

**AN EVALUATION  
AND USPAP-COMPLIANT APPRAISAL REPORT  
OF A 12-UNIT APARTMENT BUILDING  
(SAMPLE REPORT)**

**556 MAIN STREET  
MALDEN, MASSACHUSETTS 02148**

**EFFECTIVE JUNE 1, 2020**

**CLIENT:  
ABC LENDER  
88 LENDER WAY  
WALTHAM, MA 02451**

**ATTENTION: FRANCES DAVIES**

**APPRAISER:  
JAMES FAAR**

**OF  
ZAXIA EVALUATIONS**

ZAXIA EVALUATIONS

Real Estate Appraisers and Evaluators  
18 Second Street, Cambridge, MA 02141  
617-859-1009

June 8, 2020

Frances Davies  
ABC Lender  
88 Lender Way  
Waltham, MA 02451

Dear Ms. Davies:

In accordance with your request, I have made an analysis of the property located at 556 Main Street, Malden, Massachusetts, a 12-unit apartment building, for the purpose of estimating the Market Value of the Fee Simple Estate in the property, "as is," as of March 1, 2020. *(This is a sample report. I have not inspected the property. This sample report is intended to assist the reader in understanding the format and analyses that are typical of those produced for lenders by this office.)*

This letter is introductory to an Evaluation and Appraisal Report, intended to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Interagency Appraisal and Evaluation Guidelines issued by the Comptroller of the Currency and others in December, 2010.

The information used in making this Evaluation was compiled from a variety of sources that are detailed in this report. I have made use of the information from CoStar, LoopNet, PriceWaterhouseCoopers, and Zaxia.us. I have determined that the analysis presented here, with assistance from these sources, produces a reliable Evaluation and Appraisal Report.

On the basis of the analyses presented here, it is my opinion the Market Value of the Fee Simple Estate in the subject property, "as is," expressed as cash to the seller in a hypothetical transfer, as of June 1, 2020 is Three Million Ten Thousand U.S. Dollars (\$3,010,000.).

The estimated exposure time and marketing time are both four to six months. If I may be of further service to you, please call me.

Sincerely,



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James Farr  
Mass. Cert. General R.E. Appraiser #3318

## CLIENT/INTENDED USER

This is an Evaluation and Appraisal Report intended for the sole use of ABC Lender. It is not intended for use by any other parties.

## INTENDED USE

The intended use is to assist the client in establishing collateral value in a lending transaction that requires an “evaluation” as set forth in the Interagency Appraisal and Evaluation Guidelines. This report is not intended for any other use. The intended user is ABC Lender.

## MARKET VALUE

The value that is reported here is the Market Value. The definition of Market Value applied here follows.

*Market Value* means 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 interest;
- (3) a reasonable time is allowed for exposure in the open market;
- (4) payment is made in terms of 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.

(Source: Rules and Regulations, Federal Register, Vol. 55, No. 165, Page 34696)

## EFFECTIVE DATE OF VALUE OPINION

The effective date of this opinion of value is the date of the appraiser’s inspection, June 1, 2020.

## REAL PROPERTY INTEREST VALUED

The real property interest valued is the Fee Simple Estate.

*A Fee Simple Estate* is 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.

(Source: *The Appraisal of Real Estate*, Thirteenth Edition, The Appraisal Institute, Chicago, 2008, p. 114)

## LOCATION

The address of the property valued here is 556 Main Street, Malden, Massachusetts.

## CURRENT LISTING/CONTRACT INFORMATION/PREVIOUS SALE DATA

Information available on the Internet indicates that the subject property is not currently listed for sale on Web sources. No interview with the owner of the property was conducted. The subject property was transferred for \$3,400,000 in November of 2019 and for \$2,310,000 in February of 2018. Apart from these transactions, to the knowledge of the appraiser, the subject property was not listed for sale, placed under agreement for sale, or sold within the past three years.

## SCOPE OF WORK

Because this is a sample report, completed to assist the reader in understanding the format and analyses that are typical in the Evaluations prepared by this office, I have made no inspection of the subject property. The description of the property is from public and online sources.

