

Summary Appraisal Report



**Medical Dentist Office
228 Village Drive
Pagosa Springs, CO**

**Date of Value: September 1, 2023
Report Date: September 25, 2023**

**Harold Thompson, DDS
264 Pompa Drive
Pagosa Springs, CO 81147**



Ace Appraisal

Real Estate Appraisal, Research, & Consulting

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September 25, 2023

Harold Thompson, DDS
264 Pompa Drive
Pagosa Springs, CO 81147

Mr. Thompson,

As you requested, I have completed a narrative report for the property located at 228 Village Drive, Pagosa Springs, CO 81147.

The purpose of this appraisal is to determine market value. The estimated market value indicated in the body of the appraisal report is of the effective date, which is also the date of inspection by the appraiser; September 1, 2023.

The Intended User of this appraisal report is the client, Harold Thompson. The Intended Use is to evaluate the property that is the subject of this appraisal to assist with selling price decisions, subject to the stated Scope of Work, purpose of the appraisal, reporting requirements of this appraisal report form, and Definition of Market Value.

The appraisal was prepared in accordance with the Uniform Standards of Professional Appraisal Practice, and any additional standards of my client, Harold Thompson. In addition, this report has been written in accordance with the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute. This appraisal is not to be relied on in-part but only as a complete report that is 100 pages long including the letter of transmittal and addenda.

My findings were conscientiously prepared on the basis of available information and individual research within the market area of the subject property. The "as-is" opinion of market value or real property based upon the sales comparison, cost and income approaches to value is:

\$990,000

Nine Hundred and Ninety Thousand Dollars

If there are any questions after your review please do not hesitate to call me at (970) 731-1986 or email jketchum@aceappraisal.info.

Sincerely,

A handwritten signature in blue ink that reads "Jess E. Ketchum". The signature is written in a cursive style with a horizontal line underneath it.

Jess E. Ketchum, MAI
Colorado Certified General
Real Estate Appraiser
CG40041546

INTRODUCTION



The subject property is located in the town of Pagosa Springs in southwest Colorado. It is located on a secondary corner lot that fronts Village Drive approximately one block from US Highway 160. It is a good quality dental facility was constructed in 1996 and includes 3,042 SF with 1.5 stories and five operating and hygiene rooms. The site size is 1.5 acres, part of which, is considered excess land, with private parking for 21 vehicles. Overall, the facility is in good updated condition with no noticeable deferred maintenance issues. Further details will be discussed in the following report.

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APPRAISER'S CERTIFICATION

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

The statements of fact contained in this report are true and correct.

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

I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

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

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.

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

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

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

No one provided significant real property appraisal assistance to the persons signing this certification.

A review of the appraiser's files reveals that no work, appraisal or otherwise, has been performed on the subject property in the last three years.



Jess E. Ketchum, MAI
Colorado Certified General
Real Estate Appraiser
CG40041546

DISCLAIMER

THIS DISCLAIMER TO BE ATTACHED TO THE ORIGINAL APPRAISAL REPORT

SUBJECT PROPERTY INSPECTED: September 1, 2023

FOR PROPERTY LOCATED AT: 228 Village Drive

FOR: Harold Thompson

The appraisal report or statement of appraised value has been prepared solely for the use of the above named client. The report or statement has not been prepared for use by the mortgage loan applicant, any borrower, or any party other than the above named client and her successors.

The report or statement and the information and conclusions included in the report or statement are the property of the above named client and may not be used and must not be relied upon by any party other than the above named client and its successors and assigns except to the extent specifically permitted by written consent signed by the above named client.

Any party other than the above named client or one of its successors or assigns desired to determine or rely upon the market value of the property described in the attached report or statement must arrange for a separate appraisal and report from a qualified appraiser.



Jess E. Ketchum, MAI
Colorado Certified General
Real Estate Appraiser
CG40041546

EXECUTIVE SUMMARY

Summary of Salient Facts	
General Information	
Name / Location	228 Village Drive
Parcel Number	569920126002
Record of Ownership	Thompson, Harold & Renee Family LLC
Inspection Date	September 1, 2023
Valuation Date	September 1, 2023
Report Date	September 25, 2023
Property Rights Appraised	Lease Fee Estate
Effective Date of Appraisal	September 1, 2023
Extraordinary Assumptions	None
Hypothetical Conditions	None
Purpose of Appraisal	Estimate the market value of the Lease Fee Estate of the subject "As-Is", as of September 1, 2023
Intended Use of Appraisal	
Site Information	
Land Area	1.5 ac per Archuleta County Assessor's Office
Excess Land	0.75 ac
Zoning	Commercial within PUD / PLPOA
Flood Status	Not located in flood hazard area
Improvement Information	
Improvements	3,042 SF GBA (Gross Building Area)
Type of Construction	Stick Frame
Number of Buildings	1
Number of Stories	1.5
Highest and Best Use	As if Vacant: Hold for future commercial development As Improved: As Improved—commercial dental office
Most Probable Purchaser	Owner User

Value Conclusions		
Cost Approach	\$983,000	\$323.14 PSF
Sales Comparison Approach	\$996,000	\$327.41 PSF
Income Approach	\$777,000	\$255.42 PSF
Value Conclusions		
Market Value "As-Is"	\$990,000	\$325.44 PSF

Risk Analysis	
Positive Factors	
<i>Subject</i>	The subject is located in a commercial and residential district of Pagosa Springs. It is approximately one block off US Highway 160 which is the primary street in the market area.
<i>Market</i>	The Pagosa Springs area has an active residential and commercial market. Residential housing market is seeing higher activity and increased demand with increased consumer spending which has had a positive impact on the accelerating commercial market.
<i>Analysis</i>	Although slightly secondary, the location and access combine to create a desirable property with enhanced utility that has demand in the commercial market.
Negative Factors	
<i>Subject</i>	The good quality and special purpose make-up of the building causes changes to other types of uses such as professional offices, difficult.
<i>Market</i>	Although demand exists in the market for medical buildings, the specialized nature of the building has a limited market.
<i>Analysis</i>	Due to the limited number of similar sales in the Pagosa Springs market, sales from outside the area in competing locations were used. Significant adjustments were required for differences in reconciliation.

PREMISES OF THE APPRAISAL _____

IDENTIFICATION OF THE TYPE OF REPORT

This report format is a Narrative Appraisal Report. An Appraisal Report is defined in Standards Rule 2-2 (b) of the Uniform Standards of Professional Appraisal Practice (2020-2021 ed.).

Client & Intended Users

The intended user is the client, Harold Thompson, and his successors and/or assigns.

Intended Use of the Appraisal

Harold Thompson will use the findings in this report to assist in selling price decisions.

Purpose of the Appraisal

The purpose of the appraisal is to estimate the market value “as-is” in its current state.

Date of Opinion of Value

The estimated value indicated in the body of the appraisal report is of the effective date, which is also the date of inspection; September 1, 2023.

Property Rights Appraised

The property interest appraised is the leased fee estate. The leased fee estate is defined as:

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

The appraisal does not include a title search on the subject property and assumes that there are no easements, covenants, encroachments or restrictions that adversely affect title. Further, no opinion is expressed as to the value of subsurface oil, gas, or mineral rights and the appraisal assumes the property is not subject to surface entry for the exploration or removal of such materials. Mineral activity is not common in the neighborhood.

Definition of Market Value

The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent

to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress. (*The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015))

EXTRAORDINARY ASSUMPTIONS & HYPOTHETICAL CONDITIONS

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2020-2021 Ed.) Source: Appraisal Institute, *the Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

No extraordinary assumptions exist in this appraisal assignment.

Hypothetical Condition

That which is contrary to what exists but is supposed for analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2020-2021 Ed.) Source: Appraisal Institute, *the Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

No hypothetical conditions exist in this appraisal assignment.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made based on the following assumptions and limiting conditions. Use of this report for any purpose constitutes acceptance of these assumptions and limiting conditions.

1. The legal description used in this report is assumed to be correct.
2. No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.
3. No responsibility is assumed of matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and merchantable.
4. Information furnished by others is assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser.
5. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within this report. The property is appraised as though under responsible ownership and competent management.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors.
7. It is assumed that all applicable federal, state, and local environmental regulations and laws have been complied with unless otherwise stated, defined and considered in the appraisal report.
8. It is assumed that all applicable zoning, use regulations and restrictions have been complied with, unless non-conformity has been stated, defined and considered in the appraisal report.
9. It is assumed that the utilization of the land and improvements are within the boundaries of the property lines of the property described and there is no encroachment or trespass unless noted within the report.
10. The appraisal on this property was done without a survey and a survey might delineate portions of property included in this analysis.

11. The opinion of value is based on the assumption that the property is not negatively affected by the existence of hazardous substances or the detrimental environmental identification of hazardous substances or detrimental environmental conditions. The appraiser's routine inspection of and inquires about the subject property did not develop any information that indicated any apparent significant hazardous substance or detrimental environmental conditions which would affect the property negatively unless otherwise stated in this report. It is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous substances or detrimental environmental conditions on or around the property that would negatively affect its value. Because the subject is a fuel service station the risk of environmental contamination is much greater than for normal commercial properties. If a detrimental environmental condition exists, the appraisers reserve the right to re-evaluate this assignment for any effect on value.

12. Exposure Time: The estimated length of time that 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. The exposure time for this report is 6 to 24 months.

Please note if any of the above assumptions prove to be incorrect, the appraisers reserve the right to re-evaluate the effect, if any, on the value of the property.

This appraisal report has been made with the following general limiting conditions:

1. No opinion is expressed as to the value of subsurface oil, gas or mineral rights and it is assumed that the property is not subject to surface entry for the exploration or removal of such materials except as is expressly stated.
2. The distributions of the total valuation between land and improvements apply only under the existing program of utilization and conditions stated in this report. The separate valuations for land and building must not be used in conjunction with any other appraisal, and are invalid if so used.
3. © 2023 By Ace Appraisal. All rights reserved. No part of this report may be reproduced, modified, or rewritten, either electronically or by any other means, without the express written permission of Ace Appraisal. Neither all or part of the contents of this report shall be conveyed to any person or entity, other than the appraisers firm's client, through advertising, solicitation materials, public relations, news, sales or other media without the consent and approval of the authors, particularly as to value conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to any professional organizations or designation in which the appraiser or firm

is affiliated. Further, the appraiser or firm assumes no obligation, liability or accountability to any third part. If the report is placed in the hands of anyone but the client, the client shall make such party aware of all the assumptions and limiting conditions or the assignment.

4. The appraiser herein by reason of this appraisal is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
5. The date of value to which the opinions expressed in the report apply are shown in the Executive Summary. The appraiser assumes no responsibility for economic or physical factors occurring at some later date which may affect the opinions herein stated.

SCOPE OF APPRAISAL

The scope of this appraisal encompasses the necessary research and analysis to prepare a report in accordance with the intended use. All applicable approaches to value are used in this appraisal.

General Information	
Purpose of the Appraisal	Estimate the market value of the subject property
Client	Harold Thompson
Intended User	Harold Thompson
Intended Use	Selling price decisions
Inspection/Effective Date	September 1, 2023
Property Interest Appraised	Fee Simple Interest
Value Concluded	Market Value
Appraisal Premise	"As-Is" as of the effective date of value
Reporting Format	Narrative Appraisal Report

During this assignment, the appraiser:

1. has inspected the subject property on September 1, 2023, to note the characteristics of the property that are relevant to its valuation;
2. has investigated available market data for use in a sales comparison approach to value and, if appropriate, cost and income capitalization approaches. The appraiser's investigations have included research of public records with commercial sources of data such as printed comparable data services and computerized databases. Search parameters such as dates of sales, leases locations, sizes, types of properties, and distances from the subject will start with relatively narrow constraints and, if necessary, be expanded until the appraiser has either retrieved data sufficient (in the appraiser's opinion) to estimate market value, or until the appraiser believes that he has reasonably exhausted the available pool of data. Researched sales data has been viewed and, if found to be appropriate, efforts will be made to verify the data with persons directly

involved in the transactions such as buyers, seller, brokers, or agents. At the appraiser's discretion, some data has been used without personal verification if, in the appraiser's opinion, the data appear to be correct. In addition, the appraisers have considered any appropriate listings or properties found through observation during appraiser's data collection process. The appraiser will report only the data deemed to be pertinent to the valuation problem;

3. has investigated and analyzed any pertinent easements or restrictions, on the fee simple ownership of the subject property. It is the client's responsibility to supply the appraiser with a title report. If a title report is not available, the appraisers have relied on a visual inspection and identified any clear easements or restrictions;
4. has analyzed the data found and reached conclusions regarding the market value, as defined in the report, of the subject property as of the date of value using appropriate valuation approaches identified above;
5. has prepared the appraisal in compliance with the Uniform Standards of Professional Appraisal Practice as promulgated by The Appraisal Foundation and the Code of Professional Ethics and Certification Standard of the Appraisal Institute;
6. is not responsible for ascertaining the existence of any toxic waste or other contamination present on or off the site. The appraiser has, however, reported any indications of toxic waste or contaminants that may affect value if they were clear during appraiser's investigations. Appraiser cautions the user of the report that appraiser is not expert in such matters and that appraiser may over look contamination that might be clear to parties who are experts in such matters;
7. has prepared a Narrative Appraisal Report, as defined in USPAP, which will include: photographs of the subject property, descriptions of the subject neighborhood, the site, any improvements on the site, a description of the zoning, a highest and best use analysis, a summary of the most important sales used in the appraiser's valuation, a reconciliation and conclusion, a map illustrating the sales in relationship to the subject property, and other data deemed by the appraiser to be relevant to the assignment. Pertinent data and analyses not included in the report will be saved in appraiser's file.

Competency

The subject is comprised of a commercial medical/dental building in Pagosa Springs, Colorado. The appraiser named in this report has conducted numerous professional office properties in Southwestern Colorado. The appraiser has the experience needed to appraise the subject property.

PRESENTATION OF DATA

IDENTIFICATION OF PROPERTY

Legal Description

Subdivision: CENTRAL CORE, Lot 5C, CC, Section 20, Township 35, Range 2W

Personal Property

No personal property is included in this valuation of real estate.

History of Property

The property was originally built in 1996 as a dental office by Harold and Renee Thompson. Prior to the beginning of 2022, the current owners have personally used the building since it was built. In January of 2022, it was leased to Pagosa Peak Family Dentistry, PLLC until 2027 for five years. No sales or offerings for sale have occurred in the last five years but the current owner is currently in negotiation with the tenants to sell the building.

