



7 E. Redwood Street
14 Light Street (aka 7 E. Redwood Street)
Baltimore, Maryland 21202

Report Date:
August 11, 2023

**LIPMAN
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APPRAISAL REPORT

Prepared for:

Mr. Les Conley
Director of Real Estate & Special Projects
Baltimore Development Corporation
36 S. Charles Street, Suite 2100
Baltimore, Maryland 21201

LFM #: 23-166



August 11, 2023

Mr. Les Conley
Director of Real Estate & Special Projects
Baltimore Development Corporation
36 S. Charles Street, Suite 2100
Baltimore, Maryland 21201

RE: Appraisal Report
7 E. Redwood Street
14 Light Street (aka 7 E. Redwood Street)
Baltimore, Maryland 21202

Dear Mr. Conley:

In accordance with your request, we have prepared an appraisal of the above-referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions.

The subject property is known as 7 E. Redwood Street, located at 14 Light Street (aka 7 E. Redwood Street) in Baltimore, Maryland 21202. The subject is further identified as Block 660, Lots 3A and 1 and contains approximately .20 acres or 8,831 square feet. The site is improved with a 20-story, 184,275 gross square-foot and 149,309 sq.ft. net leasable office high rise building constructed in 1924, which was 100% occupied (based on our inspection) as of the effective date of value.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA); the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

Baltimore Development Corporation is the client in this assignment and is the sole intended user of the appraisal and report. The intended use is for financial decisions. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.



The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are contingent on the following extraordinary assumptions and/or hypothetical conditions:

Extraordinary Assumptions:

This appraisal assumes that the current tenants will remain in place upon sale of the building. In the event this assumption does not occur, our value opinion will be different.

At the time of our inspection, we were informed that some of the clay tiles in the property had either fallen or were weakened. The client estimates the repairs at approximately \$100,000. We have used this amount in our appraisal and we reserve the right to change our value indication based upon the final engineering report.

Hypothetical Conditions:

None

Based on the analysis contained in the following report, our value conclusions involving the subject property are summarized as follows:

VALUE CONCLUSIONS			
Value Premise	Interest Appraised	Effective Date	Indicated Value
Market Value As Is	Leased Fee	July 20, 2023	\$10,000,000

This letter of transmittal is not considered valid if separated from this report, and must be accompanied by all sections of this report as outlined in the Table of Contents, in order for the value opinions set forth above to be valid.

Respectfully submitted,
Lipman Frizzell & Mitchell LLC

Handwritten signature of Calvin V. Thomas in black ink.

Calvin V. Thomas, MAI
Principal
Maryland License #04-1594
License Expires December 31, 2024

Handwritten signature of Christopher M. Perticone in black ink.

Christopher M. Perticone
Appraiser Trainee
Maryland License #06-34755
License Expires August 30, 2025



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Summary of Salient Facts

Property Name:	7 E. Redwood Street
Address:	14 Light Street (aka 7 E. Redwood Street) Baltimore, Maryland 21202
Tax Parcel Number:	Block 660, Lot 3A (Improvements) Block 660, Lot 1 (Land)
Property Owner:	The Mayor and City Council of Baltimore
Property Rights Appraised:	Leased Fee
Zoning:	C-5-T0, Downtown Traditional Office Subdistrict
Site Size:	.20 acres (8,831 square feet)
Existing Improvements	
Property Type:	Office
Gross Building Area:	184,275 square feet
Rentable Area:	149,309 square feet (Source: Lease Abstracts plus inspection)
Year Built:	1924
Extraordinary Assumptions:	This appraisal assumes that the current tenants will remain in place upon sale of the building. In the event this assumption does not occur, our value opinion will change.
	At the time of our inspection, we were informed that some of the clay tiles in the property had either fallen or were weakened. The client estimates the repairs at approximately \$100,000. We have used this amount in our appraisal and we reserve the right to change our value indication based upon the final engineering report..
Hypothetical Conditions:	None
Highest and Best Use	
As Vacant:	Multi-family
As Improved:	Conversion to multi-family
Date of Inspection:	July 20, 2023
Effective Date of Value:	July 20, 2023
Report Date:	August 11, 2023



**VALUE INDICATIONS & CONCLUDED VALUES
BEFORE CAPITAL NEEDS**

Approach	As Is
Effective Date	July 20, 2023
Cost	Not Used
Sales Comparison	\$9,700,000
Income Capitalization	\$8,950,000
Market Value Estimate	\$9,200,000

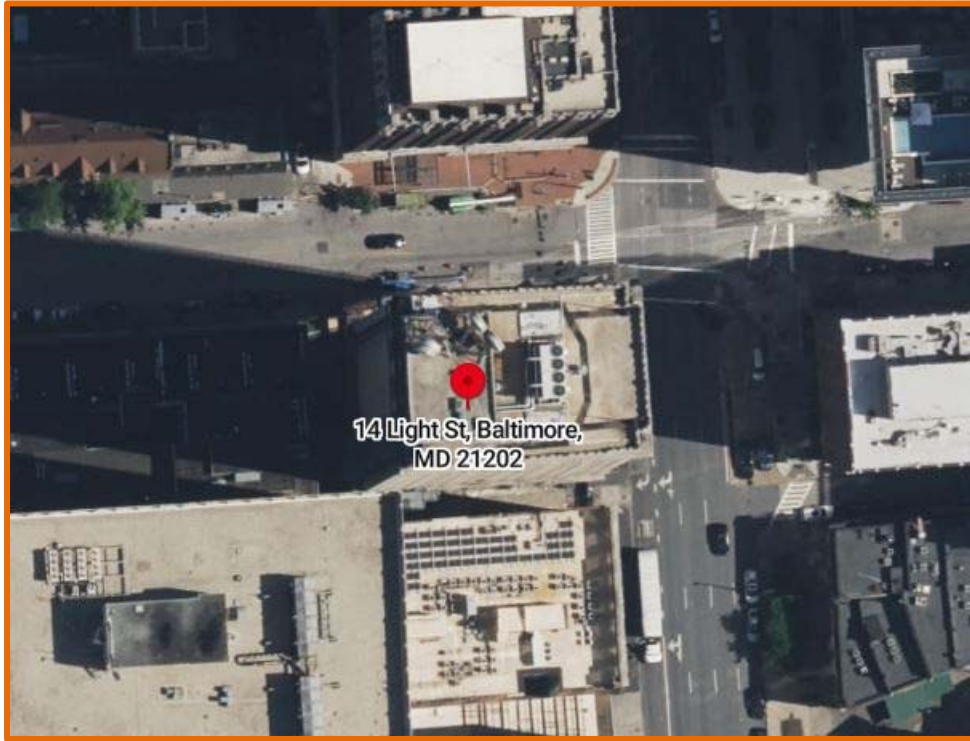
**VALUE INDICATION & CONCLUDED VALUE
AFTER CAPITAL NEEDS**

Effective Date	July 20, 2023
Final Market Value Estimate	\$10,000,000



Aerial and Front Views

AERIAL VIEW



FRONT VIEW





Introduction

Client and Other Intended Users of the Appraisal

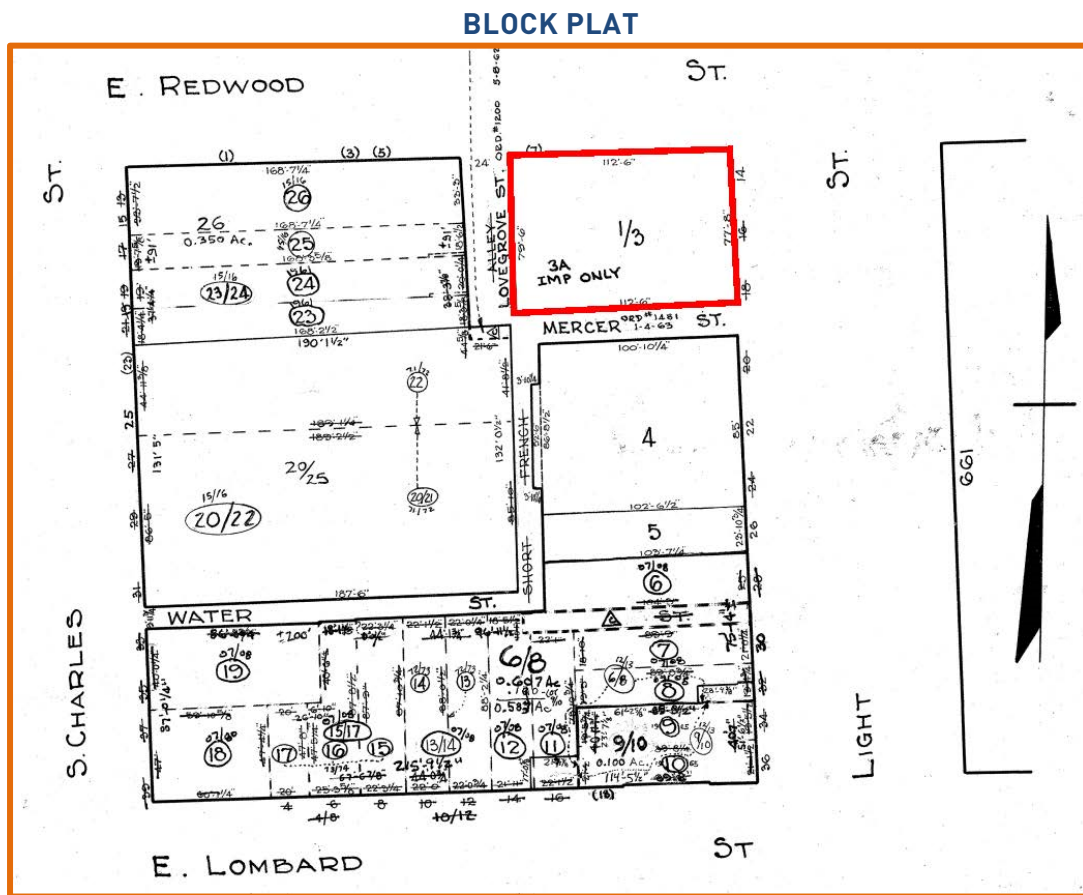
The client in this assignment is Baltimore Development Corporation. The intended users of this report are The Baltimore Development Corporation and The Mayor and City Council of Baltimore and no others.

Intended Use of the Appraisal

The intended use of this report is for financial decisions.

Real Estate Identification

The subject property is located at 14 Light Street (aka 7 E. Redwood Street), Baltimore, Maryland 21202. The Baltimore County Assessor identifies the subject property as Block 660, Lots 3A and 1.



Real Property Interest Appraised

We have appraised the leased fee interest in the subject property.

Date of Report

The date of this report is August 11, 2023, the date of the letter of transmittal.



Type and Definition of Value

The purpose of this appraisal is to develop an opinion of the market value of the subject property. "Market Value," as used in this appraisal, is defined as "the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus." Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

(Source: The Dictionary of Real Estate Appraisal, 7th Edition, pg. 118)

The "as is" value is the value of the property in its present condition under market conditions prevalent on the date of the appraisal.

Please refer to the Glossary in the *Addenda* for definitions of terms employed in this report.

Valuation Scenarios and Effective Dates of Value

We developed opinions of value for the subject property under the following scenarios and corresponding effective dates of value:

Valuation	Effective Date of Value
"Market Value As Is"	July 20, 2023

We completed an appraisal inspection of the subject property on July 20, 2023.

Use of Real Estate as of the Effective Date of Value

The subject property was being used as an general office as of the effective date of appraisal.

Use of Real Estate as of the Date of this Report

Assumed to be the same as above.

Ownership and Sales History

According to the Baltimore City Assessment Office, title to the subject property is vested in The Mayor and City Council of Baltimore as recorded in Liber 14836, Folio 163 and Liber 6094, Folio 414. The subject property has not been sold, or listed for sale nor have the owners entertained offers for purchase within the past three years.



We have considered and analyzed the known history of the subject in the development of our opinions and conclusions.

Scope of Work

The scope of work includes all steps taken in the development of the appraisal. These include 1) the extent to which the subject property is identified, 2) the extent to which the subject property is inspected, 3) the type and extent of data researched, 4) the type and extent of analysis applied, and the type of appraisal report prepared. These items are discussed as follows:

Extent to Which the Property was Identified

Legal Characteristics

The subject was legally identified via Baltimore City land and tax records, aerial photography, and an on-site inspection.

Economic Characteristics

Economic characteristics of the subject property were identified via a comparison to properties with similar locational and physical characteristics.

Physical Characteristics

The subject was physically identified via an on-site inspection, aerial photography, and a block plat.

Extent to Which the Property was Inspected

We inspected the subject on July 20, 2023.

Type and Extent of the Data Researched

We researched and analyzed: 1) market area data, 2) property-specific, market-analysis data, 3) zoning and land-use data, and 4) current data on comparable listings, sales, and rentals in the competitive market area.

Type and Extent of Analysis Applied

Since there is no proposed development or expansion involving the subject site, an intensive feasibility analysis is not warranted. We observed surrounding land use trends, the condition of the improvements, demand for the subject property, and relative legal limitations in concluding a highest and best use. We then valued the subject based on the highest and best use conclusion, relying on the Sales Comparison Approach and Income Approach.

Appraisal Report Type

This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a. Please see the Scope of Work above for a description of the level of research completed.



Appraisal Conformity

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, the Interagency Appraisal and Evaluation Guidelines; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

Extraordinary Assumptions

This appraisal assumes that the current tenants will remain in place upon sale of the building. In the event this assumption does not occur, our value opinion will change.

At the time of our inspection, we were informed that some of the clay tiles in the property had either fallen or were weakened. The client estimates the repairs at approximately \$100,000. We have used this amount in our appraisal and we reserve the right to change our value indication based upon the final engineering report.

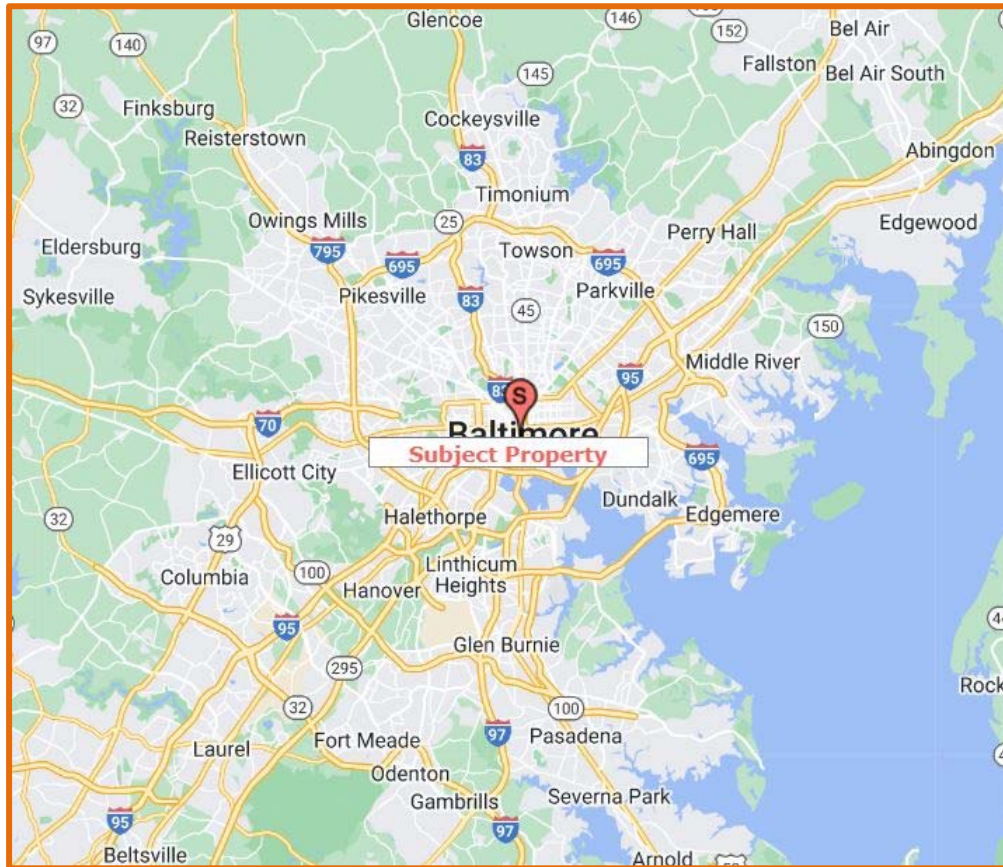
Hypothetical Conditions

None



Baltimore Metropolitan Area Analysis

The Baltimore MSA is located in the Boston to Richmond Corridor and includes Baltimore City and Baltimore, Anne Arundel, Harford, Carroll, Howard, and Queen Anne’s Counties.¹ Baltimore is within a 40-mile commute of Washington, D.C. and is central to the State of Maryland. The MSA enjoys an orientation to the Chesapeake Bay and the Susquehanna and Patapsco Rivers. Baltimore City’s Inner Harbor and Port have deep-water access to the Chesapeake Bay and Atlantic Ocean and is the most inland port on the East Coast.



Maryland’s State Capital, Annapolis, is located in Anne Arundel County. Maryland has an elected governor and State Legislature. Each of the State’s 47 legislative districts elects one senator and three delegates for four-year terms. The local government is centered in the State’s 23 counties and in the City of Baltimore.

¹ Queen Anne’s County is physically and economically separate from the rest of the MSA (Metropolitan Statistical Area). The Baltimore Metropolitan Area for purposes of this report will include Baltimore City and the five contiguous counties.

7 E. REDWOOD STREET



The Baltimore MSA's population grew by an average annual rate of 0.73% between 1980 (2,173,989) and 2000 (2,512,557), according to the U.S. Census Bureau. This growth was concentrated in the MSA's suburban counties. Conversely, Baltimore City has experienced a population decline of approximately 0.94% on an average annual basis. The population declined from 786,741 in 1980 to 651,262 in 2000. The bulk of the MSA's population growth occurred in Howard and Carroll Counties.

According to reports from the U.S. Census Bureau, the MSA's population grew from 2,512,557 in 2000, to 2,662,691 in 2010 (Census), an average annual increase of 0.6% and a total change of 6.0%. Baltimore County has the highest number of residents, followed by Baltimore City.

The MSA's population increased from 2,706,646 in 2012 to 2,783,961 in 2022, an average annual increase of 0.3% and a total increase of 2.9%. The MSA's 2022 population decreased 0.3% from 2021 at 2,792,454. The MSA's population is projected to increase to 3,056,810 by 2040 and 3,150,530 in 2050, according to the Maryland Department of Planning.

According to reports from the U.S. Census Bureau, estimated average median household income for the Baltimore Region increased from \$73,743 in 2011 to \$95,146 in 2021. The region's 2021 income increased by 0.4% over 2020, at \$94,806 and was 5.6% higher than the State of Maryland's estimated 2021 income of \$90,129. The Region has experienced an average annual increase of 2.6% and a total change of 29.0% from 2011 to 2021.

The employment market in the Baltimore Metropolitan Area grew rapidly in the 1980's before declining during recessionary periods. The unemployment rate increased in the MSA during the recessions of the early 1990's, 2001 to 2003 and 2008 to 2011. Unemployment rates increased again in the MSA in 2020 due to the Covid-19 Pandemic.

In 2022, the Baltimore MSA had an average annual estimated labor force of 1,480,796, with an average unemployment rate of 3.2% (not seasonally adjusted), compared to the statewide average annual rate of 3.2% and the U.S. average unemployment rate of 3.6%. During the same period, Baltimore City had the highest unemployment rate of 4.3% and Howard County had the lowest rate at 2.6%.

In May 2023, the MSA had an estimated labor force of 1,487,615 with an unemployment rate of 2.2% (not seasonally adjusted) compared to the statewide rate of 2.2% and the U.S. unemployment rate of 3.7% (seasonally adjusted).

Metropolitan Regional Information Systems, Inc. (MRIS) reported the average annual sale price of a home in the Baltimore Metropolitan Area in 2022 was \$431,063, an increase of 7.8% over 2021, at \$399,817. All counties and Baltimore City had increases in average home sale price in 2022. During the same period, the number of units sold in the MSA decreased from 49,660 in 2021 to 39,624 in 2022, an overall decrease of 20.2%. Decreases in the number of units sold in 2022 in the MSA occurred in Anne Arundel County (24.8%); Baltimore County (18.4%); Carroll County (18.8%); Harford County (24.2%); Howard County (21.1%) and Baltimore City (15.8%).

7 E. REDWOOD STREET



In June 2023 the average home sale price in the MSA was \$480,416, an increase of 5.4% over June 2022, at \$455,627. During the same period, the number of units sold in the MSA decreased from 4,012 in June 2022 to 3,262 in June 2023, a decrease of 18.7%. The average year-to-date (YTD) 2023 home sale price in the MSA was \$440,634, an increase of 3.6% over YTD 2022, at \$425,468. The total number of units sold in the MSA (YTD) decreased from 20,600 in 2022 to 15,328 in 2023, a decrease of 25.6%.

In late 2007, financial markets began to deteriorate from a period of rapid growth in real estate prices and economic activity during the early 2000s. What followed was a deep and unprecedented global economic recession which has come to be known as The Great Recession. Real estate markets, in particular, were profoundly affected by this recession in comparison to those in the past. The Great Recession officially lasted from December 2007 to June 2009 and was followed by a period of slow economic recovery over the next several years. Real estate markets have since recovered from The Great Recession, but its effects can still be seen, most notably in stricter lending practices and the unwinding of monetary and fiscal policies enacted during the recession and recovery.

Economic conditions in the Baltimore MSA have largely stabilized in recent years. The decrease in average home sale prices slowed to 3.8% in 2011, from 10.1% in 2009. The average home sale price in the MSA increased in 2012 through 2014, and 2016 through 2022, after a decrease in 2015. Retail sales in the MSA increased in 2012 through 2019, decreased in 2020 and 2021 and increased in 2022. The average unemployment rate increased in 2009 and 2010 and decreased in 2011 through 2019. In 2020, unemployment rates increased in the MSA as a result of the Covid-19 pandemic, then decreased in 2021 and 2022.

Going forward, the Baltimore MSA's proximity to Washington, D.C., and its economic base, will continue to be a positive influence in its future growth. Economic growth may not soon reach the pace set in the mid-2000s due to the uncertainty caused by the Covid-19 pandemic. However, the MSA's favorable demographic trends and location will assist in growing its economy in the future.

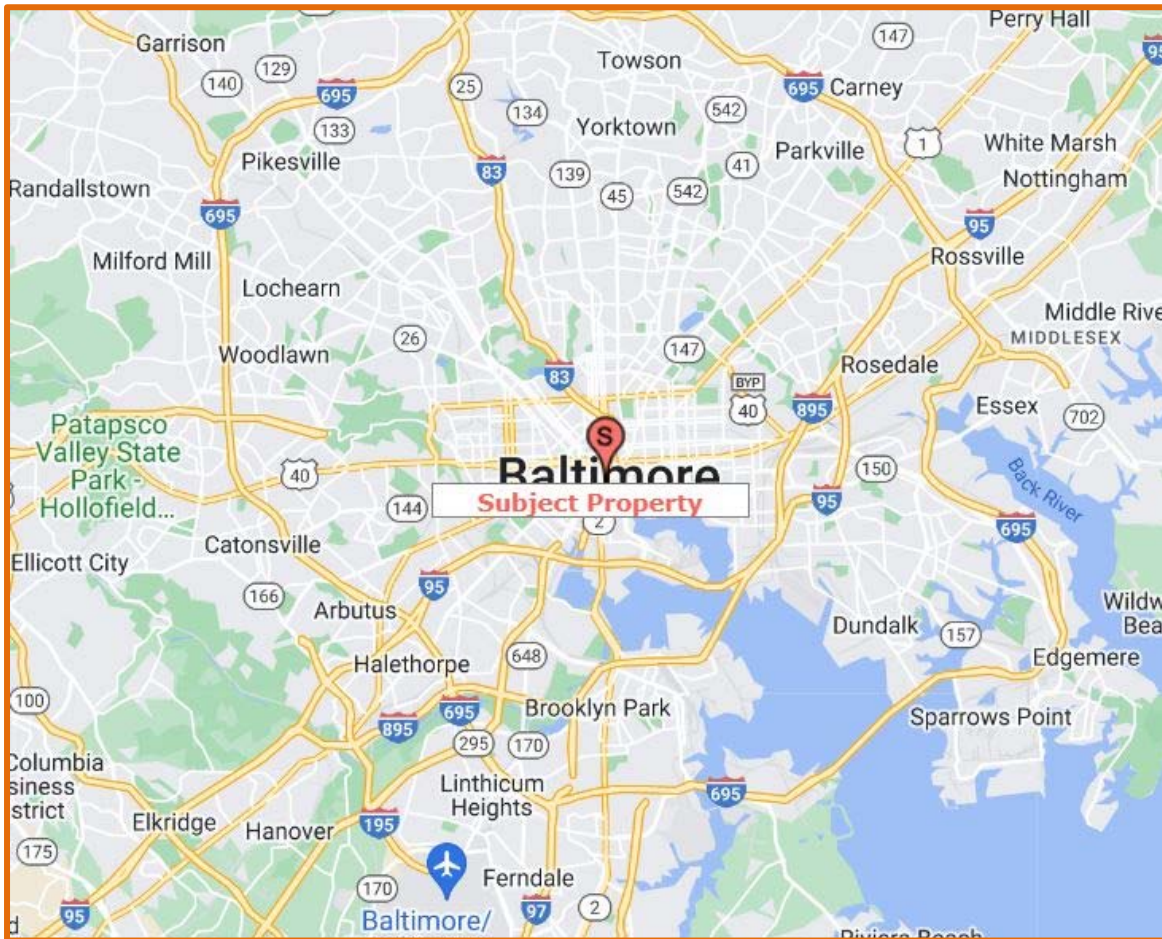


Baltimore City, Maryland Analysis

Location

Baltimore City is part of the Boston, New York, Philadelphia, Washington, D.C., and Richmond Corridor and has a land area of 80± square miles. The City, a separate political entity within Maryland, is encircled by Baltimore County to the north, east and west, and Anne Arundel County to the southeast. Baltimore's metropolitan area also includes Harford and Carroll Counties to the northeast and northwest, Howard County to the west, and Queen Anne's County to the southeast. Baltimore is within a 40-mile commute of Washington, D.C. and Arlington, Virginia and is central in the East Coast "megapolis."

