

**APPRAISAL REPORT**

**HOSPITAL, WITH A MEDICAL OFFICE BUILDING  
7525 SCYENE ROAD  
DALLAS, DALLAS COUNTY, TEXAS 75227**

**FOR**

**TOLPTCC INC.  
PO BOX 1838  
SPLENDORA, TEXAS 77372**



**16910 DALLAS PARKWAY, SUITE 100  
DALLAS, TEXAS 75248**

September 29, 2020

Mr. Don McCormick  
TOLPTCC Inc.  
PO Box 1838  
Splendora, Texas 77372

Re: An appraisal of a hospital, with a medical office building and parking garage located at 7525 Scyene Road, Dallas, Dallas County, Texas 75227.

Dear Mr. McCormick:

At your request, we submit this appraisal report to estimate the market value of the above referenced property. We have made an on-site inspection of the property and considered factors pertinent to and indicative of value including the Dallas area characteristics, market area data and trends, locational amenities, highest and best use, and other elements of value. This report conforms to USPAP standards.

The appraisal problem, as applied to the subject, is to determine the property's market value. "The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeable, and for self-interest, and assuming that neither is under undue duress." *The Appraisal of Real Estate*, 14th Edition, 2013, Appraisal Institute, Chicago, Illinois

This appraisal provides an appraisal report in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation. Our opinion of value for the subject is effective as of September 25, 2020, and the methodology and terminology used throughout the report includes the following:

Market Value, As Is on the Appraisal Date – An opinion of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date the appraisal is prepared.

Prospective Future Value, Upon Completion of Construction – The prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of that completion date. The value estimate at this stage of value is stated in current dollars unless stated otherwise.

Our opinion of the market value for the subject is as follows:

**Market Value Opinion**

<b>Market Value, As Is - Real Estate</b>	<b>\$ 8,785,000</b>
<b>Prospective Value, Upon Completion Pre-Construction (December 2020)</b>	<b>\$ 11,300,000</b>
<b>Real Estate - Improvements/Land</b>	<b>\$ 65,780,000</b>
<b>Furniture, Fixtures, and Equipment</b>	<b>\$ 7,746,000</b>
<b>Prospective Value, Upon Completion (December 2021)</b>	<b>\$ 73,526,000</b>

The following report sets forth a description of the subject property, along with a summary of the market data considered and the conclusions derived from such data. Your attention is directed to the general assumptions and limiting conditions of this appraisal.

**EXTRAORDINARY ASSUMPTIONS**

*As the renovations/updates of the improvements are proposed, this appraisal is based on the assumption the subject will be renovated as represented to the appraiser at the time of the appraisal, and that all construction and development will proceed in a timely manner and without delay or cost overruns; the occupancy information provided by the property owner is true and accurate; in addition, it is assumed that the economic conditions projected in this appraisal will not change significantly over the projected renovation period of the subject.*

*As of March 2020, the world market has been affected by the Coronavirus Disease 2019 (COVID-19) and the effects on world markets are unknown at this time. This report is based on historical data available and researched up to the date of the report. Although the appraiser has diligently investigated and researched the available data, there is currently insufficient evidence to indicate what effect, if any, the world market will have on the local economy and this report assumes that current conditions will remain unchanged. Should this not be the case, the conclusions and values expressed in this report could change.*

*This appraisal assumes that all of the information obtained for analysis is accurate; this information has been verified to the extent possible by the appraisers.*

**HYPOTHETICAL CONDITIONS**

*At the request of the client and for purposes of this appraisal, the subject is valued as if the improvement renovations/updates were completed and available to the market as of the completion date, December 2021.*

If you should have questions concerning any portion of this appraisal, please contact our office.

Respectfully submitted,

**PYLES WHATLEY**



**Jason Secrest, MAI**  
State of Texas Certification #TX-1337373-G

# SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS



<b>Subject Property</b>	Hospital, with a Medical Office Building	
<b>Location</b>	7525 Scyene Road Dallas, Dallas County, Texas	
<b>Mapscot</b>	DA-48-T	
<b>Land Area (deed)</b>	318,859 SF	7.320 AC
<b>Zoning</b>	PD 86 (Planned Development 86)	
<b>Gross Building Area</b>	140,850 SF	(building plans)
Hospital	124,350 SF	
Medical Office	16,500 SF	
<b>Number of Buildings</b>	2	
<b>Anticipated Occupancy (December 2021)</b>	100%; owner occupied	
<b>Year of Construction</b>	1973 (Renov. 2021)	
<b>Reasonable Exposure Time</b>	12 to 36 months	
<b>Reasonable Marketing Period</b>	12 to 36 months	
<b>Land Value</b>	\$1,275,000	
<b>Market Value Indicators</b>	<b>As Is</b>	<b>Upon Completion</b>
Cost Approach	\$4,683,000	\$69,286,000
Sales Comparison Approach	\$8,785,000	\$73,526,000
Income Capitalization Approach	N/A	N/A
<b>Market Value Opinion</b>		
Market Value, As Is - Real Estate	\$ 8,785,000	
Prospective Value, Upon Completion Pre-Construction (December 2020)	\$ 11,300,000	
Real Estate - Improvements/Land	\$ 65,780,000	
Furniture, Fixtures, and Equipment	\$ 7,746,000	
Prospective Value, Upon Completion (December 2021)	\$ 73,526,000	
<b>Date of Appraisal Value</b>	September 25, 2020	
<b>Date of Appraisal Value - Upon Completion</b>	December 2021	
<b>Date of Inspection</b>	July 22, 2020	
<b>Date of Appraisal Report</b>	September 29, 2020	



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### Purpose of the Appraisal

The purpose of this appraisal is to render an opinion of the market value of the subject property. The report complies with the requirements of the Uniform Standards of Professional Appraisal Practice, the Code of Ethics of the Appraisal Institute, and Texas Real Estate Commission Rules.

The appraisal problem, as applied to the subject, is to determine the property's market value. "The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeable, and for self-interest, and assuming that neither is under undue duress." *The Appraisal of Real Estate*, 14th Edition, 2013, Appraisal Institute, Chicago, Illinois

### Effective Date of the Appraisal

The subject property is being appraised as of September 25, 2020, and is subject to the market influences and economic conditions, which existed on that date. This date is also known as the effective date and is the date of the opinions and conclusions found in this report. The property was inspected and photographed on July 22, 2020, which included a visual observation of the site and any improvements. The effective date of the 'Prospective Value, Upon Completion' is in December 2021. The date of this appraisal report is September 29, 2020.

### Property Rights Appraised

The property rights are an enforceable, legal claim to title of or interest in property. Three primary property rights may typically be appraised. The rights are fee simple estate, leased fee estate, and leasehold estate, which are defined as follows:

*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.

*Leased Fee Estate* - The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

*Leasehold Estate* - The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

In this report, we develop a market value opinion of the *fee simple interest* in the real property.

**Subject Identification & Legal Description**

Property Type: Hospital, with a Medical Office Building

Ownership: Marvin Brock

Subject Property Location: 7525 Scyene Road  
Dallas, Dallas County, Texas

Zip Code: 75227

Legal Description: Being a tract of land situated in the Samuel Beeman Survey, Abstract No. 100, said parcel being composed of part of Lot 48 and all of Lot 49, Block A6126 of Greenwood Terrace Addition, and all of Lot 3, Block 4/6126 of East Town Osteopathic Hospital Addition, and all of Lots 2, 3, 4, 5, and 6 and part of Lot 7, Block C/5830 of McNeil Estates, Additions to the City of Dallas, Dallas County, Texas

**Subject History**

According to the Dallas Central Appraisal District records, the current owner is Marvin Brock. According to the Deed Instrument Number 201900004936, the subject was transferred to Marvin Brock from New Start Foundation of Dallas, Inc. on January 5, 2019 via a quitclaim deed; further details are not available. According to the Deed Instrument Number 202000003413, the subject was transferred to PPC Hospital Trust from New Start Foundation of Dallas, Inc. on August 8, 2019 via a receiver's deed for \$395,000; further details are not available. Sale prices are not a matter of public record in Texas; the appraiser attempted to obtain the purchase price and other terms of the transaction without success. To my knowledge, the property is not listed for sale or under a purchase contract. According to public records, there have been no other transfers of the subject property within the past three years.

According to Jose Marquez, the owner intends to partner with investors and renovate, update, modernize the subject over the next two years. The asbestos mitigation and interior demolition is anticipated to be complete by December 2020, with the renovation, update, and construction of the hospital to be completed by December 2021.

Please note that this information is included only to satisfy the requirements of USPAP. It is not intended as a guarantee to the chain of title and a title search should be performed by a title company should a definitive abstract be desired.

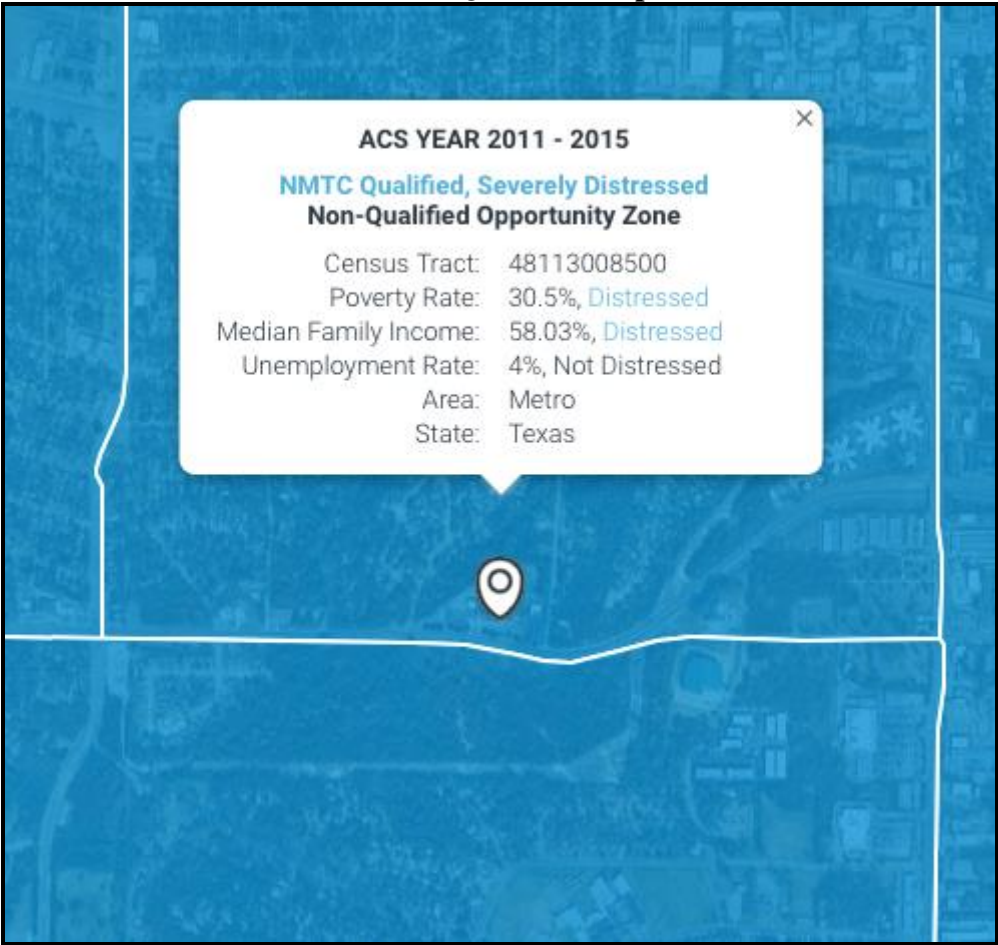
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## SCOPE OF THE ASSIGNMENT

The subject is located within an identified Opportunity Zone and qualifies for New Markets Tax Credits (NMTC) financing. The NMTC Program was enacted by Congress as part of the Community Renewal Tax Relief Act of 2000. The NMTC Program helps economically distressed communities attract private capital by providing investors with a Federal tax credit. The IRS code permits individual and corporate taxpayers to receive a credit against federal income taxes for making Qualified Equity Investments (QEIs) in qualified community development entities (CDEs). These investments are expected to result in the creation of jobs and material improvement in the lives of residents of low-income communities.

A “low-income community” is defined as any population census tract where the poverty rate for such tract is at least 20% or in the case of a tract not located within a metropolitan area, median family income for such tract does not exceed 80% of statewide median family income, or in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80% of the greater of statewide median family income or the metropolitan area median family income.

**NMTC Qualified Map**



Based on the subject location within Census Tract 48113008500, the subject is NMTC Program qualified

### **Intended Use, Intended User, and Client**

The intended use of this report is for internal decision-making and analyses for TOLPTCC Inc.'s officers, administrators, employees, assignees, and appropriate regulatory agencies. The intended user, TOLPTCC Inc., is also the client. Any other user or uses are not intended or authorized. Use of this appraisal for any other use or by another user or appraisal date may invalidate the findings and conclusions.

### **Data Researched**

For this report, the subject market was researched for all pertinent data relating to the appraisal problem including: collecting and confirming data through brokers, appraisers, property owners, lessees/lessors, and others familiar with the real estate market. The information provided by these sources is deemed reliable, but is not guaranteed.

In addition, verifiable third party sources were utilized including Costar Realty Information, Roddy Information Services, LoopNet, and the Multiple Listing Service (MLS). Additional market data were extracted from market reports and data circulated and purchased from Robert G. Watts/RealtyRates.com, Real Estate Research Corporation, Price Waterhouse Coopers Korpacz Investor Survey, and M/PF Yieldstar. The information provided by these sources is deemed reliable, but is not guaranteed.

### **Competency**

The appraisers involved in this assignment have considerable experience in appraising this property type. The appraisers are actively engaged in appraisal work in the geographical area of the subject property. The company maintains a database on this area for similar properties. We have adequate knowledge of the property type and location to meet the competency requirements of the Uniform Standards of Professional Appraisal Practice.

In addition, other appraisers in the market would perform similar actions in the appraisal process to fulfill the scope of work in this assignment and the appraisal meets or exceeds the expectations of parties who are regularly intended users for similar assignments.

### Scope of the Appraisal

Jason Secrest performed all aspects of this report, which included the following:

- Communicated with Jose Marquez on behalf of Don McCormick, of TOLPTCC Inc., regarding the appraisal assignment; a narrative appraisal report meets the client's requirements.
- Communicated with the listing broker, regarding the history and the condition of the subject.
- Researched the public records for data on the subject property, including zoning, assessments, taxes, acreage, buildings and site improvements, and maps.
- A preliminary search of all available resources was made to determine market trends, influences, and other significant factors pertinent to the subject property. The property is identified previously in this report.
- Jason Secrest inspected the subject property and subject neighborhood on July 22, 2020; photographs were taken of the subject and the comparable sales. Although due diligence was exercised while inspecting the property, the appraiser is not an expert in such matters as soils, structural engineering, hazardous waste, etc., and no warranty is given as to these elements. The on-site security, Alex Tamourides, was present during the inspection.
- Research and collection of data (land sales, improved sale, escrow sales, and listings) were performed as present in the market area and of sufficient quality to express an opinion of value as defined herein. The appraiser examined data from the Costar Realty Information, Roddy Information Services, LoopNet, Multiple Listing Service (MLS), county records, and owner interviews.
- An analysis of the highest and best use was completed.
- Gathered and analyzed the market data to reach an estimate of market value for the fee simple interest of the subject, using the cost and sales comparison approaches to value.
- Assembled and wrote the narrative report, complete with maps, photos, and supporting addenda.

## DEFINITION OF MARKET VALUE

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The definition of market value is:

“The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeable, and for self-interest, and assuming that neither is under undue duress.” \*

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\* *The Appraisal of Real Estate*, 14th Edition, 2013, Appraisal Institute, Chicago, Illinois, p. 58

## **GENERAL ASSUMPTIONS AND LIMITING CONDITIONS**

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The Uniform Standards of Professional Appraisal Practice and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute require the appraiser to "set forth all assumptions and limiting conditions that affect the analyses, opinions, and conclusions in the report". In compliance therewith, and to assist the reader in interpreting this report, such general assumptions and limiting conditions are set forth below. Specific assumptions, if any, are referred to in the transmittal letter and their location in the report detailed.

Title is assumed to be marketable, free, and clear of all liens and encumbrances, easements, and restrictions except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.

No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, notwithstanding the fact that such matters may be discussed in the report.

No opinion is expressed on the value of subsurface oil, gas or mineral rights, water rights, or whether the property is subject to surface entry for the exploration or removal of such, except as expressly stated.

The date of value to which the opinions expressed in this report apply is set forth in the letter of transmittal. The appraiser assumes no responsibility for economic or physical factors occurring at some later date, which may affect the opinions herein stated. The opinion of value is considered reliable only as of the date of the appraisal.

The valuation is reported in dollars of U.S. currency prevailing on the date of the appraisal.

Maps, plats, and exhibits included herein are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose unless specifically identified as such.

All information and comments pertaining to this and other properties included in the report represent the personal opinion of the appraiser, formed after examination and study of the subject and other properties. While it is believed the information, estimates and analyses are correct, the appraiser does not guarantee them and assumes no liability for errors in fact, analysis, or judgment.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or to the MAI or SRA designation) shall be disseminated to the public through advertising media, public relations media, sales media, or any other public means of communication without written consent and approval of the undersigned.

The appraiser is not required to give testimony or to appear in court by reason of this appraisal, unless prior arrangements have been made.



## **GENERAL ASSUMPTIONS AND LIMITING CONDITIONS**

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The distribution of the total valuation in this report between land and improvements applies only under the existing or proposed/completed program of utilization. The separate valuations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

Certain information concerning market and operating data were obtained from others. This information is verified and checked, where possible, and is used in this appraisal only if it is believed to be accurate and correct. However, such information is not guaranteed.

Opinions of value contained herein are opinions only. There is no guarantee, written or implied, that the subject property will sell for such amounts. Prospective values are based on market conditions as of the effective date of the appraisal. The appraiser is not responsible if unforeseeable events alter market conditions subsequent to the effective date of the appraisal. As a personal opinion, valuation may vary between appraisers based on the same facts.

No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes can be assumed without provision of specific professional or governmental inspections. While the general conditions of the property were observed, no guarantee can be made concerning the individual components of the structures including but not limited to the heating system, plumbing, electrical services, roof, possible termite damage or building foundation. This appraiser is not qualified to make a complete inspection of any well or septic system, consequently, it was beyond the scope of this report and no statements can be made concerning the adequacy or condition of these or other systems.

No investigation - unless presented in other sections of this report - was made by the appraiser to determine if asbestos, fiberglass, or synthetic mineral fiber products are present in improved properties. The existence of such products, if any, would have to be determined by a qualified inspector. It is assumed that there is no asbestos, fiberglass, synthetic mineral fiber products, nor other contaminants present that would materially affect value.

The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

No investigation - unless presented in other sections of this report - was made by the appraiser to determine if any toxic materials are present on the subject tract. The existence of such materials, if any, would have to be determined by a qualified inspector. It is assumed that no toxic materials are present that would materially affect value or development costs.

A reasonable investigation was made to determine the existence of any underground storage tanks (UST) on the subject site. If USTs are present on the subject site details are provided in other sections of this report.

## **GENERAL ASSUMPTIONS AND LIMITING CONDITIONS**

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In the event the appraisal is based upon proposed improvements, it is assumed that the improvements will be completed in substantial conformity with plans and specifications, which have been furnished to the appraiser, and with good materials and workmanship. It is also assumed that the proposed foundation and construction techniques are adequate for the existing sub-soil conditions.

Personal property, fixtures, or intangible items that are not real property, which are included in the appraisal, are identified as Furniture, Fixtures and Equipment, or FF&E.

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## EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

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**Extraordinary Assumptions and Hypothetical Conditions:** The Uniform Standards of Professional Appraisal Practice require the disclosure of hypothetical conditions and extraordinary assumptions when employed in the development of an appraisal. As defined in the Uniform Standards of Professional Appraisal Practice, an extraordinary assumption is “an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions.” As defined in the Uniform Standards of Professional Appraisal Practice, a hypothetical condition is “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.” *The following extraordinary assumptions and hypothetical conditions are set forth for appraisal purposes and no legal reasoning is intended. The reader should be aware, that, in the event that any of the assumptions or conditions proves false or improperly applied, the conclusions of this appraisal could be changed or invalidated.*

### **EXTRAORDINARY ASSUMPTIONS**

*As the renovations/updates of the improvements are proposed, this appraisal is based on the assumption the subject will be renovated as represented to the appraiser at the time of the appraisal, and that all construction and development will proceed in a timely manner and without delay or cost overruns; the occupancy information provided by the property owner is true and accurate; in addition, it is assumed that the economic conditions projected in this appraisal will not change significantly over the projected renovation period of the subject.*

*As of March 2020, the world market has been affected by the Coronavirus Disease 2019 (COVID-19) and the effects on world markets are unknown at this time. This report is based on historical data available and researched up to the date of the report. Although the appraiser has diligently investigated and researched the available data, there is currently insufficient evidence to indicate what effect, if any, the world market will have on the local economy and this report assumes that current conditions will remain unchanged. Should this not be the case, the conclusions and values expressed in this report could change.*

*This appraisal assumes that all of the information obtained for analysis is accurate; this information has been verified to the extent possible by the appraisers.*

### **HYPOTHETICAL CONDITIONS**

*At the request of the client and for purposes of this appraisal, the subject is valued as if the improvement renovations/updates were completed and available to the market as of the completion date, December 2021.*

## DEFINITIONS AND TERMS

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Various terms and symbols are used throughout the appraisal report. The following are definitions of the terms and explanations of the symbols used:

**Anticipation** – The perception that value is created by the expectation of benefits to be derived in the future.

**Business Enterprise Value** – The value contribution of the total intangible assets of a continuing business enterprise such as marketing and management skill, an assembled workforce, working capital, trade names, franchises, patents, trademarks, contracts, leases, customer base, and operating agreements.

**Deferred Maintenance** – Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property. These items are almost always curable.

**Going Concern, Market Value of the** – The market value of an established and operating business including the real property, personal property, financial assets, and the intangible assets of the business.

**Grantee** – A person to whom property is transferred by deed or to whom property rights are granted by a trust instrument or other document.

**Grantor** – A person who transfers property by deed or grants property rights through a trust instrument or other document.

**Highest and Best Use** – The reasonably probable use of property that results in the highest value.

**Interim Use** – The temporary use to which a site or improved property is put until a different use becomes maximally productive.

**Investment Value** – The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.

**Lessee** – One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement.

**Lessor** - One who conveys the rights of occupancy and use to others under a lease agreement.

**Market Price** - The amount actually paid, or to be paid, for a property in a particular transaction. Differs from market value in that it is an accomplished or historic fact, whereas market value is and remains an estimate until proven. Market price involves no assumption of prudent conduct by the parties, or absence of undue stimulus, or of any other condition basic to the market value concept.

## DEFINITIONS AND TERMS

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**Market Rent** - The rental income that a property would most probably command on the open market as indicated by current rentals being paid for comparable space as of the effective date of the appraisal.

**Market Value** - See Definition of Market Value section

**Present Value** - The current monetary value. It is the today's cash lump sum, which represents the current value of the right to collect future payments. It is the discounted value of aggregate future payments.

**Property Rights** – An enforceable, legal claim to title of or interest in property. The rights may be in real property or personal property.

**Property Rights Adjustment** – An adjustment made to the indicated property value if the value of the property is not at market occupancy or market rent.

**Surplus Land** - In regard to an improved site, the land not necessary to support the highest and best use of the existing improvements, but because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Such land may or may not contribute positively to value and may or may not accommodate future expansion of an existing anticipated improvement.

**Utility** – The ability of a product to satisfy a human want, need, or desire.

### Abbreviations

SF = square feet	PSF or /SF = per square foot	FF = front feet
LF = lineal feet	AC = acres	ROW = right of way
RR = railroad	CBD = central business district	GI = gross income
EGI = effective gross income	NOI = net operating income	PV = present value
OAR or $R_o$ = overall capitalization rate	EDR or $R_E$ = equity dividend rate	UA = usable area
GBA = gross building area	RA = rentable area	$\pm$ = plus, or minus from amount stated

Source of Definitions: The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015.

### STAGES OF VALUE

During the real estate development process, a property typically progresses from a state of unimproved land to construction of improvements to stabilized occupancy. In general, the market value associated with the property increases during these stages of development. After reaching stabilized occupancy, ongoing forces affect the property during its life, including physical wear and tear, changing market conditions, etc. These factors continually influence the property's market value at any given point in time. Opinions of value are developed on the basis of one or more of the following:

**Market Value, As Is on the Appraisal Date** – An opinion of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date the appraisal is prepared.

**Market Value, As If Complete on the Appraisal Date** – The market value of a property with all construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this opinion of value should reflect the market value of the property as if complete and prepared for occupancy by tenants.

**Prospective Future Value Upon Completion of Construction** – The prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of that completion date. The value estimate at this stage of value is stated in current dollars unless stated otherwise.

**Prospective Future Value Upon Reaching Stabilized Occupancy** – The prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. The opinion of value at this stage of value is in current dollars unless stated otherwise.

**Retrospective Value, As of Appraisal Date** – An opinion of the market value of a property that is likely to have applied as of a specific historic date and as it physically and legally existed without hypothetical conditions, assumptions, or qualifications as of the specific historic date. The opinion of value at this stage of value is in current dollars unless stated otherwise.

The stages of value utilized in this report are as follows: *market value, as is, and prospective future value, upon completion.*

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## DALLAS/FORT WORTH METROPOLITAN AREA ANALYSIS

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The subject property in this report is located in the Dallas/Fort Worth Metropolitan Area, one of the major financial and population centers in the nation. Therefore, an overview of the Metroplex is appropriate.

### Downtown Dallas



### Downtown Fort Worth



*Photograph Courtesy of the Dallas Convention & Visitors Bureau*

## CLASSIFICATION

The classifications represented in the Dallas/Fort Worth area are:

### Metropolitan Statistical Area (MSA) and Metropolitan Division (MD)



With a population of over 9.3 million, Dallas/Fort Worth and the surrounding area is the fourth largest MSA under this classification. The DFW MSA is comprised of two Metropolitan Divisions; Dallas-Plano-Irving or Dallas MD on the east and Fort Worth-Arlington or Fort Worth MD on the west. The Dallas MD includes Collin, Dallas, Denton, Ellis, Hunt, Kaufman, and Rockwall Counties with a 2018 estimated population of over 5.2 million. The Fort Worth MD is comprised of Hood, Johnson, Parker, Somervell, Tarrant, and Wise Counties with a 2018 estimated population of over 2.6 million.

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# DALLAS/FORT WORTH METROPOLITAN AREA ANALYSIS

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## CITY AND COUNTY CHARACTERISTICS

### History/Introduction

The city of Dallas, located in Dallas County, began as a small Trinity River settlement founded in 1841 by John Neely Bryan. Shortly after its founding, Dallas became part of the wagon train route, the Central National Highway of the Republic of Texas. Dallas was incorporated in 1857 despite its small population, and by 1870 had a population of only 2,960.

In the 1870's, Dallas citizens, bent on making their mark in the Southwest, coaxed the Houston & Texas Central Railroad, which ran north/south, and the westbound Texas Pacific Railroad to the city, thereby becoming a crossing point for the Northeast and Southwest.

With the advent of the railroad, Dallas quickly grew to 38,500 by 1890, and by 1920 the nation was referring to Dallas as "Big D". The city's growth has been mostly attributable to the efforts and influences of the business and private sector. Dallas became the center of finance and business in the Southwest when it petitioned for and received one of the twelve District Federal Reserve Banks in 1913. Since that time, Dallas has become the fifth largest financial center in the United States.

Situated in North Texas, Dallas and Fort Worth serve as the principal cities of the DFW metropolitan area (commonly called the Metroplex). Dallas is the main economic center while Fort Worth is the second largest cultural and economic center of the Metroplex.

### Demographics/Population

The DFW MSA is the fourth largest metro area in the nation and larger than 33 of the states in the USA. Dallas is the third largest city in Texas and seventh in the nation. According to 2018 population estimates by the US Census Bureau, Dallas County is the ninth most populous county in the nation 2,621,971 persons. Within the City of Dallas is an estimated 2018 population of 1,336,752, which is also the county seat of Dallas County. Fort Worth ranks as the fifth largest city in the state of Texas and eighteenth in the United States. The city of Fort Worth serves as the county seat for Tarrant County which consists of a 2018 population of 2,064,733. Within the City of Fort Worth is a population count of 848,812.

Dallas/Fort Worth also ranks sixth in the nation in terms of urbanized land area. The urbanized area that includes the two cities and their contiguous suburbs consumed 1,779 miles of open land area.

Urban Area (2010)	Total Area (square miles)	Urban Area (2010)	Total Area (square miles)
New York	3,450	Dallas/Fort Worth	1,779
Los Angeles	1,736	Houston	1,660
Chicago	2,443	Washington DC	1,321
Philadelphia	1,981	Atlanta	2,645
Miami	1,239	Boston	1,874

Source: 2010 United States Census "Area Urban List"



## DALLAS/FORT WORTH METROPOLITAN AREA ANALYSIS

The subsequent table illustrates growth trends, in total numbers and annualized percentages, of all the major cities, suburbs, and statistical regions from 1990 to 2020 estimate, with a 2025 estimate.

