

**AN APPRAISAL REPORT OF THE VACANT SINGLE TENANT INDUSTRIAL FLEX
BUILDING LOCATED AT 1021 NORTH 59TH AVENUE IN PHOENIX, MARICOPA
COUNTY, ARIZONA.**

**PROJECT: M697201X
HIGHWAY: 202L SOUTH MOUNTAIN FREEWAY
SECTION: I-10
ADOT PARCEL: L-C-123
CONTRACT: CTR054962
OWNER: STATE OF ARIZONA**

PREPARED FOR

**ADOT RIGHT OF WAY OPERATIONS
1655 WEST JACKSON STREET
PHOENIX, ARIZONA 85007**

ATTENTION

MR. TIMOTHY O'CONNELL

A.T. I. FILE NO.: VEE711010

DATE OF REPORT

NOVEMBER 23, 2021

EFFECTIVE DATE OF VALUE

OCTOBER 19, 2021

PREPARED BY

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



November 23, 2021

A.T.I. File No.: VEE711010

TO: ADOT Right of Way Operations
1655 West Jackson Street
Phoenix, Arizona 85007

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

RE: An Appraisal Report of the vacant single tenant industrial flex building located at 1021 North 59th Avenue in Phoenix, Maricopa County, Arizona.

Dear Mr. O'Connell:

As you requested, I have appraised the "As Is" Market Value of the aforementioned property. The value estimate is supported by market analysis which is communicated through an Appraisal Report format plus exhibits, which describes and identifies methods of approach and valuation.

The purpose of the appraisal is to estimate the "As Is" Market Value as of the effective date of value or October 19, 2021.

The subject of this appraisal report consists of a vacant single tenant 18,135 square foot industrial flex building. The improvements currently sit on land area totaling 5.94 acres or 258,746 square feet of land; however, approximately 3.41 acres or 148,426 square feet of this land area is located within the existing South Mountain Freeway (Loop 202). Therefore, the net land area associated with the improvements totals 2.53 acres or 110,320 square feet.

It is noted that prior to the construction of the South Mountain Freeway (Loop 202), the larger site area was improved with a truck dealership and service center totaling 43,965 square feet of building area. Much of the property was located within the path of the new freeway and the property was ultimately acquired by ADOT. A portion of the building improvements were 43,965 square foot trucking facility was demolished leaving 18,135 square feet of that was subsequently converted into an office use for Connect 202, the company that worked in tandem with ADOT to construct the new freeway. Following the total acquisition of the former trucking facility, the original parcels have not yet been recorded to show the 2.53 acre net site area remaining after the acquisition.

The intended users of this report are ADOT Right of Way Operations. The intended use of the appraisal report is to utilize a market value estimate to assist in decisions regarding disposition of the property. This report is not intended for any other use or any other users.

The subject was recently vacated by ADOT and does not have any leases in place and thus, the Fee Simple Estate will be considered in this report.

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

This report was prepared under the Appraisal Report option of Standards Rule 2-2(a) of the most recent edition of the Uniform Standards of Professional Appraisal Practice (“USPAP”). As USPAP gives appraiser the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, I adhere to the Appraisal Technology internal standards for an Appraisal Report- Standard Format.

This type of report has a moderate level of detail. It summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinion, and conclusions. It meets or exceeds the former Summary Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP. For additional information, please refer to Addendum Comparison of Report Formats.

An environmental study has not 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 appraiser is without the expertise to identify and/or detect such substances. Because of the liability generated if toxic wastes and/or contaminants are found on the proposed site, it is strongly recommended that a specialist in the detection of toxic waste be retained to investigate for possible contamination.

This appraisal assignment 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.

Based on the information found in our investigation, the appraiser is of the opinion that the "As Is" Market Value of the subject property, as of October 19, 2021, is:

TWO MILLION FIFTY DOLLARS
(\$2,050,000.00)

AUDITING BREAKDOWN

Land:	\$1,048,040
Improvements:	\$1,001,960
Severance:	\$ 0
Special Benefits:	\$ 0
Cost to Cure:	<u>\$ 0</u>
Total	\$2,050,000

Respectfully submitted,



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

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FACTS AND CONCLUSIONS

TYPE OF PROPERTY: Industrial flex

LOCATION: The subject is located at 1021 North 59th Avenue in Phoenix, Maricopa County, Arizona.

REPORT PURPOSE: The purpose of this appraisal is to estimate the "As Is" Market Value of the subject as of the effective date of value.

TAX PARCEL NUMBER (S): 103-27-054B & 055. As indicated, the subject property has not yet been re-platted to represent the net site area located outside of the existing South Mountain Freeway right of way. It is expected that a new parcel will be recorded prior to any disposition of the subject.

SITE AREA: Currently the two parcels associated with the subject total 5.94 gross acres or 258,746 gross square feet. The area associated with the building improvements was calculated as totaling **2.53 net acres or 110,320 net square feet**. A map of the net subject site is shaded in yellow as shown next.



ZONING: A-1, Light Industrial; 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 04013C2185L based on the 10/16/2013 flood data.

IMPROVEMENTS:

Property Type: Single tenant office/warehouse building
Property Use: Industrial flex building
Size: Office: 16,945 square feet
Warehouse: 1,190 square feet
Total: 18,135 square feet

Year Built: 1996; renovated into office space in 2018
Condition: Average
Property Rights: Fee Simple Estate
Land to Building Ratio: 6.08:1
Build-Out: 93% Office
Drive in Roll Up Doors: The subject includes one drive in roll up door giving access to the warehouse space. It is noted that the access to the existing warehouse space is considered poor due to its location near the property boundary and lack of truck maneuverability this causes.
Ceiling Height: The subject ceiling height varies from 10' to approximately 20' in the office area and approximately 20' feet high in the warehouse area.
Occupancy: 0%

PARKING:

Open Spaces: 74 spaces
Covered Spaces: 10 spaces
Total Spaces: 84 spaces
Parking Ratio: 4.63/1,000 square feet of building area.

HIGHEST & BEST USE: As Vacant: Industrial Development
As Improved: Current Use

INSPECTION DATE: October 19, 2021
EFFECTIVE DATE OF VALUE: October 19, 2021

VALUE CONCLUSIONS:
Sales Comparison Approach \$2,050,000
Income Approach \$2,045,000
"As Is" Market Value \$2,050,000

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 toward 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 USPAP 2020-2022 **SCOPE OF WORK RULE** states:

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

- *identify the problem to be solved;*
- *determine and perform the scope of work necessary to develop credible assignment results; and*
- *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 2020-2022 edition, Pg. 12)

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.

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal and appraisal review 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 2020-2022 edition, Pg. 12)

The purpose of the appraisal is to estimate the "As Is" Market Value of subject property as of October 19, 2021.

INTENDED USE/USERS:

The intended use of the appraisal report is to utilize a market value estimate to assist in decisions regarding disposition of the property. This report is not intended for any other use or any other users. The intended users of this report are ADOT Right of Way Operations. This report is not intended for any other use or any other users.

The value reported is based upon cash or its equivalent. This appraisal assignment was drafted to adhere to the Code of Professional Ethics, Bylaws, Regulations and Standards of Professional Appraisal Practice of the Appraisal Institute, plus the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards Board of the Appraisal Foundation.

EFFECTIVE DATE OF VALUE:

October 19, 2021

DATE OF INSPECTION:

October 19, 2021

INTEREST VALUED:

The subject property is currently vacant with no lease in place and thus, the Fee Simple Estate is considered in this report. The Fee Simple Estate is defined as follows:

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:

Following is the definition of *Market Value* as provided by the client.

Market value as utilized in this report is defined as "the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements which the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all the uses and purposes to which it was adapted and for which it was capable."(Arizona Revised Statute 28-7091).

EXTRAORDINARY ASSUMPTION:

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property, or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. (The Appraisal Foundation, *USPAP 2020-2022 edition*)

It is an Extraordinary Assumption that there have been no past events that may cause a Rule B calculation triggering a recalculation of the subject's Limited Property Value. If a recalculation occurs, an increase or decrease in the subject's Limited Property Value may follow, resulting in what could be a significant change in the subject's taxes and potentially change the conclusions within this report.

A title report was not provided. However, based upon a review of the available property information, there do not appear to be any easements, encroachments, or restrictions other than those that are typical for the property type. Thus, it is an extraordinary assumption of our valuation that there are no adverse impacts from easements, encroachments, or restrictions on the subject property and further assumes that the subject has a clear and marketable title.

The roof was reported to be in poor condition, however the building manager indicated that they were currently getting quotes to have the roof redone. This valuation will assume that the roof repairs will have been completed and it is an Extraordinary Assumption that the roof is in good condition.

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 2020-2022 edition*)

No Hypothetical Conditions were used in this report.

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. (USPAP 2020-2022 edition, Pg. 12)

The client has requested that the appraiser estimate the "As Is" 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 liens 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 the client and other intended users to understand the scope of work performed. The information disclosed must be appropriate for the intended use of the assignment results. (The Appraisal Foundation, USPAP 2020-2022 edition)

Comment: Proper disclosure is required because clients and other intended users rely on the assignment results. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

The appraiser has broad flexibility and significant responsibility in the level of detail and manner of disclosing the scope of work in the appraisal report or appraisal review report. The appraiser may, but is not required to, consolidate the disclosure in a specific section or sections of the report, or use a particular label, heading or subheading. An appraiser may choose to disclose the scope of work as necessary throughout the report.

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, was relied on. Affidavits of Property Value were checked to verify information. Maps, aerials and zoning obtained from Maricopa County and the City of Phoenix 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.mccassessor.maricopa.gov), Affidavit of Property Value, Real Quest (www.realquest.com), CoStar (www.costar.com), FLEXMLS Data Systems (www.flexmls.com), owners or their representatives, and/or Real Estate Brokers and/or Agents.

NEIGHBORHOOD AND ANALYSIS:

The neighborhood was observed and the contents of this report express our opinions of what was found and observed.

SITE DESCRIPTION AND ANALYSIS:

The site description and analysis was based on our personal physical inspection, information obtained from the client, and from information obtained from the City of Phoenix and Maricopa County Engineering, Planning and Zoning Departments.

IMPROVEMENT DESCRIPTION AND ANALYSIS:

The subject was personally inspected by Zach Sinay, MAI, R/W-AC and the conclusions are my own. The improvement description and analysis was based on my personal physical inspection, information obtained from the client, and from information obtained from the Maricopa County and/or the City of Phoenix, Engineering, Planning and Zoning Departments. It should be noted that Jeff Sinay provided significant real property appraisal assistance to the person signing this certification.

DATA SOURCES:

Site Data

Size	County assessor supplied the gross site size while the client supplied the net site size
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Improved Data

Building Area	Building Plans
No. of Buildings	Inspection
Parking Spaces	Inspection
Year Built	County Assessor

Economic Data

Deferred Maintenance	N/A
Building Costs	N/A
Income Data	N/A
Expense Data	N/A

Other

Flood Zone	FEMA
Zoning	City of Phoenix

LEGAL DESCRIPTION:

The legal description can be found within the Addenda of this report.

OWNERSHIP:

The owner of record as provided by Maricopa County is:

Arizona Department of Transportation

HISTORY:

The subject site was acquired by ADOT from Inland Kenworth in October of 2012 as shown in Docket #2012-1065626. The property was acquired in order to construct the South Mountain Freeway (Loop 202). The site was formerly improved as a truck dealership with a service center totaling 43,965 square feet of building area. In order for the freeway to be developed, a portion of the truck dealership and service center was demolished and the remaining area was converted into office space to be occupied by Connect 202 during the freeway construction. The building area remaining on the property is the subject of this appraisal totaling 18,135 square feet. Connect 202 eventually vacated the space and the building is currently vacant.

It is noted that since the acquisition of the property in 2012, the subject parcels have not yet been re-recorded and the current parcels include large portions of land area within the existing South Mountain (Loop 202) freeway. These areas are not included within the appraisal report and only the net area outside of the existing right of way is valued.

The appraiser is unaware of any other transactions over the previous three 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 collected and analyzed 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 Cost, Sales Comparison and Income 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. Due to the age of the subject improvements and difficulty in estimating depreciation, as well as the fact that investors are currently placing little weight on this approach for improvements similar to the subject, the Cost Approach to Value is eliminated.

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

The Direct Capitalization method involves estimating the gross rental income that a property will produce in a year, then subtracting losses due to vacancy and collections and subtracting normal operating expenses for the year to arrive at the annual net operating income to the property. The net operating income is capitalized into a value by applying a rate similar to those found in sales of similar properties in the competing marketplace.

Capitalization is a simple process whereby NOI is divided by an expected rate of return to the investment to indicate the amount an investor would likely be willing to spend to receive that return. This method is generally utilized when a property is stabilized or close to stabilization.

The Discounted Cash Flow (DCF) method uses the discounting procedure to convert future benefits to present value on the premise of a required level of profit or rate of return on an invested capital. The method is profit or yield oriented; it simulates the typical investor's investment assumptions by formulas that calculate the present value of expected benefits according to a requirement for profit or yield. This analysis is based upon the concept that the investor is willing to pay as much for the property as the present value of its expected income over the holding period, plus the present value of net revenue from the sale of the property at the end of the investment. Revenue from the sale of the property is known as the reversion. The income stream and reversion are discounted to a present value at a rate representing respective perceived risks of each segment of the investment. This method is generally utilized when a property is in its lease-up period or if the property is experiencing a large vacancy.

The property is currently vacant. However, it could potentially be leased and therefore I will utilize the Direct Capitalization Method within the Income Approach.

Following the approaches to value, the indications of value are correlated into a single value estimate within the reconciliation section.

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:

An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. (The Appraisal Foundation, USPAP 2020-2022 edition)

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:

An environmental study has not been provided to the appraiser. 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 our 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 2020 population estimate puts the population of Arizona at 7,294,587. 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 western 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 appraisers have 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 over 112,000 residents last year which translated into a growth at 1.5%. Continued job and population growth have contributed to personal income gains of 6.4 % in 2020.

Arizona	2020	2021	2022	2023	2024
Personal Income (\$ mil)	356,812	359,965	380,751	401,227	422,303
% Chg from Year Ago	6.4%	0.9%	5.8%	5.4%	5.3%
Retail Sales (\$mil)	119,528	128,953	134,238	140,018	146,378
% Chg from Year Ago	4.4%	7.9%	4.1%	4.3%	4.5%
Total Nonfarm Employment (000s)	2,878.5	3,002.0	3,099.1	3,165.8	3,229.1
% Chg from Year Ago	-2.0%	4.3%	3.2%	2.2%	2.0%
Population (000s), July 1st estimates	7,285.0	7,397.0	7,510.0	7,615.0	7,717.0
% Chg from Year Ago	1.4%	1.5%	1.5%	1.4%	1.3%
Residential Building Permits (units)	53,526	49,884	46,880	44,538	43,593
% Chg from Year Ago	14.9%	-6.8%	-6.0%	-5.0%	-2.1%

POPULATION COUNTS OF THE CITIES WITHIN METROPOLITAN PHOENIX					
	1-Jul-20	1-Jul-19	1-Jul-2010	Number	Percent
	Population Est.	Population Est.	Population est.	Change	Change
Apache Junction	42,110	41,388	35,840	6,270	17.49%
Avondale	85,108	84,595	76,238	8,870	11.63%
Buckeye	87,480	81,624	50,876	36,604	71.95%
Carefree	3,794	3,771	3,363	431	12.82%
Cave Creek	5,940	5,834	5,015	925	18.44%
Chandler	272,011	266,804	236,123	35,888	15.20%
El Mirage	34,857	34,359	31,797	3,060	9.62%
Fountain Hills	24,812	24,225	22,489	2,323	10.33%
Gila Bend	2,025	2,019	1,922	103	5.36%
Gilbert	263,461	259,386	208,453	55,008	26.39%
Glendale	244,733	243,262	226,721	18,012	7.94%
Goodyear	92,865	88,870	65,275	27,590	42.27%
Guadalupe	6,400	6,373	5,523	877	15.88%
Litchfield Park	6,942	6,811	5,476	1,466	26.77%
Mesa	504,410	497,439	439,041	65,369	14.89%
Paradise Valley	14,258	14,134	12,820	1,438	11.22%
Peoria	184,469	180,161	154,058	30,411	19.74%
Phoenix	1,634,061	1,617,344	1,449,242	184,819	12.75%
Queen Creek	61,727	46,958	25,998	35,729	137.43%
Scottsdale	250,903	247,944	217,365	33,538	15.43%
Surprise	141,486	136,194	117,688	23,798	20.22%
Tempe	192,008	188,616	161,974	30,034	18.54%
Tolleson	7,227	7,085	6,573	654	9.95%
Wickenburg	7,039	6,988	6,353	686	10.80%
Youngtown	6,615	6,599	6,154	461	7.49%
Unincorporated	315,764	310,805	284,016	31,748	11.18%
METRO PHOENIX	4,492,505	4,409,588	3,856,393	636,112	16.49%

Arizona Office of Economic Opportunity

ECONOMIC FORCES:

The Metropolitan Phoenix Area (Maricopa County) represents 66% of the Arizona Labor Market. The Maricopa County MSA had a civilian labor force of 2,407.3 at the end of August 2021. The current unemployment rate in Arizona is 4.6% (August 2021). Due to the COVID-19 pandemic, Maricopa County like the rest of the US has seen a significant increase. However, many areas of the workforce have re-opened and unemployment has started to decrease.

Maricopa County - Monthly Summary	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021
<i>Persons (000s, seasonally adjusted), Local Area Unemployment Statistics, BLS & EBRC</i>						
Civilian Labor Force	2,355.8	2,374.3	2,391.5	2,407.1	2,409.0	2,407.3
% Chg from Year Ago	1.0% ↑	2.6% ↑	2.8% ↑	4.6% ↑	2.9% ↑	6.9% ↑
Employment	2,207.8	2,238.3	2,263.5	2,279.6	2,290.9	2,296.6
% Chg from Year Ago	0.2%	10.2%	5.3%	8.5%	8.4%	8.1%
Unemployment	142.4	142.6	142.2	136.2	125.3	110.3
% Chg from Year Ago	14.9% ↑	-50.7% ↓	-24.2% ↓	-29.9% ↓	-43.6% ↓	-13.4% ↓
Unemployment Rate	6.0	6.0	5.9	5.7	5.2	4.6

It is important to be aware that as of early March 2020, the World Health Organization declared the COVID-19 respiratory illness a pandemic. It is currently not yet clear to what extent, if any, market conditions may be impacted. There are complicating factors including volatility in the stock market and changes in mortgage interest rates. These factors have not yet resulted in measurable market condition changes for less liquid assets such as real estate.

The following is based on an article published by George W. Hammond, Ph.D., director and research professor, EBRC.

Arizona's recovery from the pandemic gained significant momentum in the second quarter. Job gains surged, housing permit activity remained very strong, and taxable sales remained on track for significant gains. The housing market grew even hotter in the second quarter, with low inventories, high construction materials prices, and strong demand driving median home prices up by 30% or more in June. Federal fiscal stimulus is gradually dissipating, but income gains are likely to remain robust this year as the labor market continues to recover.

The baseline outlook calls for Arizona jobs to regain their pre-pandemic peak in the fourth quarter of 2021, assuming the COVID-19 vaccines remain effective against emerging variants and that vaccination progress outpaces the outbreak. The pessimistic scenario assumes less progress against the virus and thus a slower recovery. Under this assumption, Arizona jobs regain their prior peak in the first quarter of 2022. The optimistic scenario calls for state jobs to regain their prior peak in the third quarter of this year.

Arizona Recent Developments

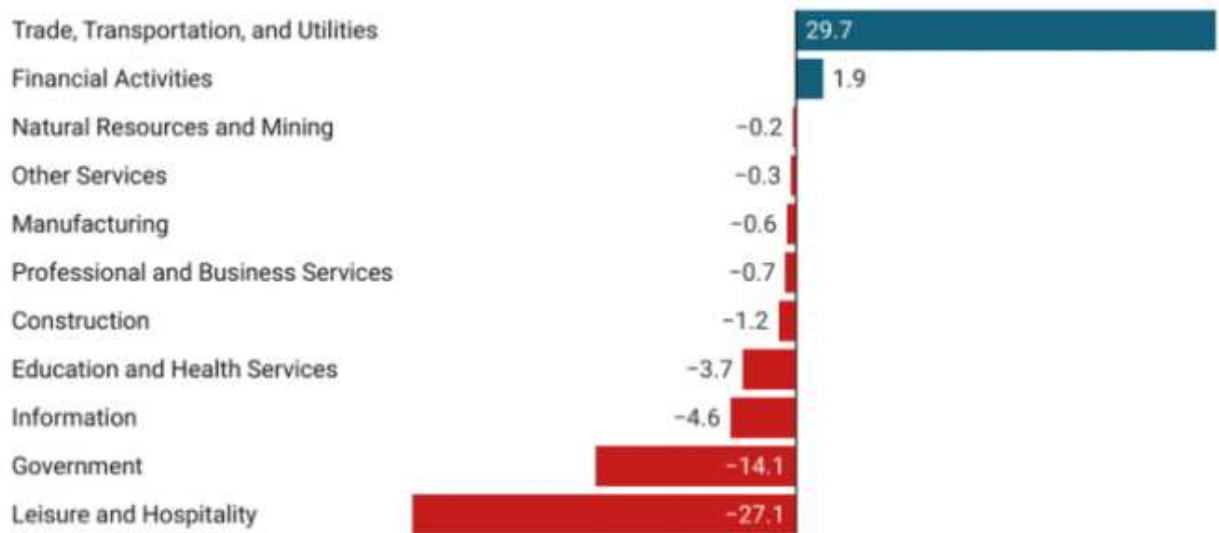
Arizona posted another month of strong job gains in July, with a seasonally-adjusted increase of 21,100. The strong gains in June were revised up to 40,300.

As of July, Arizona has replaced 93.7% of the jobs lost from February to April of last year, which left the state 20,900 jobs short of the prior peak. The nation has replaced 74.5%. Since June of last year, Arizona has added an average of 12,800 jobs per month. If the state can maintain that pace, we will be back to the pre-pandemic peak in September. If we return to average monthly job growth during 2015-2019 (6,300 per month), then we will regain the pre-pandemic peak in

November. Arizona is currently on pace to regain our prior peak well before the U.S., which would accomplish that in April 2022 (at the pace set since last June).

Jobs in most major industries in Arizona remained below their pre-pandemic peak in July (Exhibit 1). Leisure and hospitality and government were the furthest behind, followed by information and education and health services. Trade, transportation, and utilities has added by far the most jobs since February 2020, followed distantly by financial activities.

Exhibit 1: Arizona Jobs by Industry, Change From February 2020 to July 2021, Seasonally Adjusted, Thousands



The state's seasonally-adjusted unemployment rate fell to 6.6% in July, down from 6.8% in June. That was above the national rate of 5.4%.

Arizona house prices continued to rise at very rapid rates in June, with the seasonally adjusted median home price in Phoenix up 31.0% over the year (Exhibit 2). Tucson's median home price rose 30.1% over the year in June. Median home price gains can be distorted by changes in the mix of homes being sold. The Case-Shiller index measures house price appreciation using repeat sales of single-family homes. The latest data available for Phoenix shows a 25.9% increase over the year in May. Case Shiller does not publish a comparable index for Tucson. The U.S. Case-Shiller index rose 16.6% over the year in May.

Exhibit 2: Arizona Home Prices Are Rising at Very Rapid Rates

Phoenix and Tucson median home prices and the Phoenix Case-Shiller index, over-the-year percent change.



Home price appreciation is being driven by a mix of supply and demand-side factors. On the supply side, low inventories of homes for sale are a major contributing factor. Home inventories have been trending down since 2007 and reached new lows during the pandemic. The good news here is that they appear to have stabilized recently and as the pandemic unwinds, they may begin to trend up.

Surging materials prices have had a significant impact on construction costs and new home prices. Over-the-year price increases for construction inputs continue to be strong, but as supply chains return to normal that is expected to gradually ease. Labor shortages will continue to be an issue going forward.

Arizona housing permit activity was very strong through the first half of 2021. Seasonally adjusted total permits were up 26.4% in the first half of the year, compared to the same period in 2020. Single-family permits drove the increase by rising 41.7% while multi-family permits fell 4.6%.

Phoenix MSA permits increased 27.0% through the first six months of 2021, compared to 2020. Single-family permits increased by 41.9% while multi-family permits increased 1.2%.

Tucson MSA housing permits increased 44.8% through the first six months of 2021, compared to 2020. Single-family permits rose by 51.8% while multi-family permits rose by 8.7%.

While the hot housing market was driven in part by supply-side issues, demand-side factors mattered as well. With the increase in remote work during the pandemic, some workers have more freedom to choose a residential location independent of the location of their employer. It is likely that some of these workers are moving from high-cost metropolitan areas (particularly in the West) to lower-cost locations in Arizona. Compared to many metropolitan areas in the West, Arizona house prices are lower and thus relatively affordable.

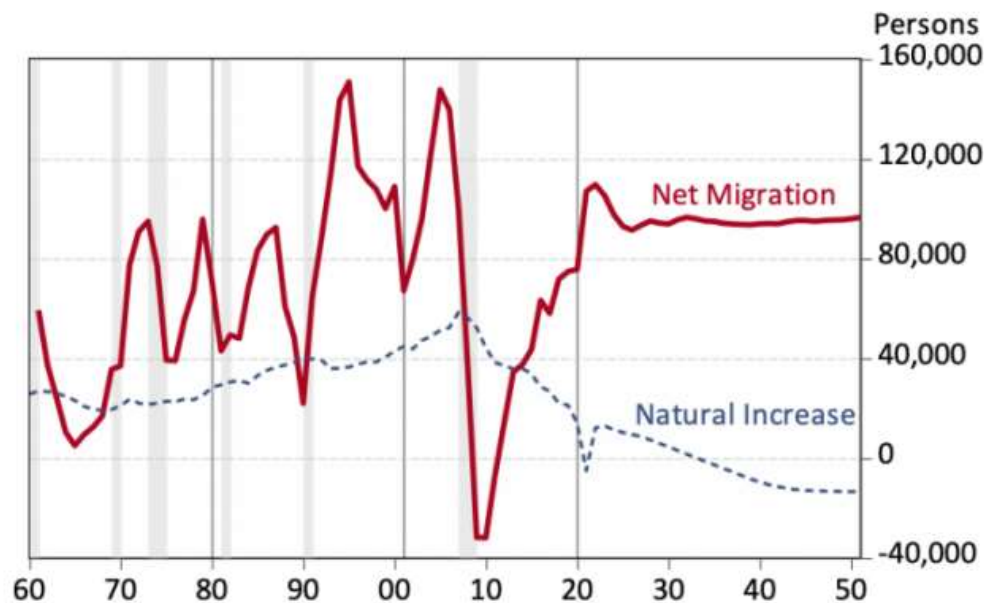
Arizona Long-Run Outlook

The long-run outlook for Arizona calls for continued strong growth. The state is forecast to generate job, income, and population gains at a much faster pace than the nation. Phoenix generates rapid gains, well in excess of the nation and faster than the state average. Tucson also grows during the 30-year period, but at a pace close to the national average.

