, RSC Brands, Time Warner Cable (formerly a business unit of Fortune 500 company Time Warner), Speed Channel, ESPNU, Continental Tire the Americas, LLC., Muzak, Belk, Harris Teeter, Meineke Car Care Center, Lance, Inc, Carolina Foods Inc, Bojangles', Carlisle Companies, Electrolux, LendingTree, Compass Group USA, Food Lion and Coca-Cola Bottling Co. Consolidated (the nation's second largest Coca-Cola bottler). US Airways regional carrier CCAir was headquartered in Charlotte.

Charlotte is also a major center in the US motorsports industry, housing multiple offices of NASCAR as well as the NASCAR Hall of Fame. The large presence of the racing technology industry along with the newly built NHRA dragstrip, zMAX Dragway at Concord, is influencing other top industry professionals to relocate to Charlotte.

The Charlotte Region has a major base of energy-oriented organizations and has become known as “Charlotte USA – The New Energy Capital.” In the region there are 240+ companies directly tied to energy sector collectively employing more than 26,400. Major energy players in Charlotte include AREVA, Babcock and Wilcox, Duke Energy, Electric Power Research Institute, Fluor, Metso Power, Piedmont Natural Gas, Siemens Energy, Shaw Group, Toshiba, URS Corp., and Westinghouse. The University of North Carolina at Charlotte has a reputation in energy education and research and its “Energy Production and Infrastructure Center” trains energy engineers and conducts research.

DEMOGRAPHIC ANALYSIS

The following is a demographic study of the region sourced by Site To Do Business (STDB Online), an on-line resource center that provides information used to analyze and compare the past, present, and future trends of geographical areas. Demographic changes are often highly correlated to changes in the underlying economic climate. Periods of economic uncertainty necessarily make demographic projections somewhat less reliable than projections in more stable periods. These projections are used as a starting point, but we also consider current and localized market knowledge in interpreting them within this analysis.

Population

According to Esri, a Geographic Information System (GIS) Company, the Charlotte-Gastonia-Rock Hill, NC metropolitan area has a 2010 total population of 1,793,478 and has experienced an annual growth rate of 3.0% for the past decade, which is higher than the North Carolina annual growth rate of 1.7% over this timeframe. The metropolitan area accounts for 18.8% of the total North Carolina population (9,552,054). Within the metropolitan area the population density is 579 people per square mile compared to the lower North Carolina population density of 196 people per square mile and the lower United States population density of 88 people per square mile. Charlotte is the largest city in the state of North Carolina and 17th largest in the U.S.

POPULATION

YEAR	US	NC	CBSA
2000 Total Population	281,421,906	8,049,313	1,330,448
2010 Total Population	311,212,863	9,552,054	1,793,478
2015 Total Population	323,209,391	10,345,227	2,058,636
2000 - 2010 CAGR	1.0%	1.7%	3.0%
2010 - 2015 CAGR	0.8%	1.6%	2.8%

Source: Sites To Do Business (STDB) Online

POPULATION DENSITY

YEAR	US	NC	CBSA
2010 Per Square Mile	88	196	579
2015 Per Square Mile	91	212	664

Source: Sites To Do Business (STDB) Online

The 2010 median age for the metropolitan area is 36.1 which is -2.5% younger than the United States median age of 37.0 for 2010. The metropolitan area anticipates the median age to retract by 0.0% annually over the next five years, reducing the median age to 36.1 by 2015.

MEDIAN AGE

YEAR	US	NC	CBSA
2010	37.0	37.6	36.1
2015	37.3	38.1	36.1
CAGR	0.2%	0.3%	0.0%

Source: Sites To Do Business (STDB) Online

Education

Within the Charlotte-Gastonia-Rock Hill, NC metropolitan area, 32% (567,172) of the total population (1,793,478) has a four year college degree or higher, compared to the lower 27% in North Carolina and the lower 28% in the United States.

EDUCATION	US	NC	CBSA
Less than 9th Grade	6%	6%	5%
9-12th Grade/No Diploma	8%	10%	9%
High School Graduate	30%	29%	25%
Some College/No Degree	20%	20%	21%
Associate Degree	8%	9%	9%
Bachelor's Degree	18%	17%	22%
Grad/Professional Degree	10%	9%	10%

Source: Sites To Do Business (STDB) Online

Institutions of higher learning located within the Charlotte-Gastonia-Concord NC-SC MSA are listed in the chart below.

Institutions of Higher Learning
Charlotte - Gastonia - Rock Hill MSA

Name of Institution	Enrollment	Degrees Offered	Affiliation
Belmont Abbey College	±1,496	undergraduate degrees only	Private
Catawba College	±1,300	undergraduate and graduate degrees	Private
Central Piedmont Community College	±70,000	associate degrees only	Public
Davidson College	±1,890	undergraduate degrees only	Private
Gardner-Webb University	±4,000	undergraduate and graduate degrees	Private
Johnson C. Smith University	±1,500	undergraduate degrees only	Private
Lenoir-Rhyne University	±1,800	undergraduate degrees only	Private
Livingstone College	±1,200	undergraduate degrees only	Private
Pfeiffer University	±1,400	undergraduate and graduate degrees	Private
Queens University	±2,107	undergraduate and graduate degrees	Private
University of North Carolina at Charlotte	±24,700	undergraduate and graduate degrees	Public
Wingate University	±2,300	undergraduate degrees only	Private
Winthrop University	±6,292	undergraduate degrees only	Public

Source: www.city-data.com

Household Trends

The 2010 number of households in the metropolitan area is 695,605. The number of households in the metropolitan area is projected to grow by 2.8% annually over the next five years, raising the number of households to 800,518 by 2015. The 2010 average household size for the metropolitan area is 2.5 which is -2.3% smaller than the United States average household size of 2.6 for 2010. The metropolitan area anticipates the average household size to retract by 0.0% annually over the next five years, reducing the average household size to 2.5 by 2015.

NUMBER OF HOUSEHOLDS

YEAR	US	NC	CBSA
2010	116,761,140	3,761,099	695,605
2015	121,359,604	4,088,898	800,518
CAGR	0.8%	1.7%	2.8%

Source: Sites To Do Business (STDB) Online

AVERAGE HOUSEHOLD SIZE

YEAR	US	NC	CBSA
2010	2.6	2.5	2.5
2015	2.6	2.5	2.5
CAGR	0.1%	0.0%	0.0%

Source: Sites To Do Business (STDB) Online

The Charlotte-Gastonia-Rock Hill, NC metropolitan area has a 29.6% renter occupied market, compared to the lower 26.5% in North Carolina and the higher 30.1% in the United States.

HOUSING UNITS	US	NC	CBSA
Total Housing Units	132,607,736	4,355,155	758,236
Ow ner Occupied	58.0%	59.9%	62.1%
Renter Occupied	30.1%	26.5%	29.6%
Vacant Housing Units	11.9%	13.6%	8.3%

Source: Sites To Do Business (STDB) Online

The 2010 median household income for the metropolitan area is $62,215, which is 14.3% higher than the United States median household income of $54,442. The median household income for the metropolitan area is projected to grow by 2.5% annually over the next five years, raising the median household income to $70,417 by 2015.

MEDIAN HOUSEHOLD INCOME			
YEAR	US	NC	CBSA
2010	$54,442	$50,887	$62,215
2015	$61,189	$57,697	$70,417
CAGR	2.4%	2.5%	2.5%

Source: Sites To Do Business (STDB) Online

EMPLOYMENT

The following chart summarizes historical employment statistics for the state and the region. Job growth in the North Carolina and Charlotte MSA has generally trended upward since the early '90's. Both North Carolina and Charlotte MSA employment peaked in 2007 through 2008, declining annually with a peak level of employment loss in 2009 representing the highest loss in employment in the past two decades. The Charlotte econoour is anticipated to have many jobs added; however, this most likely will be after the nation overcomes its current recession and the residential market becomes more stable.

EMPLOYMENT

	North Carolina		Charlotte MSA		Anson County		Cabarrus County		Gaston County		Iredell County		Mecklenburg County		Union County		York County	
Year	Total	% Change	Total	% Change	Total	% Change	Total	% Change	Total	% Change	Total	% Change	Total	% Change	Total	% Change	Total	% Change
2001	3,929,977	-	713,947	-	10,258	-	70,717	-	93,545	-	62,072	-	387,814	-	67,478	-	84,135	-
2002	3,930,736	0.0%	718,349	0.6%	10,099	(1.6%)	71,364	0.9%	92,543	(1.1%)	62,788	1.2%	389,864	0.5%	70,115	3.9%	84,363	0.3%
2003	3,973,635	1.1%	723,693	0.7%	9,917	(1.8%)	71,905	0.8%	91,175	(1.5%)	64,680	3.0%	392,909	0.8%	72,247	3.0%	85,540	1.4%
2004	4,031,081	1.4%	731,164	1.0%	9,971	0.5%	72,256	0.5%	90,230	(1.0%)	67,530	4.4%	396,756	1.0%	74,941	3.7%	87,009	1.7%
2005	4,123,857	2.3%	752,440	2.9%	9,855	(1.2%)	74,185	2.7%	90,954	0.8%	69,301	2.6%	408,619	3.0%	79,259	5.8%	89,567	2.9%
2006	4,261,325	3.3%	789,707	5.0%	9,930	0.8%	77,886	5.0%	93,260	2.5%	73,774	6.5%	428,210	4.8%	85,996	8.5%	94,427	5.4%
2007	4,283,826	0.5%	801,253	1.5%	9,510	(4.2%)	78,709	1.1%	91,702	(1.7%)	75,904	2.9%	434,383	1.4%	87,715	2.0%	99,233	5.1%
2008	4,281,719	(0.0%)	811,518	1.3%	9,349	(1.7%)	80,093	1.8%	92,133	0.5%	73,841	(2.7%)	439,235	1.1%	90,372	3.0%	100,337	1.1%
2009	4,085,701	(4.6%)	769,061	(5.2%)	8,600	(8.0%)	75,520	(5.7%)	86,054	(6.6%)	68,849	(6.8%)	416,319	(5.2%)	85,818	(5.0%)	96,750	(3.6%)
2010	4,111,884	0.6%	779,047	1.3%	9,316	8.3%	78,619	4.1%	85,481	(0.7%)	69,989	1.7%	422,062	1.4%	87,587	2.1%	95,983	(0.8%)
2011	4,164,814	1.3%	797,964	2.4%	9,539	2.4%	80,499	2.4%	87,525	2.4%	72,423	3.5%	432,152	2.4%	89,681	2.4%	98,570	2.7%
Nov-12	4,321,229	3.8%	835,738	4.7%	10,019	5.0%	84,557	5.0%	91,937	5.0%	76,214	5.2%	453,938	5.0%	94,202	5.0%	101,085	2.6%

Source: US Bureau of Labor Statistics

The following table shows the MSA's employment growth on a monthly basis compared with that of the state and the percent change for each month compared with the prior year.

EMPLOYMENT																		
	North Carolina		Charlotte MSA		Anson County		Cabarrus County		Gaston County		Iredell County		Mecklenburg County		Union County		York County	
Month	Total	% Change	Total	% Change	Total	% Change	Total	% Change	Total	% Change	Total	% Change	Total	% Change	Total	% Change	Total	% Change
Nov-11	4,195,790	-	803,809	-	9,613	-	81,125	-	88,206	-	73,065	-	435,516	-	90,379	-	98,970	-
Dec-11	4,168,845	(0.6%)	798,573	(0.7%)	9,548	(0.7%)	80,580	(0.7%)	87,613	(0.7%)	72,625	(0.6%)	432,587	(0.7%)	89,771	(0.7%)	98,474	(0.5%)
Jan-12	4,166,447	(0.1%)	802,191	0.5%	9,606	0.6%	81,070	0.6%	88,146	0.6%	72,036	(0.8%)	435,222	0.6%	90,318	0.6%	97,828	(0.7%)
Feb-12	4,183,324	0.4%	807,262	0.6%	9,656	0.5%	81,492	0.5%	88,604	0.5%	72,411	0.5%	437,482	0.5%	90,787	0.5%	99,241	1.4%
Mar-12	4,197,684	0.3%	810,241	0.4%	9,695	0.4%	81,816	0.4%	88,957	0.4%	72,759	0.5%	439,225	0.4%	91,148	0.4%	99,400	0.2%
Apr-12	4,212,136	0.3%	814,578	0.5%	9,748	0.5%	82,265	0.5%	89,445	0.5%	72,843	0.1%	441,634	0.5%	91,648	0.5%	99,838	0.4%
May-12	4,225,258	0.3%	812,518	(0.3%)	9,721	(0.3%)	82,039	(0.3%)	89,199	(0.3%)	73,115	0.4%	440,419	(0.3%)	91,396	(0.3%)	99,744	(0.1%)
Jun-12	4,236,116	0.3%	812,117	(0.0%)	9,722	0.0%	82,048	0.0%	89,209	0.0%	73,534	0.6%	440,467	0.0%	91,406	0.0%	99,265	(0.5%)
Jul-12	4,248,755	0.3%	809,618	(0.3%)	9,706	(0.2%)	81,912	(0.2%)	89,062	(0.2%)	73,883	0.5%	439,742	(0.2%)	91,256	(0.2%)	97,940	(1.3%)
Aug-12	4,219,104	(0.7%)	815,195	0.7%	9,766	0.6%	82,422	0.6%	89,616	0.6%	73,133	(1.0%)	442,479	0.6%	91,824	0.6%	99,087	1.2%
Sep-12	4,291,773	1.7%	825,744	1.3%	9,893	1.3%	83,494	1.3%	90,781	1.3%	75,527	3.3%	448,230	1.3%	93,017	1.3%	100,329	1.3%
Oct-12	4,343,231	1.2%	837,919	1.5%	10,047	1.6%	84,789	1.6%	92,189	1.6%	76,629	1.5%	455,184	1.6%	94,460	1.6%	101,249	0.9%
Nov-12(p)	4,321,229	(0.5%)	835,738	(0.3%)	10,019	(0.3%)	84,557	(0.3%)	91,937	(0.3%)	76,214	(0.5%)	453,938	(0.3%)	94,202	(0.3%)	101,085	(0.2%)
Variance YTD	154,782	3.7%	33,547	4.2%	413	4.3%	3,487	4.3%	3,791	4.3%	4,178	5.8%	18,716	4.3%	3,884	4.3%	3,257	3.3%
Variance YoY	125,439	3.0%	31,929	4.0%	406	4.2%	3,432	4.2%	3,731	4.2%	3,149	4.3%	18,422	4.2%	3,823	4.2%	2,115	2.1%

Source: US Bureau of Labor Statistics

Employment for the Charlotte MSA saw a 4.2% year to date increase in employment in 2012. The region is comparing favorably to the state and has exhibited a slightly shallower downturn than the overall state employment levels, although both the state and the MSA are presently showing signs of recovery.

UNEMPLOYMENT

The table below summarizes 2002-2012 unemployment rates for the US, the State of North Carolina, Charlotte MSA and a partial list of counties that make up the MSA.

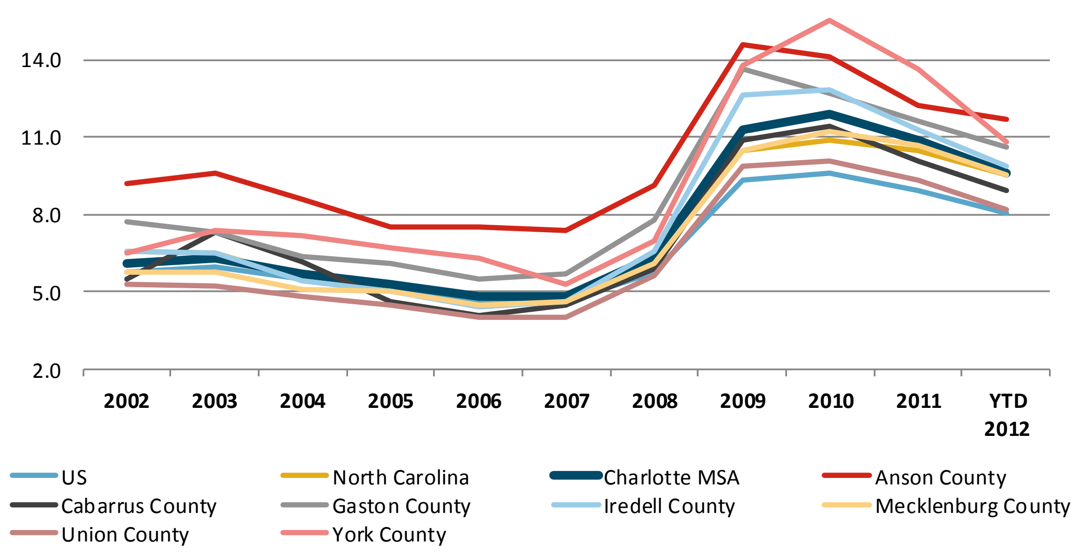
UNEMPLOYMENT %										
	US	North Carolina	Charlotte MSA	Anson County	Cabarrus County	Gaston County	Iredell County	Mecklenburg County	Union County	York County
2002	5.8	6.6	6.1	9.2	5.5	7.7	6.6	5.8	5.3	6.5
2003	6.0	6.5	6.3	9.6	7.3	7.3	6.5	5.8	5.2	7.4
2004	5.5	5.5	5.7	8.6	6.2	6.4	5.4	5.1	4.8	7.2
2005	5.1	5.3	5.3	7.5	4.6	6.1	5.0	5.0	4.5	6.7
2006	4.6	4.8	4.8	7.5	4.1	5.5	4.4	4.5	4.0	6.3
2007	4.6	4.8	4.8	7.4	4.5	5.7	4.6	4.6	4.0	5.3
2008	5.8	6.3	6.4	9.1	5.9	7.8	6.6	6.1	5.6	7.0
2009	9.3	10.5	11.3	14.6	10.9	13.6	12.6	10.5	9.9	13.8
2010	9.6	10.9	11.9	14.1	11.4	12.7	12.8	11.2	10.1	15.5
2011	8.9	10.5	10.9	12.2	10.1	11.6	11.3	10.7	9.3	13.6
Jan-12	8.8	10.5	10.4	11.8	9.7	11.5	11.1	10.1	9.0	12.5
Feb-12	8.7	10.1	10.1	11.1	9.6	11.0	10.7	9.9	8.9	11.6
Mar-12	8.4	9.6	9.6	10.9	9.0	10.5	10.0	9.5	8.3	10.6
Apr-12	7.7	9.1	9.1	10.5	8.4	9.8	9.5	9.0	7.7	10.7
May-12	7.9	9.5	9.6	11.7	9.0	10.2	9.8	9.6	8.0	10.5
Jun-12	8.4	9.9	10.0	12.6	9.3	11.0	10.1	10.0	8.6	11.1
Jul-12	8.6	9.9	10.1	12.4	9.2	10.9	10.0	10.0	8.6	11.4
Aug-12	8.2	9.7	9.8	13.0	8.8	10.7	9.8	9.7	8.3	11.1
Sep-12	7.6	9.0	9.1	12.0	8.4	10.0	9.1	9.1	7.6	9.8
Oct-12	7.5	8.8	9.0	11.2	8.2	11.3	9.2	8.7	7.4	10.1
Nov-12	7.4	9.0	9.0	11.6	8.3	10.0	9.1	9.0	7.8	9.2
Dec-12	7.6	---	---	---	---	---	---	---	---	---
YTD 2012	**8.1**	**9.6**	**9.6**	**11.7**	**8.9**	**10.6**	**9.9**	**9.5**	**8.2**	**10.8**

Source: US Bureau of Labor Statistics

The MSA unemployment of 11.9% in 2011 is the highest level reached within the past 15 years. Likewise, State unemployment peaked at 10.9% in 2010, before decreasing to 9.0% as of November 2012. The State and region typically has a higher unemployment rate than the remainder of the nation; this has normally been the trend with both the state and region continues to lag the nation. However, as indicated, the region and the state is gaining employment at similar rate compared to the nation, indicating that the region and the state may grow alongside the nation in recovery similar to its lead into recession.

The following chart displays unemployment rate trends for the US, state and Charlotte MSA counties.

CHARLOTTE METRO HISTORICAL UNEMPLOYMENT RATE



Source: US Bureau of Labor Statistics

MAJOR EMPLOYERS

The following employers were reported by the Charlotte Chamber to be the largest in the Charlotte area. Although exact employment figures were not provided, category ranges are illustrated:

TOP EMPLOYERS

EMPLOYER NAME	EMPLOYEES	INDUSTRY
Carolinas HealthCare System	20,000 to 29,999	Healthcare
Wells Fargo & Company	20,000 to 29,999	Banking
Bank of America & Merrill Lynch	10,000 to 15,999	Banking
Charlotte-Mecklenburg Schools	10,000 to 15,999	Education
Wal-Mart & Sam's Club	10,000 to 15,999	Retail
Adecco Staffing	5,000 to 9,999	Manufacturing
City of Charlotte	5,000 to 9,999	Government
Duke Energy	5,000 to 9,999	Energy
Food Lion	5,000 to 9,999	Retail
Low e's	5,000 to 9,999	Retail

Source: Charlotte Chamber

HOUSING – REGIONAL

New housing construction increased more rapidly than population growth through 2007, reflecting the second home nature of the area. More recently this trend has changed, although it is anticipated North Carolina will remain a sought after second home market and will experience a rebound in new home construction as economic conditions improve. Unlike many areas, residential demand does not always correlate with in-migration and population growth in North Carolina, as a significant component of demand is derived from part-time residents.

US EXISTING HOME SALES VOLUME

Year		U.S.	Northeast	Midwest	South	West	U.S.	Northeast	Midwest	South	West	Inventory*	Mos. Supply
2009		4,340,000	590,000	980,000	1,640,000	1,130,000	*	*	*	*	*	2,740,000	8.8
2010		4,190,000	570,000	910,000	1,630,000	1,080,000	*	*	*	*	*	3,020,000	9.4
2011		4,260,000	540,000	910,000	1,680,000	1,130,000	*	*	*	*	*	2,320,000	8.2
		Seasonally Adjusted Annual Rate					Not Seasonally Adjusted						
2011	Nov	4,400,000	540,000	980,000	1,740,000	1,140,000	335,000	40,000	68,000	132,000	95,000	2,620,000	7.1
2011	Dec	4,380,000	580,000	970,000	1,700,000	1,130,000	349,000	44,000	76,000	136,000	93,000	2,320,000	6.4
2012	Jan	4,630,000	600,000	1,010,000	1,760,000	1,260,000	260,000	30,000	53,000	101,000	76,000	2,330,000	6.0
2012	Feb	4,600,000	590,000	1,020,000	1,770,000	1,220,000	287,000	38,000	64,000	112,000	73,000	2,400,000	6.3
2012	Mar	4,470,000	590,000	1,020,000	1,730,000	1,130,000	360,000	43,000	82,000	140,000	95,000	2,320,000	6.2
2012	Apr	4,620,000	620,000	1,030,000	1,790,000	1,180,000	400,000	52,000	89,000	155,000	104,000	2,500,000	6.5
2012	May	4,620,000	610,000	1,040,000	1,810,000	1,160,000	448,000	57,000	108,000	169,000	114,000	2,470,000	6.4
2012	Jun	4,370,000	540,000	1,020,000	1,730,000	1,080,000	463,000	58,000	111,000	180,000	114,000	2,370,000	6.5
2012	Jul	4,470,000	580,000	1,040,000	1,770,000	1,080,000	430,000	64,000	106,000	167,000	93,000	2,400,000	6.4
2012	Aug	4,830,000	630,000	1,110,000	1,920,000	1,170,000	476,000	65,000	108,000	190,000	113,000	2,400,000	6.0
2012	Sep	4,690,000	590,000	1,090,000	1,880,000	1,130,000	372,000	47,000	88,000	153,000	84,000	2,170,000	5.6
2012	Oct r	4,760,000	580,000	1,110,000	1,890,000	1,180,000	401,000	50,000	90,000	163,000	98,000	2,110,000	5.3
2012	Nov p	5,040,000	620,000	1,190,000	2,040,000	1,190,000	387,000	46,000	85,000	156,000	100,000	2,030,000	4.8
vs. last month:		**5.9%**	**6.9%**	**7.2%**	**7.9%**	**0.8%**	**-3.5%**	**-8.0%**	**-5.6%**	**-4.3%**	**2.0%**	**-3.8%**	**-9.4%**
vs. last year:		**14.5%**	**14.8%**	**21.4%**	**17.2%**	**4.4%**	**15.5%**	**15.0%**	**25.0%**	**18.2%**	**5.3%**	**-22.5%**	**-32.4%**
year-to-date:							**4.28**	**0.55**	**0.98**	**1.69**	**1.06**		

Source: NAR

The US Housing Trends indicated a sizable improvement in 2012 compared to 2011 in sales volume. Current sales volume is exceeding 2009 through 2011 levels, indicating a more robust recovery in the housing market that the general public began to recognize mid-2012. Furthermore, the continued downward trend in supply is another lead indicator of a recovery in the housing market.

NORTH CAROLINA GENERAL HOUSING TRENDS

Current markets are showing an overall increasing of sales volume. The South is leading overall in sales volume right now with the greatest recovery, however North Carolina is not far behind as it is trending upward as well.

NORTH CAROLINA EXISTING HOME SALES

	2010 Units Sold	2011 Units Sold	% Change	2010 Avg. Price	2011 Avg.	% Change	2010 Total Dollars	2011 Total Dollars	% Change
Asheville	2,162	2,267	5.0%	$250,985	$238,704	-5.0%	$542,629,021	$541,141,205	0.0%
Brevard	289	304	5.0%	$264,412	$242,459	-8.0%	$76,415,206	$73,707,418	-4.0%
Brunswick	1,552	1,631	5.0%	$240,334	$238,945	-1.0%	$372,998,272	$389,719,649	4.0%
Catawba Valley	2,020	1,944	-4.0%	$138,854	$123,084	-11.0%	$280,484,880	$239,275,963	-15.0%
Charlotte	**22,139**	**22,950**	**4.0%**	**$206,963**	**$200,276**	**-3.0%**	**$4,581,947,197**	**$4,596,341,761**	**0.0%**
Carteret	1,310	1,381	5.0%	$232,595	$237,039	2.0%	$304,699,957	$327,350,817	7.0%
Fayetteville	3,311	3,206	-3.0%	$138,918	$137,443	-1.0%	$459,957,921	$440,642,489	-4.0%
Goldsboro	838	726	-13.0%	$135,567	$123,658	-9.0%	$113,605,333	$89,775,736	-21.0%
Greenville	1,597	1,398	-12.0%	$149,331	$144,287	-3.0%	$238,481,192	$201,712,971	-15.0%
Haywood	495	521	5.0%	$196,724	$187,204	-5.0%	$97,378,438	$97,533,426	0.0%
Hendersonville	988	971	-2.0%	$223,959	$196,257	-12.0%	$221,271,298	$190,565,735	-14.0%
Jacksonville	3,607	3,095	-14.0%	$169,670	$171,461	1.0%	$611,999,415	$530,671,802	-13.0%
Neuse River	1,212	1,206	0.0%	$177,390	$164,344	-7.0%	$214,996,133	$198,199,274	-8.0%
Outer Banks	1,325	1,298	-2.0%	$373,929	$368,766	-1.0%	$495,456,503	$478,658,310	-3.0%
Rocky Mount	653	680	4.0%	$109,909	$110,145	0.0%	$71,770,275	$74,898,585	4.0%
Pinehurst	1,053	902	-14.0%	$239,849	$240,421	0.0%	$252,560,514	$216,860,184	-14.0%
Triad	10,873	11,133	2.0%	$155,902	$151,396	-3.0%	$1,695,124,000	$1,685,489,000	-1.0%
Triangle	20,234	19,522	-4.0%	$229,095	$222,129	-3.0%	$4,635,500,000	$4,336,400,000	-6.0%
Wash.Beaufort	243	249	2.0%	$174,519	$162,316	-7.0%	$42,408,159	$40,416,604	-5.0%
Wilmington	4,426	4,486	1.0%	$231,250	$222,591	-4.0%	$1,023,514,137	$998,545,086	-2.0%
Wilkes	273	273	0.0%	$136,105	$135,288	-1.0%	$37,156,719	$36,933,648	-1.0%
Totals	80,600	80,143	-1.0%	$203,106	$196,958	-3.0%	$16,370,354,570	$15,784,839,663	-4.0%

Source: NCAR

The North Carolina 2011 existing home sales volume had a year over year decline of 1.0% compared to 2010 volume. The average existing home price decreased 3.0% over the same time period. Next, a snapshot of the most recent NCAR data and a comparison of YTD 2012 to 2011.

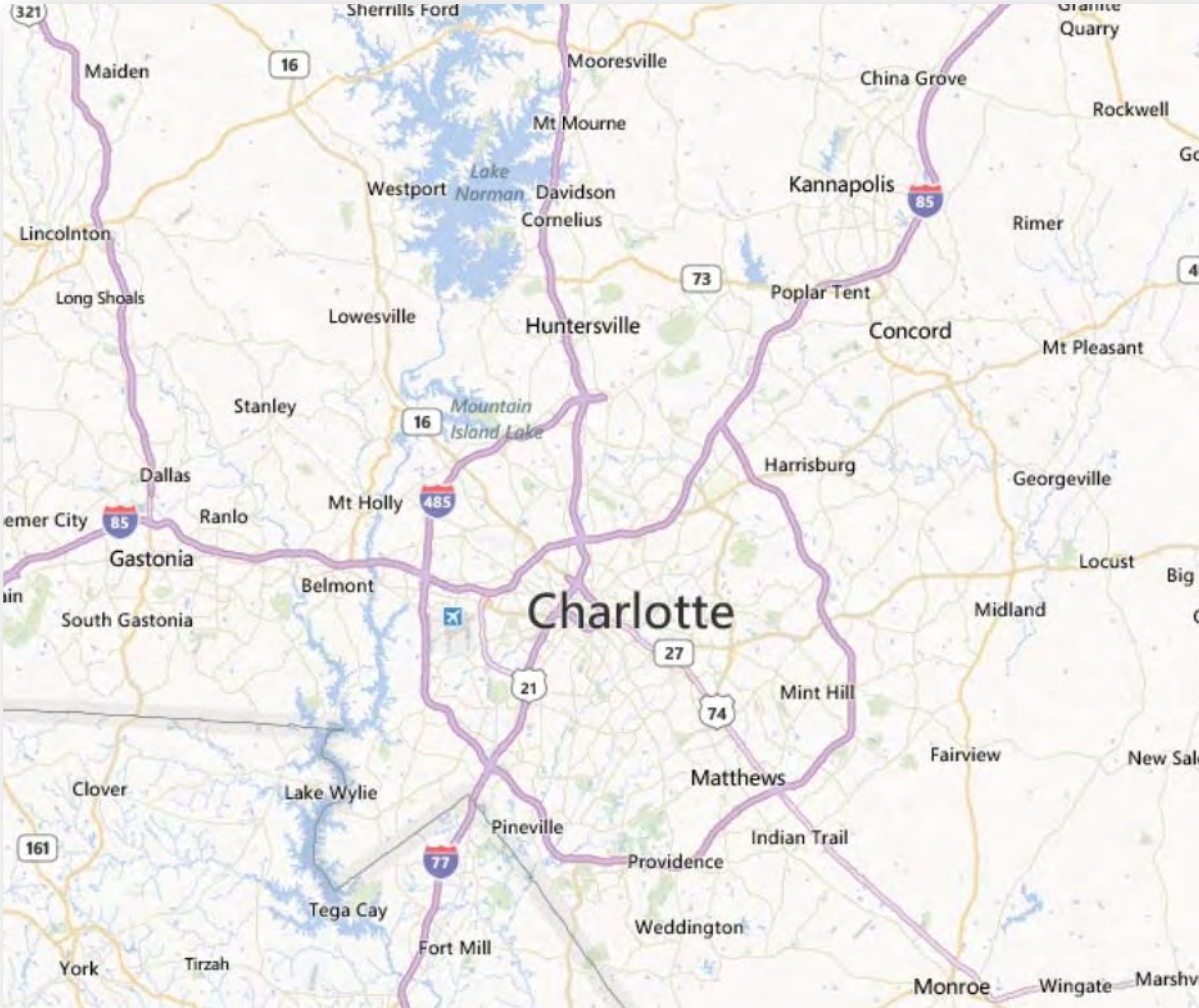
NORTH CAROLINA EXISTING HOME SALES	Oct '11 Units Sold	Oct '12 Units Sold	% Change	Oct '11 Avg. Price	Oct '12 Avg.	% Change	Oct '11 Total Dollars	Oct '12 Total Dollars	% Change
ASHEVILLE	181	240	33%	$252,598	$268,945	6%	$45,720,251	$64,546,897	41%
BREVARD	26	30	15%	$258,583	$320,613	24%	$6,723,150	$9,618,400	43%
BRUNSWICK**	141	192	36%	$205,728	$238,620	16%	$29,007,690	$45,815,000	58%
CATAWBA VALLEY	138	178	29%	$120,331	$132,727	10%	$16,605,739	$23,625,444	42%
CAROLINA (CHARLOTTE)	**1,882**	**2,575**	**37%**	**$194,837**	**$204,335**	**5%**	**$366,683,234**	**$526,162,625**	**43%**
CARTERET	113	146	29%	$216,696	$226,438	4%	$24,486,707	$33,060,071	35%
FAYETTEVILLE	235	275	17%	$125,453	$127,518	2%	$29,481,421	$35,067,544	19%
GOLDSBORO	47	69	47%	$110,581	$124,145	12%	$5,197,286	$8,566,020	65%
GREENVILLE	106	144	36%	$144,872	$139,773	-4%	$15,356,432	$20,127,312	31%
HAYWOOD	46	96	109%	$183,116	$195,996	7%	$8,423,350	$18,815,576	123%
HENDERSONVILLE	81	123	52%	$216,766	$189,711	-12%	$17,558,030	$23,334,406	33%
JACKSONVILLE	229	234	2%	$173,409	$163,500	-6%	$39,710,822	$40,322,049	2%
NEUSE RIVER***	86	na	na	$159,700	na	na	$13,743,165	na	na
OUTER BANKS	106	133	25%	$320,490	$362,071	13%	$33,972,020	$48,155,487	42%
ROCKY MOUNT	57	74	30%	$104,895	$94,749	-10%	$5,978,998	$7,011,451	17%
PINEHURST	67	87	30%	$224,736	$247,017	10%	$15,057,347	$21,490,535	43%
TRIAD	874	1,090	25%	$144,377	$166,209	15%	$126,185,000	$181,167,000	44%
TRIANGLE*	1,492	1,966	32%	$214,423	$223,785	4%	$318,700,000	$439,400,000	38%
WASHINGTON/BEAUFORT	22	18	-18%	$162,581	$328,217	102%	$3,576,781	$5,907,905	65%
WILMINGTON	341	494	45%	$228,650	$214,316	-6%	$77,969,719	$105,871,953	36%
WILKES	28	30	7%	$135,727	$130,390	-4%	$3,800,350	$3,911,700	3%
TOTALS	6,298	8,194	30%	$191,162	$202,829	6%	$1,203,937,492	$1,661,977,375	38%
Year to Date	**60,185**	**69,316**	**15%**	**$197,222**	**$201,732**	**2%**	**$11,869,798,433**	**$13,983,245,201**	**18%**

Source: NCAR
*Triangle data includes new homes
**Brunswick data includes Brunswick, Bladen, and Columbus Counties
***Neuse River statistics were not available as of press time

The October 2012 average existing home price in North Carolina was $201,732, a 2.4% increase from 2011. In Charlotte, there was an uptick in year-over-year sales volume of 37% and the average existing home price was $204,335, which ranks the Charlotte Metro 10th out of the 21 MLS systems that contribute to the statistics. The Charlotte average home price was 1.3% above the North Carolina mean.

TRANSPORTATION

Roads – There are several interstates within the Charlotte-Gastonia-Concord MSA: We-77, We-85, We-277, and We-485. Interstates We-77 and We-85 are major interstates in the eastern US. We-77 is a north/south route, going from Cleveland, Ohio, to the north, to Columbia, South Carolina to the south. We-85 is a primarily northeast/southwest route running from Richmond, Virginia to the northeast, to Montgomery, Alabama, to the southwest. We-277 and We-485 are considered regional beltways or connectors, providing access to the MSA from the major interstates. In addition to the interstate system, there are many US and State Routes providing road access to the region, such as US-21, US-29, US-74, US-321, US-521 and US-601.



The Charlotte Area Transit System (CATS) is the largest transit system between Atlanta, GA and Washington, DC with over 70 local, express and regional bus routes, a light rail line, services for the disabled, and vanpools serving more than 23,000,000 trips each year.

Below is a graphic illustrating the current LYNX Blue Line Route, which connects south Charlotte to Uptown.

Future Light Rail Service - The Red Line Regional Rail will significantly improve the movement of both goods and passengers along a 25-mile section of track running south from Mooresville to Charlotte, with potential future extension north from Mooresville to Statesville. A current estimated date of service to commence is not known at this time.

Charlotte/Douglas International Airport is the eighth busiest airport in the U.S. and ninth busiest in the world as measured by traffic. It is served by many domestic airlines, as well as international airlines. The subject property is a 20 minute drive south of the Charlotte Douglas International Airport and is easily accessible via major arterials. Other airports that service the MSA are Concord Regional Airport (Concord, NC), Gastonia Municipal Airport (Gastonia, NC), Charlotte-Monroe Executive Airport (Monroe, NC), Hickory Regional Airport (Hickory, NC) and Rock Hill Municipal Airport (Rock Hill, SC).

CHARLOTTE DOUGLAS INTERNATIONAL AIRPORT (CLT) STATISTICS

YEAR	TOTAL PASSENGERS	% CHG
2000	23,073,894	-
2001	23,177,555	0.4%
2002	23,597,926	1.8%
2003	23,062,570	(2.3%)
2004	25,162,943	9.1%
2005	28,206,052	12.1%
2006	29,693,949	5.3%
2007	33,165,688	11.7%
2008	34,739,020	4.7%
2009	34,536,666	(0.6%)
2010	38,254,207	10.8%
2011	39,043,708	2.1%

Source: Charlotte Chamber

CLIMATE

Charlotte, like much of the southeastern United States, has a humid subtropical climate, with four distinct seasons. Winters are short and generally cool, with a January daily average of 41.3 °F. On average, there are 59 nights per year that drop to or below freezing, and only two days that fail to rise above freezing. April is the driest month, with an average of 3.04 inches of precipitation. Summers are hot and humid, with a daily average in July of 79.6 °F. There are 44 days per year with highs at or above 90 °F (32 °C). Autumn is generally drier than spring.

CULTURE AND RECREATION

Cultural and recreational attractions located in the greater Charlotte region include the Billy Graham Library in South Charlotte, Carowinds amusement park, Dirt Track Racing School in Gastonia, the Carolina Raptor Center in North Charlotte, the NarroWay Theatre & Conference Center, and the U.S. National Whitewater Center among others. The Mecklenburg County Park & Recreation Department is home to 210 parks and facilities located on more than 17,600 acres of parkland throughout the region.

The foothills of the Blue Ridge Mountains begin along the western edge of the region; the descent (the fall line) to the coastal plain begins along the eastern edge. Amid this varied topography, the Daniel Stowe Botanical Garden and several state parks (Morrow Mountain, Crowders Mountain, South Mountains, Duke Power, Landsford Canal, Andrew Jackson) offer recreational possibilities, along with the Uwharrie National Forest just east and northeast of Albemarle, and the Sumter National Forest at the southwest corner of the area. Kings Mountain National Military Park is partially located in York County and in Cherokee County near Blacksburg, South Carolina.

Attractions in Charlotte include the Harvey B. Gantt Center for African-American Arts + Cultural, Discovery Place, Spirit Square, NASCAR Hall of Fame, the North Carolina Blumenthal Performing Arts Center, Children's Theatre of Charlotte, The Mint Museums, the Charlotte Museum Of History, Levine Museum of the New South, the McGill Rose Garden, and the Wing Haven Gardens. The Betchler Art Museum and Knight Theater in Uptown Charlotte are expanding the art venues in Charlotte.

Other places of interest in the Charlotte suburbs include the Schiele Museum (in Gastonia), Carowinds Theme Park (in Mecklenburg County, NC and York County, SC), Charlotte Motor Speedway (in Concord), the Carolina Raptor Center (in Huntersville), Latta Plantation (in Huntersville), Brattonsville Historic District (in McConnells), the North Carolina Transportation Museum (in Spencer), Fort Dobbs historical site (in Statesville), Catawba County Firefighters Museum (in Conover), the Arts & Science Center of Catawba Valley/Millholland Planetarium (in Hickory) the Museum Of York County (in Rock Hill), James K. Polk historical site (in Pineville), , the Catawba Cultural Center (in York County), the Museum Of The Waxhaws (in Waxhaw), Glencairn Gardens (in Rock Hill), and the Reed Gold Mine (in Locust).

The Verizon Wireless Amphitheatre Charlotte is located in the University City area of Charlotte. The performing arts amphitheater has hosted many popular music concerts. The U.S. National Whitewater Center (USNWC) is the world's premier outdoor recreation and environmental education center. Alongside mountain-biking and running trails, a climbing center, and challenge course, the park's unique feature is a multiple-channel, customized whitewater river for rafting and canoe/kayak enthusiasts of all abilities.

The USNWC is only 10 minutes from downtown Charlotte and provides roughly 400 acres (1.6 km2) of woodlands along the scenic Catawba River. Olympic-caliber athletes, weekend warriors and casual observers share this world-class sports and training center.

Inspired by the successful Penrith Whitewater Stadium built for the 2000 Olympics and the stadium built for the 2004 Athens Games, the USNWC is the world's largest multi-channel recirculating whitewater river. The USOC has designated the USNWC an official Olympic Training Site.

Concord Mills is unique in that it does not feature the typical anchor stores found at other malls; it focuses more on attracting outlet store tenants. As of 2010, the mall is the state's largest tourist attraction, visited by over 15 million annually.

REAL ESTATE MARKET OBSERVATIONS

Data and observations for the following real estate categories (as of 4Q12) were obtained from CoStar Group and Reis, Inc., both national real estate market data providers.

Office

According to CoStar, the Charlotte Office market ended the fourth quarter 2012 with a vacancy rate of 12.1%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 772,967 square feet. Vacant sublease space decreased in the quarter, ending at 243,189 square feet. Rental rates ended the fourth quarter at $19.39, which is an increase over the previous quarter. A total of six buildings delivered to the market in the fourth quarter totaling 828,831 square feet, with 48,596 square feet still under construction at the end of the quarter.