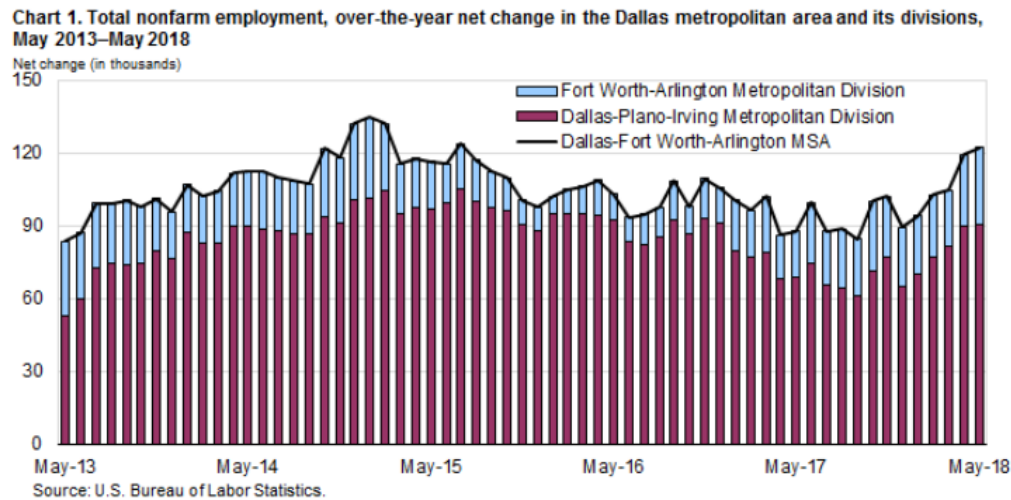
POPULATION ANNUALIZED GROWTH RATES						
AREA	1990	2000	2010	2020 (est.)	2025 (est.)	2010-2020 Change
DFW MSA	4,018,696	5,204,319	6,426,214	7,678,733	8,008,122	19.5%
Dallas MD	2,616,281	3,444,276	4,230,520	5,105,563	5,336,337	20.7%
Collin County	264,079	491,676	782,341	1,043,748	1,113,890	33.4%
Dallas County	1,848,177	2,219,132	2,368,139	2,634,796	2,708,352	11.3%
Denton County	276,586	430,999	662,614	896,053	949,344	35.2%
Ellis County	85,126	111,294	149,610	186,805	197,688	24.9%
Hunt County	64,353	76,602	86,129	99,424	103,881	15.4%
Kaufman County	52,355	71,493	103,350	138,350	149,650	33.9%
Rockwall County	25,605	43,080	78,337	106,387	113,532	35.8%
Fort Worth MD	1,402,415	1,760,043	2,195,694	2,573,170	2,671,785	17.2%
Hood County	28,995	41,111	51,182	62,512	65,543	22.1%
Johnson County	97,189	126,822	150,934	177,419	185,623	17.5%
Parker County	64,749	88,447	116,927	144,637	152,899	23.7%
Somervell County	5,352	6,798	8,490	9,190	9,413	8.2%
Tarrant County	1,171,454	1,448,085	1,809,034	2,108,659	2,183,646	16.6%
Wise County	34,676	48,780	59,127	70,753	74,661	19.7%
Addison	8,492	14,465	13,056	14,530	14,946	11.3%
Allen	20,202	41,942	84,246	112,483	120,042	33.5%
Arlington	265,420	334,292	365,438	424,718	439,852	16.2%
Carrollton	81,605	111,272	119,097	149,246	156,481	25.3%
Cedar Hill	23,200	32,529	45,028	50,161	51,591	11.4%
Coppell	17,676	36,902	38,659	43,693	44,965	13.0%
Dallas	1,005,904	1,182,168	1,197,816	1,347,927	1,389,035	12.5%
Denton	66,807	84,147	113,383	151,452	159,978	33.6%
Duncanville	33,595	35,702	38,524	42,923	44,117	11.4%
Farmers Branch	25,745	29,407	28,616	31,903	32,802	11.5%
Fort Worth	457,068	545,356	741,206	866,418	897,232	16.9%
Frisco	8,766	35,022	116,989	157,469	167,621	34.6%
Garland	179,932	214,822	226,876	252,013	259,113	11.1%
Grand Prairie	98,558	126,730	175,396	198,258	204,324	13.0%
Irving	154,084	191,011	216,290	240,742	247,525	11.3%
Lewisville	45,229	77,544	95,290	127,901	135,514	34.2%
McKinney	22,205	54,953	131,117	174,577	186,216	33.1%
Mesquite	101,162	125,619	139,824	155,314	159,701	11.1%
Murphy	1,093	3,068	17,708	23,607	25,200	33.3%
Plano	128,980	223,856	259,841	345,144	368,315	32.8%
Richardson	76,953	92,063	99,223	116,859	121,586	17.8%
Southlake	6,927	20,464	26,575	31,148	32,305	17.2%
Wylie	9,182	16,540	41,427	55,594	59,317	34.2%

*Source: EASIDemographics.com*

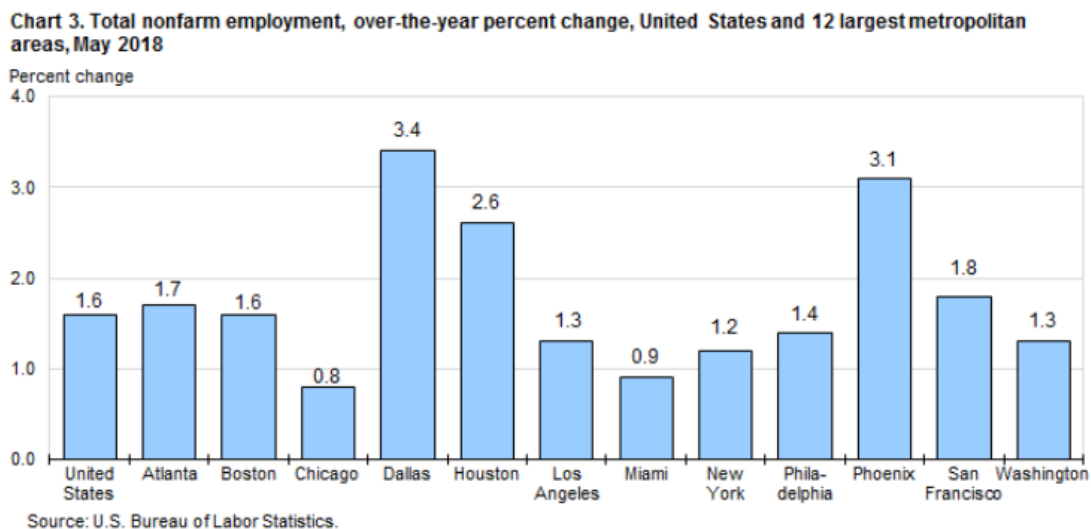
## EMPLOYMENT AND ECONOMIC BASE

### DFW MSA Employment

From May 2017 to May 2018, local nonfarm employment rose 3.4 percent, compared to the national rate of 1.6 percent. Dallas ranked first in both the rate of job growth and the number of jobs added. Total nonfarm employment in the Dallas-Fort Worth-Arlington Metropolitan Statistical Area stood at 3,707,500 in May 2018, up 122,000 over the year, according to the U.S. Bureau of Labor Statistics.



Dallas-Fort Worth-Arlington was one of the nation's 12 largest metropolitan statistical areas in May 2018. All 12 areas had over-the-year job growth during the period, with the rates of job growth in 5 areas exceeding the national increase of 1.6 percent. Dallas had the fastest rate of job growth, up 3.4 percent.



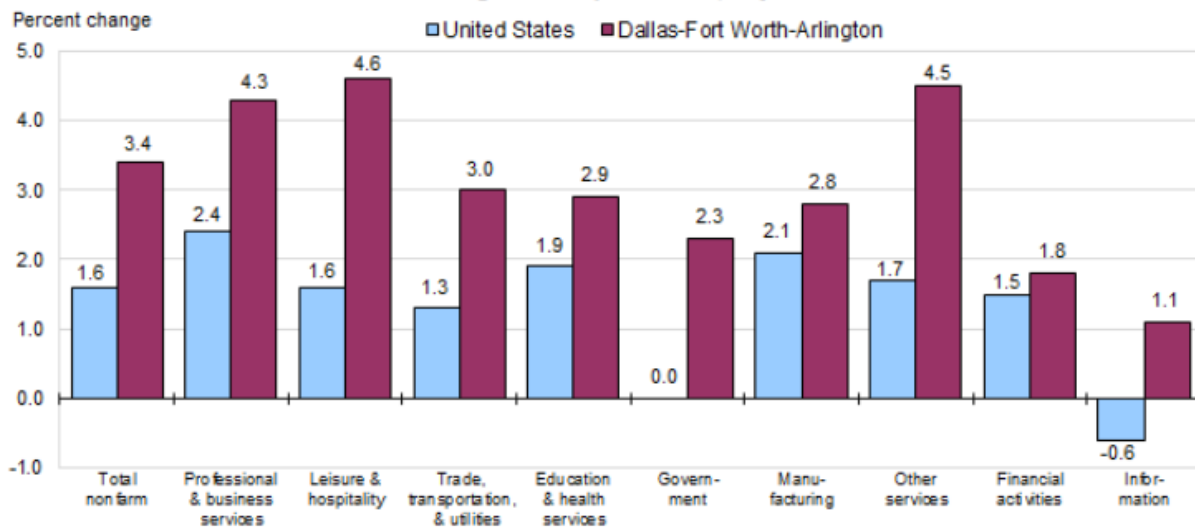
# DALLAS/FORT WORTH METROPOLITAN AREA ANALYSIS

**LABOR FORCE DATA**  
**NOT SEASONALLY ADJUSTED**  
**Table 1. Civilian labor force and unemployment by state and metropolitan area**

State and area	Civilian labor force				Unemployed							
	April		May		Number				Percent of labor force			
					April		May		April		May	
	2017	2018	2017	2018 <sup>P</sup>	2017	2018	2017	2018 <sup>P</sup>	2017	2018	2017	2018 <sup>P</sup>
Tennessee - Continued												
Johnson City.....	91,220	91,125	90,285	90,641	3,286	2,758	3,216	2,948	3.6	3.0	3.6	3.3
Kingsport-Bristol.....	138,125	139,547	138,388	139,138	5,156	4,278	5,113	4,413	3.7	3.1	3.7	3.2
Knoxville.....	417,441	422,066	417,962	422,786	13,234	11,114	12,556	11,587	3.2	2.6	3.0	2.7
Memphis.....	625,627	636,788	625,994	637,741	25,004	22,325	25,076	24,376	4.0	3.5	4.0	3.8
Morristown.....	51,266	51,717	51,136	51,950	1,863	1,564	1,755	1,682	3.6	3.0	3.4	3.2
Nashville-Davidson-Murfreesboro-Franklin.....	1,003,380	1,035,496	1,005,655	1,034,531	26,452	22,922	25,573	24,028	2.6	2.2	2.5	2.3
Texas.....	13,527,232	13,863,075	13,498,726	13,836,477	559,386	520,621	557,907	515,248	4.1	3.8	4.1	3.7
Arlene.....	75,714	77,367	75,607	76,983	2,596	2,478	2,809	2,460	3.4	3.2	3.7	3.2
Amarillo.....	132,044	133,871	131,410	134,194	3,456	3,841	3,464	3,464	2.8	2.6	2.9	2.6
Austin-Round Rock.....	1,149,292	1,190,455	1,149,397	1,188,870	33,406	32,886	34,409	32,871	2.9	2.8	3.0	2.8
Beaumont-Port Arthur.....	175,907	174,843	174,572	173,197	11,739	10,753	11,278	10,263	6.7	6.2	6.5	5.9
Brownsville-Harlingen.....	167,672	168,100	166,389	167,401	11,427	10,512	10,923	10,051	6.8	6.3	6.6	6.0
College Station-Bryan.....	129,321	133,998	128,469	134,131	3,733	3,647	3,946	3,711	2.9	2.7	3.1	2.8
Corpus Christi.....	210,686	208,630	209,771	208,186	11,728	10,622	11,209	10,187	5.6	5.1	5.3	4.9
Dallas-Fort Worth-Arlington.....	3,773,905	3,904,883	3,767,275	3,899,693	132,899	131,095	134,860	131,059	3.5	3.4	3.6	3.4
El Paso.....	356,314	361,588	354,949	359,939	15,769	15,021	15,969	14,839	4.4	4.2	4.5	4.1
Houston-The Woodlands-Sugar Land.....	3,323,912	3,410,234	3,314,891	3,395,423	161,143	144,823	158,355	142,491	4.8	4.2	4.8	4.2
Killeen-Temple.....	175,388	178,669	175,589	178,646	7,056	6,856	7,113	6,979	4.0	3.8	4.1	3.9
Laredo.....	114,546	116,062	114,222	115,641	4,786	4,210	4,700	4,167	4.2	3.6	4.1	3.6
Longview.....	97,589	97,750	96,775	97,046	5,073	3,991	4,844	3,919	5.2	4.1	5.0	4.0
Lubbock.....	161,626	164,591	161,311	164,776	4,662	4,635	4,850	4,656	2.9	2.8	3.0	2.8
McAllen-Edinburg-Mission.....	344,548	348,994	342,672	347,688	25,111	22,913	23,983	21,525	7.3	6.6	7.0	6.2
Midland.....	90,316	98,666	90,799	99,674	2,752	2,078	2,742	2,115	3.0	2.1	3.0	2.1
Odessa.....	77,224	80,968	77,333	80,529	3,337	2,241	3,196	2,235	4.3	2.8	4.1	2.8
San Angelo.....	54,788	55,350	54,632	55,354	1,954	1,665	2,025	1,693	3.6	3.0	3.7	3.1
San Antonio-New Braunfels.....	1,161,247	1,188,532	1,158,967	1,186,452	38,208	37,209	39,482	37,551	3.3	3.1	3.4	3.2
Sherman-Denison.....	62,038	63,420	62,025	63,700	2,105	1,973	2,145	1,989	3.4	3.1	3.5	3.1
Texarkana.....	65,026	65,190	64,887	65,476	2,712	2,738	2,836	3,173	4.2	4.2	4.4	4.8
Tyler.....	105,647	108,138	106,531	108,845	4,048	3,718	4,101	3,769	3.8	3.4	3.8	3.5
Victoria.....	46,551	45,606	46,322	45,379	2,196	1,784	2,114	1,741	4.7	3.9	4.6	3.8
Waco.....	124,467	126,089	124,331	126,041	4,325	4,322	4,548	4,396	3.5	3.4	3.7	3.5
Wichita Falls.....	65,180	65,580	64,957	65,449	2,260	2,089	2,299	2,133	3.5	3.2	3.5	3.3

In previous years, the DFW diversified economic base has generated employment opportunities, which caused substantial amounts of growth and expansion. The Dallas/Fort Worth job market has changed from a traditional manufacturing and low-skill employment to a service, high tech, and high skill employment. The subsequent chart illustrates employment growth in industry sectors in Dallas/Fort Worth and nationwide.

**Chart 2. Total nonfarm and selected industry supersector employment, over-the-year percent change, United States and the Dallas-Fort Worth-Arlington metropolitan area, May 2018**



Source: U.S. Bureau of Labor Statistics.

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## DALLAS/FORT WORTH METROPOLITAN AREA ANALYSIS

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Trade, transportation and utilities, the metropolitan area's largest supersector, added 22,400 jobs from May 2017. The 3.0 percent rate of local job growth was more than double the national rate of 1.3 percent. The professional and business services added 25,500 jobs from May 2017 to May 2018 and Dallas area's education and health services supersector added 14,600 jobs. Employment in leisure and hospitality rose by 14,700 from September 2015, an increase of 3.9 percent. While both local metropolitan divisions added jobs over the year, the rate of job growth in Dallas-Plano-Irving (5.1 percent) was nearly three times that of Fort Worth-Arlington (1.4 percent). Nationwide, leisure, and hospitality employment rose 2.4 percent during the period compared to the 3.9 percent in the Dallas-Fort Worth-Arlington area.

The financial activities supersector added 14,700 jobs since 2015, a 5.3 percent increase, which was the largest industry job growth in the area. The local mining, logging, and construction supersector added 5,000 jobs over the year, an increase of 2.5 percent; this was the fastest annual rate of job growth since 2015. The Fort Worth-Arlington metropolitan division accounted for the largest share of the employment growth, up 3,600 jobs; specialty trade contractors added 3,400 of these jobs, a 9.6 percent gain since 2015.

### Local Companies

The metropolitan area boasts a long list of national and international corporate headquarters, with many major companies relocating to DFW in the past twenty years. The availability of reasonably priced land, lower living cost for employees, favorable climate, and reasonable housing are great incentives.

DFW MSA is home to 21 of the 50 Fortune 500 Companies. The Metroplex is the fourth highest-ranking headquarters metro area behind New York, Chicago, and Houston. 72 major companies have moved their corporate HQ to Dallas since 2010 including Toyota North America, Liberty Mutual Insurance, Omnitracts, Ameriflight LLC, Topgolf, MoneyGram, HMS Holdings, and Six Flags Entertainment.

Below are the top ten employers located in North Texas:

Dallas/Fort Worth	
Top Ten Employers	No. of Local Employees
Wal-Mart Stores Inc.	34,000
American Airlines Group Inc.	27,000
Texas Health Resources	22,296
Dallas Independent School District	19,740
Baylor Scott & White Health	16,500
Lockheed Martin Corp.	13,750
Bank of America	13,500
City of Dallas	13,336
University of Texas Southwestern Medical Center	13,018
Texas Instruments Inc.	13,000
Source: Dallas Business Journal 2018 Book of Lists	

## DALLAS/FORT WORTH METROPOLITAN AREA ANALYSIS

Below are the top ten public-sector companies located in North Texas as rated by their 2017 revenues:

Dallas/Fort Worth	
Top Ten Employers	2017 Revenue (billion)
Exxon-Mobil Corp.	\$268.31
AT&T, Inc.	\$132.87
Energy Transfer Equity LP	\$44.48
American Airlines Group Inc.	\$42.19
Energy Transfer Partners LP	\$32.62
Southwest Airlines Co.	\$26.35
Tenet Healthcare Corp.	\$24.36
Kimberly-Clarke Corp.	\$20.28
Fluor Corp.	\$18.94
HollyFrontier Corp.	\$14.63
Source: Dallas Business Journal 2018 Book of Lists	

## DALLAS/FORT WORTH INVESTMENT CRITERIA

According to the Real Estate Research Center's Real Estate Report, investment criteria are as follows:

### Dallas | First-Tier<sup>1</sup> Investment Properties

	Pre-Tax Yield (IRR) (%)			Going-In Cap Rate (%)			Terminal Cap Rate (%)			Anticipated 1-Year Growth Rate			
	RERC Estimate	South Region	U.S.	RERC Estimate	South Region	U.S.	RERC Estimate	South Region	U.S.	National Value	South Value	National Rent	South Rent
CBD	7.6	8.0	8.3	6.6	6.7	6.8	7.0	7.3	7.3	-1.5	0.0	-0.8	0.1
Suburban	8.2	8.4	8.6	6.9	7.1	7.1	7.2	7.7	7.7	-2.0	0.0	-0.9	0.2
Warehouse	7.6	7.6	7.9	6.3	6.5	6.4	6.7	7.0	7.0	0.9	0.8	0.7	0.1
R&D	8.8	8.4	8.5	7.0	7.3	7.0	7.3	7.8	7.5	0.1	0.4	-0.1	-0.1
Flex	8.4	8.4	8.4	7.0	7.5	7.1	7.4	8.0	7.6	-0.9	0.3	-0.2	-0.1
Regional Mall	8.2	8.4	8.9	7.4	7.3	7.5	7.5	7.8	8.1	-3.8	-0.7	-3.4	-0.8
Power Center	8.5	8.1	8.7	7.4	7.0	7.2	7.6	7.5	7.8	-2.9	-0.1	-2.5	-1.0
Neigh/Comm	7.6	8.2	8.5	6.6	7.1	7.1	6.8	7.7	7.6	-1.6	-0.1	-1.8	-0.3
Apartment	7.0	6.9	7.3	5.6	5.5	5.6	5.8	6.0	6.3	-0.2	-0.7	-0.2	-0.4
Hotel	9.4	9.5	9.4	7.6	8.1	7.9	8.3	8.6	8.3	-5.6	-3.6	-4.0	-3.7
Average	8.1	8.2	8.5	6.8	7.0	7.0	7.2	7.5	7.5	-1.8	-0.4	-1.3	-0.6

<sup>1</sup> First-tier investment properties are defined as the best quality assets in largest markets.  
Source RERC, 1Q 2020.

# DALLAS/FORT WORTH METROPOLITAN AREA ANALYSIS

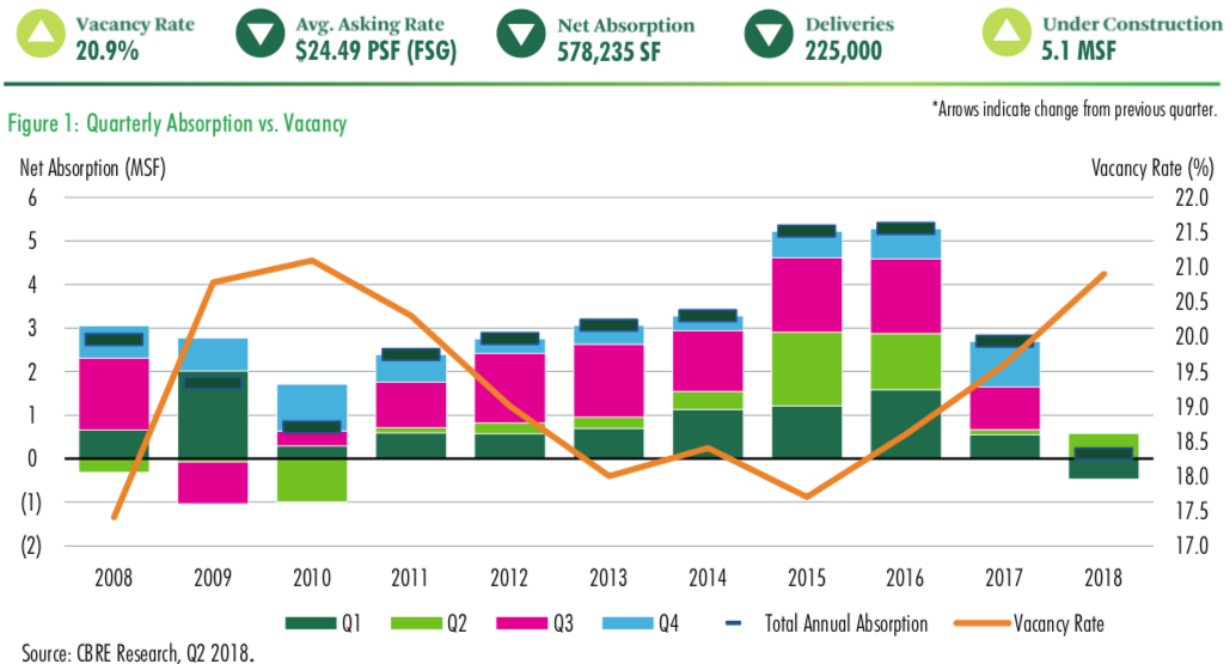
## Office Market

The Dallas Fort Worth area has continued to experience significant demand in office space in 2018. The DFW Metroplex's net office leasing totaled close to 216 million square feet, with the Dallas area being approximately 183.6 million square feet and the Fort Worth area being approximately 32.6 million square feet.

According to *CB Richard Ellis 2<sup>nd</sup> Quarter 2018 D/FW Marketview*, the first quarter of 2018 proved to be a muted version of the booming market DFW has been characterized by, in recent years. Coming off the heels of the first quarter with negative absorption in nearly a decade, DFW's fundamentals have rebounded with charisma. Total quarterly demand leapt by nearly 580,000 square feet during the past 90 days. With 62% of total absorption, Class A buildings naturally saw the lion's share of activity.

The development pipeline is pacing with demand; the bulk of the speculative projects are build-to-suit.

Overall asking rents experienced upward momentum with the average increasing 27 basis points to \$24.49 per square foot on a full-service gross basis. With new construction tapering, the vacancy rates are slowing on the rise. The following graph depicts office trends for the last ten years.



Though leasing activity has slowed, there is no lack of desire in the market. Numerous tenants are exploring their options but are likely taking less space due to more efficient space designs based on new workplace design strategies. New construction deliveries over the next several months will put an upward pressure on vacancy rates, while asking rates are expected to rise with the new quality product.

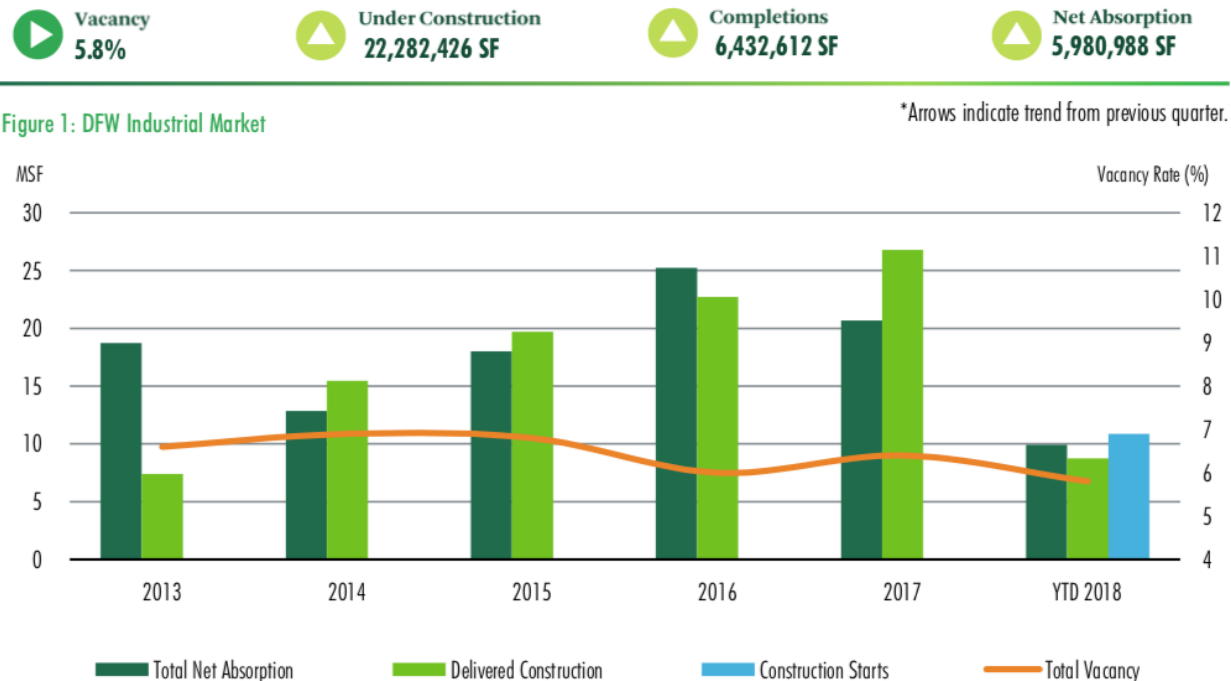
## DALLAS/FORT WORTH METROPOLITAN AREA ANALYSIS

Much fanfare and emphasis has been given to major Fortune 500 companies relocating to the D/FW Metroplex including Toyota and Liberty Mutual. Toyota has recently completed their construction of their North American headquarters in Plano with 2.1 million square feet – about twice the size initially proposed. Positive trends in the office sector are expected to continue, while overall growth will slow slightly.

### Industrial Market

As 2017 ended, the Dallas-Fort Worth industrial market set a new high for construction, with total net absorption declining from 2016. Several factors ranging from a prime U.S. central location to world-class cultural amenities have all contributed to make the DFW Metroplex a standout corporate relocation destination. According to *CB Richard Ellis 2<sup>nd</sup> Quarter 2018 D/FW Marketview* consumer goods and e-commerce occupiers were by far the main drivers of industrial demand in 2016 and 2017.

The Metroplex remains a premier destination for industrial occupiers and investors. For occupiers, the market offers a favorable business and taxation environment, and for investors the region has exceptional fundamentals, making it the second most desirable market for investment in the Western Hemisphere, according to the *Americas Investor Intentions Survey 2018*.



Source: CBRE Research, Q2 2018.

This quarter, the net absorption in the DFW market is the highest in Texas, with Houston (being second) having significantly less absorption. Vacancy in the market continued to compress, and DFW is slowly increasing. With continued demand for space, lease rates are anticipated to stabilize, with slight upward rise.



## DALLAS/FORT WORTH METROPOLITAN AREA ANALYSIS

### Hospitality

The Fort Worth-Arlington Metropolitan Division room-nights sold rose 6.5% in First Quarter 2018, double last year's rate. With an average daily rate increase of 2%, total room revenues grew 8.6% to \$244 million for the quarter. Occupancy rose 1.1 points to 69.5%, well above the state average. Room supply increased by 4.7% (1,600 rooms) to 35,800 rooms. Supply and demand continue to maintain a good equilibrium in this market.

Dallas Metropolitan Division room-nights sold increased 5% in the First Quarter of 2018. Rates rose 2.7% leading revenues to rise 7.9% to \$566 million. Occupancy fell 0.9 points to 71.8% from First Quarter 2017. Net room supply increased by 6.3% (4,800 rooms). The rate of new supply continues to exceed the demand growth, but steady high occupancies point toward a stable market.

