JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS
V.   INDUSTRY SEMINARS AND SPEECHES - SHORT TERM
      I.   Other Presentations In Which Either The Date And /
            Or Sponsoring Organization Is Missing
            2.   Appraisal Topics
                  n.   "Contemporary Issues and Methods for
                        Appraising Commercial Properties", a
                        classic example of James A. Graaskamp's
                        seminar on commercial appraisal; no
                        specific date or place for this seminar
                        packet

CONTEMPORARY ISSUES AND METHODS FOR APPRAISING COMMERCIAL PROPERTIES

Presented by

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INTRODUCTION

I. INTRODUCTION TO CONTEMPORARY ISSUES

Appraisal of real estate income properties is a critical social function with high ethical requirements because it is a pivotal benchmark for decisions involving social equity, validation of financial institution assets for regulatory purposes, governance of private contracts, and benchmarking of the effectiveness of asset manager.

A. Appraisal is a specialty in the rapidly evolving information business. Appraisers systematically collect information, organize and analyze the data, and reach decisions about value while communicating essential information to a client. This is similar to the work of:

   1. Accountants

   2. Insurance managers

   3. Security and investment counselors

   4. Lawyers

B. Unlike accountants and others, appraisers receive little help from their professional organizations in the form of position papers which define appropriate methods for a particular question.

   1. Accounting has the Financial Accounting Standards Board (FASB) that continually modifies generally accepted accounting principles to fit new problems such as mergers, current values of fixed assets, accounting for real estate operations, etc.

   2. Securities people have the Midwest Securities Association.

   3. The insurance education program is controlled by two independent organizations, the American College of Life Underwriters and the American College of Property and Casualty Underwriters.

4. Appraisers have no such independent fixed point. Even the Eighth Edition of the Institute textbook disclaims any responsibility for being a standard. The flyleaf of the Eighth Edition says:

> "FOR EDUCATION PURPOSES ONLY
> The opinions and statements set forth herein are those of the individual members of the Institute's editorial staff and do not necessarily reflect the viewpoint of the American Institute of Real Estate Appraisers or its individual members."

C. As a result, the appraisal process is evolving into one of the following:

1. The art of disinformation as in military intelligence where the appraiser is implicitly part of a conspiracy with his client to provide documents that satisfy regulators, provide cover against future charges of negligence, or provide bargaining points for income tax, real estate tax, divorce settlements, partnership dissolution, and other negotiations.

2. The discipline of rigid format and language for purposes of standardization at the expense of relevance and as an alternative to qualifications of the appraiser's judgment as opposed to form filling ability.

3. A counseling assignment wherein the appraiser must match the basic elements of the appraisal assignment to the requirements of the decision for which the appraisal is sought as a benchmark.

D. Distinguishing carefully between advocacy and suitability, the ethical and professional appraiser must counsel his client on the basics to establish a fit between the appraisal and the issue for which it is required as a benchmark, including, but not limited to:

1. Definition of real estate interests to be appraised

2. Definition of highest and best use

3. Definition of market value

4. Definition of what constitutes market comparison

5. Definition of accounting rules for the income approach

6. Definition of the economic context assumed

7. Definition of buyer and seller perspectives

CONTEMPORARY ISSUES AND METHODS FOR
APPRAISING COMMERCIAL PROPERTIES
(Continued)

II. The basic premises of the contemporary approach stem from the fundamental belief that pricing is a behavioral science, that analysis should be inductive rather than deductive wherever possible, and that appraised values are intended to serve as a benchmark for some decision process.

    A. A price is a social transaction and the behavior of the parties and configuration of the transaction reflects a concensus at some point in time between external market forces sufficiently strong to impose on the outcome and internal forces on the supply side sufficiently strong to pursue their own self-perceived interests.

    Notice that the above does not presume:

        1. Both demand and supply forces to have alternatives of equal indifference.

        2. Negotiation abilities of equal force, or

        3. Cash maximization as their sole criteria - all of which characterize the traditional approach.

    B. The contemporary view sees appraisal as a limited and fictional case of feasibility analysis which, in turn, is a limited case in problem solving which, in turn, is part of a larger planning framework.

    C. Appraisal as a fictional feasibility study is a model of a decision process and, therefore, like all models is constrained by the following elements:

        1. What is the nature of the question?

        2. What quantity and quality of data may be available?

        3. What theory or hypothesis may edit and focus the available data as a tentative answer to the question?

4. What techniques and data management can be used reliably by the analysts?

5. What techniques and data management have credibility with the ultimate decision maker hiring the analyst?

6. What techniques and data management are cost effective in terms of the dollar consequences of the decision?

D. Functions of appraisal differ dramatically and lead to multiple definitions of value.

1. Validation (mortgage loans)

2. Benchmarking performance (pension funds)

3. Confrontation (legal cases)

4. Counseling (investment decisions)

CONTEMPORARY ISSUES AND METHODS FOR
APPRAISING COMMERCIAL PROPERTIES
(Continued)

III. In that light, the sequence of steps required of the
      contemporary appraisal process referred to by Wisconsin
      students as RATGRAM is as follows:

      A. What is the issue for which the appraisal is sought
          as a benchmark?

          1. Problem perceived redefined to the problem as
              understood

          2. Statutory or financial

          3. Perspective in time, viewpoint, and continuum as
              going concern

      B. What are the attributes of the property and the
          potential for productive alternative courses of
          action for future use

          1. Responsibility for engineering, marketing, or
              legal/political. assumptions

          2. What special enhancements or encumbrances are
              to be valued as additional sticks in the bundle
              of rights to be appraised

          3. Opportunities for monopoly in space, place, or
              time

      C. Given the basic alternatives, what is the most
          probable use matrix relevant to the appraisal purpose

          1. English distinguished between existing use and
              all possible uses

          2. With or without zoning change

          3. With or without possible assemblage value

          4. With or without administrative rule recognition

          5. With or without opportunity cost doctrine

D. Given the most probable use, who is the most probable buyer in terms of class, motivation profile, or market position? (See Exhibit 1.)

E. Given the most probable use and most probable buyer assumptions, there are three approaches to predicting most probable price:

1. Inference from past transactions involving properties of similar potential and buyers of similar motivation.

2. Failing adequate transaction data, it is then acceptable to simulate the pricing methods of the most probable buyer.

3. Failing to find either similar properties or articulate buyers, the appraiser is then permitted to use normative methods which indicate what might happen if buyer and seller were as smart as the appraiser.

F. With an initial estimate of value, it may then be modified for external conditions unique to the parties, the place, or the time.

G. The adjusted value must then be tested to demonstrate that results at that price would be consistent with the minimum goals of all major parties to the transaction.

H. Since the appraiser is predicting price under conditions of uncertainty and many different market terms, the appraisal conclusion must be expressed as a central tendency within a transaction zone which is qualified by financial terms and/or critical assumptions about unknowable facts.

1. Although the Institute uses fair market value and most probable price interchangeably, that is a travesty on the work of modern theorists and a deliberate attempt to confuse or negate the implied criticism of traditional ways by contemporary analysis. (See Exhibits 2 and 3.)

2. Contemporary theory recognizes explicitly the errors in forecasting, the role of financial terms, and the reality of bargaining position.

Function of the Appraisal	Property Rights	Relevant Definition of Value	Allocation of Productivity	Buyer Motivation Presumed
Tax assessment	Fee simple private rights unencumbered	Cash market present value (As opposed to most probable selling price)	Present value income attributable to land and structures only	Purchase of economic productivity
Mortgage loan (nonparticipating)	Encumbered fee simple private rights plus additional rights pledged	Regulations - market value. Underwriting - solvency price or liquidating value	Fixed income pledged from all sources less costs of creative management	Share of economic productivity contributed by capital
Mortgage loan (participatory)	Encumbered title plus nonvested interest in selected future revenues	Present value of all future cash flows	Variable income pledged plus share of reversionary interest	Share of economic productivity contributed by capital plus share in selected management returns plus positioning against devaluation due to changing conditions
Sale of an investment	Encumbered title plus vested entitlements plus going concern profit center opportunities	Most probable price above minimum acceptable alternative opportunity	Returns from land, structures, personalty, and selected entitlements	Increase in spendable cash Increase in liquidity value of estate Positioning to maximize probability of survival of benefits despite changing conditions
Purchase of investments	Encumbered title plus positioning for access to entitlements	Most probable price within perceived peril point limit	Land, structure, personalty, and intangible assets less profit centers for management	Increase in spendable cash Increase in liquidity value of estate Positioning to maximize probability of survival of benefits despite changing conditions
Going concern purchase of a business	Encumbered title plus positioning for access to entitlements plus reduction in risk for business start-up plus control of monopolistic market position controls	Most probable sales price within perceived costs of creating an alternative	Land, structure, personalty, and intangible assets and good will plus artifactual profit centers for management	Increase in spendable cash Increase in liquidity value of estate Positioning to maximize probability of survival of benefits despite changing conditions

8

EXHIBIT 1

EXHIBIT 2

FAIR MARKET VALUE DEFINITION

A current definition of market value is

The most probable price in cash, terms equivalent to
cash, or in other precisely revealed terms, for which
the appraised property will sell in a competitive
market under all conditions requisite to fair sale,
with the buyer and seller each acting prudently,
knowledgeably, and for self-interest, and assuming
that neither is under undue duress.

Fundamental assumptions and conditions presumed in
this definition are

1. Buyer and seller are motivated by self-interest.

2. Buyer and seller are well informed and are acting
   prudently.

3. The property is exposed for a reasonable time on
   the open market.

4. Payment is made in cash, its equivalent, or in
   specified financing terms.

5. Specified financing, if any, may be the financing
   actually in place or on terms generally available
   for the property type in its locale on the
   effective appraisal date.

6. The effect, if any, on the amount of market value
   of atypical financing, services, or fees shall be
   clearly and precisely revealed in the appraisal
   report.

Source: American Institute of Real Estate Appraisers,
         The Appraisal of Real Estate, Eighth Edition,
         Chicago, IL, 1983, p. 33.

9

EXHIBIT 3

The most probable price is that selling price which
is most likely to emerge from a transaction involving
the subject property if it were to be exposed for
sale in the current market for a reasonable time at
terms of sale which are currently predominant for
properties of the subject type.

I.   These general precepts are then expanded into an
     appraisal report outline of the general type included
     in Exhibit 4.

J.   We believe it is important that every appraisal first
     report fair market value strictly defined as cash to
     the seller for the real estate interest as a standard
     point of departure and that value enhancements and
     encumbrances then be reported in reference to that
     base number. Most probable price will only be the
     same as fair market value where the most probable
     buyer behaves as though he were the most prudent man
     buying only returns attributable to land and
     building.

EXHIBIT 4

CONTEMPORARY REAL ESTATE APPRAISAL REPORT OUTLINE

Letter of Transmittal

1. Brief statement of appraisal issue
2. Definition of value aplied
3. Value conclusion (qualified by financing, terms of sale, and range of probable transaction zone as appropriate)
4. Sensitivity of conclusion to critical assumptions
5. Property observations or recommendations
6. Incorporation by reference of limiting assumptions and conditions

Table of Contents

List of Exhibits

Digest of Facts, Assumptions, and Conclusions

1. Property type
2. Property location
3. Property ownership
4. Determinant physical attributes
5. Controlling legal-political attributes
6. Pivotal linkage attributes
7. Marketable dynamic attributes
8. Most probable use conclusion
9. Most probable buyer profile assumed
10. Initial probable price prediction and central tendency
11. Adjustment of preliminary value estimate for external factors or market position of parties
12 Testing of corrected probable price for consistency with most probable buyer objectives
13. Final value conclusion and range of error estimate as appropriate

I. Appraisal Problem Assignment

A. Statement of issue or circumstances for which appraisal is intended to serve as a decision benchmark and date of valuation

B. Special problems implicit in property type or issue that affect appraisal methodology and definition of value

EXHIBIT 4 (continued)

C. Special assumptions or instructions that are provided by others

D. Definition of value, which is the objective of appraisal analysis and disciplines appraisal process

    1. Selected definition and source
    2. Implicit conditions of the definition
    3. Assumptions required by relevant legal rulings

E. Definition of legal interests to be appraised

    1. Legal description and source
    2. Permits, political approvals, and other public use entitlements
    3. Fixtures or personalty to be included with sale
    4. Specific assets or liabilities excluded as inconsistent with issue or premise of appraisal

II. Property Analysis to Determine Alternative Uses

    A. Site Analysis

        1. Physical (static) site attributes (size, shape, geology, slope, soil hydrology, etc.)
        2. Special site improvements (wells, bulkheads, irrigation systems, parking surfaces with unique salvage or re-use characteristics, etc.)
        3. Legal-political attributes (applicable federal, state and local zoning, convenants, easements, special assessments, or other land use codes and ordinances, etc.)
        4. Linkages of site (key relationships to networks, populations, or activity centers that might generate need for subject property)
        5. Dynamic attributes of site (perceptual responses of people to site in terms of anxiety, visibility, prestige, aesthetics, etc.)
        6. Environmental attributes of site as related to off-site systems or impact areas.

    B. Improvement Analysis

        1. Physical (static) attributes of improvements, cataloged by type, construction, layout, condition, structural flaws, etc.
        2. Mechanical attributes (brief sttement of heating, ventilating, air conditioning, electrical, plumbing, and fire or safety systems in terms of limitations on use or efficiency)

EXHIBIT 4 (continued)

3. In short, it is useful to subdivide improvements into subsystems:

   a. Foundation system
   b. Structural system
   c. Vertical circulation
   d. Horizontal circulation
   e. Floor system
   f. Ceiling system
   g. Roof system
   h. Internal wall system
   i. External wall system
   j. HVAC system
   k. Communications system
   l. Traffic separation system
   m. Security system
   n. Life safety system
   o. Waste removal system

4. Special structural linkages to off-site elements (tunnels, bridges, adjoining structures, etc.)
5. Legal-political constraints on use of existing improvements (federal, state and local building codes, fire codes, conditional use procedures, neighborhood associations, and inspection liens of record for violations).
6. Dynamic attributes of existing improvements (impressions created by type, bulk, texture, previous uses, past history, or functional efficiency)
7. Current uses and tenancies of improvements, if any
8. Environmental impact attributes of improvements on environs

C. Identification of Alternative Use Scenarios for Subject Property

1. Marketing existing uses of property as is
2. Renovation of existing property and marketing improved space
3. Redirection of existing property to alternaitve tenancies and uses
4. Replacement of existing improvements or program with new uses

EXHIBIT 4 (continued)

III. Selection of Most Probable Use

  A. Comparative Analysis of Alternative Uses

    1. Testing and ranking alternative use strategies for legal-political compatibility
    2. Testing alternative use scenarios for fit to physical property attributes within reasonable cost to cure
    3. Selection of scenarios that justsify market research

  B. Analysis of Effective Demand for Selected Uses

    1. Search for rents and income potentials of scenario space-time products
    2. Screen and rank market targets
    3. Apply income-justified residual investment approach to rank economic power of alternative market scenarios
    4. Evaluate marginal revenue, marginal investment risk trade-offs

  C. Summary Matrix for Selection of Most Probable Use Scenario

    1. Physical fit
    2. Legal-political risk
    3. Strength of market demand
    4. Adequacy of available financing
    5. Revenue and cost assumptions risk

IV. Prediction of Price for Subject Property

  A. Specification of Most Probable Buyer Type Implied by Most Probable Use

    1. Criteria motivations of alternative buyer types
    2. Selection of most probable buyer type as basis for prediction
    3. Specification of essential site, improvement, financial, or key decision criteria of principal alternative buyer types

15

EXHIBIT 4 (continued)

B. Explanation of Appraisal Methodology for Prediction of Probable Purchase Price

    1. Preferred method: to infer buyer behavior from actual market transaction and market data available from sales by comparable buyers of acceptable alternative properties

    2. In the absence of adequate market sales data, the alternative method selected for simulation of probable buyer decision process

    3. If market influence of simulation is impossible, select normative model such as investment value, or cost to replace

C. Search for Comparable Market Sales Transactions

    1. Unit of comparison

    2. Method of comparison

    4. Investigation of sale transaction circumstances

    5. Evaluation for comparability

    6. Definition of predominant terms of sale

    7. Source of comparative adjustments

D. Determination of Suitability of Existing Market Data for Inference of Value for Subject Property

    1. Where data is adequate, selection of market comparison method to estimate value

    2. Where data is lacking or misleading, selection of method leads to simulation in E or normative methods in F

E. Simulation of Probable Buyer Decision Process if Market Comparison Approach is Inconclusive or Impossible

    1. Source and explanation of simulation model

    2. Schedules of simulation assumptions

    3. Range of alternative simulation value predictions (sensitivity analysis)

(OR) F. Selection of Normative Model of Buyer Behavior

    1. Investment model

    2. Cost-to-replace model

    3. Nonquantitative decision models

G. Computation of Most Probable Price and Standard Error of Prediction

16

EXHIBIT 4 (continued)

H. Correction of Preliminary Value Estimate for External Factors

    1. Identification of conditions relative to date of appraisal not present in market comparison assumptions

    2. Specification of political contingencies that might upset normal appraisal assumptions of substitution

    3. Identification of any violation of conditions in the definition of value by the appraisal methodology

    4. Indication of adjustment necessary to preliminary probable price estimate or

    5. Explicit statement that no adjustment is necessary

I. Test of Most Probable Price or Value Conclusion by Means of:

    1. Comparison to values derived from selected alternative appraisal methodology

    2. Demonstration of achievement of objectives of most probable buyer minimum selection criteria

    3. Measurement of fit of financial cash requirements to market rents, lender ratios, or other relevant constraints

    4. Comparison to decision criteria appropriate to issue (financial ratios required by mortgage lender, comparative assessments of similar property for the tax appeal board, rates of return in alternative investments, construction prices for similar property, or whatever demonstrates consistency with statement of the issue)

V. Appraisal Conclusion and Limiting Conditions

A. Definition of Value and Value Conclusion of the Report
B. Certification of Independent Appraisal Judgment
C. Statement of Limiting Conditions that Establish:

    1. Contributions of other professionals on which report relies

    2. Facts and forecasting under conditions of uncertainty

    3. Critical assumptions provided by the appraiser

    4. Assumptions provided by the client

    5. Controls on use of appraisal imposed by the appraiser

EXHIBIT 4 (continued)

Appendices

Maps, data sets, only if referred to in the text. These data collections would slow down the reader if included as an exhibit and are secondary to the argument in the body of the report.

IV. THREE BASIC METHODS OF APPRAISAL

Dilmore has the most basic philosophical view of the
three approaches to value while Ratcliff has the most
operational sense of researching and forecasting value.

A. Dilmore refers to the three approaches as order,
chance, and beauty

1. Assuming order, there is a universe in which the
parts fit and we shave away the chaotic mass of
information until we find the critical pattern.
Like the test for color blindness, the appraiser
is looking for the pattern of red dots in a field
of random dots of various colors which appear to
be scattered.

2. Chance acknowledges the possibility that in the
closed system there may be possibilities which
were not considered or that there may be an
error. No respectable scientist is afraid of the
word "error". In appraisal, imprecision is built
into the process of choosing data subjectively
before we attempt to treat it objectively.

