

**AN APPRAISAL REPORT OF THE VACANT RURAL RESIDENTIALLY ZONED LAND
LOCATED ALONG THE SOUTH SIDE OF FRYE ROAD JUST WEST OF MCKENZIE
MCKENZIE ROAD IN PINAL COUNTY, ARIZONA.**

**PROJECT: M697201X
HIGHWAY: STATE ROUTE 24 (GATEWAY HIGHWAY)
SECTION: ELLSWORTH – IRONWOOD ROAD
ADOT PARCEL: L-C-141
CONTRACT: CTR054962-1
OWNER: STATE OF ARIZONA**

PREPARED FOR

**ARIZONA DEPARTMENT OF TRANSPORTATION
1655 WEST JACKSON STREET
PHOENIX, ARIZONA 85007**

ATTENTION

**MR. TIMOTHY F. O'CONNELL, JR.
APPRAISAL SECTION SUPERVISOR**

A.T. I. FILE NO.: VEE722110B

DATE OF REPORT

DECEMBER 22, 2021

EFFECTIVE DATE OF VALUATION

NOVEMBER 17, 2021

PREPARED BY

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



APPRAISAL TECHNOLOGY, LLC

December 22, 2021

A.T.I. File No.: VEE72211OB

TO: Arizona Department of Transportation
Appraisal, ADOT Mail Room 1655 West Jackson Street
Phoenix, Arizona 85007

ATTN: Mr. Timothy F. O'Connell, Jr.
Appraisal Section Supervisor

RE: An Appraisal Report of the vacant rural residentially zoned land located along the south side of Frye Road just west of McKenzie Road in Pinal County, Arizona.

Dear Mr. O'Connell:

As you requested, I have appraised the "As Is" Market Value of the aforementioned property. The purpose of the appraisal is to estimate the market value of the subject property as of the effective date of value.

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 intended users of this report are Arizona Department of Transportation. The intended use of the appraisal report is for disposition decisions to be made by the client. This report is not intended for any other use or any other users.

The subject of this report is vacant residential land that is a portion of parcel number 104-08-016D totaling 47,837 square feet.

This report was prepared under the Appraisal Report option of Standards Rule 2-2(a) of the 2020-2021 edition of USPAP. As 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, 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 USPAP Reporting Options.

The subject is currently vacant land with no long term lease encumbrance; thus, Fee Simple Estate is considered.

An environmental study has not been provided. The appraiser have 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 my investigation, the appraiser is of the opinion that the "As Is" Market Value of the subject, as of November 17, 2021, is:

<p style="text-align: center;">ONE HUNDRED FORTY THOUSAND DOLLARS (\$140,000.00)</p>
--

AUDITING BREAKDOWN

Land:	\$140,000
Improvements:	\$ 0
Severance:	\$ 0
Special Benefits:	\$ 0
Cost to Cure:	<u>\$ 0</u>
Total	\$140,000

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:	Vacant rural residentially zoned land
LOCATION:	The subject is located along the south side of Frye Road just west of McKenzie Road in Pinal County, Arizona.
REPORT PURPOSE:	The purpose of this appraisal is to estimate the "As Is" Market Value of the subject property.
TAX PARCEL NUMBER (S):	Portion of 104-08-016D
SITE AREA:	According to information provided by the client, the subject of this appraisal totals 1.09 acres or 47,837 square feet.
ZONING:	GR, General Rural; Pinal County
FLOOD ZONE:	The subject site is located in an area denoted as being in an "X" Flood Hazard Area, as found on Federal Emergency Management Agency Flood Insurance Rate Map number 04021C0200E based on the December 4, 2007 flood data.
IMPROVEMENTS:	None
HIGHEST & BEST USE:	Hold for future residential development
DATE OF VALUATION:	November 17, 2021
“AS IS” MARKET VALUE:	\$140,000

SCOPE OF WORK

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

The USPAP 2020-2021 **SCOPE OF WORK RULE** states:

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

- 1. identify the problem to be solved;*
- 2. determine and perform the scope of work necessary to develop credible assignment results;*
- 3. 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 2020-2021 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, appraisal review, and appraisal consulting assignment.

