

460 APPRAISAL OF REAL ESTATE

**WAREHOUSE FACILITY
LOCATED AT:**

**1919-1929 MCCAGUE STREET, PITTSBURGH
ALLEGHENY COUNTY, PENNSYLVANIA, 15218**

ALLEGHENY COUNTY BLOCK & LOT NUMBER: 178-C-248



CLIENT: LOUIS WEISS

PROPERTY OWNERS OF RECORD:

WEISS JACK, WEISS LOUIS, MULLEN STACY WEISS, KANDER ELLEN WEISS

DITIO FILE: 181226-004

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Pittsburgh, PA 15221

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December 24, 2018

Louis Weiss
2975 Beechwood Blvd.
Pittsburgh, PA 15217
lou@weisslines.com

| | |
|----------------------------|---|
| Client: | Weiss, Louis |
| Property Owners of Record: | Weiss Jack, Weiss Louis, Mullen Stacy Weiss, Kander Ellen Weiss |
| Subject Property Location: | 1919-1929 McCague Street Pittsburgh (Swissvale Borough) Allegheny County, PA, 15218 |
| Block & Lot Number: | 178-C-248 |

Dear Mr. Weiss:

In response to your request for an opinion of the market value of the “as is” **fee simple interest** in the subject property, I have appraised the subject property indicated above. The intended use of this appraisal is asset determination.

We have inspected the property and have collected, analyzed and processed all relevant data within the considered approaches to value. The value conclusions presented herein are subject to the Definition, Assumptions and Limiting Conditions that are set forth within this report. As a result of our investigations, our opinion of the market value of the “as is” fee simple interest in the subject property, in cash or financial terms equivalent to cash, as of December 24, 2018, the valuation date, is:

FOUR HUNDRED SIXTY THOUSAND DOLLARS
\$460,000 (Fee Simple)

This letter of transmittal is not and should not be used as an appraisal report without the attached analysis. The attached appraisal report, is written to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice (USPAP)* for an appraisal report. As such, it presents a minimum of summary discussions of the data, reasoning, and analyses that are used in the appraisal process to develop the appraiser’s opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the workfile. The depth of discussion contained in this appraisal report is specific to the needs of the client and for the intended use stated above. The intended user of the report is First Commonwealth Bank. The appraiser is not responsible for unauthorized use of this report.

Sincerely,



Robert B. Gelman
Pennsylvania Certified General Real Estate Appraiser
Certification Number GA001413L
Inspected the Property



Andrey Arefyev
Pennsylvania Certified Real Estate Appraiser
Candidate for Designation, Appraisal Institute
Certified Number RL139043
Inspected the Property

Ditio Appraisal Services

RBG

DITIO File Number: 181226-004

Assumptions and Limiting Conditions

1. 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.
2. The property is appraised free and clear of any and all liens and encumbrances unless otherwise stated in this report.
3. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. 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.
6. It is assumed that there are no hidden or unapparent conditions of the property or subsoil 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.
7. 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.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in this appraisal report.
9. 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.
10. 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.
11. It is assumed that there is no encroachment or trespass on the sites unless otherwise stated in this report.
12. 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.
13. Possession of this report or a copy thereof does not carry with it the right of publication. It may not be used for any purpose or by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with the proper written qualification and only in its entirety.
14. 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.
15. No requirement to give testimony or attendance in court is inferred by reason of this appraisal, with reference to the property in question, unless arrangements have been made previously.
16. The value estimate cannot be prorated to fractional interests. Any proration or division of interest will invalidate the value estimate, unless such proration or division of interests is set forth in the report.

Assumptions and Limiting Conditions (continued)

17. The value estimated for the subject property is valid only when taken in the context of this report and invalid if considered individually, or as a component in connection with any other appraisal.
18. All appraisal reports developed are subject to review by The Appraisal Institute's authorized agent.
19. This appraisal is presented as a bound report, and may be considered valid only so long as it is presented in its entirety and containing those pages listed in the Table of Contents and with the appraisers original signatures on the Letter of Transmittal.
20. Any forecasts or projections included in this report are utilized to assist in the valuation process and are based upon current conditions, anticipated short-term supply and demand factors, as well as a continued stable economy. These forecasts are subject to changes in future conditions, which cannot be accurately predicted by the appraisers and could affect the future income and/or value forecasts.
21. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in compliance 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.
22. I have not considered any personal property, business interests, intangible, gas or mineral assets, mineral rights, machinery, and equipment, inventory on hand, contract, licenses and permits, trade names, trade market, domain names, and goodwill within the scope of this report.
23. The legal description is as found in the public records of Allegheny County.
24. The Allegheny County Tax Assessment Office indicates this site is situated on Allegheny County Block & Lot Number 178-C-248.
25. The intended use of this appraisal is not for asset determination.
26. The appraiser has made the assumption that the subject has valid occupancy permits.

Certification

The undersigned do hereby certify that, to the best of my/our knowledge and belief, except as otherwise noted in this appraisal report:

- 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 no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 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.
- 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.
- Robert B. Gelman, Senior Review Appraiser, GA001413L, made a personal inspection of the property that is the subject of this report.
- Andrey Arefyev, Certified Real Estate Appraiser, RL139043, made a personal 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 Appraisal Practice of the Appraisal Institute.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.



Robert B. Gelman
Pennsylvania Certified General Real Estate Appraiser
Certification Number GA001413L
Inspected the Property



Andrey Arefyev
Pennsylvania Certified Real Estate Appraiser
Candidate for Designation, Appraisal Institute
Certified Number RL139043
Inspected the Property

Executive Summary

Client Information

Client: Louis Weiss
1919-1929 McCague Street
Pittsburgh, PA 15218

Intended Use: The intended use of this appraisal is asset determination.

Intended User: Louis Weiss

Borrower: Weiss Louis

Property Information

Subject Property Location: 1919-1929 McCague Street
Pittsburgh,
Allegheny County, PA 15218

Property Owners of Record: Weiss Jack, Weiss Louis, Mullen Stacy Weiss, Kander Ellen Weiss

Allegheny County Block & Lot Number: 178-C-248

Legal Description: SAMUEL B ROTH PLAN #2 IRREG LOT 173.43X299.64X 125.85
(.7262 A LD) MC CAGUE ST COR IRVINE ST 1 STY BRK & C B
SHOPPING CENTER

Property Type: Warehouse facility

Occupancy: Both Vacant and Tenant Occupied

Present Use: Warehouse, Storage, and Garage

2018 Real Estate Tax Assessment: \$ 63,000 – Land
\$90,000 – Building
\$153,000 – Total

2018 Real Estate Taxes: \$5,826/year (rounded)

Site Overview

Land Area: 0.73 Acres, or 31,633 SF

Zoning: CBD, Central Business District

Flood Zone: Zone X/ Map Number: 42003C0367H / Date 9/26/2014

Improvements Overview

Gross Buildings Area: 12,610 SF (combined)

Year Built: Unknown

Condition/Quality: Average

Deferred Maintenance or Obsolescence: No significant deferred maintenance was noted. However, the structure was originally a grocery store and the retrofitting the structure into a warehouse use results in significant functional obsolescence.

Executive Summary (continued)**Highest and Best Use**

| | |
|----------------------|--------------|
| As Vacant: | Commercial |
| As Improved: | Existing Use |
| Excess/Surplus Land: | None |

Valuation Information

| | |
|----------------------------|-------------------|
| Property Rights Appraised: | Fee Simple Estate |
| Effective Date of Value: | December 24, 2018 |
| Date of the Inspection: | December 24, 2018 |
| Date of the Report: | January 4, 2019 |
| Estimated Exposure Time: | 12-18 Months |
| Estimated Marketing Time: | 12-18 Months |

Market Value Indications

| | |
|---------------------------------|-------------------------------|
| Cost Approach: | Not Developed |
| Sales Comparison Approach: | \$504,000 (\$40/SF) |
| Income Capitalization Approach: | \$416,000 (9% OCR) |
| Final Opinion of Market Value: | \$460,000 (Fee Simple) |

Bird's Eye View of Subject Buildings



Plat Map View of Subject Buildings



Scope of the Process of Collecting, Confirming & Reporting Data

In developing this appraisal:

Robert B. Gelman and Andrey Arefyev inspected the subject property on December 24, 2018 at which time interior and exterior photos and exterior building measurements were taken of the structure and site. We were given access to the interior and exterior perimeter of the building and the entire site. This inspection was visual only, and as such, it is not technically exhaustive; furthermore, this inspection is limited to readily observable conditions only. The visual inspection did not include operating any mechanical systems or moving any personal items.

Additional information about the property was taken from Allegheny County Assessment records. The total land area estimate is based on review of county records. Zoning information was obtained by the Swissvale Borough zoning map and ordinance.

Regional and neighborhood data was taken from information available in the Dizio Appraisal Services library, census data, and national information services including Realty Rates and CoStar Property.

Based on information collected in the steps listed above, a highest and best use analysis was performed and the property was appraised at its highest and best use, which in this case is continued use as an landscape facility.

All approaches to value have been considered but only the most applicable approaches have been developed. The most relevant approaches to value are the Sales Comparison Approach and Income Capitalization Approach.

In developing the Sales Comparison Approach, sales data from the local market was reviewed. Data sources include the West-Penn Multi-List, CoStar Property, Loop Net, county records as well as RealStats and information in the Dizio Appraisal Services files

One of the owners verbally provided rental income. The Income Approach has been developed. The property is both vacant and tenant occupied. In developing the Income Capitalization Approach, I first examined the submitted rental information. I then performed a rental study of competitive space in the subject's general market area. This is done in order to determine the economic or market rent for the subject. Vacancy statistics were also review. Sales data and local, national market area data were also reviewed and overall rates of capitalization extracted Data was taken from the Realty Rates, Co Star Property and information in the DITIO Appraisal Services files.

The Cost Approach was not developed, as an investor for industrial buildings of this age would not consider cost in their purchasing decision.

Finally, conclusions were drawn based on the relevant data reviewed and reasonable conclusions have been drawn as to market value of the subject property.

The intended user of this appraisal report is Louis Weiss and his assigns only, and is specific to the needs of the client. These are the only intended users of this appraisal report. Other parties who choose to rely on this report, including those that receive the report through established processes of disclosure or regulation, are not intended users of this appraisal report. While the appraiser recognizes that other parties may choose to rely on this appraisal report, the appraiser does not intend use of the appraisal report by these parties, and to avoid misleading them, they are hereby notified that they are neither the client nor intended to use the appraisal report. The appraiser is not responsible for unauthorized use of this appraisal report.

