

Type of Appraisal:	Summary Report
ADOT Parcel Number:	L-C-011
Owner:	The State of Arizona through its Department of Transportation
Property Location:	Between 7 th Street and 7 th Place, north of Portland Street in Phoenix, Arizona
Project Number:	M519301X
Highway:	Phoenix-Casa Grande Highway
Section:	7 th Street to 16 th Street
Date of Report:	June 11, 2018
Effective Date of Appraisal:	May 23, 2018
Appraiser:	J. Douglas Estes, MAI, SR/WA Certified General Real Estate Appraiser No. 30821

AN APPRAISAL OF

A 20,552 square foot site located between 7th Street and
7th Place, north of Portland Street in Phoenix, Arizona
Owned by The State of Arizona through its Department of Transportation



PREPARED FOR

Mr. Timothy O'Connell
ADOT Right of Way Review Appraiser
Right of Way Project Management Section
Arizona Department of Transportation
205 South 17th Avenue, Room 306
Mail Drop 612E, Phoenix, Arizona 85007

EFFECTIVE DATE OF THE APPRAISAL

May 23, 2018

PREPARED BY

J. Douglas Estes, MAI, SR/WA
Landpro Valuation
444 South Greenfield Road
Mesa, Arizona 85206
www.landprovaluation.com

FILE NUMBER

18.0130



June 11, 2018

Mr. Timothy O'Connell
ADOT Right of Way Review Appraiser
Right of Way Project Management Section
Arizona Department of Transportation
205 South 17th Avenue, Room 306
Mail Drop 612E, Phoenix, Arizona 85007

Re: An appraisal of a 20,552 square foot parcel of land located between 7th Street and 7th Place, north of Portland Street in Phoenix, Arizona
Landpro Valuation File Number 18.0130

Dear Mr. O'Connell:

At your request, I have appraised the above-referenced real property. The objective of this appraisal is to provide an opinion of the market value of the fee simple interest in the property. The intended user of this appraisal is the Arizona Department of Transportation and the Federal Highway Administration. The intended use of this appraisal is to assist in decisions regarding disposition of the property.

As a result of my investigation and analysis, it is my opinion that the market value of the subject property is **\$575,000**.

This valuation is based upon the attached report and all of the assumptions and limiting conditions contained therein, including the understanding that I have no control of the use to which the report may be put by a subsequent reader of this report. Disclosure of the contents of this appraisal report is governed by the Bylaws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which he is connected, nor any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without prior written consent and approval of the undersigned.

I refer the reader to the Underlying Assumptions and Limiting Conditions. I am not qualified to determine the presence of hazardous substances as they affect the site. This would include, but not be limited to, toxic chemicals, asbestos, radon gas,

methane, etc. Unless otherwise stated, the site is assumed to be unaffected by these substances.

I certify, to the best of my knowledge and belief, that:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest or bias with respect to the parties involved.
4. I have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment was not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).
9. I have made an on-site inspection of the property that is the subject of this report.
10. No person provided significant real property appraisal assistance to the person signing this certification.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

Timothy O'Connell

June 11, 2018

Page 3

12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

13. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

I appreciate the opportunity to assist you.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "J. Douglas Estes".

J. Douglas Estes, MAI, SR/WA
Certified General Real Estate Appraiser
Certificate Number 30821, State of Arizona
Expires October 31, 2019

TABLE OF CONTENTS

SUMMARY OF APPRAISAL	1
INTRODUCTION AND SCOPE OF THE APPRAISAL.....	2
PHOENIX AREA DATA	7
MARKET AREA ANALYSIS.....	20
SITE DESCRIPTION.....	35
HIGHEST AND BEST USE ANALYSIS.....	45
VALUATION	48
SALES COMPARISON APPROACH TO VALUE	50
RECONCILIATION AND FINAL VALUATION ESTIMATE	68
RIGHT OF WAY SECTION CERTIFICATE OF APPRAISER	69
ASSUMPTIONS AND LIMITING CONDITIONS	70
ADDENDA	
SUBJECT PHOTOGRAPHS	
RIGHT OF WAY DISPOSAL REPORT SCHEDULES A AND B	
APPRAISER'S QUALIFICATIONS	

SUMMARY OF APPRAISAL

Type of Property:	The subject is a 20,552 net square foot parcel of vacant land.
Location:	Between 7 th Street and 7 th Place, north of Portland Street in Phoenix, Arizona
Assessor's Parcel Number:	Not assigned
Objective of the Appraisal:	To provide an opinion of the market value of the fee simple estate of the property
Intended Use:	To assist in decisions regarding disposition of the property.
Intended Users:	The Arizona Department of Transportation and the Federal Highway Administration
Client:	The Arizona Department of Transportation
Site Area:	20,552 Square feet/0.4718 acre
Flood Zone:	Flood Zone X FEMA FIRM 04013C2205L, dated October 16, 2013
Zoning:	C-2, Intermediate Commercial District
Building Area:	None
Highest and Best Use:	Development of an urban use
Final Conclusion of Market Value:	\$575,000
Date of Inspection:	May 23, 2018
Effective Date of the Appraisal:	May 23, 2018
Date of Report:	June 11, 2018

INTRODUCTION AND SCOPE OF THE APPRAISAL

Appraisal Problem

The Arizona Department of Transportation (ADOT) acquired the subject property as part of a larger property in for construction of the Phoenix – Casa Grande Highway. ADOT does not need the entire property for the freeway improvements and now wants to dispose of the property. ADOT wants to know the value of the property for disposition purposes. This appraisal is to provide an opinion of the market value of the fee simple interest in the property. This appraisal will be used by ADOT in disposition of the property.

Identification of Property Appraised

Property Type

The subject property is vacant land.

Location

The subject property is located between 7th Street and 7th Place, north of Portland Street in Phoenix, Arizona

Property Rights Appraised

Fee simple interest

Legal Description

A complete legal description of the property was not available. Nonetheless, the property is identified and described in the Sketch Plan provided by the client and included on Page 39 of this report in the Property Description section. I also refer the reader to the Right of Way Disposal Report for a partial legal description of the property.

Assessor's Parcel Number

Not assigned

Owner and Ownership History

According to public records, the subject property is owned by the State of Arizona through its Department of Transportation, which has owned the property for more than five years prior to the effective date of the appraisal.

The property is not currently listed for sale or under contract for sale. ADOT is considering disposing of the property, but has not yet listed the property for sale.

Personal Property

This appraisal does not include any personal property.

Current Leases

The property is not currently leased.

Appraiser's Client

The Arizona Department of Transportation

Intended Users of the Appraisal

The Arizona Department of Transportation and the Federal Highway Administration

Intended Use of the Appraisal

To assist in decisions regarding disposition of the property

Objective of the Appraisal

To provide an opinion of the market value of the fee simple estate in the property

Effective Date of the Appraisal

May 23, 2018

Date of Inspection

May 23, 2018

Date of Report

June 11, 2018

Assignment Conditions

Assumptions and Limiting Conditions

I refer the reader to the assumptions and limiting conditions at the end of this report.

Extraordinary Assumptions and Hypothetical Conditions

I refer the reader to the extraordinary assumptions and hypothetical conditions in the letter of transmittal, if any.

Jurisdictional Exceptions

This appraisal was not completed under any jurisdictional exceptions.

Definitions

Market Value

Market value is defined as “the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements that the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable.”¹

Fee Simple Estate

Fee simple estate is defined as “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

Easement

Easement is defined as “the right to use another’s land for a stated purpose.”³

Scope of Work to Solve the Appraisal Problem

The scope of work to solve the appraisal problem included the following:

Inspection of the Subject Properties

My inspection of the property included an on-site inspection of the property and photographing the property and adjacent roadways.

Regional and Market Area Analysis

I have researched and analyzed the four forces - geographic, social, economic, and governmental - that influence value for the market area. Where factual information is required, I have used several sources including:

- Factfinder.census.gov
- Federal Reserve Bank of St. Louis (FRED)
- US Bureau of Labor Statistics

¹ *Arizona Revised Statute 28-7091.*

² Appraisal Institute, *The Dictionary of Real Estate Appraisal, Sixth Edition* (Chicago, Illinois, 2015), page 90.

³ Appraisal Institute, *The Dictionary of Real Estate Appraisal, Sixth Edition* (Chicago, Illinois, 2015), page 71.

- Arizona Economic Forecast Data published by University of Arizona Economic and Business Research Center, Eller College of Management
- Colliers International Research and Forecast Report for the Greater Phoenix Land market
- Arizona Indicator Data published in Arizona's Economy by the University of Arizona's Eller college of Management
- The Greater Phoenix Blue Chip report
- The Marcus & Millichap 2018 US Multifamily Investment Forecast Report
- CoStar
- My inspection of the area

Property Description and Analysis

I have researched and analyzed the subject properties. Where factual information is required, I have used several sources including:

- City of Phoenix General Plan
- City of Phoenix zoning map and applicable ordinances
- Federal Emergency Management Agency Flood Insurance Rate Maps
- Flood Control District of Maricopa County maps
- Maricopa County Assessor's and Treasurer's Offices
- Arizona Regional Multiple Listing Service (ARMLS)
- Information provided by the client
- My inspection of the subject property

Highest and Best Use Analysis

When the objective of an appraisal is to estimate market value, the highest and best use analysis identifies the most profitable, competitive use to which the property can be put. Therefore, the highest and best use is a market-driven concept. In this appraisal, I have analyzed the highest and best use of the property, as vacant.

Valuation Analysis

For valuation of the subject property, I have used the sales comparison approach. The cost approach was not used due to the fact that the property does not have any significant improvements. The income approach was not used due to the fact that similar properties are typically not leased at a rate that provides a fair return to the land, relative to its value. Therefore, only the sales comparison approach is used.

In the valuation, I made several independent investigations and analyses concerning both the subject property and the subjects' market area. The data collected and utilized in the valuation section is referenced in the report and the sources of the data and confirmation are also referenced. The degree of reliance, as well as the significance of the data and each approach, is also presented. I have gathered information from one or more of the following sources:

- CoStar
- Maricopa County Recorder's Office
- Direct contact with listing/sales brokers, leasing agents, and property managers and owners
- ARMLS Monsoon
- Inspection of the comparable sales

Reconciliation

In the reconciliation section of the report, the valuation approaches are evaluated as to their pertinence and reliability to the appraisal problem. This analysis results in a final value conclusion.

Professional Assistance

No one provided assistance in the preparation and completion of this appraisal.

Items Not Included in the Scope of Work

I am not qualified to confirm or deny the existence of hazardous conditions, environmental contamination, soil defects, construction defects, other hidden defects or illegal conditions. The scope of this assignment did not include research, inspection or analysis of these items. Furthermore, the scope of this assignment does not include analysis or valuation of personal property.

Physical Characteristics

General Description

The Phoenix area is located in the south central portion of the State of Arizona and is called the “Valley of the Sun” by area residents because it is situated in a broad valley just below the point where the Salt River winds into the desert from the mountains to the north and east. In the Greater Phoenix Area, six major cities (Phoenix, Mesa, Tempe, Scottsdale, Glendale, and Chandler) contain more than 80% of the area’s total population. Other outlying suburbs, including Gilbert, Peoria, Goodyear and Buckeye, are growing rapidly and are also becoming major centers of population. The rural areas of Maricopa and Pinal Counties are sparsely populated and contain less than one percent of the area’s total population.

Land Use Patterns

Current land use in the Phoenix area is tied to historic development patterns which are best described by dividing the overall area into four quadrants: Northeast, Southeast, Southwest and Northwest.

The *Northeast* area is the most affluent portion of the metropolitan area and includes Northeast Phoenix (and the Biltmore area), Paradise Valley, Scottsdale and Cave Creek/Carefree. This area is predominantly characterized by residential growth, elegant shopping centers and light industrial development, which are concentrated around the Scottsdale Airpark. It also contains the majority of the area’s resort hotels, with the City of Scottsdale distinguished as a nationally ranked resort destination.

The *Southeast* area includes the suburban Cities of Mesa, Tempe, Gilbert, Queen Creek and Chandler. This area is characterized by residential growth, including numerous, large, master planned residential developments, and commercial and industrial developments along the various freeways. The Southeast area’s economic base has developed a separate identity which includes various major industrial employers, and allows it to compete aggressively with the major industrial and commercial office districts of Phoenix.

The *Northwest Area* was historically a topographically flat area of farming and moderate-quality housing; however, the outlying northwest suburbs have experienced a substantial amount of new growth, including numerous master planned residential districts with golf courses, lake amenities, up-scale retail development and luxury homes in the outlying areas. The Northwest Area includes northwest Phoenix, Peoria, Glendale, Surprise and Sun City.

The *Southwest Area* is a relatively flat, industrial and agricultural district which is gradually being developed with a variety of residential, commercial and industrial uses. The outlying suburbs include Avondale, Goodyear, Buckeye and Litchfield. Most of the new development extends along the I-10 Freeway, where there are various master-planned developments with attractive housing and upscale retail uses.

The transportation system, along with other geographical and economic factors, helps to determine the shape of a metropolitan area. A mile-square grid pattern of major streets, perhaps more than any other factor, has contributed to the low-density, omni-directional pattern of growth in the Phoenix area. On surface streets, private automobiles comprise approximately 95 percent of the traffic volume.

Historically, developed freeways in the Phoenix area have been mostly extensions of the Interstate highways connecting the Phoenix area to other distant areas. Interstate 10 enters Phoenix from the west, passes through central Phoenix and then generally goes southeasterly to the Tucson area and beyond. Interstate 17 enters the Phoenix area from the north, extending south through north central Phoenix, where it turns east and connects with Interstate 10. US 60 enters the Phoenix area from the east, passing through Apache Junction, Mesa and Tempe, where it connects with Interstate 10.

The other freeways throughout the Phoenix area provide linkages from local neighborhoods to these primary freeways. The Loop 101 Freeway encircles most of Metro-Phoenix forming an irregular $\frac{3}{4}$ circle. The Loop 202 Freeway encircles most of the southeast suburbs. The layout of area transportation has had a significant impact on land use patterns throughout the Phoenix area. Commercial land uses are located mostly along section-line arterials, especially at arterial intersections, and residential uses are located more often along feeder streets. Extensive industrial uses and large office projects have been developed along the freeways, especially Interstate Highways 10 and 17.

Area Resources

The greater Phoenix area provides a variety of economic resources including a young and skilled labor force, an abundant supply of water and energy, adequate educational and technical schools, a relatively low cost of living due to low housing costs, a variety of year-round recreational/entertainment activities and an abundance of vacant land.

Demographic Characteristics

The following are current and historic demographic characteristics of the Phoenix-Mesa-Scottsdale metropolitan statistical area (Maricopa and Pinal Counties):

Phoenix, Mesa, Scottsdale MSA Demographic Data

Population	<u>Number</u>	<u>% Growth</u>	Gender (2016)	<u>Number</u>	Percentage
2010	4,204,148		Males	2,315,356	49.67%
2011	4,247,852	1.04%	Female	<u>2,346,181</u>	50.33%
2012	4,321,686	1.74%	Total	4,661,537	100.00%
2013	4,390,565	1.59%			
2014	4,470,712	1.83%	Housing Tenure (2016)		
2015	4,558,145	1.96%	Owner-Occupied	61.7%	
2016	4,648,498	1.98%	Renter-Occupied	38.3%	
2017	4,737,270	1.91%			
			Median Home Value (2016)	\$231,000	
Household Size (2016)	2.76		Household Income (2016)		
Owner-Occupied	2.74		Less than \$10,000	6.60%	
Renter-Occupied	2.79		\$10,000 To \$14,999	4.10%	
Age Distribution (2016)			\$15,000 To \$24,999	8.60%	
Under 5 years	6.60%		\$25,000 To \$34,999	9.50%	
5 To 17 years	17.9%		\$35,000 To \$49,999	13.80%	
18 To 24 years	9.2%		\$50,000 To \$74,999	18.90%	
25 To 34 years	14.2%		\$75,000 To \$99,999	12.80%	
35 To 44 years	13.0%		\$100,000 To \$149,999	14.10%	
45 To 54 years	12.7%		\$150,000 To \$199,999	5.70%	
55 To 64 years	11.4%		\$200,000 Or more	5.90%	
65 To 74 years	8.9%		Median Income	\$58,075	
75+ Years	6.2%		Mean Income	\$80,235	
Median Age	37				

Source: Factfinder.census.gov

Economic Characteristics

According to the University of Arizona Economic and Business Research Center Fourth Quarter 2017 Economic Outlook Update, “Arizona is generating solid economic growth, outpacing the nation but not keeping up with our own past history. Job gains decelerated again in the third quarter, continuing the pattern begun at the end of 2016. Income gains have been a bit stronger so far this year, likely reflecting the increase in the state’s minimum wage and tighter overall labor markets.”

“The outlook calls for the state to continue to grind out solid gains, assuming the national economy avoids recession. While those gains are expected to beat the national average, they will likely be slow compared to growth rates routinely posted during the 30 years before the Great Recession. Most of the job growth during the next decade will be in service-providing sectors, particularly education and health services; professional and business services; trade, transportation, and utilities; and leisure and hospitality.”

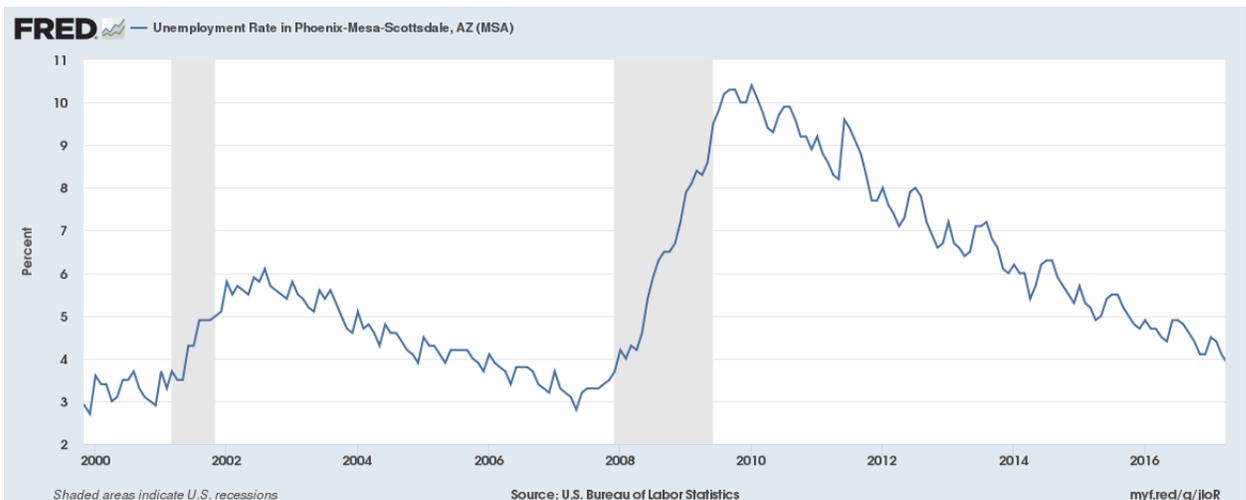
“Both of Arizona’s largest metropolitan statistical areas (MSAs) are forecast to expand during the forecast period. The Phoenix MSA is expected to remain the economic engine of the state, driving job, income, and population growth. The Tucson MSA economy is expected to continue improving, but at a moderate pace.”

Employment and Unemployment

The following chart shows employment growth for the Phoenix-Mesa-Scottsdale MSA between 1990 and 2018. The table indicates that employment declined from 2008 to 2010. Since 2010 employment growth has resumed and increased above the peak of 2008.



The following table shows unemployment in the Phoenix-Mesa-Scottsdale MSA between 2000 and 2018. The table indicates that unemployment has declined from the peak of over 10% in 2010 to the current level below 5%.



According to Arizona Economic Forecast Data, published by the University of Arizona, the five-year forecast for personal income, retail sales, nonfarm employment, population and residential permits are summarized in the following table:

Phoenix-Mesa-Glendale MSA Forecast	2016	2017	2018	2019	2020	2021
Personal Income (\$ mil)	194,412.6	205,227.9	217,496.1	231,660	247,463.9	263,374.5
% Chg from Year Ago	4.13%	5.56%	5.98%	6.51%	6.82%	6.43%
Retail Sales (\$ mil)	67,137.8	70,867.0	73,459.0	77,592.1	82,429.3	86,778.1
% Chg from Prior	3.4%	5.6%	3.7%	5.6%	6.2%	5.3%
Total Nonfarm Employment (000s)	1,972.9	2,026.4	2,081.8	2,134.6	2,187.3	2,239.8
% Chg from Year Ago	3.1%	2.7%	2.7%	2.5%	2.5%	2.4%
Population (000s), July 1st estimates	4,550.4	4,624.7	4,706.5	4,790.7	4,879.6	4,971.6
% Chg from Year Ago	1.5%	1.6%	1.8%	1.8%	1.9%	1.9%
Residential Building Permits (units)	28,583.0	29,575.3	31,130.4	32,001.4	33,611.7	34,357.6
% Chg from Prior	27.6%	3.5%	5.3%	2.8%	5.0%	2.2%

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Published by  Economic and Business Research Center. Powered by dataZoo

These projections indicate that personal income, retail sales, employment, population and residential permits will all increase from 2016 through 2021.

Real Estate Market Conditions

Land Market Conditions

According to the Colliers International Research & Forecast Report for the Greater Phoenix Land market for the Second Half of 2017, “sales of land parcels accelerated significantly in 2017. Total sales velocity for the year was up 33 percent from the 2016 total. Transaction activity in the second half of 2017 was up 17 percent from the first half of the year and outpaced levels from the second half of 2016 by 26 percent.”

“Sales prices in land transactions ticked higher in the second half of the year. The median price in the second half of 2017 was \$4.21 per square foot, up 3 percent from the median price in the first half. In 2017, the median price for the full year was \$4.16 per square foot, 8 percent higher than the median price in 2016.”

“Sales of land parcels for residential uses accounted for more than 60 percent of the total land transactions in Greater Phoenix in 2017, similar to levels in previous years. Annual sales of land for residential uses rose by 33 percent from 2016 to 2017. Activity in land for residential uses was up 25 percent in the second half of 2017 compared to the first half of the year.”

“Prices of land for residential development were mixed in 2017. For the full year, the median price was \$3.42 per square foot, 6 percent lower than the median price in

2016. Prices rose in the second half of the year; the median price during the second half of 2017 was \$3.90 per square foot, up 25 percent from the median price in the first half.”

“Sales of land for commercial uses slowed during the second half of the year but posted strong annual gains. Transaction activity in land deals for commercial uses slowed 6 percent from the first half of the year to the second half. Sales velocity in 2017 outpaced the 2016 total by 32 percent.”

“Prices for land for commercial uses dipped in the second half of the year, but were up from 2016 levels. The median price in land sales for commercial use was \$4.70 per square foot in the second half of the year, down 7 percent from the first half median price. The median price for all of 2017 was \$4.82 per square foot, up from \$4.37 per square foot in 2016.”

“The robust tenant demand for industrial space is fueling development of new buildings. Land sales for industrial uses spiked by 35 percent from 2016 to 2017. Transaction volume was up 17 percent in the second half of the year.”

“The median price for land for industrial uses was \$4.70 per square foot in 2017, up 19 percent from the median price in 2016. Prices dipped a bit in the second half of the year; the median price during the second half of 2017 was \$4.30 per square foot.”

“The housing market in Greater Phoenix is strengthening, providing the fuel for land sales. The number of land sales have increased in each of the past few years and another uptick is likely in 2018. The rise in transaction velocity has mirrored housing permitting trends. Single-family housing permits have increased by approximately 10 percent per year since 2016, and a similar increase is forecast for the year ahead. The commercial real estate market is also improving, which will support land sales for commercial and industrial uses. Land sales for commercial and industrial construction each accelerated by more than 30 percent in 2017, and additional increases could be in line if the economy continues to expand and commercial vacancies tighten further.”

Single-Family Residential Market Conditions

According to Arizona Indicator Data published in Arizona’s Economy by the University of Arizona’s Eller college of Management, residential permits for the Phoenix area over the last ten years are as follows:

Phoenix, Mesa, Scottsdale MSA Historic Residential Permits							
Year	Single-Family	% Change		Multi-Family	% Change	Total	% Change
2008	11,369			6,045		17,414	
2009	8,754	-23%	▲	717	-88%	9,471	-46%
2010	7,331	-16%	▲	945	32%	8,276	-13%
2011	7,494	2%	▲	1,987	110%	9,481	15%
2012	11,821	58%	▲	3,649	84%	15,470	63%
2013	12,770	8%	▲	4,367	20%	17,137	11%
2014	11,742	-8%	▲	8,899	104%	20,641	20%
2015	16,768	43%	▲	7,092	-20%	23,860	16%
2016	18,380	10%	▲	9,850	39%	28,230	18%
2017	20,455	11%	▲	8,887	-10%	29,342	4%

This data indicates that single-family permits have increased in six of the last seven years, with a small decline in 2014. Multi-family permits have increased in six of the last eight years, with small declines in 2015 and 2018. And total residential permits have increased in each of the last seven years.

Furthermore, according to the Greater Phoenix Blue Chip Construction Forecast, “the outlook for single family permits remains very positive. After a gain of 7.2% last year, the panel expects single family permits to increase by another 26% this year and 12% next year. This implies two very good years. Unlike the past few years, the range of the forecasts is relatively narrow. For example, for this year, the range is 22,500 permits to 27,500 permits.”

“As for apartments, permits are expected to moderate modestly over the forecast period. But, vacancy rates are expected to stay low by historic standards. Over the past several years, most of what was permitted was upper-end apartments located in a few “A” locations. What the market seems to need now is worker housing (as opposed to subsidized housing). Given the current imbalance in the supply/demand situation for labor and the increasing level of construction costs, delivering moderately priced apartments seems to be a challenge.”

The forecast for single and multi-family residential permits for 2018 and 2019 are as follows:

Organization	2018				2019			
	Single-family permits	Multi-family permits	Apartment Vacancy (Q4 %)	Apartment Absorption (Units)	Single-family permits	Multi-family permits	Apartment Vacancy (Q4 %)	Apartment Absorption (Units)
Arizona Public Service	24500	8100	6.8	6,000.0	29400	8300	6.7	6,300.0
Belfiore Real Estate Consulting	23500				25400			
CBRE	23000	8800	5.0	5,800.0	25000	8500	5.0	6,000.0
Colliers International	25000	7000	6.4	6,200.0	35000	7500	6.7	6,500.0
CRA LLC	23000	7000	5.0	7,000.0	26000	8500	5.0	8,000.0
Cromford Report	23000	8000			25000	8000		
Cushman & Wakefield	27500	5000	6.0	7,600.0	32500	4000	7.0	6,900.0
Elliott D. Pollack & Co.	21750	8000	5.8	8,000.0	24000	7500	6.0	6,000.0
Griffin Consulting	24500	7100	6.2	6,000.0	26000	6900	6.4	5,800.0
Southwest Growth Partners	24350	6600	6.3	6,000.0	26250	6200	6.5	5,800.0
U of A, Eller College	21677	9453			23173	8829		
CONSENSUS	23798	7505	5.9	6,575.0	27066	7423	6.2	6,413.0

As indicated in this table, it is anticipated that single-family residential permits will continue to increase and multi-family residential permits will decline slightly. Overall total residential permits will increase slightly

Multi-Family Market Conditions

According to the Marcus & Millichap 2018 US and Canada Multifamily Investment Forecast Report:

“Development climbs further as household growth doubles the national rate. Phoenix will record healthy employment growth headlined by finance and insurance employers in 2018, while hotels, bars and restaurants continue to be a constant behind the city’s flourishing economy and robust household formation this year. In 2017, Phoenix gained approximately 100,000 new residents with about 20 percent consisting of 20- to 34-year-olds. The growing number of young professionals will persist, resulting in strong housing demand and escalated completions this year. The Biltmore area and neighborhoods adjacent to the Arizona State University campus in Tempe will experience the most construction activity with a combined 3,000 units slated for delivery in the next four quarters. Although the substantial flow of new units will result in a vacancy hike this year, net absorption will be fueled by in-migration.”

“Satisfying returns preserve investor interest. Last year, rents in Scottsdale, particularly near Old Town, noted considerable boosts. In the past, buyers have found lucrative opportunities in this area thanks to its ability to push rents and generate strong revenue growth. Cap rates in South Scottsdale are typically in the high-5 percent range and the submarket will remain a highly sought location for acquisitions. While investors have posted favorable initial returns in the East Valley, they have also found success in western suburbs such as Glendale. Here, buyer interest will remain strong due to steady rent growth and value-add opportunities. In recent years, Glendale has consistently logged first-year yields stretching across the 6 percent expanse. As the apartment market fundamentals remain heightened, the bidding environment will stay competitive with excess capital chasing limited listings.”

Office Market Conditions

According to information obtained from CoStar, “the Phoenix Office market ended the first quarter 2018 with a vacancy rate of 14.3%. The vacancy rate was up over the previous quarter, with net absorption totaling positive 248,547 square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 1,762,261 square feet. Rental rates ended the first quarter at \$25.00, an increase over the previous quarter. A total of five buildings delivered to the market in the quarter totaling 391,456 square feet, with 2,918,300 square feet still under construction at the end of the quarter.”

Total historic office market statistics for the Phoenix area from CoStar are summarized as follows:

Total Office Market Statistics

First Quarter 2018

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Bids	Total RBA	Direct SF	Total SF	Vac %		# Bids	Total RBA	# Bids	Total RBA	
2018 1q	8,672	178,512,176	23,719,268	25,481,529	14.3%	248,547	5	391,456	28	2,918,300	\$25.00
2017 4q	8,667	178,120,720	23,939,945	25,338,620	14.2%	1,440,602	7	402,544	23	2,300,844	\$24.63
2017 3q	8,660	177,718,176	25,018,318	26,374,863	14.8%	354,428	6	53,990	23	1,667,549	\$23.99
2017 2q	8,655	177,536,148	25,174,068	26,547,263	15.0%	562,065	10	361,086	27	1,704,602	\$23.82
2017 1q	8,648	177,268,720	25,616,018	26,841,900	15.1%	283,768	9	1,147,568	27	1,369,430	\$23.40
2016	8,646	176,454,365	25,075,550	26,311,313	14.9%	3,547,930	33	2,194,626	29	2,195,552	\$23.23
2015	8,619	174,175,903	26,739,293	27,580,781	15.8%	3,731,656	36	3,214,090	26	2,683,864	\$21.90
2014	8,600	171,117,568	27,392,775	28,254,102	16.5%	2,909,226	17	1,421,705	27	3,776,602	\$20.89
2013	8,601	170,385,559	29,547,476	30,431,319	17.9%	1,844,610	7	250,507	18	2,967,564	\$19.97
2012	8,610	170,461,379	31,249,989	32,351,749	19.0%	3,136,815	15	1,437,838	7	417,632	\$19.69
2011	8,607	169,107,614	32,911,673	34,134,799	20.2%	1,211,994	10	719,315	12	1,242,119	\$20.16
2010	8,598	168,397,775	33,353,994	34,636,954	20.6%	542,722	16	1,443,542	11	1,656,921	\$21.16
2009	8,579	166,891,703	32,288,467	33,673,604	20.2%	(1,586,640)	55	2,544,264	18	2,530,907	\$22.62
2008	8,522	164,156,742	27,724,373	29,352,003	17.9%	(582,172)	235	6,353,196	58	3,709,162	\$25.15
2007	8,241	156,332,478	19,784,632	20,945,567	13.4%	2,892,912	354	7,143,211	261	8,517,969	\$25.61
2006	7,798	147,687,368	14,286,641	15,193,369	10.3%	7,570,642	398	4,922,529	444	9,961,220	\$24.10

Source: CoStar Property®

Furthermore, according to the First Quarter 2018 Greater Phoenix Blue Chip forecast, “the outlook for office also remains good. Spec construction is expected to be stable over the next two years. Absorption is expected to exceed new supply. The result is a modest decline in vacancy rates over the next two years. This is a positive.” The consensus office forecast for the Phoenix area for 2018 and 2019 are as follows:

First Quarter 2018 Greater Phoenix Blue Chip Consensus Forecast-Office			
Year	Construction (Millions Square Feet)	Vacant (Year End)	Absorption (Millions of Square Feet)
2018	1.57	15.90%	2.57
2019	2.23	15.30%	2.61

Retail Market Conditions

According to information obtained from CoStar, “the Phoenix retail market experienced a slight improvement in market conditions in the first quarter 2018. The vacancy rate went from 7.8% in the previous quarter to 7.5% in the current quarter. Net absorption was positive 827,456 square feet, and vacant sublease space decreased by (44,145) square feet. Quoted rental rates increased from fourth quarter 2017 levels, ending at \$15.33 per square foot per year. A total of 21 retail buildings with 253,885 square feet of retail space were delivered to the market in the quarter, with 1,206,731 square feet still under construction at the end of the quarter.”

Total historic retail market statistics for the Phoenix area from CoStar are summarized as follows:

Total Retail Market Statistics

First Quarter 2018

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Bids	Total GLA	Direct SF	Total SF	Vac %		# Bids	Total GLA	# Bids	Total GLA	
2018 1q	14,860	229,540,699	16,738,586	17,259,155	7.5%	827,456	21	253,885	93	1,206,731	\$15.33
2017 4q	14,843	229,302,666	17,282,950	17,847,664	7.8%	1,478,127	25	585,596	90	1,100,141	\$15.24
2017 3q	14,814	228,677,242	18,125,199	18,692,587	8.2%	953,770	23	261,255	90	1,377,777	\$15.07
2017 2q	14,789	228,418,411	18,780,850	19,387,526	8.5%	605,651	58	558,202	80	1,172,705	\$15.31
2017 1q	14,730	227,852,847	18,796,990	19,427,613	8.5%	455,541	54	660,541	110	1,339,752	\$14.60
2016	14,677	227,194,947	18,509,727	19,225,254	8.5%	2,458,668	133	2,175,278	118	1,478,240	\$14.47
2015	14,579	225,690,577	19,429,115	20,179,552	8.9%	2,124,024	97	1,261,501	79	1,380,270	\$14.24
2014	14,505	225,043,746	20,954,387	21,656,745	9.6%	1,997,086	66	876,273	54	726,480	\$13.89
2013	14,469	224,966,524	22,836,472	23,576,609	10.5%	2,766,843	80	1,319,375	35	572,291	\$13.88
2012	14,414	223,889,626	24,349,952	25,266,554	11.3%	2,733,218	51	1,070,907	40	734,919	\$14.30
2011	14,364	223,248,593	26,534,278	27,358,739	12.3%	512,433	48	659,930	47	711,091	\$14.78
2010	14,317	222,658,631	26,743,561	27,281,210	12.3%	(214,186)	36	588,381	45	699,827	\$16.18
2009	14,268	221,848,210	25,670,228	26,256,603	11.8%	(2,897,111)	120	2,530,850	44	743,747	\$17.27
2008	14,089	218,736,054	19,468,128	20,247,336	9.3%	2,642,039	279	6,776,584	133	2,361,826	\$19.37
2007	13,629	209,545,578	13,431,144	13,698,899	6.5%	9,775,869	354	8,014,555	317	6,937,681	\$20.02
2006	13,035	197,866,123	11,404,874	11,795,313	6.0%	7,120,755	244	5,235,872	490	11,257,739	\$19.26

Source: CoStar Property®

Furthermore, according to the First Quarter 2018 Greater Phoenix Blue Chip forecast, “there was little change in the outlook for retail. Spec construction is expected to remain modest by historic standards, while absorption is flat. And vacancy rates are projected to stay about where they have been over the past few years. Not surprisingly, the retail category is the least positive of the commercial pictures painted by the panel.” The consensus retail forecast for the Phoenix area for 2018 and 2019 are as follows:

First Quarter 2018 Greater Phoenix Blue Chip Consensus Forecast-Retail			
Year	Construction (Millions Square Feet)	Vacant (Year End)	Absorption (Millions of Square Feet)
2018	0.92	8.90%	1.75
2019	1.14	8.80%	1.98

Industrial Market Conditions

According to information obtained from CoStar, “the Phoenix Industrial market ended the first quarter 2018 with a vacancy rate of 7.2%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 1,323,625 square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 811,726 square feet. Rental rates ended the first quarter at \$7.28, an increase over the previous quarter. A total of 12 buildings delivered to the market in the quarter totaling 746,200 square feet, with 6,630,296 square feet still under construction at the end of the quarter.”

Total historic industrial market statistics for the Phoenix area from CoStar are summarized as follows:

Total Industrial Market Statistics

First Quarter 2018

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2018 1q	10,756	335,043,221	23,438,823	24,250,549	7.2%	1,323,625	12	746,200	35	6,630,296	\$7.28
2017 4q	10,744	334,297,021	24,024,781	24,827,974	7.4%	3,586,501	18	1,717,464	36	4,728,034	\$7.22
2017 3q	10,723	332,406,245	25,941,781	26,523,699	8.0%	2,801,530	7	1,943,721	45	4,090,536	\$7.11
2017 2q	10,715	330,213,291	26,561,197	27,132,275	8.2%	1,487,198	12	909,326	40	4,668,066	\$6.93
2017 1q	10,701	329,305,940	26,647,686	27,716,478	8.4%	2,874,616	11	1,802,551	30	3,882,553	\$6.87
2016	10,690	327,503,389	27,341,311	28,788,543	8.8%	5,774,615	40	5,238,068	32	4,178,418	\$6.74
2015	10,664	323,702,960	29,548,670	30,762,729	9.5%	7,879,114	44	6,021,307	33	3,657,392	\$6.59
2014	10,634	318,717,256	32,170,280	33,656,139	10.6%	9,737,381	38	6,889,622	33	5,096,767	\$6.31
2013	10,601	312,161,292	35,024,849	36,837,556	11.8%	4,323,964	22	6,198,190	20	5,547,968	\$6.27
2012	10,586	306,178,242	33,441,873	35,178,470	11.5%	6,429,249	12	2,974,298	19	6,126,356	\$6.06
2011	10,579	303,415,884	37,569,129	38,845,361	12.8%	6,990,111	11	658,855	14	4,262,402	\$5.90
2010	10,563	302,947,822	43,884,474	45,367,410	15.0%	5,154,869	12	1,799,355	10	591,187	\$6.06
2009	10,554	301,216,525	46,778,751	48,790,982	16.2%	(5,223,411)	36	3,192,867	11	1,432,558	\$6.54
2008	10,519	297,564,914	38,552,224	39,915,960	13.4%	(1,305,799)	201	10,876,128	38	3,801,580	\$7.53
2007	10,267	285,452,638	25,762,956	26,497,885	9.3%	6,899,400	197	11,975,054	156	9,452,084	\$7.94
2006	10,024	272,626,652	19,427,941	20,571,299	7.5%	7,509,928	203	6,514,629	176	11,158,120	\$7.77

Source: CoStar Property®

Furthermore, according to the First Quarter 2018 Greater Phoenix Blue Chip forecast, “the industrial outlook remains positive as well. Spec construction is expected to remain strong as is the level of absorption. Given the current strong economic outlook, this seems likely. The forecast does indicate, though, that the level of absorption is expected to be more modest in 2018 and 2019 than it was in 2016 and 2017. Even so, the overall level of industrial vacancies is projected to remain low by historic standards.” The consensus industrial forecast for the Phoenix area for 2018 and 2019 are as follows:

First Quarter 2018 Greater Phoenix Blue Chip Consensus Forecast-Industrial			
Year	Construction (Millions Square Feet)	Vacant (Year End)	Absorption (Millions of Square Feet)
2018	4.80	7.90%	5.97
2019	4.94	7.70%	5.75

Political - Governmental (Including Public Utilities):

In addition to federal, state, county, and municipal levels of government, other special districts, such as water irrigation districts and school systems levy taxes and provide services. Primary sources of revenue utilized by the state government include a personal state income tax and a sales tax on retail sales. The state legislature maintains a tight control over the level of taxes imposed by lower levels of government. Funding of the lower levels of government is achieved primarily through property taxes and a retail sales tax.

Growth

Local municipalities within the metropolitan Phoenix area have always been generally supportive of growth. During the expansionary cycle of the 1990’s most of the cities in the region implemented strong infrastructure development programs rather than institute slow or anti-growth policies. Although some rapidly growing cities have struggled with providing adequate infrastructure, city governments have typically been willing to re-zone land for higher density residential uses as well as for commercial-industrial land uses.

Education

The Metropolitan Phoenix area is served by 55 school districts with over 300 elementary schools and over 50 high schools. Arizona State University, the state's largest university with an enrollment of nearly 60,000 is located in Tempe, a Phoenix suburb. In addition, several private universities and ten community colleges with various branch campuses are also located within the metropolitan area.

Police and Fire Protection

Police and fire protection are typically provided on the municipal and county level and do not differ significantly between the various municipalities.