	Year of 2017		1st Q 2017		1st Q 2018		
Metro	Occ %	\$ Rev % Chg	Occ %	\$ Rev % Chg	Occ %	Pt. Chg	\$ Rev % Chg
Abilene	54.4%	6.2%	53.9%	2.4%	58.0%	4.1	2.4%
Amarillo	63.3%	-0.1%	60.4%	8.6%	60.4%	0.0	8.6%
Austin-Round Rock	74.7%	7.9%	75.0%	13.0%	74.4%	-0.6	13.0%
Beaumont-Port Arthur	66.7%	17.3%	61.0%	71.0%	84.2%	23.2	71.0%
Brownsville-Harlingen	56.1%	0.9%	59.8%	9.5%	60.8%	1.0	9.5%
College Station-Bryan	63.2%	8.5%	60.2%	18.0%	58.7%	-1.5	18.0%
Corpus Christi	60.2%	10.0%	54.7%	12.5%	66.3%	11.6	12.5%
Dallas	69.6%	3.1%	72.7%	7.9%	71.8%	-0.9	7.9%
El Paso	65.6%	-2.0%	70.1%	-5.4%	70.1%	0.0	-5.4%
Fort Worth-Arlington	67.8%	4.4%	68.4%	8.6%	69.5%	1.1	8.6%
Houston-Baytown-Sugarland	65.2%	15.7%	62.7%	9.8%	67.1%	4.4	9.8%
Killeen-Temple-Fort Hood	60.9%	7.5%	61.1%	-8.5%	54.8%	-6.3	-8.5%
Laredo	64.3%	6.4%	58.2%	9.6%	66.3%	8.1	9.6%
Longview	52.3%	5.9%	52.1%	2.4%	54.3%	2.2	2.4%
Lubbock	61.1%	-1.4%	58.9%	6.5%	59.5%	0.6	6.5%
McAllen-Edinburg-Pharr	52.2%	-11.7%	56.4%	-4.7%	56.9%	0.5	-4.7%
Midland	66.4%	46.3%	63.7%	98.5%	80.2%	16.5	98.5%
Non Metro	56.2%	14.8%	54.2%	31.1%	61.2%	7.0	31.1%
Odessa	65.7%	80.1%	58.3%	120.6%	74.2%	15.9	120.6%
San Angelo	47.5%	15.8%	50.8%	27.6%	57.3%	6.5	27.6%
San Antonio	62.9%	5.1%	66.2%	8.3%	67.1%	0.9	8.3%
Sherman-Denison	56.4%	6.5%	60.2%	2.0%	62.2%	2.0	2.0%
STATE AVERAGE	64.8%	0.1%	64.7%	12.5%	67.7%	3.0	12.5%
Texarkana (TX)	59.9%	-1.6%	56.7%	3.0%	58.7%	2.0	3.0%
Tyler	55.2%	-0.6%	54.3%	-2.2%	55.2%	0.9	-2.2%
Victoria	61.7%	31.5%	55.4%	37.0%	67.6%	12.2	37.0%
Waco	71.8%	8.6%	69.5%	10.0%	78.4%	8.9	10.0%
Wichita Falls	66.4%	-2.3%	65.6%	-0.1%	64.0%	-1.6	-0.1%

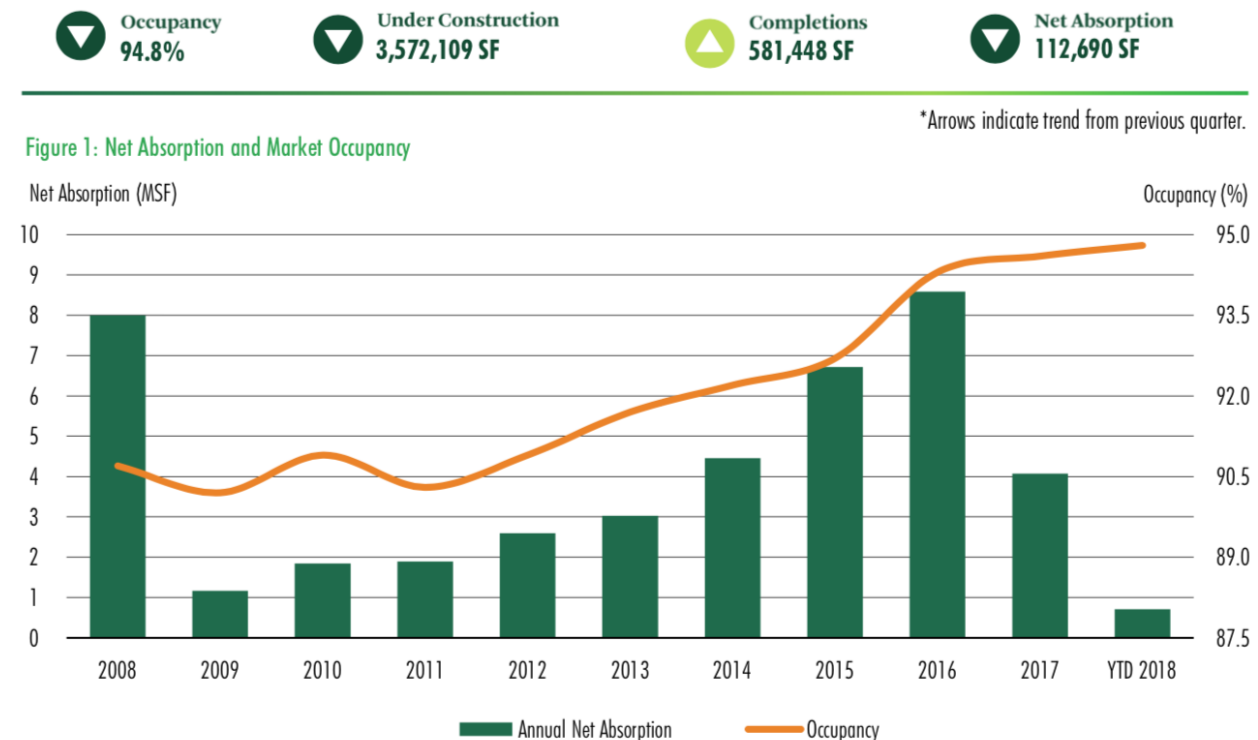


## DALLAS/FORT WORTH METROPOLITAN AREA ANALYSIS

In 2017, the Fort Worth-Arlington Metropolitan Division room-nights sold rose 3.2%, cooling slightly from 2016. Rates rose 1.3%, leading to a revenue increase of 4.4%, up to \$923 million. Occupancy retreated 0.6 points to 67.8%. Room supply increased by 3.9% (1,300 rooms). During the same period (2017), Dallas room-nights sold nearly flat at just 0.8%. Average rates increased 2.3% as occupancy declined 2.1 points to 69.6%. As a result, total room revenues rose 3.1% to \$2.1 billion. Net room supply increased by 3.9% (2,900 rooms) to 81,200 rooms.

### Retail

Retail momentum remained strong throughout 2017 for the DFW metropolitan area; however, the net absorption declined from 2016 to 2017, with the decline to continue through 2018. Despite the so-called 'death of retail,' which includes this year's bankruptcy by Toys R Us returning nearly 350,000 square feet to the local market, DFW's retail fundamentals are strong. Occupancy dipped a mere 10 bps during the quarter. Occupancies continue to increase, even though it is at a slower rate than the previous two years.



Source: CBRE Research, Q2 2018.

While asking rents slowly increased since 2013, the rents appeared to have peaked in 3<sup>rd</sup> quarter 2017 and have been on a slight decline since. The Dallas Retail Investment Sales Volume has remained nearly the same since 4<sup>th</sup> quarter 2016, which is down from the prior eight quarters.

## DALLAS/FORT WORTH METROPOLITAN AREA ANALYSIS

<b>DALLAS TOTAL</b>									
Absorption (Net, SF)	1,618,615	2,224,018	4,022,621	5,700,158	3,114,680	638,039	132,417	770,456	
Avg. Asking Rent (Annual, Net, \$/SF)	14.07	14.58	15.10	15.31	16.51	16.71	16.71	16.71	
Delivered Construction (SF)	927,046	1,033,553	2,046,668	2,414,103	2,683,370	180,000	344,427	524,427	
Occupancy Rate (%)	91.6	92.0	93.6	94.2	94.6	95.1	94.9	94.9	
<b>FORT WORTH TOTAL</b>									
Absorption (Net, SF)	1,409,667	2,129,421	2,694,848	2,885,492	958,637	(41,988)	(19,727)	(61,715)	
Avg. Asking Rent (Annual, Net, \$/SF)	12.30	12.38	12.97	13.14	14.57	13.89	13.89	13.89	
Delivered Construction (SF)	838,057	1,089,605	1,914,914	1,205,062	1,074,725	-	237,021	237,021	
Occupancy Rate (%)	91.8	92.7	93.4	94.6	94.8	94.7	94.6	94.6	
<b>DFW MARKET TOTAL</b>									
Absorption (Net, SF)	3,028,282	4,458,588	6,717,469	8,585,650	4,073,317	596,051	112,690	708,741	
Avg. Asking Rent (Annual, Net, \$/SF)	13.23	13.81	14.17	14.57	15.83	15.73	15.73	15.73	
Delivered Construction (SF)	1,765,103	2,123,158	4,043,582	3,619,165	3,758,095	180,000	581,448	761,448	
Occupancy Rate (%)	91.7	92.2	92.7	94.3	94.6	94.9	94.8	94.8	

Source: CBRE Research, Q2 2018.

Developers struggle to meet demand for retail space as job growth attracts a flurry of new residents, retailers. An average of 75,000 individuals has moved to the Metroplex in each of the past five years, producing strong demand for retailers. Despite developers bringing more than 21 million square feet of new space online over the past five years, overall vacancy has retreated near a decade low. Tenant expansions have been broad across the Metroplex, but the tightest rates are in submarkets where additions to supply have been limited. East Dallas and Central Dallas boast vacancy rates below 4 percent, with combined additions to inventory totaling less than 1 million square feet. Retail development remains limited in these areas, and projects underway have strong preleasing activity, suggesting that vacancy will remain low in the months to come.

Retail development remains robust in the high growth submarkets of Far North Dallas and North Central Dallas, with more than 1.4 million square feet of space underway. Deliveries are beginning to shift into other areas; with space underway rising in the Mid-Cities as nearly 700,000 square feet is slated for delivery this year, the highest level of deliveries in the past decade.

### Retail Trends

Rising interest rates are widening the gap between buyer and seller expectations, but strong competition for available assets in the Metroplex are helping alleviate some upward pressure on cap rates. Owners with exit strategies over the next 12 to 18 months are evaluating when to list assets, as interest rates are set to rise further this year.

Investors are targeting unanchored and shadow anchored strip center assets throughout the Metroplex. Well-located assets with a strong population base and service-oriented tenants are in highest demand. These properties typically generate returns in the mid-6 percent to mid-7 percent span.

Healthy migration trends to North Dallas suburbs have out-of-state investors seeking retail assets in the area. Increased competition for properties here has compressed cap rates. Local investors in search of higher returns are turning to Fort Worth, where cap rates are typically 25 to 50 basis points higher.

Lowest Vacancy Rates 1Q18

SUBMARKET TRENDS

Submarket	Vacancy Rate	Y-O-Y Basis Point Change	Asking Rent	Y-O-Y % Change
East Dallas Outlying	2.4%	-90	\$20.30	4.9%
Central Dallas	3.6%	30	\$22.53	-6.8%
Near North Dallas	4.2%	-50	\$19.02	8.6%
Southeast Dallas	5.0%	30	\$11.99	4.4%
Suburban Fort Worth	5.0%	80	\$14.06	2.9%
West Dallas	5.3%	-10	\$14.55	2.7%
North Central Dallas	5.5%	30	\$22.12	-2.5%
Central Fort Worth	5.7%	30	\$13.29	-0.1%
Mid-Cities	5.8%	100	\$14.94	4.9%
Far North Dallas	6.0%	30	\$16.97	7.1%
Southwest Dallas	6.2%	-70	\$12.67	14.4%
<b>Overall Metro</b>	<b>5.3%</b>	<b>20</b>	<b>\$16.28</b>	<b>3.1%</b>

Source: Marcus and Millichap Retail Research Market Report, Q2 2018

## DFW ECONOMY

### Market Center/Conventions

Located north of the Dallas Central Business District is the Dallas Market Center. This 150-acre, four building complex is the largest wholesale mart complex in the United States. Since its opening in the early 1950's, this center has grown to include a total of 5.1 million square feet. Approximately 375,000 people visit Dallas Market Center's campus each year including more than 75,000 buyers from all 50 states and 85 countries. An estimated 10,000 people work in Dallas showrooms during major markets. Of this figure, the Market Center employs approximately 220 full-time associates and 125 seasonal or part-time associates.

The Kay Bailey Hutchinson Convention Center (DCC) underwent a \$100 million expansion, completed in 2002. The Convention Center now features the world's largest singular column-free exhibit hall in the world, at 203,000 square feet and comprises one million square feet of exhibit space, ballrooms, meeting rooms, and is the only convention center in the nation to have an art museum on the premises. The latest addition to the Dallas Convention Center is large enough to hold The Ballpark at Arlington (home to the Texas Rangers), and still have enough room so that the longest home run hit out of the ballpark would still be in the Convention Center. The DCC hosts 3,600 conventions annually and is one of the leading conventions sites in the US bringing more than \$4.2 billion to the Dallas economy.

### **Dallas/Fort Worth International Airport**

The Dallas/Fort Worth International Airport, which opened January 1974, has had an enormous impact on the economy of the DFW Metroplex. Located roughly sixteen miles northwest of the Dallas CBD and employs approximately 60,000 people, the 18,000-acre space is the second largest airport facility in the nation. DFW is currently ranked as “best large airport in America” by the Airports Council International.

The airport has 5 terminals, 7 runways, 165 gates, and 213 destinations. D/FW Airport includes 12 instrument landing approaches and 3 control towers giving it the capacity of the three New York airports combined. D/FW is the only airport where four planes can land simultaneously. Twenty-five passenger airlines operate out of D/FW, of which ten are commuter airlines, and fifteen are foreign flag airlines. In December 2013, American Airlines merged with US Airways to form the world’s largest airline company, which continues to be based at D/FW.

D/FW International Airport ranks eighth in the world, serving 67,092,224 passengers in 2017, 8,488,020 of which were international travelers. DFW also ranks 3rd in the world in terms of operations and 9<sup>th</sup> busiest airport in the world for passengers. Approximately 183,814 passengers travel daily through D/FW Airport.

DFW Airport is currently upgrading its 4 original terminals with a \$2.3 billion dollar "Terminal Renewal and Improvement Program" (TRIP) and is expected to be completed in 2021.

American Airlines makes D/FW its home base with a high number of total passengers on a monthly basis. D/FW Airport is also home to an impressive global distribution center with several cargo carriers, 2.6 million square feet of cargo facilities and a foreign trade zone with direct highway access. Covering more than 250 acres, this area is developing into a full-service free trade zone. Approximately \$39 billion dollars across North Texas is attributable to airport traffic.

### **Alliance Airport**

The Alliance Airport is the world's first industrial/ air cargo and corporate airport in the nation and is designed to serve the needs of business as opposed to passenger service. Alliance Airport is located 15 miles north of downtown Fort Worth, 12 miles northwest of the Dallas/Fort Worth International Airport, and 29 miles to the northwest of downtown Dallas. This project, created by Ross Perot Jr., the city of Fort Worth and the FAA, is a master-planned industrial and commercial facility, which houses more than 140 companies – including over 62 from the Fortune 500, Global 500 and Forbes' List of Top Private Companies. Alliance is the only Foreign Trade Zone in North Texas with combined air, rail, and highway access. In conjunction with the airport, Circle T Ranch, a 2,500-acre master-planned community, and Heritage, a 2,300-acre residential community, are transforming northern Tarrant County into a modern urban environment. Alliance Town Center is becoming the center of activity for the growing North Fort Worth area. The center includes a 500-acre retail center, Heritage Marketplace, luxury apartments, hospitals and more.

### Las Colinas

Located on major traffic routes between the Dallas/Fort Worth International Airport, downtown Dallas, and the dense residential area of North Dallas, Las Colinas has become one of the major mixed-use developments in the nation. This master planned community covers approximately 12,000 acres within the city of Irving. With 22.5 million square feet of office space, Las Colinas is currently home to more than 2,000 corporations and 400 corporate headquarters, including the global headquarters of multiple Fortune 500 and 100 companies. Las Colinas features three private country clubs and four championship golf courses surrounded by residential communities. The Four Seasons Las Colinas Resort has hosted the PGAs Byron Nelson Championship from 1986 to 2018, when it relocated to the Trinity Forest Golf Club in southeast Dallas. Las Colinas also contains high-rise office towers, retail centers, apartment complexes, and leisure facilities. There are 56 small lakes and water amenities throughout the development, jogging trails, public and private parks, museums, colleges, hospitals, country clubs and cultural and recreational institutions.

### DALLAS/FORT WORTH QUALITY OF LIFE

#### Education

Educational facilities offered by the City of Dallas and the surrounding areas have grown to keep pace with the increasing population. According to the Dallas Chamber, the DFW MSA consisted of almost 205 public school districts and over 2,000 schools with a total enrollment of over 1.2 million. The Dallas and Fort Worth Independent School districts ranked 12th among the largest school districts in the nation.

Twenty, four-year colleges and universities, and six community college districts with a combined total 20 campuses are within one hundred miles of the DFW MSA. Several notable institutions of higher education are located within the MSA.

- |                                   |                                                   |
|-----------------------------------|---------------------------------------------------|
| • Dallas Baptist University       | • University of Dallas                            |
| • Texas Christian University      | • University of North Texas                       |
| • Texas Wesleyan University       | • Texas Woman's University                        |
| • Baylor College of Dentistry     | • University of Texas at Dallas                   |
| • Southern Methodist University   | • University of Texas at Arlington                |
| • Texas A&M University - Commerce | • University of Texas Southwestern Medical Center |

Along with these colleges and universities are 68 technical and vocational programs in the Dallas/Fort Worth area. More than 1.4 million full- and part-time students attend public and private four-year colleges, universities, professional schools, community colleges or senior and graduate level institutions located in this region.

### **Recreation**

Dallas and Fort Worth both offer a wide range of recreational and cultural amenities. Located within 100 miles of DFW are 406 area parks encompassing almost 23,000 acres and more than 60 lakes and reservoirs covering approximately 550,000 acres. DFW has more than 175 museums and galleries, 50 pro and community theatres and dozens of local symphony and chamber orchestras, ballet groups and opera associations. The Dallas Arts District, a sixty-acre section of the Dallas Central Business District, is taking shape into what is expected to become a major focal point in the Dallas arts community. Anchored by the Dallas Museum of Art, the Meyerson Symphony Center, and Nasher Sculptor Garden, the Dallas Arts District is the largest urban arts district in the country.

The Fort Worth Cultural District is home to several museums that are applauded for their architecture and the quality of their collections. Such museums include the Amon Carter Museum of American Art, Kimbell Art Museum, Modern Art Museum of Fort Worth, National Cowgirl Museum and Hall of Fame, Cattle Raisers Museum, and the Fort Worth Museum of Science and History.

Downtown Fort Worth encompasses Sundance Square in thirty-five historic blocks where people live, work, stay, and play. Sundance Square is filled with great places to eat, shops and galleries, night clubs, live music and theater, Bass Performance Hall, and more.

The Fort Worth Stockyards is a nationally recognized historic district and is a major tourist attraction in the area. Stockyards Station is the only location that holds a daily longhorn cattle drive, the Fort Worth Herd. Cowboys drive the herd down East Exchange Avenue twice daily. The Stockyards is also home to the world's first indoor rodeo and opens the doors Friday and Saturday nights. Billy Bob's Texas, once a barn for prize cattle during the stock shows, is now 100,000 square feet where you can enjoy real bull riding, games, and performances by some of the biggest country music artists.

Dallas/Fort Worth is host to a wide range of sporting events throughout the year: home to the Dallas Cowboys, Texas Rangers, Dallas Mavericks, Dallas Stars, and FC Dallas Soccer. The area is also host to the Cotton Bowl (Arlington), AT&T Byron Nelson Golf Tournament (Dallas), Colonial Golf Tournament (Fort Worth), and the Mesquite Rodeo (Mesquite).

Texas Motor Speedway, a development of Bruton Smith, city of Fort Worth and Denton County, opened in 1997. This facility, located at State Highway 114 and Interstate 35W, has a capacity of 200,000 persons. TMS draws huge crowds and lends to accelerated development to the area north of Alliance Airport. Major events to TMS are the NASCAR Nextel Cup, Samsung/Radio Shack 500, Dickies 500, NASCAR Busch Grand National Series, O'Reilly 300, O'Reilly Challenge, IRL, and the Bombardier Learjet 500.

Lone Star Park, a class I horse racing facility, opened in Grand Prairie in 1997. The facility is located on Belt Line Road just to the north of Interstate 30. Lone Star Park covers 315 acres, includes a 36,000 square foot pavilion for simulcasting, and a seven story, 280,000 square foot grandstand with a capacity of roughly 8,000 people. The track has a one-mile dirt oval and a 7-furlong turf track and has accommodations for 1,600 horses across 32 barns. In 2004, it was the site of the Breeder's Cup, becoming the ninth racetrack to ever host a Breeders' Cup. At only seven years old, Lone Star Park is the youngest track to host the event.

### **Health Care**

The city of Dallas excels in offering health care and medical related research facilities to the Southwest. Baylor Health Care Systems has been named 18<sup>th</sup> among the nation's Top 100 integrated health care networks by SDI, a leading health care market insight and analytics firm and the nation's premier rating system for IHN's. The Southwest Medical School of the University of Texas was ranked 26<sup>th</sup> among research medical schools and 19<sup>th</sup> among primary care medical schools in the nation. Also, located in the Dallas area is the Wadley Institute of Molecular Medicine blood disease and cancer research facilities, and the headquarters for the American Heart Association, and the American Association for Respiratory Therapy. Baylor College of Medicine is ranked 16<sup>th</sup> in medical research and 5<sup>th</sup> in primary care. Parkland Memorial Hospital ranks in the top 50 in five different medical fields. In August 2015, a 2.8 million square foot Parkland campus was opened and is twice the size of the former hospital.

Medical facilities in Fort Worth include Baylor Health System, Cook's Children Health Care System, University of North Texas Health Science Center at Fort Worth, JPS Hospital, Plaza Medical Center of Fort Worth, The Center for Cancer and Blood Disorders, and Texas Health Harris Methodist Hospital Fort Worth.

### **Infrastructure**

Water and wastewater needs are supplied by Dallas Water Utilities, North Texas Municipal Water District, Trinity River Authority, and Tarrant Regional Water District.

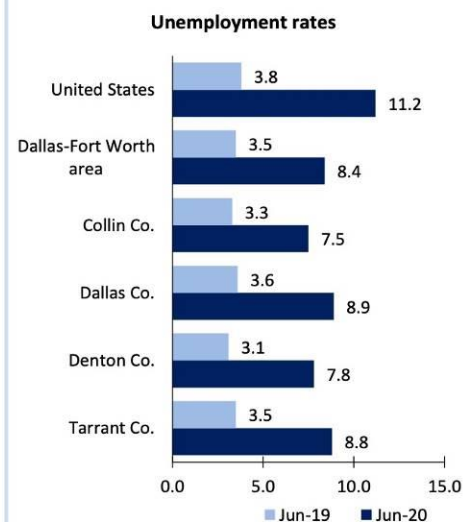


## Dallas-Fort Worth Area Economic Summary

Updated August 03, 2020

This summary presents a sampling of economic information for the area; supplemental data are provided for regions and the nation. Subjects include **unemployment, employment, wages, prices, spending, and benefits**. All data are not seasonally adjusted and some may be subject to revision. Area definitions may differ by subject. For more area summaries and geographic definitions, see [www.bls.gov/regions/economic-summaries.htm](http://www.bls.gov/regions/economic-summaries.htm).

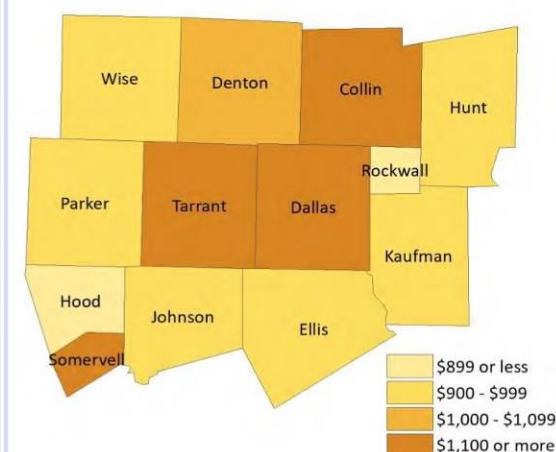
### Unemployment rates for the nation and selected areas



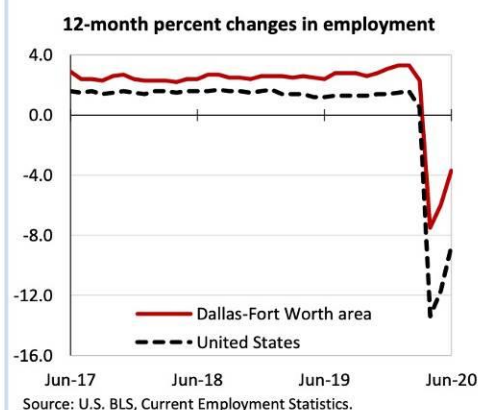
### Average weekly wages for all industries by county

Dallas-Fort Worth area, fourth quarter 2019

(U.S. = \$1,185; Area = \$1,264)



### Over-the-year changes in employment on nonfarm payrolls and employment by major industry sector



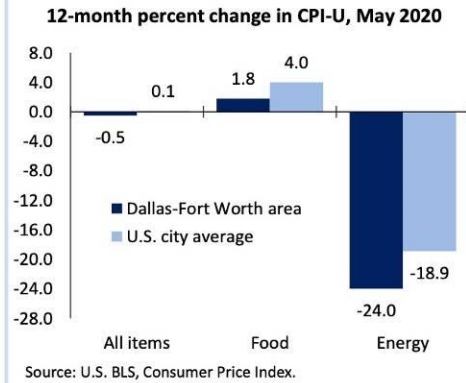
Dallas-Fort Worth area employment (number in thousands)	Jun. 2020	Change from Jun. 2019 to Jun. 2020	
		Number	Percent
Total nonfarm	3,646.6	-141.6	-3.7
Mining, logging, and construction	229.5	0.4	0.2
Manufacturing	279.2	-12.0	-4.1
Trade, transportation, and utilities	788.6	0.1	0.0
Information	79.8	-2.5	-3.0
Financial activities	328.0	8.3	2.6
Professional and business services	627.3	-9.9	-1.6
Education and health services	428.6	-31.9	-6.9
Leisure and hospitality	332.3	-72.8	-18.0
Other services	121.9	-9.3	-7.1
Government	431.4	-12.0	-2.7

Source: U.S. BLS, Current Employment Statistics.

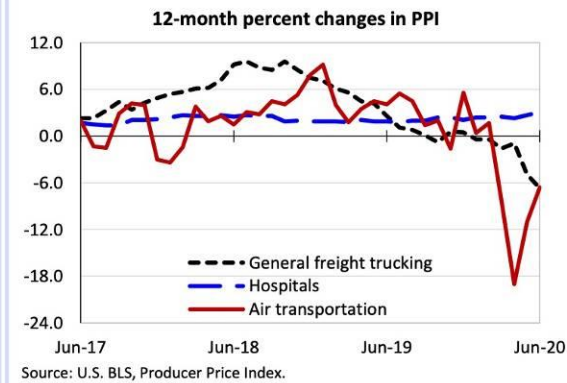


# DALLAS/FORT WORTH METROPOLITAN AREA ANALYSIS

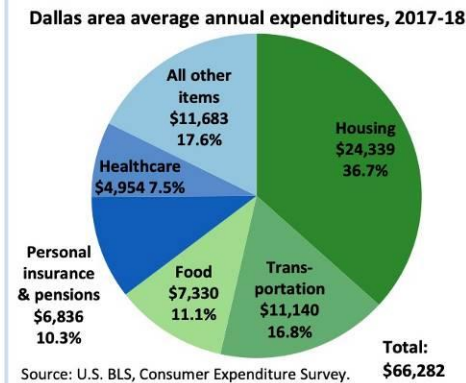
Over-the-year change in the prices paid by urban consumers for selected categories



Over-the-year changes in the selling prices received by producers for selected industries nationwide



Average annual spending and percent distribution for selected categories



Average hourly wages for selected occupations

Occupation	Dallas-Fort Worth area	United States
All occupations	\$23.40	\$25.72
Human resources managers	52.86	62.29
Registered nurses	36.08	37.24
Accountants and auditors	32.14	38.23
Construction laborers	15.60	20.06
Retail salespersons	12.82	14.12
Cooks, fast food	10.45	11.31

Source: U.S. BLS, Occupational Employment Statistics, May 2019.

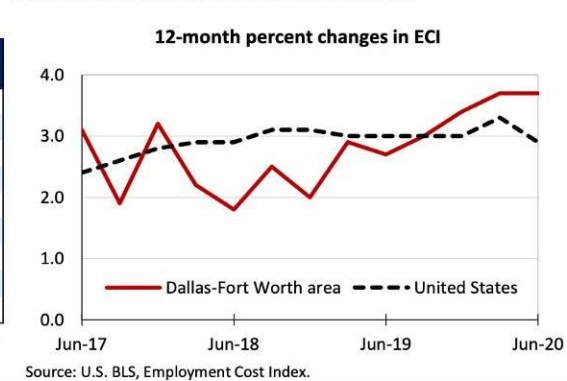
Employer costs per hour worked for wages and selected employee benefits by geographic division

Private industry, March 2020	West South Central (1)	United States
Total compensation	\$31.06	\$35.34
Wages and salaries	22.47	24.82
Total benefits	8.59	10.53
Paid leave	2.12	2.58
Vacation	1.05	1.32
Supplemental pay	1.18	1.19
Insurance	2.02	2.80
Retirement and savings	1.00	1.25
Legally required benefits	2.27	2.70

(1) The states that compose the West South Central census division are: AR, LA, OK, and TX.

Source: U.S. BLS, Employer Costs for Employee Compensation.