Taxes and Assessment Data

Property Tax								
Property	Legal	Land Actual	Imp Actual	Total Actual	Land Assessed	Imp Assessed	Total Assessed	2022 Property Tax
228 Village Drive	See Above	\$150,210	\$260,360	\$410,570	\$43,560	\$75,500	\$119,060	\$7,739

Commercial assessed value is 29% of the Assessor's estimate of actual value and residential assessed value is 7.95% of actual value. With the increase in property values over the last three years, property taxes will most likely increase.

Zoning

The subject is zoned Commercial (C). This is defined as the following:

"The C Zoning District is a Non-residential zoning district intended to be generally consistent with the Commercial land use district in the Community Plan, and provide for all types of commercial and mixed use activities which have functional and economic relationships to the County, including retail, office and personal services. Quality commercial development using design standards is required, while poor site planning that would negatively impact the County's scenic environment and tourism economy is discouraged." (Archuleta County Zoning Regulation, Section 3.1.2.7)

The subject physical characteristics and use are legally conforming to current zoning. Zoning is not expected to change in foreseeable future.

AREA DATA

The subject is located in Archuleta County in the town of Pagosa Springs. It is not officially in the incorporated Town but is considered as such. The subject market area boundaries consist of the Highway 160 corridor from Aspen Springs to the base of Wolf Creek pass. This corridor is basically west to east and most of the major single family residential subdivisions are adjacent or near this highway. The Highway 160 corridor is considered more suburban and most site sizes are generally smaller than ½ acre. These residential suburban areas mainly serve the town of Pagosa Springs and Pagosa Lakes. Southwards the market area extends down Highway 84 approximately 24 miles to the northern New Mexico state line. The residential subdivisions south is more rural and include mostly larger sized parcels that range from 3 to 35 acre tracts with periodic ranches between the subdivisions. Northwards the Continental Divide makes a natural barrier and together with the large amount of National Forest land allows minimal residential use.

Businesses in the original town of Pagosa Springs include restaurants, souvenir shops, recreational rental shops, and some small owner/operator department type stores. Also, included downtown, over the naturally occurring hot springs, is the Springs Resort and Hotel. This resort features a motel with over 20 developed hot tubs and a swimming pool.

West of the original town of Pagosa Springs is the community of Pagosa Lakes. Most of the commercial businesses directly adjacent to Highway 160 have been incorporated into the town but the residential areas have not. This area includes the newer developed section of businesses. These commercial properties include churches, banks, a retail plaza anchored by City Market, a national chain grocery store, fast food restaurants, a hospital, retirement home, and one used car lot. The Pagosa Lakes area includes over 12 residential subdivisions which are managed by the Pagosa Lakes Property Owners Association (PLPOA). These residential subdivisions include duplexes, triplexes, apartment buildings, time shares, condominiums, townhomes, and single family residences. Available to all property owners in the Pagosa Lakes area is a recreational facility with gyms, work-out rooms, racket ball courts, and a large indoor swimming pool. Also, available for owners is the use of five stocked and maintained lakes for recreational fishing.

EXTERNAL MARKET AND LOCATION INFLUENCES

Environmental, social, economic and governmental forces within the subject area are relevant in an appraisal because they affect real property value. Analysis of this information allows an appraiser to recognize trends in the subject's market area and an indication of the subject's highest and best use leading to an overall indication of value.

Environmental Forces

The subject is located in Pagosa Springs, the county seat of Archuleta County, which is in southwestern Colorado. The market area encompasses all of Archuleta County and portions of Hinsdale, Mineral and La Plata Counties. Archuleta County is comprised of 1,364 square miles. Only 34% of lands in Archuleta County are in private ownership. Tribal lands comprise 14.4% of the county while 51.6% of mostly the northern and eastern portions of the county are within the San Juan National Forest. Other smaller communities in Archuleta County include Arboles, Chromo, and Chimney Rock.

Ingress and egress to and from the area is considered good via U.S. Highway 160, which bisects the area in a general East-West direction and U.S. Highway 84 from Pagosa Springs south to Santa Fe and Albuquerque, New Mexico. Stevens Airfield, a county airport used for private transportation, serves the area and the Durango Airport, 60 miles away services commercial flights. Steven's Field, the Archuleta County Airport, has a 6,500-foot long asphalt paved; lighted runway located three miles west of Pagosa Springs. Limited commercial air traffic and all light aircraft make use of Steven's Field.

Elevations in this area range from a low at Navajo Lake of approximately 5,500 feet to a high on the Continental Divide of 14,000 plus feet. Water flow in the area is generally from the north to the south. Headwaters of several rivers are in this area, including but not limited to the San Juan, Pine, Piedra and Navajo Rivers. Because of these water sources, the area has several lakes and reservoirs including Vallecito, William's Creek and Echo Canyon Reservoirs and Emerald and Navajo Lakes as well as other smaller lakes.

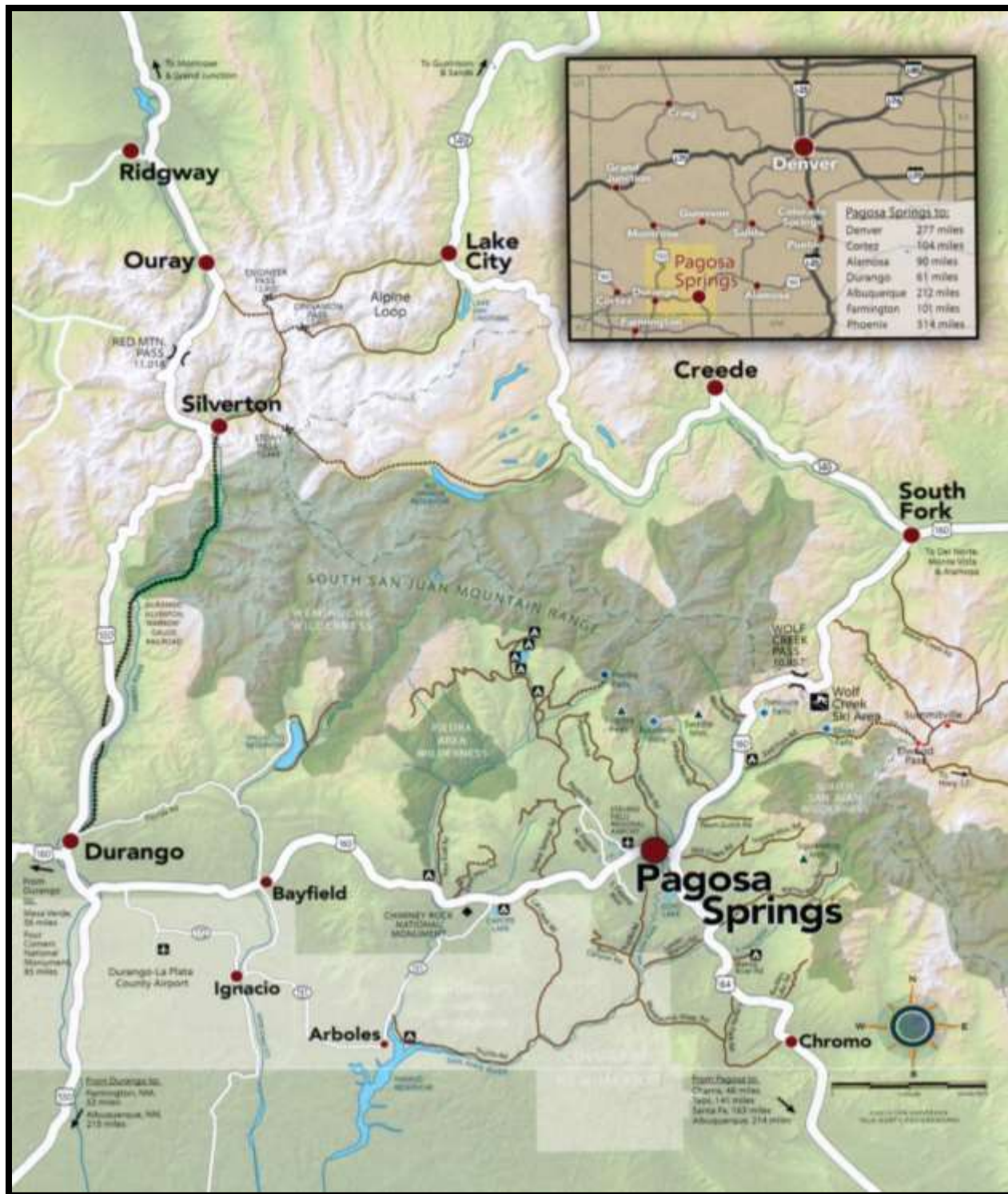
The lowest elevations are found in the southwestern corner of the area. Hence, the climate is much milder in the winter months. The northeastern most portions of the area have the mountains with the highest elevations. This area lies just on the west side of the Continental Divide. Typically, the warmest months of the year are July and August and the coldest months are the end of December through January and into the first part of February. Typically, the heaviest snowfall months are March and April.

As the area is in the Southwest, the climate is semi-arid in nature with an annual rainfall of 20.21 inches and an annual snowfall of 101.20 inches. The growing season is 90-95 days which

severely limits crop production which are mainly hay crops. The average low/high temperature is 11°-43° degrees in January with low/high temperatures from 50°-80° in July.

One of the chief draws to the area are the hot springs located in Pagosa Springs. A major winter attraction to the area is Wolf Creek Ski Area. Wolf Creek Ski Area boasts the most snow in Colorado, includes five chair lifts, and attracts around 200,000 visitors season.

The environmental aspects of the county; the dry, cool climate, recreational opportunities, and mountain views make the area an appealing place to live. The high amount of snowfall in the winter, the short growing season, and the large amount of federal land which limits development, are negative forces in the subject's market area.



Governmental Forces

A Town Council governs the Town of Pagosa Springs and three County Commissioners govern Archuleta County.

The Pagosa Fire Protection District provides county fire protection. Police protection, garbage collection and public utilities are adequate in the area. Mountain Express Transit, a bus system that adequately supplies transportation for reasonable rates, provides public transportation. No legislation in the area affects property values. The town of Pagosa Springs has recently revised its zoning on “big box” stores and will now allow retail stores over 100,000 square feet. There is no market data, yet, to determine how the new de-regulation will affect the commercial real estate market. Public utilities, Police, and fire protection are adequate and provide an infrastructure that encourages population growth. The county is zoned and requires building permits.

Economic Forces / Demographics

The area economy consists of tourism and recreation, with ranching, timber and construction providing secondary support. Approximately 25% of housing is owned by second home owners and part-time residents.

The following report from the Region 9—2020 Update shows Archuleta county Service sectors and base economic/demographic analysis.

Population

From 2000 to 2010, the population of Archuleta County grew by 2% annually. Since 2010, the estimated annual rate of growth has slowed to about 1.6%. The State Demographer estimates an increase of about 2,500 residents in the next 10 years. These population figures do not reflect the large number of seasonal visitors, many of whom own second homes in the area. In 2015, it was estimated that 41% of residential housing was owned by people whose primary residence was outside of the county.

	2010	2018	Ann. Avg % Change 2010-18
Archuleta	12,060	13,746	1.6%
Pagosa Springs	1,722	2,021	2.0%
Unincorporated	10,338	11,725	1.6%

Source: Colorado State Demography Office

Employment and Income

Archuleta County 2018 Total Employment	# of Jobs	% of Jobs	*Avg. ann. wage	# Jobs % Change 2017-2018
Agriculture	413	6%	\$ 37,271	16%
Mining	30	0.4%	\$ 42,614	-30%
Utilities	27	0.4%	\$ 78,407	0%
Construction	773	11%	\$ 37,918	5%
Manufacturing	126	2%	\$ 27,477	-17%
Wholesale Trade	47	1%	\$ 53,415	-6%
Retail Trade	871	13%	\$ 27,176	-4%
Transportation & Warehousing	51	1%	\$ 37,951	-14%
Information	63	1%	\$ 43,203	7%
Finance Activities	134	2%	\$ 54,647	5%
Real Estate	457	7%	\$ 38,752	0%
Professional & Business Services	399	6%	\$ 68,641	9%
Management of Companies and Enterprises	5	0.1%	\$ 47,129	-17%
Administration and Waste Management	285	4%	\$ 27,217	8%
Private Education	61	1%	\$ 10,697	-2%
Health Services	489	7%	\$ 31,520	8%
Arts, Entertainment, and Recreation	137	2%	\$ 21,833	-1%
Accommodation and Food	855	13%	\$ 20,307	1%
Other Services, except Public Administration	631	9%	\$ 29,876	-1%
Government	923	14%	\$ 54,759	5%
Total	6,777	100%	\$34,992	2%

*Quarterly Census of Employment & Wages (QCEW)

Source: Colorado State Demography Office

In 2019, county unemployment rates (3.2%) were higher than the state (2.8%), but lower than the nation (3.9%). This table includes wage earners as well as proprietors (owners). About 68% of total employment is by wage earners, while 32% is through proprietors. The service sector (the 8 highlighted fields) employs about 43% of workers in the county. The service sector is composed of many types of jobs, and varying wage scales, ranging from highly paid professionals to entry-level wage earners. The U.S. Census Bureau estimates that in 2017 there were 1,415 workers commuting out of the county for work. In contrast, 1,186 people were commuting in for work. These estimates only reflect those jobs covered by unemployment insurance.

2018 Employment Share by Wage

¹ Avg. Annual Wage	² Low Wage	³ Mid Wage	⁴ High Wage	⁵ Livable Wage
\$34,990	< \$27,990	\$27,991 - \$41,990	>\$41,991	\$61,860
	34%	42%	24%	6%

See Glossary for wage thresholds

The county average annual wage (\$34,990) is 60% of the state average annual wage (\$58,942).

Base analysis distinguishes which industries are responsible for overall growth and change. For more information regarding base analysis please refer to the *Glossary (p. 19)*.

Archuleta County 2018 Base Industries	# of Jobs	% of Jobs
Agribusiness	505	11%
Mining	22	0.5%
Manufacturing	54	1%
Government	126	3%
Regional Services	759	16%
Tourism	1,527	32%
Households	1,787	37%
Total	4,780	100%

In Archuleta, the largest base employment industries are tourism and households that spend money earned elsewhere (i.e. second home owners and retirees). More information regarding base industries is available on Region 9's website.

Top employers are ranked based on the numbers of people that they employ. These numbers were collected from each employer if available, estimated based on information collected from past years, or provided by state agencies. Employers include local governments as well as private employers.

Top Employers - Archuleta County 2019	# of Jobs
Upper San Juan Hospital District	280
Archuleta County School Dist. 50 JT	210
Walmart	148
USDA Forest Service	138
Archuleta County	132
Visting Angels of the Southwest	122
City Market	118
Wyndam Pagosa	73
Springs Resort LTD	54
Pine Ridge Extended Care Center LLC	53

Archuleta 2018 Total Personal Income (\$000)		% of Total
Employment Earnings	\$ 259,099	45%
Residency Adjustment	\$ 3,680	1%
Dividends, Interest & Rent	\$ 184,538	32%
Transfer Payments	\$ 133,767	23%
Estimated TPI	\$ 581,084	100%

Source: Bureau of Economic Analysis

Total Personal Income (TPI) is the sum of all income paid to residents of Archuleta County from various sources. Retirees (60+) brought in \$87 million (16%) of TPI through transfer payments.