3. Beauty simply recognizes intuition and elegance
in our forecasting model may be legitimate
reasons for its use. Intuitive reactions,
qualitative judgments, or gut feelings are a form
of aesthetics in the decision process.

B. Ratcliff concludes that most appraisals are concerned
with prediction of a future event, a transaction
price. Since an appraisal method is a forecasting
tool, forecasting is best done with some past
experience. Failing that, the best method is
simulation of the real estate market process.

1. Given reliable information on past market behavior, the preferred method of appraisal is to process the data, statistically if possible, to derive a prediction of future price behavior under given conditions and with means for estimating the reliability of the prediction.

2. Statistical prediction if possible.

3. Set theory for definition of a data set at the least.

C. Should market data be unavailable or inconclusive, the appraiser is forced to resort to the second method of appraisal, namely the construction of a real estate investment or decision model of factors which reflect his understanding of how buyers and sellers might behave.

   1. The income approach and the cost approach are submodels of how an investor is supposed to behave.

   2. After-tax investment models are another submodel of market behavior, but while these may measure demand from the buyer's viewpoint, it may not measure the minimum price expected by the seller who also has a tax model to consider. In using the second approach, the appraiser must be very careful to indicate price on the supply side representing minimum expectations (Vs) of the seller.

D. Should there be no sales and no way to verify how buyers would review the specific property (utility case - rate base or kilowatt production?), then the appraiser falls back to normative methods.

   1. Normative means what the buyer would do if he were as smart as the appraiser and motivated only by a desire to maximize wealth.

   2. The traditional income approach or the cost approach are normative models unless it can be proven buyers behave accordingly.

3. After-tax cash flow models are normative models until it can be shown how these models value property.

E. Highest and best use or most probable use in order to identify most probable user and buyer, requires analysis and explicit recognition of possible uses which are:

   1. Legal/political acceptability

   2. Physical/technical feasibility

   3. Effective demand and marketability

   4. Financial viability

   5. Community compatibility

   (See Exhibits 5, 6, and 7.)

F. Most probable use presumes economic feasibility while many projects today require only financial solvency due to special enhancements or encumbrances which modify the operating characteristics of the property. These are not inherent in fee simple title but require expansion of the definitions of legal interests to be acquired; the appraiser may require legal support for presuming the transferability of these enhancements or a cost for elimination for an encumbrance.

   1. Enhancements include special entitlements under land use control laws, subsidized financing program, financial reserves which travel with the title and the assumable financing, and all manner of profit centers provided by operating agreements which may be assignable under certain review procedures.

   2. Encumbrances such as licenses, easements, and leases may be removed depending on relative positions of buyer and seller which are not within the American rule that fee simple title is the sum of the parts.

EXHIBIT 5

DEFINITION OF HIGHEST AND BEST USE

That reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal.

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

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

Implied within these definitions is recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e., that the use determined from analysis represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based. In the context of most probable selling price (market value) another appropriate term to reflect highest and best use would be most probable use. In the context of investment value an alternative term would be most profitable use.

Source: Byrl N. Boyce, Real Estate Appraisal Terminology, Revised Edition, AIREA, SREA, Ballinger, Cambridge, Mass., 1981, p. 107-108.

Feasibility Factor	Scenario 1 Return to Former Use	Scenario 2 Purchase by Welfare Agency	Scenario 3 Conversion to Class B/C Office	Scenario 4 Conversion to Apartments with Office on 1st Floor	Scenario 5 Conversion to Apartments with Existing Bar	Scenario 6 Demolition and Sale of Site
Market Demand Risks	Demand very elastic relative to price unless room rates subsidized by welfare agencies	Welfare agencies lack capital resources to purchase and remodel facilities, given the absence of government funding	Office market becoming more price sensitive; would not accept neighborhood and lack of parking unless rents were lower than necessary to support remodeling	Strong demand for spacious two bedroom units in CBD area	Though there is a strong demand for affordable downtown housing, consumer survey shows tenant reluctance to live above noisy/potentially malodorous bar-restaurant	Soft market for vacant sites which cannot be assembled into larger plottage; parking revenues from 20 spaces inadequate to carry clearance costs
Legal/Political Acceptability	Inconsistent with long term City goals for Olin Place	Mixed acceptability as interim use as housing for transient males by some groups; favored by welfare advocates and disfavored by local residents	Neighborhood resistance to increased demand for street parking	Preferred use, given need for downtown housing and political statements by alderpersons for reduction of bar business in residential neighborhoods	Preferred use for housing is compromised by existing bar management agreement	Inconsistent with constituency favoring landmark designation
Technical Construction Problems and Capital Cost Risks	Failure to repair within one year may have jeopardized grandfathered non-conforming building conditions. Otherwise this use has lowest construction risks of Scenarios 1 through 5	Capital costs of renovation to state standards excessive for short term use	Variance needed for parking requirement of 1 stall per 300 SF to 1 stall per 2,500 SF of office space	Spacious apartments with views provide favorable rent/cost per SF ratio— housing code creates more remodeling risk than commercial code	Apartment mix cheapened by re-taining existing bar operation—smaller units require more plumbing and bring less favorable rent/cost per SF ratio	None
Relative Investment Power Based Upon Revenue Generation Potential	$192,765	$120,380	$80,331	$103,220	($10,513)	$13,778
Special Income Tax Advantages or Public Subsidies Available	None	None	Rehabilitation tax credit of 20% for older commercial building conversion plus possible industrial bond financing	Possible historic landmark status for 25% rehabilitation tax credit plus tax incremental financing (TIF) assistance	Possible historic landmark status for 25% rehabilitation tax credit. TIF less likely because increase in tax is smaller	None
Real Estate Tax Consequences to City	Modest increase in assessed value	Loss of $194,300 tax base with tax-exempt agency as owner	Real estate tax base would be multiplied approximately 3 times the present assessment	Real estate tax base would be multiplied approximately 3 1/2 times the present assessment	Real estate tax base would be multiplied approximately 2 1/2 times the present assessment	Loss of approximately $140,000 of tax base

EXHIBIT 6

EXHIBIT 7

DEMONSTRATION OF SELECTION OF BEST USE SCENARIO FOR
VACANT OFFICE TOWER REQUIRING
COMPLETE MECHANICAL RENOVATION

B. Alternative Uses for Pvare Square

A combination of the physical characteristics of the property and the
general demand characteristics of the Hilldale area suggest the following
alternative scenarios for use of the subject property (Appendix D):

Scenario #1: The building would be remodeled into multi-tenant office
space of class A on floors 4 to 14 and class B on floors 1 to 3.

Scenario #2: The building would be modified into residential apart-
ments on floors 4 to 14 and class B office space on floors 1 to 3.

Scenario #3: The building would be modified into residential condomin-
iums on floors 4 to 14 and class B office space on floors 1 to 3.

Scenario #4: The building would be modified into a hotel facility
with hotel rooms on floors 4 to 14, a restaurant on floor 3, and
seminar and office space on the remainder.

C. Economic Ranking of Alternatives

The alternative uses that might be plausible for the subject property
can first be ranked in terms of the general budget parameters inherent in
revenues and expenses for each. The best financial alternatives must then
be screened for effective demand, political acceptability, and risk. In order
to reveal the general range of justified investment on the existing property,
the appraiser developed a logic of converting rents to justified investment
by determining a market rent for each use and assuming an acceptable cash
breakeven point[1] for financial planning and budgeting. This process capital-
izes funds available for debt service or cash dividends into amounts of justified
investment. This residual approach can be misleading if there are small errors
in the cash-flow forecast, but if estimating bias is consistent when applied
to the alternative uses, it does rank the alternatives in terms of their ability
to pay for the subject property as is. The logic of this process is provided
in Exhibit 15; the cost assumptions and calculations are provided in Appendix D.

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[1] The ratio of cash expenses, real estate taxes, and debt service to
potential gross income.

24

EXHIBIT 7 (Continued)

EXHIBIT 15

BASIC LOGIC FOR RANKING ALTERNATIVE PROGRAM SCENARIOS BY JUSTIFIED PURCHASE BUDGET

Rent/Unit		Rent/Unit		Rent/Unit
x	+	x	+	x
Number of Units		Number of Units		Number of Units

=

Potential Gross Income	x	Default Point	=	Cash for Operations

x

-

| 1-Default Point | | | | Operating Expenses |

=

-

| Equity Cash Margin | | | | Capital Replacement |

-

=

| Vacancy Loss | | | | Real Estate Taxes |

-

=

| Reserve for Contingency | | | | Cash Available for Debt Service |

=

÷

| Cash Throw-Off (B/4 Tax) | | | | Mortgage Constant |

÷

=

| Equity Cash Constant | | | | Justified Mortgage |

| Justified Equity (B/4 Tax Effect) | | + | | Justified Mortgage |

=

| Total Justified Project Budget |

-

| Construction Outlays |

=

| Budget for Purchase |

EXHIBIT 7 (Continued)

A summary of these calculations from the Appendix are provided in Exhibit 16. A preliminary ranking based on a cash-justified investment (Line 3, Exhibit 16), without regard to future reversion value, demonstrates that Scenario 1 is the preferable use of the structure as is.

D. Ranking of Alternatives

In terms of estimating risks, Scenario 1 offers more certainty in regard to construction budget because multi-tenant office use is more similar to the previous use. Less extensive remodeling plans imply that fewer problems will arise. In Scenarios 2, 3, and 4, all new plumbing facilities and windows are required for floors 4 to 14. The same improvements simply need refurbishing if the building remains office use. In addition, the market for a high-rise residential or hotel facility is largely untested in the Hilldale area, but office use has been expanding. A change from office use of Pyare Square carries business risks that are difficult to ascertain, and the costs incurred in those risks could be great.

E. Political Compatibility of Alternatives

According to the village administrator of Shorewood Hills, all four of the scenarios would be politically acceptable because the village wants to see improvement of the building. However, Scenarios 2, 3, and 4 require a zoning change that must be approved by the village--an effort that is likely to be more time-consuming than futile.

Although condominiums are a relatively new idea to Shorewood Hills, the community boasts of being a residential suburb, and so a well-conceived plan should pass the board. A hotel use, however, is questionable and would be subject to serious scrutiny because demand is not evident. Office use appears to be most probable in light of the fact that costs are lower, zoning is proper, and demand is evident.

F. Conclusions

Since the estimated residual justified purchase prices of Scenarios 1 and 3 are fairly close, the choice in determining the most probable fitting use relates to the higher costs of converting to residential coupled with the risks involved in tapping an untested market. A prudent investor would seek to stabilize his income by choosing the less speculative scenario. A review of the summary feasibility data in Exhibit 17 supports the conclusion that the most probable use of the subject property in the opinion of the appraiser is Scenario 1.

> The most probable use of the subject property would be renovation to a multi-tenant office building.

EXHIBIT 7 (Continued)

EXHIBIT 16

SUMMARY OF BUDGETS FOR ALTERNATIVE USE SCENARIOS

Budget Stem	Scenario #1	Scenario #2	Scenario #3	Scenario #4
1. Cost to construct	(2,509,975)	(2,414,225)	(2,668,140)	(2,569,600)
2. Justified investment for property as is	2,897,566	1,409,513	2,868,983	(4,662,172)
3. Total justified investment in subject property as is	387,591	(1,004,712)	200,843	(7,231,772)

EXHIBIT 17

SUMMARY MATRIX OF FEASIBILITY OF ALTERNATIVE USES

Feasibility Factor	Scenario #1	Scenario #2	Scenario #3	Scenario #4
Justified Investment in subject	387,600	Negative	200,843	Negative
Remodeling Risks	Moderate	Significant	Significant	Serious
Effective Market demands	Positive	Positive	Questionable	Soft
Political acceptability	Strong	Strong	Strong	Mixed
Financial Risk	Depends on marketing ability in projecting new image for the building	Depends on desire to live in a high-rise	Depends on desire to own a home in a high-rise	Financial risk is great--Hilldale is not a major office center nor a stop for travellers.

EXHIBIT 7 (Continued)

28

3. Fair market value may take the premise that existing leases will run out their term while most probable price may reflect a probability of renegotiation betewen landlord and tenant for mutual benefit or background information which makes it impossible for the status quo to persist.

   a. Check Dunn and Bradstreet on the tenants
   b. Analyze reported sales volume relative to breakeven point
   c. Analyze opportunity cost of the status quo

COFFEE BREAK

CONTEMPORARY ISSUES AND METHODS FOR
APPRAISING COMMERCIAL PROPERTIES
(Continued)

V. DECISION THEORY AND IMPROVED METHODS FOR THE
    MARKET COMPARISON APPROACH

    There are a number of basic books on decision theory
    which the appraiser should read to better understand
    alternative appraisal models available in the age of the
    micro computer. One such book is The Complete Problem
    Solver, by John R. Hayes, Franklin Institute Press,
    Philadelphia, PA, 1981. It is useful to look at the
    problem of market comparison approaches to value as a
    decision model in the complex world where a limited
    number of facts have to be focused on the problem.

    A. Hayes described four general types of decisions which
        require different decision procedures.

        1. Decisions under certainty

        2. Decisions under risk

        3. Decisions under uncertainty

        4. Decisions under conlict

    B. Many appraisal decision systems are modeled under the
        methods in Exhibit 8. (Page 157)

    C. Hayes distinguishes between risk where we can
        calculate probability, such as gambling, or
        uncertainty where there is an element of chance which
        can't be calculated. Decisions under conflict are
        like moves in chess or strategy where the outcome
        must anticipate countermoves by other players in the
        game. Appraisal pricing decisions are either
        decisions under certainty or decisions under
        conflict. Between sharp distinctions for risk
        and uncertainty, there is a broad area in which we
        operate under judgmental probability.

    D. A guide for the bewildered decisionmaker can be found
        by answering the following questions relative to the
        decision tree in Exhibit 9.

30

EXHIBIT 8

DECISION MAKING METHODS
UNDER CERTAINTY

Method	Type	Use this method:	Cost of computation required	Number of alternatives examined
Dominance	optimizing	for preliminary screening of alternatives	low	all
Lexicography	optimizing	when attributes are very different in weight	very low	all
Additive Weighting	optimizing	when it is important to find the best alternative	high	all
Effectiveness Index	optimizing	when it is *very* important to get best alternative	very high	all
Satisficing	non-optimizing	when the cost of examining the whole set of alternatives is very high	very low	some

Source: John R. Hayes, The Complete Problem Solver, 1981, The Franklin Institute Press, Philadelphia, PA, p. 157.
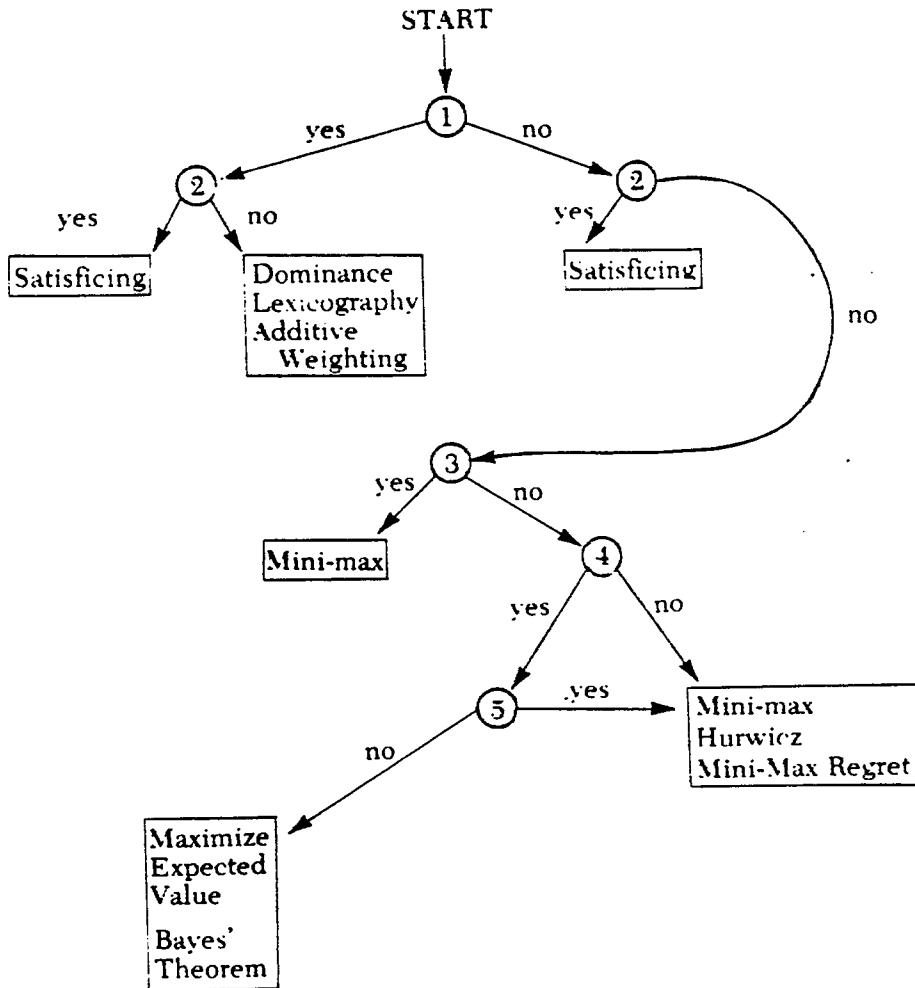
EXHIBIT 9

START

Figure 2. A Decision Tree for Choosing a Decision Procedure

Source: John R. Hayes, The Complete Problem Solver, 1981,
          The Franklin Institute Press, Philadephia, PA,   p. 180.

32

1. Is this a decision under certainty?

2. Does it involve costly search?

3. Is this a decision under conflict?

4. Can you estimate the relevant probabilities with reasonable accuracy?

5. Does the decision involve catastrophic outcomes?

E. Appraisal decision theory for economic behavior fits the theory of "bounded rationality" which describes economic decision processes today. A short definition of bounded rationality is included in Exhibit 10.

F. Market inference is the preferred method of valuation if we can discover a pricing pattern in the random dots of properties and transactions. The search for pattern must also be consistent with appraisal protocol.

   1. Valuation directly from a regression formula violates appraisal protocol if the appraiser has not inspected all of the comparables used, because the subject property is compared to a hypothetical mean property from the set of observations, and because the appraiser is not directly responsible for the selection or weights given the attributes selected as the basis of comparison. Moreover, the amount of data points were limited relative to the number of variables which were thought to be relevant so that the risk characteristic of statistical variance were also suspect.

   2. Market comparison is set theory using a limited number of subjectively selected properties in a relatively objective comparison on a few factors thought to be highly correlated to prices paid. An additive weighting system is one method for managing the information integration for a market comparison.