Apartment

According to Reis, Inc., Charlotte's 99,923-unit apartment market saw another drop in vacancy in the second quarter of 2012. After finishing the first quarter at 5.6%, the rate actually fell to 5.3% in the second quarter. July data show no change. The quarterly rate is down fully 180 basis points year-over-year. The Class A vacancy rate is 4.5%, the Class B/C rate is 6.3%. The highest overall vacancy has ever reached in the current cycle is the 11.3% rate recorded during the recession. Given its modest size, Charlotte has been an active multi-family market until recently, averaging over 2,000 new units per year from 2002 to 2011, with demand roughly keeping pace. So far in 2012, Reis reports 338 multifamily units have completed.Net absorption for the quarter is reported at 452 units, mirroring first quarter's 451, plus another 17 recorded in July. From 2012 to 2016, new construction so forecast to average about 2,200 units, while net absorption will average 2,300, creating a supply/demand balance that will keep vacancy below the 5.0% mark.

Retail

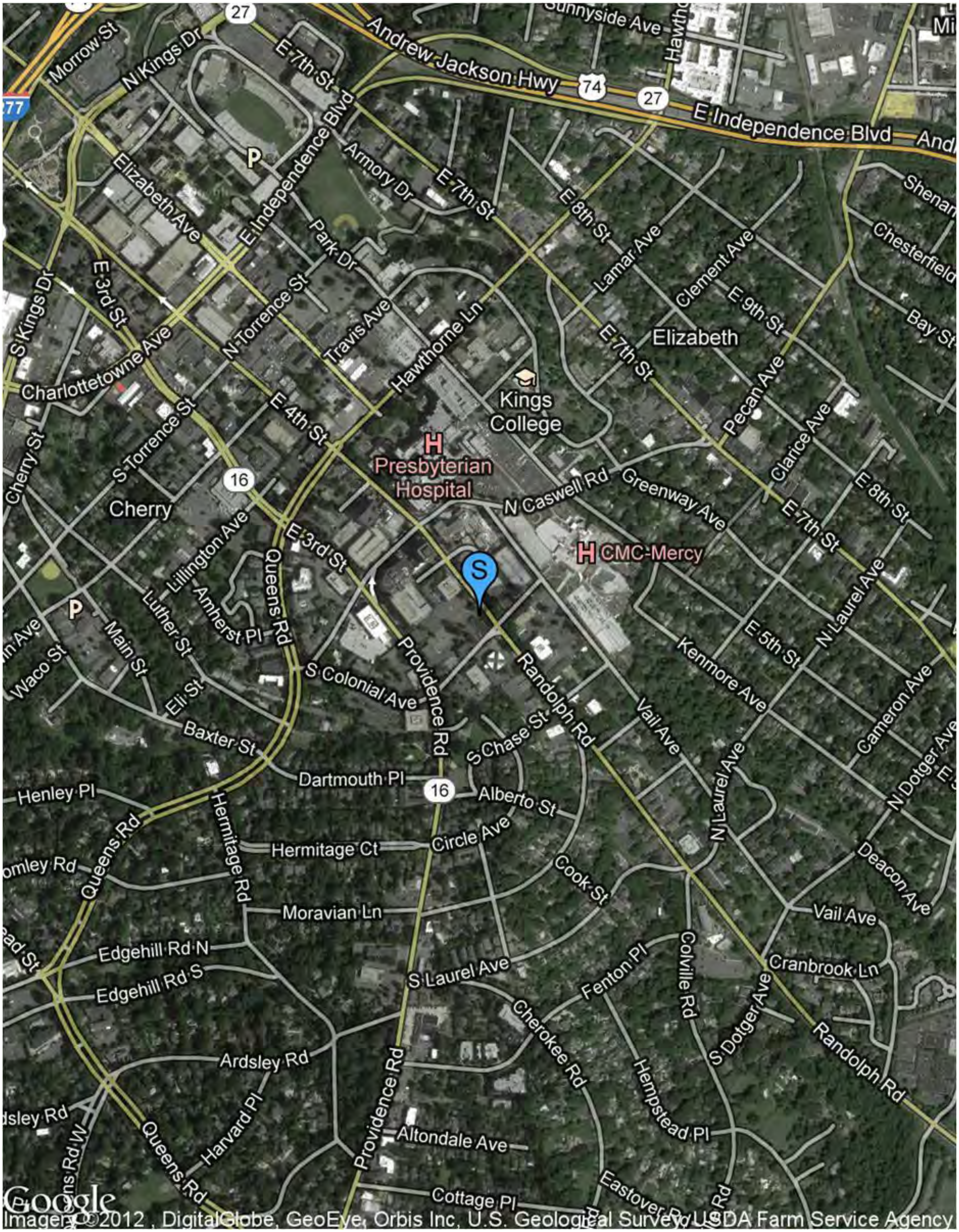
According to CoStar, the Charlotte retail market did not experience much change in market conditions in the fourth quarter 2012. The vacancy rate went from 7.7% in the previous quarter to 7.6% in the current quarter. Net absorption was positive 861,838 square feet, and vacant sublease space decreased by (171,099) square feet. Quoted rental rates increased from third quarter 2012 levels, ending at $13.35 per square foot per year. A total of 30 retail buildings with 714,146 square feet of retail space delivered to the market, with 297,079 square feet still under construction at the end of the quarter.

Industrial

According to CoStar, the Charlotte Industrial market ended the fourth quarter 2012 with a vacancy rate of 11.8%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 1,615,340 square feet. Vacant sublease space decreased in the quarter, ending the quarter at 887,016 square feet. Rental rates ended the fourth quarter at $3.84, which is an increase over the previous quarter. A total of three buildings delivered to the market in the quarter totaling 160,988 square feet, with 509,765 square feet still under construction.

CONCLUSION

Charlotte seems poised to finish off 2012 in better shape than many of its municipal peers. According to a July report released by the U.S Conference of Mayors and reported by the Charlotte Observer, “the Charlotte area’s economy will grow faster than that of most other metropolitan regions as its recovery continues.” “Gross metropolitan product in the Charlotte-Gastonia-Rock Hill region is expected to grow 2.9% this year, up from 2.8% in 2011,” according to the report from research firm IHS Global Insight, prepared for the U.S. Conference of Mayors. Moody’s Econoour.com reports second quarter 2012 total employment up by over 6,670 jobs, or 0.8%, over second quarter 2011. Population grew by over 37,000 persons (2.1%), indicating that once again Charlotte is still a living destination for many people. Moody’s estimates total 2012 employment to increase by over 8,000 jobs, or 1.0%.


Sunnyside Ave
Andrew Jackson Hwy
74
27
E Independence Blvd
Morrow St
N Kings Dr
E 7th St
Elizabeth Ave
E Independence Blvd
Armory Dr
E 8th St
Lamar Ave
Clement Ave
E 9th St
Chesterfield
Bay St
S Kings Dr
E 3rd St
Park Dr
N Torrence St
Travis Ave
Hawthorne Ln
Elizabeth
Pecan Ave
Charlottetowne Ave
E 4th St
Kings College
Clarice Ave
S Torrence St
Cherry St
16
Cherry
Presbyterian Hospital
N Caswell Rd
Greenway Ave
E 8th St
Lillington Ave
E 3rd St
CMC-Mercy
S
Queens Rd
Amherst Pl
Luther St
Main St
Waco St
N Laurel Ave
E 5th St
Kenmore Ave
Randolph Rd
Providence Rd
S Colonial Ave
Eli St
Baxter St
Vail Ave
Cameron Ave
S Chase St
Dartmouth Pl
Henley Pl
Alberto St
N Dotger Ave
Hermitage Ct
Circle Ave
Hermitage Rd
Queens Rd
Cook St
Deacon Ave
Vail Ave
Moravian Ln
Edgehill Rd N
Edgehill Rd S
S Laurel Ave
Fenton Pl
Colville Rd
Cranbrook Ln
Cherokee Rd
S Dotger Ave
Ardsley Rd
Harvard Pl
Hempstead Pl
Randolph Rd
Providence Rd
Altondale Ave
Queens Rd
Cottage Pl
Eastover Rd
Google
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INTRODUCTION

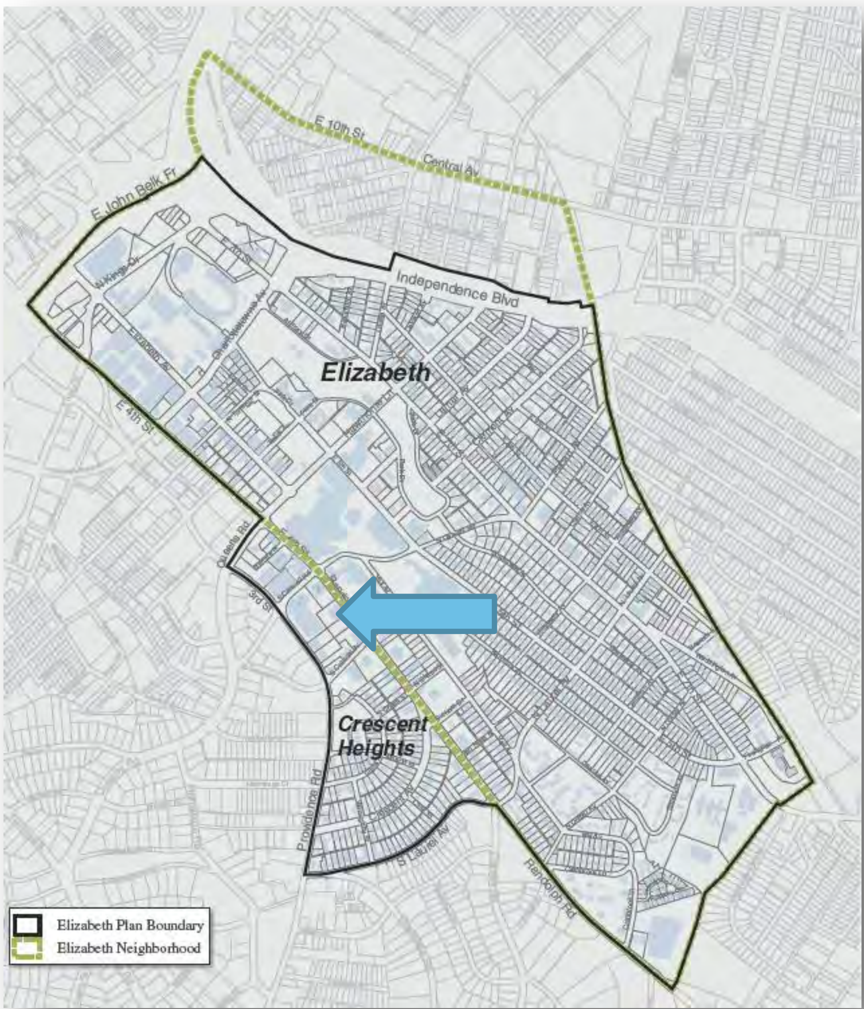
In this section of the report, we provide details about the local area and describe the influences that bear on the real estate market as well as the subject property. A map of the local area is presented on the prior page. Below are insights into the local area based on fieldwork, interviews, demographic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

LOCAL AREA PROFILE

The subject property is located in Charlotte, North Carolina, within Mecklenburg County. The location of the subject is along East 7th Street, between Clarice and Ridgeway Avenues, less than ¼ mile south of Pecan Avenue. The subject is about 0.75 miles south of the Charlotte Central Business District. The local area boundaries are defined below:

- North – Interstate 277
- South – Briar Creek
- East – Independence Boulevard (US Highway 74)
- West – Providence Road/Randolph Road

The subject is located within the physical boundaries of the Elizabeth Neighborhood, shown graphically below:

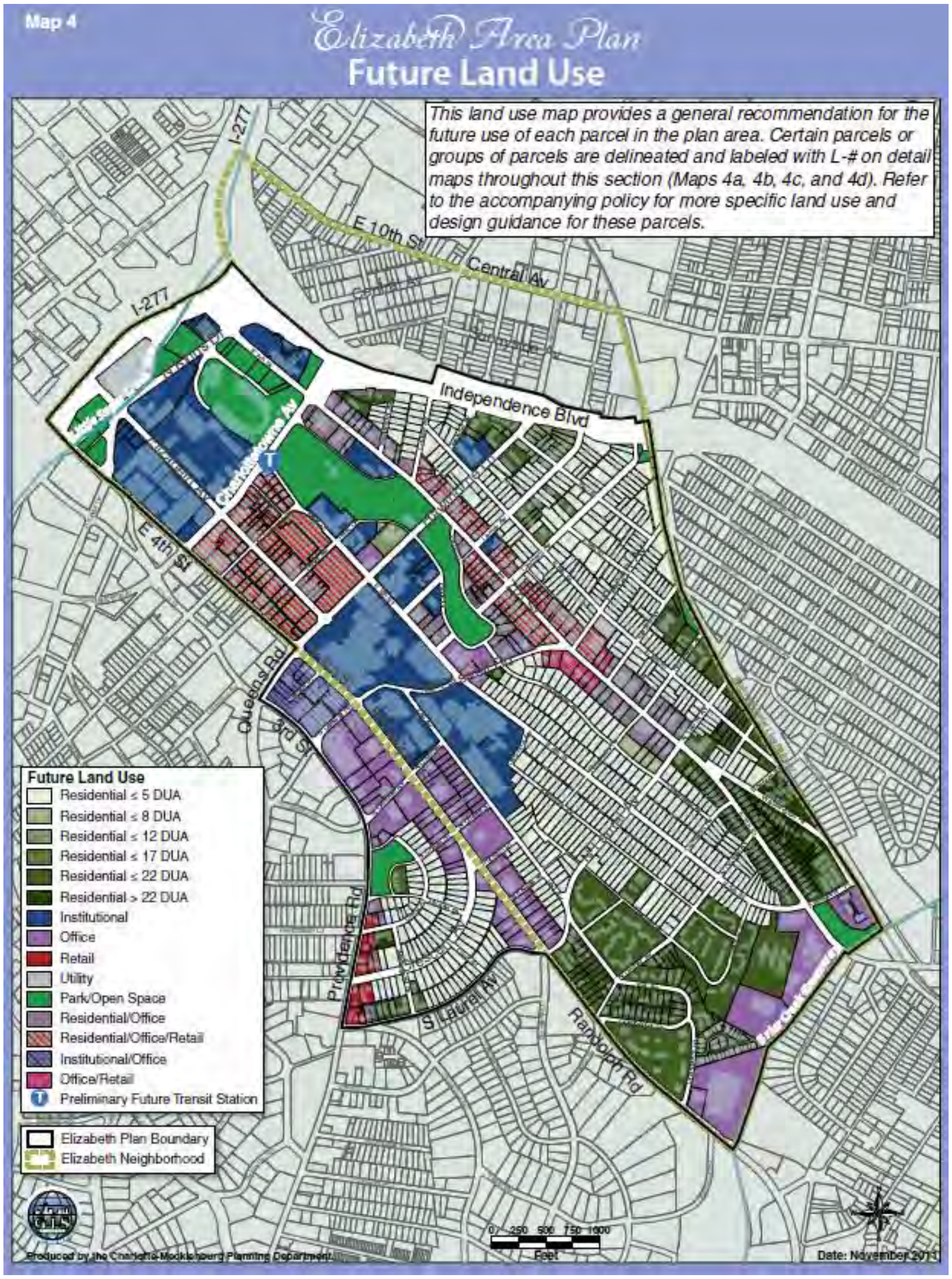


NEIGHBORHOOD HISTORY

What is known as the Elizabeth neighborhood had its birth in this phase of Charlotte's growth, making it one of Charlotte's oldest neighborhoods. Elizabeth came out of the blending of five separate developments that began over a period of roughly twenty years, with the final piece of Elizabeth being created in the mid 1910's with the platting of Rosemont, which encompassed the streets to the east of Caswell Avenue, including Greenway and Dotger Avenues.

LAND USE

The neighborhood's land use plan is shown below:



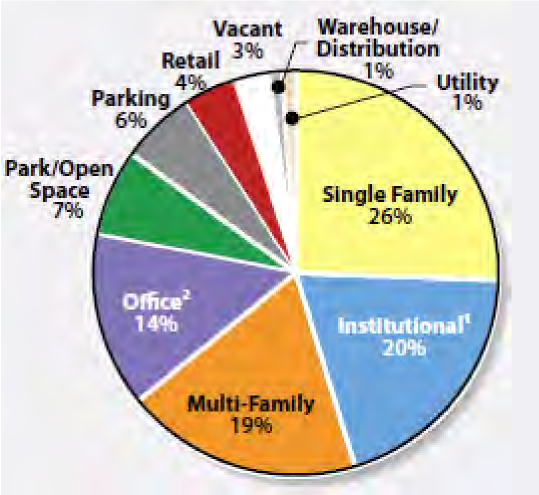
Existing Land Use

There are a total of 500.12 acres (excluding streets and rights-of-way) within the plan area. Single family residential land uses comprise over 26% of the total acreage. Another 19% of the plan area is used for multi-family residential land uses and over 20% for institutional land uses:

Existing Land Use for the Plan Area

Land Use	Acres	% of Total
Single Family	129.40	26%
Institutional[1]	98.81	20%
Multi-family	92.53	19%
Office[2]	71.15	14%
Park/ Open Space	34.77	7%
Parking	29.82	6%
Retail	18.33	4%
Vacant	16.32	3%
Warehouse/ Distribution	4.51	1%
Utility	4.47	1%
TOTAL	500.12	100%

[1] Institutional includes Hospital
[2] Office includes Medical Office
Source: Charlotte-Mecklenburg Planning Department



Today, much of the plan area includes established residential neighborhoods, with a mix of uses along East Seventh Street, institutional uses at the edges, and predominantly office uses along Randolph Road. In the future, the residential neighborhoods are expected to retain their existing character and density.

East Seventh Street, as it traverses diagonally through the plan area from Little Sugar Creek to Briar Creek, is expected to maintain a mixture of residential, neighborhood-oriented retail, and office uses, with some increase in intensity and density, although still in keeping with the scale of the surrounding area. Greater intensity and a broader mix of land uses are anticipated in the area adjacent to a potential future rapid transit station near Memorial Stadium/CPCC, including Charlottetowne and Elizabeth Avenues. Memorial Stadium is recognized as a valued community resource and designated as Parks/Open Space. Randolph Road is expected to maintain predominantly office uses.

Elizabeth's main corridors include medical facilities and office uses on Randolph Road and Vail Avenue, as well as similar uses adjacent to Briar Creek in the southernmost part of the plan area. The two major hospitals in this area, Presbyterian and CMC-Mercy, are both high intensity uses with buildings of up to eight stories in height. Presbyterian Hospital contains 554-beds and CMC-Mercy contains 874-beds.

Residential

Elizabeth is primarily an older residential neighborhood. There are several established single and multi-family residential units in the plan area. Much of the housing stock dates to the early 1900s, and there is a preponderance of historic homes throughout. Many of the single family homes in the neighborhood are in the bungalow style, single story and of a modest size and scale. The area also has some Victorian, Colonial Revival, and Tudor Revival style houses, especially in the southeast (Crescent Heights) part of the neighborhood.

Retail

Retail development within the plan area is concentrated along East Seventh Street and Elizabeth Avenue. East Seventh Street, between Hawthorne Lane and Laurel Avenue, is characterized by a mix of offices, restaurants, and neighborhood-serving retail uses. Many of these are housed in residential structures that have been adapted for retail and office use, which creates a unique “Main Street” urban feel and helps preserve Elizabeth’s historic character. Most other retail uses along Seventh are located in suburban-style single-story buildings and shopping plazas. Elizabeth Avenue between Charlottetowne Avenue and Hawthorne Lane links Central Piedmont Community College (CPCC) and Presbyterian Hospital with a mixture of retail and office uses in one- to three-story buildings. Medical offices and other office uses dominate the Randolph Road area. A smaller concentration of retail uses is found along Providence Road.

Office

Medical offices are the predominant office type in the plan area, many of which are associated with nearby hospitals. These medical office uses are primarily found along Third Street/Providence Road and Fourth Street/Randolph Road. There are also other professional office uses on Elizabeth Avenue and East Seventh Street.

Industrial

The sole industrial/warehouse use in the Elizabeth area is the Queen City Lumber yard, at the intersection of Bascom Street and Weddington Avenue, adjacent to the railroad tracks.

Civic

The Elizabeth area consists of several large regional-scale civic and institutional uses such as schools, hospitals, and churches. Presbyterian Hospital and Carolinas Medical Center-Mercy occupy significant tracts of land within the plan area between East Third and East Fifth Street, south of Hawthorne Lane. There are also several churches in the Independence Park and Hawthorne Lane areas. Central Piedmont Community College (CPCC), Kings College, and the Queens University/Presbyterian School of Nursing are the primary post-secondary educational institutions located within the plan area’s boundary.

Presbyterian Hospital is a private, non-profit regional medical center, one of the largest health care institutions in the Carolinas. Presbyterian Hospital is located generally along the south side Hawthorne Lane at Randolph Road and extending southward through Colonial Drive. We note portions of the property extends to the westside of Randolph Road. This hospital entity is a private, non-profit regional medical center, being one of the largest health care institutions in the Carolinas. It is the flagship hospital of Presbyterian Healthcare forming a part of Novant Health, a not-for-profit, integrated healthcare system based in North Carolina that serves more than 3.5 million people in 34 counties reaching from North Virginia to Georgia. Novant employs over 26,000 highly skilled healthcare professionals plus administrative and support staff. Novant was formed on July 1, 1997 by the merger of Carolina Medicorp of Winston-Salem, North Carolina and Presbyterian Health Services of Charlotte, North Carolina.

Located at 2001 Vail Avenue, CMC-Mercy Hospital is an adult acute care facility that provides a full-range of services, including emergency room care, surgery, and rehabilitation. Carolinas HealthCare System (CHS) operating as Carolinas Medical Center is located northwest of the subject along King Drive. CHS includes more than 30 affiliated hospitals in North and South Carolina. As one of the Southeast's leading healthcare systems, Carolinas HealthCare employs some 1,700 physicians and serves patients at more than 600 care locations including physician practices, nursing homes, surgical and rehabilitation centers, home health agencies and other facilities. These operations comprise more than 6,300 licensed beds and employ some 48,000 people.

Future Transit Station Subarea

The Southeast Corridor Rapid Transit Project (Silver Line) is one of five rapid transit corridors identified in the 2030 Transit Corridor System Plan, adopted by the Metropolitan Transit Commission in November 2006. While the proposed alignment for the Silver Line passes through the plan area, it is unlikely to be completed within the next 20 years. The location of a proposed transit station within the plan area has not been precisely identified, and there is continuing discussion about what the mode of transit will ultimately be.

The area bounded by Hawthorne Lane, East Fifth Street/Park Drive, Charlottetowne Avenue, and East Fourth Street is envisioned to include a mixture of complimentary moderate to high-intensity residential, office, retail/entertainment, and/or civic uses. Equally as important as land use are how the uses are arranged and designed and the interaction between parcels. The design of a project should encourage walking, providing connections to the various available modes of transit (such as bus and future streetcar) and the surrounding neighborhood.

Transportation Routes

The main roadways that run through the neighborhood are Randolph Road/4th Street, East 7th Street, Charlottetowne Avenue and Providence Road. Interstate 277 and Independence Boulevard provide access to the neighborhood from highway linkages. Public transportation is readily available via bus service throughout the neighborhood.

DEMOGRAPHIC PROFILE

Below is a demographic study of the area, sourced by Site To Do Business (STDB Online), an on-line resource center that provides information used to analyze and compare the past, present, and future trends of properties and geographical areas.

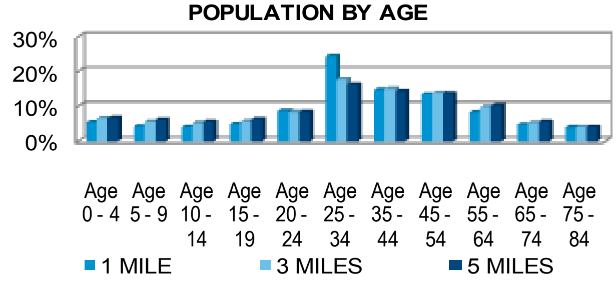
POPULATION	1 MILE	3 MILES	5 MILES
2000 Census	11,271	88,783	235,940
2010 Population	11,187	99,784	259,471
2015 Population	11,660	106,968	276,367
Change 2000-2010	-0.75%	12.39%	9.97%
Change 2010-2015	4.23%	7.20%	6.51%

Source: Sites To Do Business (STDB) Online

HOUSEHOLDS	1 MILE	3 MILES	5 MILES
2000 Census	5,592	39,212	98,074
2010 Households	5,724	45,472	110,762
2015 Households	6,021	49,294	118,913
Change 2000-2010	2.36%	15.96%	12.94%
Change 2010-2015	5.19%	8.41%	7.36%

Source: Sites To Do Business (STDB) Online

POPULATION BY AGE



HOUSING UNITS (CURRENT YEAR)	1 MILE	3 MILES	5 MILES
Total Housing Units	6,750	50,559	121,851
Owner Occupied	33.10%	38.80%	40.80%
Renter Occupied	51.70%	51.20%	50.10%
Vacant Housing Units	15.20%	10.10%	9.10%

Source: Sites To Do Business (STDB) Online

INCOME (CURRENT YEAR)	1 MILE	3 MILES	5 MILES
Average Household Income	$74,529	$75,245	$69,368
Median Household Income	$50,810	$49,269	$48,930
Per Capita Income	$38,969	$34,850	$29,952

Source: Sites To Do Business (STDB) Online

MEDIAN HOME VALUE Year	1 MILE	3 MILES	5 MILES
2000	$165,656	$152,964	$115,646
2010	$216,384	$193,370	$138,144
2015	$244,562	$221,684	$158,622

Source: Sites To Do Business (STDB) Online

2010 HOUSEHOLDS BY INCOME	1 MILE	3 MILES	5 MILES
Household Income Base	5,676	39,226	98,209
< $15,000	10.6%	14.4%	13.1%
$15,000 - $24,999	10.2%	9.5%	9.7%
$25,000 - $34,999	12.0%	10.0%	10.3%
$35,000 - $49,999	16.6%	16.8%	18.1%
$50,000 - $74,999	17.7%	18.2%	19.9%
$75,000 - $99,999	12.4%	10.7%	11.6%
$100,000 - $149,999	12.1%	10.7%	10.1%
$150,000 - $199,999	2.9%	3.4%	2.6%
$200,000 +	5.5%	6.3%	4.6%

Source: Sites To Do Business (STDB) Online

HOUSING UNITS BY UNIT IN STRUCTURE	1 MILE	3 MILES	5 MILES
Total	6,192	42,501	105,420
1, Detached	40.6%	47.4%	50.8%
1, Attached	4.8%	5.7%	5.1%
2	9.9%	6.2%	4.9%
3 or 4	15.9%	9.7%	8.9%
5 to 9	9.0%	10.6%	11.6%
10 to 19	7.3%	7.7%	8.3%
20+	12.5%	12.4%	9.8%
Mobile Home	0.1%	0.3%	0.6%
Other	0.0%	0.0%	0.0%

Source: Sites To Do Business (STDB) Online

HOUSING UNITS BY YEAR IN STRUCTURE	1 MILE	3 MILES	5 MILES
Total	6,200	42,528	105,484
1999 to March 2000	1.2%	1.9%	1.8%
1995 to 1998	2.6%	4.7%	3.9%
1990 to 1994	2.1%	3.9%	4.8%
1980 to 1989	8.6%	10.4%	14.2%
1970 to 1979	9.3%	14.2%	18.4%
1969 or Earlier	76.2%	65.0%	56.9%
Median Year Structure Built	1951	1960	1967

Source: Sites To Do Business (STDB) Online

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 -** Metroview Medical Office Tower
- **South -** Two-tenant Medical Office
- **East -** Randolph Rd followed by medical office
- **West -** Presbyterian Hospital parking garage

Access

The subject site has frontage on a commercial arterial. Based on our field work, the subject's access is rated 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.

Subject Conclusion

Trends in the local and immediate areas, adjacent uses and the property's specific location features indicate an overall positive external influence for the subject, which is concluded to have an average to good position in context of competing properties.

SUMMARY

The subject is a medical office building just off the Presbyterian Hospital campus, which has promoted a generally medical office orientation for the immediate area. As the hospital continues its expansion, the subject will ultimately become a candidate for acquisition and assimilation as a part of this growth.

General Description The subject site consists of two parcels (one improved with a parking lot), and has a mid-block location along an arterial street. The following discussion summarizes the subject site size and characteristics.

Assessor Parcels See Multiple Parcel Chart For Breakdown

Number Of Parcels 2

Land Area	Acres	Square Feet
Primary Parcel	1.66	72,222
Excess Land	0.00	0
Surplus Land	0.00	0
Total Land Area	**1.66**	**72,222**

Shape See Multiple Parcel Chart For Breakdown

Topography See Multiple Parcel Chart For Breakdown

Drainage Assumed Adequate

Utilities All available to the site

Street Improvements	Street	Direction	No. Lanes	Street Type	Curbs	Sidewalks	Streetlights	Center Lane	Gutters
Randolph Road	Primary Street	two-way	four-lane	minor arterial	✓	✓	✓		✓

Frontage 300 Feet on Randolph Rd

Accessibility Average - There are two full access curb cuts along Randolph Road.

Exposure Average - The subject is not at a signalized corner but has average exposure along Randolph Road compared to neighboring properties.

Seismic The subject is in Low Risk. The seismic zone factor (or Z factor) corresponds numerically to the effective horizontal peak bedrock acceleration (or equivalent velocity) that is estimated as a component of the design base shear calculation. In each seismic zone an earthquake-related event would create an effective peak bedrock acceleration of 0.1 times the force of gravity for Zone 1, 0.15 times the force of gravity for Zone 2A, 0.2 times the force of gravity for Zone 2B, 0.3 times the force of gravity for Zone 3 and 0.4 times the force of gravity for Zone 4. These values correspond to ground motion values with a 10% probability of being exceeded in 50 years.

Flood Zone Zone X (Unshaded). This is referenced by Community Number 371043, Panel Number 3710455300J, dated March 02, 2009. Zone X (unshaded) is a Non-Special Flood Hazard Area (NSFHA) of minimal flood hazard, usually depicted on Flood Insurance Rate Maps (FIRM) as above the 500-year flood level. This is an area in a low to moderate risk flood zone that is not in any immediate danger from flooding caused by overflowing rivers or hard rains. In communities that participate in the National Flood Insurance Program (NFIP), flood insurance is available to all property owners and renters in this zone.

MULTIPLE PARCEL SITE DESCRIPTION GRID

	USABLE		EXCESS		SURPLUS		TOTAL					FLOOD
PARCEL	SF	AC	SF	AC	SF	AC	SF	AC	SHAPE	ACCESS	EXPOSURE	PLAIN
15501212	43,255	0.99	0	0.00	0	0.00	43,255	0.99	Rectangular	Average	Average	Zone X (Unshaded)
15501210	28,967	0.67	0	0.00	0	0.00	28,967	0.67	Rectangular	Average	Average	Zone X (Unshaded)
TOTAL	**72,222**	**1.66**	**0**	**0.00**	**0**	**0.00**	**72,222**	**1.66**				

Site Rating Overall, the subject site is considered a good medical office site in terms of its proximity to Presbyterian and CMC Hospitals, recognizing its exposure along an arterial.

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.

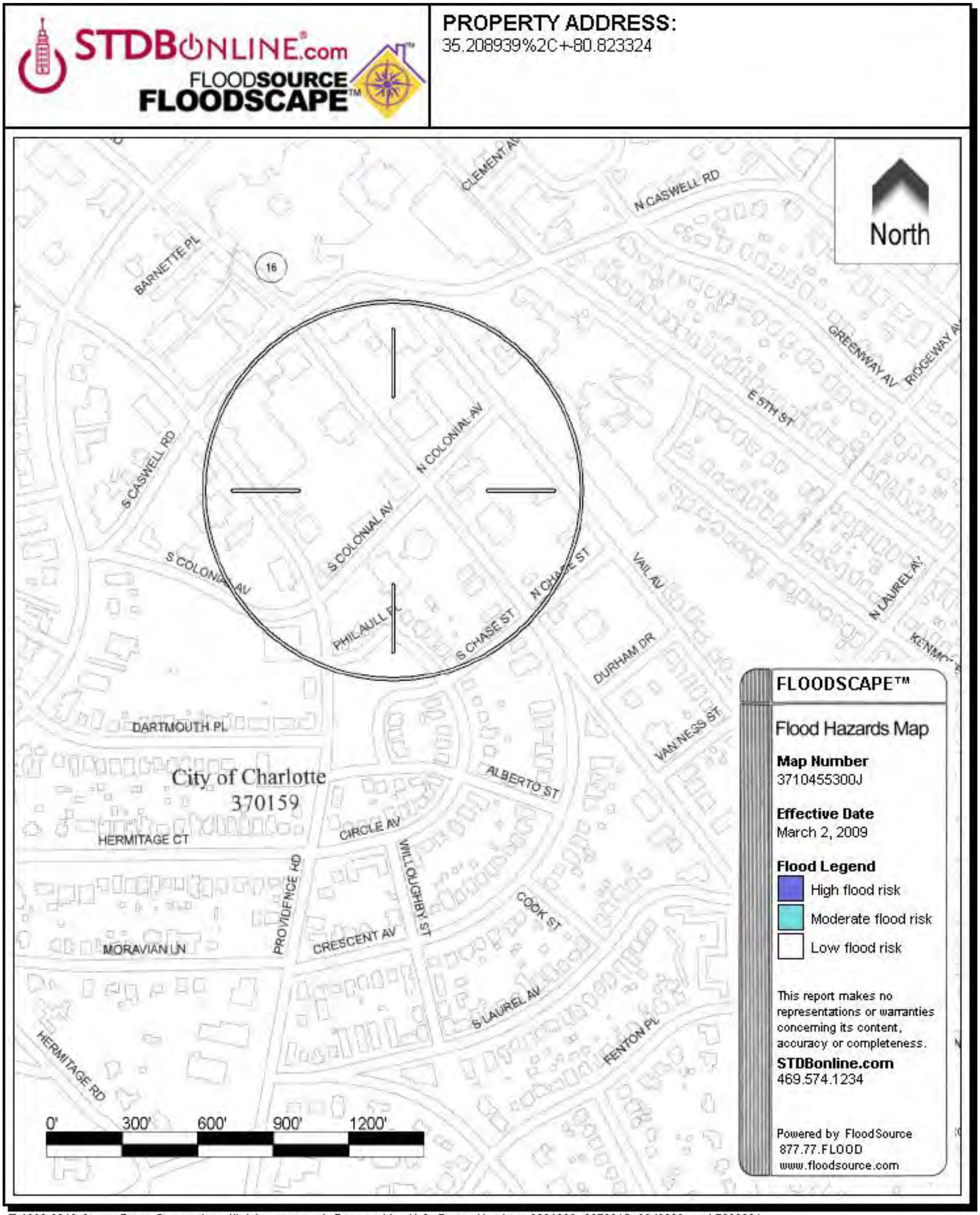
Hazardous Waste We have not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions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

ASSESSOR PARCEL MAP

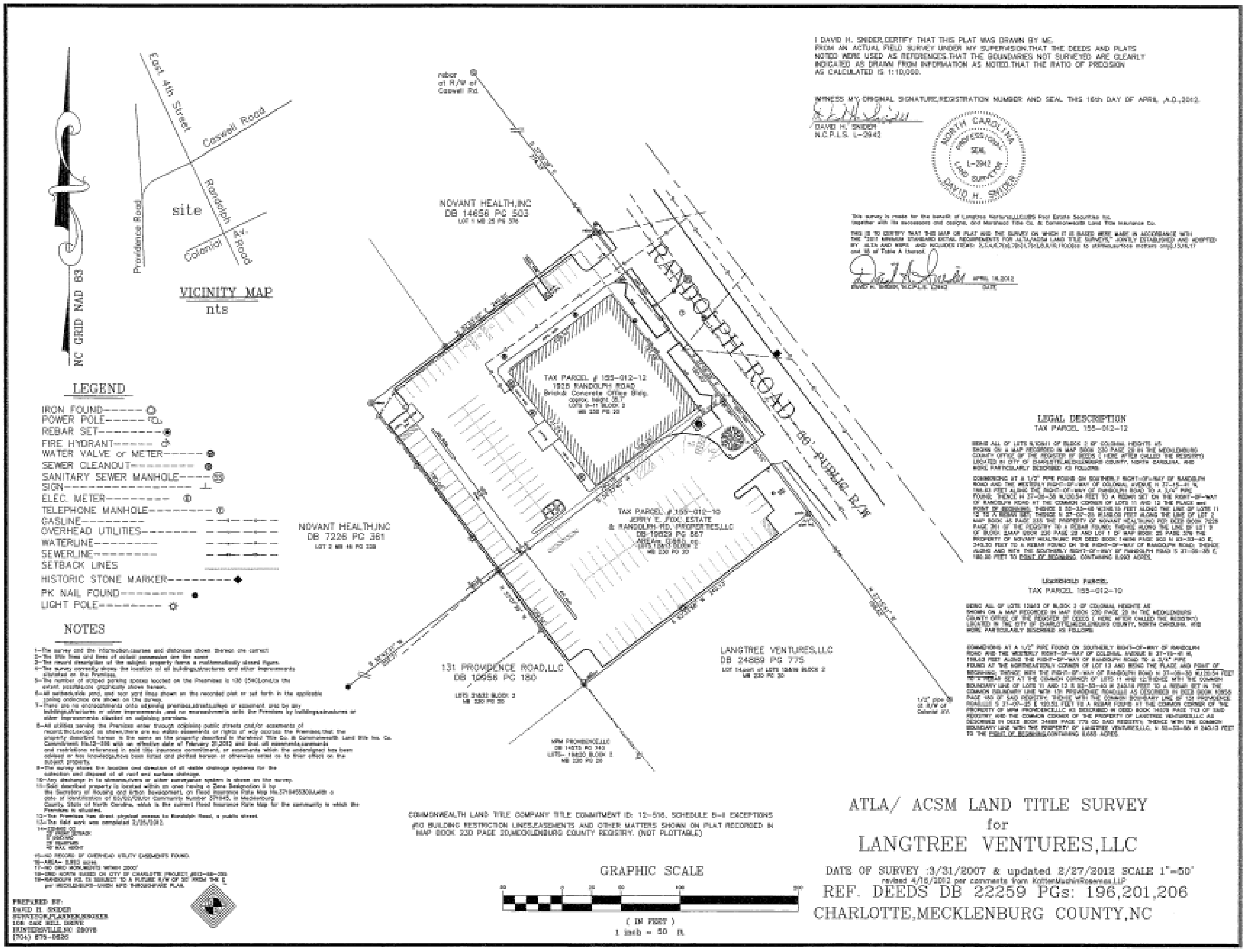
ZONING MAP


Presbyterian
Urgent Care
Charlotte
Randolph Rd
Vail Av
O-2
730
N Colonial Av
Randolph Rd
Providence Rd
720
O-1
O-6(CD)

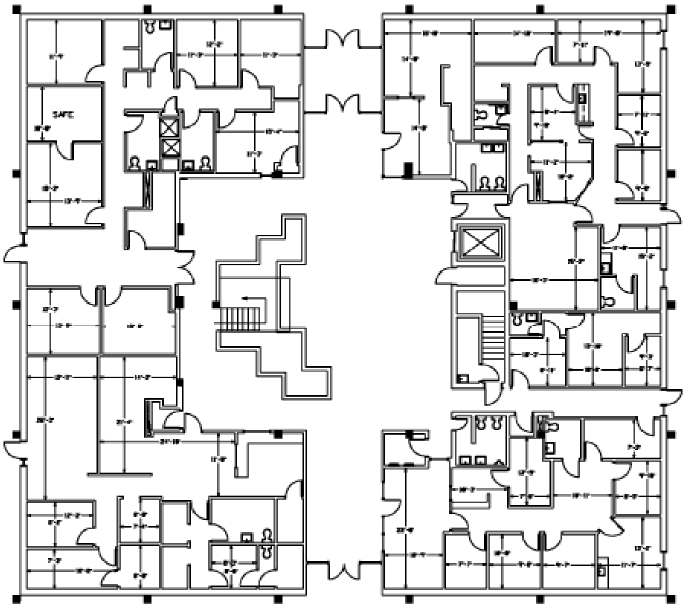
FLOOD MAP


STDBONLINE.com
FLOODSOURCE
FLOODSCAPE™
PROPERTY ADDRESS:
35.208939%2C+-80.823324
North
CLEMENT AV
N CASWELL RD
BARNETTE PL
GREENWAY AV
RIDGEWAY AV
E 5TH ST
N COLONIAL AV
S CASWELL RD
S COLONIAL AV
N CHASE ST
VAIL AV
N LAUREL AV
PHIL AULL PL
S CHASE ST
DURHAM DR
DARTMOUTH PL
VAN NESS ST
City of Charlotte
370159
ALBERTO ST
HERMITAGE CT
CIRCLE AV
PROVIDENCE RD
WILLOUGHBY ST
COOK ST
MORAVIAN LN
CRESCENT AV
S LAUREL AV
FENTON PL
HERMITAGE RD
0' 300' 600' 900' 1200'
FLOODSCAPE™
Flood Hazards Map
Map Number
3710455300J
Effective Date
March 2, 2009
Flood Legend
High flood risk
Moderate flood risk
Low flood risk
This report makes no representations or warranties concerning its content, accuracy or completeness.
STDBonline.com
469.574.1234
Powered by FloodSource
877.77.FLOOD
www.floodsource.com

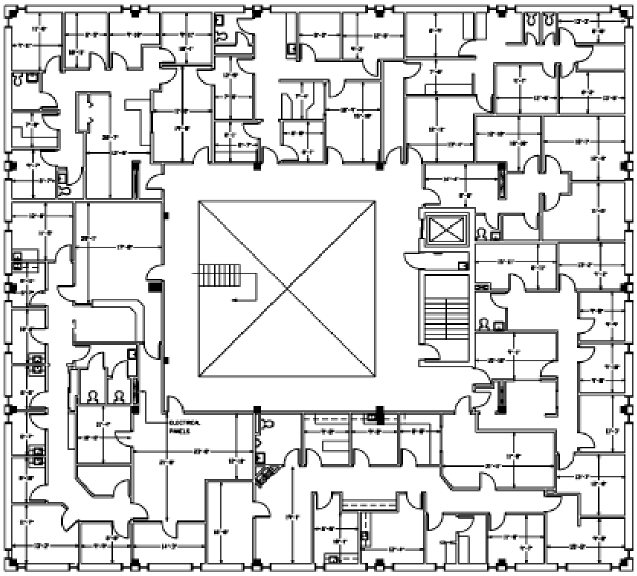
ALTA SURVEY


VICINITY MAP
nts
East 4th Street
Caswell Road
Randolph
Providence Road
site
Colonial Av.
Road
NC GRID NAD 83
LEGEND
NOTES
RANDOLPH ROAD
60' PUBLIC R/W
NOVANT HEALTH,INC
DB 14656 PG 503
TAX PARCEL # 155-012-12
1926 RANDOLPH ROAD
Brick& Concrete Office Bldg.
TAX PARCEL # 155-012-10
NOVANT HEALTH,INC
DB 7226 PG 361
131 PROVIDENCE ROAD,LLC
DB 10956 PG 180
LANGTREE VENTURES,LLC
DB 24889 PG 775
LEGAL DESCRIPTION
TAX PARCEL 155-012-12
LEASEHOLD PARCEL
TAX PARCEL 155-012-10
GRAPHIC SCALE
(IN FEET)
1 inch = 50 ft.
ATLA/ ACSM LAND TITLE SURVEY
for
LANGTREE VENTURES,LLC
DATE OF SURVEY :3/31/2007 & updated 2/27/2012 SCALE 1"=50'
REF. DEEDS DB 22259 PGs: 196,201,206
CHARLOTTE,MECKLENBURG COUNTY,NC

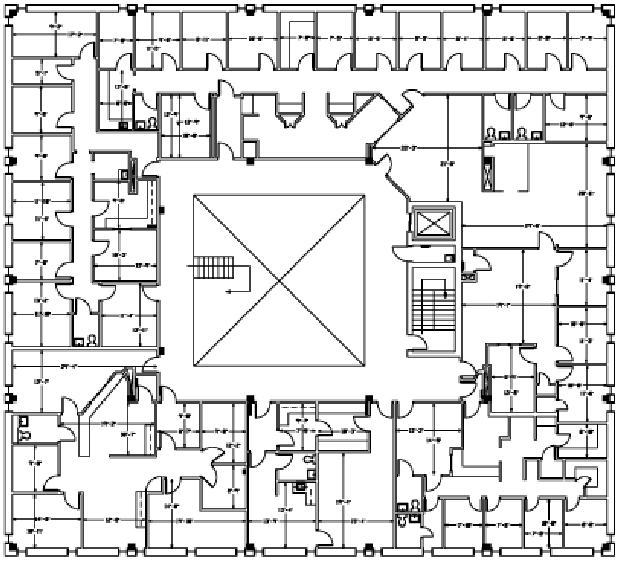
FLOOR PLATES



1928 RANDOLPH ROAD
FIRST FLOOR



1928 RANDOLPH ROAD
SECOND FLOOR



1928 RANDOLPH ROAD
THIRD FLOOR

INTRODUCTION

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.

