

XXX Shopping Center

XXX Crossing

XXX, XXX

Abbreviated Property Condition Assessment

XXX Bank

Engagement Agreement Date: April 29, 2025

Mr. XXX

Report Date: May 20, 2025

Contact: Ryan.Jones@usainspect.com

Mr. XXX

Senior Vice President / Market Executive

XXX Bank

XXX Road

XXX, XXX



Dear Mr. XXX,

At your request, we inspected the above-referenced property on Wednesday, May 7, 2025. An abbreviated property condition assessment was completed in accordance with our April 29, 2025, proposal and attached Service Limitations and Clarifications. The purpose of this assessment was to determine the overall condition of the property and whether any evidence of structural distress or significant deferred maintenance exists.

In addition, we have provided estimates of costs to remedy immediate and short-term repair needs. This was a non-intrusive survey that did not include any disassembly or demolition of the existing structure or components, and our reporting was limited to this letter format, as a full A.S.T.M. Property Condition Assessment was not requested.

Thank you for choosing our firm to monitor this project on your behalf. Please carefully review this report, and feel free to call should you have any questions or need clarification in any way.

Sincerely,

A handwritten signature in black ink, appearing to read "RJ", with a long horizontal line extending to the right.

Ryan Jones | Manager

USA Property Condition Consultants

RJ/dw

Appendix A: Building Photographs

Email Distribution: XXX

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General Description

The subject property consists of a retail shopping center totaling approximately 33,588 gross square feet (GSF) on a 3.77-acre parcel located to the east of U.S. Highway XXX and XXX Road in XXX, XXX.

As of the current configuration, the shopping center has the following tenant spaces:

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-
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**Note, the tenant space GSF estimations have not been confirmed via As Built drawings or other information. The areas are gross estimations based on our site visit and walkthrough of the retail center and are provided to give a rough understanding of tenant areas.*

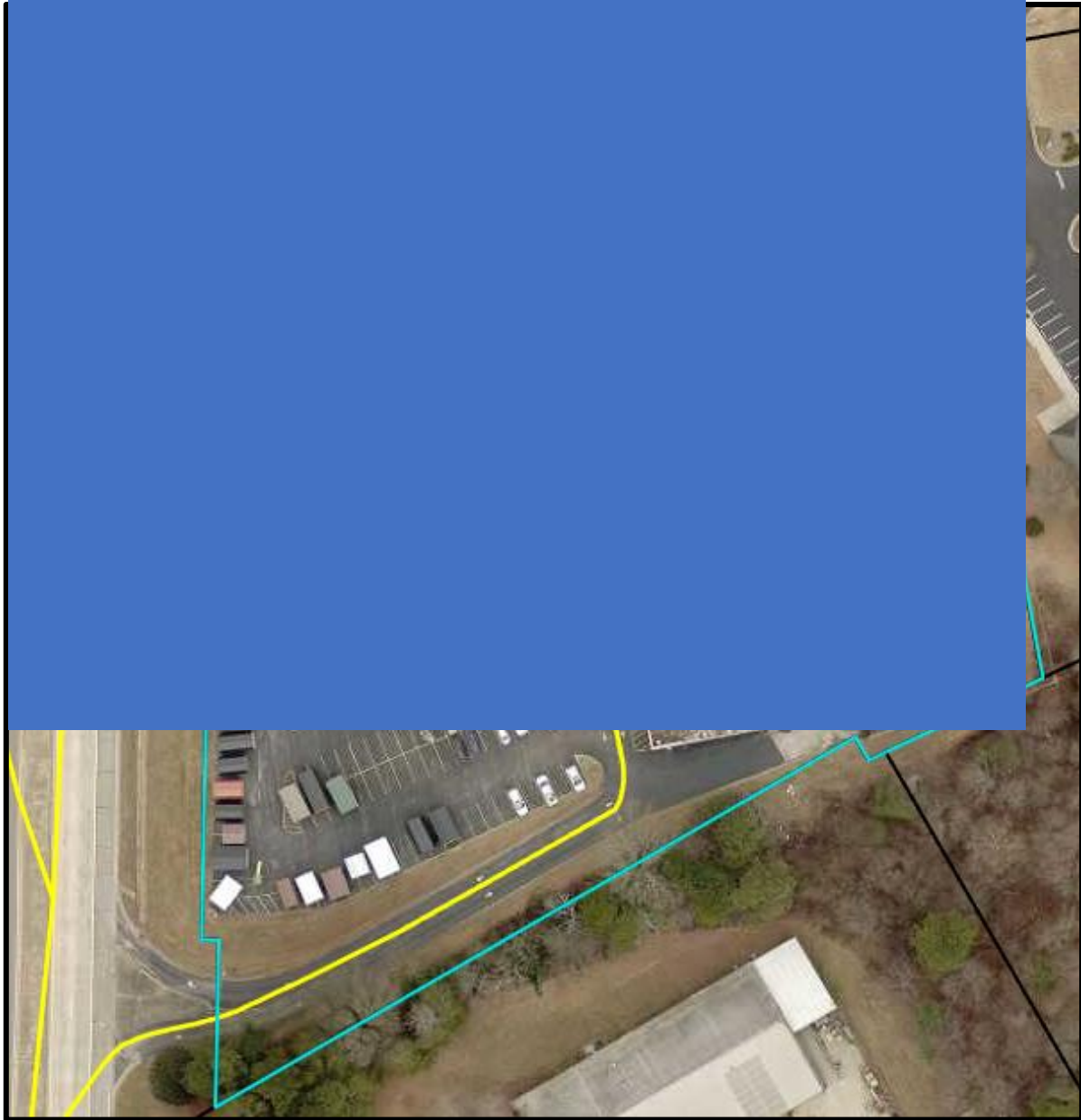
The retail building is noted by the XXX County Tax Assessor's Office to be 33,588 square feet plus have an additional 3,160 GSF of outdoor/covered canopy areas at the suite entrances. Public records indicate that the retail center was constructed in 1987, which is consistent with electrical panels noted onsite which appeared to be original to the structure.