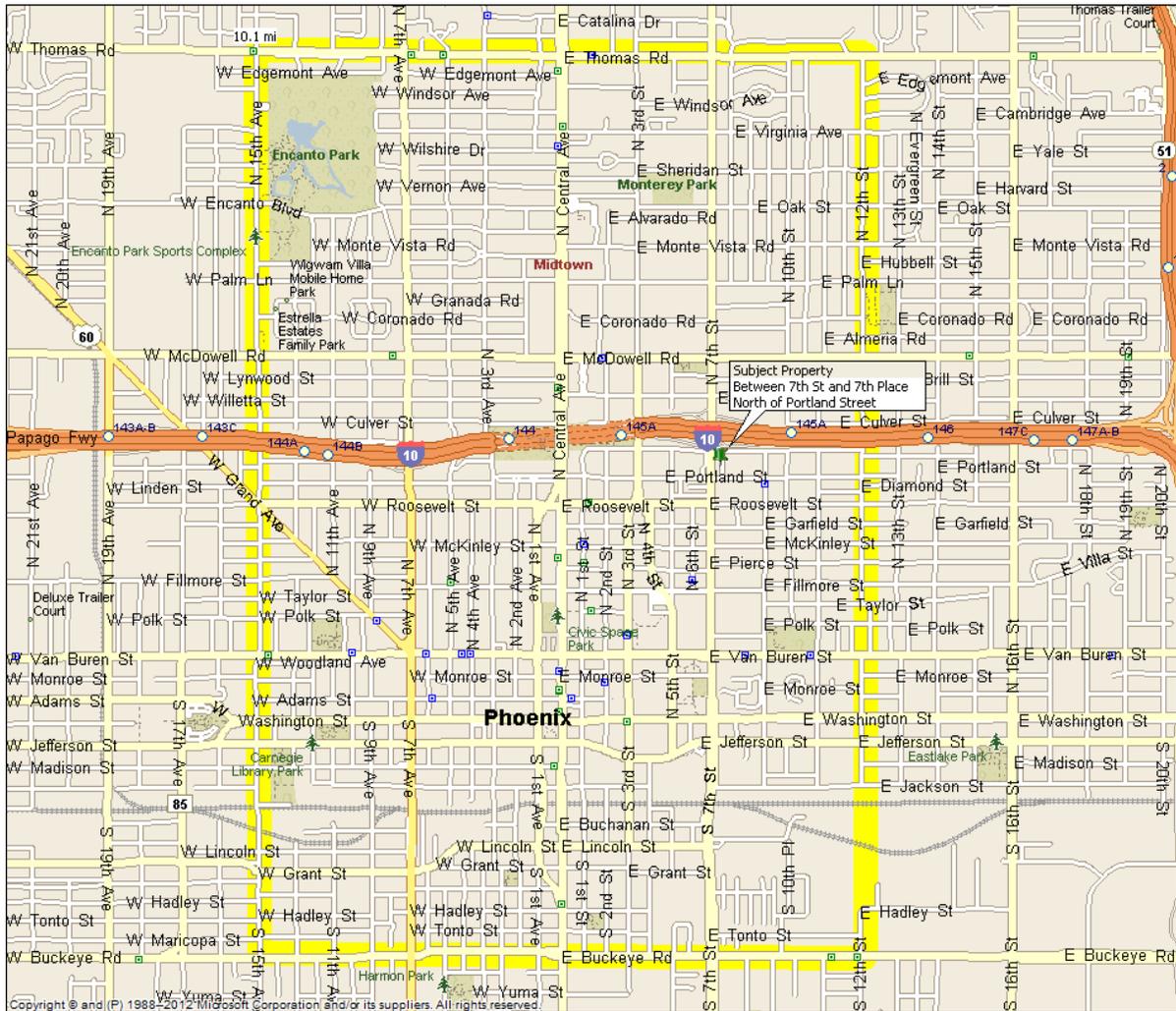
Utilities

Electrical service is provided primarily by two utilities, Arizona Public Service, a privately owned regulated utility, and the Salt River Project, a quasi-governmental agency established by the U.S. Government. Electrical rates, although slightly higher than the national norm, are within a competitive range. Sufficient electricity capacity is available for projected needs. Natural gas is provided by Southwest Gas, a regulated private company. Other services such as water, sewer, garbage collection, telephone, and cable TV are provided by the municipalities or by publicly regulated private companies.

Conclusion

With adequate resources to accommodate the anticipated growth in population and employment, a mild climate and affordable housing, the long-term outlook for the Phoenix area is positive.

MARKET AREA ANALYSIS



Delineation and Overview

Location: The subject property is located between 7th Street and 7th Place, north of Portland Street in Phoenix, Arizona. The subject's market area is located entirely within the City of Phoenix.

Market Area Boundaries:

North:	Thomas Road
South:	Buckeye Road
East:	12 th Street
West:	15 th Avenue

Property Types/Land-Use Patterns

Property Types:	The subject market area includes a mix of commercial, industrial, residential and public uses.
Master Planned Areas:	None
Golf Courses:	Phoenix Country Club, Encanto Municipal Golf Course, Encanto Nine Golf Course, and Palo Verde Golf Club
Residential Development:	The residential development in the market area is a mix of low-density, single-family and multi-family residential development. The newer residential development is medium and high density.
Commercial Development:	Commercial development within the market area includes a combination of office and retail uses. Most of the retail uses are located at or near arterial intersections. Office development is the most prominent commercial use represented by low, mid and high-rise structures. Central Avenue is characterized by relatively high development densities. Major mixed-use office and retail developments include One Central Park East, Collier Center, CityScape and Arizona Center.
Industrial Development:	Industrial development is generally located within the south portion of the market area, south of Union Pacific Railroad tracks.
Agricultural Land:	The market area does not have any significant agricultural land.
Other Uses:	Other land uses in the market area include Talking Stick Resort Arena, Chase Field, Phoenix Art Museum, Phoenix Museum of History, Phoenix Symphony Hall, Comerica Theater, Orpheum Theatre, Phoenix Convention Center, Arizona Science Center, Phoenix Municipal County, Arizona Downtown Superior Court Complex, United States District Court, City of Phoenix Offices, Banner Good Samaritan Hospital, St. Mary's Catholic High School, Margaret T. Hance Park, the Burton Barr Central Library, Arizona State University Downtown Phoenix, The University of Arizona College of Medicine, the Arizona State University Preparatory Academy and a number of public parks.

Undeveloped Land: Based on my review of aerial photographs and inspection of the market area, there remains very little undeveloped land in the market area.

Quality and Condition: The existing uses in the market area generally have average-to-good quality improvements. Some of the properties were developed more 50 years ago. Nonetheless, many have been well maintained and are in average-to-good condition for their age. Furthermore, as a desirable central location, the market area has experienced a large amount of redevelopment. As a result, some of the developed properties are relatively new and in good condition. Therefore, although the market area is older, the existing uses are in generally average-to-good condition.

Surrounding Land Uses: The surrounding market areas have generally similar uses with a combination of residential, commercial and industrial uses.

Market Area Cycle: A typical development cycle of a market area evolves through four stages: growth, stability, decline and revitalization. Overall, the neighborhood is in a revitalization stage of the typical neighborhood life cycle, with redevelopment of previously improved parcels generally required for new development.

The following information from Downtown Phoenix, Inc. summarizes the amenities and redevelopment that is occurring in the area.

RETAIL

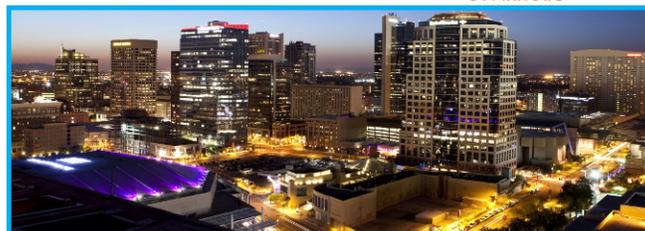
Currently, downtown has 800,000 SF of retail space including 200,000 SF at CityScape. The retail market of Downtown Phoenix contains a diverse mix of local boutiques, restaurants and retail stores. The restaurants are often housed in converted warehouse buildings or restored historic homes as well as larger buildings, allowing a dining experience unique to Downtown Phoenix.

OFFICE

Downtown Phoenix is the financial center of Arizona and home to the three largest banks in the state. There is more than 8 million square feet of private office space in the Downtown core, most of which is located a few short blocks from METRO Light Rail stations. The two most recently constructed office towers include the Freeport McMoRan tower at Central and Van Buren and the CityScape tower at First Street and Washington. Freeport occupies the top half of the building and the lower half is a 242 room Westin Hotel. CityScape's tenants include United Healthcare, Squire Patton Boggs and Gust Rosenfeld. Downtown office buildings offer tenants the unique opportunity of placing signage atop the towers which is visible from the I-10 and I-17 freeways, the Sky Harbor Airport flight path and during major sporting events. Downtown also offers unique space in older structures and warehouse buildings. Demand for downtown office space continues to be high as employers look to take advantage of the light-rail system and downtown amenities.

EDUCATION AND RESEARCH

Arizona State University opened their Downtown Campus consisting of the College of Nursing and Healthcare Innovation, the University College, the College of Public Programs, School of Criminology and the Walter Cronkite School of Journalism. The Sandra Day O'Connor School of Law relocated to Downtown to the new ASU Center for Law & Society. Currently 12,000 students attend class at the ASU Downtown Campus. Taylor Place Student Housing features a total of 1,284 beds. Civic Space, a 2.7 acre urban park, is home to many public cultural events. The 28 acre Phoenix Biomedical Campus, devoted to biomedical research facilities and the University of Arizona College of Medicine in Phoenix, has grown to 1.6 million square feet since its inception 15 years ago — and there is even more construction planned. The College of Medicine opened a Phoenix Campus in three historic buildings on the biomedical campus site in 2007. The Health Sciences Education Building was completed in 2012 and joins the Arizona Biomedical Collaborative 1 (ABC1) and the nationally recognized International Genomics Consortium and Translational Genomics Research Institute (IGC/TGEN). Construction was completed on the University of Arizona Cancer Center at 7th Street & Fillmore enabling 60,000 patient visits a year. The 245,000 SF, 10-story Biosciences Partnership building broke ground in October 2014, is expected to open in January 2017, and will be home for the UA College of Medicine-Phoenix Center for Applied Nanoscience and Biomedicine. Arizona State University will develop a health solutions campus on seven acres north of Fillmore Street. 21st Century Oncology has entered a new research partnership agreement with UA's Center for Applied Nanobioscience and Medicine at the UA College of Medicine-Phoenix. The economic impact to date of the Phoenix Biomedical Campus has been \$1.3 billion, while UA's medical school has had a \$961.6 million impact.



Facts & Figures

RETAIL

800,000 SF of retail • 200,000 SF of retail constructed in 2010 • 78 net new bars and restaurants/bars opened since the start of 2008. Over 180 restaurants are located downtown

OFFICE

Downtown Core Office Vacancy Rate: 11.4% (3rd Quarter 2016) • Valley Office Vacancy Rate: 16.6% (3rd Quarter 2016) • Existing Private Downtown Office Space: 9,099,454 • Number of employees in 1 mile radius: 71,466

EDUCATION & RESEARCH

Students currently at ASU Downtown Campus: 11,277 • Current enrollment at Arizona Summit Law School: 900 • ASU Student Housing beds: 1,284 • Students at Bioscience High School: 400 • Students at University of Arizona-Phoenix: College of Medicine –321; College of Pharmacy-24; Business School-110. Northern Arizona University total students on campus: 259

ARTS, CULTURE & SPORTS

Annual Sports Venue Attendance: 3,000,000 • Theater seats: 10,621 • Annual Theater attendance: 934,549 • Total yearly visitors to Downtown Phoenix: 6,000,000

HOSPITALITY

880,000 SF of space in Phoenix Convention Center • 3,094 hotel rooms and 100,000 SF of meeting space • 425 rooms under construction

TRANSPORTATION, ACCESS & PARKING

Freeway access in all directions, hub of current & future transit system • 10 minutes from Sky Harbor International Airport • Over 31,000 parking spaces located a short walk from any downtown • 3.3 million downtown METRO Light Rail onboardings in FY 016

RESIDENTIAL

Total units built since 2000: 5,033; 2,035 under construction

ARTS, CULTURE & SPORTS

Downtown Phoenix is the entertainment destination for millions of visitors every year. The Arizona Diamondbacks and Phoenix Suns call downtown home along with the Phoenix Mercury and the Arizona Rattlers. Venues like the Orpheum Theater, Comerica Theater, the Herberger Theater and Symphony Hall host a variety of cultural events throughout the year. Renowned museums like the Heard Museum, Phoenix Art Museum and the Arizona Science Center are also located in downtown. First Friday, an arts and culture celebration, draws thousands of visitors every month.

HOSPITALITY

One of downtown's signature redevelopment projects is the \$600 million expansion of the Phoenix Convention Center. The 880,000 SF Phoenix Convention Center ranks among the top convention centers in the country and in 2015 hosted the NFL Experience for Super Bowl XLIX. To accommodate the increase in convention visitors a new 1,000-room Sheraton Hotel was completed in October 2008. In March 2011 a 242 room Westin Hotel in the Freeport McMoRan Tower opened and the Wyndham hotel has been renovated and rebranded as a Renaissance by Marriott. The Hotel Palomar opened at Cityscape in June 2012. There are 435 more hotel rooms to open in 2016/17 on top of existing 3,094. A 165 room Hilton Garden Inn opened in the historic professional building in 2016

TRANSPORTATION, ACCESS & PARKING

Downtown Phoenix is the hub of the rapidly growing regional transit system that includes local bus and rapid transit service. Over 26 routes serve downtown, more than any other destination in Greater Phoenix. METRO Light Rail Service began in December 2008 and has far exceeded all ridership projections. Downtown stations reported 3,272,744 boardings in 2015, up 31% over 2014.

DISTRICT COOLING

Northwind Phoenix (a venture between Pinnacle West Capital and Unicom Corp. and purchased by NRG Energy in 2010) installed a centralized cooling network that originates at chillers located at several places downtown. The cooling loop transfers chilled water to buildings that subscribe to the service, resulting in increased cooling efficiencies and lower front end costs to developers.

RESIDENTIAL

Residential development has come downtown giving Phoenicians an opportunity to experience the only true urban setting in the state. Developments include the Orpheum Lofts, The Summit, and 44 Monroe. Roosevelt Point, a 326 unit student housing complex, opened in August 2013 and the Residences at CityScape, a 224 unit luxury apartment complex opened in 2014 atop the Hotel Palomar. The downtown market features a mix of high-rise luxury, mid-rise, townhomes and historic single family neighborhoods. 2,035 units are currently under construction with 2,164 in predevelopment.

About Downtown Phoenix Inc.

Downtown Phoenix Inc. is a non-profit umbrella organization comprised of the 90-block Enhanced Municipal Services District that is funded by an assessment on property owners, The Downtown Phoenix CDC and Phoenix Community Alliance. The EMSD provides enhanced services including hospitality, marketing, transportation/parking coordination, streetscape/urban design, public policy facilitation and economic development services. The CDC facilitates residential development and community based activities. Phoenix Community Alliance is a membership and advocacy organization dedicated to creating a strong, dynamic Downtown Phoenix.



Completed Residential Development

2009	Skyline Lofts (328 apartments)
2012	Lofts at McKinley (60 affordable apartments)
2013	Roosevelt Point (326 student housing units)
2013	UL2 (7 market rate & 63 affordable apartments)
2014	CityScape Residences (224 luxury apartments)
2015	Third Avenue Townhomes (10 for sale townhomes)
2015	Containers on Grand (8 apartments)
2016	Proxy333 (118 apartments)
2016	Coronado Commons (20 townhomes)
2016	Capitol 11 & 12 Place (292 apartments)

Completed Commercial Development

2005/07	Phoenix Biomedical Campus: IGC/TGEN; Arizona Biomedical Collaborative (ABC); University of Arizona Medical School
2006	Maricopa County Justice Courts
2007	Phoenix Convention Center Phase I (West Building)
2008	ASU Taylor Place Student Housing
2008	ASU Walter Cronkite School of Journalism
2008	Phoenix Convention Center Phase II & III (North Building)
2008	METRO Light Rail
2008	Sheraton Downtown Phoenix (1,000 rooms)
2009	Civic Space urban park
2009	ASU School of Nursing Phase II
2010	CityScape office tower and retail
2010	Freeport McMoRan Tower, Westin Hotel (242 rooms)
2012	Maricopa County Court Tower
2012	Health Science Education Building
2012	Hotel Palomar by Kimpton (242 rooms)
2013	YMCA/ASU Student Rec Center
2015	UA Cancer Center
2016	Monroe Hilton Garden Inn
2016	ASU Arizona Center for Law and Society

Under Construction/Delivery date

2016	Luhrs City Center (Marriott/Residence Inn, 320 rooms)
2017	Biosciences Partnership Building
2016	Union @ Roosevelt (80 apartments)
2016	Illuminate/Linear (215 apartments)
2016	Portland on the Park (149 condos)
2016	ArtHaus (25 townhomes)
2016	Alta Fillmore (224 apartments)
2017	Broadstone Arts District (280 apartments)
2016	En Hance Park (49 condominiums)
2017	The Muse (367 apartments)
2017	Broadstone Roosevelt (316 apartments)

#1 Union @ Roosevelt

Union @ Roosevelt is a mixed use project located across the street from the METRO Light Rail station at First Avenue and Roosevelt Street. The 80 unit market-rate rental project will also feature ground floor restaurant and retail space. The project is under construction and being developed by MetroWest Development. metrowestdevelopment.com/union/



#2 Derby Roosevelt Row

Transwestern Commercial Real Estate is developing a 21-story micro-unit apartment development in Downtown Phoenix that would include about 210 units averaging 400 SF each near McKinley and Second Street.



#3 En Hance Park

Sencorp began construction on 49 condominiums to be located at 2nd Street and Moreland, just south of Hance Park. Construction began in September 2015 and is expected to be complete in 2016.



#4 Alta Fillmore

Wood Partners is developing a 224 unit apartment complex at the southeast corner of 7th Avenue and Fillmore Street. Construction began this summer and will be completed in late 2016.



#5 The FoundRe Hotel

Habitat Metro is redeveloping the old Lexington Hotel on Central Avenue north of Roosevelt Street into a boutique, art-themed hotel. The FoundRe will feature 105 rooms and is expected to be complete in 2016.



#6 The Scheduling Institute (Training Facility)

The Scheduling Institute, a nationally renowned business training program for dental offices, repurposed the old Jackson's on 3rd building to expand their operations to Phoenix. The facility opened in 2015 and accommodates approximately 150 visitors a week.



#7 Muse

Lennar began building 367 market rate apartments at the northwest corner of Central and McDowell. Muse is located on a long vacant parcel at one of the valley's premiere intersections. Construction began in fall 2015.



Downtown Phoenix Development Activity



THIRD QUARTER 2016

#8 Phoenix Ballpark

Granite Capital Investments is moving forward with this 276-unit mixed-use project between near Third Street & Buchanan and the plan is to break ground this year. The development will bring apartments as well as office and retail space while preserving and restoring two historic buildings to then lease them as fitness centers or clubhouses for the apartments.



#9 Broadstone Roosevelt

Alliance Residential Company is building a four-story, 316-unit multi-family residential complex between Roosevelt and Portland streets, and between Third and Fifth streets. The development will include a two-story podium garage, retail and recreation.



#10 Proxy 333

Tilton Development, in partnership with Goodman Real Estate, completed the construction of a 118-unit mid-rise apartment complex at Fourth Street and McKinley in July. The infill project features 10 ground floor live-work units. tiltondevelopment.com



#11 11 & 12 Capital Place

Construction is complete on 292 apartments at 11th and 12th Street at Washington. 11 Capital Place is comprised of 140 units and the other site, 12 Capital Place, houses 152 units. The two five-story structures were developed by Epoch Properties and were complete in late 2015.



#12 Illuminate/Linear

Baron Properties is developing two multi-family projects at 3rd Street and Roosevelt. Illuminate will have 111 units at the northwest corner and Linear will consist of 104 apartments on the southwest corner. Construction is underway and the projects are expected to be complete in 2016.



#13 Historic Welnick Marketplace

The Historic Welnick Marketplace is being redeveloped, bringing more than 11,000 square feet of restaurant and retail space to 345 W. Van Buren. Available suites will range in size from 965 to 2,419 square feet and work is expected to be complete in 2016. The Spanish Colonial style building was built in 1927 to house a grocery business.



For more information regarding Downtown Phoenix development, log onto our website at www.downtownphoenix.com/business or contact the Economic Development department at 602-254-8696.

Downtown Phoenix is where history meets the future, showcasing Phoenix's historic town site, its recent revitalization, and continued resurgence into the future. Between 2004 and 2015 the 1.7 square mile area will have more than \$4.5 billion in investment in areas including transportation, office, residential, education and research, arts, culture, sports, and hospitality.