Per Capita Income (PCI) of Archuleta County is 77% of the National PCI and 72% of Colorado's PCI.

Per Capita Income 2018		
	PCI 2018	% of USA
USA	\$ 54,446	100%
Colorado	\$ 58,456	107%
Archuleta	\$ 41,947	77%

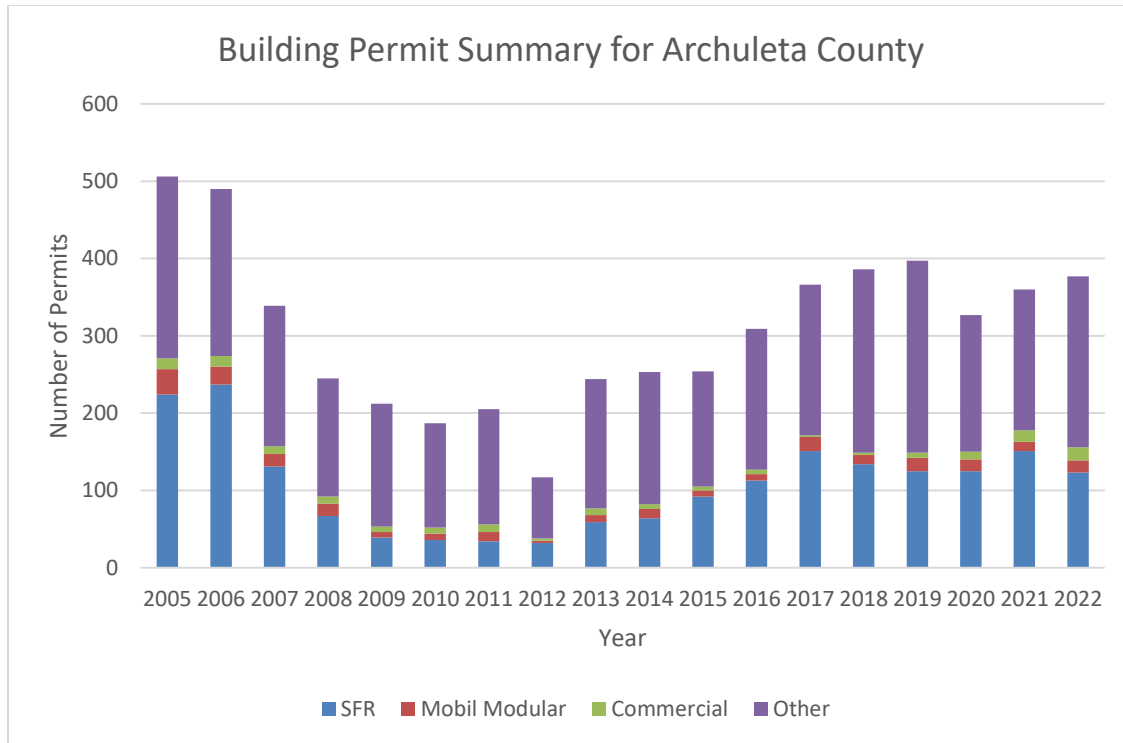
Source: Bureau of Economic Analysis

Enterprise Zones – The county as a whole is not an enterprise zone, though eligible areas have an Enhanced Zone status through 2020, based on employment and income criteria. The county has two ineligible census blocks, 9743003 bisects the Town of Pagosa Springs; with the north half included in the EZ, and the south half of the town generally excluded. Southern Ute Tribal lands are included in the eligible census block 9404001

New Construction Permits

Monitoring the housing permit activity within the county is another method of keeping a pulse on the growth activity in Archuleta County, which has been reported as one of the fastest growing counties in the United States. Although increases are easily noted, when a small community grows in population, it is easily misconstrued in terms of percentages of increases. Historical research indicates an increasing number of building permits in 2005 through 2007, decreasing substantially in 2008, 2009, 2010, and 2011 with stabilization beginning in 2012. Current building permits for 2021 are slightly below 2020 but indicate a stable trend for the The following building permit statistics are from the Archuleta County Department of County Development.

Building Permit Summary for Archuleta County					
	SFR	Mobil Modular	Commercial	Other	Total
2005	224	33	14	235	506
2006	237	23	14	216	490
2007	131	16	10	182	339
2008	67	16	9	153	245
2009	39	7	7	159	212
2010	36	8	8	135	187
2011	34	12	10	149	205
2012	32	3	3	79	117
2013	59	9	9	167	244
2014	64	12	6	171	253
2015	92	8	5	149	254
2016	113	8	6	182	309
2017	151	18	2	195	366
2018	134	12	3	237	386
2019	125	17	7	248	397
2020	125	15	10	177	327
2021	151	12	15	182	360
2022	123	16	17	221	377



As illustrated by the graph, building permits steadily decreased from 2006 to the beginning of 2011 then began to increase again. Currently, permit numbers appear to be leveling out. "Other" permits are mostly for remodels and deck/porch additions to existing structures.

Conclusion

Generally, the trend for the region has increased from 1990 to 1997, stabilized in 1997 to 2005, and increased from 2005 to the end of 2007. From 2007 to the end of 2008, the market was stable, and from the end of 2008 to 2011 saw a decline in housing starts, population, and sales tax revenues both in the town and in the county. From 2011 to 2019, the overall market was steady then exploded in 2020 because of the mass population shift to rural areas from metropolitan areas due to Covid 19. However, as in all real estate markets, the key equalizer is always the economics of the underlying fundamentals: jobs, population growth, and increases in household income.

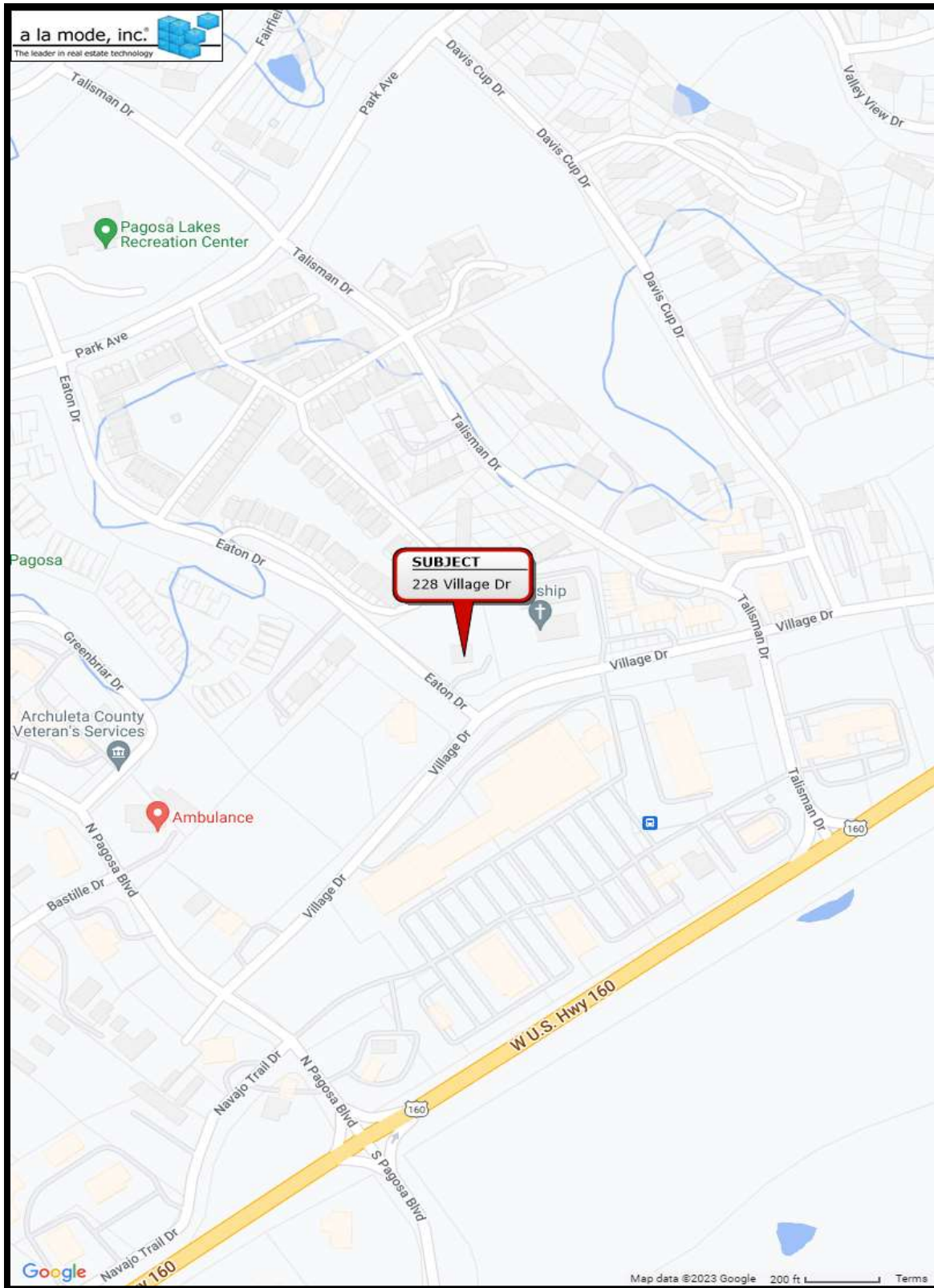
SITE DESCRIPTION & ANALYSIS															
Location:	228 Village Dr Pagosa Springs, CO														
Size:	1.5 Acres / 65,340 square feet														
Excess Land:	0.75 Acres / 32,670 square feet														
Frontage:	Corner lot with approximately 106' of frontage on Village Drive and 330' of frontage on Eaton Drive														
Topography:	Nearly Level														
Accessibility:	Asphalt access off Eaton Drive to private parking lot														
Drainage:	Considered adequate with drainage toward the south														
Utilities:	<table border="0" style="width: 100%;"> <tr> <td style="width: 30%;">Water:</td> <td>Pagosa Area Water & Sanitation</td> </tr> <tr> <td>Sewer:</td> <td>Pagosa Area Water & Sanitation</td> </tr> <tr> <td>Electricity:</td> <td>La Plata Electric Association</td> </tr> <tr> <td>Telephone:</td> <td>Centurylink / Cellular—AT&T, Verizon</td> </tr> <tr> <td>Cable:</td> <td>USA Communications</td> </tr> <tr> <td>Natural Gas:</td> <td>Source Gas</td> </tr> <tr> <td>DSL:</td> <td>Skywerx, Centurylink, USA Communications</td> </tr> </table>	Water:	Pagosa Area Water & Sanitation	Sewer:	Pagosa Area Water & Sanitation	Electricity:	La Plata Electric Association	Telephone:	Centurylink / Cellular—AT&T, Verizon	Cable:	USA Communications	Natural Gas:	Source Gas	DSL:	Skywerx, Centurylink, USA Communications
Water:	Pagosa Area Water & Sanitation														
Sewer:	Pagosa Area Water & Sanitation														
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Telephone:	Centurylink / Cellular—AT&T, Verizon														
Cable:	USA Communications														
Natural Gas:	Source Gas														
DSL:	Skywerx, Centurylink, USA Communications														
Parking:	Adequate paved parking for approximately 21 vehicles with 2 handicap spots														
Easements, Restrictions and Encumbrances:	None known except for those found typically for utilities and access														
Adjacent Land Use:	<table border="0" style="width: 100%;"> <tr> <td style="width: 30%;">North:</td> <td>Multi-Family Residential Townhomes</td> </tr> <tr> <td>South:</td> <td>Street / Grocery Store</td> </tr> <tr> <td>East:</td> <td>Church</td> </tr> <tr> <td>West:</td> <td>Street / Commercial Office</td> </tr> </table>	North:	Multi-Family Residential Townhomes	South:	Street / Grocery Store	East:	Church	West:	Street / Commercial Office						
North:	Multi-Family Residential Townhomes														
South:	Street / Grocery Store														
East:	Church														
West:	Street / Commercial Office														
Nuisances and Hazards:	None noted														

Conclusion:	The site is situated on a secondary street among other well-established residential and commercial buildings. It is a level lot with flat private parking. The shape, access, and location of the site are average with typical utilities. The site has an estimated 0.75 acres excess land that could potentially be used for a different purpose and separate site. At present, the neighboring church uses part of this excess land for parking.
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AERIAL PLAT

