Valuation Viewpoint

SHENEHON COMPANY
www.shenehon.com

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EMPLOY THE DEVELOPMENT COST APPROACH TO VALUE AN ATYPICAL TAKING

BY: CHRISTOPHER J. STOCKNESS

On August 1, 2007 the Interstate 35W bridge spanning the Mississippi River collapsed during rush hour. As a result of the catastrophic collapse and subsequent reconstruction of the bridge, the State of Minnesota and the Minnesota Department of Transportation invoked the power of eminent domain to acquire several adjacent land parcels to facilitate the reconstruction of the bridge and surrounding area. The project was completed ahead of schedule and the new bridge opened on September 18, 2008. However, a number of business concerns and land parcels were adversely affected as a result of this taking.

One of the acquisitions was a 1.35-acre vacant land parcel located at the Southeast corner of University Avenue and Interstate 35W. At the time of the taking, the landowners were in the advanced stages of implementing plans for a proposed retail development, Varsity Crossings, and anticipated breaking ground in the fall of 2007. Shenehon Company was hired to determine damages to the Varsity Crossings development project. To accurately identify damages, the appraiser first determined an appropriate market value for the subject interest before-the-taking. A second analysis was performed to establish an after-the-taking value.

As part of the new bridge design, the southeast off-ramp at Interstate 35W and University Avenue was reconfigured. The new design resulted in the taking of a 2,807 square foot parcel of land from the subject property. As part of the same taking, the entire site was encumbered with a 40-month temporary easement. Determining just compensation for Varsity Crossings was somewhat atypical because the

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MARKET TRENDS AND INDICATORS

Office Buildings	↓	10%
Retail Centers	↓	15%
Industrial Buildings	↓	5%
Apartments	↓	5%
New Housing Starts	↓	29%
Productivity	↓	1.9%
Composite PE	↑	20.2
US Unemployment	↑	10.2%
Consumer Confidence Index	↓	47.7

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MARKET TRENDS AND INDICATORS

ECONOMIC INDICATOR

	2005	2006	2007	2008	3Q 2009
New Housing Starts—Yearly Totals	357,400	279,500	211,700	136,500	72,500

P/E RATIOS IN SELECT INDUSTRIES

Reporting categories changed in spring of 2006. Data for the current categories is presented for the Years: 2006, 2007, and 2008; and Q1, Q2 and Q3 2009.

Industry (Year end)	2006	2007	2008	1Q 2009	2Q 2009	3Q 2009
Basic Materials	13.7	14.1	15.2	8.9	16.2	42
Conglomerates	20.1	18.4	15.8	10.5	8.3	9.7
Consumer Goods	25.8	24.4	16.3	14.5	8.7	15.8
Financials	14.3	13.7	11.7	12.8	9.2	5.2
Healthcare	38.8	40.0	26.0	34.9	63.2	77.1
Industrial Goods	25.1	19.5	19.5	16.3	27.4	20.7
Services	25.6	28.7	24.2	19.3	20.0	20.1
Technology	26.3	38.4	23.8	12.8	14.2	15.7
Utilities	24.0	20.0	15.3	15.2	11.8	6.0
Composite	**24.4**	**24.0**	**18.7**	**15.9**	**21.0**	**23.6**

ECONOMIC INDICATORS

Indicator (5 yr. avg.)	1995	2000	2004	2005	2006	2007	2008	current
Inflation	3.1%	3.4%	2.7%	3.4%	2.0%	4.1%	3.8%	.6%
Productivity	1.5%	2.9%	4.0%	1.8%	1.5%	1.6%	2.8%	9.5%
GDP	2.7%	3.9%	4.4%	2.9%	2.8%	2.0%	1.3%	3.5%
Consumer Confidence	99.2	128.6	104	107.2	105.6	87.9	56.6	47.7

UNEMPLOYMENT

	1990	1995	2000	2005	2006	2007	2008	sep 2009
US	**5.4%**	**5.6%**	**4.0%**	**5.2%**	**4.7%**	**4.6%**	**4.9%**	**10.2% (oct)**
Northeast	5.0%	6.0%	4.0%	4.9%	4.7%	4.4%	4.7%	9.0%
Midwest	5.7%	4.5%	3.5%	5.7%	5.15	5.0%	5.3%	9.8%
South	5.4%	5.4%	4.0%	5.2%	4.6%	4.3%	4.6%	9.3%
West	5.1%	6.6%	4.6%	5.5%	4.8%	4.5%	5.2%	10.6%
Minnesota	**4.6%**	**3.6%**	**2.9%**	**4.5%**	**4.2%**	**4.5%**	**4.8%**	**7.3%**