Over-the-year changes in wages and salaries



Southwest Information Office • BLSinfoDallas@bls.gov • <https://www.bls.gov/regions/southwest> • 972-850-4800

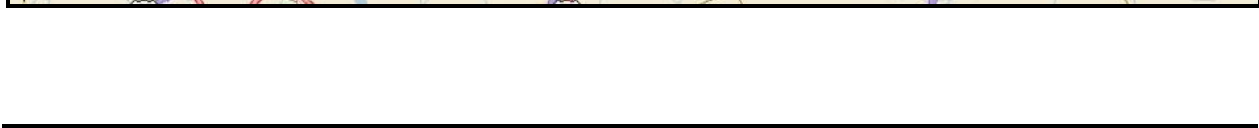


### **CONCLUSIONS**

The foregoing city data and local area economic base activity are presented to establish growth and income patterns, which materially affect real estate development, real estate sales volume and value. The Dallas/Fort Worth area, based upon past performances and reasonable forecasts, should continue an upward growth trend, both in population and employment, particularly in the suburban cities.

As population in the suburban communities continues to increase, and as traffic in and around the Central Core becomes more congested, both residents and local firms are beginning to look toward new, outlying employment centers. This is especially seen in North Dallas along the LBJ Freeway/Dallas Parkway Corridors as well as master planned areas such as Las Colinas and Legacy Business Park.

The DFW economy continued to post stable numbers through the rest of 2019, with the unemployment rate still low at 3.4%. Housing continued to shine in 2019, with Dallas maintaining its spot as the #1 market for new home starts, with builders starting 34,361 homes throughout the year. Housing affordability also improved this year, with over half of new and existing homes becoming affordable for median income families.



A **market area**, as defined in *The Dictionary of Real Estate Appraisal*, 6<sup>th</sup> Edition, copyrighted 2015, is:

“The area associated with a subject property that contains its direct competition.”

When analyzing value influences, the focus is on market area. A market area is defined in terms of the market for a specific category of real estate and thus, is the area in which alternative, similar properties effectively compete with the subject property in the minds of probably, potential purchasers, and users. A market area can encompass one or multiple neighborhoods or districts.

### MARKET AREA INFLUENCES

The subject property is located in Dallas, Texas, situated in central Dallas County. The subject market is influenced by its location, access via traffic routes, and surrounding land uses. Area analyses and subject vicinity are presented in the following pages.

#### Location

The subject is located at the northwest corner of Scyene Road and McNeil Street, with frontage along the western line of Loganwood Drive. The subject is located approximately 7 miles east of the Dallas CBD.

The subject is located in the eastern portion of Dallas County, with the city of Dallas to the north, south, and west, and the city Mesquite to the east. The transportation network in the area is good and surrounding land uses are considered to be compatible and homogenous. The subject area is an older commercial and residential area of the city with most improvements in the middle to late stages of economic life. The area is close to employment centers, schools, and services. Recently, older commercial buildings along the major arterials are being renovated or purchased and razed for the construction of new commercial and retail properties. Additionally, there appears to be no detrimental influences upon the area that would inhibit the income-producing capabilities of the improved properties. The long-term prospects for the area and the subject property are positive.

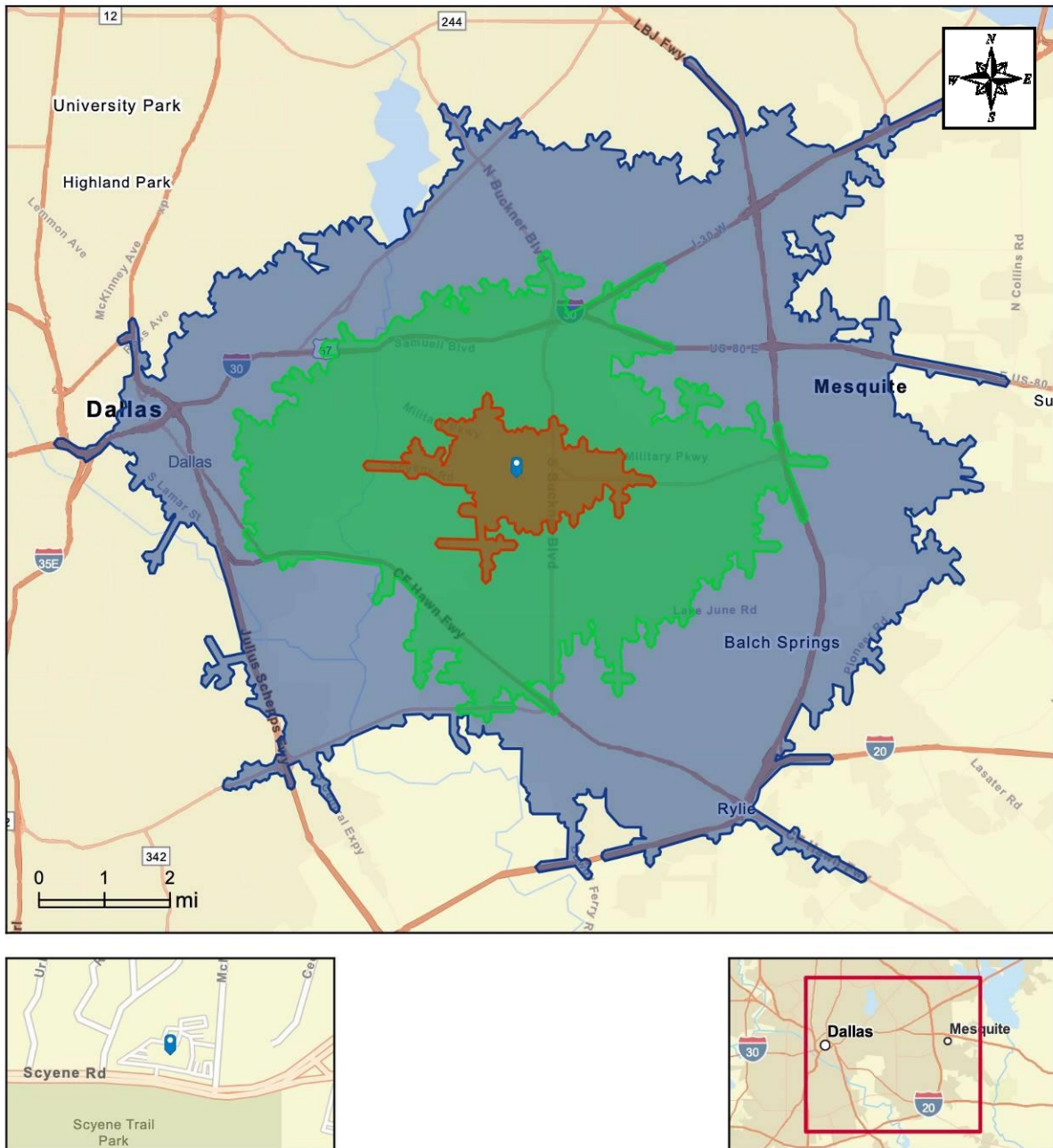
The quality and availability of educational, medical, social, recreational, cultural, and commercial services are readily available throughout the trade area.

Property taxes, special assessments, zoning, and public services are discussed in other sections of this report.



### AREA DEMOGRAPHICS

The following Executive Summary provided by Site To Do Business provides demographic and income data for 5-minute, 10-minute, and 15-minute drive times centered on the subject's location.



# SUBJECT AREA ANALYSIS



## Market Profile

7525 Scyene Rd, Dallas, Texas, 75227  
Drive Time: 5, 10, 15 minute radii

Prepared by Esri  
Latitude: 32.76385  
Longitude: -96.69221

	5 minutes	10 minutes	15 minutes
<b>Population Summary</b>			
2000 Total Population	16,763	124,297	333,688
2010 Total Population	18,894	130,458	346,804
2020 Total Population	20,419	140,995	379,279
2020 Group Quarters	377	652	3,308
2025 Total Population	21,121	145,842	394,638
2020-2025 Annual Rate	0.68%	0.68%	0.80%
2020 Total Daytime Population	16,392	121,364	347,236
Workers	3,750	36,929	135,517
Residents	12,642	84,435	211,719
<b>Household Summary</b>			
2000 Households	4,799	39,304	113,703
2000 Average Household Size	3.42	3.14	2.91
2010 Households	5,048	39,324	116,742
2010 Average Household Size	3.67	3.30	2.94
2020 Households	5,293	41,225	125,800
2020 Average Household Size	3.79	3.40	2.99
2025 Households	5,424	42,216	130,291
2025 Average Household Size	3.82	3.44	3.00
2020-2025 Annual Rate	0.49%	0.48%	0.70%
2010 Families	3,961	29,128	78,928
2010 Average Family Size	4.13	3.85	3.61
2020 Families	4,187	30,852	84,596
2020 Average Family Size	4.24	3.95	3.69
2025 Families	4,303	31,715	87,428
2025 Average Family Size	4.28	3.98	3.71
2020-2025 Annual Rate	0.55%	0.55%	0.66%
<b>Housing Unit Summary</b>			
2000 Housing Units	5,117	42,496	122,429
Owner Occupied Housing Units	59.2%	51.3%	49.3%
Renter Occupied Housing Units	34.6%	41.2%	43.6%
Vacant Housing Units	6.2%	7.5%	7.1%
2010 Housing Units	5,473	44,087	130,727
Owner Occupied Housing Units	55.0%	48.6%	45.5%
Renter Occupied Housing Units	37.2%	40.6%	43.8%
Vacant Housing Units	7.8%	10.8%	10.7%
2020 Housing Units	5,717	45,778	140,116
Owner Occupied Housing Units	48.0%	43.5%	39.8%
Renter Occupied Housing Units	44.6%	46.5%	50.0%
Vacant Housing Units	7.4%	9.9%	10.2%
2025 Housing Units	5,843	46,691	144,424
Owner Occupied Housing Units	48.3%	43.8%	39.5%
Renter Occupied Housing Units	44.5%	46.6%	50.7%
Vacant Housing Units	7.2%	9.6%	9.8%
<b>Median Household Income</b>			
2020	\$43,202	\$39,809	\$46,435
2025	\$45,321	\$41,483	\$49,291
<b>Median Home Value</b>			
2020	\$98,005	\$97,172	\$125,349
2025	\$113,752	\$112,517	\$143,274
<b>Per Capita Income</b>			
2020	\$13,431	\$15,241	\$21,225
2025	\$14,173	\$16,101	\$22,823
<b>Median Age</b>			
2010	28.1	29.2	30.6
2020	29.3	30.3	31.8
2025	30.0	31.2	32.3

**Data Note:** Household population includes persons not residing in group quarters. Average Household Size is the household population divided by total households. Persons in families include the householder and persons related to the householder by birth, marriage, or adoption. Per Capita Income represents the income received by all persons aged 15 years and over divided by the total population.

**Source:** U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2020 and 2025 Esri converted Census 2000 data into 2010 geography.



## Market Profile

7525 Scyene Rd, Dallas, Texas, 75227  
Drive Time: 5, 10, 15 minute radii

Prepared by Esri  
Latitude: 32.76385  
Longitude: -96.69221

	5 minutes	10 minutes	15 minutes
<b>2020 Households by Income</b>			
Household Income Base	5,293	41,225	125,800
<\$15,000	13.9%	17.3%	13.5%
\$15,000 - \$24,999	14.4%	12.5%	11.1%
\$25,000 - \$34,999	10.5%	13.5%	12.2%
\$35,000 - \$49,999	17.6%	16.6%	16.1%
\$50,000 - \$74,999	23.3%	18.7%	19.7%
\$75,000 - \$99,999	11.2%	10.8%	11.0%
\$100,000 - \$149,999	7.6%	7.7%	9.9%
\$150,000 - \$199,999	0.9%	1.8%	3.4%
\$200,000+	0.5%	1.1%	3.1%
Average Household Income	\$51,356	\$52,013	\$64,063
<b>2025 Households by Income</b>			
Household Income Base	5,424	42,216	130,291
<\$15,000	13.2%	16.4%	12.7%
\$15,000 - \$24,999	13.6%	11.9%	10.4%
\$25,000 - \$34,999	10.1%	13.1%	11.7%
\$35,000 - \$49,999	17.4%	16.5%	15.7%
\$50,000 - \$74,999	24.3%	19.4%	20.1%
\$75,000 - \$99,999	11.9%	11.3%	11.6%
\$100,000 - \$149,999	8.3%	8.4%	10.7%
\$150,000 - \$199,999	0.9%	1.9%	3.8%
\$200,000+	0.4%	1.0%	3.3%
Average Household Income	\$54,708	\$55,508	\$69,212
<b>2020 Owner Occupied Housing Units by Value</b>			
Total	2,745	19,921	55,668
<\$50,000	9.7%	12.3%	8.4%
\$50,000 - \$99,999	42.0%	40.0%	30.2%
\$100,000 - \$149,999	29.7%	22.6%	22.4%
\$150,000 - \$199,999	6.8%	8.9%	12.6%
\$200,000 - \$249,999	3.0%	6.3%	6.4%
\$250,000 - \$299,999	4.2%	3.5%	5.2%
\$300,000 - \$399,999	2.1%	3.2%	5.1%
\$400,000 - \$499,999	0.4%	0.3%	2.9%
\$500,000 - \$749,999	0.4%	1.0%	3.6%
\$750,000 - \$999,999	1.0%	1.3%	1.7%
\$1,000,000 - \$1,499,999	0.4%	0.3%	1.0%
\$1,500,000 - \$1,999,999	0.0%	0.0%	0.2%
\$2,000,000 +	0.3%	0.3%	0.2%
Average Home Value	\$133,847	\$141,370	\$192,349
<b>2025 Owner Occupied Housing Units by Value</b>			
Total	2,825	20,437	57,057
<\$50,000	7.7%	10.3%	7.0%
\$50,000 - \$99,999	34.2%	34.2%	25.3%
\$100,000 - \$149,999	29.3%	21.9%	20.5%
\$150,000 - \$199,999	8.7%	9.4%	12.7%
\$200,000 - \$249,999	4.0%	7.4%	7.5%
\$250,000 - \$299,999	5.0%	4.8%	6.7%
\$300,000 - \$399,999	5.7%	4.9%	6.6%
\$400,000 - \$499,999	1.1%	1.0%	4.0%
\$500,000 - \$749,999	1.3%	2.2%	5.1%
\$750,000 - \$999,999	1.8%	2.8%	2.7%
\$1,000,000 - \$1,499,999	0.9%	0.7%	1.4%
\$1,500,000 - \$1,999,999	0.0%	0.0%	0.3%
\$2,000,000 +	0.4%	0.3%	0.2%
Average Home Value	\$171,125	\$178,146	\$228,575

**Data Note:** Income represents the preceding year, expressed in current dollars. Household income includes wage and salary earnings, interest dividends, net rents, pensions, SSI and welfare payments, child support, and alimony.

**Source:** U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2020 and 2025 Esri converted Census 2000 data into 2010 geography.

### **CONCLUSION**

The transportation network in the area is good and surrounding land uses are considered to be compatible and homogenous. The subject area is in a stable phase of development and in proximity to employment centers and quality schools and services with few improvements needing repairs and/or renovations. Consequently, some new construction, as well as renovation of older properties, is more likely to occur within the subject area in the near future. Additionally, there appears to be no detrimental influences upon the area that would inhibit the income-producing capabilities of the improved properties. The long-term prospects for the area and the subject property are positive.

No noticeable nuisances or hazards are in the area and the majority of improvements are in the early to middle stages of economic life, and sufficient area services are accessible to service the community.





## **SUBJECT PROPERTY**

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The subject is a hospital, with a medical office building, located at the northwest corner of Scyene Road and McNeil Street, with frontage along the western line of Loganwood Drive, Dallas, Dallas County, Texas.

### **SITE DATA**

#### **Dimensions/Frontage**

According to Dallas Central Appraisal District records, the subject tract is irregular in shape, and contains 318,859 square feet, or 7.320 acres. The subject fronts the northern line of Scyene Road for approximately 849 linear feet, the western line of McNeil Street for approximately 538 feet, and the eastern line of Loganwood Drive for approximately 118 feet. Scyene Road is a six-lane, divided thoroughfare. McNeil Street is a two-lane, undivided roadway. Loganwood Drive is a two-lane, undivided roadway.

The subject is approximately 578 feet deep, along the northern property line (from McNeil Street) and approximately 538 feet deep (from Scyene Road along McNeil Street).

#### **Access/Abutting uses**

Access (ingress and egress) to the site is available via two curb cuts along the northern line of Scyene Road. The subject abuts single-family residences to the north, McNeil Street (followed by single-family residences) to the east, Scyene Road (followed by vacant land) to the south, and Loganwood Drive (followed by single-family residences) to the west.

#### **Topography**

The topography of the tract is sloped and at street grade along Scyene Road and Loganwood Drive, and below grade along McNeil Street; the topography is not problematic to development.

#### **Flood Plain**

According to FEMA flood hazard map 48113C0365K dated July 7, 2014, approximately 15% of the subject property is determined to have base flood elevations within the 100-year floodplain, being within Zone 'AE'. Drainage of the site appears natural and adequate. No guaranty is made that the site will or will not flood. A hydrological study or survey is required for confirmation of flood-designated boundaries. Reference the subsequent exhibits for a copy of the area flood map.

#### **Environmental Hazards**

To our knowledge, a Phase I Environmental Site Assessment has not been completed for the subject property as of the date of inspection. A current Phase I ESA is recommended. The subject is appraised predicated on the absence of detrimental environmental conditions. Should contaminants be present the conclusions in the report would be invalidated.

**Utilities/Community Services**

Water, sanitary sewer, electricity, and phone services are available to the subject. Electric services are provided by various deregulated service providers, with telecommunication services being provided by various providers. Atmos Energy supplies natural gas services. Water and wastewater service are provided by the city of Dallas. Police and fire protection are provided by the city of Dallas. The property is located within the Dallas Independent School District.

**Zoning**

The site is zoned PD 86 (Planned Development 86) by the City of Dallas. The PD 86 (Planned Development 86) district is provided for the uses to be restricted to a hospital and doctor's offices. Additional zoning information can be referenced in the addenda. Hospitals and medical office building are allowed in this zoning district.

**Soils, Development Limitation, and Productivity**

This report assumes the soils are capable of supporting the structures, as numerous improvements are located within the subject area and adjoining area. A study of the development, limitations, and productivity were not completed in this appraisal report, as it is not necessary to the scope of the appraisal.

**Easements**

A survey of the site is not available for analysis. This valuation concludes that utility and access easements typical of this property type are present and that no detrimental easement conditions exist. This should not be considered as a guaranty or warranty, however, that adverse easements do not exist. Were the property to have any easements detrimental to the subject, the opinion of value concluded herein may be invalid.

**Deed Restrictions**

To our knowledge, no deed restrictions affect or limit the use of the property; however, this should not be considered as a guaranty or warranty that no such restrictions exist. Deed restrictions are a legal matter: normally discoverable only by a title search by a title attorney. It is recommended that a title search be made if any questions regarding deed restrictions arise.

**Wetlands**

No visual evidence was observed to indicate whether wetlands exist on the subject site. Wetlands, as defined by Section 404 of the Clean Water Act, are those areas that are inundated or saturated by surface or groundwater at a frequency and duration sufficient to support, and under normal circumstances do support, a prevalence of vegetation typically adapted for life in saturated soil conditions. Swamps, bogs, fens, marshes, and estuaries are subject to federal environmental law.

**SUBJECT IMPROVEMENTS****Design/Construction**

The improvements consist of a 124,350-square foot hospital and a 16,500-square foot medical office building. Additionally, the improvements include a parking garage. The improvement descriptions are based on inspections, estimates, construction plans, and other data available.

**HOSPITAL****Exterior**

Year Built	1973 (Renov. 2021)
Type	Class B
Building Size - Gross	124,350 square feet (building plans)
Foundation	Reinforced concrete slab
Walls	Concrete tilt-wall; concrete block; brick veneer
Roof	Flat; built-up on steel decking
HVAC	Complete system (roof-mounted); 100%
Fire Suppression	100% sprinkled (wet); high-pressure
Doors	2 - Grade-level, garage doors; 10-foot
Quality	Good
Condition	Good

**Interior**

Stories (Floors)	4
Rooms	Patient rooms, nursing/doctor stations, offices, reception, emergency rooms, operatories, storage area, cafeteria, and restrooms
Flooring	Laminate wood, laminate tile, sealed concrete
Walls	Concrete block; painted/textured gypsum board
Ceiling	Acoustic tile; painted/textured gypsum board
Lighting	Standard commercial fixtures
Elevator	Hydraulic; passenger; 4-story; 3 shafts Hydraulic; service; 4-story; 1 shaft
Quality	Good
Condition	Good

**MEDICAL OFFICE****Exterior**

Year Built	1973 (Renov. 2021)
Type	Class B
Building Size - Gross	16,500 square feet
Foundation	Reinforced concrete slab
Walls	Concrete tilt-wall; concrete block; brick veneer
Roof	Flat; built-up on steel decking
HVAC	Complete system (roof-mounted); 100%
Quality	Good
Condition	Good

**Interior**

Rooms	Offices, patient rooms, waiting rooms, nurses stations, and restrooms
Flooring	Laminate wood, carpet, laminate tile, sealed concrete
Walls	Painted/textured gypsum board
Ceiling	Acoustic tile; painted/textured gypsum board
Lighting	Standard commercial fixtures
Quality	Good
Condition	Good

**Site Improvements**

Site improvements include porte-cochere, asphalt and concrete paving, concrete walkways (along the building and parking areas), building-mounted signage, building and pole-mounted lighting, and landscaping.

**Parking**

The total parking spaces number 445 delineated parking spaces, with 190 spaces being within the parking garage.

**Furniture, Fixtures, and Equipment**

Furniture Fixtures and Equipment (FF&E) is the equipment related to the operations of a hospital and an office building, such as medical equipment, surgical equipment, operator furniture, desks, chairs, conference desk/chairs, cubicles, office furniture, and other miscellaneous equipment. The depreciated value of the FF&E is estimated at \$7,745,500. The FF&E is new, or zero years old. The FF&E has a life expectancy of 15 years. The Marshall & Swift depreciation schedule states the depreciation of the FF&E at 0%. The depreciated value of the FF&E is \$7,745,500; calculated  $\$7,745,500 - (\$7,745,500 \times 0\%)$ .

The total contributory value of the FF&E is \$7,745,500, rounded to \$7,746,000.

**Physical Condition**

The subject improvements (hospital and medical office building) were built in 1973 and will be renovated in 2021; the improvements are anticipated to be in good condition upon completion. Overall, the design and construction quality of the improvements are considered typical of similar buildings of the age of the subject improvements. While the current improvements have significant amounts of deferred maintenance and items of disrepair were noted at the inspection, the improvements are not anticipated to have any deferred maintenance upon completion.

**Functional Utility**

Defined as 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 subject is a hospital and a medical office building. The improvements are functionally adequate given the architectural style, design and layout, traffic patterns, and the size and configuration of the improvements for this property type.

**External Obsolescence**

External obsolescence is considered to be the loss in value of the property resulting from an influence of negative forces not inherent with the property. It can be caused by the exertion of detrimental external forces upon the area or property itself. Specific examples are significant fluctuations in the local economy, noise from nearby expressways or airports, excessive taxes, supply and demand imbalances, special assessments or certain other governmental actions, the lack of financial liquidity in the marketplace, or the infiltration of unharmonious groups or land uses. This form of obsolescence is rarely, if ever, curable. The subject regional area is currently experiencing stable rental rates and occupancy levels. Based upon the stable market conditions within the extended area the property does not appear to suffer from external obsolescence.

**CONCLUSIONS**

The subject is a hospital, with a medical office building and parking garage, with adequate frontage and access via two curb cuts along the northern line of Scyene Road.

**Marshall Swift Data**

<b>RE Classification</b>	General Hospitals
<b>Class</b>	B
<b>Type</b>	Average
<b>Section</b>	15
<b>Page</b>	24
<b>Life Expectancy</b>	45 years

Please refer to the subsequent exhibits and addenda for additional details.

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## REAL ESTATE TAX ANALYSIS

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The Texas legislature created a system of centralized appraisal districts for each Texas county so that all real estate within a given county is valued for tax purposes through a standard appraisal process. Property assessments are based on market value. Property valuations under the central appraisal district system became effective in 1982.

In Dallas County, the Dallas Central Appraisal District is responsible for ad valorem tax appraisals of all real estate within the county. Based on the ad valorem tax appraisal, various tax districts levy annual taxes on property located within their respective districts. Typical taxing jurisdictions include assessments from the county, city, and school districts in which the property is located. The total ad valorem tax burden is the sum of the assessments for the various taxing authorities.

The subject property is situated within the city of Dallas and falls within the taxing jurisdictions of the City of Dallas, Dallas County, Parkland Hospital, Dallas County Community College, and Dallas Independent School District. Pertinent 2019 tax rates for the subject are detailed below. The 2020 tax rates are not available as of the date of this report.

2019 TAX RATES (per \$100)	
City of Dallas	\$ 0.776600
Dallas County	\$ 0.253100
Parkland Hospital	\$ 0.269500
Dallas County Community College	\$ 0.124000
Dallas ISD	\$ 1.310385
<b>Total</b>	<b>\$ 2.733585</b>

The Dallas Central Appraisal District account for 2020 is summarized as follows:

Account Number	Land	Improvements	Total
00000515323750000	\$ 599,460	\$ 705,890	\$ 1,305,350

Based on the preceding assessed value and pertinent tax rates, the subject's annual tax liability is calculated as follows:

Assessed Value	Tax Rate	Indicated Tax Liability
\$1,305,350	x \$0.02733585 =	\$ 35,683

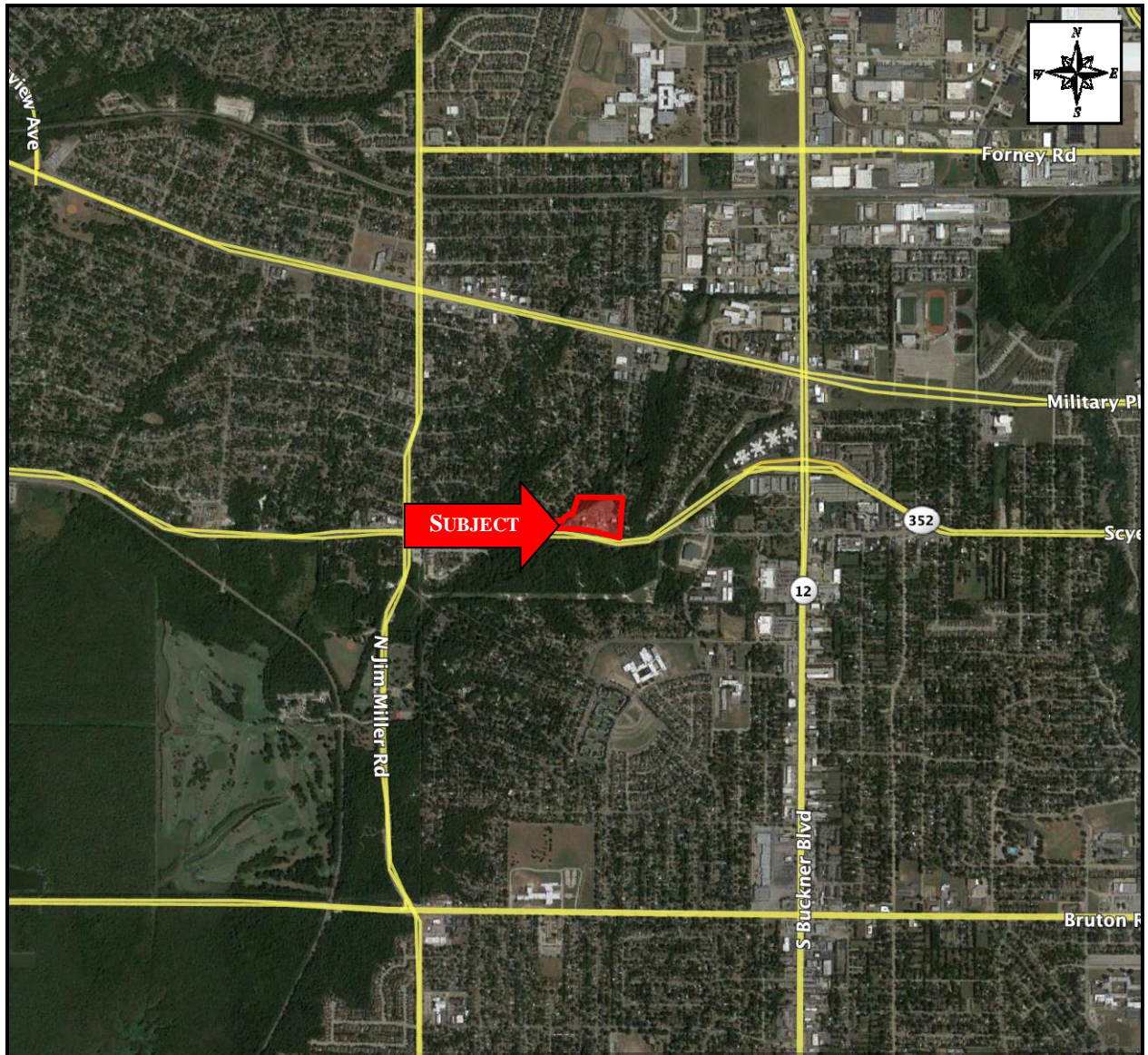
The assessed value equates to \$1,305,350, or \$12.27 per square foot of building area. The assessed value is below the concluded market value in this appraisal. This difference is typically due to the valuation methods of the appraisal district.