Building plans and specifications were not provided for the preparation of this appraisal. CIVAS did not physically measure the improvements. Pertinent facts regarding the building's size are shown below.

- The gross building area is as reported by the local Assessor's office, and;
- The net rentable area excludes vertical penetrations and was reported by management as the sum of the rent roll

Property Type	Office - Medical Office
Design	Multi-Tenant Occupied By Third Party Tenants - 17 Tenant Spaces
Number of Buildings	1
Number of Stories	3
Net Rentable Area (NRA)	33,207 SF
Gross Building Area (GBA)	33,870 SF
Load/Loss Factor	98%
Percent Air Conditioned	100%
Building Class	B
Site Coverage Ratio	13.6%
Land to Building Ratio	2.1 : 1
Parking	138 (Surface) 4.2/1,000 SF NRA
Year Built	1964
Year Renovated	-
Age/Life Analysis	
Actual Age	49 Years
Effective Age	12 Years
Economic Life	45 Years
Remaining Life	33 Years
Quality	Average/Fair
Condition	Average

The subject was built in 1964. While appropriately maintained and upfitted for various tenancies, we are unaware of any substantive renovations.

Functional Design The building is positioned on the site to leverage as much arterial exposure as possible. Frontage is superior for northbound traffic versus southbound traffic due to the layout of the improvements. The spaces offer fair utility to the tenants and their customers. The subject improvements are an older vintage with a central atrium. The atrium design of the building isn't the most functional layout for tenants and the office suites have long runs not typical in the market. Overall, the subject has a functional design but is dated construction.

Basic Construction	Steel and masonry
Foundation	Reinforced concrete slab
Framing	Structural steel with masonry and concrete encasement
Exterior Walls	Masonry
Roof	Sealed membrane
Insulation	Assumed to be standard and to code for both walls and ceilings
Heating	Centralized gas-fired, hot water boiler for most suites, split system central HVAC in select units. Mechanical plant and individual heat pumps are roof-mounted.
Air Conditioning	Majority of spaces are cooled by central cooling tower and two compressors. One compressor was observed to be new and the other had been recently maintenanced. Select units have split system heat pumps that provide central HVAC
Lighting	Fluorescent and Incandescent in office suites and standard recessed incandescent fixtures for the common area mezzanines with a skylight lighting the atrium.
Electrical	Each tenant is separately metered
Interior Walls	Drywall
Ceilings	Combination textured and painted sheetrock and suspended acoustical tile in office suites and combination of suspended acoustical tile for the common area mezzanines with glass panels, i.e. skylight, over the atrium.
Windows	Insulated glass in aluminum frames
Pedestrian Doors	Glass in metal frame
Flooring	Combination of commercial grade short loop carpeting, and vinyl over concrete in the office suites. Common areas have carpet and polished concrete on the ground floor with terrazzo over concrete on the upper level.
Plumbing	Standard plumbing for a medical office building
Fire Protection	The subject does not have a fire sprinkler system. The improvements are not fire sprinklered. It is assumed the improvements have adequate fire alarm systems, fire exits, fire extinguishers, fire escapes and/or other fire protection measures to meet local fire marshal requirements.
Landscaping	The building is a suburban office building and constructed to maximize the site area. Landscaping is adequately maintained.

Build-out/TIs The improvements have typical medical office finishes that vary based on each tenant concept.

Elevators/Stairwell Two sets of interior stairwells located in the building's core center provide access to the upper stories. The building includes one central elevator providing passenger service.

Restrooms Two common area restrooms are located on each floor with one each designated for men's and women's use. The finish of each is considered building standard grade with ceramic tile flooring, porcelain fixtures and mirrored vanities. All of these facilities are considered in average condition. We also note that several of the individual tenancies provides for bathroom facilities within their respective leased areas.

Signage There is a monument style sign along Randolph Road.

Deferred Maintenance The subject property has an ongoing maintenance program in place. Based on our interview with the property owner and the onsite observations by the field appraiser, no observable deferred maintenance exists.

Hazardous Materials 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.

***ADA* Compliance** This analysis assumes that the subject complies with all ADA requirements. Please refer to the Assumptions and Limiting Conditions section regarding this issue.

INTRODUCTION

Assessment of real property is established by an assessor that is an appointed or elected official charged with determining the value of each property. The assessment is used to determine the necessary rate of taxation required to support the municipal budget. A property tax is a levy on the value of property that the owner is required to pay to the municipality in which it is situated. Multiple jurisdictions may tax the same property.

The subject property is located within the Mecklenburg County municipality. The assessed value and property tax for the current year are summarized in the following table.

ASSESSMENT & TAXES						
Tax Year	2012				Tax Rate	1.2292
					Taxes Current	No
APN	**LAND**	**IMPV**	**TOTAL**	**EXEMPTIONS**	**TAXABLE**	**BASE TAX**
15501212	$1,728,000	$3,136,600	$4,864,600	$0	$4,864,600	$59,796
15501210	$1,152,000	$0	$1,152,000	$0	$1,152,000	$14,160
Totals	**$2,880,000**	**$3,136,600**	**$6,016,600**	**$0**	**$6,016,600**	**$73,956**
Total/SF (NRA)	**$86.73**	**$94.46**	**$181.18**	**$0.00**	**$181.18**	**$2.23**
Total Base Tax						**$73,956**
Total Base Tax Per SF (NRA)						**$2.23**

Source: Mecklenburg County Assessment & Taxation

SUBJECT PROPERTY ANALYSIS

The total assessment for the subject property is $6,016,600 or $181.18/SF. There are no exemptions in place. Total taxes for the property are $73,956 or $2.23/SF of net rentable area.

Mecklenburg County's last assessment was in 2011. NC statues require assessments to be on the basis of 100% of market value and to occur at no less than eight-year increments though most counties including Mecklenburg have adopted a more frequent cycle. The prior assessment was conducted in 2003. A sale of the subject does not serve as a basis for a reassessment between cycles. Only a change in physical components requires consideration between cycles.

According to the staff representative at the Mecklenburg County Tax Office, 2012 real estate taxes for the subject property are past due as of the date of this report and will become delinquent as of January 8, 2013, the county-wide due date for real estate taxes. There are delinquent taxes on APN #15501212 for the 2011 tax year in the amount of $63,593.79, inclusive of accrued interest of $6,221.27. Past due taxes are assumed to be current on the effective date of this appraisal report.

TAX COMPARABLES

To determine if the assessment and taxes on the subject property are reasonable, we considered historical information, as well as information from similar properties in the market. They are illustrated in the table below.

TAX COMPARABLES	SUBJECT	COMP 1	COMP 2	COMP 3	LOW	HIGH	AVG
Property Name	Multi-Tenant Medical Office Building	Multi-Tenant Medical Office Building	Multi-Tenant Medical Office Building	Multi-Tenant Medical Office Building	-	-	-
Address	1928 Randolph Road	2600 E. 7th St	335 Billingsley Rd	141 Providence Rd	-	-	-
City, State	Charlotte NC	Charlotte NC	Charlotte NC	Charlotte NC	-	-	-
APN	15501212, 15501210	12712301	15704107	15501203	-	-	-
Year Built	1964	1986	1990	1967	1967	1990	1981
NRA	33,207	11,292	13,380	13,432	11,292	13,432	12,701
Assessed $	$6,016,600	$1,978,700	$2,061,000	$1,868,900	-	-	-
Assessed $/SF	$181.18	$175.23	$154.04	$139.14	$0.00	$175.23	$78.07
Total Taxes	$73,956	$23,902	$25,326	$22,973	-	-	-
Taxes Per SF	$2.23	$2.12	$1.89	$1.71	$1.71	$2.12	$1.91

The comparable properties reflect taxes ranging from $1.71 to $2.12/SF with an average of $1.91/SF of net rentable area. The taxes for the subject property are above this range and appear above market based on the age of the subject property compared to the comparables. The higher assessment may be the result of the non-arm's length transaction that occurred in September 2012, but our opinion is pure speculation at this point.

CONCLUSION

After reviewing the assessment and taxes of comparable properties, we determined that the subject property is assessed above the market. We recommend the property owner pursue a real estate tax appeal. We conclude the subject property could be re-assessed, resulting in a decreased tax liability. Our pro forma assumes the tax comparable mean of $1.91 PSF of NRA or $63,425.37 in total. Thereafter, we assumed taxes will increase 3.0% per annum over the projection period. If the subject sold for the value estimate in this report, a reassessment at that value could occur. The consequences of this reassessment have been considered in the appropriate valuation sections.

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 zoning characteristics for the subject property are summarized below:

ZONING SUMMARY	
Municipality Governing Zoning	City of Charlotte Planning & Zoning Department
Current Zoning	Office District (O-2)
Permitted Uses	Office, Residential, Schools, Religious Facilities
Current Use	Medical Office
Is Current Use Legally Permitted?	Yes
Zoning Change	Not Likely
ZONING REQUIREMENTS	
Minimum Site Area (SF)	6,000 SF
Minimum Yard Setbacks	
Front (Feet)	20
Rear (Feet)	20
Side (Feet)	5
Maximum Building Height	40 Feet
Maximum Floor Area Ratio (FAR)	1.0 times the lot area
Parking Requirement	
Spaces Per 200 SF	1
Conforming Use	The existing improvements represent a legal non-conforming use within this zone due to indequate parking spaces

Source: City of Charlotte 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's use is permitted outright by the zoning; however, it does not conform to certain specific zoning requirements as detailed above. If the subject were destroyed unintentionally, the site could be redeveloped with the same use; however, the overall design and site placement would have to be adjusted to conform to current zoning requirements.

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of our analysis correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through our 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. Additional information may be obtained from the appropriate governmental authority.

INTRODUCTION

An overview of local market conditions is a necessary aspect of the appraisal process. The market analysis forms a basis for assessing market area boundaries, supply and demand factors, and indications of financial feasibility. Primary data sources utilized for this analysis include national research conducted by Colliers International, 3Q 2012 Charlotte Office as published by Karnes and 2H 2012 Medical Office Report produced by Marcus and Millichap and 3Q 2012 Medical Office Update published by CBRE. In this section, we discuss the status of relevant market characteristics for office properties. The following discussion analyzes the local retail and office markets on a macro and micro basis in addition to a national overview of general office and medical office property types. Below is a list of the various sections covered in the following Market Analysis:

- National Medical Office Market
- National Office Market
- Charlotte Office Market
- Midtown Office Submarket
- Competitive Dataset Analysis
- Broker / Market Participant Interviews
- Transaction Trends
- Subject Property Analysis

Q3 2012 MEDICAL OFFICE MARKET OVERVIEW

Marcus & Millichap Special Medical Office Report

Reaction to the Supreme Court's recent decision regarding the Patient Protection and Affordable Care Act (PPACA) has been mixed, and the issue will remain hotly debated in the near term as the presidential election approaches. Aside from the various positions on reform and ongoing controversy, many healthcare executives indicated relief that at least some of the uncertainty clouding the industry's future has lifted. If fully implemented, the law could bring health coverage to roughly 35 million uninsured individuals, though the final tally will vary depending on Medicaid expansion, which the Supreme Court left in the hands of individual states. The law, however, caps Medicare spending growth, which will likely result in additional reimbursement cuts at a time when the 65-plus population undergoes dramatic growth. Therefore, while demand for medical office space will receive a boost from increased healthcare demand, pressure on tenants' revenues will hamper the pace of rent growth. Nonetheless, owners of better-quality, performing medical office properties should enjoy stable returns over an extended period, as tenants tend to make significant investments in improvements and on-site equipment, discouraging relocations.

While demographic and economic trends will undoubtedly boost space demand in the years ahead, the strength of the correlation remains unclear. To start, adoption of electronic records will reduce in-office fi le storage, while tele-health systems curb office visits and extended hours allow for greater capacity sans additional space. In addition, a growing share of doctors will work directly for hospitals and health systems. Some systems will favor multipurpose ambulatory care centers over traditional multi-tenant properties, while others will look to well-located shopping centers for expansion into communities. The proliferation of in-store clinics will continue and could accelerate if a major retailer such as Walmart enters the game, and more vacant retail properties, such as a 300,000-square foot mall in Massachusetts, will be repositioned for medical use. Furthermore, indicators point to a physician shortage within the next decade as an estimated one-third of today's doctors retire. While smaller, aging properties will be most negatively affected by this trend, physician attrition may also alter space needs and desired floorplans in newer assets, as large practices and health systems utilize more physician assistants and nurse practitioners to fill gaps.

On a positive note, the multitude of questions surrounding healthcare and future space demand will limit purely speculative development over the next several years. Lenders will continue to cap leverage on construction loans well below prerecession levels, in addition to requiring strong preleasing prior to funding. Without speculative development, much of the new space demand will be forced into existing properties. However, not all medical office properties will benefit to the same degree. Similar to the past 12 months, when newer properties accounted for nearly all net absorption, the majority of occupancy growth in the coming year will involve build-to-suit assets and speculative buildings delivered immediately before or during the downturn. In spite of dramatic tightening over the past year, properties that fall into the latter category continue to maintain sufficient availability to satisfy a sizable share of new demand in the near term.

Supply Trends

Approximately 4.6 million square feet of medical office space was delivered in the first half, and another 4.4 million is slated for completion over the remainder of the year. New supply in 2012 will exceed last year's total by a wide margin but will pale in comparison to 2007 to 2009, when medical office inventory grew by nearly 60 million square feet. A substantial share of the new space brought to market during that time period was speculative, a sharp contrast to the development picture today. In recent quarters, heavily preleased and build-to-suit projects dominated the construction pipeline. As a result, combined occupancy across properties delivered year to date already rests at approximately 80 percent.

Medical office development will remain focused on ambulatory facilities. This ranges from freestanding emergency rooms, urgent care clinics and surgery centers to large multipurpose facilities, where providers can house specialists and other services, such as imaging, rehab and wellness clinics. Aside from catering to consumers' preferences for convenient access to care, outpatient services carry substantially lower costs than those performed in hospital settings. The disparity in cost tends to become more evident for the elderly, who often encounter additional health issues once admitted to in-patient facilities.

A handful of large, traditional multi-tenant medical office buildings are under way. Most of these projects have hospital or health system affiliations, and many also feature on-campus locations. As hospitals funnel available capital into upgrading and expanding their core operations, more on-campus medical office construction is likely to be developer-owned.

Vacancy Trends

Over the past 12 months, medical office vacancy slipped 10 basis points to 10.2 percent. Tightening was relatively widespread, though vacancy rates vary dramatically by metro. Boston, New York, Miami, Portland, Seattle and San Francisco boast some of the tightest conditions, though a handful of non-coastal markets, including Salt Lake City, Minneapolis and Milwaukee, report sub-8 percent vacancy. The high end of the vacancy spectrum remains dominated by high construction and/or hard-hit housing markets, such as Atlanta, Dallas, Phoenix and Las Vegas.

Properties delivered since 2007 accounted for nearly all of the net absorption recorded over the past 12 months, though vacancy in this segment remains in excess of 17 percent. Nonetheless, this trend marks a tremendous step in the right direction, particularly for speculative projects brought to market just prior to or during the recession. Over the next year, leasing activity will remain concentrated among modern properties as prospective tenants focus on assets with flexible floor plans and up-to-date digital infrastructure.

Vacancy among buildings constructed prior to 2007 softened modestly over the past year, but, at 10 percent, remained below the overall average. While aging properties will likely maintain lower vacancy rates in the near term, performance will continue to slip over the next several years as roughly one-third of practicing physicians retire, and most new doctors join the ranks of hospitals and health systems. In addition, many established practices will be acquired by health systems, which may result in the loss of some long-time tenants. Affiliations and acquisitions are expected to become appealing to even the most successful physicians as reimbursements slip, and complex billing structures and heightened regulatory requirements drive up administrative costs.

Rental Trends

Asking rents average slightly more than $22.00 per square foot at the national level but vary significantly by quality and location. In some of the larger Midwestern markets, for example, rents hover in the mid- to high-teens, while averages in supply-constrained coastal markets can push beyond $30 per square foot. Rents also deviate by property age, which often correlates highly to asset quality and desirability. On average, space brought online within the past five years carries rents roughly 25 percent higher than earlier construction.

Age- and quality-driven rental disparities have become widespread but appear most pronounced in core markets. As demand for modern space accelerates and the rent gap expands further, more investors will target well-located aging medical office assets for rehab and repositioning. This trend will likely be most prevalent in high-barrier-to-development markets such as the Bay Area, supply-constrained parts of Southern California, and historically tight Northeast metros.

While tenant demand will remain focused on newer assets in the near term, holding asking rents at above-average levels, rent growth may be limited as the market works through the glut of space delivered between 2007 and 2009. Longer term, rents for modern properties, particularly those proximate to densely populated communities and/or multiple major hospitals, will rise alongside demand. When implementing rent increases, though, owners will have to remain cognizant of external factors, such as downward pressure on reimbursements and escalating healthcare-business costs, which weigh on their tenants' bottom lines.

Capital Markets

In mid-September, the Fed announced a new open-ended program of quantitative easing, along with an extension of “Operation Twist” through year end. The Fed added that it would undertake further measures if necessary until the economy strengthens and labor market conditions improve. The Committee issued interest rate guidance as well, maintaining a zero to one-fourth point federal funds rate at least until mid-2015.

Financing will remain abundant over the next year for institutional-grade medical office buildings in primary markets. This segment is dominated by life insurance companies, which, as of late August, were pricing new seven- to 10-year loans in the high-3 to mid-4 percent range. Life companies, however, maintain strict lending criteria, limiting their scope almost entirely to top-tier, on-campus deals.

National banks and large private sources have stepped up financing of high-quality properties that fall just outside of the institutional arena. Max leverage for these deals tops out around 70 to 75 percent, while all-in lending rates fall between 4.25 and 5.5 percent, depending on tenant-credit characteristics and lease terms. CMBS debt has re-emerged as an alternative in the medical office market, with interest rates start around 4.5 percent and can push upwards of 5 percent.

Investors seeking financing for smaller Class B/C deals in non-core locations generally rely on regional and community banks. Within this segment, borrowers may be able to leverage existing bank relationships to secure three- to five-year loans at all-in rates between 4.5 and 5.5 percent. While investor demand for small, aging medical office properties has softened, more owner-users, who can often secure SBA loans, have stepped up to the plate.

PwC National Investor Survey

Robust sales volume characterized the national medical office buildings market during the first half of this year, and many investors look for the trend to continue. "This market is active with several new portfolios expected to come to market in the second half of 2012," predicts a participant. Through the second quarter of 2012, sales volume reached $2.46 billion, an increase of 155.0% over the prior year, as per Real Capital Analytics. Moreover, the 12-month rolling total sales volume surpassed $4.0 billion, the highest level since 2008. Certain investors are seeking single assets, but portfolio offerings are attracting larger investors. In a recent trade, HCP acquired the leasehold interest in an eight-asset MOB portfolio in Scottsdale, Arizona for $81.0 million. Also, AR Capital Healthcare acquired three MOBs in Wisconsin for $63.0 million.

Despite buyers' strong interest in MOBs, opinions vary with regard to MOB asset values over the next 12 months. While some Survey participants expect MOB values to decline as much as 20.0% in the coming year, others see MOB assets appreciating as much as 10.0%. The average change in MOB asset values is just under 1.0%.

KEY 3Q12 SURVEY STATS*

Tenant Retention Rate:		
Average	75.3%	▲
Range	50.0% to 90.0%	
Months of Free Rent[(1)]:		
Average	4.7	▲
Range	1 to 12	
% of participants using	77.8%	▲
Average Overall Cap Rates:		
Market (as a whole)	7.94%	▼
On campus	7.50%	▼
Off campus	8.39%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 31
NATIONAL MEDICAL OFFICE BUILDINGS MARKET
Third Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.50% – 13.00%	6.50% – 13.00%	7.00% – 13.00%	8.00% – 13.00%	8.00% – 13.00%
Average	8.97%	8.96%	9.24%	9.74%	9.60%
Change (Basis Points)		+ 1	– 27	– 77	– 63
OVERALL CAP RATE (OAR)[a]					
Range	5.75% – 11.00%	5.75% – 11.00%	6.00% – 11.00%	7.00% – 11.50%	6.00% – 11.00%
Average	7.94%	7.95%	8.10%	8.58%	7.84%
Change (Basis Points)		– 1	– 16	– 64	+ 10
RESIDUAL CAP RATE					
Range	6.00% – 12.00%	6.00% – 12.00%	6.50% – 12.00%	7.00% – 12.00%	6.50% – 8.75%
Average	8.17%	8.17%	8.38%	8.81%	7.68%
Change (Basis Points)		0	– 21	– 64	+ 49
MARKET RENT CHANGE[b]					
Range	(5.00%) – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 4.00%
Average	0.97%	1.08%	1.15%	1.00%	2.53%
Change (Basis Points)		– 11	– 18	– 3	– 156
EXPENSE CHANGE[b]					
Range	0.00% – 4.00%	0.00% – 4.00%	0.00% – 4.00%	1.50% – 5.00%	2.00% – 4.00%
Average	2.22%	2.11%	2.33%	2.64%	3.03%
Change (Basis Points)		+ 11	– 11	– 42	– 81
MARKETING TIME[c]					
Range	1 – 12	1 – 12	1 – 12	2 – 12	2 – 6
Average	5.4	5.4	5.6	6.3	4.6
Change (▼, ▲, =)		=	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Realtyrates.com

The following chart is the 4Q 2012 investor survey for medical office space.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2012* OFFICE - MEDICAL							
Item	**Input**						**OAR**
Minimum							
Spread Over 10-Year Treasury	1.60%	**DCR Technique**		1.45	0.052687	0.65	**4.97**
Debt Coverage Ratio	1.45	**Band of Investment Technique**					
Interest Rate	3.32%	Mortgage		65%	0.052687	0.034246	
Amortization	30	Equity		35%	0.083210	0.029124	
Mortgage Constant	0.052687	OAR					**6.34**
Loan-to-Value Ratio	65%	**Surveyed Rates**					**6.02**
Equity Dividend Rate	8.32%						
Maximum							
Spread Over 10-Year Treasury	6.21%	**DCR Technique**		1.60	0.114159	0.50	**9.13**
Debt Coverage Ratio	1.60	**Band of Investment Technique**					
Interest Rate	7.93%	Mortgage		50%	0.114159	0.057080	
Amortization	15	Equity		50%	0.165955	0.082977	
Mortgage Constant	0.114159	OAR					**14.01**
Loan-to-Value Ratio	50%	**Surveyed Rates**					**13.31**
Equity Dividend Rate	16.60%						
Average							
Spread Over 10-Year Treasury	3.90%	**DCR Technique**		1.53	0.078423	0.58	**6.88**
Debt Coverage Ratio	1.53	**Band of Investment Technique**					
Interest Rate	5.62%	Mortgage		58%	0.078423	0.045093	
Amortization	23	Equity		43%	0.120445	0.051189	
Mortgage Constant	0.078423	OAR					**9.63**
Loan-to-Value Ratio	58%	**Survey**					**9.12**
Equity Dividend Rate	12.04%						

*3rd Quarter 2012 Data

CBRE National Medical Office Investor Update – 3Q 2012

Single-Tenant Net Leased (STNL) real estate investors have traditionally focused on the retail sector for their source of supply. However, in a recent report from Retail Traffic, retail supply is low and demand remains exceedingly high. Investors have been more willing to accept risk in exchange for higher yields, either purchasing assets with weaker credit or located in secondary markets. According to the report, cap rates on Walgreens in the second quarter remained flat at 6.45% while McDonald’s ground lease investments fell by 20 basis points to 4.80%. Considering most Walgreens investments have a flat rent structure during the term of the lease, it’s no wonder investors have migrated to the medical office sector. Hospital systems around the country continue to pursue the “hub & spoke” health care delivery model, moving away from their major campus locations and expanding into the surrounding affluent communities so that their on-staff physicians can treat new patients and increase market share.

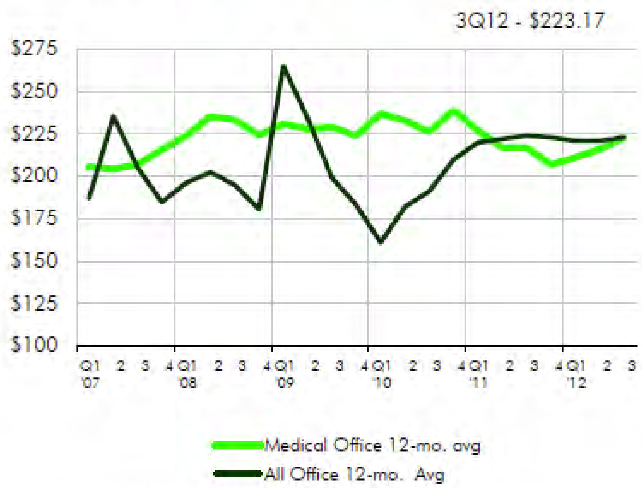
Some of the recent single-tenant medical office offering that have set pricing benchmarks include the Sharps/Scripps buildings in San Diego, CA, the PolyClinic building in Seattle, WA, the Burr Ridge Medical Center in Burr Ridge, IL and most recently our group closed on the Main Line Health Center in Newtown Square, PA. The building is 100% leased to Main Line Health (‘Aa3’ rating for the parent company) through 2022. The 130,457 square foot facility is located in Ellis Preserve, a planned 210-acre mixed-use development with the retail portion commencing construction in 2013. The Ellis Preserve retail community will provide Main Line Health better access to their patient base and fill a void in health services in the highly affluent area.

CAP RATES [NON-WEIGHTED]

Note: Graphs and Data Courtesy of Real Capital Analytics.

PRICE PER SQUARE FOOT [$/SF]

Note: Graphs and Data Courtesy of Real Capital Analytics.



3Q12 MEDICAL OFFICE SALES VOLUME

Note: Data Courtesy of Real Capital Analytics.

REGION	#	VOLUME	AVG. PPSF
West	35	$310,586,272	$239
Southwest	31	$236,659,734	$187
Southeast	47	$363,457,247	$220
Midwest	13	$178,714,000	$285
Northeast	7	$42,970,000	$298
Mid-Atlantic	9	$77,834,937	$228
TOTAL	**142**	**$1,210,222,190**	**$243**

3Q12 Medical Office Summary By Region – Southeast

Duke Realty acquired a seven-building medical office portfolio totaling 334,000 square feet from the Harbin Clinic, the largest independent operator of multi-specialty practice clinics in Georgia. The 100 percent leased portfolio traded for $92 million and is located in and around Rome, Georgia. Several of the building support Redmond Regional Medical Center and Floyd Medical Center, the area's two largest hospitals, including Harbin Specialty Center Medical Office Building and Southeast Cardiovascular Institute, both of which are located adjacent to Redmond Regional Medical Center campus, and Harbin Clinic Cancer Center, which is located on Floyd Medical Center's campus. In Knoxville, Tennessee, Griffin-American Healthcare REIT II acquired the East Tennessee Medical Office Buildings for $51.2 million. The two single-tenant medical office buildings total approximately 167,000 square feet and are located on the campus of Provision Health Alliance.

NORTH AMERICA Q3 2012 OFFICE HIGHLIGHTS

According to KC Conway at Office Research USA Colliers International, U.S. office sales are down 21 percent in the first half of 2012 compared to the second half of 2011. May was the first month in 2012 to register a year-over-year decline in office building sales. Other highlights include:

- Monthly delinquency rates for CMBS loans collateralized by office properties continue to set all-time records. July saw another all-time high—the fifth straight month in which the delinquency rate has increased.
- The average office vacancy rate for North America is improving, but at a slower pace than in 2011. The rate declined a modest 13 basis points to 14.29 percent.
- U.S. new supply continues to come online at approximately the same pace as the trailing five quarter average. With 38.4 million square feet of new construction still underway, additions to supply will impede improvement in occupancy or rental rates over the next 4 to 8 quarters.

	US	CA	NA
VACANCY RATE	14.78	7.38	14.29
% Change From Q1 2012	-0.15	0.03	-0.13
ABSORPTION (M-SF)	11.1	0.6	11.7
NEW CONSTRUCTION (M-SF)	4.7	0.7	5.4
UNDER CONSTRUCTION (M-SF)	38.4	12.2	50.6
ASKING RENTS PER SF (USD/CAD)			
Downtown Class A	41.17	50.95	–
% Change from Q1 2012	0.93	1.63	–
Suburban Class A	25.78	32.38	–
% Change from Q1 2012	-0.31	0.40	–

The key metrics of market health such as absorption, vacancy and sales volume showed positive growth in Q2. However, that growth has slowed. We believe this slowing is due to this summer's harmful UV (uncertainty and volatility) rays. As any parent will tell you, prolonged exposure to UV carries the potential for damage. UV sources both home and abroad include:

- Europe's unresolved debt crisis
- Uncertainty around U.S. national elections
- Erratic monthly employment numbers—a drop to 64,000 new jobs in June followed by an increase to 163,000 in July

• Corporate earnings without top-line revenue growth

• Rising, record-high CMBS loan delinquencies

These UV rays have dampened investor enthusiasm for office properties and are holding down transaction volume. Year-over-year total office transactions are down 10 percent from $16.4 billion in Q2 2011 to $14.8 billion this quarter, based on figures from Real Capital Analytics. This transaction drop is even more pronounced when the first half of 2012 is compared to the previous year, revealing a twenty-one percent decrease. The current decline is especially noteworthy given that commercial property transaction levels were already low from the impact of the U.S. debt downgrade in August of last year.

Market watchers in search of strong UV protection are holding out hope for consistent significant employment growth, an improved global GDP, congressional action concerning the "fiscal cliff" of expiring Bush-era tax cuts, and the passing of the U.S. national elections. In the meantime, investors will hibernate in liquid investments like U.S. Treasuries, driving yields to unprecedented lows. We would not be surprised to see the yield on the 10-year treasury and the growth rate of U.S. GDP converge near 1 percent at some point this year—an oddity representative of our times.

ICEE MARKETS STILL HOT

ICEE (Intellectual Capital, Energy and Education) markets, which are defined by the predominance of employment demand drivers linked to technology, energy and higher education. Markets such as Houston, Seattle and Silicon Valley fall into the ICEE category.

SELECT INTELLECTUAL CAPITAL, ENERGY AND EDUCATION (ICEE) CITIES

Employment growth in energy, technology and knowledge industries has caused office demand to improve the most in ICEE markets. This trend continued in Q2 2012, as ICEE office markets captured a disproportionate share of absorption. Nine of the ten markets with the highest absorption fall into the ICEE category, led by Houston, Oklahoma City and Boston.

We compared the absorption and vacancy statistics of the biggest ICEE and FIRE (Finance, Insurance and Real Estate) markets.

- Although the largest 8 ICEE and FIRE markets each contain approximately the same amount of office space, the ICEE markets have nearly doubled the amount of year-to-date absorption.
- The average vacancy rate is 140 basis points lower in the ICEE markets.

ICEE MARKET	INVENTORY (SF)	VACANCY	YTD ABSORPTION
Houston, TX	198,034,320	14.5%	2,444,573
Oklahoma City, OK	41,891,987	10.4%	1,730,066
Boston, MA	170,547,635	17.6%	1,567,493
Calgary, AB	62,646,626	5.4%	1,553,573
Philadelphia, PA	153,037,785	13.9%	1,266,608
Denver, CO	138,667,945	13.6%	1,153,444
Seattle/Puget Sound, WA	129,083,066	12.7%	1,133,302
Dallas/Fort Worth, TX	304,948,553	16.9%	875,267
TOTAL FOR LARGEST 8	**1,198,857,917**	**14.6%**	**11,724,326**

FIRE MARKET	INVENTORY (SF)	VACANCY	YTD ABSORPTION
Atlanta, GA	221,833,381	17.4%	1,342,776
Chicago, IL	315,239,889	15.5%	1,133819
Miami-Dade, FL	80,594,493	15.4%	774,686
Orange County, CA	80,477,400	17.7%	608,400
Minneapolis, MN	115,785,768	14.1%	579,164
Los Angeles, CA	200,433,500	18.0%	480,100
Charlotte, NC	96,836,008	12.8%	448,139
Orlando, FL	68,739,861	14.2%	394,197
TOTAL FOR LARGEST 8	**1,179,940,300**	**16.0%**	**5,761,281**

Note: New York and San Francisco each contain strong ICEE and FIRE concentrations. Compelling arguments could be made for inclusion of each city in either category. For this reason, we've omitted both from this table.

OFFICE ABSORPTION POSITIVE, BUT SHRINKING

Office absorption also appears to be slowing: North American offices absorbed 19.2 million square feet in the first half of 2012, down six percent from the second half of 2011. In addition, demand is weaker for office than other commercial property types. For example, office absorption in the first half of 2012 is just 30 percent of the 63.3 million square feet of industrial absorption.

CBD office buildings are outperforming the suburbs as companies consolidate operations into the central core of MSAs. Large spaces are in stronger demand as a result of this consolidation. Landlords are finding they are able to increase rents for large space users at lease renewal.

Despite the UV rays of inconsistent unemployment growth, there is a bright spot for office leasing to be found in recent employment reports: A consistent upward trend in professional and business services hiring. Employment in professional and business services increased by 49,000 in July. This was the most of all industry categories and it accounted for 30 percent of the 163,000 gain in total non-farm employment. This trend was also evident in Q2 ADP private employment reports. We believe that increasing professional and business services employment foretells stronger office leasing activity, especially as UV rays dissipate later in the year.

OFFICE VACANCY DIPS BELOW 15%

For the first time in nearly five years, U.S. office vacancy rate dropped below 15 percent in Q1 of this year. This downward trend continued in Q2. This accomplishment was due in large part to strong absorption in ICEE markets such as Houston, Seattle, Calgary, Toronto and Boston. The ten largest office markets account for 40 percent of the 915 million square feet of vacant office space in North America.

Office Markets with the Most Vacant Square Feet

		Vacancy Rate			Vacancy Rate
New York	59.4	11.8%	Houston	28.7	14.5%
Washington, DC	56.6 MSF	13.5%	Los Angeles	36.0 MSF	18.0%
Dallas/Fort Worth	51.4	16.9%	Detroit	34.6	18.8%
Chicago	48.7	15.5%	Boston	30.1	17.6%
Atlanta	38.6	17.4%	Philadelphia	21.3	13.9%

WHEN WILL VACANCY DROP BELOW 14%

Professional and business service employment now accounts for approximately one-third of the 150,000 average monthly job growth. Yet, the fate of the office vacancy rate does not merely depend upon an increase in office workers; new construction also plays a role in the calculation. Unfortunately, the drop below 15 percent may not be outshined by a drop below 14 percent any time soon. Look for only modest improvement in office vacancy rates over the next two years. This quarter, additions to new supply totaled 4.7 million square feet, approximately the same amount as the trailing five-quarter average. While this equates to just 0.3% of existing inventory, an additional 38.4 million square feet is under construction. Completion of this inventory over the next 4–6 quarters means that an additional 0.6% of existing inventory will come online by the end of 2013. Assuming that absorption can sustain a pace of 11 million square feet per quarter, vacancy will only drop to around 14.5 percent.

UNITED STATES | DOWNTOWN OFFICE | ALL INVENTORY

MARKET	EXISTING INVENTORY (SF) JUNE 30, 2012	NEW SUPPLY Q2 2012 (SF)	UNDER CONSTRUCTION (SF)	VACANCY RATE (%) MAR. 31, 2012	VACANCY RATE (%) JUNE 30, 2012	ABSORPTION Q2 2012 (SF)
NORTHEAST						
Baltimore, MD	29,619,980	-	-	15.5%	14.6%	267,797
Boston, MA	61,100,797	-	2,323,000	15.4%	14.5%	535,691
Hartford, CT	9,753,215	-	-	20.8%	20.5%	30,673
New York, NY – Downtown Manhattan	110,942,138	-	5,200,000	16.0%	16.6%	(704,295)
New York, NY – Midtown Manhattan	227,532,283	-	1,052,150	11.7%	11.9%	(482,682)
New York, NY – Midtown South Manhattan	165,368,697	-	850,000	8.6%	8.4%	419,084
Philadelphia, PA	43,083,670	-	-	11.6%	11.1%	220,876
Pittsburgh, PA	32,029,558	-	-	9.8%	9.9%	(152,154)
Stamford, CT	19,161,595	-	-	18.7%	19.6%	(91,836)
Washington, DC	141,428,834	385,791	1,859,251	10.3%	10.3%	327,896
White Plains, NY	7,793,594	-	-	14.8%	14.8%	1,715
Northeast Total	847,814,361	385,791	11,284,401	12.0%	12.0%	372,765
SOUTH						
Atlanta, GA	50,058,800	-	450,000	17.4%	17.1%	136,766
Birmingham, AL	4,078,312	-	-	21.2%	19.0%	10,896
Charleston, SC	2,068,469	-	52,000	9.1%	8.5%	12,499
Charlotte, NC	22,548,471	-	-	11.3%	12.7%	(247,307)
Columbia, SC	4,954,095	-	-	23.8%	23.9%	(5,553)
Dallas/Fort Worth, TX	45,198,638	-	154,801	24.3%	24.0%	137,252
Ft. Lauderdale-Broward, FL	8,022,996	-	-	16.1%	16.7%	(26,269)
Houston, TX	37,898,052	-	-	14.4%	14.4%	95,470
Jacksonville, FL	15,902,019	-	-	14.5%	14.7%	(28,189)
Little Rock, AR	6,525,315	-	-	14.5%	13.6%	112,932
Louisville, KY	43,260,784	-	-	12.0%	11.4%	229,283
Memphis, TN	6,392,399	-	-	14.5%	14.4%	3,592
Miami-Dade, FL	17,784,691	-	-	20.5%	19.1%	214,314
Nashville, TN	12,012,368	83,923	20,000	15.3%	14.6%	66,504
Oklahoma City, OK	11,277,649	-	-	15.0%	14.4%	64,713
Orlando, FL	12,632,862	-	-	11.6%	11.4%	22,607
Raleigh/Durham/Chapel Hill, NC	13,613,840	165,044	-	6.2%	6.1%	159,226
Savannah, GA	746,548	-	72,000	15.1%	15.2%	(1,414)
Tampa Bay, FL	8,511,259	-	-	13.9%	13.6%	22,705
West Palm Beach/Palm Beach County, FL	10,083,575	-	-	18.5%	18.0%	35,885
South Total	333,571,142	248,967	748,801	15.9%	15.7%	1,015,912

UNITED STATES | DOWNTOWN OFFICE | ALL INVENTORY (continued)

MARKET	EXISTING INVENTORY (SF) JUNE 30, 2012	NEW SUPPLY Q2 2012 (SF)	UNDER CONSTRUCTION (SF)	VACANCY RATE (%) MAR. 31, 2012	VACANCY RATE (%) JUNE 30, 2012	ABSORPTION Q2 2012 (SF)
MIDWEST						
Chicago, IL	159,405,948	-	-	13.9%	13.9%	(59,570)
Cincinnati, OH	18,008,286	-	-	17.8%	17.8%	4,626
Cleveland, OH	34,210,959	-	475,000	18.4%	19.6%	(442,193)
Columbus, OH	19,358,350	-	251,000	10.9%	10.6%	48,968
Detroit, MI	26,057,470	-	-	20.5%	23.4%	(396,830)
Grand Rapids, MI	5,461,588	52,000	-	24.7%	23.9%	44,219
Indianapolis, IN	23,453,317	-	-	13.8%	13.8%	8,379
Kansas City, MO	32,238,028	-	215,000	15.1%	15.7%	(186,907)
Milwaukee, WI	23,391,878	30,000	-	13.6%	13.4%	79,406
Minneapolis, MN	32,249,757	62,000	-	15.2%	15.0%	43,951
Omaha, NE	6,381,717	-	-	5.9%	5.8%	4,210
St. Louis, MO	27,493,907	-	-	19.2%	18.7%	134,751
St. Paul, MN	13,636,281	-	-	13.8%	13.5%	47,488
Midwest Total	421,347,486	144,000	941,000	15.3%	15.5%	(669,502)
WEST						
Bakersfield, CA	3,009,769	-	-	10.1%	8.6%	44,614
Boise, ID	3,696,563	-	260,000	11.6%	11.4%	5,219
Denver, CO	34,226,903	-	382,000	11.9%	11.0%	290,405
Fresno, CA	3,284,713	-	-	12.0%	12.0%	1,470
Honolulu, HI	7,119,083	-	-	14.1%	14.5%	(26,780)
Las Vegas, NV	4,175,428	-	-	13.3%	12.9%	15,638
Los Angeles, CA	31,942,700	-	257,300	17.8%	18.2%	(147,900)
Oakland, CA	16,891,513	-	-	13.5%	13.5%	5,420
Phoenix, AZ	20,019,837	-	-	23.4%	22.2%	95,886
Portland, OR	34,136,998	133,260	-	9.1%	9.7%	(76,811)
Reno, NV	3,996,380	-	-	14.9%	15.6%	(25,428)
Sacramento, CA	18,943,435	-	-	9.7%	9.9%	(33,183)
San Diego, CA	10,149,972	-	-	20.0%	20.5%	(41,848)
San Francisco, CA	87,755,078	285,434	1,622,147	12.2%	11.6%	426,066
San Jose/Silicon Valley	7,601,845	-	-	24.6%	24.8%	(27,569)
Seattle/Puget Sound, WA	56,058,909	163,344	847,981	13.0%	12.3%	508,343
Stockton, CA	8,199,807	-	-	19.7%	19.5%	18,163
Walnut Creek/Pleasanton, CA	12,648,620	-	-	17.4%	16.7%	85,931
West Total	363,857,553	582,038	3,369,428	13.9%	13.6%	1,117,636
U.S. TOTALS	1,966,590,542	1,360,796	16,343,630	13.8%	13.7%	1,836,811

UNITED STATES | OFFICE INVESTMENT				
MARKET	CBD SALES PRICE (USD PSF)	CBD CAP RATE (%)	SUBURBAN SALES PRICE (USD PSF)	SUBURBAN CAP RATE (%)
Atlanta, GA	$135.00	7.80	$120.00	9.20
Baltimore, MD			$80.77	8.50
Boston, MA	$249.00	6.00	$194.50	7.13
Charleston, SC	$250.00	8.00	$135.00	11.00
Chicago, IL	$350.00	6.50	$225.00	7.25
Cincinnati, OH	$125.00	9.75	$137.50	9.50
Columbus, OH				8.80
Dallas/Fort Worth, TX			$115.00	8.00
Denver, CO	$189.00	6.50	$159.00	7.10
Detroit, MI	$84.23	12.00	$28.67	12.86
Fairfield County, CT			$190.00	7.30
Fresno, CA	$125.00	9.00	$175.00	8.50
Ft. Lauderdale-Broward, FL			$71.96	
Grand Rapids, MI	$123.50	9.25	$115.00	8.75
Hartford, CT			$36.08	11.00
Houston, TX			$140.00	6.80
Indianapolis, IN	$176.00	8.00	$160.00	8.00
Las Vegas, NV	$23.36		$57.98	
Little Rock, AR	$88.00	9.50	$110.00	9.25
Long Island, NY			$191.88	7.84
Los Angeles – Inland Empire, CA			$175.00	8.00
Los Angeles, CA	$230.00	6.90	$210.00	8.80
Memphis, TN			$54.10	
Miami-Dade, FL	$331.00		$205.00	8.65
Minneapolis, MN			$66.50	
Nashville, TN	$115.00	6.50	$230.00	6.80
New Jersey – Central			$106.61	6.90
New Jersey – Northern			$75.89	6.56
New York, NY – Downtown Manhattan	$281.00	5.00		
New York, NY – Midtown Manhattan	$741.00	4.70		
New York, NY – Midtown South Manhattan	$570.00	4.90		
Oakland, CA		7.50	$111.69	8.50
Orange County, CA			$325.00	6.50
Orlando, FL	$170.00	8.50	$165.00	7.50
Philadelphia, PA	$135.00	8.00	$162.00	8.00
Phoenix, AZ			$78.00	7.80
Pittsburgh, PA	$120.00	8.26	$110.00	8.25
Portland, OR			$107.11	
Sacramento, CA	$80.42		$79.65	
San Diego, CA			$113.27	
San Francisco Peninsula			$250.00	7.00
San Francisco, CA	$586.75	5.60		
San Jose/Silicon Valley			$350.00	6.00

CHARLOTTE METRO OFFICE MARKET

The Karnes Charlotte Office Report calculates office statistics utilizing Karnes' entire database of existing for-lease office buildings containing at least 15,000 SF within Mecklenburg County. Karnes Charlotte Office Report also includes information on for-lease office buildings that are either under construction, as defined by having footers poured, or are proposed within Mecklenburg County. Information on properties under construction or proposed do not impact overall vacancy and absorption figures until completion, when a certificate of occupancy is issued. All rental rates averages are weighted based on square footage and utilize full-service rent figures only.

