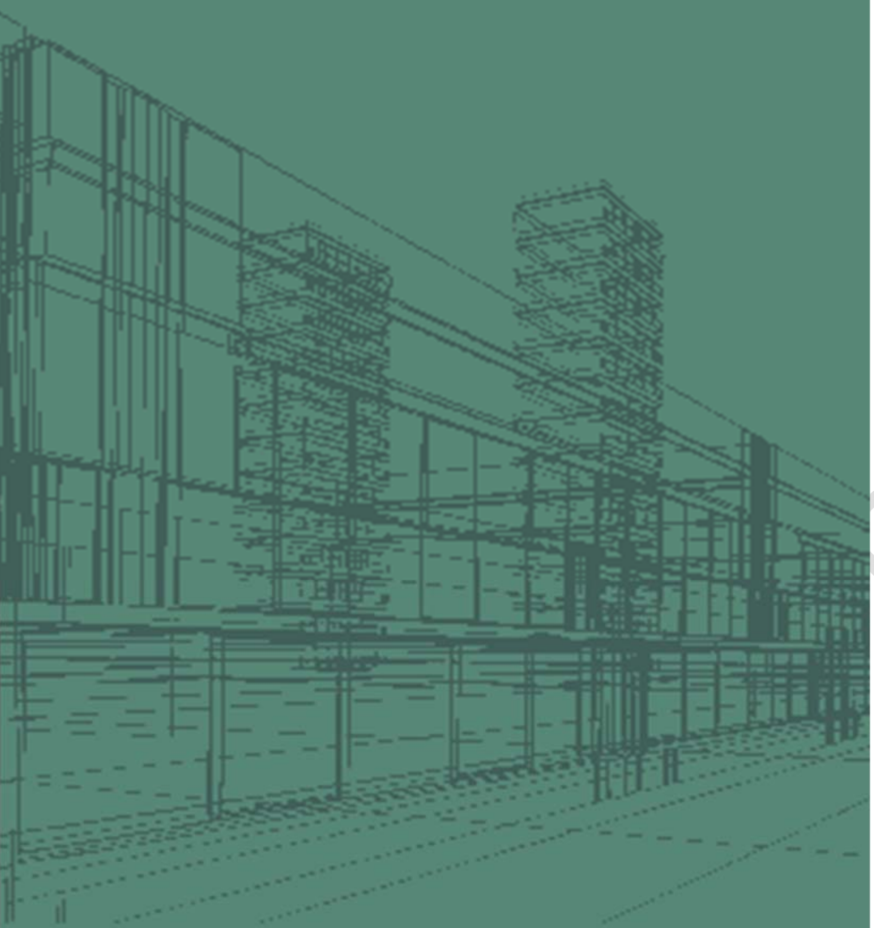
NO. 14063

A P P R A I S A L R E P O R T



PREPARED FOR

CITY OF NORTH MIAMI

PROPERTY APPRAISED

50.6 ACRESOF RESIDENTIAL LAND
BISCAYNE LANDINGS
NORTH MIAMI, FLORIDA

DATE OF APPRAISAL
SEPTEMBER 21, 2014

GALLAHER & BIRCH, INC.

Real Estate Appraisers & Consultants

APPRAISER

Robert E. Gallaher, MAI CRE

GALLAHER
& BIRCH, INC.
Real Estate Appraisers & Consultants

October 4, 2014

Aleem A. Ghany
City Manager
City of North Miami
773 NE 125th Street
North Miami, Florida 33161-5654

Ref: Biscayne Landing Valuation

Dear Mr. Ghany:

At your request, we have made an investigation and analysis in order to develop an opinion of the market value of certain land areas within the Biscayne Landing property east of Biscayne Boulevard in North Miami. You have asked that we estimate the current market value of the city's leased fee interest in 50.6 acres of the residential component of the property. The analysis is made as of September 21, 2014.

This appraisal report is prepared for you with the understanding that the developer will also be using the report.

At your instruction the total ground rent obligation has been pro-rated to the subject 50.6 acres on an equal basis with the other acreage in the development. Also at your instruction we have calculated the value of the leased fee interest under the assumption that the lease will terminate after 99 years **and** under the assumption that the option to extend the lease will be exercised, resulting in a full term of 198 years.

By agreement between the City and the developer, the total developable acreage is assumed to be 151.6 acres. The subject 50.6 acres are therefore 33.38% of the total developable area and are allocated that percentage of the ground rent obligation.

Under the terms of the lease, the annual rent is equal to $1.5 million and is payable quarterly beginning in 2017. At each 10-year anniversary the rent increased by $150,000 per year. For the option period, the rent is assumed to be increased to $3 million.

7400 SW 50th Terrace, Suite 201
Miami, FL 33155 • 305-663-1140

The current value of the underlying land is estimated to be $20,000 per potential dwelling unit based on available market data. Analysis of the total projected unit count indicates 3,052 units are allocated to the subject 50.6 acres, resulting in a total land value of $60 million.

After consideration of the relative risks associated with the subject development and the return rates available from alternative investments, it is my opinion that the future cash flows and values in the subject lease agreement should be discounted to a present value using a 5% annual return rate. In order to project a future value for the underlying land, the current value of the property was increased at a compounded annual growth rate of 3%.

Using the foregoing parameters, the present value of the leased fee interest in the subject property is calculated to be $19 million based on the 99-year lease term and $11.6 million based on the 198-year term.

The subject land is described in the following text, followed by the valuation analysis. This report is submitted in a format as defined under Standards Section 2-2(a) of the Uniform Standards of Professional Appraisal Practice. The report also complies with Chapter 475, Part II of the Florida Statutes.

Data, information, and calculations leading to the value conclusion are incorporated in the report following this letter. The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter.

Thank you for this opportunity to have been of service. If you have any questions regarding the report or if we can be of further help, please let us know.

Sincerely

Robert E. Gallaher, MAI CRE
State Certified General Real
Estate Appraiser RZ98

TABLE OF CONTENTS

ADDENDA

SECTION 1 – APPRAISAL REPORT SUMMARY

Property:	50.6 acres of the residential component of the Biscayne Landing property
Appraisal Prepared For:	The City of North Miami
Interest Appraised:	Leased Fee interest in the 50.6-acre residential component
Purpose of Appraisal:	To estimate the market value of the leased fee interest in the 50.6-acre residential component of the Biscayne Landing property
Intended Use of Appraisal:	To facilitate a sale of the leased fee interest to the developer
Date of Value:	September 21, 2014
Date of Inspection:	September 21, 2014
Date of Report:	October 4, 2014
Extraordinary Assumptions:	That the land rent is allocated pro-rata to the subject 50.6 acres and that the total developable land area is 151.6 acres
Hypothetical Condition:	None
Special Instructions:	None
Zoning:	Planned Development District
Property Use:	Vacant land
Land Size:	50.6 acres
Highest and Best Use	3,052 dwelling units
Value Conclusion	
Fee value of land:	**$60 million**
Value of Leased Fee Interest	
99-year analysis:	**$19 million**
198-year analysis:	**$11.6 million**
Appraisal Number:	**14063**

SECTION 2 – THE ASSIGNMENT

SUBJECT OF THE APPRAISAL

The subject of this appraisal is land within the Biscayne Landing property in North Miami. The overall development site is shown on the aerial photograph here outlined in yellow.

The appraisal is prepared in order to facilitate a transfer of the leased fee interest in 50.6 acres of the property to the developer, Oleta Partners LLC, which is comprised of the Swerdlow Group and LeFrak Organization.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to develop an opinion of the market value of the subject real estate as of the effective date of appraisal.

The definition of *Market Value* is shown in the addendum to the report.

INTENDED USE/USERS OF REPORT

This appraisal report is prepared for the City of North Miami and is intended for use in establishing the market value of the subject land in order to facilitate a sale of the city's leased fee interest in the land to the developer. To that end the report may be used by the Oleta Partners LLC well.

The appraisal is intended for no other uses or users.

PROPERTY INSPECTION

The subject property was inspected on September 21, 2014.

EFFECTIVE DATE OF APPRAISAL

September 21, 2014

INTEREST APPRAISED

Leased Fee Interest.

The definition of *Leased Fee Interest is* shown in the addendum.

