

Type of Appraisal:	Summary Report
ADOT Parcel Number:	L-C-091 (PT. 7-11182 LaSalvia Easterly Remainder)
Owner:	State of Arizona through its Department of Transportation (A portion of LaSalvia remainder)
Property Location:	At the southeast corner of Loop 202 and Dobbins Road, and the southwest corner of 59 th Avenue and Dobbins Road in Phoenix, Arizona
Project Number:	H882701R
Highway:	202L South Mountain Freeway
Section:	I-10 West to I-10 South
Date of Report:	January 29, 2020
Effective Date of Appraisal:	January 27, 2020
Appraiser:	J. Douglas Estes, MAI, SR/WA Certified General Real Estate Appraiser No. 30821

AN APPRAISAL OF

90.7814 Acres of land located at the southeast corner of the
Loop 202 Freeway and Dobbins Road, and the southwest corner of
59th Avenue and Dobbins Road, in Phoenix, Arizona
Owned by the State of Arizona through its Department of Transportation



PREPARED FOR

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

EFFECTIVE DATE OF THE APPRAISAL

January 27, 2020

PREPARED BY

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

FILE NUMBER

20.0112



January 29, 2020

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

Re: An appraisal of 90.7814 acres of land located at the southeast corner of the Loop 202 Freeway and Dobbins Road, and the southwest corner of 59th Avenue and Dobbins Road, in Phoenix, Arizona
Landpro Valuation File Number 20.0112

Dear Mr. O'Connell:

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

As a result of my investigation and analysis, it is my opinion that the market value of the subject property is **\$15,820,000**.

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

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

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

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

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

Timothy O'Connell
January 29, 2020
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12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

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

I appreciate the opportunity to assist you.

Respectfully submitted,

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

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

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SUMMARY OF APPRAISAL

Type of Property:	The subject property is 90.7814 acres of land targeted for a mix of uses. The property includes a single-family residence and other structures for use as agricultural land.
Location:	At the southeast corner of the Loop 202 Freeway and Dobbins Road in Phoenix, Arizona
Assessor's Parcel Numbers:	A portion of 300-02-033B, 037A, 037B 038, 041B and 042D
Objective of the Appraisal:	To provide an opinion of the market value of the fee simple estate of the property
Intended Use:	To assist in decisions regarding disposition of the property.
Intended Users:	The Arizona Department of Transportation and the Federal Highway Administration
Client:	The Arizona Department of Transportation
Site Area:	3,954,438 Square feet/90.7814 acres
Flood Zone:	Flood Zone X per FEMA FIRM 04013C2655L and 04013C2660L dated October 16, 2013
Zoning:	S-1 (Ranch or Farm Residence District), with approval for C-2 (Intermediate Commercial)/CP-GCP (Commerce Park) uses east of the alignment of 63 rd Avenue by the City of Phoenix
Building Areas:	
Residence:	3,085 Square feet
Carport:	473 Square feet (400 square feet enclosed)
Front Porch:	61 Square feet
Patio:	203 Square feet (119 square feet enclosed)
Farm Utility Shelter:	3,200 Square feet
Farm Implement Shed:	1,200 Square feet
Farm Implement Shed:	840 Square feet

Barnes Dairy Barn: 871 Square feet
Hackin Dairy Barn: 1,670 Square feet

Highest and Best Use:

As if Vacant: Development of a mix of uses
As Improved: Redevelopment with a mix of uses

**Final Conclusion of
Market Value: \$15,820,000**

Date of Inspection: January 27, 2020

**Effective Date
of the Appraisal:** January 27, 2020

Date of Report: January 29, 2020

INTRODUCTION AND SCOPE OF THE APPRAISAL

Appraisal Problem

The Arizona Department of Transportation (ADOT) acquired the subject property as part of a larger property in 2011 for construction of the Loop 202 Freeway. ADOT does not need the entire property for the freeway improvements and now wants to dispose of the property. ADOT wants to know the value of the property for disposition purposes. This appraisal is to provide an opinion of the market value of the fee simple interest in the property. This appraisal will be used by ADOT in disposition of the property.

Identification of Property Appraised

Property Type

The property is 90.7814 acres of land targeted for a mix of uses. The property is improved with a single-family residence and other miscellaneous structures for use as agricultural land.

Location

The property is located at the southeast corner of the Loop 202 Freeway and Dobbins Road, and the southwest corner of 59th Avenue and Dobbins Road in Phoenix.

Property Rights Appraised

Fee simple interest

Legal Description

The property is legally described as a portion of the Northeast Quarter and the Southeast Quarter of Section 7, Township 1 South, Range 2 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona. A complete legal description is included in the Addenda of this report.

Assessor's Parcel Numbers

A portion of Maricopa County Assessor's Parcel numbers 300-02-033B, 037A, 037B 038, 041B and 042D.

Owner and Ownership History

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

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

Current Leases

The property is currently partially leased (the single-family residence); however, the term of the lease is month-to-month and either party may terminate the agreement with 30-day written notice.

Appraiser's Client

The Arizona Department of Transportation

Intended Users of the Appraisal

The Arizona Department of Transportation and the Federal Highway Administration

Intended Use of the Appraisal

To assist in decisions regarding disposition of the property

Objective of the Appraisal

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

Effective Date of the Appraisal

January 27, 2020

Date of Inspection

January 27, 2020

Date of Report

January 29, 2020

Assignment Conditions

Assumptions and Limiting Conditions

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

Extraordinary Assumptions and Hypothetical Conditions

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

Jurisdictional Exceptions

This appraisal was not completed under any jurisdictional exceptions.

Definitions

Market Value

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

Fee Simple Estate

Fee simple estate is defined as “absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”²

Easement

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

Scope of Work to Solve the Appraisal Problem

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

Inspection of the Subject Properties

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

¹ *Arizona Revised Statute 28-7091.*

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

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

improvements on April 3, 2019 for my prior appraisal. For the current appraisal, I did not inspect the improvements.

Regional and Market Area Analysis

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

- Factfinder.census.gov
- Federal Reserve Bank of St. Louis (FRED)
- US Bureau of Labor Statistics
- Arizona Economic Forecast Data published by University of Arizona Economic and Business Research Center, Eller College of Management
- Arizona Indicator Data published in Arizona's Economy by the University of Arizona's Eller college of Management
- The Greater Phoenix Blue Chip report
- CoStar
- My inspection of the area

Property Description and Analysis

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

- City of Phoenix General Plan
- City of Phoenix zoning map and applicable ordinances
- Federal Emergency Management Agency Flood Insurance Rate Maps
- Flood Control District of Maricopa County maps
- Maricopa County Assessor's and Treasurer's Offices
- Arizona Regional Multiple Listing Service (ARMLS)
- Information provided by the client
- My inspection of the subject property in January 2020 and April 2019

Highest and Best Use Analysis

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

Valuation Analysis

For valuation of the larger parcel, I have used the sales comparison approach. The cost approach was not used due to the fact that the property does not have any improvements that contribute significant value to the property. The income approach

was not used due to the fact that similar properties are typically not leased at a rate that provides a fair return to the land, relative to its value. Therefore, only the sales comparison approach is used.

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

- Arizona Regional Multiple Listing Service
- CoStar
- Maricopa County Assessor's Office
- Maricopa County Recorder's Office
- Direct contact with listing/sales brokers, leasing agents, and property managers and owners
- Inspection of the comparable sales

Reconciliation

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

Professional Assistance

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

Items Not Included in the Scope of Work

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

Physical Characteristics

General Description

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

Land Use Patterns

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

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

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

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

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

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

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

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

Area Resources

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

Demographic Characteristics

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

Phoenix, Mesa, Scottsdale MSA Demographic Data

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

Source: Factfinder.census.gov

Economic Characteristics

According to the University of Arizona Economic and Business Research Center Second Quarter 2019 Outlook Update, “the Arizona economy is on pace to post another year of strong growth. Job gains in Arizona are robust, supporting solid increases in wages, incomes, and taxable sales. Across the state, Phoenix is producing most of Arizona’s growth, but Tucson appears to be gaining momentum. Overall, the state economy is generating robust growth that is far outpacing the national average.”

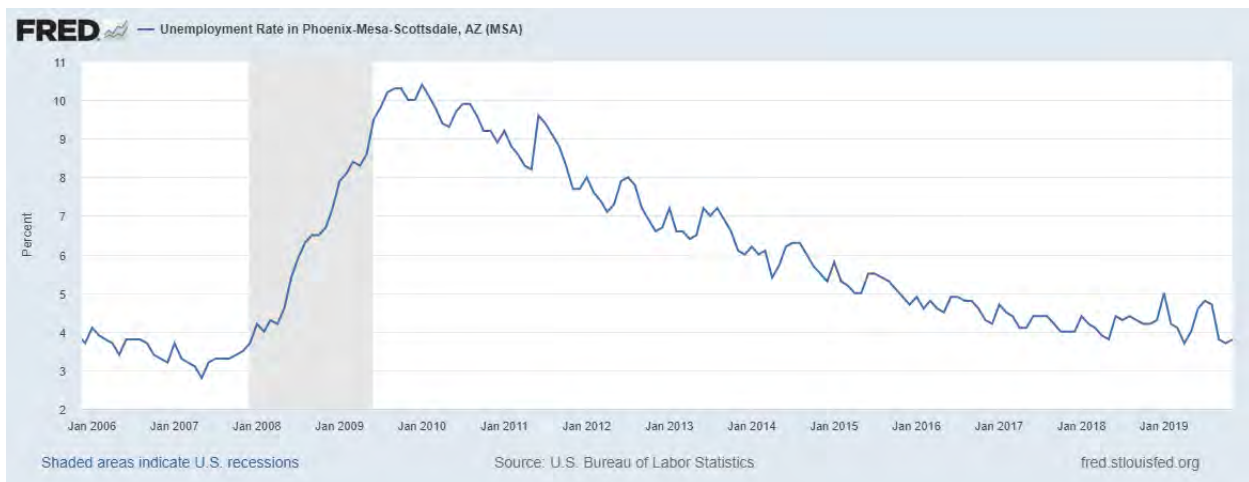
“Arizona’s strong gains are underpinned by solid national economic performance. While the U.S. is expected to continue to expand in the near term, risks to the outlook have increased during the past year. Slowing global growth, decelerating consumer spending, tariff and trade uncertainty, and approaching capacity constraints suggest a softer pace of economic activity in 2020 and 2021. Decelerating growth raises the risk that unexpected events or policy mistakes might tip the economy into a downturn. If the U.S. falls into recession, that will translate into slower gains or moderate declines in economic activity in Arizona.”

Employment and Unemployment

The following chart shows employment growth for the Phoenix-Mesa-Scottsdale MSA between 2006 and 2019. The table indicates that employment declined from 2008 to 2010. Since 2010 employment growth has resumed and increased above the peak of 2008.




The following table shows unemployment in the Phoenix-Mesa-Scottsdale MSA between 2006 and 2019. The table indicates that unemployment has declined from the peak of over 10% in 2010 to the current level below 5%.



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

Phoenix-Mesa-Scottsdale MSA Forecast*	2018	2019	2020	2021	2022
Personal Income (\$mil)	223,361.4	238,255.1	252,818.3	267,785.4	283,364.7
% Chg from Year Ago	6.9%	6.7%	6.1%	5.9%	5.8%
Retail Sales (\$mil)	76,176.6	80,989.8	84,921.0	88,605.8	92,925.0
% Chg from Year Ago	7.2%	6.3%	4.9%	4.3%	4.9%
Total Nonfarm Employment (000s)	2,107.3	2,172.3	2,227.2	2,274.8	2,317.2
% Chg from Year Ago	3.3%	3.1%	2.5%	2.1%	1.9%
Population (000s)	4,735.1	4,820.2	4,904.8	4,988.2	5,071.1
% Chg from Year Ago	1.8%	1.8%	1.8%	1.7%	1.7%
Residential Permits (units)	31,343	35,315	35,123	34,816	34,733
% Chg from Year Ago	6.9%	12.7%	-0.5%	-0.9%	-0.2%

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These projections indicate that personal income, retail sales, employment, population and residential permits will all increase from 2019 through 2022, although the growth rate will decelerate after 2019.

Real Estate Market Conditions

Single-Family Residential Market Conditions

According to Arizona Indicator Data published in Arizona’s Economy by the University of Arizona’s Eller college of Management and/or the US Census Bureau, residential permits for the Phoenix area over the last 10 years are as follows:

Phoenix, Mesa, Scottsdale MSA Historic Residential Permits						
Year	Single-Family	% Change	Multi-Family	% Change	Total	% Change
2009	8,813		588		9,401	
2010	7,347	-17%	1,007	71%	8,354	-11%
2011	7,551	3%	1,920	91%	9,471	13%
2012	11,790	56%	3,626	89%	15,416	63%
2013	12,737	8%	4,125	14%	16,862	9%
2014	11,735	-8%	8,761	112%	20,496	22%
2015	16,738	43%	7,114	-19%	23,852	16%
2016	18,452	10%	10,182	43%	28,634	20%
2017	20,484	11%	8,893	-13%	29,377	3%
2018	23,511	27%	8,386	-18%	31,897	11%
2019	24,600	20%	10,936	23%	35,536	21%

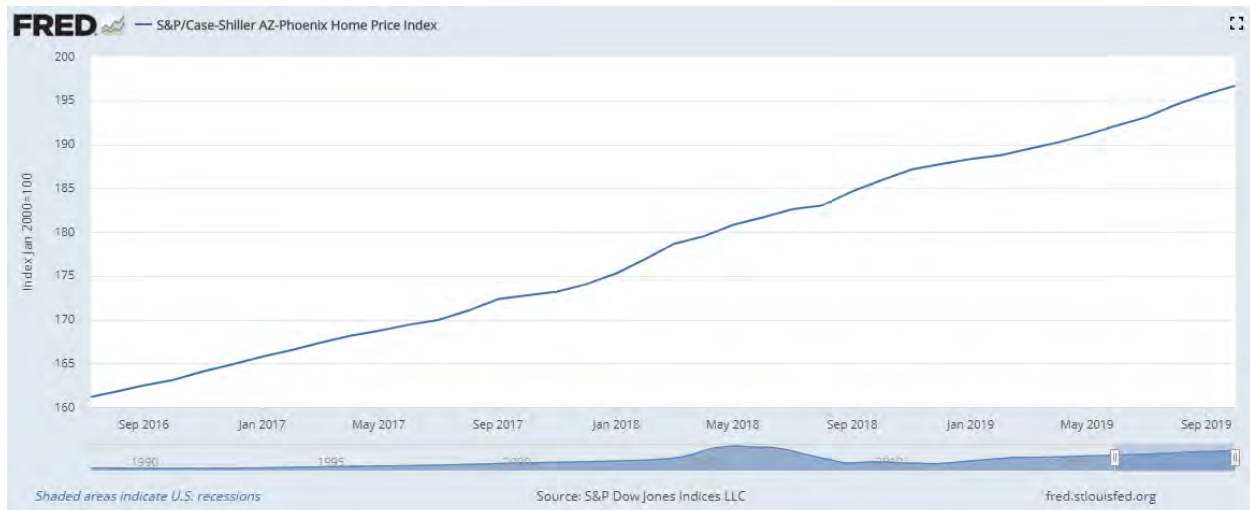
This data indicates that single-family permits have increased every year since 2010, with the exception of 2014. Multi-family permits have increased in two of the last five years. And total residential permits have increased every year since 2010.

Furthermore, according to the Greater Phoenix Blue Chip Construction Forecast, “the panel believes that the segment is moving to a cycle-high plateau. The number of single-family permits is expected to be in excess of 24,000 this year, 25,000 next year and about the same in 2021. This is a positive forecast given the high probability of a slowdown in economic activity or recession over that period. Historically, single family permits have reacted poorly to recessions. Perhaps it is the lack of excess supply and the more modest population growth over the last few years that causes the panel to believe that housing will do better than the historic norm this time around.”

The concensus single-family forecast for the Phoenix area for 2019, 2020 and 2021 are as follows:

2nd Quarter 2019 Greater Phoenix Blue Chip Consensus Forecast – Single-Family Residential Permits	
Year	Single-Family Permits
2019	24,148
2020	25,126
2021	25,170

Moreover, the S&P/Case-Shiller AZ-Phoenix Home Price Index increased from 162.48612 in September of 2016 to 195.69752 in September of 2019. This is an increase of 20.4% or 6.8% per year over the last three years. This trend is illustrated in the following chart:



Multi-Family Market Conditions

According to CoStar, “elevated demand for apartments, fueled by robust employment growth and limited residential development, has mitigated supply-driven pressure on vacancies since the construction boom started in 2013.”

“Despite some of the strongest household formation in the country, single-family development has been slow. While housing starts have edged up since coming to a near standstill during the recession, they are still nearly half of their prerecession level. Limited supply and escalating home values are forcing potential homebuyers into the renter pool. As a result, net absorption outpaced new apartment supply by a considerable margin over the past several quarters, compressing Phoenix's vacancy rate to an all-time low.”

“Tight apartment fundamentals have contributed to ample rent growth that is more than double the U.S. rate. Thanks in part to healthy job gains and comparatively affordable rent, the market has achieved rent gains while absorbing an inundation of new supply. The Valley's annual rent growth has consistently ranked among the best in the nation during the past two years.”

“Investors are increasingly bullish on Phoenix. The market garnered a record \$6 billion in sales volume last year and is on pace to set a new record level of investment activity this year. Pricing has surged over the past several quarters, contributing to the compression of cap rates below 6% for the first time this decade. Despite the compression, Phoenix still offers a 150–200-basis-point spread over California rates, which continues to drive yield motivated investors to the market.”

