



Village of Pewaukee Board of Review Scheduled Objections

April 28, 2022 – The meeting starts at 3:00 pm

All times below are tentative.

- | | | | |
|---------------|--|---------------------------|------------------------------|
| 3:05pm | PWV 0901990003 | 411 Pewaukee Road | <u>Waiver Request</u> |
| | CJM & W investment Company (Wal-Mart) | | |
| | Gimbel, Reilly, Guerin, Brown, LLC / Christopher L. Stohbehn (Agent) | | |
| 3:10pm | PWV 0901984001 | 1357 Capitol Drive | <u>Waiver Request</u> |
| | Menard, Inc. (Owner) | | |
| | Rogahn Jones, LLC / Attorney Michael S. Kozicz (Agent) | | |

Gimbel · Reilly · Guerin · Brown
LLP

Writer's Direct E-mail
cmae@grgblaw.com

April 22, 2022

Via E-mail (csmith@villageofpewaukee.com) and Federal Express

Cassandra Smith, Village Clerk
Village of Pewaukee
235 Hickory Street
Pewaukee, WI 53072

Re: 2022 Request for Waiver of Board of Review (BOR) Hearing
Property Owner: CJM & W Investment Company c/o Wal-Mart
Property Address: 411 Pewaukee Road, Pewaukee, WI 53072
Parcel Number: PWV 0901-990-003

Dear Ms. Smith:

Enclosed please find an Agent Authorization signed by our client, CJM & W Investment Company c/o Wal-Mart, regarding the above referenced property. Please also find the completed Request for Waiver of Board of Review (BOR) Hearing and the Objection to Real Property Assessment.

We would like to waive the hearing of the attached objection. If the Waiver of Hearing is denied, we would like to request a telephone hearing with the Board of Review and have therefore enclosed a Request to Testify by Telephone.

Please let us know if you have any questions or require anything further from us. Thank you for your attention to this matter.

Very truly yours,



Cianna M. Brand
Litigation Paralegal

Enclosures

330 East Kilbourn Avenue
Suite 1170
Milwaukee, WI 53202
P: 414-271-1440
F: 414-271-7680
www.grgblaw.com

Agent Authorization

for Property Assessment Appeals

If an agent is representing the property owner or municipality, the property owner or municipality must provide prior written authorization for the agent to represent the company or municipality when contacting the reviewing authority.

Section 1: Property Owner and Property Information

Company/property owner name CJM & W Investment Company c/o Wal-Mart			Taxation district (Check one) <input type="checkbox"/> Town <input checked="" type="checkbox"/> Village <input type="checkbox"/> City		County Waukesha
Mailing address P.O. Box 8050 MS 0555			Street address of property 411 Pewaukee Road		
City Bentonville	State AR	Zip 72712	City Pewaukee	State WI	Zip 53072
Parcel number PWV 0901990003	Phone (479) 204 - 3835	Email brandon.caplana@walmart.com		Fax () -	

Section 2: Authorized Agent Information

Name / title Attys Christopher L. Strohbahn and Russell J. Karnes			Company name Gimbel, Reilly, Guerin & Brown LLP		
Mailing address 330 E. Kilbourn Avenue, Suite 1170			Phone (414) 271 -1440	Fax (414) 271 - 7680	
City Milwaukee	State WI	Zip 53202	Email cstrohbahn@grgblaw.com and rkarnes@grgblaw.com		

Section 3: Agent Authorization

Agent Authorized for: (check all that apply) <input checked="" type="checkbox"/> Manufacturing property assessment appeals (BOA) <input type="checkbox"/> Access to manufacturing assessment system (MAS) <input checked="" type="checkbox"/> Wisconsin Department of Revenue 70.85 appeals <input checked="" type="checkbox"/> Municipal Board of Review <input type="checkbox"/> Other _____	Enter Tax Years of Authorization <u>2018, 2019, 2020, 2021, 2022</u> _____ _____ _____
Authorization expires: <u>12 - 31 - 2022</u> (unless rescinded in writing prior to expiration) (mm - dd - yyyy)	
Send notices and other written communications to: (check one or both) <input checked="" type="checkbox"/> Authorized Agent <input checked="" type="checkbox"/> Property Owner	

Section 4: Agreement/Acceptance

I understand, agree and accept:

- The assessor's office may divulge any information it may have on file concerning this property
- My agent has the authority and my permission to accept a subpoena concerning this property on my behalf
- I will provide all information I have that will assist in the discussion and resolution of any assessment appeal of this property
- Signing this document does not relieve me of personal responsibility for timely reporting changes to my property and paying taxes, or penalties for failure to do so, as provided under Wisconsin tax law
- A photocopy and/or faxed copy of this completed form has the same authority as a signed original
- If signed by a corporate officer, partner, or fiduciary on behalf of the owner, I certify that I have the power to execute this Agent Authorization form

Section 5: Owner Grants Authorization

Owner Sign Here ▶	Owner name (please print) CJM & W Investment Company c/o Wal-Mart	
	Owner signature <i>Brandon Caplena</i>	
	Company or title Sr. Manager	

Objection to Real Property Assessment

To file an appeal on your property assessment, you must provide the Board of Review (BOR) clerk written or oral notice of your intent, under state law (sec. 70.47(7)(a), Wis. Stats.). You must also complete this entire form and submit it to your municipal clerk. To review the best evidence of property value, see the Wisconsin Department Revenue's *Property Assessment Appeal Guide for Wisconsin Real Property Owners*.

Complete all sections:

Section 1: Property Owner / Agent Information				* If agent, submit written authorization (Form PA-105) with this form			
Property owner name (on changed assessment notice) CJM & W Investment Company c/o Wal-Mart				Agent name (if applicable) Gimbel, Reilly, Guerin & Brown LLP			
Owner mailing address P.O. Box 8050 MS 0555				Agent mailing address 330 E. Kilbourn Avenue, Suite 1170			
City Bentonville	State AR	Zip 72712		City Milwaukee	State WI	Zip 53202	
Owner phone (479) 204 - 3835	Email brandon.caplena@walmart.com			Owner phone (414) 271 - 1440	Email cstrohbehn@grgblaw.com / rkarnes@grgblaw.com		

Section 2: Assessment Information and Opinion of Value			
Property address 411 Pewaukee Road			Legal description or parcel no. (on changed assessment notice) PWV 0901990003
City Pewaukee	State WI	Zip 53072	
Assessment shown on notice - Total \$11,873,000			Your opinion of assessed value - Total \$5,770,000

If this property contains non-market value class acreage, provide your opinion of the taxable value breakdown:

Statutory Class	Acres	\$ Per Acre	Full Taxable Value
Residential total market value			
Commercial total market value			
Agricultural classification: # of tillable acres		@ \$ acre use value	
# of pasture acres		@ \$ acre use value	
# of specialty acres		@ \$ acre use value	
Undeveloped classification # of acres		@ \$ acre @ 50% of market value	
Agricultural forest classification # of acres		@ \$ acre @ 50% of market value	
Forest classification # of acres		@ \$ acre @ market value	
Class 7 "Other" total market value		market value	
Managed forest land acres		@ \$ acre @ 50% of market value	
Managed forest land acres		@ \$ acre @ market value	

Section 3: Reason for Objection and Basis of Estimate	
Reason(s) for your objection: (Attach additional sheets if needed) Value is excessive based on other comparable big box stores and appraisals.	Basis for your opinion of assessed value: (Attach additional sheets if needed) Based on other big box stores and appraisals.

Section 4: Other Property Information

A. Within the last 10 years, did you acquire the property? Yes No
 If Yes, provide acquisition price \$ _____ Date - - Purchase Trade Gift Inheritance
(mm-dd-yyyy)

B. Within the last 10 years, did you change this property (ex: remodel, addition)? Yes No
 If Yes, describe Remodel
 Date of changes 10-31-2019 Cost of changes \$ 2,393 Does this cost include the value of all labor (including your own)? Yes No
(mm-dd-yyyy)

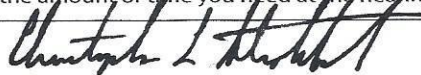
C. Within the last five years, was this property listed/offered for sale? Yes No
 If Yes, how long was the property listed (provide dates) to
(mm-dd-yyyy)
 Asking price \$ _____ List all offers received _____

D. Within the last five years, was this property appraised? Yes No
 If Yes, provide: Date 06-07-2021 Value \$5,770,000 Purpose of appraisal Retrospective Market Valuation
(mm-dd-yyyy)
 If this property had more than one appraisal, provide the requested information for each appraisal. _____

Section 5: BOR Hearing Information

A. If you are requesting that a BOR member(s) be removed from your hearing, provide the name(s): _____
Note: This does not apply in first or second class cities.

B. Provide a reasonable estimate of the amount of time you need at the hearing 15 minutes.

Property owner or Agent signature 	Date (mm-dd-yyyy) 04 - 22 - 2022
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Request to Testify by Telephone or Submit a Sworn Written Statement at the Board of Review (BOR)

Section 70.47(8), Wis. Stats., states "...Instead of appearing in person at the hearing, the board **may** allow the property owner, or the property owner's representative, at the request of either person, to appear before the board, under oath, by telephone or to submit written statements, under oath, to the board. ..."

NOTE: The legal requirements of the Notice of Intent to Appear at the BOR must be satisfied and the Objection Form must be completed and submitted to the BOR as required by law prior to the Request to Testify by Telephone or Submit Sworn Written Statement form being submitted.

Municipality Village of Pewaukee	County Waukesha
Property owner's name CJM & W Investment Company c/o Wal-Mart	Agent name (if applicable) Gimbel, Reilly, Guerin & Brown LLP
Owner's mailing address P.O. Box 8050 MS 0555, Bentonville, AR 72712	Agent's mailing address 330 E. Kilbourn Avenue, Suite 1170 Milwaukee, WI 53202
Owner's telephone number (479) 204 3835	Agent's telephone number (414) 271 1440
<input checked="" type="checkbox"/> Land Line <input type="checkbox"/> Cell Phone	<input checked="" type="checkbox"/> Land Line <input type="checkbox"/> Cell Phone
Owner's email address brandon.caplena@walmart.com	Agent's email address cstrohbehn@grgblaw.com / rkarnes@grgblaw.com

Please provide the following information on the property and the assessment to which you are objecting. (Attach additional sheets, if necessary.)

1. Property address 411 Pewaukee Road, Pewaukee, WI 53072
2. Legal description or parcel number from the current assessment roll PWV 0901990003
3. Total Property Assessment \$11,873,000
4. If agent, attach signed Agent Authorization form, PA-105

Testify by telephone* Submit sworn written statement

Basis for request To take matter directly to Circuit Court.

*If the request is approved, provide the best telephone number to reach you 414-271-1440

Owner's or Agent's signature 	Date 4-22-2022
---	--------------------------

For Board Use Only

Approved Denied

Reason _____

Taxpayer advised _____

Date

Request for Waiver of Board of Review (BOR) Hearing

Section 70.47 (8m), Wis. Stats., states, "The board may, at the request of the taxpayer or assessor, or at its own discretion, waive the hearing of an objection under sub. (8) or, in a 1st class city, under sub. (16) and allow the taxpayer to have the taxpayer's assessment reviewed under sub. (13). For purposes of this subsection, the board shall submit the notice of decision under sub. (12) using the amount of the taxpayer's assessment as the finalized amount. For purposes of this subsection, if the board waives the hearing, the waiver disallows the taxpayer's claim on excessive assessment under sec. 74.37(3) and notwithstanding the time period under sec. 74.37(3)(d), the taxpayer has 60 days from the notice of hearing waiver in which to commence an action under sec. 74.37(3)(d)."

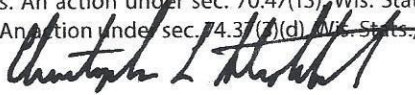
NOTE: The legal requirements of the Notice of Intent to Appear must be satisfied and the Objection Form must be completed and submitted as required by law prior to the Request for Waiver of Board of Review Hearing being submitted.

NOTE: Request for Waiver must be presented prior to the commencement of the hearing.

Municipality Village of Pewaukee	County Waukesha
Requestor's name CJM & W Investment Company c/o Wal-Mart	Agent name (if applicable)* Gimbel, Reilly, Guerin & Brown LLP
Requestor's mailing address P.O. Box 8050 MS 0555, Bentonville, AR 72712	Agent's mailing address 330 E. Kilbourn Avenue, Suite 1170 Milwaukee, WI 53202
Requestor's telephone number (479) 204 - 3835	Agent's telephone number (414) 271 - 1440
<input checked="" type="checkbox"/> Land Line <input type="checkbox"/> Cell Phone	<input checked="" type="checkbox"/> Land Line <input type="checkbox"/> Cell Phone
Requestor's email address brandon.caplana@walmart.com	Agent's email address cstrohbehn@grgblaw.com / rkarnes@grgblaw.com

Property address 411 Pewaukee Road, Pewaukee, WI 53072	
Legal description or parcel number PWV 0901990003	
Taxpayer's assessment as established by assessor – Value as determined due to waiving of BOR hearing \$ 11,873,000	
Property owner's opinion of value \$ 5,770,000	
Basis for request To take matter directly to Circuit Court.	
Date Notice of Intent to Appear at BOR was given 04 - 22 - 2022	Date Objection Form was completed and submitted 04 - 22 - 2022

All parties to the hearing understand that in granting of this waiver there can be no appeal to the Department of Revenue under sec. 70.85, Wis. Stats. An action under sec. 70.47(13), Wis. Stats., must be commenced within 90 days of the receipt of the notice of the waiving of the hearing. An action under sec. 74.37(3)(d), Wis. Stats., must be commenced within 60 days of the receipt of the notice of the waiving of the hearing.



Requestor's / Agent's Signature

*** If agent, attach signed Agent Authorization Form, PA-105**

Decision

Approved Denied

Reason _____

Board of Review Chairperson's Signature

Date

Taxpayer advised

Date

ADDENDUM

LIST OF ADDITIONAL AUTHORIZED AGENTS

<u>Name</u>	<u>Title</u>	<u>Company Name</u>	<u>Mailing Address</u>	<u>Email</u>	<u>Phone</u>
Christopher L. Strohbehn	Attorney	Gimbel, Reilly, Guerin & Brown	330 E. Kilbourn Ave., Suite 1170, Milwaukee, WI 53202	cstrohbehn@grgblaw.com	414-224-3643
Russell J. Karnes	Attorney	Gimbel, Reilly, Guerin & Brown	330 E. Kilbourn Ave., Suite 1170, Milwaukee, WI 53202	rkarnes@grgblaw.com	414-224-8735
Erin Strohbehn	Attorney	Gimbel, Reilly, Guerin & Brown	330 E. Kilbourn Ave., Suite 1170, Milwaukee, WI 53202	estrohbehn@grgblaw.com	414-224-8666
D. Michael Guerin	Attorney	Gimbel, Reilly, Guerin & Brown	330 E. Kilbourn Ave., Suite 1170, Milwaukee, WI 53202	dmguerin@grgblaw.com	414-224-3654
Brianna Meyer	Attorney	Gimbel, Reilly, Guerin & Brown	330 E. Kilbourn Ave., Suite 1170, Milwaukee, WI 53202	bmeyer@grgblaw.com	414-224-3647
Jaclyn C. Kallie	Attorney	Gimbel, Reilly, Guerin & Brown	330 E. Kilbourn Ave., Suite 1170, Milwaukee, WI 53202	jkallie@grgblaw.com	414-271-1440
Christopher M. Hayden	Attorney	Gimbel, Reilly, Guerin & Brown	330 E. Kilbourn Ave., Suite 1170, Milwaukee, WI 53202	chayden@grgblaw.com	414-271-1440
Cianna Mae	Paralegal	Gimbel, Reilly, Guerin & Brown	330 E. Kilbourn Ave., Suite 1170, Milwaukee, WI 53202	cmae@grgblaw.com	414-224-8739
Corina Torres	Paralegal	Gimbel, Reilly, Guerin & Brown	330 E. Kilbourn Ave., Suite 1170, Milwaukee, WI 53202	ctorres@grgblaw.com	414-271-7126
Bob Wentzel	Consultant	Alliance Property Consultants, Inc.	11985 Technology Drive, Suite 260, Eden, MN 55344	bobwentzel9@aol.com	952-942-6734
Bill Wentzel	Consultant	Alliance Property Consultants, Inc.	11985 Technology Drive, Suite 260, Eden, MN 55344	billw@alliancepropertyconsultants.com	952-942-6734

APPRAISAL REPORT

Retail Store
Located at 411 Pewaukee Road
Village of Pewaukee, Waukesha County, Wisconsin 53072

Date of Value
January 1, 2020



Date of Report
June 7, 2021

Prepared for:
Mr. Brandon Caplena
Senior Manager - Real Estate Property Tax
WAL-MART REAL ESTATE BUSINESS TRUST
2608 SE J Street, Suite 2
Bentonville, Arkansas 72716-0555

By:
ALLEN & ASSOCIATES APPRAISAL GROUP, INC.

5700 Crooks Road, Suite 202
Troy, Michigan 48098
(248) 433-9630
www.allenappraisal.com



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June 7, 2021

Mr. Brandon Caplena
Senior Manager - Real Estate Property Tax
WAL-MART REAL ESTATE BUSINESS TRUST
2608 SE J Street, Suite 2
Bentonville, Arkansas 72716-0555

Re: Real property located at 411 Pewaukee Road
Village of Pewaukee, Waukesha County, Wisconsin 53072

Dear Mr. Caplena:

In accordance with your request, in this appraisal report, we have prepared an appraisal of the market value of the fee simple interest in and of the above referenced property located at 411 Pewaukee Road in Village of Pewaukee, Waukesha County, Wisconsin 53072. As of the date of value, the subject site consisted of one tax parcel with ± 13.88 acres of land. The subject building improvements consisted of one $\pm 134,244$ SF discount/mega warehouse retail building.

The purpose of the appraisal is to estimate the market value of the fee simple interest in the property as of January 1, 2020. The function of this appraisal is for use in property tax review. The client is Walmart.

This report has been researched and to the best of our knowledge written in conformance with the requirements of the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute.

Neither all, nor any part of the contents of this report (especially conclusions as to value, the identity of the appraisers, or the firm with which they are connected, or any references to the Appraisal Institute, or to the MAI designation) shall be disseminated to the public through advertising media, news media, sales media, or any other public means of communication without prior written consent and approval of Allen & Associates.

The accompanying appraisal report, of which this letter is a part, describes in summary the site, methods of appraisal, and contains the pertinent data considered in reaching our value conclusions. The opinion of value is subject to the statement of assumptions and limiting conditions attached herewith.

Neither the name Allen & Associates, nor the material submitted in this report may be included in any prospectus or used in offerings or representations in connection with the sale of real estate, securities, or participation interests to the public without our expressed written permission.

This appraisal has been prepared for sole and exclusive use of *Walmart, its counsel, and Wisconsin Courts* for the purpose of property tax review. Use for any other purpose or by any other user is prohibited without the express written consent of the appraiser.

Based on our analysis, along with the basic assumptions and limiting conditions of the appraisal contained herein, it is our opinion that the market value of the fee simple interest in the subject property as of and January 1, 2020 was:

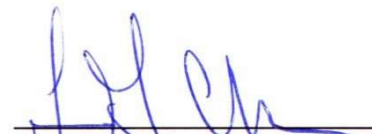
“RETROSPECTIVE” MARKET VALUE OF THE SUBJECT PROPERTY

AS OF JANUARY 1, 2020

FIVE MILLION SEVEN HUNDRED SEVENTY THOUSAND (\$ 5,770,000) DOLLARS

The value estimate and conclusion include the hypothetical condition that the property taxes are assessed at a level reflective of 100% of the market value concluded for the date of value in this report. The effect of this hypothetical condition is an increase in the market value determination. Additionally, the above value conclusion is subject to the extraordinary assumption that the property condition was as described in this report for the date of value. Further, the above value conclusion is subject to the jurisdictional exception created by the Wisconsin Constitution, state statutes, case law, and the Wisconsin Property Assessment Manual (WPAM) as discussed in the scope of the appraisal. The above value estimates should be reviewed within the context of the attached report and are subject to the assumptions and limiting conditions contained within the report.

Respectfully submitted:
ALLEN & ASSOCIATES



Laurence G. Allen, MAI
President

Certified General Appraiser
State of Wisconsin #2191-10
Expiration Date: December 14, 2021

Attachments

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Summary of Salient Facts and Conclusions

Property Location:	411 Pewaukee Road Village of Pewaukee, Waukesha County, Wisconsin 53072
Parcel ID Number(s):	PWV-0901-990-003
Date of Report:	June 7, 2021
Date of Value:	January 1, 2020
Interest Appraised:	Fee Simple
Highest and Best Use:	
As Vacant:	Retail development
As Improved:	Retail use
Site Description:	
Land Area:	±13.88 acres
Shape:	Irregular
Zoning:	B-1, Community Business
Frontage:	Pewaukee Road and Swan Road
Access:	Swan Road
Parking Spaces	±555 provided.
Flood Hazard:	Zone X, based on Map #55133C0203G (Nov-5, 2014)
Building Description:	
<u>Discount/Mega Warehouse Store:</u>	
Type:	One-story Class C
Quality:	Average Cost (based upon MVS)
Framing:	Steel
Exterior Walls:	Primarily concrete walls with decorative concrete block and brick façade and minimal EIFS
Gross Building Area	±134,244 SF
Year Built:	2005, with the grand opening in July 2005
Estimated Age:	14 years as of January 1, 2020

Market Value Conclusions:

Retrospective Valuation Conclusions	
Date of Value	January 1, 2020
Sales Comparison Approach	\$5,770,000
Income Approach	\$5,780,000
Cost Approach	\$5,800,000
Reconciled Market Value of Subject Property	\$5,770,000

The above value estimates and conclusion include the hypothetical condition that the property taxes are assessed at a level reflective of 100% of the respective market value concluded for the date of value in this report. The effect of this hypothetical condition is an increase in the market value determination. Additionally, the above value conclusions are subject to the extraordinary assumption that the property condition was as described in this report for the date of value. Further, the above value conclusion is subject to the jurisdictional exception created by the Wisconsin Constitution, state statutes, case law, and Wisconsin Property Assessment Manual (WPAM) as discussed in the scope of the appraisal. The above value estimates should be reviewed within the context of the attached report and are subject to the assumptions and limiting conditions contained within the report.

Identification of the Subject Property

The subject property is located at 411 Pewaukee Road in Village of Pewaukee, Waukesha County, Wisconsin 53072. A legal description for the subject can be found in the addendum of this report.

Property Rights Appraised

The property rights appraised include the fee simple interest, including all rights in realty encumbered by applicable zoning and building code regulations and other government restrictions.

Scope of the Appraisal

The scope of this assignment consists of a market value appraisal of the fee simple interest in the subject real property (“as is”) considering the cost, income, and sales comparison approaches to value. The intended users of this report are *Walmart, its counsel, and Wisconsin Courts* for the purpose of property tax review.

The scope of work is based upon guidelines set forth by the Wisconsin Property Assessment Manual (WPAM) and Wisconsin case law as it pertains to property assessment; most notably the Markarian Theory which is explained as follows.

To determine market value for property tax assessment purposes, the WPAM sets forth a “three-tiered methodology for assessing real property’s full value at private sale.” *Nestle USA, Inc. v. Wis. Dept. of Revenue*, 331 Wis.2d 256, 273, 795 N.W.2d 46, 54 (2011) (citing *Markarian v. City of Cudahy*, 45 Wis.2d 683, 686, 173 N.W.2d 627 (1970)). The court in *Nestle* explains: “[**Tier 1:**] Evidence of a recent arm's-length sale of the subject property is the best evidence of full value. [**Tier 2:**] If the subject property has not been recently sold, then an assessor must consider sales of reasonably comparable properties. [**Tier 3:**] Only in situations where there has been no arm's-length sale of the subject property and there are no reasonably comparable sales may an assessor use one of the third-tier assessment methods.” See also 2020 WPAM 9-23 (summarizing the Markarian Hierarchy as follows: “Assessors, and appraisers valuing property for assessment purposes, must use the ‘Markarian hierarchy’ in valuing real property. [**Tier 1:**] The Markarian hierarchy requires assessors to first use a recent arm's length sale of the subject property. [**Tier 2:**] If there is no such sale, the next step is to use recent comparable sales of other properties. [**Tier 3:**] Only if there are no recent comparable sales of other properties should the assessor proceed to other indicators of value that include the income and cost approaches to value.” (citing *Markarian v City of Cudahy*, 45 Wis. 2d 683, 686 173 N.W.2d 627 (1970))).

The 2020 WPAM explains further:

“Appraisers typically use the sales comparison approach in markets where adequate sales exist. They typically use the cost approach in cases of new or special purpose structures or where limited sales or rental data activity exist. Appraisers typically use the income approach for income-producing properties and when an active rental market exists. It is also important

to understand which valuation approach buyers and sellers rely on when they interact in the marketplace. For example, buyers and sellers of income-producing property may place the most reliance on the income approach because it explicitly considers the net income of the property. Usually, more than one – and often all three – of the approaches apply to a given property. The only limiting factor: whether available and appropriate data exists to develop any and all approaches.

Given the data used and the type of property appraised, the appraiser must consider how well each method employed estimates the market value of the property. How does the appraiser determine which approach or approaches are most reliable? The best guidance that can be offered is to review market activity for the subject and determine the attributes by which the market uses to evaluate alternative real estate decisions. Generally, the greatest weight should be placed on the approach for which the greatest amount of reliable and appropriate data is available that will yield the highest degree of confidence. The final value estimate may be the value estimate derived from one of the approaches or may be a careful reconciliation of the applicable approaches.” WPAM 9-23 to 9-24 (WPAM 2020).

As a result of the aforementioned guidelines as set forth in the state statutes, case law and Wisconsin Property Assessment Manual (WPAM) as discussed in the scope of the appraisal, as it pertains to property assessment, this appraisal is subject to a jurisdictional exception. The jurisdictional exception results from relying solely on the value derived from the Sales Comparison Approach when additional approaches to value may also produce credible results. Because only the Sales Comparison Approach is considered in the reconciliation, this may violate Standard Rule 1-6, which states:

In developing a real property appraisal, an appraiser must:

- (a) reconcile the quality and quantity of data available and analyzed within the approaches used; and
- (b) reconcile the applicability or suitability of the approaches used to arrive at the value conclusion(s).

The following bullet points provide additional detail related to the scope that was utilized in this appraisal.

- ***Extent to which the property is identified:*** We were provided with a site plan, building sketch, project overview plan, legal description, and floor plan of the property from Walmart and reviewed municipal parcel boundary sketches. We did not perform a title search or survey of the subject property.
- ***Extent to which tangible property is inspected:*** In preparing this appraisal, we examined the subject property (December 2020) and walked the site and the interior/exterior of the building. We were able to access the entire interiors of the buildings which was facilitated by Walmart employees. We researched the immediate area surrounding the subject property via physical examinations, including the comparables noted in this report. The property was in average condition as of the date of this visit and is assumed to be in average condition as of the date of value.

Our examination of the subject property was done in order to develop impressions of the physical characteristics based on visual observations of apparent, not unapparent conditions. We are not licensed engineers and are not qualified to assess structural integrity or the adequacy and condition of its mechanical, electrical, or plumbing components. This appraisal is not a property condition report and should not be relied upon to disclose any conditions present in the property, and it does not guarantee the property to be free of defects. We are not licensed inspectors, and we did not make an “inspection” of the property as defined by Wisconsin law.

We are not qualified to detect or identify hazardous substances, which may, or may not, be present on, in, or near the subject property. The presence of hazardous materials may negatively affect market value. We have no reason to suspect the presence of hazardous substances, and we valued the subject assuming that none are present. No responsibility is assumed for any such conditions or for any expertise or engineering required to detect or discover them. We urge the user of this report to obtain the services of specialists for the purpose of conducting inspections, engineering studies, or environmental audits. While we refer to FEMA flood maps, we are not surveyors and not qualified to make flood plain determinations, and we recommend that a qualified party be consulted before any investment decision is made.

- **Valuation:** The valuation section of this report was developed considering all three traditional valuation methodologies: the income, sales comparison, and cost approaches. In the case of the subject property, the sales comparison income and cost approaches were applied. The approaches were developed on an “as is” basis, as of January 1, 2020, for the existing building and its site.
- **Acknowledgement:** Mark D. Wiley has assisted in the fieldwork, analysis, and draft of this report; we would like to recognize his contribution to the report. Laurence G. Allen, MAI has personally examined the subject property.

Statement of Competency

Allen and Associates has performed numerous appraisals of similar properties in Wisconsin, around the Midwest and the country for various functions including, but not limited to: mortgage financing, estate planning, property tax review and litigation. As a result, we are well qualified to perform this assignment.

Intended Use/Intended Users

This appraisal has been prepared for *Walmart, its counsel, and Wisconsin Courts* for the purpose of property tax review. Use by any other user or for any other purpose is prohibited without the express written consent of the appraiser.

Definition of Fee Simple

A fee simple interest is defined in The Dictionary of Real Estate Appraisal, Sixth Edition, (Appraisal Institute, 2015) as:

“Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat”.

The 2020 Wisconsin Property Assessment Manuals (Glossary, page 36 or G-36) defines fee simple as “In land ownership, complete interest in a property, subject only to governmental powers.”

Definition of Real Property

Under Wisconsin Statute § 70.03, “[r]eal property...includes not only the land itself but all buildings and improvements thereon, and all fixtures and rights and privileges appertaining thereto.” (2020 WPAM Ch.9, p.8).

Purpose and Function of the Appraisal

The purpose of the appraisal is to provide an estimate of the “as is” fee simple market value of the subject property as of January 1, 2020. The function of this appraisal is for use in property tax review.

Date of Report

The date of this report is June 7, 2021.

Date of Value

The “as is” retrospective date of value is January 1, 2020.

Exposure Time

Exposure time is defined by The Dictionary of Real Estate (6th Edition) as “the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.”

The market value estimate is based upon an exposure time of 12-24 months. This is based upon our review of sales and discussions with brokers relative to this type of property.

Definition of Market Value

Real property must be valued at market value. See Wis. Stat. § 70.32(1) (stating that property must be valued at “the *full value* which could ordinarily be obtained therefore at private sale” (emphasis added)).

Market value means “the most probable price paid by a willing buyer to a willing seller in an arm’s-length transaction.” 2020 WPAM 9-8.

The WPAM explains: “The goal of the assessor is to estimate the current market value of the bundle of rights for a particular property, considering only those rights and privileges that the owner, or beneficial owner, can transfer to a willing buyer in an arm’s-length transaction.” 2020 WPAM 9-8.

Additionally, “when applying the market value standard, the assessor must base the value of a property on the arm’s-length sale price of the subject property or the sales of reasonably comparable properties, if available. Therefore, the assessment of any property should reflect the arm’s-length sale price of the subject, or its probable selling price if no sale has occurred.” 2020 WPAM 9-8.

Further, the WPAM’s expanded definition of market value is defined as:

the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they considered 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.

2020 WPAM Glossary, Page 4

Ownership and Sales History of the Property

In accordance with the Uniform Standards of Professional Appraisal Practice of the Appraisal Institute, for a property, such as the subject, the appraiser must consider and analyze any prior sales of the property, which have occurred within the last three years, as well as any current agreements of sale, options, or listings of the property.

As of the date of value (January 1, 2020), the subject property was used by Walmart to conduct its retail business. The subject property has been owned by Walmart for more than three years preceding the date of value. The appraiser is aware of no offers for sale or purchase involving the subject property in the three years preceding the date of value.

Statement of Assumptions and Limiting Conditions

1. The title to the subject property is merchantable and the property is free and clear of all liens and encumbrances, except as noted.
2. No liability is assumed for matters legal in nature.
3. Ownership and management are assumed to be in competent and responsible hands.
4. No survey has been made. Dimensions are as supplied by others and are assumed to be correct.
5. The appraisal was prepared solely and exclusively for *Walmart, its counsel and Wisconsin Courts*, for the purpose of property tax review and should not be used for any other reason or by any other user without the express written consent of the appraiser.
6. All direct and indirect information supplied by the owner and their representatives concerning the subject property is assumed to be true and accurate.
7. No responsibility is assumed for information supplied by others, which is believed to be reliable and correct. This includes zoning and tax information provided by municipalities and the county.
8. The signatories shall not be required to give testimony or attend court or be at any governmental hearing with references to the said properties unless prior arrangements have been made with the client.
9. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.
10. The legal description is assumed to be accurate.
11. This report specifically assumes that there are no site, subsoil, or building contaminants present resulting from residual substances or construction materials, such as asbestos, radon gas, PCB, etc. It is suggested that if there are concerns regarding these issues, that an environmental report be obtained. Should any of these factors exist, the appraiser reserves the right to review these findings, review the value estimates, and change the estimates, if deemed necessary.
12. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We 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.
13. The concluded value estimates include the hypothetical condition that the property taxes are assessed at a level reflective of 100% of the market values concluded in this report. Without this hypothetical condition, the property taxes would be based upon an assessed value that exceeded the market value. The additional tax expense would result in a buyer

paying less for a property as a result of the additional expense. The value estimates should be reviewed within the context of the attached report and are subject to the assumptions and limiting conditions contained within the report. The effect on the value of this assumption is an increase in the concluded market value for the date of value.

14. The value conclusions are subject to the extraordinary assumption that the property condition was as described in this report for the date of value. If this assumption were not correct the final conclusions of value could be affected.
15. As a result of the guidelines as set forth in the Wisconsin, statutes, case law and the Wisconsin Property Assessment Manual (WPAM) as discussed in the scope of the appraisal, as it pertains to property assessment, this appraisal is subject to a jurisdictional exception. The jurisdictional exception results from relying solely on the value derived from the Sales Comparison Approach when additional approaches to value may also produce credible results. Because only the Sales Comparison Approach is considered in the reconciliation, this may violate Standard Rule 1-6, which states:

In developing a real property appraisal, an appraiser must:

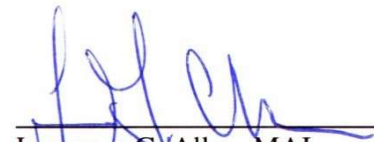
- (a) reconcile the quality and quantity of data available and analyzed within the approaches used; and
- (b) reconcile the applicability or suitability of the approaches used to arrive at the value conclusion(s).

Certification

1. We have no present or contemplated future interest in the subject of this appraisal.
2. We have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.
3. To the best of our knowledge and belief, the statements of fact contained in this appraisal report, upon which the analysis, opinions, and conclusions expressed herein are based, are true and correct.
4. This appraisal report sets forth all of the limiting conditions (imposed by the terms of our assignment or by the undersigned), affecting the analysis, opinions, and conclusions contained in this report.
5. This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice. This report, to the best of our knowledge, is in compliance with the applicable Standards Rules of Standard 1 and Standard 2 of the current edition of the Uniform Standards of Professional Appraisal Practice of the Appraisal Standards Board of The Appraisal Foundation.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
8. No one other than the undersigned completed the analyses, conclusions, and opinions concerning the real estate that are set forth in this appraisal report. Mark Wiley has assisted in the fieldwork, analysis, and draft of this report; we would like to recognize his contribution to the report. Laurence G. Allen, MAI and Mark Wiley have personally inspected the property.
9. The Appraisal Institute conducts a voluntary program of continuing education for its members. Laurence G. Allen, MAI is currently certified under this program.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives, except when such disclosure to a committee would violate applicable law or regulation.

11. The appraisal assignment was not based upon a minimum valuation, a specific valuation, or approval of a loan.
12. The appraiser has performed no appraisal service, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
13. Appraisers are licensed and regulated by the Wisconsin Department of Safety and Professional Services, P.O. Box 8935, Madison, Wisconsin 53703. Laurence G. Allen, MAI is presently licensed as a Certified General Real Estate Appraiser in the State of Wisconsin and several other states, which allows him to appraise of all types of real estate.

Allen & Associates:



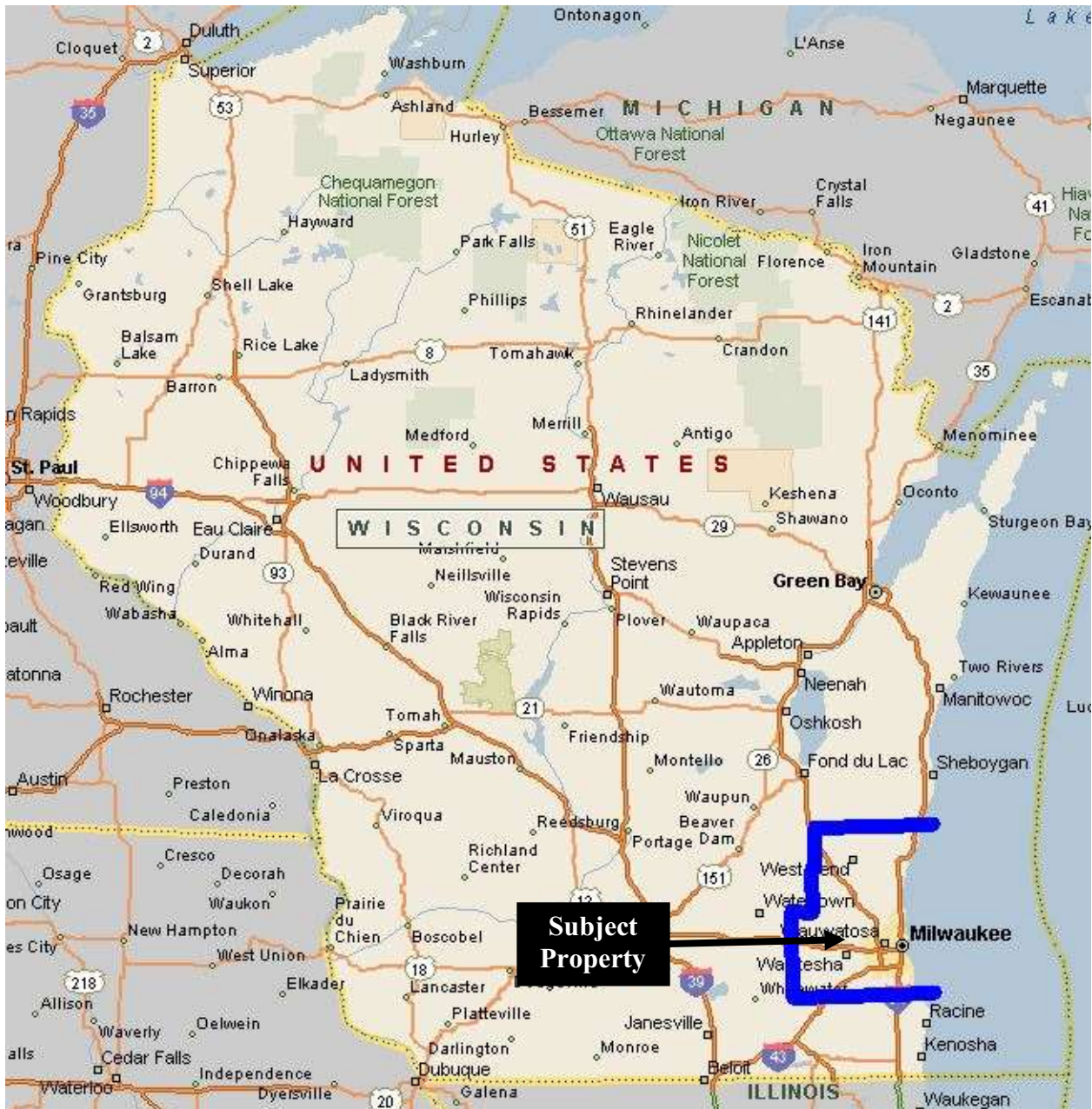
Laurence G. Allen, MAI
President

Certified General Appraiser
State of Wisconsin #2191-10
Expiration Date: December 14, 2021

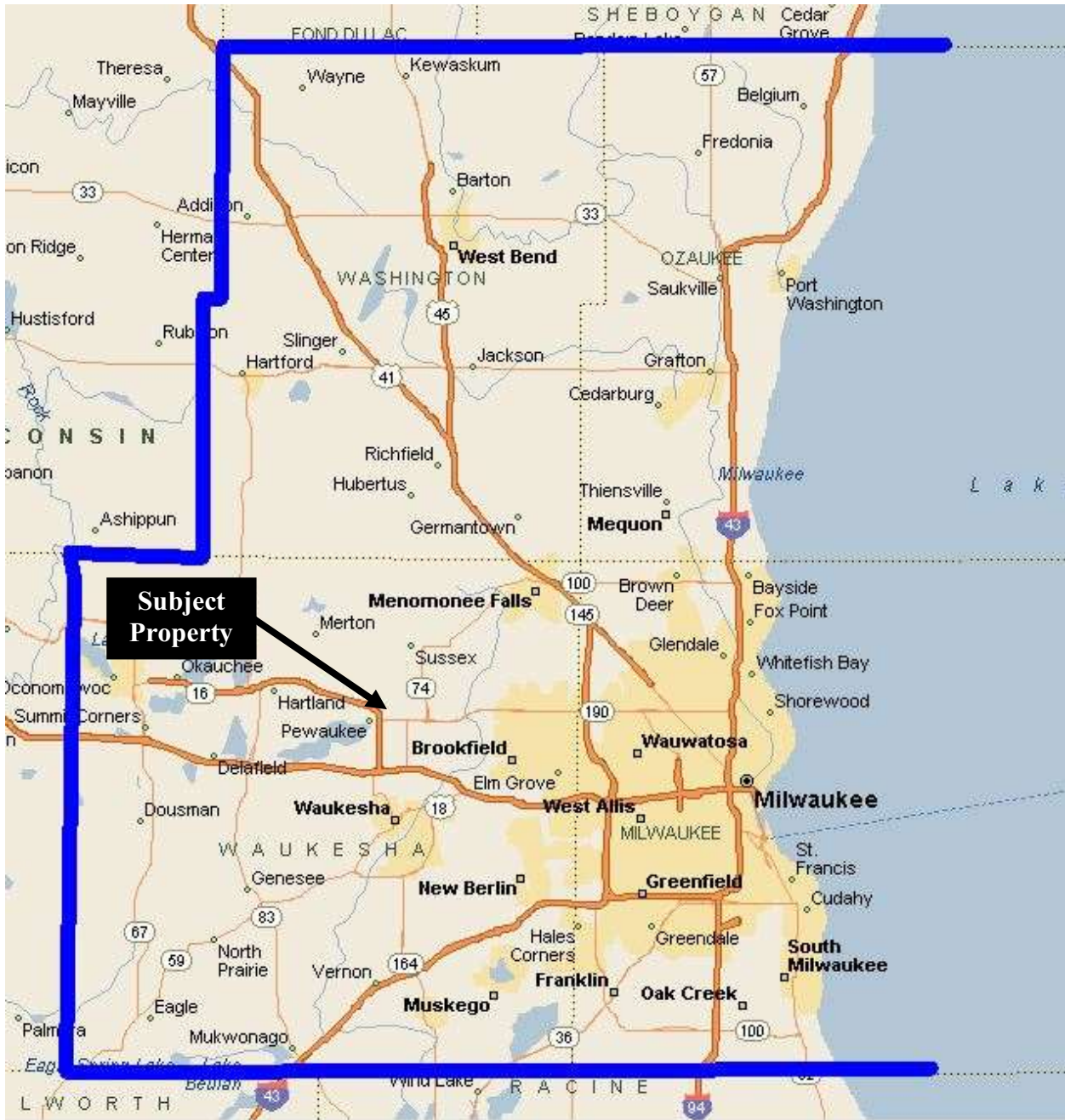
Area Description

The subject property is located in the Milwaukee-Waukesha, Wisconsin Metropolitan Statistical Area in Wisconsin. According to the Office of Management and Budget, the counties included in this statistical area are Milwaukee, Ozaukee, Washington, and Waukesha counties. In this section we analyze the regional economy and the relevant economic factors affecting the Milwaukee-Waukesha, WI MSA as well as the State of Wisconsin and the United States.

