

**APPRAISAL REPORT**

**10-UNIT APARTMENT BUILDING & SINGLE-FAMILY RESIDENCE**



**LOCATED AT:**  
125 NW AURORA AVENUE  
DES MOINES, POLK COUNTY, IOWA

**PREPARED FOR:**  
MR. DAVE TROE  
STAFF APPRAISER  
BOONE BANK & TRUST COMPANY  
405 5<sup>TH</sup> STREET  
AMES, IOWA 50010

**PREPARED BY:**  
BROOKSHIRE APPRAISAL  
2532 E. 28<sup>TH</sup> STREET  
DES MOINES, IOWA 50317  
(515) 321-3941

**VALUATION DATE:**  
APRIL 29, 2019

# *Brookshire Appraisal*

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## **Real Estate Appraisal and Consulting**

May 6, 2019

Mr. Dave Troe  
Staff Appraiser  
Boone Bank & Trust Company  
405 5<sup>th</sup> Street  
Ames, Iowa 50010

Reference: 10-Unit Apartment Building & Single-Family Residence  
125 NW Aurora Avenue  
Des Moines, Polk County, Iowa  
(File #: BA19072)

Dear Mr. Troe:

In accordance with your request, I have appraised the above-referenced property and am submitting a narrative appraisal report.

The purpose of this appraisal is to estimate the hypothetical market value of the fee simple estate, as completed. The value opinion applies as of April 29, 2019. As a result of my investigation and analysis, I estimate the market value of the hypothetical market value of the fee simple estate, to be:

**FOUR HUNDRED FORTY THOUSAND DOLLARS**  
**(\$440,000.00)**

A “**hypothetical condition**” is defined as: “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 used for the purpose of analysis”.

The value derived in this appraisal is based on the hypothetical market value is based on the remodeling of the single-family residence being 100% completed, as detailed by the owner, and rented at stabilized occupancy.

I certify that I have no interest, present or proposed, in the subject property, that the value opinion herein derived has been rendered after careful study, investigation and analysis, and not contingent upon the value reached. I have performed no professional services, as an appraiser, nor in any other professional capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. This appraisal is made subject to the current contingent and limiting conditions.

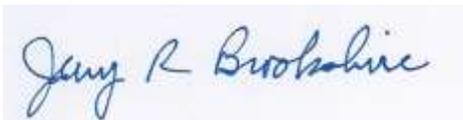
Mr. Dave Troe  
May 6, 2019  
Page Two

I am not qualified to detect or identify hazardous substances, which may, or may not, be present on, or in, this property. The presence of hazardous materials may affect value, and I have appraised this property assuming that there are no hazardous substances present. I do urge the user of this report to obtain the services of specialists for the purpose of conducting an environmental audit.

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 could find 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.

It has been my intention to prepare this narrative report in conformity with the Uniform Standards of Professional Appraisal Practice, as formalized by the Appraisal Standards Board of the Appraisal Foundation, as provided in Title XI of the Federal Financial Institution Reform, Recovery, and Enforcement Act of 1989. It is my opinion that this appraisal conforms to these guidelines regarding appraisal procedures.

.Sincerely,

A handwritten signature in blue ink that reads "Jerry R. Brookshire". The signature is written in a cursive style and is centered within a light blue rectangular background.

Jerry R. Brookshire  
Certified General Real Property Appraiser

JRB:jb

SUBJECT PHOTO  
LOOKING – NORTHEAST



SUBJECT PHOTO  
LOOKING – NORTHWEST



SUBJECT PHOTO  
LOOKING – SOUTHEAST



SUBJECT PHOTO  
LOOKING – SOUTH (WEST SIDE OF PROPERTY)