G. One influential method is to develop a pricing algorithm which provides an estimated price for each comparable and then presumes the same algorithm can

be applied to the subject property. The steps
involved are as follows:

1. Selecting a proper unit of comparison

2. Developing a hierarchy of significant attributes
   thought to affect price and scoring each property
   on a point system

3. Developing a weighting system to rank the
   relative importance of ordinal attribute scores
   on a cardinal scale

4. Developing a price per weighted point per unit of
   comparison

5. Testing the price weighting formula for best
   estimate of the sales price of actual comparables
   in order to minimize dispersion and variance

6. Application of a price per point formula to the
   subject property to estimate range of alternative
   prices

7. Adjustment of predicted price for unique
   externalities such as land, financing, or non-
   transferable license

8. Variations on the theme suggested by Gene Dilmore

G. Adjust prices for terms of sale and time on
   comparable properties. Comparable properties would
   be those bought for renovation, or for the owners own
   use, etc. You may choose to abstract out land values
   where size or locational quality is significantly
   different.

H. Search for an appropriate unit of comparison as a
   single variable in a linear regression by trying
   three or four unit concepts, such as:

   1. Gross building area

   2. Net leasable area

   3. Cubage

4. Two times the first floor area plus gross building area

5. Barrels of cranberries rather than acres of cranberries

6. Number of bedrooms rather than square feet

I. Arrive at a price per unit as the first step in establishing a price algorithm

J. Identify property attributes which distinguish subject properties qualitatively from one another and develop a simple scoring system

1. 5-3-1 is one method, but scores may become multipliers and lead distortion

2. Dilmore prefers:

Rating	Points
Excellent	26
Good	20
Average	15
Fair	13
Poor	10

K. See selection of examples in Exhibits 11 through 24.

EXHIBIT 11

CORRELATION COEFFICIENTS AND R^2 OF SALES PRICE

Space Unit	Correlation	R^2
First floor frontage (frt)	0.745	55.5%
Lot area	0.908	82.4
First floor (1st fl)	0.790	62.4
First floor + Upper floors (upp fl)	0.933	87.0
1st fl + .05 (upp fl)	0.919	84.5
2(1st fl) + upp fl	0.919	84.5
(1st fl) x (frt)	0.784	61.5
[1st fl + 0.5 (upp fl)] x (frt)	0.864	74.6
[2(1st fl) + upp fl)] x (frt)	0.864	74.6
(1st fl + upp fl) x (frt)	0.874	76.4

EXHIBIT 12

RATGRAM STYLE

WOOLWORTH BUILDING
SCALE FOR SCORING COMPARABLES ON
IMPORTANT INVESTOR CONSIDERATIONS FOR
OFFICE - RETAIL SPACE IN MADISON
C-4 ZONING

LOCATION
10%

   5 = High visibility
   3 = Corner visibility limited
   1 = Inside lot

EXPANSION POTENTIAL
30%

   5 = Potential for significant
       increases of floor space
   3 = Flexible layouts due to
       bay spacing and elevator
       position
   1 = Inflexibility of layout due
       to old bearing walls and
       elevator shafts

CONDITION AT
TIME OF PURCHASE
25%

   5 = Fully renovated and leased
   3 = Long-term retail leases in
       place. Serviceable as retail
       in tired space.
   1 = Vacant and in need of total
       rehabilitation. Short-term
       lease or large vacancy in
       need of total rehabilitation.

ELEVATORS AT
TIME OF PURCHASE
20%

   5 = Two passenger and freight
   3 = Two passenger
   1 = One passenger

FENESTRATION ON UPPER LEVEL
15%

   5 = Large windows facing
       the Square
   3 = Limited window area
   1 = No windows

WOOLWORTH BUILDING

WEIGHTED MATRIX FOR COMPARABLE PROPERTIES

SCORE/WEIGHTED SCORE

ATTRIBUTE	WEIGHT	COMPARABLE NO. 1 30 N. CARROLL WOLFF KUBLY	COMPARABLE NO. 2 14 W. MIFFLIN	COMPARABLE NO. 3 5 & 7 E. MIFFLIN CENTRE SEVEN	COMPARABLE NO. 4 50 E. MIFFLIN EMPORIUM	COMPARABLE NO. 5 2 W. MIFFLIN WOOLWORTH	SUBJECT
LOCATION	10%	3/0.30	1/0.10	1/0.10	3/0.30	5/0.50	5/0.50
EXPANSION POTENTIAL AT TIME OF SALE	30%	3/0.90	1/0.30	1/0.30	5/1.50	3/0.90	3/0.90
CONDITION AT TIME OF SALE	25%	1/0.25	5/1.25	1/0.25	3/0.75	3/0.75	1/0.25
ELEVATORS IN PLACE	20%	5/1.00	3/0.60	1/0.20	3/0.60	1/0.20	1/0.20
FENESTRATION ON UPPER FLOORS	15%	1/0.15	5/0.75	5/0.75	1/0.15	3/0.45	3/0.45
TOTAL WEIGHTED SCORE	100%	2.60	3.00	1.60	3.30	2.80	2.30
ADJUSTED SELLING PRICE [1]		$625,000	$750,000	$240,000	$850,000	$662,500	
DATE OF SALE		7/17/80	2/27/84	12/31/77	4/30/78	7/31/78	
GROSS BUILDING AREA (GBA)		41,000 SF	40,000 SF	26,000 SF	42,500 SF	39,000 SF	39,000 SF
ADJUSTED PRICE/GBA		$15.24	$18.75	$ 9.23	$20.00	$16.99	
ADJUSTED PRICE/GBA/ WEIGHTED POINT SCORE		$5.86	$6.25	$5.77	$6.06	$6.08	

[1] See Appendix _ for assumptions and calculations to determine adjusted selling price.

Attributes = 5

Attribute Names; Prelim. Weights
 LOCATION 20
 EXPANSION POTENTIAL 20
 CONDITION AT TIME OF SALE 20
 ELEVATORS IN PLACE 20
 FENESTRATION ON UPPER FLOORS 20

# of Observations = 5

Observ. # 1 WOLFF-KUBLY-30 N. CARROLL Price 15.24
        LOCATION 3
        EXPANSION POTENTIAL 3
        CONDITION AT TIME OF SALE 1
        ELEVATORS IN PLACE 5
        FENESTRATION ON UPPER FLOORS 1
Observ. # 2 14 S. MIFFLIN Price 18.75
        LOCATION 1
        EXPANSION POTENTIAL 1
        CONDITION AT TIME OF SALE 5
        ELEVATORS IN PLACE 3
        FENESTRATION ON UPPER FLOORS 5
Observ. # 3 CENTRE SEVEN-5 & 7 N. PINCKNEY Price 9.23
        LOCATION 1
        EXPANSION POTENTIAL 1
        CONDITION AT TIME OF SALE 1
        ELEVATORS IN PLACE 1
        FENESTRATION ON UPPER FLOORS 5
Observ. # 4 EMPORIUM-50 E. MIFFLIN Price 20
        LOCATION 3
        EXPANSION POTENTIAL 5
        CONDITION AT TIME OF SALE 3
        ELEVATORS IN PLACE 3
        FENESTRATION ON UPPER FLOORS 1
Observ. # 5 WOOLWORTH-2 W. MIFFLIN Price 16.99
        LOCATION 5
        EXPANSION POTENTIAL 3
        CONDITION AT TIME OF SALE 3
        ELEVATORS IN PLACE 1
        FENESTRATION ON UPPER FLOORS 3
The Matrix:
  20 20 20 20 20
  10 10 10 10 10
  15 15 15 15 15
  25 25 25 25 25
  30 30 30 30 30

Median   = 5.861538
Mean   = 5.913863
Standard Deviation = .5837666

Weights:
LOCATION   = 20
EXPANSION POTENTIAL   = 20
CONDITION AT TIME OF SAL   = 20
ELEVATORS IN PLACE   = 20
FENESTRATION ON UPPER FL   = 20

 Final Results:
 Number of Combinations   = 3125
 Number of Combinations Adding to 100% = 381

Median   = 6.060606
Mean   = 6.00175
Standard Deviation = .1893479

Weights:
LOCATION   = 10
EXPANSION POTENTIAL   = 30
CONDITION AT TIME OF SAL   = 25
ELEVATORS IN PLACE   = 20
FENESTRATION ON UPPER FL   = 15

Attributes = 5

Attribute Names, Prelim. Weights
 LOCATION 20
 EXPANSION POTENTIAL 20
 CONDITION AT TIME OF SALE 20
 ELEVATORS IN PLACE 20
 FENESTRATION ON UPPER FLOORS 20

 # of Observations = 5

Observ. # 1 WOLFF-KUBLY-30 N. CARROLL Price 15.24
        LOCATION 3
        EXPANSION POTENTIAL 3
        CONDITION AT TIME OF SALE 1
        ELEVATORS IN PLACE 5
        FENESTRATION ON UPPER FLOORS 1
Observ. # 2 16 W. MIFFLIN Price 18.75
        LOCATION 1
        EXPANSION POTENTIAL 1
        CONDITION AT TIME OF SALE 5
        ELEVATORS IN PLACE 3
        FENESTRATION ON UPPER FLOORS 5
Observ. # 3 CENTRE SEVEN-5 & 7 N. PINCKNEY Price 9.23
        LOCATION 1
        EXPANSION POTENTIAL 1
        CONDITION AT TIME OF SALE 1
        ELEVATORS IN PLACE 1
        FENESTRATION ON UPPER FLOORS 5
Observ. # 4 EMPORIUM-50 E. MIFFLIN Price 20
        LOCATION 3
        EXPANSION POTENTIAL 5
        CONDITION AT TIME OF SALE 3
        ELEVATORS IN PLACE 3
        FENESTRATION ON UPPER FLOORS 1
Observ. # 5 WOOLWORTH-2 W. MIFFLIN Price 16.99
        LOCATION 5
        EXPANSION POTENTIAL 3
        CONDITION AT TIME OF SALE 3
        ELEVATORS IN PLACE 1
        FENESTRATION ON UPPER FLOORS 3
The Matrix:
  10   30   25   20   15
   0   20   15   10   5
   5   25   20   15   10
  15   35   30   25   20
  20   40   35   30   25

Median   = 6.060606
Mean   = 6.00175
Standard Deviation = .1893479

Weights:
LOCATION   = 10
EXPANSION POTENTIAL   = 30
CONDITION AT TIME OF SAL   = 25
ELEVATORS IN PLACE   = 20
FENESTRATION ON UPPER FL   = 15

 Final Results:
 Number of Combinations   = 3:25
 Number of Combinations Adding to 100% = 381

 Median   = 6.060606
 Mean   = 6.00175
 Standard Deviation = .1893479

 Weights:
 LOCATION   = 10
 EXPANSION POTENTIAL   = 30
 CONDITION AT TIME OF SAL   = 25
 ELEVATORS IN PLACE   = 20
 FENESTRATION ON UPPER FL   = 15

EXHIBIT 15

WOOLWORTH - RATGRAM STYLE

CALCULATION OF MOST PROBABLE PRICE USING
MEAN PRICE PER POINT EQUATION METHOD

COMPARABLE PROPERTY	SELLING PRICE PER SF OF GBA	POINT SCORE	PRICE PER SF OF GBA/ TOTAL WEIGHTED SCORE (x)
1	$15.24	2.60	$ 5.86
2	18.75	3.00	6.25
3	9.23	1.60	5.77
4	20.00	3.30	6.06
5	16.99	2.80	6.08
		TOTAL	$30.02

Total of $\dfrac{\text{Price Per SF of GBA}}{\text{Total Weighted Score}}$ = $30.02

Mean Value $(\bar{x})$ = 30.02 ÷ 5 = $6.00

Standard Error of Mean Deviation = $\dfrac{\sqrt{\dfrac{\Sigma(x-\bar{x})^2}{n-1}}}{\sqrt{n}}$ = $0.09 where:

x	$\bar{x}$	$(x-\bar{x})$	$(x-\bar{x})^2$	n	$n-1$
$5.86	− $6.00	= − $0.14	0.0196	5	4
6.25	− 6.00	= 0.25	0.0625		
5.77	− 6.00	= − 0.23	0.0529		
6.06	− 6.00	= 0.06	0.0036		
6.08	− 6.00	= 0.08	0.0064		
			0.1450		

$\dfrac{\sqrt{\dfrac{0.1450}{4}}}{\sqrt{5}}$ = $\dfrac{0.190394}{2.23607}$ = 0.085147 or $0.09

EXHIBIT 15 (Continued)

Value Range of Price/Point Score: $6.00 ± $0.09

Since GBA of subject is 39,000 square feet and total weighted
point score of subject is 2.3, then:

High
Estimate: $6.09 x 2.3 x 39,000 SF = $546,273 or $550,000
            ($14.01/SF)

Central
Tendency: $6.00 x 2.3 x 39,000 SF = $538,200 or $540,000
            ($13.80/SF)

Low
Estimate: $5.91 x 2.3 x 39,000 SF = $530,127 or $530,000
            ($13.59/SF)

JUSTIFICATION OF COMPARABLE PRICE FORMULA FOR
WOOLWORTH BUILDING
BY MEANS OF ANALYSIS OF VARIANCE OF ACTUAL SALE PRICE VS. PREDICTED PRICE
OF COMPARABLES USING MEAN PRICE PER POINT EQUATION METHOD

NO.	COMPARABLE PROPERTY	WEIGHTED POINT SCORE	MEAN PRICE PER POINT SCORE	PREDICTED PRICE/ SF GBA	ACTUAL PRICE/ SF GBA	VARIANCE	% OF VARIANCE TO ACTUAL PRICE
1	WOLFF KUBLY 30 N. Carroll Street	2.60	$6.00	$15.60	$15.24	$ 0.36	2.4%
2	14 W. Mifflin Street	3.00	6.00	18.00	18.75	- 0.75	4.0
3	CENTRE SEVEN 5 & 7 N. Pinckney Street	1.60	6.00	9.60	9.23	0.37	4.0
4	EMPORIUM 50 E. Mifflin Street	3.30	6.00	19.80	20.00	- 0.20	1.0
5	WOOLWORTH 2 W. Mifflin Street	2.80	6.00	16.80	16.99	- 0.19	1.1
					NET VARIANCE	$ - 0.41	

EXHIBIT 17

WOOLWORTH BUILDING
SCALE FOR SCORING COMPARABLES ON
IMPORTANT INVESTOR CONSIDERATIONS FOR
OFFICE - RETAIL SPACE IN MADISON
C-4 ZONING
DILMORE STYLE

LOCATION
  15%

    26 = High visibility
    15 = Corner visibility limited
    10 = Inside lot

EXPANSION POTENTIAL
  30%

    26 = Potential for significant
         increases of floor space
    15 = Flexible layouts due to
         bay spacing and elevator
         position
    10 = Inflexibility of layout due
         to old bearing walls and
         elevator shafts

CONDITION AT
TIME OF PURCHASE
  40%

    26 = Fully renovated and leased
    15 = Long-term retail leases in
         place. Serviceable as retail
         in tired space.
    10 = Vacant and in need of total
         rehabilitation. Short-term
         lease or large vacancy in
         need of total rehabilitation.

ELEVATORS AT
TIME OF PURCHASE
  15%

    26 = Two passenger and freight
    15 = Two passenger
    10 = One passenger

WOOLWORTH BUILDING

WEIGHTED MATRIX FOR COMPARABLE PROPERTIES

SCORE/WEIGHTED SCORE

DILMORE STYLE

ATTRIBUTE	WEIGHT	COMPARABLE NO. 1 30 N. CARROLL WOLFF KUBLY	COMPARABLE NO. 2 14 W. MIFFLIN	COMPARABLE NO. 3 5 & 7 E. MIFFLIN CENTRE SEVEN	COMPARABLE NO. 4 50 E. MIFFLIN EMPORIUM	COMPARABLE NO. 5 2 W. MIFFLIN WOOLWORTH	SUBJECT
LOCATION	15%	15/2.25	10/1.50	10/1.50	15/2.25	26/3.90	26/3.90
EXPANSION POTENTIAL AT TIME OF SALE	30%	15/4.50	10/3.00	10/3.00	26/7.80	15/4.50	15/4.50
CONDITION AT TIME OF SALE	40%	10/4.00	26/10.40	10/4.00	15/6.00	15/6.00	10/4.00
ELEVATORS IN PLACE	15%	26/3.90	15/2.25	10/1.50	15/2.25	10/1.50	10/1.50
TOTAL WEIGHTED SCORE	100%	14.65	17.15	10.00	18.30	15.90	13.90
ADJUSTED SELLING PRICE [1]		$625,000	$750,000	$240,000	$850,000	$662,500	
DATE OF SALE		7/17/80	2/27/84	12/31/77	4/30/78	7/31/78	
GROSS BUILDING AREA (GBA)		41,000 SF	40,000 SF	26,000 SF	42,500 SF	39,000 SF	39,000 SF
ADJUSTED PRICE/GBA		$15.24	$18.75	$ 9.23	$20.00	$16.99	
ADJUSTED PRICE/GBA ÷ WEIGHTED POINT SCORE		$1.04	$1.09	$0.92	$1.09	$1.07	

[1] See Appendix _ for assumptions and calculations to determine adjusted selling price.