RATES OF RETURN AND RISK HIERARCHY

Investment	Current
30 Year Treasury	4.3%
Aaa Bond	5.2%
Bbb Bond	6.2%
Commercial Mortgage	6.75–7.75%
Institutional Real Estate	7.75–9.0%
Non-Institutional Real Estate	10.5–12.5%

Investment	Current
Speculative Real Estate	14–18%
S & P Equity (Ibbotson)	10.8%
Land Development	20–30%
Equipment Finance Rates	12%
NYSE/OTC Equity (Ibbotson)	14.6%
NYSE Smallest Cap. Equity (Ibbotson)	20.3%

Sources: National Real Estate Index (2009), Appraisal Institute; F.W. Dodge Division, Business Week, Value Line, U.S. Chamber of Commerce, Standard & Poors, Investment Dealers Digest, U.S. Government Census, Yahoo Finance, Bureau of Labor Statistics.

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APPRAISING CONSERVATION EASEMENTS

BY SCOT A. TORKELSON

A conservation easement creates a land preservation agreement that is legally enforceable, extends in perpetuity, and is intended for public benefit. Specifically, a conservation easement is defined as "a restriction that limits the future uses of a property to preservation, conservation, or wildlife habitat."[1] A conservation easement is a legally binding contract between a landowner and the conservation easement Trustee. Most conservation easements are granted to governmental bodies, land trusts, or other charitable entities that engage in conservation or preservation activities.

In order to understand the process of valuing a conservation easement, one must have an understanding of fee simple interests. "A fee simple estate implies absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."[2] A conservation easement must be of a property owned in fee simple by the owner, with the exception that the fee simple ownership does not necessarily need to retain mineral rights. This adjustment is made to accommodate many fee simple-owned properties in the United States where the Federal Government retains mineral rights in all instances. "An easement represents the conveyance of use in real property, but not the ownership."[3]

The right to convey a conservation easement can take many forms. A simple conservation easement may restrict land to an open space use only—no development is permitted. Alternatively, it may restrict the level of development to designated uses. In all instances, the primary purpose of a conservation easement is to preserve and protect natural resources by restricting the right to build on the property and/or the right to alter to the land. Thus, wildlife habitats, clean air and water, open spaces, scenic views, and riparian habitats are retained for public benefit. An easement may be crafted in such a way that it provides for a specific use in perpetuity. For example, land may be designated as agricultural, timber, trail, park, or golf course use only. The easement may also provide for limited human alteration if it facilitates a particular use such as fencing, wind breaks, or other necessary improvements to sustain an agricultural conservation easement. Finally, in some instances, the easement may include and protect existing improvements. Archaeological structures, historic monuments, or other human improvements of public significance sited on the land in their original form are included in this category.

The decision to make a conservation easement donation is entirely voluntary. The landowner who gives up development rights, in the form of a conservation easement, continues to own the land. In accordance with Treasury Regulations, such an easement is perpetual and binding not only for the present owner, but also for future owners of the site. The restrictions are permanently associated with the title and are clearly outlined in a legal document and recorded in land records.

Appraisal Methodology for Conservation Easements

Once the decision has been made to set up a conservation easement, the first step is to identify the larger parcel that is owned fee simple by the individual wishing to make the donation. A conservation easement may not extend over the entire parcel that is owned by the donor. Thus, there remains contiguous land relative to the conservation easement parcel that must be valued as part of the conservation easement analysis. In order to value the easement, one must determine the value of the larger contiguous parcel. The appraiser conducts both a before-the-easement appraisal and an after-the-easement-appraisal. Treasury Regulations guiding the valuation of conserva-

1. *The Dictionary of Real Estate Appraisal*, Fourth Edition
2. *The Dictionary of Real Estate Appraisal*, Fourth Edition
3. *The Dictionary of Real Estate Appraisal*, Fourth Edition

tion easements require the valuation of the larger contiguous parcel in addition to the portion being encumbered with the Conservation Easement.

