



311 S. ROYAL OAKS BOULEVARD, SUITE 110  
FRANKLIN, TN 37064  
615.866.4863  
EVALS@BGJONESCOMPANY.COM  
WWW.BGJONESCOMPANY.COM

## EVALUATION

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**CLIENT ID No.:** 8675309  
**CLIENT/INTENDED USER:** [REDACTED]  
**INTENDED USE:** Financing/Underwriting  
**ASSIGNMENT OBJECTIVE:** To develop an estimate of Market Value, as defined by the federal financial institution regulatory agencies, of the stated interest in the subject property.  
**BORROWER NAME:** [REDACTED]  
**EFFECTIVE DATE OF VALUATION:** 2/17/2015  
**DATE OF REPORT:** 2/26/2015  
**REAL PROPERTY INTEREST VALUED:** Leased Fee Estate

## IDENTIFICATION OF REAL ESTATE:

**Address:** [REDACTED]  
**City:** Gallatin  
**County:** Sumner  
**State:** TN  
**Zip:** 37066  
**Map/Parcel:** [REDACTED]



**PROPERTY DESCRIPTION:**

*Land Area (Ac.):* 8.81

*Land Area (SF):* 383,764

*Source of Land Area:* Tax Card

*Floodplain:* None

*Other Significant Easements/Encumbrances:* N/a

*Building Type:* Retail

*Exterior Construction:* Brick/Masonry

*Building Size (SF):* 76,600

*Source of Building Area:* Public Record

*FAR:* 0.20

*Building Year Built:* 1974

*Secondary Improvements:* Asphalt paved parking area; exterior lighting; sprinkler system

*Overall Construction Quality:* Average

*Overall Property Condition:* Average

*Current Use:* Retail Strip Center

*Projected Use:* N/a

*Zoning:* GC - General Commercial District

*Zoning Compliance:* Legally Conforming

*Additional Comments:* The subject property consists of an 8.81 acre parcel of commercial land that is improved with a 76,600 sq. ft. net leasable area retail building. The building was originally constructed in 1974, and is considered to be in average condition relative to the actual age of the improvements. The majority of the subject's building area is occupied by three tenants; [REDACTED]

[REDACTED]). In addition to the rents below, a small outparcel, on which an ATM kiosk is located, is leased for \$ [REDACTED] annually and is considered in the analysis as additional income. The client-provided rent roll is summarized in the table below:

Suite	Tenant/Use	Leased Area (SF)	Annual Rent	Rent/SF	Lease End
629	[REDACTED]	1,000	[REDACTED]	[REDACTED]	1 year
631	[REDACTED]	1,400	[REDACTED]	[REDACTED]	1 year
633	[REDACTED]	1,400	[REDACTED]	[REDACTED]	Month to Month
635-639, 661, 689	[REDACTED]	19,800	[REDACTED]	[REDACTED]	1 year
657	[REDACTED]	21,000	[REDACTED]	[REDACTED]	2 years
683	[REDACTED]	32,000	[REDACTED]	[REDACTED]	7 years
<b>Total</b>	[REDACTED]	76,600	[REDACTED]	[REDACTED]	N/a



**OWNERSHIP/PREVIOUS SALE DATA:**

*Current Owner:* [REDACTED]

*Prior Sale Date:* 6/10/1992

*Prior Sale Price:* [REDACTED]

*Prior Sale Price/SF:* [REDACTED]

*Is Prior Sale Arms Length?:*N/a

*Comments/Other recent sales:*

N/a

**CURRENT LISTING/CONTRACT INFORMATION:**

*Pending Sale Price:* \$0.00

*Current List Price:* \$0.00

*Pending Sale Price/SF:* \$0.00

*Current List Price/SF:* \$0.00

*DOM:* 65

**LOCATION DESCRIPTION/MARKET ANALYSIS:**

The subject property is located along the east side of [REDACTED] in the city of Gallatin, Sumner County, Tennessee. The property features excellent access and visibility from along [REDACTED], with approximately 430' of frontage. Surrounding property uses along the roadway are primarily comprised of commercial office, highway based retail, light industrial, and institutional uses. Single family residential uses within the subject neighborhood are primarily located along secondary thoroughfares such as [REDACTED] Drive. The following market data was taken from the 4th Quarter 2014 CoStar Retail Market Report for the Nashville MSA. The subject is located within the Henderson-Gallatin retail submarket.