The interest was created by a 99-year lease created in 2012, the principle elements of which are as follows:

Date of lease:	May 29, 2012
Lessor:	City of North Miami, Florida
Lessee:	Oleta Partners, LLC
Premises:	183.8 acres
Term:	99 years
Renewal option:	99 years
Rent	
Year 1:	$1,500,000, payable $375,000 per quarter
Years 2 until 5	$0
Years 6 to 10:	$1,500,000
Years 11 to 20:	$1,650,000
Years 21 to 30:	$1,800,000
Years 31 to 40:	$1,950,000
Years 41 to 50:	$2,100,000
Years 51 to 60:	$2,250,000
Years 61 to 70:	$2,400,000
Years 71 to 80:	$2,550,000
Years 81 to 90:	$2,700,000
Years 91 to 99:	$2,850,000
Renewal option years:	Determined by formula
Participation rent	
Retail, office:	1.75% of gross revenue
Residential rents:	1.75% of gross revenue
Hotel income:	2.25% of gross revenue
Apartment sales:	3.25% of revenue above mortgage releases
Option to purchase:	50.6 acres

SPECIAL APPRAISAL INSTRUCTIONS

At the instruction of the client, we have assumed that the rent for the 50.6-acre subject property is a pro-rata share of the overall development site, based on the total developable acres within the property. According to instruction from the client and with concurrence by the lessee, the total developable area within the property is 151.6 acres. The subject 50.6 acres are therefore 33.38% of the total developable area and are allocated 33.38% of the rent obligation.

The pro-rata allocation of the ground rent and the 151.6-acre figure are extraordinary assumptions of this appraisal.

The client also specifically requested that we estimate the value of the leased fee under the premises that the lease renewal option is **not** exercised and that it is exercised.

There were no other legal instructions, hypothetical conditions or other extraordinary assumptions considered in this valuation.

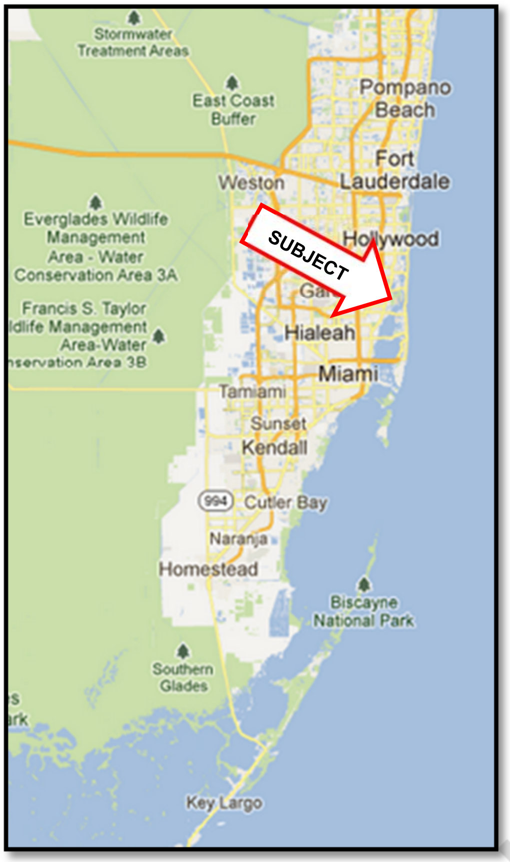
The terms “extraordinary assumption” and “hypothetical condition” have very specific definitions within appraisal standards and these definitions are included in the addendum of the report.

SCOPE OF THE ASSIGNMENT

In order to complete the assignment, the following steps were taken:

- The subject land and the surrounding neighborhood were inspected in sufficient detail to understand the location and market conditions impacting the subject properties.
- Available public data concerning zoning, utilities, street dedications, ad valorem taxes, neighborhood history and land areas were reviewed to acquire a sufficient description of the subject property
- We also reviewed the development plan as prepared by Kobi Karp for Oleta Partners LLC, a copy of which is contained in the addendum.
- We also reviewed various other documents that are contained in the records of the City of North Miami regarding the property and the Biscayne Landing development.
- Of the various analyses available for the valuation of real estate, the sales comparison approach was used to estimate the value of the fee interest in the land and then an income approach was applied to the income stream defined by the lease and the reversionary interest estimated by the sales in order to estimate the value of the leased fee interest. These are the most appropriate methodologies for the analysis of the subject property.
- An investigation was made for market evidence as to the current land value at the subject property using both proprietary and public data sources
- The available data was analyzed and a unit value conclusion was estimated for the fee simple interest.in the subject land
- Further investigation was made for data regarding current returns demanded by investors for long-term net leased positions and that data was applied to the income stream and reversionary value of the land

SECTION 3 – DESCRIPTION OF THE REAL ESTATE



IDENTIFICATION OF THE SUBJECT PROPERTY

The subject of this assignment is 50.6 acres of the residential component of the Biscayne Landings Project in North Miami.

LOCATION

The development is east of Biscayne Boulevard, between NE 137th Street and NE 151st Street in North Miami, Florida.

LEGAL DESCRIPTION

The exact legal description for the 50.6-acre subject land is attached to the ground lease agreement as Schedule 33.1. The land is a portion of the legal description shown on page 2 of the Approved Development Plan contained in the Addendum.

The intended users of this report are very familiar with the lease document and proposed development and the precise legal description of the 50.6 acres is included here by reference to the lease document.

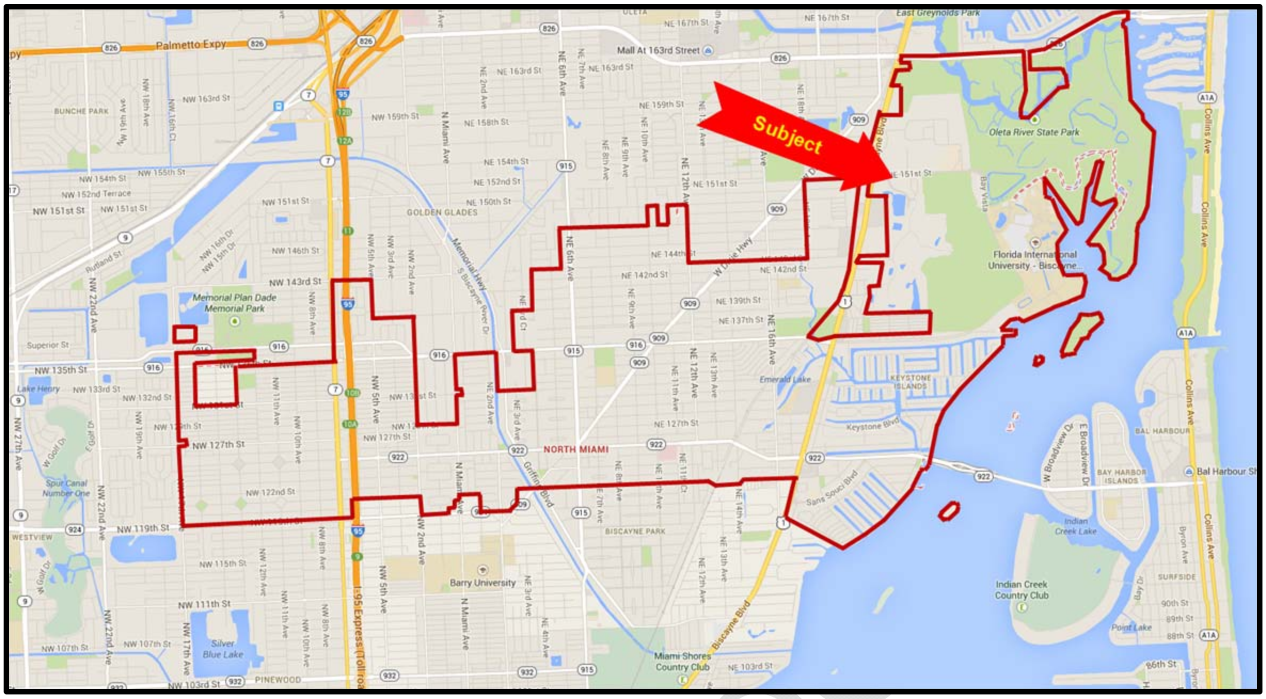
OWNERSHIP AND HISTORY

The overall Biscayne Landing site is owned by the City of North Miami and leased to Oleta Partners LLC. The city has owned the land for more than 30 years and the lease was described earlier as created in 2012.

MARKET AREA

The subject property is located within the corporate limits of the City of North Miami. At this location, the boundaries of the city are irregular (as shown on the map below), with areas of the City of North Miami Beach running along Biscayne Boulevard and separating portions of North Miami.

The subject land lies east of Biscayne Boulevard and to the east of the property is a large tract of native land comprised mostly of mangroves, with Biscayne Campus of Florida International University to the east of that and the Oleta River State Park to the northeast.



City of North Miami outlined in red

Two apartment towers and an adjacent parking garage have already been built on the Biscayne Landing site – The Oaks Condominium (shown here).

These buildings are at the northeast corner of the leased site, with access off of the main spine road from NE 151st Street.

The Biscayne Boulevard frontage at this location is a commercial corridor improved with a variety of property types including retail stores, offices, automobile dealerships and office buildings, with some residential uses as well. Beyond the commercial corridor to the west is a mixed use neighborhood with some small warehouses mixed with garden apartments, with single family homes further to the west.