EXHIBIT 18

EXHIBIT 19

**** WOOLWORTH-DILMORE STYLE ****

Attributes = 5

Attribute Names; Prelim. Weights
 LOCATION 20
 EXPANSION POTENTIAL 20
 CONDITION AT TIME OF SALE 20
 ELEVATORS IN PLACE 20
 FENESTRATION ON UPPER FLOORS 20

 # of Observations = 5

Observ. # 1 WOLFF-KUBLY Price 15.24
        LOCATION 15
        EXPANSION POTENTIAL 15
        CONDITION AT TIME OF SALE 10
        ELEVATORS IN PLACE 26
        FENESTRATION ON UPPER FLOORS 10
Observ. # 2 14 W. MIFFLIN Price 18.75
        LOCATION 10
        EXPANSION POTENTIAL 10
        CONDITION AT TIME OF SALE 26
        ELEVATORS IN PLACE 15
        FENESTRATION ON UPPER FLOORS 26
Observ. # 3 CENTRE SEVEN Price 9.23
        LOCATION 10
        EXPANSION POTENTIAL 10
        CONDITION AT TIME OF SALE 10
        ELEVATORS IN PLACE 10
        FENESTRATION ON UPPER FLOORS 26
Observ. # 4 EMPORIUM Price 20
        LOCATION 15
        EXPANSION POTENTIAL 26
        CONDITION AT TIME OF SALE 15
        ELEVATORS IN PLACE 15
        FENESTRATION ON UPPER FLOORS 10
Observ. # 5 WOOLWORTH Price 16.99
        LOCATION 26
        EXPANSION POTENTIAL 15
        CONDITION AT TIME OF SALE 15
        ELEVATORS IN PLACE 10
        FENESTRATION ON UPPER FLOORS 15

The Matrix:
```
 20   20   20   20   20
 10   10   10   10   10
 15   15   15   15   15
 25   25   25   25   25
 30   30   30   30   30
```

Median   = 1.048765
Mean   = 1.012559
Standard Deviation   = .1956356

Weights:
LOCATION   = 20
EXPANSION POTENTIAL   = 20
CONDITION AT TIME OF SAL   = 20
ELEVATORS IN PLACE   = 20
FENESTRATION ON UPPER FL   = 20

 Final Results:
 Number of Combinations   = 3125
 Number of Combinations Adding to 100% = 381

 Median   = 1.068553
 Mean   = 1.024281
 Standard Deviation   = .1314307

Weights:
LOCATION   = 15
EXPANSION POTENTIAL   = 30
CONDITION AT TIME OF SAL   = 30
ELEVATORS IN PLACE   = 15
FENESTRATION ON UPPER FL   = 10

WOOLWORTH - DILMORE STYLE
1st RUN

EXHIBIT 19 (Continued)

WOOLWORTH - DILMORE STYLE
2nd RUN

**** WOOLWORTH-DILMORE STYLE ****

Attributes = 5

Attribute Names, Prelim. Weights
 LOCATION 20
 EXPANSION POTENTIAL 20
 CONDITION AT TIME OF SALE 20
 ELEVATORS IN PLACE 20
 FENESTRATION ON UPPER FLOORS 20

# of Observations = 5

Observ. # 1 : WOLFF-KUBLY Price 15.24
        LOCATION 15
        EXPANSION POTENTIAL 15
        CONDITION AT TIME OF SALE 10
        ELEVATORS IN PLACE 26
        FENESTRATION ON UPPER FLOORS 10
Observ. # 2 14 W. MIFFLIN Price 18.75
        LOCATION 10
        EXPANSION POTENTIAL 10
        CONDITION AT TIME OF SALE 26
        ELEVATORS IN PLACE 15
        FENESTRATION ON UPPER FLOORS 26
Observ. # 3 CENTRE SEVEN Price 9.23
        LOCATION 10
        EXPANSION POTENTIAL 10
        CONDITION AT TIME OF SALE 10
        ELEVATORS IN PLACE 10
        FENESTRATION ON UPPER FLOORS 26
Observ. # 4 EMPORIUM Price 20
        LOCATION 15
        EXPANSION POTENTIAL 26
        CONDITION AT TIME OF SALE 15
        ELEVATORS IN PLACE 15
        FENESTRATION ON UPPER FLOORS 10
Observ. # 5 WOOLWORTH Price 16.99
        LOCATION 26
        EXPANSION POTENTIAL 15
        CONDITION AT TIME OF SALE 15
        ELEVATORS IN PLACE 10
        FENESTRATION ON UPPER FLOORS 15
The Matrix:
   15   30   30   15   10
    5   20   20   5   0
   10   25 ·25   10   5
   20   35   35   20   15
   25   40   40   25   20

Median   = 1.068553
Mean   = 1.024281
Standard Deviation = .1314337

Weights:
LOCATION   = 15
EXPANSION POTENTIAL   = 30
CONDITION AT TIME OF SAL   = 30
ELEVATORS IN PLACE   = 15
FENESTRATION ON UPPER FL   = 10

 Final Results:
 Number of Combinations   = 3125
 Number of Combinations Adding to 100%   = 381

 Median   = 1.068553
 Mean   = 1.043603
 Standard Deviation = 7.084803E-02

Weights:
LOCATION   = 15
EXPANSION POTENTIAL   = 30
CONDITION AT TIME OF SAL   = 40
ELEVATORS IN PLACE   = 15

EXHIBIT 20

WOOLWORTH BUILDING
CALCULATION OF MOST PROBABLE PRICE USING
MEAN PRICE PER POINT EQUATION METHOD
DILMORE STYLE

COMPARABLE PROPERTY	SELLING PRICE PER SF OF GBA	POINT SCORE	PRICE PER SF OF GBA/ TOTAL WEIGHTED SCORE (x)
1	$15.24	14.65	$1.04
2	18.75	17.15	1.09
3	9.23	10.00	0.92
4	20.00	18.30	1.09
5	16.99	15.90	1.07
		TOTAL	$5.21

Total of $\dfrac{\text{Price Per SF of GBA}}{\text{Total Weighted Score}}$ = $5.21

Mean Value $(\bar{x})$ = $5.21 ÷ 5 = $1.04

Standard Error of Mean Deviation = $\dfrac{\sqrt{\dfrac{\Sigma(x-\bar{x})^2}{n-1}}}{\sqrt{n}}$ = $0.03 where:

x		$\bar{x}$		$(x-\bar{x})$	$(x-\bar{x})^2$	n	n-1
$1.04	−	$1.04	=	$0.00	0.0000	5	4
1.09	−	1.04	=	0.05	0.0025		
0.92	−	1.04	= −	0.12	0.0144		
1.09	−	1.04	=	0.05	0.0025		
1.07	−	1.04	=	0.03	0.0009		
					0.0203		

$\dfrac{\sqrt{\dfrac{0.0203}{4}}}{\sqrt{5}}$ = $\dfrac{0.071239}{2.23607}$ = 0.031859 or $0.03

EXHIBIT 20 (Continued)

Value Range of Price/Point Score: $1.04 ± $0.03

Since GBA of subject is 39,000 square feet and total weighted point score of subject is 13.90, then:

High
Estimate: $1.07 x 13.90 x 39,000 SF = $580,047 or $580,000
($14.87/SF)

Central
Tendency: $1.04 x 13.90 x 39,000 SF = $563,784 or $560,000
($14.46/SF)

Low
Estimate: $1.01 x 13.90 x 39,000 SF = $547,521 or $550,000
($14.04/SF)

COMPARISON OF WOOLWORTH DEMONSTRATION - RATGRAM STYLE AND WOOLWORTH - DILMORE STYLE

	RATGRAM STYLE	DILMORE STYLE	% VARIANCE RATGRAM TO DILMORE
Estimated Value Central Tendency	$540,000	$560,000	3.7%

JUSTIFICATION OF COMPARABLE PRICE FORMULA FOR
WOOLWORTH BUILDING
BY MEANS OF ANALYSIS OF VARIANCE OF ACTUAL SALE PRICE VS. PREDICTED PRICE
OF COMPARABLES USING MEAN PRICE PER POINT EQUATION METHOD
DILMORE STYLE

NO.	COMPARABLE PROPERTY	WEIGHTED POINT SCORE	MEAN PRICE PER POINT SCORE	PREDICTED PRICE/ SF GBA	ACTUAL PRICE/ SF GBA	VARIANCE	% OF VARIANCE TO ACTUAL PRICE
1	WOLFF KUBLY 30 N. Carroll Street	14.65	$1.04	$15.24	$15.24	$ 0.00	0.0%
2	14 W. Mifflin Street	17.15	1.04	17.84	18.75	- 0.91	4.9
3	CENTRE SEVEN 5 & 7 N. Pinckney Street	10.00	1.04	10.40	9.23	1.17	12.7
4	EMPORIUM 50 E. Mifflin Street	18.30	1.04	19.03	20.00	- 0.97	4.9
5	WOOLWORTH 2 W. Mifflin Street	15.90	1.04	16.54	16.99	- 0.45	2.6
					NET VARIANCE	$ - 1.16	

EXHIBIT 22

SCALE FOR SCORING COMPARABLE SALE ATTRIBUTES

Location
15%

5 = Corner lot with high visibility on major traffic artery
3 = Inside lot with low visibility on major traffic artery
1 = Inside lot with low visibility on secondary street

Investor Perception of Neighborhood Image
15%

5 = Strong identification with Square (within 1 block) or established commercial or residential area
3 = Neutral investor attitude
1 = General identification with deteriorated neighborhood

Structural Condition of Improvements
25%

5 = Fire-resistant construction, well maintained, operational, marketable
3 = Ordinary mill construction (brick bearing walls-wood beams), poorly maintained, needs mechanical work
1 = Boarded up and/or partially damaged or vandalized

Reuse Potential
30%

5 = Dominant commercial/retail reuse potential with anticipation of Landmark designation with 1981 tax laws applied
4 = Dominant commercial/retail reuse potential with anticipation of Landmark designation prior to 1981 tax law
3 = Residential reuse potential with 1981 tax laws applied
2 = Residential reuse potential prior to 1981 tax law
1 = Warehouse
0 = Improvements demolished leaving land only

EXHIBIT 22 (Continued)

Bargaining Position
of Seller
   15%

5 = Income adequate to carry property
    or seller with strong asset
    position
3 = Little or no steady income but
    seller not known to be under
    financial pressures
1 = Building owner known to have
    financial pressures or multiple
    liens on property

WEIGHTED MATRIX FOR COMPARABLE PROPERTIES

EXHIBIT 22 (Continued)

Rating/Weighted Rating

FEATURE	WEIGHT	#1 Prautschi 215-219 King	#2 Sutherland Elec. 323 K. Wilson	#3 Fess Motel 123 K. Doty	#4 Miller Horne 714 Williamson	#5 Miller Horne 722 Williamson	#6 Atrium 25 N. Pinckney	#7 Old Sorority 10 Langdon	Cardinal Motel SUBJECT
Location	15%	3/ .45	5/ .75	5/ .75	3/ .45	3/ .45	1/ .15	3/ .45	5/ .75
Investor Perception of Neighborhood Image	15%	3/ .45	3/ .45	5/ .75	1/ .15	1/ .15	5/ .75	5/ .75	1/ .15
Structural Condition of Improvements at Time of Sale	25%	3/ .75	5/1.25	1/ .25	5/1.25	5/1.25	3/ .75	1/ .25	1/ .25
Reuse Potential	30%	4/1.2	1/ .30	4/1.2	2/ .60	4/1.2	4/1.2	4/1.2	5/1.5
Bargaining Position of Seller	15%	5/ .75	3/ .45	1/ .15	3/ .45	1/ .15	1/ .15	1/ .15	3/ .45
Total Point Score		3.6	3.2	3.1	2.9	3.2	3.0	2.8	3.1

EXHIBIT 22 (Continued)

	#1 Frautschi 215-219 King	#2 Sutherland Elec. 323 W. Wilson	#3 Fess Hotel 123 E. Doty	#4 Miller Morne 714 Williamson	#5 Miller Morne 722 Williamson	#6 Atrium 25 N. Pinckney	#7 Old Sorority 10 Langdon
Nominal Sale Price	$320,000	$165,000	$120,000	$148,000	$300,000	$150,000	$91,000
Date of Sale	November 1978	July 1979	January 1975	January 1979	November 1981	April 1977	July 1981
Terms of Sale	Land contract $50,000 – down 270,000 – 2 yrs 10% Year 1 6% Year 2	Cash to seller	Land contract	Land contract $23,000 down 125,000 @ 9 3/4% – 5 years	Land contract	$100,000 cash 50,000 seller 2nd subordinated to construction loan	Cash to seller
Adjustment for:							
Terms of Sale	Discount 10%	No adjustment	5% Finder's fee for $320,000 construction loan	Reduce to $140,000	Discount 20% for creative financing	Discount 2nd-20%	None
Time of Sale (5%/year from 1/1/79 on)	Appreciate 17.5%	Appreciate 15%	Appreciate 17.5%	Appreciate 17.5%	Appreciate 2.5%	Appreciate 17.5%	Appreciate 5%
Adjusted Price for Terms and Time	$338,400	$189,750	$121,500	$164,500	$246,000	$164,500	$95,550
Land Area	21,728 SF	8,221 SF	8,712 SF	8,712 SF	17,424 SF	8,712 SF	6,720 SF
Adjustment for Land Area Differences @ $5.00/SF	($108,640)	($41,105)	($43,560)	($43,560)	($87,120)	($43,560)	($33,600)
Adjusted Price less Allowance for Land Value	$229,760	$148,645	$77,940	$120,940	$158,880	$120,940	$61,950
Gross Building Area (GBA) (Square Feet)	21,000 SF	17,790 SF	9,330 SF	28,000 SF	30,000 SF	16,060 SF	10,500 SF
Adjusted Price per Square Foot of GBA	$10.94/SF of GBA	$8.36/SF of GBA	$8.35/SF of GBA	$4.32/SF of GBA	$5.30/SF of GBA	$7.53/SF of GBA	$5.90/SF of GBA
Total Point Score	3.6	3.2	3.1	2.9	3.2	3.0	2.8
Price per Square Foot/Point Score	$3.04	$2.61	$2.69	$1.49	$1.66	$2.51	$2.11

EXHIBIT 22 (Continued)

CALCULATION OF MOST PROBABLE PRICE USING
MEAN PRICE PER POINT EQUATION METHOD

Comparable Property	Adjusted Selling Price per SF of GBA	Weighted Point Score	$\dfrac{\text{Price per SF}}{\text{Weighted Point Score}}$ (x)
1	$10.94	3.6	$3.04
2	8.36	3.2	2.61
3	8.35	3.1	2.69
4	4.32	2.9	1.49
5	5.30	3.2	1.66
6	7.53	3.0	2.51
7	5.90	2.8	2.11

TOTAL $16.11

Central Tendency $= \dfrac{\xi x}{n} = \dfrac{16.11}{7} = 2.30$

Dispersion $= \sqrt{\dfrac{\xi(x-\bar{x})^2}{(n-1)}} = \sqrt{\dfrac{1.9417}{6}} = .569$

where:

x		$\bar{x}$		$/(x-\bar{x})/$	$(x-\bar{x})^2$	n	n-1
3.04	−	2.30	=	.74	.5476	7	6
2.61	−	2.30	=	.31	.0961		
2.69	−	2.30	=	.39	.1521		
1.49	−	2.30	=	.81	.6561		
1.66	−	2.30	=	.64	.4096		
2.51	−	2.30	=	.21	.0441		
2.11	−	2.30	=	.19	.0361		

$\xi(x-x)^2 = 1.9417$

EXHIBIT 22 (Continued)

Value range: x ± dispersion = 2.30 ± .57

Gross Building Area	x	Weighted Point Score	x (Central Tendency ± Dispersion) =
17,900 SF	x	3.1	x (2.30 ± .57) =

High Estimate of $159,256 or $160,000

Central Tendency of $127,627 or $130,000

Low Estimate of $95,998 or $100,000

All value estimates are rounded

EXHIBIT 23

COMPARABLE VACANT LARGE LOT LAND SALES

64

SALE NUMBER	LOCATION	AVAILABILITY OF SEWER AND WATER	ZONING	SALE DATE	GRANTOR	GRANTEE	PRICE	ACRES	PRICE PER ACRE
4	Highway 50	No	Ag	12/76	Rudy Industrial Park, Inc.	Wis. Electric Power Company	$700,475	155.66	$4,500
5	Highway 158	No	Ag	6/79	Pitts	City of Kenosha	$696,920	133.00	$5,240
19	Highway C	No	Ag	11/77		Thomas Campbell	$188,373	53.87	$3,500
32	Highway 158	Yes	Comm	1980		Shopko	$415,800	75.60	$5,500

EXHIBIT 23 (Continued)

WEIGHTED SCORE MATRIX FOR COMPARABLE LARGE SITE LAND SALES BASED UPON PRICE SENSITIVE ATTRIBUTES

ATTRIBUTE	WEIGHT	#4 WEPCO (HWY 50)	#5 KENOSHA INDUSTRIAL PARK	#19 CAMPBELL (HWY G)	#32 SHOPKO	SUBJECT (COMMERCIAL/RETAIL)
Physical Attributes		[1]				
Size of Site	20%	1/ .20	1/ .20	5/1.00	3/ .60	1/ .20
Site Topography	10%	3/ .30	3/ .30	3/ .30	1/ .10	5/ .50
Linkages						
Highway Frontage	30%	5/1.50	5/1.50	1/ .30	5/1.50	5/1.50
Availability of Rail	10%	5/ .50	5/ .50	1/ .10	1/ .10	1/ .10
Availability of Utilities	20%	1/ .20	5/1.00	1/ .20	5/1.00	1/ .20
Use	10%	1/ .10	1/ .10	5/ .50	3/ .30	3/ .30
TOTAL POINT SCORE	100%	2.80	3.60	2.40	3.60	2.80

	#4 WEPCO	#5 KENOSHA	#19 CAMPBELL	#32 SHOPKO	SUBJECT
Sale Price	$700,475	$696,920	$188,375	$415,800	---
Date of Sale	12/76	6/79	11/77	6/76	---
Time Adjustment [2]	+ 2%	- 2%	0%	+ 4%	---
Adjusted Sale Price	$609,413 [3]	$648,136 [4]	$188,373	$432,432	1,655,280
Acres	155.66	133	53.87	75.6	127
Adjusted Price per Acre	$3,915	$4,873	$3,500	$5,720	---
Total Point Score	2.80	3.60	2.40	3.60	2.80
Price per Acre Point Score	$1,398	$1,354	$1,458	$1,589	---

EXHIBIT 23 (Continued)

POINT SCORE ADJUSTMENT PROCESS -
LARGE SITE LAND SALES

MOST PROBABLE PRICE COMPUTATION USING MEAN PRICE PER POINT EQUATION METHOD

Number of sales = 4
Subject Size = 154.5

		SUBJECT	COMPARABLE SALES -- POINT SCORES			
			4	5	19	32
$ PRICE/ACRE --->			3915.00	4873.00	3500.00	5720.00
FACTORS	WEIGHTS					
1 UTILITIES	.2	1	1	5	1	5
2 FRONTAGE	.3	5	5	5	1	5
3 SIZE	.2	1	1	1	5	3
4 RAIL	.1	1	5	5	1	1
5 TOPOG	.1	5	3	3	3	1
6 USE	.1	3	1	1	5	3
7						
8						
9						
10						

		1				

FACTORS x WEIGHTS	SUBJECT	COMPARABLE SALES			
		4	5	19	32
1 UTILITIES	.2	.2	1	.2	1
2 FRONTAGE	1.5	1.5	1.5	.3	1.5
3 SIZE	.2	.2	.2	1	.6
4 RAIL	.1	.5	.5	.1	.1
5 TOPOG	.5	.3	.3	.3	.1
6 USE	.3	.1	.1	.5	.3
7	0	0	0	0	0
8	0	0	0	0	0
9	0	0	0	0	0
10	0	0	0	0	0
	-------	-------	-------	-------	-------
TOTAL SCORE	2.8	2.8	3.6	2.4	3.6

EXHIBIT 23 (Continued)

CALCULATION OF MOST PROBABLE PRICE
USING MEAN PRICE PER POINT EQUATION METHOD

COMPARABLE SALE NUMBER	ADJUSTED SELLING PRICE PER ACRE	WEIGHTED POINT SCORE	PRICE PER ACRE PER WEIGHTED POINT SCORE
1	3915	2.8	1398.21
2	4873	3.6	1353.61
3	3500	2.4	1458.33
4	5720	3.6	1588.89
5	0	.00001	.00
6	0	.00001	.00
7	0	.00001	.00
8	0	.00001	.00
9	0	.00001	.00
10	0	.00001	.00
			5799.05

Central Tendency (Mean):

The mean price per acre per point (x) $= \dfrac{5799.048}{4} = 1449.762$

Where:

x	$\bar{x}$	$(x-\bar{x})$	$(x-\bar{x})^2$	n	$n-1$
1398.214	1449.762	-51.5476	2657.157	4	3
1353.611	1449.762	-96.1508	9244.975		
1458.333	1449.762	8.571429	73.46939		
1588.889	1449.762	139.1270	19356.32		
0	1449.762	0	0		
0	1449.762	0	0		
0	1449.762	0	0		
0	1449.762	0	0		
0	1449.762	0	0		
0	1449.762	0	0		
			31331.92		

Dispersion about the mean = the square root of $\dfrac{(x - \bar{x})^2}{n - 1}$ = 102.1958