#14 Broadstone Arts District

Alliance Residential is building 280 studio, one and two-bedroom apartments on the northeast corner of McDowell and Alvarado Streets. The project will be arts centered and feature a 12,000 sf courtyard and 2,000 sf indoor exhibition space.



#15 UA Cancer Center

Development continues on the Phoenix Biomedical Campus with the completion of the University of Arizona Cancer Center outpatient clinic and research center located on the north side of Fillmore between 6th and 7th Streets. The Cancer Center is 220,000 SF and expected to have up to 60,000 patient visits a year. The clinic broke ground in February 2013 and opened in August 2015.



#16 Phoenix Biomedical Campus

Anchored by the IGC/TGen headquarters and the Arizona Biomedical Collaborative (ABC), 30 acres of City-owned land near 5th Street and Van Buren is being developed as the hub for Arizona's biomedical efforts.

In October 2012, the Biomedical Campus welcomed the Health Sciences Education Building. The 268,000 SF building is located near the northwest corner of 7th Street and Van Buren and provides lecture and lab space for the 301 students currently enrolled at the University of Arizona College of Medicine-Phoenix. The U of A's Eller College of Management moved to the Biomedical Campus in 2014. Construction began in October 2014 on the ten-story \$136 million Biosciences Partnership Building and a 1,000 space parking garage. The 245,000 sf facility is the tallest building on the Biomedical Campus.



#17 McKinley Row

Construction began for Metrowest Development on McKinley Row, an 18-unit single family development of townhomes in the heart of the historic Roosevelt neighborhood at the northwest corner of Fourth Avenue and McKinley Street.



#18 Portland on the Park

Habitat Metro, developer of Portland Place, is bringing an additional 149 condominiums to Portland Street between Central and Third Avenue. The luxury units will range in size from 745 to 2,300 square feet with 21 different floor plans. Delivery is expected in late 2016.

Portlandparkcondos.com



#19 Luhrs Marriott Courtyard/Residence Inn

Hansji Urban has begun construction on an \$80 million dual-brand hotel at the northwest corner of First Street and Madison. The building will house both a 120 room Courtyard by Marriott and a 200 room Residence Inn by Marriott. The existing Luhrs Tower and Building have undergone extensive renovations.



#20 ASU-Downtown Phoenix

Arizona State University is fully established in Downtown Phoenix, with \$219 million invested to create the 12,500 student campus on the north side of Downtown Phoenix.

Nine city blocks accommodate multiple colleges and Civic Space, the urban park north of the Central Station Terminal. The Walter Cronkite School of Journalism facility opened in August 2008. Taylor Place, the student housing complex at the Downtown Campus opened phase 1 in August of 2008 accommodating 650 students. Phase 2 was completed in August 2009 bringing the total to 1,284 beds.

Construction on Phase 2 of the College of Nursing was completed in 2009. The 5-story building provides much needed space for the largest nursing school in the country. There are 15,00 students taking classes downtown including expansion of both Arizona State University, University of Arizona and Northern Arizona University. Construction finished on the new Arizona Center for Law and Society, the home of the Sandra Day O'Connor School of Law. The building will open in August 2016. Having a student and academic population in Downtown has infused the streets with life as well as assisted the local retail environment.

asu.edu/downtownphoenix



#21 Monroe Hilton Garden Inn

The iconic Valley National Bank building at Central and Monroe was redeveloped into a 170-room select service hotel. CSM Corp., a Minnesota based hotel company, acquired the building in December 2013. The building has long been a fixture of the Downtown Phoenix skyline but has sat vacant for many years. It opened in December 2015.



#22 Coronado Commons

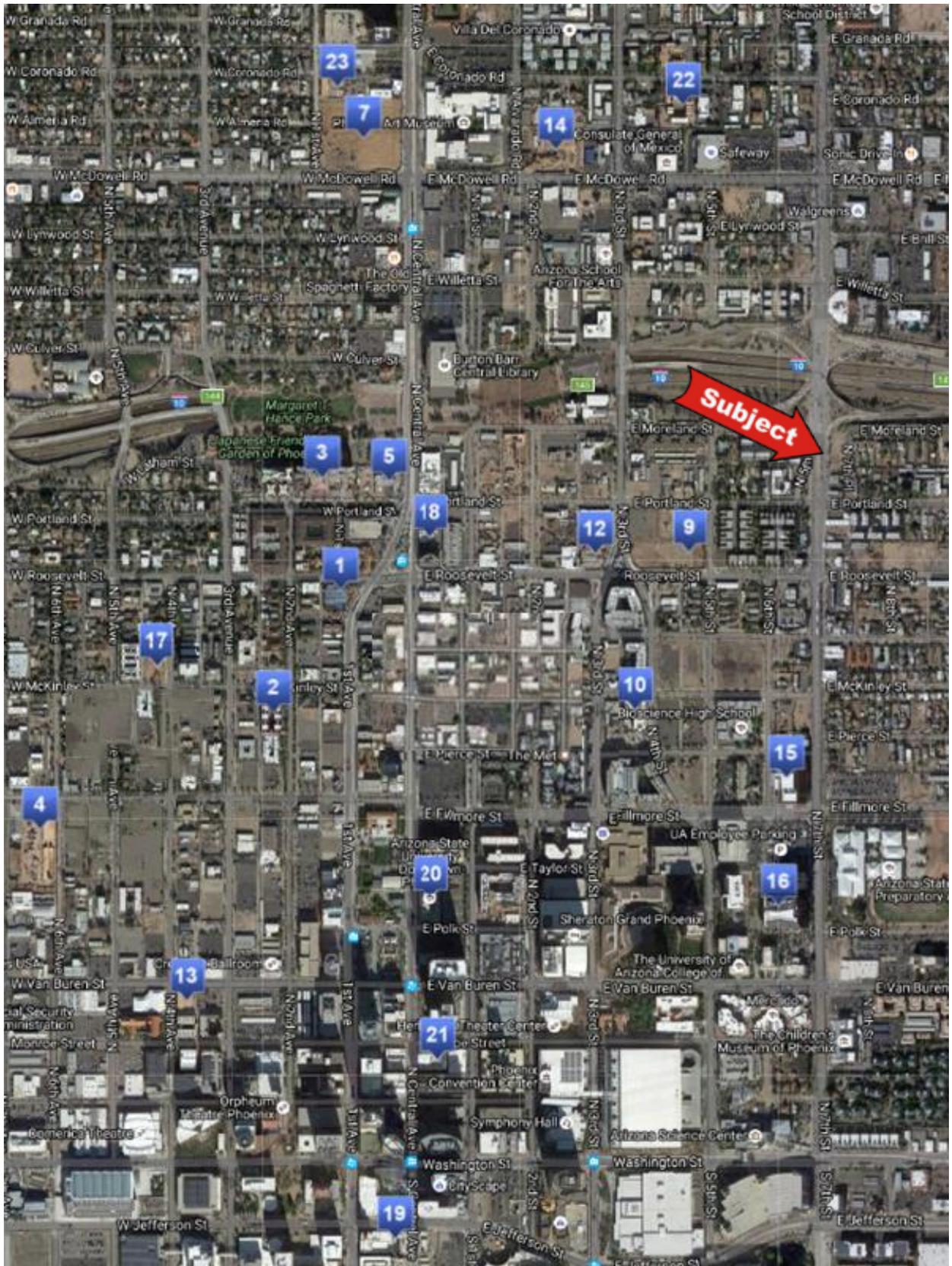
SRM Arizona Development, a highly respected residential developer, developed this lively pedestrian community on the southeast corner of Coronado and 3rd Streets. The luxury property has 20 single-family homes ranging from 1,731 to 2,150 square feet. Construction was completed in mid 2016.



#23 ArtHaus

25 units with varying floor plans are under construction on First Avenue near Central and McDowell. The project is designed to take advantage of the artistic amenities in the neighborhood, namely the Phoenix Art Museum. Construction began in summer 2015.





Basic Transportation/Linkage

Arterial Roadways:	Primary transportation routes within the subject market area are provided by arterial streets arranged in rectangular grids. Major north/south arterials include Avenue, 7 th Avenue, Central Avenue and 7 th Street. Minor north/south arterials include 5 th Avenue, 3 rd Avenue, 1 st Avenue, 3 rd Street and 4 th Street. East/west arterials include Thomas Road, McDowell Road, Van Buren Street, Washington Street, Jefferson Street, Lincoln Street, and Buckeye Road.
Freeway Access:	The market area has good access to nearby freeways. Interstate 10 bisects the market area from east-to-west between McDowell Road and Van Buren Street. Interstate 17 is located south and west of the market area. State Route 51 extends north and south east of the market area. These freeways provide excellent linkage to other portions of the Phoenix area.
Airports:	Sky Harbor Airport is the primary airport in the Phoenix area and is located approximately two miles southeast of the market area.
Rail Service:	The Union Pacific Railroad tracks bisect the market area. There is a rail yard east of the market (east of 7 th Street) and south of the Union Pacific Railroad tracks.
Light Rail Service:	Light rail extends through the market area along Central Avenue, Washington Street and Jefferson Street.
Bus Transportation:	Public bus transportation is available throughout the market area.
Estimated Commute Times:	
Downtown Phoenix:	Within the market area
Sky Harbor Airport:	5 Minutes
Downtown Scottsdale:	20 Minutes
Downtown Tempe:	20 Minutes
Downtown Mesa:	25 Minutes
Downtown Chandler:	30 Minutes
Downtown Gilbert:	30 Minutes

Downtown Glendale: 20 Minutes
Downtown Tolleson: 20 Minutes
Downtown Goodyear: 20 Minutes

Availability of Support Facilities and Services

Schools: The subject market area includes portions of the Phoenix Elementary School District, Phoenix Union High School District, Osborn Elementary District, Alhambra Elementary District, Madison Elementary District and a number of private schools. The market area appears to be adequately served by the schools located within the market area. Arizona State University Downtown Campus and the University of Arizona College of Medicine are located south of the market area. Other colleges and universities are located in nearby market areas.

Utilities: Water and sewer services are provided throughout the market area by the City of Phoenix. Electricity is provided by SRP or APS, depending on the location. Natural gas is provided by Southwest Gas Company, where available. Telephone service is provided by CenturyLink and others. Cable television is provided by Cox. Utilities are generally adequate and are provided at costs competitive with the rest of the metropolitan area.

Police Protection: Police protection is provided by the City of Phoenix.

Fire Protection: Fire protection is provided by the City of Phoenix.

Healthcare: A variety of healthcare services are provided in or near the market area. Facilities providing these services include Arizona Heart Hospital, Phoenix Children’s Hospital, Phoenix Indian Hospital, St. Joseph’s Hospital and Banner Good Samaritan Hospital. Any healthcare services that are not available within or near the market area are available within the other surrounding market areas.

Retail Services: The market area has a variety of retail services, located throughout the market area. These services are generally adequate.

Cultural and Recreational Amenities:

Cultural and recreational amenities in, or near, the market area include museums, libraries, the Arizona Science Center, Chase Field, Talking Stick Resort Arena, Phoenix Convention Center, Comerica Theater, Orpheum Theater, and hiking trails.

Demographic Trends

According to information obtained from CoStar, demographic trends within approximately a one, three and five mile radius of the subject property are as follows:

Population	<u>1-Mile</u>	<u>3-Mile</u>	<u>5-Mile</u>
2023 Projection:	24,551	143,754	435,170
2018 Estimate:	22,455	132,501	401,358
2010 Census:	18,168	114,118	346,184
Proj. Growth 2018-2023:	9.33%	8.49%	8.42%
Hist. Growth 2010-2018:	23.60%	16.11%	15.94%
Households			
2023 Projection:	10,318	53,417	153,641
2018 Estimate:	9,374	49,109	141,380
2010 Census:	7,287	41,836	121,263
Proj. Growth 2018-2023:	10.07%	8.77%	8.67%
Hist. Growth 2010-2013:	28.64%	17.38%	16.59%
Owner Occupied:	2,630(28%)	17,677 (36%)	59,055 (42%)
Renter Occupied:	6,744(72%)	31,432 (64%)	82,325 (58%)
2018 Average HH Income	\$58,041	\$56,802	\$57,118
2018 Median HH Income:	\$34,652	\$38,007	\$38,978
Housing			
2018 Median Home Value:	\$259,627	\$204,396	\$192,249
2018 Median Year Built:	1965	1962	1967

Real Estate Market Conditions

Multi-Family Market Trends:

According to information obtained from CoStar, as of the end of the First Quarter of 2018, the market area had 208 apartment buildings with a total of 8,115 units. Eleven new apartment projects with 1,829 units was added in the last three years. Of the total inventory, 922 units or 11.4% were vacant at the end of the First Quarter. The vacancy rate has fluctuated between 7.6% and 15.0% over the last three years. Net absorption has been positive in 7 of the last 12 quarters and negative in 10 of the last 12 quarters. Overall absorption has been positive 1,348 units over

the last 12 quarters. The effective range rate per unit has increased from a low of \$961 in the Second Quarter of 2015 and ended the First Quarter of 2018 at \$1,082. The historic multi-family statistics for the market area from CoStar are summarized as follows:

Multi-Family Market Area Statistics Through the First Quarter 2018										
Quarter	Inventory		Vacant		Net Absorption	Deliveries		Under Construction		Effective Rent
	Buildings	Units	Units	Percent	Units	Buildings	Units	Buildings	Units	Per Unit
2018 Q1	208	8,115	922	11.4	295	0	-	7	1,783	\$1,082
2017 Q4	208	8,115	1,216	15	110	1	317	6	1,464	\$1,075
2017 Q3	207	7,800	1,011	13	342	1	367	6	1,522	\$1,100
2017 Q2	206	7,433	987	13.3	133	2	360	6	1,579	\$1,120
2017 Q1	205	7,074	760	10.7	139	0	-	6	1,382	\$1,110
2016 Q4	205	7,074	899	12.7	98	3	445	4	1,042	\$1,107
2016 Q3	202	6,629	553	8.3	21	0	-	7	1,487	\$1,104
2016 Q2	202	6,629	574	8.7	114	1	118	7	1,487	\$1,115
2016 Q1	201	6,511	570	8.8	121	2	214	7	1,290	\$1,089
2015 Q4	199	6,297	477	7.6	48	0	-	7	1,019	\$1,016
2015 Q3	200	6,349	577	9.1	-7	1	8	7	1,019	\$1,047
2015 Q2	199	6,341	562	8.9	-66	0	-	4	302	\$961
Total					1348	11	1829			

Office Market Trends:

Within the market area, according to information obtained from CoStar, as of the end of the First Quarter of 2018, the market area had 475 office buildings with 16,521,209 square feet of space. Over the prior three years, two new buildings with 148,394 were added. One new building with 240,000 square feet of space is currently under construction. Of the total inventory, 2,409,881 square feet, (14.6%) were vacant at the end of the First Quarter. The vacancy rate has fluctuated between 13.7 and 15.2% over the last three years. Net absorption of office space has been positive in 6 of the last 12 quarters and negative in 6 of the last 12 quarters for a total net absorption of positive 93,044 square feet. The average rental rate was \$26.51 per square foot at the end of the First Quarter of 2018. The rental rate has trended upward from \$22.14 in the Second Quarter of 2015. The historic office statistics for the market area from CoStar are summarized as follows:

Office Market Area Statistics Through the First Quarter 2018										
Quarter	Inventory		Vacant		Net Absorption	Deliveries		Under Construction		Office Base
	Buildings	Square Feet	Square Feet	Percent	Square Feet	Buildings	Square Feet	Buildings	Square Feet	Rent Overall
2018 Q1	475	16,521,209	2,409,881	14.6	126,972	1	26,174	1	240,000	\$26.51
2017 Q4	474	16,495,035	2,510,679	15.2	-24,689	0	0	2	266,174	\$26.35
2017 Q3	474	16,495,035	2,485,990	15.1	-1,630	0	0	1	26,174	\$25.47
2017 Q2	474	16,495,035	2,484,360	15.1	-37,483	0	0	1	26,174	\$24.84
2017 Q1	475	16,513,035	2,464,877	14.9	-124,761	0	0	1	26,174	\$24.52
2016 Q4	476	16,553,035	2,380,116	14.4	-9,813	1	122,220	0	0	\$23.81
2016 Q3	475	16,430,815	2,248,083	13.7	7,461	0	0	1	122,220	\$23.62
2016 Q2	475	16,430,815	2,255,544	13.7	76,619	0	0	1	122,220	\$23.14
2016 Q1	475	16,430,815	2,332,163	14.2	45,078	0	0	1	122,220	\$22.96
2015 Q4	475	16,430,815	2,377,241	14.5	36,304	0	0	1	122,220	\$22.89
2015 Q3	475	16,430,815	2,413,545	14.7	-23,030	0	0	1	122,220	\$22.55
2015 Q2	475	16,430,815	2,390,515	14.5	22,016	0	0	0	0	\$22.14
Total					93,044	2	148,394			

Retail Market Trends:

Within the market area, according to information obtained from CoStar, as of the end of the First Quarter of 2018, the market area had 237 retail buildings totaling 1,907,691 square feet of space. Over the prior three years, six new buildings with 27,793 square feet were added. Five new buildings with 24,746 were under construction at the end of the First Quarter of 2018. Of the total inventory, 197,116 square feet (10%) were vacant at the end of the First Quarter. The vacancy rate has fluctuated between 6.5 and 11.3% over the last three years. Net absorption has been positive in 9 of the last 12 quarters and negative in 3 of the last 12 quarters. Overall absorption has been positive 112,699 square feet over the three-year period. The average rental rate was \$25.95 per square foot at the end of the First Quarter of 2018. The rental rate has trended upward from a low of \$15.97 per square foot in the Second Quarter of 2015. The historic retail statistics for the market area from CoStar are summarized as follows:

Retail Market Area Statistics Through the First Quarter 2018										
Quarter	Inventory		Vacant		Net Absorption	Deliveries		Under Construction		Retail Base
	Buildings	Square Feet	Square Feet	Percent	Square Feet	Buildings	Square Feet	Buildings	Square Feet	Rent Overall
2018 Q1	237	1,970,691	197,116	10	1,774	2	6,446	5	24,746	\$25.95
2017 Q4	235	1,964,245	192,444	9.8	-43,660	0	0	7	31,192	\$24.85
2017 Q3	235	1,964,245	148,784	7.6	-13,101	0	0	7	31,192	\$24.25
2017 Q2	235	1,964,245	135,683	6.9	3,299	1	11,372	5	24,746	\$21.20
2017 Q1	234	1,952,873	127,610	6.5	35,077	1	2,475	6	36,118	\$18.84
2016 Q4	233	1,950,398	160,212	8.2	-16,183	0	0	3	18,395	\$17.51
2016 Q3	233	1,950,398	144,029	7.4	1,800	0	0	3	18,395	\$19.13
2016 Q2	233	1,950,398	145,829	7.5	31,917	0	0	2	15,920	\$17.60
2016 Q1	233	1,950,398	177,746	9.1	12,574	2	7,500	1	11,372	\$17.95
2015 Q4	231	1,942,898	182,820	9.4	7,756	0	0	3	18,872	\$17.29
2015 Q3	231	1,942,898	190,576	9.8	28,121	0	0	3	18,872	\$16.87
2015 Q2	231	1,942,898	218,697	11.3	63,325	0	0	2	14,372	\$15.97
Total					112,699	6	27,793			

Industrial Market Trends:

Within the market area, according to information obtained from CoStar, as of the end of the First Quarter of 2018, the market area had 235 industrial buildings (including flex buildings) totaling 3,975,930 square feet of space. Over the prior three years, no new buildings were added. One building with 6,650 square feet was under construction at the end of the First Quarter of 2018. Of the total inventory, 136,940 square feet (3.4%) were vacant at the end of the First Quarter of 2018. The vacancy rate has declined from a high of 10.1% in the Second Quarter of 2015. Net absorption has been positive in 7 of the last 12 quarters and negative in 5 of the last 12 quarters with total net absorption of 52,404 square feet. The rental rate ended the First Quarter of 2018 at \$7.85 per square foot. The rental rate has trended downward from a high of \$14.88 per square foot in the Fourth Quarter of 2015. The large downward trend appears to be due to the class of space being marketed and not the actual trend in the market. The historic industrial and flex statistics for the market area from CoStar are summarized as follows:

Industrial Market Area Statistics Through the First Quarter 2018										
Quarter	Inventory		Vacant		Net Absorption	Deliveries		Under Construction		Rent Overall
	Buildings	Square Feet	Square Feet	Percent	Square Feet	Buildings	Square Feet	Buildings	Square Feet	
2018 Q1	235	3,975,930	136,940	3.4	11,888	0	0	1	6,650	\$7.85
2017 Q4	235	3,975,930	148,828	3.7	-11,043	0	0	0	0	\$7.66
2017 Q3	235	3,975,930	137,785	3.5	81,806	0	0	0	0	\$7.31
2017 Q2	235	3,975,930	219,591	5.5	20,960	0	0	0	0	\$8.48
2017 Q1	235	3,975,930	240,551	6.1	7,020	0	0	0	0	\$7.68
2016 Q4	235	3,975,930	247,571	6.2	-1,417	0	0	0	0	\$10.46
2016 Q3	237	4,048,830	319,054	7.9	-26,656	0	0	0	0	\$8.94
2016 Q2	239	4,100,882	344,450	8.4	-56,685	0	0	0	0	\$13.66
2016 Q1	239	4,100,882	287,765	7	-570	0	0	0	0	\$13.45
2015 Q4	240	4,223,102	409,415	9.7	400	0	0	0	0	\$14.88
2015 Q3	240	4,223,102	409,815	9.7	3,200	0	0	0	0	\$12.22
2015 Q2	241	4,238,623	428,536	10.1	23,501	0	0	0	0	\$10.45
					52,404	0	0	1	6,650	

Governmental Considerations

Municipality: The market area is located entirely within the City of Phoenix.

