

**SUMMARY
REAL ESTATE APPRAISAL REPORT**

OF A

Bluefield Colonial Intermodal Site
(As Is and As Vacant)

LOCATED AT
Princeton Avenue
Bluefield, West Virginia

PREPARED FOR

Mr. Andy Merriman
City of Bluefield
200 Rogers Street
Bluefield, West Virginia 24701

PREPARED BY

Mark A. Pilcher
West Virginia Certified General Real Estate Appraiser No. CG334
H. E. Pilcher & Co.
610 Fifth Avenue
Huntington, West Virginia 25701

AS OF

January 11, 2012

TABLE OF CONTENTS

Bluefield Colonial Intermodal Site, Bluefield, West Virginia

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

SUBJECT PHOTOGRAPHS/VISUAL DESCRIPTION	1
INTRODUCTION	2
PURPOSE OF APPRAISAL	2
SCOPE OF THE APPRAISAL	2
APPRAISAL REPORT AND TYPE	2
EFFECTIVE DATE OF VALUATION AND DATE OF REPORT	2
INTENDED USE/USER OF REPORT	2
LOCATION OF PROPERTY APPRAISED	2
RIGHTS AND INTERESTS APPRAISED	2
VALUE TO BE ESTIMATED	3
OWNERSHIP	3
SALES HISTORY OF PROPERTY	3
CURRENT USE OF SUBJECT	3
ZONING	3
TAX ASSESSMENT	3
EXPOSURE TIME	4
MARKETING PERIOD	4
DESCRIPTIVE SECTION	5
AREA DESCRIPTION	5
DESCRIPTION OF SUBJECT PROPERTY	6
SITE DESCRIPTION	6
FLOOD HAZARD LOCATION	7
EASEMENTS & ENCROACHMENTS	7
IMPROVEMENT DESCRIPTION	8
HIGHEST AND BEST USE	9
METHODOLOGY	10
THE APPRAISAL PROCESS	10
THE SALES COMPARISON APPROACH TO VALUE "AS IS"	11
THE INCOME APPROACH TO VALUE "AS IS"	25
HYPOTHITICAL VALUATION OF PROPERTY	29
FINAL RECONCILIATION OF VALUE	33
ADDENDA	
QUALIFICATIONS OF THE APPRAISER	
EXHIBIT A – LIMITING CONDITIONS	
EXHIBIT B – CERTIFICATION OF THE APPRAISER	
EXHIBIT C – TAX MAP, LOCATION MAP, COMPARABLE SALE MAP, ADDITIONAL PARKING GARAGE PHOTOGRAPHS, COLONIAL INTERMODAL CENTER STUDY – MARKET ANALYSIS	

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January 25, 2012

Mr. Andy Merriman, City Manager
City of Bluefield
200 Rogers Street
Bluefield, West Virginia 24701

Dear Mr. Merriman:

In accordance with your request, I have inspected a property and associated land located along **Princeton Avenue in Bluefield, West Virginia**, for the purpose of rendering an estimate of the property's **market value** as of **January 11, 2012**. The client has requested the appraiser has to value the property in it's AS IS condition; as well as if vacant and ready for development (Less the existing parking garage). The appraiser has conducted a recent data search of the subject's market area and consulted with local area appraisers and real estate professionals to identify any comparable sales that may have occurred. Full consideration has been given to all pertinent valuation data and techniques. I have selected what is believed to be the best available data, which is set out along with my analysis in the following report.

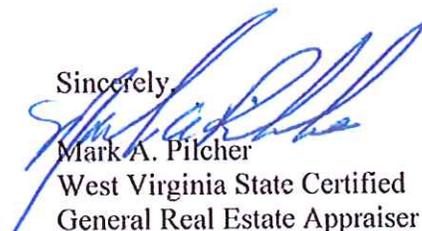
This appraisal was developed in conformity with the *Uniform Standards of Professional Appraisal Practice* (USPAP) and based upon those standards the appraisal is presented in a Summary Report format.

As a result of my inspection and analysis, subject to the underlying Assumptions and Limiting Conditions, as well as the Certificate of Appraiser within this report, it is my opinion that the market value of the subject property appraised, as of January 11, 2012, is as follows:

AS IS CONDITION: \$324,000.00

HYPOTHETICAL CONDITION OF PROPERTY: \$490,000.00

Sincerely,



Mark A. Pilcher
West Virginia State Certified
General Real Estate Appraiser
WV Certification No. CG334

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Scope of Appraisal for the Bluefield Colonial Intermodal Site:

The purpose of the appraisal is to document market value of the subject property which is owned by the City of Bluefield. The subject property is designated for development by Bluefield as the Colonial Intermodal Center, a transit-based mixed use development. Bluefield intends to dedicate the subject property as part of their local match requirements to access funding provided by the Federal Transit Administration. The client has requested the appraiser to value the property in its AS IS condition, as well as the site being vacant and ready for development. Therefore, the appraiser has provided to values in this appraisal report.

Identify the property:

The overall site contains 2.45 acres (106,912 sq. ft.) and is the total of twenty-five individual tax parcels and designated streets and alleys as shown on the map on page 1F of this appraisal.

Highest and Best Use:

The highest and best use has been determined for be for commercial use.

Description of the site/improvements:

The overall site contains 2.45 acres (106,912 sq. ft.) The site is currently improved with a multi-level parking garage situated on an approximate 0.764 acre site (33,282 sq. ft.). The site west of the parking garage contains 1.036 acre (45,150 sq. ft.) and the site east of the parking garage contains 0.654 acre (28,480 sq. ft.). The parking garage has a total of four levels and a gross building area of 132,742 square feet and contain 392 parking spaces.

Hypothetical Condition and Extraordinary Assumption:

USPAP defines Hypothetical Condition as: that which is contrary to what exists but is supposed for the purpose of analysis. The client has requested the appraiser to utilize a hypothetical condition in this appraisal report - To estimate a value for the property, as if vacant and ready for development. USPAP defines Extraordinary Assumption as follows: an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. In additional to the hypothetical condition, the client has also requested the appraiser to accept the Extraordinary Assumption that W.E.L. Incorporated estimate of \$150,000 to demolish the existing parking garage facility, is accurate for the property – document within Exhibit C.

Appraisal Value Estimates:

AS IS CONDITION:	\$324,000.00
HYPOTHETICAL CONDITION OF PROPERTY:	\$490,000.00

SUBJECT PHOTOGRAPHS

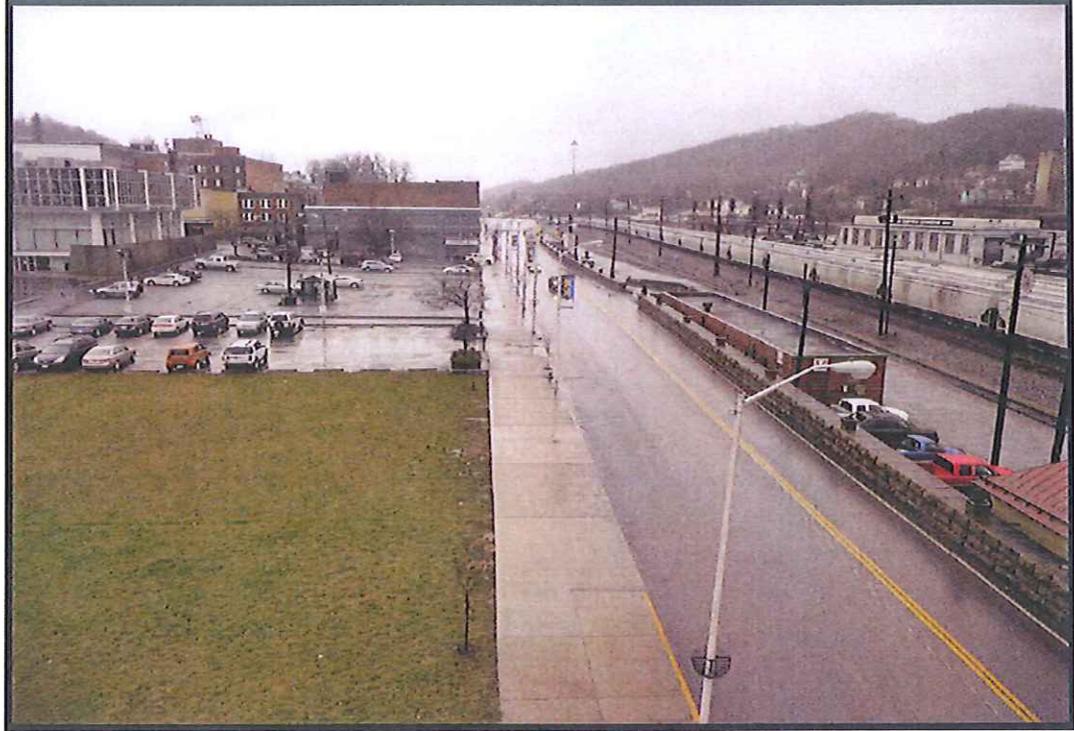


Westerly view along Princeton Avenue, showing corner of Scott Street and the northeast corner of the Bluefield Colonial Intermodal Site.

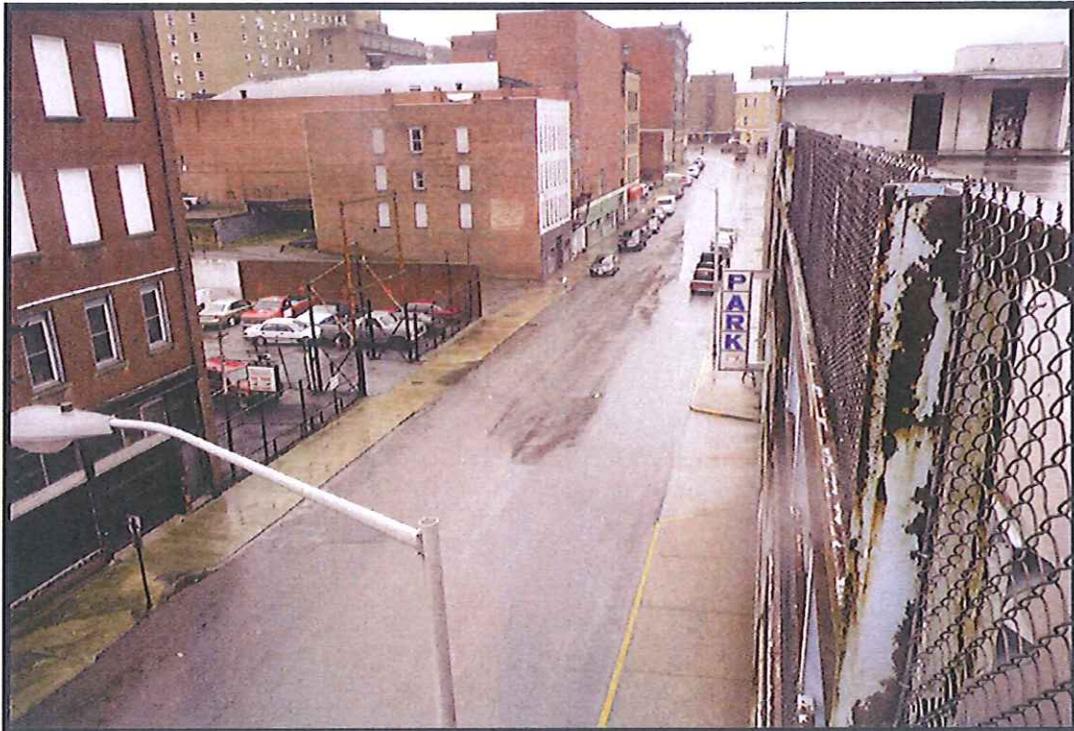


Northeasterly view from Raleigh Street, showing the Bluefield colonial Intermodal Site and existing parking garage

SUBJECT PHOTOGRAPHS

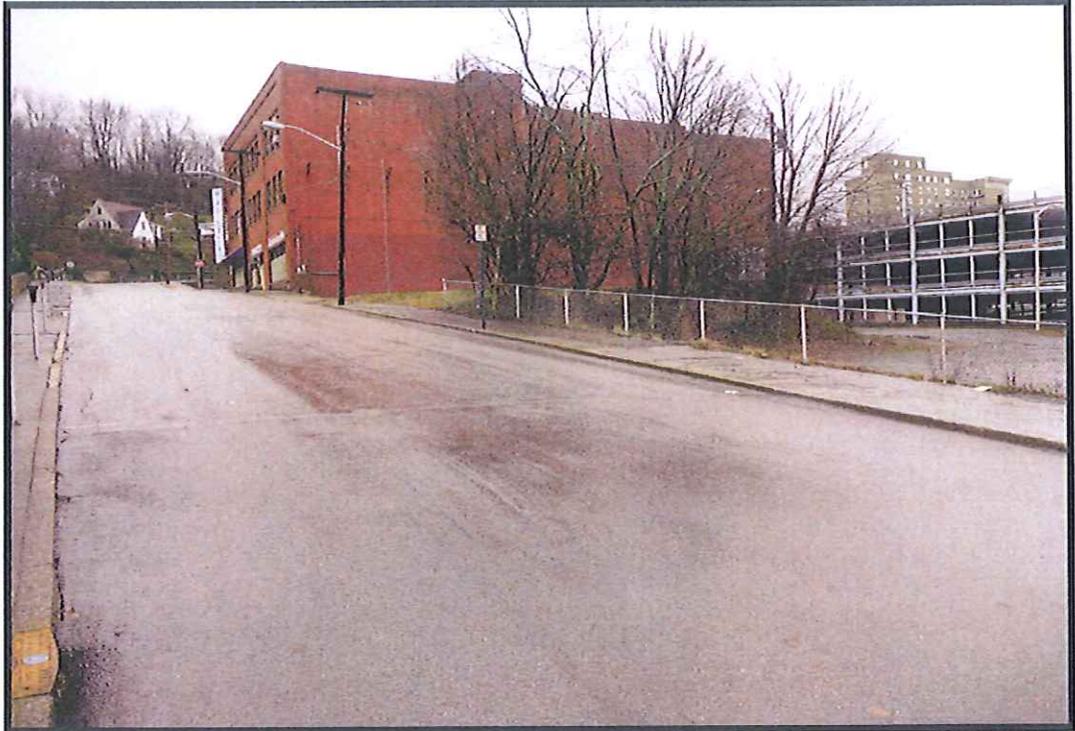


Westerly view from existing parking garage, showing surrounding use along Princeton Avenue



Westerly view from existing parking garage, showing surrounding use along Raleigh Street

SUBJECT PHOTOGRAPHS

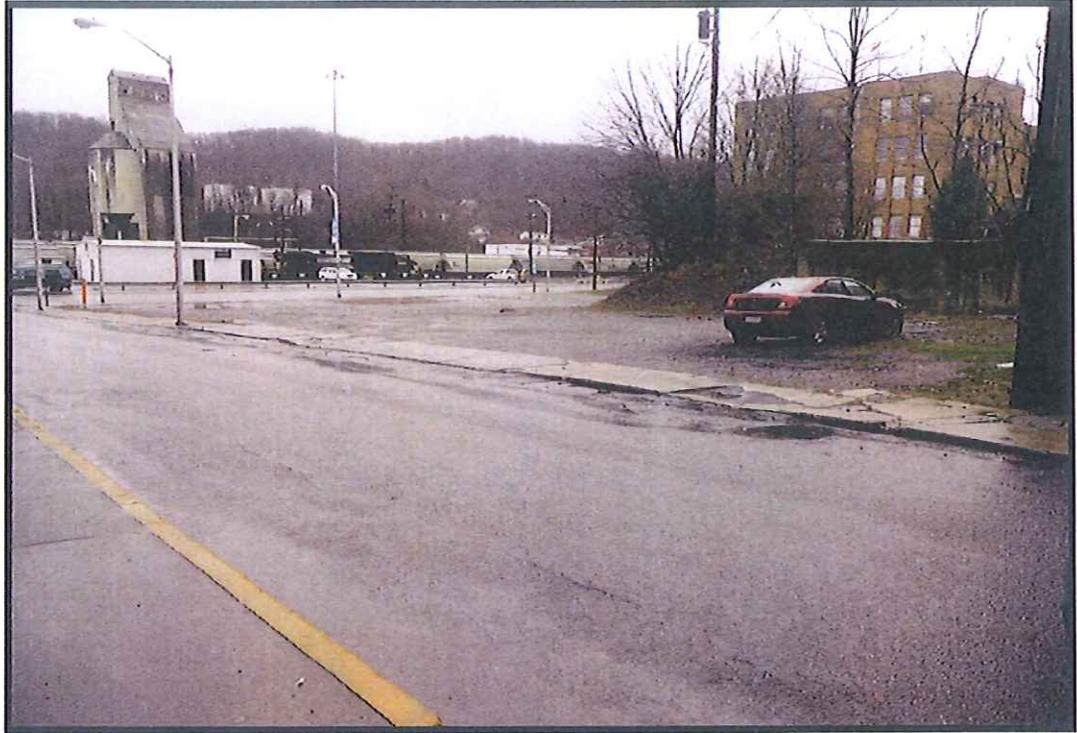


Southerly view from Princeton Avenue, showing site and surrounding use along Scott Street



Northeasterly view from existing parking garage, showing site area toward Scott Street.