Map of Wisconsin with Metropolitan Statistical Area Outlined in Blue



Map of the Milwaukee-Waukesha, Wisconsin MSA – Outlined in Blue



The metropolitan area has several highways that extend through the area, the largest of which are Interstate 94 (I-94) and Interstate 43 (I-43). I-94 extends north from Chicago, through the southeastern part of the area, through Milwaukee, then westward to Madison, WI and eventually on to St. Paul, MN. I-43 extends from the southwest portion of the area, travels through Milwaukee, through Sheboygan and then on to Green Bay, WI. Additionally, there are several other highways in the area, including Interstate 41, which travels northwest from Milwaukee to Fond du Lac, Oshkosh and then Appleton, WI.

The area’s largest airport is Milwaukee-Mitchell International Airport, which is a primary commercial service-medium hub airport located approximately five miles south of downtown Milwaukee. There are other reliever-level airports and numerous other smaller public use airports throughout the area, including West Bend Municipal Airport.

The subject is located in central Washington County and the following are approximate driving distances from the subject property to other major cities:

Downtown Milwaukee, WI:	20
Madison, WI:	65
Green Bay, WI:	125
Chicago, IL:	105
Indianapolis, IN:	290
Minneapolis, MN:	315

Key Economic Indicators

Population, households, household income, and consumer spending are among key measures of an area’s economic status. Future trends can determine the direction of the area’s growth. Current figures and projections of the population, households and income are provided by the Site to Do Business for the United States, the State of Wisconsin, and the Milwaukee-Waukesha MSA, as noted on the following table.

Key Economic Indicators					
	2010	2019	Annual % change	2024	Annual % change
Population					
Milwaukee-Waukesha MSA	1,555,908	1,577,534	0.15%	1,599,873	0.28%
State of Wisconsin	5,686,986	5,881,444	0.38%	6,008,411	0.43%
United States	308,745,538	332,417,793	0.85%	345,487,602	0.79%
Households					
Milwaukee-Waukesha MSA	622,087	633,584	0.21%	643,509	0.31%
State of Wisconsin	2,279,768	2,373,777	0.46%	2,431,061	0.48%
United States	116,716,292	125,168,557	0.80%	129,922,162	0.76%
Median Household Income					
Milwaukee-Waukesha MSA		\$59,709		\$68,836	3.06%
State of Wisconsin		\$59,087		\$67,243	2.76%
United States		\$60,548		\$69,180	2.85%
Average Consumer Spending (2019)					
Milwaukee-Waukesha MSA	\$47,378				
State of Wisconsin	\$44,740				
United States	\$49,179				

Source: Site to Do Business, Allen & Associates

For the Milwaukee-Waukesha MSA, the population and the number of households increased from 2010 to 2019, yet at rates less than those of the state and nation over the same period. Further, the population and number of households for the MSA are projected to grow at slightly smaller rates than those of the state and nation through 2024. The median household income (MHHI) in the MSA is slightly more than that of the state and slightly lower than that of the nation, but the figures for each area are similar. The MSA’s MHHI is projected to grow a rate slightly more than that of Wisconsin and the nation. The estimated average consumer spending in the MSA is higher than that of the state and lower than that of the nation.

Economic Base

An economic base analysis evaluates the industries and economic activities that generate employment, income, and population growth in a region. *Basic* sources of employment are those generators that bring money from outside of the local economy into the local market. *Nonbasic* goods and services are both sold and consumed by the local population. Because of these characteristics, Basic industries determine both the population growth and the wealth of the population. Basic industries in the MSA include Kohl’s, Quad/Graphics, GE Healthcare and Northwestern Mutual, among others.

Another way to understand the economic base of the metropolitan area is to look at its largest employers. As obtained from the Metro Milwaukee Association of Commerce, the following are the largest private sector employers in the area as of 2017:

**Leading Private Sector Employers
Choose Milwaukee (7 Counties)**

Rank	Company Name	Employment	
		Count	Industry
1	Aurora Health Care	25,900	Medical & Surgical Hospitals
2	Ascension Wisconsin	15,500	Medical & Surgical Hospitals
3	Froedtert Health	10,900	Medical & Surgical Hospitals
4	Kroger/Roundy's	8,300	Food Distribution & Retail
5	Kohl's Corporation	7,800	Department Stores & HQ
6	Quad/Graphics, Inc.	7,500	Commercial Printer Manufacturer & HQ
7	GE Healthcare	6,000	Medical Imaging & Information Sys.
8	Northwestern Mutual	5,600	Insurance & Annuities
9	Medical College of Wisconsin	5,300	Medical School
10	Childrens Hospital & Health System	5,000	Pediatric Health Care

Source: 2017 MMAC Business Resource Guide & MMAC estimates.

Counties Included: Kenosha, Milwaukee, Ozaukee, Racine, Walworth, Washington and Waukesha

In addition to the private sector employers, the area’s largest public employers include, but are not limited to: Milwaukee Public School System (est. 9,636 employees in 2016), Milwaukee County (est. 4,000 employees), Marquette University (employment figures unavailable) to name a few. Overall, there is a balanced mix of basic and nonbasic employers in the area.

The following table presents historic trends in establishment-based employment data for the county from 2009 through 2019.

Annual Average Employment, Establishment-Based	
Milwaukee-Waukesha MSA	
2009-2014	
2009 Employment	732,858
2014 Employment	774,825
2009-2014 Change, #	41,967
2009-2014 Total Change, %	5.7%
2014-2019	
2014 Employment	774,825
2019 Employment	788,976
2014-2019 Change, #	14,151
2014-2019 Total Change, %	1.8%

Source: Bureau of Labor Statistics, Allen & Associates

In response to the economic crash of 2008, the area’s total employment decreased to 732,858 persons in 2009, the lowest figure in 20 years. As the economy improved, the area’s employment rebounded and grew by 5.7% from 2009 to 2014 and then by 1.8% from 2014 to 2019. The total employment figure of 788,976 persons in 2019 represents an 8% increase over the 2009 figure.

According to the Office of Economic Advisors, Wisconsin, the outlook for the area is projected to continue growing. The Office of Economic Advisors, Wisconsin has projected the change in industries in the state and MSA through 2026, which are presented in the following tables.

STATE OF WISCONSIN WORKFORCE DEVELOPMENT AREA LONG TERM INDUSTRY PROJECTIONS, 2016-2026				
STATE OF WISCONSIN				
Industry	2016 Employment	2026 Projected Employment	Employment Change (2016-2026)	Percent Change (2016-2026)
Total All Industries	3,110,476	3,320,654	210,178	6.76%
Goods Producing	622,648	644,532	21,884	3.51%
Natural Resources and Mining	47,846	51,095	3,249	6.79%
Construction	112,059	122,729	10,670	9.52%
Manufacturing	462,743	470,708	7,965	1.72%
Services Providing	2,335,236	2,501,792	166,556	7.13%
Trade, Transportation, and Utilities	549,574	574,464	24,890	4.53%
Information	48,870	47,858	-1,012	-2.07%
Financial Activities	151,542	159,855	8,313	5.49%
Professional and Business Services	321,277	359,002	37,725	11.74%
Education and Health Services	656,110	709,463	53,353	8.13%
Leisure and Hospitality	280,570	310,801	30,231	10.77%
Other Services (except Government)	153,517	162,200	8,683	5.66%
Government	173,776	178,149	4,373	2.52%
Self-Employed	152,592	174,330	21,738	14.25%

* Estimate not released.

Information is derived using annual data 2016 QCEW and CES data. Unpublished data from the US Bureau of Labor Statistics, CPS and US Census Bureau was also used. To the extent possible, the projections take into account anticipated changes in Wisconsin's economy from 2016 to 2026. It is important to note that unanticipated events may affect the accuracy of these projections. Employment is rounded to the nearest ten, totals may not add due to rounding.

Source: Office of Economic Advisors, Wisconsin

MILWAUKEE MSA WORKFORCE DEVELOPMENT AREA LONG TERM INDUSTRY PROJECTIONS, 2016-2026				
<i>WDA2: MILWAUKEE COUNTY</i>				
<i>WDA3: WASHINGTON, OZAUKEE AND WAUKESHA COUNTIES</i>				
Industry	2016 Employment	2026 Projected Employment	Employment Change (2016-2026)	Percent Change (2016-2026)
Total All Industries	885,840	936,260	50,420	5.69%
Goods Producing	152,300	150,560	-1,740	-1.14%
Natural Resources and Mining	*	*	*	*
Construction	*	*	*	*
Manufacturing	118,610	113,650	-4,960	-4.18%
Services Providing	704,810	751,030	46,220	6.56%
Trade, Transportation, and Utilities	146,240	150,410	4,170	2.85%
Information	14,050	13,540	-510	-3.63%
Financial Activities	52,380	54,310	1,930	3.68%
Professional and Business Services	122,610	136,100	13,490	11.00%
Education and Health Services	205,730	221,710	15,980	7.77%
Leisure and Hospitality	79,920	87,540	7,620	9.53%
Other Services (except Government)	46,980	49,950	2,970	6.32%
Government	36,910	37,480	570	1.54%
Self-Employed	28,730	34,670	5,940	20.68%

* Estimate not released.

Information is derived using annual data 2016 QCEW and CES data. Unpublished data from the US Bureau of Labor Statistics, CPS and US Census Bureau was also used. To the extent possible, the projections take into account anticipated changes in Wisconsin's economy from 2016 to 2026. It is important to note that unanticipated events may affect the accuracy of these projections. Employment is rounded to the nearest ten, totals may not add due to rounding.

Source: Office of Economic Advisors, Wisconsin

As shown in the previous tables, the employment growth (%) in the MSA is projected to lag the employment in the overall state by approximately 1% (6.76% vs. 5.69%). In the state and the MSA, the Service-Providing Industries rather than the Goods-Producing Industries is the larger employment sector and is expected to continue to dominate the state and region's employment through 2026. In the MSA, by percentage, the largest expected growth is projected to be in the Self-Employed sector followed by the Professional and Business Service sector, while Education and Health Services and Professional and Business Service sectors are expected to have the largest growth in number of employees.

Employment, Population Based

The Milwaukee-Waukesha MSA unemployment rate has fluctuated. While it is usually between that of the state and national rates, it has generally trended in movement with the state and national trend, as the following table and chart illustrate.

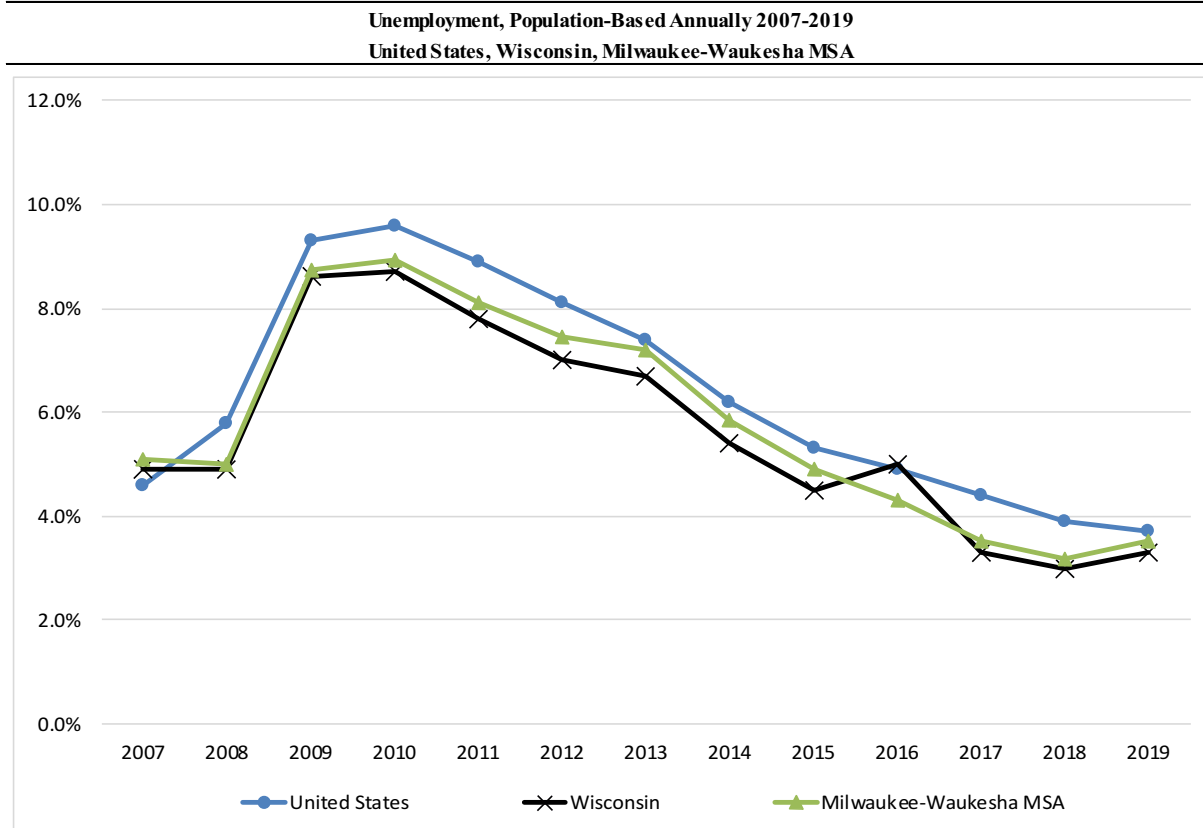
Annual Average Employment - Population-Based

Milwaukee-Waukesha MSA

Year	Labor Force	Employment	Unemployment	Unemployment Rate
2004	790,131	747,280	42,851	5.42%
2005	782,821	744,046	38,775	4.95%
2006	793,628	754,748	38,880	4.90%
2007	805,649	764,734	40,915	5.08%
2008	806,087	765,830	40,257	4.99%
2009	803,143	732,858	70,285	8.75%
2010	817,478	744,378	73,100	8.94%
2011	818,125	751,657	66,468	8.12%
2012	816,563	755,784	60,779	7.44%
2013	820,961	761,889	59,072	7.20%
2014	822,889	774,825	48,064	5.84%
2015	822,686	782,266	40,420	4.91%
2016	829,008	793,333	35,675	4.30%
2017	828,218	799,079	29,139	3.52%
2018	820,930	794,778	26,152	3.19%
2019	817,830	788,976	28,854	3.53%

Source: Bureau of Labor and Statistics

In the following chart the unemployment rate in the MSA is compared to the unemployment rates in the Wisconsin and the United States. In recent years, the MSA unemployment rate has been between that of the State of Wisconsin and the United States. Further, the labor force and the employment figures for the MSA have rebounded since the recession but both figures trended downward in 2018 and 2019.



Source: Bureau of Labor & Statistics

The annual average unemployment rate in the Milwaukee-Waukesha, WI area was 3.53% as of 2019. The unemployment rate for the Milwaukee-Waukesha, WI area has historically been slightly above Wisconsin’s rate and has trended in change consistent with both the state and nation.

Economic Activity

Based upon a review of the employment figures, Milwaukee-Waukesha, WI was impacted by the economic downturn that began in 2008, along with the state and the nation. However, from 2013 through 2019, the county, MSA, state and nation have experienced positive GDP growth for each year. The growth in GDP for the MSA has been less than those of the county, state, and nation.

<u>Year</u>	<u>Waukesha County</u>	<u>Milwaukee-Waukesha MSA</u>	<u>Wisconsin</u>	<u>United States</u>
2014	1.78%	0.44%	2.32%	2.53%
2015	2.87%	1.46%	2.21%	3.08%
2016	0.62%	0.73%	1.06%	1.71%
2017	0.51%	0.73%	0.97%	2.33%
2018	3.28%	2.92%	3.27%	3.00%
2019	1.62%	0.87%	1.41%	2.16%
2013-2019	11.12%	7.34%	11.75%	15.74%

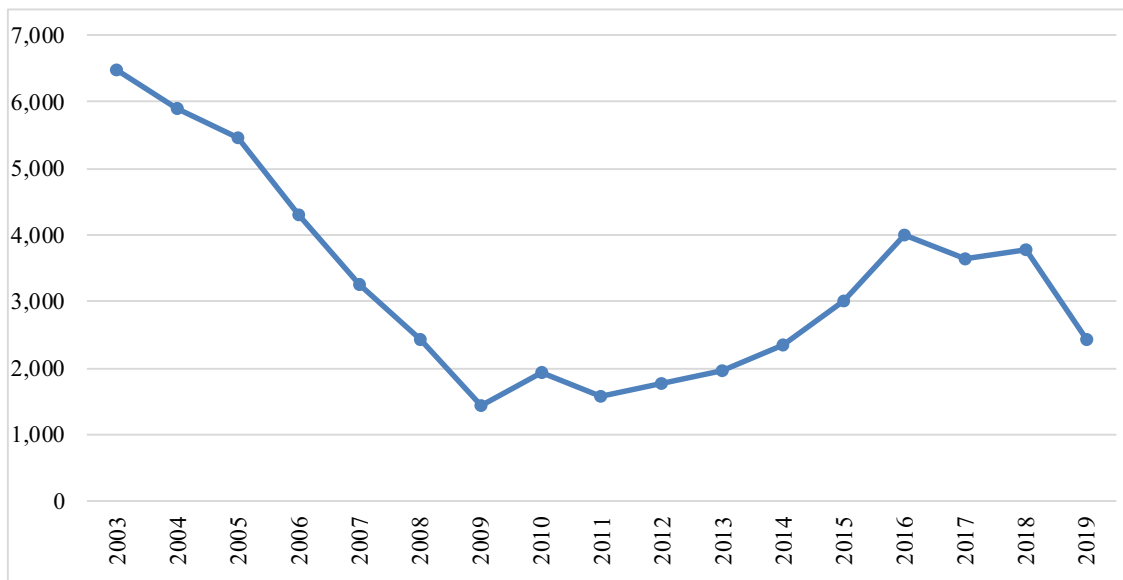
Source: Bureau of Economic Analysis

Residential Permits

The following table and chart display the annual residential permit data for the Milwaukee-Waukesha, WI area between 2003 and 2019.

Total Residential Permits (Living Units) Milwaukee-Waukesha MSA					
Year	Total	Single Family	Multi Family	Single Family	Multi Family
2003	6,467	3,939	2,528	60.9%	39.1%
2004	5,902	3,840	2,062	65.1%	34.9%
2005	5,444	3,361	2,083	61.7%	38.3%
2006	4,290	2,624	1,666	61.2%	38.8%
2007	3,266	2,082	1,184	63.7%	36.3%
2008	2,425	1,215	1,210	50.1%	49.9%
2009	1,427	875	552	61.3%	38.7%
2010	1,929	955	974	49.5%	50.5%
2011	1,578	900	678	57.0%	43.0%
2012	1,764	1,035	729	58.7%	41.3%
2013	1,949	1,275	674	65.4%	34.6%
2014	2,355	1,257	1,098	53.4%	46.6%
2015	3,001	1,369	1,632	45.6%	54.4%
2016	3,992	1,650	2,342	41.3%	58.7%
2017	3,644	1,559	2,085	42.8%	57.2%
2018	3,769	1,712	2,057	45.4%	54.6%
2019	2,419	1,494	925	61.8%	38.2%

Source: US Census Bureau



In 2019, 2,419 residential permits were authorized in the Milwaukee-Waukesha, WI area, of which 1,494 or 62% were for single-family permits. This permit figure represents the lowest figure in five years. Since the peak in the early 2000s, the number of residential permits substantially declined through the early 2010s and although they have rebounded through 2016 and have declined in recent years and overall, the figures remained much lower than early 2000s.

Area Conclusions

The following is a summary of our observations regarding the Milwaukee-Waukesha, WI area economy and its outlook:

- The region's population and households have been slowly growing and are projected to slowly grow through 2024, at rates slower than those of the nation and state.
- The average household income in the area, which is slightly higher than that of the state and slightly lower than that of the nation, is projected to grow by 3.06% per year, which is slightly higher than that of the state and nation.
- The average consumer spending in the MSA is higher than that of the state but lower than that of the nation.
- The annual establishment-based employment figures for the MSA increase from 2009-2014 and again from 2014-2019. The number of people employed in 2017 was approximately 8% higher than in 2009.
- The largest growing employment industry sectors through 2026 in the MSA are projected to be the Self-Employed sector (21% growth) and the Education and Health Services sector (15,980 new jobs).
- The annual average unemployment rate among the county's residents rose from 2009 through 2010 as the economies in the county, state and nation crashed. As these economies improved, the unemployment percentages have improved as have the numbers in the labor force and the number of persons employed. However, in 2018 and 2019 there were declines in both the number of persons in the workforce and the number of persons employed in the area.
- Overall, since 2013 the overall growth in Gross Domestic Product in the MSA was less than the growth in Waukesha County, Wisconsin, and the United States.
- Residential housing building permits declined through 2011, after peaking in the early 2000s. The annual building permits from 2015 through 2019 are less than pre-recession levels.

The Village of Pewaukee, WI

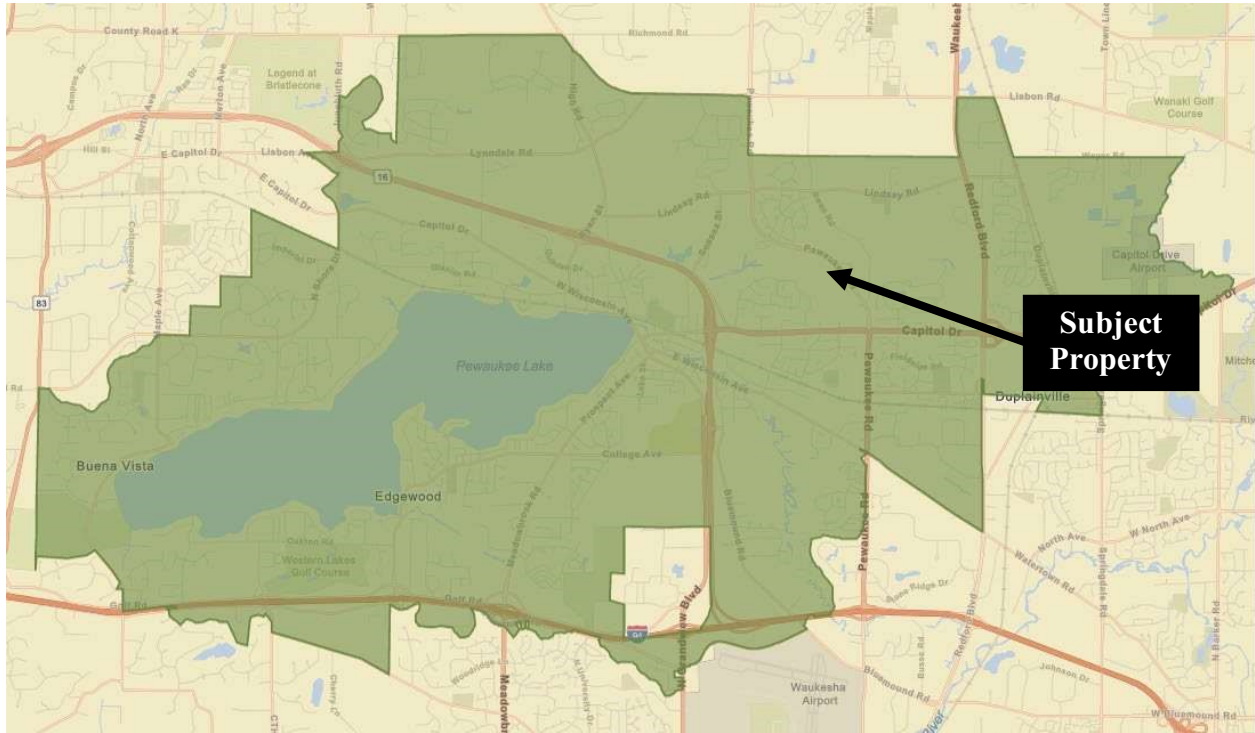
The Village of Pewaukee, WI is located in northeastern Waukesha County. As of 2019, the population of the Village of Pewaukee was estimated at 8,113 persons. Based upon census figures, the village's population peaked in 2000 (8,170 persons) and has stabilized. Additionally, according to the US Census Bureau QuickFacts, the median household income in Village of Pewaukee was \$60,909 as of 2019, compared to \$87,277 for Waukesha County. Further, it is estimated that 5.5% of the population in Village of Pewaukee was below the poverty level from 2015 to 2019. This is more than the percentage for the county (4.7%) and less than that of the state of Wisconsin (10.4%) for the same period of time.

Waukesha County and Village of Pewaukee (Zip Code 53072) Indicators

In addition to the regional indicators for the State of Wisconsin and the MSA, statistics for Washington County and the subject’s zip code (53072) within the Village of Pewaukee have also been reviewed by the appraiser. The following table presents data pertaining to these areas. A map of the subject zip code also follows this table.

Key Economic Indicators					
	2010	2020	Annual % Change	2025	Annual % Change
Population					
Milwaukee-Waukesha MSA	1,555,908	1,586,914	0.20%	1,611,855	0.31%
Waukesha County, WI	389,891	411,705	0.56%	423,128	0.56%
53072 (Pewaukee)	24,424	26,298	0.77%	27,151	0.65%
Households					
Milwaukee-Waukesha MSA	622,087	639,107	0.27%	650,536	0.36%
Waukesha County, WI	152,663	163,554	0.71%	168,853	0.65%
53072 (Pewaukee)	10,282	11,176	0.87%	11,576	0.72%
Median Household Income - 2020 & 2025					
Milwaukee-Waukesha MSA		\$60,534		\$65,682	1.70%
Waukesha County, WI		\$87,555		\$95,624	1.84%
53072 (Pewaukee)		\$89,895		\$99,376	2.11%
Average Consumer Spending Per Household					
Milwaukee-Waukesha MSA		\$48,292			
Waukesha County, WI		\$63,877			
53072 (Pewaukee)		\$69,209			

Source: ESRI Business Analyst, Allen & Associates



The presented data indicates that, as of 2020, the subject zip code comprised approximately 6% of Waukesha County’s population. From 2010 to 2020, the population and households in the subject zip code grew at a rate greater than those of the county and of the MSA. Through 2025, the population for the subject zip code is projected to grow slightly at a rate that is greater than those of the county and of the MSA.

The surveyed median household income (MHHI) for the 53072-zip code is higher than those of the county and the MSA. It is projected that through 2025 the median household income in the subject zip code will grow at a rate greater than those of the county and of the MSA.

The average annual consumer spending in the subject zip code area is greater than those of the county and of the MSA.

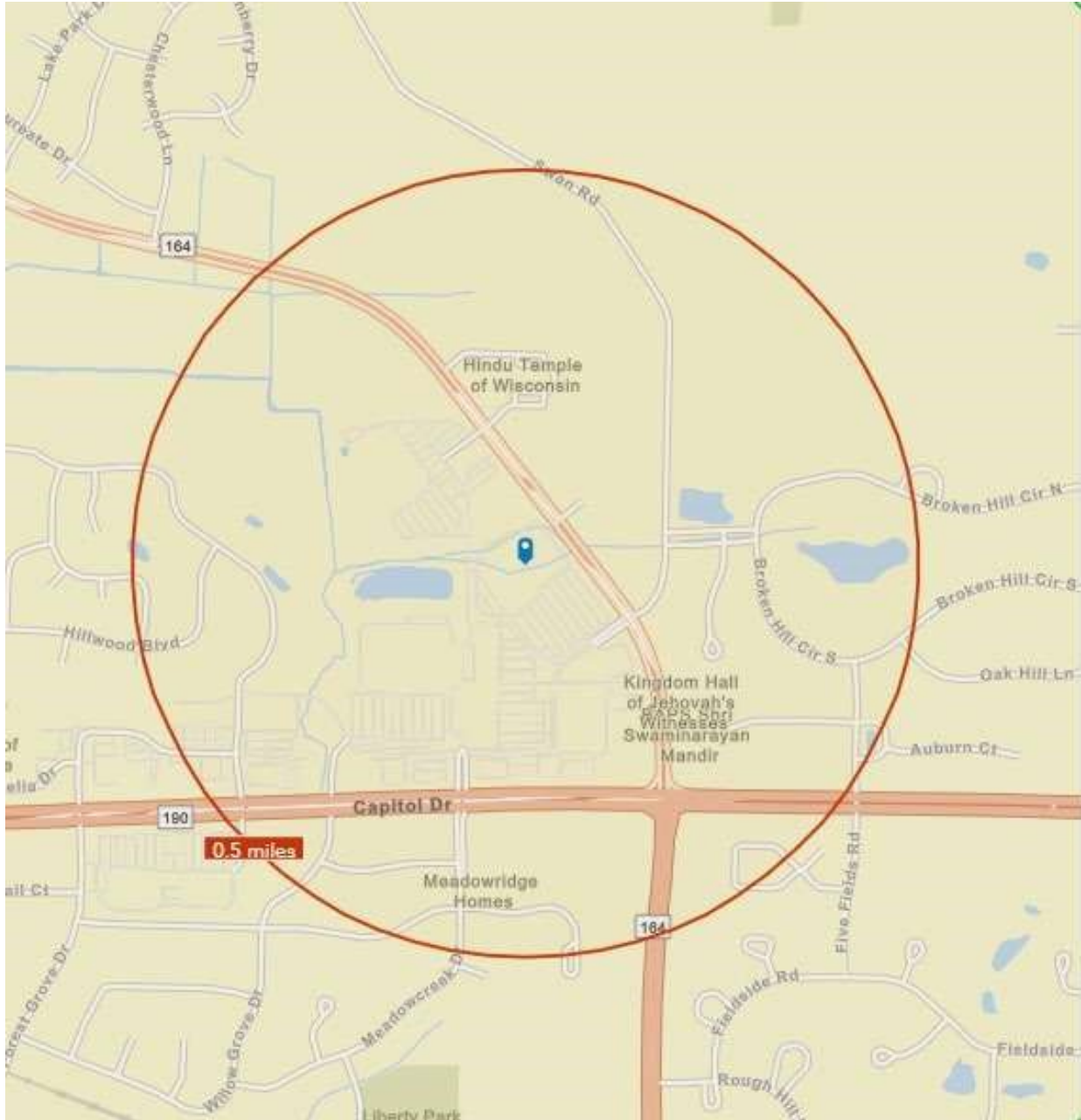
In general, the Village of Pewaukee 53072 zip code area is superior to the county and to the MSA terms of population growth, median household income and in terms of average consumer spending.

Neighborhood Description

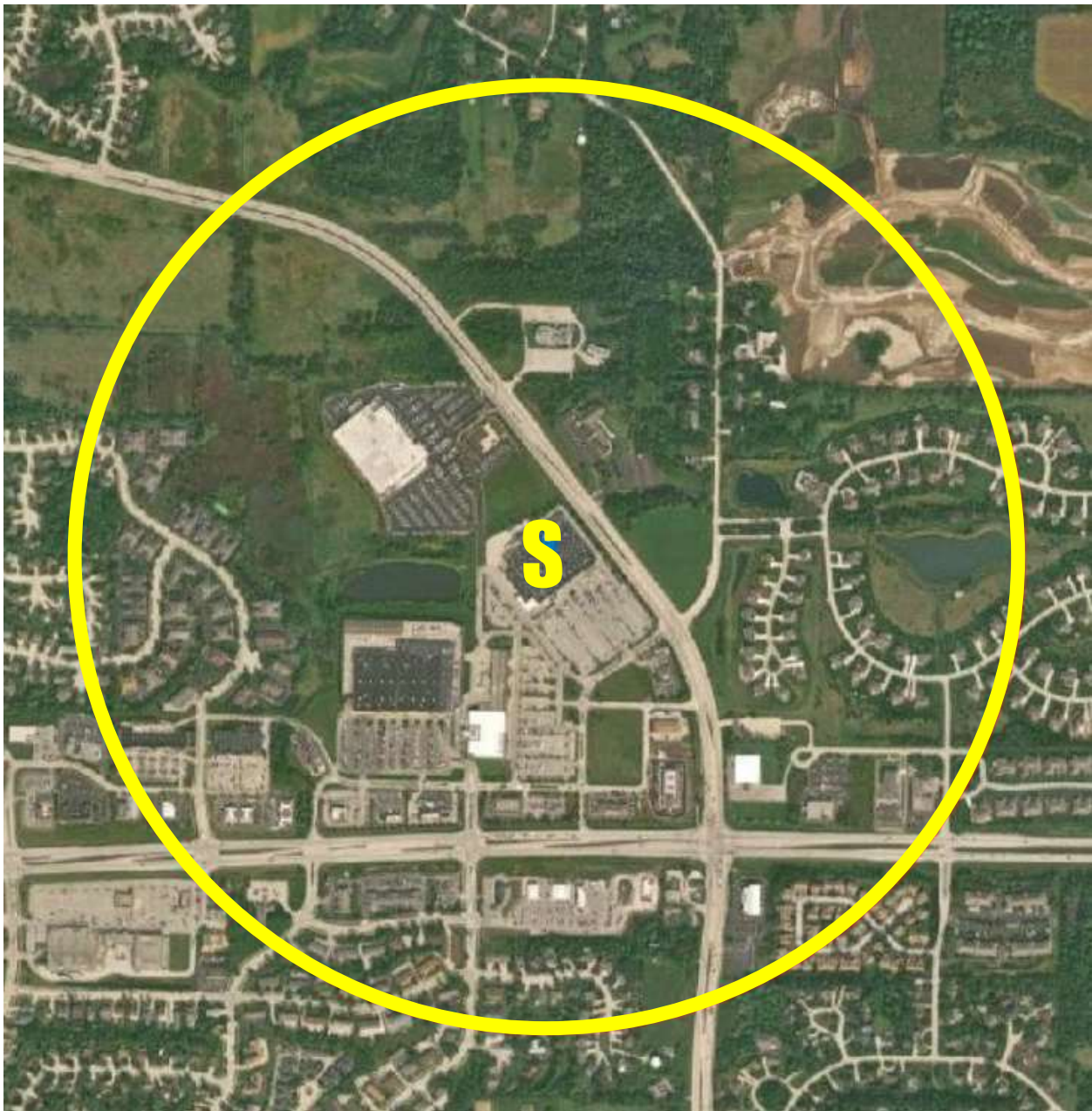
For the purposes of this analysis, we have defined the subject neighborhood as the area within a half mile radius of the subject property. The following map provides an illustration of our concluded subject neighborhood and the subject location.

Map of Subject Neighborhood

Subject Neighborhood Outlined in Red



Aerial Photo of Subject Neighborhood
Subject Neighborhood Outlined in Yellow



Neighborhood Transportation Network - The primary surface transportation arteries for the subject neighborhood are Pewaukee Road (N/S) and Capitol Drive (E/W). The most proximate highway is SR-16, access to which is located approximately one mile west of the subject.

Neighborhood Influences/Amenities – The most notable influence in the neighborhood is the commercial/retail corridors of Pewaukee Road and Capitol Drive, which are surrounded by a growing population base with above average income figures.

Development Trends – The neighborhood is a moderately developed area that was mostly developed with residential and commercial uses with the large-scale portion of the commercial uses being added from the mid-1990s through the early 2010s. Smaller-scale commercial development continued through the late 2010s, including the Meadow Ridge Shops and the small-scale Froedtert Community Hospital.

Neighborhood Land Uses – The neighborhood, as defined previously, supports a variety of land uses including institutional, recreational, hospitality, residential, and commercial. The larger retail uses include Menards, Costco, Walmart and Pick ‘n Save. The neighborhood includes commercial uses such as numerous hospitality properties, shopping center, restaurants, office buildings, and limited industrial uses. The residential uses in the neighborhood are primarily multi-family in nature.

Traffic Counts - According to data found on the Wisconsin Department of Traffic, the following are historic surveyed 24-hour traffic counts on surveyed roads in the subject neighborhood.

Pewaukee Road, N of Capitol Drive

2018 – 21,100 vehicles

Capitol Drive, W of Pewaukee Road

2018 – 26,700 vehicles

Neighborhood Life Cycle - Neighborhoods go through life cycles, which are described as follows:

1. **Growth** – A period during which the neighborhood gains public favor and acceptance;
2. **Stability** – A period of equilibrium without marked gains or losses;
3. **Decline** - A period of diminishing demand;
4. **Revitalization** – A period of renewal, modernization, and increasing demand.

Based upon the projected population statistics along with a review of developments in the neighborhood, it appears that the immediate and broader neighborhood is in the growth stage of its life cycle. This is supported by the population figures, which are projected to grow moderately through 2025. Further, there is vacant land in the neighborhood that could be utilized for future development and there has been recent commercial and residential development in the neighborhood.

We have also analyzed the general demographic profile of the subject neighborhood and immediate surrounding areas, which are presented in the following table:

Neighborhood and Proximate Demographics				
	Description	0.5 miles	1 mile	2 miles
Population	2010 Population	742	4,814	10,935
	2020 Population	834	5,220	12,053
	2025 Population	864	5,415	12,533
	% Population Change 2020-2025	3.60%	3.74%	3.98%
HH	2010 Households	407	2,270	4,868
	2020 Households	455	2,461	5,376
	2025 Households	473	2,553	5,596
	% Households Change 2020-2025	3.96%	3.74%	4.09%
Income (2020)	2020 Median Household Income	\$76,429	\$76,905	\$80,501
	2020 Per Capita Income	\$52,036	\$49,143	\$49,982
	Household Income < \$15,000	5.10%	4.20%	3.60%
	Household Income \$15,000-\$24,999	5.90%	5.60%	5.70%
	Household Income \$25,000-\$34,999	7.70%	8.00%	7.30%
	Household Income \$35,000-\$49,999	13.80%	14.90%	13.10%
	Household Income \$50,000-\$74,999	16.50%	15.90%	16.50%
	Household Income \$75,000-\$99,999	11.90%	13.10%	14.00%
	Household Income \$100,000-\$149,999	17.80%	16.70%	17.00%
	Household Income \$150,000-\$199,999	7.30%	9.60%	10.10%
Household Income > \$200,000	13.80%	11.90%	12.80%	

Source: Site to Do Business

Neighborhood Conclusion – The neighborhood and surrounding area is concluded to be in the growth stage of its lifecycle. In the foreseeable future, it is expected that there will be growth in both residential and commercial demand in the neighborhood. The subject neighborhood is improved with a variety of uses, including large- and small-scale retail, office, a variety of commercial uses, limited industrial and residential. The immediate and broader neighborhood is serviced by an established transportation network that provides good highway access.

Site Description

The subject parcel is located along the west side of Pewaukee Road, north of Capitol Drive in the Village of Pewaukee, Waukesha County, Wisconsin 53072. The subject site has a common street address of 411 Pewaukee Road. All customary utilities are available and connected to the subject property.

The property was improved with a discount/mega warehouse store building as of the date of value. The scope of this appraisal includes one retrospective valuation date. Unless noted otherwise, the forthcoming site description is applicable to the retrospective valuation date. For reference, in the forthcoming site and property description, a site aerial and site plan for the subject property is presented in the following pages.

Size and Shape - The subject property is an irregular-shaped parcel that contains approximately ±13.88 acres. The subject property's frontage is along Pewaukee Road and Swan Road.

The subject property has a land-to-building ratio of 4.5:1, which is considered typical for a big box retail property. There is no excess or surplus land associated with the subject parcel.

Access - Access to the subject site is from three access points to Swan Road. Access to SR-16 is located approximately one mile west of the subject property.

Flood Hazard – According to National Flood Insurance Program map panel #55133C0203G (Nov-5, 2014) published by FEMA, the subject is located in Zone X, an area outside of the flood plain.

Easement – Other than typical utility easements, we are assuming that there are no further easements that would impact the value of the property. However, we were not provided with a title report or an easement survey.

Visibility – The subject visibility is from Pewaukee Road. In 2018, the traffic counts in front of the subject were approximately 21,100 vehicles per day. The subject property has below average visibility for a big box/retail use.