Source: Google Maps (Imagery date: September 2019)





Source: Google Maps (Imagery date: September 2019)

# PARCEL MAP



Source: Dallas CAD



*Source: City of Dallas*



National Flood Hazard Layer FIRMette



Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

**SPECIAL FLOOD HAZARD AREAS**

- Without Base Flood Elevation (BFE)  
Zone A, V, A99
- With BFE or Depth Zone AE, AO, AH, VE, AR
- Regulatory Floodway

**OTHER AREAS OF FLOOD HAZARD**

- 0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile Zone X
- Future Conditions 1% Annual Chance Flood Hazard Zone X
- Area with Reduced Flood Risk due to Levee. See Notes, Zone X
- Area with Flood Risk due to Levee Zone D

**OTHER AREAS**

- NO SCREEN Area of Minimal Flood Hazard Zone X
- Effective LOMRs
- Area of Undetermined Flood Hazard Zone D

**GENERAL STRUCTURES**

- Channel, Culvert, or Storm Sewer
- Levee, Dike, or Floodwall

**OTHER FEATURES**

- Cross Sections with 1% Annual Chance Water Surface Elevation
- Coastal Tract
- Base Flood Elevation Line (BFE)
- Limit of Study
- Jurisdiction Boundary
- Coastal Tract Baseline
- Profile Baseline
- Hydrographic Feature

**MAP PANELS**

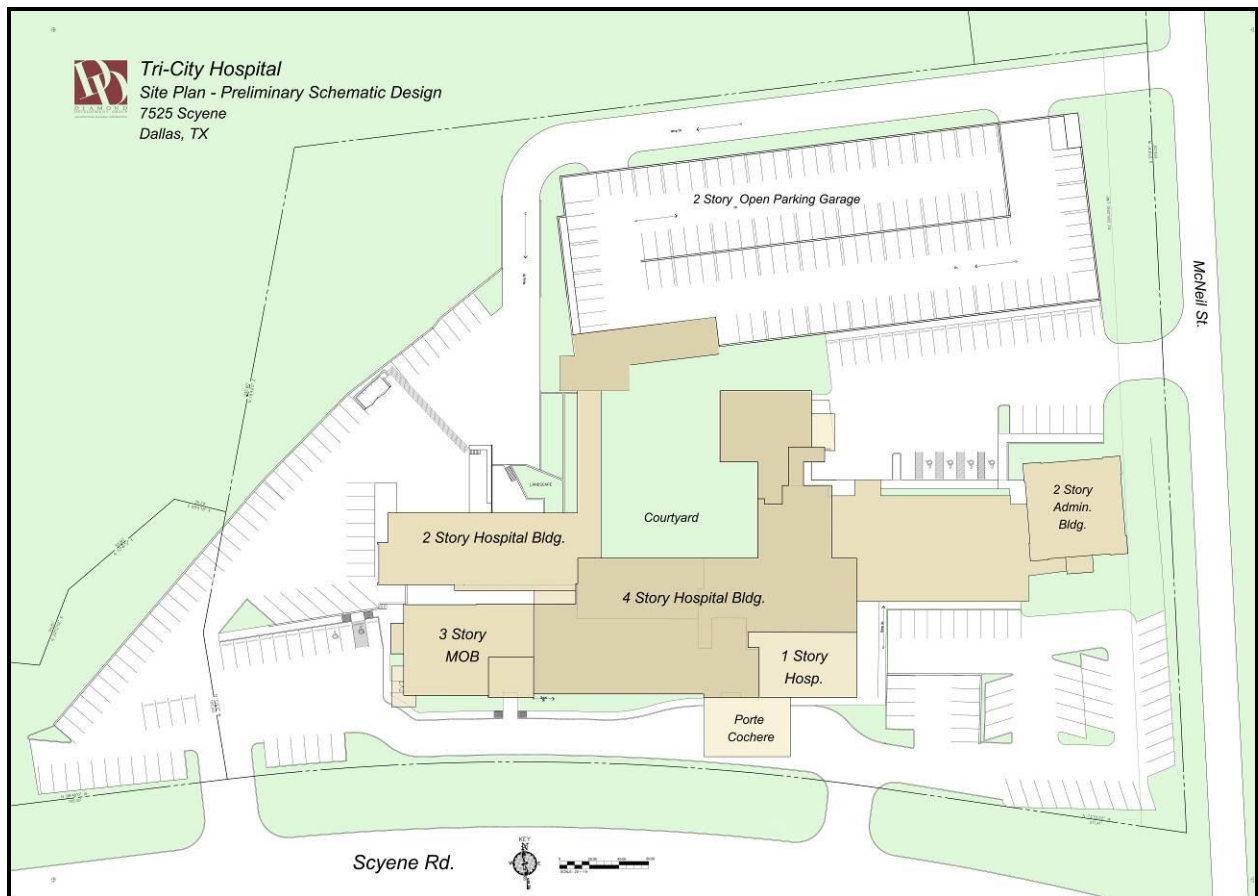
- Digital Data Available
- No Digital Data Available
- Unmapped

The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.

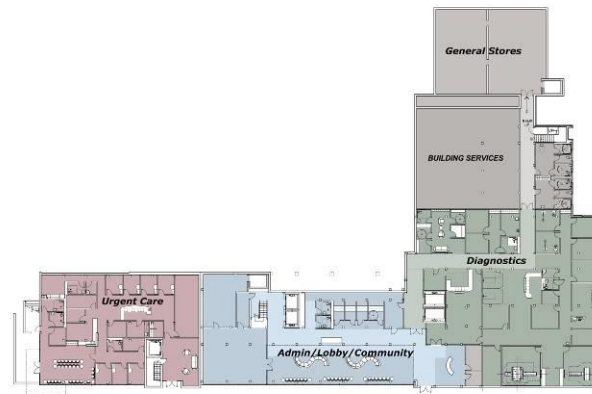
This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards.

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 8/16/2020 at 2:09 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.



# BUILDING FLOOR PLANS



**1 FLOOR PLAN**  
FIRST FLOOR  
Project Area: 24,000 SF  
MOB. AREA: 5,000 SF  
TOTAL AREA: 29,000 SF



700 Gemini - Suite 200  
Houston, TX 77057  
713.224.6400  
WWW.DDG.COM

Rev	By	Date	Description
1	DDG	10/1/14	100% Final
2	DDG	10/1/14	100% Final
3	DDG	10/1/14	100% Final

NOT FOR CONSTRUCTION  
OR PERMIT  
FOR REFERENCE ONLY

**TRI-CITY HOSPITAL**

100 GEMINI RD  
HOUSTON, TEXAS 77057

**1ST FLOOR**

**PLAN**

**A3-1**

100% Final  
10/1/14  
100% Final  
10/1/14  
100% Final  
10/1/14



700 Gemini - Suite 200  
Houston, TX 77057  
713.224.6400  
WWW.DDG.COM

Rev	By	Date	Description
1	DDG	10/1/14	100% Final
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NOT FOR CONSTRUCTION  
OR PERMIT  
FOR REFERENCE ONLY

**TRI-CITY HOSPITAL**

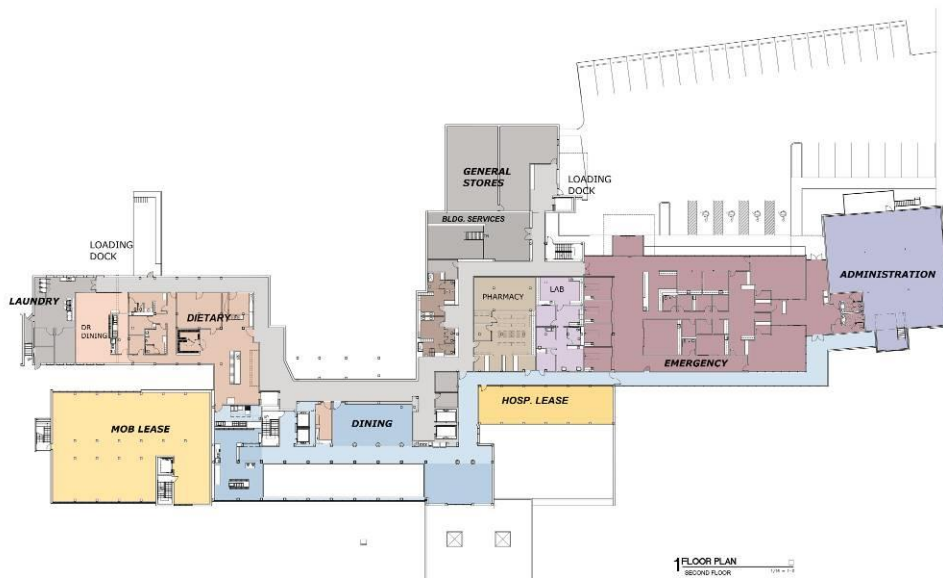
100 GEMINI RD  
HOUSTON, TEXAS 77057

**2ND FLOOR**

**PLAN**

**A3-2**

100% Final  
10/1/14  
100% Final  
10/1/14  
100% Final  
10/1/14



**1 FLOOR PLAN**  
SECOND FLOOR  
Project Area: 41,000 SF  
MOB. AREA: 5,000 SF  
TOTAL AREA: 46,000 SF

[illegible]





### MEMORANDUM

09/14/20

*Schematic Design*

**Tri City Medical Center**

#### **Tri-City Hospital Medical Center Renovation**

Schematic design program includes:

##### **124 ksf Hospital**

42 Bed Acute Care General Hospital:

*Patient Care Unit*

- 30 General Surgical/Procedure Beds
- 12 Acute Care Isolation Beds

*Emergency Department*

- Screened intake and separate waiting areas for infection control

*General Surgery Department*

- 3 Operating Rooms
- 2 Procedure Rooms

*Diagnostic Department*

- Magnetic Resonance Imaging (MRI)
- Computed Tomography (CT)
- X-Ray
- 2 Mammogram, Bone Density, 2 Ultrasound

*Compounding Pharmacy*

*Laboratory*

*Administration, Dietary and Support Facilities*

##### **16.5 ksf M.O.B.**

24 Hour Urgent Care Facility (M.O.B.)

11,000 Square Feet of Lease Space

##### **Parking Garage**

2 Story Parking Garage (~190 spaces, ~76 ksf)

Please feel free to contact me with questions, comments or additional information that I

700 GEMINI, SUITE 260

HOUSTON, TEXAS 77058

832.224.6400

CONTACT@DIAMONDEVELOPMENTGROUP.COM



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## SUBJECT PHOTOGRAPHS

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PHOTOGRAPHED ON JULY 22, 2020



Viewing northeasterly at subject.



Viewing northwesterly at subject.



Viewing southwesterly at subject rear.



Viewing southwesterly at subject rear.



Viewing northerly along McNeil Street;  
subject to the left.



Viewing westerly along Scyene Road;  
subject to the right.



## SUBJECT PHOTOGRAPHS

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Viewing easterly at subject western side.



Viewing northeasterly at subject western side.



Viewing easterly at subject medical office;  
to be the future administration building.



Viewing northeasterly at medical office;  
to be the future administration building.



Viewing easterly at subject medical office;  
to be the future administration building.



Viewing southeasterly at medical office;  
to be the future administration building.



## SUBJECT PHOTOGRAPHS



Interior.



Interior; corridor.



Interior.



Interior.



HVAC system.



Interior.



## SUBJECT PHOTOGRAPHS

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Interior.



Interior.



Interior.



Interior.



Exterior; western portion of hospital.



Viewing northeasterly at subject.

One of the basic elements of real estate valuation is the theory of highest, best, and most profitable use.

As quoted from The Dictionary of Real Estate Appraisal, copyright 1984, highest and best use is defined as that reasonable and probable use that supports the highest present value of vacant land or improved property, as defined, as of the effective date of the appraisal.

Or, as defined in the Appraisal of Real Estate, 14<sup>th</sup> Edition (copyrighted 2013), the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and which results in highest land value.

These definitions recognize that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

Because the use of land can be limited by the presence of improvements, highest and best use is determined separately for the land or site as though vacant and available to be put to its highest and best use, and for the property as improved.

In appraisal practice, highest and best use analysis not only identifies the use of the property expected to produce the maximum net present value, but also helps the appraiser select comparable properties.

Four basic criteria are examined in estimating the Highest and Best Use of a property both as vacant and as improved. These stages of analysis are as follows:

- a) Possible Use - the uses to which it is physically possible to put on the site in question.
- b) Permissible Use (Legal) - the uses that are permitted by zoning and deed restrictions on the site in question.
- c) Feasible Use - the possible and permissible uses that will produce any net return to the owner of the site.
- d) Highest and Best Use - among the feasible uses, the use that will produce the highest net return on the highest present worth.

The highest and best use of a specific parcel of land is not determined through subjective analysis by the property owner, the developer, or the appraiser; rather, highest and best use is shaped by the competitive forces within the market where the property is located. Therefore, the analysis and interpretation of highest and best use is an economic study of market forces focused on the subject property.

Market forces also shape market value, so the general data that are collected and analyzed to derive an opinion of market value are also used to formulate an opinion of the property's highest and best use as of the appraisal date.

### **SITE, AS VACANT**

According to the Dallas Central Appraisal District, the subject tract is irregular in shape, and contains 318,859 square feet, or 7.320 acres. The subject fronts the northern line of Scyene Road for approximately 849 linear feet, the western line of McNeil Street for approximately 538 feet, and the eastern line of Loganwood Drive for approximately 118 feet.

The subject abuts single-family residences to the north, McNeil Street (followed by single-family residences) to the east, Scyene Road (followed by vacant land) to the south, and Loganwood Drive (followed by single-family residences) to the west.

### **Physically Possible**

In arriving at our opinion of highest and best use for the improved subject site, it was first necessary to determine if the physical characteristics of the site - such as soil conditions, topography, shape, and frontage were favorable for development. Soil conditions in the region are adequate for urban development provided appropriate engineering, design, and construction. According to FEMA flood hazard map 48113C0365K, dated July 7, 2014, approximately 15% of the subject property is determined to have base flood elevations within the 100-year floodplain, being within Zone 'AE'. No guaranty is made that the site will or will not flood. A hydrological study or survey is required for confirmation of flood-designated boundaries. The tract is of sufficient size to be economically adaptable for development and benefits from adequate frontage and accessibility. Thus, the physical characteristics (being sloped) impose some limitations to possible development, requiring additional engineering and development plans.

### **Legally Permissible**

The site is zoned PD 86 (Planned Development 86) by the City of Dallas. The PD 86 (Planned Development 86) district is provided for the uses to be restricted to a hospital and doctor's offices. Additional zoning information can be referenced in the addenda.

### **Financially Feasible**

As defined in The Dictionary of Real Estate Appraisal, Sixth Edition, 2015, is “the capability of a physically possible and legal use of property to produce a positive return to the land after considering risk and all costs to create and maintain the use”.

The surrounding properties and land uses are considered for compatibility in determination of feasible use. Based on the land usage pattern of the surrounding area, the layout, location, and frontage/visibility of the site, the most feasible use is considered to be to medical office or hospital development.

### **Maximally Productive**

The financially feasible use of the subject site would be for medical office or hospital development. Based upon the location in Dallas, and nearby commercial tracts, medical office or hospital development is considered most logical.

Therefore, the maximally productive use of the subject, as vacant, would be as medical office or hospital development.

### **SUMMARY OF HIGHEST AND BEST USE, AS IF VACANT**

The highest and best use of the subject would be for medical office or hospital development, as demand warrants.

*Use: medical office or hospital development*

*Timing: as demand warrants*

*Market Participants:*

*User: owner*

*Most Probable Buyer: owner, developer*

### **SITE, AS IMPROVED**

The improvements consist of a 124,350-square foot hospital and a 16,500-square foot medical office.

#### **Physically Possible**

The subject improvements were built in 1973 and will be renovated in 2021 and intended for use as a hospital and a medical office building. The design of the improvements is typical for the area. The physical characteristics and accompanying amenities of the subject improvements are not readily adaptable to other uses and are specific in design for use as a renovated/updated hospital, with medical office buildings.

#### **Legally Permissible**

The site is zoned PD 86 (Planned Development 86) by the City of Dallas. The PD 86 (Planned Development 86) district is provided for the uses to be restricted to a hospital and doctor's offices. Additional zoning information can be referenced in the addenda. Hospitals and medical offices are allowed in this zoning district.

#### **Financially Feasible**

Financially feasible uses for the subject property include future use as a renovated/updated hospital, with medical office buildings. This use will produce a positive return to the subject site.

#### **Maximally Productive**

The improvements not only add value to the subject site; they also represent the maximally profitable use of the site, as improved.

The preceding analysis indicates the improvements to be feasible based on current market parameters. Thus, it is concluded that the maximally productive use of the subject, as improved, is future use as a renovated/updated hospital, with medical office buildings.

### SUMMARY OF HIGHEST AND BEST USE, AS IMPROVED

Our opinion is the highest and best use of the subject would be for future use as a renovated/updated hospital, with medical office buildings.

*Use: future use as a renovated/updated hospital, with medical office buildings*

*Timing: current*

*Market Participants:*

*User: owner, tenant*

*Most Probable Buyer: owner, investor (landlord)*



### DATA COLLECTION PROCESS

For purposes of this report, the subject market was researched for all pertinent data relating to the appraisal problem as stated below. This process typically includes collecting and confirming data through local real estate brokers, appraisers, property owners, lessee/lessors, and others familiar with the local real estate market. The information provided by these sources is deemed reliable but is not guaranteed.

The rendered opinion of market value of a property that is being appraised is accomplished by the comparison and analysis of as many appraisal techniques as are appropriate. The following approaches are generally used to produce value indications.

**Cost Approach:** The value indication by this approach is accomplished by estimating the Reproduction (or Replacement) Cost New of the improvements and deducting accrued depreciation from all causes, if any. The value of the land (by comparison) is then added to this depreciated cost figure.

The cost approach is based on the premise that the value of a property can be indicated by the current cost to construct a reproduction or replacement for the improvements minus the amount of depreciation evident in the structures from all causes plus the value of the land and entrepreneurial profit. This approach to value is particularly useful for appraising new or nearly new improvements.

**Sales Comparison Approach:** The comparison of similar properties, which have sold in the marketplace, is used to produce an indication of value. The comparison may be either direct or indirect with commonly accepted units or elements of comparison.

The sales comparison approach is founded upon the principle of substitution, which holds that the cost to acquire an equally desirable substitute property without undue delay ordinarily sets the upper limit of value. At any given time, prices paid for comparable properties are construed to reflect the value of the property appraised. The validity of a value indication derived by this approach is heavily dependent upon the availability of data on recent sales of properties similar in location, size, and utility to the appraised property.

**Income Capitalization Approach:** This approach to value is applicable to properties capable of producing a net income stream. The net income stream is translated into a value indication through the capitalization process.

The income capitalization approach is based on the principle of anticipation, which recognizes the present value of the future income benefits to be derived from ownership in a particular property. The income capitalization approach is most applicable to properties that are bought and sold for investment purposes, and is considered very reliable when adequate income and expense data are available. Since income producing real estate is most often purchased by investors, this approach is valid and is generally considered the most applicable when the property being appraised was designed for, or is easily capable of, producing a satisfactory rental income.

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## APPRAISAL PROCEDURE

The strengths and weaknesses of each approach used are weighed in the final analysis. The approach or approaches offering the greatest quantity and quality of supporting data are typically emphasized, and the final opinion of value is correlated.

Under the parameters of this assignment, the following approaches to value were considered and used in this appraisal:

Approach	Considered	Used
Cost	Yes	Yes
Sales Comparison	Yes	Yes
Income Capitalization	Yes	No

A preliminary survey of the property indicates the following:

- Sales of similar land use in the area are required. Sufficient data are available to arrive at an indicated value of the land of the subject by market comparison.
- This report incorporates the cost approach and sales comparison approach, and reconciles these approaches into a final opinion of market value.
- Due to the subject being owner occupied, special use, and its highest and best use, the income approach is not considered a good indicator of market value and is not judged to be applicable. As such, the income approach is omitted from this report.

Secondary sources of market data and investor criteria were utilized including Real Estate Research Corporation's Real Estate Report (RERC), Korpacz Real Estate Investor Survey, Real Estate Investment Services (REIS), M/PF, ALN Systems, Cushman Wakefield Market Reports, Marcus Millichap Market Reports, CB Richard Ellis Market Reports, Insignia Market Reports, Jones Lang LaSalle Market Reports, and other industry publications.

### APPRAISAL PROBLEM

The appraisal problem, as applied to the subject, is to determine the market value of the *fee simple interest* in the subject property. In addressing this problem, the principles of utility, substitution, and anticipation are considered in the following valuation.

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## REASONABLE EXPOSURE TIME

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When the purpose of an assignment is to develop an opinion of market value, the appraiser must also develop an opinion of reasonable exposure time linked to the value opinion.

Reasonable exposure time is one of a series of conditions in most market-value definitions. Exposure time is always presumed to precede the effective date of the appraisal.

Exposure time, as defined by the Uniform Standards of Professional Appraisal Practice, Statement on Appraisal Standards No. 6, is the opinion of the 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. It is a retrospective opinion based upon an analysis of past events assuming a competitive and open market.

The fact that exposure time is always presumed to occur prior to the effective date of the appraisal is substantiated by related facts in the appraisal process, i.e. supply/demand conditions as of the effective date of the appraisal, the use of current cost information, the analysis of historical sales information (sold after exposure and after completion of negotiations between the seller and the buyer), and the analysis of future income expectancy projected from the effective date of the appraisal.

The opinion of the time period for reasonable exposure is not intended to be a prediction of a date of sale or a one-line statement. Instead, it is an integral part of the analyses conducted during the appraisal assignment. The opinion may be expressed as a range and can be based on one or more of the following:

- Statistical information about days on market
- Information gathered through sales verification
- Interviews of market participants

Related information garnered through this process may include the identification of typical buyers and sellers for the type of property involved and typical equity investment levels and/or financing terms.

The reasonable exposure period is a function of price, time, and use, not an isolated opinion of time alone. The answer to the question “what is reasonable exposure time?” should always incorporate the answers to the question “for what kind of property at what value range?” rather than appear as a statement of an isolated time period.

A reasonable exposure time for the subject property at the market value definition and market value conclusion in this appraisal was developed by discussions with local market participants. According to local brokers, appraisers, and informed market participants, the reasonable exposure time for properties similar to the subject, is considered to be 12 to 36 months.

Land value is directly related to highest and best use. The relationship between the highest and best use and land value may indicate whether an existing use is the highest and best use of the land.

Land valuation can be accomplished by six procedures. These include sales comparison, allocation, extraction, subdivision development, land residual, and ground rent capitalization.

**Sales Comparison** – Sales of similar, vacant parcels are analyzed, compared, and adjusted to provide a value indication for the land being appraised.

**Allocation** – Either sales of improved properties are analyzed and the prices paid are allocated between the land and the improvements, or comparable sites under development are analyzed and the costs of the finished properties are allocated between the land and improvements.

**Extraction** – Land value is indicated by subtracting the estimated value of the depreciated improvements from the known sale price of the property. This procedure is frequently used when the value of the improvements is relatively low or easily calculated.

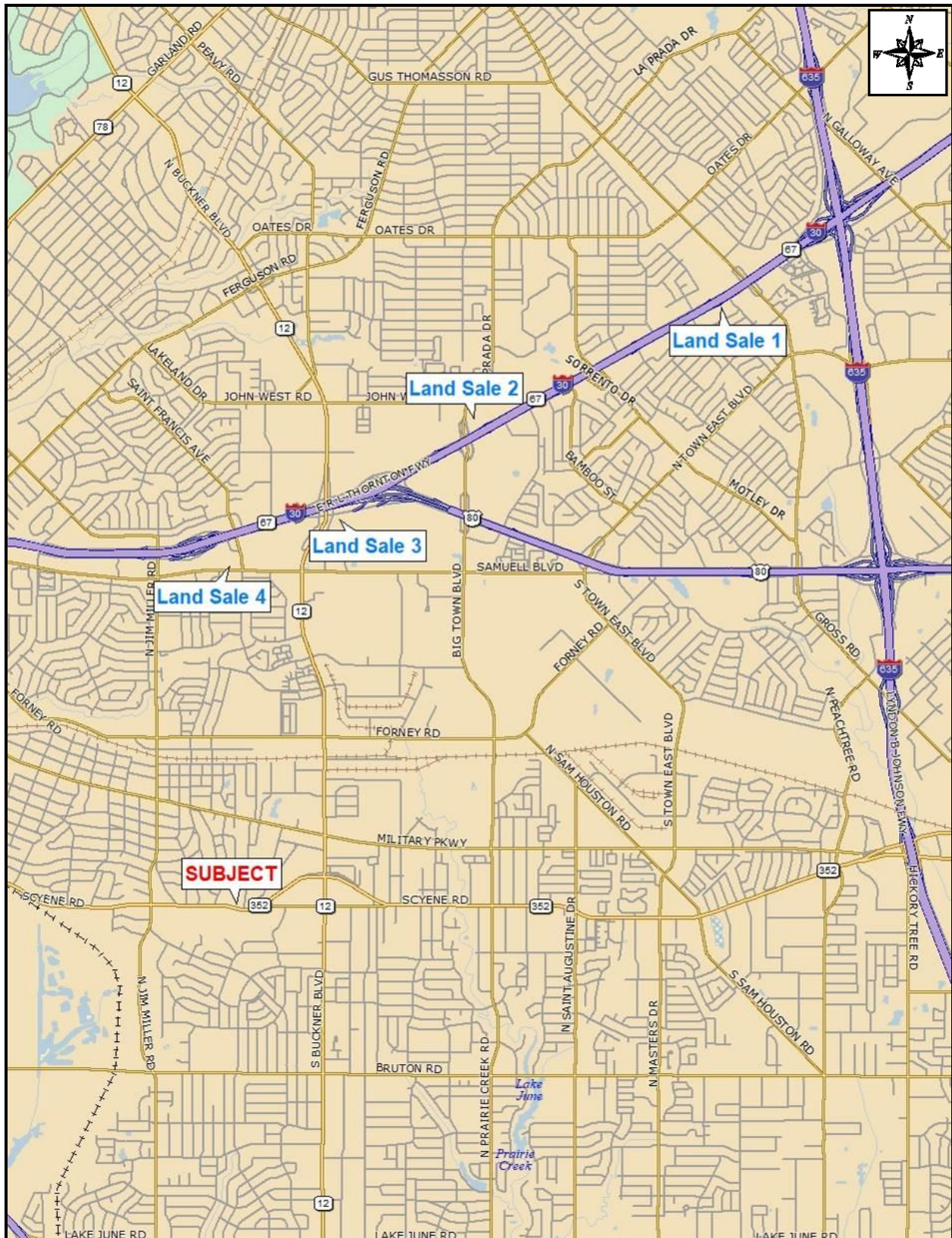
**Subdivision Development** – The total value of undeveloped land is indicated as if the land were subdivided, developed, and sold. Development costs, incentive costs, and carrying charges are subtracted from the estimated proceeds of sale, and the net income projection is discounted over the period required for market absorption of the developed sites.

**Land Residual Technique** – The land is assumed to be improved to its highest and best use. The income attributable to the return *on* and *of* the capital invested in the improvements is deducted from the net operating income. The result is the income attributable to the land. This income is capitalized to derive an opinion of land value.

**Ground Rent Capitalization** – This procedure is used when land rents and land capitalization rates are readily available, e.g., for appraisals in well-developed areas. Net ground rent, the net amount paid for the right to use and occupy the land, is calculated and divided by a land capitalization rate. Either actual or estimated rents can be capitalized using rates that can be supported in the market.

The *sales comparison* method is the best method of developing an opinion of value of the subject. In this method, known sales of similar use land in the market area are compared to the subject to arrive at an indication of value. In arriving at value conclusions, the tracts are compared as to the rights conveyed, financing terms, sale conditions, market conditions, location, and physical characteristics. This approach is used to value land that is vacant or considered vacant for appraisal purposes.

The market was carefully researched for recent sales, leases, listings, or other transactions, which would provide a valid basis for developing an opinion of the market value of the subject by comparison. After reviewing and analyzing the sales, the sales were extracted from this sample and utilized for the land valuation. These sales are detailed on the following pages.





**Land Sale No. 1**

<b>Location</b>	S/s of IH-30, ±150' W of Casa Ridge Drive Mesquite, Dallas County, Texas
<b>Mapscs</b>	DA-39-V
<b>Legal Description</b>	Land in the John Hardin Survey, Abstract No. 565, City of Mesquite, Dallas County, Texas
<b>Grantor</b>	Nationwide Housing Properties, LLC
<b>Grantee</b>	TNS Real Estate, LLC
<b>Record Data</b>	
Date of Sale	March 19, 2020
Document No.	202000079776
<b>Consideration</b>	\$850,000
<b>Terms of Sale</b>	Cash (or cash equivalent) to the seller
<b>Conditions of Sale</b>	Arm's-length
<b>Land Area</b>	
Acres	3.452
Square Feet	150,374
<b>Price Per SF</b>	\$5.65
<b>Zoning</b>	C (Commercial)
<b>Topography</b>	Mostly level; at grade
<b>Utilities</b>	All available
<b>Shape</b>	Rectangular
<b>Frontage</b>	±500 LF - Interstate Highway 30 frontage road
<b>Comments</b>	The site is located along the southern line of Interstate Highway 30 frontage road, approximately 150 feet west of Casa Ridge Drive; this site is rectangular in shape. The site was previously developed and the site improvements have no contributory value. According to the broker, the grantee plans to build an office/retail development on the site.

**Land Sale No. 2**

<b>Location</b>	Wraps NE/c of IH 30 and Big Town Boulevard Mesquite, Dallas County, Texas
<b>Mapscs</b>	DA-49-A
<b>Legal Description</b>	Being Lot 2R in Block 2, of Talley Town Addition, Block 2, Lot 1R and 2R, a Replat of Lot 1, Block 2, an addition to the City of Mesquite, Dallas County, Texas
<b>Grantor</b>	DJK Incorporated
<b>Grantee</b>	Gilberto Sifuentes Luis
<b>Record Data</b>	
Date of Sale	February 27, 2020
Document No.	202000058416
<b>Consideration</b>	\$900,000
<b>Terms of Sale</b>	Cash (or cash equivalent) to the seller
<b>Conditions of Sale</b>	Arm's-length
<b>Land Area</b>	
Acres	3.008
Square Feet	131,028
<b>Price Per SF</b>	\$6.87
<b>Zoning</b>	C (Commercial)
<b>Topography</b>	Mostly level; at grade
<b>Utilities</b>	All available
<b>Shape</b>	Irregular
<b>Frontage</b>	±168 LF - Interstate Highway 30 frontage road ±262 LF - Big Town Boulevard
<b>Comments</b>	The site is located wrapping the northeast corner of the Interstate Highway 30 frontage road and Big Town Boulevard; this site is irregular in shape. The site was previously used as a mobile home sales lot. An inhabitable mobile home (former sales office) remained on the property at the time of the transaction. According to the agent, the improvements offered no contributory value to the sales price and will be removed by the grantee.