SUBJECT PHOTOGRAPHS



Northerly view from Stewart Street, which will become part of the Bluefield Colonial Intermodal Site.

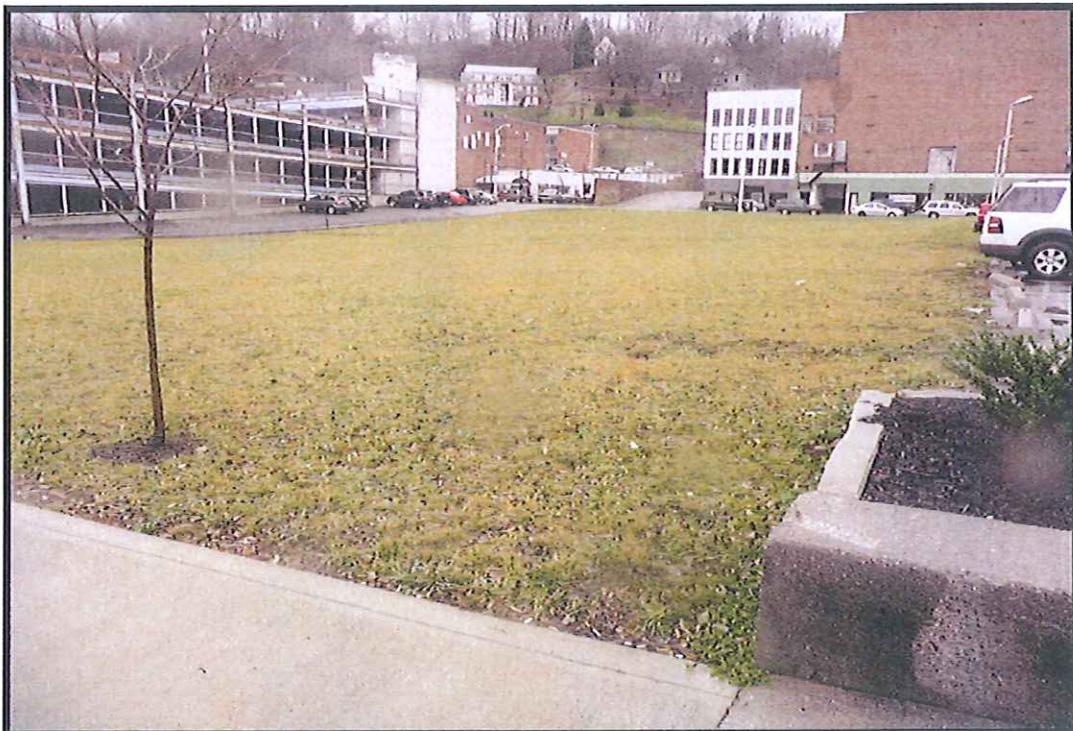


Southwesterly view from existing parking garage, showing site area west of the parking garage.

SUBJECT PHOTOGRAPHS

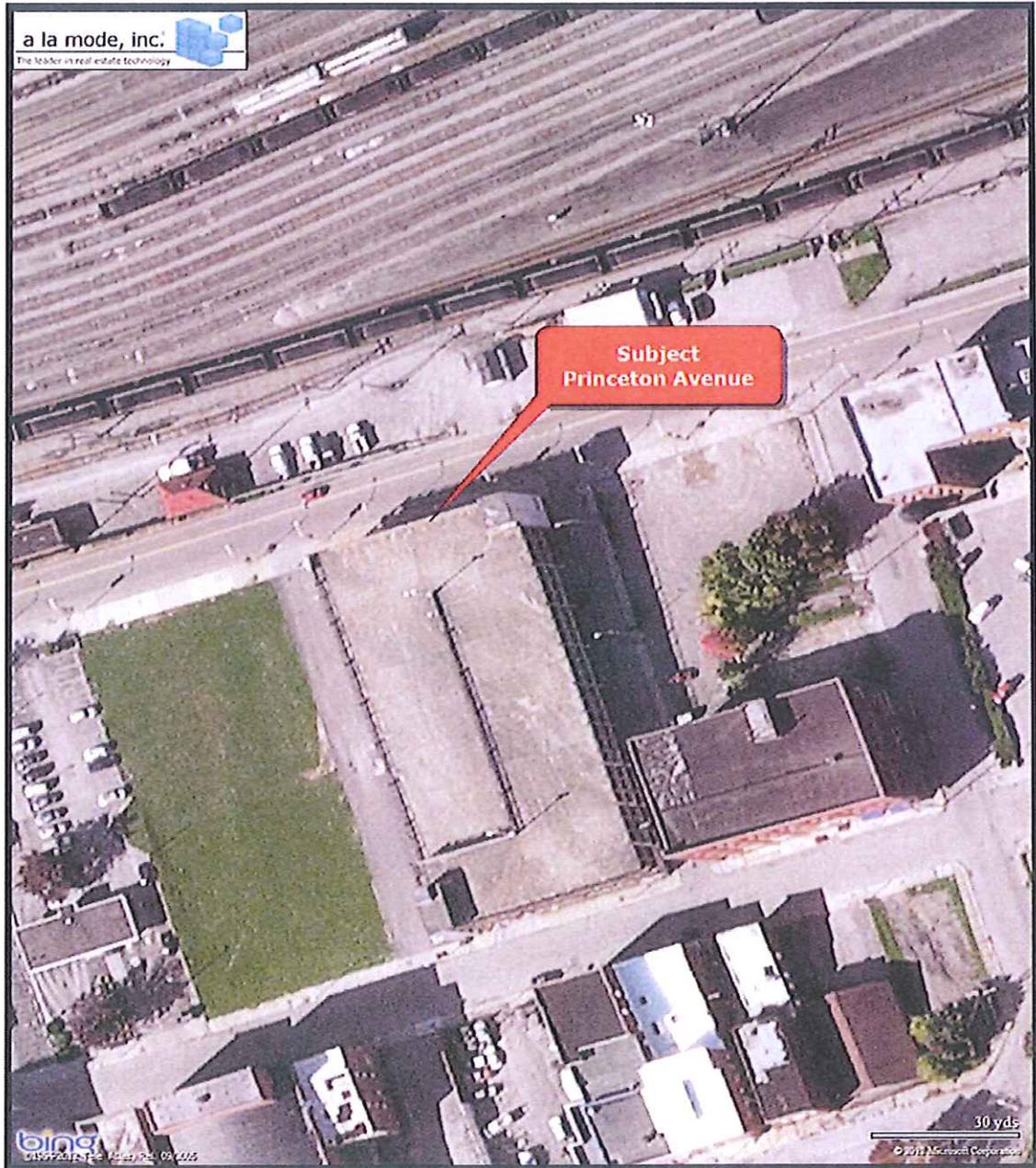


Northerly view from Raleigh Street, showing site area west of the parking garage.

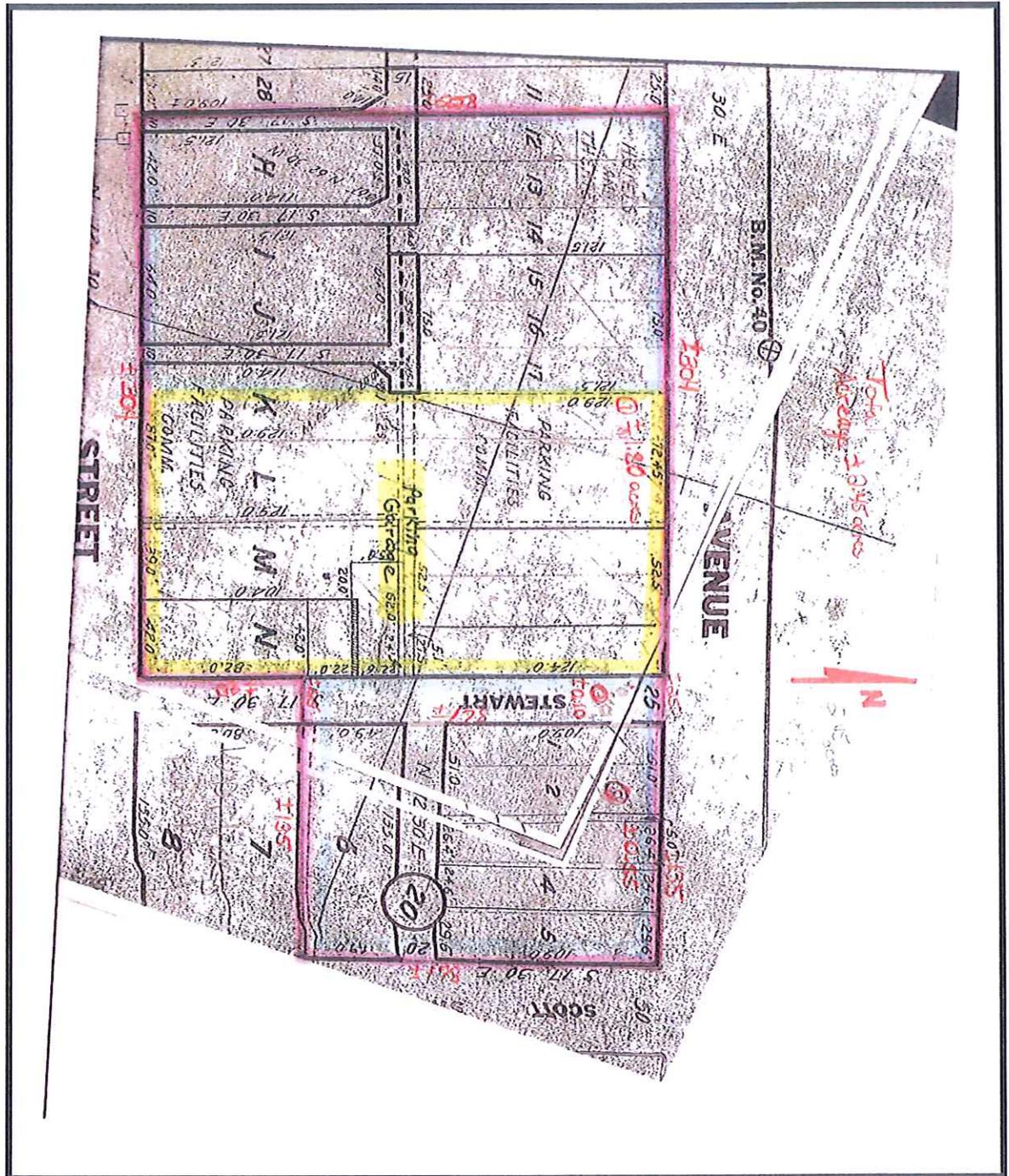


Southeasterly view from Princeton Avenue, showing overall topography of the property situated west of the parking garage

SUBJECT AERIAL VIEW



SUBJECT MAP/SITE DESCRIPTION



Pink	-	Overall Site	=	2.45 acre (106,912 sq. ft.)
Yellow	-	Parking garage site	=	0.764 acre (33,282 sq. ft.)
Blue	-	West site	=	1.036 acre (45,150 sq. ft.)
Blue	-	East site	=	0.654 acre (28,480 sq. ft.)

INTRODUCTION

PURPOSE OF APPRAISAL

The purpose of the appraisal is to estimate the market value of the surface land rights retained in the herein described real estate, **(excluding personal property, fixtures, or intangible items that are not considered real estate)**, as of January 11, 2012.

SCOPE OF THE APPRAISAL

The scope of the appraisal is to assist the client in the determination of value for evaluation. To develop the estimate of Market Value for the subject property appraised, the appraiser performed the appraisal process as defined in the *Uniform Standards of Professional Appraisal Practice* (USPAP). In accordance with the reporting requirements of a Summary Appraisal Report, this appraisal report presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' estimate of Market Value. Any supporting documentation that is not included with the report is retained in the appraisers' file. The client has requested the appraiser to value the property in its AS IS condition, as well as the site being vacant and ready for development. Therefore, the appraiser has provided to values in this appraisal report.

APPRAISAL REPORT AND TYPE

The development procedures used in this appraisal report are intended to comply with reporting requirements of a **Summary Appraisal Report**, as defined in the current *Uniform Standards of Professional Appraisal Practice (USPAP)*, Standard 2-2(b).

EFFECTIVE DATE OF APPRAISAL AND DATE OF THE REPORT

This appraisal report has an effective date of value as of February 3, 2011, which reflects the most recent date the appraiser performed an interior and exterior inspection of the property. The appraiser was accompanied by Mr. David W. Hafley, Planning Manager, and Morton A. Pilcher, WV LA 0113, during the inspection. The date of the appraisal report is January 25, 2012.

INTENDED USE AND INTENDED USER OF THE APPRAISAL

The appraiser understands that this report is to be used by the client, the City of Bluefield, and that the intended use is to assist the client in obtaining funding from the Federal Transit Administration for The City of Bluefield, Colonial Intermodal Center project.

LOCATION OF PROPERTY APPRAISED

The subject property is located along Princeton Avenue, in Bluefield, West Virginia. The legal address for the property, as determined by the local postal authority, was not provided to the appraiser.

PROPERTY RIGHTS APPRAISED

Surface Rights – This appraisal reflects a value of the Surface Land Rights and does not include a specific contributory value, if any, for mineral, timber, water, gas or any other subsurface rights and/or interests.

VALUE TO BE ESTIMATED

Market Value, is defined by *The Dictionary of Real Estate Appraisal, Third Edition*, as “The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.”

CURRENT OWNER

Public records indicate the current owner of the subject property appraised is The City of Bluefield. (The overall site to be appraised includes designated streets and alleys.)

PRIOR SALES HISTORY OF PROPERTY & CURRENT AGREEMENT OF SALE

Based upon the information researched and reviewed, no prior transfers of the subject property occurred within the last five years. The subject property is currently a combined site of twenty-five individual parcels and abandoned streets and alleys within the designated area. This property has not been listed for sale on the open market for approximately 5 years, as of the effective date of this appraisal.

CURRENT USE OF PROPERTY

The subject property consists of a steel and concrete city parking garage that only generates income during the seasonal weekend flea markets. The majority of the property is vacant land, as of the effective date of this appraisal. The land and parking garage is vacant and unoccupied.

ZONING

The Mercer County Assessors Office indicated that the current zoning is BC - Central Business District. This district is designed to provide a central core of retailing and services, as well as accommodating central administrative business, financial, general and professional offices and related services.

TAX ASSESSMENT

Based upon public records and the City of Bluefield, the subject property appraised encompasses a portion of downtown Bluefield and totals twenty-five tax parcels as well as designated streets and alleys. The City of Bluefield is a non-taxed municipality and the existing parking garage is not currently assessed a value. The property is situated in the City of Bluefield Tax District and is referenced and described on Tax Maps 11 & 18 – see map attached.

EXPOSURE TIME

The *Uniform Standards of Professional Appraisal Practice* states that a specific estimate of exposure time should be linked to the value estimate. Exposure time may be defined as "the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of appraisal." The exposure time is always presumed to precede the effective date of appraisal. The concept of reasonable exposure encompasses adequate, sufficient, and reasonable time as well as adequate, sufficient, and reasonable effort. Stated differently, exposure time relates to the period of time that it should take to sell a property at market value if a sale of the subject property is the objective of the owner. For the subject property, this is estimated to be approximately 12 to 24 months.

MARKETING PERIOD

Marketing Period is defined as "the amount of time necessary to expose a property to the open market in order to achieve a sale." Implicit in this definition are the following characteristics:

- * The property will be actively exposed to potential purchasers through marketing channels commonly used by sellers of similar type properties.
- * The property will be offered at a price reflecting the most probable markup over market value used by sellers of similar type properties.
- * A sale will be consummated under the terms and conditions described herein.

Consideration is given to the current and expected future supply and demand of the physical and location characteristics of the subject property compared with market supply of available similar properties, along with marketing period histories of recent transactions. Considering the current demand for property similar to the subject, the physical and locational characteristics of the subject, and the availability of typical market financing, it is my opinion that an "arms length" sale of the subject property would occur within twenty four months.