Arizona's population is projected to reach 10.0 million by 2051, which is an increase of 2.8 million over the 30 year period. That population growth is primarily driven by net migration because natural increase falls during the forecast period (Exhibit 3). Overall, Arizona's population growth averages 1.1% per year during the next 30 years, well above the expected national rate of 0.4% per year.

Exhibit 3: Net Migration into Arizona Drives Population Growth During the Next 30 Years

Arizona Annual Net Migration and Natural Increase (Births minus Deaths)



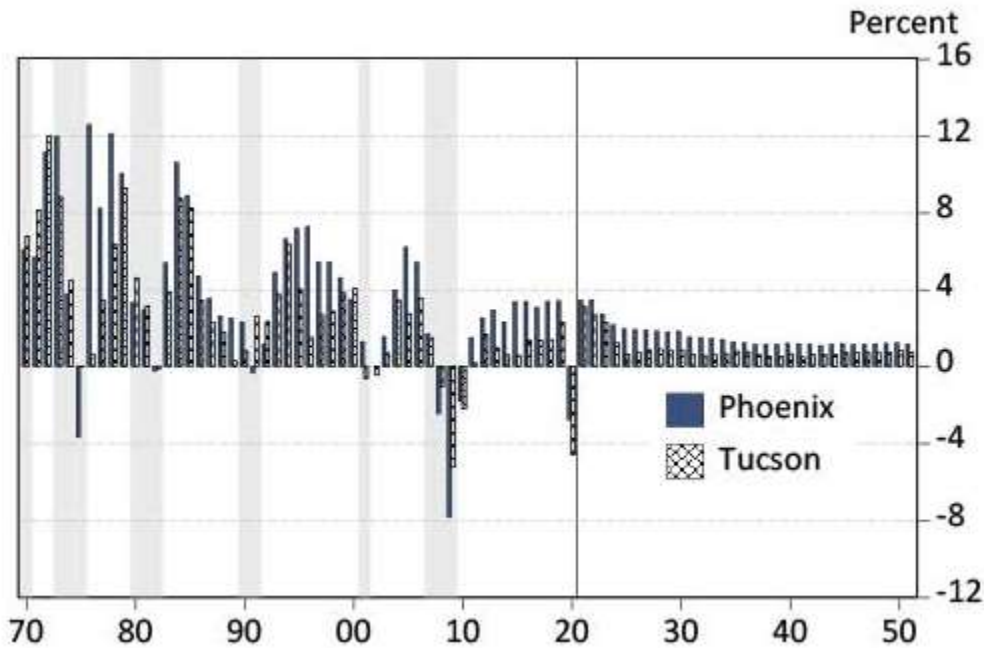
Arizona job growth is also forecast to be rapid during the next 30 years, with the state adding 1.5 million jobs (for an annual growth rate of 1.4%). That is well above the expected national rate of 0.6% per year.

During the next 30 years, education and health services; leisure and hospitality; and professional and business services add the most jobs. These three sectors are expected to account for 67.6% of state job gains.

Jobs in Phoenix are forecast to reach 3.4 million by 2051, up 1.2 million during the period. That translates into growth of 1.5% per year, more than double the national pace (Exhibit 9). Tucson is forecast to add 104,000 jobs, with employment reaching 489,000. That translates into growth of 0.8% per year.

Exhibit 4: Phoenix Job Growth Outpaces Tucson, Both Grow Faster than the Nation

Annual Job Growth



Job gains translate into real income gains during the period. Overall, per capita real income for Arizona, Phoenix, and Tucson is forecast to rise at about the national pace during the next 30 years. That implies little or no progress in closing the per capita income gap with the nation.

Risks to the Outlook

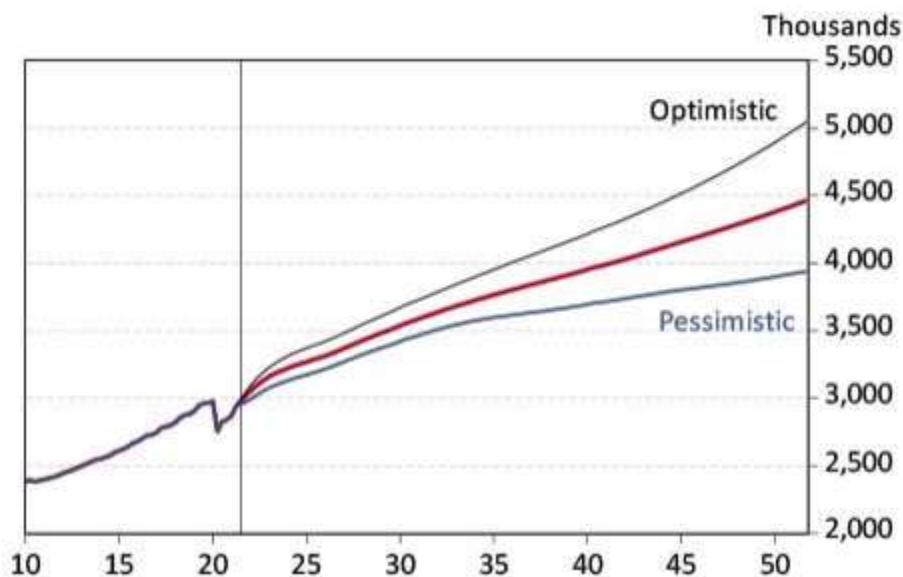
The alternative forecast scenarios call for Arizona, Phoenix, and Tucson to continue recovering from the COVID-19 downturn. The difference in the short-run is in the progress in controlling the outbreak.

In the pessimistic scenario, the outbreak fades more slowly than under baseline assumptions, which delays the recovery in travel and tourism and thus the overall economy. In the optimistic scenario, the opposite happens.

In the long run, the pessimistic scenario assumes slower productivity, labor force, population, and capital stock growth. The optimistic scenario assumes faster growth in the main drivers of long-term growth. Exhibit 5 shows how these different assumptions translate to projections for Arizona employment through 2051.

Exhibit 5: Arizona Adds a Half a Million More Jobs by 2051 in the Optimistic Scenario, Compared to the Baseline

Three Scenarios for Arizona Job Growth



Human capital, typically measured by education attainment, has a significant impact on long-run growth. Arizona has gradually fallen behind many states in the share of its population with a Bachelor's degree or more. In particular, Arizona (at 29.5%), Phoenix (at 31.7%), and Tucson (at 31.1%) are now below the national average (33.5%) in the share of working-age adults with a Bachelor's degree or more. It will be difficult for Arizona to make progress in closing its income gap with the nation without improving educational attainment substantially.

Arizona also needs to invest in infrastructure, which ranges from highways, roads, water, sewer, telecommunications, airports, and border ports of entry. It is important to ensure that the state has the infrastructure needed to accommodate growth.

Taxes and regulatory policies matter as well and the state needs to remain competitive with other states on that score.

Climate change is leading to more extreme weather, including heat/cold waves, droughts, and floods. States in the West are struggling with extreme drought and this may impact water prices during the forecast period. While changes in the cost of water are not yet built explicitly into the model, these will be important trends to track in the long-run context.

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

Top Ten Employers of Arizona	
Banner Health	47,000
State of Arizona	41,847
Arizona State University	35,730
Wal-Mart Stores, Inc.	33,460
Fry's Food Stores	21,738
University of Arizona	20,462
Wells Fargo & Co.	17,217
City of Phoenix	14,858
Maricopa County	13,933
Intel Corp.	12,190

Phoenix Business Journal Book of Lists 2020-2021

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 *SR 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 has recently been completed and is known as the *South Mountain Freeway*, which bypasses much of Central Phoenix and runs from the eastern Interstate 10 (I-10) near 59th Avenue to the western portion of Interstate 10 at Pecos Road.

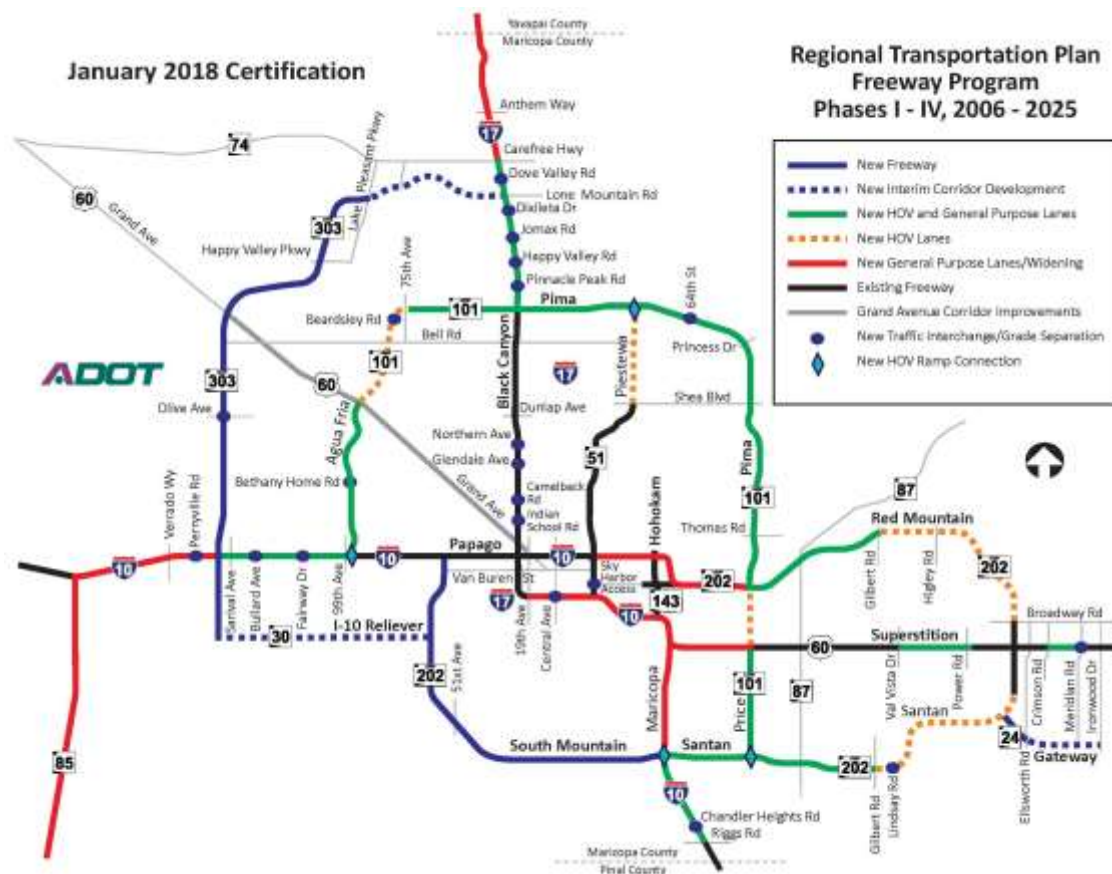
The *Gateway Freeway* (SR 24) was completed and opened in May of 2014. The initial phase is a one-mile stretch beginning at Loop 202 (Santan Freeway) near the Phoenix-Mesa Gateway Airport and ending at Ellsworth Road. Additional phases of this project, east of Ellsworth Road, are suspended until the 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 US- 60 (Grand Ave.) at Surprise, then east to Interstate 17. It's a six-lane highway between Interstate 10 and just south of 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 120,000 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. 13 among U.S. airports in passenger boarding in 2018 and is served by 20 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

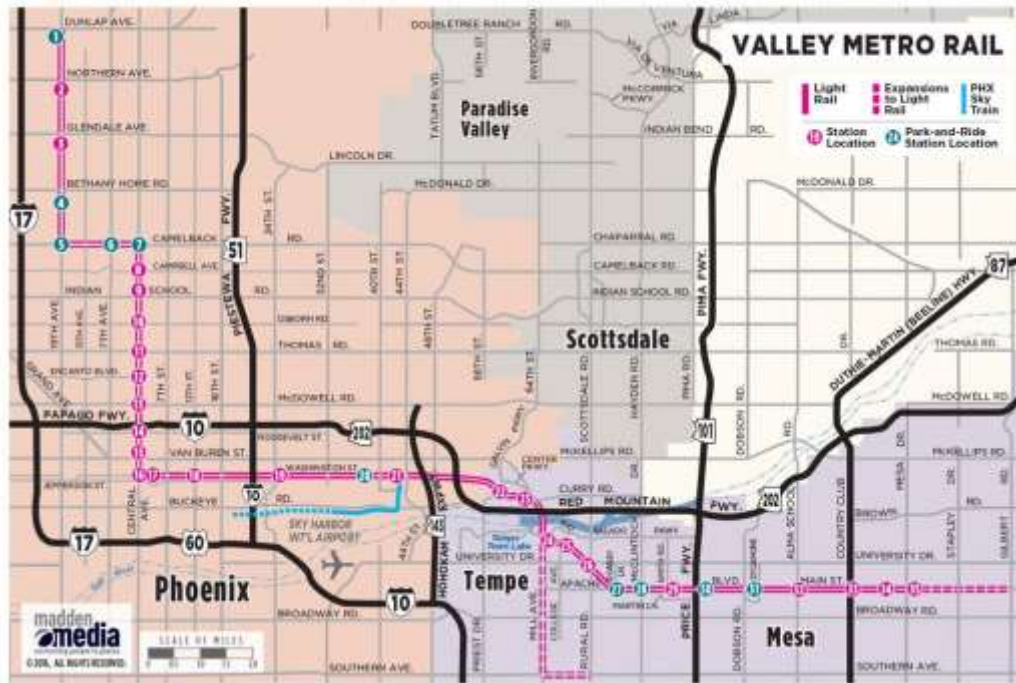
The Valley's light rail system offers riders a speedy 26-mile ride linking Phoenix to the neighboring communities of Tempe and Mesa, and includes stops at attractions such as Phoenix Art Museum, the Heard Museum, Chase Fields, Talking Stick Resort Arena and Tempe's Mill Avenue District. There are 28 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.

The South Central Extension/Downtown Hub will connect with the current light rail system in downtown Phoenix and operate south to Baseline Road. The project also includes a hub in downtown Phoenix along with new stations as well as public art.

Currently, more than 50,000 riders rely on light rail each day and has shown to generate economic prosperity for historically underserved communities in metro Phoenix.

Light rail makes the unique offerings of South Phoenix more accessible to others, attracting new customers, businesses and jobs to the area. In 2016, the Phoenix City Council approved advancing the opening date of the extension from 2034 to 2023. The advancement is funded through [Transportation 2050](#), a 35-year, multi-modal transportation plan approved by Phoenix voters, and is expected to open for operations in 2024.

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:

	This Month			Year to Date		
	2021	2020	% Chg	2021	2020	% Chg
0-29,999	27	56	-51.8	264	266	-0.8
30,000-39,999	16	31	-48.4	139	124	12.1
40,000-49,999	25	22	13.6	168	161	4.3
50,000-59,999	18	34	-47.1	144	149	-3.4
60,000-69,999	17	32	-46.9	165	224	-26.3
70,000-79,999	24	41	-41.5	211	265	-20.4
80,000-89,999	22	38	-42.1	208	279	-25.4
90,000-99,999	23	53	-56.6	232	310	-25.2
100,000-119,999	43	113	-61.9	473	791	-40.2
120,000-139,999	86	168	-48.8	834	1471	-43.3
140,000-159,999	96	171	-43.9	1074	1838	-41.6
160,000-179,999	110	228	-51.8	1493	2667	-44.0
180,000-199,999	161	273	-41.0	1999	3626	-44.9
200,000-249,999	435	1044	-58.3	6883	14932	-53.9
250,000-299,999	673	1356	-50.4	11562	18119	-36.2
300,000-399,999	2321	2092	10.9	27999	24908	12.4
400,000-499,999	2136	1264	69.0	18282	11993	52.4
500,000-549,999	618	440	40.5	4807	3753	28.1
550,000-749,999	1812	1254	44.5	13101	8544	53.3
750,000-999,999	928	805	15.3	6083	4158	46.3
1,000,000-1,249,999	255	291	-12.4	1757	1364	28.8
1,250,000-1,499,999	269	281	-4.3	1531	1282	19.4
1,500,000-1,999,999	232	338	-31.4	1554	1249	24.4
2,000,000-2,999,999	231	314	-26.4	1231	1025	20.1
3,000,000+	305	313	-2.6	1095	815	34.4
Totals	10883	11052	-1.5	103289	104313	-1.0

The following housing statistics are provided by ARMLS as of September 2021.

Local Multiple Listing Service (ARMLS) had 103,289 active listings as of September 2021 across the Greater Phoenix area including listings under contract and seeking backup offers. This represents a decrease of 1.0% compared to the previous year.

Active single-family home listings from \$180,000 to \$199,999 were down 44.9% compared to the previous year due to poor supply. The mid-range home listings from \$300,000 to \$399,999 were up 12.4% compared to the previous year.

ARMLS had 83,455 homes sold as of September 2021 across the Greater Phoenix area. This represents an increase of 9.6% from the previous year.

	This Month			Year to Date		
	2021	2020	% Chg	2021	2020	% Chg
0-29,999	16	17	-5.9	180	147	22.4
30,000-39,999	7	8	-12.5	103	76	35.5
40,000-49,999	10	10	0.0	130	81	60.5
50,000-59,999	11	13	-15.4	118	97	21.6
60,000-69,999	7	13	-46.2	122	141	-13.5
70,000-79,999	16	25	-36.0	161	181	-11.0
80,000-89,999	16	19	-15.8	136	161	-15.5
90,000-99,999	14	22	-36.4	160	202	-20.8
100,000-119,999	42	63	-33.3	438	581	-24.6
120,000-139,999	59	106	-44.3	693	1022	-32.2
140,000-159,999	76	148	-48.6	889	1499	-40.7
160,000-179,999	95	200	-52.5	1222	2051	-40.4
180,000-199,999	118	263	-55.1	1552	2708	-42.7
200,000-249,999	499	1214	-58.9	6086	12528	-51.4
250,000-299,999	774	1763	-56.1	9488	14372	-34.0
300,000-399,999	2624	2614	0.4	23634	19117	23.6
400,000-499,999	2182	1222	78.6	15075	8743	72.4
500,000-549,999	591	363	62.8	4235	2678	58.1
550,000-749,999	1281	834	53.6	10108	5341	89.3
750,000-999,999	491	344	42.7	4243	2146	97.7
1,000,000-1,249,999	161	132	22.0	1409	799	76.3
1,250,000-1,499,999	112	83	34.9	1030	485	112.4
1,500,000-1,999,999	86	70	22.9	1006	483	108.3
2,000,000-2,999,999	71	61	16.4	736	326	125.8
3,000,000+	36	25	44.0	501	184	172.3
Totals	9395	9632	-2.5	83455	76149	9.6

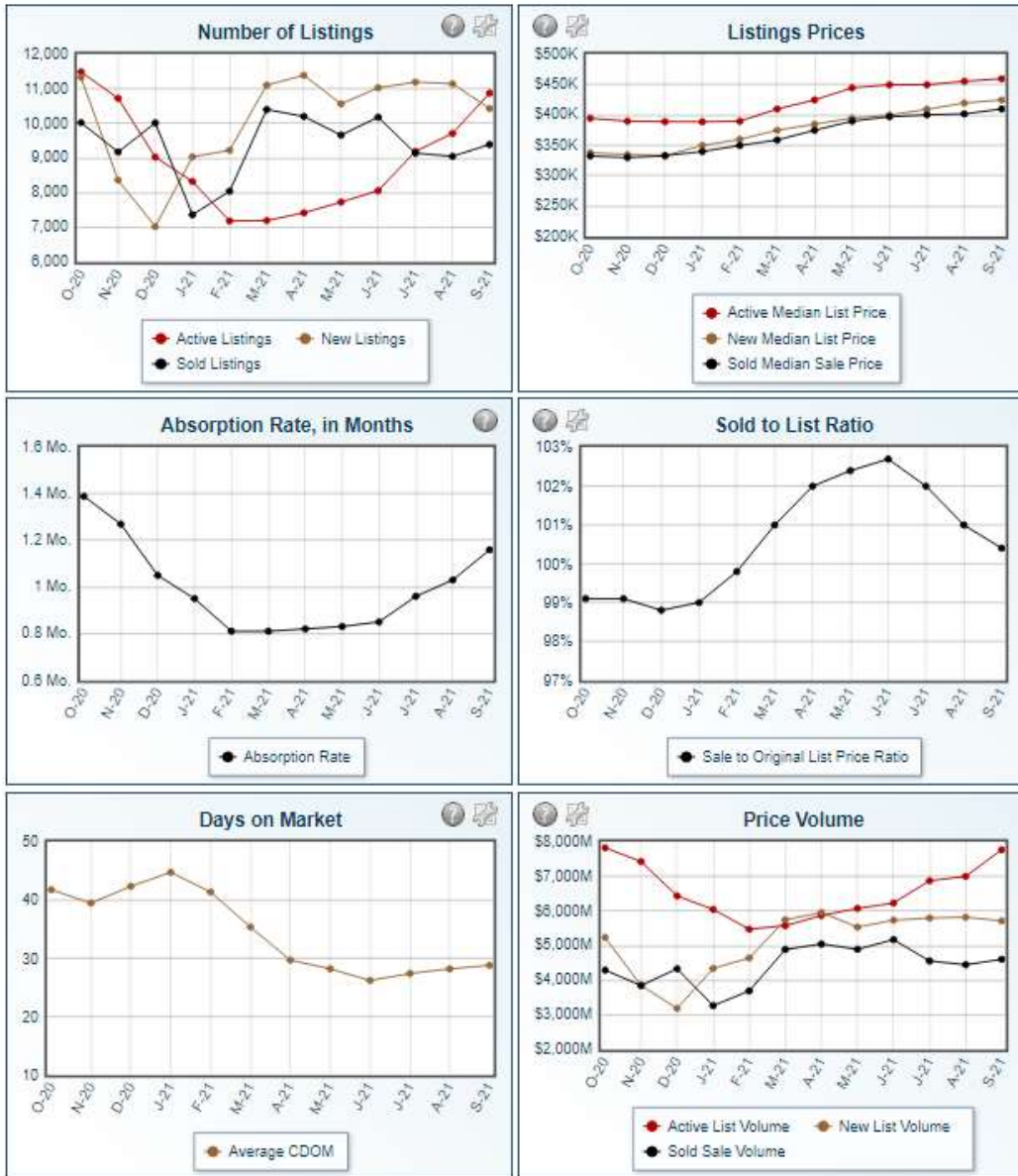
Sold single family homes from \$180,000 \$199,999 were down 42.7% compared to the previous year due to poor supply. The mid-range home sales from \$400,000 to \$499,999 had an increase of 72.4% compared to the previous year.

The median single-family home sale price for the Phoenix Metropolitan Area was \$383,000 year to date and increase of 23.95% compared to this time last year. The average sale price was \$486,168, an increase of 27.28% compared to the previous year. The average days on market was 31 days down 39.22% from the previous year.

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

Summary Statistics	Sep-21	Sep-20	% Chg	2021 YTD	2020 YTD	% Chg
Absorption Rate	1.16	1.36	-14.71	0.91	1.63	-44.17
Average List Price	\$714,596	\$675,012	5.86	\$535,759	\$451,521	18.66
Median List Price	\$460,000	\$390,000	17.95	\$395,000	\$325,000	21.54
Average Sale Price	\$490,191	\$410,994	19.27	\$486,168	\$381,967	27.28
Median Sale Price	\$410,000	\$328,000	25.00	\$383,000	\$309,000	23.95
Average CDOM	28	45	-37.78	31	51	-39.22
Median CDOM	21	29	-27.59	21	34	-38.24

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



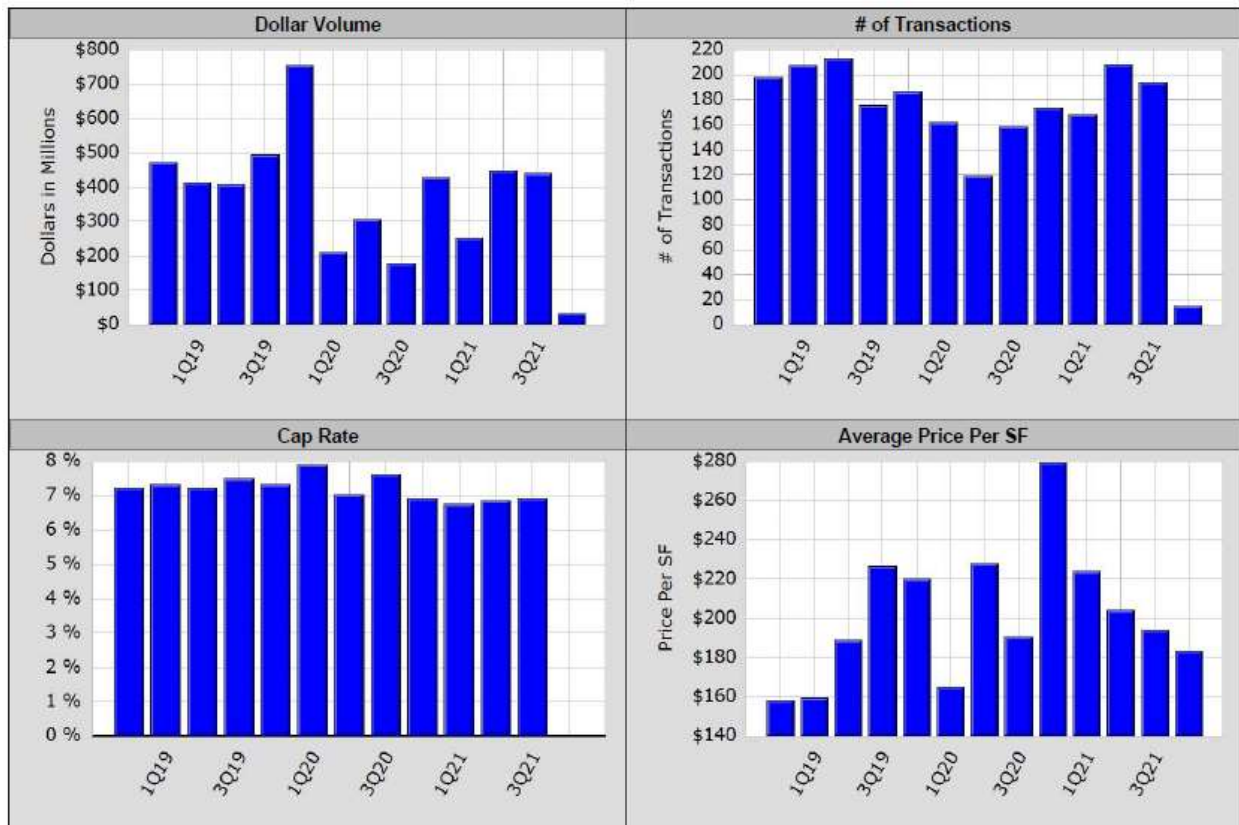
OFFICE MARKET:

The existing inventory for Metropolitan Phoenix consists of just over 191 million square feet. The East Valley market area encompasses the largest submarket, consisting of just over 49 million square feet. The Metropolitan Phoenix Office Market showed a vacancy rate in the 3rd Quarter 2021 of 16.2%. The Metropolitan Phoenix Office Market had a year to date (YTD) absorption of (-1,852,506) square feet. The average rental rate ranged from \$24.02 per square foot (Northwest Phoenix) to \$28.20 per square foot (Central Corridor). The overall average rental rate was \$25.81 per square foot on a full service basis.