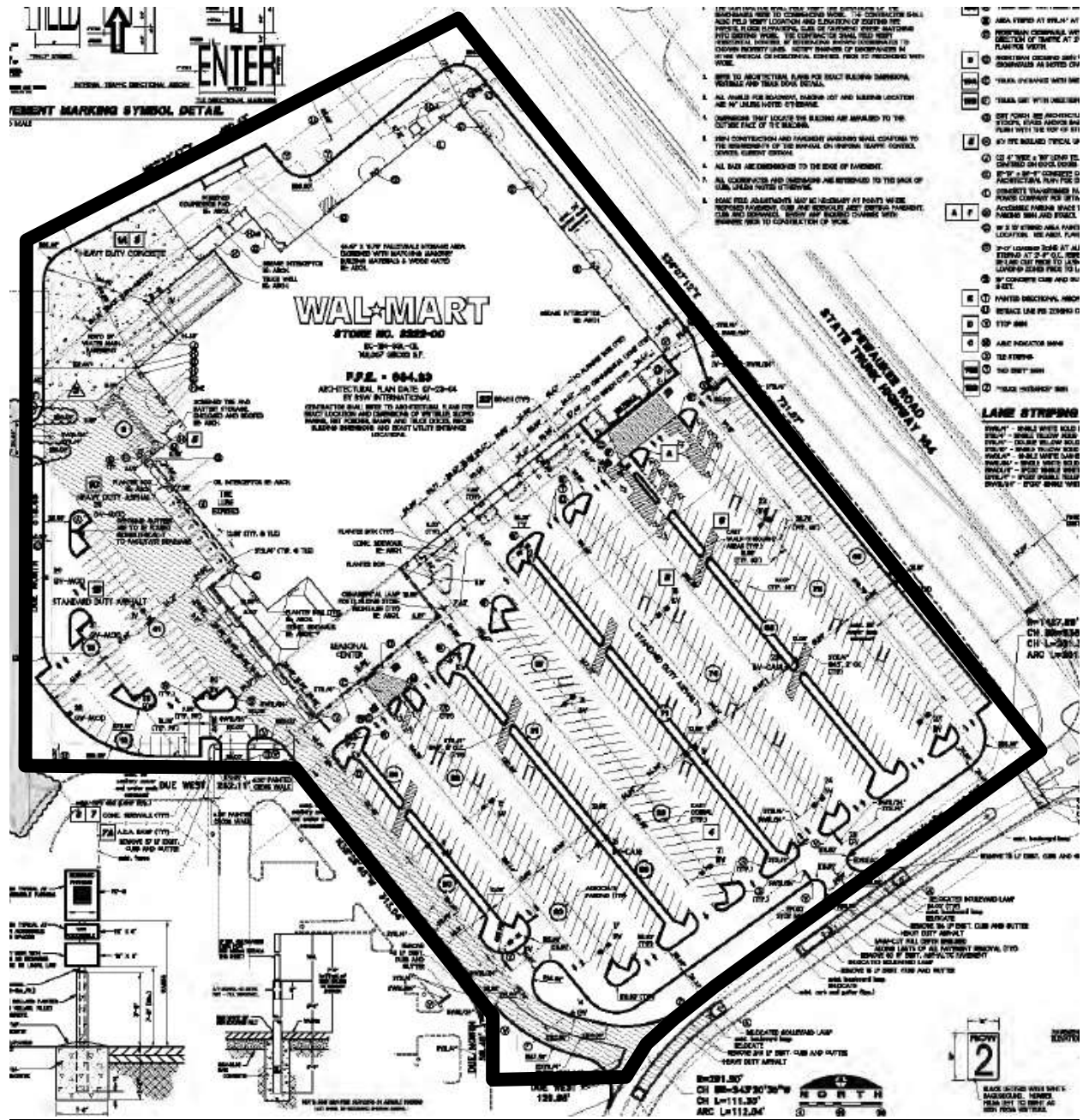
Soil Conditions - No soils engineering report for the subject property was provided. However, based on the appearance of ground surface conditions, the presence and condition of the subject structural improvements on site, and other structural improvements in proximity to the subject, the soil and subsoil conditions appear to be stable and suitable for construction of buildings of the nature of the subject utilizing normal construction techniques. There was no apparent evidence of subsidence within the subject site or in immediate proximity thereto during the inspection of the property by the appraisers. The site's drainage appears to be adequate. There is an offsite retention area that the surrounding retail property appear to share.

Hazardous Substances - We are not aware of any toxic waste or hazardous substances that currently affect the site, and none were visible or reported to the appraisers.

Site Improvements - The existing site improvements consist of ±235,000 SF of asphalt paving with parking striping for approximately ±555 vehicles (including barrier free spaces), concrete car stops and curbing, concrete approaches and sidewalks, pole lighting, and grass/landscaped areas along the roadway frontages. It is estimated that there is ±2,285 LF of interior roadway that extends throughout the property. It is estimated that there is approximately 425 LF of 15' tall, decorative brick and concrete screen wall that surrounds the outdoor storage/sales area. It is estimated that there is approximately ±58,000 SF of concrete paving that is used for dock-loading apron, sidewalks, and outdoor sales area. There is minimal landscaping improvement on the subject site. These areas were in average condition, average condition for their age, as of the date of value.

The following is a site plan and site aerial for the subject property.

Subject Property Site Plan with Approximate Site Lines in Black
 Source: Architectural Drawing



Subject Aerial Photo with Approximate Property Lines in Yellow

Source: Google Maps (www.google.com/maps)



Building Description

The subject building consists of one discount/mega warehouse store with ±134,244 SF of above-grade enclosed building area as of the date of value. The discount/mega warehouse category is the type of construction that is most similar to the subject’s construction type, but it is closer in size to a discount store.

The following pages provide descriptions of the subject building. All data is based on our visual inspections, assessment records and review of building/site plans that were provided to the appraiser or were available on the municipal assessing website.

Construction Detail – Discount/Mega Warehouse Store

- Type of Construction: Pursuant to Marshall Valuation Service, Section 13 - Class C – Average Cost, Discount/Mega Warehouse Store
- Approximate Size (GBA): ±134,244 square feet, per the architectural drawings.
- Year Built: 2005
- Foundations: Poured concrete floors.
- Exterior Walls: Primarily decorative block walls and EIFS facade.
- Roof: Flat, single ply elastomeric cover over a steel deck and trusses.
- Ceiling Height: The overall roof height of the subject is approximately 22’. A varying height parapet surrounds the building.
- Loading Docks: Three dock level truck doors located in the rear area of the building. These areas serve as the shipping and receiving area. There are numerous other grade level overhead doors around the building.
- Auto-Service Doors: A total of six overhead doors servicing six drive-in bays.

Interior Detail

Layout: The layout of the subject property, because of the discount/mega warehouse store design, is intended for a single tenant/user. The layout of the subject property is generally open retail/warehouse areas plus an outdoor garden shop. Finally, the size of the subject is approximately 25-50 percent larger than most, large discount/big box stores and would be classified as a discount/mega warehouse store.

- Floor Covering: The retail areas primarily have sealed concrete floors with limited areas of laminate wood and ceramic tile flooring. The warehouse has sealed concrete flooring.
- Walls: Varies; primarily painted gypsum board walls, including the walls separating the warehouse from the sales floor and offices.
- Ceilings: The majority of the retail sales floor and warehouse areas have exposed roof framing and deck. Aside from this area on the sales floor, there are minimal areas with acoustic tile ceiling finish.
- Lighting: Primarily consists of strip fluorescent lighting fixtures, which is considered to be adequate. There are minimal areas on the sales floor that have track spot lighting. In areas with suspended acoustic tile ceilings, the lighting is generally recessed fluorescent fixtures.
- Finished Area: The subject has minimal finished area that includes offices, restrooms, and employee break room. The office areas have drop tile ceilings, painted walls with sealed concrete floors. The restrooms have ceramic tile flooring and walls with painted ceilings.
- Windows: Minimal fenestration limited to entry doorways and the outdoor sales area. This is typical of this type of discount/mega warehouse store building.
- Pedestrian Doors: Glass and aluminum frame entry doors accessing the retail area.

Mechanical Detail

- Heating and Cooling: Roof-mounted air-cooled condensing units, gas-fired forced air HVAC units.
- Plumbing: Complete copper, cast-iron and PVC supply, waste, and vent piping system to fixtures.
- Electrical Service: Electrical power is assumed to be adequate for retail use.
- Fire Protection: The building is fully protected by a wet sprinkler system.

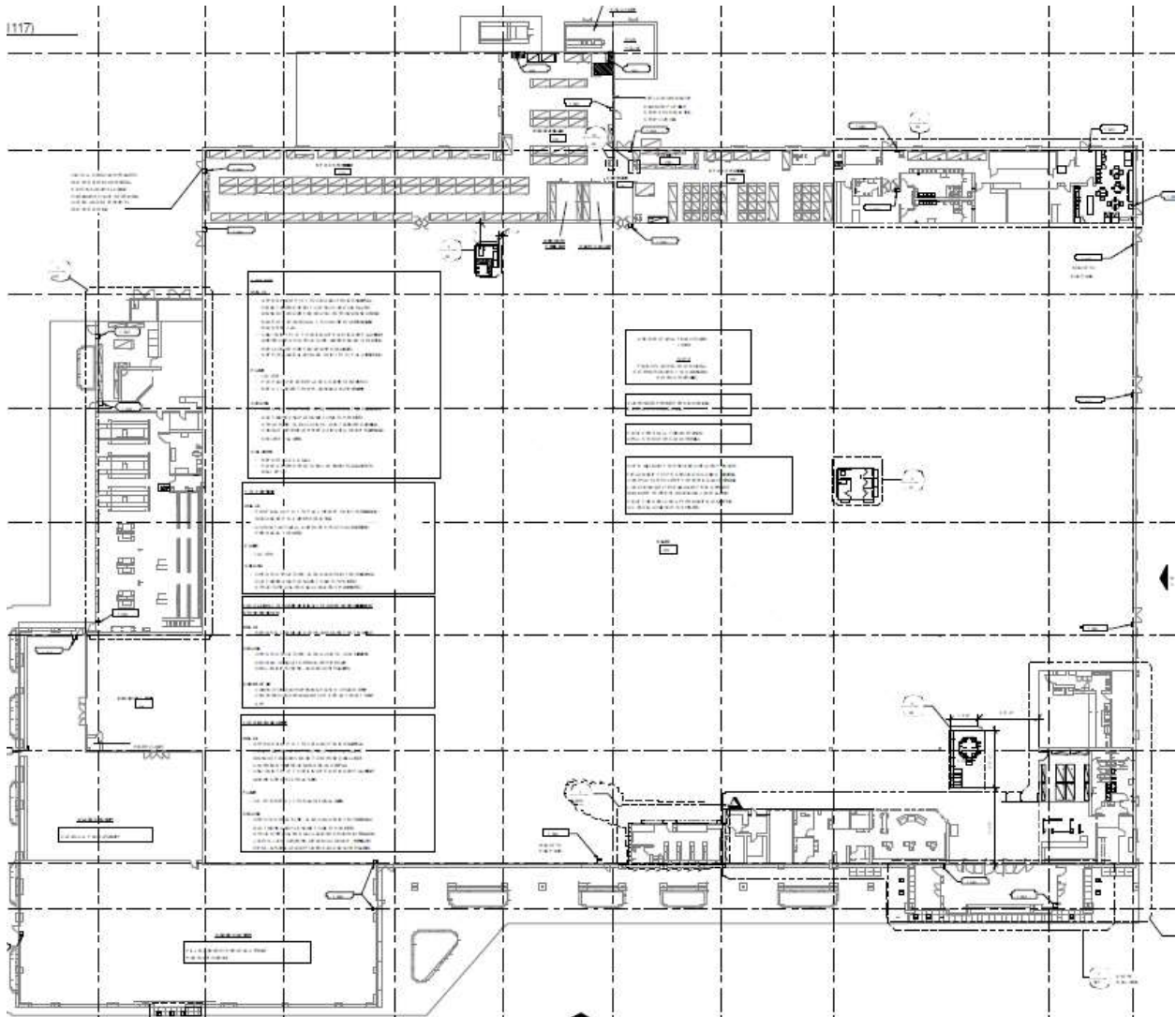
Additional Improvement Notes

- Canopy Areas: There is a 4,630 SF canopy area that is utilized for exterior storage and outdoor sales. There are several other canopy areas that extend across the front of the building. The combined size of these areas is estimated at 2,560 SF.

Functional Utility: The building was constructed to be a Walmart store. The building was in average condition, average condition for its age, as of the date of value. The layout and functional utility of the building is considered to be best suited to a single occupant/user due to the size, depth (most is +300') and interior layout of the building although most users would modify and customize the building for their own needs. While it is not designed for multi-tenants, a multi-tenant utilization would be possible. The design of the property in many ways is more similar to a warehouse than a retail store. The ceiling heights, the location of the truck doors, and the large open spaces are characteristics of an industrial warehouse. The design and construction, however, are similar to the design and construction of many "big box" stores today but is oversized for most retail users.

Condition: The discount/mega warehouse store retail building was in average condition, average condition for its age, as of the date of value. The estimated age of the discount/mega warehouse store retail building is 14 years as of January 1, 2020.

The following pages depict the floor plan and pictures of the subject retail store building.



Photographs of the Subject Property



Front Exterior



Front Exterior

Photographs of the Subject Property (cont.)



Exterior Truck Dock Doors



Building Exterior

Photographs of the Subject Property (cont.)



Building Exterior



Building Exterior

Photographs of the Subject Property (cont.)



Exterior Sales Screen Wall



Exterior Sales Entryway

Photographs of the Subject Property (cont.)



Exterior Sales/Storage Area



Exterior Sales/Storage Canopy Area

Photographs of the Subject Property (cont.)



Subject Roof

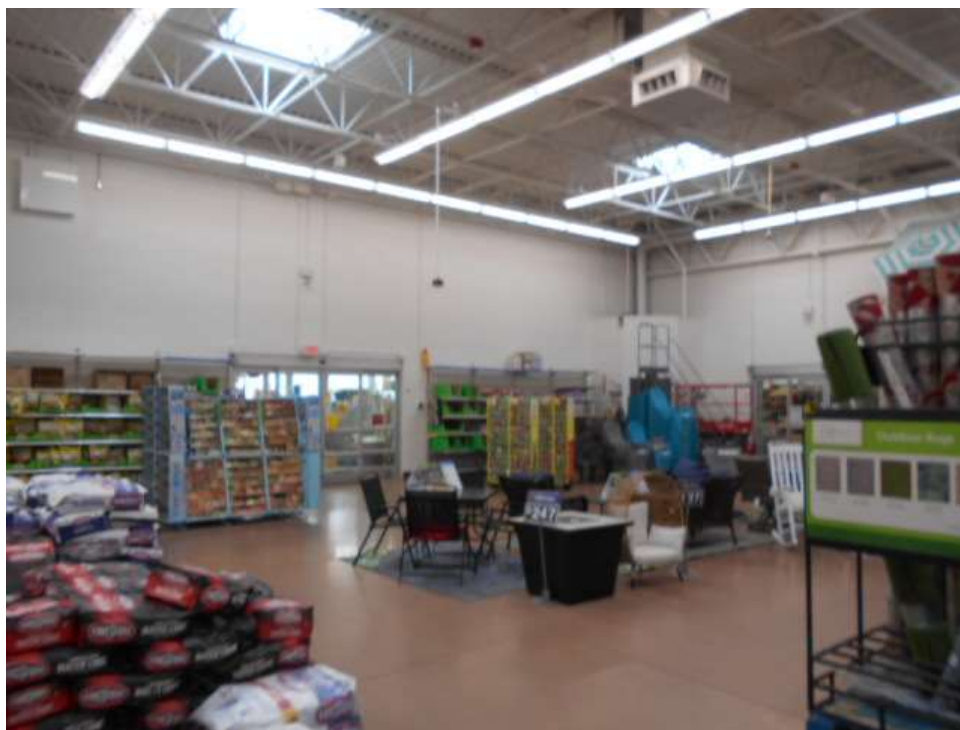


Subject Roof

Photographs of the Subject Property (cont.)



Retail Floor Area



Retail Floor Area

Photographs of the Subject Property (cont.)

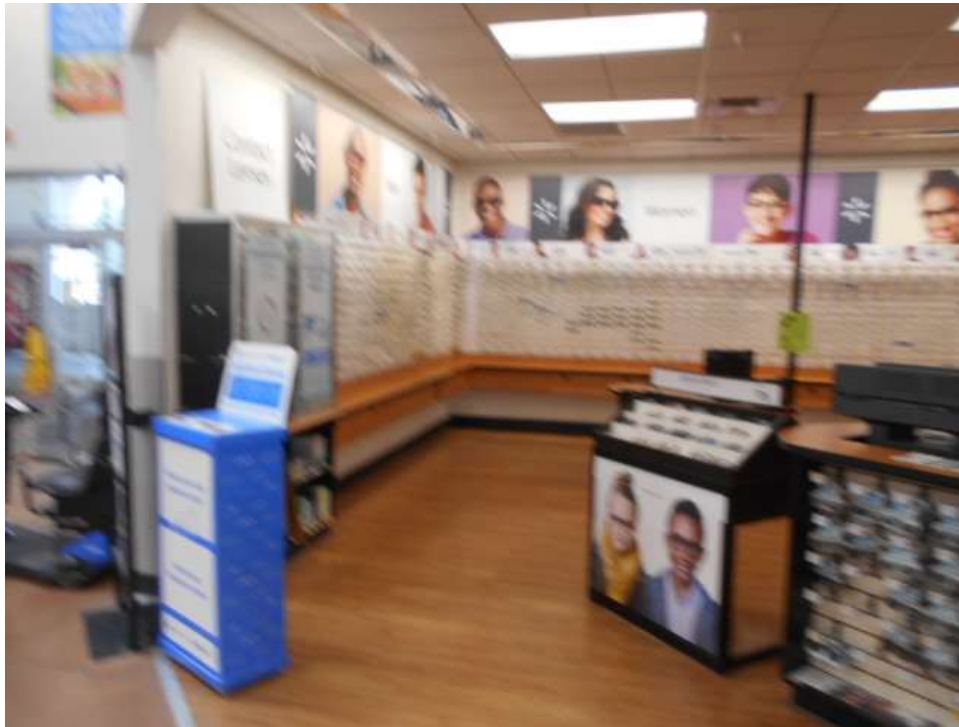


Retail Floor Area

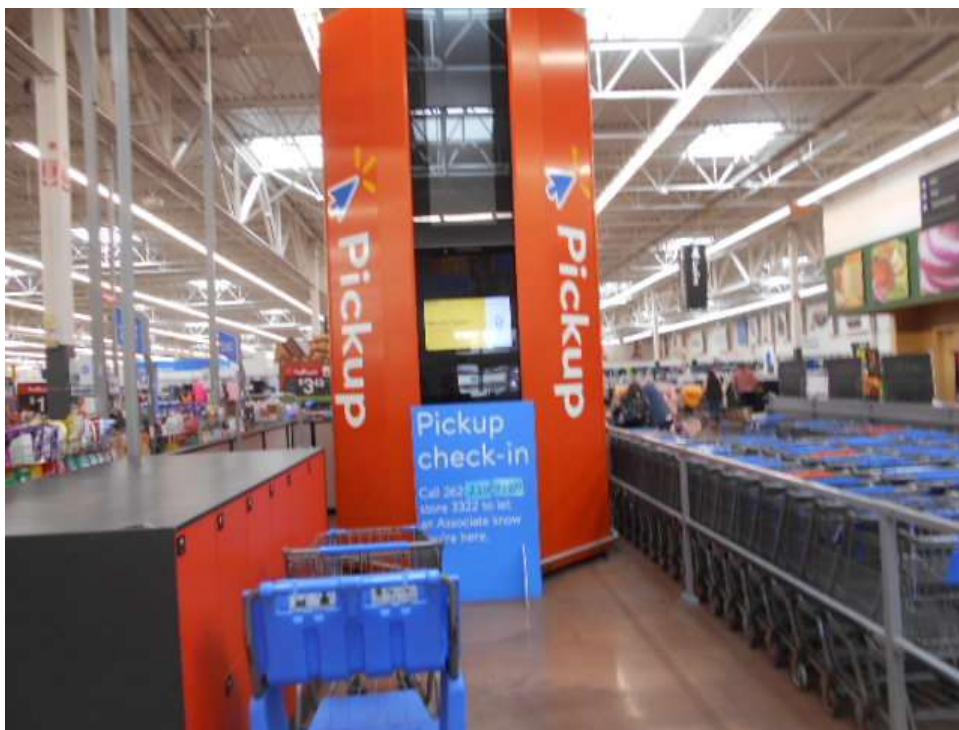


Retail Floor Area

Photographs of the Subject Property (cont.)



Retail Floor Area

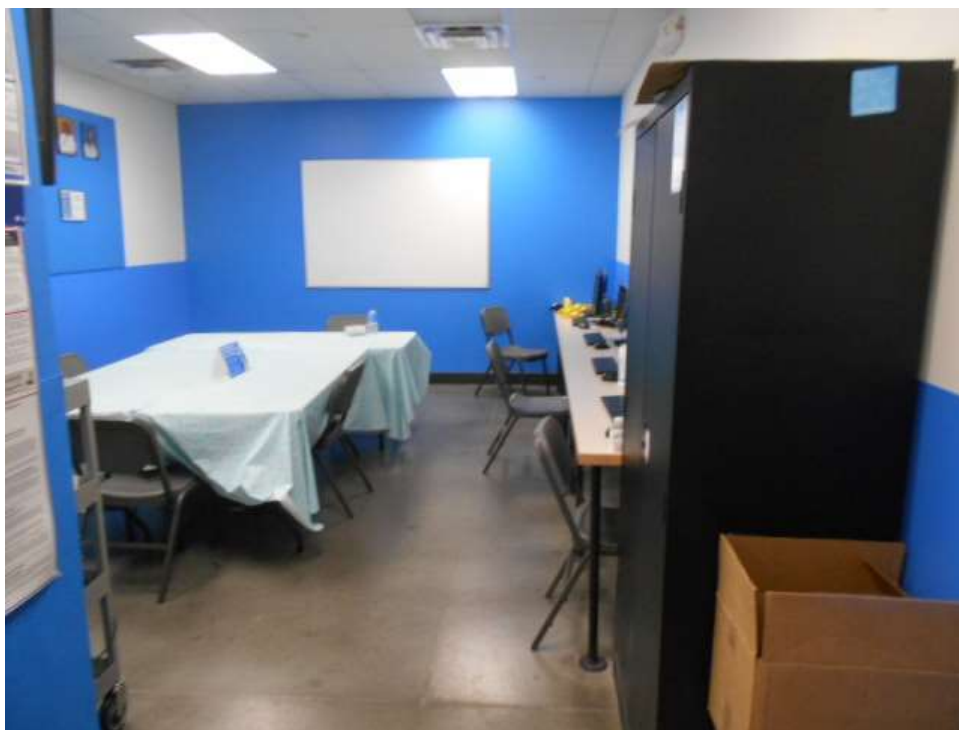


Retail Floor Area

Photographs of the Subject Property (cont.)



Sales Floor Ceiling



Office Area

Photographs of the Subject Property (cont.)



Employee Locker Area

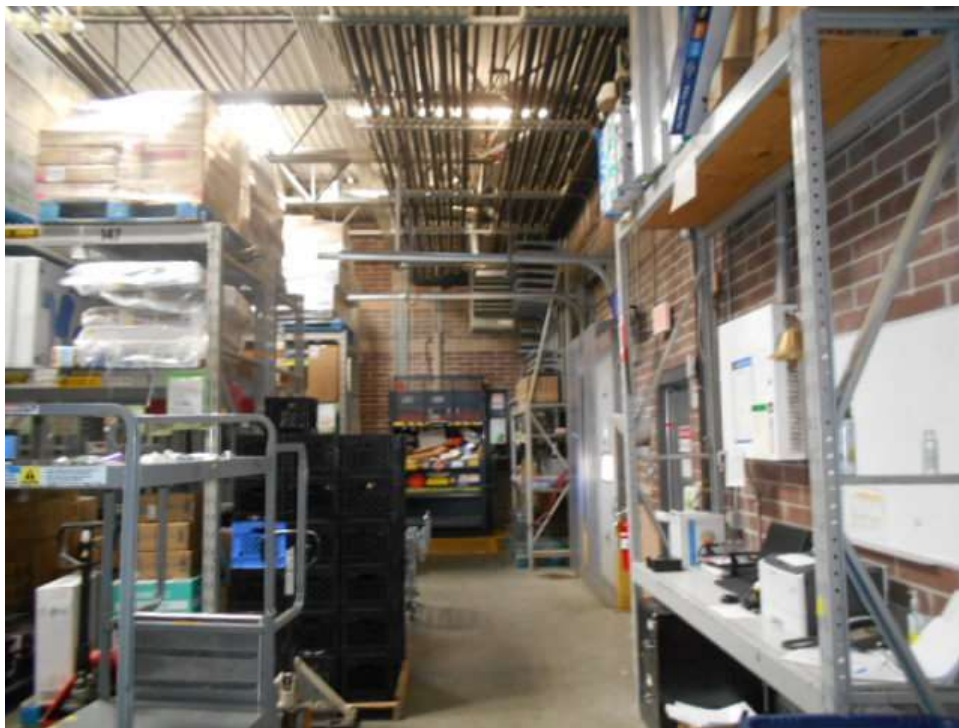


Restroom Area

Photographs of the Subject Property (cont.)



Employee Break Room

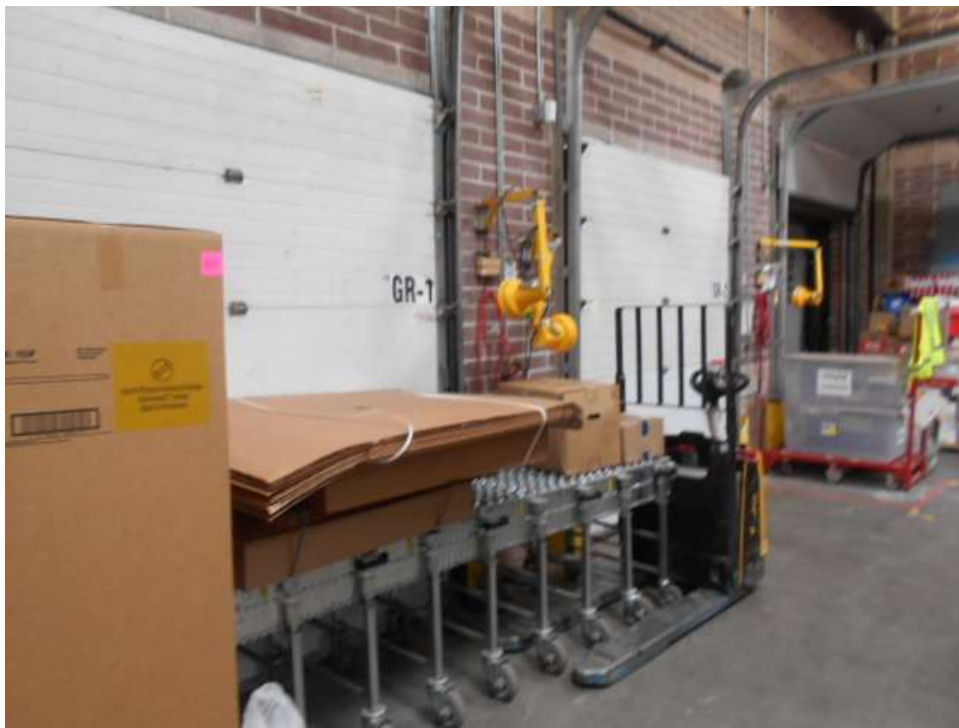


Backroom Storage

Photographs of the Subject Property (cont.)



Backroom Storage



Interior of Dock Doors

Photographs of the Subject Property (cont.)



Backroom Storage Area



Backroom Storage Area

Photographs of the Subject Property (cont.)



Fire Riser



Electrical Distribution

Photographs of the Subject Property (cont.)



Auto Service Center



Auto Service Center

Photographs of the Subject Property (cont.)



Parking Lot



Parking Lot

Zoning

The majority of the subject property is located with the B-1 – Community Business District. The following is from the Village of Pewaukee Zoning Ordinance, pertaining to the B-1 – Community Business district zoning:

Sec. 40.246. - Purpose.

The B-1 community business district is established to generally accommodate the basic day-to-day retail and service needs of persons residing within the Village of Pewaukee community.

(Ord. No. 99-5, § 17.08(1)(a), 5-4-1999)

Sec. 40.247. - General requirements.

General requirements in the B-1 district shall include:

- (1) Buildings shall be designed in individual or small groupings and shall not exceed 20,000 square feet per structure, unless approved as a conditional use. The commercial development shall be designed and sized in a manner that is architecturally, aesthetically and operationally harmonious with surrounding development.
- (2) All business, servicing or processing, except for off-street parking or loading, shall be conducted within completely enclosed buildings. Outside storage is not permitted except as specifically approved by the planning commission.
- (3) In approving or disapproving proposed locations for uses under this division the planning commission shall give due consideration to the character and suitability of development for the area in which any such use is proposed to be located and shall also base its decision on such evidence as may be presented to the Village of Pewaukee planning commission regarding traffic generation, ground water impact, sewage disposal impact, lighting, soil limitations and the emission of noise, smoke, dust or dirt, odorous or noxious gases attributed to the proposed use. The village planning commission, in applying the provisions of this division, shall in the meeting minutes recite the particular facts upon which it bases its conclusion. The applicant shall have an opportunity to present evidence contesting such unsuitability or propose adequate mitigation, if they so desire. Thereafter, the village planning commission may affirm, modify or withdraw its determination of unsuitability.
- (4) Site development shall be approved by the planning commission in accordance with articles VIII and IX of this chapter.
- (5) The size and location of projects within the district shall be based upon evidence of justifiable community need, satisfactory traffic impact and its potential contribution to the welfare of the community.

(Ord. No. 99-5, § 17.08(1)(b), 5-4-1999)

Sec. 40.248. - Permitted uses.

Permitted uses in the B-1 district shall include:

- (1) Retail trade and service establishments which supply convenience and specialized goods such as, but not necessarily limited to, groceries, meats, dairy products, baked goods or other convenience goods, drugs, dry goods and notions, and/or services such as but not necessarily limited to health clubs, educational

services, dry cleaning, tailor, repair shops (e.g. watches, electronics, etc.), beauty and/or barber shops, photography studio and art galleries.

- (2) Professional office and services including, but not necessarily limited to, accounting, architectural, chiropractic, dental, medical, engineering and legal services.
- (3) Business offices and services including, but not necessarily limited to, advertising agency, management consulting, manufacturing representatives, public relations, stenographic, travel agency and duplicating services.
- (4) Financial, insurance and real estate offices and services including, but not necessarily limited to, financial institutions, security brokers, holding and investment companies, insurance agency, insurance carriers, governmental and public services.
- (5) Bakeries, candy and confectionery shops when engaged primarily in the retail sales of such goods for consumption off site. Bakery, candy and confectionery shops may also include on premises production and/or wholesaling functions of the same or similar goods as are offered for sale on the premises, provided these functions are of a scale considered accessory to the principal retail use.

(Ord. No. 99-5, § 17.08(1)(c), 5-4-1999; Ord. No. 2011-09, § 1, 6-21-2011; Ord. No. 2013-18, § 1, 1-21-2014)

Based upon a review of the site plan, the subject property is required to provide 670+ parking spaces. The subject property provides ±555 parking spaces, which is less than the required parking.

Based upon our review of the Village of Pewaukee zoning ordinance as well as the site plan, we believe that the subject development is a legal and non-conforming use.

Real Estate Assessment and Taxes

Property taxes are determined by applying a millage rate for a given town, village, or city to the assessed value of the property. The following is a summary of the taxable information for the subject as of January 1, 2020.

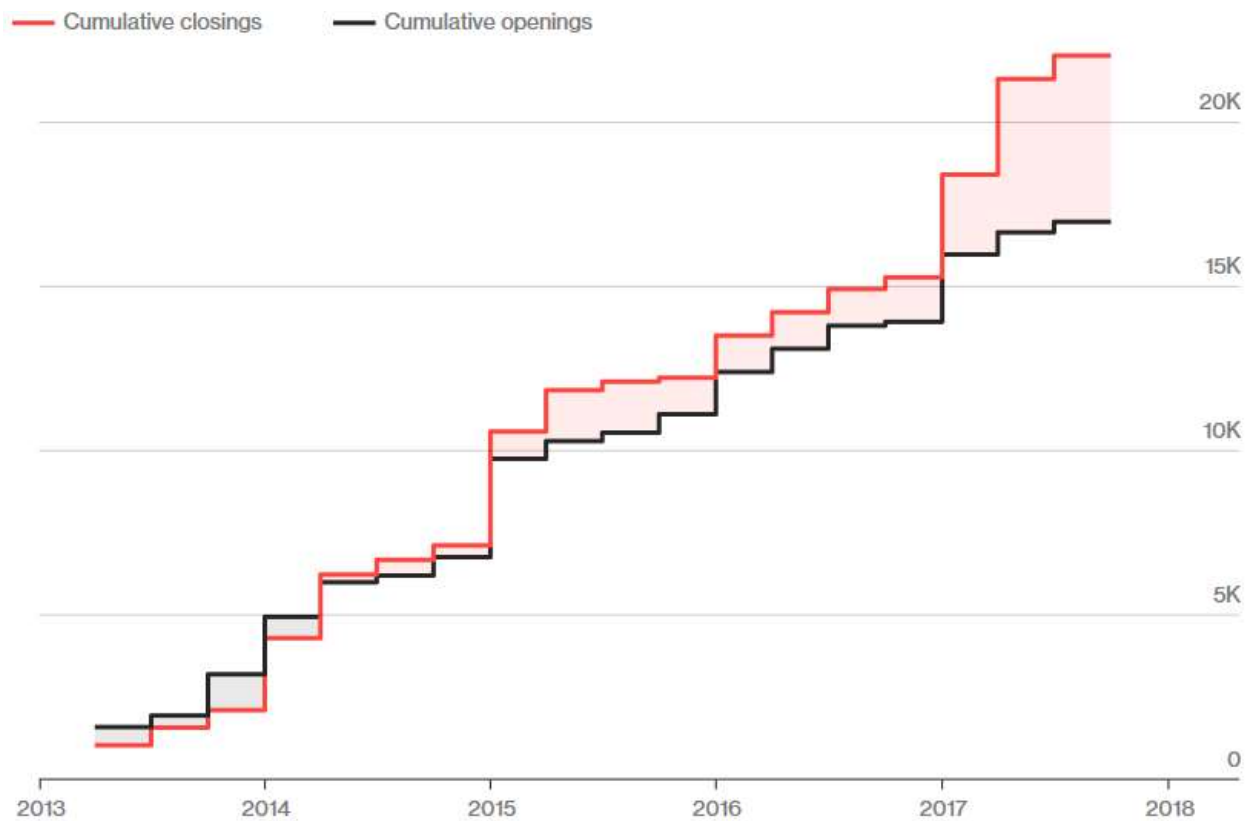
Tax Year 2020				
<u>Parcel/Tax ID Number</u>	<u>Est. Fair Mkt Value</u>	<u>Assessed Value</u>	<u>Real Estate Tax</u>	<u>Tax Rate</u>
PWV 0901990003	\$14,095,600	\$12,860,900	\$205,500	1.5979%

Based upon the forthcoming valuation, we have determined that the assessor’s opinion of assessed value (as indicated by the assessment), as of the date of value, exceeds the subject property’s fee simple market value. This appraisal assumes that the assessment has been reduced to reflect an assessed value equal to 100 percent of market value for the date of value.

Retail Industry Overview

The general retail industry is in a transitional phase while both retail center operators and retailers struggle with what is widely reported as an over-supply of malls, department stores and big box stores, the growth of e-commerce, and changes in retailer financial positions. In addition, many experts suggest that despite strong national economic conditions, more retail store closures across all property types (strip retail, community centers, malls, department stores, big box stores, junior box stores, etc.) are expected.

As a result of the rapidly evolving retail industry, the last several years have seen numerous store closings, bankruptcies, and a general contraction from many retailers. The rate of store closures, when examined from the surface, seems counterintuitive as the economy is generally regarded as being healthy, but retailers continue to close stores. The severity of retail store closures has been coined the “retail apocalypse” in numerous publications. The following chart illustrates historical store openings and closings, excluding grocery stores and restaurants:



Source: ICSC Research Team and PNC Real Estate Research

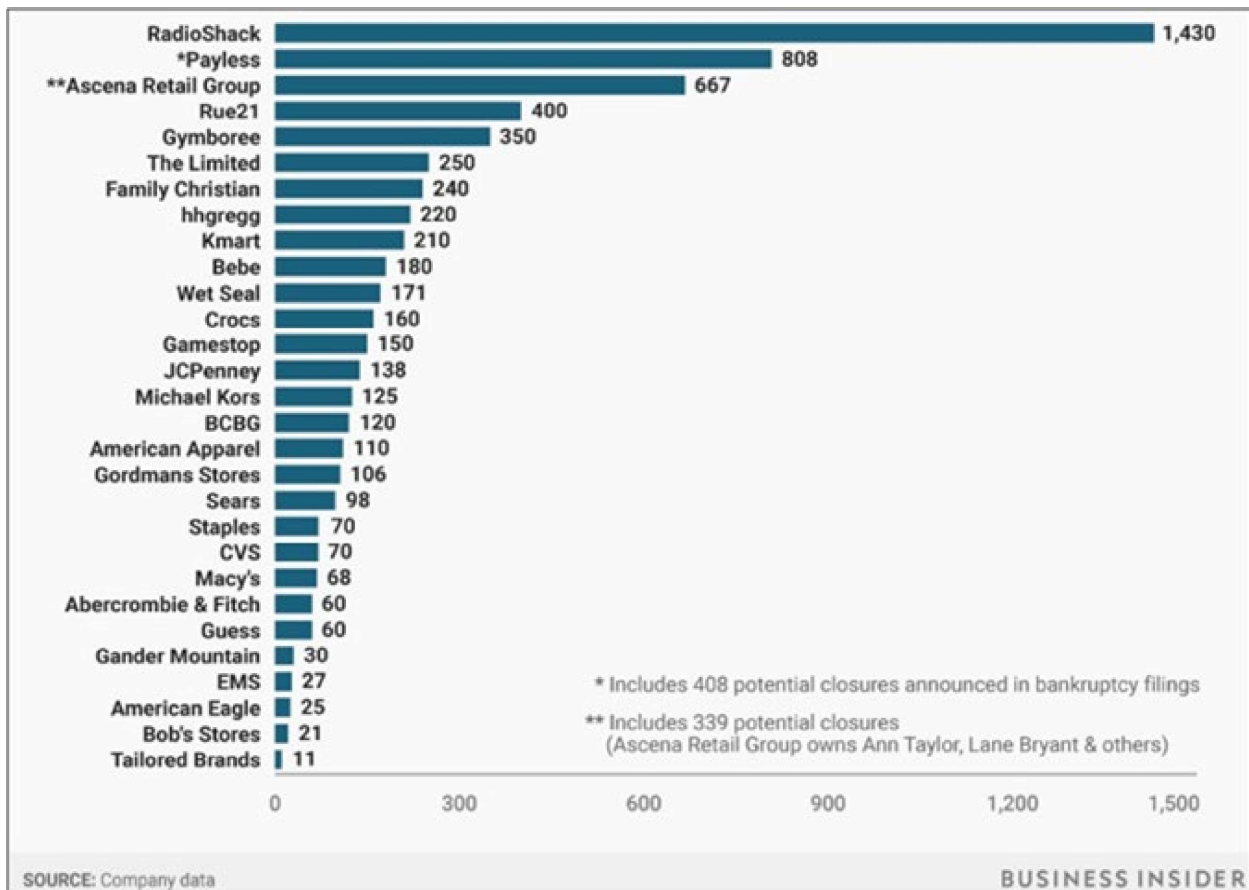
According to Forbes, the following major retailers have either closed stores or announced store closings:

Retailers Closing Stores	
Retailer	# of Stores Affected [1]
Payless ShoeSource	400
JCPenney	138
Macy's	68
Sears & Kmart	150
HH Gregg	88
Abercrombie & Fitch	60
Guess	60
The Limited	250
Wet Seal	171
American Apparel	110
BCBG	120
Gamestop	150
Radio Shack	550
Staples	70
CVS	70
Gander Mountain	32
Family Christian	240

[1] Closing in 2017, or recently closed

Source: Forbes, "Why So Many Stores are Closing Now" 4/2017

The following chart illustrates similar data from an alternative source:



In a December 2016 article entitled “A giant wave of store closures is about to hit the US” featured by Business Insider it was noted that “Nearly every major department store, including Macy's, Kohl's, Walmart, and Sears, have collectively closed hundreds of stores over the last couple years to try and stem losses from unprofitable stores and the rise of ecommerce....”

In a June 2016 Money.com article entitled “12 Major Retailers Closing Stores Like Crazy”, it was noted that in 2015 JC Penney announced it would close 40 stores and that Sears had shuttered more than 200 stores over the two previous years.

In an April 2017 article entitled “What in the World Is Causing the Retail Meltdown of 2017” The Atlantic noted three explanations for the decline in the retail market, noted as follows:

- “People are simply buying more stuff online than they used to.” According to The Atlantic, between 2010 and 2016 Amazon’s sales in North America quintupled from \$16 billion to \$80 billion. The same article noted that reports suggest that half of all U.S. households are now Amazon Prime subscribers.
- “Americans are shifting their spending from materialism to meals out with friends.”

Additionally, in March 2016, Kohl’s announced the closing of 18 stores across the U.S., after having only closed five stores from 2003 to 2016. Kohl’s is moving to smaller format stores, right-sizing existing stores by expanding aisles and dividing and leasing a portion of their stores to other users.

In January of 2016, Walmart announced the closing of 154 stores across the U.S., including six discount stores, 12 supercenters and 4 Sam’s Club stores.

In November 2017, Target announced the closing of 12 stores and in November 2018, Target announced the closing of 6 stores. Most of Target’s new stores are small format stores.

In November 2018, Lowe’s announced the closing of 20 stores in the United States and 27 stores across Canada.

In January 2018, Walmart announced plans to close 63 of its Sam’s Club locations across the United States, consisting of approximately 10% of all Sam’s Clubs.

In March 2019, JCPenney announced that it would closing another 27 stores.

These closings are all in addition to the hundreds of store closings involving Sears/Kmart since the early 2000s and there are many more store closings expected from Sears/Kmart.

A Bloomberg article entitled “America’s Retail Apocalypse Is Really Just Beginning” pointed toward an additional source for the decline of the retail industry, debt. The aforementioned article cites that “when there’s sky-high consumer confidence, unemployment is historically low and the U.S. economy keeps growing. Those are normally all ingredients for a retail boom, yet more chains are filing for bankruptcy and rated distressed than during the financial crisis.” In summary, despite all the economic indicators that would suggest either growth or stability in

retail, the opposite is occurring, retail is declining. The Bloomberg article goes on to state that “The reason isn’t as simple as Amazon.com Inc. taking market share or twenty-somethings spending more on experiences than things. The root cause is that many of these long-standing chains are overloaded with debt-often from leveraged buyouts led by private equity firms. There are billions in borrowings on the balance sheets of troubled retailers, and sustaining that load is only going to become harder – even for healthy chains. The debt coming due, along with America’s over-stored suburbs and the continued gains of online shopping, has all the makings of a disaster.” The noted article notes that in 2017 “just \$100 million of high-yield retail borrowings were set to mature this year, but that will increase to \$1.9 billion in 2018, according to Fitch Ratings, Inc. And from 2019 to 2025, it will balloon to an annual average of almost \$5 billion.

