

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

-----	X	
In re	:	Chapter 9
	:	
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
	:	
Debtor.	:	Hon. Steven W. Rhodes
	:	
-----	X	

AMENDED EXPERT REPORT OF JOHN C. SATTER

Pursuant to Federal Rule of Civil Procedure 26(a)(2)(B), made applicable to this proceeding by Federal Rule of Bankruptcy Procedure 7026, the City of Detroit (the “City” or “Detroit”) submits this amended report regarding the anticipated expert testimony of John C. Satter in support of the City’s Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (May 5, 2014) (Docket No. 4392) (the “Plan”). The City submits this amended report to include Exhibit A, which was previously omitted.

INTRODUCTION AND ASSIGNMENT

On June 16, 2014 Hilco Real Estate Appraisal, LLC (“Hilco”) was retained by Jones Day on behalf of the City of Detroit to perform an appraisal of the real property and improvements of the Detroit Institute of Art. The facility is located at 5200 Woodward Avenue, Detroit, Wayne County, Michigan. The facility contains 462,174 square feet of above grade gross building area as well as a basement. The

museum building is situated on a generally rectangular-shaped site totaling 10.49 acres. Further, the property includes five parcels of land that total 3.56 acres located on the east side of John R Street used as pedestrian walk way and asphalt paved surface parking lot.

SUMMARY OF OPINIONS

The market value of the property in question falls somewhere between \$18,500,000 and \$43,000,000, depending on the circumstances of the sale.

METHODOLOGY

One June 23, 2014, I, John C. Satter, MAI, GAA toured the facility with representatives of the Detroit Institute of Art. I prepared the appraisal report with support from various Hilco employees as outlined within the appraisal report. In addition to touring the facility, as part of the process to complete the appraisal, Hilco conducted interviews with facility personnel, reviewed public information, title commitments, floor plans, as well as third party reports regarding supply and demand trends and recent and ongoing development in the Detroit market.

The valuation methodologies within the appraisal prepared by Hilco include the Cost Approach and the Sales Comparison Approach. A complete discussion of the methodology, facts considered, and conclusions can be found in the appraisal itself, attached at Exhibit A, which I incorporate here by reference. A short summary is nevertheless provided here.

The Cost Approach is based upon the principle that the value of the property is significantly related to its physical characteristics, and that no one would pay more for a facility than it would cost to build a like facility in today's market on a comparable site. Using this approach, the market value of the subject site is added to the depreciated cost of the improvements, resulting in a value indication. The Cost Approach is appropriate here as the subject property is a special use property that is owner-occupied and built specially to accommodate the needs of the user. The Detroit Institute of Arts was constructed in stages and designed and constructed as a museum. The strength of this approach is the availability of vacant land sales to develop a range of value being paid for vacant land in the Midtown Detroit and surrounding neighborhoods. Replacement cost data is available from several sources to develop a range of costs. Further, market data is available to provide a range of total depreciation and obsolescence.

The Sales Comparison Approach is based on the principle of substitution, which assumes that no one would pay more for a property than the value of a substitute property in the market. In order to estimate the value, Hilco completed extensive research on a national basis of similar museum use sales. Hilco also considered large institutional use transactions, including the sale of libraries, educational buildings, government buildings, former train stations and post offices. Given the subject's location characteristics, Hilco focused the comparable search on urban property transactions. A sufficient amount of information regarding sales

of museum properties, institutional acquisitions, and office properties in the Detroit market provide the ability to formulate a test of reasonableness for the opinion of value for the subject property. We note that the properties vary greatly in location, age, size, quality, design, and quality and consider the Sales Comparison Approach as a test of reasonableness to the Cost Approach value conclusion. The museum comparable sales and institutional acquisition comparable sales provide a range of value that supports the Cost Approach conclusion; however, the Detroit office property sales set a lower threshold of value consistent with an alternative buyer scenario for investment and redevelopment purchases. The value is lower due to the required rate of return on investment required, cost of repurposing an asset, and the risk associated with undertaking such a project.

CONCLUSIONS

Subject to certain assumptions, limiting conditions, certifications, and definitions set forth in the appraisal, I have concluded that the market value of the property is \$43,000,000. I also estimate that if the property was sold to an alternate purchaser acquiring the asset for investment purposes, the value conclusion would be \$18,500,000. The opinion(s) of value are for the real estate only and no consideration is given to any art work including interior components of the building that are viewed as art such as murals or features of Kresge Court, displays, specialty lighting, built-ins, etc. The building improvements are assumed to be vacant with all personal property removed.


QUALIFICATIONS

I, John C. Satter, MAI, GAA am the Midwest Region Managing Director for Hilco Real Estate Appraisal, LLC and am a Michigan Certified General Appraiser (No. 1201074372 - Expires July 31, 2015). My responsibilities include business development, staff management, and appraisal production and review. I have over 22 years of experience in the valuation of real property and market studies on a variety of property types on a national landscape. Additional details about my qualifications, education, and experience can be found in my curriculum vitae, attached as Exhibit B.

COMPENSATION

Hilco has been retained by Jones Day to provide an expert report, and if required, testimony from myself. The fee for this assignment is \$60,000 plus normal and customary travel and out of pocket expenses. In the event of expert testimony or other legal proceedings regarding the services provided, the compensation will be at a rate of \$450 per hour for trial preparation, depositions, court time and testimony or other consultation. This compensation is neither contingent on the contents of my report, nor the outcome of this or any other matter.

Date: July 8, 2014



John C. Satter, MAI, GAA
Hilco Real Estate Appraisal, LLC

EXHIBIT A



A Hilco Global Company
Vested in Your Success



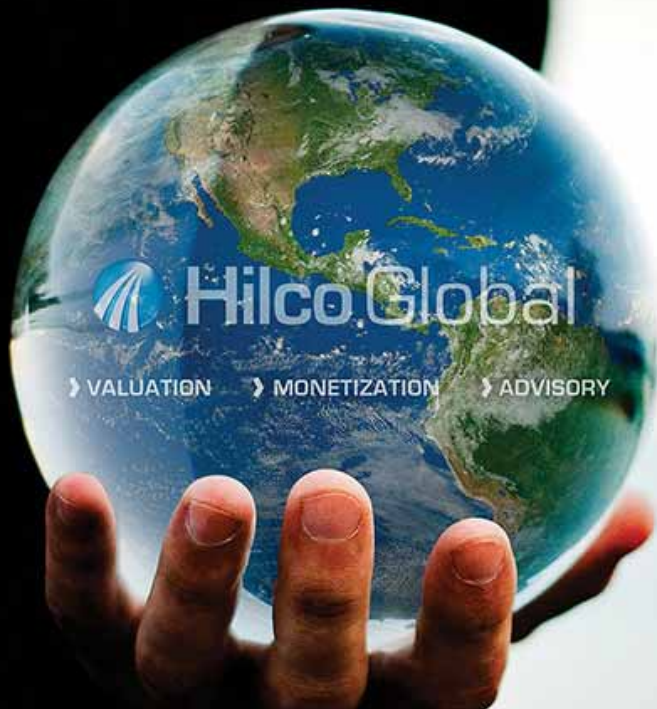
Hilco Real Estate Appraisal, LLC

Valuation of

DETROIT INSTITUTE OF ARTS

5200 Woodward Avenue
Detroit, Michigan

Report Date: July 7, 2014
As of: June 23, 2014



LENDING • FINANCIAL REPORTING • STRATEGIC PLANNING • INSURANCE/RISK MANAGEMENT
ESTATE/TAX MANAGEMENT • PORTFOLIO VALUATION • DISPUTE RESOLUTION • FINANCIAL OPINIONS

Hilco Real Estate Appraisal, LLC

July 7, 2014

Mr. Brian L. Sedlak, Partner
Jones Day
77 W. Wacker Drive
Chicago, Illinois 60601

Re: Appraisal of Real Property
Detroit Institute of Arts
5200 Woodward Avenue
Detroit, Wayne County, Michigan

Dear Mr. Sedlak,

Hilco Real Estate Appraisal, LLC is pleased to transmit our appraisal estimating the *market value* of the fee simple estate in the above-referenced property. The extent of the appraisal process is comprehensive in that all of the applicable valuation approaches are utilized or considered. The scope of work completed is detailed within the report.

We note that our opinion of value is for the real estate only and have given no consideration to any art work including interior components of the building that are viewed as art such as murals or features of Kresge Court, displays, specialty lighting, built-ins, etc. We assume the building improvements are vacant with all personal property removed.

We have relied on the information contained in the plat of survey drawn by NF Engineers, Pontiac, MI dated April 07, 2014 and we have relied on information contained in the title commitment prepared by Title Source, Inc. revision date April 22, 2014.

The findings, conclusions and opinions are presented in this appraisal report, which contains a summary presentation of the data, analysis and conclusions. Additional information may be contained in the appraisal file for this assignment. The report is intended to comply with the reporting requirements set forth under the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

This report was prepared for Jones Day (client) and is intended only for their specified use in planning purposes. The report(s) may not be distributed to or relied upon by other persons or entities without written permission from Hilco Real Estate Appraisal, LLC. The appraisal was developed consistent with the scope specified by Jones Day and agreed upon by the appraiser.

John C. Satter, MAI, GAA inspected the property on June 23, 2014 and prepared the appraisal report. W. Todd Haney, MAI did not inspect the property, but provided significant professional assistance in the form of review and approval of the valuation analysis, including the applicable approaches to value presented herein. The appraisers have not provided any services for the subject property during the previous three years.

Mr. Brian L. Sedlak
Jones Day

July 7, 2014
Page 2 of 2

The value opinion set forth in the attached report is qualified by certain assumptions, limiting conditions, certifications and definitions, which are set forth in the report.

Thank you for the opportunity to provide the outlined services. We look forward to working with you again in the near future.

Respectfully submitted,

HILCO REAL ESTATE APPRAISAL, LLC

A handwritten signature in black ink, appearing to read "John C. Satter".

John C. Satter, MAI, GAA
MI Cert. Gen. Appr. No. 1201074372

"Appraisers are required to be licensed and are regulated by the Michigan Bureau of Commercial Services, Department of Licensing and Regulatory Affairs, P.O. Box 30018, Lansing, MI 48909."

Detroit Institute of Arts (5200 Woodward Avenue) Detroit, MI

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Name: Detroit Institute of Arts

Location: 5200 Woodward Avenue
Detroit, Wayne County, Michigan

General Overview: The subject property is the Detroit Institute of Arts museum located in the Midtown Detroit area. The institutional facility's original section was constructed in 1927 with north and south wing additions constructed in 1966 and 1971. The south wing was expanded in 2002 to house art work during a renovation of the facility. The improvements total 462,174 square feet of above grade gross building area. Approximately 83,000 square feet or 18.0 percent of the above grade gross building area is office, research or laboratory use. The building has a full semi-finished basement.

The museum building is situated on a rectangular-shaped site totaling 10.49 acres. Site improvements include entry staircases, terraces, concrete paving, fencing, parking lot, security attendant booth, and landscaping.

In addition, the subject property includes five parcels of land that total 3.56 acres located on the east side of John R Street used as pedestrian walk way and asphalt paved surface parking lot for 254 cars.

Interests Appraised: Fee Simple Estate

Effective Date of the Appraisal: June 23, 2014

Date of the Report: July 7, 2014

Date of Inspection: June 23, 2014

Zoning: PC, Public Center District (Main parcel)
R5, Medium Density Residential District
Detroit, MI

Highest and Best Use

As Vacant: Institutional Use

As Improved: Institutional Use

Detroit Institute of Arts (5200 Woodward Avenue) Detroit, MI

Value Indicators

Cost Approach	\$43,300,000
Sales Comparison Approach	\$18,500,000 to \$41,500,000
Income Capitalization Approach	Not Applicable

Market Value Conclusion	\$43,000,000
Exposure Period	18-24 Months

Extraordinary Assumptions

We have relied on the information contained in the plat of survey drawn by NF Engineers, Pontiac, MI dated April 07, 2014. We have relied on information contained in the title commitment prepared by Title Source, Inc. revision date April 22, 2014.

Please note that the use of extraordinary assumptions may have affected the assignment results.

Assignment Condition

We note that our opinion of value is for the fee simple estate in the real estate only and have given no consideration to any art work including interior components of the building that are viewed as art such as murals or features of Kresge Court, displays, specialty lighting, built-ins, etc. We assume the building improvements are vacant with all personal property has been removed.

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INTRODUCTION

Identification of Property

The subject property is the Detroit Institute of Arts museum located in the Midtown Detroit area. The institutional facility's original section was constructed in 1927 with north and south wing additions constructed in 1966 and 1971. The south wing was expanded in 2002 to house art work during a renovation of the facility. The improvements total 462,174 square feet of above grade gross building area on three levels. Approximately 83,000 square feet or 18.0 percent of the above grade gross building area is office, research or laboratory use. The building also has a full, semi-finished lower level.

The museum improvements are situated on a rectangular-shaped site totaling 10.49 acres. Site improvements include entry staircases, terraces, concrete paving, fencing, parking lot, security attendant booth, and landscaping.

In addition, the subject property includes five parcels of land that total 3.56 acres located on the east side of John R Street used as a walk way and asphalt paved surface parking lot for 254 cars.

The subject property has the common address of 5200 Woodward Avenue, Detroit, Wayne County, Michigan. The Wayne County Assessor further identifies the subject by the following tax identification numbers: Ward 1, Item 1427; Ward 1, Item 1423; Ward 1, Item 1389; Ward 1, Item 1385.002L; Ward 1, Item 1426; Ward 1, Item 1424; Ward 1, Item 1425; Ward 1, Item 1425; Ward 1, Item 1390; Ward 1, Item 1391-2; Ward 1, Item 1421; Ward 1, Item 1420; Ward 1, Item 1419; Ward 1, Item 1418; Ward 1, Item 1417; Ward 1, Item 1416; Ward 1, Item 1399; Ward 1, Item 1398; Ward 1, Item 1397; Ward 1, Item 1396; Ward 1, Item 1395; Ward 1, Item 1394; Ward 1, Item 1393; Ward 1, Item 1422; and Ward 1, Item 1400-15.

Property Ownership and Recent History

According to public records, the City of Detroit owns parcels 1, 4, 6, 7, 9, 11 and 12 and the Detroit Institute of Arts-Founders Society owns parcel 10.

The museum was expanded and renovated in 2002-2008 at a cost of \$158.2 million. The scope of work for the project included \$91.0 million budgeted for construction, \$55.8 million in gallery demolition, asbestos abatement, and reconstruction, a 31,383 square foot addition to the south wing, and gallery reinstallation. The project costs included storage racking, shelving, etc., removing, cleaning, and storing artwork, reworking displays, decorating, replacing art work, and upgrades to the security and mechanical systems.

To our knowledge, there have not been any market-oriented transactions or listings for sale involving the subject property during the three years preceding the effective date of this appraisal.

Purpose and Intended Use of the Appraisal

The purpose of this appraisal is to estimate the *market value* of the fee simple estate in the subject property as of the date of inspection, June 23, 2014. This report was prepared for Jones Day (client) and is intended only for their specified use in planning. The report(s) may not be distributed to or relied upon by other persons or entities without written permission from Hilco Real Estate Appraisal, LLC. The appraisal was developed consistent with the scope specified by Jones Day and agreed upon by the appraisers.

Extent of the Appraisal Process (Scope of Work)

In the process of preparing this appraisal, the appraiser(s):

- Inspected the interior and exterior of the building and site improvements. Our inspection was conducted for purposes of evaluating the physical characteristics and general condition of the site and building improvements.
- Reviewed public records for physical characteristic information, reviewed a plat of survey drawn by NF Engineers dated April 7, 2014, reviewed a title commitment completed by Title Source, Inc. revised April 22, 2014, reviewed floor plans provided by the Detroit Institute of Arts staff, interviewed Cedric Alexander, Engineering Manager, regarding property characteristics and construction history, and had discussions with Robert Bowen, Director and Chief Financial Officer regarding financial operation and property characteristics.
- Reviewed third party reports on real estate trends, supply and demand, and transactions in the Detroit market area. Reviewed reports on past, ongoing, and recent development in the Midtown Detroit area. Discussed the National Federal Listing of the subject property with Robert Sadler, Detroit Historical Society.
- Conducted market inquiries into recent sales and listings of vacant land sites to ascertain sales price per square foot. This process involved site inspections, telephone interviews with sellers, buyers and/or participating brokers.
- Utilized published cost data including *Marshall Valuation Service* and *National Park Service Handbook* to estimate replacement cost new of the property. This figure, less accrued depreciation, was then added to the land value of the site, resulting in an as is value indication for the subject property site and improvements.
- Conducted market inquiries into recent sales of museum, institutional facilities, and office properties to ascertain sales prices per square foot for the property type. This process involved accessing online sources and telephone interviews with sellers, buyers and/or participating brokers.
- We have completed exterior inspections of the comparable sales and/or relied upon available photographs and discussions with real estate professionals familiar with the properties.
- Prepared the *Cost Approach* and *Sales Comparison Approach* to conclude as is indications of value.
- The approaches used to value the subject property are correlated into final estimates of market value in the *Reconciliation and Final Value Estimate* section.

Assignment Condition

We note that our opinion of value is for the real estate only and have given no consideration to any art work including interior components of the building that are viewed as art such as murals or features of Kresge Court, displays, specialty lighting, built-ins, etc. We assume the building improvements are vacant with all personal property removed.

Verification of Data

We have completed exterior inspections of the comparable sales and/or relied upon available photographs and discussions with real estate professionals familiar with the properties. Ultimately, we rely on multiple sources for verification of comparable data, including CoStar, Loop Net and other

internet based sites, discussion with representatives familiar with the properties and/or transactions, information from previous appraisals we have completed, and other real estate professionals.

Competency Provision

We are aware of the competency provision promulgated by the USPAP, and the author(s) of this report meets the standards as: i.) the appraiser(s) has full knowledge and experience in the nature of this assignment and has experience with similar properties throughout the United States; ii.) all necessary steps have been taken in order to complete the assignment competently; and iii.) there is no lack of knowledge or experience that would prohibit this assignment to be completed in a professional and competent manner or where a biased or misleading opinion of value would be rendered.

Date of Value and Property Inspection

The date of as is value and the date of inspection are June 23, 2014. John C. Satter, MAI, GAA inspected the property on that date.

Property Rights Appraised

We have appraised the fee simple estate in the real property only. We note that our opinion of value is for the real estate only and have given no consideration to any art work including interior components of the building that are viewed as art such as murals or features of Kresge Court, displays, specialty lighting, built-ins, etc. We assume the building improvements are vacant with all personal property removed.

Legal Description

The subject property has a complex legal description based on multiple parcels. A copy of the legal description from the plat of survey has been copied to the Addenda.

Definitions of Value, Interest Appraised, and Other Pertinent Terms

Market Value

For the purpose of this appraisal, we are considering *fair market value* and *market value* equivalent. The definition of *market value* as applied in this report is from the 2014-2015 Uniform Standards of Professional Appraisal Practice, as follows:

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

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

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (*Dictionary of Real Estate Appraisal, Fifth Edition*)

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. (*Dictionary of Real Estate Appraisal, Fifth Edition*)

We note this appraisal is subject to the following extraordinary assumptions or hypothetical conditions. Please note that the use of extraordinary assumptions may affect assignment results.

We have relied on the information contained in the plat of survey drawn by NF Engineers, Pontiac, MI dated April 07, 2014.

We have relied on information contained in the title commitment prepared by Title Source, Inc. revision date April 22, 2014.

Exposure Time and Marketing Period

Exposure Time and Marketing Period are defined in the *Dictionary of Real Estate Appraisal, Fifth Edition (2010)*, published by the Appraisal Institute and are defined as follows.

Exposure Time

Under Paragraph 3 of the Definition of Market Value, the value estimate presumes that “a reasonable time is allowed for exposure in the open market.” Exposure time is defined as “the time a property remains on the market. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.” Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of value ranges and under various market conditions.

Marketing Period

“The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal”. A reasonable marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by concurrent market conditions. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. Market value estimates imply that an adequate marketing effort and reasonable time for exposure occurred prior to the effective date of the appraisal. In the case of disposition value, the time frame allowed for marketing the property rights is somewhat limited, but the marketing effort is orderly and adequate. With liquidation [forced or quick sale] value, the time frame for marketing the property rights is so severely limited that an adequate marketing program cannot be implemented.

In estimating an appropriate exposure time and marketing time for the subject property, we have considered national, regional and local trends for real estate. We have considered the national investor survey published by PwC (PricewaterhouseCoopers) for average marketing times.

Marketing Times – Investor Surveys				
Survey	Date	Average Marketing Time In Months		
		Current	Previous Survey	One Year Ago
<i>PwC National CBD Office</i>	<i>2nd Qtr 2014</i>	2.0-15.0 – Range 6.9 - Average	2.0-18.0 - Range 7.4 - Average	2.0-18.0 - Range 7.9 - Average
<i>PWC National Strip Center</i>	<i>2nd Qtr 2014</i>	2.0-12.0 – Range 6.3 - Average	2.0-12.0 - Range 6.4 - Average	3.0-18.0 - Range 7.7 - Average

As recorded by PwC, historical average marketing times have been under eight months from 2011 through 2013. Currently, the average marketing period for office and strip centers is less than seven months, which is lower than the average marketing time indicated in the previous and one year earlier surveys.

Detroit Institute of Arts (5200 Woodward Avenue) Detroit, MI

We note that the survey information reflected in the foregoing chart relates to investment grade properties, which are generally Class A properties in well-located metropolitan areas. The large institutional investor-owned assets appeal to a limited pool of potential buyers that can afford the assets; however, REIT and syndicate buyers have been actively adding inventory to funds to meet demand for real estate investors seeking yield.

Special use properties often exhibit higher marketing periods compared to investment grade real estate due to a limited pool of potential buyers and the high cost associated with the adaptive reuse of the properties.

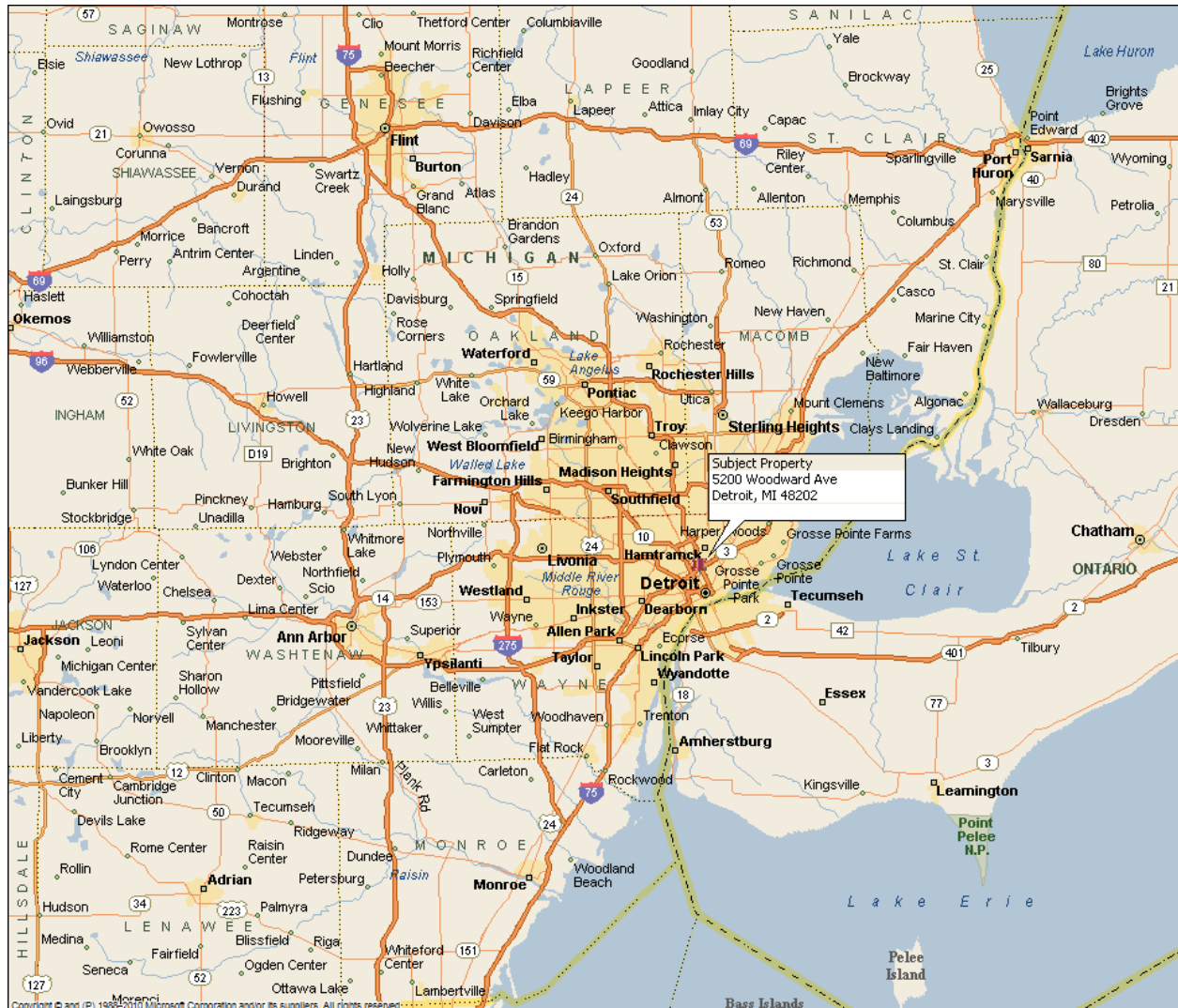
Furthermore, a direct correlation can often be seen between a property's age or location and respective marketing period. As properties age, a longer marketing period is generally required and properties with more tertiary or remote locations are also likely to require longer marketing periods. Review of museum sales nationally reveals marketing periods ranging six to 36 months.

To determine marketing period trends within the subject's local and regional area, we have considered analytic data aggregated by *CoStar Group* for the industrial, office, and retail sectors. Marketing time for industrial property has ranged 12 to 23 months with an average near 16 months presently. Marketing time for office property has ranged 15 to 28 months with an average near 25 months presently. Marketing time for retail property has ranged 14 to 24 months with an average near 24 months presently.

Based upon the foregoing, considering the physical characteristics of the subject, and after conducting interviews with brokers familiar with the subject's market, a marketing period and exposure time of less than 18 to 24 months is concluded for the subject property due to its special use type, large size, and limited pool of potential buyers.

The exposure time estimate reflects the activity that has existed for properties in recent periods whereas the marketing time estimate is subject to variation depending upon evolving events and unforeseen changes in the economy or marketplace. The price that may be achieved in the future at the end of the marketing period may or may not be equal to the current appraised value estimate, depending on potential changes in the physical real estate, demographic and economic trends, the real estate market and the effectiveness of the marketing program, among other factors.

REGIONAL MAP/DISCUSSION



Introduction

The subject property is located in the Detroit Metropolitan Statistical Area (MSA). According to the U.S. Census Bureau, the population of the Detroit region has decreased by 0.5 percent or 28,827 people since 2000. Wayne, Oakland and Macomb counties are among the largest counties in the United States by population making the city of Detroit the 18th largest city in the United States. Michigan is the eighth most populous state in the U.S.

The following information is Economy.com as of February 2014. Detroit, MI is in Wayne County, MI which is part of the Detroit, MI MSA as determined by Economy.com.

UNITED STATES

EMPLOYMENT GROWTH

2012-2014

2.5%

2012-2017

1.8%

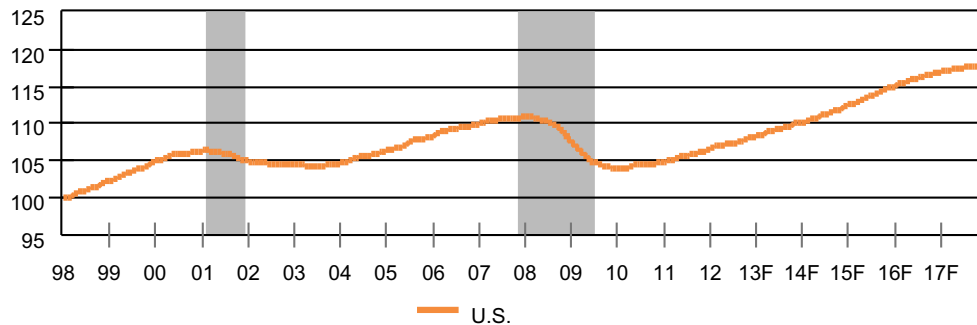
COST OF DOING BUSINESS

100%

MOODY'S RATING

Aaa

RELATIVE EMPLOYMENT PERFORMANCE (1998=100)



— U.S.

