

APPRAISAL REPORT OF THE  
**SALVATION ARMY OFFICE BUILDING**  
LOCATED AT 3030 DARBO DRIVE  
CITY OF MADISON, DANE COUNTY, WISCONSIN 53714



DATE OF VALUATION: MAY 28, 2025

DATE OF REPORT: JULY 11, 2025

PREPARED FOR:  
MR. MICHAEL SJOGREN  
SALVATION ARMY OF DANE COUNTY

PREPARED BY:  
MEICHER REAL ESTATE LLC  
KEVIN F. MEICHER





July 11, 2025

Salvation Army of Dane County  
Mr. Michael Sjogren  
3030 Darbo Drive  
Madison, Wisconsin 53714

Re: Appraisal Report of Salvation Army Office Building located at 3030 Darbo Drive, in the City of Madison, Dane County, Wisconsin 53714

Dear Mr. Sjogren:

The enclosed Appraisal Report has been prepared in response to your request. The report is subject to the Code of Ethics and Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation. In addition, the report has been written to comply with Title XI of the Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) and the Interagency Appraisal and Evaluation Guidelines adopted in 2010. This report has also been prepared in accordance with the operative engagement letter contained in the addendum.

The accompanying report, to which this letter is attached, describes the site and building improvements (the "subject property"), pertinent data considered, and discusses the methods of appraisal used in reaching our conclusions. The opinions of value contained herein are subject to the Statement of Assumptions and Limiting Conditions included within.

The market value estimates are based upon a physical inspection of the property by Kevin F. Meicher on May 28, 2025, as well as a review of information made available by the property representative(s) and public records. This information forms the basis and serves as a guide for the valuation.

The subject site contains approximately 112,060 square feet (2.57 acres) and is irregular in shape with level topography. The site has approximately 570 feet of frontage along Darbo Drive and 305 feet of frontage along Richard Davis Lane. Site improvements include asphalt surfaced driveway and parking areas, concrete walkways and curbing, lighting, signage, and average landscaping. The site is zoned CC-T, Commercial Corridor - Transition District, per the City of Madison.

The Salvation Army Office Building was originally constructed in 1962 with addition in 1966. The Salvation Army purchased the building for owner occupancy in 1994 and completed a gymnasium addition in 2012. This facility is Class C constructed with Class C market orientation. This facility features multiple private offices, meeting rooms, commercial kitchen, game rooms, gymnasium with basketball court and fitness room. The facility includes 33,183 square feet of office space that includes 7,238 square feet of finished basement area. The gymnasium contains approximately 12,112 square feet. There is an additional 5,096 square feet of unfinished basement area utilized for storage.

This facility is constructed upon a concrete foundation and reinforced concrete slab, with steel and concrete framed structures, and brick and wood exterior facade. The roof is hip style with asphalt shingles, flat style with a rubber membrane roof, and gable style with steel coverings. Interior features include ceramic tile, vinyl tile, and carpeted flooring; painted drywall; acoustical tile ceilings with recessed fluorescent lights; wood trim and solid core doors. The building has multiple interior staircases and freight elevator serving all levels. This building is heated and cooled via forced air furnace and central air conditioning.

The interest appraised includes the Fee Simple estate, therefore market lease rates have been utilized. By virtue of the inspection, research, and analyses, it is our opinion that the Market Values of the subject property are as follows:

<b>The Salvation Army Facility 3030 Darbo Drive, Madison, WI</b>	
<b>Fee Simple Market Value as of</b>	<b>"As Is" 5/28/2025</b>
<b>FINAL RECONCILED VALUE</b>	
<b>Building Improvements including Land</b>	<b>\$3,600,000</b>

Mr. Michael Sjogren  
Salvation Army Office Building

July 11, 2025  
Page 4

Our compensation is not contingent upon the value reported. We appreciated the opportunity to work with you on this engagement, and are available to answer any questions you may have concerning the analysis and conclusions.

Respectfully submitted,  
MEICHER REAL ESTATE LLC



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Kevin F. Meicher  
Wisconsin Certified General Appraiser #758



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William P. Mueller  
Appraiser Trainee

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# SECTION I: SUBJECT PROPERTY PHOTOGRAPHS



EXTERIOR VIEW



EXTERIOR VIEW



EXTERIOR VIEW



EXTERIOR VIEW



INTERIOR VIEW



INTERIOR VIEW



EXTERIOR VIEW



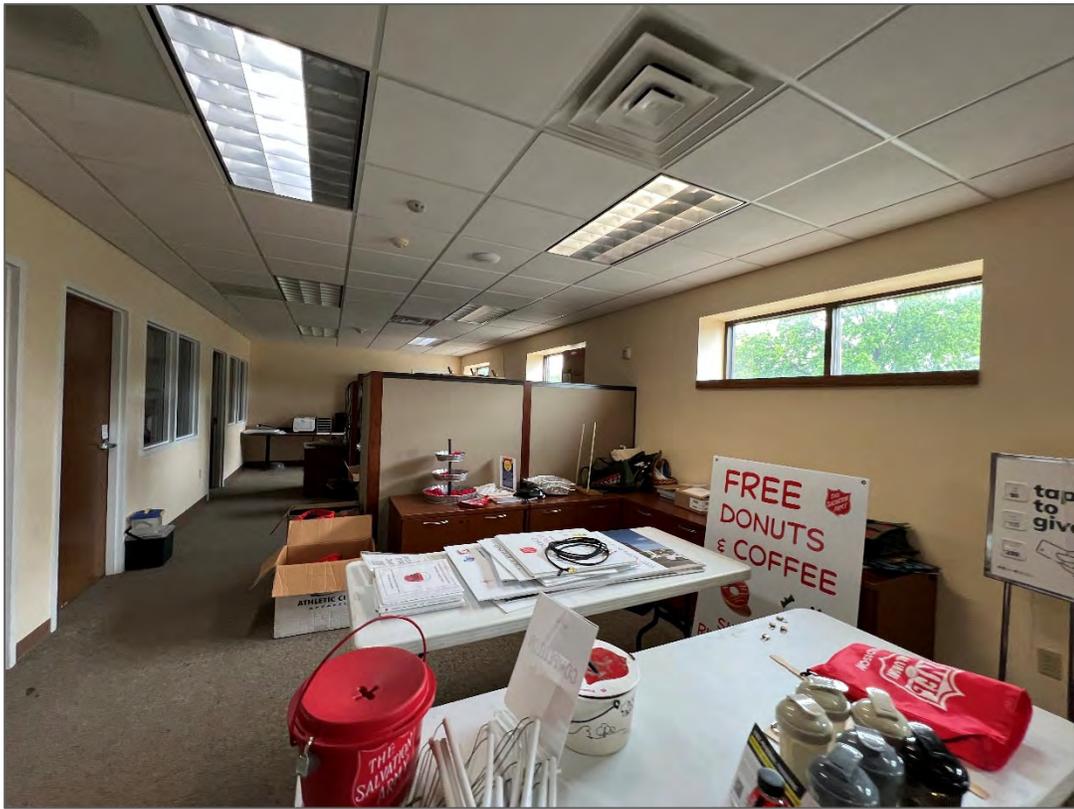
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INTERIOR VIEW



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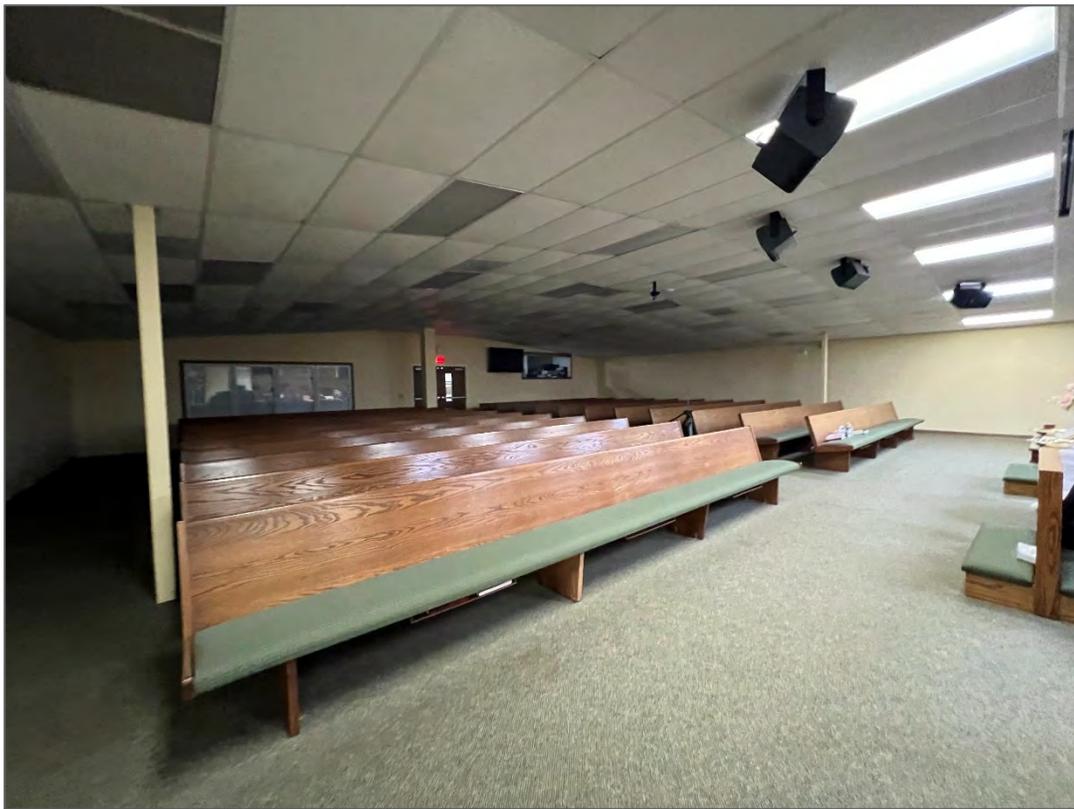
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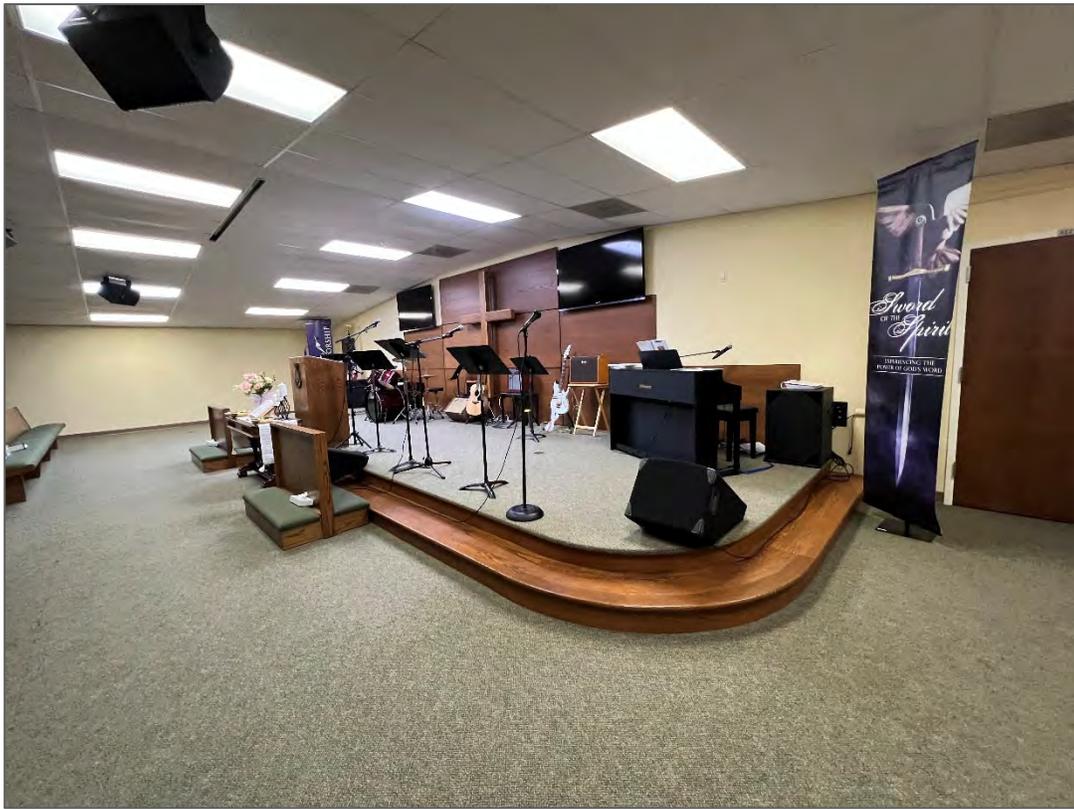
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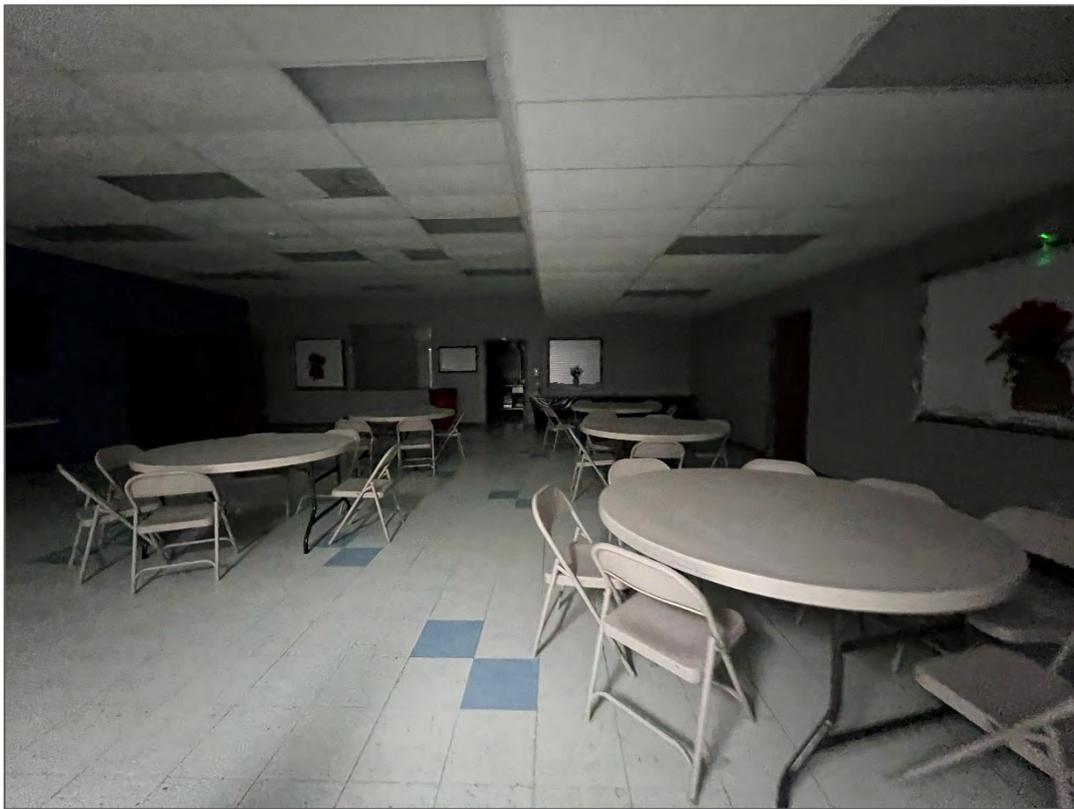
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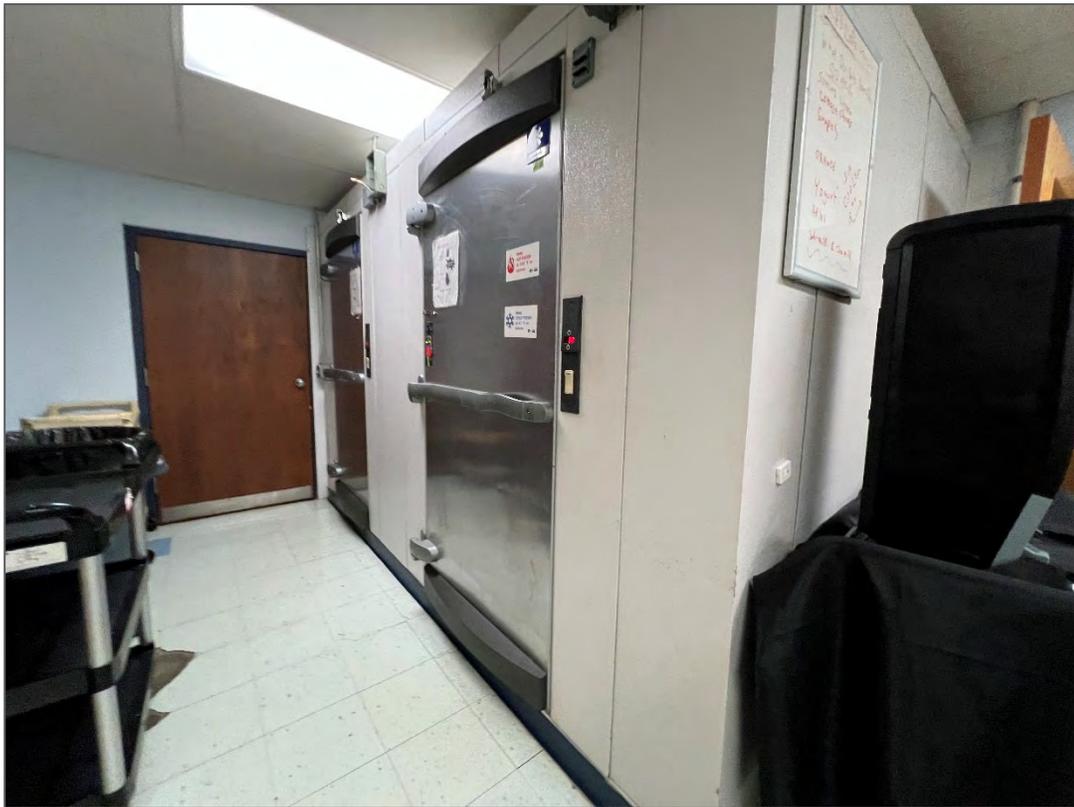
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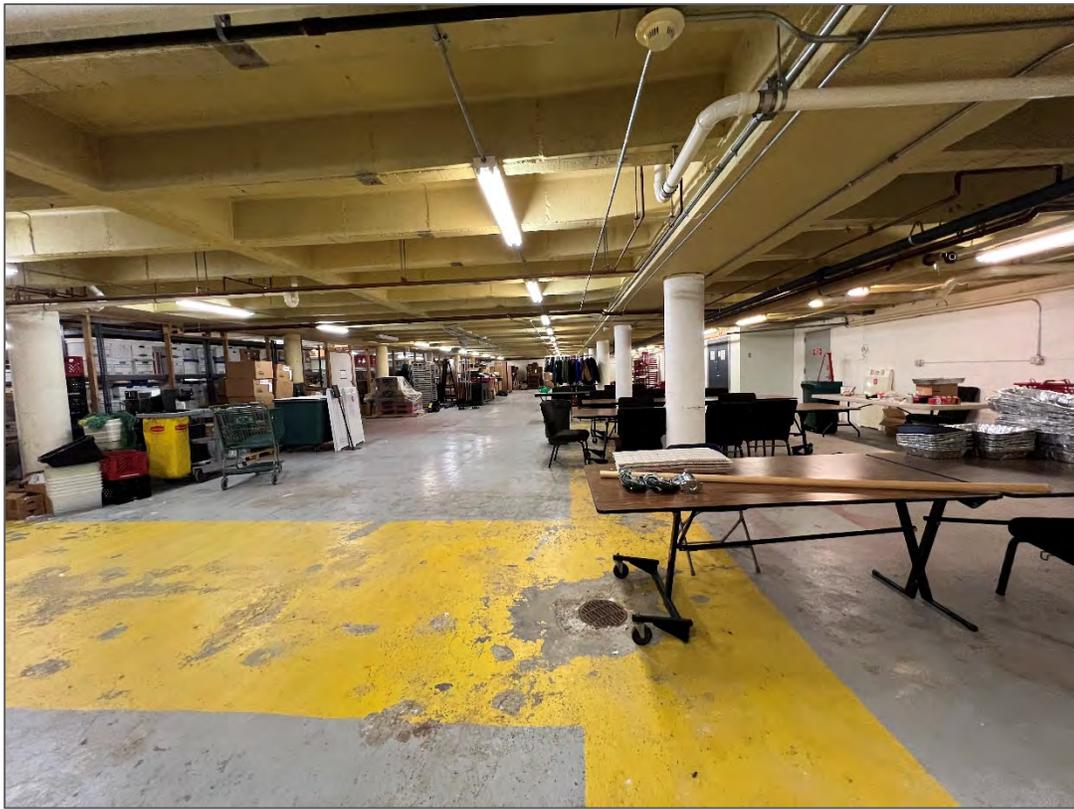
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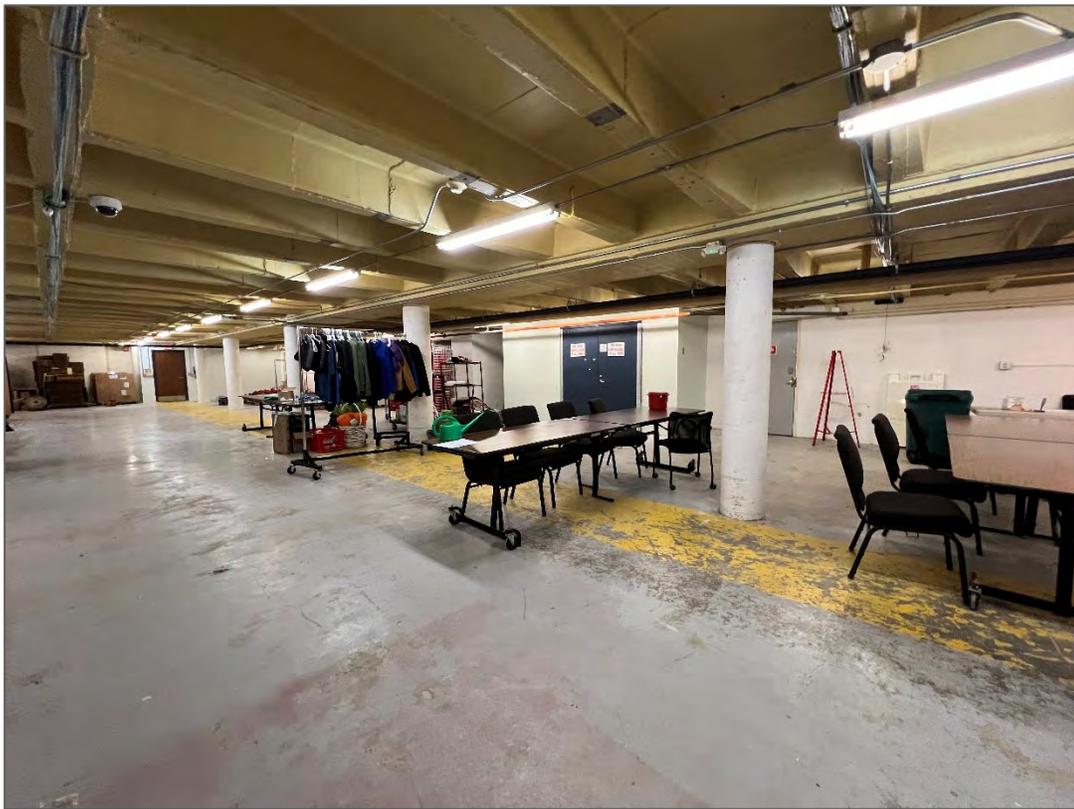
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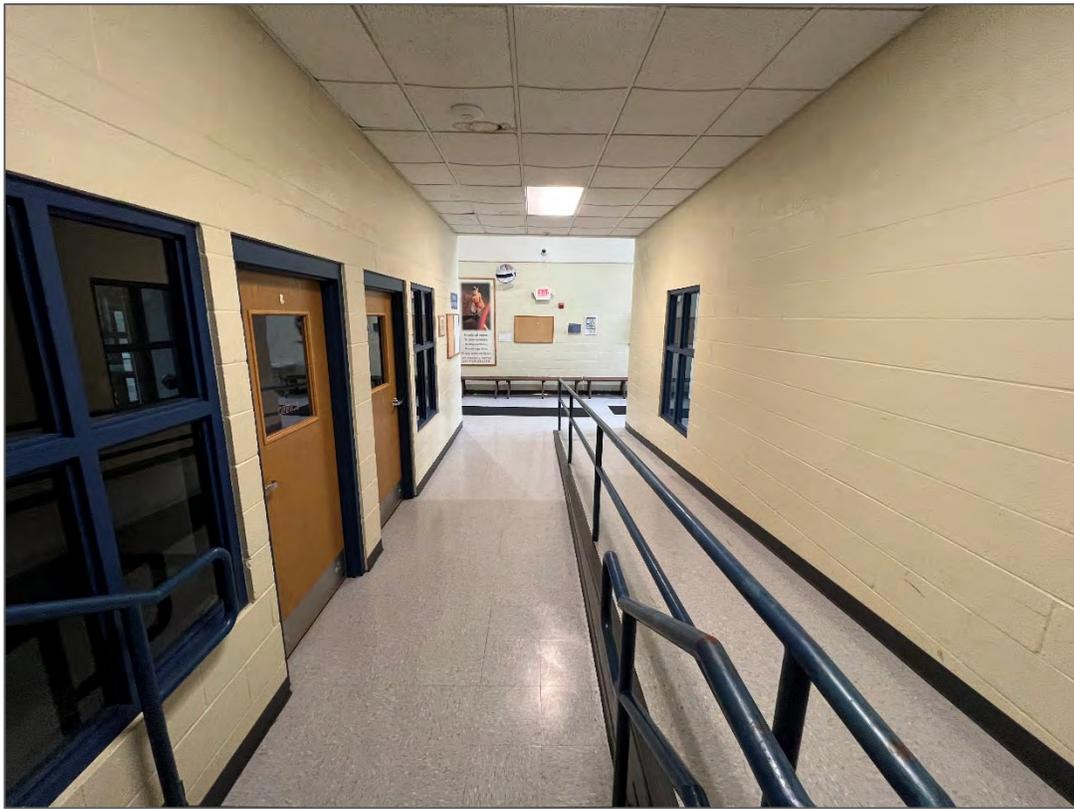
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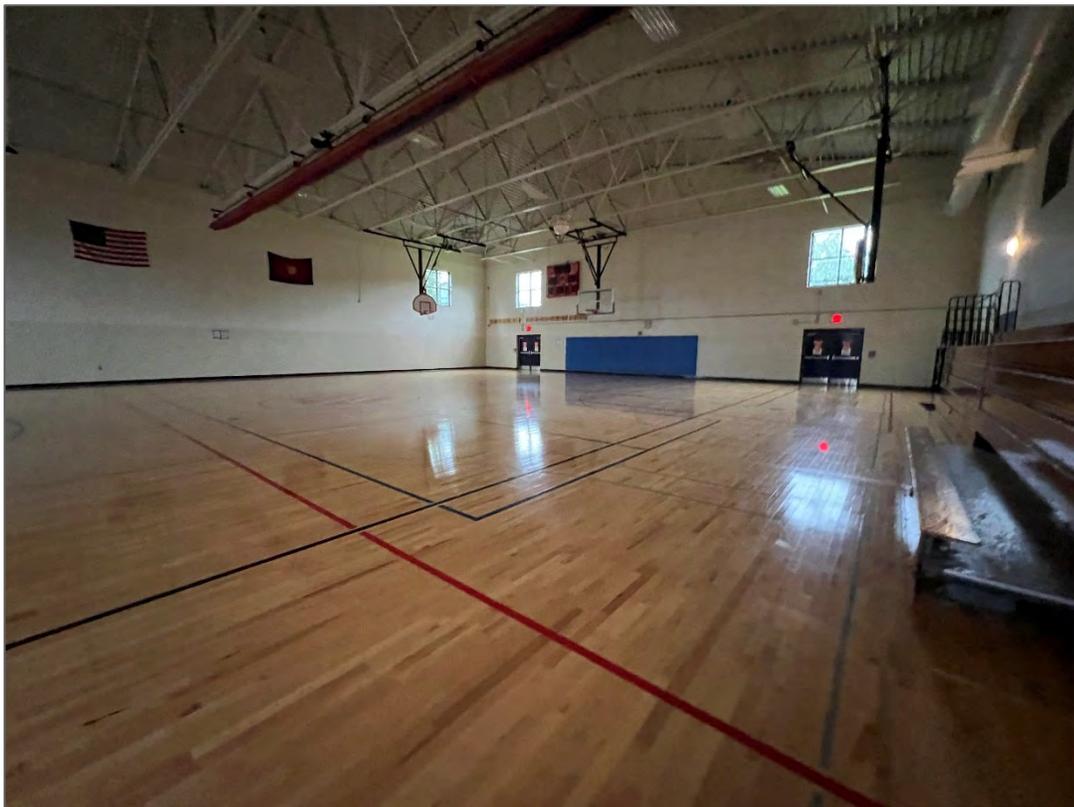
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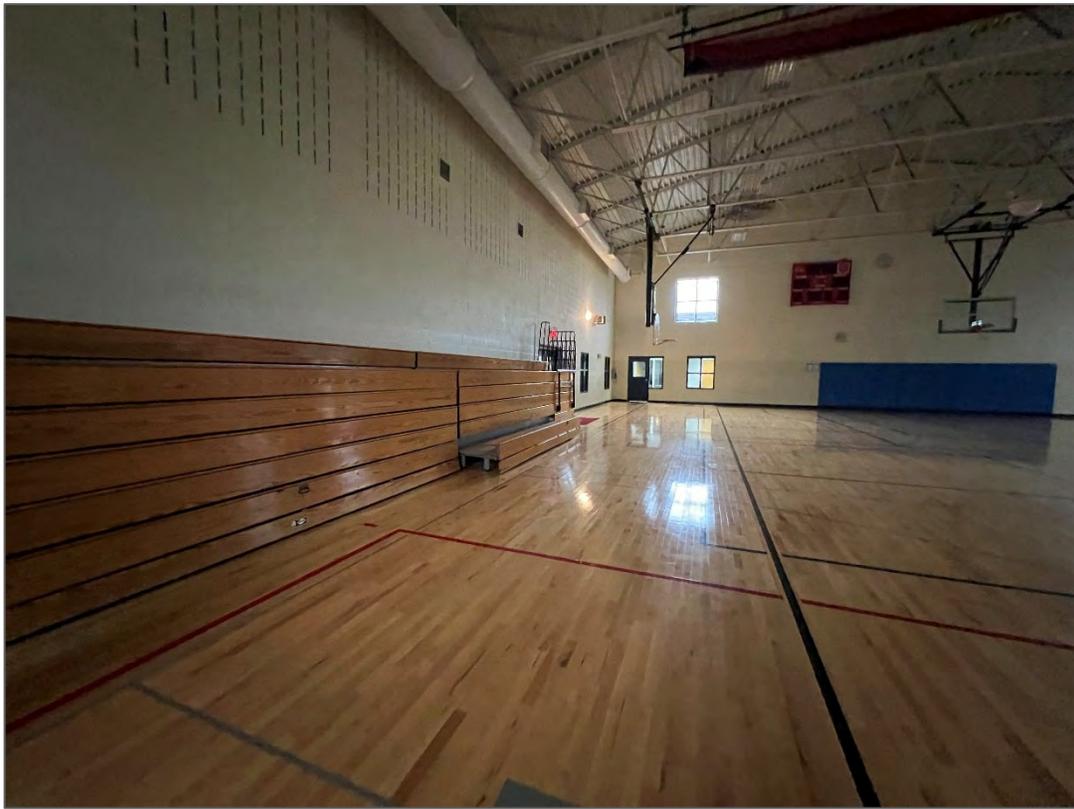
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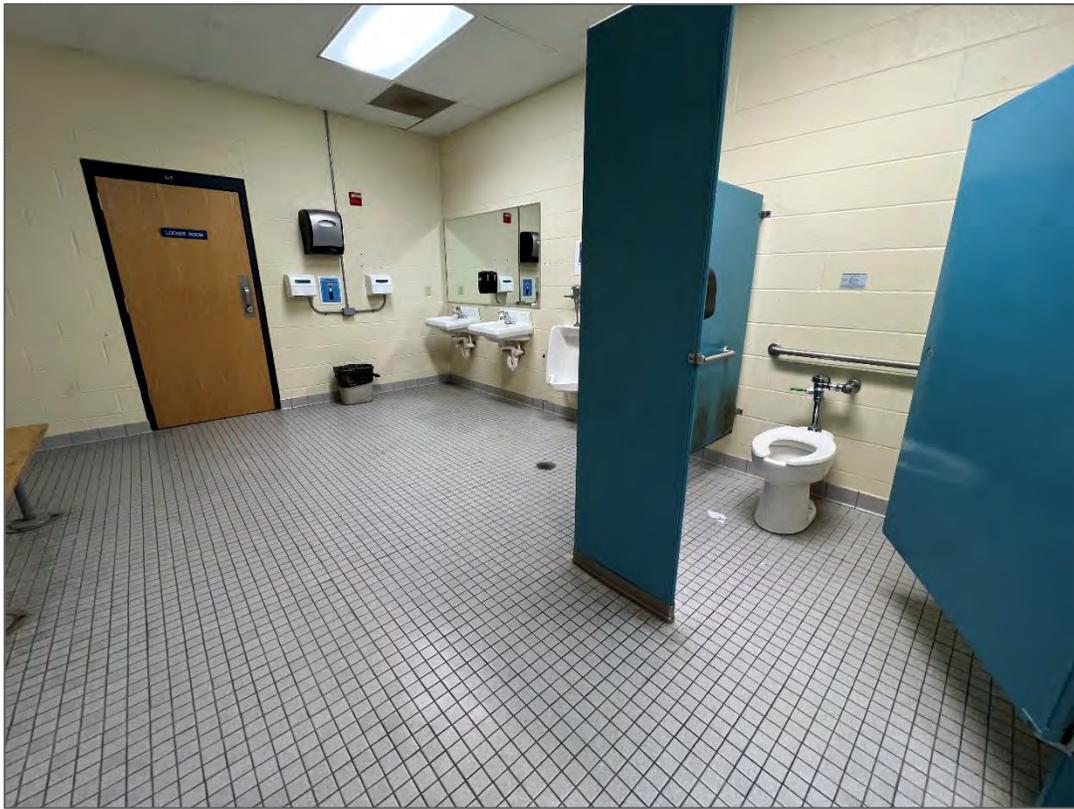
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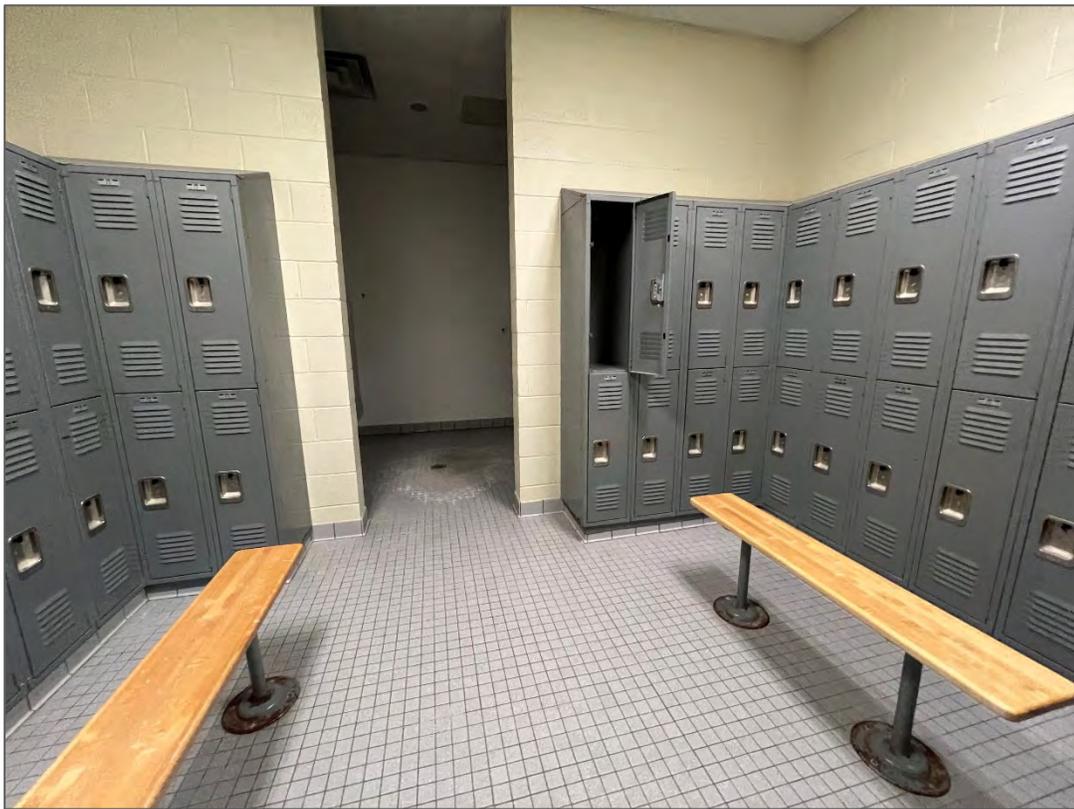
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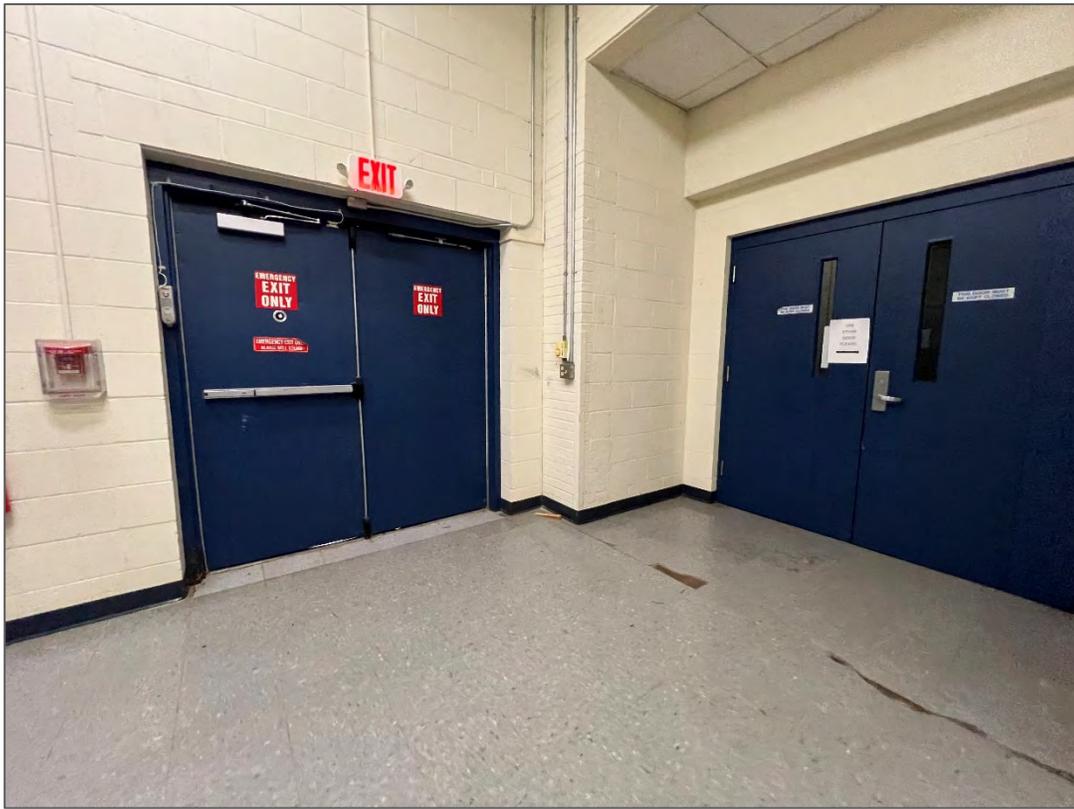
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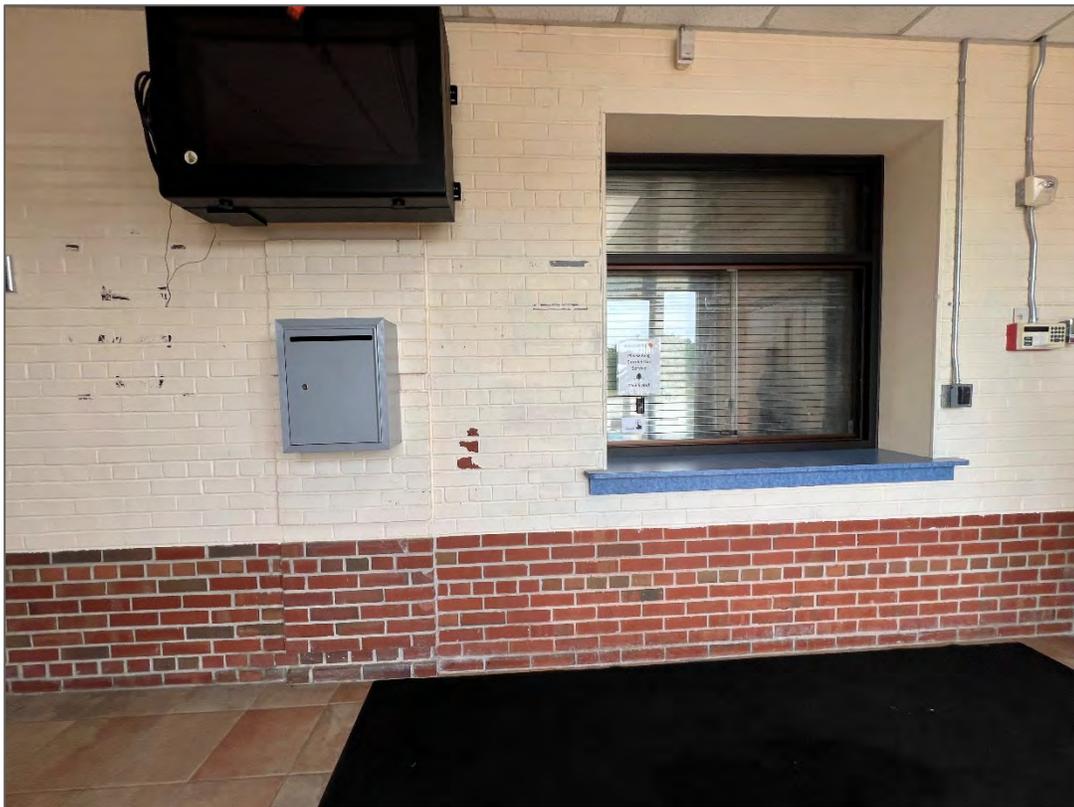
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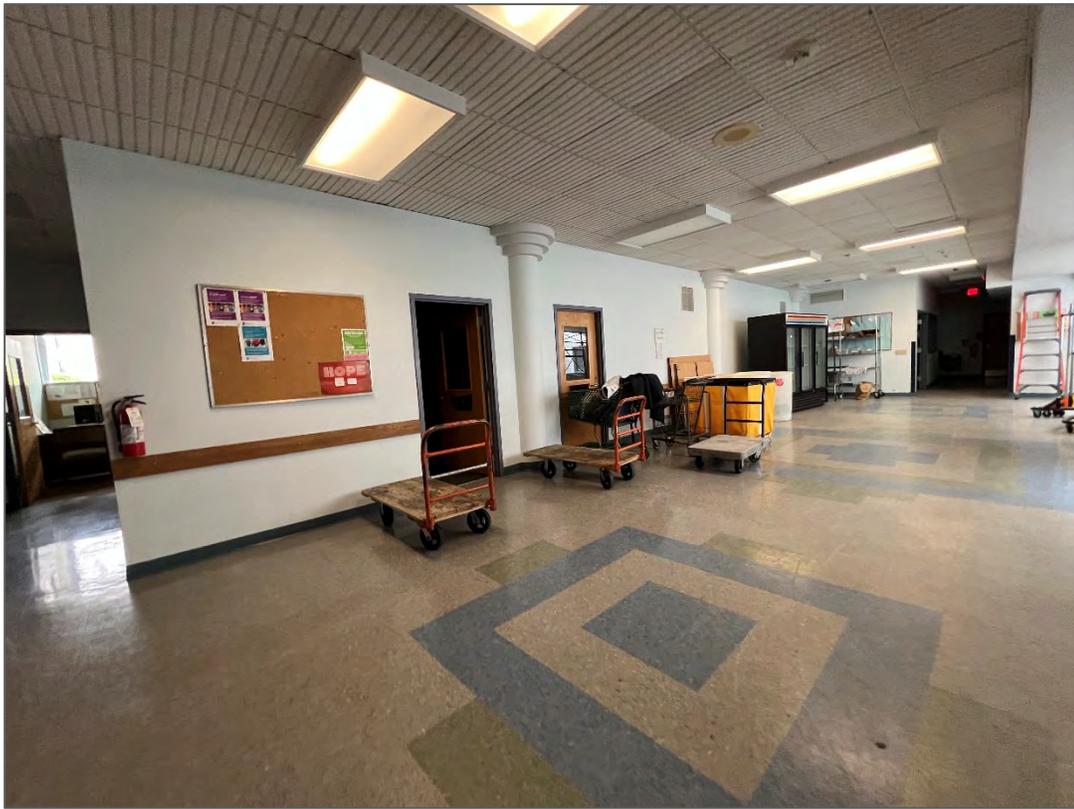
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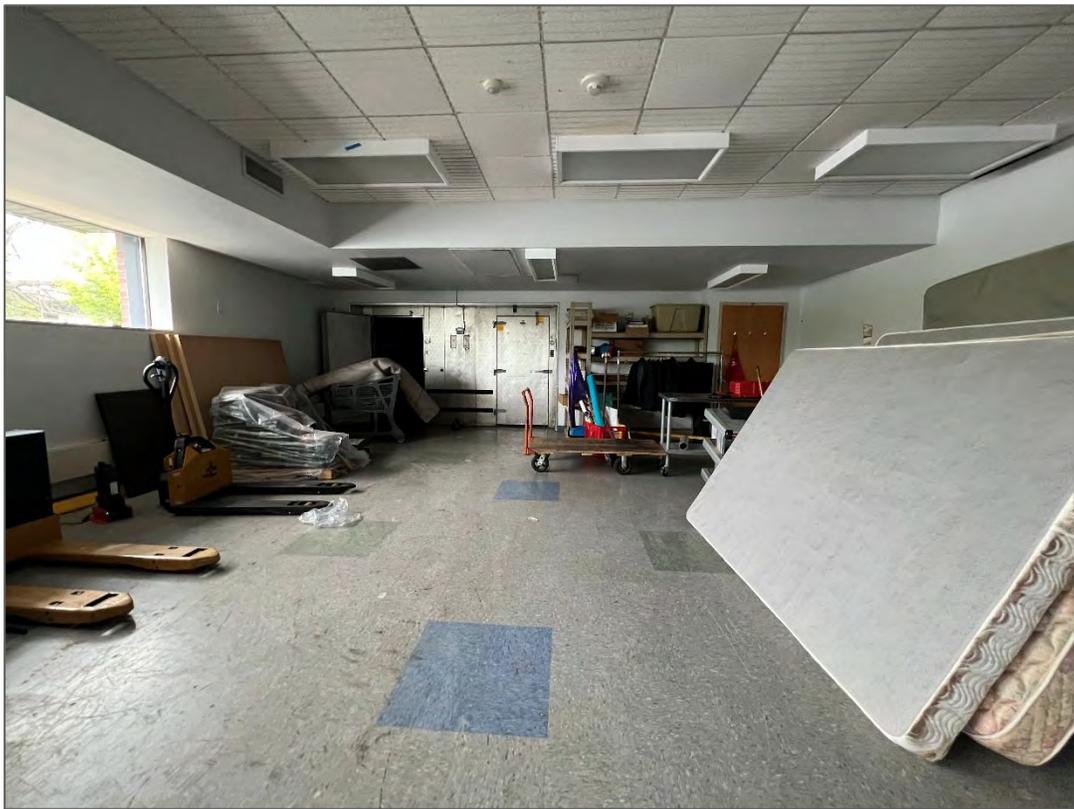
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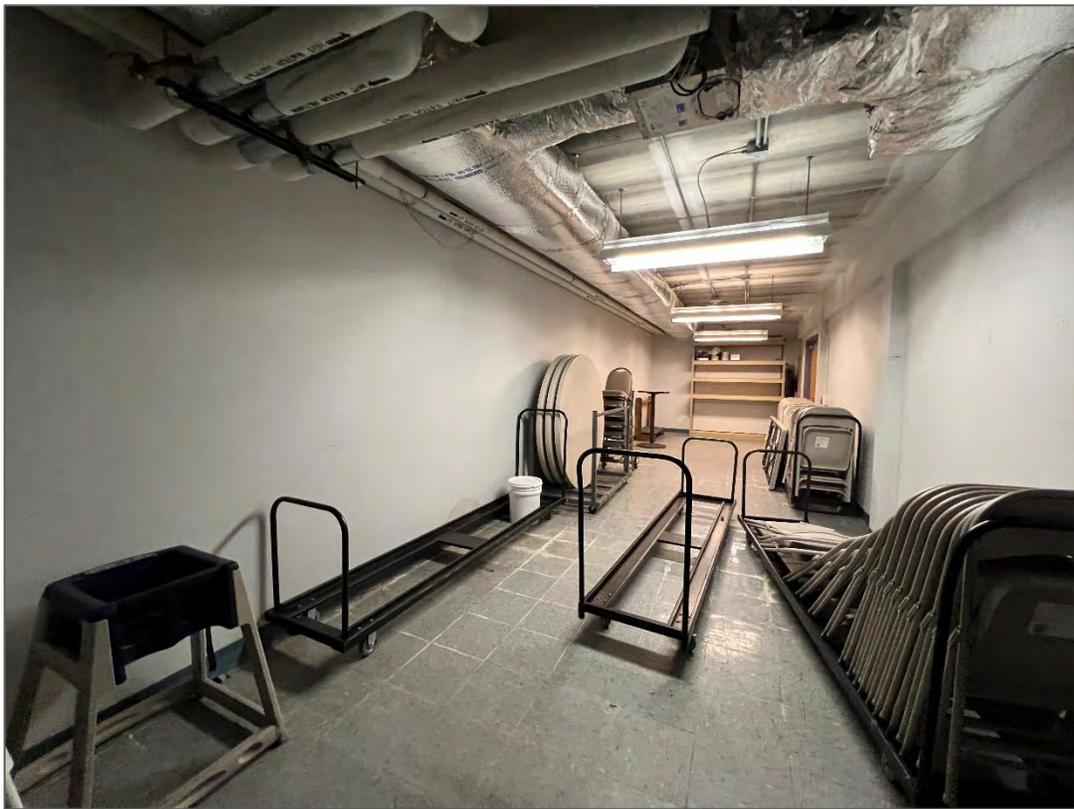
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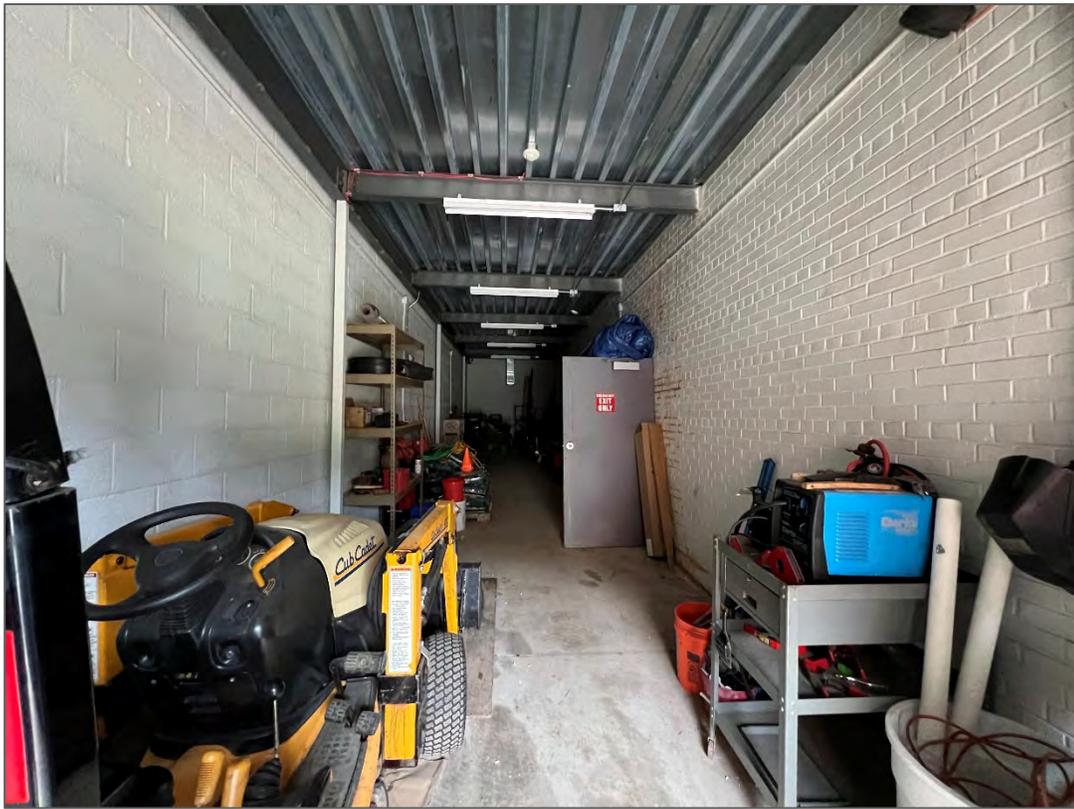
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INTERIOR VIEW