Definition of Market Value

Market value, as defined by the federal financial institutions regulatory agencies, 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 interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Source: 12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990; as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994

Sales & Listing History of the Subject Property

Deed Book : 7833

Deed Page : 445

| Owner | Sale Date | Sale Price |
|------------|-----------|------------|
| WEISS JACK | 7/25/1988 | \$185,000 |

Sales & Listing History of the Subject Property (continued)

No further historical sales information is available.

A review of CoStar Property and the West Penn Multi-List revealed no current or expired listings within the past 12 months of the effective date of value.

Rental History of the Subject Property

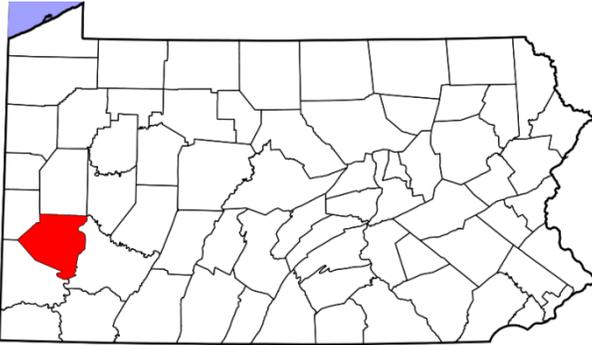
There were no reported written leases and rents were provided verbally.

No further historical rental data was available.

Identification and General Description of Real Estate Being Appraised

Summary Area Description

Demographic Breakdown



In general Allegheny County, specifically, the City of Pittsburgh is the nucleus of the Pittsburgh Metropolitan Statistical Area (PMSA). The PMSA includes Allegheny and the five surrounding counties; Beaver, Butler, Fayette, Washington, and Westmoreland. Despite the trend toward outmigration and the growth of the surrounding counties, Pittsburgh and Allegheny County remains the economic and cultural hub of the region.

Census data indicated that the Allegheny County has lost population from 2000-2010. The County's 2010 population of 1,223,348 people represents a 4.60% decline from the 2000 population of 1,281,666. The 2000 population was a 4.10% decline over the 1990 population of 1,336,449, which was a 7.60% decline from 1980 when population in Allegheny County was

1,445,980. The reason for the decline is twofold: 1) the national trend of outmigration away from metropolitan areas; and 2) the decline of basic industry in this area in the 1980's. However, the loss of population has recently reversed and generally stabilized according to the 2017 Census Bureau Estimates. The 2017 population estimates for Allegheny County and the City of Pittsburgh are 1,223,048 and 302,407, respectively. This equates to an Allegheny County population decrease of a slight -0.02% and the City of Pittsburgh decrease of -1.07%.

The City of Pittsburgh is the county seat of Allegheny County and is the largest population center in the county with a 2010 population of 305,704 people and is second only to Philadelphia in the Commonwealth of Pennsylvania.

The table below represents Allegheny County and surrounding county's population and the percentage change in population from 2010-2017.

| County | 2017 Population* | 2010 Population | Percent Change |
|--------------------------|------------------|-----------------|----------------|
| Allegheny | 1,223,048 | 1,223,348 | -0.02% |
| Armstrong | 65,642 | 68,941 | -4.78% |
| Beaver | 166,140 | 170,539 | -2.57% |
| Butler | 187,108 | 183,862 | 1.76% |
| Washington | 207,298 | 207,820 | -0.25% |
| Westmoreland | 352,627 | 369,169 | -4.48% |
| *Census Bureau Estimates | | | |

Source: U.S. Census Bureau/American Fact Finder

Allegheny County is considered to be one of the oldest metropolitan counties in the nation. The 2017 median age for Allegheny County is 40.8 years, which is above the national average of 37.7 years. The trend indicated by the census data shows the median age in the county is increasing every year. Reasons for the trend include outmigration of young college educated individuals and increased breakthroughs in medical technology in regional health facilities, which increases life expectancy.

According to the 2016 U.S. Census/American Fact Finder, the Allegheny County median household income is \$54,357, which generally compares to the national average of \$55,322. The 2016 Allegheny County income levels are above year 2010 levels, and increasing income levels are the emerging trend as the service sector expands in the county. The stability of population in the area and regional health facilities, these economic factors indicate a healthy economy in Allegheny County.

Economic Development

The economy of Allegheny County has historically been linked to that of the industrialized river valleys of the Allegheny, Monongahela, Ohio, Beaver and Youghiogheny Rivers. The Counties of Allegheny, Beaver, Butler, Fayette, Washington, and Westmoreland are included in the Pittsburgh Metropolitan Statistical Area (PMSA) and share interdependence for skilled workers, raw materials, and transportation.

Economic Development

The tri-state area (comprising Western Pennsylvania, Eastern Ohio and Northern West Virginia) has for nearly a century enjoyed a strong economy and low unemployment based on heavy industry, particularly the production of steel, mining and other types of manufacturing. During the transitional years, between 1970 and 1980, Pittsburgh saw a shift in main employers. Before the transition, the largest group of occupational employment was blue collar. The recession of the early 1980's and the corresponding decline in the basic metals industry have severely affected the entire region. Nowhere are the effects more apparent than in the smokestack industrial-related job markets, particularly in the small mill towns flanking the Ohio, Monongahela, Allegheny, Youghiogheny, and Beaver Rivers.

After the transition, between the years of 1980 and 1990, the accepted trend was that Pittsburgh would follow towards "industrial robots." Local universities have made a significant impact on the growth of the region's technology sector. Carnegie-Mellon University (CMU) established the Software Engineering Institute as part of a contract for the U.S. Department of Defense. CMU also founded the Robotics Institute to further the development of Artificial Intelligence and proliferate its integration into industry. Now, Allegheny County is the center for health care and higher education employment, with professional services, financial and wholesale trade as the other main employers in the region.

The Pittsburgh area has approximately 90 hospitals, health care facilities, and medical schools, which offer a full range of traditional health services and access to state-of-the-art medical research. The University of Pittsburgh Medical Center (UPMC) Health System, which is affiliated with the University of Pittsburgh Schools of the Health Sciences, is the leading integrated health care delivery system in Western Pennsylvania. The US News and World Report Honor Roll rank UPMC 12th out of the top 188 medical facilities. It meets comprehensive health care needs through UPMC hospitals -- the region's largest network of tertiary, specialty, and community hospitals and by offering a variety of health-related services and products.

With more than 54,000 employees, UPMC Health System is the largest non-governmental employer in the region. In addition, it is one of the largest not-for-profit integrated health care systems in the United States. UPMC is internationally known for its pioneering role in organ transplants.

One important sector of Pittsburgh's revitalized economy is money and banking. The City of Pittsburgh is home to the fourth largest financial market in the country. There are three national banks, five foreign bank offices, and a branch of the Federal Reserve. A wealth of regional financial services firms, including Federated Investors, First National Bank, PNC Financial Services, and Bank of New York Mellon manage more than \$1 trillion in assets.

Allegheny County is home to six fortune 500 companies, United States Steel, PNC Financial Services Group, PPG Industries, H.J. Heinz, Wesco International, and Dick's Sporting Goods. More than 250 international firms have headquarters or regional offices located in Southwestern Pennsylvania. The business efforts of these international firms are enhanced by such organizations as the World Trade Center Pittsburgh, the Greater Pittsburgh World Trade Association, the Pittsburgh Council for International Visitors, and the World Affairs Council.

Through the efforts of the Department of Economic Development, Allegheny County leads the effort to attract even more businesses and develop sites, as evidenced by The Rivers Casino located on the North Shore, Stage AE also located on Pittsburgh's North Shore, the revitalization of Market Square, Consol Energy Center, and the Marcellus Shale formation project.

All areas of the county are experiencing continued commercial and residential growth and development. Among metropolitan counties, Allegheny County is considered under-retailed, which is derived by retail space per person. There is a trend throughout all portions of the county to add or expand retail and office space, along with converting vacant commercial space into usable entities.

The East End contains several new developments including Children's Hospital, which relocated from the Oakland area to Lawrenceville, and Bakery Square, a mixed use development, which includes a Google technology site and innovative retailers along with a Target store located nearby. The East End has also experienced some new home construction and rehabilitation projects.

To the north, Ross Park Mall and Northway Mall are centers of economic activity, with the Grove City Prime Outlets located one hour north of the city. The economic focal points on the eastern portion of the county consist of the Monroeville Mall, Miracle Mile Shopping Center, the Pittsburgh Mills Mall, and the Waterfront Development. The Waterfront Development is a mixed-use conglomeration of over 1,500,000 square feet. The southern retail developments include the Century III Mall in West Mifflin and the Tanger Outlets at the Meadows in South Strabane. The center of economic activity in the western portion of the county is the Robinson Towne Center, with the adjoining Mall at Robinson, and The Pointe at North Fayette.

Transportation:

Allegheny County enjoys good east-west highway access to Philadelphia and Ohio respectively by the Pennsylvania Turnpike, a toll road, also known as Interstate 76. The Turnpike bisects a northern portion of Allegheny County in a northwest/southeast direction and intersects Routes 8, 19, 22, 28, and 30. Interstate 79 is the major Western Pennsylvania access route to the Great Lake port of Erie to the north and south to the West Virginia's border. The Penn-Lincoln Parkway East and West are two main traffic arteries in Allegheny County, which connect suburbs in the east, south and west, respectively, to the City of Pittsburgh. The Interstate Route 279, also known as the Parkway North, has facilitated travel between Pittsburgh and its northern suburbs. Allegheny County has a partially completed tolled highway (Pennsylvania Route 576) in the southern and western portions of the county. Also known as, the Pittsburgh Southern Beltway-Findlay Connector, the roadway will serve as a beltway from the Pittsburgh International Airport to U.S. Route 22. According to the 2010 U.S. Census, the mean average travel to work is 25.1 minutes, which is lower than the 26.2-minute national average, yet ranked 95th out of 231 from a sampling of the largest counties in the nation. The Port Authority of Allegheny County and other private companies provide mass transit service through Allegheny County by bus, trolley, commuter trains and inclines. The Port Authority of Allegheny County is the 11th largest public transportation system in the country. Every day at least 844 buses, 83 light rail vehicles, 80 small transit vehicles and 4 inclines cars service Allegheny County. In addition, over 450 privately owned vehicles service the area daily through ACCESS. Average weekday ridership for the entire system is nearly 203,103. Yearly ridership exceeds 73 million.

The "T" is a 25.2-mile light rail system serving the South Hills with the southern end of the line, between South Hills Village and Washington Junction. The "T" includes the downtown subway and three routes to the South Hills. Twelve stations have high-level platforms for easy access and wheelchair accessibility and 23 stops have street-level boarding.