The property is bordered by U.S. Highway XXX to the west, XXX Road to the north, and commercial properties to the east and south. The entrance to the property is via an entry drive along the southern border of the site (accessed by U.S. Highway XXX northbound lanes only) as well as two entry/exit points along XXX Road at the northern border of the site.

As Built drawings are not available for the building, yet the structure likely consists of a typical shallow foundation slab on grade, with a Concrete Masonry Unit (CMU) foundation wall along the eastern elevation to achieve loading dock and door elevations observed at the rear of the building. The building is constructed of CMU exterior walls, steel columns, and steel bar joists for roof joists. Interior partition walls appear to be a combination of wood and metal framing. The structure has a flat roof system which consists of a ballasted Ethylene Propylene Diene Monomer (EPDM) roofing membrane. The exterior veneer of the building consists of painted CMU block and an Exterior Insulation Finish System (EIFS) covered canopy along the front elevation. The building also includes aluminum storefront entry doors and window systems along the front elevation with metal rear egress doors and one metal roll-up dock door at the rear of the Farmer's Home Furniture suite.

The interiors of the tenant spaces varied, yet we generally noted acoustic ceiling tiles, painted gypsum wallboard, and painted CMU block walls. Flooring consists of carpeting, vinyl composition tiles, vinyl plank flooring, tile, and sealed concrete flooring. Generally, the retail interiors have front retail/office/restaurant areas, accompanied by a rear warehouse/storage area or kitchen (for Suite 148), which is typical for retail buildings of this type.

While a site plan or survey has not been provided, the XXX County Tax Assessor Office notes that the subject parcel (Parcel 089A008) is 3.77 acres as shown below. Note, an adjacent parcel includes a portion of the subject site parking lot and entry drive, and we are unsure if this additional parcel is included in the review. Of note the additional parcel (089A008A) includes one of the two ingress/egress driveways used by the subject site, and we are unsure if a shared use/cross access easement exists between these two parcels.



Property Condition Summary

It is our opinion that the property is in overall **Fair Condition** compared with typical buildings of this type and age. While a full Property Condition Assessment specifies the Immediate, Short-Term, and Long-Term Repair Estimates for the subject property, we have limited this report to list all potential repair concerns noted during our cursory inspection. A summary of our findings is noted below.

Site Description

Being a retail property, the site mostly consists of asphalt parking and drive areas in the western portion of the site with concrete pavement at the rear loading dock area and rear drive areas.