Retail store closings continues on a large scale through 2018, as well. The following graph is from a Business Insider 2018 article titled “More than 3,800 stores will close in 2018...”

Retail stores closing in 2018

RETAILER	CLOSURES
Toys R Us	735
Walgreens/Rite Aid	600
Ann Taylor, Loft, Dress Barn*	500
Teavana	379
Best Buy	250
Mattress Firm	200
Gap Inc.**	200
The Children’s Place**	144
Foot Locker	110
Kmart	109
Gymboree	102
Winn-Dixie, Harvey’s, and Bi-Lo***	94
Sam’s Club	63
Abercrombie	60
Sears	57
Michael Kors****	50
Crocs	49
Bon-Ton Stores	42
Guess	25
J.Crew	20
Target	12
Macy’s	11
Charming Charlie	11
Last Call by Neiman Marcus	10
JCPenney	8
Kroger	6

*Parent company, Ascena Retail Group, which also owns Catherines, Lane Bryant, and Maurices, said that up to 667 stores could be closed through 2019. About 160 stores have already been closed.

**Closures to be carried out through 2020.

***Parent company is Southeastern Grocers.

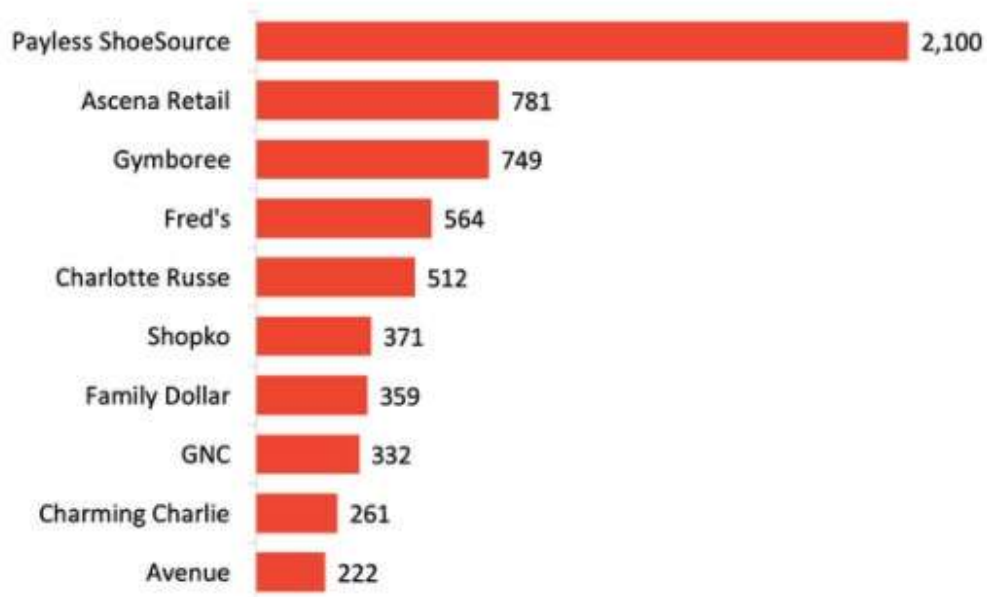
****Closures to be completed in fiscal year 2018.

Source: Company data

BUSINESS INSIDER

In a December 2019 article from Business Insider titled “More Than 9,300 Stores are Closing in 2019 as the Retail Apocalypse Drags On”, Business Insider along with Coresight Research and CNN summarized the retailers that closed stores in 2019. The following graph depicts the 10 largest store closings scheduled in 2019 by retailer.

Retailers That Closed The Most US Stores In 2019



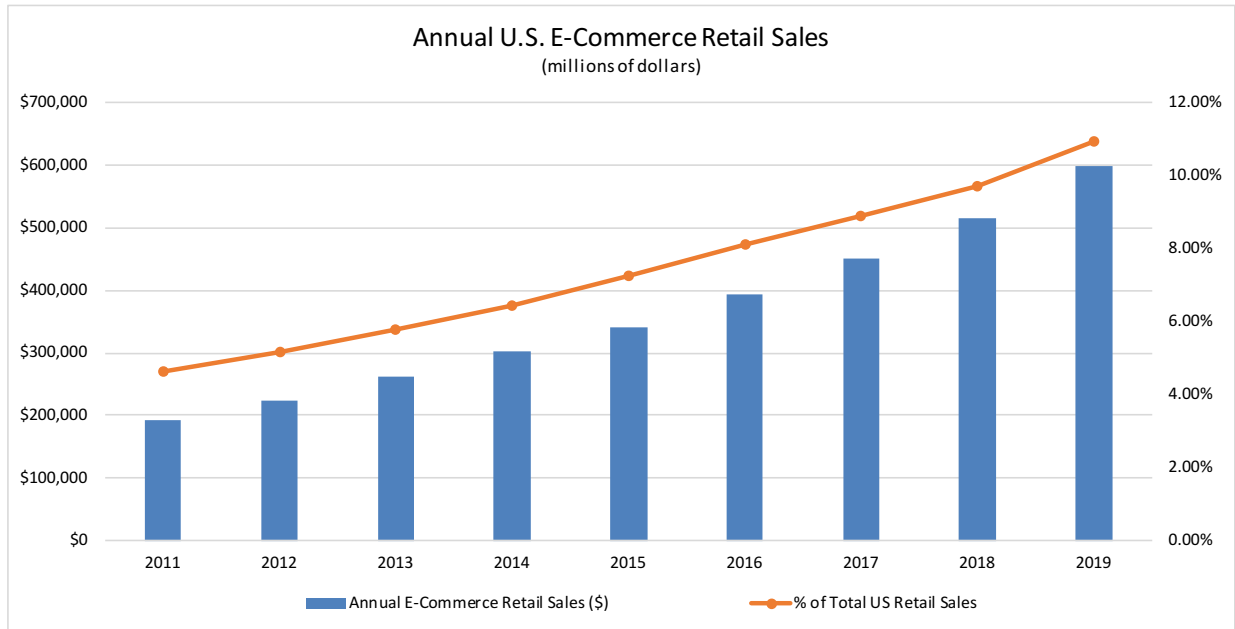
Source: Coresight Research, CNN

BUSINESS
INSIDER
INTELLIGENCE

Further, it was expected that more retailers would be closing stores 2020 at a rate similar to or exceeding that of 2019.

E-Commerce Trends

Additionally, the rise in e-commerce retail sales has affected the demand for brick-and-mortar retail stores. The following graph shows the growth in the e-commerce retail sales in the United States as well as the growing percentage of e-commerce sales of the entire retail sales in the country.



Source: U.S. Department of Commerce

The graph shows a large growth in e-commerce retail sales from the early 2010s through 2019 as well as a consistently growing share of e-commerce sales as a percentage of all retail sales in the United States. It is expected that these two measures will continue to grow in the foreseeable future.

In summary, the retail industry in general is in a transitional phase as it attempts to rebalance itself with the growing online shopping sector, changes in consumer spending habits, and retail bankruptcies.

Highest and Best Use

Highest and best use is defined by The Dictionary of Real Estate Appraisal, Sixth Edition, (Appraisal Institute, 2015) as:

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

In addition to the Appraisal Institute's definition of highest and best use, the appraiser is considering that Wisconsin law requires compliance with the Wisconsin Property Assessment Manual (WPAM).

Chapter 9 of the 2020 WPAM defines "highest and best use" as "that use which over a period of time produces the greatest net return to the property owner." Additionally, the highest and best use is "[a] concept in appraisal and assessment law requiring that each property be appraised as though it were being put to its most profitable use, given probable legal, physical and financial constraints." (WPAM Glossary G-38). Although this definition is similar to the 15th Edition of The Appraisal of Real Estate, the WPAM and recent Wisconsin case law require the consideration of some additional factors in determining highest and best use. As summarized in *Nestle USA, Inc.*, "[a] **subject property's highest and best use must be: 1) legal, 2) complementary, 3) not highly speculative, and 4) marketable for that use.**" *Nestle USA, Inc. v. Wisconsin Dep't of Revenue*, 795 N.W.2d 46, 55 (Wisc. 2011) (citing WPAM, at 1-1, 9-11).

Legal means that the contemplated use "must not violate any government regulations. This would include such items as zoning, building codes, health codes, criminal laws, and other regulations. For example, an office building may represent the greatest net return on a parcel of real estate; however, if this use is prohibited by zoning laws, it does not represent the highest and best use." (2020 WPAM Ch.9, p.11).

Complementary means that the contemplated use must "be in balance with the uses of the property around it. This is explained in the principle of conformity." (2020 WPAM Ch.9, p.11).

Not highly speculative means that the contemplated use "should produce the greatest net return over a reasonable time period. An income stream of high return over a short time may not be as valuable as that use which generates a smaller income but over a longer period of time." (2020 WPAM Ch.9, p.11).

When discussing highest and best use, the WPAM states: "The highest and best use of a property can change over time. Changes in the economy, society, and neighborhood can result in new uses of properties. Therefore, the assessor should be periodically reviewing the data on highest and best use and change the conclusions if necessary. Assessors should start with the assumption that the current use is the highest and best use. However, it is important to recognize that the current use of a particular property does not necessarily represent the highest and best use or the full market value of the property. All of the available uses of the property should be considered." (2020 WPAM Ch.9, p.11-12).

According to WPAM, “It’s important to recognize that the current use of a particular property does not necessarily represent the highest and best use or the full market value of a property. All of the available uses of the property should be considered. According to the book, *Readings in Highest and Best Use*, ‘the fact that a property is adaptable to secondary uses may be an important consideration to a prospective buyer and thus influence market value’.” (2020 WPAM Ch.9, p.12).

Under Wisconsin law, the appraiser should also consider alternative uses of a property for property tax purposes.

The above definitions of highest and best use apply to the use of a site as though vacant, as well as to the total property as improved. When a site contains improvements, the highest and best use may be determined to be different from the existing use. The existing use will continue unless and until the land value in its highest and best use exceeds the sum of the value of the entire property in its existing use plus the cost to remove the improvements.

Highest and Best Use Per WPAM and Wisconsin Law

Based upon a review of zoning codes, the subject property’s retail use is legally permitted. The subject’s use as a retail store is complementary to and conforms with the Village of Pewaukee market uses, which include numerous other retail uses, such as but not limited to strip centers and single-tenant retail uses surrounding the intersection of Pewaukee Road and Capitol Drive. Lastly, the subject’s highest and best use is not a highly speculative use as there is evidence of large retail buildings being utilized as both single and multi-tenant facilities in the market. The analysis and conclusion of the highest and best use, under WPAM and Wisconsin law, is consistent with the appraiser’s traditional highest and best use conclusion, as determined by following the analysis, outlined by the Appraisal Institute.

Four criteria must be examined to determine whether a use represents a property's highest and best use. These requirements are that the use is physically possible, legally permissible, financially feasible, and maximally productive.

As Vacant

Physical Possibility - As of the date of value, the subject site had ±13.88 useable acres. For the date of value, the physical possibilities are numerous. Physically possible uses include, but are not limited to: retail, industrial, hotel, multi-family, agricultural, office, or recreational.

Legal Permissibility – The subject site is permitted to be developed in accordance with the B-1 Community Business district zoning, as of the date of value. The primary intent of the B-1 Community Business district is to provide for a wide variety of commercial uses.

Financial Feasibility - The financial feasibility of any use on the subject site is partially a function of its accessibility, visibility, and market demand. The subject site is located in a stable commercial area. Based upon a review of neighborhood developments, it would appear that it would be feasible to develop the subject with a retail/commercial use as of the date of value.

Maximal Productivity – The determination of maximal productivity requires consideration of several development options and scenarios. Given the subject's location and the surrounding developments, the site's maximally productive use as of the retrospective date of value would be retail/commercial development. The most likely buyers would be retail users and developers.

As Improved

As in the determination of the subject's highest and best use as vacant, four criteria must be examined to determine whether a use represents a property's highest and best use as improved. These requirements are that the use is physically possible, legally permissible, financially feasible, and maximally productive.

Physical Possibility – The subject was improved with a ±134,244 SF discount/mega warehouse store and supporting site improvements as of the date of value. The improvements were designed and constructed for a specific single occupant user. The subject property is capable of being used by another single occupant retailer; however, each retailer has its own image and business needs and therefore, reimageing would be made. Overall, the design and construction of the discount/mega warehouse store including the large store depths, location of dock level doors and the lack of utility separation make multi-tenant use challenging. Multi-tenant retail and industrial use would require significant conversion costs but would be physically possible.

Legal Permissibility - The subject site is permitted to be developed in accordance with the Community Business district zoning, as of the date of value. The primary intent of the B-1 Community Business district is to provide for a wide variety of commercial uses. As discussed under Zoning earlier in this section, the retail use is a legal and non-conforming use within the permitted B-1 district.

Financial Feasibility - The financial feasibility of any use on the subject site is partially a function of its market demand. The appraiser has reviewed comparable land sales and comparable land offerings from around the subject area. Based upon the forthcoming concluded values for the subject property, the land value does not exceed the subject property, as improved. Overall, it is financially feasible to operate the property as a single user retail property and it would be financially feasible to use it as a multi-tenant retail property. As will be shown in the forthcoming valuation analysis, it is concluded that the value of the subject property as improved exceeds the market value of the subject property as vacant.

Maximally Productive – Of the financially feasible alternative uses, the maximally productive use of the property is a retail use.

Examples of the types of retail uses among our comparables include home goods stores, farm and home stores, discount retail, grocery, sporting goods, and self-storage. Based upon fee simple sales observed in the market, both owner/users and developers are likely buyers. Of our primary sales, five of the sales were purchased by owner/users that occupied the whole building, four of our sales were purchased by owner/users that occupied a portion of the building and marketed the remainder of the space, and one of our sales was purchased by a developer that subdivided the space for multi-tenancy.

The following are the results of the recent Situs RERC National Big Box study that indicates 52% of the buyers of box stores over 50,000 square feet are investors and 48% owner/users. This study also indicated the average price paid by owner users was approximately 15% higher than that paid by investors.

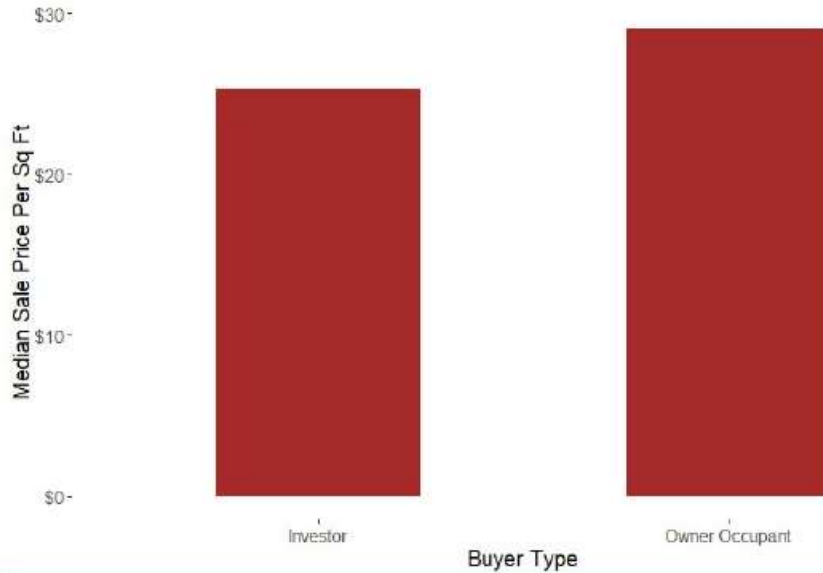


Table 4: Fee Simple Buyer Type Descriptive Statistics (>50k SF)

	Investors	Owner-Occupants
Median Sale Price/SF	\$25.29	\$29.03
Average Sale Price/SF	\$31.96	\$34.77
Average Year Built	1994	1993
Average Building Size (SF)	104,489	102,222
Average Land to Building Ratio	5.1	4.8
Average ZIP Code Population	32,348	32,544
Average Median Household Income	\$54,068	\$55,580
# of Transactions	114	106

Valuation Methodology

The market for the subject property is an existing facility available for sale or lease in the open market. This "secondary" or "after" or "used" or "existing" market is distinguishable from the build-to-suit market.

The market value of the existing facility is based upon the fact that it is an existing facility, which is assumed to be available for sale or lease in the open marketplace as of the valuation dates. The build-to-suit market involves a yet-to-be constructed facility built to the specifications of the prospective buyer or tenant. The build-to-suit market rent or sale price is based upon the cost of construction, whereas the "existing" market sale price or rent is a function of supply and demand and the open interaction of buyers and sellers or landlords and tenants in the marketplace for an existing property.

The three approaches to valuation -- the sales comparison, income, and cost -- are based upon distinct measures that, although applied separately, may be used to verify each other.

The sales comparison approach to value seeks to identify those sales or offerings which may be comparable in terms of condition, amenities, quality, age, location, type, timing, financing terms, and motivation of buyers and sellers. No two properties are precisely comparable so adjustments must be taken into account for discernible differences. This approach generally reflects the actions of buyers and sellers in the marketplace.

In the income approach to value, an estimate is made of future financial benefits, which can be derived from ownership. After ascertaining the net rental income that can reasonably be expected from the property by a knowledgeable owner, the net operating income is capitalized using a method appropriate to investments of similar type and category. This approach generally is most similar to the manner in which investors view income-producing property.

The cost approach to estimate value entails preparing an estimate of land value and adding an estimate of the replacement cost of the building and improvements, less any physical, economic, or functional depreciation or obsolescence. Implicit in the cost approach is that a knowledgeable buyer would pay no more for the property than what it would cost to replace it.

Applied Valuation Approaches

In considering and applying the appropriate valuation approaches, the Markarian Hierarchy has been followed and utilized as a guideline. The applicable approaches to value for the subject discount/mega warehouse store and supporting land were concluded to be the sales comparison, the income, and the cost approaches to value. The cost approach was applied but is less reliable because the subject property's market value is adversely impacted by substantial depreciation due to obsolescence. The amount of obsolescence is difficult, if not impossible, to estimate without extracting from the other approaches to value. In addition, buyers and sellers, of this type of property, do not generally buy and sell based upon the cost approach to value.

Sales Comparison Approach

Definition of the Sales Comparison Approach

According to The Dictionary of Real Estate Appraisal, Sixth Edition (Appraisal Institute, 2015), the sales comparison approach is defined as:

The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.

Discussion of Methodology

The simplest and most direct sales comparison is with sales of similar properties sold in the fee simple estate with the same or similar highest and best use. The best comparable sales are those that would attract the same class of buyers as the subject. Furthermore, there are a sufficient number of such sale comparables to which the subject can be compared. As such, the sales comparison approach will provide a primary indicator of value along with the income approach.

We have researched the market and have identified comparable sales, which are similar to the subject, including four sales of buildings that were designed and built as superstores. These represent fee simple transfers of properties, which were similar to the subject property and were available for retail use, during the relevant time periods involved in the valuation. We have not utilized leased fee sales because most of the sales are subject to above market build-to-suit leases and are at prices reflective of the credit of the tenant. Additionally, we did not utilize sale/leaseback sales because these are financing transactions and not representative of market value. The selection criteria included big box retail stores that sold near to the subject date of value. We researched the state of Wisconsin and Illinois for sales that were as similar in economic location, date of sale, building size, design, and age as the subject property. In addition, we are familiar with sales of similar properties in other Midwestern states including Indiana, Iowa, Ohio, Minnesota, and Michigan.

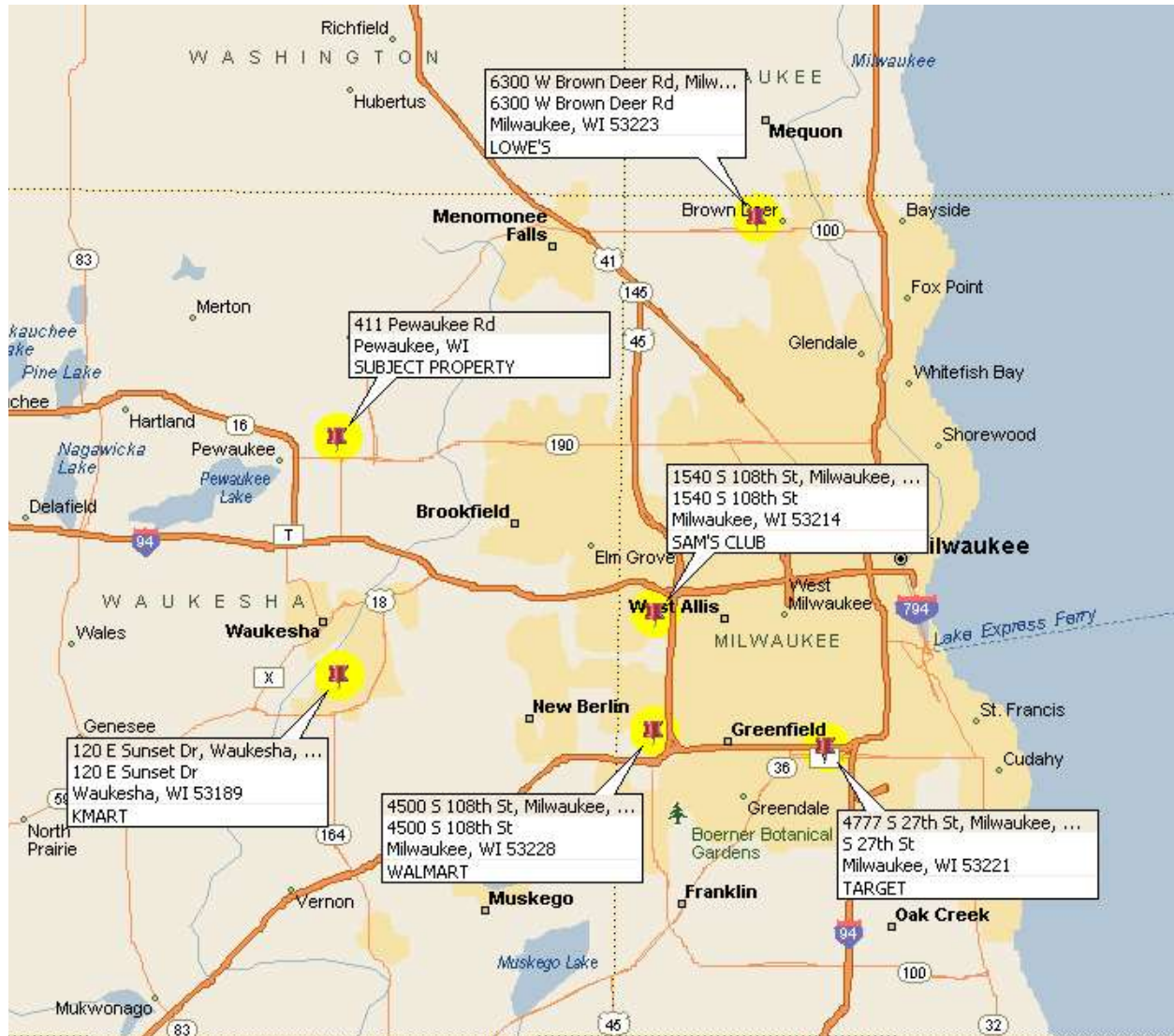
The following is a summary and a map of comparable sales, which is followed by detailed write-ups of these sales. In the detailed write-ups of the comparables, the properties are identified by the retailer for which the building was constructed. After these sales are analyzed, there will be a presentation of additional sale and listing comparables that were considered before concluding to an indicated per square foot value of gross building area for the fee simple interest in the subject property.

COMPARABLE BUILDING SALES										
SALE DETAILS	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8	Sale 9	Sale 10
Development	Walmart	Sam's Club	Walmart	Super K	Walmart Super Ctr.	Target	Super K	Lowe's	Walmart	Kmart
Location	Pewaukee, WI	West Allis, WI	Greenfield, WI	Southgate, MI	Hartland Twp., MI	Greenfield, WI	Detroit, MI	Elgin Twp., IL	Blaine, MN	Waukesha, WI
Sale Date	Dec-13	Jun-19	Jan-13	Jul-16	Jul-16	Jan-20	Dec-15	Apr-16	Jan-16	Dec-14
Building Area (SF)	139,571	129,395	110,580	174,758	186,763	130,125	142,508	139,410	141,643	115,000
Year Built	2006	1999	1989	1998	2009	1970	2001	2006	2002	1970
Land Size	11.05	10.77	9.95	15.69	22.92	12.94	15.23	12.76	16.10	11.77
LTB Ratio	3.45	3.63	3.92	3.91	5.35	4.33	4.66	3.99	4.95	4.46
Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Sale Price	\$4,000,000	\$7,500,000	\$3,900,000	\$5,500,000	\$4,175,000	\$4,000,000	\$5,600,000	\$5,300,000	\$5,200,000	\$4,750,000
Price/SF	\$28.66	\$57.96	\$35.27	\$31.47	\$22.35	\$30.74	\$39.30	\$38.02	\$36.71	\$41.30
Community Data										
Population (5 Mile)	86,173	291,964	223,743	185,613	30,904	337,251	293,793	158,099	109,280	100,295
Households (5 Mile)	35,144	125,364	97,991	77,186	11,064	134,439	121,307	51,306	39,488	40,451
Average HH Size (5 Mile)	2.42	2.30	2.26	2.38	2.79	2.48	2.39	3.04	2.73	2.41
Med HH Inc (5 Mile)	\$81,601	\$59,878	\$60,667	\$56,333	\$100,038	\$51,400	\$48,028	\$79,543	\$93,584	\$70,632
Avg. HH Spending (5 Mile)	\$61,941	\$45,877	\$45,324	\$41,528	\$66,353	\$37,543	\$36,506	\$57,530	\$63,419	\$52,234
Population (10 Mile)	328,763	988,984	828,539	469,369	145,796	820,508	1,177,147	434,147	462,840	322,824
Households (10 Mile)	133,323	399,819	337,252	185,061	55,810	336,720	481,032	144,926	173,843	131,480
Med HH Inc (10 Mile)	\$81,494	\$52,528	\$55,010	\$53,694	\$87,501	\$52,243	\$51,848	\$85,448	\$83,829	\$81,644
Avg. HH Spending (10 Mile)	\$61,532	\$42,416	\$43,478	\$39,852	\$62,259	\$40,867	\$45,919	\$64,628	\$58,539	\$60,312
Pop. Δ 2010-20 (5 Mile)	5.88%	0.59%	0.40%	-0.63%	10.16%	-1.55%	-0.44%	6.92%	14.54%	4.10%
Pop. Δ 2010-20 (10 Mile)	5.23%	0.49%	0.74%	0.00%	7.24%	0.39%	-1.14%	5.23%	8.94%	4.07%
Pop. Δ 2020-25 (5 Mile)	2.72%	0.73%	0.64%	-0.77%	4.23%	0.51%	-0.06%	2.93%	5.28%	2.00%
Pop. Δ 2020-25 (10 Mile)	2.63%	0.91%	1.14%	-0.57%	3.66%	0.98%	-0.11%	2.16%	4.16%	2.13%
Traffic Count	21,100	39,000	28,600	54,515	84,800	30,800	51,318	36,900	34,200	21,700

Notes: - Pop, HH and Med HH Income is based upon 2020 ESRI Data

- Traffic Counts are as near to the locations and the date of sale as possible.

Map of Comparable Sales – Southeast Wisconsin Area



Map of Comparable Sales – Non-Southeast Wisconsin Area



COMPARABLE SALE 1



Property Name:	Lowe's	Sales Analysis	
Property Address:	6300 W. Brown Deer	Grantor:	Lowe's Home Centers, Inc.
Cross Streets:	W. Brown Deer & 60th	Grantee:	Walmart Real Estate Business Trust
City/Township:	Brown Deer, WI	Verification:	Grantor, Public Records
County:	Milwaukee	Sale Date:	Dec-13
Parcel ID(s):	030-0109	Sale Price:	\$4,000,000
Building Description		Occupancy at Sale:	0%
Building Area (SF):	139,571	Property Rights Transferred:	Fee Simple
Year Built:	2006	Conditions of Sale:	Arms-Length
MVS Classification:	Class C	Marketing Time	±24 months
Site Description		Sales Terms:	Cash Equivalent
Land Area (Acres):	11.05	Financial Analysis	
Parcel Shape:	Rectangular	Net Operating Income:	n/a
Zoning:	B3, Commercial	Capitalization Rate:	n/a
Parking:	Asphalt	Price/SF:	\$28.66
Land-to-Building Ratio:	3.45		

Comments

This property was a former Lowes Home Improvement Center that was closed in Oct-2011. The property sold to Walmart, a discount retailer, and is now occupied as a Walmart store. The building was in good condition with no items of deferred maintenance at the time of sale.

COMPARABLE SALE 1, cont.

Location Analysis			
5-Mile Demographic Measures		10-Mile Demographic Measures	
2010		2010	
Population:	152,345	Population:	592,819
Households:	59,172	Households:	236,297
Average Household Size:	2.54	Average Household Size:	2.45
2020		2020	
Population:	152,209	Population:	600,454
Households:	59,274	Households:	241,246
Average Household Size:	2.54	Average Household Size:	2.43
Median HH Income:	\$53,615	Median HH Income:	\$52,010
Avg. Consumer Spending:	\$46,147	Avg. Consumer Spending:	\$44,961
2025		2025	
Population:	154,375	Population:	607,108
Households:	60,155	Households:	244,308
Average Household Size:	2.54	Average Household Size:	2.43
2010-2020 Growth Rate:		2010-2020 Growth Rate:	
Population:	-0.09%	Population:	1.29%
Households:	0.17%	Households:	2.09%
2020-2025 Growth Rate:		2020-2025 Growth Rate:	
Population:	1.42%	Population:	1.11%
Households:	1.49%	Households:	1.27%
Traffic Count:	27,900		

COMPARABLE SALE 2



Property Name:	Sam's Club	Sales Analysis	
Property Address:	1540 S. 108th	Grantor:	Sam's Real Estate Business Trust
Cross Streets:	S. 108th & Greenfield	Grantee:	Wiscraft, LLC
City/Township:	West Allis, WI	Verification:	Grantor, Public Records
County:	Milwaukee	Sale Date:	Jun-19
Parcel ID(s):	449-9981-019	Sale Price:	\$7,500,000
Building Description		Occupancy at Sale:	0%
Building Area (SF):	129,395	Property Rights Transferred:	Fee Simple
Year Built:	1999	Conditions of Sale:	Arms-Length
MVS Classification:	Class C	Marketing Time:	±16 months
Site Description		Sales Terms:	Cash Equivalent
Land Area (Acres):	10.77	Financial Analysis	
Parcel Shape:	Irregular	Net Operating Income:	n/a
Zoning:	C-3, Commercial	Capitalization Rate:	n/a
Parking:	Asphalt	Price/SF:	\$57.96
Land-to-Building Ratio:	3.63		

Comments

This comparable sale is a former Sam's Club store which was closed in January 2018. The property was marketed for sale for approximately 15 month prior to this sale. The grantor recieved numerous offers for this property, with this adaptive use being the highest offer. There were no offers for continued retail use, that exceeded this offer. The purchaser is a non-profit organization that will be reimaging the building into a facility that provided employment opportunities for blind people. The building was in very good condition at the time of the sale according to the listing broker. This property sold with a restrictive covenant, limiting the property from being utilized as a discount department containing more than 25,000 SF of floor area, a grocery store containing more than 5,000 SF.

COMPARABLE SALE 2, cont.

Location Analysis			
5-Mile Demographic Measures		10-Mile Demographic Measures	
<u>2010</u>		<u>2010</u>	
Population:	290,247	Population:	984,118
Households:	124,367	Households:	395,638
Average Household Size:	2.30	Average Household Size:	2.42
<u>2020</u>		<u>2020</u>	
Population:	291,964	Population:	988,984
Households:	125,364	Households:	399,819
Average Household Size:	2.30	Average Household Size:	2.41
Median HH Income:	\$59,878	Median HH Income:	\$52,528
Avg. Consumer Spending:	\$45,877	Avg. Consumer Spending:	\$42,416
<u>2025</u>		<u>2025</u>	
Population:	294,104	Population:	998,006
Households:	126,248	Households:	404,132
Average Household Size:	2.30	Average Household Size:	2.41
<u>2010-2020 Growth Rate:</u>		<u>2010-2020 Growth Rate:</u>	
Population:	0.59%	Population:	0.49%
Households:	0.80%	Households:	1.06%
<u>2020-2025 Growth Rate:</u>		<u>2020-2025 Growth Rate:</u>	
Population:	0.73%	Population:	0.91%
Households:	0.71%	Households:	1.08%
Traffic Count:	39,000 - along 108th		

COMPARABLE SALE 3



Property Name:	Walmart	Sales Analysis	
Property Address:	4500 S. 108th St.	Grantor:	Wal-Mart RE Business Trust
Cross Streets:	S. 108th St. & W. Layton Ave.	Grantee:	The Ridge Community Church Corp.
City/Township:	Greenfield, WI	Verification:	Grantor, Public Record, Deed
County:	Milwaukee	Sale Date:	Jan-13
Parcel ID(s):	608-9995-009	Sale Price:	\$3,900,000
Building Description		Occupancy at Sale:	0%
Building Area (SF):	110,580	Property Rights Transferred:	Fee Simple
Year Built:	1989	Conditions of Sale:	Arms-Length
MVS Classification:	Class C	Marketing Time	±17 months
Site Description		Sales Terms:	Cash Equivalent
Land Area (Acres):	9.95	Financial Analysis	
Parcel Shape:	Irregular	Net Operating Income:	n/a
Zoning:	C-4	Capitalization Rate:	n/a
Parking:	Asphalt Surface	Price/SF:	\$35.27
Land-to-Building Ratio:	3.92		

Comments

This is the sale of former Walmart store in Greenfield, WI. At the time of sale, the property had been available for approximately 17 months with an asking price of \$4.3M. After purchase, the buyer reimaged the building into a church. The purchaser had been in a temporary facility and looking to build a permanent church in this neighborhood for more than six years. Since this sale, the property has been subdivided into three spaces with The Ridge Church, a Planet Fitness and a St. Vincent de Paul store. Even though the building has visibiltiy from W. Layton, only the traffic counts along S. 108th have been presented in the above table.

This property sold with a restrictive covenant, limiting the property from being utilized for a grocery use exceeding 35,000 SF or a discount store use exceeding 50,000 SF for a period of 25 years. This restriction was put in place after the buyer's use was identified. When available for sale, the property was marketed for retail use and there had been one purchase offer for retail use with a \$3.5M offering price.

COMPARABLE SALE 3, cont.

Location Analysis			
5-Mile Demographic Measures		10-Mile Demographic Measures	
2010		2010	
Population:	222,862	Population:	822,473
Households:	97,469	Households:	333,034
Average Household Size:	2.26	Average Household Size:	2.41
2020		2020	
Population:	223,743	Population:	828,539
Households:	97,991	Households:	337,252
Average Household Size:	2.26	Average Household Size:	2.40
Median HH Income:	\$60,667	Median HH Income:	\$55,010
Avg. Consumer Spending:	\$45,324	Avg. Consumer Spending:	\$43,478
2025		2025	
Population:	225,183	Population:	838,021
Households:	98,561	Households:	341,685
Average Household Size:	2.26	Average Household Size:	2.40
2010-2020 Growth Rate:		2010-2020 Growth Rate:	
Population:	0.40%	Population:	0.74%
Households:	0.54%	Households:	1.27%
2020-2025 Growth Rate:		2020-2025 Growth Rate:	
Population:	0.64%	Population:	1.14%
Households:	0.58%	Households:	1.31%
Traffic Count:	28,600		

COMPARABLE SALE 4



Property Name:	Super K	Sales Analysis	
Property Address:	16705 Fort Street	Grantor:	Kmart Corporation
Cross Streets:	Fort St. & Pennsylvania Ave.	Grantee:	The Kroger Company of Michigan
City/Township:	Southgate, MI	Verification:	Broker, Assessor, Grantor
County:	Wayne	Sale Date:	Jul-16
Parcel ID(s):	53-020-99-0004-710	Sale Price:	\$5,500,000
Building Description		Occupancy at Sale:	0%
Building Area (SF):	174,758	Property Rights Transferred:	Fee Simple
Year Built:	1998	Conditions of Sale:	Arms Length
MVS Classification:	Class C	Marketing Time:	±18 months
Site Description		Sales Terms:	Cash Equivalent
Land Area (Acres):	15.69	Financial Analysis	
Parcel Shape:	Irregular	Net Operating Income:	n/a
Zoning:	C-3, Thoroughfare Service	Capitalization Rate:	n/a
Parking:	Asphalt Surface	Price/SF:	\$31.47
LTB Ratio:	3.91		
Comments			
This is the sale of a former Super Kmart store in Southgate, MI. This store closed in late 2014 and was marketed for sale or lease without a published asking price or asking rent. The property was purchased by Kroger for use as a Kroger Marketplace. Kroger is utilizing approximately 140,000 SF of the building and the remainder is being marketed for lease.			

COMPARABLE SALE 4, cont.

Location Analysis			
5-Mile Demographic Measures		10-Mile Demographic Measures	
<u>2010</u>		<u>2010</u>	
Population:	186,788	Population:	469,388
Households:	76,709	Households:	183,122
Average Household Size:	2.41	Average Household Size:	2.55
<u>2020</u>		<u>2020</u>	
Population:	185,613	Population:	469,369
Households:	77,186	Households:	185,061
Average Household Size:	2.38	Average Household Size:	2.52
Median HH Income:	\$56,333	Median HH Income:	\$53,694
Avg. Consumer Spending:	\$41,528	Avg. Consumer Spending:	\$39,852
<u>2025</u>		<u>2025</u>	
Population:	184,193	Population:	466,673
Households:	76,781	Households:	184,388
Average Household Size:	2.37	Average Household Size:	2.51
<u>2010-2020 Growth Rate:</u>		<u>2010-2020 Growth Rate:</u>	
Population:	-0.63%	Population:	0.00%
Households:	0.62%	Households:	1.06%
<u>2020-2025 Growth Rate:</u>		<u>2020-2025 Growth Rate:</u>	
Population:	-0.77%	Population:	-0.57%
Households:	-0.52%	Households:	-0.36%
Traffic Count:	54,515 - based upon 37,000 on Fort St. & 17,515 on Pennsylvania		

COMPARABLE SALE 5



Property Name:	Walmart Super Ctr.	Sales Analysis	
Property Address:	10400 Highland Road (M-59)	Grantor:	Walmart RE Business Trust
Cross Streets:	US-23 & M-59	Grantee:	Bedford ABG, LLC
City/Township:	Hartland Twp., MI	Verification:	Broker, Assessor, Grantor
County:	Livingston County	Sale Date:	Jul-16
Parcel ID(s):	4708-28-200-025	Sale Price:	\$4,175,000
Building Description		Occupancy at Sale:	0%
Building Area (SF):	186,763	Property Rights Transferred:	Fee Simple
Year Built:	2009	Conditions of Sale:	Arms Length
MVS Classification:	Class C	Marketing Time:	±6 months
Site Description		Sales Terms:	Cash Equivalent
Land Area (Acres):	22.92	Financial Analysis	
Parcel Shape:	Irregular	Net Operating Income:	n/a
Zoning:	PD, Planned Development	Capitalization Rate:	n/a
Parking:	Asphalt Surface	Price/SF:	\$22.35
Land-to-Building Ratio:	5.35		

Comments

This is the sale of a former Walmart Supercenter store in Hartland Twp. to ABG, which is Rural King. Walmart closed this location in Jan-16 and the property was subsequently listed for sale with an asking price of \$5.5M. According to Walmart, the property was marketed to all users with no potential deed restrictions and no limitations on use. However, the sale eventually included a deed restriction, limiting some future uses of the property, but not the buyer's general merchandise retail use. Walmart indicated that there were several purchasers interested in purchasing the property. The surrounding area has lower than average population and household figures when compared to most big box sites; however, the neighborhood's high traffic counts and quick access to US-23 results in an enlarged trade area and the neighborhood being a desirable location for retailers, including Meijer, Kroger and Target. The building has visibility from both M-59 and US-23 and there is a full-service interchange at the intersection of these roads. The property was in good shape for its age with no items of deferred maintenance.

COMPARABLE SALE 5, cont.

Location Analysis			
5-Mile Demographic Measures		10-Mile Demographic Measures	
<u>2010</u>		<u>2010</u>	
Population:	28,053	Population:	135,952
Households:	9,846	Households:	51,331
Average Household Size:	2.84	Average Household Size:	2.64
<u>2020</u>		<u>2020</u>	
Population:	30,904	Population:	145,796
Households:	11,064	Households:	55,810
Average Household Size:	2.79	Average Household Size:	2.60
Median HH Income:	\$100,038	Median HH Income:	\$87,501
Avg. Consumer Spending:	\$66,353	Avg. Consumer Spending:	\$62,259
<u>2025</u>		<u>2025</u>	
Population:	32,211	Population:	151,133
Households:	11,587	Households:	58,133
Average Household Size:	2.78	Average Household Size:	2.59
<u>2010-2020 Growth Rate:</u>		<u>2010-2020 Growth Rate:</u>	
Population:	10.16%	Population:	7.24%
Households:	12.37%	Households:	8.73%
<u>2020-2025 Growth Rate:</u>		<u>2020-2025 Growth Rate:</u>	
Population:	4.23%	Population:	3.66%
Households:	4.73%	Households:	4.16%
Traffic Count:	84,800 - based upon 45,900 on US-23 & 34,900 on M-59		

COMPARABLE SALE 6



Property Name:	Target	Sales Analysis	
Property Address:	4777 S. 27th St.	Grantor:	Target Corporation
Cross Streets:	S. 27th & W. Layton Ave.	Grantee:	MKB Greenfield, LLC
City/Township:	Greenfield, WI	Verification:	Granton, Broker, Public Records
County:	Milwaukee	Sale Date:	Jan-20
Parcel ID(s):	662-9988-016	Sale Price:	\$4,000,000
Building Description		Occupancy at Sale:	0%
Building Area (SF):	130,125	Property Rights Transferred:	Fee Simple
Year Built:	1970	Conditions of Sale:	Arms-Length
MVS Classification:	Class C	Marketing Time	±11 months
Site Description		Sales Terms:	Cash Equivalent
Land Area (Acres):	12.94	Financial Analysis	
Parcel Shape:	Irregular	Net Operating Income:	n/a
Zoning:	C-2 & C-3	Capitalization Rate:	n/a
Parking:	Asphalt Surface	Price/SF:	\$30.74
Land-to-Building Ratio:	4.33		

Comments
 This comparable sale is a former Target store which was closed in February 2019. The property was purchased and reimaged into a Festival Foods grocery store. The building and parking lot were in very good condition, according to the listing broker and a representative from Target. The property has visibility from 27th along with access to both S. 27th and W. Layton Ave.