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

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

PROBLEM IDENTIFICATION (PURPOSE):

An appraiser must gather and analyze information about those assignment elements that are necessary to properly identify the appraisal or appraisal review problem to be solved. (The Appraisal Foundation, USPAP 2020-2021 edition, Pg. 12)

The purpose of the appraisal is to estimate the "As Is" Market Value of the subject property as of November 17, 2021 (Date of Inspection).

INTENDED USE/USERS:

The use of this appraisal report is for disposition decisions to be made by the client. The intended users of this report are Arizona Department of Transportation and their affiliates. 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:

November 17, 2021

DATE OF INSPECTION:

November 17, 2021

INTEREST VALUED:

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

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).

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

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

MARKET VALUE DEFINITION:

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 2020-2021 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 provided. However, the title report is from 2017 and shows information prior to the current ownership gaining title to the property. This title report would not include any new easements or property conditions added to the site after acquisition by the current ownership. It is assumed that 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 my 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.

Based on the subject zoning code, a minimum lot size of 54,450 square feet or 1.25 acres of land area is required in order to develop a single family residence. According to Ryan Green with Pinal County zoning department, a variance would be required and due to the circumstances of the site and reason for its site size, a variance allowing for single family residential development would likely be approved. It is an Extraordinary Assumption that this variance would be approved by Pinal County.

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 2020-2021 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. (The Appraisal Foundation, USPAP 2020-2021 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 2020-2021 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 Pinal County 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: Pinal County Assessor's Office (www.pinalcountyz.gov), Maricopa County Assessor's Office (www.maricopa.gov), Affidavit of Property Value, Real Quest (www.realquest.com), CoStar Realty Information (www.costar.com), FLEXMLS Data Systems (www.flexmls.com), owners or their representatives, and/or Real Estate Brokers and/or Agents.

NEIGHBORHOOD AND ANALYSIS:

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

SITE DESCRIPTION AND ANALYSIS:

The site description and analysis was based on my personal physical inspection, information obtained from the client, and from information obtained from the Pinal County Engineering, Planning and Zoning Departments.

DATA SOURCES:

Site Data

Size

Client

Other

Flood Zone

FEMA

Zoning

Pinal County

LEGAL DESCRIPTION:

The legal description can be found within title report which is located in the Addenda.

OWNERSHIP:

The owner of record as provided by Pinal County is:

Owner Name: STATE OF AZ

Mailing Address: 205 S 17TH AVE #MD612E, PHOENIX AZ 85007-3212 C016

HISTORY:

The property was purchased by the Arizona Department of Transportation for the development of the Gateway Highway (State Route 24) that will be located adjacent to the south of the subject. The appraiser is unaware of any 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 collects and analyzes the factors that affect the fair market value of the subject property. These factors are addressed in the area and neighborhood analysis, the site and improvement analysis, and the highest and best use analysis. They are then applied to the subject property in the discussion of the three approaches to value.

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

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

The Sales Comparison Approach is an approach through which an appraiser derives a value indication by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison and making adjustments, based on the elements of comparison, to the sale prices of the comparable sales. The Sales Comparison Approach will be utilized in valuation of the subject property.

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

The subject property is not encumbered by a lease, has no vertical improvements, and does not produce any income. Therefore, the Income Capitalization Approach will not be utilized.

Due to the fact that the subject is vacant land, the Sales Comparison Approach is the only approach utilized in this report.

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 2020-2021 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:

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



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

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

SOCIAL FORCES:

Social forces primarily have to do with population and demographic trends. The demographics of the population indicate the potential basic demand for real estate services. Arizona has experienced rapid population growth continuously for the last seven years, largely due to the extended period of strong economic growth. The state added 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