Shown next is a chart of the Office Market as of the 3rd Quarter 2021 as compiled by CoStar Realty Information, Inc.

Market	Existing Inventory Inventory SF	Vacancy	12 Mo Net Absorp SF	12 Mo Delivered SF	Under Const SF	Market Rent/SF
		Vac %				
Airport Area	6,472,262	14.7%	-225,536	0	0	\$26.25
South Tempe/Ahwatukee	7,951,593	14.6%	-185,249	107,186	0	\$24.86
Airport Area	14,423,855	14.7%	(410,785)	107,186	0	\$25.55
Midtown	13,247,927	19.7%	-163,460	24,019	0	\$25.21
Downtown	11,599,654	20.8%	-836,794	227,113	0	\$31.19
Central Corridor	24,847,581	20.2%	(1,000,254)	251,132	0	\$28.20
44th Street Corridor	4,015,588	14.0%	-9,498	0	0	\$27.34
Camelback Corridor	9,503,752	19.3%	-354,807	4,175	251,494	\$32.62
Midtown/Central Phoenix	6,109,828	6.3%	11,215	0	0	\$21.82
East Phoenix	19,629,168	39.7%	(353,090)	4,175	251,494	\$27.26
Chandler	13,188,159	14.0%	-155,838	335,294	164,000	\$26.92
Mesa Downtown	1,520,546	6.6%	31,485	0	0	\$20.10
Mesa East	4,843,574	7.4%	125,955	238,349	0	\$22.15
Superstition Corridor	6,668,990	12.4%	-144,746	42,040	10,791	\$22.41
Tempe	19,939,950	12.2%	-121,284	93,125	470,526	\$29.64
Gateway Airport/Loop 202	2,884,260	6.6%	163,366	92,294	87,358	\$26.11
East Valley	49,045,479	9.9%	(101,062)	801,102	732,675	\$24.56
Arrowhead	4,559,258	9.9%	187,279	141,233	0	\$25.72
North I-17	765,894	15.9%	20,256	0	0	\$24.47
Deer Valley/Airport	12,342,943	18.5%	-21,445	144,000	0	\$25.71
Northwest Phoenix	11,024,805	19.6%	-308,185	0	0	\$20.21
Northwest Phoenix	28,692,900	16.0%	(122,095)	285,233	0	\$24.02
N Phoenix/Cave Creek	154,835	1.7%	571	0	0	\$23.05
Paradise Valley	5,017,489	10.5%	40,463	13,934	0	\$26.31
Piestewa Peak Corridor	3,500,807	11.8%	58,536	0	0	\$23.44
Paradise Valley	8,673,131	8.0%	99,570	13,934	0	\$24.27
Central Scottsdale	9,000,823	14.1%	-196,068	0	100,000	\$26.77
N Scottsdale/Carefree	1,878,792	10.2%	46,864	0	0	\$23.34
Scottsdale Airpark	13,974,660	15.8%	237,800	635,111	150,000	\$28.80
Scottsdale South	7,540,277	14.2%	-266,419	0	248,006	\$28.91
Scottsdale	32,394,552	13.6%	(177,823)	635,111	498,006	\$26.95
Glendale	3,599,806	13.3%	24,248	14,609	0	\$25.11
Loop 303/ Surprise	2,644,427	7.5%	67,610	9,317	0	\$26.09
Southwest Phoenix	4,990,767	3.9%	-6,231	0	0	\$24.39
West I-10	2,579,834	5.9%	127,406	16,002	322,628	\$26.94
West Phoenix	13,814,834	7.7%	213,033	39,928	322,628	\$25.63
Totals	191,521,500	16.2%	(1,852,506)	2,137,801	1,804,803	\$25.81

Shown next is a historical sales activity of office buildings from 1Q 2019 through 3Q 2021 in the Metro Phoenix area.



Legend:

Current Survey
Sold Transactions



Time Interval - Quarterly

	Sold Transactions	For Sale & UC/Pending
Number of Transactions	2,176	49
Total Dollar Volume	\$4,832,005,913	\$77,472,978
Total Bldg Square Feet	25,358,222	510,792
Total Land in Acres	1,572.72	34.18
Total Land in SF	68,507,683	1,488,881
Total Units	398	-
Average Price	\$2,623,239	\$1,581,081
Average Number of SF	11,697	10,424
Average Price Per Bldg SF	\$200.13	\$176.53
Median Price Per SF	\$188.80	\$202.18
Average Number of Acres	1.24	1.31
Average Number of SF(Land)	53,943	57,265
Average Price Per Unit	\$44,975	-
Median Price Per Unit	\$45,898	-
Average Number of Units	199	-
Actual Cap Rate	7.23%	6.55%
Average GRM	-	-
Average GIM	-	-

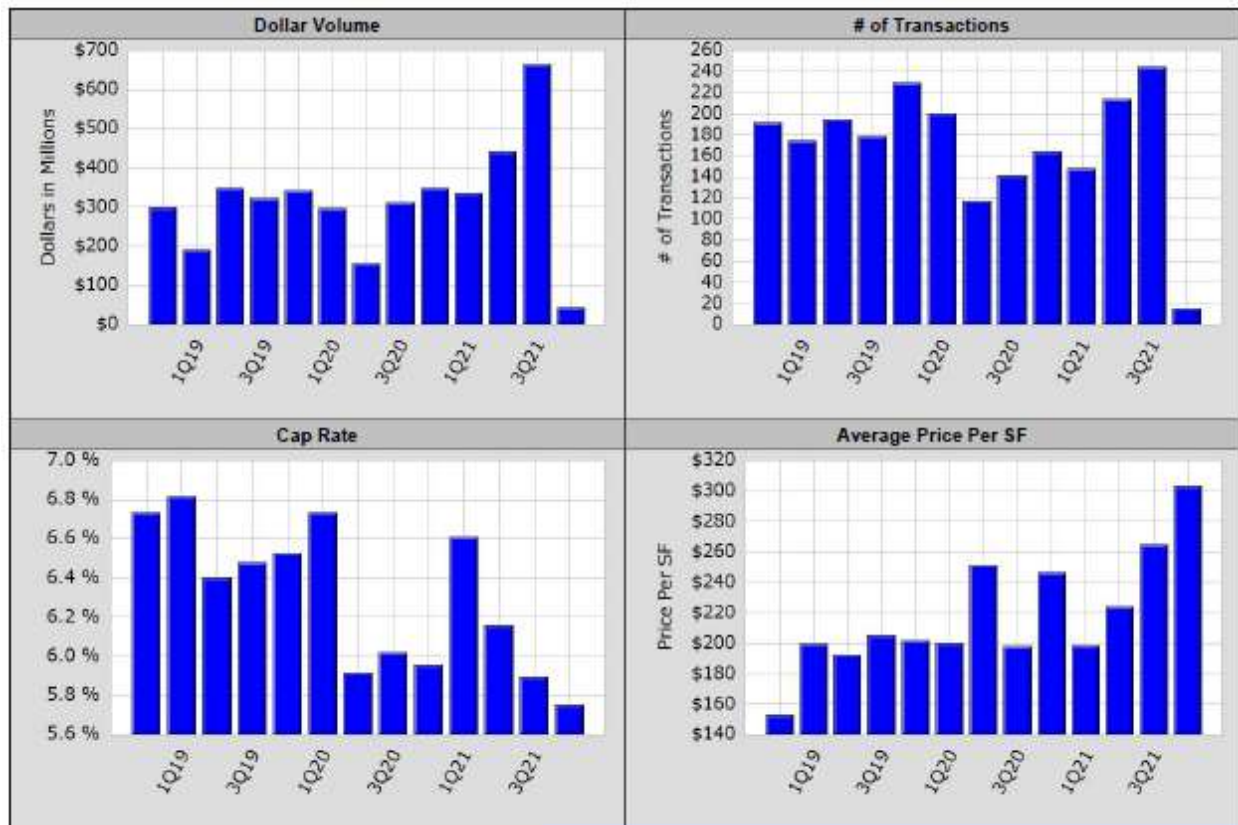
RETAIL MARKET:

The existing inventory for Metropolitan Phoenix consists of over 233 million square feet. The East Valley market area encompasses the largest submarket, consisting of just over 78 million square feet. The Metropolitan Phoenix Retail Market showed a vacancy rate in the 3rd Quarter 2021 of 5.8%. In the 3rd Quarter 2021, the Metropolitan Phoenix Retail Market had a year to date (YTD) absorption of 1,748,734 square feet. The average rental rate ranged from \$14.94 per square foot (Maricopa County retail) to \$24.04 per square foot (Northwest Phoenix Retail). The overall average rental rate was \$19.88 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 3rd Quarter 2021 as compiled by CoStar Realty Information, Inc.

Existing Inventory		Vacancy	12 Mo Net	12 Mo Delivered	Under Const	Quoted
Market	Inventory SF	Vac %	Absorb SF		SF	Rates
Airport Area Retail	3,944,241	5.4%	-23,365	10,900	0	\$17.07
South Phoenix Retail	1,842,300	4.9%	-25,397	746	3,000	\$17.90
Airport Area Ret	5,786,541	5.1%	(48,762)	11,646	3,000	\$17.49
Downtown Phoenix Retail	8,187,953	5.5%	189,238	20,825	4,500	\$19.33
Downtown Phoenix Retail	8,187,953	5.5%	189,238	20,825	4,500	\$19.33
Chandler Retail	17,102,989	6.8%	117,118	8,303	18,565	\$20.39
Gilbert Retail	16,945,325	4.1%	644,765	350,848	212,210	\$21.61
Queen Creek Retail	2,117,234	6.6%	1,086	59,657	27,181	\$22.39
Red Mountain/Mesa Retail	30,693,582	9.8%	83,830	36,423	23,242	\$16.37
Tempe Retail	8,317,439	6.4%	71,707	2,630	18,500	\$19.50
Gateway Airport Retail	2,886,437	3.9%	111,455	32,621	67,142	\$22.66
East Valley Retail	78,063,006	6.2%	1,029,961	490,482	366,840	\$20.49
W Outlying Maricopa Retail	832,683	1.9%	-7,769	0	0	\$14.94
Maricopa County Retail	832,683	1.9%	-7,769	0	0	\$14.94
East Phoenix Retail	8,836,862	7.2%	-26,751	5,430	39,148	\$17.37
Glendale Retail	11,314,510	6.7%	34,475	9,600	44,700	\$17.44
N Phoenix/I-17 Corridor Retail	16,214,274	15.4%	-85,789	13,950	2,500	\$14.89
Sun City Retail	3,884,869	8.3%	19,444	15,375	0	\$16.40
North Phoenix Retail	40,250,515	9.4%	(58,621)	44,355	86,348	\$16.53
Carefree Retail	1,841,587	7.5%	22,631	0	0	\$22.42
Fountain Hills Retail	778,078	6.0%	40,594	0	0	\$17.88
N Scottsdale Retail	14,444,338	6.1%	-935,483	14,193	0	\$23.94
North Scottsdale Retail	15,557,010	6.1%	-154,382	10,542	15,545	\$23.07
Anthem Retail	2,683,812	4.6%	-17,337	0	0	\$22.21
Central Peoria/Arrowhead Retail	10,505,852	6.2%	222,137	248,274	34,486	\$23.11
Deer Valley Retail	2,170,850	1.2%	47,126	4,070	16,100	\$27.79
Surprise/N Peoria Retail	5,747,672	4.4%	15,193	5,000	0	\$23.06
Northwest Phoenix Retail	21,108,186	4.1%	267,119	257,344	50,586	\$24.04
Central Scottsdale Retail	16,767,545	4.5%	126,274	47,463	0	\$29.70
S Scottsdale Retail	3,358,039	6.2%	-31,992	0	7,000	\$17.81
Scottsdale Retail	20,125,584	5.3%	94,282	47,463	7,000	\$23.76
Ahwatukee Foothills Retail	3,255,764	6.5%	117,896	4,519	10,000	\$21.07
Laveen Retail	1,618,702	4.2%	7,110	2,400	7,200	\$23.93
S Mountain Retail	1,640,612	14.0%	-144,247	5,809	0	\$20.91
South Mountain Retail	6,515,078	8.2%	(19,241)	12,728	17,200	\$21.97
Goodyear Retail	4,096,966	3.9%	111,353	28,356	0	\$20.51
Loop101/I-10 Retail	3,128,526	4.8%	-41,499	7,000	14,500	\$21.65
N Goodyear/Litchfield Retail	5,411,764	4.8%	-83,682	16,255	57,510	\$21.75
N Buckeye Retail	213,469	0.0%	133,271	131,550	23,104	\$20.55
S Buckeye Retail	1,591,302	3.3%	18,285	7,670	22,000	\$22.63
Tolleson Retail	2,823,132	5.3%	6,369	0	37,500	\$19.46
West Phoenix/Maryvale Retail	8,223,131	5.2%	66,981	0	0	\$16.46
West Phoenix Retail	25,488,290	3.9%	211,078	190,831	154,614	\$20.43
Apache Junction Retail	2,250,159	5.8%	88,801	58,500	43,200	\$16.33
Outlying Pinal County Retail	9,021,526	9.6%	157,030	38,826	130,895	\$16.88
Pinal County Retail	11,271,685	7.7%	245,831	97,326	174,095	\$16.60
Totals	233,186,531	5.8%	1,748,734	1,183,542	879,728	\$19.88

Shown next is a historical sales activity of retail buildings from 1Q 2019 through 3Q 2021 in the Metro Phoenix area.



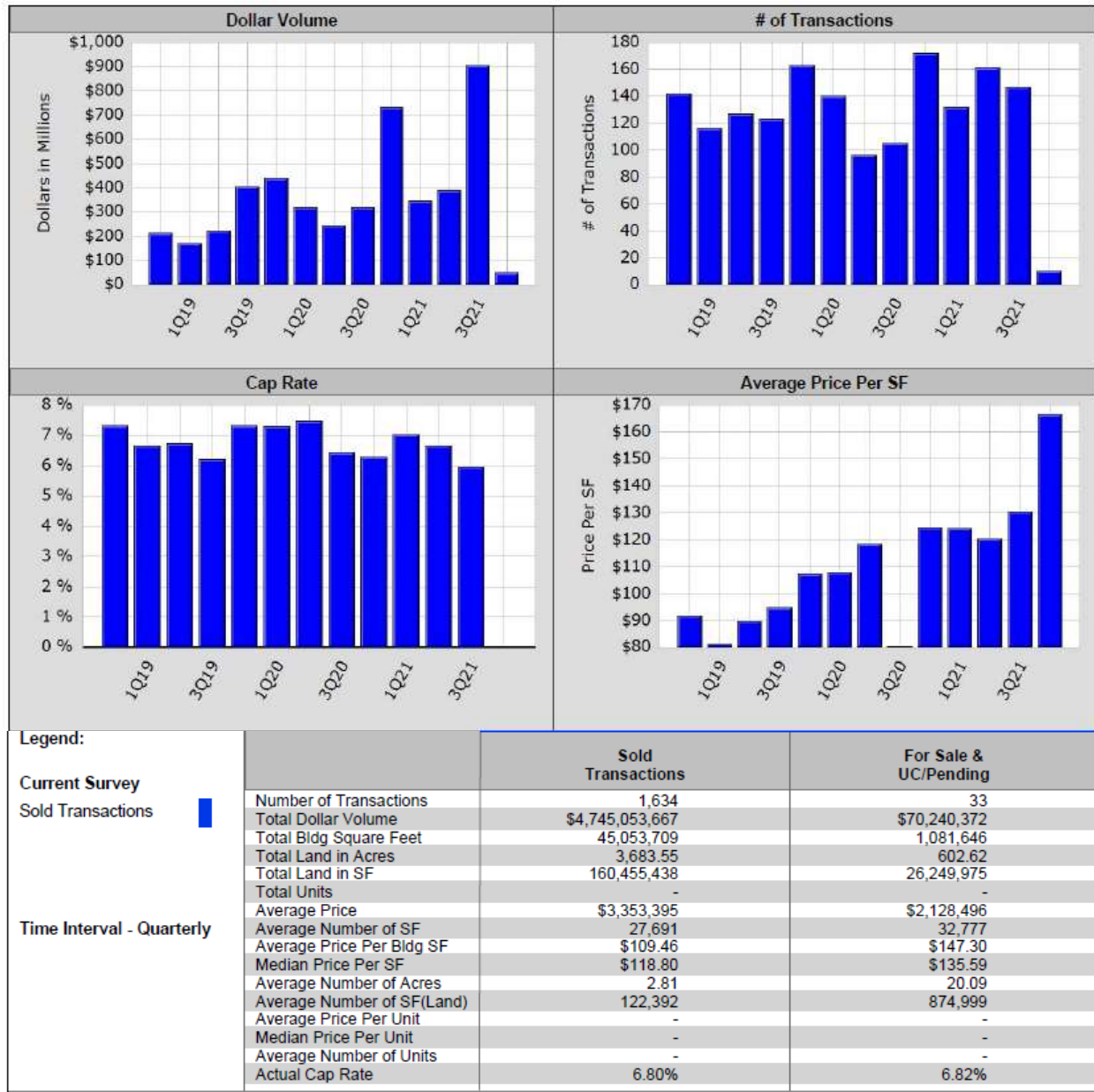
Legend:		Sold Transactions	For Sale & UC/Pending
Current Survey	Sold Transactions		
Time Interval - Quarterly	Number of Transactions	2,209	55
	Total Dollar Volume	\$4,091,375,928	\$178,254,801
	Total Bldg Square Feet	20,199,181	745,995
	Total Land in Acres	3,881.17	83.07
	Total Land in SF	168,192,565	3,618,703
	Total Units	126	-
	Average Price	\$2,136,489	\$3,240,996
	Average Number of SF	9,190	13,564
	Average Price Per Bldg SF	\$211.35	\$283.95
	Median Price Per SF	\$229.52	\$358.00
	Average Number of Acres	1.88	1.73
	Average Number of SF(Land)	81,726	75,390
	Average Price Per Unit	\$48,413	-
	Median Price Per Unit	\$48,413	-
	Average Number of Units	126	-
	Actual Cap Rate	6.37%	5.75%
Average GRM	-	-	
Average GIM	-	-	

INDUSTRIAL MARKET:

The existing inventory for Metropolitan Phoenix consists of over 368 million square feet. The Southwest Market encompasses the largest Market, with a total of over 118 million square feet. The overall vacancy rate for Metro Phoenix is 3.82%. The Metropolitan Phoenix Industrial Market, as of the 3rd Quarter 2021 had a year to date (YTD) absorption of 24,659,210 square feet. The average rental rate ranged from \$7.28 per square foot (Southwest) to \$15.31 per square foot (Northeast Industrial). The overall average market rental rate was \$8.96 per square foot. All rents are typically Modified Gross. Shown next is a chart of the Industrial Market as of the 3rd Quarter 2021 as compiled by CoStar Realty Information, Inc.

Existing Inventory		Vacancy				
Market	Inventory SF	Vac %	12 Mo Net Absorp SF	12 Mo Delivered SF	Under Const SF	Market Rent/SF
North Airport	14,182,668	3.9%	595,862	137,596	0	\$11.16
S Airport N of Roeser	15,356,550	3.6%	357,884	0	0	\$10.65
S Airport S of Roeser	4,531,089	0.4%	167,686	0	0	\$10.87
SC N of Salt River	16,127,514	4.5%	383,677	0	207,701	\$9.65
SC S of Salt River	2,650,776	6.3%	80,623	17,100	0	\$9.41
Airport Area	52,848,597	3.7%	1,585,732	154,696	207,701	\$10.35
Central Phoenix	4,592,651	3.3%	18,536	0	0	\$13.68
Scottsdale Airpark	6,754,953	4.6%	197,308	0	0	\$16.02
Scottsdale/Salt River	5,490,532	0.4%	145,266	0	0	\$16.24
Northeast Industrial	16,838,136	2.8%	361,110	0	0	\$15.31
Deer Valley/Pinnacle Pea	18,364,788	2.5%	1,052,475	506,686	427,736	\$12.75
Glendale	21,677,186	15.0%	5,617,885	7,491,885	8,703,008	\$8.50
Grand Avenue	13,522,745	1.5%	165,422	0	736,843	\$8.30
North Black Canyon	4,674,050	1.6%	165,301	0	0	\$11.54
W Phx N of Thomas Rd	8,180,193	2.1%	204,290	0	0	\$8.14
W Phx S of Thomas Rd	7,120,530	3.0%	-25,117	0	0	\$8.15
Northwest Phoenix	73,539,492	4.3%	7,180,256	7,998,571	9,867,587	\$9.57
Chandler/Airport	5,420,348	8.5%	1,173,971	739,239	1,517,709	\$11.23
Chandler	22,599,851	5.0%	559,541	0	862,556	\$11.43
Chandler/N Gilbert	24,647,923	5.9%	2,450,234	1,294,322	3,936,720	\$11.07
Falcon Fld/Apache Jct	5,780,098	2.3%	434,640	125,744	185,101	\$12.72
Mesa	7,762,792	2.3%	51,853	0	0	\$10.44
Tempe East	6,838,732	1.8%	214,814	60,000	0	\$11.75
Tempe Northwest	11,108,873	2.9%	144,365	0	314,687	\$11.29
Tempe Southwest	21,944,569	4.2%	821,562	0	0	\$10.30
Southeast Industrial	106,103,186	4.1%	5,850,980	2,219,305	6,816,773	\$11.28
Goodyear	22,167,213	19.7%	4,236,243	5,793,207	4,606,688	\$7.03
SW N of Buckeye Rd	34,393,271	2.1%	1,798,161	95,362	2,918,894	\$7.12
SW S of Buckeye Rd	19,082,911	4.1%	479,378	168,312	545,534	\$7.81
Tolleson	43,223,838	6.1%	3,167,350	890,929	2,073,262	\$7.18
Southwest Industrial	118,867,233	8.0%	9,681,132	6,947,810	10,144,378	\$7.28
Totals	368,196,644	3.82%	24,659,210	17,320,382	27,036,439	\$8.96

Shown next is a historical sales activity of industrial buildings from 1Q 2019 through 3Q 2021 in the Metro Phoenix area.



SUMMARY AND CONCLUSION:

The Arizona economy continues to recover from the pandemic, but progress has been uneven. The travel and tourism sector is improving, but still has a long way to go. Transportation and warehousing continues to add jobs at a rapid pace, thanks to accelerated online shopping and demand for delivery services. Fiscal stimulus has driven strong income growth, which boosted consumer spending, but that will end later this year. House prices continue to surge, driving down affordability. Arizona’s population rose at a faster pace than most states during the past decade, but growth was slow relative to the past.

The outlook for the state remains positive, but the pandemic will still influence the pace of recovery. The baseline forecast assumes that vaccine distribution continues to go well and that no vaccine-resistant variants emerge. The baseline projections call for state jobs to regain their pre-pandemic peak in the first quarter of 2022 and to increase by 643,000 over the next decade. The pessimistic scenario calls for that to happen in the third quarter of 2022 and for the state to add 577,000 jobs by 2030. The optimistic scenario calls for Arizona jobs to regain their pre-pandemic high in the fourth quarter of 2021 and to rise by 778,000 during the next decade. (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 2021 will continue in a similar fashion. ARMLS had 83,445 homes sold as of September 2021 across the Greater Phoenix area.

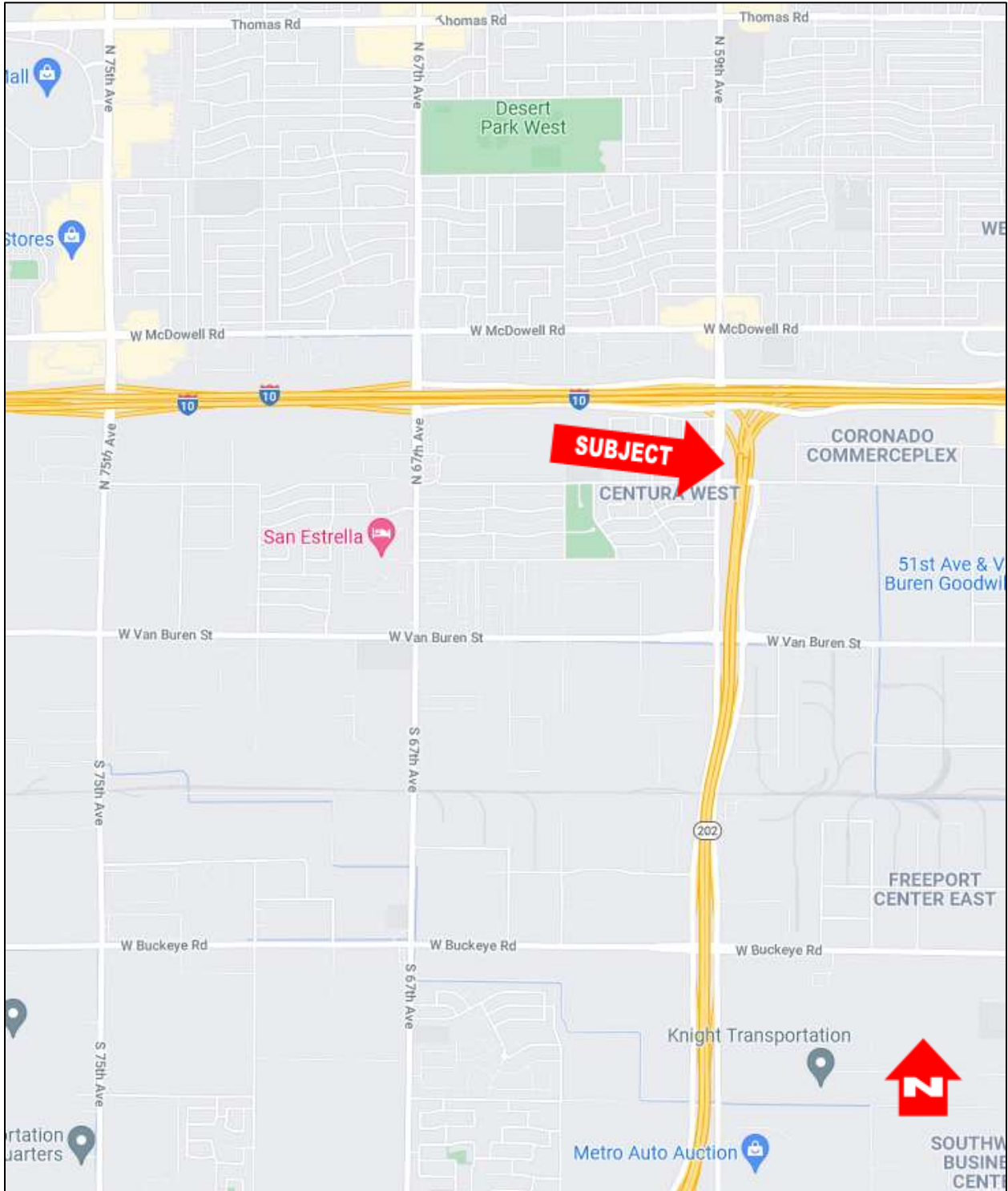
The office market vacancy for the 3rd Quarter 2021 has decreased to 16.2% compared to the 2nd Quarter of 2021 at 16.3%. Quoted rental rates increased to \$25.81 compared to the previous quarter at \$25.78 per square foot in the 2nd Quarter 2021.