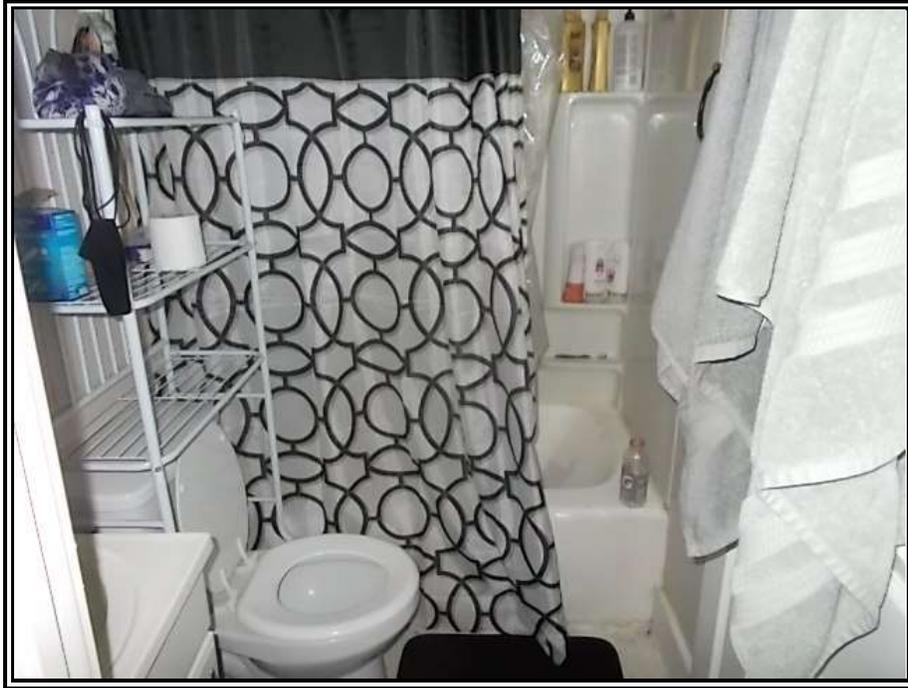
SUBJECT PHOTO – UNIT 3  
LIVING ROOM



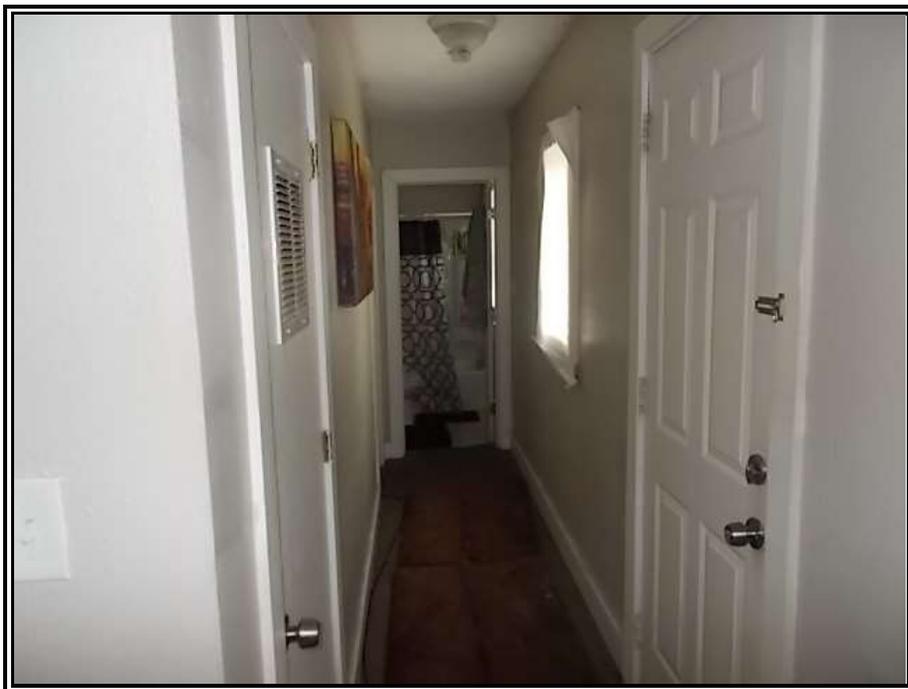
SUBJECT PHOTO – UNIT 3  
KITCHEN



SUBJECT PHOTO – UNIT 3  
BATHROOM



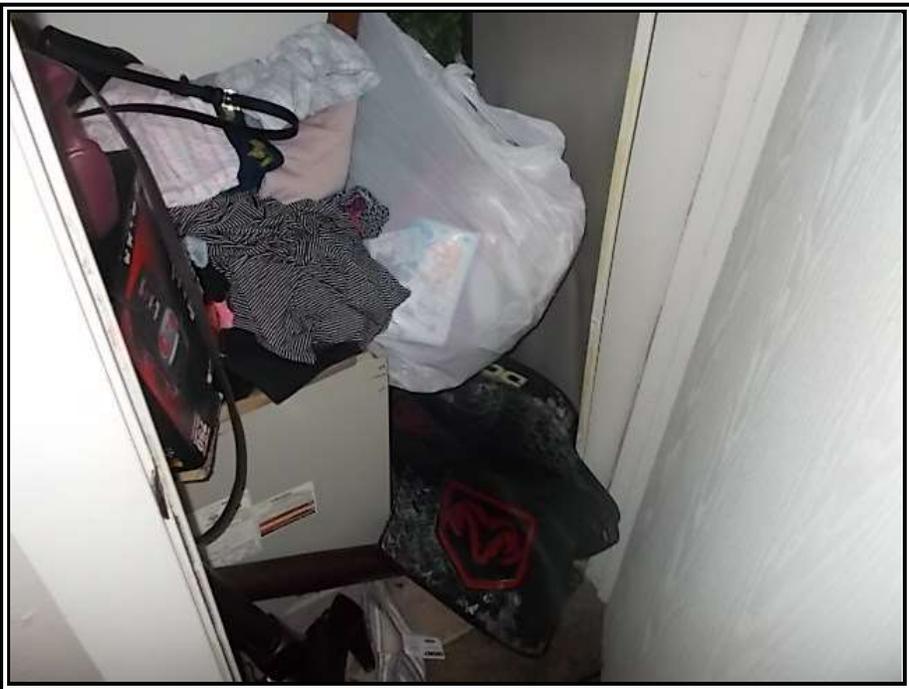
SUBJECT PHOTO – UNIT 3  
INTERIOR HALL



SUBJECT PHOTO – UNIT 3  
BEDROOM



SUBJECT PHOTO – UNIT 3  
ELECTRIC FURNACE



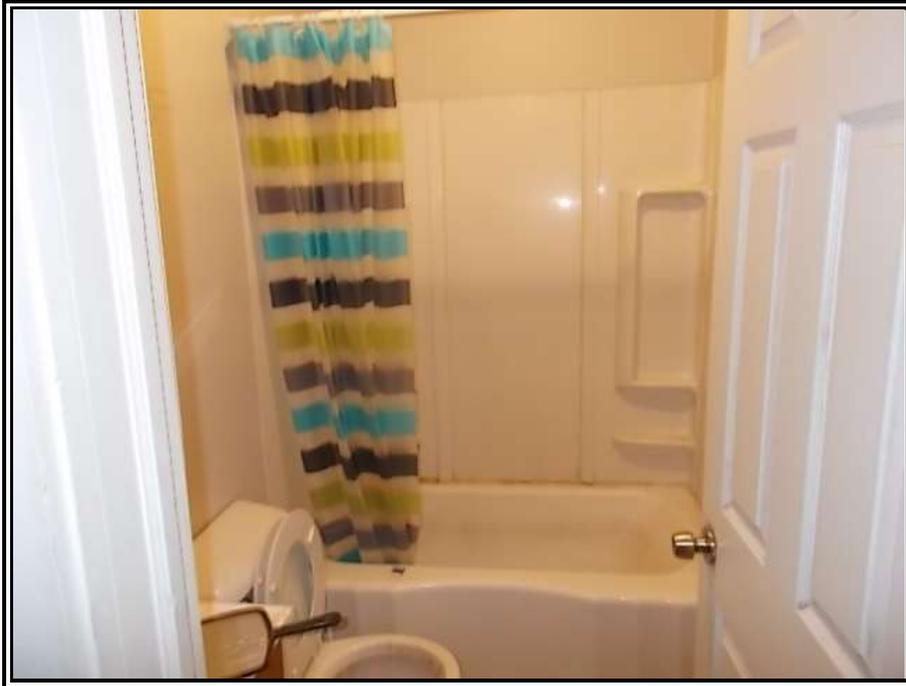
SUBJECT PHOTO – UNIT 7  
LIVING ROOM



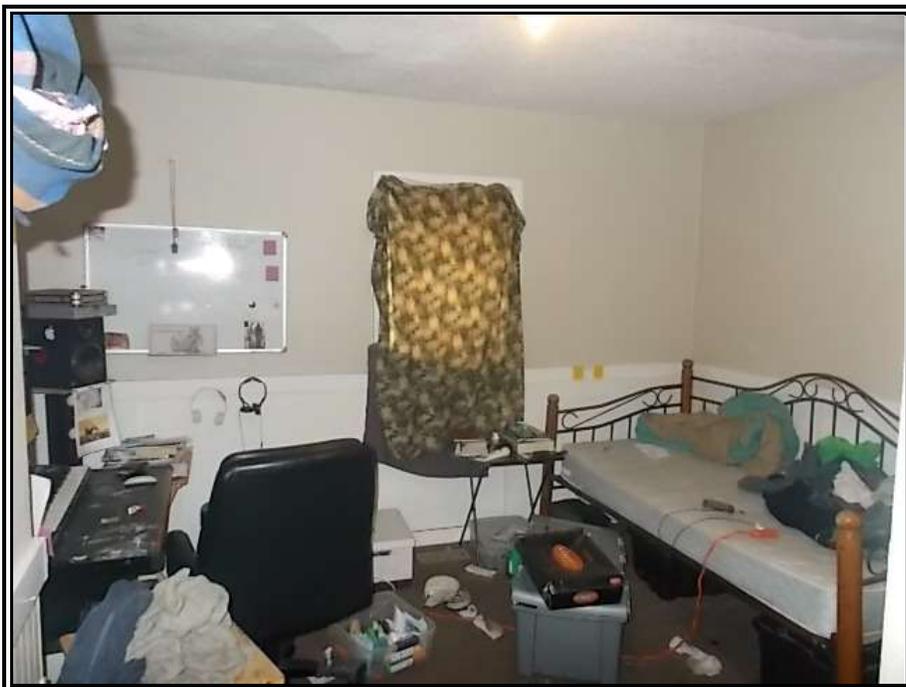
SUBJECT PHOTO – UNIT 7  
KITCHEN



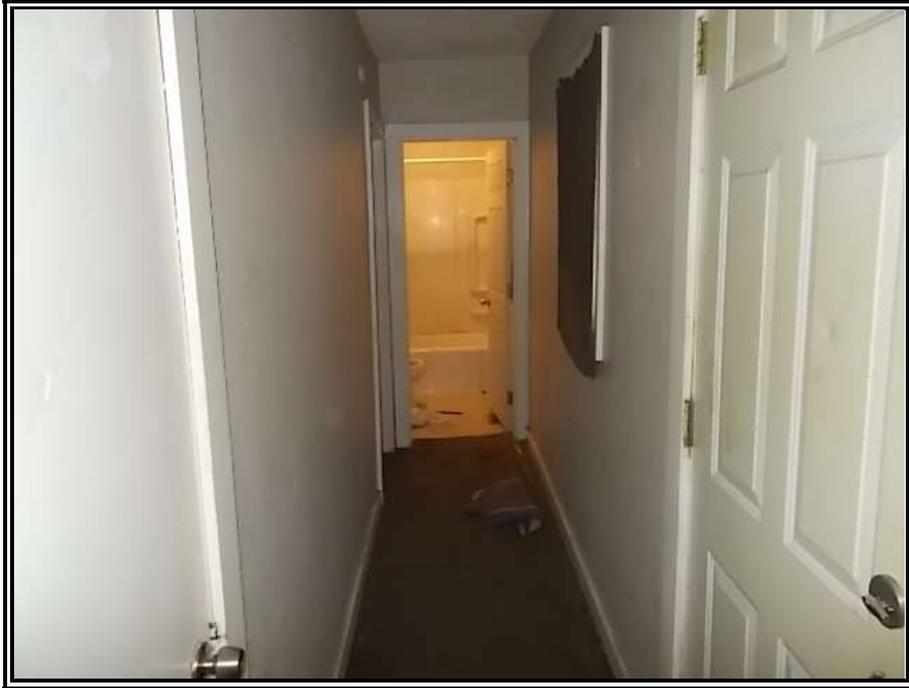
SUBJECT PHOTO – UNIT 7  
BATH



SUBJECT PHOTO – UNIT 7  
BEDROOM



SUBJECT PHOTO – UNIT 7  
INTERIOR HALL



SUBJECT PHOTO – UNIT 7  
ELECTRIC FURNACE



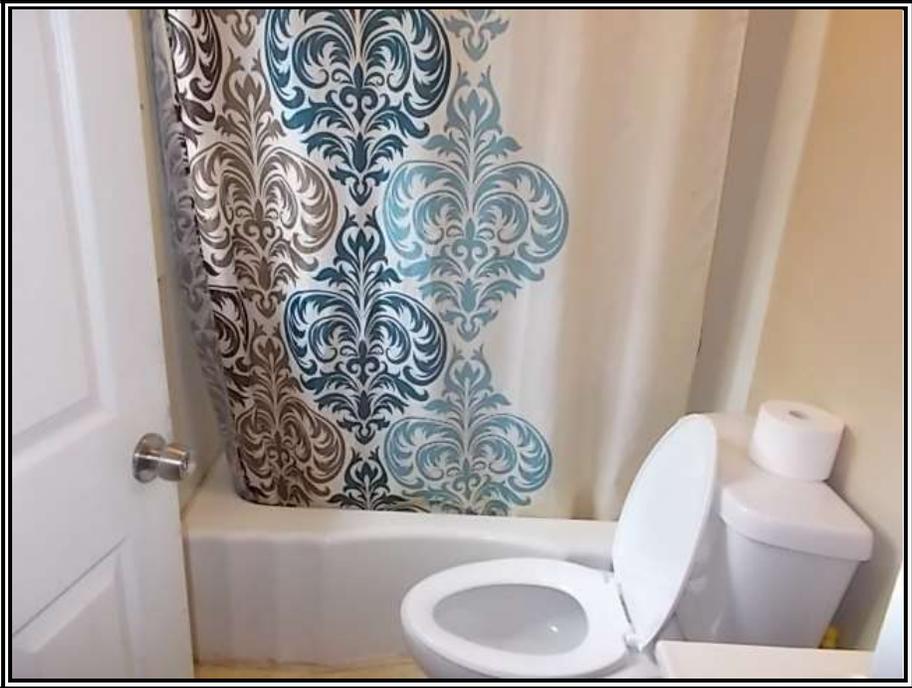
SUBJECT PHOTO – UNIT 9  
LIVING ROOM



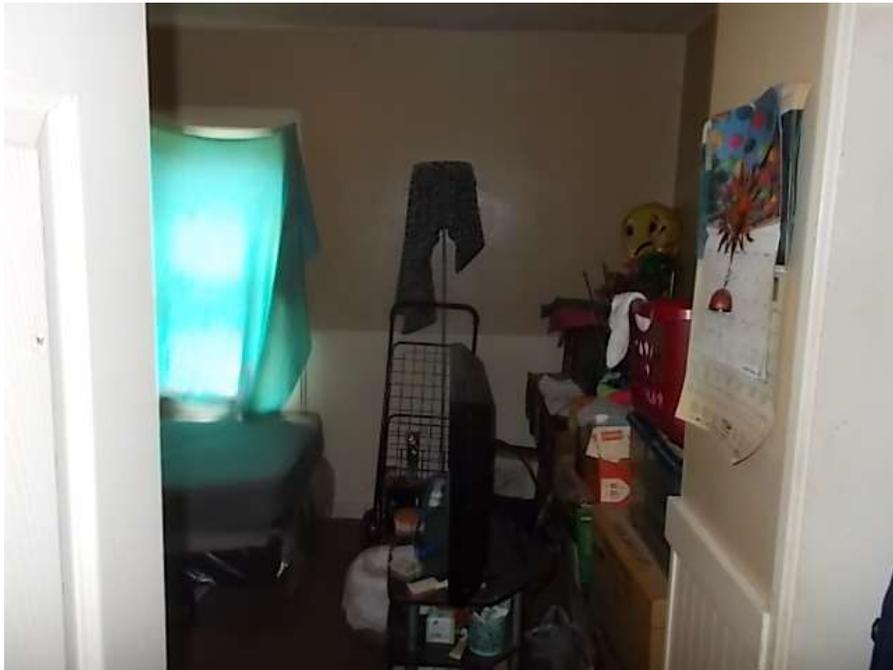
SUBJECT PHOTO – UNIT 9  
KITCHEN



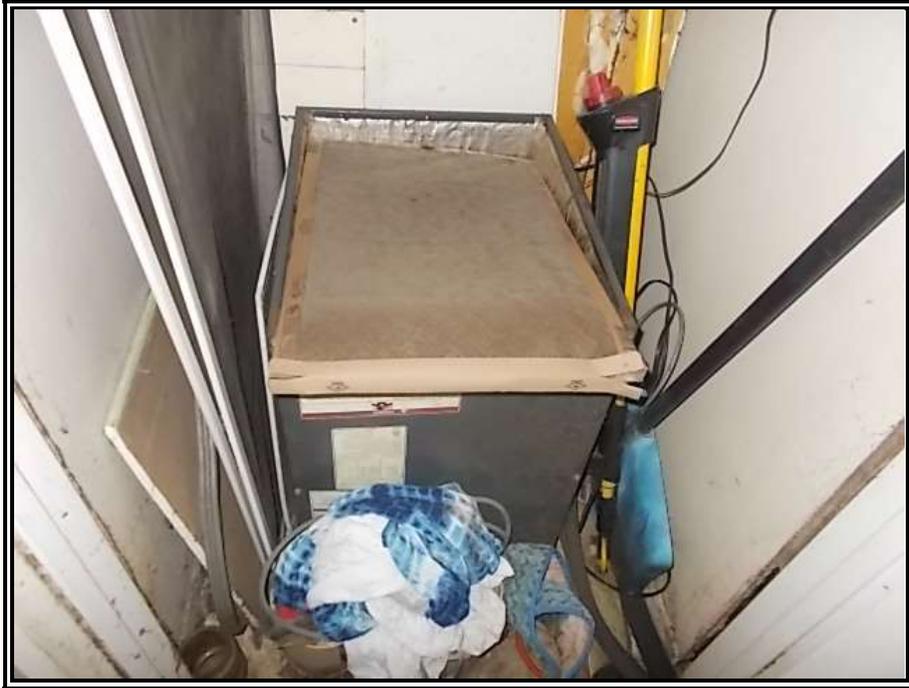
SUBJECT PHOTO – UNIT 9  
BATHROOM



SUBJECT PHOTO – UNIT 9  
BEDROOM



SUBJECT PHOTO - UNIT 9  
ELECTRIC FURNACE



SUBJECT PHOTO  
ELECTRICAL PANEL - APARTMENT



SUBJECT PHOTO  
TYPICAL WATER HEATER



SUBJECT PHOTO  
CRAWL SPACE UNDER APARTMENTS



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
LOOKING - NORTHWEST



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
LOOKING – SOUTHEAST



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
DEFERRED MAINTENANCE - SETTLING



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
DEFERRED MAINTENANCE - SETTLING



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
GARAGE INTERIOR



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
LIVING ROOM



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
KITCHEN



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
BATHROOM



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
BEDROOM



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
BEDROOM



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
BASEMENT



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
BASEMENT WALL ANCHORS



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
DEFERRED MAINTENANCE – TRIM & MISSING WINDOW



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
DEFERRED MAINTENANCE – PAINT & GUTTER



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
DEFERRED MAINTENANCE – BROKEN WINDOW



SUBJECT PHOTO – SINGLE-FAMILY RESIDENCE  
DEFERRED MAINTENANCE – MISSING GARAGE WINDOWS



AURORA AVENUE  
LOOKING - WEST



AURORA AVENUE  
LOOKING - EAST



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## SUMMARY OF IMPORTANT DATA AND CONCLUSIONS

<b>PROPERTY IDENTIFICATION:</b>	10-Unit Apartment Building & Single-Family Residence 125 NW Aurora Avenue Des Moines, Polk County, Iowa
<b>FEE OWNER:</b>	Antioch Investments, LC.
<b>PURPOSE OF APPRAISAL:</b>	To estimate the hypothetical market value, as completed.
<b>INTENDED USE OF APPRAISAL:</b>	To be used for mortgage lending purposes.
<b>INTENDED USER:</b>	Boone Bank & Trust Company.
<b>DATE OF VALUE OPINION:</b>	April 29, 2019
<b>PROPERTY RIGHTS APPRAISED:</b>	Fee simple estate.
<b>PROPOSED IMPROVEMENTS:</b>	Property consists of a one-story partial basement, frame with brick exterior, 10-unit apartment building & a single-family residence, all located on the same lot.
<b>GROSS FLOOR AREA:</b>	5,712.0 Sq. Ft. - Apartment 1,064.0 Sq. Ft. – Single-Family Residence
<b>AGE:</b>	1948 - Apartment. 1959 – Single-Family Residence
<b>LOT SIZE:</b>	32,850.0 Sq. Ft., or 0.754 Acres – allocated to apartment project <u>8,625.0 Sq. Ft., or 0.198 Acres</u> – allocated to S.F. Residence. 41,475.0 Sq. Ft., or 0.952 Acres - Total
<b>ZONING:</b>	MDR, Medium Density Residential District.
<b>FLOOD PLAIN:</b>	Zone X. FEMA panel No. 19153C 0215F, dated February 1, 2019.
<b>HIGHEST &amp; BEST USE:</b>	Multiple family residential development, as existing.
<b>PARCEL #:</b>	270/02060-001-000.

<b>ASSESSED VALUE:</b>	Land	\$ 87,200.00
	Building	\$ 239,800.00
	Total	\$ 327,000.00
	Residential Rollback:	x .712500
	Net Taxable Value:	\$ 232,988.00
	Current Tax Rate per \$1,000:	\$ 30.62163
	Annual Property Tax	\$ 7,134.37

**Indicated Values:**

<b>Cost Approach</b>	<b>NA</b>
<b>Income Capitalization Approach</b>	<b>\$ 445,000.00</b>
<b>Sales Comparison Approach</b>	<b>\$ 440,000.00</b>
<b>Market Value – Fee Simple</b>	<b>\$ 440,000.00</b>
<b>As Is Value – Fee Simple</b>	<b>\$ 400,000.00</b>

**EXPOSURE PERIOD:** Six - Nine (6-9) Months.

**MARKETING PERIOD:** Six - Nine (6-9) Months.

## THE APPRAISAL PROCESS AND SCOPE OF THE APPRAISAL

The appraisal process is defined as a systematic analysis of the factors that bear upon the value of real estate. It is an orderly program by which the problem is defined, the real work necessary to solve the problem is planned, and the data involved is acquired, classified, analyzed, and interpreted into an opinion of value.

The process involves an inspection of the neighborhood and of the subject property, measurement of the subject improvements, if any, searching for comparable data in the market and in the public records, and analysis of all the material gathered. **A viewing of subject improvements was conducted on, April 29, 2019, by Jerry R. Brookshire. Three apartment units and the single-family residence were viewed. The property manager indicated the quality and condition of the apartment units viewed was similar to other units in the apartment building.**

**Competency: the appraiser has approximately twenty years of experience in appraising residential and commercial properties. This experience includes a large variety of different types of commercial properties including office, retail, industrial, senior care, land, subdivisions, and multi-family properties including dozens of apartment projects. In addition, the appraiser has taken appraisal courses, including those pertaining to income properties such as income capitalization.**

In most income producing properties, three traditional basic approaches by which data may be processed into an indication of value are used. A value opinion is developed from each approach, independent of the other two methods. From the three approaches, an upper limit and a lower limit of value is indicated. These three approaches are the cost approach, the income capitalization approach, and the sales comparison approach.

The cost approach is defined as that approach in appraisal analysis, which is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements, which represent the highest and best use of the land, or when relatively unique or specialized improvements are located on the site and for which there exists no comparable properties for sale on the market.

First, in the cost approach, an opinion of the value of land is made based on an analysis of market data (i.e., recent comparable land sales and current offerings of similar land parcels. Second, to this opinion of land value (free of improvements), an independent estimate of the cost of the improvements less loss of value due to depreciation (three causes are physical wear and tear, functional obsolescence, and external obsolescence) is added. This summation of land and contributory value of the improvements results in the value indicated by the cost approach. In this case, due to the age of the subject property, this approach was not considered applicable to this appraisal problem. Therefore, the cost approach was not developed. The omission of this approach is not deemed to affect the reliability or credibility of the value conclusion of this report.

The income capitalization approach is defined as that procedure in appraisal analysis, which converts anticipated benefits (dollar income amenities) to be derived from the ownership of

property into a value opinion. The income capitalization approach is widely applied in appraising income-producing properties. Anticipated future income and/or reversions are discounted to a present worth figure through the capitalization process.

The sales comparison approach is defined as an appraisal procedure in which the market value opinion is predicated upon prices paid in actual market transactions and current listings, the former fixing the lower limit of value in a static or advancing market (price wise), and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market.

It is a process of analyzing sales of similar recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this method is dependent on (1) the availability of comparable sales data; (2) the verification of the sales data; (3) the degree of comparability or extent of adjustments necessary for difference; and (4) the absence of non-typical conditions affecting the sale price.

Reconciliation is the final step in the appraisal process, which involves the correlation or reconciliation of the values indicated by each of the applicable approaches. It is defined as the application of the process of evaluating alternative conclusions and selecting from the indications of value derived from each of the approaches utilized in the appraisal problem to arrive at a final opinion of value.

The appraiser weighs the relative significant applicability and defensibility of the indication of value derived from each approach and places most weight and reliance on the one, which in his or her professional judgment, best approximates the value being sought in the appraisal. He or she reconciles the facts, trends and observations developed in his or her analysis and voice his or her conclusions and their probable validity and reliability and certifies to a final value opinion.

The final value opinion is the appraiser's conclusion resulting from the applications of appraisal analysis, including reconciliation of findings, to the appraisal problem at hand. It is the resultant conclusion derived from an analysis of the indications developed in the approaches to value as utilized in the appraisal. This opinion will reflect the definition of value sought.

In the following pages, the report will be segregated into several major categories. The first section covers general considerations, such as region, city and neighborhood data, description of site, description of the improvements, highest and best use, and feasibility and marketability. This section is then followed by the three approaches to value: (1) Cost Approach; (2) Income Capitalization Approach; and (3) Sales Comparison Approach.

The value opinion(s) arrived at independent of each other are correlated and reconciled in the final correlation section, just preceding the final value opinion.

All information regarding sales for the comparable properties used in this report has been confirmed by several sources, i.e., buyer, seller, real estate agent, etc. I have also reviewed public records on each of the properties for additional verification.

## **PURPOSE OF THE APPRAISAL**

The purpose of the appraisal is to estimate the hypothetical market value of the fee simple interest, as completed, of the following identified land and improvements. The following definition is from "The Dictionary of Real Estate Appraisal, Fifth Edition," published by the Appraisal Institute in 2010.

**Fee Simple Interest:** "Absolute ownership interest held by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

**Hypothetical Condition:** "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but used for the purpose of analysis".

The value derived in this appraisal is based on the hypothetical market value is based on the single-family residence being 100% renovated as detailed by the owner, and rented at stabilized occupancy.

## **INTENDED USE OF THE APPRAISAL**

It is represented that the appraisal is prepared in accordance with Title XI of the Federal Financial Institution Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), so that the appraisal may be used for mortgage lending purposes.

## **DATE OF THE APPRAISAL**

Descriptions, analysis, and conclusions of this report are applicable to the date of April 29, 2019.

## **LEGAL DESCRIPTION**

For the purpose of this appraisal, the subject can be legally described as:

E 14.75F W 173.5F N 75F & E 22.25F W 173.5F S 75F N 150F & E 129F LOT 9 ORP NORTH HIGHLAND PARK

## **HISTORY OF THE SUBJECT PROPERTY**

There have been no recorded changes of ownership during the past five (5) years.

## **OFFER TO PURCHASE SUMMARY**

The subject is not listed for sale, nor are there any known pending offers to purchase the subject property.

## DEFINITION OF MARKET VALUE

Market value is defined as the most probable price which a property will bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and each acting in what they consider their own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition of Market Value is the definition of market value found in FDIC Law, Regulations, Related Acts – 12 C.F. R. §323.1 and is considered to be equivalent to the definition of market value per the Financial Institution Reform, Recovery and Enforcement Act of 1989 (FIRREA), effective August 24, 1990.

## AREA DESCRIPTION

The City of Des Moines is the County Seat of Polk County, as well as the Capitol of the State of Iowa. Des Moines is located in the lower-central part of the State at the intersection of Interstates #35 and #80, two major U.S. highways. In addition to Interstates #35 and #80 that wrap around the north and west edges of Des Moines, there are similar Highways #5 and #65 that finish the circle around Des Moines on the south and east edges, respectfully. Interstate #235 also comes into the center of Des Moines via Interstate #35 from the north and extends west to Interstate #80. As a result, it is easily accessible to and from other parts of Iowa. The City is located approximately 900 feet above sea level on flat and gently sloping land. The average temperature for the year is 50 degrees. Des Moines has a climate described as “continental”, where there are marked seasonal contrasts in temperatures and precipitation.

The population of Des Moines, according to 2010 census reports, is estimated at 193,886, down from the 198,682 estimated in 2000, a decrease of 2.4% in population. The 2010 census estimates Polk County at 430,640, up from 374,601 in 2000, an increase of 15.0%. The Des Moines Metropolitan Statistical area is also worth mentioning and is comprised of Dallas, Polk, and Warren counties and is presently estimated at 537,446, up from 456,022 in 2000, an increase of 17.9%. The 2017 population estimate for Des Moines was 203,433.

Des Moines encloses over 115.0 square miles and is typical of most Metropolitan Centers in that, the suburbs have grown at a rapid rate around the city. West Des Moines, Urbandale, Clive, Altoona, Johnston, Pleasant Hill and Ankeny are located on the western, eastern and northern edges and are rapidly growing communities. Both Altoona and West Des Moines have had and are having major investments in data farms for two of the biggest users. In addition, there is a second ring of communities that are also growing and contributing to a vibrant central Iowa population center. These are Grimes to the northwest, Bondurant to the northeast, Carlisle to the southeast, Norwalk to the south, and Waukee to the west. Waukee is by far the fastest growing and has grown over 70% in the past ten years. These satellite cities have their own governments and school districts. Clive and Windsor Heights are western suburbs that maintain their own government but not their own school district. Pleasant Hill and Altoona are located on the eastern edge and have their own governments. The remaining small adjoining communities are unincorporated. The Industrial Bureau of the Chamber of Commerce has advised that the largest commercial and industrial growth be estimated to be around the junctions of I-80 and I-35, on the north and west edges of the city.

Des Moines' future as a retail sales center does not, in any way, seem jeopardized. There are no other communities nearby which could draw off any significant portion of the retail dollars spent in Des Moines. The major shopping areas include four (4) regional malls: Jordan Creek Town Center, Valley West Mall; Merle Hay Mall; and Southridge Mall. Also worth noting are the shopping areas of Valley Junction (antiques) of West Des Moines, the Kaleidoscope and Walnut Street Mall in Downtown Des Moines and the rapidly growing retail area on the east side of the Des Moines River in the downtown area known as the “East Village”. This area is currently undergoing rapid growth and new construction with several new “Boutique” hotels and much more retail, including the recently opened “West Elm”. Also recently opened is the new downtown Hy-Vee or grocery store in the Court Avenue area, on the west side of the river. This entertainment and housing

district is also expanding. The potential for increased retail dollars flowing into the Des Moines' Metropolitan Area seems to be further reinforced by the continuing expansion of new retail facilities. Located just west of I-35 and south of I-80, General Growth Properties, Inc., opened August 4, 2004, the regional center known as Jordan Creek Town Center. This area now includes the Midwest's second largest enclosed mall, second only to Minneapolis's Mall of America. Also, as part of this area, major development around the mall and been rapidly occurring and includes a variety of commercial development including such uses as restaurants, additional retail, housing, and hotel accommodations. To the east side of the greater Des Moines area, in Altoona, a major outlet mall recently opened; close to an established Bass Pro Shop and Prairie Meadows Racetrack and Casino.

In addition to the more established and re-energized retail areas, there are several areas that have developed and will be developing over the next decade. These areas combine "live-work-play" activities that owe their origin the "New Urbanism" philosophy that has as its basis in sustainability and smart growth issues. In the West Des Moines area, near the Jordan Creek Mall, there are two such "Village" communities that combine retail, commercial, and residential uses. West Glen along I-35 is more established and Ponderosa, further to the west, is perhaps approximately 50% built. This combined West Glen/Ponderosa has several new buildings, including a "Boutique" hotel and plans call for the construction of several large apartment complexes. Beginning to mature, in the northern Ankeny suburb, is a similar community that is called Prairie Trail and is recently expanding with not only private commercial construction but with public facilities as well.

The Des Moines' International Airport is located on the south side of the City and is served by, among others, Allegiant Air, Delta, Frontier, United Airlines, American Airlines, and Southwest. There are also a substantial number of private aircraft, both personal and corporate, and include propeller and jet aircraft. There are also several courier services; airfreight and package express services.

Des Moines is served by several major railroads. The nearest Amtrak station is located in the City of Osceola, approximately fifty (50) miles to the south. Also, there are approximately fifty-five (55) trucking companies providing service to the area. There are several companies providing Interstate and Intra-State bus service with daily arrivals and departures.

The City of Des Moines and its suburbs each have excellent public and parochial school systems. Drake University is in the west-central part of Des Moines, Grandview College is on the east side, A.I.B. - American Institute of Business, is on the south side, Area XI Community College is on Highway #69, north of Des Moines on the southern edge of the Town of Ankeny. Area XI Community College, also known as DMACC (Des Moines Area Community College) also offers classes near downtown Des Moines and opened a West Des Moines campus located on Grand Avenue just west of I-35. Also, the University of Osteopathic Medicine and Surgery, renamed Des Moines University, is located in Des Moines, at 3200 Grand Avenue. There are also several universities offering extension courses such as Kaplan and the University of Phoenix as well as a School of Nursing at Mercy College; all in the Des Moines area.

