

APPRAISAL OF:

RETAIL SPACE

LOCATED AT:

[REDACTED] Street
Miami Beach, FL 33140

PREPARED FOR:

[REDACTED]

AS OF:

November [REDACTED]

PREPARED BY:

Jorge Canellas Cert
Gen # RZ 3065

ASSISTED BY:

[REDACTED]

Jorge L. Canellas
Cert Gen #RZ-3065
18062 NW 87th Court
Miami FL, 33018

Ph: 786- 449-4885
Fax: 305-512-1423
victor@appraisersofamerica.com

As instructed, an appraisal report has been completed on the above referenced property. The objective of this report is to establish an estimate of replacement cost for insurance purposes as of November [REDACTED]

Based upon our analysis it was concluded that the Estimated Replacement Cost of the subject properties, are: (building including foundation, slab, and site improvements only - not including land value) is:

Retail Space: Estimated Replacement Cost: [REDACTED] SF x [REDACTED] psf = \$ [REDACTED]

Retail Space: Estimated Cost: \$ [REDACTED] (10% Depreciation) = \$ [REDACTED]

The appraisers certify they have no interest, past or present in the subject premises, and that our conclusion of value is based on professionally accepted techniques and methods and further, that our fee is not contingent upon any specific finding. The conclusion of replacement cost is also subject to our standard limiting conditions.

Respectfully submitted,

Jorge Canellas Cert
Gen # RZ-3065

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CERTIFICATION

The undersigned hereby certified, to the best of our knowledge and belief:

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and they are that of the appraiser (s) and/or his, theirs or its employees or personal, unbiased professional analyses, opinions, and conclusions.

The appraiser and/or his, theirs or its employees have no (or the specified) present or prospective interest in the property that is the subject of this report, and that the parties to this report and his or its employees have no personal interest or bias with respect to the parties involved.

The compensation is not contingent upon the reporting of a predetermined value or direction of 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. That neither our employment nor our compensation for preparing this report is in anyway contingent upon the conclusions reported herein.

The analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice. Assistance on the report was provided by William Lopez, State Certified Real Estate Appraiser #RD4219 who photographed and sketched the subject property. Furthermore, no one other than the undersigned prepared the analysis, opinions, or conclusions concerning Real Estate that are set forth in this appraisal report.

Respectfully submitted,

Jorge Canellas Cert
Gen # RZ-3065

Jorge L. Canellas
Cert Gen #RZ-3065
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Miami FL, 33018

Ph: 786- 449-4885
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CERTIFICATE OF VALUE

WE HEREBY CERTIFY:

The appraisers preparing this report and or his, theirs or its employees prepared the analysis, conclusions and opinions concerning real estate values that are set forth in this Appraisal Report.

That to the best of our knowledge and belief, the statements of fact contained in this appraisal, upon which the analysis, opinions and conclusion expressed herein are based, are true and correct.

That neither our employment nor our compensation for making this report, are in any way contingent upon values reported herein.

That this report has been made in conformity with and is subject to the requirements of the Code of Professional Conduct of the Appraisal Institute Inc.

That we have no direct or indirect, present or contemplated future personal interest in such property or in any way benefit from the sale of the subject.

Based upon our independent appraisal, analysis, and the exercise of our professional judgment, it was concluded the Estimated Replacement Cost of the subject property as of November [REDACTED] is:

Retail Space: Estimated Replacement Cost: [REDACTED] SF x [REDACTED] psf = \$ [REDACTED]

Retail Space: Estimated Cost: \$ [REDACTED] - \$ [REDACTED] (10% Depreciation) = \$ [REDACTED]

Respectfully submitted,

Jorge Canellas Cert
Gen# RZ-3065



SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Valuation Date: November [REDACTED]

Appraisal Type: Insurance Replacement Estimate

Location: [REDACTED] Street, Miami Beach, FL 33140

Property Appraised: Fee Simple for Improvements only – Insurance replacement cost.

Folio Number: 02-3222-001-0510

Property Owner: [REDACTED]

Year Built: 1935

Land Area: The site has a lot area of approximately 5,000 S.F. OR 0.11 aCRES as per public records. The land is not being appraised, only the IMPROVEMENTS for INSURANCE REPLACEMENT COST.

GLA: Approximately 5,723 SF as per on site measurements

Legal Description: ORCHARD SUB NO 4 PB 25-30 LOTS 12 & 13 BLK 4

Census Tract/Block: 40.00/3

Highest and Best Use: N/A **As though Vacant:** N/A **As Improved:** N/A

Condition and Utility: Overall, the building improvements are in average condition. The utility is designed to accommodate its present usage, and other allowable uses as permitted by zoning.

Zoning: CD-3 Commercial Low Intensity (Land Use As per City of Miami Beach: Shopping Centers, Commercial, Stadiums, Tracks)

Estimated Marketing Time: N/A

Conditions: This appraisal is subject to the *General Assumptions & Limiting Conditions, and Certificate of Appraisal* included herein.

ASSUMPTION AND LIMITING CONDITIONS

The value conclusions and the certification within this report are made expressly subject to the following assumptions and limiting conditions in this report, which are incorporated herein by reference.

1. No responsibility is accepted for matters legal in nature; titles is presumed to be good and assumed to be held in fee simple. All existing liens and encumbrances, if any, have been disregarded (unless otherwise stipulated within the report) and the property is appraised as though free and clear, under competent ownership and management.
2. The legal description and site drawings furnished (if provided) are assumed to be correct.
3. The maps and sketches are included to assist the reader (if provided). Unless a survey of the property has been provided, no responsibility, whatsoever, in connection with such matters will be recognized
4. It is assumed that the project herein set forth is an allowable use under the zoning, and is further considered its highest and bet use.
5. The land and soil of the area under the appraised appears firm and solid. The analyst was not supplied with an engineering survey and under this condition this appraisal does not warrant this condition.
6. Existing buildings involved in this appraisal report have been inspected and damage, if any, by termites, dry rot, wet rot, or other infestations have been reported if discovered as a matter of information but no guarantee of the amount or degree of damage is intended.
7. In this appraisal of existing improvements, the physical condition of the improvements was based on visual inspections. No liability is assumed for the soundness of structural members since no engineering tests were made.
8. All furnishings and equipment, except those specifically indicated and typically considered as part or real estate, have been disregarded. Only the real estate has been considered.
9. Information furnished by others including comparable sales data is believed to be reliable, but the appraiser assumes no responsibility for its accuracy.
10. The fees received for preparation of this report were not contingent upon the final value estimate.
11. The appraiser is not required to give testimony or attendance in court by reason of this appraisal with reference to the property in question, unless arrangements have been made previously thereto.
12. Possession of the reports or copies thereof, does not carry with it the right to publications nor may be used for any purpose by any but the applicant, without the written consent of the appraiser and then with the proper qualifications.
13. The valuations may not be used in conjunction with any other appraisal. The conclusions are based upon the program of utilization described herein and have not been separated into parts.
14. This appraisal has been made in accordance with the rules of professional ethics of the Appraisal Institute Inc.
15. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the author, particularly as to the valuation conclusions, the identity of the appraiser or firms with which they are connected or any reference to the Appraisal Institute Inc., and /or the M.A.I. or S.R.A. designations.