Because it is the fee simple interest that is subject to valuation, any enhancement that may accrue to the remaining contiguous land site owned by the donor and not associated with the conservation easement must be considered in the before and after valuations. As a result of its proximity to an undevelopable parcel of land, the remaining land may become more desirable to developers. Even in cases where the conservation easement will encumber the entire contiguous parcel, it is recommended that a before and after valuation be conducted. Land parcels subject to conservation easements retain some market value because the fee simple value of the land (that is subject to the conservation easement) is yet retained by the owner. This value is distinct from and should not be comingled with the conservation easement value.

“*Even in cases where the conservation easement will encumber the entire contiguous parcel, it is recommended that a before and after valuation be conducted.*”

Before and After Valuations (Federal Rule)

In simplified terms, the before and after method used when valuing conservation easements is as follows:

Estimated Market Value of Larger Contiguous Parcel (full development rights)
(Less) – Market Value of Larger Parcel after Consideration of the Easement Restriction
Market Value of the Conservation Easement

Initially, the appraiser considers the market value of the subject land parcel before the conservation easement, including the portion being restricted and any contiguous land under fee simple ownership with the donor. Next, it is necessary to obtain a full valuation of the land parcel reflecting the development restrictions created by the conservation easement. The difference in value between the before and after scenarios represents the market value of the conservation easement.

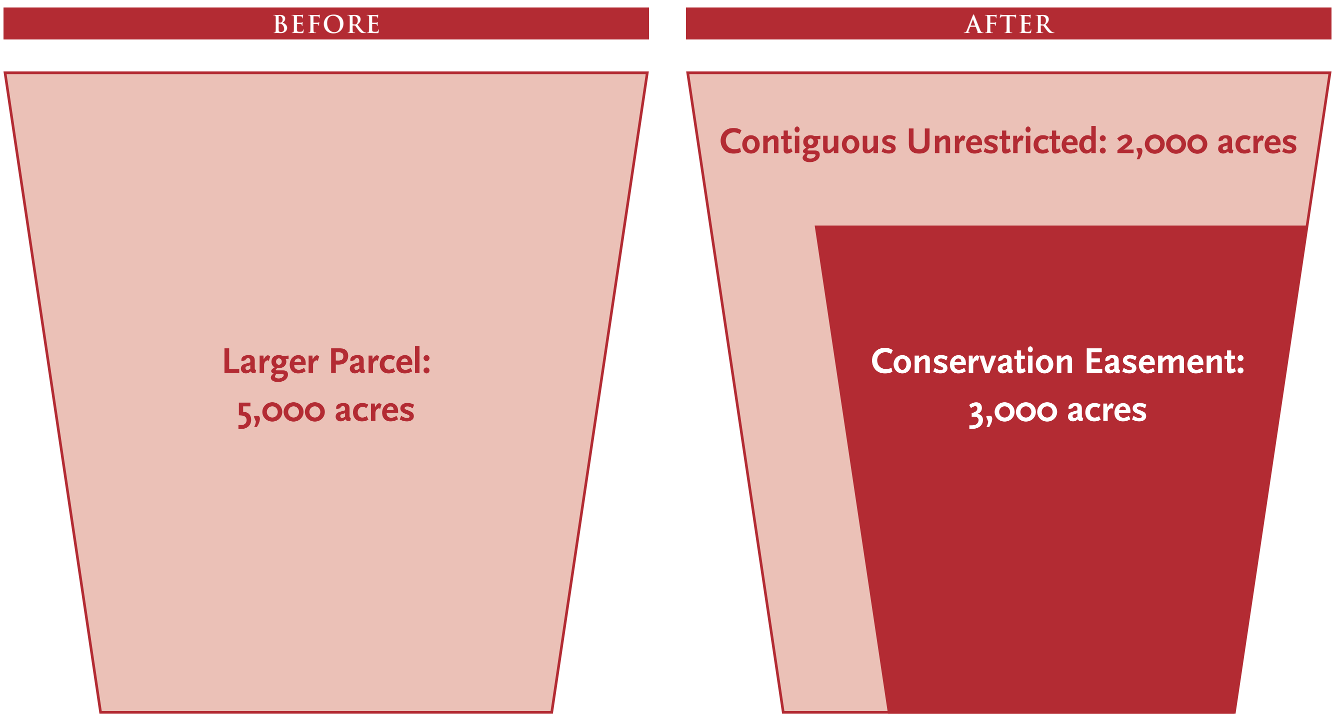
Treasury Regulations pertaining to conservation easements also stipulate that the appraisal must include two distinct highest and best use (HBU) discussions. The first is based on the HBU before the conservation easement donation. The second reflects the HBU of the parcel giving full consideration to the impact of all restrictions/enhancements associated with the conservation easement.