The building's front elevation has a poured concrete sidewalk at suite entrance areas and beneath the entry canopy, yet there are no other concrete sidewalks noted onsite.

The parking areas are bordered by poured concrete curbing, and site lighting is accomplished by 3 pole mounted light fixtures within the front parking lot. Minimal overall landscaping exists onsite, with areas of grass along the road frontages and mature trees along the side and rear property borders.

Recommendations: The asphalt parking and drive area was noted to have significant alligator cracking, yet we did not notice areas of significant subgrade failure which typically results in differential settlement, significant asphalt failures, and potholes. Given the conditions observed, we recommend an asphalt crack sealer and topcoat application throughout the parking and drive area as well as restriping. While no significant structural damage was noted in the parking/drive areas at the time of inspection, leaving the cracks unaddressed will create significant future repair costs. We have included an estimate to remedy these issues in our Immediate Repair Estimates section below.

Note, the above recommendation is to prolong the life of the existing asphalt pavement, yet a more permanent long-term repair would be to mill and overlay the entire parking lot. This includes removing the top layer of asphalt and installing a new wear layer which will last longer than crack treatment and top coating recommended above. The cost to mill and overlay the estimated 90,000 square feet of asphalt surface would be approximately \$445,500 (90,000 sf X \$4.95/SF).

Building Structure and Exterior Elements

The building appears to be structurally sound and in fair condition. There was no evidence of unusual settlement or deflection of the foundation, wall or roof systems. While minor step cracking was observed at the rear CMU walls, the cracks did not appear to represent significant settlement of the exterior wall system.

The roof covering was noted to have had some repairs in the past, yet the roofing is assumed to be original to the building. We did observe ponding at the rear of the building roofline, and prior evidence

of water infiltrating the rear wall of the building was observed in multiple tenant suites. Gutter systems were in place, yet some leaking at seams was observed while onsite.

The CMU block exterior wall systems have water damage observed to the paint, which suggests that water has entered the CMU block and water pressure has caused bubbling and cracking/peeling of the exterior paint coating. Some areas of CMU block damage from water are evident as well, and the entirety of the CMU wall surfaces are in need of repair and repainting after the roof and gutter systems are corrected to prevent water damage to the rear CMU wall.

The front EIFS canopy veneer appeared to be in fair condition. Minor repairs and repainting are recommended to coincide with the rear CMU wall repairs and repainting. Aluminum storefront door and window systems, as well as the metal segmented roll-up door at the rear of the building appeared to be functional and in fair to good condition. No immediate repair concerns were noted.

Recommendations: Given that active roof leaks were not observed onsite during our site visit, we have not recommended a full roof replacement, as this report is to recommend Immediate Repair Concerns only. We have included a repair allowance to correct water ponding at the rear roof of the building, as well as replacement of gutter and downspouts to properly shed water away from the rear CMU walls and prevent further water damage. Additionally, we have included an allowance to repair and repaint all exterior CMU and EIFS veneer areas based on the conditions observed onsite.

Note, the above recommendation is based on repairing immediate needs only. Provided the Owner of the building has a longer term horizon of planned ownership, we would recommend considering replacing the EPDM roofing. The age of the roof system is noted to be approximately 38 years old, which is beyond the typical useful life of EPDM roof coverings. Waiting longer can lead to decking replacement, interior repairs, and disruption to tenants. We estimate that a full roof replacement for this building would cost between \$300,000 and \$450,000.

Mechanical / Electrical / Plumbing Systems

Heating and cooling of the retail building is provided by approximately 14 rooftop HVAC units observed onsite. The current owner noted that some equipment at the rooftop level is no longer in use. Systems were randomly turned on to verify operation, and we noted that systems were operational except for the one in Suite 154 (electrical power was completely off to the suite). The Owner noted that two HVAC units have been replaced at the XXX Furniture retail suite, yet other HVAC equipment appeared to be over 15+ years old.

HVAC rooftop units in a retail environment have an Effective Useful Life (EUL) of approximately 15 to 20 years. Given the age of the existing systems, we would anticipate that some short-term replacements will be necessary. The overall building likely needs at least 75 tons of cooling capacity (assuming 450 SF/ton), and we would estimate 30% replacement needs over the next 2-3 years.