ASSUMPTIONS AND LIMITING CONDITIONS (Continued)

16. The estimate of Replacement Cost applies only to the date specified in the report. Replacement Cost of Real Estate is affected by many related and unrelated economic conditions, local and national, which might necessarily affect the future market of the subject property. We, therefore, assume no liability for an unforeseen precipitous change in the economy, the project, region, or property.
17. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, agricultural chemicals, urea formaldehyde foam insulation, toxic waste, other contents of environmental conditions, which may or may not be present on the property has not been considered, they were not called to the attention of the Appraiser, not did the appraiser become aware of such during the Appraiser's inspection. The Appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test such substances or conditions. The value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it 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. An expert in this field should be retained by the property owner if deemed appropriate.
18. No environmental impact study has been ordered or made. The appraised property is assumed to be in compliance with all applicable regulations unless otherwise noted in the report.
19. The appraiser has not valued the cost of pilings or quantity/ type of pilings, and therefore they have not been calculated into the replacement cost. It is recommended that an engineer look at the property to determine, if pilings do in fact exist in the foundation, the type, and quantity. At that point a cost could be rendered, if needed.
20. The appraisal report contains a sketch, which is provided to show the approximate dimensions of the subject's improvements. All measurements of the improvements have been rounded and the appraiser has tried to determine actual measurements as accurately as possible. This is not a survey and is not to be interpreted as a survey of the subject property. The sketch is included only to assist the reader in visualizing the subject and understanding the appraiser's determination of its approximate size.
21. The Replacement Cost figure represents the average estimated cost to rebuild this building after a total loss and includes such things as labor and materials to meet current building codes and general contractor profit and overhead for your location. The actual reconstruction costs for this building may differ from this figure due to changes in economic conditions, power to negotiate, building contractor availability, and specific building contractor attributes. The estimate does not include costs for such items as excavation, land value or detached structures. This information is to be used for insurance purposes only and is provided on the condition and understanding that it represents only an estimate and that the provider is not responsible for good faith errors
22. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity 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 Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in estimating the value of the property

INTRODUCTION TO THE APPRAISAL

IDENTIFICATION OF THE SUBJECT:

PROPERTY TYPE: Retail Space

ADDRESS: [REDACTED] Street, Miami Beach, FL 33140

CLIENT, PURPOSE AND FUNCTION OF THE APPRAISAL

The appraisal was requested by [REDACTED]. The purpose of the appraisal is to estimate the Replacement Cost for the afore described property, for insurance replacement purposes.

PROPERTY RIGHTS/INTEREST APPRAISED

A right or interest in property is referred to as an estate. This interest may be a fee ownership interest or a lease interest for a period of years. An estate in land is the degree, nature or extent of interest, which a person has in it. An undivided ownership of a parcel of real estate embraces a great many rights such as the right to its occupancy and use; the right to sell it in whole or in part; the right to bequeath it; and the right to transfer it by contract for specified periods of time. These rights of occupancy and use are called beneficial interests. An owner who leases real estate to a tenant: transfers one of these rights in his bundle, namely the beneficial interest or the right to use or occupy to the tenant, in accordance with the provisions of the lease contract. He retains all other interest in the bundle.

In the subject instance the interest appraised herein is the market value in the fee simple. Title is assumed good and marketable. Ownership is assumed transferable and free from all encumbrances, except those specified in public records.

For an explanation of fee simple interest, we have consulted the Dictionary of Real Estate Appraisal, 3rd edition.

Fee simple interest is defined as: An absolute fee; without limitations to any particular heirs, or restrictions, but subject to the limitations of eminent domain, escheat, police power, taxation; an inheritable estate.

INSPECTIONS AND EFFECTIVE DATE OF VALUATION

The subject was inspected on November [REDACTED] as the final inspection date.

FORMAT AND CONTENTS

This appraisal has been prepared conforming to the minimum standards of the *Uniform Standards of Professional Appraisal Practice* (USPAP), as adopted by the appraisal foundation and the *Supplemental Standards of Professional Practice* adopted by the appraisal institute.

DEFINITION OF MARKET VALUE

The most probable price which a property should bring in a competitive and open market requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by the 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 both 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 cash in U.S. Dollars or in terms of financial arrangements comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by the special or creative financing or sales concessions granted by anyone associated with the sale.

The definition of market value reiterates the Department of the Treasury, Office of the Comptroller of the Currency, under 12 CFR Part 34, dated August 24th, 1990. (Section 34.42 – Definitions)

DEFINITION OF AS IS MARKET VALUE

As defined in the dictionary of Real Estate Appraisal, 3rd edition, Appraisal Institute 1993: the Value of specific ownership rights to an identified parcel of Real Estate as of the effective date of the appraisal: relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning. This definition is placed in this report in order to be in compliance with all USPAP standards. The buildings replacement cost is only being considered, the market value is not.

DEFINITION OF INSURABLE VALUE

The following definition is used by the Appraisal Institute and others in the valuation industry.

1. The portion of the value of an asset or asset group that is acknowledged or recognized under the provisions of an applicable loss insurance policy.
2. Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost less deterioration of non-insurable items. Sometimes cash value or market value, but often entirely a cost concept.

SCOPE OF THE APPRAISAL

An appraisal is generally defined as an estimate of value based upon the parameters of the assignment as of a specified date. The valuation of real estate is based on a process of data collection, and analysis and conclusions drawn by a third party. The purpose and date of this appraisal, along with the property rights appraised, have been previously defined.

Existing improvements are best valued through the application of the traditional approaches to value, as applicable, i.e., *The Cost Approach, the Sales Comparison Approach, and the Income Approach*. At the request of the client only the Cost approach was considered as this appraisal is for insurance purposes.

SPECIFIC DESCRIPTIVE DATA

The undersigned have conducted physical exterior and interior inspection of the subject property. Site dimensions were obtained from public records.

GENERAL MARKET DERIVED DATA

Primary data to include improved sales, as well as market income and expense statistics have been obtained from various types of data, and data sources contained within our office files that is updated regularly, and from properties previously appraised.

