

FIRST APPRAISAL SERVICES

An Appraisal Report for the Valuation of
a Vacant Tract of Land

Owned by
State of Arizona

Location of Property to be Appraised:

Northwest of McQueen Road and State Route 202
Chandler, Arizona 85286

Report Dated:

May 3, 2019

Effective Date:

January 31, 2019

Prepared for:

Arizona Department of Transportation
Right of Way Operations Section
205 S. Seventeenth Avenue
Room 331, Mail Drop #612E
Phoenix, Arizona 85007

Prepared by:

Timothy A. Haskins, ASA
*Arizona Certified General
Real Estate Appraiser #30668*

First Appraisal Services, PLC
3420 E. Shea Boulevard, Suite 200
Phoenix, Arizona 85028

602.264-0011
info@azfas.com

**Reference:**

FAS 1.19-2763.00

Project: M697201X
Highway: SR202 San Tan Freeway
Section: Arizona Ave. – Gilbert Rd.
Parcel: L-M-415



FIRST APPRAISAL SERVICES

3420 E. Shea Boulevard, Suite 200 | Phoenix | Arizona | 85028
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May 3, 2019

Mr. Timothy O'Connell
Review Appraiser
Arizona Department of Transportation
Right of Way Operations Section
205 S. Seventeenth Avenue
Room 331, Mail Drop #612E
Phoenix, Arizona 85007

RE: Project: M697201X
Highway: 202L San Tan Freeway
Section: Arizona Ave. – Gilbert Rd.
Parcel: L-M-415

Dear Mr. O'Connell:

In accordance with your request and authorization, I have prepared an appraisal of the property referenced above. I am pleased to present the narrative Appraisal Report transmitted by this letter, containing pertinent data related to the valuation of the property appraised.

The subject property is comprised of a 2.578-acre tract of land located in Chandler, Arizona. A physical inspection of the property was made on January 31, 2019, without representatives of the property owner present.

The purpose of this appraisal is to provide an opinion of the market value of the property identified herein. The intended use of this appraisal is to assist in decisions regarding the possible sale or disposal of the property being appraised. The effective date for this appraisal assignment is January 31, 2019.

This appraisal report has been written in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation, the Code of Ethics of the American Society of Appraisers, the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, the Federal Highway Administration (FHWA) Uniform Act, 49 CFR Part 24, and the guidelines and standards of the Arizona Department of Transportation.



Mr. Timothy O'Connell
Arizona Department of Transportation
May 3, 2019

The opinion of market value as defined and expressed herein is subject to the Underlying Assumptions and Limiting Conditions set forth in this report, as well as the appraiser's certification. There have been no extraordinary assumptions or hypothetical conditions made for this appraisal assignment.

As a result of my investigation and study, I am of the opinion that the market value of the leased fee interest of the appraised property, as of January 31, 2019, is:

FOUR HUNDRED SEVENTY-SEVEN THOUSAND TWO HUNDRED DOLLARS

\$477,200.00

Thank you for the opportunity to be of service to you. If you have any questions or if we may be of any further assistance in this matter, please do not hesitate to call or write this office.

Respectfully submitted,

FIRST APPRAISAL SERVICES

Timothy A. Haskins, ASA

Arizona Certified General Real Estate Appraiser No. 30668

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Summary of Salient Facts and Conclusions

Client	Arizona Department of Transportation		
Client Reference	Project:	M697201X	
	Highway:	202L San Tan Freeway	
	Section:	Arizona Ave. – Gilbert Rd.	
	Parcel:	L-M-415	
Date of Report	May 3, 2019	Limiting Conditions	See Addendum A
Report Format	Appraisal Report	Certification	See Page 50
Intended Use	Assist in the possible sale or disposal of the subject property		
Intended User(s)	Arizona Department of Transportation and Federal Highway Administration		

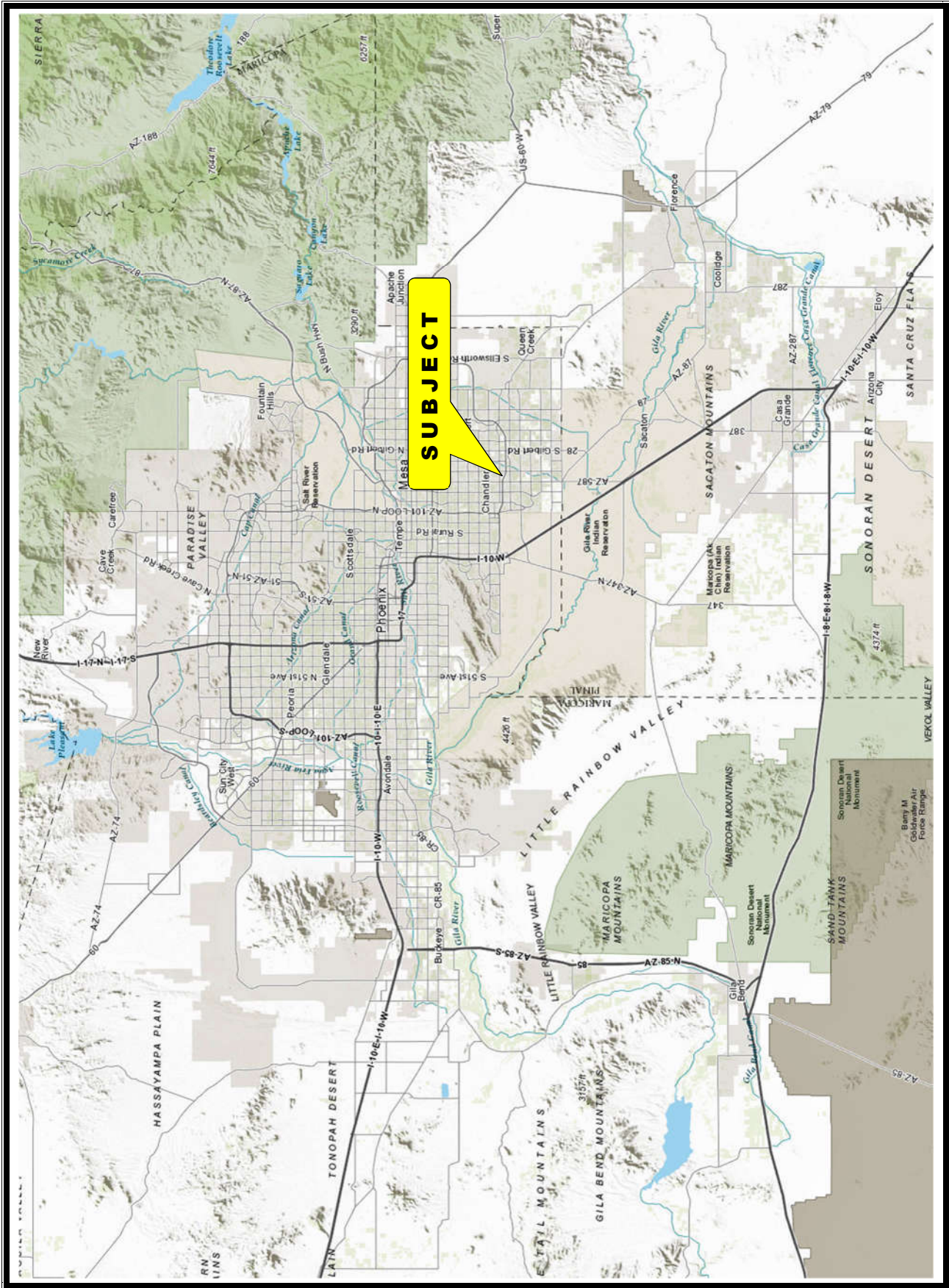
Property Information

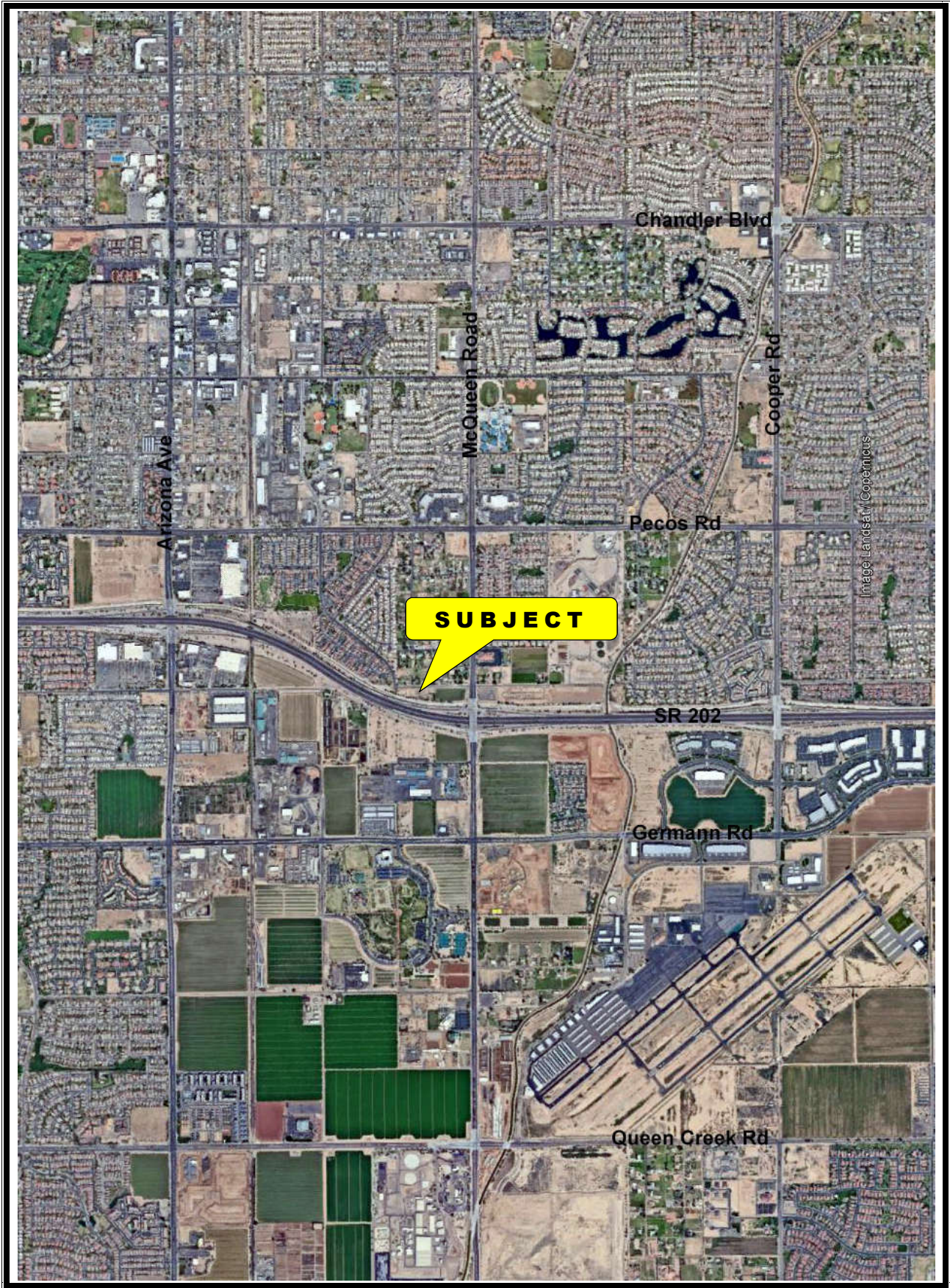
Ostensible Owner	State of Arizona		
Location of Property	Northwest of McQueen Road and State Route 202		
Street Address	None Given		County Maricopa
	Chandler, Arizona 85286		
	Section/Township-Range	3/2S-5E	Map Reference 184-178MG
Assessor Parcel Number(s)	Portions of: 303-28-007D; 303-28-007E; 303-28-007S; 303-28-007Y; 303-28-032H		
Site Area	112,293 square feet	Zoning District(s)	RU-43
	2.578 acres		Maricopa County
		Flood Zone	Zone X
Present Use	Vacant Land		

Valuation Information

Highest and Best Use		
As If Vacant:	Land Investment	
Effective Date	January 31, 2019	
Extraordinary Assumptions	None	
Hypothetical Conditions	None	
Indications of Value	Sales Comparison Approach	\$477,200.00
	Income Approach	Not Applicable
	Cost Approach	Not Applicable
Fee Simple Interest	Conclusion of Value	\$477,200.00









INTRODUCTION

Purpose and Scope of the Appraisal

Purpose

The purpose of this appraisal is to provide an opinion of the market value of the property identified on page 8, hereinafter referred to as the “subject property”. The intention of this appraisal service was that it was to be performed in such a manner that the results of the analysis, opinion, or conclusion would be that of a disinterested third party.

Intended Use and User

The intended use of this appraisal is to assist in decisions regarding in the possible sale or disposal of the property being appraised. The Arizona Department of Transportation and the Federal Highway Administration are the intended users of this appraisal.

Definition of Value

The decision of what value is being estimated is determined, at least in part, by the function of the appraisal and affects the scope of the appraisal. Different types of value that may be considered include market value, value in use, going-concern value, investment value, assessed value and insurable value. In light of the purpose of this appraisal, market value will be estimated in this appraisal and is defined as follows:

For the purposes of this article, “market value” means the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements which 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.

Arizona Revised Statute 28-7091 [Title 28 Chapter 20 Article 6]

Exposure Time

The definition of exposure time used in this report is in accordance with the Appraisal Standards Board of the Appraisal Foundation. Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market, and is defined by the Appraisal Board as the,

estimated length of time that 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.¹

Based upon an analysis of the general market area and sales of similar property types in the area, normal exposure time for properties similar to the subject appears to be within a twelve month time period.

¹ Uniform Standards of Professional Appraisal Practice, 2018-2019 Edition, The Appraisal Foundation

Date of Valuation

The significant dates utilized in this report are summarized in the table to the right. The effective date of this appraisal, which is the date of valuation, is the most recent date of physical inspection by the appraiser.

Effective Date:	<u>January 31, 2019</u>
Date of Inspection:	<u>January 31, 2019</u>
Date of Report:	<u>May 3, 2019</u>

Property Rights Appraised

In the appraisal of real property, there are many concepts that must be understood and applied. One of these concepts relates to the rights inherent in the ownership of real property.

Real property appraisal involves not only the identification and valuation of a variety of different rights, but also the analysis of the many limitations on those rights, and the effect that the limitations have on value.²

The fee simple title is regarded as an estimate without limitations or restrictions. Partial interests are created by selling, leasing, or otherwise limiting the “bundle of rights” in the fee simple estate, resulting in something less than the complete fee simple estate. An appraisal assignment may require the appraisal of fee simple title or a partial interest such as a leasehold estate or an easement. The three most common types of property rights involved in the appraisal process are defined below.³

Fee simple estate 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.

Leased fee estate the ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold estate the right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

The appraisal of the fee simple interest in the subject property is being presented in this report. Since there are no leases affecting the ownership of the subject property, there is no leased fee or leasehold estate to be considered.

² The Appraisal of Real Estate, 14th ed. (Chicago: Appraisal Institute, 2013) p70

³ The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015) p90 and p128

Scope of Work

The appraisal process is an orderly set of procedures that is undertaken to solve a problem concerning the value of real estate. These procedures help direct an appraiser to identify the particular appraisal problem and lead to reporting its solution to the client. The initial step in this process is the definition of the appraisal problem. This is accomplished through the identification of the real estate, the date of value to be utilized, the property rights to be appraised, and the type of value sought to be estimated.

After the appraisal problem is identified, general data on the market and the subject property is collected. This data includes information about the state, county, city, neighborhood, and the subject site and improvements. This information is then examined to conclude a highest and best use of the property being appraised. It is also during this stage in the process that any potentially applicable comparable cost, rental and sales market data is collected for analysis in the valuation of the subject property.

Area Analysis

Research during the preparation of this appraisal included a regional analysis as well as analysis of the more immediate area surrounding the subject property. Primary sources of information are cited within the body of this report and include the United States Census Bureau, the United States Department of Labor and Center for Business Research, the Arizona Department of Commerce, the Arizona Department of Economic Security, the Arizona State University Center for Real Estate Theory and Practice, the Eller College of Management Economic and Business Research Center at the University of Arizona, and various local and regional business publications.

Neighborhood data was gathered from the City of Chandler, as well as from a physical inspection of the area. Specific data pertaining to the metropolitan Phoenix land market was provided by the Arizona State University, CB Richard Ellis, Newmark Grubb Knight Frank, Cassidy Turley Real Estate Services, and real estate agents and brokers active in the market.

Property Description

Primary sources of information regarding the description of the subject property include a physical inspection of the property by the appraiser at approximately 10:30 am on January 31, 2019, and several other dates. The inspection of the site consisted of an observation of the property from the abutting roadway and on site.

Zoning information and information relating to the availability of utility infrastructure was provided by the City of Chandler. Other sources of information utilized in this appraisal include the Office of the Maricopa County Recorder, Maricopa County Treasurer and Maricopa County Assessor, and the Federal Emergency Management Agency.

Market Data Information

The market data used in this appraisal was collected, in part, from real estate agents and brokers who are knowledgeable of the subject marketplace, local and regional publications, and CoStar Group. The appraiser researched comparable market transactions occurring within the subject market area and found sufficient data to estimate a reliable value of the subject property under appraisal. The market search for similar properties was specifically concentrated in the southeast metropolitan Phoenix area. The analysis of the market incorporated both historic and current data.

After all the data is gathered, an analysis of the market and subject property is undertaken. This is done to gain an understanding of the market and subject property so that informed conclusions as to the value of the subject property can be formulated. One of the primary objectives of this analytical process is to assist the appraiser in determining the highest and best use of the subject property, as if vacant and as improved, if applicable. The data and analysis are then applied to the three traditional approaches to value: the cost approach, the sales comparison (or market) approach, and the income capitalization approach, if applicable.

The final step in the appraisal process is the reconciliation or correlation of the conclusions derived from the approaches to value utilized. In the reconciliation, the appraiser considers the relative applicability of each of the approaches and then examines the range provided by the indications of value from each applicable approach to value. The appraiser must consider the strength and weaknesses of each approach and the reliability of each indicator as it relates to the subject property. The reconciled value may be stated as a single figure, a range, or a combination of both.

Under Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice, an appraiser may communicate the results of an appraisal in either an “Appraisal Report” or a “Restricted Appraisal Report”. The primary difference between the report formats is who may rely on the appraisal. The Appraisal Report format was chosen for this appraisal assignment. The depth of discussion presented in this report is based upon the scope of the appraisal assignment and the stated intended use and users.

The scope of this report includes the accumulation and analysis of pertinent and sufficient market data in order to employ a meaningful and appropriate valuation methodology in the appraisal of the fee simple interest in the property that is the subject of this report. This appraisal report is written in accordance with the guidelines and standards of the Uniform Standards of Professional Appraisal Practice, the Code of Ethics of the American Society of Appraisers, the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, the Federal Highway Administration (FHWA) Uniform Act, 49 CFR Part 24, and the Arizona Department of Transportation.

Limiting Conditions

The underlying assumptions and limiting conditions pertaining to this report are contained in the Certificate of Appraiser on page 50 and Addendum A to this report. These assumptions and limiting conditions are an integral part of the report and are only placed at the end to facilitate reading of the report, not to minimize their importance.

Extraordinary Assumptions and Hypothetical Conditions

The Appraisal Foundation defines an extraordinary assumption as, “an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions.”⁴ There have been no extraordinary assumptions made in the appraisal of the property for this assignment.

A hypothetical condition is, “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis”, as defined by The Appraisal Foundation⁵. The opinions and conclusions as stated within this report are not based upon any hypothetical conditions.

⁴ Uniform Standards of Professional Appraisal Practice, 2018-2019 Edition, The Appraisal Foundation

⁵ Uniform Standards of Professional Appraisal Practice, 2018-2019 Edition, The Appraisal Foundation



FACTUAL DATA

Identification of the Real Estate

The first step in the appraisal process is the definition of the appraisal problem, which includes the identification of the real estate to be appraised. There are several ways to identify a property, including by reference (if the property is named), by address and by the identity of a physical entity in a legal description.

The purpose of this section of the report is to identify the property only. A physical description of the property to be appraised can be found later in this report beginning on page 26 of this report. The property that is the subject of this report may be commonly identified as follows:

Location.....	Northwest of McQueen Road and State Route 202
Street Address	None Given
City, State, ZIP	Chandler, Arizona 85286
Assessor Parcel Number(s)	Portions of: 303-28-007D; 303-28-007E; 303-28-007S; 303-28-007Y; 303-28-032H

Legal Description⁶

A portion of the North half of the North half of the Southeast quarter of Section 3, Township 2 South, Range 5 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona.

Figure 1 – Property Identification



⁶ A copy of the complete legal description is found in the addenda to this report.

Ownership and Occupancy

Ostensible Owner

According to public records, the State of Arizona, by and through its Department of Transportation, holds title to the subject property as of the date of valuation.

Five Year Sales History

Investigation of the public records fails to reveal any arms-length transactions involving the subject property within five years of the date of valuation. The current vesting of the subject property is established by several Warranty Deeds and Final Order of Condemnation which date back to 2000. The appraiser has not discovered any evidence indicating that the subject property is currently offered for sale.

Occupancy

When analyzing the bundle of rights inherent to the subject property, tenancies of the property must be examined. Tenancy is created when real estate ownership is divided into property interests. This can result from co-ownership of real estate, or when the right to use and occupy a property is conveyed through a lease. The occupancy of the property to be appraised as of the effective date of this appraisal is as follows:

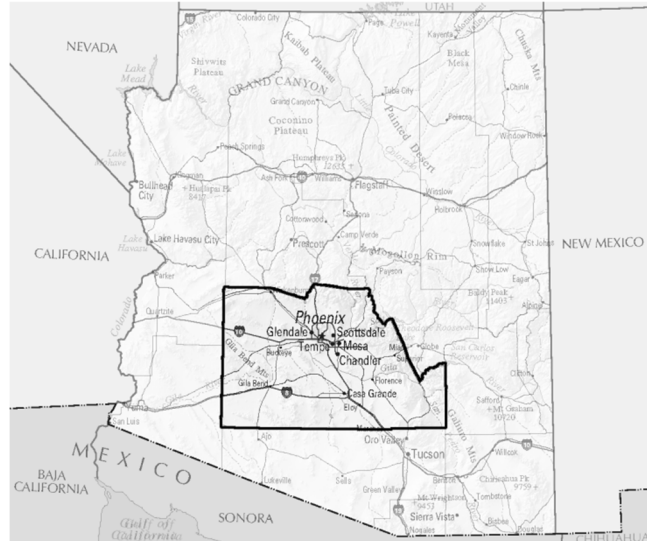
- | | |
|--|---|
| <input type="checkbox"/> Owner-occupied | <input checked="" type="checkbox"/> Vacant Land |
| <input type="checkbox"/> Tenant-occupied | <input type="checkbox"/> Unoccupied |

Regional Analysis

Location and Climate

The sunbelt state of Arizona is among the fastest growing in the nation with the majority of new residents moving into the metropolitan Phoenix area. Known informally as the “Valley of the Sun”, this area covers only eight percent of the state’s 113,909 square miles but encompasses most of the urban core of Maricopa County where 60 percent of Arizona’s population lives. This large population base exerts considerable economic and political influence over the balance of the state and contributes to making metropolitan Phoenix the largest trade center in the southwestern United States.