The electrical system feeds into the building from the rear/eastern elevation, where external meter bases were observed in several locations. We observed 8 total meter bases, suggesting that the building was originally setup to allow for up to 7 tenant spaces (plus 1 general/house service). A 1600-amp main distribution panel was observed in the Veterans of Foreign War (VFW) space, and each tenant suite had various electrical panels ranging from 225-amp to 400-amp ratings within the rear areas of the tenant spaces. Lighting fixtures were observed to vary by tenant space, yet they generally consisted of incandescent lay-in or surface mounted fixtures at the acoustic ceiling areas.

The fire service and domestic water to the building appears to be from the municipal water system tapped along XXX Road. We did observe one manhole in the parking area for the building, yet it was not labeled as Sanitary Sewer, Storm Sewer, or Water related utilities. Other than grease trap access points at the rear of the restaurant, no sanitary sewer cleanouts or other evidence of onsite sewer services were observed. No issues with sanitary sewer, water, or other utilities were reported or observed, except we did note that Suite 154 had no electricity (and was a vacant suite).

Recommendations:

HVAC: *Based on random operation of the HVAC systems, immediate repairs do not appear necessary, yet we recommend reserving funds for HVAC replacements in the coming 1-2 years for systems which are observed to be over 15 years old. We anticipate approximately 30% of the units will need to be replaced annually, except for the 2 more recently replaced systems at the XXX Furniture. Based on this assumption, we will include an allowance in the Immediate Repair Table for 22.5 tons of cooling replacement (30% x 75 tons), and we would recommend similar budgets for Year 2 and Year 3, as well as typical ongoing maintenance of the HVAC systems in place. We also note that future tenant uses could affect the anticipated HVAC loads, and additional HVAC costs could be incurred during tenant turnover.*

ELECTRICAL: *Our scope does not include thorough electrical system testing, yet the electrical systems observed onsite appeared in fair condition. Some panels are in need of updated panel surveys, and minor repairs which should be performed by a licensed electrician. Costs for such panel updates are below the threshold for inclusion in this report. Also note, future tenant needs could affect the electrical systems within the building, and additional electrical updates may become necessary in the future. No immediate lighting fixture updates appear necessary, yet some upgrades for more energy efficient LED lighting may be warranted in the future.*

No Water/Sewer immediate repairs appear necessary based on the conditions observed while onsite. Hot water was observed in multiple tenant spaces and any water heater repair/replacements necessary would fall below the threshold for inclusion in this report.

Fire/Life Safety

The building is equipped with a fire-sprinkler system, and the fire riser was observed within the XXX tenant space, with sprinkler mains and extensions to each of the remaining tenant spaces within the building. Fire alarm system components observed within the building include a fire alarm panel (within the XXX tenant space), fire extinguishers, and lighted emergency exit signage at egress locations.

Recommendations: The fire riser was observed to have a “yellow tag” indicating non-compliance as of the most recent annual inspection that occurred on February 12, 2024. The annual compliance inspection was noted to be non-compliant due to a “flow switch issue” which needs to be corrected. We recommend that a current annual inspection be completed, and any issues be resolved to bring the sprinkler system into compliance with the National Fire Protection Association (NFPA) standards.

Fire extinguishers were observed to have current annual inspections in the XXX Furniture space, yet other spaces had expired extinguishers. These are likely tenant responsibilities, yet current annual inspections and fire extinguisher updates should be completed at tenant spaces with expired annual inspections.

We have included an allowance for the current Fire Sprinkler System annual inspection as well as fire extinguisher annual inspections, yet we have not included funds for significant fire sprinkler system updates. Findings of the annual inspection may require additional flow switches or other system updates to become compliant with NFPA standards.

Interior Elements

The interior finishes varied based on tenant space, yet they were generally in fair condition. The walls, trim, and paint were in fair condition, but they could use updated painting. Ceiling tiles were stained in various tenant space locations likely due to past roof leaks, and replacement of many tiles is recommended. Flooring is worn in most locations and updated interior tenant allowances will likely be necessary at the time of tenant turnover.