Secondary data sources include Metroscan, Realtron, First American Data Solutions (FARES), fka ISCNET, and, commercial and investment properties published by the Board of Realtors.

SPECIFIC ECONOMIC DATA

The subject was tenant occupied as of the date of inspection.

DATA VERIFICATION

Every effort has been made to verify information obtained from secondary sources. However, in the time frame in which an appraisal is prepared, principals are not often available or do not wish to discuss information with an appraiser that is not part of the public records, knowing that some of the information might be disseminated, to the general public. Therefore the data used in this appraisal is believed to be true and correct but cannot be warranted.

Data obtained from professional associates' sources often relates to properties they have personally appraised. This information is often confidential (Appraiser/Client) in nature, and may be referred to in this analysis as a general source of data with the client's permission, but retained in our files so that the confidentiality of the source is maintained, and the specific data is not disseminated to the public in a manner not authorized by the client. Verification of data may have come additionally from, surveyors, closing agents, attorneys, buyers, sellers, property owners & property management co's i.e.; leasing agents and/or Realtors.

ISSUES OF GROWTH MANAGEMENT AND CONCURRENCY

Concurrency is an issue that affects development in the State of Florida. According to Florida's Growth Management Act; Section 163.3177 (10) (H), Florida Statutes; "It is the intent of the legislature that public facilities and services needed to support development shall be concurrent with the impact of development".

Issues of Growth Management are not completely understood by market participants, nor are they completely understood by local government employees. The appraisers have researched the issues of Growth Management and Compact Deferral Zones, and have found that the issues have certain adverse impacts on undeveloped property as well as reconstruction and/or expansion activities on improved properties. Zones of Compact Deferral are in constant change; that is, areas are under constant review for inclusion/and or exclusion from the zones. As amplified in the following sections, the appraisers have reported these issues and the effect (if any) on the subject as of the date of valuation, as related to the appraisers by local governments and their employees. The appraisers assume that the information they received is true and correct.

PERSONAL PROPERTY/FURNITURE, FIXTURES AND EQUIPMENT

To the best of our knowledge, the market data used in this appraisal was not impacted by the inclusion of personal property or furniture, fixtures and equipment (FF & E). The value estimated (s) for the subject excludes personal property, business equipment and FF & E. The equipment (A/C, security systems), and the like referred to in this analysis is by method and attachment and function considered to be integrated components of the Real Estate and included in the overall value estimate.

MARKETING CONSIDERATIONS

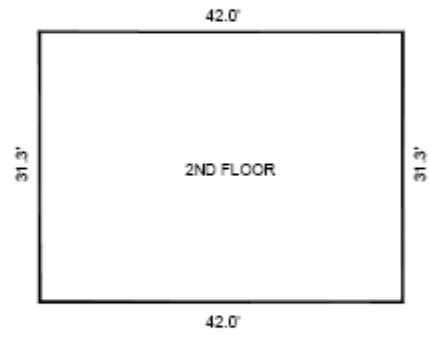
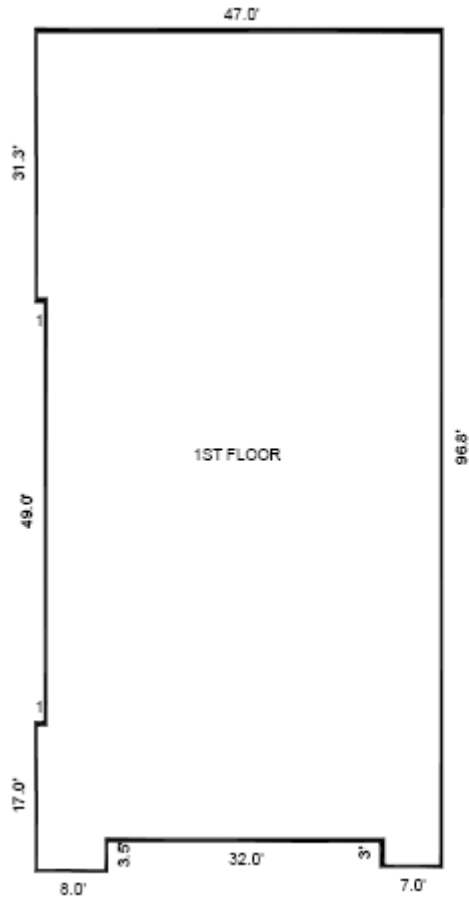
Since Real Estate is a highly leveraged investment, the estimate of value contained herein is made with the assumption that some type of mortgage financing will be available or a cash transaction will result. Most types of commercial real estate have marketing periods ranging from six (6) months to a year or more. Value estimates would typically be discounted for extended marketing periods. These would typically be discounted for extended marketing periods. These discounts may include deductions for holding costs or simple discounting based on the information available within the area for similar type properties.

Buyer and seller demand for a particular location and the desire to obtain same/or dispose of, are amongst many of the untold motivations that influence sellers to sell and buyers to buy in many a transaction.

COMPETENCY PROVISION

In regard to this appraisal assignment, the appraisers have complied with the "Competency Provision" of the Uniform Standards of Professional Appraisal Practice. Reference is made to the "appraisers' qualifications" in the addendum of this report.