The Martin Luther King, Jr. East Busway is a 6.8-mile, double-lane private bus right-of-way constructed adjacent to an operating railroad right-of-way. The East Busway serves downtown Pittsburgh, the East End and eastern suburbs of Allegheny County with 36 routes providing express and local bus service. Six busway stations are within walking distance to housing, retail shops and entertainment in the eastern corridor. The stations provide convenient drop off and pick up points as well as transfers to and from local bus service.

The South Busway was Port Authority's first busway and opened for service in December of 1977. The South Busway provides service between downtown Pittsburgh, Station Square and many South Hills neighborhoods. Utilizing a joint-use tunnel (bus/LRV), service is able to bypass gridlock traffic entering and exiting downtown Pittsburgh. Approximately 16 express and local routes serve the South Busway with eight stops located along the four-mile stretch.

The Port Authority's West Busway, opened on September 8, 2000. The West Busway is a five-mile exclusive bus roadway that provides fast, efficient public transportation service between downtown Pittsburgh and the Borough of Carnegie. The North Shore Connector, a light-rail extension that opened in 2012, extends the light rail system from Gateway Center, in the Central Business District of Pittsburgh, to the new North Side Station and Allegheny Station on the North Shore by way of a tunnel under the Allegheny River. The Connector extends the light rail system's "Free Fare Zone", enabling commuters to ride downtown for free. The final cost of the project was \$523.4 million. Allegheny County also has good rail facilities, the principal source of transportation required for manufacturing and industrial production. Five Class-One railroads and fifteen short-line and switching railroads provide rail service to the County. Ten percent of all freight generated in this country begins in or passes through this region.

To the advantage of Allegheny County are the Allegheny, Monongahela, Ohio, Youghiogheny, and the Beaver Rivers. Pittsburgh is the second busiest inland port in the nation and the 19th busiest port, of any kind, in the nation in terms of tonnage handled. The port handled 52 million tons of cargo annually.

Two airports service Allegheny County: the Pittsburgh International Airport and the Allegheny County Airport.

The Pittsburgh International Airport, listed the 47th busiest airport in the nation, is located approximately 22 miles west of the City of Pittsburgh and is easily accessible by the Parkway West (I-376).

The Pittsburgh International Airport's state-of-the-art design features two separate buildings connected by an underground people-mover system, which is designed to capture a greater share of the traveler's dollar. The landside terminal houses ticketing, security, and baggage operations while the airside terminal houses gates and a mix of restaurants, and local and international retailers. Pittsburgh International Airport is the busiest airport in western Pennsylvania and the second-busiest airport in the state, after Philadelphia International Airport. In 2016 it served 8,309,754 passengers. Aside from commercial flights, other resources in and around the airport have been developed in recent years. In November 2008, the airport, helped by the volunteer ambassadors, opened a new Military Comfort Center at Gate A4 to serve traveling military and their families. Dick's Sporting Goods constructed a new global headquarters and hangar on the airport complex in early 2010. A major logistics center was constructed and opened in 2010.¹

County Airport serves as a general aviation reliever to Pittsburgh International Airport handling the regions' general and business aviation activities including corporate jets and light aircraft. The County Airport is the fifth largest airport in western Pennsylvania and is home to 160 aircrafts. Smaller operators offer specialized services such as avionics, maintenance, flight instructions, charters, and aircraft parts supply.

Recreation:

Since August 2001, the Pittsburgh Steelers have called Heinz Field their home. This modern athletic facility sits on Pittsburgh's North Shore and has a seating capacity of almost 65,000. It also is home to the University of Pittsburgh Panthers football games. The Pittsburgh Pirates play in PNC Park a classic-style baseball park, opened in 2000, which sits next to Heinz Field and seats more than 38,000 fans. Consol Energy Center is the new home to the Pittsburgh Penguins, and serves as the regional epicenter for athletic events, concerts and family shows in Western Pennsylvania. Consol Energy Center hosts more than 150 events per year, the maximum seating capacity of 20,000.

Allegheny County's selection of cultural arts and activities provide a variety of year-round entertainment. The Pittsburgh metro-area ranks in the top ten of the 50 largest metropolitan areas in the nation in terms of cultural facilities per 100,000 population. In fact, the cultural arts in Allegheny County draw bigger audiences than sporting events with facilities such as Heinz Hall, the Benedum Center, Byham Theatre, Andrew Carnegie Music Hall, and Andy Warhol Museum.

The Allegheny County Park System, comprised of nine parks and 12,000 acres, has more than 11 million visitors annually. The regional parks ring the City of Pittsburgh along the highway route of the orange belt, at a radius of about 15 miles from downtown Pittsburgh, conveniently accessible from all points in Allegheny County. Other local family attractions include Kennywood Amusement Park, Sandcastle Water Park, Carnegie Science Center, and the renowned Pittsburgh Zoo and PPG Aquarium.

Pittsburgh has an average of 3.9 million tourists visit the region each year. In 2011 Pittsburgh was named most livable city and was also rated the 7th best city to raise a family. In August 2010, Pittsburgh was ranked 4th best working city for mothers by Forbes as well as one of the best for entrepreneurs by Entrepreneur. Also, in 2007 Forbes magazine named Pittsburgh in an eight-way tie, the 6th cleanest city in the world.

Looking to the future, the following trends appear likely:

Allegheny County is part of the Pittsburgh Metropolitan Statistical Area (MSA), the primary population center and economic hub of Southwestern Pennsylvania. Proximity and access to employment centers, retail opportunities and essential goods and services are adequate.

The highway system provides adequate access throughout the region and good linkage to nearby major markets. Other modes of transportation supporting passenger and freight movement are also good. The utility infrastructure is developed to the point where public utilities are available to most portions of the county. Overall, the regional infrastructure is well developed and is an asset to attracting new business to the area.

Summary and Conclusions

There remains an abundance of land available for development within the region, especially in the outlying counties. Development opportunities are limited, in many instances, by the infrastructure and terrain characteristics. County population and household trends have stabilized. Additionally, the state's proportionate population growth is near the low end of the range. The data does not suggest a shift in demographic trends in the immediate future. The median income level in the county and Pittsburgh MSA are below that in both the state and nation. The data does not suggest a shift in income trends in the immediate future.

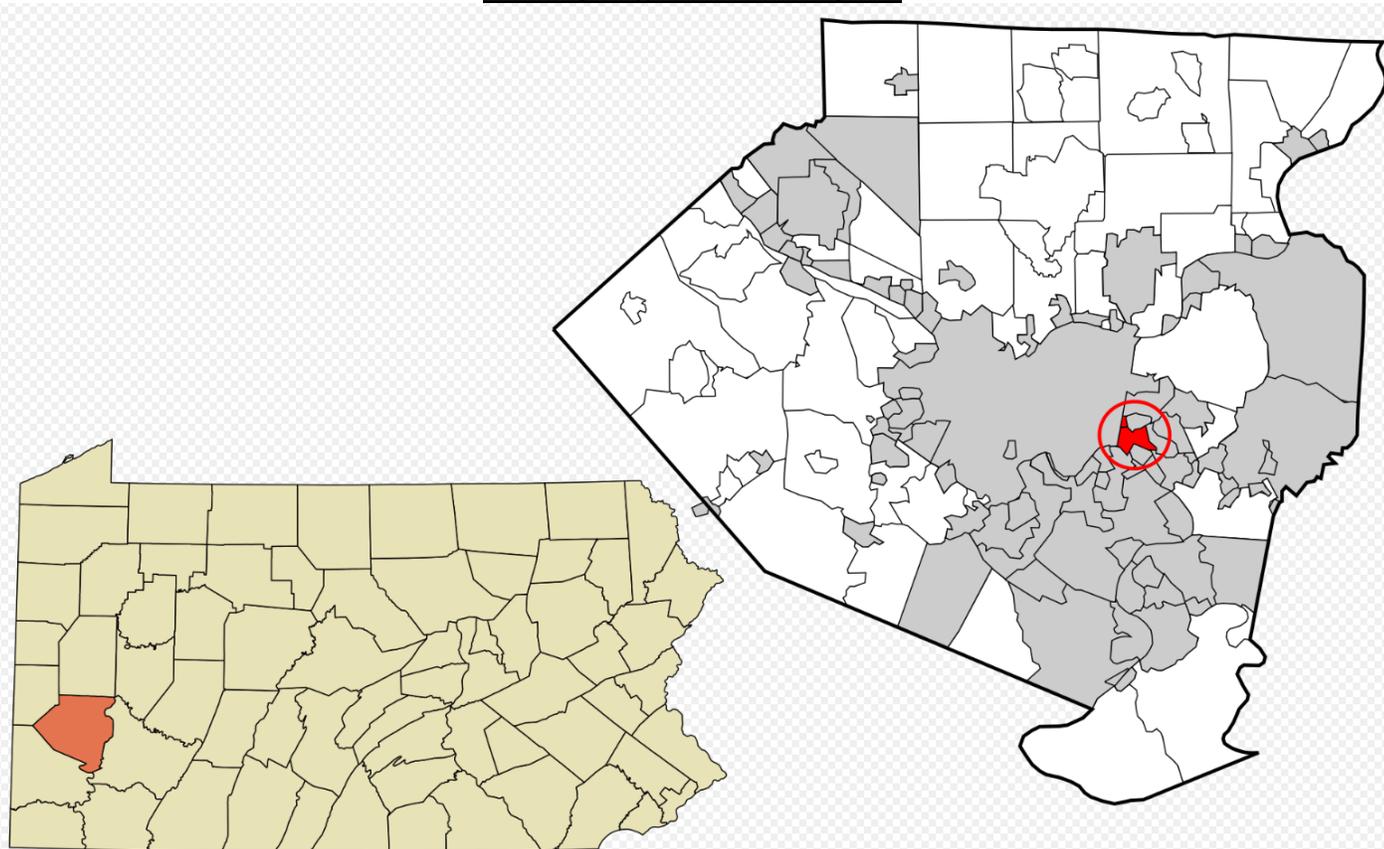
The unemployment rate, employment distribution and array of principal employers suggest adequate economic diversity. The labor force and employment levels are generally in balance. While historically there are few drivers for considerable new employment, recent activity suggest that growth in the health services and research generated from the region's universities may be starting to reinvigorate the economy. The largest catalyst for economic growth within the past decade has been the oil and natural gas boom from the Marcellus Shale basin. The Marcellus natural gas trend, which encompasses 104,000 square miles and stretches across Pennsylvania and West Virginia, and into southeast Ohio and upstate New York, is the largest source of natural gas in the United States. The surge in drilling activity in the Marcellus Shale has generated economic benefits throughout southwestern Pennsylvania. According to the Pittsburgh Regional Alliance (PRA), 2016 was a "high-water mark" year for capital investment in the region, totaling more than \$10 billion in new developments in a 10-county region. The PRA reported 245 economic deals, a mix of new business, retained business and expansions that added up to 177 investments plus 68 infrastructure and real estate development projects. The development of a \$6 billion ethane cracker and petrochemical complex by the Shell Chemical Company and the anticipated job growth will have a significant positive impact on development in Beaver County and the northwestern tier of Allegheny County. Allegheny County's Largest Employers 1st Quarter 2018.