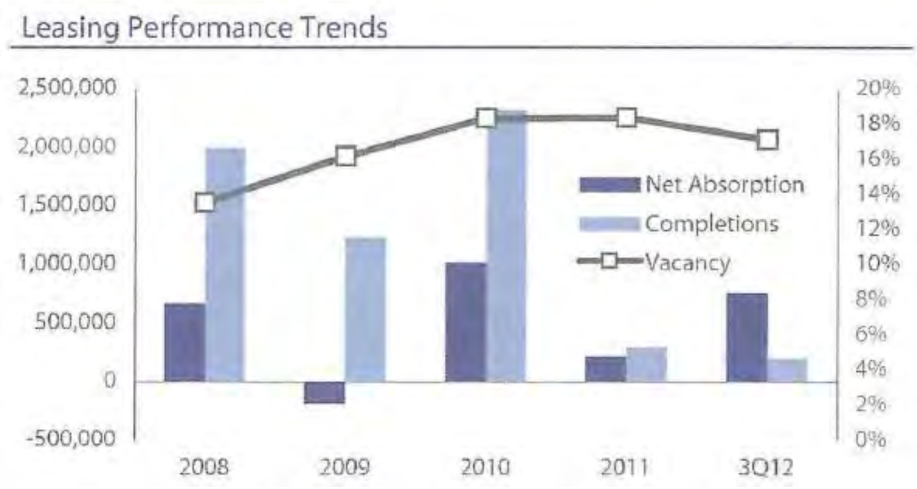
The Karnes Charlotte office inventory comprises multi-tenant office buildings for lease larger than 15,000 SF and increased to over 49.39 million SF during the third quarter of 2012 with the occupied delivery of the 171,000-square-foot Levine Cancer Institute in Midtown.

The Charlotte office vacancy rate was down 0.8% of a point from the 17.1% reported in 2Q 2012. The majority of the region's net demand reported during the third quarter of 2012 was in Class A space as the vacancy rate for Class A space fell 1.0% point from the second quarter to 15.8%, while Class B & C vacancies only changed fractionally to hold at 20.8% and 28.2%, respectively. A historical snapshot of the Charlotte Metro Office market follows:

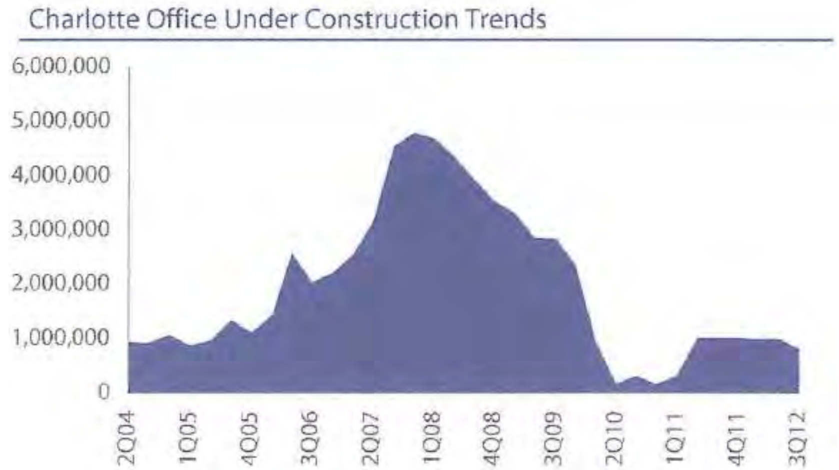
Charlotte Office - Historical Market Analysis						
Period	2008	2009	2010	2011	2012 YTD	3Q12
Number of Buildings	529	541	552	549	551	551
Total Inventory (Sq. Ft.)	44,235,352	45,663,374	49,018,959	49,060,253	49,397,733	49,397,733
Completions	1,994,995	1,229,532	2,312,780	290,969	196,184	171,000
Net Absorption	670,794	(186,167)	1,014,136	213,682	760,427	514,212
Total Vacant (Sq. Ft.)	5,983,438	7,381,637	8,981,711	9,013,936	8,449,693	8,449,693
Vacancy Rate	13.5%	16.2%	18.3%	18.4%	17.1%	17.1%
Class A	12.6%	15.4%	17.0%	17.3%	15.8%	15.8%
Class B	15.8%	18.0%	21.9%	21.3%	20.8%	20.8%
Class C	21.0%	25.1%	30.5%	28.2%	28.2%	28.2%
Average Rent	$22.38	$21.80	$21.77	$21.75	$22.10	$22.10
Class A	$23.45	$22.78	$22.81	$22.73	$23.06	$23.06
Class B	$19.65	$18.89	$18.78	$18.86	$19.27	$19.27
Class C	$14.86	$14.63	$15.03	$15.68	$16.16	$16.16
Sq. Ft. Under Construction	3,525,424	2,351,420	165,869	1,016,800	813,991	813,991
Sq. Ft. Proposed	4,567,677	4,571,127	4,897,127	4,893,867	4,893,867	4,893,867

The Levine Cancer Institute's occupancy of its new 171,000 SF building in Midtown was the region's largest new tenant occupancy reported during the third quarter of 2012 and provided the majority of Midtown's 182,950 square feet of positive net absorption. Over 180,000 SF of positive net demand was also reported in the Downtown submarket during the third quarter of 2012. Chiquita (84,271 SF) completed its move into NASCAR Plaza in Downtown, bringing its total occupancy in the building to 137,790 SF. Other large tenant gains reported Downtown include occupancy by Montreat College (15,000 SF) at The Johnston Building; NASCAR Media Group (22,588 SF) at NASCAR Plaza; Babson Capital Management (35,244 SF) at Duke Energy Center and Charlotte Law (42,000 SF) taking temporary occupancy at Gateway Center. Charlotte Law also made a significant announcement to move into 243,083 SF of the Charlotte Plaza in 3Q 2013. Despite the significant gains in occupancy reported during the period, two of the region's largest tenant contractions were reported in the Downtown submarket. Bank of America vacated 28,598 SF of the Bank of America Plaza and an undisclosed tenant vacated 21,258 SF of the Bank of America Corporate Center.

The I-77/Southwest (86,627 SF) submarket reported the second highest level of positive net absorption in the suburban market with its largest tenant gain reported by The Lash Group, which occupies the 115,000-square-foot LakePointe Corporate Center, expanding into 93,741 SF at LakePointe Corporate Center One during the period. Other significant gains were reported at LakePointe -Two Water Ridge Plaza, where SunTrust Bank moved into 14,686 SF and at LakePointe Plaza One, where Odyssey Logistics occupied 24,863 SF. The largest tenant contractions reported in the 1-77 /Southwest submarket were at LakePointe Corporate Center Two by PMA (8,563 SF) and Oakhill Business Park - Willow Oak by Living Well Health Solutions (8,536 SF).



Top 10 Changes in Occupancy	
Building / Submarket	Tenant / SF
Morehead Medical Plaza II Midtown	Levine Cancer Institute Into 171,000 sq. ft.
LakePointe Corporate Center One I-77/Southwest	The Lash Group Into 93,741 sq. ft.
NASCAR Plaza Downtown	Chiquita Into 84,271 sq. ft.
Gateway Center Downtown	CharlotteLaw Into 42,000 sq. ft.
Duke Energy Center Downtown	Babson Capital Management Into 35,244 sq. ft.
LakePointe Plaza One I-77/Southwest	Odyssey Logistics Into 24,863 sq. ft.
NASCAR Plaza Downtown	NASCAR Media Group Into 22,588 sq. ft.
Ballantyne - Calhoun NC-51/Southeast	Carlisle Companies Into 19,744 sq. ft.
Bank of America Corporate Center Downtown	Undisclosed Out of 21,258 sq. ft.
Bank of America Plaza Downtown	Bank of America Out of 28,598 sq. ft.



The NC-51 / Southeast submarket is poised to deliver nearly 790,000 SF of new office space by the end of 2012 with the anticipated completion of the 238,991-square-foot building being built for SPX and the 550,000 SF of speculative office buildings at the Ballantyne-Gragg and Woodward. During the third quarter of 2012, Significant tenant activity in NC-51/Southeast submarket included the relocation and expansion of the Carlisle Companies out of Brixham Green Three (16,563 SF) and into Ballantyne-Calhoun (19,744 SF) as well as Addison Whitney moving into 16,515 SF at Ballantyne-Everett and Capital Business Credit vacating 15,100 SF at Ballantyne-Brixham Green One.

The inventory of available sublease space in the region totaled 494,850 SF during the third quarter of 2012. The third quarter of 2012 sublease inventory was nearly 240,000 SF lower than the inventory reported during the second quarter with the majority of the sublease space removed Downtown. The region's third quarter of 2012 sublease inventory would add another 1.0% point to the regional vacancy rate. The impact of subleasing is difficult to gauge as wide variations in leasing terms and marketing efforts warrant some discount.

Class A office space reported positive net demand totaling 502,512 SF during the third quarter of 2012. Class A demand was strongest in the Midtown (179,146 S), Downtown (172,598 SF), and 1-77/Southwest (95,658 SF) submarkets. Class B office space reported positive net demand totaling 11,700 S during the third quarter as gains five submarkets, including Downtown with 14,841 SF, outpaced contracting net demand in five submarkets including 1-77/Southwest (9,031 SF). There was no net change in occupancy in the relatively small Class C office market during the third quarter.

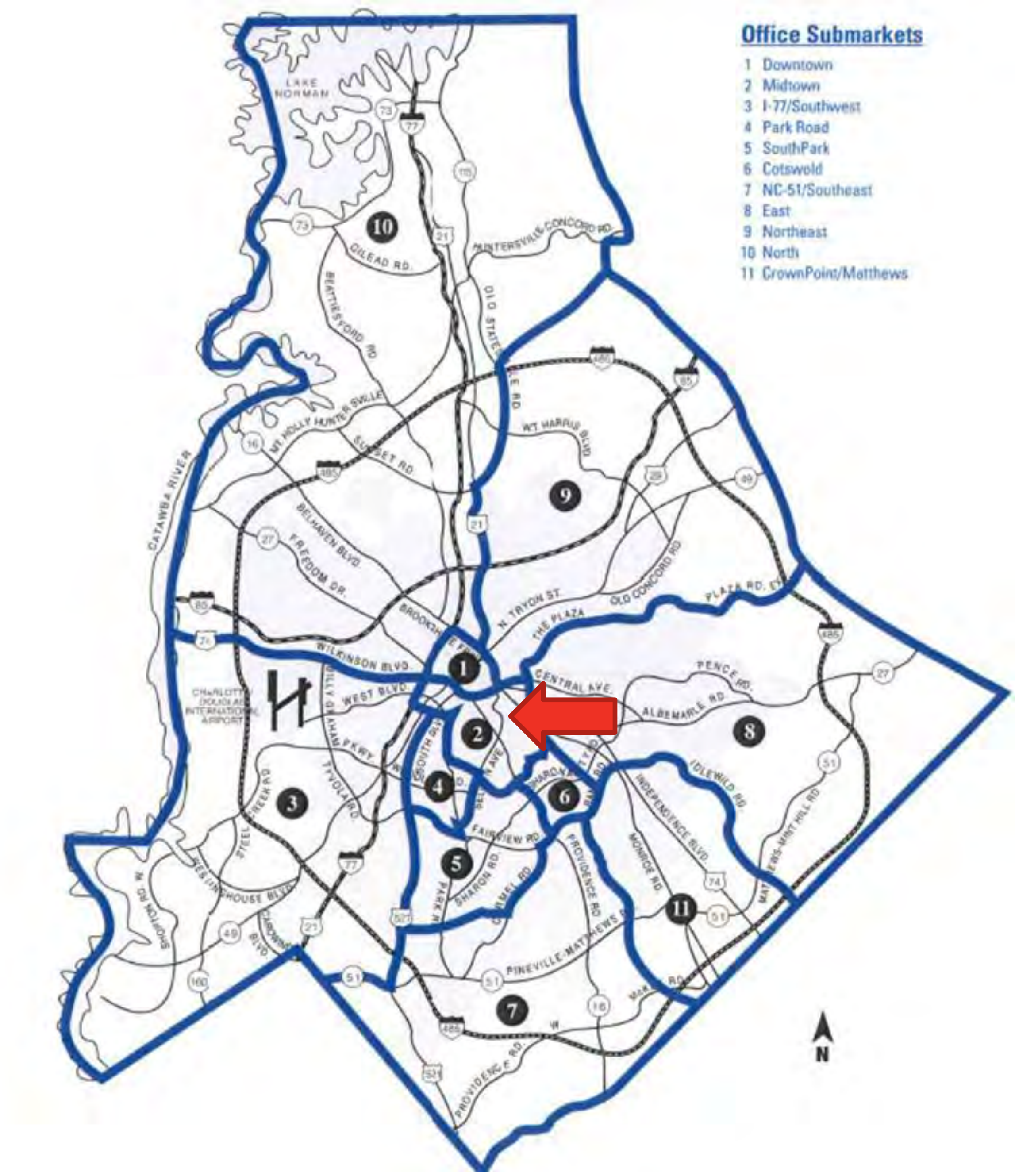
Charlotte Office Inventory, Average Rent, Vacancy & Net Absorption by Class

	Class A				Class B				Class C			
Submarket	Inventory	Avg. Rent	Vacancy	Net Abs.	Inventory	Avg. Rent	Vacancy	Net Abs.	Inventory	Avg. Rent	Vacancy	Net. Abs.
Cotswold	136,448	$22.10	8.8%	0	84,199	$18.28	13.6%	(2,025)	0	$0.00	0.0%	0
CrownPoint / Matthews	798,574	$17.15	18.4%	(5,228)	307,324	$13.54	11.9%	(1,838)	0	$0.00	0.0%	0
Downtown	13,397,960	$27.28	13.7%	172,598	3,435,800	$23.15	9.4%	14,841	190,072	$17.94	28.9%	0
East	42,300	$19.50	0.0%	0	887,743	$14.53	21.3%	0	240,310	$11.80	35.6%	0
I-77 Southwest	6,741,869	$17.11	24.6%	95,658	1,218,872	$13.61	29.2%	(9,031)	0	$0.00	0.0%	0
Midtown	2,303,548	$24.55	6.2%	179,146	1,118,727	$19.15	19.6%	3,804	143,076	$19.98	20.0%	0
NC-51 / Southeast	5,428,008	$22.91	15.2%	39,727	677,966	$19.48	20.4%	(4,381)	0	$0.00	0.0%	0
North	1,892,425	$20.34	16.4%	4,574	463,158	$18.70	13.7%	3,159	0	$0.00	0.0%	0
Northeast	3,191,505	$17.71	19.6%	27,708	1,693,788	$18.63	37.8%	1,850	27,324	$0.00	0.0%	0
Park Road	58,927	$23.29	12.5%	0	668,476	$15.76	29.7%	(4,325)	0	$0.00	0.0%	0
SouthPark	3,530,460	$24.49	10.5%	(11,671)	718,874	$19.63	23.3%	9,646	0	$0.00	0.0%	0
Total	37,522,024	$23.06	15.8%	502,512	11,274,927	$19.27	20.8%	11,700	600,782	$16.16	28.2%	0

CHARLOTTE OFFICE INVESTMENT AND SALES ACTIVITY

Tallying office building sales of 15,000 square feet or larger, Charlotte office sales figures rose during the second quarter 2012 in terms of dollar volume compared to the first quarter of 2012. In the second quarter, 12 office transactions closed with a total volume of $525,051,000. The 12 buildings totaled 2,478,570 square feet and the average price per square foot equated to $211.84 per square foot. That compares to five transactions totaling $33,707,300 in the first quarter 2012. The total square footage in the first quarter was 356,273 square feet for an average price per square foot of $138.12.Total office building sales activity in 2012 was up compared to 2011. In the first six months of 2012, the market saw 18 office sales transactions with a total volume of $574,258,300. The price per square foot averaged $202.57. In the same first six months of 2011, the market posted 17 transactions with a total volume of $142,334,050. The price per square foot aver-aged $109.14. Cap rates have been lower in 2012, averaging 7.35% compared to the same period in 2011 when they averaged 7.87%. One of the largest transactions that has occurred within the last four quarters in the Charlotte market is the sale of Hearst Tower in Charlotte. This 972,000-square-foot office building sold for $250,000,000, or $257.20 per square foot. The property sold on 6/6/2012, at a 7.00% cap rate.

A map demonstrating the submarket boundaries, which is presented on the following page summarizes the inventory and vacancy for the various office submarkets. The subject is located in the Midtown submarket.



SUBMARKET OVERVIEW

Below is a snapshot of the historical market trends of the Midtown submarket as of 3Q 2012, as reported by Karnes.

Midtown 3Q12 Submarket Snapshot	
Number of Buildings	70
Total Inventory (Sq. Ft.)	3,565,351
Total Vacant (Sq. Ft.)	391,422
Vacancy Rate	11.0%
Average Rent	$22.16
Sq. Ft. Under Construction	25,000
Sq. Ft. Proposed	638,000
Completions	171,000
Net Absorption	182,950

Midtown - Historical Market Analysis						
Period	2008	2009	2010	2011	2012 YTD	3Q12
Number of Buildings	67	70	71	69	70	70
Total Inventory (Sq. Ft.)	3,339,459	3,510,341	3,543,761	3,394,351	3,565,351	3,565,351
Completions	224,693	170,882	33,420	0	171,000	171,000
Net Absorption	224,586	83,381	(90,332)	(83,198)	227,790	182,950
Total Vacant (Sq. Ft.)	196,812	284,313	408,065	448,212	391,422	391,422
Vacancy Rate	5.9%	8.1%	11.5%	13.2%	11.0%	11.0%
Class A	4.4%	4.2%	4.9%	8.6%	6.2%	6.2%
Class B	8.6%	14.5%	20.7%	20.9%	19.6%	19.6%
Class C	4.2%	10.3%	26.9%	21.4%	20.0%	20.0%
Average Rent	$22.76	$21.67	$21.57	$21.74	$22.16	$22.16
Class A	$24.53	$23.53	$24.03	$24.24	$24.55	$24.55
Class B	$20.60	$19.62	$19.05	$18.85	$19.15	$19.15
Class C	$16.81	$16.15	$17.96	$18.16	$19.98	$19.98
Sq. Ft. Under Construction	222,882	58,420	25,000	202,625	25,000	25,000
Sq. Ft. Proposed	650,000	638,000	638,000	638,000	638,000	638,000

Midtown - Development Activity			
Construction Status	Building Name	Address	Total SF
Completion	Morehead Medical Plaza II	1021 W. Morehead Street	171,000
Under Construction	Grinnell Water Works (Bldg. 2)	1431 W. Morehead Street	25,000
Proposed	1301 E. Morehead	1301 E. Morehead Street	160,000
Proposed	727 Morehead	727 Morehead Street	180,000
Proposed	BookBinder at SouthEnd	2000 Hawkins	33,000
Proposed	Crosland Greens	Scaleybark Road	60,000
Proposed	Grinnell Water Works III	1435 Bryant Street	60,000
Proposed	Museum Medical Plaza IV	2901 Randolph Road	10,000
Proposed	Southend Medical Plaza	Kingston Avenue	45,000
Proposed	Sterling Elizabeth	1515 Elizabeth Ave.	90,000

Average rent for Class C office in the Midtown submarket remained flat at $19.98 PSF in 3Q 2012 versus YTD 2012. Vacancy for Class C office space in Midtown has also remained flat over 2012 at 20.0%.

Within the development activity table shown above, none of these projects are located within the Midtown – Randolph Medical Office corridor. Morehead Medical Plaza will be a medical use office building, as will Southend Medical Plaza. Both of these buildings are located on the east side of downtown Charlotte.

Museum Medical Plaza IV is a 10,000 SF proposed, built-to-suit medical or office plan located in the Randolph Medical Office Corridor. The plan calls for two stories of 5,000 SF each, making this a potential multi-tenant property. The site is adjacent to a same day surgery center and is across Randolph Road from Presbyterian Imaging Center and Carolinas Health Care System.

Sterling Elizabeth is slated to contain 90,000 SF and is owned by Novant Health, the owner of Presbyterian Hospital. This project, in addition to Museum Medical Plaza, should provide competition for the subject.

COMPETITIVE DATASET ANALYSIS

The following table summarizes the results of a vacancy survey of directly competing properties to the subject that was confirmed during development of this assignment.

COMPETITIVE SET — AS OF DECEMBER 2012

PROPERTY NAME ADDRESS	YEAR BUILT	NUM STORIES	BLDG CLASS	TOTAL NRA (SF)	% TOTAL VACANT	ASKING RENT RANGE	LEASE TYPE
Metroview Professional Building 1900 Randolph Road Charlotte, NC	1971	10	B	108,728	19%	$23.50 to $23.50	Full Service
Charlotte Medical Plaza I & II 300 & 330 Billingsley Road Charlotte, NC	1992	2	B	98,074	19%	$23.50 to $23.50	Full Service
Eastover Medical Park II 2600 East 7th St. Charlotte, NC	1986	1	B	11,292	-	$23.50 to $23.50	Full Service
Randolph Building 3535 Randolph Road Charlotte, NC	1972	2	B	30,200	16%	$21.00 to $21.00	Full Service
Park Place at Wendover 427-497 N. Wendover Road Charlotte, NC	1985	1	B	70,898	0%	$21.50 to $21.50	Modified Gross
LOW	1971			11,292	0%	$21.00 to $21.00	
HIGH	1992			108,728	19%	$23.50 to $23.50	
TOTALS / AVERAGES	1981			319,192	14%	$22.60 to $22.60	

The survey consisted of 319,192 SF of office space indicating a vacancy rate of 14% for properties that fall within the subject's competitive marketplace. Based on this statistical evidence and conversations with survey participants, supply/demand conditions impacting these properties are currently somewhat weak. There has been little new leasing activity in this submarket. Based on conversations with brokers, it appears that existing tenants have been relocating and/or expanding in their current locations. The existing conditions are slightly worse compared to what has occurred historically; therefore, they are not necessarily indicative of what can be expected moving forward.

BROKER / MARKET PARTICIPANT INTERVIEWS

Interviews with brokers and other market participants were conducted to put previously discussed trends and data into better context of what is really occurring in the marketplace.

LEASING PERSPECTIVE INTERVIEW	
Name	Jay Bowling
Company	Meadows & Ohly
Location	Charlotte, NC
Survey Date	4Q 12
Survey Property Profile	Randolph Medical Corridor

According to Jay Bowling, rental rates have been remaining stable over the past six months for the subject property type. There is a substantial amount of space available in the immediate area similar to the subject's spaces. Meanwhile tenant activity is reported to be scarce, primarily consisting of local tenants. Negotiated free rent periods are ranging from 1 to 3 months and have generally been holding steady in recent months. Terms for new leases range from 3 to 7 years, with 5 years reported to be the average. Owner paid tenant improvements are on average $2.50 to $5.00 per square foot for space that is in second generation condition. The most typical leasing commission for this property type is 6% of base rent over the term of the lease. The general rent escalations achieved in the market are being reported at 3% annually.

SALES PERSPECTIVE INTERVIEW	
Name	Mike Giles
Company	NAI Southern Real Estate
Location	Charlotte, NC
Survey Date	4Q 12
Survey Property Profile	Randolph Medical Corridor

According to Mike Giles, sale transactions have been minimal over the past six months for the subject property type, with most activity being seen from national buyers. The market participant reported that large investment opportunities are currently in greatest demand. Currently capitalization rates for stabilized assets range from 8.00% to 8.50%, with an average of 8.25%.

MEDICAL OFFICE TRANSACTION TRENDS

Sales Volume

Although transaction velocity accelerated more than 20% over the past year, a sizable amount of investor demand went unmet due to a shortage of quality for-sale inventory. During this period, the combination of a supply/demand imbalance and historically low interest rates led to further cap rate compression, particularly for hospital-affiliated and/or credit-tenant deals. Such properties in primary metros tend to change hands at cap rates in the 6.0% to 6.75% range, attracting a mix of institutional investors and REITs. Year to date, these two groups of buyers accounted for roughly half of all acquisitions by dollar volume, up from 32% during 2011. There was a 80 property national portfolio transaction that closed in April 2012 that contained 14 medical office properties in the Charlotte Metro region. Out of the 21 medical office transactions tracked by Real Capital Analytics in 2012, this portfolio accounted for 67% of the total Charlotte metro medical office sale volume thus far in 2012.

Seller Activity

Based on research completed on various listing sources including CoStar and Loopnet, properties similar to the subject in terms of pricing and overall investment appeal have somewhat limited availability, with few listings offered within the marketplace. This trend represents the general sentiment of market participants interviewed for this and other assignments.

Buyer Profile/Activity

High-quality opportunities should become more plentiful in the years ahead as healthcare providers exit the real estate business. By monetizing real estate, providers can re-deploy capital toward the acquisition of physician practices, equipment and increased community or specialty services. Dispositions could occur at an accelerated pace if state opt-outs to Medicaid expansion weigh on health systems' and hospitals' credit ratings, hampering their ability to tap bond markets.

Transaction Trends Conclusion

Demand for non-institutional-grade, but still high-quality, assets has intensified thanks to a growing pool of private investors and non-traded REITs circling the market for deals. Private investors tend to enjoy far more flexibility in deal selection than their public counterparts, and can therefore explore a wider array of opportunities. For example, single-tenant medical office buildings in rural towns generating multiple offers from mostly private investors, who were able to overlook their tertiary location to focus on its BBB+ rated tenant that recently signed a 20-year triple-net lease. On average, cap rates for performing off-campus assets average in the high-7 to 9 percent range, though they vary dramatically based on asset and tenant credit quality, affiliations with hospitals and health systems, lease terms and location.

SUBJECT PROPERTY ANALYSIS

General Vacancy Conclusion

As summarized in the table below this market analysis relied on various published data sources and field research for assessing how supply/demand conditions influence the long term vacancy estimate of the subject property.

MEDICAL OFFICE GENERAL VACANCY CONCLUSION

	2012 Q3	LAST YR	10 YR AVG
National Overview	10.2%	9.2%	-
National Overview - Pre 2007 Vintage	10.0%		
Charlotte Market	27.1%	28.6%	18.3%
Midtown/Randolph Road Submarket	17.1%	12.9%	8.1%
Competitive Set	13.8%	-	-
GENERAL VACANCY RATE CONCLUSION INCLUDING CREDIT LOSS			10.5%

National vacancy data was provided by Marcus and Millichap. Regional and local data was provided by Costar. Based on the subject's size, location and appeal, the submarket analysis findings warrant primary consideration. The submarket level analysis indicated a vacancy rate of 17.1% and an average vacancy rate of 8.1% over the past ten years. The national level analysis warrants secondary consideration based on its moderate applicability to the subject. The national market overview indicated a 3Q 2012 vacancy rate of 10.2%. As of the effective date of this appraisal, the subject property has a current vacancy rate of 16.8%. Based on our analysis of supply/demand trends and considering the subject's actual performance, a general vacancy rate of 10.5% is concluded. Included in our conclusion is a 0.50% provision for credit loss.

EXPOSURE TIME & MARKETING PERIOD

Exposure time is defined as "The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market" (The Dictionary of Real Estate Appraisal, Appraisal Institute, 2010). Reasonable exposure time is impacted by the aggressiveness and effectiveness of a property's exposure to market participants, availability and cost of financing, and demand for similar investments. Exposure time is best established based the recent history of marketing periods for comparable sales, discussions with market participants and information from published surveys.

The following information was taken into consideration to develop estimates of exposure time and marketing period for the subject property:

EXPOSURE TIME & MARKETING PERIOD							
SOURCE	QUARTER	RANGE			AVG	LAST Q	LAST YR
PriceWaterhouse Coopers					**3Q 12**	**2Q 12**	**3Q 11**
National Medical Office Buildings	3Q 12	1.0	to	12.0	5.4	5.4	5.6
Charlotte Office	3Q 12	2.0	to	12.0	5.6	5.8	6.2
AVERAGE		1.5	to	12.0	5.5	5.6	5.9

The availability of acquisition financing factors into exposure time. In recent quarters, financing has been available for well-positioned commercial real estate, particularly for stabilized assets within core MSAs and owner/user deals. For second tier or marginal properties, financing has been available but subject to more stringent requirements. Based on review of the local capital market, we conclude that adequate financing options would have been available to consummate a sale of the property on the date of value.

Exposure Time Conclusion

The preceding information generally supports an exposure time range from one to eight months for Office (Medical Office) properties. The subject property is of average/fair quality and is in average condition. Based on its overall physical and locational characteristics, the subject has average overall appeal to owner/users due to the size of the building. Considering these factors, a reasonable estimate of exposure time for the subject property is six to nine months.

Marketing Period Conclusion

Marketing period is very similar to exposure time, but reflects a projected time period to sell the property, rather than a retrospective estimate. We have reviewed open listings and discussed the market with local participants, and given the nature of the subject property, we feel that a time period of six to nine months is supported for the subject's marketing period.

INTRODUCTION

The highest and best use of an improved property is defined as that reasonable and most probable use that will support its highest present value. The highest and best use, or most probable use, must be legally permissible, physically possible, financially feasible, and maximally productive. This section develops the highest and best use of the subject property As If Vacant and As-Improved.

AS IF VACANT ANALYSIS

Legal Factors

The legal factors that possibly influence the highest and best use of the subject site are discussed in this section. Private restrictions, zoning, building codes, historic district controls, and environmental regulations are considered, if applicable to the subject site. Outright permitted uses of the subject's Office District (O-2) zoning were listed in the Zoning Analysis section. Overall, legal factors support a narrow range of office, residential and public uses for the subject site.

Physical & Locational Factors

Regarding physical characteristics, the subject site is generally rectangular in shape and has level topography with average access and average exposure compared to neighboring properties. The subject site has frontage on a minor arterial. The immediate area is developed with office, retail and multi-family uses along the arterials that are interspersed with single-family residential development removed from arterials. Of the outright permitted uses, physical and locational features best support office development for the site's highest and best use as if vacant.

Feasibility Factors

The determination of financial feasibility is dependent primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create the uses. As discussed in the market analysis of this report, the subject office market is generally stabilized. Development of new office properties has occurred in the past few years. However, given current market conditions, new construction in the overall market and submarket has been largely delayed; at least until the recessionary environment enveloping the area lessens its impact.

This suggests that while it could be financially feasible to complete a new office project if the site acquisition cost was low enough to provide an adequate developer's profit, it is unlikely to occur in the foreseeable future. This is attributed to difficulty in securing construction financing and market conditions providing for increased vacancy, reduction of effective rental rates, and higher cap rates, all of which has provided for value decline. Overall, there remains significant risk in the office market and most investors would not move forward with new construction at this time.

As If Vacant Conclusion

Based on the information presented above and contained in the Market and Local Area Analyses, we conclude that the highest and best use of the subject, as if vacant, would be for the eventual development of a medical office property. However, the timing for such a project would be delayed until stronger economic conditions exist. Our analysis of the subject property and its respective market characteristics indicate the most likely buyer, as if vacant, would be a developer.

AS-IMPROVED ANALYSIS

Legal Factors

The subject's Office (Medical Office) use (as-improved) is permitted outright by the O-2 zoning. The subject has a deficiency in its required number of parking spaces per the local zoning district; however, this deficiency is not seen as a detriment to the marketability of the subject improvements. The legal factors influencing the highest and best use of the property support the subject's use as-improved.

Physical & Locational Factors
The physical and location characteristics of the subject improvements have been previously discussed in this report. In summary, the subject's improvements were constructed in 1964 and have a remaining economic life of 33 years based on our estimate. The project is of average/fair quality construction and in average condition, with adequate service amenities. The subject improvements as-improved are sufficiently supported by site features including its Generally Rectangular shape, level topography, average access and average exposure. Further, the subject's location supports the subject improvements as-improved with similar and homogeneous developments present in the subject's immediate market area. Physical and location factors influencing the highest and best use of the property support the subject's use as-improved.

Alternative Uses & Feasibility Factors
In addition to legal and physical considerations, analysis of the subject property as-improved requires the treatment of two important issues: 1) consideration of alternative uses for the property; and 2) the marketability of the most probable use. The five possible alternative treatments of the property are demolition, expansion, renovation, conversion, and the subject's use as-improved. Among the five alternative uses, the subject's use as-improved is supported to be its Highest and Best Use.

Marketability Factors
In general medical office supply/demand conditions and immediate market area trends support viable short and long-term operations of the subject's use as-improved.

As-Improved Conclusion
Based on the previous discussion, the highest and best use of the subject property as-improved is concluded to be continued utilization of the existing improvements until they reach the end of their economic life.

INTRODUCTION

The following presentation of the appraisal process deals directly with the valuation of the subject property. The following paragraphs describe the standard approaches to value that were considered for this analysis.

INCOME APPROACH

The Income Approach is based on the premise that properties are purchased for their income producing potential. It considers both the annual return on the invested principal and the return of the invested principal. This valuation technique entails careful consideration of contract rents currently in place, projected market rents, other income sources, vacancy allowances, and projected expenses associated with the efficient operation and management of the property. The relationship of these income estimates to property value, either as a single stream or a series of projected streams, is the essence of the income approach. The two fundamental methods of this valuation technique include Discounted Cash Flow and Direct Capitalization.

- **Discounted Cash Flow (DCF)**
  The DCF analysis models a property's performance over a buyer's investment horizon from the date of acquisition through the projected sale of the property at the end of the holding period. Net cash flows from property operations and the reversion are discounted at a rate reflective of the property's economic and physical risk profile.

- **Direct Capitalization**
  This method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over a buyer's investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

Development of the Income Approach is a specific scope requirement of this assignment. Characteristics specific to the subject property warrant that this valuation technique is developed. Discounted Cash Flow and Direct Capitalization analysis are both applicable and developed within this analysis. The resulting opinions of value are reconciled into a final opinion of value by the Income Approach.

SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the principle of substitution, which asserts that no one would pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments in order to bracket the subject property on an appropriate unit value comparison. The sales comparison approach is applicable when sufficient data on recent market transactions is available. Alternatively, this approach may offer limited reliability because many properties have unique characteristics that cannot be accounted for in the adjustment process.

Development of the Sales Comparison Approach is a specific scope requirement of this assignment. Characteristics specific to the subject property warrant that this valuation technique to be developed. Sufficient sales data is available to provide a credible value estimate by the Sales Comparison Approach. Based on this reasoning, the Sales Comparison Approach is presented within this appraisal.

LAND VALUATION

Development land in the subject marketplace is most often valued utilizing the Sales Comparison Approach. Development of the subject site value is a specific scope requirement of this assignment. Characteristics specific to the subject property do not warrant that a site value is developed, however, at the request of the Client, a land value has been concluded to in this report. Within the Site Valuation section, the subject is valued as one marketable economic site.

COST APPROACH

The Cost Approach is a set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a replacement for the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. For investment properties, this valuation technique is most often relied upon as a test of financial feasibility for proposed construction.

Development of the Cost Approach is a specific scope requirement of this assignment. Characteristics specific to the subject property do not warrant that this valuation technique is developed. The Cost Approach has limited applicability due to the age of the improvements and lack of market based data to support an estimate of accrued depreciation. Based on the preceding information, the Cost Approach will not be presented.

RECONCILIATION OF VALUE CONCLUSIONS

The Income (Discounted Cash Flow & Direct Capitalization) and Sales Comparison approaches are used to value the subject property, which will be reconciled into the final opinions of market value in the Analysis of Value Conclusions section.

Additional value scenarios presented subsequent to the Analysis of Value Conclusions include: Insurable Replacement Cost.

INTRODUCTION

The Income Approach is based on the premise that properties are purchased for their income producing potential. It considers both the annual return on the invested principal and the return of the invested principal. This valuation technique entails careful consideration of contract rents currently in place, projected market rents, other income sources, vacancy allowances, and projected expenses associated with the efficient operation and management of the property. The relationship of these income estimates to property value, either as a single stream or a series of projected streams, is the essence of the income approach. The two fundamental methods of this valuation technique include Discounted Cash Flow and Direct Capitalization.

Discounted Cash Flow (DCF)

The DCF analysis models a property's performance over a buyer's investment horizon from the current as is status of the property, to projected stabilization of operations and through the projected sale of the property at the end of the holding period. Net cash flows from property operations and the reversion are discounted at a rate reflective of the property's economic and physical risk profile.

Direct Capitalization

This method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over a buyer's investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

Given the appraisal problem and defined scope of work, the following table summarizes the value scenarios and Income Approach methods developed within this appraisal report:

INCOME APPROACH VALUE SCENARIOS		
VALUE	METHODS USED	
SCENARIO	DCF	DIRECT CAP
As-Is Market Value	☒	☒

Discounted Cash Flow and Direct Capitalization analysis are both applicable and developed within this analysis. The resulting opinions of value are correlated into a final value when multiple methods are applied to the same scenario.

Income Approach Framework

The following identifies the primary sections and order in which the Income Approach is developed.

- Overview of Contract Rents
- Market Rent Analysis
- Cash Flow Risk Analysis
- Income & Expense Analysis
- Investment Market Analysis
- Discounted Cash Flow
- Direct Capitalization
- Adjustments to Value
- Income Approach Reconciliation

OVERVIEW OF CONTRACT RENTS This section provides an overview of the subject's existing leases, current leasing activity and asking rents for any vacant space as applicable. The rental income conclusion was reconciled taking into account such items as durability of in-place contract rents, lease escalations and market terms as measured by rent comparables.

Rent Roll

The following Rent Roll Summary reflects a breakdown of the individual tenant spaces and a snapshot of in-place contract rents including lease term, expense structure, base rent, expense recovery and total income. The Rent Roll Detail presented in the Addenda provides additional information on the leases including rent schedules, expense recovery methods, renewal options and expiration assumptions.

