

**AN APPRAISAL REPORT OF THE VACANT LAND LOCATED ON THE NORTHEAST
CORNER OF 14TH STREET AND WAHALLA LANE IN PHOENIX, MARICOPA
COUNTY, ARIZONA.**

PREPARED FOR

**ARIZONA DEPARTMENT OF TRANSPORTATION
RIGHT OF WAY OPERATIONS SECTION
205 SOUTH 17TH AVENUE, ROOM 331, MAIL DROP 612E
PHOENIX, ARIZONA 85007**

ATTENTION

**MR. TIMOTHY O'CONNELL
R/W PROJECT MANAGEMENT SECTION**

**CONTRACT: 2016-018.01
APPRAISAL ASSIGNMENT NO: TO-19-040
PROJECT: M697201X
HIGHWAY: SR 101 – NORTHEAST OUTER LOOP
SECTION: I-17 – CAVE CREEK ROAD
PARCEL: L-M-486**

A.T. I. FILE NO.: VZZ562190

DATE OF REPORT

AUGUST 5, 2019

EFFECTIVE DATE OF APPRAISAL

AUGUST 14, 2019

PREPARED BY

**ZACH SINAY, MAI, R/W-AC
CERTIFIED GENERAL REAL ESTATE APPRAISER CERTIFICATE NO. 31199**



APPRAISAL TECHNOLOGY, LLC

August 14, 2019

A.T.I. File No.: VZZ562190

TO: ARIZONA DEPARTMENT OF TRANSPORTATION
Right of Way Operations Section
205 South 17th Avenue, Room 331, Mail Drop 612E
Phoenix, Arizona 85007

RE: PROJECT: M697201X
HIGHWAY: SR 101 – NORTHEAST OUTER LOOP
SECTION: I-17 – CAVE CREEK ROAD
PARCEL: L-M-486

ATTN: Mr. Timothy O'Connell
R/W Project Management Section

RE: An Appraisal Report of the vacant land located on the northeast corner of 14th Street and Wahalla Lane in Phoenix, Maricopa County, Arizona.

Dear Mr. O'Connell:

As requested, I have appraised the “As Is” Market Value of the aforementioned property. The intended use for this appraisal is to assist in decisions regarding the disposition of the property for eminent domain purposes, as of the effective date of value, or August 5, 2019.

The value estimate is supported by market analysis, which is communicated through a Narrative Appraisal Report plus exhibits, which describes and identifies methods of approach and valuation.

The appraisal and report were prepared in conformity with the appraisal requirements of the Arizona Department of Transportation and the Federal Highway Administration., Uniform Standards of Professional Appraisal Practice, 2018-2019 (USPAP), and Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as Amended (URA), as described in part 49 CFR 24.2(a)(3).

I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

As part of this appraisal assignment, the appraiser became thoroughly familiar with the subject property and its submarket. Data on numerous sales within the submarket, and competing areas, were analyzed, in addition to, conversations with well-informed persons familiar with the submarket and real estate values.

No environmental studies have been provided. The appraiser has not identified any toxic waste and/or possible hazardous contaminant on the site; however, it does not mean that such materials do not exist. The indicated market value for the subject property represents a property free of any contaminants. If a toxic waste and/or contaminant is detected, the value estimate appearing in this report is null and void.

The market value estimate reported in this appraisal assignment incorporates all ownership rights included in the Fee Simple Estate. The value estimate is based upon the assumption that the subject property is unencumbered by any other interest/estate and is "free and clear" of all liens, subject to only the limitations of the four powers of government.

This appraisal was performed without undue pressure from anyone desiring a specific value. The current or future employment was not contingent upon the appraisal producing a specific value or a value within a given range.

As stated, the subject is vacant land with no long term lease encumbrance and thus, the Fee Simple Estate is considered.

It is the appraiser's opinion, based upon the following data and discussions that the Market Value of the subject site, as of August 5, 2019, is:

<p style="text-align: center;">EIGHT HUNDRED TEN THOUSAND DOLLARS (\$810,000.00)</p>
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Respectfully submitted,



Zach Sinay, MAI, R/W-AC
Certified General Real Estate Appraiser No. 31199
480.285.3868 zsinay@atiaz.com

TABLE OF CONTENTS

FACTS AND CONCLUSIONS	5
SCOPE OF WORK.....	6
AREA MAP	13
NEIGHBORHOOD MAP	30
NEIGHBORHOOD DATA ANALYSIS.....	30
SUBJECT PHOTOGRAPHS	36
PLAT MAP.....	41
AERI AL VIEW	43
SITE DATA ANALYSIS.....	45
GENERAL PLAN.....	49
ZONING MAP	50
HIGHEST AND BEST USE	51
VALUATION PROCESS.....	57
SALES COMPARISON APPROACH	59
CERTIFICATION.....	82

ADDENDA

Engagement Letter	EXHIBIT 1
Title Report	EXHIBIT 2
Zoning Designation.....	EXHIBIT 3
Contingent and Limiting Conditions	EXHIBIT 4

FACTS AND CONCLUSIONS

TYPE OF PROPERTY	Vacant land zoned for single family residential development.
LOCATION	The subject is located on the on the northeast corner of 14th Street and Wahalla Lane in Phoenix, Maricopa County, Arizona.
REPORT PURPOSE	The purpose of this report is to provide an estimate of the market value of the Fee Simple Estate of the subject site.
INTENDED USE OF REPORT	The intended use of the appraisal report is to assist in decisions regarding the disposition of the property.
TAX PARCEL NUMBER (S)	The subject property currently does not have an assigned parcel number, however it was previously identified as Parcel #213-23-007B & 010B.
SITE AREA	According to information provided by the client, the subject site totals 3.24 acres or 141,190 square feet in size.
ZONING	R1-8, Single Family Residential; City of Phoenix
FLOOD ZONE	The location is within an area denoted as being in an "X" Flood Hazard Area, as found on Federal Emergency Management Agency Flood Insurance Rate Map number 04013C1295L dated October 16, 2013.
IMPROVEMENTS	None
HIGHEST & BEST USE	Single family residential development
EFFECTIVE DATE OF VALUE INSPECTION DATE	August 5, 2019 August 5, 2019
MARKET VALUE CONCLUSION	\$810,000

SCOPE OF WORK

The practice of appraisal can be considered to be less of a science dictated by strict rules and more of an art, in which rules guide the appraiser towards a trustworthy, responsible and credible valuation. The Uniform Standards of Professional Appraisal Practice (USPAP) provides guidelines for this process to be undertaken through the Scope of Work Rule, to which all appraisal professionals must adhere.

The appraisal and report were prepared in conformity with the appraisal requirements of the Arizona Department of Transportation and the Federal Highway Administration, Uniform Standards of Professional Appraisal Practice, 2018-2019 (USPAP), and Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as Amended (URA), as described in part 49 CFR 24.2(a)(3).

The USPAP 2018-2019 **SCOPE OF WORK RULE** states:

For each appraisal and appraisal review assignment, an appraiser must:

- 1. identify the problem to be solved;*
- 2. determine and perform the scope of work necessary to develop credible assignment results;*
and
- 3. disclose the scope of work in the report.*

An appraiser must properly identify the problem to be solved in order to determine the appropriate scope of work. The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results. (The Appraisal Foundation, USPAP 2018-2019 edition, Pg. U-13)

Comment: Scope of work includes, but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is inspected;
- the type and extent of data researched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

Appraiser has broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal, appraisal review, and appraisal consulting assignment.

Credible assignment results require support by relevant evidence and logic. The credibility of assignment results is always measured in the context of the intended use.

For this individual assignment, the appraiser shall address the three aspects of the Scope of Work Rule; Problem Identification, Scope of Work Acceptability and Disclosure Obligations.

PROBLEM IDENTIFICATION (PURPOSE):

An appraiser must gather and analyze information about those assignment elements that are necessary to properly identify the appraisal or appraisal review problem to be solved. (The Appraisal Foundation, USPAP 2018-2019 edition, Pg. U-13)

The purpose of this appraisal is to estimate the Market Value of the subject site, as of August 5, 2019 (Date of Inspection).

INTENDED USE/USERS:

The use of this appraisal report is to assist in decisions regarding the disposition of the property for eminent domain purposes. The intended users of this report are the Arizona Department of Transportation and the Federal Highway Administration. This report is not intended for any other use or any other users.

EFFECTIVE DATE OF APPRAISAL:

August 5, 2019

DATE OF INSPECTION:

August 5, 2019

INTEREST VALUED:

The subject property is vacant land with no known lease encumbrances and thus, the Fee Simple Estate is considered.

The Fee Simple Estate is defined as follows:

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

In the estimate of value, typically four interdependent factors must be considered as follows:

- Utility - the ability of a product to satisfy a human want, need or desire.
- Scarcity - the present or anticipated supply of an item relative to the demand for it.
- Desire - a purchaser's wish for an item to satisfy human needs (e.g., shelter, clothing, food, companionship) or individual wants beyond the essentials to support life.
- Effective Purchasing Power - the ability of an individual or group to participate in a market, i.e., to acquire goods and services with cash or its equivalent.

MARKET VALUE DEFINITION:

Market Value shall be determined by ascertaining 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. (Arizona Revised Statutes § 12-1122)

EXTRAORDINARY ASSUMPTION:

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (The Appraisal Foundation, *USPAP 2018-2019 edition*. U-3)

HYPOTHETICAL CONDITION:

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (The Appraisal Foundation, *USPAP 2018-2019 edition*. U-3)

In addition to the existing easements, there is a proposed easement for a pipe culvert along the northern border of the site. This easement will likely be put in place prior to the disposition of the property and it is therefore a Hypothetical Condition that this easement is currently in place. This easement is not considered to have a significant impact on the future development of the site.

SCOPE OF WORK ACCEPTABILITY:

The scope of work must include the research and analyses that are necessary to develop credible assignment results.

An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use.

An appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased. (The Appraisal Foundation, USPAP 2018-2019 edition. U-14)

The client has requested that the appraiser estimates the Market Value of the subject property. In order to credibly perform this task, the appraiser has followed these general guidelines:

- determination of problem and applicable Hypothetical Conditions or Extraordinary Assumptions
- research on the subject property, including but not limited to: ownership history, applicable leases and easements, physical characteristics (i.e. size, topography), relevant subject data (i.e. leases and financial statements for income producing properties)
- selection of, research on and collection of market data for the subject neighborhood
- site inspection
- analysis and synthesis of Highest and Best Use of the subject property
- selection of valuation methodology, subsequent research as is applicable, including market participant and market expert research (i.e. Sales Comparison Approach, Cost Approach, Income Approach, sales or rent comparable properties)
- analysis and conclusion of valuation methodology(ies)
- reconciliation of valuation methodology results
- conclusion of probable estimated market value

DISCLOSURE OBLIGATIONS:

The report must contain sufficient information to allow intended users to understand the scope of work performed. (The Appraisal Foundation, USPAP 2018-2019 edition. U-14)

AREA ANALYSIS DATA SOURCES:

As part of this appraisal assignment, the appraiser made a number of independent investigations and analyses. Data retained in office files, which are updated regularly, were also relied upon. Affidavits of Property Value were checked, along with maps, aerials and zoning obtained from the City of Phoenix and ADOT were checked and also information provided by the client.

The Arizona State and Phoenix Metro area data was taken from many sources including, without limitation, Arizona State University, Arizona State Department of Economic Security and the U.S. Census Bureau.

All market data was confirmed from one or more of the following sources as indicated on the individual sales: Maricopa County Assessor's Office (www.mcassessor.maricops.gov), Affidavit of Property Value, Real Quest (www.realquest.com), CoStar Realty Information (www.costar.com), FLEXMLS Data Systems (www.flexmls.com), owners or their representatives and/or Real Estate Brokers and/or Agents.

IMPROVEMENT DESCRIPTION AND ANALYSIS:

The subject was personally inspected by Zach Sinay, MAI, R/W-AC and the conclusions are his own. The subject description and analysis was based on my personal physical inspection, information obtained from the client as well as Maricopa County and/or the City of Phoenix Engineering, Planning and Zoning Departments.

LEGAL DESCRIPTION:

The subject legal description is defined in the Title Report within the addenda of this report.

OWNERSHIP:

The owner of record as provided by Maricopa County is:

State of Arizona by and through its Department of Transportation

A title search has been furnished. It is an Extraordinary Assumption that there are no adverse restrictions or easements which would affect the utility or marketability of the property.

OWNER CONTACT:

The appraiser was in contact with Mr. Tim O'Connell, a representative of the property owner, and inspected the property without owner representation on August 5, 2019.

HISTORY:

The subject property has been under the current ownership since 1994 and 1997 for varying portions of the subject site and was acquired for construction of the Loop 101 Freeway. It is also noted that a portion of the site along 14th Street, has been abandoned to the City of Phoenix. This abandonment is for future off-site and right of way construction of the eastern side of 14th Street and to retain the drainage culvert structure located within the abandoned area.

The appraiser is unaware of any other transactions over the previous five years and the property has not been reported as being listed for sale previously.

SCOPE OF VALUATION METHODOLOGY:

The valuation process is an orderly program in which data used to estimate value of the subject property is acquired, classified, analyzed, and presented. The first step in the process is to define the appraisal problem, i.e., identify the real estate, the effective date of the value estimate, the property rights being appraised, and the type of value sought.

Once this has been accomplished, the appraiser collects and analyzes the factors that affect the fair market value of the subject property. These factors are addressed in the area and neighborhood analysis, the site and improvement analysis, and the highest and best use analysis. They are then applied to the subject property in the discussion of the three approaches to value.

The Sales Comparison, Cost, and Income Capitalization Approaches are widely accepted methods of estimating value of an income producing property. Each approach is described briefly here and discussed in detail in the analysis of each.

To apply the Cost Approach, the depreciated replacement cost of the improvements is added to the value of the land as though vacant, derived through sales comparison, to arrive at a value estimate for the subject property. This approach is most reliable when the improvements are new or nearly new and represent the highest and best use of the site. The subject is considered to be vacant land with no improvements, thus the Cost Approach will not be utilized.

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 comparable sales. The Sales Comparison Approach will be utilized in valuation of the subject property.

The Income Capitalization Approach can be analyzed by one of two methods: 1) Direct Capitalization or 2) Discounted Cash Flow.

The subject property is vacant land with no vertical improvements, with no income production, thus the Income Capitalization Approach will not be utilized.

Only the Sales Comparison Approach will be utilized to estimate a market value for the subject.

MARKETING TIME:

1. *The time it takes an interest in real property to sell on the market sub-sequent to the date of an appraisal.*
2. *An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago Appraisal Institute, 2015).*

Based on market evidence, if the subject is placed on the market for sale at the appraised market value, with an intensive marketing program, the property should be sold and closed within six to twelve months. If a property is priced considerably above market it will stay on the market for a considerably longer period of time than if it is priced at market levels. This can be shown within the market by examining the comparable sales' time on the market given their respective sale prices.

EXPOSURE TIME:

Estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

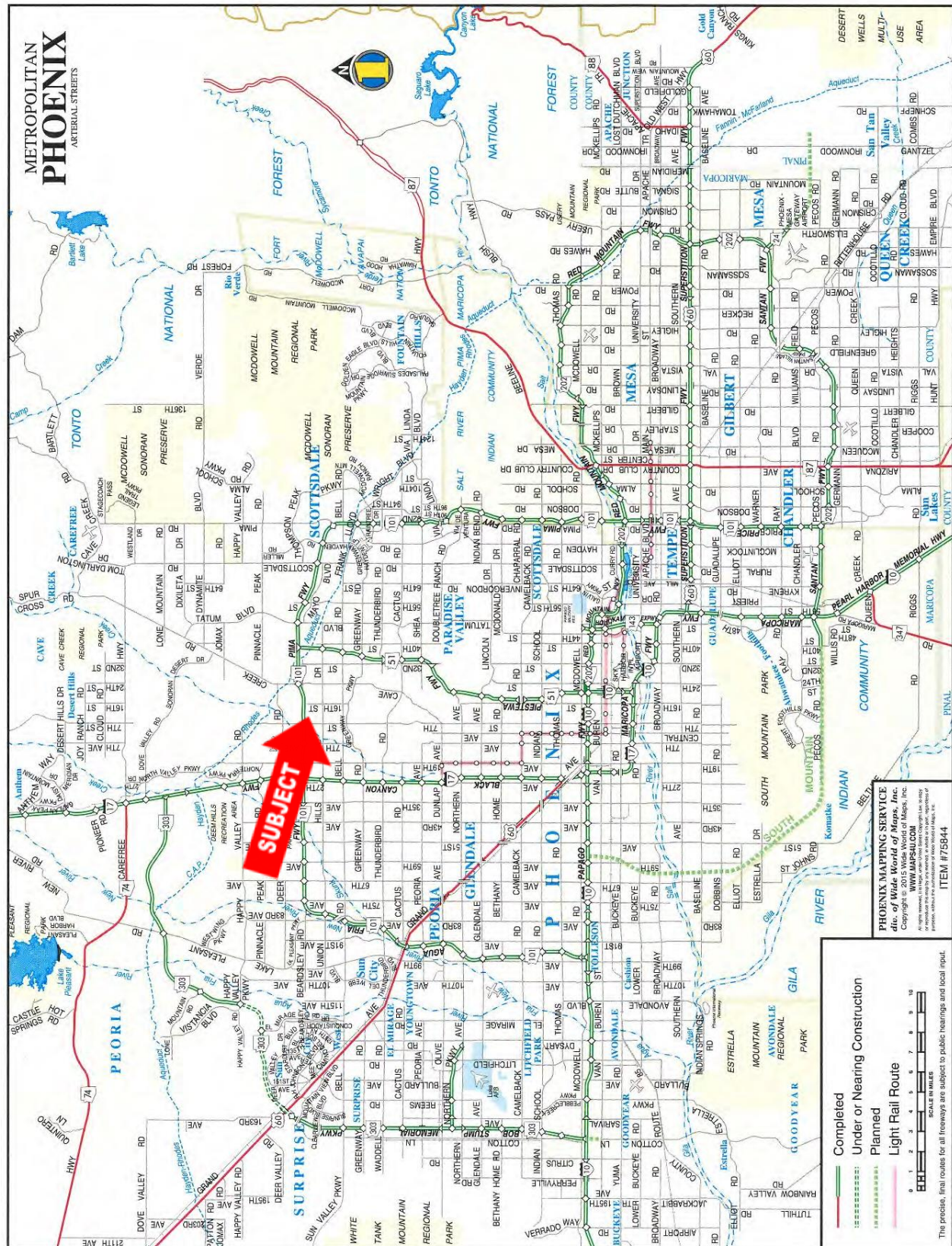
Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. Source: USPAP 2018-2019 Edition, Page U-3

The appraiser researched the subject's market area for similar type properties that were exposed with an intense marketing program and considered to be marketed within a reasonable exposure time. Based on market evidence, properties similar to that of the subject, and within the subject's neighborhood, sold and closed within six to twelve months.

HAZARDOUS WASTES:

The appraiser was not provided with a copy of any environmental studies. If toxic waste and/or contaminants are detected on the subject property, the value estimate appearing in this report is null and void. If a re-appraisal is required, it will be made at an additional charge and upon receipt of any additional information requested (i.e., what the toxic waste and/or contaminate is and the cost of removal) by the appraiser. No other nuisances or hazards were recognized during my on-site inspection of the subject property.

AREA MAP



REGIONAL AND CITY DATA

LOCATION:

The State of Arizona is located within the southwestern region of the United States. The July 2018 population estimate puts the population of Arizona at 4,341,386. Maricopa County is located in the south central part of the State of Arizona. Maricopa County consists of numerous cities, towns and communities that are inter-connected through transportation corridors, economic affiliations, and physical/location characteristics.

The cities, towns, and communities that make up the Phoenix Metropolitan area include: Apache Junction, Avondale, Buckeye, Carefree, Chandler, El Mirage, Fountain Hills, Gila Bend, Gilbert, Glendale, Goodyear, Guadalupe, Litchfield Park, Mesa, New River, Paradise Valley, Peoria, Phoenix, Scottsdale, Sun City/Sun City West, Surprise, Tempe, Tolleson, Wickenburg, and Youngtown.

The subject property is located in the northern portion of the Metropolitan Phoenix area, Maricopa County, Arizona. The subject property is considered part of the greater Metropolitan Phoenix area and will be examined within the following regional data analysis.

The appraiser has identified basic regional factors that may have an impact on the value of the subject property which includes: location, population, employment, income characteristics, cost of living, education, quality of life, and real estate trends. This section will focus and analyze these recognized basic regional factors as they influence or affect real estate value.

SOCIAL FORCES:

Social forces primarily have to do with population and demographic trends. The demographics of the population indicate the potential basic demand for real estate services. Arizona has experienced rapid population growth continuously for the last seven years, largely due to the extended period of strong economic growth. The state added 100,000 residents last year which translated into a rate of growth of 1.6%. Continued job and population growth have contributed to personal income gains of 6.4 % in 2019.

Arizona	2017	2018	2019	2020	2021	2022
Personal Income (\$ mil)	296,649	312,343	332,015	352,679	372,918	393,542
% Chg from Year Ago	5.6%	5.3%	6.3%	6.2%	5.7%	5.5%
Retail Sales (\$mil)	100,131	106,930	112,193	117,696	123,384	128,273
% Chg from Year Ago	5.4%	6.8%	4.9%	4.9%	4.8%	4.0%
Total Nonfarm Employment (000s)	2,779.0	2,868.7	2,942.4	3,010.9	3,065.5	3,117.1
% Chg from Year Ago	2.6%	3.2%	2.6%	2.3%	1.8%	1.7%
Population (000s), July 1st estimates	6,965.9	7,076.2	7,189.6	7,300.1	7,408.6	7,514.4
% Chg from Year Ago	1.9%	1.6%	1.6%	1.5%	1.5%	1.4%
Residential Building Permits (units)	39,472	41,949	43,185	44,437	44,183	43,800
% Chg from Year Ago	10.9%	6.3%	2.9%	2.9%	-0.6%	-0.9%

	1-Jul-18	1-Jul-17	1-Jul-2010	Number	Percent
	Population Est.	Population Est.	Population est.	Change	Change
Apache Junction	40,611	39,719	35,840	4,771	13.31%
Avondale	82,605	81,621	76,238	6,367	8.35%
Buckeye	76,145	69,947	50,876	25,269	49.67%
Carefree	3,722	3,669	3,363	359	10.67%
Cave Creek	5,760	5,676	5,015	745	14.86%
Chandler	262,322	257,948	236,123	26,199	11.10%
El Mirage	34,292	34,174	31,797	2,495	7.85%
Fountain Hills	24,029	23,862	22,489	1,540	6.85%
Gila Bend	2,014	2,010	1,922	92	4.79%
Gilbert	253,036	246,423	208,453	44,583	21.39%
Glendale	241,844	239,858	226,721	15,123	6.67%
Goodyear	84,659	81,447	65,275	19,384	29.70%
Guadalupe	6,342	6,332	5,523	819	14.83%
Litchfield Park	6,689	6,452	5,476	1,213	22.15%
Mesa	488,925	481,275	439,041	49,884	11.36%
Paradise Valley	14,011	13,913	12,820	1,191	9.29%
Peoria	176,118	171,580	154,058	22,060	14.32%
Phoenix	1,597,738	1,579,253	1,449,242	148,496	10.25%
Queen Creek	49,261	39,714	25,998	23,263	89.48%
Scottsdale	245,417	242,540	217,365	28,052	12.91%
Surprise	132,852	130,129	117,688	15,164	12.88%
Tempe	185,301	179,794	161,974	23,327	14.40%
Tolleson	7,017	6,992	6,573	444	6.75%
Wickenburg	7,506	6,903	6,353	1,153	18.15%
Youngtown	6,590	6,575	6,154	436	7.08%
Unincorporated	306,580	303,286	284,016	22,564	7.94%
METRO PHOENIX	4,341,386	4,261,092	3,856,393	484,993	12.58%

Arizona Office of Economic Opportunity

ECONOMIC FORCES:

The Metropolitan Phoenix Area (Maricopa County) represents 69% of the Arizona Labor Market. The Phoenix-Mesa-Glendale MSA had a civilian labor force of 2,470.1 at the end of January 2019. The current unemployment rate in Arizona is 5.0% (January 2019).