| | Top 10 Largest Employers |
|---------|------------------------------------|
| Rank | Allegheny County-1st Quarter, 2018 |
| 1 | UPMC Presbyterian Shadyside |
| 2 | University of Pittsburgh |
| 3 | Federal Government |
| 4 | PNC Bank NA |
| 5 | Western Penn Allegheny Health |
| 6 | Giant Eagle Inc. |
| 7 | Allegheny County |
| 8 | Bank of New York Mellon |
| 9 | Carnegie Mellon University |
| 10 | School District of Pittsburgh |
| Source: | PA Dept. of Labor & Industry |

Aerial Map



Summary Neighborhood Description:



Swissvale Borough shaded in red

Swissvale is a borough in [Allegheny County, Pennsylvania](#), 9 miles (14 km) east of downtown [Pittsburgh](#). Named for a farmstead owned by James Swisshelm,^[3] during the [industrial age](#) it was the site of the [Union Switch and Signal Company](#) of [George Westinghouse](#). The population was 8,983 at the [2010 census](#).^[4] In 1940, 15,919 people lived there.

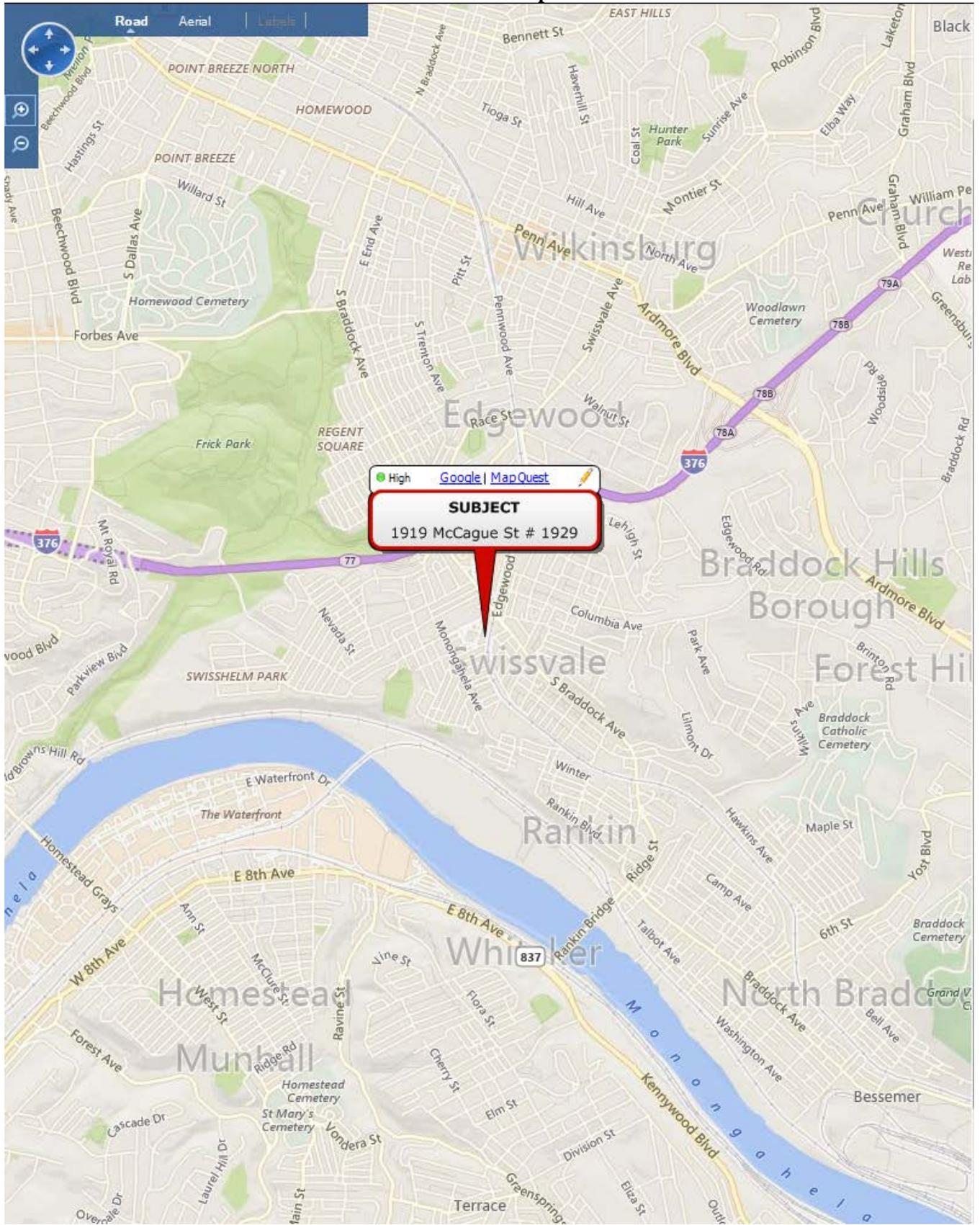
According to the [United States Census Bureau](#), the borough has a total area of 1.3 square miles (3.4 km²), of which 1.2 square miles (3.1 km²) is land and 0.1 square miles (0.26 km²), or 4.76%, is water.

Swissvale has six land borders, including [Edgewood](#) to the north, [Braddock Hills](#) to the east, [North Braddock](#) to the southeast, [Rankin](#) to the south, and the [Pittsburgh](#) neighborhoods of [Regent Square](#) and [Swisshelm Park](#) to the west. (The area known as Regent Square also encompasses portions of Pittsburgh, [Wilkinsburg](#), Edgewood, and Swissvale.) Directly across the [Monongahela River](#) to the southwest is the borough of [Munhall](#).

As of the [census](#)^[6] of 2000, there were 9,653 people, 4,679 households, and 2,390 families residing in the borough. The [population density](#) was 8,052.0 people per square mile (3,105.9/km²). There were 5,097 housing units at an average density of 4,251.6 per square mile (1,640.0/km²). There were 4,679 households, out of which 21.2% had children under the age of 18 living with them, 31.0% were [married couples](#) living together, 16.5% had a female householder with no husband present, and 48.9% were non-families. 42.0% of all households were made up of individuals, and 14.3% had someone living alone who was 65 years of age or older. The average household size was 2.06 and the average family size was 2.85. In the borough the population was spread out, with 20.0% under the age of 18, 8.2% from 18 to 24, 31.7% from 25 to 44, 22.7% from 45 to 64, and 17.4% who were 65 years of age or older. The median age was 39 years. For every 100 females, there were 84.4 males. For every 100 females age 18 and over, there were 79.0 males. The median income for a household in the borough was \$31,523, and the median income for a family was \$35,929. Males had a median income of \$29,333 versus \$25,184 for females. The [per capita income](#) for the borough was \$19,216. About 14.1% of families and 15.3% of the population were below the [poverty line](#), including 26.2% of those under age 18 and 10.4% of those age 65 or over.

Sources: Wikipedia and American Fact Finder

Location Map



Identification and General Description of Real Estate Being Appraised (continued)**Summary Land/Site Description:**

This is an irregularly shaped level corner site with 300 feet of frontage along the easterly side of McCauge St.; 117feet of frontage along the northerly side of Irvine St. There is 195 feet of frontage along a paper street on the east side of the subject and 123 feet of frontage on the northern boundary of the site which has a total site area of 31,633 SF.

There is adequate onsite parking.

There is a small triangular shaped lawn at the intersection of McCauge and Irvine Streets.

The MLK East and RR tracks are separated from the subject by the paper street.

No survey was provided. Except for typical utility easements, no other easements, encroachments or rights-of-way were observed while researching and inspecting the subject property. No data relative to subsoil conditions was provided nor was adverse subsoil conditions noted.

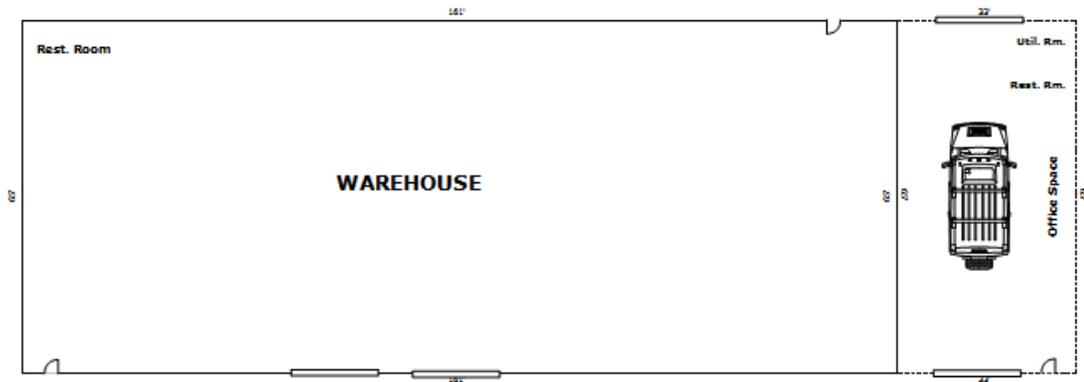
The site is zoned CBD, a Central Business District. The zoning requirements have been analyzed in relation to the subject property, and the compliance of the existing or proposed use has been considered. Based on a review of available public information, the subject property appears to be a legally conforming use with the Swissvale Borough zoning ordinance.

The site is serviced by public electric, natural gas, water and sewer.

The site improvements do not appear to be located in a flood prone area. A flood map is included in this report. (see addendum)

Buildings Sketch (1 page)

Warehouse = 10,465 SF
 Garage/Storage = 2,145 SF
 Total GBA = 12,610 SF



TOTAL Sketch by: la mode, Inc.

