APPRAISAL REPORT

FORMER FIRE STATION #14
1704 33rd Avenue North
Minneapolis, Hennepin County, Minnesota 55412
CBRE, Inc. File No. 15-178MN-0016

Jayne Rizner
CPED Real Estate Coordinator
CITY OF MINNEAPOLIS - COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT
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January 22, 2015

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CPED Real Estate Coordinator
CITY OF MINNEAPOLIS - COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT
105 Fifth Avenue South, Suite 200
Minneapolis, Minnesota 55401-2534

RE: Appraisal of Former Fire Station #14
1704 33rd Avenue North
Minneapolis, Hennepin County, Minnesota 55412
CBRE, Inc. File No. 15-178MN-0016

Dear Ms. Rizner:

At your request and authorization, CBRE, Inc. has prepared an appraisal of the market value of the referenced property. Our analysis is presented in the following Appraisal Report.

The subject is a 2-story, 8,674-square foot former fire station facility located at 1704 33rd Avenue North in Minneapolis, Minnesota. The improvements were constructed in 1940 and are situated on a 0.37-acre site. The clear height of the improvements is approximately 12 feet and the office finish approximates 50.0%.

Based on the analysis contained in the following report, the market value of the subject is concluded as follows:

MARKET VALUE CONCLUSION

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Fee Simple Estate	January 12, 2015	$230,000
Compiled by CBRE			

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter.

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. It also conforms to Title XI Regulations and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) updated in 1994 and further updated by the Interagency Appraisal and Evaluation Guidelines promulgated in 2010.

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non-intended users does not extend reliance to any other party and CBRE will not be responsible for unauthorized use of the report, its conclusions or contents used partially or in its entirety.

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if CBRE can be of further service, please contact us.

Respectfully submitted,

CBRE - VALUATION & ADVISORY SERVICES

Kara Olson
Senior Real Estate Analyst
Minnesota Certified General Real Property
License # 20517372

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Minnesota Certified General Real Property
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Certification

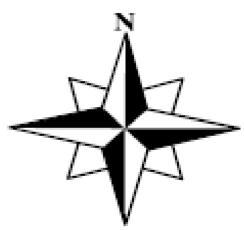
We certify to the best of our knowledge and belief:

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 our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
4. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of Minnesota.
8. 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 Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, Michael J. Moynagh, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.
11. As of the date of this report, Kara Olson has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.
12. Kara Olson has and Michael J. Moynagh, MAI has not made a personal inspection of the property that is the subject of this report.
13. No one provided significant real property appraisal assistance to the persons signing this report.
14. Valuation & Advisory Services operates as an independent economic entity within CBRE, Inc. Although employees of other CBRE, Inc. divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
15. Kara Olson and Michael J. Moynagh, MAI have not provided any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Kara Olson
Certified General License
#20517372

Michael J. Moynagh, MAI
Certified General License
#4000726

Subject Photographs



Hennepin County Aerial View

South & East Elevation

West & South Elevation

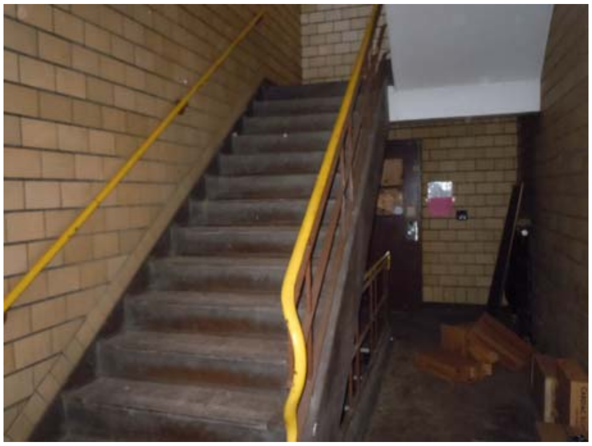
East Elevation

Interior View of First Level

Interior View of First Level

Interior View of First Level

Interior View of First Level



Interior View of Stairs

Interior View of Second Level

Interior View of Second Level

Interior View of Second Level

Interior View of Basement Area Mechanical

Street Scene looking East along 33rd Avenue North. The subject is on the left.

Street Scene looking West along 33rd Avenue North. The subject is on the right.

Street Scene looking South along James Avenue North. The subject is on the right.

View of alleyway looking North. The subject is on the right.

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Executive Summary

Property Name	Former Fire Station #14	
Location	1704 33rd Avenue North, Minneapolis, Hennepin County, Minnesota 55412	
Highest and Best Use		
As If Vacant	Office/Industrial Use	
As Improved	Office/Industrial Use	
Property Rights Appraised	Fee Simple Estate	
Date of Report	January 22, 2015	
Date of Inspection	January 12, 2015	
Estimated Exposure Time	9 Months	
Estimated Marketing Time	9 Months	
Land Area	0.37 AC	16,112 SF
Improvements		
Property Type	Industrial	(Police/Fire Station)
Number of Buildings	1	
Number of Stories	2	
Gross Building Area	8,674 SF	
Clear Height	12 Ft.	
Percent Office - Approximate	50.0%	
Year Built	1940	
Condition	Fair	
Buyer Profile	Owner-User	

VALUATION	***Total***	***Per SF***
Land Value	$105,000	$6.52
Cost Approach	$220,000	$25.36
Sales Comparison Approach	$230,000	$26.52

CONCLUDED MARKET VALUE

Appraisal Premise	Interest Appraised	Date of Value	Value
As Is	Fee Simple Estate	January 12, 2015	$230,000

Compiled by CBRE

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT)

Strengths/ Opportunities

- There is an opportunity for the subject property to be redeveloped into a potential alternative use.

Weaknesses/ Threats

- The subject improvements have been vacant for 4-5 years;
- The subject property has immediate physical needs including window repairs; roof repairs; mechanical systems commissioning repairs; gas-fired hot water modular boilers, pumps, and hot water baseboard radiation repairs; HVAC Components & Parts Replacement repairs; with immediate costs totaling $204,250.

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is defined as "an assumption directly related to a specific assignment, as of the effective date of the assignment results, which if found to be false, could alter the appraiser's opinions or conclusions." [1]

- None noted

HYPOTHETICAL CONDITIONS

A hypothetical condition is defined as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purposes of analysis." [2]

- None noted

[1] The Appraisal Foundation, *USPAP, 2014-2015* ed., U-3.

[2] The Appraisal Foundation, *USPAP, 2014-2015* ed., U-3.

Table of Contents

Introduction

OWNERSHIP AND PROPERTY HISTORY

Title to the property is currently vested in the name of the City of Minneapolis, as recorded in the Hennepin County Deed Records.

To the best of our knowledge, there has been no ownership transfer of the property during the previous three years.

INTENDED USE OF REPORT

This appraisal is to be used for internal decision making purposes, and no other use is permitted.

INTENDED USER OF REPORT

This appraisal is to be used by the client, and no other user may rely on our report unless as specifically indicated in the report.

> Intended Users - the intended user is the person (or entity) who the appraiser intends will use the results of the appraisal. The client may provide the appraiser with information about other potential users of the appraisal, but the appraiser ultimately determines who the appropriate users are given the appraisal problem to be solved. Identifying the intended users is necessary so that the appraiser can report the opinions and conclusions developed in the appraisal in a manner that is clear and understandable to the intended users. Parties who receive or might receive a copy of the appraisal are not necessarily intended users. The appraiser's responsibility is to the intended users identified in the report, not to all readers of the appraisal report. [3]

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the subject property.

DEFINITION OF VALUE

The current economic definition of market value agreed upon by agencies that regulate federal financial institutions in the U.S. (and used herein) is as follows:

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

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;

[3] Appraisal Institute, The Appraisal of Real Estate, 14th ed. (Chicago: Appraisal Institute, 2013), 50.

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3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. [4]

INTEREST APPRAISED

The value estimated represents Fee Simple Estate and defined as follows:

> *Fee Simple Estate* - Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat. [5]
>
> *Leased Fee Interest* - A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). [6]
>
> *Leasehold Interest* - The tenant's possessory interest created by a lease. [7]

SCOPE OF WORK

This Appraisal Report is intended to comply with the reporting requirements set forth under Standards Rule 2 of USPAP. The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered and analysis is applied. CBRE, Inc. completed the following steps for this assignment:

Extent to Which the Property is Identified

The property is identified through the following sources:

- postal address
- assessor's records
- legal description

Extent to Which the Property is Inspected

The extent of the inspection included the following: Interior and exterior of the subject property and neighborhood on the effective date of the appraisal.

Type and Extent of the Data Researched

CBRE reviewed the following:

- applicable tax data
- zoning requirements

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[4] Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472.

[5] *Dictionary of Real Estate Appraisal*, 78.

[6] *Dictionary of Real Estate Appraisal*, 113.

[7] *Dictionary of Real Estate Appraisal*, 113.

- flood zone status
- demographics
- income and expense data
- comparable data

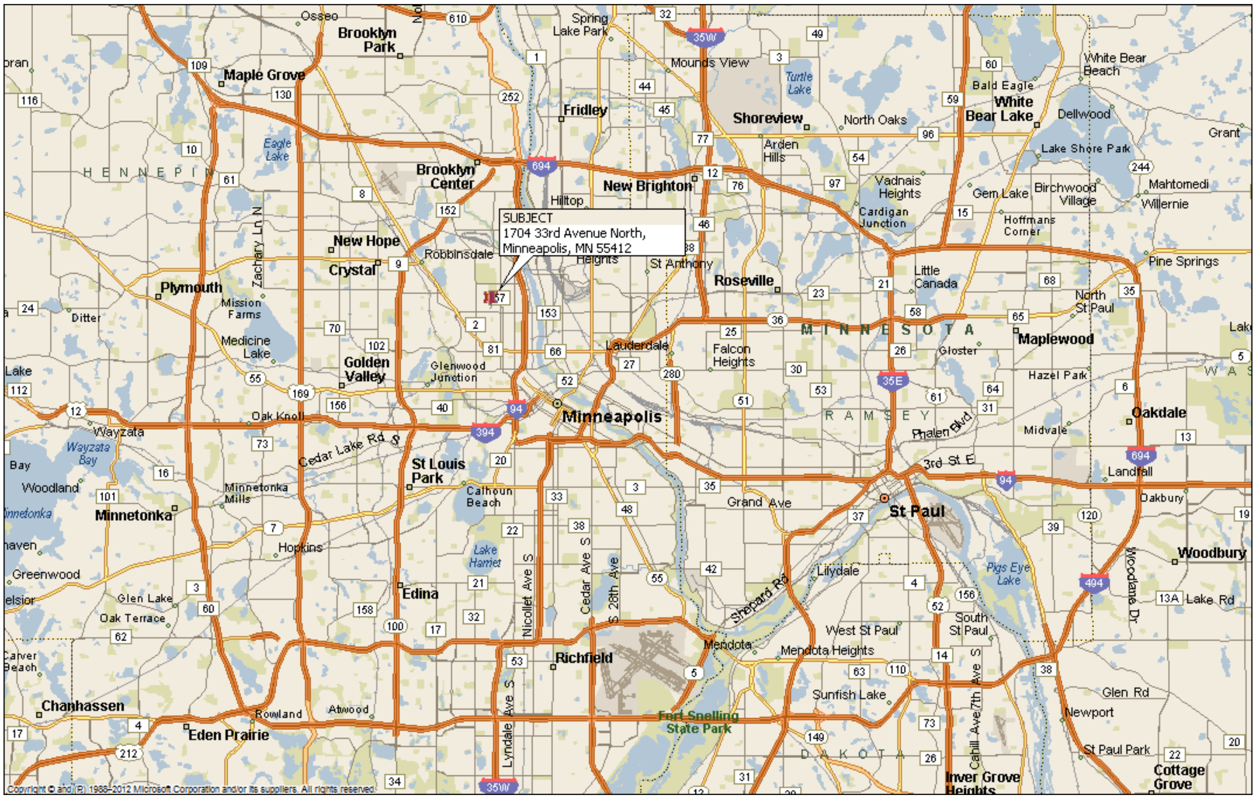
Type and Extent of Analysis Applied

CBRE, Inc. analyzed the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value. The steps required to complete each approach are discussed in the methodology section.

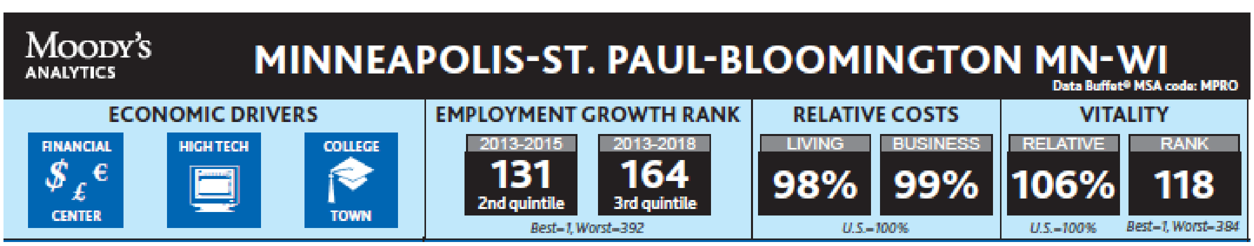
Data Resources Utilized in the Analysis

DATA SOURCES	
Item:	*Source(s):*
Site Data	
Size	City of Minneapolis
Improved Data	
Building Area	City of Minneapolis
Area Breakdown/Use	Physical Inspection/City of Minneapolis
No. Bldgs.	Physical Inspection/City of Minneapolis
Clear Height	Physical Inspection/City of Minneapolis
Parking Spaces	Physical Inspection/City of Minneapolis
Year Built/Developed	Physical Inspection/City of Minneapolis
Economic Data	
Deferred Maintenance:	Property Condition Assessment Provided
Compiled by CBRE	

Area Analysis



Economy.com provides the following Minneapolis-St. Paul area economic summary as of June 2014. The full Economy.com report is presented in the addenda.



2008	2009	2010	2011	2012	2013	INDICATORS	2014	2015	2016	2017	2018	2019
162.8	157.0	161.2	165.0	171.6	174.5	Gross metro product (C08$bil)	180.3	187.3	192.7	197.5	201.8	205.8
0.8	*-3.6*	*2.7*	*2.4*	*4.0*	*1.7*	*% change*	*3.3*	*3.9*	*2.9*	*2.5*	*2.2*	*2.0*
1,786.6	1,706.2	1,697.7	1,735.4	1,763.3	1,797.9	Total employment (ths)	1,834.8	1,875.5	1,911.6	1,942.5	1,956.7	1,960.4
-0.5	*-4.5*	*-0.5*	*2.2*	*1.6*	*2.0*	*% change*	*2.1*	*2.2*	*1.9*	*1.6*	*0.7*	*0.2*
5.2	7.8	7.3	6.3	5.5	4.8	Unemployment rate (%)	4.7	4.7	4.4	4.1	3.9	4.0
3.1	-4.5	3.6	6.8	3.8	2.6	Personal income growth (%)	3.5	5.2	4.8	4.4	3.1	2.3
65.6	63.5	63.0	64.5	66.7	68.0	Median household income ($ ths)	69.0	70.6	72.3	74.3	75.9	77.0
3,232.0	3,261.5	3,286.2	3,319.8	3,353.9	3,390.4	Population (ths)	3,422.7	3,454.1	3,483.9	3,516.0	3,549.9	3,584.2
1.0	*0.9*	*0.8*	*1.0*	*1.0*	*1.1*	*% change*	*1.0*	*0.9*	*0.9*	*0.9*	*1.0*	*1.0*
4.7	3.1	-0.4	10.4	10.9	12.7	Net migration (ths)	9.0	8.4	7.0	9.5	11.7	12.4
4,161	3,629	3,805	3,756	5,750	7,174	Single-family permits (#)	9,526	16,800	18,673	17,662	15,057	13,486
1,620	1,041	1,921	1,392	5,743	4,859	Multifamily permits (#)	3,489	6,284	6,945	5,694	5,075	4,755
197.3	177.7	168.7	152.3	169.4	193.6	Existing-home price ($ ths)	203.1	208.0	211.9	215.0	220.0	225.4

RECENT PERFORMANCE

The Minneapolis-St. Paul-Bloomington expansion is in full swing. Broad-based growth has pushed employment to an all-time high. Moreover, the unemployment rate has fallen to 4.4%, one of the lowest among the nation's 50 largest metro areas. The majority of industries are adding to payrolls. Medical and tech-related employment is on the rise and professional services are contributing to growth. In addition, a string of public and private investments has caused a surge in construction employment and created opportunities for MIN's building products manufacturers. The metro area's well-paying jobs are also attracting a quality workforce, further enhancing its appeal to businesses and investors.

PRIVATE DEVELOPMENT

A flurry of commercial projects support the Twin-Cities' near-term forecast. The rebound in MIN's nonresidential real estate market points to optimism among businesses and healthy job creation across a range of industries. In addition to the $1 billion Minnesota Vikings stadium project, designers recently presented renderings of the proposed $50 million Nicollet Mall makeover. Construction on the downtown Minneapolis business and retail corridor is scheduled to begin next summer, and it will open by 2016.

MIN is a promising location for corporate and industrial expansion thanks to state and local incentive packages, a relatively low cost of doing business, and a talented workforce. Xcel Energy is expanding its headquarters on the mall with the addition of a 222,000-square-foot office building. The new Twin Cities Premium Outlets located in Eagan is employing more than 1,600 people when it opened to shoppers recently in August. Shutterfly also brought 1,000 full- and part-time jobs to Shakopee when the newly constructed factory opened this summer.

PUBLIC INFRASTRUCTURE

Public works investment will be a critical driver of growth in MIN. Governor Mark Dayton signed two bills in May, authorizing more than $1 billion in statewide projects. Plans include a renovation of the Tate Laboratory building at the University of Minnesota, a Science Education Center at Metropolitan State University, and partial funding of the Nicollet Mall renovation. These initiatives will deliver thousands of new construction jobs in the near term. Further out, these large public works projects will expand MIN's education and business infrastructure, positioning the metro area for steady growth in the coming years.

HOUSING

Rising demand in the Twin Cities will trim housing inventory and push prices higher. Homebuilding was limited by a harsh winter, but the housing recovery will bounce back as the weather warms. Gains are already apparent; properties are clearing the market twice as fast as they did three years ago, and prices are outpacing those in the state and U.S. Anecdotal evidence suggests limited supply has led to bidding wars among buyers and whiplash among sellers whose homes spend little time on the market.

MAJOR EMPLOYERS

Public Companies

In 2012, nineteen Fortune 500 corporations are headquartered in Minnesota with all but one in the Minneapolis/St. Paul area. The large presence of such firms is indicative of the strength of the local support network and business climate. Following is a list of the area's largest publicly-held corporations.

MINNESOTA FORTUNE 500 CORPORATIONS

State Rank	Fortune 500 Rank	Corporation	Revenue
1	17	United Health Group, Minnetonka	$110.6
2	36	Target, Minneapolis	$73.3
3	61	Best Buy, Richfield	$45.1
4	69	CHS, Inver Grove Heights	$40.6
5	86	Supervalue, Eden Prairie	$36.1
6	101	3M, St. Paul	$29.9
7	132	U.S. Bancorp, Minneapolis	$22.2
8	169	General Mills, Inc., Minneapolis	$16.7
9	172	Medtronic, Minneapolis	$16.5
10	194	Land O' Lakes, Arden Hills	$14.1
11	229	Ecolab, St. Paul	$11.8
12	237	C.H. Robinson Worldwide, Eden Prairie	$11.4
13	246	Mosaic Co., Plymouth	$11.1
14	263	Ameriprise Financial, Minneapolis	$10.3
15	266	Xcel Energy, Minneapolis	$10.1
16	319	Hormel Foods, Austin	$8.2
17	325	Thrivent Financial for Lutherans, Minneapolis	$8.0
18	457	St. Jude Medical, Little Canada	$5.5
19	500	Nash Finch, Edina	$4.8

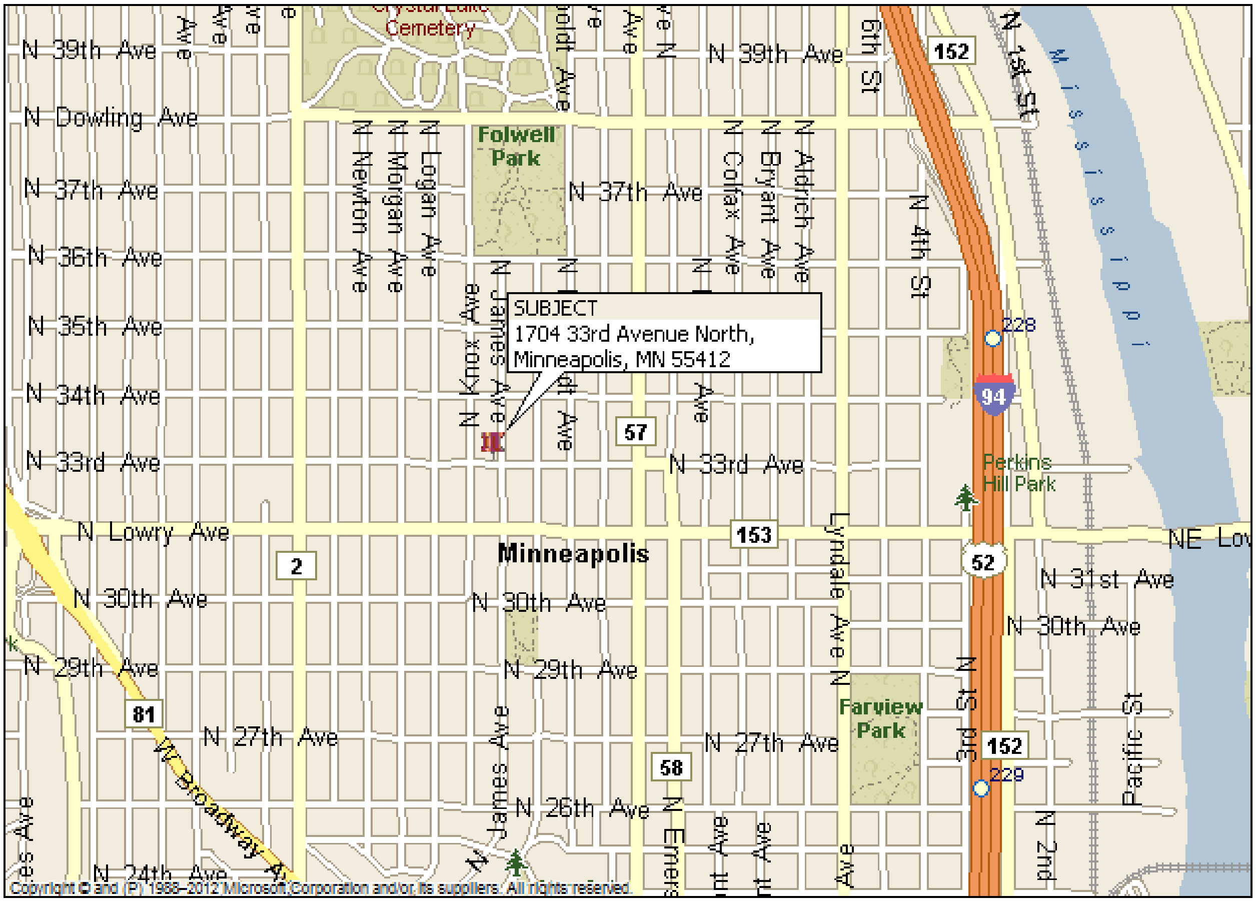
Source: Fortune, May 2013 (Revenue in Billions of $)

Locally, the Minneapolis *Star Tribune* publishes a list of the top 100 publicly-held Minnesota companies ranked by revenue. This list provides a bigger picture of the state's strong business community and major employers, many of them located within the Twin Cities MSA.

CONCLUSION

An influx of private and public funds has Minneapolis-St. Paul-Bloomington's manufacturing, construction and professional service industries headed in the right direction. Although the booming housing market will eventually moderate, commercial demand will keep construction strong and minimize the likelihood of a secondary bubble. Long term, healthy population trends, a well-educated workforce, and a diverse industrial structure will keep MIN ahead of the Midwest and in line with the national average.

Neighborhood Analysis



LOCATION

The subject is in the city of Minneapolis and is considered an urban location. The city of Minneapolis is situated in eastern Hennepin County. The subject property is located in the northern portion of the city of Minneapolis, about 3.5 miles north of the Minneapolis Central Business District.

BOUNDARIES

The neighborhood boundaries are detailed as follows:

North:	North Dowling Avenue
South:	North Lowry Avenue
East:	Interstate Highway 94
West:	North Penn Avenue

LAND USE

The majority of the land uses within the subject neighborhood consist of single family residential development. The immediate area surrounding the subject is an older/established area of development, consisting primarily of residential uses with much of the development being built

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during the 1950s or earlier. The majority of the single-family residential development within a one mile radius of the subject may be described as tract homes in the $80,000-$150,000 price range. According to information obtained from Claritas, the average home value within a three-mile radius is about $165,046.

GROWTH PATTERNS

Growth patterns have occurred along primary commercial thoroughfares such as Interstate 94, Lowry Avenue, Freemont Avenue, Penn Avenue and Dowling Avenue.

The subject neighborhood is best characterized as an urban lower to middle-class neighborhood, with most residents working in the central Minneapolis area.

ACCESS

Primary access to the subject neighborhood is provided by Interstate Highway 94 and North Dowling Avenue intersection. Interstate Highway 94, is primarily an eight-lane, variable width right-of-way, traversing the neighborhood in a north/south direction. This arterial connects the subject neighborhood with downtown Minneapolis to the south, and the City of Brooklyn Center to the north.

North Dowling Avenue and North Lowery Avenue provide east/west access to the area. These arterials merge with Interstate Highway 94, about one mile east of the subject property. Secondary access to the neighborhood is provided by North Freemont Avenue and North Penn Avenue.

The commute to the Minneapolis Central Business District is about five minutes, compared with the commute to St. Paul, which is about a fifteen-minute drive. The Minneapolis-St. Paul International Airport is about a fifteen-minute drive from the subject neighborhood.

DEMOGRAPHICS

Selected neighborhood demographics in 1-, 3-, and 5-mile radii from the subject are shown in the following table:

SELECTED NEIGHBORHOOD DEMOGRAPHICS			
1704 33rd Avenue North Minneapolis, MN	1 Mile Radius	3 Mile Radius	5 Mile Radius
Population			
2019 Population	25,865	143,432	415,143
2014 Population	25,312	137,984	398,480
2010 Population	24,898	133,343	384,127
2000 Population	30,187	137,765	382,646
Annual Growth 2014 - 2019	0.43%	0.78%	0.82%
Annual Growth 2010 - 2014	0.41%	0.86%	0.92%
Annual Growth 2000 - 2010	-1.91%	-0.33%	0.04%
Households			
2019 Households	8,628	58,886	179,225
2014 Households	8,329	56,256	170,832
2010 Households	8,029	53,860	163,323
2000 Households	9,241	53,531	161,457
Annual Growth 2014 - 2019	0.71%	0.92%	0.96%
Annual Growth 2010 - 2014	0.92%	1.09%	1.13%
Annual Growth 2000 - 2010	-1.40%	0.06%	0.11%
Income			
2014 Median HH Inc	$36,152	$47,025	$44,607
2014 Estimated Average Household Income	$47,498	$62,899	$62,416
2014 Estimated Per Capita Income	$15,629	$25,643	$26,759
Age 25+ College Graduates - 2010	2,945	30,273	100,231
Age 25+ Percent College Graduates - 2014	20.7%	32.8%	37.7%

Source: Nielsen/Claritas

CONCLUSION

The neighborhood is fully developed and any new development would result in the razing of existing structures. The neighborhood has a lower to middle income demographic profile and is located within northern Minneapolis. The outlook for the neighborhood is for continued stabilization and primarily consists of single family residential uses.

