Income Approach – Income and Expense and Vacancy Data: As previously described, the "Income Approach" is based upon the principle of "anticipation" which recognizes that value is created by the owner's expectation of future benefits. Typically, these benefits are anticipated in the form of income, and/or in the anticipated increase in the property's value over time. Therefore, a primary consideration is the relative level of anticipated income and expenses a property is likely to achieve, and "base" rates for both income and expenses must be established. Consequently, research was undertaken in order to identify the appropriate "base" levels of income and expenses for each commercial property "use" type, such as apartments, office, retail, industrial, etc. As illustrated in Section 3, after the gross income and expenses for a particular property "use" have been identified, the next step in the development of the "Income Approach" is to subtract the anticipated (market-derived) vacancy rate from the potential gross revenue, to generate the "effective" gross income. The expenses are then subtracted from the effective gross income, in order to generate the net operating income, or "NOI".

Income Approach – Capitalization Rates: As illustrated in Section 3, after the gross income and expenses for a particular property "use" have been identified, the next step in the development of the "Income Approach" is to subtract the anticipated (market-derived) vacancy rate from the potential gross revenue, to generate the "effective" gross income. The expenses are then subtracted from the effective gross income, in order to generate the net operating income, or "NOI". The NOI is then divided by a "capitalization" rate, or the market-derived rate investors would expect on alternative investments that share the same degree of risk as the appraised property.

The following are additional supporting Income Valuation Reports: