

APPRAISAL REVIEW  
OF

**SUBJECT PROPERTY**

AS OF

APRIL 6, 2007

PREPARED FOR

**CLIENT**

PREPARED BY

P.J. REALTY ADVISORS, INC.  
714 BETHLEHEM PIKE - SUITE 100  
ERDENHEIM, PENNSYLVANIA

## PREFACE

THIS REPORT HAS BEEN SUBMITTED FOR DEMONSTRATION PURPOSES ONLY; IT IS TO ILLUSTRATE THE REPORT FORMAT USED.

DELETIONS TO THE TEXT HAVE BEEN MADE IN ORDER TO PRESERVE THE CLIENT'S CONFIDENTIAL INFORMATION. THE REPORT IS TO BE CONSIDERED STRICTLY CONFIDENTIAL IN NATURE.

REPRODUCTION OR DISCLOSURE OF THIS REPORT IS NOT PERMITTED WITHOUT THE PRIOR WRITTEN CONSENT FROM **PJL REALTY ADVISORS, INC.**

April 6, 2007

***Client***

Re: ***Subject Property***

Dear Sir or Madam:

In accordance with your request, I have reviewed the appraisal of the captioned property written by ***Appraiser***, dated March 2, 2007, with an effective date of February 26, 2007. The purpose of the appraisal was to estimate the as is market value and the base dwelling values of three typical models.

It should be noted that this is a desk review; neither the subject nor comparables were inspected. No verification of the information contained in the appraisal was made. The review was performed to determine if the appraiser used acceptable subdivision appraisal techniques, if the information utilized in the appraisal report was relevant for the analysis and if the adjustments were reasonable.

Thank you for the opportunity to provide professional real estate services. If you should have any questions, please call.

Respectfully submitted,

**PJL REALTY ADVISORS, INC.**

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Paul J. Leis, MAI, CRE  
President  
Pennsylvania General Appraiser  
Certificate Number: GA-000324-L

**CERTIFICATION**

To the best of my knowledge and belief, I, Paul J. Leis, MAI, CRE, do hereby certify to the following, except as otherwise noted in this report:

1. Upon request by **Client**, I have reviewed the following appraisal report written by **Appraiser** dated February 26, 2007:

**Subject Property**

2. I am of the opinion that the reported value conclusion of \$2,240,000 as of February 26, 2007 for the 28 detached lots appears reasonable.

It is also my opinion that the following reported retail lot values appear reasonable:

Lot 39 .....	\$550,000
Lot 1 .....	\$235,000
Lot 3 .....	\$240,000
Lot 6 .....	\$240,000

It is my opinion that the estimated retail lot value of \$100,000 appears low.

**It should be noted that this is a desk review; neither the subject nor comparables were inspected. No verification of the information contained in the appraisal was made. The review was performed to find if the appraiser used acceptable subdivision appraisal techniques, to see if the information utilized was relevant for the analysis and that the adjustments were reasonable;**

3. The statements of fact contained herein are true and correct;
4. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the subject matter of this report or the parties involved;
5. The terms of the assignment and reported analyses, opinions, and conclusions are limited only by the reported assumptions, limiting conditions, and contingencies below, and are my personal, unbiased professional analyses, opinions, and conclusions;
6. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report, nor is it contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. The assignment has not been based on a requested minimum valuation, a specific valuation, or the approval of a loan;
7. No one provided significant professional assistance other than Paul J. Leis, MAI, CRE, in preparing the analyses, conclusions, and opinions concerning real estate;
8. The 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. As of the date of this report, I, Paul J. Leis, MAI, CRE, have completed the requirements under the continuing education program of the Appraisal Institute;
10. No further educational requirements were necessary to comply with the Competency Provision of USPAP;
11. I, Paul J. Leis, MAI, CRE, am currently certified by the states of Pennsylvania (GA-000324-L), New Jersey (RG 000862), and Delaware (X10000075), as a General Appraiser;
12. This valuation has been made in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation, and the requirements of the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute. This valuation has also been written in compliance with FIRREA regulations; and
13. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