Figure 2 – State Map



Geographically, the Phoenix metropolitan area is in Maricopa County located near the center of the state at an elevation of approximately 1,100 feet above sea level. Maricopa County has low mountain ranges, desert valleys and man-made lakes, with 1,300 miles of canals crisscrossing the county’s agricultural districts. Maricopa County contains a total land area of 9,222 square miles and a total water area of 98.4 square miles. The federal government owns or controls 59% (including Indian controlled lands), the State of Arizona and local governments own or control 11%, with the remaining 30% in private ownership. Phoenix is the Arizona state capitol and Maricopa County seat of government.

Climate is one of the most attractive features of the State and the metropolitan Phoenix area, with a year-long average of nearly 86 percent sunshine. The average annual daily high temperature is 87 degrees, and the average annual low is 61 degrees Fahrenheit. Much of southern Arizona, including the Phoenix area, is considered to be arid with an annual precipitation of 8.29

Figure 3 – Phoenix Climate

Month	Avg. High	Avg. Low	Mean	Avg. Precip	Record High	Record Low
Jan	67°F	45°F	54°F	0.83 in.	88°F (1971)	16°F (1913)
Feb	71°F	48°F	60°F	0.77 in.	92°F (1986)	24°F (1933)
Mar	76°F	51°F	65°F	1.07 in.	100°F (1988)	25°F (1966)
Apr	85°F	58°F	71°F	0.25 in.	105°F (1992)	35°F (1922)
May	94°F	67°F	81°F	0.16 in.	114°F (1910)	39°F (1899)
Jun	104°F	75°F	90°F	0.09 in.	122°F (1990)	49°F (1908)
Jul	104°F	81°F	95°F	0.99 in.	121°F (1995)	63°F (1912)
Aug	105°F	80°F	95°F	0.94 in.	116°F (2003)	58°F (1917)
Sep	99°F	75°F	87°F	0.75 in.	116°F (1950)	47°F (1965)
Oct	88°F	63°F	75°F	0.79 in.	107°F (1980)	34°F (1971)
Nov	75°F	50°F	63°F	0.73 in.	96°F (1924)	27°F (1931)
Dec	70°F	44°F	56°F	0.92 in.	87°F (1950)	22°F (1911)
Annual	87°F	61°F	74°F	8.29 in.		

www.weather.com

inches. The coldest months are December, January and February, while the hottest months are June, July, August and September. Although generally moderate, the summer months can become quite hot with temperatures often exceeding 110 degrees Fahrenheit.

Source of Water

In desert environments, a continuing and adequate supply of water is necessary to ensure ongoing growth. The Salt River Valley is supplied with water from rain and melting snow in Arizona's mountains. The Salt River Project has constructed dams along rivers to the north and east of the Valley to collect and store this runoff water. These dams have historically provided sufficient water for agriculture and residential use. In addition, development of effective reclaimed wastewater projects has increased the Valley's overall water supply. Another important source of water for the Salt River Valley is the Central Arizona Project (CAP), which was formed to direct Colorado River water into central Arizona. The CAP provides a vital source of water to supplement the valley's current supply.

Population

Based upon the 2000 decennial census performed by the U.S. Bureau of Census, Arizona has a population 5,130,632 persons. The population of Arizona increased by 40.0% over the 3,665,339 estimate made in the 1990 census. Only the population of Nevada grew at a faster rate than Arizona during this decade.

Arizona currently ranks as the 14th largest state. The 2017 Census population estimate for the State of Arizona by the U.S. Census Bureau is 7,016,270.

Figure 4 – Historical Decennial Population Estimates⁷

	Arizona	Phoenix MSA
Census Estimates		
2010	6,392,017	4,200,427
2000	5,130,632	3,251,876
1990	3,665,339	2,238,498
1980	2,716,546	1,600,093
1970	1,775,399	1,039,807
1960	1,302,161	726,183

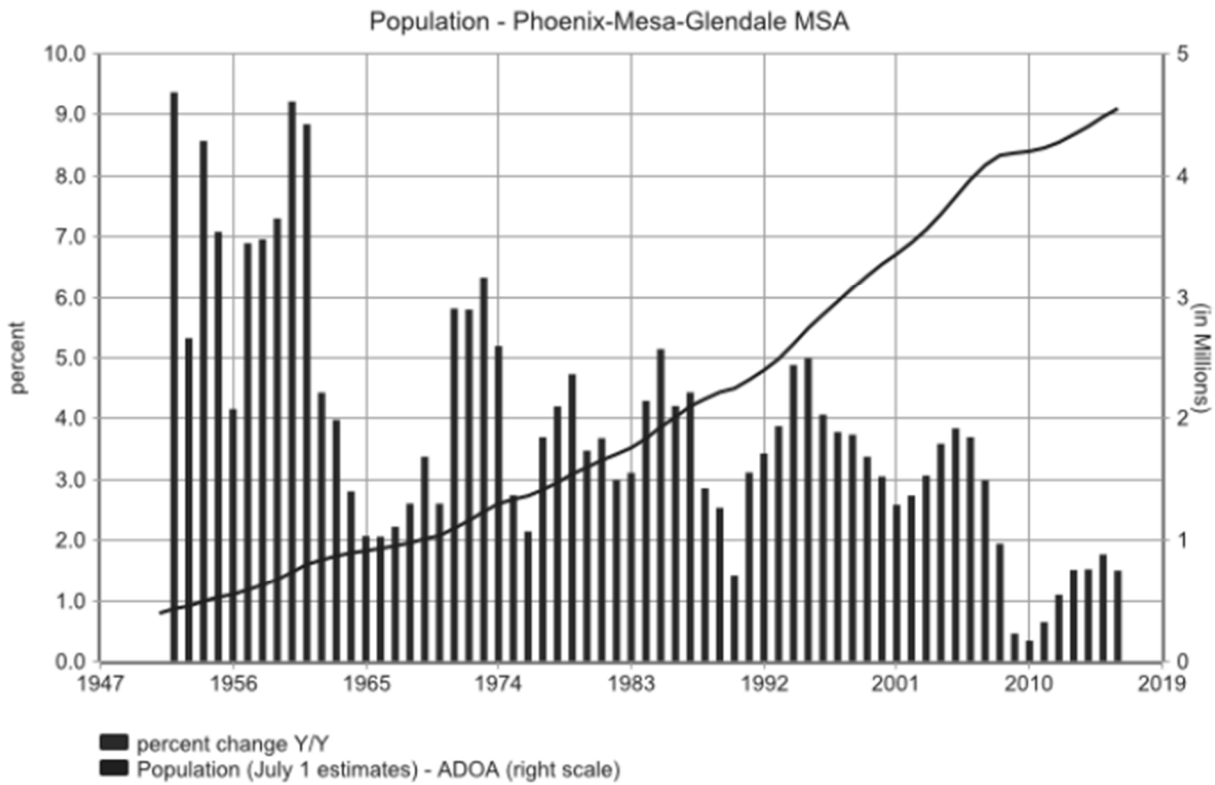
The U.S. Bureau of Census defines the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (MSA) as both Maricopa and Pinal counties in central Arizona. Approximately 91% of the MSA's population, however, is located in Maricopa County. Based upon U.S. Census Bureau data, Maricopa County is the most populous of Arizona's counties with a 2010 estimate of 3,817,117 persons and has grown by approximately 24.6% since 2000. Pinal County, which together with Maricopa County comprises the Phoenix-Mesa-Scottsdale MSA, recorded the greatest growth rate between 2000 and 2010 at 109.1%. The 2017 population estimate for Maricopa and Pinal Counties is 4,649,287.

The greater metropolitan Phoenix area is comprised of the cities of Phoenix, Mesa, Chandler, Glendale, Scottsdale, Gilbert, Tempe, Peoria, Surprise and numerous smaller communities. While Phoenix is the state's largest municipality with a 2017 estimated population of 1,579,253 these other eight communities boast populations in excess of 100,000 each. The City of Phoenix has also become the sixth largest city in the United States. The surrounding municipalities of Apache Junction, Avondale, Buckeye, El Mirage, Fountain Hills, Goodyear, Paradise Valley, and Queen Creek, each have a population of more than 10,000 persons. The cities of Casa Grande, Coolidge, Eloy, Florence and Maricopa, all within Pinal County, also have a population in excess of 10,000 persons.⁸


⁷ Source: U.S. Census Bureau, American FactFinder

⁸ Source: Arizona Department of Administration, Office of Employment and Population Statistics (<https://population.az.gov/population-estimates>)

Figure 5 – Phoenix-Mesa-Glendale MSA Population Trend



Published by  [Economic and Business Research Center](#) at [dataZoa.com](#)

Population (July 1st estimates) Phoenix-Mesa-Glendale MSA, Arizona, U.S.	2013	2014	2015	2016	2017	2018
Phoenix-Mesa-Glendale MSA 1/	4,338,672	4,404,888	4,482,906	4,550,388	4,649,287	4,735,051
% Chg from Year Ago	1.52%	1.53%	1.77%	1.51%	2.17%	1.84%
Arizona 1/	6,581,054	6,667,241	6,758,251	6,835,518	6,965,897	7,076,199
% Chg from Year Ago	1.27%	1.31%	1.37%	1.14%	1.91%	1.58%
United States 2/	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178	
% Chg from Year Ago	0.71%	0.76%	0.76%	0.74%	0.72%	
1/ July 1 estimates, Office of Employment and Population Statistics, Arizona Department of Administration						
2/ Census						
Published by  Economic and Business Research Center						

Economic Trends

The historical principal industries in Arizona have been agriculture, mining, trade and services. Through the years, there has been a shift in the State's industrial structure, with significant declines in mining and agriculture in relation to other sectors. Agriculture and mining remain significant forces in the local economy of some parts of rural Arizona. Maricopa County is the largest producer of crops and livestock in the State, although their shares of employment and gross product are comparatively small. Biomedical research, and solar power generation and its related industries, are relatively new to the area and could potentially have a more significant impact on the metropolitan Phoenix area.

The state gross domestic product (GDP) is the sum of gross state product originating from all industries in Arizona. This is a measurement of the State's output, which was estimated to be \$161,792 million in 2000. The Arizona GDP, the counterpart to the national gross domestic product, had been increasing prior to 2007. By 2008, the Arizona GDP had increased to \$261,128 million, but decreased to \$245,216 million in 2009. The Arizona GDP has been increasing since 2009 to its current level of \$332,016 million in the second quarter of 2018, providing an indication of an economic recovery.⁹ According to the Bureau of Economic Analysis website,

Real gross domestic product (GDP) increased in all 50 states and the District of Columbia in the second quarter of 2018, according to statistics released today by the U.S. Bureau of Economic Analysis. The percent change in real GDP in the second quarter ranged from 6.0 percent in Texas to 2.5 percent in Delaware

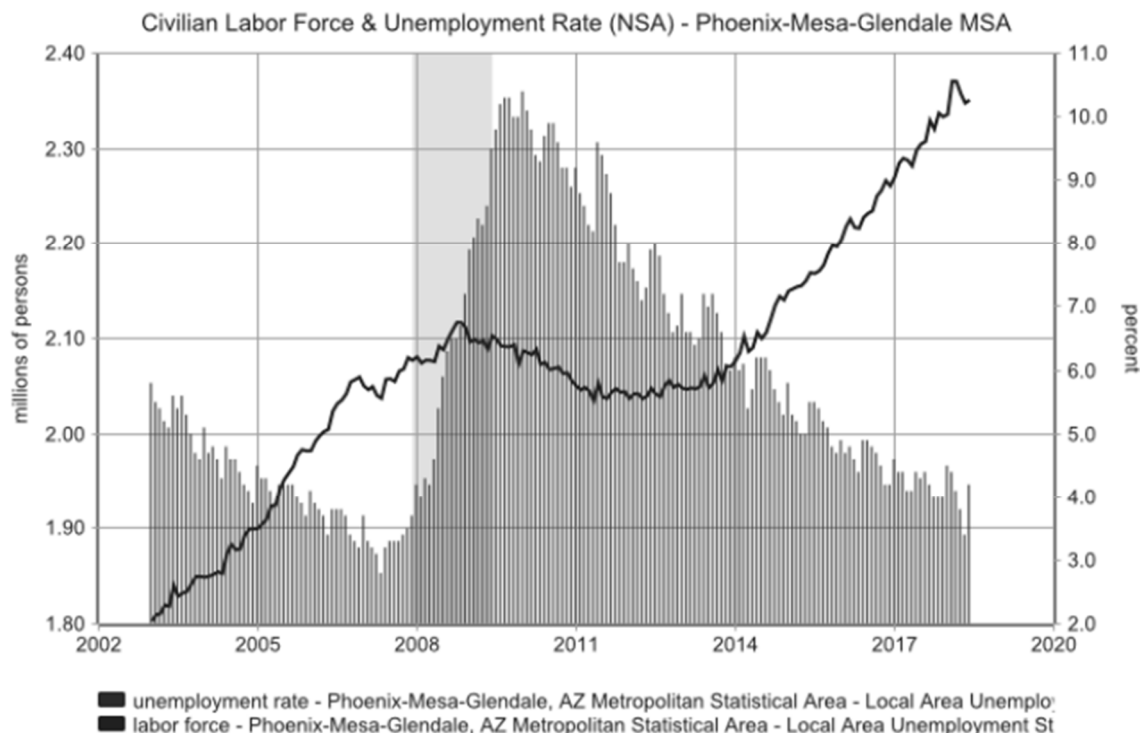
Information services; real estate and rental and leasing; professional, scientific, and technical services; and durable goods manufacturing were the leading contributors to the increase in real GDP nationally. Texas, the fastest growing state, was led by growth in mining and durable goods manufacturing.

- Nationally, information services; real estate and rental and leasing; and professional, scientific, and technical services increased 13.4 percent, 5.3 percent, and 9.3 percent, respectively (GDP by Industry table 1). All three industries contributed to growth in every state and the District of Columbia.
- Durable goods manufacturing increased 7.3 percent. This industry was the leading contributor to growth in Michigan and Missouri—the second and third fastest growing states.
- Mining increased 11.7 percent. In addition to Texas, this industry was the leading contributor to the increases in Alaska, North Dakota, and Oklahoma.
- Agriculture, forestry, fishing, and hunting increased 8.5 percent rebounding from a decline in the first quarter. This industry was the leading contributor to the increases in South Dakota, Montana, and Minnesota.

⁹ United States Department of Commerce, Bureau of Economic Analysis;
<https://www.bea.gov/news/2018/gross-domestic-product-state-2nd-quarter-2018>
https://www.bea.gov/system/files/2018-08/qgdpstate0718_0.xlsx

Labor Force and Employment

Figure 6 – Phoenix-Mesa-Glendale MSA Labor Force and Unemployment Rate



Labor Force - Phoenix-Mesa-Glendale MSA (not seasonally adjusted)	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018
<i>Local Area Unemployment Statistics, Bureau of Labor Statistics</i>						
Civilian Labor Force	2,354,881	2,347,659	2,399,581	2,411,848	2,440,954	2,437,324
% Chg from Year Ago	2.17% ↑	1.75% ↑	3.01% ↑	3.94% ↑	4.44% ↑	4.45% ↑
Employment	2,254,286	2,241,581	2,298,326	2,318,546	2,346,344	2,328,539
% Chg from Year Ago	2.25% ↑	1.61% ↑	2.96% ↑	4.10% ↑	4.54% ↑	3.95% ↑
Unemployment	100,595	106,078	101,255	93,302	94,610	108,785
% Chg from Year Ago	0.57% ↑	4.79% ↑	4.00% ↑	0.03% ↑	2.00% ↑	16.42% ↑
Unemployment Rate	4.3	4.5	4.2	3.9	3.9	4.5
Chg from Year Ago	0.0	0.1	0.0	-0.1	-0.1	0.5
Published by Economic and Business Research Center.						

The preliminary average monthly statewide total civilian labor force in December 2018 was estimated to be 3,446,500 persons with an average unemployment rate of 4.8%¹⁰. The average monthly total civilian labor force was 2,437,324 for the Phoenix-Mesa-Scottsdale MSA, while the average unemployment rate was 4.5%. Although the unemployment rate for the greater Phoenix area has increased from the twenty-year record low of 2.7% in the late 1990's, it has historically been below that of both the state and national averages. The unemployment rates for both the State and Phoenix-Mesa-Scottsdale Metropolitan Area have been generally increasing between mid-2007 and late 2010, there has been some downward movement since mid-2010.

¹⁰ University of Arizona, Economic and Business Research Center;
<https://ebr.eller.arizona.edu/current-indicators/arizona-us>;
<https://ebr.eller.arizona.edu/current-indicators/phoenix-mesa-scottsdale-msa>

Income and Wages

The Bureau of Economic Analysis estimates the 2017 per capita personal income to be \$44,096 for the Phoenix-Mesa-Scottsdale metropolitan statistical area, up from \$42,474 in 2016.¹¹

Figure 7 – Phoenix-Mesa-Glendale MSA Personal Income

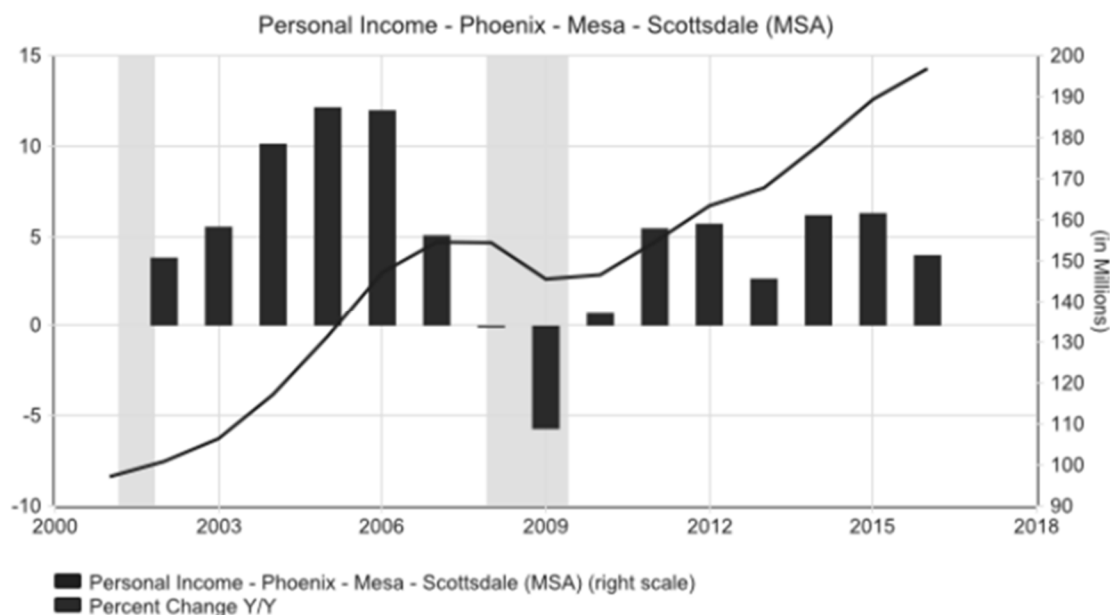


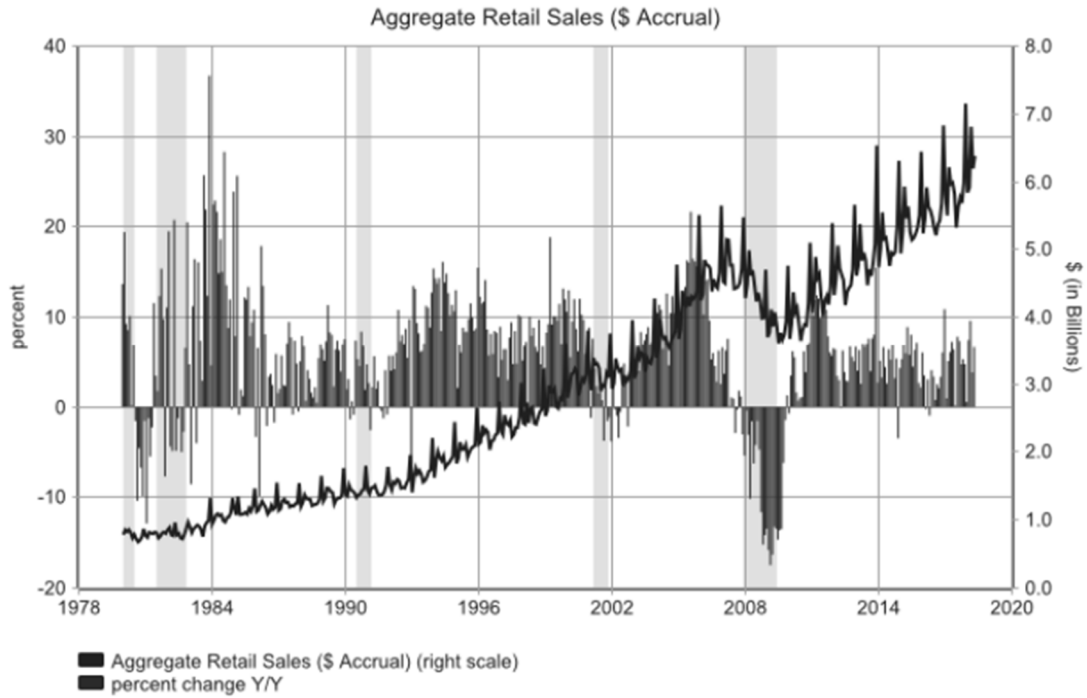
Figure 8 – Arizona Wages and Salaries

Wages and Salaries - Arizona and U.S.	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2
<i>Average Wage per Worker, EBRC 1/</i>						
Arizona	52,743.12	52,579.3	53,584.38	53,238.51	54,049.48	54,605.96
% Chg from Year Ago	3.75%	2.54%	3.69%	2.69%	2.48%	3.85%
United States	57,275.35	57,530.98	58,090.86	58,435.28	59,051.8	59,438.22
% Chg from Year Ago	2.60%	2.92%	3.26%	3.08%	3.10%	3.32%
<i>Total Wages and Salaries by Place of Work (\$000s, seasonally adjusted), Bureau of Economic Analysis</i>						
Arizona	144,973,376	145,487,340	149,321,184	149,783,936	153,347,837	155,275,760
% Chg from Year Ago	6.35%	5.15%	6.14%	5.78%	5.78%	6.73%
United States	8,318,844,000	8,389,800,000	8,500,900,000	8,582,272,000	8,704,649,000	8,799,710,000
% Chg from Year Ago	4.31%	4.63%	4.94%	4.62%	4.64%	4.89%
1/ Total wages and salaries by place of work (BEA) divided by total nonfarm employment (BLS).						
Published by Economic and Business Research Center.						

¹¹ United States Department of Commerce, Bureau of Economic Analysis;
https://www.bea.gov/system/files/2018-11/lapi1118msa_0.xlsx

Retail Sales

Figure 9 – Aggregate Retail Sales



Sales - Phoenix-Mesa-Glendale MSA	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018
<i>\$ millions (accrual), ADOR and EBRC 1/</i>					
Aggregate Retail 2/	5,958.81	6,100.36	6,110.01	6,204.93	
% Chg from Year Ago	11.97%	8.57%	6.07%	9.16%	
Retail (less food and gasoline)	3,940.46	4,055.17	4,034.36	4,055.80	4,491.75
Food 3/	774.73	777.74	780.80	783.90	787.06
Restaurants and Bars	776.75	784.60	849.11	895.49	903.13
Gasoline 4/	466.87	482.85	445.75	469.74	460.40
Gallons (000s), ADOT	154.03	166.61	155.69	160.65	158.00
Amusements	71.19	67.71	72.01	75.01	101.40
Hotel/Motel	106.50	102.39	138.45	198.42	179.86

1/ All data, with the exception of those footnoted below, are from Arizona Department of Revenue's "Transaction Privilege Tax Calculated Taxable Sales by County and Class."