Land Use Controls: The City of Phoenix controls land uses within the market area. These controls are typical relative to other municipalities in the Phoenix area.

Grow and Development: The City of Phoenix is generally supportive of growth and redevelopment

Conclusion and Relevance to the Subject Property

Conclusion: With a central location, good linkage (freeways, roadways, bus and light rail), adequate services, and a growing economy, the long-term outlook for the market area is good.

SITE DESCRIPTION

The subject property is a 20,552 square foot parcel of land located between 7th Street and 7th Place, north of Portland Street in Phoenix, Arizona. The site is further described as follows:

Site Area:	20,552 Square feet/0.4718 acres
Shape/Dimensions:	Irregular
Topography:	Near-level and at grade with surrounding properties and roadways
Soil:	Based on my inspection of the subject property and observation of adjacent properties, the soil appears adequate to support potential improvements.
Drainage:	Apparently adequate
Lot Type:	Mid-block with frontage along two streets
Frontage:	Approximately 235 feet along the east side of 7 th Street and approximately 233 feet along the west side of 7 th Place
Traffic Volume:	51,479 VPD along 7 th Street per 2015 MPSI estimate; 19,742 VPD along I-10 on ramp per 2015 AADT 253,522 VPD along I-10 per 2017 MPSI Not counted along Portland Street or 7 th Place
Street Improvements:	
Traffic Lanes	7th Street (no direct access from 7 th Street) Six (three north and three south), plus one right-turn lane on to east-bound I-10 and two, left-turn lanes onto west-bound I-10
Median	Center turn lane and raised median
Surface	Asphalt
Curbs	Concrete
Sidewalks	Concrete
Gutters	Concrete
Streetlights	Installed

7th Place

Traffic Lanes	Two (one north and one south)
Median	None
Surface	Asphalt
Curbs	Concrete
Sidewalks	Concrete
Gutters	Concrete
Streetlights	Installed

Flood Zone: According to Federal Emergency Management Agency Flood Insurance Rate Map Number 04013C2205L, dated October 16, 2013, the subject property is located in Flood Zone X.

General Plan Designation: According to the City of Phoenix General Plan Map, the subject property is designated for mixed uses. The mixed use category denotes areas which may include residential, services, and basic commercial, general office, entertainment, and cultural functions, with a compatible relationship. This category would allow any or all of these uses within an area. Such developments exhibit functional, physical and thematic integration in the context of a pedestrian-oriented streetscape. The mixed-use designation is intended to minimize the impacts traditionally associated with growth by providing housing, shopping and employment opportunities in the same area.

Arts, Culture and Small Business Overlay (ACOD): The subject property is located within the Arts, Culture and Small Business Overlay District. The purpose of this overlay is to allow greater flexibility in land uses and standards that will contribute to the vitality of the downtown area and will enhance community events. Additional permitted uses in this overlay include select outdoor uses and relaxed parking, lot coverage, set-backs and vehicle maneuvering requirements.

Eastlake-Garfield TOD District: The subject property is located within the Eastlake-Garfield Transit Oriented Development District. The Policy Plan for this area is a guide for transforming the District into a Walkable Community. The Walkable Urban Zoning Code may be implemented in the District. This a form-based code that has no density limits, but does have height limitations based on the

Transect that is applied. The Transect that would be applicable to the subject property is unknown and would require a meeting with planners.

Zoning:

The subject is zoned C-2, Intermediate Commercial District by the City of Phoenix. The C-2 zoning is a district of commercial uses of medium intensity designed to be compatible with each other and to provide for a wide range of types of commercial activity within the district. Permitted uses include a wide variety of commercial uses and multi-family residential uses.

The average building setback is 25 feet for structures not exceeding two stories or 30 feet of height. According to Katherine Coles, Light Rail Planner III, the maximum building height is 30 feet and the maximum residential density is 14.5 dwelling units per gross acre. With an estimate area of 0.99 gross acres, the property could be developed with approximately 14 units. To achieve more units, a zoning change for the property would be required.

Likelihood of Zoning Change:

Recognizing the general plan designation for mixed uses and the location of the property within the Arts, Culture and Small Business Overlay and the Eastlake-Garfield TOD District, a zoning change for the property is possible to achieve uses and/or density beyond what is allowed in the C-2 zoning. Nonetheless, the C-2 zoning allows a variety of uses and density that is consistent with some of the other developments in the area. Thus, a zoning change may not be necessary for a variety of uses.

Easements, Encroachments And Restrictions:

According to the title report provided by the client, the subject property is not impacted by any atypical easements, encroachments or restrictions.

Utilities:

Water:	City of Phoenix
Sewer:	City of Phoenix
Electricity:	Arizona Public Service Company
Telephone:	CenturyLink
Gas:	Southwest Gas

Adjacent Land Uses:

North: Interstate 10 followed by commercial uses
East: 7th Place followed by residential uses
South: A service station and convenience store followed by other commercial uses
West: 7th Street followed by commercial and multi-family residential uses

Apparent Adverse Factors: The location adjacent to Interstate 10 and 7th Street is a negative factor for residential use.

Site Utility and Accessibility: The property does not have direct access from 7th Street. Other than the lack of access from 7th Street, the property has adequate access and utility for potential uses.

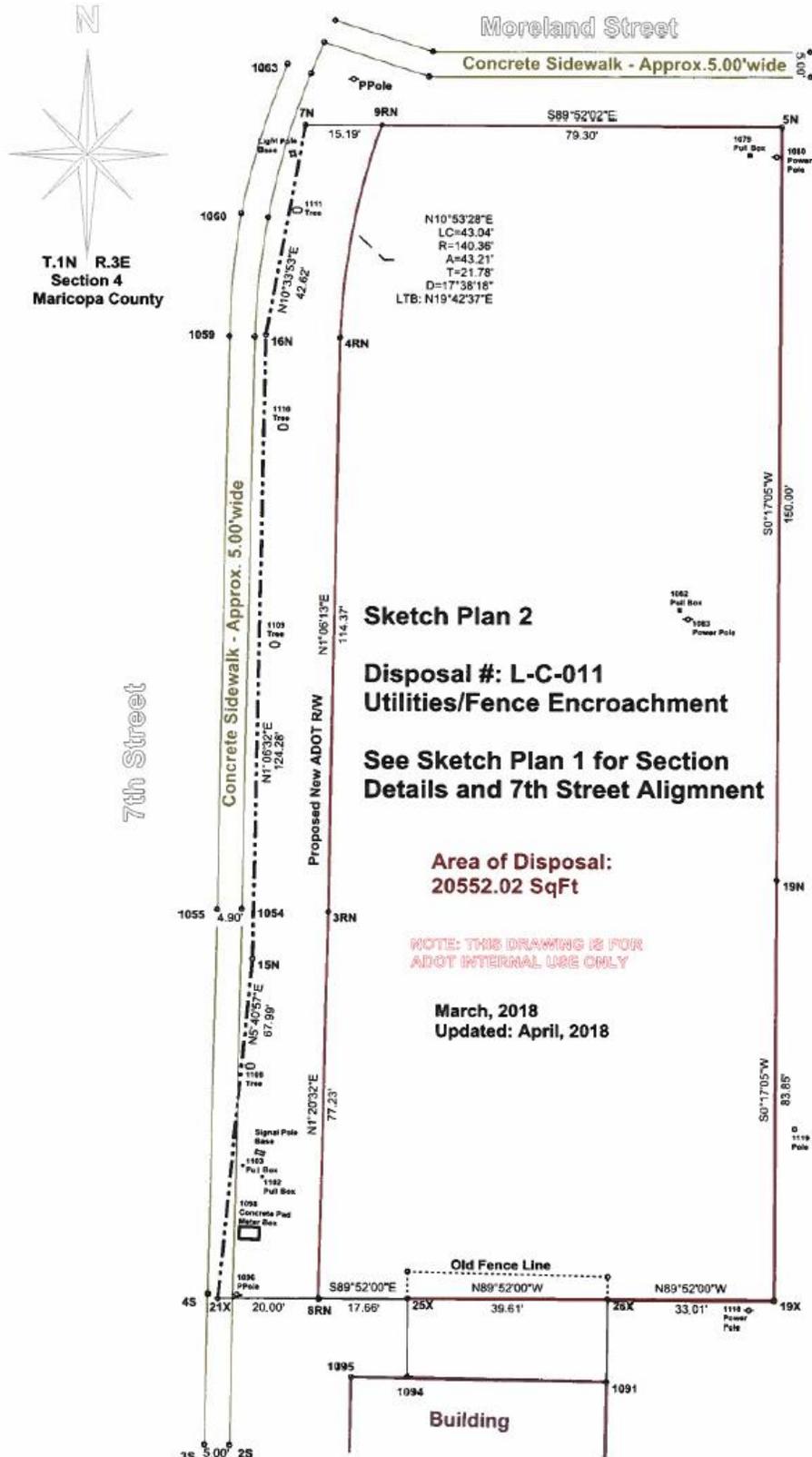
Non-apparent Adverse Factors: I again refer the reader to the Underlying Assumptions and Limiting Conditions. I repeat that I am not qualified to determine the presence of hazardous substances as they affect the site. This would include, but not be limited to, toxic chemicals, radon gas, methane, etc. Unless otherwise stated, the site is assumed to be unaffected by these substances.

Full Cash Values And Real Estate Taxes: The subject property is currently owned by the State of Arizona as right of way and is not assigned a parcel number.

Back Taxes: None identified

Special Assessments: None identified

Property Sketch

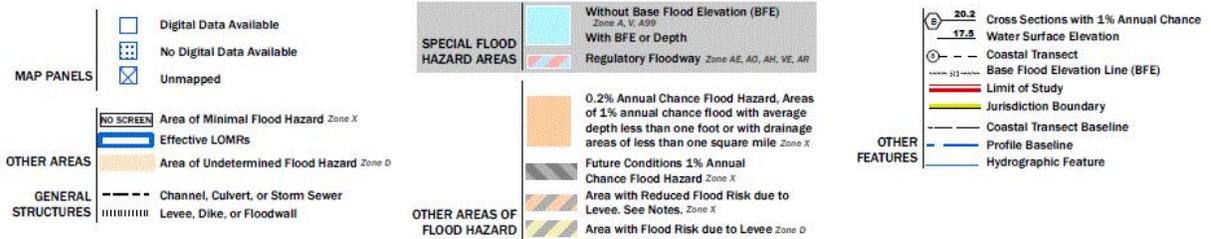
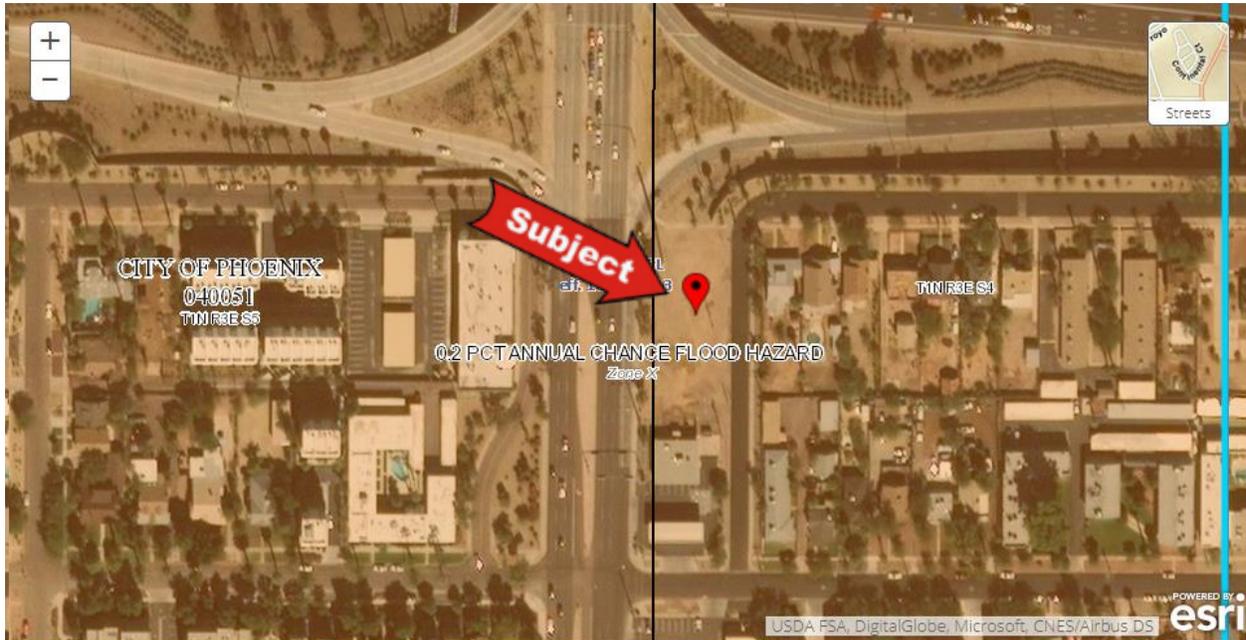


Aerial Photograph

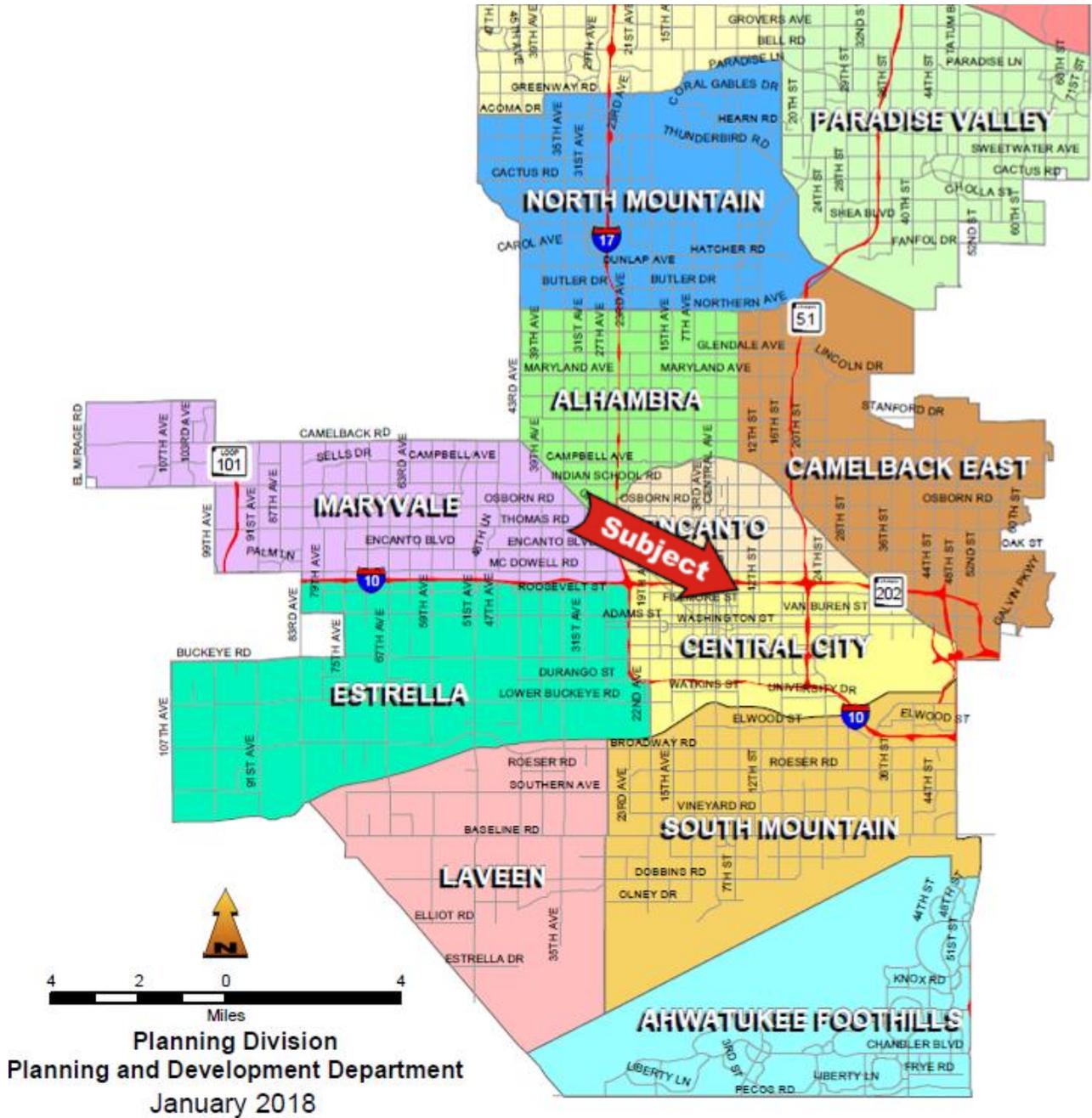


<p>ADOT Right Of Way <i>THIS SKETCH PLAN IS FOR ADOT INTERNAL USE ONLY</i></p>	PARCEL #	L-C-011	HIGHWAY NAME:	MARICOPA FREEWAY	
	EXHIBIT #	18-012	PROJECT NO.:	010 MA 00 M697201X	
	DATE	05/04/18	FEDERAL AID NO.:	I-10-3-(96)	SHEET NO.
ROUTE NO.:	LOCATION:				
I-10	7th. Street & Moreland Street				

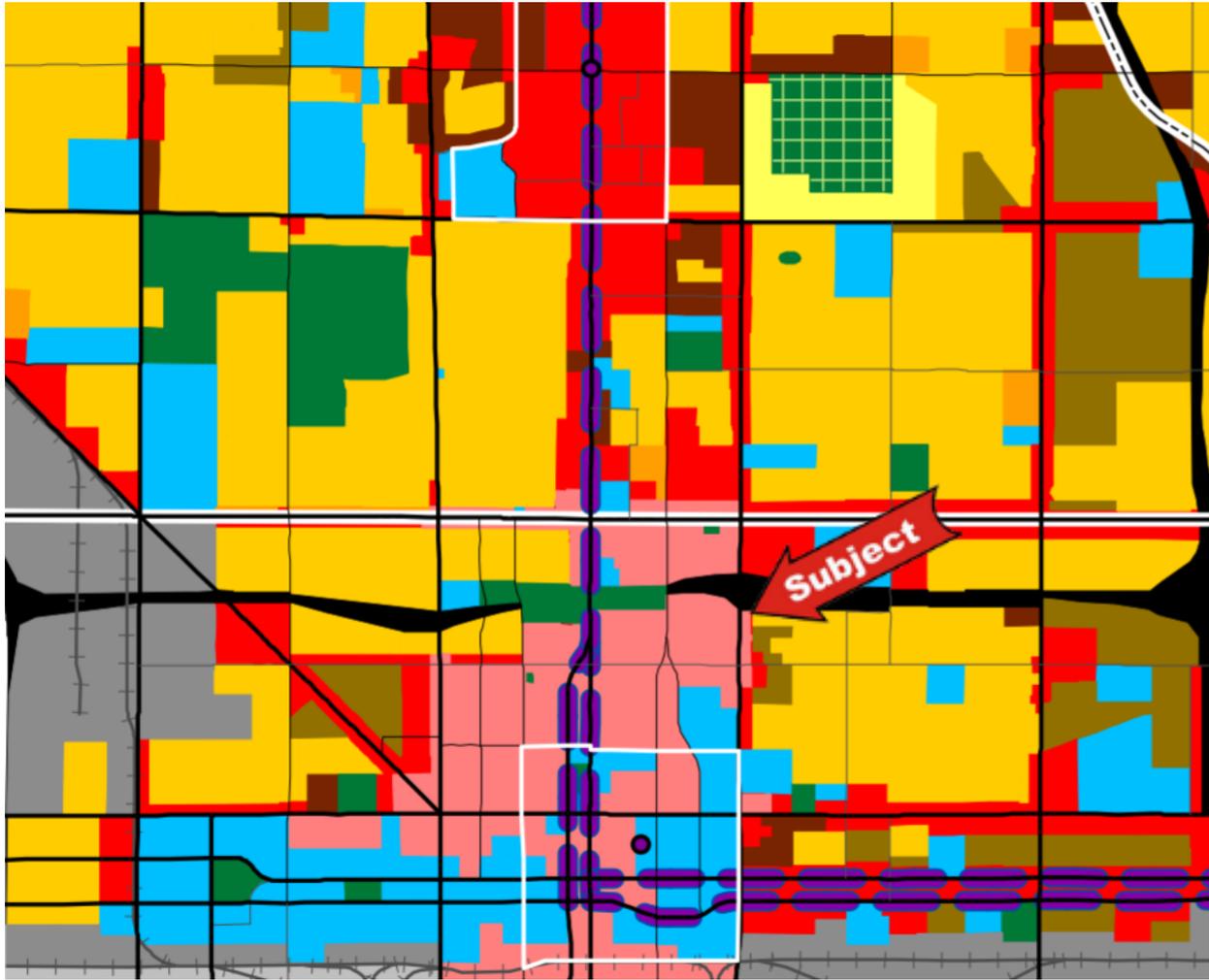
Flood Map



Village Planning Map



General Plan Map



- Parks/Open Space - Publicly Owned
 - Parks/Open Space - Privately Owned
 - Future Parks/Open Space or 1 du/acre
 - Mixed Use Agricultural
 - Nurseries/Flower Gardens with alternative 3.5 to 5 du/acre
 - Commercial
 - Mixed Use (MU)
 - Mixed Use (Areas C, D and Northwest Area only)
 - Industrial
 - Commerce / Business Park
 - Public/Quasi-Public
 - Floodplain
 - Undesignated Area
-
- * Primary Core
 - * Secondary Core
 - Canal, Watercourse, Wash
 - Existing Railroad
 - Arterial and Collector Streets
 - Future Transportation
 - Light Rail
 - Laveen Conveyance Channel

HIGHEST AND BEST USE ANALYSIS

Highest and best use is defined as “the reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity”.⁴

This definition applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless the land value in its highest and best use exceeds the total value of the property in its existing use. Implied within this definition is recognition of the contribution of that specific use to community environment or to community development goals in addition to the wealth maximization of individual property owners. Also implied is that the determination of highest and best use results from the appraiser's judgment and analytical skill, and that the use determined from analysis represents an opinion, not a fact to be found.