COMPARABLE SALE 6, cont.

Location Analysis			
5-Mile Demographic Measures		10-Mile Demographic Measures	
<u>2010</u>		<u>2010</u>	
Population:	342,578	Population:	817,354
Households:	137,132	Households:	333,641
Average Household Size:	2.47	Average Household Size:	2.38
<u>2020</u>		<u>2020</u>	
Population:	337,251	Population:	820,508
Households:	134,439	Households:	336,720
Average Household Size:	2.48	Average Household Size:	2.37
Median HH Income:	\$51,400	Median HH Income:	\$52,243
Avg. Consumer Spending:	\$37,543	Avg. Consumer Spending:	\$40,867
<u>2025</u>		<u>2025</u>	
Population:	338,971	Population:	828,544
Households:	135,020	Households:	340,518
Average Household Size:	2.48	Average Household Size:	2.37
<u>2010-2020 Growth Rate:</u>		<u>2010-2020 Growth Rate:</u>	
Population:	-1.55%	Population:	0.39%
Households:	-1.96%	Households:	0.92%
<u>2020-2025 Growth Rate:</u>		<u>2020-2025 Growth Rate:</u>	
Population:	0.51%	Population:	0.98%
Households:	0.43%	Households:	1.13%
Traffic Count:	30,800 - traffic counts along S. 27th		

COMPARABLE SALE 7



Property Name:	Super K	Sales Analysis	
Property Address:	19990 Telegraph	Grantor:	Sears Holding Corporation
Cross Streets:	Telegraph & Eight Mile Rd.	Grantee:	Amerco Real Estate Company
City/Township:	Detroit, MI	Verification:	Grantor, Public Records
County:	Wayne	Sale Date:	Dec-15
Parcel ID(s):	Ward 22, Item 19037.000B	Sale Price:	\$5,100,000
Building Description		Capital Costs:	\$500,000
Building Area (SF):	142,508	Adjusted Sale Price:	\$5,600,000
Year Built:	2001	Occupancy at Sale:	0%
MVS Classification:	Class C	Property Rights Transferred:	Fee Simple
Site Description		Conditions of Sale:	Arms-Length
Land Area (Acres):	15.23	Marketing Time:	±13 months
Parcel Shape:	Irregular	Sales Terms:	Cash Equivalent
Zoning:	Commercial	Financial Analysis	
Parking:	Asphalt	Net Operating Income:	n/a
LTB Ratio:	4.66	Capitalization Rate:	n/a
		Price/SF:	\$39.30

Comments
 This comparable sale is a former Kmart store which was closed in October 2014 and subsequently listed by NAI Farberman. The marketing of the property did not include an asking price. The property was purchased by U-Haul for use as a showroom for selling moving and packing supplies as well as truck and trailer rentals. Additionally, the building will be built out to include approximately 1,200 climate-controlled, mini-storage rooms.

The sale price has been adjusted upward by \$500,000 to account for deferred maintenance associated with damage to the roof-top HVAC units and a PVC system on the roof, as a result of vandalism. This estimate is based upon the broker's "high end of the range" estimate for the repairs.

COMPARABLE SALE 7, cont.

Location Analysis			
5-Mile Demographic Measures		10-Mile Demographic Measures	
<u>2010</u>		<u>2010</u>	
Population:	295,095	Population:	1,190,775
Households:	119,656	Households:	480,729
Average Household Size:	2.44	Average Household Size:	2.45
<u>2020</u>		<u>2020</u>	
Population:	293,793	Population:	1,177,147
Households:	121,307	Households:	481,032
Average Household Size:	2.39	Average Household Size:	2.42
Median HH Income:	\$48,028	Median HH Income:	\$51,848
Avg. Consumer Spending:	\$36,506	Avg. Consumer Spending:	\$45,919
<u>2025</u>		<u>2025</u>	
Population:	293,627	Population:	1,175,814
Households:	121,825	Households:	482,134
Average Household Size:	2.38	Average Household Size:	2.42
<u>2010-2020 Growth Rate:</u>		<u>2010-2020 Growth Rate:</u>	
Population:	-0.44%	Population:	-1.14%
Households:	1.38%	Households:	0.06%
<u>2020-2025 Growth Rate:</u>		<u>2020-2025 Growth Rate:</u>	
Population:	-0.06%	Population:	-0.11%
Households:	0.43%	Households:	0.23%
Traffic Count:	51,318		

COMPARABLE SALE 8



Property Name:	Lowe's	Sales Analysis	
Property Address:	629 S. Randall	Grantor:	Lowe's Home Centers, LLC
Cross Streets:	Randall & US-20	Grantee:	Ottawa Farm & Fleet, Inc.
City/Township:	Elgin Twp., IL	Verification:	Grantor, Broker, Public Records
County:	Kane	Sale Date:	Apr-16
Parcel ID(s):	6 parcels in appraisal file	Sale Price:	\$5,300,000
Building Description		Occupancy at Sale:	0%
Building Area (SF):	139,410	Property Rights Transferred:	Fee Simple
Year Built:	2006	Conditions of Sale:	Arms-Length
MVS Classification:	Class C	Marketing Time	±48 months
Site Description		Sales Terms:	Cash Equivalent
Land Area (Acres):	12.76	Financial Analysis	
Parcel Shape:	Irregular	Net Operating Income:	n/a
Zoning:	PAB, Planned Area Bus.	Capitalization Rate:	n/a
Parking:	Asphalt	Price/SF:	\$38.02
Land-to-Building Ratio:	3.99		

Comments

This comparable sale is a former Lowe's store which was closed in August 2011. The property was purchased for use as a Blain's Farm & Fleet, a retailer selling items including but not limited to: clothing, food, lawn & garden, automotive, toys and home improvement. The total land size included in the sale was approximately 16.26 acres; however, a little over 4 acres of this land is storm water mitigation lowlands that is shared with the neighboring shopping center. The 12.03 acres indicated above, is the land supporting the store and parking improvements. The building was in average condition as the date of sale with no items of deferred maintenance.

This property sold with a restrictive covenant, limiting the property from being utilized for a retail use similar to Lowe's, Home Depot, Menard's, 84 Lumber, etc. for a period of 5 years following the sale. However, the specific use as a Blain's Farm & Fleet was included as a permitted use, although it is similar to these aforementioned uses.

COMPARABLE SALE 8, cont.

Location Analysis			
5-Mile Demographic Measures		10-Mile Demographic Measures	
<u>2010</u>		<u>2010</u>	
Population:	147,866	Population:	412,575
Households:	47,897	Households:	137,173
Average Household Size:	3.04	Average Household Size:	2.98
<u>2020</u>		<u>2020</u>	
Population:	158,099	Population:	434,147
Households:	51,306	Households:	144,926
Average Household Size:	3.04	Average Household Size:	2.97
Median HH Income:	\$79,543	Median HH Income:	\$85,448
Avg. Consumer Spending:	\$57,530	Avg. Consumer Spending:	\$64,628
<u>2025</u>		<u>2025</u>	
Population:	162,734	Population:	443,520
Households:	52,896	Households:	148,280
Average Household Size:	3.04	Average Household Size:	2.96
<u>2010-2020 Growth Rate:</u>		<u>2010-2020 Growth Rate:</u>	
Population:	6.92%	Population:	5.23%
Households:	7.12%	Households:	5.65%
<u>2020-2025 Growth Rate:</u>		<u>2020-2025 Growth Rate:</u>	
Population:	2.93%	Population:	2.16%
Households:	3.10%	Households:	2.31%
Traffic Count:	36,900		

COMPARABLE SALE 9



Property Name:	Walmart	Sales Analysis	
Property Address:	4405 Pheasant Ridge	Grantor:	Wal-Mart Real Estate Business Trust
Cross Streets:	Lexington Ave & 109th St.	Grantee:	4405 Pheasant Ridge Dr., LLC
City/Township:	Blaine, MN	Verification:	Grantor, Public Records
County:	Anoka	Sale Date:	Jan-16
Parcel ID(s):	24-31-23-22-0008, 09, 12 & 13	Sale Price:	\$5,200,000
Building Description		Occupancy at Sale:	0%
Building Area (SF):	141,643	Property Rights Transferred:	Fee Simple
Year Built:	2002	Conditions of Sale:	Arms-Length
MVS Classification:	Class C	Marketing Time	±14 months
Site Description		Sales Terms:	Cash Equivalent
Land Area (Acres):	16.10	Financial Analysis	
Parcel Shape:	Irregular	Net Operating Income:	n/a
Zoning:	DF, Development Flex District	Capitalization Rate:	n/a
Parking:	Asphalt	Price/SF:	\$36.71
Land-to-Building Ratio:	4.95		

Comments

This property was a former Walmart store that was closed in Sept-2015 after Walmart built a larger store with a grocery section in the same neighborhood. Walmart was prohibited from selling grocery products in the building as part of the original development agreement. Further, as part of the original development agreement, the property was prohibited from being used for sales that would compete with the neighboring Home Depot. The property was marketed for sale from late 2014 through the date of sale, as Walmart constructed their new store. This sale included typical Walmart deed restrictions including prohibiting use as a grocery store over 35,000 SF, a wholesale club operation and as a discount department store over 50,000 SF. As part of the deed restriction there were numerous national retailer that were permitted including, but not limited to: furniture retailers, Hobby Lobby, Best Buy, Petco, Lowe's, Cost Plus, Kohl's, JCPenney, Nordstrom's Stein Mart, Dick's Sporting Goods, At Home/Garden Ridge along with any farm and ranch supply, to name a few.

The property sold to an owner/user, At Home, for retail use. At Home reimaged the building into an At Home store. While the site has limited visibility from I-35 (47,500 AADT), due to landscaping, the site has excellent access to I-35, within the neighborhood. The building was in good condition with no items of deferred maintenance at the time of sale.

COMPARABLE SALE 9, cont.

Location Analysis			
5-Mile Demographic Measures		10-Mile Demographic Measures	
2010		2010	
Population:	95,405	Population:	424,877
Households:	34,523	Households:	159,922
Average Household Size:	2.72	Average Household Size:	2.61
2020		2020	
Population:	109,280	Population:	462,840
Households:	39,488	Households:	173,843
Average Household Size:	2.73	Average Household Size:	2.62
Median HH Income:	\$93,584	Median HH Income:	\$83,829
Avg. Consumer Spending:	\$63,419	Avg. Consumer Spending:	\$58,539
2025		2025	
Population:	115,047	Population:	482,084
Households:	41,609	Households:	180,915
Average Household Size:	2.73	Average Household Size:	2.63
2010-2020 Growth Rate:		2010-2020 Growth Rate:	
Population:	14.54%	Population:	8.94%
Households:	14.38%	Households:	8.70%
2020-2025 Growth Rate:		2020-2025 Growth Rate:	
Population:	5.28%	Population:	4.16%
Households:	5.37%	Households:	4.07%
Traffic Count:	34,200	- combined traffic counts along Lexington, 109th and Pheasant Ridge	

COMPARABLE SALE 10



Property Name:	Kmart	Sales Analysis	
Property Address:	120 E Sunset Dr.	Grantor:	WT Corp./Wienm Properties, LLC
Cross Streets:	E. Sunset Ave. & East St.	Grantee:	Lockard Waukesha Holdings, LLC
City/Township:	Waukesha, WI	Verification:	Borker, Public Records
County:	Waukesha	Sale Date:	Dec-14
Parcel ID(s):	WAKC-1339-972	Sale Price:	\$4,750,000
Building Description		Occupancy at Sale:	0%
Building Area (SF):	115,000	Property Rights Transferred:	Fee Simple
Year Built:	1970	Conditions of Sale:	Arms-Length
MVS Classification:	Class C	Marketing Time	±34 months
Site Description		Sales Terms:	Cash Equivalent
Land Area (Acres):	11.77	Financial Analysis	
Parcel Shape:	Irregular	Net Operating Income:	n/a
Zoning:	B-5, Community Business	Capitalization Rate:	n/a
Parking:	Asphalt	Price/SF:	\$41.30
Land-to-Building Ratio:	4.46		

Comments
 This property was a former Kmart store that was closed in January 2012. The property was purchased by a developer that subdivided the space for multi-tenant retail use, as well as sold off out lots along Sunet Drive. Further, the developer was able to expand the building by approximately 13,000 SF. The property was in below average condition at the time of the sale.

COMPARABLE SALE 10, cont.

Location Analysis			
5-Mile Demographic Measures		10-Mile Demographic Measures	
<u>2010</u>		<u>2010</u>	
Population:	96,347	Population:	310,196
Households:	38,310	Households:	124,674
Average Household Size:	2.43	Average Household Size:	2.45
<u>2020</u>		<u>2020</u>	
Population:	100,295	Population:	322,824
Households:	40,451	Households:	131,480
Average Household Size:	2.41	Average Household Size:	2.42
Median HH Income:	\$70,632	Median HH Income:	\$81,644
Avg. Consumer Spending:	\$52,234	Avg. Consumer Spending:	\$60,312
<u>2025</u>		<u>2025</u>	
Population:	102,303	Population:	329,685
Households:	41,446	Households:	134,734
Average Household Size:	2.40	Average Household Size:	2.41
<u>2010-2020 Growth Rate:</u>		<u>2010-2020 Growth Rate:</u>	
Population:	4.10%	Population:	4.07%
Households:	5.59%	Households:	5.46%
<u>2020-2025 Growth Rate:</u>		<u>2020-2025 Growth Rate:</u>	
Population:	2.00%	Population:	2.13%
Households:	2.46%	Households:	2.47%
Traffic Count:	21,700	- combined traffic counts along Sunset Dr & East Ave.	

Explanation of Adjustments

The comparable sales have been analyzed in this sales comparison approach. We have chosen the sale price per square foot of gross building area as the unit of comparison for our analysis. In this analysis the individual attributes of each sale are analyzed and compared to the subject. The comparable sales may be inferior, superior, or equal to the subject. Positive or negative adjustments are made to each sale to account for differences with the subject. Adjustments are made to account for property rights transferred, financing terms, conditions of sale, market conditions, size, location, and age/condition. The following paragraphs summarize our adjustments.

Expenditures after Sale - Typically big box retailers or developers will re-configure a store after purchase to meet its specific retailing image and business plan. This can include re-doing the façade, the floor covering, lighting, electrical, re-locating restrooms and other changes. These do not represent deficiencies in the property at the time of sale or necessary capital expenditures for retail use. The subject, if it were sold to another retailer, would typically undergo similar reconfigurations since every retailer has its own brand, image, layout, and store design and tries to give its customers a consistent buying experience. For an adjustment for expenditures after sale to be needed the remodeling and renovations need to be items that both the buyer and seller recognize need to be immediately done.

Except for Sale 7, no adjustments for capital expenditures after the sale are necessary for any of the sales in this set of comparables since the changes made to these comparables reflect the specific remodeling and renovations that the buyer wanted for its specific retail operation in the property, but the changes were not items that the seller would agree were necessary for the retail use of these properties.

Sale 7 required the repair of the roof-top HVAC units and PVC system, which were damaged prior to sale. It was estimated that the repairs for this deferred maintenance was \$500,000 and this figure has been added to the sale price.

Property Rights – Comparable Sale 2, Sale 3, Sale 5, Sale 8, and Sale 9 were sold with covenant deeds, restricting some future retail use of the properties. These restrictions range in years from 5 years to 25 years. These restrictions were drafted after the potential purchasers identified what the future use of the properties would be and after the price was established. The appraiser has spoken with the participants in Sales 2, 3, 5 & 8, including the listing brokers and representatives for the grantors of the properties. Based upon these discussions, the covenant deeds do not appear to have affected the purchase prices paid for these properties.

Before adjustments, Sales 2, 3, 5, 8 & 9 had an average sale price per SF of \$38.06, while the average sale price per SF of the remaining sales without deed restrictions was \$34.29 prior to adjustments. After all the adjustments, the five sales with deed restrictions averaged \$38.73/sf while the five sales without deed restrictions averaged \$35.87/sf.

In addition to our interviews indicating that these deed restrictions did not negatively affect the sale price paid for the property, we have reviewed two national big box studies as they pertain to the effect of deed restrictions on big box sales. In 2016, Brett Harrington, CMI of the

International Appraisal Company produced a study that indicated there is an average downward effect of 6% for deed restricted sales. In 2017, Dane Anderson MAI, CCIM and Kenneth Riggs, CFA, CRE, MAI, FRICS CCIM, of Situs RERC produced a study on big box retail valuation methodology which indicated that there was no downward effect on the average prices for properties sold with deed restrictions. Overall, we have applied an upward adjustment of 5% to Sales 2, 3, 5, 8 & 9 to account for the less property rights.

The following table is from the Situs RERC report, showing the statistics on deed restricted versus non-deed restricted retail property sales over 50,000 SF. The following table shows a slight increase in the median sale price per square foot and the average sale price per square foot for retail properties over 50,000 SF which sold with deed restrictions.

Table 15: Deed Restriction Descriptive Statistics (>50k SF)		
	Y	N
Median Sale Price/SF	\$30.11	\$27.97
Average Sale Price/SF	\$37.82	\$37.46
Average Building Size (SF)	113,852	98,226
Average Year Built	1995	1993
Average Land-to-Building Ratio	5.1	4.7
Average ZIP Code Median Household Income	\$57,638	\$54,714
Average ZIP Code Population	31,116	36,423
# of Transactions	43	94

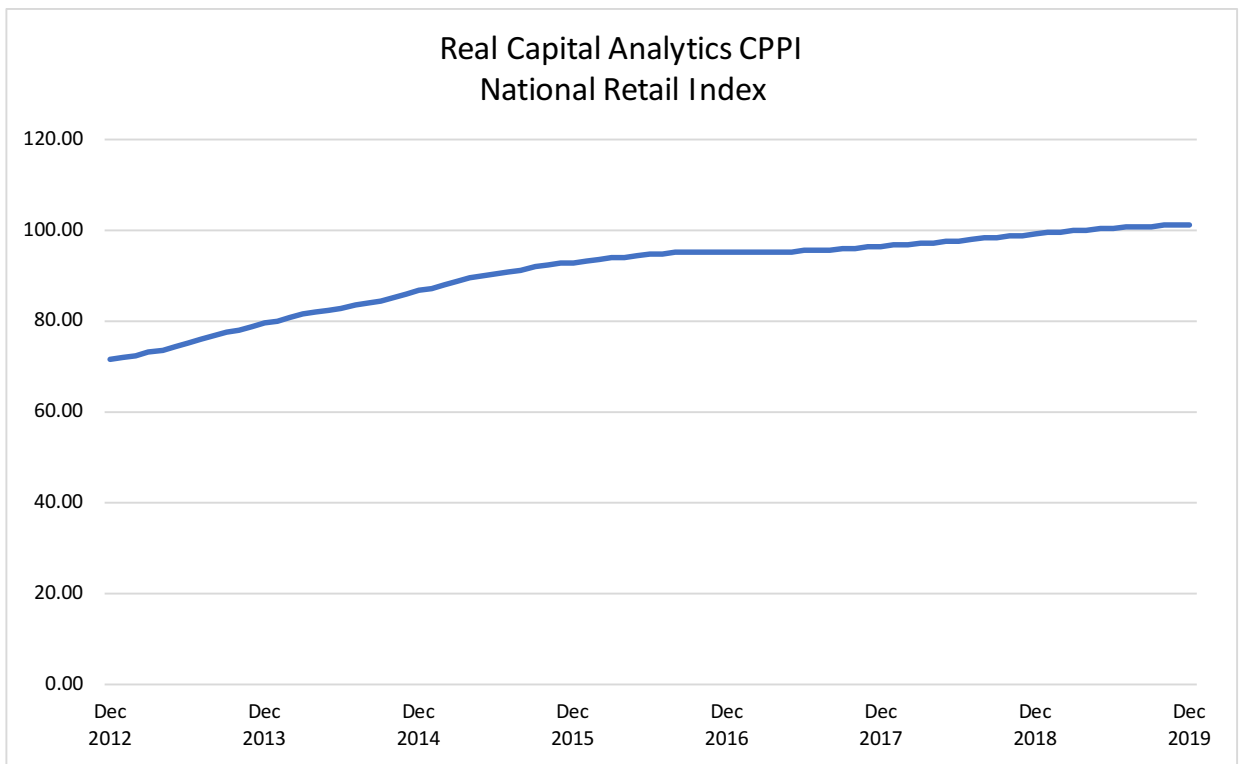
Financing Terms – The sales were all cash sales and no adjustments for financing terms were deemed necessary.

Conditions of Sale – Each of the sales was an arm’s-length cash or a cash equivalent transaction; thus, no adjustment was necessary for these reasons.

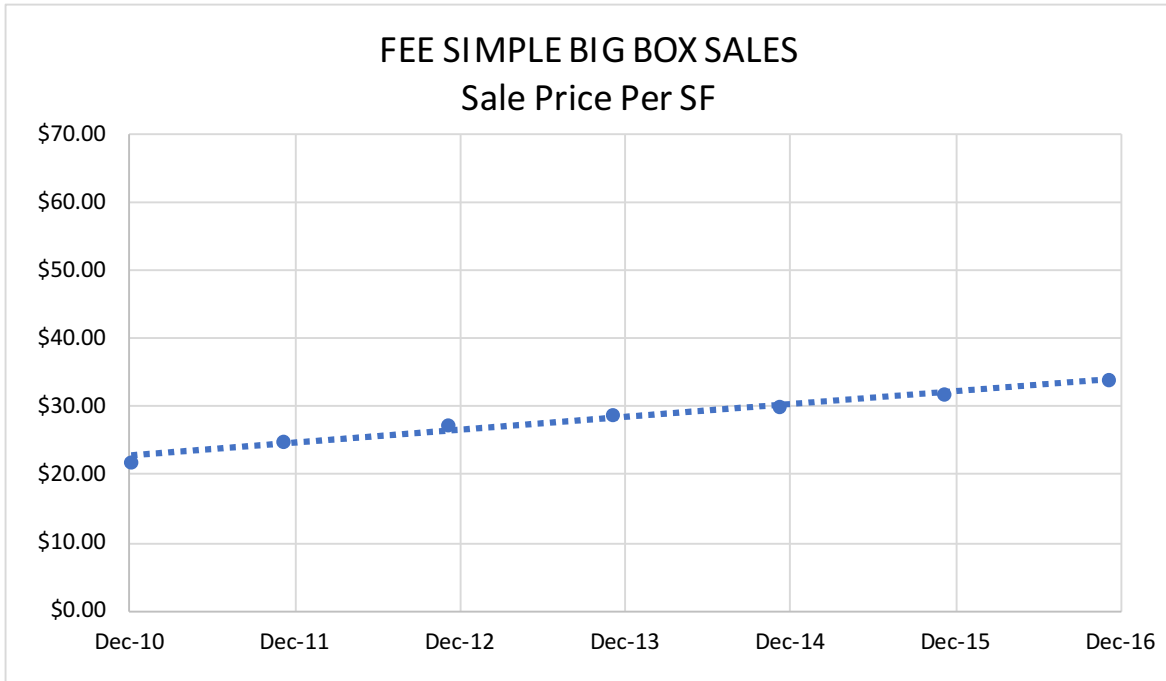
Market Conditions - The adjustment for market conditions accounts for any changes in the market conditions between the date of sale of the comparable and the date of value of the subject. We have based our trends on the best data available. Based upon the historical condition of the retail markets in the location of the comparables, we have applied adjustments for annual market conditions from the end of 2012 through the end of 2019 (the years that bracket the comparables’ dates of sale and that include the date of value subject to this appraisal) based on rents and vacancy in the provided data from Costar. We have also included capitalization rates for retail investors as surveyed by Realtyrates.com.

In our review of economic data several indicators were examined, with a few highlighted here: national retail index, national big box sales study, broker interviews, Costar surveyed data and national retail indicators. It is our opinion that these economic indicators reflect the change in market value for big box retail buildings.

- **Real Capital Analytics** – Real Capital Analytics produces the RCA CPPI Retail Index, which is based on repeat-sales transactions that occurred at any time up through the month prior to the reporting date. The figures indicate the movement in pricing for retail property sales transactions from 2000 through 2019. The following graph depicts the price index from December 2012 through December 2019. Pricing changes followed a similar pattern to other economic indices during this time period, with a steady increase through 2016 and with the change slowing from 2017 to 2019.

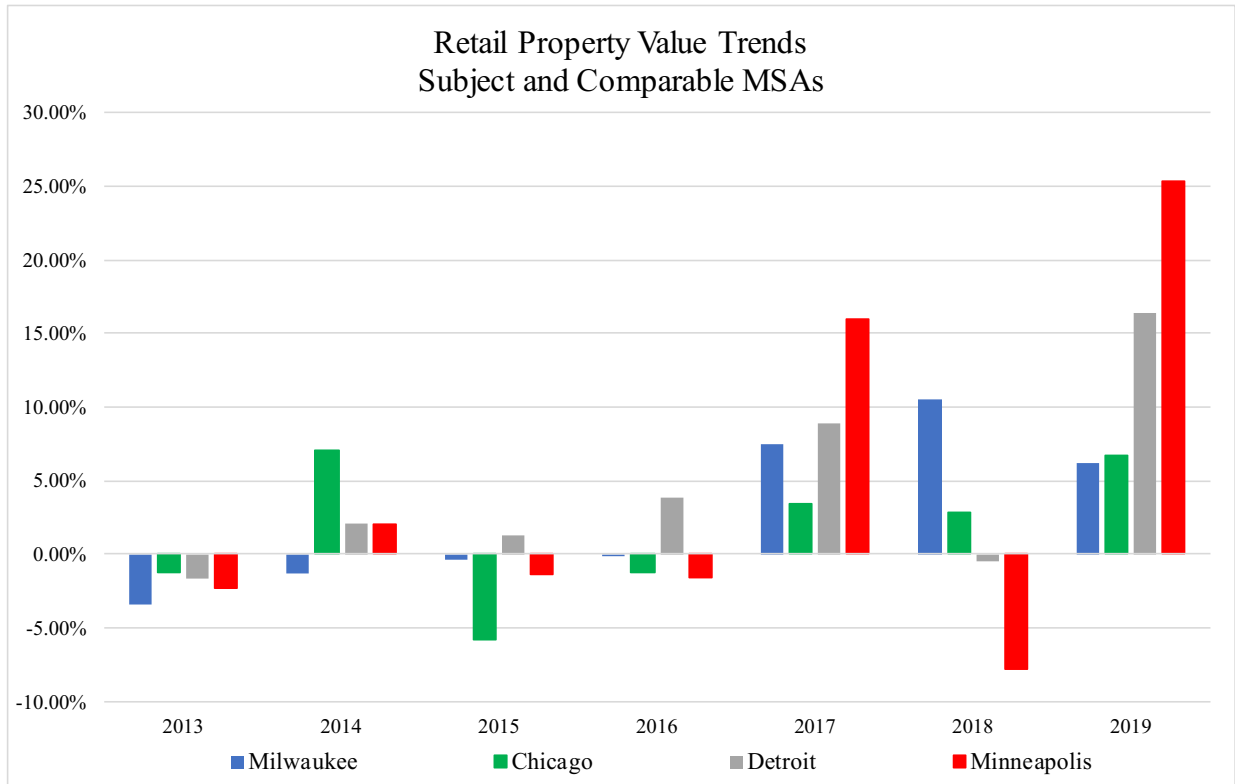


- International Appraisal Company (IAC) Sale Data** – In a 2016 study of big box property sales, IAC surveyed 145 fee simple sales from 2011 through 2016 across the country. The following chart presents the plotted surveyed data and trendline showing a steadily increasing price per SF for fee simple big box stores from 2011 through 2016.



- Market Factors** - Retail market trends affect the selling prices of retail real estate. We have considered trends in retail rents, retail vacancies and retail capitalization rates in determining retail value trends for the subject’s MSA as well as the MSAs for the comparables. These local retail market surveys and national realty resources have been utilized in this analysis: *Costar, Inc. and Realty Rates Investor Survey*. A graphical description of these trends from 2013 through 2019 is shown in the following chart. Based upon this data, the retail property trend in the Milwaukee MSA experienced declines from 2013 through 2016 with growth in 2017, 2018 and 2019.

We’ve considered these changes in market value for our market conditions analysis.



The broader market statistics have been relied upon more than the local market indicators in concluding a market conditions adjustment for this analysis.

Based upon available data, including the Milwaukee area retail rent and occupancy data, surveyed CoStar data, a national retail price index and the national big box retail survey, we have concluded to a market condition adjustment of 0% from year end 2012 to year-end 2016 and then a 3% increase in 2017 and 2018 and a 5% increase in 2019.

The following are the conclusions for the annual changes in market conditions then applied to the sale comparables through the date of value, which is January 1, 2020.

Market Conditions Conclusions and Factors										
Comparable	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8	Sale 9	Sale 10
Sale Date	Dec-13	Jun-19	Jan-13	Jul-16	Jul-16	Jan-20	Dec-15	Apr-16	Jan-16	Dec-14
Year End 2012 through Year End 2013										
Market Conditions Conclusion	-	-	0.0%	-	-	-	-	-	-	-
Market Conditions Factor	-	-	100.0%	-	-	-	-	-	-	-
Year End 2013 through Year End 2014										
Market Conditions Conclusion	0.0%	-	0.0%	-	-	-	-	-	-	-
Market Conditions Factor	103.0%	-	100.0%	-	-	-	-	-	-	-
Year End 2014 through Year End 2015										
Market Conditions Conclusion	0.0%	-	0.0%	-	-	-	-	-	-	0.0%
Market Conditions Factor	103.0%	-	100.0%	-	-	-	-	-	-	100.0%
Year End 2015 through Year End 2016										
Market Conditions Conclusion	0.0%	-	0.0%	0.0%	0.0%	-	0.0%	0.0%	0.0%	0.0%
Market Conditions Factor	100.0%	-	100.0%	100.0%	100.0%	-	100.0%	100.0%	100.0%	100.0%
Year End 2016 through Year End 2017										
Market Conditions Conclusion	3.0%	-	3.0%	3.0%	3.0%	-	3.0%	3.0%	3.0%	3.0%
Market Conditions Factor	103.0%	-	103.0%	103.0%	103.0%	-	103.0%	103.0%	103.0%	103.0%
Year End 2017 through Year End 2018										
Market Conditions Conclusion	3.0%	-	3.0%	3.0%	3.0%	-	3.0%	3.0%	3.0%	3.0%
Market Conditions Factor	106.1%	-	106.1%	106.1%	106.1%	-	106.1%	106.1%	106.1%	106.1%
Year End 2018 through Year End 2019	January 1, 2020 Date of Value									
Market Conditions Conclusion	5.0%	5.0%	5.0%	5.0%	5.0%	-	5.0%	5.0%	5.0%	5.0%
Market Conditions Factor	111.4%	102.5%	111.4%	111.4%	111.4%	100.0%	111.4%	111.4%	111.4%	111.4%

The market conditions factor has been rounded to the nearest one percent and applied to each comparable for the date of value. The following table shows these concluded market conditions for the sales and the date of value.

Market Conditions Conclusions, Rounded to Nearest 1%										
Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8	Sale 9	Sale 10	
January 1, 2020 Date of Value										
111%	103%	111%	111%	111%	100%	111%	111%	111%	111%	

After adjusting for property rights, financing terms, conditions of sale and market conditions, the comparables’ average selling price per square foot of \$36.18 is adjusted to \$40.39 as of January 1, 2020.

Arterial Attributes – This adjustment takes into consideration factors, such as access, visibility, and traffic counts for the subject and the comparables. The average 24-hour traffic count along Pewaukee Road, in front of the subject property, was 21,100 vehicles in 2018. This figure is below average for a big box retail development. While it has superior traffic counts, Sale 1 is much further away from highway access and overall, it is concluded that Sale 1 has similar arterial attributes and has not been adjusted for this characteristic. Sales 2-9 are concluded to have superior arterial attributes and these sales have been adjusted downward for arterial attributes. Sale 10 has similar traffic count figures, but it located further away from highway access, is concluded to be inferior to the subject property and has been adjusted upward for this

characteristic. Sale 5 has very good traffic count numbers, but a portion of the visibility from US-23 is impeded by landscaping. Therefore, this sale has not been adjusted to the degree as other sales with lower traffic counts. The following are the traffic counts for the subject and comparable sales. Additionally, the subject’s proximity and access to a major freeway has been considered in this adjustment along with the following traffic counts.

Arterial Attribute Analysis

<i>Traffic Counts</i>											
Comparable #	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8	Sale 9	Sale 10
Traffic Counts	21,100	27,900	39,000	28,600	37,000 17,515	45,900 34,900	30,800	51,318	36,900	6,400 23,600 4,200	14,100 7,600
Street/Roadway	Pewaukee	Brown Deer	S. 108th St	S. 108th St	Fort St. Penn. Ave	US-23 M-59	S 27th St.	Telegraph	S. Randall	Lexington 109th St. Ph. Ridge	Sunset Dr East Ave.
Compared to Subject		Superior	Superior	Superior	Superior	Superior	Superior	Superior	Superior	Superior	Similar

Access Attributes

Comparable #	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8	Sale 9	Sale 10
Compared to Subject	Inferior	Similar	Similar	Inferior	Superior	Similar	Inferior	Inferior	Similar	Inferior

Visibility Attributes

Comparable #	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8	Sale 9	Sale 10
Compared to Subject	Similar	Similar	Similar	Similar	Inferior	Similar	Similar	Similar	Inferior	Similar

Adjustment	0.00%	-10.00%	-5.00%	-15.00%	-15.00%	-5.00%	-10.00%	-5.00%	-5.00%	5.00%
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Demographic Attributes – In addition to the arterial attributes, the demographics surrounding the subject and comparables have been considered. The following are the primary demographic measures considered in concluding adjustments for differences in demographics. Demographic data for 5-mile radius and 10-radius market areas has been considered. We have also considered the demonstrated and potential retail sales in the market area in making this adjustment.

Demographic Analysis

Comparable #	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8	Sale 9	Sale 10
5- Mile Statistics											
Population	86,173	152,209	291,964	223,743	185,613	30,904	337,251	293,793	158,099	109,280	100,295
Households	35,144	59,274	125,364	97,991	77,186	11,064	134,439	121,307	51,306	39,488	40,451
Median HHI (\$)	\$81,601	\$53,615	\$59,878	\$60,667	\$56,333	\$100,038	\$51,400	\$48,028	\$79,543	\$93,584	\$70,632
Avg. HH Spending	\$61,941	\$46,147	\$45,877	\$45,324	\$41,528	\$66,353	\$37,543	\$36,506	\$57,530	\$63,419	\$52,234
Spending Power (a)	\$2,177	\$2,735	\$5,751	\$4,441	\$3,205	\$734	\$5,047	\$4,428	\$2,952	\$2,504	\$2,113
Pop. Δ 2010-20	5.88%	-0.09%	0.59%	0.40%	-0.63%	10.16%	-1.55%	-0.44%	6.92%	14.54%	4.10%
5-yr Proj Pop Δ	2.72%	1.42%	0.73%	0.64%	-0.77%	4.23%	0.51%	-0.06%	2.93%	5.28%	2.00%
10- Mile Statistics											
Population	328,763	600,454	988,984	828,539	469,369	145,796	820,508	1,177,147	434,147	462,840	322,824
Households	133,323	241,246	399,819	337,252	185,061	55,810	336,720	481,032	144,926	173,843	131,480
Median HHI (\$)	\$81,494	\$52,010	\$52,528	\$55,010	\$53,694	\$87,501	\$52,243	\$51,848	\$85,448	\$83,829	\$81,644
Avg. HH Spending	\$61,532	\$44,961	\$42,416	\$43,478	\$39,852	\$62,259	\$40,867	\$45,919	\$64,628	\$58,539	\$60,312
Spending Power (a)	\$8,204	\$10,847	\$16,959	\$14,663	\$7,375	\$3,475	\$13,761	\$22,089	\$9,366	\$10,177	\$7,930
Pop. Δ 2010-20	5.23%	1.29%	0.49%	0.74%	0.00%	7.24%	0.39%	-1.14%	5.23%	8.94%	4.07%
5-yr Proj Pop Δ	2.63%	1.11%	0.91%	1.14%	-0.57%	3.66%	0.98%	-0.11%	2.16%	4.16%	2.13%

- Pop, HH and Med HH Income is based upon 2020 ESRI Data

(a) Calculated by multiplying the # of HH with Avg. HH spending and presented in millions of dollars.

Adjustment	-5.00%	-10.00%	-10.00%	-5.00%	15.00%	-10.00%	-10.00%	-5.00%	-5.00%	0.00%
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The market population surrounding the subject property is smaller than all but one of the comparables for the 5-mile surrounding area and is smaller than all but two of the comparables for the 10-mile surrounding area. For the 5-mile surrounding markets, the subject property has a higher median household income (MHHI) and average household spending than all but two of the comparables.

Based primarily on the surrounding market size, along with the other measures, the subject property’s demographics are concluded to be superior to Sale 5 and this comparable sale has been adjusted upward for its inferior demographic measures. Sales 1-4 and 6-9 are concluded to be superior to the subject in terms of demographics, largely because of their larger surrounding market size, and these sales have been adjusted downward for their superior demographic measures. The subject is concluded to be similar to Sale 10, therefore this comparable has not been adjusted for demographic attributes.

The following are the subject property rankings for the several measures indicated in the previous tables.

Subject Ranks

5-Mile Market Area	
Population	10 out of 11
Med HH Income	3 out of 11
Avg HH Spending	3 out of 11
Pop. Δ 2010-20 (5 Mile)	4 out of 11
Pop. Δ 2020-25 (5 Mile)	4 out of 11
10-Mile Market Area	
Population	9 out of 11
Med HH Income	5 out of 11
Avg HH Spending	3 out of 11
Pop. Δ 2010-20 (10 Mile)	4 out of 11
Pop. Δ 2020-25 (10 Mile)	3 out of 11

Submarket Adjustment – This adjustment will analyze the reported submarket trends for the subject area and the comparables. Because the date of value is January 1, 2020, the prior year 4th Quarter market data is utilized for comparison purposes. An overview of applicable data is presented in the following table:

Retail Submarket Analysis

Comparable #	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8	Sale 9	Sale 10
Geography Analyzed	5-Mile	5-Mile	5-Mile	5-Mile	5-Mile	5-Mile	5-Mile	5-Mile	5-Mile	5-Mile	5-Mile
Survey Period	4Q 2019	4Q 2019	4Q 2019	4Q 2019	4Q 2019	4Q 2019	4Q 2019	4Q 2019	4Q 2019	4Q 2019	4Q 2019
Asking Rent/SF, NNN	\$12.22	\$10.60	\$13.51	\$12.33	\$11.23	\$11.09	\$13.09	\$13.82	\$15.59	\$13.69	\$13.51
Market Vacancy	3.9%	3.7%	5.6%	5.8%	4.9%	4.5%	3.9%	12.5%	5.0%	3.4%	3.3%
Eff. Mkt. Asking Rent [1]	\$11.74	\$10.21	\$12.75	\$11.61	\$10.68	\$10.59	\$12.58	\$12.09	\$14.81	\$13.22	\$13.06
Compared to Subject	-	Inferior	Superior	Similar	Inferior	Inferior	Similar	Similar	Superior	Superior	Superior

[1] Calculated as asking rent multiplied by (1-market vacancy)

Overall Adjustment	5.00%	-5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	-15.00%	-5.00%	-5.00%
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Based upon the above analysis, Sales 1, 4, and 5 are located in inferior surrounding retail markets and these sales have been adjusted upward for this characteristic. Sales 2, 8, 9, and 10 are concluded to be located in superior surrounding retail markets and these sales have been adjusted downward for this characteristic. Sales 3, 6, and 7 are concluded to be located in similar retail markets and have not been adjusted for this characteristic.

Age/Condition – The age/condition adjustment considers the physical age of the development, as well as the influence of any renovations and overall maintenance. Land is not subject to the age/condition adjustment. A significant portion of the combined land and building sale price is attributable to the land portion which does not depreciate over time. The comparable per square foot sale prices, including land and building, have been adjusted 1% per year between the subject and the comparables as of their dates of sale. For example, as of the January 1, 2020 date of value, it is estimated that the subject discount/mega warehouse store building had an age of 14 years, while Sale 1 had an actual age of 7 years at the time of sale. Therefore, this sale is adjusted downward by 7% for the difference in building ages. For Sale 6 and Sale 10, physical ages of 20 and 25 years, respectively, have been estimated for the comparables. This is based upon conversations with brokers familiar with these properties at the time of their sales. The brokers for both sales indicated

that the buildings had been improved since their original construction dates and that the building improvement ages at the time of sale were not reflective of their respective original construction dates.

Furthermore, Sales 8 and 10 had extended marketing times. Often, an extended marketing time is due to a seller having unrealistic price expectations; and, therefore not as willing to ask a price that reflects market value. A longer than 12-24-month marketing time does not by itself result in a lower sale price; however, a property that is vacant for longer than 24 months can result in some deferred maintenance. For this reason, we are adjusting Sales 8 and 10 an additional 5% upward for age and condition.

Our adjustment process and the actual adjustments were developed based on the appraiser's review of numerous market area transactions and the appraiser's experience in the market.