As an example, let’s consider the valuation of a forested and ecologically significant land site with total area of 5,000 acres. It is suitable for immediate subdevelopment with residential housing, but a conservation easement is made over 3,000 acres of the larger contiguous parcel. The area subject to the conservation easement now prohibits the anticipated residential development. However, the remaining 2,000 acres of the land parcel owned in fee simple is still available for development. In the before situation, the HBU of the 5,000-acre parcel is for residential development. In the after condition, only the 2,000-acre larger parcel retains the HBU of residential development. In the after scenario, the value of the 3,000-acre donation represents the loss in value attributable to the conservation easement (highest and best use before condition vs. highest and best use after condition).

Treasury Regulations require two distinct before and after condition analyses, under two HBU scenarios, because the impact of the conservation easement relates to the larger contiguous parcel. The before and after methodology is the only methodology that takes into account all the impacts of the donation, including the lost value of the conservation easement and special benefits/enhancements to the remaining contiguous parcel. It’s possible that the remaining 2,000 acres could be developed with higher density housing, and/or the resulting housing units may take on higher values due to their proximity to a significant amenity—a conservation easement that precludes additional development in the area. The market may or may not recognize an increased value due to the adjoining conservation easement amenity, and/or higher allowed densities. However, if there is an enhancement or loss to the remaining contiguous parcel, it must be taken into consideration. Likewise, the appraiser must factor in the loss of value due to restricted development rights on the 3,000 acres associated with the conservation easement itself.

Conclusion

Valuing conservation easements is a complex process. Depending on the terms of the conservation easement, the fee simple parcel in the before scenario may be different from the fee simple parcel in the after scenario. Easement valuations have been challenged by the Internal Revenue Service. The two most common reasons for rejection are that the appraiser uses an incorrect methodology or neglects to value the entire fee simple parcel of the donor. The appraiser must select the appropriate methodology and apply it correctly. VV



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owners were entitled not only to compensation for the land taken, but also for damages resulting from the temporary easement which delayed the project for several years.

Specific to this taking, the appraisers identified key points to address in order to determine the fair market value of the subject interest.

- What impact would the fee simple taking have on the proposed development?
- How would the taking impact market value?
- What type of impact would the 40-month temporary easement have on the proposed development?
- What issues must be considered when you have a temporary easement encumbering the entire property?

In the ordinary taking of vacant land, the appraiser would apply the sales comparison approach to analyze the subject's before and after values to arrive at the fee simple loss in value as well as a ground lease analysis on the temporary easement to determine the total damages due to the taking. In this case, however, the landowners were actively developing the site for the proposed Varsity Crossings retail development. To fully capture the losses, the appraiser employed an additional approach to value: the development cost approach. By using two methods, the appraiser fully quantified not only the damages to the subject land but also captured the damages to the proposed development.

An appraiser is required to consider three important validity tests to determine if the development approach is applicable:

- The land is ripe for development;
- The owner can reasonably expect to secure the necessary zoning and other permits required for development to take place; and
- The development will not take place at too remote of a time.

The subject land was one of very few vacant land parcels in the area. The area is densely populated and benefits from being adjacent to the University of Minnesota East Bank Campus. The owners were actively working on developing the subject property. They planned to break ground for a retail development project in the fall of 2007. The developer's plans were in full compliance with zoning ordinances and were in the final stages of receiving approval. The owners had already secured a broker who was actively marketing the development. Thus, the subject property met the three conditions for using the development cost approach.

To make certain that the appraisers fully understood all aspects of the project, several meetings and discussions involving the developers, planners, architects, engineers, contractors, and brokers took place. Because the planning was well underway, most of the information necessary to complete a before-the-taking analysis of the project was readily available. Next, the appraisers had to focus on identifying how the taking would affect the value of the development for the after-the-taking analysis.