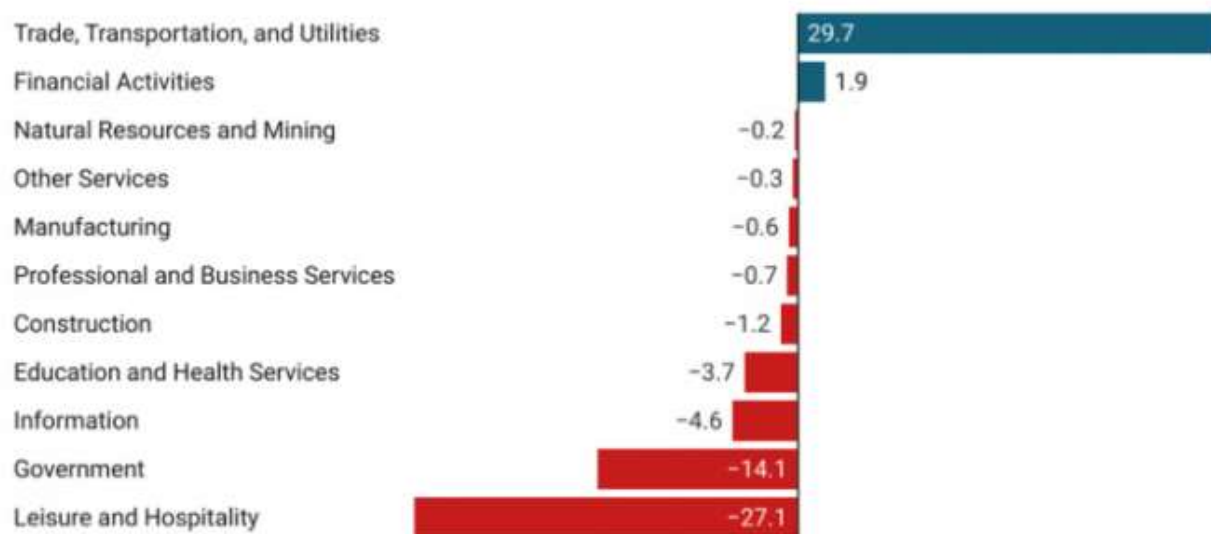
Arizona posted another month of strong job gains in July, with a seasonally-adjusted increase of 21,100. The strong gains in June were revised up to 40,300.

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.

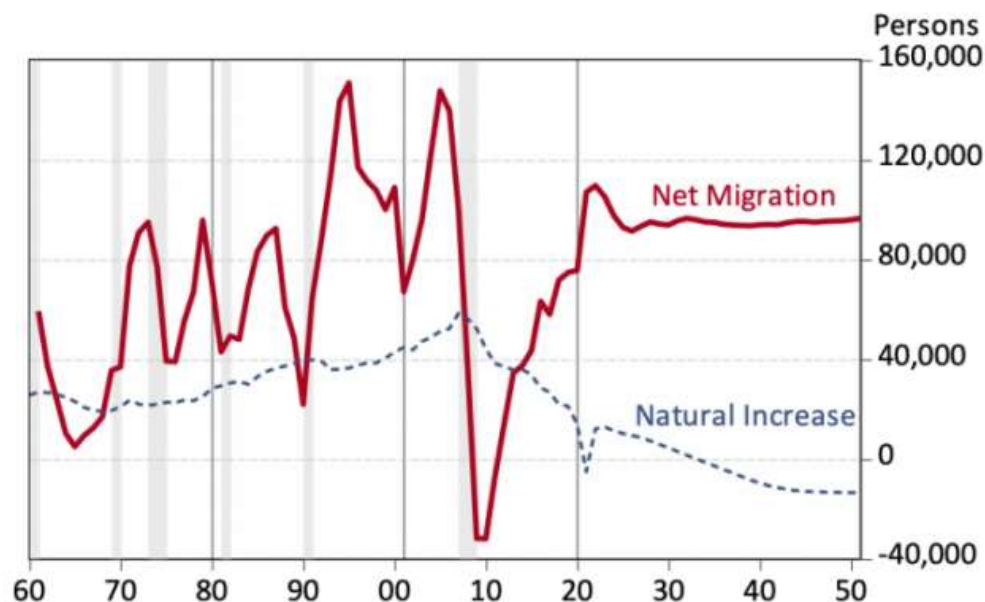
Arizona Long-Run Outlook

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)