**Land Sale No. 3**

<b>Location</b>	SE/c of IH 30 and South Buckner Boulevard Mesquite, Dallas County, Texas
<b>Mapsco</b>	DA-48-G
<b>Legal Description</b>	Being a 12.38 acre tract of land situated in the Isaac Beeman Survey, Abstract No. 82, Page 620, Tract 2, Real Property Records, Dallas County, Texas
<b>Grantor</b>	Buckner International
<b>Grantee</b>	Skyline Commerce Center Owner, LP
<b>Record Data</b>	
Date of Sale	October 15, 2019
Document No.	201900276811
<b>Consideration</b>	\$2,696,345
<b>Terms of Sale</b>	Cash (or cash equivalent) to the seller
<b>Conditions of Sale</b>	Arm's-length
<b>Land Area</b>	
Acres	12.38
Square Feet	539,269
<b>Price Per SF</b>	\$5.00
<b>Zoning</b>	I (Industrial)
<b>Topography</b>	Mostly level; at grade
<b>Utilities</b>	All available
<b>Shape</b>	Mostly rectangular
<b>Frontage</b>	±740 LF - Interstate Highway 30 frontage road ±291 LF - South Buckner Boulevard
<b>Comments</b>	The site is located at the southeast corner of the Interstate Highway 30 frontage road and South Buckner Boulevard; this site is mostly rectangular in shape. The broker reported the property will be developed into the Skyline Commerce Center and will feature two buildings totaling 198,109 square feet, which is currently under construction.

**Land Sale No. 4**

<b>Location</b>	Adj. NW/c of Samuell Boulevard and Saint Francis Avenue Dallas, Dallas County, Texas
<b>Mapsco</b>	DA-48-F
<b>Legal Description</b>	Being a portion of Lot 7, Block D/8474 in the Skyline Ford Addition No. 3, City of Dallas, Dallas County, Texas
<b>Grantor</b>	Corinth Realty I-30 & St. Francis, LLC
<b>Grantee</b>	SHIV Hospitality Group Dallas LLC &SHIV Hospitality Group Da
<b>Record Data</b>	
Date of Sale	January 8, 2018 & June 4, 2018
Document No.	201800007582 & 201800145197
<b>Consideration</b>	\$1,022,720
<b>Terms of Sale</b>	Cash (or cash equivalent) to the seller
<b>Conditions of Sale</b>	Arm's-length
<b>Land Area</b>	
Acres	4.155
Square Feet	180,971
<b>Price Per SF</b>	\$5.65
<b>Zoning</b>	RR (Regional Retail); D-1 Overlay
<b>Topography</b>	Mostly level; at grade
<b>Utilities</b>	All available
<b>Shape</b>	Mostly rectangular
<b>Frontage</b>	±424 LF - Samuell Boulevard ±71 LF - Interstate Highway 30 frontage road access drive
<b>Comments</b>	The site is located adjacent to the northwest corner of Samuell Boulevard and Saint Francis Avenue; this site is mostly rectangular in shape. The site consists of two parcels that were purchased by the same grantee from the same grantor on different dates with a combined sale price of \$1,022,720. The broker stated the property will be developed as a hotel, which is currently under construction.

LAND SALES SUMMARY					
Sale No.	Location	Size		Price Per SF	Date of Sale
		SF	AC		
1	S/s of IH-30, ±150' W of Casa Ridge Drive	150,374	3.452	\$ 5.65	Mar-20
2	Wraps NE/c of IH 30 and Big Town Boulevard	131,028	3.008	\$ 6.87	Feb-20
3	SE/c of IH 30 and South Buckner Boulevard	539,269	12.380	\$ 5.00	Oct-19
4	Adj. NW/c of Samuell Boulevard and Saint Francis Avenue	180,971	4.155	\$ 5.65	Jan-18 & Jun-18
Subject	7525 Scyene Road	318,859	7.320		

The sales in the sample were selected from a larger group as being most similar in overall physical characteristics as compared to the subject. The land sales occurred between January 2018 to March 2020, range in size from 3.008 acres to 12.38 acres, and range in price from \$5.00 to \$6.87 per square foot. These sales represent the most recent, similar activity in proximity to the subject.

### **ADJUSTMENT DESCRIPTIONS AND ANALYSIS**

The first step in any comparative analysis is to identify which elements of comparison affect property values in the subject market. Each of the basic elements of comparison must be analyzed to determine whether an adjustment is required. If sufficient information is available, a quantitative adjustment can be made.

Adjustments for differences are made to the price of each comparable property to make that property equivalent to the subject in market appeal on the effective date of the opinion of value. The magnitude of the adjustment made for each element of comparison depends on how much that characteristic of the comparable property differs from the subject property. We have considered all appropriate elements of comparison in the following discussions.

In the following analysis, consideration is given for rights conveyed, financing, sale and market conditions, location, and physical characteristics. Property rights conveyed and financing are basic components of sale. Rights conveyed should be identical and financing should be on a cash equivalent basis. Sale conditions require analysis to determine any unusual characteristics. Consideration of market conditions is necessary because of the cyclical nature of the real estate market and continuous economic change. The location adjustment considers factors such as type, compatibility, quality, desirability, and accessibility of area development. Comparison of utility considers such factors as zoning, size, and frontage.

### **PAIRED DATA ANALYSIS**

Paired Data Analysis is defined as a “quantitative technique used to identify and measure adjustments to the sale prices or rents of comparable properties; to apply this technique, sales or rental data on nearly identical properties are analyzed to isolate a single characteristic’s effect on value or rent” (The Dictionary of Real Estate Appraisal, Fourth Edition). In analyzing the sales, a technique called the paired data analysis is used. In paired analysis, two or more properties similar in most respects are compared and the difference in selling price is allocated to the elements of comparison, which the market data indicates contribute to different prices.

Ideally, the sales being compared will be identical in all respects except for the element being measured. However, this is rarely the case. Frequently an appraiser must undertake a series of paired data analyses to isolate the effect of a single characteristic. The following table is a summary of conclusions indicated by the paired data analysis completed using the indicated sales.

SUMMARY OF SELECTED ADJUSTMENTS	
Adjustment Category	Selected Adjustments
Frontage	5%; for the difference between inferior and superior frontage
Exposure	10-15%; for the difference between inferior and superior exposure
Size	5%; for adjustment for each doubling/halving in size
Zoning	15%; for the difference between zoning districts and uses
Topography	10%; for the differences in topography of the properties

The adjustments are not intended as exact measurements, but are used to define accurately the range of values indicated by the market.

## **RIGHTS CONVEYED, FINANCING, SALE, MARKETING CONDITIONS, AND LOCATION**

### **Rights Conveyed**

When property rights are sold, they may be the sole subject of the contract or the contract may include other rights, less than all of the real property rights, or even another property or properties. Before the price of a comparable sale property can be used in sales comparison analysis, the appraiser must first ensure that the sale price of the comparable property applies to property rights that are similar to those being appraised. To do so, adjustments may be required before specific differences in the physical real estate can be compared. The sales were evaluated and no adjustments for rights conveyed are considered necessary for the comparable sales.

### **Financing**

The transaction price of one property may differ from that of an identical property due to different financing arrangements. The cost of financing includes the interest rate and any points, discounts, equity participations, or other charges that the lender requires to increase the effective yield of the loan. The cost and availability of credit for real estate financing influence both the quantity and quality of real estate demanded and supplied. Additional financing adjustments could be made based on owner financing, favorable financing terms, or assumptions. The sales were purchased with cash, or third party financing which requires no adjustment.

### **Sale Conditions**

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. Sales where the conditions significantly affect transaction prices are labeled non-arm's length transactions. Any sales that reflect unusual sale conditions are adjusted accordingly and the circumstances of these non-arm's length transactions are detailed on the sale summary pages. The sales were evaluated and no adjustments for sale conditions are considered necessary for the comparable sales.

**Market Conditions**

The sales occurred between January 2018 and March 2020. Adjustments for market conditions are applied if property values have increased or decreased since the transaction dates. Based on our observations and analysis, real estate has appreciated approximately 4% annually. Each sale is adjusted accordingly.

**Location**

An adjustment for location within a market area may be required when the locational characteristics of a comparable property are different from those of the subject property. Most comparable properties in the same market area have similar locational characteristics, but variations may exist within that area of analysis. A property's location is analyzed in relation to the location of other similar properties. Sale Nos. 1, 2, 3, and 4 have similar locational appeal as compared to the subject and are not adjusted.

**PHYSICAL****Access**

Access has significant bearing on real estate in the market. Access is defined as the points, or number of points available for ingress/egress to the subject site or ease of access to the site from abutting roadways. Sale properties are adjusted based on their inferiority/superiority as compared with the subject. The comparable sales have similar access as the subject, with no adjustments.

**Frontage**

Frontage is the number of feet of frontage along the subject roadway or roadways. Sale properties are adjusted based on their inferiority/superiority as compared with the subject. Sale Nos. 1, 2, and 4 have inferior frontage as compared to the subject and are adjusted 5%. Sale No. 3 has similar frontage as compared to the subject and is not adjusted.

**Exposure**

Exposure is a function of traffic volume or drive-by business potential. Sale properties are adjusted based on their inferiority/superiority as compared with the subject. Sale Nos. 1, 2, 3, and 4 are adjusted -15%, -15%, -10%, and 0%, based on the sales' superior/inferior exposures.

Land Sales - Traffic Exposure		
Sale No.	Location	Vehicle Count
1	S/s of IH-30, ±150' W of Casa Ridge Drive	114,000
2	Wraps NE/c of IH 30 and Big Town Boulevard	128,600
3	SE/c of IH 30 and South Buckner Boulevard	80,800
4	Adj. NW/c of Samuell Boulevard and Saint Francis Avenue	23,300
<i>Subject</i>	<i>7525 Scyene Road</i>	<i>17,800</i>

Source: TxDOT and CoStar traffic estimates

### **Size**

The subject site is comprised of 7.320 acres. The size adjustment is based on the premise that, in general, the larger the tract, the less its selling price on a per unit basis. Recent experience with other properties utilizing a linear regression analysis indicates a 5% - 15% adjustment for each doubling/halving (100%) in size. A 5% adjustment is used for this analysis. Sale Nos. 1, 2, 3, and 4 are adjusted -5%, -6%, 4% and -4%, respectively for size.

### **Zoning**

The property is zoned PD 86 (Planned Development 86) by the City of Dallas. The subject zoning limits its development to a hospital or medical office buildings. Each of the comparable sales is adjusted -15%.

### **Utilities**

Water, sanitary sewer, electricity, and phone services are available to the subject. Sale Nos. 1, 2, 3, and 4 are similar in the available utilities as compared to the subject and do not warrant adjustment.

### **Topography**

The subject is sloped; approximately 15% of the subject property is determined to have base flood elevations within the 100-year floodplain. Each of the comparable sales is level and not located within the floodplain; the comparables are adjusted -10%.

### SUMMARY OF ADJUSTMENTS

These adjustments are predicated upon the potential inferior or superior income generation achievable as compared to the income generation potential of the subject under its concluded highest and best use, and based on the cost of construction and the recovery rate of those costs. The previously described adjustments are applied in the following table:

<b>LAND SALES ADJUSTMENTS</b>				
<b>Sale No.</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
No. of Acres	3.452	3.008	12.380	4.155
Size SF	150,374	131,028	539,269	180,971
Sale Date	Mar-20	Feb-20	Oct-19	Jan-18 & Jun-18
Sale Price	\$850,000	\$900,000	\$2,696,345	\$1,022,720
Sale Price Per SF	\$5.65	\$6.87	\$5.00	\$5.65
Rights Conveyed	-0-	-0-	-0-	-0-
Financing	-0-	-0-	-0-	-0-
Sale Conditions	-0-	-0-	-0-	-0-
Immediate Expenditures	-0-	-0-	-0-	-0-
Market Conditions	2%	2%	4%	8%
Adjusted Price	\$5.76	\$7.01	\$5.20	\$6.10
Location	-0-	-0-	-0-	-0-
Access	-0-	-0-	-0-	-0-
Frontage	5%	5%	-0-	5%
Exposure	-15%	-15%	-10%	-0-
Size	-5%	-6%	4%	-4%
Zoning	-15%	-15%	-15%	-15%
Utilities	-0-	-0-	-0-	-0-
Topography	-10%	-10%	-10%	-10%
Net Adjustment	-40%	-41%	-31%	-24%
<b>Adjusted Price/SF</b>	<b>\$3.46</b>	<b>\$4.14</b>	<b>\$3.59</b>	<b>\$4.64</b>

After adjustments, the comparables range in price from \$3.46 to \$4.64 per square foot, with an average of \$3.96 per square foot and a median of \$3.87 per square foot.

### LAND VALUE CONCLUSION

After adjustments, the comparables range in price from \$3.46 to \$4.64 per square foot, with an average of \$3.96 per square foot and a median of \$3.87 per square foot. These comparable sales are representative of land activity in the area. Considering the adjusted sales, the indicated value of the subject site is \$4.00 per square foot, or \$1,275,000, rounded.

<b>Total Land Area</b>				
<b>No. of Square Feet</b>		<b>\$/SF</b>		<b>Indicated Value</b>
318,859	x	\$4.00	=	\$ 1,275,436
			Rounded	<b>\$ 1,275,000</b>



The purpose of the cost approach is to develop an opinion of the cost to construct a reproduction of, or replacement for, the existing structure and then deduct all accrued depreciation in the property being appraised from the cost new of the reproduction or replacement structure. When the value of the land and an entrepreneurial profit, if appropriate, are added to this figure, the result is an indication of the value of the fee simple interest in the property.

When applicable, the cost approach reflects market thinking by recognizing that market participants relate value to cost. Investors tend to judge the value of an existing structure by considering the prices and rents of similar buildings and the cost to create a new building with optimal physical and functional utility. Investors adjust the prices they are willing to pay by estimating the costs to bring an existing structure up to the level of physical and functional utility they desire.

The cost approach is based on the estimated replacement cost of the improvements less depreciation from all causes, to which is added the market value of the land based on comparable sales.

## REPLACEMENT COST

The cost estimates in the following tables are abstracted from the *Marshall Valuation Service*. The *Marshall Valuation Service* is a national cost index providing cost data for determining replacement costs of buildings and other improvements, and is published by Marshall & Swift, LP.

SECTION 15 PAGE 24  
November 2019

### CALCULATOR METHOD

#### GENERAL HOSPITALS (331)

CLASS	TYPE	EXTERIOR WALLS	INTERIOR FINISH	LIGHTING, PLUMBING AND MECHANICAL	HEAT*	Sq. M.	COST Cu. Ft.	Sq. Ft.
<b>B</b>	Excellent	Marble, granite, face brick, highly decorative	Plaster, vinyl and tile wall surfaces, best ceilings and floors	*Oxygen, pneumatic conveyor, signal, much automation	Complete H.V.A.C.	5435.77	42.07	505.00
	Good	Brick, metal and glass, stone trim, some ornamentation	Plaster or drywall, best enamels or vinyl walls, ceramic, vinyl floors	*Signal system, oxygen piping, pneumatic conveyors	Complete H.V.A.C.	4154.87	32.15	386.00
	Average	Metal and glass, concrete, brick, little ornamentation	Drywall, acoustic ceilings, vinyl and ceramic floors, linoleum	*Signal system, oxygen piping, adequate lighting and plumbing	Complete H.V.A.C.	3196.88	24.74	297.00
	Low cost	Concrete panels, brick, very plain, small entrance	Drywall, acoustic ceilings, vinyl composition, minimum detail	*Signal system, adequate lighting and plumbing	Complete H.V.A.C.	2464.93	19.08	229.00

SECTION 15 PAGE 22  
November 2019

### CALCULATOR METHOD

#### MEDICAL OFFICE BUILDINGS (341)

CLASS	TYPE	EXTERIOR WALLS	INTERIOR FINISH	LIGHTING, PLUMBING AND MECHANICAL	HEAT	Sq. M.	COST Cu. Ft.	Sq. Ft.
<b>B</b>	Excellent	Best metal, brick or block backup, solar glass	Acoustic plaster, good veneers, vinyl wall coverings, carpet, vinyl	*Luminous ceilings, power and X-ray outlets, best plumbing	Hot and chilled water (zoned)	3229.17	24.99	300.00
	Good	Good metal and glass, good brick, concrete panels	Good plaster or drywall, acoustic tile, carpeting and vinyl composition	*High-intensity lighting, X-ray outlets, good plumbing, lab	Hot and chilled water (zoned)	2583.34	19.99	240.00
	Average	Metal and glass, brick or concrete panels	Drywall or plaster, acoustic tile, vinyl composition floors	*Adequate lighting, power, and plumbing, X-ray rooms	Warm and cool air (zoned)	1969.79	15.24	183.00
	Low cost	Brick, concrete block, lift slab, very plain, small lobby	Low-cost finishes and partitions, acoustic tile, asphalt tile	*Minimum lighting and plumbing, few extras	Package A.C.	1506.95	11.66	140.00

For building structure and components, the calculator method is utilized. The improvements most closely resemble an average cost quality Class B General Hospitals, as described in the Marshall Valuation Service Handbook, Section 15, Page 24. To the base cost, various multipliers are applied to reflect local market conditions and changes in construction costs. We estimate the base cost for the hospital at \$297.00 per square foot.

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## COST APPROACH

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### DIRECT COSTS

#### Base Building Costs

<u>Component</u>	<u>Area</u>	<u>Base Cost</u>		
Hospital	124,350 SF	\$ 297.00	\$	36,932,000
Medical Office	16,500 SF	\$ 183.00	\$	3,020,000
Parking Garage	77,000 SF	\$ 42.00	\$	3,234,000
Sprinklers	140,850 SF	\$ 5.90	\$	831,000

**Improvements cost before adjustments for time, location, and perimeter** **\$ 44,017,000**

<u>Total Base Costs</u>		<u>Multipliers</u>					
		<u>Current</u>		<u>Local</u>		<u>Perimeter</u>	
\$44,017,000	x	1.00	x	0.90	x	1.00	\$ 39,615,000

#### Site Improvements

Site Preparation	\$	3,735,018
Parking, Drives & Sidewalks	\$	1,531,000
Landscaping, Signage & Lighting	\$	578,000
<b>Total Site Improvements</b>	<b>\$</b>	<b>5,844,018</b>

**Total Direct Costs** **\$ 45,459,018**

### INDIRECT COSTS

Architectural, Legal, Engineering Fees, Permits, etc.	@	5%	\$	2,273,000
<b>Total Indirect Costs</b>			<b>\$</b>	<b>2,273,000</b>

**ENTREPRENEURIAL INCENTIVE** @ 15% **\$ 7,160,000**

**Total Direct and Indirect Costs  
or Total Construction Costs** **\$ 54,892,018**

**Total FF&E: Other equipment (M&S, Sec. 66)** **\$ 7,746,000**

**Replacement Cost New (RCN)** **\$ 62,638,018**

The total replacement construction costs include contractor profit, architect fees, engineering fees and permits, but exclude land cost, and amount to \$62,638,018 or \$444.71 per square foot. This cost is within the range for average quality construction costs for general hospitals, as estimated by the Marshall and Swift Cost Valuation Service Cost Manual, Section 15, Page 24 (after adjustment for time and location).

**ACTUAL RENOVATION/UPGRADE COSTS**

These costs are derived as if the improvements are complete and in place. The construction contractor (Diamond Development + Construction Group, LLC) provided an itemized list of estimates of the costs to construct the proposed improvements.

The subject is a 124,350-square foot, hospital, with a 16,500 square foot medical office building. Additionally, the improvements include a parking garage. The renovation/upgrade costs, provided by the construction contractor (Diamond Development + Construction Group, LLC), are considered reasonable and are used in this analysis. These costs equate to \$44,503,087, or \$44,504,000 (rounded). According to the renovation/upgrade estimate, these costs include a contingency of \$2,057,000. An estimated 15% is applied to the total costs for entrepreneurial incentive of \$6,676,000. The total renovation/upgrade costs are estimated at \$53,237,000 (rounded). The renovation/upgrade costs are included in the addenda.

Direct Renovation/Upgrade Costs	
Building Costs (new and existing shell, hospital, MOB)	\$ 34,167,000
Site improvements (site work, landscaping, signage)	\$ 964,000
Parking Garage Costs	\$ 3,234,000
Indirect Renovation/Upgrade Costs	\$ 6,139,000
Contingency	\$ 2,057,000
Entrepreneurial Incentive @ 15%	<u>\$ 6,676,000</u>
 Total Renovation/Upgrade Costs	 \$ 53,237,000
FF&E:	<u>\$ 7,746,000</u>
Total Construction costs and FF&E:	<u>\$ 60,983,000</u>

The total actual costs are estimated at \$60,983,000.

**DEPRECIATION**

Appropriate items of depreciation must be deducted from the cost to replace the subject improvements as estimated above. Depreciation in this case is defined as "a loss in value from any cause". The accrued depreciation applicable is typically broken down as follows:

a. **Physical Depreciation**

Curable - refers to items of deferred maintenance.

Incurable - deterioration that is not practical or economically feasible to correct.

b. **Functional Obsolescence** - adverse effect on value resulting from defects in design, can also be caused by changes that, over time, have made some aspects of a structure, material, or design obsolete by current standards.

Curable - to be curable the cost must be at least offset by the anticipated increase in value.

Incurable - deficiencies or superadequacies not economically feasible to correct.

c. **External (Economic) Obsolescence** - result of diminished utility of a structure due to negative influences from outside the site and is always incurable. The total loss in value due to such influences is allocated between the land and the improvements with only that portion attributable to the improvements deducted from the current replacement cost.

**Curable Physical**

No items of deferred maintenance are anticipated upon completion of the renovation.

**Incurable Physical**

A property suffers from deterioration as a result of the aging process. The method of estimating accrued depreciation utilized here is the modified economic age-life method. Briefly, this method consists of first estimating the cost to cure all curable items, deducting that figure from the replacement cost, and then applying to the remainder the deduction based on the ratio of effective age to total economic life.

**External and Functional Obsolescence**

The subject regional area is currently experiencing stable rental rates and occupancy levels. Based upon the stable market conditions within the extended area the property does not appear to suffer from external obsolescence.

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## COST APPROACH

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### DEPRECIATION

Actual Costs - Hospital	\$	53,237,000
Less: Curable Items	\$	-
Value of Improvements	\$	53,237,000

Total Economic Life	45 years
Remaining Economic Life	43 years
Effective Age	2 years

#### Depreciation Percentage

Applied Percentage - M&S, Sec. 97, Pg. 25  $\approx$  1%

Less: Incurable Items				
	\$53,237,000	x	1.0%	\$ 532,000
Depreciated Value				\$ 52,705,000

FF&E typically has a shorter life span as compared to building and site improvements.

Overall, the FF&E depreciation ranges from 0% to 5%. (M&S, Sec. 97, Pg. 26)

Estimated Replacement Cost FF&E	\$	7,746,000
Less: Depreciation	\$	-
Depreciated Value FF&E	\$	7,746,000

### COST APPROACH SUMMARY

Estimated Total Construction Costs	\$	53,237,000
Estimated Total Construction Costs - Existing Improvements- Pre-Construction	\$	7,560,316
Less: Curable Items	\$	-
Less: Depreciation	\$	532,000
Less: External/Functional Obsolescence	\$	-
Total Depreciated Value of Improvements	\$	60,265,316
Plus: Indicated Value of Land	\$	1,275,000
Plus: Value FF&E	\$	7,746,000
<b>Final Opinion of Value via the Cost Approach</b>	\$	69,286,316

### COST SUMMARY

As the subject consists of a hospital and a medical office building (totaling 140,850 square feet), the costs are applied to this property. Overall, the subject's physical condition is good and the effective age is considered two years. The actual costs of the entire property, including land, and improvements are \$69,286,000, which includes FF&E of \$7,746,000. The costs, less the FF&E, is \$61,540,000.

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## COST APPROACH

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Subtracting the construction costs of the renovation/upgrade of \$53,237,000 from the “Prospective Future Value, Upon Completion” value results in a ‘pre-discounted’ value of \$8,303,000. By applying an annual discount rate of 11.0% over the completion term (1.00 year or 12 months), “Prospective Future Value, Upon Completion of Pre-Construction” value via the cost approach is \$7,480,000.

Prospective Future Value - Discounted, via Cost Approach	
Prospective Future Value, Upon Completion	\$61,540,000
Less: Construction costs	\$53,237,000
Prospective Future Value, Upon Completion - Pre-Discount	\$8,303,000
Discount Rate (annual)	11.0%
Completion Term	1.00 year
Prospective Future Value, Upon Completion of Pre-Construction	\$7,480,180
<b>Prospective Future Value, Upon Completion of Pre-Construction</b>	<b>\$7,480,000</b>

Subtracting the construction costs of the ‘pre-construction’ (being the asbestos abatement, interior demolition, and related costs) of \$2,281,816 from the “Prospective Future Value, Upon Completion of Pre-Construction” value results in a ‘pre-discounted’ value of \$5,198,184. By applying an annual discount rate of 11.0% over the stabilization term (0.25 year or 12 months), “Fee Simple, As Is” value via the sales comparison approach is \$4,683,000.

As Is Value - Discounted, via Cost Approach	
Prospective Future Value, Upon Completion of Pre-Construction	\$7,480,000
Less: Construction costs	\$2,281,816
Prospective Future Value, Upon Completion of Pre-Construction - Pre-Discount	\$5,198,184
Discount Rate (annual)	11.0%
Stabilization Term	1.00 year
Fee Simple, As Is	\$4,683,048
<b>Fee Simple, As Is</b>	<b>\$4,683,000</b>



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## SALES COMPARISON APPROACH

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The sales comparison approach is a method of estimating market value whereby a property is compared with similar properties that have sold recently. One premise of the sales comparison approach is that the market will determine a price for the property being appraised in the same manner that it determines the price of comparable, competitive properties. The principle of substitution is basic in this approach as it implies that a prudent person will not pay more for a property than an acceptable alternative available in the market.

The steps of the sales comparison approach are outlined as follows:

- (a) Research the market to obtain information about sales, listings, and offerings of properties similar to the subject property.
- (b) Ascertain the nature of the conditions of sale, including the price, terms, motivating forces, and its bona fide nature.
- (c) Determine relevant units of comparison, e.g. sales price per square foot and develop a comparative analysis for each unit.
- (d) Compare each of the comparable properties' important attributes to the corresponding ones of the property being appraised, under the general categories of time, location, physical characteristics, and conditions of sale.

Consider all dissimilarities and their probable effect on the price of each sale property to derive individual market indications for the property being appraised.

- (e) Formulate, in light of the comparison thus made, an opinion of the relative value of the subject property as a whole, or where appropriate, by applicable units, compared with each of the similar properties.

In the sales comparison approach, the property appraised is compared with known prices paid for similar properties in the open market. Typically, for most properties, the most common units of comparison used are the overall price paid per unit and sales price per square foot.

Knowledgeable investors usually consider these methods, as rules of thumb, to establish a value range. To produce a highly meaningful answer, the comparable properties should be as highly similar in age and condition, operating expense ratio, and land value as possible.

The following summary information on improved sales judged to be comparable to the property appraised is included herein, establishing the probable value of the subject property by the sales comparison approach.

## IMPROVED SALES MAP - HOSPITAL



### Improved Sale No. 1



*Image Source: Google Maps (Imagery date: May 2018)*

<b>Location</b>	6025 Metropolitan Drive Beaumont, Jefferson County, Texas
<b>Grantor</b>	CHP Beaumont TX Surgical Owner, LLC
<b>Grantee</b>	GMR Beaumont LLC
<b>Record Data</b>	
Date	October 1, 2019
Document No.	2019033296
<b>Consideration</b>	\$33,600,000
<b>Sale Price/SF</b>	\$390.12
<b>Conditions of Sale</b>	Cash (or cash equivalent) to the seller
<b>Physical Description</b>	
Land Area	
Acres	5.58 AC
Square Feet	243,152 SF
Building Coverage	35.42%
Gross Building Area	86,128 SF
Year Built	2012
Occupancy @ Sale	100%
Description	General Hospital
Quality	Good
<b>Comments</b>	The property is located at the southwest corner of Metropolitan Drive and Dowlen Road. According to the grantee, the grantee purchased the property to include in its REIT, with the building being leased to Medical Center of Southeast Texas for an undisclosed lease rate.

### Improved Sale No. 2



*Image Source: Google Maps (Imagery date: March 2019)*

<b>Location</b>	10030 Gilead Road Huntersville, Mecklenburg County, North Carolina
<b>Grantor</b>	CNL Healthcare Properties, Inc.
<b>Grantee</b>	Welltower, Inc.
<b>Record Data</b>	
Date	May 20, 2019
Document No.	20190362630
<b>Consideration</b>	\$47,294,000
<b>Sale Price/SF</b>	\$406.30
<b>Conditions of Sale</b>	Cash (or cash equivalent) to the seller
<b>Physical Description</b>	
Land Area	
Acres	30.90 AC
Square Feet	1,346,004 SF
Building Coverage	8.65%
Gross Building Area	116,402 SF
Year Built	2004
Occupancy @ Sale	100%
Description	General Hospital
Quality	Good
<b>Comments</b>	The property is located at the southwest corner of Gilead Road and Interstate Highway 77. According to the broker, the property was part of \$1.25 billion transaction consisting of 55 medical office and outpatient facilities. The property is a portion of the larger hospital property.



