

KELLER WILLIAMS PREFERRED REALTY  
JANIE'S HOMETEAM

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April 8, 2016

**Via Electronic Mail**

City of Northfield  
Scott Tempel, City Planner  
801 Washington Street  
Northfield, MN 55057

Re: 219 Water Street S, Northfield MN  
PIN: 22.36.4.76.004

Dear Mr. Tempel:

At your request, we have completed a broker price opinion for the currently vacant lot located at 219 Water Street S in Northfield, Minnesota. The purpose of this broker price opinion is to assist in negotiating a potential sale of a portion of the property to an adjacent owner. The property interest being priced is a fee simple interest. We have no present or prospective interest in the property, nor do we have a personal interest or bias with respect to the parties involved in the transaction. Based upon an inspection of the property and an analysis of market data, it is the broker's opinion the price of the property on April 9, 2016 is \$9,900, or \$10.50 per square foot. ***This opinion is not an appraisal of the market value of the property, and may not be used in lieu of an appraisal. If an appraisal is desired, the services of a licensed or certified appraiser must be obtained.*** You are directed to the following paragraphs summarizing the data, analysis and conclusions which support this price opinion.

The following table summarizes the property.

**Table One – Property Identification**

|                |                    |
|----------------|--------------------|
| Address        | 219 Water Street S |
| County         | Rice               |
| City/Township  | Northfield         |
| Parcel Numbers | 22.36.4.76.004     |
| Zoning         | C1-B: Downtown     |
| Use            | Vacant Land        |
| Square Feet    | 945                |

The City of Northfield purchased the property from the former owner in December 2013 for \$56,000. An appraisal of the property for estate purposes was completed prior to that transaction. A portion of the appraisal was provided to the City, which in turn provided it to the undersigned. No other documents were provided by the City. As part of the July 9, 2013 appraisal, the appraiser concluded a land value of \$9,000, and estimated an overall

“as is” value of \$50,000. The overall value reflected an analysis of the property as income producing and including a small commercial retail building. At the time of the purchase, the property still included a small retail building, but it has since been removed. Tax records list an assessor’s estimated market value for the property as \$9,000 for the most recent January 2, 2016 valuation date, or approximately \$9.52 per square foot.

Generally, Minnesota recognizes three basic approaches to determining the market value of real property: (1) the sales approach, which is based on the price paid in actual market transactions of comparable properties; (2) the cost approach, which is based on the proposition that an informed buyer would pay no more for the property than the cost of constructing new property having the same utility as the subject property; and (3) the income capitalization approach, which determines the value of income-producing property by capitalizing the income the property is expected to generate over one year or some other specified period at a specified capitalization or yield rate. Given the unimproved nature of the property, the basis of reasoning used to reach the opinion on the price are recent sales and current listings.

There’s a dearth of vacant commercial land sales in Northfield. In February 2015, two parcels totaling 3.34 acres at the southwest corner of Honeylocust Drive and Highway 3 sold at a price of \$3.43 per square foot. National retailers, Dollar Tree and Maurices, were constructed on the parcels. Constructing a similar national retail use on the subject property would be difficult given its smaller size and limited parking space.

The property to the immediate north of the subject property, located in the southeast corner of intersection of Second and Water Streets, is currently offered for sale at \$350,000. This vacant parcel consists of approximately 25,795 square feet. This computes to an asking price of \$13.57 per square foot.

A 38,380 square foot vacant parcel south of the subject property, but still along Highway 3, at 1520 Clinton Lane is currently listed for sale at \$345,000, or approximately \$9.00 per square foot. While also commercially zoned, this parcel is located away from the downtown retail district.

These three parcels involve properties with greater square footages than the subject. Generally speaking, the smaller the size of a property the greater its value on a per square foot basis. The Honeylocust Drive sale was at \$3.44 per square foot. Given its larger size and location away from the downtown retail area, an upward adjustment of the per square foot sale price is proper.

The two other parcels are listed for sale. Though actual sales are a better indication of value, asking prices allow a market participant to observe what a property is not worth. Consequently, the market does not view the Clinton Lane property as being worth \$9.00 per square foot, nor does it view the Second and Water Street property as being worth \$13.57 per square foot. As with the Honeylocust Drive property, pricing adjustments for size would be appropriate, as would as adjustment for the location of the Clinton Lane property in relation to the downtown retail area.

Based on the previous data, the opinion of value of 219 Water Street South is estimated to be \$10.50 per square foot. Consequently, the value is estimated to be approximately \$9,900.

|          |                |   |            |
|----------|----------------|---|------------|
| 945 SF x | \$10.50 per SF | = | \$9,922.50 |
|          | Rounded        | = | \$9,900    |

It is assumed that title to the property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability and price. Keller Williams Preferred Realty has not examined title and makes no representations relative to the condition thereof.

The undersigned is aware the City of Northfield owns an adjacent parcel, identified by property identification number 22.36.4.76.003. This opinion does not include analysis of the parcel being assembled with the adjacent parcel. Such an assemblage could impact value of the subject property.

The existence of hazardous materials or adverse environmental conditions, which may or may not be present on the property, was not observed by the undersigned. Keller Williams Preferred Realty, however, is not qualified to detect such substances or conditions. The price opinion is predicated on the assumption there is not such hazardous materials or environmental conditions on or in the property that would impact price. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

Sincerely,



Dennis T. Olson II  
Keller Williams Preferred Realty  
Janie's HomeTeam