DESCRIPTIVE SECTION

AREA DESCRIPTION:

The subject property is located in Mercer County, West Virginia near the intersection of Princeton Avenue and Scott Street in an area known as Downtown Bluefield. Mercer County was established in 1837 from parts of Giles and Tazewell Counties (Virginia) and is located in southern tip of West Virginia, approximately 100 miles from the State Capitol in Charleston. The latest published statistical data estimated the population of Mercer County at 62,100 in 2004 which reflects a decrease of 1.43% from the 2000 census, which indicated a population of approximately 63,000 people. Bluefield and Princeton are the major cities within the county with Princeton being the county seat. Additional communities located within the boundaries of Mercer County include Athens, Bramwell, Elgood, Flat Top, Giatto, Matoaka, Oakvale, and Spanishburg. The county is part of the Bluefield West Virginia/Virginia Micropolitan area.



The intersection of Interstate 77 and U.S. Route 460 is located in Mercer County and is reportedly the third most active highway interchange in the state. Other major highways that provide access throughout the county include U. S. Routes 19, 21 and 52 and West Virginia Routes 10, 20, 44 and 71. Topographic characteristics of the county vary from level land to mountainous hillside. According to the U.S. Census Bureau, the county encompasses 421 square miles of land area, of which 0.06% is water. The two institutions of higher education located in the county are Bluefield State, located in Bluefield, and Concord University, located in Athens. The economic framework of Mercer County is composed of manufacturing, wholesale and retail trade, service occupations, state and local government, and contract labor. Mercer County largely relies on natural resource production and manufacturing as a primary component of the county's economic base.

DESCRIPTION OF THE SUBJECT PROPERTY

SITE

Overall Site: (Description based on Hypothetical Condition)

Based upon the information provided to the appraiser, the subject site being appraised encompasses an entirety of 2.45 acres (106,912 sq. ft.). The overall site has an irregular shape with approximately 464 linear feet of frontage along the northern boundary or Princeton Avenue; the western property line has a depth of 258 linear feet; the southern boundary along Raleigh Street contains 304 linear feet; the site then runs north along Stewart Street for 80 linear feet; then, including Stewart Street itself, runs east for 160 linear feet; the site then heads north 178 linear feet to the point of beginning. The site is predominately level and at grade with Princeton Avenue. The topography along Scott Street slopes upward from Princeton Avenue, as shown in the photographs attached. The site has access from Scott Street, Princeton Avenue and Raleigh Street. As the overall site includes a portion of Stewart Street and some designated alleys, the surface is a mixture of grass, pavement and crushed aggregate. The size of the site increases the overall utility of the property.

Site with existing parking garage: (Present condition of the property)

While the overall property may contain a 2.45 acre site, the existing parking garage is situated at the corner of Stewart Street and Princeton Avenue. This structure extends the length of Stewart Street (258 linear feet) and extends along Princeton Avenue (129 linear feet) and its site contains 0.764 acre (33,282 sq. ft.). Therefore, the parking garage divides the site into a site east of the parking garage and a site west of the parking garage.

The site east of the parking garage contains 0.654 acre (28,480 sq. ft.), which includes a portion of Stewart Street itself. The site is rectangular in shape with frontage along Princeton Avenue of 160 linear feet and a depth along Scott Street of 178 linear feet. The site is level along Princeton Avenue, but slopes upward along Scott Street. This portion of the property is not level and would require some excavation. The site is bounded by a multi-level office building to the east, a warehouse to the south (rear) and the older parking garage to the west. This limits the visibility of overall utility of the site for potential development. The parking garage appears to divide the property from the rest of downtown Bluefield limiting the marketability of this site.

The site west of the parking garage contains 1.036 acre (45,150 sq. ft.) has a rectangular shape with 175 linear feet of frontage along Princeton Avenue and a depth of 258 linear feet to Raleigh Street. The site is more or less level and ready for development. The site abuts the existing parking garage, but has street frontage to the front and rear. There is an existing bank situated to the west of the site. However, utilizes the space abutting the subject for a detached drive-thru service area with a parking lot.

The appraiser is not an engineer, surveyor or expert in hazardous waste substances. It is assumed that there are no hidden or unapparent site conditions. No responsibility is assumed for unapparent conditions or for professional engineering, geological, soil sampling, core drilling, or other expert services, which might be required to discover such factors. The bearing characteristics of the soil are assumed to be suitable. The appraiser is not qualified to detect or identify hazardous, harmful or toxic substances. For purposes of this appraisal, it is assumed that no toxic, harmful or hazardous substances are present on the subject property in a form or at a level, which is considered toxic, harmful or hazardous according to current technological standards. This appraisal is subject to change if such toxic, harmful or hazardous substances or materials should be found to be present in an unsafe form or in unsafe quantities.

FLOOD HAZARD LOCATION

Flood maps reviewed by the appraiser appear to place the subject site above designated flood hazard locations however the exact placement of the subject in relation to flood hazard location is subject to a survey by a qualified professional. FIRM MAP: 54055C0240D, DATE: 2-2-05

EASEMENTS

Utilities available to the site include public water, sewer, gas, telephone, and electric service, therefore the subject appears to be encumbered with typical utility service easements. The appraiser is not aware of any adverse easements or encroachments that would negatively affect the market value of the subject.

IMPROVEMENTS



The subject improvements contain a gross building area of 132,742 square feet and consist of a four story steel beam and concrete parking garage. The garage is approximately 129' x 258', more or less. Each floor provides over 32,500 square feet of open parking area with a concrete and block staircase in the northeast and southwest corners. The garage contains approximately 392 parking lined parking spaces. The southwest staircase includes a non-working elevator. Traffic can enter and exit along Princeton Avenue and Raleigh Street. NOTE: All sizes and parking space estimates were provided by the City of Bluefield.

The parking garage is over 30 years old and is in need of various painting and other deferred maintenance items. The pavement over the concrete appears to be in average condition, but the steel beams appear rusted and in need of painting. The staircases are usable and do not appear overly depreciated.

Currently, the parking garage generates limited income. Parking is more or less free to its limited number of users and the income is generated from seasonal flea markets. The City of Bluefield provided a gross annual income for the use from flea markets as \$19,000 per year.

SITE IMPROVEMENTS

Site improvements consist of various public sidewalks, streets and alleys. These do not provide a contributory value to the overall property.

HIGHEST AND BEST USE

Highest and Best Use is defined by *The Dictionary of Real Estate Appraisal, Third Edition*, as “The reasonably probable and legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value.”

Highest and Best Use - As Vacant

The usual constraint imposed on the possible use of a property is that which is dictated by the physical aspects of the land. Size, location, shape, topography, soil conditions, availability of utilities, and accessibility are important determinants in value. In general, the larger the site the greater the potential for achieving economies of scale and flexibility in development.

As previously noted in the Subject Site Description of this appraisal report, the subject site appraised contains a total land area of 2.45 acres, which is improved with a parking garage. Accessibility, visibility, and the overall functional utility of the land are considered good. In terms of topography the site is predominately level and at grade with Princeton Avenue with no apparent subsoil or drainage conditions that would negatively affect the subject property. Utilities available to the site include public sewer, water, electric, gas, and telephone service.

Note: The appraiser has also included the market analysis and study of Highest and Best use, in the Colonial Intermodal Center Study – Market Analysis. This is attached in the addenda section of the appraisal. The appraiser assumes the site is free and clear of any hazardous or toxic substances and the market value reconciled in this appraisal report reflects a value of the subject as clean.

In summary the site’s physical characteristics, inclusive of size, shape, topography, location, availability of utilities, accessibility, plus surrounding neighborhood uses, suggests that the site could be put to numerous uses.

Based on the uses for the subject site that have been considered physically possible, legally permissible, and financially feasible, it is my opinion that the highest and best use of the subject 2.45 acres, as vacant and available for development, would be for commercial development.

Highest and Best Use – As Improved

The existing improvement consists of a multi-level parking garage with a gross building area of 132,742 square feet. The structure does not reflect the highest and best use of the site and divides the overall property into two smaller potential sites which restricts the marketability of the site as a whole. The subject property is currently BC – Central Business District, therefore the use as improved is considered a legal non-conforming use. Based upon location, visibility, and accessibility, I am of the opinion that the current use of the subject property does not reflect the highest and best use as improved. Commercial structures would provide the highest return for the site.

METHODOLOGY

THE APPRAISAL PROCESS

There are three basic approaches that may be used by appraisers to estimate market value. These three approaches utilize data from the market and are all developed when applicable. These three approaches are **The Sales Comparison Approach**, **The Cost Approach**, and **The Income Approach**.

The Sales Comparison Approach:

The Sales Comparison Approach has as its premise a comparison of the subject property with others of a similar design, utility, and use that have sold within the recent past. To indicate value for the property, adjustments are made to the comparable sales for dissimilarities to the subject. Due to the availability of comparable sales data, this approach to value was developed in this appraisal report.

The Cost Approach:

The Cost Approach has as its premise the valuation of the site by comparison with other land in the subject's market area that has sold in the recent past and making adjustments to compensate for differences to indicate land value. The appraiser then estimates the cost to reproduce or replace the improvements, then, deducts any loss in value (depreciation) that may have accrued from physical, functional, economic or external influences. The subject is improved with a parking garage. However, due to the overall age and condition of the improvement, this approach to value was not completed in this appraisal.

The Income Approach:

The Income Approach has as its premise the estimation of the amount of net income generated by a property, which when capitalized in a manner that is commensurate with the risk/reward scenarios associated with the investment, will indicate a supportable estimate of the present value of the income stream. The appraiser has relied upon data provided by the City of Bluefield to value the income stream for the parking garage. This approach to value was considered to estimate value based on the current condition of the property.

Reconciliation:

In the final analysis or value reconciliation, each of the developed approaches are correlated and reconciled to arrive at a final value estimate. This process reflects the strengths and weaknesses of each approach with emphasis place on those approaches considered most reliable. In this appraisal report, the Sales Comparison Approach and the Income Approach were developed and relied upon to estimate value based on the current condition of the property. The appraiser has relied upon the Sales Comparison Approach to value, to estimate value based upon the Hypothetical condition of the property.

THE SALES COMPARISON APPROACH TO VALUE

EXTENT AND PROCESS OF COLLECTING AND CONFIRMING DATA

The Sales Comparison Approach to Value, also known as the "Market" Approach, involves a comparison of the Subject Property with other similar properties, which have recently sold or are offered for sale in the open real estate market. The premise of this approach is that the market value of a property is directly related to the prices of comparable, competitive properties.

The comparative process in the Sales Comparison Approach focuses on differences in the legal, physical, locational and economical characteristics of similar properties and the Subject Property. Also considered are the property rights conveyed, the date of sale, the motivations of buyers and sellers and any special financing, which may affect prices. In a comparative analysis, the appraiser makes adjustments to each of the sales considered for any significant differences in the factors noted above. The result is a reliable array of indications of the value of the Subject from each of the comparable sales analyzed. The Sales Comparison Approach analyzes each indication from the comparable sales further through correlation and reconciliation resulting in an indication of value.

The appraiser's data search produced a variety of comparable properties over a wide geographic region from which the five sales that were considered the most comparable were chosen for direct comparison. These sales were each given preliminary consideration as to their relative comparability to the subject property. The selection was based upon the relative degree of similarity between subject and each of the sold properties considering all pertinent physical and economic factors.

General appraisal data was obtained from newspapers, economic bulletins, journals and other publications. Local real estate appraisers, realtors, and investors were consulted and provided specific appraisal data that was considered in the development of this appraisal. Mercer County and Raleigh County public records were examined for transfers of similar property in the area as well as leases of land. Listings of property for sale were also examined. Market data and other information relied upon or contained in this appraisal report may have also been obtained from other appraisers and/or brokers, and the appraisers own previous work. The Internet may also have been consulted for obtaining regional, statistical, and/or general data. All data is verified or confirmed to the extent practically possible, and all data applied in this appraisal report is considered reliable.

Based upon the data analyzed, the following sales were considered the best available to the appraisers and were utilized in estimating a value for the subject property in the Sales Comparison Approach.

COMPARABLE LAND SALE No. 1



COUNTY:	Mercer
TAX DISTRICT:	City of Bluefield
TAX MAP/PARCEL:	39/293, 294, & 295
DEED BOOK/PAGE:	915/279
SALE DATE:	5/24/2007
GRANTOR:	Estate of Elwin E. Aliff
GRANTEE:	JWK, LLC
VERIFIED:	Courthouse/Jimmy Knowles
SIZE:	87,991 square feet
PURCHASE PRICE:	\$100,000
UNIT PRICE:	\$1.13/sq. ft.
POTENTIAL GROSS INCOME:	Not Available
ZONING:	Unknown
TOPOGRAPHY:	Predominately Level
UTILITIES:	All available
USE:	Commercial

COMMENTS: Washington Street

The site is mostly level situated above road grade. There are various residential improvements surrounding the subject property. Washington Street is situated below U.S. Highway 460.

COMPARABLE LAND SALE No. 2



COUNTY:	Mercer
TAX DISTRICT:	City of Bluefield
TAX MAP/PARCEL:	26/51
DEED BOOK/PAGE:	929/100
SALE DATE:	9/03/2008
GRANTOR:	Mercer Funeral Home Bluefield, Inc.
GRANTEE:	William H. Davis, Jr.
VERIFIED:	Courthouse/
SIZE:	23,040 square feet
PURCHASE PRICE:	\$65,000
UNIT PRICE:	\$2.82/sq. ft.
POTENTIAL GROSS INCOME:	Not Available
ZONING:	Commercial
TOPOGRAPHY:	Predominately Level
UTILITIES:	All available
USE:	Commercial

COMMENTS: 1514 Bland Street

The site is mostly level at road grade. The site was improved with an older funeral home that was removed after the purchase of the property.

COMPARABLE LAND SALE No. 3



COUNTY:	Mercer
TAX DISTRICT:	City of Bluefield
TAX MAP/PARCEL:	46/147
DEED BOOK/PAGE:	933/417
SALE DATE:	12/23/2008
GRANTOR:	Harold d. Brewster, Jr.
GRANTEE:	Livingston executive Properties, LLC
VERIFIED:	Courthouse/Jeff Livingston (304-887-4470)
SIZE:	15,682 square feet
PURCHASE PRICE:	\$55,000
UNIT PRICE:	\$3.50/sq. ft.
POTENTIAL GROSS INCOME:	Not Available
ZONING:	Commercial
TOPOGRAPHY:	Predominately Level
UTILITIES:	All available
USE:	Commercial

COMMENTS: 3507 E. Cumberland Road

The site is mostly level at road grade and is situated at the corner of Grassy Branch Road. The property was improved with an older gas station, but was removed prior to the purchase of the site.

COMPARABLE LAND SALE No. 4

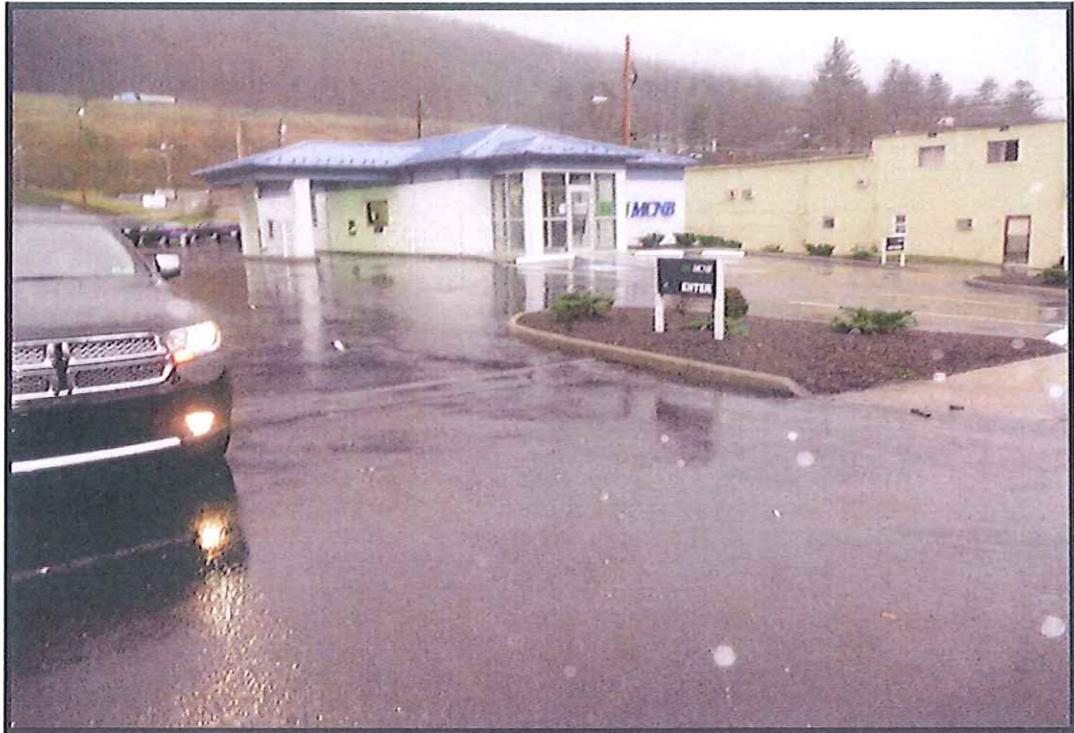


COUNTY:	Mercer
TAX DISTRICT:	City of Bluefield
TAX MAP/PARCEL:	35/86, Part 88
DEED BOOK/PAGE:	872/667
SALE DATE:	8/17/2004
GRANTOR:	Robert & Judy Harrison
GRANTEE:	Skaff Family Limited Partnership
VERIFIED:	Courthouse/Robert Harrison
SIZE:	46,174 square feet
PURCHASE PRICE:	\$285,000
UNIT PRICE:	\$6.17/sq. ft.
POTENTIAL GROSS INCOME:	Not Available
ZONING:	Commercial
TOPOGRAPHY:	Predominately Level
UTILITIES:	All available
USE:	Commercial

COMMENTS: 3160 E. Cumberland Road

The site is mostly level at road grade. The property was improved with an older gas station that was removed prior to the purchase. Mr. Harrison incurred the expense, which included some environmental clean up.