The Des Moines area has over twenty (20) golf courses, seven (7) of which are private country clubs, over twelve (12) swimming pools and aquatic parks, and approximately seventy-three (73)

area parks. Adventureland Theme Park is an amusement park located in the northeastern portion of Altoona as is Prairie Meadows Race Track and Casino.

The Saylorville Dam and Lake project is just north of I-35 and I-80, north and west of Des Moines. The lake is 17 miles long and has a surface area of about 5,400 acres. The Red Rock Dam and Lake project, located further southeast of Des Moines, is also 17 miles long and has a surface area of 8,950 acres.

The commercial construction in and around Des Moines for the past two decades has been substantial and healthy. A number of new office complexes have been developed in the western suburbs. Wells Fargo has built two corporate campuses in the suburbs that are two of the largest office complexes in the western suburbs. Aviva (now Athene) has also recently completed a new large office building near Jordan Creek Mall. The Principal Financial Group completed its new downtown 44-story high-rise office building in 1990, the tallest building between Chicago, Minneapolis, and Omaha. Meredith Corporation has expanded their downtown campus, a major office complex that anchors the western edge of downtown Des Moines. In addition, Allied Insurance Company and ING Insurance have also completed major new corporate headquarters facilities Downtown. Wellmark Blue Cross and Blue Shield have a large corporate campus that occupies several full blocks along the north edge of Gateway Park. Scheduled for a spring 2019 opening will be the new Kum & Go's Corporate headquarters in downtown Des Moines; along the north edge of Gateway Park and anchoring its' northwest corner. Also there is a large convention hotel, immediately south of the Wells Fargo Arena with a skywalk connecting it to the HyVee Hall and Wells Fargo Arena. Active residential construction activity has and is also taken place all over the Des Moines area and both sides of the Des Moines River in the Central Business District and nearby surrounding areas and suburbs. Many of these residential projects, urban and suburban, include commercial space in their mix.

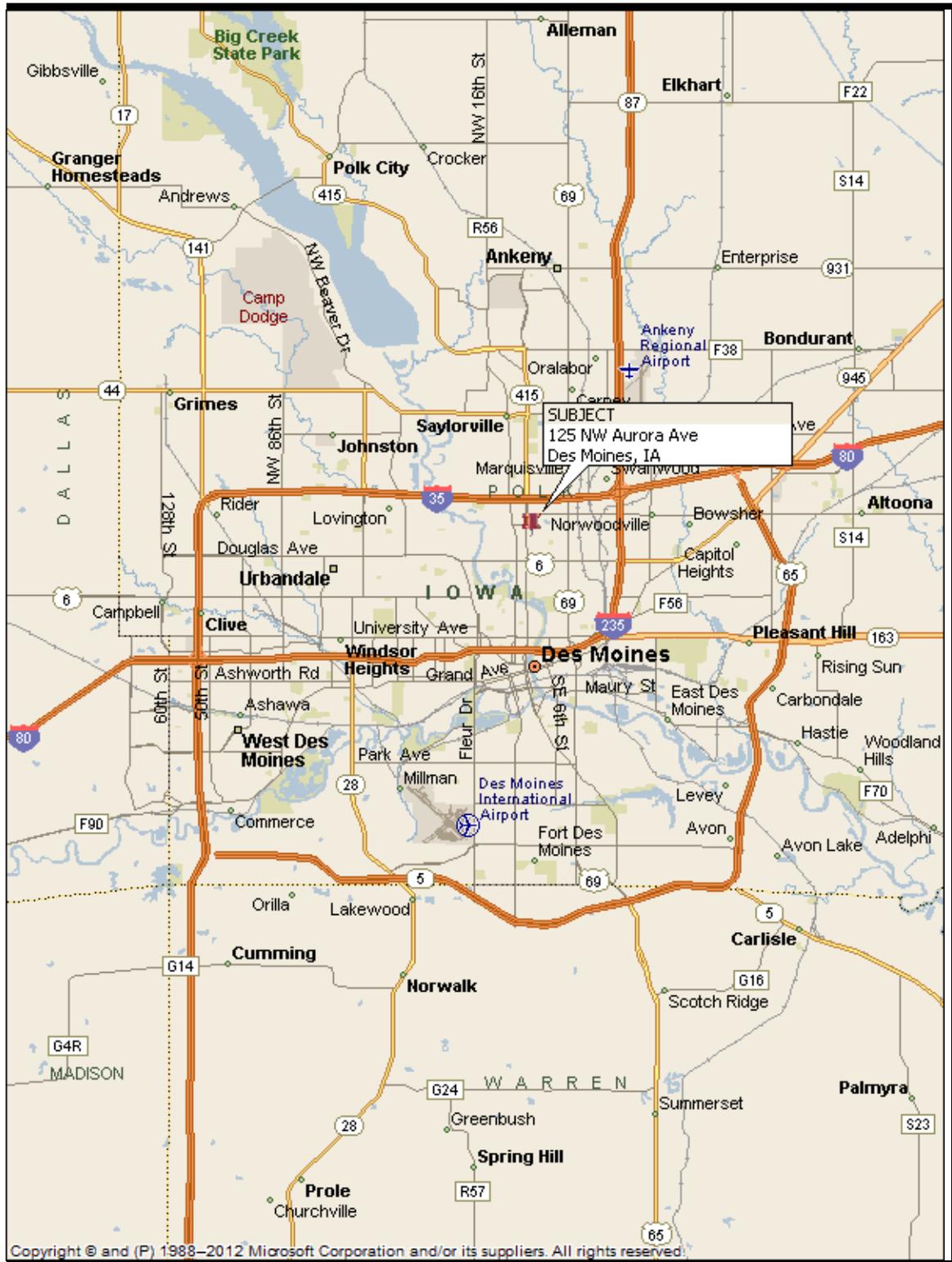
In addition to commercial construction, major civic projects such as the Iowa Events Center, the Des Moines Public Library's main branch, the Iowa Science Center, The Temple for the Performing Arts, The World Food Prize Headquarters, and the Pappajohn Higher Education Center have all recently been completed in downtown Des Moines. The Des Moines Art Center located not far west of downtown Des Moines is one of the premier galleries in the country. In addition, more than 35 downtown blocks are connected with over 50 climate-controlled walkways (skywalks) that along with the concourses represent over 3 miles of the second floor system.

Des Moines is unique in that it is located in the nation's best agricultural area, which has accounted for a stability of the economy. The bulk of the industry is either oriented toward agriculture, insurance, finance, publishing and printing. Due to the relative stability of these basic industries, Des Moines does not react to booms and depressions to the extent that other areas of the nation do, and the economy exhibits stability not found in other large population centers. Although the agricultural market has experienced a large restructuring in many areas over the past two decades, the industry has stabilized and is reflected in the economies of Des Moines and small-town Iowa as well. In addition to the significance, which the agricultural industry plays, the insurance industry in Des Moines has grown to where it is now ranked as the third largest insurance center in the world, behind London and Hartford, Connecticut. The assets of insurers with headquarters based in Des Moines or the western suburbs are estimated at over \$50 billion.

The location of the City of Des Moines at the intersection of two major interstates (Interstate 35 and Interstate 80) makes the area easily accessible. The strong economic base with its diversity reduces dependency on any one industry. At present, there are several revitalization programs underway throughout the city, such as downtown Des Moines' East Village area and continued downtown development on the west side of the Des Moines River. In addition, on-going development continues in the outlying suburban areas.

In sum, the Greater Des Moines' Metropolitan Area appears to be strong economically, growth should continue at a steady pace, and the area should remain the center for government and commerce for the State of Iowa.

**AREA MAP**



## NEIGHBORHOOD DESCRIPTION

A neighborhood is defined in "The Dictionary of Real Estate Appraisal, Fifth Third Edition," published by the Appraisal Institute in 2010, as follows:

"A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises."

The subject is located in the just outside the city limits of the north-central portion of the City of Des Moines, Iowa. Des Moines is the capitol city of Iowa and is considered a part of the Greater Des Moines Metropolitan Area.

Neighborhoods may be devoted to such uses as residential, commercial, industrial, agricultural, cultural and civic activities, or a mixture of these uses. Analysis of the neighborhood in which a particular property is located is important due to the fact that the various economic, social, political, and physical forces which affect that neighborhood also directly include the individual properties within it. An analysis of these various factors as they affect the value of the subject property is presented in the following discussion.

The subject neighborhood is geographically located in, and just beyond, the north-central portion of the City of Des Moines, Iowa. For the purpose of this appraisal, the neighborhood boundaries can be generally defined as E. Euclid Avenue to the south, E. 14<sup>th</sup> Street to the east, Interstate 35/80 to the north and the Des Moines River to the west. This includes a portion of the City of Des Moines as well as unincorporated areas of Polk County between Aurora Avenue and Interstate 35/80. Aurora Avenue is the dividing line between City of Des Moines and unincorporated areas of Polk County.

Zoning for the subject property is MDR, Medium Density Residence District. This district is intended to accommodate medium-density housing that will be served by all public utilities. Housing types included both small lot single-family development and attached housing types. This district is located around the edges of the growing cities, where it recognizes this development type within municipal land use plans and locations in the North Central unincorporated area where neighborhood infill and revitalization is expected. The district permits development at densities of approximately 5 units per acre for single-family development. Attached housing densities will typically range from 8 to 15 units per acre. The location of much of this district is in locations likely to be annexed during the time period of the 2030 plan.

Other zoning classifications found within the defined neighborhood include low and medium density residential districts; a variety of commercial districts; and light industrial districts.

The predominant zoning classification within the defined neighborhood is R1-60, One Family, Low Density Residential District in the City of Des Moines and LDR, Low Density Residential development in unincorporated areas of Polk County. These areas are located off of the major thoroughfares throughout the neighborhood and consist primarily of mature, established residential areas. The quality of homes in the area is considered average. Condition of homes in the area ranges from below average to above average.

The commercial zoning classifications are located along the major thoroughfares, E. 14<sup>th</sup> Street, E. Euclid Avenue, 2<sup>nd</sup> Avenue and 6<sup>th</sup> Avenue. The largest concentration of retail uses are located at the intersections of 2<sup>nd</sup> Avenue and E. Euclid Avenue, where Park Fair Mall is located and E. 14<sup>th</sup> Street and Euclid Avenue. Commercial development along these thoroughfares consists of a wide variety of uses, including restaurants, retail businesses, service businesses, office space, grocery stores, etc. There are some industrial areas in the northern portion of the neighborhood, which include the site of the Bridgestone-Firestone tire plant on 2<sup>nd</sup> Avenue, near Interstate 35-80. Interstate 35-80, a major U.S. Highway, borders the subject neighborhood to the north.

The primary east-west thoroughfare in the neighborhood is E. Euclid Avenue, a two-way, four-lane major artery. Broadway Avenue is also a primary east-west street in the northern portion of the neighborhood. The major north-south streets are E. 14<sup>th</sup> Street, 2<sup>nd</sup> Avenue and 6<sup>th</sup> Avenue, all major arteries providing good access to downtown Des Moines and Interstate 235 to the south. I-235 is the major freeway serving the Greater Des Moines Metropolitan Area. As a result, access to and from this area with other parts of the city is both easy and convenient.

This neighborhood is located mostly within the corporate boundaries of the City of Des Moines. Schools, churches, parks, shopping, and recreation areas are available.

The topography of the defined neighborhood is considered gently rolling to rolling. Drainage of surface water appears to be adequate. Soils in the area appear to present no problems for footings, foundations, or basements.

The neighborhood has the following utilities available: water, sewer, natural gas, electricity, and telephone. The City of Des Moines provides all public services, including police and fire protection for areas within the city limits. Polk County or Saylor Township provides services for unincorporated areas of the neighborhood.

The neighborhood appears to be approximately 90% developed at this time. The demand for this area appears to be good and expected to continue in the foreseeable future.



## SITE DESCRIPTION

The subject site consists of one parcel of land located on the north side of NW Aurora Avenue, just east of 2<sup>nd</sup> Avenue. The street address is 125 NW Aurora Avenue, which is located in an unincorporated area of Polk County, immediately north of the City of Des Moines. NW Aurora Avenue is the dividing line between the City of Des Moines and unincorporated areas of Polk County located to the immediate north of the City. Access to the site is from NW Aurora Avenue from the south. NW Aurora Avenue is a two-way, two-lane, asphalt paved street in the immediate vicinity of the subject.

Zoning for the subject property is MDR, Medium Density Residence District. This district is intended to accommodate medium-density housing that will be served by all public utilities. Housing types included both small lot single-family development and attached housing types. This district is located around the edges of the growing cities, where it recognizes this development type within municipal land use plans and locations in the North Central unincorporated area where neighborhood infill and revitalization is expected. The district permits development at densities of approximately 5 units per acre for single-family development. Attached housing densities will typically range from 8 to 15 units per acre. The location of much of this district is in locations likely to be annexed during the time period of the 2030 plan.

The topography of the subject site is generally level. Natural drainage of surface water appears adequate for the existing improvements. All utilities are available.

The site is mostly rectangular in shape, with 129.0 feet of frontage on NW Aurora Avenue and a total site area calculated at 41,475.0 square feet, per the Polk County Assessor.

There are no subsurface soil conditions known that have hindered or precluded development of the site. There are no subsurface deposits of minerals having more than a minimal value known to exist. No soil engineer's report was available to me. Because I have no evidence to the contrary, I have assumed a stable soil condition. I reserve my right to modify my value conclusions should these assumptions prove incorrect.

There are no potential environmental hazards known to exist at these lots. Here again, I reserve my right to modify my value conclusions should this assumption prove incorrect.

The parcel does not lie in a flood hazard area and has not experienced any flooding.

The subject has available all utilities.

The total site is nearly rectangular and contains a total site area of 41,475.0, or 0.952 acres. For the purpose of this appraisal, the site area for the apartment building is allocated at 32,850.0 square feet, or 0.754 acres. Land allocated to the single-family residence is 60.0' x 143.75', or 8,625.0 square feet, or 0.198 acres.



## DESCRIPTION OF THE IMPROVEMENTS

The following is a brief discussion of the construction of the subject improvements. The following description of the improvements was obtained from public records and a physical viewing of the subject improvements. Please refer to the contingent and limiting conditions section for the conditions upon which the value conclusion contained herein was based.

The property under consideration is improved with a one-story, partial basement, 10-unit apartment building and a ranch style 3-bedroom, 1.0 bath single-family residence with a full, unfinished basement. A description of the two buildings is as follows:

### 10-UNIT APARTMENT BUILDING:

The improvements consist of a one-story, part basement, frame with brick veneer exterior, apartment building built in 1948. The building is irregular (horseshoe) in shape. The total gross floor area is 5,712.0 square feet. There are no common area laundry facilities. The partial basement is located at the north end of the building. At time of viewing, there was significant pooling of water in the basement from seepage, presumably from exterior walls.

Basic construction consists of poured concrete footings and concrete block foundation, frame exterior walls with brick veneer and hip roof covered with asphalt shingles.

The building is irregular in shape and was constructed in a horseshoe shape. The two wings each contain 5 one-bedroom units for a total of 10 units. At the north end of the building there is a stairwell that leads to the basement. The basement area has a low ceiling (approximately five feet) and the majority of the building has a crawl space under the apartment units. The crawl space accommodates an individual hot water heater for each unit. The layout of all units, with one exception, is basically identical and consists of a living room, kitchen, full bath and one bedroom. All units are approximately equal in size, 17.0' x 32.0', or 544.0 square feet, with the exception of Unit #5, which has approximately 100.0 square feet (10.0' x 10.0') of additional living area.

Interior finish in apartments consists of carpet and laminate floor coverings in living room/bedroom areas, with vinyl in kitchen and bath areas. Walls and ceilings are painted gypsum board or plaster. All units have a direct exterior entrance. There are no common areas, other than the unfinished basement. There are no laundry facilities, but all units have a washer/dryer hookup.

All kitchens are equipped with an electric stove, refrigerator, kitchen cabinetry, and sink. All units have one full bath. Tub areas have a mix of finish and have been updated with vinyl tub kits in some instances. Original finish was ceramic tile to approximately waist level.

All units are heated with individual electric forced air furnaces. Apartments may have window air units furnished at the tenant's expense. All electrical and plumbing is assumed to meet or exceed all applicable codes.

Overall, the condition of the 10-unit apartment building is considered average to below average. The roof was replaced in the last year, many windows have been replaced at an unknown date,

floor coverings range from below average to above average condition, and appliances appear to have been recently updated. Interior drywall and paint are in average condition. Originally, a boiler system heated the building. All units now have electric forced air furnaces that are believed to have been updated approximately 14 years ago.

The subject apartment building does have evident deferred maintenance. Window casings around many of the windows are in poor condition, show evident signs of rot and have been sealed with spray foam to prevent air leakage. Exterior trim around doors and windows is in poor condition or missing in some instances. At least three units have newer kitchen cabinets. Per an owner representative, the remainder have original cabinets that have been painted. The asphalt parking lot encircling the building has not been repaved or resurfaced in some time. There are several large potholes and pooling, mostly on the west side of the building. Exterior walls appear to be in adequate condition for the most part. However, there are a few areas where buckling is evident, but appears to have been repaired and tuck pointed.

#### SINGLE-FAMILY RESIDENCE:

The improvements consists of a ranch style, full basement, single-family residence built in 1959. The building is rectangular in shape with the residence measuring 28.0' x 38.0', or 1,064.0 square feet. The one-car attached garage adds an additional 14.0 feet to the west end of the structure and contains 392.0 square feet.

The single-family residence lies at the north end of the subject lot and is land locked. The subject apartment building is located to the south and a junkyard is located to the north. For the purposes of this report, the rental income from the single-family residence will be used in conjunction with the rental income from the subject apartments in estimating a global net operating income in this approach.

Basic construction consists of concrete block foundation, wood frame exterior walls with brick veneer and a wood frame hip roof covered with fiberglass/asphalt shingles. The layout on the main level includes a living room, kitchen, three bedrooms and a full bath. There is a 6.0' x 8.0' enclosed porch at the front entrance. As previously mentioned, there is a one-car attached garage.

Interior finish currently consists of plywood flooring in the living room and kitchen, hardwood floors in bedroom areas, with vinyl in the bath area. Interior walls and ceilings are dated, with some holes in the drywall. At time of viewing, cabinets and plumbing in the kitchen had been removed.

The basement is unfinished. Repair work has been done to straighten basement walls with a wall anchor system (see subject photos). At time of inspection, there was some seepage. This appears to be mostly due to exterior grade, particularly on the north side of the building, where the grade slopes directly downward toward the residence. The wall anchors may need to be tightened as there is still some bow in exterior walls.

The concrete floor in the attached garage is buckled in one area and should be repaired/replaced.