According to information obtained from CoStar, as of the end of the Fourth Quarter 2019, the Phoenix area had 5,822 apartment projects with 426,488 total units. 137 New projects with 24,452 units were added in the last three years and 78 buildings with 15,846 units were under construction at the end of the Fourth Quarter of 2019. Of the total inventory, 25,820 units were vacant at the end of the quarter for a vacancy rate of 6.1%. The vacancy rate has fluctuated between 5.7% and 6.7% over the last three years. Net absorption was positive in eleven of the last twelve quarters. Overall absorption was positive 25,151 units. The effective rental rate has trended upward from \$926 per unit in the First Quarter of 2017 to \$1,126 at the end of the Fourth Quarter 2019. The historic multi-family statistics for the Phoenix area from CoStar are summarized as follows:

Phoenix Area Multi-Family Market Statistics Through Fourth Quarter of 2019										
Quarter	Inventory		Vacant		Absorption	Deliveries		Under Construction		Eff. Rent
	Buildings	Units	Units	Percent	Units (Net)	Buildings	Units	Buildings	Units	Per Unit
2019 Q4	5,822	426,488	25,820	6.1%	974	9	2,365	78	15,846	\$1,126
2019 Q3	5,813	424,123	24,429	5.8%	1,789	13	1,882	79	16,205	\$1,113
2019 Q2	5,802	422,477	24,572	5.9%	1,743	13	2,408	89	17,361	\$1,091
2019 Q1	5,789	420,069	23,906	5.7%	2,219	7	1,126	84	16,851	\$1,073
2018 Q4	5,783	418,961	25,014	6.0%	2,573	17	2,875	77	15,227	\$1,046
2018 Q3	5,767	416,135	24,759	6.0%	2,342	8	2,169	84	17,002	\$1,036
2018 Q2	5,760	413,978	24,942	6.1%	2,582	16	2,337	78	16,494	\$1,012
2018 Q1	5,745	411,772	25,317	6.2%	3,781	20	2,807	84	17,100	\$989
2017 Q4	5,725	408,965	26,289	6.5%	2,367	9	1,413	93	17,766	\$967
2017 Q3	5,716	407,552	27,240	6.7%	1,943	11	3,144	82	15,502	\$955
2017 Q2	5,706	404,419	26,050	6.5%	(458)	8	1,200	81	15,880	\$944
2017 Q1	5,702	403,309	24,484	6.1%	3,296	6	727	65	11,670	\$926
Change/Total					25,151	137	24,453			
Source: CoStar										

Furthermore, according to the Greater Phoenix Blue Chip Construction Forecast, “the number of permits is expected to decline only very modestly through 2021 with almost 8,400 permits in both 2019 and 2020 and just under 7,600 permits in 2021. Absorptions are expected to decline somewhat over that period but from a lower base. As a result, apartment vacancy rates, while still low, are expected to rise a bit in 2020 and stay flat in 2021.” The consensus multi-family forecast for the Phoenix area for 2019, 2020 and 2021 are as follows:

3 rd Quarter 2019 Greater Phoenix Blue Chip Consensus Forecast-Multi-Family			
Year	Multi-Family Permits	Vacant (Year End)	Apartment Absorption
2019	8,362	5.2%	7,769
2020	8,378	5.5%	7,497
2021	7,587	5.4%	7,095

Office Market Conditions

According to CoStar, “robust employment growth and relatively limited new supply are supporting the Phoenix office market. Office-using employment growth, fueled by major corporate expansions and relocations, has fueled demand for office space, particularly at the top of the market. Demand has outpaced new supply for eight consecutive years, and vacancies remain below the market's historical average.”

“Steady vacancy compression translated into some of the healthiest rent gains in the country in the past several years. Although rent growth decelerated since reaching a peak in 2016, Phoenix continues to outperform the national average.”

“Another factor contributing to tightening vacancies and consistent rent growth has been a relative lack of new supply. Annual net deliveries have remained well below historical averages throughout the expansion. Developers and lenders have been more cautious

since vacancies spiked to a recessionary high of more than 20%, in large part due to overbuilding into the downturn. However, new development is edging up, and the market will receive much-needed speculative supply over the next several quarters.”

“Development is concentrated in select submarkets—particularly in the East Valley region, where there is a large talent pool and land to build. Nearly 4 million SF of office space has delivered in Tempe since 2015, the most heavily built submarket this cycle. Tempe and neighboring Chandler have received about 50% of the market’s new supply in the past five years. Developers have recently become more active in Scottsdale Airpark, with several highly anticipated projects broke ground in late 2019, including the first phase of Cavasson.”

“Investors are bullish on Phoenix, and the buyer pool continues to grow, with more out-of-state investors drawn to the market's comparably higher yields. Increased buyer competition has put upward pressure on pricing, but office properties are still "on sale" compared to previous peak pricing.”

According to CoStar as of the end of the Fourth Quarter 2019, the Phoenix area had 8,899 office buildings with 193,063,414 square feet of space, of which 22,360,413 square feet (11.7%) were vacant. The vacancy rate has declined from a high of 14.7% in the First Quarter of 2017. In the last three years, 110 new office buildings with 7,116,223 square feet have been added and 40 new buildings with 2,897,993 square feet were under construction at the end of the Fourth Quarter 2019. Net absorption of office space has been positive in 12 of the last 12 quarters and total net absorption has been positive 10,329,395 square feet. The rental rate for office space has increased from \$21.12 per square foot in the First Quarter of 2017 to \$24.09 in the Fourth Quarter of 2019. The historic office statistics for the Phoenix area from CoStar are summarized as follows:

Quarter	Inventory		Vacant		Absorption	Deliveries		Under Construction		Base
	Buildings	Square Feet	Square Feet	Percent	Net Sq. Ft.	Buildings	Sq. Ft.	Buildings	Square Feet	Rent
2019 Q4	8,899	191,063,414	22,360,413	11.7%	1,265,793	8	952,754	40	2,897,993	\$24.09
2019 Q3	8,893	190,142,662	22,705,454	11.9%	1,015,889	11	807,750	34	2,998,447	\$23.97
2019 Q2	8,883	189,367,535	22,946,216	12.1%	459,743	10	622,204	41	3,682,445	\$23.83
2019 Q1	8,875	188,953,853	22,994,786	12.2%	1,236,039	16	1,080,640	39	3,536,737	\$23.78
2018 Q4	8,861	187,889,303	23,166,275	12.3%	63,044	10	482,243	41	3,881,987	\$23.34
2018 Q3	8,856	187,497,450	22,837,466	12.2%	1,553,015	8	193,386	39	3,646,323	\$23.12
2018 Q2	8,849	187,335,810	24,228,841	12.9%	1,405,885	8	371,692	43	3,656,766	\$22.88
2018 Q1	8,844	186,997,237	25,267,227	13.5%	424,476	5	328,365	41	3,363,481	\$22.69
2017 Q4	8,842	186,606,666	25,408,413	13.6%	1,510,499	6	341,990	28	2,374,455	\$22.27
2017 Q3	8,840	186,349,972	26,663,863	14.3%	786,115	7	418,479	26	1,676,162	\$21.68
2017 Q2	8,837	186,039,285	27,139,291	14.6%	497,913	10	360,035	28	1,962,487	\$21.50
2017 Q1	8,830	185,772,908	27,370,827	14.7%	110,984	11	1,156,685	27	1,708,480	\$21.12
Change/Total					10,329,395	110	7,116,223			

Source: CoStar

Furthermore, according to the Third Quarter 2019 Greater Phoenix Blue Chip forecast, “the panel expects the spec construction to stay flat at about 2.0 million square feet through 2020 and slow to 1.8 million square feet in 2021. Absorption is expected to be

slightly lower, thus, vacancy rates are projected to rise from 14% to the mid-15% range.” The consensus office forecast for the Phoenix area for 2019, 2020 and 2021 are as follows:

3rd Quarter 2019 Greater Phoenix Blue Chip Consensus Forecast-Office			
Year	Spec Construction (Millions Square Feet)	Vacant (Year End)	Absorption (Millions of SF)
2019	2.16	14.1%	2.20
2020	2.08	14.4%	1.82
2021	1.80	15.4%	1.67

Retail Market Conditions

According to CoStar, “Phoenix’s retail market has remained resilient in the evolving industry, thanks to a healthier supply and demand balance. Store closures have been countered by retailer expansions, helping to offset the impact on fundamentals. Retail vacancies in the Valley are below their historical average in large part due to the moderation in new supply.”

“Overall, steady demand, supported by robust job and population growth in the Phoenix area, has enabled absorption to outpace supply additions for eight consecutive years. The emergence of e-commerce and evolving buying patterns have moderated retail construction in Phoenix compared to last cycle. Many expanding retailers are still building new, especially as they follow rooftops to outlying areas of the metro.”

“Economic drivers and stable retail metrics are attracting investors to Phoenix. The metro’s rapidly expanding population has retail players continuing to target assets throughout the Valley, especially in the affluent southeast exurbs. Plenty of investors are coming from outside of the state, particularly California, to find above-average yields late in the cycle.”

According to CoStar as of end of the Fourth Quarter 2019, the Phoenix area had 15,374 retail buildings with 232,443,320 square feet of space, of which 16,016,603 square feet (6.9%) were vacant. 487 New buildings with 5,659,313 square feet have been added in the last three years and 87 new buildings with 1,179,659 square feet were under construction at the end of the Fourth Quarter 2019. Net absorption of retail space has been positive in 11 of the last 12 quarters and total net absorption has been positive 7,610,396 square feet. The vacancy rate has fluctuated declined from a high of 8.3% in the First Quarter of 2017. The rental rate for retail space has increased from \$14.50 in the First Quarter of 2017 to \$16.09 per square foot in the Fourth Quarter 2019. The historic retail statistics for the market area from CoStar are summarized as follows:

Phoenix Area Retail Market Statistics Through Fourth Quarter 2019										
Quarter	Inventory		Vacant		Absorption	Deliveries		Under Construction		NNN
	Buildings	Sq. Ft.	Sq. Ft.	Percent	Net Sq. Ft.	Buildings	Sq. Ft.	Buildings	Sq. Ft.	Rent
2019 Q4	15,374	232,443,320	16,016,603	6.9%	411,166	28	368,003	87	1,179,659	\$16.09
2019 Q3	15,350	232,095,389	16,079,838	6.9%	249,890	33	321,418	90	1,102,784	\$16.06
2019 Q2	15,319	231,853,826	16,087,685	6.9%	90,601	27	238,002	105	1,267,074	\$16.04
2019 Q1	15,294	231,627,253	15,966,055	6.9%	24,363	37	280,099	93	1,158,965	\$15.86
2018 Q4	15,267	231,623,273	15,986,438	6.9%	(331,629)	43	506,149	86	865,320	\$15.64
2018 Q3	15,229	231,131,558	15,163,094	6.6%	741,940	42	475,926	96	1,112,381	\$15.53
2018 Q2	15,191	230,683,485	15,456,961	6.7%	1,300,679	40	585,222	108	1,262,402	\$15.48
2018 Q1	15,153	230,105,606	16,179,761	7.0%	1,086,468	45	428,885	120	1,557,857	\$14.99
2017 Q4	15,119	229,767,671	16,928,834	7.4%	1,713,957	36	622,824	110	1,411,582	\$14.97
2017 Q3	15,084	229,217,647	18,092,767	7.9%	1,044,370	33	505,837	105	1,521,072	\$14.88
2017 Q2	15,058	228,782,300	18,701,790	8.2%	728,363	65	620,829	88	1,550,637	\$15.23
2017 Q1	14,996	228,195,431	18,843,284	8.3%	550,228	58	706,119	123	1,612,549	\$14.50
Change/Total					7,610,396	487	5,659,313			
CoStar										

Furthermore, according to the Third Quarter 2019 (Greater Phoenix Blue Chip forecast, the consensus retail forecast for the Phoenix area for 2019, 2020 and 2021 are as follows:

2 nd Quarter 2019 Greater Phoenix Blue Chip Consensus Forecast-Retail			
Year	Spec Construction (Millions Square Feet)	Vacant (Year End)	Absorption (Millions of SF)
2019	0.74	7.5%	1.82
2020	0.65	7.6%	1.72
2021	Not Available	Not Available	Not Available

Industrial Market Conditions

According to CoStar, “strong population and job growth in the Valley of the Sun are bolstering a rapidly growing consumer base in the region and generating industrial demand.”

“Approximately 35 million consumers can be reached within a single day’s truck ride from metro Phoenix, fueling demand for industrial space among companies in the e-commerce, logistics, and construction industries. Phoenix has also become one of the most active data center markets in the country, not only because of the vast consumer base but also due to Arizona’s tax incentive for data center development, a robust and growing power grid, and limited occurrence of natural disasters.+

“With relatively few barriers to development, a flourishing local economy, and favorable demographics, new industrial supply has consistently poured into the market. New development is primarily tailored to the logistics segment, which accounts for the bulk of completions. Even with elevated levels of construction, strong demand has maintained a vacancy rate well below the market’s historical average.”

“Many companies established industrial operations in Phoenix because of the low cost of doing business and proximity to major regional markets, particularly in California. The average industrial rent in Phoenix is nearly 5% below the national average, and the discount is considerably higher compared to rents in key California metros. Rent growth has trailed the national average in past years, but Phoenix is now generating above-average rent gains as the rest of the U.S. regresses.”

“Investors have become increasingly active in the local industrial market. Sales volume reached a record-high of \$2.9 billion in 2019. Heightened buyer competition put continued upward pressure on pricing. Institutional investors scoured the market for well-located and quality assets in West Valley industrial hubs, which bolstered transaction volume last year.”

According to CoStar, as of the end of the Fourth Quarter 2019, the Phoenix market area has 11,257 industrial buildings (including flex buildings) with 354,282,311 square feet of space, of which 24,298,334 square feet (6.9%) are vacant. 179 New buildings with 22,776,630 square feet have been added in the last three years and 74 new buildings with 12,005,892 square feet were under construction at the end of the Fourth Quarter 2019. The vacancy rate has declined from 8.2% in the First Quarter of 2017. Net absorption has been positive in twelve of the last twelve quarters with total positive absorption of 25,684,029 square feet. Rental rates have increased from \$6.64 per square foot in the Second Quarter of 2017 to \$7.31 per square foot in the Fourth Quarter of 2019. The historic industrial and flex statistics for the market area from CoStar are summarized as follows:

Quarter	Inventory		Vacant		Net Absorption	Deliveries		Under Construction		NNN
	Buildings	Sq. Ft.	Sq. Ft.	Percent	Square Feet	Buildings	Sq. Ft.	Buildings	Sq. Ft.	Rent
2019 Q4	11,257	354,282,311	24,298,334	6.9%	1,599,674	12	1,895,251	74	12,005,892	\$7.31
2019 Q3	11,245	352,387,060	24,002,757	6.8%	2,679,895	24	3,187,129	50	8,166,230	\$7.16
2019 Q2	11,222	349,218,076	23,513,668	6.7%	1,086,136	23	2,052,418	62	9,380,231	\$7.13
2019 Q1	11,204	347,258,841	22,706,820	6.5%	704,927	5	444,341	66	8,340,716	\$6.95
2018 Q4	11,207	347,109,801	23,262,707	6.7%	2,721,693	16	3,655,910	57	6,353,711	\$6.86
2018 Q3	11,195	343,540,207	22,414,806	6.5%	1,086,386	8	1,075,479	50	7,292,810	\$6.80
2018 Q2	11,188	342,475,666	22,436,651	6.6%	2,728,293	12	2,012,289	36	6,505,414	\$6.83
2018 Q1	11,178	340,546,492	23,235,770	6.8%	1,875,289	21	1,513,512	39	7,460,861	\$6.73
2017 Q4	11,159	339,108,476	23,673,043	7.0%	4,428,828	23	2,344,607	42	5,738,183	\$6.70
2017 Q3	11,137	336,812,983	25,806,378	7.7%	2,702,237	8	2,245,885	50	5,886,139	\$6.82
2017 Q2	11,130	334,695,893	26,391,525	7.9%	1,381,042	13	511,927	42	6,399,316	\$6.64
2017 Q1	11,118	334,219,027	27,300,057	8.2%	2,689,629	14	1,837,882	33	4,471,180	\$6.65
Change/Total					25,684,029	179	22,776,630			

Source: CoStar

Furthermore, according to the Third Quarter 2019 Greater Phoenix Blue Chip forecast, the consensus industrial forecast for the Phoenix area for 2019, 2020 and 2021 are as follows:

2nd Quarter 2019 Greater Phoenix Blue Chip Consensus Forecast-Industrial			
Year	Spec Construction (Millions Square Feet)	Vacant (Year End)	Absorption (Millions of SF)
2019	6.85	7.1%	7.38
2020	5.75	7.3%	6.55
2021	Not Available	Not Available	Not Available

Political - Governmental (Including Public Utilities):