Demographics of the immediate area are as follows:

	1 Mile		3 Mile		5 Mile	
Population						
2019 Projection	14,146		189,303		430,549	
2014 Estimate	13,155		174,813		398,931	
2010 Census	12,677		163,538		378,796	
Growth 2014-19	7.53%		8.29%		7.93%	
Growth 2010-14	3.77%		6.89%		5.32%	
Households						
2019 Projection	5,552		72,834		163,531	
2014 Estimate	5,159		67,427		151,786	
2010 Census	4,953		63,477		144,813	
Growth 2014-19	7.62%		8.02%		7.74%	
Growth 2010-14	6.95%		-1.85%		-2.80%	
Owner Occupied	1,985	38.48%	36,650	54.36%	85,746	56.49%
Renter Occupied	3,173	61.50%	30,777	45.64%	66,040	43.51%
2014 Households by HH Income	5,159		67,428		151,786	
Income: <$25,000	1,935	37.51%	22,340	33.13%	47,929	31.58%
Income: $25,000 - $50,000	1,525	29.56%	17,681	26.22%	39,782	26.21%
Income: $50,000 - $75,000	724	14.03%	10,591	15.71%	23,975	15.80%
Income: $75,000 - $100,000	333	6.45%	5,736	8.51%	14,659	9.66%
Income: $100,000 - $125,000	298	5.78%	3,802	6.64%	9,359	6.17%
Income: $125,000 - $150,000	50	0.97%	1,620	2.40%	3,908	2.57%
Income: $140,000 - $200,000	130	2.52%	2,225	3.30%	4,760	3.14%
Income: $200,000+	164	3.18%	3,433	5.09%	7,414	4.88%
2014 Avg. Household Income	52,907		62,496		63,232	
2014 Med Household Income	35,040		39,646		41,187	

The data indicates an immediate area (1 mile radius) of modest income, with a somewhat lower density than the wider, 3-mile area (4,200 people per square mile vs. 6,200). Development of the subject land will bring more density and a more affluent population to the market area.

The intended users of this report are familiar with the governmental, economic and social patterns of the area and detailed descriptions of North Miami are not considered necessary for this report.

GENERAL MARKET CONDITIONS

While most of the United States continues to recover from the 2008/09 recession and the subsequent weakened economy, south Florida's conditions have improved more rapidly due to the influence of foreign capital being invested in the area, both by visitors staying in local hotels and by real estate investors buying commercial and residential properties.

Weakness in the employment outlook on a local basis had some economists concerned about the strength of the recovery, with some experts predicting that Florida would not see real improvement until late this year. But the employment picture continues to steadily improve with the local unemployment rate slowly approaching pre-recession levels. Unemployment rates for the county, state and country (as a percent of the labor force), per the Bureau of Labor, have improved year by year; as shown below.

Location	Dec 2010	Dec 2011	Dec 2012	June 2014
Miami-Ft. Lauderdale	11.8%	9.6%	8.8%	6.3%
Florida	11.1%	9.9%	7.9%	6.2%
Nationwide	9.4%	8.5%	7.6%	6.1%

Source of data: Bureau of Labor Statistics, US Department of Labor

Miami has seen one of the more robust housing recoveries take hold over the past two years, welcome news after having been one of the deepest-affected housing markets across the country. Foreign buyers and cash investors have buoyed the local residential market. The level of interest and activity is on an upward swing as shown by the increased number of transactions and as reported by local lenders. Regional banks are more active in making loans, albeit with more restrictive lending parameters.

The absence of a mortgage market for vacant land had a dampening effect on land values right after the recession, but the rebounding housing markets have been accompanied with rising land values as the major developers again compete for well-located sites. Local lenders are cautiously re-entering the markets.

Overall, the economy continues to improve. Local housing markets are seeing new strength. Demand for land is again driving prices upward, with land in some areas of the county reaching record levels.

ACCESSIBILITY

The overall development site is easily accessible being located east of Biscayne Boulevard between NE 137th and 151st Streets. The site fronts on the Boulevard at 151st Street and at 143rd Street, providing two points of direct access into the development. Both of these intersections are signalized.

Biscayne Boulevard (US Highway 1) is a major north/south artery for all of Miami-Dade County, stretching from the Broward County line to the north to the Monroe County line to the south and connecting many of the county's major cities, including North Miami, Miami, North Miami Beach, Aventura, Coral Gables and South Miami.

The site fronts along NE 151st Street, which is also the entrance to the Biscayne Bay campus of Florida International University.

Access to the county expressway system is via 163rd Street (Sunny Isles Boulevard), which leads directly into the Golden Glades Interchange (intersection of I-95, the Florida Turnpike, US Highway 441 and the Palmetto Expressway), about 3 miles west of Biscayne Boulevard.

STREET IMPROVEMENTS

Biscayne Boulevard is paved with asphalt with three traffic lanes in each direction, plus both right and left turn lanes at the major intersections. The Boulevard has sidewalks, curbs, storm water drainage and streetlights.

NE 151st Street is also paved with asphalt with two traffic lanes in each direction and both right and left turn lanes at the Boulevard intersection, which is signalized. The roadway has sidewalks along a portion of its south side and has curbs, storm drainage and streetlights. 151st Street dead ends in the FIU campus.

The property does not front on 137th Street, being separated from that roadway by a row of single family homes.

As of the date of our valuation NE 141st Street was open from the Boulevard to the development site itself, providing access to the US Post Office at this location and an alternative exit drive for the retail stores south of the roadway. It is paved with asphalt with a single traffic lane in each direction, with sidewalks, curbs, storm drainage and lighting for this short portion only. Beyond the retail store entrance, the road is not paved.

NE 143rd Street is planned to be part of the main spine road of the development. That spine road (as shown on the development plan in the Addedum) winds through the development and eventually connects directly with NE 151st Street at the north boundary of the property. As of the valuation date, the northerly portion of the spine road was open and paved with two traffic lanes in each direction, having sidewalks, curbs, storm drainage and streetlights.

There were no other internal streets within the subject tract as of the valuation date.

PRESENT USE

As of the appraisal date, the subject parcel was vacant land within the overall development area, which was undeveloped as of the valuation date.

ZONING

The overall Biscayne Landings development stie is zoned by the city of North Miami as PD, Planned Development District.

Permitted uses in the PD district are as follows:

Parks	Adult living facilities
Community facilites	Educational facilities
Hospitals	Hotels
Recreational facilities	Nightclubs
Offices	Recording studios
Residential uses	Restaurants
Research and technology	Retail sales
Vehicle sales	Mixed uses

Development restrictions are as follows:

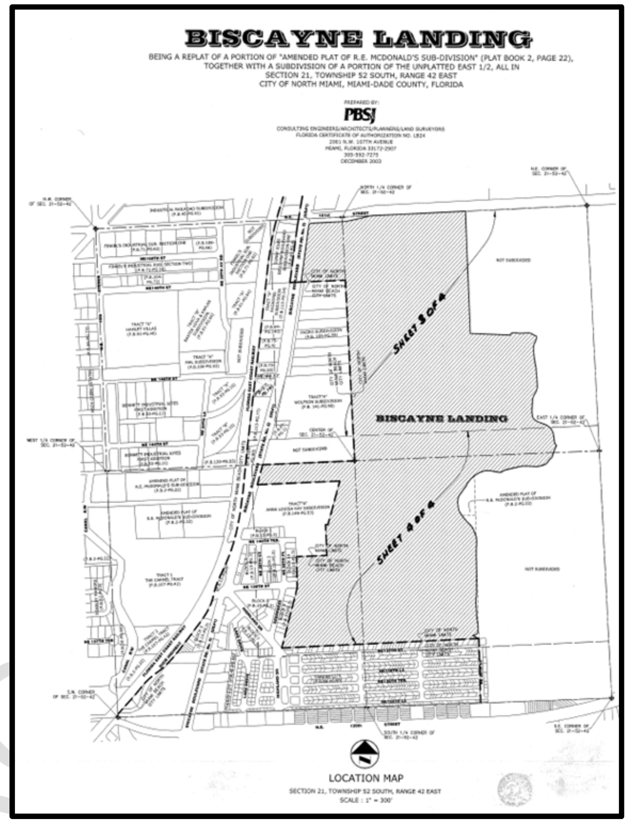
Minimum lot size:	2 acres
Minimum lot width:	100 feet
Minimum lot depth:	100 feet
Maximum density	
Mixed use low:	25 dwelling units per acre
Mixed use medium:	40 dwelling units per acre
Mixed use high:	45 dwelling units per acre
Maximum height:	35 feet
Mixed use low:	55 feet
Mixed use medium:	75 feet
Mixed use high:	110 feet
Munisport parcel:	25 stories (the subject land)
Minimum open space:	20%

UTILITIES

The following public utilities are available to the property:

Electricity -	Florida Power & Light
Water -	City of North Miami
Sewer -	City of North Miami

SHAPE AND SIZE OF SITE



The overall Biscayne Landing development site is highly irregular in shape as shown on the aerial photograph in Section 2 above and as shown in the record plat, a portion of which is reproduced here.