COMPARABLE LAND SALE No. 5



COUNTY:	Mercer
TAX DISTRICT:	City of Bluefield
TAX MAP/PARCEL:	35/87
DEED BOOK/PAGE:	938/191
SALE DATE:	5/26/2009
GRANTOR:	Clyde Edwin Elliott
GRANTEE:	MCNB Bank and Trust Co.
VERIFIED:	Courthouse/Bernard Holly
SIZE:	18,731 square feet
PURCHASE PRICE:	\$250,000
UNIT PRICE:	\$13.34 per sq. ft.
POTENTIAL GROSS INCOME:	Not Available
ZONING:	Commercial
TOPOGRAPHY:	Predominately Level
UTILITIES:	All available
USE:	Commercial

COMMENTS: 3152 E. Cumberland Road

The site is mostly level at road grade. The site was improved with an Pizza Hut building that was removed after the purchase of the property. Mr. Holly indicated the buyer and seller split the cost to removed the older improvement, which cost the purchaser \$2,500. Therefore, the adjusted sale price is \$252,500 with a unit price of \$13.45/sq. ft.

ADDITIONAL LAND SALES DATA

COMPARABLE LAND SALE No. 6

COUNTY:	Mercer
LOCATION:	1304 Stafford Way (Sonic Drive-in)
TAX DISTRICT:	Princeton Corp.
TAX MAP/PARCEL:	19/85-2
DEED BOOK/PAGE:	918/161
SALE DATE:	10/31/2007
GRANTOR:	First Community Bank
GRANTEE:	Chrite Properties, LLC.
VERIFIED:	Public Records/Appraiser
SIZE:	45,128 sq. ft.
PURCHASE PRICE:	\$600,000
UNIT PRICE:	\$13.30/sq.ft.

COMPARABLE LAND SALE No. 7

COUNTY:	Mercer
LOCATION:	S. Walker Street (Lot next to Dairy Queen)
TAX DISTRICT:	Princeton Corp.
TAX MAP/PARCEL:	19/44
DEED BOOK/PAGE:	957/346
SALE DATE:	12/29/2010
GRANTOR:	Clover Leaf Properties, LLC.
GRANTEE:	Byron K. Satterfield
VERIFIED:	Public Records/Appraiser
SIZE:	7,950 sq. ft.
PURCHASE PRICE:	\$90,000
UNIT PRICE:	\$11.32/sq.ft.

COMPARABLE LAND SALE No. 8

COUNTY:	Mercer
LOCATION:	Bluefield, WV
TAX DISTRICT:	Beaver Pond
TAX MAP/PARCEL:	32/75.1
DEED BOOK/PAGE:	839/394
SALE DATE:	1/02/02
GRANTOR:	CECCO, Inc
GRANTEE:	Expressway Realty, LLC.
VERIFIED:	Public Records/Appraiser (Dee Stanley)
SIZE:	2.28 Acres
PURCHASE PRICE:	\$100,000
UNIT PRICE:	\$43,860/Acre (\$1.01/sq. ft.)

ADDITIONAL LAND SALES DATA

COMPARABLE LAND SALE No. 9

COUNTY: Mercer
LOCATION : Bluefield, WV
TAX DISTRICT: City of Bluefield
TAX MAP/PARCEL: 60/2.4
DEED BOOK/PAGE: 858/531
SALE DATE: 6/24/03
GRANTOR: Betty S. Taylor & The Most Reverend Bernard W. Schmitt
GRANTEE: Boxwood, LLC
VERIFIED: Public Records/Appraiser (Dee Stanley)
SIZE: 1.02 Acres
PURCHASE PRICE: \$50,000
UNIT PRICE: \$49,020/Acre (\$1.13/sq. ft.)

COMPARABLE LAND SALE No. 10

COUNTY: Mercer
LOCATION: Bluefield, WV
TAX DISTRICT: City of Bluefield
DEED BOOK/PAGE: 858/536
TAX MAP/PARCEL: 43/157.36
SALE DATE: 6/24/03
GRANTOR: Three Springs Farms, LLC
GRANTEE: Boxwood, LLC
VERIFIED: Public Records/Appraiser
SIZE: 5.37 Acres
PURCHASE PRICE: \$200,000
UNIT PRICE: \$37,244/Acre (\$0.86/sq. ft.)

COMPARABLE LAND SALE No. 11

COUNTY: Mercer
LOCATION: Bluefield, WV
TAX DISTRICT: Beaver Pond
DEED BOOK/PAGE: 949/210
TAX MAP/PARCEL: 6/243
SALE DATE: 4/30/10
GRANTOR: J.D., Jr. and Justine Vandyke
GRANTEE: Joseph and Melody Lester
VERIFIED: Public Records/Assessor
SIZE: 2.21 Acres
PURCHASE PRICE: \$75,000
UNIT PRICE: \$33,937/Acre (\$0.78/sq. ft.)

ANALYSIS OF COMPARABLE LAND SALES:

The appraiser located several sales in Mercer County, which were able to give a general view of the market. Comparable Land Sales 1-5 were considered to have most similarities to the subject property. Comparable Land Sales 6-11 were included in the appraisal to reflect the general market in Mercer County. Comparable Land Sales 6-7 are commercial land sales in the Princeton Corp. District several miles from the subject property. This market appears to be more viable than the City of Bluefield and reflects the upper range of the market. Comparable Land Sales 8-11 are situated closer to the subject property, but are larger sites and were more commonly used for Industrial purposes.

The Five Comparable Land Sales utilized to estimate value for the subject property have an unadjusted value spread between \$1.13/sq. ft. to \$13.34/sq. ft., with a calculated mean of \$5.39/sq. ft.

Site with existing parking garage: (Present condition of the property)

The site east of the parking garage contains 0.654 acre (28,480 sq. ft.), which includes a portion of Stewart Street itself. The site is rectangular in shape with frontage along Princeton Avenue of 160 linear feet and a depth along Scott Street of 178 linear feet. The site is level along Princeton Avenue, but slopes upward along Scott Street. This portion of the property is not level and would require some excavation.

The site west of the parking garage contains 1.036 acre (45,150 sq. ft.) has a rectangular shape with 175 linear feet of frontage along Princeton Avenue and a depth of 258 linear feet to Raleigh Street. The site is more or less level and ready for development.

The parking garage has not been used as an income generating parking facility for quite some time. However, the City of Bluefield does generate income from seasonal flea market use. The City of Bluefield indicated an annual income of \$19,000 for the past few years is reasonable. The expenses are utilities, and insurance, which total \$11,866 or approximately 62% of the gross income. The appraiser will utilize this data to construct an Income Approach for the area occupied by the existing parking garage (129' x 258' or 33,282 sq. ft. of the overall site).

VALUATION OF SITE EAST OF PARKING GARAGE

Site Size: 28,480 sq. ft. (160' x 178')

COMPARABLE LAND SALES ADJUSTMENT GRID

	SUBJECT	SALE 1	SALE 2	SALE 3
Address	Princeton Ave. Bluefield, WV	Washington Street Bluefield, WV	1514 Bland Street Bluefield, WV	3507 E. Cumberland Rd. Bluefield, WV
Sale Price Price/Sq. Ft.	N/A	\$100,000 \$1.13/sq. ft.	\$65,000 \$2.82/sq. ft.	\$55,000 \$3.50/sq.ft.
Sales or Financing Concessions	N/A	None Noted	None Noted	None Noted
Sale Date	Inspection 1/11/2012	5/24/07	09/03/08	12/23/08
Location	Average	Similar	Similar	Superior
Land Size	28,480 sq. ft.	87,991 sq. ft.	23,040 sq. ft.	15,682 sq. ft.
Topography	Sloping	Primarily Level	Primarily level	Primarily level
Access	Average	Average	Average	Average
Functional Utility	Fair	Average	Average	Average
Utilities	All Available	All Available	All Available	All Available
Adjustments				
Time	N/A	0%	0%	0%
Time Adj. Price	N/A	\$1.13/sq. ft.	\$2.82/sq. ft.	\$3.50/sq. ft.
Location	N/A	0	0	-10%
Land Size	N/A	+25%	0	0
Topography	N/A	0	0	0
Access	N/A	0	0	0
Functional Utility	N/A	-10%	-10%	-10%
Utilities	N/A	0	0	0
Net Adjustments	N/A	+15%	-10%	-20%
Adj. Price & \$/SF	N/A	\$1.30/sq. ft.	\$2.54/sq. ft.	\$2.80/sq. ft.

VALUATION OF SITE EAST OF PARKING GARAGE

Site Size: 28,480 sq. ft. (160' x 178')

COMPARABLE LAND SALES ADJUSTMENT GRID

	SUBJECT	SALE 4	SALE 5	
Address	Princeton Ave. Bluefield, WV	3160 E. Cumberland Rd. Bluefield, WV	3152 E. Cumberland Rd Bluefield, WV	
Sale Price Price/Sq. Ft.	N/A	\$285,000 \$6.17/sq. ft.	\$252,500 \$13.45 sq. ft.	
Sales or Financing Concessions	N/A	None Noted	None Noted	
Sale Date	Inspection 1/11/2012	8/17/04	05/26/09	
Location	Average	Superior	Superior	
Land Size	28,480 sq. ft.	46,174 sq. ft.	18,731 sq. ft.	
Topography	Sloping	Primarily Level	Primarily level	
Access	Average	Average	Average	
Functional Utility	Fair	Average	Average	
Utilities	All Available	All Available	All Available	
Adjustments				
Time	N/A	0%	0%	
Time Adj. Price	N/A	\$6.17/sq. ft.	\$13.45/sq. ft.	
Location	N/A	-20%	-20%	
Land Size	N/A	+20%	0	
Topography	N/A	0	0	
Access	N/A	0	0	
Functional Utility	N/A	-20%	-20%	
Utilities	N/A	0	0	
Net Adjustments	N/A	-20%	-40%	
Adj. Price & \$/SF	N/A	\$4.94/sq. ft.	\$8.07/sq. ft.	

VALUATION OF SITE WEST OF PARKING GARAGE

Site Size: 45,150 sq. ft. (175' x 258')

COMPARABLE LAND SALES ADJUSTMENT GRID

	SUBJECT	SALE 1	SALE 2	SALE 3
Address	Princeton Ave. Bluefield, WV	Washington Street Bluefield, WV	1514 Bland Street Bluefield, WV	3507 E. Cumberland Rd. Bluefield, WV
Sale Price Price/Sq. Ft.	N/A	\$100,000 \$1.13/sq. ft.	\$65,000 \$2.82/sq. ft.	\$55,000 \$3.50/sq. ft.
Sales or Financing Concessions	N/A	None Noted	None Noted	None Noted
Sale Date	Inspection 1/11/2012	5/24/07	09/03/08	12/23/08
Location	Average	Similar	Similar	Superior
Land Size	45,150 sq. ft.	87,991 sq. ft.	23,040 sq. ft.	15,682 sq. ft.
Topography	Sloping	Primarily Level	Primarily level	Primarily level
Access	Average	Average	Average	Average
Functional Utility	Average	Average	Average	Average
Utilities	All Available	All Available	All Available	All Available
Adjustments				
Time	N/A	0%	0%	0%
Time Adj. Price	N/A	\$1.13/sq. ft.	\$2.82/sq. ft.	\$3.50/sq. ft.
Location	N/A	0	0	-10%
Land Size	N/A	+15%	-10%	-10%
Topography	N/A	0	0	0
Access	N/A	0	0	0
Functional Utility	N/A	0	0	0
Utilities	N/A	0	0	0
Net Adjustments	N/A	+15%	-10%	-20%
Adj. Price & \$/SF	N/A	\$1.30/sq. ft.	\$2.54/sq. ft.	\$2.80/sq. ft.

VALUATION OF SITE EAST OF PARKING GARAGE

Site Size: 45,150 sq. ft. (175' x 258')

COMPARABLE LAND SALES ADJUSTMENT GRID

	SUBJECT	SALE 4	SALE 5	
Address	Princeton Ave. Bluefield, WV	3160 E. Cumberland Rd. Bluefield, WV	3152 E. Cumberland Rd Bluefield, WV	
Sale Price Price/Sq. Ft.	N/A	\$285,000 \$6.17/sq. ft.	\$252,500 \$13.45 sq. ft.	
Sales or Financing Concessions	N/A	None Noted	None Noted	
Sale Date	Inspection 1/11/2012	8/17/04	05/26/09	
Location	Average	Superior	Superior	
Land Size	45,150 sq. ft.	46,174 sq. ft.	18,731 sq. ft.	
Topography	Sloping	Primarily Level	Primarily level	
Access	Average	Average	Average	
Functional Utility	Average	Average	Average	
Utilities	All Available	All Available	All Available	
Adjustments				
Time	N/A	0%	0%	
Time Adj. Price	N/A	\$6.17/sq. ft.	\$13.45/sq. ft.	
Location	N/A	-20%	-20%	
Land Size	N/A	0	-10%	
Topography	N/A	0	0	
Access	N/A	0	0	
Functional Utility	N/A	0	0	
Utilities	N/A	0	0	
Net Adjustments	N/A	-20%	-30%	
Adj. Price & \$/SF	N/A	\$4.94/sq. ft.	\$9.42/sq. ft.	

Indications of Subject Existing Vacant Land:

The comparable land sales analyzed in this appraisal report are considered the best available for estimating the market value of the subject site as vacant. Unless otherwise noted, property rights conveyed, financing, and conditions of sale are believed to be representative and typical of this market and require no adjustment. The appraiser could not extract a supportable time adjustment based upon the data researched and analyzed for this assignment.

When considering the adjusted sales data for the "East Site" location, the adjusted unit value range is from \$1.30/sq. ft. to \$8.07/sq. ft., with a calculated mean of \$3.93/sq. ft. The appraiser selected the lower end of this value range to best reflect value for the "East Site" due to the overall utility of the site and close proximity of the existing parking garage. The area east of the parking garage or 28,480 sq. ft. has a unit value estimate of \$2.60/sq. ft. and is calculated as follows:

$$28,480 \text{ sq. ft.} \times \$2.60/\text{sq. ft.} = \$74,048, \text{ rounded to } \$74,000$$

When considering the adjusted sales data for the "West Site" location, the adjusted unit value range is from \$1.30/sq. ft. to \$9.42/sq. ft., with a calculated mean of \$4.20/sq. ft. The appraiser selected the lower end of this value range to best reflect value for the "West Site" due to the overall utility of the site, as well as street frontage to the front and rear. However, the site still abuts the existing parking garage which restricts the marketability of the property. The area west of the parking garage or 45,150 sq. ft. has a unit value estimate of \$4.00/sq. ft. and is calculated as follows:

$$45,150 \text{ sq. ft.} \times \$4.00/\text{sq. ft.} = \$180,600$$

Valuation of Parking Garage

INCOME APPROACH TO VALUE

The Income Approach develops a value estimate for the subject through treatment of a projected net income stream. This approach recognizes value as the present worth of all future benefits of ownership and attempts to simulate typical investor buy/sell decision analyses.

An indication of value is derived by the Income Approach by first estimating potential or market rental income that the property is capable of generating and then deducting estimates of vacancy and operating expenses. The resulting estimate of net operating income is then capitalized into a value using a rate commensurate with the risk inherent with the property and reflective of current market behavior; i.e. derived from actual market sales of similar properties.

The method of capitalization applied to the subject is the band of investment technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment. The appraiser has analyzed current commercial real estate mortgage financing rates. From this data, an overall capitalization rate has been derived through analysis of different debt and equity rates. The data below was utilized in the subject rate derivation:

Current annual commercial lending rate for commercial use property 15-year loan term with 65% loan to value ratio (35% equity down)	8.00%
15-year loan term with 65% loan to value ratio (35% equity down)	
Total debt position	8.00%
Assumption that the equity position would require additional 6.00% (To reflect additional risk and potential loss of capital)	14.00%

Utilizing the band of investment technique, the debt and equity portions are weighted relative to typical loan to value ratios to yield an overall capitalization rate.