Phoenix-Mesa-Glendale MSA - Monthly Data	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019
<i>Persons (000s), Local Area Unemployment Statistics, BLS</i>					
Civilian Labor Force (000s), BLS	2,411.8	2,441.0	2,437.3	2,470.1	
Unemployment Rate	3.9	3.9	4.5	5.0	
<i>Employees on Nonagricultural Payrolls (000s), Current Employment Statistics, BLS*</i>					

The economic base of Phoenix is diversified and includes manufacturing as well as professional and industrial employment. Phoenix also has professional employment opportunities as well as a great many industrial parks which house heavy, medium and light industrial activities. Tourism is also an important income producing industry. Transportation to and from other portions within the state and the nation is good. Transportation plays an important role in the Metropolitan area.

Shown next is a chart of the top 10 Phoenix Metropolitan major employers.

Top Ten Employers of Arizona	
State of Arizona	37,655
Banner Health	36,213
Wal-Mart Stores, Inc.	33,814
Wells Fargo & Co	15,062
City of Phoenix	13,894
Arizona State University	13,480
Raytheon Missile Systems	12,000
HonorHealth	11,308
Dignity Health	11,206
University of Arizona	10,659

Phoenix Business Journal Book of Lists 2018-19

GOVERNMENTAL FORCES:

The State of Arizona has placed emphasis on economic development within the State through the Commerce Department. The regional government, through joint efforts of the communities within Maricopa County, has also taken a strong favorable stance toward continued economic development.

Phoenix and its surrounding city governments are considered progressive in their thinking, showing a commitment to strong neighborhood design concepts by improving the educational system, creating more parks and recreational facilities, building new freeway systems and developing major shopping areas for the individual neighborhoods that make up the Metro area. The entire government structure is described as well-run and dynamic.

TRANSPORTATION:

The State, as well as Phoenix, has an excellent transportation system because of Metropolitan Phoenix's primary ideal central location, the area is a natural regional transportation axis for the rest of the southwest. Linkages within the Metropolitan area are also considered good. Accessibility to other locations in this area is very important as people have the option of living in one city and working in another. The Arizona Department of Transportation has several major freeways in place and/or planned for the Metropolitan Phoenix area. (The following information is provided by the Arizona Department of Transportation).

The *Pima Freeway* system traverses east and west along the Beardsley Road alignment from I-17 (Black Canyon Freeway) to the Pima Road in North Scottsdale.

The *Agua Fria Freeway* (extension) runs east and west from the Black Canyon Freeway (I-17) westward to 83rd Avenue and north and south from Beardsley Road to the Papago Freeway (I-10).

The *Piestewa Parkway* (extension) runs southward from the Pima Freeway at 32nd Street and feeds traffic from the northern portion of the Valley to Central Phoenix.

The *Superstition Freeway* is a major freeway that serves the East Valley, especially the cities of Mesa, Tempe, Chandler, Gilbert and Apache Junction. This freeway system runs east and west from the Hohokam Expressway through the entire length of the eastern portion of Metro Phoenix area.

The *Arizona Loop 202* is a partial beltway looping around the eastern areas of the Phoenix metropolitan area in central Arizona. It connects the eastern end of the city of Phoenix, in addition to the towns of Tempe, Mesa, Chandler and Gilbert, and is a vital route in the metropolitan area freeway system. Loop 202 currently has two designated sections along its route; the *Red Mountain Freeway* and the *Santan Freeway*. A third section is currently under construction. The *South Mountain Freeway* will run from the eastern Interstate 10 (I-10) to the western portion of Interstate 10.

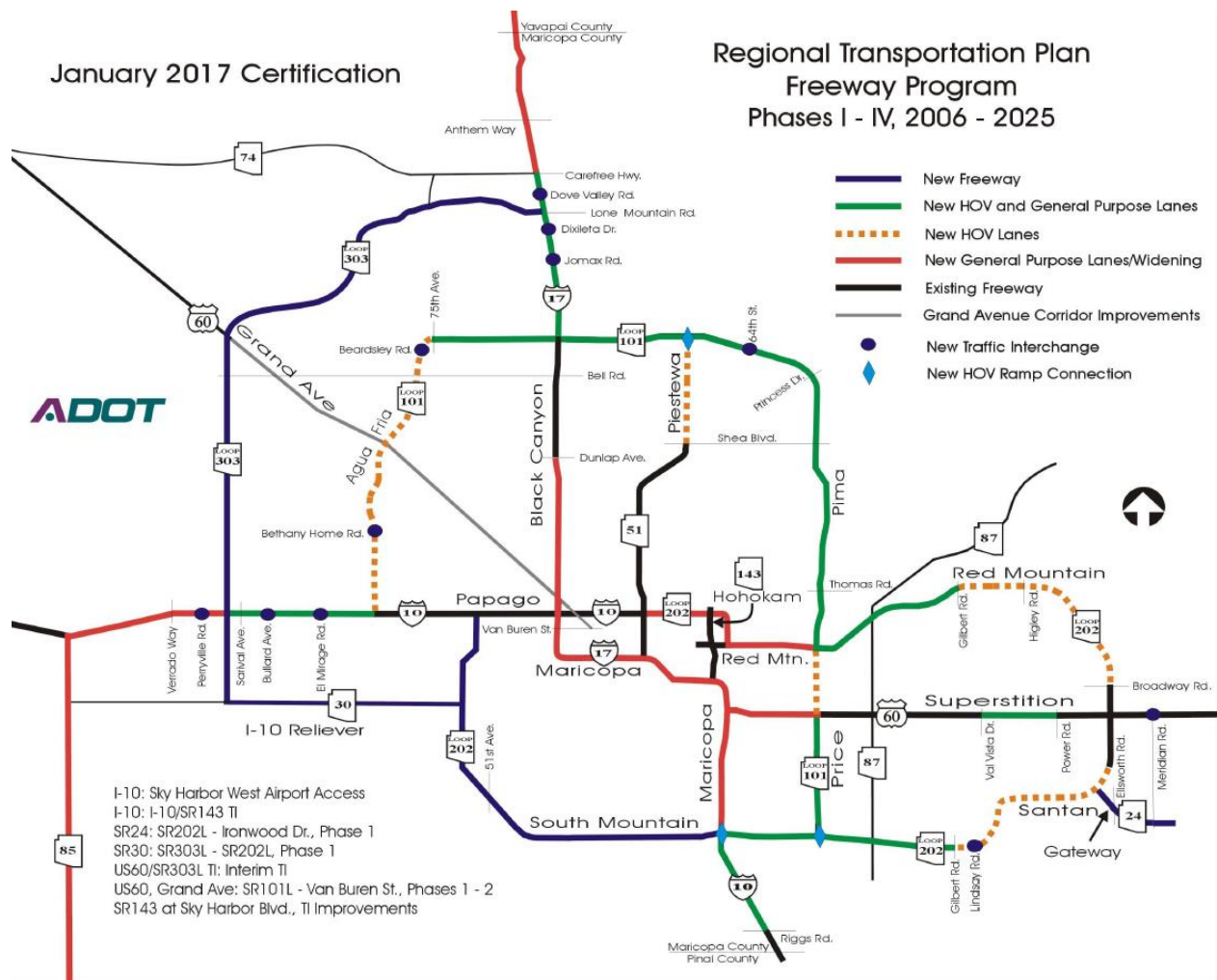
The *Gateway Freeway* (SR 24) was completed and opened in May of 2014. The initial phase is a one-mile stretch beginning at Loop 202 (Santan Freeway) near the Phoenix-Mesa Gateway Airport and ending at Ellsworth Road. Additional phases of this project, east of Ellsworth Road, are suspended until the North-South Corridor Study in Pinal County advances.

The *Price Freeway* (Loop 101) is currently completed from the Superstition Freeway north to Pima Freeway (Loop 101). In addition, recently completed is the portion which transverses from the Superstition Freeway southward to the Santan Freeway (Loop 202).

The *Bob Stump Memorial Parkway* (Loop 303) is the outer loop of the west side of Phoenix. The road begins at Interstate 10 in the far west valley then loops north to U.S. 60 at Surprise, then east to Interstate 17. It's a two-lane highway between Interstate 10 and just south of US 60, four-lane expressway from south of US 60 to Happy Valley Road, and as a four-lane freeway from Happy Valley Road to Interstate 17.

The Grand Avenue (US 60) freeway construction opened several new intersections from 43rd Avenue to the Loop 101.

Interstates 10 and 17, U.S. Highways 60, 70, 80 and 89 together with State Highways 51, 87 and 93, go through and connect in the City of Phoenix to all areas in the west and mid-western United States. In addition, construction of 249 miles of freeway has been planned for Metro Phoenix. This will further enhance transportation in the communities within the Valley area.

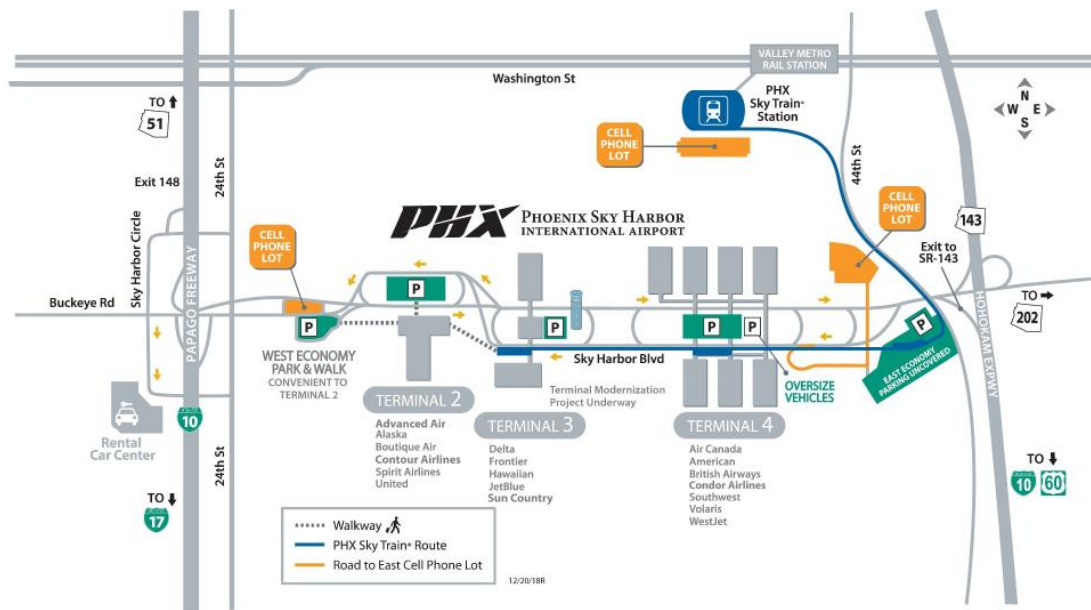


OTHER FORMS OF TRANSPORTATION:

Phoenix Sky Harbor International airport serves more than 100,000 passengers with more than 1,200 flights per day. Sky Harbor is one of the most convenient airports in the United States. It ranked No. 11 among U.S. airports in passenger boarding in 2016 and is served by 17 competitively priced carriers. The airport is located in the middle of Greater Phoenix, less than 10 minutes from downtown, and within 20 miles of almost all of our towns and cities.

Phoenix-Mesa Gateway Airport is located about 30 miles southeast of Phoenix Sky Harbor. Gateway Airport offers commercial flights to more than 35 destinations.

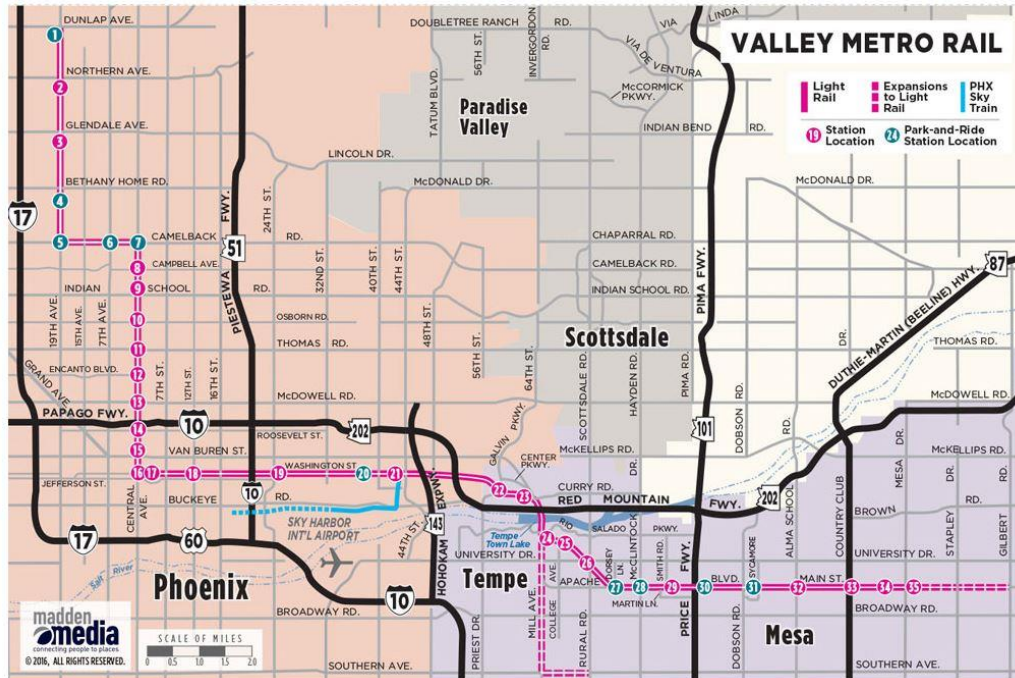
Convenient transportation to Sky Harbor airport comes by way of the PHX Sky Train. This driverless train transports Valley Metro Light Rail passengers to the airport from the 44th Street/Washington Street Station. The PHX Sky Train will travel between Terminal 4, east economy parking and 44th Street/Washington St., where it connects passengers to the Metro Light Rail System.



Light Rail

The Valley's light rail system offers riders a speedy 26-mile ride linking Phoenix to the neighboring communities of Tempe and Mesa, and includes stops at attractions such as Phoenix Art Museum, the Heard Museum, Chase Fields, Talking Stick Resort Arena and Tempe's Mill Avenue District. There are 28 stations along the line and they are adorned with 6.2 million worth of public art. The art work at each station reflects the character of the community where it is located. Station platforms can accommodate the boarding of 600 passengers onto a three-car train within 30 seconds between the cities of Phoenix, Tempe, Mesa and Glendale and is an integral part of a comprehensive Valley-wide transit system.

Light Rail



METRO opened for passenger operation in December 2008.

Freight rail transportation from transcontinental origins from and to the Metro area is provided by the Union Pacific Railway (Southern Arizona), Arizona Eastern (Claypool-Globe), Arizona & California (Parker, Arizona –westward), and the BNSF Railway Company (Northern Arizona). Greyhound and seven other charter bus services serve the city as well. Public transportation is provided by the Phoenix Transit System, and Dial-A-Ride. Other transportation is provided by interstate and intrastate truck lines, household good carriers, United Parcel Service, Purolator Courier Service and Air Couriers International.

In recent years the communities within the Metropolitan area have become more aware of the environment as has the nation as a whole. Enactment of environmental legislation with respect to new development is seriously being taken into consideration by creating new environmental zoning codes to protect the outlying mountainous areas of the Valley.

RESIDENTIAL MARKET:

	Active Listings					
	This Month			Year to Date		
	2019	2018	% Chg	2019	2018	% Chg
0-29,999	33	45	-26.7	86	116	-25.9
30,000-39,999	26	35	-25.7	61	67	-9.0
40,000-49,999	23	45	-48.9	63	109	-42.2
50,000-59,999	30	81	-63.0	91	161	-43.5
60,000-69,999	44	86	-48.8	113	197	-42.6
70,000-79,999	44	91	-51.6	116	252	-54.0
80,000-89,999	76	145	-47.6	190	328	-42.1
90,000-99,999	80	132	-39.4	228	342	-33.3
100,000-119,999	188	256	-26.6	484	707	-31.5
120,000-139,999	325	427	-23.9	916	1348	-32.0
140,000-159,999	417	438	-4.8	1283	1582	-18.9
160,000-179,999	555	669	-17.0	1868	2530	-26.2
180,000-199,999	932	904	3.1	2824	3315	-14.8
200,000-249,999	3111	2478	25.5	9323	8698	7.2
250,000-299,999	2818	2260	24.7	7899	7150	10.5
300,000-399,999	4070	3299	23.4	9860	8766	12.5
400,000-499,999	2368	2038	16.2	5237	4801	9.1
500,000-549,999	765	643	19.0	1560	1357	15.0
550,000-749,999	1855	1764	5.2	3638	3461	5.1
750,000-999,999	1283	1186	8.2	2166	2054	5.5
1,000,000-1,249,999	433	462	-6.3	703	745	-5.6
1,250,000-1,499,999	432	433	-0.2	662	669	-1.0
1,500,000-1,999,999	508	522	-2.7	744	772	-3.6
2,000,000-2,999,999	432	411	5.1	603	589	2.4
3,000,000+	380	342	11.1	513	448	14.5
Totals	21228	19192	10.6	51231	50564	1.3

	Sold Listings					
	This Month			Year to Date		
	2019	2018	% Chg	2019	2018	% Chg
0-29,999	13	19	-31.6	36	51	-29.4
30,000-39,999	5	14	-64.3	16	30	-46.7
40,000-49,999	11	26	-57.7	31	69	-55.1
50,000-59,999	20	24	-16.7	42	71	-40.8
60,000-69,999	13	42	-69.0	42	102	-58.8
70,000-79,999	23	43	-46.5	56	127	-55.9
80,000-89,999	30	59	-49.2	92	148	-37.8
90,000-99,999	55	58	-5.2	127	158	-19.6
100,000-119,999	90	148	-39.2	254	391	-35.0
120,000-139,999	179	298	-39.9	486	716	-32.1
140,000-159,999	269	419	-35.8	686	964	-28.8
160,000-179,999	396	646	-38.7	986	1635	-39.7
180,000-199,999	605	788	-23.2	1436	1933	-25.7
200,000-249,999	1918	2047	-6.3	4633	4887	-5.2
250,000-299,999	1507	1578	-4.5	3616	3675	-1.6
300,000-399,999	1655	1677	-1.3	3905	3840	1.7
400,000-499,999	751	726	3.4	1746	1806	-3.3
500,000-549,999	213	208	2.4	505	466	8.4
550,000-749,999	388	427	-9.1	953	950	0.3
750,000-999,999	174	193	-9.8	400	436	-8.3
1,000,000-1,249,999	53	73	-27.4	140	160	-12.5
1,250,000-1,499,999	33	49	-32.7	90	107	-15.9
1,500,000-1,999,999	44	41	7.3	100	106	-5.7
2,000,000-2,999,999	32	30	6.7	75	66	13.6
3,000,000+	25	14	78.6	42	33	27.3
Totals	8502	9647	-11.9	20495	22927	-10.6

The following housing statistics are provided by ARMLS as of March 2019.

Local Multiple Listing Service (ARMLS) had 21,228 active listings as of March 30, 2019 across the Greater Phoenix area including listings under contract and seeking backup offers. This represents an increase of 1.3% since the previous year.

Active single family home listings under \$199,999 was down 14.8% compared to the previous year due to the poor supply. The mid-range home sales from \$250,000 to \$500,000 increased from 9.1% to 12.5% benefitting from plenty of both supply and demand.

Local Multiple Listing Service (ARMLS) had 20,495, sold listings as of March 31, 2019 across the Greater Phoenix area. The market has been stable for the past year.

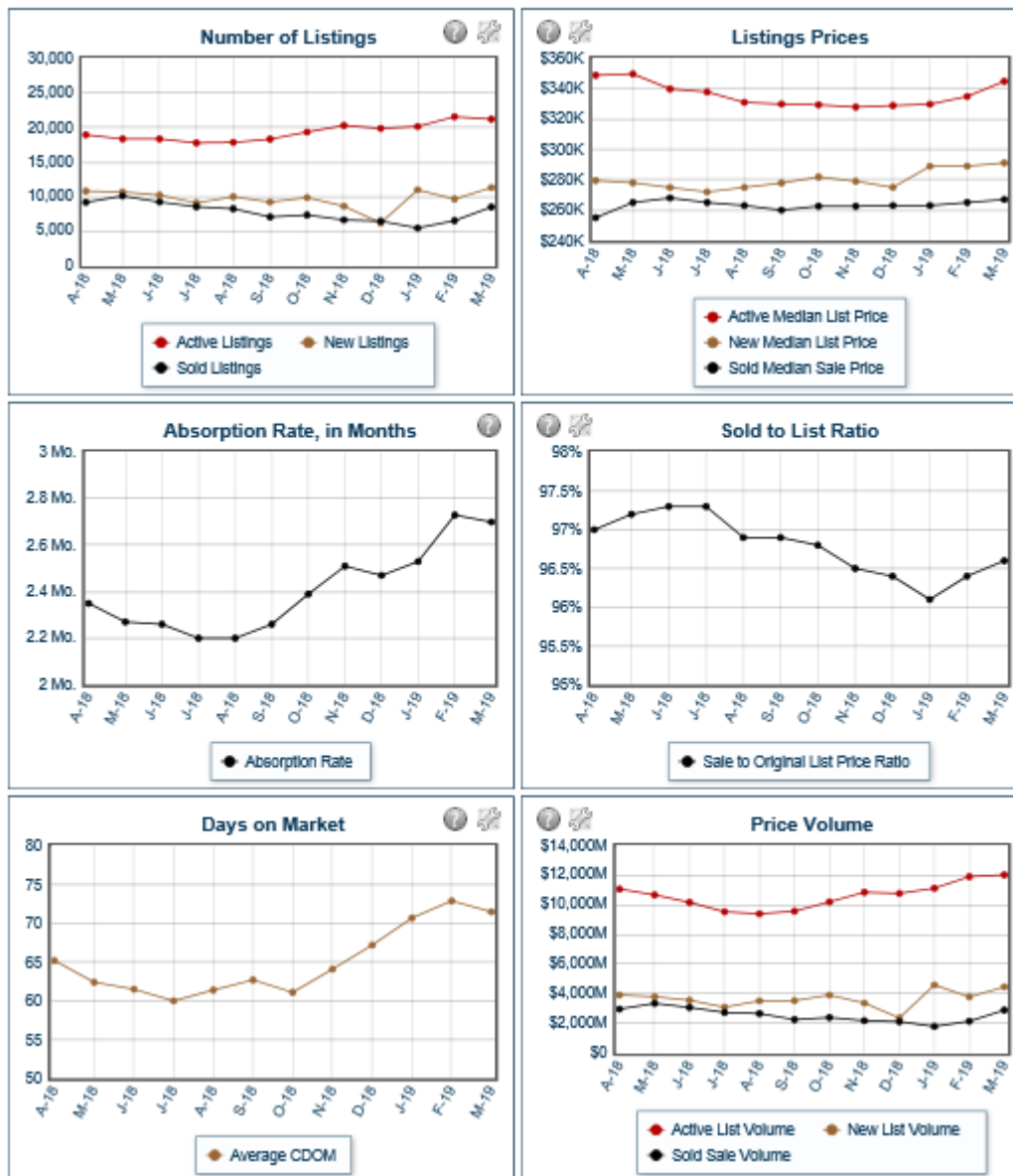
Sold single family home listings under \$199,999 was down 25.7% compared to the previous year due to the poor supply. The mid-range home sales from \$200,000 to \$300,000 decreased from 1.6% to 5.2% benefitting from poor supply and demand.

The average single family home list price for the Phoenix Metropolitan Area was \$567,352 as of March 2019, up 3.47% compared to this time last year. The average sale price was \$341,096, an increase of 6.08% compared to the previous year. The average days on market remained the same at 71 days.

Following are the summary statistics for single family residential sales activity within Maricopa County.