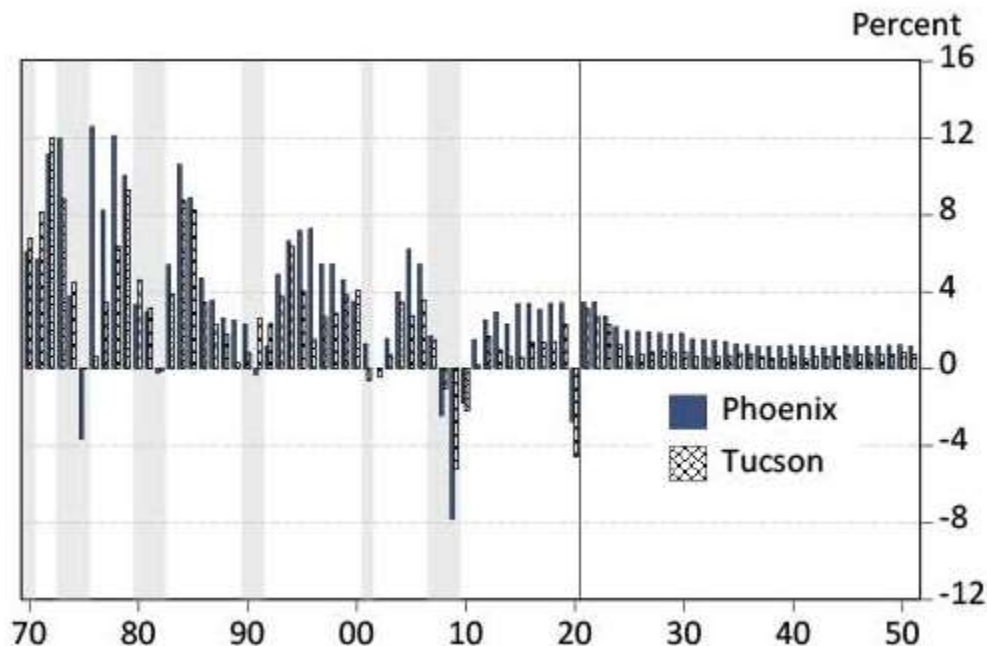
Arizona job growth is also forecast to be rapid during the next 30 years, with the state adding 1.5 million jobs (for an annual growth rate of 1.4%). That is well above the expected national rate of 0.6% per year.

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

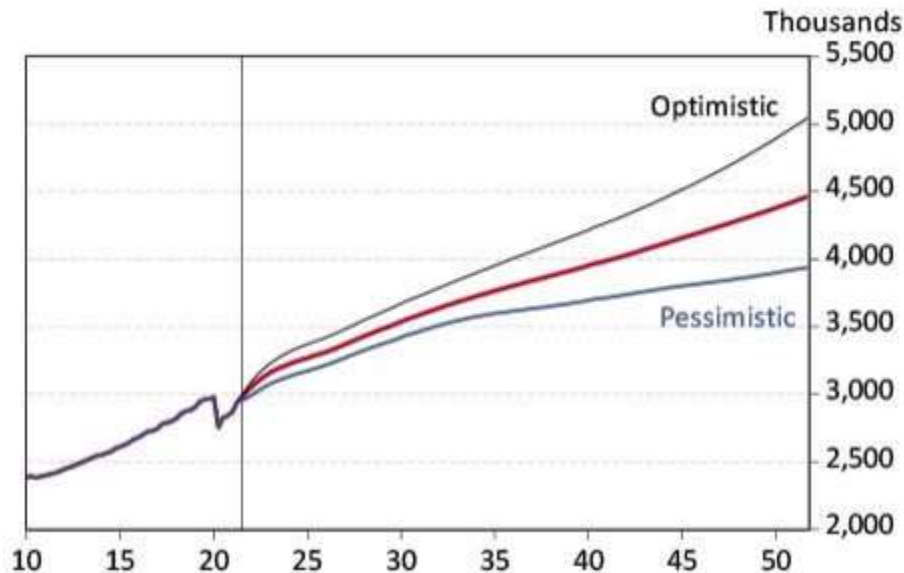
The alternative forecast scenarios call for Arizona, Phoenix, and Tucson to continue recovering from the COVID-19 downturn. The difference in the short-run is in the progress in controlling the outbreak.

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

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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.