Mortgage Debt Position	8.00%	x	0.65	=	0.0520
Equity Position	14.00%	x	0.35	=	<u>0.0490</u>

Indicated Cap Rate = .1010

The overall capitalization rate used in this report was taken from conversation with local bankers on the availability of money for high risk investment. Not only does this capitalization rate reflect the difficulty in securing a loan for a property similar to the subject, but also the risk involved from personal investment. The income and expenses were property specific and directly from the City of Bluefield. The only income currently generated is from seasonal flea markets at the subject location. No other information regarding parking spaces from local markets were considered as the subject property has not been utilized to generate income from existing parking space for quite some time.

INCOME APPROACH TO VALUE

The appraiser must construct an operating statement for the subject property to derive a potential annual net operating income to which a proper capitalization rate may be applied. Due to the subject condition and rental history the appraiser has utilized existing rental information provided by the City of Bluefield to reflect its seasonal use as a flea market. Therefore, the appraiser has utilized income history of the subject, based only on the information provided by the City of Bluefield. Based on the data reviewed by the appraiser, the following projections have been estimated.

Market annual rents:

Seasonal Flea Market use		\$	19,000
(1) Potential Gross Income (PGI)		\$	19,000
(2) LESS: Vacancy and Collection Loss (0%)		\$	<u>-0-</u>
(3) Effective Gross Income (EGI)		\$	19,000
(4) LESS: Expenses:			
(5) Taxes		\$	-0-
(6) Insurance		\$	3,447
(7) Management (Estimated @ 1% of EGI)		\$	190
(8) Utilities		\$	8,228
(9) Reserve & Replacements (0% of EGI)		\$	-0-
(10) Total Estimated Operating Expenses (62.45% of EGI)		(\$	<u>11,865</u>)
(11) NET OPERATING INCOME (NOI)		\$	7,135
(12) Capitalized @ 10.10% (\$7,135 divided by 0.1010)	=	\$	70,643
Indicated Value by the Income Approach (rounded)		\$	70,000

INCOME APPROACH TO VALUE-cont.

Explanations of Valuation Data. The following are explanations of those items in the above "Stabilized Income and Expense Statement" that are succeeded by numbers in parentheses.

- (1) Potential Gross Annual Rental Income. The best indicator of market, or economic, rent for a property is based on investigation of the rental market to ascertain recently negotiated rents for similar space. However, the appraiser has utilized the rent received for the parking garage's use as a seasonal flea market. This is due to the lack of need for the existing improvement as a parking garage for monthly parking.
- (2) Vacancy & Collection Allowance. Vacancy losses typically are expected in any commercial business. However, the seasonal use already appears to include a vacancy rate and the appraiser did not have a reliable figure for vacancy on this type property.
- (3) Effective Gross Income (EGI). EGI consists of the anticipated income from all operations of the real estate, after allowing for vacancies and turnover.
- (4) Operating Expenses. Operating expenses are those expenses necessary to maintain the production of income from the property. The three categories are: Fixed Expenses – expenses that tend not to vary with occupancy; Variable Expenses – expenses that tend to vary somewhat with the percentage of occupancy; and Replacements - short-lived items of equipment and building components that typically need to be replace before the expiration of the income-projection period.
- (5) Real Estate Taxes. This property is owned by the City of Bluefield and is not subject to real estate taxes.
- (6) Insurance. The amount of \$3,447 was provided by the City of Bluefield. The premium costs were considered to within what is reasonable when compared with premium costs for similar properties in the area.
- (7) Management. Management expense has been estimated at 1% of EGI, which is reasonable for a property of this type. This category includes, but is not limited to, such items as the collection of rents, record-keeping and general supervision of property matters.
- (8) Utilities. The utilities include typical operation costs for the structure on an annual basis. The costs include electric, water and stormwater fees. The costs were provided by the City of Bluefield.
- (9) Reserve and Replacements. This item represents an estimated reserve or contingency fund for income set aside each year in an interest-bearing account to defray the cost of replacing capital items. However, no reserve has been set aside due to the potential to raze the improvement from the site.

INCOME APPROACH TO VALUE-cont.

- (10) Total Operating Expenses. The total operating expenses are projected at \$11,865, which equates to 62.45% of EGI. This ratio is higher than average due to the use of the improvement.
- (11) Net Operating Income. NOI is the annual net income remaining after deducting all fixed and variable expenses and replacements reserves from EGI but before deducting financial charges, such as recapture or debt service.
- (12) Overall Capitalization Rate (OAR). The OAR expresses the relation between the net operation income (NOI) and the value or sale price of the property. Please refer to the information previously presented in this appraisal report. Mathematically, income is divided by the rate in order to derive an indicated value. Thus, for the subject, the capitalization procedure is as follows:

$$\$7,135 \text{ (NOI)} / .1010 \text{ (OAR)} = \$70,000 \text{ (Rounded)}$$

Reconciliation of the AS IS value of the property:

In reconciling a value for the subject site, in its as is condition, the appraiser had to value the three sites: The parking garage, the site east of the parking garage and the site west of the parking garage. An individual value for each site has been supported by the data presented within this appraisal report. The individual value of each site have been listed below, then have been totaled for an overall value of the property. The values are as follows:

East Site: 28,480 sq. ft. x \$2.60/sq. ft. = \$ 74,000 Rnd

West Site: 45,150 sq. ft. x \$4.00/sq. ft. = \$180,600

<u>Parking Garage:</u>	= \$ 70,000
<u>Overall Value</u>	\$324,600

Reconciled Value of Property "AS IS"

\$324,000

Hypothetical Condition and Extraordinary Assumption:

USPAP defines Hypothetical Condition as: that which is contrary to what exists but is supposed for the purpose of analysis. The client has requested the appraiser to utilize a hypothetical condition in this appraisal report - To estimate a value for the property, as if vacant and ready for development. USPAP defines Extraordinary Assumption as follows: an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. In addition to the hypothetical condition, the client has also requested the appraiser to accept the Extraordinary Assumption that W.E.L. Incorporated estimate of \$150,000 to demolish the existing parking garage facility, is accurate for the property – document within Exhibit C.

Overall Site: (Description based on Hypothetical Condition)

Based upon the information provided to the appraiser, the subject site being appraised encompasses an entirety of 2.45 acres (106,912 sq. ft.). The overall site has an irregular shape with approximately 464 linear feet of frontage along the northern boundary or Princeton Avenue; the western property line has a depth of 258 linear feet; the southern boundary along Raleigh Street contains 304 linear feet; the site then runs north along Stewart Street for 80 linear feet; then, including Stewart Street itself, runs east for 160 linear feet; the site then heads north 178 linear feet to the point of beginning. The site is predominately level and at grade with Princeton Avenue. The topography along Scott Street slopes upward from Princeton Avenue, as shown in the photographs attached. The site has access from Scott Street, Princeton Avenue and Raleigh Street. As the overall site includes a portion of Stewart Street and some designated alleys, the surface is a mixture of grass, pavement and crushed aggregate. The overall utility of the property increases the marketability of the property.

The same sales data, previously presented, is considered to estimate value for the subject. The value estimate is based on the hypothetical condition listed above. The appraiser has located several sales in Mercer County, which were able to give a general view of the market. Comparable Land Sales 1-5 were considered to have most similarities to the subject property. Comparable Land Sales 6-11 were included in the appraisal to reflect the general market in Mercer County. Comparable Land Sales 6-7 are commercial land sales in the Princeton Corp. District several miles from the subject property. This market appears to be more viable than the City of Bluefield and reflects the upper range of the market. Comparable Land Sales 8-11 are situated closer to the subject property, but are larger sites and were more commonly used for Industrial purposes.

The Five Comparable Land Sales utilized to estimate value for the subject property have an unadjusted value spread between \$1.13/sq. ft. to \$13.34/sq. ft., with a calculated mean of \$5.39/sq. ft.

VALUATION OF OVERALL SITE

Site Size: 106,912 sq. ft. (2.45 Acre)

COMPARABLE LAND SALES ADJUSTMENT GRID

	SUBJECT	SALE 1	SALE 2	SALE 3
Address	Princeton Ave. Bluefield, WV	Washington Street Bluefield, WV	1514 Bland Street Bluefield, WV	3507 E. Cumberland Rd. Bluefield, WV
Sale Price Price/Sq. Ft.	N/A	\$100,000 \$1.13/sq. ft.	\$65,000 \$2.82/sq. ft.	\$55,000 \$3.50/sq.ft.
Sales or Financing Concessions	N/A	None Noted	None Noted	None Noted
Sale Date	Inspection 1/11/2012	5/24/07	09/03/08	12/23/08
Location	Average	Similar	Similar	Superior
Land Size	106,912 sq. ft.	87,991 sq. ft.	23,040 sq. ft.	15,682 sq. ft.
Topography	Primarily Level	Primarily Level	Primarily level	Primarily level
Access	Average	Average	Average	Average
Functional Utility	Good	Average	Average	Average
Utilities	All Available	All Available	All Available	All Available
Adjustments				
Time	N/A	0%	0%	0%
Time Adj. Price	N/A	\$1.13/sq. ft.	\$2.82/sq. ft.	\$3.50/sq. ft.
Location	N/A	0	0	-10%
Land Size	N/A	-15%	-30%	-30%
Topography	N/A	0	0	0
Access	N/A	0	0	0
Functional Utility	N/A	+20%	+20%	+20%
Utilities	N/A	0	0	0
Net Adjustments	N/A	+5%	-10%	-20%
Adj. Price & S/SF	N/A	\$1.19/sq. ft.	\$2.54/sq. ft.	\$2.80/sq. ft.

VALUATION OF OVERALL SITE

Site Size: 106,912 sq. ft. (2.45 Acre)

COMPARABLE LAND SALES ADJUSTMENT GRID

	SUBJECT	SALE 4	SALE 5	
Address	Princeton Ave. Bluefield, WV	3160 E. Cumberland Rd. Bluefield, WV	3152 E. Cumberland Rd Bluefield, WV	
Sale Price Price/Sq. Ft.	N/A	\$285,000 \$6.17/sq. ft.	\$252,500 \$13.45 sq. ft.	
Sales or Financing Concessions	N/A	None Noted	None Noted	
Sale Date	Inspection 1/11/2012	8/17/04	05/26/09	
Location	Average	Superior	Superior	
Land Size	106,912 sq. ft.	46,174 sq. ft.	18,731 sq. ft.	
Topography	Sloping	Primarily Level	Primarily level	
Access	Average	Average	Average	
Functional Utility	Good	Average	Average	
Utilities	All Available	All Available	All Available	
Adjustments				
Time	N/A	0%	0%	
Time Adj. Price	N/A	\$6.17/sq. ft.	\$13.45/sq. ft.	
Location	N/A	-20%	-20%	
Land Size	N/A	-25%	-30%	
Topography	N/A	0	0	
Access	N/A	0	0	
Functional Utility	N/A	+20%	+20%	
Utilities	N/A	0	0	
Net Adjustments	N/A	-25%	-30%	
Adj. Price & S/SF	N/A	\$4.63/sq. ft.	\$9.42/sq. ft.	

Reconciliation of the Hypothetical Condition and Extraordinary Assumption:

The comparable land sales and current listing analyzed in this appraisal report are considered the best available for estimating the market value of the subject site as vacant. Unless otherwise noted, property rights conveyed, financing, and conditions of sale are believed to be representative and typical of this market and require no adjustment. The appraiser could not extract a supportable time adjustment based upon the data researched and analyzed for this assignment.

When considering the adjusted sales data for the overall site, the adjusted unit value range is from \$1.19/sq. ft. to \$9.42/sq. ft., with a calculated mean of \$4.12/sq. ft. The sales utilized to value the subject overall site were the best available within the City of Bluefield market area. The location adjustment reflects the lack of development along Princeton Avenue in the recent past, as most recent new development is situated along East Cumberland Road and Highway 460. The subject is considerably larger than the comparable land sales. Typically, size adjustments are based on the economic principle that relates to economy of scale, or that smaller tracts of land typically generate higher unit values and larger tracts will typically generate lower unit values. When considering the overall site (2.45 acre or 106,912 sq. ft.), the increase in marketability of the property is the utility of the site. In addition to ample access for the site along from Princeton Avenue, there will be sufficient access along Raleigh Street to the rear and Scott Street toward the eastern margin of the property. Due to the lack of availability of property with similar size and utility within the City of Bluefield, the appraiser has estimated a unit value for the site giving more weight to Comparable Land Sales 4 & 5 at \$6.00/sq. ft. However, the site requires the existing parking garage to be removed to gain the full utility of the site. The city of Bluefield provided the appraiser a copy of a estimate to remove the parking garage from the site. W.E.L. Incorporated estimated the demolition costs for the improvement at \$150,000. The value estimate and proposed demolition costs are calculated as follows:

$$106,912 \text{ sq. ft.} \times \$6.00/\text{sq. ft.} = \$641,472, \text{ rounded to } \$640,000$$

Less estimated demolition costs of \$150,000

Reconciled site value estimate = \$490,000

FINAL RECONCILIATION OF VALUE

All three classic approaches to value property have been considered in this appraisal with the Sales Comparison Approach and the Cost Approach being developed and relied upon.

The Sales Comparison Approach considers sales of similar properties in the open market. The degree of comparability of the sale properties to the subject property is the essence of this approach. Adjustments are applied for any significant differences between the subject property and the sale properties. The indications of value are then correlated into an indicated value of subject property from direct sales comparison. This approach is normally considered the most reliable when adequately similar sales are available for analysis. This approach generally reflects the actions and thinking of informed buyers and sellers on the open real estate market. This approach was considered and relied upon for the "AS IS" approach to value and the "Hypothetical Condition" of the property.

The Cost Approach has as its premise the valuation of the site by comparison with other land in the subject's market area that has sold in the recent past and making adjustments to compensate for differences to indicate land value. The appraiser then estimates the cost to reproduce or replace the improvements, then, deducts any loss in value (depreciation) that may have accrued from physical, functional, economic or external influences. The Cost Approach to Value was considered, but not relied upon in this appraisal due to the age and condition of the parking garage.

The Income Approach has as its premise the estimation of the amount of net income generated by a property, which when capitalized in a manner that is commensurate with the risk/reward scenarios associated with the investment, will indicate a supportable estimate of the present value of the income stream. The Income Approach to value was considered and developed as the income stream and expenses were the best available information provided by the City of Bluefield. Therefore the Income Approach to Value was developed and relied upon in this appraisal report to estimate value for the parking garage improvement.

Based upon the foregoing analysis, it is the opinion of the appraiser that the market value of the subject property appraised, as of January 11, 2012, is:

AS IS CONDITION: \$324,000.00

HYPOTHETICAL CONDITION OF PROPERTY: \$490,000.00

ADDENDA SECTION

Mark A. Pilcher

Real Estate Appraisal experience

Associated with H. E. Pilcher & Co. as an independent fee appraiser since 1989. Owner and lead appraiser of H. E. Pilcher & Co. since 1999. As an independent fee appraiser, fifteen years of general appraising including single family residences, apartment complexes, commercial, industrial and special-purpose properties as well as vacant land. Experience includes appraisal of full and partial acquisitions and provided expert witness testimony at all levels of eminent domain proceedings.

Professional Affiliation

West Virginia Certified General Real Estate Appraiser, No. CG334

Member of International Right-of-way Association, No. 6355

Real Estate Appraisal Education

The Appraisal Institute Course 310 – Basic Income Capitalization

The Appraisal Institute Course 600 – Income Valuation of Small, Mix-Use Properties

The Appraisal Institute Course 620 – Sales Comparison Approach to value of Small, Mix-Use Properties

International Right-of-Way Association Course 401 – Appraisal of Partial Acquisitions

National Highway Institute – Eminent Domain for Attorneys & Appraisers

National Association of Independent Fee Appraisers – Introduction to Income Property Appraising

National Association of Independent Fee Appraisers – Market Data Analysis of Residential Real Estate Appraising Course 1.2

National Association of Independent Fee Appraisers – Uniform Standards of Professional Appraisal Practice

National Association of Independent Fee Appraisers – Principles of Real Estate Appraising

Marshall and Swift Cost Handbook – Cost Approach-Square Foot Method and Modern Home Construction Course 101, 102 & 103

EXHIBIT A

LIMITING CONDITIONS

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is subject to the assumptions and limiting conditions listed below. Acceptance of, and/or use of this appraisal constitutes acceptance of these assumptions and limiting conditions.