Summary Statistics						
	Mar-19	Mar-18	% Chg	2019 YTD	2018 YTD	% Chg
Absorption Rate	2.7	2.39	12.97	2.65	2.41	9.96
Average List Price	\$567,352	\$576,040	-1.51	\$457,897	\$442,525	3.47
Median List Price	\$345,000	\$345,000	0.00	\$300,000	\$289,500	3.63
Average Sale Price	\$341,096	\$318,351	7.14	\$333,714	\$314,585	6.08
Median Sale Price	\$267,000	\$254,900	4.75	\$265,000	\$250,398	5.83
Average CDOM	71	71	0.00	N/A	N/A	N/A
Median CDOM	45	41	9.76	47	44	6.82

Following are multiple charts relating to single family residential activity in the Phoenix Metropolitan Area.



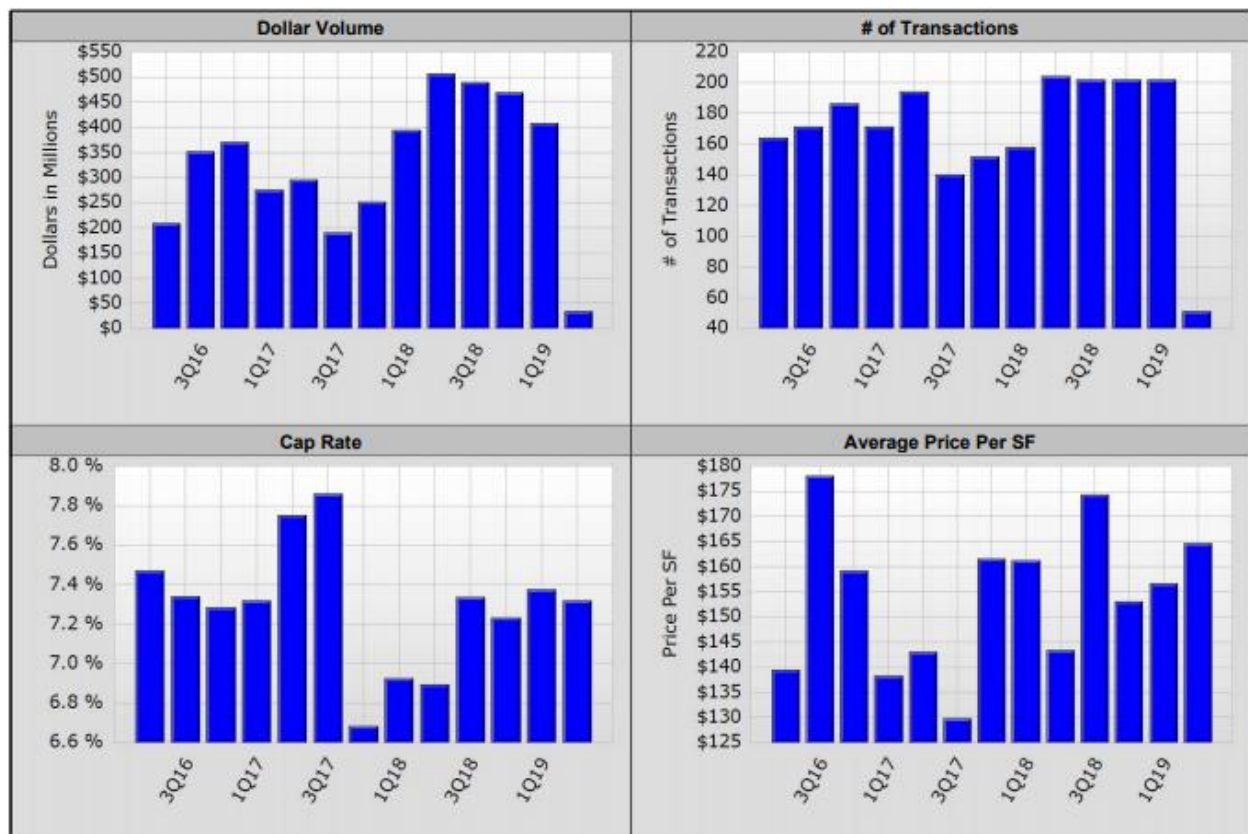
OFFICE MARKET:


The existing inventory for Metropolitan Phoenix consists of just over 190 million square feet. The East Valley market area encompasses the largest submarket, consisting of just over 41 million square feet. The Metropolitan Phoenix Office Market showed a vacancy rate in the 1st Quarter 2019 of 12.4%. The Metropolitan Phoenix Office Market had a year to date (YTD) absorption of 960,391 square feet. The average rental rate ranged from \$22.58 per square foot (Paradise Valley) to \$27.44 per square foot (Scottsdale). The overall average rental rate was \$25.00 per square foot on a full service basis.

Shown next is a chart of the Office Market as of the 1st Quarter 2019 as compiled by CoStar Realty Information, Inc.

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# of Bldgs	Total RBA	Direct SF	Total SF	Vac %				
Airport Area	177	9,584,100	1,330,482	1,507,639	15.7%	265,966	82,951	0	\$23.60
South Tempe/Ahwatukee	302	7,947,364	788,017	837,488	10.5%	360,078	220,000	0	\$23.35
Airport Area	479	17,531,464	2,118,499	2,345,127	12.1%	626,044	302,951	0	\$23.48
Midtown	390	13,022,079	2,417,855	2,452,097	18.8%	(61,273)	0	0	\$23.25
Downtown	181	10,620,169	1,280,546	1,370,197	12.9%	(118,917)	0	228,402	\$31.38
Central Corridor	571	23,642,248	3,698,401	3,822,294	15.6%	(180,190)	0	228,402	\$27.32
44th Street Corridor	143	4,070,413	438,557	441,143	10.8%	6,456	0	0	\$26.32
Camelback Corridor	222	9,621,863	1,473,374	1,550,198	16.1%	115,133	0	0	\$31.02
Midtown/Central Phoenix	390	13,022,079	2,417,855	2,452,097	18.8%	(61,273)	0	0	\$23.25
East Phoenix	755	26,714,355	4,329,786	4,443,438	16.2%	60,316	0	0	\$26.86
Chandler	513	11,400,247	1,432,261	1,453,545	12.8%	270,153	323,667	786,792	\$26.76
Mesa Downtown	207	1,465,704	94,990	94,990	6.5%	(42,612)	0	0	\$17.58
Mesa East	434	3,560,094	281,635	281,635	7.9%	(46,059)	0	0	\$18.50
Superstition Corridor	415	6,146,825	551,237	569,963	9.3%	35,548	0	0	\$21.39
Tempe	471	15,871,676	991,655	1,002,999	6.3%	395,498	213,500	961,628	\$31.37
Gateway Airport/Loop 202	284	2,601,034	195,645	243,883	9.4%	(29,934)	0	185,600	\$26.17
East Valley	2,324	41,045,580	3,547,423	3,647,015	8.6%	582,594	537,167	1,934,020	\$23.63
Arrowhead	381	4,399,159	525,942	535,715	12.2%	(28,568)	22,700	30,151	\$25.42
North I-17	58	768,572	120,961	120,961	15.7%	15,369	0	23,000	\$24.76
Deer Valley/Airport	288	11,943,571	1,244,732	1,258,373	10.5%	(22,186)	0	14,500	\$24.33
Northwest Phoenix	849	10,938,612	2,187,960	2,253,575	20.6%	(201,572)	0	0	\$19.05
Northwest Phoenix	1576	28,049,914	4,079,595	4,168,624	14.5%	(236,957)	22,700	67,651	\$23.39
N Phoenix/Cave Creek	18	136,413	0	3,000	2.2%	(600)	0	0	\$19.31
Paradise Valley	263	4,686,803	552,875	567,257	12.1%	32,453	0	0	\$24.67
Piestewa Peak Corridor	205	3,671,432	562,763	578,820	15.8%	14,506	0	0	\$23.77
Paradise Valley	486	8,494,648	1,115,638	1,149,077	13.1%	46,359	0	0	\$22.58
Central Scottsdale	393	8,859,937	958,576	1,019,761	11.5%	16,963	21,657	8,400	\$26.13
N Scottsdale/Carefree	195	1,873,553	236,475	236,475	12.6%	12,887	0	0	\$24.01
Scottsdale Airpark	395	13,390,462	1,524,480	1,730,543	12.9%	(27,772)	0	48,514	\$29.21
Scottsdale South	508	7,132,982	781,542	839,296	11.8%	(17,671)	0	274,338	\$30.42
Scottsdale	1,491	31,256,934	3,501,073	3,826,075	11.2%	(15,593)	21,657	331,252	\$27.44
Glendale	195	3,490,213	372,226	401,112	11.5%	28,975	64,152	68,000	\$25.42
Loop 303/ Surprise	152	2,483,011	211,744	217,101	8.7%	10,932	0	0	\$23.93
Southwest Phoenix	202	4,811,861	247,274	247,274	5.1%	32,005	0	0	\$26.84
West I-10	159	2,618,658	271,375	278,734	10.6%	5,906	0	0	\$25.10
West Phoenix	708	13,403,743	1,102,619	1,144,221	8.2%	77,818	64,152	68,000	\$25.32
Totals	8,390	190,138,886	23,493,034	24,545,871	12.4%	960,391	948,627	2,629,325	\$25.00

Shown next is a historical sales activity of office buildings from 3Q 2016 through 1Q 2019 in the Metro Phoenix area.



Legend:			
Current Survey		Sold Transactions	For Sale & UC/Pending
Sold Transactions		Number of Transactions	2,197
		Total Dollar Volume	\$4,242,272,055
		Total Bldg Square Feet	34,730,734
		Total Land in Acres	2,062.39
		Total Land in SF	89,837,708
		Total Units	2,408
Time Interval - Quarterly		Average Price	\$2,538,762
		Average Number of SF	15,961
		Average Price Per Bldg SF	\$154.07
		Median Price Per SF	\$150.85
		Average Number of Acres	1.39
		Average Number of SF(Land)	60,660
		Average Price Per Unit	\$35,741
		Median Price Per Unit	\$13,676
		Average Number of Units	115
		Actual Cap Rate	7.24%
		Average GRM	-
		Average GIM	-

RETAIL MARKET:

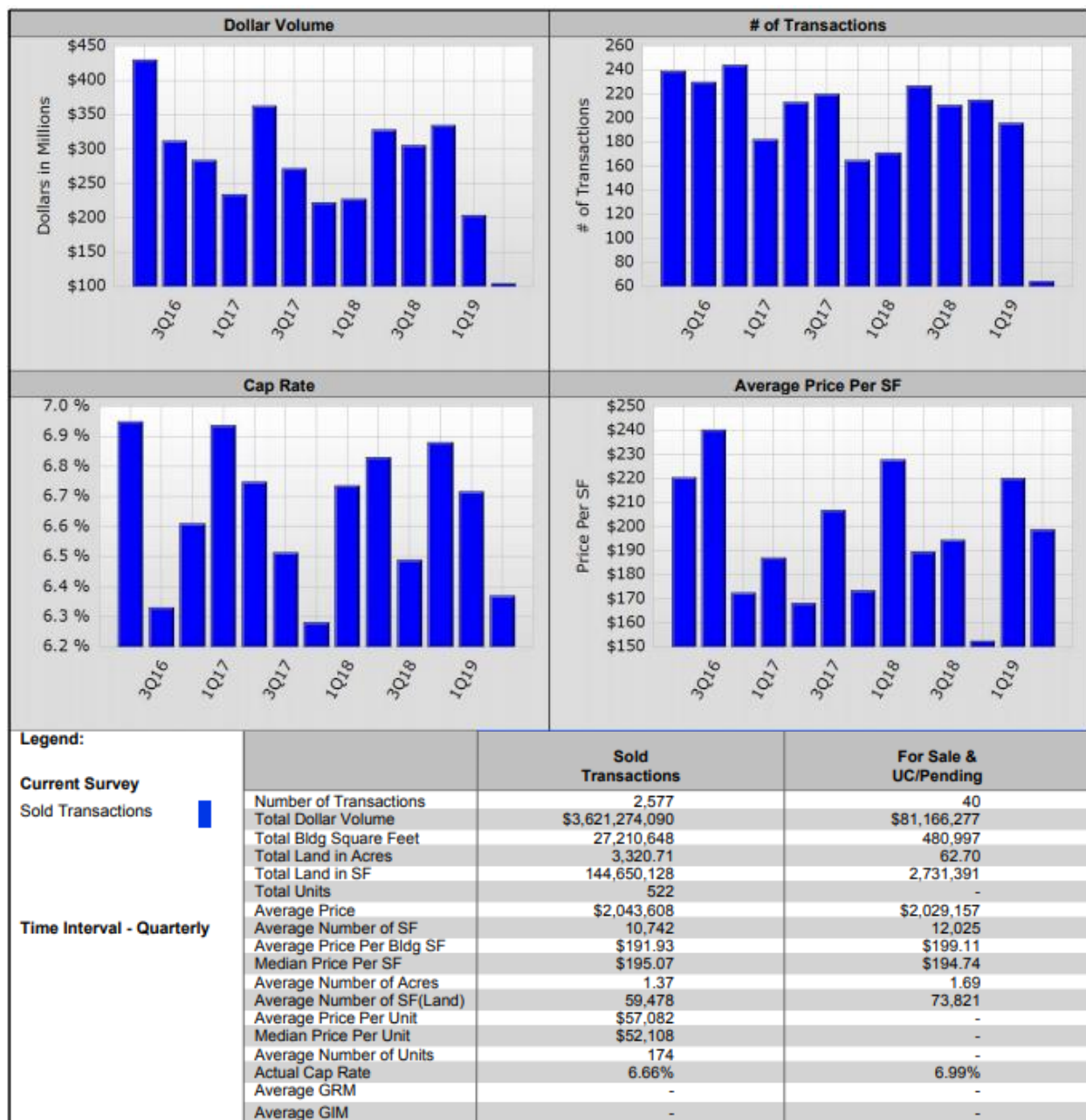
The existing inventory for Metropolitan Phoenix consists of over 230 million square feet. The East Valley market area encompasses the largest submarket, consisting of just over 77 million square feet. The Metropolitan Phoenix Retail Market showed a vacancy rate in the 1st Quarter 2019 of 7.0%.

In the 1st quarter 2019, the Metropolitan Phoenix Retail Market had a year to date (YTD) absorption of negative 119,020 square feet. The average rental rate ranged from \$11.59 per square foot (Pinal) to \$23.48 per square foot (Maricopa County Retail). The overall average rental rate was \$17.18 per square foot. All rents are based on a triple net lease basis.

Shown next is a chart of the Retail Market as of the 1st Quarter 2019 as compiled by CoStar Realty Information, Inc.

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# of Bldgs	Total RBA	Direct SF	Total SF	Vac %				
Airport Area Retail	424	3,875,080	159,436	160,636	4.1%	33,755	0	0	\$18.19
South Phoenix Retail	302	1,676,198	55,796	55,796	3.3%	10,672	0	30,545	\$14.78
Airport Area Ret	726	5,551,278	215,232	216,432	3.9%	44,427	0	30,545	\$16.49
Downtown Phoenix Retail	917	7,646,778	532,241	532,241	7.0%	(9,201)	10,240	28,700	\$20.03
Downtown Phoenix Retail	917	7,646,778	532,241	532,241	7.0%	(9,201)	10,240	28,700	\$20.03
Chandler Retail	828	17,277,421	900,103	923,873	5.3%	8,983	3,340	23,900	\$16.37
Gilbert Retail	869	15,992,266	939,514	975,352	6.1%	85,642	53,171	165,932	\$17.33
Queen Creek Retail	101	2,002,277	108,657	108,657	5.4%	(51,546)	0	96,857	\$15.92
Red Mountain/Mesa Retail	1,914	30,559,270	2,754,290	2,781,748	9.1%	61,204	7,400	102,905	\$14.90
Tempe Retail	543	8,245,126	483,776	490,397	5.9%	40,844	7,100	44,000	\$19.11
Gateway Airport Retail	145	2,996,957	130,822	130,822	4.4%	14,282	0	0	\$16.90
East Valley Retail	4,400	77,073,317	5,317,162	5,410,849	6.9%	159,409	71,011	433,594	\$16.75
W Outlying Maricopa Retail	126	809,150	19,993	19,993	2.5%	(1,130)	0	0	\$23.48
Maricopa County Retail	126	809,150	19,993	19,993	2.5%	(1,130)	0	0	\$23.48
East Phoenix Retail	775	8,877,992	695,275	699,325	7.9%	59,402	0	0	\$16.22
Glendale Retail	850	11,301,908	921,603	934,616	8.3%	(112,603)	0	8,000	\$11.96
N Phoenix/I-17 Corridor Retail	899	16,298,128	2,086,866	2,089,466	12.8%	32,272	0	8,500	\$12.67
Sun City Retail	245	3,759,311	356,426	356,426	9.5%	4,615	6,237	2,398	\$11.47
North Phoenix Retail	2769	40,237,339	4,060,170	4,079,833	10.1%	(16,314)	6,237	18,898	\$13.08
Carefree Retail	151	1,843,281	171,263	174,055	9.4%	20,747	0	0	\$17.27
Fountain Hills Retail	92	768,497	87,656	87,656	11.4%	(5,729)	0	0	\$16.04
N Scottsdale Retail	610	15,196,394	873,211	874,441	5.8%	4,872	0	43,370	\$22.70
North Scottsdale Retail	853	17,808,172	1,132,130	1,136,152	6.4%	19,890	0	43,370	\$18.67
Anthem Retail	131	2,618,802	95,255	95,255	3.6%	(13,958)	0	62,848	\$16.04
Central Peoria/Arrowhead Retail	457	10,434,469	440,699	445,209	4.3%	(13,514)	0	25,070	\$19.31
Deer Valley Retail	145	2,100,556	93,178	93,178	4.4%	12,795	0	3,865	\$20.72
Surprise/N Peoria Retail	318	5,568,808	318,795	323,367	5.8%	39,104	30,872	29,479	\$12.27
Northwest Phoenix Retail	1051	20,722,635	947,927	957,009	4.6%	24,427	30,872	121,262	\$17.08
Central Scottsdale Retail	931	15,707,946	822,093	844,131	5.4%	(42,906)	0	89,548	\$25.55
S Scottsdale Retail	372	3,876,964	203,303	210,080	5.4%	(6,683)	0	2,000	\$16.68
Scottsdale Retail	1303	19,584,910	1,025,396	1,054,211	5.2%	(49,589)	0	91,548	\$21.11
Ahwatukee Foothills Retail	180	3,241,896	312,285	315,155	9.7%	(26,570)	0	0	\$17.02
Laveen Retail	83	1,451,842	86,631	86,631	6.0%	(15,068)	7,000	7,100	\$17.88
S Mountain Retail	103	1,670,003	93,066	93,066	5.6%	146	0	0	\$16.63
South Mountain Retail	366	6,363,741	491,982	494,852	7.7%	(41,492)	7,000	7,100	\$17.17
Goodyear Retail	238	3,529,954	247,452	247,452	7.0%	2,179	0	0	\$18.40
Loop101/I-10 Retail	162	2,995,608	106,935	106,935	3.6%	41,976	0	0	\$21.04
N Goodyear/Litchfield Retail	237	5,122,930	329,483	329,483	6.4%	5,039	11,866	0	\$17.91
N Buckeye Retail	7	63,968	0	0	0.0%	0	0	0	\$0.00
S Buckeye Retail	140	1,490,028	39,444	39,444	2.6%	(10,916)	0	19,026	\$15.36
Tolleson Retail	280	2,795,097	181,678	181,678	6.5%	(23,397)	0	0	\$10.73
West Phoenix/Maryvale Retail	534	8,378,926	471,100	471,100	5.6%	(161,383)	0	0	\$11.01
West Phoenix Retail	1598	24,376,511	1,376,092	1,376,092	5.6%	(146,502)	11,866	19,026	\$13.49
Apache Junction Retail	167	2,057,047	169,591	184,842	9.0%	9,998	3,272	65,220	\$12.01
Outlying Pinal County Retail	857	8,411,321	829,502	847,186	10.1%	(112,943)	9,100	30,767	\$11.17
Pinal County Retail	1024	10,468,368	999,093	1,032,028	9.5%	(102,945)	12,372	95,987	\$11.59
Totals	15,133	230,642,199	16,117,418	16,309,692	7.0%	(119,020)	149,598	890,030	\$17.18

Shown next is a historical sales activity of retail buildings from 3Q 2016 through 1Q 2019 in the Metro Phoenix area.



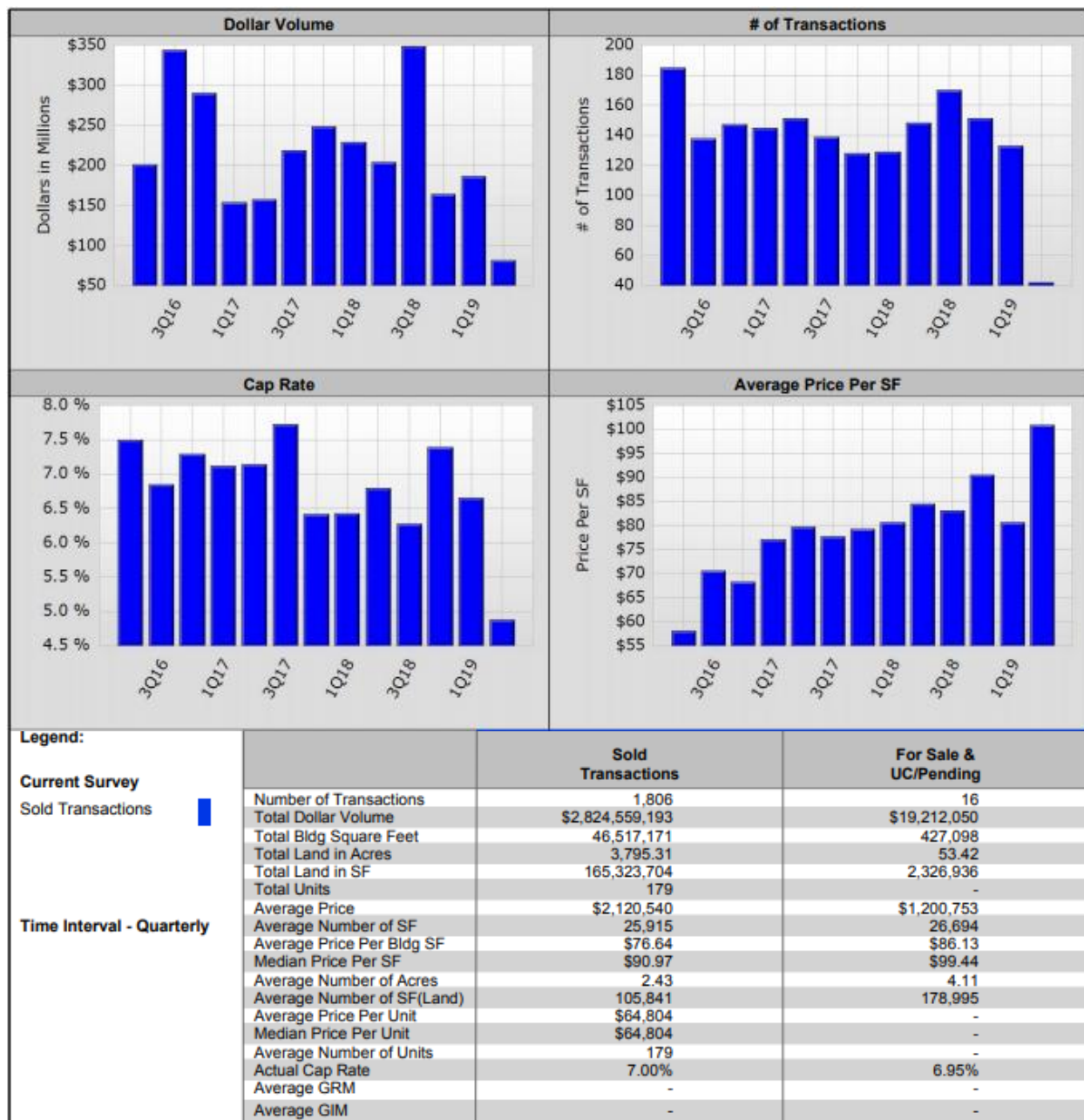
INDUSTRIAL MARKET:

The existing inventory for Metropolitan Phoenix consists of 10,455 projects totaling over 334 million square feet. The Southeast Market encompasses the largest Market, with 3,326 buildings and a total of over 97 million square feet. The overall vacancy rate for Metro Phoenix is 6.8%. The Metropolitan Phoenix Industrial Market, as of the 1st Quarter 2019 had a year to date (YTD) absorption of 611,875 square feet. The average rental rate ranged from \$5.47 per square foot (Southwest) to \$12.51 per square foot (Northeast Industrial). The overall average market rental rate was \$7.13 per square foot. All rents are typically Modified Gross.

