

**Broker's Opinion of the Fair Market PSF Lease Rate  
for Class "A" Office Space**

[REDACTED]

[REDACTED]

As of 22-February, 2016

prepared by:

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**Disclaimer:** This report is not an appraisal and Broker submitting this report is not a licensed appraiser. This report is a broker's opinion of the fair market psf lease rate in a commercial lease located within [REDACTED]. It should not be used in any situation where an appraisal is required.

## Summary and Methodology

The fair market value for a NNN type lease for the office located at [REDACTED] is [REDACTED]. My conclusion is based on an analysis of twelve comparable leases, including seven in-place and five advertised spaces for lease. The average rate was [REDACTED] for the seven in-place leases and [REDACTED] for the vacant spaces currently advertised for lease.

The five advertised leases were found on the Commercial Association of Realtors of New Mexico (CARNM®) and LoopNet® commercial listing websites.

The seven in-place leases were obtained from the landlord, tenant or listed in a commercial appraisal. All rates were confirmed with a copy of the lease or by at least two sources (appraisal comps are verified from at least two sources).

All leases were adjusted for class and type of lease. Leases were adjusted **to the subject** based on (i) class of space (A, A-, B+ and B) and (ii) type of lease (NNN – such as the subject property, where the tenant pays all expenses, Gross Lease – with the Tenant and Landlord sharing expenses and Full Service, where Landlord pays 100% of expenses). I estimate approximately 70% of all office space in Santa Fe is “C” class, with the remainder “B,” There are only a few “A” class buildings. All twelve leases used as comps were “B” class or above. Subject property is considered [REDACTED] class.

Adjusting for class of building is approximate, as there are simply not enough leases to provide sufficient data to



derive the rates empirically. A difference of [REDACTED] between A and B is conservative and can be supported for this analysis. Based on the [REDACTED] differential, we adjusted the leases in the twelve comps as follows:

### Rate Adjustment for Class and Type of Lease

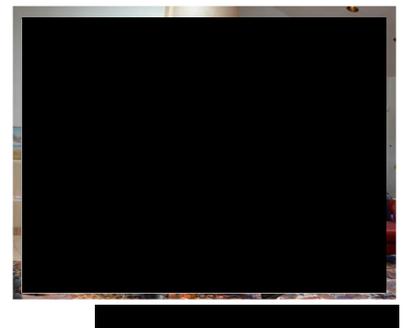
Bldg Class	Adjust for Class	Lease Type	Adjust Lease Type
A	-	NNN	-
A-	[REDACTED]	Gross	[REDACTED]
B+	[REDACTED]	Full Srvc	[REDACTED]
B	[REDACTED]		

### Lease Comps, Current In-place Leases: A- B Class Properties

NO	Address	Tenant	Landlord	Class	Size	Lease	Rent/SF	Start	End
1	[REDACTED]	[REDACTED]	[REDACTED]	A	5,891	NNN	[REDACTED]	1-Jun-16	[REDACTED]
2	[REDACTED]	[REDACTED]	[REDACTED]	B-	3,289	NNN	[REDACTED]	1-Aug-13	31-Jul-16
3	[REDACTED]	[REDACTED]	[REDACTED]	B-	5,039	Gross	[REDACTED]	1-Aug-16	31-Jul-18
4	[REDACTED]	[REDACTED]	[REDACTED]	B-	5,638	NNN	[REDACTED]	1-Nov-03	30-Sep-18
5	[REDACTED]	[REDACTED]	[REDACTED]	B-	1,850	NNN	[REDACTED]	1-Aug-11	31-Jul-16
6	[REDACTED]	[REDACTED]	[REDACTED]	B	2,871	NNN	[REDACTED]	1-May-14	30-Apr-19
7	[REDACTED]	[REDACTED]	[REDACTED]	B	6,100	Full Srvc	[REDACTED]	1-Apr-13	31-Mar-18