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

Growth

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

Education

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

Police and Fire Protection

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

Utilities

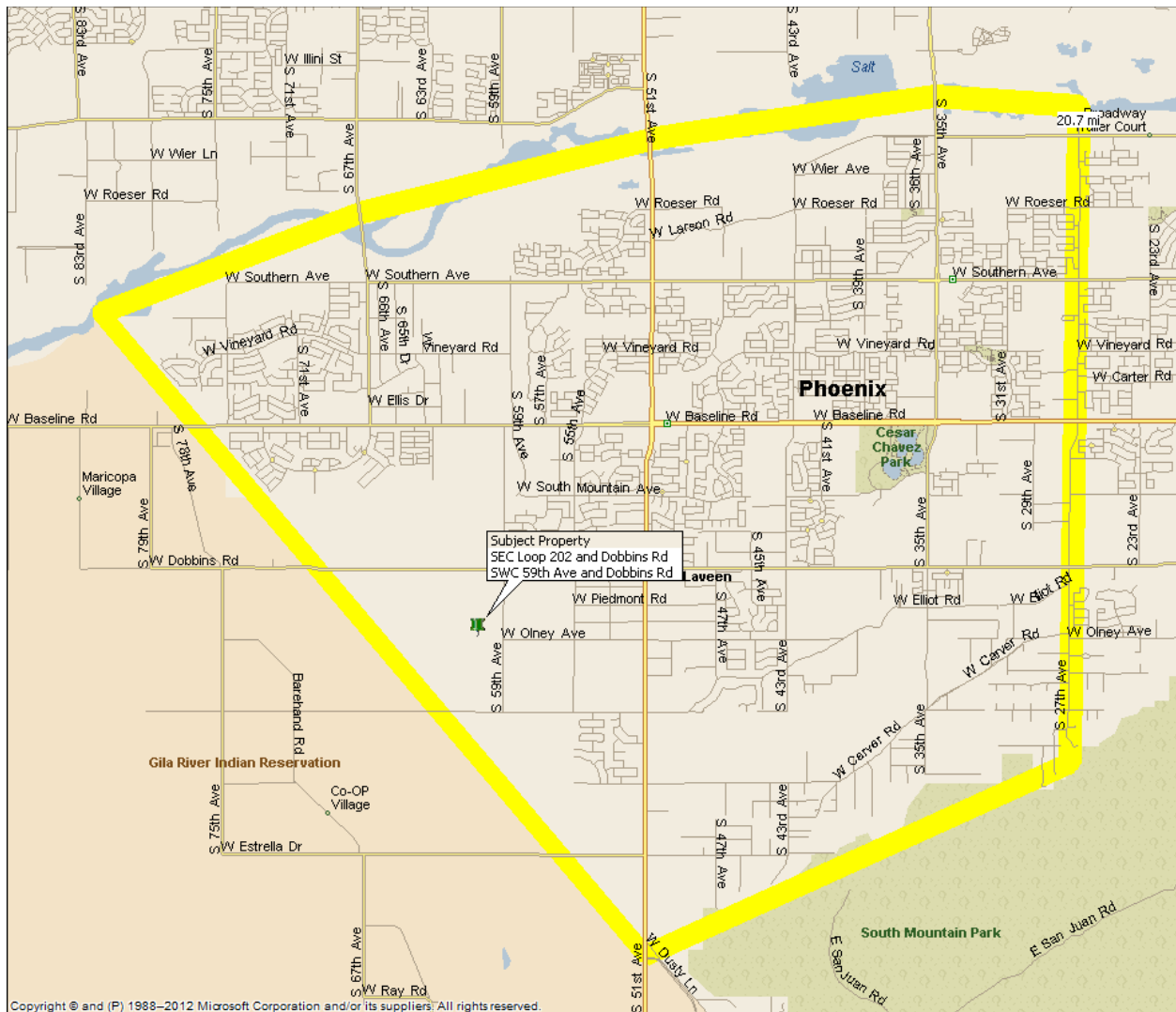
Electrical service is provided primarily by two utilities, Arizona Public Service, a privately-owned regulated utility, and the Salt River Project, a quasi-governmental agency established by the U.S. Government. Electrical rates, although slightly higher than the national norm, are within a competitive range. Sufficient electrical capacity is available for projected needs. Natural gas is provided by Southwest Gas, a regulated

private company. Other services such as water, sewer, garbage collection, telephone, and cable TV are provided by the municipalities or by publicly regulated private companies.

Conclusion

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

MARKET AREA DESCRIPTION AND ANALYSIS



For this appraisal, the subject's market area generally encompasses the Laveen Village of the City of Phoenix. The market area boundaries are defined by the Salt River on the north, 27th Avenue on the east, the Gila River Indian Community on the southwest and South Mountain Park on the southeast.

Market Area Property Types/Land-Use Patterns

Property Types

The market area has historically been mostly an agricultural and low-density residential area with some industrial uses in the northern portions. More recently, medium-density residential and supporting commercial uses have been developed.

Master Planned Areas

Master planned communities within the market area are Rogers Ranch, Sierra Madre, Trailside Point, Laveen Meadows, Dove Ranch, Dobbins Ranch, and Tierra Montana. With the downturn in the real estate market in 2008, some of these master planned areas never developed.

Golf Courses

Golf courses within the market area include Bougainvillea Golf Course and Aguila Municipal Golf Course.

Residential Development

The residential development in the market area is generally average quality, single-family residential uses. Historically, the market area has had mostly low-density residential uses. The residential uses developed in the last 15 years have mostly been medium-density with lot sizes that range from 45-to-60 front feet by 110-to-120 feet in depth.

Commercial Development

Commercial development within the market area is limited to select corner locations where newer single-family subdivisions has been developed.

Industrial Development

Industrial development is located primarily within the northern portion of the market area along the south side of the Salt River and along Broadway Road. There are a number of sand and gravel extraction operations located along the Salt River.

Other Uses

Other uses within the market area include schools, public uses, parks (South Mountain Park located along the southeast side of the market area and Cesar Chavez Park located within the market area). The South Mountain Park is the largest municipal park in the United States covering an area of 25.5 square miles.

Quality and Condition

Many of the existing uses in the market area were developed in the last fifteen years and have average-to-good quality improvements in average-to-good condition. Nonetheless, there are some older areas that have older improvements.

Surrounding Land Uses

To the north, east and west of the subject market area is a combination of residential, industrial and commercial developments. To the south of the market area is mostly agricultural land and undeveloped land within the Gila River Indian Community.

Market Area Life Cycle

The typical development cycle of a market area can be described as an “S - Curve”, indicating that areas which are virtually undeveloped will grow at a fairly slow rate during the first period of growth. As the development in an area increases, the growth accelerates until development approaches saturation, at which point growth will again slow. The subject market area is in the growth stage of development.

Basic Transportation/Linkage

Arterial Roadways

Primary transportation routes within the subject market area are provided by arterial streets arranged in one-mile grids. North/south arterials include 27th Avenue, 35th Avenue, 43rd Avenue, 51st Avenue, and 59th Avenue, where they exist. East/west arterials include Broadway Road, Southern Avenue, Baseline Road, Dobbins Road, Elliot Road and Estrella Road, where they exist. In the less developed areas, the arterial roadways are two lanes. In the developed areas, the arterial roadways are four or six lanes.

Freeway Access

The Loop 202 South Mountain Freeway extends north-south through the market area from Interstate 10 on the north to Interstate 10 on the east. The freeway connects the east and west valley.

Bus Transportation

Bus transportation is available at select locations in the market area.

Estimated Non-Rush Hour Commute Times:

Downtown Phoenix:	16 Minutes
Sky Harbor Airport:	19 Minutes
Downtown Tolleson:	17 Minutes
Downtown Goodyear:	24 Minutes
Downtown Avondale:	24 Minutes
Downtown Glendale:	26 Minutes

Availability of Support Facilities and Services

Schools

The subject market area includes portions of the Roosevelt Elementary School District, Laveen Elementary School District, and Phoenix Union High School District. Additionally, the market area has a number of charter schools.

Utilities

Utilities for the market area are adequate and are provided at costs competitive with the rest of the metropolitan area. Electricity for the market area is furnished by Salt River Project. Natural gas for the market area is supplied by the Southwest Gas Company. Water and sewer are provided by the City of Phoenix. Portions of the market area do not currently have some utilities.

Police and Fire Protection

Police protection is provided by the City of Phoenix.

Healthcare

Most of the healthcare facilities serving local residents are located outside of the market area; nonetheless, adequate healthcare facilities are available in the surrounding market areas.

Retail Services

The market area has some existing retail uses. Adequate land has been set aside for future development of additional retail space. Furthermore, those retail services not available in the market area are available in the surrounding market areas.

Real Estate Market Conditions

Multi-Family Market Conditions

According to information obtained from CoStar, as of the end of the Fourth Quarter 2019, the market area had two apartment projects with 77 total units. No new projects have been added in the last three years. No new projects were under construction at the end of the Fourth Quarter 2019. Of the total inventory, 12 units were vacant at the end of the quarter for a vacancy rate of 15.3%. Due the lack of projects in the area, information is not available on absorption or effective rental rates. The historic statistics for multi-family properties in the market area are as follows:

Multi-Family Market Area Statistics Through Fourth Quarter 2019										
Quarter	Inventory		Vacant		Absorption	Deliveries		Under Construction		Eff. Rent
	Buildings	Units	Units	Percent	Net Units	Buildings	Units	Buildings	Units	Per Unit
2019 Q4	2	77	12	15.3%	0	0	0	0	0	-
2019 Q3	2	77	12	15.5%	-	0	0	0	0	-
2019 Q2	2	77	12	15.5%	0	0	0	0	0	-
2019 Q1	2	77	12	15.6%	0	0	0	0	0	-
2018 Q4	2	77	12	15.7%	0	0	0	0	0	-
2018 Q3	2	77	12	15.8%	0	0	0	0	0	-
2018 Q2	2	77	12	16.0%	0	0	0	0	0	-
2018 Q1	2	77	13	16.2%	0	0	0	0	0	-
2017 Q4	2	77	13	16.5%	0	0	0	0	0	-
2017 Q3	2	77	13	16.6%	0	0	0	0	0	-
2017 Q2	2	77	13	16.9%	0	0	0	0	0	-
2017 Q1	2	77	13	16.9%	0	0	0	0	0	-
Total					0	0	0			

Source: CoStar

Office Market Conditions

According to CoStar as of the end of the Fourth Quarter of 2019, the subject market area had 3 office buildings with 21,920 square feet of space, of which none were vacant. With no vacancy, there has been no absorption of office space or report of rental rates in the last three years. Two new buildings with 48,000 square feet were under construction at the end of the Fourth Quarter of 2019. The rental rate for the Fourth Quarter 2019 was \$24.50 per square foot. The historic office statistics for the market area from CoStar are summarized as follows:

Office Market Area Statistics Through Fourth Quarter 2019										
Quarter	Inventory		Vacant		Absorption	Deliveries		Under Construction		Overall
	Buildings	Sq. Ft.	Sq. Ft.	Percent	Sq. Ft.	Buildings	Sq. Ft.	Buildings	Sq. Ft.	Rent
2019 Q4	3	21,920	0	0.0%	0	0	0	2	48,000	\$24.50
2019 Q3	3	21,920	0	0.0%	0	0	0	0	0	-
2019 Q2	3	21,920	0	0.0%	0	0	0	0	0	-
2019 Q1	3	21,920	0	0.0%	0	0	0	0	0	-
2018 Q4	3	21,920	0	0.0%	0	0	0	0	0	-
2018 Q3	3	21,920	0	0.0%	0	0	0	0	0	-
2018 Q2	3	21,920	0	0.0%	0	0	0	0	0	-
2018 Q1	3	21,920	0	0.0%	0	0	0	0	0	-
2017 Q4	3	21,920	0	0.0%	0	0	0	0	0	-
2017 Q3	3	21,920	0	0.0%	0	0	0	0	0	-
2017 Q2	3	21,920	0	0.0%	0	0	0	0	0	-
2017 Q1	3	21,920	0	0.0%	0	0	0	0	0	-
Change/Total					0	0	0			

Source: CoStar

Retail Market Conditions

According to CoStar as of end of the Fourth Quarter of 2019, the market area had 101 retail buildings with 1,580,141 square feet of space, of which 106,398 square feet (6.7%) were vacant. Nine New buildings with 83,701 square feet have been added in the last three years. Net absorption of retail space has been positive in 8 of the last 12 quarters and negative in 4. Total net absorption has been positive 33,073 square feet.

The vacancy rate has declined from a higher of 9.5% in the Second Quarter of 2017. The rental rate for retail space has increased from a low of \$16.87 per square foot in the Third Quarter of 2017 to \$21.07 per square foot at the end of the Fourth Quarter 2019. The historic retail statistics for the market area from CoStar are summarized as follows:

Quarter	Inventory		Vacant		Absorption	Deliveries		Under Construction		Overall
	Buildings	Sq. Ft.	Sq. Ft.	Percent	Net Sq. Ft.	Buildings	Sq. Ft.	Buildings	Sq. Ft.	Rent
2019 Q4	101	1,580,141	106,398	6.7%	4,091	0	0	0	0	\$21.07
2019 Q3	101	1,580,141	110,489	7.0%	58,401	2	44,233	0	0	\$20.93
2019 Q2	99	1,535,908	124,657	8.1%	(755)	2	13,294	2	44,233	\$20.77
2019 Q1	97	1,522,614	110,608	7.3%	(8,268)	1	6,900	4	57,527	\$18.83
2018 Q4	96	1,515,714	95,440	6.3%	(278)	0	0	4	60,479	\$18.07
2018 Q3	96	1,515,714	95,162	6.3%	472	0	0	2	47,185	\$18.56
2018 Q2	96	1,515,714	95,634	6.3%	6,348	0	0	0	0	\$16.93
2018 Q1	96	1,515,714	101,982	6.7%	3,300	0	0	0	0	\$17.25
2017 Q4	96	1,515,714	105,282	6.9%	2,057	1	4,500	0	0	\$17.51
2017 Q3	95	1,511,214	102,839	6.8%	40,832	0	0	1	4,500	\$16.87
2017 Q2	95	1,511,214	143,671	9.5%	1,229	1	10,000	0	0	\$16.87
2017 Q1	94	1,501,214	134,900	9.0%	(74,356)	2	4,774	1	10,000	\$19.48
Change/Total					33,073	9	83,701			
CoStar										

Industrial Market Conditions

According to CoStar, as of the end of the Fourth Quarter of 2019, the subject market area had 22 industrial buildings (including flex buildings) with 282,173 square feet of space, of which no space was vacant. Over the last three years, no new buildings were added, and no new space was under construction at the end of the Fourth Quarter of 2019. The vacancy rate declined from a high of 5.3% in the Fourth Quarter of 2018. Net absorption of industrial space has been positive in or flat in 10 of the last 12 quarters and total net absorption has been positive 6,650 square feet. Due to the lack of available industrial space, no rental rate information is available since the First Quarter of 2018. The historic industrial statistics for the market area from CoStar are summarized as follows:

Quarter	Inventory		Vacant		Net Absorption	Deliveries		Under Construction		Overall
	Buildings	Sq. Ft.	Sq. Ft.	Percent	Square Feet	Buildings	Sq. Ft.	Buildings	Sq. Ft.	Rent
2019 Q4	22	282,173	0	0.0%	0	0	0	0	0	-
2019 Q3	22	282,173	0	0.0%	0	0	0	0	0	-
2019 Q2	22	282,173	0	0.0%	0	0	0	0	0	-
2019 Q1	22	282,173	0	0.0%	14,870	0	0	0	0	-
2018 Q4	22	282,173	14,870	5.3%	(2,870)	0	0	0	0	-
2018 Q3	22	282,173	12,000	4.3%	(12,000)	0	0	0	0	-
2018 Q2	22	282,173	0	0.0%	0	0	0	0	0	-
2018 Q1	22	282,173	0	0.0%	0	0	0	0	0	\$23.28
2017 Q4	22	282,173	0	0.0%	0	0	0	0	0	\$23.28
2017 Q3	22	282,173	0	0.0%	0	0	0	0	0	\$23.28
2017 Q2	22	282,173	0	0.0%	0	0	0	0	0	\$23.28
2017 Q1	22	282,173	0	0.0%	6,650	0	0	0	0	-
Change/Total					6,650	0	0			
Source: CoStar										

Demographic Trends

According to information obtained from CoStar, demographic trends within approximately a one, three- and five-mile radius of Dobbins Road and 59th Avenue are as follows:

	1 Mile	3 Mile	5 Mile
2019 Total Population:	2,643	37,848	79,315
2024 Population:	2,854	40,742	85,269
Pop Growth 2019-2024:	7.98%	7.65%	7.51%
Average Age:	32.90	30.90	30.70
<hr/>			
2019 Total Households:	852	11,245	22,703
HH Growth 2019-2024:	7.98%	7.60%	7.51%
Median Household Inc:	\$84,011	\$66,193	\$58,308
Avg Household Size:	3.10	3.40	3.50
2019 Avg HH Vehicles:	2.00	2.00	2.00
<hr/>			
Median Home Value:	\$217,284	\$177,118	\$162,902
Median Year Built:	2004	2004	2004

Governmental Considerations

The subject market area comprises portions of the City of Phoenix and unincorporated areas of Maricopa County. The City of Phoenix and Maricopa County in the unincorporated areas control land uses within the market area. These controls are typical relative to other municipalities in the Phoenix area. The municipalities within the area are generally supportive of growth and development.

Conclusion and Relevance to the Subject Property

Considered to be still in the growth stage of development, portions of the subject market area and surrounding area are developed with a mixture of residential, industrial and commercial uses. With some remaining agricultural land and undeveloped land, the market area will likely continue to experience growth in the coming years. Overall, in common with other portions of the metropolitan area, the long-term outlook for the subject market area is good.

SITE DESCRIPTION

The subject property is 90.7814 acres of land, targeted for mixed uses, and located on the east side of the Loop 202 Freeway , the south side of Dobbins Road and the west side of 59th Avenue in Phoenix. The property is further described as follows:

Type of Property:	Undeveloped land targeted for mixed uses
Site Area:	3,954,438 Square feet/90.7814 acres
Shape/Dimensions:	Irregular
Location:	At the southeast corner of the Loop 202 Freeway and Dobbins Road, and the southwest corner of 59 th Avenue and Dobbins Road in Phoenix
Topography:	Near-level and at grade with the surrounding properties
Soil:	Based on my inspection of the subject property and observation of adjacent properties, the soil appears adequate to support potential improvements.
Drainage:	Apparently adequate
Lot Type:	Corner
Frontage:	The property has adequate frontage along the south side of Dobbins Road and the west side of 59 th Avenue. The property also has frontage along the east side of the Loop 202 Freeway.
Traffic Volume:	763 Vehicles per day along Dobbins Road west of 59 th Avenue and 1,920 vehicles per day along 59 th Avenue, north of Dobbins Road per 2017 MPSI data. The 2035 projection for Loop 202 between Dobbins Road and Elliot Road is 125,000 vehicles per day. Based on calculations for other segments of the freeway, the projected 2020 traffic volume is 17.85% less than the projected 2035 volume. Based on this difference, the 2020 projection for the Dobbins Road to Elliot Road segment could be in the range of 103,000 vehicles per day ($\pm 82.15\%$ of 125,000).