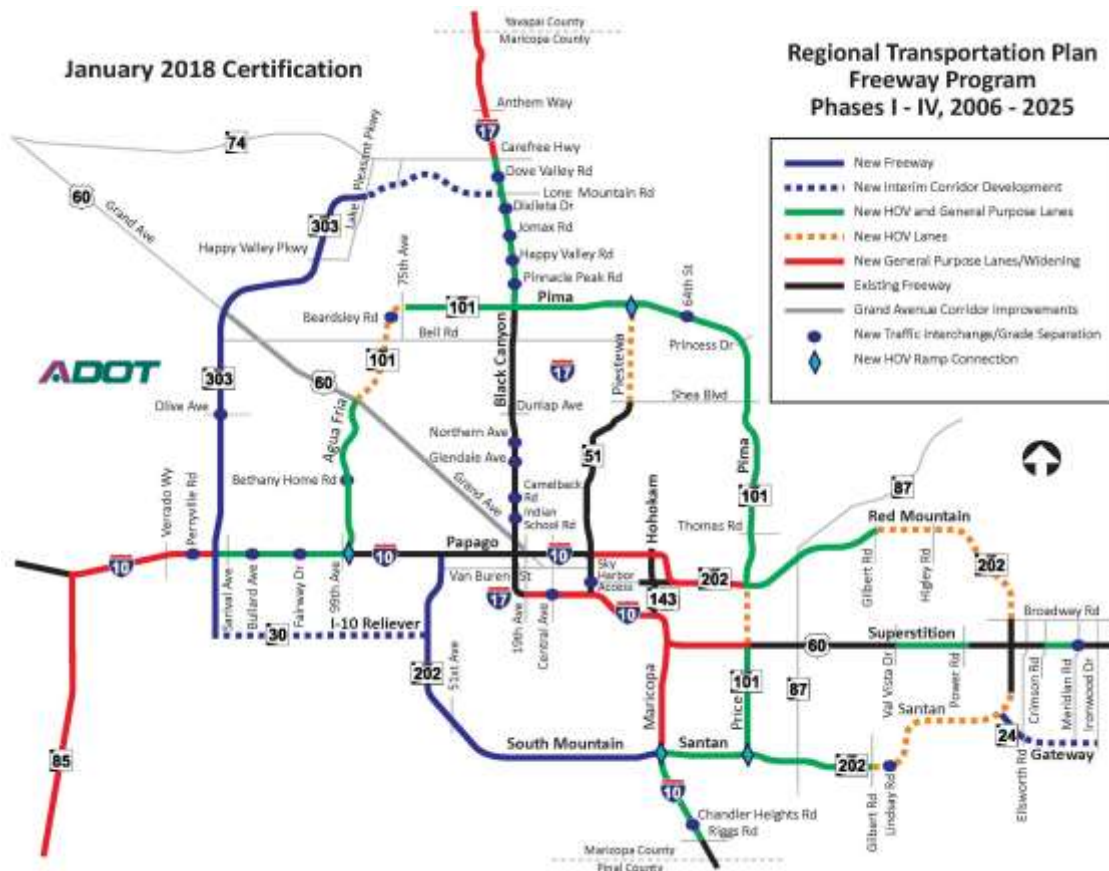
The *Gateway Freeway* (SR 24) was completed and opened in May of 2014. The initial phase is a one-mile stretch beginning at Loop 202 (Santan Freeway) near the Phoenix-Mesa Gateway Airport and ending at Ellsworth Road. Additional phases of this project, east of Ellsworth Road, are suspended until the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