“*Determining just compensation for Varsity Crossings was somewhat atypical because the owners were entitled not only to compensation for the land taken, but also for damages resulting from the temporary easement which delayed the project for several years.*”

In the appraisal analysis for the before condition, it was assumed that: development would start, as planned, in the fall of 2007; be completed in the spring of 2008; and be fully leased by the end of the year. In the after condition, the development would be reduced in size due to the loss of land and the project would be delayed 40 months due to the temporary easement that encumbered the entire property. Not until December 1, 2010, would the developer be in a position to continue with plans to develop the property.

Basically, there were two damage issues: damages resulting from a reduced developable area and its impact on the development and damages due to delaying the development for 40-plus months over the term of the temporary easement. It should be noted that the property owners will receive ground rent from the condemning agencies. Rent paid to the owners will partially offset the burden of delaying the development and is reflected as an adjustment to the total damages in the final appraisal report.

Varsity Crossings—Before

In the before condition, Varsity Crossings was designed as a 17,214 square foot multi-tenant retail center with tenant spaces ranging in size from approximately 500 square feet to 2,400 square feet The plans submitted for approval maximized the site for the retail development and required no zoning variances. Clearly, any reduction in site size would impact the entire development from the size of the building to the number of parking spaces the site could accommodate.

Given its location, a highly visible intersection in a heavily populated area of Minneapolis, a retail use was determined to be the highest and best use (HBU) of the site. Therefore, the development project represented a financially feasible and maximally productive use of the site and met the conditions for HBU. Additional uses, such as residential were also analyzed but were considered to be either speculative or not maximally productive uses of the subject property.

As mentioned previously, the appraisers reviewed site information for the proposed development and interviewed the developers, planners, contractors and brokers involved. Following that, they completed independent research to verify and validate the components of the development. Conformance with zoning was verified and the owner's estimated construction costs were supported by cost information found in *Marshall & Swift Valuation Service.* Discussions with the owner's retail brokers provided the necessary insight to make assumptions on the leasing of the subject.

Based on reliable market information and independent analyses, we derived market-supported assumptions and completed a Discounted Cash Flow (DCF) analysis for the subject based on a ten year holding period. We included the construction and development costs anticipated for the development in Year 1 in the DCF analysis and began to absorb lease space during the last six months of the first year of analysis. Development costs, as of the date of taking, were applied and a market rent of $28 per square foot was concluded. Additionally, we applied market operating expenses, a vacancy rate of 5%, and anticipated an annual increase for rental rates and operating expenses of 3% annually.

> *"By using two methods, the appraiser fully quantified not only the damages to the subject land but also captured the damages to the proposed development."*

After applying an appropriate discount rate, we determined that the subject land, as vacant, had a market value of approximately $2,600,000, roughly $44.00 per square foot. As a check on our value, we also completed a comparable sales analysis that indicated the subject's value fell within the range of the few available comparable sales.

Review of the Taking

As a result of the I-35W bridge taking, the subject development was impacted not only by the fee simple loss in land area, but also by the temporary easement encumbering the entire property. The Varsity Crossings site no longer accommodated the retail development plans or the projected development timeline. Additionally, revised site plans could not be submitted for review and approval until the temporary easement expired.

As a result of the 40-month temporary easement encumbering the property until December 1, 2010, development of the subject would be delayed until at least spring of 2011. Table 1 summarizes the Before and After conditions.

TABLE 1

	BEFORE	AFTER
Site Area	58,863 sq. ft.	56,056 sq. ft.
Gross Building Area	17,214 sq. ft.	16,078 sq. ft.
Parking Stalls	71 stalls	64 stalls
Anticipated Groundbreaking	Fall 2007	Spring 2011

Market Information

When valuing a taking, it is important to remember that market information used in the value analysis should be consistent with the market expectations as of the date of valuation, not predicated on information available subsequent to the date of the taking. In this case, one might argue that if we were appraising the subject property today, the proposed development would not be considered a prudent investment. It is quite likely that the recent economic recession would have adversely affected the performance of the subject retail center. In fact, it is possible that the owners actually benefited from the taking. One could also argue that, due to the recession, construction costs did not increase from 2007 to 2011 as anticipated. Nevertheless, damages are determined as of the date of the taking. The appraiser must rely on the market conditions most representative of what an investor would anticipate as of the date of the taking.