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Paul J. Leis, MAI, CRE  
President  
PJL Realty Advisors, Inc.  
Pennsylvania General Appraiser  
Certificate Number: GA-000324-L

SAMPLE

### **ASSUMPTIONS, LIMITING CONDITIONS AND CONTINGENCIES**

The following assumptions, limiting conditions and contingencies apply to this assignment, except as otherwise noted in this report:

1. Information provided by parties not employed by this company is assumed true and correct, and no liability resulting from misinformation is assumed by me;
2. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded;
3. I take no responsibility for events, actions, conditions, or circumstances affecting the subject property or its market value that take place subsequent to either the date of value contained in this report, or to the date of field inspection, whichever occurs first;
4. No responsibility is assumed by me for hidden or unapparent conditions of the subject property, subsoil or structures which would render it more or less valuable, or for engineering which may be required to discover such conditions;
5. There are no existing judgments or pending or threatened litigation which could affect the value of the property;
6. To the best of my knowledge, the property complies with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes;
7. To the best of my knowledge, no changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated;
8. I have made no survey of the property and have assumed no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only. The report covers the property as described in this report, and the areas and dimensions set forth are assumed correct;
9. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and I have assumed that the property is not subject to surface entry for the exploration or removal of such materials;
10. No responsibility is accepted by me for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters; geologic considerations, such as soils and seismic stability; and civil, mechanical, electrical, structural, and other engineering and environmental matters;
11. If the property is subject to one or more leases, any estimate of residual value may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time the lease (s) expire or otherwise terminate;

12. The value conclusion (s) applies to the real estate only, and does not include personal property, machinery and equipment, trade fixtures, business value, goodwill or other nonrealty items. Income tax considerations have not been included or valued. I make no representations as to the value increment that may be attributed to such considerations;
13. The analyses necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by my analysis will vary from my estimates, and the variations may be material;
14. The existence of potentially hazardous material used in the construction or maintenance of the improvements, such as the presence of urea formaldehyde foam insulation, asbestos, and/or existence of toxic waste or radon, which may or may not be present on or in the property, was not observed by me, nor do I have any knowledge of the existence of such materials on or in the property. I, however, am not qualified to detect such substances. The existence of these potentially hazardous materials may have an affect on value. The client (s) is urged to retain an expert in this field, if needed and/or desired;
15. In completing the report, it is understood and agreed that this report is not now intended, and will not be used in connection with a Real Estate Syndication or Syndicates. This report and any liability or obligation on the part of me is invalid if used in connection with a syndication;
16. This report is made for valuation purposes only. It is not intended, nor is it to be construed, to be an engineering report. I am not a qualified structural engineer, therefore not qualified to judge the structural integrity of the improvements. Consequently, no warranty, representation or liability is assumed for the structural soundness, quality, adequacy or capacities of said improvements and utility services, including the construction materials, particularly the roof, foundations, and equipment, including the HVAC system. Should there be any question concerning it, it is strongly recommended that an Engineering/Construction inspection be obtained. The value estimate (s) is predicated on the assumption that all improvements, equipment, and building services are structurally sound and suffer no concealed or latent defects or inadequacies;
17. I find no obvious evidence of insect infestation or damage, dry or wet rot. Since a thorough inspection by a competent inspector was not performed for me, the subject is assumed free of existing insect infestation, wet rot, dry rot, and any structural damage that may have been caused by pre-existing infestation or rot that was subsequently treated;
18. The client (s) by receipt of this report shall indemnify and hold harmless this company and/or its individual staff members from and against all damages, expenses, claims, demands and costs, including legal fees incurred in investigating and defending any claims, arising from or in any way connected to the inclusion of the aforesaid reference to this company and/or its individual staff member's opinion (s) of value;

In any event, the maximum damages recoverable from this company or its employees relative to this engagement shall be the amount of the monies actually collected by this company for this assignment and under no circumstances shall any claim for consequential damages be made. In addition, there is no accountability or liability to any third party; and

19. The Americans with Disabilities Act (referred to hereafter as the "ADA") became effective on January 26, 1992. The author has not made a specific compliance survey and analysis of the building and/or other improvements erected on the subject property to determine whether or not the appraised property is in conformity with the various detailed requirements of the ADA, or with requirements imposed by state law and local building codes and regulations. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA and state and local regulations, could reveal that the subject property is not in compliance with one or more requirements of the ADA and/or state and local regulations. If the property does not comply with the ADA or with state and local regulations, this fact could have a negative effect upon the value of the property. Since the author has no direct evidence relating to this issue, possible noncompliance with the requirements of the ADA and state and local regulations has not been considered in estimating the value of the property. No responsibility is assumed for any possible noncompliance with the requirements of the ADA or with state and local regulations, or for any expertise or engineering knowledge required to discover such noncompliance.