2006	2007	2008	2009	2010	2011	2012	INDICATORS	2013	2014	2015	2016	2017
14,615	14,877	14,834	14,418	14,779	15,052	15,471	Gross domestic product (C\$B)	15,767	16,264	16,926	17,427	17,838
2.7	1.8	-0.3	-2.8	2.5	1.8	2.8	% change	1.9	3.1	4.1	3.0	2.4
136.4	137.9	137.2	131.2	130.3	131.8	134.1	Total employment (mil)	136.4	138.8	142.0	144.9	146.7
1.8	1.1	-0.6	-4.3	-0.7	1.2	1.7	% change	1.7	1.8	2.3	2.1	1.2
4.6	4.6	5.8	9.3	9.6	8.9	8.1	Unemployment rate	7.3	6.4	6.0	5.8	5.5
7.3	5.3	3.6	-2.8	2.9	6.1	4.2	Personal income growth	2.8	5.1	7.4	6.4	5.1
298.4	301.2	304.1	306.8	309.3	311.6	313.9	Population (mil)	316.1	318.7	321.5	324.2	327.0
1.47	1.04	0.62	0.44	0.47	0.43	0.54	Single-family starts (mil)	0.62	0.98	1.56	1.61	1.49
0.34	0.31	0.28	0.11	0.11	0.18	0.25	Multifamily starts (mil)	0.31	0.41	0.46	0.43	0.42
2,724	2,313	1,517	1,971	1,688	1,402	2,037	Mortgage originations (\$ bil)	1,856	1,134	1,213	1,111	1,103
598	823	1,074	1,413	1,537	1,363	1,181	Personal bankruptcies (000)	1,039	922	889	930	1,036
4.7	4.4	1.4	0.2	0.1	0.1	0.1	91-day Treasury bill (%)	0.1	0.1	0.3	2.0	3.1
4.8	4.6	3.7	3.3	3.2	2.8	1.8	10-year Treasury bond (%)	2.4	3.3	4.1	5.0	4.9

STRENGTHS & WEAKNESSES

STRENGTHS

- Very productive workforce.
- Culture that attracts skilled and unskilled immigrants.
- High innovation and entrepreneurship.
- Mobile labor force, flexible labor arrangements.

WEAKNESSES

- Persistently high unemployment.
- Large budget and current account deficits.
- Skewed income and wealth distribution.
- Polarized and fractured political system.

CURRENT EMPLOYMENT TRENDS

% CHANGE YR AGO, 3-MO MA

	Apr 13	Aug 13	Dec 13
Total	1.6	1.8	1.7
Construction	3.4	3.5	3.2
Manufacturing	0.7	0.2	0.8
Trade	1.1	1.9	2.0
Trans/Utilities	1.6	1.2	1.6
Information	0.4	0.2	0.2
Financial Activities	1.2	1.4	0.9
Prof & Business Svcs.	3.4	3.7	3.7
Edu & Health Svcs.	2.0	2.1	1.6
Leisure & Hospitality	3.3	3.6	3.3
Other Services	0.7	0.6	0.5
Government	-0.3	-0.3	-0.2

FORECAST RISKS

SHORT TERM ↓

LONG TERM ↑

UPSIDE

- Collective psyche and animal spirits recover sooner than expected.
- Low inventories of available homes support stronger house price appreciation than expected.

DOWNSIDE

- Heightened policy uncertainty cuts into hiring and investment.
- Higher mortgage interest rates slow housing market recovery more than expected.

ANALYSIS

Recent Performance. Just as the economy appeared to be shifting into higher gear, the data turned mixed. A string of disappointing readings arrived, most notably weak payroll employment gains for December and January. Net job gains averaged around 100,000 per month in this period, less than half the monthly pace over the prior year, sparking concern that the economy may be throttling back or, worse, that the U.S. is facing an extended period of slow growth. These worries are misplaced. Growth is slowing a bit from the inventory-juiced pace of late last year, but the main culprit is winter weather. Measurement issues may also be magnifying weakness in the data.

The economy's fundamentals are strong. Businesses are profitable; household debt loads are low; credit conditions are improving; and banks are well-capitalized. The fiscal health of government at all levels is much improved. Nothing basic has changed in recent months to suggest that growth will remain stuck at this pace for long. Financial turmoil and weaker growth in emerging economies could be a problem, but so far the fallout has been marginal.

Bad weather. The difficult winter is hindering activity. Temperatures during the past three months have been well below normal, and storms have battered the Midwest and Northeast (see Chart 1). California and much of the West have been stricken by an epic drought. Weather effects are evident in the job market and may have reduced payroll growth by more than 50,000 in December as well as January. Weather-related job losses in December were mostly in construction and real estate, industries directly affected by the cold. Building stopped and workers went unpaid, and thus not were counted as employed by the Bureau of Labor Statistics.

A brief span in January saw more typical weather. This also happened to be the week the BLS performed its monthly job count. Construction and real estate workers were back on the job, so reported employment rebounded in these industries.

But weather effects go beyond those unable to work. Many firms reduce hiring when revenues fall because of the weather. Others may have slowed the process of adding staff. These indirect weather effects were evident in retail, warehousing, transportation, and residential care facilities. The large decline in educational services and K-12 school jobs may also be weather-related: Schools may have hired fewer cafeteria workers, janitors, special education teachers, bus drivers, and so on because of the weather.

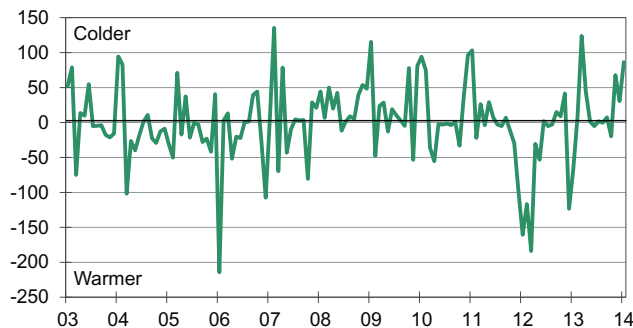
Other workers lost hours because of the weather. These people were still counted as employed, but their incomes fell. Indeed, hours worked per week fell sharply in December and remained depressed in January.

Seasonal distortions. The weak employment gain in January may also be overstated by the BLS seasonal adjustment process. Employment in many industries is seasonal, and patterns are normally captured by seasonal adjustment factors. However, the Great Recession, which was at its worst during the winter of 2008-2009, played havoc with the accounting for seasonality. Millions of workers lost jobs that winter, and statisticians had trouble distinguishing between what was caused by the recession and what was from normal seasonal change. They ascribed too much to seasonality. Job growth data during the winters that followed were thus exaggerated by the seasonal adjustment factors. Naturally, there was some payback in each following spring, as seasonal adjustments wash out over the year. This produced the "spring swoons" of 2010, 2011 and 2012.

(Continued next page)

A Tough Winter

Heating degree days, deviation from prior 5-yr avg



Sources: NOAA, Moody's Analytics

The recession's impact on seasonal adjustments has finally faded. Updates now appear to be overcompensating. Seasonally unadjusted, payroll employment fell by 2.87 million in January, similar to the decline in 2013. Yet the seasonally adjusted employment reported this January showed a gain of only 113,000 jobs, compared with 197,000 in 2013. The seasonal adjustment applied to this January's payroll employment was smaller than those used during the economic expansion of the mid-2000s (see Chart 2). For perspective, if this January's seasonal adjustment had been closer to the average one used between 2003 and 2007, the BLS would have reported a payroll gain last month of 168,000. If the seasonal adjustments are behaving as we think, they will continue to depress reported job growth in February and March but have the opposite effect in April, May and June.

Secular stagnation? Each time growth ebbs, it raises fear that something more fundamental is amiss. Some believe that the economy has long suffered from so-called secular stagnation. They argue that since the late 1980s, periods of strong growth and full employment have occurred only when powered by speculation and asset bubbles. When the bubbles inevitably burst, they send the economy into increasingly severe downturns and periods of high unemployment.

According to this view, the economy achieved full employment in the late 1980s only because of a bubble in commercial real estate, powered by an out-of-control savings and loan industry.

Full employment in the late 1990s grew out of the stock market's technology bubble, and the housing bubble was necessary to achieve full employment in the mid-2000s.

Such pessimism is overdone. Yes, growth in the current recovery has been disappointing, but mostly because of fiscal austerity. The private economy has posted respectable gains, expanding at a 3.3% annualized pace. In 2013, private sector growth was robust at almost 4% (see Chart 3), even as businesses and households were shrinking debt and asset markets remained bubble-free. With fiscal austerity fading, a stronger private economy will become evident.

Bubbles and financial crises have been a fixture of the U.S. economy since its inception. The near-collapse of the financial system in 2008-2009 produced the most severe downturn since the 1930s. However, the Great Recession was due not to inherent weakness in the economy, but rather to policy missteps and idiosyncratic problems that have more or less been addressed. This is not to rule out future financial crises; market euphoria can seduce investors into believing that nothing can go wrong. Mistakes will surely be made.

The secular-stagnation hypothesis will soon be tested. If businesses remain cautious and fail to increase hiring and investment, proponents of that gloomy view will have a case. But if businesses' animal spirits are unleashed by the end of Washington's budget wars, and by growing clarity around reforms of the financial and health-

care systems, the miasma of secular stagnation will lift.

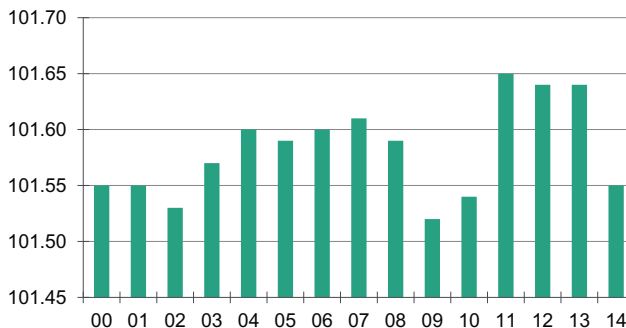
Emerging market threat. The most immediate threat to our outlook is the financial turmoil, weaker growth and political unrest simmering in the emerging world. Part of the problem is that the outsize growth of emerging markets has been fueled by excess credit growth and speculation. Quantitative easing by central banks in the developed world has exacerbated this, as flush global investors piled into emerging market investments.

Moreover, policymakers in developing economies have not been especially adept at addressing these excesses. These stumbles come at a time when an expanding middle class in the developing world demands more economic and political freedom. Some demonstrations have turned violent, causing global investors to grow skittish—yields on emerging market debt have widened considerably relative to Treasuries—weighing further on growth (see Chart 4).

So far, there has been little fallout on the U.S. economy. Exports to emerging economies other than China account for less than 1% of U.S. GDP, and American banks have less than 2% of their assets tied up in exposure to the developing world. Stock prices have slumped because of emerging market jitters, but they are down from record highs. As long as the Chinese are able to roughly meet their growth targets—and they have the resources and will to do so—problems in the developing world will not derail U.S. growth.

Are Seasonal Factors Hiding the Truth?

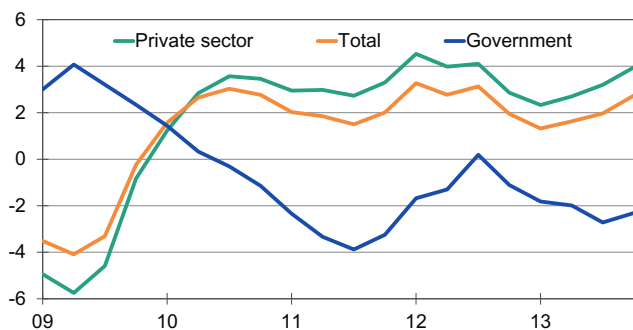
Seasonal adjustment factors for payroll employment in Jan



Sources: BLS, Moody's Analytics

Private Sector Posts Respectable Gains

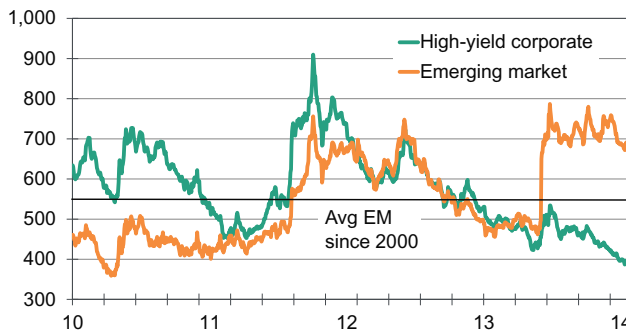
Output, % change yr ago



Sources: BEA, Moody's Analytics

Angst Over Emerging Economies

Spread over 10-yr Treasury yields, bps



Sources: Bloomberg, Treasury, Moody's Analytics

MIDWEST

EMPLOYMENT GROWTH

2012-2014

1.2%

2012-2017

1.3%

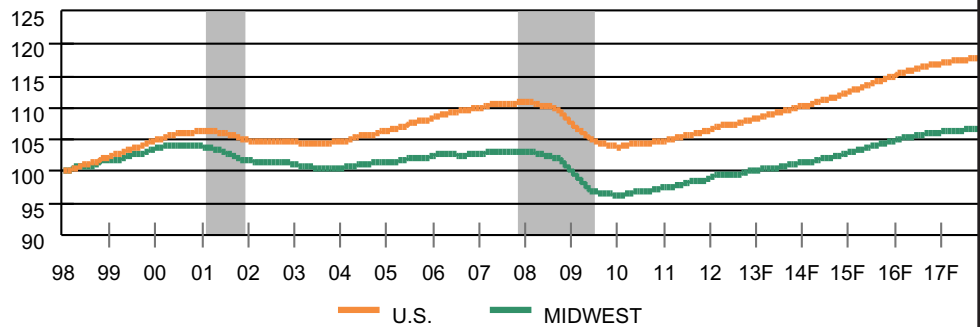
COST OF DOING BUSINESS

98%

MOODY'S RATING

N/A

RELATIVE EMPLOYMENT PERFORMANCE (1998=100)



2006	2007	2008	2009	2010	2011	2012	INDICATORS	2013	2014	2015	2016	2017
2,668.5	2,702.8	2,659.9	2,540.9	2,617.1	2,676.8	2,739.7	Gross regional product (C\$B)	2,793.6	2,876.1	2,983.0	3,056.0	3,099.2
31,622	31,727	31,508	30,000	29,840	30,245	30,704	Total employment (000)	31,051	31,451	32,018	32,559	32,819
0.7	0.3	-0.7	-4.8	-0.5	1.4	1.5	% change	1.1	1.3	1.8	1.7	0.8
5.0	5.1	6.0	9.6	9.4	8.3	7.4	Unemployment rate	7.2	6.2	5.7	5.3	5.0
5.5	4.8	3.7	-2.9	2.2	6.2	4.1	Personal income growth	2.8	4.6	6.4	5.9	4.6
66,029	66,294	66,524	66,748	66,976	67,147	67,321	Population (000)	67,548	67,768	67,987	68,201	68,421
-57.5	-94.6	-122.2	-103.7	-64.9	-86.7	-69.8	Net migration (000)	-13.9	-15.0	-11.3	-11.2	0.7
209,318	153,760	93,225	74,881	75,371	70,524	87,275	Single-family permits	102,489	160,703	262,186	268,743	241,815
70,058	57,975	44,507	25,463	28,145	32,206	45,720	Multifamily permits	58,162	61,288	70,477	70,811	69,997
302.4	303.1	294.3	282.8	272.5	264.2	263.7	House price index (1980Q1=100)	269.8	286.8	301.1	309.2	313.5
380,117	346,537	272,377	377,175	319,222	248,176	306,653	Mortgage originations (\$M)	228,841	141,994	148,556	134,248	139,055
3,354.5	3,250.6	2,801.7	2,228.0	2,381.6	2,667.0	2,938.9	New vehicle registrations (000)	3,128.1	3,253.8	3,458.4	3,115.4	3,044.7
353,245	215,301	268,748	338,395	379,175	345,242	302,553	Personal bankruptcies	277,102	244,665	223,869	224,033	239,514

STRENGTHS & WEAKNESSES

STRENGTHS

- Less income inequality than in other regions.
- Deep pockets of specialized expertise.
- Low business costs, especially for energy.
- High housing affordability.

WEAKNESSES

- Below-average population growth.
- Concentration of mature, slow-growing industries.
- Still-high foreclosure inventories.
- Losing share in headquarters operations.

CURRENT EMPLOYMENT TRENDS

% CHANGE YR AGO, 3-MO MA

	Apr 13	Aug 13	Dec 13
Total	0.9	1.2	1.3
Construction	-2.4	0.2	1.2
Manufacturing	1.6	0.6	1.0
Trade	0.8	1.5	1.5
Trans/Utilities	1.3	1.1	1.9
Information	-1.2	-0.7	-0.4
Financial Activities	1.4	1.4	0.8
Prof & Business Svcs.	1.5	2.4	2.6
Edu & Health Svcs.	1.6	1.5	1.3
Leisure & Hospitality	1.5	2.9	2.2
Other Services	0.4	0.4	0.7
Government	-0.5	-0.2	-0.3

FORECAST RISKS

SHORT TERM ↑

LONG TERM ↑

UPSIDE

- More softening is weather-related and more weather-related weakness is made up.
- Auto sales jump above the previous trend, inventory drag turns out to be smaller.
- Energy sector provides bigger boost.

DOWNSIDE

- Export woes persist, hurting manufacturing and downstream industries.
- Weaker farm sector delivers bigger blow to Plains states.

Recent Performance. The Midwest has taken a turn for the worse, as disruptions caused by an unusually severe winter reinforce slowing early in 2014. An abrupt weakening in manufacturing suggests that weather disruptions are interacting with pre-existing plans to trim inventories, especially in the auto sector. Housing is also proving vulnerable to the harsh weather, with new-home sales and starts down sharply in January.

Consumer. Most lost output from weather delays should be made up quickly, but some will not be recoverable. More costly energy consumption is taking a bite out of consumers' discretionary budgets at a time when fundamentals are not as strong as elsewhere. To be sure, income is rising at a healthy pace, and the region's lower jobless rate suggests it will be hurt less by expiring federal emergency unemployment benefits. However, the benefit from higher stock prices is not as pronounced because households receive a lower than average share of their income from dividends, interest and rents. Real estate wealth is also climbing more slowly, with below-average house price gains in every Midwest state. The net result is a more gradual upturn in consumer debt and slower improvement in balance sheets, with the Midwest no longer sporting the lowest delinquency rate among regions.

Demographics. A longer-term driver of consumer spending looks more favorable for the Midwest, which was the only region to record improved population growth last year. The pace quickened by almost 0.1 percentage point, even though after rounding it was unchanged at 0.3%. Within the region, the pickup in growth was similar for the Plains and Great Lakes states, but it was more impressive in the latter given a lower starting point. Population gains in the Great Lakes states nearly doubled to 0.2%, the fastest since 2007. The improvement is consistent with the comprehensive

count of payrolls from the Bureau of Labor Statistics that suggests that job gains during the period were stronger than previously believed. Indiana put more distance between itself and Wisconsin, the second fastest in the census division, while Illinois fell to last place for the first time since the 1980s as the state's debt problems started to take a toll.

Manufacturing. Manufacturing will contribute less to growth even after the weather releases its hold on activity. Exports of manufactured goods remain soft, and improvement will be slow to develop given the turmoil in emerging economies. Weak demand for mining equipment is holding back industrial machinery, which plays an above-average role in all Midwest states except for Michigan and has not contributed to job gains since mid-2012. A turn in the inventory cycle is another headwind, as firms were already planning to trim output before weather-related weakening in sales bloated stockpiles further. Automakers are ramping up incentive spending to help bolster sales and in some cases are planning significant production downtime. Even if sales improve and the excess is cleared, upside is limited as automakers turn more cautious on investment and hiring.

The extreme winter weather is responsible for a downgrade to the near-term outlook for the Midwest. The slowing should be temporary, and more net new jobs are expected to be added this year than last as easing fiscal drags give the private sector more room to push the economy forward. Low living costs and more mid-wage job creation have increased the Midwest's appeal, and the region's low energy costs and deep pockets of specialized expertise position it well should manufacturing flow back to the country. However, weak demographics limit the potential for service industries, and the region will underperform over the longer term.

Aaron D. Smith
February 2014

DETROIT

EMPLOYMENT GROWTH RANK

2012-2014
337
5th quintile

2012-2017
355
5th quintile

Best=1, Worst=392

LIFE CYCLE PHASE

Mature/Decline

VITALITY

RELATIVE
58%

RANK
381

U.S.=100%

Best=1, Worst=384

RISK EXPOSURE

2013-2018

91
2nd quintile

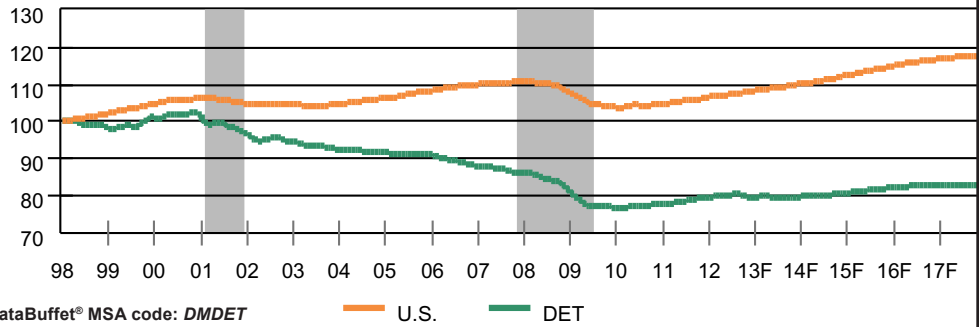
Highest=1, Lowest=384

RELATIVE COSTS U.S.=100%

LIVING
84%

BUSINESS
95%

RELATIVE EMPLOYMENT PERFORMANCE (1998=100)



DataBuffet® MSA code: **DMDET**

— U.S. — DET

2006	2007	2008	2009	2010	2011	2012
67.6	66.9	62.3	55.0	57.9	59.9	61.1
-3.4	-1.1	-6.9	-11.7	5.4	3.4	2.0
801.2	781.5	756.8	697.7	692.9	705.0	716.5
-2.1	-2.5	-3.2	-7.8	-0.7	1.7	1.6
8.4	8.6	9.9	16.1	14.8	12.6	11.6
1.5	1.9	-0.2	-4.4	1.1	5.3	2.1
1,932.5	1,901.0	1,865.1	1,837.5	1,815.3	1,801.4	1,792.2
2,056	919	524	264	470	476	672
378	176	371	24	265	229	185
108.9	102.0	81.7	61.3	45.3	33.2	39.7
8,843	6,390	3,358	3,263	2,907	2,727	4,418
-43.6	-39.9	-44.1	-34.7	-28.8	-20.5	-14.5
10,532	12,808	14,110	16,859	15,858	13,848	12,477

INDICATORS

	2013	2014	2015	2016	2017
Gross metro product (C\$B)	61.2	63.0	65.7	67.3	68.0
% change	0.2	2.8	4.4	2.4	1.0
Total employment (ths)	713.7	718.8	730.8	740.8	742.5
% change	-0.4	0.7	1.7	1.4	0.2
Unemployment rate	10.8	9.1	8.3	7.5	6.7
Personal income growth	-0.0	4.0	6.2	5.3	3.4
Population (ths)	1,783.2	1,773.3	1,762.4	1,751.7	1,742.6
Single-family permits	856	846	1,740	2,013	1,776
Multifamily permits	206	377	623	756	785
Existing-home price (\$ ths)	46.0	47.3	48.8	50.4	52.5
Mortgage originations (\$ mil)	3,568	2,507	2,568	2,149	2,088
Net migration (ths)	-14.0	-14.8	-15.7	-15.3	-13.5
Personal bankruptcies	10,835	9,641	9,152	9,414	10,125

STRENGTHS & WEAKNESSES

STRENGTHS

- Concentration of auto industry headquarters, production, and research and development.
- High housing affordability.
- Well-positioned for growth in green and advanced manufacturing.

WEAKNESSES

- Poor perceived quality of life, including high crime rate and eroding infrastructure.
- Challenging fiscal situation in the city.

CURRENT EMPLOYMENT TRENDS

% CHANGE YR AGO, 3-MO MA

	Apr 13	Aug 13	Dec 13
Total	0.1	-1.1	-0.2
Construction	-11.5	-5.8	-2.7
Manufacturing	4.3	-0.7	2.2
Trade	1.3	0.6	-0.7
Trans/Utilities	0.9	1.8	2.7
Information	-3.0	-1.6	0.4
Financial Activities	1.0	-5.0	-3.5
Prof & Business Svcs.	2.0	2.1	4.5
Edu & Health Svcs.	1.6	-1.6	-2.4
Leisure & Hospitality	-4.9	-1.3	-0.3
Other Services	-2.3	-7.0	-4.1
Government	-2.5	-3.6	-3.2

FORECAST RISKS

SHORT TERM

LONG TERM

UPSIDE

- Midtown investments bring in more residents and corporate expansions.
- Growth as an international transportation hub spurs more expansions.

DOWNSIDE

- City struggles to emerge from bankruptcy; public safety and services decline further.
- Urban redevelopment efforts fail to rebuild city's tax and population base.

ANALYSIS

Recent Performance. Detroit's recovery is temporarily on hold. Private sector payrolls were flat in 2013, and government layoffs continued apace. Consumer demand is being constrained by the slack labor growth and meager income gains, and took another blow with the expiration of unemployment benefits and cutbacks to food stamps early this year. Housing has stalled out, with the number of sales down more than 10% and homebuilding stuck near post-recession lows.

There is reason to believe 2014 will be better. The unemployment rate fell below 10% in December for the first time since 2008. Household employment growth has accelerated, indicating more residents are finding work outside Wayne County. The labor force is stable, and out-migration has slowed to a trickle. The recovery just needs a nudge to get rolling again.

Manufacturing. Despite a rough start to the year, manufacturing remains DET's leading growth engine, and the near-term outlook calls for renewed expansion. Disappointing auto sales and disruptive weather have wreaked havoc with southeast Michigan's manufacturers. The regional ISM index, which was above 60 at the start of the fourth quarter, has fallen sharply to just above 50, the cutoff between expansion and contraction. However, the slowdown will prove temporary, as fundamentals of vehicle demand are unchanged. Sales of cars and light trucks are expected to rebound quickly as the weather improves and construction season begins.

Longer term, the area's draw as an advanced manufacturing hub will be further enhanced by the opening of a federal lightweight metals research and manufacturing hub, which could begin operation by the summer. The \$148 million facility will have few full-time staff but will spur innovation among its increasing list of partner companies, as well as attract investment to the area.

Government. The City of Detroit has turned a corner, bringing the outcome of its bankruptcy into focus. Despite a series of challenges, the city has made rapid progress in restructuring its finances. Funding has been secured for a first wave of reforms aimed at improving public safety and efficiency. The city is poised to make major investments in personnel and capital to make it a more attractive place to live, work and invest, including hiring 300 police, EMTs and transportation workers, and a \$148 million IT upgrade. The effort should breathe some life into the city's abysmal property values, as well as reverse some of the damage to local government payrolls.

Construction. The revitalization of the city's urban core continues to gain momentum, driving increased demand for commercial building and renovation in the near term. Wayne County benefited from nearly \$600 million in private construction and development projects in 2013, and that figure is expected to increase significantly this year. On the residential side, several buildings are undergoing multimillion-dollar refurbishments, including the Strathmore in midtown. Meridian Health Plan is planning to build a \$111 million office tower in the central business district. Between these two projects is the new \$650 million Red Wings stadium complex, which by itself is expected to create more than 5,000 construction jobs. The proliferation of jobs and amenities will attract additional development in the near term.

Detroit will emerge from bankruptcy stronger than it entered but will still be saddled with considerable burdens. Drawing businesses and residents back to the urban core is necessary but will not be sufficient to ensure long-term viability. Persistent population declines, high crime rates, and widespread blight mean that DET will struggle to maintain viability for years to come.

Brian Kessler
February 2014

EMPLOYMENT & INDUSTRY

TOP EMPLOYERS

Ford Motor Co.	34,119
Detroit Medical Center	12,398
Henry Ford Health System	12,109
Oakwood Healthcare Inc.	6,167
Quicken Loans/Rock Financial Inc.	5,984
Wayne State University	5,924
General Motors Corp.	5,172
Blue Cross Blue Shield of Michigan	5,172
DTE Energy Co.	5,005
Chrysler Group L.L.C.	4,042
St. John Providence Health System	3,863
Johnson Controls Inc.	2,800
MGM Grand Detroit LLC	2,598
Comerica Bank	2,506
U.S. Steel	2,190
MotorCity Casino-Hotel	2,124
Compuware Corp.	1,918
Severstal Dearborn LLC	1,800
AutoAlliance International Inc.	1,763
AAA Michigan	1,752

Sources: Crain's Detroit Business, Book of Lists 2013

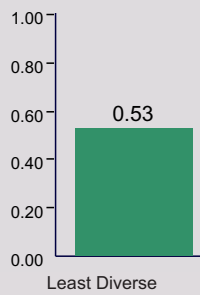
PUBLIC

Federal	14,584
State	16,837
Local	60,788

2012

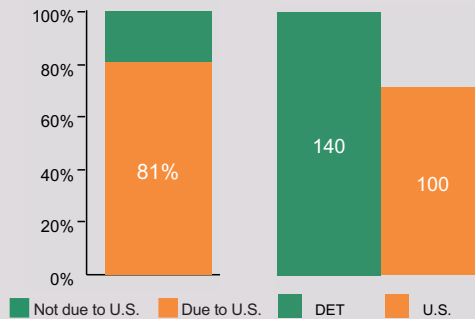
INDUSTRIAL DIVERSITY

Most Diverse (U.S.)