2/ Aggregate retail sales is calculated by EBRC by summing retail sales less food (ADOR), restaurant and bar sales (ADOR), gasoline sales (EBRC), and food sales (EBRC).

3/ Food is not taxable in Arizona, EBRC uses forecasting models to estimate food sales in Arizona and the Phoenix and Tucson MSAs.

4/ EBRC calculates \$ value of gasoline sales using gallons sold (ADOT) multiplied by the AAA mid-month \$/gal price for regular gasoline in Phoenix.

Published by  Economic and Business Research Center.

Forecast Data

Figure 10 – Phoenix-Mesa-Glendale MSA Forecast

Phoenix-Mesa-Glendale MSA Forecast	2017	2018	2019	2020	2021	2022
Personal Income (\$ mil)	208,273.6	221,581.5	236,274.7	251,759.3	266,904.9	282,315.5
% Chg from Year Ago	5.83%	6.39%	6.63%	6.55%	6.02%	5.77%
Retail Sales (\$ mil)	71,068.7	75,909.6	80,079.5	84,092.8	88,022.0	92,081.6
% Chg from Prior	5.5%	6.8%	5.5%	5.0%	4.7%	4.6%
Total Nonfarm Employment (000s)	2,034.1	2,102.6	2,168.7	2,229.4	2,278.8	2,322.2
% Chg from Year Ago	2.8%	3.4%	3.1%	2.8%	2.2%	1.9%
Population (000s), July 1st estimates	4,649.3	4,733.0	4,817.1	4,903.7	4,990.7	5,077.8
% Chg from Year Ago	2.2%	1.8%	1.8%	1.8%	1.8%	1.7%
Residential Building Permits (units)	29,312.0	32,806.1	33,719.2	34,310.9	34,447.0	34,494.6
% Chg from Prior	2.6%	11.9%	2.8%	1.8%	0.4%	0.1%
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Published by <u>Economic and Business Research Center</u> .						

George W. Hammond, Ph.D., EBR Director with the Eller College of Management at The University of Arizona, reports¹²

With accelerating gains, the Arizona economy is set to carry significant momentum into the new year. State job growth hit 3.0% over the year in the third quarter, which was well above the national rate of 1.7% and was the fastest pace in two years. Construction activity led growth, with strong increases in jobs, permits, and prices. While most job gains were concentrated in Phoenix, Tucson generated rapid growth as well. Overall, the state is firing on all cylinders.

The baseline forecast calls for the U.S., Arizona, Phoenix, and Tucson economies to accelerate in the near term, driven in part by federal tax cuts and increased federal spending. However, as the stimulus wears off growth is expected to slow. Recession risks are ever present, but are most likely to come to the fore in late 2019.

Rising interest rates contribute to slower gains in residential investment, but are not forecast to generate a decline in housing starts. Indeed, the forecast calls for starts to rise from 1.27 million this year to 1.44 million by 2022.

Most of the job growth is forecast to be in service-providing sectors, especially education and health services; professional and business services; trade, transportation, and utilities; and leisure and hospitality. Those four sectors alone are forecast to generate 68.9% of state job gains through 2020. However, all sectors add jobs during the next two years, including financial activities; construction; government; manufacturing; other services; information; and mining.

Housing permits are forecast to rise during the forecast, hitting 43,812 by 2020, as population gains more than offset the impact of higher interest rates.

Rapid job gains this year will contribute to solid personal income growth of 5.5% in 2018, followed by stronger gains in 2019-2020, of 6.4% and 6.3%, respectively. Income gains pick more steam as tightening labor markets put upward pressure on wages.

Higher personal income translates into solid improvement in taxable retail sales during the forecast.

Rising jobs contribute to solid net migration inflows, which, when combined with positive natural increase, generate population growth of 1.7% in 2018, followed by rates of 1.6% in 2019 and 2020.

Overall, Arizona is forecast to outpace the nation in all major macroeconomic indicators. However, gains remain well below average rates posted before the Great Recession.

¹² Excerpts from Arizona's Economy, *Arizona Hits the Accelerator*, Winter 2019 Issue,

Real Estate Market Sectors

Land Market

According to Colliers International in their land market *Research & Forecast Report* for the first half of 2018,

Land sales in the first half of 2018 lagged the pace recorded during the final six months of last year. Despite the slowdown, land sales in Greater Phoenix are ahead of the pace from the first half of 2017. Prices for land parcels inched lower despite continued strengthening in the local housing and commercial real estate markets.

Permitting for single-family units continued to surge, while multifamily permitting has leveled off a bit. This year, single-family permitting is forecast to reach its highest annual total since 2007.

Following an increase of more than 30 percent in 2017, land sales slowed by approximately 25 percent from the second half of last year to the first half of 2018.

Sales prices for land parcels fell during the first half of this year, with the median price reaching \$3.59 per square foot, down from a median price of \$4.19 per square foot in 2017.

Outlook: Sales of land parcels in Greater Phoenix slowed during the first half of this year, following a strong close to 2017. This decline in activity occurred even as both the housing and commercial real estate markets continued to improve. Sales velocity is forecast to pick up in the second half of 2018, although there are a few potential threats that may limit activity. The first is the prospect of rising interest rates, which could slow the pace of economic growth and provide a drag on housing in the form of higher mortgage costs. The second is rising construction costs, which are eating away at profits for homebuilders and making it more difficult for new projects to pencil. Finally, there is the pace of new home price appreciation, which is lagging the rate of gains for existing home sales. An acceleration in new home sales prices would likely support greater activity in the sale of land for residential uses.

Single Family Housing Sector

Figure 11 – ARMLS Marketwatch Report, Q4-2018 Overview

	Median Sales Price		Average Sales Price		Pct. of List Price Received		Days on Market		Closed Sales	
	Q4-2018	1-Yr Chg	Q4-2018	1-Yr Chg	Q4-2018	1-Yr Chg	Q4-2018	1-Yr Chg	Q4-2018	1-Yr Chg
Maricopa	\$271,000	↑ +6.3%	\$338,227	↑ +7.2%	98.3%	↑ +0.1%	44	↓ -2.2%	17,904	↓ -6.2%
Pinal	\$212,000	↑ +10.2%	\$224,489	↑ +8.1%	98.4%	↑ +0.2%	47	↓ -10.7%	1,950	↓ -8.3%

Multifamily Housing Sector

Elevated demand for apartments has consistently mitigated supply-driven pressure on vacancies since the construction boom kicked off in 2013. But more units are being absorbed than built by a considerable margin in the past several quarters, compressing Phoenix's vacancy rate to an all-time low.

A tight apartment market has contributed to accelerating rent growth. Thanks in part to a strong job market and low rents, Phoenix also has the rare distinction of a metro that can sustain robust rent gains while absorbing an inundation of new supply. The Valley's annual rent growth has consistently ranked among the best in the nation in the past several quarters.

Investors are more bullish than ever on Phoenix's multifamily fundamentals. The market garnered more \$6 billion in sales volume in 2018, a record high, and roughly 14% of inventory traded hands. Pricing skyrocketed into uncharted territory and contributed to the compression of cap rates below 6% for the first time in the past decade.

Phoenix's strong in-migration and employment growth, key drivers of apartment demand at the top of the market, will need to sustain momentum to keep the apartment market stable in the near term. Fundamentals will face increasing supply-side pressure as more projects come on line – deliveries are expected to reach a cyclical high in 2019.¹³

Industrial Sector

The Phoenix Industrial market ended fourth quarter 2018 with a vacancy rate of 7.1%. The vacancy rate remained unchanged over the previous quarter, with net absorption totaling 2,661,210 square feet in fourth quarter. Vacant sublease space decreased in the quarter, ending the quarter at 621,923 square feet. Rental rates ended at \$7.38, an increase over third quarter. A total of 10 buildings totaling 3,088,743 square feet delivered to the market whereas 5,642,193 square feet remained under construction at the end of the quarter.¹⁴

Office Sector

The Phoenix Office market ended the fourth quarter 2018 with a vacancy rate of 12.6%. The vacancy rate was up over the previous quarter, with net absorption totaling -89,409 square feet in the fourth quarter. Vacant sublease space increased in the quarter, ending the quarter at 1,437,985 square feet. Rental rates ended the fourth quarter at \$25.61, an increase over the previous quarter. A total of nine buildings delivered to the market in the quarter totaling 384,547 square feet, with 3,496,286 square feet still under construction at the end of the quarter.¹⁵

Retail Sector

The Phoenix retail market did not experience much change in market conditions in the fourth quarter 2018. The vacancy rate remained at 6.9% in the current quarter. Net absorption was 267,463 square feet, and vacant sublease space decreased by 64,497 square feet. Quoted rental rates increased from third quarter 2018 levels, ending at \$15.86 per square foot per year. A total of 28 retail buildings with 404,731 square feet of retail space were delivered to the market in the quarter, with 706,687 square feet still under construction at the end of the quarter.¹⁶

¹³ Source: CoStar Analytics, Multi-Family Market Report

¹⁴ Source: The CoStar Industrial Report, Year-End 2018, Phoenix Industrial Market

¹⁵ Source: The CoStar Industrial Report, Year-End 2018, Phoenix Industrial Market

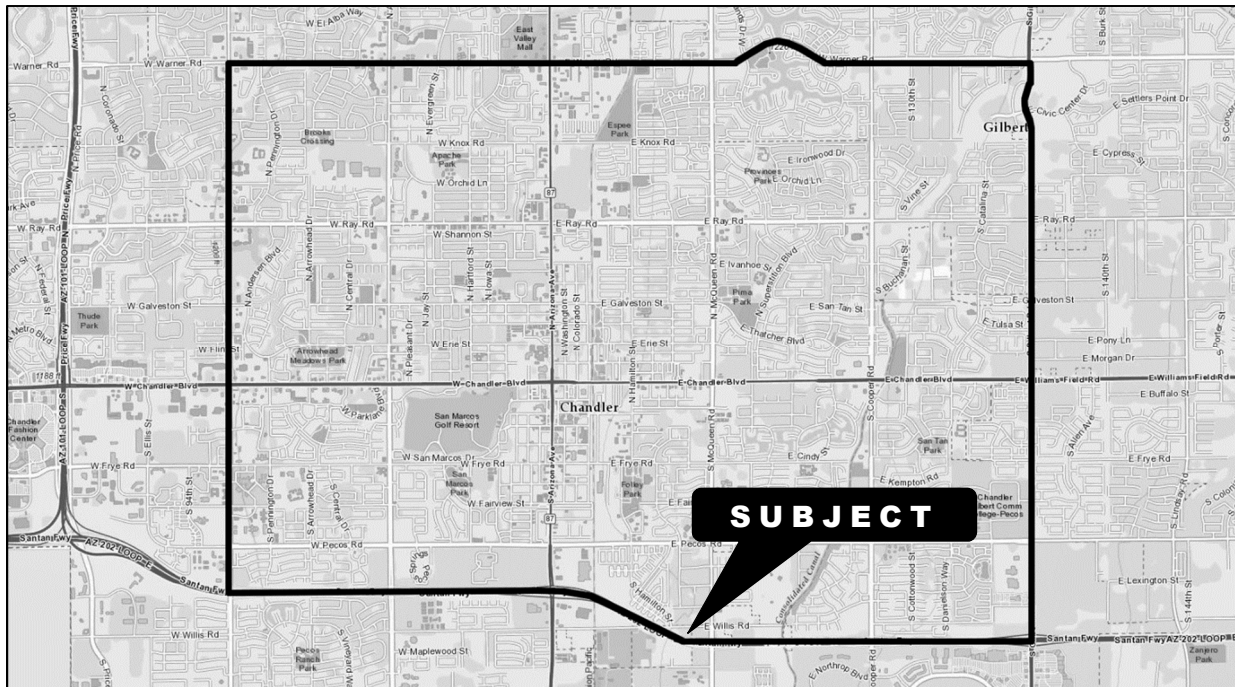
¹⁶ Source: The CoStar Retail Report, Year-End 2018, Phoenix Retail Market

Neighborhood Analysis

Location

The subject property is located northwest of McQueen Road and State Route 202 in the southeast portion of the metropolitan Phoenix area. Situated approximately 18 miles southeast of the downtown central business district of the City of Phoenix, the location of the subject property is graphically illustrated on the map in Figure 12.

Figure 12 – Location Map



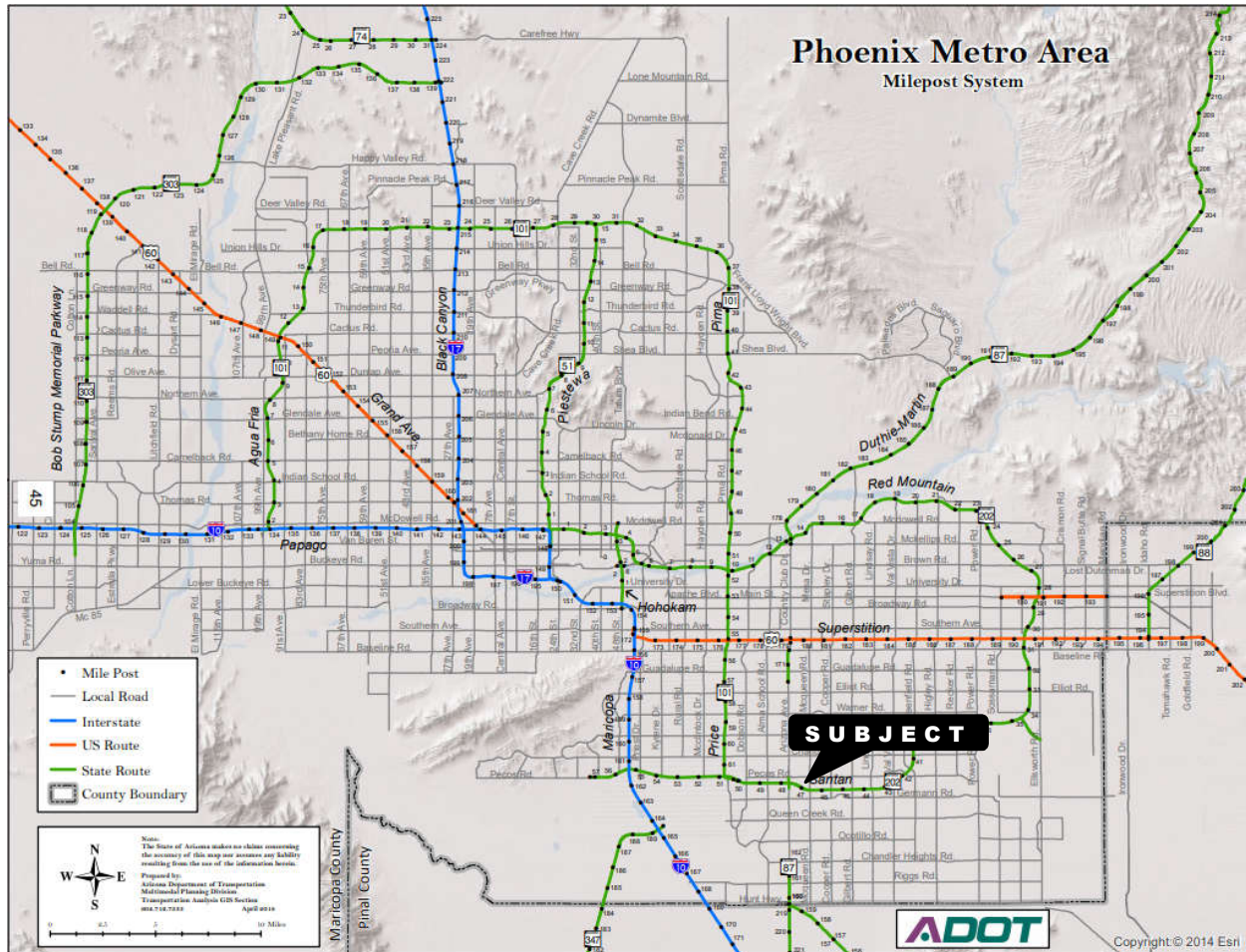
© Arizona State Land Department Parcel Viewer

The subject neighborhood is generally bounded by the Warner Road to the north, the San Tan Freeway (State Route 202) to the south, Dobson Road to the west, and Gilbert Road to the east. This area covers approximately 17 square miles within the boundaries of the City of Chandler and Town of Gilbert. The boundaries of the subject neighborhood, which represents a portion of the market area, encompass an area considered influential on the property to be appraised, given the types, visibility, accessibility, utility and overall consistency and similarity of uses.

Transportation

Regional Freeway System

Figure 13 – Regional Freeway System Map



Source: ADOT Map Book 2018 Edition

The subject neighborhood is located in the southeast region of the metropolitan Phoenix area and has excellent access to the regional freeway system. The Santan Freeway forms the southern boundary and the Price Freeway (State Route 101) is located just one mile west of the western boundary of the neighborhood. Access to the freeways is generally possible at each of the arterial roadways. The Santan Freeway has a freeway-to-freeway interchange at the Price Freeway near the southwest corner of the neighborhood. Interstate 10 is also located in the area, approximately five miles to the west, and the Superstition Freeway (US Highway 60) is located about three miles to the north.

Arterial Roadways

The network of principal and secondary streets throughout the metropolitan Phoenix area is well developed and provides the neighborhood convenient access. The primary arterial roadways across the subject neighborhood are based on a grid system, with major arterial roadways placed on one-mile intervals. These major roadways are generally paved multiple lane thoroughfares with traffic control signals as they intersect each other.

The primary east/west arterial roadways through the subject neighborhood are Warner Road, Ray Road, Chandler Boulevard, and Pecos Road. The primary north/south arterial roadways are Dobson Road, Alma School Road, Arizona Avenue (State Route 87), McQueen Road, Cooper Road, and Gilbert Road. The arterial roadways are generally paved with asphalt and carry multiple lanes of traffic.

Railway

Freight rail service is found in the metropolitan area with railroads operated by Union Pacific Railroad and BNSF Railway. The Union Pacific Railroad crosses the area approximately one-quarter mile east of Arizona Avenue.

Commuter rail and intercity rail passenger service is not currently available in the metropolitan area, although a light rail system for the metropolitan region has been started. The first phases of the light rail system extend from north central Phoenix, through the downtown Central Business District of Phoenix and then turns east to serve Phoenix Sky Harbor International Airport, downtown Tempe, Arizona State University and downtown Mesa. There are no current plans for the light rail system to serve the subject neighborhood.

Airports

Public air transportation for the subject neighborhood is provided primarily by Phoenix Sky Harbor International Airport east of downtown Phoenix. The airport has three runways, three domestic terminals with 112 gates, an international terminal, four cargo buildings, and houses the Arizona Air National Guard. Based upon statistics from the Airports Council International, Sky Harbor was the thirteenth busiest airport in the nation in terms of passenger traffic with 43,921,670 passengers enplaned and deplaned during 2017, as well as being the twelfth busiest airport for all traffic movements.¹⁷

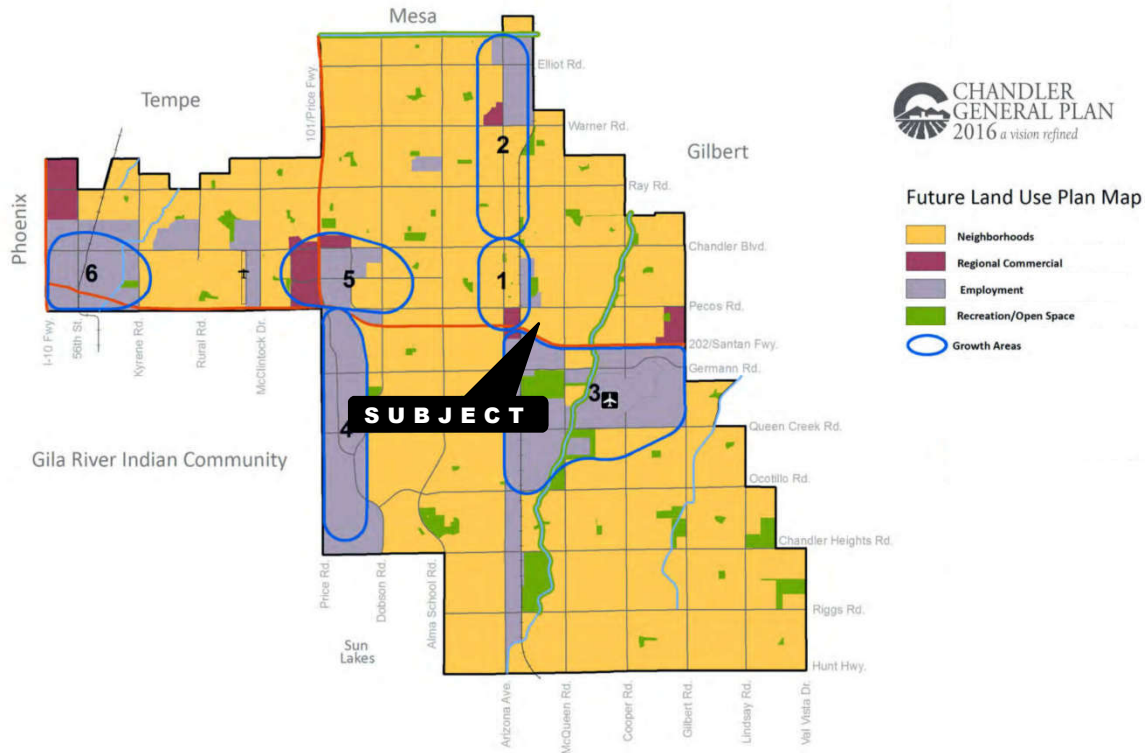
Cargo air service and limited passenger air service is also provided by Williams Gateway Airport, the former Williams Air Force Base, located just east of the subject neighborhood in Mesa. The airport has three runways and is used primarily for general aviation flight training, although other uses including military aircraft, large aircraft flight-testing, and cargo operations are common. Chandler Municipal Airport, located just south of the subject neighborhood near Cooper Road and Germann Road, also serves the subject neighborhood and is used primarily for general aviation purposes.

¹⁷ Airports Council International (www.aci-na.org)

Land Use Patterns

Development patterns tend to be defined by zoning ordinances. The land use of the subject neighborhood is governed to large extent by the land use element of the general plans for the cities of Chandler and Gilbert. Specific development patterns tend to be defined by each city's zoning ordinance. Both municipalities have successfully coordinated growth by defined zoning ordinances, construction requirements, and environmental requirements. The land use within the subject neighborhood is a variety of residential and commercial components.

Figure 14 – Land Use Map



Source: City of Chandler General Plan

The predominant land use in the subject neighborhood is for residential purposes with supporting commercial land uses. Typical of suburban areas, commercial development is found primarily along arterial roadways and concentrated at intersections of two arterial roadways. Most of these commercial developments are neighborhood centers serving the immediate area. Chandler Fashion Center is a regional shopping center located at Chandler Boulevard and the Price Freeway and serves the subject neighborhood as well as surrounding areas. The more interior tracts have residential land uses, ranging from single-family to multi-family residential development. Some industrial development can be found in the northern portion of the neighborhood in proximity to the railroad.

The subject neighborhood also includes the downtown central business district of the City of Chandler, encompassing an area along Arizona Avenue between Chandler Boulevard and Pecos Road. The City of Chandler has been making an effort in recent years to encourage redevelopment in the central business district. According to the city's website, "The goal is to create an urban environment that is pedestrian friendly with architecture and character that is unique. This strategy includes the creation of strategically placed parking structures, covered pedestrian walkways, striking historically inspired architecture, historic preservation and uses that will complement the community and marketplace." The area is planned for several new office, entertainment and residential developments.