Baltimore's Inner Harbor and Port form the City's southeastern border. The Port has deep water access to the Chesapeake Bay and Atlantic Ocean via the Patapsco River and the Chesapeake-Delaware Canal. The Port of Baltimore is the most inland port on the East Coast, 200 miles closer to the Midwest than any other port.





Historical Overview

Baltimore City and the Port of Baltimore have been important to the national economy since colonial days because of its shipping of coal, grain, and tobacco, clipper mills, and shipbuilding. For a short period, Baltimore was the nation's capital. Baltimore's industrial and trade economy continued through World War II when steel fabricating, shipbuilding, and airplane construction were important elements of war production. In the post war period of the 40's and 50's, Baltimore reached the low point of its economy with an inventory of old deteriorated buildings, decaying housing, and a large number of poor, unemployed people who had migrated from the south and Appalachia. Responding to the need for revitalization, the Baltimore business community initiated two successful economic redevelopment plans, the Maryland Port Authority (MPA), formed in 1956, and the Charles Center Urban Renewal Project, begun in 1959, to revitalize the downtown financial district.

The early Charles Center Urban Renewal Project was a six square block area designed to incorporate new buildings in the financial district. Redevelopment has spread from this nucleus to include Rouse's internationally acclaimed Harbor Place, Marketplace, Market Center, the Charles Street Corridor, and Canton. The redevelopment of downtown has provided more than 6,000,000 square feet of Class "A" office space, complimented by the renovation of older Class "B" space. Although physical redevelopment of older city structures was aggressive during the 1980's, the recessionary economy of the early 1990s led to the economic demise of formerly "successful" projects. Hardest hit were entertainment complexes and Class B office buildings. The economic recovery of the late 1990s resulted in positive absorption and a decline in vacancy to a level of 10±%. The economic decline in later years resulted in higher vacancy rates. Currently, vacancy rates have stabilized and have been declining slightly. This has not slowed down the \$7 billion worth of new development that is occurring today. Developers are reaching past the inner harbor into former industrial areas and neglected neighborhoods that were not even considered for development just a decade ago.

Government

Baltimore City is not in any county, nor is it a county, itself. The City has the same governmental powers as a Maryland county and sends representatives to the State Legislature. The City is governed by an elected Mayor and City Council with four-year terms.



Population

According to reports from the U.S. Census Bureau, Baltimore City's estimated population was 651,262 in 2000, which shows an average annual decrease of 0.94% from 1980, at 786,741. In 2022, the City had an estimated population of 569,931, a decrease of 1.2% from 2021, at 576,981. The City experienced an average annual decrease of 0.9% and a total decrease of 8.5% from 2012 to 2022. The City's population is projected to increase to 599,220 in 2040 and 609,780 in 2050, according to the Maryland Department of Planning. A summary of population history and forecast is shown in the following chart:

HISTORICAL AND PROJECTED TOTAL POPULATION FOR THE BALTIMORE REGION

	Average Annual Growth Rates						
	2012	2022	2012- 2022	2040	2022- 2040	2050	2040- 2050
MARYLAND	5,888,375	6,164,660	0.5%	6,909,050	0.6%	7,183,020	0.4%
BALTIMORE REGION	2,706,646	2,783,961	0.3%	3,056,810	0.5%	3,150,530	0.3%
Anne Arundel County	550,476	593,286	0.8%	677,420	0.7%	694,240	0.2%
Baltimore County	818,218	846,161	0.3%	909,000	0.4%	934,520	0.3%
Carroll County	167,085	175,305	0.5%	183,960	0.3%	188,360	0.2%
Harford County	248,609	263,867	0.6%	293,570	0.6%	308,810	0.5%
Howard County	299,223	335,411	1.1%	393,640	0.9%	414,820	0.5%
Baltimore City	623,035	569,931	-0.9%	599,220	0.3%	609,780	0.2%

Sources: 2012 & 2022: Population Division, U.S. Census Bureau; 2040 & 2050: Maryland Department of Planning.

Employment

Baltimore City has the third largest labor force in the metropolitan area. A survey of the City's total employment broken down by sector of work is shown in the following chart:

SUMMARY OF EMPLOYMENT

SOURCE	Annual	Annual	% Change	Annual	% Change
	2020	2021	2020-21	2022	2021-22
Government	68,086	67,066	-1.5%	69,757	4.0%
Natural Resources & Mining	17	14	-17.6%	36	157.1%
Construction	10,373	10,342	-0.3%	10,102	-2.3%
Manufacturing	10,558	10,454	-1.0%	10,580	1.2%
Trade, Transportation & Utilities	42,176	44,514	5.5%	46,742	5.0%
Information	4,633	4,360	-5.9%	4,132	-5.2%
Financial Activities	15,426	15,060	-2.4%	14,801	-1.7%
Professional & Business Services	48,053	49,181	2.3%	51,576	4.9%
Education & Health Services	100,363	99,962	-0.4%	99,472	-0.5%
Leisure & Hospitality	19,531	21,444	9.8%	24,431	13.9%
Other Services & Unclassified	8,966	9,073	1.2%	9,182	1.2%
Total	328,182	331,470	1.0%	340,811	2.8%

Sources: U.S. Bureau of Labor Statistics



In 2022, Baltimore City had an average annual estimated labor force of 273,763, with an average unemployment rate of 4.3% (not seasonally adjusted), compared to the statewide average annual rate of 3.2% and the U.S. average unemployment rate of 3.6%. During the same period, Baltimore City had the highest unemployment rate and Howard County had the lowest rate at 2.6%. The following chart is a summary of average annual labor force data for Baltimore City and unemployment rates for the MSA and its counties from 2012 to 2022:

AVERAGE ANNUAL LABOR FORCE & UNEMPLOYMENT RATES

BALTIMORE MSA - UNEMPLOYMENT RATES								
Year	Baltimore City		Anne Arundel County	Baltimore County	Carroll County	Harford County	Howard County	Baltimore MSA
	Labor Force	Rate	Rate	Rate	Rate	Rate	Rate	Rate
2012	297,153	10.0%	5.9%	7.2%	5.8%	6.9%	4.9%	7.1%
2013	296,422	9.6%	5.6%	6.8%	5.4%	6.5%	4.8%	6.8%
2014	293,732	8.4%	5.0%	6.0%	4.7%	5.6%	4.3%	5.9%
2015	293,358	7.4%	4.3%	5.2%	4.1%	4.8%	3.7%	5.2%
2016	289,071	6.4%	3.7%	4.5%	3.5%	4.1%	3.2%	4.4%
2017	294,349	5.9%	3.4%	4.2%	3.3%	3.7%	3.0%	4.1%
2018	292,450	5.5%	3.2%	3.9%	3.1%	3.5%	2.9%	3.9%
2019	293,296	4.9%	2.9%	3.5%	2.8%	3.1%	2.6%	3.4%
2020	283,257	8.5%	5.6%	6.6%	4.9%	5.5%	4.9%	6.3%
2021	276,725	7.0%	4.4%	5.2%	3.9%	4.4%	4.0%	5.0%
2022	273,763	4.3%	2.8%	3.3%	2.7%	3.0%	2.6%	3.2%

Sources: U.S. Department of Labor, Bureau of Labor Statistics

In May 2023, the estimated civilian labor force for Baltimore City was 273,903, with an unemployment rate of 3.0% (not seasonally adjusted), compared to a rate of 2.2% for the Baltimore MSA, 2.2% in the State of Maryland and the U.S. unemployment rate of 3.7% (seasonally adjusted). Government employment accounts for 20% of the Baltimore City work force, with the remaining 80% in the private sector. The top ten private sector employers in Baltimore City are listed in the following chart:

TOP TEN EMPLOYERS

Employer	Product-Service/Industry	Employees
Johns Hopkins Hospital & Health System**	Medical services/Health care	20,845
Johns Hopkins University	Higher education/Educational services	18,600
University of Maryland Medical System*	Medical services/Health care	11,450
University System of Maryland**	Higher education/Educational services	8,965
MedStar Health*	Medical services/Health care	6,175
LifeBridge Health *	Medical services/Health care	5,315
Mercy Health Services	Medical services/Health care	5,500
Amazon.com	Fulfillment Center	4,500
Exelon	Energy products & services/Utilities	3,000
Kennedy Krieger Institute	Health services for children with disabilities	2,600

Note: Excludes post offices, state and local governments; national retail and national food service; includes higher education. * Includes multiple facilities. ** Includes UMB, UB and Coppin State University.

Sources: Baltimore Development Corporation; Maryland Department of Commerce. 2022



Income

According to reports from the U.S. Census Bureau, estimated median household income for Baltimore City increased from \$38,478 in 2011, to \$54,068 in 2021, an average annual increase of 3.5% and a total change of 40.5%. The City's 2021 median household income was 5.0% higher than the 2020 median income of \$51,485, 40.0% lower than Maryland's estimated median income of \$90,129 and 43.2% lower than the Baltimore Region's estimated median income of \$95,146. The median household income for Baltimore City from 2011 to 2021 is shown in the following chart:

MEDIAN HOUSEHOLD INCOME

Year	Income	Annual % Change	Total % Change
2011	\$38,478	-	-
2012	\$39,077	1.6%	1.6%
2013	\$41,988	7.4%	9.1%
2014	\$41,895	-0.2%	8.9%
2015	\$43,192	3.1%	12.3%
2016	\$46,604	7.9%	21.1%
2017	\$46,762	0.3%	21.5%
2018	\$50,501	8.0%	31.2%
2019	\$49,780	-1.4%	29.4%
2020	\$51,485	3.4%	33.8%
2021	\$54,068	5.0%	40.5%
Average Annual % Change		3.5%	

Source: U.S. Census Bureau

Assessable Tax Base

The assessable tax base is affected by physical growth, economic conditions and market pricing. According to reports from the State Department of Assessments and Taxation, the City's estimated real property assessable tax base (full year), for FY 2022 (as of the March 31, 2023 base estimate date), was \$43.103 billion, an increase of 2.0% over 2021, at \$42.258 billion. The City experienced an average annual increase of 2.7% and a cumulative change of 31.0%, from 2012 to 2022, as set forth in the following chart:

ASSESSABLE TAX BASE

Year*	Tax Base (In \$Billions)	Annual % Change	Cumulative % Change
2012	\$32.899	-	-
2013	\$32.214	-2.1%	-2.1%
2014	\$33.619	4.4%	2.2%
2015	\$35.449	5.4%	7.8%
2016	\$37.502	5.8%	14.0%
2017	\$38.893	3.7%	18.2%
2018	\$39.813	2.4%	21.0%
2019	\$40.890	2.7%	24.3%
2020	\$41.647	1.9%	26.6%
2021	\$42.258	1.5%	28.4%
2022	\$43.103	2.0%	31.0%
Average Annual % Change		2.7%	

Source: State Department of Assessments and Taxation.

*For Tax Years beginning July 1st.



Retail Sales

According to reports from the Comptroller of Maryland, Bureau of Revenue Estimates, Baltimore City had sales totaling \$7.057 billion in 2022, an increase of 80.5% over 2021, at \$3.910 billion. The City has experienced an average annual increase of 2.5% and a cumulative rate increase of 27.8% from 2012 to 2022, as shown in the following chart:

RETAIL SALES

Year*	Retail Sales (In \$Billions)	Annual % Change	Cumulative % Change
2012	\$5.523	-	-
2013	\$5.621	1.8%	1.8%
2014	\$5.739	2.1%	3.9%
2015	\$5.841	1.8%	5.8%
2016	\$5.794	-0.8%	4.9%
2017	\$5.803	0.2%	5.1%
2018	\$5.819	0.3%	5.4%
2019	\$5.980	2.8%	8.3%
2020	\$5.333	-10.8%	-3.4%
2021	\$3.910	-26.7%	-29.2%
2022	\$7.057	80.5%	27.8%
Average Annual % Change		2.5%	

Source: Comptroller of Maryland - Bureau of Revenue Estimates (BRE) Consolidated Revenue Reports; Sales and Use Tax Summaries.

**Fiscal Years through June 30th.*

Housing

Metropolitan Regional Information Systems, Inc. (MRIS), in their report on housing statistics, said that the average annual sale price of an existing home in Baltimore City in 2022 was \$258,165, an increase of 7.5% over 2021, at \$240,220. The number of units sold in the City decreased from 11,743 in 2021 to 9,889 in 2022, a decrease of 15.8%. Historical changes in average annual home sale prices and number of units sold in Baltimore City from 2012 to 2022 are shown in the following chart:

AVERAGE HOME SALE PRICES AND UNITS SOLD

Year	Units Sold	% Change	Avg. Price	% Change
2012	5,381	--	\$159,310	--
2013	6,412	19.2%	\$164,936	3.5%
2014	7,003	9.2%	\$156,106	-5.4%
2015	8,068	15.2%	\$154,463	-1.1%
2016	8,626	6.9%	\$167,473	8.4%
2017	9,452	9.6%	\$173,598	3.7%
2018	8,986	-4.9%	\$174,386	0.5%
2019	9,047	0.7%	\$189,335	8.6%
2020	9,867	9.1%	\$207,365	9.5%
2021	11,743	19.0%	\$240,220	15.8%
2022	9,889	-15.8%	\$258,165	7.5%

Source: Metropolitan Regional Information Systems, Inc. (MRIS)



In June 2023 the average home sale price in Baltimore City was \$273,641, a decrease of 1.9% from June 2022, at \$279,067. During the same period, the number of units sold in the City decreased from 919 in June 2022 to 835 in June 2023, a decrease of 9.1%. The average year-to-date (YTD) 2023 home sale price in the City was \$247,143, a decrease of 4.8% from YTD 2022, at \$259,729. The total number of units sold in the City (YTD) decreased from 5,392 in 2022 to 4,144 in 2023, a decrease of 23.1%. A comparison of 2023 to 2022, for average home sale prices and number of units sold in Baltimore City on a monthly and YTD basis, is shown in the following chart.

AVERAGE HOME SALE PRICES & NO. OF UNITS SOLD - MONTHLY/YTD COMPARISON

Month	2022	2023	2022-2023 % Change	2022	2023	2022-2023 % Change
	Units Sold	Units Sold		Average Price	Average Price	
January	712	472	-33.7%	\$246,905	\$215,760	-12.6%
February	767	565	-26.3%	\$235,076	\$223,151	-5.1%
March	985	767	-22.1%	\$250,953	\$238,193	-5.1%
April	1,003	688	-31.4%	\$267,460	\$261,406	-2.3%
May	1,006	817	-18.8%	\$278,911	\$270,709	-2.9%
June	919	835	-9.1%	\$279,067	\$273,641	-1.9%
YTD	5,392	4,144	-23.1%	\$259,729	\$247,143	-4.8%

Source: Metropolitan Regional Information Systems, Inc. (MRIS)

According to reports from the U.S. Census Bureau, in 2022, the City issued new residential building permits for 1,657 dwelling units (including multi-family), an increase of 6.4% over 2021, at 1,557 units. Of the permits issued in the City in 2022, 118 were for single-family units, a decrease of 38.2% from 2021, at 191 units. During the same period, the City issued permits for 1,539 multi-family units (including Mixed-Use), an increase of 12.7% over 2021, at 1,366 units.

The dollar value of all new residential permits issued in Baltimore City in 2022 was \$219.7 million, a decrease of 30.2% from 2021, at \$314.8 million. The number of units and construction costs for building permits issued in the City from 2012 to 2022 are shown in the following chart:

RESIDENTIAL CONSTRUCTION PERMITS

Year	Number of Units				Construction Costs (\$millions)			
	Single-Family	Multi-Family	Total	% Change	Single-Family	Multi-Family	Total	% Change
2012	61	581	642	--	\$8.7	\$47.8	\$56.5	--
2013	220	1,037	1,257	95.8%	\$31.8	\$29.3	\$61.1	8.1%
2014	223	456	679	-46.0%	\$35.3	\$45.2	\$80.5	31.8%
2015	219	917	1,136	67.3%	\$31.0	\$160.1	\$191.1	137.4%
2016	286	431	717	-36.9%	\$44.5	\$50.5	\$94.9	-50.3%
2017	171	1,033	1,204	67.9%	\$29.9	\$67.5	\$97.5	2.7%
2018	99	1,448	1,547	28.5%	\$15.6	\$219.4	\$235.0	141.1%
2019	130	380	510	-67.0%	\$21.8	\$55.5	\$77.3	-67.1%
2020	101	1,520	1,621	217.8%	\$12.0	\$274.5	\$286.4	270.5%
2021	191	1,366	1,557	-3.9%	\$26.2	\$288.5	\$314.8	9.9%
2022	118	1,539	1,657	6.4%	\$24.4	\$195.3	\$219.7	-30.2%

Sources: 2012-2017: Baltimore Metropolitan Council; 2018-2022: U.S. Census Bureau.



Commercial/Industrial Markets

According to reports from the Baltimore Metropolitan Council, in 2022, the City issued new, non-residential building permits for a dollar value of \$541.0 million, an increase of 5.9% over 2021, at \$510.9 million. The City experienced an average annual increase in total permit value of 2.2% and a total increase of 23.9% from 2012 to 2022. The total permit value of all non-residential building permits issued in the City, from 2012 to 2022 are shown in the following chart:

NON-RESIDENTIAL CONSTRUCTION PERMITS			
Year	Permit Value (\$millions)	Annual % Change	Total % Change
2012	\$436.5	--	--
2013	\$329.6	-24.5%	-24.5%
2014	\$202.4	-38.6%	-53.6%
2015	\$132.4	-34.6%	-69.7%
2016	\$106.2	-19.8%	-75.7%
2017	\$72.6	-31.7%	-83.4%
2018	\$276.4	280.9%	-36.7%
2019	\$187.2	-32.3%	-57.1%
2020	\$310.2	65.7%	-28.9%
2021	\$510.9	64.7%	17.0%
2022	\$541.0	5.9%	23.9%
Average Annual % Change		2.2%	

Source: Baltimore Metropolitan Council

Baltimore City's commercial sector is concentrated around the center city but is well-established throughout all neighborhoods. The Baltimore Central Business District is comprised of an estimated 12.8 million square feet of office space including several A+ buildings surrounding the Baltimore waterfront, according to reports from the BDC (Baltimore Development Corporation). After decades of decline, massive redevelopment is taking place in the City that includes retail, office buildings and apartments. Formerly, retail needs were served in older neighborhoods with shopping areas and small shopping malls. Generally, more modern and upscale facilities were found in surrounding Baltimore County. This is changing with the \$7 billion development boom that has taken place in the City.

Baltimore City's industrial activity is found around the outer harbor area and the major arterials, although light industrial uses are found in many neighborhoods. Manufacturing has declined in recent years but is being replaced by R&D uses. New office construction is occurring when lead tenants can be obtained. A number of properties (e.g. Montgomery Wards Warehouse and Proctor & Gamble Plant) went through adaptive reuse programs to office or telecommunication facilities.

7 E. REDWOOD STREET



Public and privately-owned industrial sites are available throughout the city, offering access to transportation, all utilities and the available workforce. The City also has proximity to BWI Airport and the Port of Baltimore. The Carroll-Camden area, which totals over 800 acres, has immediate public and private opportunities within a 15-acre locale along the Warner Street corridor. Several business and industrial parks offering campus-like settings include:

- Seton Business Park in northwest Baltimore, with 220 acres.
- Cross Roads Business Park
- Hollander 95 Business Park
- Park Circle Business Park
- Holabird Business Park in southeast Baltimore, with 500 acres.
- Carroll Camden Business Park in southwest Baltimore, with 184 acres
- Chesapeake Commerce Center in east Baltimore, with 130 acres.
- Johns Hopkins Bayview Research Campus in east Baltimore (a location for medical and biotechnology companies), with 130 acres.
- Two new biotech parks have been developed – a 20-acre Science & Technology Park, affiliated with, and located north of the Johns Hopkins Medical Institutions and the 12-acre University of Maryland BioPark adjacent to the University of Maryland Medical System’s medical, nursing, pharmacy and dental schools. Both offer opportunities for biotechnology research facilities as well as manufacturing operations.



Business Incubators and Makerspaces include: Accelerate Baltimore, Baltimore Food Hub, Baltimore Hackerspace, Baltimore Node, Baltipreneurs Accelerators (Loyola University, MD), Betamore Innovation Center, B-More Kitchen Accelerator Space, City Garage, Conscious Venture Lab, Coppin State University Center for Strategic Entrepreneurship, Emerging Technology Centers in Canton and Johns Hopkins Eastern, FastForward Accelerator, Fells Point Culinary Incubator, Harbor Launch at IMET, HEXCITE Medical Accelerator, The Hutch (Fearless Tech), Johns Hopkins Social Innovation. Lab, LifeBridge Health Bio Incubator, Made In Baltimore Home-Run, Morgan State university I-Start, Open Works, Spark Baltimore, University of Baltimore Center For Entrepreneurship & Innovation. A Market Profile for Baltimore City's industrial and office properties is shown in the following chart:

MARKET PROFILE DATA

Land - cost per acre	Low	High	Average
Industrial	\$78,947	\$8,399,517	\$1,584,375
Office	\$192,037	\$8,287,024	\$1,896,691
Rental Rates - per square foot			
Warehouse / Industrial	\$1.00	\$18.91	\$16.00
Flex / R&D / Technology	\$5.00	\$25.00	\$14.57
Class A Office	\$14.95	\$43.80	\$29.32

Source: Baltimore Development Corporation (2022).

Transportation

Baltimore City's excellent transportation network includes access to highways, railroads, truck, water, and air transportation. The City is along the I-95 Corridor which travels along the eastern seaboard, between Maine and Florida. The Baltimore-Washington region's two major beltway systems, the Baltimore Beltway (I-695) and the Washington Beltway (I-495), encircle each respective city and are both part of the I-95 system. I-695 has interchanges at all of the metropolitan area's primary arteries. Metropolitan Baltimore is linked to the east coast economic centers of Wilmington (DE)-Philadelphia, New York, and Boston by I-95. Baltimore is linked to Wilmington, Delaware by I-95 which is connected to the Delaware and New Jersey Turnpike systems. Providing a bypass through the Baltimore area, the Harbor Tunnel (I-895) and Key Bridge (I-695) are part of the I-95 corridor. In addition, the Baltimore-Washington Parkway (MD Route 295) provides direct highway access from downtown Baltimore to BWI Airport and the Washington Metropolitan Area. Within Baltimore City, I-395 provides direct access to I-95 and downtown Baltimore. Situated to the northwest of the city limits, the Northwest Expressway (I-795) provides access to northwest Maryland and Pennsylvania.

Downtown Baltimore is linked to the beltway system and north central Baltimore County by the Jones Falls Expressway (I-83). Beyond the beltway limits, the Jones Falls Expressway becomes the Harrisburg Expressway (I-83) which extends from Baltimore County to central Pennsylvania where it joins the Pennsylvania Turnpike. Highway access to Western Maryland is provided by Interstate-70 which links Metropolitan Baltimore with Frederick, Hagerstown and Western Pennsylvania. There are 150 local and long-distance trucking establishments located in the City.

7 E. REDWOOD STREET



The City has a mass transit system that runs from the northwestern suburbs into downtown and continues to the Johns Hopkins Medical Campus in East Baltimore. Light rail connects the City with BWI Airport and the northern suburbs and industrial parks. Amtrak provides passenger service links from the City to BWI Airport, Washington D.C., and other major East Coast cities such as, Wilmington, Philadelphia, and New York City. MARC Commuter Rail links Baltimore with Washington, D.C. as well.

Baltimore has excellent freight rail services as it is served by the Canton Railroad Co., CSX Transportation and the Norfolk Southern Railway. Excellent and modern port facilities link with rail facilities to provide one-day shipment to about 40 percent of the nation's industrial markets.

Baltimore's 45-mile long shoreline comprises one of the largest foreign tonnage ports in the U.S., the Helen Delich Bentley Port of Baltimore (renamed for former Congresswoman, Helen Delich Bentley on June 2, 2006, in celebration of the 300th anniversary of the Port), located at Dundalk, Curtis Bay, Locust Point and Canton Yards. The Port is a significant economic engine for the region and a leading U.S. automobile and break-bulk port with six public terminals and a state-of-the-art Intermodal Container Transfer Facility. It is ranked as one of the nation's top, and the East Coast's number one, "Ro/Ro" (roll-on/roll-off) ports. It is also the number one port on the East Coast for importing trucks, forest products, and gypsum, according to the MPA. The port is generally ice-free year-round and can be approached from the south via the Chesapeake Bay or from the north via the Delaware Bay and Chesapeake-Delaware Canal. Baltimore is the closest East Coast port to the U.S. Midwest. Its geographic advantage allows Midwestern manufacturers significant cost and time savings when transporting their goods to Baltimore rather than other East Coast ports.

Baltimore/Washington International Thurgood Marshall Airport (BWI), approximately 10 miles from downtown Baltimore, provides domestic and international air travel and transport services for residents and visitors. The City also is reasonably proximate to Ronald Reagan Washington National, and Washington Dulles International Airports.