Therefore,

The Value Range is :   1449.762   +/-   102.1958

                    or   1347.566   to   1551.958

Since the subject's point score is: 2.8

Score	x	Value	=	$/ACRE
2.8		1347.566		3773.19
2.8		1449.762		4059.33
2.8		1551.958		4345.48

Since the acreage of the subject is: 154.5

It follows that:

	$/ACRE	x	ACRES	=	Estimated Value		
Low Estimate	3773.19	x	154.5	=	582957.9	or	583000
Central Tendency	4059.33	x	154.5	=	627166.5	or	627000
High Estimate	4345.48	x	154.5	=	671376.7	or	671000

EXHIBIT 23 (Continued)

EXHIBIT 23 (Continued)

Computation of Least Squares Fit of Sales Price and Property Score
==

[STEP 1]

Sale	Y	X	Y^2	X^2	XY
1	3915	2.8	15327225	7.840000	10962
2	4873	3.6	23746129	12.96000	17542.8
3	3500	2.4	12250000	5.760000	8400
4	5720	3.6	32718400	12.96000	20592
5	0	0	0	0	0
6	0	0	0	0	0
7	0	0	0	0	0
8	0	0	0	0	0
9	0	0	0	0	0
10	0	0	0	0	0
	18008	12.4	84041754	39.52000	57496.8

[STEP 2]

$$\bar{Y} = \frac{\text{The sum of Y's}}{n} = 4502$$

$$\bar{X} = \frac{\text{The sum of X's}}{n} = 3.1$$

[STEP 3]

The sum of y^2's = (The sum of Y^2's) $- n(\bar{Y})^2$

$\qquad = 2969738.$

The sum of x^2's = (The sum of X^2's) $- n(\bar{X})^2$

$\qquad = 1.080000$

The sum of xy = (The sum of XY) $- n(\overline{XY})$

$\qquad = 1672$

69

EXHIBIT 23 (Continued)

[STEP 4]

b = slope of price point relationship

$$= \frac{\text{The sum of xy}}{\text{The sum of } x^2} = 1548.148$$

[STEP 5]

a = intercept

$$= \bar{Y} - b\bar{X} = -297.259$$

[STEP 6]

$$Syx = \text{The square root of } \frac{(\text{The sum of } y\text{'s})^2 - b(\text{The sum of xy})}{n - 2}$$

$$= 1524.011$$

[STEP 7]

$$r = \frac{\text{The sum of xy}}{\text{The square root of } (\text{The sum of } x^2\text{'s}) \times (\text{The sum of } y^2\text{'s})}$$

$$= .9336096$$
$$r^2 = .8716270$$

EXHIBIT 23 (Continued)

[STEP 8]

Subject
Value = 3988.67 Estimated by Regression Equation: y x a + bX

COMPARABLE NUMBER	WEIGHTED POINT SCORE	ESTIMATED PRICE PER ACRE	ACTUAL PRICE PER ACRE	RESIDUAL ERROR
4	2.8	3988.67	3915	73.67
5	3.6	5064.22	4873	191.22
19	2.4	3450.89	3500	-49.11
32	3.6	5064.22	5280	-215.78
	0	.00	0	.00
	0	.00	0	.00
	0	.00	0	.00
	0	.00	0	.00
	0	.00	0	.00
	0	.00	0	.00
		NET ERROR		.00

EXHIBIT 24

EXCERPTED FROM APPRAISAL OF INDUSTRIAL SITE

C. Adjustments for Differences to Relate the
    Comparables to the Subject Property

To estimate the fair market value of the subject property,
based upon the sale prices of the comparables, adjustments are
made to account for the differences in the price sensitive
attributes of the comparables and the subject. propery. The
comparable properties and the subject property are scored
according to the scale detailed in Exhibit 9.

The subject site, which contains 2.5 acres, receives a
score of 3 because it is an average sized lot. Since it does
not command a more highly visible corner location, a score of 1
is given.

Linkages are extremely sensitive to price. Sites located
in major retail areas command higher prices than do warehouses
and light manufacturing sites. No retail uses are in sight of
the subject so a score of 1 is given. International Lane, a
traffic collector, feeds into Packers Avenue, a major arterial,
so the subject receives a score of 3. A bus line on Packers
Avenue is within two to three blocks of the subject to yield a
score of 3. Electricity, telephone, and natural gas lines are
available in the general area, but there are no curbs, gutters,

EXHIBIT 24 (Continued)

EXHIBIT 9 (Continued)

SCALE FCR SCORING COMPARABLE SALES
BASED UPON PRICE SENSITIVE ATTRIBUTES

PHYSICAL ATTRIBUTES = 35%

    Size
     20%
                       5 = Less than 1 acre
                       3 = 1 to 4 acres
                       1 = Greater than 4 acres

    Corner Location
     15%
                       5 = Yes
                       3 = Next to corner on a major road
                       1 = No

LINKAGES = 50%

    Proximity to Major
    Retail Area
     20%
                       5 = Near a shopping center
                       3 = Near strip retail area
                       1 = No retail uses in sight

    Access to Major
    Highways
     15%
                       5 = On a major boulevard or highway
                       3 = On a traffic collector
                       1 = On a side street

    Availability of
    Madison Metro
     5%
                       5 = On a bus line
                       3 = Within 2-3 blocks of bus line
                       1 = None

    Availability of
    Utilities
     10%
                       5 = Water, sewer, gas, curb,
                          and gutter
                       3 = Water, sewer, gas
                       1 = None

EXHIBIT 24(Continued)

EXHIBIT 9   (Continued)

DYNAMIC ATTRIBUTES = 15%

Positive Public
Recognition of
Street/Location
  5%
	5 = High visibility or recognition
	    of location
	3 = Average
	1 = Relatively unknown

Perceived Adverse Influences 5%	5 = None 3 = Noise/Odor/Visual Problems 1 = Physically threatening

Immediate View
from Property
Frontage
  5%
	5 = Well-landscaped office,
	    shops, and residential
	3 = Office/warehouses well-screened
	    and partially landscaped
	1 = Assortment of office/warehouse
	    uses with inadequate screening
	    and/or poorly maintained or
	    vacant

EXHIBIT 24 (Continued)

or sidewalks. A score of 3 is given the subject for the availability of utilites.

Dynamic attributes, (the public's perceptions of the property's attributes) contribute to value. Since International Lane is a well-known location with positive public recognition, the subject is given a score of 5. Since the noise from planes landing and taking off could be disruptive, the subject receives a 3. The view from the subject is marred by old barracks converted to offices and warehouse buildings that would no longer meet the more stringent architectural controls now in existence in Truax Air Park West, so the subject receives a score of 1.

Each comparable is scored in a similar manner; the weighted point score matrix which details the calculation of a total point score for both the comparable and the subject is found in Exhibit 10.

The price per square foot for each comparable is divided by its point score and the results are also found in Exhibit 10.

The mean point score per square foot is applied to the point score of the subject to indicate a central tendency value of $111,000, or $1.01 per square foot. These calculations are detailed in Exhibit 11.

The range of estimates yields a high of $123,500, or $1.13 per square foot and a low of $98,000, or $0.90 per square foot.

EXHIBIT 24(Continued)

EXHIBIT 9 (Continued)

WEIGHTED POINT SCORE MATRIX FOR COMPARABLE SALES
BASED UPON PRICE SENSITIVE ATTRIBUTES

ATTRIBUTE	WEIGHT	#1 1905 ABERG AVENUE	#2 1801 COMMERCIAL AVENUE
Physical Attributes		[1]	
Size of Site	20%	3/ .60	1/ .20
Corner Location	15%	1/ .15	1/ .15
Linkages			
Proximity to Retail	20%	3/ .60	1/ .20
Access to Major Roads	15%	5/ .75	3/ .45
Availability of City Bus	5%	3/ .25	5/ .25
Availability of Utilities	10%	5/ .50	5/ .50
Dynamic Attributes			
Public Recognition	5%	5/ .25	3/ .15
Perceived Adverse Factors	5%	3/ .15	5/ .25
View from Site	5%	1/ .05	1/ .05
	100%		
TOTAL POINT SCORE		3.30	2.20

Sale Price	$80,000	$181,150
Date of Sale	8/82	10/80
Land Area (SF)	53,426 (1.23 A)	175,547 (4.03 A)
Price per Square Foot	$1.50	$1.03
Total Point Score	3.30	-2.20
Price per SF/Point Score	$0.45	$0.47

[1] Explanation of weighted score: point score/score x weight

EXHIBIT 9 (Continued)

ATTRIBUTE	WEIGHT	#3 3520 PACKERS AVENUE	#4 814 ATLAS AVENUE (Backs on to Cottage Grove Rd.)	#5 LOT 1, BLK. 7, MADISON INDUSTRIAL SUB., #1	#6 2447 ADVANCE (a.k.a. 4701 Pflaum Road)	#7 LOT 6, BLK. 3, MADISON INDUSTRIAL SUB., #1
Physical Attributes		[1]				
Size of Site	20%	5/1.00	3/ .60	3/ .60	3/ .60	5/1.00
Corner Location	15%	5/ .75	1/ .15	1/ .15	5/ .75	1/ .15
Linkages						
Proximity to Retail	20%	3/ .60	3/ .60	1/ .20	1/ .20	1/ .20
Access to Major Roads	15%	3/ .45	5/ .75	1/ .15	3/ .45	1/ .15
Availability of City Bus	5%	5/ .25	5/ .25	1/ .05	1/ .05	1/ .05
Availability of Utilities	10%	5/ .50	5/ .50	5/ .50	5/ .50	5/ .50
Dynamic Attributes						
Public Recognition	5%	1/ .05	3/ .15	1/ .05	5/ .25	1/ .05
Perceived Adverse Factors	5%	3/ .15	5/ .25	5/ .25	5/ .25	5/ .25
View from Site	5%	1/ .05	3/ .15	3/ .15	3/ .15	3/ .15
	100%					
TOTAL POINT SCORE		3.80	3.40	2.10	3.20	2.50
Sale Price		$30,000	$125,000	$70,000	$60,000	$20,900
Date of Sale		2/79	6/83	9/82	9/82	9/82
Land Area (SF)		21,747 (0.50)	80,613 (1.85 A)	73,109 (1.68 A)	45,472 (1.04 A)	22,997 (0.53 A)
Price per Square Foot		$1.55 [2]	$1.55	$0.96	$1.32	$0.91
Total Point Score		3.80	3.40	2.10	3.20	2.50
Price per SF/Point Score		$0.41	$0.46	$0.46	$0.41	$0.36

[1] Explanation of weighted score: point score/score x weight
[2] This older sale is adjusted upward 12 percent for time. (1.12 x $1.38 = $1.55)

EXHIBIT 24(Continued)

77

EXHIBIT 9 (Continued)

ATTRIBUTE	WEIGHT	#8 LOT 2, BLK. 6. MADISON INDUSTRIAL SUB., #1	#9 4484 ROBERTSON ROAD MADISON IND. SUB., #1	SUBJECT LOT 2, CSM 928
Physical Attributes		[1]		
Size of Site	20%	5/1.00	3/ .60	3/ .60
Corner Location	15%	1/ .15	1/ .15	1/ .15
Linkages				
Proximity to Retail	20%	1/ .20	1/ .20	1/ .20
Access to Major Roads	15%	1/ .15	1/ .15	3/ .45
Availability of City Bus	5%	1/ .05	1/ .05	3/ .15
Availability of Utilities	10%	5/ .50	5/ .50	3/ .30
Dynamic Attributes				
Public Recognition	5%	1/ .05	1/ .05	5/ .25
Perceived Adverse Factors	5%	5/ .25	5/ .25	3/ .15
View from Site	5% / 100%	3/ .15	3/ .15	1/ .05
TOTAL POINT SCORE		2.50	2.10	2.30
Sale Price		$32,000	$98,600	N/A
Date of Sale		2/82	1/82	N/A
Land Area (SF)		24,975 (0.57)	98,600 (2.26 A)	109,493 (2.51 A)
Price per Square Foot		$1.28	$1.00	N/A
Total Point Score		2.50	2.10	2.30
Price per SF/Point Score		$0.51	$0.48	N/A

[1] Explanation of weighted score: point score/score x weight

EXHIBIT 24 (Continued)

EXHIBIT 24 (Continued)

EXHIBIT 9 (Continued)

CALCULATION OF MOST PROBABLE PRICE USING
MEAN PRICE PER POINT EQUATION METHOD

Comparable Property	Adjusted Selling Price per SF	Weighted Point Score	Price per SF / Weighted Point Score
1	$1.50	3.30	$0.45
2	1.03	2.20	0.47
3	1.55	3.80	0.41
4	1.55	3.40	0.46
5	0.96	2.10	0.46
6	1.32	3.20	0.41
7	0.91	2.50	0.36
8	1.28	2.50	0.51
9	1.00	2.10	0.48
		TOTAL	$4.01

Central Tendency [1] $= \dfrac{\Sigma x}{n} = \dfrac{4.01}{9} = .44$

Dispersion $= \sqrt{\dfrac{\Sigma (x-\bar{x})^2}{(n-1)}} = \sqrt{\dfrac{.0168}{8}} = .05$

[1] $\quad x = $ Sum of $\dfrac{\text{Price per SF}}{\text{Weighted Point Score}}$

$\quad n = $ Number of Observations

$\quad \bar{x} = $ Average $\dfrac{\text{Price per SF}}{\text{Weighted Point Score}}$

EXHIBIT 24 (Continued)

EXHIBIT 9 (Continued)

where:

_x_	$\bar{x}$	/(x-$\bar{x}$)/	(x-$\bar{x}$)^2	_n_	n=1
.42	.44	.02	.0004	9	8
.47	.44	.03	.0009		
.41	.44	.03	.0009		
.46	.44	.02	.0004		
.46	.44	.02	.0004		
.41	.44	.03	.0009		
.36	.44	.08	.0064		
.51	.44	.07	.0049		
.48	.44	.04	.0016		

$$\Sigma(x - \bar{x})^2 = .0168$$

Value range for subject property:

$$\bar{x} \pm \text{dispersion} = \$0.44 \pm .05$$

Square
Footage of   x   Weighted   x   (Central Tendency ± Dispersion) =
Subject   Point Score

109,493   x   2.30   x   ($0.44 ± .05) =

High Estimate of $123,500 or $1.13 per square foot

Central Tendency of $111,000 or $1.01 per square foot

Low Estimate of $98,000 or $0.90 per square foot

EXHIBIT 24 (Continued)

As a check on the appropriateness of the appraiser's selection and weighting of price sensitive factors, the point scores calculated for each comparable is multiplied by the mean price per square foot per point score to predict or estimate the actual selling price of each comparable. The results are as follows:

COMPARABLE __NUMBER__	WEIGHTED POINT_SCORE	ESTIMATED PRICE/SF_	ACTUAL PRICE/SF	RESIDUAL _ERROR__
1	3.30	1.45	1.50	-.05
2	2.20	0.96	1.03	-.07
3	3.80	1.67	1.55 (adj.)	+.12
4	3.40	1.50	1.55	-.05
5	2.10	0.92	0.96	-.04
6	3.20	1.41	1.32	+.09
7	2.50	1.10	0.91	+.19
8	2.50	1.10	1.28	-.18
9	2.10	0.92	1.00	±.08

NET RESIDUAL ERRORS +.09

There appears to be a tight fit between the estimated and the actual price; so it can be concluded that the selection and weighing of the price sensitive factors successfully reflected buyer behavior.

EXHIBIT 24 (Continued)

The market comparable approach is sensitive to the appraiser's ability to predict buyer perceptions in a changing market. The weighted point scores are an attempt to capture these perceptions. Consequently, this calculated value is only the initial step in determining the final price estimate. This initial transaction zone must be adjusted in light of certain external factors such as the buyer's alternative option to lease surrounding land from Dane County instead of buying in fee which, in turn, will be affected by the current cost of financing land purchases, the income tax consequences of buy versus lease decision, and the effect of the Consumer Price Index (CPI) escalator upon rental rates for leased land. Other external factors include the effect of the Truax Air Park covenants upon the quality of future development in the area, and the future expansion of the Dane County Regional Airport.

CONTEMPORARY ISSUES AND METHODS FOR
APPRAISING COMMERCIAL PROPERTIES
(Continued)

VI. THE INCOME APPROACH OR INVESTMENT SIMULATION APPROACH
APPLIED TO LARGE INCOME PROPERTY

The basic concept of the income approach is that the
property value is the present value of an income stream
to the investor plus the present value of the reversion
to the investor. That simple truism requires very
disciplined, systematic, but internally consistent logic
to carry off.

A. First there is the problem of defining the
perspective of the buyer or buyer presumed by the
issue for which the appraisal is required as a
benchmark. This perspective will determine what
revenues and expenses must be considered.

B. There is the problem of defining the source, amount,
and timing of receipt in terms of accounting theory
(cash or accrual) and in terms of business practice
(receivables versus collectibles).

C. There is the problem of defining expenses
attributable to the real estate as opposed to the
occupancy as perceived by the most probable buyer.

D. Selection of a forecast period also determines
necessary charges to operations for tenant
improvement, leasing commissions, reserve for
replacement and refurbishment, and other soft capital
items to be amortized over nominal periods of time.

E. Then there is the problem of defining the most
probable capital structure for buyer financing of the
property assuming cash to the seller and/or assuming
some seller financing.

F. There is the problem of selecting a conversion
process with which to define a net reversion assumed
for some future point in time in an uncertain future.

G. There is the problem of recognizing entitlements or
submerged profit centers which can be controlled
through purchase of real estate because real estate

traditionally does not carefully delineate net income from real estate, personalty, intangible assets, captive consumers, or managment.

H. Given the complexities of the above, how do buyers convert cash flows, reversions, peripheral profit centers, and portfolio effects to a purchase price.

I. The premise that market prices of actual sales have somehow synthesized all of these factors is not only questionable, but irrelevant in many issues, such as the real estate tax, eminent domain, or most probable sales price.

    1. Sales prices are engineered by accountants and lawyers to shift asset values among various parties, asset classification for land, structure, personalty, and intangibles, or income categories for capital gains and ordinary losses.

    2. Cash equivalency of seller financing or buyer opportunity costs further distorts sales price from the appraisal presumption of independent negotiations between knowledgeable buyer and seller, who were negotiating under the premise that each had alternative courses of action.

CONTEMPORARY ISSUES AND METHODS FOR
APPRAISING COMMERCIAL PROPERTIES
(Continued)

VII. Fundamental isues which will lead to standardization of
perspective by the FASB, the American Appraisal
organizations, and the European Common Market in which
RCS played a major role.

   A. Unwitting deviation from derivation of the income
       approach which:

       1. Originally intended to measure economic surplus
           of an asset in terms of normalized net income
           projected over a mathematical line for the life
           of an asset;

       2. Investment band theory shifted value to the sum
           of present value claims on the income,
           specifically liability valuation.

       3. Equity valuation in the securites markets
           recognize claims from income were prioritized by
           risk and critical path of service provided.
           Earnings were irregular, related to investor tax
           status, and manipulated by marketing monopoly or
           operating control.