Area Calculations Summary

| Living Area | | Calculation Details | |
|-------------------------------------|--------------------|---------------------|------------------|
| Warehouse/ Storage | 10465 Sq ft | | 161 × 65 = 10465 |
| Garage | 2145 Sq ft | | 33 × 65 = 2145 |
| Total Living Area (Rounded): | 12610 Sq ft | | |

Summary Improvement Description

Following is a brief description of the building specifications based on a tour of the facility on December 24, 2018 (Note: This information is intended only to provide the reader with an overview of the general quality and type of materials contained in the subject property and is not intended to provide detailed engineering quality specifications which should be obtained from a qualified engineer or architect).

EXTERIOR: This is a one story commercial/industrial building that was originally constructed as a super market and subsequently converted (time unknown) to the present basically warehouse use. The structure is on a concrete slab and has both concrete block and metal clad walls and a flat roof. There is minimum fenestration.

INTERIOR: The main warehouse contains 12,610 SF and has three overhead doors.

The structures interior is partitioned into two spaces; a portion of the warehouse functions as a storage facility with a restroom and has a total interior area of 10,465 SF.

The second portion is a garage space of 2,145 SF.

The general overall interior has concrete floors, metal fabricated walls and ceilings, steel beam trusses, and fluorescent lighting.

The rest room in the warehouse has vinyl tile floor, painted drywall walls. There are a total of 2 Reznor overhead gas fed space heaters in the warehouse section while the garage space has both a Reznor space heater and a gas fed forced air Goodman furnace.

There is also a rest room in this space.

None of the interior is sprinkled.

Overall, the facility is quite dated and has fair utility as general purpose warehouse and storage space.

There is a slight change of grade between the two sections.

The ingress and egress as well as the site's vehicular circulation are adequate.

However, the warehouse has no loading docks.

The overall effective age for the facility properties is approximately 60-70 years and the estimated remaining economic life is approximately 25-30 years.

EQUIPMENT: There is no wired fire alarm and no sprinkler.

AGE: Unknown

SIZE: 12,610 of total gross building area

SITE IMPROVEMENTS: There is asphalt paved driveways and parking areas and minimal landscaping.

Highest and Best Use

The Appraisal Institute defines the Highest and Best Use as:

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value.

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

In this analysis, a use must meet four criteria in order to be the Highest and Best Use. The use must be:

- Legally Permissible
- Physically Possible
- Financially Feasible
- Maximally Productive

A proper analysis considers all logical, feasible alternatives. The market limits the number of uses to a few logical choices. The uses that meet the first two tests (physical possibility and legal permissibility) are then analyzed to ascertain how many financially feasible alternatives must be considered.

From these alternatives, the use that produces the highest value is the maximally productive use. This maximally productive use is the Highest and Best Use of the property. This process applies to the subject as vacant and as improved.

As If Vacant:

Legally Permissible

- As noted, the subject site sets within the CBD zoning district. Permitted uses encourage development of various commercial and industrial uses. All permitted uses warrant further consideration as potentially the highest and best use as vacant.

Physically Possible

- The subject parcel contains 31,633 SF. The topography is level and has access from two street. The site is irregular in shape, its size physically allows for development of commercial or industrial improvements. There are all public utilities connected.

Financially Feasible

- The immediate neighborhood is comprised of residential dwellings and commercial buildings. Given its location in the borough, it would appear that commercial or industrial development is financially feasible.

Maximally Productive

- Currently based on surrounding development of the subject and permitted uses, commercial or industrial development is the maximally productive use of the site.

Highest and Best Use (continued)

As Improved:

Legally Permissible

- The subject is improved with a one story industrial building in overall fair to average condition as well as associated on-site parking improvements. The zoning district allows for numerous commercial and industrial uses including the existing use.

Physically Possible

- The 31, 633 SF parcel contains adequate land area for the current use. The size, shape, and topography of the site are appropriate for the existing use. Public electric, gas, water and sewer are connected.

Financially Feasible

- Based on the size and condition of the existing improvements, as well as an analysis of the local market, it is concluded that the current industrial use is financially feasible.

Maximally Productive

The structures are in fair to average overall condition. Demolition of the existing facility in the near future is not productive as the building does contribute value to the site and redevelopment of the site is not anticipated to occur within the near future. The highest and best use as improved is concluded to be the existing use.

The Valuation Process

Sales Comparison Approach

The basis or thrust of this approach is predicated upon direct comparisons of the subject to properties that share some degree of comparability with the subject, and have sold in the same or similar market.

The value predicated upon this approach is representative of the reactions of typical buyers and sellers in the marketplace and is based upon the principle of substitution. That is, no prudent, knowledgeable person will pay more to buy one property than it will cost to buy another similar property. When a sufficient number of sales are evaluated, a pattern is usually established and with proper interpretation, this pattern can be a good and acceptable indication of market value.

Generally, the steps in the Market Approach are indicated below:

- 1) Research the market to identify similar properties for which pertinent sales, listing, offerings and/or rental data is available.
- 2) Qualify the prices as to terms, motivating forces and bonafide nature.
- 3) Compare each of the comparable properties' important attributes to the corresponding ones of the property being appraised, under the general categories of time, location, physical characteristics and conditions of sale.
- 4) Consider all dissimilarities and their probable effect on the price of each sale property to derive individual market value indications for the property being appraised.
- 5) From the pattern developed, formulate an opinion of market value for the property being appraised.

In this assignment, I have utilized the Sales Comparison Approach in order to estimate the value of the property. The sales have similar elements of comparison to the subject and represent competing properties in the marketplace.

On the following pages are the four sales which are felt to be the most credible indicators of value for the subject property.

Improved Sale No. 1**Property Identification**

| | |
|---------------------------|--|
| Record ID | N/A |
| Property Type | Class C warehouse building |
| Address | 3 Lane Rd, Collier Twp, Carnegie PA, 15106 |
| Tax ID | 147-H-22 |
| Location: | Collier Township |
| <u>Sale Data</u> | |
| Grantor | VJL Corporation |
| Grantee | Paul and Molly Scott Family LLC |
| Sale Date | March 14, 2018 |
| Deed Book/Page | 17119/10 |
| Conditions of Sale | None Noted |
| Verification | Other sources: County Records, RealStats, CoStar Property. |
| | |
| Sale Price | \$475,000 |

Land Data

| | |
|-------------------|----------------------------------|
| Land Size | 21,344 SF with 12 parking spaces |
| Topography | Mostly Level |
| Utilities | All Public |

General Physical Data

| | |
|--------------------------|---|
| Building Type | Multi Tenant 10,600 4,385 SF vacant or 59% occupied. There are 5 loading docks, 4 of which have levelators. There is 3 phase electric and 25 feet ceiling heights. |
| | |
| Construction Type | Masonry and Metal |
| Stories | 1 |
| Year Built | 1980 |
| Condition | Average |

Indicators

| | |
|-------------------------|---------|
| Sale Price/ SF | \$44.81 |
| Floor Area Ratio | 0.50 |

Remarks

The building was over 50% tenant occupied at time of sale. Overall condition was average to good. The location is considered to be similar to the subject. There is minimum office space.

Improved Sale No. 2

Property Identification

| | |
|----------------------|--|
| Record ID | N/A |
| Property Type | Class c Warehouse Building |
| Address | 431 Jane Street, Carnegie Borough, Allegheny County, Pennsylvania 15106 |
| Location | Carnegie Borough |
| Tax ID | 66-A-225 |

Sale Data

| | |
|---------------------------|--|
| Grantor | Rycon Construction/DWF Corporation |
| Grantee | LGP Associates |
| Sale Date | September 12, 2017 |
| Deed Book/Page | 16939/6 |
| Property Rights | Fee Simple |
| Conditions of Sale | None Noted |
| Verification | Other sources: County Records, RealStats & CoStar Property |
| Sale Price | \$705,000 |

Land Data

| | |
|-------------------|-----------------|
| Land Size | 33,140 SF |
| Topography | Generally Level |
| Utilities | All public |

General Physical Data

| | |
|--------------------------|---------------------------|
| Building Type | Single Tenant 100% leased |
| Gross SF | 14,100 |
| Construction Type | Masonry |
| Roof Type | Flat |
| Stories | 1 |
| Year Built | 1960 |
| Condition | Average |

Indicators

| | |
|-------------------------------|---------|
| Sale Price/Gross SF | \$50.00 |
| Floor Area Ratio | 0.62 |
| Land to Building Ratio | 1.59:1 |

Remarks

The warehouse which was remodeled in 1998 has a ceiling height up to 16', one loading dock. No finished office space. No sprinklers. The building is in average overall condition. The site has approximately 14 parking spaces available. This location is considered to be similar to the subjects.

Improved Sale No. 3**Property Identification**

| | |
|----------------------|---|
| Record ID | N/A |
| Property Type | Class B Warehouse and Industrial Building |
| Address | 4 Hewitt St., Pittsburgh, PA 15205 |
| Location | Crafton Borough |
| Tax ID | 69-H-151 |

Sale Data

| | |
|---------------------------|--|
| Grantor | Verizon PA Lic. |
| Grantee | Shawn and Christine Mascellino |
| Sale Date | August 30, 2018 |
| Deed Book/Page | 17370/151 |
| Conditions of Sale | None Noted |
| Verification | Other sources: County Records, RealStats & CoStar Property |
| Sale Price | \$498,000 |

Land Data

| | |
|-------------------|----------------------------|
| Land Size | 1.68 Acres or 73,181 SF |
| Topography | Variable; Level to Sloping |
| Utilities | All public |

General Physical Data

| | |
|--------------------------|---------------------------|
| Building Type | Single Tenant-100% leased |
| SF | 12,430 |
| Construction Type | Metal/Masonry |
| Stories | 1 |
| Year Built | 1983 |
| Condition | Average |

Indicators

| | |
|-------------------------|---------|
| Sale Price/ SF | \$40.15 |
| Floor Area Ratio | 0.17 |

Remarks

The property is located near Steuben Street and is a masonry and metal building containing 12,403 SF of gross building area. The building has 4 drive ins. The building appeared to be in average overall condition at the time of sale.