Conclusions

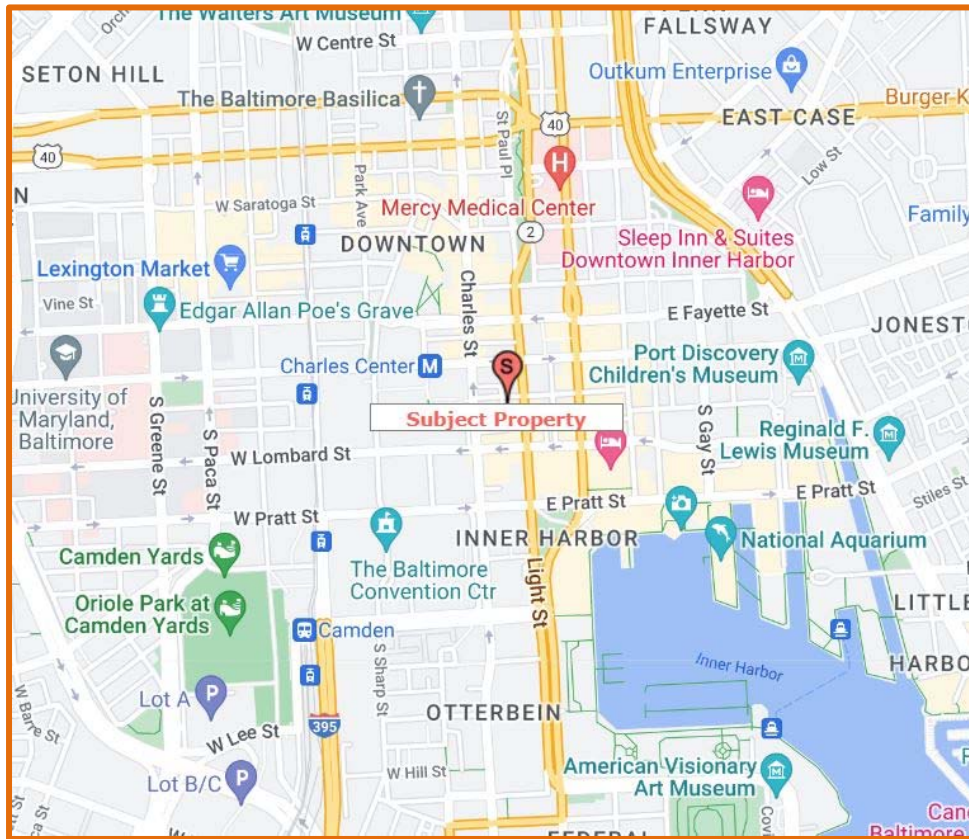
Baltimore City's housing market started to rebound in 2012 and 2013 after a four-year decline. The average home sale price in the City increased in 2012, 2013, and 2016 through 2022, after decreases in 2008 through 2011, 2014 and 2015. Retail sales increased in 2011 through 2015 and 2017 through 2019, decreased in 2016, 2020 and 2021 and then increased in 2022. The average unemployment rate increased in 2009 and 2010 and then decreased in 2011 through 2019. In 2020, the unemployment rate increased in the City as a result of the Covid-19 pandemic, then decreased in 2021 and 2022.

Going forward, Baltimore City's proximity to Washington, D.C., and its economic base, will continue to be a positive influence in its growth. Economic growth may not soon reach the pace set in the mid-2000s due to the uncertainty caused by the Covid-19 pandemic. However, Baltimore City's favorable demographic trends and location will assist in growing its economy in the future.



Neighborhood Analysis

NEIGHBORHOOD MAP



Neighborhood Location and Boundaries

The subject property is situated in the inner harbor/downtown area of Baltimore City. The neighborhood's boundaries are defined as Franklin Street to the north, the Jones Falls Expressway (I-83) to the east, Conway Street to the south, and Martin Luther King Jr. Boulevard to the west. Surrounding neighborhoods are Mount Vernon to the north, the University of Maryland campus to the west, the Otterbein to the south, and Jonestown and Little Italy to the east. The subject is located in the north central section of the neighborhood. The subject is three blocks from the Inner Harbor.

Demographics

The subject is in Zip Code 21202. Demographic data on this area was obtained from ESRI Business Solutions. ESRI estimates the 2023 population in this zip code at 21,969, a 4.1% decrease from the 2010 population of 22,902. ESRI forecasts the population will decrease between 2023 and 2028 to 21,968. The number of households grew 33.2% between 2010 and 2023, from 8,377 to 11,160. The number of households is expected to increase to 11,319 by 2028. The median household income is estimated at \$54,626, below the statewide median of \$93,432 and the national median of \$72,603.



Neighborhood Land Use

The downtown area is characterized by a core cluster of high-rise office buildings, apartments, and hotels with ground floor retail generally constructed within the past 50 years surrounded by mid- and low-rise buildings supporting similar uses that were typically developed between 1850 and 1950. Interspersed throughout the downtown area are parking garages and surface parking lots. Significant features of the downtown area include Royal Farms Arena, a 14,000-seat arena developed in 1962; the Hippodrome Theatre, a 2,300-seat movie theater built in 1914 and renovated in 2004; and Lexington Market, a 59,700 sq.ft. enclosed market with over 1,000 vendor stalls that was originally established in 1782 and currently under renovation.

Extending west from Howard Street is a section of downtown known as the Westside. The Westside has been slated for substantial redevelopment for several years with the most significant projects completed to date being Centerpoint, a 392-unit apartment project with 33,000 sq.ft. of retail delivered in 2006 and Camden Court, a 221-unit apartment project with first floor retail. The primary driver of economic activity on the Westside is the University of Maryland, Baltimore (UMB), a public health, law, and human services university founded in 1807 that occupies 71 acres in 68 buildings and has a current enrollment of 6,329 students and 7,119 faculty members and staff. UMB has acquired several vacant and underutilized buildings on the Westside for redevelopment as part of their continuous expansion. Also located on the Westside, is the University of Maryland Medical Center, a 757-bed teaching hospital founded in 1823. The hospital has approximately 6,500 employees and 1,000 attending physicians and receives over 35,000 inpatient admission and 165,000 outpatient visits annually.

Adjacent to the south of downtown is the Inner Harbor. Originally supporting industrial uses related to shipping, the Inner Harbor was gradually redeveloped beginning in the 1970's as a tourist destination with entertainment and retail attractions such as Harborplace, Power Plant, the National Aquarium, and the Maryland Science Center. Also south of the downtown area are other attractions to include the home of Baltimore's professional baseball team, Oriole Park at Camden Yards; the home of Baltimore's professional football team, M&T Bank Stadium; and the Baltimore Convention Center.

Immediate Environs

The subject is located on the southern edge of the inner harbor/downtown area, with land uses south of the subject generally consisting of residential, with high rise buildings along Light Street and Charles Street, oriented close to Conway Street, and commercial land uses located north of the subject. Immediately west of the subject is the Sheraton Inner Harbor Hotel and Baltimore Convention Center to the northwest. Immediately north of the subject is the 1 E Pratt Street office building and a pedestrian sky-bridge that connects the subject directly to the Baltimore Convention Center. Immediately east of the subject is the inner harbor and one of the Harbor Place Pavilions. Immediately south of the subject is 414 Light Street apartment building. The subject's physical connection to the convention center, and proximity to Oriole Park at Camden Yards, M&T Bank Stadium, the inner harbor, and downtown are major sources of tenant demand. The majority of room night demand is associated with the convention center.



Transportation Routes

The neighborhood has good access. The inner harbor/downtown area is well served by a proximate and extensive network of highways and other roads which provide access throughout the Metropolitan area including I-83, I-95, I-395 and U.S. Route 40. Primary local streets include Charles, Light, Calvert and Howard Streets in a north/south direction and Pratt, Lombard, Baltimore and Conway Streets in an east/west direction. The Mass Transit Administration (MTA) provides regular bus service throughout the area. Baltimore's subway system, known as the Metro, extends southeast from Owings Mills through the CBD and east to Johns Hopkins Hospital. Downtown is served by the Charles Center station. The MTA maintains a light-rail line which extends in a north/south direction from the Hunt Valley area in Baltimore County into Baltimore City and then to the Linthicum area of northern Anne Arundel County. The Light Rail runs along Howard Street in the downtown area.

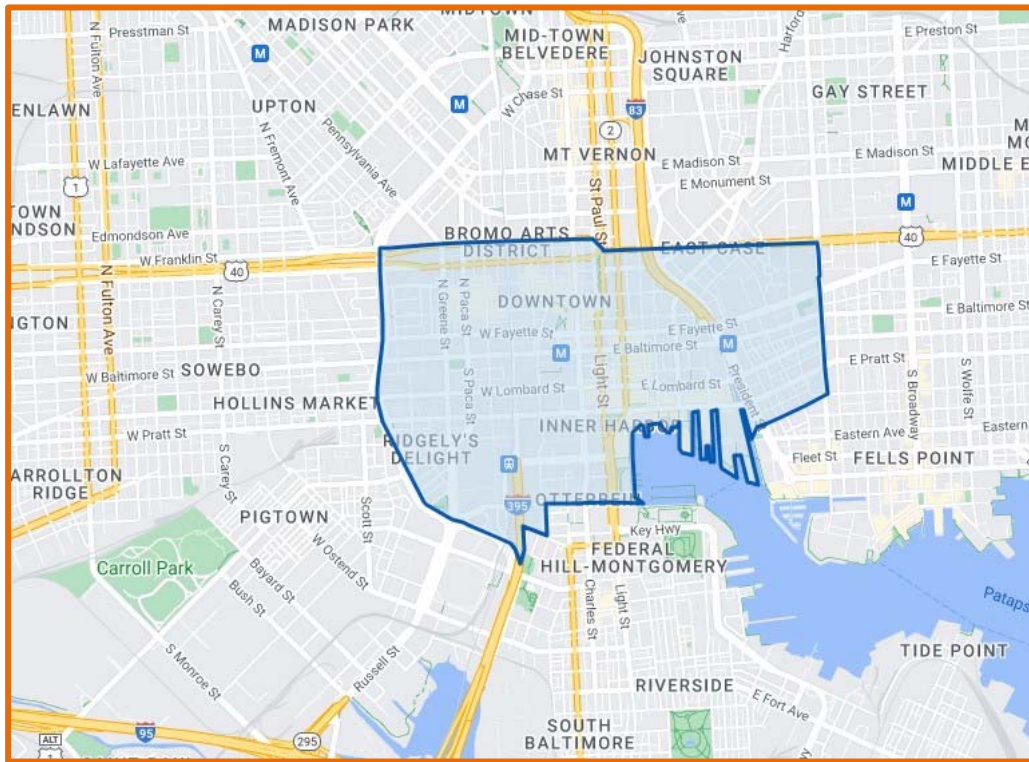
Conclusions

In summary, the immediate area is easily accessible and supports an extensive mix of office buildings, apartments, hotels, and ground floor retail. Demographic data suggest a growing population with below average income. Overall, the inner harbor/downtown area is expected to experience moderate growth over the near future.



Market Analysis

MARKET AREA MAP



Overview

The subject's market area is the Baltimore Central Business District (CBD) according to CoStar which defines the general boundaries as: Route 40 (Orleans Street) to the north, S Central Avenue to the east, Inner Harbor and Lee Street to the south, and Martin Luther King Jr. Boulevard to the west.

The CBD tends to be a slow mover within the office market. Development is non-existent since nearly the entire CBD is improved and leases are typically smaller in size. In 2023 Q2 total leasing activity has fallen to record lows. More conversions and demolitions of office assets have taken place than new deliveries have in the past ten years, which has resulted in a net reduction in supply of approximately 2,500,000 SF. Consequently, the growth of asking rents have remained essentially minimal.

Definition of Product and Market Segmentation

In the following paragraphs, we describe the competitive qualities of the subject and the market segment in which it competes.

Property Type

The subject property is a 20-story, 184,275± sq.ft. (gross building area) office building that is owned and operated by the City of Baltimore. The subject property's improvements are well maintained by the property owner and maintenance of the structure is frequently conducted.



Location of Competition

The subject property is located on the corner of the signalized intersection of E Redwood Street and Light Street. The west side of the property sits along the intersection with S Lovegrove Street. The site is well located and has good access and visibility along a commercial corridor with a strong traffic volume.

Supply and Demand Trends

Using CoStar, we researched the market area to determine real estate trends within the market area. This information is presented as follows:

Inventory of Existing Space

Within Baltimore's CBD overall office space CoStar tracks 23,690,424 sq. ft. in the subject's submarket area. Between 2013 & 2023 inventory has decreased from 26,151,043 to 23,690,424 sq. ft. YTD. Baltimore's CBD Class B office space consists of 11,064,127 sq. ft. in the subject's submarket area. Between 2013 Q3 and 2023 Q3 QTD CBD Class B office space has decreased from 12,662,532 to 11,064,127. Baltimore's Class B CBD office market consisting of buildings over 50 years old inventory has decreased from 8,335,971 to 6,767,566 from 2013 Q3 to 2023 Q3 QTD demonstrating a majority of buildings either razed or converted were over 50 years old.

Within Baltimore's CBD apartment space CoStar tracks 8,075 units in the subject's submarket area. Between 2013 Q3 and 2023 Q3 QTD inventory has nearly doubled from 4,371 units to 8,075 units from predominately converted space. The amount of apartment space in the CBD is a fraction of the amount of total office space but the trends demonstrate a strengthening demand for apartment space and a decreasing demand for office space.

Barriers to Entry

There has been minimal growth in rental rates since 2010 as demand for office space has declined since the recession and further exacerbated by the pandemic. Subsequently, construction of new product has been minimal.

New or Proposed Construction

Development is typically limited in the Central Business District (CBD). As a result, the office inventory is aging, and the average office building is more than 90 years old. On a net basis, CBD office supply has actually shrunk over the past 10 years. A byproduct of conversions and demolitions, this collective removal of approximately 2,500,000 sq. ft. of supply from the submarket's inventory has outpaced the roughly 249,000 sq. ft. of office space that has delivered over that same period. And while it has been beneficial to the submarket's vacancy rate, attracting office-using firms to the area can become tough with an ever-aging stock of office buildings.

Among Baltimore's CBD Class B office space there has not been any deliveries in the past 10 years contributing to over 1,500,000 sq. ft. of inventory being removed from the submarket. Since no new Class B office space has been constructed in the CBD market, inventory is being either converted or razed and built for a new purpose.

Among projects recently completed, CFG Arena was reopened in April 2023 after a \$250,000,000 remodeling project to restore the 61-year-old venue. The 14,000 seat facility will host 130 events annually. The Redwood Campus Center at 300 W Redwood Street is a 395-unit apartment building



developed by Metropolitan Partners, Ltd and was completed in July 2021. The property is one of the country’s first post COVID-19 engineered residential projects in respects to enhanced air filtration and amenities. One Light Street was completed in 2019. It is 28 stories in height, containing 280 apartment units and contains 776,000 sq.ft.

Vacancy

There have been both upward and downward swings in vacancies over the past ten years in the Central Business District office submarket area. The lack of development has kept vacancies tight. In fact, more conversions and demolitions of office assets have taken place than new deliveries have in the past ten years, which has resulted in a net reduction in supply of nearly 2,500,000 SF.

In 2023 Q3 QTD the vacancy rate in the Central Business District has reached its lowest point since 2018 Q1. Vacancy has decreased from the peak of COVID-19 related vacancies therefore vacancy figures have reduced but they are expected to increase the rest of 2023 and leading into 2024 Since no office deliveries are anticipated, any adjustments to that rate will likely stem from changes to office-using footprints, rather than supply side pressures. Below is a chart indicating the vacancy trend over the last ten years.





Baltimore’s Class B CBD office market has experienced swings similar to the overall CBD office market. Since 2013 Q3 the vacancy percentage has risen from 15.5% to 21.8% as of 2023 Q3 QTD and has ranged from 15.5% to 24.5% in 2022 Q2. The vacancy rate is currently at one of its highest points in the past 10 years due to COVID, the “work-from-home” movement, and an exodus of companies exiting Baltimore’s CBD and moving to the surrounding areas of Baltimore City. Below is a chart indicating the vacancy trend over the last 10 years.



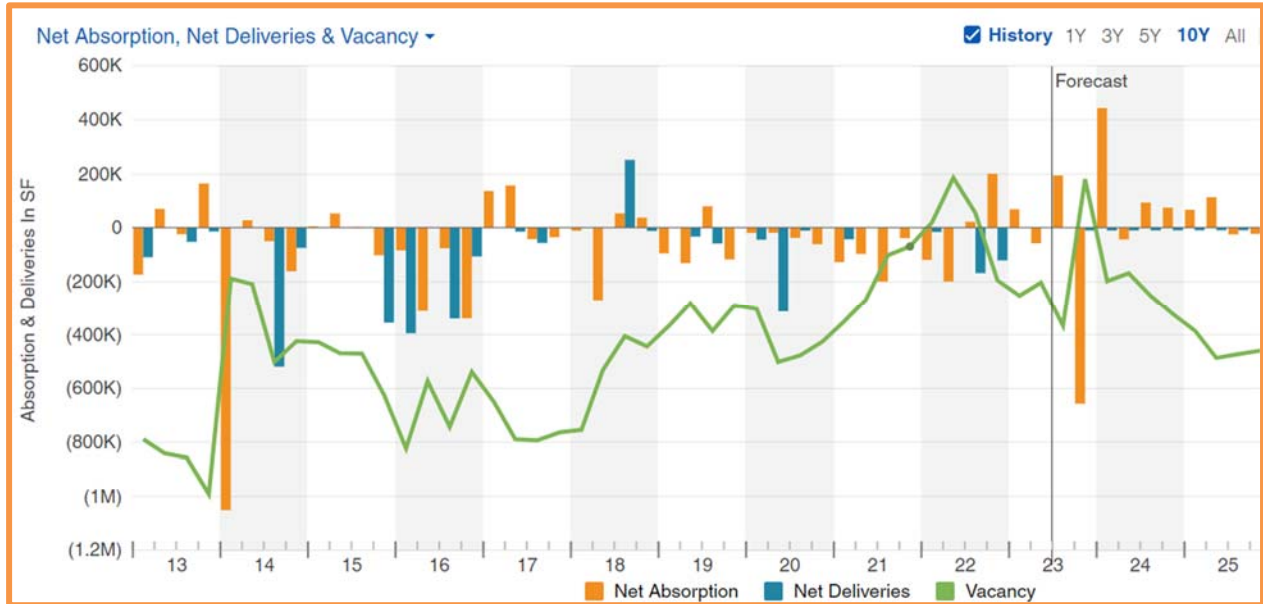
Baltimore’s Class B CBD office market consisting of buildings over 50 years old has seen fewer vacancies that align with the diminishing inventory figures. Over the past ten years since 2013 Q3 vacancy figures have decreased from 1,563,036 sq. ft. (17.7%) to 1,002,415 sq. ft. (14.8%) reflecting the overall reduction in supply of older buildings. Analysis of many of these older buildings have proven the highest and best use is for demolition or multi-family conversion to fuel the strong demand for the apartments.

Baltimore’s CBD multi-family apartment market has seen swings in vacancies similar to the office market with vacancy rates ranging from 6.2% to 18.4% since 2013 Q3. The current vacancy rate is 7.5% which is the lowest it has been in the past two years and is significantly lower than the CBD office vacancy rates.



Absorption Trends

Net absorption trends within the CBD office market area have fluctuated over the years as depicted in the graph below with the current net absorption at ±202,847 sq. ft. YTD. The net absorption is higher than the majority of the figures over the past 10 years.



Net absorption trends within the CBD Class-B office market area have fluctuated over the years as depicted in the graph below. Along with 2022 Q3 the 2023 Q4 net absorption at ±150,000 square feet per quarter is higher than figures over the past 10 years.



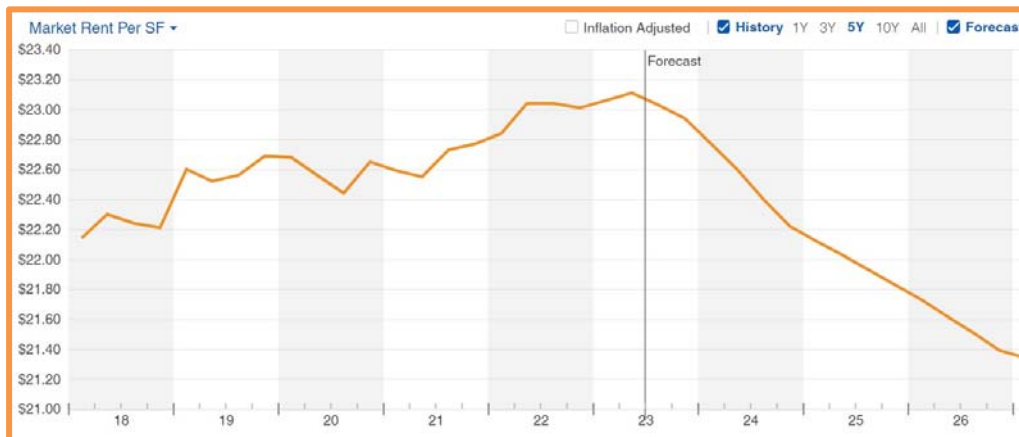


Net absorption trends among buildings greater than 50 years old in Baltimore’s Class-B CBD office sector have fluctuated over the years but all of the net absorption from 2023 Q3 QTD has taken place among Class B office buildings over 50 years old indicating there is still a demand for this older Class B office space despite the generally negative quarter-to-quarter net absorption figures.

Net absorption trends among multi-family apartments in the CBD has been positive every quarter for the past 10 year except three for a total positive net absorption of 3,371 units.

Range and Average of Rental Rates

Asking rents in Baltimore’s office CBD market are amongst the least expensive in the City and metropolitan area. At about \$23.25 the asking rents fall short of the average Baltimore City market rent of \$24.28 and all other market areas of Baltimore City except Midtown which has an average market rents of \$19.85/SF.



Amongst Baltimore’s Class-B CBD market asking rents are \$17.98 per sq. ft. which are below the CBD’s overall asking rent.

In Baltimore’s Class B CBD office space greater than 50 years old the average asking rents are \$18.53 per sq. ft. which are \$0.55 per sq. ft. higher than Baltimore’s Class-B CBD market asking rents indicating buyers are willing to pay fractionally more for older buildings which generally have more ornamental elements and can simultaneously be historically preserved properties.

Leasing Activity

2,438 sq. ft. of CBD office space has been leased in 2023 Q3 QTD and a total of 46,075 sq. ft. of leases have been signed in 2023 Q1 and Q2. Of the 46,075 sq. ft. of leases signed in 2023, 19,597 sq. ft. was Class-B space that is over 50 years old. About half of the 2023 leasing activity has been allocated towards Class-B office space which represents about half of the overall inventory in the CBD market indicating an even demand for all classes of office space among prospective office tenants.



As inventory, asking rents, and multi-family units under construction in the CBD are at an all-time high, vacancies are approximately 3.0% lower 2023 Q3 QTD than the average over the past 10 years.

Growth Factors (Employment, Population, Income, Households)

As discussed in the neighborhood section of this report, the neighborhood appears to be stable with stable population and household growth of below average median income.

Conclusions

Based on decreasing inventory, rents, and absorption, the market for Class B office space over 50 years old in the CBD has gradually lost demand over the past decade. Data has demonstrated the CBD multi-family market has been predominately driven by the conversion of office space to apartments which has increased inventory and asking rents while vacancies have decreased. As the market changes demand from office space to multi-family through the CBD market, the subject site proves to be well located, accessible, and visible at the corner of E Redwood Street and Light Street while hosting a high traffic volume. Since the building has been well maintained, converting the subject to multi-family units should be considered.

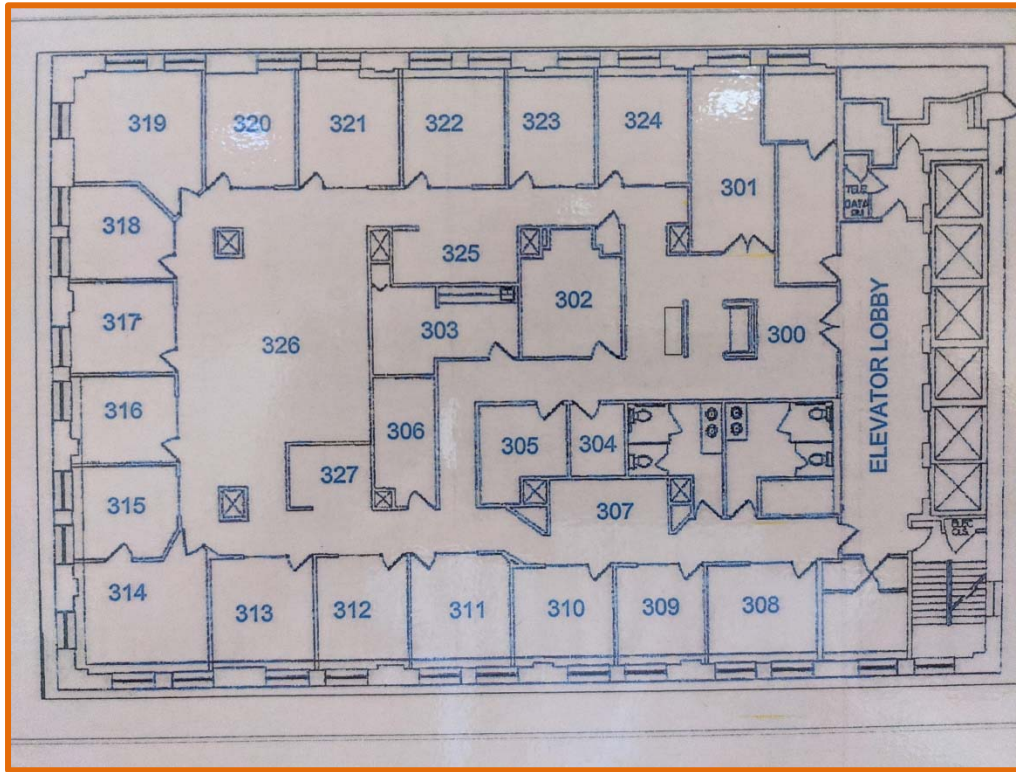
While office improvements across the CBD market have been converted into multi-family developments, our analysis will prove that the highest and best use for the subject property is conversion to apartments.