RENT ROLL SUMMARY — As of Analysis Start Date Dec-12

		Occup	Vacant	Total	% of	Lease Term			Expense	Current Base Rent (1)		Expense Recovery (1)		Total Income (1)	
Ste	Tenant	SF	SF	NRA (SF)	Total SF	Start	End	Yrs	Structure	Annual	PSF (Yr.)	Annual	PSF (Yr.)	Annual	PSF (Yr.)
205	Dr. Thomas Armstrong	1,472		**1,472**	4.4%	7/07	6/17	10.0	Full Service	$47,120	$32.01	$0	$0.00	$47,120	$32.01
116	Atrium Cafe	701		**701**	2.1%	11/11	10/16	5.0	Full Service	$22,539	$32.15	$0	$0.00	$22,539	$32.15
206	Dr. Charles Arikw ue	2,332		**2,332**	7.0%	1/10	12/14	5.0	Full Service	$64,165	$27.52	$0	$0.00	$64,165	$27.52
305	Dr. Herbert Hoover	1,368		**1,368**	4.1%	10/08	9/13	5.0	Full Service	$28,548	$20.87	$0	$0.00	$28,548	$20.87
215	Dr. Emmett Matthew s	2,732		**2,732**	8.2%	3/09	6/14	5.3	Full Service	$77,349	$28.31	$0	$0.00	$77,349	$28.31
106	Dr. B. Parthenia Richardson	1,715		**1,715**	5.2%	3/08	2/15	7.0	Full Service	$74,800	$43.62	$0	$0.00	$74,800	$43.62
308	Dr. Robert Stack	1,972		**1,972**	5.9%	12/12	11/13	1.0	Full Service	$55,668	$28.23	$0	$0.00	$55,668	$28.23
207	Joshua FM Corp	2,843		**2,843**	8.6%	6/08	1/13	4.7	Full Service	$76,284	$26.83	$0	$0.00	$76,284	$26.83
316	Joshua FM Corp Expansion LC	4,026		**4,026**	12.1%	1/13	6/18	5.5	Full Service	$109,308	$27.15	$0	$0.00	$109,308	$27.15
102	KC Pharmacy	469		**469**	1.4%	12/12	3/13	0.3	Full Service	$9,672	$20.62	$0	$0.00	$9,672	$20.62
109	Lab Corp	2,154		**2,154**	6.5%	7/09	6/13	4.0	Full Service	$54,924	$25.50	$0	$0.00	$54,924	$25.50
312	Metrolina Surgical Specialists	1,962		**1,962**	5.9%	5/09	4/13	4.0	Full Service	$54,216	$27.63	$0	$0.00	$54,216	$27.63
111	Premier Sleep Services	2,840		**2,840**	8.6%	4/11	3/14	3.0	Full Service	$76,189	$26.83	$0	$0.00	$76,189	$26.83
217	Langtree Capital	1,055		**1,055**	3.2%	10/11	9/13	2.0	Full Service	$24,960	$23.66	$0	$0.00	$24,960	$23.66
214	Vacant		1,575	**1,575**	4.7%	-	-	-	-	-	-	-	-	-	-
100	Vacant		1,960	**1,960**	5.9%	-	-	-	-	-	-	-	-	-	-
317	Vacant		2,031	**2,031**	6.1%	-	-	-	-	-	-	-	-	-	-
Total NRA		**27,641**	**5,566**	**33,207**	**100.0%**					**$775,742**	**$28.06**	**$0**	**$0.00**	**$775,742**	**$28.06**
Occupied %		**83.2%**													
Vacant %		**16.8%**													

(1) Current Dollars Annualized (full year amounts include contractual increases, partial year amounts are annualized in all cases for analysis purposes). For tenants w ho are expected to be in occupancy for less months (due to start date or expiration) rent and recovery amounts are annualized based on current monthly figure x 12, or the next monthly figure x 12.
Base Rent consists of contractual rental revenue only, and omits porters w age and percentage rent.

Dr Robert Stack is a month-to-month tenant. His original lease was signed in 2007 and expired in November 2010. Because he is a long term tenant, we have assumed a one-year lease period in the DCF analysis.

As indicated in the preceding table the subject property contains 33,207 SF of NRA of which 27,641 SF is currently occupied, and 5,566 SF is currently vacant. The current occupancy level of 83.2% is below the stabilized occupancy level estimate of 89.5% that was developed in this appraisal.

RENT ROLL ANALYSIS	LOW	HIGH	AVERAGE
Tenant Spaces SF	469	4,026	1,974
Current Lease Terms	4	120	48
Rent PSF (Yr.)	$20.62	$43.62	$28.06
Expense Recovery PSF (Yr.)	$0.00	$0.00	$0.00

Recent Leasing Activity

Based on our review of the rent roll, the subject leases are seasoned, with start dates preceding what would generally be classified recent leasing (within 9 to 12 months).

Asking Rent

As of the effective valuation date, the subject property was in negotiations with Novant Heath to occupy the remainder of the space; therefore, the current vacancies were not being marketed.

Pending Leasing Activity

An existing tenant, Joshua FM Corp, was expanding into a larger space. Although not fully executed, we have assumed this expansion lease to be in effect for our analysis.

Novant Health, the owner of Presbyterian Hospital, has a submitted a LOI for 4,000 SF of ground level space at the subject for a beginning rate of $28.50 PSF, full service, on a 7-year base term. Other details of the LOI include one month of free rent, one 7-year renewal option and the landlord will provide paint and carpet in addition to adding one wall. The proposal was in the early stages of negotiation and was not included in the analysis but is noted here as support for our market rent conclusion.

MARKET RENT ANALYSIS

Having discussed the subject's current income producing capability in detail through an analysis of the subject rent roll, it is appropriate to examine competitive comparable properties within the market. This allows for a comparison of the subject property's contracts to what is attainable in the current market. Risks associated with anomalies between the subject rent roll and current market terms will be addressed in the Cash Flow Risk section that follows the Market Rent Analysis section.

Analysis by Tenant Category

Within the Overview of Contract Rents section, the subject tenant spaces were segregated into tenant categories defined in Argus by correlating Market Leasing Assumptions (MLAs). For each MLA, we provide a specific analysis, described below, as a rent module. In each rent module, we derive an opinion of market rent and correlating lease terms for each MLA included in our analysis.

- **Medical Office Analysis** - Comparable Medical Office leases are used to derive market rent for the Medical Office MLA category.

Adjustment Process

Quantitative adjustments are made to the comparable leases. The following adjustments or general market trends were considered for the basis of market rent analysis.

Transactional Adjustments

If warranted, the comparable leases were adjusted for varying lease structures, atypical concessions and market conditions. The adjustment for rent concession equivalency quantifies the differences between market standard free rent and tenant improvement allowances compared to those of the lease transaction, which were divided by the comparable's lease term, and applied to the beginning "face" rent of the comparable lease. The market conditions adjustment is explained at the end of this section.

Concession Adjustment

The adjustment for rent concessions is a basis for creating a comparable market standard free rent of two months and a tenant improvement allowance of $5.00SF. The differences between free rent and tenant improvements (+/-) is divided by the comparable's lease term, and applied to the beginning base rent of the comparable lease. This methodology does not take into account amortization of rental increases over the lease term. The rent concession adjustment calculation is outlined below:

CONCESSION ADJUSTMENT SUMMARY	
FREE RENT ADJUSTMENT	**TI ADJUSTMENT**
Comparable Free Rent	Comparable TI
Less: Market Standard	Less: Market Standard
Equals: Free Rent Adjustment	Equals: TI Adjustment

Divided by Comparable Monthly Lease Term	Divided by Comparable Lease Term
Times: Beginning Base Rent	Equals: Adjustment
Equals: Adjustment	

Property Adjustments — Quantitative percentage adjustments were made for location and physical characteristics such as size, age, condition, exposure and parking ratio. Where possible the adjustments applied are based on paired data or other statistical analysis. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject site.

Tenant Space Adjustments — The lease comparables were further adjusted to the subject to account for tenant space specific characteristics such as size and space functionality.

Transactional market conditions adjustment was based on a review of historical sale data, market participant interviews and review of current versus historical pricing. A downward adjustment was applied to all asking lease rates to reflect that rarely are leases signed at asking rates in this market, but typically a lower amount.

ANALYSIS OF COMPARABLE MEDICAL OFFICE LEASES

The Medical Office lease analysis is used to derive an opinion of market rent and correlating leasing assumptions for the Medical Office MLA category. The following table includes a summary of the comparables selected for this analysis, including relevant listings and actual leases at competing properties. Following the table is an adjustment grid, analysis and our conclusion. Datasheets containing more details of the comparables are presented later in this section.

MEDICAL OFFICE LEASE SUMMATION TABLE

Lease	Subject	Lease 1	Lease 2	Lease 3	Lease 4	Lease 5	Lease 6
Name	Multi-Tenant Medical Office Building	Metroview Professional Building	Charlotte Medical Plaza I & II	Charlotte Medical Plaza I & II	Eastover Medical Park II	Randolph Building	Park Place at Wendover
Address	1928 Randolph Road	1900 Randolph Road	300 & 330 Billingsley Road	300 & 330 Billingsley Road	2600 East 7th St.	3535 Randolph Road	427-497 N. Wendover Road
City	Charlotte	Charlotte	Charlotte	Charlotte	Charlotte	Charlotte	Charlotte
State	NC	NC	NC	NC	NC	NC	NC
Zip	March 19, 1977	28207	28211	28211	28204	28211	28211
PHYSICAL INFORMATION							
Property Type	Office	Office	Office	Office	Office	Office	Office
NRA	33,207	108,728	98,074	98,074	11,292	30,200	70,898
Year Built	1964	1971	1992	1992	1986	1972	1985
Year Renovated	-	Renovated	-	-	-	Renovated	-
Location	Good	Good	Good	Good	Average/Good	Good	Average
Access	Average	Good	Average	Average	Average	Average	Average
Exposure	Average	Good/Excellent	Average	Average	Average/Good	Average	Average
Quality	Average/Fair	Average	Average	Average	Average	Average	Average
Condition	Average	Average/Good	Average	Average	Average	Average	Average
Building Class	B	B	B	B	B	B	B
Stories	3	10	2	2	1	2	1
Parking Ratio	4.2	3.8	2.6	2.6	4.4	4.1	2.8
LEASE INFORMATION							
Tenant Name		Vacant Asking	Various	Vacant Asking	Vacant Asking	Confidential	Near-Term Vacancy Asking
Date		12/1/2012	10/1/2012	12/1/2012	12/1/2012	11/1/2012	1/1/2013
Space Type		New	New	New	New	New	New
Lease Status		Listing	Signed	Listing	Listing	Signed	Listing
Lease Type		Full Service	Full Service	Full Service	Full Service	Full Service	Modified Gross
Size (SF)		2,500	1,750	2,000	11,292	1,909	3,744
Term (Yrs)		5.0	5.0	4.0	4.0	5.0	3.0
Rent ($/SF/Yr.)		$23.50	$23.00	$23.50	$23.50	$20.50	$21.50
Avg. Escalation/Yr		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Free Rent		-	2 Mos.	-	-	-	-
TI's ($/SF)		$5.00	$2.50	$2.50	$5.00	$2.00	-

COMPARABLE MEDICAL OFFICE LEASE MAP

MEDICAL OFFICE LEASE ADJUSTMENT GRID

Comparable	Subject	Lease 1	Lease 2	Lease 3	Lease 4	Lease 5	Lease 6
		Metroview Professional Building	Charlotte Medical Plaza I & II	Charlotte Medical Plaza I & II	Eastover Medical Park II	Randolph Building	Park Place at Wendover
Address	1928 Randolph Road	1900 Randolph Road	300 & 330 Billingsley Road	300 & 330 Billingsley Road	2600 East 7th St.	3535 Randolph Road	427-497 N. Wendover Road
NRA	33,207	108,728	98,074	98,074	11,292	30,200	70,898
Year Built	1964	1971	1992	1992	1986	1972	1985
Year Renovated	-	Renovated	-	-	-	Renovated	-
Location	Good	Good	Good	Good	Average/Good	Good	Average
Access	Average	Good	Average	Average	Average	Average	Average
Exposure	Average	Good/Excellent	Average	Average	Average/Good	Average	Average
Quality	Average/Fair	Average	Average	Average	Average	Average	Average
Condition	Average	Average/Good	Average	Average	Average	Average	Average
Building Class	B	B	B	B	B	B	B
Stories	3	10	2	2	1	2	1
Parking Ratio	4.2	3.8	2.6	2.6	4.4	4.1	2.8
LEASE INFORMATION							
Tenant Name		Vacant Asking	Various	Vacant Asking	Vacant Asking	Confidential	Near-Term
Date		12/1/2012	10/1/2012	12/1/2012	12/1/2012	11/1/2012	1/1/2013
Space Type		New	New	New	New	New	New
Lease Status		Listing	Signed	Listing	Listing	Signed	Listing
Lease Type		Full Service	Full Service	Full Service	Full Service	Full Service	Modified Gross
Size (SF)		2,500	1,750	2,000	11,292	1,909	3,744
Term (Yrs)		5.0	5.0	4.0	4.0	5.0	3.0
Rent ($/SF/Yr.)		$23.50	$23.00	$23.50	$23.50	$20.50	$21.50
Avg. Escalation/Yr		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Free Rent		-	2 Mos.	-	-	-	-
TI's ($/SF)		$5.00	$2.50	$2.50	$5.00	$2.00	-
TRANSACTIONAL ADJUSTMENTS							
Lease Type		$0.00	$0.00	$0.00	$0.00	$0.00	$1.00
Concessions[1]		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Market Conditions		-5%	0%	-5%	-5%	0%	-5%
Subtotal Eff Rent		$22.33	$23.00	$22.33	$22.33	$20.50	$21.38
PROPERTY ADJUSTMENTS							
Location		0%	20%	20%	5%	15%	20%
Size (Property)		5%	5%	5%	0%	0%	3%
Age		0%	-10%	-10%	0%	0%	0%
Quality		-5%	0%	0%	0%	0%	0%
Condition		0%	0%	0%	0%	0%	0%
Exposure (Property)		-5%	10%	10%	5%	0%	0%
Avg Bay Depths		-3%	-3%	-3%	-3%	-3%	-3%
Building Class		0%	0%	0%	0%	0%	0%
Stories		0%	0%	0%	0%	0%	0%
Parking Ratio		0%	5%	5%	0%	0%	5%
Subtotal Property Adj		-8%	27%	27%	7%	12%	25%
TOTAL ADJUSTED RENT		**$20.54**	**$29.21**	**$28.36**	**$23.89**	**$22.96**	**$26.73**

STATISTICS	UNADJUSTED	ADJUSTED	MARKET CONCESSIONS[1]	
LOW	$20.50	$20.54	Lease Type	Full Service
HIGH	$23.50	$29.21		
MEDIAN	$23.25	$25.31		
AVERAGE	$22.58	$25.28		

Medical Office Lease Analysis

The lease comparables indicate an adjusted value range from $20.54 to $29.21/SF, with a median of $25.31/SF and an average of $25.28/SF. The range of total net adjustment applied to the comparables was from -13% to 27%, with an average net adjustment across all comparables of 12%. The level of total adjustment applied to the comparables is considered minimal, an indication that the dataset is applicable to the subject and increases the credibility of the analysis. The adjustment process for each comparable is discussed in the following paragraphs.

MEDICAL OFFICE SPACE MARKET RENT CONCLUSION

The comparables indicate an adjusted value range from $20.54 to $29.21/SF, with a median of $25.31/SF and an average of $25.28/SF. Based on the results of the preceding analysis, Comparable 2 ($29.21/SF adjusted), Comparable 3 ($28.36/SF adjusted), Comparable 4 ($23.89/SF adjusted) and Comparable 5 ($22.96/SF adjusted) are given primary consideration for the lease rate conclusion.

The following table summarizes the analysis of the comparables leases and the Medical Office market rent conclusion.

MEDICAL OFFICE LEASE RATE CONCLUSION

	LEASE	ADJUSTMENT			TOTAL	WEIGHT
LEASE	RATE	TRANSACTIONAL¹	PROPERTY²	FINAL	ADJ %	GIVEN
1	$23.50	($1.18)	-8%	**$20.54**	-13%	SECONDARY
2	$23.00	$0.00	27%	**$29.21**	27%	PRIMARY
3	$23.50	($1.18)	27%	**$28.36**	21%	PRIMARY
4	$23.50	($1.18)	7%	**$23.89**	2%	PRIMARY
5	$20.50	$0.00	12%	**$22.96**	12%	PRIMARY
6	$21.50	($0.13)	25%	**$26.73**	24%	SECONDARY
LOW	**$20.54**				**AVERAGE**	**$25.28**
HIGH	**$29.21**				**MEDIAN**	**$25.31**
	AVERAGE CONTRACT RENT					**CONCLUSION**
Medical Office		**$28.06**				$25.25

¹Cumulative ²Additive (Includes Tenant Adjustments)

MARKET LEASING ASSUMPTIONS SUMMARY

A summary of the estimated market rents for all Market Leasing Assumptions is presented below.

MARKET LEASING ASSUMPTIONS — As of Analysis Start Date Dec-12

MLA	Mkt Rent	Expense	Lease	Contract Rent	Rnwl	Downtime	Tenant Improv		Free Rent (Initial)		Leasing Comm (1)	
Category	($/SF/Yr.)	Structure	(Years)	Increases	Prob	Btwn Leases	New	Rnwls	New	Rnwls	New	Rnwls
Medical Office	$25.25	Full Service	5.0	4.0%	75%	Incld. In Gen. Vac	$5.00	$0.00	2 months	0 months	Full	Half

(1) Leasing Commission
Leasing commissions have been based upon the generally accepted standard schedule.

Comparable Rent Datasheets

The following pages present the rent comparable datasheets that were used in the prior analysis.

COMPARABLE 1

LOCATION INFORMATION

Name	Metroview Professional Building
Address	1900 Randolph Road
City, State, Zip Code	Charlotte, NC, 28207
MSA	Charlotte-Gastonia-Rock Hill, NC-SC MS
Net Rentable Area (NRA)	108,728
Year Built	1971
Location	Good
Quality	Average
Condition	Average/Good
Access	Good
Exposure	Good/Excellent
Occupancy	81.0%
Site Size	83,200 SF
Site Coverage (SF)/Ratio	10,872 SF / 0.13
Construction	Steel
Parking Spaces	413
Parking Ratio	3.8
Building Class	B
Floor Area Ratio	1.3

METROVIEW PROFESSIONAL BUILDING

CONFIRMATION

Name	Jay Bow ling
Source	Meadow s & Ohly

REMARKS

This comparable represents the Metroview Professional Building, a 10-story, multi-tenant MOB located at 1900 Randolph Road. The building w as completed in 1971 and contains 108,728 SF. Current occupancy at the time of survey w as 81%. Asking lease rates for vacancies w as quoted at $23.50 PSF, gross, assuming a 5-year term and negotiated TIs and free rent. The contact indicated that recent deals have been done at market rates. The building has a skybridge connecting it to the Midtow n Medical Plaza and Presyterian Hospital Complex.

TENANT NAME	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Vacant Asking	2,500	12/1/2012	5	$23.50	$20.54

COMPARABLE 2

LOCATION INFORMATION

Name	Charlotte Medical Plaza I & II
Address	300 & 330 Billingsley Road
City, State, Zip Code	Charlotte, NC, 28211
MSA	Charlotte-Gastonia-Rock Hill, NC-SC MS
Net Rentable Area (NRA)	98,074
Year Built	1992
Location	Good
Quality	Average
Condition	Average
Access	Average
Exposure	Average
Occupancy	81.0%
Site Size	197,762 SF
Site Coverage (SF)/Ratio	49,037 SF / 0.25
Construction	Concrete block
Parking Spaces	250
Parking Ratio	2.55
Building Class	B
Floor Area Ratio	0.5

CHARLOTTE MEDICAL PLAZA I & II

CONFIRMATION

Name	Adam Russ
Source	Insite Properties

REMARKS

This comparable represents two multi-tenant MOBs located at 300 and 330 Billingsley Road. The 2-story CMU buildings were completed in 1992 and contain a combined 98,074 SF under two stories. Current combined occupancy at the time of survey was 81%. Asking lease rates for vacancies was quoted at $23.50 PSF, full service, assuming a 3 to 5-year term and negotiated TIs and free rent. According to the leasing broker, there have been "a couple" leases signed in the last few months "around the asking rate." He declined to elaborate.

TENANT NAME	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Various	1,750	10/1/2012	5	$23.00	$29.21
Vacant Asking	2,000	12/1/2012	4	$23.50	$28.36

COMPARABLE 3

LOCATION INFORMATION

Name	Eastover Medical Park II
Address	2600 East 7th St.
City, State, Zip Code	Charlotte, NC, 28204
MSA	Charlotte-Gastonia-Rock Hill, NC-SC MS
Net Rentable Area (NRA)	11,292
Year Built	1986
Location	Average/Good
Quality	Average
Condition	Average
Access	Average
Exposure	Average/Good
Site Size	105,851 SF
Site Coverage (SF)/Ratio	11,292 SF / 0.11
Construction	Brick
Parking Spaces	50
Parking Ratio	4.43
Building Class	B
Floor Area Ratio	0.1

EASTOVER MEDICAL PARK II

CONFIRMATION

Name	Reed Griffith
Source	Brackett Flagship

REMARKS

This comparable represents a condo building located in Eastover Medical Park II with the address 2600 East 7th Street. The 11,292 SF building is one-story and was formerly occupied by a pediatrician practice. It is for lease at an asking rate of $23.50 PSF full service. All terms are negotiable. The building is also listed for sale.

TENANT NAME	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Vacant Asking	11,292	12/1/2012	4	$23.50	$23.89

COMPARABLE 4

LOCATION INFORMATION

Name	Randolph Building
Address	3535 Randolph Road
City, State, Zip Code	Charlotte, NC, 28211
MSA	Charlotte-Gastonia-Rock Hill, NC-SC MS
Net Rentable Area (NRA)	30,200
Year Built	1972
Location	Good
Quality	Average
Condition	Average
Access	Average
Exposure	Average
Occupancy	84.0%
Site Size	88,427 SF
Site Coverage (SF)/Ratio	15,100 SF / 0.17
Construction	Concrete block
Parking Spaces	124
Parking Ratio	4.11
Building Class	B
Floor Area Ratio	0.3

RANDOLPH BUILDING

CONFIRMATION

Name	Jennifer Brotherton
Source	Lillibridge

REMARKS

This comparable represents a multi-tenant MOB located in the Randolph Medical Park, its address is 3535 Randolph Road. The 2-story CMU building was completed in 1972 and contains 30,200 SF in two stories. Current occupancy at the time of survey was 84.5%. Asking lease rates for vacancies was quoted at $21.00 PSF, gross, assuming a 5-year term and negotiated TIs and free rent. There was one lease signed in November 2012 for 1,909 SF for $20.50 PSF, full service, on a 5-year term with no free rent and TIs of $2.00 PSF.

TENANT NAME	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Confidential	1,909	11/1/2012	5	$20.50	$22.96

COMPARABLE 5

LOCATION INFORMATION

Name	Park Place at Wendover
Address	427-497 N. Wendover Road
City, State, Zip Code	Charlotte, NC, 28211
MSA	Charlotte-Gastonia-Rock Hill, NC-SC MS
Net Rentable Area (NRA)	70,898
Year Built	1985
Location	Average
Quality	Average
Condition	Average
Access	Average
Exposure	Average
Occupancy	100.0%
Site Size	267,894 SF
Site Coverage (SF)/Ratio	70,898 SF / 0.26
Construction	Concrete block
Parking Spaces	200
Parking Ratio	2.82
Building Class	B
Floor Area Ratio	0.3

PARK PLACE AT WENDOVER

CONFIRMATION

Name	Bill Hester
Source	Associated RE Advisors

REMARKS

This comparable represents a multi-tenant MOB located at 427-497 North Wendover Road. The single-story building w as completed in 1985 and contains 70,898 SF. Current occupancy at the time of survey w as 100%. Asking lease rates for a near-term, 3,744 SF vacancy w as quoted at $21.50 PSF, modified gross (tenant pays for in-suite janitorial) w ith a base year stop of $4.50 PSF.

TENANT NAME	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Near-Term Vacancy Asking	3,744	1/1/2013	3	$21.50	$26.73

CASH FLOW RISK ANALYSIS

In the first portion of the income approach, the income producing capability of the subject property was analyzed through an analysis of the rent roll. In the second portion, just concluded, the market rate and lease terms available at other properties were analyzed and appropriate market rates and terms for space within the subject property were developed. This section considers potential risks associated with the cash flow of the subject. These risks could include several factors, all addressed in separate sections that follow. Considerations include above or below market rents, adverse or beneficial lease options, future occupancy for the subject, potential lease terminations, NOI and cash flow growth patterns, the credit of various tenants within the subject as well as a determination of the overall viability of the cash flow. This analysis utilizes conclusions developed in the preceding sections as well as following sections.

Contract vs. Market

In assessing risk, it is important to measure contractual income versus market. Contractual income that is above market is more risky, while contractual income that is below market is viewed more favorably. The comparison of contract to market is a factor driving investment rates applied in the valuation of the property. Although variances are shown between contractual income and concluded market income, the concluded market rents per category are intended to represent blended averages for each space category within the subject property. Contractual income that is within 5% of market is typically within investor tolerance levels, and if outside that range would be considered an “above market risk” or “below market benefit”.

Below actual contract rents within the subject property are compared with concluded market rents by space category.

CONTRACT V MARKET — As of Analysis Start Date Dec-12

	Start	End	Area	Expense	Contract (1)			Market			Contract as % of Market		
Tenant Name	Date	Date	(SF)	Structure	Rent/SF	Recov/SF	Total/SF	Rent/SF	Recov/SF	Total/SF	Rent	Recovery	Total
Medical Office													
Dr. Thomas Armstrong	7/07	6/17	1,472	Full Service	$32.01	$0.00	$32.01	$25.25	$0.00	$25.25	127%	-	127%
Atrium Cafe	11/11	10/16	701	Full Service	$32.15	$0.00	$32.15	$25.25	$0.00	$25.25	127%	-	127%
Dr. Charles Arikw ue	1/10	12/14	2,332	Full Service	$27.51	$0.00	$27.51	$25.25	$0.00	$25.25	109%	-	109%
Dr. Herbert Hoover	10/08	9/13	1,368	Full Service	$20.87	$0.00	$20.87	$25.25	$0.00	$25.25	83%	-	83%
Dr. Emmett Matthew s	3/09	6/14	2,732	Full Service	$28.31	$0.00	$28.31	$25.25	$0.00	$25.25	112%	-	112%
Dr. B. Parthenia Richar	3/08	2/15	1,715	Full Service	$43.61	$0.00	$43.61	$25.25	$0.00	$25.25	173%	-	173%
Dr. Robert Stack	12/12	11/13	1,972	Full Service	$28.23	$0.00	$28.23	$25.25	$0.00	$25.25	112%	-	112%
Joshua FM Corp	6/08	1/13	2,843	Full Service	$26.83	$0.00	$26.83	$25.25	$0.00	$25.25	106%	-	106%
Joshua FM Corp Expan	1/13	6/18	4,026	Full Service	$27.15	$0.00	$27.15	$25.25	$0.00	$25.25	108%	-	108%
KC Pharmacy	12/12	3/13	469	Full Service	$20.62	$0.00	$20.62	$25.25	$0.00	$25.25	82%	-	82%
Lab Corp	7/09	6/13	2,154	Full Service	$25.50	$0.00	$25.50	$25.25	$0.00	$25.25	101%	-	101%
Metrolina Surgical Spec	5/09	4/13	1,962	Full Service	$27.63	$0.00	$27.63	$25.25	$0.00	$25.25	109%	-	109%
Premier Sleep Services	4/11	3/14	2,840	Full Service	$26.83	$0.00	$26.83	$25.25	$0.00	$25.25	106%	-	106%
Langtree Capital	10/11	9/13	1,055	Full Service	$23.66	$0.00	$23.66	$25.25	$0.00	$25.25	94%	-	94%
14 tenants subtotal			**27,641**		**$28.06**	**$0.00**	**$28.06**	**$25.25**	**$0.00**	**$25.25**	**111%**	**-**	**111%**
GRAND-TOTALS			**27,641**		**$28.06**	**$0.00**	**$28.06**	**$25.25**	**$0.00**	**$25.25**	**111%**	**-**	**111%**

(1) Current Dollars Annualized (full year amounts include contractual increases, partial year amounts are annualized in all cases for analysis purposes).
For tenants w ho are expected to be in occupancy for less than 12 months (due to start date or expiration) rent and recovery amounts are annualized based on current monthly figure x 12, or the next monthly figure x 12.

Referring to the Grand Totals row in the preceding table, the subject's contract rent of $28.06 PSF is 111% of the average market rent of $25.25 PSF. Overall, the contract rents within the subject property are not considered to be representative of market levels in general. We will address the variance between market and actual rental rates by calculation of a property rights adjustment, explained and formulated at the end of this section.

Absorption Forecast

The following chart details the subject's absorption forecast for space that is currently vacant. This chart relies on conclusions developed in the market analysis section.

ABSORPTION SCHEDULE

Tenant Name	MLA Category	NRA	Date	Total Rent	Rent / Sq.Ft. (1) $/Yr.	Rent / Sq.Ft. (1) $/Mo.
Vacant	Medical Office	1,575	2/13	$39,769	$25.25	$2.10
Vacant	Medical Office	1,960	5/13	$49,490	$25.25	$2.10
Vacant	Medical Office	2,031	11/13	$51,283	$25.25	$2.10
Total		**5,566**		**$140,542**	**$25.25**	**$2.10**

(1) Reflects market rent as of analysis start date, w hich is subject to rent grow th rates used in the Argus file.

The projected absorption schedule is summarized in table below.

ABSORPTION STATISTICS	
Value Date	12/12
Absorption Commencement	2/13
Absorption Completion	11/13
Total Absorption Period (Months)	11
Absorption Per Month (SF)	506

Based on our research of prevailing supply/demand conditions and the subject's competitive position in the marketplace, we have projected a period of 11 months for the vacant spaces to be absorbed. This will require an average absorption rate of 506 SF per month.

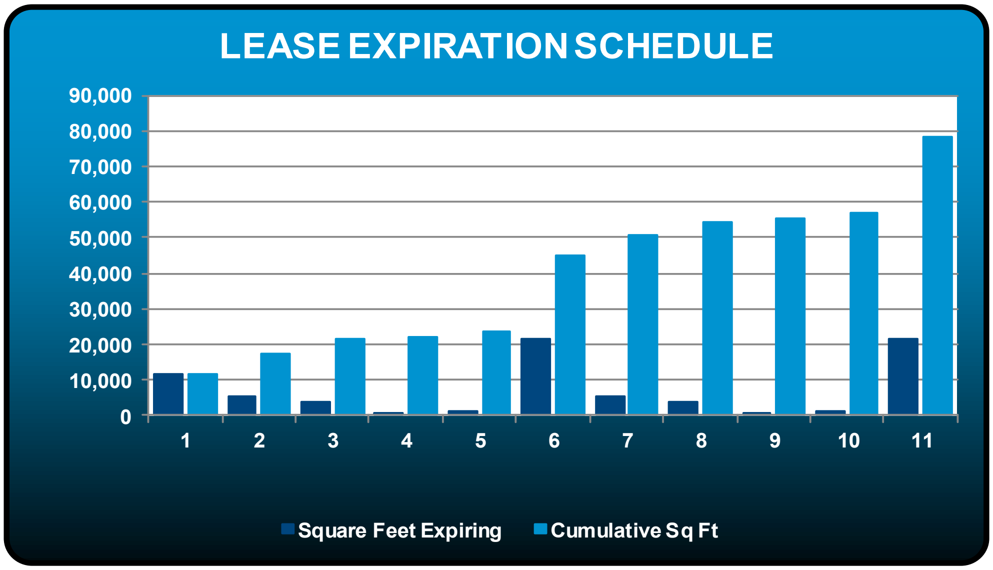
Lease Expiration Schedule

The following chart relies on the rent roll analysis that preceded this section and also on a lease by lease analysis completed utilizing ARGUS DCF software. The following chart details the expiration of actual and anticipated leases within the subject property:

LEASE EXPIRATION SCHEDULE

Year	Square Feet Expiring	Percent Of Property	Percent Of Total Revenue	Expiring Revenue As % Of Market	Cumulative Sq Ft	Cumulative Percent
1	11,823	35.60%	38.49%	101.92%	11,823	35.60%
2	5,572	16.78%	24.68%	108.49%	17,395	52.38%
3	4,047	12.19%	8.73%	168.71%	21,442	64.57%
4	701	2.11%	2.72%	126.93%	22,143	66.68%
5	1,472	4.43%	5.61%	122.26%	23,615	71.11%
6	21,415	64.49%	65.67%	219.93%	45,030	135.60%
7	5,572	16.78%	23.93%	-	50,602	152.38%
8	4,047	12.19%	5.08%	-	54,649	164.57%
9	701	2.11%	2.07%	-	55,350	166.68%
10	1,472	4.43%	4.34%	-	56,822	171.11%
11	21,415	64.49%	64.92%	-	78,237	235.60%

The subject's lease expiration schedule over the projected holding period is graphically illustrated below.



Short-term stability of the cash flow reduces near term risk, which is of primary concern to investors. Mid-term and longer term turnover is of less concern to most investors as risk exposure can be mitigated through strong management and lease renewal programs. The following table summarizes lease expiration data for peak years and cumulative expirations over five and ten year timeframes of the holding period.

LEASE EXPIRATION ANALYSIS		
Total NRA of Subject Property (SF)	33,207	100.0%
Year of Peak SF Expiration	6	
SF Expiring in Peak Year	21,415	64.5%
Year of Peak Revenue Expiration	11	
Revenue Expiring in Peak Year	$742,944	
Five Year Cumulative Expirations (SF)	23,615	71.1%
Ten Year Cumulative Expirations (SF)	56,822	171.1%

Turnover peaks in Year 6 with a total of 21,415 SF expiring, which represents 64.5% of the subject's net rentable area. This corresponds with peak revenue expiration in Year 11 of $742,944. Cumulative expirations are projected to be 23,615 SF (71.1% of NRA) over the first five years of the holding period, and 56,822 SF (171.1% of NRA) over the ten year period. In conclusion, Lease expiration/rollover for the subject varies throughout the analysis period. Given the overall occupancy by two tenants, significant rollover periodically occurs.

NOI and Cash Flow Growth

NOI and cash flow growth over the investment holding period is a key measure to investors. The growth forecast is measured against the risks of ownership, and play a significant role in determining value. The subject's growth forecast is presented below. These figures are derived from the Argus cash flow presented later in the report, measuring the growth from the first stabilized year through the last year of the holding period.

NET OPERATING INCOME & CASH FLOW GROWTH

	First Stabilized Year of Holding Period	Last Year of Holding Period Before Sale	Number of Periods for CAGR Calculation	
	Year 2	Year 11	Years	CAGR
NOI	$531,866	$653,844	9	2.32%
Cash Flow	$483,376	$480,307	9	(0.07%)

Compound Annual Growth Rate (CAGR) measured from first stabilized year through last year of holding period.

The subject's NOI and cash flow growth is considered to be typical when compared to alternative investments. There is negative cash flow growth due to above market leases in place at the subject. Once those leases roll to market, cash flow will decrease

INCOME & EXPENSE ANALYSIS

The preceding section addressed potential risks associated with the cash flow of the subject property. Having addressed potential risks, it is appropriate to analyze historical revenues and operating expenses. These are summarized in the following table. Also included on the table are the first year revenue and projected revenue on a stabilized basis:

SUBJECT OPERATING HISTORICALS

							COLLIERS FORECAST					
YEAR	2010		2011		T-12 as of 11/12		DCF YR 1		DCF YR 2		LOW	HIGH
INCOME ITEMS	**TOTAL**	**$/SF**	**TOTAL**	**$/SF**	**TOTAL**	**$/SF**	**TOTAL**	**$/SF**	**TOTAL**	**$/SF**	**$/SF**	**$/SF**
Base Rent	$822,096	$24.76	$785,759	$23.66	$697,053	$20.99	$790,454	$23.80	$912,460	$27.48	$20.99	$27.48
TOTAL RENTAL INCOME	$822,096	$24.76	$785,759	$23.66	$697,053	$20.99	$790,454	$23.80	$912,460	$27.48	$0.00	$27.48
TOTAL GROSS INCOME	$822,096	$24.76	$785,759	$23.66	$697,053	$20.99	$790,454	$23.80	$912,460	$27.48	$20.99	$27.48
General Vacancy	-	-	-	-	-	-	($12,213)	($0.37)	($91,246)	($2.75)	($0.37)	($2.75)
EFFECTIVE GROSS INCOME	$822,096	$24.76	$785,759	$23.66	$697,053	$20.99	$778,241	$23.44	$821,214	$24.73	$20.99	$24.76
EXPENSE ITEMS												
Real Estate Taxes	($58,323)	($1.76)	($84,214)	($2.54)	($59,988)	($1.81)	($63,425)	($1.91)	($65,328)	($1.97)	($1.76)	($2.54)
Property Insurance	($3,485)	($0.10)	($4,957)	($0.15)	($3,328)	($0.10)	($4,981)	($0.15)	($5,130)	($0.15)	($0.10)	($0.15)
Repairs and Maintenance	($26,840)	($0.81)	($29,044)	($0.87)	($26,067)	($0.78)	($28,226)	($0.85)	($29,073)	($0.88)	($0.78)	($0.88)
Janitorial	($35,947)	($1.08)	($33,531)	($1.01)	($40,604)	($1.22)	($36,528)	($1.10)	($37,624)	($1.13)	($1.01)	($1.22)
Landscaping	($1,882)	($0.06)	($5,166)	($0.16)	($9,086)	($0.27)	($8,302)	($0.25)	($8,551)	($0.26)	($0.06)	($0.27)
Utilities	($93,860)	($2.83)	($92,550)	($2.79)	($92,779)	($2.79)	($92,980)	($2.80)	($95,769)	($2.88)	($2.79)	($2.88)
Management Fees	($20,143)	($0.61)	($19,091)	($0.57)	$0	-	($23,229)	($0.70)	($24,500)	($0.74)	($0.57)	($0.74)
General Operating	($8,663)	($0.26)	($2,632)	($0.08)	($2,343)	($0.07)	($13,283)	($0.40)	($13,681)	($0.41)	($0.07)	($0.41)
Reserve	$0	-	$0	-	$0	-	($4,981)	($0.15)	($5,130)	($0.15)	($0.15)	($0.15)
TOTAL EXPENSES	($249,143)	($7.50)	($271,185)	($8.17)	($234,195)	($7.05)	($275,935)	($8.31)	($284,786)	($8.58)	($7.05)	($8.58)
NET OPERATING INCOME	**$572,953**	**$17.25**	**$514,574**	**$15.50**	**$462,858**	**$13.94**	**$502,306**	**$15.13**	**$536,428**	**$16.15**	**$13.94**	**$17.25**

Expense Reimbursements

Based on our analysis of the subject leases and historical operations, there are no expense reimbursements present. The base lease payments are inclusive of all operating expenses, which are paid in full by the subject owner.

Vacancy and Credit Loss

Vacancy loss was discussed in depth in the Market Analysis section of this report. Please reference that discussion for a full analysis. Our conclusions incorporated into the cash flow model are summarized in the tables which follow:

VACANCY / CREDIT LOSS ASSUMPTIONS

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Year Ending	Nov-13	Nov-14	Nov-15	Nov-16	Nov-17	Nov-18	Nov-19	Nov-20	Nov-21	Nov-22	Nov-23
Vacancy Loss	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Credit Loss	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Specific vacancy/credit loss assumptions as modeled in the Argus DCF are summarized below:

Is Percent Based On Revenue Minus Absorption and Turnover Vacancy?	No
Is General Vacancy Reduced By Absorption and Turnover Vacancy?	Yes
Is Vacancy or Credit Loss Override in use?	No

Analysis of Operating Expenses

The operating expenses for the subject property were presented previously. The following chart summarizes comparable expenses.

EXPENSE COMPARABLES

COMPARABLE	COMP 1	COMP 2	COMP 3	LOW	HIGH	AVG
City	Charlotte	Charlotte	Charlotte	-	-	-
State	NC	NC	NC	-	-	-
Expense Year	2011A	2011A	2011	2011	2011	2011
Actual/Budget	Actual	Actual	Actual	-	-	-
Net Rentable Area	78,695	39,383	12,606	12,606	78,695	43,561
EFFECTIVE GROSS INCOME	$17.16	$19.67	$27.28	$17.16	$27.28	$21.37
EXPENSE ITEMS	$/SF	$/SF	$/SF	LOW	HIGH	AVG
Real Estate Taxes	$1.97	$2.39	$1.98	$1.97	$2.39	$2.11
Property Insurance	$0.19	$0.16	$0.14	$0.14	$0.19	$0.16
Repairs and Maintenance	$1.18	$0.91	$0.53	$0.53	$1.18	$0.87
Janitorial	$1.00	$0.94	$1.21	$0.94	$1.21	$1.05
Landscaping	$0.18	$0.51	$0.17	$0.17	$0.51	$0.29
Utilities	$2.49	$1.45	$2.36	$1.45	$2.49	$2.10
Management Fees	$0.61	$0.52	$0.00	$0.00	$0.61	$0.38
%EGI	3.6%	2.6%	0.0%	*0.0%*	*3.6%*	*2.1%*
General Operating	$0.71	$0.42	$0.00	$0.00	$0.71	$0.38
Reserve	$0.15	$0.15	$0.15	$0.15	$0.15	$0.15
TOTAL EXPENSES ($/SF)	$8.48	$7.45	$6.54	$6.54	$8.48	$7.49

We added the Reserve expense for an undistorted comparison of NOI.

Conclusion of Operating Expenses

In the following section we discuss the individual expense conclusions for the subject property.

EXPENSE ANALYSIS & CONCLUSIONS

REAL ESTATE TAXES

	SUBJECT			EXPENSE COMPS		
YEAR	TOTAL	$/SF	%EGI	COMP	$/SF	%EGI
2010	$58,323	$1.76	7.1%	1	$1.97	11.5%
2011	$84,214	$2.54	10.7%	2	$2.39	12.2%
T-12 as of 11/12	$59,988	$1.81	8.6%	3	$1.98	7.3%
CONCLUSION	**$63,425**	**$1.91**	**18.6%**			

ANALYSIS

Please refer to the Assessment & Taxation section of the report for discussion

PROPERTY INSURANCE

	SUBJECT			EXPENSE COMPS		
YEAR	TOTAL	$/SF	%EGI	COMP	$/SF	%EGI
2010	$3,485	$0.10	0.4%	1	$0.19	1.1%
2011	$4,957	$0.15	0.6%	2	$0.16	0.8%
T-12 as of 11/12	$3,328	$0.10	0.5%	3	$0.14	0.5%
CONCLUSION	**$4,981**	**$0.15**	**1.5%**			

ANALYSIS

This expense includes all premiums and costs incurred for insurance covering structures, public liability, rental value, equipment and bonding of employees. The conclusion is based on the historical expenses and the expense comparable information.

REPAIRS AND MAINTENANCE

	SUBJECT			EXPENSE COMPS		
YEAR	TOTAL	$/SF	%EGI	COMP	$/SF	%EGI
2010	$26,840	$0.81	3.3%	1	$1.18	6.9%
2011	$29,044	$0.87	3.7%	2	$0.91	4.6%
T-12 as of 11/12	$26,067	$0.78	3.7%	3	$0.53	1.9%
CONCLUSION	**$28,226**	**$0.85**	**8.3%**			

ANALYSIS

This expense covers the cost of all other routine maintenance and repairs including routine maintenance and repairs to the roof, pest control and equipment maintenance. The conclusion is based on the historical expenses and the expense comparable information.

JANITORIAL

	SUBJECT			EXPENSE COMPS		
YEAR	TOTAL	$/SF	%EGI	COMP	$/SF	%EGI
2010	$35,947	$1.08	4.4%	1	$1.00	5.8%
2011	$33,531	$1.01	4.3%	2	$0.94	4.8%
T-12 as of 11/12	$40,604	$1.22	5.8%	3	$1.21	4.4%
CONCLUSION	**$36,528**	**$1.10**	**10.7%**			

ANALYSIS

This expense includes all items related to the cleaning of offices, public areas, restrooms, and w indow s. The conclusion is based on the historical expenses and the expense comparable information.