Limit Of Liability:

The liability of the appraiser is limited to the fee collected for preparation of the appraisal. The appraiser is responsible only to the client. There is no accountability, or liability to any third party. Any third party using this appraisal report does so at his/their own risk.

No responsibility is assumed for matters legal in nature by the appraiser. No opinion is rendered regarding title. The property is assumed held in fee, unless otherwise noted. The title is assumed to be good and marketable, and any existing liens and other encumbrances have been disregarded unless otherwise noted in the report.

Copies, Publication, Distribution, Use of The Report:

Possession of this report, or any copy thereof, does not carry with it the right of publication, nor may it be used for any purpose, by any party other than the client, without the written consent of the author and then only in its entirety.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations efforts, news, sales, or other media without the written consent and approval of the author.

All conclusions and opinions concerning the analysis set forth in the report, were prepared by the appraiser. No change of any item in the report shall be made by anyone other than the appraiser, and the appraiser is not responsible if any such unauthorized change is made.

Testimony, Consultation, Completion Of Contract For Appraisal Services:

The appraisal is rendered under the assumption that the appraiser may be called upon to testify or appear in court because of having made this appraisal with reference to the property in question. The contract for the report phase of these services is fulfilled and the total fee is payable upon completion of this report regardless of the results found. Services for testimony and consultation after the report is rendered will be provided for additional compensation at the appraiser standard hourly rate in effect at the time the service is rendered.

ASSUMPTIONS AND LIMITING CONDITIONS - CONTINUED

Confidentiality:

The appraiser may not divulge the material contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or the client's designee as specified in writing, except as may be requested by a court of law or body with the power of subpoena.

Exhibits:

All maps, plats, plans, sketches, and other renderings attached to this report are included only to aid the reader visually. They are not necessarily to scale.

Information Used:

Normally, most appraisals are based to some extent on information supplied by outside sources. The information, estimates, and opinions furnished by others, which are contained in this report, were obtained from sources considered reliable and are believed to be true and correct. However, no responsibility for accuracy is assumed. This appraisal is not based in whole or in part upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the subject property.

Value Change:

The estimated value is subject to change as the real estate market changes over time. Value is highly related to exposure, time, promotional effort, terms, motivation, and conditions surrounding the offering. The value estimate considers the usefulness and relative attractiveness of the property, physically and economically, in the market place as of the effective date of the appraisal. All appraisals are made under varying degrees of uncertainty. This appraisal is an estimate of value based on an analysis of information known to the appraiser at the time the appraisal was made. The appraiser assumes no responsibility for incorrect analysis based upon incorrect or incomplete information. If new information of significance comes to light, the value given in this report could be subject to change.

Hazardous Or Toxic Materials:

This appraisal assumes that there are no hazardous or toxic materials present which would affect the marketability or value of the subject property. Should it be found by a contamination assessment investigation that any substantial amounts of hazardous or toxic materials are present on subject property, a reanalysis and reappraisal may be necessary. An additional fee for such reanalysis or reappraisal would have to be negotiated due to the drastic change in the scope of work required under these circumstances.

EXHIBIT B

**APPRAISER
CERTIFICATION**

CERTIFICATION OF THE APPRAISER:

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

The statements of fact contained in this report are true and correct. All other information is assumed to be correct but is in no way warranted.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, impartial, and unbiased professional analyses and opinions, and conclusions.

I have no present or prospective interest in the property, which is the subject of this report nor any personal interest or bias with respect to the parties involved. The appraiser has not previously appraised the property within the past five years.

I have no bias with respect to the property that is the subject of this report or to parties involved with this assignment. My engagement in this assignment is not contingent upon developing or reporting predetermined results.

My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.

David Shields, West Virginia Certified General Appraiser CG042, provided professional assistance in the understanding of the general market and sales data within the City of Bluefield market area.

I have made a personal inspection of the property, which is the subject of this report.

This appraisal assignment was not based upon on a specific or requested minimum valuation or the approval of a loan.

Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used, in whole or in part, for any other purpose than indicated within the report. Any such use shall render the report null and void.

As a result of my inspection and data analysis, it is my opinion that the market value of the herein described real estate, as of January 11, 2012, is:

AS IS CONDITION: \$324,000.00

HYPOTHETICAL CONDITION OF PROPERTY: \$490,000.00



Mark A. Pilcher
Certified General
Real Estate Appraiser
WV Certificate No.: CG334

EXHIBIT C

**SALES COMPARISON MAP, LOCATION
MAP, FLOOD MAP,
PARKING GARAGE PHOTOGRAPHS,
COLONIAL INTERMODAL CENTER
STUDY – MARKET ANALYSIS**