Site Description

The following description is based on our appraisal inspection of the subject, assessor records, and information provided by the client, owner and property manager.

SITE PLAN



General Data

Street Address: 14 Light Street (aka 7 E. Redwood Street), Baltimore, Baltimore City County, Maryland 21202
 Assessor Parcel Number: Block 660, Lots 3A and 1

Adjacent Land Uses

North: Apartments
 South: Office/Retail
 East: Hotel
 West: Commercial Office and Hotel

Physical Characteristics

Site Area: 8,831 square feet, or .20 acres
 Shape: Nearly Square
 Topography: Level with street grade
 Parcel Location: The parcel is located at the corner of E. Redwood Street and Light Street.

7 E. REDWOOD STREET



Access

Street Name: Light Street
 Street Type: Commercial
 Frontage Feet: 77.80
 Curb Cuts: None
 At Signalized Intersection: Yes, lighted intersection at the corner of E. Redwood Street and Light Street.

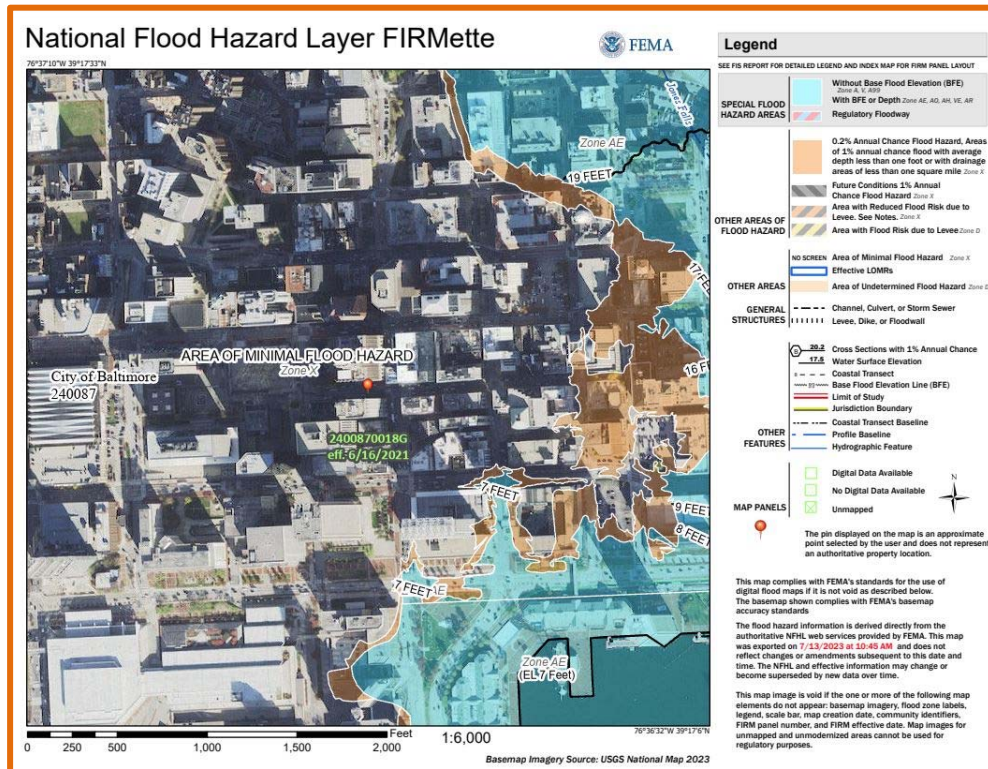
Site Improvements

Off-Site Improvements: Curbs, gutters and street lights
 Utilities: All available

Flood Zone Data

Flood Map Panel: 2400870018G dated June 16, 2021
 Flood Zone: X, as area of minimal flood hazard

FLOOD PLAIN MAP



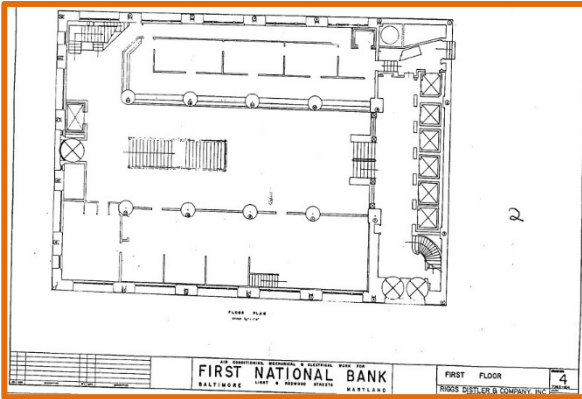
Site Ratings

Location: Good
 Access: Good
 Visibility: Good
 Site Improvements: Good
 Overall Site: Good

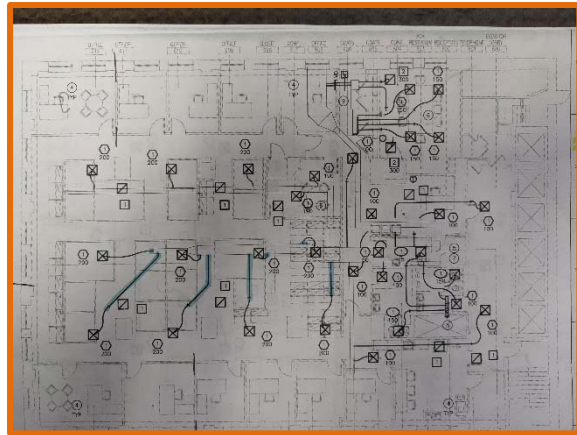


Improvements Description

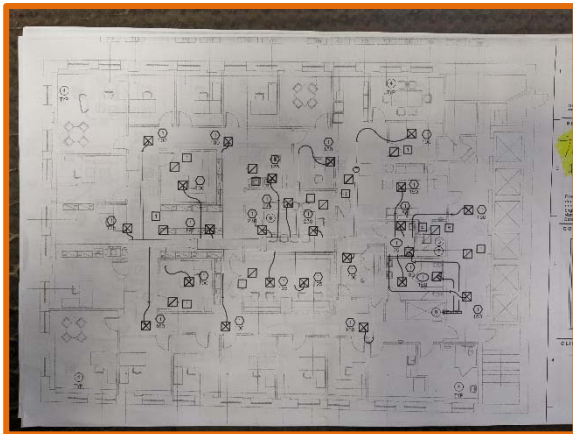
FLOOR PLAN



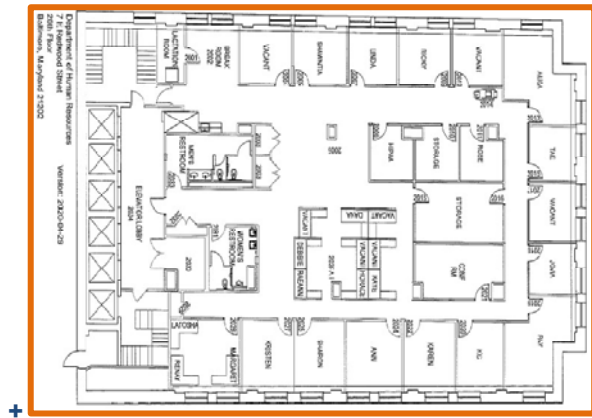
Level 1



Level 6



Level 7



Level 20

The following description is based on our appraisal inspection of the subject, assessor records, and information provided by the client, owner and property manager.

General Data

Property Type:	Office
Number of Buildings:	1
Year Built:	1924
Number of Stories:	20
Number of Parking Spaces:	None



Building Areas and Ratios

Gross Building Area (GBA):	184,275 square feet
Net Rentable Area (NRA):	149,309 square feet (source: Rent Roll and inspection)
GBA Source:	Public Records
GBA Estimated:	No
Site Coverage:	100%
Land-to-Building Ratio:	0.05:1
Floor Area Ratio (FAR):	20.87

Exterior

Construction Class:	Class B per Marshall Valuation Service
Foundation:	Concrete
Frame/Walls:	Limestone over structural steel
Exterior Wall Finish:	Limestone Block
Exterior Doors:	Metal and glass storefront entry door
Windows:	Glass windows in aluminum frames
Roof System/Type:	Built-up with river rock ballast

Interior

Floors:	Three-course concrete slab overlay, clay tile; carpet cover
Walls:	Standard gypsum with metal studs; marble in hallways
Ceiling Height:	13'6" (floor to studs); 19'-21' on 20 th floor
Ceiling Finish:	Lay-in acoustic tile; a multi-million dollar cornice refurbishment was conducted resulting in clay tile being dislodged, weakened and falling from the ceiling.
Lighting:	Recessed fluorescent and incandescent lighting
Restroom Description:	Each floor contains a men's and women's restroom. Some of the men's restrooms with original tile flooring contains two standard urinals and three stalls. Some restrooms are ADA compliant with renovated flooring.
Furniture, Fixtures and Equipment:	Excluded for purposes of this real property appraisal

Mechanical Systems

Electrical:	4000 AMP main service, switch gear circa 1958 & additional switch gear circa 1970s.
Plumbing:	Adequate for office use
HVAC:	District chilled water to AHU; chilled water to induction units; steam heat; water sourced heat pumps; two 500 ton cooling towers.
Fire Protection:	Fully wet sprinklered except bank lobby and mezzanine
Special Equipment:	Oil fired generator



Age / Life

Year Built:	1924
Actual Age:	99 years
Effective Age:	70 years
Typical Building Life:	70 years
Remaining Economic Life:	0 years

Improvement Ratings

Quality:	Good
Condition:	Good
Functional Utility:	Fair
Deferred Maintenance:	We note that during our walk-through we were shown clay tiles that had fallen from the level above. The client's representative estimates a cost to cure of \$100,000. In addition, we were provided with 10 year capital projection for the subject property. A copy of this project appears on the next page. The total expenditures over the six years total \$18,414,156. To this we added \$100,000 for the clay tile for a total of \$18,514,156. Discounting the six years of expenses at 6% results in a net present value of \$15,265,113. The magnitude of these expenses clearly diminish the subject's continued use as a Class B office building.
Overall Rating:	Fair

Analysis/Comments on Improvements

The subject property improvements are well maintained by the property owner and maintenance of the structure is frequently conducted. A copy of the 7 E. Redwood Conditions and Known Structural Defects is located in the *Addenda*. However, based on the Capital Needs and Known Structural Defects, the subject is at the end of its useful life.

7 E. REDWOOD STREET



7 E. Redwood Street
6 Year Capital Projection (non-leasing)

	2023/2024 Current Year Budget	Year 2 2024 Budget	Year 3 2025 Budget	Year 4 2026 Budget	Year 5 2027 Budget	Year 6 2028 Budget	Year 7 2029 Budget	Year 8 2030 Budget	Year 9 2031 Budget	Year 10 2032 Budget	Description/Comments
Roof											
Install new roof anchors per OSHA requirements(Upper Roof)		50000									OSHA 1910.27; OSHA 1910.66; IWCA-1 14.1 and ASME120 Estimate to replace both upper and lower roof due to its age and condition
Installation of New Roof		\$300,000									
Structural Repairs to Building Ceilings											
HVAC System											
Refurbish air Handlers-services induction/coil units			\$10,000	\$10,000							Refurbish with new dampers, actuators; motors; pan coats; insulation of the units - 5 total Replacement of older units located on floors 2,3,5,6,7,9,10,11,14,15,16,17,and 20. All units are manufactured early 1990's
Replace Heat Pumps per floor	\$55,000	\$55,000	\$105,000	\$140,000	\$140,000	\$140,000					
Insulate and Replacement of several pumps Opterra - VRF System			\$50,000	\$50,000	\$1,800,000	\$1,800,000					Remove asbestos and old insulation from piping with new.
Electrical System											
Switchgear Replacement: Engineering & Design		150000									Consulting fees to Spears/Votta, who researched and developed a replacement plan Estimated cost of replacement Cost for future replacement of floor circuit panel boards, to relocate them from stairwell A The existing panels are obsolete, making repairs difficult, new updated panels will be installed which will provide energy efficient and better able to supply adequate electric usage to each floor without tripping breakers. To connect all heat pumps & AHU to building system for control (\$10,000 per floor)
Project Costs (Estimate) (2019)		\$2,000,000	\$3,000,000								
Replacement Floor Electric Power-Penthouse Elevator			\$1,600,000								
Retrofit of Electrical Panels				\$60,000	\$60,000						
HVAC Continuous Work - (JCI)		\$200,000									
Plumbing System											
Replacement of Pumps		\$30,000	\$30,000								We will need to rebuild or replace the following pumps: 3 sump pumps; 1 chill water pump; 1 standby pump used for the chilled/condenser loop; domestic water pumps Condenser & Chilled Water Lines
Coating of interior pipes- condensor & chilled water lines that are located in shaft.			\$800,000								
Elevators											
Consultant	\$48,500										Consulting fee to determine the course of action for the replacement/upgrade of elevators Car safety device is obsolete. \$43,832 per elevator. Current motor control is obsolete. this estimate was provided by Otis Elevator 2015 7 Elevators - 7 points of access
Car Safety Upgrade Elevator #1		\$175,328	\$175,328		\$500,000						
Modernization Motor Control Upgrade		\$3,000,000									
Card Readers			\$75,000								
Life Safety Systems											
Fire Alarm Panel Replacement				\$800,000							Current panel is obsolete making repairs difficult and causing excessive service calls - also Fire Marshals are requesting that the building be brought to code and a speaker system be installed throughout the building.
Security Systems											
Common Areas - Interior											
Lead Abatement (Stairwell)	\$45,000	45,000									Stairwells A & B - Basement through Penthouse. Quote received for \$18K for 4 floors. \$75K for Penthouse Area after the domestic tanks have been removed; \$50K - Trash Room; \$75K for basement
Lead Abatement (Penthouse; Trash Room & Basement)			200,000								
Building/ Structure											
Façade Consulting	\$40,000										Façade consulting Building façade project in progress.
Exterior Façade Caulking & Waterproofing	\$300,000										
Refurbishment of Metal Bars at street level				\$300,000							Removal of the mickey mouse on the second roof Some of the windows at the street level are cracked and need to be replaced
Building Antennas											
Branch Windows	\$75,000										
TOTAL BUILDING IMPROVEMENTS & EQUIPMENT	\$563,500	\$6,005,328	\$6,045,328	\$1,360,000	\$2,500,000	\$1,940,000					



Zoning Overview

ZONING MAP



Zoning Designation

Zoning Code:	C-5-TO, Downtown Traditional Office Subdistrict
Zoning Jurisdiction:	Baltimore City
General Plan Designation:	To establish standards for structures in an area that primarily consists of early 20th century office development and to seek to maintain a distinctive and desirable environment
Permitted Uses:	Residential, retail, hotel/motel, office, restaurant

Development Regulations

Minimum Building Height:	36 ft.
Maximum Building Height:	175 ft.
Required Parking:	Uses in the C-5 district are exempt from parking requirements



Legal, Conforming Status

Legally Permitted Use:

Yes

Conforms to Parking Standards:

Yes

Conformity Conclusion:

The existing improvements appear to be a legal, conforming use of the site which were constructed prior to the current zoning regulations. Note this zoning analysis is based on our understanding of the zoning regulations; however, we are not experts in zoning law. Anyone taking an interest in the subject site should perform their own zoning due diligence based on the zoning regulations that govern the subject property.



Assessment and Tax Data

Assessment Methodology

The State of Maryland has enacted a real estate assessment procedure called the Triennial Assessment. Under this procedure, one third of all properties are re-assessed each year. The increase, if any, in assessment is phased-in during a three-year period, one third per year. Decreases take effect immediately. Assessments are based on 100% of market value.

Assessed Values and Property Taxes

The subject property was assessed as of January 1, 2022, as follows:

CURRENT ASSESSMENT

Account No.	Year Assessed	Land	Improvements	Total
04-11-0660-003A	2022	\$0	\$4,870,700	\$4,870,700
04-11-0660-001	2022	\$883,100	\$0	\$883,100
			Total Assessment	\$5,753,800

The subject's phase-in values are as follows:

PHASE-IN ASSESSMENTS

	Tax Year	Assessment
Base Year	2021/22	\$5,430,400
Phase-in Yr. 1	2022/23	\$5,538,200
Phase-in Yr. 2	2023/24	\$5,646,000
Phase-in Yr. 3	2024/25	\$5,753,800

Tax Rates

The appropriate tax rates for the subject property are as follows:

TAX RATES

Jurisdiction	Rate
Baltimore City	\$2.2480 /\$100 of Assessment
State of Maryland	\$0.1120 /\$100 of Assessment
Total	\$2.3600 /\$100 of Assessment

Property Taxes

The real estate tax burden for the subject is calculated as follows:

TAX CALCULATION

	2023/24	2024/25
Assessed Value	\$5,646,000	\$5,753,800
Times: Tax Rate/\$100	\$2.3600	\$2.3600
Estimated Tax	\$133,246	\$135,790

Conclusions

The subject property is owned by the Mayor and City Council of Baltimore, therefore it is exempt from property taxes.



Highest and Best Use

The highest and best use of a property is the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value.

It is necessary to determine the highest and best use of a subject property both As If Vacant, and As Improved. Improved properties may have a highest and best use that is different than the existing use. The existing use will generally continue however, until land value exceeds the total value of the property at its existing use plus demolition costs.

Analysis of Highest and Best Use As If Vacant

In determining the highest and best use of the property as if vacant, we focus on: 1) the existing use, 2) a projected development, 3) a subdivision, 4) an assemblage, or 5) holding the land as an investment.

Legally Permissible

A threshold of highest and best use is what is legally permissible. This analysis considers private restrictions, existing zoning, likely zoning, building codes, historic district controls, urban renewal ordinances, and other encumbrances because they may preclude many potential uses.

LEGALLY PERMISSIBLE	
Characteristic	Conclusion
Classification:	C-5-TO, Downtown Traditional Office Subdistrict
Permitted Uses:	Residential, retail, hotel/motel, office, restaurant
Probability of Change	Unlikely

Physically Possible

Multiple factors affect the uses with which the land may be developed. These factors are considered in the following table, followed by a conclusion of the legally permissible uses that are also physically possible.

PHYSICALLY POSSIBLE	
Characteristic	Conclusion
Size	8,831 square feet
Shape	Nearly Square
Topography	Slightly sloping
Utilities	All available
Visibility	Good
Flood Plain	X, as area of minimal flood hazard
Soil Conditions	Assumed adequate
Environmental	The capital needs assessment indicates the presence of lead paint.
Physically Possible Uses	Office and retail; apartments



Financially Feasible

After determining the uses that are physically possible and legally permissible, an appraiser considers the uses that are likely to produce an adequate return on investment. All uses that yield a positive return are financially feasible. Feasibility is tested through a cost/benefit analysis or through direct market observation.

As indicated in the market analysis section of this report, the current vacancy for Class B office in the CBD of Baltimore is 21.8%. The Class A vacancy rate for CBD office is 17%+. Therefore, financial feasibility for new office construction is only with significant preleasing.

FINANCIALLY FEASIBLE USES

	Office	Multi-Family With Retail
Demand	Stable	Strong
Supply	Oversupply	Balanced
Feasibility	Below Average	Average
Support	Observation	Observation

Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as if vacant is for multi-family with first floor retail.

Conclusion of Highest and Best Use As If Vacant

The conclusion of the highest and best use as if vacant, as analyzed in the previous section, is as follows:

CONCLUSION AS IF VACANT

Characteristic	Conclusion
Use:	Multi-family
Timing:	Current
Participants (User):	Local, regional, or national tenants
Participants (Buyer):	Local, Regional or national developer

Analysis of Highest and Best Use As Improved

In determining the highest and best use of the property as improved, the focus is on three possibilities for the property: 1) continuation of the existing use, 2) modification of the existing use, or 3) demolition and redevelopment of the land.

Continuation of Existing Use

Retaining the improvements as existing meets the tests for physical possibility and legal permissibility. In terms of financial feasibility, the reconciliation will indicate that financial feasibility is converting the subject property to a multi-family development with first floor retail. The improvements are in good condition, and the property can continue to support the existing improvements well into the future. Even though the building is occupied by the City of Baltimore, a credit tenant, the capital requirements for the property to continue as an income producing office building are so substantial that it is not feasible to spend the amount of money required on repairs for the building.



Conversion/Modification

Conversion of the improvements meets the tests for physical possibility and legal permissibility. The amount of capital requirements for the subject property basically render it financially infeasible. The amount of money needed to bring it up to today's standards and codes for safety are so high that they diminish the financial feasibility of the subject property. Redevelopment as a multi-family project will allow the capital improvements to be made as part of the renovation project. Comparable sales indicate that buildings of this age are successively being renovated into multi-family projects.

Demolition

As discussed within the previous pages, new development is financially feasible as market rental rates are high enough to support construction costs. However, the improvements continue to add value to the real estate.

Interim Use

There are many instances where highest and best use will likely change in the foreseeable future. The use of a property until it can be put to its terminal highest and best use is its interim use. Interim uses are thus current highest and best uses that are anticipated to change in the foreseeable future. The current use is an interim use.

Excess Land

Many parcels of land are too large for their principal highest and best uses. Such land parcels may have, in effect, two highest and best uses – the use for the improved portion and another use for the remaining, or excess land. The property does not have any excess land.

Conclusion of Highest and Best Use As Improved

The highest and best use of the subject property, as improved, is conversion to a multi-family development with first floor retail.

Most Probable Buyer/User

As of the date of value, the most probable buyer of the subject property is a local or regional investor and the most probable user would be local, regional, or national tenants.



Appraisal Methodology

Three Approaches to Value

There are three traditional approaches typically available to develop indications of real property value: the cost, sales comparison, and income capitalization approaches.

Cost Approach

The cost approach is based upon the principle of substitution, which states that a prudent purchaser would not pay more for a property than the amount required to purchase a similar site and construct similar improvements without undue delay, producing a property of equal desirability and utility. This approach is particularly applicable when the improvements being appraised are relatively new or proposed, or when the improvements are so specialized that there is little or no sales data from comparable properties.

Sales Comparison Approach

The sales comparison approach involves the direct comparison of sales and listings of similar properties, adjusting for differences between the subject property and the comparable properties. This method can be useful for valuing general purpose properties or vacant land. For improved properties, it is particularly applicable when there is an active sales market for the property type being appraised – either by owner-users or investors.

Income Capitalization Approach

The income capitalization approach is based on the principle of anticipation, or the assumption that value is created by the expectation of benefits to be derived in the future, such as expected future income flows including the reversion, or future re-sale of the property appraised. Its premise is that a prudent investor will pay no more for the property than he or she would for another investment of similar risk and cash flow characteristics. The income capitalization approach is widely used and relied upon in appraising income-producing properties, especially those for which there is an active investment sales market.

Subject Valuation

The subject property is improved by a 20-story, Class B general office property that contains 149,309 leasable sq. ft. built in 1924. We have fully developed the sales comparison and income capitalization approaches to value the subject property as a tenant in place office building. We then took into account the Capital Needs for the subject to continue to operate as an office building. The Capital Needs were greater than the value of the subject property as a tenant in place office building. Therefore, we valued the subject property based on comparable sales as an apartment conversion. Due to the age of the subject property, we have not utilized cost approach.



Sales Comparison Approach

Methodology

This approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. In the sales comparison approach, an indication of market value is developed by analyzing closed sales, listings, or pending sales of properties similar to the subject property, using the most relevant units of comparison. The comparative analysis focuses on the difference between the comparable sales and the subject property using all appropriate elements of comparison.

A systematic procedure for applying the sales comparison approach includes the following steps: (1) researching and verifying transactional data, (2) selecting relevant units of comparison, (3) analyzing and adjusting the comparable sales for differences in various elements of comparison, and (4) reconciling the adjusted sales into a value indication for the subject.

Unit of Comparison

The primary unit of comparison selected depends on the appraisal problem and nature of the property. The primary unit of comparison in the market for office properties such as the subject is price per square foot of rentable building area.

Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The main elements of comparison that should be considered in sales comparison analysis are as follows: (1) real property rights conveyed, (2) financing, (3) conditions of sale/motivation, (4) anticipated expenditures (5) market conditions/time, (6) location/access, (7) physical characteristics, (8) economic characteristics, (9) zoning/use, and (10) non-realty components of value.

Comparable Sales Data

A search of data sources and public records, a field survey, and interviews with knowledgeable real estate professionals in the area is conducted to obtain and verify office properties comparable to the subject property that have sold or been listed recently in the competitive market.