Recommendations: Updated interior painting and flooring is mainly an aesthetic issue and left at your discretion yet will likely not be necessary until tenant turnover. Such interior finish items are often at least partially the responsibility of the tenant; thus, no Immediate Repair Estimate is included in this report. Ceiling tiles and repairs along the rear walls where prior water damage is observed are included in the Immediate Repair Estimate section below.

Americans With Disabilities Act (ADA)

Compliance

The scope of our services does not include a complete ADA assessment. In general, the tenant suite main entrances have accessible parking space at the nearest location to the main entry, except for near the main entries of Suites 148 and 154. The main entries have at-grade entries to each tenant suite, and suite interiors have accessible pathways through the interior of the spaces. Bathrooms appear to have reasonable accommodation such as grab bars and levered door/faucet hardware in some locations, yet certain bathrooms should have updated door hardware and faucets to meet ADA reasonable accommodations.

Recommendations: Based on our observed parking space count (224 spaces), the site needs to have 3 additional ADA spaces added for a total of 7 spaces. For this count, 2 of the ADA spaces need to be Van Accessible, which includes a larger access aisle and proper signage. We have included an allowance to provide 2 additional ADA "Van Accessible" parking spaces, as well as 1 additional standard ADA space for the site, which is required based on the number of observed parking spaces. Additionally, we have included an allowance to add levered door and bath fixtures where not provided at areas of public accommodation to be considered "reasonable accommodations" for ADA accessibility.

Asbestos/Environmental Concerns

We were not engaged to complete an Environmental Assessment or any environmental testing.

Immediate Repair Estimates

This report section includes a summary of the immediate repair estimates discussed in the report below and provides some details as to the methodology used for the estimates. See our listing of items below.

- Asphalt Parking and Drive Crack Repair, Seal Coat, Restripe – 90,000 SF @ \$0.50/SF = \$45,000
- Roof Repairs at rear wall (allowance) = \$25,000
- Rear Gutter and Downspout Replacement – 300 LF @ \$20/LF = \$6,000
- Repaint exterior CMU and EIFS veneer (includes repair allowance) = \$60,000
- HVAC Replacements – 22.5 Tons @ \$5,000/Ton = \$112,500
- Annual Sprinkler and Fire Extinguisher Inspections Allowance = \$5,000
 - *Note, this does not include repairs needed to bring the Sprinkler System into Compliance*
- Ceiling Tile replacement and interior rear wall water damage repair allowance = \$15,000
- Add ADA Van Accessible Spaces and 1 additional standard ADA Space = \$2,500
- ADA Reasonable Accommodation Additions = \$2,000

TOTAL OF IMMEDIATE REPAIR ESTIMATES: \$273,000

Reliance Statement

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This report is not intended to usurp the responsibility or limit the liability of the architect, engineer, contractor and subcontractors, or testing firms of record.

APPENDIX A: BUILDING PHOTOGRAPHS – EXTERIOR



Picture 1: Entrance to the parking lot from XXX Road.



Picture 2: Water valve noted at entrance off XXX Road.



Picture 3: Water vault and hydrant off XXX Road.



Picture 4: Typical asphalt conditions – cracking observed throughout.



Picture 5: Curb drain in southwestern corner of parking area.



Picture 6: Southern property area with entry drive to site.



Picture 7: Southern entry off U.S. Highway XXX.



Picture 8: Asphalt parking area conditions observed.



Picture 9: Side drive area to the south of building.



Picture 10: Rear of XXX Restaurant – grease trap access.



Picture 11: Rear meter bank near XXX.



Picture 12: CMU block wall at rear elevation.



Picture 13: Rear loading area concrete pavement.



Picture 14: Water damage noted at rear CMU wall.



Picture 15: Additional water damage observed at rear CMU wall.



Picture 16: Block wall damage from water infiltration.



Picture 17: Front elevation of building near Suite 194.



Picture 18: Individual water meters noted at front elevation.



Picture 19: Front elevation at XXX and XXX Furniture.



Picture 20: Minor soffit damage noted at front elevation.