At time of inspection, the single-family residence was in poor condition, with a significant number of repairs to be done. As completed, the owner intends to renovate the single-family residence, which would include a number of various repairs, identified by the owner, as follows:

Electrical	\$ 6,400.00	For greater detail, please refer to the Exhibits section of this report.
Plumbing	\$ 3,400.00	
HVAC	\$ 2,650.00	
Interior Trim & Repair	\$ 2,300.00	
Floor Coverings	\$ 850.00	
Kitchen	\$ 2,600.00	
Exterior	\$ 4,200.00	
Contingencies (10%)	<u>\$ 2,240.00</u>	
Total	\$24,640.00	

The owner indicates that the electrical and plumbing will require permits and will be subbed out. The owner will supply materials and indicated that the majority of work will be completed by his company. It is assumed all work will be completed in a professional a workmanlike manner.

As is, the overall condition of the subject single-family residence is considered poor. As completed, the overall condition will be considered above average.

Site improvements include asphalt parking around the perimeter of the building. As is, the condition of paving is considered poor. The owner has submitted a grant request for renewal of the driveway and is awaiting a response. It was not clear if or when any resurfacing of the drive would occur.

## HIGHEST AND BEST USE

The "highest and best use" is defined as:

1. The reasonable and probable use that supports the highest present value of vacant land or improved property, as defined, as of the date of the appraisal.
2. The reasonably probable and allowable use of land or sites though vacant, found to be physically possible, appropriately supported, financially feasible, and that results in the highest present land value.
3. The most profitable use.

Implied in these definitions is that the estimation of highest and best use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners. Hence, in certain situations the highest and best use of land may be for parks, greenbelts, preservation, conservation, wildlife habitats, and the like.

When estimating the highest and best use, as defined, the use of surrounding properties, the zoning, and physical characteristics of the subject property must be analyzed to select the use or uses that are most likely to occur. These must then be evaluated to indicate the most profitable use.

The highest and best use of a site, if vacant and available for use, may be different from the highest and best use of the improved property. This will be found when an improvement exists that is producing a net return over and above the requirement by the land, but is not an appropriate use nor is it producing the highest return.

The property under consideration is improved with a one-story, partial basement, 10-unit apartment building and a ranch style 3-bedroom, 1.0 bath single-family residence with a full, unfinished basement. Basic construction of the building consists of reinforced concrete slab foundation with concrete footings, wood frame exterior walls covered with vinyl siding and wood frame roof covered with asphalt/fiberglass shingles. Insulation is considered typical for this type of structure.

The subject site consists of one parcel of land located on the north side of NW Aurora Avenue, just east of 2<sup>nd</sup> Avenue. The street address is 125 NW Aurora Avenue, which is located in an unincorporated area of Polk County, immediately north of the City of Des Moines. NW Aurora Avenue is the dividing line between the City of Des Moines and unincorporated areas of Polk County located to the immediate north of the City. Access to the site is from NW Aurora Avenue from the south. NW Aurora Avenue is a two-way, two-lane, asphalt paved street in the immediate vicinity of the subject.

Zoning for the subject property is MDR, Medium Density Residence District. This district is intended to accommodate medium-density housing that will be served by all public utilities. Housing types included both small lot single-family development and attached housing types. This district is located around the edges of the growing cities, where it recognizes this development type

within municipal land use plans and locations in the North Central unincorporated area where neighborhood infill and revitalization is expected. The district permits development at densities of approximately 5 units per acre for single-family development. Attached housing densities will typically range from 8 to 15 units per acre. The location of much of this district is in locations likely to be annexed during the time period of the 2030 plan.

The site is mostly rectangular in shape, with 129.0 feet of frontage on NW Aurora Avenue and a total site area calculated at 41,475 square feet, per the Polk County Assessor.

As existing, the improvements have an indicated market value in excess of a land value opinion alone.

An industrial or commercial use would not be appropriate when considering the optimum continuing net return to the land, nor would such uses be permitted.

If the subject site were vacant and available for use, the most feasible and profitable use would be for medium density residential uses permitted by the existing zoning ordinance.

As existing, the subject is such a use. Therefore, the existing use is considered to be the highest and best use.

#### **FEASIBILITY:**

In terms of real estate, and specifically in terms of real estate appraisal, the term "feasibility" is defined as "An indication that a project has a reasonable likelihood of satisfying explicit objectives. This definition is from "The Dictionary of Real Estate Appraisal, Third Edition," published by the Appraisal Institute in 1993.

By this definition, the ultimate test of a project is the degree to which it can produce a net return, in terms of money. This net return to the investment must satisfy the requirement of the land, as well as a return on the investment in the building. The degree of the project capability is not only in terms of the amount, but also in terms of its desirability.

As is and as completed, the subject is capable of generating a positive return on investment and therefore considered feasible.

## **MARKETABILITY:**

The marketability of the subject would appear to be average. The subject project is located just outside the city limits of Des Moines with easy access via nearby 2<sup>nd</sup> Avenue to/from the Greater Des Moines Metropolitan Area. At present, the subject apartment is 100% occupied. As completed, given the updated condition of the single-family residence, it should be easy to rent. Occupancy levels for projects continue to be strong for projects similar to the subject. As is and as completed, the subject is capable of generating an income stream that would be sufficient to attract potential buyers.

Based on the above, overall demand for rental property in the immediate area of the subject as well as the Greater Des Moines area is good and expected to continue into the foreseeable future. Therefore, in my opinion, the subject would be marketable if available for sale.

I have estimated an exposure time of six to nine (6-9) months. Exposure time is the estimated length of time the property being appraised would have been offered on the market **prior to** the hypothetical consummation of a sale at market value as of the effective date of the appraisal.

Marketing time is estimated at six to nine (6-9) months. Marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value during the period **immediately after** the effective date of the appraisal.

## **EXPLANATION OF THE COST APPROACH**

The technique of the cost approach is the summation of the land value and the contributory value of the improvements.

The value of the improvements is their depreciated cost, in other words, cost new less depreciation. The estimate of costs new is based on both Marshall and Swift Cost estimates and figures supplied by the builder. In estimating depreciation, all accrued deterioration, functional obsolescence, and external obsolescence will be deducted, if any. Thus, the depreciated cost new estimates represent that amount which the improvements contribute to the value of the entire property.

In this case, due to the age of the subject property, this approach was not considered applicable to this appraisal problem. Therefore, the cost approach was not developed. The omission of this approach is not deemed to affect the reliability or credibility of the value conclusion of this report.

## **EXPLANATION OF THE INCOME CAPITALIZATION APPROACH**

The technique of the income capitalization approach is the conversion of the typical net income produced by the property into a capital value at a proper rate. The typical net income is a stabilized amount per year, which may be reasonably expected over a period of years. Actual income and expenses will be used when available and typical figures utilized when actual figures are not available in order to predict the net income.

Gross income is that amount expected at 100% occupancy. Vacancy reflects the lack of occupancy and uncollectible rentals. Expenses included are the fixed charges of taxes and insurance, variable expenses, and reserves for the anticipated replacement of short-life items. The income, which exceeds expenditures, is net income.

The anticipated net income is then converted into an indication of capital value. This process is called capitalization. Capitalization is the discounting of the anticipated earnings to their present worth. Net income must be sufficient to pay debt service (mortgage payments), a return of the investment to the mortgage, along with a return on the declining balance. Net income must also provide for a return on invested capital. The capitalization rate must therefore provide for a competitive return on the investment (a rate which will attract capital to such an investment) and provide for capital recapture.

Thus, the income capitalization approach is set out by first arriving at either an estimated gross potential income, less expenses, resulting in a projection of net income, or a net annual rental income with deductions for vacancy, management, and reserves for replacement. Next, the conversion of income to value, the capitalization process provides for return and recapture on the investment and indicates the present value of the property.

## GROSS INCOME ESTIMATE

This approach to value estimates the market value of the property by capitalizing the expected net income. It not only considers a stabilized gross income estimate but also considers a stabilized expense estimate. When estimating both of these items it is proper to consider the past experience of the operation, if any, as well as projecting income and expense of operation based on the experience of other, similar operations we have analyzed. For this approach I must consider a competent management situation.

This approach to value utilizes both the principles of substitution and anticipation, reflecting the typical purchaser's motivation, and the purchaser's attitude that value is the present worth of future benefits.

"Market Rent" is defined in the Dictionary of Real Estate Appraisal, published by the Appraisal Institute, as "the rental income that a property would most probably command in the open market; indicated by current rents paid and asked for comparable space as of the date of the appraisal."

The subject consists of a one-story, part basement, 10-unit apartment building and a three-bedroom, 1.0 bath, single-family residence. Currently, all of the apartments are rented. The single-family residence is vacant and in need of repairs. As completed, the single-family residence will be renovated and rented. A summary of the current rent roll, as provided by the owner, is as follows:

Unit	BD/BA	Tenant	Sq. Ft.	Rent	PSF/Mo.
<b>125 NW Aurora Ave</b>					
#01	1/1.00	DSMMH/W	544	\$ 550.00	\$ 1.01
#02	1/1.00	Jeffery	544	\$ 550.00	\$ 1.01
#03	1/1.00	Porter	544	\$ 550.00	\$ 1.01
#4	1/1.00	ANAWIM	544	\$ 632.00	\$ 1.16
#05	1/1.00	Nelson	644	\$ 650.00	\$ 1.01
#06	1/1.00	Brun	544	\$ 525.00	\$ 0.97
#07	1/1.00	DeBerry	544	\$ 550.00	\$ 1.01
#08	1/1.00	Kahoe	544	\$ 525.00	\$ 0.97
#09	1/1.00	Spring	544	\$ 590.00	\$ 1.08
#10	1/1.00	Smith	544	\$ 525.00	\$ 0.97
SFR	3/1.00	Vacant	1,064	\$ 750.00	\$ 0.70
<b>Total</b>			<b>6,604</b>	<b>\$6,397.00</b>	

Tenants pay for electric, including heat. Water, sewer, lawn care, snow removal, and trash removal are provided by the owner.

Please note that the Anawim Rent (Unit #4) is rent subsidized and is the only unit in the project that the landlord pays for electric as part of the lease agreement.

**RENT COMPARABLE #1**

3608-3610 5<sup>th</sup> Avenue  
Des Moines, Iowa



This is a 2-story, frame with metal siding, 8-unit apartment building consisting of one-bedroom and two-bedroom units. The building was constructed in 1919 and subsequently updated. Condition is considered average. There are adequate on-site paved drives and parking. Tenants pay for electric and cooking gas. The landlord pays for heat, trash removal, and lawn care.

The current rental breakdown is:

1-Bedroom, 1.0 bath units \$645.00 per mo.  
(590 SF) (\$1.09 Sq. Ft.)

## RENT COMPARABLE #2

3830 6<sup>th</sup> Avenue  
Des Moines, Iowa



This is a 46-unit residential cooperative (apartment) project constructed in 1967 and 1969. The buildings contain a mix of one-bedroom and two-bedroom units. Condition is considered average to above average. Kitchens have been updated. There are adequate on-site paved drives, and parking. Tenants pay for electric. The landlord pays for heat, trash removal, lawn care and snow removal.

The current rental breakdown is:

1-Bedroom, 1.0 bath units \$570.00 per mo.  
(575 SF) (\$0.99 Sq. Ft.)

2-Bedroom, 1.0 bath units \$660.00 per mo.  
(900 SF) (\$0.73 Sq. Ft.)

Current no vacancies. Owner reports very little vacancy over the past few years.

### RENT COMPARABLE #3

914 E. Euclid Avenue  
Des Moines, Iowa



This is a two-story, frame with brick veneer, and partial unfinished basement, 4-unit apartment building consisting of all one-bedroom units. The building was constructed in 1950. Condition is considered above average. Units have been recently extensively remodeled. There are adequate on-site paved drives and parking. Tenants pay for electric. The landlord pays for all heat, water, sewer, trash removal, lawn care and snow removal.

The current rental breakdown is:

1-Bedroom, 1.0 bath units \$650.00 per mo.  
(545 SF) (\$1.19 Sq. Ft.)

#### RENT COMPARABLE #4

1501 Arlington Avenue  
Ames, Iowa



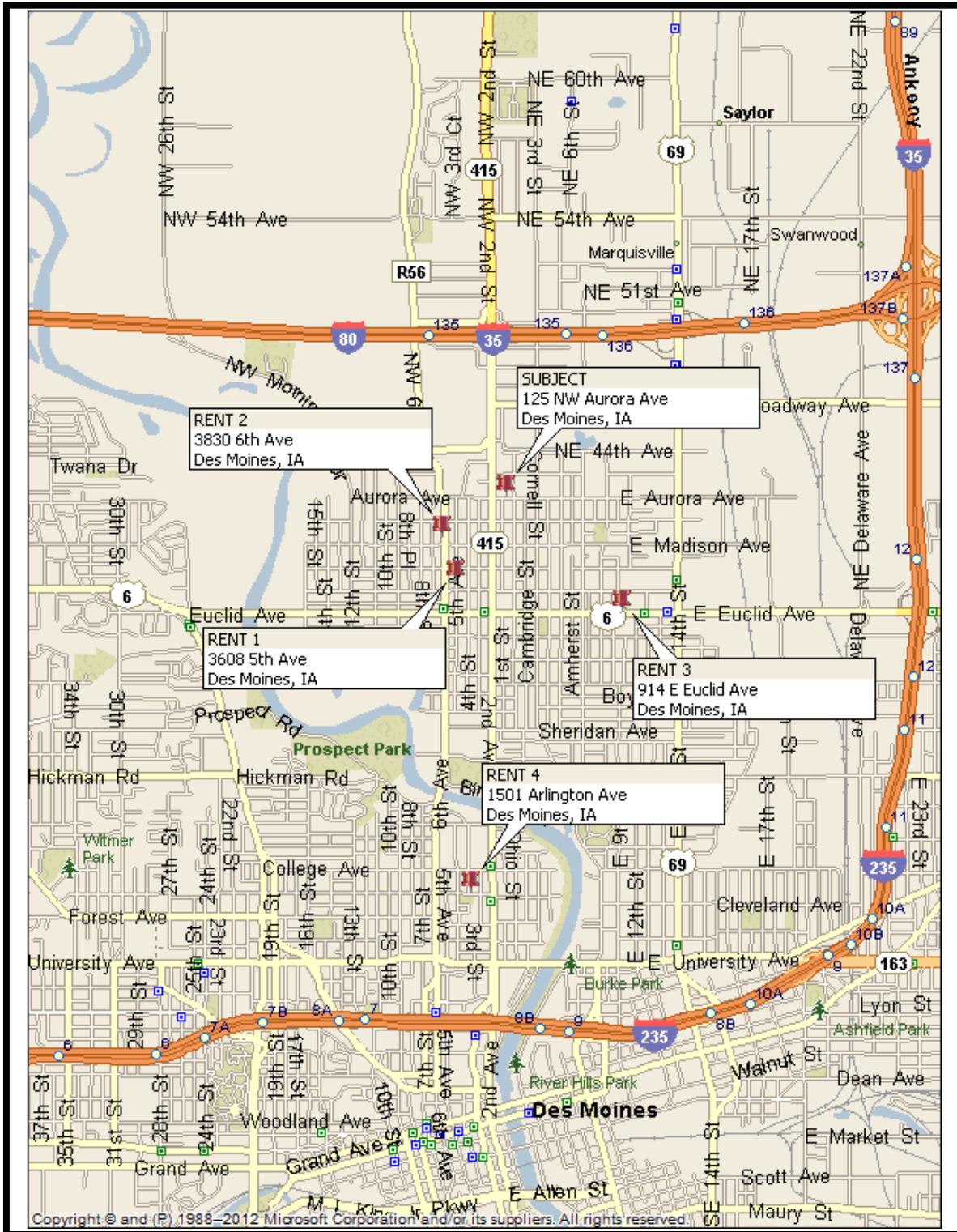
This is a one-story, 5-unit apartment building, with a partially finished full basement. The building consists of four (4) one-bedroom units and one (1) two-bedroom unit. It was constructed in 1955. Condition is considered average. There are adequate on-site paved drives and parking. Tenants pay for electric. The landlord pays heat, water, sewer, trash removal, lawn care and snow removal.

The current rental breakdown is:

1-Bedroom, 1.0 bath units \$475.00 per mo.  
(474 SF) (\$1.00 Sq. Ft.)

2-Bedroom, 1.0 bath units \$530.00 per mo.  
(Size - NA)

# RENTAL LOCATION MAP



**RENT COMPARABLE #5**

3311 2<sup>nd</sup> Avenue  
Des Moines, Iowa



This is a 1.5-story, frame with vinyl siding and partial basement, two-bedroom, 1.0 bath, single-family residence. The improvements were constructed in 1900. The condition of the property is considered very good per the Polk County Assessor due to extensive recent remodeling. There are adequate on-site paved drives and parking. Tenant pays for all utilities and is responsible for lawn care and snow removal. On-site parking off alley to rear.

The current rental breakdown is:

2-Bedroom, 1.0 bath units \$850.00 per mo.  
(1,071 SF) (\$0.79 Sq. Ft.)

**RENT COMPARABLE #6**

1135 Euclid Avenue  
Des Moines, Iowa



This is a one-story, frame with vinyl siding and partial basement, two-bedroom, 1.0 bath, single-family residence, with a full, unfinished basement. The improvements were constructed in 1917. The condition of the property is considered above average to good due to extensive recent remodeling. There are adequate on-site paved drives and parking. Tenant pays for all utilities and is responsible for lawn care and snow removal. Older one-car detached garage to rear.

The current rental breakdown is:

2-Bedroom, 1.0 bath units \$850.00 per mo.  
(972 SF) (\$0.87 Sq. Ft.)

**RENT COMPARABLE #7**

1431 Royer Street  
Des Moines, Iowa



This is a 1.5-story, frame, 2-bedroom+, 1.0 bath single-family residence, with a full unfinished basement, and an attached one-stall garage. The improvements were constructed in 1940. Condition is considered above average. The basement includes a shop, laundry area, toilet, shower and storage space. The upstairs has a non-conforming third bedroom. Tenant pays for all utilities and is responsible for trash removal, lawn care and snow removal.

The current rental breakdown is:

2-Bedroom+, 1.0 bath unit \$975.00 per mo.  
(1,106 SF) (\$0.88 Sq. Ft.)