   B. This evolution from economic surplus to claims on
       liabilities to going concern values has produced
       incredible confusion and opportunity for valuation
       disinformation because appraisers don't know any
       accounting.

       1. Economic productivity requires accrual accounting

       2. Financial productivity requires cash accounting

       3. Going concern valuation requires profit center
           segregation and venture capital discounting based
           on source and application

   C. Some computer systems for property management already
       have the feature of converting from accrual to cash
       accounting and several studies are underway to define
       acounting conventions for appraisers.

85

1. Exhibit 25 contains generalized theory for converting accrual accounting to cash accounting

2. Exhibit 26 contains general single department income statement

3. Exhibit 27 contains multiple department income statement

4. Exhibit 28 contains a prototype for cash accounting real estate statement

D. Accounting theory also distinguishes value by a variety of perspectives in order to fit the function of the accounting task to measure the appropriate economic aspect:

1. Exit value assuming completion of normal business cycle in an orderly fashion (benchmarking).

2. Exit value assuming abrupt liquidation (construction loan validation).

3. Replacement value with asset of current technology.

4. Reproduction value of asset at original state of technology.

5. Market value in an organized market for tangible goods.

6. Current value in an organized market for tangible goods.

7. Discounted value of future receipts at interest factor.

8. Value of asset not yet charged to consumption or production.

E. Fair market value presumes definition of economic rent attributable to the real estate as opposed to intangible assets or personal property.

1. Is income attributable to entitlements that go with fee simple title to the land and are point specific or to transportable permits?

EXHIBIT 25

ACCRUAL ACCOUNTING AND CASH FLOWS

A standard estimate of cash flow (assuming all equity financing for simplicity) is:

$$CF = PAT + NC - \Delta C - \Delta I, \quad (1)$$

where,

PAT = Profits after taxes,

NC = Noncash expenses minus non-cash revenues (already recognized for accrual accounting purposes),

ΔC = Cash expenditures minus cash receipts as yet unrecognized for accrual accounting purposes,

and,

ΔI = The investment minus sales of fixed assets (although ΔI is shown separately here, note that it could be treated as part of ΔC).

1. Depreciation of fixed assets is a well known example of a non-cash expense item as are amortized tenant improvements and leasing commissions or amortized construction loan interest or mortgage points.

2. Non-cash revenue is a buildup of accounts receivable for reimbursable expenses.

3. Investment would include tenant improvements, leasing commissions and deferred maintenance. If cash expenditures included tenant improvements, it could be reduced by that portion of rents collected representing amoritization previous tenant improvements so that the original capital budget would serve as a rolling financing account.

EXHIBIT 26

a description of the components that comprise the change are disclosed. Income is classified by customer, product line, or function. In addition, classification into groupings such as ordinary and extraordinary is developed to aid user groups. The transaction approach to income measurement is the method that you learned in your basic accounting course.

Single-Step Income Statement

We have just examined why the transaction approach to income measurement is superior to the capital maintenance calculation. One problem with the transaction approach involves the determination of the proper format for this information. Many accountants prefer a statement format entitled the "single-step" income statement.

In this statement, two groups exist: revenues on the one hand, and cost and expenses on the other. The expenses are deducted from the revenues to arrive at the net income or loss: the expression "single-step" is derived from the single subtraction necessary to arrive at net income. Generally, however, income taxes are shown as a separate last item.

For example, here is the income statement of Modular Tech, Inc.

<div align="center">

Modular Tech, Inc.
STATEMENT OF INCOME
For the Year Ended December 31, 1973

</div>

Revenue from sales	$343,000
Other revenue	6,000
Total revenue	349,000
Expenses	
Cost of products sold	258,000
Selling, administrative, and general expenses	49,000
Interest on long-term debt	3,961
Sundry	1,104
Total expenses	312,065
Income before taxes	36,935
Taxes on income	16,000
Net income	$ 20,935
Net income per common share	$1.36

The use of the single-step form of income statement is predominate in business reporting today, and indicates a declining use of the multiple-step form.[3]

[3] *Accounting Trends and Techniques*, p. 182.

EXHIBIT 26 (Continued)

If extraordinary items develop during the period, the final wording is changed to net income before extraordinary items. The remainder of the statement is as follows:

Net income before extraordinary items
Extraordinary items (net of income tax)
Net income

The advantages of the single-step format lie in its simplicity and that there is no implication of the priority of one type of expense over another. Possible classification problems are thus eliminated.

Multiple-Step Income Statements

Other accountants contend that additional important relationships exist in income and expense data and that if the income statement shows these relationships it becomes more informative and more useful. Further classification and association of data within the statement make the report even more informative. Among the features are:

1. A separation of results achieved through regular operations and those obtained through the subordinate or nonoperating activities of the company. This separation is helpful, since it provides a sound basis for evaluating the results of nonoperating activities and also of the main activities. For example, enterprises often present a net operating income figure and then a section entitled other income or expense that includes interest income and expense, and sales of miscellaneous items and dividends received.
2. A classification of expenses by functions, such as merchandising or manufacturing (cost of goods sold), selling, and administration. This shows the total expense of each activity, which permits immediate comparison with costs of previous years and with the cost of other departments during the same year.

The accountants who show these additional relationships in the operating data favor what is called a "multiple-step" income statement, in contrast to the "single-step" statement. In a multiple-step statement the basic division is between operating and nonoperating activities, with both revenues and expenses separated into these two groups. And, whenever practicable, costs and expenses are classified and grouped within each major division. This statement is recommended because it recognizes a separation of operating transactions from nonoperating transactions and matches costs and expenses with related revenues to provide more information to the financial-statement reader. To illustrate, the Anderson-Patton Company's statement of income is presented on pages 116 and 117.

EXHIBIT 27

116   Chapter 4 Statement of Income and Retained Earnings

Anderson-Patton Company
STATEMENT OF INCOME
For the Year Ended December 31, 1974

Sales

Sales (after deducting returns and allowances of $36,427 and cash discounts of $44,241)			$2,972,413

Cost of Sales

Merchandise inventory Jan. 1, 1974		$ 461,219	
Cost of merchandise purchased:			
Purchases (after deducting cash discounts of $19,270)	$1,970,423		
Freight and transportation	40,612	2,011,035	
Total merchandise available		2,472,254	
Less Merchandise not sold—12/31/74		489,713	
Cost of sales			1,982,541
Gross profit			989,872

Operating Expenses

Selling expenses			
Salesmen's salaries and commissions	202,644		
Sales office salaries	59,200		
Travel and entertainment	38,315		
Advertising	48,940		
Telephone and telegraph	12,215		
Freight and transportation-out	24,712		
Shipping supplies and expense	41,209		
Postage and stationery	9,005		
Depreciation of sales equipment	16,788	453,028	
Administrative expenses			
Officers' salaries	186,000		
Office salaries	61,200		
Legal and professional services	23,275		
Telephone and telegraph	7,029		
Insurance	23,721		
Depreciation of building	6,000		
Depreciation of office equipment	8,059		
Stationery, supplies, and postage	2,875		
Miscellaneous office expenses	2,612	320,771	773,799
Net income from operations			216,073

EXHIBIT 27   (Continued)

Other Income

Dividends received	8,500	
Rentals	1,800	
Sales of waste and perishables	1,110	11,410
		227,483

Other Expense

Interest on bonds and notes	22,500	
Amortization of bond discount and expense	3,560	26,060
Net income before federal income taxes		201,423
Provision for Federal Income Taxes		102,000
Net income for the year		$ 99,423
Earnings per share		$3.06

For a manufacturing company, the section concerned with the cost of goods manufactured and sold is usually too extensive to include in the income statement. Normally, a separate schedule is required for the presentation of this data, if it is presented at all.

Sections of the Income Statement

This leads to the development of sections and subsections within the income statement itself. These are described below.

I.   Operating section. A report of the revenues and expenses of the company's principal operations. (This section may or may not be presented on a departmental basis.)

  A.   Sales or revenue section. A subsection within the operating section to present the pertinent facts about sales, allowances, returns, discounts, and other related information, and to arrive at the net amount of sales revenue.

  B.   Cost of goods sold section. A subsection within the operating section that shows the cost of goods that were sold to produce the sales, and that shows in adequate detail the components of this cost figure.

  C.   Selling expenses. A subsection within the operating section that states the costs and expenses resulting from the company's efforts to make sales.

  D.   General or administrative expenses. A subsection within the operating section reporting the costs and expenses of general administration of the company's operations.

E X H I B I T   2 8

PRO FORMA INCOME PROPERTY FORMAT

I. Potential Receipts
     Base rent
     Index to base rent
     Percentage rent
     CAM
     Reimburseables
     Escalators with stop
     Interest on reserves
     Government transfer payments
     Total receipts

II. Loss of Potential Receipts
      Vacancy losses
      Rent collection losses
      Reimbursement collection losses
      Concessions
      Total reduction in potential receipts

III. Actual Revenues from Operations

IV. Gross Outlays for Operations
      CAM items
      Reimburseables
      Escalator items
      Owner costs
      Refurbishment
      Total operating outlays

V. Total Cash from Operations
    Less   Interest payments
            Principal payments
            Renewal tenant improvements
            Renewal lease commissions
            Capital improvements

VI. Net Cash from Operations before Taxes
      + Net change in cash reserves from previous period
      + Net change in loan balances outstanding

VII. Cash Available for Distribution and/or Taxes
       Less distribution and taxes
       = Net addition to cash reserves in following period

92

a. For example--does liquor license go with the building? Is permit to build or maintain a dam assignable? Does right to management fee and brokerage fee go with general partnership or property?

2. Is the real estate income from retailing of space or from wholesaling of space?

   a. Parking ramp lease versus parking space by the hour, observation deck versus ticket, condominium conversion fee versus apartment project investment.

3. Is the income for extraordinary services or intangible assets rather than customary?

   a. Maid service versus janitorial, shopping center premium for proximity or for joint merchandising and risk management.

4. Ancillary to, rather than integral with the project.

   a. Can services be acquired off premises such as janitorial or utilities?

5. IRS classification as 1250 property (real) or 1231 property (personalty) and Section 453, 453A and B, or Section 38 (tangible) or Section 45 (intangible).

6. Is income attributable to governmental agencies in exchange for contractual entitlements of control or use to the public interest for the term of the contract?

F. Defining expenses attributable to the real estate is particularly difficult where you have a current occupancy/owner, such as a home office for a bank or insurance company. There are many distortions in the general ledger due to:

1. Superadequacy of maintenance.

2. Corporate accounting to shift or conceal division profits

3. Confusion of busines security with building operations

4. Deliberate concealment of corporate pet projects as building expense

5. Artificial corporate accounting charges for space or corporate services

G. Selection of a forecast period as five or ten years or more reflects purpose and sensitivity to value to long term assumptions and the curve of compound interest. Ten-year convention seems to be growing although a single lease rollover period is sufficient to strain the forecasting talents of most appraisers.

H. The decision by the Institute to require definition of fair market value with all cash to the seller before reporting a value attached to special financing provided by the seller is critical in providing the hope of its standard against which all manner of structuring can be related.

1. Financing is not the only entitlement which enhances value beyond fair market value. There may be favorable leases, tax abatements, monopolies, and all manner of regulatory entitlements which are not included in fee simple title, but travel with the real estate. The increment attributable to these should generally be flagged as well.

2. Fee simple encumbered by leases is generally identified, but what about fee simple encumbered by special district rules, title flaws, or regulatory controls like those of the FERC?

I. Submerged profit centers are becoming much more significant due to management loads on CAM, back-end loads on finite financing agreements, and penalties for prepaid financing, cancelled contracts, windfall real estate tax returns, or sale of services and equipment leasing to the tenants. As control of property shifts to asset managers, so does control of the captive consumers within the building and the

customer lists of potential tenant relocation in the future go to the benefit of the asset manager at the expense of the building owner.

J. Problem of defining or forecasting a reversion:

1. Pricing real estate for utilitarian purpose, to buy access to service sales, or speculate in long term demand/supply commodity relationships or long term commodity/money ratios.

2. Can the appraiser prove presence of necessary conditions for appreciation and amount of depreciation?

    a. Rising net income
    b. Falling interest rates
    c. Falling investor expectations

3. When is appreciation speculative, non-vested, and excluded from fair market value?

4. Can the appraiser simulate alternative speculative gains for most probable price?

CONTEMPORARY ISSUES AND METHODS FOR
APPRAISING COMMERCIAL PROPERTIES
(Continued)

VIII. The new income approach for large income properties has
become a hybrid of a CPA format and appraisal models for
converting cash flows to value estimates.

A. Several computer software packages make it possible
to detail and project large numbers of leases so that
total project revenue is supported by a series of
schedules as indicated by Exhibit 29. When using a
discounted cash flow model, it is imperative to stay
as close to cash accounting as possible.

B. All forms of reimbursement must reflect time lags,
and collection losses and renewals should be charged
for concessions on past due proposals. Appraisers
would be well advised to introduce a limiting
condition to the effect that:

"Pro forma budgets and assumptions about
actual collection of reimbursable expenses
and supplemental rent are not based upon an
actual audit of property operations and
reflect only a business plan which could be
accomplished through effective management."

C. Operating expenses for appraisers were traditionally
divided between fixed variable and reserve for
replacement. Today operating expenses should be
organized by groups which reflect method of, or
degree of, reimbursement by tenants. Leases will
define the accounting rules for the appraiser and the
appraiser must be alert to changing patterns of
leases so that he can anticipate when a building will
shift from a CPI index to a full passthrough CAM with
a loading for management, for example:

1. Reference to Exhibit 30 showing a rehabilitation
case reveals how vulnerable a project is when a
major project has a three-year lease and fails to
renew. A good appriser should pick this up as
well as the reimbursement revenue lost due to
vacancy, if any.

Space No.	Tenant	No. of Twin City Stores	Tenant Rating	GLA Sq. Ft.	Lease Term From	To	Year		Base Rental	Base Rental/ Sq. Ft.	% Rent Formula	/Sq. Ft.
14.	Total Sports	1	National	10,000	11/1/78	1/11/94	15 yrs. 3 mo.	Yr. 1-3	$50,000	$5.00	4% over $1,250,000	($125)
								Yr. 4-7	$60,000	$6.00	4% over $1,500,000	($150)
								Yr. 8-10	$70,000	$7.00	4% over $1,750,000	($175)
								Yr. 11-15	$80,000	$8.00	4% over $2,000,000	($200)
17.	Oriental Arts, Inc.	1	Local	1,066	2/1/81	1/31/83	2 yrs.	Yr. 1	$ 8,925	$8.37	6% over $148,750	($140)
								Yr. 2	$ 9,975	$9.35	1% over $161,250	($151)
18.	Unassigned	--	--	(1,232)	--	--	--	--	$ 9,856	$8.00	1% over $166,250	($156)
											6% over $164,267	($133)
19.	Unassigned	--	--	(449)	--	--	--	--	$ 7,000	$15.59	10% over $70,000	($156)
20.	Unassigned	--	--	(871)	--	--	--	--	$12,000	$13.75	5% over $2'0,000	($275)
21.	Photomill (3)	5	Local	1,536	10/1/78	1/31/89	10 yrs. 3 mos.	Yr. 1-3	$ 6,144	$4.00	6% over $102,400	($67)
								Yr. 4-7	$12,288	$8.00	6% over $204,800	($133)
								Yr. 8-10	$18,432	$12.00	6% over $307,200	($200)
22.	Hurrah	8	National	1,632	2/1/79	1/31/89	10 yrs.	--	$11,424	$7.00	6% over $190,400	($177)
23.		24	Reg.	4,966	11/1/78	1/31/94	15 yrs. 3 mos.	--	$32,279	$6.50	6% over $537,983	($108)
24.	Great	5	National	1,037	10/1/78	1/31/84	5 yrs. 3 mos.	Yr. 1	$10,000	$9.64	8% over $125,000	($121)
								Yr. 2-5	$15,000	$14.46	8% over $187,500	($181)
25.	The Book Center	1	Reg.	1,201	6/1/79	1/31/87	7 yrs. 8 mos.	Yr. 1-2	$ 9,608	$8.00	6% over $160,133	($100)
								Yr. 3-8	$12,010	$10.00	6% over $200,167	($167)
27.	Imports	1	Local	788	12/1/80	1/31/84	3 yrs. 2 mos.	--	$10,200	$12.00	6% over $170,000	($261)
	Total			66,142								

(3) Assigned to Photomill as of April 1, 1981

Rental Summary

	G.L.A. - S.F.	
Leased Space	56,364	(85.2%)
Unassigned Space	9,778	(14.8%)
Totals	66,142	(100.0%)

MALL

Tenant by Tenant Base Rent Projections
Including Lease Step-ups (1) and Reletting Activity (2)

Space No.	Tenant	Area Sq.Ft.	1982 6 mos.	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 6 mos.
1.	Footwear	5,745	$19,964	$39,927	$39,927	$39,927	$39,927	$45,816	$51,705	$51,705	$51,705	$51,705	$25,835
2.	Fabric	10,179	$27,993	$55,985	$55,985	$55,985	$55,985	$55,985	$55,985	$55,985	$55,985	$55,985	$27,993
3.	Unassigned	813	$3,862	$7,724	$7,724	$7,724	$7,724	$7,724	$9,858	$9,858	$9,858	$9,858	$4,929
4.	Cedric	1,586	$5,155	$10,309	$11,895	$11,895	$11,895	$11,895	$11,895	$18,083	$18,083	$18,083	$9,042
5.	Unassigned	2,100	$7,875	$15,750	$15,750	$15,750	$15,750	$20,101	$20,101	$20,101	$20,101	$20,101	$12,827
6.	Unassigned	4,288	$11,520	$23,056	$23,056	$23,056	$23,056	$30,897	$30,897	$30,897	$30,897	$30,897	$19,717
7.	Northwestern Book	5,495	$13,738	$27,475	$27,475	$27,475	$33,068	$38,660	$38,660	$38,660	$38,660	$38,660	$24,670
8.	Body Shoppe	1,795	$14,360	$14,360	$17,950	$17,950	$17,950	$20,635	$20,635	$20,635	$20,635	$20,635	$13,230
9.	Richards	1,612	$6,045	$12,090	$12,090	$12,090	$15,430	$15,430	$15,430	$15,430	$15,430	$19,693	$9,846
10.	Unassigned	1,255	$4,993	$8,785	$8,785	$8,785	$8,785	$11,772	$11,772	$11,772	$11,772	$11,772	$7,512
11.	House of Large Sizes	1,332	$4,329	$8,658	$9,990	$9,990	$9,990	$9,990	$11,322	$11,322	$11,322	$11,322	$5,661
12.	Video	2,186	$8,744	$17,488	$19,674	$19,674	$19,674	$26,365	$26,365	$26,365	$26,365	$26,365	$16,824
13.	Pizza	2,976	$8,793	$17,586	$17,586	$20,832	$20,832	$20,832	$20,832	$20,832	$20,832	$33,856	$16,928
14.	Total Sports	10,000	$30,000	$60,000	$60,000	$60,000	$70,000	$70,000	$70,000	$80,000	$80,000	$80,000	$40,000
17.	Oriental	1,066	$4,988	$10,412	$10,412	$10,412	$10,412	$10,412	$13,290	$13,290	$13,290	$13,290	$6,645
18.	Unassigned	1,232	$4,928	$9,856	$9,856	$9,856	$9,856	$13,208	$13,208	$13,208	$13,208	$13,208	$8,428
19.	Shirt	449	$3,500	$7,000	$8,934	$8,934	$8,934	$8,934	$8,934	$11,402	$11,402	$11,402	$5,701

EXHIBIT 29 (Continued)

MALL

Tenant by Tenant Base Rent Projections
Including Lease Step-ups (1) and Reletting Activity (2)

Space No.	Tenant	Area Sq.Ft.	1982 6 mos.	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 6 mos.
20.	Diamond Center	873	$ 6,000	$ 12,000	$ 12,000	$ 12,000	$ 16,885	$ 16,885	$ 16,885	$ 16,885	$ 16,885	$ 23,759	$ 11,880
21.	Photomill	1,536	$ 6,144	$ 12,288	$ 12,288	$ 12,288	$ 12,288	$ 18,432	$ 18,432	$ 20,016	$ 20,016	$ 20,016	$ 10,008
22.	Hurrah	1,632	$ 5,712	$ 11,424	$ 11,424	$ 11,424	$ 11,424	$ 11,424	$ 11,424	$ 18,608	$ 18,608	$ 18,608	$ 9,304
23.		4,966	$ 16,140	$ 32,279	$ 32,279	$ 32,279	$ 32,279	$ 32,279	$ 32,279	$ 32,279	$ 32,279	$ 32,279	$ 16,140
24.	Crest	1,037	$ 7,500	$ 15,000	$ 17,868	$ 17,868	$ 17,868	$ 17,868	$ 17,868	$ 22,804	$ 22,804	$ 22,804	$ 11,400
25.	Book Center	1,201	$ 6,005	$ 12,010	$ 12,010	$ 12,010	$ 12,010	$ 18,347	$ 18,347	$ 18,347	$ 18,347	$ 18,347	$ 11,700
27.	Imports	700	$ 5,100	$ 10,200	$ 11,002	$ 11,002	$ 11,002	$ 11,002	$ 11,002	$ 13,669	$ 13,669	$ 13,669	$ 6,833
		66,142	$233,396	$451,662	$466,765	$470,011	$493,829	$545,698	$556,399	$592,153	$592,153	$616,314	$333,061

(1) Most lease anniversaries and 1/31 of any particular year. For cash flow projection purposes, we've assumed lease anniversary dates to be 12/31 of the preceding year. No material change results from this minor timing adjustment.