BUILDING PERIMETER



**SUBJECT PHOTOS
FRONT**



REAR



INTERIOR



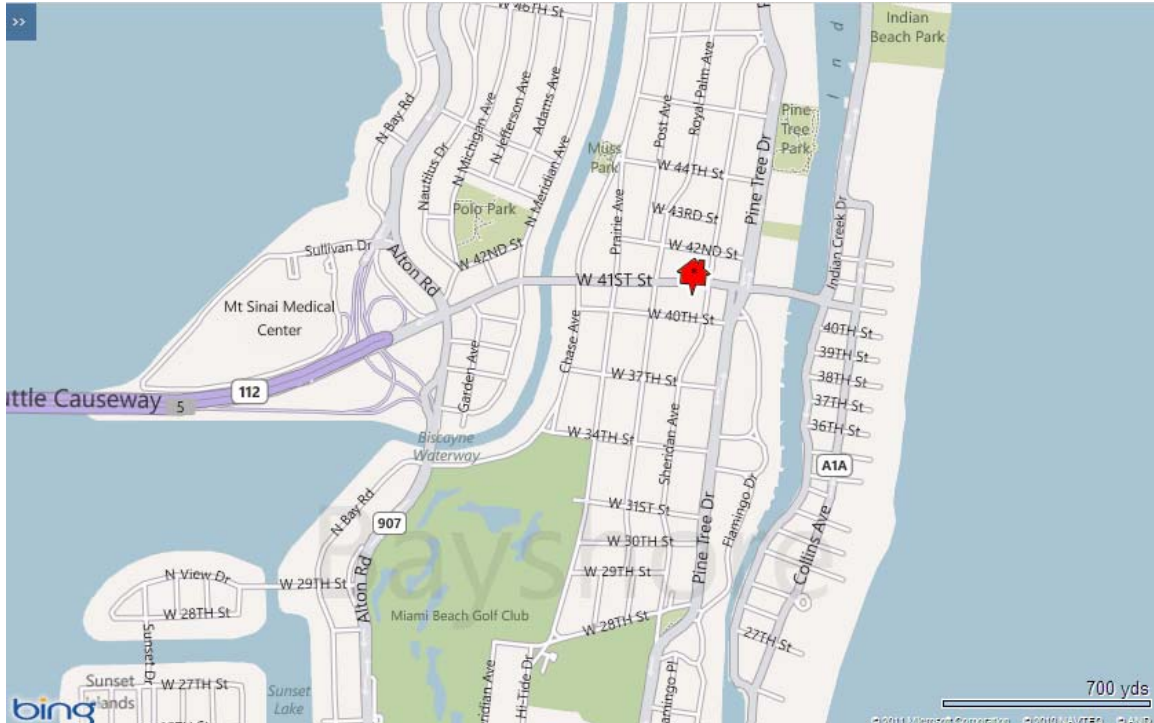


SUBJECT NEIGHBORHOOD

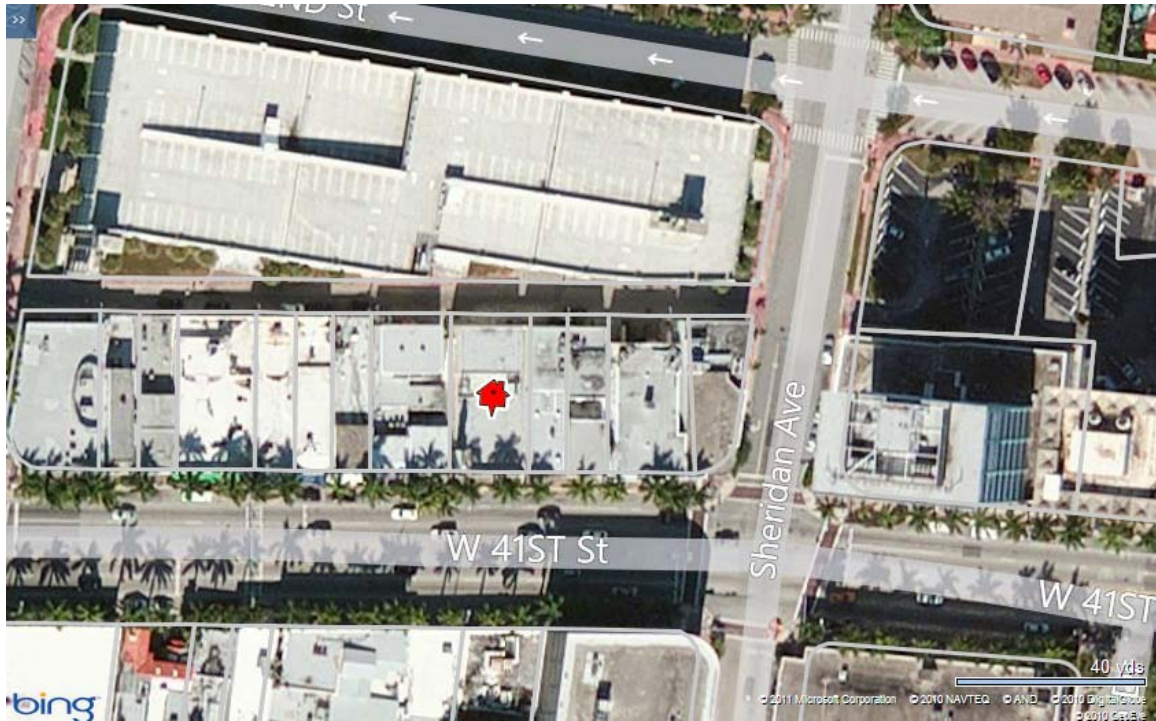
The neighborhood is located in the City of Miami Beach, Miami-Dade County, Florida and is surrounded by residential neighborhoods with mixed commercial and residential usage.

Neighborhood boundaries: Located South of the 71st Street, West of the Intracoastal, East of Biscayne Bay and North of W 28 Street. The subject's roadway provides ingress and egress to the subject.

Location Map:



AERIAL MAP



UTILITIES:

The subject is serviced by Municipal water and sewer. Electric is provided by Florida Power and Light. Telephone service is provided by AT&T to the site. Utility service is adequate and similar to competing properties.