EMPLOYMENT VOLATILITY

Due to U.S. fluctuations Relative to U.S.



MIGRATION FLOWS

INTO DETROIT, MI

NUMBER OF MIGRANTS

Warren, MI	20,940
Ann Arbor, MI	3,856
Monroe, MI	1,465
Chicago, IL	533
Lansing, MI	500
Atlanta, GA	481
Flint, MI	410
Phoenix, AZ	387
Toledo, OH	378
New York, NY	308
Total In-migration	42,837

FROM DETROIT, MI

Warren, MI	33,274
Ann Arbor, MI	4,100
Monroe, MI	1,707
Atlanta, GA	938
Chicago, IL	874
Phoenix, AZ	676
Lansing, MI	556
Houston, TX	524
Dallas, TX	476
Flint, MI	452
Total Out-migration	65,665

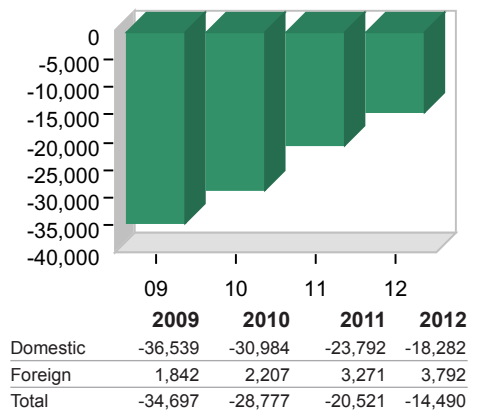
Net Migration **-22,828**

COMPARATIVE EMPLOYMENT AND INCOME

Sector	% of Total Employment			Average Annual Earnings		
	DET	MI	U.S.	DET	MI	U.S.
Mining	0.1%	0.2%	0.6%	\$66,025	\$64,399	\$121,241
Construction	2.5%	3.2%	4.2%	\$62,037	\$48,299	\$55,288
Manufacturing	11.0%	13.3%	8.9%	\$93,455	\$77,629	\$75,242
Durable	83.1%	75.4%	62.6%	nd	\$80,683	\$76,882
Nondurable	16.9%	24.6%	37.4%	nd	\$68,763	\$72,564
Transportation/Utilities	5.4%	3.0%	3.7%	\$74,725	\$66,269	\$63,045
Wholesale Trade	4.1%	3.9%	4.2%	\$86,053	\$78,013	\$77,359
Retail Trade	9.6%	11.2%	11.1%	\$29,730	\$29,306	\$31,495
Information	1.0%	1.3%	2.0%	\$78,678	\$64,875	\$93,099
Financial Activities	4.5%	4.9%	5.8%	\$38,917	\$33,313	\$47,540
Prof. and Bus. Services	16.5%	14.3%	13.4%	\$70,929	\$56,271	\$61,311
Educ. and Health Services	18.0%	15.7%	15.4%	\$47,538	\$47,332	\$50,524
Leisure and Hosp. Services	10.3%	9.6%	10.3%	\$29,215	\$19,215	\$23,812
Other Services	4.2%	4.2%	4.0%	\$33,673	\$29,497	\$33,224
Government	12.9%	15.2%	16.3%	\$73,309	\$65,224	\$70,342

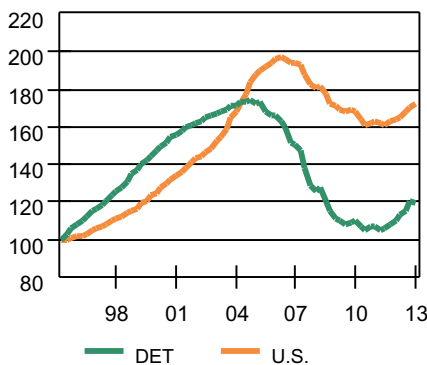
Sources: Percent of total employment — Moody's Analytics & BLS, 2012; Average annual earnings — BEA, 2011

NET MIGRATION, DET



Sources: IRS (top), 2010; Census Bureau, 2012

HOUSE PRICES



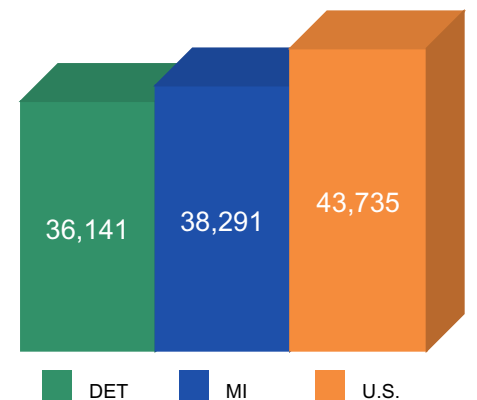
Source: FHFA, 1996Q1=100, NSA

LEADING INDUSTRIES

NAICS INDUSTRY	EMPLOYEES (000)
GVSL State & Local Government	77.6
6221 General medical and surgical hospitals	48.6
7225 Restaurants and other eating places	45.4
5613 Employment services	22.5
3363 Motor vehicle parts manufacturing	21.1
5511 Management of companies and enterprises	20.5
3361 Motor vehicle manufacturing	15.6
GVF Federal Government	14.6
5413 Architectural, engineering, and related services	12.1
7211 Traveler accommodation	11.8
6211 Offices of physicians	11.5
5417 Scientific research and development services	11.0
4811 Scheduled air transportation	10.6
4451 Grocery stores	9.6
6231 Nursing care facilities (skilled nursing facilities)	8.6
High-tech employment	26.7
As % of total employment	3.7

Sources: BLS, Moody's Analytics, 2012

PER CAPITA INCOME



Source: Bureau of Economic Analysis, 2012

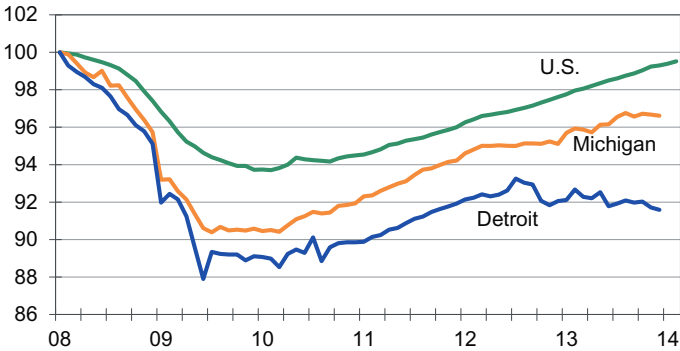
MOODY'S RATING

Caa3

COUNTY
AS OF JUN 17, 2013

Detroit Recovery Heading South

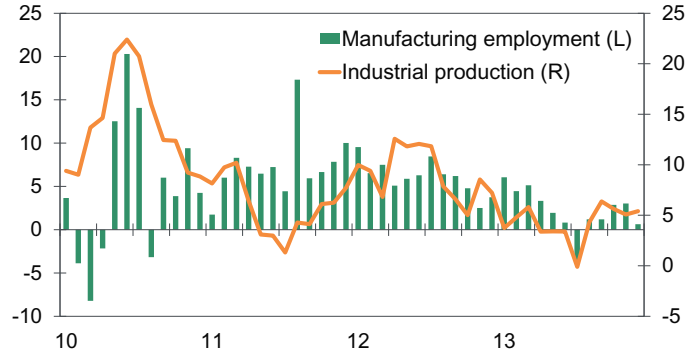
Employment, Jan 2008=100



Sources: BLS, Moody's Analytics

Manufacturing No Longer a Sufficient Driver

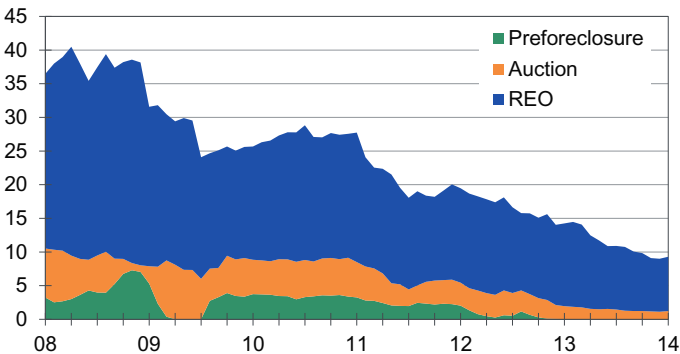
% change yr ago



Sources: BLS, Moody's Analytics

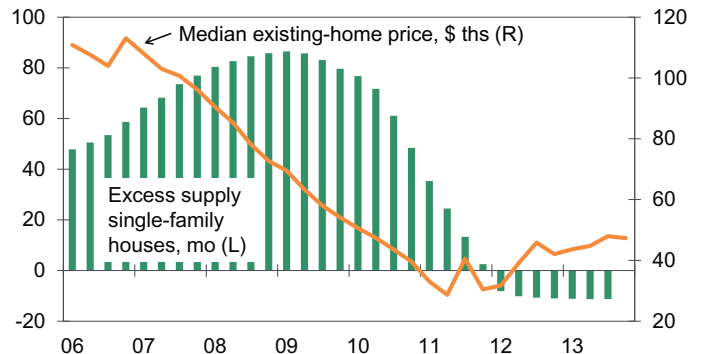
Foreclosure Crisis Has Finally Subsided...

Foreclosure inventory, # of homes, ths



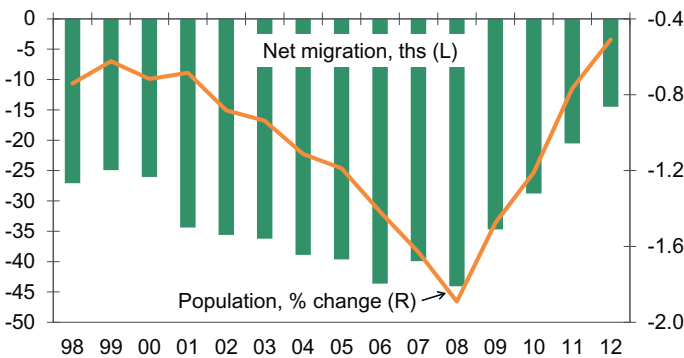
Sources: RealtyTrac, Moody's Analytics

...But Housing Market Still Lacks Momentum



Sources: NAR, Moody's Analytics

Out-Migration Is Declining Sharply...

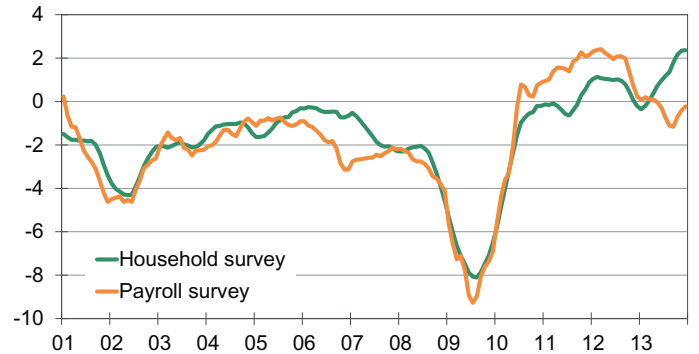


Sources: Census Bureau, Moody's Analytics

Lack of job prospects and high crime rates have resulted in persistent out-migration, draining the city of its base of middle-class workers, consumers and taxpayers. Though still negative, population trends are the strongest they have been since the mid-1990s. The city's core revitalization project is part of the solution but will not be sufficient. The downtown and midtown neighborhoods represent just a fraction of the city. Blight reduction and public safety improvements, including basics such as restoring streetlights, will be key to convincing people to live in the rest of the city.

...And Commuting for Work Is Rising

Employment, % change yr ago



Sources: BLS, Moody's Analytics

The other key ingredient to extending the recovery to all of DET is jobs. Here, the area benefits from its proximity to the more prosperous Oakland, Macomb and Washtenaw counties. As more DET residents commute to the suburbs for work, the availability of public transportation will play a key role in maximizing the number of lower-income residents that can take advantage of neighboring job markets. The city is investing some of its scant resources to expand service and improve the safety of city buses.

Detroit Institute of Arts (5200 Woodward Avenue) Detroit, MI

As additional supporting documentation for the previously presented information, the following items are retained in our files: 1.) a User’s Guide related to the previously presented statistical and economic information; 2.) a Five-Year Forecasted Employment Growth Rankings for all MSAs within the U.S.; 3.) the Forecast Assumptions related to projections presented on the preceding pages; 4.) Employment Growth Rankings for all MSAs within the U.S.; 5.) Population Growth Rankings for all MSAs within the U.S.; 6.) Absolute Change in Employment & Population projections for all MSAs within the U.S.; 7.) Risk-Adjusted Return for each MSA within the U.S.

Key Comparisons and Projections

The following information is taken from the previously presented economic and statistical data provided by Economy.com as of February 2014. Detroit, MI is in Wayne County, IL which is part of the Detroit, MI MSA as determined by Economy.com.

UNITED STATES	MIDWEST	DETROIT
<i>Total Employment</i>		
136,400,000	31,051,000	713,700
<i>Employment Change %</i>		
1.7	1.1	-0.4
<i>Unemployment Rate %</i>		
7.3	7.2	10.8
<i>Personal Income Growth</i>		
2.8	2.8	-0.0
<i>Strengths</i>		
<ul style="list-style-type: none"> • Very productive workforce. • Culture that attracts skilled and unskilled immigrants. • High innovation and entrepreneurship. • Mobile labor force, flexible labor arrangements. 	<ul style="list-style-type: none"> • Less income inequality than in other regions. • Deep pockets of specialized expertise. • Low business costs, especially for energy. • High housing affordability. 	<ul style="list-style-type: none"> • Concentration of auto industry headquarters, production and research and development. • High housing affordability. • Well-positioned for growth in green and advanced manufacturing.
<i>Weaknesses</i>		
<ul style="list-style-type: none"> • Persistently high unemployment. • Large budget and current account deficits. • Skewed income and wealth distribution. • Polarized and fractured political system. 	<ul style="list-style-type: none"> • Below-average population growth. • Concentration of mature, slow-growing industries. • Still high foreclosure inventories. • Losing share in headquarters operations. 	<ul style="list-style-type: none"> • Poor perceived quality of life, including high crime rate and eroding infrastructure. • Challenging fiscal situation in the city.

National Outlook

“The most immediate threat to our outlook is the financial turmoil, weaker growth and political unrest simmering in the emerging world. Part of the problem is that the outside growth of emerging markets has been fueled by excess credit growth and speculation. Quantitative easing by central banks in the developed world has exacerbated this as flush global investors piled into emerging market investments.

Moreover, policymakers in developing economies have not been especially adept at addressing these excesses. These stumbles come at a time when an expanding middle class in the developing world demands more economic and political freedom. Some demonstrations have turned violent, causing global investors to grow skittish—yields on emerging market debt have widened considerably relative to Treasuries—weighing further on growth.

So far, there has been little fallout on the U.S. economy. Exports to emerging economies other than China account for less than 1% of U.S. GDP, and American banks have less than 2% of their assets tied up in exposure to the developing world. Stock prices have slumped because of emerging market jitters, but they are down from record highs. As long as the Chinese are able to roughly meet their growth targets—and they have the resources and will to do so—problems in the developing world will not detail U.S. growth.” (*Precis: Metro February 2014 Economy.com*)

Midwest Region Outlook

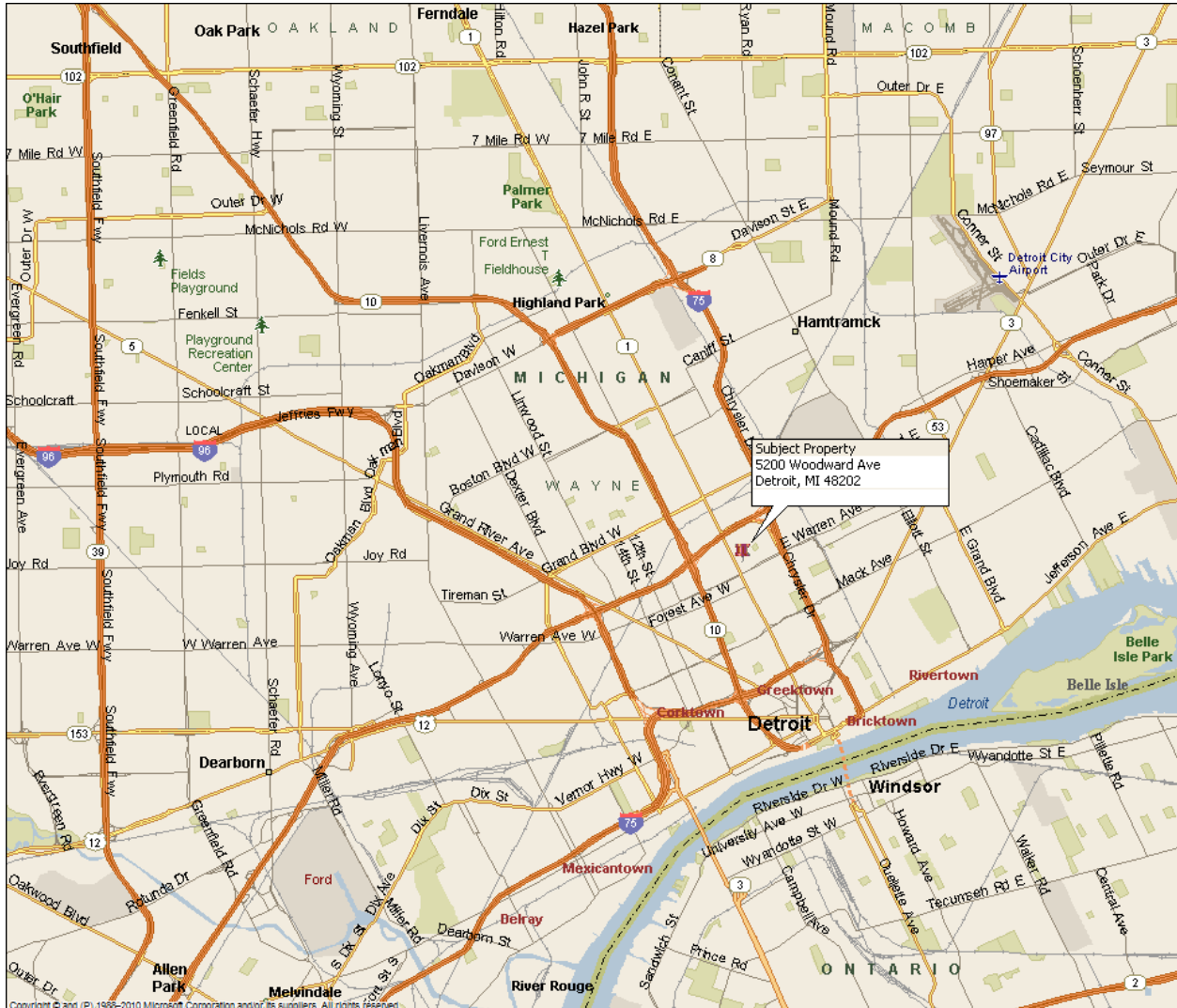
“The extreme winter weather is responsible for a downgrade to the near-term outlook for the Midwest. The slowing should be temporary, and more net new jobs are expected to be added this year than last as easing fiscal drags give the private sector more room to push the economy forward. Low living costs and more mid-wage job created have increased the Midwest’s appeal, and the region’s low energy costs and deep pockets of specialized expertise position it well, should manufacturing flow back to the country. However, weak demographics limit the potential for service industries, and the region will underperform over the longer term.” (*Precis: Metro February 2014 Economy.com*)

Local Area Outlook

“The revitalization of the city’s urban core continues to gain momentum, driving increased demand for commercial building and renovation in the near term. Wayne County benefited from nearly \$600 million in private construction and development projects in 2013, and that figure is expected to increase significantly this year. On the residential side, several buildings are undergoing multimillion-dollar refurbishments, including the Strathmore in midtown. Meridian Health Plan is planning to build a \$111 million office tower in the central business district. Between these two projects is the new \$650 million Red Wings stadium complex, which by itself is expected to create more than 5,000 construction jobs. The proliferation of jobs and amenities will attract additional development in the near term.

Detroit will emerge from bankruptcy stronger than it entered but will still be saddled with considerable burdens. Drawing businesses and residents back to the urban core is necessary but will not be sufficient to ensure long-term viability. Persistent population declines, high crime rates, and widespread blight mean that DET will struggle to maintain viability for years to come.” (*Precis: Metro February 2014 Economy.com*)

LOCAL AREA MAP/ANALYSIS



Introduction/Location

The subject property is located at 5200 Woodward Avenue within the city limits of Detroit, Wayne County, Michigan and in the Midtown Detroit area located to the north of the central business district (CBD). The local area boundaries include the Edsel Ford Freeway (I-94) on the north, the Chrysler Freeway (I-75) on the east, the Fisher Freeway (I-75) on the south, and the Lodge Freeway (M-10) on the west. The following comments are sourced from a variety of publications viewed on line including Wikipedia, Midtown Detroit, Inc., and news articles.

Midtown Detroit is a mixed-use area containing a business district, cultural center, university, medical center, and residential neighborhoods located along the east and west side of Woodward Avenue between downtown Detroit and the New Center area. Successive waves of development have transformed the area since it was first platted. The neighborhood is dominated by the thoroughfare of Woodward Avenue, which runs north and south through the heart of Midtown.

Detroit Institute of Arts (5200 Woodward Avenue) Detroit, MI

The subject property is located along the east side of Woodward Avenue between Kirby Street and Farnsworth Street. The area is fully developed with primarily institutional uses that include Wayne State University with over 200 acres of land area. In addition, the subject property, the Detroit Public Library, and several other museums or institutions occupy large land sites. The Detroit Medical Center (DMC) occupies a large land area along John R Street to the southeast of the subject with the VA Hospital, Harper Hospital, and Hutzel Women's Hospital totaling over 2,000 beds. The remainder of the area includes support commercial uses and residential uses.

Population and Households

The following table presents a demographic summary within a 1-mile, 3-mile and 5-mile radii of the subject. The area has moderate population density and household income that is below the median for the City of Detroit.

DEMOGRAPHIC SUMMARY				
	1-Mile Radius	3-Mile Radius	5-Mile Radius	Detroit
2014 Population Estimate	16,848	116,761	290,725	678,376
2019 Population Estimate	16,711	113,195	277,761	644,165
Annual Growth Rate 2010 to 2014	-1.32%	-3.38%	-4.58%	-4.96%
Projected Growth 2014 to 2019	-0.81%	-3.05%	-4.46%	-5.04%
Estimate of Households 2014	8,612	51,348	114,385	259,093
2014 Median HH Income	\$14,999	\$18,933	\$20,870	\$25,035

Source: Claritas SiteReports

Access

The local area access to the regional transportation linkages is rated good with direct connects to I-94, I-75, I-96, or Freeway M-10 by Woodward Avenue, Warren Avenue, and a number of primary corridors. The area also has access to the network of rail lines that pass through Detroit and its suburbs. Detroit Metro Airport provides domestic and international passenger air service. This airport is approximately 30 miles southwest of the subject off I-94.

The Michigan Department of Transportation has been hosting public hearings with the City of Detroit Department of Public Works about their respective operating license agreements for the M-1 RAIL Streetcar System. The Operating License Agreements include the licenses and general terms and conditions for the M-1 RAIL Streetcar System to operate in the public roadway.

Once complete, the streetcar line will run 3.3 miles along Woodward Avenue from Grand Boulevard in New Center to Congress Street in downtown Detroit. The federal government signed off on the \$140 million M-1 Rail project in April. Transportation Secretary Ray LaHood in January announced \$25 million in federal funding for the transit project, which will have 11 stops and cost \$1.50 per ride. Fifteen private donors led by Penske Chairman Roger Penske, Quicken Chairman Dan Gilbert and M-1 CEO Matt Cullen contributed \$100 million to the project.

Development Characteristics

The subject is located in Midtown Detroit, a neighborhood to the north of downtown Detroit. The local area boundaries include Route I-94 on the north, Route I-75 on the east and south, and Route 10 on the west. Woodward Avenue, running north and south through the center of the neighborhood, is primarily improved with commercial businesses, public-oriented/cultural institutions, or religious buildings. The Detroit Public Library and the Detroit Institute of Arts are the heart of the cultural center with both located directly on Woodward Avenue in the northern part of Midtown.

Detroit Institute of Arts (5200 Woodward Avenue) Detroit, MI

The north part of Midtown west of Woodward Avenue is dominated by Wayne State University, whose campus subsumes nearly the entire northwest portion of Midtown north of Warren Avenue and West of Woodward. Wayne State University's campus covers 203 acres in the northwestern section of Midtown. The university's campus is irregular, with portions extending south of Warren Avenue (notably Old Main) and north of Chrysler Freeway (I-94), out of Midtown and into the New Center neighborhood.

The Cultural Center Historic District is formed by the Detroit Public Library, the Detroit Institute of Arts, and the Horace H. Rackham Education Memorial Building. The district also contains several cultural attractions. The library and art museum were built in the 1920s, heralding a *City Beautiful* movement in Detroit that aimed to establish the area along Woodward as the cultural center of the city. Wayne State University, then housed in the former Central High School, began offering four-year degrees. These institutions formed a core area that attracted other public-oriented institutions to the area, including several music schools, the Merrill-Palmer Institute, the Detroit Historical Museum, and the College for Creative Studies. The Charles H. Wright Museum of African American History, the Detroit Science Center, and the Museum of Contemporary Art Detroit also are located in the Art Center area. The Art Center portion of Midtown also contains substantial residential areas, including the East Ferry Avenue Historic District and scattered late-19th century homes to the east of the Detroit Institute of Arts. These neighborhoods have been infilled with townhomes and other residential developments.

There are also a number of commercial buildings, particularly along the Cass Corridor just west of Woodward. Many of these support commercial businesses, and an independent retail study by the University Cultural Center Association has shown that the number of independent retail outlets in Midtown, Detroit is increasing. The north Cass section also has a smattering of industrial buildings dating from the automotive heyday of Detroit. Many of these, such as the Willys Overland building, have been or are being converted into residential loft space.

Detroit Medical Center

The Detroit Medical Center (DMC) was organized in 1985 as a union among several hospitals: Harper University Hospital, Grace Hospital, Hutzel Women's Hospital, and Children's Hospital of Michigan. With the addition of other hospitals, such as Detroit Receiving Hospital, the campus of the DMC and its adjacent partner institutions (the Karmanos Cancer Institute and the John D. Dingell Veteran's Administration Hospital Center) now takes up most of the area between Mack Avenue on the south, Warren Avenue on the north, John R. on the west, and Beaubien on the east. Harper Hospital was founded in 1863, receiving its first patients, Civil War soldiers, in 1864. Two years later it opened as a general hospital. In 1882 a new hospital building was constructed on what is now the campus of the DMC. Additional buildings were constructed in 1913 and 1928. Hutzel Women's Hospital, founded in 1868, was Detroit's second hospital. Grace Hospital was founded in 1883, and Children's Hospital was founded three years later. Detroit Receiving was founded in 1915, and moved to its present location in 1980.

As of 2009, The DMC has more than 2,000 licensed beds and 3,000 affiliated physicians. The DMC is the affiliated clinical research site for medical program at Wayne State University, the nation's fourth largest medical school. It is the largest private employer in the city of Detroit with more than 12,000 employees. On March 19, 2010, Vanguard Health Systems announced plans to invest nearly \$1.5 billion in the Detroit Medical Center, including \$850 million for expansion and renovation, and \$417 million to retire debts, pending approval of its acquisition. In 2010, Henry Ford Health System in the New Center also announced a \$500 million expansion in Detroit with plans for a biomedical research center.

Recent development activity in Midtown includes the \$28 million renovation and conversion of the Strathmore Hotel located at 70 W. Alexandrine Street to retail and apartment use. The project includes

Detroit Institute of Arts (5200 Woodward Avenue) Detroit, MI

\$3.5 million in government subsidies and the \$12.3 million renovation and re-opening in August 2013 of The Garden Theater at 3919 Woodward Avenue.

We note the announcement of a new mixed-use project approved by the city council to include a 10,000 seat arena for the Red Wings hockey team at a cost of \$650 million funded with \$367 million in private and \$283 million in public funds. We also note a proposed five-story, 75,000 square foot, retail and office mixed-use project at 3439 Woodward Avenue that will cost \$30 million.

A Cleveland developer plans to build a five-floor building near the 3800 block of Woodward, replacing the office tower there that has a neon hammer coming down on a nail. That \$60 million project will add 150,000 square feet of commercial space and some 600 parking space.

Wayne State University is building a 200,000-square-foot Multidisciplinary Biomedical Research Building at 6187 Woodward Avenue just to the north of I-94 in the New Center district. The \$93 million project is the university's largest-ever construction project.