### Lease Comps, Current Listings: A- B Class Properties

NO	Address	Broker	Class	Size	Lease	Rent/SF
8	[REDACTED]	[REDACTED]	A-	363	Full Srvc	\$42.86
9	[REDACTED]	[REDACTED]	A-	13,534	Gross	\$35.00
10	[REDACTED]	[REDACTED]	B	7,300	Gross	\$25.00
11	[REDACTED]	[REDACTED]	B-	1850	Gross	\$28.00
12	[REDACTED]	[REDACTED]	B-	2214	Gross	\$27.10



## Typical Santa Fe Expenses for Class “A” Space

Lease expenses and who’s responsible are shown in the table to the right. We use [REDACTED] averages for these expenses (instead of the expenses for the subject property), since we are adjusting the expense to the subject lease.

Subject property is a NNN type lease in which all of the expenses are paid by the tenant. In a modified gross (“Gross”) lease, property taxes, property insurance and common area maintenance are paid by the landlord. The dollar difference between a Gross lease and NNN type lease is [REDACTED]. The dollar difference between a full-service lease and a NNN lease is [REDACTED]. Again, we use averages for the Santa Fe “A” class and “B” class spaces. Averages are found from properties we manage, industry data and data from appraisals and other sources.

### Adjusting the Leases to Subject Lease

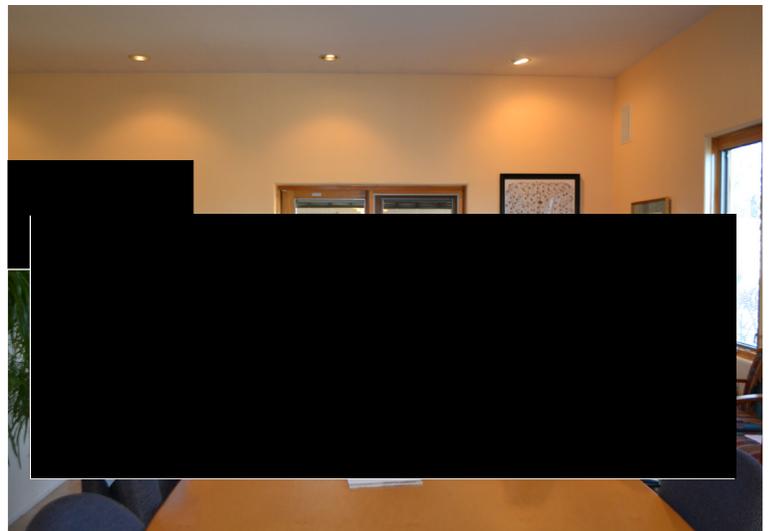
To find the average lease rate for the in-place leases and advertised vacant space leases, the comparable leases are adjusted for class of building and lease expense type. To adjust for the class of the building, [REDACTED] is added on to the lower-class building for each half-point adjustment in the class: “A-” to “A:” [REDACTED]; “B+” to “A:” [REDACTED] and “B” to “A:” [REDACTED].

To adjust for expense type, the comparable lease is adjusted to the subject lease. If the leases are the same, i.e. both are triple net (NNN), no adjustment is required. If the comparable lease is full-service, then all of the expenses or [REDACTED] must be deducted from the comparable lease to match the subject lease. In a gross lease, [REDACTED] must be subtracted from the comparable lease to match the subject lease.

To find the average sf/year rate for the two categories, the total square footage times the adjusted rate must be calculated for each space, then totaled and divided by the total size. The asking rates are slightly higher than the achieved rates. Achieved rates represent a more accurate value.