According to the record plat, the overall subdivision contains a total of 193.55 acres. But a portion of the original subdivision has already been developed (The Oaks Condominium towers) and is excluded from the Biscayne Landings property considered here.

According to the legal description of the leased property, the total land area is 183.61 acres and excludes Parcels A and B, the developed areas.

The overall site has been subdivided by various land planners over the years, the latest being by Kobi Karp; the plan approved by the city in March 2013. That plan lays out the following areas:

Phase: Development	**Area in Ft²**	**Acres**
Phase 1: Spine Road		
Spine Road	421,895	9.69
Phase 2: Commercial District		
Comm'l, Retail, Mixed Use	1,079,041	24.77
Detention, R/W, open space	190,419	4.37
Passive Park	1,949,583	44.76
Active Park	261,431	6.00
Phase 3: Auto District		
Auto Dealership	319,156	7.33
Detention, R/W, open space	35,462	0.81
Assisted Living Facility	301,425	6.92
Detention, R/W, open space	53,193	1.22
Phase 4: Residential		
Multi-family Residential	3,055,734	70.15
Detention, R/W, open space	115,000	2.64
Hospitality	128,470	2.95
School	87,120	2.00
Total		183.61

The underlying ground lease described earlier defines the leased premises as 183.8 acres. Notwithstanding the areas shown on the Karp development plan, we will use the 183.8-acre figure for valuation purposes.

Of the 183.8 acres, it is estimated by the developer, with agreement by representatives of the City that the net developable land area is 151.60 acres. The subject of this appraisal is 50.6 acres of those 151.60 developable acres.

Notable dimensions from the record plat are as follows:

Frontage on Biscayne Boulevard at 143rd Street -	207.49 feet
Frontage on Biscayne Boulevard south of 151st Street -	629.65 feet
Frontage on NE 151st Street -	1,400 feet, including the excluded parcels

TOPOGRAPHY

The land is uneven, with significant changes in elevation for south Florida land. Having formerly been a landfill site, the property was filled with garbage and debris and then covered with a layer of clean soil. Now that it is being developed, the overall site is being leveled to create developable parcels and park areas, with the subterranean debris relocated to areas that are not intended for development.

The land is not sufficiently stable for construction of major buildings and the future apartment towers will have to be built on pilings or grade beams.

The continued maintenance and monitoring the of environmental contamination are an integral part of the development agreement for the subject property. As the intended users of this report are very familiar with that agreement, further discussion or analysis of the environmental issue are not included here.

LISTING OF SUBJECT

As of the appraisal date, the subject property was not actively marketed for sale.

ENVIRONMENTAL CONSIDERATION

While it is beyond the appraiser's expertise to determine the presence or extent of any environmental contamination within the site, it is incumbent upon us to comment as to any visible evidence of contamination or any apparent source of potential contamination.

The Biscayne Landings property is a former city landfill site. As such, a substantial portion of the land has garbage, plant material and other unstable deteriorating debris under the top layer of soil. The property has been the subject of a number of environmental studies and there is currently a maintenance plan that involves collection of ground water and disposal of that water via an injection well at the easterly side of the property.

Ground water collection pump at south end of site

Injection well facility at east side of site

IMPROVEMENTS

As of the valuation date, there were no land improvements or building improvements within the subject 50.6 acres. The overall development site does have a sales office at the northwest corner of the overall site and a temporary administrative office near the west boundary and 143rd Street.

ASSESSED VALUE AND TAXES

The overall Biscayne Landings property is assessed and taxed by Miami-Dade County as follows:

Tax ID Number	06-2221-034-0010
Land area in square feet:	8,008,777.8
Building area:	none
Market values	
Land:	$28,998,891
Building:	544,268
Extra features:	+ 65,916
Total	$29,609,075
Assessed values:	$29,609,075

The valuation techniques employed by the Miami-Dade County Property Appraiser's office, while appropriate for the mass appraisal process and sufficiently accurate to establish the overall tax base for the county, are not adequately focused to be indicative of the market value of a single parcel of real estate. Therefore, the above-assessed values are not considered indications of the market value of the subject land.

SECTION 4 – HIGHEST AND BEST USE ANALYSIS

The highest and best use of a specific property is determined by the competitive forces within the specific market of which the property is a part. Consequently, the analysis of highest and best use is an economic study, one in which the available possible, legal and feasible uses must be compared. See the definition at the Addenda.

"Highest and Best Use", as defined, requires that any potential use be legally permissible, physically possible, financially feasible and provide the maximum return to the owner. The analysis is required both for the site alone, as though it were vacant and for the property as actually improved as of the appraisal date, if improvements are in place. The subject being vacant land, only the use as vacant is considered.

<u>Legal Uses</u>

The legal uses of a property are generally defined by the governing zoning code and land use plan. In this case, the overall property of which the subject is a part is zoned for mixed-use development. The property has gone through years of development analysis with a number of optional development plans created and considered. The development plan drawn by Kobi Karp is the latest configuration and that plan has reportedly been approved by the City. That plan is therefore assumed to be a legal use of the overall property.

<u>Physically Possible Uses</u>

The proposed development plan is obviously physically possible due to large size of the overall development site. Alternative development plans are also possible, but would be unlikely to result in a more dense development.

Development of the land will require extraordinary foundation work to compensate for the unstable fill material at the site.

<u>Financially Feasible</u>

Improving market conditions indicate that development of the residential products proposed for the subject land is financially feasible after years of negative market conditions. The proposed development of the subject property as shown herein represents one possible scenario for development, with a combination of residential towers and commercial development along with a hotel and an assisted living component.

The proposed development of the overall site, as shown in the earlier map represents a financially feasible use of the subject overall development tract.

<u>Maximally Productive</u>

The most productive use of a site is one that maximizes the utility of the property, while incorporating market demands into the overall design. The current development of the overall site is based on the informed, investment backed expectations of an experienced developer and that plan is considered to be the maximally productive use of the overall property.

SECTION 5 – VALUATION OF THE LEASED FEE INTEREST

There are three generally accepted approaches to the valuation of real estate –

> The depreciated cost approach, an estimate of the cost to reproduce the subject improvements, less the accrued depreciation, plus the value of the land;
>
> The income approach, the translation of a property's anticipated income production into a value estimate;
>
> And the sales comparison approach, a comparison of recent sales of similar properties to the subject, with appropriate adjustments made to the sales.

The appraisal assignment is to estimate the market value of the leased fee estate in the property.

The valuation of the subject leased fee interest requires a combination of the income and sales comparison approaches used in concert with each other. The value of the leased fee interest is equal to the present value of the income stream due under the terms of the lease, added to the present value of the reversionary interest in the fee value projected to the end of the lease term. The present value calculations are a derivative of the income approach to value. The sales comparison approach is used to establish the current value of the subject land and then that value is projected into the future and then discounted to a present value using another income type analysis.

In order to complete the assignment, the following components are required:

- Projection of the income stream to be received from the leasehold estate
- Projection of the likely value of the property at the end of the lease term
- Determination of an appropriate discount rates to apply to revenue projections and the reversionary interest in the fee estate

These components are discussed as follows

Projection of Income Stream

The terms of the lease agreement were summarized above in Section 2 and are summarized as follows:

Date of lease -	May 29, 2012
Lessor -	City of North Miami, Florida
Lessee -	Oleta Partners, LLC
Term of lease -	99 years, with a renewal option for an additional 99 years
Rent -	$1.5 million beginning in 2017 and continuing until the tenth year of the lease The rent increases by $150,000 each ten years Rent for the option period is set by formula The rent is payable quarterly, in advance
Expenses -	The rent is intended to be net to the Lessor

The subject 50.6 acres is as part of the total 183.8 acres shown described in the legal description of the leased land. More importantly, the 50.6 acres is 33.8% of the 151.60 net developable acres. The 151.6-acre figure is calculated by the developer with agreement by the City.

Therefore 33.38% of the rent for any given period is allocated to the subject land.

Estimate of the Fee Simple Value in the Property

The overall Biscayne Landings development is to include up to 4,390 dwelling units. The development plan indicates a total of 70.15 net acres for residential development; a density of 60.3 units per acre. The subject 50.6 acres would therefore be allocated 3,052 of the 4,390 units.

There are very few opportunities in south Florida for developers to purchase land with sufficient size or zoning for 3,000 residential units. We made an investigation for sales of land that could be developed with large residential projects. The results of that investigation are shown on the following schedule. The data is presented in chronological order, oldest to most recent, with the subject data shown at the top.