Improved Sale No. 4**Property Identification**

| | |
|----------------------|---|
| Record ID | N/A |
| Property Type | Class Warehouse and Distribution Building |
| Address | 1707 Douglass St. Pittsburgh, PA 15221 |
| Location | Wilkinson Borough |
| Tax ID | 296-P-275 |

Sale Data

| | |
|---------------------------|--|
| Grantor | Neville and Lucricia Lawrence |
| Grantee | Terminal Leasing, Inc |
| Sale Date | May 19, 2017 (DOM 1,032) |
| Deed Book/Page | 16784/582 |
| Conditions of Sale | None Noted |
| Verification | Other sources: County Records, RealStats & CoStar Property |
| Sale Price | \$840,000 |

Land Data

| | |
|-------------------|--|
| Land Size | 1.70 Acres or 74,052 SF (County shows 42,920 SF) |
| Topography | Level to Sloping |
| Utilities | All public |

General Physical Data

| | |
|--------------------------|---------------------------|
| Building Type | Single Tenant-100% leased |
| SF | 17,000 |
| Construction Type | Masonry |
| Stories | 1 |
| Year Built | 1972 |
| Condition | Average |

Indicators

| | |
|-------------------------|---------|
| Sale Price/ SF | \$49.41 |
| Floor Area Ratio | 0.23 |

Remarks

The property is located between Robinson Blvd and Laketon Road on a large level site with parking for 25 vehicles. The masonry building containing 17,000 SF of gross building area with ceiling heights varying from 14 to 18 feet. There is a 2,500 SF finished office space. The building has 2 loading docks with levelators, 3 phase electric power. The building appeared to be in average overall condition at the time of sale.

Discussion of the Sales Comparison Approach

Property Rights Conveyed

The property rights conveyed in the improved sales are fee simple. No adjustments are warranted.

Market Conditions

Although changes in market conditions were considered, no adjustments were deemed necessary. No pattern with regard to value changes (either appreciation or depreciation) was evident. No adjustments are applied for changing market conditions. All sales are less than 2 years old.

Location

The subject is located in Swissvale Borough, Allegheny County. This is an average location. The immediate neighborhood is comprised of a few similar complimentary land uses and has good access to local and regional transportation linkages. All four sales are located in Allegheny County and are located in neighborhoods that are similar in regards to general commercial/industrial locations and no adjustments are applied.

Condition and Appeal

The subject property is in overall fair to average condition and has average appeal. The condition of Sales 3 and 4 are deemed somewhat superior to the subject.

Functional Utility (Warehouse/Office)

Properties with a higher office to warehouse mixtures have superior marketability. Sale 4 does have superior office finish compared to the subject.

Building Size

Adjustments have been considered for the differences in building size between the sales and the subject. The economies of scale principle often applies in real estate whether considering building area or land area. It is common for smaller buildings to sell for a higher per unit price than larger buildings. The subject building and Sale 1 are generally similar in terms of building size. Sales 2,3 and 4 have buildings larger than the subject.

Site Size

Adjustments have been considered for the differences in site size between the sales and the subject. The economies of scale principle often apply in real estate considering land area. It is common for smaller sites to sell for a higher per unit price than larger parcels. Sale 1 has a site size similar to the subject, but sales 2, 3 and 4 have larger sites.

Conclusion:

The 4 sales range in sale price per building with land merged from \$40.15/SF to \$50.00/SF. Each sale warrants some consideration in reconciliation. Sale #1 is the most similar in regards to building size. Sales 4 has office space. Sales 3 and 4 have loading docks. All sales have some tenancy. All sales are recent, within the past 2 years and all have similar locations with sale 4 having the least desirable location.

Considering all indicators and the differences that exist between the sale and the subject storage garages, a value estimated of \$40.00/SF with land merged is concluded.

The \$40.00 per SF is multiplied by the 12,610 SF of the subject building area.

Calculations:

| <u>Building Area</u> | | <u>Price/SF</u> | | <u>Indicated Value</u> |
|----------------------|---|-----------------|---|------------------------|
| 12,610 SF | x | \$40.00/SF | = | \$504,000 (Fee Simple) |
| Total | | | = | \$504,000 (Rounded) |

Income Approach

The most common capitalization techniques are the discounted cash flow method (DCF) and direct capitalization method. The discounted cash flow method is particularly useful in deriving the value of an irregular income stream. Therefore, this method is not considered.

Direct capitalization assumes a uniform level of an income stream and is more frequently used when the income stream reflects stabilized occupancy such as the case for the subject property.

In this case, the Direct Capitalization Method is utilized.

Direct Capitalization Method

This approach is based upon the present worth of future benefits; these future benefits being the actual or potential rent generated by the subject property. The net income stream is converted to a value by a capitalization technique selected from the marketplace. Rents, expenses and Overall Capitalization Rate (OCR) are market derived or verified.

The underlying premise in the Income Approach is that value is the present worth of future benefits arising from ownership. These benefits can be tangible or intangible, but normally are limited to an estimate of stabilized future net income potential. Net Income potential is translated into a market value by capitalizing the stabilized net income at an appropriate capitalization rate.

The following are the six steps necessary to develop the Income Approach.

1. Verification of actual rents and market rent of the income stream.
2. Estimate of the proper vacancy and collection loss.
3. Estimate and stabilization of expenses.
4. Estimate of net operating income.
5. Development of proper rate of capitalization.
6. Capitalization of actual and market net income into an indication of value by application of proper capitalization rate.

Income Capitalization Approach:

The owner has supplied the following rents, but note that there are no leases. All tenants are on a month to month basis. The rent reported below is via verbal agreement between landlord and tenants. Therefore income potential has been based on market for the property (land and improvements).

Below is a summary of the rental information supplied by the owner as of the effective date of value. This information is assumed to be correct.

Rent Roll Summary

Big Burrito leases approximately 1,500 SF at \$9,600 annually or a rental rate of \$6.40/SF.

The Car Wash leases 2,000 SF at 9,000 annually or a rental rate of \$4.50/SF.

The balance of the space or 9,100 or 72% is owner occupied.

Summary of 2018 CoStar Market Data

All rental rates reported in the CoStar Industrial Market report are exclusive of the expense pass-through associated with the rent.

Based on the subject buildings design characteristics, location and current uses, the subject was classified as an industrial building. The subject's market area, as defined by CoStar Property, is the Parkway East Corridor market.

The market statistics have been reviewed for warehouse market area of the Parkway East Corridor.

As previously noted, all rental rates reported in the CoStar Retail Market report are exclusive of the expense pass-through associated with the rent. Typically, in addition to the base rent, additional rent is paid for expenses such as utilities, insurance, and maintenance and real estate taxes in some cases.

Warehouse Market Rental and Vacancy Study:

I have examined two sources for market rental data. These include the CoStar Property Market Reports and data of warehouse spaces (both contract rents and ask rents) within the market area in order to develop a market driven rental range for comparable rental units. Vacancy and rental data supplied by CoStar Property has also been analyzed and reported.

2018 – CoStar Property Warehouse and Industrial Market Statistics

- Full Service Rental Rates
- Warehouse Market rent in Parkway East Corridor of \$5.79 /SF and vacancy of 4.8%
- Industrial Market rent in the Parkway West Corridor of \$6.76/SF and vacancy of 6.3%

Summary of Warehouse Market Rental Data

I have performed a market rental study of competitive warehouse units in the immediate and general market area of the subject. The subject is located in Parkway East Corridor and the market area for this study is primarily focused on competing areas near the subject as well as areas of similar appeal in the overall market area which includes all of Allegheny County.

A review of asking market rental rates in the general market area of warehouse properties has been performed. The properties in the table below have similar appeal and industrial warehouse/office finish as the subject. The local rents are presented in the table below:

| Address | Type of Unit | Unit Size | Rent/SF |
|--|----------------------------------|-----------|--------------------------|
| 785 Arch Ave., Carnegie, 15106 (9.6± acres land area) | Class C Industrial | 15,600 SF | \$3.85 Full Service |
| 500 N. Bell Ave., Carnegie, 15106 (3.45± acres land area) | Class B Warehouse | 40,245 SF | \$6.75-\$7.50 Triple Net |
| 315 Mansfield Blvd., Carnegie, 15106 (0.34± acres land area) | Class B Industrial-Warehouse | 9,000 SF | \$7.00 Triple Net |
| 580 Mayer St., Bridgeville, 15017 (6.70± acres land area) | Class B Industrial-Manufacturing | 12,000 SF | \$5.00 Triple Net |
| 8179 Steubenville Pike, Imperial, 15136 (1.50± acres of land) | Class C Industrial-Warehouse | 8,500 SF | \$4.23 Triple Net |
| 212 5 th St (1.21± acres of land) Wilmerding PA 15148 | Class C Industrial-Warehouse | 29,000 SF | \$4.25 Triple Net |

Comparable industrial warehouse rental rates range from \$3.85/SF to \$7.50/SF with a concentration in the \$5.00/SF - \$7.00/SF range.

These asking rents are generally negotiable:

- Triple net lease structures in which the tenant is responsible for payment of nearly all the property expenses including but not limited to (real estate taxes, insurance, maintenance and utilities).
- Modified Gross is a general type of lease rate where typically the tenant will be responsible for their proportional share of one or more of the expenses. The Lessor (landlord) will pay the remaining expenses. For example: Plus Electric means the tenant pays rent plus their own electric expense, or Plus Janitorial means the tenant pays the rent plus their own janitorial expense. Both of these are types of Modified Gross Leases, which may vary from tenant to tenant.
- Full Service Gross is a rental rate that includes normal building standard services which are provided and paid by the landlord.

Potential Gross Income:

In developing a projected economic rental rate for the subject, the following considerations have been made:

Location/Visibility – It is within good proximity to downtown Pittsburgh and the Parkway East (I-376). The visibility is only fair.

Condition/Appeal – The structure is in overall fair to average condition. No significant deferred maintenance has been noted. There are no loading docks and no sprinkler system.

Site Utility – The site utility for multiple tenancy is acceptable. There is ample on-site parking.

The anticipated lease structure would be the base rent plus the tenant responsibility for the gas, electric, and water/sewer. The owner/lessor would be responsible for the real estate taxes, insurance, maintenance and management.

I have relied on both actual and market rent to project potential gross blended income for the buildings and merged land at \$5.00/SF.

Potential Gross Income (PGI)

Storage-Garage/Warehouse Building 12,610 SF @ \$5.00 per square foot equates to \$275,958.

Vacancy and Collection Loss:

Currently, the building has a 28% occupancy rate (tenant and owner occupied), or 72% vacancy rate. There are only month to month verbal leases.

A 10.0% vacancy and collection loss for the subject is projected. This projection is based on the market research in the immediate and general market area. There is additional risk including absorption rates associated with leasing a partially owner occupied property and overall condition and appeal of the structure has been reflected in our vacancy projection of 10.0%.

Effective Gross Income:

After considering Vacancy and Collection Loss, the Effective Gross Income (EGI) is calculated below:

| | |
|---|-------------|
| Estimated Blended Rental Rate of \$5/SF times gross leasable area (GLA) of 12,610 SF equals \$63,050/annual | |
| <u>Less Vacancy and Collection Loss of 10% or \$6,305</u> | |
| Effective Gross Income | \$56,745/yr |

Expenses

The anticipated lease structure would be for the tenant to pay in addition to base rent of \$5/SF gas, electric, and water/sewer.