The retail market vacancy for the 3rd Quarter 2021 has decreased to 5.8% compared to the 2nd Quarter of 2021 at 6.0%. Rental rates have increased to \$19.88 per square foot in the 3rd Quarter 2021 from \$19.58 per square foot in the 2nd Quarter 2021.

In the 3rd Quarter 2021 the industrial market vacancy has seen a decrease in vacancy to 3.82% compared to 4.32% in the 2nd Quarter 2021. Quoted rental rates has increased to \$8.90 compared to the previous quarter at \$8.67 per square foot in the 2nd Quarter 2021.

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 subject neighborhood is described as that area beyond which a change in land use would not affect the subject property site, is an area bounded on the North by Interstate-10, on the South by Buckeye Road, on the West by 75th Avenue and on the East by the South Mountain Freeway (Loop 202) in Phoenix, Maricopa County, Arizona.

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 (85043) to determine single family residential supply and demand factors. According to Arizona Multiple Listing Service the current single family median sales price is up by 46.26% compared to the same time period last year. The median list price for homes in the subject's zip code was up 42.47% from the previous year's median list price. Absorption rates for single family homes are down 12.64%.

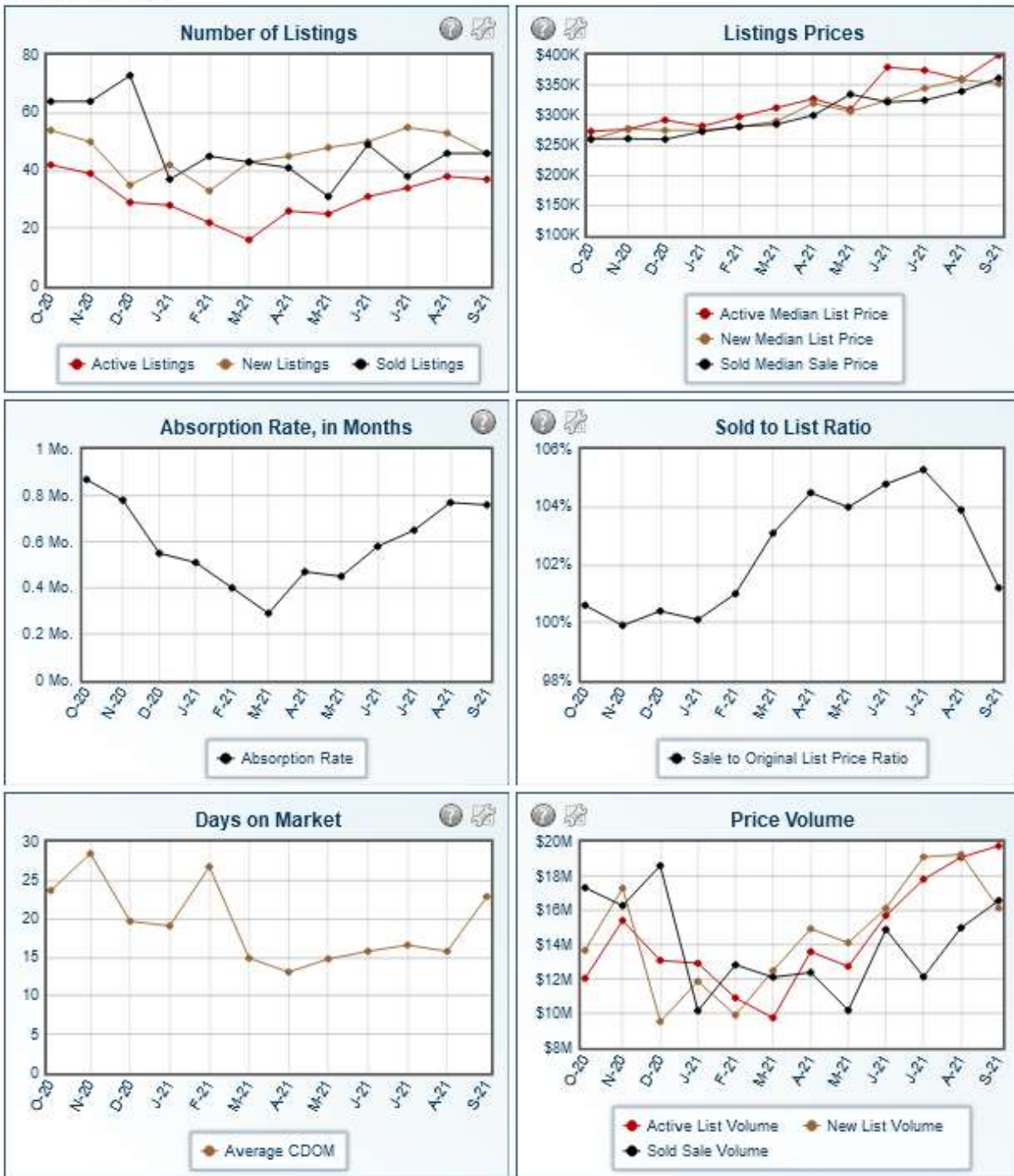
Following are the summary statistics for single family residential sales activity within the subject's zip code.

Summary Statistics			
	Sep-21	Sep-20	% Chg
Absorption Rate	0.76	0.87	-12.64
Average List Price	\$534,426	\$269,185	98.54
Median List Price	\$399,900	\$280,698	42.47
Average Sale Price	\$360,450	\$252,593	42.70
Median Sale Price	\$362,000	\$247,500	46.26
Average CDOM	22	20	10.00
Median CDOM	15	9	66.67

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

85043 Residential



Industrial/Flex

The following historical data from CoStar represents the industrial market including rental rates and vacancy rates.

The 3.0-mile radius surrounding the subject property had an industrial inventory of approximately 62.5 million square feet. Of this area approximately 2.3 million square feet was vacant equating to a vacancy rate of 3.6%. Over the past five years, vacancy rates ranged from the current rate of 3.6% to 14.1%. Over the past year, vacancy rates have been trending downward.



The current quarter showed average asking rental rates of \$7.11 per square foot. Over the past five years, average asking rental rates ranged between \$4.85 per square foot to the current rate of \$7.11 per square foot. Average asking rental rates have been trending upward over the past year.



Office

The following historical data from CoStar represents the office market including rental rates and vacancy rates.

The 3.0-mile radius surrounding the subject property had an office inventory of approximately 414,000 square feet. Of this area approximately 18,300 square feet was vacant equating to a vacancy rate of 4.4%. Over the past five years, vacancy rates ranged from 2.3% to 9.3%. Over the past year, vacancy rates have been trending upward.



The current quarter showed gross asking rental rates of \$19.91 per square foot. Over the past ten years, gross asking rental rates ranged between \$15.84 per square foot to the current rate of \$19.91 per square foot. Gross asking rental rates have been trending upward over the past year.



DEMOGRAPHICS:

Population	2 mile	5 mile	10 mile
2010 Population	63,509	339,254	1,094,214
2021 Population	71,133	386,930	1,288,467
2026 Population Projection	75,694	412,743	1,380,105
Annual Growth 2010-2021	1.1%	1.3%	1.6%
Annual Growth 2021-2026	1.3%	1.3%	1.4%
Median Age	28.5	29.2	32.6
Bachelor's Degree or Higher	4%	7%	17%
U.S. Armed Forces	14	95	1,284

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.

UTILITIES:

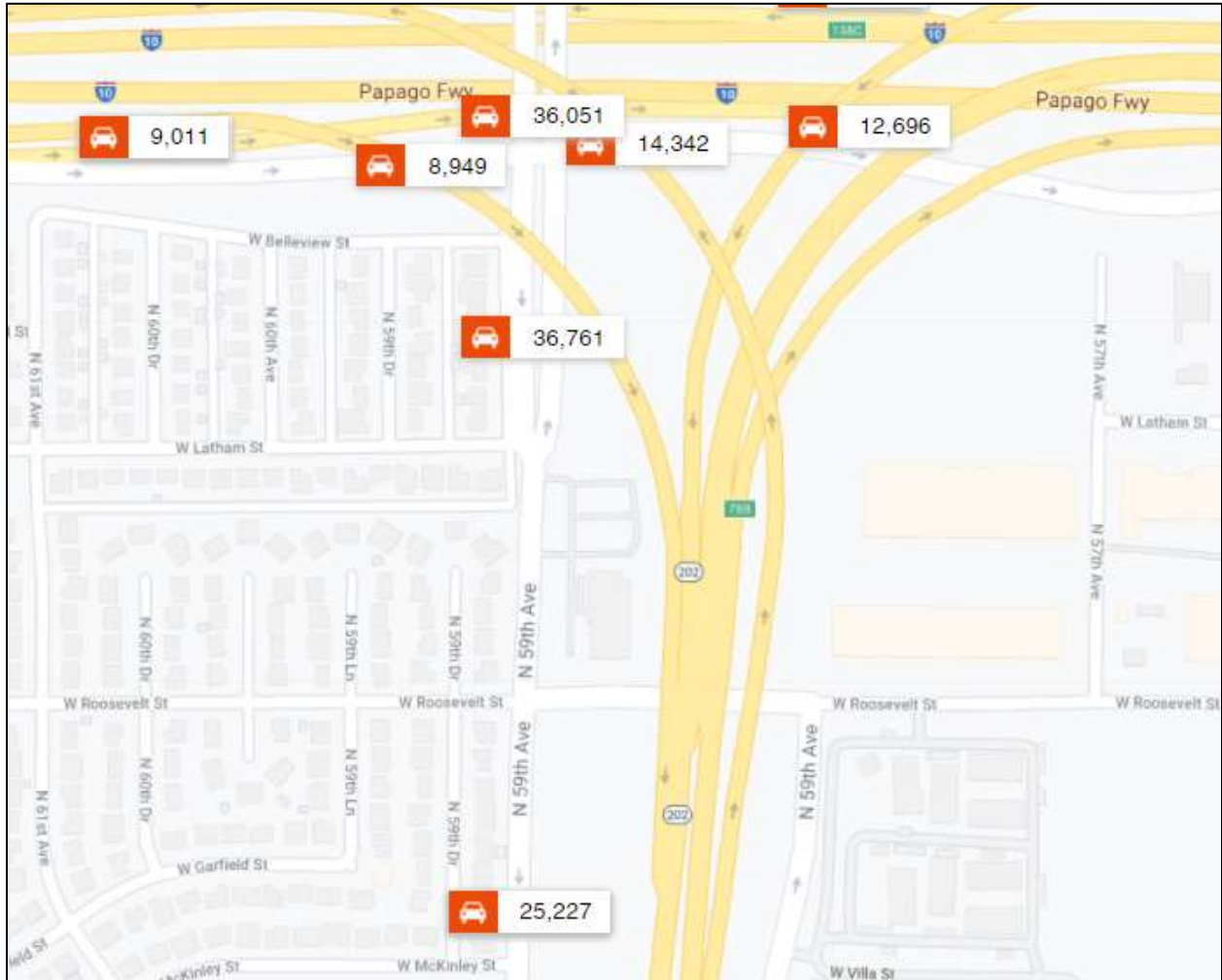
The subject neighborhood is located within the city limits of Phoenix. Water and sewer is provided by the City of Phoenix; Electricity is provided by Salt River Project (SRP); Natural gas is provided by Southwest Gas; Telephone service is provided by CenturyLink. These services are adequate and are available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

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.

TRANSPORTATION:

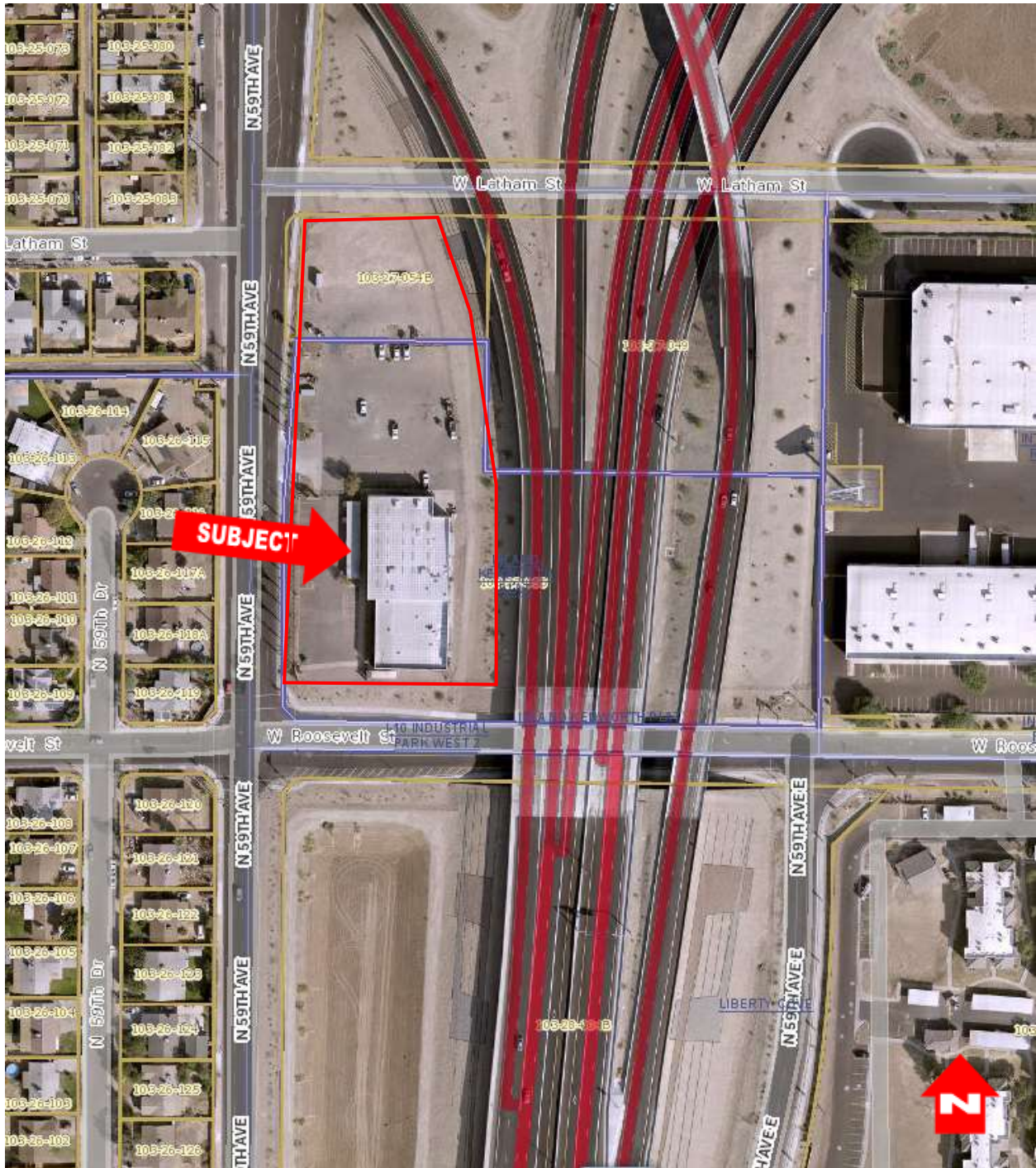
The main arterials for the area are Interstate-10 to the north, South Mountain Freeway (Loop 202) to the east and Van Buren Street to the south. Shown next is a traffic count map for the area.



CONCLUSION:

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

AERIAL VIEW



SITE DATA ANALYSIS

LOCATION:

The subject property is located at 1021 North 59th Avenue in Phoenix, Arizona.

PARCEL NUMBERS:

103-27-054B & 055

SITE DIMENSIONS AND SHAPE:

As indicated, the subject property has not yet been re-platted to represent the net site area located outside of the existing South Mountain Freeway right of way. It is expected that a new parcel will be recorded prior to any disposition of the subject.

Currently the two parcels associated with the subject total 5.94 gross acres or 258,746 gross square feet. However, the area associated with the building improvements was calculated as totaling 2.53 net acres or 110,320 net square feet. This is the land area located outside of any existing right of way.

The net site area being valued has approximately 595 feet of frontage along 59th Avenue with and approximately 145 feet of frontage along Roosevelt Street.

IMPROVEMENTS:

The subject is a vacant single tenant industrial flex building totaling 18,135 square feet. The building was originally constructed in 1996 as part of larger trucking facility. The trucking facility was acquired by ADOT for the construction of the adjacent South Mountain Freeway (Loop 202), which caused the demolition of a portion of the former improvements. The building area that remained after the acquisition was retained and portions of the interior were remodeled to house the offices of Connect 202 during the construction of the freeway. The improvements will be described in more detail within the Improvement Data section of the appraisal.

SURROUNDING USES:

Located to the west of the subject is a single family residential subdivision, while located to the south is vacant land. The South Mountain Freeway (Loop 202) is located adjacent to the east and Interstate-10 is located to the north. The surrounding area consists mainly of residential and industrial uses.

NUISANCES OR HAZARDS:

An environmental study has not been provided to the appraiser. 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.

TRANSPORTATION IMPROVEMENTS:

The subject property has frontage, visibility, and access from 59th Avenue and frontage and visibility from Roosevelt Street. It should be noted that 59th Avenue changes to a one way southbound roadway south of Roosevelt Street. Accessing the subject property in the northbound direction can only be achieved from Roosevelt Street.

Located adjacent to the east is the South Mountain Freeway (Loop 202) and Interstate-10 is located just to the north of the subject. The subject site does not have any visibility from either of these freeways due to the sound walls constructed to protect the single family homes in the area from freeway noise.

Roadway improvements adjacent to the subject site are as follows:

Street: 59th Avenue
Road Surface: Paved
Lanes: Four lanes with a center turn lane
Curbs/Gutters: Yes
Sidewalks: Yes
Street Lights: Yes
Speed Limit: 45 mph
Traffic Count: 36,761 vehicles per day

Street: Roosevelt Street
Road Surface: Paved
Lanes: Three lanes (Two westbound one eastbound)
Curbs/Gutters: Yes
Sidewalks: Yes
Street Lights: Yes
Speed Limit: 35 mph
Traffic Count: 2,773 vehicles per day

Street: South Mountain Freeway (Loop 202)
Road Surface: Paved
Lanes: Eight lanes with an HOV lane in each direction
Curbs/Gutters: No
Sidewalks: No
Street Lights: Yes
Speed Limit: 65 mph
Traffic Count: A traffic count has not yet been recorded yet.

Street: Interstate-10
Road Surface: Paved
Lanes: Eight lanes with an HOV lane in each direction
Curbs/Gutters: No
Sidewalks: No
Street Lights: No
Speed Limit: 65 mph
Traffic Count: 239,883 vehicles per day

TOPOGRAPHY, DRAINAGE AND SOIL CONDITIONS:

Elevations are level and at grade with adjoining property. 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.

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 04013C2185L based on the 10/16/2013 flood data. 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, water and telephone services are available to the site.

Sewer - City of Phoenix
Water - City of Phoenix
Electric - Salt River Project (SRP)
Gas - Southwest Gas
Telephone - CenturyLink

EASEMENTS:

A title report was not provided. However, based upon a review of the available property information, there do not appear to be any easements, encroachments, or restrictions other than those that are typical for the property type. Our 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.

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 A-1; Light Industrial according the Phoenix Planning and Zoning Department.

The A-1, Light Industrial District, is a district of industrial uses designed to serve the needs of the community for industrial activity not offensive to nearby commercial and residential uses.

The subject improvements adhere to this zoning code and could be reconstructed if the site were vacant. It is possible that a zoning change could be approved now that the newly constructed South Mountain Freeway separates the subject industrial use from the bulk of other industrial uses located on the east side of the freeway.

I am not an expert in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required. The zoning ordinance is located within the addenda.

TAX AND ASSESSMENT DATA:

Presently, the subject property is identified as assessor's tax parcel number: 103-27-054B & 055. The subject property is located in Maricopa County and valued by the county assessor for taxing purposes.

The Maricopa County Assessor's Office assesses the subject. Full Cash Value (FCV) has no relationship to market value as defined in this report. Full cash value is set by State law and is for tax assessment purposes only. It does not consider the future potential use of the property and is not always current with market transactions. Limited Property Value (LPV) is set by the State of Arizona and, by statute, cannot exceed full cash value.

In the State of Arizona, a sale of the subject does not trigger a reassessment.

Proposition 117 passed in 2012 by a majority of Arizona voters, Proposition 117 works as a mechanism to control the large valuation swings that did so much damage to, not only property owners, but to government budgets, during the recession.

Proposition 117 acts as a mandatory cap on valuation increases to the LPV, upon which both primary and secondary tax rates will now be based. So even though FCV may rise dramatically (as it is not limited and is based on market conditions), Proposition 117 caps increases in the LPV to 5% annually. It should be noted, this cap does not apply to new construction, additions, or deletions to your property.

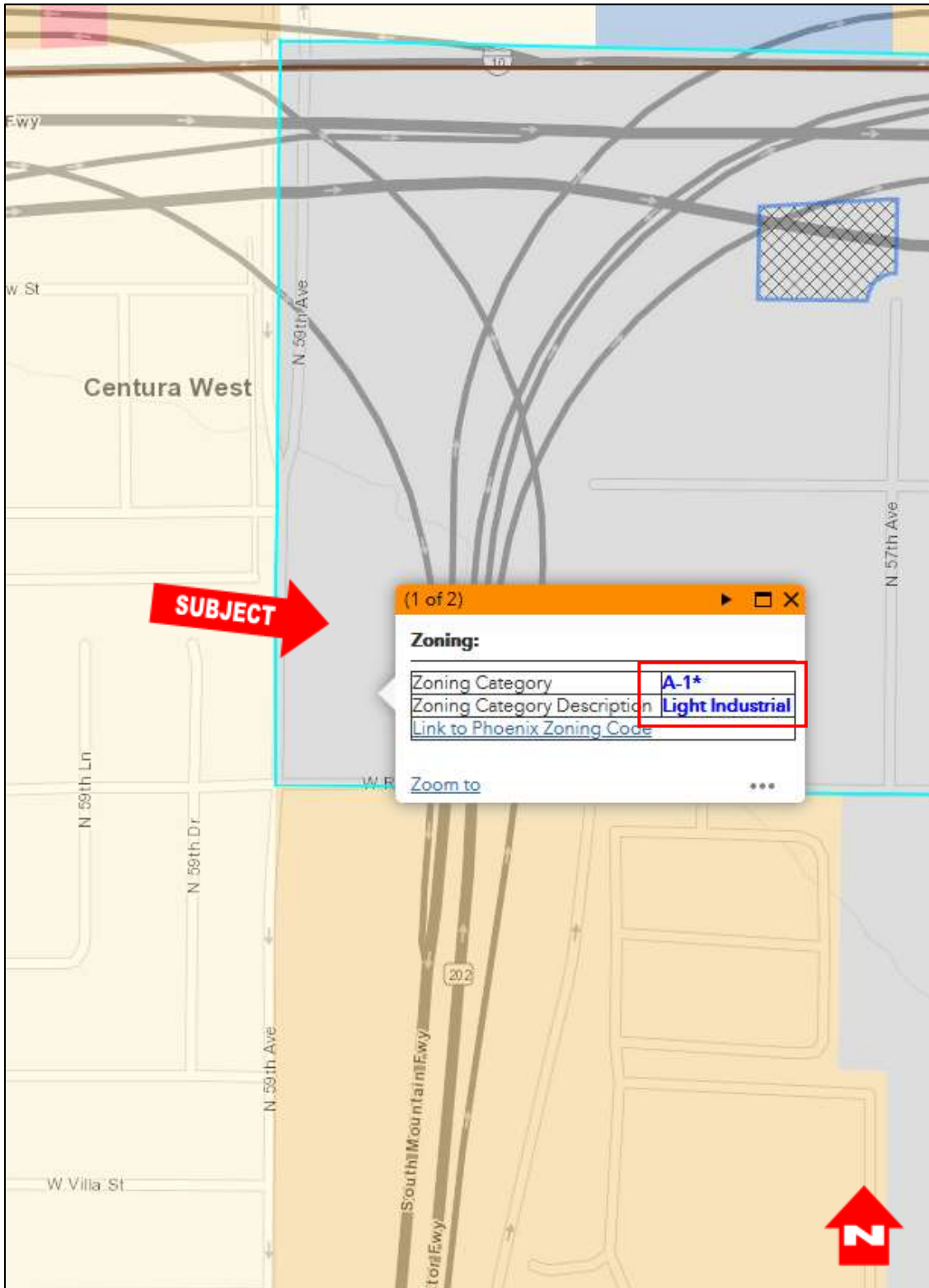
Proposition 117 does not change statutory formulas used for calculating the amount of money which can be collected by taxing jurisdictions. Proposition 117 provides a stable and dependable value for LPVs, and, in theory, a stable tax base for taxing jurisdictions dependent on property taxes. Proposition 117 went into effect for Tax Year 2015.

The subject is currently owned by an entity of the state and therefore exempt from paying taxes. The appraiser is unaware of any known special assessments which would affect the value of the property.