Market Trends

Our research in the Detroit regional market and review of third party data reports indicates positive absorption of available space in the office, retail, and industrial sectors. The table below summarizes inventory, vacancy, and rental rate trends for the three sectors in the Detroit regional market for data aggregated by CoStar Group. Each sector has had an improvement in vacancy rate over the past three years. The industrial sector has had a 1.14 percent reduction in inventory and the office and retail sectors have had minor increases in inventory. Rental rates have been stable to slightly lower for the three real estate sectors,

REAL ESTATE INVENTORY, VACANCY AND RENTAL RATE TRENDS						
Sector	Inventory		Vacancy		Avg. Asking Rent	
	2010	Q1 2014	2010	Q1 2014	2010	Q1 2014
Industrial	559,628,563	553,278,785	13.80%	9.00%	\$4.53	\$4.63
Office	196,391,267	196,486,813	19.20%	16.80%	\$18.74	\$17.47
Retail	239,076,038	240,278,099	10.50%	9.30%	\$12.04	\$11.87

Review of sale transactions as aggregated by CoStar Group reveals that over the past five-year period, the average sale price for the industrial sector in the region is \$35 per square foot, the average sale price for the office sector in the region is near \$55 per square foot, and the average sale price for the retail sector in the region is near \$80 per square foot.

Comparatively, for the City of Detroit, the average sale price for the industrial sector in the region is near \$3.00 per square foot, the average sale price for the office sector in the region is near \$25 per square foot, and the average sale price for the retail sector in the region is near \$30 per square foot.

Detroit Institute of Arts (5200 Woodward Avenue) Detroit, MI

Detroit Institute of Arts

The subject property is a museum design for long term display and preservation of artworks and is not a property type that is leased or acquired for investment purposes. We note that as a going concern the Detroit Institute of Arts had been losing money when charging admission with a \$7.3 million operating loss in 2011 and a \$7.7 million operating loss in 2012.

The Detroit Institute of Arts stopped charging admission after a millage was approved in August 2012 for Wayne, Macomb, and Oakland Counties. The museum will receive approximately \$23 million in annual funding through property taxes. The millage charge is currently 0.20 or \$20 for a property with an assessed value of \$100,000 and will last 10 years.

Adjacent Land Uses/Users

The properties adjacent to the Detroit Institute of Arts are mostly institutional in use and zoned Public Center, Planned Development, or residential. To the north of the subject is the Park Shelton mixed-use building, a historic residence that has been converted to a cultural center, and a Wayne State University building. To the west of the subject property are the Detroit Public Library, Detroit Historical Museum, and Wayne State Administrative building. To the south of the subject property is the Horace Racham Memorial Building and a church and to the east of the subject property is the Michigan Science Center and University Prep Middle School and the College for Creative Studies.

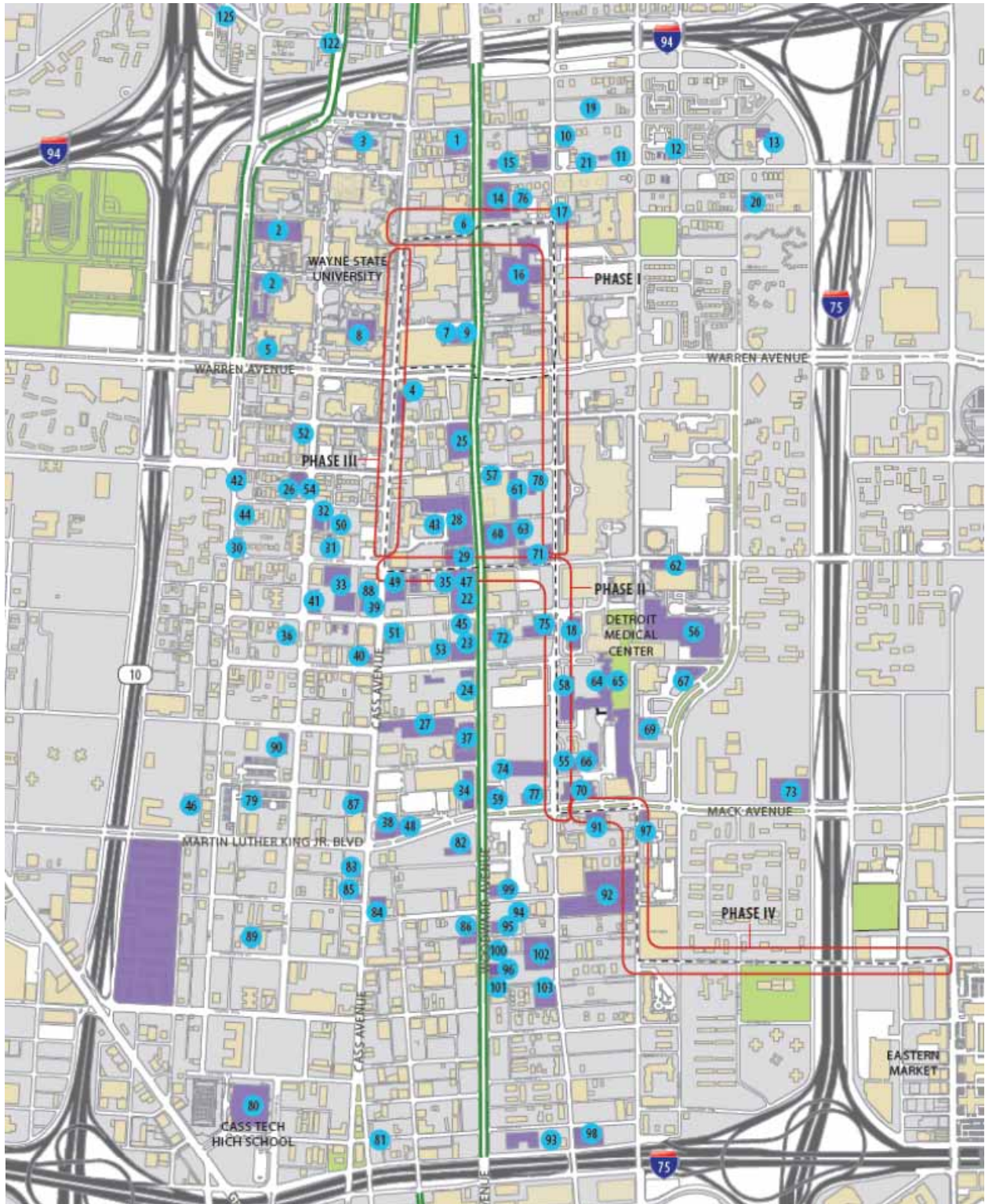
Summary and Conclusion

The subject property is located in the Midtown area of Detroit, MI just to the north of the Detroit central business district. The immediate area is fully developed and has predominantly institutional land uses. The local area has good access to highways and linkage to the surrounding metropolitan area. All utilities are in use and/or available and support commercial uses are in proximity. We expect no change in land use in the immediate area in the near term.

Negative population and household formation trends are forecast over the next five years and the median household income for the local area is well below the Detroit and national average. While real estate property trends are stable to improving with noted development occurring in the local area, government subsidies are necessary to initiate projects and improve feasibility. Overall, the local area characteristics, without government assistance, do not support the existing institutional use.

Detroit Institute of Arts (5200 Woodward Avenue) Detroit, MI

Midtown Detroit Map



PROPERTY DESCRIPTION

The property details included in this section are based on information obtained from the Wayne County Assessor online records, our site inspection, and information received from the property representative including a plat of survey, floor plans, and interview of the Engineering Manager, Cedric Alexander. In instances where the information differed from the assessor's records, the primary information was typically deemed more reliable. Illustrative exhibits are included in the *Addenda* of this report.

Site Description

General

The subject property is comprised of eight non-contiguous parcels that total 14.05-acres or 612,209 square feet. The eight parcels are generally level and at grade with the adjacent street right of ways.

The main portion of the property that is improved with the museum building is 10.49 acres in area and comprised of three parcels that form a two block area bordered by Woodward Avenue, Kirby Street, John R Street, and Farnsworth Avenue. The main parcel has 790 feet of frontage along the east side of Woodward Avenue, 573 feet of frontage along the south side of Kirby Street, 808 feet of frontage along the west side of John R Street and 571 feet of frontage along the north side of Farnsworth Avenue.

The secondary portion of the property that is improved with the parking lot is 3.56 acres in area and comprised of five parcels. The secondary site area is located to the east of the main parcel and bordered by John R Street on the west, Fredrick Douglas Avenue on the north, Brush Street on the east and Farnsworth Avenue on the south.

Size

612,209 square feet or 14.05 acres

Excess Land

The site contains no excess land.

Street Improvements

Woodward Avenue is a fully-improved public right of way four-lane with a center turning lane north-south corridor for the Midtown Detroit area. Kirby Street is a two-lane, secondary street that runs easterly but ends at John R Street. John R Street (aka Highway 1) is a two-lane, one-way south bound secondary street that runs from I-94 southbound through the Midtown Detroit area. Farnsworth Avenue is a two-lane east bound one-way street that runs between Woodward Avenue and Brush Street. The center of Farnsworth Avenue has been improved with an access/exit ramp for an

underground parking structure.

Exposure/Access

The site has good exposure and visibility from Woodward Avenue and John R Street. There are stop lights at the intersections with Kirby Avenue and Farnsworth Avenue that improve visibility. John R Street is controlled with stop signs.

Access to the site is from John R Street in the rear of the facility via a 40-foot wide curb cut that leads to a staff parking lot and the loading dock area. Pedestrians access the building from a main entrance off Woodward Avenue and a secondary/handicap accessible entrance off Farnsworth Avenue. There is also a business entrance off Kirby Avenue on the north side and entrances off John R Street to the Gibb's Learning Center and the auditorium.

Abutting Properties

North:	Institutional/Mixed-use
South:	Institutional
East:	Institutional/Mixed-Use
West:	Institutional

Utilities

All available and in use. The facility receives electricity from Detroit Public Lighting and is on the same loop as Wayne State University. Natural gas is provided by Integrity Energy Services, Inc. and the water and sewer services are provided by the City of Detroit Water and sewage Department.

Hazardous Waste/Asbestos

This appraisal reflects a site free of all hazardous waste and toxic materials. Please refer to the *Assumptions and Limiting Conditions* section regarding this issue.

Easements/Encumbrances

Utility easements for Detroit Edison and several others including stairwell access, are visible on the Alta Survey drawn by NR Engineering. Easements of this type are typical and have no adverse impact on the subject's use, marketability, or appeal.

A title commitment report was available and reviewed and no restrictions or covenants are noted that prevent continued use of the property as improved. We recommend legal counsel review the title commitment and render an opinion on the matter. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.

Soils

We were not provided with a soil analysis and assume the site can be developed using contemporary construction methods. The subject soils appear adequate for development, as evidenced by the subject's existing operation. We do note that the adjacent underground parking lot has been closed due to structural problems. Drainage of storm water appears adequately managed through the public storm water sewer system.

Flood Plain & Wetlands

According to the flood zone map, Community Panel 26163C0280E, effective 02/02/2012, the subject site mostly lies within Flood Zone X and is not within a flood hazard area. The flood map/panel information provided by FEMA is copied to the Addenda. There are no wetlands on the site.

Comments/Site Rating

The site is well located and has physical characteristics conducive for development, exhibiting conforming and functional size, shape, and offsite improvements. All market preferred utilities are available. The site has good visibility and direct access from public rights of way. Overall, the site is ranked good for development.

Improvements Description

General

The subject improvements are the Detroit Institute of Arts (DIA). The Beaux-Arts Italian Renaissance style museum facility is three-stories with a full basement foundation level. It was constructed in stages with the original section constructed in 1923-1927, the north and south wings added in 1966-1967 and 1969-1971 and a rear addition to the south wing added in 2002. The museum was renovated in 2002-2008 and is in average to good condition.

Hazardous Materials/Asbestos

This appraisal assumes that the structures are free of all hazardous waste and toxic materials, including (but not limited to) asbestos. Please refer to the *Assumptions and Limiting Conditions* section regarding this issue.

Size

The improvements total approximately 462,174 square feet of above grade gross building area. Approximately 83,000 square feet or 18.0 percent of the above grade gross building area is office, research or laboratory use. The building has a full semi-finished basement foundation.

Layout & Design

The property is occupied by the Detroit Institute of Arts (DIA) that uses the property for art exhibition, art storage, educational purposes, art conservation and testing, laboratory, administrative, and entertainment and events for the public and the private sector.

The lower level is used for storage of art work, housing mechanical items, engineering and security offices, staff break room, a kitchen for the cafeteria, and telecommunications closet.

The first floor has two public entrances to the art museum, one business entry to the museum, entry to the learning center, entry to the performing arts theater, loading dock, engineering and staff offices, exhibit halls and galleries, lecture hall, Kresge Court, Café DIA, and public and staff washrooms.

The second floor has exhibit halls and galleries, Kresge Reception room, special exhibition spaces in the south wing, the Great Hall, Rivera Court, and public and staff washrooms.

The third level contains the administrative offices in the north wing, exhibition halls and galleries, storage, and mechanical housing spaces.

Detroit Institute of Arts (5200 Woodward Avenue) Detroit, MI

Year Built	Main section – 1927 South Wing – 1966-1968 North Wing – 1969-1971 South Wing Addition – 2002 The weighted average age of the improvements is 66 years.
Condition	Average to good.
Foundation	The subject has a poured concrete basement foundation.
Building Frame & Shell	The building structure has a steel frame with central column and some masonry interior support. The shell is marble or granite panels over concrete block/brick masonry insulated outer walls. The subflooring is cast in place concrete in steel framing.
Ceiling Height	The ceiling height is 16 feet. The office areas have 8-foot interior heights with dropped/suspended acoustic tile ceilings. Several areas have two or three-story open elevation spaces.
Roof Structure	The roof structure is mostly low slope/flat type with rubber membrane or tar/gravel covering. The property contact reports the north wing roof cover was replaced in 2013, and the south wing and the westerly section of the original section were replaced in 2002. The rear section of the original section requires replacement.
Elevators	Eight (8) passenger – 12,000 LB capacity. Three (3) freight – 9,000 to 12,000 LB capacity
Windows	Dual or single pane glass in lead or aluminum frames.
Plumbing	Adequate restroom facilities for the public and staff are located on each level. There is a kitchenette/break room on the lower level.
Electrical Service	Heavy service that is adequate for the current use. The facility receives 48,000 volt service from Detroit Public Lighting that is reduced to 480 volt through a series of transformers onsite. The building has multiple electrical distribution panels for lighting and HVAC equipment.
HVAC	The building is heated and cooled by an air-handler system delivering forced-air. There are four 375-ton

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	single-phase chillers and three 10,000-lb vapor power generators that deliver steam heat.
Fire Sprinkler	The building is covered by a wet sprinkling system except for the gallery areas and art storage spaces. The galleries and storage spaces have a conservation dry system that is triggered by heat and smoke.
Interior Walls	The walls in the office areas are painted drywall. The walls throughout the art museum are painted drywall, plaster, wood, brick, or exposed marble elevations of the original section of the building.
Floors	The office areas have carpeting or composite tile flooring. The art museum has marble tile, terrazzo, hardwood, or ceramic tile.
Ceiling	The office areas have suspended drop acoustical tile ceilings. The art museum has painted plaster, specialty finish grills, skylights, or painted drywall.
Lighting	The office areas have recessed fluorescent lighting with reflective grills. The art museum has a variety of lighting that is ceiling or wall mounted.
Low Voltage	The museum is mostly wired with CAT-5 and telephone wiring routed through cable trays. Fiber optic lines are laid in conduit. The museum has free Wi-Fi service.
Loading Facilities	A building has a 40-foot wide concrete/asphalt paved access drive off John R Street that leads to an asphalt and concrete paved loading court with three dock-high 8' x 8' roll up doors in the rear of the north wing. There is a freight elevator just off the loading dock area that services the north wing.
Site Improvements & Landscaping	The site improvements include asphalt pavement for parking and loading. There is concrete pavement for curbs and walks and concrete pads in the loading court. The grounds have landscaping, sprinkler system, lighting, marble or paver brick terraces and plaza, a circular drive off John R Street for dropping patrons and loading, concrete pads or piers to support artwork, and benches.
Land-to-building Ratio	Based on the above grade gross building area of approximately 462,174 square feet and the total land area of 612,209 square feet, the resulting land to

building ratio is 1.32:1. The subject's land-to-building ratio is within the range of comparable properties. There is no excess land.

Effective Age

The weighted average age of the building improvements is 66 years. We note that in 2002-2208 the museum was renovated including roof cover, mechanical systems, and interior finishes. The effective age of the building improvements is estimated at 15 years.

Based on information from *Marshall Valuation Service*, good to excellent quality museum buildings have an economic life of 60 years, indicating a remaining economic life of 45 years.

Please note that with proper maintenance and replacement of short lived items such as the roof, the useful life of a building can exceed the economic life.

Deferred Maintenance

We are not aware of any immediate major repairs that require completion to continue operations at the facility. The roof cover over the easterly portion of the original building section requires replacement during the next few years. In addition, an RFP for tuck pointing the original section of the museum is out for bid.

Comments

The information presented above is a basic description of the subject property improvements. Reliance has been placed upon primary information gathered from the property contact and during our inspection of the property.

It is assumed that there are no hidden defects, and that all structural components are functional and operational, unless otherwise noted. If questions arise regarding the integrity of the structures or their operational components, it may be necessary to consult additional professional resources.

REAL PROPERTY TAXES AND ASSESSMENTS

Real estate taxes in Michigan are levied at the county level with the real estate tax bills sent to property owners in two installments. The Wayne County Assessor identifies the subject by the following tax identification numbers:

Ward 1, Item 1427; Ward 1, Item 1423; Ward 1, Item 1389; Ward 1, Item 1385.002L; Ward 1, Item 1426; Ward 1, Item 1424; Ward 1, Item 1425; Ward 1, Item 1425; Ward 1, Item 1390; Ward 1, Item 1391-2; Ward 1, Item 1421; Ward 1, Item 1420; Ward 1, Item 1419; Ward 1, Item 1418; Ward 1, Item 1417; Ward 1, Item 1416; Ward 1, Item 1399; Ward 1, Item 1398; Ward 1, Item 1397; Ward 1, Item 1396; Ward 1, Item 1395; Ward 1, Item 1394; Ward 1, Item 1393; Ward 1, Item 1422; and Ward 1, Item 1400-15.

We note that the subject property is owned by the City of Detroit, which is exempt from paying real estate taxes. A review of assessor records for the above tax identification numbers confirms the parcels are exempt with no assessment or levy of taxes.

LAND USE CONTROLS

Zoning

According to the City of Detroit and review of the zoning map, the main portion of the subject site is zoned PC, Public Center District and the parking lot area is zoned R5, Medium Density Residential District. Copies of the relevant sections of the zoning ordinance have been provided in the *Addenda* section.

The PC district zoning classification is intended to “include areas used or to be used for governmental, recreational, and cultural purposes of particular or special civic importance. All construction or other improvement within this district requires that the Planning and Development Department and the City Planning Commission review and make recommendation to City Council, as provided for in ARTICLE III, DIVISION 6 of this Chapter so as to ensure a completely harmonious, pleasing, and functional public center”.

The R5 district zoning classification is intended to “provide for a range of residential development from the single-family detached dwelling to medium-density multiple-family dwellings. The primary use in this district will be the rental apartment structure. In addition to permitted residential uses, certain specified non-residential uses which can be properly blended into this district may be permitted.

We note that a 1997 zoning board decision to allow the Detroit Institute of Arts to improve the parcels east of John R Street with a surface parking lot was approved as a special use.

Based on the above, the existing uses of the subject property are considered legal and conforming to the zoning ordinance. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination can usually uncover such restrictive covenants. Thus, we recommend the title commitment be research by legal counsel to determine if any such restrictions do exist.

Cultural Center Historic District

The Cultural Center Historic District is located in Midtown Detroit along Woodward Avenue and is formed by three monumental buildings. In the early 20th century, the *City Beautiful* movement aimed to establish a cultural center for the city along Woodward. The three buildings that formed this district are the *Detroit Public Library*, a white marble Italian Renaissance style building built in 1921 and designed by Cass Gilbert; the *Detroit Institute of Arts*, a white marble Beaux arts style building built in 1927 and designed by Paul Philippe Cret, and the *Horace H. Rackham Education Memorial* building, a limestone stripped classical structure built in 1941 and designed by the Harley, Ellington and Day firm of Detroit.

The subject property’s location within a historic district places limits on the modification of a building’s exterior and requires design approval of new construction by the historic commission. The location within the district has a limited adverse influence on the property as it operates as a museum; however, it will present challenges to a party that seeks to redevelop or modify the structure for another use.

HIGHEST AND BEST USE

Highest and Best Use is defined as “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, Fifth Edition*)

Highest and best use analysis is conducted for the property as vacant and as improved. In both cases, highest and best use is estimated based on an analysis of four criteria. The concluded highest and best use, as vacant and as improved, must be the use that is 1) physically possible, 2) legally permissible, 3) financially feasible, and 4) maximally productive.

Highest & Best Use - As Vacant

Highest and best use of land or a site as though vacant is defined as “Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.” (*The Dictionary of Real Estate Appraisal, Fifth Edition*)

Legally Permissible

Legally permissible uses of a site are those allowed under the existing zoning and/or land use designations. Other restrictions such as environmental regulations, historic district controls, deed and private restrictions, building codes, etc. may also limit the legally permissible uses of a site.

The subject property is located along a primary corridor an institutionally developed area and historic district of Midtown Detroit. The main parcel is zoned PC, Public Center District that allows institutional uses and limited commercial uses. The parcels east of John R Street are zoned R5, Medium Density Residential District that permits a variety of residential and related uses. The possibility of a zoning change is uncertain given the subject’s location in proximity to institutional uses. In addition, the parcels are located within the Cultural Center Historic District. The land use control will further restrict development.

Physically Possible

Physically possible uses of a site are those that are possible after consideration of physical characteristics that may affect development potential. These include size, shape, utility availability, terrain and the accessibility of land, as well as the risk of floods, earthquakes, etc.

Frontage, depth and shape characteristics affect the utility, as a parcel with highly irregular shape characteristics may be more costly to develop or have diminished utility after development as compared to a regularly shaped parcel of similar size.

The capacity and availability of public utilities, such as water and sewer, are also important considerations. This relates to the fact that a property’s utility is diminished if water and sewer are not readily available, or if there is insufficient capacity in the local utility system to support development. Such situations may result in extensive costs to extend service to the site boundary or negative impacts from building moratoriums as the result of lack of capacity.

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Topography and subsoil conditions are also important considerations. For example, a cleared and graded site will be more time and cost efficient to develop as compared to a similar-sized site with dense vegetation and/or significant elevation changes. Essentially, high grading or foundation construction costs can have a negative impact on the feasibility of a site.

As related in the *Property Description* of this report, the subject site has a total size of 14.05 acres and is non-contiguous with John R Street bisecting the site in a north-south direction. The sites are large and have access from Woodward Avenue, Kirby Street, Farnsworth Avenue, John R Street, and Bruch Street with linkage to the area's transportation network. Further, all utilities are presently available. Overall, the site's physical characteristics do not limit development potential.

Financially Feasible/Maximally Productive

With respect to financial feasibility and maximum productivity, the greater market dynamics are considered. Further, only uses that meet the test of legal permissibility and physical possibility are considered.

As presented in the *Regional Discussion*, "(t)he revitalization of the city's urban core continues to gain momentum, driving increased demand for commercial building and renovation in the near term. Wayne County benefited from nearly \$600 million in private construction and development projects in 2013, and that figure is expected to increase significantly this year. On the residential side, several buildings are undergoing multimillion-dollar refurbishments, including the Strathmore in midtown. Meridian Health Plan is planning to build a \$111 million office tower in the central business district. Between these two projects is the new \$650 million Red Wings stadium complex, which by itself is expected to create more than 5,000 construction jobs. The proliferation of jobs and amenities will attract additional development in the near term.

Detroit will emerge from bankruptcy stronger than it entered but will still be saddled with considerable burdens. Drawing businesses and residents back to the urban core is necessary but will not be sufficient to ensure long-term viability. Persistent population declines, high crime rates, and widespread blight mean that DET will struggle to maintain viability for years to come." (*Precis: Metro February 2014 Economy.com*)

The subject is located in a mature urban district that has a few infill sites available. While we note several large projects underway or proposed in the local area, current economic conditions tend to discourage development with pricing well below replacement cost and rents well below feasibility level. The building activity in general requires public funding to reach feasible levels.

The R5 zoned parcels would be attractive for student housing to support the Wayne State University needs; however, its location adjacent to the College for Creative Studies, the Michigan Science Center and within footprint of Wayne State University makes it a likely acquisition by an adjacent institution for expansion of to control development.

Thus, based on our analysis of the subject, including physically possible, legally permissible, financially feasible and maximally productive uses, it is our opinion that the highest and best use of the subject's site, as vacant, is for future institutional development. The timing of development is difficult to forecast as institutions have long range planning that may include expansion immediately or 10-20 years in the future. The likely buyer is a regional institution.

Highest and Best Use - As Improved

Highest and best use of land or a site as though improved is defined as “The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.” (*The Dictionary of Real Estate Appraisal, Fifth Edition*)

Legally Permissible

As indicated in the *Zoning section* of this report, the existing museum use is assumed to be legal and continued use and operation of the Detroit Institute of Arts is assumed to be legally permissible. It would be legal to use the museum facility in accordance with the PC, Public Center District zoning that allows convention and exhibit buildings, educational institution or cultural buildings among other uses. We assume that given the property’s location in a historic district that significant modification to the exterior or demolition of the structure is not allowable.

Physically Possible

The improvements consist of a three-story, museum and surface parking lot. The building is 462,174 square feet in above grade gross building area and has a weighted average age of 66 years. It is in average to good condition. The subject has adequate design features and spaces to function as a museum. Continued use as improved is physically possible.

Financially Feasible/Maximally Productive

As shown in the valuation sections of this report, the improvements contribute value above that of the underlying land. The existing use meets the tests of legally permissible, physically possible, financially feasible and maximally productive. Therefore, continued use of the existing museum use is considered the highest and best use of the subject property as improved.

Probable Purchaser

Our analysis of the highest and best use as improved indicates that the most likely purchaser of the subject would value the property as its current institutional use. The following table summarizes our opinions regarding the probable purchaser of the subject. Our opinion is based on the preceding analysis, our research into the comparable sales, and our discussions with local brokers.

METRIC	CONCLUSION
Most Probable Purchaser	Regional institution
Subject’s Primary Appeal	Occupancy and use
Purchaser’s Main Analysis	Cost Approach
Purchaser’s Secondary Analysis	Sales Comparison Approach
Depth of Demand	Limited base of potential purchasers
Purchaser’s Alternatives	Limited offerings of similar assets in the market area
Likely Purchase Terms	All cash
Financing Availability	Available at historically low interest rates

Given the extremely limited base of potential buyers, an alternative buyer scenario would be an investor that would purchase the subject property for income generating purposes. We note that there are numerous hurdles to overcome for this use including land use controls, retrofitting and tenanting. Due to the rate of return requirements and risk associated with repurposing the asset for investors, the price an alternative buyer would pay would be significantly less than our estimate for an institutional user.

VALUATION PROCESS

The appraisal process is designed to evaluate all factors that influence value. General, regional, and local area information has been presented to inform the reader of general outside influences, which may affect value. In addition, the site and existing improvements have been described in detail. An analysis of the subject's highest and best use has been presented to evaluate the effects of legal, locational, physical, and market considerations which impact the use of the subject property. The next part of the appraisal process deals directly with the valuation of the property.

The *Cost Approach*, which is the first approach to value, is based upon the principle that the value of the property is significantly related to its physical characteristics, and that no one would pay more for a facility than it would cost to build a like facility in today's market on a comparable site. In this approach, the market value of the subject site is added to the depreciated cost of the improvements.

The second approach to value is the *Sales Comparison Approach*, which is based on the principle of substitution. This principle states that no one would pay more for the subject property than the value of a substitute property in the market. In active markets with a large number of physically similar comparables, this approach is generally considered to be a good indicator of value. However, the use of this approach is limited, because many properties have unique characteristics that cannot be accounted for in the adjustment process. In addition, market data is not always available. Both of these factors may reduce the validity of this approach.

The final approach to value is the *Income Capitalization Approach*, which is based on the premise that industrial and commercial properties are income producing, and that investors purchase these properties based on their income-producing ability. In the *Income Capitalization Approach*, market rents for the subject property are estimated, the applicable operating expenses are deducted, and the resulting net income is capitalized into a value estimate. This approach is based on an analysis of information extracted from the market, and provides a comparison of the subject property to other properties of similar character and income-producing ability.

The approaches used to value the subject property are correlated into final estimates of market value for the *fee simple estate* in the *Reconciliation and Final Value Estimate* section.

COST APPROACH

The Cost Approach is “a set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.” (*The Dictionary of Real Estate Appraisal, Fifth Edition*)

Land Valuation – Analysis of Sales

Due to the limited vacant land sale data, as well as the lack of uniformity among available data within the local market area, supporting specific adjustments for various factors of dissimilarity is subjective. As such, a qualitative analysis has been employed. This analysis allows the appraiser to make general comparisons (inferior, similar, superior) for various factors of dissimilarity, leading to an overall comparison of each sale to the subject.

