

CHATHAM COUNTY, NORTH CAROLINA

2009 REAPPRAISAL

COMMERCIAL/INDUSTRIAL INCOME MODELS

INCOME MODEL APPROACH

The Income Model Approach includes models for the following property groups:

- Apartments
- Motels
- Retail Stores
- Offices
- Convenience Stores
- Restaurants
- Manufacturing/Warehouse

Income and Expense Models are developed for each property group to cover the range of properties located within Chatham County.

Economic Income is developed on a gross square foot or unit basis. Potential Gross Income is adjusted for occupancy loss to produce an Effective Gross Income. Income and Occupancy factors may be adjusted for exceptional properties on an individual basis.

Expenses for management and marketing, maintenance, utilities and other operating expenses are specified as a percentage of Effective Gross Income. Expenses are deducted from Effective Gross Income to generate a Net Income, which is then capitalized using a direct capitalization technique.

Income Models include associated capitalization parameters:

Typical financing, percentage rates, and terms.

Cash on cash requirements.

These capitalization parameters may be adjusted for lower or higher risk properties through an override of the indicated model rates. Capitalization Rates are computed including an effective tax rate and applied to the Net Income to generate an indicated value.

APARTMENT

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MONTHLY RENTAL RATE						EXPENSE RATIOS			CAPITALIZATION	
Model #	EFF	1 BR	2BR	3BR	4BR	VACANCY	MGMT	EXPENSES	CAP RATE	GRM
1	\$250	\$250	\$350	\$375	\$400	10%	5%	25%	0.10	6.5
2	\$300	\$300	\$400	\$450	\$500	10%	5%	25%	0.10	6.5
3	\$375	\$375	\$475	\$525	\$600	10%	5%	25%	0.09	7.5
4	\$450	\$450	\$550	\$600	\$700	5%	5%	20%	0.09	7.5
5	\$650	\$650	\$750	\$900	\$1,000	5%	5%	10%	0.09	7.5

MOTELS

EFFECTIVE DAILY ROOM RATE			EXPENSE RATIOS			CAPITALIZATION	
Model #	EFFECTIVE RATE		VACANCY	MGMT	EXPENSES	CAP RATE	GRM
1	\$65	PER NIGHT	40%	5%	40%	0.11	3.0
2	\$50	PER NIGHT	40%	5%	40%	0.11	3.0
3	\$40	PER NIGHT	40%	5%	40%	0.11	3.0
4	\$35	PER NIGHT	50%	5%	50%	0.12	3.0
5	\$25	PER NIGHT	50%	5%	50%	0.12	3.0

RETAIL TYPE STORES

ANNUAL SQUARE FOOT RENT			EXPENSE RATIOS			CAPITALIZATION	
Model #	ECONOMIC RENT		VACANCY	MGMT	EXPENSES	CAP RATE	GRM
1	\$16.00	PER SQ/FT	5%	5%	20%	0.10	7.5
2	\$12.00	PER SQ/FT	5%	5%	20%	0.10	7.5
3	\$7.50	PER SQ/FT	5%	5%	25%	0.105	7.5
4	\$5.00	PER SQ/FT	10%	5%	25%	0.11	7.0
5	\$3.50	PER SQ/FT	10%	5%	40%	0.12	6.5
6	\$10.00	PER SQ/FT	5%	5%	20%	0.10	7.5
7	\$8.50	PER SQ/FT	5%	5%	20%	0.10	7.5
8	\$7.50	PER SQ/FT	5%	5%	25%	0.11	7.0
9	\$8.50	PER SQ/FT	5%	5%	20%	0.10	7.5

OFFICE/MEDICAL/BANKS**DRAFT**

ANNUAL SQUARE FOOT RENT			EXPENSE RATIOS			CAPITALIZATION	
Model #	ECONOMIC RENT		VACANCY	MGMT	EXPENSES	CAP RATE	GRM
1	\$16.00	PER SQ/FT	5%	5%	20%	0.10	7.5
2	\$9.00	PER SQ/FT	5%	5%	20%	0.10	7.5
3	\$7.50	PER SQ/FT	5%	5%	25%	0.105	7.5
4	\$5.00	PER SQ/FT	10%	5%	25%	0.11	7.0
5	\$3.50	PER SQ/FT	10%	5%	40%	0.12	6.5
6	\$18.00	PER SQ/FT	5%	5%	20%	0.10	7.5
7	\$12.00	PER SQ/FT	5%	5%	20%	0.10	7.5
8	\$20.00	PER SQ/FT	5%	5%	25%	0.10	7.5
9	\$15.00	PER SQ/FT	5%	5%	20%	0.10	7.5