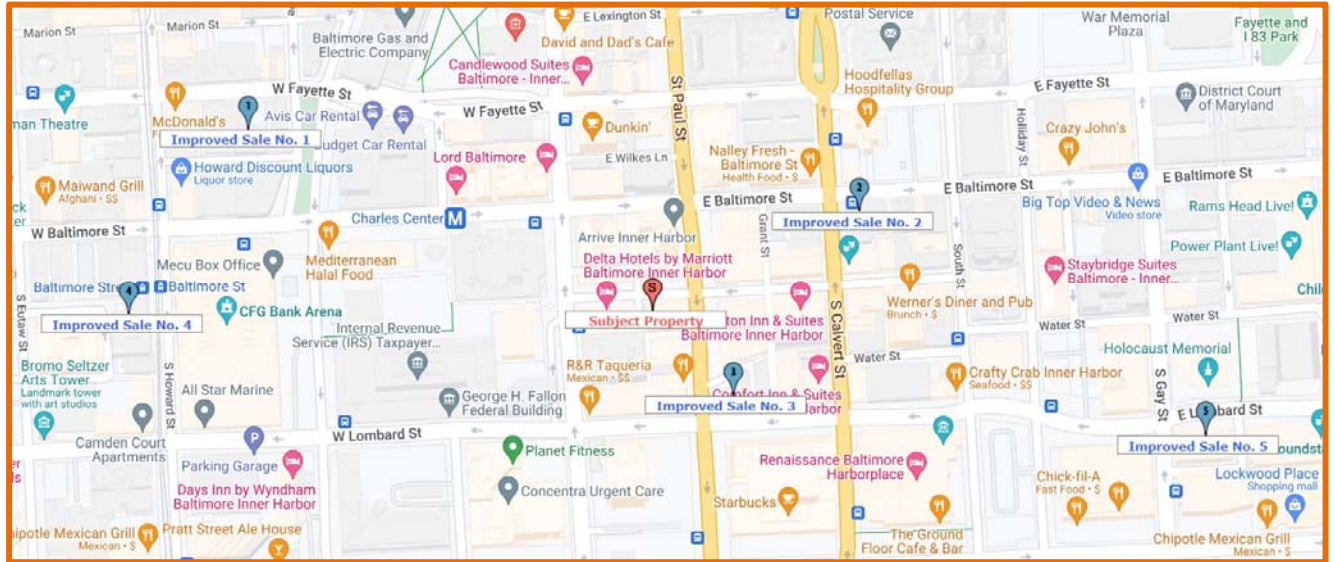
We used five sales in our analysis, as these sales are judged to be the most useful in developing an indication of the market value of the subject property. These sales are summarized in the following table, followed by a location map. Next are comparable sales sheets, followed by a discussion of our adjustments and analysis.



COMPARABLE SALES SUMMARY

Sale No.	Subject	1	2	3	4	5
Address	14 Light Street (aka 7 E. Redwood Street)	209 W Fayette Street	201 E Baltimore Street	31 Light Street	10 S. Howard Street	103 S. Gay Street
Date of Sale		Jul-23	Mar-22	Dec-21	Oct-19	Sep-15
Sale Price		\$6,288,375	\$11,100,000	\$1,800,000	\$23,950,000	\$8,200,000
Property Rights		Leased Fee	Leased Fee	Leased Fee	Fee Simple	Fee Simple
Financing		Typical	Cash to Seller	Typical	Cash to Seller	Cash to Seller
Conditions of Sale		Auction	Arms Length	Arms Length	Auction	Typical
Condition		Good	Average	Average	Average	Fair-Average
Quality		Average	Good	Good	Average	Good
Zoning	C-5-T0	B-4-2	C-5-DC	C-5-T0	C-5-DC	B-5-2
Year Built / Renovated	1924-2005	1920-2010	1900	1905-1996	1992-2006	1935
Occupancy	100%	100%	77%	76%	0%	0%
Land Area (Acre)	0.20	0.33	0.26	0.15	0.77	0.39
Land Area (Sq.Ft.)	8,750	14,375	11,381	6,567	33,715	16,842
GBA (Sq.Ft.)	184,275	68,121	169,098	37,000	369,676	169,801
NRA (Sq.Ft.)	149,309	68,121	169,098	37,000	313,647	147,000
Price/NRA		\$92.31	\$65.64	\$48.65	\$76.36	\$55.78

COMPARABLE SALES MAP





Office Comparable Sale No. 1



Property Identification

Property/Sale ID	118704/21747
Property Name	VA Annex Building
Address	209 W Fayette Street
City, State Zip	Baltimore, Maryland 21201
County	Baltimore City
MSA	Baltimore
Tax ID	Ward 4, Section 10, Block 633, Lot 4

Transaction Data

Sale Status	Closed
Sale Date	07-28-2023
Sale Price	\$6,288,375
Net Rentable SF	68,121
\$/SF NRA	\$92.31
Occupancy at Sale	100.0%
Grantor	Elliott Bay Capital Trust, LLC
Grantee	Experimental Holdings Inc
Property Rights	Leased Fee
Deed Book/Page	Not recorded yet

Property Description

Gross Building SF	88,660	Gross Acres	0.330
Net Rentable SF	68,121	Gross Land SF	14,375
No. of Stories	7	Floor Area Ratio	6.17
Year Built	1920	Zoning Code	B-4-2



Verification

Confirmed With Broker

Remarks

The building contains 88,660 gross sq.ft. (77,382 above-grade) comprised of seven above-grade office floors, an 8th floor loft, a partial below grade office/storage floor, and a small sub-basement. The sub-basement is not considered rentable and the 8th floor loft (approximately 8,000 sq.ft.) is also not considered rentable as it can only be access via the freight elevator and from the roof via stairs. The GSA's lease for 68,121 sq.ft. is considered to occupy the entire rentable area of the building. The building is historic with a brown stone and brick facade, iron and arched window frames, and wood floor joists. According to the broker, there was no deferred maintenance.





Office Comparable Sale No. 2



Property Identification

Property/Sale ID	118657/21720
Property Name	One Calvert Plaza
Address	201 E Baltimore Street
City, State Zip	Baltimore, Maryland 21202
County	Baltimore City
MSA	Baltimore
Tax ID	Ward 4, Section 11, Block 650, Lot 4

Transaction Data

Sale Status	Closed
Sale Date	03-26-2022
Sale Price	\$11,100,000
Net Rentable SF	169,098
\$/SF NRA	\$65.64
Occupancy at Sale	77.0%
Grantor	Plaza Realty Management, Inc.
Grantee	CC 201 East Baltimore Street LLC
Property Rights	Leased Fee
Deed Book/Page	24807/194
Financing	Sandy Spring Bank, \$33,750,000

Property Description

Gross Building SF	169,098	Gross Acres	0.261
Net Rentable SF	169,098	Gross Land SF	11,381
No. of Stories	15	Floor Area Ratio	14.86
Year Built	1900	Zoning Code	C-5-DC

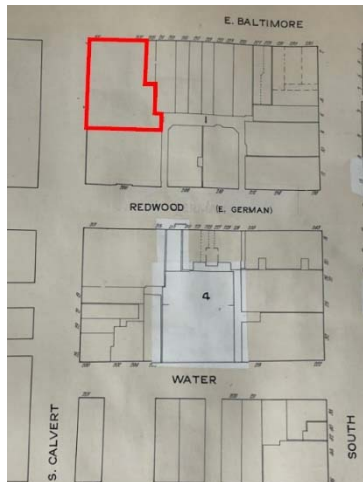


Verification

Confirmed With CoStar, SDAT, Deed

Remarks

The property is a 15-story, Class B, office building located in the CBD, on the corner of Baltimore and Calvert Street. The buyer, Chasen Companies, reportedly plans to convert the property into a 173-unit luxury apartment tower while keeping the facade of the property.





Office Comparable Sale No. 3



Property Identification

Property/Sale ID	118658/21721
Property Name	31 Light Street
Address	31 Light Street
City, State Zip	Baltimore, Maryland 21202
County	Baltimore City
MSA	Baltimore
Tax ID	Ward 4, Section 11, Block 661, Lot 13

Transaction Data

Sale Status	Closed
Sale Date	12-01-2021
Sale Price	\$1,133,000
Net Rentable SF	37,000
\$/SF NRA	\$48.65
Occupancy at Sale	82.0%
Grantor	Light Street Debt Holdings LLC
Grantee	31 Twins, LLC
Property Rights	Leased Fee
Deed Book/Page	24424/369
Financing	Hanmi Bank, \$1,156,000

Property Description

Gross Building SF	37,000	Gross Acres	0.151
Net Rentable SF	37,000	Gross Land SF	6,567
No. of Stories	5	Floor Area Ratio	5.63
Year Built	1905	Zoning Code	C-5-TO

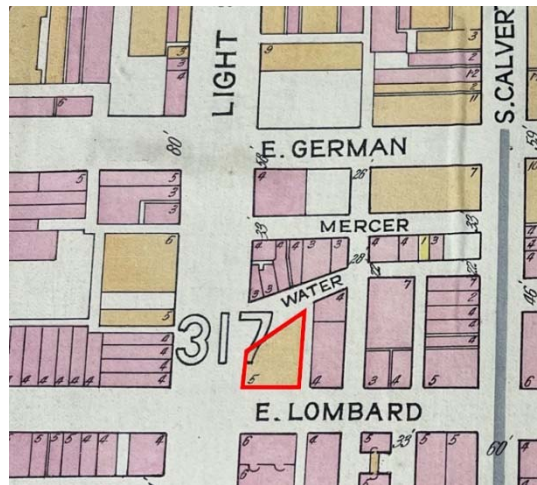


Verification

Confirmed With Broker

Remarks

The property is a five-story, Class B, office building located in the CBD, located on the corner of Light Street and Lombard Street, approximately one block north of the Inner Harbor. Over 12,000 SF of office/medical space in the building is being marketed by 31 Light Space LLC at \$20.00/sq. ft., on a negotiable basis. This property had a marketing time of 78 days.





Office Comparable Sale No. 4



Property Identification

Property/Sale ID	80476/18868
Property Name	City Crescent
Address	10 S. Howard Street
City, State Zip	Baltimore, Maryland 21202
County	Baltimore City
MSA	Baltimore
Tax ID	Ward 4, Section 10, Block 655, Lot 9

Transaction Data

Sale Status	Closed
Sale Date	10-24-2019
Sale Price	\$23,950,000
Net Rentable SF	313,647
\$/SF NRA	\$76.36
Occupancy at Sale	0.0%
Grantor	City Crescent LLC
Grantee	Redwood Campus Center, LLC
Property Rights	Fee Simple
Deed Book/Page	21736/128
Days on Market	Auction Sale

Property Description

Gross Building SF	369,676	Pkg./1,000 SF NBA	0.28
Net Rentable SF	313,647	Gross Acres	0.774
No. of Stories	11	Gross Land SF	33,715
Year Built	1992	Floor Area Ratio	10.96
Parking Spaces	89	Zoning Code	C-5-DC



Verification

Confirmed With Alex Cooper website/Published Articles/Appraisal

Remarks

Property is improved with an 11-story office building completed in 1992 containing 313,647 net rentable square feet, including 5,925 sq.ft. of street level retail space. The building is served by six passenger elevators and one freight elevator, and has an underground parking garage containing 89 spaces on one level.

Property was constructed as a built-to-suit for the GSA who vacated in March 2018. The property sold vacant.





Office Comparable Sale No. 5



Property Identification

Property/Sale ID	112559/17764
Property Name	The Appraisers' Stores Building
Address	103 S. Gay Street
City, State Zip	Baltimore, Maryland 21202
County	Baltimore City
MSA	Baltimore
Tax ID	Ward 4, Section 11, Block 1384, Lot 1

Transaction Data

Sale Status	Closed
Sale Date	09-03-2015
Sale Price	\$8,200,000
Net Rentable SF	147,000
\$/SF NRA	\$55.78
Occupancy at Sale	0.0%
Grantor	U.S. General Services Administration
Grantee	103 S. Gay Street LLC
Property Rights	Fee Simple
Deed Book/Page	LGA 17543/389

Property Description

Gross Building SF	169,801	Gross Acres	0.387
Net Rentable SF	147,000	Gross Land SF	16,842
No. of Stories	8	Floor Area Ratio	10.08
Year Built	1935	Zoning Code	B-5-2

Verification

Confirmed With	CoStar/SDAT/Deed; News Article
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Remarks

Eight-story, Art Deco-style office building constructed in 1933 for the U.S. Customs Agency to store and inspect imported goods entering through the Port of Baltimore.

Former office building converted to a 135-unit apartment building in 2017 after the sale





Sales Comparison Analysis

All of the sales are analyzed, and adjustments are made for differences in the various elements of comparison including market conditions, location, size, and other relevant factors. If the comparable sale is considered superior to the subject, we applied a negative adjustment to the comparable sale. A positive adjustment to the comparable property is applied if it is considered inferior to the subject. A summary of the elements of comparison follows.

Transaction Adjustments

Transaction adjustments include 1) property rights 2) financing 3) conditions of sale/motivation, 4) anticipated expenditures, and 5) market conditions/time. These items are applied prior to the application of property adjustments, and are discussed as follows:

Property Rights

Before a comparable sale property can be used in the Sales Comparison Approach, we must first ensure that the sale price of the comparable property applies to property rights that are similar to those being appraised. In the case of the subject property, the leased fee interest is being appraised. Comparable Sale Nos. 1, 2 and 3 are leased fee sales which were at market. Comparable Sale Nos. 4 and 5 are fee simple sales. The subject is considered to be at market. Therefore, no adjustment is warranted.

Financing

The transaction price of one property may differ from that of an identical property due to different financial arrangements. All of the sales used should involve typical market terms by which the sellers received cash or its equivalent and the buyers tendered typical down payments and obtained conventional financing at market terms for the balance. If otherwise, an adjustment would be required for this element of comparison. The financing terms of the comparables varied but none warranted an adjustment.

Conditions of Sale/Motivation

When the conditions of sale are atypical, the result may be a price that is higher or lower than that of a normal transaction. Adjustments for conditions of sale usually reflect the motivations of either a buyer or a seller who is under duress to complete the transaction. Another more typical condition of sale involves the downward adjustment required to a comparable property's for-sale listing price, which usually reflects the upper limit of value. Comparable Sale Nos. 1 and 4 are auction sales, however, they are considered representative of the market. No adjustment was warranted.

Anticipated Expenditures

A knowledgeable buyer considers expenditures that will have to be made upon purchase of a property because these costs affect the price the buyer agrees to pay. Such expenditures may include: (1) costs to cure deferred maintenance, (2) costs to demolish and remove any portion of the improvements, (3) costs to petition for a zoning change, and/or (4) costs to remediate environmental contamination. The relevant figure is not the actual cost incurred but the cost that was anticipated by both the buyer and seller. Unless the sales involved expenditures made immediately after purchase; no adjustments to the comparable sales are required for this element of comparison. No adjustment was warranted.



Market Conditions/Time

Market conditions may change between the time of sale of a comparable property and the date of the appraisal of the subject property. Changes in market conditions may be caused by inflation, deflation, fluctuations in supply and demand, or other factors. Market conditions that change over time may create the need for an adjustment.

Sale 1: No adjustment was warranted since the sale occurred the same month as the effective date.

Sale 2: An upward adjustment of 2.0% was applied since this comparable sold in March 2022.

Sale 3: An upward adjustment of 4.0% was applied since this comparable sold in December 2021.

Sale 4: An upward adjustment of 6.0% was applied since this comparable sold in October 2019. This takes into account the COVID-19 time period.

Sale 5: An upward adjustment of 12.0% was applied since this comparable sold in September 2015. This adjustment takes into account the COVID-19 time period.

Property Adjustments

Property adjustments can be expressed quantitatively as percentages or qualitatively to reflect the increase or decrease in value attributable to the various characteristics of the property. Property adjustments are applied after the application of the transaction adjustments, and are discussed as follows:

Location/Access

Location adjustments may be required when the locational characteristics of a comparable property are different from those of the subject property. These include, but are not limited to, general neighborhood characteristics, freeway accessibility, street exposure, corner versus interior lot location, neighboring properties, amenities, and other factors.

Sale 1: was adjusted upward for location.

Sale 2: No adjustment was warranted. The comparable's location is overall similar.

Sale 3: No adjustment was warranted. The comparable's location is overall similar.

Sale 4: An upward adjustment of 10.0% was applied since this comparable is located on the western end of the CBD and further away from the more-desirable Inner Harbor area.

Sale 5: The comparable's location is on the eastern end of the CBD. We adjusted this sale upward for location.



Condition/Age

If the physical characteristics of a comparable property and the subject property differ, each of the differences may require comparison and adjustment to the comparable. The most notable physical differences for comparable sales in this market include size, age/condition, quality/condition, parking ratio, and land-to-building ratio.

Sale 1: A downward adjustment of 10% was applied to account for the comparables' level of renovations.

Sale 2: An upward adjustment of 10% was applied to account for the comparable being 24 years older than the subject and for not being renovated.

Sale 3: An upward adjustment of 10% was applied to account for the comparable being 19 years older than the subject, no renovations in over 25 years, and for a lack of decorous attributes in relation to the subject.

Sale 4: A downward adjustment of 20.0% was applied to account for the comparables superior condition and age since it was built in 1992 and therefore 68 years younger than the subject.

Sale 5: An upward adjustment of 10.0% was applied to account for condition.

Quality/Functionality

Economic characteristics include all the attributes of a property that directly affect its income. Characteristics that may affect a property's income include operating expenses, quality of management, tenant mix, rent concessions, lease terms, lease expiration dates, renewal options, and lease provisions such as expense recovery clauses.

The subject property does not collect expense recoveries from the tenants. Therefore, a downward adjustment is made to all five comparable sales.

Parking

Comparable Sale Nos. 2 and 4 were adjusted downward for on-site parking.

Size

This adjustment addresses variance in the total size of the comparables and that of the subject, as price differences may occur if the building size changes the character and sophistication of the buyer pool.

Comparable Sale Nos. 1 and 3 were adjusted downward for size. Comparable Sale No. 4 was adjusted upward for size.

Occupancy

All else being equal, properties with greater occupancy will have higher income and sell for higher unit prices.

Sale 1: A downward adjustment of 20.0% was warranted to account for the comparable being 100.0% leased by credit tenants (US Government).



Sale 2: An upward adjustment of 5% was warranted.

Sale 3: An upward adjustment of 5% was warranted.

Sale 4: An upward adjustment of 10.0% was warranted.

Sale 5: An upward adjustment of 10.0% was warranted.

Summary of Adjustments

Based on the preceding comparative analysis, we have summarized adjustments to the comparable sales on the following table. We completed a quantitative analysis. These adjustments are based on our market research, best judgment, and experience in the appraisal of similar properties.

COMPARABLE SALES ADJUSTMENT GRID

Sale No.	Subject	1	2	3	4	5
Address	14 Light Street (aka 7 E. Redwood Street)	209 W Fayette Street	201 E Baltimore Street	31 Light Street	10 S. Howard Street	103 S. Gay Street
Date of Sale		Jul-23	Mar-22	Dec-21	Oct-19	Sep-15
Sale Price		\$6,288,375	\$11,100,000	\$1,800,000	\$23,950,000	\$8,200,000
Property Rights		Leased Fee	Leased Fee	Leased Fee	Fee Simple	Fee Simple
Financing		Typical	Cash to Seller	Typical	Cash to Seller	Cash to Seller
Conditions of Sale		Auction	Arms Length	Arms Length	Auction	Typical
Condition		Good	Average	Average	Average	Fair-Average
Quality		Average	Good	Good	Average	Good
Zoning	C-5-TO	B-4-2	C-5-DC	C-5-TO	C-5-DC	B-5-2
Year Built / Renovated	1924-2005	1920-2010	1900	1905-1996	1992-2006	1935
Occupancy	100%	100%	77%	76%	0%	0%
Land Area (Acre)	0.20	0.33	0.26	0.15	0.77	0.39
Land Area (Sq.Ft.)	8,750	14,375	11,381	6,567	33,715	16,842
GBA (Sq.Ft.)	184,275	68,121	169,098	37,000	369,676	169,801
NRA (Sq.Ft.)	149,309	68,121	169,098	37,000	313,647	147,000
Price/NRA		\$92.31	\$65.64	\$48.65	\$76.36	\$55.78
Transactional Adjustments						
Property Rights		0%	0%	0%	0%	0%
Financing		0%	0%	0%	0%	0%
Conditions of Sale/Motivation		0%	0%	0%	0%	0%
Anticipated Expenditures		0%	0%	0%	0%	0%
Market Conditions/Time		0%	2%	4%	6%	12%
Adjusted Price/NRA		\$92.31	\$66.96	\$50.59	\$80.94	\$62.48
Property Adjustments						
Location/Access		10%	0%	0%	10%	10%
Condition/Age		-10%	10%	10%	-25%	10%
Quality/Functionality		-5%	-5%	-5%	-5%	-5%
Parking		0%	-1%	0%	-3%	0%
Size		-10%	0%	-10%	10%	0%
Occupancy		-20%	5%	5%	10%	10%
Composite Adjustment		-35%	11%	4%	3%	40%
Total Adjusted Price/NRA		\$60.00	\$72.98	\$50.59	\$78.92	\$78.10
Minimum Adjusted Price/NRA	\$50.59					
Maximum Adjusted Price/NRA	\$78.92					
Average Adjusted Price/NRA	\$68.12					



Sales Comparison Approach Value Indication

From the market data available, we used office sales in competitive market areas which were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted sale prices:

UNADJUSTED UNIT PRICE & ADJUSTED UNIT PRICE RANGE AND AVERAGE

Metric	Unadjusted	Adjusted
Minimum Sale Price per Sq.Ft.	\$48.65	\$50.59
Maximum Sale Price per Sq.Ft.	\$92.31	\$78.92
Average Sale Price per Sq.Ft.	\$67.75	\$68.12

Based on the subject's physical characteristics and leasing situation, we have placed most weight on Sale Nos. 1 and 2 which are the most recent. Both sales occurred at the end of the pandemic. We conclude a unit value of \$65.00/sq.ft. This indicated a value by the sales comparison approach calculated below:

SALES COMPARISON APPROACH VALUE INDICATION

Sales Comparison Approach	
Value per Leasable Sq.Ft.	\$65.00
Multiplied by Net Rentable Area (NRA)	149,309
Stabilized Valuation by Sales Comparison Approach	\$9,705,085
Rounded to:	\$9,700,000



Income Capitalization Approach

Methodology

The income approach is developed by converting a projection of future installments of income into a present value by a capitalization process. There are two types of capitalization: direct capitalization and yield capitalization, also known as discounted cash flow (DCF) analysis.

Direct capitalization involves developing a stabilized forecast of income, and capitalizing the income into value using a capitalization rate. Direct capitalization assumes the income forecast and value change will be similar for the subject and comparables analyzed.

Yield capitalization requires a forecast of the income stream a property may produce during its remaining useful life or during a specific holding period, and a value reversion (i.e., resale of the property) at the end of the holding period. Development of the cash flow is a forecast predicated upon various assumptions about the property's future performance. The income stream and reversion are discounted to a present value at an appropriate yield rate. Yield capitalization allows modeling of an income stream to reflect potential fluctuations over the holding period, as it enables one to compare the financial return of the subject with alternative investments.

Income-producing properties, by nature, are developed and purchased for investment purposes, where earning power, income stream and return of investment, are the most critical elements affecting value. The forecast of income and selection of appropriate rate(s) are therefore important aspects of the valuation process. The steps in developing the income approach are as follows:

Analysis of Existing Leases

The subject's existing leases or lease abstracts (if any) and rent roll are reviewed.

Market Rent Analysis

An opinion of market rent is developed through an analysis of comparable rental transactions obtained through market surveys.

Income Analysis

Existing subject leases (if any) are compared to market rent. Market rent is applied to vacant space and upon lease rollover. Additional income sources, expense recoveries, and rent escalations are considered. The sum of all income develops potential gross income (PGI).

Vacancy Analysis

The subject's existing vacancy is compared to the market. Turnover loss and collection loss are considered. Application of vacancy loss develops effective gross income (EGI).

Expense Analysis

Expenses that are an obligation to the property are estimated based on the subject's history and/or comparable data, and are deducted to develop an estimate of net operating income (NOI). Inflation of expenses and other costs such as leasing commissions, tenant improvements, concessions and replacement reserves are developed as appropriate.



Rate Analysis

Capitalization of the net income and/or cash flow stream is completed through the development of appropriate direct (going-in), terminal, and yield capitalization rates, as appropriate.

Application of Methodologies

Direct capitalization is most applicable to stabilized properties and those with long-term leases and level income. Yield capitalization better recognizes fluctuations in income over a holding period and is particularly applicable to investment-grade properties, specifically those with multiple tenants, anticipated changes in income patterns, and/or anticipated lease turnover. In this appraisal, we employed the direct capitalization method in developing an indication of market value as of July 20, 2023.