**Roadway and Freeway
Improvements:**

Dobbins Road

Traffic Lanes	Two (one east and one west)
Median	None
Surface	Asphalt pavement
Curbs	None
Sidewalks	None
Gutters	None
Streetlights	None
Comments	Additional half-street improvements will be required along the south side of Dobbins Road. The length of the half street improvements is approximately 1,550 lineal feet.

59th Avenue

Traffic Lanes	Two (one north and one south)
Median	None
Surface	Asphalt pavement
Curbs	None
Sidewalks	None
Gutters	None
Streetlights	None
Comments	Additional half-street improvements will be required along the south side of Dobbins Road. The length of the half street improvements is approximately 3,960 lineal feet.

Loop 202 Freeway

Traffic Lanes	Six (three in each direction)
Median	Divided freeway
Surface	Rubberized asphalt over concrete
Curbs	Not applicable
Sidewalks	Not applicable
Gutters	Not applicable
Streetlights	Yes
Comments:	The freeway will have a full interchange at Dobbins Road and is scheduled to be completed in 2020.

Flood Zone: Flood Zone X per FEMA FIRM 04013C2655L and 04013C2660L dated October 16, 2013

General Plan Designation: According to the City of Phoenix General Plan Map, the property is targeted for commercial and a mix of commercial and commerce/business park uses.

Furthermore, the north portion of the property is located within the Laveen Village Core.

Village Core areas are intended to be the clearly identifiable central focus for the village. An ideal village core could contain as much as 50 percent of a village's basic employment (industry, corporate or regional office, communications, state, county, city, and federal government); 25 percent of its service employment (neighborhood, office and retail, and local government); and 50 percent of the multifamily housing units exceeding 15 units per acre. This would be less likely to occur in villages with a high average residential density or with large industrial areas. A core may include some regional serving activities, such as special educational or cultural facilities, that are not duplicated in any or most other cores.

According to Cody White (602-534-5829), staff planner for the Laveen Village, single-family residential uses would not be allowed on the property without a general plan amendment. He also indicated that a general plan amendment would not likely be well received. He indicated that Laveen needs commercial uses and that there is already a lot of residential land. He also indicated that in Laveen there is a lot of opposition to change. Nonetheless, with the right development and developer, there is some possibility that the General Plan could be amended to allow for residential uses. In past conversations, planning staff has indicated that the general plan can be amended concurrently with a zoning change, which could take four-to-six months.

Zoning:

According to the City of Phoenix Zoning map, the subject property is zoned S-1 (Ranch or Farm Residence). This is a district designed to provide for very low-density farm or residential uses to protect and preserve low-density areas in their present or desired character. It is intended that the S-1 district will afford areas where semi-rural residential and agricultural uses can be maintained without impairment from industrial, commercial or higher density residential development.

Permitted uses include very low-density residential uses, adult day care, assisted living, residential care homes, sober living homes, agricultural crop uses, incidental facilities and storage for construction projects, public buildings and properties, schools, churches, sales of farm products, aviaries, accessory uses or buildings, group foster homes, non-daily newspaper delivery, environmental remediation, select display of vehicles for sale, non-profit medical marijuana cultivation and public assembly uses.

In the early 2000's the property was approved for C-2 (Intermediate Commercial)/CP-GCP (Commerce Park) uses. This means that the approved zoning will be effective upon development of the property. For the portion of the property zoned C-2/CP-GCP, a developer will choose between the C-2 and CP-GCP zoning.

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

The CP (Commerce Park) zoning is designed to provide locations for commerce, service and employment activities in which locations and site improvements are built such that a desirable appearance is projected toward public streets and such that compatibility can be maintained with adjacent land uses. The GCP (General Commerce Park) option of the Commerce Park provides for a broad range of manufacturing, warehousing, distribution and supportive retail sales and services. It is differentiated from the A-1 and A-2 districts, however, in that environmental and site standards ensure a high degree of compatibility with other commerce park options as well as other adjacent uses. Permitted uses include commercial and commercial and light industrial uses.

Cody White, staff planner for the Laveen Village, indicated that because the property was entitled so long ago (early 2000's), any use of the property will

likely require some new entitlement work, or completely starting over with the zoning.

Likelihood of Zoning Change: Recognizing that the property already has approval for the previously described zoning upon development of uses consistent with the approved zoning, a zoning change is probable. Furthermore, there is some possibility that the general plan could be amended to allow uses other than what is allowed in the Laveen Village Core.

**Easements, Encroachments
And Restrictions:**

Based on my review of the title report and/or inspection, the property is subject to the following easements and restrictions:

- Rights of way for canals, laterals and irrigation ditches and irrigation facilities;
- Easements and rights of way for utility lines and roads, telephone and telegraph lines;
- An exclusive irrigation easement for SRP along the north side of the property (along the south side of Dobbins Road)
- Controlled access along the Loop 202 right of way and a portion of Dobbins Road

The property does not appear to be impacted by any other atypical easements, encroachments or restrictions.

Utilities:

Water:

There is an existing water transmission line in 59th Avenue from Dobbins Road to Elliot Road; however, transmission lines cannot be used to service development due to the fact that they are turned off for servicing at least once a year for one to four months.

There is a 12-inch water line in Dobbins Road to the east side of 59th Avenue that can be extended to the property. The City would require extension along the subject's frontage along both 59th Avenue and Dobbins Road. Furthermore, for a residential use on the subject property, the City would require a looped system, which could effectively require extending the

water lines along the south and west sides of the property.

The property also has a domestic well that supplies water for the current use.

Sewer: There is a 30-inch sewer main in 59th Avenue that can be used to service the property. There is no sewer line in Dobbins Road. The City will not require extension of the sewer line along Dobbins Road unless developed uses have frontage along Dobbins Road.

The property has two septic systems for the current use.

Electricity: Salt River Project

Telephone: CenturyLink

Gas: None

Adjacent Land Uses:

North: Dobbins Road followed by undeveloped land currently used as agricultural land

East: 59th Avenue followed by undeveloped land currently used as agricultural land

South: Undeveloped land

West: The Loop 202 freeway followed by undeveloped land

Apparent Adverse Factors: None identified

Site Utility and Accessibility:

The property has adequate access from existing roadways and excellent access from the freeway and good utility for potential uses.

Non-apparent Adverse Factors:

I again refer the reader to the Underlying Assumptions and Limiting Conditions. I repeat that I am not qualified to determine the presence of hazardous substances as they affect the site. This would include, but not be limited to, toxic chemicals, radon gas, methane, etc. Unless otherwise stated, the

site is assumed to be unaffected by these substances.

**Full Cash Values
And Real Estate Taxes:**

The subject property is identified as a portion of Maricopa County Assessor's Parcel numbers 300-02-033B, 037A, 037B 038, 041B and 042D.

300-02-033B

	2019 Prelim	2020 Prelim
FCV Improved	\$0	\$0
FCV Land	\$2,251,788	\$2,251,788
FCV Total	\$2,251,788	\$2,251,788
YoY Change %	0%	0%
Assessed FCV	\$0	\$0
LPV Total	\$1,373,591	\$1,373,591
State Aid	\$0	\$0
Tax Amount	\$0	\$0

300-02-037A

	2013 Final	2014 Final	2015 Final	2016 Final	2017 Final	2018 Final	2019 Prelim	2020 Prelim
FCV Improved	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FCV Land	\$39,398	\$39,398	\$795,100	\$1,125,000	\$1,141,800	\$1,625,300	\$1,908,700	\$2,691,300
FCV Total	\$39,398	\$39,398	\$795,100	\$1,125,000	\$1,141,800	\$1,625,300	\$1,908,700	\$2,691,300
YoY Change %	0%	0%	1918%	41%	0%	0%	0%	0%
Assessed FCV	\$6,304	\$6,304	\$127,216	\$168,750	\$171,270	\$243,795	\$286,305	\$403,695
LPV Total	\$39,398	\$39,398	\$41,368	\$43,436	\$45,608	\$47,888	\$50,282	\$52,796
State Aid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax Amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

300-02-037B

	2013 Final	2014 Final	2015 Final	2016 Final	2017 Final	2018 Final	2019 Prelim	2020 Prelim
FCV Improved	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FCV Land	\$783	\$783	\$54,700	\$46,600	\$50,000	\$64,800	\$73,700	\$74,200
FCV Total	\$783	\$783	\$54,700	\$46,600	\$50,000	\$64,800	\$73,700	\$74,200
YoY Change %	0%	0%	6886%	-15%	0%	0%	0%	0%
Assessed FCV	\$125	\$125	\$8,752	\$6,990	\$7,500	\$9,720	\$11,055	\$11,130
LPV Total	\$783	\$783	\$822	\$863	\$906	\$951	\$999	\$1,049
State Aid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax Amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

300-02-038

	2013 Final	2014 Final	2015 Final	2016 Final	2017 Final	2018 Final	2019 Prelim	2020 Prelim
FCV Improved	\$219,796	\$240,900	\$252,000	\$259,600	\$256,000	\$278,700	\$277,300	\$288,400
FCV Land	\$39,171	\$39,171	\$792,000	\$1,119,800	\$1,136,600	\$1,617,700	\$1,899,800	\$2,677,900
FCV Total	\$258,967	\$280,071	\$1,044,000	\$1,379,400	\$1,392,600	\$1,896,400	\$2,177,100	\$2,966,300
YoY Change %	-2%	8%	273%	32%	0%	0%	0%	0%
Assessed FCV	\$41,434	\$44,811	\$167,040	\$206,910	\$208,890	\$284,460	\$326,565	\$444,945
LPV Total	\$258,967	\$280,071	\$294,075	\$308,779	\$324,218	\$340,429	\$357,450	\$375,323
State Aid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax Amount	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

300-02-041B

	2019 Final	2020 Prelim
FCV Improved	\$0	\$0
FCV Land	\$1,155,123	\$1,660,200
FCV Total	\$1,155,123	\$1,660,200
YoY Change %	0%	0%
Assessed FCV	\$173,268	\$0
LPV Total	\$431,720	\$946,314
State Aid	\$0	\$0
Tax Amount	\$0	\$0

300-02-042B

	2019 Final	2020 Prelim
FCV Improved	\$0	\$0
FCV Land	\$847,314	\$1,060,500
FCV Total	\$847,314	\$1,060,500
YoY Change %	0%	0%
Assessed FCV	\$127,097	\$0
LPV Total	\$26,514	\$604,485
State Aid	\$0	\$0
Tax Amount	\$0	\$0

Back Taxes:

According to the Maricopa Treasurer's Office, no delinquent prior year taxes are owed on these parcels.

Special Assessments:

The subject properties are located within the Laveen West Impact Fee area. This requires payment of an impact fee of \$11,957 for a single-family residence at the time the permit is issued. Impact fees for multi-family, commercial and industrial uses vary depending on the planned use, the land area, the building area, the number of multi-family units and the type and size of the water meter(s).

Irrigation:

The property has historically been used as agricultural land and has access to SRP irrigation water delivered via irrigation ditches. The property is irrigated from east to west and the water flows in irrigation ditches from the south. Although the property has irrigation ditches, agricultural use of the property will require reworking the ditches and establishment of a water source from SRP.

The property has an irrigation well located within APN 300-02-037B. According to Arizona Department of Water Resources records the well has a 20-inch casing, a depth of 548 feet, steel casing to a depth of 200 feet, and a pumping capacity of 1,800 gallons per minute.

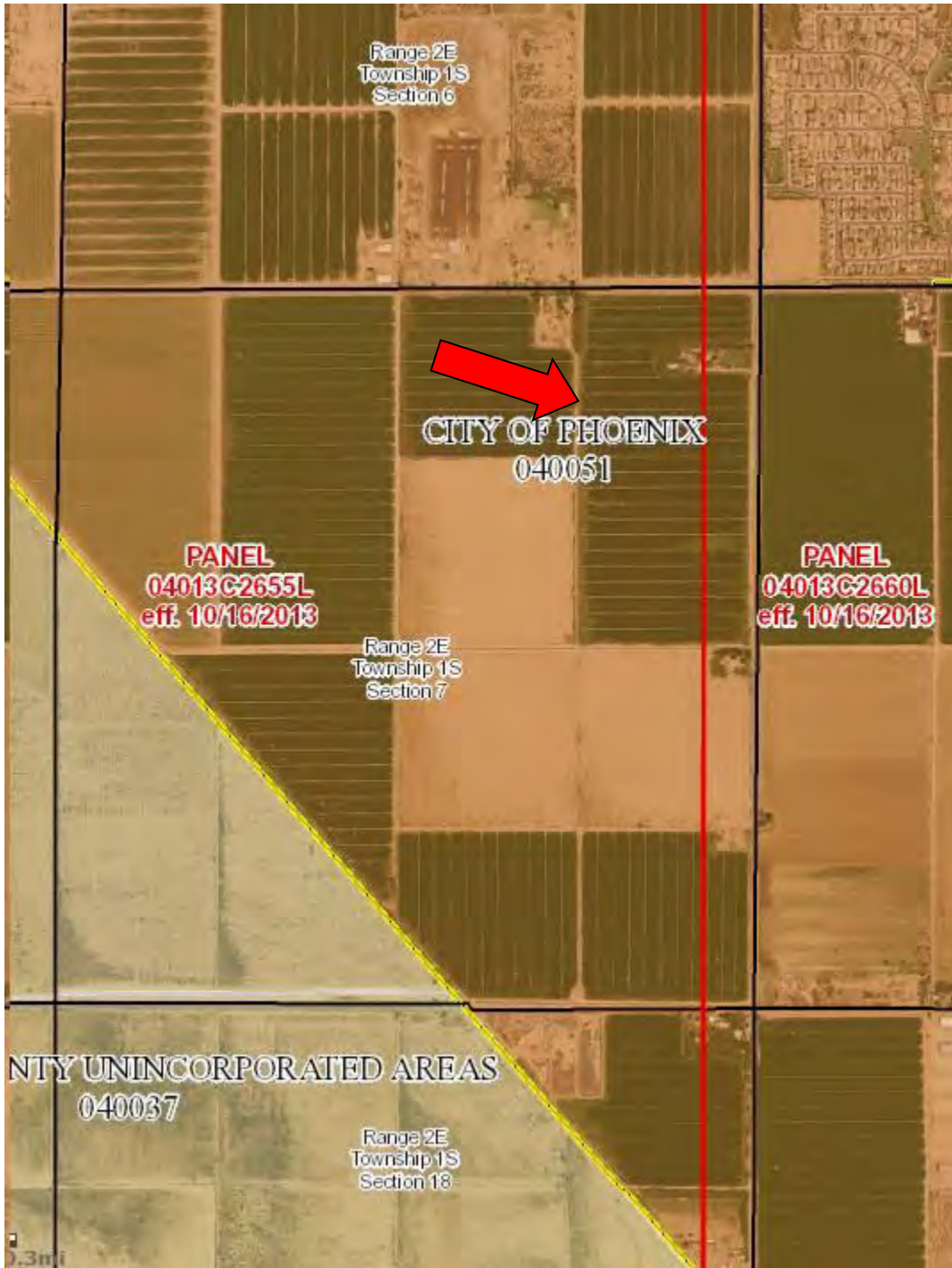
Although the highest and best use of the property is for development of a mix of commercial and

commerce park / business park uses, continued use of the property as agricultural land is desirable to keep holding costs (real estate taxes) low until the property is developed.