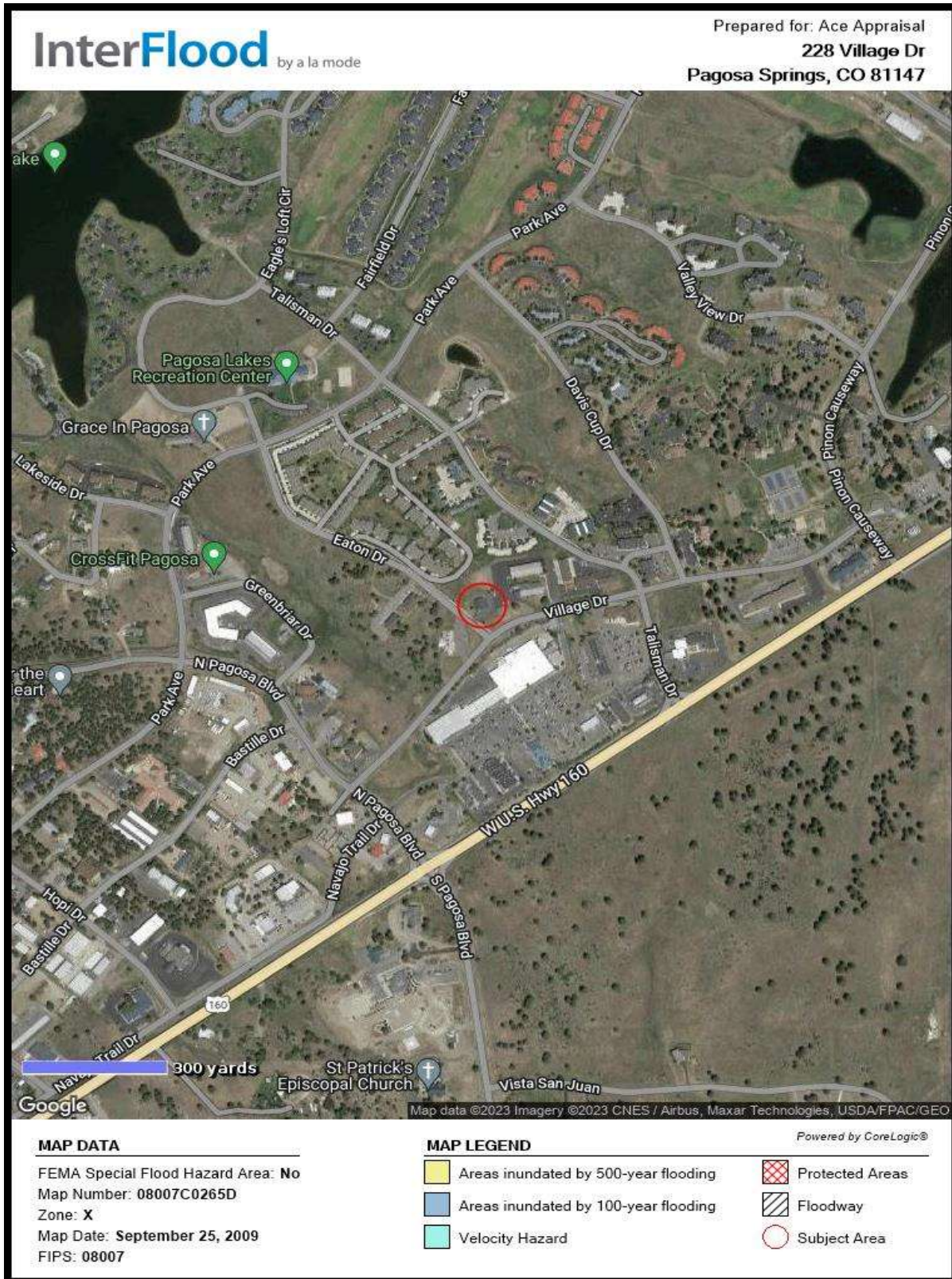


LOCATION MAP



228 Village Drive, Harold Thompson, DDS

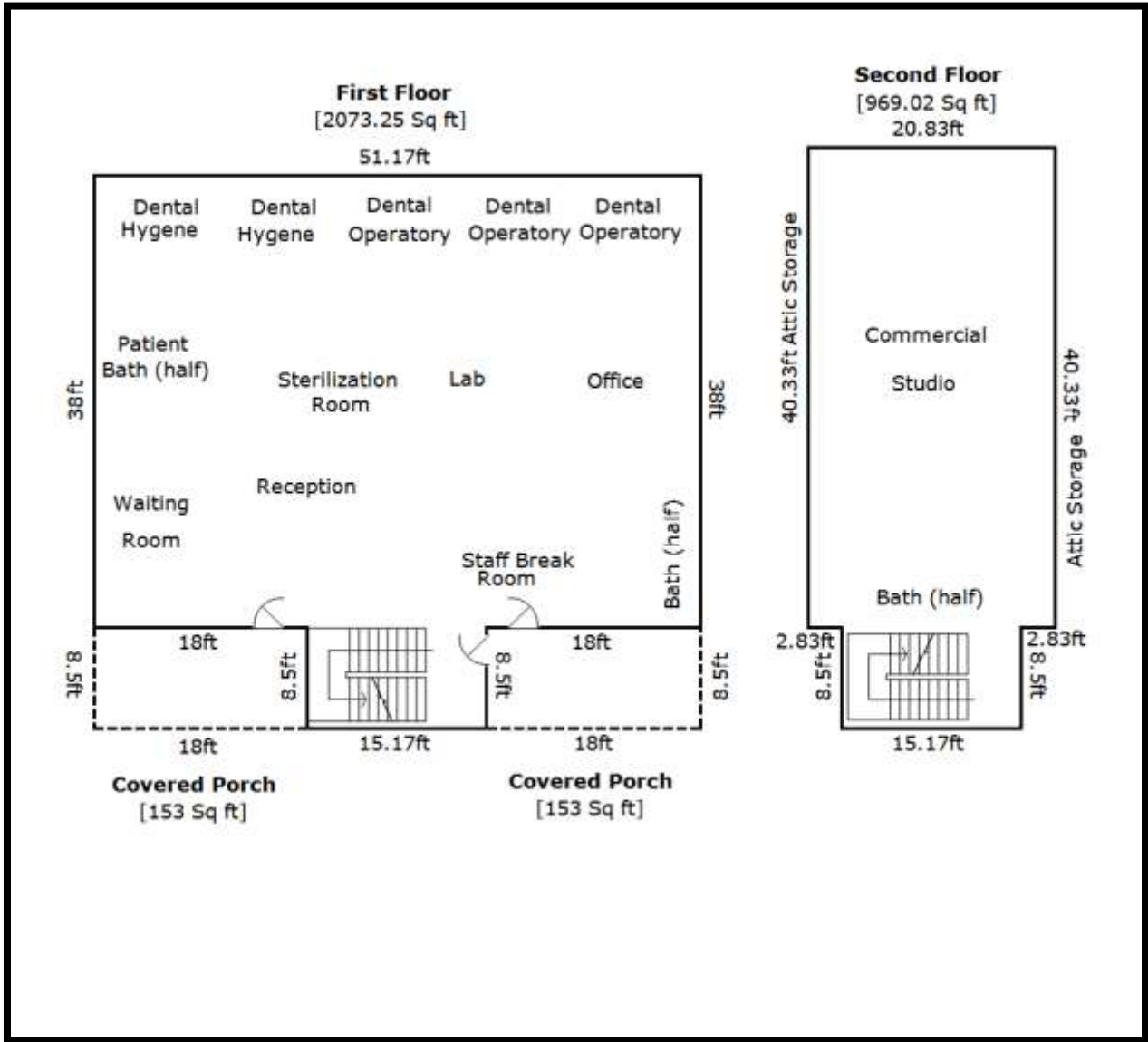
FLOOD MAP



IMPROVEMENT DESCRIPTION & ANALYSIS	
Gross Building Area: Built in 1996	Main/First Floor: 2,073 Sq Ft Second Floor: <u>969 Sq Ft</u> Gross Building Area: 3,042 Sq Ft
<u>Exterior</u>	
Foundation:	Concrete stem-wall with crawlspace
Structural Framing:	Wood stick frame with cut-in rafter roof
Exterior Walls:	Stucco
Roofing:	Propanel type metal roof
Doors:	Solid core insulated with full-light windows
Windows:	Double-pane vinyl-clad
Other Systems:	Operable skylights in second floor
<u>Interior</u>	
Flooring:	Good quality carpet, tile, and laminate vinyl
Walls:	Wood framed partitions are typical, finished and textured with good quality drywall
Cabinets, Trim, & Moldings:	Good quality built-in cabinets with good quality counters. Good quality wood veneer doors, door trim, window casements and trim.
Ceilings:	Standard height drywall, tongue and groove wood ceiling around second floor skylights.
<u>Mechanical Systems</u>	
Plumbing:	Two half baths on the first floor and one-half bath upstairs. Every operatory is plumbed with sinks as well as wash sinks in central work areas.
Lighting:	Primarily fluorescent with additional fixture lighting
HVAC:	Natural Gas forced air and air conditioning

Safety Systems:	Smoke detectors, security system
Overall Condition of Improvements and Conclusion:	<p>Upon inspection, the building was noted as having been used but well maintained with some recent updates. Both interior and exterior were found to be in good condition.</p> <p>The second-floor finished area includes a half bath and additional storage areas. This space is privately accessed and can be rented separately from the main level, which makes the building more versatile.</p> <p>Overall, the building is of good quality with good maintenance. It appears to be sound and offers useable space as a dental office. In its present design, it could also be used for many other types of medical office facilities. For its age and appearance, the building's overall condition and quality are rated as good.</p>