LANDSCAPING

	SUBJECT			EXPENSE COMPS		
YEAR	TOTAL	$/SF	%EGI	COMP	$/SF	%EGI
2010	$1,882	$0.06	0.2%	1	$0.18	1.0%
2011	$5,166	$0.16	0.7%	2	$0.51	2.6%
T-12 as of 11/12	$9,086	$0.27	1.3%	3	$0.17	0.6%
CONCLUSION	**$8,302**	**$0.25**	**2.4%**			

ANALYSIS

This expense includes landscaping contracts (maintenance & replacement) and services of groundskeepers. This expense also covers all expenses incurred in the striping, repairing of potholes, cleaning and sw eeping of the parking lot, sidew alks, and service courts as w ell as the cost of snow removal, salting, or sanding of the parking lot. The conclusion is based on the historical expenses and the expense comparable information.

UTILITIES

	SUBJECT			EXPENSE COMPS		
YEAR	TOTAL	$/SF	%EGI	COMP	$/SF	%EGI
2010	$93,860	$2.83	11.4%	1	$2.49	14.5%
2011	$92,550	$2.79	11.8%	2	$1.45	7.4%
T-12 as of 11/12	$92,779	$2.79	13.3%	3	$2.36	8.7%
CONCLUSION	**$92,980**	**$2.80**	**27.3%**			

ANALYSIS

The subject's historical data exceeds the range suggested by the expense comparables. Considering the HVAC solutions at the subject (central boiler and cooling tow er), a higher utility expense can be expected. While our estimate takes into consideration other properties operating in the area, most w eight is given the available historical financial data, w hich is fairly consistent over the last few years.

MANAGEMENT FEES

	SUBJECT			EXPENSE COMPS		
YEAR	TOTAL	$/SF	%EGI	COMP	$/SF	%EGI
2010	$20,143	$0.61	2.5%	1	$0.61	3.6%
2011	$19,091	$0.57	2.4%	2	$0.52	2.6%
T-12 as of 11/12	$0			3	$0.00	0.0%
CONCLUSION	**$10,226**	**$0.31**	**3.0%**			

ANALYSIS

This expense reflects the professional management service for the subject. The conclusion is based on the expense comparable information.

GENERAL OPERATING						
	SUBJECT			EXPENSE COMPS		
YEAR	TOTAL	$/SF	%EGI	COMP	$/SF	%EGI
2010	$8,663	$0.26	1.1%	1	$0.71	4.1%
2011	$2,632	$0.08	0.3%	2	$0.42	2.1%
T-12 as of 11/12	$2,343	$0.07	0.3%	3	$0.00	0.0%
CONCLUSION	**$13,283**	**$0.40**	**3.9%**			

ANALYSIS

This expense covers all expenses related to the management of the subject, including staff, office supplies, office equipment rental expenses, management fees, and professional services. The conclusion is based on the expense comparable information.

RESERVE						
	SUBJECT			EXPENSE COMPS		
YEAR	TOTAL	$/SF	%EGI	COMP	$/SF	%EGI
2010	$0			1	$0.15	0.9%
2011	$0			2	$0.15	0.8%
T-12 as of 11/12	$0			3	$0.15	0.5%
CONCLUSION	**$4,981**	**$0.15**	**1.5%**			

TOTAL EXPENSES	LOW	HIGH
SUBJECT HISTORICAL $/SF	$7.05	$8.17
EXPENSE COMPARABLES $/SF	$6.54	$8.48
EXPENSE COMPARABLES %EGI	24.0%	49.4%
TOTAL EXPENSES $/SF	$8.31	
TOTAL EXPENSES %EGI	35.5%	
TOTAL EXPENSES	**$275,935**	

CONCLUSION

The subject's historical expenses did not account for a Reserve and the reported General Operating and Management Fee expenses are below market. This explains why the subject's historical expenses are lower than our pro forma, which is supported by the range exhibited by the expense comparables.

INVESTMENT MARKET ANALYSIS

Development of Capitalization Rate

The going-in capitalization rate, also known as overall rate (OAR), can be determined using several sources and methods. In developing our opinion of OAR, the following techniques were used:

- Comparable Sales (Sales Comparison Approach)
- Investor Surveys

Comparable Sales

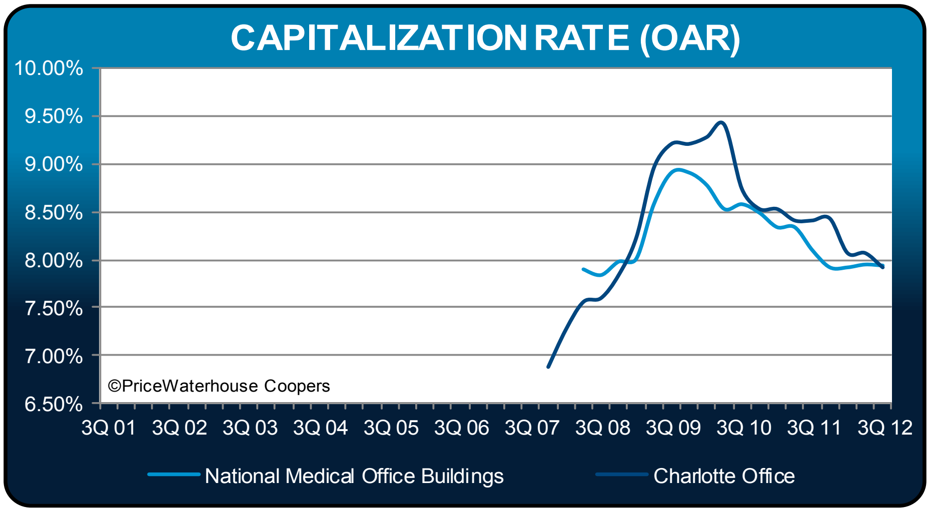
The following table presents a summary of the comparable sales used ahead in the Sales Comparison Approach, and the capitalization rates from each of those sales.

CAPITALIZATION RATE COMPARABLES (OAR)							
COMPARABLE		DATE OF SALE	YR BUILT	NRA (SF)	SALE PRICE	$/SF	RATE
1	Charlotte Medical Plaza I, 300 Billingsley Road, Charlotte, NC	September 14, 2011	1990	39,574	$5,170,000	130.64	8.50%
2	Jetton Medical Office Buildings, 19485 & 19475 Old Jetton Road, Cornelii	May 6, 2012	2009	44,893	$10,150,000	226.09	8.09%
3	Park Crossing Medical Center, 10352 Park Road, Charlotte, NC	August 21, 2012	1989	5,546	$935,000	168.59	8.50%
4	Multi-tenant Medical Office, 2200 E. 7th Street, Charlotte, NC	December 5, 2012	1965	14,640	$2,925,000	199.80	6.32%
5	Christianbury Eye Center Building, 3621 Randolph Road, Charlotte, NC	December 5, 2012	1984	42,330	$5,700,000	134.66	-
LOW		September 14, 2011					**6.32%**
HIGH		December 5, 2012					**8.50%**
AVERAGE		July 4, 2012					**7.85%**
MEDIAN		August 21, 2012					**8.30%**
CONCLUDED CAPITALIZATION RATE (OAR)							8.00%

Investor Surveys

The potential investor pool for the subject asset includes regional and local investors. While these groups place emphasis on local cap rates, regional investors would also strongly consider national cap rate trends from investor surveys due to the potential to invest in other regions that are offering competitive rates of return.

The following graph provides a historical illustration of capitalization rate statistics as surveyed by PriceWaterhouse Coopers (PwC) that we considered to be relevant to the subject property.



The following table provides the most recent survey results from PwC and Our independent market participant interview.

CAPITALIZATION RATE SURVEYS (OAR)							
SOURCE	QUARTER	RANGE			AVG	LAST Q	LAST YR
PriceWaterhouse Coopers					3Q 12	2Q 12	3Q 11
National Medical Office Buildings	3Q 12	5.75%	to	11.00%	7.94%	7.95%	8.10%
Charlotte Office	3Q 12	6.00%	to	9.50%	7.92%	8.07%	8.41%
Market Participant Interview							
Mike Giles	4Q 12	8.00%	to	8.50%	8.25%	-	-
Adam Russ	4Q 12	8.00%	to	8.50%	8.25%	-	-
Mark New ell	4Q 12	7.75%	to	8.00%	8.00%	-	-
AVERAGE		7.10%	to	9.10%	8.07%	8.01%	8.26%

Capitalization Rate Conclusion

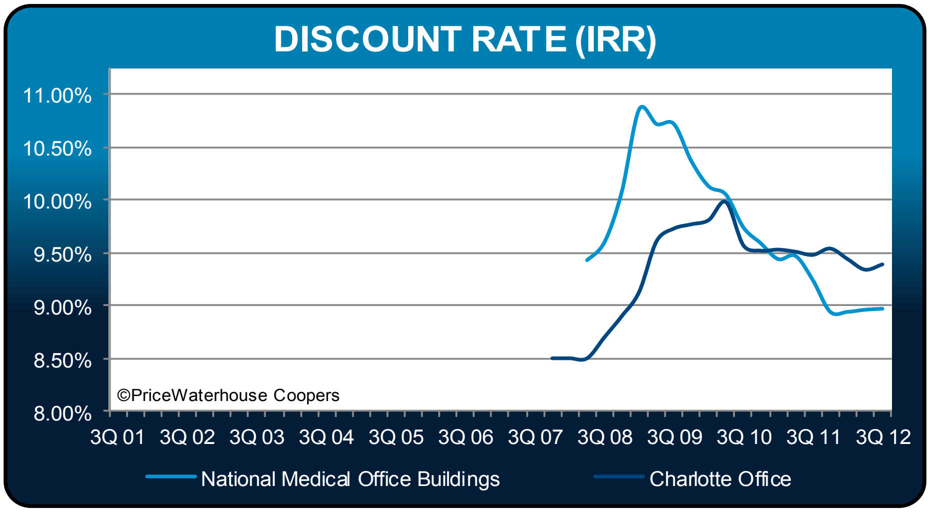
Taking all factors into consideration, the following table summarizes the various capitalization rate indicators and provides the final capitalization rate conclusion.

CAPITALIZATION RATE CONCLUSION (OAR)							
SOURCE	QUARTER	RANGE			AVG	LAST Q	LAST YR
Comparable Sales		6.32%	to	8.50%	7.85%	-	-
Investor Surveys	3Q 12	7.10%	to	9.10%	8.07%	8.01%	8.26%
AVERAGE		6.71%		8.80%	7.96%	8.01%	8.26%
CAPITALIZATION CONCLUSION (LEASED FEE)							**7.75%**

The comparable sales and investor surveys are consistent in that an applicable overall cap rate for medical office is +/- 8.00%. The subject is located adjacent to the Presbyterian Hospital campus, which has been slowly expanding their presence in the Midtown Medical Office corridor. One of the proposed office projects discussed in the Market Analysis section (Sterling Elizabeth) is an example of Novant Health’s desire to expand. Additionally, the subject site is bounded to the south/southeast by another two-tenant, older office building owned by the same entity as the subject and situated on a 0.92-acre site. The combined acreage of the subject site (1.66-acres) and the adjacent parcel with the same ownership totals 2.58-acres. This potential assemblage would be a prime acquisition candidate for Novant Health to expand their campus. Even without the assemblage there is upside potential for the standalone subject site to be acquired. As such, we realize this upside potential by concluding to an overall cap rate 25 basis points below the tight range provided in the chart above.

Development of Discount Rate (IRR)

Investor surveys, discussions with market participants and the subject's investment characteristics were considered in developing our opinions of Discount Rates. The following graph provides a historical illustration of discount rate statistics as surveyed by PWC that we considered to be relevant to the subject property.

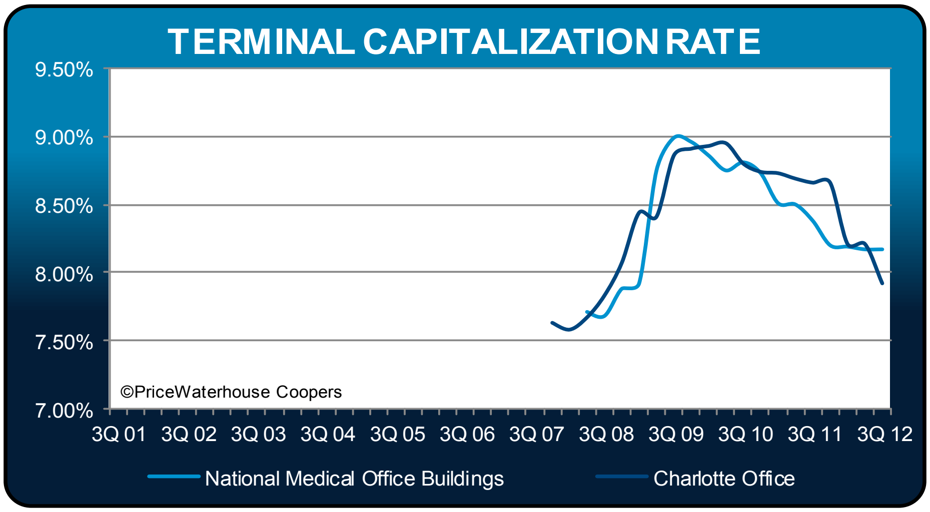


Taking all factors into consideration, the following table summarizes the various discount rate indicators and provides the final discount rate conclusion.

DISCOUNT RATE (IRR) CONCLUSIONS							
SOURCE	QUARTER	RANGE			AVG	LAST Q	LAST YR
PriceWaterhouse Coopers					**3Q 12**	**2Q 12**	**3Q 11**
National Medical Office Buildings	3Q 12	6.50%	to	13.00%	8.97%	8.96%	9.24%
Capitalization Vs Discount Spread					*103 bps*	*101 bps*	*114 bps*
Charlotte Office	3Q 12	7.50%	to	12.00%	9.39%	9.34%	9.48%
Capitalization Vs Discount Spread					*147 bps*	*127 bps*	*107 bps*
AVERAGE		7.00%	to	12.50%	9.18%	9.15%	9.36%
DISCOUNT RATE IRR CONCLUSION (CASH FLOW)					**9.00%**		
DISCOUNT RATE IRR CONCLUSION (REVERSION)					**9.00%**		

Development of Terminal OAR (Terminal Capitalization Rate)

Investor surveys, discussions with market participants and the subject's investment characteristics were considered in developing our opinion of Terminal OAR. The following graph provides a historical illustration of terminal rate statistics as surveyed by PWC that we considered to be relevant to the subject property.



Taking all factors into consideration, the following table summarizes the various terminal rate indicators and provides the final terminal capitalization rate conclusion.

TERMINAL CAPITALIZATION RATE CONCLUSION								
SOURCE	QUARTER	RANGE			AVG	LAST Q	LAST YR
PriceWaterhouse Coopers					**3Q 12**	**2Q 12**	**3Q 11**
National Medical Office Buildings	3Q 12	6.00%	to	12.00%	8.17%	8.17%	8.38%
Going-In Vs Terminal Spread					*23 bps*	*22 bps*	*28 bps*
Charlotte Office	3Q 12	6.00%	to	9.25%	7.92%	8.21%	8.66%
Going-In Vs Terminal Spread					*0 bps*	*14 bps*	*25 bps*
AVERAGE		6.00%	to	10.63%	8.05%	8.19%	8.52%
TERMINAL CAPITALIZATION RATE CONCLUSION					**8.00%**		

There is a 50 bps spread between of the subject's going-in capitalization rate of 7.75% and the selected terminal capitalization rate above of 8.00%. This spread is supported by the investor survey results and our discussions with market participants for a Class B medical office property.

DISCOUNTED CASH FLOW ANALYSIS

The DCF analysis models a property's performance over a buyer's investment horizon from the current as is status of the property, to projected stabilization of operations and through the projected sale of the property at the end of the holding period. Net cash flows from property operations and the reversion are discounted at rates reflective of the property's economic and physical risk profile. Support for rent and expense growth rates, as well as our assumptions applied in the Argus DCF are presented next.

Rent Growth Projection

Below is information provided by forward looking investor surveys that we used to support rent growth:

MARKET RENT CHANGE FORECAST							
SOURCE	QUARTER	RANGE			AVG	LAST Q	LAST YR
PriceWaterhouse Coopers					**3Q 12**	**2Q 12**	**3Q 11**
National Medical Office Buildings	3Q 12	-5.0%	to	3.0%	1.0%	1.1%	1.2%
Charlotte Office	3Q 12	0.0%	to	5.0%	1.6%	1.3%	0.8%
AVERAGE		-2.5%	to	4.0%	1.3%	1.2%	1.0%

Below is a general office submarket rental growth forecast for the subject's submarket, as provided by CBRE Econometric Advisors:

CBRE

Econometric Advisors Outlook

Market	Submarket	Frequency	Scenario
Charlotte	Midtow n	Annual	Baseline

Year	Vacancy Rate (%)	TW Rent Index ($/SF)	TW Rent Inflation (%)	Real TW Rent Index (Constant $/SF)	Real TW Rent Inflation (%)	TW Economic Rent Index ($/SF)	TW Economic Rent Inflation (%)	Real TW Economic Rent Index (Constant $/SF)	Real TW Economic Rent Inflation (%)
2011	13.40	17.95	4.20	18.21	0.90	15.55	10.80	15.77	7.20
2012	13.90	18.23	1.60	18.10	-0.60	15.71	1.00	15.59	-1.10
2013	12.80	18.79	3.10	18.37	1.50	16.38	4.30	16.02	2.80
2014	12.80	19.55	4.00	18.71	1.90	17.05	4.10	16.32	1.90
2015	12.70	20.46	4.70	19.11	2.10	17.87	4.80	16.69	2.30
2016	12.70	21.32	4.20	19.49	2.00	18.62	4.20	17.02	2.00
2017	12.90	22.20	4.10	19.84	1.80	19.34	3.90	17.29	1.60

Because a significant portion of the Midtown submarket is comprised of medical office space, we felt it pertinent to include this data provided by CBRE.

The market rent forecast by tenant category is presented below. Our projected rent growth factors the preceding data and current market conditions:

MARKET RENT FORECAST

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Year Ending	**Nov-13**	**Nov-14**	**Nov-15**	**Nov-16**	**Nov-17**	**Nov-18**	**Nov-19**	**Nov-20**	**Nov-21**	**Nov-22**	**Nov-23**
Medical Office	$25.25	$25.50	$26.27	$27.32	$28.41	$29.55	$30.73	$31.96	$33.24	$34.57	$35.95
	-	1.00%	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Our pro forma incorporates data provided by the investor surveys and forecast provided by CBRE.

Expense Growth

Below is information provided by investor surveys that we used to support expense growth:

EXPENSE CHANGE

SOURCE	QUARTER	RANGE			AVG	LAST Q	LAST YR
PriceWaterhouse Coopers					**3Q 12**	**2Q 12**	**3Q 11**
National Medical Office Buildings	3Q 12	0.0%	to	4.0%	2.2%	2.1%	2.3%
Charlotte Office	3Q 12	2.0%	to	4.0%	2.9%	2.8%	2.8%
US BLS CPI 10-Year Snap Shot	Dec 12				2.5%	-	-
US BLS CPI 3-Year Snap Shot	Dec 12				2.3%	-	-
AVERAGE		1.0%	to	4.0%	2.5%	2.5%	2.5%

Inflation Assumptions

The following table summarizes all inflation assumptions that were used in our DCF analysis:

INFLATION ASSUMPTIONS

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Year Ending	**Nov-13**	**Nov-14**	**Nov-15**	**Nov-16**	**Nov-17**	**Nov-18**	**Nov-19**	**Nov-20**	**Nov-21**	**Nov-22**	**Nov-23**
General	-	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Market Rent	-	1.0%	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

DCF Assumptions

The following are the assumptions incorporated into our DCF analysis:

DCF ASSUMPTIONS	
Cash Flow Software:	ARGUS
Base Scenario	**Market Value As Is**
Cash Flow Start Date:	Dec-12
Calendar or Fiscal Analysis:	Fiscal
Investment Holding Period:	11 years
Analysis Projection Period:	12 years
Internal Rate of Return (Cash Flow):	9.00%
Internal Rate of Return (Reversion):	9.00%
Terminal Capitalization Rate:	8.00%
Reversionary Sales Cost:	3.00%
Basis Point Spread (OARout vs. OARin):	25 pts
Additional Scenario	**Prospective Value Upon Stabilization**
Cash Flow Start Date:	Dec-14
Calendar or Fiscal Analysis:	Fiscal
Investment Holding Period:	9 years
Analysis Projection Period:	10 years
Internal Rate of Return (Cash Flow):	9.00%
Internal Rate of Return (Reversion):	9.00%
Terminal Capitalization Rate:	8.00%
Reversionary Sales Cost:	3.00%
Basis Point Spread (OARout vs. OARin):	25 pts

Capital Expenditures

As part of Argus cash flow modeling, we incorporated allowances for tenant improvements and leasing commissions, which are summarized below.

CAPITAL EXPENDITURES

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Year Ending	**Nov-13**	**Nov-14**	**Nov-15**	**Nov-16**	**Nov-17**	**Nov-18**	**Nov-19**	**Nov-20**	**Nov-21**	**Nov-22**	**Nov-23**
Tenant Improvements	$50,806	$9,713	$5,367	$958	$2,071	$28,174	$11,260	$6,222	$1,110	$2,401	$32,662
Leasing Commissions	$99,033	$38,777	$21,426	$3,860	$8,429	$115,789	$46,725	$26,068	$4,696	$10,255	$140,875

Note, capital expenditures were also considered for items such as curable depreciation (deferred maintenance) and other known capital improvement initiatives that were likely to occur during the holding period. Based on information that we gathered during the property inspection and from interviews with the subject property contact, there were no additional capital expenditures modeled into the Argus DCF analysis, opting instead for inclusion of a reserves deduction for prospective capital improvements.

Cost of Sale

The cost of selling the property at the end of the investment holding period must be deducted from the capitalized value. These costs include sales commissions, and any other closing costs that would normally be included as a deduction within the local marketplace. Based on our experience in the market and analysis of recent transactions and offerings, we utilized a Cost of Sale at Reversion of 3.00%.

Cash Flow Projection

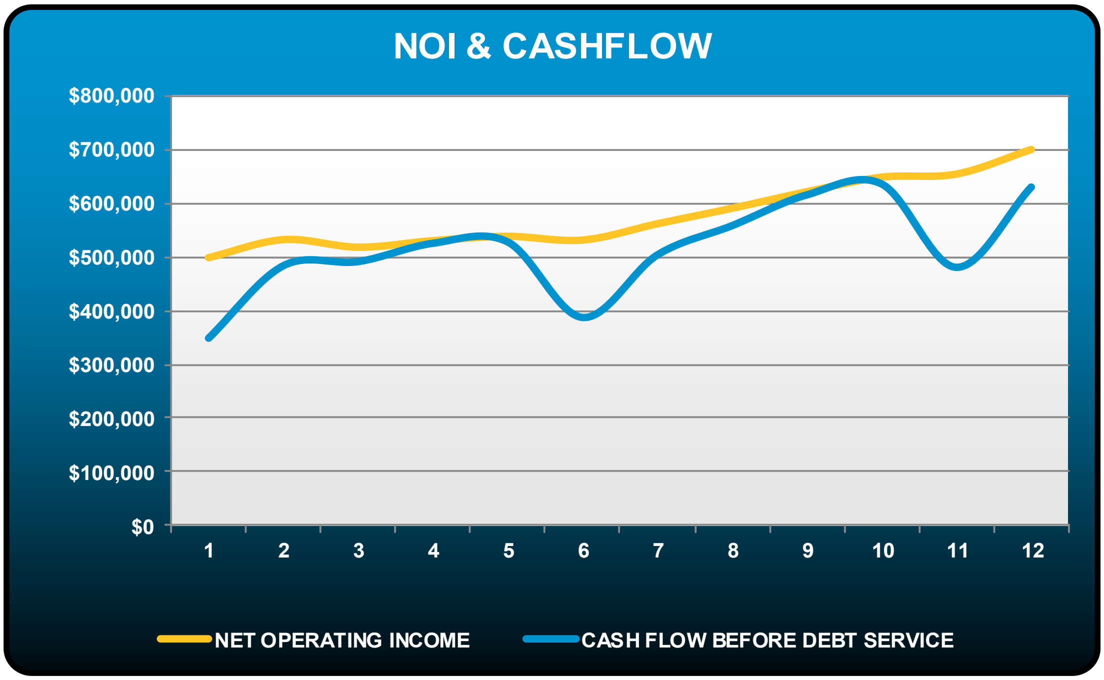
On the following page is our cash flow projection.

CASH FLOW

Langtree Portfolio

Year	1	2	3	4	5	6	7	8	9	10	11	12	Annual Growth	Annual Growth
For the Years Beginning	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Year 1 -	Year 3 -
For the Years Ending	Nov-13	Nov-14	Nov-15	Nov-16	Nov-17	Nov-18	Nov-19	Nov-20	Nov-21	Nov-22	Nov-23	Nov-24	Year 11	Year 11
Base Rental Revenue	$903,198	$924,750	$909,624	$929,285	$949,058	$973,097	$1,003,810	$1,043,205	$1,084,934	$1,128,330	$1,173,462	$1,220,405	2.65%	3.23%
Absorption & Turnover Vacancy	($74,258)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	(100.00%)	
Base Rent Abatements	($38,486)	($12,290)	($4,429)	($798)	($1,743)	($23,937)	($9,659)	($5,389)	($971)	($2,120)	($29,122)	($11,752)	(2.75%)	26.54%
SCHEDULED BASE RENT REVENUE	**$790,454**	**$912,460**	**$905,195**	**$928,487**	**$947,315**	**$949,160**	**$994,151**	**$1,037,816**	**$1,083,963**	**$1,126,210**	**$1,144,340**	**$1,208,653**	**3.77%**	**2.97%**
TOTAL GROSS REVENUE	**$790,454**	**$912,460**	**$905,195**	**$928,487**	**$947,315**	**$949,160**	**$994,151**	**$1,037,816**	**$1,083,963**	**$1,126,210**	**$1,144,340**	**$1,208,653**	**3.77%**	**2.97%**
General Vacancy	($12,213)	($91,246)	($90,520)	($92,849)	($94,732)	($94,916)	($99,415)	($103,782)	($108,396)	($112,621)	($114,434)	($120,865)	25.08%	2.97%
Credit & Collection Loss	($3,952)	($4,562)	($4,526)	($4,642)	($4,737)	($4,746)	($4,971)	($5,189)	($5,420)	($5,631)	($5,722)	($6,043)	3.77%	2.97%
EFFECTIVE GROSS REVENUE	**$774,289**	**$816,652**	**$810,149**	**$830,996**	**$847,846**	**$849,498**	**$889,765**	**$928,845**	**$970,147**	**$1,007,958**	**$1,024,184**	**$1,081,745**	**2.84%**	**2.97%**
Real Estate Taxes	($63,425)	($65,328)	($67,288)	($69,307)	($71,386)	($73,527)	($75,733)	($78,005)	($80,345)	($82,756)	($85,238)	($87,796)	3.00%	3.00%
Property Insurance	($4,981)	($5,130)	($5,284)	($5,443)	($5,606)	($5,774)	($5,948)	($6,126)	($6,310)	($6,499)	($6,694)	($6,895)	3.00%	3.00%
Repairs and Maintenance	($28,226)	($29,073)	($29,945)	($30,843)	($31,769)	($32,722)	($33,703)	($34,714)	($35,756)	($36,828)	($37,933)	($39,071)	3.00%	3.00%
Janitorial	($36,528)	($37,624)	($38,752)	($39,915)	($41,112)	($42,346)	($43,616)	($44,924)	($46,272)	($47,660)	($49,090)	($50,563)	3.00%	3.00%
Landscaping	($8,302)	($8,551)	($8,807)	($9,072)	($9,344)	($9,624)	($9,913)	($10,210)	($10,516)	($10,832)	($11,157)	($11,492)	3.00%	3.00%
Utilities	($92,980)	($95,769)	($98,642)	($101,601)	($104,649)	($107,789)	($111,023)	($114,353)	($117,784)	($121,317)	($124,957)	($128,706)	3.00%	3.00%
Management Fees	($23,229)	($24,500)	($24,304)	($24,930)	($25,435)	($25,485)	($26,693)	($27,865)	($29,104)	($30,239)	($30,726)	($32,452)	2.84%	2.97%
General Operating	($13,283)	($13,681)	($14,092)	($14,514)	($14,950)	($15,398)	($15,860)	($16,336)	($16,826)	($17,331)	($17,851)	($18,387)	3.00%	3.00%
Reserve	($4,981)	($5,130)	($5,284)	($5,443)	($5,606)	($5,774)	($5,948)	($6,126)	($6,310)	($6,499)	($6,694)	($6,895)	3.00%	3.00%
TOTAL OPERATING EXPENSES	**($275,935)**	**($284,786)**	**($292,398)**	**($301,068)**	**($309,857)**	**($318,439)**	**($328,437)**	**($338,659)**	**($349,223)**	**($359,961)**	**($370,340)**	**($382,257)**	**2.99%**	**3.00%**
NET OPERATING INCOME	**$498,354**	**$531,866**	**$517,751**	**$529,928**	**$537,989**	**$531,059**	**$561,328**	**$590,186**	**$620,924**	**$647,997**	**$653,844**	**$699,488**	**2.75%**	**2.96%**
Tenant Improvements	($50,806)	($9,713)	($5,367)	($958)	($2,071)	($28,174)	($11,260)	($6,222)	($1,110)	($2,401)	($32,662)	($13,053)	(4.32%)	25.33%
Leasing Commissions	($99,033)	($38,777)	($21,426)	($3,860)	($8,429)	($115,789)	($46,725)	($26,068)	($4,696)	($10,255)	($140,875)	($56,847)	3.59%	26.54%
TOTAL LEASING AND CAPITAL COST!	**($149,839)**	**($48,490)**	**($26,793)**	**($4,818)**	**($10,500)**	**($143,963)**	**($57,985)**	**($32,290)**	**($5,806)**	**($12,656)**	**($173,537)**	**($69,900)**	**1.48%**	**26.31%**
CASH FLOW BEFORE DEBT SERVICE	**$348,515**	**$483,376**	**$490,958**	**$525,110**	**$527,489**	**$387,096**	**$503,343**	**$557,896**	**$615,118**	**$635,341**	**$480,307**	**$629,588**	**3.26%**	**(0.27%)**
Implied Overall Rate	7.52%	8.02%	7.81%	7.99%	8.11%	8.01%	8.46%	8.90%	9.36%	9.77%	9.86%	10.55%		
Cash on Cash Return	5.26%	7.29%	7.40%	7.92%	7.95%	5.84%	7.59%	8.41%	9.28%	9.58%	7.24%	9.49%		

The following is a graphic portrayal of the NOI and Cash Flow line items correlating to the cash flow presented on the prior page.



DCF VALUE CONCLUSION

Market Value As Is

Below is the calculated Market Value As Is for the subject property as of December 4, 2012, incorporating sensitivity analysis at various rates.

PRICING MATRIX - Market Value As Is					
As of December 2012 - Includes Years Start Period: 1 through 12					
Terminal	Discount Rate (IRR) for Cash Flow				
Cap Rates	8.50%	8.75%	9.00%	9.25%	9.50%
7.50%	$7,117,747	$6,982,365	$6,850,302	$6,721,463	$6,595,759
7.75%	$6,998,786	$6,866,379	$6,737,208	$6,611,184	$6,488,218
8.00%	$6,887,261	$6,757,642	$6,631,183	$6,507,797	$6,387,398
8.25%	$6,782,495	$6,655,495	$6,531,584	$6,410,676	$6,292,689
8.50%	$6,683,891	$6,559,356	$6,437,843	$6,319,268	$6,203,551
IRR Reversion	8.50%	8.75%	9.00%	9.25%	9.50%
Cost of Sale at Reversion:			3.00%		
Percent Residual:			49.57%		
Round to nearest		$100,000	$6,600,000		

PRESENT VALUE OF CASH FLOW

MARKET VALUE AS IS

YEAR	PERIOD	CASH FLOW	DISCOUNT FACTOR @ 8.75%	PRESENT VALUE	DISCOUNT FACTOR @ 9.00%	PRESENT VALUE	DISCOUNT FACTOR @ 9.25%	PRESENT VALUE
1	Dec-12-Nov-13	$348,515	0.9195	$320,474	**0.9174**	**$319,739**	0.9153	$319,007
2	Dec-13-Nov-14	$483,376	0.8456	$408,721	**0.8417**	**$406,848**	0.8378	$404,988
3	Dec-14-Nov-15	$490,958	0.7775	$381,730	**0.7722**	**$379,110**	0.7669	$376,513
4	Dec-15-Nov-16	$525,110	0.7150	$375,434	**0.7084**	**$372,001**	0.7020	$368,608
5	Dec-16-Nov-17	$527,489	0.6574	$346,790	**0.6499**	**$342,832**	0.6425	$338,927
6	Dec-17-Nov-18	$387,096	0.6045	$234,015	**0.5963**	**$230,813**	0.5881	$227,662
7	Dec-18-Nov-19	$503,343	0.5559	$279,807	**0.5470**	**$275,346**	0.5383	$270,965
8	Dec-19-Nov-20	$557,896	0.5112	$285,180	**0.5019**	**$279,989**	0.4928	$274,904
9	Dec-20-Nov-21	$615,118	0.4700	$289,131	**0.4604**	**$283,217**	0.4510	$277,438
10	Dec-21-Nov-22	$635,341	0.4322	$274,609	**0.4224**	**$268,375**	0.4128	$262,296
11	Dec-22-Nov-23	$480,307	0.3974	$190,896	**0.3875**	**$186,135**	0.3779	$181,503
PV OF CASH FLOW		$5,554,549		$3,386,787		**$3,344,404**		$3,302,811
REVERSIONARY YEAR 12 NOI		**$699,488**						
PROPERTY RESALE @ 8.00%		**$8,743,600**						
COST OF SALE @ 3.00%		**$262,308**						
PV OF REVERSION		$8,481,292	0.3974	$3,370,855	**0.3875**	**$3,286,779**	0.3779	$3,204,986
TOTAL PRESENT VALUE (CASH FLOW + REVERSION)				**$6,757,642**		**$6,631,183**		**$6,507,797**
FINAL VALUE CONCLUSION						**$6,600,000**		
IMPLIED CAPITALIZATION RATE						**7.52%**		

Prospective Value Upon Stabilization

Below is the calculated Prospective Value Upon Stabilization for the subject property as of December 4, 2013, incorporating sensitivity analysis at various rates.

PRICING MATRIX - Prospective Value Upon Stabilization

As of December 2014 - Includes Years Start Period: 3 through 12

Terminal Cap Rates	Discount Rate (IRR) for Cash Flow 8.50%	8.75%	9.00%	9.25%	9.50%
7.50%	$7,517,674	$7,395,352	$7,275,586	$7,158,315	$7,043,480
7.75%	$7,377,631	$7,258,180	$7,141,220	$7,026,691	$6,914,536
8.00%	$7,246,341	$7,129,581	$7,015,251	$6,903,293	$6,793,650
8.25%	$7,123,008	$7,008,776	$6,896,917	$6,787,374	$6,680,092
8.50%	$7,006,929	$6,895,077	$6,785,544	$6,678,274	$6,573,213
IRR Reversion	8.50%	8.75%	9.00%	9.25%	9.50%
Cost of Sale at Reversion:			3.00%		
Percent Residual:			55.66%		
Round to nearest		$100,000	$7,000,000		

PRESENT VALUE OF CASH FLOW

PROSPECTIVE VALUE UPON STABILIZATION

YEAR	PERIOD	CASH FLOW	DISCOUNT FACTOR	PRESENT VALUE @ 8.75%	DISCOUNT FACTOR	PRESENT VALUE @ 9.00%	DISCOUNT FACTOR	PRESENT VALUE @ 9.25%
3	Dec-14-Nov-15	$490,958	0.9195	$451,456	**0.9174**	**$450,420**	0.9153	$449,389
4	Dec-15-Nov-16	$525,110	0.8456	$444,009	**0.8417**	**$441,975**	0.8378	$439,954
5	Dec-16-Nov-17	$527,489	0.7775	$410,134	**0.7722**	**$407,318**	0.7669	$404,528
6	Dec-17-Nov-18	$387,096	0.7150	$276,759	**0.7084**	**$274,229**	0.7020	$271,727
7	Dec-18-Nov-19	$503,343	0.6574	$330,916	**0.6499**	**$327,138**	0.6425	$323,413
8	Dec-19-Nov-20	$557,896	0.6045	$337,270	**0.5963**	**$332,655**	0.5881	$328,114
9	Dec-20-Nov-21	$615,118	0.5559	$341,943	**0.5470**	**$336,491**	0.5383	$331,137
10	Dec-21-Nov-22	$635,341	0.5112	$324,768	**0.5019**	**$318,856**	0.4928	$313,066
11	Dec-22-Nov-23	$480,307	0.4700	$225,764	**0.4604**	**$221,147**	0.4510	$216,634
PV OF CASH FLOW		$4,722,658		$3,143,018		**$3,110,229**		$3,077,962
REVERSIONARY YEAR 10 NOI		**$699,488**						
PROPERTY RESALE @ 8.00%		**$8,743,600**						
COST OF SALE @ 3.00%		**$262,308**						
PV OF REVERSION		$8,481,292	0.4700	$3,986,563	**0.4604**	**$3,905,022**	0.4510	$3,825,331
TOTAL PRESENT VALUE (CASH FLOW + REVERSION)				**$7,129,581**		**$7,015,251**		**$6,903,293**
FINAL VALUE CONCLUSION						**$7,000,000**		
IMPLIED CAPITALIZATION RATE						**7.10%**		

DIRECT CAPITALIZATION – STATIC MODEL

This method analyzes the relationship of one year’s stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over a buyer’s investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

The subject property is expected to attain stabilized occupancy in Year 2. The static direct capitalization model assumes our market rent conclusion for the NRA and not the actual income in-place at the subject. The pro-forma reflecting the subject's stabilized operations is presented in the following table.

DIRECT CAPITALIZATION SUMMATION TABLE (STATIC)

MLA	CONTRACT	ASKING	MARKET	CONCLUDED	SF IN MLA	$/SF	TOTAL RENT $/YR
Medical Office	$28.06	$0.00	$25.25	Market	33,207	$25.25	$838,477
INCOME ITEMS				**%PGI**	**%EGI**	**$/SF**	**TOTAL**
Base Rent						$25.25	$838,477
POTENTIAL GROSS INCOME (PGI)				**100.0%**	**111.7%**	**$25.25**	**$838,477**
VACANCY & CREDIT LOSS							
General Vacancy					(10.0%)	($2.53)	($83,848)
Credit & Collection Loss					(0.5%)	($0.13)	($4,192)
TOTAL VACANCY & CREDIT LOSS					(10.5%)	($2.65)	($88,040)
EFFECTIVE GROSS INCOME (EGI)				**89.5%**	**100.0%**	**$22.60**	**$750,437**
EXPENSE ITEMS							
Real Estate Taxes				(7.6%)	(8.5%)	($1.91)	($63,425)
Property Insurance				(0.6%)	(0.7%)	($0.15)	($4,981)
Repairs and Maintenance				(3.4%)	(3.8%)	($0.85)	($28,226)
Janitorial				(4.4%)	(4.9%)	($1.10)	($36,528)
Landscaping				(1.0%)	(1.1%)	($0.25)	($8,302)
Utilities				(11.1%)	(12.4%)	($2.80)	($92,980)
Management Fees				(2.7%)	(3.0%)	($0.68)	($22,513)
General Operating				(1.6%)	(1.8%)	($0.40)	($13,283)
Reserve				(0.6%)	(0.7%)	($0.15)	($4,981)
TOTAL EXPENSES				(32.8%)	(36.7%)	($8.29)	($275,218)
NET OPERATING INCOME (NOI)				**56.7%**	**63.3%**	**$14.31**	**$475,218**
Capitalization Rate							7.75%
Capitalized Value							$6,131,849
INDICATED STABILIZED FEE SIMPLE VALUE						**$183.70/SF**	**$6,100,000**
Lease-Up Costs							From Argus
Rent Loss				(8.9%)	(9.9%)	($2.24)	($74,258)
Tenant Improvements				(3.3%)	(3.7%)	($0.84)	($27,830)
Leasing Commissions				(4.9%)	(5.4%)	($1.23)	($40,757)
Free Rent				(2.8%)	(3.1%)	($0.71)	($23,424)
Total Lease-Up Costs				(19.8%)	(22.2%)	($5.01)	($166,269)
Entrepreneurial Profit				(2.0%)	(2.2%)	($0.50)	($16,627)
TOTAL LEASE-UP COSTS				(21.8%)	(24.4%)	($5.51)	($182,896)
Leased Fee Property Rights Adjustment							**$300,000**
INDICATED AS IS LEASED FEE VALUE						**$186.71/SF**	**$6,200,000**

Rounded to nearest $100,000

The static direct capitalization analysis above represents the "fee simple" market value of the property, assuming "market" rent and operating expenses. It is clear there is above market rent at the subject. When above market rent is present, we make a leased fee property rights adjustment below the NOI line in the static direct capitalization analysis. The leased fee property rights adjustment is based on the concept of time value of money that determines the present value of the above market income stream by discounting this income stream by a discount rate determined by the market.

ADJUSTMENTS TO VALUE

To reflect conditions in effect at the subject property as the date of value, adjustments to the capitalized value were necessary for lease up costs and a one-time leased fee property rights adjustment. The following discussion summarizes our support of the value adjustments. These adjustments carry forward to the other valuation sections as applicable to each approach to value.

Lease-Up Analysis

Regarding lease-up costs, the subject property has a current occupancy level of 83.2%, which is below our stabilized occupancy level estimate of 89.5%. As such, lease-up costs associated with the subject achieving stabilization are warranted in arriving at the As-Is Market Value. As previously supported in the Cash Flow Risk Analysis section, we projected a period of 11 months for the vacant spaces to be absorbed, reflecting an average absorption rate of 506 SF per month.

The following table summarizes our analysis of lease-up costs for current vacancies based on how each space was modeled within the Argus DCF. When dealing with multiple vacancies, the prospective start dates were staggered based on a reasonable forecast of how the spaces will be absorbed considering size and marketability factors. The lease-up cost analysis calculates rent loss, tenant improvements, leasing commissions and free rent based on our market leasing assumptions previously supported in the Market Rent Analysis section. These costs were adjusted to account for appropriate profit incentive. We considered additional adjustments for reabsorption of space for potential upcoming vacancies during the absorption period.