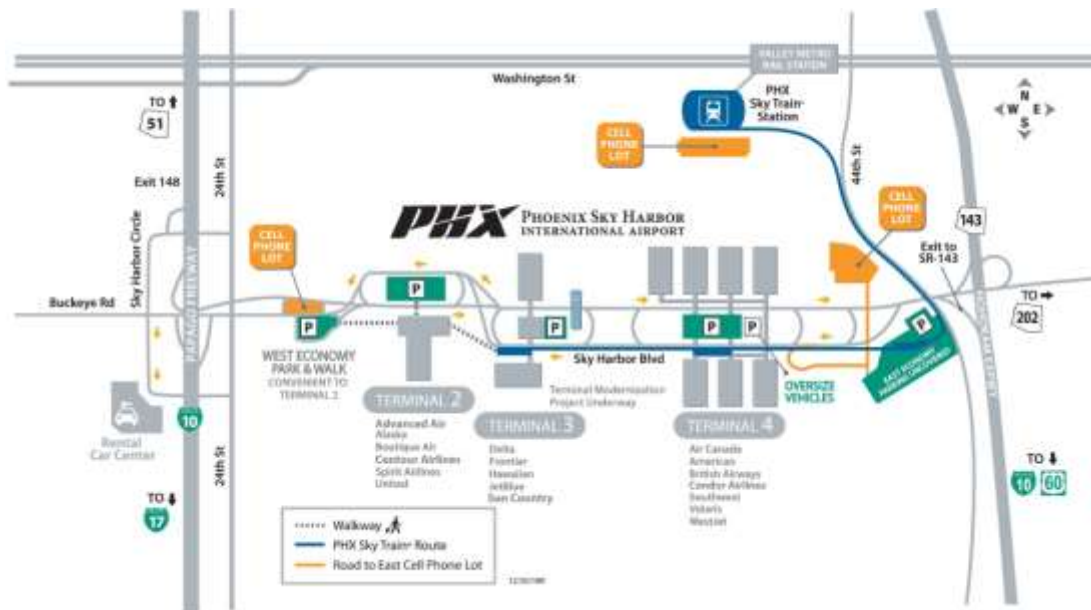


OTHER FORMS OF TRANSPORTATION:

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

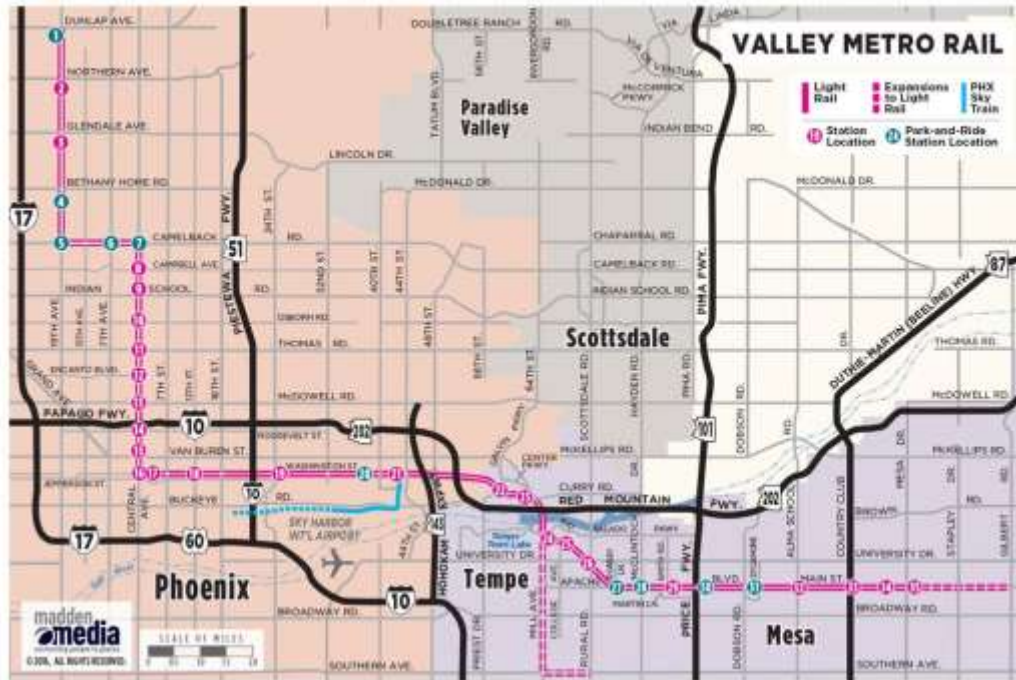
The Valley's light rail system offers riders a speedy 26-mile ride linking Phoenix to the neighboring communities of Tempe and Mesa, and includes stops at attractions such as Phoenix Art Museum, the Heard Museum, Chase Fields, Talking Stick Resort Arena and Tempe's Mill Avenue District. There are 28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

Active Listings						
	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

Sold Listings						
	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

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.