*Neighborhood Character:* Suburban

*Neighborhood Life-Cycle Stage:* Stability

*Overall Market Vacancy:* 4.90%

*Market Vacancy Trend:* Decreasing

*Current Space Under Construction (SF):* 75,000

*Market Construction Trend:* Stable

*Average Asking Lease Rate (\$/SF):* \$15.28

*Average Asking Lease Rate Trend:* Increasing

*Market Absorption Trend:* Positive



**HIGHEST AND BEST USE CONCLUSION:**

*Highest & Best Use:* Continued use of the existing improvements as a multi-tenant retail center

**SCOPE OF WORK:**

- Analyzed surrounding area/neighborhood and general market trends
- Gathered and analyzed data to determine the highest and best use of the property
- Gathered and analyzed comparable sale and cost data to estimate the as is market value of the property as of the effective date of report

*Level of Inspection:*

Exterior drive-by inspection by a representative of B.G. Jones & Company or a B.G. Jones & Company approved vendor. Given the exterior only inspection of the subject property, this report is subject to the extraordinary assumption that the quality and condition of the interior of the structure(s) is consistent with the character of the exterior and that, unless otherwise noted, the interior layout is functional for the intended use.

No inspection performed. Given the lack of inspection of the subject property, this report is subject to the extraordinary assumption that the quality and condition of the structure(s) is consistent with furnished information.

Walk-through inspection by a representative of B.G. Jones & Company or a B.G. Jones & Company approved vendor.

*Data Services Utilized:* CRS, Costar, Public Record

**ASSIGNMENT CONDITIONS:**

See extraordinary assumptions associated with the level of inspection, above. This report is not subject to any additional extraordinary assumptions or hypothetical conditions.



**LEASE COMPARABLES:**

	<b>Comparable 1</b>	<b>Comparable 2</b>	<b>Comparable 3</b>
Address	4095 Nolensville Pike	235-237 E Main St	460 W Main Street
City/County	Nashville/Davidson	Hendersonville/Sumner	Hendersonville/Sumner
State	TN	TN	TN
Map/Parcel	147-3/58	159J-A/19.01	160M-A/8.01
Property Type	Retail - Big Box/Anchor	Retail - Strip Center	Retail - Strip Center
Size (SF) - Lease	95,898	89,000	6,400
Size (SF) - Total	95,898	168,741	101,000
Site Area (Acres)	13.10	9.00	7.96
Site Area (SF)	570,636	392,040	346,737
Floor Area Ratio	0.17	0.43	0.29
Floodplain	Partial - Moderate	None	None
Year of Construction	1962	1976	1980
Construction Quality	Average	Average	Average
Property Condition	Average	Average	Average
Location Rating	Superior	Superior	Similar
Lease Rate/SF	\$5.00	\$7.00	\$3.75
Lease Type	Actual	Listing	Actual
Lease Structure	Net	Net	Net
Occupancy	100%	47%	100%
Ancillary Improvements	Similar	Similar	Similar
Overall Comparability	Superior	Superior	Inferior

	<b>Comparable 4</b>	<b>Comparable 5</b>	<b>Comparable 6</b>
Address	235-237 E Main Street	311-313 W Main Street	3005 Old Hickory Blvd
City/County	Hendersonville/Sumner	Hendersonville/Sumner	Old Hickory/Davidson
State	TN	TN	TN
Map/Parcel	159J-A/19.01	163D-C/15.05	53-12/106
Property Type	Retail - Strip Center Suite	Retail - Strip Center Suite	Retail - Strip Center Suite
Size (SF) - Lease	1,600	2,500	1,400
Size (SF) - Total	168,741	5,410	3,816
Site Area (Acres)	9.00	0.28	0.11
Site Area (SF)	392,040	12,196	4,791
Floor Area Ratio	0.43	0.44	0.80
Floodplain	None	None	None
Year of Construction	1976	1984	1930
Construction Quality	Average	Average	Average
Property Condition	Average	Average	Below Average
Location Rating	Superior	Superior	Similar
Lease Rate/SF	\$12.00	\$12.00	\$6.86
Lease Type	Actual	Listing	Listing
Lease Structure	Net	Modified Gross	Gross
Occupancy	47%	53%	63%
Ancillary Improvements	Similar	Similar	Similar
Overall Comparability	Superior	Similar	Inferior