On the basis of the preceding sections, a general discussion will follow analyzing the highest and best use of the subject property, as if vacant.

Legally Permissible

As discussed previously, the property is located in an area designated for mixed use on the City of Phoenix General Plan. The mixed use category may include residential, services, and basic commercial, general office, entertainment, and cultural functions, with a compatible relationship. The property is also located within the Arts, Culture and Small Business Overlay, which provides greater flexibility by relaxing some development standards. The property is also located within the Eastlake-Garfield TOD District, which targets the area as a walkable community through application of the Walkable Urban Code zoning. The walkable urban code zoning allows a mix of uses without density limitations but with height restriction as limited by the Transect that applies to the property.

The subject is zoned C-2, intermediate commercial district by the City of Phoenix. The C-2 zoning is a district of commercial uses of medium intensity designed to be compatible with each other and to provide for a wide range of types of commercial activity within the district. Permitted uses include a wide variety of commercial uses and multi-family residential uses to a density of 14.5 du per gross acre.

Recognizing the general plan designation for mixed uses and the location of the property within the Arts, Culture and Small Business Overlay and the Eastlake-Garfield TOD District, a zoning change for the property is possible to achieve uses and/or

⁴ Appraisal Institute, *The Dictionary of Real Estate Appraisal, Sixth Edition* (Chicago, Illinois, 2015), page 109.

density beyond what is allowed in the C-2 zoning. Nonetheless, the C-2 zoning allows a variety of uses and density that is consistent with some of the other developments in the area. Thus, a zoning change may not be necessary for a variety of uses.

The property does not have legal access from 7th Street. According to the title report provided by the client, the property is not impacted by any atypical easements, encroachments or restrictions were identified.

Based on this information, it is my opinion that the most likely legally permissible use of the subject site, as vacant, is for development of a variety of commercial and/or residential uses allowed in the existing C-2 zoning; rezoning to allow for a more intense commercial and/or residential use or to hold vacant for future development of those uses.

Physically Possible

The subject site is a 20,552 net square foot parcel of land with near-level topography. Land uses in the immediate area of the subject property are a combination of multi-family residential and commercial uses. Electricity, telephone, water and sewer services are available at the property. The property has frontage along and access from 7th Place. The property also has frontage along 7th Street, but no access. The property is located in Flood Zone X. The property has adequate access and utility for development of potential uses. Due to the lack of direct access from 7th Street, a retail use of the property would not likely be desirable. Nonetheless, the property is suitable for assemblage with the property adjacent south, which would provide direct access from 7th Street to the assembled property. The relatively small size of the property limits the potential density/development intense due to the on-site parking requirements.

Recognizing these physical characteristics, development of the legally permissible uses is physically possible. Therefore, it is my opinion that the most likely legally permissible and physically possible use of the subject property is for development of a variety of commercial and/or residential uses allowed in the existing C-2 zoning; rezoning to allow for a more intense commercial and/or residential use or to hold vacant for future development of those uses, including assemblage with the adjacent property for development of such uses. I again recognize that the relatively small size of the site limit the potential density and/or development intensity.

Financially Feasible

The economy and real estate market conditions have improved in the Phoenix area over the last few years. Vacant sites are being acquired and developed with a variety of commercial and/or residential uses, including high-density urban uses. Recognizing these market conditions, it is my opinion that development of commercial and/or residential uses are financially feasible. Furthermore, as demonstrated by the recent land sales within the sale comparison approach, the surrounding land is being acquired and developed with similar commercia and/or residential uses. Thus, the most likely

financially feasible use of the property is for development of a variety of commercial and/or residential uses allowed in the existing C-2 zoning or rezoning to allow for a more intense commercial and/or residential use, including assemblage with the adjacent property for development of such uses.

Maximally Productive

The most likely financially feasible uses of the subject site is for development of a variety of commercial and/or residential uses allowed in the existing C-2 zoning or rezoning to allow for a more intense commercial and/or residential use, including assemblage with the adjacent property for development of such uses. Given the limitations of the small size of the site and the fact that rezoning the property will likely only yield marginal increases in density and/or development intensity, it is my opinion that either use would provide a similar return to the property. Furthermore, it is my opinion that no other use would provide a greater return to the property.

Therefore, it is my opinion that the maximally productive and highest and best use of the subject property, as vacant, for development of a variety of commercial and/or residential uses allowed in the existing C-2 zoning or rezoning to allow for a more intense commercial and/or residential use, including assemblage with the adjacent property for development of such uses

Typically, real estate can be valued by applying three approaches, i.e., the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach. Each of these approaches are defined and discussed as follows:

Cost Approach

The Cost Approach is defined as “a set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised”.⁵

This approach in appraisal analysis is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land or when relatively unique or specialized improvements are located on the site and for which there exist no comparable properties on the market. This is sometimes referred to as Value in Use or the value of a particular property for a specific use, i.e., Special Purpose Value.

Sales Comparison Approach

The sales comparison approach is defined as “the process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available”.⁶

Traditionally, this is an appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and prices asked in current listings. It is a process of analyzing sales of similar recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this technique is dependent upon (a) the availability of comparable sales data; (b) the verification of the sales data; (c) the degree of comparability or extent

⁵ Appraisal Institute, *The Dictionary of Real Estate Appraisal, Sixth Edition* (Chicago, Illinois, 2015), page 54.

⁶ Appraisal Institute, *The Dictionary of Real Estate Appraisal, Sixth Edition* (Chicago, Illinois, 2015), page 207.

of adjustment necessary for time differences; and (d) the absence of atypical conditions affecting the sales price. It is sometimes referred to as Value in Exchange or the value, in terms of money, of real estate in a typical market.

The Income Capitalization Approach

The Income Capitalization Approach is defined as “specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.”⁷

The Discounted Cash Flow Analysis is defined as “the procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.”⁸

Final Reconciliation

Final Reconciliation is defined as “the last phase in the development of a value opinion in which two or more value indications derived from market data are resolved into a final value opinion, which may be either a range of value, in relation to a benchmark, or a single point estimate.”⁹ In the final reconciliation section of the report, the valuation approaches are evaluated as to their pertinence and reliability to the appraisal problem. This analysis results in a final value estimate.

For valuation of the subject property, I have considered the cost, sales comparison and income approaches; however, only the sales comparison approach is used. The cost approach is not applicable due to the lack of improvements. Moreover, similar sites, as if vacant, are typically not leased. Therefore, only the sales comparison approach is used.

⁷ Appraisal Institute, *The Dictionary of Real Estate Appraisal, Sixth Edition* (Chicago, Illinois, 2015), page 115.

⁸ Appraisal Institute, *The Dictionary of Real Estate Appraisal, Sixth Edition* (Chicago, Illinois, 2015), page 66.

⁹ Appraisal Institute, *The Dictionary of Real Estate Appraisal, Sixth Edition* (Chicago, Illinois, 2015), page 91.

SALES COMPARISON APPROACH TO VALUE

To develop an opinion of the value of the subject site, I have used the sales comparison approach. The sales comparison approach is an approach through which an appraiser derives a value indication by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison and making adjustments, based on the elements of comparison, to the sale prices of the comparables.

Traditionally, this is an appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and prices asked in current listings. It is a process of analyzing sales of similar recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this technique is dependent upon (a) the availability of comparable sales data; (b) the verification of the data; (c) the degree of comparability or extent of adjustment necessary for time differences; and (d) the absence of non-typical conditions affecting the sales price. It is sometimes referred to as Value in Exchange or the value, in terms of money, of real estate in a typical market.

The appraisal of land focuses on valuing the property rights attached to the land. In addition, the physical characteristics of land, the availability of utilities, and site improvements affect land use and value. The physical characteristics of a parcel of land that an appraiser may consider are size, topography, view amenity, access and utilities. Topographical characteristics include the land's contour, grade, and drainage. Land value must always be considered in terms of highest and best use.

Overview of the Search for Comparable Sales Information

Emphasis was placed upon selecting relatively recent transactions involving comparables which were considered to be similar to the subject properties in terms of property rights conveyed, zoning classifications, and development time horizons. Similarly, I also sought to ensure the homogeneity of the comparables and the subject property through a careful consideration of certain other factors. Accordingly, although differing in certain respects, it will be observed that the comparables used within this analysis are generally comparable with the subject property in terms of many physical attributes. I believe that the comparables included within this analysis are consistent with the subject's highest and best use, and are representative of the range of indications of value within which the subject property could be placed.

I recognize that three of the land sales are older (from 2014 and 2015); however, they are sales that are located near the subject property and indicative of land values in the area. Therefore, they have been used for this analysis. I use land sales that were acquired for, or have potential for, a combination of residential and commercial uses.

Selection Of Appropriate Units Of Comparison

Although alternative units might be employed, when utilizing the sales comparison approach for parcels of land of this size, the predominant unit of comparison is the sales price per square foot of land area. During the research process, market participants clearly indicated that this unit of comparison is the primary unit used in the negotiation process. Accordingly, for the purpose of this report, the sale price per square foot of land is used.

Analysis and Comparison of Comparable Sales

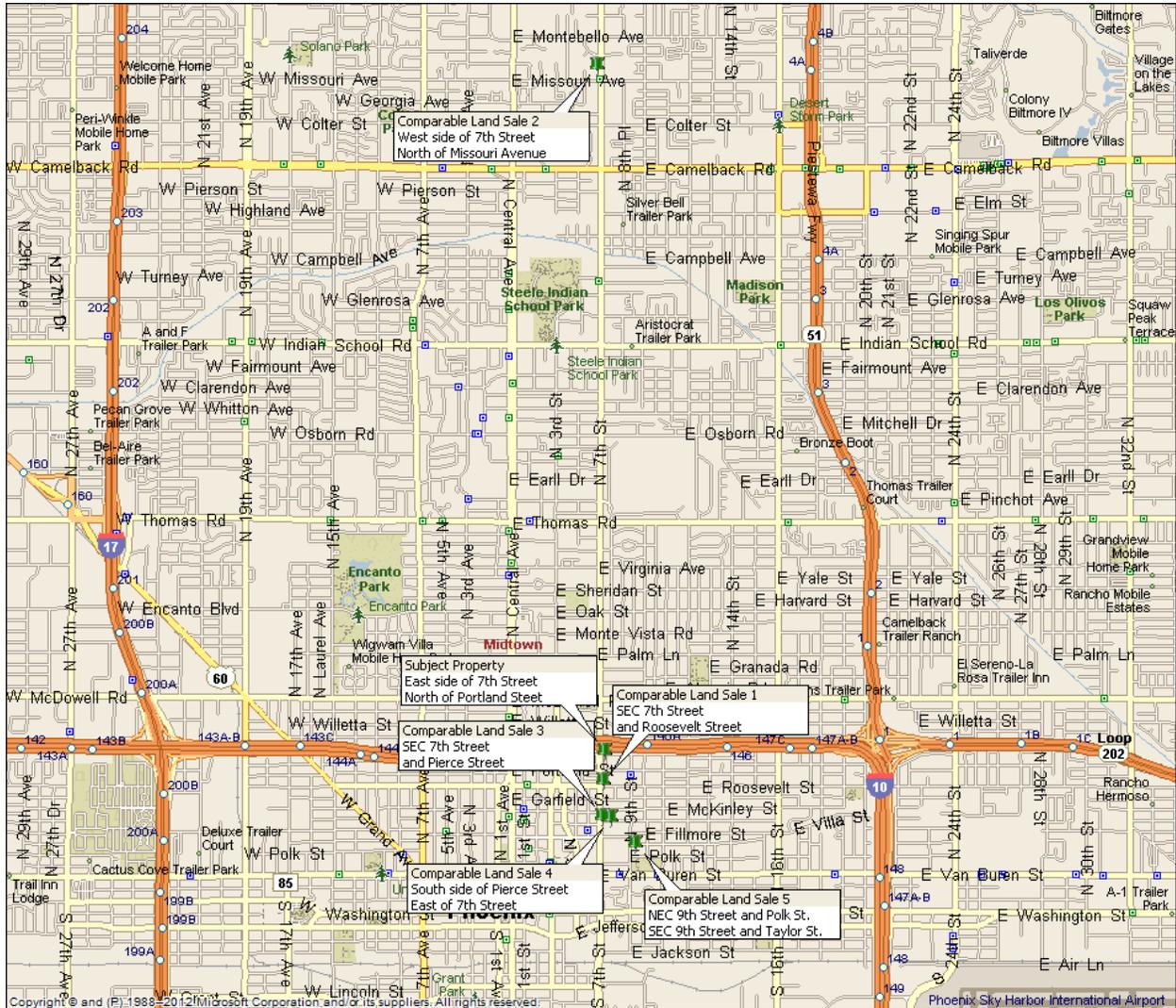
Typically, comparable sales are analyzed based on a variety of value influencing criteria. For this analysis, the factors that have been considered are as follows:

- Real Property Rights Conveyed
- Financing Terms
- Conditions of Sale
- Expenditures Immediately After the Sale
- Market Conditions (Date of Sale)
- Location
- Physical Characteristics (size, topography, off-site improvements, etc...)
- Intended Use
- Economic Characteristics
- Non-Realty Components of Value

Description Of Vacant Land Comparables

Presented on the following pages are data sheets for each of the comparables examined, as well as a map showing the location of each comparable with respect to the subject property. Following the comparable data sheets is a detailed discussion of the application of the sales comparison approach and the value indications derived.

Comparable Land Sales Map



Comparable Land Sale One



East from 7th Street



South from Roosevelt

Identification

Type: Commercial land
Location: At the southeast corner of 7th Street and Roosevelt Street, Phoenix, Arizona
Tax Parcel Numbers: 116-32-043, 044A And 045A

Sale Data

Sale Price: \$1,376,500
Terms: All cash to seller
Unit Price: \$35.91 Per square foot
Date of Recordation: March 27, 2014 (September 2013 escrow)
Grantor/Seller: VP 7th & Roosevelt, LLC
Grantee/Buyer: Circle K Stores Inc.
Instrument: Special Warranty Deed
Instrument Number: 2014-0195534
Conditions of Sale: Typical
Marketing Period: Less than one year
Source/Confirmation: Co-Star, public records, buyer's broker (Bob Kawa at 602-390-1443 on May 21, 2015), and inspection

Site Data

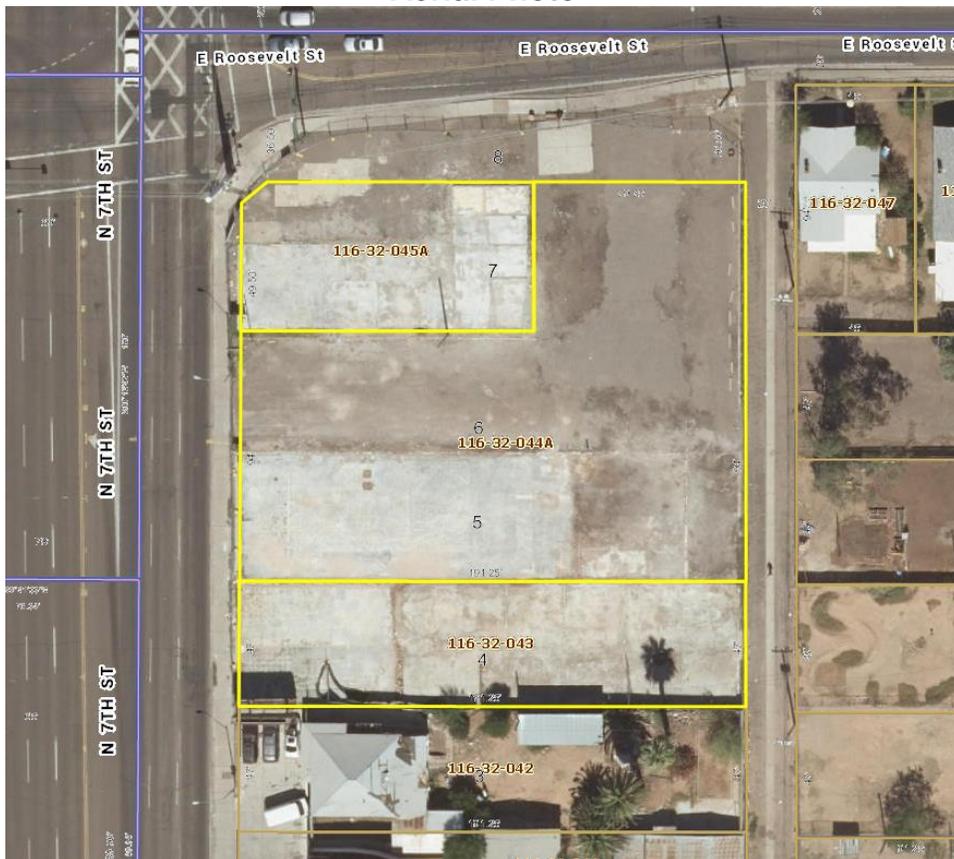
Shape/Dimensions: Nearly rectangular
Area: 38,333 Net square feet/0.8704 net acre
Topography: Level and at grade with surrounding properties
Zoning/Restrictions: C-2, City of Phoenix
Flood Zone: Zone X

Noise Zone: None
 Off-Sites: All installed
 Lot Type: Corner
 Utilities: Water, sewer, electricity in street
 Arterial Frontage: 191± Feet along the east side of 7th Street
 Traffic Count: 52.5K Vehicles per day along 7th Street north of Portland Street; 44.5k vehicles per day along 7th Street south of Pierce Street; 5.5K vehicles per day along Roosevelt Street, east of 11th Street per 2014 MPSI data

Improvements: None
 Comments: This property was previously developed with industrial buildings, however, had no improvements of value at the time of the sale. The property is located at a signalized intersection south of the 7th Street- Interstate 10 interchange. The broker stated that although the sale price was negotiated in September 2013, the sale price reflected the value of the property as of March 27, 2014.