The subject is a specialty use former fire station building totaling 8,674 square feet of net rentable area that conforms to the subject's surrounding neighborhood. We project that the area will continue to have an urban population density and that the commercial development performance will be stabilized over the next several years.

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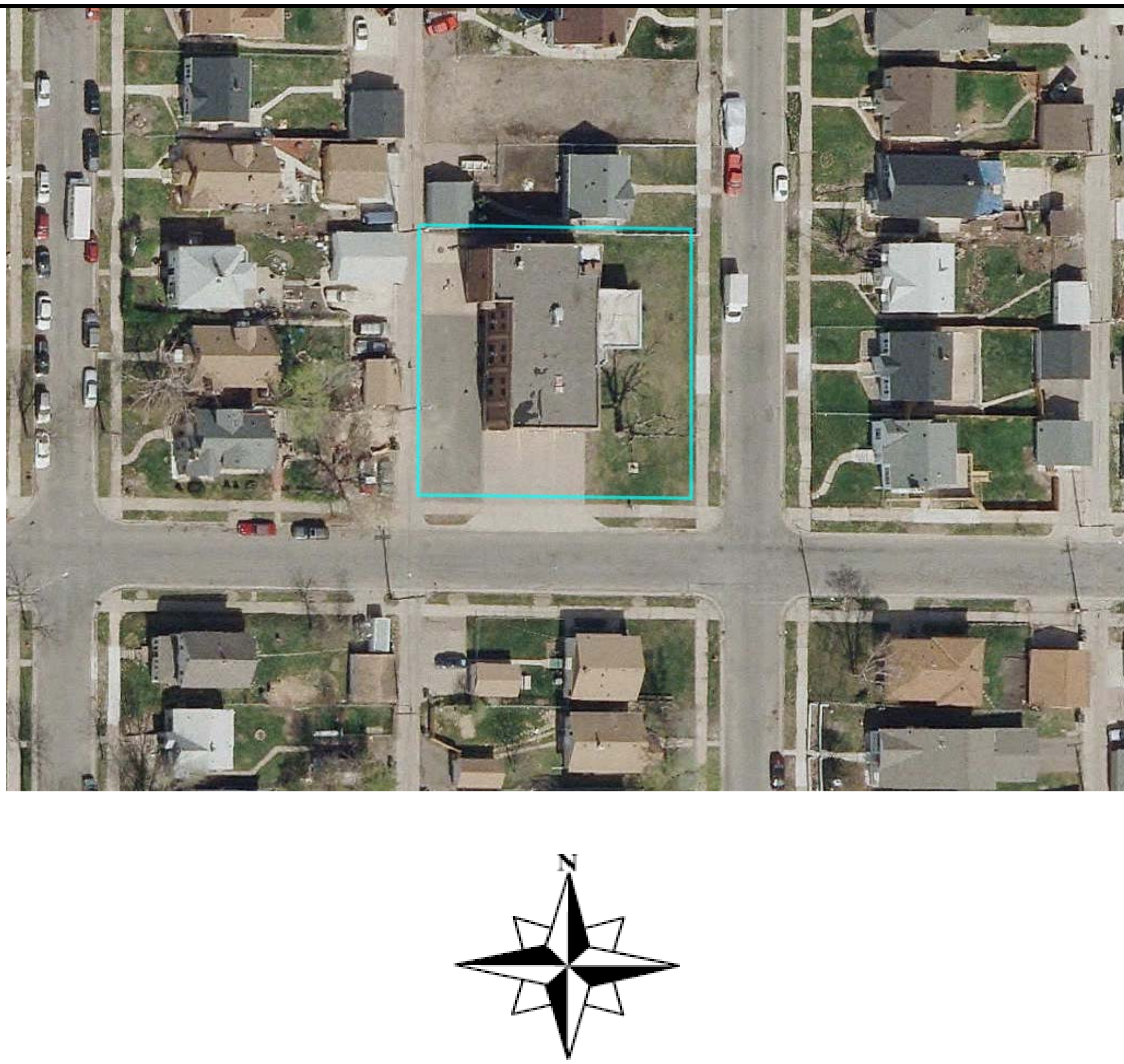
HENNEPIN COUNTY AERIAL MAP



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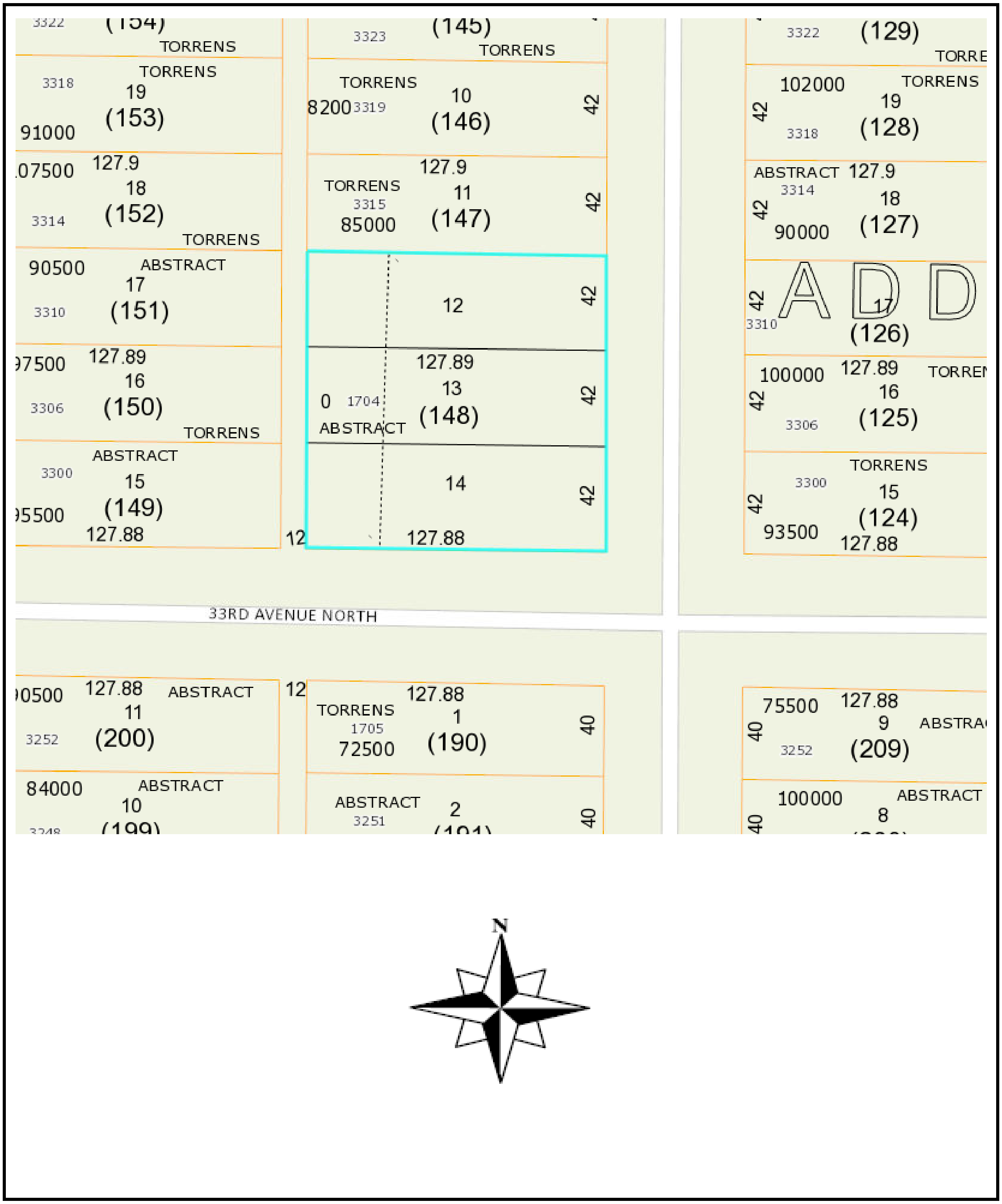
PLAT MAP



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Site Analysis

The following chart summarizes the salient characteristics of the subject site.

SITE SUMMARY

Physical Description		
Gross Site Area	0.37 Acres	16,112 Sq. Ft.
Net Site Area	0.37 Acres	16,112 Sq. Ft.
Primary Road Frontage	33rd Avenue North	128 Feet
Secondary Road Frontage	James Avenue North	126 Feet
Excess Land Area	None	n/a
Surplus Land Area	None	n/a
Shape	Rectangular	
Topography	Sloping gently to the east and south	
Zoning District	R1A- Single Family District	
Flood Map Panel No. & Date	27053C0218E	2-Sep-04
Flood Zone	Zone X	
Adjacent Land Uses	Single Family Residential Uses	
Comparative Analysis	**Rating**	
Visibility	Average	
Functional Utility	Assumed adequate	
Traffic Volume	Average	
Adequacy of Utilities	Assumed adequate	
Landscaping	Average	
Drainage	Assumed adequate	

Utilities	**Provider**	**Adequacy**
Water	City of Minneapolis	Yes
Sewer	City of Minneapolis	Yes
Natural Gas	Centerpoint	Yes
Electricity	Xcel Energy	Yes
Telephone	CenturyLink	Yes
Mass Transit	Metropolitan Transit Authority	Yes

Other	**Yes**	**No**	**Unknown**
Detrimental Easements		X	
Encroachments		X	
Deed Restrictions		X	
Reciprocal Parking Rights		X	

Source: Various sources compiled by CBRE

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INGRESS/EGRESS

Ingress and egress is available to the site via one curb cut from 33rd Avenue North, as well as access via the alleyway adjacent west of the subject site. Ingress/Egress is not available via James Avenue North.

33rd Avenue North, at the subject, is an east/west residential street that is improved with one lane of traffic in each direction. Street improvements include asphalt paving and concrete curbs, gutters and sidewalks, and street lighting. Street parking is permitted.

James Avenue North, at the subject, is a north/south residential street that is improved with one lane of traffic in each direction. Street improvements include asphalt paving and concrete curbs, gutters and sidewalks, and street lighting. Street parking is permitted.

ENVIRONMENTAL ISSUES

CBRE, Inc. is not qualified to detect the existence of potentially hazardous material or underground storage tanks which may be present on or near the site. The existence of hazardous materials or underground storage tanks may affect the value of the property. For this appraisal, CBRE, Inc. has specifically assumed that the property is not affected by any hazardous materials that may be present on or near the property.

ADJACENT PROPERTIES

The adjacent land uses are summarized as follows:

North:	Single Family Residential
South:	Single Family Residential
East:	Single Family Residential
West:	Single Family Residential

The adjacent properties include single family residential uses and conform to the subject property.

CONCLUSION

The subject site consists of 0.37 acres or 16,112 square feet that is rectangular in shape. The site is considered adequate in terms of size and utility and is located in a residential neighborhood.

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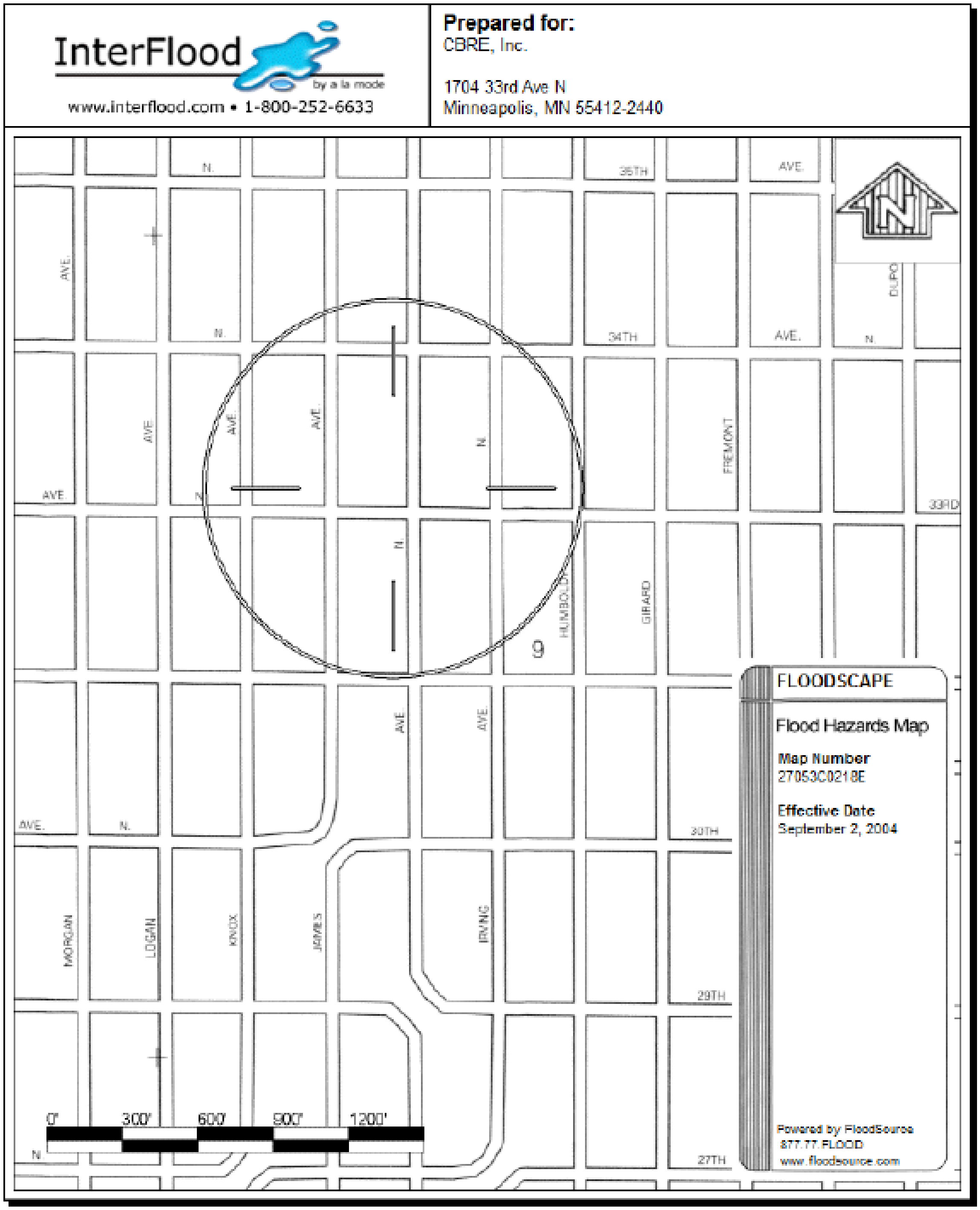
FLOOD PLAIN MAP



Improvements Analysis

The following chart shows a summary of the improvements.

IMPROVEMENTS SUMMARY			
Property Type	Industrial	(Police/Fire Station)	
Number of Buildings	1		
Number of Stories	2		
Year Built	1940		
Gross Building Area	10,492 SF		
Net Rentable Area	8,674 SF		
Area Breakdown by Market Rent Categories			
Specialty Use	8,674 SF		
Office Area (Approximate)	4,337 SF		(50.0% of Total)
Warehouse Area (Approximate)	4,337 SF		(50.0% of Total)
Clear Height	12 Ft.		
Loading Area			
Grade Level Overhead Doors	2		
Dock High Overhead Doors	0		
Site Coverage	26.9%		
Land-to-Building Ratio	1.86 : 1		
Parking Spaces (Aproximate):	8		
Parking Ratio (per 1,000 SF GBA)	0.92		

Component	GBA (SF)	NRA (SF)
Main Floor	4,819	4,819
2nd Floor Office	3,855	3,855
Basement	1,818	
Total	10,492	8,674

Building Number	Improvement Type	% A/C	Size (SF)	% Office	Clear Height	Year Built/ Renovated
Building 1	Specialty Use - Fire Station	50%	8,674	50.0%	12 Ft.	1940

Source: Various sources compiled by CBRE

As shown, the subject is a 2-story former fire station facility with a gross building area of 10,492 square feet and a net rentable area of 8,674 square feet. The improvements were constructed in 1940 and are situated on a 0.37-acre site. The clear height of the improvements is approximately 12 feet and the office finish approximates 50.0%.

YEAR BUILT

The subject was built in 1940 and is considered to be in fair condition.

CONSTRUCTION CLASS

Building construction class is as follows:

> C - Masonry/concrete ext. walls & wood/steel roof & floor struct., exc. concrete slab on grade

The construction components are assumed to be in working condition and adequate for the building.

The overall quality of the facility is considered to be fair/average for the neighborhood and age. However, CBRE, Inc. is not qualified to determine structural integrity and it is recommended that the client/reader retain the services of a qualified, independent engineer or contractor to determine the structural integrity of the improvements prior to making a business decision.

CONSTRUCTION COMPONENTS

Office Area

The construction components and interior finish of the office space is summarized as follows:

Foundation:	The foundation is assumed to be of adequate load-bearing capacity to support the improvements.
Exterior Walls:	The exterior walls are steel I-beam frame with a combination of brick masonry bearing walls and cast stone accents. Exterior walls are insulated with fiberglass bat insulation. Office entrances and windows are plate glass set in anodized aluminum frames.
Roof Cover:	The building has two roof levels. The higher roof consists of rubberized asphalt coating and the lower roof consists of a ballasted EPDM membrane over insulation.
Floor Coverings:	Office and common area floor coverings consist of commercial grade short loop carpeting and ceramic tile over concrete.
Interior Walls:	The interior walls consist of a metal framework with textured and painted sheetrock wall coverings.
Ceilings:	The ceiling is comprised of a suspended acoustical tile and painted gypsum board.
Lighting:	Office area lighting is provided by suspended fluorescent tube fixtures.
Mezzanine Space:	The office area contains no mezzanine space.
HVAC:	The heat was provided by a combination gas/oil fired Kewanee steam boiler and air conditioning was provided with two cooling-only rooftop units. According to the Property Conditions Assessment report provided, the HVAC system is reported to have exceeded its average useful life and should be replaced. The costs to replace this system are indicated further within this section of the report.

Electrical: The electrical system has been decommissioned for approximately five years. According to the Property Conditions Assessment report provided, the ability of the existing system to operate is unknown. The costs to replace this system are indicated further within this section of the report.

Plumbing: The plumbing system includes hot and cold water piped to all fixtures and has been decommissioned with the exception of the roof drainage system. The subject includes restrooms and tub/shower combinations. According to the Property Conditions Assessment report provided, the majority of the plumbing fixtures can probably be reused, but the trim will probably need to be replaced.

Life Safety and Fire Protection: It is assumed the improvements have adequate fire alarm systems, fire exits, fire extinguishers, fire escapes and/or other fire protection measures to meet local fire marshal requirements. CBRE, Inc. is not qualified to determine adequate levels of safety & fire protection, whereby it is recommended that the client/reader review available permits, etc. prior to making a business decision.

Condition Summary: The interior areas are in fair condition and will require some tenant retrofit prior to occupancy. Detailed costs are illustrated further within the deferred maintenance section of the report.

Warehouse Area

The construction components and interior finish of the warehouse space is summarized as follows:

Foundation: The foundation is assumed to be of adequate load-bearing capacity to support the improvements.

Exterior Walls: The exterior walls are steel I-beam frame with a combination of brick masonry bearing walls and cast stone accents. Exterior walls are insulated with fiberglass bat insulation.

Roof Cover: The building has two roof levels. The higher roof consists of rubberized asphalt coating and the lower roof consists of a ballasted EPDM membrane over insulation.

Floor Coverings: Warehouse floor areas exhibit an unpainted smooth concrete finish.

Lighting:	Lighting within the warehouse area is supplied by ceiling mounted industrial grade mercury vapor fixtures.
Basement Space:	The building includes 1,818 square feet of basement space. This space has not been included in the total gross building area calculation.
HVAC:	The heat was provided by a combination gas/oil fired Kewanee steam boiler and air conditioning was provided with two cooling-only rooftop units. According to the Property Conditions Assessment report provided, the HVAC system is reported to have exceeded its average useful life and should be replaced. The costs to replace this system are indicated further within this section of the report.
Electrical:	The electrical system has been decommissioned for approximately five years. According to the Property Conditions Assessment report provided, the ability of the existing system to operate is unknown. The costs to replace this system are indicated further within this section of the report.
Plumbing:	The plumbing system includes hot and cold water piped to all fixtures and has been decommissioned with the exception of the roof drainage system. The subject includes restrooms and tub/shower combinations. According to the Property Conditions Assessment report provided, the majority of the plumbing fixtures can probably be reused, but the trim will probably need to be replaced.
Clear Height:	The clear height throughout the warehouse facility is approximately 12 feet.
Loading:	The warehouse does not have any dock-high loading entrances.
Overhead Doors:	The warehouse has 2 steel overhead drive-in doors.
Life Safety and Fire Protection:	It is assumed the improvements have adequate fire alarm systems, fire exits, fire extinguishers, fire escapes and/or other fire protection measures to meet local fire marshal requirements. CBRE, Inc. is not qualified to determine adequate levels of safety & fire protection, whereby it is recommended that the client/reader review available permits, etc. prior to making a business decision.
Condition Summary:	The interior areas are in fair condition and will require some tenant retrofit prior to occupancy. Detailed costs are illustrated further within the deferred maintenance section

of the report.

SITE COVERAGE

The property's land-to-building / coverage ratio appears commensurate with other facilities.

PERSONAL PROPERTY

Any personal property has been excluded from this analysis.

SECURITY

The security is assumed to be in working order and adequate for building.

PARKING AND DRIVES

The project features adequate surface parking with approximately 8 parking spaces located at the southwestern portion of the site area. All parking spaces and vehicle drives are asphalt paved and considered to be in average condition. Street parking is also available.

LANDSCAPING

Landscaping is considered to be in average condition and well maintained.

FUNCTIONAL UTILITY

The overall layout of the property is considered functional in utility.

ADA COMPLIANCE

All common areas of the property appear to have handicap accessibility. The client/reader's attention is directed to the specific limiting conditions regarding ADA compliance.

ENVIRONMENTAL ISSUES

CBRE, Inc. is not qualified to detect the existence of any potentially hazardous materials such as lead paint, asbestos, urea formaldehyde foam insulation, or other potentially hazardous construction materials on or in the improvements. The existence of such substances may affect the value of the property. For the purpose of this assignment, we have specifically assumed there are no hazardous materials that would cause a loss in value to the subject.

DEFERRED MAINTENANCE/IMMEDIATE PHYSICAL NEEDS

The following chart shows the deferred maintenance/immediate physical needs items identified and their respective estimated costs to cure according to a Property Condition Assessment report prepared by Braun Intertec, based upon all available information, as of the relevant dates.

ANALYSIS OF DEFERRED MAINTENANCE/IMMEDIATE PHYSICAL NEEDS	
Window "Glass" Repairs	$3,000
Roof Repairs	$6,250
Mechanical Systems Commissioning	$15,000
Boilers, Pumps & Baseboard Radiation	$150,000
HVAC Components & Parts Replacement	$30,000
Total Deferred Maintenance:	$204,250
Source: Braun Intertec - Property Condition Assessment	

The total deferred maintenance estimate will be deducted from each approach in order to conclude the "as is" value for the subject.

ECONOMIC AGE AND LIFE

CBRE, Inc.'s estimate of the subject improvements effective age and remaining economic life is depicted in the following chart:

ECONOMIC AGE AND LIFE	
Actual Age	75 Years
Effective Age	40 Years
MVS Expected Life	45 Years
Remaining Economic Life	5 Years
Accrued Physical Incurable Depreciation	88.9%
Compiled by CBRE	

The remaining economic life is based upon our on-site observations and a comparative analysis of typical life expectancies as published by Marshall and Swift, LLC, in the Marshall Valuation Service cost guide. While CBRE, Inc. did not observe anything to suggest a different economic life, a capital improvement program could extend the life expectancy.

CONCLUSION

The improvements are in fair overall condition and were originally constructed in 1940. Other than the immediate physical needs discussed, there are no known factors that adversely impact the marketability of the improvements.

Zoning

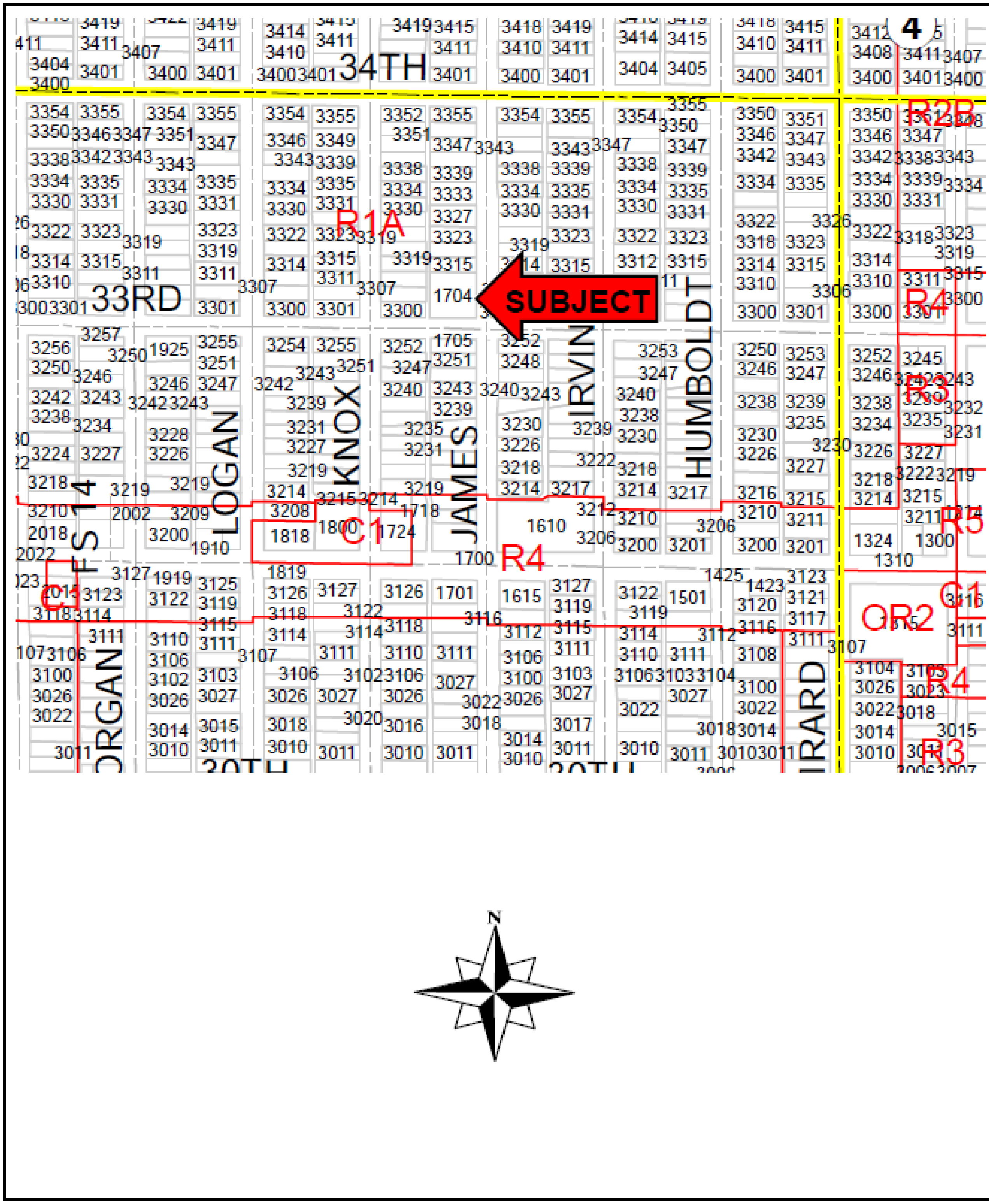
The following chart summarizes the subject's zoning requirements.