Shown next is a chart of the Industrial Market as of the 1st Quarter 2019 as compiled by CoStar Realty Information, Inc.

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# of Bldgs	Total RBA	Direct SF	Total SF	Vac %				
North Airport	633	13,458,570	743,036	764,848	5.7%	(92,028)	0	0	\$9.76
S Airport N of Roeser	517	15,786,387	1,378,359	1,378,359	8.7%	138,244	0	115,354	\$9.63
S Airport S of Roeser	166	4,560,317	136,915	144,065	3.2%	5,296	0	0	\$7.95
SC N of Salt River	682	15,603,950	524,273	528,893	3.4%	33,848	0	558,712	\$7.62
SC S of Salt River	133	2,531,146	333,503	333,503	13.2%	77,069	0	0	\$4.92
Airport Area	2,131	51,940,370	3,116,086	3,149,668	6.0%	162,429	0	674,066	\$7.98
Central Phoenix	356	4,536,785	202,496	202,496	4.5%	16,484	58,984	0	\$10.99
Scottsdale Airpark	368	6,820,472	397,270	416,355	6.1%	2,578	0	0	\$13.09
Scottsdale/Salt River	169	5,388,123	151,251	155,196	2.9%	(9,322)	0	0	\$13.44
Northeast Industrial	893	16,745,380	751,017	774,047	4.5%	9,740	58,984	0	\$12.51
Deer Valley/Pinnacle Peak	696	17,402,170	1,323,754	1,364,939	7.8%	15,009	0	246,585	\$9.26
Glendale	132	10,347,682	719,707	719,707	7.0%	(62,092)	0	142,370	\$6.21
Grand Avenue	630	13,449,147	569,168	569,168	4.2%	(217,566)	0	0	\$5.85
N. Glendale/Sun City	153	3,949,242	123,938	123,938	3.1%	189,784	272,500	160,000	\$8.59
North Black Canyon	252	4,468,143	370,630	372,978	8.3%	(9,388)	0	0	\$9.67
W Phx N of Thomas Rd	468	8,303,174	235,441	239,941	2.9%	1,141	0	0	\$6.31
W Phx S of Thomas Rd	322	7,027,304	185,893	185,893	2.6%	(95,761)	0	0	\$5.86
Northwest Phoenix	2,653	64,946,862	3,528,531	3,576,564	5.4%	(178,873)	272,500	548,955	\$7.39
Chandler/Airport	99	3,868,489	855,973	857,277	22.2%	(106,192)	10,000	224,810	\$10.48
Chandler Ind	374	21,444,925	1,139,261	1,255,776	5.9%	(14,820)	0	1,097,166	\$9.62
Chandler/N Gilbert	787	20,387,267	750,032	920,779	4.5%	25,322	0	1,184,356	\$8.26
Falcon Fld/Apache Jct	253	5,157,665	365,950	411,562	8.0%	42,905	22,000	245,655	\$9.23
Mesa	476	7,702,901	331,641	351,041	4.6%	(47,231)	0	0	\$7.78
Tempe East	376	6,699,948	305,273	311,393	4.6%	(3,179)	0	0	\$12.04
Tempe Northwest	345	10,957,884	565,434	580,420	5.3%	75,383	0	307,000	\$9.77
Tempe Southwest	616	21,568,740	2,117,633	2,215,389	10.3%	3,110	0	0	\$8.19
Southeast Industrial	3,326	97,787,819	6,431,197	6,903,637	6.6%	(24,702)	32,000	3,058,987	\$9.42
Goodyear	174	13,243,416	1,223,785	1,292,632	9.8%	407,596	0	1,290,980	\$4.65
SW N of Buckeye Rd	728	33,504,977	2,390,132	2,412,727	7.2%	(39,719)	0	650,645	\$5.09
SW S of Buckeye Rd	308	17,918,823	644,773	675,570	3.8%	(23,840)	0	636,578	\$7.21
Tolleson	242	38,128,554	4,695,127	4,743,127	12.4%	299,244	0	1,110,984	\$4.94
Southwest Industrial	1,452	102,795,770	8,953,817	9,124,056	8.7%	643,281	0	3,689,187	\$5.47
Totals	10,455	334,216,201	22,780,648	23,527,972	6.8%	611,875	363,484	7,971,195	\$7.13

Shown next is a historical sales activity of industrial buildings from 3Q 2016 through 1Q 2019 in the Metro Phoenix area.



SUMMARY AND CONCLUSION:

The Arizona economy is generating solid economic growth, with job gains above the national rate but well below the long-run state average. The housing market is improving, with total housing sales in the Phoenix area totaling 20,495 (MLS) as of March 2019. Overall, the state is on pace to generate job, income, population and retail sales gains in 2019, with faster growth expected during the next two years. The long-run outlook calls for the state to outpace national growth for many indicators. However, it also calls for slower growth during the next 30 years as compared to the robust growth of the past 30 years. That reflects in large part the aging of the baby boom generation, which slows labor force growth and ultimately gains in potential output. Nonetheless, the economy is expected to expand during the next 30 year period due to continued innovation and capital investment. (Arizona Economic and Business Research Center)

The Phoenix Market is continuing to show signs of growth. As shown, single family detached and attached homes have started to increase. Building permits and sales activity continue to increase and values are on the rise. It is expected that the second half of 2019 will continue in a similar fashion.

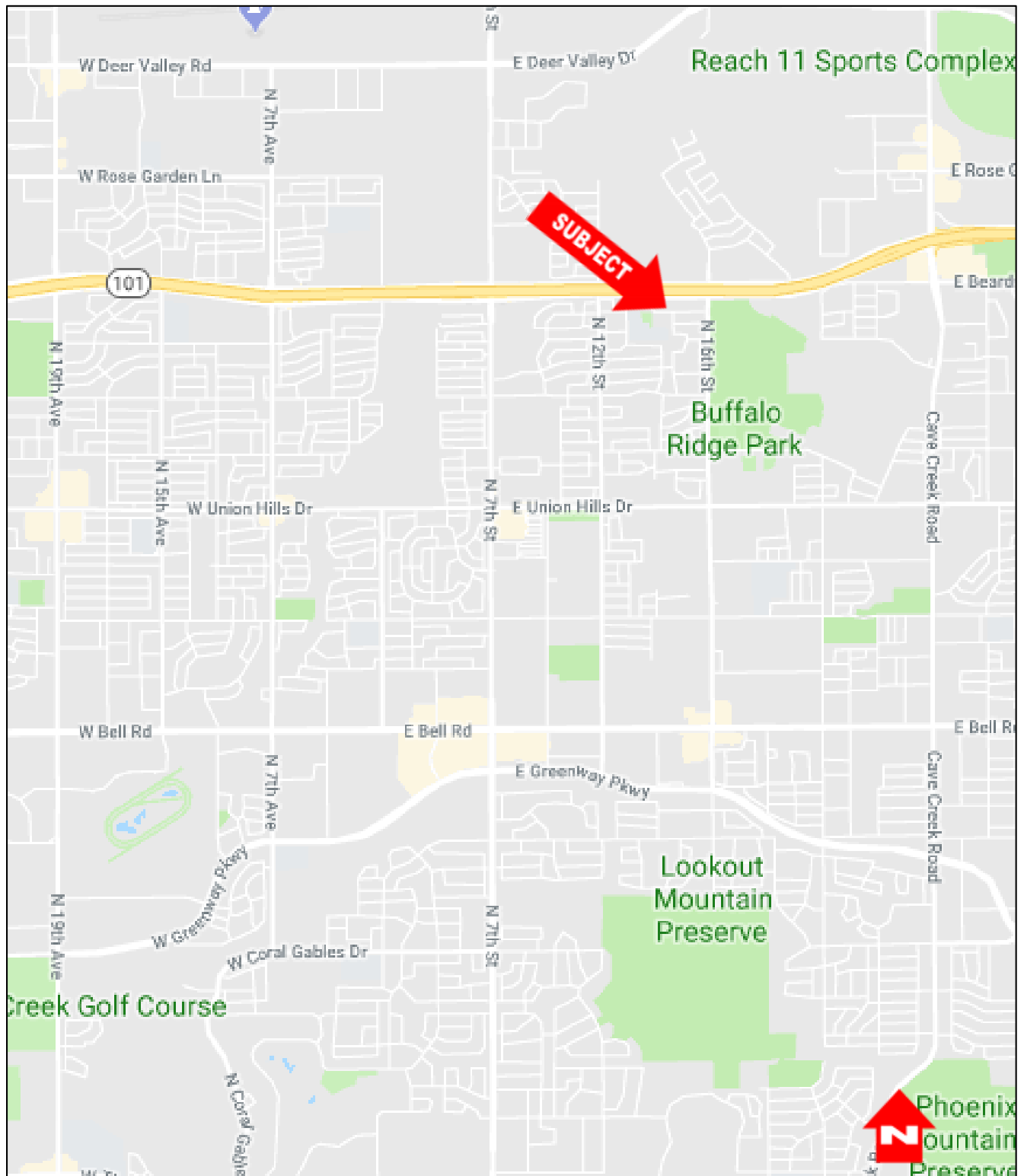
The office market for the 1st Quarter 2019 has increased at 12.4% compared to the 4th Quarter 2018 of 11.8%. Quoted rental rates increased slightly to \$25.00 per square foot in the 1st Quarter 2019 as compared to the previous quarter at \$24.59 per square foot.

The retail market vacancy for the 1st Quarter 2019 has increased at 7.0% compared to the 4th Quarter of 2018 of 6.8%. Rental rates have slightly decreased to \$17.18 per square foot in the 1st Quarter 2019 from \$17.90 per square foot in the 4th Quarter 2018.

In the 1st Quarter 2019 the industrial market vacancy has seen a slight decrease in vacancy to 6.8% compared to 7.1% in the 4th Quarter 2018. Quoted rental rates has increased to \$7.13 per square foot in the 1st Quarter 2019 as compared to the previous quarter at \$7.00 per square foot.

The State of Arizona and regional governmental agencies have a forward looking, progressive attitude toward more mutual and joint efforts at economic development in the Metropolitan area. However, even in the midst of such economic turnaround the cost of living in Phoenix can still be viewed as a bright spot. Though Phoenix residents have seen an increase in the price of day-to-day expenses, the area remains one of the more affordable places to live and work in comparison to the rest of the United States. It is in part because of our cost of living that we continue to see individuals and businesses choose Phoenix as a relocation destination.

NEIGHBORHOOD MAP



NEIGHBORHOOD DATA ANALYSIS

This section involves an analysis of the environmental, economic, social and governmental forces within the subject neighborhood.

An area of influence is commonly called a "neighborhood", is defined as a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises or can be A developed residential super pad within a master planned community usually having a distinguishing name and entrance. (Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).

The neighborhood analysis is the objective analysis of observable and/or quantifiable data indicating discernible patterns of urban growth, structure, and change that may detract from or enhance property values; focuses on four sets of considerations that influence value: social, economic, governmental, and environmental factors. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).

Neighborhood boundaries identify the physical limits of a neighborhood, which may be delineated by natural, man-made, or geopolitical features. Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

The neighborhood which is described as that area beyond which a change in land use would not affect the subject property, is an area bounded on the North by Deer Valley Road, on the South by Bell Road, on the East by Cave Creek Road and on the West by 19th Avenue in Phoenix, Maricopa County, Arizona. The major arterials for the subject include Beardsley Road (Loop 101 Freeway) to the north and 16th Street to the east.

Refer to the Neighborhood Map on the preceding page illustrating the subject in relation to the boundaries of the neighborhood.

LAND USE:

Overall, the subject is located in an area that consists mainly of residential uses along the secondary streets and commercial uses along the major roadways.

Single Family Residential

The appraiser researched the subject zip code (85024) to determine single family residential supply and demand factors. According to Arizona Multi List Service the current single family median sales price is up 12.72% compared to the same time period last year. The median list price for homes in the subject's zip code was up 32.30% from the previous year's median list price. Absorption rates for single family homes are also up 20.16%.

Following are the summary statistics for single family residential sales activity within the subject's zip code.

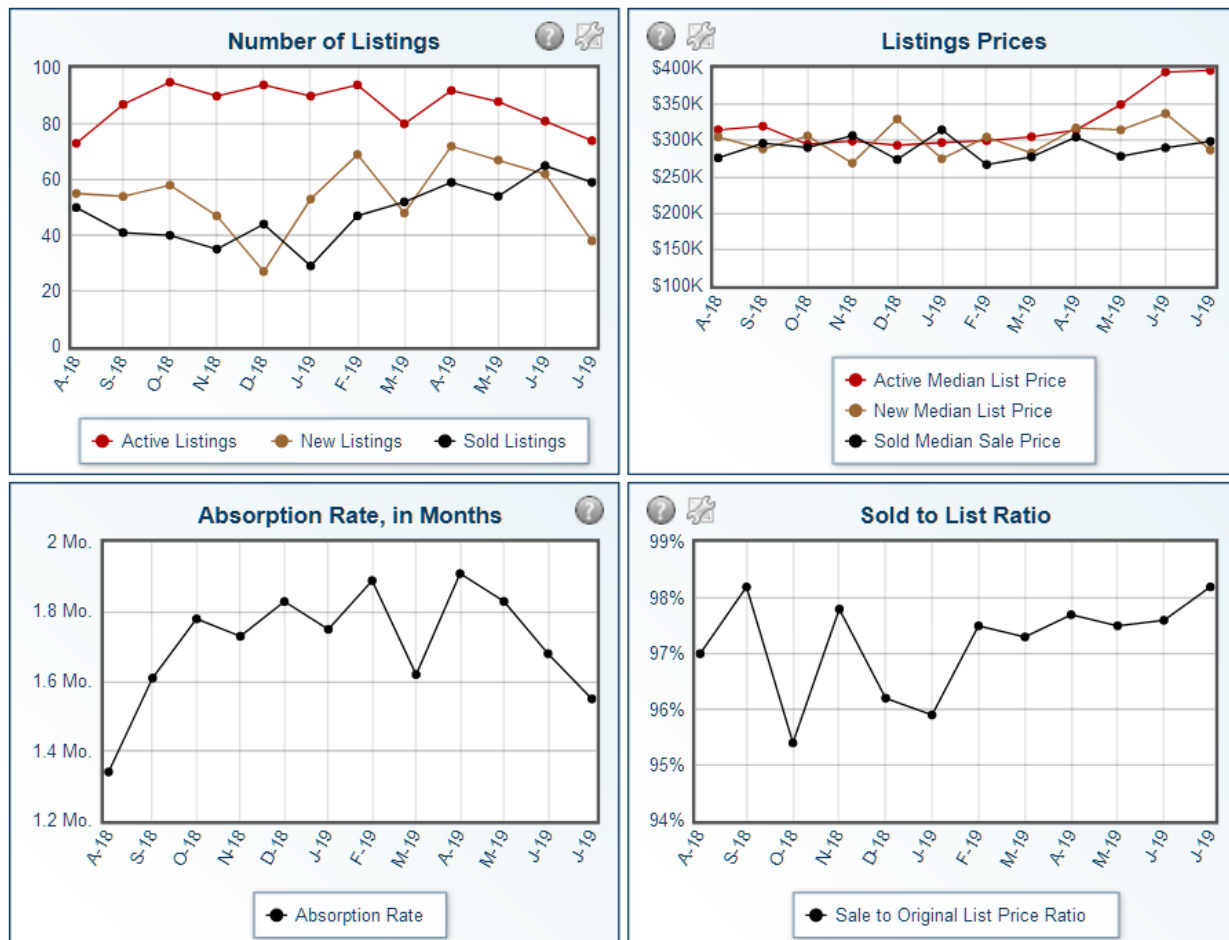
Summary Statistics

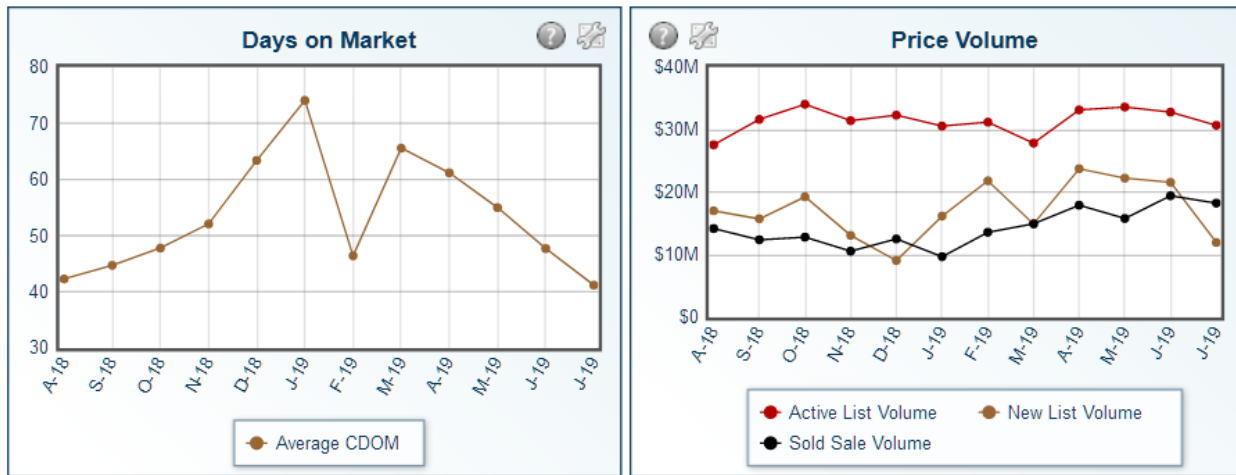
	Jul-19	Jul-18	% Chg
Absorption Rate	1.55	1.29	20.16
Average List Price	\$414,831	\$366,674	13.13
Median List Price	\$396,900	\$300,000	32.30
Average Sale Price	\$309,183	\$273,380	13.10
Median Sale Price	\$299,000	\$265,250	12.72
Average CDOM	41	35	17.14
Median CDOM	32	31	3.23

Following are multiple charts relating to single family residential activity in the subject's zip code including:

- Number of listings
- Listing Prices
- Absorption Rate, in Months
- Sold to List Ratio
- Days on Market
- Price Volume
-

85024 Residential

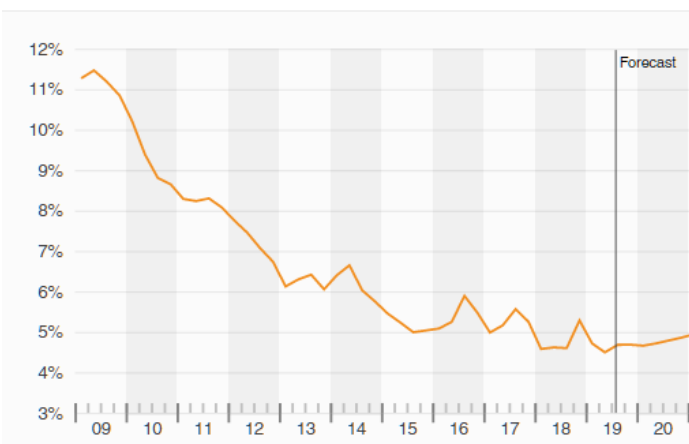




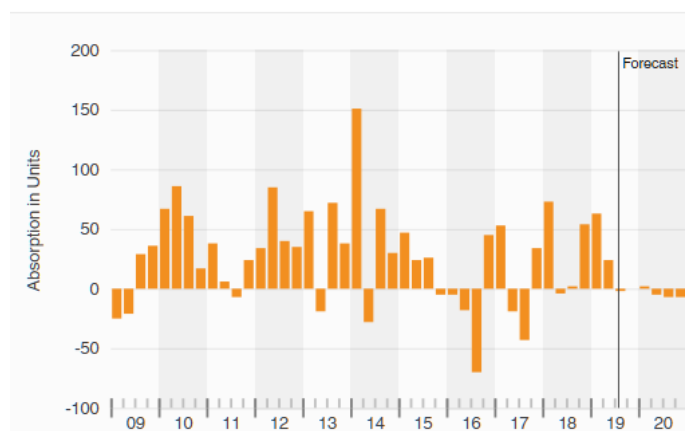
Multi-Family Residential

According to CoStar, the subject is located within the North Paradise Valley multi-family residential submarket. This submarket currently has 170 multi-family residential buildings with 14,020 multi-family residential units. Approximately 489 units were vacant, equating to a vacancy rate of 4.5%. Over the last ten years this area has experienced vacancy rates as high as 11.5% and as low as the current rate of 4.5%. Vacancy rates have been relatively stable over the last two years with just a small increase at the beginning of this year. Absorption rates increased from 76 units last period to 147 units this period, a 94.2% increase. Capitalization rates over the past ten years have been as high as 7.28% and as low as the current rate of 5.15%. These rates have been slowly declining over the last year. Current rental rates in this submarket are \$1,027 per unit. Over the last five years, market rental rates have been gradually increasing. The following charts were derived from CoStar and show vacancy rates, capitalization rates, absorption, and effective rent per unit by bedroom.

Vacancy Rate



Absorption Units



DEMOGRAPHICS:

Population	1 Mile	2 Mile	5 Mile
2019 Total Population:	10,770	53,109	259,134
2024 Population:	11,310	56,745	279,056
Pop Growth 2019-2024:	5.01%	6.85%	7.69%
Average Age:	37.70	36.70	37.30
Households			
2019 Total Households:	4,550	22,417	104,728
HH Growth 2019-2024:	4.92%	6.51%	7.56%
Median Household Inc:	\$73,621	\$54,738	\$57,952
Avg Household Size:	2.30	2.30	2.40
2019 Avg HH Vehicles:	2.00	2.00	2.00
Housing			
Median Home Value:	\$233,511	\$193,722	\$235,197
Median Year Built:	1992	1990	1988

Source: Costar

DIRECTION AND DISTANCE TO EMPLOYMENT CENTERS:

Employment centers and other community support services, such as medical facilities, churches, schools and parks are available within the neighborhood or in the neighboring cities which surround the subject neighborhood.

COMMUNITY SERVICES AND FACILITIES:

Within the community there are adequate grade schools, middle schools and high schools, colleges/universities and trade schools that can provide public school education for the neighborhood. Additionally, there are adequate medical facilities nearby.

GOVERNMENTAL FORCES:

The governmental forces maintaining accord in the neighborhood and influencing development in the area have been Phoenix zoning regulations. Police and fire protection is provided by the City of Phoenix.

UTILITIES:

The subject is located within the city limits of Phoenix. Water and sewer is provided by the City of Phoenix; Electricity is provided by Arizona Public Systems (APS); Natural gas is provided by Southwest Gas; Telephone service is provided by CenturyLink. These services are adequate and are available at reasonable rates. The cost of obtaining these services is similar to competing neighborhoods in the Phoenix metropolitan area.

CONCLUSION:

The subject neighborhood is in a stable stage of development and located within an area of Phoenix that is comprised of an adequate amount of retail centers, schools, medical facilities, and other goods and services that will promote the marketability of the subject neighborhood.