The Midtown Detroit local area is nearing fully development with few vacant parcels available; consequently, limited vacant land sale activity has occurred. We have researched an expanded market area for the best land sale data, which is presented in a summary table below. A more detailed write-up of the sale data is available for review in the addenda section.

Property Rights Conveyed

Adjustments for property rights must be made when the property rights conveyed in a sale transaction are different from those being appraised particularly when they have an impact on the sale price. As related earlier in this report, the fee simple estate is defined as “Absolute ownership unencumbered by any other interest or estate, subject to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

An example of a comparable sale that would require adjustment is a property that is encumbered by a lease where the tenant pays a rent lower than currently achievable in the open market, or a below-market rental rate. The below market lease would have a negative impact on the sale price because the purchaser would need to pay less to achieve the same return as a property currently rented at market rent levels. In this case, the below-market lease has a negative impact on the sale price and the comparable would need to be adjusted upward to be considered similar to the subject property. Conversely, a sale property achieving above-market rental rates would be considered superior to a fee simple estate.

Financing

The transaction price of one property may differ from that of an identical property due to different financing arrangements. For example, the purchaser of a comparable property may have assumed an existing mortgage at a favorable interest rate. In another case, a developer or seller may have arranged a buy down, paying cash to the lender so that a mortgage with a below-market interest rate could be offered. In both of these examples, the buyers probably paid higher prices for the properties to obtain below-market financing. Conversely, interest rates at above-market levels may result in lower sales prices.

Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations, the conditions of sale significantly affect transaction prices. For example, a developer may pay more than market value for lots needed in a site assemblage because of the plottage value expected to result from the greater utility of the larger site. Conversely, a sale may be transacted at a

below-market price if the seller needs cash in a hurry. A financial, business or family relationship between the parties to a sale may affect the price of the property. One member of a family may sell a property to another at a reduced price, or a buyer may pay a higher price for a property built by his ancestors. Further, listings, which have not been affected by typical negotiation, generally indicate a higher value than a completed sale.

Market Conditions (Date of Sale)

Comparable sales that occurred under market conditions different from those applicable to the subject on the effective date of value require adjustment for any differences that affect value. Changes in market conditions generally relate to supply and demand. National, regional and local economic trends or events may impact the value of a property over time. For example, the announcement of a major employer's entry into a market area may have a significant positive impact on values due to demand created for support uses in the area. Conversely, exodus of a major employer often has a negative impact on values.

Location

A property's location is analyzed in relation to the location of the comparable sale properties. An industrial location may be superior to another due to proximity to transportation facilities, including highways, railways, airports, etc. A commercial location may be superior to another due to proximity to a major retail development; access to traffic counts along major arteries, etc. A residential use may be superior to another due to location within a specific school district, economic makeup of residents within the neighborhood, taxation policies, etc.

Size

Typically, larger sites sell for a lower per unit price due to economies of scale and greater capital outlay requirements. Conversely, smaller sites sell for higher per unit values due to economies of scale.

Zoning

In the valuation of vacant land, zoning is one of the primary determinants of the highest and best use of the property because it serves as the test for legal permissibility. Thus, zoning or the reasonable probability of a zoning change is typically a primary criterion in the selection of market data. The value of a site can be impacted based upon the type and density of development allowed on the site.

Topography

Topography refers to the site's relief features or surface configurations. These can include hills, valleys, slopes, lakes and rivers. Other factors include land that is heavily wooded or overgrown with scrub and vegetation. All of these factors affect the development cost of the site. Sites that are heavily wooded or overgrown with extreme changes in topography would be more expensive to develop as opposed to a site that is clear of trees or vegetation and is level.

Utilities

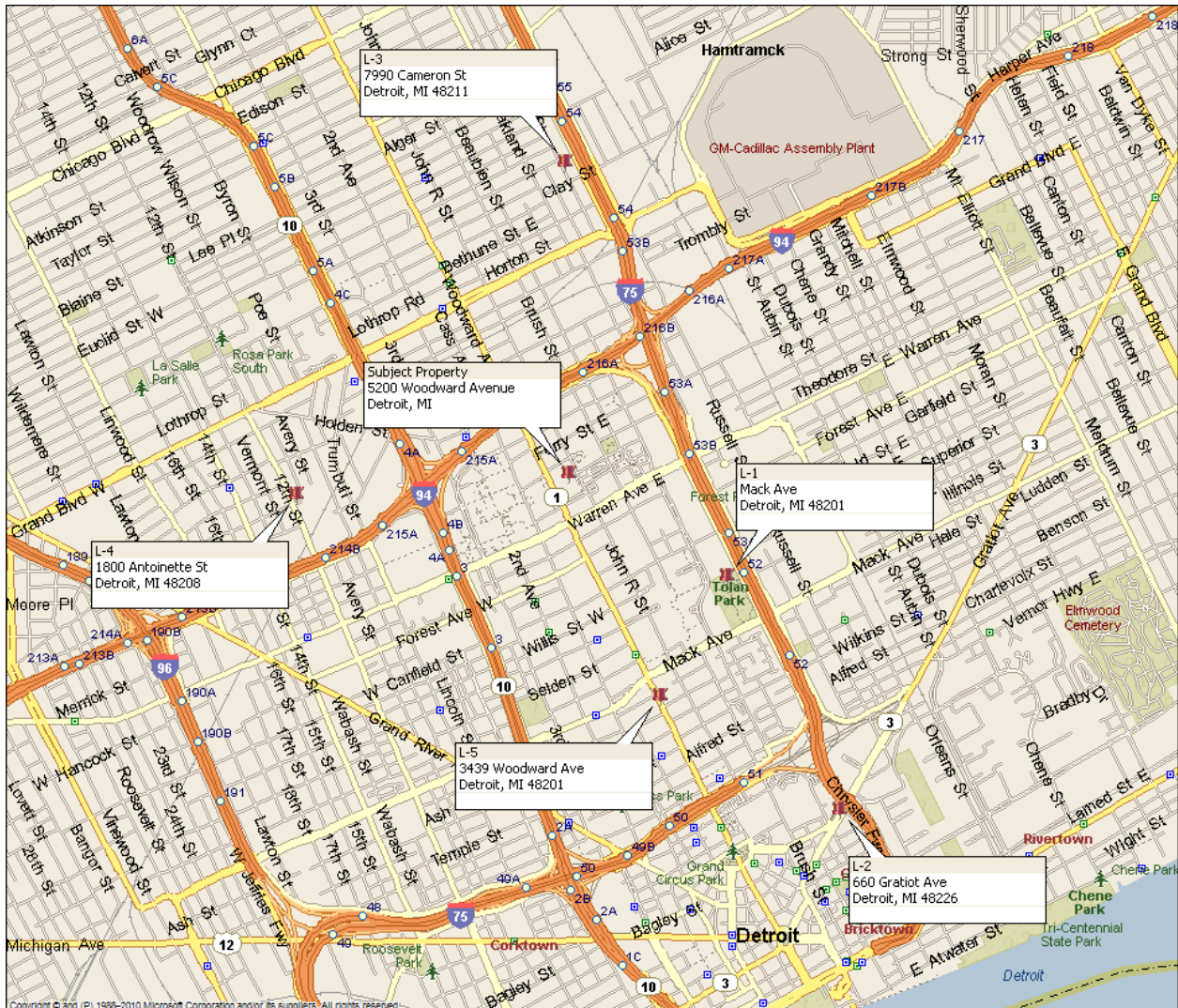
Sites must be adjusted for the availability of utilities. In rural areas, public water, sewer, telephone and electric may not be immediately available to the site. The lack of utilities will have a negative impact on the value of this type of site versus a site that has been improved with utilities. The cost of bringing utilities to the site must be considered in the adjustment process.

Shape

Extreme shape irregularities impede development potential or result in abnormally high planning or development costs.

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COMPARABLE LAND SALES MAP



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The chart below summarizes the land sales used for comparison with the subject property.

COMPARABLE LAND SALES SUMMARY AND ANALYSIS CHART						
ID#	Subject	L-1	L-2	L-3	L-4	L-5
Address	5200 Woodward Avenue	701 Mack Avenue	660 Gratiot Avenue	7990 Cameron Street	1800 Antoinette Street	3439 Woodward Avenue
City, State	Detroit, MI	Detroit, MI	Detroit, MI	Detroit, MI	Detroit, MI	Detroit, MI
Sale Date		Dec-09	Jul-11	Apr-12	May-12	Pending
Comparison		Similar	Similar	Similar	Similar	Similar
Sale Price		\$900,000	\$14,000,000	\$440,000	\$425,000	\$1,300,000
Area (Acres)	14.05	5.31	7.14	4.00	8.50	1.65
Price/Acre		\$169,491	\$1,960,784	\$110,000	\$50,000	\$787,879
Area (SF)	612,209	231,304	311,018	174,240	370,260	71,874
Price/SF		\$3.89	\$45.01	\$2.53	\$1.15	\$18.09
Prop. Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing		Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller
Conditions of Sale		Arms Length	Arms Length	Arms Length	Arms Length	Pending
Comparison		Similar	Similar	Similar	Similar	Superior
Location	Midtown Detroit	Midtown	Downtown District	New Center	Avery Park	Midtown Detroit
Access	Good	Average	Good	Average	Average	Good
Comparison		Inferior	Superior	Inferior	Inferior	Similar
Size (Acres)	14.05	5.31	7.14	4.00	8.50	1.65
Comparison		Superior	Superior	Superior	Similar	Superior
Zoning	PC/R5	PD, Planned Development	PD, Planned Development	B4, General Business District	M2, Restricted Industrial District	B4, General Business District
Comparison		Similar	Similar	Similar	Inferior	Similar
Topography	Generally Level	Generally Level	Generally Level	Generally Level	Generally Level	Generally Level
Shape	Irregular	Irregular	Rectangular	Rectangle	Irregular	Rectangular
Comparison		Similar	Similar	Similar	Similar	Similar
Utilities	All Available	All Available	All Available	All Available	All Available	All Available
Comparison		Similar	Similar	Similar	Similar	Similar
Overall		Inferior	Superior	Inferior	Inferior	Superior
Price/Acre		\$169,491	\$1,960,784	\$110,000	\$50,000	\$787,879

Analysis of Sales

Although all of the comparable sales are generally considered similar to the subject property, we have accounted for various physical, locational and market conditions differences between the comparable sales and the subject property. As highlighted in the foregoing chart, the vacant land sites presented have sold for \$50,000 to \$1,960,784 per acre. The comparable sales range 1.65 to 8.50 acres in size.

Land Sale 1 is the sale of a 5.31-acre parcel of land formerly part of Tolen Park that was owned by the City of Detroit and sold to the Detroit Medical Center for development of a medical facility and surface parking. The site was zoned R6 at the time of sale and rezoned PD, Planned Development. The site has access from one-way south Service Drive. The site is judged inferior in access/location compared to the subject's location along Woodward Avenue but superior in size as smaller parcels tend to sell at a higher rate than larger parcels. Overall, the sale is considered inferior and it is our opinion that the subject property's value is higher than \$169,491 per acre.

Land Sale 2 is a parking lot purchased for development of a correctional facility by Wayne County, MI. The site is located in the central business district along Gratiot Avenue, a primary corridor, and adjacent to Chrysler Freeway (I-75). The seller paid \$175,000 toward an environmental cleanup and the parties also exchanged a 1.12 acre site for \$2.20 million (\$45.09 per square foot). Construction began on the facility but has since stalled due to cost overruns and mismanagement. The site's location in the central business district is judged superior as compared to the subject's location along Woodward Avenue. The site is superior in size as smaller parcels tend to sell at a higher rate than larger parcels. Overall, the sale is considered superior and it is our opinion that the subject property's value is lower than \$1,960,784 per acre.

Land Sale 3 is the sale of surplus acreage by Detroit Public Schools Office of Real Estate. The parcel was part of a larger land site improved with the Sherrard Elementary School located along Chrysler Freeway (I-75) and north of Grand Boulevard. The buyer of the property intended to construct a veterinarian clinic and kennel; however, the site is still vacant. The site's location north of Grand Boulevard is judged inferior as compared to the subject's location along Woodward Avenue. The site is superior in size as smaller parcels tend to sell at a higher rate than larger parcels. Overall, the sale is considered inferior and it is our opinion that the subject property's value is higher than \$110,000 per acre.

Land Sale 4 is a former industrial use property purchased for assemblage with surrounding parcels for an industrial redevelopment project. The site was improved with a former heavy industrial building and part of Antoinette Street that were demolished for the new project. The project site had environmental contamination that cost \$7.5 million to remediate and the cost of demolition and site work for the project is estimated at \$2.0 million; however, the costs were largely offset by TIF and brown field incentives. The site's location north of Edsel Ford Freeway and west of Lodge Freeway (M-10) is judged inferior as compared to the subject's location along Woodward Avenue. The site is superior in size as smaller parcels tend to sell at a higher rate than larger parcels. The sale also has an inferior zoning. Overall, we expect the value of the subject to be higher than \$50,000 per acre.

Land Sale 5 is a site located at the northeast corner of Woodward Avenue and Stimson Street in the Midtown Detroit area that is under contract for purchase. The site is clear and ready for development. The City of Detroit is the owner and issued a RFP for offers with an August 2012 deadline. The property is under contract for purchase with the buyer proposing a \$30 million, 75,000 square foot five-story retail and office mixed-use with a 280-car parking structure that is being offered for pre-leasing by CBRE. We anticipate a reduction in the sale price as compared to the list price given buyer-seller negotiation. The site's location along Woodward Avenue is judged similar or comparable to the subject's location along Woodward Avenue. The site is superior in size as smaller parcels tend to sell at a higher rate than larger parcels. Overall, we expect the value of the subject to be lower than \$787,879 per acre.

Summary and Conclusion

As discussed above, we expect the value of the subject to be higher than the indications from Comparable Sales L-1, L-3, and L-4 and lower than the indications from Comparable Sales L-2 and L-5, or within a refined range of \$169,491 to \$787,879 per acre.

We note that the subject's location in the Cultural Center Historic District may require additional development hurdles but do consider the additional administrative or development requirements to adversely influence land value.

After consideration of the foregoing factors including the subject property's land site shape, size, and location, it is our opinion that an appropriate value for the subject property's land site is \$500,000 per acre. Therefore, we have estimated the market value of the 14.05-acre site via the *Sales Comparison Approach*, as of the date of valuation, at \$500,000 per acre, or \$7,000,000 as rounded.

Replacement Cost of Improvements

Replacement Cost is defined as “the estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout.” (*The Dictionary of Real Estate Appraisal, Fifth Edition*)

Marshall & Swift Calculator Method

To estimate the replacement cost new of the subject’s improvements, information from *Marshall Valuation Service*, a nationally recognized cost information publication, has been used. The building improvement is best characterized as Museums (481) designed for long-term display of art, crafts, natural history, etc. and include exhibit-gallery, collection storage, vault, workshop, sales, lecture/meeting, theater, food-service areas, etc. commensurate with the quality. Costs include the basic building display structures and necessary permanent lighting, electrical connections, and security, but do not include any display cases, food equipment, movable trade fixtures and chattels or works of art (*Marshall Valuation Service* Section 16, page 1).

The costs for the classification are listed in Section 16 on page 19. The subject resembles Class A-B, Type Good, which is described as having “good masonry, concrete panels, good architecture and entry, plaster, good ornamental detail, marble and terrazzo, many extras, theater, special lighting and security system, good plumbing, kitchen, and hot and chilled water (zoned). As of August 2013, the base cost for this classification is \$256.21 per square foot. The base cost for the finished the lower level Class A-B is \$97.84 per square foot.

The cost is adjusted for building height and floor area/perimeter (Section 16 page 26). We have refined the cost for an average “wet” sprinkler system (Section 16, Page 29) at \$2.75 per square foot. We also have adjusted the HVAC system for an “extreme” climate at \$38.25 per square foot. Further, a current cost multiplier (1.00) and local (1.11) cost multiplier are both applied (Section 99). The refined replacement cost estimate for the museum including the lower level area using the *Marshall Valuation Service* totals \$311.31 per square foot of above grade area.

Site Improvements

Site improvements at the subject property include asphalt, concrete, and brick paving, lighting, and landscaping (includes fencing and sprinkler system). We have estimated the replacement cost of the subject’s site improvements based on units costs from *Marshall Valuation Service* as follows.

SUMMARY OF THE SITE IMPROVEMENTS	
Component	Cost
Concrete Paving 61,600 square feet @ \$5.00 psf	\$308,000
Asphalt paving 136,980 square feet @ \$4.00 psf	\$547,920
Terrace 38,000 square feet @ \$15.00 psf	\$570,000
Lighting	\$100,000
Landscaping 162,000 square feet @ \$2.00 psf	\$324,000
Total Site Improvements	\$1,849,920

Soft Costs

The replacement cost estimated from *Marshall Valuation Service* does not include off-site costs such as road, utilities and park fees, jurisdictional hook-up, tap-in, impact or environmental fees and assessments, etc. Other soft costs include financing costs and carrying costs during construction. A reasonable estimate for these items given the property size is 5.0 percent of the total hard construction cost.

Entrepreneurial Profit

Entrepreneurial incentive or profit is “a market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur’s compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.”(*The Dictionary of Real Estate Appraisal, Fifth Edition*)

For a property such as the subject, an art museum, profit is achieved through operation of a business and not from development of the real estate. Thus, considering the nature of the subject improvements and the use of the property type, inclusion of entrepreneurial incentive is not considered appropriate.

Marshall & Swift Calculator Method Conclusion

The replacement cost for the subject property using *Marshall Valuation Service* calculator method is \$331.07 per square foot.

Market Data Construction Cost

Discussions with architects and research nationally revealed a range of construction costs for museum projects. The costs are generally reported as turnkey and include a significant amount of personal property, art work displays and installation, trade fixtures, etc. and may include the cost of the land. We also note that the projects are often publically funded and subject to higher labor and administrative costs due to political requirements. The table below summarizes a few examples of total costs as reported by market sources.

MUSEUM CONSTRUCTION COSTS			
Museum	Location	Year	Cost/SF
Museum of American Arts and Crafts	St. Petersburg, FL	Proposed	\$389
Miami Art Museum	Miami, FL	2010-2013	\$1,092
Pope John Paul II Cultural Center	Washington, DC	2001	\$750
Pennsylvania Academy of Music	Lancaster, PA	2008	\$556
American Folk Art Museum	New York City, NY	2001	\$458
Average			\$649

United States of the Interior Museum Cost

The National Park Service published a *Museum Handbook* in 2005 that provides a summary of museum costs based on current federal contracts. The estimates are recommended for developing initial cost estimates for constructing, renovating, and equipping a museum facility. The cost estimate for constructing a new museum facility ranges \$297 to \$434 per square foot. The costs from 2005 have been adjusted for rising costs due to inflation.

Conclusion

Based on the replacement cost sources, the calculator method using Marshall & Swift data and the cost range provided by the National Park Service are given most weight. Both methods provide estimates for the structure only and do not include personal property, land costs, or costs associated with the art work displays or installations, or endowments. The replacement cost of the above grade area is estimated at \$400 per square foot. The lower level cost is estimated at \$97.84 per square foot using the MVS source.

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The total replacement cost for the subject property including all hard and soft costs is \$242,334,637 or \$524.34 per square foot of above grade building area.

Accrued Depreciation

Accrued depreciation is the difference between the replacement cost of the improvements and the market value of the improvements. Deterioration or obsolescence in the property causes depreciation. Depreciation and obsolescence for the subject property is estimated as follows.

Physical Deterioration

Physical deterioration relates to the loss in value from wear and tear during normal operation. For purposes of this analysis, the economic age-life method (effective age ÷ economic life) of estimating physical deterioration has been used. Considering the effective age of the improvements of 15 years and the estimated economic life of 60 years, physical depreciation is estimated at 25.0 percent. This percentage is applied to the total replacement cost.

The improvements require immediate repairs for roof cover replacement over a portion of the structure, tuck pointing of the original building structure, electrical and mechanical system repairs parking lot repairs, and other miscellaneous repairs. The cost to cure the deferred maintenance or curable physical depreciation totals roughly \$4.0 million or 1.65 percent of the cost new. Therefore, non-curable physical depreciation is estimated at 23.35 percent.

Obsolescence

Functional obsolescence is the result of deficiencies or super adequacies in a structure. The subject property improvements consist of a main section plus two wings and a rear addition. The interior was heavily remodeled in 2002-2008 with the scope of work including reworking the layout, the addition of a stairwell in the north wing area, mechanical systems, art work displays, etc. The museum still has impairment to its functional capacity due to differences in design standards, traffic patterns, lighting, and the diminished utility of the third floor.

External obsolescence is caused by negative influences outside a site, and can be caused by neighborhood decline, the property's location, local market conditions, etc. The subject property type is developed for long term use and has a limited market for second generation use. As we are estimating market value, an estimate of external obsolescence is necessary. There are two external obsolescence forces to consider – the property's location and property type.

The asset is situated in the Midtown Detroit market area that is exhibiting limited demand for larger-sized facilities. We researched the sale of large office use properties in the downtown and Midtown area and note significantly depressed sale prices.

In addition, the museum property type has limited demand for adaptive reuse or continued use due to unique design elements and few potential users. The subject property has the potential for reuse as an institutional facility; however, the load factor or common area is high due to wide halls, large entry spaces and common areas that cannot easily be repurposed. There are also limitations that will apply due to the property's location within a historic district.

In the table on the following table, we present the analysis of two newer museum properties to estimate depreciation and obsolescence.

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MARKET EXTRATION OF DEPRECIATION			
Market Extraction	Pope John Paul II Cultural Center		Pennsylvania Academy of Music
Sale Price	\$22,700,000		\$10,900,000
Less Estimate of Land Value	\$5,000,000		\$800,000
Depreciated Cost of the Improvements	\$17,700,000		\$10,100,000
Cost of the Improvements	\$70,000,000		\$35,000,000
Less Depreciated Cost of the Improvements	\$17,700,000		\$10,100,000
Total Depreciation (\$)	\$52,300,000		\$24,900,000
Total Depreciation (%)	74.71%		71.14%
Age (Yrs.)	10		3
Economic Life (Yrs.)	60		60
Physical Depreciation (%)	16.67%		5.00%
Physical Depreciation (\$)	\$11,666,667		\$1,750,000
Obsolescence (\$)	\$40,633,333		\$23,150,000
Obsolescence (%)	58.05%		66.14%

The Pope John Paul II Cultural Center located in Washington DC cost \$75.0 million develop including land in 2001. After financial difficulties, it sold for \$22.7 million in September 2011. We assume that cost to construct the facility today is essentially the same and have estimated the land value at \$5.0 million. The sale implies a total depreciation of 74.71 percent. The museum was 10 years old at the time of sale and assuming a life of 60 years, the physical depreciation is estimated at 16.67 percent. The obsolescence is estimated by a residual technique at 58.05 percent.

We also note the Pennsylvania Academy of Music located in Lancaster, PA that cost \$35.0 million with construction completed in 2008. According to our contact, the construction cost was initially budgeted for \$24.0 million but incurred \$11.0 million in cost over runs. The land was acquired in 2001 for roughly \$800,000. After financial difficulties dating to 2010, the property was sold to a local university for \$10.9 million in March 2011. The sale implies a total depreciation of 71.14 percent. The museum was three years old at the time of sale and assuming a life of 60 years, the physical depreciation is estimated at 5.00 percent. The obsolescence is estimated by a residual technique at 66.14 percent.

The total depreciation for the two museum property sales ranges 71.14 to 74.71 percent. Both museums were fairly new, thus a significant portion of the losses is attributed to obsolescence, reflecting the limited demand for museums and the high costs associated with redevelopment.

Based on the subject property's physical characteristics and location and our analysis, obsolescence is estimated at 55 to 65 percent. A central rate of 60 percent is selected for obsolescence.

Conclusion

Physical depreciation is estimated at 25.0 percent, a rate higher than the 5.0 to 16.67 percent rates of the two properties analyzed primarily due to the higher weighted average age of 66 years. The two properties analyzed were newer and has no known curable physical depreciation (deferred maintenance). The obsolescence rate of 60.0 percent is within the 58.05 to 66.14 percent range of the two properties analyzed and reasonable given the similar property type and subject's location. The physical depreciation and obsolescence total 85.00 percent.

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Summary

The *Cost Approach* is summarized in the following chart:

SUMMARY OF THE COST APPROACH					
Base Building Improvement Cost			\$/SF		
Base Cost - Above Grade Area	462,174	SF	\$400.00	\$184,869,600	MVS, Section 16, Page 19
Base Cost - Below Grade Area	154,058	SF	\$97.84	<u>\$15,073,035</u>	MVS, Section 16, Page 19
Total Base Building Improvement Cost				\$199,942,635	
Times Height Multiplier				1.000	MVS, Section 16, Page 26
Times Perimeter Adjustment				<u>0.940</u>	MVS, Section 16, Page 26
Total Base Cost				\$173,777,424	
Sprinklers	230,000	SF	\$2.75	\$632,500	
HVAC - Extreme Climate	462,174	SF	\$38.25	<u>\$17,678,156</u>	
Total				\$192,088,080	
Times Current Cost Multiplier				1.00	MVS, Section 99, Page 3
Times Local Multiplier				<u>1.11</u>	MVS, Section 99, Page 7
Adjusted Cost				\$213,217,768	
Plus:					
Site Improvements				\$1,849,920	
Soft Costs				<u>\$10,753,384</u>	
Total				\$225,821,073	
Plus Entrepreneurial Incentive				<u>\$0</u>	
Total Replacement Cost New				\$225,821,073	
Less Depreciation					
Building Improvements					
Physical Incurable	23.35%			\$56,585,138	
Physical Curable	1.65%			\$4,000,000	
Obsolescence	<u>60.00%</u>			<u>\$145,400,782</u>	
Total Depreciation	85.00%			\$205,985,920	
Depreciated Cost of Improvements				\$36,348,717	
Plus Land Value				<u>\$7,000,000</u>	
Estimated Value by the Cost Approach				\$43,348,717	
Rounded				\$43,300,000	\$93.69 per SF

Conclusion

Based on the foregoing, we have estimated the as is market value of the subject property via the *Cost Approach*, as of the date of valuation at **\$43,300,000** as rounded.

As a test of reasonableness, we consider the depreciated cost of the improvements estimate of \$43,300,000 or \$93.69 per square foot to be within the range of shell value for high quality institutional facility or office property assuming the property is purchased by a user that will repurpose the building for institutional or office use.

We note our Museum, Cultural Center, and Institution Comparable Sales 6, 7, 9 and 11 that range \$24.46 to \$172.66 per square foot. In addition, the four sales of real estate purchased by Colleges and Universities that range \$35.65 to \$120.00 per square foot are reflective of adaptive reuse transactions.

SALES COMPARISON APPROACH - TEST OF REASONABLENESS

Introduction

The Sales Comparison Approach is “a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. In general, a property being valued (a subject property) is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered.” (*The Dictionary of Real Estate Appraisal, Fifth Edition*)

The Detroit Institute of Arts is a 462,174 square foot museum located in mid-town Detroit. The improvements were constructed in phases beginning in 1923-1927, with the final expansion added in 2002 to the south wing. The building underwent renovations between 2002 and 2008 and is presently in average to good condition.

Methodology

The subject is a special use property. Its large building size, historical architecture, layout and original design for a museum use are unique to the City of Detroit. While there are other museums located throughout the U.S. similar to the subject, they rarely transfer ownership. In order to estimate the subject’s *as is* fee simple market value, we have completed extensive research on a national basis of similar museum use sales. We have also considered large institutional use transactions, including the sale of libraries, educational buildings, government buildings, former train stations and post offices. Given the subject’s specific location in Detroit, we focused our search on urban property transactions.

As noted in the Neighborhood Analysis, the subject is located in close proximity to a number of educational users, including Wayne State University, the College of Performing Arts, and the College of Nursing. Wayne State University is a predominate user in the subject’s immediate neighborhood and currently occupies space in the adjacent Horace Rackham Educational Memorial Building. It is noted that the Rackham Building is one of three buildings comprising the Detroit’s Cultural Center Historic District, the other two being the subject and the Detroit Public Library. As supported through conversations with brokers active in the market, it is reasonable to project Wayne State University as a potential user-buyer if the subject were available. As such, we have also researched large buildings sales on a national basis that were purchased for owner occupancy by a college, university or higher education user.

Lastly, we have considered local office sales in the Detroit market. This valuation scenario considers the subject’s potential buyer as an investor. As discussed with Ryan Sneok of Luke Investments, Joe Rosenberg of CB Richard Ellis and Bill Bubniak of NAI Farbman, there are a number of investors active in the Detroit market. For example, Dan Gilbert of Rock Companies has recently acquired a number of large office holdings in the city. According to the brokers, investors are drawn to the city’s economic potential, recent signs of recovery and demand for residential units (conversions). While we recognize the subject has a number of superadequacies based on conventional office market standards, and there is a large loss factor associated with its wide corridors and atrium areas, the space would likely be converted to a multi-tenant office-institutional use if purchased by an investor.