Demographics

The demographic information presented below in Figure 15 illustrates demographic trends within a one-, three- and five-mile radius of the intersection of Arizona Avenue and Chandler Boulevard which approximates the center of the neighborhood.

Figure 15 – Demographic Summary

Radius	1 Mile	3 Mile	5 Mile
Population:			
2023 Projection	22,092	143,051	323,314
2018 Estimate	20,629	133,826	301,289
2010 Census	19,662	129,068	283,379
Growth 2018-2023	7.09%	6.89%	7.31%
Growth 2010-2018	4.92%	3.69%	6.32%
2018 Population Hispanic Origin	13,458	40,631	67,378
2018 Population by Race:			
White	16,857	106,141	240,967
Black	1,519	8,330	15,980
Am. Indian & Alaskan	998	3,571	6,274
Asian	584	10,852	27,063
Hawaiian & Pacific Island	71	364	914
Other	600	4,570	10,092
U.S. Armed Forces:	4	10	55
Households:			
2023 Projection	6,853	52,513	117,562
2018 Estimate	6,400	49,161	109,645
2010 Census	6,080	47,395	103,159
Growth 2018 - 2023	7.08%	6.82%	7.22%
Growth 2010 - 2018	5.26%	3.73%	6.29%
Owner Occupied	2,887	30,220	73,256
Renter Occupied	3,513	18,941	36,389
2018 Avg Household Income	\$55,958	\$87,783	\$99,300
2018 Med Household Income	\$43,835	\$70,578	\$80,709
2018 Households by Household Inc:			
<\$25,000	2,072	6,834	11,504
\$25,000 - \$50,000	1,548	9,579	18,596
\$50,000 - \$75,000	1,169	9,789	20,616
\$75,000 - \$100,000	834	8,243	17,985
\$100,000 - \$125,000	316	4,901	13,023
\$125,000 - \$150,000	169	3,657	9,714
\$150,000 - \$200,000	188	3,225	9,505
\$200,000+	105	2,931	8,703

Source: CoStar Realty Information

Amenities

Utilities in the form of sanitary sewer, water, electric power, natural gas and telephone service are generally available and in use throughout the neighborhood. These utilities are adequate to support additional residential, commercial and/or industrial development. Municipal water service and sanitary sewer service are provided by the City of Chandler and the Town of Gilbert, Southwest Gas Company provides natural gas service, while Cox Communications and CenturyLink provides local telephone service. Electric service is provided by Salt River Project. Utility rates are equitable to other areas of the city and do not adversely impact property values.

Fire and police protection are provided by the City of Chandler and Town of Gilbert. Major medical facilities that serve the neighborhood include Chandler Regional Hospital located on Dobson Road north of Pecos Road, and Gilbert Mercy Hospital at Val Vista Drive and the Santan Freeway. Public educational facilities are located in and around the subject area, and include a number of K-12 schools within the Chandler and Gilbert Unified School Districts. Higher education facilities the serve the neighborhood include Chandler Gilbert Community College located between Cooper Road and Gilbert Road on the north side of Pecos Road. The main campus of Arizona State University is located approximately twelve miles to the northwest in Tempe.

Other amenities serving the subject neighborhood include a number of local city parks throughout the region. The Snedigar Sportsplex and Compadre Stadium are located a short distance to the southwest at Alma School Road and Ocotillo Road. One of the region's newest regional shopping center, Chandler Fashion Center, opened in late 2001 and is located at the northwest corner of the Price Freeway and the Santan Freeway just west of the subject neighborhood.

Trends

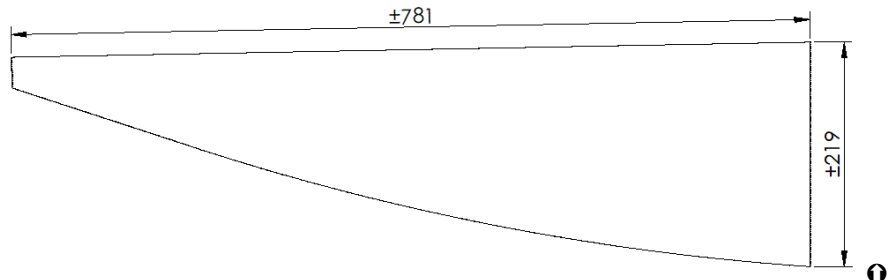
The subject neighborhood is characterized by a large percentage of residential land uses, with a mix of commercial and employment land uses throughout the area. The neighborhood is well established with few vacant land parcels available for development. The long-term outlook for the metropolitan area is for job growth to return over the next several years which will create demand for residential housing and neighborhood commercial support facilities.

Real Property Description

The following description of the subject property is based upon a physical inspection of the property on January 31, 2019, and on other occasions, in conjunction with an examination of Maricopa County public records. Photographs of the property being appraised are located in Addendum B of this report.

Site Data

<i>Location</i>	Northwest of McQueen Road and State Route 202		
<i>Street Address</i>	None Given		
<i>City, State ZIP</i>	Chandler, Arizona 85286		
<i>County</i>	<u>Maricopa</u>	<i>Map Reference</i>	<u>184-178MG</u>
<i>Census Tract</i>	<u>812100</u>	<i>Block</i>	<u>2001</u>
<i>Assessor Parcel No(s)</i>	Portions of: 303-28-007D; 303-28-007E; 303-28-007S; 303-28-007Y; 303-28-032H		
<i>Land Area</i> ¹⁸	<u>112,293</u>	Square feet	
	<u>2.578</u>	Acres	
<i>Shape/Dimensions</i>	The subject property is irregular in shape, measuring approximately 781 feet along the northern boundary and 219 feet along the eastern boundary.		



<i>Surrounding Development</i>	North:	<u>Residential Development</u>
	South:	<u>Vacant Land (across State Route 202)</u>
	East:	<u>Vacant Land</u>
	West:	<u>Residential Development</u>

The surrounding area is generally residential in character, particularly north of State Route 202, with some supporting commercial services. The area south of State Route 202 is a mix of undeveloped agricultural land, industrial and commercial development. The Chandler Municipal Airport is located a short distance southeast of the subject site.

<i>Utilities</i>	<u>In Use</u>		
	Yes	No	Available from:
Electricity.....	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>Salt River Project</u>
Water.....	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>Private</u>
Sanitary Sewer	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>Septic</u>
Natural Gas	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>Southwest Gas Company</u>
Telecom	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>Cox Communications</u>
			<u>CenturyLink</u>

¹⁸ Source: Arizona Department of Transportation

Utilities (cont'd) City water and sewer services are available in the area, although the subject site is within a county island that is not served by the City of Chandler. City services might be possible through agreement with the City or through annexation.

Access/Frontage The subject site is located along the north side of State Route 202 which is an access-controlled freeway. Access to the property is provided by Willis Road from McQueen Road from the east. Northbound traffic on McQueen Road is restricted from turning west on Willis Road. Hamilton Street provides access to the subject site from the north and west through a residential subdivision. A concrete-lined irrigation ditch is located along the south side of Willis Road and limits ingress/egress to the subject site. Access to the property is considered fair.

<i>Street Improvements</i>	Street Name	Willis Road	Hamilton Street
	Lanes (# Direction)	1 East 1 West	1 North 1 South
	Street Width	73 feet	70 feet
	Center Lane/Median	None	Lane
	Pavement	Asphalt	Asphalt
	Curb	No	Yes
	Gutter	No	Yes
	Sidewalk	No	Yes
	Lighting	No	Yes
	Frontage	±705 feet	None
	Traffic Count	NA	NA

Topography The site is generally level and at grade with surrounding properties and abutting roadway.

Drainage No apparent drainage problems were observed during a physical inspection of the site by the appraiser.

<i>Flood Hazard</i>	FEMA Flood Insurance Rate Map(s):		
	Flood Zone(s)	Panel	Effective Date
	X	04013C2737M	November 4, 2015

The Zone X designation is for areas of 0.2% chance of flood; area of 1% annual chance flood with average depths of less than one foot or with drainage areas less than one square mile; and areas protected by levees from 1% annual chance flood.

A large concrete flood control ditch is located south of the subject site and within the right-of-way of State Route 202.

As with any property, the subject may be susceptible to standing water due to localized conditions not reflected on the Flood Insurance Rate Maps.

<i>Soil Conditions and Environmental Conditions</i>	<p>The appraiser is not aware of any soils report or other environmental study having been conducted for the property, nor has any such report been requested or supplied to the appraiser. Furthermore, the appraiser has not performed any background investigation or testing for indications of contamination, whether man-made or naturally occurring. This appraisal assumes that the property is not in violation of any federal or state environmental policy, act, statute or regulation.</p> <p>A physical inspection of the property was made and no factors were observed that would indicate the existence of surface or subsurface contamination of the property. A site assessment study by a qualified environmental engineer, hydrologist, geologist and/or other such experts may discover conditions that require action. This appraisal is written with the assumption that the property is free from environmental contaminants. The reader of this report is cautioned that the presence of such substances can have a dramatic impact upon the value of the property.</p>
<i>Site Improvements</i>	<p>The subject site is undeveloped although a cellular tower and ancillary improvements are located in the southeast corner of the site, and a chain link fence follows the southern and western boundaries.</p>
<i>Signs</i>	<p>A physical inspection of the site did not reveal the presence of any realty signs, on-premise signs or off-premise signs on the property.</p>

Zoning

The subject property is located in an area categorized for parks and open spaces as shown in the Chandler Airpark Area Plan component of the general plan for the City of Chandler. More specifically, the subject property is located within the RU-43 Rural zoning district as defined by the Maricopa County zoning authorities. According to the zoning ordinance,

The principal purpose of this zoning district is to conserve and protect farms and other open land uses, foster orderly growth in rural and agricultural areas, prevent urban and agricultural land use conflicts, and encourage sustainable development, but when governmental facilities and services, public utilities and street access are available, or can reasonably be made available, applications for change of this zoning district to any single-family residential zoning district will be given favorable consideration. Principal uses permitted in this zoning district include both farm and non-farm residential uses, farms and recreational and institutional uses.¹⁹

As is the case with almost every zoning district, the permitted uses are subject to density, area, building and yard regulations. In addition to these development standards, other requirements such as those for parking are set forth in the appropriate sections of the zoning ordinance.

The appraiser has not found any evidence that there are pending zoning changes involving the property being appraised. The current use of the property as vacant land is considered to be a conforming use under current zoning regulations.

¹⁹ Maricopa County Zoning Ordinance, Article 503.1

Easements and Restrictions

The appraisal of a property involves consideration of the bundle of rights contained with the property and the effect of the loss of any of these private rights on its value as a whole. These rights are inherent in ownership of real property and guaranteed by law, but subject to certain limitations and restrictions.

A title report would reveal the presence of any easements and legal restrictions placed upon the subject property, although such a report has not been provided in conjunction with this appraisal assignment. A physical inspection did not reveal the presence of any obvious easements, restrictions or adverse uses which would affect the development potential, utility or marketability of the property to be appraised. There are, however, several overhead electric distribution lines on the site which likely indicate the presence of easements.

The subject property will also be subject to a cellular tower lease, access easement and utility easement, all generally located along the eastern property boundary of the parcel. The property being appraised will convey subject to the lease and easement if and when the subject property is sold by the Arizona Department of Transportation.

Taxes and Assessments

Since 1980, the State of Arizona has operated under two distinct valuation bases for levying ad valorem property taxes. Taxes levied against the net assessed amount of limited property valuation are referred to as primary taxes, and the dollars generated are used for the maintenance and operation of counties, cities, school districts, community college districts, and the state. Taxes levied against the net assessed amount of full cash value are referred to as secondary taxes, and the dollars generated are used for retirement of bonded indebtedness, voter-approved budget overrides, and the maintenance and operation of special service districts, such as sanitary, fire, and road improvement districts.

Real estate taxes in Arizona are assessed on a calendar year. The first installment, equal to one-half of the total tax liability, is due and payable on the first day of October and delinquent on the first day of November of the tax year. The second installment is payable on the first day of October of the tax year, but not due until the first day of March of the year following the tax year. The second installment becomes delinquent on the first day of May of the year following the tax year.

The full cash value (FCV) of real estate as estimated by Maricopa County is determined for ad valorem tax purposes and is purportedly synonymous with market value according to state statute. In this instance, the subject property consists of a portion of five separate tax parcels which are exempt from real property taxes because it is owned by the State of Arizona.

Apart from the normal primary and secondary assessments for which nearly all properties are liable, some properties may also be subject to special assessments. These special assessments may arise from the inclusion of that property within a local improvement district or some other district that has taxing authority. Based upon information obtained from the Maricopa County Treasurer's Office, the subject property is within a special tax district for the East Valley Institute of Technology (EVIT).

Division of Real and Personal Property

Personal property is a movable item of property that is not permanently affixed to, or part of, real estate. The Appraisal Institute offers two definitions of personal property:

1. The interests, benefits, and rights inherent in the ownership of tangible objects that are considered by the public as being personal; also called tangible personal property.
2. Identifiable tangible objects that are considered by the general public as being “personal” – for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate. (USPAP, 2016-2017 ed.)²⁰

When personal property is attached to the land and/or improvements, they are typically fixtures and become a part of the real estate. While fixtures are considered real estate, trade fixtures are not. Trade fixtures are those fixtures that are owned and attached to a rented space by a tenant. On occasion, it can be difficult to determine whether an item should be considered as personal property or real estate.

The valuation of any personal property located on the subject property is beyond the scope and purpose of this appraisal assignment. As a practical matter, the property being appraised is a vacant tract of land and a physical inspection did not reveal any evidence of personal property located on this parcel.

²⁰ The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015) p170



VALUATION ANALYSIS

Highest and Best Use

Highest and best use is a market-driven concept and is the underlying premise of estimating market value. The competitive forces in a property's market area directly influence the highest and best use of that property. The definition of highest and best use may be stated as, "the reasonably probable use of a property that results in the highest value."²¹

As stated in this definition, the analysis of highest and best use requires separate examinations of the land as if vacant, and the entire property as improved, when applicable. If a property is vacant, then only an analysis of the land is necessary. If a property is improved, it is necessary to analyze the highest and best use of the property as improved and as if it were vacant. In either instance, the highest and best use of the subject must be legally permissible, physically possible, financially feasible and maximally productive.

Implied within the definition of highest and best use is recognition of the contribution of that specific use to community environment or to community development goals. In cases where a site is improved, the highest and best use may be determined to be different from the existing use. The existing use will continue, unless and until the land value under its highest and best use exceeds the total value of the property in its existing use. The conclusion of highest and best use results from the appraiser's judgment and analytical skills and represents an opinion, not a fact, to be found.

As If Vacant

Legally Permissible

The Maricopa County zoning ordinance requirements are the only significant legal restrictions limiting the use of the property. As indicated in the site analysis, the subject property is presently within the RU-43 Rural district. This zone allows for primarily low-density residential uses as set forth in the zoning ordinance for Maricopa County. Thus, only these uses and those specifically mentioned in the zoning ordinance could currently be considered legally permissible.

The reasonable probability of a change in zoning that would allow different uses of the land, other than those allowed under the current zoning classification, can also be important in giving an opinion as to the highest and best use of the property. In analyzing any possible change in zoning, the existing development of surrounding properties can be considered to determine what other land uses might be appropriate for the subject property. Other factors such as the public response to a change in zoning and support, or lack of support, by city planning personnel should also be taken into consideration in the probability of successfully obtaining a change in zoning.

The Chandler Airport Area Plan component of the City of Chandler general plan indicates the subject property is in an area planned for park and open space uses, surrounded by residential land uses. The current zoning of the site is often used as a holding designation until development. In light of the existing land uses in the area and those allowed under the current zoning of the subject property, a change in zoning would likely be possible but may also require a general plan amendment.

²¹ The Appraisal of Real Estate, 14th ed. (Chicago: Appraisal Institute, 2013) p332

Physically Possible

The physical characteristics of the subject parcel, such as its topography, access, size, shape, and available utilities, are adequate for its legally permissible land uses. The subject property has a good location in proximity to residential development, commercial services, employment centers and transportation routes. No adverse external physical conditions were observed which would materially affect the development of the site. In general, there do not appear to be any significant physical constraints to the development of the subject parcel.

A soils report has not been provided, although it is noted from a physical inspection of the subject property and existing development on properties in the immediate area, that the soil appears to be adequate for its legally permissible uses.

Financially Feasible

Economic feasibility is a function of supply and demand. The feasibility of any development of the subject site, then, is dependent upon the supply of similar land suitable for development and the demand for the available development alternatives.

After the most recent economic downturn, one of the first markets to make any kind of a comeback was the multifamily residential market. A higher density residential land use, including residential care facility uses, might be financially feasible although the site is relatively small. In terms of land inventory, there is a supply of vacant land parcels in the area for future development.

Given existing development patterns, the location of the subject parcels, the current economic climate, the market in which the subject property competes, it is my opinion that development of the subject property might be economically feasible as of the date of valuation for some higher-density residential land uses, although the site is small by comparison when looking at other higher-density residential sites.

Maximally Productive

After considering the uses that are physically possible, legally permissible and economically feasible, the question of profitability is addressed. A parcel of land may have several different uses that generate sufficient revenue to satisfy an investor's required rate of return on investment and provide a return on the land. The highest and best use of the land is that financially feasible use that produces the greatest return. This concept is significantly related to user demand for the end product and the cost of production.

Considering the physical characteristics of the subject site, the location of the property, its access to transportation routes, and proximity to commercial services, employment centers and residential development, the most profitable use of the subject site is for land investment purposes.

Summary and Conclusion

After having applied the tests of availability, adaptability and demand, it is my conclusion that the highest and best use of the subject property is as follows:

As If Vacant: Land Investment

Valuation Methodology

This report has, thus far, presented the first three significant steps in the valuation process. The appraisal problem has been defined by stating the scope and purpose of the appraisal, identifying the real estate to be appraised, identifying the real property rights to be valued, and stating what value is to be estimated and as of a particular date of valuation. During the second step of the process, data has been collected and analyzed regarding the region in which the property is located, the more immediate subject market, and specific data regarding the subject property itself. The third step taken was the conclusion of highest and best use for the property to be appraised. The next step is the application of the different approaches to estimating value.

Under current appraisal methodology, real estate is valued by applying three traditional approaches to value, commonly known as 1) the sales comparison (or market) approach, 2) the income capitalization approach to value, and 3) the cost approach. All three approaches to value have been considered in the preparation of this report. The relative merits of each approach will be weighed in respect to the property being appraised. The reconciled value will be derived from analysis and judgment concerning each of these approaches to value.

Sales Comparison Approach to Value

This approach to value is based upon the principle of substitution that states that no one is justified in paying more for a property than the cost of acquiring an equally desirable substitute property, assuming no undue or costly delay. To implement this approach, a search is made in the market to find sales of property with similar utility and having similar characteristics to the subject. This is done on the theory that these properties are those that would be competing with the subject if it were placed on the market.

This approach is a comparative method in which properties that have been sold in the open market are compared directly with the subject. The first step is to collect and then analyze the appropriate sales data. No two properties are exactly alike, so it is necessary to develop some common unit of comparison. Based upon this unit of comparison, adjustments are then made to the comparable properties for features in which they differ from the subject. After adjustment, the sales will then give useful indications of value for the property being appraised.

Income Capitalization Approach to Value

While the sales comparison approach and cost approach are based upon the principle of substitution, the income capitalization approach to value is founded in the principle of anticipation. Simply put, there is value in real property that can be measured by converting anticipated benefits, such as cash flow and/or a reversion, into an indication of value by capitalizing this income stream. Typically, an estimate is made of the potential gross income of a property by analyzing the market rental value of the property and any other sources of income attributable to the real property. Vacancy and collection losses are then subtracted to arrive at the effective gross income. The applicable expenses are deducted to arrive at a net income figure.

The resultant net income is processed into an indication of the property value. This is typically accomplished by applying an overall capitalization rate to the net income. An alternate income capitalization method utilizing gross rental income and a gross rental income multiplier can also be utilized. The income capitalization approach to value is of most importance in estimating the value of revenue producing properties.

Cost Approach to Value

In this approach to value, an estimate is made of the reproduction or replacement cost new of any improvements on the property. Depreciation from all causes is then deducted and the land value is added to provide an indication of value for the entire property. Since the cost approach to value includes an estimate of value for the land, a sales comparison analysis is made to compare sales of vacant land parcels similar in highest and best use to the subject site.

The cost to reproduce or replace a property is most closely related to market value when a property is of new construction. As a result, this approach to value is most important when estimating the value of a property that is relatively new, and can be especially persuasive when the value of the underlying land is well supported and there is little evidence of accrued depreciation.

The final step in the valuation process is a reconciliation of the three approaches to value. The quantity and quality of the data gathered for each method is examined and weighted appropriately. The subject parcel is a vacant tract of land and, for this reason, the cost and income capitalization approaches to value are not applicable under the scope and purpose of this appraisal. The valuation of the subject land is limited to a direct sales comparison approach.

Sales Comparison Approach

Introduction

This approach to value is based upon the principle of substitution which states that no one is justified in paying more for a property than the cost of acquiring an equally desirable substitute property, assuming no undue or costly delay. To implement this approach, a search is made in the market to find sales of property of similar utility and having similar characteristics to the subject. This is done on the theory that these properties are those that would be competing with the subject if it were placed on the market. The Appraisal Institute describes the sales comparison approach to value 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.²²

During the preparation of this appraisal report, a number of sale transactions were investigated and analyzed. In order to discover these comparable transactions, a search was made of the public records of Maricopa County. Those properties meeting certain minimum criteria in terms of similarity and sale date are researched further by obtaining copies of the transfer documents and declarations of value. At this point, efforts are made to contact the buyer and seller, as well as any brokers or agents who would have knowledge of the transaction, in order to further verify the more specific details of the sale. This would include whether the buyer and seller were related, what the financial terms of the transaction were and the motivations of the parties involved, as well as additional details of the physical characteristics of the properties that have been sold.

The process of estimating the value of the subject property encompassed a search of similar vacant sites in the subject's market area. The most significant of these sales are included in some detail in the addenda to the appraisal report, along with a map showing their relative location to the subject property.

²² The Appraisal of Real Estate, 14th ed. (Chicago: Appraisal Institute, 2013) p377

Land Value Analysis

No two properties are exactly alike, so it is necessary to develop some common unit of comparison. This could be the price per square foot, the price per acre, the price per section, or the price per site. Due to the size of the subject land and the market in which the property competes, a comparison on a price per square foot basis will be most meaningful. Since properties do differ in characteristics, it is necessary to adjust comparable sites for features in which they differ from the subject. This might be for such items as size, shape, location, access, terrain and vegetation. After adjustment, the sales will then give useful indications of value for the subject land. Table 1 summarizes the significant information extracted from the comparable sales believed to be most pertinent in the valuation of the subject land.

Table 1 – Land Sales Summary Table

Comp No.	Intended Use	Sale Date	Zoning	Frontage	Land Area Square Feet	Land Area Acres	Price	Price per Square Foot
1	Residential Development	04/17	PAD	Corner	365,904	8.400	\$ 2,250,000.00	\$6.15
2	Residential Development	03/18	MF/M	Corner	347,609	7.980	\$ 3,016,648.00	\$8.68
3	Land Investment	04/18	R1-35	Mid-Block	174,240	4.000	\$ 700,000.00	\$4.02
4	Residential Development	04/18	MF/L	Interior	111,078	2.550	\$ 1,500,000.00	\$13.50
5	Land Investment	Listing	PAD	Corner	185,958	4.269	\$ 1,500,000.00	\$8.07
SUBJECT			RU-43	Mid-Block	112,293	2.578		

The comparable sales summarized in the Land Sales Summary Table are all located within the same general area as the property to be appraised. The sales differ in terms of total size, date of sale, unit selling price and specific location, yet each is believed to be comparable to the subject property in some respects and each would offer a viable alternative to a prospective buyer of the subject. After adjustment for those factors that vary significantly from the subject property, these sales will each provide a useful value indication for the subject land.