ZONING SUMMARY	
Current Zoning	R1A- Single Family District
Legally Conforming	Yes
Uses Permitted	Single family dwelling, community residential facility serving 6 or fewer persons, park or public use, place of assembly, child care center.
Zoning Change	Likely- If change in use and approved by Planning Department
Source: Planning & Zoning Dept.	

ANALYSIS AND CONCLUSION

The improvements represent a legally-conforming use. Additional information may be obtained from the appropriate governmental authority. For purposes of this appraisal, CBRE has assumed the information obtained is correct.

ZONING MAP



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Tax and Assessment Data

The local Assessor's methodology for valuation is market value. The property is taxed on an ad valorem basis, or on property value with the real estate tax due in the year following the valuation. The law specifically requires that assessors view each parcel of real estate to appraise its market value. This requires periodic physical inspection of all properties subject to assessment. State law also requires that the value and classification of real estate be established as of January 2 of each year.

It should be noted that in Minnesota, real estate taxes are payable in arrears. For example, the 2015 taxes payable are based on the January 2, 2014 assessor's estimate of market value. The sale of the property would likely initiate an immediate reassessment for the following year.

The following summarizes the local assessor's estimate of the subject's market value, assessed value, and taxes, and does not include any furniture, fixtures or equipment.

AD VALOREM TAX INFORMATION

Assessor's Market Value		2013	2014
09-029-24-24-0148		$335,000	$335,000
Subtotal		$335,000	$335,000
Assessed Value @		100%	100%
		$335,000	$335,000
General Tax Rate	(per $100 A.V.)	-	-
Total Taxes		**Tax Exempt**	**Tax Exempt**

Source: Assessor's Office

The subject property was assessed at $335,000 or $38.62 per square foot in payable 2013 and payable 2014. The property is owned by the city of Minneapolis and is a Tax Exempt property.

CONCLUSION

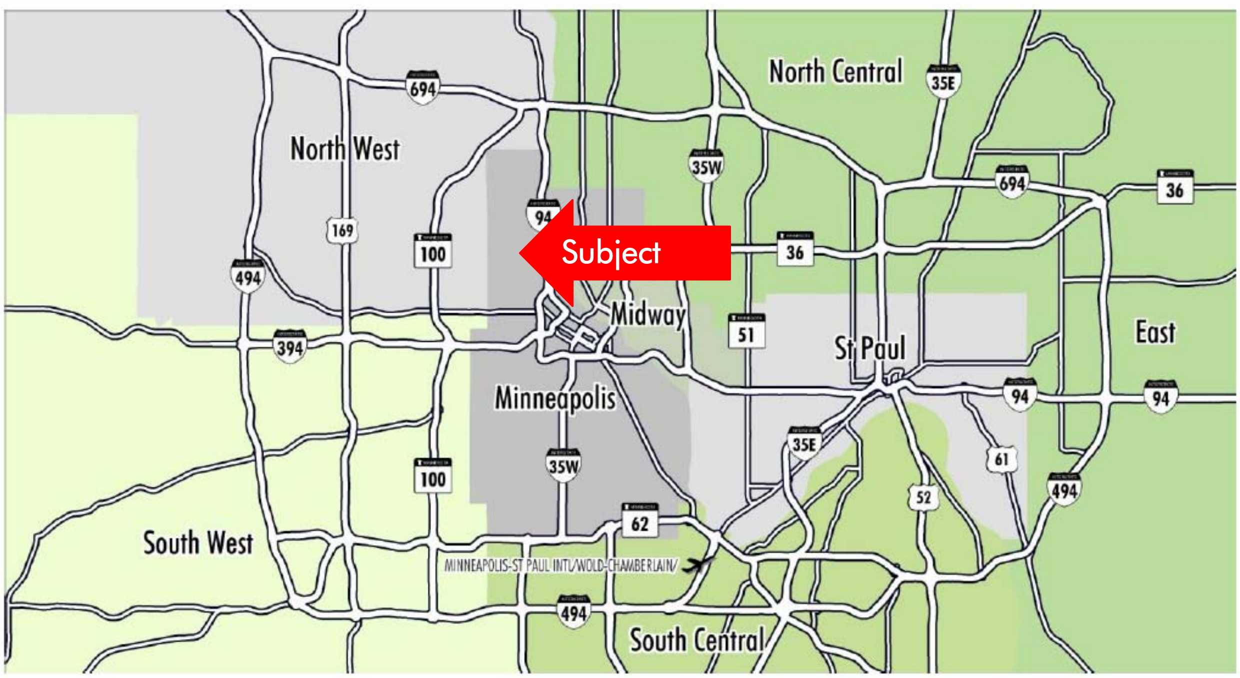
Based on the foregoing, the total taxes for the subject have been estimated to be $0, since the subject property is a tax exempt property. For purposes of this analysis, CBRE, Inc. assumes that all taxes are current.

Market Analysis

The market analysis forms a basis for assessing market area boundaries, supply and demand factors, and indications of financial feasibility. Primary data sources utilized for this analysis includes CBRE, Inc.'s MarketView, Real Capital Analytics Capital Trends, and the PWC (Korpacz) Report.

The subject is considered a specialty use facility located within a residential neighborhood that was formerly utilized as a fire station. The most applicable property type for the subject property in its current use would be for an office/industrial related use. Therefore, we have annualized the Minneapolis Industrial market and applied it to the subject's specialty use for illustrative purposes.

The information identified from CBRE, Inc's MarketView, identifies both vacancy and availability rates. It should be noted that the availability rates are consistently higher than vacancy rates as they include some degree of available sublease space, and soon to be vacated space. Stabilized occupancy estimates have been based upon the typical market vacancy as well as the lease structures in place at the subject property. Availability rates are discussed in depth in the following section.



According to the National Association of Industrial and Office Properties - NAIOP (in Industrial Income and Expense Report), the following industrial property definitions may be applicable towards the subject:

> Business Service: Clear ceiling heights up to 16', drive-in doors and 31% to 100% office build-out. Includes wide variation in office space utilization, ranging from retail and

person service through distribution, light industrial, and occasional heavy industrial use. Includes R&D, Flex (aka Incubator), Service Center or Office Showroom.

Business Distribution: Clear ceiling heights from 16' to 23', drive-in or dock-high doors, and 11% to 30% office build-out. Intended uses can include office warehouse and light manufacturing.

Bulk Warehouse: Clear ceiling heights of 20' and up, dock-high doors and less than 10% office build-out. All loading is dock height.

Special Use: Clearly designed for use of the particular occupant. Not suitable for general use without extensive re-configuration.

MARKET OVERVIEW

The Minneapolis/St. Paul industrial market is in the middle of a construction boom. With continued strong tenant demand and the largest amount of industrial space underway in over a decade, the industrial market is poised for growth in coming years.

Within the Minneapolis/St. Paul market, the Southwest and Northwest submarkets comprise over 75% of the total construction currently underway. The levels of completed construction have reached the highest point in over a decade with nearly 2.2 million square feet completed year-to-date. By the end of 2014, we anticipate seeing levels of completion reach 3.3 million square feet.

Net absorption during the third quarter of 2014 was again positive, with 665,834 square feet being taken off of the market, in part due to strong activity in the office/warehouse product type. This marks the 17th consecutive quarter of positive net absorption.

The average deal size increased quarter-over-quarter in the third quarter of 2014, highlighted by leases signed for build-to-suit facilities including the 485,804-square foot lease signed by Room & Board and the 150,604-square foot lease signed by Blu Dot. User sales also saw strong activity, contributing to the overall net absorption in the market. User sales were highlighted by the 53,418-square foot sale of 2560 Long Lake Rd to Dayton Freight Line in Roseville, Minnesota.

Vacancy and availability rates saw minimal overall movement and continue to remain at low levels, encouraging developers to continue to bring new product to the market. The asking net lease rates in the third quarter of 2014 decreased slightly from last quarter's average of $5.03 per square foot for all product types to $4.99 per square foot.

In the industrial investment sales realm, with limited availability and continued cap rate compression on core assets, industrial investors are being motivated to consider alternative property types within the industrial category. Functional industrial assets in infill locations have been well received by local, regional, and national capital sources as evidenced by recent sales activity including Shingle Creek Commerce Center, Northcrest I & II, Edina Interchange, Crosstown North Business Center, and Roseville Industrial Center.

The largest sale of the quarter was the Williston Business Center sale of six properties for $17.65 million to Eagle Ridge Partners. Moen Leuer sold a 297,756-square foot warehouse/distribution facility at 22000 Industrial Boulevard in Rogers to Excelsior Group for $9.35 million in the largest single property sale this quarter.

Figure 1: Minneapolis/St. Paul Statistics

Submarket	Rentable Building Area SF	Total Vacancy Rate (%)	Total Availability Rate (%)	Q2 2014 Net Absorption Sq. Ft.	Under Construction Sq. Ft.		Net Asking Rate ($)
					Build-to-Suit	Speculative	
Northwest	62,338,572	6.1%	9.7%	254,371	1,585,633	1,348,590	$5.49
Southwest	70,384,445	6.1%	10.8%	180,694	254,240	-	$5.47
South Central	49,779,567	5.9%	8.0%	(289,566)	140,200	176,292	$4.95
St. Paul	20,203,988	6.8%	7.2%	-	-	57,600	$3.96
Minneapolis	29,926,793	2.3%	2.7%	63,144	27,000	-	$5.44
North Central	48,922,067	3.9%	5.4%	276,112	167,000	534,655	$5.22
East	14,129,812	2.9%	3.2%	42,249	-	-	$5.25
Midway	33,485,024	5.3%	6.6%	138,830	-	-	$4.73
Total	329,170,268	5.2%	7.6%	665,834	2,174,073	2,117,137	$4.99

Source: CBRE Research, Q3 2014.

ECONOMIC HEALTH

The Minneapolis-St. Paul economic outlook continues to stay positive beyond the first half of 2014. The Department of Employment and Economic Development (DEED) reports that the state's seasonally adjusted unemployment rate (as of August 31st, 2014) is currently at 4.3%, down slightly from June's revised unemployment rate of 4.5%. The state's unemployment rate is still well below the U.S. seasonally adjusted unemployment rate of 5.9%, the lowest point in over five years. Furthermore, the Minneapolis-St. Paul unemployment rate, currently at 3.8%, ranks the lowest among all major U.S. metropolitan areas.

The most current numbers released by DEED show that Minnesota gained a total of 6,100 jobs in August and over 56,000 jobs year-over-year, a growth rate of 2.0%. Of the 11 tracked industries, nine of them added jobs during August including construction (2,500), manufacturing (800), professional and business services (2,500). During that same time period, leisure and hospitality cut 600 jobs and financial services cut roughly 800 jobs.

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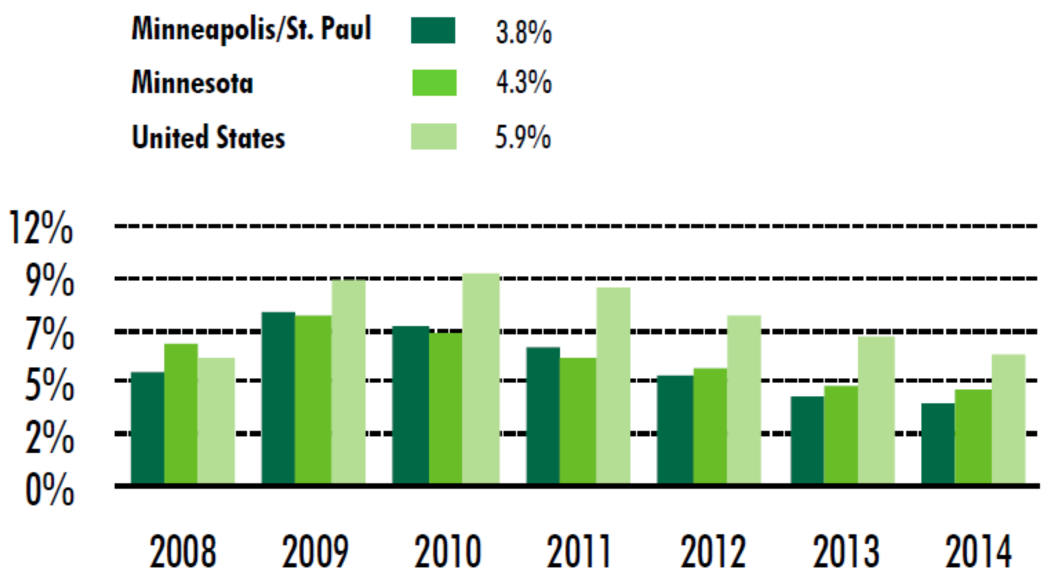
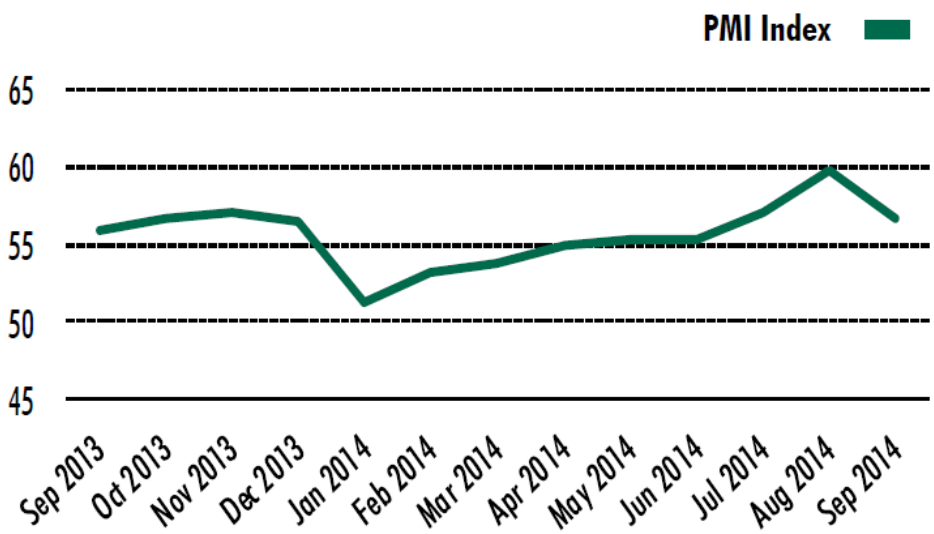
Figure 2: Unemployment



Source: Bureau of Labor Statistics, September 2014.

The Institute for Supply Management's manufacturing PMI, a national index of purchasing managers in the manufacturing industry rose to 56.6 in Q3 2014. The Institute for Supply Management's September national index reported growth in both new orders and overall production, with this quarter's results continuing a trend of steady improvement from the beginning of 2014. A reading over 50 indicates expansion in the industry and this quarter's results display a continued strong manufacturing sector.

Figure 3: Institute for Supply Management – Report on Business



Source: Institute for Supply Management – Manufacturing PMI, September 2014.

Figure 4: Top Lease Transactions

Tenant	Size (Sq. Ft.)	City	Transaction Type
Room & Board	485,804	Otsego	New Lease
Blu Dot	150,604	Otsego	New Lease
Skybridge Americas	118,254	Greenfield	Renewal
Process Display	112,000	New Hope	New Lease
Creganna Tactx Medical	100,384	Plymouth	New Lease

Source: CBRE Research, Q3 2014.

Figure 5: Top Sale Transactions (including multiple property sales)

Property	Buyer	Sale Price / Size (Sq. Ft.)	City	Transaction Type
Williston Business Center (6 Properties)	Eagle Ridge Partners	$17.65 M / 354,730	Minnetonka	Investment Sale
22000 Industrial Boulevard	The Excelsior Group	$9.35 M / 297,756	Rogers	Investment Sale
Huntington Building	STAG Industrial	$9.3 M / 244,050	Savage	Investment Sale
Eden Woods Business Center	Onward Investors	$8.8 M / 166,736	Eden Prairie	Investment Sale
2560 Long Lake Road	Dayton Freight Lines	$6.6 M / 53,418	Roseville	User Sale

Source: CBRE Research, Q3 2014.

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CONSTRUCTION ACTIVITY

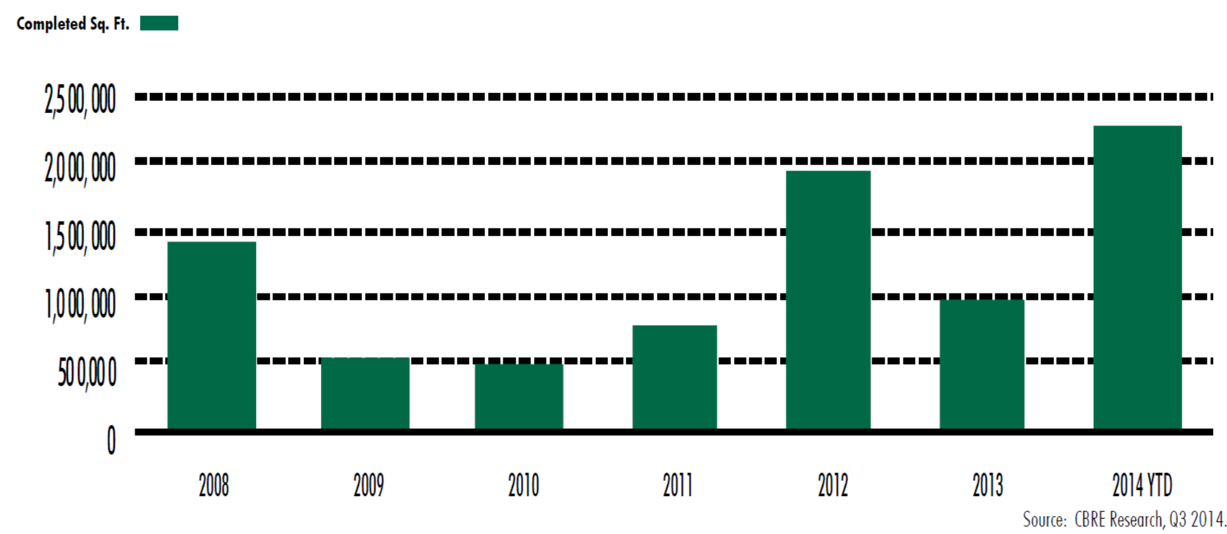
Currently there are 28 industrial properties under construction in the Minneapolis/St. Paul industrial market totaling approximately 4.3 million square feet, a 78.7% increase in square feet under construction over the second quarter of 2014. During the third quarter of 2014, 17 new developments broke ground, totaling approximately 2.7 million square feet.

We expect to see similar levels of construction in coming quarters with developers continuing to announce significant new build-to-suit and speculative projects. The amount of scheduled projects has decreased with 10 new developments scheduled totaling roughly 1.05 million square feet as previously slated projects commence construction.

Based on CBRE Research, users in the market are actively seeking over seven million square feet of space, with the office/warehouse product type comprising much of the demand.

Four projects completed construction this quarter totaling approximately 615,000 square feet, with 140,800 square feet of that total consisting of speculative development. Additionally, there are nine projects in final stages of construction, with four of those projects being built on a speculative basis. Those four projects will bring roughly 575,000 square feet worth of product to the open market without a committed tenant.

Figure 6: Construction Completions



ABSORPTION, VACANCY AND RENTS

For the 17th consecutive quarter, net absorption was positive for the Minneapolis/St. Paul industrial market. During the third quarter of 2014, there was 665,834 square feet of net absorption for single and multi-tenant properties. The gain we experienced in total net absorption results largely from a strong tenant demand for functional office/warehouse space with high ceiling heights. An additional factor was the continued completion of large build-to-suit properties with occupants already in place.

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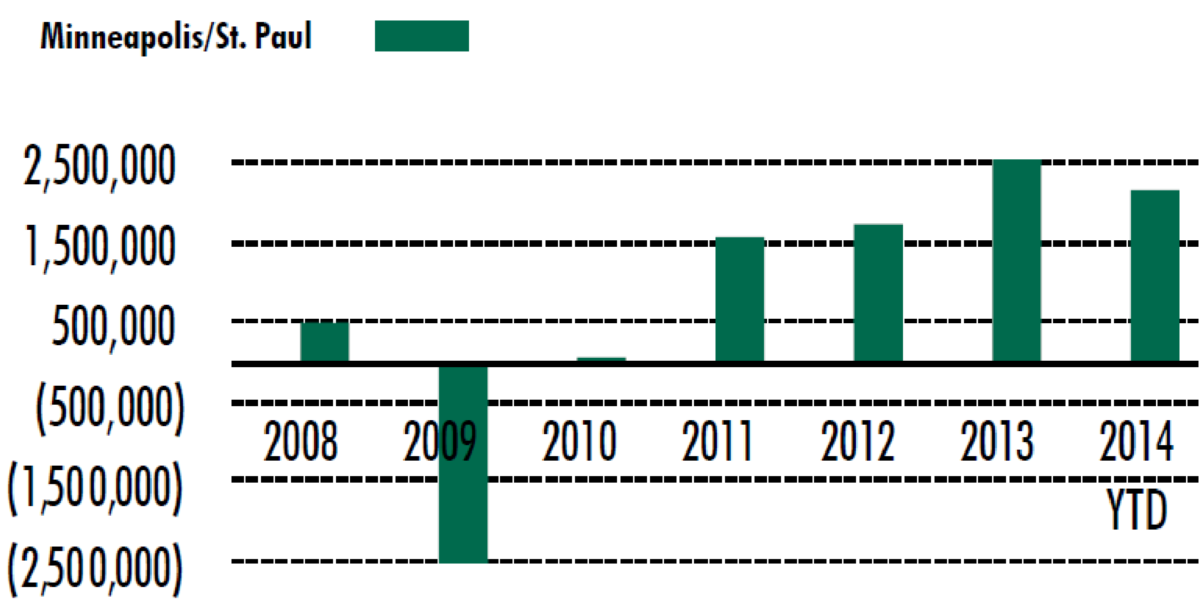
Multi-tenant properties also saw positive net absorption in the third quarter of 2014 with 418,821 square feet absorbed. Net absorption is a measure of the change in occupied space over a period of time taking into consideration space vacated in the same area during the same period. A positive number in this category typically indicates that users are still very active and there is significant demand for space.

Figure 7: Net Absorption



Source: CBRE Research, Q3 2014.

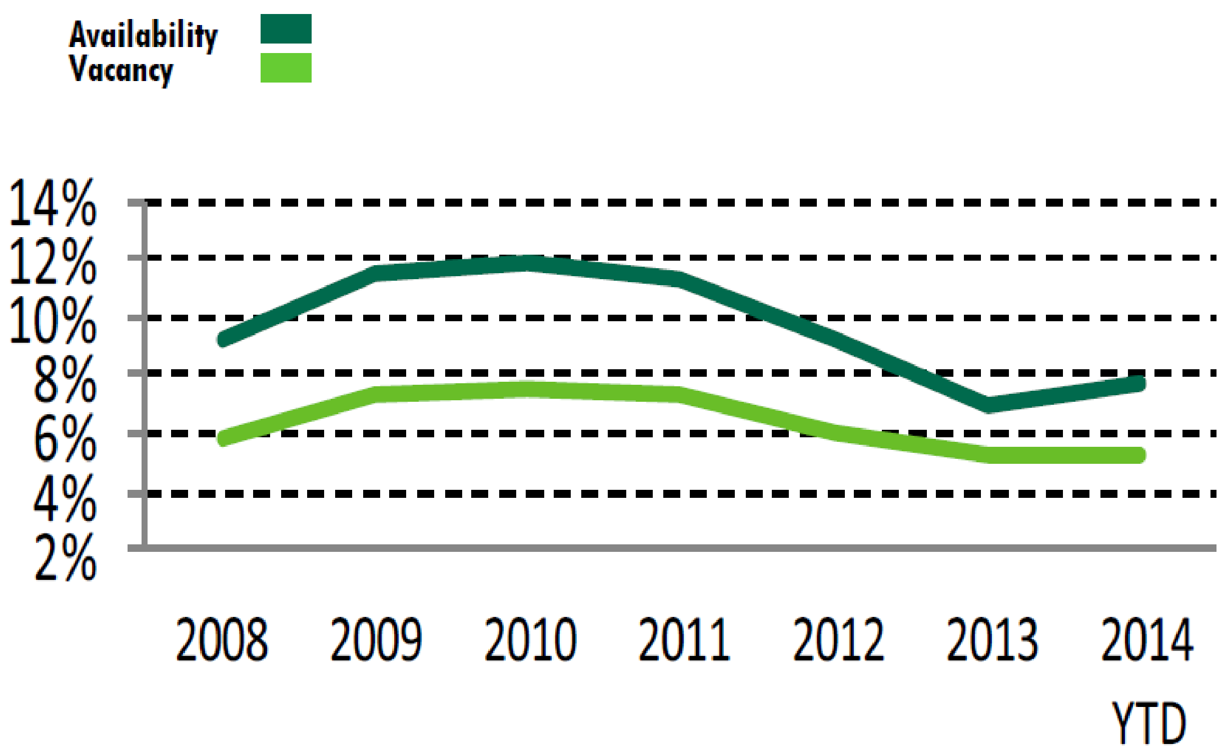
The Minneapolis/St. Paul availability rate rose in the third quarter of 2014, currently residing at 7.6%. This was partly brought about by several new large blocks of space beginning to be marketed, with tenants still in those spaces. Renewals continued to comprise a portion of leasing activity with five renewals over 50,000 square feet in the third quarter of 2014 alone.

The availability rate shows not only space that is currently vacant, but also space that is occupied and being marketed as available.

Minneapolis/St. Paul saw a minor increase in the total vacancy, to roughly 5.2%. As more of the underway speculative product comes online in coming quarters without significant pre-leased occupancy, vacancy rates may very well trend slightly upwards.