SUBJECT PHOTOGRAPHS



Looking north along 14th Street with subject to the right



Looking west along Wahalla Lane with subject to the right



Looking east along Wahalla Lane with subject to the left



Looking west along Beardsley Road with subject to the left



Looking east along Beardsely Road with subject to the right



Looking northwest across subject site



Looking north across the subject site



Looking north across eastern portion of subject site



Looking southeast across the subject



Looking southwest across the subject



Looking west across the northern border of the subject

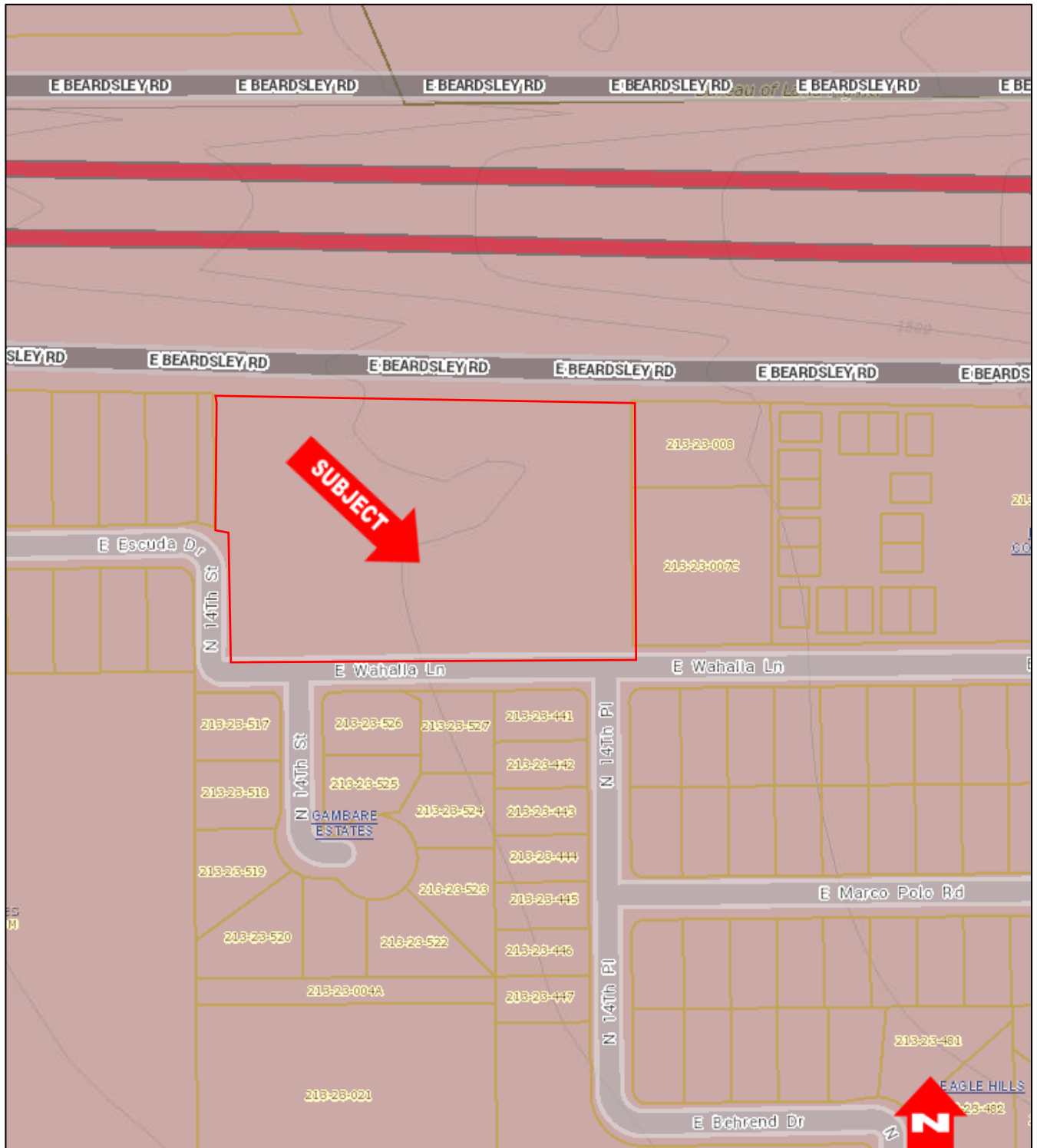


Looking west across interior alluvial wash within subject

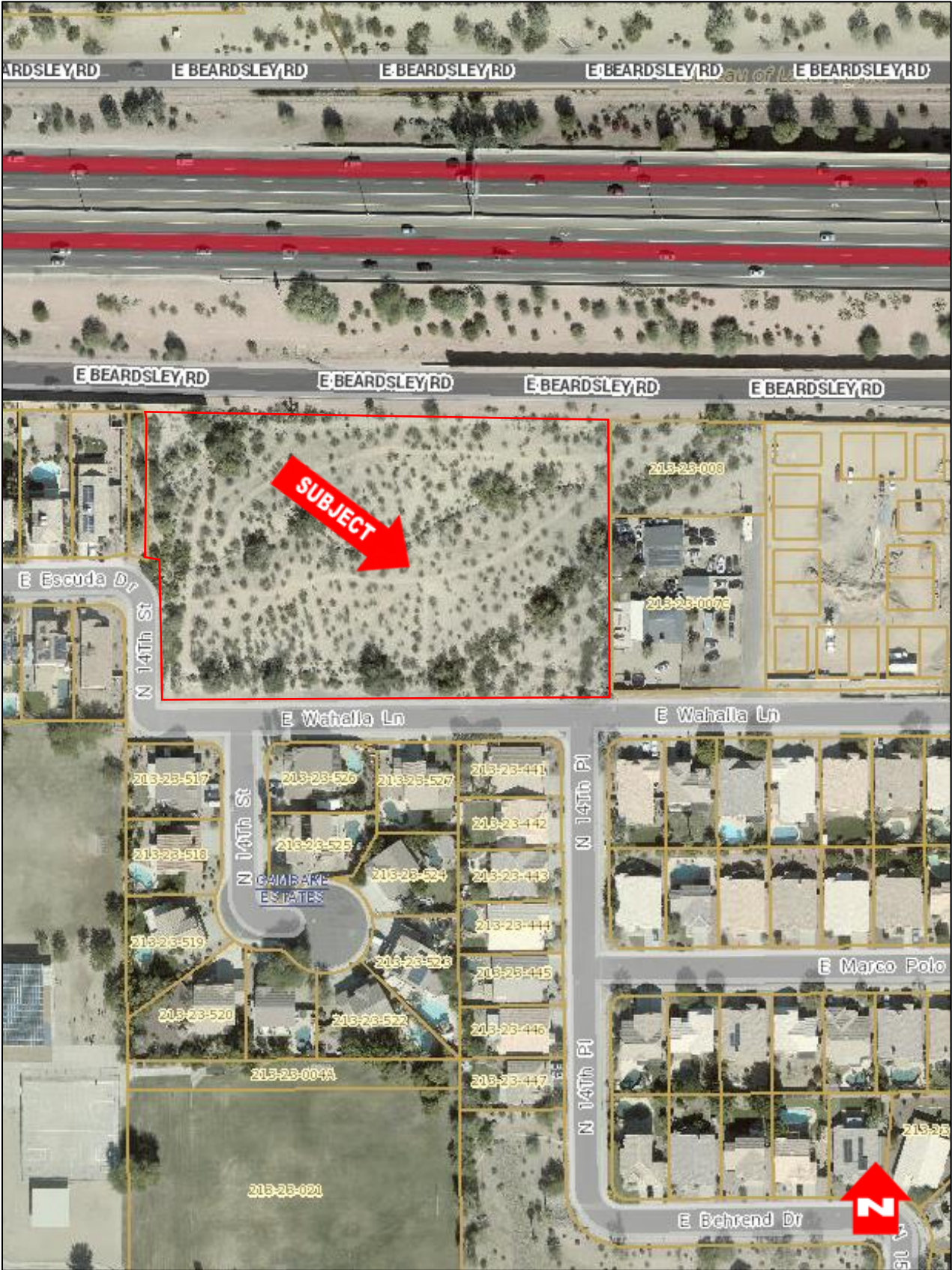


Looking across drainage area and culvert located at western end of site

PLAT MAP



AERI AL VIEW



SITE DATA ANALYSIS

LOCATION:

The subject property is located on the northeast corner of 14th Street and Wahalla Lane in Phoenix, Arizona.

SITE DIMENSIONS AND SHAPE:

The subject site is generally rectangular in shape considered to be functionally adequate for most types of development. As per information supplied for this assignment along with the Maricopa County Assessor's map, the site is of 3.24 acres or 141,190 square feet in size. The site has approximately 493.49 feet of frontage along Beardsley Road (Loop 101 frontage road) to the north, 882 feet of frontage along Wahalla Lane to the south, and approximately 131 feet of frontage along 14th Street.

IMPROVEMENTS:

The subject is vacant land with no improvements.

NUISANCES OR HAZARDS:

The appraiser has not been provided with any environmental studies. The appraiser is without the expertise to identify and/or detect such substances, upon physical inspection of the site, there are no known hazards that would affect the development of the property. Because of the liability generated if toxic wastes and/or contaminants are found on the site, it is strongly recommended that a specialist in the detection of toxic waste be retained to check for possible contamination.

If a toxic waste and/or contaminant is detected, the value estimate appearing in this report is null and void. If a re-appraisal is required, it will be made at an additional charge and upon receipt of any additional information requested (i.e., what the toxic waste and/or contaminant is and the cost of removal) by the appraiser.

VISIBILITY AND ACCESS:

The subject property has visibility from Beardsley Road, Wahalla Lane, 14th Street, and the Loop 101 Freeway, access to the site is only available from 14th Street and Wahalla Lane. Roadway improvements adjacent to the subject site are as follows:

Street:	Beardsley Road (Loop 101 frontage road)
Road Surface:	Paved
Lanes:	Two lanes (One way only eastbound)
Curbs/Gutters:	Yes
Sidewalks:	No
Street Lights:	Yes
Speed Limit:	45 mph
Traffic Count (vpd):	47,000

Street: Wahalla Lane
Road Surface: Paved
Lanes: Two lanes
Curbs/Gutters: Partial
Sidewalks: Partial
Street Lights: Yes
Speed Limit: 25 mph
Traffic Count (vpd): N/Av

Street: 14th Street
Road Surface: Paved
Lanes: Two lanes
Curbs/Gutters: Partial
Sidewalks: Partial
Street Lights: Yes
Speed Limit: 25 mph
Traffic Count (vpd): N/Av

TOPOGRAPHY, DRAINAGE AND SOIL CONDITIONS:

Elevations are generally level with a slight slope with elevation decreasing from the northeast to the southwest. A soils study has not been provided. The load bearing capacity of the top soil and sub-soils is unknown, but is assumed to be sufficient to support existing improvements.

There are two prominent alluvial washes that run through the property from the northeast to the southwest of the property. Any development that occurs on the site would likely need to address the presence of these washes.

FLOOD ZONE:

The location is within an area denoted as being in an "X" Flood Hazard Area, as found on Federal Emergency Management Agency Flood Insurance Rate Map number 04013C1295L dated October 16, 2013. The "X" designation indicates:

Areas of 500-year flood; areas of 100-year flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas projected by levees from 100-year flood.

UTILITIES:

All utilities including electrical, sewer, water and telephone services are available to the site.

EASEMENTS:

A title search was provided. Based upon a review of the available property information, there does not appear to be any easements, encroachments, or restrictions other than those that are typical for

the property type. my valuation assumes (see extraordinary assumptions) no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has a clear and marketable title. In addition to the existing easements, there is a proposed easement for a pipe culvert along the northern border of the site. This easement will likely be put in place prior to the disposition of the property and it is therefore a Hypothetical Condition that this easement is in place on the subject site. This easement is not considered to have a significant impact on the future development of the site.

ZONING:

The purpose of zoning is to provide for orderly growth and harmonious development. Zoning is intended to provide a common ground of understanding and a sound and equitable working relationship between public and private interests to the end that both independent and mutual objectives can be achieved.

The subject site is zoned R1-8; Single Family Residential according the City of Phoenix Planning and Zoning Department.

The basic purpose of these regulations is to foster the creation of living areas which can assist the establishment of stable, functional neighborhoods. An established pattern of living in this metropolitan area reflects a tradition of single family occupied dwellings which also emphasize outdoor living. Many of these dwellings are thereby located on relatively large urban or suburban lots.

Additionally, the subject is located within an area planned for single family residential development according to the City of Phoenix General Plan.

Although zoned for single family residential development, it is possible that due to its size and location, the site could potentially be rezoned for a slightly higher density. Although possible, this potential re-zoning was not considered imminent or guaranteed and the site was valued as single family residential land.

TAX AND ASSESSMENT DATA:

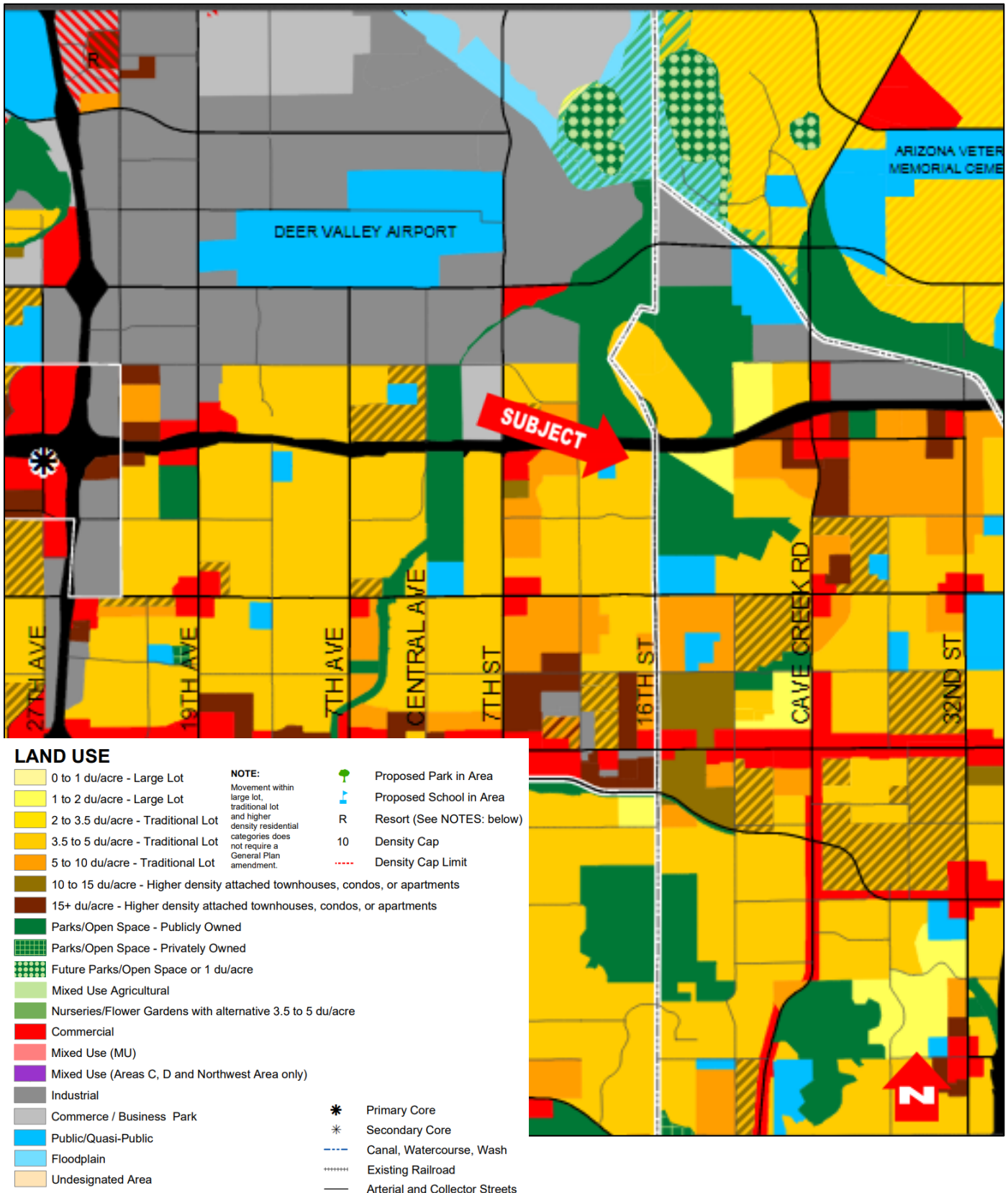
Presently, the subject property is owned by ADOT and currently does not have an assigned Maricopa County Tax I.D. number. Additionally, due to the fact that the site is owned by a government entity, it is exempt from property taxes.

The appraiser is unaware of any known special assessments which would affect the value of the property.

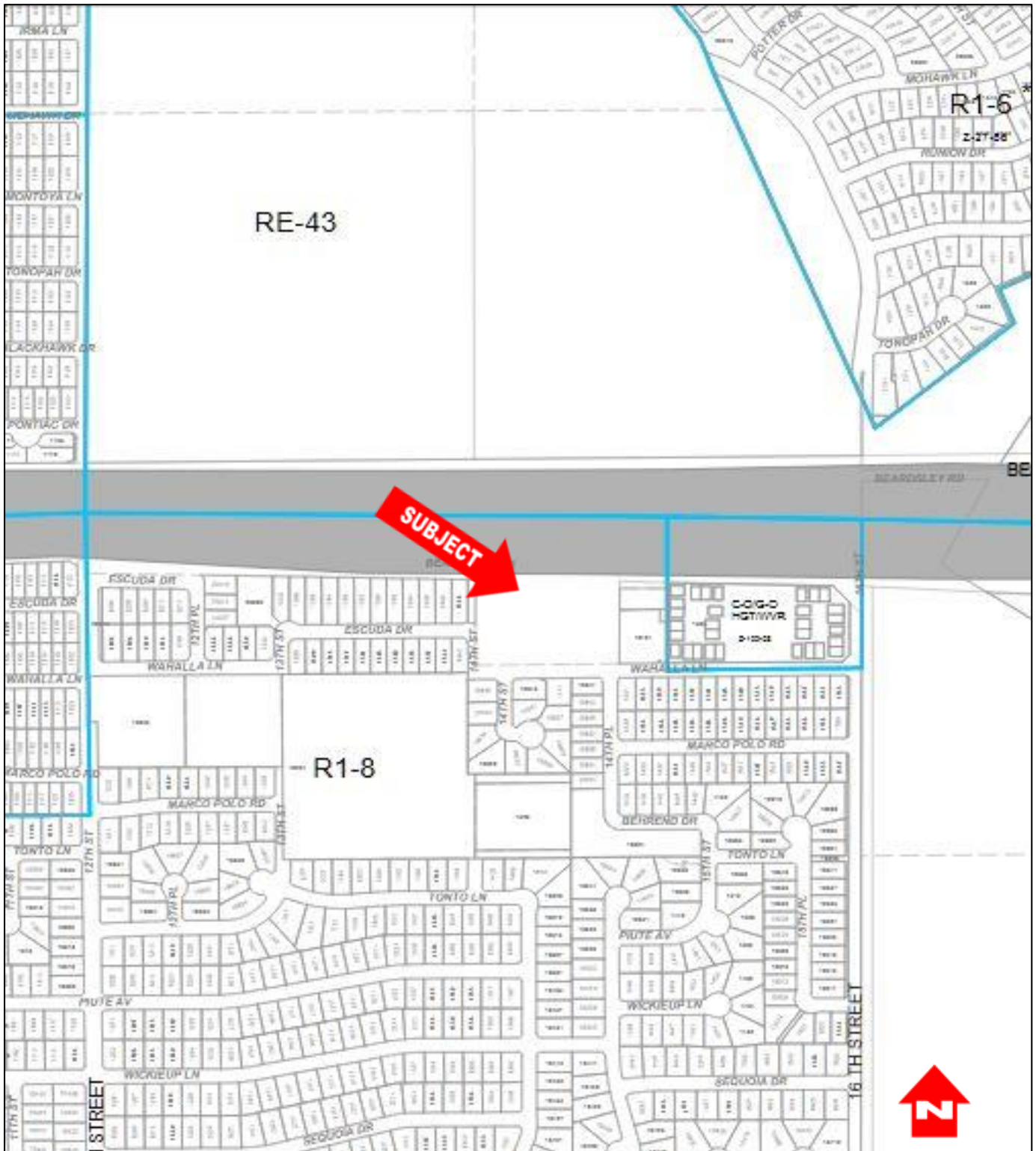
CONCLUSION:

In conclusion, the physical and functional characteristics of the site are considered to have adequate street visibility and access. The site is located in an area predominantly made up of residential development with some commercial development located along the major roadways. The subject site has adequate access to the goods and services of Metropolitan Phoenix. The site is at grade with the adjoining properties with no evidence of drainage problems or soil contamination. All city utilities/services and electricity are available to the site.

GENERAL PLAN



ZONING MAP



HIGHEST AND BEST USE

Highest and best use is a market driven concept that focuses on market forces as each relates to the subject site identifying the most profitable and competitive use to which the property can be put.

Following is the definition of highest and best use as used in this report:

1. *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.*
2. *The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that is would be willing to bid. (IVS)*
3. *The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).*

Highest and Best Use as a Vacant Site

Highest and best use of a site as vacant assumes that a parcel of land is vacant or can be vacated by demolishing existing improvements, as of the date valuation.

The purpose of determining the use of the site as vacant is to identify its potential. The goal of the analysis is to ascertain the optimum use of the land as vacant, and what variety or type of improvement, if any, is warranted given present market conditions.

In growth areas and neighborhoods in transition or where a change in the near term is expected, an interim use could be utilized. An interim use may be the existing use, a proposed development, an assemblage or to hold as a speculative investment.

Highest and best use implies contribution of that specific use (ideal improvements) to the community environment or to community development goals in addition to 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, i.e., the use determined from analysis represents an opinion, not fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

The highest and best use conclusion may be identical to the one permitted by either zoning ordinances or private restrictions. In some instances land has a more valuable use than that permitted by law. When there is a strong possibility that a change in the legal use would be permitted, then it could properly be considered as a factor affecting value. Conversely, zoning could legally permit a use more intense than the site could reasonably be expected to perform. In such cases, if zoning will not

permit a less intense use, then it is necessary to determine whether or not the zoning could be changed and the effect of this factor upon the ultimate utilization of the property.

Although homogenetic use and compatibility are general considerations for developers, city and county planners and the basis of more intense land use studies, they do not usually indicate the Highest and Best Use of a property.

The Highest and Best Use is considered after analyzing current market conditions relating to the positive and negative attributes of the subject site, significant limitations to the future use and current relationship to other uses in the immediate neighborhood. Specifically, the use must be reasonable within the following areas:

- **Legally Permissible:** The use must be a legal use of the land, meeting all regulatory approvals from national to local levels.
- **Physically Possible:** The use must be physically feasible and appropriate for the site.
- **Financially Feasible:** This area incorporates tests for both financial feasibility and maximum profitability. There must be a proven market demand for any use. Further, the present worth of the economic benefits provided by the demand must be in excess of development costs. The use which returns the greatest profit to the land is considered the highest and best use.
- **Maximally Productive:** The most reasonable use which returns the greatest profit to the land is considered the highest and best use.

Each of these areas will be discussed in more detail in the following section of my analysis of Highest and Best Use.

To test highest and best use for the land as vacant, an appraiser analyzes all logical, feasible alternatives with legal permissibility and physical possibilities considered first.

LEGALLY PERMISSIBLE

Legal permissibility is indicated by land use regulations and current zoning code of the controlling governmental agency.

The subject site is zoned R1-8; Single Family Residential according the City of Phoenix Zoning Map.

The basic purpose of these regulations is to foster the creation of living areas which can assist the establishment of stable, functional neighborhoods. An established pattern of living in this metropolitan area reflects a tradition of single family occupied dwellings which also emphasize outdoor living. Many of these dwellings are thereby located on relatively large urban or suburban lots.

In conclusion, the subject site has a legally permissible use for single family residential development.

PHYSICALLY POSSIBLE

Physical possibility is shown by indicating the capabilities and adaptability of the site for the proposed improvement (project) together with the availability of utilities and community services, modifications that may be required and limitations caused by physical characteristics of the site.

The subject site is rectangular in shape considered to be functionally adequate for most types of development. As per information supplied for this assignment along with the Maricopa County Assessor's map, the site is of 3.24 acres or 141,190 square feet in size. The site has approximately 493.49 feet of frontage along Beardsley Road (Loop 101 frontage road) to the north, 882 feet of frontage along Wahalla Lane to the south, and approximately 131 feet of frontage along 14th Street.

There are no indicated development limitations observed from my inspection with exception to development limitations imposed by the planning department and zoning code of the City of Phoenix with respect to lot/building ratios and property line set-backs.

In conclusion, most types of residential development are physically possible on the subject site.