Analysis of Existing Leases

As of the date of value, the subject is 100.0% leased by 11 tenants. The terms of existing and/or proposed lease(s) for the subject are summarized in the table on the following page:

RENT ROLL CHART

Suite	Tenant name	Leasable Sq. Ft.	Current		Lease Basis	Start Date	End Date	Increases	
			Annual Rent	Rent /Sq.Ft.					
DHRLOBBY	Mayor's Office of Human Resources	234	\$4,476	\$19.13		8/1/2018	-	MTM	
0MM1	Baltimore City Law Department	4,092	\$33,536	\$8.20		2/1/2020	-	1/31/2025	3.00% increase on 2/1
BSMT 1	Baltimore City Health Department	481	\$7,968	\$16.57		11/1/2013	-	12/31/2023	3.00% increase on 1/1
200	Baltimore City Health Department	7,670	\$127,057	\$16.57		11/1/2013	-	12/31/2023	3.00% increase on 1/1
300	Baltimore City Health Department	7,670	\$127,057	\$16.57		11/1/2013	-	12/31/2023	3.00% increase on 1/1
400	Baltimore Police Department, EEOC	4,285	\$84,426	\$19.70		11/1/2022	-	10/31/2025	3.00% increase on 11/1
401	Cassidy Turley Management Office	3,170				8/1/2004	-	MTM	
500	Mayor's Office of Human Services	7,670	\$151,113	\$19.70		11/1/2021	-	10/31/2026	3.00% increase on 11/1
600	Baltimore City Law Department	7,670	\$130,083	\$16.96		7/20/2015	-	7/31/2025	3.00% increase on 8/1
700	Baltimore City Law Department	7,670	\$130,083	\$16.96		7/20/2015	-	7/31/2025	3.00% increase on 8/1
800	Fire/Police Board of Trustees	1,585	\$27,510	\$17.36		7/1/2004	-	10/31/2025	3.00% increase on 10/31
802	Employee's Ret. Sys. Board of Trustees	1,585	\$27,510	\$17.36		7/1/2004	-	10/31/2025	3.00% increase on 11/1
810	Mayor's Office of Human Services	4,460	\$87,870	\$19.70		11/1/2021	-	10/31/2026	3.00% increase on 11/1
900	Civil Rights & Wage Enforcement	7,670	\$130,083	\$16.96		6/1/2015	-	5/31/2025	3.00% increase on 6/1
1000	Dept. of Fin/Bureau of Purchases	7,210	\$137,900	\$19.13		10/1/2017	-	9/30/2027	3.00% increase on 10/1
1101	Dept. of Fin/Bureau of Purchases	3,220	\$61,586	\$19.13		10/1/2017	-	9/30/2027	3.00% increase on 10/1
1110	Retirement Savings Plan Board	4,450	\$77,252	\$17.36		10/1/2017	-	9/30/2027	3.00% increase on 10/1
1200	Employee's Ret. Sys. Board of Trustees	7,670	\$133,123	\$17.36		7/1/2004	-	10/31/2025	3.00% increase on 10/31
1300	Employee's Ret. Sys. Board of Trustees	7,670	\$133,123	\$17.36		7/1/2004	-	10/31/2025	3.00% increase on 10/31
1400	Mayor's Office of Human Resources	7,670	\$146,712	\$19.13		8/1/2018	-	MTM	
1500	Mayor's Office of Human Resources	7,670	\$146,712	\$19.13		8/1/2018	-	MTM	
1600	Mayor's Office of Human Resources	7,670	\$146,712	\$19.13		8/1/2018	-	MTM	
1700	Mayor's Office of Human Resources	7,670	\$146,712	\$19.13		8/1/2018	-	MTM	
1800	Fire/Police Board of Trustees	7,670	\$133,123	\$17.36		7/1/2004	-	10/31/2025	3.00% increase on 10/31
1900	Fire/Police Board of Trustees	7,670	\$133,123	\$17.36		7/1/2004	-	10/31/2025	3.00% increase on 10/31
2000	Mayor's Office of Human Resources	7,157	\$136,899	\$19.13		8/1/2018	-	MTM	
Total Occupied Area:		149,309	\$2,601,749	\$17.43					
Percentage of Total Area:		100.0%							
Total Vacant Area:		0	\$0						
Percentage of Total Area:		0.0%							
Total Area:		149,309							

We note that on the rent roll, OBBI and OLLI at 6,650 sq.ft. both are listed as vacant. We do not consider these spaces leasable and therefore, they are not included in the 149,309 sq.ft. net leasable area. Therefore, the building is at 100% occupancy.

7 E. REDWOOD STREET



Approximately 38,071 sq. ft. or about 25.5% of the subject is leased to the Mayor's Office of Human Resources. Rents for the Mayor's Office of Human Resources are \$19.13 per sq. ft. As of the date of value all the Mayor's Office of Human Resources spaces were on month-to-month leases which began on 08/01/2018. The Mayor's Office of Human Resources recently negotiated a lease for 38,071 sq.ft. at a rental rate of \$19.13/sq.ft. full service. The lease is for three years. The rental increases 3%/year.

Both the Board of Trustees of the Employees' Retirement System of the City of Baltimore and the Board of Trustees of the Fire and Police Employees' Retirement System of the City of Baltimore lease 16,925 sq.ft. each, with three suites for each tenant. Leases for both tenants began 07/01/2004 and end 10/31/2025. The tenants have 3.00% annual increases and all suites for these tenants are currently leased at \$17.36 per sq. ft.

Together, the Mayor's Office of Human Resources, Board of Trustees of the Employees' Retirement System of the City of Baltimore, the Board of Trustees of the Fire and Police Employees' Retirement System account for 48% of the subject's net rentable area.

The remaining tenants range from 3,220 sq. ft. to the Department of Finance/Bureau of Purchases which is paying \$19.13/sq.ft. to the Baltimore City Law Department which is paying \$8.20 per sq. ft. for mezzanine space and \$16.96 for the sixth and seventh floors to the Baltimore City Health Department at 15,821 sq. ft. paying \$16.57 sq. ft. Remaining lease terms range from 12/31/2023 for the Baltimore City Health Department to 9/30/2027 for the Department of Finance/Bureau of Purchases, a Department of the City of Baltimore. The average rental rate is \$17.43 per sq. ft. with all leases on a full-service basis with no reimbursements.

Market Rent Analysis

To develop an opinion of market rent, we surveyed representatives of comparable and competitive properties in the local market area, focusing on buildings with similar locations, size, and market appeal. On the following pages are a summary table of the comparable leases, a comparable map, individual lease comparable summary sheets, and an adjustment grid.



COMPARABLE LEASE SUMMARY

Lease No.	Subject	1	2	3	4	5
Address	14 Light Street (aka 7 E. Redwood Street)	700 E. Pratt Street (115 Market Place)	200 St. Paul Place	33 S Gay Street	25 S. Charles Street and 26 Light Street	1 N Charles Street
Sign Date		Jul-23	Jun-23	Sep-22	Jan-20	Aug-18
Sq.Ft. Leased		47,391	5,841	21,645	25,783	6,400
Leased Space Type		Office	Office	Office	Office	Office
Expense Basis		Full Service	Modified Gross	Modified Gross	Full Service	Full Service
TI Included (\$/Sq.Ft.)					\$25.00	
Year Built	1924	1911	1989	1920	1972	1963
Initial Lease Rate		\$24.50	\$22.50	\$15.00	\$23.50	\$17.50

COMPARABLE ASKING RENTS

No.	Location	Start Date	Term (Mos.)	Sq.Ft.	Expense Basis	Asking Rent/ Sq.Ft.
1	233 E Redwood Street	Asking	negotiable	100 - 24,845	FS	\$19.50 - \$19.95
2	2 N Charles Street	Asking	negotiable	1,710 - 10,610	FS	\$18.00 - \$22.00
3	217 N Charles Street	Asking	negotiable	150 - 9,150	FS	\$16.00 - \$19.00
4	8-10 South Street	Asking	negotiable	440 - 3,357	FS	\$18.00
5	10 E Baltimore Street	Asking	negotiable	2,000 - 74,200	FS	\$18.00
6	7 E Redwood Street	Asking	negotiable	4,092 - 17,392	FS	\$12.50 - \$25.00
7	111 Water Street	Asking	negotiable	2,100 - 13,080	FS	\$20.00 - \$22.85
					Minimum	\$12.50
					Maximum	\$25.00
					Average	\$19.06



Asking rents range from \$12.50/sq. ft. to \$25.00/sq. ft. on a full-service basis. It should be noted that asking rents at the higher end of the range, generally, represent superior buildings and buildings most comparable to the subject have asking rents near-\$20.00/sq.ft. Asking rents are typically negotiated down, indicating market rent for the subject near \$20.00/sq.ft. on a full-service basis. Additionally, based on our conversations with leasing agents in the market, typical new leases have a three-to-five-year lease term, with 2.00% to 3.00% annual increases, with landlords providing some tenant improvements allowance and free rent.

RECENT LEASES AT THE SUBJECT

No.	Tenant name	Start Date	Term (Mos.)	Leasable Sq.Ft.	Increases	Lease Basis	Rent /Sq.Ft.	
1	Baltimore Police Dept	Nov-22	36	4,285	3.00% annually	FS	\$19.70	
2	Mayor's Office of Human Services	Nov-21	60	12,130	3.00% annually	FS	\$19.70	
3	Mayor's Office of Human Services	Recent	36	38,071	3.00% annually	FS	\$19.13	
							Minimum	\$19.13
							Maximum	\$19.70
							Average	\$19.51

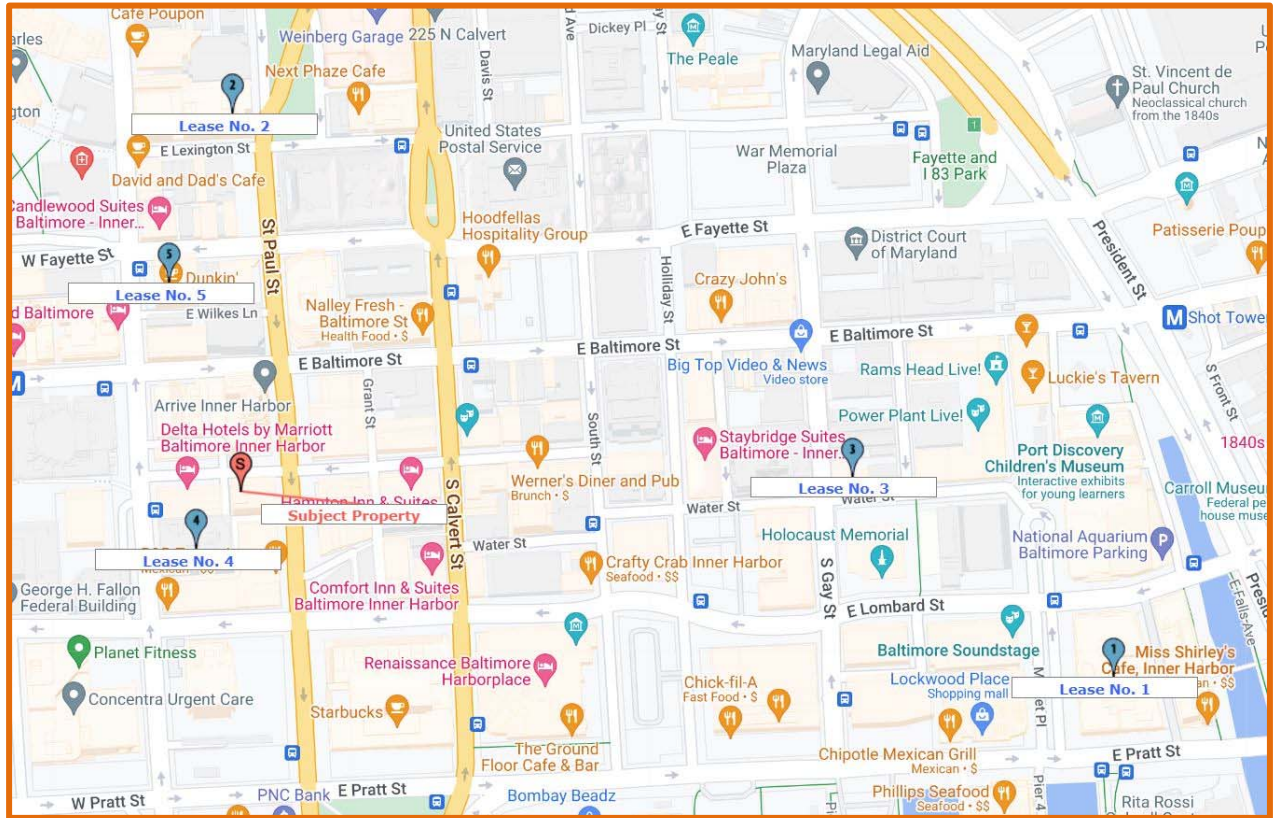
The two recent leases at the subject are both for \$19.70/sq. ft. with the Baltimore Police Department leasing 4,285 sq. ft. for 36 months with 3.00% annual rent increases. The Mayor's Office of Human Services is leasing 12,130 sq. ft. for 60 months with 3.00% annual rent increases.

Mayor's Office of Human Resources just renewed their lease for 38,071 sq.ft. full service at \$19.13/sq.ft.

Based on the comparable asking rents and leases at the subject, we estimate market rent for traditional office space at the subject at \$20.00/sq.ft. on a full-service basis, with the typical lease term having a three-year term.



COMPARABLE LEASE LOCATION MAP





Rent Comparable No. 1



Property Identification

Property/Rent ID	112217/16203
Property Name	Candler Building
Address	700 E. Pratt Street (115 Market Place)
City, State Zip	Baltimore, Maryland 21202
County	Baltimore City
MSA	Baltimore
Tax ID	Block 1385, Lot 1

Transaction Data

Commencement	July 2023
Lease Ends	06-30-2033
Term (mos.)	120
Tenant SF	47,391
Initial Rent \$/SF	\$24.50
Annual Rent	\$1,161,080
Rent Escalation	2.5%/year
Lease Type	Full Service
Lessee	Maryland Department of Assessments & Taxations
Free Rent (mos.)	12

Property Description

Net Rentable SF	589,380	Parking Spaces	20
Year Built	1911	Pkg./1,000 SF NBA	0.03
Stories	12		

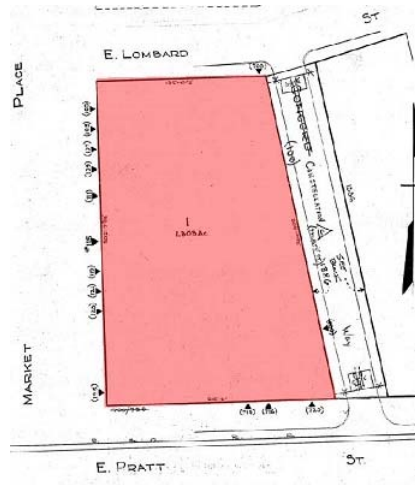
Verification

Confirmed With	Maryland Board of Public Works
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Remarks

Twelve-story, Class A office building with redesigned common areas consisting of a fitness center and on-site dining is 95.6% leased. The improvement offers 20 surface parking spaces and offers full-service leases.





Rent Comparable No. 2



Property Identification

Property/Rent ID	111181/16365
Property Name	St. Paul Plaza
Address	200 St. Paul Place
City, State Zip	Baltimore, Maryland 21202
County	Baltimore City
MSA	Baltimore
Tax ID	Ward 4, Section 1, Block 608, Lots 27 - 38

Transaction Data

Commencement	April 2008
Lease Ends	03-31-2018
Term (mos.)	120
Tenant SF	8,541
Initial Rent \$/SF	\$22.50
Annual Rent	\$192,172
Rent Escalation	2.50%/year
Lease Type	Modified Gross
Lessee	Baltimore City Board of Liquor License

Property Description

Net Rentable SF	265,442	Pkg./1,000 SF NBA	3.49
Year Built	1989	Office Ratio (%)	0.0%
Stories	28	Sprinklers	Wet system
Parking Spaces	927		

Verification

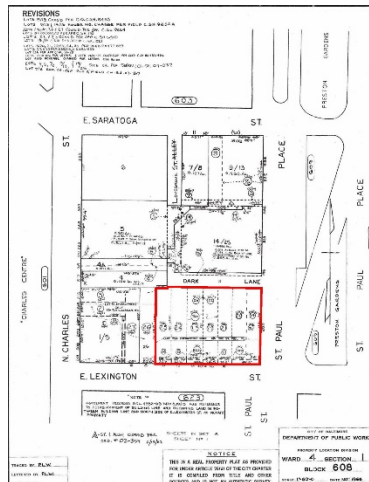
Confirmed With	Baltimore City Board of Estimates
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Remarks

Fourteen-story plus penthouse, Class A office building situated atop a twelve-story plus lower level parking garage containing 927 parking spaces with first floor and mezzanine retail spaces. The first nine levels of parking contain 662 spaces and are open to the public. The upper three levels of parking and the below-grade level are private and reserved for the office tenants. The building features an uninhabitable 13th floor, a 3,690 sq.ft. conference center, and a penthouse with an engineer's office and mechanical equipment. The property is subdivided into 13 condominium units with the office, retail, private parking, and land under one ownership entity and the public parking under another ownership entity.

The tenant pays recoveries for real estate taxes and operating expenses over the base year. Rental increases are 3%/year.





Rent Comparable No. 3



Property Identification

Property/Rent ID	111870/16206
Property Name	National Marine Bank Building
Address	33 S Gay Street
City, State Zip	Baltimore, Maryland 21202
County	Baltimore City
MSA	Baltimore
Tax ID	Ward 04, Section 11, Block 1351, Lot 18

Transaction Data

Commencement	September 2022
Lease Ends	08-31-2027
Term (mos.)	60
Tenant SF	21,645
Initial Rent \$/SF	\$15.00
Annual Rent	\$324,675
Rent Escalation	5.0% annually
Lease Type	Modified Gross
Lessee	Baltimore City Department of Transportation

Property Description

Net Rentable SF	29,843	Parking Spaces	0
Year Built	1920	Office Ratio (%)	0.0%
Stories	4		

Verification

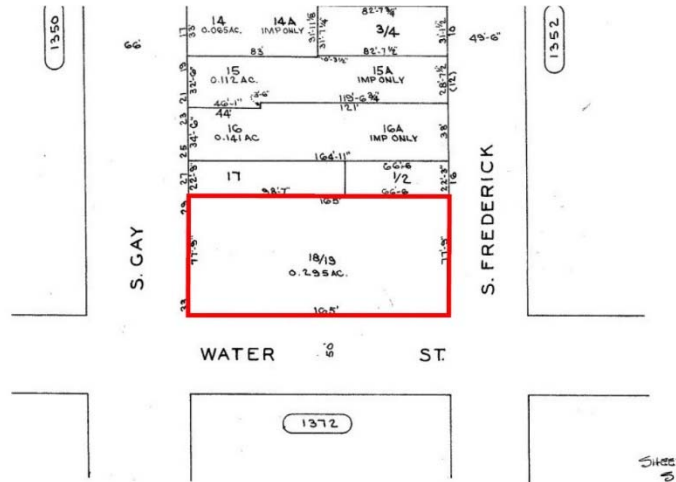
Confirmed With	Baltimore City Board of Estimates
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Remarks

The property consists of a historic building, the National Marine Bank Building, the building was building in 1920 and extensively renovated in 2002/03. The property reflects a Class-B office building. There is no on-site parking, but the property is located proximate to several parking garages.

The landlord is responsible for real estate taxes, insurance, and repairs maintenance and the tenant pays for janitorial service.





Rent Comparable No. 4



Property Identification

Property/Rent ID	90109/15628
Property Name	25 S. Charles Street/26 Light Street
Address	25 S. Charles Street and 26 Light Street
City, State Zip	Baltimore, Maryland 21201
County	Baltimore City
MSA	Baltimore
Tax ID	Ward 4, Section 11, Block 660, Lots 20 & 5

Transaction Data

Commencement	January 2020
Lease Ends	12-31-2027
Term (mos.)	96
Tenant SF	25,783
Initial Rent \$/SF	\$23.50
Annual Rent	\$605,900
Current Rent \$/SF	\$23.50
Rent Escalation	3.5% annual
Lease Type	Full Service
Lessee	Rosenberg/Martin/Greenberg, LLP
Tenant Imp. \$/SF	\$25.00

Property Description

Net Rentable SF	354,739	Stories	22
Year Built	1972		

Verification

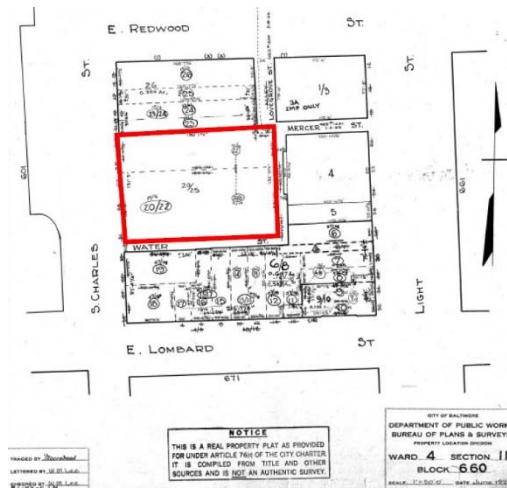
Confirmed With	Appraiser
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Remarks

Twenty-five-story, Class B office building built in 1972 with \$10M in renovations conducted in 2008. The improvement contains 30 parking spaces and 2,500 additional parking spaces are located within two blocks. Leases are offered on a full-service basis.

Lease was a renewal/extension. \$25/sf in TI and 3.5% annual escalations.





Rent Comparable No. 5



Property Identification

Property/Rent ID	72765/16034
Property Name	One North Charles
Address	1 N Charles St
City, State Zip	Baltimore, Maryland 21201
County	Baltimore City

Transaction Data

Commencement	August 2018
Lease Ends	08-31-2023
Term (mos.)	61
Tenant SF	6,400
Annual Rent	\$112,000
Lease Type	Full Service
Lessee	Baltimore City Board of Liquor License Commissioners

Property Description

Net Rentable SF	291,600	Parking Spaces	30
Year Built	1963	Pkg./1,000 SF NBA	0.10
Stories	25		

Verification

Confirmed With	Baltimore City Board of Estimates
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Remarks

Originally built by the founder of Amoco Oil. The property was one of downtown Baltimore's first modern high-rise office towers. The project includes 1,000 sq.ft. of retail. The lobby and mezzanine levels feature marble and other upgraded finishes. Over \$5 million of renovations were completed in 2008 for the project including the security system, upgrades to the plaza area, lobby, common areas, and restrooms as well as the building systems.





Market Rent Analysis

All of the leases are analyzed, and adjustments are made for differences in the various elements of comparison including market conditions, location, size, and other relevant factors. A summary of the elements of comparison follows.

Transaction Adjustments

Transaction adjustments include 1) market conditions, and 2) expense basis. These items are applied prior to the application of property adjustments, and are discussed as follows:

Market Conditions

Market conditions may change between the time of lease of a comparable and the date of the appraisal of the subject property. No adjustment was warranted.

Expense Basis

Lease structures range from full service, in which the owner is responsible for all expenses, to industrial gross, in which the tenant pays for increases in operating expenses over a base year, to triple net, in which the tenant is responsible for all expenses. Varied lease structures require adjustment.

Rental No. 1: No adjustment was warranted.

Rental No. 2: An upward adjustment of 10.0% was applied for the modified gross expense basis hence the tenant responsibility for taxes and operating expenses.

Rental No. 3: An upward adjustment of 25.0% was applied for the modified gross expense basis hence the tenant responsibility for taxes, janitorial services, insurance, and maintenance.

Rental No. 4: No adjustment was warranted.

Rental No. 5: No adjustment was warranted.

Property Adjustments

Property adjustments are expressed quantitatively as percentages, or qualitatively and reflect the increase or decrease in value attributable to the various characteristics of the property. Property adjustments are applied after the application of transaction adjustments, and are discussed as follows:



Location/Access

Location adjustments may be required when the locational characteristics of a comparable property are different from those of the subject property. These include, but are not limited to, general neighborhood characteristics, accessibility, exposure, corner versus interior lot location, neighboring properties, view amenities, and other factors.

Rental No. 1: A downward adjustment of 10.0% was applied to this comparable to account for its location on Pratt Street with proximity to the Inner Harbor which allows for a better marketplace.

Rental No. 2: No adjustment was warranted.

Rental No. 3: An upward adjustment of 10.0% was applied to this comparable since it is east of the Central Business District.

Rental No. 4: No adjustment was warranted.

Rental No. 5: No adjustment was warranted.

Condition/Age

Older properties typically command a lower price per square foot than comparable newer properties, all else being equal. Although a property may be physically older than another property, the effective age may be similar to a newer property and no adjustment may be indicated if it has been well maintained.

Rental No. 1: A downward adjustment of 15.0% was applied to this comparable since it is a Class A property which is superior to the Class B subject property.

Rental No. 2: A downward adjustment of 25.0% was applied to this comparable since it is a Class A building constructed in 1989.

Rental No. 3: No adjustment was warranted since this comparable is a Class B property built in 1920.

Rental No. 4: A downward adjustment of 15.0% was applied to this comparable since it is a Class B building constructed in 1972.

Rental No. 5: A downward adjustment of 5.0% adjustment was applied to this comparable since it is a Class B building constructed in 1963.

Parking

Rental Nos. 2, 4 and 5 were adjusted downward for on-site parking.



Size

The size adjustment identifies variances in the physical size of the comparable lease and the subject improvements. Typically, the larger a lease space, the lower the rental rate per unit. This inverted relationship is due, in part, to the principle of “economies of scale.”

Rental No. 1: An upward adjustment of 5.0% was applied to this comparable to account for the larger size of this comparable lease.

Rental No. 2: No adjustment was warranted.

Rental No. 3: An upward adjustment of 5.0% was applied to this comparable to account for the larger size of this comparable lease.

Rental No. 4: An upward adjustment of 5.0% was applied to account for the larger size of this comparable lease.

Rental No. 5: No adjustment was warranted.

Summary of Adjustments

Based on the preceding comparative analysis, we have summarized the adjustments to the comparable leases on the following table. These quantitative adjustments are based on our market research, best judgment, and experience in the appraisal of similar properties.