Sale	Location	Date	Acres	Units	Price	$/Unit
Subj.	**Biscayne Landing**	**Sep-14**	**50.60**	**3,052**		
1	8215 SW 72 Ave	Jul-07	4.94	750	$35,000,000	46,667
2	Miami World Center	various	20.38	5,476	98,139,100	17,922
3	8200 NW 107 Ave	Jan-12	225.00	4,600	100,000,000	28,261
4	NW 62 St/107 Ave	Dec-12	20.40	1,109	44,650,000	40,261

Sale 1 is the smallest of the four transactions. It is 5-acre tract located north of the Dadeland Mall in south Miami-Dade County. The property sold prior to the Great Recession and the buyer had planned to demolish the existing 145-unit garden apartment buildings and replace them with 750 new condominium apartment units. The sale is substantially smaller than the subject, both in terms of land area and number of units, but it is one of the four largest sales we considered comparable to the subject apartment land.

Sale 2 is the assembly of the Miami World Center site in downtown Miami. This development has been under way for 10 years as of this writing, with the first acquisitions occurring in 2004. Subsequent to the recession, a substantial portion of the site was foreclosed by its lender, and then bought back out of foreclosure by one of the original partners in the assembly. Lawsuits are pending between the former partners in the project.

The total acquisition price for the current developer is equal to approximately $98 million. There is an additional tract of land but that portion is planned for a hotel and is not included in the total shown here. The overall site can be improved with about 5,500 dwelling units, albeit at a much higher density than is contemplated at the subject site. Overall acquisition cost is therefore equal to about $17,850 per unit, including a commercial retail component that will occupy the first levels of the planned high-rise towers.

Sales 3 and 4 are large tracts of land in the northern portion of the Town of Doral. Both tracts were acquired by affiliates of the Lennar Corporation and will be improved with a range of housing products. Sale 3 is a larger tract of land, but includes substantial areas that will be left in a natural state; average density is 20 dwelling units per acre. Sale 4 has more than twice the density at an average 54 units per acre. Sale 3 was a distress sale, the seller facing foreclosure and the buyer also bought community development district bonds that were in default for a reported additional $30 million (which is included in the total price shown on the schedule). Both tracts are zoned for planned unit development and include the potential for commercial components that are not possible at the subject, but which positively impact the price of the land.

Elements of Comparison

According to The Appraisal of Real Estate (fourteenth edition), published by the Appraisal Institute, "*Elements of comparison are the characteristics of properties that cause the prices paid for real estate to vary*. Adjustments are made to the price of each comparable property to make the comparable equal to the subject on the effective date of the value estimate."

The basic elements of comparison are as follows:

Real property rights conveyed
Financing terms (i.e. cash equivalency)
Conditions of sale (i.e. motivation)
Expenditures made immediately after purchase
Market conditions (i.e. time)
Location
Physical characteristics (e.g. size, access, condition, etc.)
Economic characteristics (e.g. lease provisions, expense ratios, etc)
Use (e.g. zoning, water rights, environmental issues, building codes)
Non-realty components of value (e.g. business value, franchises)

All of the sales were of the fee simple interests in their respective properties. The sales were either for all cash or were financed with institutional debt. The sales were arm's length, but both Sales 2 and 3 were purchased under duress or foreclosure circumstances; Sale 2's circumstances have even given rise to a number of lawsuits. Most of the sites required post-closing expenditures, usually for land clearing and filling.

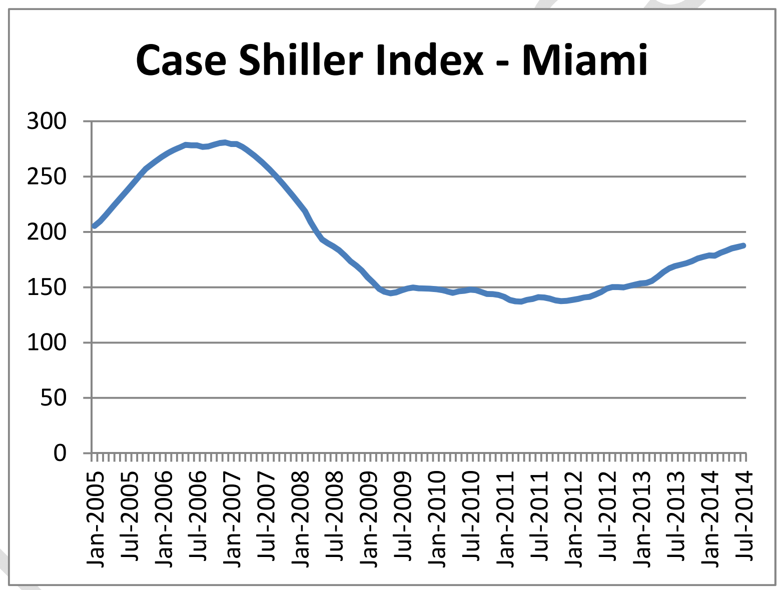
Each of the sale properties is zoned for residential development, at varying densities, some including a commercial component. Being vacant land, there were no economic characteristics that impacted prices and there were no non-realty components of value.

The most significant element of comparison over recent years has been the changing market conditions. After the financial crises of the fall of 2008, commercial mortgage financing virtually disappeared and demand for all types of development property declined markedly.

The appraisal date for this appraisal is September 2014, well into the current economic recovery. Sale 1 occurred prior to the stock market crash in late 2008 and the recession of 2009, but after housing prices began to decline. The other sales all closed post-recession.

For purposes of this analysis the significant elements of comparison are the **timing and** conditions **of the sales,** the relative **locations** of the tracts, their **physical characteristics** and the **variations in allowable densities**. These differences are discussed below.

Market Conditions (Timing)
As stated earlier, Sale 1 closed prior to the recession and its price needs to be adjusted for the changing market conditions between the time of the sale and the appraisal date.



In order to make a reasonable adjustment we reviewed changes in home prices as reported in the Case Shiller Index for the Miami market area – it is reasonable that land for residential development should logically track the value of the product that can be built on it.

The data shows residential real estate values in mid-2014 were about where they were in early 2008 after beginning their decline in late 2006 and early 2007. According to the actual index figures for July 2007 and July 2014 (the latest available at this writing) the index is down by 28%. Adjusting the $46,667 per unit price of Sale 1 by 28% results in an adjusted price of $33,600 per unit.

Conditions of the Sales
Sale 2 is a very complicated transaction involving a massive 20-acre assembly of land in the downtown Miami core. The assembly began in 2004, was partially foreclosed after the market decline and then the foreclosed land was repurchased by one of the original investors as the market began to recover. As of this writing, the Miami World Center is nearing a ground-breaking and plans have been announced for a large multi-level mall and a convention hotel.

The transaction is included because of the large number of dwelling units included in the acquisitions, even though the parcels were purchased over a long period of time and involved some bank foreclosures and resales. After deducting the land area and acquisition price of the site for the convention hotel, the balance of the land can be developed with 5,476 dwelling units in multiple high-rise apartment towers. The overall acquisition price is equivalent to $17,922 per dwelling unit, including the retail component.

Sale 3 is the result of another foreclosure and the purchase of community development bonds that had gone into default. Lennar purchased the development land from Century Home Builders. The combined price of the recorded land purchase and the CDD bonds is the $130 million shown on the schedule. Again the circumstance of the sale must be considered as they relate to the $28,261 indicated price per potential dwelling unit.

Location
The subject parcel is located in North Miami. Sale 1 is in the Dadeland area in the southern portion of the county, Sale 2 is in the Miami CBD and Sales 3 and 4 are in Doral.

All three of the sale locations indicate higher household incomes than the subject area, indicating an ability on the part of the local population to purchase higher priced housing. However the Biscayne Landing development promises to create a new city within the city and will, to a degree, become a draw unto itself, raising the average income level of the households in North Miami.

The first two towers built at the Biscayne Landing development show an average price for 2014 unit sales of $325,355. By comparison the average condominium apartment price in Doral for 2014 is $321,486, a very similar figure.

No specific adjustments have been made for location.

Physical characteristics and density of development
The physical elements in valuing residential sites include land area, street frontage, configuration and topography and differences in these characteristics precipitate adjustments to the unit values of the sales.

The major physical difference between the subject land and the sales is the size of each property and the underlying historic landfill issue at the subject. At 3,000 dwelling units, it is reasonable to conclude that the subject land would have a lower unit value than Sale 1 at 750 units, but a higher price than Sale 2 at nearly 5,500 units.

Similarly, Sale 2 at 269 dwelling units per acre density would be expected to have a lower per unit price than Sale 3 at 20 units per acre. But Sale 1 at a relatively high density has one of the highest per unit prices, even after adjustment for the changing market conditions.

Sales 1, 2 and 4 each had substantial infrastructure in place at their respective location at the time of the sale. The subject requires substantial land development work and infrastructure installation before building construction can begin, as well as on-going maintenance of the landfill area and monitoring of the ground water.