A summary of the adjustments applied for the date of value is provided as follows:

Sales Comparison Approach Analysis - January 1, 2020											
Comparable #	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8	Sale 9	Sale 10
Development	Walmart	Lowe's	Sam's Club	Walmart	Super K	Walmart Super Ctr.	Target	Super K	Lowe's	Walmart	Kmart
Location	Pewaukee, WI	Brown Deer, WI	West Allis, WI	Greenfield, WI	Southgate, MI	Hartland Twp., MI	Greenfield, WI	Detroit, MI	Elgin Twp., IL	Blaine, MN	Waukesha, WI
Comparable Summary Data											
Sale Date		Dec-13	Jun-19	Jan-13	Jul-16	Jul-16	Jan-20	Dec-15	Apr-16	Jan-16	Dec-14
Building Area (SF)	134,244	139,571	129,395	110,580	174,758	186,763	130,125	142,508	139,410	141,643	115,000
Year Built	2005	2006	1999	1989	1998	2009	1970	2001	2006	2002	1970
Land Size	13.88	11.05	10.77	9.95	15.69	22.92	12.94	15.23	12.76	16.10	11.77
LTB Ratio	4.50	3.45	3.63	3.92	3.91	5.35	4.33	4.66	3.99	4.95	4.46
Property Rights Conveyed		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Sale Price		\$4,000,000	\$7,500,000	\$3,900,000	\$5,500,000	\$4,175,000	\$4,000,000	\$5,600,000	\$5,300,000	\$5,200,000	\$4,750,000
Sale Price/SF		\$28.66	\$57.96	\$35.27	\$31.47	\$22.35	\$30.74	\$39.30	\$38.02	\$36.71	\$41.30
Community Data											
Population (5 Mile)	86,173	152,209	291,964	223,743	185,613	30,904	337,251	293,793	158,099	109,280	100,295
Households (5 Mile)	35,144	59,274	125,364	97,991	77,186	11,064	134,439	121,307	51,306	39,488	40,451
Med HH Inc (5 Mile)	\$81,601	\$53,615	\$59,878	\$60,667	\$56,333	\$100,038	\$51,400	\$48,028	\$79,543	\$93,584	\$70,632
Traffic Count	21,100	27,900	39,000	28,600	54,515	84,800	30,800	51,318	36,900	34,200	21,700
Transaction Related Adjs.											
Property Rights		1.00	1.05	1.05	1.00	1.05	1.00	1.00	1.05	1.05	1.00
Financing Terms		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Conditions of Sale		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Market Conditions		1.11	1.03	1.11	1.11	1.11	1.00	1.11	1.11	1.11	1.11
Adjusted Sale Price/SF		\$31.81	\$62.69	\$41.11	\$34.93	\$26.05	\$30.74	\$43.62	\$44.31	\$42.79	\$45.85
Characteristic Adjs.											
Arterial Attributes		1.000	0.900	0.950	0.850	0.850	0.950	0.900	0.950	0.950	1.050
Demographic Attributes		0.950	0.900	0.900	0.950	1.150	0.900	0.900	0.950	0.950	1.000
Submarket Analysis		1.050	0.950	1.000	1.050	1.050	1.000	1.000	1.000	1.000	1.000
Age/Condition		0.930	1.060	1.100	1.040	0.930	1.060	1.000	1.010	1.000	1.160
Total Characteristic Adjustment		0.928	0.816	0.941	0.882	0.955	0.906	0.810	0.912	0.903	1.218
Indicated Market Value/SF		\$29.51	\$51.13	\$38.66	\$30.80	\$24.87	\$27.86	\$35.33	\$40.39	\$38.62	\$55.84
Total Adjustments, \$ [1]		\$0.85	(\$6.83)	\$3.39	(\$0.67)	\$2.51	(\$2.88)	(\$3.96)	\$2.37	\$1.90	\$14.54
Maximum:	\$55.84										
Minimum:	\$24.87										
Average:	\$37.30										
<i>[1] Total adjustments include transaction and characteristic based adjustments.</i>											
Sales without Deed Restrictions	\$29.51				\$30.80		\$27.86	\$35.33			\$55.84
Maximum:	\$55.84										
Minimum:	\$27.86										
Average:	\$35.87										
Sales with Deed Restrictions		\$51.13	\$38.66			\$24.87			\$40.39	\$38.62	
Maximum:	\$51.13										
Minimum:	\$24.87										
Average:	\$38.73										

Source: Allen & Associates

Sales 1-3, 6 and 10 are located in Wisconsin and have an adjusted average sale price of \$41/sf as of the date of value. Sales 4, 5, 7 and 9 were built like the subject as superstores (mega warehouses) and have an adjusted average sale price of \$32/sf as of the valuation date. In addition, Sales 2 and 6 are the most similar in date of sale when compared to the date of value and these have an average adjusted sale price of \$40/sf. Sales 1 and 9 are most similar to the subject in terms of location (arterial and demographics); while Sales 8 and 9 are most similar in terms of physical ages. Sales 1, 2, 6, 7, 8, and 9 are most similar in terms of size.

Sales 1, 6, 8, and 9 required the least amount of gross adjustments and have an average adjusted sale price of \$34/sf, while Sales 1, 4, 8, and 9 had the least amount of net adjustments and have an average adjusted sale price of \$35/sf.

We have also reviewed a number of additional sales in Wisconsin, as well as the Midwest, that occurred prior to the last valuation date. The following is a summary of these sales and the indicated price per square foot.

List of Additional Big Box Property Sales										
Property	Location	Building Size SF	Year Blt.	Land Size (ac)	LTB Ratio	Sale Date	Sale Price	SP/SF	Intended Use	
1	Walmart	Kenosha, WI	115,499	1988	10.60	4.00	Jul-18	\$3,045,000	\$26.36	U-Haul/Self Storage
2	Walmart	Milwaukee, WI	140,002	2002	14.17	4.41	May-13	\$1,650,000	\$11.79	Automotive Parts Mfg.
3	Pick N Save	Milwaukee, WI	111,250	1996	8.24	3.23	Nov-17	\$4,500,000	\$40.45	Private School
4	Sam's Club	Milwaukee, WI	138,480	1991	23.90	7.52	Mar-17	\$2,992,000	\$21.61	Lt. Industrial Use
5	Lowe's	Milwaukee, WI	134,314	2005	12.77	4.14	Jun-16	\$1,500,000	\$11.17	Lt. Industrial Use
6	Kmart	Menomonie, WI	87,754	1989	7.86	3.90	Mar-15	\$3,090,000	\$35.21	Retail Use
7	Shopko	Madison, WI	119,923	1989	12.40	4.50	Sep-17	\$2,700,000	\$22.51	Climate Cont. Storage
8	Kmart	Chippewa Falls, WI	86,479	1989	8.10	4.08	Jan-18	\$1,100,000	\$12.72	Climate Cont. Storage
9	Target	Greenfield, WI	130,125	1970	12.94	4.33	Jan-20	\$4,000,000	\$30.74	Grocery Store
10	Target	Kenosha, WI	96,150	1994	9.67	4.38	Nov-12	\$2,385,000	\$24.80	Multi-tenant Retail
11	Kmart	Portage, WI	89,381	1989	9.50	4.63	Feb-19	\$1,500,000	\$16.78	Stock+Field Retail
12	Shopko	Eau Claire, WI	94,705	1978	9.05	4.16	Dec-20	\$1,800,000	\$19.01	N/A
13	Shopko	Delavan, WI	78,856	1995	7.22	3.99	Jan-20	\$700,000	\$8.88	Multi-tenant Retail
14	Shopko	Marinette, WI	83,222	1990	7.48	3.92	Nov-19	\$1,400,000	\$16.82	Healthcare Facility
15	Menards	Madison, WI	161,160	1996	14.38	3.89	Dec-18	\$8,125,000	\$50.42	Office/Training Center
16	Walmart	McHenry, IL	115,923	1990	12.77	4.80	Feb-16	\$2,880,000	\$24.84	U-Haul/Self Storage
17	Super Walmart	Bedford, OH	195,592	2009	23.35	5.20	Nov-17	\$4,950,000	\$25.31	Speculative Purchase
18	American TV	Davenport, IA	147,767	1998	10.48	3.09	Dec-14	\$6,250,000	\$42.30	Ashley Furniture
19	Lowe's	Oswego, IL	147,767	1998	16.31	4.81	Feb-14	\$3,650,000	\$24.70	Multi-tenant Retail
20	Target	McHenry, IL	95,420	1994	9.02	4.12	Aug-15	\$2,100,000	\$22.01	Big R Retailer
21	Ultra Foods	Chicago Heights, IL	83,238	1989	7.82	4.09	Oct-19	\$210,000	\$2.52	Climate Cont. Storage
22	Sam's Club	Batavia, IL	127,937	2009	17.66	6.01	Mar-20	\$2,050,000	\$16.02	Speculative Retail
								Max SP/SF	\$50.42	
								Min SP/SF	\$2.52	
								Average SP/SF	\$23.04	
								Median SP/SF	\$22.26	

Additional Market Information

Big Box Sale Study - In addition to the above analysis, the appraiser has reviewed and considered a national study which was completed on big box property sales from across the continental United States. The study was completed in 2017 by Brent Harrington, CMI of the International Appraisal Company, located in Upper Saddle River New Jersey. The study included all big box sales over 90,000 sf that sold between January 2011 and December 2016 that were determined to be arms-length and were for continued use of the improvements.

The study included 272 sales, from January 2011 through December 31, 2016, of which 145 sales were the transfer of the fee simple estates. The fee simple sale prices ranged from \$7.92/SF to \$66.84/SF and averaged \$28.27/SF. Of these fee simple sales, 57% of the sales sold for less than \$30/SF, 83% sold for less than \$40/SF and 63% fall within the \$15/SF-\$30/SF range.

Situs RERC Study

RERC gathered national data on 843 sales of big box and junior box stores of 30,000 sf and larger from 2010 through early 2018. The RERC study included 436 fee simple sales and 407 leased fee sales. The following is a summary of their findings.

	Fee Simple	Leased Fee
Average Sale Price/SF	\$44.82	\$126.99
Median Sale Price/SF	\$32.98	\$104.67
Average Year Built	1991	1998
Average Building Size (SF)	76,134	75,106
Average Land to Building Ratio	4.84	5.12
Average ZIP Code Population	12,111	12,510
Average ZIP Median Household Income	\$54,303	\$60,059
# of Transactions	436	407

The sales were further divided into, surrounding market size (population), building size categories and year-built categories. The following tables summarize the statistics from these three segmentations.

Table 8: Population Category Descriptive Statistics (>50k SF)

Population Category	<100k	100k-1M	1M -3M	3M+
Average Sale Price/SF	\$20.11	\$28.21	\$36.17	\$45.85
Median Sale Price	\$17.88	\$24.86	\$30.59	\$36.24
Average Building Size (SF)	92,052	99,931	104,866	112,741
Average Year Built	1994	1992	1995	1995
Average Land to Building Ratio	5.9	5.1	4.9	4.2
Average ZIP Code Median Household Income	\$48,499	\$51,032	\$53,469	\$64,095
Average ZIP Code Population	20,848	30,350	37,369	38,298
# of Transactions	40	72	54	58

In the above table, the category that would apply to the subject property would be a market population of 100k-1M. The median sale price in this market segmentation was \$24.86 per SF and the average selling price was \$28.21 per SF.

Table 9: Building Size Category Descriptive Statistics (Fee Simple)					
Building Size Category	30k-50k	50k-70k	70k-100k	100k-130k	130k+
Median Sale Price/SF	\$55.08	\$27.43	\$25.49	\$29.04	\$24.35
Average Sale Price/SF	\$67.94	\$37.24	\$35.08	\$33.05	\$26.84
Average Building Size (SF)	39,227	56,243	85,155	113,995	155,049
Average Year Built	1993	1991	1992	1994	1999
Average Land to Building Ratio	4.6	5.2	5.2	5.0	4.4
Average Median Household Income	\$56,905	\$53,944	\$52,054	\$54,536	\$59,052
Average ZIP Code Population	32,031	30,221	29,069	35,202	34,018
# of Transactions	141	40	62	82	40

In the above table, the category that would apply to the subject property would be a building size over 130k SF. The median sale price in this market segmentation was \$24.35 per SF and the average selling price was \$26.84 per SF.

Table 11: Year Built Category Descriptive Statistics (>50k SF)			
Year Built Category	1980s	1990s	2000+
Median Sale Price/SF	\$23.02	\$26.88	\$29.58
Average Sale Price/SF	\$28.36	\$32.24	\$41.51
Average Building Size (SF)	88,656	106,275	114,663
Average Year Built	1985	1994	2005
Average Land-to-Building Ratio	4.5	5.2	5.1
Average Median Household Income	\$50,755	\$54,165	\$60,151
Average ZIP Code Population	31,949	33,272	31,210
# of Transactions	66	106	52

In the above table, the category that would apply to the subject property would be a year built of 2000+ The median sale price in this market segmentation was \$29.58 per SF and the average selling price was \$41.51 per SF.

Conclusion of Sales Comparison Approach

After analyzing the comparable sales in the adjustment grids, relying upon each of the adjusted sales and giving consideration to the other sales identified earlier, the following market value per SF has been concluded for the subject property’s discount/mega warehouse store and supporting land via the sales comparison approach as of January 1, 2020.

The concluded values per square foot have been applied to the square footage of the discount/mega warehouse store building which is ±134,244 square feet.

The following is a presentation of the subject property’s market value for the date of value via the sales comparison approach. Our conclusion is above the average adjusted and non-adjusted sale prices per square foot of the comparables sales. The sales that required the least amount of gross adjustment, indicating the sales that are most similar to the subject property, had an average adjusted sale price of \$34/sf. The sales that required the least amount of net adjustment had an average adjusted sale price of \$35/sf and the five sales that occurred in southeast Wisconsin had an average adjusted sale price of \$40/sf.

<u>Conclusion of Value Via the Sales Comparison Approach</u>	
	<u>January 1, 2020</u>
Concluded Value Per Square Foot	\$43.00
Building Size - Square Foot	<u>134,244</u>
Value of Big Box Store Property with Land	\$5,772,492
Sales Comparison Approach Conclusion, rounded	<u><u>\$5,770,000</u></u>

**RETROSPECTIVE MARKET VALUE OF THE SUBJECT PROPERTY
VIA THE SALES COMPARISON APPROACH:**

AS OF JANUARY 1, 2020

FIVE MILLION SEVEN HUNDRED SEVENTY THOUSAND (\$ 5,770,000) DOLLARS

The above value estimate includes the hypothetical condition that the property taxes are assessed at a level reflective of 100% of the market value concluded in this report. Additionally, the above value conclusion is subject to the extraordinary assumption that the property condition was as described in this report for the date of value. The above value estimate should be reviewed within the context of the attached report and is subject to the assumptions and limiting conditions contained within the report.

Income Approach

Definition of the Income Approach

According to The Dictionary of Real Estate Appraisal, Sixth Edition, (Appraisal Institute, 2015), the Income Approach is defined as:

Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.

Discussion of Methodology

Income-producing real estate is typically developed, owned, and operated with the objective of creating value by renting space to users who will pay rental rates high enough to cover the operating expenses, fixed costs, and a profit on, as well as a return of, the original investment. “When the fee simple interest is valued, the presumption is that property is available to be leased at market rents.” (15th Edition of The Appraisal of Real Estate, Page 415). The interest being appraised is the fee simple interest. As a result, the property has been appraised as if unencumbered by a lease as of the valuation dates.

The most commonly employed technique in the valuation of the fee simple interest in this type of real estate is the direct capitalization of net operating income with an adjustment for stabilization costs. This technique can be summarized as follows:

- A. Estimate the gross potential rental income that the property is capable of producing.
- B. Deduct an appropriate vacancy and collection loss factor to arrive at the stabilized estimated effective gross rental income.
- C. Deduct the estimated expenses to arrive at the net operating income.
- D. Capitalize the net operating income at an appropriate rate to reflect return on and return of the investment to yield a value indication.
- E. Subtract stabilization costs.

In this approach, the appraiser studies the market to determine the appropriate rental rates, prevailing occupancy levels, expense levels, etc., in order to arrive at an estimate of net operating income (NOI). The estimated NOI is then divided by an appropriate capitalization rate to provide an estimate of value for the property.

Market Level Rent

The following discussion outlines the manner in which the market rental rate for the retail store property, expressed as an annual amount per SF of building area, was derived for use in estimating the NOI.

Rental Revenue – Big Box Retail Building

The analysis of the subject property is as an existing retail store facility. In order to analyze the income (market rent) potential of this commercial retail building, we have estimated a rental rate based upon the comparison of market rent from similar existing buildings. The following is a summary of the rent comparables used in our analysis to estimate the market rent for the subject retail store facility. There are two types of lease transactions. One is the lease of an existing retail building and the other type of retail rental transactions are build-to-suit leases, i.e., for buildings not yet in existence but to be constructed to a tenant's specifications, which is a form of financing for the store operator/tenant. Build-to-suit leases represent rents for proposed buildings but do not represent rents that are achievable for existing buildings. In addition, build-to-suit leases do not meet the definition of market rent since they are not buildings that were offered for lease on the competitive and open market. The lessor is not typically motivated since the lessor is the builder and is motivated by the potential profit on the construction. The following is the definition of market rent from the 15th Edition of The Appraisal of Real Estate.

The most probable rent that a property should bring in a competitive and open market under all conditions requisite to a fair lease transaction, the lessee and lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus. Implicit in this definition is the execution of a lease as of a specified date under conditions whereby:

- *Lessee and lessor are typically motivated;*
- *Both parties are well informed or well advised, and acting in what they consider their best interests;*
- *Payment is made in terms of cash or in terms of financial arrangements comparable thereto; and*
- *The rent reflects specified terms and conditions, such as permitted uses, use restrictions, expense obligations, duration, concessions, rental adjustments and revaluations, renewal and purchase options, and tenant improvements (TIs).*

The analysis of the subject property is as an existing big box retail store facility. In order to analyze the income (market rent) potential of this commercial building, we have estimated a rental rate based upon the comparison of market rent from existing buildings. The following is a summary of the rent information considered in our analysis. The leases are presented in a NNN basis.

Lease Comparable Summary								
Retail Store, Pewaukee, WI								
#	Tenant	Address	Lease Date	Lease Size (SF)	Lease Rate/SF	Lease Term	Year Built	Terms
Build-to-Suit Big Box and Junior Box Leases (leased prior to construction)								
1	Dick's Sporting Goods	9899 76th, Kenosha, WI	Sep-08	50,000	\$13.50	10.0 Yrs.	2008	Flat rate
2	Hobby Lobby	803 Pilgrim Way, Green Bay, WI	Feb-11	55,000	\$9.25	15.0 Yrs.	2011	N/A
3	Festival Foods	2233 Humes, Janesville, WI	Sep-15	72,500	\$12.46	15.0 Yrs.	2015	5 Yr. Bumps
4	Dick's Sporting Goods	345 Discovery, Brookfield, WI	Aug-16	50,000	\$14.00	10.0 Yrs.	2016	5 Yr. Bumps
5	Cabela's	1350 Cabela Drive, Madison, WI	Sep-17	90,387	\$15.69	22.0 Yrs.	2017	10 Yr. Bump
6	At Home	10800 Assembly Park, Wixom, MI	Aug-18	107,092	\$10.75	15.0 Yrs.	2018	N/A
Average Lease Size SF				70,830				
Minimum Lease Rate/SF:				\$9.25				
Maximum Lease Rate/SF:				\$15.69				
Average Overall Lease Rate/SF:				\$12.61				

Big Box Leases (existing stores)								
7	Garden Ridge	4641 Lafayette, Indianapolis, IN	Oct-07	108,900	\$4.75	12	1994	N/A
8	Big R	1401 W 26th, Marion, IN	Aug-09	94,875	\$1.60	14	2003	N/A
9	Furniture Outlet	14201 Manchester Rd., Ballwin, MO	Aug-10	106,800	\$6.00	N/A	1994	N/A
10	Garden Ridge	1325 N. Meacham Rd., Schaumburg, IL	Sep-10	104,546	\$3.00	N/A	2001	N/A
11	Art Van Furniture	7150 S. Cicero Ave, Bedford Park, IL	Mar-13	84,505	\$6.00	10.0 Yrs.	1992	\$0.50 in Yr. 6
12	Walmart	17550 S. Halsted, Homewood, IL	Aug-13	196,000	\$3.06	10.0 Yrs.	1992	None
13	At Home	4620 Stadium Dr, Kalamazoo, MI	Nov-13	84,000	\$2.85	5.0 Yrs.	1974	N/A
14	At Home	3100 Washtenaw Ave., Ypsilanti, MI	Dec-13	91,743	\$3.60	5.0 Yrs.	1960	N/A
15	Kohl's	9404 State Road 16, Onalaska, WI	Feb-14	86,398	\$6.62	10.0 Yrs.	1992	Renegotiate
16	Floor & Décor	3430 Highland Ave, Cincinnati, OH	Jun-14	118,977	\$5.50	10.0 Yrs.	1994	N/A
17	At Home	10331 University, Clive, IA	May-15	91,030	\$6.39	N/A	1991	N/A
18	At Home	4601 S. 27th, Greenfield, WI	Feb-16	116,805	\$4.71	10.0 Yrs.	1995	None
19	At Home	2101 S. Telegraph, Bloomfield Hills, MI	Sep-16	120,650	\$5.60	10.0 Yrs.	1993	\$0.15 in Yr. 6
20	G4CE Entertainment	28300 Dequindre, Warren, MI	Nov-17	101,773	\$4.75	5.0 Yrs.	1993	None
21	Floor & Décor	14453 Hall Rd., Shelby Twp, MI	Sep-19	91,500	\$6.25	10.0 Yrs.	2000	None
22	At Home	2201 Zeier Rd., Madison, WI	Oct-19	94,105	\$6.95	10.0 Yrs.	1987	\$1 inc. in Yr. 6
23	Listing (Former Walmart)	5825 W Hope Ave, Milwaukee, WI	Listing	157,647	\$6.00	--	2002	--
24	Listing (Former Walmart)	15333 W National Ave, New Berlin, WI	Listing	104,231	\$8.50	--	1992	--
25	Listing (Former Walmart)	1450 Summit, Oconomowoc, WI	Listing	87,000	\$6.50	--	1992	--
Average Lease Size SF				107,447				
Minimum Lease Rate/SF:				\$1.60				
Maximum Lease Rate/SF:				\$8.50				
Average Overall Lease Rate/SF:				\$5.19				

Junior Box Leases (existing space)								
26	Hobby Lobby	1126 S. Koeller, Oshkosh, WI	Feb-07	52,016	\$5.75	N/A	1980	N/A
27	Big Lots	2781 Aurora Ave., Naperville, IL	Jan-13	50,000	\$4.50	6.0 Yrs.	1985	N/A
28	Hobby Lobby	2406 Green Bay Rd, Racine, WI	Feb-13	55,000	\$4.50	10.0 Yrs.	1988	N/A
29	Gordman's	7500 Green Bay Rd., Kenosha, WI	Aug-13	50,000	\$8.45	10.0 Yrs.	1994	4.5% in Yr. 6
30	Bed Bath & Beyond	7500 Green Bay Rd., Kenosha, WI	Oct-13	25,000	\$11.19	10.0 Yrs.	1994	Flat
31	Hobby Lobby	N95W 18723 Cty. Line, Menomonee Falls, WI	Sep-14	60,944	\$5.63	10.0 Yrs.	1987	N/A
32	Burlington Coat Factory	5914 75th Street, Kenosha, WI	Oct-16	46,471	\$5.70	12.5 Yrs.	1980	5 Yr. Bump
Average Lease Size SF				48,490				
Minimum Lease Rate/SF:				\$4.50				
Maximum Lease Rate/SF:				\$11.19				
Average Overall Lease Rate/SF:				\$6.53				

The above data reflects a 59% difference between the build-to-suit leases and the leases of existing buildings before considering differences in age, location, date of lease.

It should be noted that existing big box store buildings as opposed to big box store buildings to be built are not often leased in the open market. When there is a lease, it is generally a financing transaction with a build-to-suit lease when built or a sale-leaseback. When the fee simple interest in an existing big box store is put on the market it is often offered for lease or sale but will generally sell before it is leased. As a result, there are not many lease comparables for big box stores. The above leases represent the best market rent comparables available for the existing subject big box store building.

Unleased big box stores are most often sold to users rather than investors so there is not a lot of leasing activity for existing big box stores (80,000 SF and above), especially for the size of the subject property. This necessitates the use of smaller and older store leases to determine market rents for the subject property. This is reflected in our lease comparables for existing retail buildings which are generally older buildings than the subject thereby resulting in lower rents. Most are also significantly smaller than the subject property which results in higher rents per square foot than could be achieved at the subject property. These differences are offsetting to various degrees. Although age is relevant, it is less significant for a lease than it is for a sale. The use of smaller and older leases to determine market rents for the subject property results in a less reliable determination of market rent than if leases of similar size and age buildings were available close to the valuation dates under consideration. Also, for store buildings greater than 80,000 sf we have not observed size as impacting selling price; however, for leased store buildings we have observed a significant inverse relationship between size and market rent.

Analysis of Comparable Leases

The build-to-suit lease comparables presented in the previous chart indicate a range in rental rates (NNN) from \$9.25/SF to \$15.69/SF, with an overall average of \$12.61/SF. The rental range for leases of existing big box stores was lower, ranging from \$1.60/SF to \$8.50/SF, and an average of \$5.19/SF. The junior box leases had a higher range than that for existing big box store properties, with a range of \$4.50/SF to \$11.19/SF, and an average of \$6.53/SF.

It is possible and very likely that several of the leases included tenant improvement allowances (TIs) as a part of the lease, which may be reflected in the higher lease rates. We were not able to verify the TIs for all of the leases at the time of lease up. If the TIs were known and considered the result would be lower rent indicators because the rent paid would be for a combination of the leased property and a tenant allowance.

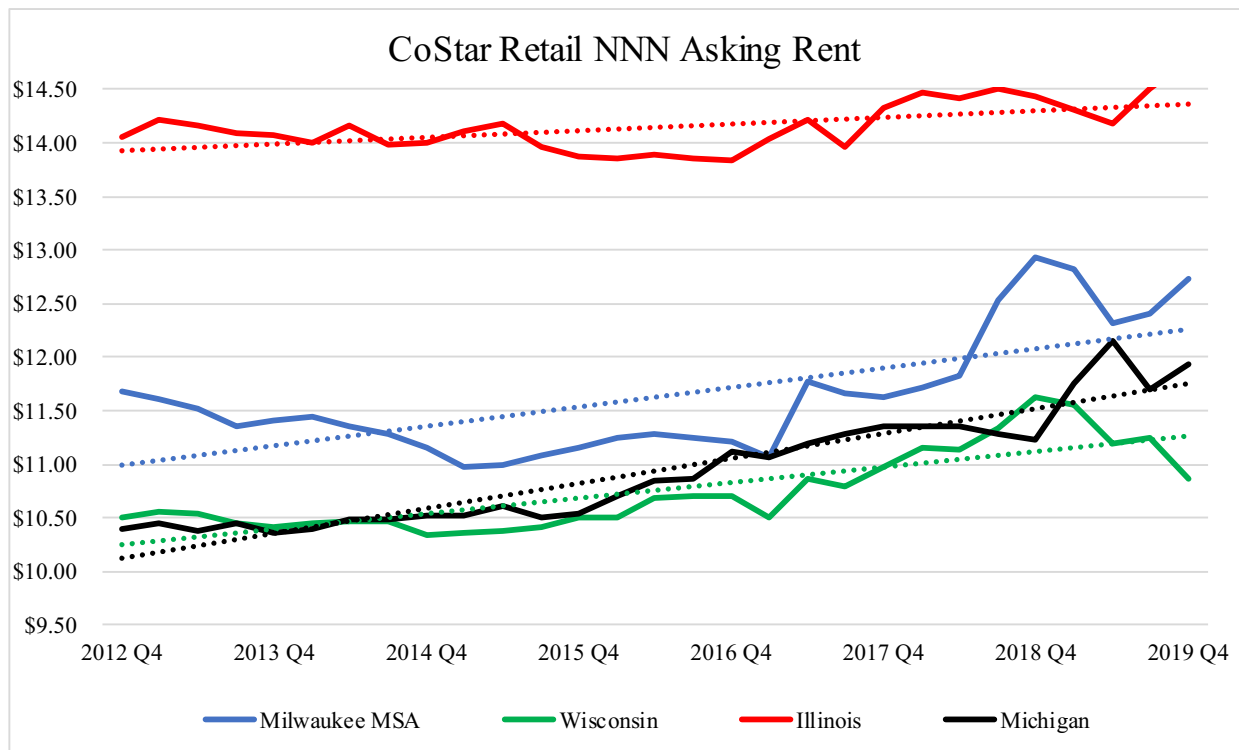
Because the subject is an existing building, a lease rate for an existing big box store would be most applicable. The most relevant existing store comparable leases include Walmart (12), At Home (18), G4CE Entertainment (20), Floor & Décor (21) and the At Home (22). The Walmart lease in Halsted is the largest sized lease, while the two At Home leases are in Wisconsin and the G4CE Entertainment and Floor & Decor leases are near to the date of value for the subject. The appraiser considered the asking rents for the three existing big box stores in Wisconsin but

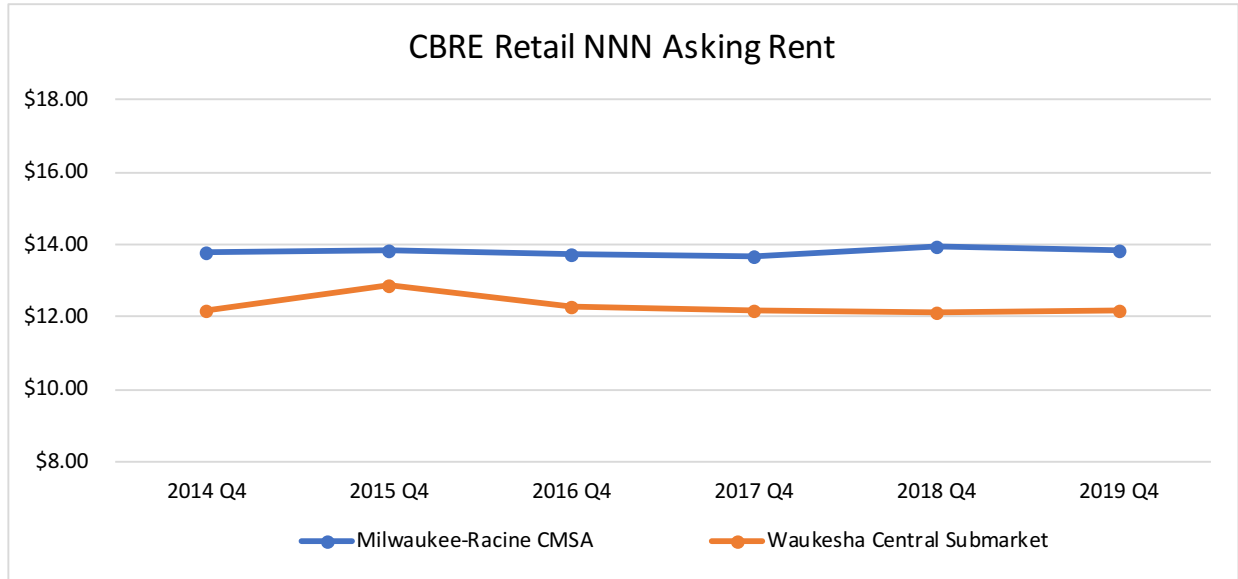
asking rents can vary widely and are not often indicative of an eventual lease rate. Therefore, asking rents are less reliable, especially with larger size properties.

These most relevant comparables have been analyzed and adjusted for differences when compared to the subject. A market conditions adjustment was considered based upon the changes in the average asking rents from across Wisconsin, Illinois, Michigan, and the Milwaukee MSA. Based upon the data, a market conditions adjustment has not been applied to the comparables through January 1, 2020.

Rental Trends

The following charts exhibit the changes in asking rents of retail properties in Wisconsin, Illinois, Michigan, and the Milwaukee MSA, as surveyed by CoStar Property, as well as the historical asking rents in the Milwaukee-Racine CMSA and the Waukesha Central submarket as surveyed by CBRE. The CoStar data shows upward trends in the Milwaukee MSA, Wisconsin, Illinois, and Michigan. The CBRE survey data for the Milwaukee-Racine CMSA and the Waukesha Central submarket shows little to no change in the average asking retail rent from 2014 through 2019. Based on the CBRE data, the average asking in the Waukesha Central submarket was almost the same in 2019 as it was in 2014.





In addition to this adjustment for market conditions (1.5% annually), the market leases have been adjusted similar to the comparables utilized in the sales comparison approach. The following table summarizes the adjustments completed to the lease comparables.

Lease Adjustment Grid

	Subject	1	2	3	4	5
Tenant	Walmart	Walmart	At Home	G4CE Entertainment	Floor & Décor	At Home
City	Pewaukee, WI	Homewood, IL	Greenfield, WI	Warren, MI	Shelby Twp, MI	Madison, WI
Lease Date		Aug-13	Feb-16	Nov-17	Sep-19	Oct-19
Building Size	134,244	196,000	116,805	101,773	91,500	94,105
Year Built	2005	1992	1995	1993	2000	1987
Lease Rate		\$3.06	\$4.71	\$4.75	\$6.25	\$6.95
Conditions of Lease		-	-	-	-	-
Market Conditions (4Q 2019)		10.00%	6.00%	3.00%	0.00%	0.00%
		\$3.37	\$4.99	\$4.89	\$6.25	\$6.95
Characteristic Adjustments						
Size		105.0%	100.0%	95.0%	95.0%	95.0%
Arterial		95.0%	95.0%	90.0%	85.0%	100.0%
Demographic		90.0%	90.0%	90.0%	90.0%	100.0%
Retail Submarket		105.0%	100.0%	85.0%	95.0%	90.0%
Age/Condition		103.0%	103.0%	103.0%	103.0%	103.0%
Total Adjustments		97.09%	88.07%	67.37%	71.11%	88.07%
Indicated Rent per SF		\$3.27	\$4.40	\$3.30	\$4.44	\$6.12
Traffic	21,100	34,900	35,896	38,003	93,879	22,800
Population (5-Mile)	86,173	212,619	338,718	337,390	252,303	92,887
Med. HH Income (5-Mile)	\$81,601	\$55,660	\$51,052	\$55,867	\$74,893	\$64,224
SubMkt Eff. Asking Rent - 4th Quarter 2019	\$11.74	\$10.64	\$12.52	\$16.26	\$13.47	\$13.83

Minimum Adjusted Lease Rate/SF	\$3.27
Maximum Adjusted Lease Rate/SF	\$6.12
Average Adjusted Lease Rate/SF	\$4.31

With consideration of each of these five adjusted rent comparables as well as the previously mentioned existing store rent comparables and the location and features of the subject retail store property, the following retrospective triple net market rental rate has been concluded for the subject retail store property as of the date of value.

- January 1, 2020 - \$5.00/SF

Vacancy and Credit Loss

Based on a review of the subject market, data from third party providers and conversations with real estate brokers, we have estimated a vacancy and credit loss factor for the subject property.

The following table presents the surveyed vacancy for the subject market from several sources.

Surveyed Market Vacancy				
Period	CBRE Waukesha Central Sub. Vac.	CBRE Milwaukee-Racine CMSA Vac.	Costar Milwaukee MSA Vacancy	CoStar Subject 5-Mile Retail Market Vacancy
4th Q 2019	9.0%	9.6%	3.9%	3.9%

Overall, we have included a vacancy and credit loss factor of 5% for the retail store property as of the date of value. This would equate to approximately 6 months of uncollected rent every 10 years. This 5% vacancy conclusion reflects stabilized occupancy but does not consider the cost of achieving stabilized occupancy. Because of the retail store property’s size, design, and location, it takes longer to lease this type of property; but, after it is leased, it is typically leased with at least a 10-year term. When offered for lease, existing big box properties, like the subject, often remain on the market for a number of years before being leased.

In addition to the surveyed market vacancies, there are two examples, in Southern and Southeastern Wisconsin, of the vacancy experienced by properties like the subject. The former Lowe’s in Brown Deer was vacant for more than two years before it was sold in late 2013 and the former Lowe’s in Milwaukee, on West Hope Ave., had been vacant since late 2011 and was still available as of the January 1, 2020 date of value (more than four years). The former Walmart on West Hope in Milwaukee closed in 2016 and was still available as of the January 1, 2020 date of value. The former Shopko in Madison has been closed since late 2014 and has been available for sale since early 2015 and through the January 1, 2020 date of value. In addition to these Madison and Milwaukee area examples, the following are additional examples in southeast Wisconsin. The former Target store in Kenosha was closed in 2008 and remained vacant until 2013, after it was sold and demised into a multi-tenant facility. Additionally, the former Walmart on 52nd Street in Kenosha has been vacant and marketed for lease or sale since 2008 and through the January 1, 2020 date of value.

Reimbursable Operating Expenses

Our research indicates that the market level rent would typically be on a triple net lease with the tenant reimbursing for common area maintenance (CAM) and insurance. Normally, property taxes would be included as a reimbursable expense, but will be accounted for by utilizing a tax loaded cap rate. The operating reimbursable operating expense estimates are as follows.

- CAM Expenses – estimated at \$1.20/SF CAM Expenses estimated for the subject property. *IREM Income/Expense Analysis* for 2019 Shopping Centers in the United States reports a range in CAM expenses of \$0.92/SF to \$2.51/SF with a median of \$1.66/SF. The appraiser has also considered the following expense comparables for big box retail CAM reimbursements.

Big Box Retail CAM Expense Comparables

ExpComp 1	ExpComp 2	ExpComp 3	ExpComp 4
\$1.18	\$1.34	\$0.86	\$1.19

- Property Taxes – based upon the value reached via this approach and applicable tax rates for the year.
- Insurance Expense – estimated at \$0.20/SF. *IREM Income/Expense Analysis* for 2019 reports a range in insurance expenses of \$0.14/SF to \$0.34/SF with a median of \$0.21/SF.

Our research indicates that the market level rent would typically be a triple net lease with the tenant reimbursing for common area maintenance (CAM) and insurance.

Unreimbursed Operating Expenses

Management Fee - Management fees are intended to cover the administrative effort and cost necessary to manage the subject property. This includes rent collection and supervising building capital improvements. Management fees typically range from 2 percent to 5 percent of effective gross income for properties like the subject facility. Because the property will be triple net, leased to a single-tenant for a long term, we believe a management fee of 3 percent of effective gross income is most appropriate for the subject facility.

Reserves for Capital Improvements - The landlord is responsible for making capital improvements. These improvements include periodic structural repair or renovations necessary to re-position the property in the market. The PWC Real Estate Investor Survey for 1st Quarter 2020 indicates that, across several different types of investors, a reserve of \$0.10/SF to \$0.50/SF is utilized. Based upon the subject’s age, we have deducted \$0.25/SF as an annual reserve amount for future capital improvements.

Net Operating Income

The net operating income is equal to the gross annual income less vacancy and credit loss less the expenses incurred by the landlord before including property taxes. The calculation of the net operating income before property taxes as of the date of value is presented in the following table.

INCOME STATEMENT			
Retail Store, Pewaukee, WI			
INCOME		as of	
Rental Income		January 1, 2020	
Building Size SF	134,244		
Rental Rate per SF	<u>\$5.00</u>		
Rental Income		\$671,220	
Reimbursement Income			
CAM		\$161,093	
Insurance		<u>\$26,849</u>	
Potential Gross Income			\$859,162
Less: Vacancy & Credit Loss	@ 5.0%		<u>\$42,958</u>
Effective Gross Income (EGI)			\$816,204
EXPENSES			
CAM	@ \$1.20 per SF	\$161,093	
Insurance	@ \$0.20 per SF	\$26,849	
Management Fee	@ 3% of EGI	\$24,486	
Reserve for Replacement	@ \$0.25 per SF	<u>\$33,561</u>	
Total Expenses			<u>\$245,989</u>
NET OPERATING INCOME (NOI)			<u><u>\$570,215</u></u>
<i>Source: Allen & Associates</i>			

Determination of Overall Rate

We are valuing the subject as of January 1, 2020. The determination of an overall capitalization rate has been accomplished by analysis of capitalization rates derived from single-tenant retail building and center sales, band-of-investment, and investor surveys for this time-period. The capitalization rate derived should be extracted from sales that were not influenced by a construction contract or the credit-rating of the tenant. Further, capitalization rates for leased properties reflect less risk for properties that are not leased.

The goal here is to estimate an overall rate to value a fee simple interest, not a leased fee interest. Unfortunately, overall rate sources are for leased fee rates. A leased fee overall rate is generally lower than a fee simple rate because of the many risks involved in a fee simple interest that do not exist in a leased fee interest including the need to find a tenant, negotiate a lease, possibly provide a tenant improvement allowance, or make changes. Additionally, the leased fee overall rate is based upon the credit of the tenant and without a known tenant there is uncertainty in the strength of the tenant and term of the lease.

Band-of-Investment - The band-of-investment technique of deriving an overall rate is based on current mortgage and equity requirements. These figures are weighted and combined to arrive at an overall rate. The band-of-investment technique used in this analysis is based on the formula: $Ro = (M * Rm) + ((1-M) * Re)$.

Where:

- Ro = the overall rate
- M = loan to value ratio
- Rm = loan constant
- Re = equity dividend rate

We have referenced survey data from *Realtyrates.com* in their estimation of the respective interest rates, loan to value ratio and equity dividend rate.

Band-of-Investment Technique			
Description	Retail - Free Standing		
	Minimum	Maximum	Average
1st Quarter 2020, Realtyrates.com			
Interest Rates	2.92%	9.07%	4.88%
Amortization Period	40	15	28
Mortgage Constant	0.04241	0.12220	0.06611
LTV	90.0%	60.0%	75.0%
Debt Coverage Ratio	1.18	1.73	1.45
Equity Dividend Rate	7.71%	16.79%	11.79%
Band of Investment Technique	4.59%	14.05%	7.91%

Investment Surveys - The following chart summarizes investor capitalization rate survey data from *PWC Real Estate Investor Survey*, *Realtyrates.com Investor Survey* and *Boulder Group Net Lease Big Box Report* (asking rates). Non-Institutional Power Center in the PWC Investment Survey is the category that best reflects how the subject would trade. The Retail – Free Standing was the most appropriate comparative category from Realtyrates.

Industry Publications				
Capitalization Rates				
Publication	Survey Date	Property Type	OAR Range	Average
January 1, 2020 Date of Value				
<i>PWC</i> RE Investor Survey	4th Q 2019	National Power Center	5.25%-8.25%	6.40%
		National Net Lease	4.00%-8.00%	6.19%
<i>Boulder Group</i> Net Lease Big Box Report	4th Q 2019	Median Asking Cap Rate - National	N/A	7.00%
		Median Asking Cap Rate - Midwest	N/A	7.25%
Med Asking Cap Rate by Remaining Term	Investment Grade	16-20 years remaining	N/A	5.25%
		11-15 years remaining	N/A	6.00%
		6-10 years remaining	N/A	6.25%
		5 years and under remaining	N/A	7.13%
	Non-Inv. Grade	16-20 years remaining	N/A	6.50%
		11-15 years remaining	N/A	6.85%
		6-10 years remaining	N/A	7.50%
		5 years and under remaining	N/A	8.25%
Realtyrates.com	1st Q 2020	Retail - Free Standing	4.78%-13.31%	9.91%

In addition to the above surveyed overall rates, the following table is from the *CBRE Cap Rate Survey for the 2nd Half 2019*. The table presents surveyed capitalization rate ranges for TIER III Retail Power Centers. The is no surveyed market area from Wisconsin is included in the following TIER III survey. Of the midwestern markets surveyed by CBRE, the majority are categorized as TIER III investment markets with only Chicago (TIER I) not being TIER III.