Flood Map Report

For Property Located At



425 W 41ST ST, MIAMI BEACH, FL 33140-3503

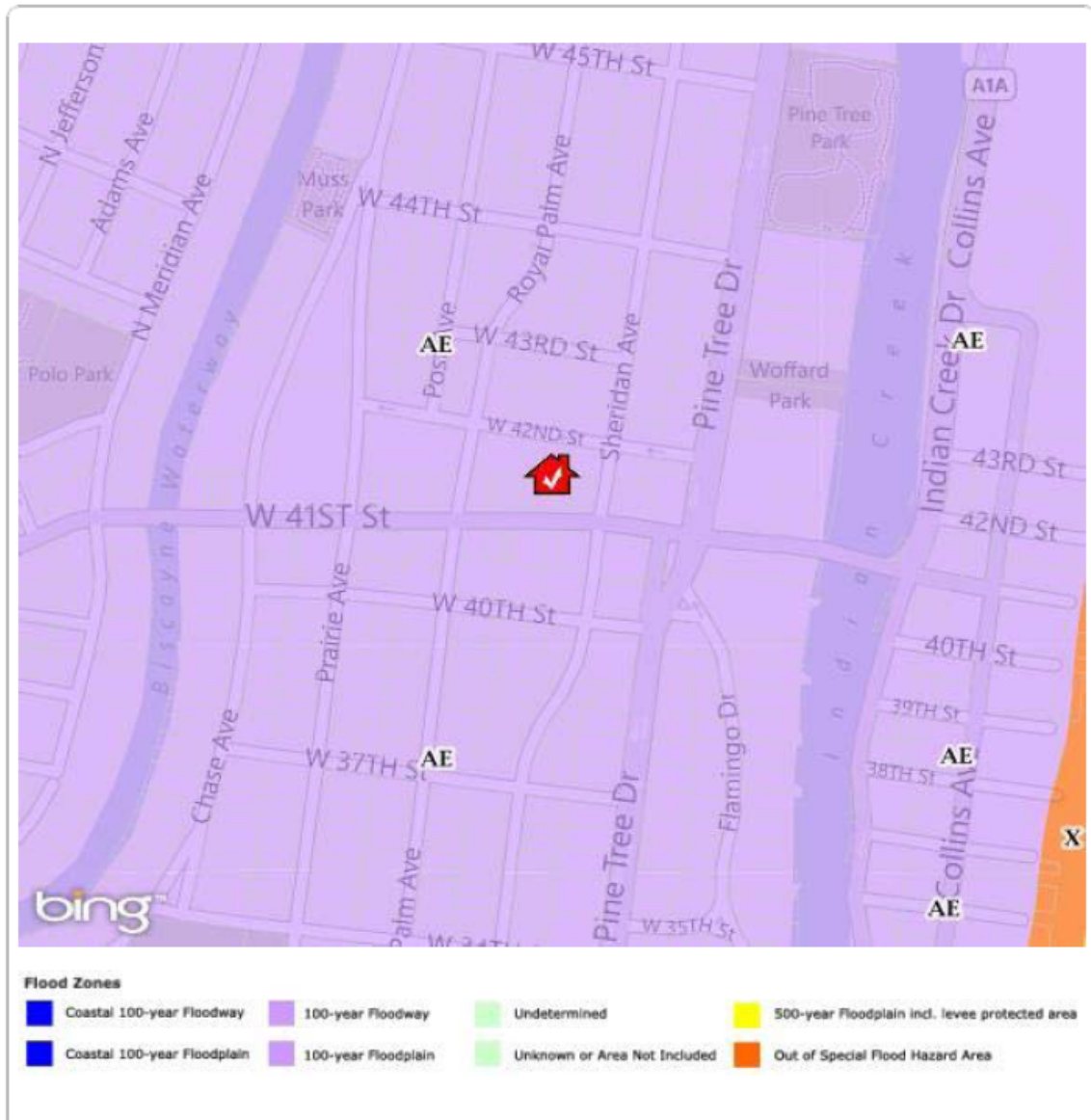
Report Date: 11/22/2011

County: DADE, FL

Flood Zone Code	Flood Zone Panel	Panel Date
AE	120651 - 0309L	09/11/2009
Special Flood Hazard Area (SFHA)	Within 250 ft. of multiple flood zones?	Community Name
In	No	MIAMI BEACH

Flood Zone Description:

Zone AE-An area inundated by 100-year flooding



ZONING

Zoning is the division of a jurisdiction into zones or districts. Zoning regulates land uses and related matters. Between districts regulations vary but within each district they apply uniformly to each class or kind of property. The districts separate agricultural, residential, commercial, and industrial uses so that there is a minimum of trouble caused by mixed uses.

Zoning has a direct effect on traffic and parking, congestion, slum prevention, general community and neighborhood appearance, community revenues and expenditures and property values. The kind of zoning we have in our democratic society is of recent origin, but effective zoning is indeed necessary. It is also necessary that it be well done, fully protecting appropriate public interest without unnecessarily restricting the use of property. There must be a reasonable relationship between the objectives of regulation and the regulation themselves. The purpose of planning and zoning include the following:

To preserve and enhance present advantages, overcome present handicap and prevent or minimize future problems.

To promote, protect and improve public health, safety, comfort, good order, appearance, convenience, morals, and the general welfare.

To conserve the value of land, buildings, and resources. To protect the character and maintain the stability of residential, agricultural, business and industrial areas, and to promote the orderly development of such areas.

To guide and accomplish a coordinated, adjusted and harmonious development, which, in addition to the purposed set forth above, will contribute to efficiency and economy in the process of development.

To lessen congestion in the streets.

To secure safety from fires, panic, and other dangers.

To provide adequate light, and air.

To prevent overcrowding of land and undue concentration of population.

To facilitate the adequate provision of transportation, water, sewage, schools and other public requirements.

Zoning should group compatible uses; separating incompatible uses. Planning and zoning should establish an orderly land use pattern related to transportation facilities, utilities and other public land for the intended purposes.

Zoning assures an appropriate balance between lands developed or intended for development for various purposes, and protects reserved land so that it may be used for the purpose found most logical. Grouping activities having similar needs in such a manner so as to maximize efficiency and minimize friction protects land values and amenity and reduces costs for services. The zoning for the subject property is:

Zoning: CD-3 Commercial Low Intensity (Land Use As per the City of Miami Beach: Shopping Centers, Commercial, Stadiums, Tracks)

HIGHEST AND BEST USE

Highest and best use is defined by the Dictionary of Real Estate Appraisal, 3rd edition as: “The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, that results in the highest value”.

In a case where a site has existing improvements, the highest and best use may well be different from the existing use. The existing use however, will continue until the land value represents the majority of the property value, and there is justification for the removal or renovation of the existing improvements.

Additionally, it is implicit in the definition that the determination of highest and best use is a logical and well-supported conclusion resulting from the appraiser’s judgment and analytical skill. Furthermore, the term highest and best use does not refer exclusively to the size of the structure might be built and is not always measured in terms of money. The return or yield of a property can also be construed as the benefits derived from amenities such as historic significance or natural beauty.

Also implied within these definitions of highest and best use is the contribution of a particular use to the community, and community development goals along with the benefits of that use to the individual property owner. With these underlying premises in mind, there are essentially for (4) tests, which are applied to the use or uses being considered. These 4 tests are:

1. The site’s legally permissible use, which is permitted by zoning and deed restrictions on the site in question, along with any approval processes as permitted by various government agencies.
2. The physically possible uses for the site in question. Simply stated, that is, what can be constructed on the site. For example an odd shaped parcel of land might have a total square foot size, which, under a given zoning would allow a certain size structure to be constructed. However, because of the sites configuration only a smaller structure would be possible.
3. It’s probable use. This is simply what use will be compatible with other current and likely uses in the area.
4. The most profitable use, or amongst the feasible uses, that use which will produce the highest return or the highest present worth.

Highest and Best Use is further defined as that reasonable and probable use that will support the highest recent value, as defined, as of the effective date of the appraisal.

Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically feasible, and which results in the highest land value.

The definition immediately above applies specifically to the Highest and Best Use of land. It is to be recognized that in cases where a site has existing improvements on it, the Highest and Best Use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its Highest and Best Use exceeds the total value of the property in its existing use.