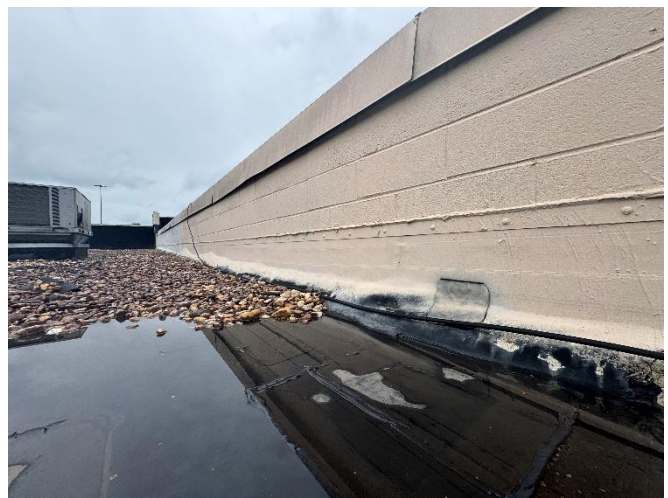
Picture 21: Mailbox and concrete sidewalk along front elevation.



Picture 22: Canopy overhang area at XXX Furniture.



Picture 23: Front elevation at Suites 148 and 154.



Picture 24: Roof conditions observed – ponding at rear roof area.



Picture 25:Gutter conditions observed at roofline.



Picture 26: Roof membrane has damages and repairs.

APPENDIX A: BUILDING PHOTOGRAPHS – INTERIOR



Picture 27: Interior of Suite 194 – Owner's storage suite.



Picture 28: Interior of Suite 194.



Picture 29: Exit signage at rear egress of Suite 194.



Picture 30: Bathroom at rear of Suite 194.



Picture 31: Typical electrical panel at rear of retail suites.



Picture 32: Rear egress doorway at Suite 194.



Picture 33: Suite 186 - XXX suite.



Picture 34: Typical interior finishes at Suite 186.



Picture 35: HVAC operational at Suite 186.



Picture 36: Electrical system polarity/ground checked – Suite 186.



Picture 37: Rear breakroom area at Suite 186.



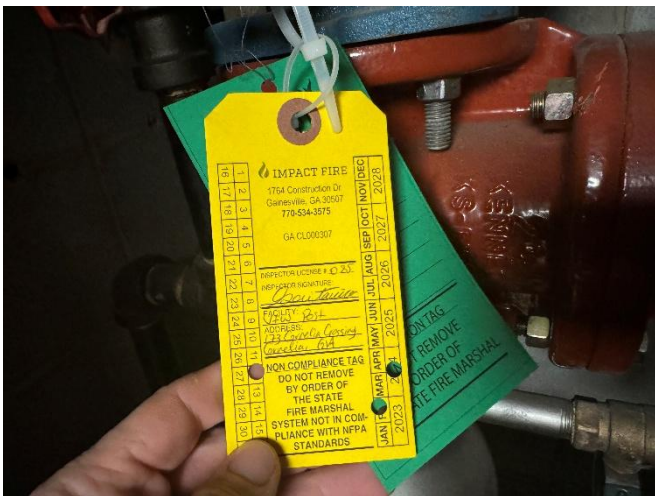
Picture 38: Rear egress doorway at Suite 186. Note peeling paint and water damage at the rear wall.



Picture 39: Interior of XXX – Suite 174.



Picture 40: Fire Extinguisher annual service tag – needs inspection.



Picture 41: Fire Riser Tag – Non-Compliance “Yellow Tag”.



Picture 42: Flow Switch issue resulted in Non-Compliance.



Picture 43: Bathroom finishes in XXX space.



Picture 44: Grab bars in restroom at XXX space.



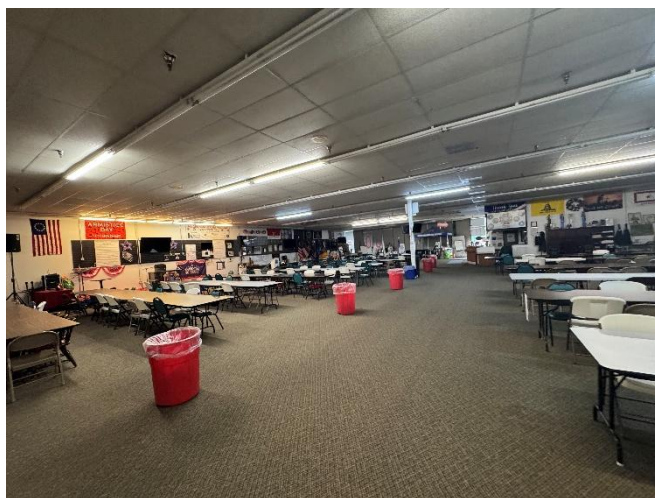
Picture 45: Mezzanine office area in XXX space.