### Improved Sale No. 3



*Image Source: Google Maps (Imagery date: February 2020)*

**Location** 1550 West Craig Road  
North Las Vegas, Clark County, Nevada

**Grantor** 318 North Las Vegas Venture, LLC  
**Grantee** ARHC DELVSNV01, LLC

**Record Data**

Date November 19, 2018  
Document No. 181119:02894

**Consideration** \$27,117,213  
**Sale Price/SF** \$501.34  
**Conditions of Sale** Cash (or cash equivalent) to the seller

**Physical Description**

Land Area  
Acres 4.96 AC  
Square Feet 216,058 SF  
Building Coverage 25.03%  
Gross Building Area 54,090 SF  
Year Built 2017  
Occupancy @ Sale 100%  
Description General Hospital  
Quality Good

**Comments** The property is located at the northwest corner of West Craig Road and Camino Al Norte. According to the broker, the hospital has 8 inpatient beds and 8 emergency room beds, with diagnostic imaging and lab services. At the time of the transaction, the property was 69% occupied, which is currently 92% occupied. The property leases for \$18 per square foot on a triple net basis.

### Improved Sale No. 4



*Image Source: Google Maps (Imagery date: August 2018)*

<b>Location</b>	2201 SE Loop 820 Fort Worth, Tarrant County, Texas
<b>Grantor</b>	Tibeir Fort Worth, TX, LLC
<b>Grantee</b>	Fort Worth APL Medical Properties, LLC
<b>Record Data</b>	
Date	October 16, 2018
Document No.	D218232062

<b>Consideration</b>	\$96,000,000
<b>Sale Price/SF</b>	\$428.57
<b>Conditions of Sale</b>	Cash (or cash equivalent) to the seller

#### Physical Description

Land Area	
Acres	24.35 AC
Square Feet	1,060,707 SF
Building Coverage	21.12%
Gross Building Area	224,000 SF
Year Built	2009
Occupancy @ Sale	100%
Description	General Hospital
Quality	Average

<b>Comments</b>	The property is located at the northwest corner of West Craig Road and Camino Al Norte. According to the broker, the hospital has 8 inpatient beds and 8 emergency room beds, with diagnostic imaging and lab services. At the time of the transaction, the property was 69% occupied, which is currently 92% occupied. The property leases for \$18 per square foot on a triple net basis.
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## SALES COMPARISON APPROACH

Summary of Improved Sales					
Sale No.	Address	YOC	SF	Price/SF	Date of Sale
1	6025 Metropolitan Drive Beaumont, Jefferson County, Texas	2012	86,128	\$390.12	Oct-2019
2	10030 Gilead Road Huntersville, Mecklenburg County, North Carolina	2004	116,402	\$406.30	May-2019
3	1550 West Craig Road North Las Vegas, Clark County, Nevada	2017	54,090	\$501.34	Nov-2018
4	2201 SE Loop 820 Fort Worth, Tarrant County, Texas	2009	224,000	\$428.57	Oct-2018

The sales in this sample were selected from a larger group as being most similar in overall physical characteristics as compared to the subject. The sale sample ranges in size from 54,090 square feet to 224,000 square feet, and were constructed between 2004 and 2017.

### ADJUSTMENT DESCRIPTIONS AND ANALYSIS

The first step in any comparative analysis is to identify which elements of comparison affect property values in the subject market. Each of the basic elements of comparison must be analyzed to determine whether an adjustment is required. If sufficient information is available, a quantitative adjustment can be made.

Adjustments for differences are made to the price of each comparable property to make that property equivalent to the subject in market appeal on the effective date of the opinion of value. The magnitude of the adjustment made for each element of comparison depends on how much that characteristic of the comparable property differs from the subject property. We have considered all appropriate elements of comparison in the following discussions.

In the following analysis, consideration is given for rights conveyed, financing, sale and market conditions, location, and physical characteristics. Property rights conveyed and financing are basic components of sale. Rights conveyed should be identical and financing should be on a cash equivalent basis. Sale conditions require analysis to determine any unusual characteristics. Consideration of market conditions is necessary because of the cyclical nature of the real estate market and continuous economic change. The location adjustment considers factors such as type, compatibility, quality, desirability, and accessibility of area development. Comparison of utility considers such factors as age, size, condition, and quality.

**COMPARATIVE ANALYSIS**

In analyzing the sales, comparative analyses are used to identify differences between the subject and the comparable sales. The difference in selling price is allocated to the elements of comparison, which the market data indicates contribute to different prices. While we have no direct support for these selected adjustments, an analysis of similar properties requires adjustment for these elements to be applied. The following table is a summary of comparable elements and their associated adjustments.

SUMMARY OF SELECTED ADJUSTMENTS	
Adjustment Category	Selected Adjustments
Size	5%; for the differences in sizes of the properties
Land-to-Building Ratio	5%; for the differences in land-to-building ratios
Age	1%; for the difference for every 3 years between effective age

These adjustments are not intended as exact measurements but are used to define accurately the range of values indicated by the market.

**RIGHTS CONVEYED, FINANCING, SALE, EXPENDITURES, MARKET CONDITIONS, AND LOCATION****Rights Conveyed**

When property rights are sold, they may be the sole subject of the contract or the contract may include other rights, less than all of the real property rights, or even another property or properties. Before the price of a comparable sale property can be used in sales comparison analysis, the appraiser must first ensure that the sale price of the comparable property applies to property rights that are similar to those being appraised. To do so, adjustments may be required before specific differences in the physical real estate can be compared. The comparable sale are similar to the subject and are not adjusted.

**Financing**

The transaction price of one property may differ from that of an identical property due to different financing arrangements. The cost of financing includes the interest rate and any points, discounts, equity participations, or other charges that the lender requires to increase the effective yield of the loan. The cost and availability of credit for real estate financing influence both the quantity and quality of real estate demanded and supplied. Additional financing adjustments could be made based on owner financing, favorable financing terms, or assumptions. The comparable sales were purchased with cash, or third party financing which requires no adjustment.

**Sale Conditions**

Sale condition adjustments account for factors such as buyer or seller motivation, which affect the purchase price. The sales were evaluated and no adjustments for sale conditions are considered necessary.

### **Expenditures Made Immediately After Purchase**

A knowledgeable buyer considers expenditures that will have to be made upon purchase of a property because these costs affect the price the buyer agrees to pay. The anticipated costs are estimated unless specific expenditure data are available. The comparable sales were evaluated and no adjustments for expenditures are considered necessary.

### **Market Conditions**

The sales occurred between October 2018 and October 2019. Adjustments for market conditions are applied if property values have increased or decreased since the transaction dates. Based on our observations and analysis, real estate has appreciated approximately 4% annually. Each sale is adjusted accordingly.

### **Location**

Location adjustments account for differences in desirability (or locational appeal) in terms of general location, specifically the subject and comparable sub-market, income and vacancies, and other locational influences. The comparable sales have similar locational appeal and are not adjusted.

## **PHYSICAL CHARACTERISTICS**

### **Access**

Access has significant bearing on real estate in the market. Access is defined as the points, or number of points available for ingress/egress to the subject site or ease of access to the site from abutting roadways. Sale properties are adjusted based on their inferiority/superiority as compared with the subject. The comparable sales are similar to the subject and are not adjusted.

### **Size**

This adjustment accounts for the impact of size on value. Typically, a larger property will sell for less on a per square foot basis than a smaller property, assuming all other factors are relatively equal. Typically, through experience with similar properties, a 0%-15% adjustment may be necessary to account for size differences. Sale Nos. 3 and 4 are adjusted -5% and 5%, respectively, for their size difference, with no adjustments being applied to Sale Nos. 1 and 2.

### **Land-to-Building Ratio (LTB)**

Land to building ratio is calculated by dividing the number of square feet of land by the number of square feet of building area. This is expressed for example as 5:1, or 5 square feet of land for 1 square foot of building area. When the subject exhibits a higher LTB ratio than the sale sample, the comparable typically warrants a negative adjustment given the superior available land for parking, drives, etc. of the subject. Additionally, a higher LTB leaves room for expansion. Lower LTB ratios have the opposite effect due to a higher building coverage, when the subject has a lower LTB as compared with a sale sample, the sales typically warrant a positive adjustment. Each of the sales is adjusted for its differences compared to the subject. The subject's LTB is 2.3:1, while Sale Nos. 1, 2, 3, and 4 have an LTB of 2.8:1, 11.6:1, 4.0:1, and 4.7:1, correspondingly. Sale Nos. 1, 2, 3, and 4 are adjusted 0%, -5%, 0%, and 0%, based on the sales' land-to-building ratios.

### **Age**

Sale Nos. 1, 2, 3, and 4 were constructed in 2012, 2004, 2017, and 2009, which have effective (or actual) ages of 5 years, 12 years, 3 years, and 10 years, respectively. The subject improvements were built in 1973 and will be renovated in 2021. The effective age of the subject is estimated at two years. Each of the sales is adjusted based on its effective age as compared to the subject's effective age; each comparable is adjusted 1% for each 3 years of difference in effective age.

### **Condition**

The improvements are in good condition. Sale Nos. 1, 2, 3, and 4 are in similar condition, with no adjustments necessary.

### **Quality**

Inherent in this adjustment is recognition of the aesthetic appeal of each property, quality, and interior finish. The required adjustments could not be extracted from the available indicators and were therefore based on reasonable estimates of differences in overall appeal between the subject and selected transactions. The subject is good quality, with the quality of Sale Nos. 1, 2, 3, and 4 being considered good, good, good, and good, respectively. Sale Nos. 1, 2, 3, and 4 are similar to the subject, with no adjustments to these comparable sales.

## SALES COMPARISON APPROACH

### ADJUSTMENTS

The following grid summarizes the adjustment process.

IMPROVED SALES ADJUSTMENTS				
Sale No.	1	2	3	4
Year Built	2012	2004	2017	2009
Size SF	86,128	116,402	54,090	224,000
Sale Date	Oct-19	May-19	Nov-18	Oct-18
Sale Price	\$33,600,000	\$47,294,000	\$27,117,213	\$96,000,000
Sale Price Per SF	\$390.12	\$406.30	\$501.34	\$428.57
Rights Conveyed	-0-	-0-	-0-	-0-
Financing	-0-	-0-	-0-	-0-
Sale Conditions	-0-	-0-	-0-	-0-
Immediate Expenditures	-0-	-0-	-0-	-0-
Market Conditions	4%	5%	7%	8%
Adjusted Price	\$405.72	\$426.62	\$536.43	\$462.86
Location	-0-	-0-	-0-	-0-
Access	-0-	-0-	-0-	-0-
Size	-0-	-0-	-5%	5%
Land-to-Building Ratio	-0-	-5%	-0-	-0-
Age	1%	3%	-0-	3%
Condition	-0-	-0-	-0-	-0-
Quality	-0-	-0-	-0-	-0-
Net Adjustment	1%	-2%	-5%	8%
Adjusted Price/SF	<b>\$409.78</b>	<b>\$418.09</b>	<b>\$509.61</b>	<b>\$499.89</b>

### Additional Dallas/Fort Worth Hospital Sales Data Analysis

The following table summarizes other sales of Dallas/Fort Worth hospitals that occurred in 2016.

SUMMARY OF SALES - Dallas/Fort Worth Hospital Sales				
Sale Date	Location	Sale Price	SF	Price/SF
Jun-2016	3305 Corinth Parkway (Corinth)	\$ 28,000,000	59,904	\$467.41
Jun-2016	11990 North Central Expressway (Dallas) *	\$ 130,000,000	191,061	\$680.41
Mar-2016	5500 Frisco Square Boulevard (Frisco) *	\$ 77,250,000	137,000	\$563.87
Jan-2016	4100 Mapleshade Lane (Plano)	\$ 17,500,000	24,000	\$729.17

\* - These properties were bankruptcy sales.

While older transactions, these additional sales are considered in the final valuation, as comparable Dallas/Fort Worth hospital properties under the principle of substitution. These additional sales range in price from \$467 to \$729 per square foot, with an average of \$610 per square foot and a median of \$622 per square foot.

## SALES COMPARISON APPROACH

### Additional National Hospital Sales Data Analysis

The following table summarizes other recent sales across the nation.

SUMMARY OF SALES - National Hospital Sales				
Sale Date	Location	Sale Price	Size SF	Price/SF
Dec-2019	200 Medical Park Blvd (Petersburg, VA)	\$ 100,070,100	160,000	\$625.44
Aug-2019	40100 US Highway 27 (Davenport, FL)	\$ 90,000,000	282,423	\$318.67
Dec-2018	514 Cleveland Street (Great Bend, KS)	\$ 32,450,000	63,978	\$507.21
May-2018	220 Springfield Drive (Bloomington, IL)	\$ 22,955,333	53,865	\$426.16
Dec-2017	6501 North 19th Avenue (Phoenix, AZ)	\$ 20,300,000	59,921	\$338.78
Dec-2017	2400 Gold Road (Pewaukee, WI)	\$ 30,600,000	75,000	\$408.00
Dec-2017	2131 South Bonito Way (Meridian, ID)	\$ 30,600,000	60,029	\$509.75

These additional sales are considered in the final valuation, as comparable national hospital properties under the principle of substitution. These additional sales range in price from \$319 to \$625 per square foot, with an average of \$448 per square foot and a median of \$426 per square foot.

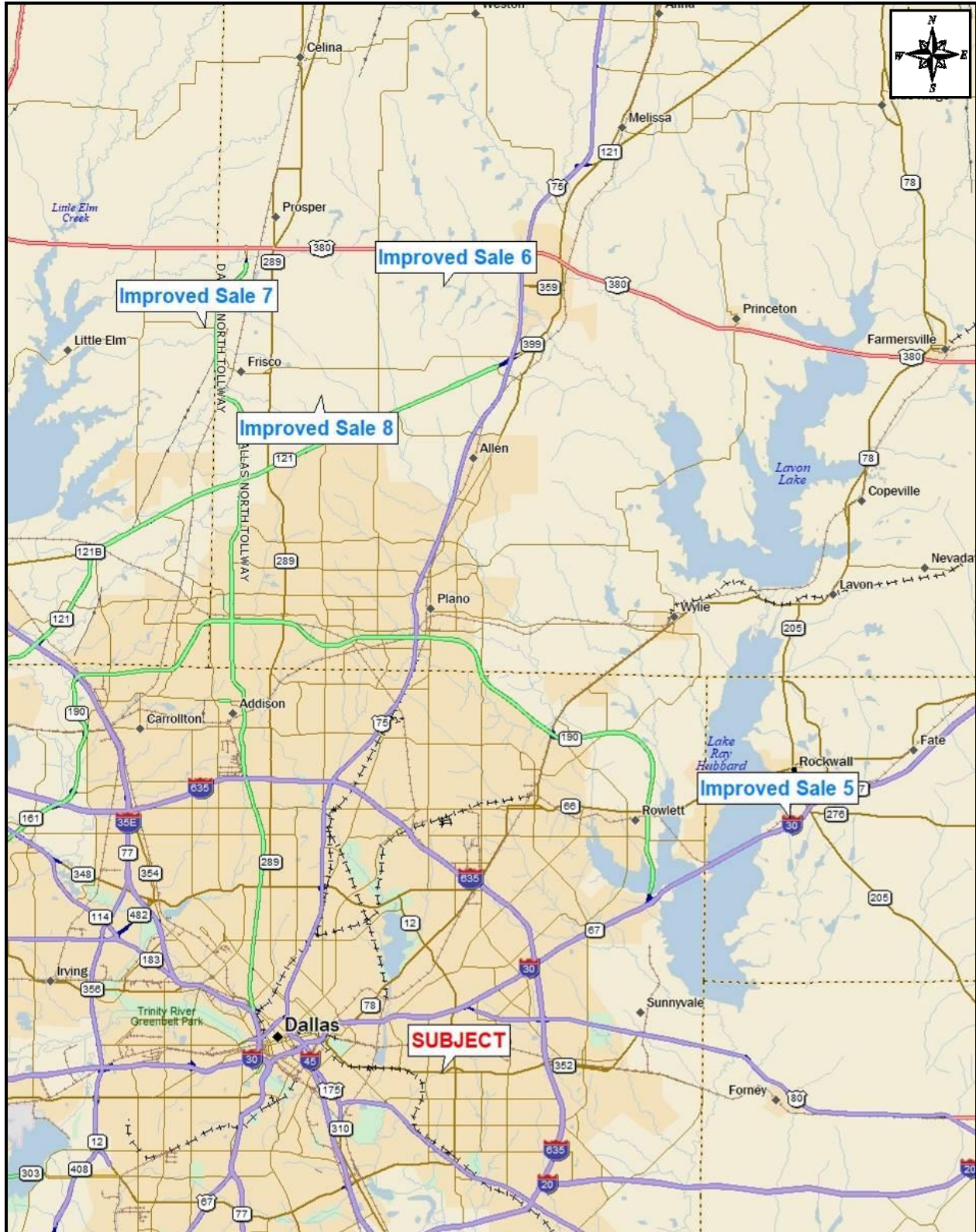
### SALES COMPARABLE CONCLUSION - HOSPITAL

The sales used in this valuation are the most recent available and were selected to accurately reflect the value range of properties similar to the subject. The direct sales comparison method indicates a range from \$409.78 to \$509.61 per square foot, with an average of \$459.34 per square foot and a median of \$458.99 per square foot. Based on the comparable sales, considering the size, condition, layout, and occupancy of the subject, the indicated value is estimated to be \$460.00 per square foot, or \$57,200,000.

VALUE INDICATED BY THE SALES PRICE PER SQUARE FOOT METHOD				
<u>Size SF</u>		<u>\$/SF</u>		<u>Indicated Value</u>
124,350	x	\$460.00	=	\$57,201,000
<b>Value by Sales Comparison</b>				<b>\$57,200,000</b>



IMPROVED SALES MAP – MEDICAL OFFICE BUILDING



### Improved Sale No. 5



*Image Source: Google Maps (Imagery date: July 2018)*

<b>Location</b>	825 East Yellow Jacket Lane Rockwall, Rockwall County, Texas
<b>Grantor</b>	Rockwall ASC Real Estate, LLC
<b>Grantee</b>	Richard W. McKee Revocable Trust
<b>Record Data</b>	
Date	June 18, 2020
Document No.	202000000013358
<b>Consideration</b>	\$4,650,000
<b>Sale Price/SF</b>	\$393.23
<b>Conditions of Sale</b>	Cash (or cash equivalent) to the seller
<b>Physical Description</b>	
Land Area	
Acres	1.20 AC
Square Feet	52,219 SF
Building Coverage	22.65%
Gross Building Area	11,825 SF
Year Built	2004
Occupancy @ Sale	100%
Description	Medical Office Building
Quality	Good
<b>Comments</b>	This property is located at the southwest corner of West Yellowstone Jacket Lane and Greencrest Boulevard. This property is a medical office building, with a single tenant. According to the broker, this property transacted on a 7.14% overall rate.

### Improved Sale No. 6



*Image Source: Google Maps (Imagery date: October 2018)*

<b>Location</b>	5561 Virginia Parkway McKinney, Collin County, Texas
<b>Grantor</b>	DAR Properties One, LLC
<b>Grantee</b>	Virginia Parkway Properties, LLC
<b>Record Data</b>	
Date	May 13, 2019
Document No.	20190513000533040
<b>Consideration</b>	\$3,700,000
<b>Sale Price/SF</b>	\$368.38
<b>Conditions of Sale</b>	Cash (or cash equivalent) to the seller

#### Physical Description

Land Area	
Acres	1.08 AC
Square Feet	47,045 SF
Building Coverage	21.35%
Gross Building Area	10,044 SF
Year Built	2011
Occupancy @ Sale	100%
Description	Medical Office Building
Quality	Good

<b>Comments</b>	This property is located along the southern line of Virginia Parkway, at Flat Rock Drive. This property is a medical office building, with a single tenant. According to the broker, this property transacted on a 6.93% overall rate and was part of a 1031 exchange.
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## SALES COMPARISON APPROACH

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### Improved Sale No. 7



*Image Source: Google Maps (Imagery date: October 2018)*

<b>Location</b>	4685 Eldorado Parkway Frisco, Denton County, Texas
<b>Grantor</b>	ELW Properties, LLC
<b>Grantee</b>	Kilgore Synergy Ventures, LP & Fairfield Business Ventures, LLC
<b>Record Data</b>	
Date	December 13, 2018
Document No.	2018-146775
<b>Consideration</b>	\$6,000,000
<b>Sale Price/SF</b>	\$599.58
<b>Conditions of Sale</b>	Cash (or cash equivalent) to the seller
<b>Physical Description</b>	
Land Area	
Acres	1.69 AC
Square Feet	73,568 SF
Building Coverage	13.60%
Gross Building Area	10,007 SF
Year Built	2007
Occupancy @ Sale	100%
Description	Medical Office Building
Quality	Excellent
<b>Comments</b>	This property is located at the southwest corner of Eldorado Parkway and Legacy Drive. This property is a medical office building, with two tenants. According to the broker, this property transacted on a 7.3% overall rate.

### Improved Sale No. 8



*Image Source: Google Maps (Imagery date: November 2018)*

<b>Location</b>	12600 Rolater Road Frisco, Collin County, Texas
<b>Grantor</b>	AccessBank TX
<b>Grantee</b>	12600 Rolater Road, LP
<b>Record Data</b>	
Date	October 31, 2018
Document No.	20181105001370490
<b>Consideration</b>	\$5,800,000
<b>Sale Price/SF</b>	\$681.15
<b>Conditions of Sale</b>	Cash (or cash equivalent) to the seller
<b>Physical Description</b>	
Land Area	
Acres	1.39 AC
Square Feet	60,548 SF
Building Coverage	14.06%
Gross Building Area	8,515 SF
Year Built	2016
Occupancy @ Sale	0%
Description	Medical Office Building
Quality	Excellent
<b>Comments</b>	This property is located adjacent to the northwest corner of Rolater Road and Coit Road. This property is a medical office building that was constructed as a free standing ER.

## SALES COMPARISON APPROACH

Summary of Improved Sales					
Sale No.	Address	YOC	Size SF	Price/SF	Date of Sale
5	825 East Yellow Jacket Lane Rockwall, Rockwall County, Texas	2004	11,825	\$393.23	Jun-2020
6	5561 Virginia Parkway McKinney, Collin County, Texas	2011	10,044	\$368.38	May-2019
7	4685 Eldorado Parkway Frisco, Denton County, Texas	2007	10,007	\$599.58	Dec-2018
8	12600 Rolater Road Frisco, Collin County, Texas	2016	8,515	\$681.15	Oct-2018

The sales in this sample were selected from a larger group as being most similar in overall physical characteristics as compared to the subject. The sale sample ranges in size from 8,515 square feet to 11,825 square feet, and were constructed between 2004 and 2016.

### ADJUSTMENT DESCRIPTIONS AND ANALYSIS

The first step in any comparative analysis is to identify which elements of comparison affect property values in the subject market. Each of the basic elements of comparison must be analyzed to determine whether an adjustment is required. If sufficient information is available, a quantitative adjustment can be made.

Adjustments for differences are made to the price of each comparable property to make that property equivalent to the subject in market appeal on the effective date of the opinion of value. The magnitude of the adjustment made for each element of comparison depends on how much that characteristic of the comparable property differs from the subject property. We have considered all appropriate elements of comparison in the following discussions.

In the following analysis, consideration is given for rights conveyed, financing, sale and market conditions, location, and physical characteristics. Property rights conveyed and financing are basic components of sale. Rights conveyed should be identical and financing should be on a cash equivalent basis. Sale conditions require analysis to determine any unusual characteristics. Consideration of market conditions is necessary because of the cyclical nature of the real estate market and continuous economic change. The location adjustment considers factors such as type, compatibility, quality, desirability, and accessibility of area development. Comparison of utility considers such factors as age, size, condition, and quality.

### RIGHTS CONVEYED, FINANCING, SALE, EXPENDITURES, MARKET CONDITIONS, AND LOCATION

#### Rights Conveyed

When property rights are sold, they may be the sole subject of the contract or the contract may include other rights, less than all of the real property rights, or even another property or properties. Before the price of a comparable sale property can be used in sales comparison analysis, the appraiser must first ensure that the sale price of the comparable property applies to property rights that are similar to those being appraised. To do so, adjustments may be required before specific differences in the physical real estate can be compared. The comparable sale are similar to the subject and are not adjusted.



### **Financing**

The transaction price of one property may differ from that of an identical property due to different financing arrangements. The cost of financing includes the interest rate and any points, discounts, equity participations, or other charges that the lender requires to increase the effective yield of the loan. The cost and availability of credit for real estate financing influence both the quantity and quality of real estate demanded and supplied. Additional financing adjustments could be made based on owner financing, favorable financing terms, or assumptions. The comparable sales were purchased with cash, or third party financing which requires no adjustment.

### **Sale Conditions**

Sale condition adjustments account for factors such as buyer or seller motivation, which affect the purchase price. The sales were evaluated and no adjustments for sale conditions are considered necessary.

### **Expenditures Made Immediately After Purchase**

A knowledgeable buyer considers expenditures that will have to be made upon purchase of a property because these costs affect the price the buyer agrees to pay. The anticipated costs are estimated unless specific expenditure data are available. The comparable sales were evaluated and no adjustments for expenditures are considered necessary.

### **Market Conditions**

The sales occurred between October 2018 and June 2020. Adjustments for market conditions are applied if property values have increased or decreased since the transaction dates. Based on our observations and analysis, real estate has appreciated approximately 4% annually. Each sale is adjusted accordingly.

### **Location**

Location adjustments account for differences in desirability (or locational appeal) in terms of general location, specifically the subject and comparable sub-market, income and vacancies, and other locational influences. The comparable sales have similar locational appeal and are not adjusted.

## **PHYSICAL CHARACTERISTICS**

### **Access**

Access has significant bearing on real estate in the market. Access is defined as the points, or number of points available for ingress/egress to the subject site or ease of access to the site from abutting roadways. Sale properties are adjusted based on their inferiority/superiority as compared with the subject. The comparable sales are similar to the subject and are not adjusted.

### **Size**

This adjustment accounts for the impact of size on value. Typically, a larger property will sell for less on a per square foot basis than a smaller property, assuming all other factors are relatively equal. Typically, through experience with similar properties, a 0%-15% adjustment may be necessary to account for size differences. The comparable sales are similar in size as the subject, with no adjustments being applied.

### **Age**

Sale Nos. 5, 6, 7, and 8 were constructed in 2004, 2011, 2007, and 2016, which have effective (or actual) ages of 10 years, 5 years, 10 years, and 4 years, respectively. The subject improvements were built in 1973 and will be renovated in 2021. The effective age of the subject is estimated at two years. Each of the sales is adjusted based on its effective age as compared to the subject's effective age; each comparable is adjusted 1% for each 3 years of difference in effective age.

### **Condition**

The improvements are in good condition. Sale Nos. 5, 6, 7, and 8 are in similar condition, with no adjustments necessary.

### **Quality**

Inherent in this adjustment is recognition of the aesthetic appeal of each property, quality, and interior finish. The required adjustments could not be extracted from the available indicators and were therefore based on reasonable estimates of differences in overall appeal between the subject and selected transactions. The subject is good quality, with the quality of Sale Nos. 5, 6, 7, and 8 being considered good, good, excellent, and excellent, respectively. Sale Nos. 5, 6, 7, and 8 are adjusted 5%, 5%, -5%, and -15%, respectively for their differences in construction quality compared to the anticipated construction of the subject.

## SALES COMPARISON APPROACH

### ADJUSTMENTS

The following grid summarizes the adjustment process.

IMPROVED SALES ADJUSTMENTS				
Sale No.	5	6	7	8
Year Built	2004	2011	2007	2016
Size SF	11,825	10,044	10,007	8,515
Sale Date	Jun-20	May-19	Dec-18	Oct-18
Sale Price	\$4,650,000	\$3,700,000	\$6,000,000	\$5,800,000
Sale Price Per SF	\$393.23	\$368.38	\$599.58	\$681.15
Rights Conveyed	-0-	-0-	-0-	-0-
Financing	-0-	-0-	-0-	-0-
Sale Conditions	-0-	-0-	-0-	-0-
Immediate Expenditures	-0-	-0-	-0-	-0-
Market Conditions	1%	5%	7%	8%
Adjusted Price	\$397.16	\$386.80	\$641.55	\$735.64
Location	-0-	-0-	-0-	-0-
Access	-0-	-0-	-0-	-0-
Size	-0-	-0-	-0-	-0-
Age	3%	1%	3%	1%
Condition	-0-	-0-	-0-	-0-
Quality	5%	5%	-5%	-15%
Net Adjustment	8%	6%	-2%	-14%
Adjusted Price/SF	<b>\$428.93</b>	<b>\$410.01</b>	<b>\$628.72</b>	<b>\$632.65</b>

### Additional Medical Office Sales Data Analysis

The following table summarizes other recent sales of medical offices.

SUMMARY OF SALES - Medical Office Sales				
Sale Date	Location	Sale Price	Size SF	Price/SF
Mar-2020	500 South Henderson Street (Fort Worth)	\$ 48,500,000	98,497	\$492.40
Nov-2019	4825 Alliance Boulevard (Plano)	\$ 20,100,000	47,992	\$418.82

These additional sales are considered in the final valuation, as comparable medical office properties under the principle of substitution; however, these comparable sales are significantly larger in size when compared to the subject. These additional sales range in price from \$418.82 to \$492.40 per square foot.

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## SALES COMPARISON APPROACH

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### SALES COMPARABLE CONCLUSION – MEDICAL OFFICE BUILDING

The sales used in this valuation are the most recent available and were selected to accurately reflect the value range of properties similar to the subject. The direct sales comparison method indicates a range from \$410.01 to \$632.65 per square foot, with an average of \$525.08 per square foot and a median of \$528.83 per square foot. Based on the comparable sales, considering the size, condition, layout, and occupancy of the subject, the indicated value is estimated to be \$520.00 per square foot, or \$8,580,000.