	CLASS A			CLASS B			
	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE ¹		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE ¹	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE ¹
TIER III	Albuquerque	8.00 - 8.50	◄◄	8.50 - 9.25	◄◄	8.75 - 9.50	◄◄
	Charlotte	7.50 - 8.25	◄◄	8.25 - 9.00	◄◄	8.50 - 9.50	◄◄
	Cincinnati	7.50 - 8.25	◄◄	8.75 - 9.50	◄◄	9.75 - 12.00	◄◄
	Cleveland	8.25 - 9.00	◄◄	9.25 - 10.00	◄◄	10.25 - 11.50	◄◄
	Columbus	7.50 - 8.25	◄◄	8.75 - 9.50	◄◄	9.75 - 12.00	◄◄
	Detroit	8.00 - 8.75	▼	9.25 - 10.00	◄◄	10.25 - 11.50	▲
	Honolulu	4.75 - 5.75	◄◄	4.75 - 7.25	◄◄	5.00 - 7.00	◄◄
	Indianapolis	7.50 - 8.25	▼	8.75 - 9.50	◄◄	9.75 - 12.00	◄◄
	Jacksonville	7.00 - 8.00	◄◄	7.75 - 9.00	◄◄	8.25 - 10.00	◄◄
	Kansas City	7.50 - 8.25	▼	8.75 - 9.50	◄◄	9.75 - 12.00	◄◄
	Memphis	7.00 - 7.50	◄◄	8.25 - 9.00	◄◄	8.75 - 10.00	◄◄
	Minneapolis/St. Paul	7.00 - 7.50	◄◄	8.25 - 9.25	◄◄	9.25 - 10.50	◄◄
	Pittsburgh	7.50 - 8.50	◄◄	8.00 - 9.50	◄◄	9.25 - 11.00	◄◄
	Salt Lake City	6.75 - 7.25	◄◄	7.50 - 8.25	◄◄	8.50 - 9.00	◄◄
	San Antonio	7.00 - 8.25	▲	8.25 - 9.50	▲	8.75 - 10.00	▲
	St. Louis	7.50 - 8.25	▼	8.75 - 9.50	◄◄	9.75 - 12.00	◄◄

CBRE Cap Rate Survey 2nd Half 2019

In general, the retail market in Wisconsin would be considered riskier than the average of the national investment surveys due to the economic conditions in the Midwest and the fact that the greatest demand for properties is on the two coasts. Both the CBRE Cap Rate Survey and the Boulder Group Survey indicate higher cap rates in the Midwest when compared to the east and west coasts. Due to desirability and risk, properties in the Midwest require higher returns than in major markets on the east and west coasts. The closest Tier III city is Minneapolis. The CBRE data shows cap rates for class stabilized power center at a range of 8.25-9.25%.

Properties such as the subject are often involved in sale leasebacks and long-term leases such that when they sell the capitalization rate is based primarily on the credit of the tenant and the term of the lease. Our capitalization rate conclusion as best as possible is not based upon the credit of a particular tenant and reflects capitalization rates for the valuation of a fee simple interest in the subject property. A buyer of this property without a tenant in place would have to locate a tenant and negotiate a lease before he would have the benefit of the value that could be created by utilizing the credit of the tenant.

Market Derived Capitalization Rates - The following table provides a summary of capitalization rate comparables derived from leased fee big box stores with short-term remaining leases in place. In these instances, it was either known that the tenant was leaving or that there was a risk of the tenant vacating the space at the end of the lease term.

Location	Building Size (SF)	Rent Commence	Lease Exp.	Annual Rent	Contract Rent Per SF	Sale Date	Sale Price	Remaining Term At Time of Sale	Contract Rent OAR
Kmart Port Huron Twp., MI	193,590	Nov-93	Nov-18	\$1,227,239	\$6.34	Feb-13	\$9,796,179	69 months	12.53%
Kmart Berlin Twp, MI	91,266	Sep-92	Aug-17	\$539,645	\$5.91	Aug-15	\$1,875,000	24 months	28.78%
Sam's Club Madison Hts, MI	111,190	Jun-87	May-07	\$1,245,328	\$11.20	Feb-05	\$7,250,000	27 months	17.18%
Kmart Fremont, OH	165,000	1993	2019/20	\$987,514	\$5.98	May-13	\$4,150,000	+/-60 months	23.80%
Hobby Lobby Heath, OH	72,108	2004	Oct-14	\$309,839	\$4.30	Apr-12	\$1,642,000	29 Months	18.87%
Kmart Ames, IA	120,232	1993	Apr-19	\$708,937	\$5.90	Offering Jan-18	\$5,830,000	16 Months	12.16%
Kmart Decatur, IN	95,839	1992	Jun-18	\$383,026	\$4.00	Offering Oct-16	\$2,250,000	19 Months	17.02%
						Offering Aug-17	\$1,600,000	10 Months	23.94%
						Offering Jan-18	\$1,350,000	5 Months	28.37%

The above overall rates reflect leases in place with short remaining terms. Although above market rent also increased the indicated capitalization rates, these sales demonstrate the fact that, with respect to leased fee interest in big box stores, the shorter the remaining lease the higher the capitalization rate is. The capitalization rates are higher because of the shorter remaining term of guaranteed rent and possible loss of the income from the big box tenant in place at the end of the lease, as well as the cost and risk of finding a new tenant and receiving a similar rent. In many ways, these are closer to fee simple capitalization rates than the leased fee rates discussed above because there are only short remaining terms on the leases. The above transactions are included here to illustrate the significant impact on the capitalization rate if no long-term lease is in place.

RERC Sales Study

The Situs RERC report further segmented their cap rate study based upon credit rating for big box retail properties over 50,000 SF. The following table summarizes their survey findings.

Table 26: Credit Rating Descriptive Statistics (>50k SF)			
	Investment Grade	Non-Investment Grade	Not Rated
Median Sale Price/SF	\$103.36	\$134.28	\$119.56
Average Sale Price/SF	\$128.34	\$136.70	\$124.99
Median Cap Rate	6.57%	7.25%	7.50%
Average Cap Rate	6.73%	7.66%	8.50%
Average Building Size (SF)	123,562	81,052	80,231
Average Year Built	1998	2005	2001
Average Land to Building Ratio	4.9	4.4	4.8
Average ZIP Code Median Household Income	\$55,543	\$58,487	\$60,445
Average ZIP Code Population	31,741	39,291	34,732
# of Transactions	64	42	56

The retail store property would fall under the “Not-Rated” category and considering the fact that its size is nearly twice as large as the “Not-Rated” sample average and its population and household income are higher it would be near to the average capitalization rate for the average “Not-Rated” sale.

Conclusion of Overall Capitalization Rate

The band of investment indicates a range of approximately 5% to 14% for the valuation date. The subject capitalization rate would fall within this range. The Boulder asking rates of 7.25% in the Midwest represents rates for properties with the risk reduced by a credit tenant. The survey data for Realtyrates Retail-Free Standing indicates an average rate of 9.91%. The subject property is considered riskier than then the average national surveyed retail rates due to its property type, size, and its location in the Midwest.

Based on an analysis of the market-derived rates, band of investment-derived rates, the retail store property’s attributes, and investment surveys, the overall capitalization rate for the retail store property is as following:

- January 1, 2020 – 8.50%

In addition to the concluded overall rate, the property taxes need to be considered by loading the overall rates with the estimated tax rate. In the subject’s appraisal, it is concluded that the lease is a NNN lease with property taxes being reimbursed by the tenant during periods of occupancy and being paid by the property owner during times of vacancy. Therefore, the tax rate loaded to the overall rate is the portion that the ownership would pay during periods of vacancy. The following table presents the conclusion regarding the tax loaded overall rate for the date of value.

	<u>January 1, 2020</u>
Respective Year Tax Rate	1.59786%
Conclude Vacancy	<u>5.0%</u>
Tax Load	0.0799%
Concluded Overall Rate	<u>8.50%</u>
 Concluded Tax Loaded Cap Rate	 8.5799%

Conclusion of the Income Approach

Our Income Approach is based on the market value of the fee simple interest. The valuation of the fee simple interest using an Income Approach assumes that the property is available for lease as of the date of value and further that it will be leased at market rent after purchase and a reasonable lease-up and stabilization period of time. The valuation analysis needs to consider appropriate lease-up costs and loss in income over the lease-up period. The Appraisal of Real Estate, 15th Edition addresses the holding or stabilization cost that an appraiser should consider when the subject property is not leased at stabilized occupancy.

"In its classic form the cost approach estimates fee simple value without consideration of the costs or benefits associated with leasing. However, adjustments can be made to account for the value difference between a fee simple property and a leased fee, depending on the property rights being appraised. Appraisers may need to consider the holding costs that accrue during the leasing phase of property development along with other indirect costs such as leasing commissions, marketing costs, and rent concessions. Tenant finish costs may also be necessary to achieve stabilized occupancy and, if so, they must be added as a cost when valuing a leased fee." (page 530).

One important and necessary cost to achieve stabilized occupancy is the leasing fees that need to be paid to locate a tenant and negotiate a lease. The Appraisal of Real Estate, 15th Edition addresses leasing commissions on page 455.

"Leasing commissions are fees paid to an agent for leasing tenant space. In direct capitalization, leasing commissions are either treated as a normalized annual expense or included below the line in the reconstructed operating statement, depending on local market convention."

We have found that the market for big box stores accounts for leasing commission as a one-time cost rather than an annual expense. That cost is typically paid at the time of lease signing. Our interviews with commercial brokers that lease big box stores indicate that a normal commission is 6% over the first five years of the lease or 3% over the first 10 years. Both methods will result in the same commission. We have accounted for this cost in our income approach to value. We have based the leasing fee on the market norm of 6 percent of estimated schedule base rental revenue for the first five years of the lease term.

Estimate of Leasing Commissions	January 1, 2020
Annual Base Rental Income	\$671,220
First Five Years	5
Lease Base Rental Income Value	\$3,356,100
Leasing Commission	6.00%
Estimated Leasing Commission	\$201,366

Another cost for achieving stabilization is the holding costs during lease-up. The holding cost deduction accounts for the loss of return to the investor during lease-up as well as the lost reimbursement for property expenses that the property owner is responsible for when the property is not leased or occupied.

Big box stores take longer to find a tenant, negotiate a lease, and put a tenant in place than most properties. In the case of the retail store property, we have concluded that an investor would anticipate a minimum vacancy period of nine months to find the tenant, negotiate the lease and put the tenant in place. The following presents the calculation for holding costs as estimated for the retail store property.

Holding Cost Estimate	January 1, 2020
Annual Base Rental Revenue	\$671,220
Annual Reimbursement Revenue	\$187,942
Annual Potential Gross Income	\$859,162
Estimated Lease Up Period (Months)	9.00
Estimated Holding Cost	\$644,371

No deductions were made for other costs such as marketing and rent concessions incurred to achieve stabilized occupancy. Such costs would be covered by the broker. Rent concessions and tenant improvements were adjusted for in the rent analysis and conclusions relating to market rent.

The resulting estimation of the value for the subject property derived using the direct capitalization method is presented as follows.

Conclusion of Income Approach w/o Property Taxes Included as Expense	
	January 1, 2020
Net Operating Income	\$570,215
Divided By: Overall Rate (tax loaded)	8.5799%
Capitalized Net Operating Income	\$6,645,943
Less: Leasing Commissions	-\$201,366
Holding Costs	-\$644,371
Income Approach Conclusion, rounded	\$5,800,000

As a check on the valuation, we have applied a non-tax loaded capitalization rate to a net operating income figure that was calculated, including the property taxes as an expense. The taxes are then iterated/estimated based upon the value concluded via the approach.

The following table provides an analysis with the unloaded overall capitalization rate:

INCOME STATEMENT			
Retail Store, Pewaukee, WI			
INCOME			as of
Rental Income			January 1, 2020
Building Size SF	134,244		
Rental Rate per SF	<u>\$5.00</u>		
Rental Income		\$671,220	
Reimbursement Income			
CAM		\$161,093	
Insurance		\$26,849	
Property Taxes		<u>\$92,000</u>	
Potential Gross Income			\$951,162
Less: Vacancy & Credit Loss	@ 5.0%		<u>\$47,558</u>
Effective Gross Income (EGI)			\$903,604
EXPENSES			
CAM	@ \$1.20 per SF	\$161,093	
Insurance	@ \$0.20 per SF	\$26,849	
Property Taxes		\$92,000	
Management Fee	@ 3% of EGI	\$27,108	
Reserve for Replacement	@ \$0.25 per SF	<u>\$33,561</u>	
Total Expenses			<u>\$340,611</u>
NET OPERATING INCOME (NOI)			<u><u>\$562,993</u></u>
Divided By: Overall Rate			8.50%
Capitalized Net Operating Income			\$6,623,445
Less: Leasing Commissions			-\$201,366
Holding Costs			-\$644,371
Value Estimate			\$5,777,708
Tax Rate			1.5979%
Tax Estimate, rounded to nearest thousand			\$92,000
Iterated Tax Estimate			<u>\$92,000</u>
Iteration Check			\$0
VALUE CONCLUSION, w/ TAXES INCLUDED			<u><u>\$5,780,000</u></u>

Source: Allen & Associates

The indicated income approach values from the two methods are within \$20,000 of each other. The direct capitalization with property taxes as an expense and a reimbursement most accurately reflects how an investor would buy the property.

***RETROSPECTIVE MARKET VALUE OF THE SUBJECT PROPERTY
VIA THE INCOME APPROACH***

AS OF JANUARY 1, 2020

FIVE MILLION SEVEN HUNDRED EIGHTY THOUSAND (\$ 5,780,000) DOLLARS

The above value estimate includes the hypothetical condition that the property taxes are assessed at a level reflective of 100% of the market value concluded in this report. The effect of this hypothetical condition is an increase of the market value determinations via the income approach. Additionally, the above value conclusion is subject to the extraordinary assumption that the property condition was as described in this report for the date of value. The above value estimate should be reviewed within the context of the attached report and is subject to the assumptions and limiting conditions contained within the report.

Cost Approach

Definition of the Cost Approach

According to The Dictionary of Real Estate Appraisal, Sixth Edition, (Appraisal Institute, 2015), the Cost Approach is defined as:

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

Land Value

In determining the market value of the subject property land, numerous land purchases for commercial development, in southeastern Wisconsin from late 2014 through the date of value, have been reviewed and are presented in the following table.

**Land Sale Comparison Approach Analysis
As Is as of January 1, 2020**

Comparable # Development	Subject Walmart Pewaukee, WI	Land Sale 1 Retail Site Meijer Greenfield	Land Sale 2 Retail Site Sam's Club Milwaukee	Land Sale 3 Retail Site IKEA Oak Creek	Land Sale 4 Retail Site Mills Farm Fleet Oconomowoc	Land Sale 5 Retail Site Costco Pleasant Prairie	Land Sale 6 Retail Site Multi-tenant Wil. of Pewaukee
Land Size (Acres)	13.88	23.09	19.01	28.76	19.60	17.54	9.00
Sale Date		May-15	Apr-15	Mar-17	Jul-17	Oct-14	Aug-17
Sale Price		\$6,600,000	\$5,848,400	\$5,762,400	\$5,740,000	\$3,813,000	\$3,500,000
Sale Price Per Acre		\$285,888	\$307,649	\$200,376	\$292,857	\$217,389	\$388,889
Sale Price Per SF		\$6.56	\$7.06	\$4.60	\$6.72	\$4.99	\$8.93
Community Data							
Population (5 Mile)	86,173	326,647	152,245	163,490	43,227	95,769	92,728
Households (5 Mile)	35,144	130,300	59,734	67,417	16,746	35,234	38,558
Med HH Inc (5 Mile)	\$81,601	\$52,613	\$55,776	\$62,578	\$95,835	\$62,019	\$77,564
Traffic Count	21,100	157,600	22,100	124,000	76,500	23,600	26,700
Eff. Submkt NNN Rent	\$11.74	\$12.34	\$11.38	\$11.72	\$9.22	\$13.62	\$11.93

Comparable Land Sale 1



Development:	Retail Site	Sale Analysis	
Address:	5800 W Layton Ave.	Grantor	Ventas, Inc.
Cross Streets:	60th & I-894	Grantee	Meijer Stores Limited Partnership
Municipality:	Greenfield	Verification:	Public Records, Grantee
County:	Milwaukee	Sale Date:	May-15
Parcel # (s):	6029947004	Sale Price:	\$5,600,000
Site Description		On/Off-Site Costs:	\$1,000,000
Land Area (Acres):	23.09	Adjusted Sale Price:	\$6,600,000
Land Area (SF):	1,005,626	Adjusted Sale Price/Acre:	\$285,888
Shape:	Irregular	Adjusted Sale Price/SF:	\$6.56
Proposed Building Area:	195,000	Intended Use:	Meijer Store with Gas Station
Land-to-Building Ratio:	5.16	Sale Terms:	Arms-Length
Topography:	Relatively Level	Financing:	Cash Equivalent
Frontage:	W Layton, 60th & I-894	Population (5-mile):	326,647
Zoning:	Commercial	Households (5-mile):	130,300
Utilities:	All Available	Median HH Income (5-mile):	\$52,613
Traffic Count (2017):	157,600		

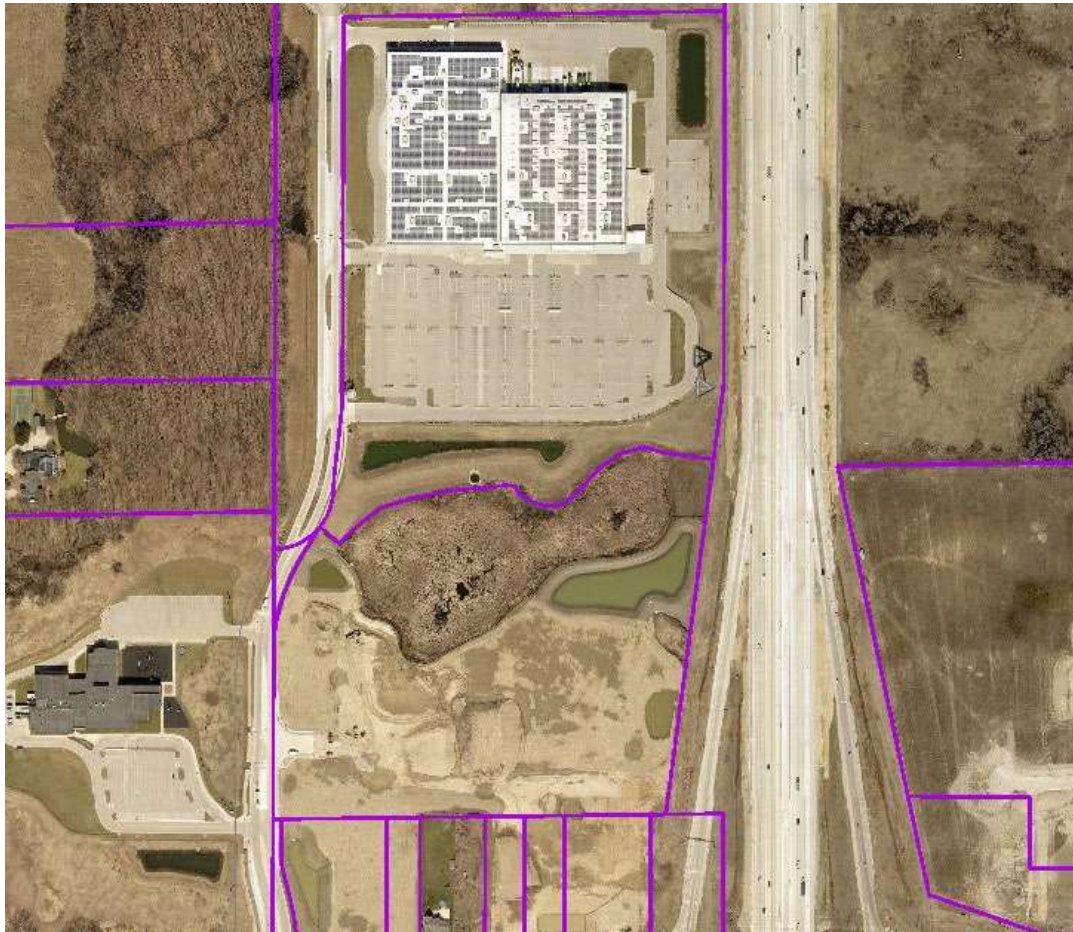
Comments:
 This property is was the site of the former Mt Carmel Health & Rehabilitation Center in Greenfield. At the time of the sale, the site was improved with a nursing home. The estimated cost for demolition and debris removal of these improvements is \$1.0M. This site has good frontage and access to both S. 60th Street and W. Layton Ave. Additionally, this site has very good visibility from I-894, which had a traffic count of approximately 125,000 vehicles. There is a complete entrance/exit interchange to the interstate at S. 60th Street.

Comparable Land Sale 2



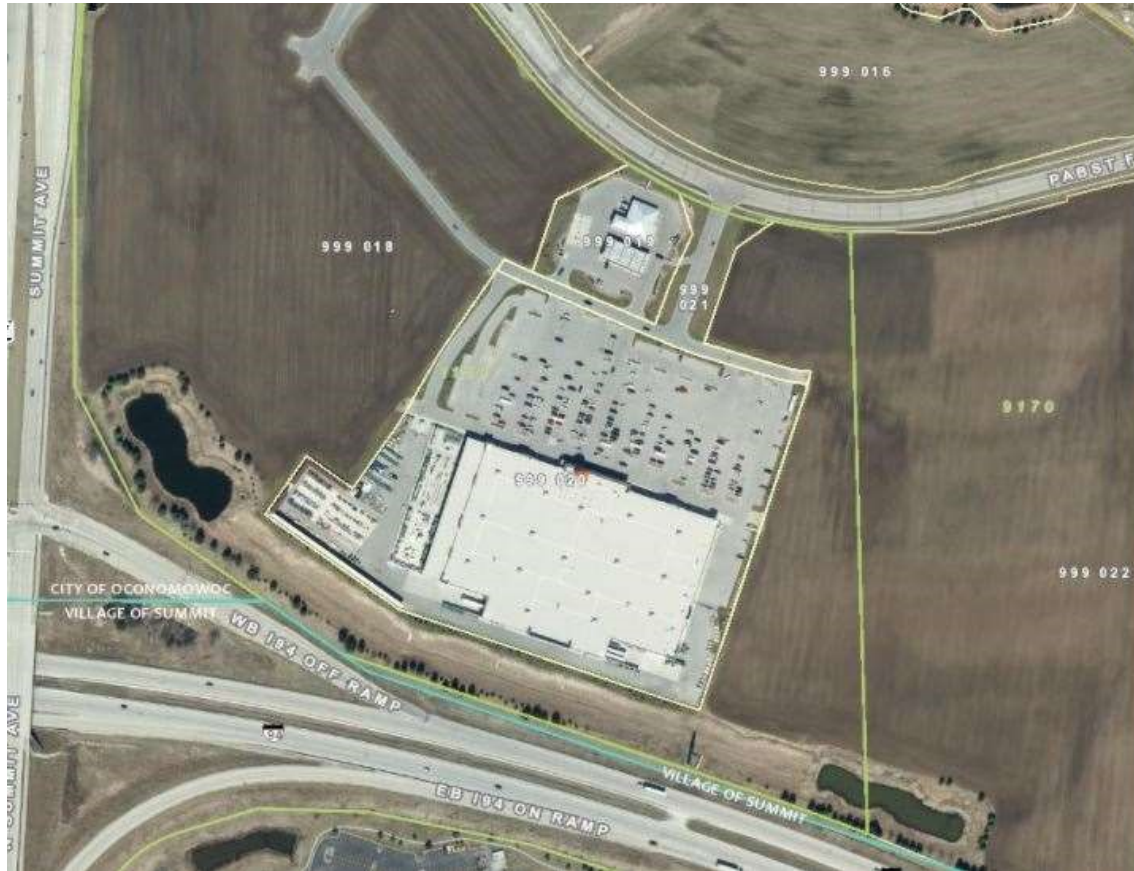
Development:	Retail Site	Sale Analysis	
Address:	8010 N 124th St.	Grantor	The Boerke Company, Inc.
Cross Streets:	N 124th & I-41/US-45	Grantee	Sam's Real Estate Business Trust
Municipality:	Milwaukee	Verification:	Public Records, Broker
County:	Milwaukee	Sale Date:	Apr-15
Parcel # (s):	Multiple on file	Sale Price:	\$5,848,400
Site Description		On/Off-Site Costs:	\$0
Land Area (Acres):	19.01	Adjusted Sale Price:	\$5,848,400
Land Area (SF):	828,076	Adjusted Sale Price/Acre:	\$307,649
Shape:	Irregular	Adjusted Sale Price/SF:	\$7.06
Proposed Building Area:	135,000	Intended Use:	Sam's Club w/Fuel Operation
Land-to-Building Ratio:	6.13	Sale Terms:	Arms-Length
Topography:	Generally Flat	Financing:	Cash Equivalent
Frontage:	124th & Bradley	Population (5-mile):	152,245
Zoning:	Commercial	Households (5-mile):	59,734
Utilities:	All Available	Median HH Income (5-mile):	\$55,776
Traffic Count:	22,100		
Comments:	This site is at the NEC of N124th and W Bradley in northern Milwaukee, WI. The site provides access to both N 124th and W Bradley. The site has excellent interstate/highway access and is located approximately 1,000' north of the full ingress/egress interchange of N 124th and I-41/US-45. The site was developed with a Sam's Club with a fueling station.		

Comparable Land Sale 3



Development:	Retail Site	Sale Analysis	
Address:	7500 IKEA Way	Grantor	Walden OC, LLC
Cross Streets:	I-94/41 & Drexel Ave.	Grantee	IKEA Property Inc.
Municipality:	Oak Creek	Verification:	Public Records
County:	Milwaukee	Sale Date:	Mar-17
Parcel # (s):	784-9023-000	Sale Price:	\$5,762,400
Site Description		On/Off-Site Costs:	\$0
Land Area (Acres):	28.76	Adjusted Sale Price:	\$5,762,400
Land Area (SF):	1,252,698	Adjusted Sale Price/Acre:	\$200,376
Shape:	Irregular	Adjusted Sale Price/SF:	\$4.60
Proposed Building Area:	290,000	Intended Use:	IKEA Store
Land-to-Building Ratio:	4.32	Sale Terms:	Arms-Length
Topography:	Generally Flat	Financing:	Cash Equivalent
Frontage:	I-94/41		
Zoning:	B-3, Business	Population (10-mile):	163,490
Utilities:	All Available	Households (10-mile):	67,417
Traffic Count:	124,000	Median HH Income (10-mile)	\$62,578
Comments:	This site is located along the west side of I-94/I-41, north of Drexel Ave. The site has good frontage and visibility from I-94/I-41 and has very good access to I-94/I-41 with a newly developed full-service ingress/egress to the interstate at Drexel Ave. With the development of the interchange, the neighborhood is experiencing a revitalization in retail and commercial development.		

Comparable Land Sale 4



Development:	Retail Site	Sale Analysis	
Address:	1555 Pabst Farms Blvd	Grantor	Stonebridge Capital Unit I, LLC
Cross Streets:	I-94 & Hwy 67	Grantee	PBJC Oconomowoc, LLC
Municipality:	Oconomowoc	Verification:	Public Records
County:	Waukesha	Sale Date:	Jul-17
Parcel # (s):	0633-999-020	Sale Price:	\$5,740,000
Site Description		On/Off-Site Costs:	\$0
Land Area (Acres):	19.60	Adjusted Sale Price:	\$5,740,000
Land Area (SF):	853,776	Adjusted Sale Price/Acre:	\$292,857
Shape:	Irregular	Adjusted Sale Price/SF:	\$6.72
Proposed Building Area:	220,000	Intended Use:	Mills Fleet Farm w/Fuel Station
Land-to-Building Ratio:	3.88	Sale Terms:	Arms-Length
Topography:	Generally Flat	Financing:	Cash Equivalent
Frontage:	I-94 & Hwy 67	Population (10-mile):	43,227
Zoning:	General Commercial	Households (10-mile):	16,746
Utilities:	All Available	Median HH Income (10-mile):	\$95,835
Traffic Count (2018):	76,500		
Comments:	This site, purchased by Mills Farm & Fleet, is located at the intersection of I-94 & Hwy 67 in Oconomowoc, WI. The site has visibility from both of these roads and has access to Hwy 67 via Pabst Farms Blvd.		

Comparable Land Sale 5



Development:	Retail Site	Sale Analysis	
Address:	7707 94th Ave	Grantor	Starwood Property Trust, Inc.
Cross Streets:	94th Avenue & 75st Street	Grantee	Costco Wholesale Corp.
Municipality:	Pleasant Prairie	Verification:	Public Records
County:	Kenosha	Sale Date:	Oct-14
Parcel # (s):	91-4-122-081-0225	Sale Price:	\$3,813,000
Site Description		On/Off-Site Costs:	\$0
Land Area (Acres):	17.54	Adjusted Sale Price:	\$3,813,000
Land Area (SF):	764,042	Adjusted Sale Price/Acre:	\$217,389
Shape:	Irregular	Adjusted Sale Price/SF:	\$4.99
Proposed Building Area:	148,000	Intended Use:	Costco Store & Gas Station
Land-to-Building Ratio:	5.16	Sale Terms:	Arms-Length
Topography:	Generally Flat	Financing:	Cash Equivalent
Frontage:	94th Avenue & 76th Street	Population (5-mile):	95,769
Zoning:	C, Community Retail & Services	Households (5-mile):	35,234
Utilities:	All Available	Median HH Income (5-mile):	\$62,019
Traffic Count:	23,600		
Comments:			
This parcel has average visibility from the 75th Street in Pleasant Prairie. The property was improved with Costco Wholesale store and fueling station. Costar reports that this property was on the market for approximately 3.5 years prior to this sale.			

Comparable Land Sale 6



Development:	Commercial Site	Sale Analysis	
Address:	Capitol Avenue	Grantor	Capitol Grandview Ventures, LLC
Cross Streets:	Capitol Ave. & Pewaukee Rd.	Grantee	Meadow Ridge Shops, LLC
Municipality:	Vil. of Pewaukee	Verification:	Public Records, Broker
County:	Waukesha	Sale Date:	Aug-17
Parcel # (s):	PWV 0904990002	Sale Price:	\$3,500,000
Site Description		On/Off-Site Costs:	\$0
Land Area (Acres):	9.00	Adjusted Sale Price:	\$3,500,000
Land Area (SF):	392,040	Adjusted Sale Price/Acre:	\$388,889
Shape:	Irregular	Adjusted Sale Price/SF:	\$8.93
Proposed Building Area:	n/a	Intended Use:	Strip Center
Land-to-Building Ratio:	n/a	Sale Terms:	Arms-Length
Topography:	Generally Flat	Financing:	Cash Equivalent
Frontage:	Capitol & Meadowcreek	Population (5-mile):	92,728
Zoning:	B-1 Community Business	Households (5-mile):	38,558
Utilities:	All Available	Median HH Income (5-mile):	\$77,564
Traffic Count:	26,700		
Comments:			
This site is located along the south side of Capitol Drive, west of Pewaukee Road in the Village of Pewaukee, WI. The site has access to Meadowcreek Dr. and visibility from Capitol Dr. The land was purchased for the subdivision of the parcel into four smaller parcels and development of retail center, known as Shops at Meadow Ridge. A sampling of the new tenants in this development include Starbucks, Chik-fil-A, Jersey Mikes, Summit Credit Union, Shopko Optical and MOD Pizza.			

As with the improved retail property sales and the comparable leases, the land sales have been adjusted to account for differences between the comparable land sales and the subject property. The following is an adjustment table presenting this analysis. The comparables have been adjusted for market conditions (0% through 2016, 3% annually in 2017 and 2018 and 5% in 2019), size, demographic attributes, arterial attributes, and retail submarket.

Land Sale Comparison Approach Analysis
As Is as of January 1, 2020

Comparable # Development	Subject	Land Sale 1 Retail Site	Land Sale 2 Retail Site	Land Sale 3 Retail Site	Land Sale 4 Retail Site	Land Sale 5 Retail Site	Land Sale 6 Retail Site
	Walmart Pewaukee, WI	Meijer Greenfield	Sam's Club Milwaukee	IKEA Oak Creek	Mills Farm Fleet Oconomowoc	Costco Pleasant Prairie	Multi-tenant Wil. of Pewaukee
Location							
Land Size (Acres)	13.88	23.09	19.01	28.76	19.60	17.54	9.00
Sale Date		May-15	Apr-15	Mar-17	Jul-17	Oct-14	Aug-17
Sale Price		\$6,600,000	\$5,848,400	\$5,762,400	\$5,740,000	\$3,813,000	\$3,500,000
Sale Price Per Acre		\$285,888	\$307,649	\$200,376	\$292,857	\$217,389	\$388,889
Sale Price Per SF		\$6.56	\$7.06	\$4.60	\$6.72	\$4.99	\$8.93
Community Data							
Population (5 Mile)	86,173	326,647	152,245	163,490	43,227	95,769	92,728
Households (5 Mile)	35,144	130,300	59,734	67,417	16,746	35,234	38,558
Med HH Inc (5 Mile)	\$81,601	\$52,613	\$55,776	\$62,578	\$95,835	\$62,019	\$77,564
Traffic Count	21,100	157,600	22,100	124,000	76,500	23,600	26,700
Eff. Submkt NNN Rent	\$11.74	\$12.34	\$11.38	\$11.72	\$9.22	\$13.62	\$11.93
Transaction Related Adjustments							
Property Rights		1.00	1.00	1.00	1.00	1.00	1.00
Financing Terms		1.00	1.00	1.00	1.00	1.00	1.00
Conditions of Sale		1.00	1.00	1.00	1.00	1.00	1.00
Market Conditions		1.11	1.11	1.11	1.10	1.11	1.09
Adjusted Sale Price/Acre		\$317,335	\$341,490	\$222,417	\$322,143	\$241,302	\$423,889
Adjusted Sale Price/SF		\$7.29	\$7.84	\$5.11	\$7.40	\$5.54	\$9.73
Characteristic Adjustments							
Size		1.10	1.05	1.10	1.00	1.00	0.90
Arterial Attributes		0.85	1.00	0.85	0.85	1.00	0.95
Demographic Attributes		0.90	0.95	0.95	1.10	1.00	1.00
Retail Submarket		1.00	1.00	1.00	1.10	0.90	1.00
Total Characteristic Adjustments		0.84	1.00	0.89	1.03	0.90	0.86
Total Adjustments, \$ [1]		(\$18,850)	\$32,988	(\$2,814)	\$38,467	(\$217)	(\$26,464)
Indicated Market Value/Acre		\$267,038	\$340,636	\$197,562	\$331,324	\$217,171	\$362,425
Indicated Market Value/SF		\$6.13	\$7.82	\$4.54	\$7.61	\$4.99	\$8.32
	Per Acre	Per SF					
Maximum:	\$362,425	\$8.32					
Minimum:	\$197,562	\$4.54					
Median:	\$299,181	\$6.87					
Average:	\$286,026	\$6.57					

[1] Total adjustments include transaction and characteristic based adjustments.

Source: Allen & Associates

Land Sales 5 and 6 are most similar to the subject in terms of size while Land Sales 2, 5, and 6 are most similar to the subject in terms of location (considering arterial and demographics). Land Sales 3, 4, and 6 occurred nearest to the subject date of value. Overall, Land Sales 2 and 5 required the least amount of gross adjustment, while Land Sales 3 and 5 required the least amount of net adjustment. Overall, a market value of \$300,000/acre has been concluded for the subject property land as of January 1, 2020. The following presents the conclusion of market value for the subject property land as of the date of value.

<u>Date of Value</u>	<u>January 1, 2020</u>
Concluded Value Per Acre	\$300,000
Land Size - Acre	13.88
Estimated Land Value	\$4,164,000
Concluded Subject Land Value	<u><u>\$4,160,000</u></u>

Improvement Costs

It is unlikely that a prospective buyer would be able to obtain actual construction costs for the subject property. To the extent a buyer would consider the cost approach, the buyer would in any event rely on replacement cost, not reproduction cost. Secondary cost estimates are considered more reliable because a buyer, considering cost, would only be concerned with the cost to replace the utility of the subject property for that buyer and not the cost to duplicate a Walmart store design, i.e., reproduction cost.

Cost Estimate - We have utilized a replacement cost estimate guide published by the Marshall Valuation Service (MVS). The discount/mega warehouse category is the type of construction that is most similar to the subject’s construction type. However, according to MVS, mega warehouse stores are typically near to 200,000 SF. As such, we have utilized a blended cost of average mega warehouse and average discount store for this replacement model. We have used an appropriate replacement cost from Section 13, Pages 28 & 30 for an Average Cost Quality Class C Discount Store and Mega Warehouse store. The derived cost estimate is multiplied by the gross building area to arrive at a building replacement cost. In addition, we have included the appropriate multipliers for perimeter, story height, local costs, and current time adjustments to arrive at our replacement cost estimate as of the date of value.

Refer to the following table for the calculation of the building improvement replacement cost for the date of value.

RETAIL BUILDING CALCULATIONS		
Type of building: Avg. Cost, Class C Discount Store		
Avg. Cost, Class C Mega Whse. Store		
(Sec 13, p. 28 & 30 - May 2018 Data Compilation)		
Source: MVS December 2019		
	January 1, 2020	
Total building floor area (SF):	134,244	
MVS HVAC premium/SF:	\$6.56	
MVS sprinkler cost estimate/SF:	\$2.26	
MVS bldg cost estimate/SF:	<u>\$58.50</u>	
Total MVS cost estimate/SF:	<u>\$67.32</u>	
Base building cost:	\$9,037,306	
Story height adjustment	1.213	
Perimeter adjustment	<u>0.796</u>	
Adjusted base building cost:		\$8,725,953
Total canopy area (SF):	7,190	
MVS bldg cost estimate/SF:	<u>\$40.25</u>	
Base building cost:		<u>\$289,398</u>
Total base costs:		\$9,015,350
x Local Multiplier		1.100
x Current Multiplier		<u>1.010</u>
Building Replacement Cost Estimate:		\$10,016,054
Time Adjustment to Date of Value:		<u>100.00%</u>
Replacement Cost New Estimate:		\$10,016,054
 <i>Source: Allen & Associates</i>		

Site Improvements - Site improvements include the asphalt and concrete parking, lighting, concrete paving, and fencing. The following table is the calculation of the site improvement costs for the subject property for the date of value.

CALCULATION OF SITE IMPROVEMENT COSTS	
	<u>January 1, 2020</u>
<i>Surface Parking Improvements</i>	
Paving Spaces	555
Cost Per Space	<u>\$2,348.00</u>
Base Cost	\$1,303,140
<i>Concrete Paving</i>	
Basic Paved Area (SF)	58,000
Cost Per SF	<u>\$7.50</u>
Base Cost	\$435,000
<i>Interior Roadway</i>	
Lineal Feet of Roadway	2,285
Cost Per LF	<u>\$245.00</u>
Base Cost	\$559,825
<i>Brick Screen Wall</i>	
Basic Area (SF)	6,375
Cost Per SF	<u>\$15.00</u>
Base Cost	<u>\$95,625</u>
TOTAL BASE COST	\$2,393,590
x Local Multiplier	1.10
x Current Multiplier	<u>0.97</u>
Site Improvement Rpl. Cost Estimate:	\$2,553,961
Time Adjustment to Date of Value:	<u>100.00%</u>
Replacement Cost New Estimate:	\$2,553,961
<i>Source: Allen & Associates</i>	

Soft Costs

In addition to the hard costs, which we have estimated based on MVS, we have provided estimates of the soft costs necessary to complete development of the subject site. This cost is estimated at 5% of site and building costs.

In addition to the soft costs, we are including the cost associated with leasing the subject property.

According to the 15th Edition of the Appraisal of Real Estate (p.541), “cost approach procedure is the value of the fee simple interest in the property at stabilized occupancy and at market rent and terms.” Since, we are valuing the property’s fee simple interest, i.e., as if the subject property is unencumbered by a lease as of the date of value, the property is valued as if it is available for lease but not at stabilized at market occupancy as of the date of valuation. Therefore, the cost

associated with finding and securing a tenant for the subject property are included. In this instance, those costs include leasing commissions during the period it takes to secure a tenant.

Refer to the following table for a summary that indicates the calculation and allocation of the soft costs and leasing estimates for the subject property with respect to the date of value.

CALCULATION AND ALLOCATION OF THE SOFT COSTS AND LEASING COMMISSIONS			
			<u>January 1, 2020</u>
Building Improvements			\$10,016,054
Site Improvements			<u>\$2,553,961</u>
Total Improvement Cost			\$12,570,015
Soft Costs Estimated @	5%		\$628,501
Leasing Commissions			<u>\$201,366</u>
Total Soft Costs & Leasing Commissions			\$829,867
<i>Allocated as</i>			
Mega Warehouse Store	as %	79.68%	
	as \$	\$661,255	
Site Improvements	as %	20.32%	
	as \$	\$168,611	
<i>Depreciable Basis</i>			
Building Improvements			\$10,677,310
Site Improvements			\$2,722,572
<i>Source: Allen & Associates</i>			

Depreciation

Depreciation with respect to real estate is a loss in value from all causes. A depreciation-based loss in value can result from one or more of three factors: (1) physical deterioration, (2) functional obsolescence, and (3) external obsolescence. Furthermore, these types of depreciation are classified as curable or incurable. Curable factors represent faults that can be rectified at a cost which is economically feasible. However, if the cost to cure cannot be recovered in the marketplace, the depreciation or obsolescence is considered to be incurable.

Physical Depreciation - Incurable physical depreciation is calculated based upon an age/life method. As of January 1, 2020, the subject building had a physical age of 14 years. The discount/mega warehouse store has an estimated useful life of 35 years by MVS (Avg. Discount Store useful life is also 35 years).

As of January 1, 2020, the site improvements had an estimated physical age of 7 years, and the useful life of the site improvements is 15 years.