**RENT COMPARABLE #8**

3905 3<sup>rd</sup> Street  
Des Moines, Iowa

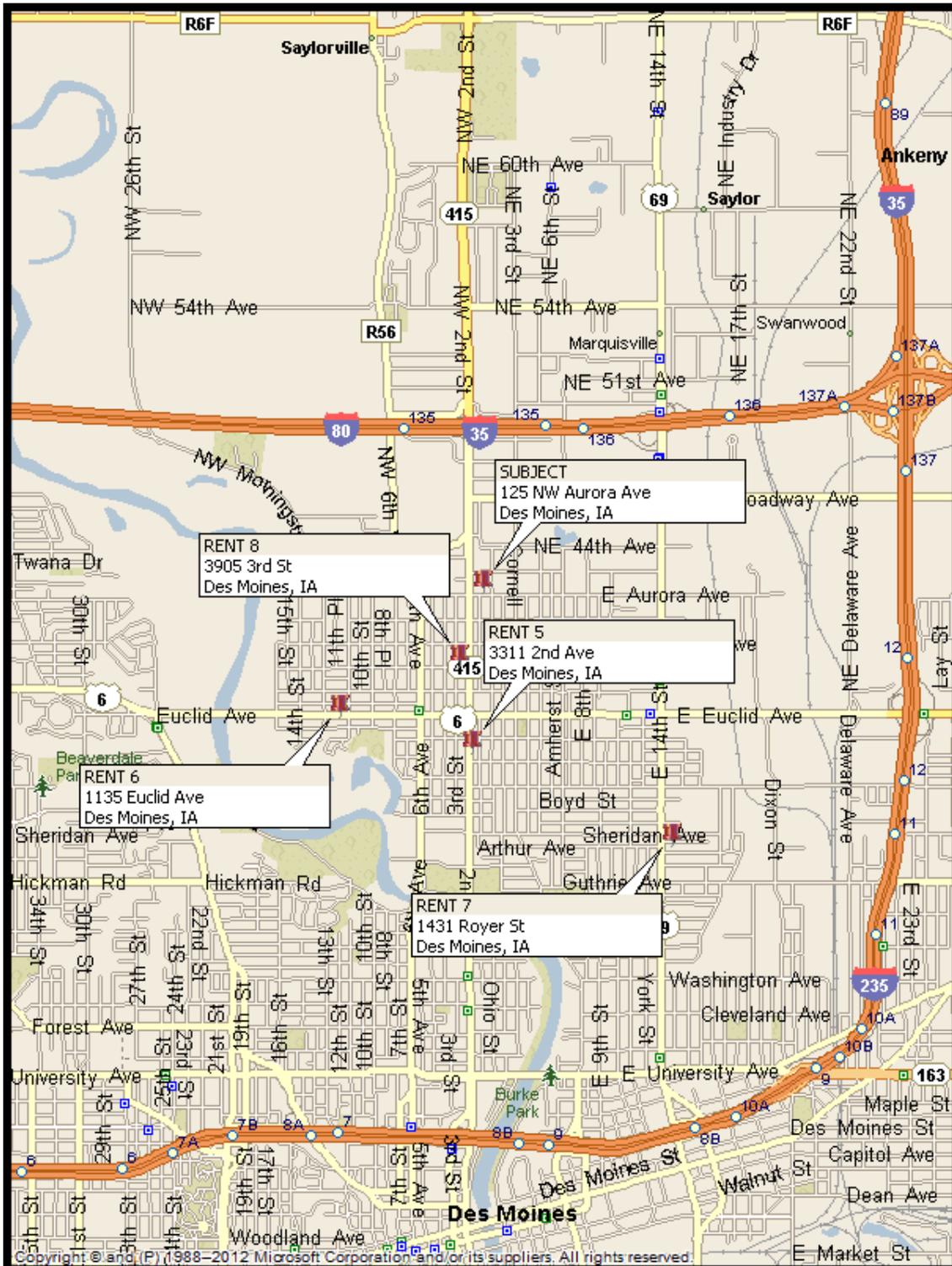


This is a one-story, frame, 2-bedroom, 1.0 bath single-family residence, with a full unfinished basement, and a detached two-stall garage. The improvements were constructed in 1922. Condition is considered above average due to recent remodeling. Tenant pays for all utilities and is responsible for trash removal, lawn care and snow removal.

The current rental breakdown is:

2-Bedroom, 1.0 bath unit \$1,025.00 per mo.  
(790 SF) (\$1.30 Sq. Ft.)

**RENTAL LOCATION MAP - SINGLE-FAMILY RESIDENCE**



## RENTAL COMPARISON TABLES

### One-Bedroom:

Rent #	Base Per Mo	Loc & Amen	Util	Size	Age, Qual & Cond	Adj Rent Per Mo
1	\$645.00	1.00	0.95	0.97	1.00	\$ 594.37
2	\$570.00	1.00	0.95	0.98	0.95	\$ 504.14
3	\$650.00	0.95	0.95	1.00	0.95	\$ 557.29
4	\$475.00	1.05	0.95	1.15	1.00	\$ 544.88

<b>RANGE:</b>	\$504.14 to \$594.37 Per Mo
<b>MEAN:</b>	\$550.17 Per Mo
<b>MEDIAN:</b>	\$551.09 Per Mo

### Single-Family Residence

Rent #	Base Per Mo	Loc & Amen	Util	Size	Age, Qual & Cond	Adj Rent Per Mo
5	\$850.00	0.90	1.00	1.00	1.05	\$ 803.25
6	\$850.00	0.90	1.00	1.00	1.05	\$ 803.25
7	\$975.00	0.90	1.00	1.00	1.00	\$ 877.50
8	\$1,025.00	0.90	1.00	1.10	0.90	\$ 913.28

<b>RANGE:</b>	\$ 803.25 to \$913.28 Per Mo
<b>MEAN:</b>	\$ 828.00 Per Mo
<b>MEDIAN:</b>	\$ 840.38 Per Mo

## CORRELATION OF RENTAL DATA

On the preceding page I have prepared a rental comparison grid broken down to indicate a rent per month for the subject units. As the subject has one-bedroom apartments and a three-bedroom single-family residence, it was necessary to utilize two individual rental comparison tables, one for each housing type.

### One-bedroom Apartment Units:

When considering adjustments for location, I look at the surrounding developments. Rental No. 3 is located on a major thoroughfare and was considered superior in access to transportation on nearby available goods and services, resulting in a downward adjustment. Rental No. 4 is located in an area where rents tend to be lower and was adjusted upward.

Under the utilities column I consider what utilities are included in the base rent. In the subject, the tenants pay for electric, including heat. In all of the comparable rentals, the landlord pays for heat, resulting in a downward adjustment.

Under size, Rental Nos. 1 and 2 were had larger sized units and were adjusted downward. Rental No. 4 had smaller units and was adjusted upward.

Under age, quality and condition, it was difficult to make accurate adjustments. Rental Nos. 2 and 3 have a greater amount of recent updating and were considered superior in condition, resulting in a downward adjustment. No adjustment was considered necessary for Rental Nos. 1 and 4.

When adjusted, the comparable rentals showed a bracket of values per unit of comparison for the subject, ranging from \$504.14 to \$594.37 per unit per month. The mean was \$550.17 per month and the median was \$551.09 per unit per month. Based on the above, in my opinion, an average of \$550.00 per month for eight of the subject apartment units is at or near market. The two exceptions would be Units 5 and 4. Unit 5 has an extra 100 sq. ft. that serves as a non-conforming second bedroom and is currently obtaining \$650.00 in monthly rent. Unit #4 is a rent subsidized unit which requires the landlord to pay all utilities. Therefore, this unit is also at a higher rental rate.

Therefore, annual income for the apartment portion of the subject property is projected as follows:

(8)	1-Bedroom Unit @ \$ 550.00 per mo. x 12 mos.	= \$ 52,800.00
(1)	1-Bedroom Unit @ \$ 650.00 per mo. x 12 mos. (#5)	= \$ 7,800.00
(1)	1-Bedroom Unit @ \$ 630.00 per mo. x 12 mos. (#4)	= \$ 7,560.00

### Three-bedroom Single-Family Residence:

When considering adjustments for location, I look at the surrounding developments. In this case, the subject single-family residence is sandwiched between an apartment building and a junk yard. The only access to this part of the property is via the apartment drive. Access and view are both considered drawbacks. None of the comparable rentals have these types of drawbacks and were considered superior to the subject, resulting in across the board downward adjustments for location.

Under the utilities column I consider what utilities are included in the base rent. The subject and all of the comparable rentals have similar utilities structures, with no adjustments necessary.

Under size, Rental Nos. 5 thru 7 were similar in size, with no adjustments made. Rental No. 8, much smaller in size, was adjusted upward.

Under age, quality and condition, it was difficult to make accurate adjustments. All of the comparable rentals have recently been updated. However, Rental Nos. 5 and 6 lack a third bedroom and have no garage, resulting in an upward adjustment to these properties. Rental No. 7, like the subject has an attached one-stall garage and also has a non-conforming third bedroom, with no adjustment made. Rental No. 8 is renting at premium as compared to the other comparables. This may be due in part to a two-stall detached garage, with Rental No. 8 adjusted downward for age, quality and condition.

When adjusted, the rentals used showed a bracket of values per unit of comparison for the subject, ranging from \$803.25 to \$913.28 per unit per month. The mean was \$828.00 per month and the median was \$840.38 per month. In my opinion, a minimum of monthly rental rate of \$825.00 per month would be obtainable from the market for the subject single-family residence.

Therefore, annual income for the subject three-bedroom single-family residence will be calculated as follows:

$$(1) \text{ Three-Bedroom Unit @ } \$825.00 \text{ per mo. } \times 12 \text{ mos.} = \$ 9,900.00$$

**MARKET RENT ESTIMATE**

Based on the above, I project annual income for the subject project based on market rent, as follows:

(8)	1-Bedroom Unit @ \$ 550.00 per mo. x 12 mos.	= \$ 52,800.00
(1)	1-Bedroom Unit @ \$ 650.00 per mo. x 12 mos. (#5)	= \$ 7,800.00
(1)	1-Bedroom Unit @ \$ 630.00 per mo. x 12 mos. (#4)	= \$ 7,560.00
(1)	3-Bedroom Unit @ \$ 825.00 per mo. x 12 mos.	= \$ <u>9,900.00</u>

$$\text{Total} = \$ 78,060.00$$

**THEREFORE:**

$$\text{GROSS ANNUAL POTENTIAL INCOME} = \$ 78,060.00$$

The above figure does not include any other income. In this case, other income would consist of late fees, fees for non-sufficient rental checks, and any other miscellaneous income.

**RECONSTRUCTED OPERATING STATEMENT**

<b>GROSS ANNUAL POTENTIAL INCOME</b>		\$	78,060.00	
LESS: Vacancy/Credit Loss	5.0%	= \$	3,903.00	
ADD: Late fees, NSF, etc.		= \$	800.00	
Potential Gross Effective Income	<b>TOTAL</b>	= \$	<u>74,957.00</u>	
<b>EXPENSES:</b>				
				% of EGI
<b>A. Fixed Charges</b>				
1. Real Estate Taxes		= \$	7,460.00	10.00%
2. Insurance		= \$	<u>5,400.00</u>	7.20%
	<b>TOTAL</b>	\$	12,860.00	17.16%
<b>B. Variable Expenses</b>				
1. Management (8.5-9.0% EGI Rounded)		= \$	6,600.00	8.81%
2. Utilities		= \$	5,600.00	7.47%
3. Repairs & Maintenance		= \$	7,700.00	10.27%
4. Advertising & Miscellaneous		= \$	<u>600.00</u>	0.80%
<b>Total Variable Expenses</b>		= \$	20,500.00	27.35%
<b>C. Reserve for Replacement</b>		= \$	3,750.00	5.00%
5.0% of Effective Gross Income (Rounded)				
<b>TOTAL ESTIMATED EXPENSES</b>		= \$	37,110.00	49.51%
<b>NET OPERATING INCOME</b>		= \$	<b>37,847.00</b>	50.49%

## INCOME/EXPENSE ANALYSIS

### VACANCY/CREDIT LOSS:

Vacancy and credit loss are based on the past operating history of subject and similar properties and the current market. At present, all 10 apartment units are occupied. As completed, the single-family residence will be remodeled and also rented. The subject is located immediate north of the city limits the north-central portion of the City of Des Moines in Saydel Township. There are no occupancy or vacancy statistics for Saydel Township. Vacancy rate have been slowly rising since 2015 per the latest CBRE survey for multi-family properties. The vacancy rate has risen 4.8% to 5.8% for the Des Moines East area since 2015. During the same time period, the vacancy rate for the Des Moines West area has risen from 3.4% to 4.8%. For the purposes of this report, I will utilize a vacancy rate of 5.0%.

### FIXED CHARGES:

The subject is classified as a commercial apartment project. The State of Iowa has been lowering the rollback for this type of property over the past several years and in the next few years, the rollback for all multi-family properties will equalize at the same rate as single-family properties. Gross property taxes are based on the current property tax assessment and tax rates. The figures utilized are based on information provided by the Polk County Assessor.

The property insurance figure of \$5,400.00 is based on historical information provided by the owner for the subject project. This is higher than typical for this type of property, but does include a liability policy.

### VARIABLE CHARGES:

The first category of variable expenses begins with management, overall supervision of the property. Management expense was based on historical expenses from similar projects. An estimate of 8.5% - 9.0% of effective gross income was used, which is typical for an operation such as the subject. This equates to the rental rate of one of the one-bedroom apartment units.

Tenants pay for electric, including heat. The landlord pays for water, sewer, house electric and all utilities for one unit.

Maintenance costs are estimated at \$700.00 per unit per year based partially on data provided by the owner and a comparison to similar properties. This figure is intended to include general maintenance, lawn care, snow removal and trash removal.

Advertising and miscellaneous expense at \$600.00 is typical and is deemed adequate for this project and is consistent with properties considered to be similar to the subject.

Typically, no reserve for replacement of short life items is found in operating statements because of the objective of such a statement. However, from an investment standpoint, it is prudent to plan for replacement of equipment and other items such as floor coverings, appliances, air-conditioning,

roofing, etc. I do find a charge of about 5.0% of the effective gross income will provide a good replacement program.

The resulting total expense projection of \$37,110.00, which equals 49.51% of the effective gross income projected falls within the typical pattern of similar types of multiple family properties.

## DERIVATION OF CAPITALIZATION RATE

Capitalization is the process of converting into present value a series of anticipated future periodic installments of net income. There are different methods of capitalization that are appropriate under different circumstances. Selection of a capitalization method is based primarily on the characteristics of the income stream. For instance, where the properties exhibit characteristics similar to those found at the subject, one of the methods, which employ an overall rate, is proper. Four methods of selecting an overall rate are available. These are Direct Capitalization using a market derived rate, Mortgage-Equity Method, which synthesizes an overall rate based on the rate applicable to mortgage and equity yield rates with consideration of future appreciation or depreciation, the Simple Mortgage Equity method, which also synthesizes an overall rate using that applicable to mortgage and annual returns on equity funds, and the use of a debt coverage ratio, mortgage ratio, and mortgage constant.

The major differences between Mortgage Equity and Simple Mortgage-Equity is that Mortgage-Equity uses an equity yield rate while Simple Mortgage Equity uses an equity dividend or cash-on-cash rate. Until rather recently, Mortgage-Equity has been generally accepted as a good method of deriving an overall rate, but because of the difficulty in making certain assumptions and predictions about increases or decreases in property value in the future, which is reflected in the yield rate, Mortgage-Equity is being used less frequently. Mortgage-Equity, as was developed by Ellwood, is an excellent investment analysis tool for determining the magnitude of yields under varying assumptions of future value increases or decreases.

The Simple Mortgage Equity method synthesizes the overall rate using the band of investment technique. This technique involves a synthesis of mortgage and equity dividend rates, and represents a weighted average with the weighing being the percentage of value contributed by the mortgage and equity positions. The mortgage constant for the appropriate interest rate is used which will provide for recapture through amortization and interest on the remaining balance. The weighted mortgage constant represents the total cash requirements to satisfy the mortgage. The equity dividend rate is the ratio before tax cash flow to the original equity investment. It is frequently referred to as the cash-on-cash rate. The weighted equity dividend rate represents the total return necessary to fulfill the equity investor's requirements. Future increases and decreases in the value of the equity position are not specifically analyzed in the equity dividend rate but are implied in the magnitude of the rate. For example, if the investor expects a large increase in property value he or she would be willing to accept a lower annual cash return than if no increase in value were expected and all of the return to investment has to be provided by annual cash returns.

The three major advantages of the Simple Mortgage Equity Method are that no prediction of changes in future property value are required, that the market commonly evaluates property using the cash-on-cash return as an investment criteria, and that the equity dividend rates are highly sensitive to the equity investors analysis of future changes in property values and they can fluctuate radically. Thus, when selecting the equity dividend rate, the appraiser must also consider investor goals or targets as well as the equity dividend rates that are shown from market data.

Proper application of the band of investment technique requires a survey to determine the rate at which mortgage funds and equity funds can be attracted to the investment.

For this property, I believe mortgage funds are available at 5.50% interest, fixed rate, 20-year amortization, 5-year call, 75% loan to value ratio. The annual constant, based on monthly payments, is 0.082546. The above was verified through conversations with local brokers, investors, and lenders.

Sales of commercial properties demonstrate a wide range of equity dividend rates, from 6% to 12%. To estimate the proper equity dividend rate for the subject it is necessary to consider alternative investment opportunities, the rates demonstrated by the market, and the relative risk of the subject.

In this case, considering risks involved in this type of project, a property such as the subject should be attractive at an equity dividend rate of 10.0%. Although higher than alternative investments, given the greater risk associated with longer-term investments, the rate paid is typically greater. This is due to the future uncertainty of that investment. Also, a greater risk factor and lack of liquidity in real estate must be considered but in this case outlook for appreciation outweighs the risk.

With mortgage and equity components of the investment set out we can now develop an overall rate for the real estate.

1ST MORTGAGE	.75	X	0.082546	=	0.061910
EQUITY	.25	X	0.100000	=	<u>0.025000</u>
OVERALL RATE				=	0.086910

The overall rate derived through the band of investment was necessary due to the lack of information obtainable regarding sales of similar properties and the resulting inability to derive an overall rate from the market.

The band of investment is a reliable method of calculating an overall rate. In this method, we know the mortgage rate available and we take the equity dividend from the market, or weigh the risks involved.

As a check on the overall rate derived by the band of investment, I will derive a rate using a debt coverage ratio and the following formula:

$$R_0 = DCR \times R \times M$$

The debt coverage ratio is 1.30 (DCR), the mortgage constant is 0.082546 (R), and the mortgage ratio (M) is 80%.

$$R_0 = 1.30 \times 0.082546 \times 0.75$$

$$R_0 = 0.080482$$

In summary, the two rates derived range from 8.0482% to 8.6910%.

There were limited sales with enough information to extract a reliable cap rate from recent sales with good similarity to the subject in the local market. A review of recent listings on Loopnet was conducted, with cap rates for four properties ranging from 8.26% to 11.30%. The lowest cap rate listed was for a property constructed in 1980. The two highest cap rates were for properties constructed before 1920. The other cap rate was 8.43% for a property constructed in 1970.

For this appraisal I will use an overall rate of 8.50% or 0.085.

#### **CAPITALIZATION OF NET INCOME**

**NET OPERATING INCOME** = \$ 37,847.00

**CAPITALIZATION RATE** = 0.085

**THEREFORE:**

\$ 37,847.00 divided by 0.085 = \$ 445,258.82

**ROUNDED = \$ 445,000.00**

## **EXPLANATION OF THE SALES COMPARISON APPROACH**

The technique of the sales comparison approach is the establishment of a comparative property by reducing comparable sales to common denominators with the subject property. This method of evaluation is based on the theory that the subject property, if placed on the open market, would sell for no more than comparable properties offering equal utility and amenities of ownership.

This process entails a search of the market for sales of comparable properties. These sales must be analyzed in terms of particular units of comparison. Allowing for significant differences, the units of comparison applicable to the subject property are then compared for an indication of value.