I did not contact the building owner for an inspection. I did not request and was not supplied annual income and expense histories or leases. This valuation is therefore of the Fee Simple Estate. I did not interview the building owner concerning rents and other financial information and was not supplied with information concerning any recent offers to purchase or marketing.

I have extensive experience in the valuation of apartment buildings in Greater Boston. I am competent to perform this Evaluation and Appraisal Report.

The valuation that is presented here is of the real estate only. Furnishings, fixtures, and equipment are not part of the property valued here. Stoves, refrigerators, and dishwashers are part of the real estate.

No prior appraisal of the subject property, if any exists, was made available to me.

My work made use of the following data sources:

- The Warren Group, which reports information on the building area, history of the property, and other factual data
- most recent deed
- CoStar, which reports comparable rental and sales information, as well as market trends
- PriceWaterhouse Coopers' *Real Estate Investor Survey*, for capitalization rate and other data
- *Income/Expense Analysis: Conventional Apartments*, by IREM
- Google street views of the subject property
- Bing maps showing aerial views of the subject property
- information found through a Google search of the subject property's address
- information from the Malden Assessor showing the assessment and schematic site plan
- Zaxia.us, an operator-assisted automated valuation model

The Market Value conclusion presented here is based on the subject property's actual physical condition as reported by online sources.

## REPORT OPTION

This report is an Appraisal Report in accordance with Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice and is also intended to meet the requirements for an "Evaluation" according to the Interagency Appraisal and Evaluation Guidelines. The client's assignment to the appraiser calls for an Evaluation. In the judgement of the appraiser, an Evaluation is appropriate in this case, in that the valuation presented here produces a reliable value estimate. Additional supporting documentation is retained in the appraiser's workfile. This report has been supplemented with information about the subject property and its market, as well as the data, reasoning, and analyses that were used in the valuation process. This supplemental information is presented here in brief.

This Evaluation and Appraisal Report meets the requirements for an Appraisal Report set forth in USPAP. An Evaluation is an appraisal in brief, and this Evaluation/Appraisal Report is necessarily brief in comparison to a full length appraisal report. Nevertheless, it is sufficient to produce a valuation that meets USPAP requirements and that, in the opinion of the appraiser, is reliable.

The appraiser is aware of the advice in USPAP concerning the use of technological valuation tools. This report is in compliance with USPAP's guidance.

## ZAXIA

This analysis makes use of Zaxia, an operator-assisted AVM for commercial real estate. The appraiser understands the operation of the AVM. The AVM presents an analysis of value through the Income Capitalization Approach in an industry-standard format. Zaxia presents three comparable sales as well.

Zaxia provides the standard line-item analysis used by the commercial real estate industry to value income-producing property through the Income Capitalization Approach. The Income Capitalization Approach is generally the preferred method of analysis for income-producing property. The operator (in this case, the appraiser signing this report) may accept Zaxia's estimates for rent, vacancy, and the various expense categories. Or, the operator may provide Zaxia the operator's own estimates for these items, which Zaxia incorporates into its output. The operator is at liberty to alter any of the line items in the income capitalization analysis.

The operator has full control of the line items in the Income Approach. The operator has control of the value conclusion. The analysis is fully visible to the operator, the client, and the reviewer, which is among the requirements of USPAP.

## DESCRIPTION OF LOCATION

The subject property is located on Main Street, a major local north-south through road, just north of downtown Malden. Main Street carries two-way traffic and has all utilities. It has paved sidewalks. On-street parking is available.

Downtown Malden is an older suburban downtown with government offices, storefront-style commercial buildings, and upper-floor offices and apartments. Small-scale shopping is available at downtown Malden. A supermarket is nearby to the south. Route 93, a major highway to Boston, is accessible two miles to the west, and Route 1, also a major highway to Boston, is a similar distance to the east.

Malden is a middle-income inner suburb of Boston. Malden has commuter rail service to Boston, with a stop at Malden Center. Bus lines run through downtown Malden.

Much of the development in Malden is single- and two-family houses. Apartment buildings are on through roads and include new buildings near a stop of the Orange Line near adjacent Medford, garden apartments from the 1960s, elevated buildings from the 1970s and 1980s, and older walk-up buildings of from three to 30 units.