LEASE UP COSTS ANALYSIS As of Analysis Start Date 12/1/2012

Ste	Tenant	Total NRA (SF)	Lease Date	Rent Loss	Expense Carry (1)	TI's (2)	Leasing Comm (2)	Free Rent	Sub Total	Profit %	Profit $	Total Cost
Medical Office												
214	Vacant	1,575	2/13	$6,628	$0	$7,875	$11,533	$6,628	$32,664	10%	$3,266	$35,931
100	Vacant	1,960	5/13	$20,621	$0	$9,800	$14,352	$8,248	$53,021	10%	$5,302	$58,323
317	Vacant	2,031	11/13	$47,009	$0	$10,155	$14,872	$8,548	$80,584	10%	$8,058	$88,643
Sub-Total		**5,566**		**$74,258**	**$0**	**$27,830**	**$40,757**	**$23,424**	**$166,269**		**$16,627**	**$182,896**
GRAND TOTAL		**5,566**		**$74,258**	**$0**	**$27,830**	**$40,757**	**$23,424**	**$166,269**		**$16,627**	**$182,896**

(1) Calculated based on the first month of lease multiplied by months vacant.
(2) Calculated based on prevailing figures as of projected date of lease.

Leased Fee Property Rights Adjustment

From the above analysis, the subject has above-market leases. For our analysis, we have chosen to apply market rent in our direct capitalization pro forma and add the present value of the contract rent to the capitalized NOI to conclude to a leased-fee value indicator for the property as is on the date of valuation.

Above Market Rent Discount Rate

As there is some risk that the above market contract rental income will either not be paid or that the contract rental rate will be renegotiated lower, the scheduled above market contract rental income is discounted. An appropriate discount rate should consider the risk attributable to the subject’s cash flow resulting from the relationship of the contract rents to market rent as well as the “credit” of the tenants. The most recent in-place tenant occupied the subject 11 years ago, the oldest tenant 13 years. The discount rate applied to the above market income stream is 10.00% to reflect the low risk profile of the current tenancy.

In the above-market lease analysis to follow, we assume a 1.0%, 3.0% and 4.0% growth rate schedule for fee simple market rent.

LEASED FEE PROPERTY RIGHTS TABLE

CASH FLOW YEAR	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	
Effective Gross Income - Leased Fee							
Potential Gross Rent[1]	$633,185	$402,686	$217,577	$197,214	$158,345	$77,149	
	$633,185	$402,686	$217,577	$197,214	$158,345	$77,149	
Effective Gross Income - Fee Simple							
Potential Gross Rent	$559,995	$326,075	$186,365	$174,472	$144,339	$72,183	
Potential Gross Income	$559,995	$326,075	$186,365	$174,472	$144,339	$72,183	
Vacancy and Collection Loss	($58,799)	($34,238)	($19,568)	($18,320)	($15,156)	($7,579)	
	$501,195	$291,837	$166,797	$156,152	$129,184	$64,604	
Leased Fee vs. Fee Simple							
Variance	$131,990	$110,849	$50,780	$41,062	$29,161	$12,545	
Discounted Factor @ 10%	0.9091	0.8264	0.7513	0.6830	0.6209	0.5645	
PV of Variance	$119,991	$91,611	$38,152	$28,046	$18,107	$7,081	
Subtotal PV of Adjustments							$302,987
LEASED FEE PROPERTY RIGHTS ADJUSTMENT (ROUNDED)							**$300,000**

[1] Based on contract rent over remaining lease term — Rounded to nearest $10,000

As previously discussed, a market vacancy loss of 10.5% was applied to the fee simple rental income stream but no vacancy loss was applied to the leased fee rental income stream. The total net amount of leased fee property rights adjustment is $300,000.

RECONCILIATION OF INCOME APPROACH VALUES

The following table summarizes the opinions for market value that were developed by the DCF and static direct capitalization methods of the income approach. In many instances, primary emphasis would be placed upon the direct capitalization technique for seasoned income-based properties. This method is considered to most directly reflect the actions of buyers and sellers currently active in this market. However, the pricing of the asset, along with a tenant mix reflecting excess rent, rollovers, and additional leasing necessary to achieve stabilized occupancy increases the applicability of a discounted flow analysis. Both techniques are supportive of the concluded valued conclusion, but the discounted cash flow is ultimately given most reliance.

VALUATION INDICES	AS-IS MARKET VALUE
INTEREST APPRAISED	LEASED FEE
DATE OF VALUE	DECEMBER 4, 2012
INCOME CAPITALIZATION APPROACH	
Discounted Cash Flow (DCF)	**$6,600,000**
DCF $/SF (NRA)	$198.75/SF
Holding Period	11 Years
Terminal Capitalization Rate	8.00%
Internal Rate of Return (Cash Flow)	9.00%
Internal Rate of Return (Reversion)	9.00%
Static Direct Capitalization	**$6,200,000**
Direct Capitalization $/SF (NRA)	$186.71/SF
NOI (Stabilized - Year 2)	-
NOI $/SF (NRA)	-
Capitalization Rate	7.75%
INCOME CONCLUSION	$6,600,000
Income Conclusion $/SF (NRA)	$198.75/SF

INTRODUCTION The Sales Comparison Approach is based on the principle of substitution, which asserts that a buyer would not pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments to bracket the subject property within an appropriate unit value comparison.

UNIT OF COMPARISON

The most relevant unit of comparison is the price per square foot of net rentable area (NRA). This indicator best reflects the analysis used by buyers and sellers in this market for improved properties with similar design and utility.

COMPARABLE SELECTION

We completed a thorough search for similar improved sales in terms of property type, location, physical characteristics, and date of sale. In selecting comparables, emphasis was placed on confirming recent improved sales of properties that match the highest and best use, and buyer/seller profile of the subject property. Overall, the sales selected represent the best comparables available for this analysis.

ADJUSTMENT PROCESS

Quantitative adjustments are made to the comparable sales. The following adjustments or general market trends were considered for the basis of valuation.

Transactional Adjustments

Dollar adjustments to the comparable sales were considered and made when warranted for transitional adjustments in the sequence shown below:

Property Rights Transferred	The valuation of the subject site was completed on a leased fee basis. If warranted, leased fee, leasehold and/or partial interest sales were adjusted accordingly.
Financing Terms	The subject property was valued on a cash equivalent basis. Adjustments were made to the comparables involving financing terms atypical of the marketplace.
Conditions of Sale	This adjustment accounts for extraordinary motivation on the part of the buyer or seller often associated with distressed sales.
Expenditures After Purchase	Adjustments were applied if physical conditions warranted expenditures on the part of the buyer to bring the comparable up to functional standards. Most often this adjustment accounts for costs associated with deferred maintenance.
Market Conditions	Market conditions adjustments were based on a review of historical sale data, market participant interviews and review of current versus historical pricing. Market conditions for medical office have remaining flat over 2012. We applied an upward adjustment to Comparable One as it traded in 2011.

Property Adjustments

Quantitative percentage adjustments are also made for location and physical characteristics such as size, age, site and parking ratios, access, exposure, quality and condition, as well as other applicable elements of comparison. Where possible the adjustments applied are based on paired data or other statistical analysis. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject property.

PRESENTATION

The following Sales Summation Table, Location Map and datasheets summarize the improved sales data. Following these items, the comparable sales are adjusted for applicable elements of comparison and the opinion of value by the Sales Comparison Approach is concluded.

IMPROVED SALES SUMMATION TABLE						
Comparable	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name	Multi-Tenant Medical Office Building	Charlotte Medical Plaza I	Jetton Medical Office Buildings	Park Crossing Medical Center	Multi-tenant Medical Office	Christianbury Eye Center Building
Address	1928 Randolph Road	300 Billingsley Road	19485 & 19475 Old Jetton Road	10352 Park Road	2200 E. 7th Street	3621 Randolph Road
City	Charlotte	Charlotte	Cornelius	Charlotte	Charlotte	Charlotte
State	NC	NC	NC	NC	NC	NC
Zip	28203	28211	28031	28210	28204	28211
County	Mecklenburg	Mecklenburg	Mecklenburg	Mecklenburg	Mecklenburg	Mecklenburg
PHYSICAL INFORMATION						
Property Type	Office	Office	Office	Office	Office	Office
GBA (SF)	33,870	39,574	44,893	5,546	14,640	42,330
NRA (SF)	33,207	39,574	44,893	5,546	14,640	42,330
Land Area (AC)	1.7	2.6	5.2	Condominium	1.3	6.2
Land Area (SF)	72,222	112,820	226,512	Condominium	57,935	270,943
L:B Ratio	2.1	2.9	5.0	Condominium	4.0	6.4
Year Built	1964	1990	2009	1989	1965	1984
Year Renovated	-	-	-	-	1985	-
Location	Good	Average	Good	Average	Average/Good	Average
Access	Average	Average	Average	Average	Average	Average
Exposure	Average	Average/Fair	Average	Average	Average	Fair
Quality	Average/Fair	Average	Average	Average	Average	Average
Condition	Average	Average	Average	Average	Average	Fair/Average
Tenancy Type	Multi-Tenant	Multi-Tenant	Multi-Tenant	Single-Tenant	Multi-Tenant	Multi-Tenant
Occupant Type	Third Party	Third Party	Third Party	Third Party	Third Party	Third Party
Building Class	B	B	B	B	B	B
Stories	3	2	2	1	1	2
Parking Ratio	4.2	4.2	6.2	8.3	3.7	3.2
SALE INFORMATION						
Date		9/14/2011	5/6/2012	8/21/2012	12/5/2012	12/5/2012
Status		Recorded	Recorded	Recorded	Listing	Listing
Marketing Period		6 Month(s)	8 Month(s)	2 Month(s)	3 Month(s)	18 Month(s)
Rights Transferred		Leased Fee	Leased Fee	Fee Simple	Leased Fee	Leased Fee
Transaction Price		$5,000,000	$10,350,000	$935,000	$2,650,000	$5,700,000
Analysis Price		$5,170,000	$10,150,000	$935,000	$2,925,000	$5,700,000
$/SF NRA		$130.64	$226.09	$168.59	$199.80	$134.66
NOI/SF NRA		$11.11	$18.29	$14.33	$12.64	N/A
Occupancy	83.2%	90.0%	90.0%	0.0%	90.0%	N/A
Capitalization Rate		8.50%	8.09%	8.50%	6.32%	N/A

SALES LOCATION MAP

COMPARABLE 1

LOCATION INFORMATION	
Name	Charlotte Medical Plaza I
Address	300 Billingsley Road
City, State, Zip Code	Charlotte, NC, 28211
County	Mecklenburg
MSA	Charlotte-Gastonia-Rock Hill, NC-SC MSA
APN	157-072-30

SALE INFORMATION	
Buyer	Alex Brow n Realty
Seller	Novant Health
Transaction Date	09/14/2011
Transaction Status	Recorded
Transaction Price	$5,000,000
Analysis Price	$5,170,000
Recording Number	26742-670
Rights Transferred	Leased Fee
Marketing Time	6 Month(s)

PHYSICAL INFORMATION	
Project Type	Multi-Tenant
Leasable Area (NRA)	39,574
Number of Buildings	1
Year Built	1990
No. of Floors	2
Parking Spaces / Ratio	167 (4.22/1,000 SF NRA)
Class	B
Quality	Average
Condition	Average
Appeal	Average
Building Structure	Concrete Block
Exterior	Brick
Site Size	2.6 Acres (112,820 SF)
Zoning	O-15 CD
Shape	Rectangular
Topography	Level
Access	Average
Exposure	Average/Fair
Site Coverage (SF)/Ratio	21,217 SF / 0.19
Floor Area (SF)/Ratio	42,434 SF / 0.38

CHARLOTTE MEDICAL PLAZA I

OPERATING INCOME		
Net Operating Income	$439,559	$11.11
Occupancy at Sale	90.0%	

ANALYSIS INFORMATION	
Price per SF	$130.64
Adjusted Price per SF	$157.75
Capitalization Rate	8.50%

CONFIRMATION	
Name	Mike Wiles
Company	NAI Southern Real Estate
Source	Seller's Broker
Date	12/6/2012

REMARKS

This comparable represents the sale of a Class B medical office building know n as Charlotte Medical Plaza I, a 39,574 SF, multi-tenant property located at 300 Billingsley Road, in the Randolph Medical Corridor. The tw o-story improvements w ere completed in 1990 and are situated on a 2.59-acre site that is zoned O-15 CD. The property sold in September 2011 for $5,000,000 or $126.35 PSF. It w as 75% occupied at the time of sale. We calculated a lease-up cost of $170,000 assuming a 9-month lease-up, 90% stabilized occupancy, 20% profit and market rent. We added the lease-up cost to the as is sale price to derive an adjusted sale price of $5,170,000. The resulting pro forma OAR is 8.50%. The property w as listed as an unpriced offering and received tw o other offers.

COMPARABLE 2

LOCATION INFORMATION

Name	Jetton Medical Office Buildings
Address	19485 & 19475 Old Jetton Road
City, State, Zip Code	Cornelius, NC, 28031
County	Mecklenburg
MSA	Charlotte-Gastonia-Rock Hill, NC-SC MSA
APN	001-101-06

SALE INFORMATION

Buyer	Jetton Medical Properties LP
Seller	Merrifield Patrick Vermillion
Transaction Date	05/6/2012
Transaction Status	Recorded
Transaction Price	$10,350,000
Analysis Price	$10,150,000
Recording Number	27349-428
Rights Transferred	Leased Fee
Financing	At market
Marketing Time	8 Month(s)

PHYSICAL INFORMATION

Project Type	Multi-Tenant
Leasable Area (NRA)	44,893
Number of Buildings	2
Year Built	2009
No. of Floors	2
Parking Spaces / Ratio	278 (6.19/1,000 SF NRA)
Class	B
Quality	Average
Condition	Average
Appeal	Average
Building Structure	Concrete Block & Steel
Exterior	Brick
Site Size	5.2 Acres (226,512 SF)
Zoning	VC
Shape	Irregular
Topography	Level
Access	Average
Exposure	Average
Site Coverage (SF)/Ratio	22,447 SF / 0.10
Floor Area (SF)/Ratio	44,893 SF / 0.20

JETTON MEDICAL OFFICE BUILDINGS

OPERATING INCOME

Net Operating Income	$821,266	$18.29
Occupancy at Sale	90.0%	

ANALYSIS INFORMATION

Price per SF	$226.09
Adjusted Price per SF	$169.57
Capitalization Rate	8.09%

CONFIRMATION

Name	Mark New ell
Company	Merrifield Patrick Vermillion
Source	Seller's Representative
Date	12/4/2012

REMARKS

This comparable represents the sale of tw o medical office buildings located at 19485 and 19475 Old Jetton Road in Cornelius. The site has a good location and exposure along Cataw ba Avenue, the primary arterial. The tw o-story buildings w ere completed in 2009 and are situated on a 5.24-acre site. The property w as on the market for 8 months and closed in May 2012 for $10,350,000 or $230.55 PSF. The seller attributed $200,000 of the sale price to a small outparcel w ith development potential of approximately 3,500 to 4,000 SF. We deducted the seller estimated value of the outparcel to arrive at an adjusted sale price of $10,150,000. The buildings w ere 90% occupied at the time of sale and the seller deemed in-place leases at market. His calculated OAR w as just below 8.00% w ithout a reserve. Our calculated OAR assuming a $0.15 PSF reserve on the adjusted sale price is 8.09%. This w as an arm's length transaction.

COMPARABLE 3

LOCATION INFORMATION

Name	Park Crossing Medical Center
Address	10352 Park Road
City, State, Zip Code	Charlotte, NC, 28210
County	Mecklenburg
MSA	Charlotte-Gastonia-Rock Hill, NC-SC MSA
APN	207-291-50

SALE INFORMATION

Buyer	TAL 10352 Park Rd
Seller	Park Crossing Associates
Transaction Date	08/21/2012
Transaction Status	Recorded
Transaction Price	$935,000
Analysis Price	$935,000
Recording Number	27607-712
Rights Transferred	Fee Simple
Marketing Time	2 Month(s)

PHYSICAL INFORMATION

Project Type	Single-Tenant
Leasable Area (NRA)	5,546
Number of Buildings	1
Year Built	1989
No. of Floors	1
Parking Spaces / Ratio	46 (8.29/1,000 SF NRA)
Class	B
Quality	Average
Condition	Average
Appeal	Average
Building Structure	Wood Frame
Exterior	Brick
Site Size	0.0 Acres (0 SF)
Zoning	OC
Shape	Irregular
Topography	Level
Access	Average
Exposure	Average
Site Coverage (SF)/Ratio	5,546 SF / 0.00
Floor Area (SF)/Ratio	5,546 SF / 0.00

PARK CROSSING MEDICAL CENTER

OPERATING INCOME

Net Operating Income	$79,475	$14.33
Occupancy at Sale	0.0%	

ANALYSIS INFORMATION

Price per SF	$168.59
Adjusted Price per SF	$185.45
Capitalization Rate	8.50%

CONFIRMATION

Name	Adam Russ
Company	Insite Properties
Source	Seller's Broker
Date	12/5/2012

REMARKS

This comparable represents the sale of a 5,546 SF, stand alone, medical office condominium located at 10352 Park Road in Charlotte. The single-story building w as completed in 1989 and is located in the Park Crossing Professional Center. The property w as reported to be in average condition at the time of sale. The listing broker reported the buyer's OAR w as 8.50%. It w as on the market for 2 months prior to closing in August 21, 2012 for $935,000 or $168.59 PSF. This w as a single-tenant building.

COMPARABLE 4

LOCATION INFORMATION

Name	Multi-tenant Medical Office
Address	2200 E. 7th Street
City, State, Zip Code	Charlotte, NC, 28204
County	Mecklenburg
MSA	Charlotte-Gastonia-Rock Hill, NC-SC MSA
APN	127-042-01, 127-046-22

SALE INFORMATION

Seller	FAMILY CENTER LLC
Transaction Date	12/5/2012
Transaction Status	Listing
Transaction Price	$2,650,000
Analysis Price	$2,925,000
Rights Transferred	Leased Fee
Marketing Time	3 Month(s)

PHYSICAL INFORMATION

Project Type	Multi-Tenant
Leasable Area (NRA)	14,640
Year Built	1965
Year Renovated	1985
No. of Floors	1
Parking Spaces / Ratio	54 (3.69/1,000 SF NRA)
Class	B
Quality	Average
Condition	Average
Appeal	Average
Building Structure	Wood Frame
Exterior	Brick
Site Size	1.3 Acres (57,935 SF)
Zoning	O-2
Shape	Rectangular
Topography	Level
Access	Average
Exposure	Average
Site Coverage (SF)/Ratio	14,640 SF / 0.25
Floor Area (SF)/Ratio	14,640 SF / 0.25

MULTI-TENANT MEDICAL OFFICE

OPERATING INCOME

Net Operating Income	$185,086	$12.64
Occupancy at Sale	90.0%	

ANALYSIS INFORMATION

Price per SF	$199.80
Adjusted Price per SF	$178.32
Capitalization Rate	6.32%

CONFIRMATION

Name	Brannen Edge
Company	Brackett Flagship Properties
Source	Seller's Representative
Date	12/5/2012

REMARKS

This comparable represents the listing of office building located at 2200 East 7th Street in Charlotte. The single-story brick building w as originally built in 1965 but renovated in the mid-1980s and contains 14,640 SF on a 1.33-acre site. The main parcel that contains the building is located on a corner w ith good expsoure. There is a 0.38-acre site located across the street (same side of East 7th) that is used for parking. There is 4,800 SF of outpatient surgical center space. The sites are zoned for office use. The property has been listed for 3 months at an asking price of $2,650,000 or $181.01 PSF. We have assumed a 90% stabilized occupancy, $22.50 PSF market rent, $7.00 PSF OpEx, one year lease-up and a 15% profit in estimating a lease-up cost of $275,000, w hich w e added to the list price to extrapolate a stabilized list price of $2,925,000 or $199.80 PSF.

COMPARABLE 5

LOCATION INFORMATION

Name	Christianbury Eye Center Building
Address	3621 Randolph Road
City, State, Zip Code	Charlotte, NC, 28211
County	Mecklenburg
MSA	Charlotte-Gastonia-Rock Hill, NC-SC MSA
APN	15707237

SALE INFORMATION

Seller	RBC BANK
Transaction Date	12/5/2012
Transaction Status	Listing
Transaction Price	$5,700,000
Analysis Price	$5,700,000
Rights Transferred	Leased Fee
Marketing Time	18 Month(s)

PHYSICAL INFORMATION

Project Type	Two-Tenant
Leasable Area (NRA)	42,330
Number of Buildings	1
Year Built	1984
No. of Floors	2
Parking Spaces / Ratio	134 (3.17/1,000 SF NRA)
Class	B
Quality	Average
Condition	Fair/Average
Appeal	Average
Building Structure	Concrete Block
Exterior	Stucco
Site Size	6.2 Acres (270,943 SF)
Zoning	O-1
Shape	Irregular
Topography	Level
Access	Average
Exposure	Fair
Site Coverage (SF)/Ratio	22,074 SF / 0.08
Floor Area (SF)/Ratio	42,330 SF / 0.16

CHRISTIANBURY EYE CENTER BUILDING

OPERATING INCOME

ANALYSIS INFORMATION

Price per SF	$134.66
Adjusted Price per SF	$157.38
Capitalization Rate	N/A

CONFIRMATION

Name	
Company	
Source	CoStar
Date	12/10/2012

REMARKS

This comparable was reportedly 70% occupied. It has limited exposure from Randolph Road due to the site being irregularly shaped and the building is placed at the rear of the site.

IMPROVED SALES ADJUSTMENT GRID

Comparable	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Address	1928 Randolph Road	300 Billingsley Road	19485 & 19475 Old Jetton Road	10352 Park Road	2200 E. 7th Street	3621 Randolph Road
City, State	Charlotte, NC	Charlotte, NC	Cornelius, NC	Charlotte, NC	Charlotte, NC	Charlotte, NC
GBA	33,870	39,574	44,893	5,546	14,640	42,330
NRA	33,207	39,574	44,893	5,546	14,640	42,330
Land Area (SF)	72,222	112,820	226,512	Condominium	57,935	270,943
L:B Ratio	2.1	2.9	5.0	Condominium	4.0	6.4
Year Built	1964	1990	2009	1989	1965	1984
Year Renovated	-	-	-	-	1985	-
Location	Good	Average	Good	Average	Average/Good	Average
Access	Average	Average	Average	Average	Average	Average
Exposure	Average	Average/Fair	Average	Average	Average	Fair
Quality	Average/Fair	Average	Average	Average	Average	Average
Condition	Average	Average	Average	Average	Average	Fair/Average
Tenancy Type	Multi-Tenant	Multi-Tenant	Multi-Tenant	Single-Tenant	Multi-Tenant	Multi-Tenant
Occupant Type	Third Party	Third Party	Third Party	Third Party	Third Party	Third Party
Building Class	B	B	B	B	B	B
Stories	3	2	2	1	1	2
Parking Ratio	4.2	4.2	6.2	8.3	3.7	3.2
SALE INFORMATION						
Date		9/14/2011	5/6/2012	8/21/2012	12/5/2012	12/5/2012
Status		Recorded	Recorded	Recorded	Listing	Listing
Rights Transferred		Leased Fee	Leased Fee	Fee Simple	Leased Fee	Leased Fee
Analysis Price		$5,170,000	$10,150,000	$935,000	$2,925,000	$5,700,000
$/SF NRA		$130.64	$226.09	$168.59	$199.80	$134.66
NOI/SF NRA		$11.11	$18.29	$14.33	$12.64	N/A
Occupancy	83.2%	90.0%	90.0%	0.0%	90.0%	N/A
TRANSACTIONAL ADJUSTMENTS						
Property Rights		0%	0%	10%	0%	10%
Conditions of Sale		0%	0%	0%	-15%	-15%
Financing		0%	0%	0%	0%	0%
Market Conditions[1]		5%	0%	0%	0%	0%
Subtotal Transactional Adj Price		$137.17	$226.09	$185.45	$169.83	$125.90
PROPERTY ADJUSTMENTS						
Location		20%	0%	20%	10%	15%
Size		0%	0%	-5%	0%	0%
Age		-10%	-25%	-10%	-5%	-10%
L:B Ratio		0%	0%	0%	0%	0%
Access		0%	0%	0%	0%	0%
Exposure		5%	5%	0%	0%	10%
Quality		0%	0%	0%	0%	0%
Condition		0%	0%	0%	0%	10%
Tenancy Type		0%	0%	0%	0%	0%
Building Class		0%	0%	0%	0%	0%
Stories		0%	0%	0%	0%	0%
Parking Ratio		0%	-5%	-5%	0%	0%
Subtotal Property Adjustment		15%	-25%	0%	5%	25%
TOTAL ADJUSTED PRICE		**$157.75**	**$169.57**	**$185.45**	**$178.32**	**$157.38**

STATISTICS	UNADJUSTED	ADJUSTED
LOW	$130.64	$157.38
HIGH	$226.09	$185.45
MEDIAN	$168.59	$169.57
AVERAGE	$171.96	$169.69

SALES COMPARABLE ANALYSIS

Introduction

The comparable sales indicate an adjusted value range from $157.38 to $185.45/SF, with a median of $169.57/SF and an average of $169.69/SF. The range of total net adjustment applied to the comparables was from -25% to 21%, with an average net adjustment across all comparables of 2%. The level of total adjustment applied to the comparables is considered to be moderate. Overall, the availability of market data and extent of analysis was adequate to develop the subject property's total value. The adjustment process for each comparable sale is discussed in the following paragraphs.

Discussion of Adjustments

Comparable 1 ($157.75/SF as adjusted) required a total upward transaction adjustment of 5%. This comparable required a total upward adjustment of 15% for property characteristics. The comparable is located within the Randolph Medical Corridor, however, is outside the campus boundaries. An upward adjustment was warranted. The comparable was built in 1990, 26 years after the subject, making a downward adjustment necessary. The comparable does not have arterial exposure, necessitating an upward adjustment. No additional adjustments are required. The total net adjustment applied to this comparable was upward by 21%. The moderate level of net adjustment required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given primary consideration as a value indicator for the subject.

Comparable 2 ($169.57/SF as adjusted) did not require any transaction adjustments. This comparable required a total downward adjustment of -25% for property characteristics. The comparable is not located in proximity to a medical campus; however, the superior demographic profile offsets the need for a location adjustment. The comparable was built in 2009, 45 years after the subject, making a downward adjustment necessary. Exposure is inferior to that of the subject and an upward adjustment was given. The comparable has a materially higher parking ratio, meriting a downward adjustment. No additional adjustments were required. The total net adjustment applied to this comparable was downward by -25%. The substantial level of net adjustment required for this comparable was justified by the reasonableness of the adjustments and its overall applicability to the subject. Considering these factors, this comparable is given secondary consideration as a value indicator for the subject.

Comparable 3 ($185.45/SF as adjusted) required a total upward transaction adjustment of 10%.An upward adjustment to reflect the condominium ownership structure of the comparable was applied. Condominium ownership is commonly reflected as fee simple ownership, however, the owner typically has a higher operating expense ratio due to HOA dues and also the owner does not wholly own the land, but rather a pro rata share of the total development. This comparable did not require any property characteristic adjustments.The comparable is located within the Randolph Medical Corridor, however, is outside the campus boundaries. An upward adjustment was warranted. The comparable is nearly 30,000 SF smaller than the subject, meriting an upward adjustment to reflect that larger buildings typically sell at a lower $PSF due to a smaller number of buyers versus a smaller property. The comparable was built in 1989, 25 years after the subject, making a downward adjustment necessary. The comparable has a materially higher parking ratio, meriting a downward adjustment. No additional adjustments were required. The total net adjustment applied to this comparable was upward by 10%. The substantial level of net adjustment required for this comparable reduces its reliability for valuation of the subject. Therefore, this comparable is given secondary consideration as a value indicator for the subject.

Comparable 4 ($178.32/SF as adjusted) required a total downward transaction adjustment of -15%. A downward adjustment to reflect the list-to-sale pricing ratio for Class B medical office in the Charlotte market over 2012 as reported by Costar was applied. This comparable required a total upward adjustment of 5% for property characteristics. The comparable is located within the Randolph Medical Corridor, however, is outside the campus boundaries. The comparable was renovated in 1985 making a downward adjustment necessary. No additional adjustments were required. The total net adjustment applied to this comparable was downward by -11%. The substantial level of net adjustment required for this comparable was justified by the reasonableness of the adjustments and its overall applicability to the subject. Considering these factors, this comparable is given primary consideration as a value indicator for the subject.

Comparable 5 ($157.38/SF as adjusted) required a total downward transaction adjustment of -5%. An upward property rights adjustment was applied to reflect an approximate lease-up cost from the reported occupancy of 70% to a stabilized occupancy of 90%, assuming a 9-month leae-up, $22.50 PSF market rent, $7.00 PSF in operating expenses and a 15% profit. A downward adjustment to reflect the list-to-sale pricing ratio for Class B medical office in the Charlotte market over 2012 as reported by Costar was applied. This comparable required a total upward adjustment of 25% for property characteristics. The comparable is located within the Randolph Medical Corridor, however, is outside the campus boundaries. The comparable was built in 1984, 20 years after the subject, making a downward adjustment necessary. The comparable does not have arterial exposure, necessitating upward adjustment. The comparable was reported to be in fair condition, supporting a final upward adjustment. The total net adjustment applied to this comparable was upward by 17%. The minimal amount of net adjustment required for this comparable suggests it is similar to the subject, increasing is its applicability for this analysis. Overall this comparable warrants minimal consideration as a value indicator for the subject.

SALES COMPARISON APPROACH CONCLUSION

The comparable sales indicate an adjusted value range from $157.38 to $185.45/SF, with a median of $169.57/SF and an average of $169.69/SF. Based on the results of the preceding analysis, Comparable 1 ($157.75/SF adjusted) and Comparable 4 ($178.32/SF adjusted) are given primary consideration for the subject's opinion of value.

The following table summarizes the analysis of the comparables, reports the reconciled price per net rentable area (NRA) value conclusion, and presents the concluded value of the subject property.

SALES COMPARISON APPROACH CONCLUSION (NRA)								
	ANALYSIS	ADJUSTMENT				NET	GROSS	WEIGHT
COMP	PRICE	TRANSACTIONAL[1]	ADJUSTED	PROPERTY[2]	FINAL	ADJ %	ADJ %	GIVEN
1	$130.64	5%	$137.17	15%	**$157.75**	21%	40%	PRIMARY
2	$226.09	0%	$226.09	-25%	**$169.57**	-25%	35%	SECONDARY
3	$168.59	10%	$185.45	0%	**$185.45**	10%	50%	SECONDARY
4	$199.80	-15%	$169.83	5%	**$178.32**	-11%	30%	PRIMARY
5	$134.66	-5%	$125.91	25%	**$157.38**	17%	70%	MINIMAL
LOW	**$157.38**					**AVERAGE**		**$169.69**
HIGH	**$185.45**					**MEDIAN**		**$169.57**
			SUBJECT SF		**$/SF CONCLUSION**			**VALUE**
INDICATED VALUE			**33,207**	**x**	$170.00/SF	**=**		**$5,600,000**
Lease-Up Costs								From Argus
Rent Loss								($74,258)
Tenant Improvements								($27,830)
Leasing Commissions								($40,757)
Free Rent								($23,424)
Total Lease-Up Costs								($166,269)
Entrepreneurial Profit								($16,627)
TOTAL LEASE-UP COSTS								($182,896)
Leased Fee Property Rights Adjustment								$300,000
INDICATED VALUE					**$171.65/SF**			**$5,700,000**

[1]Cumulative [2]Additive — Rounded to nearest $100,000

INTRODUCTION As previously discussed within the Valuation Methods section, the subject is valued as one marketable economic site in this appraisal. Land value is influenced by a number of factors; most prominent of which is development and use potential. These factors, as well as others, are considered in the following analysis.

UNIT OF COMPARISON

The most relevant unit of comparison is the price per square foot. This indicator best reflects the analysis used by buyers and sellers in this market for land with similar utility and zoning in this marketplace.

COMPARABLE SELECTION

A thorough search was made for similar land sales in terms of proximity to the subject, size, location, development potential, and date of sale. In selecting comparables, emphasis was placed on confirming recent sales of commercial sites that are similar to the subject property in terms of location and physical characteristics. Overall, the sales selected represent the best comparables available for this analysis.

ADJUSTMENT PROCESS

Quantitative adjustments are made to the comparable sales. The following adjustments or general market trends were considered for the basis of valuation.

Transactional Adjustments

Dollar adjustments to the comparable sales were considered and made when warranted for transitional adjustments in the sequence shown below:

Property Rights Transferred — The valuation of the subject site was completed on a fee simple basis. If warranted, leased fee, leasehold and/or partial interest land sales were adjusted accordingly.

Financing Terms — The subject site was valued on a cash equivalent basis. Adjustments were made to the comparables involving financing terms atypical of the marketplace.

Conditions of Sale — This adjustment accounts for extraordinary motivation on the part of the buyer or seller often associated with distressed sales and/or assemblages.

Expenditures After Purchase — Adjustments were applied if site conditions warranted expenditures on the part of the buyer to create a buildable site. Examples include costs for razing pre-existing structures, general site clearing and/or mitigation of environmental issues.

Market Conditions — Market conditions adjustments were based on a review of historical sale data, market participant interviews and review of current versus historical pricing. Based on our research, the following table summarizes the market conditions adjustment applied in this analysis.

All of the sales have traded within the last 1.25-years and require no market conditions adjustments.

Property Adjustments

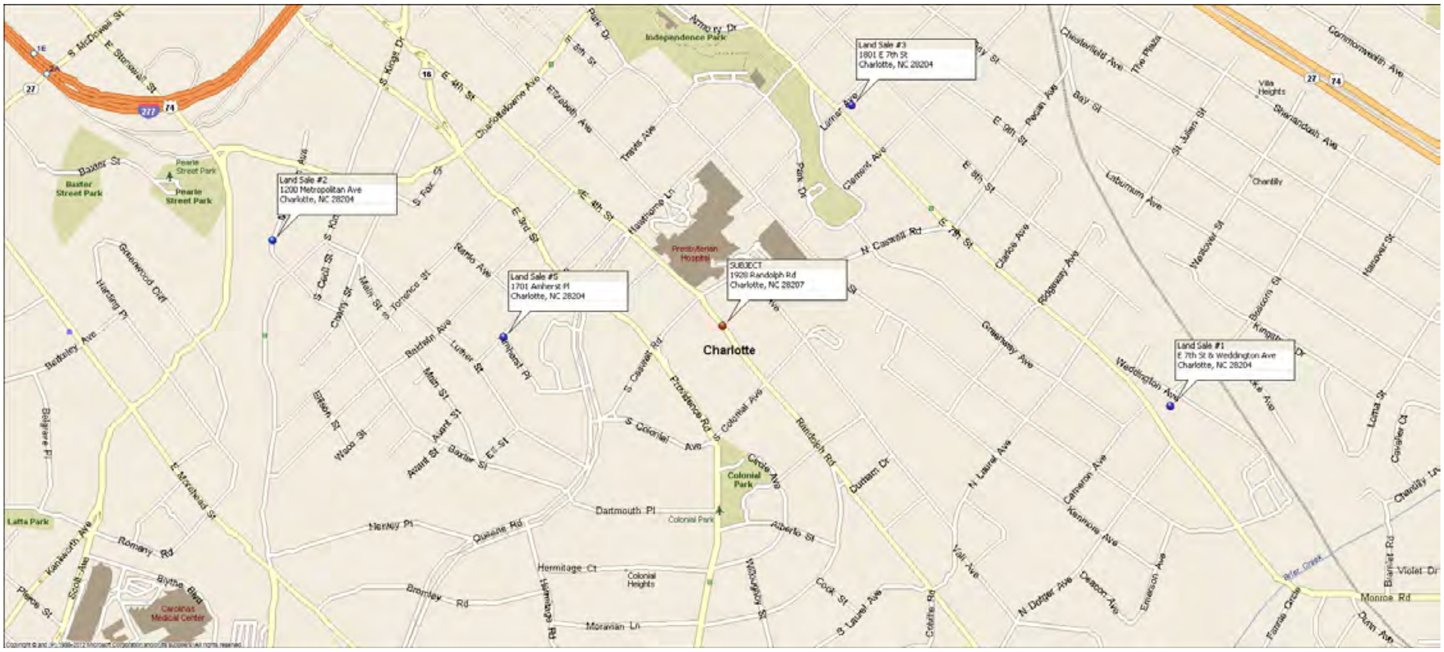
Quantitative percentage adjustments are also made for location and physical characteristics such as size, shape, access, exposure, topography, zoning and overall utility. Where possible the adjustments applied are based on paired data or other statistical analysis. For example, location adjustments are based primarily on review of land values in the market areas for the comparables relative to the subject. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject site.

PRESENTATION

The following Land Sales Summation Table, Location Map and datasheets summarize the sales data used in this analysis. Following these items, the comparable land sales are adjusted for applicable elements of comparison and the opinion of site value is concluded.

LAND SALES SUMMATION TABLE						
Comparable	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name	Multi-Tenant Medical Office	JLB Apartment Site	Vacant Land	Redevelopment Site	Redevelopment Site	Vacant Land
Address	1928 Randolph Road	East 7th Street & Weddington Avenue	1200 Metropolitan Avenue	1801 East 7th Street	1200 South Boulevard	1701 Amhurst Place
City	Charlotte	Charlotte	Charlotte	Charlotte	Charlotte	Charlotte
State	NC	NC	NC	NC	NC	NC
Zip	28203	28204	28204	28204	28203	28204
County	Mecklenburg	Mecklenburg	Mecklenburg	Mecklenburg	Mecklenburg	Mecklenburg
PHYSICAL INFORMATION						
SF	72,222	298,822	49,658	21,780	137,214	83,200
Location	Good	Average/Good	Good	Good	Excellent	Average/Good
Zoning	O-2	MUDD	MUDD-O	B-1	TOD-M	O-6 & R-22MF
Shape	Generally	Irregular	Irregular	Rectangular	Rectangular	Irregular
Corner	No	Yes	No	Yes	Yes	Yes
Topography	Level	Level	Level	Level	Level	Level
Access	Average	Average	Good	Good	Excellent	Average
Exposure	Average	Good	Good	Good	Excellent	Average/Fair
Street Frontage	Average	Average	Average/Good	Average	Good	Average/Fair
Utilities	Yes	All	All	All	All	All
Easements	Standard	Standard	Standard	Standard	Standard	Standard
Envrmtl Issues	None Noted	Site Assumed	Site Assumed	Site Assumed	Site Assumed	Site Assumed
Entitled	Yes	Yes	Yes	No	Yes	No
SALE INFORMATION						
Date		9/23/2011	12/19/2011	5/29/2012	11/9/2012	12/5/2012
Status		Recorded	Recorded	Recorded	In Contract	In Contract
Rights Transferred		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Transaction Price		$8,500,000	$2,100,000	$825,000	$5,500,000	$3,200,000
Analysis Price		$8,860,000	$2,100,000	$855,000	$5,500,000	$3,200,000
$/SF Land		$29.65	$42.29	$39.26	$40.08	$38.46

LAND SALES LOCATION MAP



COMPARABLE 1

LOCATION INFORMATION

Name	JLB Apartment Site
Address	East 7th Street & Weddington Avenue
City, State, Zip Code	Charlotte, NC, 28204
County	Mecklenburg
MSA	Charlotte-Gastonia-Rock Hill, NC-SC MSA
APN	12709203

SALE INFORMATION

Buyer	JLB Partners
Seller	Winter Properties
Transaction Date	09/23/2011
Transaction Status	Recorded
Transaction Price	$8,500,000
Analysis Price	$8,860,000
Recording Number	26766-974
Rights Transferred	Fee Simple

PHYSICAL INFORMATION

Allow ed Use	Mixed Use	
Intended Use	Multi-residential - Apartments	
Use at Sale	Single-family and 2-8 unit multiplexes	
Site Size	Acres	SF
Net	6.9	298,822
Gross	6.9	298,822
Zoning	MUDD	
Development Potential	366 Units	
Density	53.35 Units/Net Acre	
Shape	Irregular	
Topography	Level	
Access	Average	
Exposure	Good	
Corner	Yes	
View	No	
Off-Site Improvements	Completed	
Easements	Standard	
Environmental Issues	Site Assumed Clean	
Utilities	All	

JLB APARTMENT SITE

ANALYSIS INFORMATION

Price	$/Acre	$/SF	$/Unit
Gross	$1,291,545	$29.65	$24,208
Net	$1,291,545	$29.65	$24,208

CONFIRMATION

Name	Hudson Hooks
Company	JLB
Source	Buyer's Representative
Date	12/5/2012

REMARKS

This comparable represents the sale of a 6.86-acre land assemblage located at the intersection of East 7th Street and Weddington Avenue, 1.3 miles outside of the Charlotte CBD. The site is triangular in shape and w as improved w ith 29 single-family homes and smaller multi-plexes. The transaction closed in September 2011 for $8,500,000. We have estimated $360,000 in demo costs for the existing structures and a profit incentive. The zoning is for mixed use development. The adjusted price is $8,860,000 or $29.65 PSF or $24,208 per unit. The site is entitled for 366 apartment units.

COMPARABLE 2

LOCATION INFORMATION

Name	Vacant Land
Address	1200 Metropolitan Avenue
City, State, Zip Code	Charlotte, NC, 28204
County	Mecklenburg
MSA	Charlotte-Gastonia-Rock Hill, NC-SC MSA
APN	125-227-05

SALE INFORMATION

Buyer	Levine Partners
Seller	Colonial Properties Trust
Transaction Date	12/19/2011
Transaction Status	Recorded
Transaction Price	$2,100,000
Analysis Price	$2,100,000
Recording Number	26970/887
Rights Transferred	Fee Simple

PHYSICAL INFORMATION

Allow ed Use	Mixed Use	
Intended Use	Multi-residential - Apartments	
Use at Sale	Vacant Land	
Site Size	Acres	SF
Net	1.1	49,658
Gross	1.1	49,658
Zoning	MUDD-O	
Development Potential	155 Units	
Density	135.96 Units/Net Acre	
Shape	Irregular	
Topography	Level	
Access	Average	
Exposure	Good	
Corner	No	
View	No	
Off-Site Improvements	Completed	
Easements	Standard	
Environmental Issues	Site Assumed Clean	
Utilities	All	

VACANT LAND

ANALYSIS INFORMATION

Price	$/Acre	$/SF	$/Unit
Gross	$1,842,105	$42.29	$13,548
Net	$1,842,105	$42.29	$13,548

CONFIRMATION

Name	Daniel Levine
Company	Levine Properties LLC
Source	Buyer
Date	Confidential

REMARKS

This comparable represents the sale of a vacant parcel of land located in the Metropolitan mixed use project in Charlotte, just outside of dow ntow n Charlotte. The site is zoned for mixed use and the buyer indicated it w as entitled for 155 units at the time of sale in December 2011. This w as an off market trade. All utilities are available to the site. The buyer anticipates breaking ground in Summer 2013.