On the following pages, I will provide comparable sales with some similarities to the subject.

---

**SALE NUMBER:** 1

---

**ADDRESS:** 1941 Courtland Drive  
Des Moines, Iowa



**LEGAL  
DESCRIPTION:**

-Ex Sly 8F – Lots 59, 60 & 61 First Plat of Clifton Heights

**DATE SOLD:** 01/29/18    **INSTRUMENT:** Warranty Deed

**DATE FILED:** 01/31/18    **BOOK:** 16806    **PAGE:** 628

**GRANTOR:** Brones Rentals, LLC.

**GRANTEE:** City View Club, LLC.

**SALE PRICE:** \$400,000.00

**TERMS:** Cash to seller.

**BUILDING:** A two-level (top/bottom), frame with brick veneer 11-unit apartment building. Condition considered average to below average at time of sale. One detached garage stall per unit.

**YEAR BUILT:** 1951.

**TOTAL  
SITE AREA:** 19,136.0 Sq. Ft., or 0.439 acres.

**TOTAL GROSS  
FLOOR AREA:** 6,048.0 Sq. Ft.

**SOLD AT:** \$66.14 per Sq. Ft., or \$36,363.64 per unit.

**PARCEL#:** 020/00251-000-000.

**CONFIRMED:** Public records.

---

**SALE NUMBER:** 2

---

**ADDRESS:** 1120 23<sup>rd</sup> Street  
Des Moines, Iowa



**LEGAL  
DESCRIPTION:**

Lot 46 Drake University 3<sup>rd</sup> Add

**DATE SOLD:** 09/27/17    **INSTRUMENT:** Warranty Deed  
**DATE FILED:** 09/28/17    **BOOK:** 16663    **PAGE:** 651

**GRANTOR:** Monnie M. Sudman  
**GRANTEE:** Kincaid Partners, LLC.

**SALE PRICE:** \$167,000.00  
**TERMS:** Cash to seller.

**BUILDING:** A two-story frame, with partial basement, 6-unit apartment building.  
Condition considered average at time of sale.

**YEAR BUILT:** 1950.

**SITE AREA:** 6,400.0 Sq. Ft., or 0.147 acres.

**GROSS  
FLOOR AREA:** 3,672.0 Sq. Ft.

**SOLD AT:** \$45.48 per Sq. Ft., or \$27,833.33 per unit.

**PARCEL#:** 030/01488-000-000.

**CONFIRMED:** Public records.

---

**SALE NUMBER:** 3

---

**ADDRESS:** 1710 Oakland Avenue  
Des Moines, Iowa



**LEGAL DESCRIPTION :**

Lot 43 Oakland & S 11F Lot 42 Oakland

**DATE SOLD:** 11/30/18    **INSTRUMENT:** Quit Claim Deed  
**DATE FILED:** 12/03/18    **BOOK:** 17167    **PAGE:** 62

**GRANTOR:** Oakland Avenue Apartments, LLC.  
**GRANTEE:** MK Capital, LLC.

**SALE PRICE:** \$370,000.00    (Apartment Bldg & Single-Family Residence)  
**ADJ. SALE PRICE:** \$335,000.00    (Apartment Only – Estimated)  
**TERMS:** Cash to seller.

**BUILDINGS:** A one-story frame with brick veneer exterior, 11-unit apartment building, with a partially finished basement. Condition considered average at time of sale. Includes 740 sq. ft. single-family residence built in 1900, to rear of property (in below average condition).

**YEAR BUILT:** 1950 – Apartment, 1900 – single-family residence.

**SITE AREA:** 27,534.0 Sq. Ft., or 0.632 acres.

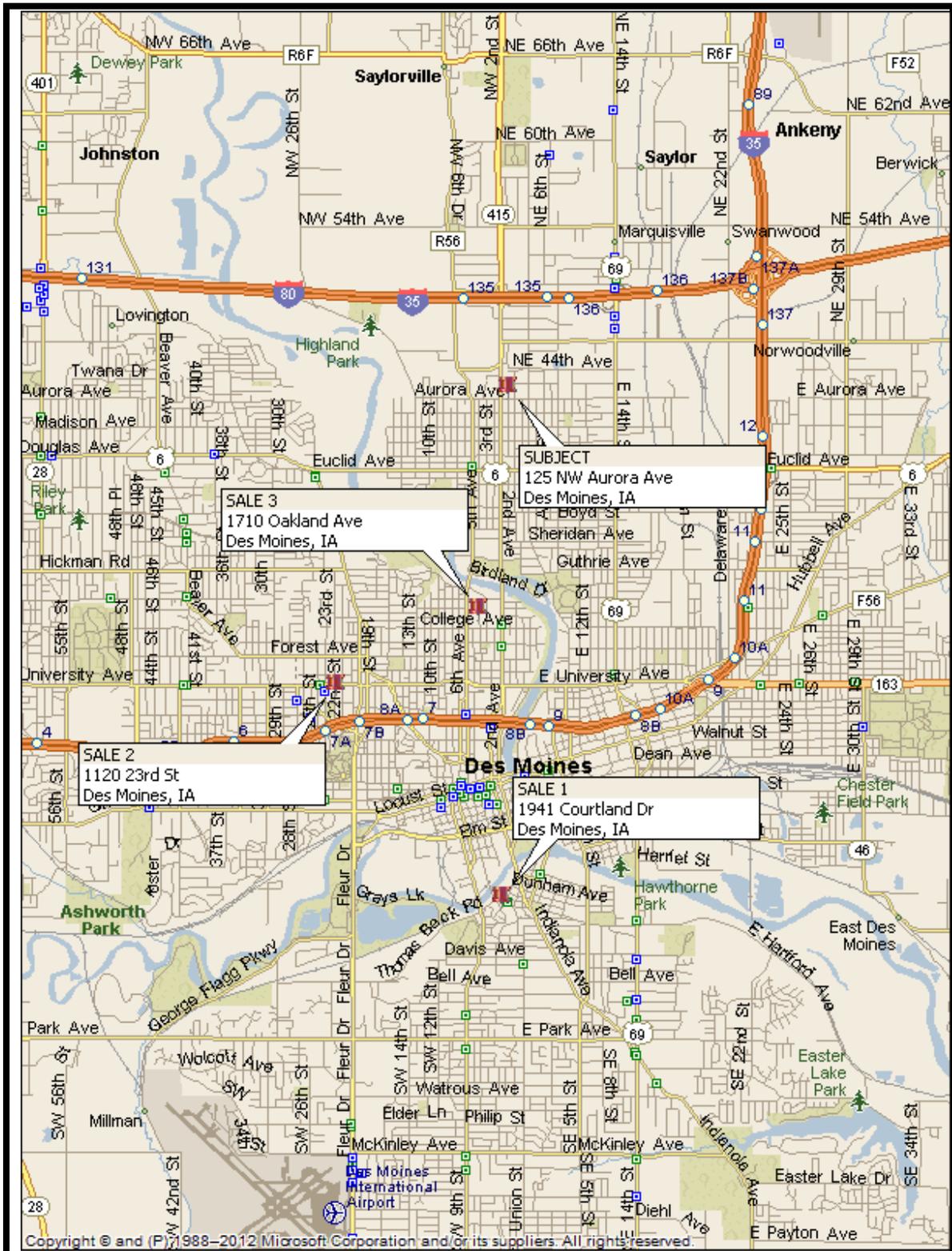
**GROSS FLOOR AREA:** 6,276.0 Sq. Ft. (includes 2,500 sq. ft. of basement finish).

**SOLD AT:** \$53.38 per Sq. Ft., or \$30,454.55 per unit.

**PARCEL#:** 080/0538-000-000 & 080/05037-002-000.

**CONFIRMED:** Public records.

# PROPERTY SALE LOCATION MAP



**PROPERTY SALE COMPARISON TABLE**

Sale No.	Sale Price	Sale Date	Size SF	Site Size (AC)	Age	#Units	Sale Price Per SF	Sale Price Per Unit
1	\$ 400,000	1/29/2018	6,048.0	0.44	1951	11	\$ 66.14	\$ 36,364
2	\$ 167,000	9/27/2017	3,672.0	0.15	1950	6	\$ 45.48	\$ 27,833
3	\$ 335,000	11/30/2018	6,276.0	0.63	1950	11	\$ 53.38	\$ 30,455
<b>Subject</b>			<b>5,712.0</b>	<b>0.74</b>	<b>1948</b>	<b>10</b>		

**ADJUSTMENTS**

Sale No.	Time Adjust.	Time Adj. Per Unit	Loc	Age & Cond	Quality	Adjusted Price Per Sq Ft	Adjusted Price Per Unit
1	1.00	\$ 36,364	0.95	1.00	1.05	\$ 65.97	\$ 36,273
2	1.03	\$ 28,668	1.00	1.00	1.05	\$ 49.19	\$ 30,102
3	1.00	\$ 30,455	1.05	0.90	1.00	\$ 50.44	\$ 28,780

**Per Unit**

<b>Range:</b>	\$ 49.19	to	\$ 65.97
<b>Mean:</b>	\$ 55.20		
<b>Median:</b>	\$ 50.44		

**Per Unit**

<b>Range:</b>	\$ 28,780	to	\$ 36,273
<b>Mean:</b>	\$ 31,718		
<b>Median:</b>	\$ 30,102		

## CORRELATION OF SALE DATA - APARTMENTS

I have included sale information for three (3) properties. The comparable sales used were considered to represent the best available. The pertinent information for each sale was then shown on a grid labeled "Property Sale Comparison Table" immediately preceding. The adjustments shown are necessary to compensate for differences between the sales and the subject when comparing the sales to the subject. The magnitude of the adjustments is discussed below.

The first adjustment is for date of sale, to bring all the sales to the effective date of the appraisal, thus putting all the sales on the same basis, ready for other adjustments. The comparable sales occurred from September of 2017 to November of 2018. No adjustments were considered necessary for Sales 1 and 3. Sale 2, 2017, was adjusted slightly upward for date of sale due to rising prices over time.

When considering adjustments for location I look at the visibility of the property, surrounding developments of both the subject and the comparable sales, and access to the site as well as major thoroughfares and highways. Sale 1 is located near downtown Des Moines and was adjusted downward. Sale 3 is located in an area of older development and was adjusted upward.

Under age, condition and quality, the subject has had some updating such as a newer roof and furnaces, but has some evident deferred maintenance. Sales 1 and 2 were considered to be similar in condition with no adjustment made. Sale 3 was considered to be superior in condition and/or quality and was adjusted downward accordingly.

The adjustments for quality consider the physical characteristics, which affect the sale price. These include quality of construction, design, layout, floor area per unit ratio and amenities. Sale 1 consisted of efficiency units and was adjusted upward for quality. Sale 2 had some common areas and was a two-story building, resulting in an upward adjustment. No adjustment was considered necessary for Sale 3.

When adjusted, the sales used showed a bracket of values per unit of comparison for the subject, ranging from \$49.19 to \$65.97 per square foot. The mean was \$55.20 per square foot, and the median was \$50.44 per square foot.

When adjusted, the sales used showed a bracket of values per unit of comparison for the subject, ranging from \$28,780 per unit to \$36,273 per unit. The mean was \$31,178 per unit, and the median was \$30,102 per unit.

Of the two units of measure, the sale price per unit is generally considered to be the better indicator of value. Based on the above, in my opinion, an average of \$32,000.00 per unit would be obtainable from the market for the subject units.

THEREFORE:

10 Units @ \$32,000.00 per Unit = \$ 320,000.00

# **SINGLE-FAMILY RESIDENCE**

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**SALE NUMBER:** 4

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**ADDRESS:** 4116 E. 8<sup>th</sup> Street  
Des Moines, Iowa



**LEGAL  
DESCRIPTION:**

Lot 6 Christy Place

**DATE SOLD:** 03/27/2019    **INSTRUMENT:** Warranty Deed

**DATE FILED:** 03/29/2019    **BOOK:** 17275    **PAGE:** 246

**GRANTOR:** Judith Webb  
**GRANTEE:** Ko Ko Nge, Khaing Tha Zin

**SALE PRICE:** \$139,900.00  
**TERMS:** Cash to seller.

**BUILDING:** A one-story, frame, three-bedroom, 1.0 bath single-family ranch home. Condition considered above average at time of sale. Two-car detached garage. Full, mostly finished basement (950 sq. ft. finished).

**YEAR BUILT:** 1956.

**TOTAL SITE AREA:** 10,140.0 Sq. Ft., or 0.233 acres.

**TOTAL GROSS  
FLOOR AREA:** 1,024.0 Sq. Ft.

**SOLD AT:** \$136.62 per Sq. Ft.

**PARCEL#:** 110/01583-000-000.

**CONFIRMED:** MLS, public records.

---

**SALE NUMBER:** 5

---

**ADDRESS:** 4020 Columbia Avenue  
Des Moines, Iowa



**LEGAL  
DESCRIPTION:**

Lot 4 Westchester Place

**DATE SOLD:** 07/06/2018    **INSTRUMENT:** Warranty Deed

**DATE FILED:** 07/17/2018    **BOOK:** 17002    **PAGE:** 390

**GRANTOR:** L Properties, LLC.

**GRANTEE:** Timeless Solutions, LLC.

**SALE PRICE:** \$125,000.00

**TERMS:** Cash to seller.

**BUILDING:** A one-story, frame, two-bedroom, 1.0 bath single family residence.  
Condition considered average to above average at time of sale.

**YEAR BUILT:** 1955.

**TOTAL SITE AREA:** 9,024.0 Sq. Ft., or 0.207 acres.

**TOTAL GROSS**

**FLOOR AREA:** 1,064.0 Sq. Ft. (1,064 sq. ft. basement with 560 sq. ft. of finish)

**SOLD AT:** \$117.48 per Sq. Ft.

**PARCEL#:** 070/05198-000-000.

**CONFIRMED:** Public records, MLS.

**REMARKS:** 100% brick exterior. Previously sold as part of multi-parcel transaction on 9/21/2016.

---

**SALE NUMBER:** 6

---

**ADDRESS:** 4008 Columbia Avenue  
Des Moines, Iowa



**LEGAL DESCRIPTION:**

Lot 2 Westchester Place

**DATE SOLD:** 07/16/2018    **INSTRUMENT:** Warranty Deed

**DATE FILED:** 07/20/2018    **BOOK:** 17008    **PAGE:** 380

**GRANTOR:** Sarom Chey

**GRANTEE:** Pa Dah

**SALE PRICE:** \$138,000.00

**TERMS:** Cash to seller.

**BUILDING:** A one-story, frame, two-bedroom, 1.0 bath single family residence.  
Condition considered average to above average at time of sale.

**YEAR BUILT:** 1955.

**TOTAL SITE AREA:** 9,024.0 Sq. Ft., or 0.207 acres.

**TOTAL GROSS FLOOR AREA:** 1,092.0 Sq. Ft. (1,092 sq. ft. basement with 546 sq. ft. of finish)

**SOLD AT:** \$126.37 per Sq. Ft.

**PARCEL#:** 070/05196-000-000.

**CONFIRMED:** Public records, MLS.

**REMARKS:** 100% brick exterior.



## PROPERTY SALE COMPARISON GRID

Subject				Sale 4			Sale 5			Sale 6					
<b>Address</b> 125 NW Aurora Ave				4116 E 8th St			4020 Columbia Ave			4008 Columbia Ave					
Des Moines, IA 50313				Des Moines, IA 50313			Des Moines, IA 50313			Des Moines, IA 50313					
Proximity to Subject				0.51 miles E			0.34 miles SE			0.36 miles SE					
Sale Price				\$ 139,900.00			\$ 125,000.00			\$ 138,000.00					
Sale Price/Gross Liv. Area				\$ 136.62			\$ 117.48			\$ 126.37					
Data Sources				DMAAR #: 576603 DOM: 4			DMAAR #: 560915 DOM: 38			DMAAR #: 575547 DOM: 3					
Verification Sources				MLS, Public Records			MLS, Public Records			MLS, Public Records					
<b>VALUE ADJUSTMENTS</b>		Description		Description		Adjustment		Description		Adjustment		Description		Adjustment	
Sales or Financing		Multi-Family / Ind		Residential				Cash				Cash			
Concessions		Fee Simple		Fee Simple				None				None			
Date of Sale/Time		8,625 sf		10,140 sf				9,024 sf				9,024 sf			
View		Multi-Family / Ind		Residential		-12,500		Residential		-12,500		Residential		-12,500	
Design (Style)		Ranch		Ranch				Ranch- Brick		-3,500		Ranch - Brick		-3,500	
Quality of Construction		Average		Average				Average				Average			
Actual Age		60		63				64				64			
Condition		Avg/A.Avg		Avg/A.Avg		0		Avg/A.Avg		5,000		Avg/A.Avg			
Above Grade		TOT	BR	BA	TOT	BR	BA	TOT	BR	BA	TOT	BR	BA		
Room Count		5	3	1.00	5	3	1.00	5	2	1.00	2,500	5	2	1.00	2,500
Gross Living Area		1,064 sf		1,024 sf		1,600		1,064 sf				1,092 sf		-1,120	
Basement & Below Grade		1064/0 fin sf		1024/950 fin sf		-4,300		1064/640 fin sf		-3,200		1092/546 fin sf		-4,200	
Basement Room Count		0	0	0.0	1	0	1.0	-2,500	1	0	0.00	1	0	0.0	
Function Utility		Average		Average				Average				Average			
Heating/Cooling		GFA/CA		GFA/CA				GFA/CA				GFA/CA			
Energy Efficient Items		-		-				-				-			
Garage/Carport		1Gar/Att		2Gar/Att		-2,000		1Gar/Det, Carport		1,500		1Gar/Det		2,000	
Patio/Porch/Deck		E. Porch		Porch		500		None		1,000		Sm Porch		500	
Fireplace		None		None				None				None			
Other		None		None				-				-			
Net Adjustment Total						\$ (19,200)				\$ (9,200)				\$ (16,320)	
Adjusted Sale Price						\$ 120,700.00				\$ 115,800.00				\$ 121,680.00	
Adjusted Sale Price %				Net Adj	%	-13.72%		Net Adj	%	-7.36%		Net Adj	%	-11.83%	
Gross Adjustment %				Gross Adj	%	16.73%		Gross Adj	%	20.56%		Gross Adj	%	20.93%	

## CORRELATION OF SALE DATA

On the following pages, I have provided three (3) sales considered to have similarities to the subject. The pertinent information for each sale was then shown on a grid labeled "Property Sale Comparison Table" immediately preceding. The adjustments shown are necessary to compensate for differences between the sales and the subject when comparing the sales to the subject. The magnitude of the adjustments is discussed below.

Adjustments for financing or seller concessions, if noted, are based on data provided by realtors involved in each respective transaction. The next adjustment is for date of sale, to bring all the sales to the effective date of the appraisal, thus putting all the sales on the same basis, ready for other adjustments. The sale dates ranged from July of 2018 to March of 2019. All of the sales were recent enough that no adjustments were warranted.

Under location and view, the subject single-family residence is sandwiched between an older apartment building and a junkyard. It is also landlocked, in that the only access is through the adjacent apartment site. These factors have a significant negative impact on the desirability and estimated underlying site value and general appeal. Therefore, a downward adjustment of for view for all sales the warranted. The adjustment made is considered to be a combined adjustment for location and view.