SKETCH



Subject Exterior



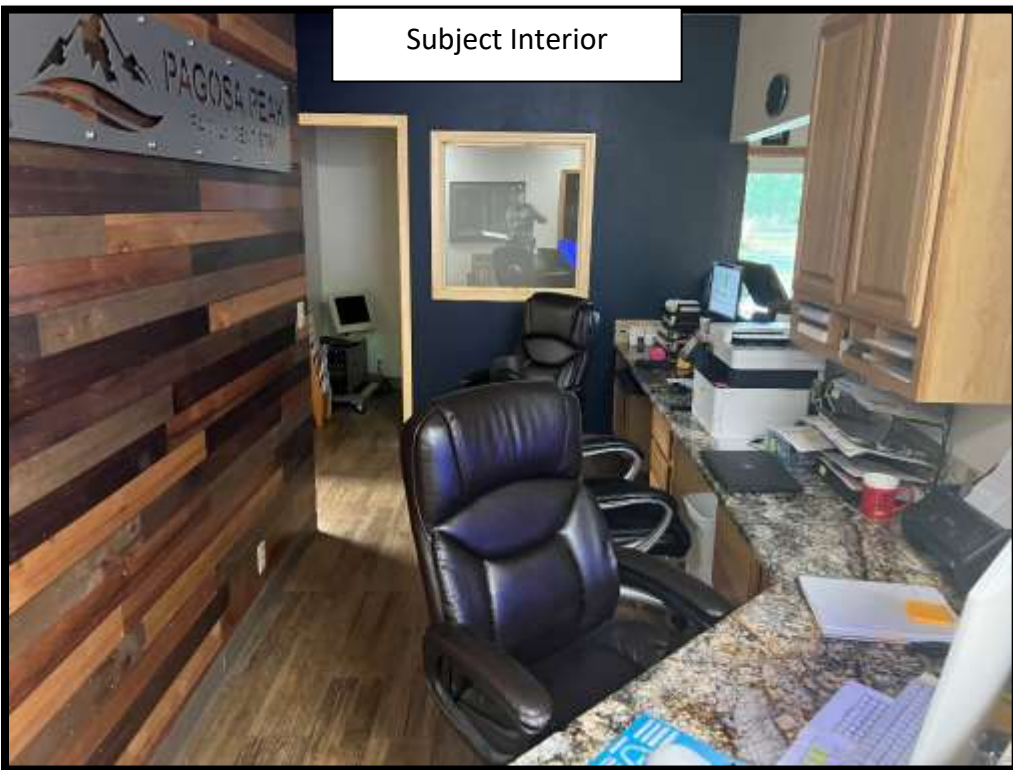
Subject Exterior



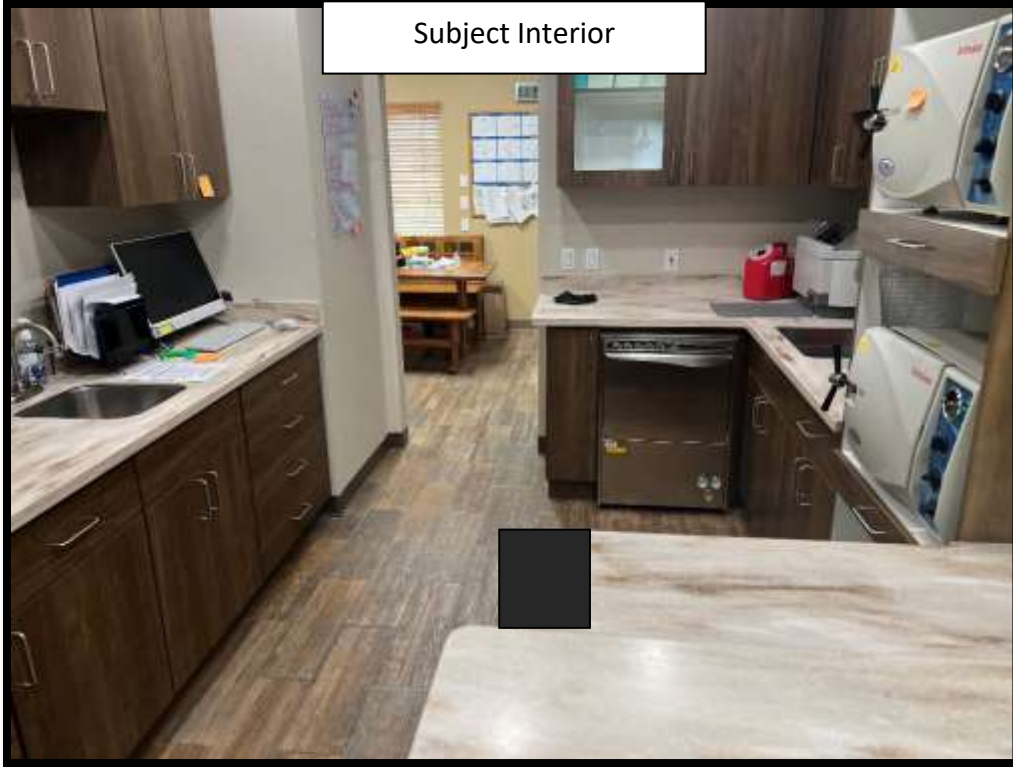




Subject Interior



Subject Interior



Subject Interior



Subject Interior



Subject Interior



Subject Interior

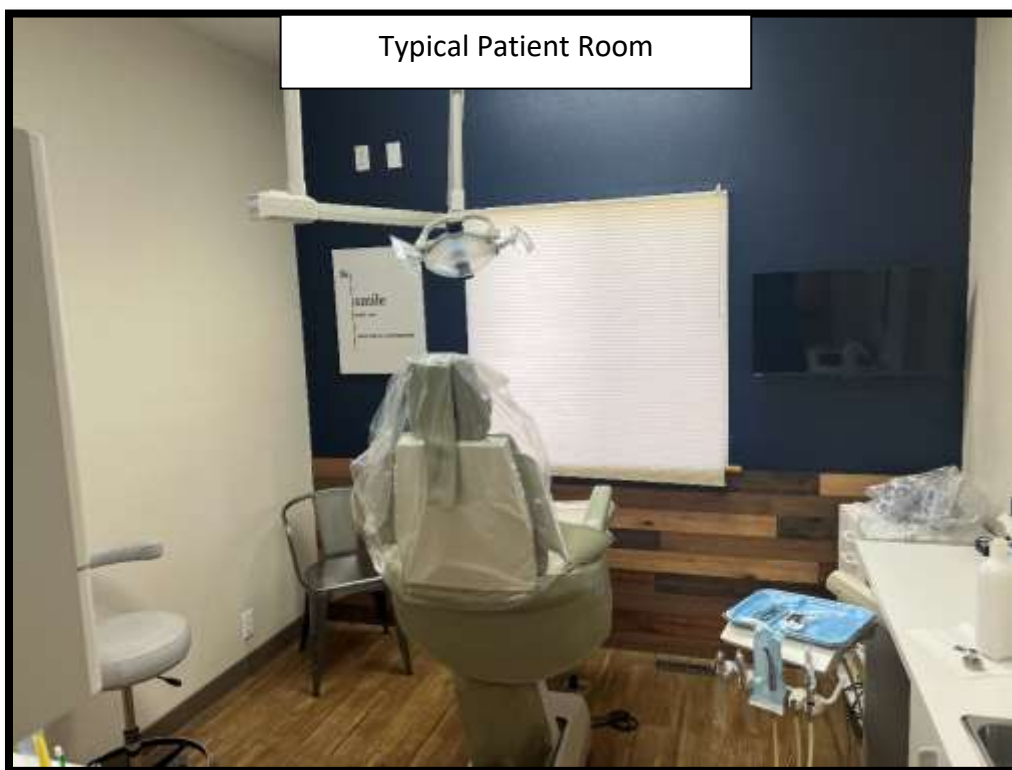
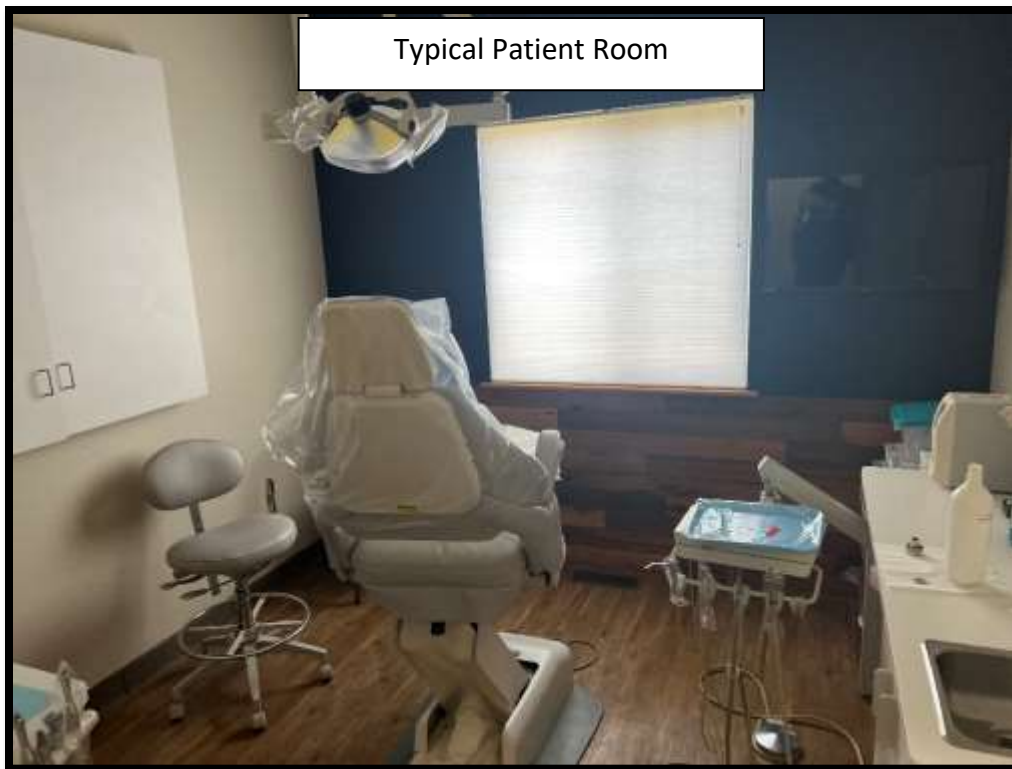


Subject Interior



Subject Interior







Second Floor



Second Floor Vault with Skylights

Signage and Front Landscaped Yard



Street & Neighborhood





ANALYSIS OF DATA AND CONCLUSIONS _____

MARKETABILITY & HIGHEST AND BEST USE ANALYSIS

Marketability Analysis

Market analysis is the identification and study of the market for a particular economic good or service. In real estate, this typically is a study of the market conditions for a specific type of property or a specific subject property. Market analysis in real estate appraisal has two basic functions. First, market analysis provides the data input to identify the highest and best use of a property. Second, it provides data input and identifies the key factors of value that are to be measured by applying the approaches to value.

In appraisal practice, two general methods are used to make current and future forecasts concerning value, absorption, or other market conditions: inferred analysis and fundamental analysis. These methods are related, and fundamental analysis includes all of the components of inferred analysis plus future forecasting using economic base analysis. Both methods use the six-step process to arrive at a market-supported absorption forecast. The six-step process is designed to answer the following questions:

- What attributes does the subject property offer the market?
- Who are the most likely users of these attributes?
- Is the property use needed? (demand analysis)
- What is the competition? (supply analysis)
- What is the condition of the market? (comparing supply and demand)
- How much of the market can the subject capture?

In the specific subject scenario, given the limited market, inferred or Level A and B analysis will be the primary market analysis method used. Inferred demand analysis, which is sometimes called trend analysis, uses historic data and statistics to draw inferences about the future. The application of inferred analysis also relies heavily on current and relevant sales information. For existing properties, the performance of the subject property may be the most reliable indication of current demand.

The six-step market analysis process for appraisal is as follows:

1. Define the product (property productivity analysis)

The subject is an existing 3,042 SF commercial dental office property with five operatories/exam rooms. It is considered good in quality, condition, and market appeal. The site is legally suited for similar type properties and zoned as such.

Location-ally, the subject is in a secondary commercial district with high visibility, convenient access and central location.

2. Delineate the Market of Property Users

As the subject's immediate area is in the newer residential and commercial district known as Pagosa Lakes, it is well positioned as a professional dental office facility. With very little conversion, it could also serve as a general medical clinic. Secondary potential purchasers are local or regional private investors. However, the majority of potential buyers are not outside investors but local owner-users who serve the surrounding residential and commercial neighborhoods.

3. Demand Analysis

From delineation characteristics of the subject, absorption/demand is measured by sales of similar type properties in the market area. The following tables show the number of office buildings sold since the beginning of 2011.

Office	
Year	No. of Sales
2018	7
2019	3
2020	9
2021	2
2022	3
YTD	2

In the office segment, demand has been moderate over the past six years. Stabilized occupancy of rented space is 95% in similar locations.

In respect to the subject's specific improvement purpose and design as a dental clinic, two properties sold in the last 10 years. In addition, two general medical clinics sold in the last five years.

4. Supply Analysis

Using the same market delineation, no similar properties are offered in the market.

5. Analyze the Interaction of Supply and Demand

6. Forecast Subject Capture

The market shows that overall office supply and demand are in relative balance which is typical for the last few years post 2016.

Competitively priced properties typically sell between 3 and 12 months. As such, the market is stable which is normal for the area given the population and employment dynamics of the community. Income and expenses are rising but not beyond normal CPI inflation.

Because the subject is located on a secondary street surrounded by residential and commercial neighborhoods, capture is good for similar mixed-use properties in the market area.

Highest & Best Use

Highest and best use is defined as follows:

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value. (*The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010))

The highest and best use of vacant or improved property must meet the following four criteria:

1. Is it a possible use?
2. Is it a legal use?
3. Is it a feasible use?
4. The highest and best use for the property is that use which is most likely to produce the greatest return to the land and/or building over a given period of time.

As Vacant

Physically Possible

The size and utilities allow for most types of multi-use residential and commercial developments except for uses requiring more parking. The surrounding uses suggest that the typical use would be professional offices, restaurants or residential including higher density residential.

Legally Permissible

The zoning allows for commercial type properties. The zoning restrictions were previously discussed in the "Identification of Property".

Financially Feasible

Demand exists, retail, professional offices, restaurants, or other service type developments. These types of enterprises are financially feasible as the income produced from such activity is equal to or greater than the amount needed to satisfy operating expense, financial obligations, and capital amortization of the investment.

Maximally Productive

Surrounding uses indicate that high-density residential, retail, professional offices, restaurants, or other service type developments are maximally productive. The "Neighborhood Data" section outlines many different surrounding businesses and the site as though vacant would suit most including the current use. Land sales in the area are not different in price based on intended uses.

The conclusion is that the site as though vacant would most likely be used as a high-density residential, retail, professional office, restaurant, or other service type developments to serve surrounding residential and commercial communities. Industrial or warehouse is not a probable use given the primary location. Likewise, because of the size of the lot, single-family residential would also not be probable. Current demand in the subject's immediate location these uses to be feasible. Consequently, the maximally productive and highest and best use of the site as-though-vacant is for immediate use as high-density residential, retail, professional office, restaurants, or other service type property.

AS IMPROVED

The existing improvement as a professional dental office conforms to all four tests of highest and best use. Further, based on the income approach and sales comparison approach as

improved, the building in its current use contributes to value in excess of land value and is the highest and best use.

VALUATION METHODOLOGY

Appraisal: the act or process of developing an opinion of value; an opinion of value. Of or pertaining to appraising and related functions such as appraisal practice or appraisal services. (2020-2021 USPAP, pg. U-1)

The valuation process is a systematic procedure used to provide answers regarding real property value. In estimating the value of real property, there are three recognized techniques or approaches to valuation. Typically, the application of these three approaches, if applied correctly, will indicate a well-supported and convincing value conclusion. The three approaches are all integrated, interrelated and, most often, inseparable. If all three approaches are deemed applicable, then they should produce similar value indications for the subject property.

Cost Approach

In the cost approach, an estimated reproduction or replacement cost of the building and land improvements as of the date of appraisal is developed, together with an estimate of the losses in value that have taken place due to wear and tear, designed and plan, or neighborhood influences. Entrepreneurial profit and the estimated value of the land are added to the depreciated improvement cost estimate. Typically, the cost approach is most effective when valuing new or recently constructed properties. Although the building is older and the effective age estimate is somewhat subjective, the cost approach is developed. It is credible because of the specialized nature of the building as a dental office.

Sales Comparison Approach

In the sales comparison approach, market value is estimated by comparing the subject property to similar properties that have sold recently or for which offers to purchase have been made. A major premise within this approach is that the market value of the subject property is directly related to the prices of comparable and competitive properties. Data derived from generally comparable sales is used. Comparisons are made to demonstrate a probable price range for which the subject property would be sold if offered on the market. Qualified market sales exist in the marketplace and indicate a credible value. The sales comparison approach is developed and analyzed for both the improved subject and the excess vacant land.

Income Capitalization Approach

In the income capitalization approach to value, the valuation method first involves estimating the gross income which can be derived; deducting the expenses of ownership; and, thus, arriving at a determination of net income. From that point, typically two methods of valuation are explored and used. These are direct capitalization and yield capitalization. Direct Capitalization is a method used to convert an estimate of a single year's income expectancy, or

an annual average of several years' income expectancies, into an indicated value in one direct step - either by dividing the income estimate by an appropriate income rate or by multiplying the income estimate by an appropriate factor. Yield Capitalization is a method used to convert future benefits to present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change and yield rate. The vast majority of these types of dental offices are owned and operated by private individuals and not leased out. This limits the amount of qualified data to support a credible value by this method. However, in this instance, the building is leased and the income approach is developed.

LAND VALUE _____

Analysis

The Sales Comparison Approach is used to estimate the value of the subject's excess land as well as determining the land adjustment in the improved sales comparison analysis. It arrives at a value by comparing the subject to other similar sales. No other approaches are applicable.

The subject is appraised per the highest and best use. As determined earlier, the highest and best use of the land as if vacant is a variety of commercial developments. Considering the suburban location, directly comparable sales are limited. Therefore, a wide range of comparable data is used in the land valuation.

To estimate the subject current land value, a search was made of sales that are comparable to the subject. Numerous sales were investigated. The unit of comparison used in this analysis is the price per square foot which is the most meaningful and best unit of comparison because it most accurately reflects the market.

The following three sales are selected as they represent the best possible alternatives to the subject property.



Sale 1

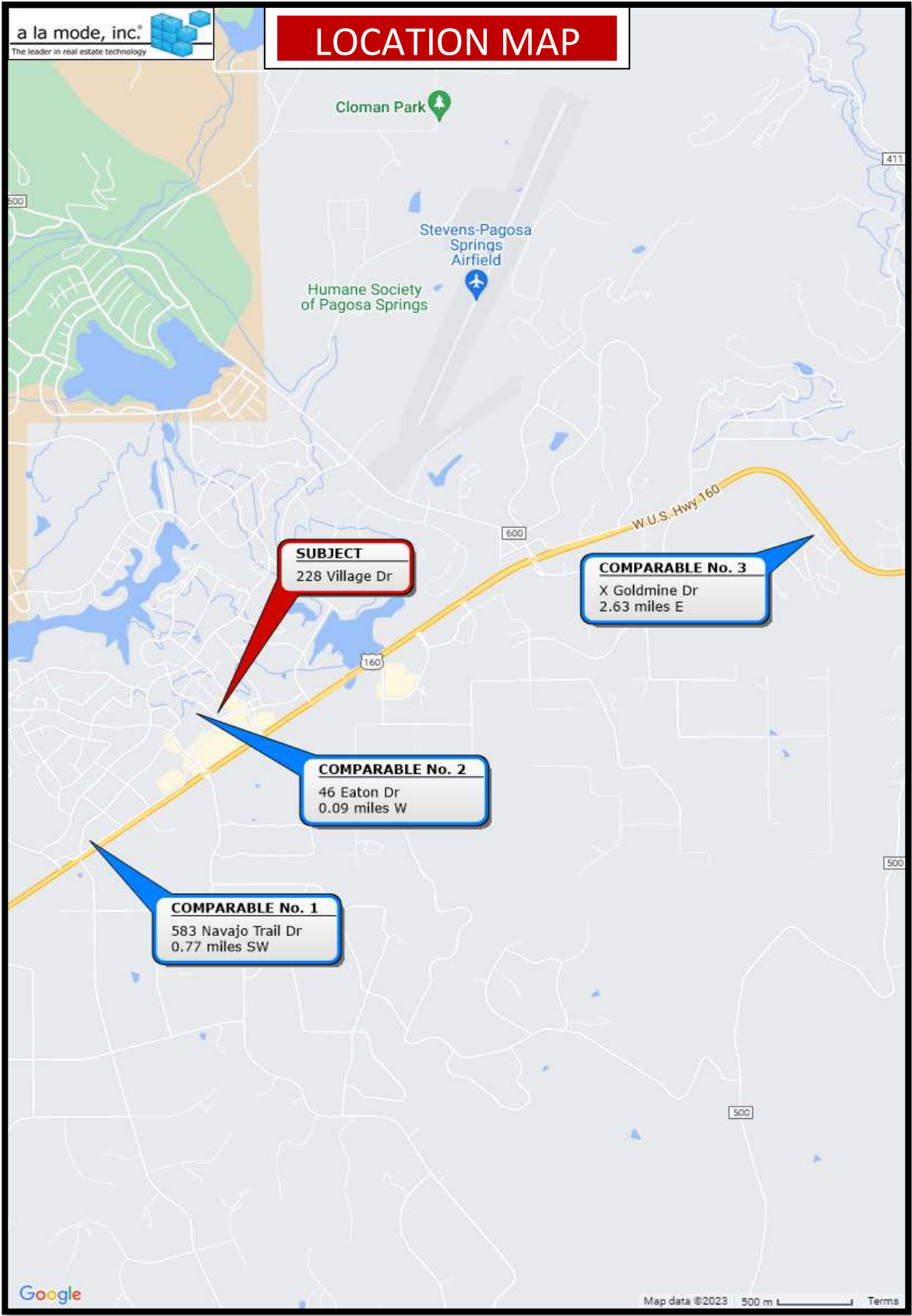
Address:	583 Navajo Trail Dr Pagosa Springs, CO		
Sale Date:	01/04/2021	Owner:	Robert P Slattery
Sale Price:	\$140,000	Grantee:	Integrity Industrial Park LLC
Reception #:	22008415		
Parcel #:	569920319011	Confirmation:	MLS, Agent, County, Drive By
Lot Size:	1.07 Ac / 46,609 SF	Conditions:	Arm's Length
Price per Ac:	\$130,841	Use:	Commercial
Price per SF:	\$3.00	Utilities:	All Available
Remarks:	Property is visible from Highway 160 and good access from frontage road Navajo Trail Dr. MLS # 767295 indicates sale was listed at \$158,500 for 304 days before selling.		