Intended Use Development of a convenience store and gas station

Aerial Photo



Comparable Land Sale Two



Identification

Type: Commercial land
Location: On the west side of 7th Street, north of Missouri Avenue, Phoenix, Arizona
Tax Parcel Numbers: 162-35-048D, 162-35-06-48E, And 162-35-062C

Sale Data

Sale Price: \$1,325,000
Terms: All cash to seller
Unit Price: \$29.71 Per square foot
Date of Recordation: November 21, 2014 (May 2013 escrow)
Grantor/Seller: MFP Holdings, LLC (The Trump Group)
Grantee/Buyer: Circle K Stores, Inc
Instrument: Special Warranty Deed
Instrument Number: 20140775657
Conditions of Sale: Typical
Marketing Period: Less than one year
Source/Confirmation: Co-Star, public records, seller's broker (Alan Houston 602-682-6000 on May 21, 2015), and inspection

Site Data

Shape/Dimensions: Nearly rectangular
Area: 44,605 Net square feet/1.02 net acres

Topography:	Level and at grade with surrounding properties
Zoning/Restrictions:	C-2, City of Phoenix
Flood Zone:	Zone X
Noise Zone:	None
Off-Sites:	All installed
Lot Type:	Interior lot
Utilities:	Water, sewer, and electricity in street
Arterial Frontage:	200± Feet along the west side of 7 th Avenue
Traffic Count:	37.1K Vehicles per day along 7 th Avenue per 2014 MPSI data
Improvements:	None
Comments:	At the time of sale the property was as an asphalt paved parking area.

Intended Use Assemblage with an adjacent property for development of a convenience store and gas station

Aerial Photo



Comparable Land Sale Three



South from Pierce Street



East from 7th Street

Identification

Type: Commercial land
Location: At the southeast corner of 7th Street and Pierce Street, Phoenix, Arizona
Tax Parcel Numbers: 116-32-193 And 194

Sale Data

Sale Price: \$500,000
Terms: All cash to seller
Unit Price: \$29.68 Per square foot
Date of Recordation: April 3, 2015 (March 2015 escrow date)
Grantor/Seller: Basilios T. Tsakiris and Mary Ann Tsakiris
Grantee/Buyer: Suk Y. Lee and Ok S. Lee
Instrument: Warranty Deed
Instrument Number: 2015-0227691
Conditions of Sale: Typical
Marketing Period: Less than one year
Source/Confirmation: Co-Star, public records, buyer's broker (Jerry Tulman at 480-291-1600), and inspection

Site Data

Shape/Dimensions: Irregular
Area: 16,845 SF/.039 Acre
Topography: Level and at grade with surrounding properties
Zoning/Restrictions: C-2 (Intermediate Commercial), P-1 (Parking) and HP (Historic Preservation), City of Phoenix
Flood Zone: Zone X
Noise Zone: None

Comparable Land Sale Four



Identification

Type: Commercial land
Location: On the south side of Pierce Street, east of 7th Street, in Phoenix, Arizona
Tax Parcel Numbers: 116-32-198 and 199

Sale Data

Sale Price: \$510,000
Terms: All cash to seller
Unit Price: \$25.50 Per net square foot
Date of Recordation: June 29, 2016 (May 2016 escrow)
Grantor/Seller: The Jerome Company, LLC
Grantee/Buyer: Lee Revocable Trust
Instrument: Warranty Deed
Instrument Number: 2016-0455103 (re-recorded as 2017-07491470)
Conditions of Sale: Typical
Marketing Period: Less than one year at sale price
Source/Confirmation: Co-Star, public records, buyer's broker (Jerry Tulman at 480-291-1600), and inspection

Site Data

Shape/Dimensions:	Rectangular
Area:	19,998 Net square feet/0.4491 net acre
Topography:	Near-level and at grade with surrounding properties
Zoning/Restrictions:	R-5, City of Phoenix
Flood Zone:	Zone X
Noise Zone:	None
Off-Sites:	All installed
Lot Type:	Interior
Utilities:	All to site
Arterial Frontage:	None
Traffic Count:	Not counted along Pierce Street
Improvements:	None
One-Mile Demographics (2017):	21,288 Total population; \$31,392 median household income; \$247,053 median home value
Comments:	This property is located within the Eastlake-Garfield TOD district.

Intended Use

Hold for investment and future sale

Aerial Photo



Comparable Land Sale Five



East from 9th Street



South from Taylor Street

Identification

Type: Residential land
Location: At the northeast corner of 9th Street and Polk Street and the southeast corner of 9th Street and Taylor Street, in Phoenix, Arizona
Tax Parcel Numbers: 116-33-095, 096 And 082

Sale Data

Sale Price: \$800,000
Terms: All cash to seller
Unit Price: \$29.11 Per net square foot
Date of Recordation: February 5, 2018 (May 2017 escrow)
Grantor/Seller: Canwood Enterprise, Inc.
Grantee/Buyer: 904 Polk Verde, LLC
Instrument: Warranty Deed
Instrument Number: 2018-0079590
Conditions of Sale: Slightly discounted (See comments.)
Marketing Period: Less than one year at sale price
Source/Confirmation: Co-Star, MLS, public records, seller (Brandon Mills at 602-377-4953 on May 29, 2018) and inspection

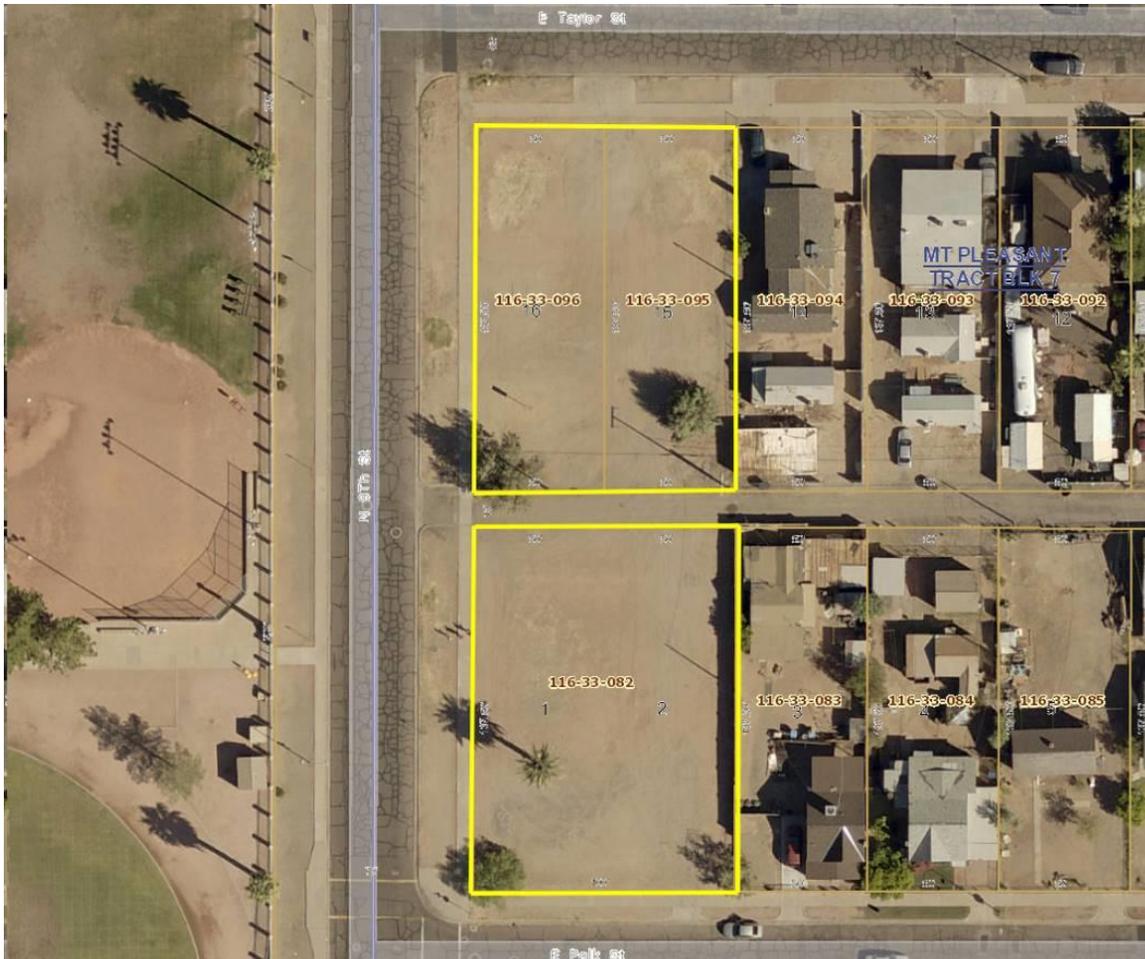
Site Data

Shape/Dimensions: Nearly rectangular and non-contiguous
Area: 27,486 Net square feet/0.631 net acre
Topography: Near-level and at grade with surrounding properties
Zoning/Restrictions: R-5, City of Phoenix
Flood Zone: Zone X
Noise Zone: None

Off-Sites: All installed
 Lot Type: Corner
 Utilities: All to site
 Arterial Frontage: None
 Traffic Count: Not counted
 Improvements: None of value
 One-Mile Demographics (2017): 20,341 Total population; \$29,993 median household income; \$231,016 median home value
 Comments: This property is located within the Eastlake-Garfield TOD district. The property had been listed for \$850,000. The seller stated that after the property was in escrow, two other parties were interested in the property and were willing to submit offers at higher prices in the range of \$850,000 to \$900,000.

Intended Use Development of a 42 to 44 unit multi-family residential use

Aerial Photo



Land Sales Summary and Adjustment Grid						
	Subject	Land Comparables				
		1	2	3	4	5
Sale Price	-	\$1,376,500	\$1,325,000	\$500,000	\$510,000	\$800,000
Size in Net Sq Ft	20,552	38,333	44,605	16,845	19,998	27,486
Size in Acres	0.4718	0.8800	1.0240	0.3867	0.4591	0.6310
Price Per Sq Ft	-	\$35.91	\$29.71	\$29.68	\$25.50	\$29.11
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Total Adjustment	-	\$0	\$0	\$0	\$0	\$0
Price Adj. For Rights Conveyed	-	\$1,376,500	\$1,325,000	\$500,000	\$510,000	\$800,000
Financing	All Cash	All Cash	All Cash	All Cash	All Cash	All Cash
Total Adjustment	-	\$0	\$0	\$0	\$0	\$0
Price Adj. For Financing	-	\$1,376,500	\$1,325,000	\$500,000	\$510,000	\$800,000
Conditions of Sale	Typical	Typical	Typical	Typical	Typical	Discounted
Adjustment Factor	-	0.00%	0.00%	0.00%	0.00%	10.00%
Total Adjustment	-	\$0	\$0	\$0	\$0	\$80,000
Price Adj. For Conditions	-	\$1,376,500	\$1,325,000	\$500,000	\$510,000	\$880,000
Market Conditions	May-18	Mar-14	Nov-14	Apr-15	Jun-16	Feb-18
Adjustment Factor	-	20.00%	20.00%	15.00%	10.00%	0.00%
Total Adjustment	-	\$275,300	\$265,000	\$75,000	\$51,000	\$0
Price Adj. For Market Conditions	-	\$1,651,800	\$1,590,000	\$575,000	\$561,000	\$880,000
Adjusted Price Per Sq Ft	-	\$43.09	\$35.65	\$34.13	\$28.05	\$32.02
General Location	Typical	Similar	Superior	Similar	Similar	Similar
Adjustment Factor	-	0%	-5%	0%	0%	0%
Lot Type	Mid-block	Corner	Mid-block	Minor Corner	Mid-Block	Minor Corner
Adjustment Factor	-	-15%	0%	-5%	0%	-5%
Access	Fair	Superior	Superior	Superior	Superior	Superior
Adjustment Factor	-	-10%	-10%	-5%	-5%	-5%
Configuration	Wide, Shallow	Typical	Typical	Irregular	Deep, Narrow	Non-Contiguous
Adjustment Factor	-	-5%	-5%	0%	0%	0%
Size in Net Sq Ft	20,552	38,333	44,605	16,845	19,998	27,486
Adjustment Factor	-	0%	0%	0%	0%	0%
Utilities	All Installed	All Installed	All Installed	All Installed	All Installed	All Installed
Adjustment Factor	-	0%	0%	0%	0%	0%
Roadway Improvements	All Installed	All Installed	All Installed	All Installed	All Installed	Superior
Adjustment Factor	-	0%	0%	0%	0%	0%
Proposed/Potential Use	Mixed	Conv. Store	Conv. Store	Hold	Hold	Higher Density
Adjustment Factor	-	0%	0%	0%	0%	-10%
Zoning and Entitlements	C-2/None	C-2/None	C-2/None	C-2, P-1/ None	R-5/None	R-5/None
Adjustment Factor	-	0%	0%	0%	0%	0%
Net Percentage Adjustment	-	-30%	-20%	-10%	-5%	-20%
Final Adjusted Price Per Sq Ft	-	\$30.16	\$28.52	\$30.72	\$26.65	\$25.61

Discussion of Adjustments

Property Rights Conveyed: This is an appraisal of the fee simple interest in the larger parcel. The fee-simple interest was conveyed in each of the comparable sales; therefore, no adjustments are indicated for property rights conveyed.

Financing Terms: All of the comparables sold for all cash to the seller, indicating no adjustment for financing terms.

Conditions of Sale: All of the comparables, except Comparable 5, appear to have sold under typical conditions of sale, indicating no adjustment. The seller of Comparable 5

indicted that the property had been listed for \$850,000. After the property was in escrow, two other parties were interested in the property and were willing to submit offers at higher prices in the range of \$850,000 to \$900,000. Recognizing this condition, this comparable is adjusted upward for conditions of sale.

Market Conditions: The effective date of the appraisal is May 23, 2018. The comparable sales closed between March 2014 and March 2018. The escrow dates were one to six months prior to the close.

As discussed in the Phoenix Area Analysis section, according to the Colliers International Research & Forecast Report for the Greater Phoenix Land market for the Second Half of 2017, "sales of land parcels accelerated significantly in 2017. Total sales velocity for the year was up 33 percent from the 2016 total. Transaction activity in the second half of 2017 was up 17 percent from the first half of the year and outpaced levels from the second half of 2016 by 26 percent."

"Sales prices in land transactions ticked higher in the second half of the year. The median price in the second half of 2017 was \$4.21 per square foot, up 3 percent from the median price in the first half. In 2017, the median price for the full year was \$4.16 per square foot, 8 percent higher than the median price in 2016."

"Sales of land parcels for residential uses accounted for more than 60 percent of the total land transactions in Greater Phoenix in 2017, similar to levels in previous years. Annual sales of land for residential uses rose by 33 percent from 2016 to 2017. Activity in land for residential uses was up 25 percent in the second half of 2017 compared to the first half of the year."

"Prices of land for residential development were mixed in 2017. For the full year, the median price was \$3.42 per square foot, 6 percent lower than the median price in 2016. Prices rose in the second half of the year; the median price during the second half of 2017 was \$3.90 per square foot, up 25 percent from the median price in the first half."

"Sales of land for commercial uses slowed during the second half of the year but posted strong annual gains. Transaction activity in land deals for commercial uses slowed 6 percent from the first half of the year to the second half. Sales velocity in 2017 outpaced the 2016 total by 32 percent."

"Prices for land for commercial uses dipped in the second half of the year, but were up from 2016 levels. The median price in land sales for commercial use was \$4.70 per square foot in the second half of the year, down 7 percent from the first half median price. The median price for all of 2017 was \$4.82 per square foot, up from \$4.37 per square foot in 2016."

"The robust tenant demand for industrial space is fueling development of new buildings. Land sales for industrial uses spiked by 35 percent from 2016 to 2017. Transaction volume was up 17 percent in the second half of the year."

“The median price for land for industrial uses was \$4.70 per square foot in 2017, up 19 percent from the median price in 2016. Prices dipped a bit in the second half of the year; the median price during the second half of 2017 was \$4.30 per square foot.”

“The housing market in Greater Phoenix is strengthening, providing the fuel for land sales. The number of land sales have increased in each of the past few years and another uptick is likely in 2018. The rise in transaction velocity has mirrored housing permitting trends. Single-family housing permits have increased by approximately 10 percent per year since 2016, and a similar increase is forecast for the year ahead. The commercial real estate market is also improving, which will support land sales for commercial and industrial uses. Land sales for commercial and industrial construction each accelerated by more than 30 percent in 2017, and additional increases could be in line if the economy continues to expand and commercial vacancies tighten further.”

Recognizing these market conditions, Comparables 1, 2, 3 and 4 are adjusted upward for market conditions. Comparable 5 is a more recent sale and is not adjusted.

Discussion of Comparable Sales

Comparable Land Sale 1 is the March 27, 2014 sale of a 38,333 square foot parcel of land located at the southeast corner of 7th Street and Roosevelt Street in Phoenix for \$1,376,500, or \$35.91 per square foot of site area. After an upward adjustment for market conditions, this comparable has an adjusted sale price of \$43.09 per square foot. This comparable is sufficiently similar to the subject based on location, size in square feet, utilities, roadway improvements, proposed/potential use and zoning/entitlements to not require adjustments. This comparable is a corner lot and has superior access and a superior configuration, indicating downward adjustments. After these adjustments, this comparable indicates a value of \$30.16 per square foot for the subject property.

Comparable Land Sale 2 is the November 21, 2014 sale of a 44,605 square foot parcel of land located on the west side of 7th Street, north of Missouri Avenue in Phoenix for \$1,325,000, or \$29.71 per square foot of site area. After an upward adjustment for market conditions, this comparable has an adjusted sale price of \$35.65 per square foot. This comparable is sufficiently similar to the subject based on lot type, size in square feet, utilities, roadway improvements, proposed/potential use and zoning/entitlements to not require adjustments. This comparable has a superior general location, superior access and a superior configuration, indicating downward adjustments. After these adjustments, this comparable indicates a value of \$28.52 per square foot for the subject property.

Comparable Land Sale 3 is the April 3, 2015 sale of a 16,845 square foot parcel of land located at the southeast corner of 7th Street and Pierce Street in Phoenix for \$500,000, or \$29.68 per square foot of site area. After an upward adjustment for market conditions, this comparable has an adjusted sale price of \$34.13 per square foot.

This comparable is sufficiently similar to the subject based on location, configuration, size in square feet, utilities, roadway improvements, proposed/potential use and zoning/entitlements to not require adjustments. This comparable is a corner lot and has superior access, indicating downward adjustments. After these adjustments, this comparable indicates a value of \$30.72 per square foot for the subject property.

Comparable Land Sale 4 is the June 29, 2016 sale of a 19,998 square foot parcel of land located on the south side of Pierce Street, east of 7th Street in Phoenix for \$510,000, or \$25.50 per square foot of site area. After an upward adjustment for market conditions, this comparable has an adjusted sale price of \$28.05 per square foot. This comparable is sufficiently similar to the subject based on location, lot type, configuration, size in square feet, utilities, roadway improvements, proposed/potential use and zoning/entitlements to not require adjustments. This comparable has superior access, indicating a downward adjustment. I recognize that the R-5 zoning of this comparable allows for a more intense residential use than the subject's C-2 zoning; however, this comparable was acquired to hold for investment and not immediate development. Given the fact that the subject could potentially be rezoned to allow for a higher density use in the time frame that this comparable is held. Thus, no adjustment is made for proposed/potential use. After these adjustments, this comparable indicates a value of \$26.65 per square foot for the subject property.

Comparable Land Sale 5 is the February 5, 2018 sale of a 27,486 square foot parcel of land located at the northeast corner of 9th Street and Polk Street and the southeast corner of 9th Street and Taylor Street in Phoenix for \$800,000, or \$29.11 per square foot of site area. After an upward adjustment for conditions of sale discussed previously, this comparable has an adjusted sale price of \$32.02 per square foot. This comparable is sufficiently similar to the subject based on location, configuration, size in square feet, utilities, roadway improvements and zoning/entitlements to not require adjustments. This comparable is a corner lot, has superior access and was acquired for a higher density use, indicating downward adjustments. After these adjustments, this comparable indicates a value of \$25.61 per square foot for the subject property.

Reconciliation of Value Indications

The comparable sales have an unadjusted sale price range of \$29.11 to \$35.91 per square foot and an adjusted sale price range of \$25.61 to \$30.72 per square foot. Based on these indications and with emphasis on the middle of the range, it is my opinion that the subject property has a value of \$28.00 per square foot. I recognize that the subject property is located at the southeast corner of the 7th Street-Interstate 10 interchange. It is my opinion that any benefit the property has over the sale comparables for this high traffic location is off-set by the traffic noise and fumes from the high volume of traffic at that location.