In the case of the subject, although the general retail market had shown signs of softening, given the subject's desirable location (a high profile intersection, a highly populated area, near a major university, and on-site parking), demand for the subject was expected to remain strong. Additionally, the developer had already identified a broker who was actively marketing the development for a spring 2008 construction start. Market conditions clearly indicated that there was a demand for this type of retail development prior to breaking ground on the project.

After Condition

To determine the subject's value in the after condition, one must first determine whether or not the taking altered the HBU of the site. The taking resulted in a small loss in the development's size and the number of parking spaces. However, we concluded that the subject's proposed use still represented the HBU of the subject in the after condition. It was the 40-month temporary easement that posed the greatest impediment to this retail development project. The most difficult task was to value the damages (risks) associated with developing in the future versus developing in the near term.

As was the case in the before condition, we completed a DCF analysis factoring in the reduced building area and the 40-month delay. The assumptions used in the before condition were also applied in the after condition. For example, rental and operating expenses increased at approximately 3% annually throughout the holding period including the period when the site was vacant and encumbered by the temporary easement, and the vacancy rate remained at 5%.

The DCF analysis in the after condition again utilized a 10-year holding period, but with the first 40 months capturing our estimated ground rent. Once the temporary easement expired, development and construction costs were estimated and applied in Years 4 and 5 with leasing taking place in Year 5. Absorption of the development, in the after condition, is estimated at a rate similar to that used in the before condition. However, we extended the development period slightly, in the after condition, to reflect the additional time necessary to revise the plans, submit them and receive approvals.

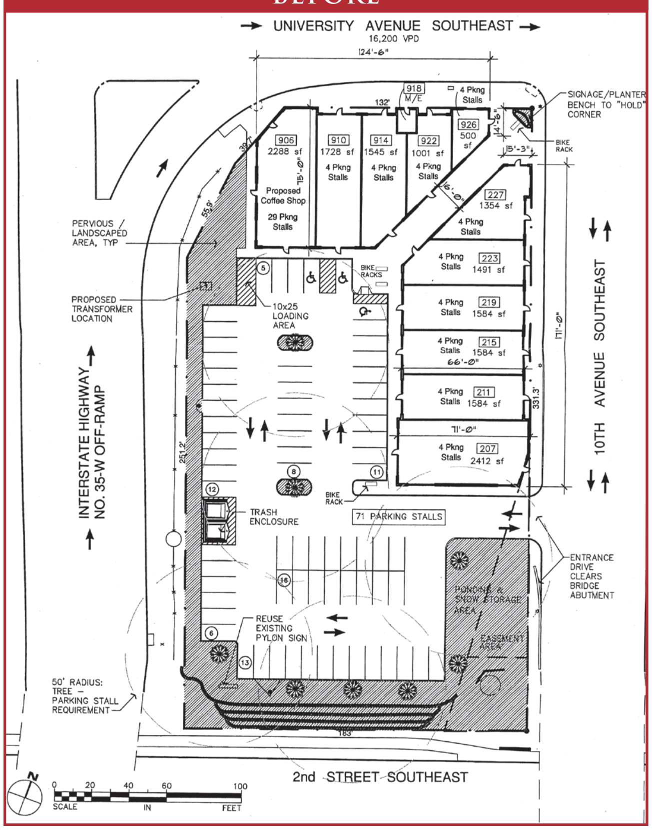
"The assumptions used in the before condition were also applied in the after condition."

Ultimately, our value conclusion for the after condition reflects what a buyer would pay for the site which had the ability to collect ground rent for 40 months and delivered the right to develop a slightly smaller shopping center at the end of the easement period. We reflected the additional risk of developing the site four years into the future by adding 50 additional basis points to the applied discount rate and estimated a market value of $1,900,000 in the after condition. When all the consequences of the taking were considered, the DCF analysis indicated an estimated value of $34 per square foot.