This report is to be used in whole and not in part. No part of it shall be used in conjunction with any other report.

No responsibility is assumed by me for matters that are of a legal nature, nor is any opinion on the title rendered herewith. Good and marketable title is assumed. Management is assumed to be competent and the ownership to be in responsible hands.

By reason of this report, I am not required to give testimony in court with reference to the property appraised unless arrangements have been previously made therefor. However, I am prepared to give testimony in support of this report provided that arrangements are made before testimony.

Disclosure of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Therefore, except as hereinafter provided, the party for whom this report was prepared, may distribute copies of this report, in its entirety, to such third parties as may be selected by the party for whom this report was prepared; however, selected portions of this report shall not be given to third parties without the prior written consent of the signatory of this report. Further, neither all nor any part of this report shall be disseminated to the general public by the use of advertising media, public relations media, sales media, or other media for public communication (including, without limitation, prospectuses, private offering memoranda, and other offering material provided to prospective investors) without the prior written consent of the signatory of this report, to ensure the accuracy and adequacy of such references to this report.



**SALIENT FACTS AND CONCLUSIONS**

Identification of  
Property Appraised:

***Subject Property***

A legal description has not been provided.

Type of Report:

Appraisal review.

Appraised Interest:

Fee simple estate.

Date of Review:

April 6, 2007.

Date of Appraisal:

March 2, 2007.

Date of Value;

February 26, 2007.

Appraiser:

***Name of Appraiser***

Ownership and History:

The appraiser provided detailed information on the history of the property.  
***Description of History***

Purpose and  
Intended Use of Appraisal:

To perform a review of the captioned appraisal written by ***Appraiser***, dated March 2, 2007, with an effective date of February 26, 2007.

The purpose of the appraisal was to estimate the as is value of the 28 detached lots, the as is value of Lots 39, 1, 3, and 6, and the retail lot value of a typical lot.

Client and Intended User:

***Appraiser identified 'Client' as the client and intended user.***

Scope of  
Appraisal Services:

The scope of this review included reading the report for content and procedures. The review did not include an inspection of the property or the market. Information contained in the appraisal was not verified by this reviewer.

The appraiser discussed his scope of work which included an analysis of the market and neighborhood, an inspection of the subject, and research and analysis of the comparables. The appraisal was performed under the hypothetical assumption that the site improvements had been completed.

The only approach utilized was the direct sales comparison approach. With new subdivisions, the cost approach and discounted cash flow analysis are typically applied.

Valuation:

Market value as is of 28 lots ..... \$2,240,000

Market value as is of the following lots:	
Lot 39.....	\$550,000
Lot 1.....	\$235,000
Lot 3.....	\$240,000
Lot 6.....	\$240,000
Retail Lot Value .....	\$100,000

Definitions:

**Market Value**

Definition provided by the appraiser.

**Fee Simple Estate**

Definition provided by the appraiser.

Area Analysis:

The appraiser developed an adequate area analysis.

Neighborhood Analysis:

The neighborhood discussion was also adequately developed. Of note is the 143 new housing units added to the township in 2006 which is approximately 55 units less than in 2005, 61 units more than in 2004 and only 25 less than the ten year average. No population or household projections were reported by the appraiser.

Market Analysis:

The appraiser discussed the competition with no projections discussed. Sales history on the subject was discussed in this section which was well developed. Information on current and proposed projects was discussed; however, no sales pace was projected.

Site Area and Description:

Adequate discussion provided.

Zoning:

Adequately developed.