**ANALYSIS:**

Aside from the current rental rate of [REDACTED] (Non arm's length lease) within the subject development, the remainder of the subject rental rates fall within the ranges exhibited by the comparables, and are considered to be indicative of market rental rates. Market rent for the [REDACTED] sq. ft. [REDACTED] is estimated at \$[REDACTED]/SF, based on Comparables 1 and 2 in the preceding grid. Market rent for the [REDACTED] sq. ft. space leased by [REDACTED] is considered to be \$[REDACTED]/SF, which is equal to the contract rent. The market rent for rental space comparable to the smaller subject units is estimated to be \$[REDACTED]/SF. Comparable 6 represents a full service gross lease, and will be adjusted upwards for inferior lease structure. An estimated projected gross income of \$[REDACTED] will be used in the income approach to value. Please see the table below for a summary on estimated market rents.

Suite	Tenant/Use	Leased Area (SF)	Contract Rent	Market Rent	Annual Market Rent
629	[REDACTED]	1,000	[REDACTED]	[REDACTED]	[REDACTED]
631	[REDACTED]	1,400	[REDACTED]	[REDACTED]	[REDACTED]
633	[REDACTED]	1,400	[REDACTED]	[REDACTED]	[REDACTED]
635-639, 661, 689	[REDACTED]	19,800	[REDACTED]	[REDACTED]	[REDACTED]
657	[REDACTED]	21,000	[REDACTED]	[REDACTED]	[REDACTED]
683	[REDACTED]	32,000	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b>	[REDACTED]	76,600	[REDACTED]	[REDACTED]	[REDACTED]

Expense Reimbursements: \$0.00

Vacancy & Collection Loss: 8%

Estimated Operating Expenses: [REDACTED] or [REDACTED] per sq. foot

Overall Capitalization Rate: 8.50%



**PROFORMA:**

Contract Rent	██████████
Market Rent	██████████
Potential Gross Rental Income	██████████
Plus: Additional Income	██████████
Plus: Expense Reimbursements	<u>\$0.00</u>
Potential Gross Income:	██████████
Less: Vacancy & Collection Loss at 8.00%	██████████
Effective Gross Income:	██████████
Less: Operating Expenses	██████████
Net Operating Income	██████████
÷ Overall Capitalization Rate	<u>8.50%</u>
As Is Market Value	██████████
Rounded	██████████

**VALUE CONCLUSION:** ██████████



**CERTIFICATION:**

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, unbiased professional analyses, opinions and conclusions.
3. 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.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. 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 evaluation.
7. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Interagency Appraisal and Evaluation Guidelines, effective December 10, 2010.
8. In addition to any coursework and prior working experience, I have been trained by B.G. Jones & Company with regard to valuation methodology and am considered reasonably competent to perform this evaluation, given the scope of work of the assignment.

A handwritten signature in black ink that reads "Seth Jones".

Seth S. Jones  
B.G. Jones & Company  
Banking Services  
615.866.4863  
evals@bgjonescompany.com





#### **GENERAL ASSUMPTIONS & LIMITING CONDITIONS:**

This evaluation report and resulting estimate of value is subject to the following assumptions and limiting conditions. Where stated throughout, B.G. Jones & Company includes but is not limited to, ownership, staff, and independent contractors conducting business through B.G. Jones & Company, including the signing evaluator.