INTERIOR VIEW



INTERIOR VIEW



STREET VIEW



STREET VIEW

# SECTION II: EXECUTIVE SUMMARY

# Executive Summary

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**Property Name:** Salvation Army Office Building

**Property Location:** 3030 Darbo Drive, City of Madison, Dane County, Wisconsin 53714

**Property Type:** Class C Office Building with Gymnasium

**Owner of Record:** The Salvation Army

## SITE DESCRIPTION

**Site Area:** 112,060 square feet (2.57 acres)

**Frontage:** 570 feet of frontage along Darbo Drive and 305 feet of frontage along Richard Davis Lane

**Zoning:** CC-T, Commercial Corridor - Transition District

**Floodplain:** According to the Federal Emergency Management Agency (FEMA), the subject is within Zone X, a low to moderate risk flood zone.

## IMPROVEMENT DESCRIPTION

**Building Area:**

Building Area	Built	Square Feet
<b>Office Building</b>	<b>1962/1966/2012</b>	
Lower Level - Storage		5,096
Lower Level - Office		7,238
First Floor - Office		25,945
Gymnasium		12,112
<b>Total Building Area</b>		<b>50,391</b>
<b>Gross Finished Building Area</b>		<b>45,295</b>

**Occupancy:** 100% owner occupied

**Age (Year Built):** 13 to 63 years (1962/1966/2012)

**Effective Age:** 10 to 20 years

**Construction Features:**

The Salvation Army Office Building was originally constructed in 1962 with addition in 1966. The Salvation Army purchased the building for owner occupancy in 1994 and completed a gymnasium addition in 2012. This facility is Class C constructed with Class C market orientation. This facility features multiple private offices, meeting rooms, commercial kitchen, game rooms, gymnasium with basketball court and fitness room. The facility includes 33,183 square feet of office space that includes 7,238 square feet of finished basement area. The gymnasium contains approximately 12,112 square feet. There is an additional 5,096 square feet of unfinished basement area utilized for storage.

This facility is constructed upon a concrete foundation and reinforced concrete slab, with steel and concrete framed structures, and brick and wood exterior facade. The roof is hip style with asphalt shingles, flat style with a rubber membrane roof, and gable style with steel coverings. Interior features include ceramic tile, vinyl tile, and carpeted flooring; painted drywall; acoustical tile ceilings with recessed fluorescent lights; wood trim and solid core doors. The building has multiple interior staircases and freight elevator serving all levels. This building is heated and cooled via forced air furnace and central air conditioning.

**VALUATION ASSUMPTIONS**

**Highest and Best Use:**

**As Vacant:** Commercial Development  
**As Improved:** Current use as an Office Building

**Interest Appraised:** Fee Simple

**Date of Valuation:** May 28, 2025

**Date of Report:** July 11, 2025

**Est. Marketing Period:** 9 - 18 months

VALUE INDICATIONS

The Salvation Army Facility 3030 Darbo Drive, Madison, WI	
Fee Simple Market Value as of	"As Is" 5/28/2025
<b>Cost Approach</b>	
Building Improvements including Land	Not Developed
<b>Sales Comparison Approach</b>	
Building Improvements including Land	\$3,620,000
<b>Income Capitalization Approach</b>	
Building Improvements including Land	\$3,560,000
<b>FINAL RECONCILED VALUE</b>	
Building Improvements including Land	\$3,600,000
<b>Financial Indicators - Fee Simple</b>	
Market Value per Sq Ft	\$79.48
Effective Gross Income per Sq Ft	\$7.86
Net Operating Income per Sq Ft	\$6.87
Expense Ratio	12.55%
Capitalization Rate	8.75%

# SECTION III: ASSIGNMENT PROCESS SUMMARY

# Assignment Process Summary

---

In developing a real property appraisal, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal.

For each appraisal, appraisal review, and appraisal consulting assignment an appraiser must identify the scope of work performed. Following the Scope of Work principle, the appraiser must first identify the client, the intended user(s), the intended use of the assignment results, and the type of value being developed.

## SUBJECT PROPERTY IDENTIFICATION

The subject property is identified as follows:

**Legal Owner/History:** The current owner of the property is The Salvation Army. There have been no other sales within our five year sale history search.

**PROPERTY ADDRESS:** 3030 Darbo Drive, City of Madison, Dane County, Wisconsin 53714

**Tax ID Number(s):** 251/0710-052-1005-1

**LEGAL DESCRIPTION:** A copy of the Title Insurance Policy(s) was not provided to the appraiser, therefore this report is subject to review the legal description if/when the policy becomes available.

## CLIENT INFORMATION

This appraisal report is being completed for Mr. Michael Sjogren of the Salvation Army of Dane County, 3030 Darbo Drive, Madison, Wisconsin. The Salvation Army of Dane County and/or its affiliates are the intended users of this appraisal.

## USE OF THE APPRAISAL

It is our understanding this appraisal is to be used for internal decision-making purposes.

## PURPOSE OF THE APPRAISAL

The purpose of this assignment is to determine the Fee Simple Market Value of the subject property in “As Is” condition.

### Definitions

These terms are defined by *The Dictionary of Real Estate Appraisal*, 7<sup>th</sup> edition, as follows:

**Market Value:** *The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus.” Implicitly in this definition is the consummation of the sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*

1. *Buyer and seller are typically motivated;*
2. *Both parties are well informed or well advised, and acting in what they consider their best interests;*
3. *A reasonable time is allowed for exposure in the open market;*
4. *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
5. *The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

The value conclusions reported herein assumes a “cash to seller” transaction.

**Fee Simple Estate:** *An absolute ownership interest unencumbered by any other interest or estate; subject to only the limitations of eminent domain, escheat, police power, and taxation.*

**Leased Fee Estate:** *An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of lesser or the leased fee owner and leased fee are specified by contract terms contained within the lease.*

With the exception of the leases and any deed restrictions or easements of record, the fee is assumed to be free and clear of all other liens, encumbrances, restrictions and/or defects of title. Notwithstanding the foregoing definition, encumbrances that run with the fee ownership of the property are utility easements and declarations per municipal approvals including the zoning currently in place. No additional reservations were reported. However, we recommend that a current and complete title search and survey be done on the property to determine the existence of any additional easements and encumbrances. Conditions of record and the valuation estimates contained in this report are subject to a current title search. The market values expressed and the property rights appraised are subject to these public utility easements, set back requirements, and any additional easements or encumbrances that may be determined as a result of a current title search and survey.

**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.*

**Marketing Time:** *The estimated length of time the property interest being appraised would have to be offered on the market prior to the hypothetical consummation of a sale at market value **after** the effective date of the appraisal.*

It is the appraiser's opinion the estimated marketing time and exposure time for this property would be 9 to 18 months under a Market Value scenario. This marketing time is based upon a review of similar properties in the market area, a review of statistical data from the Multiple Listing Service (MLS), and discussions with brokers knowledgeable in the marketing and sale of these types of properties.

**Extraordinary Assumptions:** An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. There are no Extraordinary Assumptions associated with this valuation.

**Hypothetical Conditions:** *That which is contrary to what exists but is supposed for the purpose of the analysis.* There are no Hypothetical Conditions associated with this valuation.

**Jurisdictional Exceptions:** *An assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.* There are no Jurisdictional Exceptions associated with this valuation.

### **Dates of Value**

The effective date of the “As Is” value estimate(s) is May 28, 2025, which coincides with the date of the physical inspection of the property by Kevin F. Meicher. This report date is July 11, 2025.

### **DISCLOSURE OF PRIOR SERVICES**

USPAP requires disclosure of prior services provided related to the subject property within the previous three years. We have provided previous appraisal services related to the subject property in 2023.

### **SCOPE OF WORK**

As mentioned previously, in developing a real property appraisal, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal. The appraiser must also be sure that the scope of work meets or exceeds both the expectations of the intended users and what the appraiser’s peer’s actions would be, as well as that their scope of work can be understood by the “general public”. In preparing the appraisal, the appraiser:

- Inspected the subject site and improvements
- Reviewed and analyzed information provided by property representative(s) and public records, including the subject’s site and building plans, and operating expense history
- Gathered information on comparable improved sales, comparable rents, operating expenses, and capitalization and yield rates
- Confirmed all comparable sales information with at least one of the parties of the transaction, listing or sales agent, register of deeds, and/or assessor files
- Analyzed the data and applied the sales comparison, and income capitalization approaches to estimate the “As Is” market values of the subject property; excluded the cost approach as it was not considered applicable

## **APPRAISAL STANDARDS AND REPORTING GUIDELINES**

The Uniform Standards of Professional Appraisal Practice (USPAP) allows for two individual types of reports: the Appraisal Report or the Restricted Appraisal Report. The essential difference between these two options is the content and level of information provided. The appropriate reporting option is dependent on intended use and intended users. An Appraisal Report prescribes the minimum level of reporting necessary for an assignment that has any intended user(s) in addition to the client, and for an assignment in which the client may need to understand the appraiser's rationale, or the client may not have specialized knowledge about the subject property. As this report option establishes a minimum level of information, the appraiser must decide if additional detail or explanation is required, given the intended use and intended users of the report. A Restricted Appraisal Report may not include rationale for how an appraiser arrived at his or her opinions, and conclusions may not be easily understood. In this case, any data, reasoning, and analyses not discussed in the report are retained in the appraiser's work file.

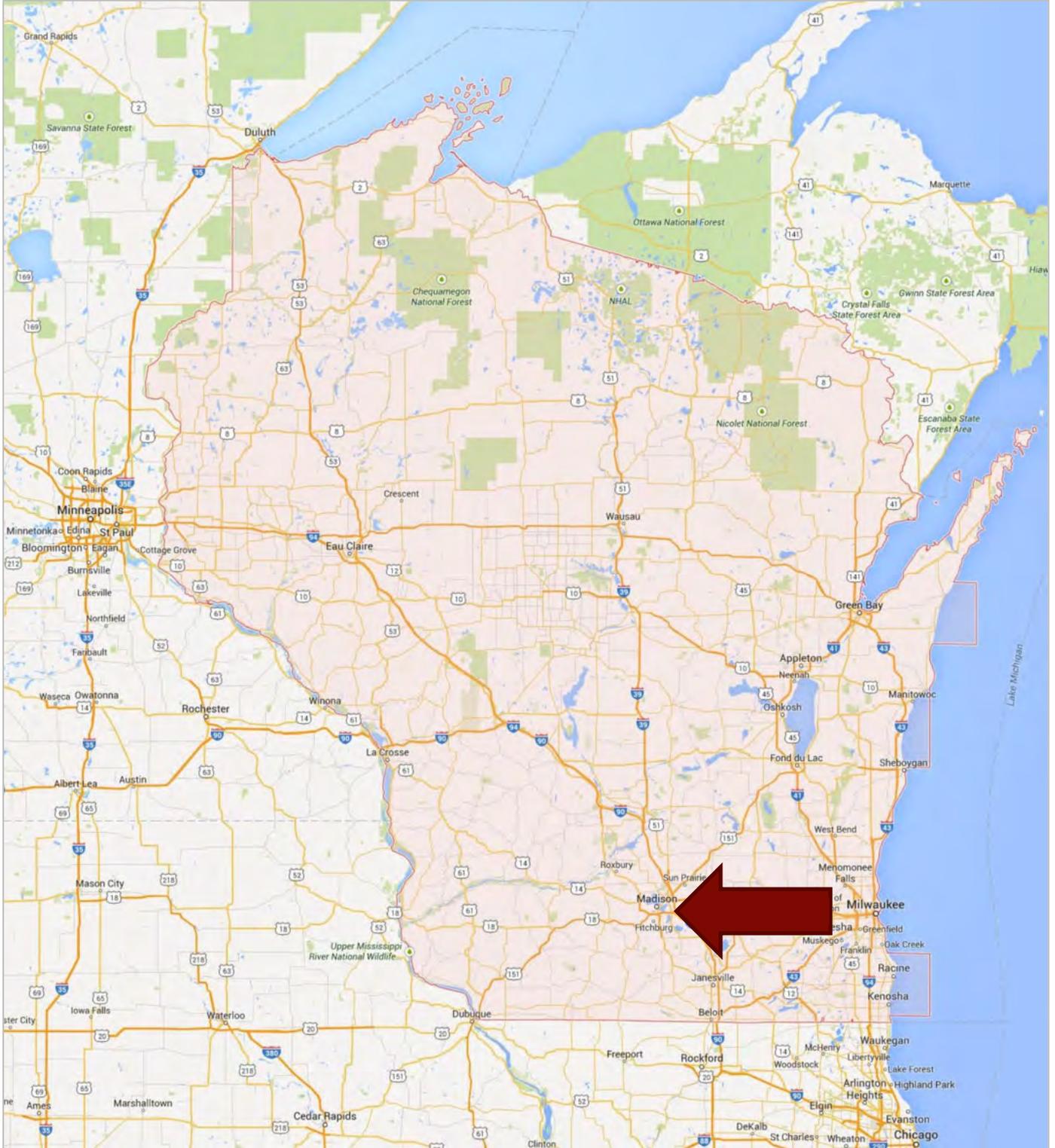
This is an Appraisal Report, subject to the Code of Ethics and Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation. In addition, the report has been written to comply with Title XI of the Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) and the Interagency Appraisal and Evaluation Guidelines adopted in 2010. This report has also been prepared in accordance with the operative engagement letter contained in the addendum.