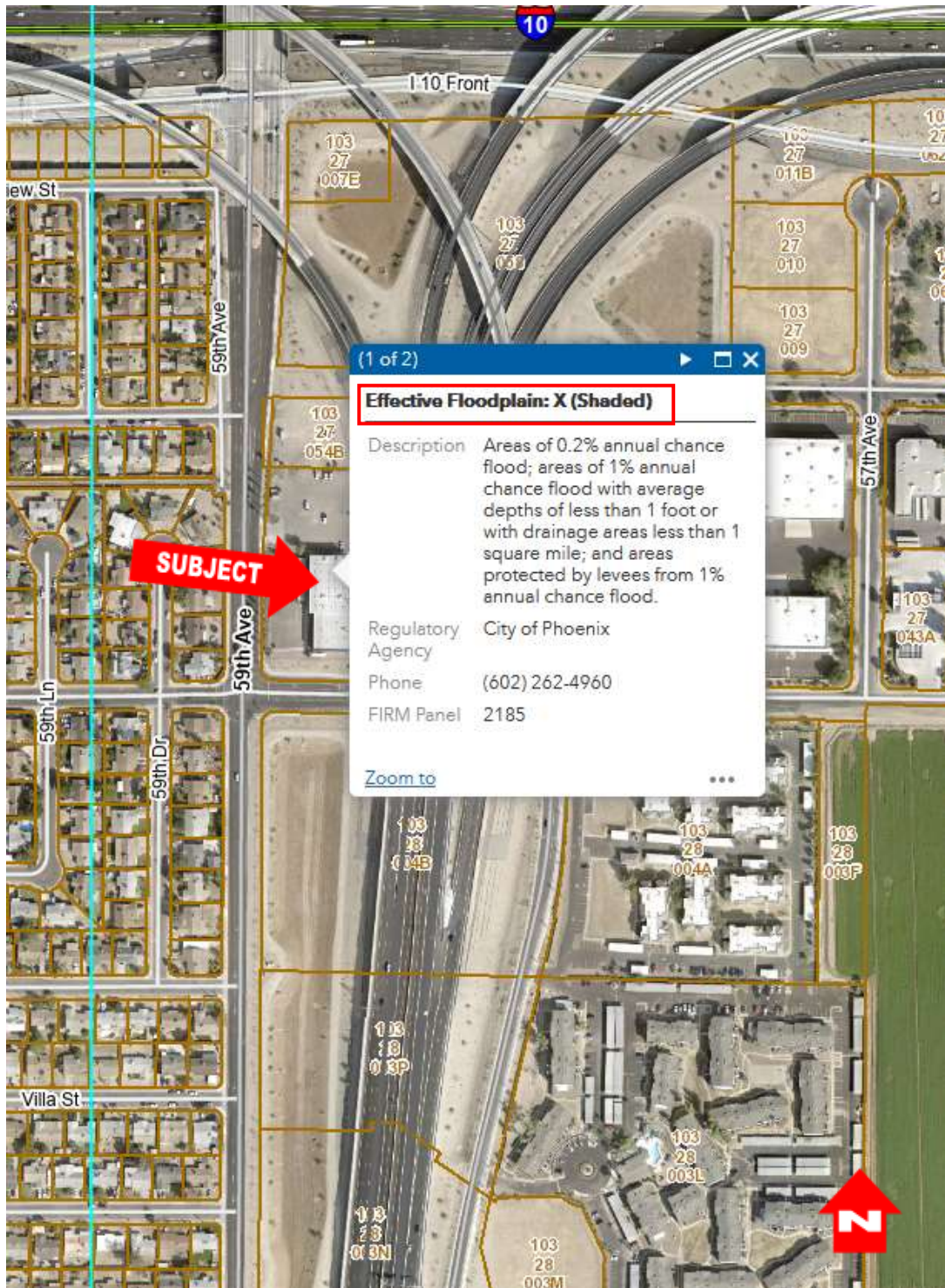
CONCLUSION:

In conclusion, the physical and functional characteristics of the site are considered to have adequate visibility and access. The site is located in an area predominantly made up of residential development to the west and industrial uses to the east with 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.

ZONING MAP



FLOOD ZONE MAP



SUBJECT PHOTOGRAPHS

Photos as of October 19, 2021



Looking at the front of the subject



Subject parking area



Looking north across the subject excess land



Looking east along Roosevelt street, subject on the left



Looking at the exterior of the subject



Looking north along 59th Avenue, subject on right



Looking east along Roosevelt Street, subject on the left



Looking west along Roosevelt Street, subject on the right



Looking north along 59th Avenue, subject on the right



Looking northeast across the northern portion of the site towards the Loop 202/Interstate 10 interchange



Looking south along 59th Avenue, subject on the left



Looking south across the northern portion of the subject site



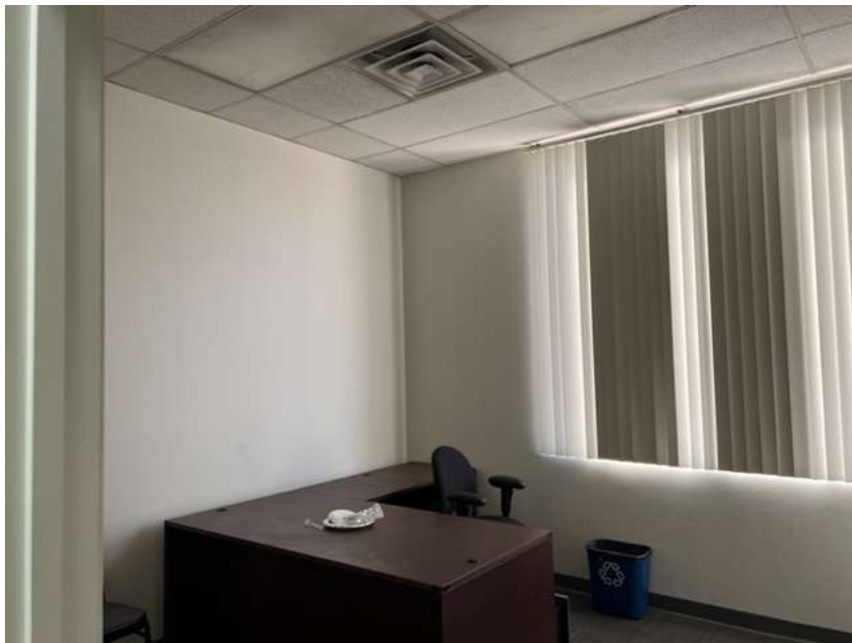
Subject parking area



Typical interior of the subject



Typical interior of the subject bathroom



Typical interior of the subject



Typical interior of the subject



Typical interior of the subject



Typical interior of the subject



Typical interior of the subject bathroom



Subject mezzanine area



Typical interior of the subject



Typical interior of the subject



Typical interior of the subject



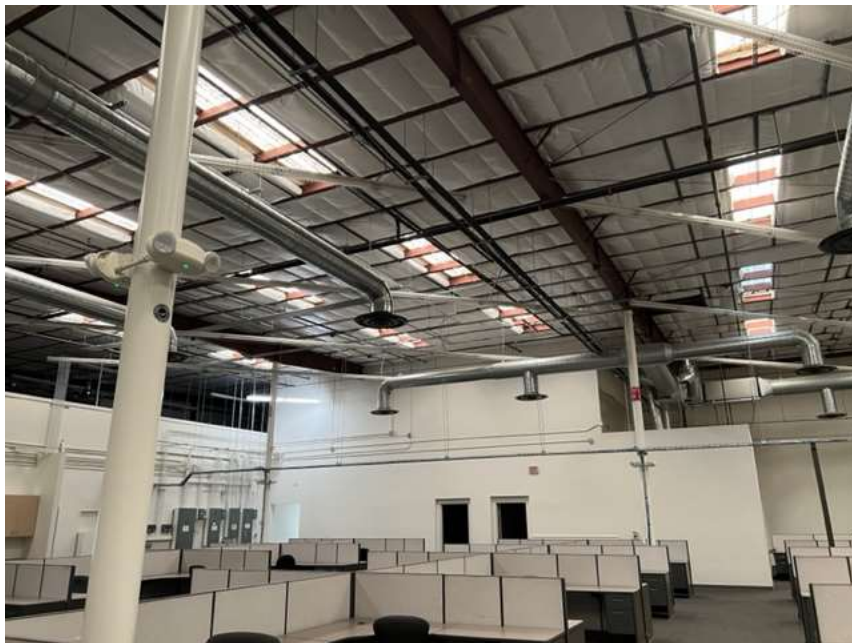
Typical interior of the subject



Typical interior of the subject bathroom



Typical interior of the subject (former warehouse area turned into office)



Typical interior of the subject (former warehouse area turned into office)



Typical interior of the subject (former warehouse area turned into office)

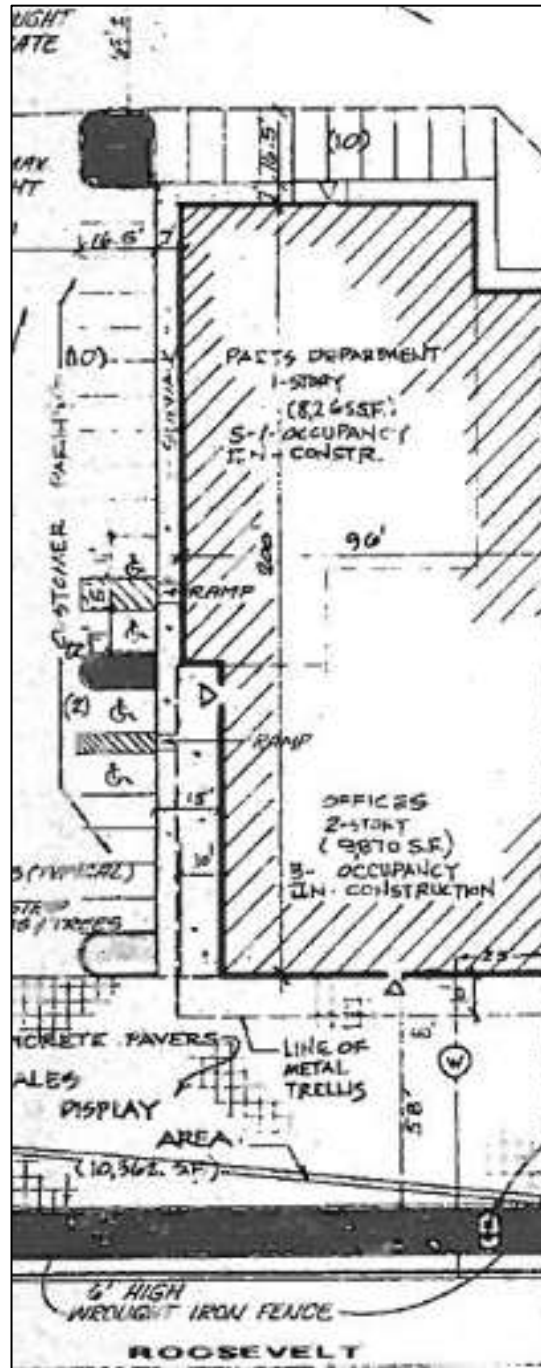


Typical interior of the subject warehouse area in the rear of the building



Typical interior of the subject warehouse area in the rear of the building

BUILDING LAYOUT



IMPROVEMENT DESCRIPTION

<u>Property Type:</u>	Single tenant office/warehouse building
<u>Property Use:</u>	Single tenant industrial flex building
<u>Size:</u>	Office: 16,945 square feet Warehouse: 1,190 square feet Total: 18,135 square feet
<u>Year Built:</u>	1996; portions of the original building were demolished to allow for the construction of the new South Mountain Freeway. Following this demolition portions of the remaining warehouse portion of the property were improved as office space in 2018.
<u>Foundation:</u>	Reinforced concrete footings. Concrete Floor. Sub-grade is compacted ABC fill
<u>Exterior Walls:</u>	Block construction
<u>Ceiling Height:</u>	The subject building has a ceiling height that ranges from 8' to approximately 20' in the office areas and approximately 20' in the warehouse area.
<u>Windows:</u>	Glass in anodized aluminum frames
<u>Roof Structure:</u>	Typical flat roof with a spray foam membrane. The roof was reported to be in poor condition, however the building manager indicated that they were currently getting quotes to have the roof redone. This valuation will assume that the roof repairs will have been completed and it is an Extraordinary Assumption that the roof is in good condition.
<u>Floors:</u>	Concrete
<u>Floor Covering:</u>	Combination of carpet, tile and treated concrete.
<u>Partitions:</u>	White Gypsum board
<u>Ceilings:</u>	A combination of drop acoustic ceiling with 2' x 2' and 2' x 4' panels in portions of the office areas and exposed insulated roof in portions of the office that was formerly used as warehouse space.
<u>Insulation:</u>	Standard fiberglass batt, as required

<u>Exterior Doors:</u>	A combination of hollow metal doors and glass entry doors. The building includes a 12 foot by 15 foot drive-in roll up door giving access to the warehouse space. It is noted that the access to the existing warehouse space is considered poor due to the roll up doors location near the property boundary and lack of truck maneuverability this causes.								
<u>Plumbing:</u>	The plumbing appears to be adequate.								
<u>Heating & Cooling:</u>	The subject is air conditioned with packaged rooftop A/C units. The HVAC system was reported to be in good working order.								
<u>Electrical:</u>	The building has an adequate amount of electrical supply.								
<u>Lighting:</u>	Combination of fluorescent and incandescent lighting								
<u>Fire Sprinklers:</u>	Yes								
<u>Office Build-Out:</u>	Approximately 93% of the building is built-out with office space; however, a large portion of the office space is made up of 8' high partitioned cubicles located within the former warehouse space.								
<u>Condition:</u>	Average								
<u>Functional Utility:</u>	Average								
<u>Economic Life:</u>	The subject improvements were completed in 1996. The actual age of the subject improvements is 25 years, while the effective age is estimated to be 15 years. The economic life for improvements such as the subject is approximately 50 years; therefore, the remaining economic life for the subject improvements is 35 years.								
<u>Land to Building Ratio:</u>	6.08:1; This land to building ratio is higher than what is typical for other flex buildings in the market indicating that the subject has surplus land								
<u>Parking:</u>	<table> <tr> <td>Open Spaces:</td> <td>74 spaces</td> </tr> <tr> <td>Covered Spaces:</td> <td>10 spaces</td> </tr> <tr> <td>Total Spaces:</td> <td>84 spaces</td> </tr> <tr> <td>Parking Ratio:</td> <td>4.63/1,000 square feet of building area</td> </tr> </table> <p>It should be noted that the parking lot is in fair condition and would likely require re-paving in the near future.</p>	Open Spaces:	74 spaces	Covered Spaces:	10 spaces	Total Spaces:	84 spaces	Parking Ratio:	4.63/1,000 square feet of building area
Open Spaces:	74 spaces								
Covered Spaces:	10 spaces								
Total Spaces:	84 spaces								
Parking Ratio:	4.63/1,000 square feet of building area								
<u>Landscaping:</u>	Landscaping is minimal with small trees located in the parking medians. It is noted that the subject site includes a metal perimeter								

fence surrounding the entire property, as well as a secondary gated/fenced area located within the parking lot housing the covered parking.

Comments:

As indicated, the subject property was formerly improved with a truck dealership and service center totaling 43,965 square feet of building area. Much of the former property was located within the path of the proposed South Mountain Freeway and the property was ultimately acquired by ADOT. Following this acquisition a portion of the former building improvements were demolished leaving 18,135 square feet of building area that was subsequently converted into an office use for Connect 202, the company that worked in tandem with ADOT to construct the new freeway. Due to the partial demolition of the former building and change in use of the property in general, the layout of the improvements is somewhat unique. However, the subject improvements do have desirable attributes that would be appropriate for many users needing office space as well as outdoor storage. Additionally, it would not take a significant amount of capital to convert the flex office area back into warehouse if that was necessary for a future user.

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

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 synergetic 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 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:*** A property use that is either currently allowed or most probably allowable under zoning codes, building codes, environmental regulations, and other applicable laws and regulations that govern land use.
- ***Physically Possible:*** For a land use to be considered physically possible, the parcel of land must be able to accommodate the construction of any building that would be a candidate for the ideal improvement.
- ***Financially Feasible:*** The value of the land use must exceed its cost (economic feasibility is a condition that exists when prospective earning power is sufficient to pay a requisite rate of return on the completion cost (including indirect costs). In other words, the estimated value at completion equals or exceeds the estimated cost. In reference to a service or property where revenue is not a fundamental consideration, economic feasibility is based on a broad comparison of cost and benefits.)
- ***Maximally Productive:*** To achieve maximum productivity, a specific land use must yield the highest value of all the physically possible, legally permissible, and financially feasible possible uses.

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

To test highest and best use for the land as vacant, the appraiser analyzed 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 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 A-1; Light Industrial according the City of Phoenix Zoning Map.

The A-1, Light Industrial District, is a district of industrial uses designed to serve the needs of the community for industrial activity not offensive to nearby commercial and residential uses.

In conclusion, the subject site has a legally permissible use for light industrial 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 property has not yet been re-platted to represent the net site area located outside of the existing South Mountain Freeway right of way. It is expected that a new parcel will be recorded prior to any disposition of the subject. Currently the two parcels associated with the subject total 5.94 gross acres or 258,746 gross square feet. However, the area associated with the building improvements was calculated as totaling 2.53 net acres or 110,320 net square feet.

The net site area being valued has approximately 595 feet of frontage along 59th Avenue with and approximately 145 feet of frontage along Roosevelt Street.

The appraiser relied on Maricopa County Assessor information for the appraisal and on the physical inspection of the subject property.

There are no indicated development limitations observed from our 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, light industrial development is both legally permissible and 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, industrial development is both physical and possible on the site. 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 effective 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, an analysis of the market conditions of supply, demand, and pricing for a specific property type in a specific area. *Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*

As indicated, the subject is currently zoned for light industrial development. Therefore, the appraiser has searched the market to determine if this type of development is currently feasible in the marketplace.

The following data is based off a survey from CoStar for a three-mile radius surrounding the subject property.

Industrial/Flex

The 3.0-mile radius surrounding the subject property had an industrial/flex inventory of approximately 62.5 million square feet. Of this area approximately 2.3 million square feet was vacant equating to a vacancy rate of 3.6%. Over the past five years, vacancy rates ranged from the current rate of 3.6% to 14.1%. Over the past year, vacancy rates have been trending downward.



The current quarter showed average asking rental rates of \$7.11 per square foot. Over the past five years, average asking rental rates ranged between \$4.85 per square foot to the current rate of \$7.11 per square foot. Average asking rental rates have been trending upward over the past year.



Based on the preceding analysis, the appraiser believes that light industrial development is considered financially feasible as demand appears to be outpacing supply as shown in the increasing rental rates and decreasing vacancy rates. These rates would support new construction.

From the preceding analysis, it is evident that the light industrial use that is physically possible and legally permissible is currently financially feasible.

MAXIMALLY PRODUCTIVE:

Of the uses that pass the test of financial feasibility, the use that yields the highest return, usually over the long term and consistent with the risk involved, is considered the highest and best use of the property. The ideal type and size improvement that would attain the highest possible rental income would be considered the most maximally productive use of the property.

From the preceding analysis, it is evident the light industrial use that is physically possible and legally permissible is currently financially feasible and is maximally productive at this time.

CONCLUSION:

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

HIGHEST AND BEST USE AS IMPROVED:

There are two reasons for analyzing the property as improved. The two reasons are (1) to identify the uses of the property that can be expected to produce the highest overall return for each dollar of invested capital, and (2) to estimate the highest and best use to help identify comparable properties.

The first reason is to consider whether or not the existing use will continue to provide maximum benefits and/or can the rate of return be increased by converting to a different use. Like a vacant site, the highest and best use of a site as improved must meet the four criteria, i.e.; is the use (1) Physically Possible, (2) Legally Permissible, (3) Financially Feasible, and (4) Maximally Productive.

As discussed in the Improvement Description section of this report, the subject is presently improved as an industrial flex building with 93% office build-out. Physically Possible concerns the size and design of the property improvements located on the site. The existing improvements are considered to be adequate in size and design. The existing use as an industrial flex building is a legally permissible use according to the zoning code and land use ordinances of the City of Phoenix.

The existing improvements are designed primarily for office uses and are considered typical of the area. As discussed under the site as vacant, light industrial uses are considered a legally permissible use of the site. Demolition of the current improvements and reconstruction as a different use would not add value to the property and therefore the current improvements are considered economically feasible and maximally productive. Based on the preceding it is believed that the highest and best use of the subject would be as improved, an industrial flex building.

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 Cost, Sales Comparison and Income Approaches) which follows.

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 Valuer'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.

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 unites of comparison, and making adjustments to the sale prices (or unite 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 through 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)*

INCOME 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.

Typically, three approaches to value are considered, the Cost Approach, the Sales Comparison Approach and the Income Approach. Due to the fact that investors place little weight on the Cost Approach to Value, that approach will be eliminated. The Sales Comparison Approach to Value is presented, followed by the Income Approach to Value. The two values will then be reconciled into a final Market Value of the subject.

SALES COMPARISON APPROACH

In the Sales Comparison Approach, market value is estimated by comparing the subject property to similar properties that have 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 property.
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, real estate brokers believed to be knowledgeable in the market have been consulted regarding their knowledge of market transactions. 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 subject property can be classified as an industrial flex building in Phoenix. The subject property can additionally be described as follows:

- Located at 1021 North 59th Avenue in Phoenix, Maricopa County, Arizona.
- The subject is a single tenant industrial flex building totaling 18,135 square feet, with 93% office build-out. The building was originally constructed in 1996 and is in average condition.
- The subject site is irregular in shape and contains 2.53 acres or 110,320 square feet with a land to building ratio of 6.08:1. This land to building ratio is higher than what is typical for other flex buildings in the market indicating that the subject has surplus land.

These characteristics that describe the subject property as of the date of valuation were also the criteria the appraiser utilized to search for similar properties. As a result of this market-wide search, the appraiser discovered similar properties that were sold and are considered indicators of value.

SALE NO. 1



LOCATION	2505 West Beryl Avenue, Phoenix, AZ
GRANTOR	Lifewell Behavioral Wellness Center
GRANTEE	MJ Campus, LLC
RECORDING DATE	10/13/2021
DAYS ON MARKET	471
PARCEL NO.	149-09-001J
DOCUMENT NO.	21-1103896
SALE PRICE	\$1,000,000
SALE PRICE/SF	\$98.04
TERMS	Cash Equivalent
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Typical
CONFIRMED BY	Francis Marotta, Seller Broker 480.607.0320
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	39,640
Arterial Frontage	Minor
Location/Access	Corner
Surroundings	Average
Topography	Level
Utilities	Yes
Off-sites	Yes
Zoning	A-1
Present Use	Industrial/office
Highest and Best Use	As Improved

IMPROVEMENT DATA

Building Area/SF	10,200
Year Built	1979
Condition	Average
Office Build-Out	100%
Roll Up Doors	0
Truck Wells/Loading Docks	0
Land to Building Ratio	3.89:1
Ceiling Height	8'-10'
Traffic Count (vpd)	N/Av
Occupancy	0%
Capitalization Rate	N/Av

COMMENTS

The property was purchased as an owner/user. The site is rectangular in shape with frontage along 25th Avenue and Beryl Avenue.

SALE NO. 2



LOCATION	2525 West Beryl Avenue, Phoenix, AZ
GRANTOR	Magalnick Family Holdings, LLC
GRANTEE	Daniel Ognean
RECORDING DATE	5/28/2021
DAYS ON MARKET	1414
PARCEL NO.	149-09-001K
DOCUMENT NO.	21-0600759
SALE PRICE	\$1,275,000
SALE PRICE/SF	\$80.12
TERMS	Cash Equivalent
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Typical
CONFIRMED BY	Jonathan Horwitz, Seller Broker 480.425.5538
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	71,438
Arterial Frontage	Minor
Location/Access	Corner
Surroundings	Average
Topography	Level
Utilities	Yes
Off-sites	Yes
Zoning	A-1
Present Use	Industrial/office
Highest and Best Use	As Improved

IMPROVEMENT DATA

Building Area/SF	15,913
Year Built	1979
Condition	Average
Office Build-Out	100%
Roll Up Doors	0
Truck Wells/Loading Docks	0
Land to Building Ratio	4.49:1
Ceiling Height	8'-10'
Traffic Count (vpd)	N/Av
Occupancy	0%
Capitalization Rate	N/Av

COMMENTS

The property was occupied by the seller at the time of sale and the buyer plans to lease the building to a new tenant. The site is irregular in shape with frontage along Beryl Avenue. It is noted that 25th Drive bisects the property from the north to south.

SALE NO. 3



LOCATION	9744 West Bell Road, Sun City, AZ
GRANTOR	Western Diversified Company
GRANTEE	Uppal Enterprise, LLC
RECORDING DATE	12/16/2020
DAYS ON MARKET	405
PARCEL NO.	200-41-003J
DOCUMENT NO.	20-1240980
SALE PRICE	\$1,300,000
SALE PRICE/SF	\$122.33
TERMS	Cash Equivalent
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Typical
CONFIRMED BY	Gregg Kafka, Seller Broker 602.954.3777
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	37,987
Arterial Frontage	Major
Location/Access	Corner
Surroundings	Average
Topography	Level
Utilities	Yes
Off-sites	Yes
Zoning	C-2
Present Use	Industrial/office
Highest and Best Use	As Improved

IMPROVEMENT DATA

Building Area/SF	10,627
Year Built	1991
Condition	Average
Office Build-Out	100%
Roll Up Doors	0
Truck Wells/Loading Docks	0
Land to Building Ratio	3.57:1
Ceiling Height	8'-10'
Traffic Count (vpd)	52,024
Occupancy	0%
Capitalization Rate	N/Av

COMMENTS

The property was vacant at the time of sale and was purchased an owner/user. The site is rectangular in shape with frontage along Bell Road and 98th Avenue.

SALE NO. 4



LOCATION	3617 West Cambridge Avenue, Phoenix, AZ
GRANTOR	McEwe, LLC
GRANTEE	Marc Community Resources, Inc.
RECORDING DATE	10/31/2019
DAYS ON MARKET	N/A
PARCEL NO.	108-11-087
DOCUMENT NO.	20-0874997
SALE PRICE	\$1,665,000
SALE PRICE/SF	\$79.85
TERMS	Cash Equivalent
PROPERTY RIGHTS	Leased Fee
CONDITION OF SALE	1031 Exchange
CONFIRMED BY	Francis Marotta, Seller Broker 480.607.0320
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	64,033
Arterial Frontage	Minor
Location/Access	Interior
Surroundings	Average
Topography	Level
Utilities	Yes
Off-sites	Yes
Zoning	CP
Present Use	Industrial/office
Highest and Best Use	As Improved

IMPROVEMENT DATA

Building Area/SF	20,851
Year Built	1999
Condition	Average
Office Build-Out	75%
Roll Up Doors	7
Truck Wells/Loading Docks	0
Land to Building Ratio	3.07:1
Ceiling Height	8'-16'
Traffic Count (vpd)	N/Av
Occupancy	60%
Capitalization Rate	N/Av

COMMENTS

The property was 40% vacant at the time of sale and the buyer plans to occupy the remaining space. The site is irregular in shape with frontage along Cambridge Avenue.