Under design (style), Sales 5 and 6, with full brick exteriors, were superior to the subject and adjusted downward accordingly. Under condition, the subject and all of the comparable sales were relatively similar in age. As completed, the subject will undergo a significant amount of repair and updating. All of the comparable sales have had some recent updating and were considered to be similar in condition to the "as completed" state of the subject, with no adjustments made.

Room count adjustments are based on differences in above grade bedrooms and bathrooms. Adjustments for size are based on the contributory value of greater or lesser above grade square footage. Sale 4 was smaller and adjusted upward, Sale 5 was identical in size, and Sale 6 was larger, resulting in a downward adjustment. Below grade adjustments are based on the respective differences in basement size amount of finished area. Basement room count adjustments reflect differences in basement bedrooms and/or baths. The remainder of adjustments are self-explanatory.

As adjusted, the sale prices ranged from \$115,800 to \$121,680. Overall, net and gross adjustments were within the desired ranges, indicating a reasonable similarity to the subject.

***Based on the above, in my opinion, the "as completed" value of the subject single-family residence of the subject property is \$119,000.00.***

### Summary of Values:

10-Unit Apartment Building (see Pg. 76)	\$ 320,000.00
Single-Family Residence – "As Completed"	<u>\$ 119,000.00</u>
Total	\$ 439,000.00
<b>Rounded</b>	<b>\$ 440,000.00</b>

## **RECONCILIATION AND MARKET VALUE OPINION**

An appraisal is performed to answer a client's question about real estate. To answer the question, an appraiser follows the valuation process. In the course of this process, the appraiser identifies, gathers, and analyzes general and specific data: analyzes the property's highest and best use and applies the sales comparison, income capitalization, and/or cost approaches as warranted by the question and suggested by the available data. Following is a discussion of each approach and the value opinion indicated.

### **COST APPROACH**

The cost approach was utilized to estimate the sum total value of the subject property by providing an estimate of depreciated reproduction costs of the improvements, which is then added to the land value to yield a total value opinion. Cost figures have been taken from the Marshall Valuation Service and figures supplied by the builder. This approach has been applied by estimating the contributory value of the entire site and the construction cost of the improvements less depreciation to yield a composite value opinion.

This approach resulted in a value opinion of:

**NA**

### **INCOME CAPITALIZATION APPROACH**

The process of converting net income before recapture into an indication of value, commonly called capitalization, is an extremely sensitive one. Minor variation in gross income, vacancy allowance, expenses, and most particularly the capitalization rate can result in a very substantial change to the value opinion derived by the employment of this approach. Realizing this, I have made every effort to be as accurate as possible in the consideration of these elements.

As stated previously, a fully informed investor is, to a great degree, guided by the present worth of his position as to the future potential benefits of the income stream generated by an income-producing property. The estimated net operating income resulted in a market value opinion of:

**\$ 445,000.00**

## **SALES COMPARISON APPROACH**

This is probably the most easily understood approach to the layman because it reflects the desires and aspirations of buyers and sellers through the market activity of comparable properties.

Extreme care must be exercised in the selection and consideration of an appropriate number of truly similar sales because, otherwise, there would tend to be an inverse relationship between the degree of adjustment and degree of reliability that would exist.

In other words, the greater the adjustment, the less the reliability. The importance of this requirement is underscored because the sales comparison approach is predicated on the process of correlation and analysis between the cited examples and the property under appraisal. The indication of value from the sales comparison approach for the subject is:

**\$ 440,000.00**

## **FINAL CONCLUSION**

<b>Cost Approach</b>	<b>NA</b>
<b>Income Capitalization Approach</b>	<b>\$ 445,000.00</b>
<b>Sales Comparison Approach</b>	<b>\$ 440,000.00</b>

As a result of my investigation, studies and analysis of the sale, cost, income, and expense data, interpreted within the context of all the factors in the marketplace which affect value, it is my opinion that the value of the herein described fee simple interest in the subject property is best indicated by the income capitalization approach and the sales comparison approach. The cost approach was not developed.

Therefore, it is my opinion that the subject property has a hypothetical market value, as completed, as a fee simple estate, as of April 29, 2019 of:

**FOUR HUNDRED FORTY THOUSAND DOLLARS**  
**(\$ 440,000.00)**

## **“AS IS” VALUE:**

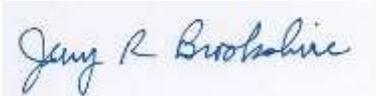
As is, the subject single-family residence is not rentable. The owner intends to renovate this portion of the subject and has proposed a budget of \$24,640.00. He stated he intends to purchase the materials and have his company do the majority of the work, with the exception of electrical and plumbing. In my opinion, the proposed budget does not reflect the total cost of repairs and renovation, nor does it recognize any entrepreneurial profit. When considering all factors, I estimate the “as value” of the property at approximately \$40,000.00 less than the “as completed” appraised value. Therefore, the “as is” value is calculated as follows:

Hypothetical Market Value – As Completed	\$440,000.00
Less: Renovation Cost, Entrepreneurial Profit, Lost Income	<u>\$ 40,000.00</u>
<b>“As Is” Value</b>	<b>\$400,000.00</b>

## CERTIFICATION

I certify, to the best of my knowledge and belief...

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions, are limited only by the reported assumptions and limiting conditions, and is my personal unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
4. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
5. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal practice of the Appraisal Foundation.
6. The reported analysis, opinion and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice.
7. I have made a personal inspection of the comparable sales from the street and assisted in making adjustments to those sales.
8. No one provided any other significant professional assistance to the persons signing this report.
9. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the Appraiser whose signature appears on the appraisal report, unless indicated as "Review Appraiser." No change of any item in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.
10. No one not listed in the report provided significant professional assistance to the person(s) signing this report.
11. I have no current or prospective interest in the subject and I have not performed an appraisal or other services on the subject in the past three (3) years prior to accepting this assignment.



---

Jerry R. Brookshire  
Certified General Real Property Appraiser

## CONTINGENCIES AND LIMITING CONDITIONS

This appraisal is subject to the following underlying assumptions and qualifying and limiting conditions.

No responsibility is assumed for legal matters. No report on title is rendered. The legal description and ownership information has been furnished by reliable sources, but no responsibility is assumed for correctness. The property is assumed to be free and clear of all indebtedness, liens, encumbrances, and special assessments, except where as noted, although some type of capital structure may be used in the appraisal process.

No survey has been made, unless furnished by other sources. The size of the site is taken from records believed to be reliable. Usual methods of measuring were employed and are believed to be correct, but not guaranteed. Plats and sketches are included only for illustrative purposes. Unless otherwise noted, no expert opinion is reported on soil conditions. Unless otherwise noted, any improvements are assumed to be within lot lines.

The party for whom this appraisal report was prepared, may distribute copies of this appraisal report, in its entirety, to such third parties as may be selected by the party for whom this appraisal report was prepared. However, portions of this appraisal report shall not be given to third parties without the prior written consent of the signatories of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media, or other media for public communication without the prior written consent of the signatories of this appraisal report.

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

Unless otherwise stated the value or values given in this report represents the opinion of value as of the date specified.

If this appraisal is subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.

Any observations or comments concerning the physical condition of the property and any improvements are the opinion of the appraiser only, and are not to be taken as any representation of warranty as to such matter. Questions as to the physical condition of the property, including, without limitation, its adaptability and use in accordance with zoning, health, building and other land-use laws, ordinances and regulations, or privately imposed covenants or restrictions; the structural integrity of any improvement; the adequacy and condition of any mechanical, heating, cooling, plumbing and electrical systems; the presence or absence of termites and other vermin; the presence or absence of any toxic materials or gases, including asbestos and radon; and the ability of the surface of the property to support present or contemplated improvements should be addressed to others.

The allocation of total value to land or to buildings, as shown in this report, is invalidated if used separately or in conjunction with any other appraisal.

## RESUME

**JERRY R. BROOKSHIRE**  
**Certified General Real Property Appraiser**

HIGH SCHOOL: East High School, Des Moines, Iowa.

COLLEGE EDUCATION: B.A. Business Administration (1972-1976)  
 Central College, Pella, Iowa 50219

Major Areas of College Study:  
 Economics, Accounting, Business Management, Finance, Political  
 Science

***Additional Education:***

Year(s)	Provider	Course Name
1992-2018	Multiple	<i>Uniform Standards of Professional Appraisal Practice</i>
2018	McKissock	<i>The Dirty Dozen</i>
2018	McKissock	<i>Introduction to Expert Witness Testimony for Appraisers</i>
2018	OREP	<i>How to Prove and Support Adjustments</i>
2018	McKissock	<i>The FHA Handbook 4000.1</i>
2016	McKissock	<i>Land &amp; Site Valuation</i>
2016	The Appraisal Institute	<i>Contract or Effective Rent</i>
2016	McKissock	<i>Supervisor-Trainee Course for Iowa</i>
2015	The Appraisal Institute	<i>Hotel Valuation Seminar: Tools &amp; Techniques for Real Estate Professionals</i>
2014	McKissock	<i>Appraisal of Self-Storage Facilities</i>
2014	McKissock	<i>2-4 Unit Family Finesse</i>
2014	The Appraisal Institute	<i>Appraising Condos, Co-ops &amp; PUDS</i>
2012	McKissock Data Systems	<i>Appraisal Applications of Regression Analysis</i>
2011	The Appraisal Institute	<i>Thinking Outside the Form: Tools, Techniques, and Opportunities for Residential Appraisal</i>
2011	The Appraisal Institute	<i>The Uniform Appraisal Data Set from Fannie Mae and Freddie Mac</i>
2010	Franklin Institute	<i>New Approach to FHA Appraising</i>
2010	Franklin Institute	<i>Foreclosures and Short Sales</i>
2008	McKissock Data Systems	<i>Growing and Developing an Appraisal Practice</i>
2008	The Appraisal Institute	<i>Effective Appraisal Writing</i>
2007	The Appraisal Institute	<i>Business Practices and Ethics</i>
2006	The Appraisal Institute	<i>Appraisal of Nursing Facilities</i>
2004	The Appraisal Institute	<i>Appraisal of Special Purpose Properties</i>
2004	Lincoln Graduate Center	<i>Commercial Investment Appraisal</i>
2004	Lincoln Graduate Center	<i>Farm and Land Appraisal</i>
2001	McKissock Data Systems	<i>Vacant Land Appraisal</i>

**Additional Education - Continued:**

2000	Lincoln Graduate Center	<i>Financial Analysis of Income Property</i>
2000	Lincoln Graduate Center	<i>Direct Capitalization of Income Property</i>
2000	Lincoln Graduate Center	<i>Yield Capitalization of Income Property</i>
1999	Lincoln Graduate Center	<i>Principles of Appraisal Review</i>
1999	Lincoln Graduate Center	<i>Principles of Real Estate Appraisal</i>
1999	Lincoln Graduate Center	<i>Standards of Professional Appraisal Practice</i>
1999	Lincoln Graduate Center	<i>Practice of Real Estate Appraisal</i>
1999	Lincoln Graduate Center	<i>Appraisal of Residential Property</i>
1999	Lincoln Graduate Center	<i>Writing the Narrative Appraisal Report</i>
1994	First Realty	<i>Modern Real Estate Practice</i>

**Examinations:**

2000	Iowa Certified General Real Property Appraiser
1999	Iowa Certified Residential Real Property Appraiser
1994	Iowa Residential Real Estate Salesperson

**Licenses:**

1/8/2002	Iowa Certified General Real Property Appraiser
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**Work Experience:**

Mar-99 to Present	Independent fee appraiser. Primarily involved in the appraisal of residential and commercial property, including: retail, office, office/warehouse, industrial, multi-family car washes, mini-storage, senior care facilities, land, commercial and residential subdivisions, auto service, auto dealerships, etc. Majority of work prior to 2010 completed for the Olson Group, Inc.
Mar-98 to Mar-99	Loan Originator for American Mortgage, Inc. Primarily involved in the solicitation, credit analysis, processing, and closing of "A-D" residential real estate loans.
Mar-97 to Mar-98	Loan Originator for Solutions Plus Mortgage. Primarily involved in the solicitation, credit analysis, processing, and closing of "A-D" residential real estate loans.
May-82 to Dec-96	Distribution Manager, Briggs Corporation. Primarily involved in the direction and management of a nation-wide health care product distribution network. Duties included inventory control systems, budgeting, purchasing, building maintenance, site selection of branch locations and oversight of 100+ employees.

**List of Major Clients:**

American Trust & Savings Bank, Gershman Mortgage, First National Bank, Keystone Bank, Legacy Bank, South Story Bank & Trust, Veridian Credit Union, VisionBank.
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**Experience List of Geographical Area:**

Majority of assignments completed in central Iowa. Experience also extends to most of Iowa and also to Omaha and Lincoln, Nebraska
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**Professional References:**

Mr. Jeff Harder  
VisionBank  
925 SE Gateway Drive  
Grimes, Iowa 50266  
(515) 986-5746

Mr. Jeff Tracy  
American Trust & Savings Bank  
9325 Bishop Drive, Suite 120  
West Des Moines, Iowa 50266  
(515) 224-2300

Mr. Eric Kunkel  
Keystone Savings Bank  
6871 NE 12<sup>th</sup> Avenue  
Pleasant Hill, Iowa 50327  
(515) 266-6900

Mr. Shane Brix  
VisionBank  
925 SE Gateway Drive  
Grimes, Iowa 50266  
(515) 986-5746

Personal references on request.

**COPY OF CURRENT LICENSE**



License		Begin Application Process	Log Continuing Education	Upload Submissions
<b>CG02096</b>				
<b>License Detail</b>				
Number	CG02096		Original Created Date	1/8/2002
Licensing Board	Real Estate Appraiser Examining Board		Issue Date	1/8/2002
License Type	Certified General Appraiser		Expiration Date	6/30/2020
Issue Method	Exam		Renewed Date	6/6/2018
CE Hours Required	28.0		License Status	Active
<b>Contact Information</b>				
Contact	<a href="#">Jerry R Brookshire</a>		Display Name	Jerry R Brookshire
<b>Address Information</b>				
Address Street	2532 E 28th St			
Address City	Des Moines			
Address State	Iowa			
Address Zip/Postal Code	50317			
Address Country	US			
Address County	Polk			



April 16, 2019

Jerry Brookshire  
Brookshire Appraisal  
2532 E 28<sup>th</sup> Street  
Des Moines, IA 50317

RE: 125 NW Aurora Avenue  
Des Moines, IA

Dear Jerry:

On behalf of Boone bank & Trust Company (BBT), I would like to engage your services for the appraisal of the above referenced property as indicated in the Addendum to this letter. Your engagement is as an independent contractor and not as an employee or agent of Boone Bank & Trust Company. The appraisal assignment is to be prepared in accordance with the requirements of the current addition of the Uniform standards of Professional Appraisal Practice (USPAP) and the minimum appraisal standards of Boone Bank & Trust Company's primary regulator.

A qualified staff appraiser may perform the appraisal, but you must review and sign the report. The appraisal may not be subcontracted to an outside individual or firm without my prior written consent. By accepting this appraisal assignment, you and all members certify that you have no direct or indirect interest, financial or otherwise, in the property or transaction, or relationship with the ownership or borrower. Moreover, you agree not to accept or pursue the appraisal, or related assignments of the property for a minimum of one-year from the delivery date of the final appraisal report without written consent from Boone Bank & Trust Company.

**Timing and Fee of the Appraisal Assignment:** It is our understanding that the fee for this assignment includes all expenses and an allowance for any technical assistance you feel necessary or appropriate. The original signed appraisals should be delivered to the undersigned no later than the specified due date. If delays are anticipated or occur, you must immediately request an extension of the due date in writing from the undersigned in order to avoid late fees or penalties.

Should the appraisal not be delivered on or before this date, Boone Bank & Trust Company, reserves the right, at its sole discretion, to either cancel the assignment for cause without payment of the fee or deduct a penalty of one percent (1%) per business day until the appraisal is received. Additionally, Boone Bank & Trust Company reserves the right to cancel this assignment. Upon cancellation, payment of the fee will be limited

to actual time spent and any out-of-pocket expenses incurred up to the date of termination.

We understand that you and your personnel associated with the assignment will be available to discuss any concerns we may have regarding the analysis and the value conclusions. Boone Bank & Trust Company reserves the right to withhold payment if, at our sole discretion, the appraiser fails to address our concerns with the appraisal report of conclusions reached therein.

**Property Contact / Information:** Please arrange an inspection of the property with the contact listed in the addendum to this letter. Your initial contact and/or request for information should be made within two (2) business days of receipt of this letter. Any questions regarding this assignment should be directed to the undersigned at (515) 663-3044 or [dave.troc@BBTames.com](mailto:dave.troc@BBTames.com).

**Confidentiality:** Boone Bank & Trust Company is your client and unless authorized by the undersigned, you may not disclose confidential data, including the value conclusion, to anyone other than the undersigned, including the owner of the property, our borrower, or any other individual connected directly or indirectly to this transaction.

To enable you to complete this assignment, Boone Bank & Trust Company will provide you information, some of which the Bank regards as highly confidential. Your acceptance of the assignment includes your agreement to keep confidential **any and all information** provided to you by the Bank, regardless of whether any information provided is marked or otherwise designated as "Confidential Information."

Specifically, any and all information about customers of the Bank, of any nature whatsoever, including but not limited to customer financial information, and the fact of the existence of a relationship, or potential relationship, between the Bank and its customers, is confidential. Some of the information provided to you by the Bank may not be confidential if:

- it was known to you before the Bank or the customer provided it to you; or
- it was public knowledge before the Bank or the customer provided it to you; or
- it becomes available from a third party, not subject to any restrictions, after the Bank or customer provided it to you.

You must protect the Confidential Information provided to you using at least a reasonable degree of care to prevent the unauthorized disclosure of such Confidential Information. You can disclose the Confidential Information to your employees, but you must tell them the information is confidential and must be maintained that way. You may use the bank's confidential information only:

- for the purpose of completing your assignment, and
- for the purpose of meeting your professional obligations.

Your obligation to maintain the confidentiality of the Bank's Confidential Information continues even after the completion of your assignment, except that you have the right to use the Confidential Information to fulfill your professional obligations with respect to mandated file retention and disclosure for purposes of peer review.

If you are, or may be, required by a court or a government agency to disclose any Confidential Information, you agree to notify the Bank before you make any such disclosure.

If a representative of the Bank inquires as to what provisions you have made to keep the Bank's information confidential, you agree to disclose in detail what steps you have taken and are taking to ensure confidentiality.

If you have any questions about your obligations as set forth above, or about how to meet your obligations set forth above, please call the undersigned immediately. It is essential that the Bank's Confidential Information be maintained as confidential.

Your Appraisal Report may be reviewed upon receipt by an outside professional appraisal review firm. The assignment is not considered complete until the review reveals that the Report is in compliance with the Uniform Standards of Professional Appraisal Practice and the minimum standards of our primary federal regulator.