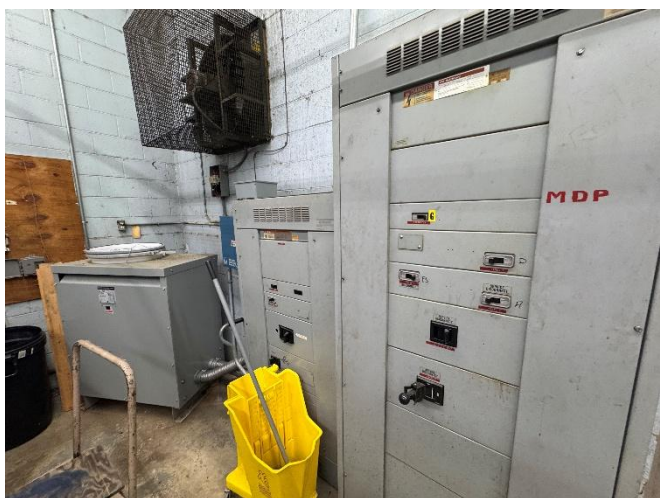
Picture 46: Fire Alarm display in XXX space.



Picture 47: Fire Alarm panel in XXX space.



Picture 48: Typical finishes in XXX space.



Picture 49: Main Distribution Panel at rear of XXX space.



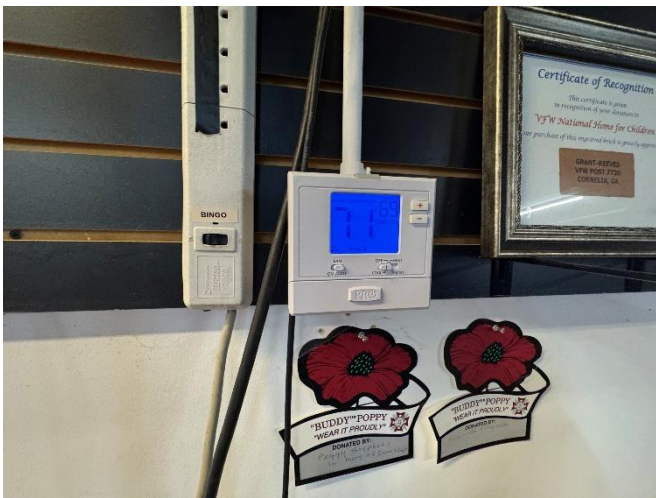
Picture 50: Rear egress doors at XXX space.



Picture 51: Warming kitchen at XXX space.



Picture 52: Small water heater at XXX warming kitchen.



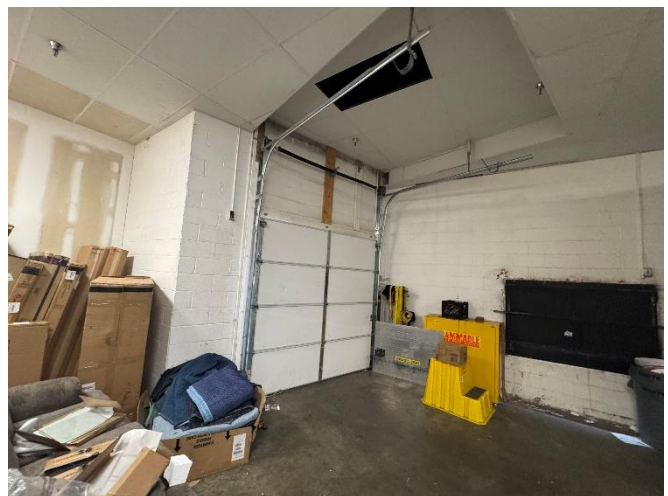
Picture 53: HVAC systems operational at XXX space.



Picture 54: Suite 170 – XXX Furniture.