Property Type and Description of Improvements:

Adequately developed

Highest and Best Use

Residential development is concluded to be the highest and best use and given the discussion in the appraisal, this appears to be correct.

Marketing Time:

Discussed as 6 months in the appraisal

Exposure Time:

Discussed as 6 months in the appraisal.

## APPRAISAL PROCESS

The three approaches to value; namely, the cost, direct sales comparison, and income capitalization approaches were each given consideration in the analysis of the subject property. However, only the direct sales comparison approach was developed. The cost approach and development analysis approach are typically applied in the analysis of subdivisions.

### COST APPROACH

The appraiser did not use the cost approach; although the cost to construct the four existing dwellings and the cost to develop the site was discussed. The estimated bulk land value developed by the appraiser was \$80,000 per lot. The cost to construct the dwellings was \$239,486 for the dwelling on Lot 1, \$192,557 for the dwelling on Lot 3, \$213,789 for the Lot 6 dwelling, and \$419,234 for the model, including \$202,272 in upgrades. In addition to the construction costs, 15 percent should be added for soft costs and 15 percent for profit. The indicated retail values are \$422,520 for Lot 1, \$360,456 for Lot 3, \$388,535 for Lot 6 and \$392,732 for the model without options and \$660,236 with options.

### DIRECT SALES COMPARISON APPROACH

Six bulk land sales were analyzed to estimate the bulk land value, with two sales of retail land acquired in phases. All the sales were recent and located in Berks County. There are minimal discussions of the differences between the subject and the comparables; however, no discussions of adjustments were made. The bulk land sales appear to have been acquired at a price of 25 percent of house prices. The estimated values of the partially improved dwellings range from approximately \$350,000 to \$425,000, for an indicated lot price of \$87,500 to \$106,250. The appraised value of \$80,000 appears low based upon the percentages. The retail lot value is closer to 30 percent, indicating potential values of \$105,000 to \$127,500. Again, the appraised value of \$100,000 appears low.

The appraiser estimated the retail value of the partially improved dwellings and the completed model. There was a discussion of the values but no comparables discussed or adjusted. The estimated retail value of the partially completed values are \$425,000 for Lot 1, \$350,000 for Lot 3, \$385,000 for Lot 6 and \$550,000 for the model. The estimated retail values of the dwellings are close to the values indicated by the cost approach, with the exception of the model.

### INCOME CAPITALIZATION APPROACH

The appraiser did not apply the discounted cash flow analysis. I applied a discounted cash flow analysis based upon the estimates provided by the appraiser. One analysis utilizes the average lot price of \$100,000 while the other uses the average retail value of the three partially constructed dwellings of \$386,700, with an estimated construction cost of \$220,295, which is high at 56 percent of the retail price. The appraiser's estimated retail value for the existing dwellings has been entered along with the estimated cost to complete the dwellings. Administrative costs of 2 percent have been deducted along with 2 percent sales costs and 1



percent for transfer taxes in the lot analysis, with rates of 3 percent administrative costs, 5 percent sales, costs and 2 percent transfer taxes in the improved analysis. Real estate taxes at \$442.75 per unit were deducted, along with profit of 7 percent and a discount rate of 11 percent. Sales have been projected at 0.70 units per month, or 2 units per quarter, which has been the history of the subject. The indicated values based on the preceding assumptions are \$3,100,000 for the lot analysis and \$3,500,000 for the improved analysis.

### **RECONCILIATION AND FINAL VALUE ESTIMATES**

The indicated values as developed by the appraiser were \$3,505,000 by the direct sales comparison approach, allocated as \$2,240,000 for the 28 lots, \$550,000 for Lot 39, \$235,000 for Lot 1, \$240,000 for Lot 3 and \$240,000 for Lot 6. The estimated retail value for a typical lot is \$100,000.

The only approach utilized to estimate the market value of the dwellings was the direct sales comparison approach. However, my development of the cost approach supports the retail value estimates of the dwellings developed by the appraiser and the development analysis approach developed by the reviewer supports the as is value.

There is no additional support for the retail lot value and the appraised value appears low.

All factors considered, the concluded as is value and lot values appear reasonable, while the retail value of a typical lot appears low.