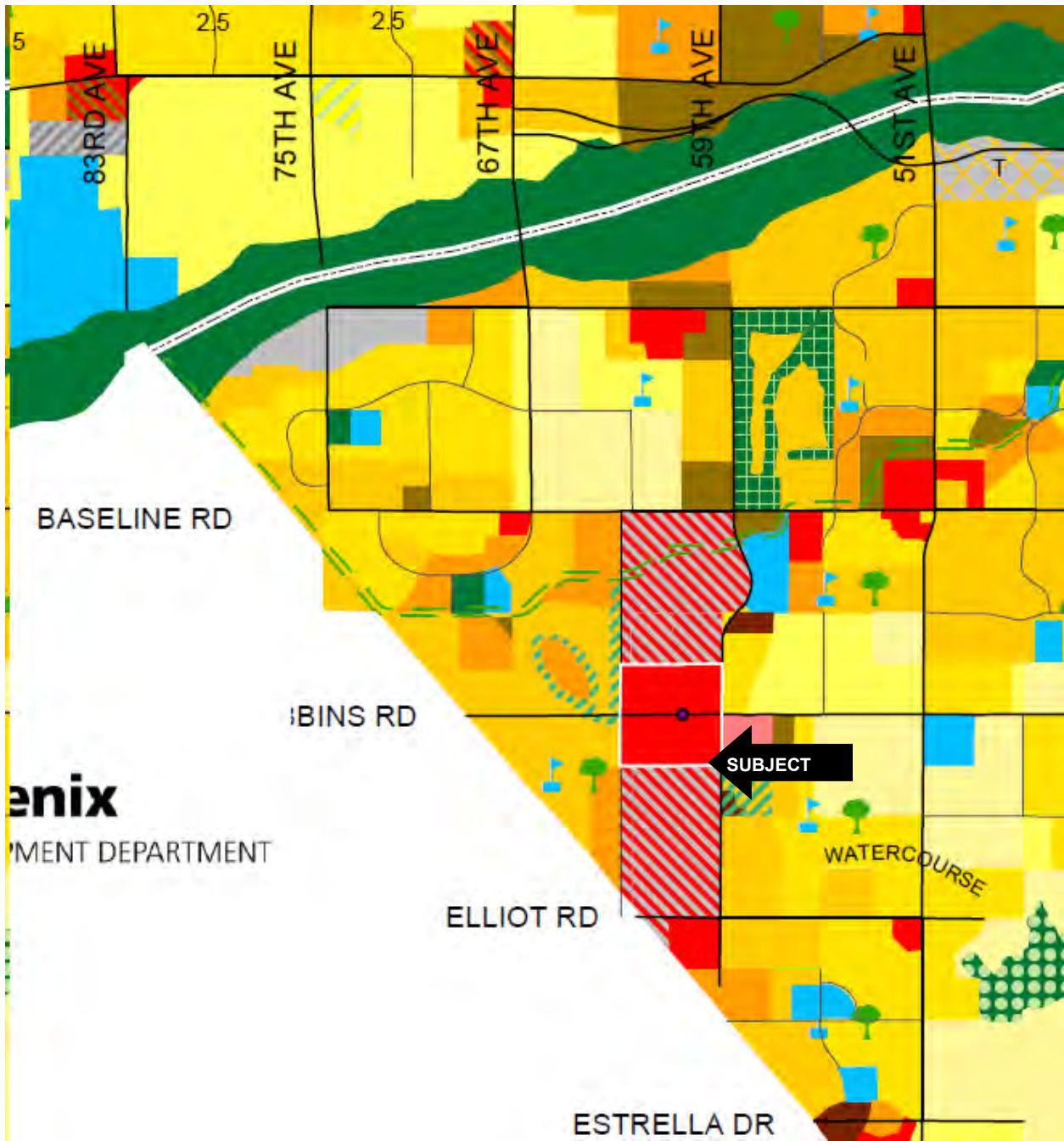
Aerial Photo



Flood Map

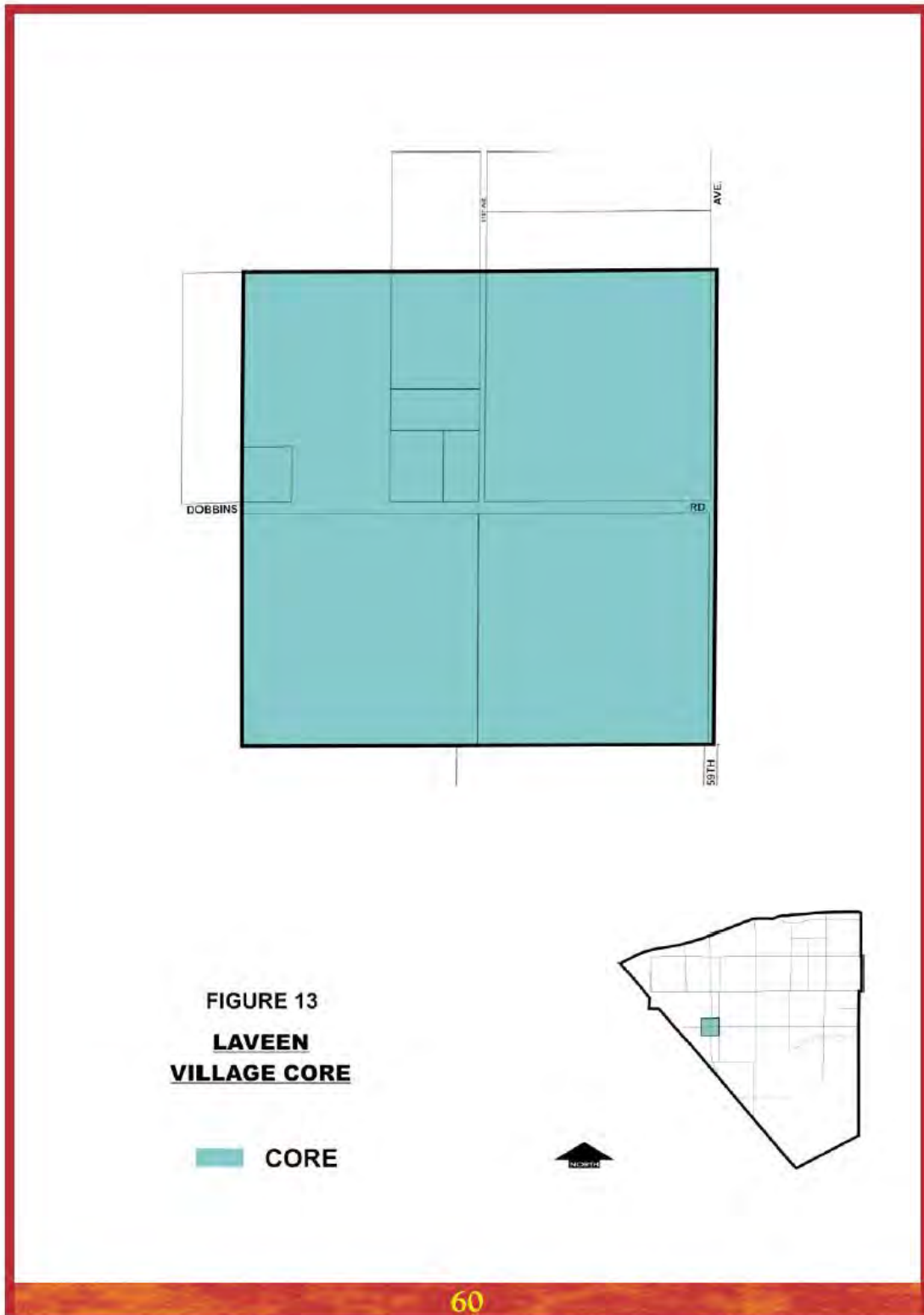


City of Phoenix General Plan Land Use Map

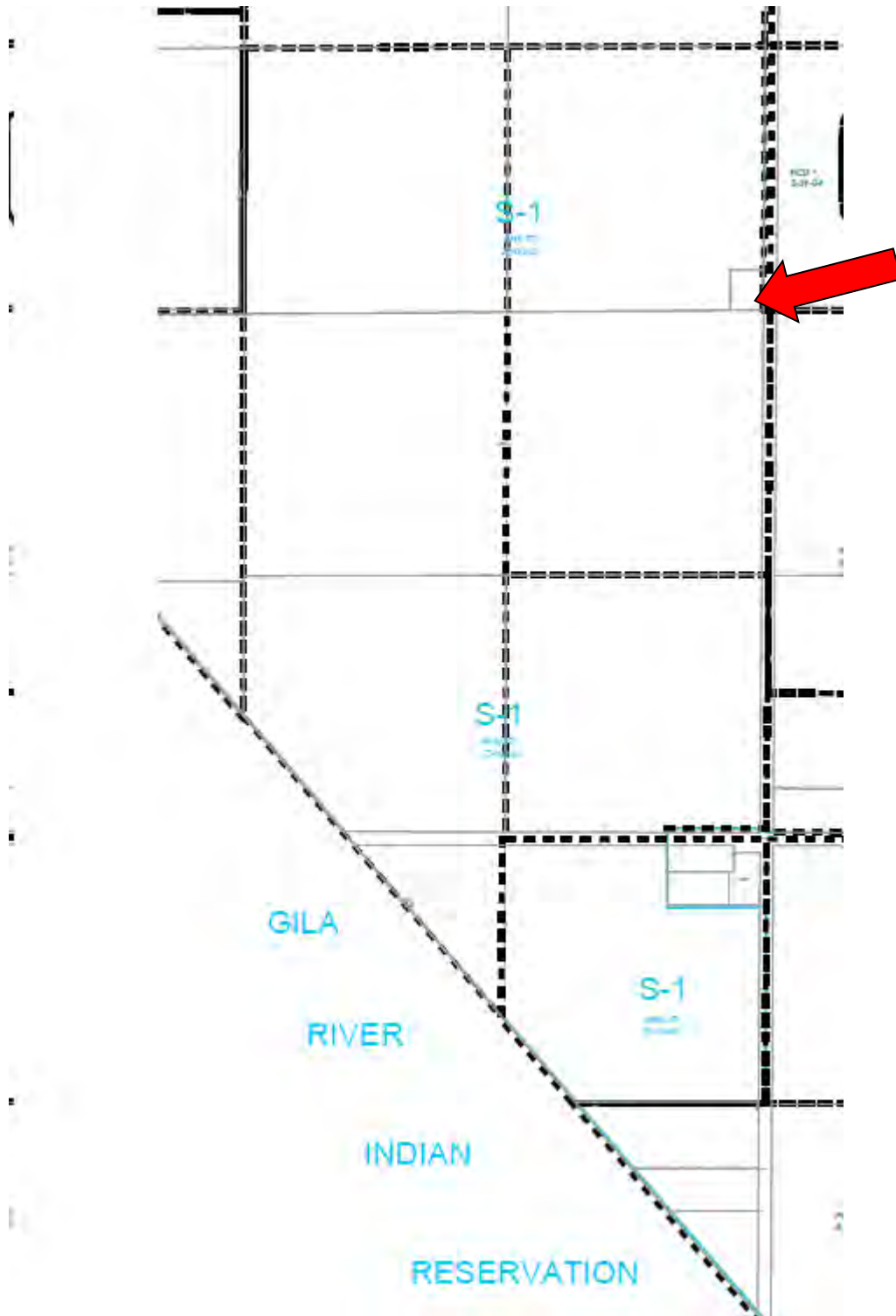


- 2 to 3.5 du/acre - Traditional Lot
- 3.5 to 5 du/acre - Traditional Lot
- 5 to 10 du/acre - Traditional Lot

- Commercial
- Mixed Use (MU)
- Mixed Use (Areas C, D and Northwest Area only)
- Industrial
- Commerce / Business Park



Zoning Map



IMPROVEMENT DESCRIPTION

The subject property is improved with a 3,085 square foot, single-family residence, various farm structures and supporting site improvements. These improvements, excluding the two barn structures, occupy approximately 3.3316 acres (215' x 125' = 145,125 square feet) of the entire 90.7814-acre property. The improvements are described as follows:

Building Areas:

Residence:	3,085 Square feet
Carport:	473 Square feet (400 square feet enclosed)
Front Porch:	61 Square feet
Patio:	203 Square feet 119 square feet enclosed)

Farm Utility Shelter:	3,200 Square feet
Farm Implement Shed:	1,200 Square feet
Farm Implement Shed:	840 Square feet

Barnes Dairy Barn:	871 Square feet
Hackin Dairy Barn:	1,670 Square feet

Land-to-Building Ratio:	47.04:1 (145,125 / 3,085) based on area of residence 16.01:1 (145,125 / 9,062) based on area of all structures on 3.3316 acres
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Site Coverage:	2.1% (3,085 / 145,125) based on area of residence 6.2% (9,062 / 145,125) based on area of all structures on 3.3316 acres
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Foundations and Floors:	Concrete and wood
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Year Built:	1979 (Per assessor)
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Chronological Age:	Approximately 40 years
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Exterior Walls:	Block and/or stone
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Roof System:	Asphalt shingles on wood roof and wood trusses
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Heating, Cooling, Air Conditioning:	The property has two heat pumps
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Interior Finish of Residence:

Floor Coverings: Wood, tile and/or linoleum
Interior Walls: Wood or sheetrock
Ceiling Finishes: Wood or sheetrock
Ceiling Height: Approximately 8-foot flat ceilings throughout most of the residence
Interior Doors: Wood doors in wood frames
Exterior Doors: Wood or metal doors in wood frames and sliding glass door at family room
Windows: Single-pane glass in encasement or sliding metal frames
Lighting: Surface-mounted fixtures and ceiling fans
Room Count: 7 Total/3 bedrooms/2 bathrooms

Bathrooms: The master bath has two sinks, one toilet and one shower. The other bath has one sink, one toilet and one tub.

Kitchen: The kitchen has wood cabinets in average condition, a two-basin sink with garbage disposal, a dishwasher and a range/oven.

Other Equipment/ Amenities: The property has one fireplace in the living room and one in the family room. The enclosed portion of the patio has hookups for laundry equipment. The property has a well and two septic systems.

Electrical: Apparently adequate

Insulation: None visible/unknown

Layout: The residence has a split floor plan with entry, living room and master bedroom at the front and family room, kitchen and two bedrooms at the rear of the house. The dining area is between the entry and the kitchen.

Quality and Condition: The improvements are of typical quality for the age of the improvements, however, are of fair quality for more modern structure.

The improvements are in fair condition. Some deferred maintenance was observed during my

inspection, which included wastewater issues, missing light panels in kitchen and deteriorated paint.

Design/Appeal:

The improvements have an adequate design for a 40-year-old residence. Furthermore, the stone exterior walls, stone fireplaces and wood interior finishes have some appeal as a residence. However, due to some of the dated building components and their current condition they have overall fair appeal.

Apparent Adverse Conditions:

Other than the condition, no other significant adverse conditions were identified.

Unapparent Adverse Conditions:

I again refer the reader to the Underlying Assumptions and Contingent Conditions. I am not qualified to determine the presence of hazardous conditions within the structure(s) described. This would include, but would not be limited to, urea formaldehyde, asbestos, toxic chemicals of all kinds, dangerous electromagnetic fields, etc. Unless otherwise stated, the structure(s) is assumed to be unaffected.

Carport:

The property has a 473 square foot carport that is partially enclosed (400 square feet) and used as storage space. The interior is finished with sheetrock and/or wood walls and ceilings. The carport has electrical service and one sink. The west wall of the carport is constructed of stone. The north and south walls are constructed of wood frame and wood siding.

Front Porch:

There is a 61 square foot porch at the main front entrance. The porch has a concrete landing and wood roof structure covered with asphalt shingles.

Real Patio:

There is a 203 square foot covered patio at the rear of the residence. Approximately 119 square feet of the patio is enclosed and used as a laundry room. The exterior walls of the patio enclosure are wood frame and wood siding.

Site Improvements:

Other site improvements for the residence include a concrete driveway, concrete sidewalks, 100± lineal feet of concrete block fence, 325± lineal feet of chain-

link fence and landscaping with trees, shrubs and grass. The landscaping has not been maintained and is overgrown.

Farm Utility Shelter:

The property has a 3,200 square foot farm utility shelter (hay barn), constructed of a steel frame and corrugated metal roof with a clear height of 21 feet, four open sides and a dirt floor. The shelter is located southwest of the residence and is in fair-to-average condition.

Farm Implement Shed:

The property has a 1,200 square foot farm implement shed constructed of concrete and stone walls on three sides, a wood roof structure with corrugated metal roof, electrical service, a dirt floor and a clear height that ranges from 7.5 to 10 feet. The shed is located southwest of the residence and is in fair-to-poor condition.

Farm Implement Shed:

The property has an 840 square foot farm implement shed constructed of concrete block walls, wood walls, wood roof structure, fiberboard ceiling with a height 7.5 feet, a concrete floor and non-functional plumbing and electrical service. The shed is located northwest of the residence and is in poor condition.

Barnes Dairy Barn:

There is an 871 square foot concrete block structure located at the northwest corner of the property. The structure was formerly used as a dairy barn. The barn has a wood roof structure with a 9-foot clear height, a corrugated metal roof and concrete floor. The exterior walls have cracks and the roof has leaks. Skylight is visible through the roof openings. The barn is in poor condition and has very little utility for potential uses.

Hackin Dairy Barn:

There is a 1,670 square foot concrete block structure located near the southwest corner of the property. The building was formerly used as a dairy barn. The barn has a wood roof structure with a 7-foot clear height, a corrugated metal roof that has mostly been removed and concrete floor. The roof structure is breaking and falling in at some locations. The exterior walls have cracks and the remaining roof appears to be unstable. The barn is in poor condition and has no utility for potential uses. The barn is a hazard.

HIGHEST AND BEST USE ANALYSIS

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

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

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

As If Vacant

Legally Permissible

As discussed previously, the property is located in an area targeted for a mix of uses including commercial and commerce park/business park uses. Furthermore, the north portion of the property is located within the Laveen Core.

Although the portion of the property is zoned S-1, it is approved for C-2 (Intermediate Commercial)/CP-GCP (Commerce Park) uses. This means that the approved zoning will be effective upon development of the property. A developer will choose between the C-2 and CP-GCP zoning. Thus, upon development of the property the approved zoning will become effective. Thus, a zoning change from S-1 to C-2 or CP-GCP zoning is likely. Nonetheless, according to Cody White, staff planner for the Laveen Village, some additional entitlement work may be required for some uses. Furthermore, there is some possibility that the general plan could be amended to allow for residential use.

The property has historically been used as agricultural land and continued use as agricultural land is also legally permissible.

Although the property is subject to a number of easements and rights of way for irrigation, roadways and utilities, these easements and rights of way can be relocated and/or accommodated in development of the property. Therefore, based on this information, it is my opinion that the most likely legally permissible uses of the subject

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

site, as if vacant, are to develop a mix of uses that include commercial and commerce park / business park uses, to amend the general plan and rezone for residential use, to hold the property as vacant land for future development, or to use the property as agricultural land.

Physically Possible

The subject site is 90.7814 acres of land with near-level topography. The property was formerly used as agricultural land. Land uses in the immediate area of the subject property are a combination of agricultural land, undeveloped land and low-density residential uses. Electricity, telephone services are extended to the property. Water and sewer services are in the adjacent roadways or can be extended to the property. The property has water rights for irrigation, however, the ditches and irrigation water service from SRP will need to be reestablished. The property has frontage along, and access from Dobbins Road and 59th Avenue, both two-lane, asphalt-paved roadways. The property also has frontage along and visibility from the Loop 202 Freeway . Loop 202 will have an interchange at Dobbins Road. The property has adequate access and utility for development of potential uses. Recognizing these physical characteristics, development of the legally permissible uses is physically possible.

Furthermore, with water rights and SRP irrigation water available and sufficiently level land, continued use of the property as agricultural land is also physically permissible.