### Schedule for Lease Expenses by Category

Lease Type (Expenses by Tenant)				
Expense (SF/YEAR)	SF/Year	NNN	Gross	Full Srvc
Gas and Electric	[REDACTED]	[REDACTED]	[REDACTED]	-
Water/Sewer/Trash	[REDACTED]	[REDACTED]	[REDACTED]	-
Property Taxes (Class B+)	[REDACTED]	[REDACTED]	[REDACTED]	-
Property Insurance	[REDACTED]	[REDACTED]	[REDACTED]	-
Common Area Maint.	[REDACTED]	[REDACTED]	-	-
Janitorial	[REDACTED]	[REDACTED]	[REDACTED]	-
Total	[REDACTED]	[REDACTED]	[REDACTED]	-
Adjust to NNN (subject lease)			[REDACTED]	[REDACTED]



Conference room area

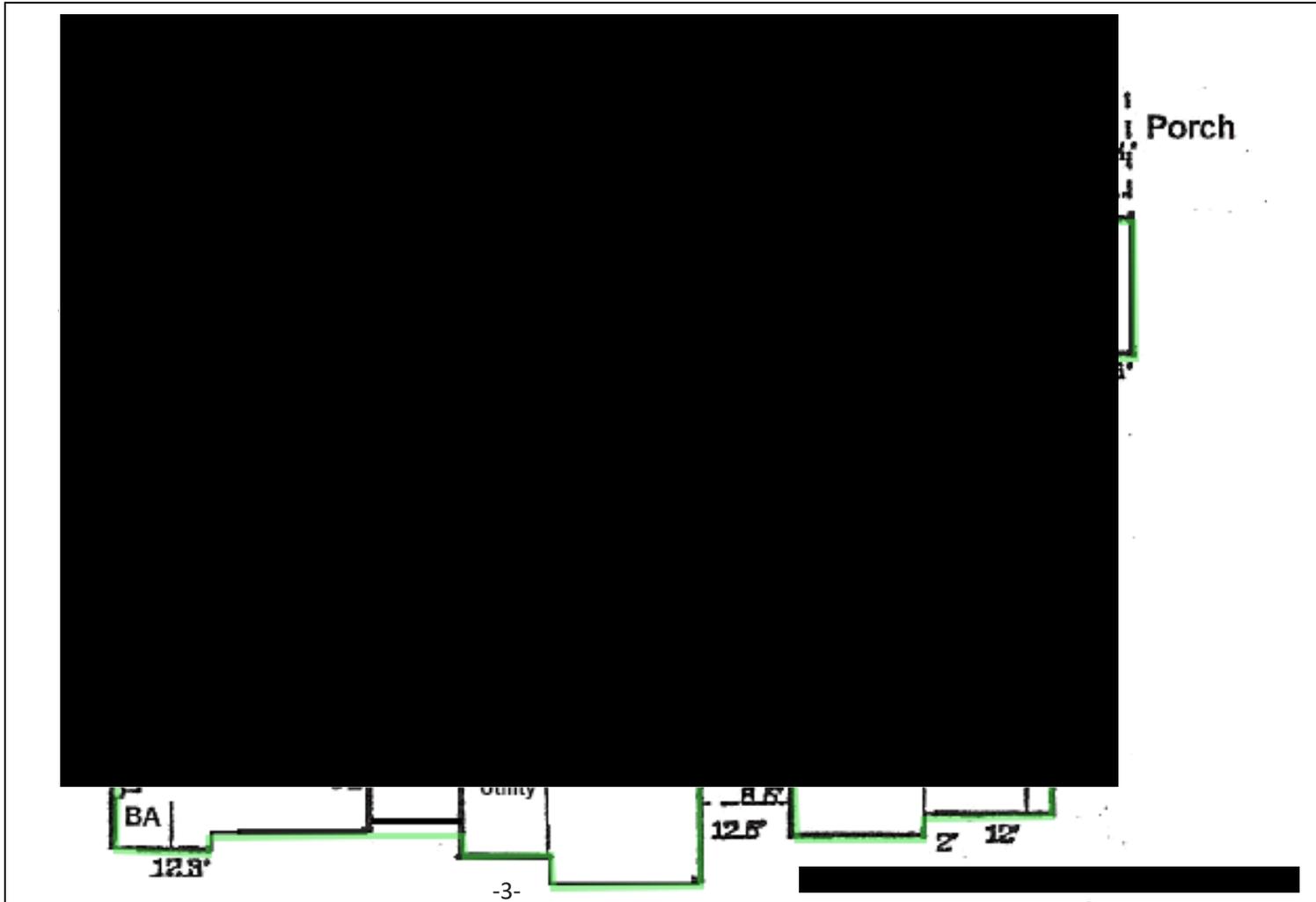
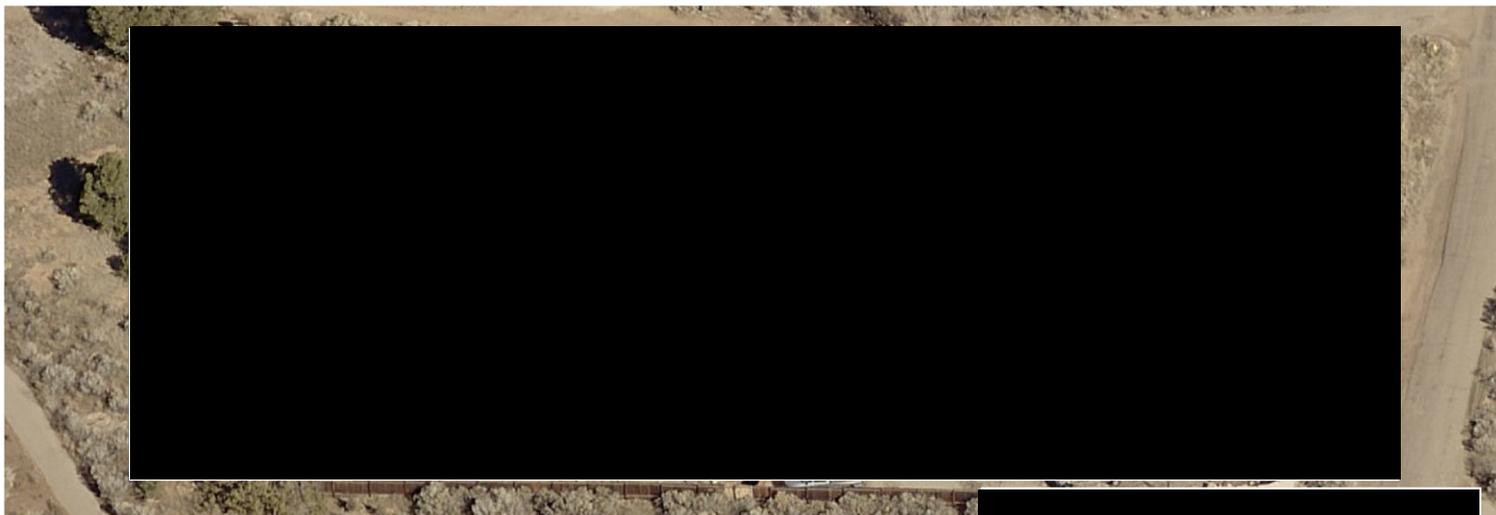
Bldg.	Rnt/sf*	Class Adjust	Exp Adjust	Adjusted	Size	Rent/Sp	Avg
1	[REDACTED]	-	-	[REDACTED]	5,891	161,178	
2	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	3,289	97,167	
3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	5,039	130,006	
4	[REDACTED]	[REDACTED]	-	[REDACTED]	5,638	159,274	
5	[REDACTED]	[REDACTED]	-	[REDACTED]	1,850	51,190	
6	[REDACTED]	[REDACTED]	-	[REDACTED]	2,871	76,713	
7	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	6,100	173,362	
					30,678	[REDACTED]	
8	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	363	13,137	
9	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	13,534	429,434	
10	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	7,300	165,929	
11	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	1,850	47,601	
12	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	2,214	54,974	
					25,261	[REDACTED]	[REDACTED]