## **COMPETENCY STATEMENT**

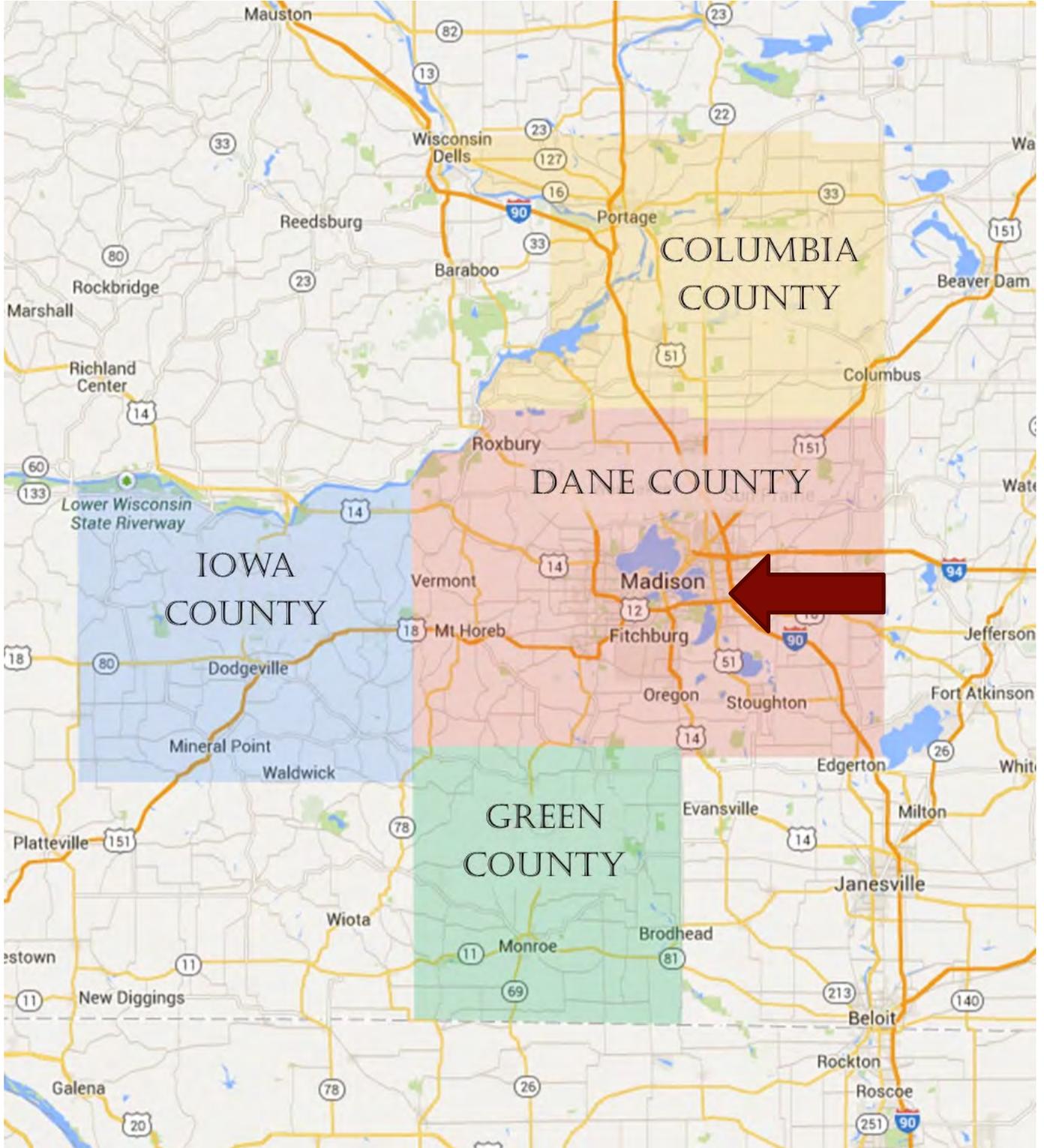
Meicher Real Estate specializes in services which include commercial real estate appraisal, brokerage, and consulting, which conform to USPAP and FIRREA guidelines. Kevin F. Meicher, a certified general appraiser with over 30 years of commercial appraisal experience, is qualified and knowledgeable in valuing these types of commercial properties, including the subject and similar properties.

# SECTION IV: MARKET ANALYSIS

# STATE MAP

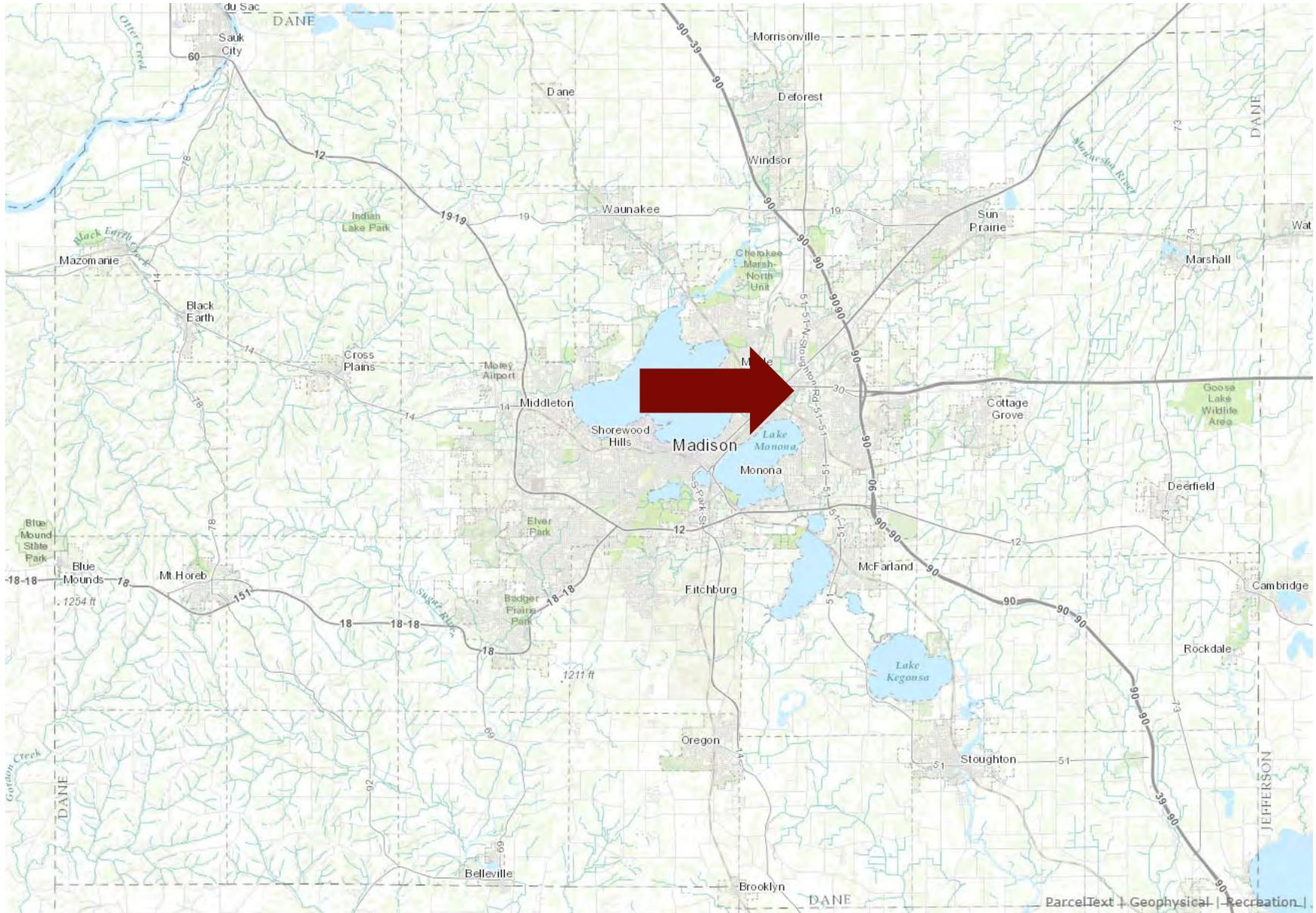


# MAP OF THE MADISON METROPOLITAN STATISTICAL AREA (MSA)



Source: GoogleMaps.com & Meicher Real Estate

# DANE COUNTY MAP

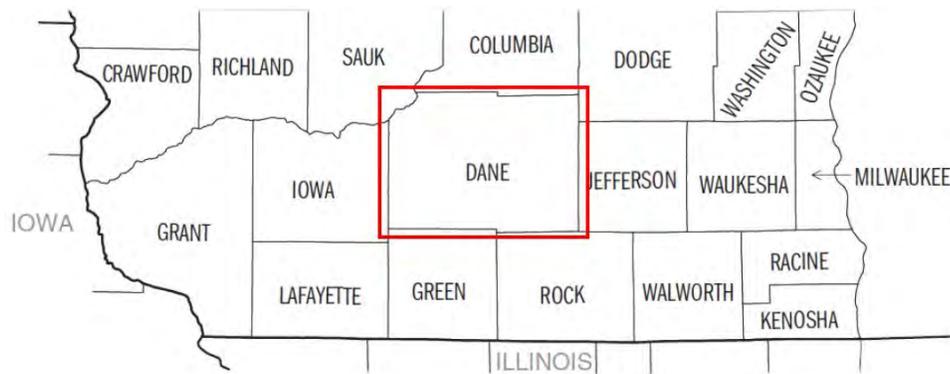


# Dane County Analysis

The subject property is located within the City of Madison, Dane County, Wisconsin. Therefore, an overview of Dane County and the Madison Metropolitan Statistical Area (MSA), which this section will present, provides a basis for understanding the area dynamics insofar as they might affect the subject property.

## Location and Linkages

Dane County is located in south-central Wisconsin, covering about 1,200 square miles and comprising over 60 municipalities. It is bordered by Columbia, Dodge, Jefferson, Rock, Green, Iowa, and Sauk counties and features more than 35 lakes along with 489 miles of streams and rivers—including the Wisconsin and Rock Rivers. As the second most populous county in the state (after Milwaukee County), it is anchored by the City of Madison, which is both the county seat and the state capital. The Madison Metropolitan Statistical Area, which includes Columbia, Dane, Green, and Iowa counties, benefits from Madison’s central location relative to major cities such as Janesville (45 miles north), Wisconsin Dells (55 miles south), Milwaukee (75 miles west), Rockford, IL (75 miles north), Dubuque, IA (90 miles northeast), and others.



Madison is well connected through a comprehensive network of federal and state highways, including Interstates 39, 90, and 94, and U.S. Highways 12, 14, 18, 51, and 151, which link the city to key regional markets. However, automobile access in the city is considered average; the densely developed Isthmus between Lakes Mendota and Monona (with construction dating back to the mid-1800s) often causes congestion for east-west traffic. To alleviate this, the Beltline Highway (Highway 12) was built to encircle the city along its eastern, southern, and western edges, providing a more efficient route for peripheral traffic.

Madison’s public transportation system is robust, with a city-owned bus service that is nationally recognized for its high seat-miles per capita, and six inter-city bus lines that offer daily service to major cities across Wisconsin and the Midwest. Rail freight services are provided by operators such as the Union Pacific Railroad, Soo/Milwaukee Railroad, and Wisconsin & Southern Railroad, while Amtrak passenger service is accessible via the Amtrak Thruway Bus from Columbus, 30 miles away. Additionally, Dane County Regional Airport/Truax Field, the second-largest commercial airport in Wisconsin, offers approximately 100 daily flights served by five major air carriers, handling around 1.6 million passengers annually and supporting international trade through its designated Foreign Trade Zone.

## Population

Population is a primary indicator of an area’s demographic and economic trends, therefore an analysis of the past and projected population trends within the area provides a guide to understanding the market.

As mentioned previously, Dane County is the second most populous county in Wisconsin, smaller only than Milwaukee County, and it continues to experience high growth rates. From 2010 to 2020, the population of Dane County increased by 15% of the population, significantly higher than the statewide total of 3.6%. Most of the surrounding counties also saw population increases, including Sauk (6.1%), Rock (2.1%), Jefferson (1.5%) and Columbia (2.9%) while Green, Iowa and Dodge counties saw growth rates under 1.0%.

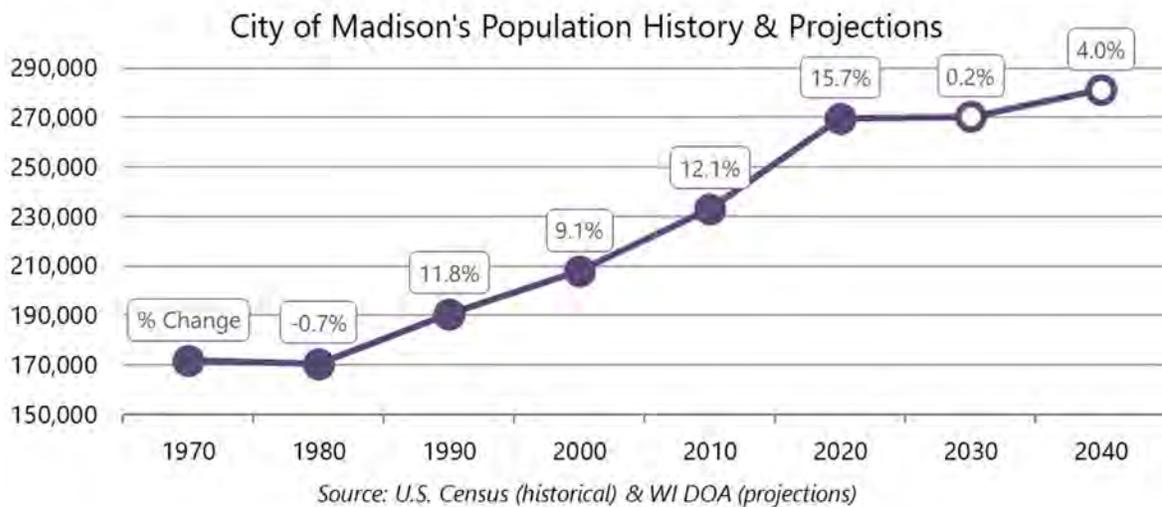
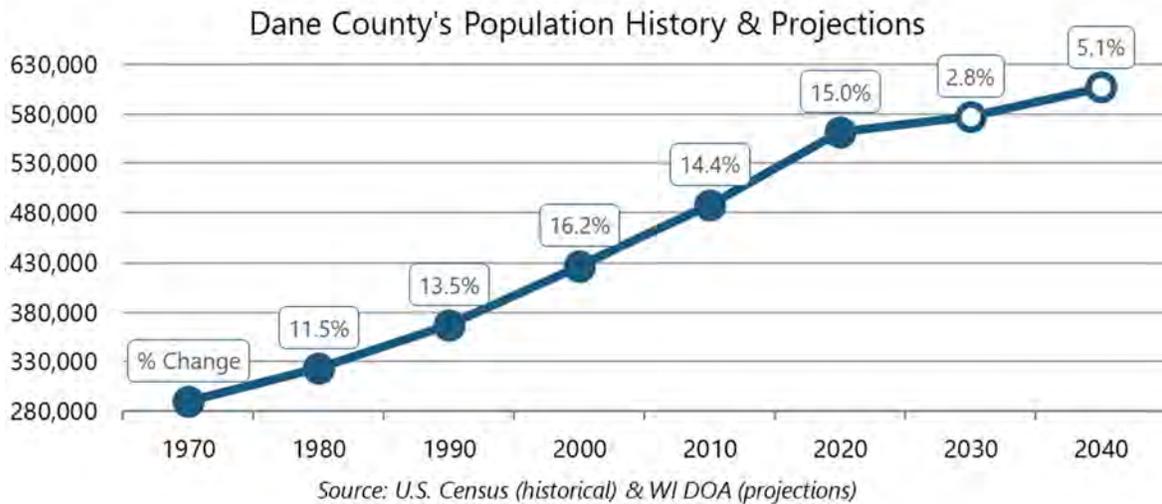
<b>Population</b>	<b>2010 Census</b>	<b>2020 Census</b>	<b>% Change</b>
United States	308,745,538	331,449,281	7.4%
Wisconsin	5,686,986	5,893,718	3.6%
Dane County	488,073	561,504	15.0%
City of Madison	233,209	269,840	15.7%
City of Sun Prairie	29,364	35,967	22.5%
City of Fitchburg	25,260	29,609	17.2%
City of Middleton	17,442	21,827	25.1%
City of Stoughton	12,611	13,173	4.5%

Source: U.S. Census

Nearly half of the county’s population is located within the City of Madison, although the fastest growing municipalities included the City of Middleton (+25.1%), and the City of Sun Prairie

(+22.5%). Aside from the capitol, the county's largest municipalities include the cities of Sun Prairie, Fitchburg, and Middleton, each of which is considered a suburb of Madison.

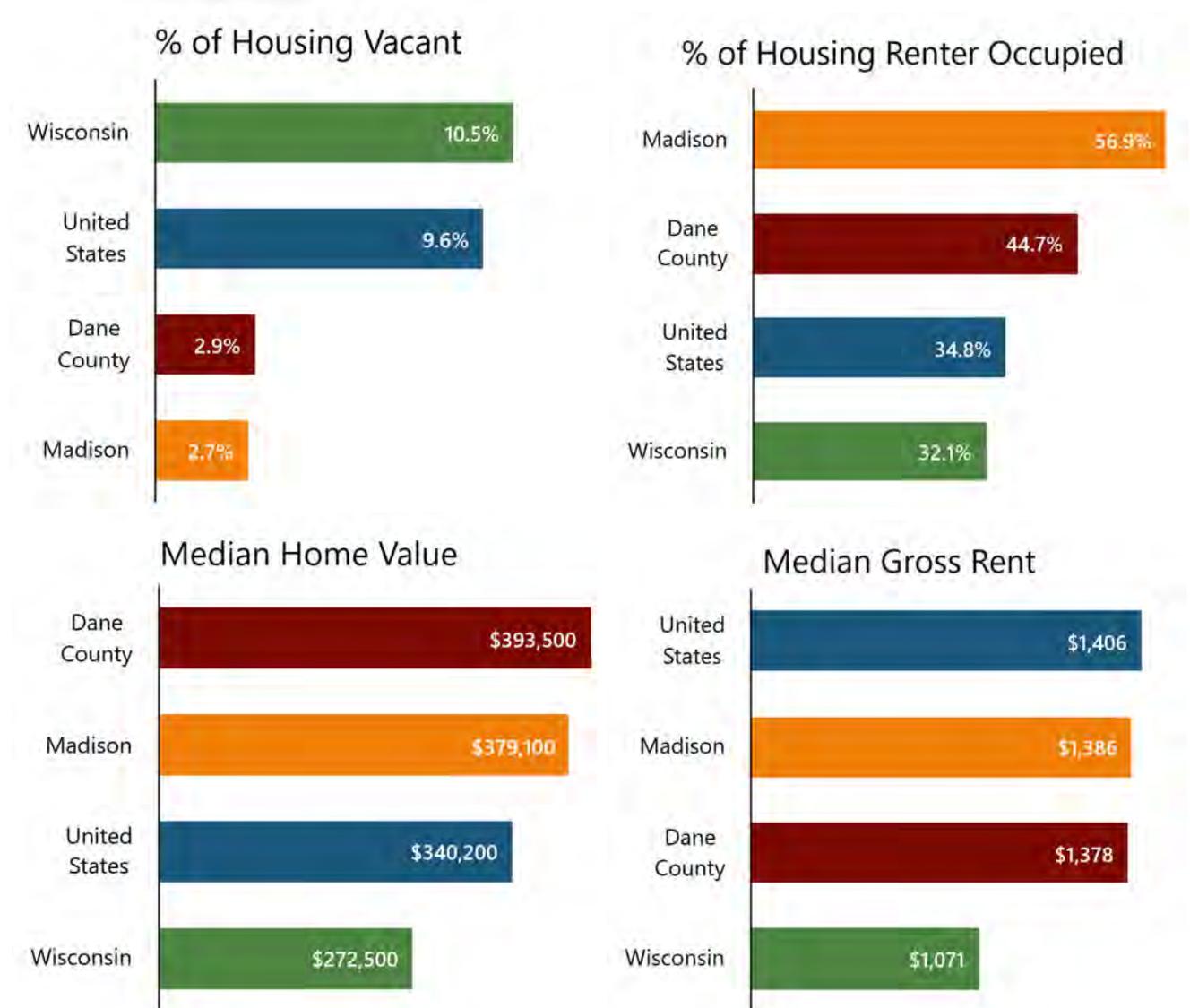
The following graphs display the population history and projections for Dane County and the City of Madison.



Dane County has led population growth in the past four decades, reaching 651,504 residents in 2020, a 15% increase, while Madison grew by 15.7% to 269,840, indicating growth outside the city. The Wisconsin Department of Administration projects under 3% growth for the county and under 1% for Madison over the next two decades. Statewide population growth has been declining due to migration, an aging population, and lower birth rates, with rural areas experiencing the most loss while urban areas see some growth.

## Residential Market

The U.S. Census Bureau conducts the American Community Survey (ACS) for information between Census years. According to survey data from 2023, the most recent year available, the City of Madison and Dane County have extremely low residential vacancy rates at 2.7% and 2.9% respectively, compared to 10.5% statewide. Approximately 56.9% of the city's housing is renter occupied, much higher than the county or state, primarily due to the presence of the UW-Madison campus. The median home value in Dane County is \$393,500, higher than the City of Madison median of \$379,100 and higher than the statewide median of \$272,500. However, the median gross rent (including utilities) in the City of Madison of \$1,386 is higher than the countywide median of \$1,378, both of which are significantly higher than the statewide median of \$1,071.



Source: 2023 American Community Survey 1-Year Estimates

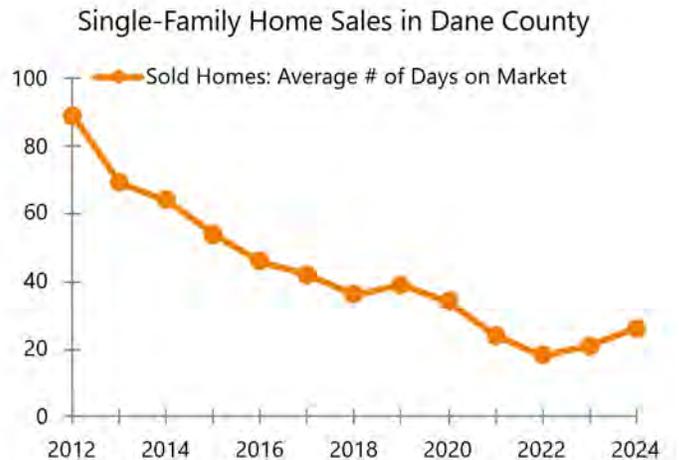
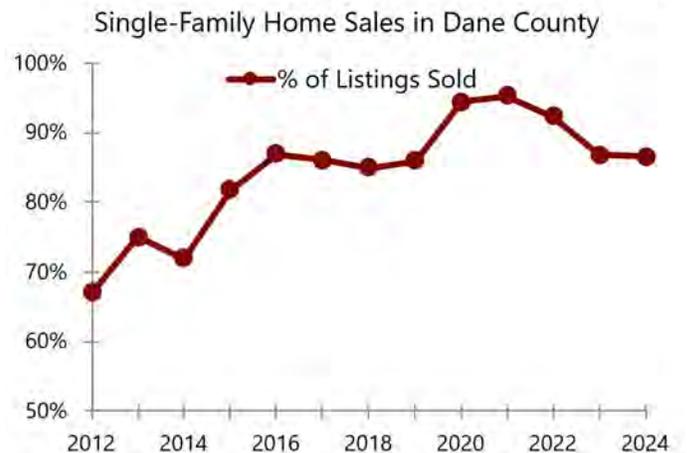
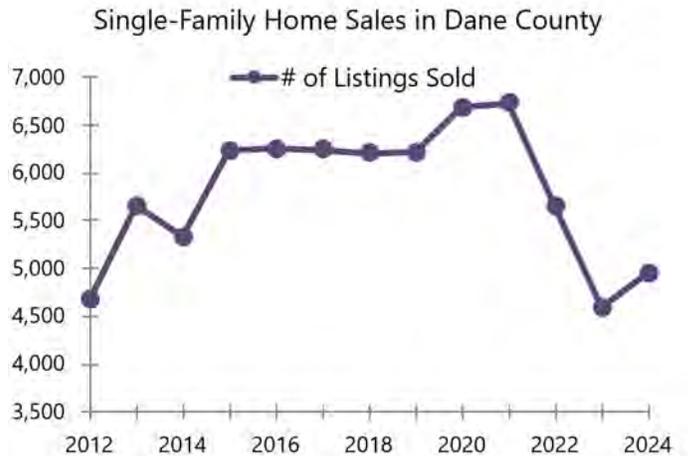
### Single-Family Home Sales

The South Central Wisconsin Multiple Listing Service (MLS) provides more detailed statistics on single-family home sales within Dane County, although this data includes homes that have sold through MLS only; it does not include homes that were sold directly by owners or builders, including new construction contracts.

The number of sales within Dane County has been increasing since bottoming out in 2011 when only 3,725 sales occurred. By 2013 the market reached pre-recession levels, and following a slight dip in 2014 total sales skyrocketed to over 6,000 annually from 2015 to 2021. However, in 2022 and 2023 the number of home sales decreased to 5,645 and 4,593 respectively. In 2024 there was a slight increase in home sales up to 4,955.

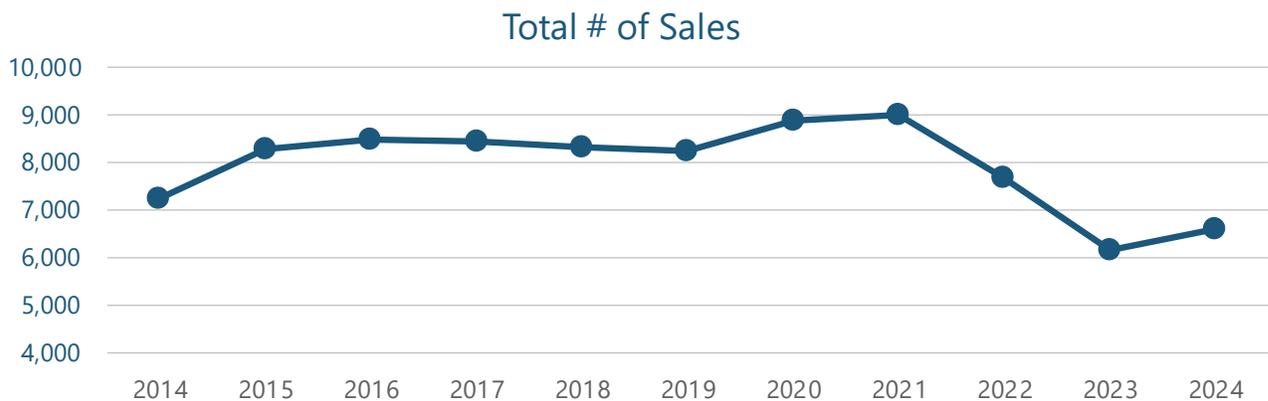
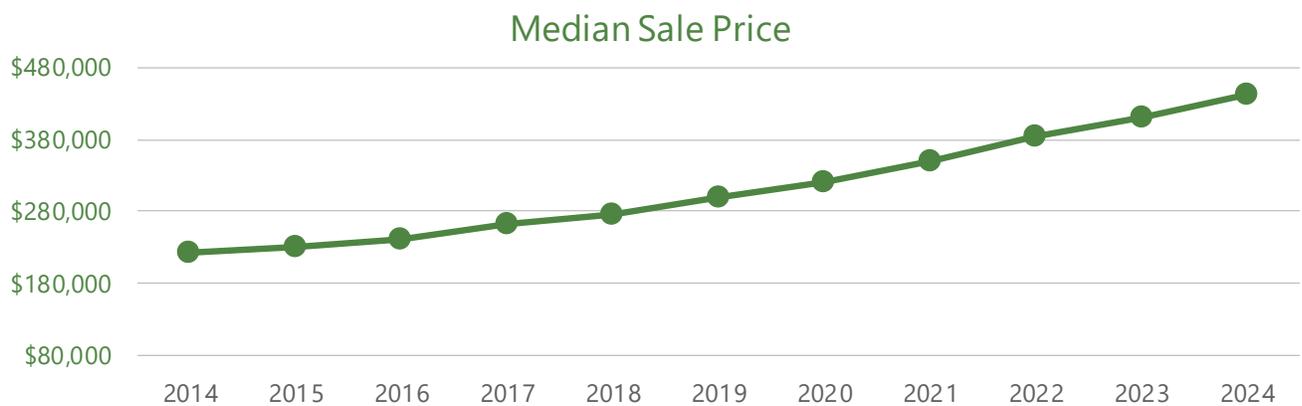
The percentage of all listings which sold has followed a similar trend, even surpassing the pre-recession levels during the past five years. In 2024, a total of 5,728 homes were listed for sale, of which 87% were sold, which has been near average for the past 10 years.

Of the listings that sold, the average number of days the home was listed on the market had been increasing each year until peaking at 94 days during 2011. The following years have recorded significant decreases, with the average at only 26 days in 2024.



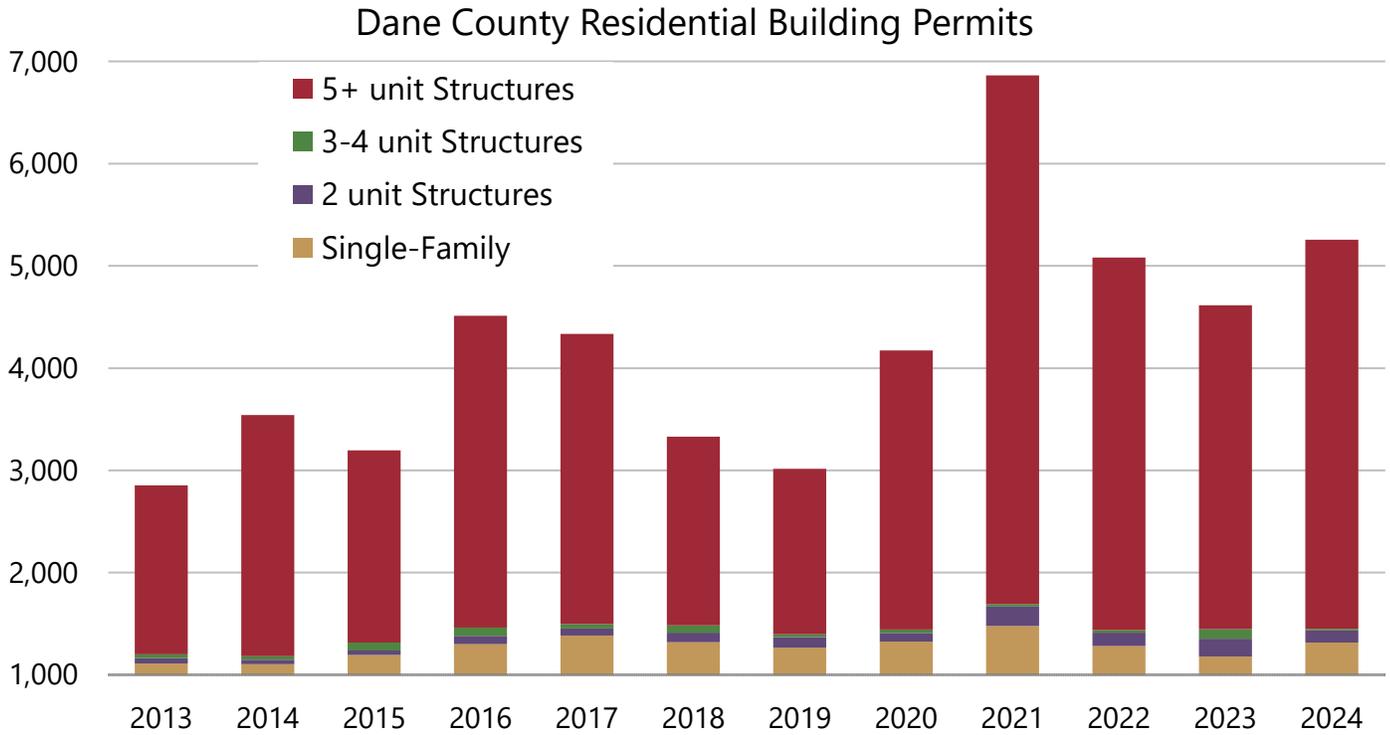
According to the Wisconsin REALTORS Association, the statewide median sale price finally surpassed pre-recession levels in 2016, reaching \$163,450, while the total number of sales that occurred in 2016, at 82,804, is significantly higher than pre-recession years. The following charts display the annual number of home sales and the median sale price in Dane County. As shown, the average home sale price in Dane County dropped to a low of \$198,439 in 2012, with the average sales price has gradually increasing each year. The average sales price in 2024 was \$443,000. The number of sales dropped following the recession, from nearly 6,797 sales in 2007 to only 4,833 sales in 2011. However, since 2013 the number of sales reached pre-recession levels. The total number of sales in 2024 was 6,574.