Address:	46 Eaton Dr Pagosa Springs, CO		
Sale Date:	2/24/2021	Grantor:	Bear Cruzler Family Trust
Sale Price:	\$81,000	Grantee:	Kevin M Shafer
Reception #:	22101640		
Parcel #:	569920127023	Confirmation:	MLS, County, Drive By
Lot Size:	0.54 Ac. / 23,522 SF	Conditions:	Arm's Length
Price per SF:	\$3.44	Use:	Commercial
Year Built:	N/A	Utilities:	All Available
Remarks:	Flat buildable parcel in Pagosa Lakes secondary location. MLS #771953 indicates the subject was offered for \$85,500 for 787 days before selling.		



Address:	Lot 14, Goldmine Dr Pagosa Springs, CO		
Sale Date:	9/30/2022	Grantor:	Goldmine Drive LLC
Sale Price:	\$85,000	Grantee:	Dennis Hoelscher
Reception #:	22003409		
Parcel #:	569914210002	Confirmation:	Agent, MLS, County, Drive By
Lot Size:	0.55 Ac. / 23,958 SF	Conditions:	Arm's Length Sale
Price per SF:	\$3.55	Use:	Commercial
Year Built:	N/A	Utilities:	All Available
Remarks:	Secondary parcel that is visible from Highway 160. Per MLS # 797147, the subject was offered for \$85,000 for 51 days before selling.		



228 Village Drive, Harold Thompson, DDS

SALES SUMMARY					
No.	Price	Closing Date	Address	Site Size/SF	\$ / SF
Subject		Current	51 David Dr	19,602	
1	\$140,000	01/21	583 Navajo Trl Dr	46,609	\$ 3.00
2	\$120,000	05/19	543 Navajo Trl Dr	47,045	\$ 2.55
3	\$365,000	06/20	3039 Cornerstone Dr	58,370	\$ 6.25
4	\$195,000	06/16	1921 Eagle Dr	60,548	\$ 3.22
				Mean/SF	\$ 3.76

Financing & Analysis of Prior Sales

All of the sales had cash equivalent financing. No prior sales of the comparables exist within the prior 12 months. All sales sold arm's length with equally willing sellers and buyers.

The selected sales price range is from \$3.00 to \$3.55 with a mean or average price of \$3.33 per SF (Square Foot). The limited number of similar sales has created a large range in value that is less than ideal. To try and narrow the range, the sales will be adjusted for differences to the subject. The adjustment process reconciles the differences between the comparables and the subject. Within each category, the individual elements of comparison are consolidated into the following basic adjustments: transaction factors and physical differences.

➤ Market Conditions

Changing market conditions through the passage of time are inherent in any real estate market. In a declining market prices decrease, in a stable market prices stay the same, and in an increasing market prices rise. Based on market extraction along with paired sale analysis, the commercial vacant lot market is increasing at an estimated rate of 5% per year. This adjusts each of the sales to the following price:

SALES SUMMARY							
No.	Price	Closing Date	Site Size/SF	\$/SF	Time (mo.)	% Increase	Adj. \$/SF
Subject		Current	32,670				
1	\$140,000	1/4/2021	46,609	\$3.00	32	13.3%	\$3.40
2	\$81,000	2/24/2021	23,522	\$3.44	31	12.9%	\$3.89
3	\$85,000	9/30/2022	23,958	\$3.55	31	12.9%	\$4.01
			Mean/SF	\$3.33			\$3.77

Relative Comparison Analysis

In relative comparison analysis, the property attributes are ranked according to how the market perceives the importance of each attribute. The elements of comparison are site size, access/location and functional utility.

➤ Site Size

Based on the principle of economies of scale, smaller sites tend to bring more per square foot than larger properties because the pool of potential buyers is larger for smaller properties than for larger properties.

➤ Access / Location

Access and location play an extremely important role in perceived value for residential and commercial properties. Factors that influence this for commercial properties are visibility, ease of ingress and egress, and for residential properties the availability of shopping, schools, employment, entertainment, etc.

The following table outlines the direction of value within the range after non-numeric adjustments are applied.

Summary of Qualitative Analysis			
Adjustment Criteria	Sale 1	Sale 2	Sale 3
Adjusted Price of Sales	\$3.40	\$3.89	\$4.01
Size	(-)	(+)	(+)
Access / Location	(+)	(=)	(+)
Total Non-Quantified Adjustments	(-/+)	(+/=)	(++)
Indication for Subject:	Equal to	Less than	Less than
	\$3.40	\$3.89	\$4.01

Reconciliation of Sales Comparison Approach

The sales comparison approach first selected appropriate sales, analyzed the sales for differences to the subject both quantitatively and qualitatively, and now concludes the most logical value per square foot within the range of sales.

Out of the comparable sales, the subject is rated as average. Based primarily on location, sale 2 is most similar but are smaller while sales 1 and 3 are in superior locations. They do, however, bracket the subject's size. With consideration to each difference applied to all three sales, sale 1 is most like the subject followed by sale 2 and 3.

Based on the adjusted sales, market value for the subject properties indicated by the sales comparison approach is concluded slightly above sale 1 and 4 at \$3.50 PSF. With 32,670 square feet of excess land, this equates to an overall value of \$114,345 rounded to \$114,000.

Excess Land Cost to Subdivide

At present, the excess land is not subdivided. The indicated value above is made with the presumption that it is its own individual parcel of land. Thus it is logical that some time and expense would be incurred for the legal subdivision. The subdivision expense is estimated at \$15,000 and when subtracted calculates to \$99,000 for the as-is value of the excess land.

COST APPROACH

In the cost approach, an estimated reproduction or replacement cost of the buildings and land improvements as of the date of the appraisal is developed (including an estimate of entrepreneurial profit or incentive), and an estimate of the losses in value that have taken place due to wear and tear, design and plan deficiencies, or neighborhood influences is subtracted. An estimate of the value of the land is then added to this depreciated building cost estimate. The total represents the value indicated by the cost approach for both the leased fee and the fee simple interests.

The following independent cost estimate is developed to determine the depreciated replacement cost of the subject. The estimate is based on an online cost estimate program called the CoreLogic – SwiftEstimator which shows the following costs associated with this type of project.

9/21/23, 2:01 PM

CoreLogic | Commercial Estimator - Report

**CoreLogic - SwiftEstimator
Commercial Estimator - Summary Report**

General Information

Estimate ID:	228 Village Dr	Date Created:	09-21-2023
Property Owner:	Harold Thompson	Date Updated:	09-21-2023
Property Address:	228 Village Dr	Date Calculated:	09-21-2023
	Pagosa Springs, CO 81147	Cost Data As Of:	09-2023
Local Multiplier:	1.15	Report Date:	using default
Architects Fee:			

Section 1

Area	3054	Overall Depreciation %	
Stories in Section	2	Physical Depreciation %	
Stories in Building		Functional Depreciation %	
Shape	rectangular	External Depreciation %	
Perimeter	(auto-calc)		
Effective Age	15		

Occupancy Details

Occupancy		%	Class	Height	Quality
444 Dental Office/Clinic		100	D	8	3.0
Occupancy Total Percentage		100			

System : Land and Site

	%/Units	Quality	Depr %	Other
64 Land and Site : Site Value	99000	Occ.		
7001 Land and Site : Paving, Asphalt	8200	Occ.		

Addition Details

Addition	Units	Cost	Depr %	LM	Base Date
Extra 0.75 Acre Excess Land	1	\$99,000		N	

Calculation Information (All Sections)

	Units	Unit Cost	Total Cost New	Less Depreciation	Total Cost Depreciated
Basic Structure					
Base Cost	3,054	\$230.45	\$703,794	\$140,759	\$563,035
Exterior Walls	3,054	\$43.13	\$131,719	\$26,344	\$105,375
Heating & Cooling	3,054	\$41.65	\$127,199	\$25,440	\$101,759
Basic Structure Cost	3,054	\$315.23	\$962,712	\$192,543	\$770,169
Extras					
0.75 Acre Excess Land	1	\$99,000.00	\$99,000	\$19,800	\$79,200
Replacement Cost New	3,054	\$347.65	\$1,061,712		
Less Depreciation					
Physical & Functional	20.0%			\$212,343	\$849,369
Depreciated Cost	3,054	\$278.12		\$212,343	\$849,369
Miscellaneous					
Site Value			\$99,000		\$99,000
Paving, Asphalt	8,200	\$4.21	\$34,522		\$34,522
Total Cost	3,054	\$391.37	\$1,195,234	\$212,343	\$982,891

Cost data by CoreLogic, Inc.

Based on depreciated replacement costs, the subject's value is \$983,000 (rounded) including the excess land component. The strength of this analysis lies in the fact that the subject is custom built specifically for a dental office. The valuation of this type of special use property based on replacement cost is credible because it goes beyond normal costs for typical office properties. The analysis is limited, however, because of the age of the building and estimate of depreciation considering remodels, additions and maintenance schedules. Nonetheless, the special purpose nature of the building out-weighs the weakness of the depreciation estimate and allows the approach to be reasonably supported.

SALES COMPARISON APPROACH_____

Analysis

In the sales comparison approach, properties like the subject property that have been sold recently or for which listing process or offers are known are compared to the subject. Data from generally comparable properties is used and comparisons are made to demonstrate a probable price at which the subject property would sell if offered on the market in keeping with the definition of value.

In this analysis, the appropriate unit of comparison is price per square foot. Price per square foot most accurately reflects measurement of value in the subject market.

The following four sales are selected as most similar to the subject in physical characteristics.



Address:	3955 Sandalwood Ln Pueblo, CO 81005		
Sale Date:	04/12/2019	Grantor:	Brimhall Prop Mgmt LLC
Sale Price:	\$868,378	Grantee:	3955 Sandalwood Lane LLC
Reception #:	2136007	Verification:	Drive by, MLS, County, Broker
Parcel #:	1510314026		
Lot Size:	0.35 Ac / 15,246 SF	Conditions:	Arms-Length
Improvement Size:	3,093 SF	Use:	Dental Office
Year Built:	2002	Property:	Leased Fee
Price per Sq. Ft:	\$280.76	Current Tenant:	Smile Doctors Orthodontist
Remarks:	Good quality dental/medical facility built in 2002. Property has one main and three private for a total of four exam rooms. It is currently leased to an orthodontist with triple net terms. Property sold leased fee with overall cap rate of 7.40% which equates to \$20.77 per square foot per year lease rate.		



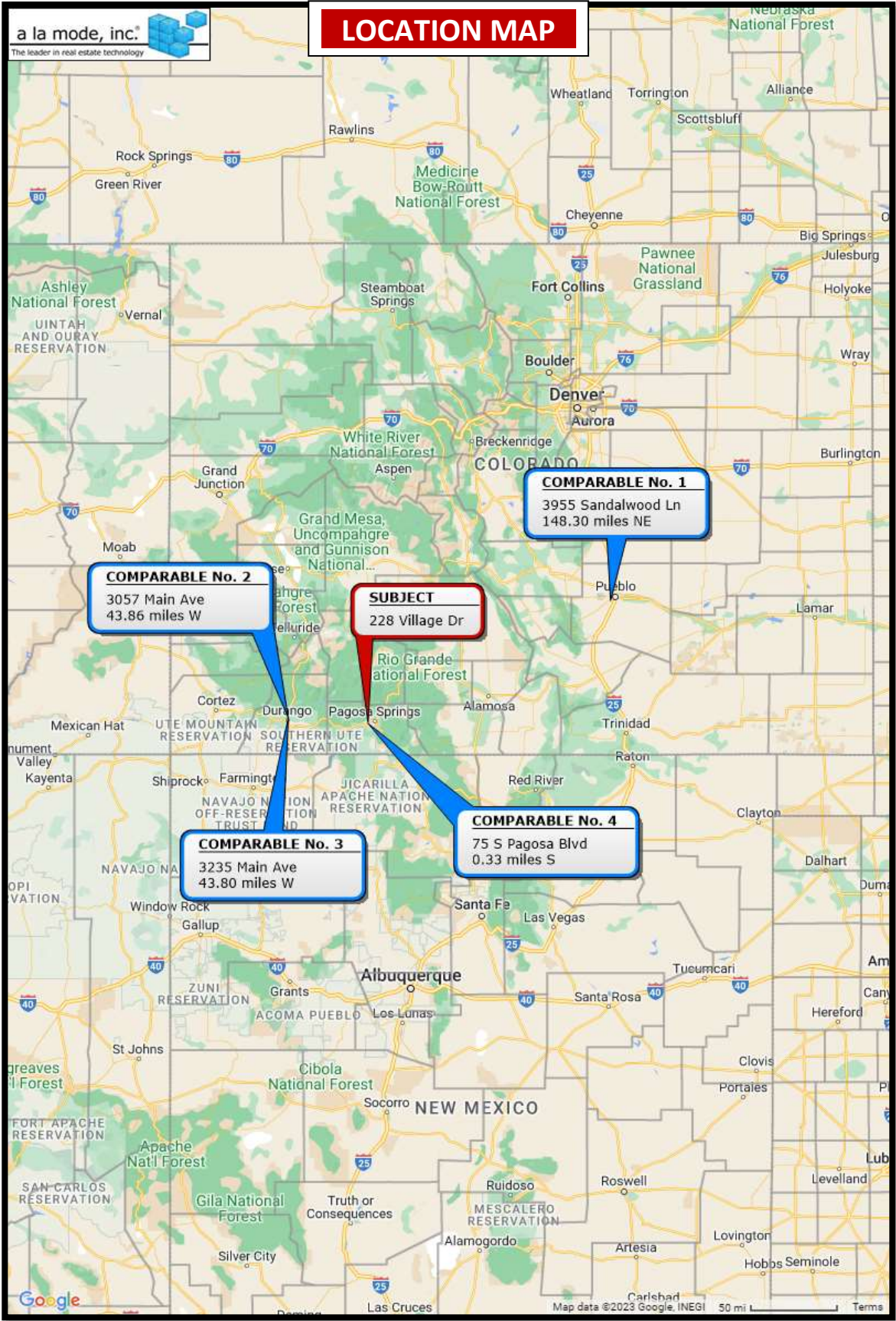
Address:	3057 Main Avenue Durango, CO 81303		
Sale Date:	2/25/2022	Grantor:	Fletcher Properties LLC
Sale Price:	\$1,250,000	Grantee:	DSJ Properties LLC
Reception #:	1206748		
Parcel #:	566517407009	Verification:	MLS, County, Listing Broker
Lot Size:	0.258 Acres /11,238 SF		
Improvement Size:	4,434 SF	Conditions:	Fee Simple
Year Built:	2003	Use:	Dental Office
Price per Sq. Ft:	\$281.92	Prop. Rights:	Fee Simple
Remarks:	Commercial dental facility located on primary street in Durango. Good quality standalone building in good-updated condition. Per MLS #785121, the subject was listed for \$1,295,000 and sold after 212 days.		