Apartment buildings are near the subject property, including a high rise building nearby to the south and a building similar in size to the subject property on an adjacent site.

## PROPERTY DESCRIPTION

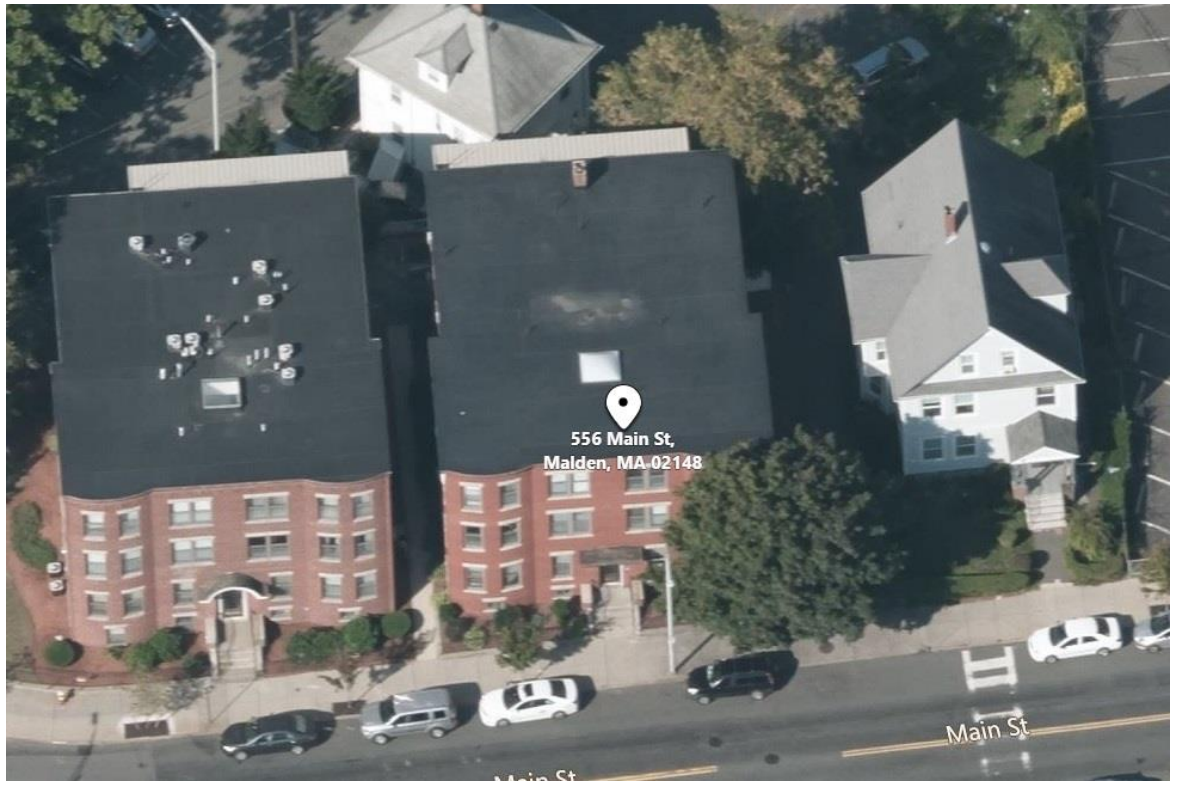
The subject property is an inside site of 5,282 square feet, four-sided, with 60.03' frontage on Main Street. The apartment building covers much of the site, leaving margins on four sides. A relatively narrow driveway enters from the rear.



The building is a 12-unit walk-up apartment building that dates from 1925. It has a full basement with a poured concrete foundation and a concrete slab, wood framing, a brick exterior, double-hung replacement sash, and a flat roof with a rubber cover. The main entry is at the middle of the Main Street frontage, giving access to a hall with a gang mailbox and the main stair. A second interior stair is in the rear. The entry door has intercom buzzer access. The stairs are oak with original handrails. Each floor has a landing and hall accessing four apartment entry doors.