### Dane County Residential Home Sales



### New Development

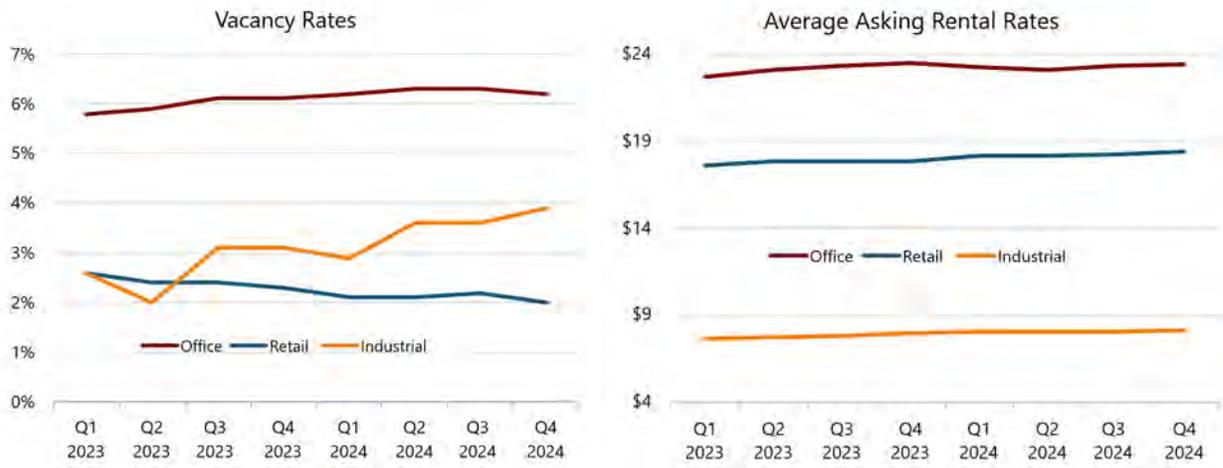
A review of the number of new residential building permits issued each year provides another indication of local market trends, including in the multi-family sector. The following chart illustrates of the number of construction permits issued for residential structures (single family and multi-family, including condominiums) in Dane County per the SOCDS (State of the Cities Data System).



Since the mid-1990s residential construction within Dane County steadily increased each year until peaking in 2003 when permits were issued for 5,400 units, nearly half of which were multi-family. New construction declined in the following years due to an oversupply within the market which was compounded by the recession in 2009. From 2006 to 2010, year-over-year decreases averaged 25%. In the years since, multi-family construction has recovered significantly, while single family construction has remained low. While just under half of all residential building permits issued within Dane County during the past ten years were for projects located within the City of Madison, 62% of the county's multi-family units were built in the city. In 2024, there was a total of 5,255 units with approximately 3,938 multi-family units.

## Commercial Real Estate

Surveys of the local office, retail and industrial markets are published by the research firm CoStar. This data includes vacancy and rental rates for properties in the Madison Metro area, which are summarized in the following charts.



Source: CoStar Reports

The Dane County office market's overall vacancies have been relatively consistent during the past three years. Office vacancy averaged 6.0% during the past three years, and in 2024 the average office vacancy was 6.3%. Asking rents (on Gross terms) have gradually fluctuated during the same period, averaging \$22.98 during the past three years and \$23.28 during 2024

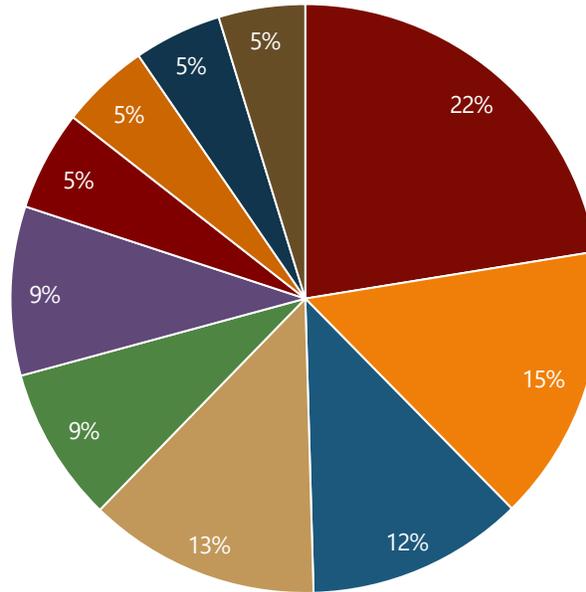
According to the CoStar survey data, the industrial vacancy rate has been gradually increasing during the past three years, from 2.6% at the beginning of 2023, to a high 3.9% in the fourth quarter of 2024. Rental rates have also gradually increased in the last three years, increasing from \$7.06 per square foot in the first quarter of 2022 to \$8.14 per square foot in the fourth quarter of 2024 (on NNN terms).

The local retail market has also been fluctuating during the last three years as vacancies have ranged from 2.0% to 3.7%. The average asking lease rate (on NNN terms) at the beginning of 2023 was \$17.58 per square foot, compared to \$18.41 at the end of 2024.

**Employment**

The following chart displays Bureau of Labor Statistics data for the Madison Metropolitan Statistical Area, which includes the counties of Columbia, Dane, Iowa and Green.

**Madison MSA's Largest Industries  
Number of Employees as of 2024**



Industry	# of Employees (2024)	% Growth (2023-2024)
Government	96,500	1.4%
Trade, Transportation, and Utilities	65,300	-0.9%
Professional and Business Services	51,200	-1.7%
Education and Health Services	54,700	2.8%
Leisure and Hospitality	36,600	-3.2%
Manufacturing	39,900	1.8%
Financial Activities	23,600	-3.3%
Other Services	21,000	1.9%
Information	20,700	-3.7%
Mining, Logging, and Construction	20,400	1.5%
<b>Total</b>	<b>429,900</b>	<b>0.0%</b>

Source: Bureau of Labor Statistics (BLS)

The public sector accounts for a significant percentage of employment in the Madison Metropolitan Statistical Area. Nearly 22% of non-farm employees worked for the government in 2024. Employers include the State, County, and City governments.

The education industry also thrives in this area, due to the University of Wisconsin-Madison and the Madison Metropolitan School District. Research activity on the University of Wisconsin-Madison campus is a major stimulus for growth in high-tech industries. The University maintains numerous resources for businesses interested in accessing research facilities and programs. Grants, venture capital, and loans are available to help businesses further their research and development goals. Research is taking place in the fields of medicine, genetic engineering, robotics, highway planning, agriculture, aviation and aeronautics, and zoology, among others.

Hospitals are also one of the Madison Metropolitan Statistical Area's top industries, with UW Hospital and Clinics, Dean Health Systems, Meriter Health Services, and St. Mary's Hospital each within the top 25 largest employers in the county. During the last ten years, the Education and Health Services industry has grown by nearly 23%.

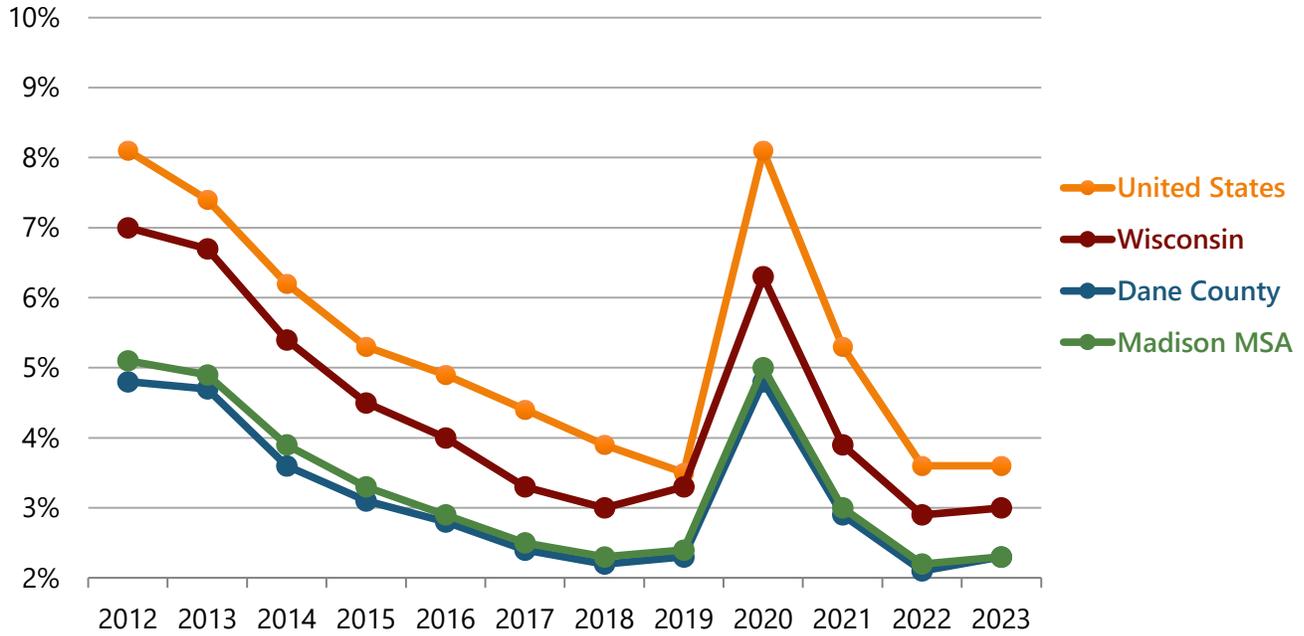
High-tech companies have also grown rapidly in the area, more than doubling since 1990. From 2006 to 2015 alone the industry grew by an astonishing 64%. Companies specializing in high-tech industry are playing an increasing role in the Madison area economy. Biotechnology, medical / biomedical researchers, microelectronics software and other computer-related firms dominate Dane County's research community.

Overall, the Madison Metropolitan Statistical Area is not considered to be reliant on any one industry, therefore the economy would not be vulnerable to a slump in any particular segment.

### ***Unemployment***

The following chart displays the average unemployment rate each year during the last decade for the United States, the State of Wisconsin, Dane County, and the Madison Metropolitan Statistical Area (MSA). As shown, Dane County and the Madison metropolitan statistical areas continually average much lower than the state of Wisconsin. This is mainly due to the fact that the Madison area offers a wide opportunity for stable employment through the university system and the state government headquarters. Unemployment rates have been steadily decreasing since the peaks in 2009 and 2010. In 2019, the Madison MSA unemployment was at 2.5%, while Dane County was 2.4%, both less than the State of Wisconsin, which was at 3.3%. In, 2020, all regions unemployment rates increased significantly due to the COVID-19 pandemic. During 2023 the Madison MSA unemployment rate decreased to 2.3%, while Dane County decreased to 2.3% compared to the State of Wisconsin at 3.0%.

## Annual Unemployment Rates



Source: U.S. Bureau of Labor Statistics

### *Agriculture*

Agriculture plays a large role in the area’s economy. Close to one-sixth of all farms in Wisconsin are in the Greater Madison trade area. Diversified farming contributes greatly to Madison’s stability and continued prosperity. Dane County is ranked among the top ten counties in the nation in value of farm products. Leading agricultural products are corn, alfalfa, tobacco, oats, eggs, cattle, hogs, and dairy products.

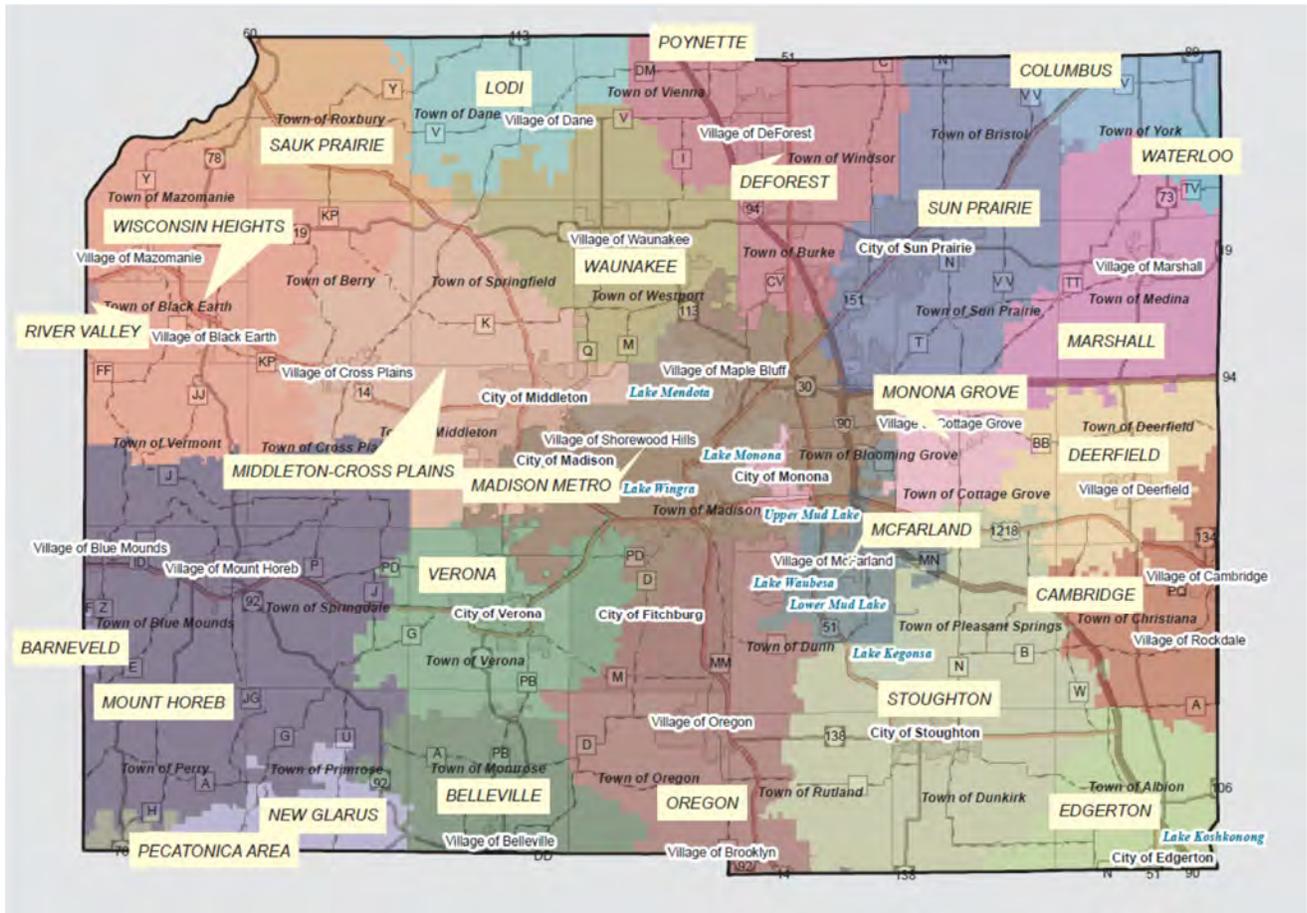
Dane County is considered to be an intensively farmed agricultural area and ranks second in the state in terms of the value of agricultural products sold. Dairy products are the most profitable commodities in Dane County’s agricultural sector. Madison is currently making excellent progress toward its goal of becoming the center for the world dairy industry.

Other

Education

Sixteen public school districts and 22 private schools serve more than 80,000 students in Dane County. The Madison Metropolitan School District is the largest in the county with an enrollment of 25,237 students for the 2023-2024 school year.

### Map of Dane County School Districts



Source: Dane County Comprehensive Plan

The University of Wisconsin-Madison is consistently ranked in the top ten of the nation’s educational institutions. The University of Wisconsin-Madison is the flagship of the state’s university system and plays a major role in both Madison and Dane County. It is a major employer in the area, and it attracts over 40,000 students in its undergraduate, graduate, and specialty schools. The University also attracts businesses and capital with its research in science and engineering.

Madison is also the home of other important state educational programs. Madison Area Technical College (MATC) is part of the highly regarded Wisconsin vocation, technical and adult education system. The MATC district encompasses the counties of Dane, Columbia, Jefferson, Sauk, and Marquette, providing instruction for over 30,000 people.

### ***Government***

Dane County is governed by the County Board which has 37 supervisors and a county executive. The county also has more than 55 committees, boards, and commissions to address countywide issues. The county's largest responsibilities are building and maintaining highways and operating welfare programs.

City government is directed by the mayor, who is the chief executive officer of the city, and by the common council which has 20 elected alder persons. The City of Madison has over 60 committees, boards, and commissions to assist in the decision-making processes. The City of Madison offers a full-service government with full time police and fire protection.

### ***Recreational and Cultural***

Dane County and the City of Madison have over 10,800 acres dedicated for public use. The focal point of recreational activities in the Madison area are centered around sporting and cultural functions related to the University of Wisconsin-Madison and the chain of lakes inter-connected by the Yahara River. These lakes include Mendota, Monona, Waubesa, Kegonsa, and Upper and Lower Mud lakes. Other recreational facilities in Dane County include 16 public golf courses, 123 camping sites, 46 miles of hiking trails, over 150 miles of bike trails, public hunting grounds, snowmobile trails, skiing facilities, and approximately 35 area lakes.

### **Summary**

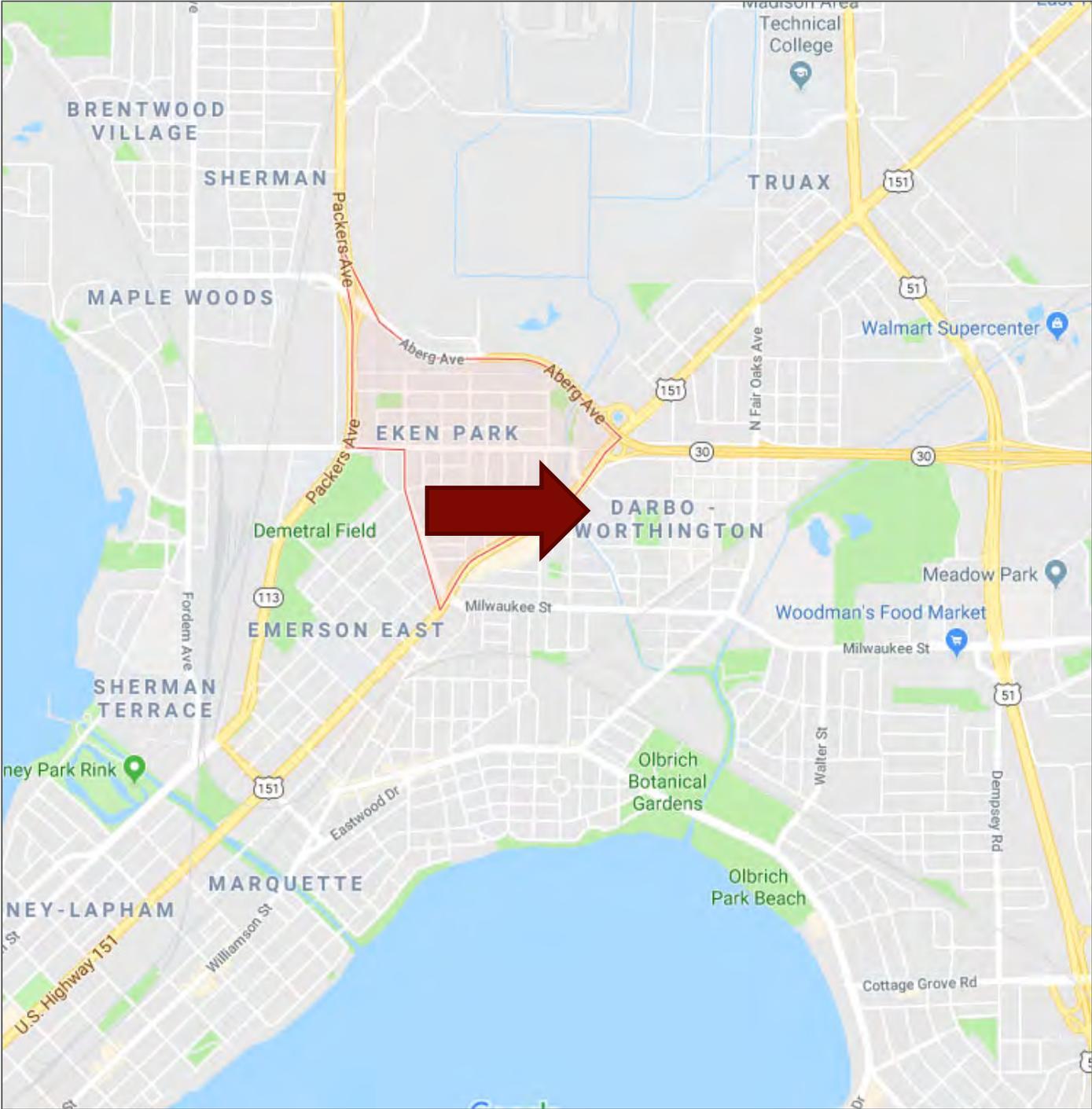
The City of Madison and the Dane County area have historically been regarded as having a high quality of life and stable economic base. The area's strong economy, employment base, governmental influence, and stable housing market are all indicators of a strong and healthy local economy.

The Madison area is home to the state's capitol, the University of Wisconsin, and many large businesses that have created a diversified economy. Overall, the area is not reliant to any one industry and would not be affected by a slump in any particular segment. The highly educated population is continuing its steady growth. Madison's generally strong economy has had a positive effect on its real estate market. Overall, the long-term prospects for this area and its real estate market conditions are positive.

Also, the City of Madison has long been recognized in several nationally published newspapers and magazines. From being the "Safest Mid-sized City in America" to the "Top Farmers Market in America", the City of Madison continues to be a popular relocation city for young families. As the residential and commercial markets continue to grow within the City of Madison and its surrounding communities, the City has been recognized as one of the "Hottest Cities for House Hunting", as well as receiving high regard for its constant support of its small businesses.

Madison and Dane County's strong economies have had a positive effect on the real estate market as a whole. Data on single-family home sales from the WRA indicates a strong housing market with median sale prices and the number of sales reaching pre-recession levels. Occupancy levels for commercial properties are typically considered to be strong, with market rent levels being stable to increasing.

# Market Area Map



# Market Area Analysis

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## Introduction

The subject property is located Darbo Drive and near the Eken Park Neighborhood on the near east side of the City of Madison. The Eken Park Neighborhood is bounded by Aberg Avenue to the north and east, East Washington Avenue to the south, and Packers Avenue and North Street to the west. This section will discuss the neighborhood as well as development within the surrounding area to provide an understanding of the subject property's market.

East Washington Avenue (Highway 151) is one of the city's primary travel corridors. It runs northeast from downtown Madison centrally through the Isthmus to the city's eastern edge and the City of Sun Prairie. East Washington Avenue intersects with Aberg Avenue (State Highway 30), Stoughton Road (U.S. Highway 51) and Interstate Highway 39/90/94.

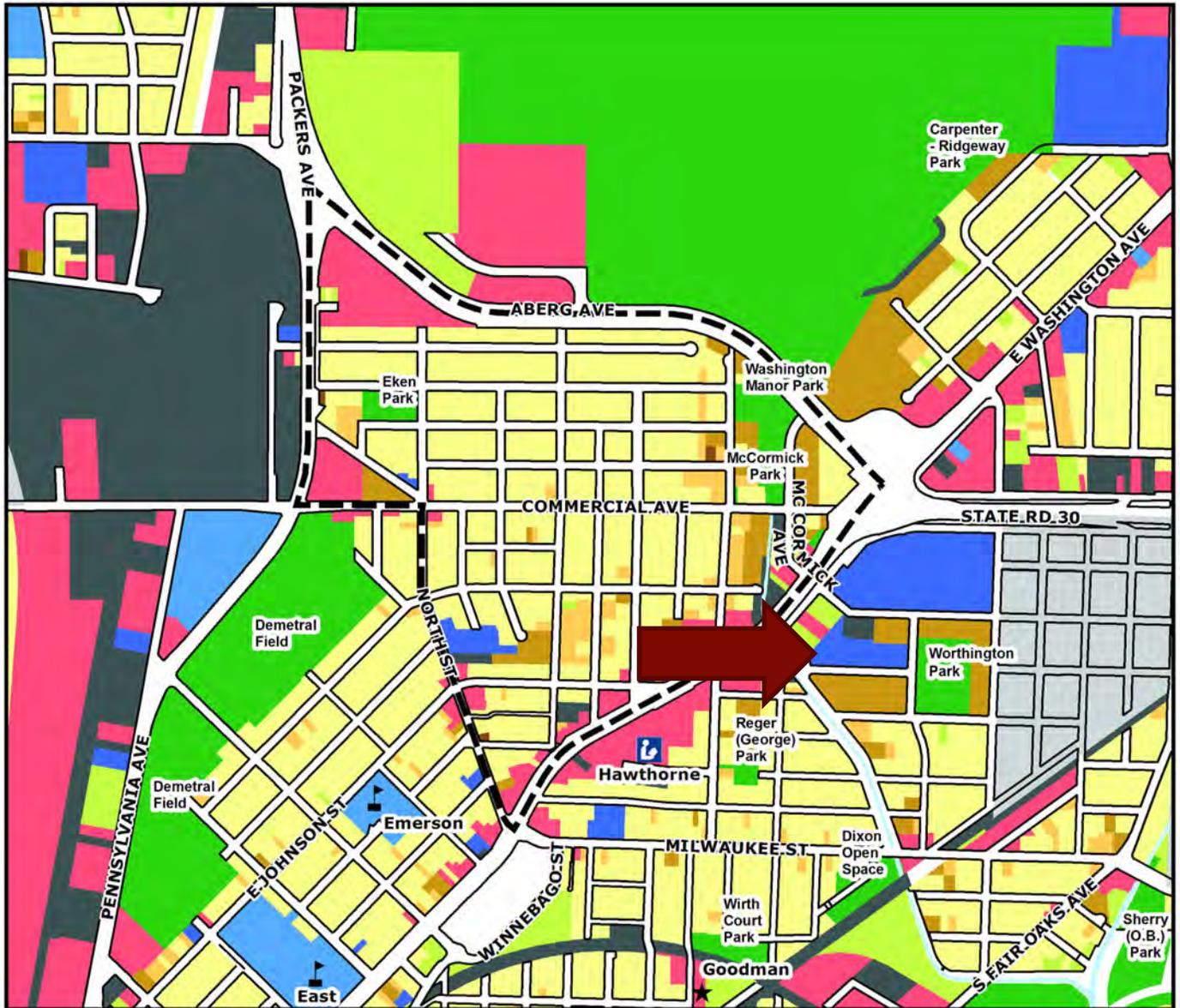
## EKEN PARK NEIGHBORHOOD

The neighborhood consists of primarily residential uses, single-family housing transitioning to multi-family housing and commercial uses clustered along the main corridors. The area neighborhoods are well established, with a majority of the housing is in excess of 50+ years old. The neighborhood is located in Dane County's largest school district, the Madison Metropolitan School District.

Commercial developments are primarily concentrated along major transportation routes, including East Washington Avenue. Commercial uses include office, retail, convenience, restaurant, and fast food. Other uses include an industrial park located to the west of Packers Avenue, government buildings including the Department of Corrections office, and Emerson Elementary School and Madison East High School.

A few small parks are located within the neighborhood; with larger parks including Carpenter-Ridgeway Park and Demetral Field nearby.

The following map illustrates the Eken Park Neighborhood boundaries and surrounding land uses.



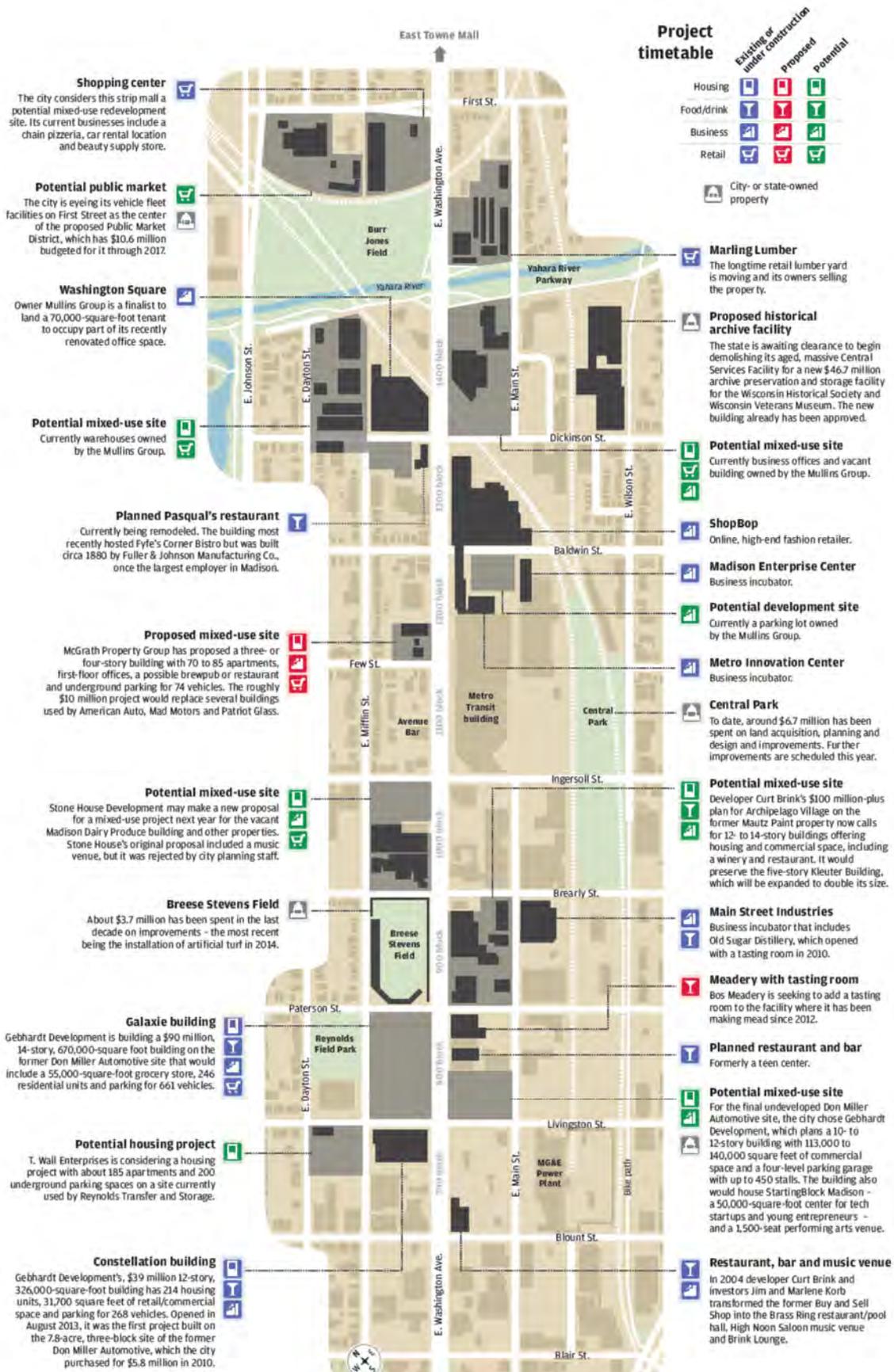
Land Use			
	Single-Family and Two Units		Industrial
	Multi-Family (3-4 units)		Educational
	Multi-Family (5 or more units)		Government and Other Institutional
	Other Residential		Park and Open Space
	Commercial		Agricultural or Vacant Land
			Hospitals
			Community Center
			Library
			School
			Neighborhood Boundary

City of Madison Department of Planning and Community & Economic Development, Planning Division 5/1/2015

### *East Washington Avenue Corridor*

East Washington Avenue is a six lane boulevard that begins at the capitol square, and is the main thoroughfare that connects the Isthmus to the north and east sides of Madison. Land uses along East Washington Avenue are primarily commercial. The commercial uses near the capitol square include governmental facilities, financial institutions, office, warehouse, automotive related, and some residential. East Washington Avenue is currently under construction as part of the East Washington Avenue Gateway Revitalization Plan. This plan was developed to create a more inviting and safe gateway to the Isthmus and downtown Madison. Current construction entails the replacement of utilities, new street lighting, new landscaping, as well as establishing a more pedestrian and bicycle friendly environment.