**Indemnification:** You agree to indemnify us and our successors in interest in any loan and/or mortgage received by us, to the full extent of any loss attributable to a breach of your duty to exercise reasonable care and skill in the preparation of this appraisal.

**Acceptance:** If you are in agreement with all of the above, please sign and e-mail a copy of this letter to my attention immediately. A copy of the fully executed engagement letter must be included in the addenda of each copy of the final appraisal report.

Please send a pdf of the completed appraisal and invoice to the undersigned at:

[dave.troe@fnb247.com](mailto:dave.troe@fnb247.com)

Sincerely,  
DAT  
David A. Troe  
Staff Appraiser

Agreed and Accepted:

BY: 

Date: 4-16-19

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**ADDENDUM TO ENGAGEMENT LETTER**

**Property Data**

Borrower: Antioch Investments, LLC  
Contact Name: Doug Antioch  
Contact Phone Number: (515) 231-1960  
[doug@antiochinvestments.com](mailto:doug@antiochinvestments.com)  
Property Address: 125 NW Aurora Avenue  
Des Moines, IA  
Property Description: Multi-Family

**Appraisal Assignment**

Appraisal Fee: \$1,500  
Due Date: 05/01/2019  
Number of Originals: pdf only  
Intended Use of the Appraisal: Loan Underwriting  
Intended User of the Appraisal: Boone Bank & Trust Company  
Purpose of the Appraisal: Market Value, "As Is"  
Property Rights to be Appraised: Fee Simple  
Scope & Reporting Format: Appraisal - Narrative  
Level of Market Analysis: A  
Effective Date of Appraisal: Inspection Date

# Polk County Assessor

111 Court Avenue #195  
Des Moines, IA 50309-0904

(515) 286-3014 Fax (515) 286-3386  
[polkweb@assess.co.polk.ia.us](mailto:polkweb@assess.co.polk.ia.us)

Location					
Address	125 NW AURORA AVE				
City	DES MOINES	Zip	50313	Jurisdiction	Saylor Township
District/Parcel	270/02060-001-000	Geoparcels	7924-23-154-036	Status	<a href="#">Active</a>
School	Saydel	Nbhd/Pocket	SA01/B	Tax Authority Group	SAY-T-SAY-77104
Submarket	Northeast Des Moines	Appraiser	Mike Caulfield, ICA 515-286-3325		

### Map and Current Photos - 2 Records

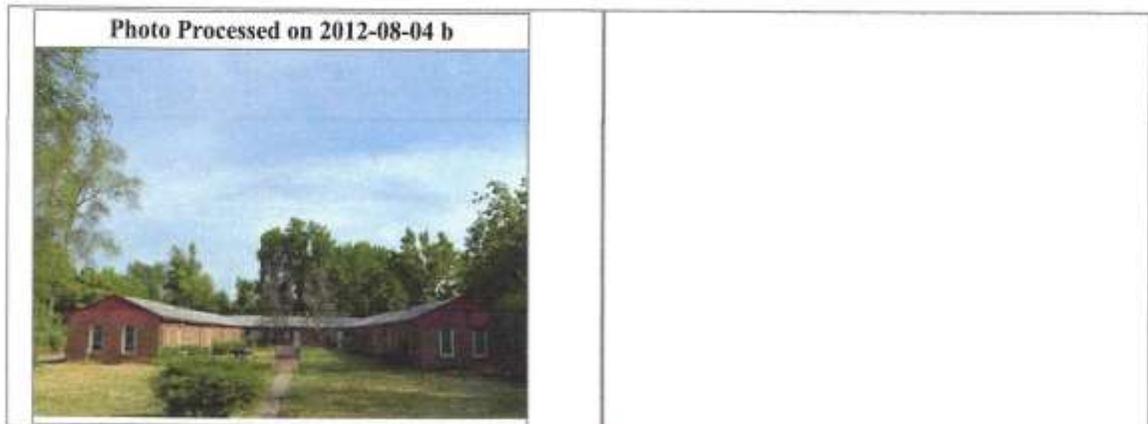
**Click on parcel to get a new listing**

[Bigger Map](#) [Polk County GIS](#)  
[Google Map](#) [Pictometry](#)

**Photo Processed on 2012-08-04 a**

[Historical Photos](#)

<http://web.assess.co.polk.ia.us/cgi-bin/web/tt/infoqry.cgi?tt=card/card&dp=27002060001000&format=cod...> 5/2/2019



Historical Photos

**Ownership - 1 Record**

Ownership	Num	Name	Recorded	Book/Page
Title Holder	1	ANTIOCH INVESTMENTS LC	2010-12-28	<u>13717/233</u>

**Legal Description and Mailing Address**

E 14.75F W 173.5F N 75F & E 22.25F W 173.5F S 75F N 150F & E 129F LOT 9 ORP NORTH HIGHLAND PARK	ANTOCH INVESTMENTS LC 310 NW WATERCREST DR. ANKENY, IA 50023-6807
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**Current Values**

Type	Class	Kind	Land	Bldg	Total
2019 Assessment Roll	Multi-Residential	Full	\$87,200	\$239,800	\$327,000
2018 Value	Multi-Residential	Full	\$87,200	\$184,800	\$272,000

Assessment Roll Notice

**Zoning - 1 Record**

Zoning	Description	SF	Assessor Zoning
MDR	Medium Density Residential		Residential

*Polk County Department of Planning & Development 515 286 3705 (2007-10-01)*

**Land**

Square Feet	Acres	Topography
41,475	0.952	Blank
Shape	Vacancy	Unbuildable
Irregular	Blank	Blank

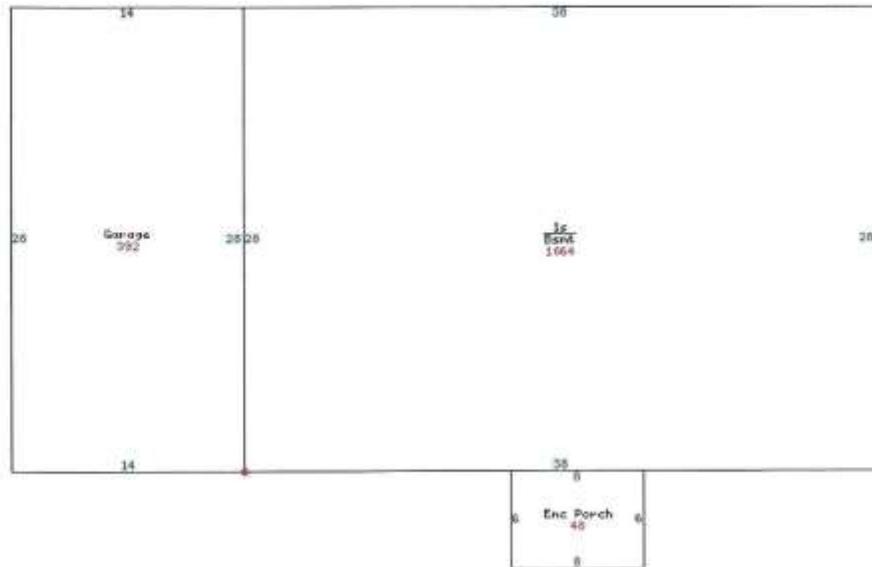
**Residences - 1 Record**

**Residence #1**

Occupancy	Residence Type	Year Built
Single Family	1 Story	1959
Number Families	Grade	Condition
1	4-05	Below Normal

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<b>Total Square Foot Living Area</b>	1064	<b>Main Living Area</b>	1064	<b>Attached Garage Square Foot</b>	392
<b>Basement Area</b>	1064	<b>Garage Brick%</b>	100	<b>Enclosed Porch Area</b>	48
<b>Foundation</b>	Concrete Block	<b>Exterior Wall Type</b>	Brick	<b>Brick%</b>	100
<b>Roof Type</b>	Gable	<b>Roof Material</b>	Asphalt Shingle	<b>Heating</b>	Gas Forced Air
<b>Air Conditioning</b>	100	<b>Number Bathrooms</b>	1	<b>Bedrooms</b>	3
<b>Rooms</b>	5				



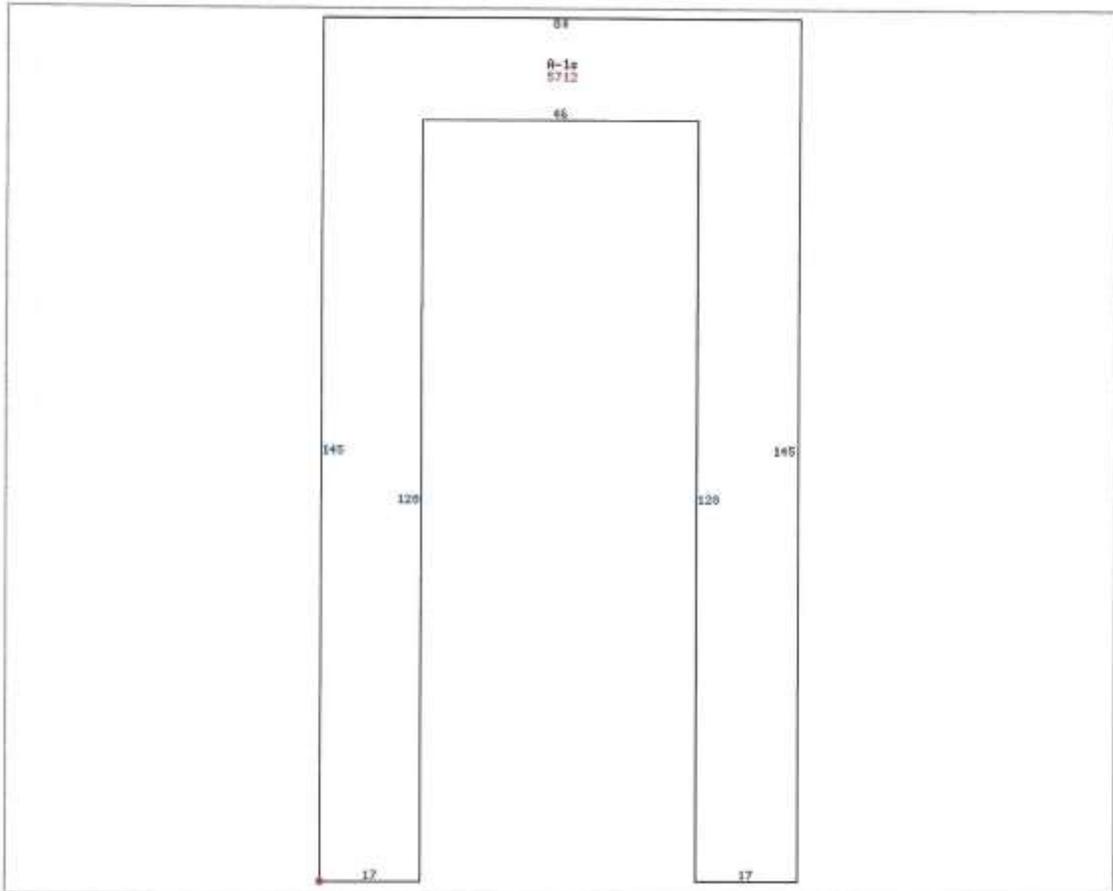
**Commercial Summary**

<b>Occupancy</b>	Apartment	<b>Age, Weighted</b>	1951	<b>Total Story Height</b>	1
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<b>Land Area</b>	41,475	<b>Gross Area</b>	7,168	<b>Finished Area</b>	6,776
<b>Unfinished Bsmt Area</b>	1,064	<b>Finished Bsmt Area</b>	0	<b>Number of Units</b>	11
<b>Primary Group</b>	Apartment	<b>Percent Primary Group</b>	69.39	<b>Secondary Group</b>	Residence Single Family
<b>Percent Secondary Group</b>	30.61	<b>Grade, Weighted</b>	5/Grade 5	<b>Bldg Class, Weighted</b>	5/Metal
<b>Condition, Weighted</b>	NM/Normal	<b>Ground Floor Area</b>	6,776	<b>Perimeter</b>	706
<b>Unfinished Area</b>	392				
<b>Commercial Sections - 1 Record</b>					
<b>Commercial Section #101</b>					
<b>Section Multiplier</b>	1	<b>Occupancy</b>	Apartment	<b>Foundation</b>	Concrete
<b>Exterior Wall</b>	Brick Veneer	<b>Insulation</b>	Yes	<b>Roof</b>	Gable
<b>Roof Material</b>	Shingle	<b>Wiring</b>	Adequate	<b>Plumbing</b>	Adequate
<b>Total Story Height</b>	1	<b>Frame Type</b>	Frame	<b>Bldg Class</b>	Brick Veneer
<b>Total Section Area</b>	5,712	<b>Ground Floor Area</b>	5,712	<b>Perimeter</b>	706
<b>Total Number Units</b>	10	<b>Grade</b>	5-10	<b>Year Built</b>	1948
<b>Condition</b>	Poor				
<b>Commercial Groups - 1 Record</b>					
<b>Commercial Group #101 1</b>					
<b>Use Code</b>	Apartment	<b>Base Story</b>	1	<b>Number Stories</b>	1
<b>Total Group Area</b>	5,712	<b>Base Floor Area</b>	5,712	<b>Number Units</b>	10
<b>Heating</b>	Central	<b>Air Conditioning</b>	None	<b>Exhaust System</b>	No
<b>Condition</b>	Normal				

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**Detached Structures - 1 Record**

**Detached Structure #101**

<b>Occupancy</b>	Asphalt Paving	<b>Measurement Code</b>	Square Feet	<b>Measure 1</b>	10,000
<b>Grade</b>	5	<b>Year Built</b>	1970	<b>Condition</b>	Below Normal

**Sales - 1 Record**

Seller	Buyer	Sale Date	Sale Price	Instrument	Book/Page
GREAT SOUTHERN BANK	ANTIOCH INVESTMENTS, LC	<a href="#">2010-12-20</a>	\$150,000	Deed	<a href="#">13717/233</a>

**Historical Values**

Yr	Type	Class	Kind	Land	Bldg	Total
2017	<a href="#">Assessment Roll</a>	Multi-Residential	Full	\$87,200	\$184,800	\$272,000

<http://web.assess.co.polk.ia.us/cgi-bin/web/tt/infoqry.cgi?tt=card/card&dp=27002060001000&format=cod...> 5/2/2019

Yr	Type	Class	Kind	Land	Bldg	Total
2015	<a href="#">Assessment Roll</a>	Multi-Residential	Full	\$71,900	\$174,100	\$246,000
2013	<a href="#">Assessment Roll</a>	Commercial Multiple	Full	\$71,900	\$147,000	\$218,900
2011	<a href="#">Assessment Roll</a>	Commercial Multiple	Full	\$71,900	\$147,000	\$218,900
2010	<a href="#">Assessment Roll</a>	Commercial Multiple	Full	\$71,900	\$147,000	\$218,900

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2018 Rent Roll 325 NW Aurora

Assessments	January	February	March	April	May	June	July	August	September	October	November	December	Total
Apr 1	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 6,600.00
Apr 2	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 6,600.00
Apr 3	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 6,300.00
Apr 4	\$ 632.00	\$ 632.00	\$ 632.00	\$ 632.00	\$ 632.00	\$ 632.00	\$ 632.00	\$ 632.00	\$ 632.00	\$ 632.00	\$ 632.00	\$ 632.00	\$ 7,584.00
Apr 5	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 7,800.00
Apr 6	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 6,300.00
Apr 7	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 6,600.00
Apr 8	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 6,300.00
Apr 9	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 6,600.00
Apr 10	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	\$ 6,300.00
House	\$ 5,632.00	\$ 5,632.00	\$ 5,632.00	\$ 5,632.00	\$ 5,632.00	\$ 5,632.00	\$ 5,632.00	\$ 5,632.00	\$ 5,632.00	\$ 5,632.00	\$ 5,632.00	\$ 5,632.00	\$ 67,789.00

Antioch Investments, LLC  
**Profit & Loss**  
 January 1 through April 1, 2019

	Jan 1 - Apr 1, 19
Ordinary Income/Expense	
Income	
Rental Income	22,728.00
Total Income	22,728.00
Gross Profit	22,728.00
Expense	
Office Expense	
Office Supplies	32.45
Office Expense - Other	35.11
Total Office Expense	67.56
Advertising and Promotion	591.74
Automobile Expense	
Repairs and Maintenance	67.80
Gas	188.35
Automobile Expense - Other	104.91
Total Automobile Expense	361.06
Bank Service Charges	349.95
Computer and Internet Expenses	6.35
Continuing Education	313.50
Fee	3.75
Insurance	
Workers Compensation	393.00
Vehicle Insurance	117.33
Insurance - Other	1,657.60
Total Insurance	2,187.93
Interest Expense	3,646.46
Payroll Expenses	
Payroll Taxes	
941 Employers Tax	171.67
Federal Unemployment	13.46
State Unemployment Taxes	22.44
Total Payroll Taxes	207.57
Salaries and Wages	2,244.00
Payroll Expenses - Other	8.24
Total Payroll Expenses	2,459.81
Postage and Delivery	39.32
Professional Fees	
Accounting Services	600.00
Total Professional Fees	600.00
Recreation	283.93
Repairs and Maintenance	
Carpet/Flooring	240.00
Repairs and Maintenance - Other	885.22
Total Repairs and Maintenance	1,125.22
Service	
Snow Removal	700.00
Total Service	700.00
Telephone Expense	312.80
Travel	712.62

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Accrual Basis

Antioch Investments, LLC  
Profit & Loss  
January 1 through April 1, 2019

	Jan 1 - Apr 1, 19
Utilities	
Internet Service	61.97
Electric	603.74
Trash Disposal	325.71
Water	723.23
Utilities - Other	307.92
<b>Total Utilities</b>	<b>2,022.57</b>
<b>Total Expense</b>	<b>15,764.79</b>
<b>Net Ordinary Income</b>	<b>6,983.21</b>
Other Income/Expense	
Other Income	
Refund	0.96
<b>Total Other Income</b>	<b>0.96</b>
<b>Net Other Income</b>	<b>0.96</b>
<b>Net Income</b>	<b>6,984.17</b>

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125 NWAurora - House Renovation

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<b>Electrical</b>		
New service	2000	
Re-wiring and finish fixtures	4000	
	400	
<b>Sub-total</b>		6400
<b>Plumbing</b>		
Scope the sewer line	300	
run plex	2000	
waterheater	500	
bath fixtures	400	
kitchen fixtures	200	
<b>Sub-total</b>		3400
<b>HVAC</b>		
electric furnace	950	
install/ duct/ return	1700	
<b>Sub-total</b>		2650
<b>Interior Trim</b>		
drywall repair	700	
materials	500	
labor - base case repair	300	
paint	800	
<b>Sub-total</b>		2300
<b>Floor Coverings</b>		
vinyl	250	
carpet/install	600	
<b>Sub-total</b>		850
<b>Kitchen</b>		
cabinets/installation	1200	
appliances	1400	
<b>Sub-total</b>		2600
<b>Exterior</b>		
repair facia	200	
gutters/downspouts	1300	
garage door	700	
concrete repair	2000	
<b>Sub-total</b>		4200
<b>Total</b>		22400
	w/10% contingency	24640