Therefore, it is my opinion that the most likely legally permissible and physically possible use of the subject property is to develop a mix of uses that include commercial and commerce park / business park uses, to amend the general plan and rezone for residential use, to hold the property as vacant land for future development, or to use the property as agricultural land.

Financially Feasible

The economy and real estate market conditions have improved in the area over the last few years. Vacant sites are being acquired and developed with a variety of uses, including retail, employment, multi-family and single-family residential uses. Thus, it is my opinion that all of the legally permissible and physically possible uses are financially feasible. Therefore, it is my opinion that the most likely legally permissible and physically possible uses of the subject property are to develop a mix of uses that include commercial and commerce park / business park uses, to amend the general plan and rezone for residential use, to hold the property as vacant land for future development, or to use the property as agricultural land.

Maximally Productive

Of the financially feasible uses, based on land sales in the area development of a mix of uses that include commercial and commerce park / business park uses will provide the greatest return to the property. Comparable commercial land is selling for more than

comparable residential or agricultural land. Therefore, it is my opinion that the maximally productive and highest and best use of the subject property, as if vacant, is for development of a mix of uses that include commercial and commerce park / business park uses, as the freeway is completed, with interim use as agricultural land until the property is developed.

As Improved

The subject property is improved with a single-family residence and miscellaneous structures that were historically used as part of the agricultural use of the property. As discussed in the improvement description section, the residence is in generally fair condition and the other structures are in fair, or poor condition. Continued use of the residence and other structures on the 3.3316-acre property is legally permissible, physically possible and financially feasible. However, due to the condition of the two barn structures, use of those improvements is not physically possible without significant repairs. With the cost of renovation and the lack of utility for those improvements repairing those structure is not financially feasible.

If the residence and ancillary buildings and site improvements on the 3.3316 acres (145,125 square feet) are separated from the rest of the 90.7814 acres, the property could be sold as a residential property. As concluded in the land valuation analysis in this report, the 90.7814-acre property has a value of \$4.00 per square foot. Applying that value to the 3.3316 acres indicates a value of \$580,500 ($145,125 \times \$4.00 = \$580,500$). Based on sales of low density, single-family, residential properties in the area and considering the age and condition of the improvements, the residence on 3.3316 acres would not likely sell for more than \$580,500. Even if the value as a single-family residence is slightly more than \$580,500, it is my opinion that a developer of the entire 90.7814-acre property would not carve out the residence and develop around it. A developer would demolish all of the structures on the property and redevelop the entire property. Therefore, it is my opinion that the maximally productive and highest and best use of the property, as improved, is for redevelopment a mix of uses that include commercial and commerce park / business park uses, as the freeway is completed, with interim use as agricultural land and the existing improvements until the property is redeveloped.

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

Cost Approach

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

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

Sales Comparison Approach

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

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

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

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

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

The Income Capitalization Approach

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

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

Final Reconciliation

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

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

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

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

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

SALES COMPARISON APPROACH

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

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

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

Overview of the Search for Comparable Sales Information

Emphasis was placed upon selecting relatively recent transactions involving comparables which were considered to be similar to the subject properties in terms of property rights conveyed, location, physical characteristics, potential use, and development time horizons. Nonetheless, although differing in some of these characteristics, the comparables are representative of the range of value within which the subject property could be placed.

Selection of Appropriate Units of Comparison

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

Analysis and Comparison of Comparable Sales

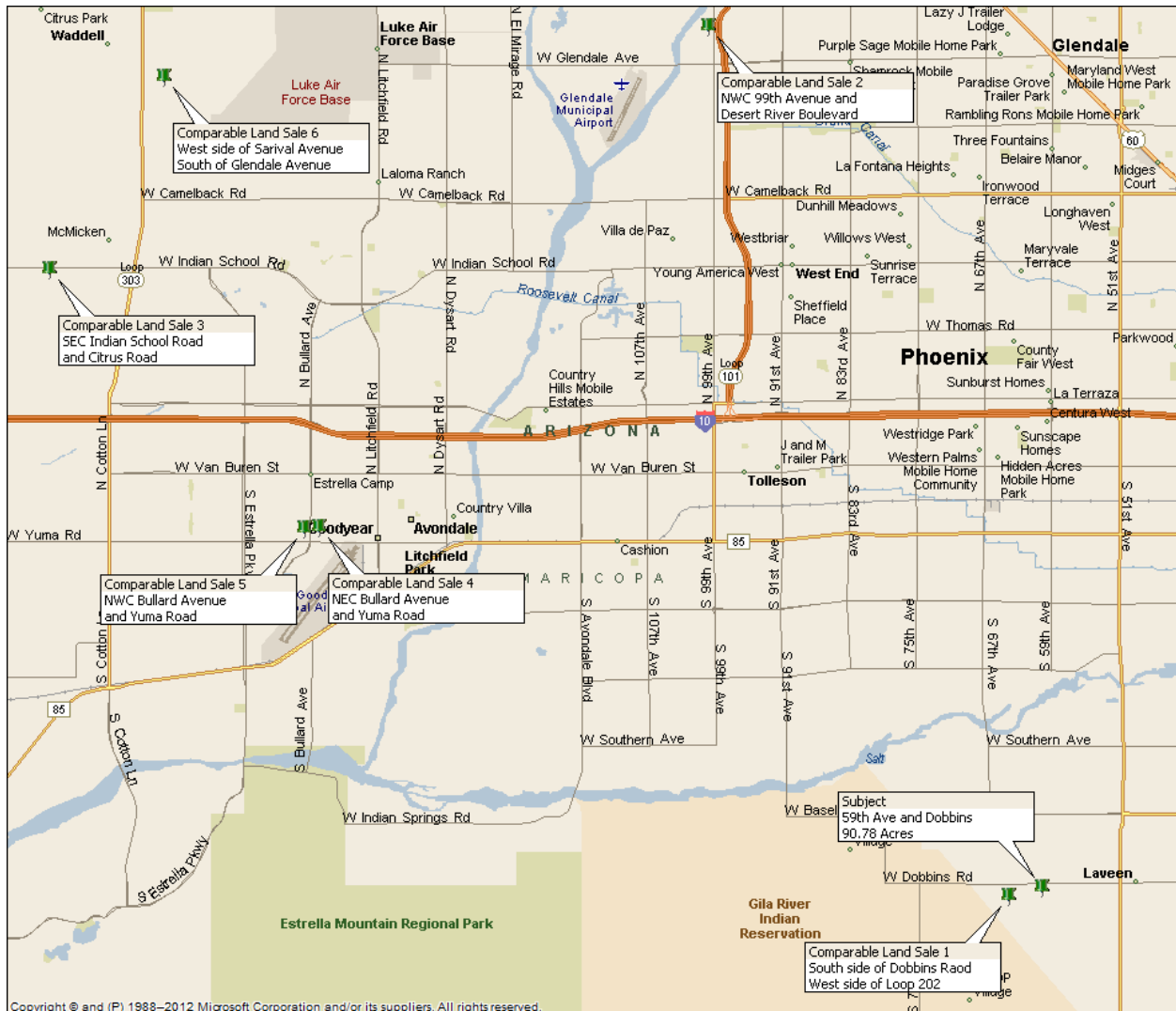
Typically, comparable sales are analyzed based on a variety of value influencing criteria. For this analysis, the factors that have been considered are as follows:

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

Description of Vacant Land Comparables

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

Comparable Land Sales Map



Comparable Land Sale One



Identification

Type: Mixed use land
Location: On the south side of Dobbins Road, the north and south sides of Elliot Road and the west side of Loop 202 (under construction at time of sale) in Phoenix
Tax Parcel Number: 300-02-056

Sale Data

Sale Price: \$14,800,000
Terms: All cash to the seller
Unit Price: \$2.42 Per square foot/\$105,436 per acre
Date of Recordation: November 1, 2018 (June 2018 escrow)
Grantor/Seller: Anthony Jerome La Salvia and Peggy M. La Salvia
Grantee/Buyer: 202 & Dobbins, LLC
Instrument: Special Warranty Deed
Instrument Number: 2018-0816640
Conditions of Sale: Typical
Marketing Period: Less than one year at sale price
Source/Confirmation: Public records, buyer's broker (Brad Fry at 602-361-2287 on April 4, 2019) and inspection

Site Data

Shape/Dimensions: Irregular and non-contiguous

Areas: 6,114,513 Net square feet/140.37 net acres (net of existing roadways)
Topography: Level and at grade with surrounding properties
Zoning/Restrictions: S-1 (Ranch or Farm Residence District), with approval for C-2 (Intermediate Commercial)/CP-GCP (Commerce Park) uses east of the alignment of 63rd Avenue by the City of Phoenix
Flood Zone: Zone X
Noise Zone: None
Off-Sites: Dobbins Road and Elliot Road are asphalt-paved roads. Roadway improvements will be required along both roadways and future 63rd Avenue
Lot Type: Future minor corner
Utilities: Electricity and telephone. Water and sewer will require extension to the property.
Arterial Frontage: Adequate along Dobbins Road and Elliot Road and exposure from Loop 202 (under construction)
Traffic Count: 703 VPD along Dobbins Road, 223 VPD along Elliot Road per 2016 MPSI data and 103,000 projected along Loop 202 in 2020
Improvements: None
Comments: This seller plans to install utility and roadway infrastructure for this property and resale for \$7.50 to \$8.00 per square foot for the entire property. The asking price is \$10.00 for the commercial portion and \$6.00 per square foot for the residential portion.

Intended Use Development of a mix of uses (±90 acres of commercial and ±40 acres of residential with densities of 5 and 10 dwelling units per acre)

Comparable Land Sale Aerial Photo



Comparable Land Sale Two



West from 99th Avenue



Northwest from Desert River Boulevard

Identification

Type: Commercial land
Location: At the northwest corner of 99th Avenue and Desert River Boulevard in Glendale
Tax Parcel Numbers: 142-57-004A, 007B, 008, 142-60-006F, 007B and 008B

Sale Data

Sale Price: \$9,500,000
Terms: All cash to the seller
Unit Price: \$3.40 Per square foot/\$148,275 per acre
Date of Recordation: January 15, 2019 (October 2018 escrow)
Grantor/Seller: ATC Realty Sixteen, Inc.
Grantee/Buyer: Empire Residential Communities Fund IV, LLC
Instrument: Special Warranty Deed
Instrument Number: 2019-0029911
Conditions of Sale: Typical
Marketing Period: Less than one year at sale price
Source/Confirmation: CoStar, public records, listing broker (Chad Russell at crussell@landadvisors.com on April 5, 2019) and inspection

Site Data

Shape/Dimensions: Irregular
Areas: 2,790,889 Net square feet/64.07 net acres
Topography: Level and at grade with surrounding properties
Zoning/Restrictions: PAD, City of Glendale
Flood Zone: Zone X

Noise Zone: Partially within the 55 ldn contour lines of the Glendale Municipal Airport

Off-Sites: 99th Avenue is a two-lane, asphalt-paved roadway, additional improvements are required. Desert River Drive is a four-lane, asphalt-paved roadway with concrete curbs and gutters and streetlights.

Lot Type: Corner

Utilities: Electricity, telephone, natural gas, water and sewer in adjacent roadways

Arterial Frontage: Good along 99th Avenue with visibility from Loop 101

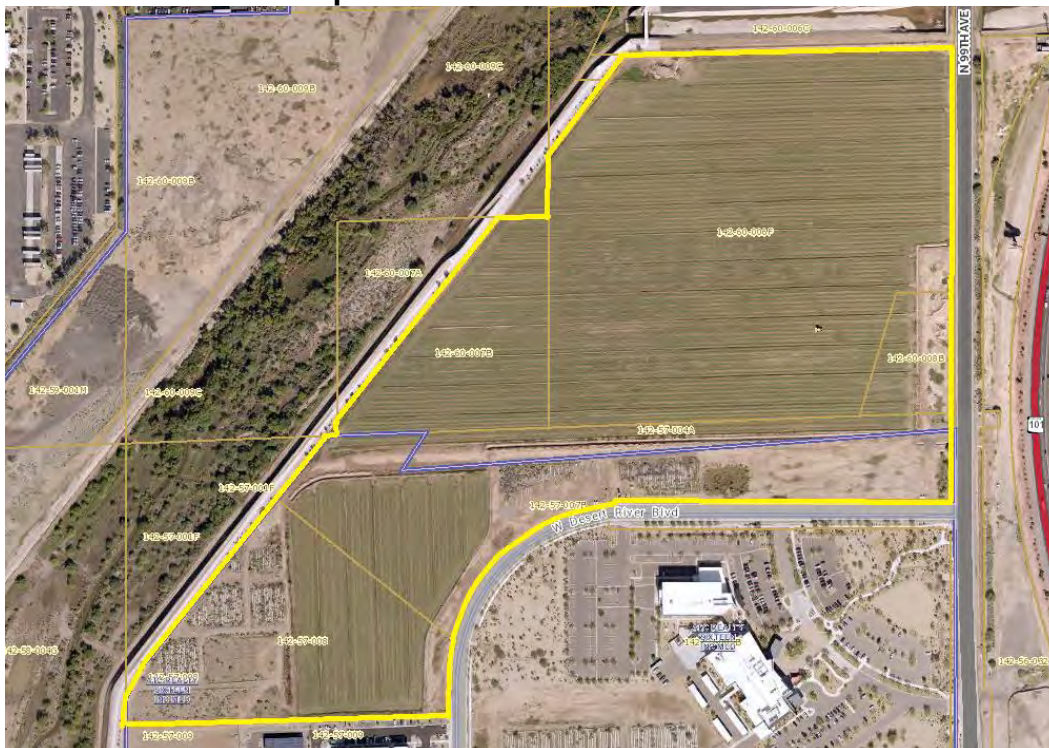
Traffic Count: 4,300 VPD along 99th Avenue and 121,519 vehicles per day along Loop 101 per CoStar data

Improvements: None of value

Comments: This property is mostly agricultural land planned for employment uses. The property is located north of a Dignity Health hospital. The buyer is required to reimburse Dignity Health for its share of Desert River Boulevard (±\$1,200,000). This property is located near State Farm Stadium, Westgate and Gila River Arena.

Intended Use Development of a mix of uses to include retail, office hospitality, hotel and restaurant uses

Comparable Land Sale Aerial Photo



Comparable Land Sale Three



South from Indian School Road



East from Citrus Road

Identification

Type: Employment land
Location: At the southeast corner of Indian School Road and Citrus Road in Goodyear
Tax Parcel Number: 502-30-922E

Sale Data

Sale Price: \$37,113,120
Terms: All cash to the seller
Unit Price: \$5.88 Per square foot/\$256,102 per acre
Date of Recordation: April 15, 2019 (April 2019 escrow)
Grantor/Seller: DRI FR Goodyear, LLC
Grantee/Buyer: Microsoft Corporation
Instrument: Special Warranty Deed
Instrument Number: 2019-00263400
Conditions of Sale: Sold for a premium
Marketing Period: Less than one year at sale price
Source/Confirmation: CoStar, public records, seller's broker (Pat Feeney at 602-735-5677) and inspection

Site Data

Shape/Dimensions: Irregular
Areas: 6,312,513 Net square feet/144.9154 net acres
Topography: Level and at grade with surrounding properties
Zoning/Restrictions: PAD, Planned Area Development, City of Goodyear
Flood Zone: Zone X
Noise Zone: Partially within the 65 and 70 ldn contour lines of the Luke Air Force Base

Off-Sites: Indian School Road and Citrus road are two-lane, asphalt-paved roadways. Additional offsites will be installed by the buyer at an estimated cost of \$1.50 per square foot for arterial roadways and \$0.50 per square foot for other roadways.

Lot Type: Arterial corner

Utilities: Electricity, telephone, water and sewer in area

Arterial Frontage: Good along Indian School Road and Citrus Road

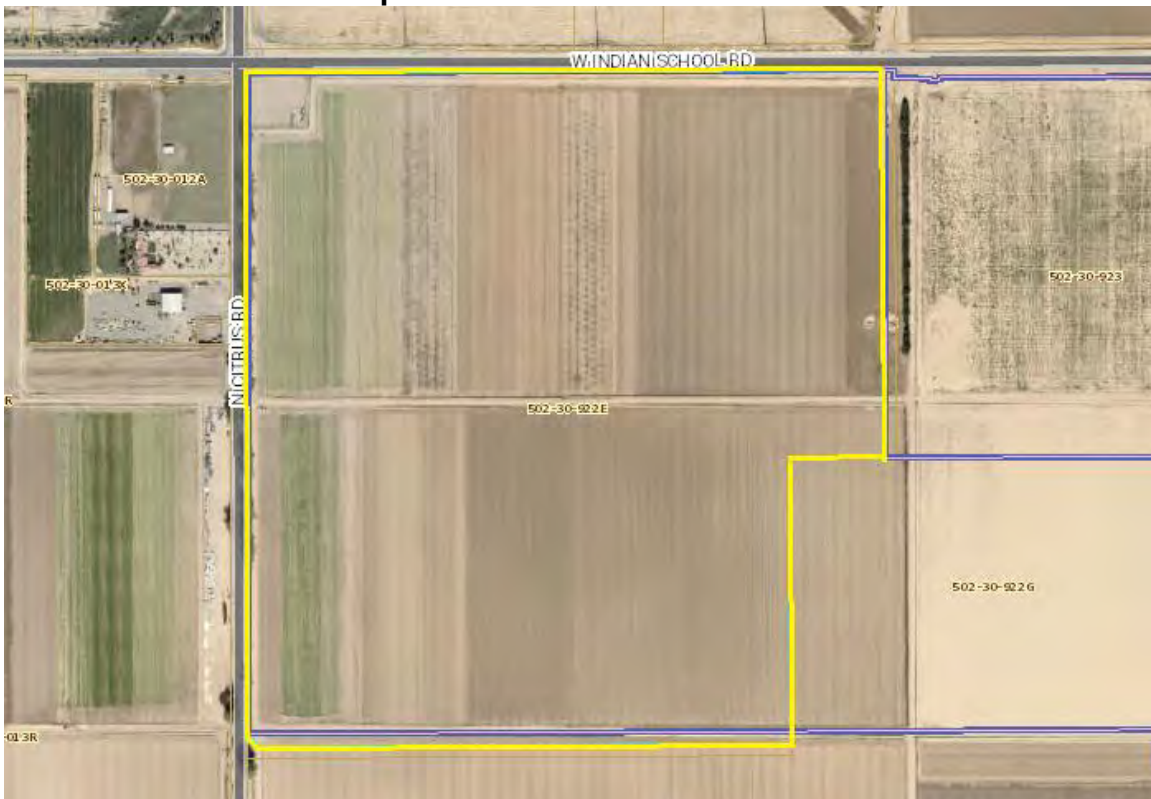
Traffic Count: 7,234 VPD along Indian School Road and 2,494 VPD along Citrus Road Per 2018 MPSI Estimate

Improvements: None of value

Comments: This property was agricultural land planned for employment uses within PV303 Business Park, a 1,600-acre master planned business park for 20 million square feet of office, retail and industrial space. The seller's broker indicated that the property sold for a premium. The seller wanted to develop the property and lease developed space. The buyer did not want that. The seller increased the price by the amount of the profit the seller would have made developing the property.