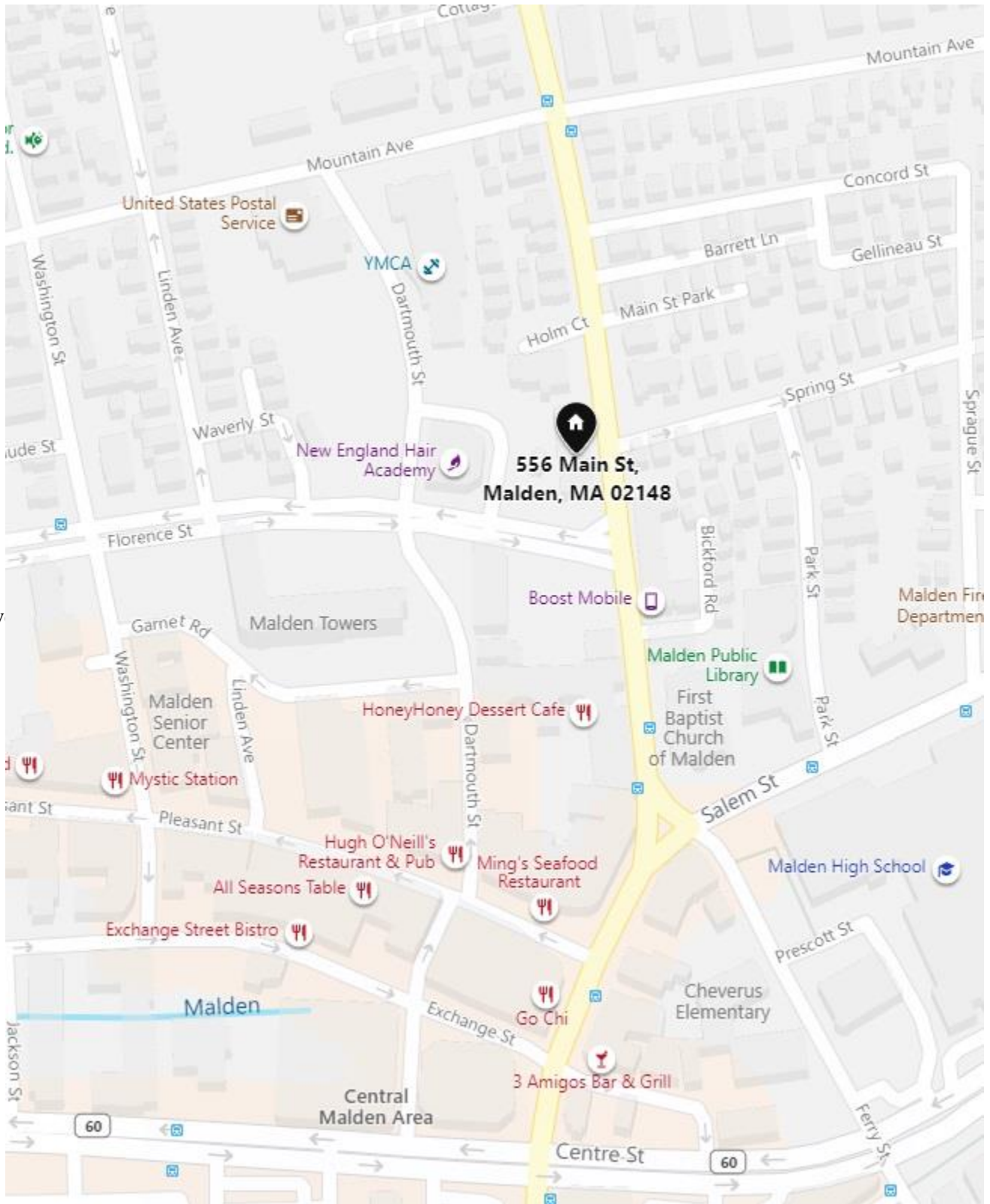
The apartments are nine one-bedrooms and three two-bedrooms. Each has a living room with hardwood floor, white-painted plaster walls with original trim, and plaster ceilings. Bathrooms are relatively new, with ceramic tile floors, vanity sinks, toilets, and three-piece replacement tub/showers. Kitchens are small, with built-in original china cabinets, new white cabinets, and formica counters, with eat-in areas. Bedroom finishes are similar to those in the living rooms.