SALE NO. 5



LOCATION	6135 North Black Canyon Freeway, Phoenix, AZ
GRANTOR	Morgan Read Black Canyon, LLC
GRANTEE	Pensar Academy
RECORDING DATE	9/16/2020
DAYS ON MARKET	N/A
PARCEL NO.	156-05-056
DOCUMENT NO.	20-0867948
SALE PRICE	\$3,365,000
SALE PRICE/SF	\$132.35
TERMS	Cash Equivalent
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Typical
CONFIRMED BY	Jason Klonoski, Seller Broker 602.380.3198
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	123,275
Arterial Frontage	Major
Location/Access	Interior
Surroundings	Average
Topography	Level
Utilities	Yes
Off-sites	Yes
Zoning	R-5
Present Use	School
Highest and Best Use	As Improved

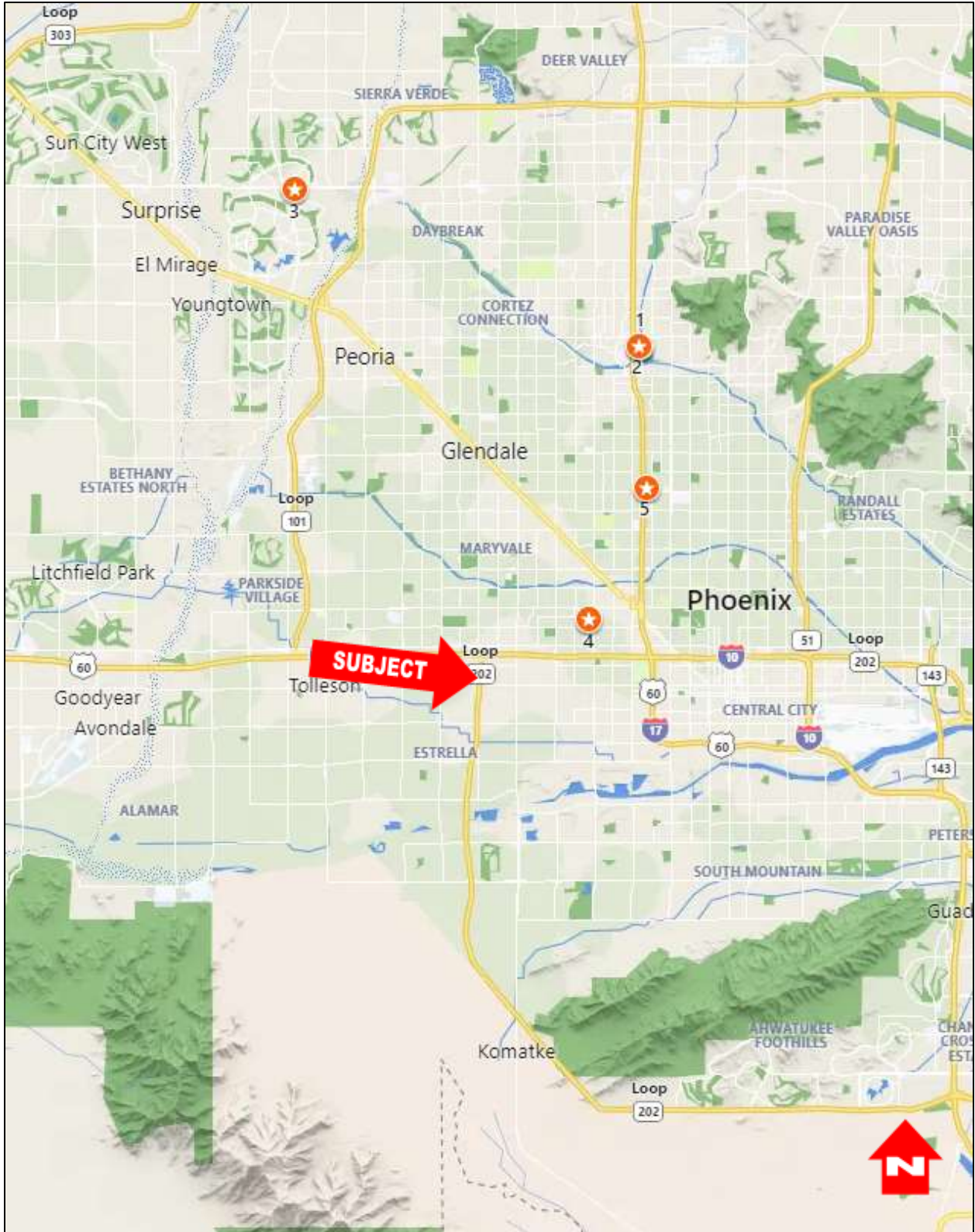
IMPROVEMENT DATA

Building Area/SF	25,425
Year Built	1971
Condition	Average
Office Build-Out	100%
Roll Up Doors	0
Truck Wells/Loading Docks	0
Land to Building Ratio	4.85:1
Ceiling Height	8'-10'
Traffic Count (vpd)	11,675
Occupancy	0%
Capitalization Rate	N/Av

COMMENTS

The property was purchased as an owner/user. The site is irregular in shape with frontage along the Black Canyon Highway frontage road and visibility from Interstate-17.

IMPROVED SALES MAP



SUMMARY OF IMPROVED SALES

Sale Data	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4	SALE 5
Sales Price		\$1,000,000	\$1,275,000	\$1,300,000	\$1,665,000	\$3,365,000
Price/SF		\$98.04	\$80.12	\$122.33	\$79.85	\$132.35
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Leased Fee	Fee Simple
Financing	Cash	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent
Sale Conditions	Typical	Typical	Typical	Typical	1031 Exchange	Typical
Market Conditions		10/13/2021	5/28/2021	12/16/2020	10/31/2019	9/16/2020
Land/SF	110,320	39,640	71,438	37,987	64,033	123,275
Arterial Frontage	Major	Minor	Minor	Major	Minor	Major
Location/Access	Corner	Corner	Corner	Corner	Interior	Interior
Surroundings	Average	Average	Average	Average	Average	Average
Topography	Level	Level	Level	Level	Level	Level
Utilities	Yes	Yes	Yes	Yes	Yes	Yes
Off-Sites	Yes	Yes	Yes	Yes	Yes	Yes
Building Size	18,135	10,200	15,913	10,627	20,851	25,425
Year Built	1996	1979	1979	1991	1999	1971
Age & Condition	Average	Average	Average	Average	Average	Average
Office Build-Out	93%	100%	100%	100%	75%	100%
Roll Up Doors	1	0	0	0	7	0
Land to Building Ratio	6.08:1	3.89:1	4.49:1	3.57:1	3.07:1	4.85:1
Ceiling Height	10'-20'	8'-10'	8'-10'	8'-10'	8'-16'	8'-10'
Traffic Count (vpd)	39,534	N/Av	N/Av	52,024	N/Av	11,675
Occupancy	0%	0%	0%	0%	60%	0%
Zoning	A-1	A-1	A-1	C-2	CP	R-5

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 of building area. This unit of measure is commonly used in the market and is accepted as a method of assisting in the determination value.

The appraiser is of the opinion that the accumulated sales data accurately reflects the present market and its interrelated economic forces. Unfortunately, there is disparity within the data in relation to the most likely common denominator, (price per square foot). This disparity can be attributed to:

- (1) Varying locations of the respective sale properties.
- (2) Inconsistencies relative to the overall plot size of the sale properties in relation to the subject.
- (3) Physical characteristics and fill requirements.
- (4) Real Estate reflects an imperfect market.

The comparative sales analysis focuses on the legal, physical, location and economic characteristics of similar properties as compared to the subject property. Other considerations are real property rights conveyed, financing terms, conditions of sale, date of sale, physical and income characteristics, all of which can account for variations in price.

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 appraiser used their judgment to analyze and interpret quantitative data.

PROPERTY RIGHTS CONVEYED:

The investigation revealed the Fee Simple Estate was the property rights conveyed in comparable sales one, two, three and five similar to the subject and will not be adjusted. Comparable sale four was partially leased, however the lease rate was considered to be at market and therefore the Leased Fee and Fee Simple are equivalent and no adjustment is made.

FINANCING:

All of the comparable sales sold for cash or the equivalence of cash and no adjustments are warranted.

CONDITIONS OF SALE:

All sales were reported to be arms-length market transactions and no adjustments are warranted. Comparable four was a 1031 Exchange that was confirmed as transacting at a market price and no adjustment was made.

MARKET CONDITIONS:

All of the comparable sales were transacted from October 2019 to October 2021 and are considered to be representative of market conditions, as of the effective date of value, and no adjustment is made.

LOCATION:

Location adjustments typically reflect an increase or decrease in value attributable to accessibility, competitive environment, arterial exposure, freeway influence, and surrounding development. These location attributes may determine the degree of demand a property could have which in turn define occupancy levels and rental rate structures.

The subject has a good location with proximity to the Metropolitan Phoenix transportation network just southwest of the Interstate 10 and South Mountain Freeway (Loop 202) interchange. Although the site is adjacent to the Loop 202, it does not have visibility to this freeway. However, the site does have direct access to 59th Avenue, a major roadway for the area.

Adjustments for the comparable sales based on their location characteristics including frontage, access, and surroundings follows.

Arterial Frontage:

The subject has frontage along one major and one minor roadway with access only available to the major roadway (59th Avenue). Comparable sales one, two and four had inferior frontage as compared to the subject and will be adjusted upward. Comparable three had major roadway frontage with a superior traffic count as compared to the subject and a slight downward adjustment is warranted. Comparable five had inferior frontage as compared to the subject, however it had good visibility from the Black Canyon Highway therefore this sale will also be adjusted downward.

Access:

The subject has adequate access from 59th Avenue. Comparable sales one, two, three, and four had similar adequate access as compared to the subject and will not be adjusted. Comparable sale five had inferior access as compared to the subject because it is only accessible from a one way road and therefore will be adjusted upward.

Surroundings:

The subject is located in an area of average surrounding development. Comparable sales one, two and three had superior surrounding development as compared to the subject and each will be adjusted downward. Comparable sale four is located in an area with inferior surrounding development as compared to the subject and will be adjusted upward.

Locational Characteristics Chart:

Location Factors	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4	SALE 5
Arterial Frontage	Minor	Inferior	Inferior	Superior	Inferior	Superior
Adjustment		+5%	+5%	-5%	+5%	-10%
Access	Corner	Similar	Similar	Similar	Similar	Inferior
Adjustment		0%	0%	0%	0%	+5%
Surroundings	Average	Superior	Superior	Superior	Inferior	Similar
Adjustment		-5%	-5%	-5%	+5%	0%
Quantitative Adjustment		0%	0%	-10%	+10%	-5%

PHYSICAL CHARACTERISTICS:

There are perceived physical differences in terms of building size, age and condition, land-to-building ratios, parking ratios, and amenities.

Size:

The subject building totals 18,135 square feet. Typically smaller buildings sell at higher price on a price per square foot basis primarily due to economies of scale. Comparable sales one and three were smaller than the subject and will be adjusted downward.

Age & Condition:

The subject was constructed in 1996 and is in average condition. Comparables one and two were determined to be slightly inferior to the subject with respect to condition and each was adjusted upward. Comparable three was superior with respect to condition and overall architectural appeal and a downward adjustment was made. Comparables four and five were generally similar to the subject and no adjustment was made.

Land to Building Ratio:

The subject has a land to building ratio of 6.08:1. This land to building ratio is somewhat higher than the comparable properties surveyed, which range between 3.07:1 to 4.85:1, averaging approximately 3.96:1. Based on a reasonable land to building ratio of 4.25:1 for the subject, this would result in a surplus land area estimate of approximately 33,246 square feet. It is possible that this surplus land area could be re-platted and sold off as excess land, however a 33,246 square foot site is somewhat small for the surrounding industrial market. For the purpose of this appraisal report I will consider the property to have surplus land and will adjust each of the sale comparables upward for their inferior land to building ratios. In order to determine an adjustment for each of the comparables, I surveyed

similar vacant industrially zoned land transactions in the immediate area. These transactions are summarized in the following chart:

Sale Data	Subject Property	Sale No. 1	Sale No. 2	Sale No. 3	Sale No. 4
Address		224 N. 59th Ave, Phoenix	815-825 S. 63rd Ave, Phoenix	5128 W. Van Buren Street, Phoenix	1202 N. 57th Ave, Phoenix
Parcel Number (s)	103-27-054B & 055	104-05-001Q & 004Z	104-18-001E & 001K	103-29-025 & 026	103-27-009 & 010
Sales Price		\$925,000	\$2,850,000	\$860,000	\$870,000
Price/SF		\$10.58	\$12.05	\$9.26	\$9.26
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Market Conditions		10/21	8/21	4/21	2/21
Land/SF	110,320	87,461	236,508	92,859	93,977
Land Size/Acres	2.53	2.01	5.43	2.13	2.16
Shape	Irregular	Irregular	Irregular	Irregular	Rectangular
Topography	Level	Level	Level	Level	Level
Utilities	Available	Available	Available	Available	Available
Off-Sites	Available	Available	Available	Available	Available
Traffic Count (Vpd)	29,534	49,321	15,388	60,024	Light; Unmeasured
Zoning	A-1	A-1	A-1	A-1	A-1

The comparable land sales ranged from \$9.26 per square foot to \$12.05 per square foot with an indicated mean of \$10.28 per square foot. Comparables three and four were considered to be the most similar to the subject with respect to surroundings, freeway proximity, size, access, and potential use. It is concluded that the subject site has a land value of approximately \$9.50 per square foot.

Market participants generally do not recognize surplus land to have the same dollar for dollar value as excess land and therefore the value of the surplus land area associated with the subject would be something less than \$9.50 per square foot. The appraiser concluded that a discount of 20% to 30% from the market value is appropriate for surplus land. It is therefore concluded that an approximate value of the subject surplus land is \$7.00 per square foot or a discount of 26%.

Each Comparable is adjusted based on what their estimated sale price would have been had they had a 6.08:1 land to building ratio similar to the subject. For example, if Comparable one had a similar land to building ratio of 6.08:1 as the subject, it would have had 22,376 square feet of surplus land. At a land value of \$7.00 per square foot, this would equate to an additional \$156,632 in value or 16% of its \$1,000,000 sale price. Thus Sale one was adjusted upward 16% for its inferior land to building ratio. Using this same calculation, each of the comparables are adjusted upward for inferior land to building ratios.

Sale 1: LTB Ratio = 3.89:1 +16%
 Sale 2: LTB Ratio = 4.49:1 +14%
 Sale 3: LTB Ratio = 3.57:1 +14%
 Sale 4: LTB Ratio = 3.07:1 +26%
 Sale 5: LTB Ratio = 4.85:1 +7%

Office Build-Out:

The subject is built-out with 93% of office space. Comparables one, two, three, and five each had 100% office build-out, generally similar to the subject. Comparable sale four had an inferior office build-out as compared to the subject and will be adjusted upward slightly.

Physical Characteristics Chart:

Physical Attributes	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4	SALE 5
Size	18,135	Smaller	Similar	Smaller	Similar	Similar
Adjustment		-5%	0%	-5%	0%	0%
Age & Condition	Average	Inferior	Inferior	Superior	Similar	Similar
Adjustment		+5%	+5%	-10%	0%	0%
Land to Building Ratio	6.08:1	Inferior	Inferior	Inferior	Inferior	Inferior
Adjustment		+16%	+14%	+14%	+26%	+7%
Office Build-Out	93%	Similar	Similar	Similar	Inferior	Similar
Adjustment		0%	0%	0%	+5%	0%
Quantitative Adjustment		+16%	+19%	-1%	+31%	+7%

ZONING:

The subject is zoned for industrial development. Although each of the comparables had varying zoning, the improvements were each similar to the subject's use and no adjustment was made for zoning.

In conclusion, the values indicated in the summary of improved properties show a range in price per square foot from \$79.85 per square foot to \$132.35 per square foot before adjustments. It is believed the indicated value range is reflective of the utility, wants, and needs of buyers in the marketplace.

IMPROVED SALES ADJUSTMENT CHART:

Elements of Comparison	SALE 1	SALE 2	SALE 3	SALE 4	SALE 5
Price/SF	\$98.04	\$80.12	\$122.33	\$79.85	\$132.35
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent
Conditions of Sale	Typical	Typical	Typical	1031 Exchange	Typical
Market Conditions	10/13/2021	5/28/2021	12/16/2020	10/31/2019	9/16/2020
Adjusted Price	\$98.04	\$80.12	\$122.33	\$79.85	\$132.35
Location Factors	0%	0%	-10%	+10%	-5%
Physical Characteristics	+16%	+19%	-1%	+31%	+7%
Zoning	0%	0%	0%	0%	0%
Overall Adjustment	+16%	+19%	-11%	+41%	+2%
Final Indicated Value	\$113.73	\$95.34	\$108.87	\$112.59	\$135.00

CONCLUSION OF VALUE:

After adjustments were made, the sales have a range of \$95.34 per square foot to \$135.00 per square foot with an indicated average of \$113.11 per square foot. The indicated unit sales prices of the comparable sales reflect market conditions for similar properties within the subject market.

Due to the unique nature of the subject being renovated from an industrial use building into a more office type use on a larger than typical land to building ratio, it was determined that there was no one comparable was most like the subject property. Each of the comparables utilized had similar aspects and the appraiser will conclude near the middle of the range of adjusted sales.

Thus, based on the subject's location and age & condition, the appraiser will conclude near the middle of the range between Comparables one, three, and four or \$113.00 per square foot.

This would indicate the following value conclusion.

$$18,135 \text{ SF} \times \$113.00 \text{ per square foot} = \$2,049,255$$

ROUNDED = \$2,050,000

INCOME APPROACH

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

The Direct Capitalization method is - *A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only one year's income is used. Yield and value changes are implied, but not explicitly identified. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*

The Discounted Cash Flow (DCF) Analysis is - *The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*

As reported, the subject property is an industrial flex building. The subject is currently vacant and due to the fact that the subject has the potential to produce income, the appraiser will utilize the Direct Capitalization method in order to value the subject within the Income Approach.

In the subject's case, the income stream would be in the form of net operating income produced through the collection of rents, deducting the appropriate vacancy and credit loss, adding other income if any, then deducting appropriate expenses. The first step in the process is to estimate potential gross income. The process begins with the examination of the existing effective lease rates of similar properties located within the sub-market. Rental rates and terms from comparable properties were collected to support the estimate of market rent for the subject property.

Following is a rental survey indicating current contract and/or market rents of similar property located within the submarket. The rental survey was conducted by interviewing the leasing agents of comparable rental properties. This survey will be followed by an analysis and adjustments for the elements of comparison discussed previously. Then, operating expenses together with vacancy and credit losses are estimated from market experience to obtain the net operating income. The resulting net operating income is then capitalized to convert the future income stream into a present value indication.

On the following pages are brief descriptions or summaries of comparable rental properties followed by a synopsis of each rental comparable and location map.

RENTAL NO. 1



ADDRESS	5601 West Mohave Street, Phoenix, AZ
BUILDING TYPE	Flex
BUILDING SIZE (SF)	34,000
YEAR BUILT	1985
LAND SIZE (SF)	130,680
LEASING ACTIVITY	
Suite Size (SF)	34,000
Lease Date	Apr-18
Lease Rate	\$8.65
LEASE TYPE	Triple Net converted from Gross
VACANCY	0%
LAND TO BUILDING RATIO	3.84:1
CONDITION	Average
AMENITIES	Average
LEASING COMPANY	CBRE 602.735.5530

RENTAL NO. 2



ADDRESS	11048 North 23rd Avenue, Phoenix, AZ
BUILDING TYPE	Flex
BUILDING SIZE (SF)	35,100
YEAR BUILT	1977
LAND SIZE (SF)	47,045
LEASING ACTIVITY	
Suite Size (SF)	17,600
Lease Date	Jun-21
Lease Rate	\$7.80
LEASE TYPE	NNN
VACANCY	50%
LAND TO BUILDING RATIO	1.34:1
CONDITION	Average
AMENITIES	Average
LEASING COMPANY	Lee & Associates 602.954.3755

RENTAL NO. 3



ADDRESS	2915-2927 North 35th Avenue, Phoenix, AZ
BUILDING TYPE	Flex
BUILDING SIZE (SF)	35,005
YEAR BUILT	1980
LAND SIZE (SF)	110,207
LEASING ACTIVITY	
Suite Size (SF)	12,000
Lease Date	Dec-21
Lease Rate	\$8.65
LEASE TYPE	Triple Net converted from Gross
VACANCY	61%
LAND TO BUILDING RATIO	3.15:1
CONDITION	Average
AMENITIES	Average
LEASING COMPANY	West USA Commercial 602.369.7575

RENTAL NO. 4



ADDRESS	1300 South Litchfield Road Bldg. 270, Goodyear, AZ
BUILDING TYPE	Flex
BUILDING SIZE (SF)	54,000
YEAR BUILT	1980
LAND SIZE (SF)	284,942
LEASING ACTIVITY	
Suite Size (SF)	23,953
Lease Date	Apr-21
Lease Rate	\$7.80
LEASE TYPE	NNN
VACANCY	0%
LAND TO BUILDING RATIO	5.28:1
CONDITION	Average
AMENITIES	Average
LEASING COMPANY	Colliers International 602.222.5061

RENTAL NO. 5



ADDRESS	2525 West Beryl Avenue, Phoenix, AZ
BUILDING TYPE	Office
BUILDING SIZE (SF)	15,913
YEAR BUILT	1979
LAND SIZE (SF)	71,438
LEASING ACTIVITY	
Suite Size (SF)	15,913
Lease Date	Nov-21
Lease Rate	\$11.70
LEASE TYPE	Triple Net converted from Gross
VACANCY	0%
LAND TO BUILDING RATIO	4.49:1
CONDITION	Average
AMENITIES	Average
LEASING COMPANY	Prestige Realty, Inc. 480.255.7327

RENTAL NO. 6



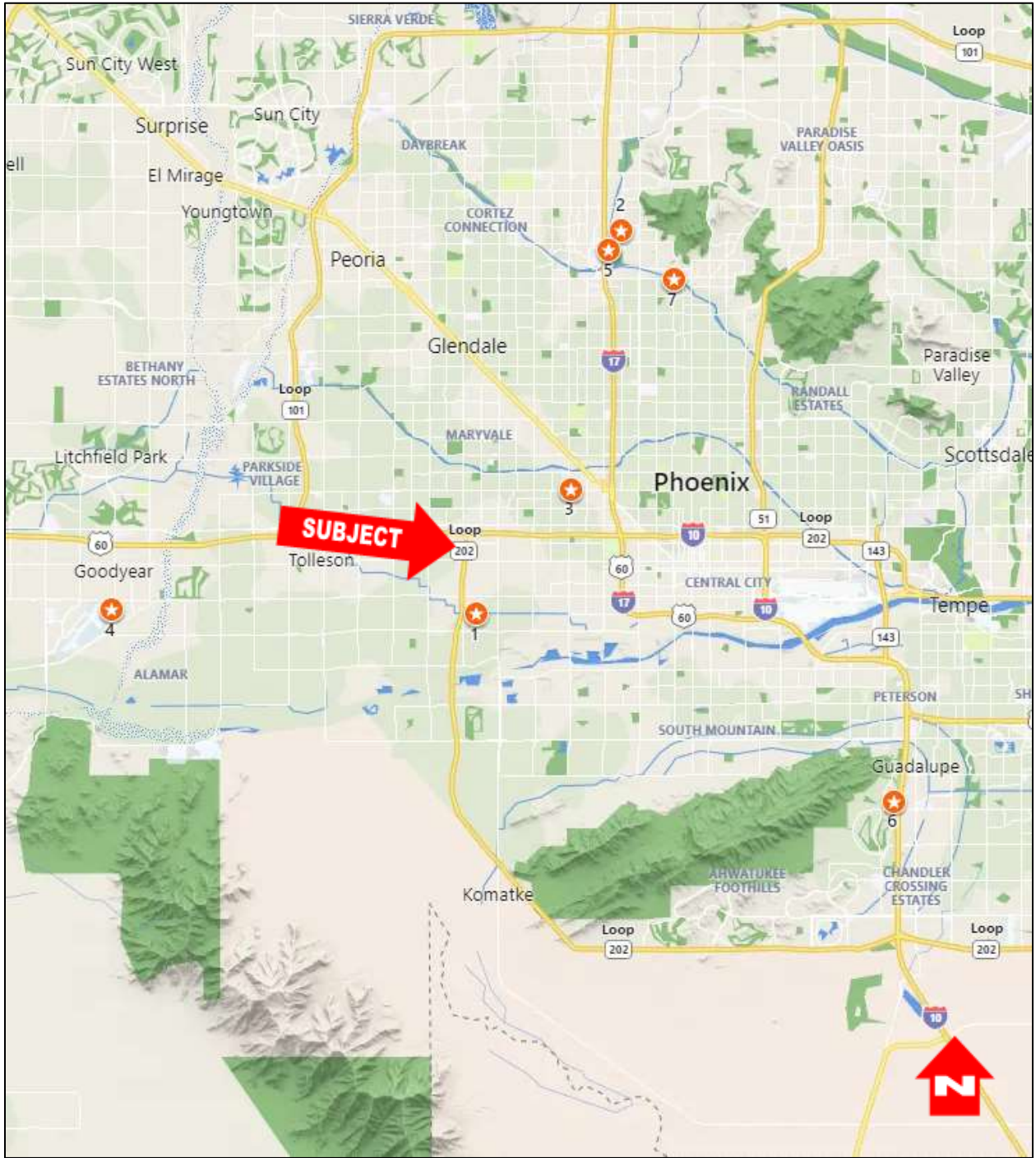
ADDRESS	5029 East Sunrise Drive, Phoenix, AZ
BUILDING TYPE	Office
BUILDING SIZE (SF)	36,750
YEAR BUILT	1985
LAND SIZE (SF)	131,987
LEASING ACTIVITY	
Suite Size (SF)	62,880
Lease Date	Oct-21
Lease Rate	\$12.60
LEASE TYPE	NNN
VACANCY	28%
LAND TO BUILDING RATIO	3.59:1
CONDITION	Average
AMENITIES	Average
LEASING COMPANY	CBRE 602.735.5633

RENTAL NO. 7



ADDRESS	702 West Dunlap Avenue, Phoenix, AZ
BUILDING TYPE	Office
BUILDING SIZE (SF)	11,500
YEAR BUILT	1976
LAND SIZE (SF)	22,651
LEASING ACTIVITY	
Suite Size (SF)	11,500
Lease Date	Sep-19
Lease Rate	\$12.00
LEASE TYPE	NNN
VACANCY	0%
LAND TO BUILDING RATIO	1.97:1
CONDITION	Average
AMENITIES	Average
LEASING COMPANY	Commercial Properties, Inc. 602.432.1400

RENTAL MAP



Rental Summary

Rent	Address	Suite Sizes	Rental Rates	Rent Type	Bldg. Type	Year Built	Vacancy
1	5601 W. Mohave Street, Phoenix, AZ	34,000	\$8.65	NNN*	Flex	1985	0%
2	11048 N. 23rd Avenue, Phoenix, AZ	17,600	\$7.80	NNN	Flex	1977	50%
3	2915-2927 N. 35th Avenue, Phoenix, AZ	12,000	\$8.65	NNN*	Flex	1980	61%
4	1300 S. Litchfield Road Bldg. 270, Goodyear, AZ	23,953	\$7.80	NNN	Flex	1980	0%
5	2525 W. Beryl Avenue, Phoenix, AZ	15,913	\$11.70	NNN*	Office	1979	0%
6	5029 E. Sunrise Drive, Phoenix, AZ	62,880	\$12.60	NNN	Office	1985	28%
7	702 W. Dunlap Avenue, Phoenix, AZ	11,500	\$12.00	NNN	Office	1976	0%
	Subject	18,135		NNN		1996	0%

**Triple Net converted from Gross*

RENT CONCLUSIONS:

The subject is currently vacant with no leases in place. In order to determine a market rental rate for the subject, the appraiser surveyed rents that were considered to be comparable to the subject. The comparable rents surveyed ranged from \$7.80 per square foot to \$12.60 per square foot on a triple net basis.