The vacancy rate represents space that is being marketed for sale or lease and is currently vacant.

Figure 8: Availability and Vacancy Rate



Source: CBRE Research, Q3 2014

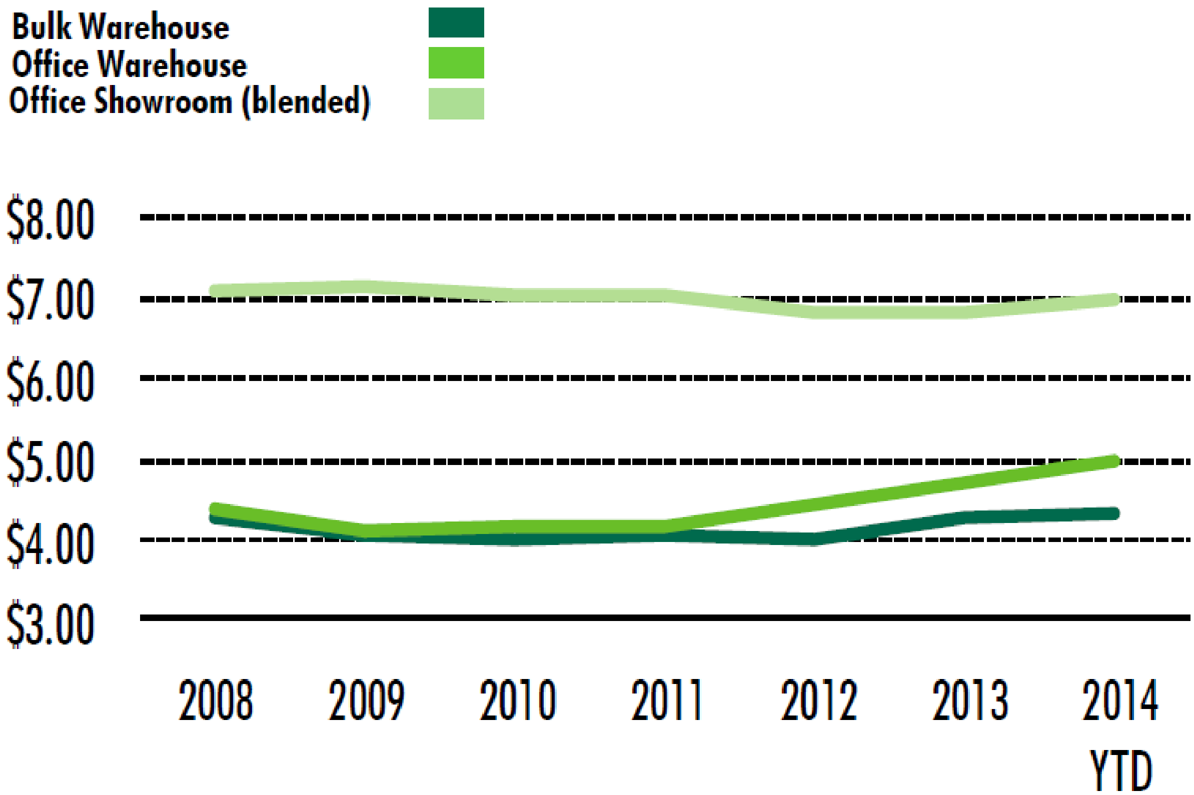
Asking rates for each of the industrial product types have held relatively steady in the third quarter of 2014, with a slight decrease in overall average rates. Desirable, newly constructed bulk warehouse properties are commanding higher rates, with older bulk warehouse properties pricing themselves competitively to entice users.

With a high proportion of the tenants in the market actively seeking office/warehouse space and newly completed product coming into operation, office/warehouse asking rates will likely continue to increase throughout the coming quarters.

Office showroom product asking rates continue to trend upwards in 2014, as new office showroom product continues to come onto the market. This rate is calculated by taking 50% of the office rate and 50% of the warehouse rate.

Asking rates are quoted net lease rates, not actual rates being transacted upon lease signings.

Figure 9: Asking Rates (Net)



Source: CBRE Research, Q3 2014

Market Summary

Market statistics for the Twin Cities area and the subject submarket to the subject property are shown in the following table:

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INDUSTRIAL MARKET STATISTICS		
Category	**Minneapolis**	**Twin Cities**
All Industrial Space		
Current Inventory - SF	29,926,793	329,170,268
Available Space - SF	809,926	25,154,780
Available Space - %	2.71%	7.64%
Vacant Space - SF	685,258	17,187,330
Vacant Space - %	2.29%	5.22%
New Construction Activity - SF		
Complete and Under Construction	27,000	6,477,287
Planned New Construction	0	15,531,788
Multi Tenant Space		
Inventory SF	9,875,629	146,107,429
Vacant SF	240,957	10,619,741
Vacant %	2.44%	7.27%
Bulk Warehouse		
Vacant Space - SF	216,714	3,341,788
Vacant Space - %	10.10%	5.11%
Absorption - YTD	0	336,689
Office Warehouse		
Vacant Space - SF	269,118	7,511,581
Vacant Space - %	2.28%	5.37%
Absorption - YTD	-117,954	668,687
Office Showroom		
Vacant Space - SF	10,000	3,118,831
Vacant Space - %	7.44%	8.77%
Absorption - YTD	0	671,627
Date of Survey: 2014 Q3		

Source: CBRE Minneapolis/St Paul MarketView

Market Trends

The table below presents the quarterly trends in rental rates and occupancy for the Twin Cities area and local Minneapolis submarket over the past several years:

INDUSTRIAL STATISTICS - ALL PRODUCT TYPES				
ALL PRODUCT	Minneapolis		Twin Cities	
Survey Date	Rent $/SF	Vacancy	Rent $/SF	Vacancy
2014 Q 3	$5.44	2.29%	$4.99	5.22%
Q 2	$5.44	2.75%	$5.03	5.01%
Q 1	$5.44	3.18%	$5.10	4.96%
2013 Q 4	$4.31	3.00%	$4.73	5.19%
Q 3	$3.95	3.42%	$4.55	5.61%
Q 2	$3.95	3.22%	$4.57	5.79%
Q 1	$4.00	3.43%	$4.61	5.91%
2012 Q 4	$4.02	4.14%	$4.65	6.23%
Q 3	$3.98	5.02%	$4.61	7.19%
Q 2	$3.96	5.14%	$4.59	7.42%
Q 1	$3.96	5.14%	$4.54	7.38%
2011 Q 4	$3.96	5.32%	$4.57	7.62%
Q 3	$3.93	5.34%	$4.65	7.68%
Q 2	$4.02	5.30%	$4.15	7.76%
Q 1	$3.82	5.30%	$4.01	7.78%
2010 Q 4	$3.81	5.54%	$4.01	7.90%
Q 3	$3.81	5.47%	$4.01	7.93%
Q 2	$3.82	5.30%	$4.02	7.73%
Q 1	$3.83	5.01%	$4.03	7.74%

Source: CBRE MarketView

INDUSTRIAL STATISTICS - MINNEAPOLIS OFFICE WAREHOUSE				
OFFICE WAREHOUSE	Minneapolis		Twin Cities	
Survey Date	Rent $/SF	Vacancy	Rent $/SF	Vacancy
2014 Q 3	$4.24	2.28%	$4.96	5.37%
Q 2	$4.24	2.91%	$4.90	5.28%
Q 1	$4.24	3.33%	$4.88	5.12%
2013 Q 4	$4.17	2.53%	$4.71	5.02%
Q 3	$3.89	2.77%	$4.42	5.39%
Q 2	$3.90	2.73%	$4.42	5.64%
Q 1	$3.85	2.83%	$4.46	5.70%
2012 Q 4	$3.89	3.03%	$4.42	6.01%
Q 3	$4.06	3.78%	$4.44	6.88%
Q 2	$4.06	3.86%	$4.42	7.13%
Q 1	$4.05	3.86%	$4.35	7.03%
2011 Q 4	$4.06	4.32%	$4.36	7.29%
Q 3	$4.06	4.45%	$4.37	7.33%
Q 2	$4.08	4.42%	$4.12	7.26%
Q 1	$4.08	4.42%	$4.12	7.04%
2010 Q 4	$4.10	4.98%	$4.15	7.04%
Q 3	$4.09	4.73%	$4.14	7.10%
Q 2	$4.08	3.94%	$4.13	7.05%
Q 1	$3.96	3.25%	$4.12	7.03%

Source: CBRE MarketView

INDUSTRIAL STATISTICS - TWIN CITIES ALL PRODUCT						
ALL PRODUCT Survey Date		Twin Cities Vacancy	Availability	Lease Rate	Absorption	Construction
2014	Q 3	5.22%	7.64%	$4.99	665,834	6,477,287
	Q 2	5.01%	6.82%	$5.03	649,529	3,604,157
	Q 1	4.96%	6.72%	$5.10	840,545	2,531,329
2013	Q 4	5.19%	6.91%	$4.73	1,397,090	2,976,062
	Q 3	5.61%	7.98%	$4.55	297,234	1,981,188
	Q 2	5.79%	7.95%	$4.57	634,613	1,055,388
	Q 1	5.91%	8.11%	$4.61	271,192	671,667
2012	Q 4	6.23%	8.56%	$4.65	-159,790	785,776
	Q 3	7.19%	9.38%	$4.61	-71,585	1,814,312
	Q 2	7.42%	10.22%	$4.59	199,656	490,000
	Q 1	7.38%	10.24%	$4.54	356,802	671,909
2011	Q 4	7.62%	10.73%	$4.57	-58,222	647,400
	Q 3	7.68%	10.91%	$4.65	-72,786	380,000
	Q 2	7.76%	11.01%	$4.15	26,079	163,000
	Q 1	7.78%	11.17%	$4.01	425,426	95,000
2010	Q 4	7.90%	11.28%	$4.01	190,780	610,500
	Q 3	7.93%	11.36%	$4.01	285,814	533,500
	Q 2	7.73%	11.23%	$4.02	-79,063	396,500
	Q 1	7.74%	11.11%	$4.03	-134,699	396,500

Source: CBRE MarketView

The overall market area and the local submarket have seen decreasing occupancy rates over the past year. Over the same time frame, rental rates have been steady.

Investment Trends

The following information and tables are taken from the fourth quarter 2014 PriceWaterhouseCooper (PwC) National Investor Survey on the national warehouse market.

National Warehouse Market

Warehouse industrial ranks as the top pick among investors with regard to investment prospects in the year ahead, as per *Emerging Trends in Real Estate*® 2015, published by PwC and ULI. Specifically, it scored a 3.72 on a scale of 1 (abysmal) to 5 (excellent), just above CBD office buildings with a score of 3.57 and limited-service hotels with a score of 3.52. The optimism felt for this property type is due to rising demand trends and limited additions to supply.

According to one surveyed investor, the locale of the warehouse property and up-to-date amenities are key attributes looked for by buyers. "Newly constructed, infill warehouses are one of the hottest property types right now," states a participant. As investor demand has heated up, so have prices. Our Survey results show that prices in the national warehouse market range from 80.0% to 125.0% of replacement cost and average 101.8%.

While some investors sense it's a good time to buy warehouse assets, others recommend either selling or holding them. "Sell or hold as it is too expensive to buy," suggests a participant, who believes that 2015 will be the most active year for warehouse property trades ever due to the aggressive capital being placed by U.S. and overseas buyers. ✦

KEY 4Q14 SURVEY STATS*

Tenant Retention Rate:		
Average	67.0%	▲
Range	50.0% to 75.0%	
Months of Free Rent[1]:		
Average	2.0	=
Range	0 to 5	
% of participants using	90.0%	=
Market Conditions Favor:		
Buyers	0.0%	=
Sellers	80.0%	=
Neither	20.0%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 26
NATIONAL WAREHOUSE MARKET
Fourth Quarter 2014

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	5.75% – 9.00%	5.75% – 9.00%	5.75% – 9.25%	6.50% – 12.50%	7.50% – 12.50%
Average	7.17%	7.31%	7.34%	8.56%	9.74%
Change (Basis Points)		– 14	– 17	– 139	– 257
OVERALL CAP RATE (OAR)[a]					
Range	4.50% – 7.00%	5.00% – 7.00%	5.00% – 7.75%	6.00% – 12.00%	6.50% – 12.00%
Average	5.82%	5.93%	6.22%	7.48%	8.80%
Change (Basis Points)		– 11	– 40	– 166	– 298
RESIDUAL CAP RATE					
Range	5.50% – 8.00%	5.50% – 8.50%	5.50% – 8.50%	6.00% – 12.00%	6.50% – 12.00%
Average	6.49%	6.60%	6.76%	7.92%	8.73%
Change (Basis Points)		– 11	– 27	– 143	– 224
MARKET RENT CHANGE[b]					
Range	0.00% – 5.00%	0.00% – 5.00%	0.00% – 6.00%	(5.00%) – 5.00%	(10.00%) – 3.00%
Average	2.60%	2.50%	2.36%	1.20%	(0.90%)
Change (Basis Points)		+ 10	– 24	+ 140	+ 350
EXPENSE CHANGE[b]					
Range	2.50% – 3.00%	2.50% – 3.00%	2.50% – 3.00%	2.00% – 3.00%	1.00% – 3.00%
Average	2.98%	2.98%	2.94%	2.83%	2.69%
Change (Basis Points)		0	+ 4	+ 15	+ 29
MARKETING TIME[c]					
Range	2 – 12	2 – 12	2 – 12	1 – 18	3 – 18
Average	4.7	5.1	6.2	6.7	9.8
Change (▼, ▲, =)		▼	▼	▼	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Occupancy

The subject has been vacant for approximately 5 years and was formerly utilized as a fire station.

CONCLUSION

The area industrial market and the local submarket are exhibiting increasing levels of demand with slight upward trending rental rates. Considering the recent trends in absorption and the prospects for new construction, the local market area should maintain a stabilized occupancy position with a return in market fundamentals anticipated. The addition of new product to the market may create minor downward pressure on occupancy.

With respect to the subject in particular, we believe the subject(s) is reasonably well located for a specialty use project. It is in reasonable proximity to both employment centers and major roadways such as Interstate 94, and the surrounding industrial developments are experiencing average levels of demand. Based upon our analysis, the subject should enjoy average market once occupied.

Highest and Best Use

In appraisal practice, the concept of highest and best use represents the premise upon which value is based. The four criteria the highest and best use must meet are:

- legally permissible;
- physically possible;
- financially feasible; and
- maximally productive.

The highest and best use analysis of the subject is discussed below.

AS VACANT

Legally Permissible

The legally permissible uses were discussed in the Site Analysis and Zoning Sections.

Physically Possible

The subject is adequately served by utilities, and has an adequate shape and size, sufficient access, etc., to be a separately developable site. There are no known physical reasons why the subject site would not support any legally probable development (i.e. it appears adequate for development).

Existing structures on similar sites provides additional evidence for the physical possibility of development.

Financially Feasible

The determination of financial feasibility is dependent primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create the uses. As discussed in the market analysis, the subject industrial market is generally stabilized. Development of new industrial properties has occurred in the past few years.

Maximally Productive - Conclusion

The final test of highest and best use of the site as if vacant is that the use be maximally productive, yielding the highest return to the land.

Based on the information presented above and upon information contained in the market and neighborhood analysis, we conclude that the highest and best use of the subject as if vacant would be the development of an industrial or office property with a conditional use permit, if site acquisition costs were adequate for development. Our analysis of the subject and its respective market characteristics indicate the most likely buyer, as if vacant, would be an investor (land speculation) or a developer.

AS IMPROVED

Legally Permissible

The site has been improved with a specialty use fire station/industrial related development that is a legal, conforming use.

Physically Possible

The layout and positioning of the improvements are considered functional for an office/industrial related use. While it would be physically possible for a wide variety of uses, based on the legal restrictions and the design of the improvements, the continued use of the property for a fire station use would be the most functional use.

Financially Feasible

The financial feasibility of a commercial property is based on the amount of rent which can be generated, less operating expenses required to generate that income; if a residual amount exists, then the land is being put to a productive use. Based upon the value of the improvements within the sales comparison approach clearly exceeds the underlying land value.

Maximally Productive - Conclusion

As shown in the applicable valuation sections, buildings that are similar to the subject have been acquired or continue to be used by industrial owners/tenants.

Based on the foregoing, the highest and best use of the property, as improved, is consistent with the existing use as an office/industrial related development.

Appraisal Methodology

In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

COST APPROACH

The cost approach is based on the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when it is improved with relatively unique or specialized improvements for which there exist few sales or leases of comparable properties.

SALES COMPARISON APPROACH

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons.

INCOME CAPITALIZATION APPROACH

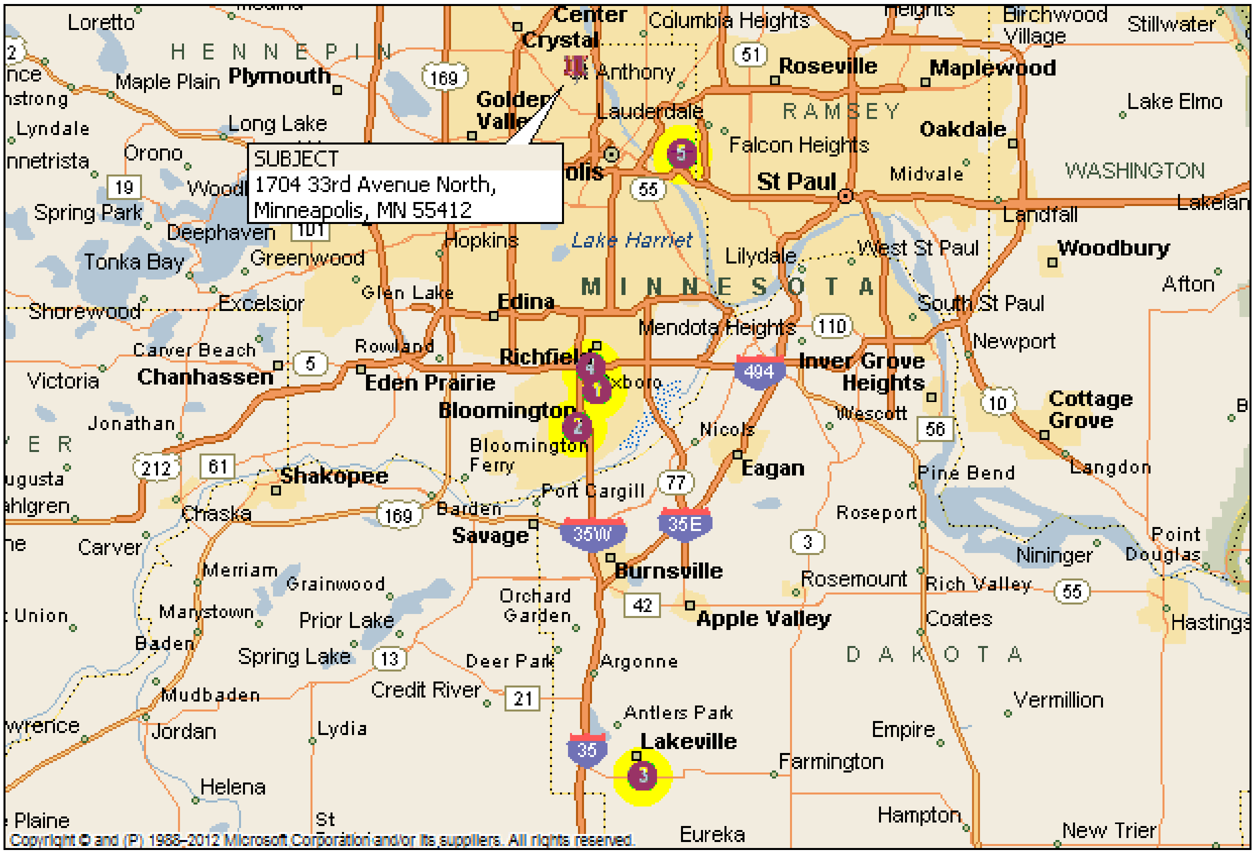
The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

METHODOLOGY APPLICABLE TO THE SUBJECT

In valuing the subject, only the cost approach and sales comparison approaches are applicable and have been used. The income approach is not applicable in the estimation of market value due to the subject's specialty use type. The exclusion of said approach(s) is not considered to compromise the credibility of the results rendered herein.

Land Value

The following map and table summarize the comparable data used in the valuation of the subject site.



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SUMMARY OF COMPARABLE LAND SALES								
No.	Property Location	Transaction Type	Transaction Date	Proposed Use	Actual Sale Price	Adjusted Sale Price [1]	Size (SF)	Price Per SF
1	401 86th Street W, Bloomington, MN	Sale	Aug-13	N/A	$605,000	$605,000	84,568	$7.15
2	9712 Humboldt Avenue South, Bloomington, MN	Sale	Aug-13	N/A	$390,000	$391,500	32,054	$12.21
3	21481 Humboldt CT, Lakeville, MN	Sale	Mar-13	Industrial	$160,000	$160,000	49,223	$3.25
4	700 American Blvd West, Bloomington, MN	Sale	Dec-12	Speculative	$598,029	$598,029	80,765	$7.40
5	530 25th Avenue SE, Minneapolis, MN	Sale	May-11	N/A	$411,000	$411,000	36,590	$11.23
Subject	1704 33rd Avenue North, Minneapolis, Minnesota	---	---	Office/Industrial Use	---	---	16,112	---

[1] Adjusted sale price for cash equivalency and/or development costs (where applicable)

Compiled by CBRE

The sales utilized represent the best data available for comparison with the subject and were selected from the Minneapolis area and surrounding suburban areas. The appraisers had to broaden the search perimeter to find recent industrial land sales within the cities of Bloomington and Lakeville. These sales were chosen based upon location, size, current use, and recent sale date.

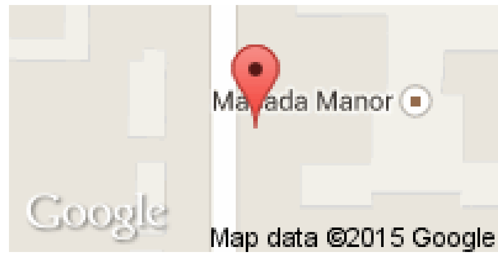
DISCUSSION/ANALYSIS OF LAND SALES

A detailed description of each primary transaction is illustrated in the following pages.

Sale | Land - Industrial | No. 1

Yardscapes
401 86th Street W
Bloomington, MN 55420
United States

Govt./Tax Agency	Hennepin
Govt./Tax ID	1002724220028



Site/Government Regulations

	Acres	Square feet
Land Area Net	1.940	84,568
Land Area Gross	1.940	84,568

Site Development Status	
Shape	Rectangular
Topography	Generally Level
Utilities	Municipal

Maximum FAR	
Min Land to Bldg Ratio	:1
Maximum Density	per ac

General Plan	
Specific Plan	
Zoning	I3
Entitlement Status	

Sale Summary

Recorded Buyer	401 & 405 LLC
True Buyer	
Recorded Seller	Veolia ES Technical Solutions, LLC
True Seller	
Interest Transferred	
Current Use	Vacant
Proposed Use	
Listing Broker	
Selling Broker	
Doc #	

Marketing Time	60 Month(s)
Buyer Type	
Seller Type	
Primary Verification	Seller (Steve w/Veolia), public record

Type	Sale
Date	8/2/2013
Sale Price	$605,000
Financing	Cash to Seller
Cash Equivalent	$605,000
Dev. Costs	$
Adjusted Price	$605,000

History

Transaction Date	Transaction Type	Buyer	Seller	Price
No sales history available for this property.				

Sale	Land - Industrial	No. 1

Units of Comparison

	/ sf	$	/ Unit
	/ ac		/ Building Area

Financial

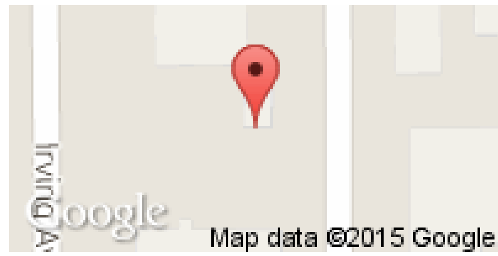
Revenue Type	Other See Comments
Period Ending	N/A
Source	N/A
Price	$605,000
Potential Gross Income	N/A
Economic Occupancy	N/A
Economic Loss	N/A
Effective Gross Income	N/A
Expenses	N/A
Net Operating Income	N/A
NOI / sf	N/A
NOI / Unit	N/A
OAR (Cap Rate)	N/A
EGIM	N/A
OER	N/A

Comments

This comparable is a 1.9-acre site on the south side of 86th Street west in Bloomington. It is vacant and zoned industrial. The neighboring properties are mature industrial properties. The seller reported the site had been processed for mercury and had received clearance with the state. The property had been available for sale for approximatley five years. The most recent asking price was $650,000. The property sold for $605,000 in August 2013.

Sale	Land - Industrial	No. 2

Vacant Land Bloomington
9712 Humboldt Avenue South
Bloomington, MN 55431
United States



Govt./Tax Agency	Hennepin
Govt./Tax ID	16-027-24-24-0012 and -0011

Site/Government Regulations

	Acres	Square feet
Land Area Net	0.730	32,054
Land Area Gross	0.730	32,054

Site Development Status	
Shape	Rectangular
Topography	Rolling
Utilities	Yes

Maximum FAR	
Min Land to Bldg Ratio	:1
Maximum Density	per ac

General Plan	
Specific Plan	
Zoning	I-2: Industrial
Entitlement Status	

Sale Summary

Recorded Buyer	Ugorets Properties LLC	Marketing Time	Month(s)
True Buyer		Buyer Type	
Recorded Seller	Charles Jones	Seller Type	
True Seller		Primary Verification	County Records

Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	See Comments	Date	8/1/2013
Proposed Use		Sale Price	$390,000
Listing Broker		Financing	Not Available
Selling Broker		Cash Equivalent	$390,000
Doc #		Dev. Costs	$1,500
		Adjusted Price	$391,500

History

Transaction Date	Transaction Type	Buyer	Seller	Price
		No sales history available for this property.		

Sale	Land - Industrial	No. 2

Units of Comparison

	/ sf	$	/ Unit
	/ ac		/ Building Area

Financial

Revenue Type	Other See Comments
Period Ending	N/A
Source	N/A
Price	$391,500
Potential Gross Income	N/A
Economic Occupancy	N/A
Economic Loss	N/A
Effective Gross Income	N/A
Expenses	N/A
Net Operating Income	N/A
NOI / sf	N/A
NOI / Unit	N/A
OAR (Cap Rate)	N/A
EGIM	N/A
OER	N/A

Comments

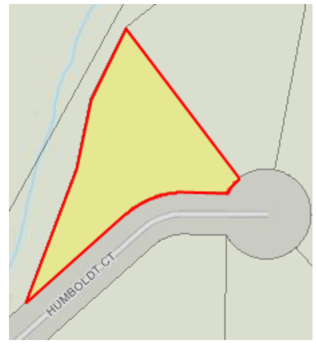
This is the combined sale of two adjacent parcels in Bloomington, Minnesota. Parcel -0011 (16,027 SF) sold for $180,000 or $11.23 per square foot in July 2012. Parcel -0011 (16,027 SF) sold for $210,000 or $13.10 per square foot. The property had a combined sale price of $390,000 or $12.17 per square foot. The property had a single family home present at the time of sale and was taken down shortly after. The estimated razing costs for the property have been included in the sale price above.