The basement is unfinished and houses storage spaces and mechanicals, as well as two pair of washers and dryers. Air conditioning is from window units only. The building is not sprinklered and is not handicapped accessible. Heat is forced hot water, oil-fired. The building is generally in average to good cosmetic condition. It lacks parking.









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## TAX ASSESSMENT DATA

The Fiscal 2020 assessment is \$2,131,700. The tax is \$26,966.

## HIGHEST AND BEST USE CONCLUSION

At the effective date of this appraisal, the subject property is used as a 12-unit apartment building. The zoning is Residence B, allowing residential uses. The subject property pre-dates the zoning and is non-conforming in several respects, including the absence of on-site parking. The apartment market in Greater Boston is strong, in spite of the coronavirus. Apartments produce stable rent. The subject property is not well suited to condominium conversion. Its best use is for continued use as a rental apartment building.

If the site were vacant, the highest and best use would be for residential development.

## ASSIGNMENT OBJECTIVE

The assignment objective is to develop an opinion of the Market Value, as defined by the federal financial institution regulatory agencies, of the stated interest in the subject property.

The analysis that is presented here relies primarily on the Income Capitalization Approach to Value. The Income Approach is appropriate in this case, in that the subject property is an income-producing property, and adequate data are available for analysis. The approach produces a credible result. Comparable sales are presented as well, as a test of the reasonableness of the value conclusion from the Income Capitalization Approach. The Sales Comparison Approach is not developed in full because it is not necessary for a credible value conclusion in this case. The Depreciated Replacement Cost Approach is not applied because it estimates cost rather than value, and the assignment here is to estimate Market Value.

## INCOME CAPITALIZATION APPROACH

The Income Capitalization Approach follows.

**Market Rents** – Craigslist and other online sources provide good comparisons for the subject property's apartments, which are well-maintained, older one- and two-bedroom units with heat supplied by the landlord. Storage is available to tenants in the basement, and there is no on-site tenant parking.

Apartments.com reports that the median one-bedroom rent in Malden is \$1,789 in early June, 2020. The median two-bedroom rent is \$2,100.

Rents from Craigslist and other sources are as follows. All the rents are from the immediate neighborhood of the subject property.

**One-Bedroom Units**

\$1,800	37 Spring Street, hardwood, heat, in-unit laundry, new k and b, 1 parking
\$1,700	1 Maple St., heat
\$1,600	9 Clement St., hardwood, basement laundry, 1 parking
\$1,600	37 Cedar St., heat, hardwoods, formica k, fireplace

**Two-Bedroom Units**

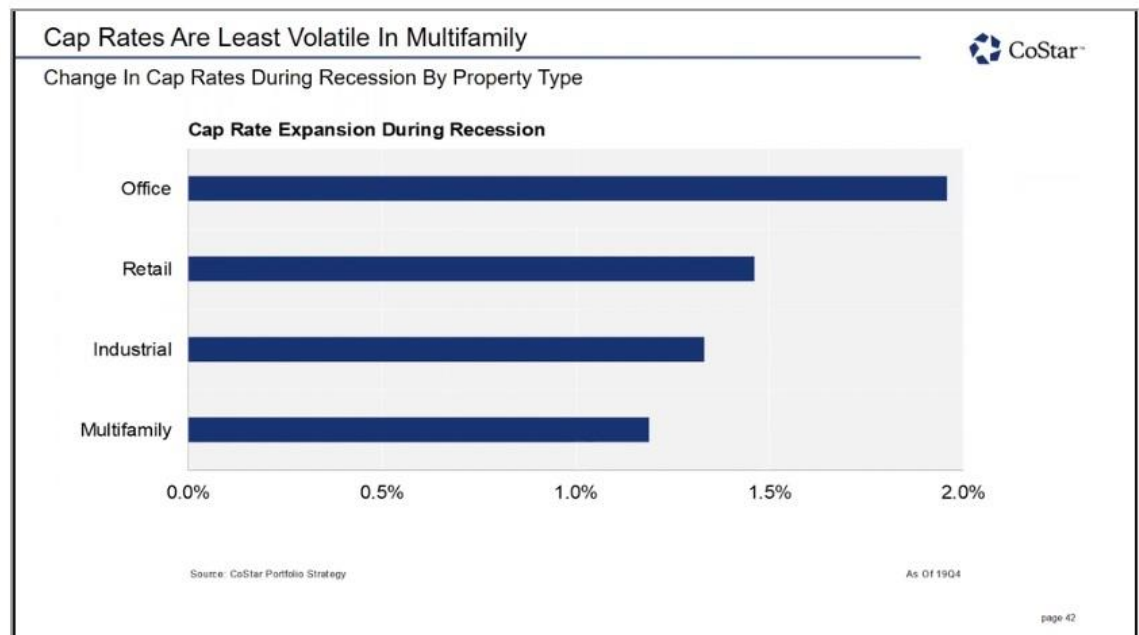
\$2,400	45 Seaview Ave., gut rehab, central a.c., tenant utilities, 1 car parking
\$2,200	69 Wolcott St., hardwoods, built ins, natural original 1920s moldings, tile counter k
\$2,000	520 Main St., elevatored, carpet and Pergo, formica kitchen
\$1,900	46 Pearl St., hardwood, basement laundry

In comparison, the subject property is well located near downtown Malden, as are the comparisons. It lacks on-site parking, and some of the comparisons include parking.

For the subject property's one-bedroom units, the comparisons indicate a market rent of \$1,700 per month. The rate is consistent with the individual comparisons and is below the median reported by Apartments.com. For the two-bedrooms, a rate of \$2,100 per month is consistent with the comparisons. It is at the median reported by Apartments.com. These rates are applied in the analysis presented here.

BostonPads reports an apartment vacancy rate of 3.62% for Boston-area apartments in early June 2020. Rent loss from non-paying tenants is in addition to vacancy. Zaxia indicates a vacancy and rent loss rate of 4.2%. The rate is consistent with the survey rate. The Zaxia rate of 4.2% is applied here.

Zaxia's expense items and total expenses are consistent with expenses for similar buildings in the neighborhood. The real estate tax is the actual tax. The expense total is at the rate of \$7.92 per square foot of building. The rate is consistent with the rates for apartment buildings in the subject property's sector as reported in the Institute of Real Estate Management's *Income/Expense Analysis: Conventional Apartments*.



The capitalization rate of 5.9% applied in the Zaxia output is consistent with recent capitalization rates, including those reported by CoStar and PriceWaterhouseCoopers. PwC reports an average apartment capitalization rate in Q1 2020 of 5.14%, in a range from 3.5% to 7.0%. The rates are for institutional-grade properties. However, small investors pay prices that produce similar rates for small, non-institutional-grade apartment buildings. Boston, Cambridge, and Somerville saw rates below 4.0% for high-quality apartment buildings in 2017-2019. Average-quality apartments in suburbs like Malden do not produce rates that low. The coronavirus, in particular, has raised capitalization rates for most sectors. The apartment sector can expect the lowest rate of increase, according to analysts at CoStar (see graphic). (The CoStar study was reported in April, before the substantial recovery of apartment REIT prices in the stock market.) The rate of 5.9% applied by Zaxia is consistent with an increase of 10% to 15% in capitalization rates (and a corresponding decline of 10% to 15% in value). The Zaxia capitalization rate is justified for the subject property.

In the opinion of this appraiser, Zaxia's output through the Income Capitalization Approach is accurate, at \$3,010,000.

**Apartment Analysis  
Calculation of Value  
Direct Capitalization Method**

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Rent --			
9 one-bedroom apartments x \$1700/month x 12 months:		183,600	
3 two-bedroom apartments x \$2100/month x 12 months:		75,600	
Other Income		5,000	
Potential Gross Income:		\$264,200	
Vacancy and Rent Loss (4.2%):		- 11,096	
Effective Gross Income:		\$253,104	
Expenses --			
Real estate tax:	\$26,966		
Insurance:	3,634		
Heat:	6,599		
Electricity:	818		
Water and/or sewer:	7,460		
Maintenance:	10,975		
Management:	9,618		
Administrative:	6,074		
Replacement reserve:	3,600		
		\$75,744	- \$75,744
Net Income:		\$177,360	
Capitalization Rate:		/ 5.9%	
Value Output:		\$3,006,101	
rounded to		\$3,010,000	