The following page displays a map of the current and proposed redevelopment projects for the corridor via the Wisconsin State Journal.



## Union Corners

A vacant lot just south of the subject along East Washington Avenue at the intersection of Milwaukee Street was proposed to be developed as Union Corners, although the development was put on hold. The site contains 11.5 acres and was planned for a mixed-use retail, condominium, and housing project. The development was approved by the city, although in 2010 the developer relinquished the property in lieu of foreclosure. The City of Madison agreed to purchase the site from the bank with the city's land-banking fund for \$3.3 million, well below the assessed value at the time of \$4.5 million. There have been multiple proposals for the site although nothing has been finalized. The initial proposal including primarily housing and condominiums, although since the housing market decline, proposals have focused more on commercial use. The following illustration is one of the initial Union Corners concept plans.

### CONCEPT SITE PLAN



### **Dane County Regional Airport**

The subject property is located south of the Dane County Regional Airport. The Dane County Regional Airport/Truax Field, a FAA-certified airport owned and operated by Dane County, provides air service to the Madison area and surrounding region. The Dane County Regional Airport has approximately 100 scheduled commercial flights daily, supporting roughly 1.6 million passengers yearly with 15 nonstop destinations. Authority for a Foreign Trade Zone has been granted to Dane County through its airport. This allows for more efficient receiving and inventory of imported products. Major air carriers include Northwest, United, Midwest Express, and various air-links to international hubs in Minneapolis, Chicago, and Detroit.

### **Truax Air Park**

The subject property is located near the Truax Air Park which is adjacent to the airport. The Truax Air Park is a development which was designed for research, office, electronics, warehousing, distribution, and airport related uses. The Truax Air Park has good access to transportation routes, located just three miles from interstate highways, frontage on U.S. Highway 113, and access to the regional airport and Canadian Pacific Railroad. There are several “high tech” research/manufacturing companies within the park. Available parcels that are designated for light manufacturing/warehouse space range from 5-7 acres to allow for possible future expansion. There are also several parcels available for office and other uses.

The 266 acre Bridges Golf Course borders the Truax Air Park to the south. The Bridges contains an 18-hole golf course, driving range, practice bunker, and two practice putting and chipping greens, and a bar and restaurant. The facility is located on airport land and open to the general public.

Several new business parks are currently under development in areas surrounding the Dane County Regional Airport, including Dovetail Subdivision, Interstate Commerce Park and The Center for Industry and Commerce. These parks have good access to major arterials are being predominately developed with office/warehouse and light industrial facilities.

### Madison College Campus

The Madison College (formerly known as MATC) Truax Campus is located southeast of the subject. Madison Area Technical College (MATC) is part of the highly regarded Wisconsin vocation, technical and adult education system. The MATC district encompasses the counties of Dane, Columbia, Jefferson, Sauk, and Marquette, providing instruction for over 30,000 people.

### East Towne Corridor

The East Towne Corridor is located in the northeast section of Madison. Commercial areas include office, lodging, convenience stores, strip retail, restaurants, banking institutions, big box retail, and the East Towne Mall. Other major commercial businesses include many big box retail stores such as Home Depot, Kohl's, Best Buy, Office Max, Old Navy, and Target. Also located around the East Towne Mall vicinity are many small retail stores and strips as well as private and chain restaurants such as Red Lobster, Chili's, Olive Garden, Outback Steakhouse, Culver's, Chick-Fil-A, Popeyes, Applebee's, Red Robin, and the Texas Roadhouse steakhouse.

### East Towne Mall

East Towne Mall is a regional shopping center that contains four anchor department stores, and totals approximately 1,200,000 square feet. East Towne Mall is home to stores including Boston Store, JCPenney, Sears, American Eagle Outfitters, Bath & Body Works, The Gap and Gymboree. The mall has a total of 110 stores and eateries. Retail development in this area has been strong due to the convenient location of the Interstate 90/94/39 and Highway 151.



## CONCLUSION

Overall, Madison's east side can be classified as a stable market with established development. Madison's east-side has seen significant growth in retail demand and single family and multi-family residential development in the past several years. The subject property is well positioned in the market near the area demand generators, and should be able to generate positive returns in the foreseeable future.

# Office Market Analysis

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## Introduction

The office market has a critical mass of properties such that it can easily be studied on a regular basis. Larger markets are surveyed by many real estate research firms which compile data that provide a gauge of the present status of this distinct product type. This section will examine office market statistics compiled by several of these firms to analyze the national office market as a whole, the large markets located within the Midwest, and the local office market.

## NATIONAL OFFICE MARKET

In spite of the difficulties experienced throughout the national economy within the past several years, the office market is experiencing a slow but steady recovery from the recession in 2009. Office vacancy rates have dropped significantly, and many markets have seen increased demand for new office space. However, the overall economic recovery is still uneven across the U.S. which has kept investors cautious.

One of this firm's most relied upon sources for research of the national market is the annual National Office Report by the Marcus & Millichap Research Services department. Marcus & Millichap is a leading investment real estate company with brokers throughout the nation. The research group provides a range of publications including the flagship national reports that offer comprehensive outlooks on the state of the industry. A discussion of the historical trends within the office market and data from the most recent 2025 National Office Report is contained within the following section. The national figures are based on an average of data collected from 46 large metro markets throughout the country. The report summarizes the state of the national office outlook as follows:

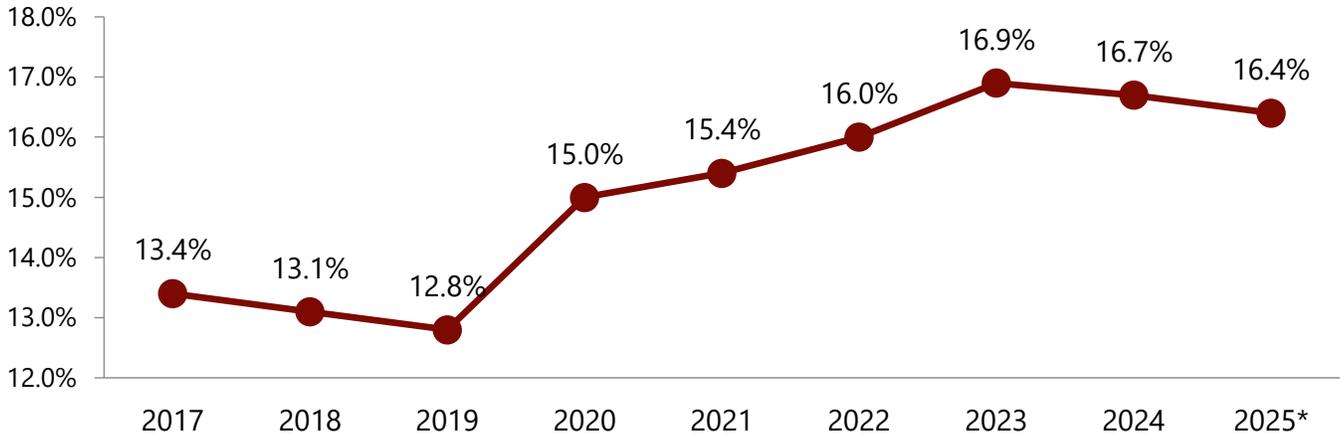
*Though office properties continue to face a particularly complex operating climate, some green shoots have begun to emerge. Net absorption was positive in three quarters of 2024, delivering the strongest office space demand since 2019 as corporate executives increased efforts to bring employees back to the office full time. This trend has so far been led by major financial institutions, along with some tech firms, but we are seeing the early signs in other sectors, as well as in local, state and federal government. The evolving shift in business sentiment on having workers in the office full time may strengthen over the course of 2025, bolstering demand for office space. That is not to say that remote and hybrid work schedules are coming to an end. Increased worker flexibility will likely be a permanent fixture in the business world going forward, but the momentum has shifted.*

## Vacancy Rates

A key indicator of the health of the market is the overall vacancy rate. There are several methods to examine vacancy trends to get an understanding of the market, including comparing average vacancy rates by year, vacancy rates by the class of office space, or the vacancy of a specific metro area in comparison to other nearby metros.

Following several years of a downward trend that began in 2003, vacancy rates reached a peak low in 2007, with Class A vacancy near 14%. Just two years later the national recession had resulted in a spike to nearly 20% of Class A office space vacant in 2009. Class B/C office space followed a similar trend. After the peak highs in 2009 and 2010, a slow recovery began with incremental decreases each year. Much of this absorption has occurred in the Class A sector; however, as Class A vacancy decreases, Class B and C sectors are expected to follow suit. Vacancy decreased from 14.5% in 2015 to a low of 12.8% in 2019 with an increasing trend in the following years during COVID-19. The forecasted vacancy for 2025 will decrease to 16.4%.

National Office Market  
Average Vacancy Rate



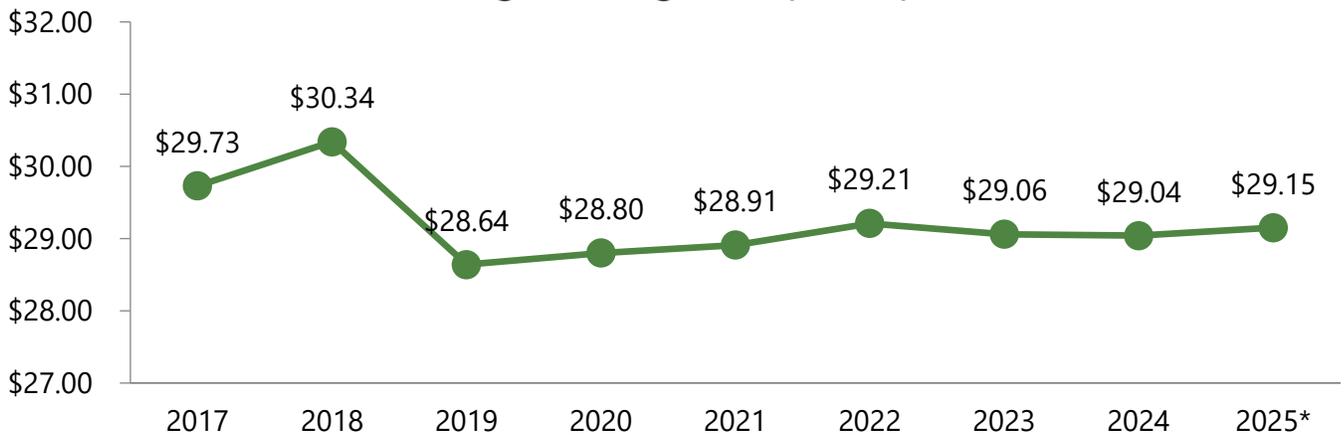
Source: 2025 Marcus & Millichap National Office Forecast Report

As an alternative source, office vacancy rates as reported by other firms have also been examined. Newmark Grubb Knight Frank reports slightly higher vacancy rates for recent years than Marcus & Millichap, although similar increasing trends during the past several years.

### Rental Rates

During the last decade, asking rents followed the inverse of the trend seen for vacancy rates; rents reached peak highs in 2007 and 2008 while vacancies were at a record low. Newmark Grubb Knight Frank reports slightly higher asking rents for recent years than Marcus & Millichap, although similar decreasing trends during the past several years. The forecasted average asking rent per square foot for 2025 will increase to \$29.15.

National Office Market  
Average Asking Rent per Sq Ft



Source: 2025 Marcus & Millichap National Office Forecast Report

### Construction & Absorption

Office construction peaked in 2008 as construction that began prior to the recession came online; the following years saw significant decreases as demand froze. According to the Marcus & Millichap analysis, completions of new office space increased in 2012 for the first time since 2008. Increases have continued in the years since, although completions are still far below pre-recession levels. Forecasts predict slowly increasing demand for office space due to job growth, which will further tighten the vacancy rate.

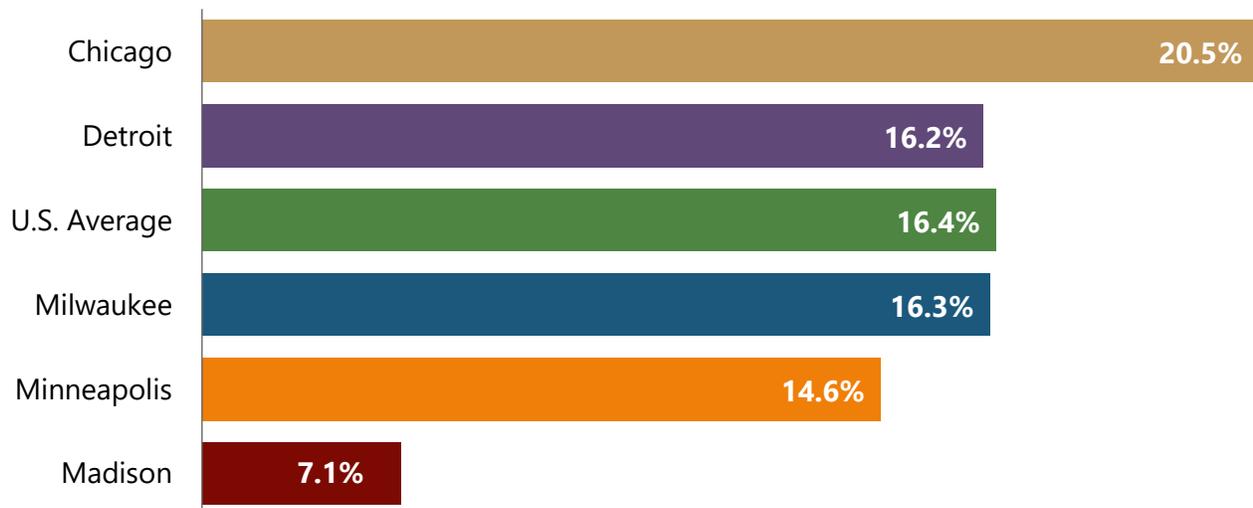


Source: 2025 Marcus & Millichap National Office Forecast Report

### REGIONAL OFFICE MARKET

The following chart compares the Madison Metro area forecasted vacancy rate in 2025 compared to surrounding major metropolitan markets in the Midwest. According to CoStar, Madison Metro’s average 2024 vacancy rate was only 6.3%. Marcus & Millichap 2025 forecasted vacancy rates ranged from 14.6% in Minneapolis to 20.5% in Chicago.

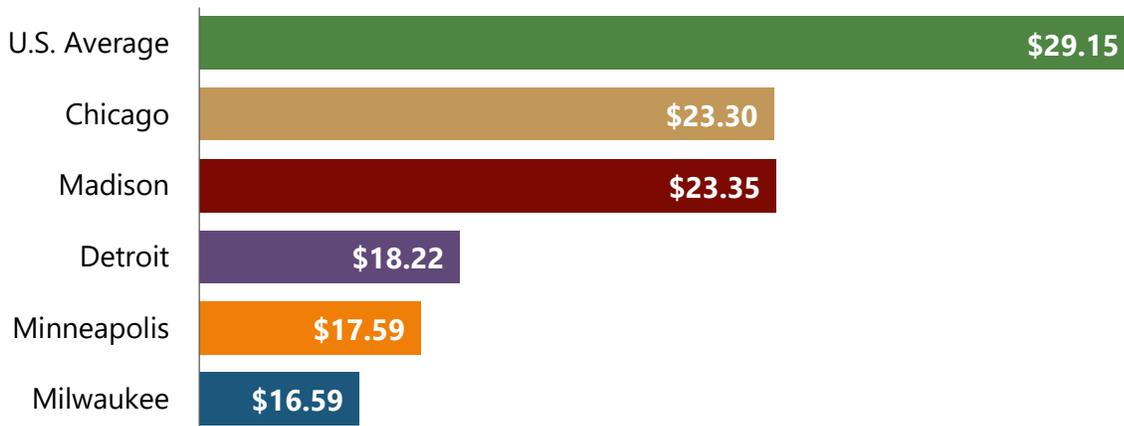
### Midwest Office Markets Vacancy Rates for 2025\*



Sources: Marcus & Millichap and CoStar

The next graph displays the average asking rental rates at year end for the same cities. According to CoStar, Madison’s 2024 rental rates averaged \$23.28, while Marcus & Millichap average 2025 forecasted rental rates ranged from \$16.59 in Milwaukee to \$23.30 in Chicago, while the average of all 46 major metros surveyed is \$29.15.

### Midwest Office Markets Asking Rents for 2025\*



Sources: Marcus & Millichap and CoStar

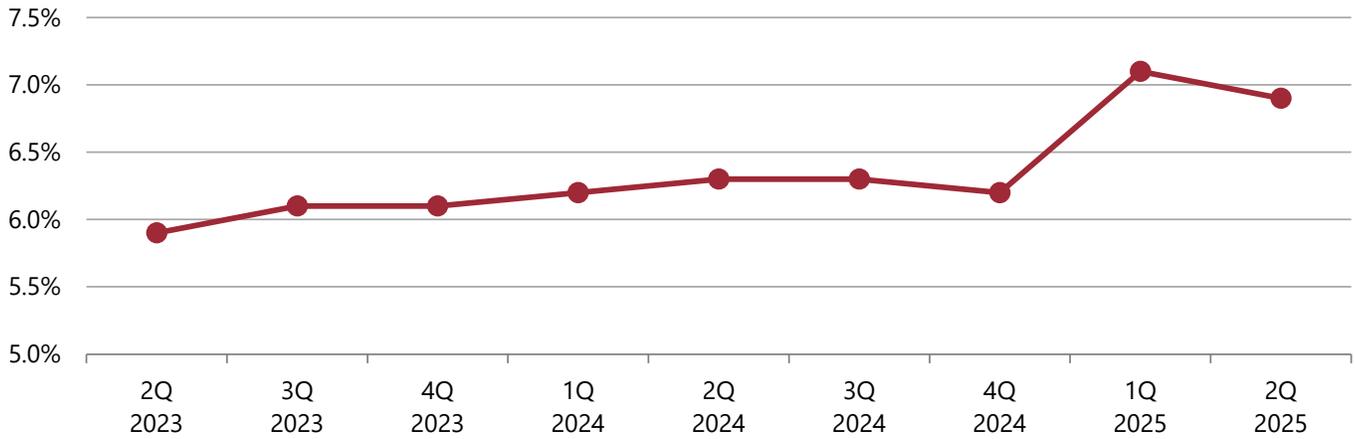
### LOCAL OFFICE MARKETPLACE

Due to the relatively small size of the Madison market, obtaining specific data for the local office market is difficult. Therefore, this report relies upon research subscriptions and above all the appraiser’s personal knowledge of the market. Kevin F. Meicher is a certified general appraiser with thirty years of commercial appraisal experience. His extensive knowledge of the market, based upon this firm’s appraisals of a significant portion of the local office inventory, provides a current and historical understanding of the local market. To provide an analysis based upon traditional indicators, we utilize data published by CoStar, a local real estate research firm. It is important to note that the relatively small number of properties actively listed at any time can result in large fluctuations in certain categories from quarter to quarter.

### Vacancy Rates

The Madison Metro office market’s overall vacancy rate increased to 6.9% in the second quarter of 2025, compared to 6.3% one year ago. The following graph displays the overall vacancy rate reported each quarter for the last two years.

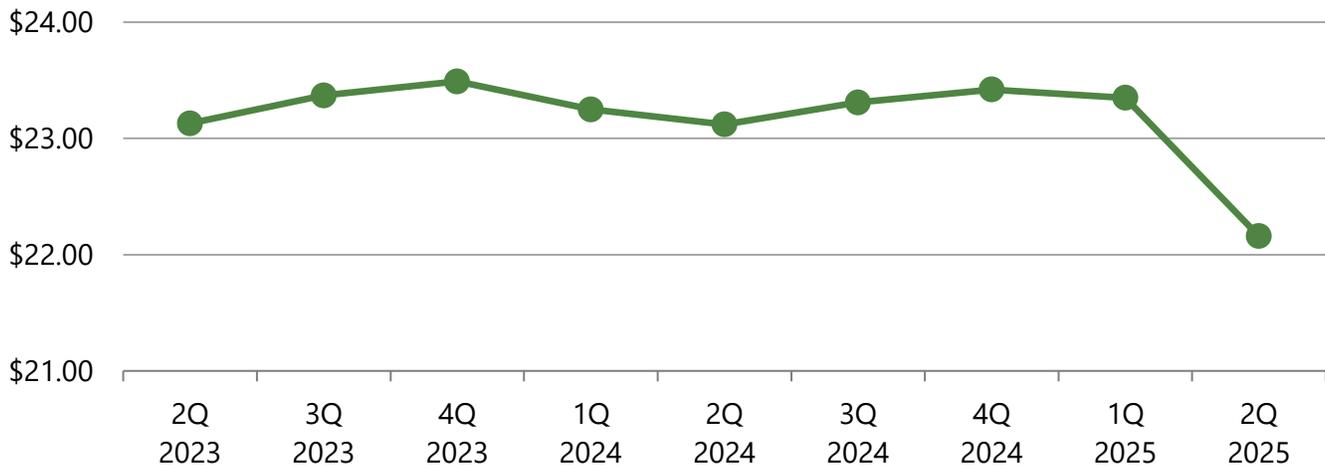
### Madison Metro Office Market Average Vacancy Rate



Source: CoStar

The Madison Metro office market’s overall rent has decreased from \$23.12 in the second quarter of 2024 to \$22.16 in the second quarter of 2025. The following graph displays the overall average asking rental rate reported each quarter for the last two years.

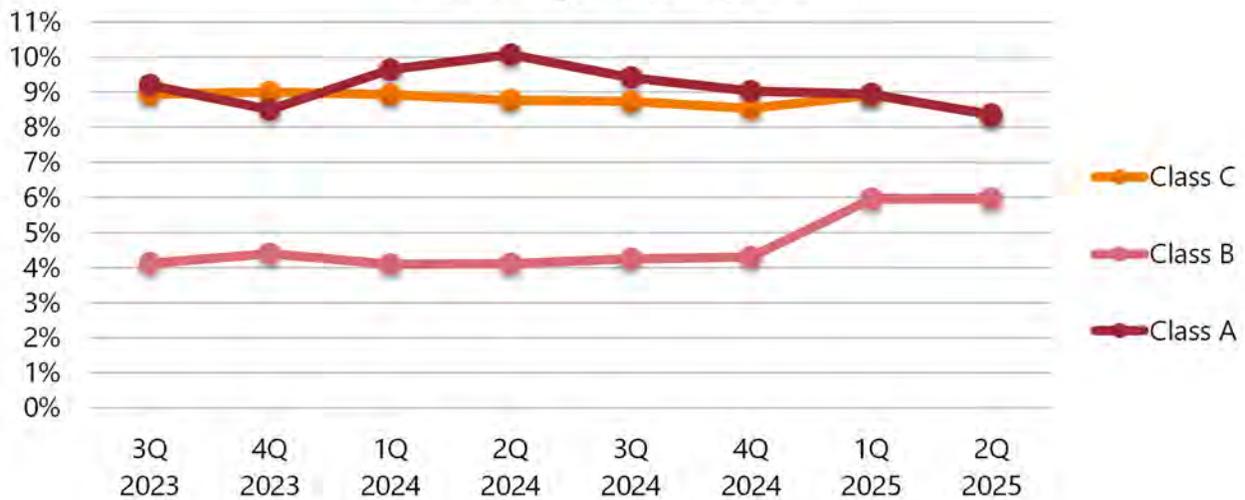
### Madison Metro Office Market Average Market Rental Rate (FSG)



Source: CoStar

At the beginning of 2024, the Class A vacancy throughout Madison was reported to be 9.6%, during the most recent quarter there was an 8.3% vacancy rate. Class B vacancies have increased, currently at 6.0% compared to 4.3% a year prior, while Class C vacancy is reported at 8.4%, decreasing from 8.8% a year ago. The average asking rents for the most recent quarter is \$20.48 for Class C space, \$20.92 for Class B space, and \$25.66 for Class A space. The following chart displays historic vacancy rates and asking rents by class for each quarter for the past two years.

Madison Office Market  
Vacancy Rate by Class



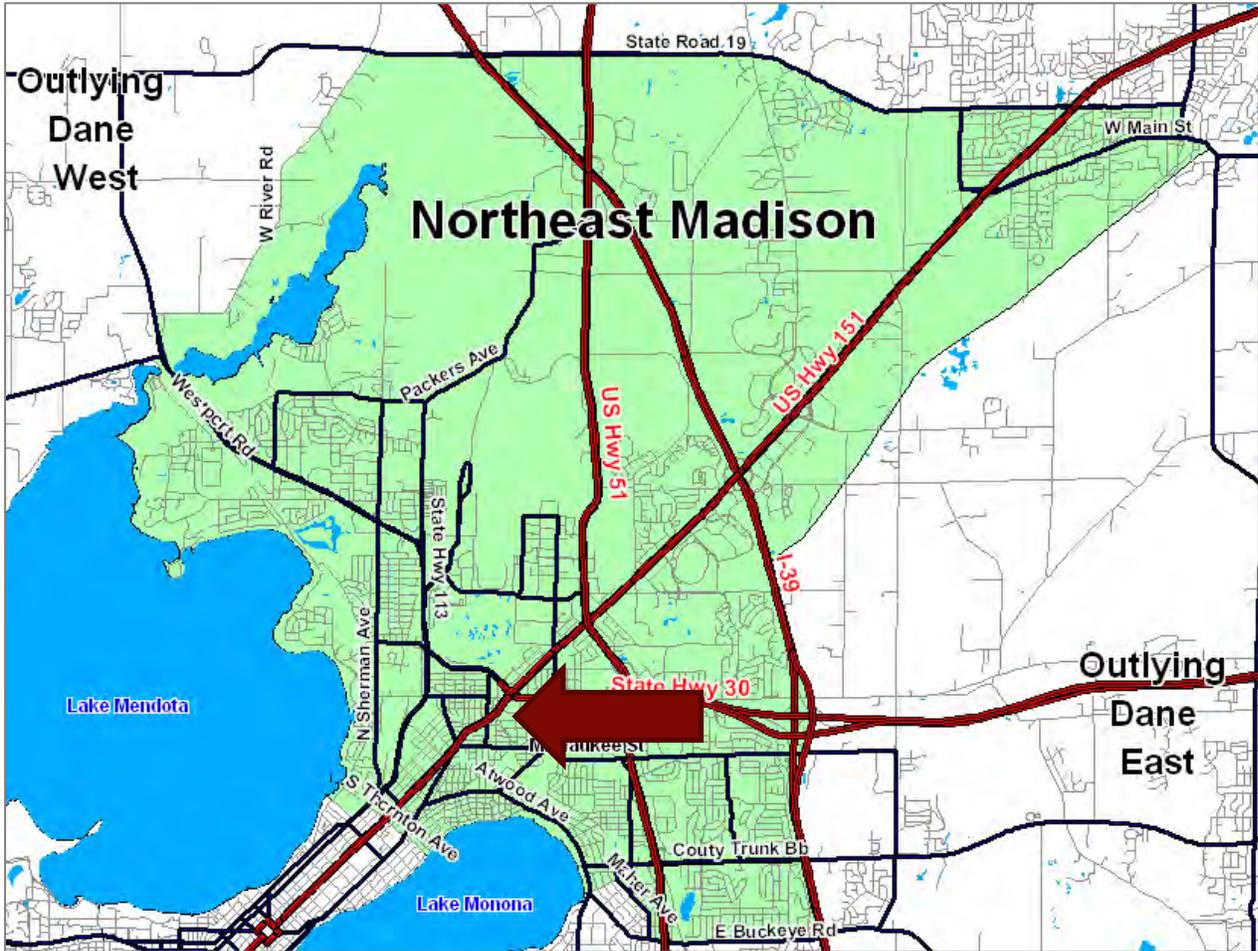
Madison Office Market  
Asking Rents by Class



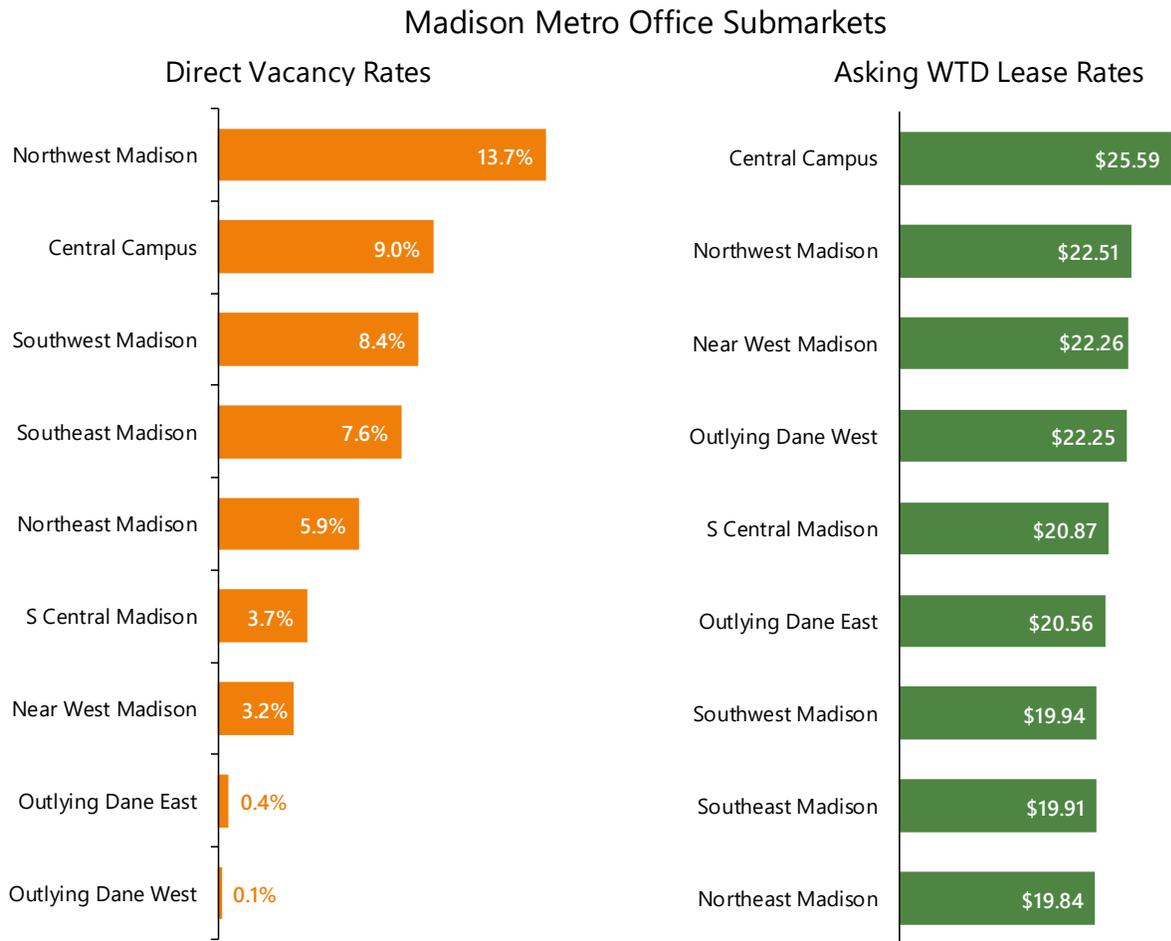
Source: CoStar

**Submarkets**

CoStar further segregates the Madison Metro Area (and surrounding area) into nine submarkets: Central Campus, Near West Madison, Northeast Madison, Northwest Madison, Outlying Dane East, Outlying Dane West, South Central Madison, Southeast Madison, and Southwest Madison. The following charts display the average vacancy rate and rental rate for each submarket as of the most recent quarter. Based on CoStar’s submarket boundaries, the subject property is located in the Northeast Madison submarket.



This submarket reported a vacancy rate of 5.9% during the most recent quarter, with asking rents averaging \$19.84 per square foot.



Source: Costar

### Conclusion

The Madison office market has consistently outperformed national averages and the other large metro markets in the Midwest due to its strong employment base including the University of Wisconsin system and the state government. Completion of new office space are also at historic lows; therefore, the market has been able to absorb some of the excess inventory created prior to the recession. The Madison office market is expected to see vacancy rates continue to decrease and rental rates continue to increase during 2025.

# Competitive Sub Market Analysis

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To estimate the market rental rate for the subject property, we have surveyed several office and warehouse buildings located within the subject property's market area. These properties share similar characteristics to some degree, including physical and effective age, design, total building size and rentable area available, asking rental range (face/effective rents), locational influence, and supply and demand characteristics, which broadly allows comparison between each building. In turn, these properties tend to compete for the same group of tenant prospects.