FINANCIAL FEASIBILITY

At this point of the Highest and Best Use analysis, the appraiser can conclude that the subject, from legal, physical and appropriate considerations, could be developed with a single family residential use. This conclusion statement considers the type of uses that are deemed to be the most reasonable and prudent uses for the subject, as of the date of valuation. Now at this point, one must divert the analysis with regards to the economic feasibility that may affect the subject site.

To do this task, a market study was conducted. For the purposes of this appraisal report, Market Study is defined as follows: *Market Study, a macroeconomic analysis that examines the general market conditions of supply, demand, and pricing or the demographics of demand for a specific area or property type. A market study may also include analyses of construction and absorption trends. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).*

As indicated, the subject is currently zoned for single family residential development. Therefore, the appraiser has searched the market to determine if single family residential type development is currently feasible in the marketplace.

Single Family Residential

The appraiser researched the subject zip code (85024) to determine single family residential supply and demand factors. According to Arizona Multi List Service the current single family median sales price is up 12.72% compared to the same time period last year. The median list price for homes in the subject's zip code was up 32.30% from the previous year's median list price. Absorption rates for single family homes are also up 20.16%.

Following are the summary statistics for single family residential sales activity within the subject's zip code.

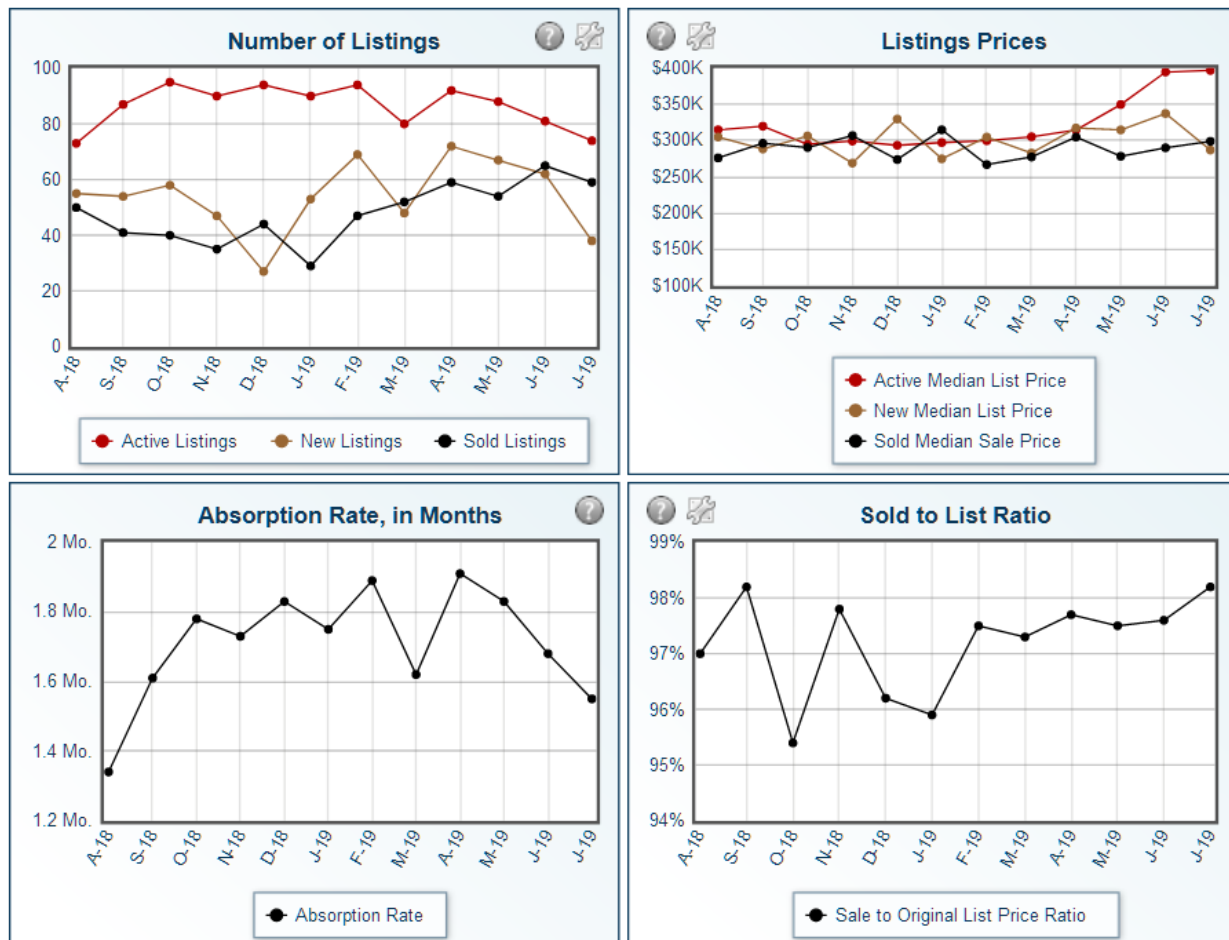
Summary Statistics

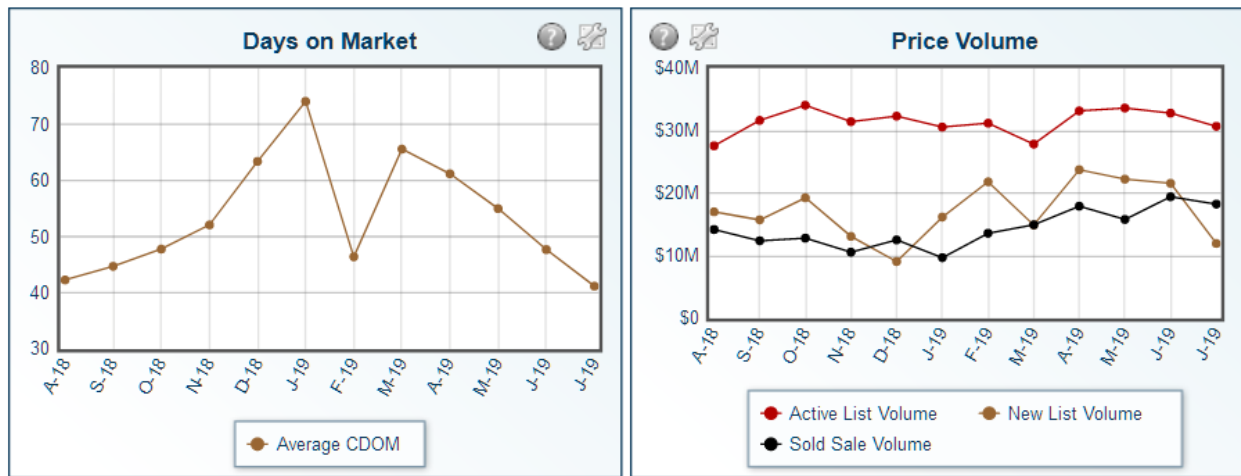
	Jul-19	Jul-18	% Chg
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Median List Price	\$396,900	\$300,000	32.30
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Median Sale Price	\$299,000	\$265,250	12.72
Average CDOM	41	35	17.14
Median CDOM	32	31	3.23

Following are multiple charts relating to single family residential activity in the subject's zip code including:

- Number of listings
- Listing Prices
- Absorption Rate, in Months
- Sold to List Ratio
- Days on Market
- Price Volume
-

85024 Residential

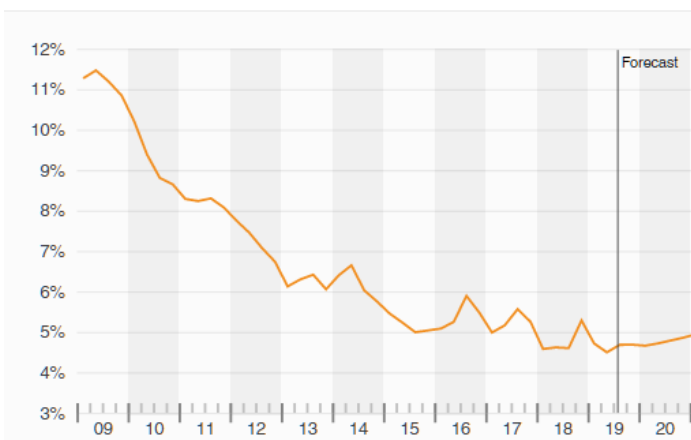




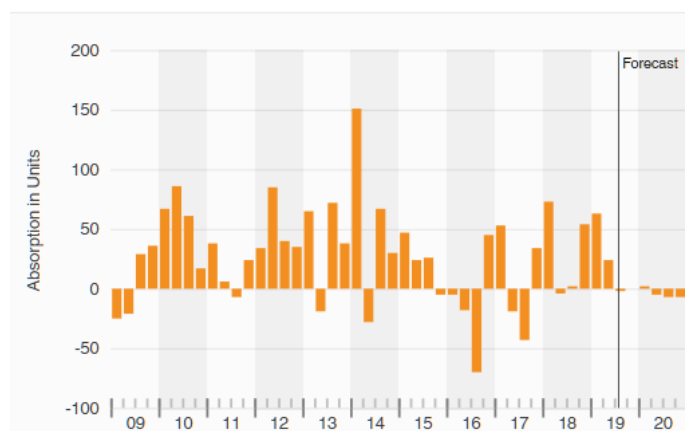
Multi-Family Residential

According to CoStar, the subject is located within the North Paradise Valley multi-family residential submarket. This submarket currently has 170 multi-family residential buildings with 14,020 multi-family residential units. Approximately 489 units were vacant, equating to a vacancy rate of 4.5%. Over the last ten years this area has experienced vacancy rates as high as 11.5% and as low as the current rate of 4.5%. Vacancy rates have been relatively stable over the last two years with just a small increase at the beginning of this year. Absorption rates increased from 76 units last period to 147 units this period, a 94.2% increase. Capitalization rates over the past ten years have been as high as 7.28% and as low as the current rate of 5.15%. These rates have been slowly declining over the last year. Current rental rates in this submarket are \$1,027 per unit. Over the last five years, market rental rates have been gradually increasing. The following charts were derived from CoStar and show vacancy rates, capitalization rates, absorption, and effective rent per unit by bedroom.

Vacancy Rate



Absorption Units



Based on the appraiser's research and the previously mentioned statistics, the appraiser concludes that single family residential development is considered financially feasible as demand appears to be outpacing supply as can be seen in the low vacancy rates and increasing rental rates.

From the preceding analysis, it is evident the single family residential use that is physically possible and legally permissible is currently financially feasible.

MAXIMALLY PRODUCTIVE:

From the preceding analysis, it is evident the single family residential use that is physically possible and legally permissible is currently financially feasible and/or maximally productive at this time.

CONCLUSION:

Based on an evaluation of the four criteria in determining a property's Highest and Best Use, it has been concluded that the Highest and Best Use of the subject would be for single family residential development.

VALUATION PROCESS

The principles and concepts of real estate appraisal are basic to the valuation process. The principles of real estate are based on anticipation, change, supply and demand, competition, substitution, opportunity cost, balance, contribution, conformity and externalities.

The valuation process is:

A systematic set of procedures an appraiser follows to provide answers to a client's questions about real property value. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)

The first step in the procedure is to define the appraisal problem: i.e., identify the real estate, the effective date of the value estimate, the property rights being appraised, and definition of value sought. The next step is an overview of the character and scope of the assignment. Once accomplished, factors that affect market value are collected and analyzed. These factors are addressed in the regional, city and neighborhood analysis, the site and improvement analysis, the highest and best use analysis, and in the application of the three approaches to value (the Sales Comparison, the Cost, and Income Capitalization Approaches) which follows.

SALES COMPARISON APPROACH - *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 appropriated) 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. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*

A Comparative analysis is the process by which a value indication is derived in the sales comparison approach. Comparative analysis may employ quantitative or qualitative techniques, either separately or in combination. The process by which a rental value indication is derived in a rental comparison analysis. Comparative analysis may employ quantitative or qualitative techniques, either separately or in combination. *Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*

COST APPROACH - *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 depreciations 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. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*

One of the approaches to value commonly applied in Market Value estimates and many other valuation situations. A comparative approach to the value of property or another asset that considers, as a substitute for the purchase of a given property, the possibility of constructing

another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. The Appraiser's estimate is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. The Cost Approach establishes the value of a real property by estimating the cost of acquiring land and building a new property with equal utility or adapting an old property to the same use with no undue cost due to delay. An estimate of entrepreneurial incentive or developer's profit/loss is commonly added to land and construction costs. For older properties, the cost approach develops an estimate of depreciation including items of physical deterioration and functional obsolescence.

INCOME CAPITALIZATION APPROACH – *A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.*

A comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (whereby an overall capitalization rate or all risks yield is applied to a single year's income), yield or discount rates (reflecting measures of return on investment) applied to a series of incomes over a projected period, or both. The Income Approach reflects the principles of substitution and anticipation.

As the subject is vacant land with no improvements and only the Sales Comparison Approach is considered in this report in order to determine a value of the subject site.

SALES COMPARISON APPROACH

In the sales comparison approach, market value is estimated by comparing the subject property to similar properties that have been sold recently or for which offers to purchase have been made. A major premise of the sales comparison approach is that the market value of a property is directly related to the prices of comparable, competitive properties.

There are five basic steps in the Sales Comparison Approach:

1. Research the market to locate sales of properties similar to the subject.
2. Confirm and verify the sales price, terms of sale, physical characteristics, income characteristics and that the sale represents an arms-length transaction.
3. Identify relevant elements of comparison and analyze each sale for each unit.
4. Compare the subject property to the comparable sales and adjust each for relevant differences to establish comparability.
5. Reconcile the various indications of value into a market value estimate for the subject property.

Public records of Maricopa County, Arizona have been searched for recent sales of comparable properties in the market. Additionally, market participants have been consulted regarding market sales and how participants analyze property for purchase. Sales have been confirmed with the seller, buyer, real estate broker or other persons knowledgeable about each transaction and verified by Affidavit of Property Value which is a sworn statement as to the validity of the transaction.

The appraiser has searched the market place for similar sized sites with similar utility and zoning as the subject. The sales utilized are considered the best comparable data available.

SALE COMPARABLE NO. 1



LOCATION	Along the west side of 19th Avenue, north of Happy Valley Road, Phoenix, AZ
GRANTOR	US Relp Norterra East LLC
GRANTEE	K Hovnanian at Union Park LLC
RECORDING DATE	February 22, 2019
DAYS ON MARKET	N/Av
PARCEL NO.	210-04-339
DOCUMENT NO.	2019-0122669
SALE PRICE	\$4,629,657
SALE PRICE/ACRE	\$330,690
TERMS	All cash
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length Transaction Typical
CONFIRMED BY	Buyer, Ryan Vencoter 480-524-1200
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar.
SALES HISTORY	No prior sales in the previous three years.

SITE DATA

Land Size/SF	609,840
Land Size/Acre	14.00
Frontage	Major/Minor
Location	Corner
Surroundings	Average
Topography	Level
Utilities	Yes
Off-sites	Yes
Flood Zone	No
Zoning	PUD
Present Use	Vacant Land
Highest and Best Use	Residential development

COMMENTS

This site was purchased to construct 113 luxury townhomes known as Pinnacle at Union Park.

AERIAL



SALE COMPARABLE NO. 2



LOCATION	Southwest corner of Cheryl Drive & 32nd Street, Phoenix, AZ
GRANTOR	Exaltation of the Holy Cross Orthodox Church
GRANTEE	Gregory Falk
RECORDING DATE	January 9, 2019
DAYS ON MARKET	N/A
PARCEL NO.	165-27-077
DOCUMENT NO.	2019-0017162
SALE PRICE	\$1,400,000
SALE PRICE/ACRE	\$277,228
TERMS	All cash
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length Transaction Typical
CONFIRMED BY	Broker, Todd Vesledahl 480-889-9900
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar.
SALES HISTORY	None in the last three years

SITE DATA

Land Size/SF	219,978
Land Size/Acre	5.05
Frontage	Major/Minor
Location	Corner
Surroundings	Average
Topography	Level
Utilities	Yes
Off-sites	Yes
Flood Zone	No
Zoning	R1-10
Present Use	Vacant Land
Highest and Best Use	Residential development

COMMENTS

This site was improved with a church at the time of sale. However, the site was purchased for its land value only and was purchased for the construction of an assisted living facility.

AERIAL VIEW



SALE COMPARABLE NO. 3



LOCATION	Southeast of 41st Avenue and Rose Garden Lane, Glendale, AZ
GRANTOR	Advinow LLC
GRANTEE	CalAtlantic Homes of Arizona Inc
RECORDING DATE	November 2, 2017
DAYS ON MARKET	180
PARCEL NO.	206-18-005 & 007
DOCUMENT NO.	2017-0817261
SALE PRICE	\$3,000,000
SALE PRICE/ACRE	\$312,500
TERMS	All cash
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length Transaction Typical
CONFIRMED BY	Broker, Richard Arambula 480-287-5200
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar.
SALES HISTORY	None in previous three years

SITE DATA

Land Size/SF	418,176
Land Size/Acre	9.60
Frontage	Minor
Location	Interior
Surroundings	Average
Topography	Level
Utilities	Yes
Off-sites	Yes
Flood Zone	No
Zoning	R1-8
Present Use	Platted & Engineered Lots
Highest and Best Use	Residential development

COMMENTS

This site was platted & engineered for 43 single family residential lots at the time of sale. The buyer plans to construct a single family residential subdivision.

AERIAL VIEW



SALE COMPARABLE NO. 4



LOCATION	Southeast corner of Cave Creek Road & Utopia Road, Phoenix, AZ
GRANTOR	Marbella Homes, Inc
GRANTEE	Utopia 2017, LLC
RECORDING DATE	August 4, 2017
DAYS ON MARKET	758
PARCEL NO.	213-26-324
DOCUMENT NO.	2017-0573298
SALE PRICE	\$275,000
SALE PRICE/ACRE	\$218,254
TERMS	All cash
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length Transaction Typical
CONFIRMED BY	Broker, Gene Montemore. 480-529-4363
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar.
SALES HISTORY	None in previous three years

SITE DATA

Land Size/SF	54,947
Land Size/Acre	1.26
Frontage	Major
Location	Corner
Surroundings	Average
Topography	Sloping
Utilities	Yes
Off-sites	Yes
Flood Zone	No
Zoning	M-H
Present Use	Vacant Land
Highest and Best Use	Residential development

COMMENTS

This site was purchased for investment. The buyer will develop townhomes on the site.

AERIAL VIEW



SALE COMPARABLE NO. 5



LOCATION	Northwest corner of 19th Avenue & Tierra Buena Lane, Phoenix, AZ
GRANTOR GRANTEE	Mdt Holdings LLC & Berkus Family Partner Meyer Development & Construction Services, Ltd
RECORDING DATE	February 8, 2017
DAYS ON MARKET	1,205
PARCEL NO.	208-14-814
DOCUMENT NO.	2017-0090160
SALE PRICE	\$886,956
SALE PRICE/ACRE	\$183,635
TERMS	Cash Equivalent
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length Transaction Typical
CONFIRMED BY	Broker, Don McCaul 480-443-8570
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar.
SALES HISTORY	None in previous three years

SITE DATA

Land Size/SF	210,395
Land Size/Acre	4.83
Frontage	Major/Minor
Location	Corner
Surroundings	Average
Topography	Level
Utilities	Yes
Off-sites	Yes
Flood Zone	No
Zoning	R-2
Present Use	Vacant Land
Highest and Best Use	Residential development

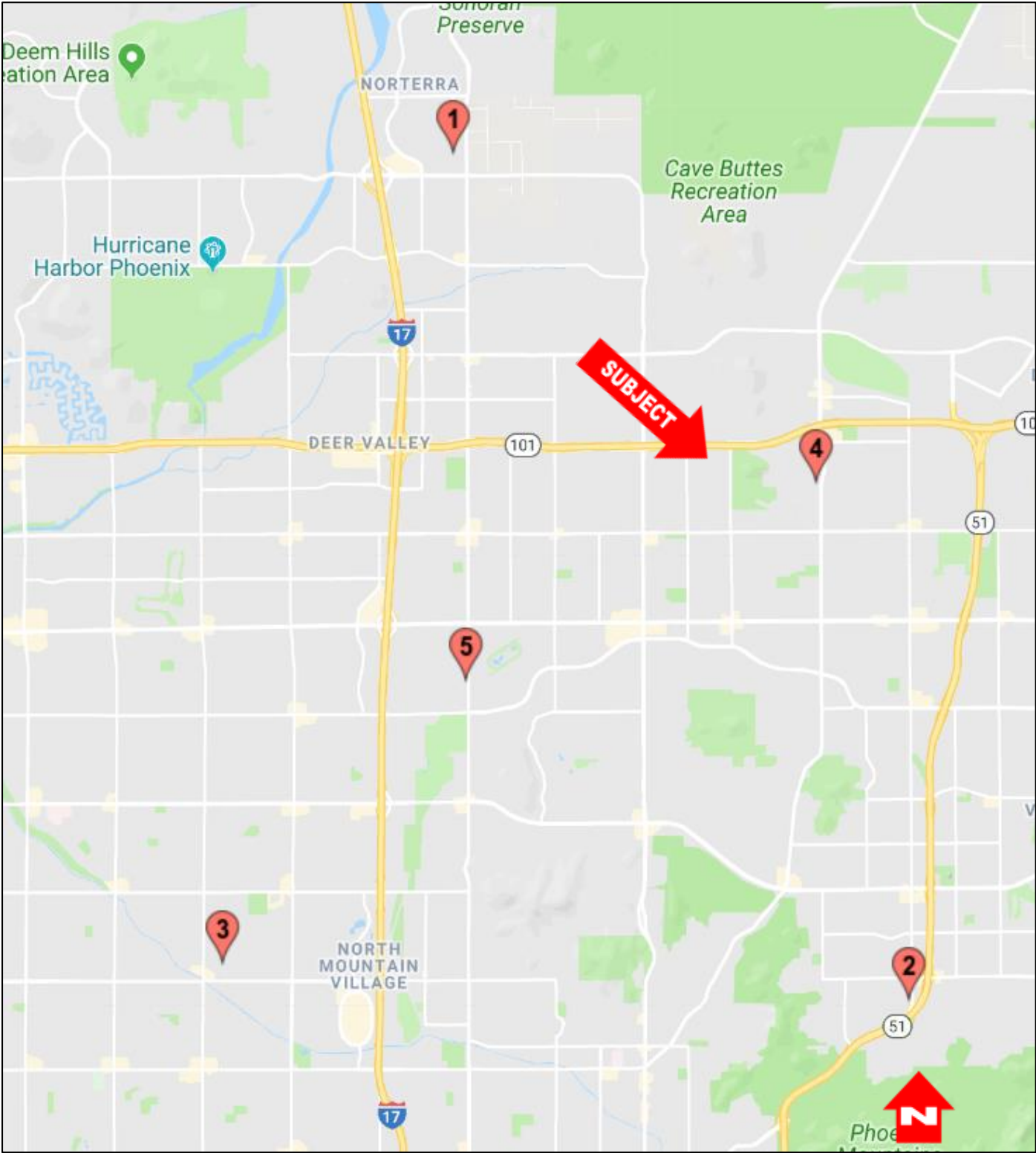
COMMENTS

This site was purchased to construct for-rent townhomes estimated to total 33 units.

AERIAL VIEW



LAND SALES MAP



SUMMARY OF LAND SALES

Sale Data	Subject Property	Sale No. 1	Sale No. 2	Sale No. 3	Sale No. 4	Sale No. 5
Sales Price		\$4,629,657	\$1,400,000	\$3,000,000	\$275,000	\$886,956
Price/Acre		\$330,690	\$277,228	\$312,500	\$218,254	\$183,635
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing	Cash	All cash	All cash	All cash	All cash	Cash Equivalent
Sale Condition	Typical	Typical	Typical	Typical	Typical	Typical
Market Conditions	Current	2/19	1/19	11/17	8/17	2/17
Land/SF	141,190	609,840	219,978	418,176	54,947	210,395
Land/Acre	3.24	14.00	5.05	9.60	1.26	4.83
Arterial Frontage	Minor/Freeway	Major	Major	Minor	Major	Major
Location/Access	Corner	Corner	Corner	Interior	Corner	Corner
Surroundings	Average	Average	Average	Average	Average	Average
Topography	Level	Level	Level	Level	Sloping	Level
Utilities	Yes	Yes	Yes	Yes	Yes	Yes
Off-Sites	No	Yes	Yes	Yes	Yes	Yes
Flood Zone	No	No	No	No	No	No
Density/Acre	4.00 – 5.50	8.07	N/Av	4.50	N/Av	6.83
Zoning	R1-8	PUD	R1-10	R1-8	M-H	R-2

Although not included within the comparable set due to its older age, a sale of note occurred just east of the subject at the southwest corner of Beardsley Road (Loop 101 frontage road) and 16th Street. The site sold as an approved 30 lot cottage home community for disabled adults (density of 6.80 units per acre). The site totaled 4.41 acres and was purchased by Luna Azul development in October 4, 2016 for \$1,166,000 or \$264,400 per acre.