The elements of comparison that may require adjustment can generally be described as transactional adjustments or property adjustments. Transactional adjustments are those made for characteristics of the sale transaction including property rights, financing, conditions of the sale, any immediate expenditures made in order to make the sale, and market conditions. Property adjustments are those made for differences in the characteristics of the properties. The elements of comparison are summarized and analyzed as follows.

- *Property Rights*

The fee simple interest in the subject land is being analyzed herein, and those comparable transactions which conveyed the fee simple rights in their respective properties will be of most benefit in this analysis. Each of the properties above conveyed nothing less than the fee simple interest in the property and, therefore, no adjustment will be necessary when considering the real property rights conveyed.

- *Financing*

These properties were purchased on a variety of terms, none of which fell outside the usual range found in the market. As documented on the individual comparable sheets located in the appendix to this report, each of these properties sold for cash, or on terms commonly found in the market and deemed equivalent to cash. The terms of these sales, then, do not affect their validity as indicators of market value. No adjustment for the financing terms of the transactions will be necessary when compared with the subject property.

- *Conditions of Sale*

An examination of the comparable transactions reveals each of the conveyances to be considered arms-length, and the buyers and sellers having been informed and typically motivated. Comparable No. 5, however, is a listing rather than a closed sale. It is common for properties to sell for something less than the asking price and, for this reason, a downward adjustment to Comparable No. 5 is considered reasonable in this analysis.

- *Immediate Expenditures*

In some instances, the price paid for a property reflects the knowledge that the buyer will have to make some expenditure prior to closing or immediately thereafter in order for the sale of the property to be completed. These expenditures can include such costs as those associated with demolition of improvements, or a remediation of environmental contamination. Each of the comparable sites examined in this analysis did not require any unusual expenditure that would require adjustment.

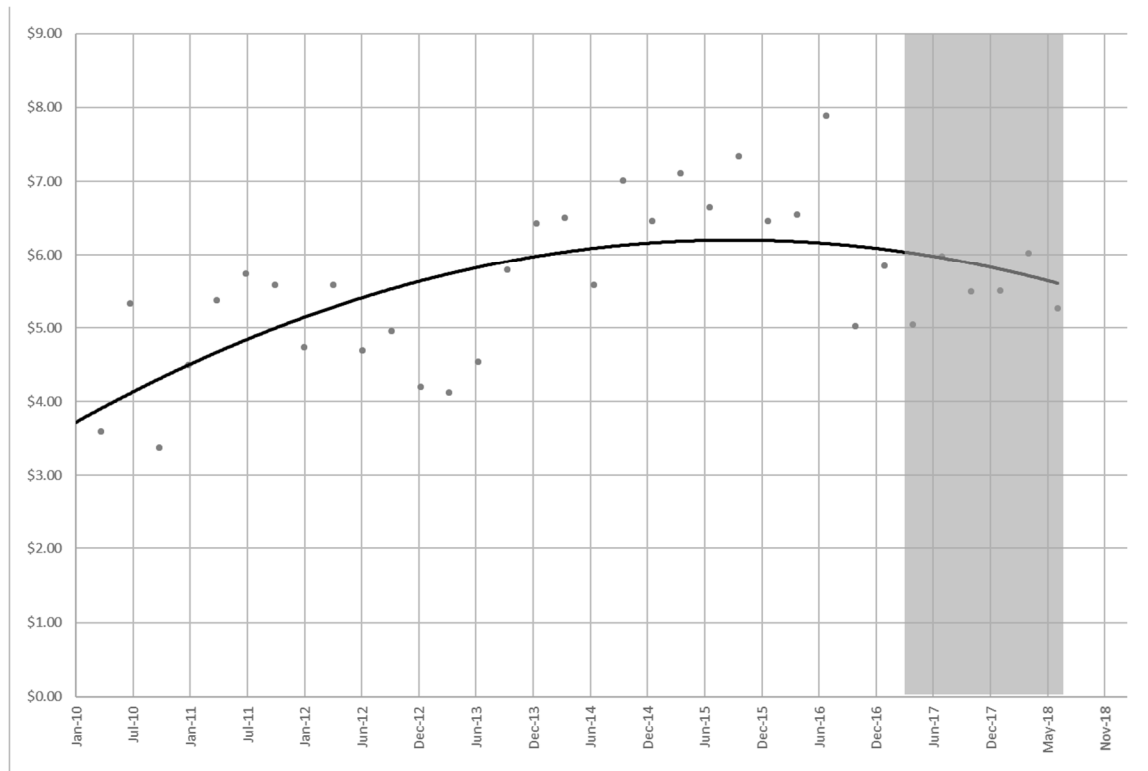
- *Market Conditions*

There are two measures of the prevailing market conditions that are pertinent to the valuation of the subject property. Given a sufficient number of transactions that have taken place over any time period, the trend of prices developed over that time period can indicate a strengthening, weakening or even a static market. In addition, the amount of time each property is exposed to the market can give an indication of current conditions.

Price Trends – It would be difficult to quantify any specific time adjustment in terms of percentage or dollar amount that could be universally applied to all properties within the subject area. The sales presented in this report for analysis cover a time period from early 2017 to early 2018. The metropolitan Phoenix area real estate market was at or near the end of a record growth period by the end of 2006 which was followed by a recessionary period beginning in 2008. The market has since started to show signs of recovery and growth over the past several years.

A survey of land sales throughout metropolitan Phoenix shows that prices have been generally increasing over the past several years, although declining somewhat over the time period covered by the comparable sales, shown in the shaded area of Figure 16. Based upon my analysis of the market data and my professional judgment, an adjustment will not be made to the comparable properties examined in this analysis when considering the amount of time that has elapsed between the dates of purchase of the comparable properties and the date of valuation of the property to be appraised.

Figure 16 –Median Commercial Land Sales Prices, 2006-2008



Exposure Time – Similar properties within a given market at a given time could be expected to have similar periods of exposure to the market prior to being purchased, other things being equal. A reasonable exposure period of any property is not only a function of time, but also a function of price and use. As a result, a reasonable exposure period should encompass adequate, sufficient and reasonable time and effort. Since there are different factors that contribute to a reasonable exposure time, this period will vary from property to property and vary based on market conditions.

Based upon the current market conditions and the supply and demand for properties similar to the subject site, a reasonable exposure time for the property is estimated to be less than twelve months. Consequently, those comparable properties that were exposed to the market for a significantly shorter or longer period of time would require adjustment. In this instance, each of the comparable properties was purchased given a reasonable exposure period, and no adjustment will be necessary for this factor.

- *Location*

Through the examination of the location of a property, the time-distance relationship between a property and possible points of destination is studied. These relationships, or linkages, include the ease of access to places such as schools, shopping, parks, other recreational facilities and workplaces. In theory, a property with a greater number of linkages will command a higher price than a similar property with fewer linkages. A property with a greater number of linkages is generally created by that property being closer to existing development.

Considered in the location of a property are such external influences as street patterns and width, surrounding property maintenance and upkeep, access to the property and the neighborhood, availability of utilities, and possible nuisances in the area. Adjustments for location can be for items such as frontage, visibility or corner characteristics, and they can also be for the more external influences on the property. The property being appraised has a mid-block location on a collector roadway in a primarily residential area.

Comparable No. 1 is located south of the subject site on Ocotillo Road east of Arizona Avenue. Comparable No. 2 is a site situated further east on Recker Road north of Williams Field Road. Comparable No. 3 is situated on Queen Creek Road east of Greenfield Road. Comparable No. 4 is located northeast of Gilbert Road and Elliot Road near downtown Gilbert. Comparable No. 5 is a site on Pecos Road west of Cooper Road. The location of each comparable property is generally similar to the subject site, although a downward adjustment will be applied to Comparable No. 4 for its proximity to downtown Gilbert.

- *Physical Characteristics*

Adjustment for physical characteristics is based on the observation that price per unit varies with size, shape, topography, and related physical attributes. After careful examination of each comparable property, including a physical inspection, the physical characteristics of the comparable properties are similar enough so that no adjustment is warranted, except as noted herein.

Land Area – Other things being equal, it is generally accepted that larger parcels tend to develop lower prices than do similar smaller parcels on a per unit basis. In practice, the price-size tradeoff is typically a less direct, more uncertain relationship complicated by other physical characteristics and locational factors. Based upon the size of the subject parcel and those of the comparable properties, an adjustment for land area will be made to Comparable Nos. 1 and 2 in this analysis.

Access – Access to the subject site is hampered somewhat by left-turn restrictions from northbound McQueen Road to westbound Willis Road, as well as ingress/egress from Willis Road being somewhat restricted due to an existing irrigation ditch. Comparable No. 4 is considered to be an interior parcel, but the other comparable properties have frontage along arterial roadways, and some are corner sites with superior points of access. For this reason, downward adjustments will be applied to Comparable Nos. 1, 2 3, and 5 for superior access.

Offsite Improvements – The subject site is located along Willis Road which is not improved with curb, gutter or sidewalk as it abuts the property which would likely be required as a part of any future development of the site. All of the comparable properties have offsite improvements in place and a downward adjustment will be applied to each comparable property.

Shape – The subject property is somewhat irregular in shape, as are Comparable Nos. 1 and 5 while the other properties are more rectangular. An adjustment for shape will not be made in this analysis since the utility of the subject site is not believed to be greatly diminished as a result of its shape.

- *Economic Characteristics*

Economic characteristics are those that affect the ability of a property to produce income. Examples of these characteristics include operating expenses, quality of management, lease terms and rent concessions, to name a few. This element of comparison is especially important when examining properties that are purchased as an investment by providing an income stream to an investor.

This analysis is being made to provide a value opinion of the subject site. Vacant land is not typically purchased to provide an immediate income stream to an investor. Thus, economic characteristics of the subject site will not be considered any further in this analysis, except as they relate to the development potential of the subject and comparable properties.

- *Legal Characteristics*

Use/Zoning – The location of a property within a given zoning district, in some instances, may warrant adjustment. A tract of land with a more restrictive zoning classification might develop a lower price per unit than a similar tract with a more liberal classification. The subject property is currently zoned for low density residential uses, as is Comparable No. 3. The other comparable properties have zoning in place which allow for more intensive land uses and a downward adjustment will be applied for this reason.

- *Non-Realty Components*

In certain instances, the price of a property may reflect the additional value of personal property, business concerns or other items that do not constitute real property. In this case, the transaction of each respective comparable property conveyed only real property and no adjustment will be made when considering non-realty components.

With these general observations in mind, we may now proceed with a comparison of these properties to the subject property and the value indications derived from each. The adjustments utilized in this analysis are extracted from available data using the paired sales technique, when possible, which is frequently used in the application of the sales comparison approach to value. In cases where there is insufficient data to extract adjustments, the appraiser's judgment and experience are emphasized unless other data or techniques could be employed.

Comparable No. 1

Ocotillo Road east of Arizona Avenue

Grantor	Pine Forest Properties, Inc.	Sale Price	\$2,250,000.00
Grantee	Lennar Arizona, Inc.		\$6.15 per Square Foot
Sale Date	April 2017	Land Area	365,904 Square Feet

Comparable No. 1 is a site located on Ocotillo Road east of Arizona Avenue at Pinelake Way, situated less than three miles south of the subject property. This site is generally level and at grade with the abutting properties and roadways. Surrounding land uses include a mix of residential and commercial development, as well as vacant land. This property was purchased for residential development.



The location of this property is generally similar the subject site and will not warrant adjustment. In terms of physical characteristics, this property is larger than the subject property, and a 5% upward adjustment will be applied in this instance. This property has a corner location along an arterial roadway, and a 10% downward adjustment will be made for superior access. A 10% downward adjustment will be made for offsite improvements. This property is zoned for more intensive land uses and a 10% downward adjustment will be made for this factor. After the adjustments indicated, this sale suggests a value of \$4.61 per square foot for the subject land.

Comparable No. 2

Recker Road north of Williams Field Road

Grantor	JLC Land Company, LLC (et al)	Sale Price	\$3,016,648.00
Grantee	Acero Cooley Station, LLC (et al)		\$8.68 per Square Foot
Sale Date	March 2018	Land Area	347,609 Square Feet

Comparable No. 2 is a site located on Recker Road north of Williams Field Road at Vest Avenue, situated approximately seven miles northeast of the subject property. This site is generally level and at grade with the abutting properties and roadways. Surrounding land uses include a mix of residential development and vacant land. This site is part of the Cooley Station master planned development. This property was purchased for the development of a 185-unit multifamily property.



The location of this property is generally similar the subject site and will not warrant adjustment. In terms of physical characteristics, this property is larger than the subject property, and a 5% upward adjustment will be applied in this instance. This property has a corner location along an arterial roadway, and a 10% downward adjustment will be made for superior access. A 10% downward adjustment will be made for offsite improvements. This property is zoned for more intensive land uses and a 10% downward adjustment will be made for this factor. After the adjustments indicated, this sale suggests a value of \$6.51 per square foot for the subject land.

Comparable No. 3

Queen Creek Road east of Greenfield Road

Grantor	Boulder Creek Holdings, LLC	Sale Price	\$700,000.00
Grantee	Singh Development, LLC		\$4.02 per Square Foot
Sale Date	April 2018	Land Area	174,240 Square Feet

Comparable No. 3 is a site located on Queen Creek Road east of Greenfield Road, situated approximately six miles southeast of the subject property. This site is generally level and at grade with the abutting properties and roadways. Surrounding land uses include a mix of residential development and vacant land. This property was subdivided into four separate residential lots and was purchased to sell the individual lots.



The location of this property is generally similar the subject site and will not warrant adjustment. In terms of physical characteristics, this property is slightly larger than the subject property, although an adjustment will not be applied in this instance. This property has a location along an arterial roadway, and a 5% downward adjustment will be made for superior access. A 10% downward adjustment will be made for offsite improvements. After the adjustments indicated, this sale suggests a value of \$3.42 per square foot for the subject land.

Comparable No. 4

Northeast of Gilbert Road and Elliot Road

Grantor	Langley Heritage District, LLC	Sale Price	\$1,500,000.00
Grantee	EB Development, LLC (et al)		\$13.50 per Square Foot
Sale Date	April 2018	Land Area	111,078 Square Feet

Comparable No. 4 is a site located northeast of Gilbert Road and Elliot Road on Vaughn Avenue, situated approximately six miles northeast of the subject property. This site is generally level and at grade with the abutting properties and roadways. Surrounding land uses include a mix of residential and commercial development. The commercial development in downtown Gilbert is located two blocks west of this site along Gilbert Road. This property was purchased for the development of a 32-unit residential project.



The location of this property is in close proximity to the downtown Gilbert and considered to be superior to the subject. A 25% downward adjustment will be applied for the location of this site. In terms of physical characteristics, this property is slightly smaller than the subject property, although an adjustment will not be applied in this instance. A 10% downward adjustment will be made for offsite improvements. This property is zoned for more intensive land uses and a 10% downward adjustment will be made for this factor. After the adjustments indicated, this sale suggests a value of \$7.43 per square foot for the subject land.

Comparable No. 5

Pecos Road west of Cooper Road

Grantor MMMSE Chandler LPSale Price \$1,500,000.00Grantee -\$8.07 per Square FootSale Date ListingLand Area 185,958 Square Feet

Comparable No. 5 is a site located on Pecos Road west of Cooper Road at Canal Drive, situated approximately one mile northeast of the subject property. This site is generally level and at grade with the abutting properties and roadways. Surrounding land uses include a mix of residential and commercial development, as well as vacant land. This property is currently in escrow.



A 10% downward adjustment will be made for the conditions of sale since this is a current listing rather than a closed sale. The location of this property is generally similar the subject site and will not warrant adjustment. In terms of physical characteristics, this property is slightly larger than the subject property, although an adjustment will not be applied in this instance. This property has a corner location along an arterial roadway, and a 10% downward adjustment will be made for superior access. A 10% downward adjustment will be made for offsite improvements. This property is zoned for more intensive land uses and a 10% downward adjustment will be made for this factor. After the adjustments indicated, this sale suggests a value of \$5.08 per square foot for the subject land.

Conclusion of Land Value

Thus far, we have examined several sales that are believed to be the best representations of the value that may be applied to the subject land. The unadjusted value indications range from a low of \$4.02 per square foot to a high indication of \$13.50 per square foot. The comparable sales examined each have some characteristics in common with the subject site. After adjustments have been applied for those factors that vary from the subject, we are presented with a range in values that might be applied to the subject land.

The adjustments to the comparable properties discussed above may be more graphically illustrated in the sales adjustment grid on the following page. The sequence of adjustments of the transactional items (property rights, financing, conditions of sale, immediate expenditures and market conditions) are typically applied in the order they are listed, and an adjusted price is calculated after each adjustment. The property adjustments are each applied, in no particular order, to the adjusted price after all transactional adjustments are made. An adjusted price is not made after each separate property adjustment.

Table 2 – Land Sales Adjustment Grid

Comparable No.		1	2	3	4	5	SUBJECT
Sale Price		\$2,250,000.00	\$3,016,648.00	\$700,000.00	\$1,500,000.00	\$1,500,000.00	
Date of Sale		04/17	03/18	04/18	04/18	Listing	Mid-Block 112,293 RU-43
Elapsed Time (months)		22	11	10	10	0	
Frontage		Corner	Corner	Mid-Block	Interior	Corner	
Land Area – Square Feet		365,904	347,609	174,240	111,078	185,958	
Zoning		PAD	MF/M	R1-35	MF/L	PAD	
Sale Price per Square Foot of Land		\$6.15	\$8.68	\$4.02	\$13.50	\$8.07	
Transactional Adjustments							
Property Rights		0%	0%	0%	0%	0%	
Adjusted Price		\$6.15	\$8.68	\$4.02	\$13.50	\$8.07	
Financing		0%	0%	0%	0%	0%	
Adjusted Price		\$6.15	\$8.68	\$4.02	\$13.50	\$8.07	
Conditions of Sale		0%	0%	0%	0%	-10%	
Adjusted Price		\$6.15	\$8.68	\$4.02	\$13.50	\$7.26	
Immediate Expenditures		0%	0%	0%	0%	0%	
Adjusted Price		\$6.15	\$8.68	\$4.02	\$13.50	\$7.26	
Market Conditions		0%	0%	0%	0%	0%	
Adjusted Price		\$6.15	\$8.68	\$4.02	\$13.50	\$7.26	
Property Adjustments							
Location		0%	0%	0%	-25%	0%	
Physical Characteristics							
Land Area		+5%	+5%	0%	0%	0%	
Access		-10%	-10%	-5%	0%	-10%	
Offsite Improvements		-10%	-10%	-10%	-10%	-10%	
Economic Characteristics		0%	0%	0%	0%	0%	
Legal Characteristics							
Use/Zoning		-10%	-10%	0%	-10%	-10%	
Non-Ready Components		0%	0%	0%	0%	0%	
Net Adjustment		-25%	-25%	-15%	-45%	-30%	
Indicated Unit Value		\$4.61	\$6.51	\$3.42	\$7.43	\$5.08	

After adjustment for those elements that differ from the subject property, the indicated range is from \$3.42 per square foot to \$7.43 per square foot, with a mean value of \$5.41 per square foot. I believe that the subject property may be reasonably and fairly placed within this range.

Comparable No. 4 is the most similar in terms of land area but could otherwise be considered the least comparable since it required the largest adjustment of the comparable properties examined. Conversely, Comparable No. 3 required the smallest adjustment and might be considered the most similar. Comparable Nos. 3 and 4 developed the upper and lower ranges in the indicated values. The remaining three comparable properties developed a narrower range in values. All things considered, it is my opinion that the subject property could reasonably be placed in the middle to lower portion of the range in indicated values.

Based upon the preceding analysis, a value of \$4.25 per square foot represents a reasonable expectation of the probable market value of the subject land. Therefore, the indication of value for the subject land, as of the current date of valuation and given a reasonable period of exposure, is \$477,200.00, and can be calculated as follows:

112,293 square feet at	\$4.25 per square foot =	\$	477,245.25
	rounded to,	\$	477,200.00

Income Capitalization Approach

Introduction

The procedures involved in this approach to value simulate much of the same analyses performed by an investor in the acquisition of real estate. Rather than employing an individual's investment objectives, however, general market objectives for the typical investor are substituted so that the resultant value indication represents market value. The Appraisal Institute describes the income capitalization approach to value as follows:

The income capitalization approach to value consists of methods, techniques, and mathematical procedures than an appraiser uses to analyze a property's capacity to generate benefits (i.e., usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value.²³

The underlying premise of the income capitalization approach is the principle of anticipation. The definition above implies that the value of a property is created as a result of the anticipation of future benefits derived from that property. These future benefits can either be an income stream produced by the property, a lump sum at the time of sale of the property (referred to as a reversion), or both the income stream and reversion. These cash flows are processed into an indication of value by use of capitalization techniques. The direct and yield capitalization methods are typically examined.

Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only one year's income is used. Yield and value change are implied, but not explicitly identified.²⁴

Yield capitalization is the capitalization method used to convert future benefits, typically a periodic income stream and reversion, into present value by discounting each future benefit at an appropriate rate or by applying an overall rate (developed using one of the yield capitalization methods) that explicitly reflects the investment's income pattern, change in value, and yield rate.²⁵

The income capitalization approach will not be utilized in this appraisal. Vacant land is not typically owned for the potential of providing an income stream to an investor. While ground leases of vacant land do occur, they are not considered to be an investment vehicle capable of producing an income stream commensurate with the market value of the underlying land.

²³ *The Appraisal of Real Estate*, 14th ed. (Chicago: Appraisal Institute, 2013) p439

²⁴ *Ibid*, p491

²⁵ *Ibid*, p509

Cost Approach

Introduction

In this approach to value, an estimate is made of the reproduction or replacement cost new of any improvements on the property. Depreciation from all causes is then deducted and the land value is added to provide an indication of value for the entire property. The cost approach is of most value when dealing with improvements that are new or in like new condition. The Appraisal Institute describes the cost approach to value as follows:

In the cost approach, appraisers compare the cost of the subject improvements as evidenced by the cost of construction of substitute properties with the same utility as the subject property. The estimate of development cost is adjusted for market-extracted losses in value caused by the age, condition, and utility of the subject improvements or for locational problems. The land value is then added, usually based on comparison with sales of comparable sites. The sum of the value of the land and the improvements is adjusted for the rights included with the subject property again based on market comparisons.²⁶

The basic premise of the cost approach is the principle of substitution that holds that when several commodities or services with the same utility are available, the one with the lowest price attracts the greatest demand and the widest distribution. As applied to the cost approach, a prudent individual would not pay more to purchase an existing building than the amount at which a property of equal desirability and utility can be obtained through the purchase of a site and the construction of the improvements without undue delay.

The property that is the subject of this appraisal is a vacant tract of land. The cost approach to value is not germane in the valuation of the subject property since there are no building improvements on the property to be considered in this analysis.