## DEFINITIONS

The following terms are commonly used to describe available space to lease:

- **RENTABLE AREA** is the amount of space on which the rental rate and reimbursement shares are based. The rentable area of a floor is fixed for the life of a building and is not affected by changes in corridor sizes or configurations. Rentable area is recommended for measuring the total income-producing area of a building and for calculating a tenant's share of a building for rent purposes.
- **Useable area** is the actual occupiable area of a floor or an office; computed by measuring the finished surface of the office side of corridor and other permanent walls, to the center of partitions that separate the office from adjoining useable areas. The useable area of a floor is equal to the sum of all usable area of that floor.
- **WHITE BOX** is a minimally finished space or building, in which the unit is ready for occupation with basic upgrades or build-out.
- **Raw or shell space** refers to unimproved, unfinished space; typically a newly constructed building.
- Competitive rental properties are leased under **GROSS TERMS**, in some instances with a base year stop associated with operating expenses, or on **TRIPLE-NET (NNN) TERMS**, whereby the tenant pays for all associated operating expenses. Rental listings may include an estimate of expenses per square foot for space leased on NNN terms.
- **ESCALATORS** within the market are typically based upon the consumer price index, or as stated between 2 to 4%.

The comparable rentals surveyed are detailed within the chart on the following page.

## COMPARABLE RENTAL SURVEY CHART

#	Address	Available Sq Ft	Asking Rent	Terms	Comments	Contact
<b>Office Comparables</b>						
1	1320 Mendota Street Madison, WI	150 - 12,000	\$13.00 - \$14.00	Gross+	33,816 square foot office building; constructed in 1978 and renovated in 1998; single story, multi-tenant building; up to 12,000 available square feet; offering 1-5 year lease terms.	Madison Commercial Ralph Kamps 608-345-2880
2	2901 Packers Avenue Madison, WI	5,000	\$12.00	NNN	5,000 available square feet of office space inside 95,000 square foot building; constructed in 1973; single story, multi-tenant building; offering 3 year lease terms.	Artisan Graham Cory Lucke 608-416-5664
3	2901 International Lane Madison, WI	1,300 - 12,974	\$17.50 - \$20.00	Gross	Up to 12,974 available square feet of office space inside 31,000 square foot building; constructed in 2004; three story, multi-tenant building; offering 3 year lease terms.	Plato Commercial Kent Yan 608-240-2010
4	2917 International Lane Madison, WI	13,320	\$15.25	Gross	13,320 available square feet of office space inside 39,960 square foot building; constructed in 1988; three story, multi-tenant building; offering 1 year lease terms.	Colliers International Colin McLandsborough 262-309-5597
5	43 S Stoughton Road Madison, WI	9,800	\$11.50	NNN	9,800 square foot office building constructed in 1971; single story, single tenant building; offering 3 year lease terms.	NAI Madison Dan Holvick 608-220-7740
<b>Warehouse Comparables</b>						
1	4415 Robertson Road Madison, WI	5,000	\$9.75	Gross+	5,000 available square feet of flex-space inside 34,000 square foot building; constructed in 1980; space includes 700 square feet of office space, 14' ceiling heights, and one drive-in door; offering 3 year lease terms.	Oakbrook Corporation Anton Keuntjes 608-443-1039
2	2401 Grimm Street Madison, WI	24,000	\$7.00	NNN	Stand alone, 24,000 square foot building; constructed in 2013; two-story, single tenant building; space includes 8,000 square feet of office space, two drive-in doors, one loading dock.	Newmark Chuck Redjinski 608-663-6006
3	1828 Wright Street Madison, WI	8,000	\$7.50	NNN	8,000 available square feet of flex space inside 45,000 square foot building; originally constructed in 1900; space includes 2,000 square feet of office space, 17-19' ceiling heights, three drive-in doors, one loading dock; offering 3-10 year lease terms.	Ruedebusch Commercial Tom Phillips 608-243-9070
4	3030 Gateway Place Madison, WI	6,960	\$9.00	Gross+	Stand alone, 6,960 square foot building; constructed in 1948 and 1963; single-story, single tenant building; space includes 1,000 square feet of office space, 20' ceiling heights, six drive-in doors, two loading docks, offering 1 year lease terms.	Altus Commercial Mitch Marty 608-214-6742

The office lease rates in the subject's market area range from \$11.50 to \$12.00 per square foot on NNN terms, \$15.25 to \$20.00 per square foot on gross terms, and one comparable at \$13.00 to \$14.00 on gross+ terms, varying primarily based on size and location. The warehouse lease rates range from \$7.00 to \$7.50 per square foot on NNN terms and \$9.00 to \$9.75 per square foot on gross+ terms, varying primarily based on size and location.

Adjustments were made to the rental rates to accurately compare to the subject facility.

- As a single-tenant building or multiple tenant per the four predominant areas, the subject's lease would be on NNN terms, therefore rent comparables on Gross terms required a downward adjustment.
- Active listings may be negotiated, therefore a downward adjustment was applied to each.
- Properties with superior locations were adjusted downward, with inferior locations were adjusted upward.
- Larger buildings / suite sizes required upward adjustments, while smaller buildings / suites required downward adjustments.
- The comparables that were older or in inferior condition warranted upward adjustments in this category while newer or in superior condition warranted downward adjustments.

The following chart displays the adjustments made to comparable rentals in comparison to the subject office facility.

**LEASE RATE ADJUSTMENT GRID**

**The Salvation Army Facility  
3030 Darbo Drive, Madison, WI**

COMPARABLE RENTS #	1	2	3	4	5	1	2	3	4
Rent Price per Sq Ft	\$13.00	\$12.00	\$17.50	\$15.25	\$11.50	\$9.75	\$7.00	\$7.50	\$9.00
<b>Rent Characteristics:</b>	<b>Office Comparables</b>					<b>Industrial Comparables</b>			
Lease Terms	-20.00%	0.00%	-20.00%	-20.00%	0.00%	-10.00%	0.00%	0.00%	-10.00%
Renewal / Active	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%
Economic Conditions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Date of Lease	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total Rent Adjustments</b>	<b>-25.00%</b>	<b>-5.00%</b>	<b>-25.00%</b>	<b>-25.00%</b>	<b>-5.00%</b>	<b>-15.00%</b>	<b>-5.00%</b>	<b>-5.00%</b>	<b>-15.00%</b>
<b>Adjusted Rent Price per Sq Ft</b>	<b>\$9.75</b>	<b>\$11.40</b>	<b>\$13.13</b>	<b>\$11.44</b>	<b>\$10.93</b>	<b>\$8.29</b>	<b>\$6.65</b>	<b>\$7.13</b>	<b>\$7.65</b>
<b>Physical Characteristics:</b>									
Site Location	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Suite Size	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%	5.00%	-5.00%	-5.00%
Age / Condition	-5.00%	-5.00%	-10.00%	-5.00%	-5.00%	0.00%	-5.00%	10.00%	10.00%
Build-out Quality	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Amenities	5.00%	5.00%	5.00%	5.00%	5.00%	0.00%	0.00%	0.00%	0.00%
<b>Total Physical Adjustments</b>	<b>-5.00%</b>	<b>-5.00%</b>	<b>-10.00%</b>	<b>-5.00%</b>	<b>-5.00%</b>	<b>-5.00%</b>	<b>0.00%</b>	<b>5.00%</b>	<b>5.00%</b>
<b>Final Adjusted Rent Price per Sq Ft</b>	<b>\$9.26</b>	<b>\$10.83</b>	<b>\$11.81</b>	<b>\$10.87</b>	<b>\$10.38</b>	<b>\$7.87</b>	<b>\$6.65</b>	<b>\$7.48</b>	<b>\$8.03</b>
<b>Total Adjustment %</b>	<b>-28.75%</b>	<b>-9.75%</b>	<b>-32.50%</b>	<b>-28.75%</b>	<b>-9.75%</b>	<b>-19.25%</b>	<b>-5.00%</b>	<b>-0.25%</b>	<b>-10.75%</b>
	<b>Value Summary Unadjusted Adjusted</b>					<b>Value Summary Unadjusted Adjusted</b>			
	<b>Mean per Sq Ft</b>		<b>\$13.85</b>	<b>\$10.63</b>		<b>Mean per Sq Ft</b>		<b>\$8.31</b>	<b>\$7.51</b>
	<b>Median per Sq Ft</b>		<b>\$13.00</b>	<b>\$10.83</b>		<b>Median per Sq Ft</b>		<b>\$8.25</b>	<b>\$7.68</b>

## RENTAL ANALYSIS CONCLUSION

As the facility is owner-occupied, the interest appraised includes the Fee Simple estate only. Therefore, the Market Value of the Fee Simple interest has been estimated based upon market lease terms. We have estimated blended market lease rates based upon the following allocations:

Market Rent Calculations					
1st Fl. Office	15,901	@	\$11.00	\$174,910	
1st Fl. Office	6,152	@	\$13.75	\$84,594	
Gymnasium	10,295	@	\$8.25	\$84,935	
Office - LL	6,152	@	\$6.88	\$42,297	
Blended	38,501		\$10.04	\$386,737	

\*Based upon Net Rentable Area (85% efficiency ratio)

The annual gross potential income is estimated to be \$386,737 in the Fee Simple condition based upon our market lease rates which will be utilized within our Static Cash Flow Analysis. The following chart indicates the estimate of gross potential income for the subject property based upon the market lease rates:

The Salvation Army Facility 3030 Darbo Drive, Madison, WI							
Suite # / Tenant Space	Tenant	Terms	Esc.	Lease Suite (SF)	Market Lease Rates		
					Per SF	Monthly	Annual
1st Fl. Office	Owner-Occ	NNN	TBD	15,901	\$11.00	\$14,576	\$174,910
1st Fl. Office	Owner-Occ	NNN	TBD	6,152	\$13.75	\$7,050	\$84,594
1st Fl. Gymnasium	Owner-Occ	NNN	TBD	10,295	\$8.25	\$7,078	\$84,935
LL Office	Owner-Occ	NNN	TBD	6,152	\$6.88	\$3,525	\$42,297
<b>TOTALS</b>				<b>38,501</b>	<b>\$10.04</b>	<b>\$32,228</b>	<b>\$386,737</b>

# SECTION V: SITE AND IMPROVEMENT ANALYSIS

AERIAL SITE VIEW



Source; Dane County GIS

# Site Analysis

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The subject site contains approximately 112,060 square feet (2.57 acres) and is irregular in shape with level topography. The site has approximately 570 feet of frontage along Darbo Drive and 305 feet of frontage along Richard Davis Lane. Site improvements include asphalt surfaced driveway and parking areas, concrete walkways and curbing, lighting, signage, and average landscaping. The site is zoned CC-T, Commercial Corridor - Transition District, per the City of Madison.

**SIZE:** 112,060 square feet (2.57 acres), indicating a land-to-building ratio of 2.47 to 1

**Frontage:** 570 feet of frontage along Darbo Drive and 305 feet of frontage along Richard Davis Lane; ingress and egress are also from Darbo Drive.

**PARKING:** Asphalt paved driveways approximately 56 stalls

**Topography:** Level topography

**UTILITIES:** Serviced with all necessary utilities for development

**Site Improvements:** Site improvements include asphalt surfaced driveway and parking areas, concrete walkways and curbing, lighting, signage, and average landscaping; public street improvements include asphalt-surfaced streets with concrete curbs and gutters

## Floodplain

According to the Federal Emergency Management Agency (FEMA), the subject is not located in a flood zone. The Community Panel Number for the map is 55025C0427H, and the effective date of this map is September 17, 2014. A copy of the flood map is located in the addendum. Minimal flood hazard zones are defined by FEMA as follows:

*Areas outside the 1-percent annual chance floodplain, 1% annual chance sheet flow flooding where average depths are less than 1 foot, areas of 1% annual chance stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 1% annual chance flood by levees. No base flood elevations or depths are shown within this zone. Insurance purchase is not required in these zones.*

## Zoning

The site is zoned CC-T, Commercial Corridor - Transition District, per the City of Madison. The zoning code defines the district's purpose as follows:

*The CC-T District is established to recognize the many commercial corridors within the City that remain largely auto-oriented, and to encourage their transformation into mixed-use corridors that are equally conducive to pedestrian, bicycle, transit and motor vehicle activity. The district is also intended to: (a)Improve the quality of landscaping, site design and urban design along these corridors.(b)Maintain the viability of existing residential uses located along predominantly commercial corridors.(c)Encourage appropriate transitions between higher-intensity uses along commercial corridors and adjacent lower-density residential districts.(d)Facilitate preservation development or redevelopment consistent with the adopted goals, objectives, policies, and recommendations of the Comprehensive Plan and of adopted neighborhood, corridor or special area plans.(e)Structured parking is encouraged.*

A specific compliance analysis was not performed to determine whether or not the subject property is in conformance with all zoning parameters, such as landscape surface ratios, maximum floor area ratios, minimum lot area requirements, and maximum building size requirements. It is assumed that the property will be constructed in compliance with all applicable zoning and building codes, therefore it is anticipated that the subject would be classified as a legal and conforming use within this district. Any conformance issues with the zoning text are subject to interpretation by City of Madison personnel.

## Easements and Encroachments

Typical utility and driveway easements exist on the site. These easements are normal and do not negatively impact the overall development. No apparent encroachments or adverse easements were noted from physical inspection; however, the appraiser makes no guarantee in that regard. We assume for purposes of this report that there are no adverse easements or conditions. From an inspection of the site and a review of the site plan, the usual utility, sanitary sewer and stormwater easements exist on the property.

## **Environmental**

The appraiser(s) are not qualified to detect the presence of environmental contaminants. The presence of potentially hazardous materials may impact the value of the property. Unless otherwise stated in this report, the value estimates are predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover such contaminants. Any party relying on this appraisal is urged to retain an expert in this field, if desired.

## **CONCLUSION**

Based upon our analysis of the site, this site appears to be adequate for the subject building and there were no adverse conditions noted. The site has all of the necessary development approvals for the existing office building and the CC-T District, zoning is currently in place. Therefore, a purchaser of the site would be bound by the zoning and approvals in place and would either purchase the site with the intention of developing the current project or incur time and expense in rezoning for another use.

## Improvement Analysis

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The Salvation Army Office Building was originally constructed in 1962 with addition in 1966. The Salvation Army purchased the building for owner occupancy in 1994 and completed a gymnasium addition in 2012. This facility is Class C constructed with Class C market orientation. This facility features multiple private offices, meeting rooms, commercial kitchen, game rooms, gymnasium with basketball court and fitness room. The facility includes 33,183 square feet of office space that includes 7,238 square feet of finished basement area. The gymnasium contains approximately 12,112 square feet. There is an additional 5,096 square feet of unfinished basement area utilized for storage.

This facility is constructed upon a concrete foundation and reinforced concrete slab, with steel and concrete framed structures, and brick and wood exterior facade. The roof is hip style with asphalt shingles, flat style with a rubber membrane roof, and gable style with steel coverings. Interior features include ceramic tile, vinyl tile, and carpeted flooring; painted drywall; acoustical tile ceilings with recessed fluorescent lights; wood trim and solid core doors. The building has multiple interior staircases and freight elevator serving all levels. This building is heated and cooled via forced air furnace and central air conditioning.

General descriptions per the plans and specifications provided to the appraiser of the building and construction components are summarized in the following pages.

## GENERAL CONSTRUCTION

- FRAMING:** Concrete slab and concrete foundations with steel and concrete framed structures
- Exterior Walls:** Brick and stone exterior
- ROOF:** Hip style with asphalt shingles, flat style with a rubber membrane roof, and gable style with steel coverings
- Doors and Windows:** Glass and steel entry doors and aluminum framed windows
- ELECTRIC SERVICE:** Could not be verified, assumed to be adequate
- Plumbing Components:** Multiple men's and women's restrooms
- BUILDING AREA:** The gross building area as contained below is based upon a review of the blueprints and information received from the owner. Therefore, this report and the value estimates contained within are subject to verification of any discrepancies, which may deviate from the areas reported.

### SUBJECT SUMMARY CHART

The Salvation Army Facility 3030 Darbo Drive, Madison, WI		
Site Area	Acres	Square Feet
<b>Total Site Area</b>	<b>2.57</b>	<b>112,060</b>
Building Area	Built	Square Feet
<b>Office Building</b>	<b>1962/1966/2012</b>	
Lower Level - Storage		5,096
Lower Level - Office		7,238
First Floor - Office		25,945
Gymnasium		12,112
<b>Total Building Area</b>		<b>50,391</b>
<b>Gross Finished Building Area</b>		<b>45,295</b>

## **INTERIOR AMENITIES**

<b>Floor Coverings:</b>	Ceramic and vinyl tile and carpeted flooring
<b>INTERIOR WALLS:</b>	Painted drywall
<b>Ceilings:</b>	Acoustical tile ceilings
<b>INTERIOR DOORS:</b>	Wood solid core doors
<b>Lighting:</b>	Recessed fluorescent fixtures
<b>HEATING &amp; AC:</b>	Forced air and central air conditioning
<b>Security/Sprinkler:</b>	Security system / no sprinkler
<b>TENANT FINISHES:</b>	Consistent with Class C office / professional building finishes

## **CONDITION AND UTILITY OF THE IMPROVEMENTS**

Accrued depreciation is the difference between the cost new of the improvements and the present worth of those improvements measured as of the date of the appraisal. Depreciation includes loss in value from three basic categories: physical depreciation, functional obsolescence, and economic (external) obsolescence.

### **Physical Depreciation**

Physical depreciation is the loss in value caused by deterioration or impairment of condition as a result of normal wear and tear and the actual aging of the physical components. It may be curable or incurable.

Curable physical depreciation refers to items of deferred maintenance, while incurable physical deterioration identifies items of deterioration that cannot be economically corrected at the present time.

As of the effective date of the appraisal, the physical age of the property is 13 to 63 years as the facility was originally constructed in 1966 with multiple additions. Due to the age and condition of the building, the effective age has been estimated at 10 to 20 years. According to the Marshall Valuation Service, improvements such as the subject building have an economic life expectancy of approximately 45 years. This indicates overall incurable physical depreciation of approximately 22 to 44 percent.

Deferred maintenance, or curable physical depreciation, was not observed in this building.

### **Functional Obsolescence**

Functional obsolescence is a loss in value due to a lack of utility or desirability of part or all of the property inherent to the improvements and may be curable or incurable. Functional obsolescence includes the overall layout and design with multiple additions.

### **Economic Obsolescence**

Economic (external) obsolescence is the adverse effect on value resulting from influences outside the property itself. This includes changing property or land use patterns, imbalance between supply and demand, shifting real estate markets, or an adverse economic climate.

External obsolescence is considered to be present to the extent that any prospective purchaser of this property for the proposed use as an office building should take into consideration the large amount of new construction either recently completed or “coming on-line” in the near future. This “spike” in additional square footage, which must be absorbed into the market, leasing costs, and subjectivity associated with projecting an absorption period for the subject are considered to be reflected in external obsolescence. This type of adjustment is analogous to considering new construction, where the value “upon completion” is in many instances, substantially less than the value “upon stabilization” due to the absorption and leasing costs to reach a level of stabilized income and expenses.

## REAL ESTATE TAXES AND ASSESSED VALUES

The subject property is assessed by the City of Madison Assessor's Office. Assessed values are based upon the assessor's estimate of fair market value, typically through an application of a sales comparison approach, as well as an income approach when applicable. According to the state law in Wisconsin, the most reliable indication of the market value of a property is a recent sale of that property, if available.

As the subject property is utilized as a non-profit community facility it qualifies for tax-exempt status. Therefore, the property is not assessed and no real estate taxes are levied.

Real estate taxes are paid one year in arrears; for instance, 2024 taxes are due on January 31, 2025, or in four installments payable on January 31, March 31, May 31, and July 31, 2025. As it is difficult to project assessment trends in future years, investors are cautioned to consider the effects of a sharp increase, or "spike", in the assessed value in future years as a result of reassessments and/or property appreciation rates.

SECTION VI: HIGHEST AND BEST USE / VALUATION METHODOLOGY

# Highest and Best Use Analysis

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Since real estate value is determined by its use potential, the reported value estimates are based on the highest and best use of the property. An analysis of the highest and best use of a property provides the foundation for a thorough investigation of the interaction of market forces. The collection and analysis of the general data used to estimate property value provides the evidence on which a highest and best use conclusion is based.

## **Highest and Best Use is defined 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. The highest and best use must meet four test criteria; namely, legal permissibility, physical possibility, financial feasibility, and maximal profitability.

1. Legally Permissible Uses - What uses are legally permitted on the subject site with respect to zoning ordinances and deed restrictions?
2. Physically Possible - What uses are physically possible on the subject site?
3. Feasible Uses - Of those uses determined to be physically possible and legally permissible, which ones will produce a positive return?
4. Highest Net Return - Of those uses that are feasible, legally permissible, and physically possible, which will produce the highest net return?

Estimating the highest and best use generally involves consideration of the subject property under two scenarios: *as vacant* land and *as presently improved*. The *as vacant* scenario assumes that the subject site is vacant or can be made vacant for development. The highest and best use *as improved* addresses whether the existing improvements are the best utilization of the property. The highest and best use of the underlying land may differ from that of the property as improved if the improvements do not constitute an appropriate use generating the highest net return to the land. The overall purpose of determining the highest and best use of the property is to identify the use that would be expected to produce the greatest site value.

When potential buyers contemplate purchasing real estate for personal use or occupancy, their principal motivations are perceived benefits of enhanced enjoyment, prestige, and privacy. Purchasers of investment property are frequently motivated by the promise of net income or capital accumulation and certain tax advantages. These investors are more directly concerned with feasibility, an indication that a project has a reasonable likelihood of satisfying their specific objectives. These objectives may include assured occupancy, establishing operating costs at a reasonable and acceptable level, and potential property appreciation.

## **"AS IF VACANT"**

### **Legally Permissible**

The site is zoned CC-T, Commercial Corridor - Transition District, per the City of Madison. Legally permissible uses would be those which fall within the constraints of the zoning parameters as previously discussed. If the site were vacant, the current zoning would legally encumber the site to be developed as per the municipal approvals currently in-place. Any other type of development would most likely be subject to rezoning and approvals. Given surrounding land use patterns, some type of commercial development would most likely be allowable, either by alternative zoning, variances, and/or municipal approvals.

### **Physically Possible**

To be a physically possible use, the size, shape and topographical features of the site must be adequate in order to support any proposed or existing development. The subject property is situated on a site that contains approximately 112,060 square feet (2.57 acres) and is irregular in shape with predominately level topography.

The size of the site is sufficient to support the existing building. The shape and topography of the parcel do not appear to limit any legally permissible uses, either as currently zoned or under a scenario of rezoning (as if vacant) for some alternative type of development. The site is served with all necessary public utilities that should have sufficient capability to serve most forms of commercial development (consistent with surrounding land use patterns). It is assumed the site has adequate load-bearing capacities for development. Therefore, the physical aspects of the site do not appear to impose constraints that would restrict it from being developed under the highest and best use.

### **Financially Feasible and Maximally Productive Use**

The last two elements pertain to financial feasibility and maximum profitability. The Highest and Best Use of the property, after meeting the first two constraints, must prove to be financially feasible and maximally productive. The use must be expected to produce a positive net income or rate of return to an investor. In order to provide maximum return, careful consideration must be given to any infrastructure costs to be incurred for the development, as well as various soft costs that will be incurred by the developer. The developer must consider the supply and demand characteristics of the local market and the potential users of the planned development for this area.

As vacant and after considering the previously discussed legally permissible and physically possible uses, it is the appraiser's opinion the most financially feasible and maximally productive use of the site would for some type of commercial development. Sufficient demand is considered to exist, as evidenced by survey data reviewed regarding vacancy rates, occupancy levels, past operating history of similar properties in the area, supply and demand characteristics in the immediate area, and development trends. An office development is considered to be consistent with surrounding land use patterns and should result in the highest underlying land value.

### **"AS IMPROVED"**

The highest and best use of the subject facility as improved is for the continued use as the Salvation Army Office Building. This type of use is considered to provide the greatest return to the property as it is presently improved. Based upon the current layout and finishes, the property is classified as a Class C constructed office building with a Class C market orientation. Demand for the use is considered to exist, as evidenced by development patterns in the area, and overall supply and demand characteristics in the immediate area. This type of use is considered to provide the greatest return to the property, with consideration given to the improvements and current legal encumbrances as per the existing zoning parameters

The Valuation Methodology will be developed next. The highest and best use analysis has formed the basis for comparison in the three approaches to value.

# Valuation Methodology

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The valuation process involves researching current market conditions and trends as well as collecting and analyzing specific site data relating to the subject property. Based upon the market and site-specific data obtained, an analysis of the subject's competitive position and market appeal may then be prepared. Value conclusions are drawn based upon this information and the informed judgment of the appraiser.

## VALUATION APPROACHES DEFINED

In the valuation of real estate, any one or any combination of the three traditional appraisal methods may be used. These three methods are known as the cost, sales comparison, and income approaches to value. All three approaches are based on the principle of substitution.

### Cost Approach

The methodology of the cost approach suggests that the value of the property being appraised tends to be set by the cost of producing an equally desirable substitute property without undue delay. This approach entails the preparation of a replacement or reproduction cost estimate for the subject improvements new (maintaining comparable quality and utility) and then deducting for losses in value sustained through physical, functional, and economic obsolescence. The estimated land value is then added to the cost, as adjusted, to arrive at a final value estimate. The accuracy of the cost approach is determined to a large extent by the availability of data on land sales and construction costs as well as estimates of physical, functional, and economic depreciation. This approach is most accurate when used for a property that is improved to its highest and best use and where depreciation is of little consequence. It is most often used for newly constructed, proposed properties or for special purpose properties like hospitals, churches, or schools where data regarding the other two approaches is limited or not relevant.

### **Sales Comparison Approach**

The methodology of the sales comparison approach suggests that the value of the property being appraised tends to be set by the cost of acquiring an equally desirable substitute property without undue delay. This approach requires a detailed comparison of sales of comparable properties to the subject property. The accuracy of this approach is determined to a large extent by the existence of and availability of data on recent sales of properties that are similar to the subject in use, location, age, size, quality, condition, and general appeal. Therefore, a sufficient number of comparable sale transactions must be available for analysis, and the information obtained including price, financial terms, and property description must be reasonably reliable. As such, this approach is most accurate when used for properties that have wide market appeal and are frequently bought and sold on the open market. It can be used with a variety of property types and is the only relevant approach in most vacant land appraisals.

### **Income Approach**

The methodology of the Income Approach suggests that the value of the property being appraised tends to be set by the present worth of its future benefits. For rental properties, the future benefits are defined as the projected net operating income (i.e., cash flow before debt service) plus the net sales proceeds at disposition. The present worth of the future benefits may be estimated by the direct capitalization method or by a discounted cash flow (DCF) analysis. The accuracy of the income approach depends to a large extent on the availability of comparable rental data, vacancy rates, operating expenses, holding costs, and the perceived rate of return required by investors for the property type being analyzed.

## VALUATION APPROACHES DEVELOPED

In this appraisal only the sales comparison and income capitalization approaches to value have been developed. Both approaches have relevance for the valuation scenario being developed for this report.

The **cost approach** reflects the value of the property based upon its replacement cost, less depreciation, with an additional allowance for the underlying land value. Given the older age of the subject property, the limited vacant land sales in the subject area, and the subjectivity of depreciation, this approach was not considered to provide a credible value estimate and therefore was not utilized.

The **sales comparison approach** is developed to estimate the value of the property based upon a review of comparable sales. These comparables are considered to provide an indication of value for a similar product type. Relevant economic indicators were extracted from this approach to estimate the market value, and a range of values was developed due to the varying investor attitudes relative to owner-occupancy versus investment / leasing ownership. As the purchases of these types of properties are primarily based upon their income-producing potential, this approach will be used as a “check” against the income capitalization approach. The sales comparison approach has been developed to estimate the Market Value of the subject property in “As Is” condition.

The **income capitalization approach** is developed to estimate the market value of the property based upon its income producing potential. Consideration is given to a survey of market lease rates and the subject’s lease rates; average vacancy rates within the market; the subject’s projected operating income and expenses and industry survey data for average operating expenses; and capitalization and discount rates derived from comparable sales and survey data. This data will be used to estimate the Market Value of the subject property in “As Is” condition via a Static Cash Flow (SCF) analysis.

The cost approach will be developed first.

# SECTION VII: COST APPROACH

## Cost Approach

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The cost approach is predicated on the assumption that an informed investor would pay no more for a property than the cost of producing a substitute property having the same utility, without undue delay. The basic steps of this approach are:

1. *Estimate the value of the site as though vacant.*
2. *Estimate the reproduction cost or replacement of the building and site improvements new.*
3. *Estimate the dollar amount of accrued depreciation resulting from physical deterioration (curable and incurable), functional obsolescence, and external (economic or environmental) obsolescence.*
4. *Deduct accrued depreciation from the cost new, and add the estimated site value.*
5. *For properties substantially leased, or in “going concern” situations, it is appropriate to account for the costs of achieving the current level of occupancy or utilization.*

The cost approach reflects the value of the property based upon its replacement cost, less depreciation, with an additional allowance for the underlying land value. Given the older age of the subject property, the limited vacant land sales in the subject area, and the subjectivity of depreciation, this approach was not considered to provide a credible value estimate and therefore was not utilized.

# SECTION VIII: SALES COMPARISON APPROACH

# Sales Comparison Approach

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The "Sales Comparison Approach" is defined in *The Appraisal of Real Estate*, 15<sup>th</sup> Edition (sponsored by the Appraisal Institute) as:

*Approach through which an appraiser derives a value indication by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison and making adjustments, based on the elements of comparison, to the sale prices of the comparable sales.*

Office properties such as the subject are classified as income-producing real estate. As such, the value is generally established by the annual cash flows and reversion value the property can be expected to generate. The sales comparison approach emphasizes the physical and economic elements of the subject property; however, it is usually not a *primary* indicator of value due to the varying economic factors specific to each property.

Accurate comparative analysis is made difficult by the financial complexity of most office building investments. Rates of return are significantly impacted by the property's potential for future income enhancement, financing terms, and the efficiency with which management is operating the building. Therefore, it is important to know current effective rental rates and rental projections, the extent to which the projected rates will be competitive within the market, projects both under construction and proposed within the competitive market at the time of sale, a general understanding of the market area's economic trends, and the prospects of enhancing income through more efficient management policies. Such information is rarely completely available and the abstracted data can consequently only provide a general indication of current investment trends. The major advantage of alternative valuation approaches such as the income capitalization approach is that typical investor requirements (in terms of anticipated returns and yields) are weighed against a more accurate projection of the property's future income potential, as supported within the immediate market.

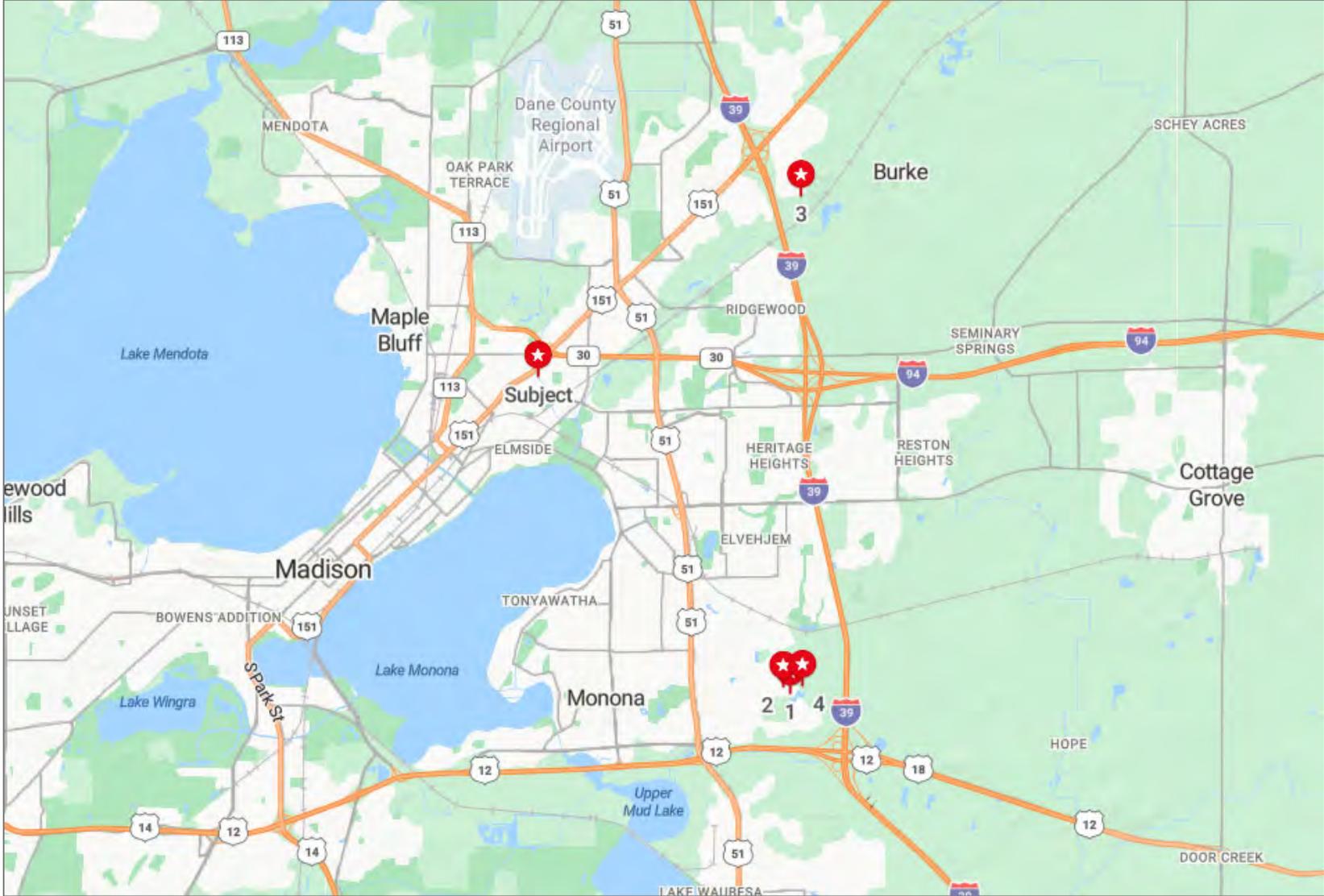
Comparable properties are best analyzed on a unit of comparison basis (e.g., per square foot, acre, etc.). By using the appropriate unit of comparison, the effect of varying property sizes can be mitigated. The most common unit of comparison for office properties such as the subject is the price per square foot of building improvements (including land). Analyzing these indicators most closely reflects the actions and decision processes of buyers and sellers in the marketplace.

