

### Construction Cost Estimate v's Market Value via Income Approach

Building Size			Building Size 20,000	Building Size 25,000		
			Per SF			
Gross Income Potential - Gross Rate			\$34.97	\$699,400	\$874,250	
Potential Rental Income				\$699,400	\$874,250	
Vacancy Loss			7%	(\$48,958)	(\$61,198)	
			Effective Gross Income	\$650,442	\$813,053	
Operating Expenses			Market Reserves	\$13.35 Per SF \$5,000	\$267,000 \$333,750	
				\$0.25 Per SF	\$6,250	
			Total expenses	\$272,000	\$340,000	
			Net Operating Income	\$378,442	\$473,053	
Capitalized at			6.75%	Market Value Per Sq FT	\$5,606,548 \$280.33	\$7,008,185 \$280.33
Building Cost Estimates- Marshall Swift			\$202.46 per square foot	Profits from additional	\$1,946,750	
Building Cost versus Building Value			\$77.87 per square foot	25,000 SF		

#### Assumptions:

- 1) Gross rents is the average of CoStar YE 2016 for Northwest Submarket and Transwestern 2nd Qtr 2016 (Non-published)
- 2) The vacancy rate is based on that noted in the YE 2016 CoStar Office report for the Northwest Submarket.
- 3) Expenses are based on the averages extracted for offices from the Northwest Submarket in the 2nd Qtr 2016 broker survey by Transwestern (Non-published).
- 4) Capitalization Rates are based on PwC Year-end Survey for Suburban Offices
- 5) Building Cost excludes a land value, and the profit shown would be lower if a land value as a sunk cost is included.
- 6) This estimate was prepared with methodology that conforms to common appraisal practices in the market. It contains a variety of assumptions, which if changed would result in a change in the value estimates produced herein.
- 7) The profits indicated in the above table are inclusive of an investors return of capital.