## About the Property and Space

The [redacted] office in the property located at [redacted] [redacted] executive office for [redacted] (see building in lower left corner of property below). The southwest section of the building is living area. The entry is on the east side of the building facing [redacted]. The property is situated on 1.26 acres (two city parcels). [redacted]

We found six homes within 1 mile radius listed for sale

from \$469K to \$12.5 MM, average ask price of \$2.845 MM. Parking surrounds the property on the south and west sides. In the back, just off the [redacted] is a small courtyard with a water feature. An on-demand generator is located on the north side. Inside are spacious private offices, an open, [redacted] [redacted] kitchens and bathrooms. Views to the south across the open backyard capture the Sandia and Ortiz Mountains, and to the East, the Sangre de Cristo Mountains. The office space is elegant yet welcoming. Other features of the property are listed in the accompanying features table.



The property at [REDACTED] is unique. It is one of only a few Class "A" buildings in [REDACTED]. The class of a building is based on location, parking, amenities, finishes and other factors. Location is the preliminary criteria (see table below).

Although A-class buildings are often located [REDACTED], suburban and residential areas can sometimes be better situated for clients.

[REDACTED], the subject property offers ease of access for the client base. [REDACTED]

[REDACTED] water feature make the location "A" class.

[REDACTED] has all the other requirements for A-class space: elegance, redundancy, build-out, parking views and the other amenities. The subject is one of only a handful of a "A" class properties in [REDACTED]

Although no other leases in my comparison set were class "A," I identified two "A-" buildings at [REDACTED]

The only comparable "A" class property in [REDACTED] is the [REDACTED]. This building is owner occupied and not leased. Interestingly, it is also not in the downtown area.

Amenity	Requirement	Subject Property
Location	Must be downtown or east-side, conveniently located for high-end customer to find.	First class location--property is easily accessed from I-25, Old Santa Fe Trail and St Michael's Drive. Office is easy to find and accessible.
Space	Must be open and spacious with considerable room for staff and clients	Leased Premises are elegant and tastefully decorated. Clients are ushered through open work areas to waiting area overlooking gardens and water feature. Staff are positioned to personally greet clients as they pass through offices and work areas.
Finishes	Building must have high-end finishes and appointment throughout with attention to detail.	All finishes throughout are exposed wood and diamond finish style stucco. Kitchen and bathrooms are tile and high end fixtures. All Building components are high-end.
Parking	Substantial, off-street parking. Parking must be convenient.	Considerable parking in front of building with easy access to front entry. Numerous available parking spaces suggest "plenty of room for you, or special client."
Level	Space must be either at top of multi-story building with high speed elevator and views or single story with ease of entry and access.	Leased premises are on ground level. All areas of premises are level grade and handicap accessible. Single grade is essential for older clients.
Power back-up	At least two sources of power,	PNM with back-up generator to protect data
Redundant Broadband	At least two, three preferred	3 independent providers to building
Redundant heat source	At least two to protect data	Natural gas, back-up electric and wood heating
A/C	Yes	Building is air conditioned
Grounds/landscaping	Native plants, landscaping, water feature if possible.	All leased space surrounds private gardens and water feature with birds and views to west towards Sandia Mountains.
Customer Comfort	Radiant heat, sunlight, multiple windows, high ceilings essential.	Radiant heat throughout, AC and windows in all spaces helps clients feel comfortable and appreciated.
Other Client Amenities	Conference rooms, kitchen, spacious waiting area, client privacy when meeting with staff. Private Client bathrooms (not public to building). Separate staff kitchen, original art, carpets, other features appreciated by high net worth clients. Space must successfully make client feel "special."	
Unique Features	Leased space is unique --commercially zoned in a residential neighborhood. Space says "Welcome to our home--" ideal for high net-worth client.	

# About the Property and Space- Location Map, Survey Add'l Photos