Real Estate Taxes

The owner is responsible for payment of the real estate taxes. Based on the current assessment, the taxes are 5,826/annually.

Insurance

Buildings of this type, age and quality typically range in insurance premiums of from \$.30 to \$.50/SF. A rate of \$.40/SF is projected or \$5,044/Annually.

Management

Professional management in the Greater Pittsburgh area generally ranges from 5% to 8% depending on such factors as location, condition, appeal, single or multiple tenancy. A rate of 6% is applied to the subject or \$3,405/annually.

Maintenance

Maintenance expense includes snow removal, landscaping, repairs and replacement of mechanical systems and which generally ranges for buildings of this age and quality from \$.25/SF to \$.50/SF. I have estimated a stabilized (this expense category can vary significantly from year to year) at \$.40/SF or \$5,044/annually.

An income and expense summary is presented below:

INCOME

| | |
|---|-------------|
| Potential Gross Income (PGI) (at \$5/SF) | \$63,050/yr |
| Less Vacancy Factor and Collection Loss (10%) | -\$6,305/yr |
| Effective Gross Income (EGI) | \$56,745/yr |

EXPENSES

| | |
|---------------------------------------|-------------|
| Real Estate Taxes (actual) | \$8,5826/yr |
| Insurance (est. @ \$.40/SF) | \$5,044/yr |
| Management (est. @ 6%) | \$3,405/yr |
| Maintenance (est. @ \$.40/SF) | \$5,044/yr |
| Total Expenses (actual and estimated) | \$19,316/yr |

Net Operating Income (NOI)

The projected Net Operating Income (NOI) for the subject is \$37,429/yr or 66% of EGI.

Base Capitalization Rate:

Two sources of capitalization rate data have been presented below; RealtyRates.com, and Market Extracted.

Summary of RealtyRates.com Investor Survey

| RealtyRates.com INVESTOR SURVEY - 3rd Quarter 2018* | | | | | | |
|---|----------|-------------------------------------|------|----------|----------|--------------|
| INDUSTRIAL - ALL TYPES | | | | | | |
| Item | Input | | | | | OAR |
| Minimum | | | | | | |
| Spread Over 10-Year Treasury | 0.74% | DCR Technique | 1.15 | 0.048303 | 0.90 | 5.00 |
| Debt Coverage Ratio | 1.15 | Band of Investment Technique | | | | |
| Interest Rate | 3.75% | Mortgage | 90% | 0.048303 | 0.043473 | |
| Amortization | 40 | Equity | 10% | 0.073439 | 0.007344 | |
| Mortgage Constant | 0.048303 | OAR | | | | 5.08 |
| Loan-to-Value Ratio | 90% | Surveged Rates | | | | 4.83 |
| Equity Dividend Rate | 7.34% | | | | | |
| Mazimum | | | | | | |
| Spread Over 10-Year Treasury | 5.85% | DCR Technique | 2.05 | 0.120715 | 0.50 | 12.37 |
| Debt Coverage Ratio | 2.05 | Band of Investment Technique | | | | |
| Interest Rate | 8.86% | Mortgage | 50% | 0.120715 | 0.060357 | |
| Amortization | 15 | Equity | 50% | 0.165077 | 0.082538 | |
| Mortgage Constant | 0.120715 | OAR | | | | 14.29 |
| Loan-to-Value Ratio | 50% | Surveged Rates | | | | 13.58 |
| Equity Dividend Rate | 16.51% | | | | | |
| Average | | | | | | |
| Spread Over 10-Year Treasury | 2.92% | DCR Technique | 1.46 | 0.077316 | 0.70 | 7.94 |
| Debt Coverage Ratio | 1.46 | Band of Investment Technique | | | | |
| Interest Rate | 5.93% | Mortgage | 70% | 0.077316 | 0.054278 | |
| Amortization | 25 | Equity | 30% | 0.123840 | 0.036901 | |
| Mortgage Constant | 0.077316 | OAR | | | | 9.12 |
| Loan-to-Value Ratio | 70.2% | Surveged Rates | | | | 9.77 |
| Equity Dividend Rate | 12.38% | | | | | |

*2nd Quarter 2018 Data

Copyright 2018 RealtyRates.com™

Capitalization rate data as presented by RealtyRates.com – 3Q 2018 indicates that “all types of industrial” surveyed capitalization rates range from 4.83% to 13.58% and average rate of 9.77%.

Summary of Local Capitalization Rate Survey

I have reviewed several extracted capitalization rates. Below is a summary of capitalization rates extracted from sales of generally industrial type buildings in the general market area of the subject property. The capitalization rates range from 9.0% to 16.0% and an average rate of 12.00%.

| No. | Location | Type | Sale Date | Sale Price | Building Size (SF) | Sale Price/SF | Cap Rate |
|-----|-------------------------------------|-----------------|------------|-------------|--------------------|---------------|---------------|
| 1 | 17Leonberg, Cranberry, 16066 | Class B Manu. | 4/26/2018 | \$1,637,500 | 37,283 | \$43.92 | 11.00% |
| 2 | 1871 Pennsylvania Ave. Monaca | Industrial | 7/7/2017 | \$2,300,000 | 120,000 | \$19.17 | 12.01% |
| 3 | 133 Industry Dr., Pittsburgh, 15275 | Flex | 1/13/2016 | \$1,900,000 | 20,870 | \$9.10 | 9.00% |
| 4 | 870 Main Street, 15642 | Class C Warehse | 12/22/2017 | \$105,900 | 4,000 | \$26.48 | 16.00% |
| | | | | | | Average | 12.00% |

Selection of a Capitalization Rate:

I have also presented some qualitative observations that have been incorporated into the selection of the capitalization rate.

Positive

- Location (good proximity to downtown and Parkway East)
- Ample On-Site Parking
- Overall Average Condition

Negative

- Location/Visibility
- Low Occupancy
- No loading docks

Based on the occupancy, location, average condition, functional utility and overall market appeal of the subject, I have projected a 9.0% overall capitalization rate. This projection is within the market range.

The net operating income is processed by the overall capitalization rate (OCR) to derive a value estimate.

| <u>Net Operating Income</u> | | <u>Loaded Overall Capitalization Rate</u> | | <u>Indicated Value</u> |
|-----------------------------|---|---|---|---------------------------|
| \$37,429 | / | 9.00% | = | \$415,878 (say) \$416,000 |

Reconciliation

All approaches to value have been considered but only the most applicable approaches have been developed.

The Sales Comparison Approach and the Income Capitalization Approach have been developed. The Cost Approach was not developed, as a potential purchaser for industrial buildings of this age would not consider cost in their purchasing decision.

In developing the Sales Comparison Approach, sales data from the local market was reviewed. All of the sales are recent and the most heavily weighted sales are considered highly comparable to the subject and good indicators of market value.

In developing the Income Capitalization Approach, I first examined the submitted rental information. I then performed a market rental study of competitive space in the subject's immediate and general market area. This is done in order to determine the economic or market rent for the subject. Vacancy statistics were also reviewed and sales data for other rental properties in the local and national market area were also evaluated and overall rates of capitalization extracted. The estimated net operating income was then capitalized at an appropriate rate. The results of the Income Capitalization Approach are generally supported.

Both approaches have their relative strengths and weaknesses. However, both are adequately supported, and, therefore, were given equal weight.

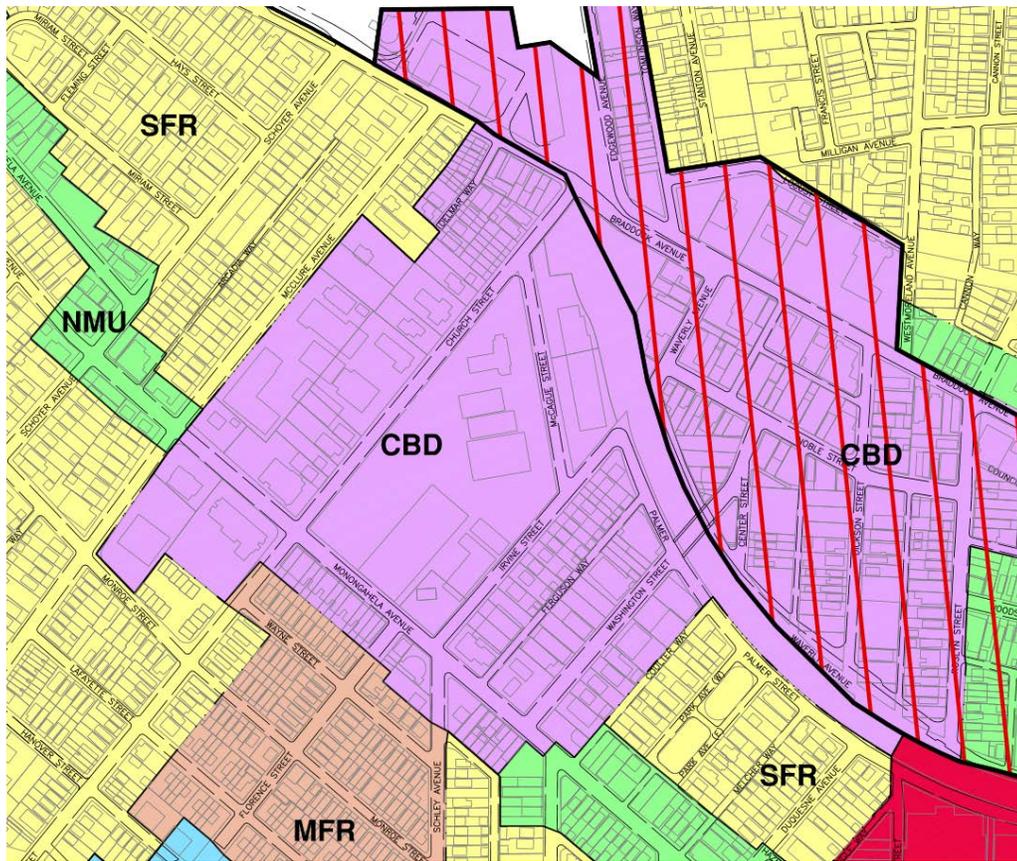
Therefore, my informed opinion of value is:

Market Value Indications:

| | |
|---------------------------------|---|
| -Cost Approach | Not Developed |
| -Sales Comparison Approach | \$504,000 (\$40/SF) |
| -Income Capitalization Approach | \$416,000 (9.00% (Overall Capitalization Rate)) |
| | |
| -Final Opinion of Market Value: | \$460,000 (Fee Simple) |
| -Effective Date of Value: | December 24, 2018 |