Address:	3235 Main Avenue Durango, CO 81303		
Sale Date:	8/23/2022	Grantor:	Animas Mountain LLC
Sale Price:	\$825,000	Grantee:	Thirty Second Main Gateway LLC
Reception #:	1214399		
Parcel #:	566517108009	Verification:	MLS, County, Listing Broker
Lot Size:	0.344 Acres /14,985 SF		
Improvement Size:	5,963 SF	Conditions:	Fee Simple
Year Built:	1986	Use:	Dental Office
Price per Sq. Ft:	\$138.35	Prop. Rights:	Fee Simple
Remarks:	Commercial medical/dental facility located on primary street in Durango. Average quality standalone building in average but dated condition. Per MLS #790399, the subject was listed for \$979,500 and sold after 803 days.		



Address:	75 S Pagosa Blvd Pagosa Springs, CO 81147		
Sale Date:	8/1/2022	Grantor:	James Pruitt Properties LLC
Sale Price:	\$2,215,000	Grantee:	Upper San Juan Health Service District
Reception #:	22204676		
Parcel #:	569920400021	Verification:	Inspection, MLS, County, Listing Broker
Lot Size:	2.25 Acres /98,010 SF		
Improvement Size:	8,238 SF	Conditions:	Fee Simple
Year Built:	1993	Use:	Medical Office
Price per Sq. Ft:	\$268.87	Prop. Rights:	Fee Simple
Remarks:	Commercial medical facility located in an excellent location on a lighted intersection. Average quality building in average but dated condition. Per MLS #765679, the subject was listed for \$2,900,000 and sold after 939 days. Property was purchased by neighboring hospital.		



228 Village Drive, Harold Thompson, DDS

SALES SUMMARY						
No.	Sale Price	Closing Date	Building Size SF	SF Site Size	Price/SF Building	Use at Time of Sale
Subject		Current	3,042	32,670		Dental Office
1	\$868,378	04/19	3,093	15,246	\$281	Dental Office
2	\$1,250,000	02/22	4,434	11,238	\$282	Medical Office
3	\$825,000	08/22	5,963	14,985	\$138	Medical Office
4	\$2,215,000	08/22	8,238	98,010	\$269	Medical Office
			Mean/Average		\$242	

Financing & Analysis of Prior Sales

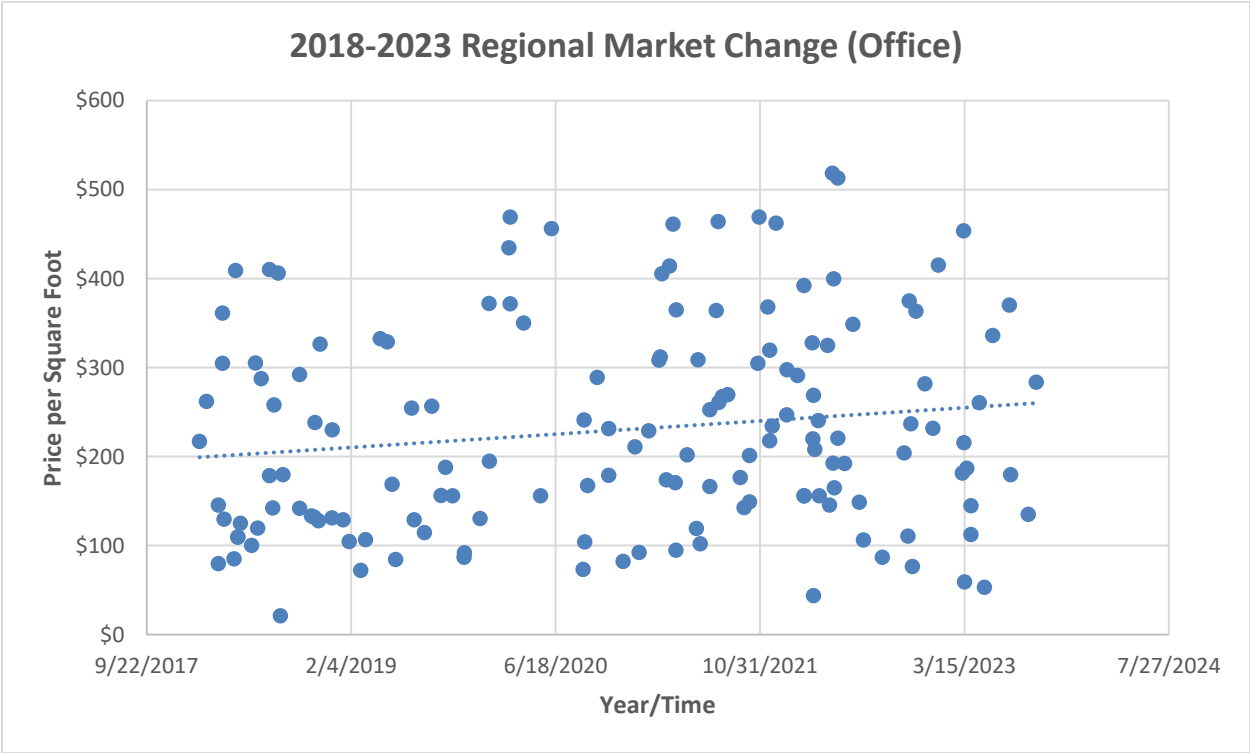
All of the sales had cash or cash equivalent financing. No other sales of the comparables exist within the prior 12 months.

The selected sales price range is from \$138 to \$282 with a mean or average price of \$242 per square foot. In the subsequent pages, the sales are adjusted for differences to the subject. The adjustment process reconciles the differences between the comparables and the subject. Within each category, the individual elements of comparison are consolidated into the following basic adjustments: transaction factors such as conditions of sale and market conditions and physical differences such as site and improvement size, location, condition, and quality.

➤ **Market Conditions**

Changing market conditions through the passage of time are inherent in any real estate market. In a declining market prices decrease, in a stable market prices stay the same, and in an increasing market, prices rise.

To determine the appropriate “time” adjustment, the regional office market mainly along the West Slope is selected as a benchmark and plotted based price per square foot and time. The following chart illustrates the value trend.



The graph trendline indicates an upward trend from 2018 to present estimated at 5% per year. Market condition studies on the Front Range also indicate similar changes.

Further support for the market conditions increase is provided by two other medical office sales as both sold prior to the current sale.

Market Conditions - Sale Property Resales							
Sale	Prior Sale Date	Prior Sale Price	Current Sale Date	Current Sale Price	Time Lapse (Yrs)	Total % Change	Yearly % Change
1	12/29/2014	\$1,300,000	7/29/2020	\$1,600,000	5.59	23.1%	4.1%
3	8/10/2007	\$1,032,000	6/14/2019	\$1,700,000	11.85	64.7%	5.5%

Re-sales of the comparables support a 5% increase per year applied to all the sales for “time”.

➤ **Site Size**

The sale site sizes bracket the subject’s site size, have similar parking-to-square-foot ratios, and floor-area ratios. None of the sales include excess or surplus land and no adjustment is warranted for site size.

➤ **Age**

Using the developed depreciation per year of 1.54%, each of the effective ages of the sales are adjusted to the subject’s effective age.

➤ **Quality of Improvements**

The sales bracket the subject in quality/design difference and require adjustment. The difference is based mainly on replacement costs for the quality differences. This also works for the condo properties because the main difference is applied to the interior quality of improvements.

➤ **Excess Land**

Sale 5 is located on a premier corner lot that includes approximately one acre in excess land. The estimated value difference of this superior lot is adjusted downward to the subject. Please note that the subject’s excess land will be dealt with at the end of the analysis.

Adjustment Grid					
Quantitative Adjustments					
Property	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Sale Price	N/A	\$868,378	\$1,250,000	\$825,000	\$2,215,000
Price Per SF	N/A	\$281	\$282	\$138	\$269
Sale Date	N/A	04/19	02/22	08/22	08/22
Gross Sq. Footage	3,042	3,093	4,434	5,963	8,238
Quality	Good	Good	Good	Average	Average
Effective Age (Yr)	15	10	10	30	25
Sale Date (months)	0	53	19	13	13
Increasing Market Conditions		22.08%	7.92%	5.42%	5.42%
Adjusted Value		\$1,060,145	\$1,348,958	\$869,688	\$2,334,979
Age /Condition (%)		-7.7%	-7.7%	23.1%	15.4%
Age /Condition (\$)		-\$81,631	-\$103,870	\$200,898	\$359,587
Design & Quality		\$0	\$0	\$298,150	\$205,950
Stand-Alone & Excess Land		\$0	\$0	\$0	(\$350,000)
Final Adjusted Value		\$978,514	\$1,245,089	\$1,368,735	\$2,550,516
Final Adjusted Value Per SF		\$316	\$281	\$230	\$310

After numeric adjustments are made, the range is slightly different from the original range. Originally, the price per square foot of improvement was between \$138 and \$282 with a mean of \$231. After necessary adjustments are made, the indicated range is changed from \$230 to \$316 with a mean of \$284 per square foot.

Conclusion & Reconciliation of Sales Comparison Approach

Although not exactly the same as the subject, the market sales selected indicate a credible range in value. The appropriate elements of comparison have been addressed and we are left with a reasonable and logical conclusion of value. Due to the quality and quantity of data a range in value is a more reliable estimate however, a specific value can also be concluded.

Of the four sales, sales 1 and 2 are most similar. Both of these sales are similar in size and quality and are both stand-alone buildings. Overall, both sales are adjusted upwards for increasing market conditions and downward for age/condition.

Sales 3 and 4 provide secondary support to the two primary sales. Sale 3 is a much older building and inferior in style/quality as well as being much larger. Sale 4 is inferior in quality and condition but superior in location and site characteristics requiring significant downward adjustments.

Each of the four sales provides different similarities and differences and no one sale is exactly like or directly comparable to the subject. Consequently, the final value per square foot is concluded at \$295 per square foot between sale 1 which adjusts to \$316 and sale 2 adjusting to \$281 for an overall value of \$897,390.

3,042 Square Feet X \$295 per Square Foot

When the subject's excess land is added, the overall value becomes \$996,390 rounded to \$996,000.

\$897,390 Improved Value + \$99,000 Excess Land

INCOME APPROACH

Premise

In the income capitalization approach, the rental income of the property is calculated and deductions are made for vacancy and collection loss and expenses. The prospective net operating income of the property is then estimated. To support this estimate, operating statements for the subject property in previous years and for comparable properties are reviewed. An applicable capitalization method and appropriate capitalization rates are developed and used in computations that lead to an indication of value.

In this Income Approach, the direct capitalization method is used. Direct capitalization is generally the preferred valuation technique of choice by prospective purchasers of commercial leasable property such as the subject. The quantity and quality of data for the direct capitalization method is sufficient and provides a reasonable indication of the value of the subject.

Actual Income & Expenses

The subject is currently in the second year of a five-year lease that ends January 24, 2027. Base rent started at \$3,825 per month with yearly increases based on CPI (Inflation) and is currently at \$4,070 per month. The lease is categorized as “partial net” meaning that the tenant pays the base rent and utilities and the landlord is responsible for all other expenses. Per the owner/landlord, average yearly maintenance including replacement of long and short-term construction items is about \$1,000 per year, building insurance is \$1,308 and property taxes are \$7,739 for total yearly expenses of \$10,000 +/- or operating expense ratio of 22%. This expense ratio is typical for partial net leases.

To verify this as typical rent in the medical/dental industry, the subject’s contract rent is compared to other rentals in the marketplace.

Market Rent for Commercial Space

Market rent is determined by surveying similar rental properties. In the subject area market, rents are typically assessed for square foot of net rentable area per year. The following market rent survey summarizes comparable rental properties.

Rent Comparable 1				
Address	Tenant	\$ / Month	NRA	\$/SF/Yr
5410 Powers Center Pt Colorado Springs, CO 80920	Brothers Dental	\$ 4,002	2,401	\$ 20.00
<p>Comments: Modified Gross; Tenants pay stated rent plus pro-rata portion of expenses including taxes, utilities, CAM dues, and insurance. NNN equivalent is \$29.40 which includes operating expenses and taxes.</p>				



**Photo courtesy of CoStar

Rent Comparable 2				
Address	Tenant	\$ / Month	NRA	\$/SF/Yr
1675 Briargate Blvd Colorado Springs, CO 80920	Dental Office	\$ 1,786	1,533 SF	\$ 14.00
Comments: NNN Lease of Dental Office with three Operatories/Exam Rooms. Property was built in 1984 and is in average, but dated condition.				



**Photo courtesy of CoStar

Rent Comparable 3				
Address	Tenant	\$ / Month	NRA	\$/SF/Yr
15455 Gleneagle Dr Colorado Springs, CO 80921	Dental Office	\$ 1,600	1,200	\$ 16.00
Comments: NNN; Tenants pay base rent plus all operating expenses. Building was built in 2000 and is in good condition.				



**Photo courtesy of CoStar

Rent Comparable 4				
Address	Tenant	\$ / Month	NRA	\$/SF/Yr
18721 Ponderosa Dr Parker, CO 80134	Dental	\$3,641	2,010	\$21.74
Comments: NNN; Tenants pay base rent plus all operating expenses. Term expires in November of 2029.				