Intended Use Development of a data center

Comparable Land Sale Aerial Photo



Comparable Land Sale Four



East from Bullard Avenue



North from Yuma Road

Identification

Type: Employment land
Location: At the northeast corner of Bullard Avenue and Yuma Road in Goodyear
Tax Parcel Numbers: 500-04-018W And 018X

Sale Data

Sale Price: \$19,200,000
Terms: All cash to the seller
Unit Price: \$3.86 Per square foot/\$168,130 per acre
Date of Recordation: May 14, 2019 (August 2018 escrow)
Grantor/Seller: Kohnen Investments, LLC
Grantee/Buyer: Prologis, LP
Instrument: Special Warranty Deed
Instrument Number: 2019-0351422
Conditions of Sale: Typical
Marketing Period: Less than one year at sale price
Source/Confirmation: CoStar, public records, buyer and seller's broker (Tony Lydon via email – AJ.Lydon@am.jll.com) and inspection

Site Data

Shape/Dimensions: Nearly rectangular
Areas: 4,974,430 Net square feet/114.1972 net acres
Topography: Level and at grade with surrounding properties
Zoning/Restrictions: AU, Agricultural/Urban, City of Goodyear
Flood Zone: Zone X

Noise Zone:	Partially within the 60 and 65 ldn contour lines of the Goodyear Airport
Off-Sites:	Bullard Avenue and Yuma Road are two-lane, asphalt-paved roadways
Lot Type:	Arterial corner
Utilities:	Electricity, telephone, water and sewer in area
Arterial Frontage:	Good along Bullard Avenue and Yuma Road
Traffic Count:	5,600 VPD along Bullard Avenue Per 2013 ADT and 5,831 VPD along Yuma Road per 2018 MPSI
Improvements:	Entitlements for Prologis Commerce Park
Comments:	This property was agricultural land planned for an industrial park. The property was entitled for the Prologis Commerce Park at the time the sale closed.
Intended Use	Development of an industrial park with five buildings

Comparable Land Sale Aerial Photo



Comparable Land Sale Five



North from Yuma Road



West from Bullard Avenue

Identification

Type: Employment land
Location: At the northwest corner of Bullard Avenue and Yuma Road in Goodyear
Tax Parcel Number: 500-10-716A

Sale Data

Sale Price: \$19,060,000
Terms: All cash to the seller
Unit Price: \$4.41 Per square foot/\$192,296 per acre
Date of Recordation: May 21, 2019 (August 2018 escrow)
Grantor/Seller: Goodyear South, LLC
Grantee/Buyer: Compass Data Centers PHX I, LLC
Instrument: Special Warranty Deed
Instrument Number: 2019-0373409
Conditions of Sale: Typical
Marketing Period: Less than one year at sale price
Source/Confirmation: CoStar, public records, buyer and seller's broker (Tony Lydon via email – AJ.Lydon@am.jll.com) and

Site Data

Shape/Dimensions: Irregular
Areas: 4,317,580 Net square feet/99.1180 net acres
Topography: Level and at grade with surrounding properties
Zoning/Restrictions: I-1, Light Industrial Park, and C-2, General Commercial, City of Goodyear
Flood Zone: Zones X, A and Flood Way
Noise Zone: None

Off-Sites: Bullard Avenue and Yuma Road are two-lane, asphalt-paved roadways
Lot Type: Arterial corner
Utilities: Electricity, telephone, water and sewer in area
Arterial Frontage: Good along Bullard Avenue and Yuma Road
Traffic Count: 5,600 VPD along Bullard Avenue Per 2013 ADT and 7,824 VPD along Yuma Road per 2015 MPSI
Improvements: None
Comments: This property was agricultural land planned for mixed commercial and employment uses. The property was acquired for assemblage with two adjacent properties for development of a data center. The combined purchase price was \$42,353,510, or \$5.00 per net square foot based on a site area of 194.33 acres.

Intended Use Development of a data center

Comparable Land Sale Aerial Photo



Comparable Land Sale Six



Identification

Type: Employment land
Location: On the west side of Sarival Road, south of Glendale Avenue in Glendale
Tax Parcel Numbers: 501-03-004D, 004H, 004J, 004K And 004L

Sale Data

Sale Price: \$11,679,000
Terms: All cash to the seller
Unit Price: \$3.75 Per square foot/\$163,227 per acre
Date of Recordation: September 25, 2019 (September 2018 escrow)
Grantor/Seller: Loop 303 At Glendale, LLC
Grantee/Buyer: 303 Glendale Development, LLC
Instrument: Special Warranty Deed
Instrument Number: 2019-0758093
Conditions of Sale: Typical
Marketing Period: Less than one year at sale price
Source/Confirmation: CoStar, public records, seller's broker (Barry Glabman at 480-860-2000, extension 212) and inspection

Site Data

Shape/Dimensions: Rectangular
Areas: 3,116,752 Net square feet/71.5508 net acres
Topography: Level and at grade with surrounding properties
Zoning/Restrictions: PAD, Planned Area Development Light Industrial, City of Glendale
Flood Zone: Zone X
Noise Zone: Between the 70 and 75 DNL contour lines of Luke Air Force Base
Off-Sites: Sarival Road is a two-lane, asphalt-paved roadway
Lot Type: Mid-block
Utilities: Electricity, telephone, water and sewer in area
Arterial Frontage: Good along Sarival Road
Traffic Count: 2,076 VPD along Sarival Road per 2018 MPSI data
Improvements: None
Comments: This property was agricultural land being planned for industrial uses. This property has frontage along the east side of Loop 303.

Intended Use

Development of an industrial park

Comparable Land Sale Aerial Photo



Land Sales Summary and Adjustment Grid							
		Commercial Land Comparables					
	Subject	1	2	3	4	5	6
Sale Price	-	\$14,800,000	\$9,500,000	\$37,113,120	\$19,200,000	\$19,060,000	\$11,679,000
Size in Net Sq Ft	3,954,438	6,114,513	2,790,889	6,312,513	4,974,430	4,317,580	3,116,752
Size in Acres	90.7814	140.3699	64.0700	144.9154	114.1972	99.1180	71.5508
Price Per Sq Ft	-	\$2.42	\$3.40	\$5.88	\$3.86	\$4.41	\$3.75
Price Per Acre	-	\$105,436	\$148,275	\$256,102	\$168,130	\$192,296	\$163,227
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Total Adjustment	-	\$0	\$0	\$0	\$0	\$0	\$0
Price Adj. For Rights Conveyed	-	\$14,800,000	\$9,500,000	\$37,113,120	\$19,200,000	\$19,060,000	\$11,679,000
Financing	All Cash	All Cash	All Cash	All Cash	All Cash	All Cash	All Cash
Total Adjustment	-	\$0	\$0	\$0	\$0	\$0	\$0
Price Adj. For Financing	-	\$14,800,000	\$9,500,000	\$37,113,120	\$19,200,000	\$19,060,000	\$11,679,000
Conditions of Sale	Typical	Typical	Typical	Premium	Typical	Typical	Typical
Adjustment Factor	-	0.00%	0.00%	-35%	0.00%	0.00%	0.00%
Total Adjustment	-	\$0	\$0	(\$12,989,592)	\$0	\$0	\$0
Price Adj. For Conditions	-	\$14,800,000	\$9,500,000	\$24,123,528	\$19,200,000	\$19,060,000	\$11,679,000
Market Conditions	Apr-19	Nov-18	Jan-19	Apr-19	May-19	May-19	Sep-19
Adjustment Factor	-	10.00%	5.00%	5.00%	5.00%	5.00%	0.00%
Total Adjustment	-	\$1,480,000	\$475,000	\$1,206,176	\$960,000	\$953,000	\$0
Price Adj. For Market Conditions	-	\$16,280,000	\$9,975,000	\$25,329,704	\$20,160,000	\$20,013,000	\$11,679,000
Adjusted Price Per Sq Ft	-	\$2.66	\$3.57	\$4.01	\$4.05	\$4.64	\$3.75
Location and Access	Typical	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment Factor	-	0%	0%	0%	0%	0%	0%
Freeway Exposure	Yes	Yes	Yes	None	None	None	Yes
Adjustment Factor	-	0%	0%	15%	15%	15%	0%
Lot Type	Interchange	Interchange	Minor Corner	Arterial Corner	Arterial Corner	Arterial Corner	Mid-Block
Adjustment Factor	-	0%	10%	0%	0%	0%	10%
Size in Acres	90.7814	140.3699	64.0700	144.9154	114.1972	99.1180	71.5508
Adjustment Factor	-	5%	0%	5%	0%	0%	0%
Utilities*	All Nearby	Inferior	All Nearby	All Nearby	All Nearby	All Nearby	All Nearby
Adjustment Factor	-	10%	0%	0%	0%	0%	0%
Off-Site Improvements	Partial	Partial	Partial	Partial	Partial	Partial	Partial
Adjustment Factor	-	0%	0%	0%	0%	0%	0%
Improvements	None	None	None	None	None	None	None
Adjustment Factor	-	0%	0%	0%	0%	0%	0%
Zoning/Potential Use	C-2, CP-GCP, S-1, Mixed	Com., S-1, Mixed	PAD, Mixed	PAD, Ind.	AU, Ind	I-1, C-2, Ind	PAD, Ind
Adjustment Factor	-	0%	0%	0%	0%	0%	0%
Net Percentage Adjustment	-	15%	10%	20%	15%	15%	10%
Final Adjusted Price Per Sq Ft	-	\$3.06	\$3.93	\$4.82	\$4.66	\$5.33	\$4.12

Discussion of Transaction Adjustments

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

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

Conditions of Sale: All of the comparables, except Comparable 3, sold under typical conditions of sale, indicating no adjustment. Comparable 3 sold for a premium and is adjusted downward.

Market Conditions: The effective date of the appraisal is January 27, 2020. The comparable sales sold (escrow closed) between November 2018 and September 2019.

As discussed in the Phoenix Area Description section of this report, the vacancy rates for office, retail and industrial space have declined and the rental rates for office, retail and industrial space have increased over the last three years. With this trend, there has been increased demand for commercial and employment land in the area. Recognizing this trend and the dates the sales were negotiated, Comparables 1, 2, 3, 4 and 5 are adjusted upward for market conditions. Although Comparable 6 was negotiated in September 2018, the sale price reflected the value of the property at the close of the sale and is not adjusted.

Discussion of Property Adjustments

Location

For this analysis, the location of the subject property is rated typical. All of the comparable sales have similar locations, indicating no adjustments for location.

Freeway Exposure

The subject property has frontage along and exposure from the east side of the Loop 202 Freeway . Comparables 1, 2 and 6 have similar freeway exposure, indicating no adjustments. Comparables 3, 4 and 5 have no freeway exposure and are adjusted upward.

Lot Type

The subject property is located at a freeway interchange. Comparables 1, 3, 4 and 5 have similar lot types, indicating no adjustments. Comparables 2 and 6 are minor corner lots and are adjusted upward.

Size in Acres

The subject property contains 90.7814 acres of land area. Typically, larger properties sell for a lower unit price than smaller properties. Recognizing this correlation, adjustments to each of the comparable sales have been considered. Comparables 2, 4, 5 and 6 are sufficiently similar in size to the subject to not require adjustments. Comparables 1 and 3 are significantly larger than the subject and are adjusted upward.

Utilities

For the subject property, all required utilities are in the adjacent roadways or can be extended from nearby. All of the comparables, except Comparable 1 have similar utilities available, indicating no adjustments. Comparable 1 is located further from utilities, indicating an upward adjustment.

Off-site Improvements

The subject property fronts along asphalt-paved roadways. Additional off-site improvements will be required along both 59th Avenue and Dobbins Road. All of the comparables have similar off-site improvements, indicating no adjustments.

Improvements

The subject property does not have any improvements that contribute value to the property. All of the comparables are sufficiently similar to the subject based on improvements to not require adjustment.

Zoning/Potential Use

The subject property is zoned S-1 with potential for uses allowed in the C-2 and CP-GCP zoning. The highest and best use of the property is for development of a mix of uses. Comparables 1, 2, 3, 4, 5 and 6 have similar zoning and/or similar potential uses to not require adjustments.

Reconciliation of Value Indications

The comparable sales have an unadjusted sale price range of \$2.42 to \$5.88 per square foot and indicate a value range of \$3.06 to \$5.33 per square foot for the subject property. The two highest sales were acquired for development of data centers. Based on my discussion with a broker that has sold land for data centers, there is only a certain number of buyers for data center uses and that the sales for data center uses are not indicative of land values for other commercial and industrial uses. If the two highest sales are disregarded, the remaining sales indicate an adjusted value range of \$3.06 to \$4.66 per square foot.

Based on these indications and further recognizing the possible entitlement (zoning) work and the utility work (extension and possible looping of water lines) that will be

required and the retention basin between the property and the freeway, it is my opinion that the subject property has a value of \$4.00 per square foot of site area.

Thus, with a unit value of \$4.00 per square foot and a site area of 3,954,438 square feet, the overall value of the subject site is calculated as follows:

$$\begin{aligned} 3,954,438 \text{ Square Feet} \times \$4.00 \text{ Per Square Foot} &= \$15,817,752 \\ &\$15,820,000 \end{aligned}$$

Therefore, based on this analysis, it is my opinion that the market value, as is, of the subject property is \$15,820,000.

RECONCILIATION AND VALUATION CONCLUSION

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

Within the scope of this report, all three approaches to value have been considered, however, only the sale comparison approach has been used. The reasoning for not using the cost and income approaches was explained previously. The value indication from the sale comparison approach is \$15,820,000.

In the sales comparison approach for the subject site I analyzed sales of six comparable land sales. Although differing somewhat in terms of location, physical characteristics and zoning, it is my opinion that the comparables used are indicative of the value range for the subject property. Moreover, it is my opinion that no other comparables in the area provide a more reliable indication of value for the subject property. Thus, with all weight on the sales comparison approach, it is my opinion that the market value of the property, as of the effective date of the appraisal is **\$15,820,000**.

Exposure Time

Exposure time is defined as “an opinion, based on supporting market data, of the 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.”¹⁰ Based on other sales in the area, it is my opinion that the subject property could have been sold in twelve months or less.

¹⁰Appraisal Standards Board of The Appraisal Foundation, *2020-2021 Uniform Standards of Professional Appraisal Practice* (United States of America, 2020), page 4.

RIGHT OF WAY SECTION CERTIFICATE OF APPRAISER

Project Number: H882701R

Parcel Number: L-C-091 (former LaSalvia easterly remainder 7-11182)

I hereby certify:

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

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

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

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

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

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

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

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

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

That my opinion of the market value of the property, as of January 27, 2020, is **\$15,820,000**, based on my independent appraisal and the exercise of my professional judgment.

Date: January 29, 2020



Signature:
Arizona Certified General Real Estate Appraiser #30821

ASSUMPTIONS AND LIMITING CONDITIONS

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

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

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

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

- Subject Photographs
- Right of Way Title Report
- ADOT Exhibits
- Appraiser's Qualifications



SUBJECT PHOTOGRAPHS (Taken January 25, 2020)



Northwest from 59th Avenue



Southwest from 59th Avenue



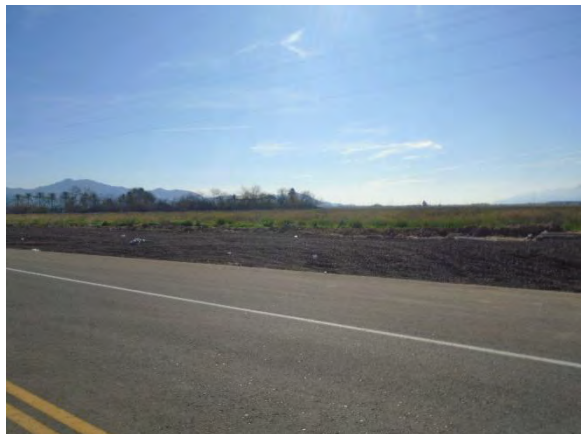
North along 59th Avenue



South along 59th Avenue



South from Dobbins Road



Southeast from Dobbins Road



West along Dobbins Road



East along Dobbins Raod



West from 59th Avenue
toward Hackin Dairy Barn



South from Dobbins Road
toward Barnes Dairy Barn

SUBJECT PHOTOGRAPHS (Taken April 3, 2019)



Residence looking north



Kitchen



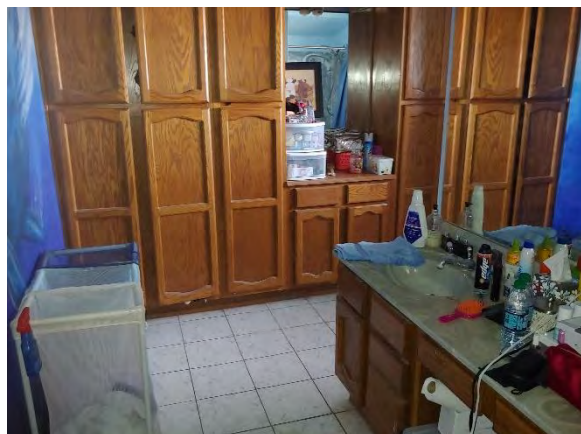
Living room



Family room



Master bedroom



Master bathroom



Enclosed portion of patio



Driveway to residence looking west from 59th Avenue



Farm utility shelter



Farm utility shelter



Exterior of 1,200 square foot farm implement shed



Interior of 1,200 square foot farm implement shed



Exterior of 840 square foot farm implement shed



Interior of 840 square foot farm implement shed



Exterior of Barnes dairy barn



Interior of Barnes dairy barn



Exterior of Hackin dairy barn



Interior of Hackin dairy barn

RIGHT OF WAY DISPOSAL REPORT

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

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

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

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

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

Upon compliance with REQUIREMENTS herein, satisfactory title will vest in the proposed buyers.