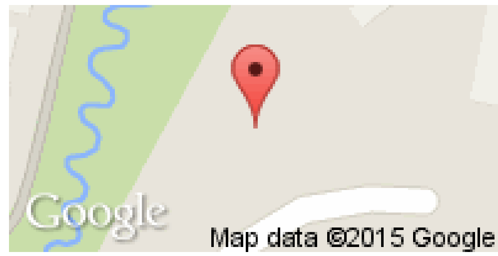
Sale	Land - Industrial	No. 3

Lakeville Vacant Land

21481 Humboldt CT
Lot 6, Block 1, Creekside Business Park
Lakeville, MN 55044
United States

Govt./Tax Agency	Dakota
Govt./Tax ID	221852501060





Site/Government Regulations

	Acres	Square feet
Land Area Net	1.130	49,223
Land Area Gross	1.130	49,223

Site Development Status	
Shape	Irregular
Topography	Generally Level
Utilities	Yes

Maximum FAR	
Min Land to Bldg Ratio	:1
Maximum Density	per ac
Frontage Distance/Street	ft Humboldt CT

General Plan	
Specific Plan	
Zoning	I-2
Entitlement Status	

Sale Summary

Recorded Buyer	Sheila J. Lewis & Rod L Lewis, Trustee of the Sheila J Lewis Trust	Marketing Time	Month(s)
True Buyer		Buyer Type	
Recorded Seller	Airlake Partners LLC	Seller Type	
True Seller		Primary Verification	

Interest Transferred		Type	Sale
Current Use	Vacant Land	Date	3/28/2013
Proposed Use	Industrial	Sale Price	$160,000
Listing Broker		Financing	Not Available
Selling Broker		Cash Equivalent	$160,000
Doc #		Dev. Costs	$
		Adjusted Price	$160,000

History

Transaction Date	Transaction Type	Buyer	Seller	Price
No sales history available for this property.				

Sale	Land - Industrial	No. 3

Units of Comparison

	/ sf	$	/ Unit
	/ ac		/ Building Area

Financial

Revenue Type	Other See Comments
Period Ending	N/A
Source	N/A
Price	$160,000
Potential Gross Income	N/A
Economic Occupancy	N/A
Economic Loss	N/A
Effective Gross Income	N/A
Expenses	N/A
Net Operating Income	N/A
NOI / sf	N/A
NOI / Unit	N/A
OAR (Cap Rate)	N/A
EGIM	N/A
OER	N/A

Comments

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Sale | Land - Industrial | No. 4

700 American Blvd

700 American Blvd West
Bloomington, MN 55420
United States

Govt./Tax Agency: Hennepin

Govt./Tax ID: 04-027-24-11-0034

Site/Government Regulations

	Acres	Square feet
Land Area Net	1.854	80,765
Land Area Gross	1.854	80,765

Site Development Status	
Shape	Rectangular
Topography	Generally Level
Utilities	Yes

Maximum FAR	0.00
Min Land to Bldg Ratio	:1
Maximum Density	per ac

Frontage Distance/Street	ft	American Blvd West
Frontage Distance/Street	ft	Lyndale Avenue South

General Plan	
Specific Plan	
Zoning	I-3
Entitlement Status	

Sale Summary

Recorded Buyer	City of Bloomington	Marketing Time	0 Month(s)
True Buyer		Buyer Type	
Recorded Seller	DRF American Blvd, LLC	Seller Type	
True Seller		Primary Verification	Buyer

Interest Transferred	
Current Use	Vacant
Proposed Use	Speculative
Listing Broker	
Selling Broker	
Doc #	

Type	Sale
Date	12/6/2012
Sale Price	$598,029
Financing	Market Terms
Cash Equivalent	$598,029
Dev. Costs	$0
Adjusted Price	$598,029

History

Transaction Date	Transaction Type	Buyer	Seller	Price
09/2008	Sale	DRF American Blvd, LLC	City of Bloomington	$500,000

Sale	Land - Industrial	No. 4

Units of Comparison

	/ sf	$	/ Unit
	/ ac		/ Building Area

Financial

Revenue Type	Other See Comments
Period Ending	N/A
Source	Other(See Comments)
Price	$598,029
Potential Gross Income	N/A
Economic Occupancy	N/A
Economic Loss	N/A
Effective Gross Income	$0
Expenses	$0
Net Operating Income	$0
NOI / sf	$0
NOI / Unit	N/A
OAR (Cap Rate)	0.00%
EGIM	N/A
OER	N/A

Comments

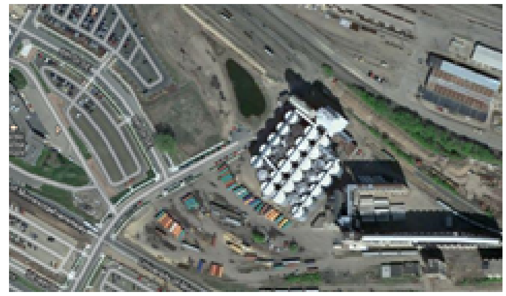
This comparable property is located at the northwest corner of Lyndale Avenue South and American Boulevard West in Bloomington. the site was considered to have good location and average physical characteristics. The property was vacant at the time of sale. The site was formerly part of a larger parcel purchased from the city in 2008. The site is zoned I-3, and the owner had petitioned the city for a change in zoning to General Business classification. The comparable site was planned for office development, but the construction did not move forward. The city purchased the property back in December 2012.

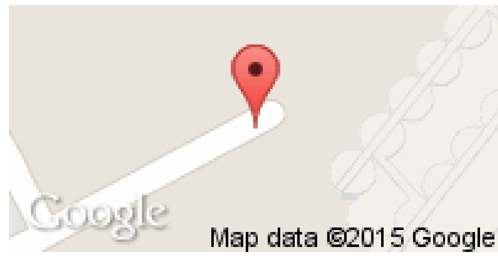
Sale | Land - Industrial | No. 5

530 25th Avenue SE

530 25th Avenue SE
Minneapolis, MN 55414
United States

Govt./Tax Agency	Hennepin
Govt./Tax ID	3002923120009





Site/Government Regulations

	Acres	Square feet
Land Area Net	0.840	36,590
Land Area Gross	0.840	36,590

Site Development Status	
Shape	Irregular
Topography	Generally Level
Utilities	Municpal

Maximum FAR	
Min Land to Bldg Ratio	:1
Maximum Density	per ac

General Plan	
Specific Plan	
Zoning	I2
Entitlement Status	

Sale Summary

Recorded Buyer	City of Minneapolis	Marketing Time	Month(s)
True Buyer		Buyer Type	
Recorded Seller	Union Pacific Railroad	Seller Type	
True Seller		Primary Verification	Seller

Interest Transferred		Type	Sale
Current Use		Date	5/27/2011
Proposed Use		Sale Price	$411,000
Listing Broker		Financing	Cash to Seller
Selling Broker		Cash Equivalent	$411,000
Doc #		Dev. Costs	$
		Adjusted Price	$411,000

History

Transaction Date	Transaction Type	Buyer	Seller	Price
No sales history available for this property.				

Sale	Land - Industrial	No. 5

Units of Comparison

/ sf		$	/ Unit
/ ac			/ Building Area

Financial

Revenue Type	Other See Comments
Period Ending	N/A
Source	N/A
Price	$411,000
Potential Gross Income	N/A
Economic Occupancy	N/A
Economic Loss	N/A
Effective Gross Income	N/A
Expenses	N/A
Net Operating Income	N/A
NOI / sf	N/A
NOI / Unit	N/A
OAR (Cap Rate)	N/A
EGIM	N/A
OER	N/A

Comments

The City of Minneapolis purchased this land from Union Pacific Railroad to extend 25th Avenue SE. County records show the subject parcel as far larger, the City of Minneapolis only bought a portion of the parcel which is why the area of this land sale does not match up with the county information regarding the size of the listed parcel.

LAND SALE ADJUSTMENTS

Property Rights Conveyed

Adjustments are necessary only when the interest in a particular sale differs from the type of interest being valued (e.g., leased fee estate as opposed to fee simple estate or vice versa).

In this case, no adjustments for property rights conveyed are necessary as all transactions occurred in fee simple estate.

Financing Terms

Adjustments are necessary within this category if a sale transaction involves unusual or favorable financing, often provided by the seller. If such a case exists, an adjustment is made to bring the resultant sale price to a cash equivalent value, which is based on market terms available at the time of sale.

The financing information for all of the comparable sales was cash equivalent or at market terms and no adjustment is needed.

Conditions of Sale

The condition of sale adjustment is an adjustment for any factor which may have made a sale a non-arms length transaction.

Based upon our analysis, none of the sales required an adjustment for conditions of sale.

Buyer Expenditures

The buyer expenditures adjustment is for any extra costs after the sale that the buyer would have to pay.

Based upon our analysis, none of the sales required an adjustment for buyer expenditures.

Market Conditions

The purpose of this adjustment is to bring the varying transaction dates of the comparables to an equal status current with the appraisal date by applying adjustments for changes in market conditions. These changing market conditions can be either positive or negative. Typically, both the buyer and the seller are aware of the changing market conditions. They also realize that it may take several months for a closing to take place. If the time between the purchase agreement date and the closing date is considerable, the price usually reflects the risk or holding costs. Purchase agreements very often do not come to fruition in the form of a sale. The date of the purchase agreement and the terms are considered a good indication of value, but a closed sale is considered a better measure. The building sales in this analysis sold (closed) between May of 2011 and August of 2013.

The following table provides a summary of pricing trends annually for the apartment, hotel, office, retail and industrial markets as outlined in the November 2013 Capital Trends Monthly reports published by Real Capital Analytics.

MAJOR PROPERTY TYPE: U.S. PRICING & SALE TRENDS

Main Type		Property Sub Type						
			CBD			Suburban		
			# Prop	Avg PSF	Avg Cap	# Prop	Avg PSF	Avg Cap
Office	year	2009	187	$ 240	8.2%	876	$ 147	8.0%
		2010	363	$ 282	6.6%	1,394	$ 157	8.1%
		2011	541	$ 291	6.4%	1,729	$ 155	7.8%
		2012	710	$ 305	6.1%	2,529	$ 160	7.6%
		2013	686	$ 318	6.0%	2,417	$ 172	7.4%
			Flex			Warehouse		
			# Prop	Avg PSF	Avg Cap	# Prop	Avg PSF	Avg Cap
Industrial	year	2009	467	$ 79	8.6%	983	$ 49	8.1%
		2010	684	$ 94	8.5%	1,592	$ 45	8.3%
		2011	1,023	$ 78	7.9%	3,127	$ 49	7.8%
		2012	1,463	$ 91	7.8%	2,888	$ 52	7.5%
		2013	1,180	$ 102	7.8%	2,917	$ 55	7.4%
			Mall & Other			Strip		
			# Prop	Avg PSF	Avg Cap	# Prop	Avg PSF	Avg Cap
Retail	year	2009	1,199	$ 172	7.4%	620	$ 122	8.1%
		2010	1,286	$ 155	7.7%	827	$ 129	8.1%
		2011	1,810	$ 212	7.3%	1,872	$ 145	7.8%
		2012	2,924	$ 242	7.0%	1,818	$ 142	7.7%
		2013	3,065	$ 226	6.7%	1,883	$ 146	7.4%
			Garden			Mid/Highrise		
			# Prop	Avg PPU	Avg Cap	# Prop	Avg PPU	Avg Cap
Apartment	year	2009	1,204	$ 67,582	6.9%	495	$ 131,045	6.3%
		2010	1,739	$ 75,747	6.8%	809	$ 170,704	6.1%
		2011	2,822	$ 76,454	6.5%	1,007	$ 204,422	5.8%
		2012	3,914	$ 85,598	6.3%	1,623	$ 200,079	5.6%
		2013	3,751	$ 88,461	6.4%	1,440	$ 208,472	5.4%
			Full Service			Limited Service		
			# Prop	Avg PPU	Avg Cap	# Prop	Avg PPU	Avg Cap
Hotel	year	2009	140	$ 87,547	8.9%	176	$ 53,962	9.6%
		2010	284	$ 160,364	6.7%	965	$ 76,360	8.6%
		2011	426	$ 155,123	6.8%	649	$ 89,603	9.1%
		2012	454	$ 157,423	7.5%	1,727	$ 63,853	8.6%
		2013	409	$ 186,503	7.7%	897	$ 74,218	8.4%

Source: Real Capital Analytics - November 2013

U.S. PRICING SUMMARY

		2009 to 2010		2010 to 2011		2011 to 2012		2012 thru November 2013	
Property Type	Sub Type	Annual % Change per Unit	Annual Value % Change Based on Cap Rates	Annual % Change per Unit	Annual Value % Change Based on Cap Rates	Annual % Change per Unit	Annual Value % Change Based on Cap Rates	Annual % Change per Unit	Annual Value % Change Based on Cap Rates
Office	CBD	17.42%	23.75%	3.16%	3.74%	4.81%	5.60%	4.26%	0.65%
	Suburban	6.72%	-0.81%	-1.36%	4.21%	3.22%	2.37%	7.70%	2.91%
Industrial	Flex	17.74%	0.76%	-16.49%	8.25%	15.90%	1.04%	12.64%	-0.17%
	Warehouse	-7.70%	-1.84%	9.07%	6.71%	6.76%	2.84%	4.89%	1.25%
Retail	Mall & Other	-10.16%	-4.58%	36.79%	5.34%	14.43%	5.36%	-6.64%	4.34%
	Strip	6.01%	0.30%	12.10%	3.53%	-1.92%	2.11%	2.66%	3.78%
Apartment	Garden	12.08%	1.66%	0.93%	3.99%	11.96%	3.30%	3.35%	-1.65%
	Mid/Highrise	30.26%	3.11%	19.75%	6.15%	-2.12%	3.81%	4.19%	3.56%
Hotel	Full-Service	83.17%	32.79%	-3.27%	-0.95%	1.48%	-9.52%	18.47%	-3.01%
	Limited Service	41.51%	10.59%	17.34%	-5.38%	-28.74%	6.78%	16.23%	2.03%

Source: CBRE & Real Capital Analytics - November 2013

CBRE

Primary consideration has been placed upon the industrial warehouse properties.

Given the recent trending of industrial warehouse properties, we feel sale transactions require an annual appreciation adjustment of 2%.

Zoning/Use

All of the sales are zoned for a use that is similar to a use that could be constructed on the subject site, with a condition al use permit. Therefore, no adjustment was considered.

Location

The comparable land sales are all located within the Twin Cities metropolitan area. The primary consideration for this adjustment was based upon traffic counts and surrounding developments.

Overall, the appraisers believe Sale #3 is located in an inferior location compared to the subject and has been given an upward adjustment. The appraisers believe the remaining sales are all located in a superior location and they have been given downward adjustments.

Size

Typically, smaller parcels have higher per square foot prices than larger parcels. After applying all previous adjustments, the majority of the sales did not support this standard and were not given an adjustment.

SUMMARY OF ADJUSTMENTS

Based on the foregoing discussions, the following table presents the adjustments warranted to each sale, as compared to the subject. The following adjustment grid implies a level of accuracy that may not exist in the current market. However, the grid has been included in order to illustrate the magnitude of the warranted adjustments. Use of an adjustment grid in making quantitative adjustments is only appropriate and reliable when the extent of adjustment for each particular factor is well supported and the dollar or percentage adjustment is derived through either paired sales analysis or other data relevant to the market. In instances where paired sales and market data was not readily available, we used our best judgment to make a reasonable estimate for the appropriate warranted adjustment.

LAND SALES ADJUSTMENT GRID						
Comparable Number	1	2	3	4	5	Subject
Transaction Type	Sale	Sale	Sale	Sale	Sale	---
Transaction Date	Aug-13	Aug-13	Mar-13	Dec-12	May-11	---
Proposed Use	N/A	N/A	Industrial	Speculative	N/A	Office/Industrial Use
Adjusted Sale Price [1]	$605,000	$391,500	$160,000	$598,029	$411,000	---
Size (Acres)	1.94	0.73	1.13	1.85	0.84	0.37
Size (SF)	84,568	32,054	49,223	80,765	36,590	16,112
Price ($ PSF)	$7.15	$12.21	$3.25	$7.40	$11.23	
Property Rights Conveyed	0%	0%	0%	0%	0%	
Financing Terms [1]	0%	0%	0%	0%	0%	
Conditions of Sale	0%	0%	0%	0%	0%	
Buyer Expenditures	0%	0%	0%	0%	0%	
Market Conditions (Time)	3%	3%	4%	4%	7%	
Subtotal	$7.37	$12.58	$3.38	$7.70	$12.02	
Zoning/Use	0%	0%	0%	0%	0%	
Location	-10%	-20%	35%	-20%	-45%	
Size	0%	0%	0%	0%	0%	
Total Other Adjustments	-10%	-20%	35%	-20%	-45%	
Value Indication for Subject	**$6.63**	**$10.06**	**$4.56**	**$6.16**	**$6.61**	
Absolute Adjustment	*53%*	*63%*	*54%*	*54%*	*52%*	

[1] Adjusted sale price for cash equivalency and/or development costs (where applicable)
Compiled by CBRE

CONCLUSION

Prior to adjustments the comparables indicated a price per square foot range of $3.25 to $11.23 per square foot and averaged $8.25 per square foot.

After adjustments the comparables indicated a price per square foot range of $4.56 to $10.06 per square foot and averaged $6.81 per square foot.

If the highest and lowest per square foot comparables were not considered, the comparables would have an indicated price per square foot average of $6.47 per square foot.

Based on the preceding analysis of each comparable, the appraiser estimated land value is calculated as follows:

CONCLUDED LAND VALUE				
$ PSF		Subject SF		Total
$5.50	x	16,112	=	$88,616
$6.50	x	16,112	=	$104,728
$7.50	x	16,112	=	$120,840
Indicated Value:				**$105,000**
		(Rounded $ PSF)		$6.52

Compiled by CBRE

The value equates to approximately $6.50 per square foot.

Cost Approach

In estimating the replacement cost new for the subject, the following methods/data sources have been utilized (where available):

- the comparative unit method has been employed, utilizing the Marshall Valuation Service (MVS) cost guide, published by Marshall and Swift, LLC;
- the subject's actual construction costs (where available); and
- actual/budget construction cost figures available for comparable properties have been considered.

MARSHALL VALUATION SERVICE

Direct Cost

Salient details regarding the direct costs are summarized in the Cost Approach Conclusion at the end of this section. The MVS cost estimates include the following:

1. average architect's and engineer's fees for plans, plan check, building permits and survey(s) to establish building line;
2. normal interest in building funds during the period of construction plus a processing fee or service charge;
3. materials, sales taxes on materials, and labor costs;
4. normal site preparation including finish grading and excavation for foundation and backfill;
5. utilities from structure to lot line figured for typical setback;
6. contractor's overhead and profit, including job supervision, workmen's compensation, fire and liability insurance, unemployment insurance, equipment, temporary facilities, security, etc.;
7. site improvements (included as lump sum additions); and
8. initial tenant improvement costs are included in MVS cost estimate. However, additional lease-up costs such as advertising, marketing and leasing commissions are not included.

Base building costs (direct costs) are adjusted to reflect the physical characteristics of the subject. Making these adjustments, including the appropriate local and current cost multipliers, the direct building cost is indicated.

Additions

Items not included in the direct building cost estimate include parking and walks, signage, landscaping, and miscellaneous site improvements. The cost for these items is estimated separately using the segregated cost sections of the MVS cost guide.

Indirect Cost Items

Several indirect cost items are not included in the direct building cost figures derived through the MVS cost guide. These items include developer overhead (general and administrative costs), property taxes, legal and insurance costs, local development fees and contingencies, lease-up and marketing costs and miscellaneous costs. The concluded indirect cost allowance is 20.0%.

MVS Conclusion

The concluded direct and indirect building cost estimates obtained via the MVS cost guide (Section 15, Page 19 & 28, dated November 2013) are illustrated as follows:

MARSHALL VALUATION SERVICE COST SCHEDULE			
Primary Building Type:	Industrial	Height per Story:	12'
Effective Age:	40 YRS	Number of Buildings:	1
Condition:	Fair	Gross Building Area:	10,492 SF
Exterior Wall:	Brick	Net Rentable Area:	8,674 SF
Number of Stories:	2	Average Floor Area:	5,246 SF

MVS Sec/Page		15/19/C	15/28/C
Quality/Bldg. Class		Average/C	Average/C
Building Component		Basement	Fire Station
Component Sq. Ft.		1,818 SF	8,674 SF
Base Square Foot Cost		$32.45	$65.73
Square Foot Refinements			
Heating and Cooling		$0.00	$1.92
Sprinklers		$0.00	$0.00
Other		$0.00	$0.00
Other		$0.00	$0.00
Subtotal		$32.45	$67.65
Height and Size Refinements			
Number of Stories Multiplier		1.000	1.000
Height per Story Multiplier		1.000	1.000
Floor Area Multiplier		1.000	1.000
Subtotal		$32.45	$67.65
Cost Multipliers			
Current Cost Multiplier		1.01	1.01
Local Multiplier		1.13	1.13
Final Square Foot Cost		**$37.04**	**$77.21**
Base Component Cost		**$67,330**	**$669,710**
Base Building Cost	*(via Marshall Valuation Service cost data)*		$737,040
Additions			
Signage, Landscaping & Misc. Site Improvements (not included above)			$10,000
Parking/Walks (not included above)			$25,000
Other			$0
Direct Building Cost			$772,040
Indirect Costs	20.0% of Direct Building Cost		$154,408
Direct and Indirect Building Cost			$926,448
Rounded			$926,000

Compiled by CBRE

ENTREPRENEURIAL PROFIT

Entrepreneurial profit represents the return to the developer, and is separate from contractor's overhead and profit. The concluded entrepreneurial profit is 25.0%.

CBRE

ACCRUED DEPRECIATION

There are essentially three sources of accrued depreciation:

1. physical deterioration, both curable and incurable;
2. functional obsolescence, both curable and incurable; and
3. external obsolescence.

Physical Deterioration

The following chart provides a summary of the remaining economic life.

ECONOMIC AGE AND LIFE	
Actual Age	75 Years
Effective Age	40 Years
MVS Expected Life	45 Years
Remaining Economic Life	5 Years
Accrued Physical Incurable Depreciation	88.9%
Compiled by CBRE	

Functional Obsolescence

Based on a review of the design and layout of the improvements, no forms of curable functional obsolescence were noted. Because replacement cost considers the construction of the subject improvements utilizing modern materials and current standards, design and layout, functional incurable obsolescence is not applicable.

External Obsolescence

Based on a review of the local market and neighborhood, no forms of external obsolescence affect the subject.

COST APPROACH CONCLUSION

The value estimate is calculated as follows.

CBRE

COST APPROACH CONCLUSION			
Primary Building Type:	Industrial	Height per Story:	12'
Effective Age:	40 YRS	Number of Buildings:	1
Condition:	Fair	Gross Building Area:	10,492 SF
Exterior Wall:	Brick	Net Rentable Area:	8,674 SF
Number of Stories:	2	Average Floor Area:	5,246 SF

Direct and Indirect Building Cost			$926,000
Entrepreneurial Profit	25.0% of Total Building Cost		$231,500
Replacement Cost New			$1,157,500
Accrued Depreciation			
Unfinished Shell Space		$0	
Incurable Physical Deterioration	88.9% of Replacement Cost New less Curable Physical Deterioration	($847,333)	
Functional Obsolescence		$0	
External Obsolescence		$0	
Total Accrued Depreciation	73.2% of Replacement Cost New		($847,333)
Contributory Value of FF&E			$0
Depreciated Replacement Cost			$310,167
Land Value			$105,000
Indicated Stabilized Value			**$415,167**
Rounded			**$420,000**
Curable Physical Deterioration			($204,250)
Lease-Up Discount			$0
Indicated As Is Value			**$215,750**
Rounded			**$220,000**
Value Per SF			**$25.36**

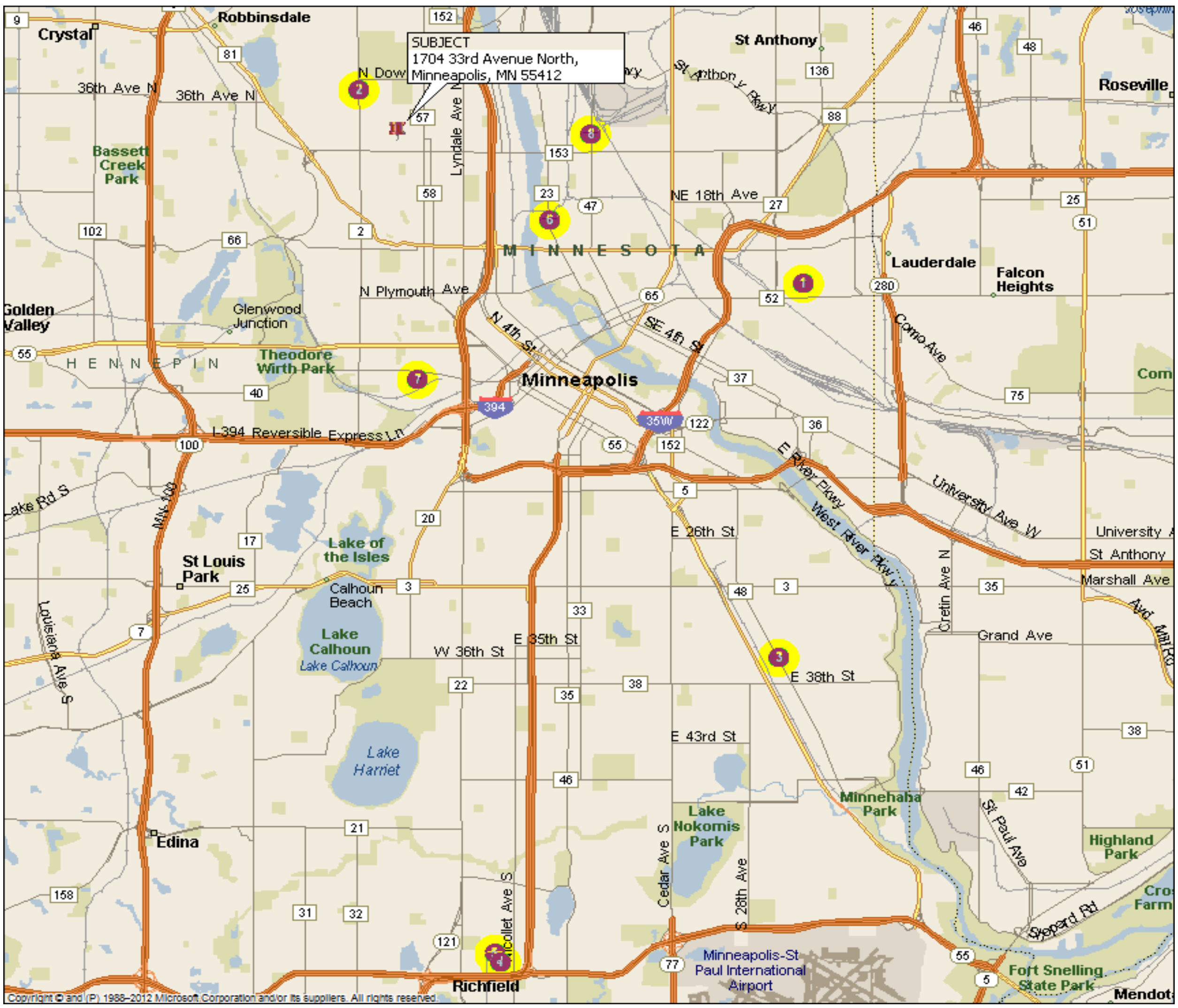
Compiled by CBRE

Sales Comparison Approach

The subject is a specialty use former fire station facility and there are no recent comparable sales with exact similarities to the subject's specific use that the appraisers are aware. Therefore, the appraisers have analyzed recent sales of different types of properties that are similar to the subject in certain aspects within its current condition. The appraisers have analyzed smaller industrial related properties with similar drive-in doors and auto service related property types.