**Photo courtesy of CoStar

LOCATION MAP



Market Rent Survey						
No.	NRA (SF)	Rent \$/Mo.	\$/SF/Mo.	\$/SF/Yr	Use	Terms
Subject	3,042	\$4,070	\$1.34	\$16.06	Dental Office	Partial Net
1	2,401	\$4,002	\$1.67	\$20.00	Dental Office	Partial Net
2	1,533	\$1,789	\$1.17	\$14.00	Dental Office	NNN
3	1,200	\$1,600	\$1.33	\$16.00	Medical Office	NNN
4	2,010	\$3,641	\$1.81	\$21.74	Medical Office	NNN
		Average	\$1.49	\$17.94		

The market rentals indicate an average price of \$17.94 per square foot per year for two types of lease terms: Partial Net (NN) and Net (NNN). In addition, the physical properties of the rentals are for average-to-good quality medical or dental offices similar to that of the subject. The five market rentals represent very reasonable alternatives for the subject and would, hypothetically, be in competition if they were in the same geographic area.

A major component in analyzing value from an investor point of view is to determine the net profit from an investment. Therefore, the most meaningful lease term is net to the landlord or owner. Modified gross leases are typically slightly above net leases because the tenants share some of the operating expenses and full-service leases are yet even higher because the landlord pays all operating expenses. This is not to say that any one type of lease is better for the owner because, typically, no matter what type of lease, the expenses are charged back to the tenant causing net income to the property to remain constant. Moreover, the overall capitalization rate in any given market will adjust according to the income terms and value should be relatively consistent according to the type of real estate. Nonetheless, rent comparables with triple net leases are most desirable in this situation.

Locationally, four of the sales are located along the front range in larger cosmopolitan areas but are considered as reasonable substitutes for the subject because of their specific dental use. As such, the concluded market rent for the subject is settled near the mean at \$17.75 per square foot per year on a NNN basis.

The conclusion is that the contract rent is slightly below what is considered market and should be slightly higher. As such, rent is adjusted to market in the following pro-forma income statement to reflect market rent. The reader should note that because the subject is being sold to the current tenants, the lease expiration date in 2027 is not relevant which allows the lease adjustment.

Vacancy Credit and Loss

A survey of similar properties has been conducted in the subject market area and shows that commercial office properties have vacancy rates from 3 to 7%. Interviews with local commercial property managers and real estate agents indicate the overall rate is 5%. Due to the average updated condition and good location of the subject, stabilized occupancy is estimated at 95%, or a vacancy rate of 5%.

Replacement Allowance

Replacement Allowance is the periodic replacement of short-term construction items that wear out before long term items. These include items such as carpet, roofs, cosmetics, paint, HVAC, etc. Typically, funds are set aside every year to plan for future replacement of these items. This expense can be accounted for either as a direct expense in the Pro Forma Income Statement or afterwards in the capitalization rate. In the Pagosa market, replacement costs are reflected in the capitalization rate and not as a direct expense before cap rate application.

Income Analysis

In the following income analysis, the net operating income supported by the market, under market terms, is calculated. The terms are triple net on a five-year basis as is typical in the market. Again, it should also be noted that in this market, reserves for capital expenditures for short-term construction items that wear out before the long-lived items such as HVAC systems, roofs, siding, flooring, etc., are applied "below the line". This means that investors do not include these expenses in the operating income statement before Net Operating Income (NOI) is calculated.

PRO FORMA INCOME STATEMENT			
COMMERCIAL DENTAL OFFICE ANALYSIS (NNN LEASE)			
Potential Income			
	GLA	Rate	Amount
Net Rentable Area (NRA)	3,054	\$17.75	\$54,209
Potential Gross Income			\$54,209
Vacancy & Collection Loss		-5%	(\$2,710)
Effective Gross Income			\$51,498
Less Landlord Expenses			
Property Tax	(tenant)	\$0	
Insurance	(tenant)	\$0	
Management, Legal, Accounting	(owner)	(\$1,000)	
Total			(\$1,000)
Operating Expense Ratio	1.9%		
Net Operating Income			\$50,498

Derivation of Overall Capitalization Rate

Market Capitalization Rates

The income approach derives value by capitalizing the net income to the property. The net income divided by the sales price gives a capitalization rate, which is the annual rate of return.

Per CoStar, in Colorado cap rates for all types of medical offices ranged from 3.0% to 11.10% with an average of 6.24%. The PwC Real Estate Investor Survey indicates that nationwide in the first quarter of 2023, the average overall cap rates for office space were 5.75%. Local cap rates are currently above nationwide rates because the commercial market in Pagosa Springs is not as sophisticated as more metropolitan areas and is heavily impacted by seasonal fluctuations of tourism. This in turn equates to higher risk with higher rates. In addition, sale 1 used in the sales comparison approach indicated a higher rate of 7.4%.

Based on these two sources as well as sale 1, the subject's overall cap rate is concluded at 6.50%.

$$\text{Value} = \frac{\text{Net Operating Income}}{\text{Overall Capitalization Rate}}$$

$$\$776,893 = \frac{\$50,498}{6.50\%}$$

\$777,000
(rounded to nearest \$1,000)

RECONCILIATION OF VALUE

The appraisal process has developed the following values.

Cost Approach	\$ 983,000
Sales Comparison Approach	\$ 996,000
Income Approach	\$ 777,000

The subject is a good quality dental office, in good condition and in an expanding mountain resort location. It is functionally suited for a variety of different uses and is rated as good to similar properties in the area. From a macro-level viewpoint, the most probable purchaser is an owner-user. Owner-users do not typically base purchase price decisions on potential rental income and rely more on comparable sales. This is proven by the sales comparison approach as the majority of the sales sold in the fee simple estate. Consequently, because there is such a large discrepancy of value by the three methodologies, the final value decision is based on a more in-depth scrutiny of the methods. More specifically, the quantity and quality of data within each approach is scrutinized to determine which method is more valid.

The cost approach is based on a nationwide cost estimating service for replacement costs. While this type of service accounts for geographical location, it is not as reliable as actual costs of buildings in this specific location. As no similar type building cost data from actual medical/dental office project's in the area are available, secondary confirmation of locational costs are limited. In addition, the building is 27 years old and effective age estimates become more subjective the older a building. Reliance on the effective age estimate and thus the depreciation estimate is less credible because of the age of the building.

The sales comparison approach would be more credible if additional recent comparables existed that were of similar size and condition, located in Pagosa Springs. As demonstrated in the analysis, none of the sales are directly comparable and all are located in competing areas of Colorado. Nevertheless, the results are logical, and an indication of value is reasonable given the constraints of the data.

The income approach does not completely describe the value because the majority of users of this type of building are owner-operators who utilize the facility for themselves. Moreover, investor-owners in the area tend to not be as sophisticated as those found in other more metropolitan areas tend to invest in more versatile properties rather than specialized. Although the derived capitalization rate is based on the market, this is a highly sensitive factor

that can have a significant effect on the end value. For these reasons, the income approach is by far, the least credible technique in determining value and carries little, if any, weight in the final reconciliation. Additional confirmation of the weakness of the approach is magnified by the significant value difference between the income approach and the other two approaches.

Considering the quantity and quality of data from all three methods, most weight is given to the sales comparison approach with secondary support from the cost approach. The final as-is opinion of market value as of September 1, 2023 is:

\$990,000

Nine Hundred and Ninety Thousand Dollars

Because of the uniqueness of the market and lack of more qualified support data in all three valuation methods, the reader making decisions upon the results of this analysis should use caution and recognize the limitations of the data.

ADDENDA

ARCHULETA COUNTY ASSESSOR'S DATA

Archuleta County Assessor Data Site

Johanna Tully-Elliott, P.O. Box 1089, Pagosa Springs, CO, 81147
(P) 970 264-8310 | (F) 970 264-8319 | (E) jelliott@archuletacounty.org

Account Information

OWNERNAME	THOMPSON HAROLD & RENEE FAMILY LL
OWNERADDRESS	264 POMPA DR PAGOSA SPRINGS, CO 81147-0000
PROPERTY CODE	2230,2130
PROPERTY CODE DESC	SPEC. PURPOSE-IMPROVEMENT,SPEC. PURPOSE LAND
ACCOUNTNUMBER	R010433
PARCELNUMBER	569920126002
PIN	569920126002
PROPERTY ADDRESS (SITUS)	228 VILLAGE DR PAGOSA SPRINGS CO 81147
LEGALSUMMARY	Subdivision: CENTRAL CORE Lot: 5C CC Sec: 20 Twn: 35 Rng: 2W
PLATTEDSUBDIVISION	113_CENTRAL CORE
PLSSLEGAL_RANGE	2W
PLSSLEGAL_TOWNSHIP	35
PLSSLEGAL_SECTION	20
NBHD	202_COMMERCIAL WEST
TAXAREAID	50P_PAWS 1
MODEL LIST	1-MODEL_COMMERCIAL,1-MODEL_LAND
ACCOUNTTYPE	RealAccount
CLASS DESCRIPTION	COMMERCIAL PROPERTY
PROPERTYCODE	2130, 2230
MAPLINK	https://www.google.com/maps?q=37.258226,-107.077083

Additional Owner Details

Owner Name	Owner Address
THOMPSON HAROLD & RENEE FAMILY LL	264 POMPA DR PAGOSA SPRINGS, CO 81147-0000

Sales Information

Date	Deed Type	Doc Number	Grantor	Grantee	Amount
03/10/2003	SA	20302326	THOMPSON HAROLD R & RENEE...	THOMPSON HAROLD & RENEE F...	10
03/10/2003	QD	20302325	THOMPSON HAROLD R & RENEE...	THOMPSON HAROLD & RENEE F...	10
01/22/1996	WD	B96P477	DONSON CORPORATION	THOMPSON HAROLD R & RENEE...	67,500
01/15/1988	WD	B226P327	DEASON M W	DONSON CORPORATION (1/5 L...	5,000
09/29/1983	DEED	B203P174	EIC	DEASON MILTON W	87,600

Values and Estimated Taxes

Tax Year	Taxable	Actual	Mill Levy	Estimated Tax
2021	\$119,060.00	\$410,570.00	68.520	\$8,157.99
2022	\$119,060.00	\$410,570.00	65.005	\$7,739.50
2023	\$113,130.00	\$405,470.00	65.005	\$7,354.02

Property Details

Archuleta County Assessor Data Site

Johanna Tully-Elliott, P.O. Box 1089, Pagosa Springs, CO, 81147
 (P) 970 264-8310 | (F) 970 264-8319 | (E) jelliott@archuletacounty.org

Model	Attribute Name	Attribute Value
COMMERCIAL 1	ABSTRACT_CODE	2230
	BUILDINGCODE	660061_OFFICE AVG
	NBHD	202
	FRAME	2_WOOD FRAME
	YEARBUILT	1996
	EXTERIORWALL	16_WD FR STUC-100%
	FLOOR	8_SHT VINYL-20%
	FLOOR	14_CARPET-80%
	INTERIORWALL	5_DRYWALL-100%
	HEATTYPE	4_AIR DUCTED
	QUALITY	3_AVERAGE
	ROOFCOVER	12_MODULAR MT-100%
	STORIES	1
	ACTUALAREA	3348
	HEATEDAREA	3024
LAND 1	ABSTRACT_CODE	2130
	LANDCODE	770140_CENTRAL -COMM
	AREA_ACRES	1.5

Property Images

QUALIFICATIONS OF THE APPRAISER

JESS E. KETCHUM

2800 Cornerstone Dr, B1-U1

P.O. Box 4462 * Pagosa Springs, CO 81147

Phone: 970.731.1986 * jess@aceappraisal.info

Professional Experience

- From 2004 to the present, worked as a full time fee appraiser, completing approximately 2,500 residential and 200 narrative appraisal reports
- Over 350 hours of qualifying and continuing education, over 5,500 hours of residential appraisal experience, and over 3,500 hours of commercial complex real estate experience
- Owner of Ace Appraisal, LLC with one full time appraiser and a research/office assistant/appraiser trainee

Clients

Lending clients include: Wells Fargo Bank, Citizens Bank of Pagosa Springs, First Southwest Bank, Bank of Colorado, Bank of the San Juans, First National Bank of Durango, Pine River Valley Bank, Rio Grande Savings & Loan, Del Norte Federal, and numerous other regional and national banks.

Other clients include: Archuleta County, Town of Pagosa Springs, attorneys, and other individual owners and investors in the area.

Education

Formal

Fort Lewis College, Durango, CO
Bachelor of Arts/Business Admin. 2000

Continuing and Qualifying Appraisal Education

"Computaught" 75 Hour Qualifying Licensure Course "Computaught" 15 Hour National USPAP Equivalency 2004

"Appraisal Institute" 7 Hour Professional's Guide to the Uniform Residential Appraisal Report Appraising the Oddball, McKissock 12/26/06

Developing & Growing the Appraisal Practice, McKissock 12/26/06 Construction Details & Trends, McKissock 12/26/06

USPAP Equivalency Course, McKissock 12/26/06

USPAP Update Course, Appraisal Institute, 11/03/08

FHA & the Appraisal Process, 09/2008
General Appraiser Income Approach / Part I, 02/2009 General Appraiser Income Approach / Part II, 02/2009
General Appraiser Sales Comparison Approach, 03/2009
Real Estate Finance Statistics and Valuation Modeling, 06/09
General Report Writing and Case Studies, 08/2009
General Appraiser Site Valuation and Cost Approach, 10/2009
General Appraiser Market Analysis and Highest and Best Use, 10/2009
Business Practices and Ethics, 02/28/2010
Residential Sales Comparison and Income Approach, 4/28/11
USPAP Update Course, Appraisal Institute, 2012
USPAP Update Course, Appraisal Institute, 2014
Advanced Income Capitalization, Appraisal Institute, 2015
Advanced Concepts & Case Studies, Appraisal Institute, 2015
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Rapid Response: Market Analysis Volatile Markets, Appraisal Institute, 2021
Inconsistency: it's Hiding in Plain Sight in Your Appraisal, Appraisal Institute, 2021

Professional Affiliations

Designated Member of the Appraisal Institute

Licenses

Colorado Certified General Appraiser #CG40041546

References

Personal

JR Ford, Local Business Owner, 970-264-5000

Professional

Pennie DeClark, Loan Officer, Bank of Colorado; 970.731.7235
Brent Logan, Loan Officer, Rio Grande Savings & Loan Assn; 970.731.4701
Scott Stecken, Loan Officer, Del Norte Federal, 719.657.4544
James Dickhoff, Town of Pagosa Springs Town Planner, 970-264-4151

Expert Witness Experience

Weathers v. SJRV Metropolitan District; Case Number: 14 CV 30031

Marriage of Lisa Ann Egg and William Charles Egg, Jr.; Case Number: 14 DR 30013