COMPARABLE LEASES ADJUSTMENT GRID

Lease No.	Subject	1	2	3	4	5
Address	14 Light Street (aka 7 E. Redwood Street)	700 E. Pratt Street (115 Market Place)	200 St. Paul Place	33 S Gay Street	25 S. Charles Street and 26 Light Street	1 N Charles Street
Sign Date		Jul-23	Jun-23	Sep-22	Jan-20	Aug-18
Sq.Ft. Leased	avg size: 5,743	47,391	5,841	21,645	25,783	6,400
Leased Space Type	Office	Office	Office	Office	Office	Office
Expense Basis	Full Service	Full Service	Modified Gross	Modified Gross	Full Service	Full Service
TI Included (\$/Sq.Ft.)					\$25.00	
Year Built	1924	1911	1989	1920	1972	1963
Initial Lease Rate		\$24.50	\$22.50	\$15.00	\$23.50	\$17.50
Transactional Adjustments						
Market Conditions		0%	0%	0%	0%	0%
Expense Basis		0%	10%	25%	0%	0%
Adjusted Price/Sq.Ft.		\$24.50	\$24.75	\$18.75	\$23.50	\$17.50
Property Adjustments						
Location/Access		-10%	0%	10%	0%	0%
Condition/Age		-15%	-25%	0%	-15%	-5%
Parking		0%	-5%	0%	-5%	-5%
Size		5%	0%	5%	5%	0%
Total Adjustment		-20%	-5%	40%	-15%	-5%
Total Adjusted Price/Sq.Ft.		\$19.60	\$17.33	\$21.56	\$19.98	\$15.75
Minimum Adjusted Unit Price				\$15.75		
Maximum Adjusted Unit Price				\$21.56		
Average Adjusted Unit Price				\$18.84		



Market Rent Indication

From the available market data, office leases in competitive market areas were selected as most comparable to the subject. The unadjusted lease rates for the comparables ranged from \$15.00 to \$24.50 per square foot, with an average of \$20.60 per square foot.

We adjusted the comparable leases based on pertinent elements of comparison previously discussed and summarized them in the above adjustment grid. The final adjusted rental rates range from \$15.75 to \$21.56 per square foot. The rents now range \$5.81/sq. ft. from high to low. Acknowledging that the competition for tenants in the area requires landlords to offer largely similar deals from building to building, we conclude that the subject's current rent roll falls within the range of the adjusted comparables and therefore, the subject property is currently leased at market. We conclude a current market rent of \$19/sq.ft. for the subject property.

Income Analysis

In this section, existing subject leases are compared to market rent. Market rent is applied to vacant space and upon lease rollover. Additional income sources, expense recoveries, and rent escalations are considered. The sum of all income develops potential gross income (PGI), as follows:

Potential Rental Income

The current rent roll shows a rental of \$2,601,749 or \$17.43/sq.ft. We have increased this rental by 3% with the exception of the recent 38,071 sq.ft. lease to determine a gross potential rental income for the subject property of \$2,657,955.

Vacancy/Expense Recoveries

The subject's existing leases are structured on a full-service basis. The market data indicates a market lease structure of full-service basis. Expense recoveries include tenant expense reimbursements, insurance recoveries, as well as miscellaneous and other income. The subject property is currently 100% leased to agencies of the City of Baltimore. The overall market vacancy rate for Class B office space is 21%. The subject property is currently 100% leased. In the *Market Overview* section, market vacancy for Class B office space in the Central Business District was estimated at 21.0%, with a 10-year average at 21.2%. The subject property is currently overperforming compared with the overall market. This is due to the building being owned by the City of Baltimore and all the tenants being Baltimore City government offices that are anticipated to remain as "tenants-in-place" upon sale. Therefore, we conclude stabilized vacancy loss for the subject would be 5% to determine the market value of the subject property. This equates to \$132,898. Currently, the landlord is not collecting recoveries for operating expenses and taxes. Expense recoveries will be minimal and we have stabilized based on the previous history. During the first year of the analyses, expense recoveries are forecasted at \$5,000 for tenant expense reimbursements and \$5,000 for miscellaneous and other income.



Deducting vacancy and collection loss from potential gross income and adding reimbursements develops effective gross income (EGI) of **\$2,535,057** for the first year of the analysis.

Expense Analysis

Operating expenses applicable to the subject property must be deducted to arrive at net operating income. To estimate stabilized operating expenses, we reviewed the subject's operating history, discussed as follows:



HISTORICAL INCOME & EXPENSES AND APPRAISERS' FORECAST

Total Sq.Ft.: 149,309	2021		2022		2023		Appraisers' Forecast	
	Total	\$/Sq.Ft.	Total	\$/Sq.Ft.	Total	\$/Sq.Ft.	Total	\$/Sq.Ft.
Revenue Base Rent	\$2,449,376	\$16.40	\$2,315,611	\$15.51	\$2,485,601	\$16.65	\$2,657,955	\$17.80
Less: Vac., Coll. Loss, & Conc.	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00	\$132,898	\$0.89
Add: Reimb. & Other Income								
Tenant Expense Reimbursement	\$4,101	\$0.03	\$5,130	\$0.03	-\$4,947	-\$0.03	\$5,000	\$0.03
Insurance Recovery	108,888	0.73		0.00		0.00		0.00
Miscell. & Other Income	110	0.00	13,657	0.09	393	0.00	5,000	0.03
Total Reimb & Other Income	\$113,098	\$0.76	\$18,787	\$0.13	-\$4,554	-\$0.03	\$10,000	\$0.07
Effective Gross income (EGI)	\$2,562,474	\$17.16	\$2,334,398	\$15.63	\$2,481,047	\$16.62	\$2,535,057	\$16.98
Less: Operating Expenses								
Utilities	\$235,048	\$1.57	\$321,002	\$2.15	\$549,399	\$3.68	\$566,000	\$3.79
Gross Payroll	319,629	2.14	284,000	1.90	281,811	1.89	290,000	1.94
Maintenance	497,913	3.33	534,551	3.58	568,082	3.80	575,000	3.85
General Bldg Svcs	96,310	0.65	118,965	0.80	141,472	0.95	150,000	1.00
Real Estate Taxes							135,790	0.91
Administration	112,199	0.75	109,950	0.74	123,997	0.83	125,000	0.84
Total Operating Expenses	\$1,261,099	\$8.45	\$1,368,468	\$9.17	\$1,664,761	\$11.15	\$1,841,790	\$12.34
<i>Operating Expense Ratio</i>	<i>\$0.492</i>		<i>\$0.586</i>		<i>\$0.671</i>		<i>\$0.727</i>	
Less: Professional Services								
Total Professional Services	7	0.00	0	0.00	15	0.00	0	
Net Income	1,301,369	9	965,930	6	816,272	5	693,267	5
Less: Building Improvements								
Total Building Improvements	169,695	1.14	460,169	3.08	2,510,446	16.81	0	
<i>Bldg Improvements Ratio</i>	<i>0</i>		<i>0</i>		<i>1</i>		<i>0</i>	
Less: Tenant Improvements								
Total Tenant Improvements	78,427	0.53	1,151	0.01	1,860	0.01	0	
<i>Tenant Imprv. Ratio</i>	<i>0</i>		<i>0</i>		<i>0</i>		<i>0</i>	
Less: Leasing Costs								
Total Leasing Costs/Deferred Rent	97,647	0.65	32,840	0.22	33,232	0.22	15,000	
<i>Leasing Cost Ratio</i>	<i>0</i>		<i>0</i>		<i>0</i>		<i>0</i>	
Cash Flow/Net Operating Income	\$955,600	\$6.40	\$471,771	\$3.16	-\$1,729,266	-\$11.58	\$678,267	\$4.64



Operating Expenses

Our forecast of stabilized expenses for the subject property:

Real Estate Taxes

Real Estate Taxes are estimated at \$135,790 based on the full assessment and calculations set forth in the *Assessment and Tax Data* section earlier in this report.

Utilities

This category includes electricity, water & sewer, steam chilled water, and Constellation. This expense is paid by the building owner on a full-service basis. We estimate stabilized utilities cost of **\$566,000 or \$3.79/sq. ft.**

Gross Payroll

This category includes payroll for the building manager, maintenance, engineer, payroll burden, and overtime. We estimate a stabilized gross payroll cost of **\$290,000 or \$1.94/sq. ft.**

Maintenance

This category includes janitorial services, trash removal, electrical supplies, security services, fire sprinklers, and HVAC support. We estimate a stabilized maintenance payroll cost of **\$575,000 or \$3.85/sq. ft.**

General Building Services

This category expenses related to locks & keys, plumbing, elevators, pest extermination, uniforms, and other miscellaneous services. We estimate a stabilized general building service cost of **150,000 or \$1.00/sq. ft.**

Administrative-

This category relates to administrative expenses directly related to the operation of the property and includes accounting costs, subscriptions, office equipment, management, parking, internet, and phone. We estimate a stabilized administrative service cost of **\$125,000 or \$0.84/sq. ft.**

Expenses total **\$1,841,790 or \$12.34/sq. ft.** during the first year of the analysis. Deducting expenses from the EGI develops a net operating income for the analysis at **\$693,267.**



STABILIZED INCOME AND EXPENSE FORECAST

	\$	\$/Sq.Ft.
Revenue Base Rent	\$2,657,955	\$17.80
Vacancy	\$132,898	\$0.89
Add: Expense Reimbursements	<u>\$10,000</u>	\$0.07
Total Gross Effective Income	\$2,535,057	\$16.98
Real Estate Taxes	\$135,790	\$0.91
Utilities	\$566,000	\$3.79
Gross Payroll	\$290,000	\$1.94
Maintenance	\$575,000	\$3.85
General Building Services	\$150,000	\$1.00
Administrative	\$125,000	\$0.84
Total	<u>\$1,841,790</u>	<u>\$12.34</u>
Net Operating Income	<u>\$693,267</u>	<u>\$4.64</u>

Reserves for Replacement

Reserves are used to account for the need to replace short-lived items during the property's useful life. In this market, it is typical that reserves are not deducted as a line-item operating expense. Therefore, we have not made a deduction for capital reserves within the direct capitalization method. We will account for capital items in the *Reconciliation* section of this report.

Deferred Maintenance and Other Capital Costs

A multi-million-dollar cornice refurbishment project completed in July 2023 caused clay bricks in the ceiling of the building to be dislodged and subsequently randomly fall throughout the building. There is a leak of an unknown source in the ceiling of the sub-basement machine room. A capital needs budget is located in the *Building Description* section of this report. We will account for the capital needs in the Reconciliation. Management is currently working to determine solutions for the issues.

Rate Analysis

Capitalization of the net income and/or cash flow stream is completed through the development and use of appropriate direct (going-in), terminal, and/or yield capitalization rates, discussed as follows:

Direct (Going-In) Capitalization Rate

The going-in capitalization rate is the ratio between a single year's net operating income expectancy and the total property price or value. The most common methods of selecting the appropriate capitalization rate are: comparable sales, investor surveys and the band of investment (or mortgage equity) technique.



We considered comparable sale data as indicated in the following chart:

SUMMARY OF MARKET DERIVED DIRECT CAPITALIZATION RATES

No	Address	Date	Year Built	Sq.Ft.	\$/Sq.Ft.	OAR	
1	201 N Charles Street	12/17/2019	1969	253,648	\$ 60.04	8.75%	
2	916 N Charles Street	8/28/2018	1900	22,000	\$ 78.41	8.25%	
3	1615-1637 Thames Street	4/17/2017	1868	104,203	\$ 202.01	6.25%	
4	209 W Fayette Street	12/1/2016	1920	68,121	\$ 179.83	8.00%	
5	33 S Gay Street	7/27/2016	1920	29,843	\$ 130.68	7.80%	
						Minimum	6.25%
						Maximum	8.75%
						Average	7.81%

We considered applicable investor survey data, which indicated the following rates:

OVERALL CAPITALIZATION RATE SURVEY

No	Source	Range	Average
1	Specific Market Cap Rates	6.25% to 8.75%	7.81%
2	RERC 2Q 2023 - Second-Tier East Region CBD Office	8.80% to 13.00%	10.90%
3	PwC 2Q 2023 Non-Institutional Grade National CBD Office	7.00% to 8.00%	7.50%

Based on the various sources, we conclude the appropriate direct capitalization rate for the subject to be 7.75%. The rate reflects the subject as a credit tenant occupied building as well as the building class.

Direct Capitalization Conclusion

Based on the forecast of net operating income and application of the selected direct capitalization rate, the results of the analysis indicate a market value of \$8,950,000 developed as follows:

VALUE INDICATION

Direct Capitalization	
Stabilized Net Operating Income	\$693,267
Divided by Overall Capitalization Rate	<u>7.75%</u>
Stabilized Valuation by Direct Capitalization	<u>\$8,945,380</u>
Rounded to:	\$8,950,000



Reconciliation

Summary of Value Indications

The indicated values from the approaches used and our concluded market values for the subject property are summarized in the following table.

VALUE INDICATIONS BEFORE CAPITAL NEEDS

Approach	As Is
Effective Date	July 20, 2023
Cost	Not Used
Sales Comparison	\$9,700,000
Income Capitalization	\$8,950,000
Market Value Estimate	\$9,200,000

In order to reach a final opinion of value, we considered the reliability and relevance of each value indication based upon the quality of the data and applicability of the assumptions underlying each approach.

In the *Building Description* section of this report, we discussed the capital needs assessment for the subject property which indicates expenditures (including clay tile remediation) of \$18,514,156 to correct deficiencies at the subject property over a six year period. Some of these are OSHA mandated and some are being mandated by the fire marshal. The amounts over six years total \$18,514,156 and the expenditures have a net present value of \$15,265,113. These amounts are greater than the value of the property as improved. It is our opinion that an investor or purchaser would not spend this amount which is needed to continue to operate the property as an office building and end up with a value below the expenditures.

Consequently, it is our opinion that a purchaser would purchase the subject property with the intention of converting it to multi-family with first floor retail. The conversion would enable the purchaser to upgrade and correct the capital deficiencies at the subject property. Comparable Sale Nos. 2, 4 and 5 were for conversions and the sale prices range from \$55.78 to \$76.36/sq.ft.

7 E. REDWOOD STREET



Sale No.	Subject	2	4	5
Address	14 Light Street (aka 7 E. Redwood Street)	201 E Baltimore Street	10 S. Howard Street	103 S. Gay Street
Date of Sale		Mar-22	Oct-19	Sep-15
Sale Price		\$11,100,000	\$23,950,000	\$8,200,000
Property Rights		Leased Fee	Fee Simple	Fee Simple
Financing		Cash to Seller	Cash to Seller	Cash to Seller
Conditions of Sale		Arms Length	Auction	Typical
Condition		Average	Average	Fair-Average
Quality		Good	Average	Good
Zoning	C-5-T0	C-5-DC	C-5-DC	B-5-2
Year Built / Renovated	1924-2005	1900	1992-2006	1935
Occupancy	0%	77%	0%	0%
Land Area (Acre)	0.20	0.26	0.77	0.39
Land Area (Sq.Ft.)	8,750	11,381	33,715	16,842
GBA (Sq.Ft.)	184,275	169,098	369,676	169,801
NRA (Sq.Ft.)	149,309	169,098	313,647	147,000
Price/NRA		\$65.64	\$76.36	\$55.78
Transactional Adjustments				
Property Rights		0%	0%	0%
Financing		0%	0%	0%
Conditions of Sale/Motivation		0%	0%	0%
Anticipated Expenditures		0%	0%	0%
Market Conditions/Time		2%	6%	12%
Adjusted Price/NRA		\$66.96	\$80.94	\$62.48
Property Adjustments				
Location/Access		0%	10%	10%
Condition/Age		0%	-25%	0%
Quality/Functionality		0%	0%	0%
Parking		-1%	-3%	0%
Size		0%	10%	0%
Occupancy		0%	0%	0%
Composite Adjustment		1%	-2%	23%
Total Adjusted Price/NRA		\$66.29	\$74.87	\$68.72
Minimum Adjusted Price/NRA	\$66.29			
Maximum Adjusted Price/NRA	\$74.87			
Average Adjusted Price/NRA	\$69.96			

Based on our adjustments, it is our opinion that the value of the subject property as a potential apartment conversion is \$67.00/sq.ft. We have relied on adjusted Comparable Sale No. 2. Applying \$67.00/sq.ft. to the subject's 149,309 sq.ft. results in a value indication of \$10,003,703 or **\$10,000,000**, rounded.



Exposure Time and Marketing Periods

Exposure time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The opinion of exposure time may be expressed as a range and can be based on one or more of the following:

- Statistical information about time on market;
- Information gathered through sales verification; and
- Interviews of market participants.

The reasonable marketing time is an opinion of the amount of time it might take to sell a real property interest at the concluded market value level during the period immediately after the effective date of an appraisal. The opinion of marketing time may be a range and can be based on one or more of the following:

- Statistical information about days on market;
- Information gathered through sales verification;
- Interviews of market participants; and
- Anticipated changes in market conditions.

The marketing time is a function of price, time, use, and anticipated market conditions, such as changes in the cost and availability of funds, and is not an isolated opinion of time alone. It is appropriate to discuss the impact of price/value relationships on marketing time and to contrast different potential prices and their associated marketing times with an appraiser's market value opinion for the subject property.

The comparable sales indicated the following marketing time:

- Comparable Sale No. 1 – indicating a marketing time of 73 days.
- Comparable Sale No. 4 – indicated a marketing time of 123 days.
- Sales within our database generally indicate a marketing time of 12 months or less.

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates 12 months, respectively, are considered reasonable and appropriate for the subject property.



General Assumptions and Limiting Conditions

This appraisal is subject to the following limiting conditions:

- 1) The legal description – if furnished to us – is assumed to be correct.
- 2) No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, structures, engineering, or other similar technical matters or for the discovery of such matters/conditions at the property which may be hidden or unapparent. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
- 3) Unless otherwise noted, the appraisal will value the property as though free of contamination. Lipman Frizzell & Mitchell LLC will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
- 4) No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, engineering or mechanical,
- 5) The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
- 6) Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
- 7) It is assumed that all water, sewer facilities and utilities (whether existing or proposed) are or will be in good working order, are safe for use, and are or will be sufficient to serve the current or proposed uses of the subject property or any structures or other improvements. Determining and reporting on such matters were not part of the scope of work for this assignment.
- 8) The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
- 9) Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Lipman Frizzell & Mitchell LLC is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.



- 10) The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
- 11) The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
- 12) The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
- 13) The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
- 14) Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
- 15) This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Lipman Frizzell & Mitchell LLC and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
- 16) Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user in the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
- 17) This appraisal shall be used only for the function outlined herein, unless expressly authorized by Lipman Frizzell & Mitchell LLC.
- 18) This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
- 19) Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

7 E. REDWOOD STREET



- 20) The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject's flood zone classification from a licensed surveyor.
- 21) If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
- 22) Our appraisal inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if observed) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
- 23) This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that the property is in compliance with all applicable federal, state and local laws, ordinances, regulations, building standards, use restrictions and zoning unless the lack of compliance is stated in the appraisal report. Determining and reporting on such compliance were not part of the scope of work for this assignment.
- 24) When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
- 25) We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.



- 26) In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
- 27) If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.
- 28) Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated in this report, the past or current existence of hazardous materials or environmental contamination on, below or near the subject property was not known by the appraiser. The appraiser, however, is not qualified to detect such substances or to make determinations about their presence. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials or environmental contamination may affect the value of the property. Unless otherwise stated, the value estimated is predicated on the assumption that there is no such material on, below or affecting the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering assistance required to discover them. The client/intended user is urged to retain an expert in this field, if desired.
- 29) The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
- 30) This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
- 31) No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
- 32) Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
- 33) Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance



policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.

- 34) The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.
- 35) You and Lipman Frizzell & Mitchell LLC both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Lipman Frizzell & Mitchell LLC and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Lipman Frizzell & Mitchell LLC or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Lipman Frizzell & Mitchell LLC for this assignment, and under no circumstances shall any claim for consequential damages be made.
- 36) Lipman Frizzell & Mitchell LLC shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified in the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Lipman Frizzell & Mitchell LLC and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Lipman Frizzell & Mitchell LLC harmless from and against any liability, loss, cost, or expense incurred or suffered by Lipman Frizzell & Mitchell LLC in such action, regardless of its outcome.
- 37) Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions. Use of or reliance on this appraisal or appraisal report, regardless of whether such use or reliance is known or authorized by the appraiser, constitutes acknowledgment and acceptance of these general assumptions and limiting conditions, any extraordinary assumptions or hypothetical conditions, and any other terms and conditions stated in this report.



Certification

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the appraisal within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Calvin V. Thomas, MAI made a personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the person signing this certification.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, I, Calvin V. Thomas, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.

A handwritten signature in black ink, appearing to read "Calvin V. Thomas".

Calvin V. Thomas, MAI
Principal
Maryland License #04-1594
License Expires December 31, 2024



Certification

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the appraisal within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Christopher M. Perticone, made a personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the person signing this certification.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, I, Christopher M. Perticone, have completed the Standards and Ethics Education Requirement for Candidates/Practicing Affiliates of the Appraisal Institute.

A handwritten signature in black ink that reads "Chris Perticone".

Christopher M. Perticone
Appraiser Trainee
Maryland License #06-34755
License Expires August 30, 2025
cperticone@lfmvalue.com



Addenda

Subject Photos

7 E. Redwood Conditions and Known Structural Defects

Tax Assessment Profile

Glossary

Qualifications

 Calvin V. Thomas, MAI - Principal

 Christopher M. Peticone - Appraiser Trainee

Client List

Subject Photographs



Side Profile



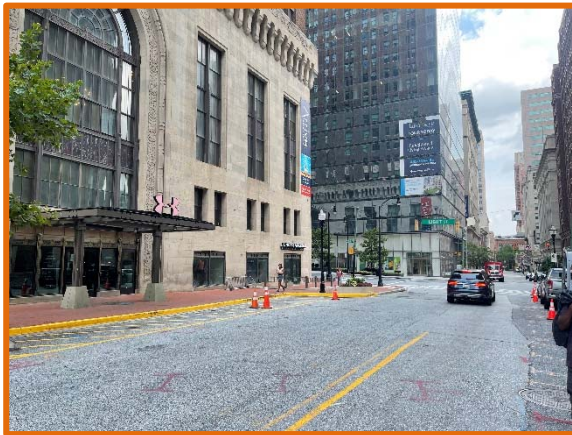
Street Side Profile



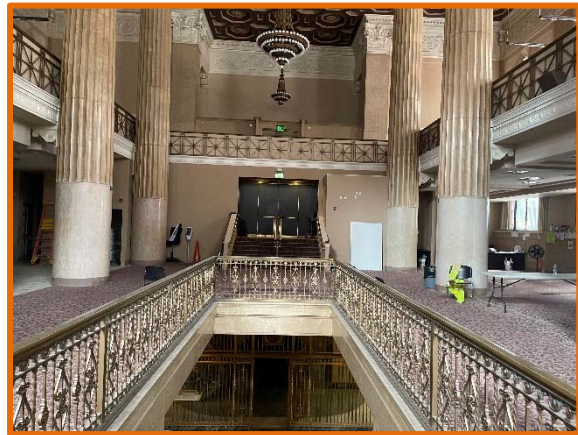
S Lovegrove Street



West view of Redwood Street



East view of Redwood Street



Mezzanine



Subject Photographs



Mezzanine ceiling



Bank vault



Lobby



Marble hallway with elevators



Standard Hallway with elevators



Standard tenant office buildout



Subject Photographs



Office kitchenette



Fourth floor hallway with elevator



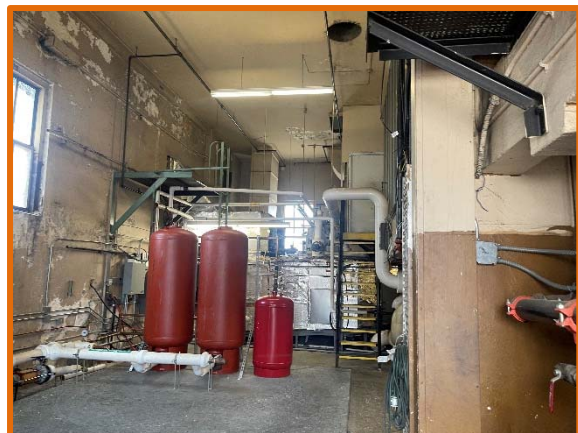
Restroom with original flooring



Renovated ADA compliant restroom



Roof utilities



Penthouse utilities

Subject Photographs



Exterior staircase



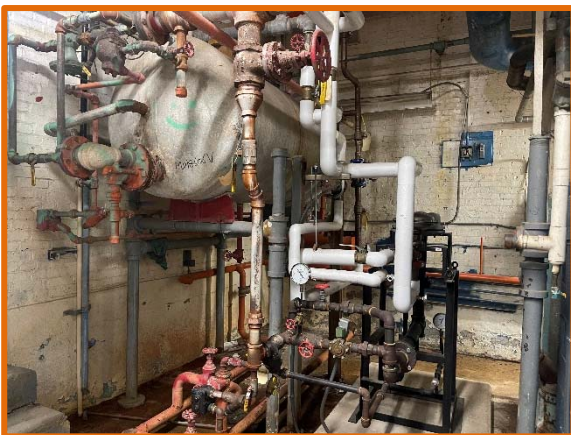
Interior staircase



Utilities



Utilities



Utilities



Electrical utilities



7 E. Redwood Conditions and Known Structural Defects

7 E Redwood Conditions

ROOF

The built-up roof is ballasted with river rock and is original 1924, It is in overall fair condition with no reported leaks at this time.

MECHANICAL

The building has three main Air Handling Units that provide heated and cooled air via steam coils and chilled water coils to the perimeter office spaces on floors 2-20. In addition to these coils, there are induction units on the perimeter of the building that has a secondary water loop that can be valved for heated or chilled water.

AHU 2 serves floors 2- 7 and is located on the 4th floor. AHU 3 serves floors 8-13 and is located on the 10th floor and AHU 4 serves floors 14-20 and is located in the penthouse. All three AHUs are from 1962 and are in fair to poor shape. AHUs 1 & 5 are abandoned in place on the sub-basement level and are in poor shape.

Some interior office spaces have ceiling mounted heat pumps, also from 190-1992 that are in poor -fair condition.

District Chilled Water from Vicinity comes into the sub-basement and uses a 40 HP pump motor to supply the AHU cooling coils. There are two smaller pumps in the penthouse that supply chilled water to the induction units for the perimeter. These pumps are approximately 50 years old and are in fair shape.