With a unit value of \$28.00 per square foot and a site area of 20,552 square feet for the larger parcel, the overall value of the subject property is calculated as follows:

20,552 Square Feet X \$28.00 Per Square Foot = \$575,456
Rounded to \$575,000

Therefore, based on the sales comparison approach, it is my opinion that the market value of the subject property as of the effective date of the appraisal, is **\$575,000.**

RECONCILIATION AND FINAL VALUATION ESTIMATE

Reconciliation is the process whereby the appraiser evaluates and selects from among alternative conclusions or indications, a single conclusion of value. An orderly connection of interdependent elements is a prerequisite of proper reconciliation. This requires a re-examination of specific data, procedures, and techniques within the framework of the approaches used to derive preliminary estimates. Each approach is reviewed separately by comparing it to the other approaches to value in terms of adequacy, accuracy, completeness of reasoning, and overall reliability.

For valuation of the property only the sales comparison approach to value has been used. The cost approach is not used due to the lack of improvements. The income approach is not used due to the fact that comparable properties are typically not leased. The value indication for the subject property based on the sales comparison approach is \$575,000.

In the valuation of the subject property, I analyzed sales of six comparable parcels. It is my opinion that the comparables are indicative of the value range for the subject property and that, after analysis, the comparable sales provide a reliable indication of value for the subject property.

Therefore, with exclusive emphasis on the sales comparison approach, it is my opinion that the market value of the fee simple interest in the subject property, as of the date of the appraisal is **\$575,000**.

Exposure Period

Exposure period is defined as “the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.”¹⁰ Based on other sales in the area, it is my opinion that the subject property could have been sold in twelve months or less.

¹⁰Appraisal Standards Board of The Appraisal Foundation, Statement on Appraisals Standards No. 6, “Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions”

RIGHT OF WAY SECTION CERTIFICATE OF APPRAISER

Project Number: M519301X

Parcel Number: L-C-011

I hereby certify:

That I personally inspected, the property herein appraised, and that I have afforded an ADOT representative the opportunity to accompany me at the time of inspection. I also made a personal field inspection of each comparable sale relied upon in making said appraisal. The subject and the comparable sales relied upon in making the appraisal were represented by the photographs contained in the appraisal.

That I have given consideration to the value of the property, the damages and benefits to the remainder, if any; and accept no liability for matters of title or survey. That, to the best of my knowledge and belief, the statements contained in said appraisal are true and the opinions, as expressed therein, are based upon correct information; subject to the limiting conditions therein set forth.

That no hidden or unapparent conditions of the property, subsoil, or structures were found or assumed to exist which would render the subject property more or less valuable; and I assume no responsibility for such conditions, or for engineering which might be required to discover such factors. That, unless otherwise stated in this report, the existence of hazardous material, which may or may not be present in the property, was not observed by myself or acknowledged by the owner. The appraiser, however, is not qualified to detect such substances, the presence of which may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.

That my analysis, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.

That this appraisal has further been made in conformity with the appropriate State and Federal laws, regulations, and policies and procedures applicable to appraisal of right-of-way for such purposes; and that, to the best of my knowledge, no portion of the value assigned to such property consists of items which are non-compensable under the established laws of said state.

That I understand this appraisal may be used in connection with the acquisition of right-of-way for a highway to be constructed by the State of Arizona with the assistance of Federal aid highway funds or other Federal funds.

That neither my employment, nor my compensation for making the appraisal and report, are in any way contingent upon the values reported herein.

That I have no direct or indirect present or contemplated future personal interest in the property that is the subject of this report, or any benefit from the acquisition of the property appraised herein.

That I have not revealed the findings and result of such appraisal to anyone other than the proper officials of the Arizona Department of Transportation or officials of the Federal Highway Administration, and I will not do so unless so authorized by proper State officials, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings.

That my opinion of the market value of the property, as of May 23, 2018, is **\$575,000**, based on my independent appraisal and the exercise of my professional judgment.

Date: June 11, 2018



Signature:

Arizona Certified General Real Estate Appraiser #30821

ASSUMPTIONS AND LIMITING CONDITIONS

1. The legal description of the property provided as part of the ADOT Parcel exhibit is assumed to be accurate. I assume that the property is correctly identified in this report.
2. I was provided with a title report, however, was not provided with a site survey for the subject property. This appraisal assumes that any easements affecting the site are disclosed in the title report and/or are apparent based on my inspection.
3. Title to the property is marketable, free, and clear of all liens.
4. The fee simple estate in the property contains the sum of all fractional interests that may exist.
5. The property is appraised as if owned in fee simple title without encumbrances, unless otherwise mentioned in this report.
6. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in this appraisal report.
7. It is assumed that all required licenses, certificates of occupancy, or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
8. Responsible ownership and competent management exist for the property, unless otherwise stated.
9. The appraiser is not responsible for the accuracy of the opinions furnished by others and contained in this report, nor is he responsible for the reliability of government data used in the report.
10. Compensation for appraisal services is dependent only upon the production of this report and is not contingent upon the values estimated.
11. This report considers nothing of a legal character, is not considered to be a legal document and the appraiser assumes no responsibility for matters of a legal nature.
12. Testimony or attendance in court may be required by reason of this appraisal.
13. Hidden defects within the materials of the structures, property or subsoil or defects which are inaccessible to normal inspection, are not the responsibility of the appraiser.

14. Information furnished by the property owner, lender, agent, or management is correct as received.
15. Neither this report, nor any of its contents, may be used for the sale of shares or similar units of ownership in the nature of securities, without specific prior approval of the appraiser. No part of this appraisal may be reproduced without the permission of the appraiser.
16. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.
17. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser.
18. This report is the confidential and private property of the client and the appraiser. Any person other than the appraiser or the client who obtains and/or uses this report or its contents for any purpose not so authorized by the appraiser or the client is hereby forewarned that all legal means to obtain redress may be employed against him.
19. Utility services are available, as detailed in this report, for the subject property and they will continue to be so in the foreseeable future, unless otherwise noted in this report.
20. Subsurface rights (mineral, oil, etc.) and their potential impact upon value were not considered in this appraisal, unless stated otherwise.
21. The appraiser cannot predict or evaluate the possible effects of future wage price control actions of the government upon rental income or financing of the subject property; hence, it is assumed that no control will apply which would nullify contractual agreements, thereby changing property values.
22. The subject property is not, nor will it be, in violation of the National Environmental Policy Act, the State Environmental or Clean Air Act, or any and all similar government regulations or laws pertaining to the environment.
23. This appraisal assumes that the subject property, as vacant, has no historical or archaeological significance. The value estimate is predicated on the assumption that no such condition exists. Should the client have a concern over the subject's status, he or she is urged to retain the services of a qualified independent specialist to determine the extent of either significance, if any, and the cost to study the condition

or the benefit or detriment such a condition brings to the property. The cost of the inspection and study must be borne by the client or owner of the property. Should the development of the property be restricted or enhanced in any way, the appraiser reserves the right to modify the opinion of value indicated by the market.

24. Unless otherwise stated in this report, the appraiser did not observe the existence of hazardous materials, which may or may not be present on, or below, the property. The appraiser has no knowledge of the existence of such materials on, or in, the property. The appraiser, however, is not qualified to detect such substances as asbestos, PCB transformers, urea-formaldehyde foam insulation, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (containing hazardous materials). The value estimate is predicated on the assumption that there are no such materials on, or in, the property that would cause a loss in value. No responsibility is assumed for such conditions, or for any expertise or engineering knowledge required to discover them. Thus, the value estimated herein is as if unaffected by any such cause and/or substance. Should the client have concern over the existence of such substances, he or she is urged to retain the services of a qualified independent environmental specialist to determine the extent of contamination, if any, and the cost of treatment or removal. The cost of detection, treatment or removal and permanent storage must be borne by the client or owner of the property. This cost can be deducted from the estimate of market value of the subject property if so indicated by the market.

- Subject Photographs
- Right of Way Disposal Report
- Appraiser's Qualifications



Subject Photographs



Northeast from 7th Street



Southeast from 7th Street



South along 7th Street



North along 7th Street



East from 7th Street



West along path along north side



Northwest from 7th Place



West from 7th Place



North along 7th Place



South along 7th Place



Looking south from north side



Looking north from south side

Right of Way Disposal Report Schedules A and B

ARIZONA DEPARTMENT OF TRANSPORTATION
RIGHT OF WAY GROUP
RIGHT OF WAY DISPOSAL REPORT

The undersigned has examined the title to the property described in SCHEDULE A-1 herein, and the record owner is:

The State of Arizona, by and through its Department of Transportation

Address: 205 South 17th Avenue, Mail Drop 612E, Phoenix, Arizona 85007-3212

By virtue of that certain: See Right of Way / Vesting Section.

Upon compliance with REQUIREMENTS herein, satisfactory title will vest in "TO COME".

LEGAL DESCRIPTION

SEE SCHEDULE A-1 ATTACHED

REMARKS: The Schedule B Items shown, if any, reflect only those matters that have occurred subsequent to the acquisition of the subject property.

Date of Search: 5-17-2018	Examiner: Jim Gregg	Reviewer: Chuck Mullany
Update to:	Examiner:	Reviewer:

County: Maricopa	Tax Arb: 116-31-028A, 029, 030 and 032A Disposal: L-C-011	
Tracs No.: 010MA145H0089	Highway: Phoenix-Casa Grande	Excess Land: N/A
Fed. No.: N/A	Section: JCT. I-10 W-JCT. I-10 S	
Parcel No.: 7-3770, 7-3769, 7-3529 and 7-3768		

**SCHEDULE A-1
LEGAL DESCRIPTION**

Parcel No. 1 (116-31-028A)

The North half of Lot 2, Block 2, BRILL ADDITION AMENDED, according to Book 2 of Maps, Page 45, records of Maricopa County, Arizona.

EXCEPT the West 7 feet,

AND EXCEPT the South 16.15 feet of the North half of Lot 2, Block 2, BRILL ADDITION AMENDED, according to Book 2 of Maps, Page 45, records of Maricopa County, Arizona, EXCEPT the East 50.0 feet thereof.

Parcel No. 2 (116-31-030)

The South half of Lot 3, Block 2, BRILL ADDITION AMENDED, according to Book 2 of Maps, Page 45, records of Maricopa County, Arizona.

Parcel No. 3 (116-31-029)

The North half of Lot 3, Block 2, BRILL ADDITION AMENDED, according to Book 2 of Maps, Page 45, records of Maricopa County, Arizona.

Parcel No. 4 (116-31-032A)

The West 110 feet of Lot 4, Block 2, BRILL ADDITION AMENDED, according to Book 2 of Maps, Page 45, records of Maricopa County, Arizona.

NOTE: The legal description of the area to be disposed will be produced by the ADOT Right of Way Delineation Unit.

END OF SCHEDULE A-1

RIGHT OF WAY / VESTING

- 1) Final Order of Condemnation, Case No. C 550064, Eminent Domain, of the Arizona Superior Court, Maricopa County, entitled the State of Arizona, ex rel., Charles L. Miller, Director, Department of Transportation, Plaintiff, vs. Buck S. Yee and Mayuree T. Yee, husband and wife, and Maricopa County Treasurer, Defendants, dated November 3, 1986, recorded December 1, 1986 in Document No. 1986-660647, described as:
(Parcel 7-3529, Project I-10-3(96))

NOTE: The legal description within the following Quitclaim Deed from the State of Arizona, acting by and through its Department of Transportation, is part of the exception in Parcel No. 1, Schedule A-1.

Quitclaim Deed from the State of Arizona, acting by and through its Department of Transportation to R. J. Dalley, Greg Ashby and George I. Dana, all as Co-Trustees of the Eva C. Dana Trust; R. J. Dalley, Greg Ashby and C. Ferrel Dana, all as Co-Trustees of the Nathel M. Dana Trust; Joe Dana and Dora Dana, his wife; John Dana and Sandra J. Dana, his wife; R. J. Dalley and Patricia M. Dalley, his wife, dated January 17, 1987, recorded January 29, 1987 in Document No. 1987-055845.
(Parcel 7-3529, Project I-10-3(96))

- 2) Warranty Deed from John Gobins, a.k.a. John C. Gobins, as Trustee under the Last Will and Testament of Chockree Gobins, deceased to the State of Arizona, acting by and through its Department of Transportation, dated August 23, 1985, recorded September 1, 1985 in Document No. 1985-440884, described as:
(Parcel 7-3770, Project I-10-3(96))
- 3) Warranty Deed from The Particular Council of Maricopa County, Society of St. Vincent De Paul, Inc., an Arizona corporation to the State of Arizona, acting by and through its Department of Transportation, dated July 29, 1985, recorded October 7, 1985 in Document No. 1985-477431, described as:
(Parcel 7-3769, Project I-10-3(96))
- 4) Amended Final Order of Condemnation in Civil Case No. CV87-33194, Eminent Domain, of the Arizona Superior Court, Maricopa County, entitled the State of Arizona, ex rel., Charles L. Miller, Director, Department of Transportation, Plaintiff, vs. Samuel W. Medler and Inez A. Medler, husband and wife; et al, Defendants, dated March 14, 1990, recorded April 9, 1990 in Document No. 1990-154801, described as:
(Parcel 7-3768, Project I-10-3(96))

END OF RIGHT OF WAY / VESTING

REQUIREMENTS

1. Record Deed from the State of Arizona, by and through its Department of Transportation to the proposed buyer(s).

NOTE: Repurchase rights do not apply due to the property being acquired more than eight years prior.

END OF REQUIREMENTS

SCHEDULE B

1. None.

END OF SCHEDULE B

Appraiser's Qualifications

Professional Qualifications of J. Douglas Estes, MAI, SR/WA

Professional Certification, Designations and Associations

- Arizona Certified General Real Estate Appraiser Number 30821
- MAI, Appraisal Institute, Certificate Number 11429
- SR/WA, International Right of Way Association, Designation Number 5641

Experience

Firms

- 2014—Present, Real Estate Appraiser and Owner, Landpro Valuation, Mesa, AZ
- 1998—2014, Real Estate Appraiser for Sell & Associates, Tempe, AZ
- 1994—1998, Real Estate Appraiser for Sell, Huish & Associates, Tempe, AZ
- 1993—1994, Appraisal Researcher for R.H. Whitlatch & Associates, Yuma, Arizona
- 1989—1993, Construction Estimator for Estes Insulation, Yuma, Arizona

Property Types/Assignments

- Expert Witness Testimony
- Industrial Buildings
- Retail Buildings
- Gas Stations and Convenience Stores
- Environmentally Contaminated Property
- Rights-of-Way and Easements
- Multi-Family Residential Properties
- Residential Subdivisions
- Medical Office Buildings
- Billboard Leases
- Transportation and Utility Corridors
- Leased Fee Analysis/Valuations
- Mini-Storage Facilities
- Historic Properties
- Professional Office Buildings
- Section 8 Rent Comparability Studies
- Desert Land
- Agricultural Land
- Ranches
- Mobile Home and RV Parks
- Single-Family Residences
- Funeral Homes
- Auto Service Facilities
- Auto Sales Facilities
- Sand and Gravel Land (Mine)
- Feasibility Studies
- RV and Boat Storage Facilities
- Partial Interest Valuations
- Master Planned Communities
- Partial Taking Valuations
- Transit Warehouses
- Commercial Subdivisions

Geographical Areas

- Arizona
- California
- Utah
- New Mexico
- Nevada
- Mexico
- Gila River Indian Community
- Navajo Nation
- Salt River Pima Maricopa Indian Community

Litigation Assignments

- Eminent Domain
- Bankruptcy
- Divorce
- Income, Gift and Estate Taxes
- Foreclosure
- Real Estate Taxes
- Insurance Claims
- Fraud

Education

- Bachelor of Science, Business Management-Finance, Cum Laude, Marriott School of Management, Brigham Young University, 1989

Professional Courses and Seminars

- IRWA Course 103, Ethics and the Right of Way Profession, 2012
- Condemnation Summit IX, Phoenix, 2011
- AI Seminar, Introduction to Valuation for Financial Reporting, Phoenix, 2011
- Condemnation Summit VII, Phoenix, 2010
- State Bar of Arizona Annual Convention, Bankruptcy, Glendale, 2010
- State Bar of Arizona Annual Convention, Negotiating & Restructuring RE, Glendale, 2010
- IRWA Course 502, Business Relocation, Tempe, 2010
- LAI, Real Estate Bankruptcies for the Non-Lawyer RE Professional, Scottsdale, 2010
- International Right of Way Association Facilitator Clinic, Las Vegas, 2010
- AI Seminar, Uniform Appraisal Standards for Federal Land Acquisitions, Phoenix, 2009
- IRWA Course 803, Eminent Domain Law Basics for the RW Professional, Phoenix, 2009
- AI Seminar, Appraising Distressed Commercial RE: Here We Go Again, Mesa, 2009
- IRWA Course 410, Reviewing Appraisals in Eminent Domain, Tempe, 2008
- IRWA Course 401, Appraisal of Partial Acquisitions, Los Angeles, 2007
- IRWA Course 900, Principles of Real Estate Engineering, Tempe, 2007
- IRWA Course 213, Conflict Management, Tempe, 2006
- IRWA Course 205, Bargaining Negotiations, Tempe, 2006
- IRWA Course 800, Principles of Real Estate Law, Tempe, 2006
- IRWA Course 212, Creatively Solving Problems in Groups, Tempe, 2005
- IRWA Course 104, Standards of Practice for the Right of Way Professional, 2005
- IRWA Course 200, Principles of Real Estate Negotiation, Phoenix, 2004
- IRWA Course 403, Easement Valuation, Phoenix, 2004
- IRWA Course 214, Skills of Expert Testimony, Phoenix, 2004
- AI Seminar, Online Valuation of Detrimental Conditions, Online, 2003
- AI Course 420N, Business Practices and Ethics, Tempe, 2003
- IRWA Course 802, Legal Aspects of Easements, Phoenix 2003
- AI Course 410, Standards of Professional Practice, Part A, Tempe 2003
- AI Course 705, Litigation Appraising: Specialized Topics and Applications, Tempe 2002
- AI Course 817, Appraiser as Expert Witness: Preparation and Testimony, Tempe 2002
- AI Course 720, Condemnation Appraising: Advanced Principles, Tempe 2000
- AI Course 710, Condemnation Appraising: Basic Principles, Tempe 2000
- Comprehensive Appraisal Workshop, Dallas, Texas, 1996
- AI Course 550, Advanced Applications, San Diego, California, 1996

- AI Course 540, Report Writing & Valuation Analysis, San Diego, California, 1995
- AI Course 530, Sales Comparison & Cost Approaches, Boulder, Colorado, 1995
- AI Course 420, Code of Professional Ethics, Las Vegas, Nevada, 1995
- AI Course 410, USPAP, Las Vegas, Nevada, 1995
- AI Course 520, Highest and Best Use and Market Analysis, Tempe, AZ, 1995
- AI Course 510—Advanced Income Capitalization, San Jose, California, 1994
- AI Course 1,350—Basic Income Capitalization, San Diego, California, 1993
- AI Course 110—Appraisal Principles, Salt Lake City, Utah, 1993

Other Readings/Studies

- Principles of Right of Way (International Right of Way Associations)
- Numerous Eminent Domain Cases
- Real Estate Valuation in Litigation, 2nd Edition (Chicago: Appraisal Institute, 1995)
- The Appraisal of Real Estate (Chicago: Appraisal Institute)

Other Professional & Civic Activities

- IRWA Course Facilitator
- IRWA Kachina Chapter 28 Professional of the Year, 2008
- IRWA Kachina Chapter Executive Board, 2006-2009 (2008 President)
- IRWA Kachina Chapter-Seminar Committee, 2004-2008
- IRWA Kachina Chapter-Marketing and Public Awareness Chairman, 2004-2009
- Arizona Management Group
- Boy Scouts of America
- Instructor for Lorman Education Services
- Spanish Speaking

Department of Financial Institutions

State of Arizona

CGA - 30821

This document is evidence that:
Arizona Revised Statutes, relating to the establishment and operation of a:

J. DOUGLAS ESTES

has complied with the provisions of

Certified General Real Estate Appraiser

and that the Superintendent of Financial Institutions of the State of Arizona has granted this license to transact the business of a:

Certified General Real Estate Appraiser

J. DOUGLAS ESTES

This license is subject to the laws of Arizona and will remain in full force and effect until surrendered, revoked or suspended as provided by law.

Expiration Date : **October 31, 2019**

Signed in the Superintendent's office at 2910 North 44th Street, Suite 310,
in the City of Phoenix, State of Arizona, this 24th day of October, 2017.



Robert D. Charlton
Superintendent