HIGHEST AND BEST USE (Continued)

Highest and Best Use is defined in the 11th Edition of the Appraisal of Real Estate, published by the Appraisal Institute follows:

1. Highest and Best Use of land is the most profitable likely use at the time of appraisal. It also may be defined as the available use and program of future utilization that produces the highest present land value.
2. Existing use may or may not conform to Highest and Best Use.
3. Highest and Best Use may comprise a combination of a profitable interim (transitional) use and a deferred, more profitable potential use.
4. Highest and Best Use may be limited by zoning or deed restriction.
5. The principal of increasing and decreasing return, affirms the proper apportionment of land and improvements to achieve maximum land value.
6. The concept of Highest and Best Use may be extended to improved real estate for various decisions making situations but such application should not be confused with the underlying concept of Highest and Best Use of land only.
7. Balance and consistent use are important collateral consideration in the selection of Highest and Best use.

The preceding definition is specifically applied to the highest and best use of land as though it were vacant. When a site is improved, the improvement typically remains in use over its economic life. The discussion of highest and best use under the assumption of a vacant site should analyze what type and size improvements should be constructed when considering the basic definition and criteria. The factors that underline the highest and best use criteria will be discussed.

The subject property lies within a zoning designated by the city of Miami Beach which is CD-3. The site has already been developed to the maximum allowable density, precluding any thoughts of tearing down the existing structure in favor of a high rise, or larger units.

1. As to possible uses or what could be constructed on the site, the site offers no apparent developmental adversities. Moreover base on our observation of surrounding development, there does not appear to be any adverse topographical condition that would preclude development with standard construction techniques. As a benefit, all utilities are to the site.
2. Probable use considerations include those uses that are compatible with surrounding development. Due to the nature of the area as outlined in the Neighborhood Analysis, a likely and probable use would be some type of commercial usage, most likely condominium space. This however would necessitate a complete feasibility study which is going beyond the scope of the assignment, namely appraising the nominally improved land parcel and comparing it to nearby similar land parcels.
3. In order to identify a specific use that would result in the highest return to the land, such feasibility analysis would have to be conducted. This however, is beyond the scope of the appraisal assignment. Therefore from the preceding factors considered, the highest and best use of the subject “as if” vacant would be oriented toward a condominium usage, which is permitted by current zoning code.

CONCLUSION

We have concluded that the highest and best use of the subject property as though vacant, would be for development of a use commensurate with those activities permitted by the current zoning, or may render the most profitable use or most probable use as may benefit the property's purchaser, provided same is financially feasible and within the realm of the maximization of the potential usage of the land, barring a complete feasibility study of any and all potential usages that may be profited from this parcel.

HIGHEST AND BEST USE AS IMPROVED

Once a parcel of land is substantially improved, the two parts from an integrated unit, and for all practical purposes, they are inseparable. However, when the market value of the land alone if vacant and available for its highest and best use exceeds the value of the property as improved, the improvements are no longer a viable contribution to the property and a new use must be adopted. In analyzing the Highest and Best use of the Subject Property "as improved", several principles of real estate value must be considered. They include conformity, supply and demand, change, and balance.

- *Conformity – The subject's improvements continue to conform to the general developmental pattern and architectural homogeneity of the district.*
- *Supply and Demand – Our analysis of the subject's surrounding neighborhoods tends to indicate that there is demand for light manufacturing and warehousing oriented space. Although it may have to be upgraded or modified to suit the new users' needs.*
- *Change – This is the law of cause and effect at work. We note no changes occurring in the subjects' use or improvements that make it obsolete.*
- *Balance – Value is created and sustained when contrasting, or interacting elements are in a state of equilibrium. At present, the economic mix in the immediate area appears to be relatively harmonious.*

CONCLUSION

The subject property is an integral unit consisting of both land and building. This integration of land and improvements is related to the economic concept, of the marginal dollar. This theory implies that the existing usage as long as the property, as improved, has a market value, which is higher than that of the land, as if vacant and available for a higher usage. Inherent in this study of highest and Best Use is the principle of contribution, which states that the value of a component part of the overall property is dependent upon how much it contributes to the value as a whole.

VALUATION ANALYSIS – APPROACH TO APPRAISAL – INTRODUCTION

The appraisal process is the orderly program in which the data used to estimate the value of the subject property is acquired, classified, analyzed and presented. The scope of the assignment was to estimate the market value, based upon the highest and best legal use for the subject property, which we have concluded to be as a condominium building. Initially, the appraisal problem was defined; that is, identification of the subject, the effective date of the estimate, the property rights being appraised and the type of value sought is the basis to commence the task of the appraisal problem.

Once this was accomplished, the appraiser collected and analyzed the factors affecting the market value of the subject property. These factors included regional and neighborhood analysis, the property analysis to include physical site, and the improvement characteristics and finally the correlation of these factors into an analysis of Highest and Best Use.

This assemblage and analysis of data and subsequent estimation of Highest and Best Use provide parameters enabling the selection of market data to use in estimating the market value of the subject property. In assignments to estimate market value, the ultimate goal of the valuation process is a well-supported value conclusion that reflects the appraiser's study of all factors that influence the market value of the property being appraised.

To achieve this goal, an appraiser studies a property from three different viewpoints, which correspond to the three traditional approaches to value. Each of the three traditional approaches to value will be considered in the case of the subject property. These are: *The Cost Approach*, *The Market Comparison, or Sales Comparison Approach*, and *the Income Approach*. The indications of each of these approaches will then be correlated into a final value estimate.

1. The current cost or reproducing or replacing the improvement, minus the loss in value from depreciation, plus the land value is: **The Cost Approach**.
2. The value indicated by the recent sales of comparable properties in the market is: **The Market Comparison Approach**.
3. The value of a property's earning power based on the capitalization of its income: **The Income Approach**.

The three approaches to value are interrelated; each involves the gathering and analysis of sales, cost, and income data that pertain to the property being appraised. From the approaches applied, the appraiser derives separate indications of value for the property being appraised. Although the approaches are interrelated, the property type and use will determine which approach or approaches are the most appropriate.

One or more of the approaches may not be applicable to a specific assignment or may be less significant due to the nature of the property, the decisions of the client, or the data available. In appraising retail or any other IMPROVED PROPERTIES for INSURANCE REPLACEMENT, the ONLY APPLICABLE APPROACH is THE COST APPROACH.

METHODOLOGY AND APPLICATION

With the *Cost Approach*., the improvements are replaced as if new, and any applicable depreciation is deducted to arrive at a net improvement value. Added to this is the value of the land, and any site improvements or allied appurtenances in order to arrive at a value estimate.

Explanations of the other approaches follow, hence their non-applicability to the assignment at hand.