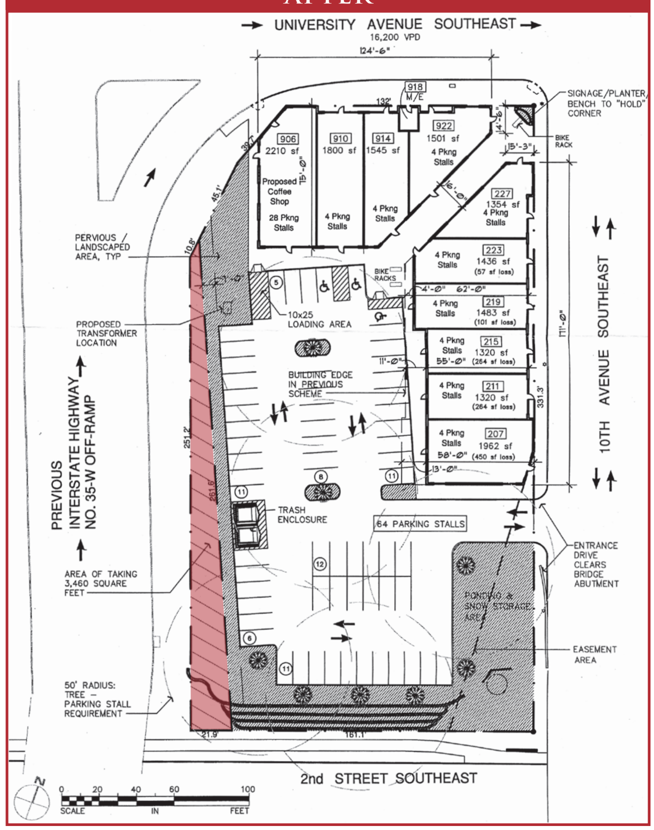
Summary

With a value in the before condition of $2,600,000 and a value in the after condition of $1,900,000, we estimated the fee simple damage loss of the subject at approximately $700,000. Additionally, our analysis of the temporary easement indicated that the present value of leasing the subject for 40 months was $725,000. Therefore, total damages were estimated at $1,425,000. Ultimately, the Commissioners relied on Shenehon Company's valuation. The hearing resulted in an award to the property owners of $1,200,000 and reimbursement of reasonable appraisal fees. The issue of whether a retaining wall was damaged as a result of the taking is undecided at this time. Additional compensation may be appropriate in the future unless the site work is actually underway. The Commissioners' decision assumes that additional work will not be necessary. If this is not the case, the owner's may submit the additional costs to MnDot for reimbursement. VV

BEFORE



AFTER



AGA Medical Holdings, Inc.

AGA Medical Holdings, Inc. makes a variety of occlusion devices to repair structural defects in the heart and blood vessels. Headquartered in Plymouth, Minnesota, the company has approximately 470 employees. For twelve months ending Dec. 2008 and the first six months of 2009, the company reported net sales of 167 million and 9 million in profits. Shenehon Company has been involved in valuations and other corporate issues for AGA from its inception in 1995.

In the bio-engineering development sector, the company and its products are quite remarkable.

AGA first filed to go public in 2008. The initial application was rejected by the investment community due to the decline in the financial markets. By the fall of 2009, the markets had recovered somewhat and the company made another bid to go public. However, the stock price was reduced from the original range of $19 to $21 per share to $15 to $16 per share. We understand AGA's initial public offering (IPO) of stock was $14.50 per share—the price at which the stock opened on October 21, 2009. The November 4, 2009 closing price of $13.43 reflects a 7.4% decline in two weeks.

Through 2008, the company made significant profits. However, more recently, the company has been pre-occupied with a host of patent infringement cases brought by AGA to protect its patents. Additionally, there are a number of lawsuits claiming that AGA infringed on others' patents. In our opinion, the lawsuits are more to blame for the decline in per share value than the state of the markets. Using 2008 numbers, AGA posts a price to earnings (P/E) ratio of roughly 34. With no profits for the first nine months of 2009, a P/E based on current financial results cannot be calculated. This may have contributed to a reduction in the stock price when the company went public. In addition, AGA's debt burden becomes more of a factor when earnings are down. Nonetheless, the company has an outstanding line of products with very high profit margins. Providing the company can keep its house in order, AGA should perform well.

It is more likely that the decline in AGA's stock price was due to the costs of defending and pursuing patent infringement cases than to market conditions.