- 1 The forecasts, projections, or operating estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. Therefore, these forecasts are subject to changes in future conditions. Value estimates in this evaluation report are stated in United States currency as of the date of evaluation.
- 2 No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable and in Fee Simple, unless otherwise stated in the report.
- 3 The property is valued free and clear of all existing liens and encumbrances, including deed restrictions and developers agreements, unless otherwise stated in this evaluation report.
- 4 Information furnished by others is believed to be true, correct, and reliable. B.G. Jones & Company assumes no responsibility for the accuracy of information provided by others, including but not limited to third party database records, public record, and/or that provided by parties related to the transaction, including the client.
- 5 Maps, plats, and exhibits included in this appraisal report are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose. B.G. Jones & Company has not made a survey of the property, and no responsibility is assumed in connection with such matters.
- 6 Unless noted otherwise, the physical condition of the improvements described herein was based on a visual, drive-by exterior inspection. No liability is assumed for the soundness of structural members, building components, mechanical equipment, plumbing, or electrical components as no professional tests were made of the same. B.G. Jones & Company assumes that no hidden or unapparent conditions of the property, subsoil, or structures exist, which would render the property more or less valuable. B.G. Jones & Company assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
- 7 Unless additional information is provided by the client and noted herein, easements and encumbrances (other than flood plain) are based upon visual inspection only.
- 8 It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in this report.
- 9 It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this report. A survey may be required to determine legal conformity (including but not limited to setbacks and/or encroachments), and as determinations herein are based on visual inspection, aerial photographs, and other public record, no responsibility is assumed for its accuracy.
- 10 It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate(s) contain in this report is based.
- 11 It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that no encroachment or trespass exists, unless noted in this report.



- 12 Value estimates in this report apply only to the entire property, and cannot be prorated to individual portions or fractional interests. Any proration or division of interest will invalidate the value estimate(s), unless such proration or division of interests is set forth in this report.
- 13 No representative of B.G. Jones & Company is required to give testimony or attendance in court by reason of this evaluation, with reference to the property in question, unless arrangements have been made previously therefore. The fee charged for this evaluation does not include payment for court testimony or for further consultation.
- 14 Unless otherwise stated in this appraisal report, B.G. Jones & Company did not observe the existence of hazardous material, which may or may not be present on the property. B.G. Jones & Company has no knowledge of the existence of such materials on or in the property. Representatives of B.G. Jones & Company, however, are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. Value estimates within this report are predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any expertise or engineering knowledge required to discover them. B.G. Jones & Company recommends that appropriate experts be retained to investigate and determine to what extent, if any, such substances are present and what risks, if any, are involved.
- 15 The determination concluded in this evaluation, as to whether or not the subject property is located within a Flood Hazard Zone, is based solely on an inspection of available Flood Insurance Rate Map(s) (FIRM) which are distributed by the National Flood Insurance Program (NFIP) and local GIS records (where available). Although these maps are the basis for flood hazard determination, the map scale is typically not adequate for accurate comparisons with other maps and/or surveys. Therefore, the determination presented herein regarding location of the subject property outside or within a flood hazard zone should not be construed as a guarantee or certification. Certification of this can only be provided by a qualified engineer and/or surveyor. If there is any possibility that the subject is within an identified flood hazard zone, we recommend that the property should be covered by adequate flood insurance.
- 16 Unless otherwise noted in this report, no consideration in the valuation process has been given to subsurface rights (minerals, oil, water, etc.) that may be found on the subject property.
- 17 B.G. Jones & Company reserves the right to alter estimates of value contained in this evaluation on the basis of information withheld or not discovered in the normal course of a diligent investigation.
- 18 The Americans with Disability Act (ADA) became effective July 26, 1992. B.G. Jones & Company has 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 would reveal the need for renovations to comply with that statute. Such a requirement could have an adverse impact on the market value of the property. Because B.G. Jones & Company has no direct evidence relating to this issue, B.G. Jones & Company did not consider possible noncompliance with the requirements of the ADA in this report.
- 19 The evaluation format has a limited scope which may be inappropriate for certain transactions. B.G. Jones & Company assumes no responsibility for any possible loss due to the use of an evaluation. The client accepts the inherent risk associated with the use of an evaluation in support of a credit decision.



**PHOTOGRAPHS: DELETED FOR CONFIDENTIALITY**