## COMPARABLE IMPROVED SALES

The sales comparison approach is developed to estimate the value of the property based upon a review of comparable sales. These comparables are considered to provide an indication of value for a similar product type. Relevant economic indicators were extracted from this approach to estimate the market value, and a range of values was developed due to the varying investor attitudes relative to owner-occupancy versus investment / leasing ownership. As the purchases of these types of properties are primarily based upon their income-producing potential, this approach will be used as a “check” against the income capitalization approach. The sales comparison approach has been developed to estimate the Market Value of the subject property in “As Is” condition. Please note, conventional office buildings do not contain daycare or gymnasium components.

A map of the comparable sales’ locations is contained on the following page, followed by a summary of each comparable sale considered applicable.

SALES LOCATION MAP



## Comparable Improved Office Sale #1

### Property Identification

<b>Project Name:</b>	5303 Fen Oak Office	<b>Address:</b>	5303 Fen Oak Drive
<b>Property Type:</b>	Office Building		Madison, WI



Building Description		Site Description	
<b>GBA (sf):</b>	33,516	<b>Size (sf):</b>	152,490
<b>RBA (sf):</b>	33,516	<b>Land-to-Building Ratio:</b>	4.55
<b>Class:</b>	Class B	<b>Zoning:</b>	PD
<b>Construction Type:</b>	Steel / Concrete	<b>Parking:</b>	116 surface stalls
<b>Year Built:</b>	2000	<b>Parcel Number:</b>	251/0710-221-0415-4
<b>Stories:</b>	1	<b>Site Improvements:</b>	Parking & Drives; Landscaping
<b>Occupancy/Tenants:</b>	0%/Single-Tenant		

Transaction Details		Economic Indicators	
<b>Buyer:</b>	Internation Brotherhood of Electrical Workers	<b>\$/SF GBA:</b>	\$88.61
<b>Seller:</b>	Hastings East Development LLC	<b>\$/SF RBA:</b>	N/A
<b>Date:</b>	5/5/2023	<b>Proforma Cap Rate:</b>	N/A
<b>Price:</b>	\$2,970,000	<b>Actual Cap Rate:</b>	N/A
<b>Financing:</b>	Conventional		
<b>Verification:</b>	CoStar Realty / Public Records		

### Comments

This property is located in the World Dairy Center on Madison's southeast side. The building was originally constructed in 2000 and is currently vacant. Previous sale in 2015 - \$5,075,000 leased by American Transmission Company is on a NNN lease with five years remaining on the lease; one five year renewal option, and annual rent of approximately \$435,435, indicating a capitalization rate of 8.50%.

## Comparable Improved Office Sale #2

### Property Identification

**Project Name:** 2820 Walton Commons      **Address:** 2820 Walton Commons  
**Property Type:** Office Building      **Madison, Wisconsin**



#### Building Description

**GBA (sf):** 35,491  
**RBA (sf):** 35,491  
**Class:** B  
**Construction Type:** Steel Framed  
**Year Built:** 1995  
**Stories:** 1  
**Occupancy/Tenants:** N/A / Multiple-tenant

#### Site Description

**Size (sf):** 151,811  
**Land-to-Building Ratio:** 4.28  
**Zoning:** PD  
**Parking:** Asphalt paved  
**Parcel Number:** 251/0710-221-0413-8  
**Site Improvements:** Parking & Drives; Average Landscaping;

#### Transaction Details

**Buyer:** Beck's Enterprises of DC LLC  
**Seller:** Paradise Trust  
**Date:** 7/19/2022  
**Price:** \$2,900,000  
**Financing:** Conventional  
**Verification:** Assessor/Public Records

#### Economic Indicators

**\$/SF GBA:** \$81.71  
**\$/SF RBA:** \$81.71  
**Proforma Cap Rate:** 13.52%  
**Actual Cap Rate:** N/A

#### Comments

The Walton Commons Office Building is a single-story office building that was originally constructed in 1995. This office building is a multiple tenant office building. The building is classified as Class C construction with a Class B market orientation and contains a total gross building area of approximately 35,491 square feet.

## Comparable Improved Office Sale #3

### Property Identification

**Project Name:** American Family Insurance      **Address:** 2335 City View Drive  
**Property Type:** Office      **Madison, WI**



Building Description		Site Description	
<b>GBA (sf):</b>	50,400	<b>Size (sf):</b>	250,024
<b>RBA (sf):</b>	50,400	<b>Land-to-Building Ratio:</b>	4.96
<b>Class:</b>	Class B	<b>Zoning:</b>	SE
<b>Construction Type:</b>	Steel	<b>Parking:</b>	340 Surface Stalls
<b>Year Built:</b>	1999	<b>Parcel Number:</b>	251/0810-271-1501-4
<b>Stories:</b>	2	<b>Site Improvements:</b>	Parking & Drives; Landscaping
<b>Occupancy/Tenants:</b>	100% / Single-Tenant		

Transaction Details		Economic Indicators	
<b>Buyer:</b>	Aspire 700 Rayovac LLC	<b>\$/SF GBA:</b>	\$133.60
<b>Seller:</b>	American Family Mutual Insurance Company S.I	<b>\$/SF RBA:</b>	\$133.60
<b>Date:</b>	7/21/2023	<b>Proforma Cap Rate:</b>	N/A
<b>Price:</b>	\$6,733,500	<b>Actual Cap Rate:</b>	N/A
<b>Financing:</b>	Conventional		
<b>Verification:</b>	CoStar / Public Records		

### Comments

This two-story office building was originally constructed in 1999 and is located in along City View Drive. American Family Insurance owner occupied the building and vacated in 2022. The buyer will owner occupy the entire building.

## Comparable Improved Office Sale #4

### Property Identification

<b>Project Name:</b>	5459 Fen Oak Drive	<b>Address:</b>	5459 Fen Oak Drive
<b>Property Type:</b>	Office		Madison, WI



#### Building Description

<b>GBA (sf):</b>	31,801
<b>RBA (sf):</b>	31,801
<b>Class:</b>	Class B
<b>Construction Type:</b>	Steel
<b>Year Built:</b>	2006
<b>Stories:</b>	1
<b>Occupancy/Tenants:</b>	84.9% / Multiple-Tenant

#### Site Description

<b>Size (sf):</b>	150,218
<b>Land-to-Building Ratio:</b>	4.72
<b>Zoning:</b>	PD
<b>Parking:</b>	Surface Stalls
<b>Parcel Number:</b>	251/0710-221-0409-7
<b>Site Improvements:</b>	Parking & Drives; Landscaping

#### Transaction Details

<b>Seller:</b>	Fen Oak LLC
<b>Buyer:</b>	Good Mazel LLC
<b>Date:</b>	11/18/2021
<b>Price:</b>	\$3,876,915
<b>Financing:</b>	Conventional
<b>Verification:</b>	Seller Public Records

#### Economic Indicators

<b>\$/SF GBA:</b>	\$121.91
<b>\$/SF RBA:</b>	\$121.91
<b>Proforma Cap Rate:</b>	N/A
<b>Actual Cap Rate:</b>	N/A

#### Comments

The Fen Oak Office Building is a single-story office building that was originally constructed in 2006. This office building is a multiple tenant office building. The building is classified as Class C construction with a Class B market orientation and contains a total gross building area of approximately 31,801 square feet.

## SALES SUMMARY CHART

#	Property Name	Sale Date	GBA (Sq Ft)	Total Sale Price	Price per SF	Year Built
1	5303 Fen Oak Office	May 2023	33,516	\$2,970,000	\$89	2000
2	2820 Walton Commons	Jul 2022	35,491	\$2,900,000	\$82	1995
3	American Family	Jul 2023	50,400	\$6,733,500	\$134	1999
4	5459 Fen Oak Drive	Nov 2021	31,801	\$3,876,915	\$122	2006
<b>Mean</b>			<b>37,802</b>	<b>\$4,120,104</b>	<b>\$106</b>	
<b>Median</b>			<b>34,504</b>	<b>\$3,423,458</b>	<b>\$105</b>	

### ADJUSTMENT ANALYSIS

A general discussion of the adjustments made for these sales is provided within the following paragraphs. The first step in an analysis of office buildings is to select an appropriate unit of comparison from which adjustments and comparisons can be made. The unit of comparison applied in this analysis will be the sale price per square foot of gross building area. Each comparable sale utilized is adjusted accordingly to reflect the similarities or differences between the property types, as is shown on the Comparable Improved Sales Adjustment Grid at the end of this section. Adjustments to the comparable sales are taken for the sale's characteristics and the building's physical characteristics.

#### Sale Characteristics

The subcategories of adjustments prior to considering physical attributes include property rights transferred, financing, conditions of the sale, economic conditions, and time. Applying adjustments to the sale price of each comparable for these categories results in a current, cash terms, and transaction of equivalent property rights between typically motivated participants.

#### *Property Rights Transferred*

The comparable sales primarily represented arm's-length transactions, which involved the transfer of fee simple interest on an all cash or equivalent terms basis. No legal encumbrances were present which could be considered to have been a detriment or an enhancement to the appeal and marketability of title. Therefore, no adjustments were required for the property rights conveyed.

### ***Financing***

No adjustments are required if the terms and conditions of the comparable sale financing is considered to be typical for this type of transaction and indicative of market trends. Although, sales that transfer via land contract, with seller financing, etc. require a downward adjustment. Based upon the financing terms that could be verified, the comparable sales were sold for cash or cash equivalent terms. Therefore, the terms and conditions of these transfers did not require any financing adjustments.

### ***Conditions of Sale***

Sales that are sold within a portfolio, or properties are located within an area of high vacancies, crime problems, etc., which may have reflected a discounted sales price are adjusted upward in comparison to the subject property. Based on our understanding of each transaction, there appeared not to be significant extenuating circumstances that would warrant adjustments for most of the sales as the sales were arm's- lengths. Sale 1 was adjusted upward for occupancy at the time of sale.

### ***Date of Sale***

The comparable sales transactions occurred from November 2021 to July 2023. Upward adjustments of two percent annually are warranted due to the inherent increase in demand over time.

### ***Physical Adjustments***

After adjusting for all economic/transaction related differences, the appraiser analyzes the physical attributes of each comparable compared to the subject property. For adjustment purposes, only those physical differences that impact the price / value of a property are considered. Adjustment parameters include the building's age and condition, the site's location, building size, building architecture / design, density / land-to-building ratio, topography, and any additional amenities included in the property.

### ***Building Age / Condition***

The age and condition of a property at the time of sale affects the unit price; therefore, older buildings generally require an upward adjustment in comparison to the subject, while newer buildings would warrant a downward adjustment. The physical ages of the comparable buildings ranged from 19 to 30 years, while the subject property was constructed 63 years ago with multiple additions. Therefore, most of the comparable sales required downward adjustments.

### ***Site Location***

Location encompasses a number of issues, including locations within different sub-market areas, density, the character / condition of surrounding development, corner versus interior location, access, and visibility. Therefore, properties in a location with good access and exposure are considered superior to properties in less accessible locations. The location, and hence, demand and appeal for these types of facilities, can also be influenced by surrounding land use patterns, competing properties, and neighborhood influences (such as being located on the outer perimeter of a regional mall). A superior location will be reflected in increased lease rates, and hence, an increased net operating income per square foot.

### ***Building Size***

With respect to size, as the property increases in size the sales price per square foot typically decreases, with all other factors remaining equal. This is due to the diminishing marginal returns associated with each additional square foot added. The subject property contains 45,295 square feet of gross building area, while the comparable sales range in size from 15,280 to 35,491 square feet. As smaller buildings generally sell for a higher price per square foot a downward adjustment is required to compare to the subject property, while larger buildings require an upward adjustment. Although, a larger office building with a greater number of tenants will be more management intensive and sensitive to market fluctuations and potential vacancy and credit loss risk. This is also a function of the office building's relative market share. However, in a larger metropolitan market, a larger office building is less sensitive to minor fluctuations in supply and demand characteristics as compared to an inferior product in a secondary market. Once again, the income-producing potential appears to be the main determinant of the price paid for each property.

### ***Building Architecture / Design***

The type of construction and the design are factors that can affect the appeal and marketability of an office building. Buildings with a tilt-up, pre-cast concrete and steel frame will typically have a higher cost per unit. Assuming no forms of functional or economic obsolescence, this superior construction quality appears to generally be “recapturable” in the sale of these types of buildings, as compared to a generally lower cost steel frame / metal panel exterior building. Adjustments were made accordingly.

### ***Density / Land-to-Building Ratio***

Properties with a higher land to building ratio are considered superior, while properties with a lower land to building ratio are considered inferior as they have limited ability for future development or expansion unless adjacent lands are acquired. Typically, suburban office buildings have a higher land to building ratio than central business district office buildings which cover a majority of the site. The subject property has a land to building ratio of 2.47:1. Those properties with significantly lower land to building ratios than the subject are considered inferior, while those with higher ratios are considered superior.

### ***Parking***

The presence or absence of parking is considered as buildings that offer underground parking or attached / detached garages are considered superior to buildings which only offer surface parking. The subject property has surface and covered parking.

### ***Topography***

Topography adjustments include considerations for sites that have excessive site preparation costs, unusable areas, or appealing aesthetics such as a pleasing view. No adjustments were needed in this category as the comparable sites’ topography was similar to the subject site’s topography.

### **Amenities**

Adjustments are also considered for sprinkler systems, air conditioning, ceiling heights, overall quality of construction, and finished basement space. The presence of these amenities will typically allow for greater marketability and appeal of these types of properties. It should be noted that consideration has been given to the fact that a disproportionate ratio of these amenities, such as office buildout, excessive ceiling heights, and unique built-in amenities, can result in functional and/or economic obsolescence. Most of sale comparables were adjusted upward as the subject facility has basement storage.

### **SALES COMPARISON APPROACH CONCLUSION**

The estimate of market value for the subject building through the sales comparison approach is supported from recent sales of like-kind office buildings, similar in character to the property use represented by the subject's improvements. The original sales price per square foot of gross building area for the comparable properties ranged from a low of \$82 to a high of \$134 (rounded), indicative of the varying levels of rental rates and effective age and condition of the comparable sales. The following page contains a summary of the adjustments considered.

### **"As Is' CONDITION"**

After considering all factors of adjustment and, a unit value of \$80 per square foot is indicated:

Subject's Estimated Value - "As Is"				
45,295	Sq Ft @	\$80	per Sq Ft =	<u>\$3,623,600</u>
			Total (Rounded)	<u><u>\$3,620,000</u></u>

**COMPARABLE IMPROVED SALES ADJUSTMENT GRID**

<b>The Salvation Army Facility 3030 Darbo Drive, Madison, WI</b>					
Sale #		1	2	3	4
<b>Sale Price per Sq Ft (GBA)</b>		\$89	\$82	\$134	\$122
<b>Sale Characteristics:</b>					
Property Rights		0%	0%	0%	0%
Financing		0%	0%	0%	0%
Conditions of Sale		10%	0%	0%	5%
Date of Sale		4%	6%	4%	8%
<b>Total Sale Adjustments:</b>		<b>14%</b>	<b>6%</b>	<b>4%</b>	<b>13%</b>
<b>Adjusted Price per Sq Ft</b>		<b>\$101</b>	<b>\$87</b>	<b>\$139</b>	<b>\$138</b>
<b>Physical Characteristics:</b>					
Building Age / Condition		-10%	-10%	-20%	-20%
Location		-5%	-5%	-5%	-5%
Building Size		0%	0%	0%	0%
Building Architecture / Design		-10%	-10%	-10%	-10%
Density/Land-to-Building Ratio		-5%	-5%	-5%	-5%
Parking		0%	0%	0%	0%
Topography		0%	0%	0%	0%
Amenities		5%	5%	5%	5%
<b>Total Physical Adjustments</b>		<b>-25%</b>	<b>-25%</b>	<b>-35%</b>	<b>-35%</b>
<b>Final Adjusted Price per Sq Ft</b>		<b>\$76</b>	<b>\$65</b>	<b>\$90</b>	<b>\$90</b>
<b>Total Adjustment %</b>		<b>-15%</b>	<b>-21%</b>	<b>-32%</b>	<b>-27%</b>
<b>Unit Values</b>	<b>Unadjusted</b>	<b>Adjusted</b>	<b>Subject's Estimated Value - "As Is"</b>		
Mean per Sq Ft	\$106	\$80	45,295	Sq Ft @	\$80 per Sq Ft = \$3,623,600
Median per Sq Ft	\$105	\$83	<b>Total (Rounded) <u>\$3,620,000</u></b>		

# SECTION IX: INCOME CAPITALIZATION APPROACH

# Income Capitalization Approach

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The "Income Capitalization Approach" is defined in *The Appraisal of Real Estate*, 15<sup>th</sup> Edition (sponsored by the Appraisal Institute) as:

*Approach through which an appraiser derives a value indication for income-producing property by converting anticipated benefits, i.e. cash flows and reversions, into property value. This conversion can be accomplished in two ways: One-year's income expectancy or an annual average of several years' income expectancies may be capitalized at a market-derived capitalization rate or a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment; secondly, the annual cash flows may be discounted for the holding period and the reversion at a specified yield rate.*

Office buildings such as the subject property can generally be classified as owner-occupied real estate or income-producing real estate. Income-producing real estate is typically developed, owned, and operated with the objective of creating value by renting space to users who will pay rental rates high enough to cover all operating expenses, fixed expenses, and a profit on, as well as a return of, the original investment. Therefore, the value of income-producing real estate will typically be determined by the amount of net income the property can be expected to generate, as well as the rates of return on alternative investments available to potential buyers. An analysis of the income-generating characteristics of the subject property and how they impact the net income available for providing a return on, and a return of, the original investment is typically considered paramount to potential buyers. Therefore, the income capitalization approach will serve as one of the primary indicators of market value for the subject property.

The income capitalization approach will be developed to estimate the value of the property based upon its income producing potential. Consideration was based upon the market rental rates, historic and projected vacancy rates, historic and projected operating income and expenses, and market-derived capitalization rates.

We have developed the estimate of value in the Income Capitalization Approach with a static cash flow analysis. The direct capitalization method is appropriate in the valuation of the subject property due to the anticipated stability of rental rates (in a leasing scenario). These factors are easily modeled in a stabilized year to produce a reliable indication of value. The direct capitalization technique consists of making appropriate income and expense assumptions based on historic indicators and market terms, generating a stabilized income statement, and choosing a capitalization rate reflective of investor expectations to convert the cash flow estimate into an indication of value.

In developing this approach, the appraiser analyzed:

- The subject's current and proposed lease rates
- Market rental rates determined via a survey of comparable rental properties
- Projected vacancy and collection losses
- The subject's projected operating expenses and industry survey data on typical expenses
- Capitalization rates via comparable sales and national survey data

## **INCOME ANALYSIS**

The Office Market Analysis section of this report discussed office market conditions and specifically, considered and analyzed the competitive market position of the subject as regards attainable rental rates which could be realized, potential absorption, and tenant improvement costs which would be necessary to sustain and attract prospective tenants. The office lease rates in the subject's market area range from \$11.50 to \$12.00 per square foot on NNN terms, \$15.25 to \$20.00 per square foot on gross terms, and one comparable at \$13.00 to \$14.00 on gross+ terms, varying primarily based on size and location. The warehouse lease rates range from \$7.00 to \$7.50 per square foot on NNN terms and \$9.00 to \$9.75 per square foot on gross+ terms, varying primarily based on size and location.

As the facility is owner-occupied, the interest appraised includes the Fee Simple estate only. Therefore, the Market Value of the Fee Simple interest has been estimated based upon market lease terms. We have estimated blended market lease rates based upon the following allocations:

Market Rent Calculations					
1st Fl. Office	15,901	@	\$11.00	\$174,910	
1st Fl. Office	6,152	@	\$13.75	\$84,594	
Gymnasium	10,295	@	\$8.25	\$84,935	
Office - LL	6,152	@	\$6.88	\$42,297	
Blended	38,501		\$10.04	\$386,737	

\*Based upon Net Rentable Area (85% efficiency ratio)

The annual gross potential income is estimated to be \$386,737 in the Fee Simple condition based upon our market lease rates which will be utilized within our Static Cash Flow Analysis. The following chart indicates the estimate of gross potential income for the subject property based upon the market lease rates:

The Salvation Army Facility 3030 Darbo Drive, Madison, WI							
Suite # / Tenant Space	Tenant	Terms	Esc.	Lease Suite (SF)	Market Lease Rates		
					Per SF	Monthly	Annual
1st Fl. Office	Owner-Occ	NNN	TBD	15,901	\$11.00	\$14,576	\$174,910
1st Fl. Office	Owner-Occ	NNN	TBD	6,152	\$13.75	\$7,050	\$84,594
1st Fl. Gymnasium	Owner-Occ	NNN	TBD	10,295	\$8.25	\$7,078	\$84,935
LL Office	Owner-Occ	NNN	TBD	6,152	\$6.88	\$3,525	\$42,297
<b>TOTALS</b>				<b>38,501</b>	<b>\$10.04</b>	<b>\$32,228</b>	<b>\$386,737</b>

### Vacancy Analysis

A vacancy and collection loss allowance of 8% has been projected. These types of allowances for vacancy and collection loss are considered to be representative of local market parameters for these types of properties, and gives credence to the historical occupancy levels at the similar properties within the subject area. Due to the overall age, condition and location, and the leases in place, an 8% vacancy and collection loss factor is considered to be reasonable for this facility.

### Effective Gross Income

After considering lease rates for the subject and deducting the estimated vacancy and collection loss, the effective gross income is indicated at \$355,798.

## **OPERATING EXPENSE ASSUMPTIONS**

A fair representation of the most reasonable operating expenses for the subject property was obtained from industry survey data (such as BOMA, the Building Owners and Management Association's Experience Exchange Report), comparable local office properties, and projected operating data and projections by the owner. We have also discussed typical expense ratios with local brokers and owners to test the "reasonableness" of our projections. The subject's income and expense history is contained in the following chart.

The subject's lease will be based on net terms; in net term scenarios the tenant is responsible for all operating expenses. Therefore, the general expense categories utilized in the static cash flow analyses are as follows:

- Repairs (net to structural) have been allocated at \$0.50 per square foot of gross building area
- Professional fees have been allocated at 2.0 percent of the effective gross income
- Miscellaneous expenses have been estimated at 1.0 percent of the effective gross income
- Reserves for replacement are allocated at \$0.25 per square foot of gross building area

## **TOTAL OPERATING EXPENSES**

The total operating expenses have been estimated at \$44,645, or 12.55 percent of the effective income. Under a net lease arrangement, ratios typically range from 5 to 25 percent; under gross plus utility scenarios ratios typically are approximately 25 to 40 percent, dependent upon expenditures associated with structural repairs, leasing commissions, and legal/administrative expenses.

## **NET OPERATING INCOME**

After subtracting the projected operating expenses from the effective gross income, a net operating income of \$311,153. This allocation is within market parameters for NNN lease rates as discussed previously (when consideration is given to a 5 to 25 percent deduction for typical operating expenses).

## **SELECTION OF THE CAPITALIZATION RATE**

The appraiser must select an Overall (or Going In) Capitalization Rate for the analysis. Capitalization rates are typically extracted from three sources: the Band of Investments, survey data from reliable industry sources, and extracted rates from comparable sales. The following pages will provide additional explanations of each source utilized.

### **Band of Investment**

The appraiser has developed an overall capitalization rate based upon typical conventional financing, as well as reviewing capitalization rates indicated through survey publications. Comparable sales data also provided additional capitalization rate support for the Band of Investment and the survey data.

A survey of lenders has indicated that commercial mortgages more than \$1 million are available at 7.00% to 8.00%. The wide variance in mortgage rates is due to the availability of monies and the various financing alternatives currently available. The typical amortization period is 20 to 30 years with a 70% to 80% loan to value ratio, and a 3 to 10 year call. A mortgage rate of 6.50% will be applied as within the most commonly quoted range for this type of property, with a 25-year amortization and a 3-year call.

The Equity Rate (Equity Dividend Rate) was estimated by surveying short-term capital money market instruments (typically of one-year duration or less), as well as free and clear equity capitalization rates. This is typically a good indication of the equity return that investors are demanding. Free and clear equity capitalization rates are reportedly in the range of 5.00% to 11.00%. An additional risk premium would be added to the short-term capital money market instrument rates, due to the lack of liquidity of real estate and the uncertainty of the future cash flows associated with an income producing property. The equity yield rate for the subject was estimated at 10.00%.

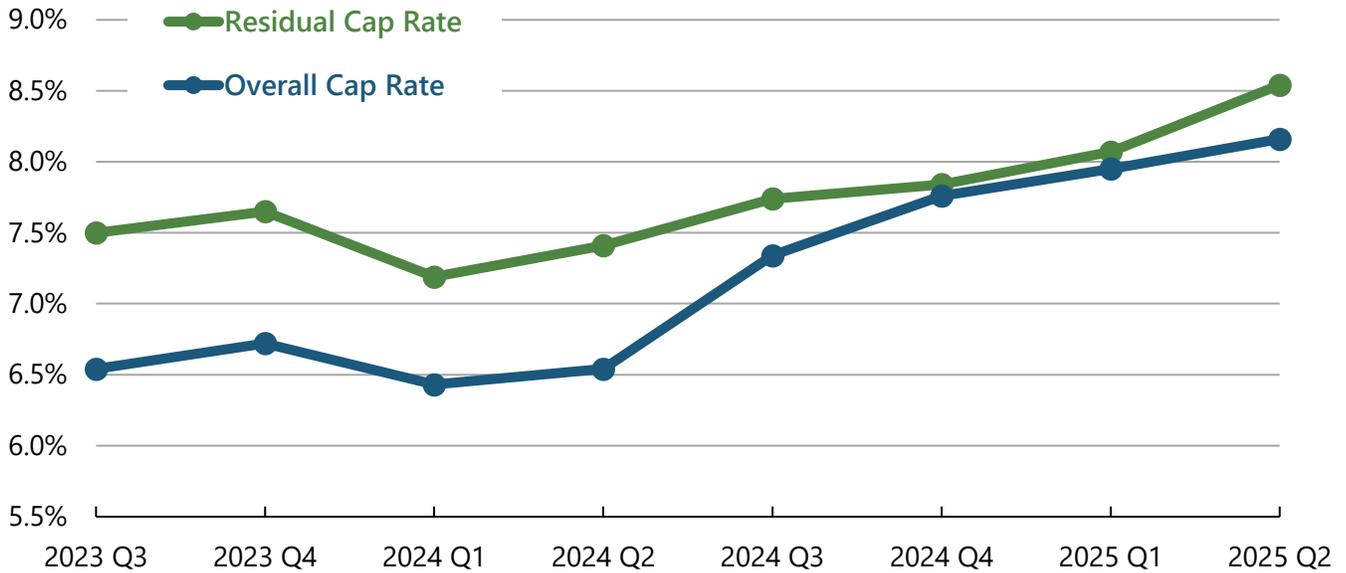
Capitalization Rate Worksheet			
<i>Conventional Financing</i>			
<b>Input Variables</b>			
Mortgage Interest Rate	6.50%		
Loan Terms	25 Years		
Loan To Value Ratio	75%		
Debt Coverage Ratio	1.30		
Equity Dividend Rate	10.00%		
<b>Band of Investment</b>			
Mortgage Constant		Loan Ratio	Mortgage Component
0.0810249	X	75%	= 0.060769
Equity Dividend Rate		Equity Ratio	Equity Component
10%	X	25%	= 0.025
<b>Capitalization Rate</b>			<b>8.58%</b>
<b>Debt Coverage Ratio Analysis</b>			
Debt Coverage Ratio		LTV	Mortgage Constant
1.30	X	75%	X 0.0810249 = 0.078999
<b>Capitalization Rate</b>			<b>7.90%</b>

### PwC Survey Data

The PriceWaterhouseCooper (PwC) Real Estate Investor Survey reports quarterly on investment activity in major markets across the country. For this appraisal, we have examined the overall (going-in) and terminal (residual) capitalization rate data reported by the survey for the national suburban office market. The following table displays the range of rates reported during the Second Quarter 2025 survey, categorized by respondents.

The range of all **overall** capitalization rates reported was 5.00 to 10.00 percent, with an average of 8.16 percent for the most recent survey results. The range of all **terminal** capitalization rates reported was 6.25 percent to 10.00 percent, with an average of 8.54 percent. The overall capitalization rates for the national medical office buildings range from 5.50 to 10.00 percent, with an average of 7.20 percent. The following graph displays historical average rates as reported by the PwC survey each quarter during the past three years.

## National Suburban Office Market - PwC Survey



### Comparable Sales

The best indication for a capitalization rate, for comparable purposes, are from existing sales within the market area of the subject property. Although the sale transactions are available through public records, the income and expenses which these properties generate are considered to be confidential and not public information, though the appraisers attempt to obtain data pertaining to each comparable sale in order to extract the capitalization rate. Additional support is obtained through discussions with area real estate investors and professionals.

Capitalization rates were not available for any of the sales utilized within the Sales Comparison Approach. Comparable sales with higher capitalization rates and lower gross rent multipliers represent older properties that may have had high vacancies, deferred maintenance, or inferior locations. Extracted capitalization rates from additional sales within the subject's market area range from 5.71% to 11.00%, which are contained within the following chart. Comparable sales with higher capitalization rates are older properties that may have had high vacancies, deferred maintenance, or inferior locations.

### Additional Office Building Capitalization Rates

#	Comparable Sale	Sale Date	GBA (Sq Ft)	Total Sale Price	Price PSF Total	Cap Rate	Year Built
	34 Schoeder Square Madison, WI	10/22/2024	54,276	\$5,100,000	\$93.96	9.86%	2008
	1211 Dolphin Court Waukesha, WI	7/10/2024	21,500	\$4,900,000	\$227.91	7.50%	2016
	10050 South 27 Street Oak Creek, WI	1/25/2024	44,160	\$6,660,000	\$150.82	7.25%	2008
	890 Spruce Street Baldwin, WI	7/31/2024	17,000	\$2,280,000	\$134.12	8.70%	2001
	1703 South Oneida Street Appleton, WI	11/4/2024	10,500	\$1,550,000	\$147.62	8.50%	2008
	8831 West Greenfield Avenue West Allis, WI	9/1/2023	6,840	\$345,000	\$50.44	11.00%	1972
	161 S 1st Street Milwaukee, WI	7/27/2023	22,024	\$3,100,000	\$140.76	10.69%	2007
	116 South Adams Street Green Bay, WI	6/22/2023	31,314	\$2,700,000	\$86.22	7.50%	1925
	2945 Triverton Parkway Fitchburg, WI	5/22/2023	17,004	\$2,650,000	\$155.85	7.10%	1995
	6417 Normandy Lane Madison, WI	Active	18,563	\$1,690,000	\$91.04	8.95%	1994
	5007 Howell Avenue Milwaukee, WI	Active	60,000	\$8,500,000	\$141.67	8.35%	1990
	1325 Walnut Ridge Drive Hartland, WI	Active	30,256	\$4,000,000	\$132.21	8.00%	1999
	20875 Crossroads Circle Waukesha, WI	Active	49,011	\$3,900,000	\$79.57	8.18%	1988
	150 N Sunny Slope Road Brookfield, WI	Active	51,432	\$2,600,000	\$50.55	8.23%	1979
	20300 Water Tower Blvd Brookfield, WI	Active	44,052	\$3,800,000	\$86.26	8.25%	1999
	155 South Executive Drive Brookfield, WI	Active	36,960	\$2,300,000	\$62.23	5.71%	1990
			Mean: 32,181	\$3,504,688	\$114.45	8.36%	
			Median: 30,785	\$2,900,000	\$113.08	8.24%	

Many of the capitalization rates within the market do not include an allocation for reserves within the total expenses. There are two common methods of capitalization in regards to the treatment of reserves: 1) capitalizing the net operating income after a deduction for reserves, and 2) capitalizing the net operating income before (excluding) reserves. Method 2 would typically indicate a higher capitalization rate than method 1.