The sales utilized represent the best data available for comparison with the subject's specialty use. The sales were selected from our research of comparable improved sales within areas somewhat similar to the subject in the city of Minneapolis. These sales were chosen based upon recent sale dates, building age, building use, and building size.

The following map and table summarize the comparable data used in the valuation of the subject.



SUMMARY OF COMPARABLE INDUSTRIAL SALES

No.	Name	Transaction Type	Transaction Date	Year Built	GBA (SF)	Percent Office	Clear Height	Land to Bldg. Ratio	al	Adjusted Sale Price [1]	Price Per SF [1]
1	401 Harding Street NE, 401 Harding Street NE, Minneapolis, MN	· Contract	Dec-14	1957	38,128	8.0%	21	2.24 : 1		$2,055,852	$53.92
2	Auto Body Use, 2211 37th Avenue N, Minneapolis, MN	Sale	Sep-13	1928	1,600	N/A	N/A	1.07 : 1		$76,000	$47.50
3	Auto Repair Property, 3601 Minnehaha Avenue, Minneapolis, MN	Sale	Sep-13	1952	1,332	N/A	N/A	3.89 : 1		$110,000	$82.58
4	All Service Lawn, 142 61st Street W, Minneapolis, MN	Sale	Sep-13	1958	6,264	N/A	10	1.68 : 1		$350,000	$55.87
5	Left Foot Coaching Academy, 6022 Pillsbury Avenue South, Minneapolis, MN	Sale	Jun-13	1979	10,206	N/A	N/A	2.33 : 1		$557,000	$54.58
6	Industrial Building, 1528 & 1600 Marshall Street NE, Minneapolis, MN	Sale	Jun-13	1961	14,691	30.0%	11	3.05 : 1		$690,000	$46.97
7	Industrial Building, 236 Girard Avenue N, Minneapolis, MN	Sale	May-13	1963	6,777	N/A	14	2.58 : 1		$400,000	$59.02
8	DJ Auto Care, 2626 University Avenue, Minneapolis, MN	Sale	May-13	1971	7,800	N/A	N/A	1.66 : 1		$475,000	$60.90
Subj. Pro Forma	Former Fire Station #14, 1704 33rd Avenue North, Minneapolis, Minnesota	---	---	1940	8,674	50.0%	12 Ft.	1.86 : 1	---	---	---

[1] Adjusted sale price for cash equivalency, lease-up and/or deferred maintenance (where applicable)
Compiled by CBRE

The sales utilized represent the best data available for comparison with the subject's specialty use. They were selected from our research of comparable improved sales within the greater Minneapolis area.

DISCUSSION/ANALYSIS OF IMPROVED SALES

A detailed description of each primary transaction is illustrated in the following pages.

CBRE

Sale	Industrial - Manufacturing	No. 1

401 Harding Street NE

401 Harding Street NE
Minneapolis, MN 55413
United States

Govt./Tax Agency	Hennepin
Govt./Tax ID	18-029-23-34-0029

Site/Government Regulations

	Acres	Square feet
Land Area Net	1.960	85,552
Land Area Gross		

Site Development Status	
Shape	
Topography	
Utilities	

Maximum Floor Area	sf
Min Land to Bldg Ratio	:1
Actual Land to Bldg Ratio	2.24:1

Zoning	
General Plan	

Improvements

Gross Building Area	38,128 sf	Floor Count	
Rentable Area	38,128 sf	Parking Type	Surface
Usable Area	sf	Parking Ratio	/1,000 sf
Status	Existing	Condition	Good
Occupancy Type		Exterior Finish	Concrete
Year Built	1957	Investment Class	
Year Renovated		Number of Buildings	1
% Office	8.00%	Fire Sprinkler System	Wet
% AC	%	Rail Access	Spur
Clear Ceiling Height	21 ft	Column Spacing	ft
		Loading	3 drive in

Sale Summary

Recorded Buyer	SRRT Properties, LP	Marketing Time	Month(s)
True Buyer		Buyer Type	
Recorded Seller	Kennedy-Harding, LLC	Seller Type	
True Seller		Primary Verification	Purchase agreement, buyer, seller

Interest Transferred	Leased Fee	Type	Under Contract/Offer
Current Use		Date	12/26/2014
Proposed Use		Sale Price	$2,037,000
Listing Broker		Financing	
Selling Broker		Cash Equivalent	$2,037,000
Doc #		Dev. Costs	$18,852
		Adjusted Price	$2,055,852

Sale | Industrial - Manufacturing | No. 1

History

Transaction Date	Transaction Type	Buyer	Seller	Price
		No sales history available for this property.		

Units of Comparison

Static Analysis Method	Trailing Actuals	Eff Gross Inc Mult (EGIM)	5.74
Buyer's Primary Analysis		Op Exp Ratio (OER)	51.35%
Overall Cap Rate (OAR)	8.47%	Price / sf	$53.92
Projected IRR	%	Remaining Lease Term	
Actual Occupancy at Sale	100%		

Financial

Revenue Type	Trailing Actuals
Period Ending	N/A
Source	Seller
Price	$2,055,852
Potential Gross Income	$380,853
Economic Occupancy	6%
Economic Loss	$22,851
Effective Gross Income	$358,002
Expenses	$183,843
Net Operating Income	$174,159
NOI / sf	$5
NOI / Unit	N/A
OAR (Cap Rate)	8.47%
EGIM	5.74%
OER	51.35%

Comments

The subject is a 38,128 SF-square foot industrial facility located at 401 Harding Street NE in Minneapolis, Minnesota. The improvements include a total of 1 building structures that were reported to have been constructed in 1951 and are situated on a 1.964-acre site. The clear height of the improvements is approximately 21 Ft. feet and the office finish approximates 8%.

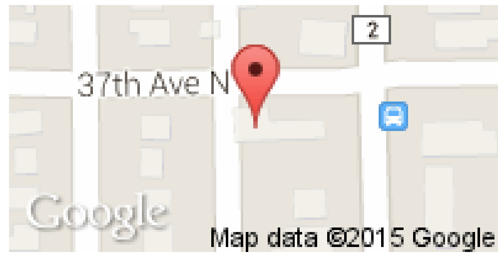
There is currently a purchase agreement in place for a reported price of $2,037,000 plus the unamortized amount of tenant improvements of $18,852, for a total acquisition price of $2,055,852. The purchase agreement is between Kennedy-Harding, LLC (Seller) and SRRT Properties, LP (Buyer). As part of the sale agreement a total of 68,528 units of Limited Partnership interest of the Buyer valued at $616,752 will be transferred to the seller, with the remaining $1,439,100 to be paid in cash to the Seller.

The overall rate of return reflects the in place income less a 6% general vacancy allowance and $0.20 replacement reserve allowance.

Sale	Industrial - WH/Distribution/Logistics	No. 2

Auto Body Use

2211 37th Avenue N
Minneapolis, MN 55412
United States



Govt./Tax Agency	Hennepin
Govt./Tax ID	

Site/Government Regulations

	Acres	Square feet
Land Area Net	0.039	1,710
Land Area Gross		

Site Development Status	
Shape	Rectangular
Topography	Rolling
Utilities	Available

Maximum Floor Area	sf
Min Land to Bldg Ratio	:1
Actual Land to Bldg Ratio	1.07:1

Frontage Distance/Street	ft	37th Avenue N

Zoning	C1
General Plan	

Improvements

Gross Building Area	1,600 sf	Floor Count	1
Rentable Area	1,600 sf	Parking Type	
Usable Area	sf	Parking Ratio	0.00/1,000 sf
Status		Condition	Fair
Occupancy Type	Owner/User	Exterior Finish	
Year Built	1928	Investment Class	
Year Renovated		Number of Buildings	1
% Office	%	Fire Sprinkler System	
% AC	%	Rail Access	
Clear Ceiling Height	ft	Column Spacing	ft
		Loading	2 Drive- In Doors

Sale Summary

Recorded Buyer	Javier Ocampo	Marketing Time	Month(s)
True Buyer		Buyer Type	
Recorded Seller	Scott & Loddavahn Tolzman	Seller Type	
True Seller		Primary Verification	

Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	Auto Repair	Date	9/26/2013
Proposed Use		Sale Price	$76,000
Listing Broker		Financing	Cash to Seller
Selling Broker		Cash Equivalent	$76,000
Doc #		Dev. Costs	$0
		Adjusted Price	$76,000

Sale | Industrial - WH/Distribution/Logistics | No. 2

History

Transaction Date	Transaction Type	Buyer	Seller	Price
No sales history available for this property.				

Units of Comparison

Static Analysis Method		Eff Gross Inc Mult (EGIM)	
Buyer's Primary Analysis	Owner/Occupier	Op Exp Ratio (OER)	%
Overall Cap Rate (OAR)	%	Price / sf	$47.50
Projected IRR	%	Remaining Lease Term	
Actual Occupancy at Sale	%		

Comments

This is a 1,600 square foot auto body/repair property constructed in 1928 located at 2211 37th Avenue North in the city of Minneapolis. The property sold for $76,000 or $47.50 per square foot and was in fair condition at the time of sale.

Sale | Industrial - WH/Distribution/Logistics | No. 3

Auto Repair Property

3601 Minnehaha Avenue
Minneapolis, MN 55406
United States

Govt./Tax Agency	Hennepin
Govt./Tax ID	0602823330097

Site/Government Regulations

	Acres	Square feet
Land Area Net	0.119	5,180
Land Area Gross		

Site Development Status	
Shape	Triangular
Topography	
Utilities	Available

Maximum Floor Area	sf
Min Land to Bldg Ratio	:1
Actual Land to Bldg Ratio	3.89:1

Frontage Distance/Street	ft	E 36th Street
Frontage Distance/Street	ft	Minnehaha Ave

Zoning	C1
General Plan	

Improvements

Gross Building Area	1,332 sf	Floor Count	1
Rentable Area	1,332 sf	Parking Type	
Usable Area	sf	Parking Ratio	0.00/1,000 sf
Status	Existing	Condition	Fair
Occupancy Type	Owner/User	Exterior Finish	Brick
Year Built	1952	Investment Class	
Year Renovated		Number of Buildings	1
% Office	%	Fire Sprinkler System	
% AC	%	Rail Access	
Clear Ceiling Height	ft	Column Spacing	ft
		Loading	3 Drive-Inn Doors

Sale Summary

Recorded Buyer	Apple Auto Repair, LLC	Marketing Time	Month(s)
True Buyer		Buyer Type	End User
Recorded Seller	Republic Bank & Trust Co	Seller Type	
True Seller		Primary Verification	Assessor

Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	Auto Service Repair	Date	9/6/2013
Proposed Use		Sale Price	$110,000
Listing Broker		Financing	Cash to Seller
Selling Broker		Cash Equivalent	$110,000
Doc #		Dev. Costs	$0
		Adjusted Price	$110,000

Sale Industrial - WH/Distribution/Logistics No. 3

History

Transaction Date	Transaction Type	Buyer	Seller	Price
No sales history available for this property.				

Units of Comparison

Static Analysis Method		Eff Gross Inc Mult (EGIM)	
Buyer's Primary Analysis	Owner/Occupier	Op Exp Ratio (OER)	%
Overall Cap Rate (OAR)	%	Price / sf	$82.58
Projected IRR	%	Remaining Lease Term	
Actual Occupancy at Sale	%		

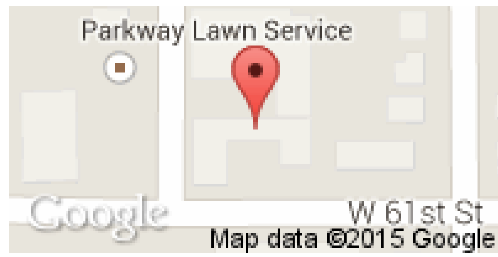
Comments

This is a 1,332 square foot auto body/repair property located at 3601 Minnehaha Avenue in the city of Minneapolis. The property sold for $110,000 or $82.58 per square foot and was in fair condition at the time of sale.

Sale | Industrial - Business Park | No. 4

All Service Lawn
142 61st Street W
Minneapolis, MN 55419
United States

Govt./Tax Agency	Hennepin
Govt./Tax ID	2202824340127



Site/Government Regulations

	Acres	Square feet
Land Area Net	0.240	10,500
Land Area Gross		

Site Development Status	
Shape	
Topography	
Utilities	

Maximum Floor Area	sf
Min Land to Bldg Ratio	:1
Actual Land to Bldg Ratio	1.68:1

Zoning	
General Plan	

Improvements

Gross Building Area	6,264 sf	Floor Count	
Rentable Area	6,264 sf	Parking Type	Surface
Usable Area	sf	Parking Ratio	/1,000 sf
Status	Existing	Condition	Fair
Occupancy Type		Exterior Finish	Concrete Block
Year Built	1958	Investment Class	
Year Renovated		Number of Buildings	1
% Office	%	Fire Sprinkler System	
% AC	%	Rail Access	
Clear Ceiling Height	10 ft	Column Spacing	ft
		Loading	5 drive

Sale Summary

Recorded Buyer	J/Town Investments	Marketing Time	1 Month(s)
True Buyer		Buyer Type	End User
Recorded Seller	O&L Hage	Seller Type	
True Seller		Primary Verification	Public Record, Broker

Interest Transferred	
Current Use	
Proposed Use	
Listing Broker	C Chase Co. Bruce Bahneman 952.224.0722
Selling Broker	
Doc #	

Type	Sale
Date	9/27/2013
Sale Price	$350,000
Financing	Cash to Seller
Cash Equivalent	$350,000
Dev. Costs	$
Adjusted Price	$350,000

Sale — Industrial - Business Park — No. 4

History

Transaction Date	Transaction Type	Buyer	Seller	Price
No sales history available for this property.				

Units of Comparison

Static Analysis Method		Eff Gross Inc Mult (EGIM)	
Buyer's Primary Analysis		Op Exp Ratio (OER)	%
Overall Cap Rate (OAR)	%	Price / sf	$55.87
Projected IRR	%	Remaining Lease Term	
Actual Occupancy at Sale	0%		

Financial

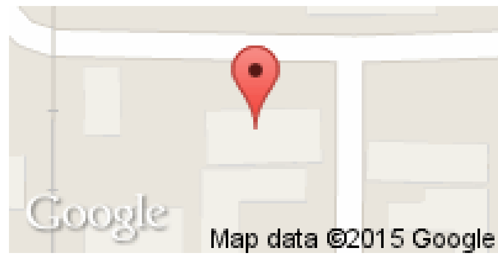
Revenue Type	Other See Comments
Period Ending	N/A
Source	N/A
Price	$350,000
Potential Gross Income	N/A
Economic Occupancy	N/A
Economic Loss	N/A
Effective Gross Income	N/A
Expenses	N/A
Net Operating Income	N/A
NOI / sf	N/A
NOI / Unit	N/A
OAR (Cap Rate)	N/A
EGIM	N/A
OER	N/A

Comments

This comparable is the sale of a 6,264-square foot industrial building at the corner of Pillsbury Avenue and 61st Street West. The 1958 constructed building was reported to be in fair condition. The appraiser estimated the clear height to be approximately 10'. The property includes surface parking, but no fenced storage. The property was partially improved with spa interior finish, but a percentage was not available. The previous tenant reportedly had alleged illegal activity at the property and vacated. The property sold after approximately 20 days of marketing. The property sold in September 2013 for $350,000 or $56 per square foot. The buyer used a new conventional mortgage. The buyer planned to convert the property to full industrial use and operate a lawn service business at the site. The borker believes the buyer 'got a heck of a deal'.

Sale | Industrial - WH/Distribution/Logistics | No. 5

Left Foot Coaching Academy
6022 Pillsbury Avenue South
Minneapolis, MN 55419
United States



Govt./Tax Agency	Hennepin
Govt./Tax ID	22-028-24-34-0119

Site/Government Regulations

	Acres	Square feet
Land Area Net	0.545	23,750
Land Area Gross		

Site Development Status	
Shape	Rectangular
Topography	Generally Level
Utilities	Available
Maximum Floor Area	sf
Min Land to Bldg Ratio	:1
Actual Land to Bldg Ratio	2.33:1
Frontage Distance/Street	ft W. 60th Street
Zoning	I2
General Plan	

Improvements

Gross Building Area	10,206 sf	Floor Count	2
Rentable Area	10,206 sf	Parking Type	Surface
Usable Area	sf	Parking Ratio	0.98/1,000 sf
Status	Existing	Condition	Average
Occupancy Type	Single Tenant	Exterior Finish	Concrete Block
Year Built	1979	Investment Class	
Year Renovated		Number of Buildings	1
% Office	%	Fire Sprinkler System	
% AC	%	Rail Access	
Clear Ceiling Height	ft	Column Spacing	ft
		Loading	5 Drive In Doors

Sale Summary

Recorded Buyer	LeftFoot Holdings, LLC	Marketing Time	Month(s)
True Buyer		Buyer Type	
Recorded Seller	Stonebrooke Equipment, Inc.	Seller Type	
True Seller		Primary Verification	Assessor, CREV
Interest Transferred		Type	Sale
Current Use	Left Foot Coaching Academy	Date	6/12/2013
Proposed Use		Sale Price	$557,000
Listing Broker		Financing	Market Terms
Selling Broker		Cash Equivalent	$557,000
Doc #		Dev. Costs	$0
		Adjusted Price	$557,000

Sale | Industrial - WH/Distribution/Logistics | No. 5

History

Transaction Date	Transaction Type	Buyer	Seller	Price
No sales history available for this property.				

Units of Comparison

Static Analysis Method		Eff Gross Inc Mult (EGIM)	
Buyer's Primary Analysis		Op Exp Ratio (OER)	%
Overall Cap Rate (OAR)	%	Price / sf	$54.58
Projected IRR	%	Remaining Lease Term	
Actual Occupancy at Sale	%		

Financial

Revenue Type	Vacant at Market	Pro Forma Stabilized	Market	Vacant at Zero	Trailing Actuals	Other See Comments
Period Ending	N/A	N/A	N/A	N/A	N/A	N/A
Source	N/A	N/A	N/A	N/A	N/A	N/A
Price	$557,000	$557,000	$557,000	$557,000	$557,000	$557,000
Potential Gross Income	N/A	N/A	N/A	N/A	N/A	N/A
Economic Occupancy	N/A	N/A	N/A	N/A	N/A	N/A
Economic Loss	N/A	N/A	N/A	N/A	N/A	N/A
Effective Gross Income	N/A	N/A	N/A	N/A	N/A	N/A
Expenses	N/A	N/A	N/A	N/A	N/A	N/A
Net Operating Income	N/A	N/A	N/A	N/A	N/A	N/A
NOI / sf	N/A	N/A	N/A	N/A	N/A	N/A
NOI / Unit	N/A	N/A	N/A	N/A	N/A	N/A
OAR (Cap Rate)	N/A	N/A	N/A	N/A	N/A	N/A
EGIM	N/A	N/A	N/A	N/A	N/A	N/A
OER	N/A	N/A	N/A	N/A	N/A	N/A

Comments

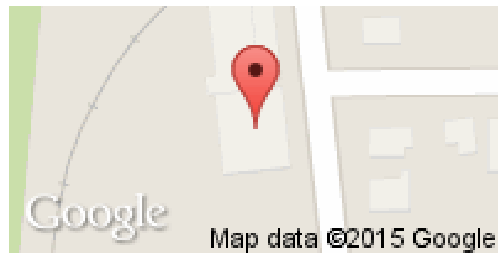
This 2-story office/warehouse property is located on the corner of Pillsbury Avenue South and 60th Street West in the city of Minneapolis. The improvements total 10,206 square feet and were constructed in 1979. The property sold in June 2013 for $557,000 or $54.58 per square foot.

Sale | Industrial - WH/Distribution/Logistics | No. 6

Industrial Building

1528 & 1600 Marshall Street NE
Minneapolis, MN 55413
United States

Govt./Tax Agency	Hennepin
Govt./Tax ID	1502924110040;1502924110045



Site/Government Regulations

	Acres	Square feet
Land Area Net	1.030	44,867
Land Area Gross		

Site Development Status	
Shape	
Topography	
Utilities	

Maximum Floor Area	sf
Min Land to Bldg Ratio	:1
Actual Land to Bldg Ratio	3.05:1
Zoning	
General Plan	

Improvements

Gross Building Area	14,691 sf	Floor Count	
Rentable Area	sf	Parking Type	Surface
Usable Area	sf	Parking Ratio	/1,000 sf
Status	Existing	Condition	Fair
Occupancy Type		Exterior Finish	Concrete Block
Year Built	1961	Investment Class	
Year Renovated		Number of Buildings	1
% Office	30.00%	Fire Sprinkler System	
% AC	%	Rail Access	
Clear Ceiling Height	11 ft	Column Spacing	ft
		Loading	4 Dock high, 1 Drive-in

Sale Summary

Recorded Buyer	Moy Enterprises, LLC	Marketing Time	Month(s)
True Buyer		Buyer Type	
Recorded Seller	Ronald Scott	Seller Type	
True Seller		Primary Verification	CREV

Interest Transferred		Type	Sale
Current Use		Date	6/4/2013
Proposed Use		Sale Price	$690,000
Listing Broker	Collier's	Financing	
Selling Broker		Cash Equivalent	$690,000
Doc #		Dev. Costs	$
		Adjusted Price	$690,000

Sale	Industrial - WH/Distribution/Logistics	No. 6

History

Transaction Date	Transaction Type	Buyer	Seller	Price
No sales history available for this property.				

Units of Comparison

Static Analysis Method		Eff Gross Inc Mult (EGIM)	
Buyer's Primary Analysis		Op Exp Ratio (OER)	%
Overall Cap Rate (OAR)	%	Price / sf	$46.97
Projected IRR	%	Remaining Lease Term	
Actual Occupancy at Sale	%		

Financial

Revenue Type	Other See Comments
Period Ending	N/A
Source	N/A
Price	$690,000
Potential Gross Income	N/A
Economic Occupancy	N/A
Economic Loss	$0
Effective Gross Income	N/A
Expenses	N/A
Net Operating Income	N/A
NOI / sf	$0
NOI / Unit	N/A
OAR (Cap Rate)	0.00%
EGIM	0.00%
OER	0.00%

Comments

This is the sale of a 14,691 square foot industrial building located at 1528 & 1600 Marshall Street NE. It was constructed in 1961 and is situated on a 1.03 acre site. It was considered to be in fair condition at the time of sale and features a concrete block exterior. The building consists of 30% office space and the warehouse features a clear height of 11 feet. The building features four dock high doors and one drive-in door. The property sold in June of 2013 for $690,000, or $46.97 per square foot.

Sale | Industrial - WH/Distribution/Logistics | No. 7

Industrial Building

236 Girard Avenue N
Minneapolis, MN 55405
United States

Govt./Tax Agency	Hennepin
Govt./Tax ID	2102924430011

Site/Government Regulations

	Acres	Square feet
Land Area Net	0.402	17,489
Land Area Gross		

Site Development Status	
Shape	
Topography	
Utilities	

Maximum Floor Area	sf
Min Land to Bldg Ratio	:1
Actual Land to Bldg Ratio	2.58:1

Zoning	
General Plan	

Improvements

Gross Building Area	6,777 sf	Floor Count	
Rentable Area	sf	Parking Type	Surface
Usable Area	sf	Parking Ratio	/1,000 sf
Status	Existing	Condition	Average
Occupancy Type		Exterior Finish	Concrete Block
Year Built	1963	Investment Class	
Year Renovated		Number of Buildings	1
% Office	0.00%	Fire Sprinkler System	No
% AC	%	Rail Access	
Clear Ceiling Height	14 ft	Column Spacing	ft
		Loading	1 drive-in

Sale Summary

Recorded Buyer	236 Girard, LLC	Marketing Time	Month(s)
True Buyer		Buyer Type	
Recorded Seller	Jerry E Finkelstein & David Trach	Seller Type	
True Seller		Primary Verification	CREV

Interest Transferred		Type	Sale
Current Use		Date	5/20/2013
Proposed Use		Sale Price	$400,000
Listing Broker		Financing	Market Terms
Selling Broker		Cash Equivalent	$400,000
Doc #		Dev. Costs	$
		Adjusted Price	$400,000

Sale	Industrial - WH/Distribution/Logistics	No. 7

History

Transaction Date	Transaction Type	Buyer	Seller	Price
No sales history available for this property.				

Units of Comparison

Static Analysis Method	Other (see comments)	Eff Gross Inc Mult (EGIM)	0.00
Buyer's Primary Analysis	Price (Primary Unit of Comparison)	Op Exp Ratio (OER)	0.00%
Overall Cap Rate (OAR)	0.00%	Price / sf	$59.02
Projected IRR	%	Remaining Lease Term	
Actual Occupancy at Sale	%		

Financial

Revenue Type	Other See Comments
Period Ending	N/A
Source	Other(See Comments)
Price	$400,000
Potential Gross Income	N/A
Economic Occupancy	N/A
Economic Loss	$0
Effective Gross Income	N/A
Expenses	N/A
Net Operating Income	N/A
NOI / sf	$0
NOI / Unit	N/A
OAR (Cap Rate)	0.00%
EGIM	0.00%
OER	0.00%

Comments

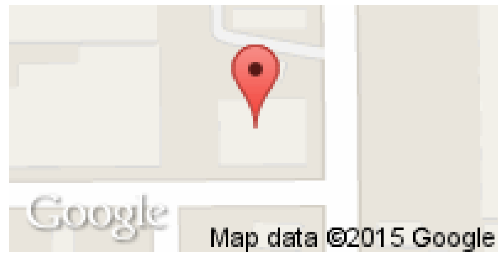
This is the sale of a 6,777 square foot industrial building located at 236 Girard Avenue N. It was constructed in 1963 and is situated on a 0.40 acre site. The building features a concrete block exterior and is reportedly 100% warehouse space. The warehouse features a 14 foot clear height and one drive-in door. The property sold in May of 2013 for $400,000, or $59.02 per square foot.