(2) Relet rental rates assume a 5% annual growth over the average rent currently generated from the existing tenant.

EXHIBIT 29 (Continued)

100

MALL
% Rent Computations

Tenant	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Fabrics	840	--	622	3,192	5,967	8,963	7,701	11,194	14,975	19,052	23,544
Northwestern Book	--	--	--	551	1,396	--	--	--	2,500	5,813	--
Pizza	--	--	1,309	--	1,207	2,971	4,875	6,931	--	--	1,119
House of Large Sizes	--	--	--	--	--	578	1,424	2,337	1,991	3,056	4,206
Hurrah	--	--	707	1,678	2,726	3,858	5,081	--	643	2,183	3,846
	--	--	1,793	4,518	7,462	10,642	14,075	17,704	21,789	26,114	30,705
Great	3,420	4,894	3,617	5,337	7,193	9,197	11,363	13,701	16,227	18,955	22,296

	7/1 to 12/31 1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1/1 to 6/30 1992
Revenues											
Base Rents (1)	$233,396	$451,662	$466,765	$470,811	$493,029	$545,698	$556,599	$592,153	$ 592,153	$ 616,314	$ 333,043
Ground Rent (2)	$ 14,453	$ 20,907	$ 20,907	$ 33,243	$ 33,243	$ 33,243	$ 38,229	$ 38,229	$ 38,229	$ 43,944	$ 21,982
L Rent (3)	$ 10,593	$ 13,660	$ 19,116	$ 28,030	$ 34,046	$ 47,074	$ 58,515	$ 67,783	$ 77,572	$ 90,565	$ 56,681
Real Estate Tax Recovery (4)	$ 69,741	$115,300	$121,400	$133,000	$139,800	$146,300	$157,300	$165,200	$ 173,300	$ 182,000	$ 95,600
Recovered Exp. (5)	$ 45,310	$ 95,100	$ 99,800	$104,800	$110,000	$113,600	$121,300	$127,400	$ 133,700	$ 140,400	$ 73,700
Total Gross Revenue	$373,493	$704,629	$735,900	$769,084	$810,918	$847,915	$931,943	$990,765	$1,014,954	$1,081,243	$ 581,026
Less Vacancy (6)	$ 43,933	$ 59,307	$ 61,773	$ 42,566	$ 44,889	$ 50,081	$ 39,200	$ 41,900	$ 44,500	$ 45,500	$ 24,700
Percentage	(17%)	(17%)	(12%)	(8%)	(8%)	(8%)	(6%)	(6%)	(6%)	(6%)	(6%)
Effective Gross Revenue	$329,550	$645,322	$674,213	$727,318	$766,029	$837,034	$892,743	$948,865	$ 970,454	$1,035,743	$ 556,326
Expenses											
Real Estate Taxes (7)	$ 84,000*	$153,000**	$138,000	$144,500	$152,000	$159,000	$167,300	$175,700	$ 184,400	$ 193,700	$ 101,700
Recoverable Exp. (8)	$ 39,400	$ 82,700	$ 86,800	$ 91,100	$ 95,700	$100,500	$105,500	$110,000	$ 116,300	$ 122,100	$ 64,100
Mgmt. (5%) (9)	$ 12,900	$ 24,700	$ 25,700	$ 26,600	$ 28,000	$ 31,300	$ 32,700	$ 34,500	$ 35,440	$ 37,900	$ 20,600
Reserves for Tenant Fin. (12)	0	$ 3,300	$ 1,500	0	$ 6,700	$ 4,600	$ 800	$ 6,600	0	$ 3,200	$ 7,500
Reserves for Repairs (10)	$ 3,500	$ 7,300	$ 7,700	$ 8,000	$ 8,400	$ 8,900	$ 9,300	$ 9,800	$ 10,400	$ 10,800	$ 17,500
Leasing Fees (11)	0	$ 10,300	$ 4,500	0	$ 20,800	$ 14,200	$ 2,200	$ 19,700	0	$ 9,000	$ 21,200
Total Expenses	$139,800	$281,300	$264,200	$270,700	$311,600	$318,400	$317,800	$357,500	$ 346,400	$ 376,700	$ 212,600
Net Operating Income	$189,750	$364,022	$410,013	$457,118	$454,429	$519,334	$574,943	$591,365	$ 624,054	$ 659,043	$ 323,726

* Includes specials of $21,604.82
** Includes specials of $22,000.00

EXHIBIT 29 (Continued)

1982 RECOVERABLE EXPENSES ANNUALIZED

For _____ Mall. _____   _____

Recoverable expenses for 1982 are shown below in the 1982 annualized
budget:

Recoverable Expenses

Insurance		$ 8,400
Utilities		
Electric	$19,900	
Water and Sewer	$ 3,200	
Gas	$ 3,200	
		$26,300
Maintenance Services		
Snow Removal	$10,500	
Janitorial	$12,600	
Parking Lot Sweep	$ 3,000	
Trash	$ 400	
Rodent Control	$ 1,100	
Landscaping	$ 3,800	
Mall Music	$ 300	
		$31,700
Overload Security		$ 1,300
Supplies		
Maintenance	$ 3,000	
Electric	$ 600	
Landscaping	$ 1,300	
		$ 4,900
Repairs		
Electricity	$ 3,100	
Equipment	$ 2,500	
Plumbing	$ 600	
		$ 6,200
TOTAL RECOVERABLES		$78,800

Recoverable expenses have been increased at 5% per year, compounded.

EXHIBIT 29 (Continued)

BASIC ASSUMPTIONS TO CASH FLOW PROJECTIONS

Revenues

1. In completing the financial analysis, we projected a ten-year (from July 1, 1982 to July 1, 1992) cash flow projection. Rental revenues are based upon actual leases giving full recognition to all step-up rental provisions. For vacant space, economic rents were estimated based upon rent levels at competitive properties. Upon releasing, rental rates are projected as increasing 5% per year over current levels. A five-year term was assumed for all new leases.

2. The ground rent is adjusted according to the CPI change for all cities every three years. For example, the 1982 rent is based upon the CPI change from February 1978 to February 1981 (see Exhibit D in addenda). A 5% annual rate of inflation is assumed for each subsequent rental adjustment.

3. For   : tenants in occupancy for a year or more, historical sales were used as a benchmark for projected sales. For tenants, the calendar years 1982 through 1992 sales volumes were escalated at 8% per year. Percentage rent was calculated on a tenant-by-tenant and year-by-year basis using the percentage rent formula outlined in each lease.

4. The standard lease provides for all tenants to pay their pro-rata share of taxes. Since the projected vacancy allowance varies, tenant reimbursement is as follows:

	Vacancy	Tax Reimbursement
1982 (6 mos)	17	83%
1983-84	12	88%
1984-87	8	92%
1988-91	6	94%

5. The standard lease provides for 100% of all recoverable expenses to be reimbursed to the landlord by the tenants, collectively. Unlike the tax clause, the pro-rata share each tenant contributes is allocated between the gross leased and occupied space; consequently 100% of all recoverable expenses are paid collectively by the existing tenants. A 15% administrative charge is added to all reimbursable expenses (per the leases). Furthermore, based upon   experience, 75% of the "Reserves for Structural Repairs" are reimbursable expenses.

6. A discussion for vacancy allowance is detailed in Item #4.

EXHIBIT 29 (Continued)

Basic Assumptions to Cash Flow Projections - Continued

Expenses

7. Real estate taxes for 1982 are detailed on page 1 of this report. For 1983 and thereafter, taxes have been escalated at a 5% annual rate of increase.

   Finally, in 1982 about $43,000 of special assessments will be billed to Burnhaven, including interest payable at 8%. Approximately one-half of the $43,000 is to be paid in 1982 and the balance in 1983 as scheduled in the cash flow projection.

8. Recoverable expenses for 1982 are shown in the 1982 annualized budget on the following page.

9. Property management expense is 5% of base, ground and percentage rents.

10. As per our discussions with   properties, reserves for structural repairs are estimated at $.10 per square foot for the first three years and are increased at 5% per year thereafter.

11. For 1982, leasing fees are $2.25 per square foot of leased space. The fee is increased 5% per year, consistent with the increase in base rents. Leasing fees are expensed in the year incurred.

12. According to   properties, tenant work is minimal for this type of mall. The cost is estimated at $.70 per square foot for 1982 and escalated at 8% per year thereafter. Tenant work is expensed in the year incurred.

EXHIBIT 29 (Continued)

Discounted Cash Flow Analysis - Continued

		Annual Cash Flow		Discount @ 17%		Present Worth
Last 6 mos.	1982	$ 189,758	x	.924500	=	$ 175,431
	1983	$ 364,022	x	.790171	=	$ 287,640
	1984	$ 410,013	x	.675360	=	$ 276,906
	1985	$ 457,118	x	.577230	=	$ 263,862
	1986	$ 454,429	x	.493359	=	$ 224,197
	1987	$ 579,334	x	.421674	=	$ 244,290
	1988	$ 574,943	x	.360405	=	$ 207,212
	1989	$ 591,365	x	.308039	=	$ 182,163
	1990	$ 624,054	x	.263281	=	$ 164,302
	1991	$ 659,043	x	.225026	=	$ 148,302
Last 6 mos.	1992	$ 323,726	x	.208037	=	$ 67,347
	*Rev.	$4,839,000	x	.208037	=	$1,006,000
						$3,247,652
						Rounded to
						$3,200,000

* Projected 1992 Resale Price

The 1992 resale price was estimated by adding the last six months income of 1991 and the first six months income of 1992 and capitalizing the total income at 13-1/2%.

$329,522 - 1991 (last six months)
$323,726 - 1992 (first six months)

$653,248 - Capitalized @ 13-1/2% $4,838,866
            Estimated 1992 Sale Price $4,838,900

2. CAM expenses are prorated on space occupied
    rather than usable area, so be careful where you
    apply flat vacancy allowances. Parking may be
    fully leased even if the building has substantial
    vacancies; at the same time, hotel room rates and
    office rents may conceal parking charges which
    are reallocated to the parking concession, so
    that the appraiser may unwittingly double-count.

D. Many projects today are the beneficiaries of income
    generating reserves required of revenue bond issues,
    HODAG and UDAG grants, or municipal subsidy
    arrangements such as tax incremental financing. This
    income is part of the property value for mortgage
    loan purposes, but must be excluded for real estate
    tax purposes. The income from these reserves is
    generally available on a quarterly basis and the
    amount depends upon the reinvestment rate and
    allowable arbitrage at the times these reserves were
    created.

    1. Reserves tied to the finances must be deducted
        from sales price on FNA or IRB financed deals,
        solely subject to the mortgage, or prices can be
        seriously overstated.

    2. R-41b specifically permits recognition of
        supplementary income from services regularly
        offered to tenants, such as the elderly.

    3. See Exhibits 31 and 32.

    4. Elderly housing pro forma.

E. It is not necessary today to always use a mortgage
    equity approach. The conversion of net cash to
    present values may take several basic patterns.

    1. Simple discounting of annual net cash by a
        project discount rate assuming no financing and
        reasonbly stable re-sale price as shown in
        Exhibit 29 done for a pension fund.

    2. A simple mortgage equity approach using a
        five-year forecast and a debt cover ratio and
        other loan parameters based on natural averages
        of the American Council of Life Underwriters,
        Schedule M (see Exhibit 33).

115

A RETIREMENT LIVING CENTER
SCHEDULE OF PROJECTED REVENUES FROM
JANUARY 1, 1985, THROUGH DECEMBER 31, 1994   [1]

	ESTIMATED GROWTH RATES FROM 1987-1994 [2]	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
EFFECTIVE GROSS APARTMENT/SERVICE REVENUE [2]											
81 - 1 BR Apartment Units	5%	0	239501	321040	337092	353947	371644	390226	409737	430224	451735
60 - 2 BR Apartment Units	6%	0	266976	309093	327639	347297	368135	390223	413636	438454	464762
8 - 2 BR Deluxe Apartment Units	7%	0	47880	50719	54270	58069	62133	66483	71136	76116	81444
Service/Amenity Package - 149 Residents [3] (1st Occupant)	6%	0	435204	543635	576253	610828	647477	686326	727506	771156	817425
Service/Amenity Package - 37 Residents (2nd Occupant)	6%	0	68772	85907	91061	96525	102316	108455	114963	121861	129172
SUBTOTAL: EFFECTIVE GROSS APARTMENT/ SERVICE REVENUE		0	1058333	1310394	1386314	1466665	1551706	1641713	1736978	1837811	1944539
EFFECTIVE GROSS PARKING REVENUE [4]											
48 Attached Garages	5%	0	19114	21480	22554	23682	24866	26109	27415	28786	30225
60 Ancillary Attached Garages	5%	0	9360	14364	15082	15836	16628	17460	18333	19249	20212
SUBTOTAL: EFFECTIVE GROSS PARKING REVENUE		0	28474	35844	37636	39518	41494	43569	45747	48035	50436
LAUNDRY - EFFECTIVE GROSS REVENUE [5]	5%	0	1712	2118	2224	2335	2452	2575	2703	2838	2980
OTHER - EFFECTIVE GROSS REVENUE [5]	7%	0	16892	21300	22791	24386	26093	27920	29874	31965	34203
SUBTOTAL: EFFECTIVE GROSS REVENUE-RENT/SERVICE PARKING, LAUNDRY & OTHER SOURCES		0	1105411	1369656	1448965	1532904	1621745	1715776	1813303	1920649	2032158
INTEREST INCOME [6]											
Security Deposit @ 9%	0%	0	7599	8954	8954	8954	8954	8954	8954	8954	8954
Debt Service Reserve Fund @ 11.5%	0%	64400	64400	64400	64400	64400	64400	64400	64400	64400	64400
SUBTOTAL: INTEREST INCOME		64400	71999	73354	73354	73354	73354	73354	73354	73354	73354
TOTAL EFFECTIVE GROSS REVENUE [7]		64400	1177409	1443010	1522320	1606259	1695099	1789130	1888657	1994004	2105512

116

EXHIBIT 31

A RETIREMENT LIVING CENTER
SCHEDULE OF PROJECTED REVENUES FROM JANUARY 1, 1985,
THROUGH DECEMBER 31, 1994

[1]   Detailed calculations of projected potential and effective
      gross revenue are found in Appendix C. The potential
      gross revenue and vacancy loss from each revenue source
      for each year are shown.

[2]   Vacancy Loss: Although completion of The Heritage is
      targeted for the late fall of 1985, for purposes of this
      appraisal it is assumed that operations begin on January
      1, 1986, and all pre-leased units are occupied at that
      time. Based upon occupancy/vacancy projections detailed in
      Exhibit III-6 the 81 one-bedroom units will have an
      average vacancy loss of 23 percent in 1986 and apartment
      rents will remain at the same level as in 1984-85. The
      average vacancy thereafter will be stable at 1.7 percent
      per year for tenant turnover.

      The 60 two-bedroom units will have an average vacancy loss
      of 10 percent in 1986 and will then be stabilized at 1.7
      annually for tenant turnover.

      The eight deluxe two-bedroom units have a waiting list
      1-1/4 years before the project is scheduled to open.
      Vacancy will be 0 percent in 1986 and will average 1
      percent thereafter to account for the time needed to
      redecorate as tenancy changes.

      Inflation Rate: Landmark Research, Inc.'s 1984 apartment
      rental survey in Appleton and in Menasha indicates a
      varying pattern of rental increases from February 1984 to
      November 1984. The City of Appleton Department of
      Planning and Development previously referenced study also
      indicates a steady increase in rents for one- and
      two-bedroom units. The data given for efficiencies and
      three-bedroom units were discovered to contain some
      distortions, but the one- and two-bedroom information
      appears to be consistent with the 1982 data and Landmark's
      information. Landmark's rental study and the City of
      Appleton's comparative rent data for 1982 and 1984 are
      found in Appendix B of this appraisal.

FOOTNOTES TO EXHIBIT 31   (Continued)

Based upon historic market rent increases in Appleton and Menasha, comparative rents of other retirement centers in Wisconsin and Minnesota on file in Landmark's office, changes in the consumer price index, and demand factors for unit types, the following inflation factors are projected for   :

For one-bedroom units, the rental revenue is expected to increase annually from 1987 at 5 percent after the initial rent-up period.

The two-bedroom units will have a greater demand in the early years of the project; the market survey results and the pre-leasing unit mix confirm this consumer preference. The appraiser estimates that the two-bedroom monthly service charge at $675 per month was initially understated when compared with other Wisconsin and Minnesota retirement center fees; because of the strong demand for two-bedroom units and the initial understatement of the total monthly service charge, the rent portion is expected to increase 3 percent in 1986 and is projected to increase at 6 percent annually thereafter.