SALES DATA:

A search was made to obtain comparable market data. Because no two properties are ever exactly the same, adjustments are considered to reflect the differences so that a valid estimate of value can be made. The unit of measure considered in this report is price per square foot. This unit of measure is commonly used in the market for vacant land property and is accepted as a method of assisting in the determination value.

Adjustments to a property may be made either in terms of a percentage or dollars per square foot. There is no “proper” method of adjustment to strictly adhere to since adjustments depend on how the relationship between the two properties is perceived by the market. A market value estimate is not determined by a set of precise calculations. Appraisal has an art aspect in that an appraiser uses their judgment to analyze and interpret quantitative data.

Adjustments to the comparable sales are made as follows:

PROPERTY RIGHTS CONVEYED:

All of the comparable sales are believed to be unencumbered and the ownership rights transferred were Fee Simple Estate.

FINANCING:

All of the comparable sales were all cash to the seller or equivalent and no adjustment is necessary for financing.

CONDITIONS OF SALE:

All of the comparable sales were reported to be arms-length transactions and no adjustments were made.

MARKET CONDITIONS:

The comparable sales were transacted between February 2017 and February 2019 and are considered to generally reflect current market conditions. It is noted that sale prices have been moving upwards slightly over the last several years as residential development demand increases. The appraiser researched single family residential land sales and have found that prices have remained relatively stable over the past year and no adjustment is warranted for the comparable sales one and two. Comparables three, four, and five however are slightly older and will be adjusted upward.

LOCATION:

An adjustment for location is necessary when the location characteristics of a comparable property are different from those of the subject property. Factors analyzed include roadway frontage, freeway accessibility, access, and surrounding development and/or access to goods and services.

The subject property has visibility from Beardsley Road, Wahalla Lane, 14th Street, and the Loop 101 Freeway, access to the site is only available from 14th Street and Wahalla Lane. The property has good frontage and access to the Metropolitan Phoenix transportation network.

The subject property has direct frontage along the Loop 101 frontage road (Beardsley Road) as well as Wahalla Lane and 14th Street. Each of the comparable sales had major roadway frontage with the exception of comparable three, which was an interior parcel within an existing larger subdivision. Although residential users don't necessarily require or prefer major roadway frontage, this does allow for easy (quicker) access to the transportation network and in general is not a negative attribute.

Comparable three located off of a highway and/or major roadway was considered slightly superior and adjusted downward.

The subject has adequate access from Wahalla Lane and 14th Street. Each of the comparable sales had adequate access and no adjustment was made.

Although there is currently no direct access to the Loop 101 freeway from 16th Street, the access to the freeway is available from 7th Street and 24th Street. This is a desirable attribute for residential users and comparable three will be adjusted upward slightly for its inferior freeway proximity.

The subject property is located within an area of average surroundings. Comparables one and two were each located within areas of superior development and desirability and each was adjusted downward. Comparables three, four, and five were each inferior with respect to development density and/or desirability and each was adjusted upward.

For the readers's convenience, a chart displaying location characteristic adjustments is displayed next:

Location Factors	Subject Property	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Arterial Frontage	Minor/Freeway	Similar	Similar	Superior	Similar	Similar
Adjustment		0%	0%	-5%	0%	0%
Access	Corner	Similar	Similar	Similar	Similar	Similar
Adjustment		0%	0%	0%	0%	0%
Freeway Proximity	Good	Similar	Similar	Inferior	Similar	Similar
Adjustment		0%	0%	+5%	0%	0%
Surroundings	Average	Superior	Superior	Inferior	Inferior	Inferior
Adjustment		-3%	-10%	+5%	+7%	+10%
Quantitative Adjustment		-3%	-10%	+5%	+7%	+10%

PHYSICAL CHARACTERISTICS:

Physical characteristics include the following; size of parcel, shape of parcel, topography, improvements, and availability of utilities.

As previously reported in the Site Data section of this report, the subject site is 3.24 acres or 141,190 square feet in size with a generally level topography. The subject has all utilities to the site. It is noted that the subject is considered to be vacant land with no vertical improvements. Although generally level, the site does have two prominent washes that run through the site. These washes would need to be remediated but are fairly typical for the area and not considered a detriment to the value of the subject property.

The comparable sales range in size from 1.26 acres to 14.00 acres and are considered the most similar sales to the subject. Sale comparable one was considerably larger than the subject and will be adjusted upward. Comparables two, three, four, and five were generally similar in size and no adjustment will be made.

All of the comparable sales have similar basic utility with respect to their shape when compared to the subject and will not be adjusted.

Although each of the comparable sales were vacant land, comparables one and two were purchased with approved development plans in place and each are slightly superior to the subject. Comparable three was purchased as platted and engineered lots and also superior to the subject. Comparables four and five were similar with no entitlements and no adjustment is made.

The subject property has a generally level topography with a slight downward slope from northeast to southwest. All of the sales have level topography or slightly sloping and are similar to the subject.

The subject has all utilities available, as do all of the comparable sales and thus no adjustment for utilities is warranted.

The subject is located outside of a flood plain. Each of the comparables are similar to the subject and no adjustment is made.

For the readers's convenience, a chart displaying physical characteristic adjustments is displayed next:

Physical Attributes	Subject Property	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Size/SF	141,189	Larger	Similar	Similar	Similar	Similar
Adjustment		+5%	0%	0%	0%	0%
Shape	Rectangular	Similar	Similar	Similar	Similar	Similar
Adjustment		0%	0%	0%	0%	0%
Improvements	None	Superior	Superior	Superior	Similar	Similar
Adjustment		-3%	-3%	-5%	0%	0%
Off-Sites	Yes	Similar	Similar	Similar	Similar	Similar
Adjustment		0%	0%	0%	0%	0%
Utilities	Yes	Similar	Similar	Similar	Similar	Similar

Adjustment		0%	0%	0%	0%	0%
Off-Sites	No	Superior	Superior	Superior	Superior	Similar
Adjustment		-5%	-5%	-5%	-5%	0%
Flood Zone	No	Similar	Similar	Similar	Similar	Similar
Adjustment		0%	0%	0%	0%	0%
Quantitative Adjustment		-3%	-8%	-10%	-5%	0%

ZONING:

The subject is zoned for R1-8 for single family residential development in the City of Phoenix. The comparable sales were zoned for medium density residential development with slightly varying allowable densities. Comparables two, three, and four were considered similar to the subject and no adjustment was made. Comparables one and five each had a higher allowable density and will be adjusted downward for this superior attribute.

In conclusion, the values indicated in the Summary of Improved Sales show a range from \$183,635 per acre to \$330,690 per acre before adjustments. It is believed the indicated value range is reflective of the utility, wants, and needs of buyers in the current marketplace.

SALES ADJUSTMENT CHART

Elements of Comparison	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Price/Acre	\$330,690	\$277,228	\$312,500	\$218,254	\$183,635
Property Rights	0.00%	0.00%	0.00%	0.00%	0.00%
Adj. Price	\$330,690	\$277,228	\$312,500	\$218,254	\$183,635
Condition of Sale	0.00%	0.00%	0.00%	0.00%	0.00%
Adj. Price	\$330,690	\$277,228	\$312,500	\$218,254	\$183,635
Financing	0.00%	0.00%	0.00%	0.00%	0.00%
Adj. Price	\$330,690	\$277,228	\$312,500	\$218,254	\$183,635
Market Conditions	0.00%	0.00%	5.00%	7.00%	10.00%
Adj. Price	\$330,690	\$277,228	\$328,125	\$233,532	\$201,999
Locational Factors	-3%	-10%	+5%	+7%	+10%
Physical Attributes	-3%	-8%	-10%	-5%	0%
Zoning	-8%	0%	0%	0%	-5%
Overall Adjustment	-14%	-18%	-5%	+2%	+5%
Final Indicated Value	\$284,393	\$227,327	\$311,719	\$238,203	\$212,099

CONCLUSION OF SITE VALUE:

After adjustments have been made to the cumulative adjustment factors a value range results from \$212,099 per acre to \$311,719 per acre with an indicated mean of \$254,748 per acre. All of the comparable sales are located within the same general market.

Based on this information, after due consideration is given to the subject's size, lack of off-sites and proximity to the freeway, the appraiser will conclude to a market value of the subject site near the middle of the adjusted range or \$250,000 per acre.

This would equate to a Market Value of the subject site (not including the improvements) of:

$$3.24 \text{ acres} \times \$250,000 \text{ per acre} = \$810,000$$

RECONCILIATION

The Final Reconciliation is the process of coordinating and integrating related facts to form a unified conclusion. 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.* Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015)

The 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 approaches used to derive preliminary estimates. The approach utilized to conclude to a value estimate considered appraisal techniques which encompassed: (1) reviewed to make sure that the data is authentic and reflects pertinent market activity and (2) the analytical techniques used and the logic followed are valid, realistic, and consistent. In addition, all mathematical calculations have been checked by someone other than the appraiser in an attempt to eliminate errors.

One approach to value have been employed in the analysis. The data together with the line of reasoning followed for each approach is clearly set forth.

Sales Comparison Approach

\$810,000

The reconciliation considers and evaluates alternate value indication to arrive at a final value estimate. Each value indication is weighted according to relative significance, applicability, and defensibility and relies most heavily on the approach that is most appropriate to the purpose of the appraisal.

In an appraisal report, the final value estimate may be stated as a single figure or as a range of values. Or an appraiser may choose to show the range and then cite the final value as a single figure within the range. Traditionally, a **point estimate** is typically regarded as the most probable number, not the only possible number, and is often required for revenue and compensation purposes and for lending purposes. Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015). A **point estimate** concept is utilized in this reconciliation.

The Sales Comparison Approach was based upon sales of similar properties considered comparable to the subject. These sales, after adjustments for the various elements of comparison, were analyzed from which an indication of value was derived. Sales were selected that were considered the most representative properties that could be located in the market. This approach is considered a good indication of value and a reflection of the motivations of market participants and was utilized.

It is the appraiser's opinion, based upon the following data and discussions that the Market Value of the subject site, as of August 5, 2019, is:

EIGHT HUNDRED TEN THOUSAND DOLLARS
(\$810,000.00)

CERTIFICATION

Parcel No.: L-M-486

I hereby certify:

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

That 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 (USPAP 2018-2019) guidelines.

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 results 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 as of August 5, 2019 is \$810,000, based on my independent appraisal and the exercise of my professional judgment.

Respectfully submitted,



Zach Sinay, MAI, R/W-AC
Certified General Real Estate Appraiser No. 31199

QUALIFICATIONS OF ERIC ZACHARY SINAY
Certified General Real Estate Appraiser No. 31199

FORMAL EDUCATION:

Graduated from Arizona State University, May 1998, Bachelor of Science.

PROFESSIONAL EDUCATION:

Arizona School of Real Estate, Real Estate Valuation 101, Scottsdale, AZ, 1999
Arizona School of Real Estate, Real Estate Valuation 102, Scottsdale, AZ, 1999
Arizona School of Real Estate, Real Estate Valuation 103, Scottsdale, AZ, 2001
Arizona School of Real Estate, Real Estate Valuation 104, Part B, Scottsdale, AZ, 2001
Arizona School of Real Estate, Real Estate Valuation 104, Part A, Scottsdale, AZ, 2002
International Right of Way Association, Environmental Issues C-600, Tempe AZ, 2004
International Right of Way Association, The Appraisal of Partial Acquisitions C-401, San Diego, CA, 2004
International Right of Way Association, The Principles of Real Estate Law C-800, Las Vegas, NV, 2004
International Right of Way Association, The Principles of Real Estate Engineering C-900, Las Vegas, NV, 2004
McKissock, Construction Details & Trends, Continuing Online Education Course, 2008
McKissock, Cost Approach, Continuing Online Education Course, 2008
McKissock, Income Approach, Continuing Online Education Course, 2008
International Right of Way Association, Introduction to the Income Capitalization Approach, C-402, 2009
International Right of Way Association, Ethics and the Right of Way Profession C-103, 2009
McKissock, How to Analyze and Value Income Properties, 2009
McKissock, Land and Site Valuation, 2009
McKissock, Introduction to Expert Witness Testimony, 2009
International Right of Way Association, Easement Valuation C-403, 2009
McKissock, Evolution of Finance & The Mortgage Market, 2011
McKissock, Nuts and Bolts of Green Building, 2011
McKissock, Foundations in Sustainability: Greening the Real Estate and Appraisal Industry, 2011
Appraisal Institute, Business Practices and Ethics, 2013
Appraisal Institute, Advanced Income Capitalization, 2013
Appraisal Institute, General Appraiser Report Writing and Case Studies, 2013
Appraisal Institute, Quantitative Analysis, 2013
Appraisal Institute, Advanced Market Analysis and Highest and Best Use, 2013
Appraisal Institute, Advanced Concepts & Case Studies, 2014
McKissock, Appraisal of Self Storage Facilities 2018
McKissock, Appraisal of Land Subject to Ground Lease, 2018
7-Hour Uniform Standards of Professional Appraisal Practice (USPAP) – Current

PROFESSIONAL AFFILIATIONS:

Appraisal Institute - MAI designated member. "The Appraisal Institute conducts a voluntary program of continuing education for its designated members. MAIs and SRAs who meet the minimum standards of this program are awarded periodic educational certification. I am certified under this program."

International Right of Way Association, "The Right of Way (R/W) Certification is granted to IRWA members who have achieved professional status through experience, education and examination in a single right of way discipline." I have been awarded the Right of Way Appraisal Certification (R/W-AC).

EXPERIENCE:

Independent Contract Appraiser, Appraisal Technology, Inc., April 1999-Present

SCOPE OF WORK:

Assignments have included the valuation of:

Residential:	Single and multiple family properties.
Commercial:	Retail shopping centers, offices, restaurants and hotels.
Industrial:	Warehouse, manufacturing, distribution, automotive and self-storage.
Vacant Land:	All types.
Right-of-Way:	Total & partial acquisition

Department of Financial Institutions State of Arizona

CGA - 31199

has complied with the provisions of

ERIC ZACHARY SINAY

This document is evidence that:

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:

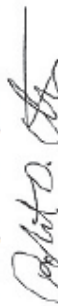
Certified General Real Estate Appraiser

ERIC ZACHARY SINAY

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

Expiration Date : January 31, 2020

Signed in the Superintendent's office at 2910 North 44th Street, Suite 310,
in the City of Phoenix, State of Arizona, this 22nd day of January, 2018.



Robert D. Charlton
Superintendent

ADDENDA

EXHIBIT 1

Engagement Letter

**ARIZONA DEPARTMENT OF TRANSPORTATION
ENGINEERING CONSULTANTS SECTION**

CONTRACT MODIFICATION

Contract Number:	2016-018.01	Modification Number:	13
Consultant:	Appraisal Technology, LLC -- Zach Sinay		
Project Name:	Right Of Way Group Statewide Appraisal On-Call Services		
Project Number:	Various	FA	Non-FA <input checked="" type="checkbox"/>

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's Manager's request dated June 21, 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 1095 calendar days from date of authorization to proceed, or by August 19, 2019, the adjusted contract completion date.

Unilateral Change Order: _____

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

ADOT Project Number: M697201X
Federal Project Number: N/A
Task Order Number: 8

TOTAL DIFFERENCE

Additional Funds

M697201X I-17-Cave Creek Rd.
Parcel L-M-486

PLUS	MINUS
	-0-

Approved for the Consultant
Appraisal Technology, LLC

By [Signature]
Signature

Name ZACH SINAY
Type or Print Name

Title _____

Date 7/10/19

Approved for the State
Arizona Department of Transportation

By [Signature]
Signature

Name Greg Wristen

Title ECS MANAGER

Date 7/12/19

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

/ 3.0



Infrastructure Delivery and Operations

An Arizona Management System Agency

Douglas A. Ducey, Governor
John S. Halikowski, Director
Dallas Hammit, State Engineer
Steve Boschen, Division Director

205 S. 17th Ave. MD: 612E
Phoenix, AZ 85007

June 21, 2019

Zach Sinay
Appraisal Technology, Inc.
220 S. River Dr.
Tempe, AZ 85281

RE: CONTRACT: 2016-018.01 ✓
Appraisal Assignment No.: TO-19-040 ✓
PROJECT: M697201X ✓
HIGHWAY: SR 101 - Northeast Outer Loop
SECTION: I-17 - Cave Creek Road
PARCEL: L-M-486 ✓

Dear Mr. Sinay:

You are hereby requested to provide your fee quote to prepare an eminent domain appraisal for the referenced parcel. Your appraisal report will need to reflect the market value using the current date of valuation, and be prepared in accordance with your ADOT Engineering Consultants Section Contract; the ADOT Right of Way Procedures Manual Project Management Section Chapters Three and Four; The Federal Highway Administration (FHWA) Uniform Act, 49 CFR Part 24; the current edition of the Uniform Standards of Professional Appraisal Practice (USPAP) guidelines at the time of your valuation; and the enclosed scope of work and provided information.

The purpose of the appraisal report is to estimate the market value of the fee simple estate of property. The intended use of the appraisal report is to utilize the value estimate to assist in decisions regarding the disposition of the property for eminent domain purposes.

The Engineering Consultant Section (ECS) will then issue a Contract Modification Task Order Notice to Proceed (NTP) and will first be provided to you for your approval to be included in the NTP.

Please direct any questions regarding this appraisal assignment to Timothy O'Connell, (602-712-7160, TOconnell@azdot.gov), ADOT R/W Review Appraiser. All changes must be in writing to prevent any miscommunications.

Additional information regarding the parcel is as follows:

Type of Report: Appraisal
Type of Property: Vacant Excess Land
Scope of Work: APN 213-23-007B and 010B
West of SWC of SR 101 & 16th St.
Market Value for Disposition. Sales Comparison Approach.

Inspection dates/times must be provided at least three calendar days prior to inspection by email to Timothy O'Connell (TOconnell@AZDOT.GOV).

The FHWA is to be named as an intended user of the appraisal. The appraisal report must include the ADOT Certificate of Appraiser immediately following the Auditing Breakdown section of the report. The addendum to the report is to include a current copy of the appraiser's State of Arizona Certified General Real Estate Appraiser license and a copy of the signed ECS Contract Modification.

Appraisal Contractor agrees that within any particular project wherein Contractor has provided appraisal or consulting services to ADOT, no other appraisal services may be provided to other clients/property owners in this project, without the written approval of ADOT.

Any hypothetical assumptions, extraordinary limiting condition or jurisdictional exceptions of the appraisal must be pre-approved by the Review Appraiser prior to submittal of the appraisal report and identified in the appraisal report.

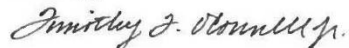
A complete initial appraisal report in an electronic PDF file format is to be submitted by e-mail to the review appraiser by the appraisal due date. All subsequent appraisal report iterations are also to be e-mailed to the review appraiser. Within 5 business days after ADOT approves the acceptability for the initial report submittals, the Appraiser will deliver an electronic PDF file and four (4) bound color copies of the final report. Per your ECS On-Call Services Contract, you shall provide your payment report form to ADOT within 10 days after the completion and acceptance of the final report. The naming convention of the PDF appraisal report is to be:

ADOT Parcel # Owner Name – (Appraisal Firm Name) – Date of Value - Date of Appraisal Report - , eg; L-M-486 ADOT (Appraisal Firm) DOV xx-xx-2019 DOR xx-xx-2019.

The appraisal report package is to be addressed to ADOT Right of Way Operations - Appraisal, ADOT Mail Room, Mail Drop: 612E, 1655 W Jackson Street, Phoenix, AZ 85007. Packages must be marked **Time Sensitive or Urgent**. If a delivery service is utilized, a confirmation notice is to be e-mailed to the review appraiser.

Please complete the last page of this bid request with your quote and email to RightofWayContracts@azdot.gov no later than 5:00 p.m. on June 26, 2019.

Sincerely,



Timothy O'Connell
R/W Project Management Section

Enclosures

cc: Esther Valencia, R/W Contracts Section

Appraisal Technology, Inc.
Zach Sinay
2016-018.01

June 26, 2019

RESPONSE DUE ON OR BEFORE JUNE 26, 2019

RE: CONTRACT NO: 2016-018.07 ✓
REVIEW APPRAISER ASSIGNMENT NO: TO-19-040
PROJECT: M697201X ✓
HIGHWAY: SR 101 - Northeast Outer Loop
SECTION: I-17 - Cave Creek Road
PARCEL(S): L-M-486 ✓

Parcel #	Appraisal Fee	Due Date
L-M-486		30-45 days from executed task order
TOTAL		

Quote prepared by:


Zach Sinay, Certification # 31199

6/26/2019

Date

EXHIBIT 2

Zoning Designation

612 R1-8 Single-Family Residence District.

A. Purpose. A basic purpose of these regulations is to foster the creation of living areas which can assist the establishment of stable, functional neighborhoods. An established pattern of living in this metropolitan area reflects a tradition of single-family occupied dwellings which also emphasize outdoor living. Many of these dwellings are thereby located on relatively large urban or suburban lots.

Compile Chapter

These regulations provide standards for dwellings built at low and moderate densities. While the predominant housing type is expected to be single-family dwelling, provisions are made for alternative housing types within the same density limits.

B. District Regulations. The following tables establish standards to be used in the R1-8 district. The definitions of terms used in these standards are found in Section 608.D. *5

TABLE A. SINGLE-FAMILY DETACHED DEVELOPMENT +5 *6

<i>R1-8 Development Option</i>		
<i>Standards</i>	<i>Conventional</i>	<i>Planned Residential Development</i>
Minimum lot width (in the event of horizontal property regimes, "lot" shall refer to the width of the structure and exclusive use area)	65' minimum	45' minimum (unless approved by either the design advisor or the Single-Family Architectural Appeals Board for demonstrating enhanced architecture that minimizes the impact of the garage (see Section 507 Tab A.2.12.1 B(2)(b) [sic]))
Minimum lot depth	None, except 110' adjacent to freeway or arterial	None, except 110' adjacent to freeway or arterial
Dwelling unit density (units/gross acre)	4.0	4.5; 5.5 with bonus
Minimum perimeter building setbacks	Front: 15'; Rear: 15' (1-story), 20' (2-story); Side: 10' (1-story), 15' (2-story)	Street (front, rear or side): 15' (in addition to landscape setback); Property line (rear): 15' (1-story), 20' (2-story); Property line (side): 10' (1-story), 15' (2-story)
Common landscaped setback adjacent to perimeter streets	None	15' average, 10' minimum (Does not apply to lots fronting onto perimeter streets)
Minimum interior building setbacks	Front: 10'; rear: 10'; combined front and rear: 35'; street side: 10'; sides: 13' total (3' minimum, unless 0')	Front: 10'; rear: none (established by Building Code); street side: 10'; sides: none (established by Building Code)

<i>R1-8 Development Option</i>		
<i>Standards</i>	<i>Conventional</i>	<i>Planned Residential Development</i>
Minimum building separation	10'	None
Minimum garage setback	18' from back of sidewalk for front-loaded garages, 10' from property line for side-loaded garages	18' from back of sidewalk for front-loaded garages, 10' from property line for side-loaded garages
Maximum garage width	For lots <60': 2 car widths, for lots ≥60' to 70': 3 car widths, for lots >70': no maximum	For lots <60': 2 car widths, for lots ≥60' to 70': 3 car widths, for lots >70': no maximum
Maximum height	2 stories and 30'	2 stories and 30' (except that 3 stories not exceeding 30' are permitted when approved by the design advisor for demonstrating enhanced architecture)
Lot coverage	Primary structure, not including attached shade structures: 40% Total: 50%	Primary structure, not including attached shade structures: 40% Total: 50%
Common areas	None	Minimum 5% of gross area
Allowed uses	Single-family detached	Single-family detached
Required review	Development review per Section 507, and subdivision to create 4 or more lots	Development review per Section 507, and subdivision to create 4 or more lots
Street standards	Public street, or private street built to City standards with a homeowners' association established for maintenance	Public street or private accessway ⁽¹⁾
On-lot and common retention	Common retention required for lots less than 8,000 sq. ft. per grading and drainage ordinance requirements	Common retention required for lots less than 8,000 sq. ft. per grading and drainage ordinance requirements
Landscape standards		Perimeter common: trees spaced a maximum of 20' to 30' on center (based on species) or in equivalent groupings, and 5 shrubs per tree.