Sales 3 and 4 are both zoned for planned unit development, providing potential for a commercial component, similar to the Biscayne Landing property that is excluded from the subject land and this analysis.

Conclusion

The foregoing sales schedule is repeated below with the data arrayed in unit price order, highest to lowest.

Sale	Location	Date	Acres	Units	Price	$/Unit
4	NW 62 St/107 Ave	Dec-12	20.40	1,109	$44,650,000	$40,261
1	8215 SW 72 Ave	Jul-07	4.94	750	35,000,000	33,600
3	8200 NW 107 Ave	Jan-12	225.00	4,600	100,000,000	28,261
2	Miami World Center	various	20.38	5,476	98,139,100	17,922

Based on the available data, it is my opinion that the market value of the underlying land at the subject property is at the lower end of the indicated range of unit values. The relative size of the development, the on-going environmental maintenance and monitoring costs and the remaining infrastructure costs were all considered in concluding at a value of approximately $20,000 per dwelling unit

$20,000 per unit x 3,062 units = $61,040,000

It is my opinion therefore that the value of the 50.6 acres that comprises the subject property was $61 million as of the valuation date.

Projection of value at end of lease term

The value of the underlying land must be projected to the end of the lease term (either 99 years or 198 years) using some reasonable measure of value inflation. That inflation rate would logically be based on some historic rate of change in values.

One measure of historic change is the Consumer Price Index as published by the Bureau of Labor Statistics. While recent inflation levels have been relatively low – 1% to 2% per year, the historic rate for the past 100 years averaged about 2.25%. By contrast real estate values have increased by 3.5% to 4.5% depending on what measure is used.

For valuation purposes I have used an annual inflation rate of 3% as a reasonable projection of increasing values for the lease terms.

If the value of the underlying land of $45.78 million increases by 3% each year for 99 years, the market value of the land at the end of the initial lease term will be $854 million.

If the value of the underlying land of $45.78 million increases by 3% each year for 198 years, the market value of the land at the end of the option lease term will be $15.9 billion.

<u>Discount Rate</u>

An amount of money due in the future is worth something less than that amount today. The current value of the leased fee interest is the *discounted* present value of the property in the future (at the lease termination date) plus the *discounted* present value of the income stream over the remaining lease term.

An investor purchasing the leased fee interest in the property is primarily buying a cash flow for the investment term. In making a purchase price decision, the risks inherent in the cash flow generated by the property would be compared to the risks inherent in cash flows from other investments

In this case, the ground rent from the lease is considered virtually guaranteed. The annual ground rent payment of $1.5 million is currently 0.8% of the value of the land. Most net leases are written with the rent in a range of 9% to 10% of the value of the underlying asset. With the rent being such a nominal percentage of the value of the asset and considering that the rent will be passed along to the eventual tenants or buyers of the residential units built at the property (similar to the owners in The Oaks), there is little risk of default.

As of the appraisal date (September 2014) the following interest rates were available in the market:

30-year fixed residential mortgage	4.12%
15-year fixed residential mortgage	3.24%
30-year US Treasury Bond	3.13%
10-year US Treasury Bond	2.45%
Prime lending rate	3.25%

Treasury instruments are virtually risk free as they are backed by the United States Government. The rate of return is related to the length of the investment period; longer-term mortgages and "Treasuries" yield higher rates than shorter-term instruments due to the increased risk of an extended time period. The lower rates of these investments are directly related to their lower risk compared to mortgages.

A review of corporate bond rates, available as of this writing, indicates the following:

	Yield 52-week range		
Corporate Bond Rates	Latest	Low	High
US Corporate Bonds	3.07%	2.84%	3.31%
Intermediate	2.45%	2.16%	2.58%
Long-term	4.53%	4.38%	5.35%
Double A rated	2.39%	2.13%	2.45%
Triple B rated	3.46%	3.23%	3.87%
Triple C rated	9.06%	7.30%	10.96%

The difference between the double A rated bonds and triple C rated is 600 to 700 basis points. The A rated bond issuers are those characterized as having a very strong capacity to meet its financial commitments as compared to the C rated bond issuers who are considered currently vulnerable and dependent on favorable business conditions to be able to meet their obligations.

The interest appraised is an interest in real estate, not in bonds and therefore we look to the real estate markets to indicate appropriate return rates for this analysis. In real estate return rates are made up of a number of components and considerations, amongst which are the following:

The degree of perceived risk
Market expectations of future inflation
Prospective rates of return from other investments
Rates of return earned by comparable properties in the past
Availability of debt financing
Prevailing tax law[1]

In estimating an appropriate investment return rate we consider the liquidity of the investment, whether there are barriers to competition, the expertise of the operator and the potential for future demand.

Testing the subject's leased fee interest against the foregoing criteria we find the following:

Degree of perceived risk – the perceived risk is very low. As stated earlier, the rental rate is very low compared to the value of the underlying asset giving the developer strong motivation to keep the rent current and as time goes by, buildings are built and units sold or rented to end users, those individual users will also be motivated to keep the land rent current.

Inflation expectations – there is some modest concern about inflation increasing, but no more for this real estate than any other and increased inflation will likely result in increased end unit prices and greater revenue to the developer, further encouraging land rent payment.

Prospective rates of return from other investments – there may be other real estate investments that can yield a higher investment return, but only through the assumption of greater risk.

Comparable return rates from comparable properties in the past – as with prospective rates of return, the market data is considered and applied below

Debt financing – except for the underlying ground lease being analyzed here and the landfill history, the subject property is typical of residential development property and the capital markets have been historically willing to finance ownership of this type land and construction of apartment buildings. The leasehold position of the developer makes institutional financing somewhat more difficult and the underlying environmental issues of the property make financing that much more difficult as institutional lenders prefer less complicated loans.

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[1] Appraisal of Real Estate, 14th Edition, Appraisal Institute

Prevailing tax law – there are no specific tax law issues considered here.

Liquidity – real estate is a very illiquid investment and the subject interest would be a challenge to market to another buyer. While the projected income stream will be low risk, finding a buyer with the cash and the motivation to invest in the subject interest would be a challenge. The most probable buyer is a pension fund or similar institutional investor that, like a lender, would be cautious investing in an asset with the underlying environmental concerns.

Barriers to competition – the barriers are very high, it being virtually impossible to assemble another tract of land of this size along the easterly coast of south Florida. From that standpoint, the developer is again strongly motivated to keep the rental payments current and the environmental issues property maintained and monitored.

Operator expertise – the subject land does have operating costs that are not found at most residential development sites; the requirement to manage and monitor the underlying environmental conditions is unique to this property. The risks of these costs being greater than current estimates must be considered in the risk analysis.

Future demand potential – the diminishing supply of available residential land along the east coast of south Florida combine with the continued growth of the local population, there is a high probability of continued demand for the apartments that will be built at the subject property.

As part of the effort to estimate an appropriate rate to apply to the base rent, we also reviewed return rates available in the market for net leased properties across the country. These are leased fee positions secured by restaurants, banks and retail stores that are leased to credit tenants and represent the “prospective return from other investments” cited above. Each lease in the sample is established, has good collection history and no management on the part of the lessor. The rates shown are “capitalization rates” advertised for the properties, representing return to the investor from the cash flow and not including the value of the reversionary interest. The rates found range from below 5% to about 8.5% with an average rate of in the low 6% range.

The rates on the various financial investment vehicles cited above decline as the time frame is decreased (within the same family of investment), the essence of the time value of money. Mortgages on residential properties were considered relatively safe investments until the financial crises of 2008. There is now more uncertainty as to how much value is in the mortgaged property securing the debt, but fewer qualified buyers have reduced demand for mortgages and kept the rates relatively low.

Mortgages on residential properties have had a lower risk associated with them because lenders could package and resell these loans easily in the secondary market, increasing their liquidity; that activity has slowed markedly as well. The subject property incorporates greater risk due to the complexities associated with a very long-term leased fee interest on land with environmental challenges, the limited pool of potential buyers, and the decreased level of liquidity.

The risks inherent in the subject parcel include:

- Complexities of contaminated real estate
- Limited pool of potential buyers due to nature of investment
- Inefficient secondary market for resale
- Commercial mortgages are made at rates higher than residential mortgages, therefore, potential investors would require a higher rate
- The upward adjustments are fixed over the term of the lease

The risks are offset by mitigating factors:

- Lessee is highly motivated to keep the underlying rent current
- Ground lease payment to maintain control ($1.5 million) is less than 1% of the value of the underlying asset ($60 million).
- There is increasing demand for net leased properties, with minimal risk and minimal management

Based on all of the foregoing market data, it is my conclusion that under the premise that the lease ends in 99 years, a discount rate (compound interest rate) of 5% would be necessary in order to induce an investor to purchase this leased fee position as of the valuation date.