PARKING GARAGE PHOTOGRAPHS

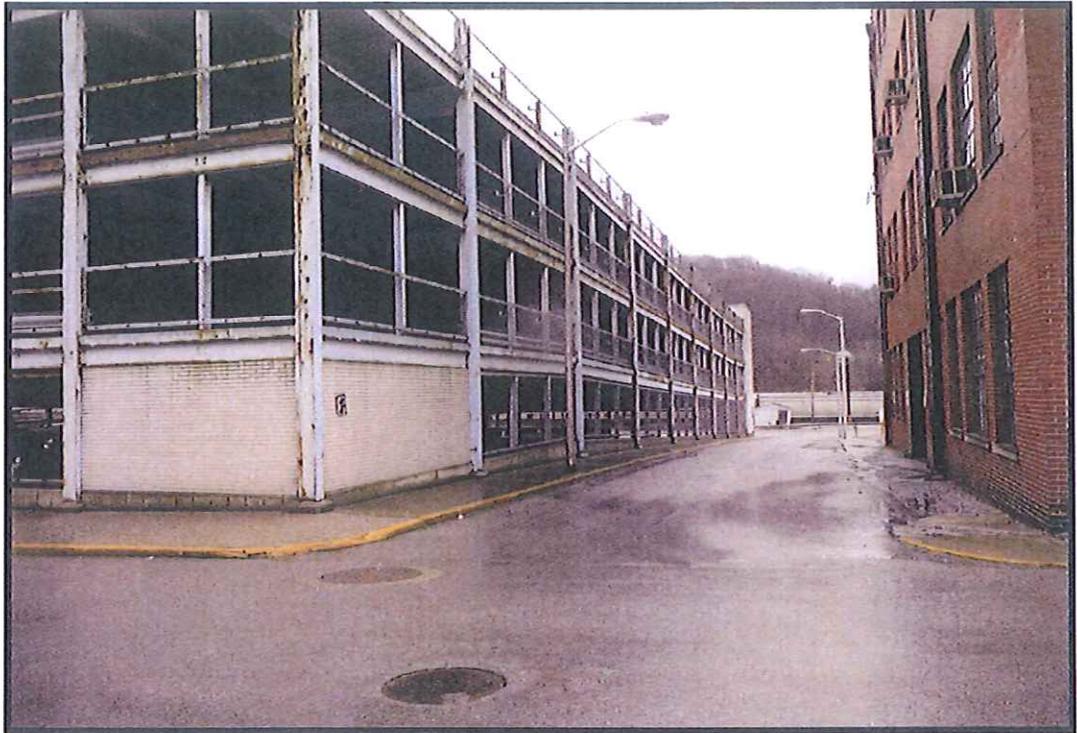


Frontage and access along Princeton Avenue

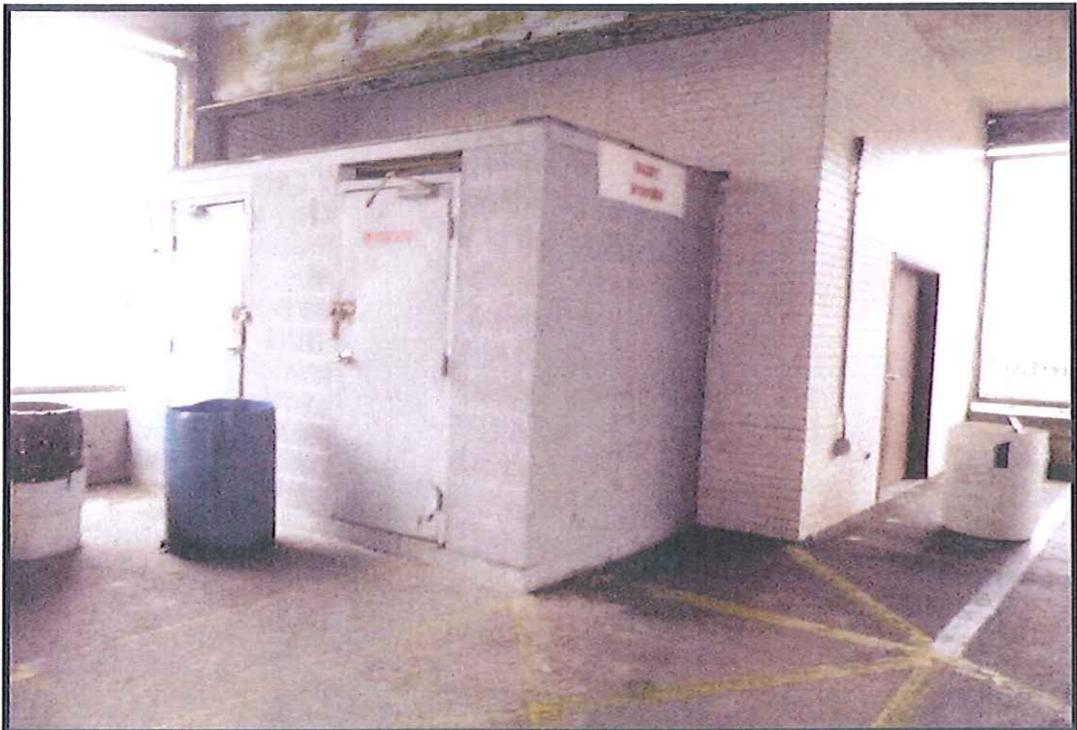


Frontage and access along Raleigh Street

PARKING GARAGE PHOTOGRAPHS

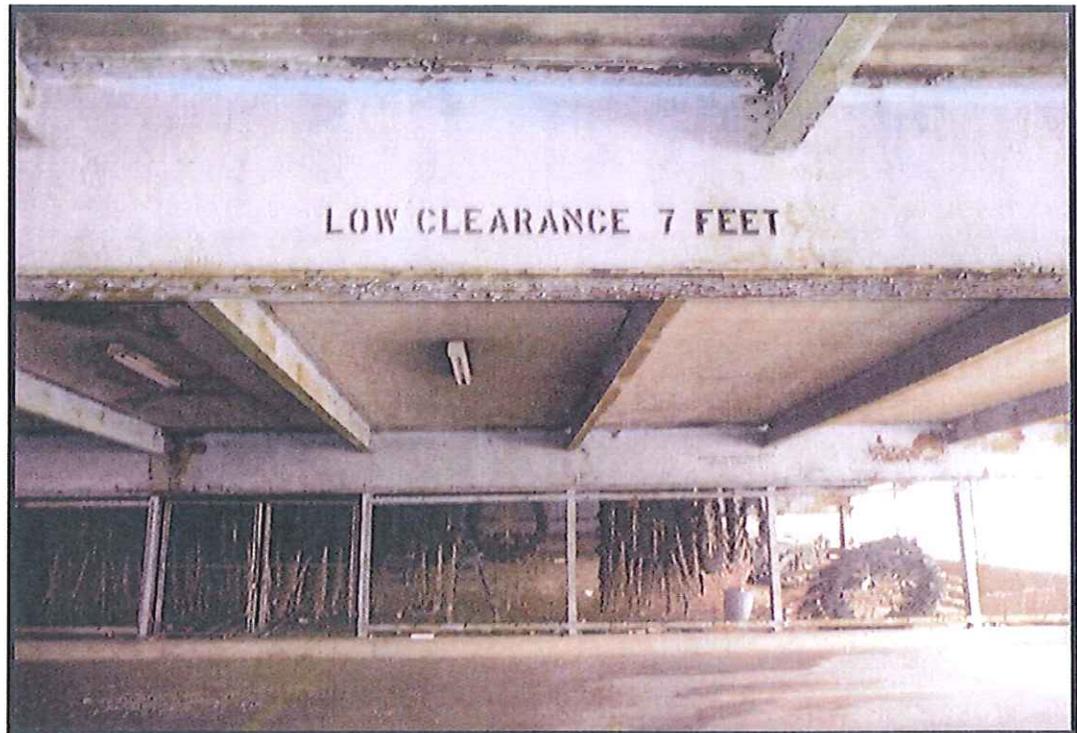


View along Stewart Street

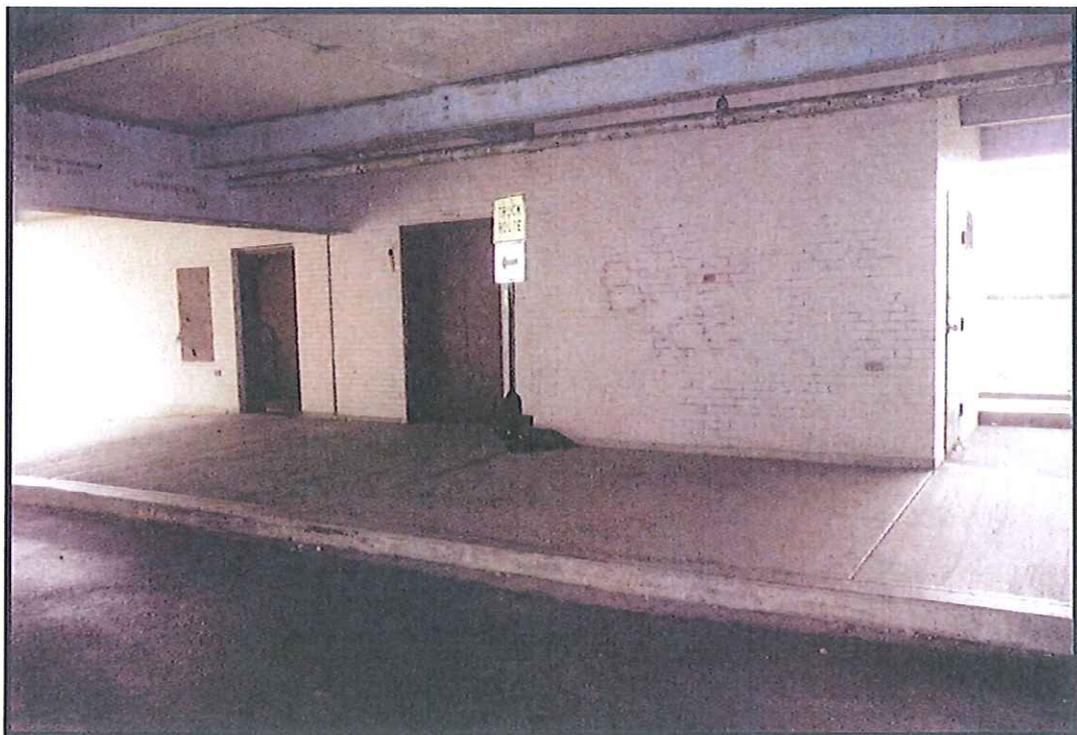


Restroom facilities on main level

PARKING GARAGE PHOTOGRAPHS



Typical condition of steel beams throughout parking garage

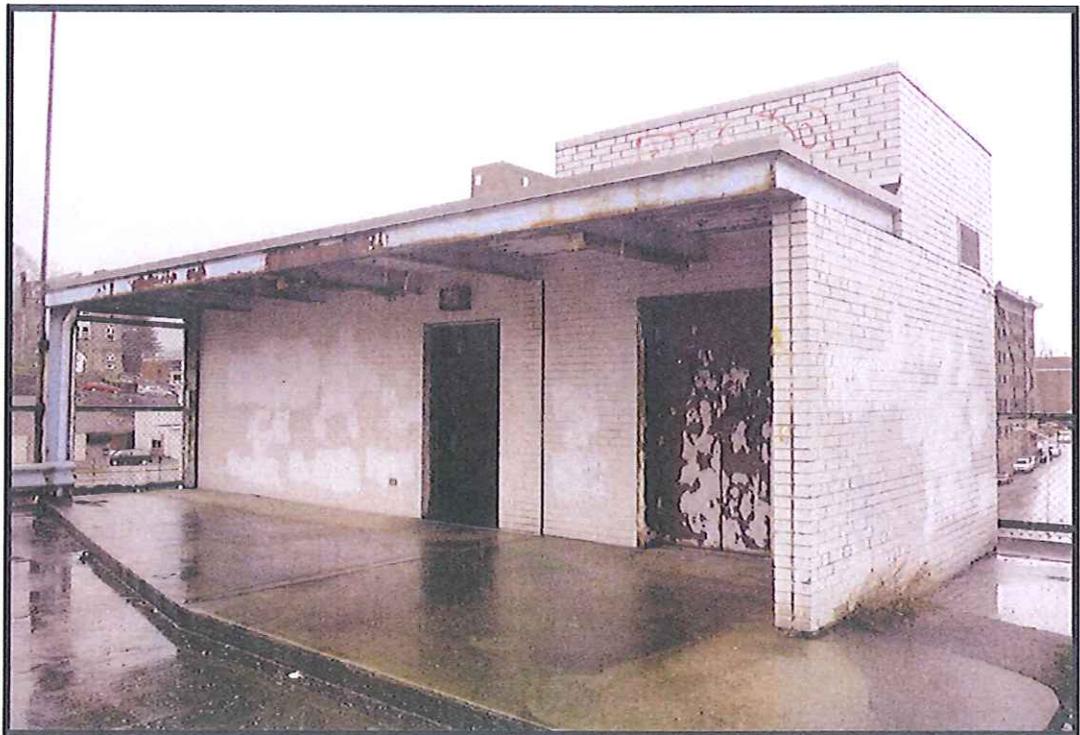


Stairs and elevator access on main level

PARKING GARAGE PHOTOGRAPHS

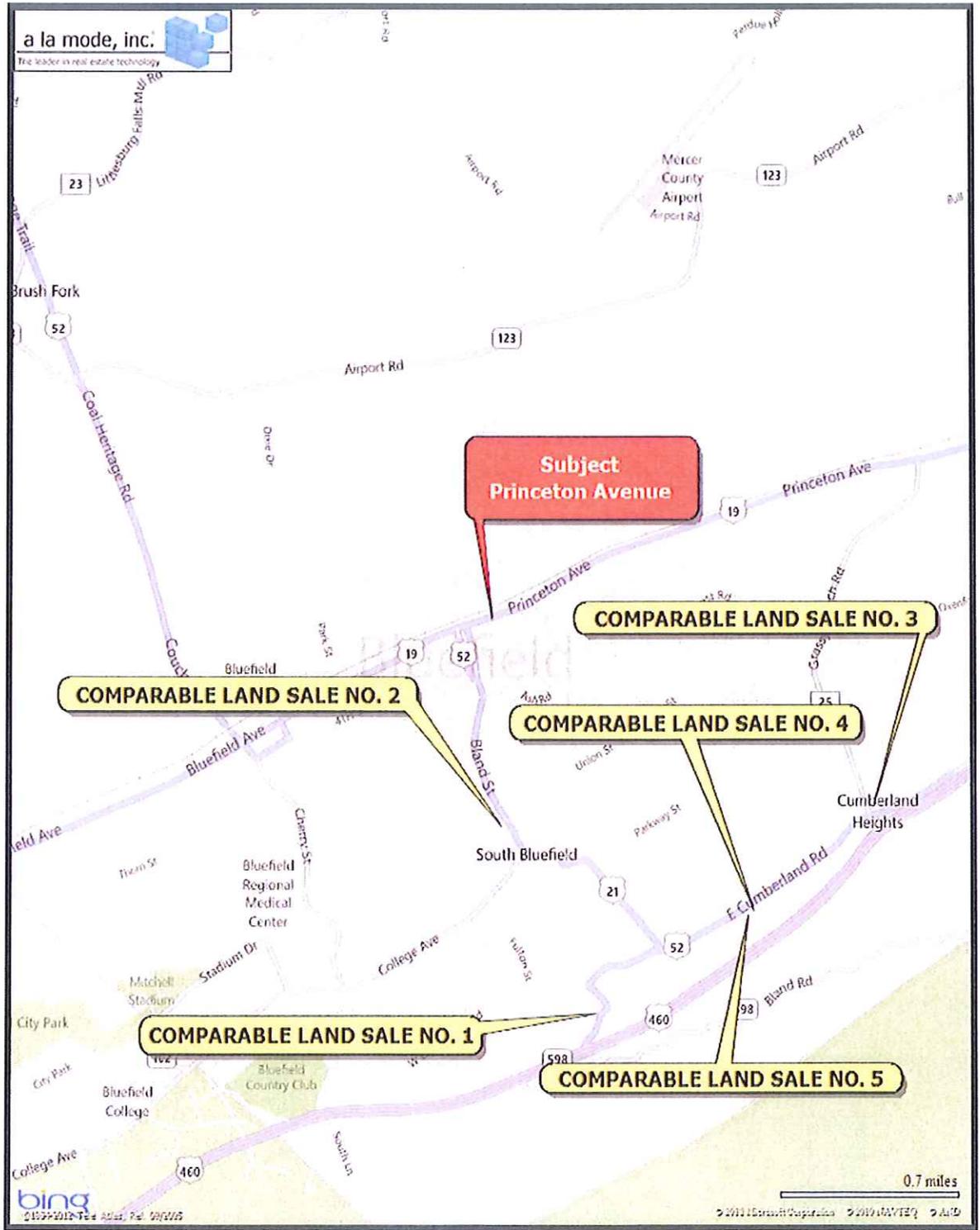


Typical condition of steel beams and stair throughout parking garage



Top floor, showing staircase and elevator access

COMPARABLE LAND SALES LOCATIONAL MAP



FLOOD MAP

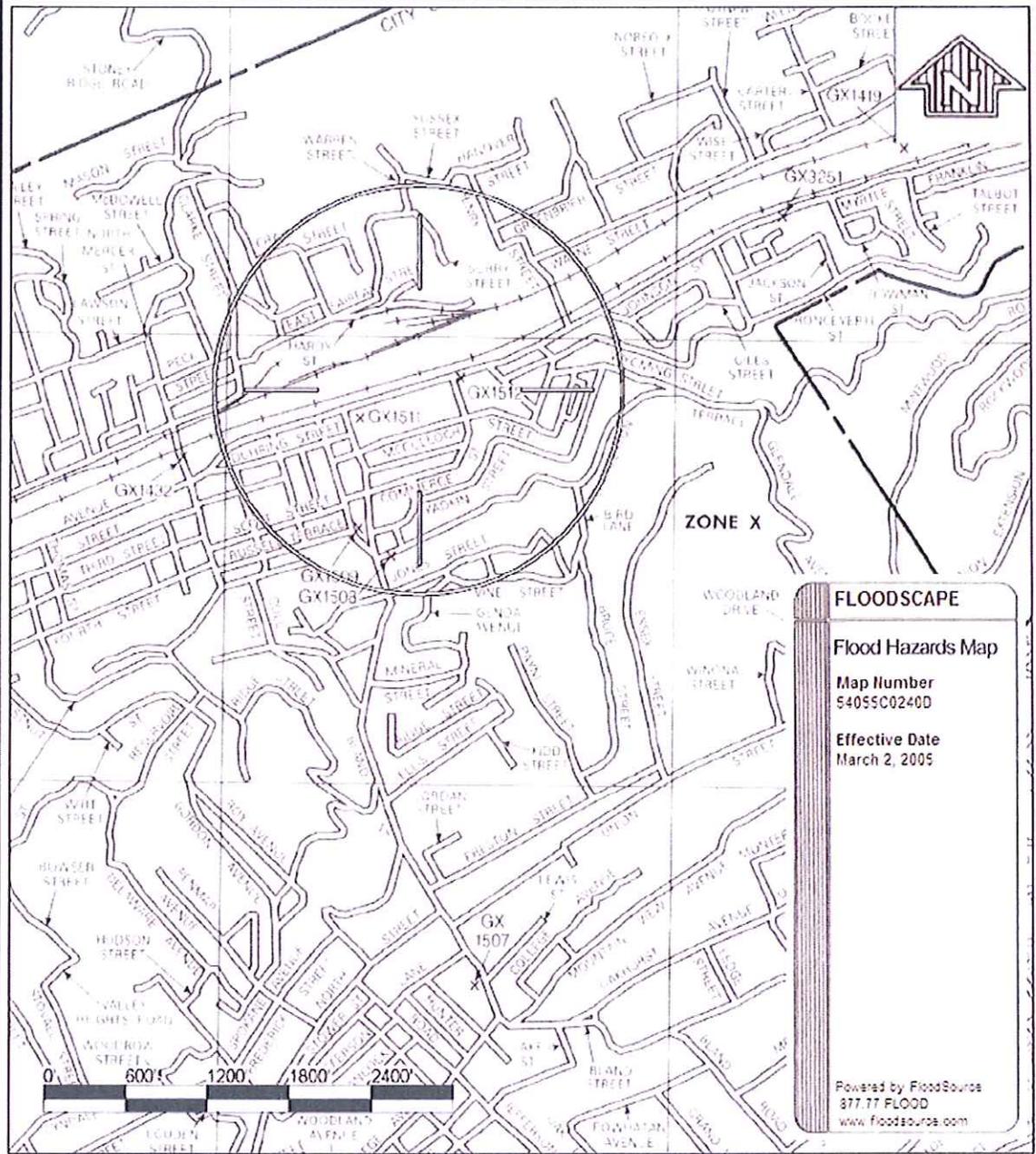
InterFlood



www.interflood.com • 1-800-252-6633

Prepared for:
H E Pilcher & Company

Princeton Avenue
Bluefield, WV 24701



FLOODSCOPE

Flood Hazards Map

Map Number
5405C0240D

Effective Date
March 2, 2005

Powered by FloodSource
877.77.FLOOD
www.floodsource.com

V. Market Analysis

Introduction

This section discusses the methodologies, data, analyses, and findings of a comprehensive market analysis of the City of Bluefield and Mercer County, as well as six drive-time area geographies emanating from an epicenter located adjacent to the site for the Colonial Intermodal Center. The drive-time areas are segmented at five-minutes, ten-minutes, fifteen-minutes, twenty-minutes, thirty-minutes, and sixty-minutes from the epicenter located at the intersection of Princeton Avenue and Federal Street in downtown Bluefield. The drive-times cover the full range of market areas from the primary market, to the secondary market, and the tertiary market for enterprises that have been identified as in "short supply" in the local area. The enterprises identified as in "short supply" have then been stratified into probability of capture ranges on the basis of the suitability of the site, the context of downtown, and the larger competitive environment for the city, the county, and the drive-time areas.

The analysis will discuss the findings of key demographic research including current year estimates and near-term projections (five years into the future). While the bulk of the analyses focus on economics and land uses in the study area, the demographics form the backdrop upon which the economics support the land uses that serve the markets to be discussed. In essence, the built environment of Bluefield is there to serve the needs of the population and households that inhabit the

area. By utilizing historical data, current estimates and near-term projections, the analyses will reveal trends that may not be apparent to the casual observer, but are critical factors for planners and city and county officials to address in conjunction with residents and business owners/operators who will provide the essential, "on the street" viewpoint that is a significant component of any plans for the future of the area.

This section will detail the results of the market analyses for potential land uses on the subject site and in the City of Bluefield, in general. For purposes of the analyses, four primary land uses have been defined; residential, industrial, office, and retail. The definition of a study area and/or the make-up of individual communities can result in one or more land uses being de-emphasized, or conversely, focused on as primary part of the market analyses. In the case of the City of Bluefield, all four land uses have been considered; however, the full range of industrial and warehouse uses have been de-emphasized with regard to the potential range of uses

Plans for redevelopment of Bluefield's downtown must be grounded in the reality of the marketplace. By understanding Bluefield's market supply and demand calculations, opportunities for growth can be identified.

for the subject site. In essence, industrial and warehouse uses have been deemed to fall outside of the realm of reasonable alternative uses for the subject site. Residential uses comprise the largest land use in terms of structures and in terms of land area consumed in the city and the county. Office and retail uses encompass a range of structures of varying ages and configurations that represent multiple generations of development encountered in every market area as well as the shifting demands of the local marketplace and the influences of more recent development in adjacent and more distant portions of the competing marketplace that define the general Bluefield market area in West Virginia and the neighboring state of Virginia.

The analyses examine land uses in the context of supply and demand in the marketplace. The emphasis is on the basic relationship of supply and demand. While there is consideration given to household income and the range of goods and services demanded in the local marketplace, that does not mean that all segments of the market are adequately served. From a pure supply and demand perspective, a market may be adequately served, yet specific market segments may feel as if they are underserved. Market segmentation delves more into the "psychographics" of the marketplace and not the basic demographics of the market. A simple example may better illustrate the meaning of this comment. The market may indicate that there is a supply and demand balance for restaurants in the local area yet residents may say that want a restaurant of a particular type. The statement says that the overall supply of restaurants appears to meet market demand, but the results of the analyses do not reveal the apparent absence of a restaurant of a particular type. The "psychographic" analysis that is needed is beyond the scope of this market analysis and is best left to site selectors who can, and do, analyze markets on the basis of specific cultural, ethnic,

and social characteristics that will determine the potential for success for retailers that typically target their products and services to very specific segments of the overall marketplace.

The various analyses described in this report will identify the basic supply and demand characteristics of the overall marketplace. The overall business base of West Virginia has been used to establish the macro-market context within which benchmark comparisons of the local area have been made in order to estimate the degree to which local market demand for retail goods and consumer services is being met by existing commercial enterprises in the Bluefield, Mercer County, and drive-time areas micro-market area.

Following the sections that address the basic land use groups is a short section that discusses some of the prerequisites that are essential to the successful implementation of the recommendations contained in this report. These prerequisites involve the typical components of an economic development program that concentrates its efforts on a specific geographic locale. The areas of local organization, staff, funding, bank financing, and entrepreneurial development are all key components of successful plan implementation and will be outlined in the following section.

Scope of the Market Analysis

Definition of the Study Area

Bluefield is located on the Virginia border in Mercer County, West Virginia. The topography of the area is challenging for urban development, but natural resources, specifically coal and timber, have always been a mainstay of the local economy. Transportation routes have been improved and consist of

four-lane, divided highways and more traditional two-lane thoroughfares; however, an interstate highway connection is approximately three miles east of the City. Rail transportation is a significant part of the local infrastructure as well. Bluefield and Mercer County lie in the heart of the coalfields of south-central West Virginia approximately two hours travel time south of the State Capital in Charleston. The city (and, less significantly, the county) have experienced a long-term, net outflow of population and households as the importance of coal has declined as an energy source for the railroads, utilities, and industry. The map below provides an overview of the City of Bluefield and portions of Mercer County and gives some perspective of the relative importance of the City of Bluefield in the context of the local marketplace and economy.

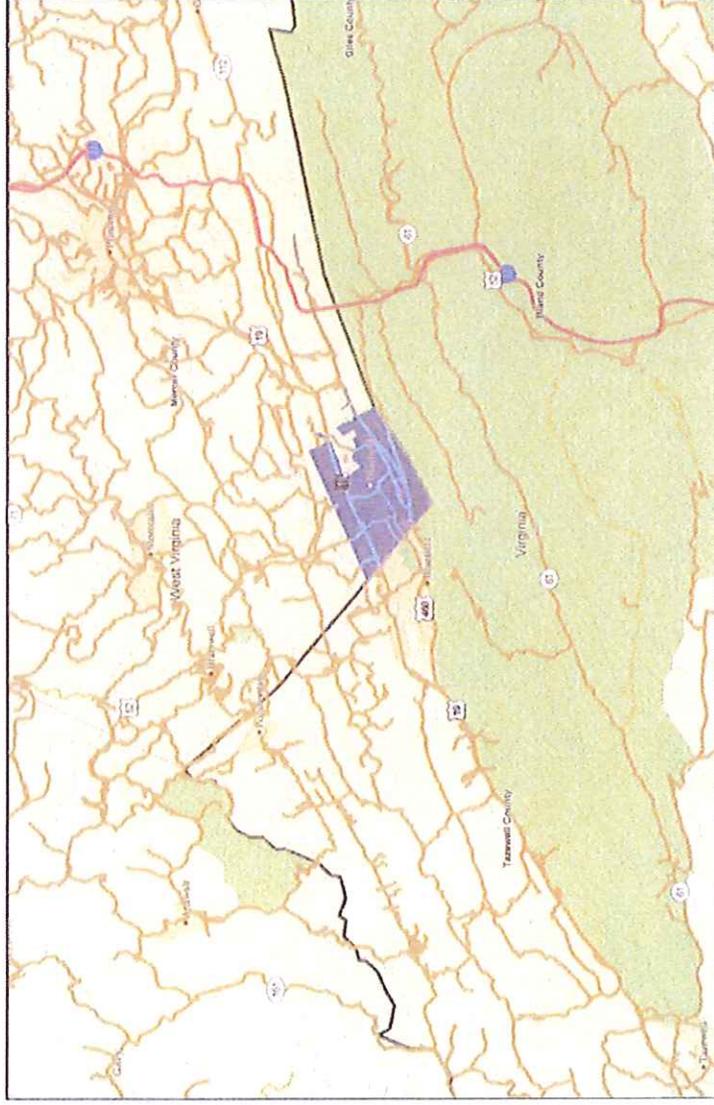


Figure 5.1: Bluefield Location Map

Purpose of the Market Analysis

The purpose of the market analysis is to determine the level of economic activity and the resulting range of potential land uses that can be accommodated in the Colonial Intermodal Center, now and in the future, based on the needs demonstrated by the marketplace.