The demand is high for the larger two-bedroom, 1.75 bath unit and therefore the rent is expected to increase 5 percent in 1986 and 7 percent per year thereafter, a rate which includes both a high demand and an inflationary factor.

[3]   The monthly service package, as detailed in Exhibit III-8, is projected to increase at 6 percent per year. As residents learn to live in and fully utilize the varied spaces and services available in a well-managed retirement living center, the value of this package will increase in intrinsic value to each resident. The revenue from the service package varies with occupancy; in 1986 occupancy is estimated to be 83.5 percent and in 1987 and thereafter, occupancy is expected to average 98.4 percent overall.

[4]   In 1986 the 48 attached garage stalls located on the south end of wings A and B are projected to experience a vacancy loss of 7.5 percent and an average of 1 percent thereafter.   The rent is expected to increase by 2-1/2 percent in 1986 and at 5 percent thereafter.

The 60 ancillary enclosed garage stalls, expected to have a longer rent-up period, are projected to have a vacancy loss of 35 percent in 1986 and thereafter the vacancy loss is projected to be 5 percent annually. Rents will remain flat through 1986 and will then increase at the rate of 5 percent per year.

[5] Laundry revenue will vary with occupancy at 83.5 percent in 1986 and 98.4 percent in 1987 and thereafter. Laundry revenue will increase 2-1/2 percent in 1986 from the 1985 lease amount and thereafter the annual increase is estimated to be 5 percent per year. This percentage increase in laundry revenue anticipates greater use of the washer/dryer beyond the allowance limit as well as the effect of inflation.

Other income from the coffee shop, beauty shop, guest rooms, and other sources will vary with occupancy. In 1986 allowances for vacancy is 16.5 percent, and in 1987 and thereafter, vacancy loss is projected to be no more than 1.6 percent. The gross potential revenue from these sources is projected to remain at the 1985 base amount until 1987 when the residents will have gradually adapted to living in a retirement center and will make fuller use of these facilities and services. In 1987 and thereafter, revenue from other sources will increase at the rate of 7 percent per year.

[6] The interest earned on security deposits varies with occupancy; in 1986 only 83.5 percent of the potential security deposits were earning interest, but from 1987 on, interest was earned on 98.4 percent of the potential security deposits. Interest at 9 percent is expected to remain stable.

Interest earned on the Debt Service Reserve Fund does not vary with occupancy and the interest rate is projected to be stable at 11.5 percent.

[7] The total effective gross income for years 1985 through 1994 is entered into the discounted cash flow program MRCAP as fixed income net of vacancy losses. See Exhibit IV-10.

A RETIREMENT LIVING CENTER
SCHEDULE OF PROJECTED REVENUES AND EXPENSES FROM
JANUARY 1, 1985, THROUGH DECEMBER 31, 1994 [1]

		1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
TOTAL EFFECTIVE GROSS REVENUE [1]		64400	1177409	1443010	1522320	1606259	1695099	1789130	1888657	1994004	2105512

EXPENSES	Base Amount First Year of Operation	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
MANAGEMENT FEE [2]	5% effective gross before interest revenue	0	55270	68483	72448	76645	81087	85789	90765	96032	101608
FOOD SERVICE CONTRACT [3]	264771	0	221090	273560	287240	301602	316682	332516	349142	366599	384929
ADMINISTRATIVE [4]											
Personnel	75678	0	63191	78190	82100	86205	90515	95041	99793	104783	110022
Legal/Audit	10700	0	10700	11235	11800	12390	13010	13660	14343	15060	15813
Supplies, Dues & Advertising	5875	0	4900	6070	6380	6699	7034	7386	7755	8143	8550
SUBTOTAL: ADMINISTRATIVE	92253	0	78791	95495	100280	105294	110559	116087	121891	127986	134385
UTILITIES [5]											
Electricity	28700	0	24000	29370	30500	31720	32989	34308	35681	37108	38592
Water & Sewer	10700	0	8950	11050	11600	12180	12789	13428	14100	14805	15545
Gas	7600	0	6350	8000	7560	8089	8655	9261	9910	10603	11346
Telephone Service	12000	0	10020	12500	13270	14066	14910	15805	16753	17758	18824
SUBTOTAL: UTILITIES	59000	0	49320	60920	62930	66055	69343	72803	76443	80274	84307

EXHIBIT 32 (Continued)

MAINTENANCE [6]										
Personnel-Building Services	42430	0	35430	44260	46910	49725	52708	55871	59223	62776	66543
Grounds Care	4725	0	3950	4880	5130	5387	5656	5939	6236	6547	6875
Rubbish Removal	2650	0	2200	2740	2870	3014	3164	3322	3489	3663	3846
Janitorial Supplies & Services	5985	0	5000	6180	6490	6815	7155	7513	7889	8283	8697
Vehicle Usage & Maintenance	3600	0	3000	3720	3910	4106	4311	4526	4753	4990	5240
Building Repairs & Maintenance	9035	0	7550	9430	9990	10589	11225	11898	12612	13369	14171
Elevator Maintenance Contract	7000	0	7000	7350	7718	8103	8509	8934	9381	9850	10342
Parking Lot Repair	200	0	200	200	1700	1802	1910	2025	2146	2275	2411
Decorating	5250	0	5250	5850	6140	6447	6769	7108	7463	7836	8228
Exterminating	850	0	710	880	920	966	1014	1065	1118	1174	1233
Laundry Expense	300	0	260	320	330	347	364	382	401	421	442
SUBTOTAL: MAINTENANCE	82025	0	70550	85810	92108	97299	102785	108583	114710	121185	128028
ALL RISK INSURANCE [7]	14700	0	14700	-15440	16200	17010	17861	18754	19691	20676	21710
OPERATING EXPENSES BEFORE R.E. TAXES		0	489721	599708	631206	663905	698317	734531	772642	812752	854966
REAL ESTATE TAX [8]	13300	11650	13300	150500	174100	182805	191945	201543	211620	222201	233311
TOTAL OPERATING EXPENSES		11650	503021	750208	805306	846710	890262	936073	984262	1034952	1088277
NET OPERATING INCOME (before reserves, debt service, and income taxes)		52750	674388	692802	717014	759549	804837	853057	904395	959052	1017235

12

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SCHEDULE OF PROJECTED REVENUES AND EXPENSES FROM
JANUARY 1, 1985, THROUGH DECEMBER 1, 1994

[1] Total effective gross revenue is taken from Exhibit IV-8 which details each revenue component.

The operating expenses used for this project are based upon estimates made by ████████ ████████ and checked for reasonableness against actual expenses experienced by other property managers in Wisconsin or from service suppliers. The annual inflation factor of 5 percent used to forecast most of the expenses is based upon the following pattern of changes in the Consumer Price Index and upon the premise that current Federal deficits will cause the inflation rate to accelerate gradually from recent lows.

1980	–	10.8%
1981	–	8.1%
1982	–	3.5%
1983	–	3.5%
1984	–	4.0% (Annualized)

[2] The management fee is 5 percent of the effective gross revenue before interest revenue.

[3] The expense for the food service contract assumes that all residents will utilize the seven-day meal plan which entitles each resident to one full dinner/supper each day of the week. The monthly service charge also includes the charge for the seven-day meal plan. The rate of increase in food service has been relatively stable in the past few years, according to Roy W. Poe, President of Professional Culinary Management in Milwaukee, Wisconsin, from whom the quote of $3.90 per meal per day was obtained. Mr. Poe forecasts future price increases to be less than 5 percent per year, including increases both for food products and for labor. Food service charges are assumed to vary with occupancy. Full occupancy of 149 residents plus 37 second occupants will result in an initial food service cost of $264,771 (186 residents x 365 days x $3.90), but in 1986, at 83.5 percent occupancy, the expense is $221,090. In 1987 and thereafter, occupancy is assumed to remain stable at 98.4 percent with expenses increasing annually at 5 percent.

EXHIBIT 32 (Continued)

[4] Administrative personnel include an administrator, a resident service coordinator, a secretary-bookkeeper, receptionists, and other part-time administrative assistants. Added to the estimated base salary cost of $63,065 is 20 percent for fringe benefits for a total base of $75,678. Salaries are estimated to increase at 5 percent annually and staff size will vary with occupancy. Legal and audit costs are fixed and are inflated at 5 percent per year. Supplies, dues, and advertising costs vary with occupancy and are inflated annually at 5 percent.

[5] The Wisconsin Electric Power Company in Appleton has experienced a 2 percent rate decrease in 1984 and less than a 1 percent decrease has been requested for 1985. A surplus of electricity generating capacity in Wisconsin will keep electricity costs stabilized for the near future. Costs are assumed to increase at a generous 4 percent per year.

Natural gas increases in September/October of 1984 were approximately 3 percent. Both pipeline and utility operators expect the commodity charge for natural gas to be flat in the future with only inflationary increases anticipated, according to a spokesman for Wisconsin Natural Gas Co. An inflation factor of 5 percent is assumed for both gas and sewer and water. Local telephone service will be included in the monthly service charge for each apartment. The basic quote of $12,000 from the telephone company for all telephone service is expected to inflate at 6 percent per year, higher than the anticipated inflation rate, because of the uncertainty of the telephone company's pricing policy.

[6] The personnel for building services include a full-time building service coordinator, a part-time general maintenance person and housekeepers to clean common areas and to provide monthly cleaning services for each apartment. The estimated salaries of $35,360 plus 20 percent for fringe benefits total $42,432. Salary increases for this type of work, more likely to be influenced by labor unions, are estimated to increase 6 percent annually.

Many of the maintenance services such as landscaping, rubbish removal, exterminating, and elevator maintenance are expected to be performed by contract. Parking lot repair and decorating expenses (the apartment portion of the total expenses) are expected to be minimal in the first two years of operation. An annual inflation factor of 5 percent is used to forecast expense increases for all maintenance categories except for labor. All maintenance expenses, except for the elevator contract, vary with occupancy or the age of the project.

EXHIBIT 32 (Continued)

[7]   An all-risk insurance policy is a fixed expense and the premium is estimated to increase at 5 percent annually. Insurance coverage during construction is included in the construction budget.

[8]   Real estate assessments are made as of the first of January of each year based upon the value in place on that day. Taxes, based on January first assessments, are due and payable in the following year, or an annual, semi-annual, or quarterly basis. Land value in 1984 is estimated to be $462,000, or $3,100 per unit. The 1983 net mill rate for Appleton property located in Winnebago County was 0.02232 based upon assessments at 95.94 percent of full market value. At full market value the mill rate would be 0.02232/0.9594, or 0.02326. In 1984 the assessments are at 88.47 percent of full market value and the mill rate has not yet been determined. Using the 1983 mill rate of 0.02232/0.8847 equals a 1984 mill rate of 0.02523. Average mill rate increases over the past four years range from 2.5 percent to 4.4 percent for Winnebago and Outagamie Counties. However, forecasting real estate tax increases, an annual increase of 5 percent is used because State and Federal governments are continually withdrawing their tax funds from local tax districts.

For 1984 real estate taxes, payable in 1985, a land value of $462,000 times a mill rate of 0.02523 yields taxes of $11,650. As of January 1, 1985, the contractor estimates $40,000 of site improvements will be added to the site. Therefore $462,000 plus $40,000, or $502,000 times 0.02649 (0.02523 x 1.05) is $13,300 for 1985 real estate taxes due in 1986. As of January 1, 1986, the project is expected to be 90 percent complete. Market value for real estate tax purposes of $40,000 per unit includes $3,100 per unit for land. Therefore, an improvement value of $5,900,400, which is 90 percent complete, plus land, taxed at 0.02781 (0.02649 x 1.05) yields real estate taxes of $150,500, payable in 1987. The completed project as of January 1, 1987, would be taxed at $174,100 based upon the previously stated assumptions and would increase at 5 percent per year thereafter.

EXHIBIT 32 (Continued)

Table M

Commitments of $100,000 and Over on Multifamily and Nonresidential Mortgages
Made by 20 Life Insurance Companies

Loan Size Class Within Major Property Type, Second Quarter, 1984

Major Property Type Loan Size	No. of Loans	Amount Committed ($000)	Loan Amount ($000)	Interest Rate (by #)	Interest Rate (by $)	Loan/ Value	Capitaliza- tion Rate	Debt Coverage	Percent Constant	Maturity (Years/Months)
APARTMENT - CONVENTIONAL	22	147,578	6,708	12.94%	12.92%	68.9%	10.2%	1.12	13.3%	9/10
Less than $1 million	1	923	923	*	*	*	*	*	*	*
$1 million - $3,999(000)	1	1,950	1,950	*	*	*	*	*	*	*
$4 million - $7,999(000)	13	72,005	5,539	12.78	12.82	70.8	10.3	1.12	13.3	10/4
$8 million - $14,999(000)	6	56,700	9,450	13.12	13.13	69.0	9.9	1.14	13.3	8/6
$15 million and over	1	16,000	16,000	*	*	*	*	*	*	*
COMMERCIAL RETAIL	34	578,040	17,001	12.91	12.74	65.8	10.5	1.30	13.2	10/11
Less than $1 million	1	900	900	*	*	*	*	*	*	*
$1 million - $3,999(000)	6	14,750	2,458	12.79	12.70	63.4	11.1	1.64	13.2	10/8
$4 million - $7,999(000)	10	53,765	5,376	13.06	13.01	64.8	10.7	1.26	13.4	8/11
$8 million - $14,999(000)	5	55,125	11,025	13.15	13.13	67.8	10.3	1.13	13.3	8/7
$15 million and over	12	453,500	37,792	12.75	12.66	66.4	9.9	1.25	12.9	14/1
OFFICE BUILDING	153	2,039,996	13,333	12.94	13.01	69.7	10.5	1.25	13.1	10/9
Less than $1 million	6	4,185	698	13.59	13.67	60.4	11.9	1.14	14.0	6/8
$1 million - $3,999(000)	43	106,296	2,472	13.07	13.03	70.7	10.9	1.19	13.2	8/7
$4 million - $7,999(000)	43	242,231	5,633	13.08	13.06	69.2	10.4	1.39	13.2	9/6
$8 million - $14,999(000)	24	256,054	10,669	12.38	12.38	71.3	10.4	1.18	12.6	13/9
$15 million and over	37	1,431,230	38,682	12.94	13.11	69.6	9.9	1.20	13.2	13/5
COMMERCIAL SERVICE	21	104,692	4,985	13.19	13.26	64.4	10.8	1.41	13.6	9/0
Less than $1 million	1	710	710	*	*	*	*	*	*	*
$1 million - $3,999(000)	11	24,027	2,184	13.25	13.22	68.9	11.4	1.23	13.6	9/7
$4 million - $7,999(000)	5	25,725	5,145	12.88	13.00	53.4	9.4	1.59	13.7	9/7
$8 million - $14,999(000)	2	17,000	8,500	*	*	*	*	*	*	*
$15 million and over	2	37,230	18,615	*	*	*	*	*	*	*

*Data not shown for a limited number of loans.

(cont'd)

EXHIBIT 33

3. A basic mortgage package presuming responsible underwriting plus the sale value of appreciable base and tax credits to a professional buyer for syndication. For example: syndicators might pay 35 percent of depreciable base plus 80 percent of first-year tax investment credit; more conservative syndicators might pay exactly one-half of the tax value of equity.

4. Custom crafted finance packages with variable rates, credit enhancements, interest rate caps, and participations become investment value situations which must be compared to fair market value so that the increment to value through the modification of the financial stand is revealed.

F. As a result of all of the above, the appraisal process is subdivided into those firms which knowingly or unwittingly exploit the lack of accounting precedent to generate high values in the fine art of commercial disinformation. On the other hand, a fully-professional firm will integrate professional specialties into a clinic shop which contains a CPA, a mechanical engineer, a physical planner, an information processor, and an appraiser. The fastest growing segment of appraisal is the business consulting firm opening an appraisal subsidiary. Arthur Andersen went from almost "0" to $16,000,000 last year, probably in third place behind the old-style firms of American Appraisal at $66,000,000 and Marshall and Stevens at $26,000,000. It is estimated that 20 percent of their volume is spent in marketing.

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS
V.   INDUSTRY SEMINARS AND SPEECHES – SHORT TERM
   I.   Other Presentations In Which Either The Date And /
        Or Sponsoring Organization Is Missing
        2.   Appraisal Topics
             n.   "Contemporary Issues and Methods for
                  Appraising Commercial Properties", a
                  classic example of James A. Graaskamp's
                  seminar on commercial appraisal; no
                  specific date or place for this seminar
                  packet

CONTEMPORARY ISSUES AND METHODS FOR
APPRAISING COMMERCIAL PROPERTIES

Presented by

Professor James A. Graaskamp, Ph.D., CRE, SREA
University of Wisconsin, School of Business

INTRODUCTION

I. INTRODUCTION TO CONTEMPORARY ISSUES

Appraisal of real estate income properties is a critical
social function with high ethical requirements because it
is a pivotal benchmark for decisions involving social
equity, validation of financial institution assets for
regulatory purposes, governance of private contracts, and
benchmarking of the effectiveness of asset manager.

A. Appraisal is a specialty in the rapidly evolving
    information business. Appraisers systematically
    collect information, organize and analyze the data,
    and reach decisions about value while communicating
    essential information to a client. This is similar
    to the work of:

    1. Accountants

    2. Insurance managers

    3. Security and investment counselors

    4. Lawyers

B. Unlike accountants and others, appraisers receive
    little help from their professional organizations in
    the form of position papers which define appropriate
    methods for a particular question.

    1. Accounting has the Financial Accounting Standards
        Board (FASB) that continually modifies generally
        accepted accounting principles to fit new
        problems such as mergers, current values of fixed
        assets, accounting for real estate operations,
        etc.

    2. Securities people have the Midwest Securities
        Association.

    3. The insurance education program is controlled by
        two independent organizations, the American
        College of Life Underwriters and the American
        College of Property and Casualty Underwriters.

1

4. Appraisers have no such independent fixed point.
Even the Eighth Edition of the Institute textbook
disclaims any responsibility for being a
standard. The flyleaf of the Eighth Edition
says:

>"FOR EDUCATION PURPOSES ONLY
>The opinions and statements set forth
>herein are those of the individual
>members of the Institute's editorial
>staff and do not necessarily reflect the
>viewpoint of the American Institute of
>Real Estate Appraisers or its individual
>members."

C. As a result, the appraisal process is evolving into
one of the following:

1. The art of disinformation as in military
intelligence where the appraiser is implicitly
part of a conspiracy with his client to provide
documents that satisfy regulators, provide cover
against future charges of negligence, or provide
bargaining points for income tax, real estate
tax, divorce settlements, partnership
dissolution, and other negotiations.

2. The discipline of rigid format and language for
purposes of standardization at the expense of
relevance and as an alternative to qualifications
of the appraiser's judgment as opposed to form
filling ability.

3. A counseling assignment wherein the appraiser
must match the basic elements of the appraisal
assignment to the requirements of the decision
for which the appraisal is sought as a benchmark.

D. Distinguishing carefully between advocacy and
suitability, the ethical and professional appraiser
must counsel his client on the basics to establish a
fit between the appraisal and the issue for which it
is required as a benchmark, including, but not
limited to:

1. Definition of real estate interests to be
appraised