CONVENIENCE STORES

ANNUAL SQUARE FOOT RENT			EXPENSE RATIOS			CAPITALIZATION	
Model #	ECONOMIC RENT		VACANCY	MGMT	EXPENSES	CAP RATE	GRM
1	\$15.00	PER SQ/FT	5%	5%	20%	0.09	7.5
2	\$12.00	PER SQ/FT	5%	5%	20%	0.095	7.5
3	\$8.00	PER SQ/FT	5%	5%	25%	0.10	7.0
4	\$6.00	PER SQ/FT	5%	5%	25%	0.105	6.5

RESTAURANTS/FAST FOOD

ANNUAL SQUARE FOOT RENT			EXPENSE RATIOS			CAPITALIZATION	
Model #	ECONOMIC RENT		VACANCY	MGMT	EXPENSES	CAP RATE	GRM
1	\$15.00	PER SQ/FT	5%	5%	25%	0.10	8.0
2	\$10.00	PER SQ/FT	5%	5%	25%	0.10	7.5
3	\$8.00	PER SQ/FT	5%	5%	30%	0.10	7.5
4	\$5.00	PER SQ/FT	5%	5%	40%	0.11	7.5
5	\$20.00	PER SQ/FT	5%	5%	25%	0.09	8.0

MANUFACTURING/WAREHOUSE/MINI WAREHOUSE

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	ANNUAL SQUARE FOOT RENT	EXPENSE RATIOS	CAPITALIZATION
Model #	ECONOMIC RENT	VACANCY MGMT EXPENSES	CAP RATE GRM
1	\$3.00 PER SQ/FT	10% 5% 25%	0.11 6.5
2	\$2.50 PER SQ/FT	10% 5% 25%	0.12 6.5
3	\$2.00 PER SQ/FT	10% 5% 30%	0.12 6.5
4	\$1.50 PER SQ/FT	10% 5% 40%	0.13 6.0
5	\$50.00 PER UNIT	10% 5% 15%	0.10 7.5
6	\$35.00 PER UNIT	10% 5% 15%	0.10 7.5

SERVICE SHOP

	ANNUAL SQUARE FOOT RENT	EXPENSE RATIOS	CAPITALIZATION
Model #	ECONOMIC RENT	VACANCY MGMT EXPENSES	CAP RATE GRM
1	\$7.50 PER SQ/FT	5% 5% 20%	0.10 7.5
2	\$5.00 PER SQ/FT	5% 5% 20%	0.10 7.5
3	\$3.50 PER SQ/FT	5% 5% 25%	0.11 6.5

CHATHAM COUNTY NORTH CAROLINA

2009 REAPPRAISAL

SAMPLE INCOME APPROACH APPRAISAL

Schedule of Values

Chatham County 2009

INCOME & EXPENSE CALCULATIONS

Subject Hometown Realty Trust

000 Hometown Square Shopping Center

68110 square foot shopping center built 1978

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Potential Gross Income:

Kings Foods 30000 sq ft @ \$5.00	\$150,000.00
Dollar General 8450 sq ft @ \$4.25	\$ 35,913.00
Stones Clothing 18200 sq ft @ \$3.50	\$ 63,700.00
Other Tenants 11300 sq ft @ \$10.00	\$113,000.00

Effective Gross Income	\$362,612.50
Less Vacancy and Collection Loss (5%)	(\$18,130.63)
Plus Miscellaneous Income (10%)	\$36,261.25

Effective Gross Income	\$380,743.13
Less Management Expense (5%)	(\$19,037.16)
	\$361,705.97

Less Operating Expenses (20%)	(\$72,341.19)
Less Replacement & Reserves (5%)	(\$18,085.30)

Net Income Before Recapture	\$271,279.48
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Capitalized @ 10% (Net income divided by .10)	\$2,712,795
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Indicated Value Rounded to Nearest \$100	\$2,712,800
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Indicated Value by Cost Approach	\$2,756,052
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