Given the limited sales data for properties similar to the subject, the following Sales Comparison Approach has been considered as a Test of Reasonableness for the Cost Approach conclusions. The property’s specialty use restricts the reliability of the sales comparison methodology; however, the national sales using the three search criteria outlined above present a reasonable range of value.

National Museum & Institutional Sales and Listings

Located in the chart on the following pages are a list of national museum and institutional sales and listings. The following information has been obtained from market participants, buyers, sellers, public records and-or industry recognized real estate sources. As there have been few museum transactions over the past 10 years, we have included information on properties throughout the US without limitations to size, age, condition and functionality. As noted above, the following sale data has been presented as supporting information for our Cost Approach value conclusions.

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NATIONAL MUSEUM, CULTURAL CENTER & INSTITUTION SALES & LISTINGS

No.	Name & Location	Year Built	Size (SF)	Sale Price	Price Per SF	Sale Date	Comments
1	Pope John Paul II Cultural Center 3900 Harewood Road NE Washington, DC	2001	100,000	\$22,700,000	\$227.00	Sep-11	<p>This comparable reflects the sale of a 100,000 square foot museum-cultural center located adjacent to Catholic University in Washington DC. The property was constructed in 2001 by the Archdiocese of Detroit for an estimated cost of \$75 million. The original vision was to create a similar use to a presidential library for Pope John Paul II. Due to low attendance numbers, the center was closed in 2006 to reduce expenses and the property was listed for sale. According to public records, the improvements are located on an 11.64-acre tax parcel identified as Section 3663, Lot 0004.</p> <p>According to various publications, the property attracted various interested parties and had been in contract to sell to The Dominican Sisters of Mary for an education use. The contract fell through due to high redevelopment costs. In September 2011, the property was sold to the Knights of Columbus for \$22,700,000. The new owner has since reopened the property as the Pope John Paul II National Shrine.</p>
2	Museum of Fine Arts 140 Fenway Street Boston, MA	1914	106,782	\$60,000,000	\$561.89	Sep-07	<p>Prior to the sale, this building was owned and occupied by the Forsyth Dental Infirmary for Children, a not-for-profit agency. The building dates back to 1914 and was in average condition at the time of sale. According to the broker, Edward Maher of Cushman & Wakefield, the building resembled a historic institutional structure with wide hallways and large common areas. The building was largely being used for office purposes; however, there were also some educational use sections in the building. Mr. Maher indicated that there were several interested parties in the property, including the Museum of Fine Arts and Northeastern University. The broker indicated that the sale was arm's length and reflective of market value. The seller moved to another location in Cambridge. The Museum of Fine Arts is an adjacent user and purchased the property for expansion.</p> <p>This property sold for \$60 million on September 27, 2007 per deed Book 42528, Page 336. The site consists of several parcels totaling approximately 1.6 acres. The broker did not indicate any atypical sale conditions with the transaction.</p>

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NATIONAL MUSEUM, CULTURAL CENTER & INSTITUTION SALES & LISTINGS							
No.	Name & Location	Year Built	Size (SF)	Sale Price	Price Per SF	Sale Date	Comments
3	Museum of Modern Art 45-47 W. 53 rd Street New York, NY	2000	28,291	\$31,200,000	\$1,102.82	Aug-11	This comparable reflects the sale of the former American Folk Art Museum in Manhattan to the Museum of Modern Art. The Folk Art Museum constructed the building in 2000-2001. Faced with high bond payments, the museum sold the property to MOMA in 2011 and moved to 2 Lincoln Center. MOMA owns adjacent properties and purchased the museum for expansion. While initial plans considered demolition of the improvements, it appears the buyer will use the museum for additional display space. The property sold on August 3, 2011 for the price of \$31,200,000 per document ID 2011072600845001. The improvements are located on a 4,020 square foot lot.
4	Former Chelsea Art Museum 556 W. 22 nd Street New York, NY	Est. 1920	34,500	\$19,350,000	\$560.87	Dec-10	The Chelsea Art Museum occupied this property from 2002-2012. The museum's owner sold the building in 2010 due to a pending bankruptcy. The property was purchased by an investor. Subsequent to the museum's closure, the entire building was leased to Hewlett-Packard. The tenant signed a ten-year lease for the improvements. In addition, the buyer sold 20,500 square feet of air rights to an adjacent developer, SR Capital, after the sale. The property transferred from 556 Holding LLC to West Chelsea Partners LLC on December 28, 2010. The improvements are situated on a 9,850 square foot lot identified as Block 693, Lot 64.
5	Former Dia Center of Arts 548 W. 22 nd Street New York, NY	Est. 1920	38,100	\$38,555,000	\$1,011.94	Nov-07	This comparable was formerly owned and occupied by the Dia Center for the Arts. The property was sold to a buyer for continued art exhibition space. The improvements consist of a four story brick building in Manhattan's Chelsea neighborhood. According to public records, the four story building was originally constructed circa 1920 and contains 38,100 square feet of space. The improvements are located on a 9,875 square foot lot identified as Block 693, Lot 59. According to the deed, the property transferred from Dia Center for the Arts Inc. to 548 West 22 Street Realty LLC for \$38,555,000 on December 4, 2007.

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NATIONAL MUSEUM, CULTURAL CENTER & INSTITUTIONAL SALES & LISTINGS							
No.	Name & Location	Year Built	Size (SF)	Sale Price	Price Per SF	Sale Date	Comments
6	Former Balch Institute 18 S. 7 th Street Philadelphia, PA	1976	75,614	\$2,750,000	\$36.37	Oct-04	This comparable reflects the sale of the Balch Institute for Ethnic Studies building in Philadelphia. The multi-story building was used for collections associated with ethnic and immigration studies and was partially open to the public. The property was sold when the owner no longer needed the space. According to information obtained for this analysis, the property was originally listed for sale at \$4.5 million by Binswanger. The buyer was represented by Jones Lang LaSalle. The property was purchased by a local investor in October 4, 2004 for \$2,750,000. The improvements are situated on a 16,744-acre site.
7	Kiernan Plaza 575 Broadway Albany, NY	1900	122,672	\$3,000,000	\$24.46	Aug-13	Kiernan Plaza was originally constructed in 1900 as Union Station. Union Station operated as Albany's rail station through 1968. In 1986, the train station underwent a nearly two year, \$14.5 million, renovation and redevelopment project by Norstar Bancorp and was converted into the bank's headquarters. The improvements were again renovated in 1999. Most recently, the space had been occupied by Bank of America, which vacated the property in 2009 due to corporate mergers. The building was listed on the National Register of Historic Places in 1971. The improvements contain a large multi-story atrium area, wide corridors and unique architectural features. The building was listed for sale in 2010 by Carrow Real Estate Services. In August 2013, the building was sold to the College of Nanoscale Science and Engineering. The property was purchased by the college to accommodate its expansion plans. The building will partially be occupied by the college, with remaining areas leased to multiple tenants. Per deed Book 3076, Page 420, the property transferred to Fuller Road Management Corporation for \$3,000,000.
8	Ware Center 42 N. Prince Street Lancaster, PA	2008	63,000	\$10,877,738	\$172.66	Mar-11	This arts and educational building was originally constructed in 2008 by the Pennsylvania Academy of Music for approximately \$35.0 million. After the school went out of business, negotiations began with the State of Pennsylvania's Millersville University. The State purchased the property in March 2011. The purchase price was based in part on two appraisals completed for the acquisition. The building will be used as performing arts space, meeting space and classrooms.

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NATIONAL MUSEUM, CULTURAL CENTER & INSTITUTIONAL SALES & LISTINGS							
No.	Name & Location	Year Built	Size (SF)	Sale Price	Price Per SF	Sale Date	Comments
9	Former Fort Discovery One Seventh Street Augusta, GA	1991	120,000	\$5,900,000	\$49.17	Listing	This comparable reflects the listing of the former Fort Discovery Center in Augusta, GA. Fort Discovery had operated at the location from 1997 through 2010. The property is located along the city's Riverwalk adjacent to the Savannah River. The building is largely considered shell space at this time and has been vacant for over three years. The improvements include underground parking and are attached to a multi-story condominium building. The building includes a 250-seat theater. The property is currently listed for sale by Jordon Trotter Commercial Realty. It was unclear as of the report date the land area associated with the property, as it appears to share the site with the attached condominium owners. The property previously sold in 2012 for \$2,100,000 (\$17.50/SF) to an out of state investor.
10	The Textile Museum 2320-2330 S. Street NW Washington DC	1915	26,000	\$22,000,000	\$846.15	Listing	This property was originally listed for sale in June 2013. The museum is moving to another location in the market and no longer needs this space. In addition to the 26,000 square foot building, the site is improved with 34,000 square feet of gardens. The property is located in the city's Kalorama neighborhood. The property has been listed with Coldwell Banker.
11	Hecker-Smily Mansion 5510 Woodward Avenue Detroit, MI	1892	26,700	\$2,790,000	\$104.49	Listing	This listing reflects a 26,700 historic mansion in mid-town Detroit. The improvements include a carriage house and are open to the public for tours. There are 32 parking spaces on site. The brokers are marketing the property for several uses, including a museum. This property is significantly smaller than the subject, however, is located in its immediate competitive neighborhood.
Compiled by Hilco Real Estate Appraisal							

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COMPARABLE SALES



Pope John II Cultural Center



Museum of Fine Arts



Museum of Modern Arts



Former Chelsea Art Museum



Former Dia Center of Arts



Former Balch Institute

COMPARABLE SALES



Kiernan Plaza



Ware Center



Former Fort Discovery

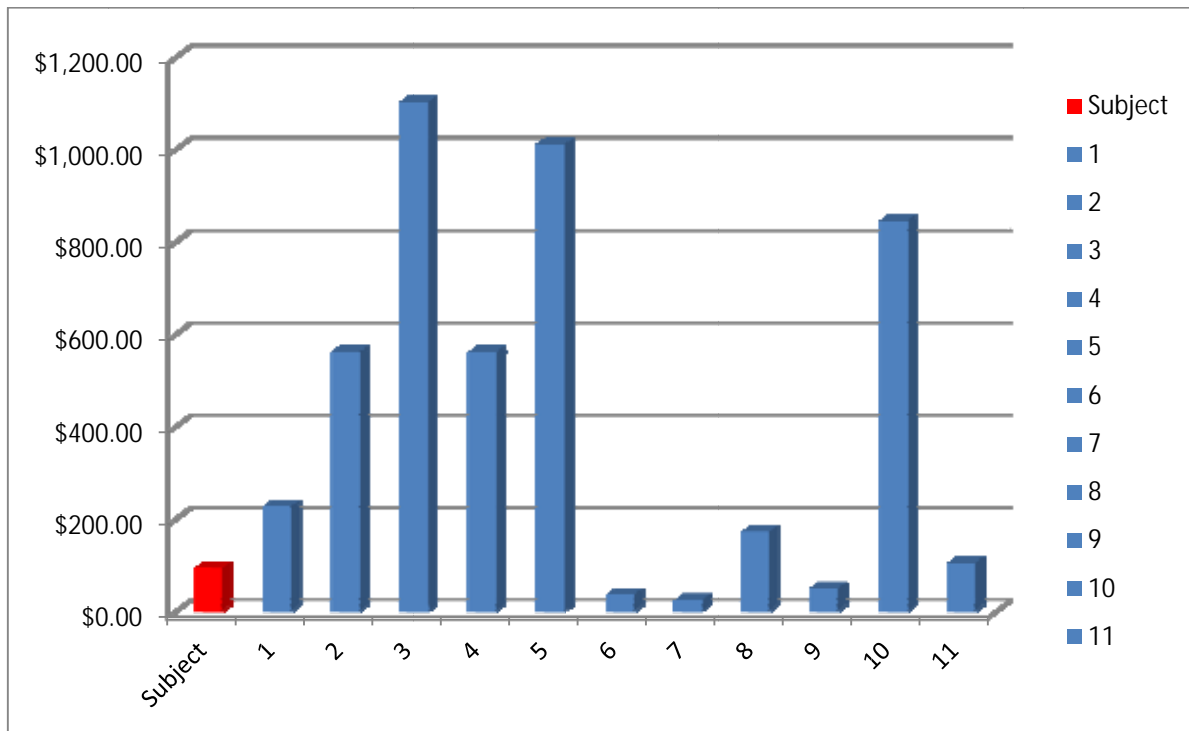


The Textile Museum



Hecker-Smily Mansion

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Analysis of Comparable Museum and Institutional Sales

As indicated in the chart above, the 11 museum and institutional sales reflect a large unadjusted value range from \$24.46 to \$1,102.82 per square foot. The subject’s building area of 462,174 square feet is *significantly* larger than each of the sales analyzed. In addition, its original construction in the mid-1920s and current condition is far inferior to the Pope John Paul II Cultural Center, Museum of Modern Art and Ware Center.

The sales and listings located at the high end of the range are located in New York City, Boston and Washington DC. The subject’s location is far inferior to the comparable sales located in these three cities. The chart below briefly identifies locational differences between the subject and comparable sales located in New York City, Boston and Washington DC.

LOCATION CONSIDERATIONS				
	Credit Rating	Population	Median Income	Median Home Value
City of Detroit	Caa3	678,376	\$25,035	\$54,619
New York City	Aa2	8,436,104	\$50,572	\$492,894
City of Boston	Aaa	649,616	\$50,172	\$364,779
District of Columbia	Aa2	652,136	\$67,750	\$437,660
Credit Rating Source: Moody’s (surveyed June 2014)				
Population, Median Income & Median Home Value Source: Nielsen Solution Center (Snapshot 2014 Report)				
Compiled by: Hilco Real Estate Appraisal				

Based on the above discussion, we would expect the subject’s *as is* fee simple market value to be towards the mid to low end of the adjusted range when comparing the property to the 11 museum and institutional sales.

Properties Purchased by Colleges, Universities and Higher Education Users

As discussed previously, the subject is located adjacent to Wayne State University. The University is a primary land owner in the immediate neighborhood. As supported through conversations with brokers active in the market, it is reasonable to project Wayne State University as a potential user-buyer if the subject were ever listed for sale. As such, we have researched large building sales on a national basis that were purchased for owner occupancy by a college, university or high educational user. These sales have been used as additional support for the previous museum and institutional sale analysis.

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REAL ESTATE PURCHASED BY COLLEGES & UNIVERSITIES							
No.	Name & Location	Year Built	Size (SF)	Sale Price	Price Per SF	Sale Date	Comments
1	Canisius College 1901 Main Street Buffalo, NY	-	272,804	\$18,450,000	\$67.63	Nov-08	This comparable consists of a 272,804 square foot office building sold to Canisius College for a new science hall. Prior to the sale, the building had been occupied by HealthNow. The sale included an adjacent three story parking garage containing 1,350 spaces. The property was sold to the college by Uniland Development on November 19, 2008 per deed Book 11152, Page 6026. The improvements are located on two tax parcels totaling 3.30 acres.
2	New York Medical College 19 Skyline Drive Hawthorne, NY	1982	248,400	\$17,500,000	\$70.45	Apr-13	This sale reflects a former IBM office building located in Westchester County, New York. The property was purchased by New York Medical College for owner occupancy. According to information obtained for this analysis, the improvements were outdated and in need of upgrading. The building includes a 115-seat auditorium and a cafeteria. In addition, the site is improved with a 720-space parking lot. The property closed on April 10, 2013 per deed Book 53100, Page 3411. The site consists of one parcel totaling 12.22 acres.
3	John Hopkins University 3910 Keswick Road Baltimore, MD	1969	415,000	\$14,795,000	\$35.65	Mar-10	In 2010, John Hopkins University, in connection with John Hopkins Health System, purchased this property for \$14,795,000. According to published business journal articles, the property had been on the market for over 12 months and had previously been owned and occupied by Zurich Insurance. The property includes 1,500 parking spaces and is situated on an 11.14-acre site. Information regarding the purchase price has been obtained from CoStar, while additional data has been provided by the buyer's press release and business journal publications. The building will be used by the college and health system affiliate as administrative office space.
4	Akiba Academy 270 S. Bryn Mawr Randor Township, PA	1960s	±250,000	\$30,000,000	\$120.00	Jun-07	In June 2007, American College sold its 250,000 square foot education facility to the Jewish Federation of Greater Philadelphia for \$30 million. The property had been listed for sale by CB Richard Ellis since 2006. American College leased back one of the buildings on the 34.06-acre campus, while Villanova University leased 20,726 square feet. The remainder of the buildings will be used by the Akiba Academy. The property is located approximately 12 miles from downtown Philadelphia.
Compiled by Hilco Real Estate Appraisal							

Detroit Institute of Arts (5200 Woodward Avenue) Detroit, MI

COMPARABLE SALES



Canisius College



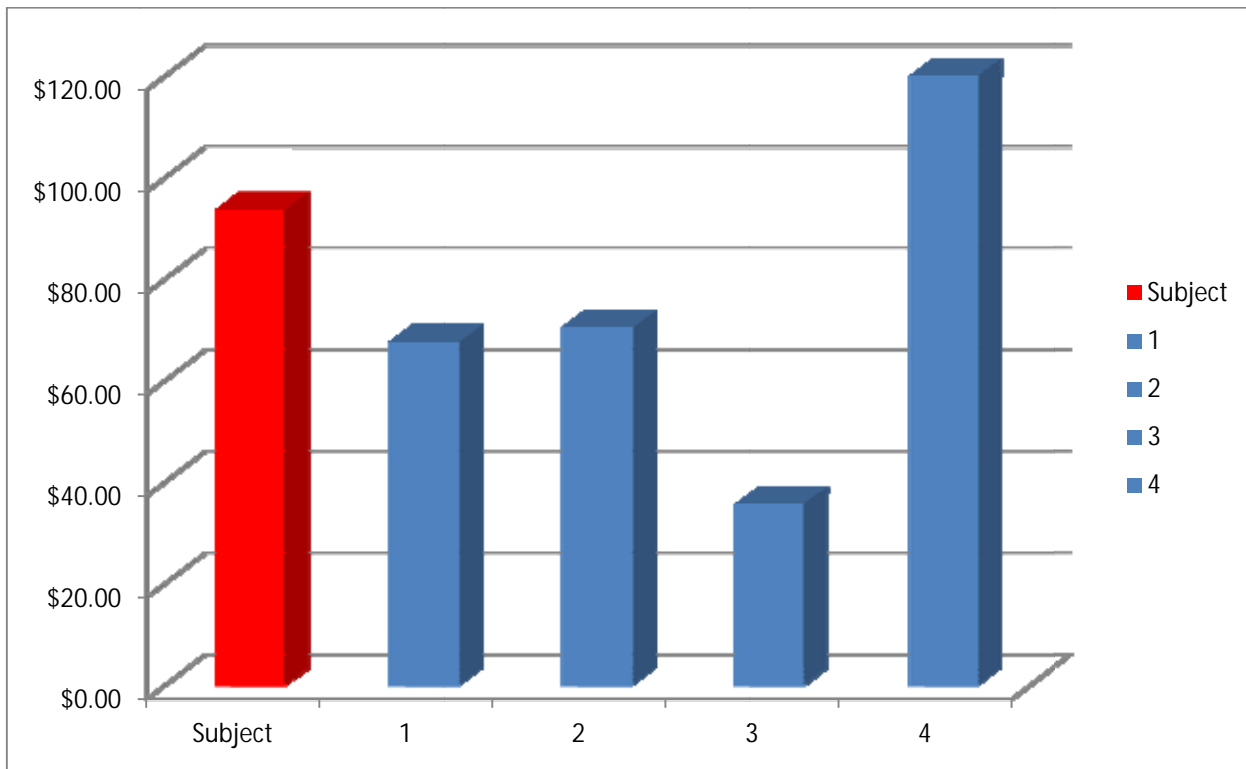
New York Medical College



John Hopkins University



Akiba Academy



Analysis of Comparable College and University Sales

The comparable properties purchased by colleges, universities and higher education users indicate an unadjusted value range between \$35.65 and \$120.00 per square foot. Sales #1, #2 and #3 were conventional office space at the time of sale, while Sale #4 was previously owned by American College. We note that Sale #4 reflects the sale of a campus setting in a suburban neighborhood. The property is located approximately 12 miles from downtown Philadelphia. The comparable sales were originally constructed in the 1960s-1980s and were in average condition at the time of sale. Based on the information provided, the building at 19 Skyline Drive in Hawthorne, New York was dated and required immediate buyer investment. Given the subject's urban location, condition, architectural design and layout, we would expect the subject's value towards the mid-to-high end of the range indicated by the comparable college, university and higher education sales.

Local Large Office Sales – City of Detroit

In addition to the two comparable data sets discussed above, we have considered local office sales in the Detroit market. This valuation scenario considers the subject's potential buyer as an investor. As discussed with Ryan Sneok of Luke Investments, Joe Rosenberg of CB Richard Ellis and Bill Bubniak of NAI Farbman, there are a number of investors active in the Detroit market. For example, Dan Gilbert of Rock Companies has recently acquired a number of large office holdings in the city. According to the brokers, investors are drawn to the city's economic potential, recent signs of recovery and demand for residential units (conversions). While we recognize the subject has a number of superadequacies based on conventional office market standards, and there is a large loss factor associated with its wide corridors and atrium areas, the space could be converted to a multi-tenant office-institutional use if purchased by an investor. Additionally, the architectural design and unique building features would likely offset its loss factors to some degree. Given the size of the subject, we have focused our search on building sales over 300,000 square feet.

The comparable sales purchased by investors for either redevelopment or upside potential associated with buildings operating below stabilization are considered to reflect the low end of the value range. While the subject is not an office building, office-institutional conversion is possible given its layout.

Detroit Institute of Arts (5200 Woodward Avenue) Detroit, MI

DETROIT OFFICE SALES AND LISTINGS

No.	Name & Location	Year Built	Size (SF)	Sale Price	Price Per SF	Sale Date	Comments
1	Detroit News Building 615 W. Lafayette Street Detroit, MI	1917	404,668	<\$8,000,000	<\$19.77	In Contract	<p>This comparable reflects the pending purchase of a 404,668 square foot office building located in Detroit's Downtown neighborhood. The Albert Kohn designed building dates back to 1917 and the 1920s and consists of 404,668 square feet of office space. The building was originally constructed for the Detroit News, which through various mergers, is now controlled by Gannett Companies. The site consists of four parcels totaling 5.53 acres.</p> <p>In 2013, The Detroit Media Partnership announced plans to relocate its headquarters to a newer building in the downtown market. The property was listed for sale with Joe Rosenberg and Myrna Burroughs of CBRE with an asking price of \$8.0 million. According to Mr. Rosenberg, the building was on the market for approximately 12 months prior to the pending purchase contract. Though the actual contract price was not disclosed, the broker indicated that it was below \$8.0 million. The sale was expected to close within days of the appraisal date.</p> <p>The purchaser is an investor that plans to redevelop the building, likely into multi-tenant office space. Given the large floor plates, the building does not easily lend itself to apartment conversion. The broker indicated that there was strong demand for this property from multiple parties. In addition, he indicated that the pending purchase price is arm's length. The building is considered to have historic significance. There were no atypical sale conditions or restrictions that would limit the property from its highest and best use.</p>
2	The Dime Building 719 Griswold Street Detroit, MI	1919	319,817	\$15,400,000	\$48.15	Aug-11	<p>This comparable reflects the sale of a multi-story office building located in Detroit. The building was approximately 70.0% occupied at the time of sale. According to the broker, Bill Bubniak of NAI Farberman, the property was on the market for approximately 3-4 months prior to having a signed purchase contract. Mr. Bubniak indicated that there were multiple offers on the building and that the sale was arm's length and reflective of market. The building had undergone a top down renovation prior to the sale and was in good condition. The sale included a 938-space parking garage at 730 Shelby Street.</p>

Detroit Institute of Arts (5200 Woodward Avenue) Detroit, MI

DETROIT OFFICE SALES AND LISTINGS

No.	Name & Location	Year Built	Size (SF)	Sale Price	Price Per SF	Sale Date	Comments
3	Chase Tower (The Qube) 611 Woodward Avenue Detroit, MI	1959, Ren. 2011	505,000	\$16,000,000	\$31.68	Ap-11	This comparable reflects the sale of the Chase Tower in Detroit's Downtown neighborhood. The property was purchased by a Dan Gilbert owned entity. Mr. Gilbert has acquired a number of large office buildings in Detroit between 2010 and 2014. According to articles published in local business journals, Mr. Gilbert planned to occupy a large portion of the building with his Quicken Loans business. As such, the buyer is a partial owner user. Subsequent to the sale, the building was renamed The Qube.
4	Office Building 1200 Sixth Street Detroit, MI	1966 & 1971	612,900	See Comments	Est. \$24.47- \$29.37	Listing	<p>This property is located near the border of Detroit's Downtown and Corktown-Woodbridge neighborhoods. The improvements consist of two attached office buildings totaling 612,900 square feet. The South Tower is 12 stories, while the North Tower is 22 stories. Both buildings have basements. The improvements are situated on a 9.50-acre site and include approximately 1,057 parking spaces. The large site area bodes well for the property's marketability as there appears to be future development potential. The improvements have been adequately maintained and were in average condition. Renovations to the building occurred in the late 1990s and early 2000s. The property was historically occupied by the State of Michigan, however, has been vacant for a number of years as the owner considered several different development scenarios. No major deferred maintenance was noted.</p> <p>The property is currently scheduled to be auctioned on July 15-17, 2014. According to a broker involved in the deal, Ryan Snoek of Luke Investments, there have been several interested parties. In addition, offers have been received by the seller in the \$15.0 to \$18.0 million range; however, the auction was still going to occur as scheduled as of the valuation date. Mr. Snoek indicated that the most likely purchaser was an investor for redevelopment. The North Tower is sprinklered and had a layout conducive for residential conversion. Based on the offers received to date, the property will likely transfer in the \$25.00 to \$30.00 per square foot range.</p>

Compiled by Hilco Real Estate Appraisal

COMPARABLE SALES



Detroit News Building



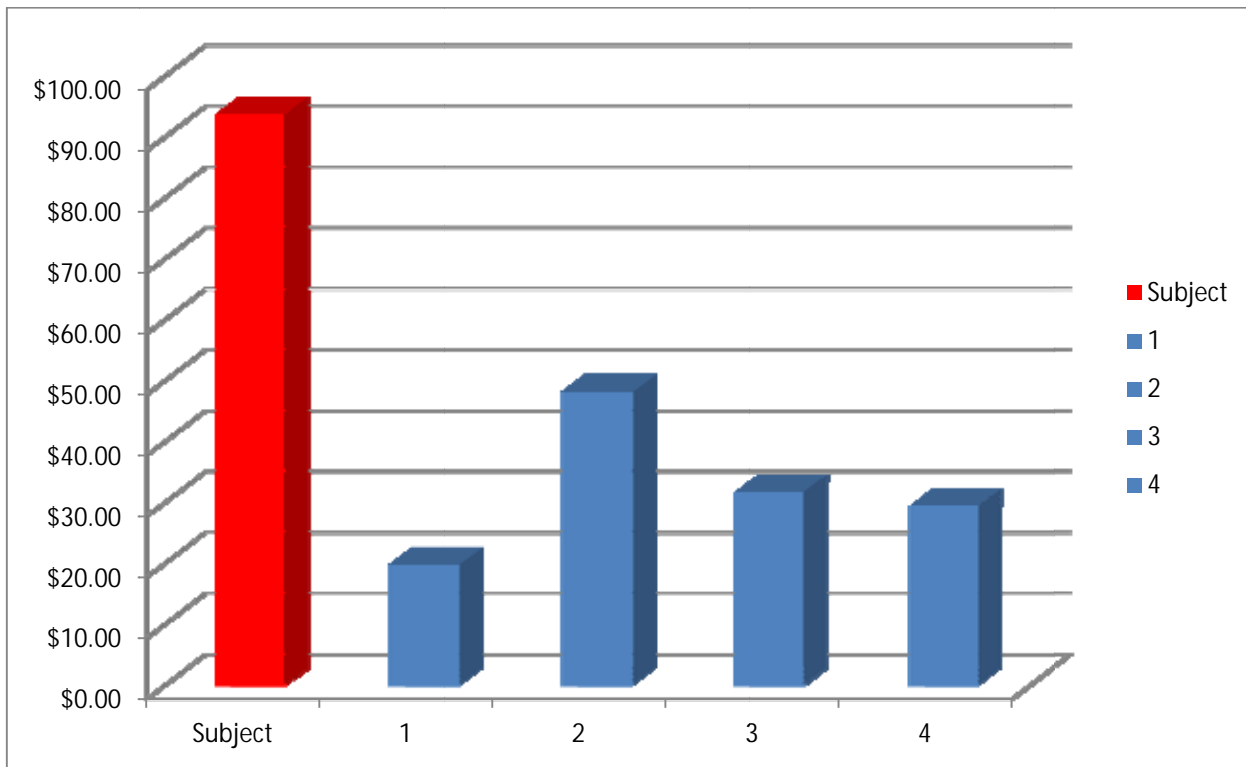
The Dime Building



Chase Tower



1200 Sixth Street



Analysis of Comparable Detroit Office Building Sales

The comparable Detroit office building sales indicate an unadjusted value range between <\$19.77 and \$48.15 per square foot. Investors in the market assume risk, expenses and timing associated with repositioning and stabilizing office buildings with high vacancy rates. As such, the sale prices paid are considered to reflect the low end of the value range for the subject property. Additionally, the four building sales do not have the architectural features associated with the subject. Lastly, we note that the subject is in average to good condition and has been adequately maintained. The building was last expanded in 2002 and underwent a multi-year renovation project between 2002 and 2008. Based on the above discussion we would expect the value of the subject to be higher than the four Detroit office building sales researched for this analysis.