Objective of the Analysis

The objective of the analysis is to provide market-based information that will enable officials of the City of Bluefield to develop plans for the development of the Colonial Intermodal Center. The analysis will assist the city in developing strategies, initiatives, and plans to serve the needs of residents of the community and provide for business opportunities that meet market demand.

The Basic Question(s) to be Answered

The basic analytical questions to be answered in the market analysis are:

1. What is the current status of Bluefield and how competitive are existing developments?
2. What are the consumer and business needs in the community?
3. What business opportunities could be developed on the basis of market demand?
4. What business opportunities can be accommodated on the subject site?
5. How will trends for the future influence land use needs in the study area?

What Analytical Methodologies Have Been Used in This Analysis

The methodologies applied in this analysis include the use of both primary research and secondary data. Demographic data has been obtained from several public and proprietary sources that have been identified throughout this report. Basic quantitative methods have been applied to develop useable information from the data that has been obtained. Of course, the analyst's observations, judgment and conclusions are also contained in this report. At several points in the following sections of this report, the reader may be asked to refer to the Appendices. There is data and information contained in these tables that is a fundamental component of the analyses described in the narrative, but too detailed to be included other than by reference. The reader is asked to take the time to review the tables included in the Appendices because they are the basis of the commentary contained in the report.

The secondary data used throughout this report has been compiled by MARKET METRIC\$ LLC (MMLLC) from data supplied by DemographicsNow.com. The data source is widely recognized and utilized by site selectors for retail and consumer service businesses throughout the nation. The tables and their underlying formulas are those created by MMLLC. The maps that appear in the report and the appendices have been supplied by DemographicsNow.com.

The Level of Market Analysis in the Colonial Intermodal Center Study

The level of market analysis that best describes the overall effort is a Level "D". This is the most in-depth level of market analysis. There are two areas of the study that do not reach the same levels of depth in this analysis. First, "subject attributes" are specific to the analysis although the study area overlays the entire city, the county, and their context market areas of influence as defined by the drive-time geographies that have been analyzed. The parcels comprising the study subject could be employed for a range of potential primary uses that complement and support an intermodal center. The basic results of the analysis could be applied to multiple parcels in the immediate vicinity of the study site. It will be the task of the community and local property owners, in conjunction with government officials and planners to determine the best uses for the proposed intermodal center from the range of uses for which a potential market has been concluded.

This study analyzes land use potential by employing market driven evaluation criteria. In order to carry out this analysis, it is necessary to understand the concept of highest and best use. Highest and best use analysis is a key concept in determining a property's market value. According to the Appraisal of Real Estate Twelfth Edition (Appraisal Institute, Chicago, 2001) highest and best use is defined as follows:

Table 5.1: Levels of Market Studies

Inferred Demand Studies		Fundamental Demand Studies						
Level of Study	A	B	*	Level of Study	C	D	*	
Inferred subject attributes				Quantified subject attributes			Y	
Inferred locational determinants of use & marketability by macro analysis				Quantitative and graphic analysis of location determinants of use & marketability by macro and micro analysis			Y	
Inferred demand from general economic base analysis conducted by others				Demand derived by original economic base analysis			Y	
Inferred demand by selected comparables				Forecast demand by subject-specific market segment & demographic data			Y	
Inferred supply by selected comparables				Quantified supply by inventorying existing & forecasting planned competition			Y	
Inferred equilibrium/highest and best use and capture conclusions				Quantified equilibrium			Y	
Emphasis is on:				<ul style="list-style-type: none"> Highest and best use - concept plan Timing - quantified capture forecast 				
<ul style="list-style-type: none"> Instinctive knowledge Historical data Judgment 				Emphasis is on:			<ul style="list-style-type: none"> Quantifiable data Forecast Judgment 	<ul style="list-style-type: none"> Y Y Y
*Y - Indicates the methodologies, tools and techniques applied in this study.								
Formatted by MARKET METRICS LLC from a table in Market Analysis for Valuation Appraisals, Appraisal Institute, 1994, Page 21, ISBN 0-922154-18-X								

“The reasonably probable and legal use of vacant land or an improved property, that is physically possible, appropriately supported, and financially feasible, and that results in the highest value.”

The areas of “highest and best use” and “market capture” are both site specific. The ultimate highest and best use(s) will be determined by the officials of the City of Bluefield, planners, business owners, and residents in the study area working in conjunction with each other to achieve the objectives of the master plan study of which this market analysis is a part. Market capture has been concluded on the basis of site-specific characteristics that enable the market capture to be estimated on the basis of a competitive analysis of specific project attributes relative to the context of the site’s location and existing competition in the marketplace. A series of project phases that work together to achieve a set of objectives over a period of time is envisioned. The larger study and the conclusions of this market analysis should be revisited every time a new project phase is proposed in order to assess the individual phase’s ability to help achieve the original objectives of the plan and to help assess and update overall market risks.

Highest and Best Use Analysis

Highest & Best Use Criteria

The analysis of highest and best use is based on four fundamental tests. In order for a given use to be considered the highest and best use of a site, affirmative answers must be concluded for all four of the fundamental tests:

1. Legal Permissibility

What uses are currently permitted and could any additional uses be permitted with reasonably probable zoning changes?

2. Physical Possibility

Can the site be economically developed and will it adequately support anticipated improvements?

3. Financial Feasibility

Will the site as improved have a market value that justifies the cost and provides a sufficient entrepreneurial return to take the risk of development? A project is not economically feasible unless the rental rates and/or sales prices are sufficient to repay the costs of land acquisition and construction, plus provide an entrepreneurial return on investment sufficient to justify the risk associated with that investment.

4. Maximum Profitability

This test asks the question: among financially feasible alternatives, which alternative returns the maximum value to the underlying site? Different land uses result in different values for underlying land.

Land uses can be described in levels of intensity. The more intense the land use, the higher the land value. This concept must work in conjunction with financial feasibility. Therefore, an alternative land use must be financially feasible before it can be measured for maximum profitability.

Prerequisite Conditions of Highest & Best Use

The four fundamental tests are applied under the assumptions of two prerequisite conditions. These conditions are as follows:

1. The site as vacant.
2. The site as improved.

The four fundamental tests are applied to a site under each of the two conditions. This set of tests enables the analyst to determine if any current improvements contribute to the value of the underlying site (consistent with highest and best use) or do not contribute to the value of the underlying site (inconsistent with highest and best use).

These tests can be applied to vacant sites as well as improved sites. In the case of improved sites, the results of the analysis indicate whether existing improvements contribute to value, in which case the site is improved to its highest and best use. Alternatively, if the improvements do not contribute value, they no longer represent the highest and best use of the underlying site. The clearest demonstration of this concept is an improved site that has a market value for land and buildings that is less than the market value of the underlying land if it were vacant and available for new development. In this case, the improvements do not contribute to the value of the property, but actually represent a demolition liability. The highest and best use



The site of the proposed Colonial Intermodal Center

of the underlying site may be a different use than the property as currently improved; it is the value for this anticipated future use that must exceed the value of the property as currently improved for the scenario described herein to represent a case for a new or different highest and best use in the marketplace.

Application of Highest and Best Use to the Colonial Intermodal Center Site

Since this market analysis deals with a specific site and a specific proposed project, the four tests of highest and best use have been rigorously applied and form the theoretical framework in which all of the potential alternative land uses in the Colonial Intermodal Center market area have been analyzed in the context of the current market. The immediate market area for the proposed Colonial Intermodal Center could be described as fully developed so the four tests of highest and best use have been successfully applied, historically, throughout the area.

Residential uses have been examined in detail. This is the largest single land use in terms of structures and land areas in Bluefield as it is in most urbanized communities. The various neighborhoods that comprise the area exhibit a variety of construction dates, construction types, housing sizes, ages, and conditions. The housing inventory, in general, is smaller and more densely grouped than is typical of residential development, to-

day. These observations do not mean that the housing inventory does not represent the highest and best use of the underlying land, but it does mean that any infill development that may be suggested would likely produce housing products that may only appeal to a niche market of potential buyers, or renters, who prefer a more urban lifestyle. The age and overall condition of the housing inventory may make it difficult to obtain market prices for any infill products that would justify the cost of construction and produce a reasonable market profit for the effort. Thus, infill development may not be justifiable on the basis of the tests of highest and best use without supportive efforts to revitalize the neighborhood(s) that form the context for any new construction. In essence, do the market values of existing housing units appear to justify the value of new construction in the local marketplace today or not; i.e., the test of market feasibility for new housing.

While new housing for growth does not appear to be necessary in Bluefield, new housing for inventory replacement cannot be overlooked. The inventory of housing in the local marketplace appears to be super-adequate (supply is greater than demand) for current and near-term market demand; nevertheless, the composition of the inventory must be evaluated and some new housing units introduced periodically in order for the housing in Bluefield to maintain its competitiveness in the local marketplace. A target replacement rate of at least one percent (1%) of the existing inventory annually is a desirable threshold rate for maintaining the vitality of the housing inventory. This threshold rate essentially means that a typical housing unit will remain in service for approximately one hundred years; an optimistic projection.

Industrial uses have been given a cursory consideration in the course of this market study. Industrial uses in the defined study

area are limited and appear to represent historical iterations of development in the vicinity, but do not appear to represent a land use consistent with the highest and best use of sites now and in future land use discussions in the downtown area. Historically, the industrial base of the community appears to have been much more significant than it is today. The railroad routes that traverse downtown Bluefield provided support to a number of structures that housed industrial and/or warehousing companies in the past. A few light industrial uses are still present on the landscape, but many of the existing structures along the railroad represent physically deteriorated and functionally obsolescent improvements that have a low probability of economically sustainable uses in the future. Even if the sites of these obsolescent structures were cleared for redevelopment, they would only support small-scale industrial structures in today's market, assuming there is any market demand.

Office uses are a primary land use in the traditional "downtown" area of Bluefield. For the most part these office uses occupy older, traditional office structures with a few more modern buildings and structures that have been converted from other uses to serve as office space. The typical office occupant is a unit or agency of government, a small company, professional practice, service provider, or financial institution that has located in Bluefield to serve the immediate community. The nature of the built environment and the local market limit the potential for many larger-scale office uses outside of financial services, government and/or health care service providers.

Finally, retail uses are the final component of the built environment in Bluefield. Newer replacement retail epicenters have emerged elsewhere in Mercer County and across the state line in Bluefield, Virginia that have effectively replaced downtown Blue-

field as a retail location. These newer, competitive venues have relegated the traditional "downtown" in Bluefield to a market position of marginal retail significance. Downtown has become the site for amenity retail support for the concentration of public, private, and institutional office uses in "downtown" and as a low rent location for small-scale, locally owned and operated businesses. The built environment in "downtown" is still encumbered with obsolescent improvements that supported retail enterprises when the City and the County had significantly larger populations as well as an absence of modern, fully functional alternative retail venues in the local marketplace. Bluefield's poor proximity to major interstate highway routes, and the retail alternatives located along these major thoroughfares also affect the ability of the city, and the county to a much lesser extent, to attract and support a more intense concentration of retail businesses.

Unfortunately, the traditional heart of "downtown" Bluefield will never have the market prominence or be able to support the range, or intensity, of land uses that it did in the past. This does not doom "downtown" Bluefield to an inevitable fate of disrepair and abandonment, but it does mean that the built environment is likely to change significantly in the future with new develop-

ment of a lower density and more supporting site areas to accommodate modern forms of transportation.



Summary of Market Analysis Findings

The following observations and conclusions summarize the analysis of the market in support of the proposed project.

Employment & Employers

The countywide employment and employer market has been re-viewed as well as the market for non-employers. The key points of the review are:

- Overall private sector employment dropped in Mercer County as did total private sector employers between 1998 and 2008.
- The only major expansion of employment was in the category of "Accommodation and Food Service" (+327) although the City of Bluefield does not appear to have captured any of this growth – the number of employers in this category actually only increased by (+3) during the period.
- Overall non-employers grew in Mercer County by (+305) with the growth concentrated in two categories – "Administration, Support, Waste Management, Remediation Services" (+103) and "Health Care and Social Assistance" (+101).

Retail & Service Businesses

The market has been analyzed within the context of the city, the county, and six drive-time market areas from five minutes drive-

time up to sixty minutes drive-time with the primary focus in the time range from five minutes up to fifteen minutes where there is less overlapping competition. The key points of the review are:

- Most categories of retail businesses and services are available in adequate or super-adequate quantities to meet typical, estimated market demand.
- Categories of market demand that appear to be underserved are indicated by the colored bands and “percentages of market served” in Tables 10 and 11 in the appendices.
- Some of the categories have a very low likelihood of fitting in the proposed intermodal project, downtown, or the city in general.
- Some potential opportunities could find a home in the proposed project and/or the downtown in general.

Available Space and Functionality

The key points of the review are:

- The downtown area appears to have a super-adequate supply of space for retail, service, and office based enterprises. The space is relatively old, is in varying levels of disrepair and suffers from serious functional obsolescence for many modern retail and service uses.
- The market appears to be in significant oversupply as observed by current vacancies.
- Many former retail spaces are no longer functionally adequate for modern, chain retailers and this problem

is compounded by the low traffic volume thoroughfares that traverse the downtown area.

- A state of disrepair eliminates a percentage of downtown space from consideration for any use and the costs of repairs are likely in excess of the levels that can be justified by market rents.
- Given the age and condition of the existing, built environment, rental rates being obtained are likely well below the threshold for the feasibility for new construction.
- The market could possibly embrace a new venue in downtown, but the rental rates needed to justify the cost of construction could present a significant challenge.

The Larger Community

The key points of the review are:

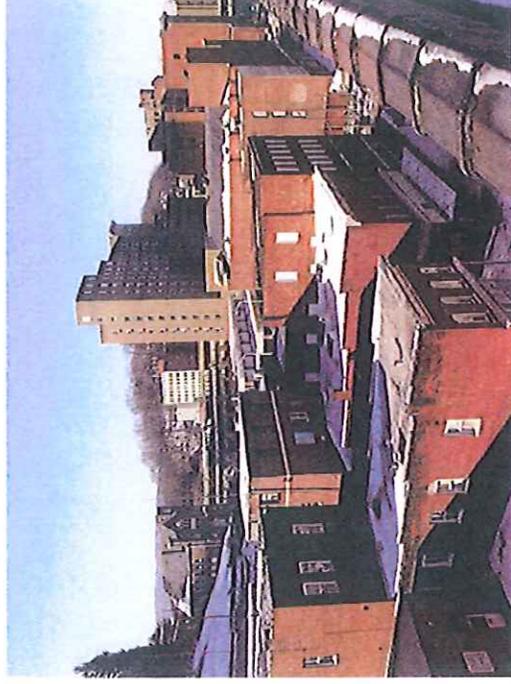
- Bluefield has suffered from substantial and chronic population and household losses. Between 1990 and 2000 both the city and the county lost population; however, sixty-five percent of the county’s population losses are explained by population losses with the City of Bluefield. The city is aging and people of working age, and predisposition, are in relatively short supply.
- Virtually all age brackets of the population from youngest to oldest are in long-term decline.
- Households are declining as well, although some preliminary data from 2010 suggests that the near-term projection in the market analysis may not be too dire.

- Although there has been, and is projected to be, household growth in the category of “four person households,” approximately 37% of all households in the city today contain only one person and this percentage is expected to grow to almost 40% by 2014.
- The workforce participation rate for households in Bluefield and Mercer County is low by all external comparisons with an average of less than one worker per city or county household – this compares to an average of 1.13 workers per household for the state and 1.38 workers per household for the nation.
- Workforce participation correlates directly with household income demographics – another impediment to business expansion
- Businesses may be forced to bring their labor force with them to Bluefield and/or the vicinity, whether they are expanding or recruiting new employees.

Housing

- There is an oversupply of housing in Bluefield and Mercer County – Table 9 in the appendices captures the details of the analysis.
- The housing inventory in the city may suffer from competitive disadvantages due to age and obsolescence.
- Derelict housing is not being removed from the landscape in sufficient numbers to preserve or protect affected neighborhoods and to free sites for residential redevelopment.

- Bluefield needs to reduce its housing inventory by approximately 800 units to restore a typical supply-demand balance to the market.
- The supply-demand balance is an essential prerequisite to price stability and value growth over time.
- The number of renter-occupied single-family housing units tends to suggest a weak sale market.
- With few if any opportunities to introduce new, modern housing in new subdivisions, Bluefield must find ways to redevelop residential areas for new housing.
- Senior housing may be a specific subset of the housing market that could be attractive to existing or new Bluefield residents.



Downtown Bluefield from the roof of the Warlick Building