Sale	Industrial - WH/Distribution/Logistics	No. 8

DJ Auto Care

2626 University Avenue
Minneapolis, MN 55418
United States

Govt./Tax Agency	Hennepin
Govt./Tax ID	1102924230011



Site/Government Regulations

	Acres	Square feet
Land Area Net	0.297	12,933
Land Area Gross		

Site Development Status	
Shape	Rectangular
Topography	Generally Level
Utilities	Available

Maximum Floor Area	sf
Min Land to Bldg Ratio	:1
Actual Land to Bldg Ratio	1.66:1

Zoning	I2
General Plan	

Improvements

Gross Building Area	7,800 sf	Floor Count	1
Rentable Area	7,800 sf	Parking Type	
Usable Area	sf	Parking Ratio	0.00/1,000 sf
Status		Condition	Fair
Occupancy Type		Exterior Finish	Concrete Block
Year Built	1971	Investment Class	
Year Renovated		Number of Buildings	1
% Office	%	Fire Sprinkler System	
% AC	%	Rail Access	
Clear Ceiling Height	ft	Column Spacing	ft
		Loading	3 Drive In Doors

Sale Summary

Recorded Buyer	Sumaq Properties, LLC	Marketing Time	Month(s)
True Buyer		Buyer Type	
Recorded Seller	James R. Kozar Trust	Seller Type	
True Seller		Primary Verification	Assessor, CREV
Interest Transferred		Type	Sale
Current Use	DJ Auto Care	Date	5/15/2013
Proposed Use		Sale Price	$475,000
Listing Broker		Financing	Market Terms
Selling Broker		Cash Equivalent	$475,000
Doc #		Dev. Costs	$0
		Adjusted Price	$475,000

Sale | Industrial - WH/Distribution/Logistics | No. 8

History

Transaction Date	Transaction Type	Buyer	Seller	Price
No sales history available for this property.				

Units of Comparison

Static Analysis Method		Eff Gross Inc Mult (EGIM)	
Buyer's Primary Analysis		Op Exp Ratio (OER)	%
Overall Cap Rate (OAR)	%	Price / sf	$60.90
Projected IRR	%	Remaining Lease Term	
Actual Occupancy at Sale	%		

Financial

Revenue Type	Vacant at Market	Pro Forma Stabilized	Market	Vacant at Zero	Trailing Actuals	Other See Comments
Period Ending	N/A	N/A	N/A	N/A	N/A	N/A
Source	N/A	N/A	N/A	N/A	N/A	N/A
Price	$475,000	$475,000	$475,000	$475,000	$475,000	$475,000
Potential Gross Income	N/A	N/A	N/A	N/A	N/A	N/A
Economic Occupancy	N/A	N/A	N/A	N/A	N/A	N/A
Economic Loss	N/A	N/A	N/A	N/A	N/A	N/A
Effective Gross Income	N/A	N/A	N/A	N/A	N/A	N/A
Expenses	N/A	N/A	N/A	N/A	N/A	N/A
Net Operating Income	N/A	N/A	N/A	N/A	N/A	N/A
NOI / sf	N/A	N/A	N/A	N/A	N/A	N/A
NOI / Unit	N/A	N/A	N/A	N/A	N/A	N/A
OAR (Cap Rate)	N/A	N/A	N/A	N/A	N/A	N/A
EGIM	N/A	N/A	N/A	N/A	N/A	N/A
OER	N/A	N/A	N/A	N/A	N/A	N/A

Comments

This property is a 7,800 square foot auto repair facility located on the corner of University Avenue NE and 26 1/2 Avenue NE in the city of Minneapolis. The property sold in May 2013 for $475,000 or $60.90 per square foot.

SUMMARY OF SALE PRICE ADJUSTMENTS

The comparable sales must be adjusted for differences with the subject property. The adjustments are based upon percentages and are applied to the price per square foot of net rentable area, which is the primary unit of comparison for the subject's property type.

Property Rights Conveyed

Adjustments are necessary only when the interest in a particular sale differs from the type of interest being valued (e.g., leased fee estate as opposed to fee simple estate or vice versa).

Sale #1 is a leased fee sale and the remaining comparable sales are assumed to be fee simple sales. The appraisers believe the leased fee sale was at market rent levels and no adjustments have been given.

Financing Terms

Adjustments are necessary within this category if a sale transaction involves unusual or favorable financing, often provided by the seller. If such a case exists, an adjustment is made to bring the resultant sale price to a cash equivalent value, which is based on market terms available at the time of sale.

Financing information was unavailable for Sales #1 and #6. The remaining sales were at market terms or a cash transaction. The financing for the sales within information unavailable is assumed to be cash equivalent or at market terms. As a result, no adjustments were needed.

Conditions of Sale

Adjustments for conditions of sale typically reflect the motivation of the buyer and/or seller that result in a sale price that is not considered market.

None of the sales were considered to require adjustment for conditions of sale.

Market Conditions (Time)

The purpose of this adjustment is to bring the varying transaction dates of the comparables to an equal status current with the appraisal date by applying adjustments for changes in market conditions. These changing market conditions can be either positive or negative. Typically, both the buyer and the seller are aware of the changing market conditions. They also realize that it may take several months for a closing to take place. If the time between the purchase agreement date and the closing date is considerable, the price usually reflects the risk or holding costs. Purchase agreements very often do not come to fruition in the form of a sale. The date of the purchase agreement and the terms are considered a good indication of value, but a closed sale is considered a better measure. The improved sales in this analysis sold (closed) between May of 2013 and December of 2014.

The following table provides a summary of pricing trends annually for the apartment, hotel, office, retail and industrial markets as outlined in the November 2013 Capital Trends Monthly reports published by Real Capital Analytics.

CBRE

MAJOR PROPERTY TYPE: U.S. PRICING & SALE TRENDS

Main Type			Property Sub Type					
			CBD			Suburban		
			# Prop	Avg PSF	Avg Cap	# Prop	Avg PSF	Avg Cap
Office	year	2009	187	$ 240	8.2%	876	$ 147	8.0%
		2010	363	$ 282	6.6%	1,394	$ 157	8.1%
		2011	541	$ 291	6.4%	1,729	$ 155	7.8%
		2012	710	$ 305	6.1%	2,529	$ 160	7.6%
		2013	686	$ 318	6.0%	2,417	$ 172	7.4%
			Flex			Warehouse		
			# Prop	Avg PSF	Avg Cap	# Prop	Avg PSF	Avg Cap
Industrial	year	2009	467	$ 79	8.6%	983	$ 49	8.1%
		2010	684	$ 94	8.5%	1,592	$ 45	8.3%
		2011	1,023	$ 78	7.9%	3,127	$ 49	7.8%
		2012	1,463	$ 91	7.8%	2,888	$ 52	7.5%
		2013	1,180	$ 102	7.8%	2,917	$ 55	7.4%
			Mall & Other			Strip		
			# Prop	Avg PSF	Avg Cap	# Prop	Avg PSF	Avg Cap
Retail	year	2009	1,199	$ 172	7.4%	620	$ 122	8.1%
		2010	1,286	$ 155	7.7%	827	$ 129	8.1%
		2011	1,810	$ 212	7.3%	1,872	$ 145	7.8%
		2012	2,924	$ 242	7.0%	1,818	$ 142	7.7%
		2013	3,065	$ 226	6.7%	1,883	$ 146	7.4%
			Garden			Mid/Highrise		
			# Prop	Avg PPU	Avg Cap	# Prop	Avg PPU	Avg Cap
Apartment	year	2009	1,204	$ 67,582	6.9%	495	$ 131,045	6.3%
		2010	1,739	$ 75,747	6.8%	809	$ 170,704	6.1%
		2011	2,822	$ 76,454	6.5%	1,007	$ 204,422	5.8%
		2012	3,914	$ 85,598	6.3%	1,623	$ 200,079	5.6%
		2013	3,751	$ 88,461	6.4%	1,440	$ 208,472	5.4%
			Full Service			Limited Service		
			# Prop	Avg PPU	Avg Cap	# Prop	Avg PPU	Avg Cap
Hotel	year	2009	140	$ 87,547	8.9%	176	$ 53,962	9.6%
		2010	284	$ 160,364	6.7%	965	$ 76,360	8.6%
		2011	426	$ 155,123	6.8%	649	$ 89,603	9.1%
		2012	454	$ 157,423	7.5%	1,727	$ 63,853	8.6%
		2013	409	$ 186,503	7.7%	897	$ 74,218	8.4%

Source: Real Capital Analytics - November 2013

U.S. PRICING SUMMARY

		2009 to 2010		2010 to 2011		2011 to 2012		2012 thru November 2013	
Property Type	Sub Type	Annual % Change per Unit	Annual Value % Change Based on Cap Rates	Annual % Change per Unit	Annual Value % Change Based on Cap Rates	Annual % Change per Unit	Annual Value % Change Based on Cap Rates	Annual % Change per Unit	Annual Value % Change Based on Cap Rates
Office	CBD	17.42%	23.75%	3.16%	3.74%	4.81%	5.60%	4.26%	0.65%
	Suburban	6.72%	-0.81%	-1.36%	4.21%	3.22%	2.37%	7.70%	2.91%
Industrial	Flex	17.74%	0.76%	-16.49%	8.25%	15.90%	1.04%	12.64%	-0.17%
	Warehouse	-7.70%	-1.84%	9.07%	6.71%	6.76%	2.84%	4.89%	1.25%
Retail	Mall & Other	-10.16%	-4.58%	36.79%	5.34%	14.43%	5.36%	-6.64%	4.34%
	Strip	6.01%	0.30%	12.10%	3.53%	-1.92%	2.11%	2.66%	3.78%
Apartment	Garden	12.08%	1.66%	0.93%	3.99%	11.96%	3.30%	3.35%	-1.65%
	Mid/Highrise	30.26%	3.11%	19.75%	6.15%	-2.12%	3.81%	4.19%	3.56%
Hotel	Full-Service	83.17%	32.79%	-3.27%	-0.95%	1.48%	-9.52%	18.47%	-3.01%
	Limited Service	41.51%	10.59%	17.34%	-5.38%	-28.74%	6.78%	16.23%	2.03%

Source: CBRE & Real Capital Analytics - November 2013

Primary consideration has been placed upon the industrial market.

For purposes of our analysis, the appraisers have elected to make a 2% appreciation adjustment for market conditions based upon the trends for retail properties indicated above.

CBRE

Age

The subject was built in 1940. Typically, a newer property has a higher per square foot price than an older property of a similar design and utility, like the subject. Typically, older buildings depreciate slower than newer buildings, and we have adjusted for differences for age by year difference. All of the comparables have been adjusted upward or downward accordingly for age, if needed.

Clear Height

The clear height adjustment was based upon a $0.25 per foot adjustment, which is the appraiser estimated cost to construct additional building height. The subject has a clear height of approximately 12 feet. The appraisers have estimated the clear heights for the comparables with unavailable information and they have been given adjustments, if needed.

The comparables have been given upward and downward adjustments accordingly.

Percent Office

The subject has approximately 50% of office space. Some of the comparables office percentage information was not available and the comparables have been adjustments based upon appraiser estimates, if needed. This adjustment is based on the estimated value difference between office and warehouse space, with this determined based upon capitalized rent differences and construction cost analysis.

Land to Building Ratio

Properties with higher ratios typically have a superior site utility as they allow more parking, easier access, and the potential for expansion if allowed per zoning requirements. The appraisers have made upward and downward adjustments for land to building ratio to each of the comparables, if needed.

Size

Typically, buildings with a smaller gross building area have a higher per square foot price than buildings with larger gross building areas. After the previous adjustments, some of the comparables support this trend. Therefore, the comparables have been given upward and downward adjustments for size. Sales #4, #5, #7, and #8 did not require an adjustment for size.

Location

The subject is located in northern Minneapolis in a residential neighborhood.

The appraisers believe Sales #3, #4, #5, #6, #7 and #8 are located in superior locations compared to the subject property and they have been given a downward adjustment.

The appraisers have not adjusted Sales #1 and #2 as they believe they are located in a similar location compared to the subject property.

Based on the foregoing discussions, the following table summarizes the adjustments warranted when comparing each sale to the subject.

INDUSTRIAL SALES ADJUSTMENT GRID

Comparable Number	1	2	3	4	5	6	7	8	Subj. Pro Forma
Transaction Type	er Contract/(	Sale	Sale	Sale	Sale	Sale	Sale	Sale	---
Transaction Date	Dec-14	Sep-13	Sep-13	Sep-13	Jun-13	Jun-13	May-13	May-13	---
Year Built	1957	1928	1952	1958	1979	1961	1963	1971	1940
GBA (SF)	38,128	1,600	1,332	6,264	10,206	14,691	6,777	7,800	8,674
Percent Office	8.0%	N/A	N/A	N/A	N/A	30.0%	N/A	N/A	50.0%
Clear Height	21	N/A	N/A	10	N/A	11	14	N/A	12 Ft.
Land to Bldg. Ratio	2.24 : 1	1.07 : 1	3.89 : 1	1.68 : 1	2.33 : 1	3.05 : 1	2.58 : 1	1.66 : 1	1.86 : 1
Adjusted Sale Price [1]	#######	$76,000	$110,000	$350,000	$557,000	$690,000	$400,000	$475,000	---
Adj. Price Per SF	$53.92	$47.50	$82.58	$55.87	$54.58	$46.97	$59.02	$60.90	
Property Rights Conveyed	0%	0%	0%	0%	0%	0%	0%	0%	
Financing Terms [1]	0%	0%	0%	0%	0%	0%	0%	0%	
Conditions of Sale	0%	0%	0%	0%	0%	0%	0%	0%	
Market Conditions (Time)	0%	3%	3%	3%	3%	3%	3%	3%	
Subtotal - Price Per SF	$53.92	$48.93	$85.06	$57.55	$56.22	$48.38	$60.79	$62.73	
Age	-5%	3%	-4%	-5%	-10%	-6%	-6%	-8%	
Clear Height	-5%	0%	0%	1%	0%	1%	-1%	-1%	
% Office Finish	15%	10%	10%	0%	0%	10%	0%	0%	
Land:Bldg Ratio	-2%	0%	-1%	0%	-2%	-3%	-3%	0%	
Size	-20%	-15%	-15%	0%	0%	15%	0%	0%	
Location	0%	0%	-30%	-5%	-5%	-10%	-10%	-5%	
Other	0%	0%	0%	0%	0%	0%	0%	0%	
Total Other Adjustments	-17%	-2%	-40%	-9%	-17%	7%	-20%	-14%	
Indicated Value Per SF	**$44.75**	**$47.95**	**$51.03**	**$52.37**	**$46.66**	**$51.77**	**$48.63**	**$53.95**	
Absolute Adjustment	*47%*	*31%*	*63%*	*14%*	*20%*	*48%*	*23%*	*17%*	

[1] Adjusted for cash equivalency, lease-up and/or deferred maintenance (where applicable)

Compiled by CBRE

SALE PRICE PER SQUARE FOOT CONCLUSION

Prior to adjusting the comparable sales indicated a sale price range of $46.97 to $82.58 per square foot, with an average price of approximately $57.67 per square foot.

After applying the sale price adjustments the comparables indicate a price range of $44.75 to $53.95 per square foot, with an average adjusted price of $49.64 per square foot.

If the highest and the lowest adjusted sales prices were not considered, the comparables would indicated a price range of $47.95 to $52.37 per square foot, with an average adjusted price of $49.73 per square foot.

Sales #1, #2, #3 and #4 have the most recent sale dates and these comparables have an average adjusted price of $49.03 per square foot. These two comparables also have the most similar location compared to the subject property.

Sales #4, #5, #7 and #8 have the most similar size as the subject property and they have an average adjusted price of $50.40 per square foot.

Based on the above information, the appraisers believe the subject property's per square foot sales price of $50 per square foot is supported by the comparables.

SALES COMPARISON APPROACH				
GLA (SF)	**X**	**Value Per SF**	**=**	**Value**
8,674	X	$45.00	=	$390,330
8,674	X	$50.00	=	$433,700
8,674	X	$55.00	=	$477,070

VALUE CONCLUSION	
Indicated Stabilized Value	**$430,000**
Deferred Maintenance/Immediate Physical Needs	($204,250)
Lease-Up Discount	$0
Indicated As Is Value	**$225,750**
Rounded	**$230,000**
Value Per SF	**$26.52**

Compiled by CBRE

Reconciliation of Value

The value indications from the approaches to value are summarized as follows:

SUMMARY OF VALUE CONCLUSIONS	
Land Value	$105,000
Cost Approach	$220,000
Sales Comparison Approach	$230,000
Reconciled Value	$230,000
Compiled by CBRE	

The cost approach typically gives a reliable value indication when there is strong support for the replacement cost estimate and when there is minimal depreciation. Considering the substantial amount of depreciation present in the property, the reliability of the cost approach is considered somewhat diminished. Therefore, the cost approach is considered less applicable to the subject and is used primarily as a test of reasonableness against the other valuation techniques.

In the sales comparison approach, the subject is compared to similar properties that have been sold recently or for which listing prices or offers are known. The sales used in this analysis are considered comparable to the subject, and the required adjustments were based on reasonable and well-supported rationale. In addition, market participants are currently analyzing purchase prices on investment properties as they relate to available substitutes in the market. Therefore, the sales comparison approach is considered to provide a reliable value indication, and has been given primary emphasis in the final value reconciliation.

The income capitalization approach is not highly applicable to the subject since it is not an income producing property leased in the open market. Therefore, the income capitalization approach has been omitted from our analysis.

Based on the foregoing, the market value of the subject has been concluded as follows:

MARKET VALUE CONCLUSION

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Fee Simple Estate	January 12, 2015	$230,000
Compiled by CBRE			

CBRE

Assumptions and Limiting Conditions

1. Unless otherwise specifically noted in the body of the report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE, Inc. is not aware of any title defects nor has it been advised of any unless such is specifically noted in the report. CBRE, Inc., however, has not examined title and makes no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject's title should be sought from a qualified title company that issues or insures title to real property.
2. Unless otherwise specifically noted in the body of this report, it is assumed: that the existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. CBRE, Inc. professionals are not engineers and are not competent to judge matters of an engineering nature. CBRE, Inc. has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. Unless otherwise specifically noted in the body of the report: no problems were brought to the attention of CBRE, Inc. by ownership or management; CBRE, Inc. inspected less than 100% of the entire interior and exterior portions of the improvements; and CBRE, Inc. was not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if negative findings are reported by engineering consultants, CBRE, Inc. reserves the right to amend the appraisal conclusions reported herein.
3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property was not observed by the appraisers. CBRE, Inc. has no knowledge of the existence of such materials on or in the property. CBRE, Inc., however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

   We have inspected, as thoroughly as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representation is made as to these matters unless specifically considered in the appraisal.
4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the report unless otherwise stated. Any existing or proposed improvements, on or off-site, as well as any alterations or repairs considered, are assumed to be completed in a workmanlike manner according to standard practices based upon the information submitted to CBRE, Inc. This report may be subject to amendment upon re-inspection of the subject subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.
5. It is assumed that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise specifically noted in the appraisal report. Unless otherwise specifically noted in the appraisal report, CBRE, Inc. has no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact

on the conclusions reported. Thus, CBRE, Inc. reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify CBRE, Inc. of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, CBRE, Inc. will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.
7. CBRE, Inc. assumes no private deed restrictions, limiting the use of the subject in any way.
8. Unless otherwise noted in the body of the report, it is assumed that there are no mineral deposit or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
9. CBRE, Inc. is not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.
10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.
11. Any cash flows included in the analysis are forecasts of estimated future operating characteristics are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of current market expectations of future income and expenses. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. CBRE, Inc. does not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of CBRE, Inc.
12. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of CBRE, Inc. to buy, sell, or hold the properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
13. Also, unless otherwise noted in the body of this report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated.
14. This study may not be duplicated in whole or in part without the specific written consent of CBRE, Inc. nor may this report or copies hereof be transmitted to third parties without said consent, which consent CBRE, Inc. reserves the right to deny. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without the express written consent of CBRE, Inc. which consent CBRE, Inc. reserves the right to deny. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a “sale” or “offer for sale” of any “security”, as such terms are defined and used in the Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. CBRE, Inc. shall have no accountability or responsibility to any such third party.
15. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

16. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.
17. The maps, plats, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.
18. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis has been made known to CBRE, Inc. unless otherwise stated within the body of this report. If the Consultant has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. CBRE, Inc. assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
19. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the Appraiser nor CBRE, Inc. assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.
20. CBRE, Inc. assumes that the subject analyzed herein will be under prudent and competent management and ownership; neither inefficient or super-efficient.
21. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.
22. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed to be correct. It is further assumed that no encroachments to the realty exist.
23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, CBRE, Inc. has not made a specific compliance survey and analysis of this property to determine whether it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect on the value estimated herein. Since CBRE, Inc. has no specific information relating to this issue, nor is CBRE, Inc. qualified to make such an assessment, the effect of any possible non-compliance with the requirements of the ADA was not considered in estimating the value of the subject.
24. Client shall not indemnify Appraiser or hold Appraiser harmless unless and only to the extent that the Client misrepresents, distorts, or provides incomplete or inaccurate appraisal results to others, which acts of the Client approximately result in damage to Appraiser. Notwithstanding the foregoing, Appraiser shall have no obligation under this Section with respect to any loss that is caused solely by the active negligence or willful misconduct of a Client and is not contributed to by any act or omission (including any failure to perform any duty imposed by law) by Appraiser. Client shall indemnify and hold Appraiser harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the appraisal report to any third party. In the event of any litigation between the parties, the prevailing party to such litigation shall be entitled to recover, from the other, reasonable attorney fees and costs.

ADDENDA

Addendum A

LEGAL DESCRIPTION/TAX STATEMENT

Note: Taxes Payable 2015 (2014 Values) will be available on this web site approximately 03/01

Parcel Data for Taxes Payable 2014

Property ID:	**09-029-24-24-0148**		
Address:	**1704 33RD AVE N**		
Municipality:	**MINNEAPOLIS**		
School Dist:	001	**Construction year:**	1940
Watershed:	6	**Approx. Parcel Size:**	126 X 127.9
Sewer Dist:			
Owner Name:	CITY OF MPLS		
Taxpayer Name & Address:	CITY OF MINNEAPOLIS PUBLIC WORKS RIGHT OF WAY 309 2ND AVE S # 201 MINNEAPOLIS MN 55401		

Sale Information

Sales prices are reported as listed on the Certificate of Real Estate Value and are not warranted to represent arms-length transactions.

NO SALE INFORMATION ON FILE FOR THIS PROPERTY.

Tax Parcel Description

The following is the County Auditor's description of this tax parcel. It may not be the legal description on the most recent conveyance document recording ownership. Please refer to the legal description of this property on the public record when preparing legal documents for recording

Addition Name:	SYLVAN PARK ADDITION TO MINNEAPOLIS
Lot:	
Block:	003
First Line Metes & Bounds:	LOTS 12 13 AND 14
Full Metes & Bounds:	**Note: To read full tax parcel description, click here.**
Abstract or Torrens:	ABSTRACT

Value and Tax Summary for Taxes Payable 2014
Values Established by Assessor as of January 2, 2013

Estimated Market Value:	
Taxable Market Value:	
Total Improvement Amount:	
Total Net Tax:	
Total Special Assessments:	$719.70
Solid Waste Fee:	
Total Tax:	$719.70

Property Information Detail for Taxes Payable 2014
Values Established by Assessor as of January 2, 2013

Values:

Land Market	
Building Market	
Machinery Market	
Total Market:	
Qualifying Improvements	
Veterans Exclusion	
Homestead Market Value Exclusion	

Classifications:

Property Type	COMMERCIAL PREFERRED
Homestead Status	NON-HOMESTEAD
Relative Homestead	
Agricultural	
Exempt Status	EXEMPT

Addendum B

PRÉCIS METRO REPORT - ECONOMY.COM, INC.

MOODY'S ANALYTICS

MINNEAPOLIS-ST. PAUL-BLOOMINGTON MN-WI

Data Buffet® MSA code: MPRO

ECONOMIC DRIVERS

FINANCIAL CENTER | HIGH TECH | COLLEGE TOWN

EMPLOYMENT GROWTH RANK

2013-2015	2013-2018
131	164
2nd quintile	3rd quintile

Best=1, Worst=392

RELATIVE COSTS

LIVING	BUSINESS
98%	99%

U.S.=100%

VITALITY

RELATIVE	RANK
106%	118
U.S.=100%	Best=1, Worst=384

BUSINESS CYCLE STATUS

APRIL 2014

EXPANSION

Recovery

At Risk

Moderating Recession

In Recession

STRENGTHS & WEAKNESSES

STRENGTHS

- Major research institutions and corporate headquarters foster innovation.
- Highly educated labor force attracts firms and supports above-average incomes.
- Healthy consumer balance sheets result in robust demand.

WEAKNESSES

- Broader migration patterns out of the Midwest hinder population growth.
- Businesses face relatively high tax burden.

FORECAST RISKS

SHORT TERM ↑ | LONG TERM ↑

RISK EXPOSURE 2014-2019: **123** 2nd quintile (Highest=1, Lowest=384)

UPSIDE

- Large-scale projects, including downtown football stadium and Mall of America expansion, lead to a surge in job creation.
- Improving fiscal situation boosts government hiring, particularly in St. Paul.

DOWNSIDE

- Oversupply of housing leads house prices and construction jobs to decline rapidly.
- Recent national contraction in healthcare hurts key institutions in Twin Cities.

MOODY'S RATING

Aa1 COUNTY AS OF JUL 29, 2013

ANALYSIS

Recent Performance. The Minneapolis-St. Paul-Bloomington expansion is in full swing. Broad-based growth has pushed employment to an all-time high. Moreover, the unemployment rate has fallen to 4.4%, one of the lowest among the nation's 50 largest metro areas. The majority of industries are adding to payrolls. Medical and tech-related employment is on the rise and professional services are contributing to growth. In addition, a string of public and private investments has caused a surge in construction employment and created opportunities for MIN's building products manufacturers. The metro area's well-paying jobs are also attracting a quality workforce, further enhancing its appeal to businesses and investors.

Private development. A flurry of commercial projects support the Twin-Cities' near-term forecast. The rebound in MIN's nonresidential real estate market points to optimism among businesses and healthy job creation across a range of industries. In addition to the $1 billion Minnesota Vikings stadium project, designers recently presented renderings of the proposed $50 million Nicollet Mall makeover. Construction on the downtown Minneapolis business and retail corridor is scheduled to begin next summer, and it will open by 2016.