TEST OF REASONABLENESS CONCLUSIONS

The subject is a special use property. Its large building size, historic architectural designs, layout and use as a museum are unique, not only to the Detroit market, but to the national real estate market as a whole. Given the lack of sales similar to the subject, we have considered the Sales Comparison Approach as a Test of Reasonableness to the Cost Approach value conclusions. As discussed in the above section, we have considered different data sets based on the most likely purchasers-users of the subject. The comparable sales provide reasonable value ranges after considering the subject’s specific location, economic trends and the property’s physical characteristics.

In estimating the subject’s value with regards to the ranges provided by the comparable sales, we have considered several factors, including the following.

Positive Value Factors	Negative Value Factors
<ul style="list-style-type: none"> The subject is located in Mid-Town Detroit. Its specific location is in close proximity to a number of large institutional and educational users, including Wayne State University. The subject has been adequately maintained and is presently in average to good condition. The building underwent an expansion in 2002 and a multi-year renovation project between 2002 and 2008. The building contains desirable architecture that is no longer feasible based on cost. According to the brokers interviewed, there are a number of investors active in the Detroit market. Investors are drawn to the City’s upside potential and recent positive economic signs. The subject has approximately 254 on-site parking spaces. 	<ul style="list-style-type: none"> The subject’s building size of 462,174 square is larger than many recently constructed museums. Its building size would likely reduce the pool of potential users. It would be difficult and costly to convert the building to another use given its large atriums, wide hallways and limited windows. While investors are active in the Detroit market, the City still struggles financially. As discussed above, Moody’s indicates a Caa3 credit rating for the Detroit. The City’s bankruptcy was approved in December 2013 and the State of Michigan has taken over administration of the City. Detroit’s population continues to decline. The City’s population declined 24.97% from 2000 to 2010 and 4.96% from 2010 to 2014. Population is projected to decline an additional 5.04% between 2014 and 2019.

Compiled by Hilco Real Estate Appraisal

Based on the above discussions, our value conclusions using the Sales Comparison Approach Test of Reasonableness are illustrated in the chart below.

SALES COMPARISON APPROACH CONCLUSIONS			
	Unadjusted Price Range	Subject Conclusion	Subject’s Range of Value
Museum & Institutional Sales	\$24.46-\$1,102.82	Mid-Low End of Range	\$50.00 - \$100.00
College & University Purchased Sales	\$35.65-\$120.00	Mid-High End of Range	\$40.00 - \$120.00
Detroit Office Building Sales	<\$19.77-\$48.15	Above Range	>\$48.15

Compiled by Hilco Real Estate Appraisal

We note that the museum and institutional sales and the college and university purchased sales have a similar range and indicate a refined range of \$50.00 to \$100.00 per square foot. Given the subject property’s location in Detroit within a historic district and other factors such as quality, lower level area, etc., we conclude a value near the upper end of the range or \$90.00 per square foot or **\$41,600,000** rounded.

Considering the Detroit Office Building sales acquired by investors, an alternative purchaser of the subject property that is acquiring the asset for investment purposes would likely pay \$20.00 to \$50.00 per square foot. The high of the sale is for an office building at 70.0 percent occupancy, while the low is a

Detroit Institute of Arts (5200 Woodward Avenue) Detroit, MI

former newspaper facility that is vacant and of inferior condition and quality. Given the subject property's location in Detroit within a historic district and other factors such as occupancy, condition, quality, lower level area, etc., we conclude a value near the upper end of the range or \$40.00 per square foot or **\$18,500,000** rounded.

INCOME CAPITALIZATION APPROACH

The *Income Capitalization Approach* is “a set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year’s income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate. (*The Dictionary of Real Estate Appraisal, Fifth Edition*)

The two most common methods of converting net income into value are direct capitalization and discounted cash flow analysis. In direct capitalization, net operating income is divided by an overall rate extracted from market sales to indicate a value. In the discounted cash flow method, anticipated future net income streams and a reversionary value are discounted to an estimate of net present value at a chosen yield rate (internal rate of return).

The subject property is a museum design for long term display and preservation of artworks and is not a property type that is leased or acquired for investment purposes. We note that as a going concern the Detroit Institute of Arts had been losing money when charging admission with a \$7.3 million operating loss in 2011 and a \$7.7 million operating loss in 2012.

The Detroit Institute of Arts stopped charging admission after a millage was approved in August 2012 for Wayne, Macomb, and Oakland Counties. The museum will receive approximately \$23 million in annual funding through property taxes. The millage charge is currently 0.20 or \$20 for a property with an assessed value of \$100,000 and will last 10 years. The revenue received over the ten-year term will assist the museum in covering operating expenses, repay endowment funds used to cover operating expenses, and bolster the endowment fund such that the museum can operate financially.

We note that if the subject property is acquired for investment purposes, it will lose its tax exempt status and be placed on the tax rolls. The millage rate is approximately 8.50 percent and lead to a levy of approximately \$1.575 million assuming an \$18.5 million acquisition price.

Therefore, given the property type is a non-income producing asset, the *Income Capitalization Approach* is not applicable and will not be developed.

RECONCILIATION AND FINAL VALUE ESTIMATE

The three approaches indicate the following market values for the *as is fee simple estate* of the subject property:

Cost Approach	\$43,300,000
Sales Comparison Approach	\$18,500,000 to \$41,500,000
Income Capitalization Approach	Not Applicable

The *Cost Approach* is utilized as the subject property is a special use property that is owner occupied built specially to accommodate the needs of the user. The Detroit Institute of Arts was constructed in stages and designed and constructed as a museum. The strengths of the approach are the availability of vacant land sales to develop a range of value being paid for vacant land in the Midtown Detroit and surrounding neighborhoods. Replacement cost data is available from several sources to develop a range of costs. The weakness of the approach is the estimate of accrued depreciation and obsolescence as the building improvements have a weighted-average 66 year age and the market for museums and potential for adaptive reuse are limited. Market data is available to provide a range of total depreciation and obsolescence. Therefore, the *Cost Approach* is given weight in the analysis.

The *Sales Comparison Approach* is a reflection of what investors/users have been paying for similar institutional properties in the recent past. A sufficient amount of information regarding sales of museum properties, institutional acquisitions, and office properties in the Detroit market provide the ability to formulate a test of reasonableness for the opinion of value for the subject property. We note that the properties vary greatly in location, age, size, quality, design, and quality and consider the Sales Comparison Approach as a Test of Reasonableness to the Cost Approach value conclusion. The museum comparable sales and institutional acquisition comparable sales provide a range of value that supports the *Cost Approach* conclusion; however, the Detroit office property sales set a lower threshold of value consistent with an alternative buyer scenario for investment and redevelopment purchases. The value is lower due to the required rate of return on investment required, cost of repurposing an asset, and the risk associated with undertaking such a project.

The *Income Capitalization Approach* concludes a value for a property based on its ability to generate a durable stream of income. The subject property is not income producing. Therefore, the *Income Capitalization Approach* is not applicable and was not developed.

Based on our analysis of the property as presented in this summary report, we have estimated the *as is market value* of the fee simple estate for the subject property, as of June 23, 2014, at:

FORTY THREE MILLION DOLLARS
\$43,000,000

ASSUMPTIONS & LIMITING CONDITIONS

"Appraisal" means the appraisal report and opinion of value stated therein; or the letter opinion of value, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Appraisal.

This appraisal is made subject to the following assumptions and limiting conditions:

1. No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
2. The information contained in the Appraisal or upon which the Appraisal is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor Hilco Real Estate Appraisal shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters.
3. The opinion of value is only as of the date stated in the Appraisal. Changes since that date in external and market factors or in the Property itself can significantly affect property value.
4. The Appraisal is to be used in whole and not in part. No part of the Appraisal shall be used in conjunction with any other appraisal. Publication of the Appraisal or any portion thereof without the prior written consent of Hilco Real Estate Appraisal is prohibited. Except as may be otherwise stated in the letter of engagement, the Appraisal may not be used by any person other than the party to whom it is addressed or for purposes other than that for which it was prepared. No part of the Appraisal shall be conveyed to the public through advertising, or used in any sales or promotional material without Hilco Real Estate Appraisal's prior written consent. Reference to the Appraisal Institute or to the MAI designation is prohibited.
5. Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
6. The Appraisal assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Appraisal; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value estimate contained in the Appraisal is based.
7. The physical condition of the improvements considered by the Appraisal is based on visual inspection by the Appraiser or other person identified in the Appraisal. Hilco Real Estate Appraisal assumes no responsibility for the soundness of structural members, nor for the condition of mechanical equipment, plumbing or electrical components.
8. The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best estimates of current market thinking on future income and expenses. The Appraiser and Hilco Real Estate Appraisal make no warranty or representation that these forecasts will

materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Appraisal, envisages for the future in terms of rental rates, expenses, supply and demand.

9. Unless otherwise stated in the Appraisal, the existence of potentially hazardous or toxic materials, which may have been used in the construction or maintenance of the improvements or may be located at or about the Property, was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. Hilco Real Estate Appraisal recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value. A Phase I environment site assessment was conducted by ERM. The conclusion was that the assessment identified no evidence of recognized environmental conditions (REC's).
10. Unless otherwise stated in the Appraisal, compliance with the requirements of the Americans With Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the property. Hilco Real Estate Appraisal recommends that an expert in this field be employed.
11. We have relied on the information contained in the plat of survey drawn by NF Engineers, Pontiac, MI dated April 07, 2014. We have relied on information contained in the title commitment prepared by Title Source, Inc. revision date April 22, 2014.

CERTIFICATION OF THE APPRAISAL

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

1. John C. Satter, MAI inspected the property on June 23, 2014. Chris L. Harland, MAI and W. Todd Haney, MAI did not inspect the subject property.
2. The appraiser(s) has not provided any services for the subject properties during the previous three years.
3. The statements of fact contained in this report are true and correct.
4. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are personal, unbiased professional analyses, opinions, and conclusions.
5. The appraiser(s) have no present or prospective interest, financial or otherwise, in the property that is the subject of this report, and have no personal interest or bias with respect to the parties involved.
6. The compensation for appraisal services is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. The appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
7. Mark Grant and Chris L. Harland, MAI provided significant appraisal assistance to the persons signing this certification in the form of research and data verification within the *Sales Comparison Approach*.
8. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the most recent issue of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report John C. Satter, MAI, GAA, Chris L. Harland, MAI, and W. Todd Haney, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.



John C. Satter, MAI, GAA
MI Cert. Gen. Appr. No. 1201074372

"Appraisers are required to be licensed and are regulated by the Michigan Bureau of Commercial Services, Department of Licensing and Regulatory Affairs, P.O. Box 30018, Lansing, MI 48909."

ADDENDA

Copy of the Legal Description

Aerial Photograph of Subject Property

Photographs of Subject Property

Copy of Plat of Survey

Copy of Floor Plans

Copy of the Zoning Map

Zoning Ordinance Information

Flood Map

Copy of the Financial Summary

Copy of the Profit & Loss Statements

Comparable Land Sales

Qualifications of the Appraiser(s)

Copy of the Legal Description

Legal Description

LEGAL DESCRIPTION

Land Situated in the City of Detroit in the County of Wayne in the State of MI

PARCEL 1:

Block A; together with the Northerly half of vacated Frederick Douglass Avenue adjacent thereto, of Ferry's Subdivision of Park Lot 40 and of Lots 1 to 18 inclusive of Farnsworth's Subdivision of Park Lots 38 and 39, according to the recorded plat thereof, as recorded in Liber 18 of Plats, Page 71, Wayne County Records.

PARCEL 4:

Lots 31 to 37 of Farnsworth Subdivision of Park Lots 38 and 39, together with the southerly half of vacated Frederick Douglass Avenue adjacent to said lots and together with the vacated alley appurtenant to said lots, according to the recorded plat thereof, as recorded in Liber 1, Page 16, Wayne County Records.

PARCEL 6:

Lots 43 through 78, both inclusive, together with the Southerly half of vacated Frederick Douglass Avenue adjacent to Lots 43 through 58, and the Northerly half of vacated Farnsworth Avenue adjacent to Lots 63 through 78, and together with vacated alleys appurtenant to said lots.

PARCEL 7:

Lots 79 and 80 of Farnsworth Subdivision of Park Lots 38 and 39, together with the Northerly half of vacated Farnsworth Avenue adjacent to said lots and together with the vacated alley appurtenant to said lots, as recorded in Liber 1, Page 16 of Plats, Wayne County Records.

PARCEL 9:

The East 5 feet of Lot 85 and Lots 86 and 87 and the West 16 feet of Lot 88, together with the Northerly half of vacated Farnsworth Avenue adjacent to said lots and together with the vacated alley appurtenant to said lots of Farnsworth Subdivision of Park Lots 38 and 39, as recorded in Liber 1, Page 16 of Plats, Wayne County Records.

PARCEL 10:

The East 14 feet of Lot 88 and Lots 89 and 90 of Farnsworth Subdivision of Park Lots 38 and 39, as recorded in Liber 1, Page 16 of Plats, Wayne County Records.

PARCEL 11:

Lots 103 through 120, both inclusive, together with the Southerly half of vacated Farnsworth Avenue adjacent to Lots 103 through 118, and vacated portions of Farnsworth Avenue adjacent to the South of Lots 103 through 117 and Lot 120, and vacated alleys appurtenant to said lots, of Farnsworth Subdivision of Park Lots 38 and 39, according to the recorded plat thereof, as recorded in Liber 1, Page 16, Wayne County Records.

PARCEL 12:

Lots 1 through 5, both inclusive, and Lots 10 through 14, both inclusive, Block 25, together with the Southerly half of vacated Frederick Douglass Avenue adjacent to Lots 1 through 5, Block 25, and the Northerly half of vacated Farnsworth Avenue adjacent to Lots 10 through 14, Block 25 and together with the vacated alley appurtenant to said lots of Brush's Subdivision of that part of the Brush Farm lying between the North line of Farnsworth Street and South line of Harper Avenue, as recorded in Liber 17, Page 28 of Plats, Wayne County Records.

Aerial Photograph of Subject Property

Aerial View of the Subject



Photographs of Subject Property



Detroit Institute of Arts Front View



Detroit Institute of Arts North Wing



Detroit Institute of Arts South Wing



Detroit Institute of Arts East Elevation



Detroit Institute of Arts Main Entry Woodward Lobby



Detroit Institute of Arts Great Hall



Detroit Institute of Arts Exhibit Hall



Detroit Institute of Arts Exhibit Hall



Detroit Institute of Arts Exhibit Hall



Detroit Institute of Arts Exhibit Hall



Detroit Institute of Arts Learning Center



Detroit Institute of Arts Learning Center



Detroit Institute of Arts Farnsworth Lobby



Detroit Institute of Arts Section of Original Building Structure



Detroit Institute of Arts HVAC Equipment



Detroit Institute of Arts HVAC Equipment



Detroit Institute of Arts HVAC Equipment



Detroit Institute of Arts Auditorium



Detroit Institute of Arts Auditorium



Detroit Institute of Arts Lecture Hall



Detroit Institute of Arts Office Area



Detroit Institute of Arts Office Area



Detroit Institute of Arts Office Area



Detroit Institute of Arts Roof Area



Detroit Institute of Arts Roof Area



Detroit Institute of Arts Roof Area



Detroit Institute of Arts Roof Area



Detroit Institute of Arts Roof Area & HVAC Equipment



Detroit Institute of Arts Original Structure Section



Detroit Institute of Arts Kresge Court



Detroit Institute of Arts Kresge Court



Detroit Institute of Arts Lower Level Storage Room



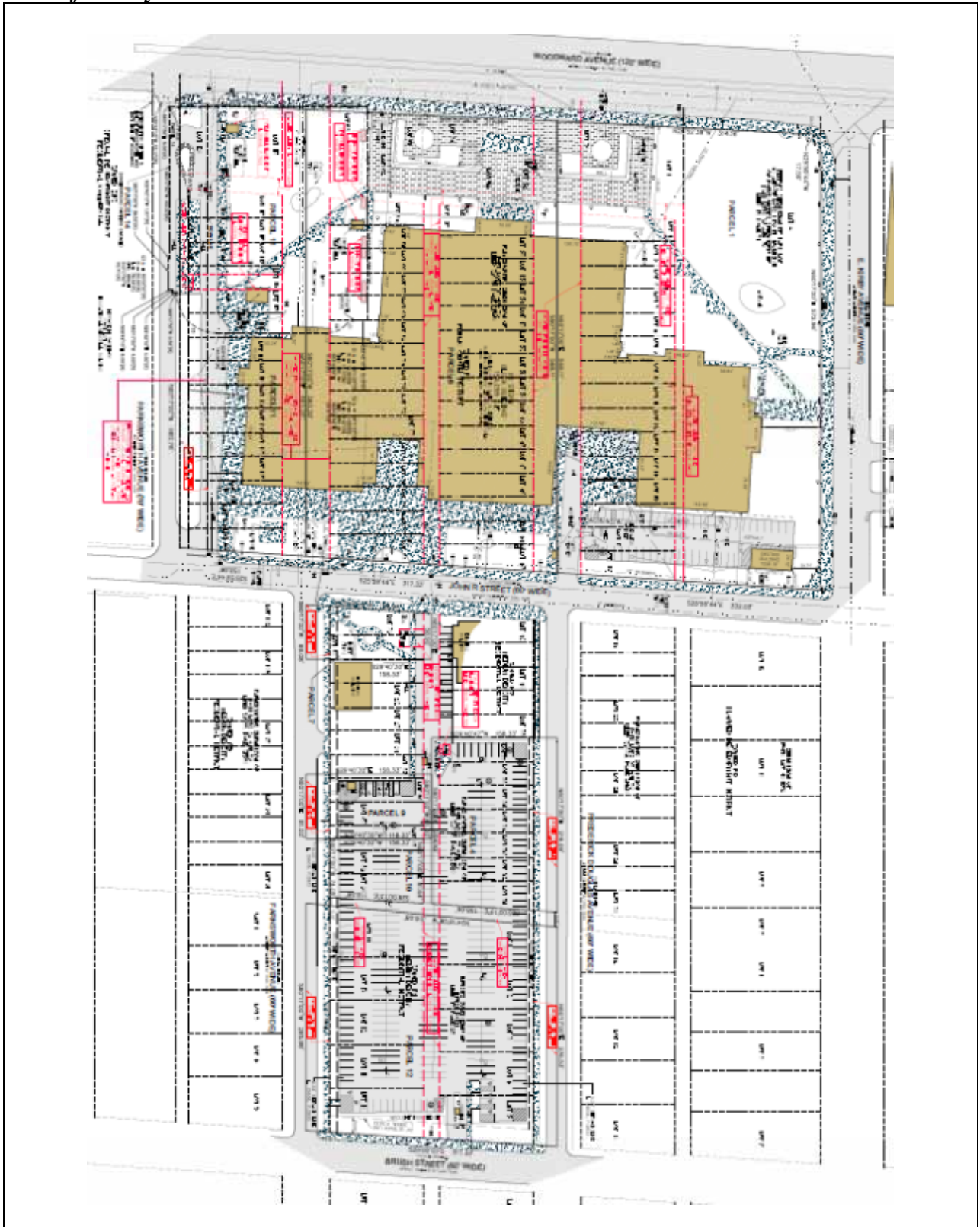
Detroit Institute of Arts Conservation Laboratory



Detroit Institute of Arts Conservation Laboratory

Copy of Plat of Survey

Plat of Survey



Copy of Floor Plans

Floor Plans



Floor Plans

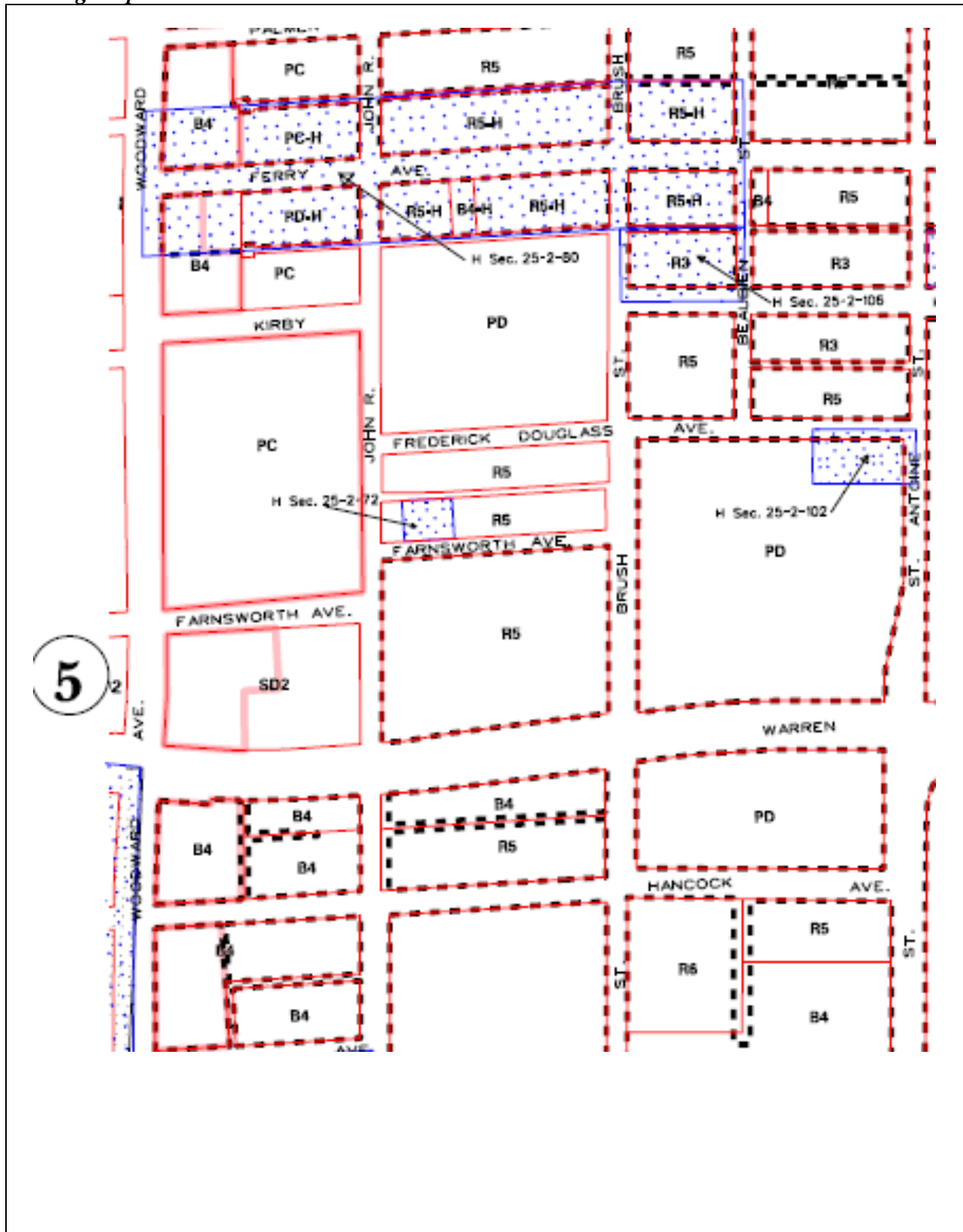


Floor Plans



Copy of the Zoning Map

Zoning Map



Zoning Ordinance Information

PC, Public Center District

DIVISION 4. PC PUBLIC CENTER DISTRICT

Sec. 61-11-61. Description.

This district includes areas used or to be used for governmental, recreational, and cultural purposes of particular or special civic importance. All construction or other improvement within this district requires that the Planning and Development Department and the City Planning Commission review and make recommendation to City Council, as provided for in ARTICLE III, DIVISION 6 of this Chapter so as to ensure a completely harmonious, pleasing, and functional public center.

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-11-62. Site plan review.

Site plan review is required for all Conditional Uses and for certain by-right uses. (See ARTICLE III, DIVISION 5.)

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-11-63. By-right uses.

Uses permitted by right in the PC District are delineated in Sec. 61-11-64 through Sec.61-11-68 of this Code. (See ARTICLE XII for a complete listing of all use regulations and standards, ARTICLE III, DIVISION 5 to determine when Site Plan Review is required for by-right uses, and ARTICLE XII, DIVISION 5 for accessory uses, including home occupations.)

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-11-64. By-right residential uses.

(1) None

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-11-65. By-right public, civic, and institutional uses.

(1) Auditoriums, public

(2) Convention or exhibit buildings

(3) Educational institution or cultural building

(4) Library

(5) Museum

(6) Outdoor entertainment facility

(7) Outdoor recreation facility

(8) Public aquarium

(9) School, elementary, middle/junior high, or high

(10) Stadium or sports arena, public only

(11) All other public recreational uses and "Park and Open Space" uses

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-11-66. By-right retail, service, and commercial uses.

(1) Arcade, when clearly incidental and accessory to uses permitted in the PC district and where located on the same zoning lot

(2) Office, public only

(3) Parking lots or parking areas for operable private passenger vehicles open to the public

(4) Parking structure, open to the public and having ground floor commercial space or other space oriented to pedestrian traffic

(5) Retail sales and services clearly incidental and accessory to uses permitted in the PC district and where located on the same zoning lot, such as food service counters, restaurants, bars and lounges, gift and souvenir shops, shoeshine stand or parlor, and personal service establishments

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-11-67. By-right manufacturing and industrial uses.

(1) None

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-11-68. By-right other uses.

(1) Antennas as provided for in ARTICLE XII, DIVISION 3, Subdivision G of this Chapter.

(2) Boat terminal, passenger

(3) Public center open uses

(4) Signs as provided for in ARTICLE VI of this Chapter.

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-11-69. Conditional uses.

Uses permitted conditionally in the PC District are delineated in Sec. 61-11-70 through Sec. 61-11-74 of this Code. (See ARTICLE XII for a complete listing of all use regulations and standards, and ARTICLE XII, DIVISION 5 of this Chapter for accessory uses, including home occupations.)

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-11-70. Conditional residential uses.

(1) None

(Ord. No. 11-05, §1, 5-28-05)

PC, Public Center District

Sec. 61-11-71. Conditional public, civic, and institutional uses.

- (1) None
(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-11-72. Conditional retail, service, and commercial uses.

- (1) Commercial parking lots or areas not permitted by right in the PC district.
- (2) Parking structures not permitted by right in the PC district.
(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-11-73. Conditional manufacturing and industrial uses.

- (1) None
(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-11-74. Conditional other uses.

- (1) Farmers market as defined in ARTICLE XVI.DIVISION 2.Subdivision G of this Chapter
- (2) Heliports
- (3) Signs as provided for in ARTICLE VI of this Chapter.
(Ord. No. 11-05, §1, 5-28-05; Ord. No. 10-13, §1, 04-16-13)

Sec. 61-11-75. General intensity and dimensional standards.

Development in the PC District shall comply with the standards provided for in Sec. 61-13-64 of this Code.
(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-11-76. Review process.

The exterior design, appearance, and location of any proposed building, or exterior alteration of any existing building, structure, or premises, or part thereof, including any exterior signs, and parking, loading or unloading areas, shall be reviewed by the Planning and Development Department and by the City Planning Commission to ensure harmony with the public center where it is located and consistency with the spirit, intent, and purpose of this Zoning Ordinance. A written report shall be filed with the City Council recommending approval or disapproval of the proposed use, facility or alteration, and recommending any changes deemed necessary to ensure conformity with the spirit, intent, and purpose of this district. In each case the City Council shall approve, disapprove, or adjust said recommendation by resolution. Advertising signs shall not be permitted in the PC district. (See ARTICLE III, DIVISION 6)
(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-11-77. PC District review criteria.