Due to the unique nature of the subject, the appraiser attempted to locate buildings with similar characteristics as the subject; however, there were inevitably differences that need to be accounted for. The appraiser made adjustments to each comparable property as follows.

Comparable	Rental Rates	Location	Age/Condition	Build-Out	Total Adj.	Adj Rent
1	\$8.65	0.00%	0.00%	5.00%	5.00%	\$9.08
2	\$7.80	-5.00%	0.00%	5.00%	0.00%	\$7.80
3	\$8.65	0.00%	0.00%	5.00%	5.00%	\$9.08
4	\$7.80	5.00%	0.00%	5.00%	10.00%	\$8.58
5	\$11.70	-5.00%	0.00%	0.00%	-5.00%	\$11.12
6	\$12.60	-5.00%	0.00%	0.00%	-5.00%	\$11.97
7	\$12.00	-5.00%	0.00%	0.00%	-5.00%	\$11.40

Comparable rents two, five, six and seven were located in areas with superior surrounding development as compared to the subject and will be adjusted downward. Comparable rent four was located in an area with inferior surrounding development as compared to the subject and will be adjusted upward. The flex properties represent the lower end of the range primarily due their lower quality and/or lower percentage of office build-out as compared to the subject and therefore will be adjusted downward.

After adjustments, the comparable rents ranged from \$7.80 per square foot to \$11.97 per square foot with a mean of \$9.86 per square foot. It is concluded that the a market rent for the subject

would fall somewhere near the middle of the range and therefore the appraiser will conclude to \$10.00 per square foot. The potential gross income for the next fiscal year is calculated as follows.

\$10.00 per square foot x 18,135 square feet = \$181,350

VACANCY/CREDIT LOSS:

In order to determine a stabilized vacancy rate for the subject, I researched the immediate area for vacancy rates of similar properties within the market.

Industrial/Flex

The 3.0-mile radius surrounding the subject property had an industrial inventory of approximately 62.5 million square feet. Of this area approximately 2.3 million square feet was vacant equating to a vacancy rate of 3.6%. Over the past five years, vacancy rates ranged from the current rate of 3.6% to 14.1%. Over the past year, vacancy rates have been trending downward.

Office

The 3.0-mile radius surrounding the subject property had an office inventory of approximately 414,000 square feet. Of this area approximately 18,300 square feet was vacant equating to a vacancy rate of 4.4%. Over the past five years, vacancy rates ranged from 2.3% to 9.3%. Over the past year, vacancy rates have been trending upward.

It is concluded that a market vacancy rate for the subject over a typical holding period would fall near 7%.

EXPENSES:

Expenses are viewed on the basis of what is expected during a holding period. As indicated the comparable rents are leased on triple net leases and the subject market rent is estimated on triple net lease terms, in which the tenant is responsible for the operating expenses for the property and therefore I will only include any non-reimbursable expenses attributed to the landlord. These expenses are considered to be a nominal expense in regards to cost to the landlord if the property were vacant, off-site management fees, and reserves for replacement.

Off-Site Management:

Management fees for properties like the subject typically cover off-site management expenses for managing the investment and are the paid for by the property owner. The appraiser interviewed local property management companies to get an indication of what property management firms would charge for the management and accounting of a property like the subject.

Property management/brokerage firms such as CB Commercial will manage property like the subject for 2% to 5% of gross collected revenues depending on the financial and physical condition of the property. The property manager is responsible for collecting the rent, lease management, municipality interfacing, and paying the operating expenses in a timely manner.

Considering the size, current condition, and single tenant nature of the subject property, I assume from the above discussions with local professional property management firms that a reasonable management fee would be roughly 3% of the effective gross rental income.

Cost to Vacancy:

If the property had a vacancy, the landlord would incur the pro rata share of costs associated with taxes, insurance, and some minor maintenance to keep the property in a proper condition. Annual building expenses on a property such as the subject are expected to be \$1.35 per square foot. Insurance is estimated at \$0.20 per square foot and repairs and maintenance is estimated at \$0.30 per square foot which equates to a total expense to the landlord of approximately \$1.85 per square foot. The landlord is responsible for vacancies and the pro rata share expenses associated with those vacancies. With a 7% stabilized vacancy, estimated cost to vacancy is expected to total \$2,348 [18,135 SF x \$1.85/SF x 7%].

REPLACEMENT OF SHORT-LIVED ITEMS:

A replacement allowance provides for the periodic replacement of building components that wear out more rapidly than the building itself and must be replaced periodically during the building's economic life. These components may include roof covering, heating/cooling compressors, driveways, parking areas and exterior paint.

The annual allowance for each item is usually the anticipated cost of replacement prorated over the anticipated remaining economic life of that item provided it does not exceed the remaining economic life of the structure. Proration may be based on a simple average or provided for by the use of a sinking fund.

Items which can be expected to have a life equal to or exceeding the remaining economic life of the structure do not require an allowance for replacement.

The scope of items to be covered by the replacement allowance is a matter of appraisal judgment based on market evidence, but the extent of a replacement allowance is judged in relation to the annual repair and maintenance expense to avoid duplication.

A reserve for replacement account is normally not an expense recognized by most building operators in the local market. Usually, capital expenditures are expended as they occur. This can severely distort cash flow in the years of abnormally light or heavy capital expenditures.

For example, if an owner has to replace a roof at a cost of \$1.10 per square foot for a 20,000 square foot building. The capital expense for that year would have a \$22,000 deduction for repairs, which cannot be passed through to the tenants.

Generally, prudent investors and property management companies estimate between \$0.10 and \$0.20 per square foot. The appraiser will conclude at a reasonable amount for Reserves and Replacements at \$0.15 per square foot or \$2,720 annually.

Shown next is the Stabilized Operating Chart.

Stabilized Operating Statement			
Potential Gross Income			\$181,350
Vacancy & Collection Loss	7.00%	\$	12,695
Effective Gross Income		\$	168,655
Expenses			
Management Fee	3.00%	\$	5,060
Cost of Vacancy		\$	2,348
Reserves for Replacement	\$0.15 /SF	\$	2,720
Total		\$	10,128
Net Operating Income		\$	158,527

NET OPERATING INCOME:

The Net Operating Income (NOI) is the anticipated net income remaining after all operating expenses are deducted from the Effective Gross Potential Rental Income, but before mortgage debt service and book depreciation are deducted. The estimated NOI is utilized in Direct Capitalization Approach to estimate a value for the subject property based on its projected ability to produce revenue.

In the conversion of Net Operating Income, before debt service, there are several methods of obtaining an over-all-rate (OAR) to be utilized in the capitalization process. The capitalization process involves a discounting process with the rate reflecting the purchaser's requirements in respect to yield and market rate interest on the debt while the property is being held.

DIRECT CAPITALIZATION METHOD:

The Direct Capitalization Method is the conversion of the Net Operating Income (NOI) into an indication of "Present Value" by dividing the NOI by the market derived Over-All-Rate (OAR). The OAR demonstrates the direct relationship of the NOI to the selling price of the comparable properties, which have been sold in the open market. The market derived OAR reflects the interest or dividend that the property will produce and the anticipated capital appreciation or depreciation over the investment holding period.

In essence, the OAR obtained from the market is a fraction of the total investment that must be collected each year, on an average to service the debt (principal and interest payments) yield and required benefits (cash flow and/or equity build-up) and compensate the depreciation or appreciation.

A good indicator for capitalization rates are sales of similar properties. Following is a summary of single tenant office properties within the same size range as the subject that have transacted with published OAR's. Although they are all located within the Metropolitan Phoenix area, they are considered to represent the market for similar flex type product.

Address	Sale Date	Sale Price	OAR
5830 N. 19 th Avenue, Phoenix	8/31/2021	\$1,350,000	7.66%
19621 N. 23 rd Drive, Phoenix	9/30/2021	\$7,454,000	6.61%
3336 N. 32 nd Street, Tempe	6/3/2021	\$2,082,000	8.92%
916 S. 52 nd Street, Tempe	5/5/2021	\$1,395,000	7.81%
1515 E. Osborn Road, Phoenix	4/8/2021	\$4,350,000	7.27%
727 E. Bethany Home Road, Phoenix	9/1/2020	\$3,600,000	7.80%
13065 W. McDowell Road, Avondale	1/21/2020	\$17,800,000	7.22%
4100 E Broadway Road, Phoenix	12/19/2019	\$6,150,000	6.80%

The differences in overall capitalization rates may be attributed to variations in occupancy, age and condition of the property, economic upside, sales motivation, cash flow potential, and other factors which make each sale and/or property unique. The majority of the sales of similar properties within the Metropolitan area indicated overall capitalization rates from 6.61% and 8.92% with a mean of 7.51%. The subject is a flex building in average condition.

VALUE CONCLUSION:

After due consideration is given to the subject size and good location, the appraiser concludes to an overall capitalization rate of 7.75%. Applying the overall rate of 0.0775 to the estimated NOI of \$158,527 leads to an indicated value via the Direct Capitalization Method (at stabilized occupancy) as shown below.

NOI	\$158,527	=	\$2,045,510
OAR	0.0775		
Rounded			\$2,045,000

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.

Two approaches 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	\$2,050,000
Income Approach	\$2,045,000

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 a value indication reported as a single dollar amount. *In estimating market value, a point estimate is typically regarded as the most probable number, not the only possible number. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*

The Cost Approach to Value is not typically considered a reliable indication of value for this type of property due to the nature and time frame of construction of the subject improvements. More relevancy is placed on the Cost Approach when the cost of the new or proposed improvements are known and have taken place within a relatively stable period of market conditions whereas in older improved properties and drastically changing market conditions, the estimate of accrued depreciation becomes increasingly subjective. The Cost Approach was not utilized in the creation of this report.

The Sales Comparison Approach was based upon sales of similar buildings 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.

The Income Approach to Value is believed to be another good indication of value for this type of income producing property. All of the data used in the Income Approach to Value was derived from market trends and is believed to reflect market thinking. The Income Approach to Value included the estimate of economic rents taken from the market in which the subject is located as compared to contract rent. Deductions were then made for vacancy and expenses. The resulting net operating income (NOI) was capitalized by an appropriate method into an indication of value.

Due to the fact that the subject is currently vacant and the most like use for the building would be as an owner/user, most weight was placed on the Sales Comparison Approach.

Based on the information found in our investigation, the appraiser is of the opinion that the "As Is" Market Value of the subject property, as of October 19, 2021, is:

TWO MILLION FIFTY DOLLARS
(\$2,050,000.00)

AUDITING BREAKDOWN

Land:	\$1,048,040
Improvements:	\$1,001,960
Severance:	\$ 0
Special Benefits:	\$ 0
Cost to Cure:	<u>\$ 0</u>
Total	\$2,050,000

ADOT CERTIFICATION

Parcel No.: L-C-123

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 2020-2022) 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 October 19, 2021 is \$2,050,000, 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

USPAP CERTIFICATION

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

The statements of fact contained in this report are true and correct. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting pre-determined results. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

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.

The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this report, Zach Sinay, MAI, R/W-AC has completed the continuing education program for Designed Members of the Appraisal Institute.

Zach Sinay has made a personal inspection of the property that is the subject of this report. It should be noted that Jeff Sinay provided significant real property appraisal assistance to the person signing this certification. This included participation in the following:

- Inspection of the subject property
- Data collection and verification
- Report writing
- Value conclusions
- Packaging

Zach Sinay possess the knowledge and experience to thoroughly complete this appraisal assignment. Please refer to the Qualifications of the Appraiser(s) included in the following pages for additional information regarding professional education and pertinent experience of the aforementioned appraiser.

Under federal mandate, state licensing and/or certification of appraisers are required on or before August 15, 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.

My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*, the Code of Professional Ethics, Bylaws, Regulations and Standards of Professional Appraisal Practice of the Appraisal Institute.

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
McKissock, Essential Elements of Disclosures and Disclaimers, 2020
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

This document is evidence that:

ERIC ZACHARY SINAY

has complied with the provisions of Arizona Revised Statutes, relating to the establishment and operation of a:

Certified General Real Estate Appraiser

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

Certified General Real Estate Appraiser

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.

Signed in the Superintendent's office at 100 North 15th Avenue, Suite 261, in the City of Phoenix, State of Arizona, this 10th day of January, 2020.

Keith A. Schraad
Interim Superintendent

Expiration Date : **January 31, 2022**

ADDENDA

EXHIBIT 1

Engagement Letter



PURCHASE ORDER

PHOENIX, on 10/5/2021
CTR054962/ TO-22-010/ M697201X/ L-C-123/ Appraisal due 5 wks. from approval-APPRAISAL
TECHNOLOGY LLC

SUPPLIER

APPRAISAL TECHNOLOGY LLC
Attn: Mr. Zach Sinay
Address: Legal Address
220 S RIVER DR
UNITED STATES
TEMPE, Arizona 85281
Phone: 480-285-3868
E-mail: zsinay@atiaz.com

ORDER No. PO0000366846

(please refer to this number on all documents)
Amendment:
Requestor: ESTHER VALENCIA
Agency: Department of Transportation
Division: Infrastructure Delivery & Operations
Division Construction
Department: Right Of Way
Site: RIGHT OF WAY
Phone: 6027128793
Email: EVALENCIA@AZDOT.GOV

DELIVER TO

(unless specified differently per item)
Address: RIGHT OF WAY
205 S 17TH AVE
MD 612E RM 331
UNITED STATES
PHOENIX, Arizona 85007-3212
Deliver To:
Requested Delivery Date:
(Unless specified differently per item in section delivery details)

BILL TO

Address: RIGHT OF WAY
205 S 17TH AVE
MD 612E RM 331
UNITED STATES
PHOENIX, Arizona 85007-3212
Payment Terms: Net 30

ITEM	CONTRACT ID	CODE/SKU	REFERENCE AND DESCRIPTION	QTY	UNIT	UNIT PRICE (USD)	TOTAL (USD)
1	CTR054962-1	440759-1	CTR054962/ TO-22-010/ M697201X/ L-C-123/ Appraisal due 5 wks. from approval Commentaire : L-C-123	1.0000	Total Cost		



PURCHASE ORDER TERMS AND CONDITIONS

Revised January 10, 2011

- 1. Modification.** No modification of the purchase order shall bind Buyer unless Buyer agrees to the modification in writing.
- 2. Packing and Shipping.** Seller shall be responsible for industry standard packing which conform to requirements of carriers' tariffs and ICC regulations. Containers must be clearly marked as to lot number, destination address and purchase order number.
- 3. Title and Risk of Loss.** The title and risk of loss of the goods shall not pass to Buyer until Buyer actually received the goods at the point of delivery.
- 4. Invoice and Payment.** A separate invoice shall be issued for each shipment. No invoice shall be issued prior to shipment of goods and no payment will be made prior to receipt of goods and correct invoice. Payment due dates, including discount periods, will be computed from date of receipt of goods or date of receipt of correct invoice (whichever is later) to date Buyer's warrant is mailed. Unless freight and other charges are itemized, any discount provided will be taken on full amount of invoice. Payment shall be subject to the provisions of Title 35 of Arizona Revised Statutes. The Buyer's obligation is payable solely from funds appropriated for the purpose of acquiring the goods or services referred to in this Purchase Order.
- 5. Inspection.** All goods are subject to final inspection and acceptance by Buyer. Material failing to meet the requirements of this Purchase Order will be held at Seller's risk and may be returned to Seller. If so returned, the cost of transportation, unpacking, inspection, repacking, reshipping or other like expenses are the responsibility of the Seller.
- 6. No Replacement of Defective Tender.** Every tender of goods must fully comply with all provisions of Purchase Order as the time of delivery, quantity, quality and the like. If a tender is made which does not fully conform, it shall constitute a breach and Seller shall not have the right to substitute a conforming tender.
- 7. Force Majeure.** Neither party shall be held responsible for any losses resulting if the fulfillment of any terms or conditions of the Purchase Order are delayed or prevented by any cause not within the control of the party whose performance is interfered with and which, by the exercise of reasonable diligence, that party is unable to prevent.
- 8. Gratuities.** The Buyer may, by written notice to the Seller, cancel this Purchase Order if it is found by Buyer that gratuities, in the form of entertainment, gifts or otherwise, were offered or given by the Seller, or any agent or representative of the Seller, to any officer or employee of the State of Arizona with a view toward securing an order or securing favorable treatment with respect to the awarding or amending, or the making of any determinations with the respect to the performing, of such order. In the event this Purchase Order is cancelled by Buyer pursuant to this provision, Buyer shall be entitled in addition to any other rights and remedies to recover or withhold from the Seller the amount of the gratuity.
- 9. Warranties.** Seller warrants that all goods delivered under this Purchase Order will conform to the requirements of this Purchase Order (including all applicable descriptions, specifications, drawings and samples) will be free from defects in material and workmanship and will be free from defects in design and fit for the intended purposes. Any inspection or acceptance of the goods by Buyer shall not alter or affect the obligations of Seller or the right of Buyer under the foregoing warranties.
- 10. Assignment – Delegation.** No right or interest in this Purchase Order shall be assigned by Seller without the written permission of Buyer, and no delegation of any duty of Seller shall be made without permission of Buyer.
- 11. Interpretation – Parole Evidence.** This Purchase Order is intended by the parties as a final expression of their agreement and is intended also as a complete and exclusive statement of the terms of their agreement. No course of prior dealings between the parties and no usage of the trade shall be relevant to supplement or explain any term used in this Purchase Order. Acceptance or acquiescence in a course of performance rendered under this Purchase Order shall not be relevant to determine the meaning of this Purchase Order even though the accepting or acquiescing party has knowledge of the nature of the performance and opportunity for objection. Whenever a term defined by the Uniform Commercial Code is used in the Purchase Order the definition contained in the Code is to control.
- 12. Non-Discrimination.** Seller agrees not to discriminate against any employee or applicant for employment in violation of the terms of Federal Executive Order 11246, State Executive Order No. 2009-09 and A.R.S. Section 41-1461 et seq.

13. Indemnity. Seller agrees to indemnify and save the Buyer harmless from any loss, damage or expense whatsoever resulting to the Buyer from any and all claims and demands on account of infringement or alleged infringement of any patent in connection with the manufacture or use of any product included in this Purchase Order and upon written request Seller will defend at its own cost the expense any legal action or suit against the Buyer involving any such alleged patent infringement; and will pay and satisfy any and all judgments or decrees rendered in any against such legal actions or suits. Seller will indemnify Buyer against all claims for damages to person or property resulting from defects in materials or workmanship.

14. Liens. All goods delivered and labor performed under this Purchase Order shall be free of all liens, and if Buyer requests, a formal release of all liens will be delivered to Buyer.

15. Contract Number. If an Arizona contract number appears on the face of this Purchase Order, the terms of that contract are incorporated herein by this reference.

16. Taxes. The State of Arizona is exempt from Federal Excise Tax.

17. Conflict of Interest. Pursuant of A.R.S. Section 38-511 this Purchase Order is subject to cancellation by the Buyer if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the state is, at any time while the contract is in effect, an employee of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract.

18. Remedies and Applicable Law. This Purchase Order shall be governed by, and Buyer and Seller shall have all remedies afforded each by, the Uniform Commercial Code as adopted in the State of Arizona except as otherwise provided in this Purchase Order or in statutes pertaining specifically to the State. This Purchase Order shall be governed by the law of the State of Arizona, and suits pertaining to this Purchase Order may be brought only in the courts of the State of Arizona.

19. Arbitration. The parties must use arbitration as required by A.R.S. Section 12-1518.

EXHIBIT 2

Zoning Ordinance

Section 627. A-1 Light Industrial District.

A. **Purpose.** The A-1, Light Industrial District, is a district of industrial uses designed to serve the needs of the community for industrial activity not offensive to nearby commercial and residential uses.

B. **Reserved.**

C. **District Restrictions.** Unless otherwise specifically provided in this section, the following restrictions apply to this district:

1. Residential use is permitted subject to a use permit; except that one dwelling unit, which may be a mobile home, may be maintained as an accessory use to an industrial or agricultural use for housing a watchman or caretaker employed on the premises.
2. No use shall be considered an accessory use which is listed as a permitted or accessory use in the A-2 or S-2 districts.
3. The display of merchandise outdoors as an accessory use to the permitted uses set forth in Section [627.D](#) is prohibited unless a use permit is obtained and subject to the following standards for the outdoor display area:
 - a. A maximum 300 square feet of display area can be located anywhere along the building except as noted in Section [627.C.3.b](#);
 - b. No display or sale is permitted within ten linear feet of either side of the building entrance or exit;
 - c. The depth, measured from the front facade of the building, may not exceed ten feet unless otherwise approved by the Planning and Development Department upon a determination that a greater depth does not interfere with any pedestrian passage;
 - d. Payment for the products displayed must occur indoors;
 - e. Outdoor display or sales shall not be located within any required setbacks or in the parking lot;
 - f. Outdoor display of second hand/used merchandise sales is prohibited.
4. A commercial property owner can display for sale vehicles, which for purposes of this provision includes trailers, watercraft or other types of transportation that are built to carry passengers or cargo, when the display is being done on behalf of or in conjunction with a registered vehicle retail sales dealership and a use permit has been obtained in compliance with Section [307](#). The

actual sale of the vehicle displayed must be completed by the registered retail sales dealership at their vehicle sales dealership site.

5. With the exception of those instances listed above in 627.C.4., no other types of vehicle built to carry passengers or cargo can be sold or displayed for sale on-site except by a registered vehicle retail sales dealership.

D. Permitted Uses.

1. Residential uses subject to a use permit. The use permit requirement shall not apply to homeless shelters if such uses are located on a lot or parcel which is at least 1,320 feet from a residential district.

2. All other uses permitted in RE-24, R-3, R-4, R-5, C-1, C-2 and C-3 districts and, in addition, the following:

3. Agricultural Implements Repair and Service

4. Agricultural Tillage, Contractors

5. Air Conditioning Equipment, Fabrication

6. Aircraft Fabrication and Assembly

7. Aircraft Sales and Repair

8. Aircraft Storage, Including Hangar Facilities

9. Ammunition, commercial loading of small arms subject to the following limitations

a. The quantities, arrangement, and distance requirements for the storage of propellant powder, primers, and percussion caps shall be in accordance with the Fire Code.

b. A permit to load ammunition shall be obtained from the Fire Department.

c. In addition to the requirements of subsections 1 and 2 above, the loading of specialty or custom ammunition shall be subject to obtaining a use permit pursuant to the provision of Section [307](#).

