

INCOME MODEL APPROACH

The Income Model Approach includes models for the following property groups:

Apartments

Motels

Retail Stores

Offices

Convenience Stores

Restaurants

Manufacturing/Warehouse

Income and Expense Models are developed for each property group to cover the range of properties located within Yadkin County.

Economic Income is developed on a gross square foot or unit basis. Potential Gross Income is adjusted for occupancy loss to produce an Effective Gross Income. Income and Occupancy factors may be adjusted for exceptional properties on an individual basis.

Expenses for management and marketing, maintenance, utilities and other operating expenses are specified as a percentage of Effective Gross Income. Expenses are deducted from Effective Gross Income to generate a Net Income, which is then capitalized using a direct capitalization technique.

Income Models include associated capitalization parameters:

Typical financing, percentage rates, and terms.

Cash on cash requirements.

These capitalization parameters may be adjusted for lower or higher risk properties through an override of the industrial model rates. Capitalization Rates are computed including an effective tax rate and applied to the Net Income to generate an indicated value.

YADKIN COUNTY NORTH CAROLINA

2009 REAPPRAISAL

SAMPLE INCOME APPROACH APPRAISAL

Schedule of Values

Yadkin County 2009

INCOME & EXPENSE CALCULATIONS

Subject Any Place Shopping Center

68110 square foot shopping center built 1978

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Potential Gross Income:

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|-------------------------------------|--------------|
| Lowes Foods 30000 sq ft @ \$5.00 | \$150,000.00 |
| Dollar General 8450 sq ft @ \$4.25 | \$ 35,913.00 |
| Maxway 18200 sq ft @ \$3.50 | \$ 63,700.00 |
| Other Tenants 11300 sq ft @ \$10.00 | \$113,000.00 |

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|---------------------------------------|---------------|
| Effective Gross Income | \$362,612.50 |
| Less Vacancy and Collection Loss (5%) | (\$18,130.63) |
| Plus Miscellaneous Income (10%) | \$36,261.25 |

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|------------------------------|---------------|
| Effective Gross Income | \$380,743.13 |
| Less Management Expense (5%) | (\$19,037.16) |
| | \$361,705.97 |

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|----------------------------------|---------------|
| Less Operating Expenses (20%) | (\$72,341.19) |
| Less Replacement & Reserves (5%) | (\$18,085.30) |

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|-----------------------------|--------------|
| Net Income Before Recapture | \$271,279.48 |
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| Capitalized @ 10% (Net income divided by .10) | \$2,712,795 |
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| Indicated Value Rounded to Nearest \$100 | \$2,712,800 |
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|----------------------------------|-------------|
| Indicated Value by Cost Approach | \$2,756,052 |
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