

HIGHEST AND BEST USE ANALYSIS

PROCESS

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Physically possible.
- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

HIGHEST AND BEST USE AS IF VACANT

Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses. As mentioned previously however, the 0.434 acre eastern tract is too narrow and elongated for development, and offers no additional utility to the much larger "restaurant", or western tract, it is our opinion that the 0.434 acre eastern tract is essentially unusable, and superfluous to the subject's main use located on the western tract. Consequently, we utilize the 1.902 acre western tract in our calculation of the subject site's "usable" land area.

Legally Permissible

The site is zoned IR, Industrial Research. Permitted uses include industrial; wholesale distribution and storage; supporting office and retail uses. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. Given prevailing land use patterns in the area, only commercial type uses are given further consideration in determining highest and best use of the site, as though vacant.

Financially Feasible

Based on our analysis of the market, there is currently limited demand for commercial use in the subject's area. It appears that a newly developed commercial use on the site would not have a value commensurate with its cost. Moreover, when market conditions improve sometime in the future it is our opinion that the subject site's "interior" location would likely preclude it from restaurant development. Instead, some other commercial use such as office, hotel, or health related, would likely represent a future feasible use of the site.

Maximally Productive

Based on our analysis, there does not appear to be any reasonably probable use of the site that would generate a higher residual land value than commercial use. Accordingly, it is our opinion that commercial use, developed to the normal market density level permitted by zoning, is the maximally productive use of the property.

Conclusion

Future development of the site for commercial use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

AS IMPROVED

The subject site is developed with a restaurant, which is generally consistent with the highest and best use of the site as if it were vacant.

Based on our analysis, there does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the value of the existing improved property exceeds the value of the site, as if vacant. For these reasons, continued retail use is concluded to be maximally productive, and the highest and best use of the property as improved.