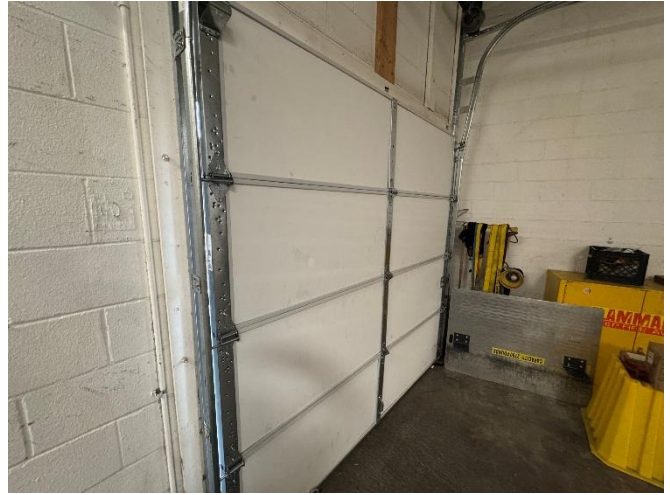
Picture 55: Suite 170 – typical retail area finishes.



Picture 56: XXX Furniture loading dock.



Picture 57: Rear stock storage area at XXX Furniture.



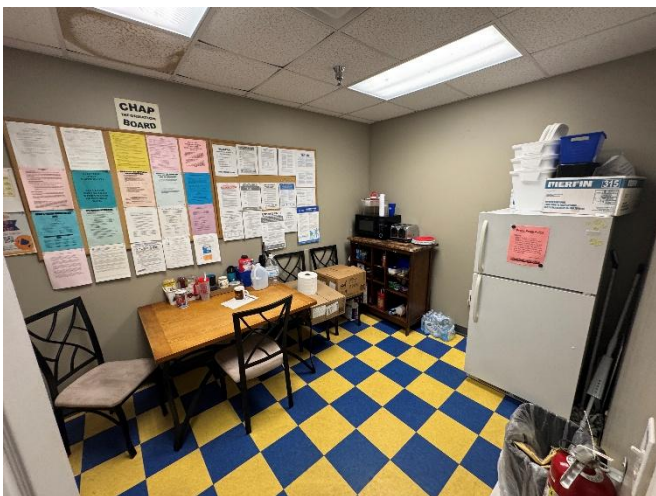
Picture 58: Roll-up door at XXX Furniture in good condition.



Picture 59: Electrical service panels at rear of XXX Furniture.



Picture 60: Water staining at rear egress door of XXX Furniture.



Picture 61: Breakroom at XXX Furniture suite.



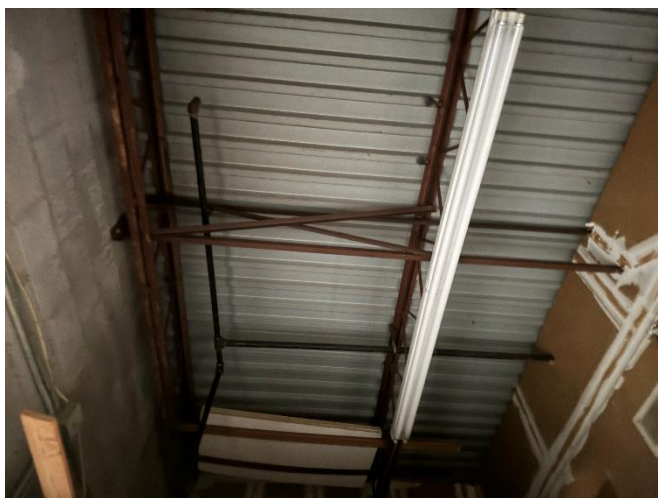
Picture 62: Typical bathroom at XXX Furniture suite.



Picture 63: Vacant Suite 154.



Picture 64: Power off at vacant Suite 154 – HVAC not operational.



Picture 65: View of steel bar joists and roof decking for structure.



Picture 66: Bathroom at Suite 154 – grab bars needed.



Picture 67: Interior of Suite 148 – XXX Restaurant.



Picture 68: Bathroom at XXX tenant space.



Picture 69: Electrical panel at rear of XXX Restaurant.



Picture 70: Typical kitchen area observed at XXX.



Picture 71: Rear egress corridor at XXX.



Picture 72: Kitchen area at XXX.