LEGAL DESCRIPTION

SEE SCHEDULE A-1 ATTACHED

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

Date of Search: March 22, 2019	Examiner: Jim Gregg	Reviewer: Chuck Mullany
Update to:	Examiner:	Reviewer:
Update to:	Examiner:	Reviewer:
Update to:	Examiner:	Reviewer:
Update to:	Examiner:	Reviewer:

County: Maricopa	Tax Arb: 300-02-033, 037A, 037B, 038, 041	Disposal: N/A
Tracs No.: 202LMA000H5439	Highway: SOUTH MOUNTAIN FREEWAY	Excess Land: L-C-91
Fed. No.: N/A	Section: Jct I-10 W-Jct I-10 S	Parcel No.: 07-11182

**SCHEDULE A-1
LEGAL DESCRIPTION**

That portion of Section 7, Township 1 South, Range 2 East, of the Gila and Salt River Meridian, Maricopa County, Arizona, as depicted on Exhibit "A" attached, Sheets 10, 11, and 12 of ADOT Drawing D-7-T-1017, the Right of Way Plans of SOUTH MOUNTAIN FREEWAY, Jct I-10 W-Jct I-10 S Section, Project 202LMA000H5439 / Parcel 07-11182.

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

END OF SCHEDULE A-1

RIGHT OF WAY / VESTING

- 1.) Warranty Deed from Jerome LaSalvia, a.k.a. Anthony Jerome LaSalvia and Peggy M. LaSalvia, husband and wife, to the State of Arizona, by and through its Department of Transportation, dated April 21, 2011, recorded April 28, 2011, in Document No. 2011-358404.
[Parcel 7-11182, Project 202L MA 000 H5439]

END OF RIGHT OF WAY / VESTING

REQUIREMENTS

1. Termination of an unrecorded Rental Agreement for Tenants of Residential Properties by and between the State of Arizona, by and through its Department of Transportation, lessor, and Michael La Salvia, lessee, dated May 16, 2011.
2. Record Deed from the State of Arizona, by and through its Department of Transportation to the proposed buyer(s).

NOTE: ADOT Parcel No. 07-11182, Buyer is exercising their rights to repurchase due to the property being acquired April 21, 2011, recorded April 28, 2011 in Document No. 2011-358404.

END OF REQUIREMENTS

SCHEDULE B

1. Exclusive irrigation easement from the State of Arizona, by and through its Department of Transportation to Salt River Project Agricultural Improvement and Power District, dated January 25, 2019, recorded February 19, 2019 in Document No. 2019-111786.

END OF SCHEDULE B

LEGAL DESCRIPTION AND EXHIBIT

EXHIBIT "A"

Those portions of the Northeast quarter (NE¼), and of the East half of the Southeast quarter (E½SE¼) of Section 7, Township 1 South, Range 2 East, Gila and Salt River Meridian, Maricopa County, Arizona, which lies easterly of the following described **RIGHT OF WAY LINE**:

RIGHT OF WAY LINE DESCRIPTION:

Commencing at a 3 inch City of Phoenix brass cap in handhole 0.5 foot down marking the Northeast corner of said Section 7, being North 89°51'37" East 2641.41 feet from a stone in handhole 1.0 foot down marking the North quarter corner of said Section 7;

thence along the North line of said Section 7, South 89°51'37" West 336.00 feet to the POINT OF BEGINNING;

thence South 00°08'23" East 33.00 feet to the existing southerly right of way line of Dobbins Road;

thence along said existing southerly right of way line of Dobbins Road, South 89°51'37" West 601.00 feet to POINT "A" for later identification;

thence continuing along said existing southerly right of way line of Dobbins Road, South 89°51'37" West 611.16 feet;

thence South 14°05'48" West 165.07 feet;

thence North 89°51'37" East 205.00 feet;

thence South 00°11'53" West 2448.80 feet to the East – West mid section line of said Section 7, being North 89°47'21" East 1266.75 feet from a 1 inch pipe 1.0 foot down marking the Center quarter corner of said Section 7;

thence along said East – West mid section line of said Section 7, North 89°47'21" East 1028.00 feet;

thence South 00°22'19" West 1330.69 feet;

thence North 89°45'48" East 313.02 feet to the existing westerly right of way line of 59th Avenue;

(continued)

PAGE 1

PROJECT: 202L MA 000 H5439
202-D-800

LOCATION: 51st Ave – Salt River Segment
Disposal

PARCEL: L-C-091
SR 04-03-2019

thence continuing North 89°45'48" East 33.00 feet to the POINT OF ENDING on the East section line of said Section 7, being South 00°22'19" West 1330.53 feet from a 4 inch M.C.E.D. brass cap in handhole 0.6 foot down marking the East quarter corner of said Section 7.

EXCEPT the North 33.00 feet and the East 33.00 feet of said Northeast quarter (NE¼) of Section 7 as conveyed to the County of Maricopa, State of Arizona, recorded in Book 105 of Deeds, Page 56.

ALSO EXCEPT the East 33.00 feet of the East half of the Southeast quarter (E½SE¼) of Section 7 as conveyed to Maricopa County recorded in Book 117 of Deeds, Page 108.

3,954,438 square feet, more or less.

The parcel of land described above shall have no right or easement of access to State Route 202L (SOUTH MOUNTAIN FREEWAY), or to Dobbins Road, provided however, that access shall be permitted to said Dobbins Road easterly of POINT "A" as described above.

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 this conveyance and shall be the responsibility of the Grantee herein and of the public or utility companies to show where that access is located.

This parcel is not currently irrigated or in active agricultural production. If Irrigation District water is to be supplied to the within described property, all costs of extending service to this property shall be the sole expense of the Grantee herein. This provision is binding on successors and assigns in title.

PAGE 2

PROJECT: 202L MA 000 H5439	LOCATION: 51 st Ave – Salt River Segment	PARCEL: L-C-091
202-D-800	Disposal	SR 04-03-2019

EXCESS LAND EXHIBIT

Sec. Cor.
3" City of Phoenix
BC In H.H.
0.5' Dn.

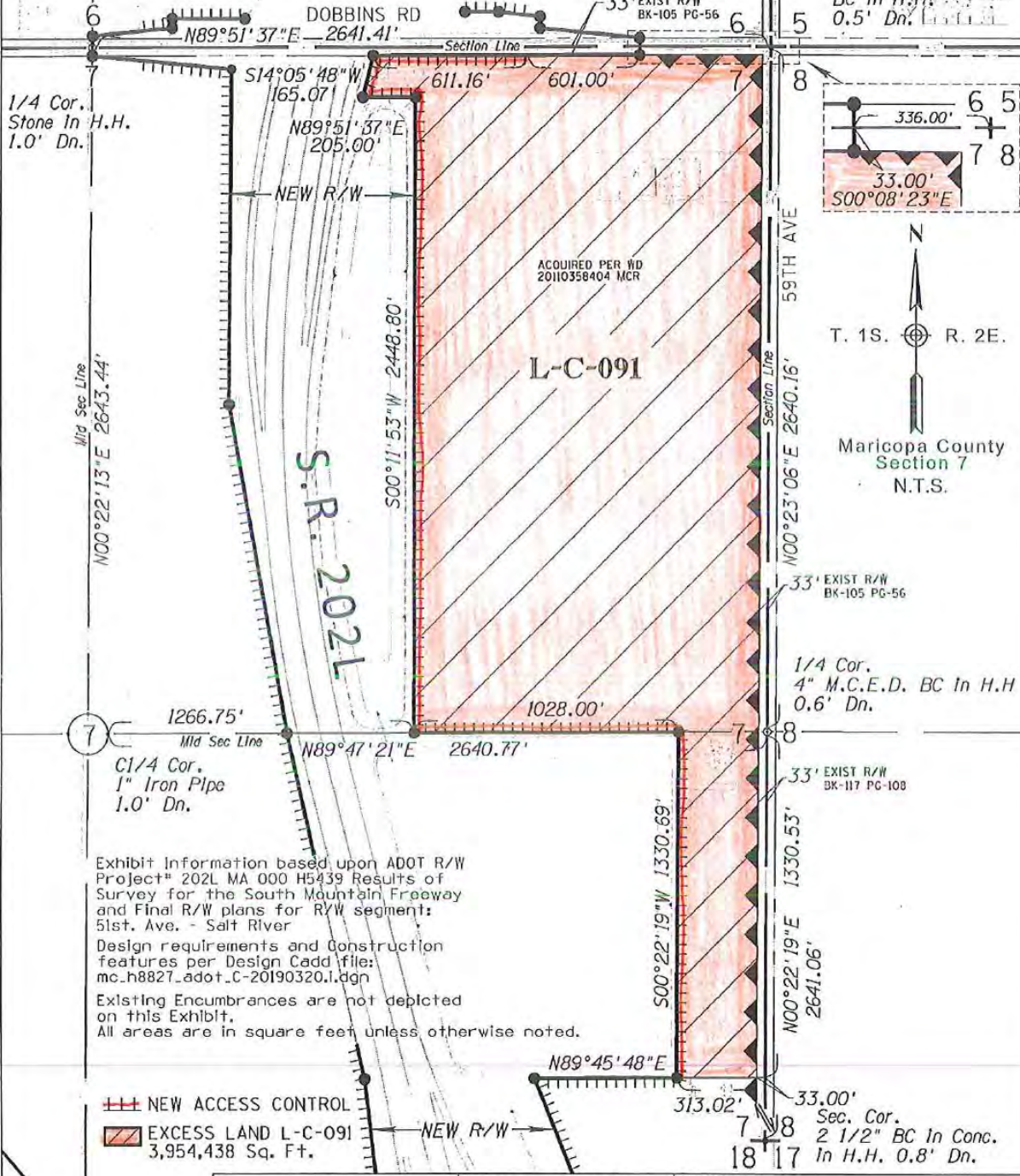


Exhibit Information based upon ADOT R/W Project# 202L MA 000 H5439 Results of Survey for the South Mountain Freeway and Final R/W plans for R/W segment: 51st. Ave. - Salt River

Design requirements and Construction features per Design Cadd file: mc.h8827_adot_c-20190320.l.dgn

Existing Encumbrances are not depicted on this Exhibit.
All areas are in square feet unless otherwise noted.

- ▬▬▬ NEW ACCESS CONTROL
- ▨ EXCESS LAND L-C-091
3,954,438 Sq. Ft.

ADOT Right Of Way	PARCEL #	L-C-091	HIGHWAY NAME:	South Mountain Freeway
	EXHIBIT #	1 of 1	FEDERAL AID NO.:	RAM-202-D-800
<small>FOR ADOT INTERNAL USE ONLY</small>		DATE	04/02/19	
ROUTE NO.:	LOCATION:	PROJECT NO.:	202L MA 000 H5439	
SR 202L	51 st. Ave - Salt River			

APPRAISER'S QUALIFICATIONS

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

Professional Certification, Designations and Associations

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

Experience

Firms

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

Property Types/Assignments

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

Geographical Areas

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

Litigation Assignments

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

Education

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

Professional Courses and Seminars

- AI Seminar, Subdivision Valuation, Online, 2019
- AI Seminar, Fundamentals of the UASFLA, Online, 2019
- AI Course Online Business Practices and Ethics, 2018
- IRWA The Uniform Act Executive Summary, Online, 2018
- IRWA Ethics and the Right of Way Profession, 2018
- Basic Hotel Appraising-Limited Service Hotels, McKissock, 2017
- Various Condemnation Summits from 2010 through 2018
- The Nuts and Bolts of Green Building for Appraisers, McKissock, 2015
- Arizona Appraiser Laws and Regulations Course, 2013
- Arizona Supervisory Appraiser/Trainee Appraiser Course, 2013
- IRWA Course 103, Ethics and the Right of Way Profession, 2012
- AI Seminar, Introduction to Valuation for Financial Reporting, Phoenix, 2011
- State Bar of Arizona Annual Convention, Bankruptcy, Glendale, 2010
- State Bar of Arizona Annual Convention, Negotiating & Restructuring RE, Glendale, 2010
- IRWA Course 502, Business Relocation, Tempe, 2010
- LAI, Real Estate Bankruptcies for the Non-Lawyer RE Professional, Scottsdale, 2010
- International Right of Way Association Facilitator Clinic, Las Vegas, 2010
- AI Seminar, Uniform Appraisal Standards for Federal Land Acquisitions, Phoenix, 2009
- IRWA Course 803, Eminent Domain Law for the Right of Way Professional, Phoenix, 2009
- AI Seminar, Appraising Distressed Commercial RE: Here We Go Again, Mesa, 2009
- IRWA Course 410, Reviewing Appraisals in Eminent Domain, Tempe, 2008
- IRWA Course 401, Appraisal of Partial Acquisitions, Los Angeles, 2007
- IRWA Course 900, Principles of Real Estate Engineering, Tempe, 2007
- IRWA Course 213, Conflict Management, Tempe, 2006
- IRWA Course 205, Bargaining Negotiations, Tempe, 2006
- IRWA Course 800, Principles of Real Estate Law, Tempe, 2006
- IRWA Course 212, Creatively Solving Problems in Groups, Tempe, 2005
- IRWA Course 104, Standards of Practice for the Right of Way Professional, 2005
- IRWA Course 200, Principles of Real Estate Negotiation, Phoenix, 2004
- IRWA Course 403, Easement Valuation, Phoenix, 2004
- IRWA Course 214, Skills of Expert Testimony, Phoenix, 2004
- AI Seminar, Online Valuation of Detrimental Conditions, Online, 2003
- AI Course 420N, Business Practices and Ethics, Tempe, 2003
- IRWA Course 802, Legal Aspects of Easements, Phoenix 2003

- AI Course 410, Standards of Professional Practice, Part A, Tempe 2003
- AI Course 705, Litigation Appraising: Specialized Topics and Applications, Tempe 2002
- AI Course 700, Appraiser as Expert Witness: Preparation and Testimony, Tempe 2002
- AI Course 720, Condemnation Appraising: Advanced Principles, Tempe 2000
- AI Course 710, Condemnation Appraising: Basic Principles, Tempe 2000
- Comprehensive Appraisal Workshop, Dallas, Texas, 1996
- AI Course 550, Advanced Applications, San Diego, California, 1996
- AI Course 540, Report Writing & Valuation Analysis, San Diego, California, 1995
- AI Course 530, Sales Comparison & Cost Approaches, Boulder, Colorado, 1995
- AI Course 420, Code of Professional Ethics, Las Vegas, Nevada, 1995
- AI Course 410, USPAP, Las Vegas, Nevada, 1995
- AI Course 520, Highest and Best Use and Market Analysis, Tempe, AZ, 1995
- AI Course 510—Advanced Income Capitalization, San Jose, California, 1994
- AI Course 310—Basic Income Capitalization, San Diego, California, 1993
- AI Course 110—Appraisal Principles, Salt Lake City, Utah, 1993

Other Readings/Studies

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

Other Professional & Civic Activities

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

Department of Financial Institutions State of Arizona

CGA - 30821

This document is evidence that: **JOHN DOUGLAS ESTES** has complied with the provisions of Arizona Revised Statutes, relating to the establishment and operation of a:

Certified General Real Estate Appraiser

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

Certified General Real Estate Appraiser

JOHN DOUGLAS ESTES

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

Signed in the Superintendent's office at 100 North 15th Avenue, Suite 261, in the City of Phoenix, State of Arizona, this 16th day of August, 2019.



Keith A. Schraad
Interim Superintendent

Expiration Date : **October 31, 2021**

SIGNED CONTRACT MODIFICATION

**ENGINEERING CONSULTANTS SECTION
CONTRACT MODIFICATION**

Contract Number:	<u>2016-018.10</u>	Modification Number:	<u>29</u>
Consultant:	<u>LandPro Valuation, J. Douglas Estes</u>		
Project Name:	<u>Right Of Way Group Statewide Appraisal On-Call Services</u>		
Project Number:	<u>Various</u>	FA	<u>X</u> Non-FA

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 27, 2019 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 1,260 calendar days from date of authorization to proceed, or by January 31, 2020, 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: 16R1

TOTAL DIFFERENCE

Additional Funds:
202L South Mountain Freeway
Parcel L-C-091

PLUS	MINUS
1,260,000	-0-

Approved for the Consultant
LandPro Valuation, LLC

Approved for the State
Arizona Department of Transportation

By J. Douglas Estes
Signature
Name J. Douglas Estes
Type or Print Name
Title Principal
Date 1-9-20

By Gregory Wristen
Signature
Name Gregory Wristen
Title ECS MANAGER
Date 1/10/20

"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."

ECS Revised 1-5-18

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