MIN is a promising location for corporate and industrial expansion thanks to state and local incentive packages, a relatively low cost of doing business, and a talented workforce. Xcel Energy is expanding its headquarters on the mall with the addition of a 222,000-square-foot office building. In Eagen, the new Twin Cities Premium Outlets will employ more than 1,600 people when it opens to shoppers in August. Shutterfly is bringing 1,000 full- and part-time jobs to Shakopee with the opening of its newly constructed factory this summer.

Public infrastructure. Public works investment will be a critical driver of growth in MIN. Governor Mark Dayton signed two bills in May, authorizing more than $1 billion in statewide projects. Plans include a renovation of the Tate Laboratory building at the University of Minnesota, a Science Education Center at Metropolitan State University, and partial funding of the Nicollet Mall renovation. These initiatives will deliver thousands of new construction jobs in the near term. Further out, these large public works projects will expand MIN's education and business infrastructure, positioning the metro area for steady growth in the coming years.

Housing. Rising demand in the Twin Cities will trim housing inventory and push prices higher. Homebuilding was limited by a harsh winter, but the housing recovery will bounce back as the weather warms. Gains are already apparent; properties are clearing the market twice as fast as they did three years ago, and prices are outpacing those in the state and U.S. Anecdotal evidence suggests limited supply has led to bidding wars among buyers and whiplash among sellers whose homes spend little time on the market.

An influx of private and public funds has Minneapolis-St. Paul-Bloomington's manufacturing, construction and professional service industries headed in the right direction. Although the booming housing market will eventually moderate, commercial demand will keep construction strong and minimize the likelihood of a secondary bubble. Long term, healthy population trends, a well-educated workforce, and a diverse industrial structure will keep MIN ahead of the Midwest and in line with the national average.

Sarah Crane *1-866-275-3266*
June 2014 *help@economy.com*

2008	2009	2010	2011	2012	2013	INDICATORS	2014	2015	2016	2017	2018	2019
162.8	157.0	161.2	165.0	171.6	174.5	Gross metro product (C08$bil)	180.3	187.3	192.7	197.5	201.8	205.8
0.8	*-3.6*	*2.7*	*2.4*	*4.0*	*1.7*	*% change*	*3.3*	*3.9*	*2.9*	*2.5*	*2.2*	*2.0*
1,786.6	1,706.2	1,697.7	1,735.4	1,763.3	1,797.9	Total employment (ths)	1,834.8	1,875.5	1,911.6	1,942.5	1,956.7	1,960.4
-0.5	*-4.5*	*-0.5*	*2.2*	*1.6*	*2.0*	*% change*	*2.1*	*2.2*	*1.9*	*1.6*	*0.7*	*0.2*
5.2	7.8	7.3	6.3	5.5	4.8	Unemployment rate (%)	4.7	4.7	4.4	4.1	3.9	4.0
3.1	-4.5	3.6	6.8	3.8	2.6	Personal income growth (%)	3.5	5.2	4.8	4.4	3.1	2.3
65.6	63.5	63.0	64.5	66.7	68.0	Median household income ($ ths)	69.0	70.6	72.3	74.3	75.9	77.0
3,232.0	3,261.5	3,286.2	3,319.8	3,353.9	3,390.4	Population (ths)	3,422.7	3,454.1	3,483.9	3,516.0	3,549.9	3,584.2
1.0	*0.9*	*0.8*	*1.0*	*1.0*	*1.1*	*% change*	*1.0*	*0.9*	*0.9*	*0.9*	*1.0*	*1.0*
4.7	3.1	-0.4	10.4	10.9	12.7	Net migration (ths)	9.0	8.4	7.0	9.5	11.7	12.4
4,161	3,629	3,805	3,756	5,750	7,174	Single-family permits (#)	9,526	16,800	18,673	17,662	15,057	13,486
1,620	1,041	1,921	1,392	5,743	4,859	Multifamily permits (#)	3,489	6,284	6,945	5,694	5,075	4,755
197.3	177.7	168.7	152.3	169.4	193.6	Existing-home price ($ ths)	203.1	208.0	211.9	215.0	220.0	225.4

ECONOMIC HEALTH CHECK

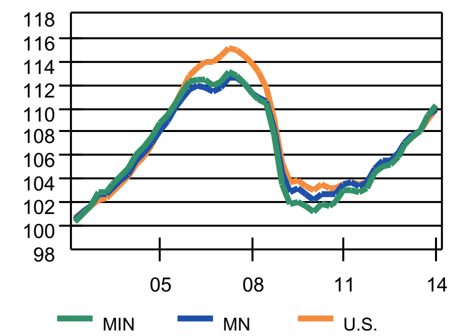
	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14
Employment, change, ths	4.9	1.9	2.6	0.3	1.7	0.9
Unemployment rate, %	4.5	4.5	4.6	4.6	4.4	4.4
Labor force participation rate, %	70.7	70.9	71.0	71.1	71.0	71.1
Employment-to-population ratio, %	67.5	67.7	67.7	67.9	67.9	67.9
Average weekly hours, #	34.5	34.0	34.7	34.7	34.5	ND
Industrial production, 2007=100	106.6	106.7	107.4	108.4	108.1	ND
Residential permits, single-family, #	6,786	7,060	6,640	6,922	6,155	5,794
Residential permits, multifamily, #	4,491	5,117	1,876	4,830	965	15,093

Better than prior 3-mo MA | Unchanged from prior 3-mo MA | Worse than prior 3-mo MA

Sources: BLS, Census Bureau, Moody's Analytics

BUSINESS CYCLE INDEX

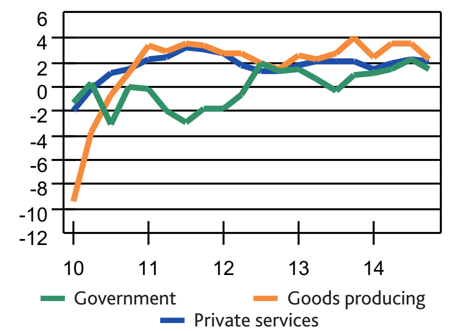
JAN 2002=100



Source: Moody's Analytics

EMPLOYMENT OUTLOOK

% CHANGE YR AGO



Sources: BLS, Moody's Analytics

CURRENT EMPLOYMENT TRENDS

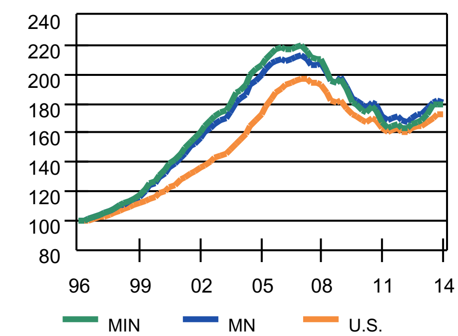
% CHANGE YR AGO, 3-MO MA

	Sep 13	Jan 14	May 14
Total	1.8	2.1	1.6
Construction	9.9	9.9	3.0
Manufacturing	0.5	1.7	2.8
Trade	2.0	1.7	0.4
Trans/Utilities	0.8	0.7	-0.4
Information	-0.1	0.0	-0.5
Financial Activities	0.9	0.5	0.4
Prof & Business Svcs.	1.4	0.3	-0.1
Edu & Health Svcs.	4.1	4.7	3.6
Leisure & Hospitality	2.2	2.2	3.6
Other Services	1.2	2.7	1.3
Government	-0.4	1.1	1.7

Sources: BLS, Moody's Analytics

HOUSE PRICE

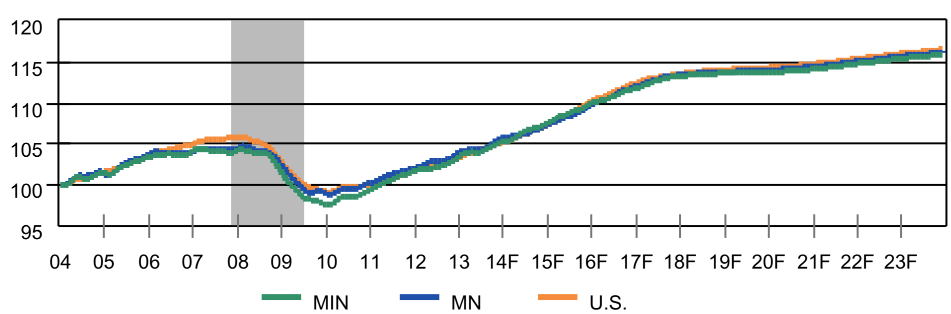
1996Q1=100, NSA



Sources: FHFA, Moody's Analytics

RELATIVE EMPLOYMENT PERFORMANCE

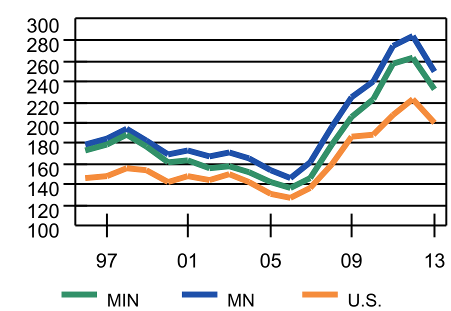
JAN 2004=100



Sources: BLS, Moody's Analytics

HOUSING AFFORDABILITY INDEX

GREATER THAN 100=MORE AFFORDABLE



Sources: NAR, Moody's Analytics

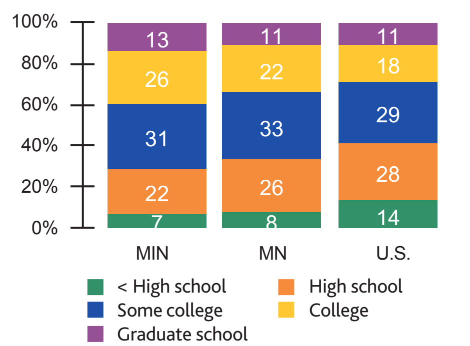
BUSINESS COSTS

U.S.=100

Source: Moody's Analytics

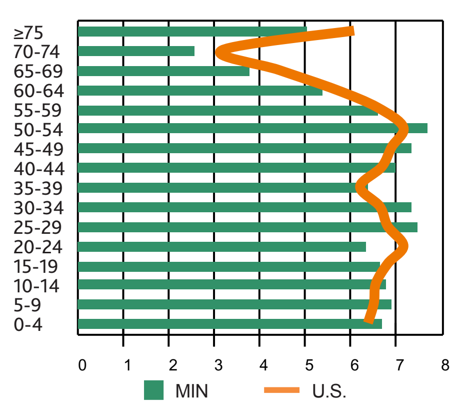
EDUCATIONAL ATTAINMENT

% OF ADULTS 25 AND OLDER, 2012



Sources: Census Bureau, Moody's Analytics

POPULATION BY AGE, %



Sources: Census Bureau, Moody's Analytics

EMPLOYMENT & INDUSTRY

TOP EMPLOYERS

Target Corp.	30,773
University of Minnesota	25,166
Allina Health System	23,869
Wells Fargo & Co.	20,000
Fairview Health System	19,594
United Health Group	18,000
3M Corp.	15,000
HealthPartners	11,001
U.S. Bancorp	10,883
Delta Air Lines	9,000
Park Nicollet Health Services	8,342
SuperValu Inc.	8,300
Hormel Foods Corp.	7,976
Thompson Reuters North American Legal	7,913
Medtronic Inc.	7,898
Best Buy Co. Inc.	7,555
Hennepin County	7,421
HealthEast	7,333
Cargill Inc.	5,740
Xcel Energy	5,454

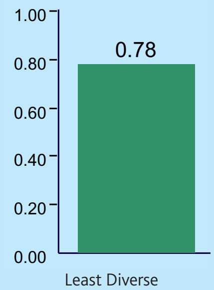
Sources: 2013 Business Information Guide, http://tcbmag.com, Minnesota Department of Employment and Economic Development, 2011

PUBLIC

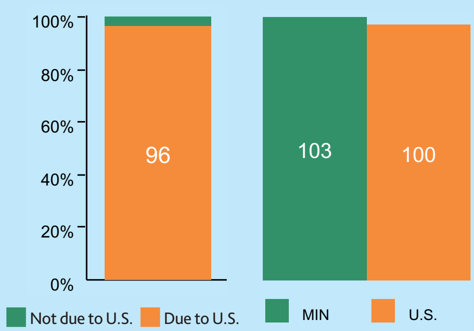
Federal	20,074
State	67,174
Local	147,967

2013

INDUSTRIAL DIVERSITY



EMPLOYMENT VOLATILITY



COMPARATIVE EMPLOYMENT AND INCOME

Sector	% of Total Employment			Average Annual Earnings		
	MIN	MN	U.S.	MIN	MN	U.S.
Mining	0.0%	0.2%	0.6%	nd	$88,467	$126,685
Construction	3.4%	3.6%	4.3%	$65,715	$58,695	$58,586
Manufacturing	10.2%	11.1%	8.8%	$87,191	$76,236	$77,169
Durable	*68.4%*	*63.3%*	*62.8%*	*nd*	*$76,145*	*$78,430*
Nondurable	*31.6%*	*36.7%*	*37.2%*	*nd*	*$76,396*	*$75,058*
Transportation/Utilities	3.5%	3.4%	3.7%	nd	$61,465	$64,250
Wholesale Trade	4.6%	4.7%	4.2%	$97,251	$86,882	$79,805
Retail Trade	9.8%	10.3%	11.1%	$31,001	$28,327	$32,229
Information	2.2%	1.9%	2.0%	nd	$80,048	$96,294
Financial Activities	7.9%	6.5%	5.8%	$65,795	$55,444	$47,849
Prof. and Bus. Services	15.3%	12.4%	13.6%	$73,576	$66,496	$63,688
Educ. and Health Services	16.5%	17.7%	15.5%	$47,756	$47,623	$51,543
Leisure and Hosp. Services	9.3%	9.0%	10.4%	$24,010	$21,092	$24,522
Other Services	4.3%	4.2%	4.0%	nd	$31,887	$33,733
Government	13.1%	14.9%	16.0%	$65,454	$60,356	$71,281

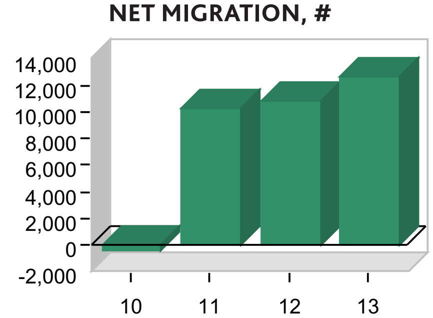
Sources: Percent of total employment — BLS, Moody's Analytics, 2013, Average annual earnings — BEA, Moody's Analytics, 2012

MIGRATION FLOWS

INTO MINNEAPOLIS, MN	NUMBER OF MIGRANTS
St. Cloud, MN	2,681
Chicago, IL	2,605
Duluth, MN	1,547
Phoenix, AZ	1,248
Rochester, MN	1,167
Milwaukee, WI	931
Mankato, MN	883
Fargo, ND	801
Los Angeles, CA	774
Madison, WI	650
Total in-migration	*64,491*

FROM MINNEAPOLIS, MN	
Chicago, IL	2,136
St. Cloud, MN	2,042
Phoenix, AZ	1,507
Duluth, MN	1,367
Los Angeles, CA	858
New York, NY	834
Rochester, MN	821
Milwaukee, WI	696
Denver, CO	684
Atlanta, GA	681
Total out-migration	*64,797*
Net migration	**-306**

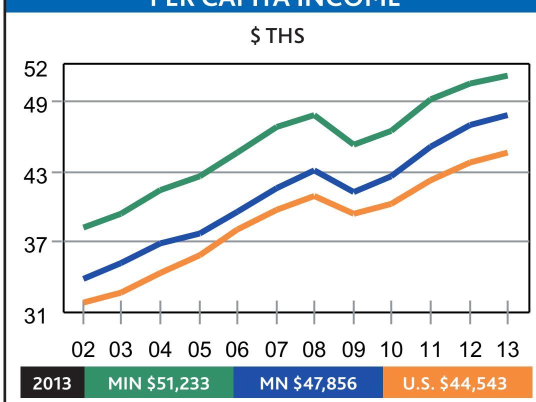
NET MIGRATION,



	2010	2011	2012	2013
Domestic	-2,511	-4,328	-4,291	-5,663
Foreign	1,406	2,135	2,179	2,233
Total	-1,104	-2,193	-2,112	-3,430

Sources: IRS (top), 2011, Census Bureau, Moody's Analytics

PER CAPITA INCOME



Sources: BEA, Moody's Analytics

HIGH-TECH EMPLOYMENT

	Ths	% of total
MIN	117.6	6.5
U.S.	6,431.1	4.7

HOUSING-RELATED EMPLOYMENT

	Ths	% of total
MIN	153.6	8.5
U.S.	12,401.4	9.1

Source: Moody's Analytics, 2013

LEADING INDUSTRIES BY WAGE TIER

	NAICS	Industry	Location Quotient	Employees (ths)
HIGH	5511	Management of companies & enterprises	2.5	71.2
	5241	Insurance carriers	2.1	40.2
	6211	Offices of physicians	1.0	32.0
	5221	Depository credit intermediation	1.3	28.4
MID	GVL	Local Government	0.8	151.1
	GVS	State Government	1.0	68.7
	6221	General medical and surgical hospitals	1.0	60.5
	3231	Printing and related support activities	2.6	15.1
LOW	5613	Employment services	1.0	45.9
	6241	Individual and family services	1.5	37.2
	4521	Department stores	1.5	25.7
	4451	Grocery stores	0.7	23.3

Source: Moody's Analytics, 2014

About Moody's Analytics

Economic & Consumer Credit Analytics

Moody's Analytics helps capital markets and credit risk management professionals worldwide respond to an evolving marketplace with confidence. Through its team of economists, Moody's Analytics is a leading independent provider of data, analysis, modeling and forecasts on national and regional economies, financial markets, and credit risk.

Moody's Analytics tracks and analyzes trends in consumer credit and spending, output and income, mortgage activity, population, central bank behavior, and prices. Our customized models, concise and timely reports, and one of the largest assembled financial, economic and demographic databases support firms and policymakers in strategic planning, product and sales forecasting, credit risk and sensitivity management, and investment research. Our customers include multinational corporations, governments at all levels, central banks and financial regulators, retailers, mutual funds, financial institutions, utilities, residential and commercial real estate firms, insurance companies, and professional investors.

Our web periodicals and special publications cover every U.S. state and metropolitan area; countries throughout Europe, Asia and the Americas; the world's major cities; and the U.S. housing market and other industries. From our offices in the U.S., the United Kingdom, the Czech Republic and Australia, we provide up-to-the-minute reporting and analysis on the world's major economies.

Moody's Analytics added Economy.com to its portfolio in 2005. Now called Economic & Consumer Credit Analytics, this arm is based in West Chester PA, a suburb of Philadelphia, with offices in London, Prague and Sydney. More information is available at www.economy.com.

Addendum C

CLIENT CONTRACT INFORMATION

Community Planning & Economic Development
Crown Roller Mill, 105 Fifth Ave. S.
Suite 200
Minneapolis, MN 55401

Minneapolis
City of Lakes

MEMORANDUM

Date: December 31, 2014

TO: Kara A. Olson, Senior Appraiser
CBRE, Valuation and Advisory Services

EMAIL: kara.olson@cbre.com

FROM: Jayne Rizner
CPED Real Estate Coordinator
jayne.rizner@minneapolismn.gov

SUBJECT: Appraisal Assignment
1704 33rd Avenue North-Old Fire Station #14
C-37411

I am requesting your services for a summary appraisal report of the property located at 1704 33rd Avenue North, Minneapolis, MN. Your bid was for a 3 week turnaround with a fee of $4,000.

PROPERTY ADDRESS	PID
1704 33rd Avenue North	09-029-24-24-0148

The CPED Project Coordinator for this project is Casey Dzieweczynski (Jevachenski). When you are ready to schedule your inspection of the property, please contact Mr. Dzieweczynski at 612-673-5070 casey.dzieweczynski@minneapolismn.gov.

If you have any questions regarding the assignment, please contact me or Mr. Dzieweczynski.

Please send the report(s) and invoice to my attention.

Thank you.

Jayne Rizner

Addendum D

QUALIFICATIONS

QUALIFICATIONS

Kara A. Olson
Senior Real Estate Analyst

CBRE, Inc.
Valuation and Advisory Services
81 South 9th Street, Suite 410
Minneapolis, Minnesota 55402
(612) 336-4246
kara.olson@cbre.com

EDUCATION

Bachelor of Science Degree, Real Estate, St. Cloud State University, St. Cloud, Minnesota
Completes All Required On-Going Annual Continuing Education for Licensing and Certifications

PROFESSIONAL LICENSE(S) / CERTIFICATION(S) / MEMBERSHIP(S)

Certified General Real Property Appraiser: State of Minnesota (No. 20517372)
Certified General Real Property Appraiser: State of North Dakota (No. CG-21386)
Associate Member of the Minnesota Chapter of the Appraisal Institute
Member of the MNCREW - Minnesota Commercial Real Estate Women
Member of the St. Cloud State Real Estate Alumni Association
Member of the Hospitality and Gaming Group at CBRE
Member of the Multi-family Housing Group at CBRE
Member of the Manufactured Housing Group at CBRE

EXPERIENCE

2004-2005	Insurance Servicing Administrator, Glaser Financial Group, St. Paul, Minnesota
2005-2006	Staff Appraiser, Rating, Inc., Eden Prairie, Minnesota
2006-Present	Senior Real Estate Analyst, CBRE, Inc., Minneapolis, Minnesota

Appraisal experience has been in the fee preparation of real estate appraisals and market studies of commercial, industrial, multifamily residential and special use properties. Experience encompasses a wide variety of property types including development land, retail, industrial, multifamily, hotel/motel, net leased investments, medical office buildings, restaurants, and other special purpose properties located throughout Minnesota, North Dakota, South Dakota, and Wisconsin.

Assignments completed throughout Minnesota, North Dakota, South Dakota, Iowa, Nebraska, and Wisconsin. Primary geographical experience is in the Twin Cities metropolitan area, Minnesota.

The Intermountain Region of CBRE, Inc. Valuation and Advisory Services covers the states of Arizona, Colorado, Idaho, Montana, Nebraska, Nevada, New Mexico, North and South Dakota, Utah, Wyoming, Minnesota and Iowa. The regional office is based in Phoenix, Arizona with satellite offices in the cities of Minneapolis, Denver, Las Vegas, Salt Lake City, and Tucson.

STATE OF MINNESOTA

Department of Commerce

KARA ANN OLSON
17302 68TH AVE N
MAPLE GROVE, MN 55311

The Undersigned COMMISSIONER OF COMMERCE for the State of Minnesota hereby certifies that

KARA ANN OLSON

17302 68TH AVE N
MAPLE GROVE, MN 55311

has complied with the laws of the State of Minnesota and is hereby licensed to transact the business of

Resident Appraiser : Certified General

License Number: 20517372

unless this authority is suspended, revoked, or otherwise legally terminated. This license shall be in effect until August 31, 2016.

IN TESTIMONY WHEREOF, I have hereunto set my hand this August 05, 2014.

COMMISSIONER OF COMMERCE

Minnesota Department of Commerce

Licensing Division

85 7th Place East, Suite 500
St. Paul, MN 55101-3165
Telephone: (651) 539-1599
Email: licensing.commerce@state.mn.us
Website: commerce.state.mn.us

Notes:

- **Continuing Education:** 15 hours is required in the first renewal period, which includes a 7 hour USPAP course. 30 hours is required for each subsequent renewal period, which includes a 7 hour USPAP course.
- **Appraisers:** You must hold a licensed Residential, Certified Residential, or Certified General qualification in order to perform appraisals for federally-related transactions. **Trainees do not qualify.** For further details, please visit our website at commerce.state.mn.us.

QUALIFICATIONS

MICHAEL J. MOYNAGH, MAI

Director

CB Richard Ellis, Inc.
Valuation and Advisory Services
81 South 9th Street
Minneapolis, Minnesota 55402
(612) 336-4300

EDUCATION

Bachelor of Science Degree, Business, St. John's University, Collegeville, Minnesota

LICENSE(S)/CERTIFICATION(S)

Certified General Real Property Appraiser: State of Minnesota (No. 4000726)
Certified General Real Property Appraiser: State of Iowa (No. CG02485)
Certified General Real Property Appraiser: State of Nebraska (No. CG230099R)
Certified General Real Property Appraiser: State of North Dakota (No. CG-2402)
State Certified General Appraiser: State of South Dakota (No. 895CG-2005R)
Sales License: State of Minnesota (No. RA-20202710)

PROFESSIONAL

Appraisal Institute

Designated Member (MAI), Certificate No. 11916

EXPERIENCE

1987-2001	Vice President, Real Estate Appraiser, GVA Marquette Advisors., Minneapolis, Minnesota
2002-2002	Vice President, Colliers Towle Real Estate, Minneapolis, Minnesota
2002-Present	Director, CB Richard Ellis, Inc., Minneapolis, Minnesota

Appraisal experience has been in the fee preparation of real estate appraisals, feasibility studies, rent analyses and market studies of commercial, industrial, multifamily residential and special use properties. Experience encompasses a wide variety of property types including office, retail, industrial, multifamily, hotel/motel, casinos, resorts, airports, net leased investments, fractional interests, medical office buildings, restaurants, golf courses, and other special purpose properties located both locally and nationally.

Assignments completed in Mexico, Canada, Washington, California, Arizona, Colorado, North Dakota, South Dakota, Nebraska, Kansas, Missouri, Texas, New Mexico, Iowa, Arkansas, Mississippi, Tennessee, Illinois, Wisconsin, Michigan, Indiana, Alabama, Georgia, Florida, South Carolina, North Carolina, Virginia, West Virginia, Kentucky, Pennsylvania, New York, Connecticut, Massachusetts, and Maine. Primary geographical experience is in the Twin Cities metropolitan area of St. Paul and Minneapolis, Minnesota.

The Intermountain Region of CB Richard Ellis, Inc. Valuation and Advisory Services covers the states of Arizona, Colorado, Idaho, Montana, Nebraska, Nevada, New Mexico, North and South Dakota, Utah, Wyoming, Minnesota and Iowa. The regional office is based in Phoenix, Arizona with satellite offices in the cities of Minneapolis, Denver, Las Vegas, Salt Lake City, and Tucson.

STATE OF MINNESOTA

Department of Commerce

MICHAEL JAMES MOYNAGH MR.
1521 15TH ST. CT. N
LAKE ELMO, MN 55042

The Undersigned COMMISSIONER OF COMMERCE for the State of Minnesota hereby certifies that

Michael James Moynagh Mr.

1521 15TH ST. CT. N
LAKE ELMO, MN 55042

has complied with the laws of the State of Minnesota and is hereby licensed to transact the business of

Resident Appraiser : Certified General

License Number: 4000726

unless this authority is suspended, revoked, or otherwise legally terminated. This license shall be in effect until August 31, 2016.

IN TESTIMONY WHEREOF, I have hereunto set my hand this September 02, 2014.

COMMISSIONER OF COMMERCE

Minnesota Department of Commerce

Licensing Division

85 7th Place East, Suite 500
St. Paul, MN 55101-3165
Telephone: (651) 539-1599
Email: licensing.commerce@state.mn.us
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