The City Planning Commission and the Planning and Development Department shall review proposals, referenced in Sec. 61-11-76, in accordance with the following criteria:

- (1) The proposed development should reflect applicable policies stated in the Detroit Master Plan;
- (2) Scale, form, massing and density should be appropriate to the nature of the project and relate well to surrounding development;
- (3) The proposed development should be compatible with surrounding development in terms of land use, general appearance and function and should not adversely affect the value of adjacent properties;
- (4) Vehicular and pedestrian circulation facilities should be adequately designed to meet expected demands; disruption of traffic flow in surrounding areas should be minimized; truck traffic should be carefully planned and controlled;
- (5) Adequate vehicular off-street parking and loading should be provided, where appropriate;
- (6) Adequate public and private open space should be provided for light and air, landscaping, and, where appropriate, for passive and active recreation;
- (7) Adequate rights-of-way, easements and dedications should be provided where appropriate for trafficways, utilities and community facilities;
- (8) Public access should be provided where appropriate, including provision of adequate right-of-way for the continuous pedestrian/bicycle pathway being developed along the Detroit River;
- (9) Appropriate buffering and screening of service, loading, refuse collection, mechanical and electrical equipment and parking areas should be provided;
- (10) Careful consideration should be given to orientation for solar access to both the proposed project and surrounding development;
- (11) Signage and graphics should be tastefully designed to be visually appealing and in character with surrounding development; they should provide needed information, direction and orientation in a clear and concise manner;
- (12) Security considerations, especially avoidance of visually isolated public spaces, should be a major element of the design program;
- (13) Barrier-free access and public safety features should be carefully planned;
- (14) Preservation/restoration of buildings having architectural or historic value should be considered a primary objective;
- (15) Urban design elements of form and character should be carefully considered; such elements include, but are not limited to: richness/ interest of public areas through the provision of storefronts, window displays, landscaping, and artwork; color, texture and quality of structural materials; enclosure of public spaces; variations in scale; squares, plazas and/or "vest pocket parks" where appropriate; continuity of experience, visual activity and interest; articulation and highlighting of important visual features; preservation/enhancement of important views and vistas;
- (16) Special attention should be given to amenity and comfort considerations such as provision for outdoor seating, restrooms for public use, bicycle storage, convenience of access points and protection from harsh weather through such features as enclosed walkways and arcaded pedestrian areas;
- (17) Careful attention should be given to ease of maintenance of the completed project; snow removal, mowing, cleaning, and other maintenance and repair operations should be considered;
- (18) Phasing, staging and interim circulation patterns should be well-planned so as to minimize disruption during the construction period.
(Ord. No. 11-05, §1, 5-28-05)

R5, Medium Density Residential District

DIVISION 6. R5 MEDIUM DENSITY RESIDENTIAL DISTRICT

Sec. 61-8-91. Description.

This district is designed to provide for a range of residential development from the single-family detached dwelling to medium-density multiple-family dwellings. The primary use in this district will be the rental apartment structure. In addition to permitted residential uses, certain specified non-residential uses which can be properly blended into this district may be permitted.

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-8-92. Site plan review.

Site plan review is required for all Conditional Uses and for certain by-right uses.)See ARTICLE III, DIVISION 5).

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-8-93. By-right uses.

Uses permitted by right in the R5 District are delineated in Sec. 61-8-94 through Sec. 61-8-98 of this Code. (See ARTICLE XII for a complete listing of all use regulations and standards, ARTICLE III, DIVISION 5 to determine when Site Plan Review is required for by-right uses, and ARTICLE XII, DIVISION 5 for accessory uses, including home occupations.)

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-8-94. By-right residential uses.

- (1) Assisted living facility
- (2) Boarding school and dormitory
- (3) Child caring institution
- (4) Convalescent, nursing, or rest home
- (5) Fraternity or sorority house
- (6) Loft
- (7) Multiple-family dwelling
- (8) Religious residential facilities
- (9) Residential use combined in structures with permitted commercial use
- (10) Rooming house
- (11) Shelter for victims of domestic violence
- (12) Single-family detached dwelling
- (13) Town house
- (14) Two-family dwelling

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-8-95. By-right public, civic, and institutional uses.

- (1) Adult day care center
- (2) Child care center
- (3) Educational institution
- (4) Family day care home
- (5) Hospital or hospice
- (6) Library
- (7) Museum
- (8) Neighborhood center, nonprofit
- (9) Outdoor recreation facility
- (10) Religious institution
- (11) School, elementary, middle/junior high, or high

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-8-96. By-right retail, service, and commercial uses.

- (1) Medical or dental clinic, physical therapy clinic, or massage therapy clinic
- (2) Parking lots or parking areas for operable private passenger vehicles

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-8-97. By-right manufacturing and industrial uses.

- (1) None

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-8-98. By-right other uses.

- (1) Antennas as provided for in ARTICLE XII, DIVISION 3, Subdivision G of this Chapter
- (2) Greenhouse as provided for in ARTICLE XII, DIVISION 3, Subdivision H of this Chapter
- (3) Hoophouse as provided for in ARTICLE XII, DIVISION 3, Subdivision H of this Chapter
- (4) Railroad right-of-way, not including storage tracks, yards, or buildings
- (5) Signs as provided for in ARTICLE VI of this Chapter.
- (6) Urban farm as provided for in ARTICLE XII, DIVISION 3, Subdivision H of this Chapter
- (7) Urban garden as provided for in ARTICLE XII, DIVISION 3, Subdivision H of this Chapter

(Ord. No. 11-05, §1, 5-28-05; Ord. No. 10-13, §1, 04-16-13)

R5, Medium Density Residential District

Sec. 61-8-99. Conditional uses.

Uses permitted conditionally in the R5 District are delineated in Sec. 61-8-100 through Sec. 61-8-104 of this Code. (See ARTICLE XII for a complete listing of all use regulations and standards, and ARTICLE XII, DIVISION 5 of this Chapter for accessory uses, including home occupations.)

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-8-100. Conditional residential uses.

- (1) Adult foster care facility
- (2) Emergency shelter
- (3) Mobile home park
- (4) Pre-release adjustment center
- (5) Residential substance abuse service facility
- (6) Single-room-occupancy housing, nonprofit

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-8-101. Conditional public, civic, and institutional uses.

- (1) Electric transformer station
- (2) Fire or police station and similar public building
- (3) Gas regulator station
- (4) Group day care home
- (5) School building adaptive reuses—public, civic, and institutional
- (6) Telephone exchange building
- (7) Water works, reservoir, pumping station, or filtration plant

(Ord. No. 11-05, §1, 5-28-05; Ord. No. 21-12, §1, 11-2-12)

Sec. 61-8-102. Conditional retail, service, and commercial uses.

- (1) Bed and breakfast inn
- (2) Hotel
- (3) Motel
- (4) Parking structure
- (5) Private club, lodge, or similar use, non-profit
- (6) Retail sales and personal service in multiple-residential structures
- (7) School building adaptive reuses—retail, service, and commercial
- (8) Youth hostel/hostel

(Ord. No. 11-05, §1, 5-28-05; Ord. No. 13-11, §1, 8-23-11; Ord. No. 21-12, §1, 11-2-12)

Sec. 61-8-103. Conditional manufacturing and industrial uses.

- (1) None

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-8-104. Conditional other uses.

- (1) Antennas as provided for in ARTICLE XII, DIVISION 3, Subdivision G of this Chapter
- (2) Signs as provided for in ARTICLE VI of this Chapter
- (3) Marinas

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-8-105. Intensity and dimensional standards.

Development in the R5 District shall comply with the standards provided for in ARTICLE XIII, DIVISION 1, Subdivision A and in ARTICLE XIII, DIVISION 2 of this Chapter.

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-8-106. Other regulations.

For accessory parking regulations, see ARTICLE XIV, DIVISION 1, Subdivision E and ARTICLE XIV, DIVISION 1, Subdivision K of this Chapter.

(Ord. No. 11-05, §1, 5-28-05)

Sec. 61-8-107. Motor vehicle repair prohibited as home occupation.

Any type of repair or assembly of vehicles or equipment with internal combustion engines is prohibited as a home occupation as provided for in Sec. 61-12-382 through Sec. 61-12-392 of this Code. Incidental and accessory at-home motor vehicle repair is limited as follows:

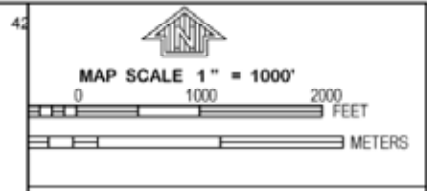
- (1) No motor vehicle may be repaired on residential property outside of a fully enclosed structure, except in the rear yard;
- (2) No motor vehicle shall be repaired on residential property outside of a fully enclosed structure, except between the hours of 8:00 a.m. and 8:00 p.m.;
- (3) No motor vehicle being repaired on residential property outside of a fully enclosed structure shall appear in a visibly dismantled state, or with parts or components of the vehicle visibly separated from a vehicle, for a period of more than fourteen (14) consecutive days; and
- (4) No inoperable vehicle shall be stored in a residential yard area, unless the owner of the property has obtained a thirty (30) day sticker from the Police Department precinct where the residential property is located.

(Ord. No. 11-05, §1, 5-28-05)

Secs. 61-8-108–61-8-110. Reserved

Flood Map

Flood Map



NFP

PANEL 0280E

FIRM
FLOOD INSURANCE RATE MAP

**WAYNE COUNTY,
MICHIGAN
(ALL JURISDICTIONS)**

PANEL 280 OF 575
(SEE MAP INDEX FOR FIRM PANEL LAYOUT)

CONTAINS:
COMMUNITY: DETROIT CITY OF

NUMBER	PANEL	SUFFIX
2800E	280E	E

Notice to User: The Map Number shown below should be used when placing map orders; the Community Number shown above should be used on insurance applications for the subject community.

**MAP NUMBER
26163C0280E**

**EFFECTIVE DATE
FEBRUARY 2, 2012**

Federal Emergency Management Agency

This is an official copy of a portion of the above referenced flood map. It was extracted using FIRM Online. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest and most information about National Flood Insurance Program flood maps check the FEMA Flood Map Store at www.msc.fema.gov

Copy of the Financial Summary

Financial Summary

Unrestricted Operating Results – FY 2011 - 2014

\$ - Millions

	<u>FY 2011 Actual</u>	<u>FY 2012 Actual</u>	<u>FY 2013 Actual</u>	<u>FY 2014 Budget</u>
<u>Operating Results</u>				
Operating Revenue	\$ 16.7	\$ 16.3	\$ 27.2	\$ 34.0
Operating Expense	(24.0)	(24.0)	(25.8)	(31.0)
Total Operating Result	\$ (7.3)	\$ (7.7)	\$ 1.6	\$ 3.0
Board Transfer to/from Restricted	7.3	7.7	-	(3.0)
Net Operating Results	\$ -	\$ -	\$ 1.6	\$ -



DETROIT INSTITUTE OF ARTS

Unrestricted Revenue – FY 2011 - 2014

\$ - Millions

	<u>FY 2011 Actual</u>	<u>FY 2012 Actual</u>	<u>FY 2013 Actual</u>	<u>FY 2014 Budget</u>
<u>Unrestricted Operating Revenue</u>				
State/City	\$ 0.5	\$ 0.4	\$ -	\$ -
County Millage	-	-	10.9	21.9
Membership & Development	8.0	7.3	7.2	6.9
Investment Income	3.4	3.4	4.0	0.7
Volunteers (in-kind)	1.3	1.2	1.0	1.3
All Other	3.5	4.0	4.1	3.2
Total Operating Revenue	\$ 16.7	\$ 16.3	\$ 27.2	\$ 34.0
BoD Restricted Revenue	7.3	7.7	-	(3.0)
Net Revenue	\$ 24.0	\$ 24.0	\$ 27.2	\$ 31.0



DETROIT INSTITUTE OF ARTS

Copy of the Profit & Loss Statements

2013-2014 P & L**DIA Capital Spending**

	<u>Spending</u>
<u>2010 FY</u>	
Perimeter Heating System Upgrades	\$ 1,254,250
Steam Facility Upgrades	111,537
All Other	96,007
Islamic Gallery Renovations	669,796
Learning Center Upgrades	<u>37,852</u>
Total 2010	\$ 2,169,442
<u>2011 FY</u>	
Perimeter Heating System Upgrades	\$ 32,251
Steam Facility Upgrades	35,000
All Other	53,164
Ancient Middle East Gallery Renovations	191,467
Perimeter Heating System Upgrades	190,000
Roof Repairs	7,350
All Other	<u>79,136</u>
Total 2011	\$ 588,368
<u>2012 FY</u>	
State of Michigan	\$ 3,157,218
Roof Repairs	567,230
Public Address System	305,176
Wireless Access	282,330
Phone Sysyem	151,333
Auditorium Renovation	32,034
Perimeter Heating System Upgrades	23,100
Stair Renovation	47,908
Elevator Upgrades	61,779
Woodward Retaining Wall Improvements	65,454
All Other	<u>121,464</u>
Total 2012	\$ 4,815,026
<u>2013 FY</u>	
Roof Repair/Replacement	\$ 275,000
Reconstruction of DFT Stairs	932,000
DFT lower Level/Crystal Gallery Renovation	384,000
DFT Mechanical/Electrical Engineering	100,000
Kresge Court Upgrades	
- Furnishings/other	253,000
- Skylight Repair/Lighting, etc	290,000
All Other	<u>200,000</u>
Total 2013	\$ 2,434,000
<u>2014 FY</u>	
DFT Mechanical/Electrical	\$ 800,000
Campus Lighting/Security Upgrades	450,000
All Other	<u>250,000</u>
Total 2014-15	\$ 1,500,000
<u>2015 FY</u>	
DFT Mechanical/Electrical	\$ 1,000,000
Parking Lot Renovation	700,000
Building Tuckpointing & Cleaning	1,100,000
All Other	<u>700,000</u>
Total 2014-15	\$ 3,500,000
<u>2016 FY - 2019 FY</u>	
TBD - annual estimate	\$ 2,500,000
Four year period	\$ 10,000,000

Comparable Land Sales

Land Sale #1

Location Data

Street Address	701 Mack Avenue
City, State	Detroit, MI
County	Wayne
Zip	48201
Location	Midtown
Parcel No.	03001000-1200

Transaction Data

Sale Date	12/16/2009
Buyer	Detroit Medical Center
Seller	City of Detroit
Sale Price	\$900,000
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Arms Length

Site Data

Acres (Gross)	5.31
Square Feet (Gross)	231,304
Acres (Net)	5.31
Square Feet (Net)	231,304
Shape	Irregular
Topography	Level
Utilities	All available
Zoning	PD, Planned Development
Access	Average

Analysis

Price/Acre (Gross)	\$169,491
Price/Sq Ft (Gross)	\$3.89
Price/Acre (Net)	\$169,491
Price/Sq Ft (Net)	\$3.89
Marketing Period	N/A

Comments

This is a sale of a 5.31-acre parcel of land formerly part of Tolen Park that was owned by the City of Detroit and sold to the Detroit Medical Center for development of a medical facility and surface parking. The site was zoned R6 at the time of sale and rezoned PD, Planned Development. The site has access from one-way south Service Drive. Source: CoStar, Wayne County records, City of Detroit.

Photograph



Land Sale #2

Location Data

Street Address	660 Gratiot Avenue
City, State	Detroit, MI
County	Wayne
Zip	48226
Location	Downtown District

Transaction Data

Sale Date	7/14/2011
Buyer	Wayne County
Seller	Greektown Casino LLC
Sale Price	\$14,000,000
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Arms Length

Site Data

Acres (Gross)	7.14
Square Feet (Gross)	311,018
Acres (Net)	7.14
Square Feet (Net)	311,018
Shape	Rectangular
Topography	Level
Utilities	All available
Zoning	PD, Planned Development
Access	Good

Analysis

Price/Acre (Gross)	\$1,960,784
Price/Sq Ft (Gross)	\$45.01
Price/Acre (Net)	\$1,960,784
Price/Sq Ft (Net)	\$45.01
Marketing Period	1262 days

Comments

This comparable sale is a parking lot purchased for development of a correctional facility by Wayne County, MI. The site is located in the central business district along Gratiot Avenue, a primary corridor, and adjacent to Chrysler Freeway (I-75). The seller paid \$175,000 toward an environmental clean up and the parties also exchanged a 1.12 acre site for \$2.20 million (\$45.09 psf). Construction began on the facility but has since stalled due to cost overruns and mismanagement. Source: CoStar, Wayne County Records, Steve Gordan, Signatures Associates.

Photograph



Land Sale #3

Location Data

Street Address	7990 Cameron Street
City, State	Detroit, MI
County	Wayne
Zip	48201
Location	New Center

Transaction Data

Sale Date	4/30/2012
Buyer	Michigan Humane Society
Seller	Detroit Public Schools Office
Sale Price	\$440,000
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Arm's Length

Site Data

Acres (Gross)	4.00
Square Feet (Gross)	174,240
Acres (Net)	4.00
Square Feet (Net)	174,240
Shape	Rectangle
Topography	Level
Utilities	All available
Zoning	B4, General Business District
Access	Average

Analysis

Price/Acre (Gross)	\$110,000
Price/Sq Ft (Gross)	\$2.53
Price/Acre (Net)	\$110,000
Price/Sq Ft (Net)	\$2.53
Marketing Period	N/A

Comments

Surplus acreage sold by Detroit Public Schools Office of Real Estate. Parcel part of land site of Sherrard Elementary School. Located along Chrysler Freeway (I-75) north of Grand Boulevard. Source: CoStar, Tammy Deane, Detroit Public Schools.

Photograph



Land Sale #4

Location Data

Street Address	1800 Antoinette Street
City, State	Detroit, MI
County	Wayne
Zip	48208
Location	Avery Park

Transaction Data

Sale Date	5/8/2012
Buyer	SHA Realty Corporation
Seller	Avery Park Partners
Sale Price	\$425,000
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Arm's Length

Site Data

Acres (Gross)	8.50
Square Feet (Gross)	370,260
Acres (Net)	8.50
Square Feet (Net)	370,260
Shape	Irregular
Topography	Level
Utilities	All available
Zoning	M2, Restricted Industrial District
Access	Average

Analysis

Price/Acre (Gross)	\$50,000
Price/Sq Ft (Gross)	\$1.15
Price/Acre (Net)	\$50,000
Price/Sq Ft (Net)	\$1.15
Marketing Period	952 days

Comments

Assemblage and redevelopment site of former industrial use. Site required remediation of environmental issues and demolition of a former heavy industrial building and removal of a former street. Site is part of a 22-acre development for a 275,000 square foot distribution facility to be occupied by Cardinal Health. Project received TIF and brown field incentives. Source: CoStar, David Endgers, Developer KIRCO Manix.

Photograph



Land Sale #5

Location Data

Street Address	3439 Woodward Avenue
City, State	Detroit, MI
County	Wayne
Zip	48201
Location	Midtown Detroit

Transaction Data

Sale Date	Pending
Buyer	
Seller	City of Detroit
Sale Price	\$1,300,000
Property Rights	Fee Simple
Financing	Cash to Seller
Conditions of Sale	Pending

Site Data

Acres (Gross)	1.65
Square Feet (Gross)	71,874
Acres (Net)	1.65
Square Feet (Net)	71,874
Shape	Rectangular
Topography	Level
Utilities	All available
Zoning	B4, General Business District
Access	Good

Analysis

Price/Acre (Gross)	\$787,879
Price/Sq Ft (Gross)	\$18.09
Price/Acre (Net)	\$787,879
Price/Sq Ft (Net)	\$18.09
Marketing Period	686 days

Comments

Vacant site located at northeast corner of Woodward Avenue and Stimson Street in the Midtown Detroit area. Site is clear and ready for development. The City of Detroit is the owner and issued a RFP for offers with an August 2012 deadline. The property is under contract for purchase with the buyer proposing a five-story retail and office mixed-use with a 280-car parking structure. Source: CoStar, Myma Burroughs, CBRE marketing flier, James Manusich, Real Estate Development Division, City of Detroit..

Aerial



Qualifications of the Appraiser(s)

Qualifications for John C. Satter, MAI, GAA

2011 - Present	Hilco Real Estate Appraisal, LLC Managing Director Midwest Region
1997 - 2011	JCS Real Estate Services, Inc. President
1992 - 1996	Wayne L. Wnek, MAI & Associates, Inc. Real Estate Appraiser

Scope of Experience:

Mr. Satter is the Midwest Region Managing Director for Hilco Real Estate Appraisal, LLC. Responsibilities include business development, staff management, and appraisal production and review. Mr. Satter has 20+ years of experience in the valuation of real property and market studies on a variety of property types.

Mr. Satter has broad experience in the valuation of residential, commercial, industrial and special use real estate throughout the Chicago metropolitan area. Commercial experience includes a broad range of property types including shopping centers, industrial complexes, apartment complexes, live-work projects, office buildings, proposed construction, partially-complete projects and distressed property valuations. Specialized assignments include diminution of value and right of way vacation assignments. Special use assignments include movie theaters, synagogues, churches, residential detention facilities, critical care facilities and specialized industrial and manufacturing facilities. Residential experience includes valuing riparian rights, high value custom construction and historic residences.

Mr. Satter has experience as an expert witness and has been qualified as an expert in the Circuit Courts of Cook, Lake, DuPage and Will Counties of Illinois, the U.S. Bankruptcy Court for the North District of Illinois, the Chicago Zoning Board of Appeals, property tax appeal boards and the Chicago Planning and Zoning Commission.

Mr. Satter is a designated Member of the Appraisal Institute (MAI) and General Accredited Appraiser (GAA) of the National Association of Realtors. He has been engaged in the appraisal of real estate since 1992 with experience rendering opinions of value for private clients, financial institutions, mortgage brokers, attorneys, governmental agencies, accountants, and public corporations.

Professional Associations and Affiliations:

Appraisal Institute MAI #12452 (Awarded March 2007)
National Association of Realtors General Accredited Appraiser #4683 (Awarded January 2005)
Certified General Real Estate Appraiser licensed in the States of AZ, IL, IO, IN, MI, OH, TX, WI, & WY
Illinois Coalition of Appraisal Professionals (ICAP)
Illinois Licensed Real Estate Broker

Formal Education:

Bachelor of Science - Civil Engineering, University of Illinois - Urbana/Champaign
Specialized appraisal and real estate education, Appraisal Institute and North Shore Barrington Board of Realtors

Qualifications for Chris L. Harland, MAI

Hilco Real Estate Appraisal, LLC
Northeast Regional Manager

Scope of Experience:

Chris L. Harland, MAI has been engaged in the appraisal, underwriting and analysis of real estate throughout the northeast since 1990. Before joining Hilco Real Estate Appraisal, Mr. Harland was the President of Capstone Appraisal Group, a commercial appraisal company based in New York's Capital District, for 13 years. He was also employed at three national, multi-service real estate companies: Grubb & Ellis Landauer, CB Richard Ellis, and Holliday Fenoglio Fowler. He began his career at McGrath, Basciani & Associates in 1990.

Mr. Harland holds the MAI (commercial) designation with the Appraisal Institute, the acknowledged worldwide leader in commercial and residential real estate appraisal education, research, publishing, and professional membership designation programs. Mr. Harland also holds a Master of Science in Real Estate (MS) degree from New York University with a concentration in Valuation and Analysis. He has held a variety of Appraisal Institute leadership positions and is actively involved in litigation support through court testimony as an expert witness.

Specialties:

Mr. Harland has performed studies and appraisals involving a wide range of property types including golf courses, hotels, resorts, and other hospitality-related assets, regional malls, shopping centers, big box stores, drug stores, student housing projects, mobile home parks, healthcare facilities, office buildings, industrial and distribution facilities, apartment and condominium projects, residential and commercial subdivisions, as well as special-use developments such as restaurants, banks, religious facilities, schools, cultural and entertainment facilities, camps, automobile dealerships, farms and marinas.

Professional Activities & Affiliations:

Appraisal Institute, Member (MAI) – Certificate No. 11294
Upstate NY Chapter – Appraisal Institute – President (2007)
Upstate NY Chapter – Appraisal Institute – Board of Directors (2002-2010)
Upstate NY Chapter – Appraisal Institute – Regional Representative (2008-2014)
Capital District Chapter – Appraisal Institute – District Chair (2002 & 2006)
Nominating Committee – Appraisal Institute – Region IV (2011, 2012 & 2013)
Grievance Committee Member – Ethics and Counseling Department – Appraisal Institute
Instructor – Upstate NY Chapter - Appraisal Institute Case Studies Seminars
Commercial and Industrial Real Estate Brokers (CIREB) – Principal Appraiser Member
National Association of Realtors – Member # 634078833

Certifications/Licenses:

State Certified General Real Estate Appraiser (New York) – License No. 46000026600
State Certified General Real Estate Appraiser (various states throughout the northeast)

Formal Education:

Master of Science in Real Estate (MS), New York University (The Real Estate Institute), New York, NY
Bachelor of Arts Degree in History (BA), Franklin & Marshall College, Lancaster, PA
Appraisal Institute – Fulfilled requirements of the Continuing Education Program (effective through 12/31/17)
James Felt Scholarship – New York University (The Real Estate Institute), New York, NY

Qualified Before Courts & Administrative Bodies:

Mr. Harland has provided expert witness testimony in numerous counties throughout New York State, as well as Massachusetts, Connecticut and Vermont.

Qualifications for W. Todd Haney, MAI

1999 - Present	Hilco Real Estate Appraisal, LLC CEO, Valuation Services
1998	Cushman & Wakefield of Illinois, Inc., Valuation Advisory Services Senior & Review Appraiser
1997	Cushman & Wakefield of Florida, Inc., Valuation Advisory Services Senior Appraiser
1992 - 1996	Florida Property Consultants (fka Deighan Appraisal Assoc., Inc.) Commercial Property Appraiser
1991	SunTrust Bank (fka Trust Company Bank of Georgia) Credit Analyst

Scope of Experience:

Todd has managed Hilco's real estate appraisal business since its inception in 1999 and has extensive experience in valuing a broad range of property types throughout the United States and Canada, and has managed valuation projects with real estate assets in North America, United Kingdom, Europe and Asia. Todd's experience includes managing valuation projects for a variety of purposes including lending support, bankruptcy proceedings, assessment and tax reduction, and financial accounting, among others. Todd has been a member of the Appraisal Institute (MAI) since 1996 and came to Hilco after positions with Cushman and Wakefield in their Tampa, Florida and Chicago, Illinois offices. Todd has a BBA in Finance from the University of West Georgia.

Certifications/Licenses:

States often require that appraisers meet certain requirements to perform real estate appraisals, usually in the form of experience and a written examination. State certifications currently held by Hilco Real Estate Appraisal employees include: Arizona, California, Colorado, Florida, Georgia, Illinois, Indiana, Michigan, Minnesota, Mississippi, and Texas. Further, through our network of affiliates, Hilco has certification representation throughout the United States and Canada. Todd has completed the requirements of the continuing education program of the Appraisal Institute and for state certifications held.

Formal Education:

Bachelor of Business Administration, Finance, University of West Georgia (fka West Georgia College), 1991

EXHIBIT B

Qualifications for John C. Satter, MAI, GAA

Scope of Experience:

Mr. Satter is the Midwest Region Managing Director for Hilco Real Estate Appraisal, LLC. Responsibilities include business development, staff management, and appraisal production and review. Mr. Satter has 22+ years of experience in the valuation of real property and market studies on a variety of property types on a national landscape.

Mr. Satter has broad experience in the valuation of residential, commercial, industrial and special use real estate throughout the Chicago metropolitan area. Commercial experience includes a broad range of property types including triple net assets, shopping centers, industrial complexes, apartment complexes, live-work projects, office buildings, proposed construction, partially-complete projects and distressed property valuations. Specialized assignments include diminution of value and right of way vacation assignments. Special use assignments include movie theaters, synagogues, churches, residential detention facilities, critical care facilities and specialized industrial and manufacturing facilities. Residential experience includes valuing riparian rights, high value custom construction and historic residences.

Qualification as an Expert Witness:

Mr. Satter has experience as an expert witness and has been qualified as an expert in the Circuit Courts of Cook, Lake, DuPage and Will Counties of Illinois, the U.S. Bankruptcy Court for the North District of Illinois, and the Chicago Zoning Board of Appeals.

Relevant Cases:

<i>United LLC v. Zimmerman</i>	Circuit Court of Cook County
<i>Eo v. Greater Metropolitan Water Reclamation District</i>	Circuit Court of Cook County
<i>Bank of America v. Stone</i>	U.S. District Court for the Northern District of Illinois
<i>Domas v. Domas</i>	Lake County Circuit Court

Professional Designations and Associations:

Mr. Satter is a designated Member of the Appraisal Institute (MAI) and General Accredited Appraiser (GAA) of the National Association of Realtors. He has been engaged in the appraisal of real estate since 1992 with experience rendering opinions of value for private clients, financial institutions, mortgage brokers, attorneys, governmental agencies, accountants, and public corporations.

Appraisal Institute MAI #12452 (Awarded March 2007)

National Association of Realtors General Accredited Appraiser #4683 (Awarded January 2005)

Certified General Real Estate Appraiser licensed in the States of AZ, IL, IO, IN, MI, NE, OH, TX, WI, & WY

Illinois Coalition of Appraisal Professionals (ICAP)

Illinois Licensed Real Estate Broker

Employment:

2011 - Present Hilco Real Estate Appraisal, LLC
Managing Director | Midwest Region

1997 - 2011 JCS Real Estate Services, Inc.
President

1992 - 1996 Wayne L. Wnek, MAI & Associates, Inc.
Real Estate Appraiser

Formal Education:

Bachelor of Science - Civil Engineering, University of Illinois -
Urbana/Champaign

Specialized appraisal and real estate education, Appraisal Institute and
NS/Barrington Board of Realto