The *Direct Sales Comparison, or Market Approach* is based upon the principle of substitution; that is, when a property is replaceable in the market, its value tends to be set at the cost of acquiring an existing property with the same utility, assuming no costly delay in making the substitution. Since no two properties are ever identical, it is necessary to consider the differences in location, size, condition, age and etc. Adjustments are made by comparing the sales to the subject and are best determined by the actions of typical buyers and seller in the marketplace.

The *Income Approach* involves an analysis of the anticipated benefits from the property in terms of dollar income or amenities. The estimated future income and/or reversion are then capitalized or discounted to a present worth figure at a rate commensurate with the quality and durability of the income stream and those anticipated benefits. The Income Approach was considered non-applicable to the appraisal of this property, as this is not considered a factor for insurance replacement.

DIRECT SALES COMPARISON APPROACH TO VALUE

The Direct Sales Comparison, or Market Approach is the most commonly known and employed method of valuing Real Estate. The essence on this approach is based upon the principle of substitution i.e.; that a prudent purchaser will pay a price for a particular piece of property, which is commensurate with the prices currently being paid for similar properties in similar locations. Thus, the appraiser assembles sales and offerings of properties containing generally similar uses, amenity and aesthetic features as are possessed by the subject property.

Analysts of the real estate market realize that there are no two properties exactly alike. An adjustment process therefore is required to compensate for differences between comparable data employed by the appraiser and the subject property under analysis. Adjusting for tangible differences between two properties, the cost to reproduce the various items is used as a guide in making adjustments. Market experience also demonstrates that purchaser tend to pay less for purely cosmetic features that contribute little to the utility of property. The price paid for such peripheral improvements is usually less than the cost of reproduction therefore; the judgment of the analyst should reflect the reaction of typical prudent purchasers.

Other factors, besides structural detail, which bear upon the value of property, include the time of sale, zoning, terms and the circumstances of the sale and location.

The appraiser analyzes the market data employed in relation to the subject property, and in so doing takes into account all items, which contribute to or detract from value.

The Market Comparison approach is a technique of finding less of similar properties and carefully analyzing and comparing them by virtue of their differences and major similarities into an indication of value for the appraised property.

The comparable properties were observed for their possibility of similar functional potential utility. Size, area, age and condition of improvements were also analyzed and considered.

Comparable sales chosen were similarly located, similar use/ purpose properties all located within the subject's competitive market area. Comparable sales data is not relevant to COSTING out a property for the purpose of INSURANCE REPLACEMENT.

The validity of this approach is dependent upon the availability, quantity, relevancy and quality of the availability, quantity, relevancy and quality of the data. Procedurally, the steps in the Direct Sales Comparison Approach are as follows:

1. Research of the market to obtain information about transactions, listings and other offerings of properties similar to the subject.
2. Verify the Information by considering whether the data obtained is factually accurate and the transactions reflect arms length market considerations.
3. Determine relevant units of comparison e.g., price per unit or multiplier, and develop a comparative analysis for each unit. The unit of comparison utilized in the analysis of church is the price per square foot of improvements to the land area.
4. Compare the subject and the comparable sales according to the elements of comparison and adjust the sales price of each comparable as appropriate or eliminate the property from consideration.
5. Reconcile the value indications that result from the comparable sales into a single value indication.

In the case of the subject property, the SALES COMPARISON APPROACH was ruled out.



COST APPROACH TO VALUE

For reference, an explanation of the cost approach is as follows;

The Cost Approach is the process where the value of improved property is estimated on the basis of the cost to replace the structures, less applicable depreciation.

The appraiser must first estimate the cost to replace the structure. All components of the structure are taken into account. Then the appraiser must estimate depreciation from all sources, including physical deterioration (curable and incurable), structural obsolescence (curable and incurable) and economic obsolescence. The sum of the depreciated value is the indicated value of the property via the Cost Approach for improvements.

The following summary outlines the above process:

REPLACEMENT COST OF ALL IMPROVEMENTS

LESS DEPRECIATION

PHYSICAL (CURABLE & INCURABLE)
FUNCTIONAL OBSOLESCENCE (CURABLE
& INCURABLE)
ECONOMIC OBSOLESCENCE

EQUALS DEPRECIATED VALUE OF IMPROVEMENTS

PLUS SITE IMPORVEMENTS
PLUS LAND VALUE

RESULTS IN: INDICATED VALUE BY COST APPROACH

In the case of valuation for INSURANCE PURPOSES, there is NO IMPUTED DEPRECIATION as the Improvements IF DESTROYED must be replaced in whole.

RETAIL SPACE: [REDACTED] Street, Miami Beach, FL 33140

**Marshall & Swift - SwiftEstimator
Commercial Estimator - Detailed Report**

General Information

Estimate ID:	425	Date Created:	11-23-2011
Property Owner:	Reims AGR I LLC	Date Updated:	11-23-2011
Property Address:	425 W 41 Street Miami Beach, FL 33140	Date Calculated:	11-23-2011
Local Multiplier:		Cost Data As Of:	11-2011
Architects Fee:		Report Date:	using default

Section 1

Area	5723	Overall Depreciation %
Stories in Section	2	Physical Depreciation %
Stories in Building	2	Functional Depreciation %
Shape	very irregular	External Depreciation %
Perimeter	(auto-calc)	
Effective Age	0	

Occupancy Detail

Occupancy	%	Class	Height	Quality
353 Retail Store	100	C	12	3.5
Occupancy Total Percentage	100			

Addition Details

Addition	Units	Cost	Depr %	LM	Base Date
Misc Malls/Covered	128	52.55		N	
Misc Sprinklers	5723	5.90		N	

	Units	Unit Cost	Total Cost New	Less Depreciation	Total Cost Depreciated
Basic Structure					
Base Cost	5,723	85.61	489,946		489,946
Exterior Walls	5,723	33.56	192,064		192,064
Heating & Cooling	5,723	5.34	30,561		30,561
Basic Structure Cost	5,723	124.51	712,571	0	712,571
Miscellaneous					
Malls/Covered	128	52.55	6,726		6,726
Sprinklers	5,723	5.90	33,766		33,766
Total Cost	5,723	131.59	753,063	0	753,063

This SwiftEstimator report has been produced utilizing current cost data and is in compliance with the Marshall & Swift Licensed User Certificate. This report authenticates the user as a current Marshall & Swift user.



PARAMETERS OF CONCLUSION

An appraisal of real estate is an opinion of value certified by an individual representing himself to be an expert.

Due to the many influences that affect supply and demand and the imperfections that exist in the market, the appraisal of real estate remains an inexact science.