COMPARABLE 3

LOCATION INFORMATION

Name	Redevelopment Site
Address	1801 East 7th Street
City, State, Zip Code	Charlotte, NC, 28204
County	Mecklenburg
MSA	Charlotte-Gastonia-Rock Hill, NC-SC MSA
APN	127-032-01

SALE INFORMATION

Buyer	SLT Commercial
Seller	Hebron Colony Ministries
Transaction Date	05/29/2012
Transaction Status	Recorded
Transaction Price	$825,000
Analysis Price	$855,000
Recording Number	27389-285
Rights Transferred	Fee Simple
Marketing Time	5 Month(s)

PHYSICAL INFORMATION

Allowed Use	Office	
Use at Sale	Church	
Site Size	Acres	SF
Net	0.5	21,780
Gross	0.5	21,780
Zoning	B-1	
Shape	Rectangular	
Topography	Level	
Access	Good	
Exposure	Good	
Corner	Yes	
View	No	
Off-Site Improvements	Completed	
Easements	Standard	
Environmental Issues	Site Assumed Clean	
Utilities	All	

REDEVELOPMENT SITE

ANALYSIS INFORMATION

Price	$/Acre	$/SF
Gross	$1,710,000	$39.26
Net	$1,710,000	$39.26

CONFIRMATION

Name	Steve Thomas
Company	SLT Commercial
Source	Buyer
Date	12/5/2012

REMARKS

This comparable represents the sale of a 0.50-acre parcel currently improved with a 7,600 SF church located at the corner of East 7th Street and Lamar Avenue in Charlotte. The site is rectangular and is level with all utilties available. There are no current approvals for redevelopment. The buyer confirmed the sale price of $825,000 ($37.88 PSF) was reflective of land value only. We have added $30,000 to the sale price to reflect the or $39.26 PSF. The developer did not elaborate on the intended use of the redevelopment.

COMPARABLE 4

LOCATION INFORMATION

Name	Redevelopment Site
Address	1200 South Boulevard
City, State, Zip Code	Charlotte, NC, 28203
County	Mecklenburg
MSA	Charlotte-Gastonia-Rock Hill, NC-SC MSA
APN	123-036-05, 123-015-02, 123-015-06

SALE INFORMATION

Buyer	1200 SOUTH BOULEVARD PARTNERS LLC,
Seller	1200 SOUTH BOULEVARD, LLC
Transaction Date	11/9/2012
Transaction Status	In Contract
Transaction Price	$5,500,000
Analysis Price	$5,500,000
Rights Transferred	Fee Simple

PHYSICAL INFORMATION

Allowed Use	Mixed Use	
Intended Use	Multi-residential - Apartments	
Use at Sale	Improved with vacant building - to be demo	
Site Size	Acres	SF
Net	3.2	137,214
Gross	3.2	137,214
Zoning	TOD-M	
Development Potential	331 Units	
Density	105.08 Units/Net Acre	
Shape	Rectangular	
Topography	Level	
Access	Excellent	
Exposure	Good	
Corner	Yes	
View	Yes	
Off-Site Improvements	Completed	
Easements	Standard	
Environmental Issues	Site Assumed Clean	
Utilities	All	

REDEVELOPMENT SITE

ANALYSIS INFORMATION

Price	$/Acre	$/SF	$/Unit
Gross	$1,746,032	$40.08	$16,616
Net	$1,746,032	$40.08	$16,616

CONFIRMATION

Name	Turner Inscoe
Company	Cambridge
Source	Buyer
Date	Confidential

REMARKS

This comparable represents the pending sale of a 3.15-acre site located at the southwest corner of Carson and South Boulevards at the heart of the South End District. It has excellent access and exposure. The site is zoned mixed use, with no density restrictions on multi housing. It is adjacent to the Light Rail line and within 100 feet of a rail stop. The reported site area includes 0.41-acres of abandoned streets to be transferred with the sale. The reported contract price of $5.5 million does not include approximately $500,000 in site improvements related to relocation of a water main and improvements on the Carson/South intersection

COMPARABLE 5

LOCATION INFORMATION	
Name	Vacant Land
Address	1701 Amhurst Place
City, State, Zip Code	Charlotte, NC, 28204
County	Mecklenburg
MSA	Charlotte-Gastonia-Rock Hill, NC-SC MSA
APN	12525191

SALE INFORMATION	
Seller	Novant Health
Transaction Date	12/5/2012
Transaction Status	In Contract
Transaction Price	$3,200,000
Analysis Price	$3,200,000
Rights Transferred	Fee Simple
Marketing Time	12 Month(s)

PHYSICAL INFORMATION		
Allow ed Use	Multi-residential	
Intended Use	Office - Medical Dental	
Use at Sale	Vacant	
Site Size	Acres	SF
Net	1.9	83,200
Gross	1.9	83,200
Zoning	O-6 & R-22MF	
Shape	Irregular	
Topography	Level	
Access	Average	
Exposure	Average/Fair	
Corner	Yes	
View	No	
Off-Site Improvements	Completed	
Easements	Standard	
Environmental Issues	Site Assumed Clean	
Utilities	All	

VACANT LAND

ANALYSIS INFORMATION		
Price	$/Acre	$/SF
Gross	$1,675,393	$38.46
Net	$1,675,393	$38.46

CONFIRMATION	
Name	Mike Wiles
Company	NAI
Source	Seller's Broker
Date	12/5/2012

REMARKS

This comparable represents the pending sale of a 1.91-acre site located just outside dow ntow n Charlotte, close to Presbyterian Hospital. The site is irregular in shape and does not have frontage on any major street. It has a corner location along tw o collector streets. It w as on the market for one year and w as most recently listed for $3,200,000. We assume this as the contract price. 95% of the site is zoned for office uses, the most w esterly portion of the site is zoned for multi-family. There are currently no approved entitlements. All utilities are to the site. The site is under contract to a medical developer.

LAND SALES ADJUSTMENT GRID

Comparable	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
SF	72,222	298,822	49,658	21,780	137,214	83,200
Location	Good	Average/Good	Good	Good	Excellent	Average/Good
Zoning	O-2	MUDD	MUDD-O	B-1	TOD-M	O-6 & R-22MF
Shape	Generally Rectangular	Irregular	Irregular	Rectangular	Rectangular	Irregular
Corner	No	Yes	No	Yes	Yes	Yes
Topography	Level	Level	Level	Level	Level	Level
Access	Average	Average	Good	Good	Excellent	Average
Exposure	Average	Good	Good	Good	Excellent	Average/Fair
Street Frontage	Average	Average	Average/Good	Average	Good	Average/Fair
View	Yes	No	No	No	Yes	No
Utilities	Yes	All	All	All	All	All
Easements	Standard	Standard	Standard	Standard	Standard	Standard
Envmtl Issues	None Noted	Site Assumed Clean	Site Assumed Clean	Site Assumed Clean	Site Assumed Clean	Site Assumed Clean
Entitled	Yes	Yes	Yes	No	Yes	No
SALE INFORMATION						
Date		9/23/2011	12/19/2011	5/29/2012	11/9/2012	12/5/2012
Status		Recorded	Recorded	Recorded	In Contract	In Contract
Rights Transferred		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Analysis Price		$8,860,000	$2,100,000	$855,000	$5,500,000	$3,200,000
Price/SF		$29.65	$42.29	$39.26	$40.08	$38.46
TRANSACTIONAL ADJUSTMENTS						
Property Rights		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%
Financing		0%	0%	0%	0%	0%
Market Conditions[1]		0%	0%	0%	0%	0%
Subtotal Transactional Adj Price		$29.65	$42.29	$39.26	$40.08	$38.46
PROPERTY ADJUSTMENTS						
Size		15%	0%	0%	10%	0%
Location		0%	0%	0%	0%	0%
Zoning		-5%	-5%	0%	-5%	0%
Shape		5%	3%	0%	0%	0%
Corner		-10%	0%	-10%	-10%	-10%
Topography		0%	0%	0%	0%	0%
Site Utility Rating		0%	0%	0%	0%	0%
Access		5%	0%	0%	-5%	5%
Exposure		0%	0%	0%	-5%	10%
Street Frontage		0%	0%	0%	-3%	5%
Utilities		0%	0%	0%	0%	0%
Easements		0%	0%	0%	0%	0%
Envrmtl Issues		0%	0%	0%	0%	0%
Entitled		0%	0%	5%	0%	5%
Subtotal Property Adjustment		10%	-2%	-5%	-18%	15%
TOTAL ADJUSTED PRICE		**$32.62**	**$41.44**	**$37.30**	**$32.87**	**$44.23**

STATISTICS	UNADJUSTED	ADJUSTED
LOW	$29.65	$32.62
HIGH	$42.29	$44.23
MEDIAN	$39.26	$37.30
AVERAGE	$37.95	$37.69

LAND VALUE CONCLUSION

The following table summarizes the analysis of the comparables, reports the reconciled price per square foot value conclusion, and presents the concluded value of the subject site.

CALCULATION OF LAND VALUE							
	ANALYSIS	ADJUSTMENT				TOTAL	WEIGHT
COMP	PRICE	TRANSACTIONAL[1]	ADJUSTED	PROPERTY[2]	FINAL	ADJ %	GIVEN
1	$29.65	0%	$29.65	10%	**$32.62**	10%	SECONDARY
2	$42.29	0%	$42.29	-2%	**$41.44**	-2%	PRIMARY
3	$39.26	0%	$39.26	-5%	**$37.30**	-5%	PRIMARY
4	$40.08	0%	$40.08	-18%	**$32.87**	-18%	PRIMARY
5	$38.46	0%	$38.46	15%	**$44.23**	15%	SECONDARY
LOW	**$32.62**					**AVERAGE**	**$37.69**
HIGH	**$44.23**					**MEDIAN**	**$37.30**
COMPONENT			**SUBJECT SF**		**$/SF CONCLUSION**		**VALUE**
TOTAL PROPERTY			**72,222**	**x**	$37.50	**=**	**$2,700,000**

[1]Cumulative [2]Additive Rounded to nearest $100,000

INTRODUCTION The Reconciliation of Value Conclusions is the final step in the appraisal process and involves the weighing of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property. Understanding the profiles of potential buyers and their typical reliance on each approach to value strongly influences the weighting process.

High-quality opportunities should become more plentiful in the years ahead as healthcare providers exit the real estate business. By monetizing real estate, providers can re-deploy capital toward the acquisition of physician practices, equipment and increased community or specialty services. Dispositions could occur at an accelerated pace if state opt-outs to Medicaid expansion weigh on health systems' and hospitals' credit ratings, hampering their ability to tap bond markets.

Based on the overall quality of the data and analyses, and considering the decision-making process of the typical buyer profile of the subject asset, the income approach warranted sole consideration in developing our final opinion of market value.

PRESENTATION OF VALUE CONCLUSIONS

The following table summarizes our final opinions of the As-Is Market Value, Prospective Value Upon Stabilization and Insurable Replacement Cost for the subject property's leased fee interest. developed in this appraisal report.

ANALYSIS OF VALUE CONCLUSIONS	
VALUATION INDICES	**AS-IS MARKET VALUE**
INTEREST APPRAISED	**LEASED FEE**
DATE OF VALUE	**DECEMBER 4, 2012**
Sales Comparison Approach	$5,700,000
Income Approach	$6,600,000
FINAL VALUE CONCLUSION	**$6,600,000**
$/SF (NRA)	$198.75/SF
Exposure Time	Six to Nine Months
Marketing Period	Six to Nine Months
OTHER CONCLUSIONS	**AS OF DECEMBER 4, 2012**
Insurable Value	$5,810,000

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions of the signers are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The signers of this report have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- Steve Hovanec has performed no services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. Murray Williams, MAI has provided real property valuation services as an appraiser for the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- The signers are not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The 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 directly related to the intended use of this appraisal.
- The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics* and *Standards of Professional Appraisal Practice* of the Appraisal Institute, and the *Uniform Standards of Professional Appraisal Practice*, as set forth by the Appraisal Standards Board of the Appraisal Foundation.
- Steve Hovanec inspected the property that is the subject of this report. Murray Williams, MAI did not inspect the property that is the subject of this report.
- No one provided significant real property appraisal assistance to appraisers signing this certification.
- As of the date of this report, Stephen Hovanec has completed the continuing education program for (Candidates or Practicing Affiliates) of the Appraisal Institute.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report Murray Williams, MAI completed the continuing education program of the Appraisal Institute.

As of the date of this report Steve Hovanec has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.

January 10, 2013
Date

Steve Hovanec
Senior Valuation Specialist
Certified General Real Estate Appraiser
State of North Carolina License #A7630
+1 704 409 2376
steve.hovanec@colliers.com

January 10, 2013
Date

Murray Williams, MAI
Managing Director | Charlotte
Certified General Real Estate Appraiser
State of North Carolina License #A3000
+1 704 409 2377
murray.williams@colliers.com

This appraisal is subject to the following assumptions and limiting conditions:

- The appraisers may or may not have been provided with a survey of the subject property. If further verification is required, a survey by a registered surveyor is advised.
- We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- The appraisers may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.
- The statements of value and all conclusions shall apply as of the dates shown herein.
- There is no present or contemplated future interest in the property by the appraisers which is not specifically disclosed in this report.
- Without the written consent or approval of the authors neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraisers and the firm with which the appraisers are connected.
- This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.
- The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.
- The liability of Colliers International Valuation & Advisory Services, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Colliers International Valuation & Advisory Services and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property

damage, or personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.

- The appraisers assume no responsibility for determining if the subject property complies with the *Americans with Disabilities Act* (*ADA*). Colliers International Valuation & Advisory Services, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- An on-site inspection of the subject property was conducted. No evidence of asbestos materials on-site was noted. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.
- This analysis assumes that the financial information provided for this appraisal, including rent rolls and historical income and expense statements; accurately reflect the current and historical operations of the subject property.

Insurable Replacement Cost
Legal Description
P&L Statements
Valuation Glossary
Qualifications of Appraisers
Qualifications of Colliers International Valuation & Advisory Services

INSURABLE REPLACEMENT COST

At the client's request, we have included an estimate of the insurable replacement cost estimate of the subject improvements, which represents the replacement cost new of the subject improvements, exclusive of land value and profit, and the costs associated with excavation, site work, foundations and architects fees. Insurance coverage is usually specific to a given project. We have not been provided with the specific policy requirements, which limit the reliability of the conclusion. Insurable replacement cost is a matter of underwriting as opposed to valuation. Users of this report should not construe the conclusion of insurable value to be an indication of market value. The insurable estimate is made using base costs and multiplier adjustments for market conditions and location from *Marshall Valuation Service,* which is assumed to accurately reflect replacement cost of the subject. We assume no liability as to the subject's insurable replacement cost and recommend that an estimate from a reputable insurance company be obtained if further assurance is required.

The following chart summarizes the insurable replacement cost estimate:

INSURABLE REPLACEMENT COST		
MARSHALL VALUATION SERVICE DIRECT COST		
Number of Buildings	1	
Gross Building Area	33,870 SF	**1**
MVS Building Type		Retail
Number of Stories		3
Height per Story		12'
Component Description		Office
MVS Section/Page/Class		Sec. 15/Pg. 22/C
MVS Publication Date		November 1, 2011
Quality Rating		Average
Component SF (Gross)		33,870
DIRECT COSTS PER SF		**$159.45**
Indirect Cost (% of Direct)[1]	15%	15%
INDIRECT COST PER SF		$23.92
DIRECT & INDIRECT TOTAL PER SF		**$183.36**
CALCULATION OF REPLACEMENT COST NEW WITH PROFIT		
Component SF (Gross)		33,870
Direct & Indirect Total		$6,210,470
ENTREPRENEURIAL PROFIT %[1]	10%	10%
Entrepreneurial Profit $		$621,047
FINAL TOTAL REPLACEMENT COST NEW		**$6,831,517**
BASE IMPROVEMENT COST		**$6,831,517**
Insurable Rplcmnt Cost Exclusion	15%	**($1,024,728)**
Insurable Replacement Cost		**$5,810,000**

[1]Colliers International Estimate

Being all of Lots 9, 10 and 11 in Block 2 of Colonial Heights as shown on a map thereof recorded in Map Book 230 at Page 20 in the Office of the Register of Deeds of Mecklenburg County, North Carolina (the "Registry") which property is also described by metes and bounds as follows:

Beginning at a new iron pin in the southwesterly margin of the right-of-way of Randolph Road (an 80' public dedicated right-of-way), said new iron pin being the northwesterly corner of Lot 1 of Rose & Sons Properties, Inc. (now or formerly) as described in instrument recorded in Book 6180, Page 250, Mecklenburg County Public Registry (the "Registry") and running thence with said right-of-way of Randolph Road S. 37-10-17 E. 180.13 feet to a new iron pin in the line of Jerry E. Fox (now or formerly) as described in an instrument recorded in Book 1093, Page 781; thence with the line of the said Jerry E. Fox property S. 52-30-00 W. 240.32 feet to an existing iron pin in the line of Presbyterian Health Services Corp. and Southern Real Estate (now or formerly) as described in instrument recorded in Book 7226, Page 361 of the Registry; thence with the line of said Presbyterian Health Services property N. 37-10-17 W. 180.13 feet to a new iron pin; thence with the line of the Southern Real Estate Company property and the Rose & sons property, N. 52-30-00 E. 240.12 feet to the point or place beginning, consisting of 0.993 acres, more or less, as described in survey prepared for Southstar Properties Holdings, LLC by R.B. Pharr & Associates, P.A. dated November 17, 1997, to which survey reference is hereby made.

Being all of Lots 12 and 13 in Block 2 of Colonial Heights as shown on a map thereof recorded in Map Book 230 at Page 20 in the Office of the Register of Deeds of Mecklenburg County, North Carolina (the "Registry") which property is also described by metes and bounds as follows:

Beginning at a new iron pin in the southwesterly margin of the right-of-way of Randolph Road (an 80' public dedicated right-of-way), said new iron pin being a common corner with the property of United of Omaha Life Insurance Company (now or formerly) as described in instrument recorded in Book 8779, Page 550, Mecklenburg County Public Registry (the "Registry") and running thence with said right-of-way of Randolph Road S. 37-10-17 E. 120.50 feet to an existing iron pin in the line of D. P. Renaldo (now or formerly) as described in an instrument recorded in Book 6224, Page 19 of the Registry; thence with the line of the said Renaldo property S. 52-30-00 W. 240.12 feet to an existing iron pin in a common corner of the property of D. R. Krug (now or formerly) as described in instrument recorded in Book 4754, Page 856 of the Registry; thence with the line of said Krug property N. 37-10-17 W. 120.50 feet to a common corner with the property of Presbyterian Health Services Corp. as described in Book 7226, Page 361 of the Registry; thence with the line of the aforementioned United of Omaha property, N. 52-30-00 E. 240.32 feet to the point or place beginning, consisting of 0.664 acres, more or less, as described in survey prepared for Southstar Properties Holdings, LLC by R.B. Pharr & Associates, P.A. dated November 17, 1997, to which survey reference is hereby made.

Langtree Ventures, Inc.
Profit & Loss
October 2011 through September 2012

1928 Randolph

	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	TOTAL
Ordinary Income/Expense													
Income													
Rental Income	63,690	64,749	64,786	64,926	65,249	65,423	65,555	47,389	48,675	48,932	48,867	48,812	697,053
Total Income	63,690	64,749	64,786	64,926	65,249	65,423	65,555	47,389	48,675	48,932	48,867	48,812	697,053
Expense													
Insurance Expense	328	328	328	328	0	328	328	328	328	328	380	0	3,328
Janitorial Expense	3,841	3,275	3,275	3,490	3,465	3,433	3,275	3,450	3,275	3,275	3,275	3,275	40,604
Land Lease	1,667	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	0	30,837
Lawn Care	570	570	570	570	370	570	1,705	570	1,570	1,251	385	385	9,086
Pest Control	0	169	158	0	0	0	79	0	79	0	0	0	485
Repairs and Maintenance	3,948	2,373	5,759	483	0	4,501	2,070	118	3,212	2,400	498	220	25,582
Real Estate Tax Expense	4,250	4,250	4,250	13,238	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	59,988
Telephone Expense	538	202	269	193	0	353	240	202	201	0	72	73	2,343
Utilities	7,962	7,845	7,844	7,484	7,560	7,920	7,422	5,987	4,428	10,049	7,820	4,452	86,773
Waste Disposal	423	423	446	423	423	429	935	499	499	499	507	500	6,006
Total Expense	23,527	22,351	25,816	29,126	18,985	24,700	23,221	18,321	20,759	24,968	20,104	13,155	265,033
Net Ordinary Income	**40,163**	**42,398**	**38,970**	**35,800**	**46,264**	**40,723**	**42,334**	**29,068**	**27,916**	**23,964**	**28,763**	**35,657**	**432,020**

Jefferies LoanCore

November 27, 2012

Murray Williams, MAI
Managing Director
Colliers International Valuation & Advisory Services
301 S College St., Suite 3350
Charlotte, NC 28202

RE: LANGTREE MEDICAL OFFICE PORTFOLIO

Dear Mr. Williams:

As a follow-up to our recent conversation, Jefferies LoanCore LLC ("JLC") agrees to employ Colliers International to provide us with complete self-contained appraisal reports(s) for the properties identified in Exhibit A. The report must be prepared to conform to the Uniform Standards of Professional Appraisal Practice ("USPAP") and Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"). The report must be prepared or reviewed and approved by a state certified MAI appraiser.

The report will establish the "as is" Market Value of the leased fee interest in the aforementioned property.

The opinion of value will be based on the Sales Comparison, Income Capitalization, and Cost Approaches, as applicable, correlating your findings into a final value conclusion. An insurable value <u>and vacant land value</u> is also required.

The Income Capitalization Approach should include values derived from both an overall Capitalization Rate Methodology and a Discounted Cash Flow Methodology, unless one or the other is not applicable in which case this should be disclosed to JLC prior to delivery of the draft report(s). The derivation of the capitalization rate should include capitalization rates from recent comparable sales of like kind properties with similar tenancy in the subject's market area, as well as consideration and explanation of at least two other methodologies. An ARGUS cash flow analysis should be included.

The report will include an analysis of market data, including vacancy rates, market rents, operating expenses, real estate tax comparables, and tenant improvements and leasing commissions, where applicable. A minimum of five rent comparables and five sales comparables (all of similar quality, construction, location, size, etc) must be provided. In addition, a minimum of eight original subject photographs, photographs of all comparables, location maps, and other pertinent exhibits should be included.

The following language should be included in the transmittal letter or body of the report:

Jefferies LoanCore LLC ("JLC"), its affiliates, employees, agents, successors and assigns, and its co-lender, may rely upon this report in evaluating a request for an extension of credit to be secured by the property and/or any pledges of the property owner's equity (the "Property Note"). This information may also be used by any actual or prospective purchaser, transferee, assignee or servicer of the Property Note (or any portion thereof), any actual or prospective investor (including an agent or advisor) in any securities evidencing a beneficial interest in or backed by the Property Note (or any portion thereof), any rating agency actually or prospectively rating any such securities, any indenture trustee, and any institutional provider(s) from time to time of any liquidity facility or credit support for such financing. In addition, this report or a reference to this report may be included or quoted in any offering circular, private placement memorandum, registration statement or prospectus and Colliers International agrees to cooperate in answering questions by any of the above parties in connection with a securitization or transaction involving the Property Note (or any portion thereof) and/or such securities.

The fee for the completed, self-contained appraisal(s) as referenced above will be **$10,500**. One (1) draft report of each appraisal with original photographs should be delivered via email by **December 18, 2012**. Within two (2) business days of JLC's review and commentary of each draft report, four (4) final original reports for each appraisal should be delivered in single-sided format. Additionally, a .pdf file of each original report, with color photographs, signatures and complete addenda, shall be provided to JLC. For each day after the due date that the report is not in the possession of JLC, the fee will be reduced by $250, unless unforeseeable conditions arise, in which case the delivery date will be renegotiated.

JLC has engaged John Pfefferkorn to perform certain contract underwriting services in connection with the loan. Colliers International agrees to promptly respond to inquiries made by Mr. Pfefferkorn as if such inquiries originated from JLC.

If you are in agreement with the terms of this letter, please execute this copy and return it as soon as possible. Please contact the borrower representative listed below within one business day of acceptance of this letter.

Jefferies LoanCore

We look forward to working with you.

Sincerely,

Jefferies LoanCore LLC

Name: Bryan Collins
Title: Vice President

Please address reports, and invoice, to:

Bryan Collins
Vice President
Jefferies LoanCore LLC
1420 Peachtree Street, Suite 250
Atlanta, GA 30309
404-249.8779
bcollins@loancorecapital.com

Agreed and Accepted:
Colliers International

Name: Murray Williams, MAI
Title: Managing Director

Date: 11/28/2012

Property Contact:

Please coordinate all sponsor and property diligence through:

Zack Kosofsky - Partner
1355 Greenwood Cliff, Suite 300
Charlotte, North Carolina 28204
Direct: 704-731-0117
Cell: 704-506-1502
Fax: 704-554-4800
zack@langtreecapital.com

Draft Report Delivery:

Please also email a copy of the draft report to John Pfefferkorn at john@pfeffco.com.

Jefferies LOANCORE

EXHIBIT A

Property:

Langtree Medical Office Portfolio

Address:

2115 E. 7th Street, Charlotte NC 28207 – 9,000 sf
1928 Randolph Road, Charlotte, NC 28207 – 33,207 sf
1960 Randolph Road, Charlotte, NC 28207 – 12,606 sf

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These definitions were extracted from the following sources or publications:

The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010 *(Dictionary).*

Uniform Standards of Professional Appraisal Practice, 2012-2013 Edition (USPAP).

The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, Chicago, Illinois, 2008 *(13th Edition)*.

Marshall Valuation Service, Marshall & Swift, Los Angeles, California *(MVS)*.

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. *(Dictionary)*

Ad Valorem Tax

A real estate tax based on the assessed value of the property, which is not necessarily equivalent to its market value. *(13th Edition)*

Aggregate of Retail Values (ARV)

The sum of the separate and distinct market value opinions for each of the units in a condominium; subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent an opinion of value; it is simply the total of multiple market value conclusions.*(Dictionary)*

Arm's-length Transaction

A transaction between unrelated parties under no duress. *(13th Edition)*

As-Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. *(Dictionary)*

Assessed Value

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. *(13th Edition)*

Average Daily Room Rate (ADR)

In the lodging industry, total guest room revenue divided by the total number of occupied rooms. *(Dictionary)*

Band of Investment

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment. *(Dictionary)*

Cash-Equivalent Price

The price of a property with above- or below-market financing expressed in terms of the price that would have been paid in an all-cash sale. *(Dictionary)*

Common Area

The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. *(Dictionary)*

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Contract Rent

The actual rental income specified in a lease. *(13th Edition)*

Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. *(13th Edition)*

Curable Functional Obsolescence

An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected. *(Dictionary)*

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service, which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. *(Dictionary)*

Deferred Maintenance

Needed repairs or replacement of items that should have taken place during the course of normal maintenance. *Dictionary)*

Depreciation

In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. *(Dictionary)*

Direct Costs

1. Expenditures for the labor and materials used in the construction of improvements; also called *hard costs*. *(Dictionary)*

2. The labor, material, subcontractor, and heavy equipment costs directly incorporated into the construction of physical improvements. (R.S. Means)

Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate. *(Dictionary)*

Discount Rate

An interest rate used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*. *(Dictionary)*

Disposition Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale within a future exposure time specified by the client.

2. The property is subjected to market conditions prevailing as of the date of valuation.

3. Both the buyer and seller are acting prudently and knowledgeably.

4. The seller is under compulsion to sell.

5. The buyer is typically motivated.

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6. Both parties are acting in what they consider their best interests.

7. An adequate marketing effort will be made during the exposure time specified by the client.

8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.

9. 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.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

Easement

An interest in real property that transfers use, but not ownership, of a portion of an owner's property. Access or right of way easements may be acquired by private parties or public utilities. Governments accept conservation, open space, and preservation easements on private property. *(13th Edition)*

Economic Life

The period over which improvements to real property contribute to property value. *(13th Edition)*

Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. *(Dictionary)*

Effective Date

The date on which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. *(Dictionary)*

Effective Gross Income (EGI)

The anticipated income from all operations of the real property after an allowance is made for vacancy and collection losses and an addition is made for any other income. *(Dictionary)*

Effective Gross Income Multiplier (EGIM)

The ratio between the sale price (or value) of a property and its effective gross income. *(Dictionary)*

Effective Rent

The rental rate net of financial concessions such as periods of no rent during the lease term and above- or below-market tenant improvements (TIs). *(Dictionary)*

Eminent Domain

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property. *(Dictionary)*

Entrepreneurial Incentive

A market-derived figure that represents the amount an entrepreneur expects to receive for his or her contribution to a project and risk. *(13th Edition)*

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Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. *(13th Edition)*

Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. *(Dictionary)*

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. Due to the higher risk inherent in the receipt of excess rent, it may be calculated separately and capitalized at a higher rate in the income capitalization approach. *(Dictionary)*

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. *(Dictionary)*

Exposure Time

The time a property remains on the market. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. *(Dictionary)*

External Obsolescence

An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, or tenant. *(Dictionary)*

Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions. (USPAP)

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Fair Market Value

A term that is, in concept, similar to market value in general usage; used mainly in condemnation, litigation, income tax, and property tax situations. When an appraisal assignment involves developing an opinion of fair market value, the appropriate, requisite, and precise definition of the term depends on the use of the appraisal and the applicable jurisdiction. (*Dictionary*)

Feasibility Analysis

A study of the cost-benefit relationship of an economic endeavor. *(USPAP)*

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. *(Dictionary)*

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. *(Dictionary)*

Functional Obsolescence

The impairment of functional capacity of a property according to market tastes and standards. *(Dictionary)*

Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. *(13th Edition)*

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. *(Dictionary)*

Going-concern Value

1. The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern.*

2. The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable. *(Dictionary)*

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region. *(Dictionary)*

Gross Leasable Area (GLA) - Commercial

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. *(Dictionary)*

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Gross Living Area (GLA) - Residential

Total area of finished, above-grade residential area; calculated by measuring the outside perimeter of the structure and includes only finished, habitable, above-grade living space. (Finished basements and attic areas are not generally included in total gross living area. Local practices, however, may differ.) *(Dictionary)*

Highest & Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity. *(Dictionary)*

Highest and Best Use of Land or a Site as Though Vacant

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements. *(Dictionary)*

Highest and Best Use of Property as Improved

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one. *(Dictionary)*

Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. *(USPAP)*

Income Capitalization Approach

In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. (*13th Edition)*

Incurable Functional Obsolescence

An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected. *(Dictionary)*

Indirect Costs

Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs; professional fees; financing costs and the interest paid on construction loans; taxes and the builder's or developer's all-risk insurance during construction; and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. *(Dictionary)*

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Insurable Value

The value of an asset or asset group that is covered by an insurance policy; can be estimated by deducting costs of non-insurable items (e.g., land value) from market value. *(MVS)*

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. 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.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

Interim Use

The temporary use to which a site or improved property is put until it is ready to be put to its future highest and best use. *(13th Edition)*

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship. *(Dictionary)*

Leasehold Interest

The tenant's possessory interest created by a lease. *(Dictionary)*

Legally Nonconforming Use

A use that was lawfully established and maintained, but no longer conforms to the use regulations of the current zoning in the zone where it is located; also known as a *grandfathered use*. *(Dictionary)*

Market Study

A macroeconomic analysis that examines the general market conditions of supply, demand, and pricing or the demographic of demand for a specific area or property type. A market study may also include analyses of construction and absorption trends. *(13th Edition)*

Marketability Study

A microeconomic study that examines the marketability of a given property or class of properties, usually focusing on the market segments in which the property is likely to generate demand. Marketability studies are useful in determining a specific highest and best use, testing development proposals, and projecting an appropriate tenant mix. *(13th Edition)*

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Market Analysis

A process for examining the demand for and supply of a property type and the geographic market area for that property type. This process is sometimes referred to as *a use in search of a site*. *(13th Edition)*

Market Area

The geographic or locational delineation of the market for a specific category of real estate, i.e., the area in which alternative, similar properties effectively compete with the subject property in the minds of probable, potential purchasers and users.*(13th Edition)*

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the typical lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). *(13th Edition)*

Market Value

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. *(Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); This is also compatible with the RTC, FDIC, FRS and NCUA definitions of market value.)*

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization). *(Dictionary)*

Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. *(Dictionary)*

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Off-site Costs

Costs incurred in the development of a project, excluding actual building construction costs, e.g., the costs of streets, sidewalks, curbing, traffic signals, and water and sewer mains; also called *common costs* or *off-site improvement costs*. *(Dictionary)*

On-site Costs

Costs incurred for the actual construction of buildings and improvements on a particular site. *(Dictionary)*

Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. *(13th Edition)*

Overall Capitalization Rate (OAR)

An income rate for a total real property interest that reflects the relationship between a single year's net operating income expectancy and the total property price or value. *(Dictionary)*

Potential Gross Income (PGI)

The total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. *(Dictionary)*

Potential Gross Income Multiplier (PGIM)

The ratio between the sale price (or value) of a property and its annual potential gross income (PGIM = V/PGI). (Dictionary)

Present Value (PV)

The value of a future payment or series of future payments discounted to the current date or to time period zero. *(Dictionary)*

Parking Ratio

The ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios for various land uses are often stated in zoning ordinances.*(Dictionary)*

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy. *(Dictionary)*

Qualitative Analysis

The process of accounting for differences (such as between comparable properties and the subject property) that are not quantified; may be combined with quantitative analysis. *(Dictionary)*

Quantitative Adjustment

In the sale comparison approach, the process of making numerical adjustments to the sale prices of comparable properties, including data analysis techniques (paired data analysis, grouped data analysis, and secondary data analysis), statistical analysis, graphic analysis, trend analysis, cost analysis (cost-to-cure, depreciated cost), and capitalization of rent differences; usually precedes qualitative analysis. *(Dictionary)*

Rentable Area

The amount of space on which the rent is based; calculated according to local practice. *(Dictionary)*

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Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. *(13th Edition)*

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. *(13th Edition)*

Retrospective Value Opinion

A value opinion effective as of a specific historical date. The term does not define a type of value. Instead, it defines a value opinion as being effective at some specific prior date. Inclusion of this type of value with this term is appropriate, e.g., “retrospective market value opinion.”*(Dictionary)*

Sales Comparison Approach

The process of deriving a value indication for the subject property by comparing similar properties that have recently sold with the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available. *(13th Edition)*

Scope of Work

The type and extent of research and analysis in an assignment. Scope of work includes, but is not limited to:

The extent to which the property is identified;

The extent to which tangible property is inspected;

The type and extent of data researched; and

The type and extent of analysis applied to arrive at opinions or conclusions. *(USPAP)*

Shopping Center Types

Neighborhood Center: The smallest type of shopping center, generally with a gross leasable area of between 30,000 and 100,000 square feet. Typical anchors include supermarkets and pharmacies. Neighborhood shopping centers offer convenience goods and personal services and usually depend on a market population support of 3,000 to 40,000 people.

Community Center: A shopping center of 100,000 to 450,000 square feet that usually contains one junior department store, a variety store, discount or department store. A community shopping center generally has between 20 and 70 retail tenants and a market population support of 40,000 to 150,000 people.

Regional Center: A shopping center of 300,000 to 900,000 square feet that is built around one or two full-line department stores of approximately 200,000 square feet each plus small tenant spaces. This type of center is typically supported by a minimum population of 150,000 people.

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Shopping Center Types (cont.)

Power Center: A large center of 500,000 to 2.0 million square feet anchored by three or more full-line department stores. This type of center is typically supported by a population area of 300,000 people. *(13th Edition)*

Superadequacy

An excess in the capacity or quality of a structure or structural component; determined by market standards. *(Dictionary)*

Surplus Land

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. *(Dictionary)*

Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed for use by a lessee.

2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. *(Dictionary)*

Triple Net Lease

A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called *NNN*, *triple net lease*, or *fully net lease*. *(Dictionary)*

Usable Area

The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas. *(Dictionary)*

Useful Life

The period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed. *(Dictionary)*

Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income deductions due to vacancies, tenant turnover, and non-payment of rent; also called *vacancy and credit loss* or *vacancy and contingency loss*. Often vacancy and collection loss is expressed as a percentage of potential gross income and should reflect the competitive market. Its treatment can differ according to the interest being appraised, property type, capitalization method, and whether the property is at stabilized occupancy. *(Dictionary)*

Yield Capitalization

A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate. *(Dictionary)*

Stephen R. Hovanec

SENIOR VALUATION SPECIALIST
Valuation & Advisory Services

steve.hovanec@colliers.com

EDUCATION AND QUALIFICATIONS

University of North Carolina at Charlotte – B.S.B.A International Business with concentration in Finance

STATE CERTIFICATION

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Steve Hovanec joined Colliers International Valuation & Advisory Services in 2012. He has significant experience in the preparation of real estate appraisals, feasibility studies and market studies. Since 2007, Mr. Hovanec has been focused on the real estate industry and in the preparation of appraisals for all commercial property types. He has extensive experience with multi housing, single-purpose student housing, industrial, condominium and subdivision properties. He also has experience in the valuation of office, retail, mixed-use, single-tenant and vacant land.

EXPERIENCE

Senior Valuation Specialist - Colliers International Valuation & Advisory Services (Charlotte, NC)

Senior Appraiser – CBRE, Inc.
(Denver, CO & Phoenix, AZ)

Investment Banking Analyst - Bank of America – Global Structured Finance (Charlotte, NC)

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State of North Carolina

North Carolina Appraisal Board

STEPHEN ROBERT HOVANEC

having satisfied the North Carolina Appraisal Board regarding the qualifications to practice as a General Real Estate Appraiser in this State and having complied with the requirements prescribed by law, is hereby certified as a

Certified General Real Estate Appraiser

Given under and by virtue of the provisions of Article 1 Chapter 93E of the General Statutes of North Carolina, I hereunto set my hand and seal of the North Carolina Appraisal Board at Raleigh on the date below shown:

This certificate shall expire on the 30th day of June following the date shown below unless renewed prior to expiration.

AUG 23, 2012

Donald T. Rodgers
Executive Director

8/31/09

Murray Williams, MAI

MANAGING DIRECTOR
Valuation & Advisory Services

murray.williams@colliers.com

EDUCATION AND QUALIFICATIONS

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STATE CERTIFICATION

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Since 1979 has been involved with numerous clients in conjunction with varying levels of due diligence associated with investment-grade real estate. Assignments have encompassed appraisals, appraisal reviews, cash flow analysis/modeling, investment analysis, loan underwriting, market studies, property inspections, purchase price allocations, tax appeals etc. These assignments have involved a diverse geographic range including the majority of the United States, two US territories (Puerto Rico and the US Virgin Islands) and six foreign countries (Aruba, Bahamas, Dominican Republic, Panama, St. Lucia and St. Kitts).

EXPERIENCE

1979-1981 Fidelity Federal S&L Association West Palm Beach, Florida, Staff Appraiser

1981-1987 Callaway & Price, Inc. West Palm Beach, Florida, Staff Appraiser

1988-1990 Laventhol & Horwath West Palm Beach, Florida, Principal

1991-1998 First Union Corporation Charlotte, North Carolina, Vice President

1998-1999 WMF Capital Corporation Charlotte, North Carolina, Vice President

2000-2002 MortgageRamp Huntersville, North Carolina, Managing Director

2002-2004 The MH Williams Group Charlotte, North Carolina, Principal

2004-2012 CBRE, Inc. Charlotte, North Carolina, Valuation & Advisory Services, First Vice-President

2012-Present Colliers International Valuation & Advisory Services, Managing Director

MEMBERSHIPS, LICENSES AND PROFESSIONAL AFFILIATIONS

Designated Member, (MAI)
Certification No. 7582

APPRAISAL INSTITUTE COURSES

Course 2-1, 2-2, SPP

SOCIETY OF REAL ESTATE APPRAISERS

Course 101, 201

Certificate No. ***A3000***

State of North Carolina

North Carolina
Real Estate Commission

MURRAY H. WILLIAMS

having satisfied the North Carolina Real Estate Appraisal Board regarding the qualifications to practice as a General Real Estate Appraiser in this State and having complied with the requirements prescribed by law, is hereby certified as a

State-Certified
General Real Estate Appraiser

Given under and by virtue of the provisions of Article 5 Chapter 93A of the General Statutes of North Carolina, I hereunto set my hand and seal of the North Carolina Real Estate Commission at Raleigh on the date below shown:

This certificate shall expire on the 30th day of June following the date shown below unless renewed prior to expiration.

February 5, 1993

Phillip T. Fisher
Executive Director

REC 1.51
7/1/91

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Colliers International Valuation & Advisory Services

Never in the history of real estate has valuation taken a more pivotal role than in today's business climate. A true and well supported opinion of property value can mean the difference between reaching a critical goal - securing a loan, closing a sale, reporting to investors, choosing the best asset - or failing to achieve it altogether.

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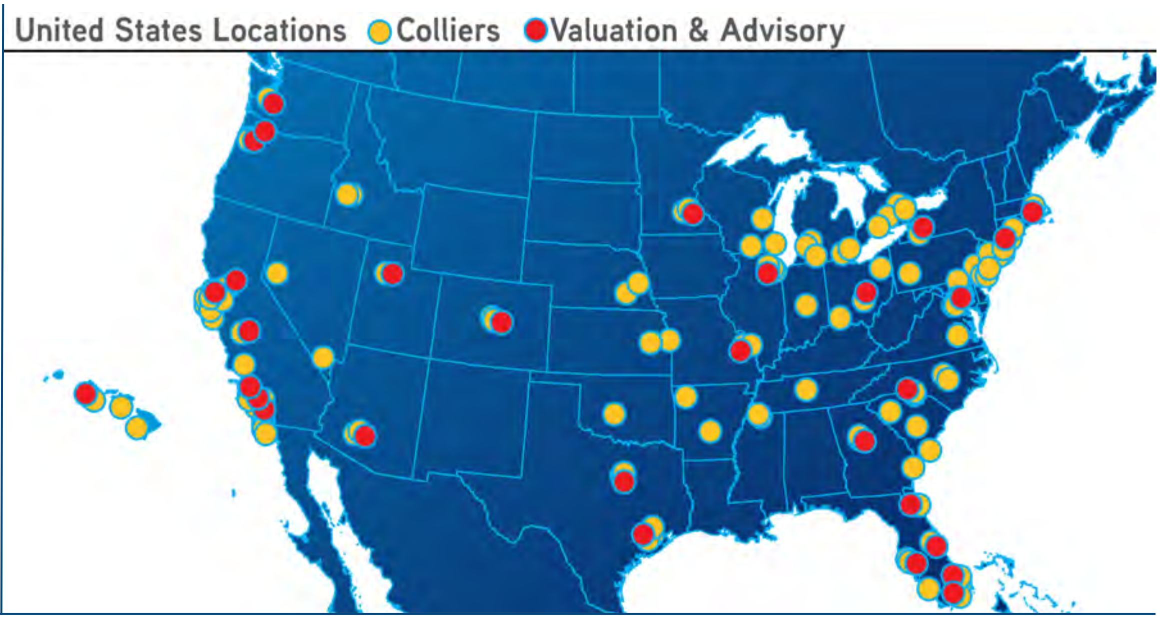

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