The rate recognizes the length of the remaining term (either 97 years or 195 years) and the risk that the fee simple interest at reversion may or may not appreciate in value at the projected 3% rate. The discounting process is a mathematical calculation. The process can be expressed as long algebraic formulas, but inclusion of those formulas would not contribute to the clarity of this valuation process and, therefore, are not included. In summary, the discounting process is as shown on the following pages:

Present Value Calculation - 99 Year Lease Term

Total current rent due under terms of the lease	$1,500,000	per year
Payable quarterly	$375,000	per quarter
Total land area	151.6	acres
Residential acres	50.6	acres
Residential portion	33.38%	
Subject rent	$125,165	
Compound discount rate		
For cash flow -	5%	
For fee simple reversion value -	5%	

Present Value of Cash Flow from Lease Payments

		Annual Rent	Qrtly Rent	Subj. Rent 33.38%	Present value at beginning of 10-year term	Present value at valuation date
Year 3	2014	0	0	0		
Year 4	2015	0	0	0		
Year 5	2016	0	0	0		
Yrs 6 to 10	2017	$1,500,000	$375,000	$125,165	$2,230,352	$1,921,467
Yrs 11 to 20	2022	1,650,000	412,500	137,681	4,367,050	2,934,588
Yrs 21 to 30	2032	1,800,000	450,000	150,198	4,764,055	1,947,756
Yrs 31 to 40	2042	1,950,000	487,500	162,714	5,161,059	1,283,794
Yrs 41 to 50	2052	2,100,000	525,000	175,231	5,558,064	841,160
Yrs 51 to 60	2062	2,250,000	562,500	187,747	5,955,068	548,328
Yrs 61 to 70	2072	2,400,000	600,000	200,264	6,352,073	355,851
Yrs 71 to 80	2082	2,550,000	637,500	212,780	6,749,078	230,036
Yrs 81 to 90	2092	2,700,000	675,000	225,297	7,146,082	148,190
Yrs 91 to 99	2102	2,850,000	712,500	237,813	6,946,018	87,636
						$10,298,806

Present Value of Reversion

Underlying land value						
3,052	units x	20,000			$61,040,000	
	2111	Value at	3%	inflation	1,073,557,527	8,660,699
Total Present Value						$18,959,505
					Use	$19,000,000

Present Value Calculation - 198 Year Lease Term

Total current rent due under terms of the lease	$1,500,000	per year
Payable quarterly	$375,000	per quarter
Total land area	151.6	acres
Residential acres	50.6	acres
Residential portion	33.38%	
Subject rent	$125,165	
Compound discount rate		
For cash flow -	5.0%	
For fee simple reversion value -	5.0%	

Present Value of Cash Flow from Lease Payments

		Annual Rent	Qrtly Rent	Subj. Rent 33.38%	Present value at beginning of 10-year term	Present value at valuation date
Year 3	2014	0	0	0		
Year 4	2015	0	0	0		
Year 5	2016	0	0	0		
Yrs 6 to 10	2017	$1,500,000	$375,000	$125,165	$2,230,352	$1,921,467
Yrs 11 to 20	2022	1,650,000	412,500	137,681	4,367,050	2,934,588
Yrs 21 to 30	2032	1,800,000	450,000	150,198	4,764,055	1,947,756
Yrs 31 to 40	2042	1,950,000	487,500	162,714	5,161,059	1,283,794
Yrs 41 to 50	2052	2,100,000	525,000	175,231	5,558,064	841,160
Yrs 51 to 60	2062	2,250,000	562,500	187,747	5,955,068	548,328
Yrs 61 to 70	2072	2,400,000	600,000	200,264	6,352,073	355,851
Yrs 71 to 80	2082	2,550,000	637,500	212,780	6,749,078	230,036
Yrs 81 to 90	2092	2,700,000	675,000	225,297	7,146,082	148,190
Yrs 91 to 99	2102	2,850,000	712,500	237,813	6,946,018	87,636
Yrs 100-198	2111	3,000,000	750,000	250,330	20,128,612	162,383
						$10,461,190
Present Value of Reversion						
Underlying land value						
3,052	units x	20,000			$61,040,000	
	2210	Value at	3%	inflation	20,031,366,046	1,180,336
Total Present Value						$11,641,525
					Use	$11,600,000

SECTION 7 – RECONCILIATION AND MARKET VALUE CONCLUSION

The subject of this report is the leased fee interest in 50.6 acres of the Biscayne Landing property. The value of the leased fee is equal to the present value of the income stream and the reversionary interest in the underlying fee interest.

At the request of the client we have analyzed the property under premise that the lease will terminate at the end of the initial 99-year term and under the premise that the option to extend the lease will be exercised, extending the term to 198 years.

Based on available date, the value of the underlying land is estimated at $20,000 per unit. Available data indicates a total of 3,052 dwelling units are allocated to the subject 50.6 acres. At that unit value, the property has a total current value of approximately $60 million. Using the rent schedule outlined in the lease agreement and increasing the value of the land by 3% per year and then discounting the future value back to the present, results in a total value of the leased fee interest of $19 million based on the 99-year lease premise and $11.6 million based on the extended term basis.

MARKET VALUE CONCLUSION

In my opinion, the market value of the leased fee interest in the subject land, as of September 21, 2014 and subject to the assumptions and limiting conditions contained herein was:

Assuming a 99-year lease term - $19 million
Assuming a 198-yeaer term - $11.6 million

EXPOSURE PERIOD

Appraisal standards require a comment regarding the amount of time a property would be expected to have been on the market prior to the valuation date for a successful sale to occur on the valuation date at the market value estimate.

There tends to be strong demand for net leased property that promises a steady, long term income stream with a low risk of tenant default. Absent the underlying environmental concerns and if the subject leased fee could be sold to the general market, the interest would be expected to sell relatively quickly, with a buyer found in three to six months. But the underlying environmental reduces the number of buyers with the understanding and management ability to want this investment in their portfolio. The exposure time could therefore be as long as a year.

GALLAHER & BIRCH, INC.
Real Estate Appraisers & Consultants

C E R T I F I C A T I O N
APPRAISAL REPORT NO. 14063

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- The reported analyses, opinions, and conclusions were developed and this report prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The use of the report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives and by those of the Florida Real Estate Appraisal Board.
- As of the date of this report, I have completed the continuing education requirements for the State of Florida and for the Appraisal Institute.

Respectfully submitted,

ROBERT E. GALLAHER, MAI CRE
State Certified General Real Estate
Appraiser Certificate No. RZ98

October 4, 2014

ADDENDA

ASSUMPTIONS AND LIMITING CONDITIONS

This Appraisal Report is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an appraisal report. As such, the descriptions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value are summarized.

It is assumed that the title to the subject property is good and marketable; and that the legal description of the property is correct; that the improvements are entirely and correctly located on the property described; and that there are no encroachments, encumbrances, restrictions on or questions of title to this property; but no investigation or survey has been made, unless otherwise stated.

The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.

The market value estimate assumes prudent ownership and management of the herein appraised property.

The information as to the description of the premises, restrictions, and improvements to the property involved in this report is as has been submitted by the applicant of this appraisal, or has been obtained from sources believed to be authoritative. No warranty is given for its accuracy.

Unless otherwise specifically stated, the value given in this report represents the opinion of the signers as to the market value as of the appraisal date. Market values of real estate are affected by economic conditions, both local and national. Therefore, market values of real estate will vary with future market conditions affecting real estate.

It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.

It is assumed that all required licenses, certificates of occupancy, or other legislative or administrative authority from any local, state, or national governmental, or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.

Any plot, plan or sketch in this report may show approximate dimensions and are included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report unless otherwise indicated.

It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.

ASSUMPTIONS AND LIMITING CONDITIONS – continued

The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

This report covers the premises herein described only. Neither the figures herein nor any analysis thereof, nor any unit values derived there from are to be construed as applicable to any other property, however similar the same may be.

Possession of this report, or copy thereof, does not carry with it the right of publication.

The signers of this report do not authorize disclosure of all or any part of the contents of this report to the public through advertising, public relations, news, sales or other media, without the written consent and approval of the author, particularly as to valuation conclusions, the identity of the appraisers or firm with which they are connected, or any reference to professional associations to which they belong or designations which they may hold.

The market value herein is based on data available at the time of our investigation and analysis. Should any additional information be made available to us that would affect the value estimate, we reserve the right to adjust our figures accordingly.

The contract for the appraisal of said premises is fulfilled by the signers hereto upon the delivery of this appraisal duly executed.