**COMPARABLE SALES (TEST OF REASONABLENESS)**

Three comparable sales are presented by Zaxia. They are shown on the page that follows. They allow a test of the reasonableness of the conclusion of value from the Income Capitalization Approach. All are sales of apartment buildings in the same size category as the subject property. They bracket the price per unit of \$250,000 ( $\$3,010,000 / 12 \text{ units} = \$250,833$ ) indicated in the Income Capitalization Approach. In particular, the sale from Somerville, of an 11-unit building sold in late 2017 for \$272,727 per unit, is supportive. Somerville is a superior-quality location in comparison to Malden. Prices for apartments increased only marginally from late 2017 to late 2019. They declined by 10% to 15%, as discussed above, in the coronavirus months. With that decline, that sale is at a rate consistent with the value of \$3,010,000 for the subject property.

An additional comparable sale is the November, 2019 transfer of the subject property for \$3,400,000. Since then, the coronavirus has caused a price decline consistent with a current value of \$3,010,000.

The sales generally corroborate the value for the subject property found through the Income Capitalization Approach.

## Comparable Sales and Conclusion (Apartment)

<p style="text-align: center;">Subject Property</p>	<p><b>Subject Property</b></p> <p><b>556 Main Street, Malden, MA</b></p> <p>Date: June 7, 2020</p> <p>Valuation Price: \$3,010,000.00</p> <p>Number of Apartment Units: 12</p> <p>Price Per Apartment Unit: \$250,833.33</p>
	<p><b>Comparable Sale #1</b></p> <p><b>248 Lafayette Street, Salem, MA</b></p> <p>Date of Sale: July 2017</p> <p>Sale Price: \$2,500,000.00</p> <p>Number of Apartment Units: 11</p> <p>Price Per Apartment Unit: \$227,272.73</p>
	<p><b>Comparable Sale #2</b></p> <p><b>33 Sargent Avenue, Somerville, MA</b></p> <p>Date of Sale: December 2017</p> <p>Sale Price: \$3,000,000.00</p> <p>Number of Apartment Units: 11</p> <p>Price Per Apartment Unit: \$272,727.27</p>
	<p><b>Comparable Sale #3</b></p> <p><b>15 Leach Street, Salem, MA</b></p> <p>Date of Sale: January 2018</p> <p>Sale Price: \$1,400,000.00</p> <p>Number of Apartment Units: 6</p> <p>Price Per Apartment Unit: \$233,333.33</p>



**RECONCILIATION AND FINAL VALUE ESTIMATE**

The primary method of analysis applied here is the Income Capitalization Approach. It indicates a value of \$3,010,000. The comparable sales indicate market sales of similar properties at a similar level of value.

In my opinion, the Market Value of the subject property as of the effective date of this appraisal is \$3,010,000.

**CERTIFICATION**

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

- the statements of fact contained in this report are true and correct;
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions and conclusions;
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
- I have performed no 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;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- my engagement in this assignment was not contingent upon developing or reporting predetermined results;
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of 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;
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
- I have not made an inspection of the property that is the subject of this report;
- no one provided significant real property appraisal assistance to the person signing this certification
- the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute;
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, I, James Farr, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.



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James Farr, MAI  
Mass. Cert. Gen. R.E. Appraiser #3318

## GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

An appraisal is an unbiased estimate of the value of a property reached through an analysis of that property and of data from the marketplace. An appraisal is not a certification of the soundness of a building, a survey, or a legal document (for instance, a title examination), though assumptions regarding these and other matters are made. Among the major assumptions and limiting conditions of this appraisal are those that follow.

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth under the Uniform Standards of Professional Appraisal Practice. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental 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 are based.

11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.

13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's 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 unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

14. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine whether the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility. It is assumed that the subject may be used as described without adoption of any further program for compliance other than such programs as may be specified here.

15. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with submitted plans and specifications.

16. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

17. This report may not be used for any purpose by any person other than the party to whom it is addressed (or the parties listed as intended users in the Scope of Work section of this report, for the function specified) without the written consent of the appraiser and, in any event, only with proper written qualification and only in its entirety. The report is not for use by parties not listed as intended users or for functions other than those specified in the Scope.

18. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.

19. If an income analysis is part of this appraisal, the projections of future cash flow and resale value are intended only to reflect the thinking of a typical investor, as modeled by the appraiser, as of the appraisal's effective date and are not meant as any form of guarantee that such cash flow will actually be achieved or as the appraiser's personal opinion regarding the likelihood of future events. No analysis of future value or future cash flow is undertaken here other than that explicitly described in the text.

20. Unless otherwise stated, this appraisal takes no account of the potential for a higher price for the subject than that available on the general market that may result from buyers such as abutters who may gain special benefits from acquisition. Discovery of the identity, motivation, and purchasing power of parties in a position to gain special benefits requires information not publicly available and is beyond the scope of this appraisal.

## **EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS**

An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. This appraisal is subject to two extraordinary assumptions and no hypothetical conditions. The use of the extraordinary assumptions might have affected the assignment results. The extraordinary assumptions are as follows.

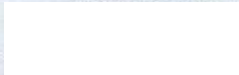
1. A complete inspection of the property was not made. This analysis assumes that the property is as described in this report.
2. This analysis takes account of only the income stream that derives from the subject building and parking (if there is parking). It does not take account of other sources of income such as antennas or other sources of value, such as surplus land, unless these are identified and considered in this report.

## **APPRAISER QUALIFICATIONS**

James Faar has been a commercial real estate appraiser since 1985, with offices in Cambridge, MA. He has made valuations of commercial real estate in all the New England states and appraises primarily in eastern Massachusetts. He has valued the major federal office and courthouse buildings in downtown Boston, as well as numerous smaller properties. His practice is varied, with experience in the valuation of apartment buildings, offices, industrials, retail properties, schools, places of worship, gas stations, and development land.

**COMMONWEALTH OF MASSACHUSETTS  
DIVISION OF PROFESSIONAL LICENSURE**

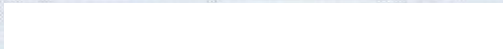
BOARD OF  
REAL ESTATE APPRAISERS  
ISSUES THE FOLLOWING LICENSE CERT  
GEN. REAL ESTATE APPRAISER



CAMBRIDGE, MA 02141-1882



LICENSEE SIGNATURE



LICENSE NUMBER      EXPIRATION DATE      SERIAL NUMBER

# ABC Lender

Cambridge, MA 02141

**Re: Evaluation Services Letter of Engagement**

Dear

This letter will serve as authorization terms upon which you agree to provide appraisal/evaluation services to ABC Lender, its subsidiaries, and affiliates. The appraiser shall prepare and deliver to the Bank an *evaluation* on the above referenced property. The purpose of this assignment is to estimate the value under the following criteria:

Property Interest:	Fee Simple
Type of Value:	Market
Valuation Basis:	"As Is"

The Evaluation must comply at a minimum with the following terms and conditions:

1. *Interagency Appraisal and Evaluation Guidelines* of December 2, 2010.
2. The person to whom this letter is addressed must sign the report and be responsible for the adequate supervision of any other appraisers who contribute to the report. A copy of this engagement letter must be included in the addenda to the report.
3. The intended use of this report is to assist ABC Lender with its collateral analysis and/or portfolio management.
4. The report shall be addressed to Frances Davies, ABC Lender, 88 Lender Way, Waltham, MA 02451.
5. One PDF copy of the report, with invoice, shall be submitted to the undersigned.
6. The fee for all services, including expenses, shall be \$650. The final report must be delivered by April 12, 2019. The bank may assess a penalty of \$50 per day for delivery that is late without an approved extension.
7. This contract is subject to the general terms set forth in the master contract between the appraiser and the bank dated January 10, 2019. Among others, these terms include the bank's right to review; confidentiality; indemnification; independent contractor status; competency; and unbiased opinion.

We instruct that you not contact the owner of the property concerning this engagement.

If the terms and conditions of this letter are acceptable, please sign and return to me.

Sincerely,



Frances Davies  
ABC Lender



\_\_\_\_\_  
(name of appraiser)

\_\_\_\_\_  
(date)

ZAKIA EVANS  
(name of appraisal firm)