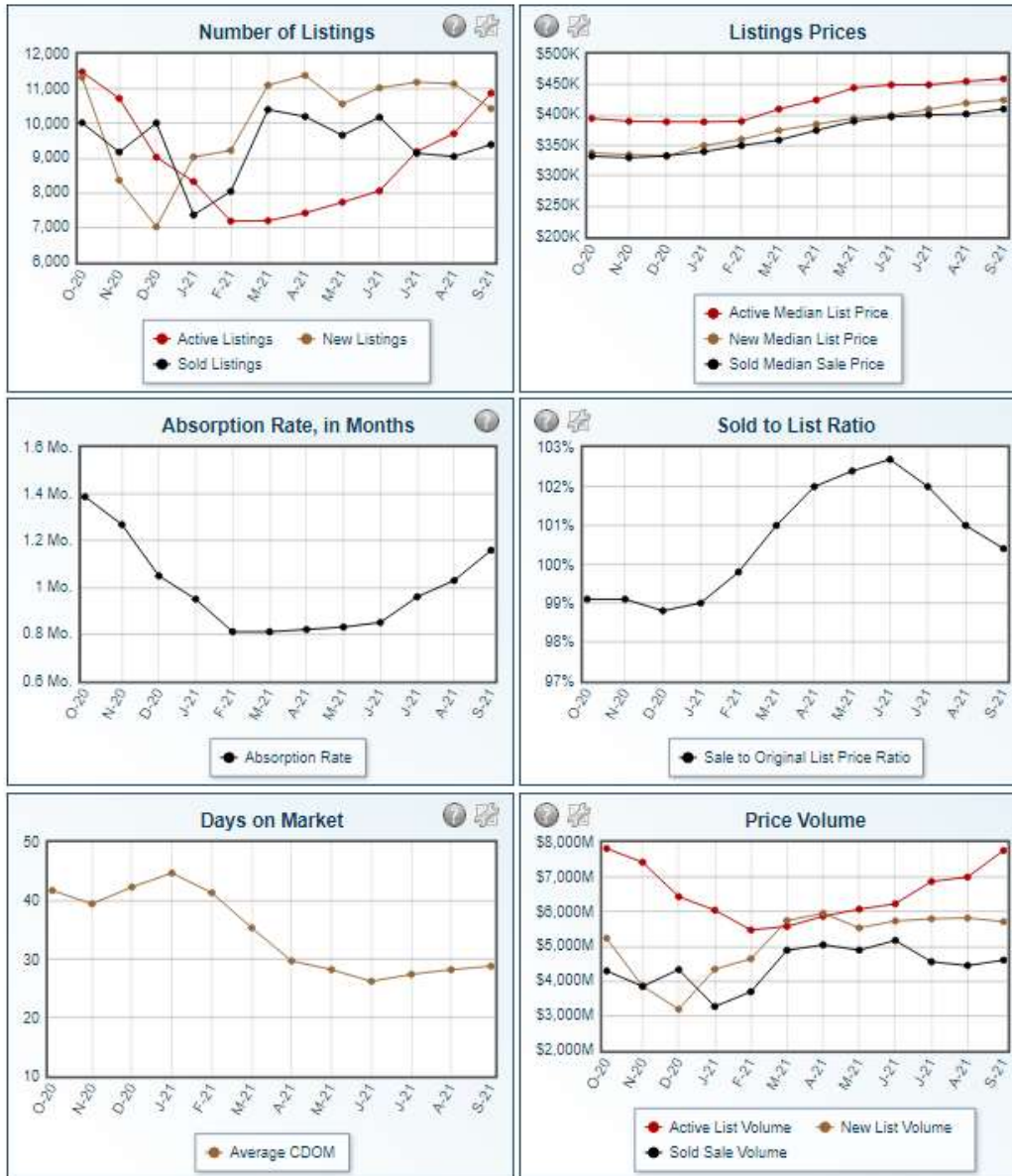
Sold single family homes from \$180,000 \$199,999 were down 42.7% compared to the previous year due to poor supply. The mid-range home sales from \$400,000 to \$499,999 had an increase of 72.4% compared to the previous year.