Figure 1 illustrates the per-share data for AGA, as found in its Prospectus:

We provided income statements for 2006 through September 2009 in Figure 2. VV

FIGURE 1

Pro Forma Weighted Average Shares Outstanding		**21,482,000***
IPO Market Cap		$311,489,000
Nov. 4 Market Cap		$288,503,260

*Assumes 2,062,500 Underwriter Options Not Exercised

	12/31/2008 FYE	9/30/2009 TTM
EPS	$0.42	$(0.05)
IPO Price	$14.50	$14.50
Nov. 4 Closing Price	$13.43	$13.43
Implied IPO P/E	34.24	N/A
Implied Current P/E	31.72	N/A

FIGURE 2

AGA MEDICAL statement of operations data

	2006	2007	2008	2009 TO SEP. 30TH
Net Sales	**127,529**	**147,255**	**166,896**	**144,540**
Cost of Goods Sold	24,985	22,819	26,635	23,603
Gross Profit	**102,544**	**124,436**	**140,261**	**120,937**
Selling, General and Administrative	37,515	50,190	65,669	71,897
Research and Development	12,096	26,556	32,760	24,905
Amortization of Intangible Assets	12,682	15,233	15,540	14,972
Change in Purchase Consideration	0	0	0	-1,051
Loss (Gain) on Disposal of Equipment	709	-3	68	-23
Operating Income (Loss)	**39,542**	**30,460**	**26,224**	**10,237**
Investment Income (Loss)	754	-751	-1,202	-2352
Interest Income	1,174	432	230	80
Interest Expense	-22,893	-21,213	-16,492	-12,143
Other Income, (Expense), Net	957	-1006	722	1595
Income (Loss) Before Income Taxes	**19,534**	**9,922**	**9,482**	**-2,583**
(Provision) Benefit for Income Taxes	-6,909	-3,844	-386	-573
Net Income (Loss)	**12,625**	**6,078**	**9,096**	**-2,010**

MARKET TRANSACTION: REAL ESTATE

Property:	Syngenta Seeds Headquarters Building 11055 Wayzata Boulevard Minnetonka, Minnesota
Buyer:	RT Crest Ridge LLC
Seller:	Opus Northwest LLC
Source:	Seller
Sale Date:	July 22, 2009 (Purchase agreement) August 17, 2009 (Closing)
Sale Price:	$28,418,735
Unit Price:	$244.28 (NRA)
Net Rentable Area:	116,338 square feet
Zoning:	PID-394
Utilities:	All available
Topography and Soil:	Good
Visibility and Access:	Excellent
Age:	Completed July 2009
Land Size:	306,963 square feet

Remarks: This is a build-to-suit with Syngenta Seeds signing a ten-year lease for 100% of the building. Syngenta is one of the world's leading companies with more than 24,000 employees in over 90 countries focusing on field crops, herbicides, and seed care products. Last year, the company reported sales of more than $11.6 billion. The building is a three-story structure with a glass curtain wall and underground parking as well as a 431-stall parking ramp. The buyer purchased the building using an 8.7% capitalization rate.

The 8.7% capitalization rate provides market evidence of the increase in these rates over the last year as we contrast this sale with a single-tenant office building transaction that occurred one year earlier. TRT Flying Cloud Dr, LLC purchased an office building, 100% occupied by Alliant Techsystems ($4.6 billion FY 2009 sales) under a 15-year lease. The date of the purchase agreement was July 7, 2008 and the closing was October 3, 2008. This 105,385 square foot three-story building sold at a capitalization rate of 7.2%

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- Asset depreciation studies
- Bankruptcy proceedings
- Charitable donations
- Commercial properties
- Condemnation
- Contamination impact studies
- ESOP/ESOT
- Estate planning
- Feasibility analyses
- General and limited partnership interests
- Gift tax evaluations
- Going public or private
- Highest and best use studies
- Industrial properties
- Insurance indemnification
- Intangible asset valuation
- Internal management decisions
- Investment counseling
- Land development cost studies
- Lease and rental analyses
- Lost profit analyses
- Marriage dissolution
- Mortgage financing
- Multi-family residential properties
- Municipal redevelopment studies
- Potential sales and purchases
- Railroad right-of-ways
- Special assessment appeals
- Special purpose real estate
- Tax abatement proceedings
- Tax increment financing
- Utility and communication easements

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