²⁶ The Appraisal of Real Estate, 14th ed. (Chicago: Appraisal Institute, 2013) p561

Reconciliation of Value

The concluding step in the valuation process is to evaluate the alternative conclusions of value indicated by each of the traditional approaches to value to arrive at a reconciled indication of value. The indications of value provided by the approaches to value applied in this appraisal can be summarized as follows:

Sales Comparison Approach	\$477,200.00
Income Capitalization Approach	Not Applicable
Cost Approach	Not Applicable

The sales comparison approach is often considered to provide the most reliable indication of value because it addresses direct sales of comparable properties. We have found properties which are believed to share some characteristics with the subject and have been able to make adjustments for those characteristics which differ from the property to be appraised. After adjustment, each of the properties compared to the subject property results in a reasonable indication of value for the subject property. Since the subject property is a vacant tract of land, this is the only approach applied and presented in this analysis.

An income approach to value is often preferred when analyzing the value of an income producing property such as the subject. Through the application of the income capitalization approach to value, an overall capitalization rate is applied to the net income of the subject property, or a multiplier is applied to the potential gross rent of the subject property, to arrive at an indication of value. This approach to value is generally preferred for appraising income-producing properties because it can measure the value of future anticipated cash flows. This approach to value has not been applied in this appraisal.

In the cost approach to value, the depreciated replacement value of the subject improvements were analyzed as of the date of valuation, including the contributing value of the land as if vacant. There are inherent difficulties in accurately estimating the total accrued depreciation when applying the cost approach to value to a property that is not new, or in like new condition. The measurement of accrued depreciation will more often than not be a subjective determination by the appraiser. While this approach can and does provide a benchmark against the other indications of value, the indication of value from the cost approach to value is typically given little weight in the valuation of a property. This approach to value has not been applied in this appraisal.

The subject property is appraised under its highest and best use, and with a reasonable exposure period of less than twelve months. Based on the analyses presented herein and the indications of value provided by the traditional approaches to value, it is my final conclusion that the market value of the fee simple interest of the subject property, as of January 31, 2019, is:

FOUR HUNDRED SEVENTY-SEVEN THOUSAND TWO HUNDRED DOLLARS

\$477,200.00

Certification

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

- The statements of fact contained in this report are to the best of my knowledge and belief, true and correct and that no information has knowingly been withheld.
- The analyses, opinions and conclusions are my personal, impartial and unbiased professional opinions which are limited only by the Underlying Assumptions and Limiting Conditions contained herein. Unless otherwise acknowledged in this report, no one has provided significant professional assistance in the preparation of this report.
- I have no interest or bias, present or contemplated, in the property appraised or any personal interest in the parties involved.
- I have performed no 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.
- No one provided significant real property appraisal assistance to the person signing this certification.
- Neither my employment to make the appraisal, nor the compensation is contingent on the development or reporting of a predetermined value for the property, a direction in value which favors the cause of the client, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- I have personally inspected the property which is the subject of this report.
- This appraisal was made in accordance with the *Uniform Standards of Professional Appraisal Practice* of the Appraisal Foundation.
- This appraisal complies with the Code of Ethics and Standards of Professional Practices of the American Society of Appraisers. Furthermore, the American Society of Appraisers has a mandatory recertification program for all of its Senior members, and I am in compliance with that program.
- 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 Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the Standards and Ethics Education Requirements for Practicing Affiliates of the Appraisal Institute.

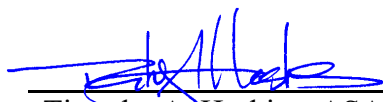
Therefore, based upon the preceding data and discussion, together with the appraiser's best judgment and experience, the market value of the subject property as of January 31, 2019, is:

FOUR HUNDRED SEVENTY-SEVEN THOUSAND TWO HUNDRED DOLLARS

\$477,200.00

Respectfully submitted,

FIRST APPRAISAL SERVICES



Timothy A. Haskins, ASA

Arizona Certified General Real Estate Appraiser No. 30668

**RIGHT-OF-WAY SECTION APPRAISAL SERVICES
CERTIFICATE OF APPRAISER**

Project Number: M697201X
Parcel Number: L-M-415

I hereby certify:

That I personally inspected the property herein appraised, and that I have afforded the property owner 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 as represented by the photographs contained in the appraisal.

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 to responsibility for such condition. Or for engineering which might be required to discover such factors. That unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present in the property was not observed by myself or acknowledged by the owner. This 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 condition, or for any expertise or engineering knowledge required to discover them.

That my analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the ADOT ROW Procedures Manual, Chapter 4, Appraisal Standards and Specifications (2016); the Federal Highway Administration (FHWA) Uniform Act, 49 CFR Part 24; and the Uniform Standards of Professional Appraisal Practice (USPAP 2018-2019) guidelines.


That this appraisal has further been made in conformity with the appropriate state and federal laws, regulations policies, and procedures applicable to the 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 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.

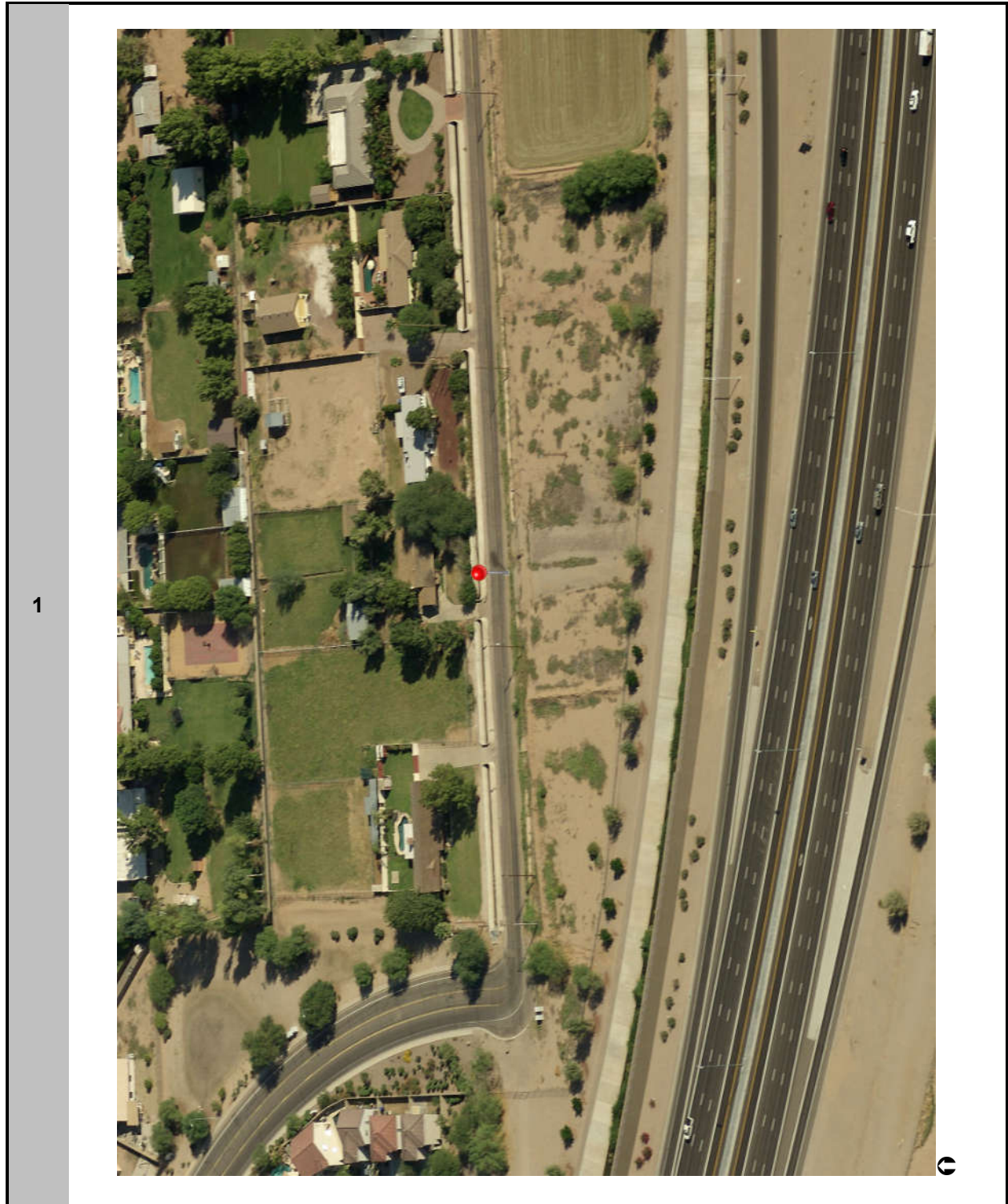
That I have not revealed the findings and result of such appraisal to anyone other than the property officials of the Arizona Department of Transportation or officials of the Federal Highway Administration, and I will not do so unless authorized by proper state officials, or until I am required to do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

That my opinion of the Market Value of the property, as of January 31, 2019, is FOUR HUNDRED SEVENTY-SEVEN THOUSAND TWO HUNDRED DOLLARS (\$477,200.00), based on my independent appraisal and the exercise of my professional judgment.

DATE: 5/3/2019 SIGNATURE: 

Underlying Assumptions and Limiting Conditions

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. A legal description was not furnished to the appraiser, unless so noted in the text of this report. 2. The title to the property is marketable, free and clear of all liens. 3. The property does not exist in violation of any applicable codes, ordinances, statutes or other governmental regulations. 4. The appraiser was not furnished with a specific site survey, unless one is cited in the text of this report. 5. The property is appraised as if owned in fee simple title without encumbrances, unless otherwise mentioned in this report. This fee simple estate contains the sum of all fractional interests which may exist. 6. Responsible ownership and competent management exist for the property. 7. Adequate utility services are available for the subject property and that they will continue to be so in the foreseeable future. 8. The appraisers are not responsible for the accuracy of the opinions furnished by others and contained in this report, nor are they responsible for the reliability of government data utilized in the report. 9. The compensation for appraisal services rendered is dependent only upon the delivery of this report and compensation is not contingent upon the values estimated. 10. This report considers nothing of a legal character and the appraisers assume no responsibility for matters of a legal nature. 11. Testimony or attendance in court is not required by reason of this appraisal, unless arrangements are previously made. 12. Any information furnished by the property owner, agent, or management is correct as received. 13. The appraisers assume that there are no hidden or unapparent conditions of the property, sub-soil or structures which could render it more or less valuable than an otherwise comparable property, unless such is stated in the report. 14. This appraisal will not take into consideration the possibility of the existence of asbestos, PCB transformers, urea formaldehyde foam insulation, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (containing hazardous materials), or the cost of encapsulation or removal thereof. The appraisers are not qualified to detect or evaluate such substances. 15. Should the client have a concern over the existence of such substances, they are urged to retain the services of a qualified independent engineer or contractor to determine the extent of the condition and the cost of any required or desired treatment or removal. The cost must be borne by the client or owner of the property, however, this cost has not been considered in the valuation of the property. 16. Virtually all land in Arizona is affected by pending or potential litigation by various Indian tribes claiming superior water rights for their reservations. The amounts claimed and the effects on other water users are largely undetermined, but the claims could result in some curtailment of water usage or ground water pumping on private land. The Ground Water Management Act (as amended) may also restrict future ground water pumping in various parts of the State. Given this uncertainty, neither the undersigned nor any of their representatives can make warranties concerning rights to or adequacy of the water supply with respect to the premises, although the sale of premises include such water rights as are appurtenant thereto. | <ol style="list-style-type: none"> 17. The appraisers cannot predict or evaluate the possible effects of future wage price control actions of the government upon retail 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. The market value estimated is as of the date of the estimate. All dollar amounts are based on the purchasing power of the dollar as of that date. 18. Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use; the physical report(s) remain the property of the appraiser for the use of the client, the fee being for the analytical services only. 19. Neither all nor any part of this appraisal report shall be given to third parties without the prior written consent of the signatories of this appraisal report. Neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations, news, sales or other media for public communication without the prior written consent of the appraiser(s). 20. 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(s). No part of this appraisal may be reproduced without the permission of the appraisers. 21. This appraisal is to be used only in its entirety and no part is to be used without the whole report. All conclusions and opinions concerning the analysis as set forth in the report were prepared by the appraiser(s) whose signature(s) appear on the appraisal report. No change of any item in the report shall be made by anyone other than the appraiser. The appraiser shall have no responsibility if any such unauthorized change is made. 22. The appraiser may not divulge the material contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or his designee as specified in writing except as may be required by a court of law or body with the power of subpoena. 23. The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photos, if any, are included for the same purpose as of the date of the photos. Site plans are not surveys unless so designated. 24. On-site or off-site proposed improvements, if any, as well as any repairs required, are considered for purposes of this appraisal to be completed in good and workmanlike manner according to information submitted and/or considered by the appraisers. In cases of proposed construction, the appraisal is subject to change upon inspection of the property after construction is completed. 25. The authentic copies of this report are signed in blue ink and have been bound. Any copy that does not have the above is unauthorized and may have been altered. 26. Acceptance of, and/or use of, this appraisal report by client constitutes acceptance of the foregoing conditions in their entirety. Appraiser liability extends only to the identified client, not subsequent parties or users, and is limited to the amount of fee received by the appraiser. Use or reliance upon this report by third parties is specifically prohibited. |
|---|--|



Aerial view of the subject property

2



View east across the subject property

3



View west across the subject property

4



View northwest across the subject property

5



View west along the northern boundary

6



View south along east boundary toward the cellular tower improvements

7



View of cellular tower improvements

8



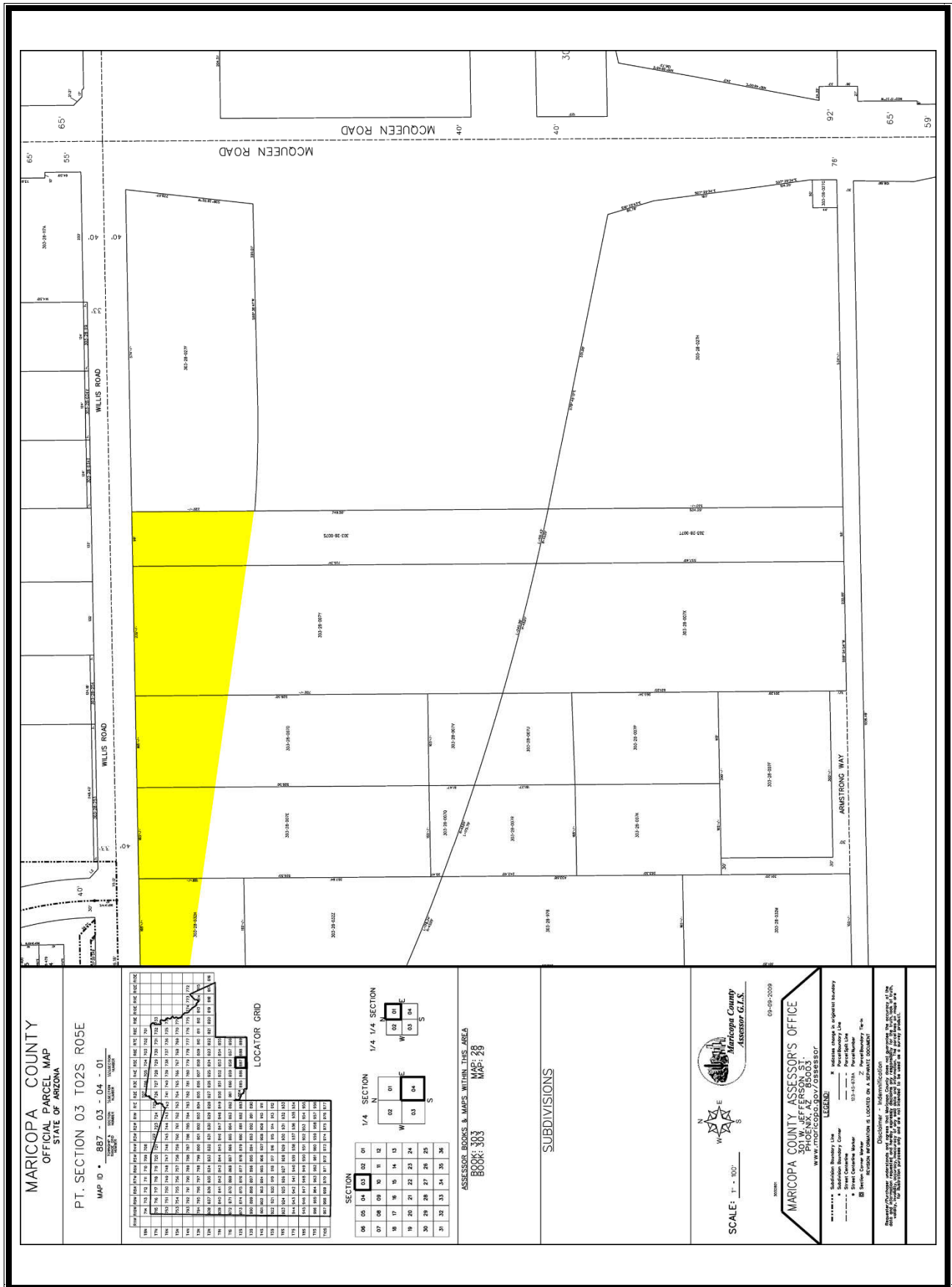
View west along Willis Road

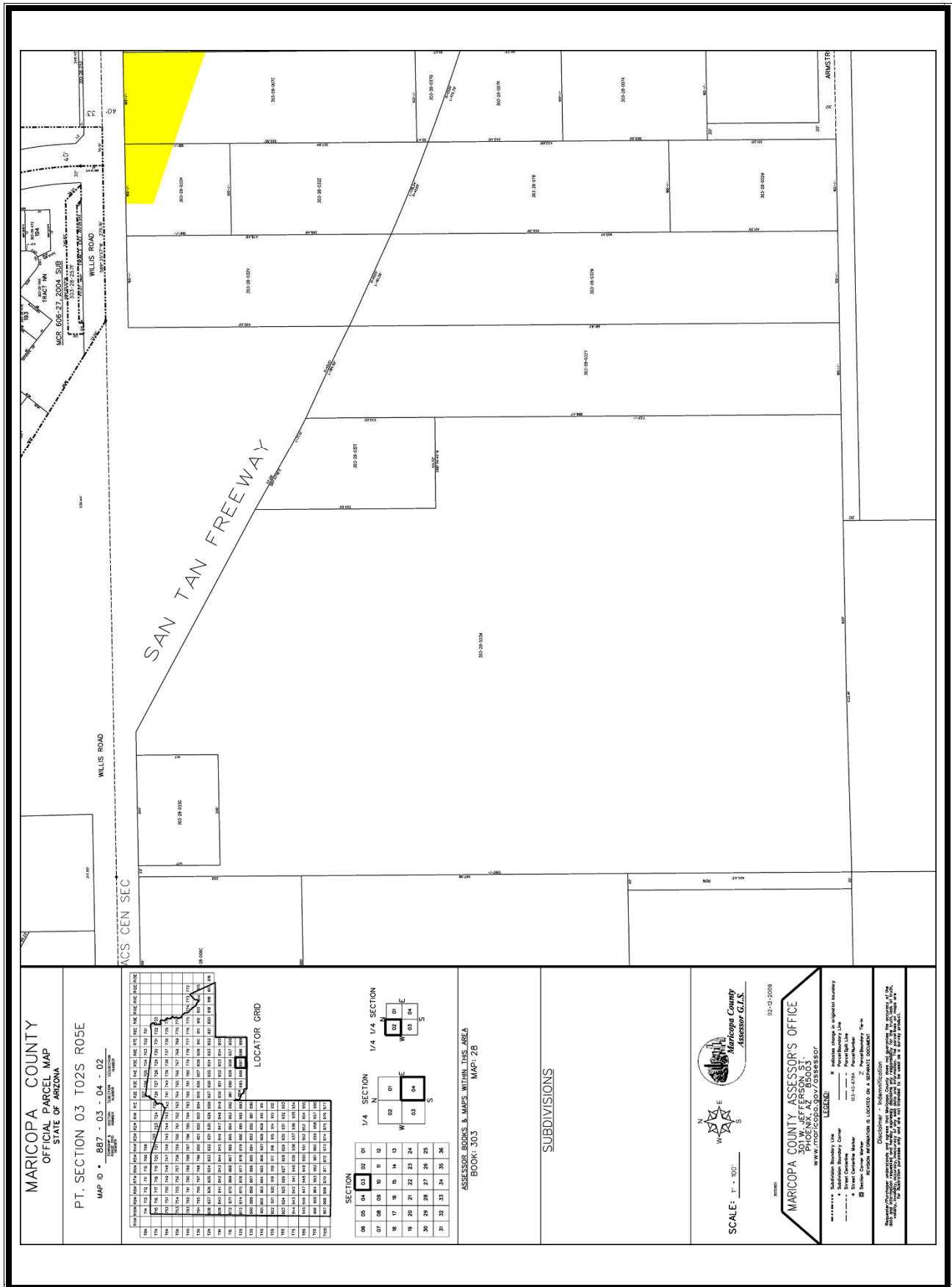
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View east along Willis Road









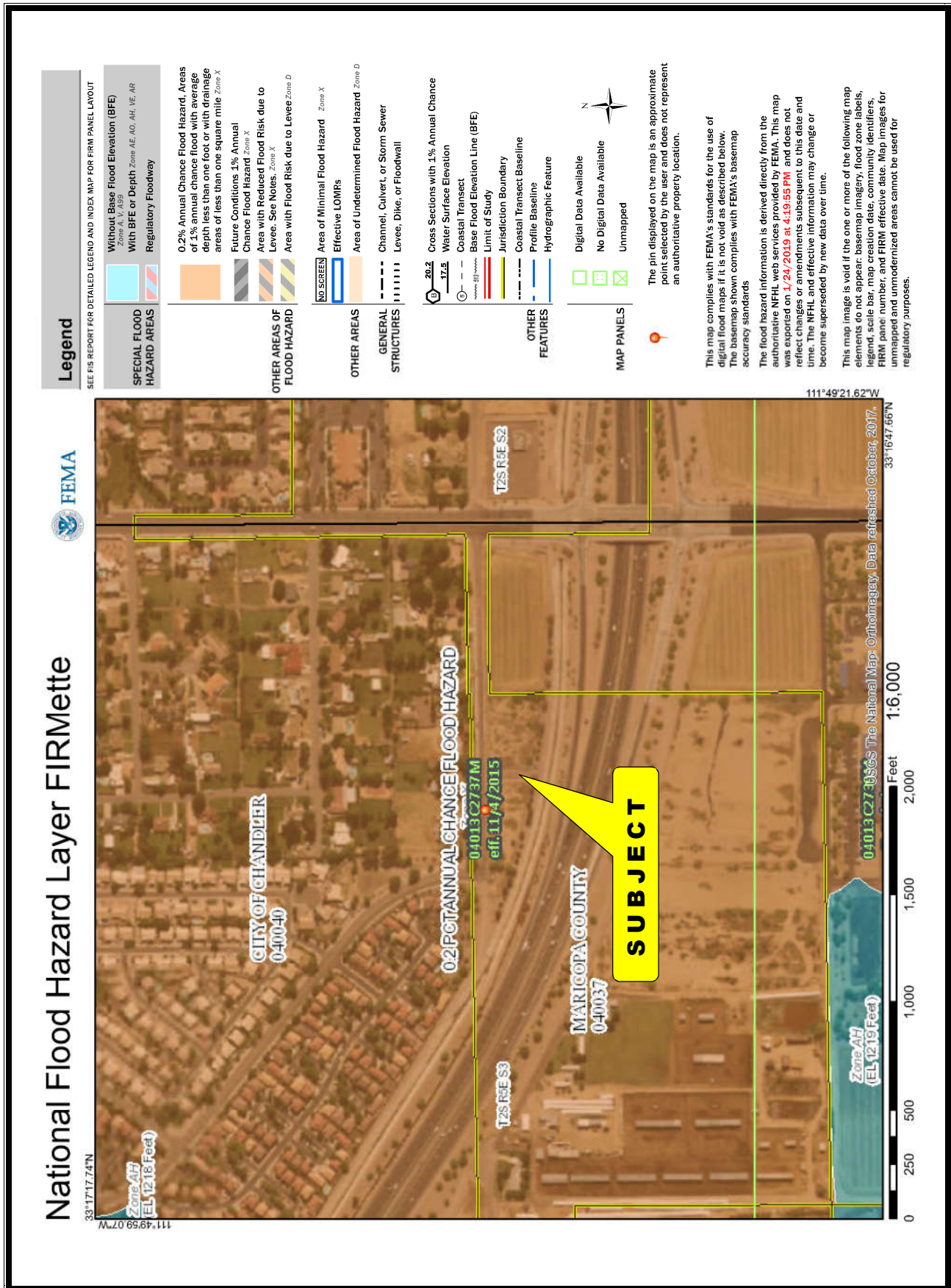


EXHIBIT "A"

That portion of the North half of the North half of the Southeast quarter (N½N½SE¼) of Section 3, Township 2 South, Range 5 East, Gila and Salt River Meridian, Maricopa County, Arizona, as shown in the records of the Arizona Department of Transportation plan labeled SANTAN FREEWAY, 600-7-803, 202 L MA 000 H5381 01R, Arizona Ave – Gilbert Rd, described as follows:

Commencing at a 5/8 inch rebar marking the Center quarter corner of said Section 3, being South 88°54'49" West 2649.34 feet from a COC brass cap marking the East quarter corner of said Section 3;

thence along the East–West mid section line of said Section 3 North 88°54'49" East 1003.55 feet to the existing northeasterly right of way line of State Route 202L (SANTAN FREEWAY);

thence along said existing northeasterly right of way line of State Route 202L South 71°56'22" East 121.95 feet to the existing southerly right of way line of Willis Road being 40.00 feet South of and parallel with the North line of said Section 3;

thence along said existing southerly right of way line of Willis Road North 88°54'49" East 86.56 feet to the POINT OF BEGINNING;

thence continuing along said existing southerly right of way line of Willis Road North 88°54'49" East 781.15 feet to the East line of the West half of the Northeast quarter of the Southeast quarter (W½NE¼SE¼) of said Section 3;

thence along said East line of the West half of the Northeast quarter of the Southeast quarter (W½NE¼SE¼) of Section 3 South 00°19'10" East 219.34 feet to said existing northeasterly right of way line of State Route 202L;

thence along said existing northeasterly right of way line of State Route 202L, from a Local Tangent Bearing of North 86°08'46" West, along a curve to the Right, having a radius of 2500.00 feet, a length of 619.88 feet;

thence continuing along said existing northeasterly right of way line of State Route 202L North 71°56'22" West 183.66 feet;

thence North 01°09'00" West 30.07 feet to the POINT OF BEGINNING.