VALUE INDICATED BY THE SALES PRICE PER SQUARE FOOT METHOD				
<u>Size SF</u>		<u>\$/SF</u>		<u>Indicated Value</u>
16,500	x	\$520.00	=	\$8,580,000
<b>Value by Sales Comparison</b>				<b>\$8,580,000</b>

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## SALES COMPARISON APPROACH

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### SALES COMPARABLE CONCLUSION

The concluded value of the hospital portion of the analysis is \$57,200,000, while the medical office building is valued at \$8,580,000, with a combined value of \$65,780,000.

#### SUMMARY OF VALUES

Hospital	\$57,200,000
Medical Office	\$8,580,000
<b>Total</b>	<b>\$65,780,000</b>

The subject has FF&E totaling \$7,746,000. The value of the FF&E is added to the estimated value via the sales comparison method, resulting in total value of **\$73,526,000**.

Subtracting the construction costs of the renovation/upgrade of \$53,237,000 from the “Prospective Future Value, Upon Completion” value results in a ‘pre-discounted’ value of \$12,543,000. By applying an annual discount rate of 11.0% over the completion term (1.00 year or 12 months), “Prospective Future Value, Upon Completion of Pre-Construction” value via the sales comparison approach is \$11,300,000.

Prospective Future Value - Discounted, via Sales Comparison Approach	
Prospective Future Value, Upon Completion	\$65,780,000
Less: Construction costs	\$53,237,000
Prospective Future Value, Upon Completion - Pre-Discount	\$12,543,000
Discount Rate (annual)	11.0%
Completion Term	1.00 year
Prospective Future Value, Upon Completion of Pre-Construction	\$11,300,000
<b>Prospective Future Value, Upon Completion of Pre-Construction</b>	<b>\$11,300,000</b>

Subtracting the construction costs of the ‘pre-construction’ (being the asbestos abatement, interior demolition, and related costs) of \$2,281,816 from the “Prospective Future Value, Upon Completion of Pre-Construction” value results in a ‘pre-discounted’ value of \$9,018,184. By applying an annual discount rate of 11.0% over the stabilization term (0.25 year or 3 months), “Fee Simple, As Is” value via the sales comparison approach is \$8,785,000.

As Is Value - Discounted, via Sales Comparison Approach	
Prospective Future Value, Upon Completion of Pre-Construction	\$11,300,000
Less: Construction costs - Asbestos Abatement, Demolition	\$2,281,816
Prospective Future Value, Upon Completion of Pre-Construction - Pre-Discount	\$9,018,184
Discount Rate (annual)	11.0%
Stabilization Term	0.25 year
Fee Simple, As Is	\$8,785,942
<b>Fee Simple, As Is</b>	<b>\$8,785,000</b>

In the preceding sections of this report, the area data and trends, location amenities, highest and best use, and other elements of value are discussed. The market was researched for comparable improved sales, and income producing properties.

<b>SUMMARY OF APPROACHES - As Is</b>	
Cost Approach	\$4,683,000
Sales Comparison Approach	\$8,785,000
Income Capitalization Approach	N/A
<b>Reconciled Value</b>	<b>\$8,785,000</b>

<b>SUMMARY OF APPROACHES - Upon Completion</b>	
Cost Approach	\$69,286,000
Sales Comparison Approach	\$73,526,000
Income Capitalization Approach	N/A
<b>Reconciled Value</b>	<b>\$73,526,000</b>

Finally, considering the approaches to value, each approach is analyzed in terms of the quantity and quality of the data used in each approach and applicability to estimate a reliable value.

### **Cost Approach**

Sufficient sales of tracts of land with similar utility are available to arrive at an opinion of value of the land by market comparison. The estimated costs are compared with the Marshall Valuation Service Cost Manual. Additionally, a review of cost manuals, conversations with local building contractors and developers, and the appraiser's experience in valuing similar properties readily support these costs.

The cost approach is most applicable when a property is new or proposed and when the development represents the highest and best use of the site. The age of the improvements is estimated at 2 years. Overall, the cost approach is a reliable valuation method for this analysis.

### **Sales Comparison Approach**

The price per square foot is used in the sales comparison approach to provide an indication of value for the subject. These transactions are considered to reflect the behavior of typical market participants. Although the sales were somewhat different in age, size, and use, they provide reasonable value indications of the subject, after adjustment for these various differences. The value range produced by this approach is a reasonable indicator based on the best available market data.

### **Income Capitalization Approach**

Due to the subject being owner occupied, special use, and its highest and best use, the income capitalization approach is not as reliable as the cost and sales comparison approaches. As such, the income capitalization approach is not utilized in this appraisal.



**CONCLUSION**

In conclusion, the cost approach is a supporting valuation approach, due to the age of the improvements and anticipated renovations/updates, which represents the highest and best use of the site. The sales comparison approach is the most reliable indicators due to both the quality and quantity of the available sale data, and provide a good basis for valuation, with emphasis given to the sales comparison approach. Based on this type of property, our final opinion of market value of the subject is as follows:

**Market Value Opinion**

<b>Market Value, As Is - Real Estate</b>	<b>\$ 8,785,000</b>
<b>Prospective Value, Upon Completion Pre-Construction (December 2020)</b>	<b>\$ 11,300,000</b>
<b>Real Estate - Improvements/Land</b>	<b>\$ 65,780,000</b>
<b>Furniture, Fixtures, and Equipment</b>	<b>\$ 7,746,000</b>
<b>Prospective Value, Upon Completion (December 2021)</b>	<b>\$ 73,526,000</b>

**EXTRAORDINARY ASSUMPTIONS**

*As the renovations/updates of the improvements are proposed, this appraisal is based on the assumption the subject will be renovated as represented to the appraiser at the time of the appraisal, and that all construction and development will proceed in a timely manner and without delay or cost overruns; the occupancy information provided by the property owner is true and accurate; in addition, it is assumed that the economic conditions projected in this appraisal will not change significantly over the projected renovation period of the subject.*

*As of March 2020, the world market has been affected by the Coronavirus Disease 2019 (COVID-19) and the effects on world markets are unknown at this time. This report is based on historical data available and researched up to the date of the report. Although the appraiser has diligently investigated and researched the available data, there is currently insufficient evidence to indicate what effect, if any, the world market will have on the local economy and this report assumes that current conditions will remain unchanged. Should this not be the case, the conclusions and values expressed in this report could change.*

*This appraisal assumes that all of the information obtained for analysis is accurate; this information has been verified to the extent possible by the appraisers.*

**HYPOTHETICAL CONDITIONS**

*At the request of the client and for purposes of this appraisal, the subject is valued as if the improvement renovations/updates were completed and available to the market as of the completion date, December 2021.*

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## REASONABLE MARKETING PERIOD

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The request to provide a reasonable marketing time opinion exceeds the normal information required for the conduct of the appraisal process, and is treated separately from the process.

Reasonable marketing time, as defined by the Uniform Standards of Professional Appraisal Practice, Advisory Opinion No. 7, is an opinion of the amount of time it might take to sell a real or personal property interest in at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

The development of a marketing time opinion uses some of the same data analyzed in the process of developing a reasonable exposure time opinion as part of the appraisal process and is not intended to be a prediction of a date of sale or a one-line statement. It is an integral part of the analyses conducted during the appraisal assignment. This opinion may be expressed as a range and can be based on one or more of the following:

- statistical information about days on market
- information gathered through sales verification
- interviews of market participants
- anticipated changes in market conditions

Related information of market conditions that may affect marketing time includes identification of typical buyers and sellers for the type of real estate involved and typical equity investment levels and financing terms. Reasonable marketing time is a function of price, time, use, and shifting market conditions, e.g. changes in the cost and availability of funds-not an isolated opinion of time alone. The price that may be achieved in the future, at the end of the marketing period, may or may not be equal to the current appraised value opinion, depending on potential changes in the physical real estate, demographic and economic trends, the real estate market, tenancy, property operations, and the effectiveness of the marketing program, among other factors.

A reasonable marketing period for the subject property at the market value opinion stated above is developed in the following manner:

The opinion of value reached herein is considered supportable and reliable. It is based upon recent market data including conversations with area brokers and principals involved in the comparable sales utilized in the valuation of the subject.

According to local brokers, appropriately priced similar properties generally sell within time periods ranging from approximately 8 to 16 months. This opinion was supported by the marketing times reported by several of the parties to the improved comparable sales utilized herein. A reasonable marketing time for the subject property, priced in accordance with the market value opinion concluded in this report, is considered to be 12 to 36 months.

## APPRAISER'S CERTIFICATE

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The undersigned do hereby certify that, except as otherwise noted in this appraisal report:

I have no present or contemplated future interest in the real estate that is the subject of this appraisal report. I have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved. My engagement in this assignment was not contingent upon developing or reporting predetermined results. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

To the best of my knowledge and belief, the statements of fact contained in this appraisal report, upon which analyses, opinions and conclusions expressed herein are based, are true and correct.

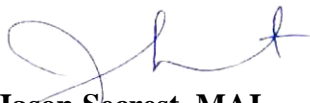
This appraisal report sets forth all of the assumptions and limiting conditions (imposed by the terms of my assignment or by the undersigned) affecting the analyses, opinions, and conclusions contained in this report. These are my personal, impartial, unbiased professional analyses, opinions, and conclusions.

This appraisal report has been made in conformity with the Uniform Standards of Professional Appraisal Practice. I certify that, to the best of my knowledge and belief, the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute and in conformity with the rules of the Texas Real Estate Commission. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

The Appraisal Institute conducts a program of continuing education for its designated members. As of the date of this appraisal, Jason Secrest has completed the requirements of the continuing education program for Designated Members of the Appraisal Institute.

I have 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. No one provided real property appraisal assistance to Jason Secrest, who signs this certification. I certify that Jason Secrest personally inspected the property appraised.

**PYLES WHATLEY**



**Jason Secrest, MAI**

State of Texas Certification #TX-1337373-G

### JASON A. SECREST, MAI

Appraisal assignments entail on-site inspection, market research, data analysis, and valuation. Completed assignments include the following: shopping centers, retail and industrial properties, multi-family residential, office buildings, land development, subdivision analyses, right-of-way (condemnation) projects, conservation easements, expert witness testimony, and market analyses.

#### Experience

- Appraised commercial properties, with PYLES-WHATLEY CORPORATION from 2004 to 2007 and since 2010.
- Appraising commercial properties, with JACKSON HOLE REAL ESTATE & APPRAISAL from 2007 to 2010.
- Six-years experience in Information Technology and Telecommunications industries as a financial consultant and negotiator, with ELECTRONIC DATA SYSTEMS (EDS).

#### Education

- Bachelor of Science – Business Finance, Brigham Young University, 1998
- Completed numerous appraisal courses and seminars conducted by the Appraisal Institute and various real estate and financial organizations.

#### Professional Licenses

- State of Texas – Certified General Real Estate Appraiser: #1337373-G
- State of Oklahoma – Certified General Real Estate Appraiser: #13437CGA

#### Affiliations

- Appraisal Institute – MAI Designated Member
- International Right of Way Association, Chapter 36 – Member

# **ADDENDA**

# RENOVATION COSTS

Diamond Development  
+ CONSTRUCTION GROUP LLC

Re: Projected Budget

Building Summary

\$513.38 /sf

80%

20%

Estimated Cost: \$

72,130,024

Financing Required: \$

57,704,019

Equity Required: \$

14,426,005

inc garage

Project:

Tri City Hospital

Project No:

1940

Date:

07/21/2020

	Percent Project Cost	Unit Cost	Hard Cost	Soft Cost	Paid to Date	Total
<b>LAND COST</b>	<b>2%</b>	<b>\$12.10</b>	<b>\$ 1,700,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,700,000</b>
Land Acquisition	304,920.00 SF	\$5	\$ 1,550,000	\$ -	\$ -	\$ 1,550,000
Off Site Utility Improvements	1 LS	\$0.00	\$ 150,000	\$ -	\$ -	\$ 150,000
<b>PRE-CONSTRUCTION COSTS</b>	<b>3%</b>	<b>\$14.12</b>	<b>\$ 1,984,188</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,984,188</b>
Asbestos Abatement & Interior Demolition	100,000.00 SF	\$	\$ 1,142,299	\$ -	\$ -	\$ 1,142,299
Temporary Utility Installation	1 LS	\$	\$ 41,438	\$ -	\$ -	\$ 41,438
Security, Cleanup, Fence, Maintenance		\$	\$ 160,000	\$ -	\$ -	\$ 160,000
Allowances, Insurance & Misc Expenses	0.0% of	\$0	\$ 78,552.00	\$ -	\$ -	\$ 78,552
Consulting	0.0% of	\$0	\$ 45,000	\$ -	\$ -	\$ 45,000
General Conditions		\$	\$ 348,259.00	\$ -	\$ -	\$ 348,259
Fee 7%		\$	\$ 168,640.00	\$ -	\$ -	\$ 168,640
<b>CONSTRUCTION COST</b>	<b>64%</b>	<b>\$326.93</b>	<b>\$ 45,933,890</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,933,890</b>
Building Cost:	140,500 SF	\$	\$ -	\$ -	\$ -	\$ -
Site Work	304,920 LS	\$1.75	\$ 533,610	\$ -	\$ -	\$ 533,610
Site Utilities	304,920 LS	\$3.50	\$ 1,067,220	\$ -	\$ -	\$ 1,067,220
New Shell Space	16,500 SF	\$85.00	\$ 1,402,500	\$ -	\$ -	\$ 1,402,500
Existing Shell/Site Work to be Used (Credit)	85,000 SF	\$54.00	\$ 4,590,000	\$ -	\$ -	\$ 4,590,000
Hospital	124,000 SF	\$241.00	\$ 29,884,000	\$ -	\$ -	\$ 29,884,000
Parking Garage	77,000 SF	\$42.00	\$ 3,234,000	\$ -	\$ -	\$ 3,234,000
Landscaping	1 LS	\$285,000	\$ 285,000	\$ -	\$ -	\$ 285,000
Contractor's Fee	7.0% of	\$41,146,330	\$ 2,880,243	\$ -	\$ -	\$ 2,880,243
Owners Contingency	5.0% of	\$41,146,330	\$ 2,057,317	\$ -	\$ -	\$ 2,057,317
<b>EQUIPMENT &amp; FURNISHINGS</b>	<b>11%</b>	<b>\$56.16</b>	<b>\$ -</b>	<b>\$ 7,890,500</b>	<b>\$ -</b>	<b>\$ 7,890,500</b>
Signage & Graphics	1 LS	\$145,000	\$ -	\$ 145,000	\$ -	\$ 145,000
Equipment	1 LS	\$6,400,000	\$ -	\$ 6,400,000	\$ -	\$ 6,400,000
Low Voltage	140,500 LS	\$2.00	\$ -	\$ 281,000	\$ -	\$ 281,000
Furnishings & Artwork- Unit	67,000 EA	\$7.50	\$ -	\$ 502,500	\$ -	\$ 502,500
Security	140,500 EA	\$1.35	\$ -	\$ 189,675	\$ -	\$ 189,675
TV/Music/Data Systems	140,500 EA	\$2.65	\$ -	\$ 372,325	\$ -	\$ 372,325
<b>PROFESSIONAL FEES</b>	<b>5%</b>	<b>\$23.54</b>	<b>\$ -</b>	<b>\$ 3,306,936</b>	<b>\$ -</b>	<b>\$ 3,306,936</b>
Architects & Engineers	6.25% of	\$44,026,573	\$ -	\$ 2,751,661	\$ -	\$ 2,751,661
MEP Design	0	\$	\$ -	\$ inc	\$ -	\$ -
Structural Engineers		\$	\$ -	\$ inc	\$ -	\$ -
Interior Design Fees/ Purchasing	140,500 SF	\$2.75	\$ -	\$ 386,375	\$ -	\$ 386,375
Civil Engineer	7.00 AC	\$7,500.00	\$ -	\$ 52,500	\$ -	\$ 52,500
Graphics/Signage Consultant	1 LS	\$	\$ -	\$ -	\$ -	\$ -
Landscape Architect	1 ls	\$50,000.00	\$ -	\$ 50,000	\$ -	\$ 50,000
Surveyor	7.00 LS	\$7,200.00	\$ -	\$ 50,400	\$ -	\$ 50,400
Geotechnical Engineer	8 EA	\$650.00	\$ -	\$ 5,200	\$ -	\$ 5,200
Environmental Study	1 EA	\$10,800.00	\$ -	\$ 10,800	\$ -	\$ 10,800
<b>ADMINISTRATIVE COST</b>	<b>12%</b>	<b>\$63.12</b>	<b>\$ -</b>	<b>\$ 8,896,799</b>	<b>\$ -</b>	<b>\$ 8,896,799</b>
Testing	96 EA	\$350	\$ -	\$ 33,600	\$ -	\$ 33,600
Permit Fees	0.50% of	\$45,933,890	\$ -	\$ 229,669	\$ -	\$ 229,669
Utility/ Impact Fees	1 LS	\$4,500	\$ -	\$ 4,500	\$ -	\$ 4,500
Real Estate Commissions	6.00% of	\$1,550,000	\$ -	\$ 93,000	\$ -	\$ 93,000
Project Management	3.50% of	\$47,633,890	\$ -	\$ 1,667,186	\$ -	\$ 1,667,186
Marketing Expenses	1.00% LS	\$6,000,000	\$ -	\$ 6,000,000	\$ -	\$ 6,000,000
Taxes During Construction	1.25% of	\$45,933,890	\$ -	\$ 574,174	\$ -	\$ 574,174
Insurance	0.50% of	\$45,933,890	\$ -	\$ 229,669	\$ -	\$ 229,669
Project Related Reimbursable Expenses	1 LS	\$65,000	\$ -	\$ 65,000	\$ -	\$ 65,000
Relocation Expenses	1 LS	\$0	\$ -	\$ -	\$ -	\$ -
Utilities	3 EA	\$0	\$ -	\$ -	\$ -	\$ -
<b>FINANCING, LEGAL &amp; CLOSING COSTS</b>	<b>6%</b>	<b>\$31.33</b>	<b>\$ -</b>	<b>\$ 4,401,900</b>	<b>\$ -</b>	<b>\$ 4,401,900</b>
Construction Loan Amount:	80.0% of	\$45,740,000	\$ -	\$ 36,592,000	\$ -	\$ 36,592,000
Financing Fee	0.0% of	\$36,592,000	\$ -	\$ -	\$ -	\$ -
Interest (18 month loan)	7.5% of	\$36,592,000	\$ -	\$ 4,116,600	\$ -	\$ 4,116,600
Appraisal	1 LS	\$35,000	\$ -	\$ 35,000	\$ -	\$ 35,000
Special Inspection	18 LS	\$1,200	\$ -	\$ 21,600	\$ -	\$ 21,600
Permanent Loan		\$	\$ -	\$ -	\$ -	\$ -
Financing Fee	1.5% of	\$	\$ -	\$ -	\$ -	\$ -
Appraisal	1 LS	\$	\$ -	\$ -	\$ -	\$ -
Title Policy	1.0% of	\$	\$ -	\$ -	\$ -	\$ -
Closing Costs	1.5% of	\$	\$ -	\$ -	\$ -	\$ -
Legal Costs	0.5% of	\$45,740,000	\$ -	\$ 228,700	\$ -	\$ 228,700
	<b>100%</b>	<b>\$513.38</b>				
	<b>80.0%</b>					<b>\$14,426,005</b>

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## TAX INFORMATION

### Commercial Account #00000515323750000

[Location](#) [Owner](#) [Legal Desc](#) [Value](#) [Improvements](#) [Land](#) [Exemptions](#) [Estimated Taxes](#) [Building Footprint](#) [History](#)

#### Location (Current 2020)

**Address:** 7525 SCYENE RD

**Market Area:** 0

**Mapsc:** 48-T (DALLAS)

**DCAD Property Map**

**View Photo**

**2020 Current Appraisal Notice**

**Electronic Documents (ENS)**



**Print Homestead Exemption Form**

#### Owner (Current 2020)

BROCK MARVIN  
PO BOX 411406  
DALLAS, TEXAS 752418406

#### Multi-Owner (Current 2020)

Owner Name	Ownership %
BROCK MARVIN	100%

#### Legal Desc (Current 2020)

- 1: EAST TOWN OSTEOPATHIC HOSPITAL
- 2: BLK 4/6126 LT 3,BLK A/6126 LT 49&
- 3: PTLT 49,BLK C/5830 LTS2-6 AC 7.32
- 4: INT201900004936 DD01052019 CO-DC
- 5: 6126 004 00300 3DA6126 004

**Deed Transfer Date:** 1/7/2019

#### Value

2020 Proposed Values	
<b>Improvement:</b>	\$705,890
<b>Land:</b>	+ \$599,460
<b>Market Value:</b>	= \$1,305,350
<b>Revaluation Year:</b>	2019
<b>Previous Revaluation Year:</b>	2018

#### Improvements (Current 2020)

#	Desc: HOSPITAL	Total Area: 106,405 sqft	Year Built: 1973
1	<b>Construction</b> C-MASONRY, BLOCK, TILT-WALL <b>Foundation (Area):</b> CONCRETE BEAM (5,332 sqft) <b>Net Lease Area :</b> 106,405 sqft <b># Stories:</b> 4 <b># Units:</b> 0 <b>Basement (Area):</b> UNASSIGNED <b>Heat:</b> CENTRAL HEAT <b>A/C:</b> CENTRAL A/C	<b>Depreciation</b> <b>Physical:</b> 60% <b>Functional:</b> + 0% <b>External:</b> + 0% <b>Total:</b> = 60% <b>Quality:</b> LOW COST <b>Condition:</b> FAIR	<b>Appraisal Method</b> COST

#	State Code	Zoning	Frontage (ft)	Depth (ft)	Area	Pricing Method	Unit Price	Market Adjustment	Adjusted Price	Ag Land
1	COMMERCIAL IMPROVEMENTS	PLANNED DEVELOPMENT DISTRICT	0	0	318,859.0000 SQUARE FEET	STANDARD	\$2.50	-25%	\$599,455	N

No Exemptions

	City	School	County and School Equalization	College	Hospital	Special District
<b>Taxing Jurisdiction</b>	DALLAS	DALLAS ISD	DALLAS COUNTY	DALLAS CO COMMUNITY COLLEGE	PARKLAND HOSPITAL	UNASSIGNED
<b>Tax Rate per \$100</b>	\$0.7766	\$1.310385	\$0.2531	\$0.124	\$0.2695	N/A
<b>Taxable Value</b>	\$1,305,350	\$1,305,350	\$1,305,350	\$1,305,350	\$1,305,350	\$0
<b>Estimated Taxes</b>	\$10,137.35	\$17,105.11	\$3,303.84	\$1,618.63	\$3,517.92	N/A
<b>Tax Ceiling</b>					N/A	N/A
<b>Total Estimated Taxes:</b>						<b>\$35,682.85</b>

The estimated taxes are provided as a courtesy and should not be relied upon in making financial or other decisions. The Dallas Central Appraisal District (DCAD) does not control the tax rate nor the amount of the taxes, as that is the responsibility of each Taxing Jurisdiction. Questions about your taxes should be directed to the appropriate taxing jurisdiction. We cannot assist you in these matters. These tax estimates are calculated by using the most current certified taxable value multiplied by the most current tax rate. **It does not take into account other special or unique tax scenarios, like a tax ceiling, etc..** If you wish to calculate taxes yourself, you may use the [Tax Calculator](#) to assist you.

The diagram illustrates a building's structural layout with the following components and values:

- Top Section:**
  - Left side: 54, 0, 210, 54
  - Right side: 54, 26, 0, 54, 26
- Second Level:**
  - Left side: 482, 0, 12, 36, 5, 25
  - Right side: 40, 10, 70, 50
- Third Level:**
  - Left side: 134, 50, 0, 134, 200, 60
  - Right side: 77, 34, 50, 16, 58, 30
- Fourth Level:**
  - Left side: 60, 200
  - Right side: 79, 50, 100, 0, 44, 100
- Labels and Dimensions:**
  - 2ND FLOOR** (top left)
  - 1ST FLOOR** (top right)
  - 2 STORY** (middle left)
  - 1ST STORY** (middle right)
  - 3 STORY** (bottom left)
  - MAIN** (bottom right)
  - ANOP** (bottom right, near 30)
  - 66** (far right, top and bottom of a rectangular frame)

# **ZONING EXCERPT**

## **ARTICLE 86.**

### **PD 86.**

#### **SEC. 51P-86.101. LEGISLATIVE HISTORY.**

PD 86 was established by Ordinance No. 15040, passed by the Dallas City Council on November 10, 1975. Ordinance No. 15040 amended Ordinance No. 10962, Chapter 51 of the 1960 Revised Code of Civil and Criminal Ordinances of the City of Dallas. Ordinance No. 15040 was amended by Ordinance No. 15191, passed by the Dallas City Council on June 1, 1976; Ordinance No. 20639, passed by the Dallas City Council on May 23, 1990; and Ordinance No. 21377, passed by the Dallas City Council on August 12, 1992. (Ord. Nos. 10962; 15040; 15191; 20639; 21377; 25423)

#### **SEC. 51P-86.102. PROPERTY LOCATION AND SIZE.**

PD 86 is established on property generally located north of the north line of Scyene Road, east of Loganwood and west of McNeil Street. The size of PD 86 is approximately 7.26 acres. (Ord. Nos. 15040; 21377; 25423)

#### **SEC. 51P-86.103. DEFINITIONS AND INTERPRETATIONS.**

(a) Unless otherwise stated, the definitions and interpretations in Chapter 51 apply to this article.

(b) Unless otherwise stated, all references to articles, divisions, or sections in this article are to articles, divisions, or sections in Chapter 51. (Ord. 25423)

#### **SEC. 51P-86.104. DEVELOPMENT PLAN.**

Use and development of property within this PD must be in conformance with the development plan (Exhibit 86A). Development must occur in accordance with the phases designated on the development plan. (Ord. Nos. 21377; 25423)

#### **SEC. 51P-86.105. USES.**

Uses are restricted to a hospital and doctor's offices. (Ord. Nos. 21377; 25423)

#### **SEC. 51P-86.106. ACCESSORY USES.**

Accessory uses are subject to the regulations governing accessory uses contained in Section 51-4.217. An accessory helistop or heliport is not permitted in this district. (Ord. Nos. 21377; 25423)

#### **SEC. 51P-86.107. HEIGHT.**

No building or structure may exceed a height of 60 feet. (Ord. Nos. 21377; 25423)

**SEC. 51P-86.108. SCREENING.**

Adequate screening must be provided as shown on the development plan. An eight-foot-high solid screening fence must be provided and maintained along all perimeters of this district that have residential adjacency. No screening fence is required along the western boundary of the PD separating the parking area from Lots 48 and 49 in City Block A/6126 except as otherwise shown on the development plan. (Ord. Nos. 21377; 25423)

**SEC. 51P-86.109. OFF-STREET PARKING.**

Parking must be provided at a ratio of one space per bed for the hospital and one space per 150 square feet of floor area for the doctor's offices. (Ord. Nos. 21377; 25423)

**SEC. 51P-86.110. SIGNS.**

All signs must comply with the provisions governing non-business zoning districts contained in Article VI. (Ord. Nos. 21377; 25423)

**SEC. 51P-86.111. OPEN SPACE.**

The creek area along the northwestern boundary of the PD must be maintained as open space, with no filling or construction of buildings to occur within the creek area. (Ord. Nos. 21377; 25423)

**SEC. 51P-86.112. LANDSCAPING.**

Landscaping must be provided as shown on the development plan, with all existing trees to be retained as indicated. (Ord. Nos. 21377; 25423)

**SEC. 51P-86.113. GENERAL REQUIREMENTS.**

Development and use of the property within this PD must comply with all applicable federal and state laws and regulations, and with all applicable ordinances, rules, and regulations of the city. (Ord. Nos. 21377; 25423)

**SEC. 51P-86.114. STREETS AND PAVING.**

All paved areas, permanent drives, streets, and drainage structures, if any, must be constructed in accordance with standard city specifications to the satisfaction of the director of public works and transportation. (Ord. Nos. 15040; 25423; 26102)

**SEC. 51P-86.115. COMPLIANCE WITH CONDITIONS.**

The building official shall not issue a certificate of occupancy for a use in this PD until there has been full compliance with this article, as amended, and with the construction codes and all other applicable ordinances, rules, and regulations of the city. (Ord. Nos. 21377; 25423)

**SEC. 51P-86.116. ZONING MAP.**

PD 86 is located on Zoning Map No. K-10. (Ord. Nos. 21377; 25423)

## ENGAGEMENT LETTER



June 29, 2020

Mr. Don McCormick  
TOLPTCC Inc.  
PO Box 1838  
Splendora, TX 77372

RE: Real Estate Appraisal Services – Dallas Hospital Project (Hospital Building), 7525 Scyene Road,  
Dallas, Texas

Dear Mr. McCormick:

Thank you for the appraisal inquiry. Based on your request to provide an appraisal on the property described above, we agree to the following.

The valuation will be as of the date of our inspection. Once authorized to begin work, the reports will be delivered to you within **four weeks** from engagement. An electronic copy of the report will be provided within the delivery time, with hard copies of the appraisal report being available upon request. It is my understanding that the property to be appraised includes approximately 7.32 acres, with associated hospital (DCAD# 00000515323750000). The client will be TOLPTCC Inc. The intended user will be the client.

Our fee to perform this appraisal is **\$8,000**. If consultations, depositions, or court testimony become necessary, our fee for that work is \$150 per hour.

This narrative appraisal report will be prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and in conformity with the requirements of the Code of Ethics and Standards of Professional Practice of the Appraisal Institute.

If you should need additional information, give me a call at 214-340-5880.

Respectfully submitted,

**PYLES WHATLEY CORPORATION**

A handwritten signature in dark ink, appearing to read "J. Secrest".

Jason Secrest

Agreed:

A handwritten signature in dark ink, appearing to read "Don McCormick".

Don McCormick

6-30-20

Date