DEFINITIONS

Capitalization

The conversion of income into value. [2]

Direct Capitalization: a method used to convert an estimate of a single year's income expectancy into an indication of value [3]

Yield Capitalization is used to convert future benefits…into present value by discounting each future benefit at an appropriate rate or by applying an overall rate that explicitly reflects the investment's income pattern, change in value and yield rate [4]

Exposure Time

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 the appraisal; a retrospective estimate based on an analysis of past events assuming competitive and open market[5]

Extraordinary Assumption

An extraordinary assumption presumes as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property, and, which, if found to be false, could alter the appraiser's opinions or conclusions.[6]

Fee Simple Estate (Fee Simple Title)

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.[7]

Highest and Best Use

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 land value.[8]

Hypothetical Condition

A hypothetical condition is that which is contrary to what exists but is supposed for the purpose of the analysis.[9]

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[2] The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010
[3] Appraisal of Real Estate 14th Edition, Appraisal Institute
[4] Appraisal of Real Estate 14th Edition, Appraisal Institute
[5] The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010
[6] Uniform Standards of Professional Appraisal Practice, 2006 Edition
[7] The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010
[8] Appraisal of Real Estate 13th Edition, Appraisal Institute
[9] Uniform Standards of Professional Appraisal Practice, 2006 Edition

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to the contract rent specified in the lease plus the reversionary right when the lease expires[10]

A freehold (ownership interest) where the possessory interest has been granted to another party by the creation of a contractual landlord-tenant relationship (i.e. a lease).[11]

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease[12]

Market Value

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.[13]

Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal.[14]

[10] Appraisal of Real Estate 13th Edition, Appraisal Institute
[11] Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute
[12] Appraisal of Real Estate, 14th Edition, Appraisal Institute
[13] Appraisal of Real Estate, 13th Edition, Appraisal Institute
[14] Uniform Appraisal Standards for Federal Land Acquisitions

LAND SALES SUMMARY

Land Sale: 1

Sale Date: June 20, 2007

Location: 8215 SW 72nd Avenue, Miami-Dade County

Folio Number: 30-4035-000-1100

Land Area: 4.94 acres

Potential Dwelling Units: 750

OR Book & Page: 257205/179

Seller: Premier Urban Properties, Inc.

Buyer: Dadeland Nadlan LLC

Price: $35,526,100

Price / Square Foot: $162.55

Price / Dwelling Unit: $46,667

Land Sale: 2

Sale Date: Assembly of land from 2004 to 2012

Location: Miami World Center

Folio Numbers: Numerous

Land Area: 20.4 acres

Potential Dwelling Units: 750

OR Book & Page: Numerous

Seller: Various

Buyer: Companies affiliated with Miami Word Center

Price: $98,139,100

Price / Square Foot: $110.53

Price / Dwelling Unit: $17,922

Land Sale: 3

Sale Date: January 11, 2012

Location: 8200 NW 107 Ave

Folio Number: 35-3008-000-0010, 0011, 0012, 0025, 0047

Land Area: 225 acres

Potential Dwelling Units: 4,600

OR Book & Page: 27969/93, 27969/107

Seller: Century Grand I LLLP

Buyer: Flordade, LLC

Price: $100,000,000

Price / Square Foot: $10.20

Price / Dwelling Unit: $21,739

Land Sale: 4

Sale Date: December 6, 2012

Location: NW 62 Street East of 107 Ave

Folio Number: 35-3017-001-0240, 0250

Land Area: 58.70 acres

Potential Dwelling Units: 1,109

OR Book & Page: 28391-24

Seller: Landmark at Doral Holdings LLC

Buyer: Lennar Homes, LLC

Price: $44,650,000

Price / Square Foot: $17.46

Price / Dwelling Unit: $40,261

GALLAHER & BIRCH, INC.

Real Estate Appraisers & Consultants

GALLAHER & BIRCH, INC., formerly known as Hedg-peth & Gallaher, Inc., was established as The Hedg-peth Company in 1967 by C. George Hedg-peth, MAI, who had been both a staff appraiser with The McCune Company and chief commercial appraiser with Dade Federal Savings and Loan Association. The company is a full service appraisal firm completing appraisal reports for all types of real estate ranging from single family residences to apartments, hotels, vacant land to shopping centers, industrial properties and office buildings.

The predominance of appraisal assignments over the years has been for properties located in Miami-Dade, Broward or Monroe Counties. By generally limiting the area of practice to South Florida, but addressing the analysis of all types of property from vacant land to complex, multipurpose commercial developments, the company has been able to assure a consistent high level of service to its clients.

Either through its individual appraisers or corporately, the company is an approved appraiser for a large number of local lending institutions as well as for the Federal National Mortgage Association, the State of Florida, Miami-Dade County and the cities of Miami, Coral Gables, Hialeah and Homestead. Corporate clients range from local builders and developers to national and international corporations. In addition, assignments have been completed for some of the largest and most prominent South Florida law, accounting and engineering firms. The following is a brief sample of the firm's clientele:

Lending Institutions
Bank United
Chase Manhattan Bank
Coconut Grove Bank
Community Bank of Florida
Fremont Investment & Loan
First National Bank of South Miami
Imperial Credit Commercial Mortgage
Investment Corp
Northern Trust Bank of Florida
SunTrust Bank Miami
Totalbank

Law Firms
Akerman Senteriftt
Bilzin Sumberg Baena Price & Axelrod
Brigham Moore
Earle & Patchen
Greenberg Traurig
Holland & Knight
Hicks & Schreiber
Kubicki Draper
White & Case
Kozyak Tropin Throckmorton

Corporations
Baptist Health Systems of South Florida
Wackenhut Corrections Corporation
Walt Disney World
Wendy's International

Institutional Clients
Miami-Dade County School Board
Florida Department of Transportation
Miami Dade College
Miami Dade Water & Sewer Authority
Jackson Memorial Hospital

The company has provided litigation support, including expert testimony, for a variety of cases, including those involving deficiency judgments, divorce, zoning, bankruptcy and eminent domain. Consultation and appraisal review services are an integral part of the services offered.

Either corporately or through its employees, the company is a member of Chamber South, Commercial Real Estate Women, and the Commercial Industrial Association of South Florida (formerly the Industrial Association of Dade County), Miami Realtors.

QUALIFICATIONS OF ROBERT E. GALLAHER, MAI, CRE

Resident of Miami, Dade County, Florida since 1950
State Certified General Real Estate Appraiser, State of Florida (Certificate Number RZ98)
Licensed Real Estate Broker, State of Florida
Licensed Real Estate Instructor, State of Florida
Graduate of University of Florida, Gainesville, Florida
Awarded Bachelor of Science in Business Administration with Major in Real Estate, 1972

Employment: Gallaher & Birch, Inc. (formerly Hedg-peth & Gallaher, Inc., formerly The Hedg-peth Company) since September 1972; currently President
Partner - Esslinger Wooten Maxwell, Realtors 1984 to 1991

Appraisal Experience: Has participated in appraisals in Miami-Dade, Broward, Monroe and other counties in Florida of various types of commercial and commercial properties, including office buildings, shopping centers, apartment developments, warehouses and hotels.

Expert Witness: Qualified as an expert in real estate valuation in Miami-Dade, Broward, Monroe, Palm Beach and Lee Counties, as well as in Federal Bankruptcy Court. Has testified in deposition and in trial in matters of eminent domain, bankruptcy, divorce, deficiency judgments and other issues

Member of:
- Appraisal Institute, with designation MAI.
  - Certified Under Continuing Education Program through September 2017
- The Counselors of Real Estate, with designation CRE
  - Chairman of South Florida Chapter 2004 to 2007
- Fellow of the Royal Institution of Chartered Surveyors
- Miami Association of Realtors (formerly: Miami and Coral Gables Boards of Realtors)
  - Chairman of Association for 1995-96
  - President 1982 and 1987-1988
- Florida Association of Realtors
- National Association of Realtors

Boards of Directors
- Florida Savings Bank – 2001 to 2006
- Consumers Savings Bank – 1991 to 1998
- Advisory Board Jerome Bain Real Estate Institute at Florida International University
- ChamberSouth – 2001 to present (Chairman of the Board of Directors 2008-2009)
- Dade County SurTax Advisory – 1984 to 1993

Instructor, having taught seminars and/or courses for:
Miami Dade College; the Appraisal Institute, the American Bar Association, The Florida Association of Realtors; and various local real estate associations and companies.
Nationally certified instructor for the Appraisal Institute
Nationally certified instructor of Uniform Standards of Professional Appraisal Practice

Currently President/Owner of Gallaher & Birch, Inc., (formerly Hedg-peth & Gallaher, Inc.). Has been officer, director and stockholder of several closely held corporations, including Sanctuary Farms, Inc., a farming venture in Collier County; Marina Bay, Inc., a shopping center development in North Miami-Dade County; Burlingame Group, Inc., an office space owner in Miami; Miller Ludlam LLC an owner of retail stores; and First Reserve, Inc., a corporate holding company that owned Esslinger-Wooten-Maxwell, Inc., a general real estate brokerage firm and which participated in the development of Gables Waterway Executive Center and the University Inn Condominium.