10. Animal Boarding, Breeding and Hospitals

11. Auctioneers

12. Automobiles: Parts and Supplies (used); Salvage; Storage-Dead (warehouse)

13. Belting, Manufacturing
14. Boat, Manufacturing
15. Boilers, Repairing
16. Boxes, Sales and Manufacturing
17. Breweries
18. Brick Storage
19. Brooms, Mtg.
20. Brushes, Manufacturing
21. Building Contractors: Equipment and Material; Storage
22. Building Materials, Wholesale and Storage
23. Bus Line Depots with repair and light maintenance, including washing facilities
24. Bus Line Shops, Garage Repair
25. Butane Distributors (subject to approval by Fire Prevention Supervisor)
26. Button Manufacturing, Metal, Plastics
27. Candle, Manufacturing
28. Canvas, Manufacturing
29. Carbonic Ice, Manufacturing
30. Caskets, Manufacturing
31. Cat, Dog and Large Animal Hospital
32. Cement Products, Manufacturing (pipe, blocks, etc.)
33. Cement Storage
34. Cesspool Builders and Service: Equipment Yard
35. Chocolate and Coca Products, Manufacturing

36. Cigarette Manufacturing
37. Circuses and Carnivals
38. Coffee Roasting
39. Concrete Contractors, Storage Yards
40. Concrete Products, Manufacturing
41. Concrete Products, Storage
42. Contractors Equipment and Supplies, Storage
43. Cranes, Storage Yard
44. Crematorium
45. Crockery, Manufacturing
46. Crop Dusting Equipment Yards
47. Day Labor Hiring and Transportation Centers
48. Decoration, Workshop and Equipment Yard
49. Diesel Engines Service, Equipment and Supplies (not manufacturing)
50. Display Designers and Builders' Shops
51. Distillers, Distribution, Warehouse
52. Doors, Metal, Manufacturing
53. Doors, Sash and Trim, Wood, Manufacturing
54. Drilling Company Equipment Yards
55. Drugs, Manufacturing
56. Electric Light and Power Companies, Storage
57. Electric Plating
58. Electrical Appliances, Manufacturing

59. Excelsior Manufacturing
60. Exterminating and Fumigating Warehouse
61. Farm Implements and Machinery Assembly
62. Feed and Seed, Wholesale and Storage
63. Fences, Metal Fabrication, Mfg;
64. Fences, Metal, Wholesale and Storage
65. Fertilizers, Processed, Storage Only
66. Flour and Grain Storage and Elevators
67. Freight Yards
68. Fruit and Vegetable Juice, Processing
69. Fruits and Vegetables, Processing
70. Fuel Distributing Station, Gasoline (bulk plant)
71. Furniture Manufacturing, Metal, Wood
72. Garment Factory
73. Gasoline, Bulk Storage Tanks
74. Grain Elevator
75. Hay and Straw, Sales, Storage (subject to approval by Fire Prevention Supervisor)
76. Heating and Ventilating Equip., Storage
77. Hotel Equipment, Assembly and Custom Fabrication
78. House Movers, Equipment Storage Yards
79. House Wreckers' Yards
80. Ice, Manufacturing
81. Insulation, Contractors' Equipment Yards

82. Insulation Materials, Storage and Wholesale
83. Iron, Custom Decorative Wrought Iron Shops
84. Jobbers, Bulk Materials, (sand, gravel, cotton seed, etc.)
85. Landscape Contractors
86. Large Animal, Dog and Cat Hospitals
87. Livestock Supplies, Storage and Wholesale
88. Machinery Used, Storage
89. Massage Establishments as a Primary Use
90. Meat Packing and Smoking (no slaughtering except rabbits and poultry).
91. Medical marijuana cultivation subject to the following conditions and limitations; failure to comply with the below regulations and requirements is subject to revocation per Section [307](#):
 - a. A use permit shall be obtained in accordance with standards and procedures of Section [307](#) of the Zoning Ordinance and the following:
 - (1) Shall be reviewed every 365 calendar days.
 - (2) Provide name(s) and location(s) of the offsite dispensary.
 - (3) Include a copy of the operating procedures adopted in compliance with A.R.S. § [36-2804\(B\)\(1\)\(C\)](#).
 - (4) A survey sealed by a registrant of the State of Arizona shall be submitted to show compliance with the distance requirements listed below.
 - b. Shall be located in a closed building and may not be located in a trailer, cargo container, motor vehicle or similar structure or motorized or non-motorized vehicle.
 - c. Shall not be located within 5,280 feet of the same type of use or a medical marijuana dispensary or infusion facility. This distance shall be measured from the exterior wall of the building or portion thereof in which the business is conducted or proposed to be conducted to the nearest exterior wall or portion thereof of another medical marijuana dispensary, cultivation, or infusion facility.

d. Shall not be located within 1,000 feet of the following residentially zoned districts: S-1, S-2, RE-43, RE-35, RE-24, R1-18, R1-14, R1-10, R1-8, R1-6, R-2, R-3, R-3A, R-4, R-4A, R-5, PAD-1 through PAD-15. This distance shall be measured from the exterior walls of the building or portion thereof in which the cultivation business is conducted or proposed to be conducted to the zoning boundary line of the residentially zoned district.

e. Shall not be located within 1,320 feet of a preschool, kindergarten, elementary, secondary or high school, public park, public community center, dependent care facility, homeless shelter, dormitory, or youth community center. This distance shall be measured from the exterior walls of the building or portion thereof in which the cultivation business is conducted or proposed to be conducted to the property line of the protected use.

f. Shall not be located within 1,320 feet of a place of worship. This distance shall be measured from the exterior walls of the building or portion thereof in which the cultivation business is conducted or proposed to be conducted to the property line of the place of worship.

g. There shall be no emission of dust, fumes, vapors or odors into the environment from the premises.

92. Medical marijuana dispensary facility, subject to the following conditions and limitations; failure to comply with the below regulations and requirements is subject to revocation per Section [307](#):

a. A use permit shall be obtained in accordance with standards and procedures of Section [307](#) and the following:

(1) Shall be reviewed every 365 calendar days.

(2) Provide name(s) and location(s) of the offsite cultivation location.

(3) Include a copy of the operating procedures adopted in compliance with Section [36-2804\(B\)\(1\)\(C\)](#), Arizona Revised Statutes.

(4) A survey sealed by a registrant of the State of Arizona shall be submitted to show compliance with the distance requirements listed below.

b. Shall be located in a closed building and may not be located in a trailer, cargo container, motor vehicle or similar structure or motorized or nonmotorized vehicle.

c. Shall not exceed 5,000 square feet of combined net floor area dedicated exclusively to the nonprofit medical marijuana dispensary and marijuana establishment; this shall include all

storage areas, retail space and offices for the nonprofit medical marijuana dispensary and marijuana establishment.

d. Shall not be located within 5,280 feet of the same type of use or a medical marijuana cultivation or infusion facility. This distance shall be measured from the exterior wall of the building or portion thereof in which the business is conducted or proposed to be conducted to the nearest exterior wall or portion thereof of another medical marijuana dispensary, cultivation, or infusion facility.

e. Shall not be located within 500 feet of the following residentially zoned districts: S-1, S-2, RE-43, RE-35, RE-24, R1-18, R1-14, R1-10, R1-8, R1-6, R-2, R-3, R-3A, R-4, R-4A, R-5, and PAD-1 through PAD-15. This distance shall be measured from the exterior walls of the building or portion thereof in which the dispensary business is conducted or proposed to be conducted to the zoning boundary line of the residentially zoned district.

f. Shall not be located within 1,320 feet of a preschool, kindergarten, elementary, secondary or high school, public park, public community center, dependent care facility, homeless shelter, or youth community center. This distance shall be measured from the exterior walls of the building or portion thereof in which the dispensary business is conducted or proposed to be conducted to the property line of the protected use.

g. Shall not be located within 1,320 feet of a place of worship. This distance shall be measured from the exterior walls of the building or portion thereof in which the dispensary business is conducted or proposed to be conducted to the property line of the place of worship.

h. Shall have operating hours not earlier than 8:00 a.m. and not later than 10:00 p.m.

i. Drive-through services are prohibited.

j. There shall be no emission of dust, fumes, vapors or odors into the environment from the premises.

k. The retail sale of marijuana and marijuana products to consumers in a marijuana establishment shall be permitted as accessory use only.

93. Medical marijuana infusion production facility, subject to the following conditions and limitations; failure to comply with the below regulations and requirements is subject to revocation per Section [307](#):

a. A use permit shall be obtained in accordance with standards and procedures of Section [307](#) of the zoning ordinance and the following:

- (1) Shall be reviewed every 365 calendar days.
- (2) Provide name(s) and location(s) of the offsite dispensary.
- (3) Include a copy of the operating procedures adopted in compliance with A.R.S. § [36-2804\(B\)\(1\)\(C\)](#).
- (4) A survey sealed by a registrant of the State of Arizona shall be submitted to show compliance with the distance requirements listed below.

b. Shall not be located within 5,280 feet of the same type of use or a medical marijuana dispensary or cultivation facility. This distance shall be measured from the exterior wall of the building or portion thereof in which the business is conducted or proposed to be conducted to the nearest exterior wall or portion thereof of another medical marijuana dispensary, cultivation, or infusion facility.

c. Shall not be located within 1,000 feet of the following residentially zoned districts: S-1, S-2, RE-43, RE-35, RE-24, R1-18, R1-14, R1-10, R1-8, R1-6, R-2, R-3, R-3A, R-4, R-4A, R-5, PAD-1 through PAD-15. This distance shall be measured from the exterior walls of the building or portion thereof in which the cultivation business is conducted or proposed to be conducted to the zoning boundary line of the residentially zoned district.

d. Shall not be located within 1,320 feet of a preschool, kindergarten, elementary, secondary or high school, public park, public community center, dependent care facility, homeless shelter, or youth community center. This distance shall be measured from the exterior walls of the building or portion thereof in which the infusion facility is conducted or proposed to be conducted to the property line of the protected use.

e. Shall not be located within 1,320 feet of a place of worship. This distance shall be measured from the exterior walls of the building or portion thereof in which the infusion facility is conducted or proposed to be conducted to the property line of the place of worship.

f. There shall be no emission of dust, fumes, vapors or odors into the environment from the premises.

94. Millwork (woodworking) Manufacturing

95. Mining Machinery, Wholesale Storage

96. Motor Freight Co., Warehouses
97. Motor Repairing and Rewinding, Transformers, Generators, Heavy Duty
98. Neighborhood Collection Center, subject to the following limitations:
 - a. All loose materials shall be stored within an enclosed container or building.
 - b. No bay door shall face a residential zoning district if the use is located within one hundred fifty (150) feet of such a district.
99. Notions, Manufacturing and Wholesale
100. Office Furniture, Manufacturing
101. Oil, Fuel, Bulk Storage (subject to approval by Fire Prevention Supervisor)
102. Ornamental Metal Work, Custom Hand, Fabrication
103. Paint and Varnish, Bulk Storage, Warehouse
104. Paving Contractors' Equipment Storage
105. Paving Materials Storage Yard
106. Petroleum Products, Packaging and Storage
107. Pickled Products, Manufacturing
108. Pipe, Concrete, Manufacturing
109. Pipe, Concrete, Storage
110. Pipe, Metal, Storage
111. Pipe, Used, Storage and Sales
112. Pipe, Fittings, Storage and Wholesale
113. Planing Mills
114. Plaster, Wholesale and Storage
115. Plasterers, Contractors' Yards
116. Plastic and Plastic Products Manufacturing

117. Plating and Polishing Shops
118. Poultry Slaughtering
119. Poultry Supplies Wholesale and Storage
120. Produce Packing Plants
121. Public Utility Plants
122. Pumps, Repairing and Rental
123. Rabbit Slaughtering
124. Recycling Center, subject to the following limitations:
 - a. Processing may include baling of recyclable materials but not basic processing or compounding to reform the materials into a usable state and shall not include shredding of automobile metals or other uses of similar intensity.
 - b. All loose materials shall be stored within an enclosed container or building.
 - c. No bay door shall face a residential zoning district if the use is located within one hundred fifty (150) feet of such a district.
125. Religious Missions, including charity dining halls and similar activities either enclosed or open
126. Road Building Equipment, Storage Yard
127. Salvation Army Welfare Activities
128. Scaffolds, Equipment Storage
129. Scales, Commercial Weighing
130. Screens, Doors and Windows, Manufacturing
131. Septic Tanks, Contractors, Construction
132. Sewer Pipe, Manufacturing, Concrete
133. Sewer Pipe, Storage
134. Soaps, Detergent Bleach Manufacturing

135. Spraying Supplies, Equipment Yard
136. Storage Warehouse
137. Storage Yards, Bulk Material
138. Storage Yards, Equipment
139. Tattoo Shops
140. Tile Manufacturing Decorative
141. Tile Manufacturing, Structural
142. Tools and Hardware, Manufacturing
143. Trailers, Assembly and Manufacturing
144. Water Based or Water Emulsion Type Paint Only, Manufacturing
145. Welding, Equipment and Supplies Storage
146. Welding Shop
147. Well Drilling, Equipment Yard
148. Wood Products, Manufacturing Bulk
149. Wrecking Contractors' Yards

E. **District Regulations.** Any use established or conducted within this district shall comply with the following standards:

1. Smoke, gas and odor emissions shall comply with Regulation III of the Maricopa County Air Pollution Control rules and regulations.
2. The disposal of all waste materials shall comply with Title 9, Chapter 8, Articles 18 and 4 of the Hazardous Waste Regulations as by the Arizona Health Department.
3. The average noise level, measured at the property line, shall not exceed 55 dB (1 dn) when measured on an "A-weighted" sound level meter and according to the procedures of the Environmental Protection Agency.

4. Explosive or hazardous processes: Certification shall be provided by the Phoenix Fire Department Prevention Bureau that all manufacturing, storage and waste processes on the site shall meet safety and environmental standards as administered by the Bureau.

5. All direct sources of illumination, luminaries, shall be shielded so as not to be visible from adjacent residentially zoned property.

F. **Site Standards.** Except as provided in 627.F.3, the following standards shall apply.

1. No individual site shall be sold or leased in the Industrial District if such site is not of sufficient size so that it may be developed in accordance with the requirements of this Section.

2. The use of any lot in this district shall comply with the following standards:

a. *Building height:* Fifty-six (56) foot maximum height; up to eighty (80) feet allowable with use permit with a specific plan of development. Requests to exceed this limit for a warehouse up to a maximum height of one hundred ten (110) feet may be granted by the City Council upon recommendation from the Planning Commission in accordance with the standards and procedures of Section [506](#) and upon a finding that such additional height is not detrimental to adjacent property or the public welfare in general.

b. *Yard requirements:*

(1) Section [701.D.3](#) shall apply to yards on an arterial or collector street, adjacent to a canal right-of-way, and when any yard on a public street is on a block where either side or the street contains residential zoning.

(2) For side and rear yards there shall be thirty (30) foot setback where adjacent to a residential district for closed buildings and one hundred fifty (150) feet for open buildings or uses.

(3) Except for vehicle parking areas, no outdoor uses, outdoor storage, or open buildings shall be located within seventy-five (75) feet of a public street

c. *Screening.*

(1) Parking or Loading and Unloading Areas where within one hundred fifty (150) feet of a residence district:

(a) For employee and customer parking a four (4) to six (6) foot wall or landscaped berm is required. The wall may be three (3) feet high if the parking area is located in a yard as specified in Section 627.D.2.b(l).

(b) In areas used for truck parking, loading, or unloading, an eight (8) foot high wall is required.

(2) Open Storage or Use.

(a) Any outside storage or use within one hundred (100) feet of a residential district or any public street shall be screened by a six (6) foot high solid fence or wall.

(b) Height of Open Storage.

(i) Open storage shall be no higher than six (6) feet plus one (1) foot in height for every additional three (3) feet of setback from a property line.

(ii) If the storage area is within one hundred fifty (150) feet of a public street, screening in the addition to the required six (6) foot high solid fence or wall shall include fifteen (15) gallon trees spaced no more than twenty-five (25) feet apart and with an adequate watering system.

3. Any Large Scale Commercial Retail Use shall conform to the following requirements:

a. *Applicability:* For all Large Scale Commercial Retail Uses for which unexpired preliminary or final Planning and Development Department site plan approval has been obtained prior to February 19, 2003, these standards shall not apply.

Building Setbacks	
From all property lines	Minimum 60 feet
Building Height	
Within 60 feet of property lines	Max. 35 feet
Greater than 60 feet	See Section 624.E.4.d
Landscape Streetscape	
Setback	Average 30-foot setback, minimum 25-foot setback permitted for up to 50% of the frontage. ****
Plant Type	Minimum Planting Size

Trees*	Min. 2-inch caliper (50% of required trees) Min. 3-inch caliper or multi-trunk tree (25% of required trees) Min. 4-inch caliper or multi-trunk tree (25% of required trees)
Shrubs	Min. five (5) 5-gallon shrubs per tree
Parking Lot Area	
Interior surface area (exclusive of perimeter landscaping and all setbacks)	Min. 10%
Landscaped planters	At ends of each row of parking & approx. every 110'
Landscaped planters**, single row of parking	Min. 150 sq. ft.***
Landscaped planters**, double row of parking	Min. 300 sq. ft.***
Landscaping adjacent to pedestrian walkways	See b.(1) and b.(2) below
Additional parking lot landscaping*	As needed to meet 10% minimum requirement, addl. landscaping to be evenly distributed throughout the entire parking area. Min. interior dimension five (5) feet (length and width). Min. rate of one (1) for every six (6) parking spaces, evenly distributed throughout the entire parking area.
Plant Type	Minimum Planting Size
Trees	Min. one 2-inch caliper per planter ****
Shrubs	Min. five (5) 5-gallon shrubs per planter
Perimeter Property Lines (not adjacent to a street)	
Property lines adjacent to an existing residential use or residential zoning district	Min. 15-foot landscaped setback
All other perimeter property lines	Min. 10-foot landscaped setback
Property lines not adjacent to a street, but adjacent to property zoned C-2, C-3, A-1, A-2, Commerce Park	None
Adjacent to a Building	

Buildings that face a public street	See c.(1) and c.(2) below
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* 20 feet on center or equivalent groupings.

** Measured from inside face of curb to inside face of curb.

*** Not to exceed the length of a standard City of Phoenix parking stall. Modifications to the square footage may be approved by Development Service Department if the overall intent of the standard is being met.

**** Or as approved by the Planning and Development Department.

b. *For landscaping adjacent to pedestrian walkways in parking lot, provide either:*

(1) Minimum 15-foot wide combination sidewalk/landscaped planter along the walkway as approved by Planning and Development Department. Where planters are adjacent to head-in parking, they shall be a minimum 7.5 feet wide. At installation, the landscape palette shall contain a mixed maturity consisting of 60% trees with minimum 2-inch caliper, 40% with minimum 1 inch caliper, or

(2) An equivalent shade structure as approved by the Planning and Development Department.

c. *Buildings that face a public street shall provide either:*

(1) A minimum 15-foot combination sidewalk/landscaped planter at grade level adjacent to the building. The sum total of the landscaping shall be a minimum one-third (1/3) the length of the building facade and a minimum five (5) foot wide. Landscaping shall include minimum 2-inch caliper size trees placed 20 feet on center or in equivalent groupings with 5-gallon shrubs per tree, or

(2) An arcade or equivalent feature, as approved by the Planning and Development Department.

d. *Access:*

(1) The development shall have direct site access as follows:

(a) To a freeway frontage road, or

(b) To one arterial road, or

(c) To a collector road.

(2) Except in a Village Core, access from a minor collector street where single-family residential zoning or uses are located within one-quarter (1/4) mile of the subject property shall be subject to a use permit in accordance with the provisions of Section [307](#).

(3) No access is permitted from a local street.

e. *Loading standards:*

(1) Hours of operation for developments within 300 feet of a residential district:

(a) Loading permitted between the hours of 6:00 a.m. and 10:00 p.m. Any expansion of the above mentioned hours are subject to obtaining a use permit in accordance with Section [307](#).

(2) Provide designated tractor-trailer stacking area that is not any closer than 60 feet to a residentially zoned property.

(3) Loading areas/docks shall not be closer than 60 feet to a residentially zoned district.

(4) Loading docks closer than 100 feet to a residential zoning district shall be screened with a solid masonry wall at a height determined by the Planning and Development Department to completely screen loading areas and delivery vehicles.

f. *Standards for permanent outdoor garden sales (garden/outdoor living center):*

(1) Permanent outdoor sales areas are limited to a maximum of 35,000 gross square feet.

(2) The outdoor sales area may be increased from 35,000 gross square feet to a maximum area of 50,000 gross square feet only upon securing a use permit and when:

(A) It is demonstrated that the proposed modification is not detrimental to adjacent property or the public welfare in general, or

(B) Due to a small or irregular lot size or configuration, reasonable compliance with the standards of this section is precluded or impractical.

(3) Products sold outdoors shall be screened by a minimum eight (8) foot high solid masonry wall or screened so as not to be visible from property line or street. Wall shall have a decorative finish that is complimentary to the primary building walls for all required screening.

(4) Decorative screen material(s) may be used only in garden centers but shall not exceed 50% of the screened area. Decorative screening may include one or more of the following: wire, fabric, screen material, landscaping and/or alternative materials, as approved by the Planning and Development Department.

(5) Chain link fencing is not permitted.

g. *Temporary outdoor display and sales:*

(1) Designate the area reserved for outdoor display and sales at front of building on site plan and delineate decoratively on the property.

(2) Temporary outside display and sales areas are subject to the following standards:

(A) Maximum 500 square feet of display area;

(B) No display and/or sales is permitted within 25 linear feet of either side of the building entrance(s)/exit(s);

(C) The allowable square footage and/or proximity of the display area to the building entrances/exits may be modified by 50 percent only upon securing a use permit when it is clearly demonstrated that the proposed modification is not detrimental to adjacent property and the public welfare in general.

h. *Special requirements.*

(1) Provide permanent internal posting of designated rezoning stipulations in a viewable area for employees and management. Posting to be in place prior to obtaining Certificate of Occupancy and shall be maintained by the property owner or operator of the business.

G. Outdoor Storage, Push Carts.

1. Push carts made available for use by the public may be stored in temporary cart corrals located within the parking area of the retail center during normal business hours. Push carts must be stored inside the building or in an outdoor enclosure that is fully screened so as not to be visible from the property line or street after normal business hours or when not being used on a long term basis.

H. Temporary Outdoor Storage Containers:

1. Designate an area for screened temporary storage containers at rear or sides of property, if provided.
2. Temporary storage container area shall be screened by a minimum eight (8) foot high solid masonry wall or screened so as not to be visible from property line or street.
3. A use permit must be obtained in accordance with the provisions of Section [307](#) in order to install/place temporary storage container(s). (Ord. No. G-3378, 1990; Ord. No. G-3461, 1991; Ord. No. G-3483, 1991; Ord. No. G-3647, 1993; Ord. No. G-3757, 1994; Ord. No. G-3916, 1996; Ord. No. G-4039, 1997; Ord. No. G-4041, 1997; Ord. No. G-4109, 1998; Ord. No. G-4154, 1999; Ord. No. G-4298, 2000; Ord. No. G-4498, 2003; Ord. No. G-4515, 2003; Ord. No. G-4532, 2003; Ord. No. G-4566, 2003; Ord. No. G-5242, 2008; Ord. No. G-5329, 2009; Ord. No. G-5561, 2010; Ord. No. G-5544, 2010; Ord. No. G-5573, 2010; Ord. No. G-5959, 2014; Ord. No. G-6151, 2016; Ord. No. G-6279, 2017; Ord. No. G-6529, 2018; Ord. No. G-6746, § 2, 2020; Ord. No. G-6810, § 3, 2021)

The Phoenix Zoning Ordinance is current through Ordinance G-6868, passed June 16, 2021.

Disclaimer: The City Clerk's Office has the official version of the Phoenix Zoning Ordinance. Users should contact the City Clerk's Office for ordinances passed subsequent to the ordinance cited above.

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[City Website: www.phoenix.gov](http://www.phoenix.gov)

[Code Publishing Company](#)

EXHIBIT 3

Legal Description

Project Name: RW Survey SR-10 MAIN 11-11-20.alg
 Description: Seg D (Salt River - Jct I-10)
 Horizontal Alignment Name: RW Credits
 Description:
 Style: Default

	STATION	NORTHING	EASTING
Element: Linear			
POB (17969)	0+00.00	894814.84	617853.94
PI (3587)	1+93.70	895008.53	617855.72
Tangent Direction:	N 0°11'43" E		
Tangent Length:	193.70		
Element: Linear			
PI (3587)	1+93.70	895008.53	617855.72
PI (17898)	5+83.71	895397.28	617887.10
Tangent Direction:	N 4°16'51" E		
Tangent Length:	390.02		
Element: Linear			
PI (17898)	5+83.71	895397.28	617887.10
PC (17899)	6+78.94	895397.28	617982.33
Tangent Direction:	N 90°00'00" E		
Tangent Length:	95.23		
Non-collinear			
Element: Circular			
PC (17899)	6+78.94	895397.28	617982.33
PI ()	8+56.84	895234.90	618054.97
CC (17900)		895002.02	617098.67
PT (17970)	10+30.81	895057.29	618065.12
Radius:	968.03		
Delta:	20°49'34" Right		
Degree of Curvature (Arc):	5°55'08"		
Length:	351.86		
Tangent:	177.89		
Chord:	349.93		
Middle Ordinate:	15.94		
External:	16.21		
Tangent Direction:	S 24°05'57" E		
Radial Direction:	S 65°54'03" W		
Chord Direction:	S 13°41'10" E		
Radial Direction:	S 86°43'36" W		
Tangent Direction:	S 3°16'24" E		
Element: Linear			
PT (17970)	10+30.81	895057.29	618065.12
PI (17901)	11+29.29	894958.97	618070.75
Tangent Direction:	S 3°16'24" E		
Tangent Length:	98.49		
Element: Linear			
PI (17901)	11+29.29	894958.97	618070.75
PI (17902)	12+79.39	894809.40	618058.14
Tangent Direction:	S 4°48'58" W		
Tangent Length:	150.10		
Element: Linear			
PI (17902)	12+79.39	894809.40	618058.14
PI (17903)	12+99.68	894789.98	618052.24
Tangent Direction:	S 16°54'57" W		
Tangent Length:	20.30		
Element: Linear			
PI (17903)	12+99.68	894789.98	618052.24
PI (17916)	14+83.18	894793.09	617868.77
Tangent Direction:	N 89°01'49" W		
Tangent Length:	183.49		
Element: Linear			
PI (17916)	14+83.18	894793.09	617868.77
PI (17917)	15+05.37	894814.75	617863.94
Tangent Direction:	N 12°35'09" W		
Tangent Length:	22.20		
Element: Linear			
PI (17917)	15+05.37	894814.75	617863.94
POE (17969)	15+15.37	894814.84	617853.94

Tangent Direction:	N 89°28'17" W	
Tangent Length:	10.00	
Area:	110319.7 sq. feet	2.5 acres

EXHIBIT 4

USPAP Reporting Options

USPAP Reporting Options

The most recent edition of USPAP requires that all written appraisal reports be prepared under one of the following options: Appraisal Report or Restricted Appraisal Report.

An Appraisal Report summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. The requirements for an Appraisal Report are set forth in Standards Rule 2-2 (a) of US PAP.

A Restricted Appraisal Report states the appraisal methods employed and the conclusions reached but is not required to include the data and reasoning that supports the analyses, opinions, and conclusions. Because the supporting information may not be included, the use of the report is restricted to the client, and further, the appraiser must maintain a work file that contains sufficient information for the appraiser to produce an Appraisal Report if required. The requirements for a Restricted Appraisal Report are set forth in Standards Rule 2-2 (b).

ATI Reporting Formats under the Appraisal Report Option

USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal. Accordingly, Appraisal Technology, Inc. has established internal standards for three alternative reporting formats that differ in depth and detail yet comply with the USPAP requirements for an Appraisal Report. The three ATI formats are:

- Appraisal Report - Comprehensive Format
- Appraisal Report- Standard Format
- Appraisal Report - Concise Summary Format

An Appraisal Report - Comprehensive Format has the greatest depth and detail of the three report types. It describes and explains the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. This format meets or exceeds the former Self-Contained Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP.

An Appraisal Report - Standard Format has a moderate level of detail. It summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. This format meets or exceeds the former Summary Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP.

An Appraisal Report - Concise Summary Format has less depth and detail than the Appraisal Report - Standard Format. It briefly summarizes the data, reasoning, and analyses used in the appraisal process while additional supporting documentation is retained in the work file. This format meets the minimum requirements of the former Summary Appraisal Report that were contained in the 2012-2013 edition of USPAP.

On occasion, clients will request, and ATI will agree to provide, a report that is labeled a Self-Contained Appraisal Report. Other than the label, there is no difference between a Self-Contained Appraisal Report and an Appraisal Report - Comprehensive Format. Both types of reports meet or

exceed the former Self-Contained Appraisal Report requirements set forth in the 2012-2013 edition of USPAP.

ATI Reporting Format under Restricted Appraisal Report Option

ATI provides a Restricted Appraisal Report format under the USPAP Restricted Appraisal Report option. This format meets the requirements of the former Restricted Use Appraisal Report that were contained in the 2012-2013 edition of USPAP.

EXHIBIT 5

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).