CALCULATION OF PHYSICAL DEPRECIATION			
<u>January 1, 2020</u>			
Building Improvements			
Depreciable Basis:	\$10,677,310		
Estimated Age:	14		
Useful Life:	<u>35</u>		
x Depreciation Factor:	40.0%		\$4,270,924
Site Improvements			
Depreciable Basis:	\$2,722,572		
Estimated Age:	7		
Useful Life:	<u>15</u>		
x Depreciation Factor:	46.7%		<u>\$1,270,534</u>
Total Physical Depreciation			<u><u>\$5,541,457</u></u>
<i>Source: Allen & Associates</i>			

Functional Obsolescence - Functional obsolescence is any loss in value that results from an inherent deficiency perceived in the market caused by physical factors including design, layout, or orientation of the building site but not physical deterioration. The retail store property is both oversized for the market and has a façade and other features, including interior layout and design that is specific to a Walmart business but would not have value to other users.

Unlike many other commercial properties, free standing “big box” stores like the subject are not constructed for the purpose of thereafter selling or leasing the property in the marketplace. This is because no prudent person would expect to realize a positive return on such an investment. As a result, no entrepreneurial profit should be included or is included in the replacement cost estimate. In addition, one constructing a free standing “big box” store similar to the subject may expect to incur a profit on the operation of the store but would expect a loss upon the sale of the real estate. This phenomenon is not unique to “big box” stores, as it can be observed in other situations, such as the purchase of a new car or a new tailored suit. When each is essentially brand new, each suffers a reduction in value from the initial investment when it is sold. This is also true as it relates to “big box” stores. As discussed below, we have observed this in the marketplace for both rentals and sales of such properties. Furthermore, the subject features were designed for Walmart. Although suitable for retail use by other retailers, a buyer for a retail use would either incur modification costs or utilize features, including the subject’s specific size, different than those desired. This type of loss in value is also reflected in market rentals and sales. Also, the larger size of the subject amplifies the problem and results in further loss in value from cost new.

External Obsolescence - External obsolescence is the loss in value from factors external to the property such as economic or environmental factors that affect the supply/demand relationship in the market. Market demand for large commercial buildings like that of the subject is very limited in the subject market, as well as the surrounding market areas. The growth in e-commerce sales has negatively impacted the demand for big box store properties. In recent years, the new construction of big box stores has declined dramatically.

Thus, based on our experience in the market, as well as our review of market transactions, we have concluded there is obsolescence associated with large free-standing retail stores. For the purposes of this report, we will estimate the obsolescence associated with the subject improvements using several methodologies and examples. We have studied this issue for several years. The methodologies employed include an analysis of build-to-suit leases vs. re-leases, sales studies, an NOI analysis, an analysis of the history of several “big box” stores, and interviews with general contractors that have performed renovations of “big box” stores.

When properties such as the subject are offered for sale or lease, they are typically on the market for extended periods of time, several years in many instances. Large stores such as the subject have limited demand in the leasing market. Our studies of this market indicate a discount for re-leasing an existing building that was originally build-to-suit space as opposed to build-to-suit space that was leased before construction. In addition to the rent analysis in the income approach, the following provides several examples of build-to-suit leases that were re-leased and the indicated reduction in rental rate.

Lease Comparable Summary Retail Store, Pewaukee, WI								
#	Tenant	Address	Lease Date	Lease Size (SF)	Lease Rate/SF	Lease Term	Year Built	Terms
Build-to-Suit Big Box and Junior Box Leases (leased prior to construction)								
1	Dick's Sporting Goods	9899 76th, Kenosha, WI	Sep-08	50,000	\$13.50	10.0 Yrs.	2008	Flat rate
2	Hobby Lobby	803 Pilgrim Way, Green Bay, WI	Feb-11	55,000	\$9.25	15.0 Yrs.	2011	N/A
3	Festival Foods	2233 Humes, Janesville, WI	Sep-15	72,500	\$12.46	15.0 Yrs.	2015	5 Yr. Bumps
4	Dick's Sporting Goods	345 Discovery, Brookfield, WI	Aug-16	50,000	\$14.00	10.0 Yrs.	2016	5 Yr. Bumps
5	Cabela's	1350 Cabela Drive, Madison, WI	Sep-17	90,387	\$15.69	22.0 Yrs.	2017	10 Yr. Bump
6	At Home	10800 Assembly Park, Wixom, MI	Aug-18	107,092	\$10.75	15.0 Yrs.	2018	N/A
Average Lease Size SF				70,830				
Minimum Lease Rate/SF:				\$9.25				
Maximum Lease Rate/SF:				\$15.69				
Average Overall Lease Rate/SF:				\$12.61				

Big Box Leases (existing stores)								
7	Garden Ridge	4641 Lafayette, Indianapolis, IN	Oct-07	108,900	\$4.75	12	1994	N/A
8	Big R	1401 W 26th, Marion, IN	Aug-09	94,875	\$1.60	14	2003	N/A
9	Furniture Outlet	14201 Manchester Rd., Ballwin, MO	Aug-10	106,800	\$6.00	N/A	1994	N/A
10	Garden Ridge	1325 N. Meacham Rd., Schaumburg, IL	Sep-10	104,546	\$3.00	N/A	2001	N/A
11	Art Van Furniture	7150 S. Cicero Ave, Bedford Park, IL	Mar-13	84,505	\$6.00	10.0 Yrs.	1992	\$0.50 in Yr. 6
12	Walmart	17550 S. Halsted, Homewood, IL	Aug-13	196,000	\$3.06	10.0 Yrs.	1992	None
13	At Home	4620 Stadium Dr, Kalamazoo, MI	Nov-13	84,000	\$2.85	5.0 Yrs.	1974	N/A
14	At Home	3100 Washtenaw Ave., Ypsilanti, MI	Dec-13	91,743	\$3.60	5.0 Yrs.	1960	N/A
15	Kohl's	9404 State Road 16, Onalaska, WI	Feb-14	86,398	\$6.62	10.0 Yrs.	1992	Renegotiate
16	Floor & Décor	3430 Highland Ave, Cincinnati, OH	Jun-14	118,977	\$5.50	10.0 Yrs.	1994	N/A
17	At Home	10331 University, Clive, IA	May-15	91,030	\$6.39	N/A	1991	N/A
18	At Home	4601 S. 27th, Greenfield, WI	Feb-16	116,805	\$4.71	10.0 Yrs.	1995	None
19	At Home	2101 S. Telegraph, Bloomfield Hills, MI	Sep-16	120,650	\$5.60	10.0 Yrs.	1993	\$0.15 in Yr. 6
20	G4CE Entertainment	28300 Dequindre, Warren, MI	Nov-17	101,773	\$4.75	5.0 Yrs.	1993	None
21	Floor & Décor	14453 Hall Rd., Shelby Twp, MI	Sep-19	91,500	\$6.25	10.0 Yrs.	2000	None
22	At Home	2201 Zeier Rd., Madison, WI	Oct-19	94,105	\$6.95	--	1987	--
23	Listing (Former Walmart)	5825 W Hope Ave, Milwaukee, WI	Listing	157,647	\$6.00	--	2002	--
24	Listing (Former Walmart)	15333 W National Ave, New Berlin, WI	Listing	104,231	\$8.50	--	1992	--
25	Listing (Former Kmart)	1450 Summit, Oconomowoc, WI	Listing	87,000	\$6.50	--	1988	--
Average Lease Size SF			107,447					
Minimum Lease Rate/SF:			\$1.60					
Maximum Lease Rate/SF:			\$8.50					
Average Overall Lease Rate/SF:			\$5.19					

As the previous tables illustrate, the comparables analyzed indicate a significant discount (59%) for the big box leases, although the indicated discounts are likely inflated due primarily to age difference. In any event, the calculations illustrate a large discount for “big box” stores that are re-leased in the market. The demonstrated discount is for land and building together. If the discount were applied to the building only, the discount would be larger than illustrated above because land represents a significant portion of the rent. This disparity in rental rates is considered to provide an indication of the obsolescence associated with “big box” buildings, which does not consider the subject’s larger size or the decline in the value of retail property due to economic conditions as of January 1, 2020, compared to pre-recession dates. This analysis relates almost entirely to functional obsolescence.

Market Extraction of Obsolescence from Sales

The appraiser has utilized the market extracted depreciation method for isolating the amount of obsolescence from the overall depreciation. The appraiser identified and analyzed seven fee simple big box store comparables that were 15 years or less in physical age at the time of their respective sales.

The comparables are similar in design and use to the subject property and therefore provide a good example of what happens when a new big box store is sold in the open market. The stores sold for a significant discount from the cost new. Part of the reason for the discount, even by buyers for a similar use, is because modifications are typically needed to reflect a company’s business and image and operating procedures. Furthermore, in the marketplace there is no

evidence of anyone developing a structure of the type and size of the subject with the thought of leasing or selling it in the marketplace. This factor also indicates a form of obsolescence. All new construction of this size and type of big box stores, that the appraiser is familiar with, is on a build-to-suit basis that is a design to meet the unique specifications and business model of a specific retailer.

The following is a summary of the calculation of the overall depreciation and the calculation of the obsolescence portion of the overall depreciation from the sales of comparable big box stores.

Extraction of Obsolescence from Sales of Big Box Stores							
Example	Example 1	Example 2	Example 3	Example 4	Example 5	Example 6	Example 7
City	Holland	Hartland Twp.	Memphis	Shakopee	Elgin	Blaine	Brown Deer
State	Michigan	Michigan	Tennessee	Minnesota	Illinois	Minnesota	Wisconsin
Type of Store	Home Depot	Super Walmart	Target	Kmart	Lowe's	Walmart	Lowe's
Sale Price (a)	\$1,750,000	\$4,383,750	\$4,612,000	\$4,200,000	\$5,775,000	\$5,460,000	\$4,000,000
Year Built	2006	2009	2004	1999	2006	2002	2006
Building Size (SF)	103,540	186,763	124,287	103,422	139,410	141,643	139,571
Sale Date	Jan-14	Jul-16	Jun-14	Dec-14	Apr-16	Jan-16	Dec-13
Phys. Age as of the Date of Sale	8	7	9	14	10	14	7
Estimated RCN (Bldg & Site)	\$7,743,968	\$13,428,283	\$8,410,603	\$9,211,399	\$12,257,070	\$13,000,339	\$11,099,324
Less: Phy. Depreciation (Bldg & Site)	-\$2,341,165	-\$3,183,691	-\$2,588,853	-\$3,753,523	-\$4,550,390	-\$5,294,564	-\$2,915,508
Depreciated Value of Improvements	\$5,402,803	\$10,244,592	\$5,821,749	\$5,457,876	\$7,706,680	\$7,705,775	\$8,183,816
Sale Price	\$1,750,000	\$4,383,750	\$4,612,000	\$4,200,000	\$5,775,000	\$5,460,000	\$4,000,000
Land Value at Time of Sale	\$960,000	\$3,210,000	\$2,120,000	\$4,240,000	\$2,230,000	\$4,830,000	\$2,490,000
Residual Value to Improvements	\$790,000	\$1,173,750	\$2,492,000	-\$40,000	\$3,545,000	\$630,000	\$1,510,000
Obsolescence Estimate	\$4,612,803	\$9,070,842	\$3,329,749	\$5,497,876	\$4,161,680	\$7,075,775	\$6,673,816
Obsolescence Estimate per SF	\$44.55	\$48.57	\$26.79	\$53.16	\$29.85	\$49.95	\$47.82
Obsolescence as a % of RCN	59.6%	67.6%	39.6%	59.7%	34.0%	54.4%	60.1%

RCN = Replacement Cost New

(a) Sale Prices for examples 2, 5 and 6 have been adjusted +5% for deed restrictions

As the previous table indicates, there is a substantial amount of obsolescence related to these relatively new (7-14 years old) big box retail stores. The obsolescence factor ranges from 34% to 68% with an average of 54% and from \$27/SF to \$53/SF with an average of \$43/SF. Three of the sales sold with deed restrictions (2, 5 and 6) and indicated an average 53.9% obsolescence while the four sales that sold without deed restrictions indicated a similar average obsolescence at 54.7%.

Capitalized Rent Loss

The Appraisal of Real Estate, 15th Edition (starting on page 576), recommends calculating obsolescence by estimating the income loss that is caused by the obsolescence. This method was also taught in the Advanced Sales Comparison and Cost Approaches class by the Appraisal Institute. In order to calculate this loss, the income necessary to support the value of the property without obsolescence is estimated. The economic (market) rent from the income approach is subtracted from the required rent based on cost of land and improvements. The difference is the rent loss due to obsolescence, which is then capitalized into a determination of total obsolescence.

CALCULATION OF OBSOLESCENCE	
Capitalized Income Loss Method	
	<u>January 1, 2020</u>
Phys. Depreciated Cost of Improvement	
- Building & Site Improvements	
Total Improvements Cost	\$13,399,881
Less: Incurable Phys. Depreciation	-\$5,541,457
Add: Supporting Land Value	<u>\$4,160,000</u>
Total	\$12,018,424
Overall Capitalization Rate (tax loaded)	<u>8.5799%</u>
Required NOI for Feasibility	\$1,031,168
Projected Subject NOI	<u>\$570,215</u>
Deficient Income from Improvements	\$460,953
Overall Capitalization Rate (tax loaded)	<u>8.5799%</u>
ESTIMATED OBSOLESCENCE	<u>\$5,372,481</u>
% of Replacement Cost New	40%
% of Replacement Cost New + Land	31%
Per SF of Building Area	\$40.02
<i>Source: Allen & Associates</i>	

The above determination of obsolescence is applicable to the improvements and not the land. The obsolescence represents 40% of the improvement replacement cost new as of January 1, 2020. Further, obsolescence represents 31% of the total replacement cost new including land as of January 1, 2020. These figures are within the range of the presented market extracted obsolescence examples.

Cost of Modification

A. Construction Management Report

There is yet additional market evidence of obsolescence existing in free standing big box stores. If a new user does not demolish the building, then the building is modified for a new user. As such, we have consulted with an architectural/construction firm that specializes in the modification of “big box” stores for new users. Our interview, in 2003, was with J. Scott Burton PE and Eric O. Pempus AIA of the architectural, engineering, planning and construction management firm of Richard L. Bowen + Associates, Inc. Further, the appraiser has reviewed the report that was prepared by Richard L. Bowen + Associates, Inc. in 2003. They inspected a Meijer store and a Target store and indicated a cost range of \$15 to \$53 per square foot depending upon the amount of specialized façade and finishes in the store. Architectural and engineering fees added 25-50% to that cost. This cost typically covers the numerous alterations that are made by a retailer to make a “big box” store functional for a new user. Among the alterations that are typically chosen to be made are new façades, as each user has its own

corporate image storefront, and an altered interior layout including different back-room configurations, lighting, plumbing, and loading. Each retailer has a specific store layout that it desires. Based upon a review of construction cost indexes from MVS, these costs of \$15 to \$53 in 2003 would be higher in 2019.

B. Cost Modification Examples

Examples of cost modifications in the market are the following big box stores, one located in Dearborn, MI, one located in Nashville, TN, one located in Homewood, IL, one located in Brown Deer, WI and one located in Chandler, AZ. The modifications included in these reimagings included, but were not limited to: new store façades, redesigned entryways, new flooring, build-out of licensing space, repositioning of restrooms, offices and stock rooms, lighting, and moving of interior walls to name a few. Minimal costs associated with these projects were spent on curing aged depreciation as the buildings were in good condition with no noted items of deferred maintenance.

The following are some of the considerations and concerns that that a major super store retailer would have and modifications that they would want to make to accommodate the store to their super store use.

1. Add exterior signage, pharmacy drive-through, digital order pick-up area.
2. Loading docks, number may not be adequate, turning radius needs to be large enough.
3. Garden area may have to be modified to accommodate pharmacy drive-thru.
4. Exterior façade may have to move or add an entrance and vestibule, paint, and redo façade to their brand.
5. Back room areas may have to shrink or expand to accommodate their freezer, coolers, prep areas, office, and training rooms.
6. Lighting would have to be redone. Different retailers have different light color standards. In addition, the configuration of all the lighting would need to be redone to accommodate their product displays as well as specialty areas such as deli and bakery that have spot lighting.
7. Flooring would have to be redone even if sealed concrete due to interference from existing joint area, non-slip flooring area in produce and laminate flooring in clothing.
8. Plumbing would probably move rest rooms and make sure there is adequate capacity in the right location and gender specific needs accommodated. Plumbing may have to be redone for the deli and bakery.
9. Electrical would likely have to increase capacity to accommodate their freezer and coolers. They need different outlet locations than other stores.
10. HVAC may need to be upgraded to accommodate their use.
11. Tire and battery area not needed and would be re-purposed for storage.

One big box store that was reimaged from a former Super K store to a Super Walmart store is located in Dearborn, MI. The 192,000 SF store was built in 1993 and sold to Walmart in 2006. Walmart spent approximately \$10m to reimage the store from a Super K to a Super Walmart store. This equates to approximately \$52/SF. This figure is near the higher end of the range presented by the Bowen & Associates study.

The second big box store that was reimaged was from a former Home Depot store to a Walmart store, located in Nashville, TN. The 95,202 SF store was built in 2002 and sold to Walmart in 2010. Walmart spent approximately \$4.2381m to reimage the store from a Home Depot to a Walmart store. Walmart did not expand this store. This equates to approximately \$45/SF. This figure is near the mid-range of the range presented by the Bowen & Associates study.

The third big box store that was reimaged was from a former Super K store to a Walmart store, located in Homewood, IL. The 196,000 SF store was built in 1992 and leased to Walmart in 2013. Walmart spent approximately \$16.526m to reimage the store from a Super K to a Walmart store. Walmart did not expand this store. This equates to approximately \$84/SF. This figure is above the range presented by the Bowen & Associates study.

The fourth big box store that was reimaged was from a former Lowe's store to a Walmart store, located in Brown Deer, WI. The 139,571 SF store was built in 2006 and sold to Walmart in 2013. Walmart spent approximately \$6.4m to reimage the store from a Lowe's to a Walmart store. The reimagining also included a small (15,000 SF) addition to This equates to approximately \$46/SF. This figure is near the higher end of the range presented by the Bowen & Associates study.

The fifth big box store that was reimaged was from a former Great Outdoors store to a Walmart store, located in Chandler, AZ. The 133,200 SF store was built in 2004 and leased to Walmart in 2013. Walmart spent approximately \$3.981m to reimage the store from a Great Outdoors to a Walmart store. This equates to approximately \$30/SF. This figure is near the mid-range of the range presented by the Bowen & Associates study.

Obsolescence Summary

The following table summarizes the aforementioned obsolescence examples and the appraiser’s conclusion of obsolescence for the subject property.

Summary of Obsolescence Examples & Conclusion				
#	Example Type	As a % of RCN	As a % of RCN + Land	As a \$/SF
1	Build-to-Suit vs. Market Leases	n/a	59%	n/a
2	Market Extraction from Sales			
	- Range	34%-68%	29%-55%	\$27-\$53
	- Average	54%	43%	\$43
3	Deficient Income for the Subject			
	- as of January 1, 2020	40%	31%	\$40
4	Construction Management Study	n/a	n/a	\$15-\$53
5	Cost Modification Examples			
	- Range	n/a	n/a	\$30-\$84
	- Average	n/a	n/a	\$51
RCN - Replacement Cost New				
	Concluded Subject Obsolescence @ \$40.00 per SF		\$5,369,760	
	- as of January 1, 2020	40%	31%	

The appraiser has relied primarily on the deficient income obsolescence per square foot figure in concluding an obsolescence figure of \$40/SF of building improvement size as of January 1, 2020. This reflects obsolescence percentages of 40% of replacement cost new and 31% of replacement cost new including land for the subject as of January 1, 2020. These percentages are within the range in the other obsolescence examples.

Property Rights Adjustment

According to the 15th Edition of the Appraisal of Real Estate (p.541), “cost approach procedure is the value of the fee simple interest in the property at stabilized occupancy and at market rent and terms.” Since we are valuing the property as if the property is unencumbered by a lease as of the date of value, the property is not stabilized at market occupancy. Therefore, a property rights adjustment needs to be made to the cost approach. The property rights adjustments are the same as were applied in the income approach and include deductions for leasing commissions and for lost rent (holding costs).

Conclusion of the Cost Approach

COST APPROACH SUMMARY	
	<u>January 1, 2020</u>
Depreciable Basis	
Building Improvement	\$10,677,310
Site Improvements	<u>\$2,722,572</u>
Total Improvements Cost	\$13,399,881
Less Depreciation	
Incurable Physical	
Building Improvement	\$4,270,924
Site Improvements	\$1,270,534
Deferred Maintenance	\$0
Obsolescence	<u>\$5,369,760</u>
Total Depreciation	<u>\$10,911,217</u>
Depreciated Cost	\$2,488,664
Estimated Land Value	\$4,160,000
Property Rights Adjustment	
Leasing Commission	-\$201,366
Holding Costs	<u>-\$644,371</u>
Cost Approach Value Estimate	<u><u>\$5,800,000</u></u>
NOTE: Numbers may not foot due to rounding.	
<i>Source: Allen & Associates</i>	

The appraiser has not reviewed the costs incurred by the subject ownership for when the property was constructed in 2005. To the extent a buyer would consider the cost approach, the buyer would in any event rely on replacement cost (the cost to construct a replacement of the subject for the buyer's use), not reproduction cost or historical cost. A buyer, considering cost, would only be concerned with the cost to replace the utility of the subject property for that buyer and not the cost to duplicate a Walmart store design, i.e., reproduction cost.

***RETROSPECTIVE MARKET VALUE OF THE SUBJECT PROPERTY
VIA THE COST APPROACH:***

***AS OF JANUARY 1, 2020
FIVE MILLION EIGHT HUNDRED THOUSAND (\$ 5,800,000) DOLLARS***

The above value estimates include the hypothetical condition that the property taxes are assessed at a level reflective of 100% of the market values as concluded in this report. The effect of this hypothetical condition is an increase of the market value determination via the cost approach. Additionally, the above value conclusion is subject to the extraordinary assumption that the property condition was as described in this report as of the date of value. The above value estimate should be reviewed within the context of the attached report and are subject to the assumptions and limiting conditions contained within the report.

Reconciliation

Reconciliation involves the correlation of the conclusions reached from the three methodologies considering the property type involved and the requirements of the appraisal assignment as well as following the direction of the Markarian Hierarchy. This process depends on the recognition of the appropriateness and reliability of each approach, and of the quality and viability of the data obtained.

The sales comparison approach provides a reliable value estimate. This approach takes sales of similar properties and compares them to the subject property. In this case, we researched, developed, and analyzed 10 reliable sales of existing structures as well as considering a number of additional sales. Adjustments were made to each of the comparables thus indicating a range in value for the subject property. The sales comparison approach is considered the primary indicator of value. The Markarian Hierarchy methodology applies in this appraisal where the subject property has not recently sold. Several comparable property sales were identified and relied upon.

The income approach analyzes market lease rates for existing properties to determine a value estimate. Similar properties were located and analyzed using this approach. After analyzing the rental rates of the comparable properties, a conclusion to the subject's potential rent was established. The subject's projected net operating income was capitalized using a market supported cap rate resulting in an estimate of market value for the subject property. For this analysis, the income approach is considered a secondary indicator of value. However, the rents included in the income approach do not include an allowance for tenant improvements (TIs) and likely overstate the value because of that. In addition, a developer/investor buying the fee simple interest would have substantial risk due to the need to find a tenant, negotiate a lease and then sell the property. Due to the Wisconsin Markarian Hierarchy and the existence of comparable sales this approach is not directly relied upon but provides a supportive analysis to the Sales Comparison Approach.

As illustrated in the cost approach, there is a significant amount of obsolescence associated with the subject building improvements. Considering the large amount of depreciation and considering that this approach is not utilized by buyers and sellers in the marketplace for a property like the subject, the cost approach is not considered as reliable or applicable as the other two approaches. Due to the Wisconsin Markarian Hierarchy and the existence of comparable sales this approach is not directly relied upon but provides a supportive analysis to the Sales Comparison Approach.

The following table summarizes our reconciled retrospective market value for the subject property pursuant to Wisconsin law and guidelines set forth in the WPAM.

Retrospective Valuation Conclusions	
Date of Value	January 1, 2020
Sales Comparison Approach	\$5,770,000
Income Approach	\$5,780,000
<u>Cost Approach</u>	<u>\$5,800,000</u>
Reconciled Market Value of Subject Property	<u><u>\$5,770,000</u></u>

The value estimates and conclusions include the hypothetical condition that the property taxes are assessed at a level reflective of 100% of the market values concluded for the date of value in this report. The effect of this hypothetical condition is an increase in the market value determination. Additionally, the above value conclusions are subject to the extraordinary assumption that the property condition was as described in this report for the date of value. Further, the above value conclusions are subject to the jurisdictional exception created by the Wisconsin Constitution, state statutes, case law, and WPAM as discussed in the scope of the appraisal. The above value estimates should be reviewed within the context of the attached report and are subject to the assumptions and limiting conditions contained within the report.

Addendum

Legal Description/Property Identification

LOT 8 CERT SURV 9799 VOL 90/328 PT NE1/4 & PT NW1/4 SEC 10 & PT SW1/4 SEC 8
T7N R19E DOC# 3337857 & DOC# 3342485

Qualifications

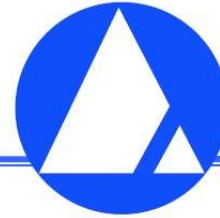
LAURENCE G. ALLEN, MAI, CFA

Allen & Associates Appraisal Group, Inc.

5700 Crooks Road, Suite 202, Troy, Michigan 48098

(248)433-9630 extension 2, (602)944-2659, Phoenix office

lallen@allenappraisal.com



PROFESSIONAL HISTORY:

- 1991-present** President, **Allen & Associates Appraisal Group, Inc.**, a real estate valuation and consulting firm located in Troy, Michigan. Formerly vice president of **Brekan Nava Allen**, a real estate appraisal firm located in Tempe, Arizona
- 1988-1991** National Director of Appraisal and Valuation Services, **BDO Seidman**, an international accounting and consulting firm, in charge of the Detroit office and the national real estate appraisal, machinery & equipment appraisal, business valuation, and hospitality consulting practice.
- 1973-1988** President, **Dean Appraisal Company**, in charge of real estate valuation and counseling assignments.

MAJOR PROJECTS:

Property tax appraisals of **Big Box** stores in Michigan, Indiana, Iowa, Wisconsin, Missouri and Arizona for major retailers including Meijer, Walmart, Target, Kohl's, Lowe's, Home Depot, Cabela's, Bass Pro. Testimony in relevant tax courts in Michigan, Indiana and Iowa. Property tax appraisals of **Regional and Super Regional Malls** located in Michigan, Indiana and Iowa. Property tax appraisal of **Anchor Department Stores** in Michigan and Indiana.

Real estate valuations and feasibility studies for existing and proposed **Hotels** on an individual and portfolio basis for mortgage financing and property tax in Michigan and across the U.S.

Real estate valuations, market studies and rent comparability studies of existing and proposed **Apartment** properties for financing through the Department of Housing and Urban Development (HUD) in Michigan, Indiana and Colorado.

Real estate appraisals and market studies for the acquisition and development of **Manufactured Housing Land Lease Communities** throughout the country.

EDUCATION:

Linfield College, BA (Cum laude) - in Psychology with Departmental Honors.

University of Michigan, MBA - concentration in Marketing and Finance.

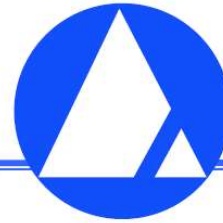
Institute of Chartered Financial Analyst (CFA) – Three levels of course work and testing in Economics, Statistics, Financial Accounting and Investment Analysis.

Appraisal Institute (MAI) - Courses and Seminars in valuation including, "Investment Analysis", "Urban Properties", "Computer Applications", "Industrial", "Residential Construction", "Syndication", "Troubled Properties", "Rates, Ratios & Reasonableness", "Hotel/Motel", "Retail Properties", "Office Building", "Option Values", "Marshall & Swift Commercial Cost Training", "Green Buildings", "Self-Storage", "Subdivision", "Nursing Home", "Intangible Business Assets", "Troubled Properties", "Highest and Best Use", "Partial Interests", "Environmental Issues", "Challenging Markets", "Medical Office Buildings", "Forecasting Revenue", "Analyzing Operating Expenses", "Convenience Stores", "Real Estate Finance Statistics", "Valuation Modeling", "International Valuation Standards", "Uniform Standards of Professional Appraisal Practice".

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lallen@allenappraisal.com



PROFESSIONAL LICENSURE / DESIGNATIONS:

Licensed Real Estate Broker, State of Michigan
State Certified Appraiser, **Michigan, Indiana, Arizona, Wisconsin, Colorado, Missouri, Iowa**
MAI, Member of the Appraisal Institute, President of Michigan Chapter, 1988.
MHM-Master, with Community Investor
CFA, Chartered Financial Analyst with the CFA Institute.

TEACHING EXPERIENCE:

Seminar presentations on the *Allen Investment Survey* of manufactured home landlease communities at **Networking Roundtables** at Amelia Island Resort, Florida, Seaside, Oregon, San Diego, California and San Antonio, Texas.

Guest lecturer on real estate valuation at **University of Michigan** Ross School of Business Administration and the graduate hotel management program at the Eli Broad School of Business at **Michigan State University**.

"Real Estate Appraisal I and II" for the **University of Michigan** and **Oakland Community College**.

EXPERT WITNESS:

Federal Bankruptcy courts in **Detroit**, Michigan, **Hartford**, Connecticut, **San Antonio**, Texas, **Columbus**, Ohio and **Los Angeles**, California. Wayne, Washtenaw and Oakland County Circuit Courts. **Michigan** Tax Tribunal, **Indiana** and **Iowa** Tax Courts.

PUBLICATIONS:

"Market Testing of Ellwood", **Appraisal Journal**
"Market Testing of Ellwood, Part Two", **Appraisal Journal**
"Single Business Tax: A Factor in the Appraisal of Investment Real Estate", **The Michigan Assessor**.
"Appraising Income Investment Properties for Real Estate Assessment Purposes", **NAPTR**
"True Cash Value for Assessed Purposes in a Land Contract Market", **The Michigan Assessor** and **Michigan Tax Law**.
"Valuation of a Terminal Grain Elevator", **The Appraisal Journal**.
"Expressway Proximity Damages to Residential Properties", **Right of Way**.
"Amortizing Favorable Financing as an Intangible Asset", **Appraisal Journal** (Notes and Comments).
"Appraising Subsidized Housing for Property Tax Purposes", **Appraisal Journal**.
"Hotel Enterprise Valuation", **The Appraisal Journal**.
"Hotel Valuation Guidelines for the 1990's", **Hospitality Advisors Lodging Commentary**.
"Chapter 5 Estimating Value", **How to Find, Buy and Sell a Manufactured Home Community**, John Wiley & Sons.
"The Allen Investment Survey I – V, **Community Management**, 1996 - 2000.
"Hotel Investment Parameters" **Hospitality Advisors Lodging Commentary**.

ROGAHN JONES

April 26, 2022

Attn: Ms. Cassie Smith
Village Clerk, Village of Pewaukee
235 Hickory Street
Pewaukee, WI 53072

RE: 2022 Objection to Real Property Assessment
Request for Waiver of Board of Review Hearing
1357 Capitol Drive
Pewaukee, WI 53072
Parcel Number: PWV0901984001

Dear Board of Review Members:

We represent the client, Menard, Inc., and we are submitting an Objection to Real Property Assessment form for the Menards located at 1357 Capitol Drive, Village of Pewaukee, WI (Parcel # PWV0901984001).

We have also submitted a Request for Waiver of Board of Review Hearing form as there is an ongoing property tax assessment appeal for 2020 pending at Circuit Court. While we are filing an Objection, we recognize that with the on-going appeal in Circuit Court it may be more desirable that the 2022 Board of Review hearing be waived so that the matter can be addressed in conjunction with the earlier filing at the Circuit Court level.

Please let me know if you have any questions or require additional information.

Best Regards



Attorney Michael S. Kozicz

Objection to Real Property Assessment

To file an appeal on your property assessment, you must provide the Board of Review (BOR) clerk written or oral notice of your intent, under state law (sec. 70.47(7)(a), Wis. Stats.). You must also complete this entire form and submit it to your municipal clerk. To review the best evidence of property value, see the Wisconsin Department Revenue's *Property Assessment Appeal Guide for Wisconsin Real Property Owners*.

Complete all sections:

Section 1: Property Owner / Agent Information				* If agent, submit written authorization (Form PA-105) with this form			
Property owner name (on changed assessment notice) Menard, Inc.				Agent name (if applicable) Attorney Michael S. Kozicz / Rogahn Jones, LLC			
Owner mailing address 5101 Menard Drive				Agent mailing address N16W23233 Stone Ridge Drive, Suite 270			
City Eau Claire	State WI	Zip 54703		City Waukesha	State WI	Zip 53188	
Owner phone (715) 876 - 2297		Email dmichlig@menard-inc.com		Owner phone (262) 347 - 4444		Email mkozicz@rogahnjones.com	

Section 2: Assessment Information and Opinion of Value			
Property address 1357 Capitol Drive			Legal description or parcel no. (on changed assessment notice) PWW0901984001
City Pewaukee	State WI	Zip 53072	
Assessment shown on notice - Total \$ 13,837,000			Your opinion of assessed value - Total \$ 7,570,000

If this property contains non-market value class acreage, provide your opinion of the taxable value breakdown:

Statutory Class	Acres	\$ Per Acre	Full Taxable Value
Residential total market value			
Commercial total market value			13,837,000
Agricultural classification: # of tillable acres		@ \$ acre use value	
# of pasture acres		@ \$ acre use value	
# of specialty acres		@ \$ acre use value	
Undeveloped classification # of acres		@ \$ acre @ 50% of market value	
Agricultural forest classification # of acres		@ \$ acre @ 50% of market value	
Forest classification # of acres		@ \$ acre @ market value	
Class 7 "Other" total market value		market value	
Managed forest land acres		@ \$ acre @ 50% of market value	
Managed forest land acres		@ \$ acre @ market value	

Section 3: Reason for Objection and Basis of Estimate	
Reason(s) for your objection: (Attach additional sheets if needed) Value is excessive based on appraisal.	Basis for your opinion of assessed value: (Attach additional sheets if needed) Based on subject store appraisal.

Section 4: Other Property Information	
A. Within the last 10 years, did you acquire the property?.....	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If Yes, provide acquisition price \$ _____ Date <u> </u> - <u> </u> - <u> </u> <input type="checkbox"/> Purchase <input type="checkbox"/> Trade <input type="checkbox"/> Gift <input type="checkbox"/> Inheritance <small>(mm-dd-yyyy)</small>	
B. Within the last 10 years, did you change this property (ex: remodel, addition)?.....	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If Yes, describe store remodel-expansion _____	
Date of changes <u>03-14-2014</u> Cost of changes \$ <u>5,984,913</u> Does this cost include the value of all labor (including your own)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <small>(mm-dd-yyyy)</small>	
C. Within the last five years, was this property listed/offered for sale?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If Yes, how long was the property listed (provide dates) _____ to _____ <small>(mm-dd-yyyy)</small> Asking price \$ _____ List all offers received _____	
D. Within the last five years, was this property appraised?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If Yes, provide: Date <u>01-01-2020</u> Value <u>7,570,000</u> Purpose of appraisal <u>Property Tax Valuation 1/2020 \$7,570,000</u> <small>(mm-dd-yyyy)</small> If this property had more than one appraisal, provide the requested information for each appraisal. _____	

Section 5: BOR Hearing Information	
A. If you are requesting that a BOR member(s) be removed from your hearing, provide the name(s): _____ Note: This does not apply in first or second class cities.	
B. Provide a reasonable estimate of the amount of time you need at the hearing <u>10</u> minutes.	

Property owner or Agent signature 	Date (mm-dd-yyyy) 04 - 26 - 2022
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Request for Waiver of Board of Review (BOR) Hearing

Section 70.47 (8m), Wis. Stats., states, "The board may, at the request of the taxpayer or assessor, or at its own discretion, waive the hearing of an objection under sub. (8) or, in a 1st class city, under sub. (16) and allow the taxpayer to have the taxpayer's assessment reviewed under sub. (13). For purposes of this subsection, the board shall submit the notice of decision under sub. (12) using the amount of the taxpayer's assessment as the finalized amount. For purposes of this subsection, if the board waives the hearing, the waiver disallows the taxpayer's claim on excessive assessment under sec. 74.37(3) and notwithstanding the time period under sec. 74.37(3)(d), the taxpayer has 60 days from the notice of hearing waiver in which to commence an action under sec. 74.37(3)(d)."

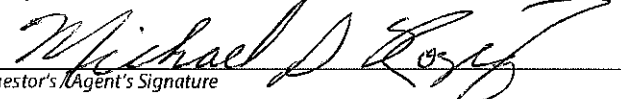
NOTE: The legal requirements of the Notice of Intent to Appear must be satisfied and the Objection Form must be completed and submitted as required by law prior to the Request for Waiver of Board of Review Hearing being submitted.

NOTE: Request for Waiver must be presented prior to the commencement of the hearing.

Municipality Village of Pewaukee	County Waukesha
Requestor's name Menard, Inc.	Agent name (if applicable) * Attorney Michael S. Kozicz / Rogahn Jones, LLC
Requestor's mailing address 5101 Menard Drive, Eau Claire, WI 54703	Agent's mailing address N16 W23233 Stone Ridge Drive, Suite 270 Waukesha, WI 53188
Requestor's telephone number (715) 876-2297	Agent's telephone number (262) 347-4444
<input checked="" type="checkbox"/> Land Line <input type="checkbox"/> Cell Phone	<input checked="" type="checkbox"/> Land Line <input type="checkbox"/> Cell Phone
Requestor's email address dmichlig@menard-inc.com	Agent's email address mkozicz@rogahnjones.com

Property address 1357 Capitol Drive, Pewaukee, WI 53072	
Legal description or parcel number PWV 0901984001	
Taxpayer's assessment as established by assessor - Value as determined due to waiving of BOR hearing \$ 13,837,000	
Property owner's opinion of value \$ 7,570,000	
Basis for request 2020 property tax appeal pending at Circuit Court.	
Date Notice of Intent to Appear at BOR was given 04 - 26 - 2022	Date Objection Form was completed and submitted 04 - 26 - 2022

All parties to the hearing understand that in granting of this waiver there can be no appeal to the Department of Revenue under sec. 70.85, Wis. Stats. An action under sec. 70.47(13), Wis. Stats., must be commenced within 90 days of the receipt of the notice of the waiving of the hearing. An action under sec. 74.37(3)(d), Wis. Stats., must be commenced with 60 days of the receipt of the notice of the waiving of the hearing.


Requestor's / Agent's Signature

*** If agent, attach signed Agent Authorization Form, PA-105**

Decision

Approved Denied

Reason _____

Board of Review Chairperson's Signature _____

Date _____

Taxpayer advised _____
Date _____

Agent Authorization for Property Assessment Appeals

If an agent is representing the property owner or municipality, the property owner or municipality must provide prior written authorization for the agent to represent the company or municipality when contacting the reviewing authority.

Section 1: Property Owner and Property Information

Company/property owner name Menard, Inc.			Taxation district (Check one) <input type="checkbox"/> Town <input checked="" type="checkbox"/> Village <input type="checkbox"/> City		County
			Enter municipality → Pewaukee		Waukesha
Mailing address 5101 Menard Drive			Street address of property 1357 Capitol Drive		
City Eau Claire	State WI	Zip 54703	City Pewaukee	State WI	Zip 53072
Parcel number PWW0901984		Phone (715)876 - 2297	Email dmichlig@menard-inc.com		Fax () -

Section 2: Authorized Agent Information

Name / title Attorney Michael S. Kozicz			Company name Rogahn Jones, LLC		
Mailing address N16W23233 Stone Ridge Drive, Suite 270			Phone (262) 347 - 4444	Fax () -	
City Waukesha	State WI	Zip 53188	Email mkozicz@rogahnjones.com		

Section 3: Agent Authorization

Agent Authorized for: (check all that apply) <input type="checkbox"/> Manufacturing property assessment appeals (BOA) <input type="checkbox"/> Access to manufacturing assessment system (MAS) <input type="checkbox"/> Wisconsin Department of Revenue 70.85 appeals <input checked="" type="checkbox"/> Municipal Board of Review <input checked="" type="checkbox"/> Other <u>74.37 Claim and Action</u>	Enter Tax Years of Authorization _____ _____ <u>2022</u> <u>2022</u>
Authorization expires: <u>12 - 31 - 2023</u> (unless rescinded in writing prior to expiration) <small>(mm - dd - yyyy)</small>	
Send notices and other written communications to: (check one or both) <input checked="" type="checkbox"/> Authorized Agent <input checked="" type="checkbox"/> Property Owner	

Section 4: Agreement/Acceptance

I understand, agree and accept:

- The assessor's office may divulge any information it may have on file concerning this property
- My agent has the authority and my permission to accept a subpoena concerning this property on my behalf
- I will provide all information I have that will assist in the discussion and resolution of any assessment appeal of this property
- Signing this document does not relieve me of personal responsibility for timely reporting changes to my property and paying taxes, or penalties for failure to do so, as provided under Wisconsin tax law
- A photocopy and/or faxed copy of this completed form has the same authority as a signed original
- If signed by a corporate officer, partner, or fiduciary on behalf of the owner, I certify that I have the power to execute this Agent Authorization form

Section 5: Owner Grants Authorization

Owner Sign Here ▶	Owner name (please print) Dan Michlig	
	Owner signature <i>Dan Michlig</i>	
	Company or title Menard, Inc. Tax Manager	Date (mm-dd-yyyy) 4-22-2022

ADDENDUM

LIST OF ADDITIONAL AUTHORIZED AGENTS

- 1. Attorney Colleen W. Jones**
Rogahn Jones, LLC
N16W23233 Stone Ridge Drive, Suite 270
Phone: (262) 347-3550
Email: cjones@rogahnjones.com

- 2. Attorney Roddy W. Rogahn**
Rogahn Jones, LLC
N16W23233 Stone Ridge Drive, Suite 270
Phone: (262) 347-4444
Email: rrogahn@rogahnjones.com

- 3. Attorney Terry J. Booth**
Rogahn Jones, LLC
N16W23233 Stone Ridge Drive, Suite 270
Phone: (262) 347-4558
Email: tbooth@rogahnjones.com