

In addition, we were provided with potential letters of intent, given by the current property owner. As shown below, the letters of intent range between \$21 to \$26.25 as an average over the length of the term. We requested actual LOI documents, but were not provided them. The property owner indicated a 10% rental increase is typically seen in year 6 of the 10 year term. Thus, we have calculated an estimated starting rental rate for each prospective tenant, which ranges from \$20 to \$25 per square foot.

Letters Of Intent Provided by Property Owner

Date of LOI	Tenant Name	Term (Yrs)	Estimated Starting Rental Rate	Average Rental Rate Over the Term	TI Allowance
June 2, 2014	Goodwill Industries	10	\$23.00	\$24.15	\$20.00
July 9, 2014	Tile Shop, LLC	10	\$23.10	\$24.25	\$10.00
November 3, 2014	Tesla Motors	10	\$25.00	\$26.25	\$10.00
December 2, 2014	Party City	10	\$20.00	\$21.00	\$20.00

In addition, we have called on The Plaza at Richmond shopping center, which is located just west of Loop 610 on the north side of Richmond Avenue. There was a 10,750 square foot space available with a quoted lease rate of \$28 per square foot, triple net. The leasing agent indicated there is a current letter of intent out on the space. She was unable to disclose the details of that particular LOI, but stated another LOI had been offered at \$24 per square foot, with three months of rental abatements on a 10 year term with a 10% rental increase in year 6. The space would have been for 11,250 square feet. This location is deemed slightly superior.

Phone calls were made to the leasing agent, but were not returned on the two-story West Loop Center, on the east line of Loop 610, between Westheimer Road and Richmond Avenue. Current tenants include a Mattress Firm, Golfsmith, and Bombay Brasserie.

Income Analysis

In this section, the subject rent roll is reviewed existing subject leases (if any) are compared to market rent to determine if a leasehold interest is present. Additional income sources, expense recoveries, and rent escalations are considered. The sum of all income develops potential gross income (PGI), discussed as follows:

Potential Rental Income

Potential rental income during the first year of the analysis is forecast at \$575,000 based on Tesla's rental rate.

Vacancy/Collection Loss

In this section, the subject's existing vacancy is compared to the market. Collection loss is also considered. Application of vacancy loss develops effective gross income (EGI), discussed as follows:

The junior anchor rents are located in shopping centers with an average occupancy through the year of 90% or greater.