The appraiser's client must recognize that at any given moment in time before or after the effective date of value, the property value may be different from what the appraiser has estimated. Real estate investment has a high degree of risk and performance and success is dependent upon management, market liquidity, and all sorts of outside influences. Remember that if for any reason subsequent events (after the effective date) worldwide, national, regional, local or neighborhood occur, the value of the property will change.

The developer, the lender, and subsequent property owners must each analyze and measure the risk as they see it, at any moment in time. The appraisal, therefore, is a judgment tool offering only a supported opinion of the present worth of anticipated benefits subject to the investment risks, measured mainly by such market data as are available at the effective date of appraisal.

The appraiser's client must further recognize that the market data, which are present in this report, are past sales that took place in a market place where tax shelter rules may have been substantially different from future rules and those probable changes could render conclusions of a comparable sales study invalid.

In conclusion, however, while an appraisal cannot be guaranteed or absolutely proven, if the opinion of value, as expressed and demonstrated, is not influenced by sentiment, sympathy, bias, personal interest, or lack of understanding, and is, in fact, a sincere effort by a competent impartial valuator, then the conclusions so developed may properly be considered as a basis of negotiation between owner and prospective purchaser, or between lender and borrower or between condemner and condemned.

QUALIFICATIONS OF JORGE LUIS CANELLAS

LICENSES

State Certified General Real Estate Appraiser No. RZ 3065
Real Estate Broker, State of Florida

APPRAISAL & REAL ESTATE EXPERIENCE

- May 2005 to Present: Appraisal Zone Corp. - Owner
- May 2005 to Present: Canellas Realty Group - Owner
- January 2001 to May 2005: MAC Appraisal Corp, Miami, Florida – Owner
- January 1999-2001: Residential Appraisers, Miami, Florida – Review Appraiser

Types of Appraisal Assignments

- Commercial
- Single Family Residence
- Condominium
- Multi-Family(1-4 Units)
- Vacant Land
- FHA Financed Properties
- REO Properties

SPECIALIZED EDUCATION

- Real Estate Sales Person : 1996
- Sales Performance Systems : 1996
- Real Estate Mortgage : 2001
- Real Estate Sales Person Continued Education : 1998
- Real Estate Sales Person Continued Education : 2000
- Real Estate Sales Person Continued Education : 2002
- Course 520 Highest and Best Use and Market Analysis :2000
- Uniform Standards of Professional Appraisal Practice : 2001:2004:2007:2010
- Investment Analysis for Appraisers:2004
- Valuation Analysis for Home Mortgage Insurance :2004
- Residential Appraiser (AB-2) 2001
- Residential Appraiser (AB2-B)2001
- Home Inspector : 2003 :2010
- Appraisal Board III: 2007
- Marshall & Swift trained Appraiser:2006
- Techniques of Income Property 2006

MEMBERSHIP IN PROFESSIONAL ORGANIZATIONS

- The foundation of Real Estate Appraisers
- The Realtor Association of Miami
- Residential Associate of the Appraisal Institute
- E & O Insurance up to \$1,000,000.00



APPRAISAL ZONE CORP.


Appraiser's License

AC# **5201301** STATE OF FLORIDA
DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
FLORIDA REAL ESTATE APPRAISAL BD SEQ# L10091602670

DATE	BATCH NUMBER	LICENSE NBR
09/16/2010	108076201	RZ3065

The CERTIFIED GENERAL APPRAISER
Named below IS CERTIFIED
Under the provisions of Chapter 475 FS.
Expiration date: NOV 30, 2012

CANELLAS, JORGE LUIS
18062 NW 87TH COURT
MIAMI FL 33018



CHARLIE CRIST
GOVERNOR

CHARLIE LIEM
SECRETARY

DISPLAY AS REQUIRED BY LAW

EXPLANATION OF TERMINOLOGY USED BY APPRAISER IN THIS REPORT

AN APPRAISAL is an indication of Market Value resulting from an analysis and evaluation of all available data found to relate to the appraised property directly or indirectly, with attention directed to those influences found to affect the property's use or appeal to persons who might constitute the market for the appraised property.

REAL ESTATE is the land and that which is permanently attached thereto by man or nature and would, in a normal arm's length transaction, be exchanged with the land without specification or separate and individual evaluation.

REAL ESTATE IS THE LEGALLY ENFORCEABLE rights of Ownership in real estate.

A MARKET exists when a choice of properties are offered for sale which are able to satisfy the needs of a number of willing buyers who are free of pressure and financially able to pay as much for a property as the benefits resulting from its use would appear to justify.

MARKET VALUE is defined as the most probable price, in terms of money, which a property should bring in a competitive and open market under all conditions requisite to a fair sale, with 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 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 each acting in what he considers his own best interest.
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 the price represents the normal consideration for the property sold unaffected by special or creative financing of sales concessions granted by anyone associated with the sale.

ASSESSED VALUE is the amount assigned to taxable property by an assessor.

APPROACH TO VALUE is one method or technique of appraising.

VACANT LAND, RAW LAND OR BARE LAND is land without improvement by man or by nature (such as timber).

EXPLANATION OF TERMINOLOGY USED BY APPRAISER IN THIS REPORT (Continued)

HIGHEST AND BEST USE is the use to which the appraiser's research indicated the property can legally be put in the reasonably near future, which will most likely produce the greatest return over a period of time. It is applied to vacant land as well as to fully improved real estate.

- A. Highest and Best Use of Vacant land results when it is improved in a manner which may reasonably be expected to produce the greatest net return to the land over a given period of time.
- B. Highest and Best Use of Improved property is that use made by existing physical improvements, altered or remodeled, as indicated, which will produce the greatest net return on the required investment over a given period of time.

MARKET INTEREST RATE is that rate of return on capital invested by prudent buyers in a given type of Real Property at a specified time and place.

EXPLANATION OF TERMINOLOGY (Continued)

CAPITAL RECAPTURE RATE is that rate which will return to the investor that portion of a real property's cost represented by its improvements during their anticipated future economic life.

CAPITALIZATION RATE is the sum of market Interest Rate and Capital Recapture Rate, which prudent investors are expecting, and receiving, from competitive properties.

SELL- OUT VALUE is the anticipated amount of the total of the selling prices of all individual units in a property. It is based on market-oriented surveys and feasibility studies including sales of comparable properties.

PROBABLE SELLING PRICE is that at which a property would most probably sell if exposed to the market for a reasonable time, under market conditions prevailing as of the date of the appraisal.

LEASE is a written document by which the rights of use and occupancy of land and/or structures are transferred by the owner another person of entity for a specified period of time in return for a specified rental.