(continued)

PAGE 1

PROJECT: 202L MA 000 H5381

LOCATION: Arizona Ave. – Gilbert Road

PARCEL: L-M-415

cg 11-26-18

EXCEPTING THEREFROM:

A portion of the East 98 feet of the East half of the West half of the Northeast quarter of the Southeast quarter (E½W½NE¼SE¼) of Section 3, Township 2 South, Range 5 East of the Gila and Salt River Meridian, Maricopa County, Arizona, described as follows:

COMMENCING at a COC brass cap marking the East quarter corner of said Section 3, from which a 5/8 inch rebar marking the Center quarter corner of said Section 3 bears South 88°54'49" West 2649.34 feet;

thence along the East – West mid section line of said Section 3 South 88°54'49" West 669.76 feet;

thence South 01°05'11" East 40.00 feet to the South line of the North 40.00 feet of said Southeast quarter;

thence South 00°19'10" East 172.58 feet;

thence North 90°00'00" West 22.03 feet;

thence South 00°00'00" East 6.02 feet to the POINT OF BEGINNING;

thence North 90°00'00" East 24.09 feet;

thence South 00°00'00" East 20.00 feet;

thence North 90°00'00" West 37.62 feet;

thence North 00°00'00" East 20.00 feet;

thence North 90°00'00" East 13.53 feet to the POINT OF BEGINNING.

RESERVING unto the Grantor or its assigns, an ACCESS and UTILITY EASEMENT over the following:

A portion of the East 98 feet of the East half of the West half of the Northeast quarter of the Southeast quarter (E½W½NE¼SE¼) of Section 3, Township 2 South, Range 5 East of the Gila and Salt River Meridian, Maricopa County, Arizona, being a strip 12.00 feet wide, lying 6.00 feet on each side of the following described centerline:

COMMENCING at said East quarter corner of Section 3;

thence along said East – West mid section line of Section 3 South 88°54'49" West 669.76 feet;

(continued)

PAGE 2

PROJECT: 202L MA 000 H5381	LOCATION: Arizona Ave. – Gilbert Road	PARCEL: L-M-415
cg 11-26-18		

thence South 01°05'11" East 40.00 feet to the POINT OF BEGINNING on the South line of the North 40.00 feet of said Southeast quarter;

thence South 00°19'10" East 3.00 feet to a Point "A" for later identification;

thence continuing South 00°19'10" East 169.58 feet;

thence North 90°00'00" West 22.03 feet to the POINT OF ENDING.

TOGETHER WITH a 4.00 foot wide utility easement, lying 2.00 feet on each side of the following described centerline:

BEGINNING at aforementioned Point "A";

thence South 88°56'03 West 66.80 feet;

thence North 00°01'23" East 2.98 feet to the POINT OF ENDING on said South line of the North 40.00 feet of said Southeast quarter.

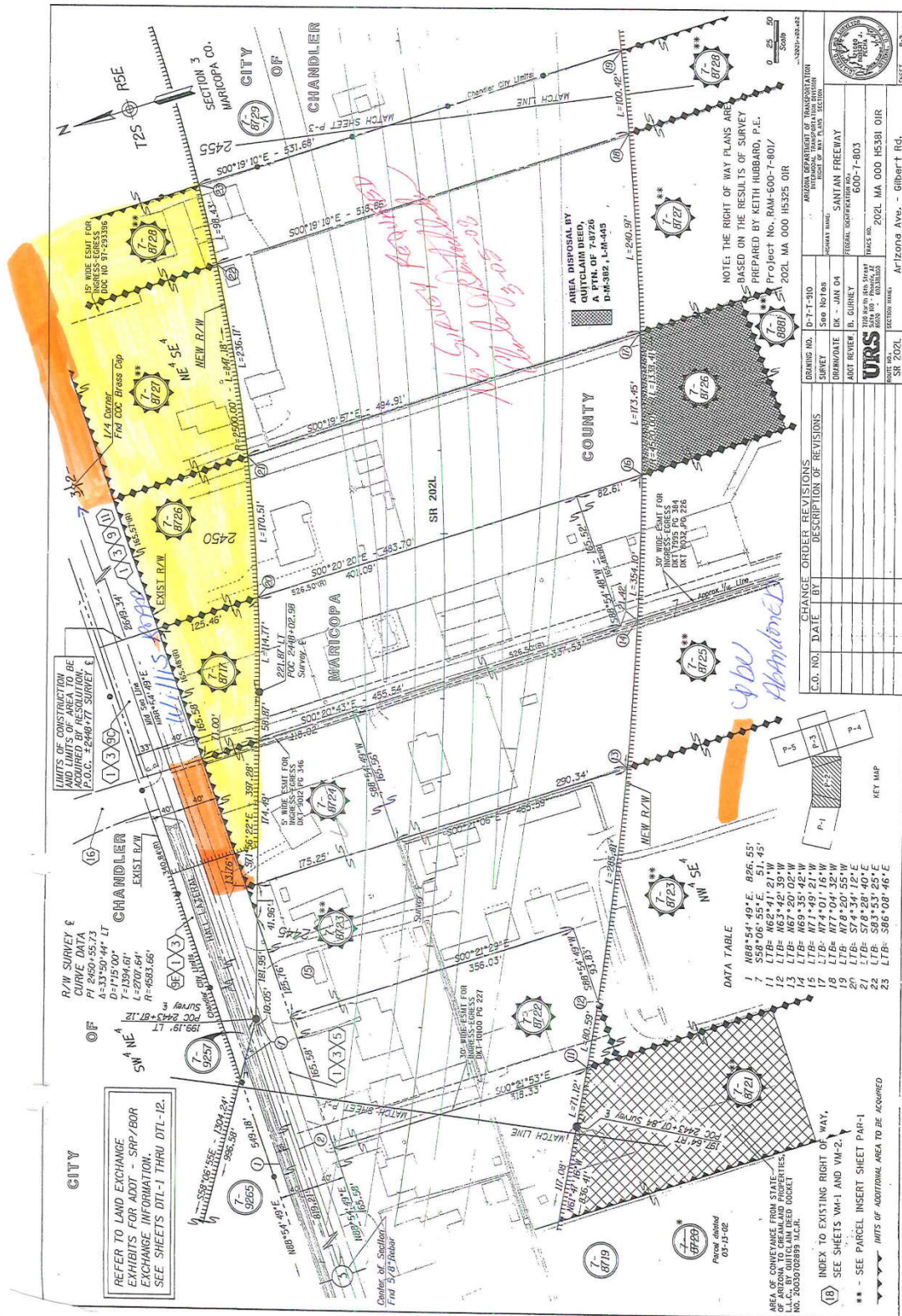
111,541 square feet, more or less, with 2,306 square feet encumbered by the Access Easement and 279 square feet encumbered by the Utility Easement.

There shall be no right or easement of access to, from or between the parcel of land described above and said State Route 202L.

GRANTOR RESERVES unto the public and various utility companies, easements for existing utilities, if any, within the above described property, in accordance with Arizona Revised Statute 28-7210. Access to the existing utilities will be by way of what exists at the time of the conveyance and shall be the responsibility of the Grantee herein and of the public or utility companies to show where that access is located.

PAGE 3

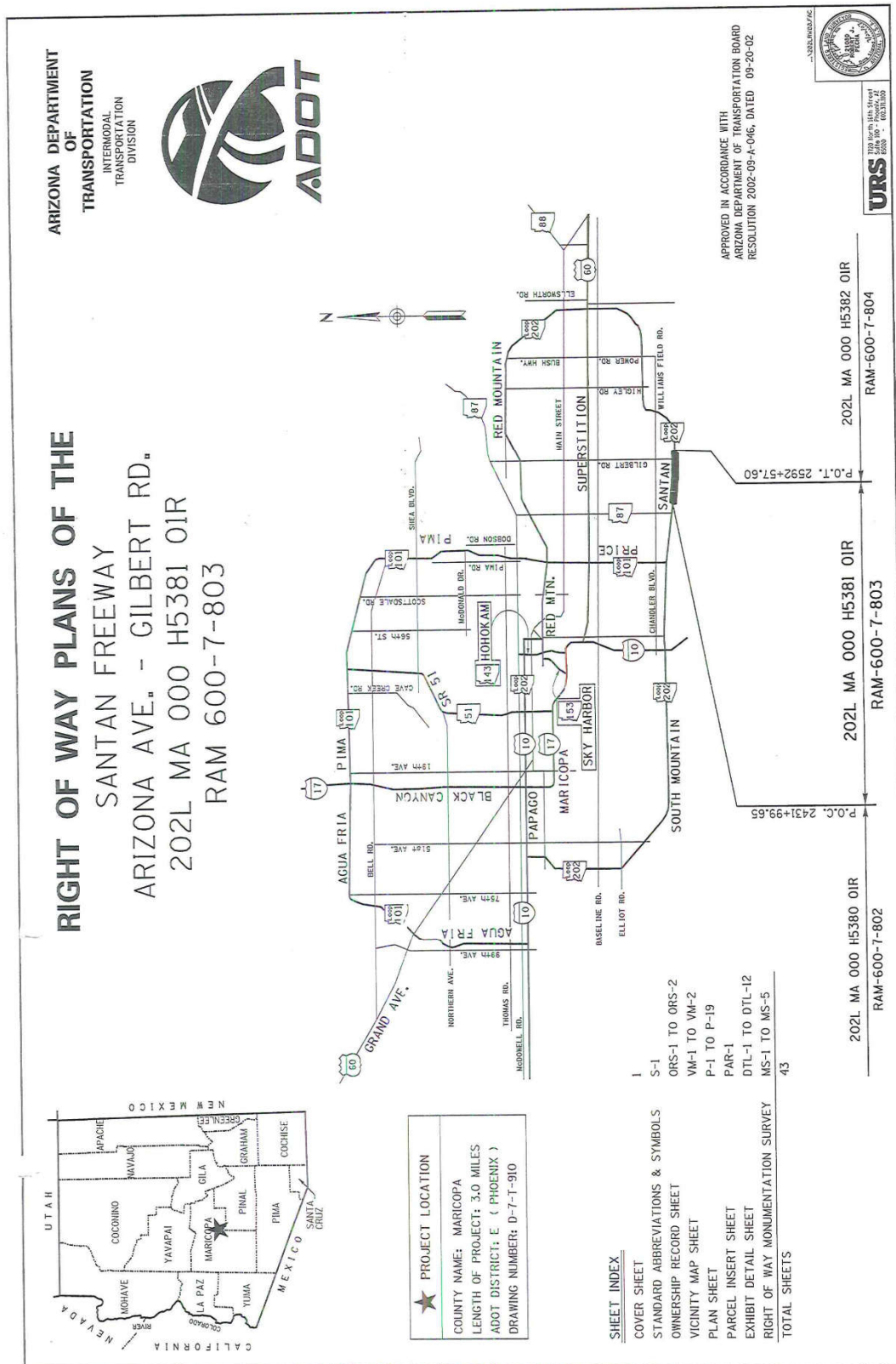
PROJECT: 202L MA 000 H5381	LOCATION: Arizona Ave. – Gilbert Road	PARCEL: L-M-415
		cg 11-26-2018





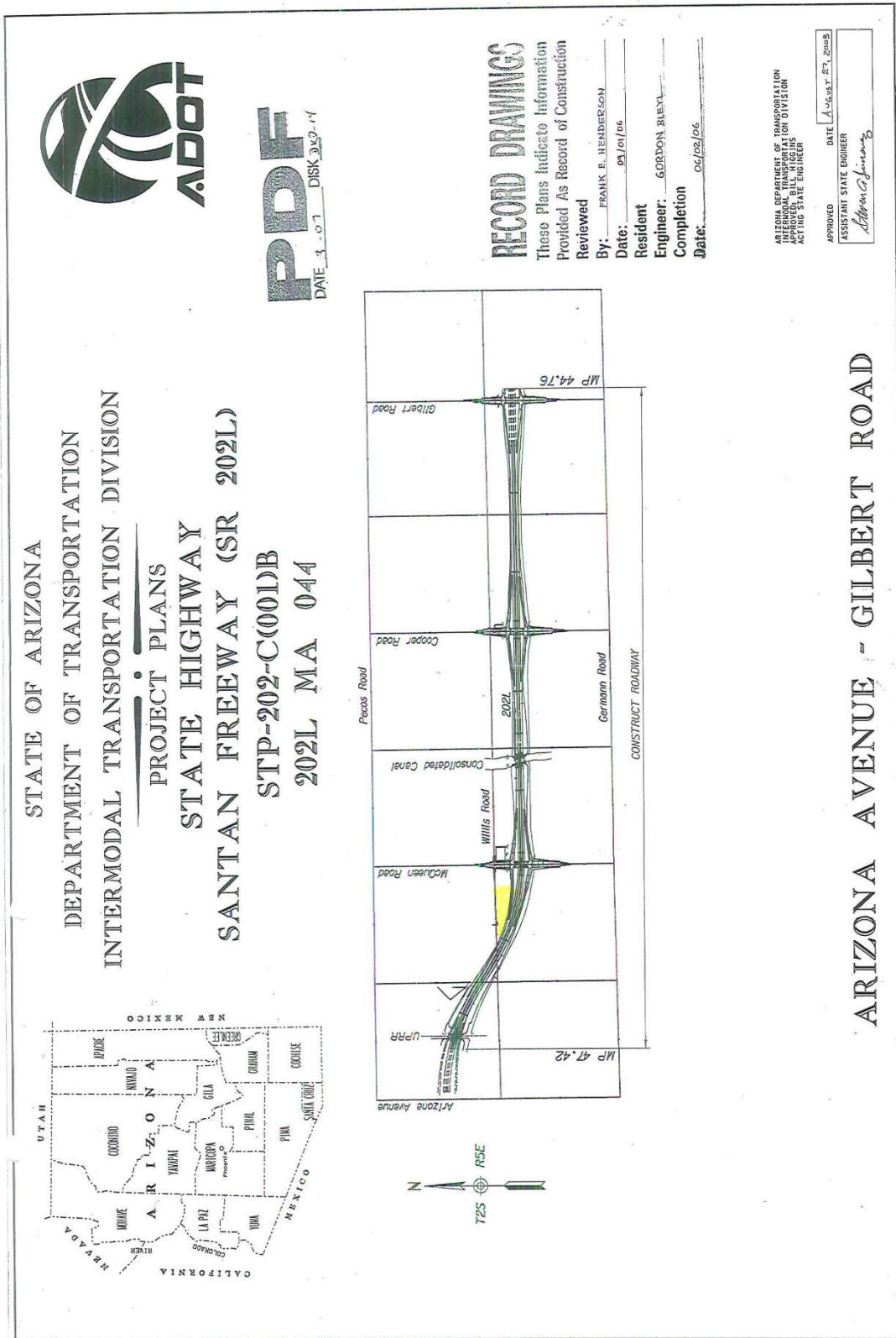
RIGHT OF WAY - STANDARD ABBREVIATIONS & SYMBOLS

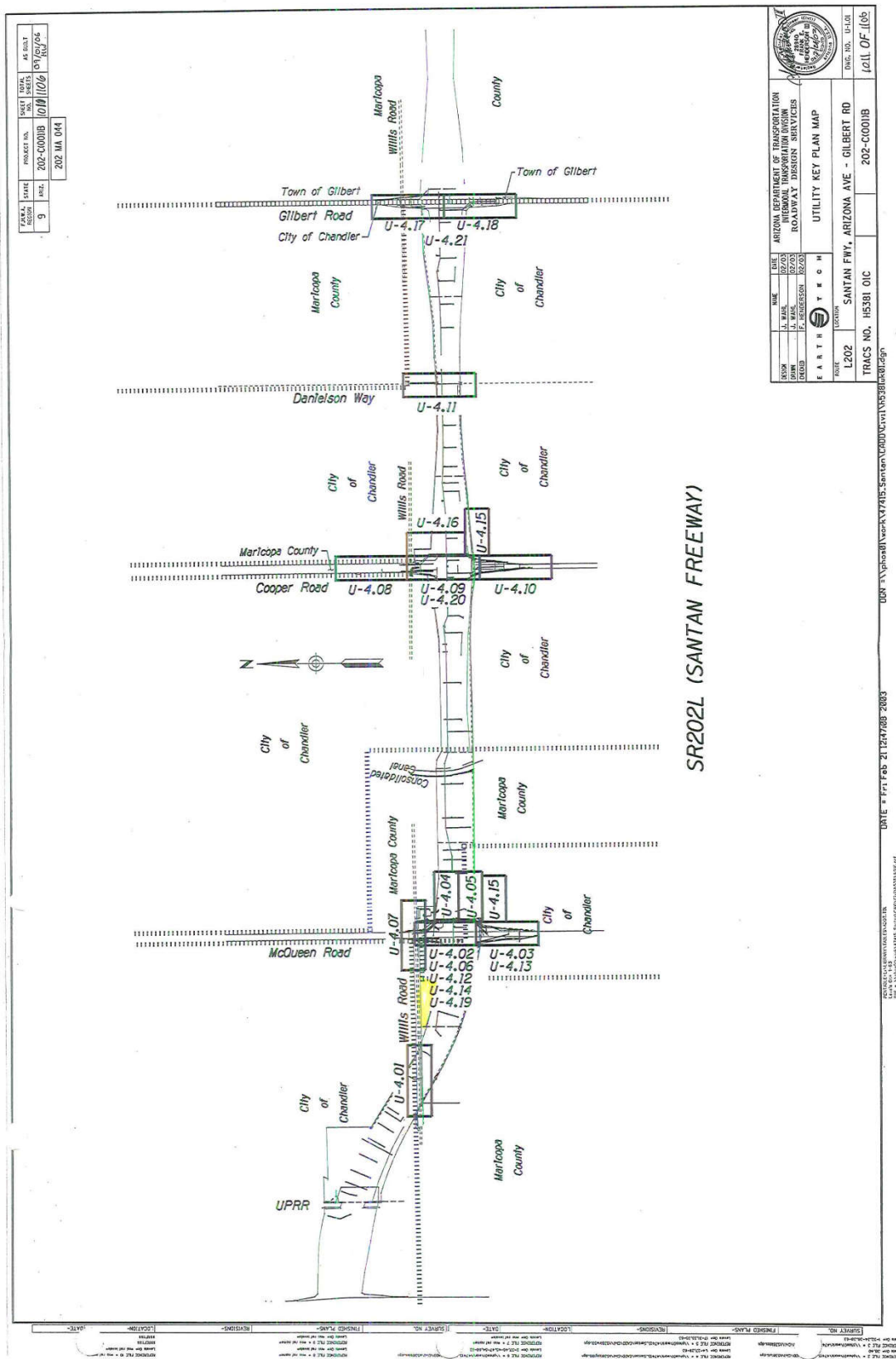
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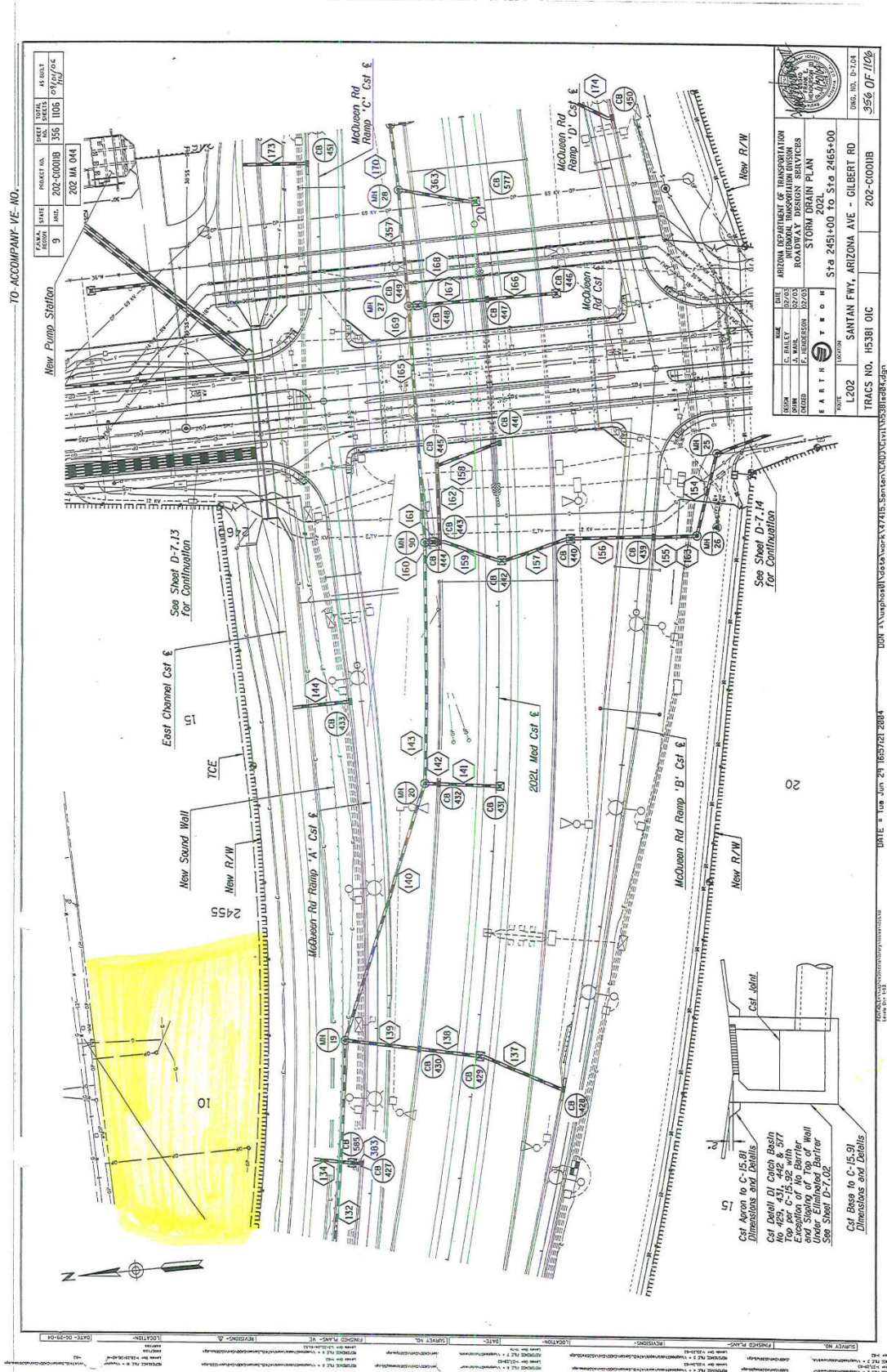












ARIZONA DEPARTMENT OF TRANSPORTATION
ENGINEERING CONSULTANTS SECTION

CONTRACT MODIFICATION

Contract Number:	2016-018.07	Modification Number:	24
Consultant:	First Appraisal Services, Inc.		
Project Name:	Right Of Way Statewide Appraisal On-Call Services		
Project Number:	Various	FA	Non-FA <u>XX</u>

Bilateral Supplemental Agreement: XX

FOR VALUABLE CONSIDERATION, it is mutually agreed that Section 2.01, "Scope of Work", is amended to include the work detailed in the Project Manager's letter dated December 13, 2018, which is attached hereto and made a part hereof, shall be performed and payment made as shown therein, all in accordance with the terms of the contract. It is understood that the State is unable to perform this work at the present time and the Consultant's fee has been reviewed relevant to the Scope of Work and is considered satisfactory. All other terms and conditions of the contract remain unchanged, and shall govern in the event of a conflict with any statement in the aforementioned letter.