⁽¹⁾ Public streets may be required as a part of subdivision or development review for extensions of street patterns, for circulation within neighborhoods, or to continue partial dedications.

(2) For single-family, detached development built or subdivided under the subdivision option prior June 2, 1999, refer to the subdivision option in table B. *6

(3) For purposes of this section, canal rights-of-way shall be treated the same as public street rights-of-way. +7

TABLE B. SINGLE-FAMILY DETACHED (SUBDIVIDED PRIOR TO JUNE 2, 1998), SINGLE-FAMILY ATTACHED AND MULTIFAMILY DEVELOPMENT -2 *5 *6

<i>Standards</i>	<i>(a) Subdivision</i>	<i>(b) Average Lot</i>	<i>(c) Planned Residential Development</i>
Minimum lot dimensions (width and depth) *3	70' width, 94' depth *3 (Minimum area 8,000 sq. ft.)	50' width, 65' depth *3	None
Dwelling unit density (units/gross acre)	4.30	4.30	4.52; 5.16 with bonus
Perimeter standards	None	25' front or rear 10' side	20' adjacent to a public street; this area is to be in common ownership unless lots front on the perimeter public street; 15' adjacent to property line *2
Building setbacks	20' front, 25' rear, 10' and 3' side	10' front, 35' front plus rear	10' front
Maximum height	2 stories and 30'	2 stories and 30'	2 stories and 30' for first 150'; 1' in 5' increase to 48' high and 4 stories
Lot coverage	40%	Primary structure, not including attached shade structures: 40% Total: 45% *2	Primary structure, not including attached shade structures: 40% Total: 45% *2
Common areas	None	None	Minimum 5% of gross area
Allowed uses	Single-family detached *8	Single-family attached; plus (a)	Multiple-family plus (b)
Required review	Subdivision to create 4 or more lots	Subdivision with building setbacks	Site plan per Section <u>507</u>
Street standards	Public street required	Public street	Public street or private accessway ⁽²⁾

(1) Public streets may be required as a part of subdivision or development review for extensions of street patterns, for circulation within neighborhoods, or to continue partial dedications. *6

(2) For purposes of this section, canal rights-of-way shall be treated the same as public street rights-of-

EXHIBIT 3

Title Report

ARIZONA DEPARTMENT OF TRANSPORTATION

RIGHT OF WAY GROUP

RIGHT OF WAY DISPOSAL REPORT

Project: BPM 600-1-705/101L MA 0240H0832/01R

Section: I-17-CAVECREEK RD

Excess Land: L-M-486

Parcel No: 7-4108-47-4110

The undersigned has examined the title to the property described in EXHIBIT "A" and the FEE owner is:
STATE OF ARIZONA by and through its Department of Transportation

Owner Address:
205 S. 17th Ave, Mail Drop 612E, Phoenix, Arizona 85007

The undersigned has examined the title to the property described in EXHIBIT "A" and the Easement owner is:
Not Applicable

Owner Address:
Not Applicable

Please see the attached forms containing vesting information and the requirements required for this parcel to be disposed of:

SEE ATTACHED FORMS

SCHEDULE A-1:
SEE EXHIBIT "A" ATTACHED

REMARKS:
ADOT records only searched
Schedule B items not searched at this time

Search Date: April 12, 2013

Examiner: Shirley Seeley

Reviewer:

Assessor's #: N/A

County: Maricopa

Crlo Change

SECURITY TITLE AGENCY, INC.
on Behalf of
TICOR TITLE INSURANCE COMPANY

INFORMATION

The Title Insurance Commitment is a legal contract between you and the Company. It is issued to show the basis on which we will issue a Title Insurance Policy to you. The Policy will insure you against certain risks to the land title, subject to the limitations shown in the Policy.

The Company will give you a sample of the Policy form, if you ask.

The Policy contains an arbitration clause. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or you as the exclusive remedy of the parties. You may review a copy of the arbitration rules at <http://www.alta.org/>.

Note: Notwithstanding anything to the contrary in the Commitment, if the policy to be issued is other than an ALTA Owner's Policy (6/17/06) or ALTA Loan Policy (6/17/06), the policy may not contain an arbitration clause, or the terms of the arbitration clause may be different from those set forth in this Commitment. If the policy does contain an arbitration clause, and the Amount of Insurance is less than the amount, if any, set forth in the arbitration clause, all Arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties.

The Commitment is based on the land title as of the Commitment Date. Any changes in the land title or the transaction may affect the Commitment and the Policy.

The Commitment is subject to its Requirements, Exceptions and Conditions.

THIS INFORMATION IS NOT PART OF THE TITLE INSURANCE COMMITMENT. YOU SHOULD READ THE COMMITMENT VERY CAREFULLY.

If you have any questions about the Commitment, contact:

SECURITY TITLE AGENCY, INC.
3636 North Central Avenue, 3rd Floor
Phoenix, AZ 85012
(602) 230-6271
Title No.: 150837314

CONTENTS:

AGREEMENT TO ISSUE POLICY

SCHEDULE A

1. Commitment Date
2. Policies to be Issued, Amounts and Proposed Insureds
3. Interest in the Land and Owner
4. Description of the Land

SCHEDULE B-I --- REQUIREMENTS

SCHEDULE B-II --- EXCEPTIONS

CONDITIONS

TITLE INSURANCE COMMITMENT

BY

TICOR TITLE INSURANCE COMPANY
As issued by:
SECURITY TITLE AGENCY, INC.
3636 North Central Avenue, 3rd Floor
Phoenix, AZ 85012
(602) 230-6271

AGREEMENT TO ISSUE POLICY

We agree to issue policy to you according to the terms of the Commitment. When we show the policy amount and your name as the proposed insured in Schedule A, this Commitment becomes effective as of the Commitment Date shown in Schedule A.

If the Requirements shown in this Commitment have not been met within 180 days after the Commitment Date, our obligation under this Commitment will end. Also, our obligation under this Commitment will end when the Policy is issued and then our obligation to you will be under the Policy.

Our obligation under this Commitment is limited by the following:

The Provisions in Schedule A.

The Requirements in Schedule B-I.

The Exceptions in Schedule B-II.

The Conditions.

This Commitment is not valid without Schedule A and Sections I and II of Schedule B. This Commitment is effective as of the date shown in Schedule A as "Commitment Date."

SECURITY TITLE AGENCY, INC.
3636 North Central Avenue, 3rd Floor
Phoenix, AZ 85012
Phone: (602) 230-6271 FAX: (602) 230-6256

on behalf of
TICOR TITLE INSURANCE COMPANY

COMMITMENT FOR TITLE INSURANCE

SCHEDULE A

Escrow Officer: Karen Roswell
Title Officer: Diane Boardman/RB
Address Reference: 14th Street, Phoenix, AZ 85024

Order Number: 150837314

1. Commitment Date: January 31, 2008, at 7:50 AM
2. Policy (or Policies) to be issued:
 - a) ALTA Owner's Policy (6/17/06) (Standard Coverage) Amount: \$
Proposed Insured:
3. A Fee interest in Parcel(s) 1 and Parcel 2, Tract No. 1 and an Easement interest in Parcel(s) Parcel 2, Tract No. 2 of the land described in this Commitment is owned, at the Commitment Date, by STATE OF ARIZONA BY AND THROUGH ITS DEPARTMENT OF TRANSPORTATION.
4. The Land referred to in the Commitment is situated in the County of Maricopa, State of Arizona, and is described as follows:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

CONTRACT NO: PROJECT NO: RBA 600-1-705
PARCEL NO: L-M-486 TAX PARCEL NO: 213-23-007B and 213-23-010B

EXHIBIT "A"

Those portions of the Northeast quarter of the Northeast quarter of Section 28, Township 4 North, Range 3 East, Gila and Salt River Meridian, Maricopa County, Arizona, described as follows:

Parcel 1:

The West half of the Northwest quarter of the Northeast quarter of the Northeast quarter of Section 28, Township 4 North, Range 3 East, Gila and Salt River Meridian, Maricopa County, Arizona,

EXCEPT that portion of the West half of the Northwest quarter of the Northeast quarter of the Northeast quarter of Section 28, Township 4 North, Range 3 East, which lies northerly of the following described line:

Beginning at a point on the East line of said Section 28, which point bears South 0°00'57" East 370.00 feet from the Northeast corner of said Section 28;

Thence North 89°00'00" West 1600.00 feet to the point of ending (ADOT parcel 7-4108), and

EXCEPT the South 25 feet of the West half of the Northwest quarter of the Northeast quarter of the Northeast quarter of Section 28, Township 4 North, Range 3 East, Gila and Salt River Meridian, as conveyed to the City of Phoenix at Document No. 87-45054 records of Maricopa County, Arizona, and

EXCEPT all coal, oil, gas and other mineral deposits as reserved in Patent from the United States of America.

Parcel 2:

Tract No. 1

The Southeast quarter of the Northwest quarter of the Northeast quarter of the Northeast quarter of Section 28, Township 4 North, Range 3 East, Gila and Salt River Meridian, Maricopa County, Arizona,

EXCEPT the East 164.05 feet, and

EXCEPT the South 25 feet as conveyed to the City of Phoenix at Document No. 87-450541 records of Maricopa County, Arizona, and

EXCEPT that portion of the Southeast quarter of the Northwest quarter of the Northeast quarter of the Northeast quarter of Section 28, Township 4 North, Range 3 East which lies northerly of the following described line:

Beginning at a point on the East line of said Section 28, which point bears South 0°00'57" East 370.00 feet from the Northeast corner of said Section 28;

thence North 89°00'00" West 1200.00 feet to the point of ending, and

FURTHER Excepting all coal, oil, gas and other mineral deposits as reserved in Patent from the United States of America,

Tract No. 2

An easement for ingress and egress over the South 25 feet of the East 164.05 feet of the Southeast quarter of the Northwest quarter of the Northeast quarter of the Northeast quarter of Section 28, Township 4 North, Range 3 East, Gila and Salt River Meridian, Maricopa County, Arizona.

END OF EXHIBIT "A"

EXHIBIT 4

Contingent and Limiting Conditions

CONTINGENT AND LIMITING CONDITIONS

1. LIMITS OF LIABILITY: The liability of Appraisal Technology, LLC, and/or Independent Contractor(s) is limited to the client only and to the fee actually received by them. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser is in no way to be responsible for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, and/or legally. In the case of limited partnerships or syndication offering or stock offerings in real estate, the client agrees that in case of lawsuit (brought by lender, partner or part-owner in any form of ownership, tenant, or any other party), any and all awards, settlements of any type in such suit, regardless of outcome, the client will hold the appraiser completely harmless in any such action.

2. COPIES, PUBLICATION, DISTRIBUTION, USE OF REPORT: Possession of this report or any copy thereof does not carry with it the right of publication. It is a privileged communication. It may not be used for other than its intended use; the physical report(s) remain the property of the appraiser for the use of the client, the fee being for the analytical services only.

All valuations in the report are applicable only under the stated program of Highest and Best Use and are not necessarily applicable under other programs of use. The valuation of a component part of the property is applicable only as a part of the whole property. The distribution of the total valuation in this report between land and improvements applies only under the existing or proposed program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

The Bylaws and Regulations of the Appraisal Institute requires each Member and Candidate to control the use and distribution of each appraisal report signed by such Member or Candidate; except as here-in-after provided, the client may distribute copies of this appraisal report in its entirety to such third parties as he may select; however, selected portions of this appraisal report shall not be given to third parties without the prior written consent of the signatories of the report. Neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations, news, sales or other media for public communication without the prior written consent of the appraiser(s), particularly as to valuation conclusions, the identity of the appraiser(s), the firm, or any reference to the Appraisal Institute, the M.A.I., or SRA designations. (See last item in following list for client agreement/consent).

3. CONFIDENTIALITY AND TRADE SECRETS: This appraisal is to be used only in its entirety and no part is to be used without the whole report. All conclusions and opinions concerning the analysis as set forth in the report were prepared by the Appraiser(s) whose signature(s) appear on the appraisal report, unless indicated as "Review Appraiser". No change of any item in the report shall be made by anyone other than the appraiser. The appraiser and firm shall have no responsibility if any such unauthorized change is made. The appraiser may not divulge the material (evaluation) contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or his designee as specified in writing except as may be required by the Appraisal Institute as they may request in confidence for ethics enforcement, or by a court of law or body with the power of subpoena.

This appraisal was prepared by the appraisers signing this report and/or related independent contractor(s) and consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempted from disclosure under 5 U.S.C. 552 (b) (4). Notify the appraiser(s) signing this report, Appraisal Technology, LLC of any request to reproduce this appraisal in whole or in part.

4. INDEPENDENT CONTRACTORS: Be advised that the people associated with Appraisal Technology, LLC are independent contractors.

5. INFORMATION AND DATA: The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit or other source thought reliable; all are considered appropriate for inclusion to the best of our factual judgment and knowledge. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the client consider independent verification as a prerequisite to any transaction involving sale, lease, or other significant commitment of funds or property.

6. TESTIMONY, CONSULTATION, COMPLETION OF INVOICE FOR APPRAISAL SERVICES: **When the invoice for appraisal, consultation or analytical service is fulfilled, the total fee is payable upon completion.** The appraiser(s) or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal (unless arrangements have previously been made). Any post appraisal consultation with the client or third parties will be at an additional fee. If testimony or deposition is required because of any subpoena, the client shall be responsible for any additional time, fees, and charges regardless of issuing party.

7. STATEMENT OF POLICY: The following statement represents official policy of Appraisal Institute with respect to neighborhood analysis and the appraisal of residential real estate:

- a. It is improper to base a conclusion or opinion of value upon the premise that the racial, ethnic or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.
- b. Racial, religious and ethnic factors are deemed unreliable predictors of value trends or price variance.
- c. It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped or biased presumptions relating to race, color, religion, sex or national origin or upon unsupported presumptions relating to the effective age or remaining life of the property or the life expectancy of the neighborhood in which it is located.

8. MANAGEMENT OF THE PROPERTY: The appraisers have no control over management; however, the appraisers consider the management of this investment of prime importance. Reasonable and prudent (not exceptional) management practices and expertise is assumed (anticipated) in the appraisal.

Should the present/prospective owner be unable and/or unwilling to take those actions required by reasonable and prudent management practices (see appraiser's observations at time of inspection

following the purpose of appraisal) to meet financial goals and/or reasonable expectations, we recommend a careful reconsideration of the investment risk.

9. APPRAISAL IS NOT A LEGAL OPINION: No responsibility is assumed for matters of legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and marketable. The value estimated is given without regard to any questions of title, boundaries, encumbrances, or encroachments.

It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report. It is assumed that all applicable zoning and use of regulations and restrictions have been complied with, unless a non-conformity has been stated, defined, and considered in the appraisal report.

It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

If the Appraiser has not been supplied with a termite inspection, survey or occupancy permit(s), no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranties are made concerning obtaining the above mentioned items.

It is assumed that adequate municipal services including disposal are available and will continue to be.

Virtually all land in Arizona is affected by pending or potential litigation by Indian Tribes claiming superior water rights for their reservations. The amounts claimed and the effects on other water users are largely undetermined; but the claims could result in some curtailment of water usage or ground water pumping on private land. The State's New Ground Water 99Management Act may also restrict future ground water pumping in various parts of Arizona. Given this uncertainty, neither the appraiser(s) nor any of his representatives can make warranties concerning rights to or adequacy of the water supply with respect to the property being appraised, although, the sale of premises include such water rights as are appurtenant thereto.

10. FEDERAL AND STATE REGULATIONS: Further, the value reported is based upon cash, or its equivalent, and was drafted to adhere to the standards and practices of the Appraisal Institute, plus the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) by the Appraisal Foundation and in accordance with appraisal standard required by Title XI of Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) and the Office of the Comptroller of the Currency (OCC).

Under federal mandate, state licensing and/or certification of appraiser is required on or before August 1, 1991. Permission is hereby granted by the client for the appraiser to furnish the appropriate governmental authority or their authorized designated representative(s) any and all materials requested for oversight review.

11. CHANGES, MODIFICATIONS, FEE: The appraiser(s) reserves the right to alter statements, analysis, conclusion or value estimate contained in the appraisal if a fact(s) pertinent to the appraisal process unknown prior to the completion of the appraisal is/are discovered.

The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report or the physical report itself.

Compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

The writing of this report to meet the requirements of the Competitive Equality Banking Act of 1987 ("CEBA") and in adherence with the standards and practices of the Appraisal Institute, plus the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) by the Appraisal Foundation involves an interpretation of the phrase "totally self-contained".

Because no report regardless of length or the extent of documentation is "totally self-contained", the appraiser has tried to furnish sufficient documentation, analysis and detail to meet a "reasonableness criteria". Should the client reviewing this report require additional information, analysis, documentation, etc., it will be supplied in an expeditious manner at no charge to the client, following receipt of a written critique (within 2 months of the date of this letter), in the form of a new report.

12. APPRAISAL IS NOT A SURVEY: It is assumed that the utilization of the land and improvements is within the boundaries of the property lines of the property described and that there is no encroachment or trespass unless noted with the report.

The legal description is assumed to be correct as used in this report as furnished by the client, his designee, or when not supplied, as derived by the appraiser. The appraiser(s) assume no responsibility for such a survey, or for encroachments or overlapping that might be revealed thereby.

The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Photos, if any, are included for the same purpose. Site plans are not surveys unless shown from a separate surveyor.

13. APPRAISAL IS NOT AN ENGINEERING REPORT: This appraisal should not be considered a report on the physical items that are a part of this property. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraisers are not construction, engineering, or legal experts, and any opinion given on these matters in this report should be considered preliminary in nature.

The observed condition of the foundation, roof, exterior walls, interior walls, floors, heating and/or cooling system, plumbing, insulation, electrical service, and all mechanical and construction is based on a casual inspection only and no detailed inspection was made. For instance, we are not experts

on heating and/or cooling systems and no attempt was made to inspect the interior of the heating and/or cooling equipment. The structures were not checked for building code violations and it is assumed that all buildings meet the building codes unless so stated in the report.

Items such as conditions behind walls, above ceiling, behind locked doors, or under the ground are not exposed to casual view and, therefore, were not inspected. The existence of insulation (if any is mentioned) was found by conversation with others and/or circumstantial evidence.

Since it is not exposed to view, the accuracy of any statements about insulation cannot be guaranteed.

It is assumed that there are no hidden or unapparent conditions of the property, sub-soil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or the engineering which may be required to discover such factors. Since no engineering or percolation tests were made, no liability is assumed for soil conditions. Sub-surface rights (mineral and/or energy related) were not considered in making this appraisal.

Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any observed condition comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating system, air-conditioning system, plumbing, electrical service, insulation, or any other detailed construction matters. If any interested party is concerned about the existence, condition, or adequacy of any particular item, we strongly suggest that a construction expert be hired for a detailed investigation. Although a walk-through inspection has been performed, an appraiser is not an expert in the field of building inspection and/or engineering. An expert in the field of engineering/seismic hazards detection should be consulted if an analysis of seismic safety and seismic structural integrity is desired.

The appraisers are not seismologists. The appraisal should not be relied upon as to whether a seismic problem exists, or does not actually exist on the property. The appraisers assume no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

14. PROPOSED IMPROVEMENT, CONDITIONED VALUE: Improvements proposed, if any, on or off-site, as well as any repairs required are considered, for purposes of this appraisal, to be completed in a good and workmanlike manner according to information submitted and/or considered by the appraiser(s). In cases of proposed construction, the appraisal is subject to change upon inspection of the property after construction is completed. This estimate of value is as of the date shown, as proposed, as if completed and operating at levels shown and projected unless otherwise set forth.

15. INSULATION AND TOXIC MATERIALS: The existence of potentially hazardous materials used in the construction or maintenance of the structure, such as urea formaldehyde foam insulation, and/or the existence of toxic waste on or in the ground, which may or may not be present has not been considered (unless otherwise set forth). The appraiser(s) is not qualified to detect such substances. The client should retain an expert in this field. If such is present, the value of the property may be adversely affected; therefore, if a toxic waste and/or contaminant is detected, the value indicated in this report is Null and Void. A re-appraisal at an additional cost may be necessary to estimate the effects of hazardous materials.

16. AUXILIARY AND RELATED STUDIES: No environmental or impact studies, special market study or analysis, highest and best use analysis study or feasibility study has been requested or made unless otherwise specified in an invoice for services or in the report.

17. APPRAISAL IS MADE UNDER CONDITIONS OF UNCERTAINTY: Information (including projections of income and expenses) provided by informed local sources, such as government agencies, financial institutions, Realtors, buyers, sellers, property owners, bookkeepers, accountants, attorneys, and others is assumed to be true, correct, and reliable. No responsibility for the accuracy of such information is assumed by the appraiser.

The comparable sales data relied upon in the appraisal is believed to be from reliable sources. Though all the comparable sales were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.

Engineering analyses of the subject property were neither provided or used nor made as a part of this appraisal contract. Any representation as to the suitability of the property for uses suggested in this analysis is therefore based only on a rudimentary investigation by the appraiser and the value conclusions are subject to said limitations.

All values shown in the appraisal report are projections based on our analysis as of the date of the appraisal. These values may not be valid in other time periods or as conditions change. Since the projected mathematical models are based on estimates and assumptions which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved.

This appraisal is an estimate of value based on an analysis of information known to us at the time the appraisal was made. The appraisers do not assume any responsibility for incorrect analysis because of incorrect or incomplete information. If new information of significance comes to light and/or becomes known, the value given in this report is subject to change without notice.

18. AMERICANS WITH DISABILITIES ACT: The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraiser(s) have not made an analysis of this property to determine whether or not it is in conformity with the ADA requirements. It is possible that a compliance survey of the property, together with a detailed analysis of the ADA requirements could reveal that the property is not in compliance for one or all requirements. If so, this fact could have a negative effect upon the value of the property. The appraiser(s) have no direct evidence relating to this issue and did not consider possible non-compliance with the requirement of the ADA in estimating the value of the property.

19. INSURABLE VALUE: At the Client's request (if applicable), the appraiser(s) have provided an insurable value estimate. The estimate is based on figures derived from a national cost estimating service and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. The appraiser(s) make no warranties regarding the accuracy of this estimate. Insurable Value is directly related to the portion of the real estate that is covered under the asset's insurance policy. The appraiser(s) have based this opinion on the building's replacement

cost new (RCN) which has no direct correlation with its actual market value. The appraiser(s) developed an opinion of RCN using the Calculator Cost Method developed by Marshall & Swift. The RCN is the total construction cost of a new building with the same specifications and utility as the building being appraised, but built using modern technology, materials, standards and design. For insurance purposes, RCN includes all direct costs necessary to construct the building improvements. Items that are not considered include land value, individual site improvements or accrued depreciation. To develop an opinion of insurable value, exclusions for below-grade improvements, some site work/improvements, foundations and architectural fees must be deducted from RCN.

20. ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT BY CLIENT OR ANY THIRD PARTY CONSTITUTES ACCEPTANCE OF THE FOREGOING CONDITIONS. APPRAISER(S) LIABILITY EXTENDS ONLY TO STATED CLIENT, NOT SUBSEQUENT PARTIES OR USERS AND IS LIMITED TO THE AMOUNT OF THE FEE RECEIVED BY THE APPRAISER(S).