Vicinity District Steam service comes into the sub-basement for heating via three steam fed heat exchangers. HX 1 provides steam for the AHU heating coils. HX two serves the bank lobby and mezzanine (currently shut off) and HX 3 serves the induction units for the perimeter office space. All three heat exchangers are in poor shape. There are three small steam fed heating coils for the stairwell.

Water sourced heat pumps on floors 2-20 provide air conditioning to the interior office spaces. Most of the heat pumps range in age from 1990 -1992 and are in fair to poor condition, the units on floors 12,13,18 & 19 are from 2015 and are in good condition.

There are two connected 500-ton cooling towers on the roof to provide condenser water via a 50 HP pump motor in the sub-basement for the heat pumps.



PLUMBING

The water service comes into the building on the sub-basement level and was replaced in 2019. It is pumped throughout the building via three domestic booster pumps with VFDs, also dating from 2019. The main water line from the sub-basement to the penthouse was replaced with copper in 2019. There is still a combination of galvanized and copper piping located in the columns and above ceilings, with the galvanized pipe in poor condition. A steam fed instant water heater was installed in 2018 for the restrooms and some kitchens. The kitchens without house hot water have electric under counter instant water heaters.

ELECTRIC

The main switchgear was replaced in 1940s and is in poor condition. The electrical service for elevators 1-6 is fed from this switchgear via an open knife blade disconnect which is not code. There is another electrical service and motor control center in the sub-basement from 1970s which is in fair shape. That feed sub-panels and motors throughout the building. Electric closets on each floor are located in the stairwell. They are mostly from the 70s and are in fair shape.



Known Structural Defects/ Deferred Maintenance

Elevators: All elevators in need of modernization.

Roof- Original roof needs replacement.

Switchgear: Building has original switchgear in need of updated.

Windows: All need updating to modern efficient windows, and several are broken.

Condenser Water Loop- Is starting to fail in several areas and will need replacement. Have been doing continuous repairs.

Chilled water closed loop- Several repairs due to age.

19th floor Ceiling- Structural clay tiles are starting to fail because they were installed incorrectly causing overhead hazards. Floor has been shut down until repairs are made.

Secondary water service into building is shut down because of broken pipe. City is aware and has not fixed it.

Lead based paint and asbestos can be found in several areas of the building.



Tax Assessment Profile

Real Property Data Search ()
 Search Result for BALTIMORE CITY

[View GroundRent Redemption](#)

[View GroundRent Registration](#)

Special Tax Recapture: None

Account Identifier: Ward - 04 Section - 11 Block - 0660 Lot - 003A

Owner Information

Owner Name:	MAYOR AND CITY COUNCIL OF BALTIMORE THE	Use:	EXEMPT COMMERCIAL
Mailing Address:	417 E FAYETTE ST #1001 BALTIMORE MD 21202-0000	Principal Residence:	NO
		Deed Reference:	/14836/ 0163

Location & Structure Information

Premises Address: 14 LIGHT ST
BALTIMORE 21202-1026

Legal Description: IMP ONLY

Map:	Grid:	Parcel:	Neighborhood:	Subdivision:	Section:	Block:	Lot:	Assessment Year:	Plat No:
0004	0000	0000	4000.03	0000	11	0660	003A	2022	
									Plat Ref:

Town: None

Primary Structure Built	Above Grade Living Area	Finished Basement Area	Property Land Area	County Use
1905	184,275 SF			00000

Stories	Basement	Type	Exterior	Quality	Full/Half Bath	Garage	Last Notice of Major Improvements
		OFFICE BUILDING	/	C4			

Value Information

	Base Value	Value As of 01/01/2022	Phase-in Assessments As of 07/01/2022	As of 07/01/2023
Land:	0	0		
Improvements	4,547,300	4,870,700		
Total:	4,547,300	4,870,700	4,655,100	4,762,900
Preferential Land:	0	0		

Transfer Information

Seller: NET LEASE RESIDUAL INTERESTS, Type: NON-ARMS LENGTH OTHER	Date: 01/02/2013 Deed1: FMC /14836/ 0163	Price: \$0 Deed2:
Seller: ORCHARD FINANCIAL Type: NON-ARMS LENGTH OTHER	Date: 01/02/2013 Deed1: FMC /14836/ 0155	Price: \$0 Deed2:
Seller: Type:	Date: Deed1: SEB /06094/ 00414	Price: Deed2:

Exemption Information

Partial Exempt Assessments:	Class	07/01/2022	07/01/2023
County:	560	4,655,100.00	4,762,900.00
State:	560	4,655,100.00	4,762,900.00
Municipal:	560	0.00 0.00	0.00 0.00

Special Tax Recapture: None

Homestead Application Information

Homestead Application Status: No Application

Homeowners' Tax Credit Application Information

Homeowners' Tax Credit Application Status: No Application **Date:**



Real Property Data Search ()
 Search Result for BALTIMORE CITY

[View GroundRent Redemption](#)

[View GroundRent Registration](#)

Special Tax Recapture: None

Account Identifier: Ward - 04 Section - 11 Block - 0660 Lot - 001

Owner Information

Owner Name: MAYOR AND CITY COUNCIL Use: EXEMPT COMMERCIAL
 Mailing Address: 417 E FAYETTE ST #1001 Principal Residence: NO
 BALTIMORE MD 21202-0000 Deed Reference: /06094/ 00414

Location & Structure Information

Premises Address: 14 LIGHT ST Legal Description: 77-8X112-6
 BALTIMORE 21202-1026

Map:	Grid:	Parcel:	Neighborhood:	Subdivision:	Section:	Block:	Lot:	Assessment Year:	Plat No:
0004	0000	0000	4000.03	0000	11	0660	001	2022	

Town: None

Primary Structure Built	Above Grade Living Area	Finished Basement Area	Property Land Area	County Use
			8,831 SF	61720

Stories	Basement	Type	Exterior	Quality	Full/Half Bath	Garage	Last Notice of Major Improvements
			/				

Value Information

	Base Value	Value As of 01/01/2022	Phase-in Assessments	
			As of 07/01/2023	As of 07/01/2024
Land:	883,100	883,100		
Improvements	0	0		
Total:	883,100	883,100	883,100	883,100
Preferential Land:	0	0		

Transfer Information

Seller: ORCHARD FINANCIAL	Date: 11/12/1996	Price: \$0
Type: NON-ARMS LENGTH OTHER	Deed1: SEB /06094/ 00414	Deed2:
Seller: SEVEN EAST REDWOOD STREET	Date: 07/27/1994	Price: \$5,000,000
Type: ARMS LENGTH IMPROVED	Deed1: /00000/ 00000	Deed2:
Seller:	Date:	Price:
Type:	Deed1:	Deed2:

Exemption Information

Partial Exempt Assessments:	Class	07/01/2023	07/01/2024
County:	560	883,100.00	883,100.00
State:	560	883,100.00	883,100.00
Municipal:	560	0.00 0.00	0.00 0.00

Special Tax Recapture: None

Homestead Application Information

Homestead Application Status: No Application

Homeowners' Tax Credit Application Information

Homeowners' Tax Credit Application Status: No Application Date:



Glossary

Definitions are primarily taken from the Dictionary of Real Estate Appraisal, 7th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP) and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

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

Additional Rent

Any amounts due under a lease that is in addition to base rent. Most common form is operating expense increases.

Amortization

1. The process of retiring a debt or recovering a capital investment, typically though scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)
2. The gradual reduction of an amount over time, such as tax depreciation of intangible items. (Dictionary)

As Is Market Value

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

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

In office buildings, the areas of the building that provide services to building tenants but that are not included in the rentable area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas food service facilities, health or fitness centers, daycare

facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking spaces, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy.

Common Area Maintenance (CAM)

1. The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.
2. For shopping centers, the amount of money charged to tenants for their shares of maintaining a center's common area. That charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security, amenities and upkeep. (ICSC) (Dictionary)

Condominium

An attached, detached, or stacked unit within or attached to a structure with common areas that are held as tenants in common (an undivided interest) with other owners in the project. The units can be residential, commercial, industrial, or parking spaces or boat docks. These units are commonly defined by state laws in their



locations. Because units can be stacked on top of other units, these units can be defined both vertically and horizontally. (Dictionary)

Conservation Easement

An interest in real property restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

Contributory Value

1. A type of value that reflects the amount of property or component of a property contributes to the value of another asset or to the property as a whole.
2. The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ($DCR = NOI/I_m$), which measures the relative ability to a property to meet its debt service out of net operating income. Also called Debt Service Coverage Ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation

1. In appraisal, the loss in the value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
2. In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

Disposition Value

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

- 1) Consummation of a sale within a specified time, which is shorter than typical exposure time for such a property in that market;
- 2) The property is subjected to market conditions prevailing as of the date of valuation.
- 3) Both the buyer and seller are acting prudently and knowledgeably;
- 4) The seller is under compulsion to sell;
- 5) The buyer is typically motivated;
- 6) Both parties are acting in what they consider to be their best interests;
- 7) An adequate marketing effort will be made during the exposure time;
- 8) Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 9) The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Easement

The right to use another's land for a stated purpose. (Dictionary)

EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date

- 1) The date on which the appraisal opinion applies;
- 2) The date on which an appraiser's analyses, opinions, and conclusions apply;
- 3) The date that a lease goes into effect. (Dictionary)

Effective Gross Income (EGI)

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

Effective Rent

Total base rent, or minimum rent situated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a



tenant net of financial concessions provided by a landlord.. (Dictionary)

EPDM

Ethylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings.

Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called an escalator clause, expense recovery clause or stop clause. (Dictionary)

Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an estoppel letter. (Dictionary)

Excess Land

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

Expense Stop

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

Exposure Time

1) The time a property remains on the market. 2) An opinion, based on supporting market data, of the length of time that 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. (Dictionary)

Extraordinary Assumption

An assignment-specified assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

Fair Market Value

The price at which the property should change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts. [Treas. Reg. 20.2031-1(b); Rev. Rul. 59-60. 1959-1 C.B. 237]

Fee Simple Estate

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

Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors that are available primarily for the use of tenants on that floor. In essence, floor common area represents all of the area on the floor that is common to that respective floor with the exception of those areas that penetrate through the floor, such as the elevator shaft and stairwell. The significant point to be made is that floor common area is not part of the tenant's usable area. (BOMA)

Full-Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a full service lease. (Dictionary)

Going-Concern Value

An outdated label for market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the



market value of the going concern or market value of the total assets of the business. (Dictionary)

Gross Building Area (GBA)

- 1) Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
- 2) Gross leasable area plus all common areas.
- 3) For residential space, the total area of all levels measured from the exterior of the walls and included the super-structure and substructure basement; typically does not include garage space. (Dictionary)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of the same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning. A general term encompassing any system designed to heat and cool a building in its entirety.

Highest and Best Use

- 1) The reasonably probable and legal 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.
- 2) The use of an asset that maximized its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
- 3) The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)
- 4) For fair value determination, the use of a nonfinancial asset by market participants that would maximize the value of the asset or the group of assets and liabilities within which the asset would be used. (FASB Glossary) The highest and best use that is physically possible, legally permissible, and financially feasible. (FASD 820-10-35-10B). The highest and best use of a nonfinancial asset establishes the valuation premise used to measure the fair value of the asset, as follows: (a) The highest and best use of a nonfinancial asset might provide maximum value to market participants through its use in combination with other assets as a group or in combination with other assets and liabilities, (b) The highest and best use of the asset might provide maximum value to market participants on a standalone basis. (FASB 820-10-35-10E) (Dictionary)

Hypothetical Condition

- 1) A condition that is presumed to be true when it is known to be false. (SVP)



- 2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. (Dictionary)

Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real estate taxes as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value

A type of value for insurance purposes. (Dictionary)

(Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees).

Investment Value

- 1) The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
- 2) The value of an asset to the owner or a prospective owner given the individual investment or operational objectives. (IVS) (Dictionary)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

Leased Fee Interest (Ground Lease)

In the context of a ground lease, the leased fee interest is held by the landowner, who is the landlord under the ground lease. The leased fee interest is entitled to receipt of land rent and other financial benefits during the lease term, plus the reversion of the land and improvements, if any, when the ground lease expires.

Leasehold Interest (Leasehold Estate)

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

Leasehold Interest (Ground Lease)

The interest held by the tenant under the ground lease. The tenant may be the developer of the property, who has leased the land from the landowner. The tenant under the ground lease is also the landlord under the space leases to subtenants of any improvements constructed by the tenant on the land and, as such, is often said to be in the sandwich position.

Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value

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

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

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9) The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Loan to Value Ratio (M)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage; also called loan ratio or LTV. (Dictionary)

Load Factor

A measure of the relationship of common area to usable area and therefore the quality and efficiency of the building area layout, with higher load factors indicating a higher percentage of common area to overall rentable space than lower load factors; calculated by subtracting the amount of usable area from the rentable area and then dividing the difference by the usable area. (Dictionary)

$$\text{Load Factor} = \frac{\text{Rentable Area} - \text{Usable Area}}{\text{Usable Area}}$$

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent

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 typically found in that market, such as permitted uses, use restrictions, expense obligations, duration, concessions, rental adjustments and revaluations, renewal and purchase options, frequency of payments and tenant improvements (Tis). (Dictionary)

Market Value

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

- a. Buyer and seller are typically motivated;
- b. Both parties are well informed or well advised, and acting in what they consider their own best interests;
- c. A reasonable time is allowed for exposure in the open market;
- d. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- e. 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.

Market Value As If Complete

Market value as if complete means the market value of the property with all proposed construction, conversion or rehabilitation hypothetically completed or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect



the market value of the property as if complete and prepared for occupancy by tenants.

Market Value As If Stabilized

Market value as if stabilized means the market value of the property at a current point and time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Marketing Time

An opinion of the amount of time to sell a property interest at the concluded market value or at a benchmark price during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which precedes the effective date of an appraisal. (Advisory Opinion 7 and Advisory Opinion 35 of the Appraisal Standards Board of The Appraisal Foundation address the determination of reasonable exposure and marketing time). (Dictionary)

Master Lease

1. A lease in which a part or the entire property is leased to a single entity (the master lessee) in return for a stipulated rent. The master lessee then subleases the property to multiple tenants.
2. The first lease in a sandwich lease. (Dictionary)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease. (Dictionary)

Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., OER = 1 - NIR. (Dictionary)

Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the optionee)

to buy, sell, or lease real property for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e. a fractional interest such as tenancy in common or easement. (Dictionary)

Pass-Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real estate taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Potential Gross Income (PGI)

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

Prospective Future Value Upon Completion

Market value "upon completion" is a prospective future value estimate of a property at a point in time when all of its improvements are fully completed. It assumes all proposed construction, conversion, or rehabilitation is hypothetically complete as of a future date when such effort is projected to occur. The projected completion date and the value estimate must reflect the market value of the property in its projected condition, i.e., completely vacant or partially occupied. The cash flow must reflect lease-up costs, required tenant improvements and leasing commissions on all areas not leased and occupied.

Prospective Future Value Upon Stabilization

Market value "upon stabilization" is a prospective future value estimate of a property at a point in time when stabilized occupancy has been achieved. The projected stabilization date and the value estimate must reflect the absorption period required to achieve stabilization. In addition, the cash flows must reflect lease-up costs, required tenant improvements and leasing commissions on all unleased areas.



Rentable Area

For office or retail buildings, the tenant’s pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space of which the rent is based; calculated according to local practice. (Dictionary)

Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost

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

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., “retrospective market value opinion.” (Dictionary)

Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Shell Building

The existing shell condition of a building prior to the installation of tenant improvements. This

condition varies from building to building, landlord to landlord, and generally involves the level of finish above the ceiling grid.

Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make that claim junior, or subordinate, to the claims of another party. (Dictionary)

Substantial Completion

Generally used in reference to the construction of tenant improvements (TIs). The tenant’s premises are typically deemed to be substantially completed when all of the TIs for the premises have been completed in accordance with the plans and specifications previously approved by the tenant. Sometimes used to define the commencement date of a lease.

Sum of the Retail Values

The sum of the separate and distinct market value opinions of each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. An appraisal has an effective date, but summing the sale prices of multiple units over an extended period of time will not be the value on that one day unless the prices are discounted to make the value equivalent to what another developer or investor would pay for the bulk purchase of the units. Also called the aggregate of the retail values or aggregate retail selling price. (Dictionary)

Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the



property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed or variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN lease, triple net lease, or fully net lease. (Dictionary)

(Note: The definition of “Triple Net” is known to vary to some degree. The variation usually relates to which expenses are borne by the landlord).

Usable Area

1. For office buildings, the actual occupiable area of a floor or an office space; computed by measuring from the finished surface of the office side of the corridor and other permanent walls, to the center of partitions

that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Sometimes called net building area or net floor area.

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

Value-in-Use

1. The amount determined by discounting the future cash flows (including the ultimate proceeds of disposal) expected to be derived from the use of an asset at an appropriate rate that allows for the risk of the activities concerned. (FASB Accounting Standards Codification, Master Glossary)
2. Formerly used in valuation practice as a synonym for contributory value or use value. (Dictionary)



Qualifications of Calvin V. Thomas, MAI - Principal

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410-423-2300 (main)



Appraisal Licenses

State of Maryland

Education

Bachelor of Science

Economics

University of Maryland

Membership/Affiliations

Member - Appraisal Institute – MAI Designation
Licensed Broker - State of Maryland, Dept. of Licensing &
Regulation, Maryland Real Estate
Greater Baltimore Board of Realtors
National Association of Realtors

Experience

Lipman Frizzell & Mitchell LLC (1996-Present)
Legg Mason Realty Group, Inc. – Appraisal (1988-1996)
Otis Warren Appraisals, Inc. (1986-1988)
Maryland National Bank (1976-1986)
Equitable Trust Bank (1969-1976)

Experience as Expert Witness

United States Bankruptcy Court
Maryland Tax Court
Baltimore City Circuit Court
Prince George's County Circuit Court

Appraisal Institute & Related Courses

Appraisal Institute Courses for MAI Designation, Standards of Professional Appraisal Practice, Appraisal Curriculum Overview, Commercial Market Update, The Global Impact on Real Estate Valuation, Business Practices and Ethics, The Green Guide to Appraising, Maryland Ethics and Predatory Lending, Delaware Laws and Regulations for Appraisers

Competency

Appraisal/valuation and consulting assignments include: apartment buildings; retail buildings and shopping centers; office buildings; industrial buildings; religious and special purpose properties including schools, churches and cemeteries; hotels and motels; residential subdivisions; and vacant industrial, commercial and residential land. Assignments also include tax credit valuations, Fannie Mae and Freddie Mac reports, and HUD MAP valuations and comparability studies. Assignments have been concentrated in the Baltimore/Washington Metropolitan areas.



Qualifications of Christopher M. Perticone – Associate

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Appraisal Licenses

State of Maryland (Trainee)

Education

Regis University - Bachelor of Science in Business Administration

Experience

Lipman Frizzell & Mitchell LLC (February 2023-Present)

Treffer Appraisal Group (June 2022 – January 2023)

Appraisal Institute & Related Courses

Appraisal Institute – National USPAP Course

Appraisal Institute – Basic Appraisal Principles

Appraisal Institute – Basic Appraisal Principles

Competency

Appraisal/valuation assignments include: residential; land; waterfront; retail buildings and shopping centers. Assignments have been concentrated in the Baltimore/Washington Metropolitan areas.



Representative Clients of Lipman Frizzell & Mitchell LLC

Developers/Investors/Advisors:

A&R Development Corporation
ATAPCO
Bavar Properties Group
Bozzuto Group
Casey Management, Inc.
Signal Corporation
Clark Enterprises, Inc.
Continental Realty Corporation
Cordish Companies
Corporate Office Properties Trust
Enterprise Homes Inc.
Federal Realty Investment Trust
FRP Development Corporation
Greenebaum & Rose Associates
H & S Properties
Harrison Group
Heritage Properties
Himmelrich Associates, Inc.
Home Properties
James Keelty & Co.
James F. Knott Realty Group
JBG Smith
J.P. Morgan
JLL
Kimco Realty
KLNB
Lerner Enterprises
Lubert-Adler Management Inc.
MacKenzie Commercial
Manekin Corporation
Merritt Properties
Muni Cap, Inc.
NVR, Inc.
Riparius
Ryland Homes
Shelter Development
Southern Management Co.
St. John Properties
The Time Group
Toll Brothers
Trammel Crow Co.
Whiting Turner

Accounting Firms:

Grant Thornton LLP
Ernst & Young
Ellin & Tucker Chartered
PriceWaterhouse Coopers

Corporate:

7-Eleven, Inc.
Amtrak
AT&T
Black & Decker
Blue Cross/Blue Shield
Chaney Enterprises
Costco Wholesale Corp.
CSX
Exxon Mobil
Fort Myer Construction Corp.
GEICO
General Electric
General Motors
Google
Home Depot
Hyatt Hotels
IBM
JCPenney
Kaiser Permanente
Lockheed Martin
Lord & Taylor
Macy's
Marriott
McDonalds Corporation
MGM Resorts International
Noxell
PEPCO
Percontee, Inc.
Safeway Inc.
Target Corporation
T. Rowe Price
Under Armour
Verizon
WalMart
Washington Gas
Wawa



Lenders/Mortgage Brokers:

Aetna Insurance
Allstate Investments LLC
Artisans' Bank
Bank of America
Bank of New England
Bank Five Nine
CalPERS
Capital Funding Group
Cecil Bank
Chesapeake Bank
Columbia Bank
Community Bank of the Chesapeake
EagleBank
FCNB Bank
Fannie Mae
GE Capital
GMAC
Harford Bank
HSBC
Key Bank
M & T Bank
Money Store
Morgan Stanley
New York Life
NorthMarq Capital Inc.
Northwest Bank
PNC Bank
Sandy Spring Bancorp
Sun Life of Canada
TIAA
Transamerica
Travelers
Truist Financial
United Bank
Walker & Dunlop
Wells Fargo Bank
Wilmington Trust

Law Firms:

Abramoff, Neuberger, LLP
Arent Fox LLP
Ballard Spahr LLP
Basik, Bushel and Bushel
Birchstone Moore
Blank, Rome LLP
Bregman, Berbert, Schwartz & Gilday, LLC
DLA Piper (US)
Eccleston & Wolfe
Fedder & Garten

Friedman & Friedman, LLP
Gallagher, Evelius & Jones LLP
Goodwin Procter LLP
Gordon Feinblatt LLC
Hogan Lovells
Holland & Knight LLP
Jacobs & Dembert, P.A.
Lerch Early & Brewer
Levin & Gann
London & Mead
McGuire Woods LLP
Miles & Stockbridge P. C.
Miller, Miller & Canby
Niles, Barton & Wilmer LLP
Paley Rothman
Pasternak & Fidis, P.C.
Rosenberg Martin & Greenberg
Saul Ewing Arnstein & Lehr
Selzer Gurvitch Rabin Wertheimer & Polott, P.C.
Semmes, Bowen & Semmes
Shapiro, Sher, Guinot & Sandler
ShIPLEY & Horne, P.A.
Shulman Rogers
Squire Patton Boggs, L.L.P.
Steptoe & Johnson LLP
Tydings & Rosenberg LLP
Venable LLP
Whiteford, Taylor & Preston LLP
Wilkes Artis Chartered
Zuckerman Spaeder LLP

Institutional:

American University
Archdiocese of Baltimore
Bon Secours Health System
Catholic Charities
Coppin State University
Greater Baltimore Medical Center
Good Samaritan Hospital
Harry & Jeanette Weinberg Foundation
Johns Hopkins Hospital
Loyola College
Mass. Institute of Tech. (MIT)
MedStar Franklin Square Hospital
Morgan State University
Notre Dame of Maryland University
St. Agnes Hospital
St. Joseph Medical Center
St. Paul School
Sinai Hospital/LifeBridge Health
Sisters of Notre Dame

7 E. REDWOOD STREET



Towson University
University of Maryland
University of MD Medical System

Governmental/Other:

City of Baltimore
Baltimore County
City of Baltimore Development Corp.
BOMA
Carroll County
Cecil County
District of Columbia
D.C. Housing Finance Agency
Federal Communication Commission
Federal Deposit Insurance Corp.
Frederick County
Harford County
Anne Arundel County
Howard County
Internal Revenue Service
MD Dept. of Natural Resources
MD Economic Development Corp
Maryland Historical Trust
MNCPPC
Maryland Stadium Authority
Mass Transit Administration
Montgomery County
Prince George's County
MD State Highway Administration
U.S. Army Corps of Engineers
U.S. Dept. of Housing & Urban Development
U.S. Dept. of Justice
U.S. Dept. of the Navy
U.S. General Services Admin.

U.S. Naval Academy Athletic Assoc.
U.S. Postal Service
Washington, D.C. Office of Tax & Revenue
Washington Suburban Sanitary Commission
U.S. Dept. of Housing & Urban Development
U.S. Dept. of Justice
U.S. Dept. of the Navy
U.S. General Services Admin.
U.S. Naval Academy Athletic Assoc.
U.S. Postal Service
Washington, D.C. Office of Tax & Revenue
Washington Suburban Sanitary Commission

Recreational:

Argyle Country Club
Baltimore Country Club
Bethesda Country Club
Burning Tree Golf Club
Caves Valley Golf Club
Columbia Association
Country Club of Maryland
Country Club at Woodmore
Elkridge Club
Four Streams Golf Club
Green Spring Valley Hunt Club
Hillendale Country Club
Hunters Oak Golf Course
Lakewood Country Club
Maryland Club
Norbeck Country Club
Suburban Country Club
Woodmont Country Club