TIME EXTENSION: As detailed in the attached correspondence from the N/A, an extension of contract time is hereby requested for N/A calendar days. It is hereby specified that the work is to be completed within 1095 calendar days from date of authorization to proceed, or by August 19, 2019, the adjusted contract completion date.

Unilateral Change Order: _____

THE FOLLOWING CHANGE(S), as detailed in the State's directive dated N/A, which is attached hereto and made a part hereof, shall be performed in strict accordance with the terms and conditions of the contract. All other terms and conditions of the contract remain unchanged.

ADOT Project Number: M697201X
Federal Project Number: N/A
Task Order Number: 13

TOTAL DIFFERENCE

Additional Funds

Arizona Ave-Gilbert Rd.
Parcel # L-M-415

PLUS	MINUS
\$2,900.00	-0-

Approved for the Consultant
First Appraisal Services, Inc.

By

Signature

Name Timothy A. Haskins
Type or Print Name

Title OwnerDate 1/10/2019

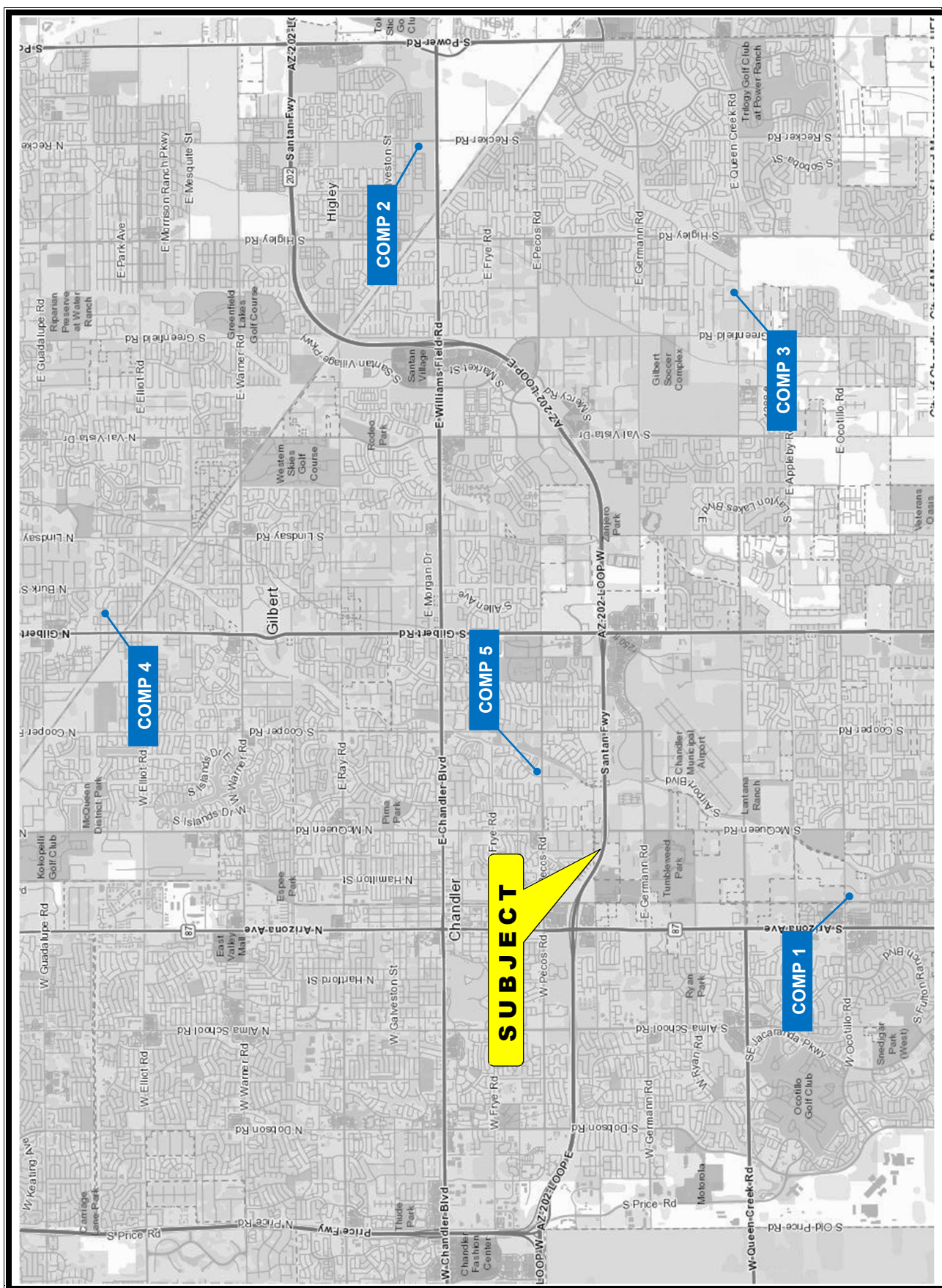
Approved for the State
Arizona Department of Transportation

By

Signature

Name Greg WristenTitle ECS MANAGERDate 1/10/19

"By signing this document, the Consultant declares that the contract modification was reviewed and to the best of the consultant's knowledge and belief, it is true, correct, and approved. Both parties agree that manually or electronically signing and submitting the contract modification via a PDF document by email is acceptable and constitutes a binding agreement."



Comparable No. 1**Property Information**

Property Type:	Vacant Land		
Location:	Ocotillo Road east of Arizona Avenue		
Address:	None Given		
City, State ZIP:	Chandler, Arizona 85249	Map Reference:	184-178MK
		County:	Maricopa
Land Area:	365,904 square feet 8.400 acres	Zoning Authority:	City of Chandler
		Zoning District(s):	PAD
		Flood Hazard Zone(s):	X
Legal Description:	Part of the NW¼ of Section 22, Township 2 South, Range 5 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona		
Parcel Number(s):	303-46-109A; 303-55-975		

Topography:	Level	Building Area:	NA	LBR	NA
Access:	Paved Road	Year Built:	NA	Parking:	NA
Utilities	At property	No. of Stories:	NA	Clear Height:	NA
		Occupancy:	NA	Percent Office:	NA

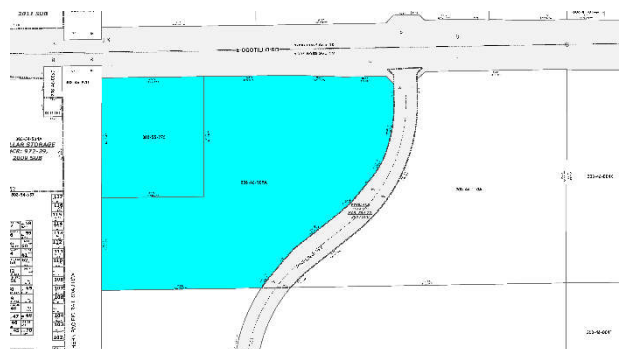
Sale Information

Grantor:	Pine Forest Properties, Inc.		
Grantee:	Lennar Arizona, Inc.		
Date of Sale:	April 2018		
Sales Price:	\$2,250,000.00 \$6.15 per square foot	Terms:	\$2,250,000.00 (100%) cash down All cash sale
Recordation:	8/3/2018 Special Warranty Deed 2018-0592478	Three Year Sales History:	None

Source/Confirmation: CoStar Group; Recorded Affidavit of Property Value

Comments:

This site is generally level and at grade with the abutting properties and roadways. Surrounding land uses include a mix of residential and commercial development, as well as vacant land. This property was purchased for residential development.



Comparable No. 2



Property Information

Property Type:	Vacant Land		
Location:	Recker Road north of Williams Field Road		
Address:	2210 S. Recker Road		
City, State ZIP:	Gilbert, Arizona 85295		
Land Area:	347,609 square feet 7.980 acres	Zoning Authority:	Town of Gilbert
		Zoning District(s):	MF/M
		Flood Hazard Zone(s):	X
Legal Description:	Part of the SE¼ of Section 26, Township 1 South, Range 6 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona		
Parcel Number(s):	304-36-013H		

Topography:	Level	Building Area:	NA	LBR	NA
Access:	Paved Road	Year Built:	NA	Parking:	NA
Utilities	At property	No. of Stories:	NA	Clear Height:	NA
		Occupancy:	NA	Percent Office:	NA

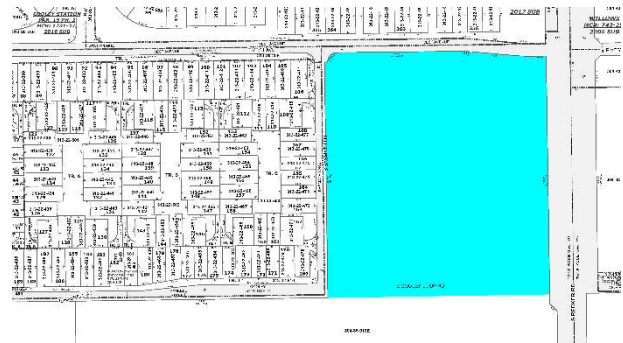
Sale Information

Grantor:	JLC Land Company, LLC (et al)		
Grantee:	Acero Cooley Station, LLC (et al)		
Date of Sale:	April 2018		
Sales Price:	\$3,016,648.00 \$8.68 per square foot	Terms:	\$3,016,648.00 (100%) cash down All cash sale
Recordation:	10/15/2018 Special Warranty Deed 2018-0772009	Three Year Sales History:	None

Source/Confirmation: CoStar Group; Recorded Affidavit of Property Value
Mr. John White, Western Horizons, Inc. (480.854-1500)

Comments:

This site is generally level and at grade with the abutting properties and roadways. Surrounding land uses include a mix of residential development and vacant land. This site is part of the Cooley Station master planned development. This property was purchased for the development of a 185-unit multifamily property.



Comparable No. 3**Property Information**

Property Type:	Vacant Land		
Location:	Queen Creek Road east of Greenfield Road		
Address:	4739-4770 S. Roanoke Court		
City, State ZIP:	Gilbert, Arizona 85297	Map Reference:	185-184MH
		County:	Maricopa
Land Area:	174,240 square feet 4.000 acres	Zoning Authority:	Town of Gilbert
		Zoning District(s):	R1-35
		Flood Hazard Zone(s):	X
Legal Description:	Part of the SW¼ of Section 10, Township 2 South, Range 6 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona		
Parcel Number(s):	304-70-974; 304-70-975; 304-70-976; 304-70-977		

Topography:	Level	Building Area:	NA	LBR	NA
Access:	Paved Road	Year Built:	NA	Parking:	NA
Utilities	At property	No. of Stories:	NA	Clear Height:	NA
		Occupancy:	NA	Percent Office:	NA

Sale Information

Grantor:	Boulder Creek Holdings, LLC	
Grantee:	Singh Development, LLC	
Date of Sale:	April 2017	
Sales Price:	\$700,000.00 \$4.02 per square foot	Terms: \$700,000.00 (100%) cash down All cash sale
Recordation:	6/19/2018 Special Warranty Deed 2018-0427398	Three Year Sales History: None

Source/Confirmation: CoStar Group; Arizona Regional Multiple Listing Service; Recorded Affidavit of Property Value Mr. Josh Simonton, Sun American Properties (480.988-0060)

Comments:

This site is generally level and at grade with the abutting properties and roadways. Surrounding land uses include a mix of residential development and vacant land. This property was subdivided into four separate residential lots and was purchased to sell the individual lots.



Comparable No. 4



Property Information

Property Type: Vacant Land

Location: Northeast of Gilbert Road and Elliot Road
Address: 124 E. Vaughn Avenue
City, State ZIP: Gilbert, Arizona 85234

Map Reference: 168-181MB
County: Maricopa

Land Area: 111,078 square feet
 2.550 acres

Zoning Authority: Town of Gilbert
Zoning District(s): MF/L
Flood Hazard Zone(s): X

Legal Description: Part of the SW¼ of Section 7, Township 1 South, Range 6 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona

Parcel Number(s): 304-11-172

Topography: Level
Access: Paved Road
Utilities: At property

Building Area: NA
Year Built: NA
No. of Stories: NA
Occupancy: NA

LBR: NA
Parking: NA
Clear Height: NA
Percent Office: NA

Sale Information

Grantor: Langley Heritage District, LLC
Grantee: EB Development, LLC; (et al)

Date of Sale: March 2018

Sales Price: \$1,500,000.00
 \$13.50 per square foot

Terms: \$1,500,000.00 (100%) cash down
 All cash sale

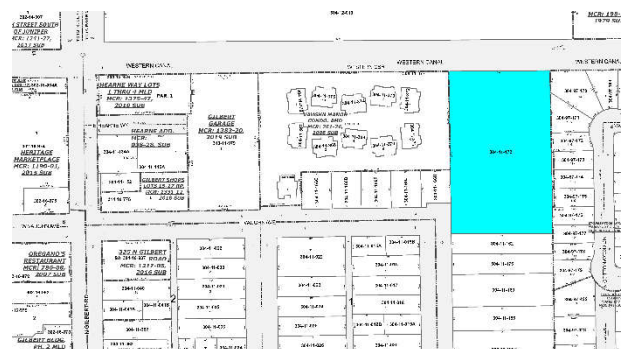
Recordation: 7/27/2018
 Special Warranty Deed
 2018-0690585

Three Year Sales History: None

Source/Confirmation: CoStar Group; Recorded Affidavit of Property Value

Comments:

This site is generally level and at grade with the abutting properties and roadways. Surrounding land uses include a mix of residential and commercial development. The commercial development in downtown Gilbert is located two blocks west of this site along Gilbert Road. This property was purchased for the development of a 32-unit residential project.



Comparable No. 5



Property Information

Property Type:	Vacant Land		
Location:	Pecos Road west of Cooper Road		
Address:	None Given		
City, State ZIP:	Chandler, Arizona 85225	Map Reference:	167-179MF
		County:	Maricopa
Land Area:	185,958 square feet 4.269 acres	Zoning Authority:	City of Chandler
		Zoning District(s):	PAD
		Flood Hazard Zone(s):	X
Legal Description:	Part of the SE¼ of Section 35, Township 1 South, Range 5 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona		
Parcel Number(s):	303-02-924		

Topography:	Level	Building Area:	NA	LBR:	NA
Access:	Paved Road	Year Built:	NA	Parking:	NA
Utilities:	At property	No. of Stories:	NA	Clear Height:	NA
		Occupancy:	NA	Percent Office:	NA

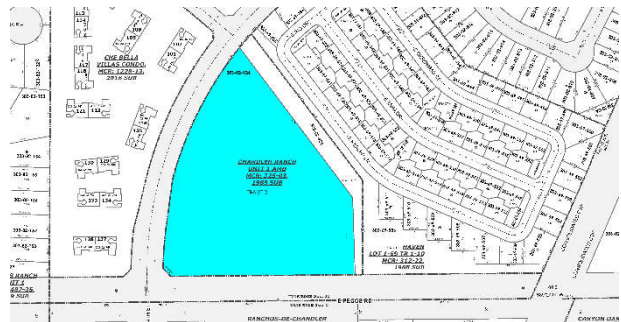
Sale Information

Grantor:	MMMSE Chandler LP		
Grantee:	-		
Date of Sale:	Listing	Terms:	Negotiable
Sales Price:	\$1,500,000.00 \$8.07 per square foot	Three Year Sales History:	None
Recordation:	-		

Source/Confirmation: CoStar Group; Recorded Affidavit of Property Value

Comments:

This site is generally level and at grade with the abutting properties and roadways. Surrounding land uses include a mix of residential and commercial development, as well as vacant land. This property is currently in escrow.



Timothy A. Haskins, ASA

APPRAISAL CERTIFICATION, LICENSING AND MEMBERSHIPS

State of Arizona Certified General Real Estate Appraiser; Certificate No. 30668
Recertified through June 30, 2019

Accredited Senior Appraiser, (ASA) American Society of Appraisers (1995);
Recertified through October 30, 2020

- Officer – Phoenix Chapter of American Society of Appraisers (1994-1996)
- President – Phoenix Chapter of American Society of Appraisers (1997-1999)

Member, International Right of Way Association (2001)

PROFESSIONAL AFFILIATIONS

Practicing Affiliate, Appraisal Institute

EXPERIENCE

Owner, First Appraisal Services, PLC (2016-present)
Senior Appraiser, First Appraisal Services, Inc. (2000-2015)
Production Director/Senior Analyst, WMF Robert C. Wilson (1998-2000)
Senior Managing Appraiser, Appraisal Sciences, Ltd. (1997-1998)
Staff Appraiser, Appraisal Sciences, Ltd. (1990-1997)

SCOPE OF ASSIGNMENTS

Vacant Land
Industrial Facilities
Office Buildings
Retail Buildings
Residential Properties
Special Use Properties
Eminent Domain, Estate Planning, Tax Planning
Litigation Support
Expert Witness (Maricopa County & Pinal County Superior Courts)

EDUCATION

University of Arizona, B.S. in Business Administration, 1990

Various Continuing Education Courses, including:

Business Practices and Ethics
National Uniform Standards of Professional Appraisal Practice
Uniform Appraisal Standards for Federal Land Acquisitions
Ethics and the Right of Way Profession
Basic Capitalization Course
The Technical Inspection of Real Estate
The Appraisal of Partial Acquisitions
Valuation of Conservation Easements Certificate Program
Office Building Valuation: A Contemporary Perspective
Principles of Real Estate Negotiation
Principles of Real Estate Engineering
Real Estate Finance Statistics and Valuation Modeling
Marketability Studies: Six-Step Process & Basic Applications
Forecasting Revenue
Small Hotel/Motel Valuation

3420 E. Shea Boulevard, Suite 200
Phoenix, Arizona 85028
602.264-0011
thaskins@azfas.com

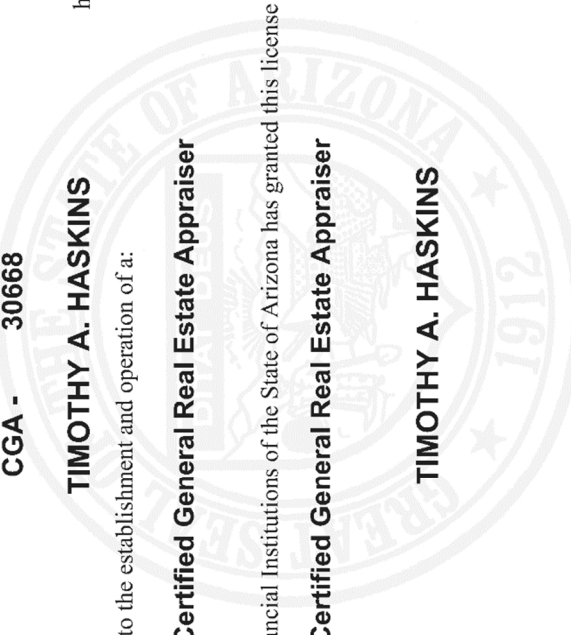


EXPERT WITNESS TESTIMONY EXPERIENCE

Ref	Case Name	County/ Jurisdiction	Case No.	Date of Testimony	Hearing or Trial	Expert for:
1	State v. Maricopa Community Service Co.	Pinal County	CV2017-00689	5/15/2017	OSC Hearing	Plaintiff
2	State v. Butz	Maricopa County	CV2017-00381	04/03/2017	OSC Hearing	Plaintiff
3	State v. Kakar	Pinal County	CV2017-00379	04/07/2017	OSC Hearing	Plaintiff
4	State v. Bandin	Pinal County	CV2017-00373	04/07/2017	OSC Hearing	Plaintiff
5	State v. Maricopa Investments	Pinal County	CV2017-00382	04/07/2017	OSC Hearing	Plaintiff
6	State v. Apodaca Wall Systems Inc.	Maricopa County	CV2017-013375	12/11/2017	OSC Hearing	Plaintiff

3420 E. Shea Boulevard, Suite 200
Phoenix, Arizona 85028
602.264-0011
thaskins@azfas.com



	
<h1 style="text-align: center;">Department of Financial Institutions</h1> <h2 style="text-align: center;">State of Arizona</h2>	
<p>This document is evidence that:</p>	<p>CGA - 30668</p>
<p>has complied with the provisions of</p>	<p>TIMOTHY A. HASKINS</p>
<p>Arizona Revised Statutes, relating to the establishment and operation of a:</p>	<p>Certified General Real Estate Appraiser</p>
<p>and that the Superintendent of Financial Institutions of the State of Arizona has granted this license to transact the business of a:</p>	<p>Certified General Real Estate Appraiser</p>
<p>TIMOTHY A. HASKINS</p>	
<p>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.</p>	
<p>Expiration Date : June 30, 2019</p>	<p>Signed in the Superintendent's office at 2910 North 44th Street, Suite 310, in the City of Phoenix, State of Arizona, this 23rd day of May, 2017.</p> <p> Robert D. Charlton Superintendent</p>