ADDENDUM
(Zoning Map, Flood Map, Photographs and Qualifications)

Zoning Map – Excerpt Swissvale Borough CBD, Central Business District

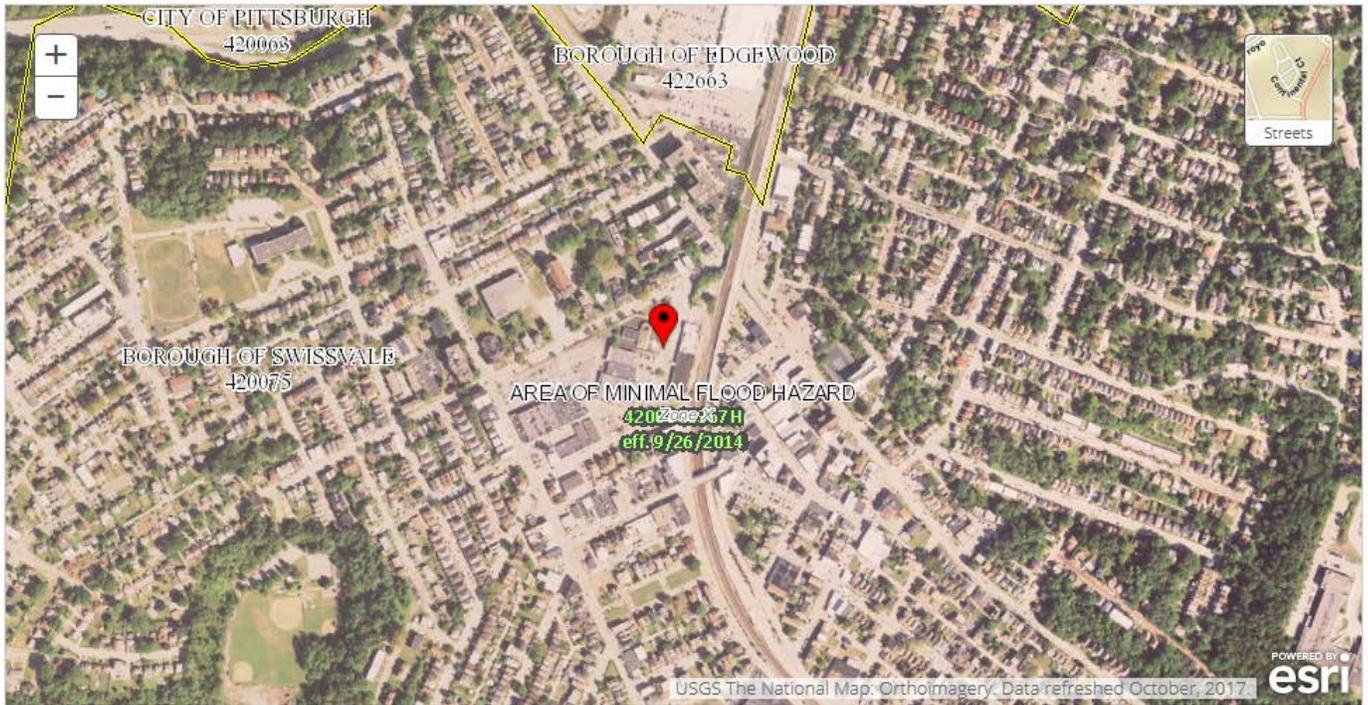


ZONING LEGEND

-  MFR (MULTI FAMILY RESIDENTIAL)
-  CBD (CENTRAL BUSINESS DISTRICT)
-  PU (PUBLIC USE DISTRICT)
-  RD (REDEVELOPMENT DISTRICT)
-  SFR (SINGLE FAMILY RESIDENTIAL)
-  NMU (NEIGHBORHOOD MIXED USE)
-  CFDD (CARRIE FURNACE DEVELOPMENT DISTRICT)
-  TOD (TRANSIT ORIENTED DEVELOPMENT)

Flood Map

Zone X -Area of Minimal Flood Hazard



| | | | | | | |
|---|--|---|---|---|--|--|
| <p>PIN</p> <ul style="list-style-type: none"> Approximate location based on user input and does not represent an authoritative property location | <p>MAP PANELS</p> <ul style="list-style-type: none"> Selected FloodMap Boundary Digital Data Available No Digital Data Available Unmapped | <p>OTHER AREAS</p> <ul style="list-style-type: none"> NO SCREEN Area of Minimal Flood Hazard Zone X Effective LOMRs Area of Undetermined Flood Hazard Zone D | <p>SPECIAL FLOOD HAZARD AREAS</p> <ul style="list-style-type: none"> Without Base Flood Elevation (BFE) Zone A, V, A99 With BFE or Depth Regulatory Floodway Zone AE, AO, AH, VE, AR | <p>OTHER AREAS OF FLOOD HAZARD</p> <ul style="list-style-type: none"> 0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile Zone X Future Conditions 1% Annual Chance Flood Hazard Zone X Area with Reduced Flood Risk due to Levee. See Notes. Zone X Area with Flood Risk due to Levee Zone D | <p>OTHER FEATURES</p> <ul style="list-style-type: none"> 20.2 Cross Sections with 1% Annual Chance Water Surface Elevation 17.5 Coastal Transect Base Flood Elevation Line (BFE) Limit of Study Jurisdiction Boundary Coastal Transect Baseline Profile Baseline Hydrographic Feature | <p>GENERAL STRUCTURES</p> <ul style="list-style-type: none"> Channel, Culvert, or Storm Sewer Levee, Dike, or Floodwall |
|---|--|---|---|---|--|--|

Photographs (Exterior)



Photographs (Interior)



Biography

Robert B. Gelman

Ditio Appraisal Services, Inc.

346 Locust St. Pittsburgh, PA 15218

Phone: 412-371-6000 Fax: 888-696-9693

Cell: 412-600-6717

Email: rgelman@ditio.com

Robert brings over 35 years of professional appraiser experience as Senior Appraiser at Ditio Appraisal Services, a firm active in all types of residential and commercial appraising in the Greater Pittsburgh area as well as the counties of Westmoreland, Washington, Beaver and Butler.

Robert B. Gelman holds a General Appraisal Certification from the Commonwealth of Pennsylvania and the State of Florida.

Robert entered the real estate appraisal business in Pittsburgh in 1968 and started his own firm, Gelman Real Estate and Appraisal Services in 1972. Bob owned this firm until 1997 when he sold the corporation. The new owners retained Bob as Chief Appraiser for their Pittsburgh as well as their Florida appraisal business until 2002 when he reopened his own firm, Gelman Appraisal Services. Gelman Appraisals was merged in 2006 into Ditio Appraisals where Bob is an equity partner.

He served as the 1988 President of the Greater Pittsburgh Board of Realtors as well as being elected to the Board of Directors of the Pennsylvania Association of Realtors where he served as regional delegate for 8 years. He also held the GAA Foundling Member designation from the Real Estate Appraisal Section for the National Association of Realtors. He is a past President of the Pittsburgh Chapter of the Society of Real Estate Appraisers and was also on the Board of Directors (now the Appraisal Institute).

His wide speaking engagements include the Appraisal Institute Mid-Atlantic Conference in Atlantic City, NJ, the Greater Washington DC Relocation Council, The Great Lakes Relocation Round Table in Cleveland, Ohio and a Regional Relocation Conference in Columbus, Ohio.

As a panelist for Cendant (formerly Homequity), he was presented with the Service Excellence Award, which indicates the most consistent appraisal accuracy in the nine-state Eastern Region. Also, for the Appraisal Institute, he was the facilitator and co-author of a seminar, "How Much is Enough?" in New York City.

He has served on the Appraisal Institute Advisory Council and the Employee Relocation Council's Ethics Committee. The Employee Relocation Council appointed Robert as a panelist to introduce the revised appraisal forms in Pennsylvania, New Jersey, Connecticut, Kentucky, Oklahoma and Maryland. He also was the presenter of numerous seminars concerning the principals of relocation appraising for Federal government employees in both D.C and Maryland, and he appeared in national distributed appraisal educational videos for General Motors and Chemical Bank of New York.

Robert wrote and moderated a seminar called "Broker's Price Opinions versus Appraisals" in Las Vegas and was presented with the Employee Relocation Council's Meritorious Service Award. He received the President's Award for being a principal contributor to the Relocation Appraisal Guide as well as the article "Would You Buy a Used House From This Man?" which appeared in Mobility Magazine.

He was one of nine members of the Ad Hoc Appraiser's Committee, which wrote the model upon which the Commonwealth of Pennsylvania's laws on the certification and licensing of appraisers is based. Robert was appointed to the original Board of Directors of the Pennsylvania Appraisal Council.

The Mid-Atlantic Mortgage Banker's Association asked him to serve as the facilitator of a panel, "The Next Generation, Appraisers On-Line" which led to contributing his time to the Technology Fair Committee.

Until recently, Robert was on the National Faculty of the Appraisal Institute as well as an instructor in Real Estate Appraising for the Commonwealth of Pennsylvania. He is currently an approved instructor in Florida for continuing education credits in Real Estate Appraising.

Andrey Arefyev

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(412)696-9689

Real Estate Designations

Certified Residential Appraiser

PA Certification – RL139043

Certified since 05/20/2004

Real Estate Work Experience

2018-present

DITIO, Inc. (Pittsburgh)

-appraiser

2010-2018

Financial Consulting (Evaluation Company, Russia)

-consultant for local real estate firms

2004-2010

AAA Appraisal Company (Pittsburgh)

-owner/ appraiser

2001-2004

The Appraisal Company (Pittsburgh)

-office manager

-appraiser's assistant

1997-2001

Capital Appraisal Group, LTD (Pittsburgh)

-appraiser's assistant

Education

Moscow State Institute of Physical Education

-Bachelor of physical education

Appraisal Institute (Pittsburgh Chapter)

-Residential appraiser

Continuing education course (2017):

- PA Law for Appraisers
- USPAP 2016-2017
- That's a Violation
- The Sales Comparison Approach
- Issues in Appraiser Liability
- The Cost Approach
- Land and Site Valuation
- Residential Report Writing
- Work File (your best defense against an offense)

- Expert Witness Testimony
- Adjustment Support for Residential Appraisers
- Fannie Mae Appraisal Guidelines
- Mortgage Fraud and Its Effects
- A Review of Disciplinary Cases
- Introduction to UAD
- The FHA Handbook 4000.1
- REO Appraisal Guidelines

Continuing Education Course (2018):

2018-2019 USPAP