### Capitalization Rate Conclusion

The previous sources indicate a range of overall capitalization rates as follows:

Band of Investment	7.90 to 8.58 percent
Survey Data	5.00 to 10.00 percent
Comparable Sales	5.71 to 11.00 percent

Based upon this data, an overall capitalization rate of 8.75 percent is considered reasonable for the subject.

### INCOME CAPITALIZATION APPROACH CONCLUSION

The projected cash flows resulting from the income and expense assumptions discussed earlier are processed into an indication of value for the subject in the projected cash flows, presented on the following page.

### Static Cash Flow Analysis

Capitalizing the projected stabilized net operating income of \$311,153 at 8.75% indicates a market value of \$3,560,000 (rounded).

STATIC CASH FLOW ANALYSIS

**The Salvation Army Facility  
3030 Darbo Drive, Madison, WI**

<b>Total Potential Gross Income</b>		\$386,737
Less: Vacancy & Collection Loss		8.00%
<b>Effective Gross Income</b>		<b>\$355,798</b>
<b>Variable / Operating Expenses:</b>		
Repairs / Maintenance (Net to Structure)		\$22,648
<b>Administrative Expenses:</b>		
Management Fee		\$0
Professional Fees		\$7,116
Leasing Commissions		\$0
Miscellaneous		\$3,558
<b>Capital Expenses:</b>		
Tenant Improvements		\$0
Reserves		\$11,324
<b>TOTAL EXPENSES</b>		<b>\$44,645</b>
<i>Expense Ratio</i>		12.55%
<i>Expenses per Square Foot</i>		\$0.99
<b>NET OPERATING INCOME</b>		<b>\$311,153</b>
<i>NOI Per Square Foot</i>		\$6.87
Going-In Cap. Rate	8.75%	
<b>Final Value "As Is"</b>		<u>\$3,556,033</u>
<b>ROUNDED</b>		<u><u>\$3,560,000</u></u>
<i>Per Sq Ft of Gross Building Area</i>	45,295	\$79
<i>Per Sq Ft of Rentable Building Area</i>	38,501	\$92

# SECTION X: RECONCILIATION AND FINAL VALUE CONCLUSIONS

## Reconciliation and Final Value Conclusions

Reconciliation is the portion of an appraisal where the various approaches to value are weighed to judge their reliability with respect to valuing the subject. Emphasis is usually placed on the approach, or approaches, that seem to best estimate the market value of the subject property. The values for the subject indicated by our valuation analysis are as follows:

<b>The Salvation Army Facility</b> <b>3030 Darbo Drive, Madison, WI</b>	
<b>Fee Simple Market Value</b> as of	<b>"As Is"</b> 5/28/2025
<b>Cost Approach</b>	
Building Improvements including Land	Not Developed
<b>Sales Comparison Approach</b>	
Building Improvements including Land	\$3,620,000
<b>Income Capitalization Approach</b>	
Building Improvements including Land	\$3,560,000
<b>FINAL RECONCILED VALUE</b>	
Building Improvements including Land	\$3,600,000
<b>Financial Indicators - Fee Simple</b>	
Market Value per Sq Ft	\$79.48
Effective Gross Income per Sq Ft	\$7.86
Net Operating Income per Sq Ft	\$6.87
Expense Ratio	12.55%
Capitalization Rate	8.75%

In this appraisal only the sales comparison and income capitalization approaches to value have been developed. Primary weight was placed upon the Income Capitalization Approach with secondary weight upon the Sales Comparison Approach. The value of office buildings is based upon their income-producing potential when leased and supported by sales of similar properties within the market area.

The **cost approach** reflects the value of the property based upon its replacement cost, less depreciation, with an additional allowance for the underlying land value. Given the older age of the subject property, the limited vacant land sales in the subject area, and the subjectivity of depreciation, this approach was not considered to provide a credible value estimate and therefore was not utilized.

The **sales comparison approach** is developed to estimate the value of the property based upon a review of comparable sales. These comparables are considered to provide an indication of value for a similar product type. Relevant economic indicators were extracted from this approach to estimate the market value, and a range of values was developed due to the varying investor attitudes relative to owner-occupancy versus investment / leasing ownership. As the purchases of these types of properties are primarily based upon their income-producing potential, this approach will be used as a “check” against the income capitalization approach. The sales comparison approach has been developed to estimate the Market Value of the subject property in “As Is” condition.

The **income capitalization approach** is developed to estimate the market value of the property based upon its income producing potential. Consideration is given to a survey of market lease rates and the subject’s lease rates; average vacancy rates within the market; the subject’s projected operating income and expenses and industry survey data for average operating expenses; and capitalization and discount rates derived from comparable sales and survey data. This data will be used to estimate the Market Value of the subject property in “As Is” condition via a Static Cash Flow (SCF) analysis.

This report and the value estimate contained within are subject to the Assumptions and Limiting Conditions contained herein.

**SECTION XI: LIMITING CONDITIONS AND CERTIFICATION**

# Assumptions and Limiting Conditions

This appraisal report has been made with the following general assumptions and limiting conditions.

1. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters, including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is further assumed to be free and clear of any or all liens, easements, or encumbrances unless otherwise stated.
2. Information furnished by others, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.
3. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
4. Full compliance with all applicable federal, state, and local zoning, use, environmental and similar laws and regulations is assumed, unless otherwise stated.
5. No responsibility is taken for changes in market conditions, and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the date hereof.
6. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described at that there is no encroachment or trespass unless otherwise stated in this report.
7. Responsible ownership and competent property management are assumed.
8. The allocation, if any, in this report of the total valuation between components of the property applies only to the program of utilization stated in this report. The separate values for any components may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.
9. Maps or sketches, if included in this report, are only to assist the reader in visualizing the property and no responsibility is assumed for their accuracy. No independent surveys were conducted.
10. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
11. No soil analysis or geological studies were ordered or made in conjunction with this report, nor was an investigation made of any water, oil, gas, coal, or other subsurface mineral and use rights or conditions.
12. Cost estimates provided herein in the cost approach (if applicable) to value section are based on typical average replacement costs for similar utility of buildings. These costs are used only for the purpose of appraisal analysis. They should not be misconstrued as an exact cost to complete or rebuild this project. This is an appraisal estimate only.

14. The appraisal is made for valuation purposes only. It is not intended nor to be construed to be an engineering report. The appraiser(s) is (are) not qualified structural engineers, therefore are not qualified to judge the structural integrity of the improvements. Consequently, no warranty, representations or liability are assumed for the structural soundness, quality, adequacy or capacities of said improvements and utility services, including HVAC systems. Should there be any questions concerning same, it is strongly recommended that an engineering/construction inspection be obtained. The value estimate(s) is predicated on the assumption that all improvements, equipment and building services are structurally sound and suffer no concealed or latent defects or inadequacies.
15. Neither Meicher Real Estate LLC nor any individuals signing or associated with this report shall be required by reason of this report to give testimony or appear in court or other legal proceedings unless specific arrangements therefore have been previously made.
16. This report has been made only for the purpose stated and shall not be used for any other purpose. Neither this report nor any portions thereof (including without limitation any conclusions as to value, the identity of Meicher Real Estate LLC or any individuals signing or associated with this report, or the professional associations for organizations with which they are affiliated) shall be disseminated to third parties by any means without the prior written consent and approval of Meicher Real Estate LLC. The report may not be used for SEC filings.
17. The date of value to which the conclusion and opinion expressed in this report applies will be set forth in the letter of transmittal. The value opinion is based on the purchasing power of the United States' dollar as of the effective date of the value estimate(s).
18. Unless otherwise stated in this report, I (we) did not observe the existence of hazardous material, which may or may not be present on the property. I (we) have no knowledge of the existence of such materials on, or in, the property; however, we are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The 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. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
19. If the property being appraised is part of a larger tract, any values reported relate only to the portion being considered and should not be misconstrued as applying with equal validity to other portions of the larger tract.
20. Any projections of market or future rents, expenses, net operating income, mortgage terms, capital outlays, inflation, capitalization rates, or discount rates, are intended solely for analytical purposes and are not to be misconstrued as predictions by Meicher Real Estate LLC. They represent the judgment of the authors only as to the assumptions typically used by the market participants, and their accuracy is in no way guaranteed.
21. Unless otherwise stated, the values presented in this report exclude furniture, fixtures, and equipment (FF&E) and machinery and equipment (M&E) present (or to be present) in the property.
22. If improvements or renovations are proposed, this report specifically assumes completion within the time frame outlined herein. Should there be any subsequent changes or delays to the construction or renovations schedule, this may or may not materially alter the value conclusions presented. As we cannot be held responsible for these circumstances, if they do occur, we reserve the right to review any changes and may make the necessary modifications to the analysis at an additional charge.

23. The Americans with Disabilities Act (“ADA”) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.
24. Unless otherwise agreed upon in writing (via contract or engagement for services), the client(s) upon accepting the appraisal, shall indemnify and hold harmless Meicher Real Estate, LLC and/or its individual staff members from and against all damages, expenses, claims, demands and costs; including legal fees and/or court costs.
25. Unless otherwise agreed upon in writing (via contract or engagement for services), the maximum damages recoverable from Meicher Real Estate LLC relative to this engagement shall be the amount of the moneys actually collected by Meicher Real Estate LLC for this assignment and under no circumstances shall any claim for consequential damages be made. In addition, there is no accountability or liability to any third party.
26. The by-law’s and Regulations of the Appraisal Institute require each member and candidate to control the use and distribution of each appraisal signed by such member or candidate. Therefore, except as hereinafter provided, the party for whom this appraisal was prepared may distribute copies of this appraisal, in its entirety, to such third parties as may be selected by the party for whom this appraisal was completed, but shall not be given to third parties without the prior written consent of the signatory of this appraisal. Further, neither all nor any part of this appraisal shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communications without the prior written consent of the signatory of this appraisal.
27. Any controversy or claim arising out of or relating to this appraisal report or the services provided by Meicher Real Estate LLC pursuant thereto (including any such matter involving any parent, subsidiary, affiliate, successor in interest, assignee, or agent of the Company or of Meicher Real Estate LLC) shall be submitted first to voluntary mediation, and if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution procedures set forth in Annex 1 hereto. Judgment on any arbitration award may be entered in any court having proper jurisdiction.
28. No recipient shall be relieved of the effect of, or its obligations under, any assumption or limiting condition hereof without the express written consent of Meicher Real Estate LLC.
29. Acceptance of and/or use of this report constitutes acceptance of all of the foregoing Assumptions and Limiting Conditions.

# Privacy Notice

Pursuant to the Gramm-Leach-Bliley Act of 1999, effective July 1, 2001, Appraisers, along with all providers of personal financial services are now required by federal law to inform their clients of the policies of the firm with regard to the privacy of client nonpublic personal information. As professionals, we understand that your privacy is very important to you and we are pleased to provide you with this information.

## **Types of Nonpublic Personal Information We Collect**

In the course of performing appraisals, we may collect what is known as “nonpublic personal information” about you or your Client. This information is used to facilitate the services that we provide to you and may include the information provided to us by you directly or received by us from others with your authorization.

## **Parties to Whom We Disclose Information**

We do not disclose any nonpublic personal information obtained in the course of our engagement with our clients to nonaffiliated third parties, except as necessary or as required by law. By way of example, a necessary disclosure would be to our employees, and in certain situations, to unrelated third party consultants who need to know that information to assist us in provided appraisal services to you. All of our employees and any third party consultants we employ are informed that any information they see as part of an appraisal assignment is to be maintained in strict confidence within the firm.

A disclosure required by law would be a disclosure by us that is ordered by a court of competent jurisdiction with regard to a legal action to which you are a party.

## **Confidentiality and Security**

We will retain records relating to professional services that we have provided to you for a reasonable time so that we are better able assist you with your needs. In order to protect your nonpublic personal information from unauthorized access by third parties, we maintain physical, electronic and procedural safeguards that comply with our professional standards to insure the security and integrity of your information. Please feel free to call us at any time if you have any questions about the confidentiality of the information that you provide to us.

# Certification

I CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF...

1. The statements of fact contained in this report are true and correct and I have not knowingly withheld any significant information
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and assumptions and are my personal, unbiased professional analyses, opinions, and conclusions
3. I have no interest, present or prospective, in the property that is the subject of this report or to the parties involved
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment
5. I have previously appraised the subject property within the last three years
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results
7. 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 the appraisal
8. My analyses, opinions, and conclusions that were developed and this report that has been prepared are in conformity with the requirements of the Code of Professional Ethics and the Supplemental Standards of Professional Practice of The Appraisal Institute and the Uniform Standards of Professional Appraisal Practice
9. The use of this report is subject to the requirements of The Appraisal Institute relating to review by its duly authorized representatives
10. As of the date of this report, I have completed the requirements of the continuing education program of the State of Wisconsin
11. I made a physical inspection of the subject property on May 28, 2025
12. William Mueller, an Appraiser Trainee for this firm, provided significant professional assistance
13. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or The Appraisal Institute or the MAI or RM designations) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval of the undersigned
14. This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan



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Kevin F. Meicher  
Wisconsin Certified General Appraiser #758



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William P. Mueller  
Appraiser Trainee

**SECTION XII: ADDENDUM**

# Engagement Letter



May 19, 2025

Salvation Army of Dane County  
Michael Sjogren, Major  
Area Coordinator  
3030 Darbo Drive  
Madison, WI 53714  
Email: [Kristina.sjogren@usc.salvationarmy.org](mailto:Kristina.sjogren@usc.salvationarmy.org)  
Phone: 217-316-1656

RE: Engagement Letter for appraisal services of the Salvation Army Office Building located at 3030 Darbo Drive, Madison, Dane County, Wisconsin.

Dear Mr. Sjogren,

Pursuant to your request, we are pleased to submit an engagement letter for the appraisal of the Salvation Army Office Building located at 3030 Darbo Drive, Madison, Dane County, Wisconsin.

The appraisal services shall be prepared for Michael Sjogren, Major of Salvation Army of Dane County and is for the sole and exclusive use of Salvation Army of Dane County, and/or their affiliates. We request that you seek our written authorization before releasing the report to any party other than those referenced.

The purpose of the Appraisal Report will be for internal decision-making purposes. This appraisal will develop an "As Is" Market Value as of the date of inspection. The appraisal will be prepared in accordance with the Uniform Standards of Professional Appraisal Practice. The reports are subject to our Statement of Limiting Conditions and Appraiser Certifications which are attached to all appraisals prepared by this office.

The estimated completion date is projected to be within three to four weeks.

1480 Oak Opening Dr.  
Stoughton, Wisconsin 53589

Phone: (608) 833-3176  
Email: [kevin@mreappraisal.com](mailto:kevin@mreappraisal.com)

Mr. Sjogren, Major  
Salvation Army of Dane Co.

May 19, 2025  
Page 2

We will furnish you with an electronic copy of the Appraisal Report in PDF format, and paper copies if requested. Our fee for the appraisal will be [REDACTED]. These charges include all out-of-pocket expenses. The following information is requested for the appraisal (any changes / revisions from 2023):

- Site plan
- Building floorplans
- Current rent roll
- Copies of leases and letters of intent
- Income & expense history – 5 years (building related only)
- Sales history – if any within the past 5 years
- Summary of mechanicals
- Summary of renovations / capital improvements
- Tax Parcel Number(s)
- Any other data in your files that may be relevant for valuation purposes

Additional consulting services, including testimony work, will be charged at an hourly rate of \$250 for the additional time. The professional fees as indicated above are due upon completion of consulting services or delivery of the appraisal report.

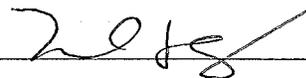
We will proceed with the preparation of this consultation and/or appraisal upon receipt of a signed copy of this letter. If you have any questions about anything contained within this letter, please give us a call.

Sincerely,



Kevin F. Meicher  
Meicher Real Estate

Accepted By:



Mr. Michael Sjogren, Major

5/22/25

Date

## **Assessor's Information**

**FOR CURRENT CITY OF MADISON PROPERTY INFORMATION,**  
go to: City of Madison Assessors

Due to recent city of Madison software deployments, Access Dane may not be up to date with City of Madison property information. City and County staff are working to resolve the data sharing issues as quickly as possible. This notice will be taken down once the issue is resolved.

**Parcel Number - 251/0710-052-1005-1**

**Current**

[← Parcel Parents](#)

[Summary Report](#)

**Parcel Summary**

**For parcel summary information** (owner names, primary address, billing address), visit the City of Madison Assessor's website

**Contact or visit the City of Madison Assessor's Office:**

608-266-4531 | assessor@cityofmadison.com

210 Martin Luther King Jr Blvd. Room 103, Madison, WI 53703

Municipality Name	CITY OF MADISON
Parcel Description	CERTIFIED SURVEY MAP NO 7652 RECORDED IN DANE COUNTY REGISTER OF DEEDS IN VOL 40 PAGE 47 OF CERTIFIED SURVEYS EXCEPT THAT PART AS DESC IN PARCEL 1, TRANSPORTATION PROJECT NO. 53W0348-4.01; LOT 2, EXCEPT THAT PART CONVEYED IN DOC 5424962 FOR NEW PUBLIC CITY STREET.

Show Municipal Contact Information ▼

**Assessment Detail**

**Less —**

[«](#)
[< Newer](#)
[Older >](#)
[»](#)

Assessment Year ⓘ	2024	2023
Valuation Classification	G2	G2
Assessment Acres	0.000	0
Land Value	\$0.00	\$0.00
Improved Value	\$0.00	\$0.00
Total Value	\$0.00	\$0.00
Average Assessment Ratio ⓘ	99.230000	99.440000
Estimated Fair Market Value ⓘ	\$0	\$0
Valuation Date ⓘ		

Show Valuation Breakout

**Zoning Information**

For the most current and complete zoning information contact:  
City of Madison Zoning | ☎ 608-266-4551

**District Information**

Type	State Code	Description
REGULAR SCHOOL	3269	MADISON METRO SCHOOL DIST
TECHNICAL COLLEGE	0400	MADISON TECH COLLEGE

**Parcel Maps**



[DCiMap](#)

[Google Map](#)

[Bing Map](#)

**Tax Information**

**⚠ This Tax Information and Payment data comes directly from the City of Madison.**

Please contact the City Treasurer's Office with questions, [treasurer@cityofmadison.com](mailto:treasurer@cityofmadison.com) or (608) 266-4771. Please click here to check the City of Madison's site for this parcel.

- [E-Statement](#)
- [E-Bill](#)
- [E-Receipt](#)
- [Pay Taxes Online](#)

« < Newer Older > »

Tax Year 2024		
Assessed Land Value	Assessed Improvement Value	Total Assessed Value
\$0.00	\$0.00	\$0.00
<b>Taxes:</b>		\$0.00
<b>Lottery Credit(-):</b>		\$0.00
<b>First Dollar Credit(-):</b>		\$0.00
<b>Specials(+):</b>		\$0.00
<b>Amount:</b>		\$0.00
<a href="#">2024 Tax Info Details</a>		<a href="#">Tax Payment History</a>

**Recorded Documents**

No recorded documents found.

**DocLink**

DocLink is a feature that connects this property to recorded documents listed above. If you'd like to use DocLink, all you need to do is select a link in this section. There is a fee that will require either a credit card or user account. Click here for instructions.

NOTE: Searching by the documents listed above will only result in that recorded document. For a more comprehensive search, please try searching by legal description and/or Parcel Number: 0710-052-1005-1. Tapestry searches by PIN or legal description are more comprehensive back through approximately 1995.

PLEASE TURN OFF YOUR POP UP BLOCKER TO VIEW DOCLINK DOCUMENTS. If you're unsure how to do this, please contact your IT support staff for assistance. You will be unable to view any documents purchased if your pop up blocker is on.



Access Dane is a product of  
Dane County Land Information Council  
© Copyright 2001  
210 Martin Luther King Jr. Blvd  
City-County Bldg. Room 116  
Madison, WI 53703



## City of Madison Property Information

**Property Address:** 3030 Darbo Dr

**Parcel Number:** 071005210051

**Information current as of:** 5/28/25 06:00AM

### OWNER(S)

THE SALVATION ARMY  
5550 PRAIRIE STONE PKWY  
HOFFMAN ESTATES, IL 60192

### REFUSE COLLECTION

District: 03B

### SCHOOLS

District: Madison

### PROPERTY VALUE

Assessment Year	Land	Improvements	Total
2024	\$0	\$0	\$0
2025	\$0	\$0	\$0

### 2024 TAX INFORMATION

Net Taxes:	\$0.00
Special Assessment:	\$0.00
Other:	\$0.00
Total:	\$0.00

### PROPERTY INFORMATION

Property Type:	Commercial exempt	Property Class:	Exempt
Zoning:	CC-T	Lot Size:	112,060 sq ft
Frontage:	571 - Darbo Dr	Water Frontage:	NO
TIF District:	0	Assessment Area:	9914

### RESIDENTIAL BUILDING INFORMATION

No building record is available online for this parcel. Please contact the Assessor's Office for additional information.

### Property Information Questions?

#### Assessor's Office

210 Martin Luther King, Jr. Boulevard, Room 101

Madison, Wisconsin 53703-3342

Phone: (608) 266-4531

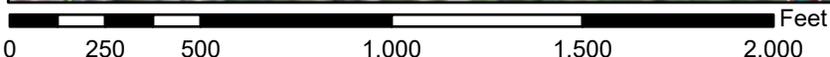
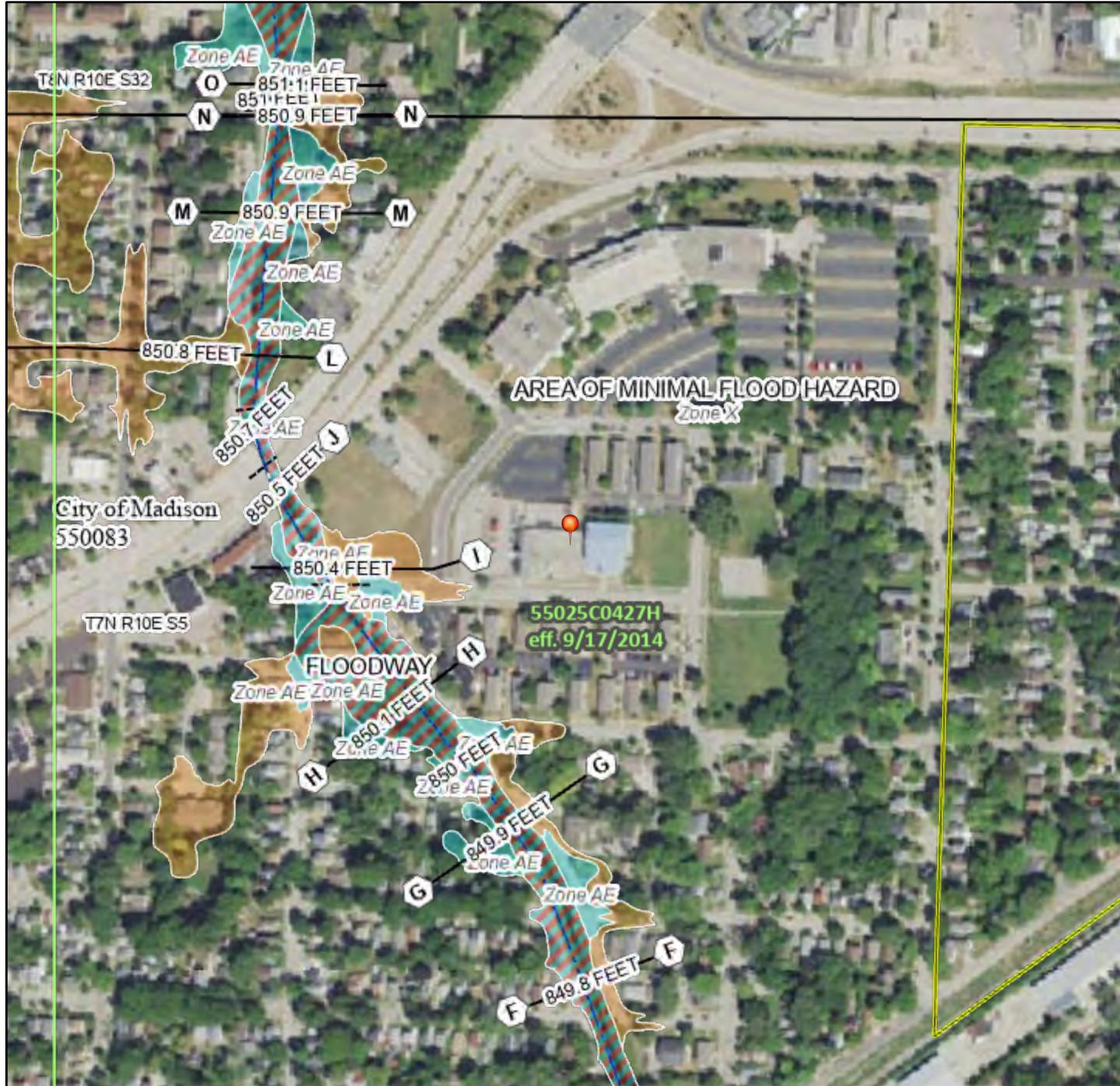
Email: [assessor@cityofmadison.com](mailto:assessor@cityofmadison.com)

## Flood Map

# National Flood Hazard Layer FIRMMette



89°20'39"W 43°6'27"N



1:6,000

89°20'2"W 43°6'1"N

Basemap Imagery Source: USGS National Map 2023

### Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

SPECIAL FLOOD HAZARD AREAS		Without Base Flood Elevation (BFE) Zone A, V, A99
		With BFE or Depth Zone AE, AO, AH, VE, AR
		Regulatory Floodway
OTHER AREAS OF FLOOD HAZARD		0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile Zone X
		Future Conditions 1% Annual Chance Flood Hazard Zone X
		Area with Reduced Flood Risk due to Levee. See Notes. Zone X
		Area with Flood Risk due to Levee Zone D
OTHER AREAS		NO SCREEN Area of Minimal Flood Hazard Zone X
		Effective LOMRs
GENERAL STRUCTURES		Area of Undetermined Flood Hazard Zone D
		Channel, Culvert, or Storm Sewer
OTHER FEATURES		Levee, Dike, or Floodwall
		20.2 Cross Sections with 1% Annual Chance Water Surface Elevation
MAP PANELS		17.5 Coastal Transect
		Base Flood Elevation Line (BFE)
		Limit of Study
		Jurisdiction Boundary
		Coastal Transect Baseline
		Profile Baseline
		Hydrographic Feature
		Digital Data Available
		No Digital Data Available
		Unmapped

The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.

This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 7/11/2025 at 2:26 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

## **Appraiser Qualifications**

NO. 758 - 10

EXPIRES: 12/14/2025

The State of Wisconsin  
Department of Safety and Professional Services  
REAL ESTATE APPRAISERS BOARD

*Hereby certifies that*

Kevin F Meicher

*was granted a license to practice as a*

**APPRAISER, CERTIFIED GENERAL**

*(551)*

*in the State of Wisconsin in accordance with Wisconsin Law  
on the 11th day of December in the year 1995.*

*The authority granted herein must be renewed each biennium by the granting authority.*

*In witness thereof, the State of Wisconsin*

*Real Estate Appraisers Board*

*has caused this certificate to be issued under  
the seal of the Department of Safety and Professional Services*



A handwritten signature in black ink, appearing to read 'D. Hew', written over a horizontal line.

DSPS Secretary

# APPRAISAL QUALIFICATIONS OF

## KEVIN F. MEICHER

Wisconsin Certified General Appraiser #758

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### MEICHER REAL ESTATE

Member / Owner  
April 2001 to Present

Specializing in commercial real estate appraisal, brokerage and consulting, Meicher Real Estate, LLC consolidates the experience of individuals with diverse backgrounds and expertise. Specific services available include commercial real estate appraisal and consultation in conformity with USPAP and FIRREA; market and feasibility studies; business valuations; real estate brokerage; personal property and real property tax consultation; and expert witness testimony related to the services provided.

### APPRAISAL EXPERTISE

#### Income Producing and Special Purpose Properties, Including (but not limited to) the Following:

- Apartment / Multi-Family Developments
- Lodging Facilities
- Special-Purpose Properties
- Retail Shopping Centers
- Subdivision and Condominium Developments (including retail, commercial, single and multi-family residential, and condominiums)
- Industrial / Warehouse / Production Facilities
- Senior Housing (Assisted Living, Adult Family Homes, Senior Apartments, CBRFs, RCACs)
- Office Buildings
- Corporate Headquarters Facilities
- Market Feasibility Studies

### ADDITIONAL EXPERIENCE

#### President / Corporate Officer

Millennium Real Estate Group,  
Inc. (f/k/a MBM Associates, Inc.)  
April 1995 – March 2001  
Real estate appraisal, brokerage,  
and consulting company

#### Commercial Appraiser

Midwest Valuation Service, Inc.  
(f/k/a John P. Hill & Associates,  
Inc.)  
March 1993 – August 1998  
Commercial real estate appraisal

#### Other Real Estate Experience

Investment  
Property Management  
Financing  
New Construction Coordination

### CERTIFICATIONS AND PROFESSIONAL AFFILIATIONS

- Wisconsin Certified General Appraiser #758 - December, 1995
- Wisconsin Real Estate Broker's License - March, 1995
- Wisconsin Real Estate Salespersons License - May, 1993
- Associate Member of the Appraisal Institute – MAI Candidate
- Member of the Greater Madison Area Board of Realtors
- Member of the South Central Wisconsin Multiple Listing Service

## EDUCATION

### University of Wisconsin – Whitewater

B.B.A. Business - Finance (Real Estate Emphasis)

Areas of Study:

- Real Estate Development
- Real Estate Investments
- Real Estate
- Estates and Trusts

### Appraisal Institute

Courses Completed:

- 310 - Capitalization Theory and Techniques
- 410 - Standards of Professional Practice, Part A
- 420 - Standards of Professional Practice, Part B
- 510 - Advanced Income Capitalization
- 520 - Highest & Best Use and Market Analysis
- 530 - Advanced Sales Comparison & Cost Approaches

### Continuing Education

Completed Yearly for License Renewals

Courses include, but are not limited to, the following:

- USPAP
- Business Practices and Ethics
- Condominiums, Co-ops, and PUDs
- Analyzing Operating Expenses
- Supervising Appraisal Trainees
- Developing and Growing an Appraisal Practice
- Technology for Today's Appraiser
- Subdivision Analysis

## REPRESENTATIVE CLIENTS / REFERENCES

### Banks & Lending Companies

- Bank Mutual
- Bank of Mauston
- Bank of New Glarus
- Bank of Prairie Du Sac
- Bank of Sun Prairie
- Baraboo National Bank
- BMO Harris Bank
- Capitol Bank
- DMB Community Bank
- Farmers & Merchants Bank
- First Business Bank
- First Citizens Bank
- First National Bank & Trust
- Johnson Bank, NA
- McFarland State Bank
- Monona Bank
- National Mutual Benefit
- Oak Bank
- Old National Bank
- Oregon Community Bank
- Park Bank
- River Valley Bank
- Settlers Bank
- Starion Financial
- State Bank of Cross Plains
- Summit Credit Union
- TCF National
- Wintrust / Town Bank
- US Bank
- Waunakee Community Bank
- Westbury Bank
- Wisconsin Bank & Trust

### Investors, Developers, Attorneys & Accountants

- Alexander Company
- Augusta Realty
- Axley Bryn Nelson
- Baker Tilly
- City of Fitchburg
- City of Janesville
- City of Stoughton
- Coldwell Banker / Sveum Realtors
- Contemporary Real Estate
- DeWitt Ross & Stevens
- Elderspan
- Encore Construction
- Forward Development Group
- Forward Management
- Gallina Company
- Galway Companies
- Gorman & Company Inc
- Gregg Shimanski Realty
- Haen Real Estate
- Heartland Properties
- Horizon Development
- Hovde Properties
- Intercon Construction
- Johnson Properties
- JSM Properties
- Knupp & Watson
- Krupp Construction
- M & M Real Estate
- McAllen Properties
- Meriter Hospitals
- Murphy and Desmond, S.C.
- North American Realty Advisors
- Promega Corp.
- Reinhart Boerner Van Deuren s.c.
- Rouse Management
- Rifken Group
- Steve Brown Apartments
- SVA Certified Public Accountants
- Sveum Enterprises
- T. Wall Properties
- University Research Park
- Valuation Compliance, LLC
- Veridian Homes
- Village of Waunakee
- Welton Enterprises
- Wisconsin Management