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.



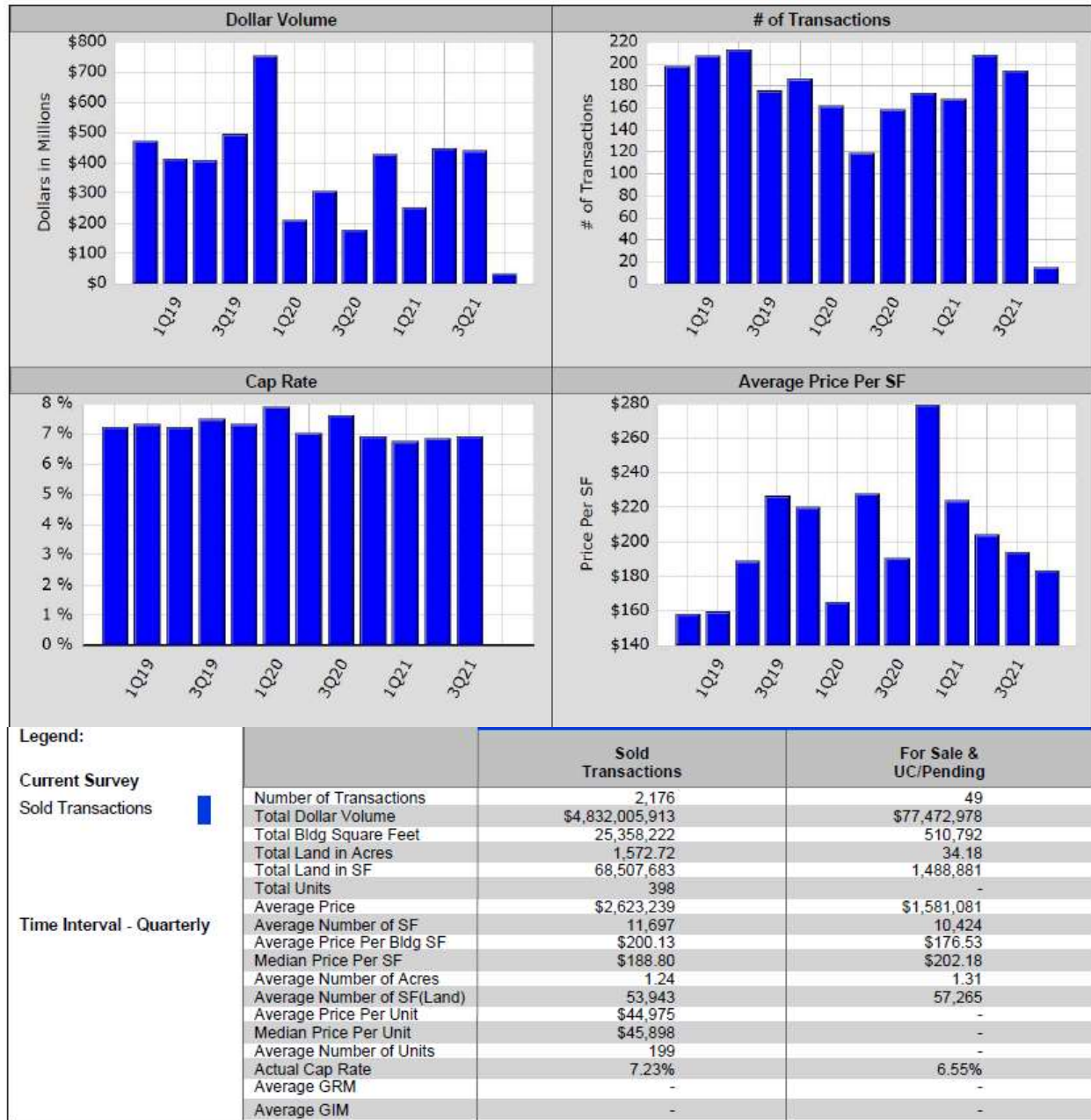
OFFICE MARKET:

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.

Existing Inventory		Vacancy	12 Mo Net Absorp SF	12 Mo Delivered SF	Under Const SF	Market Rent/SF
Market	Inventory 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.



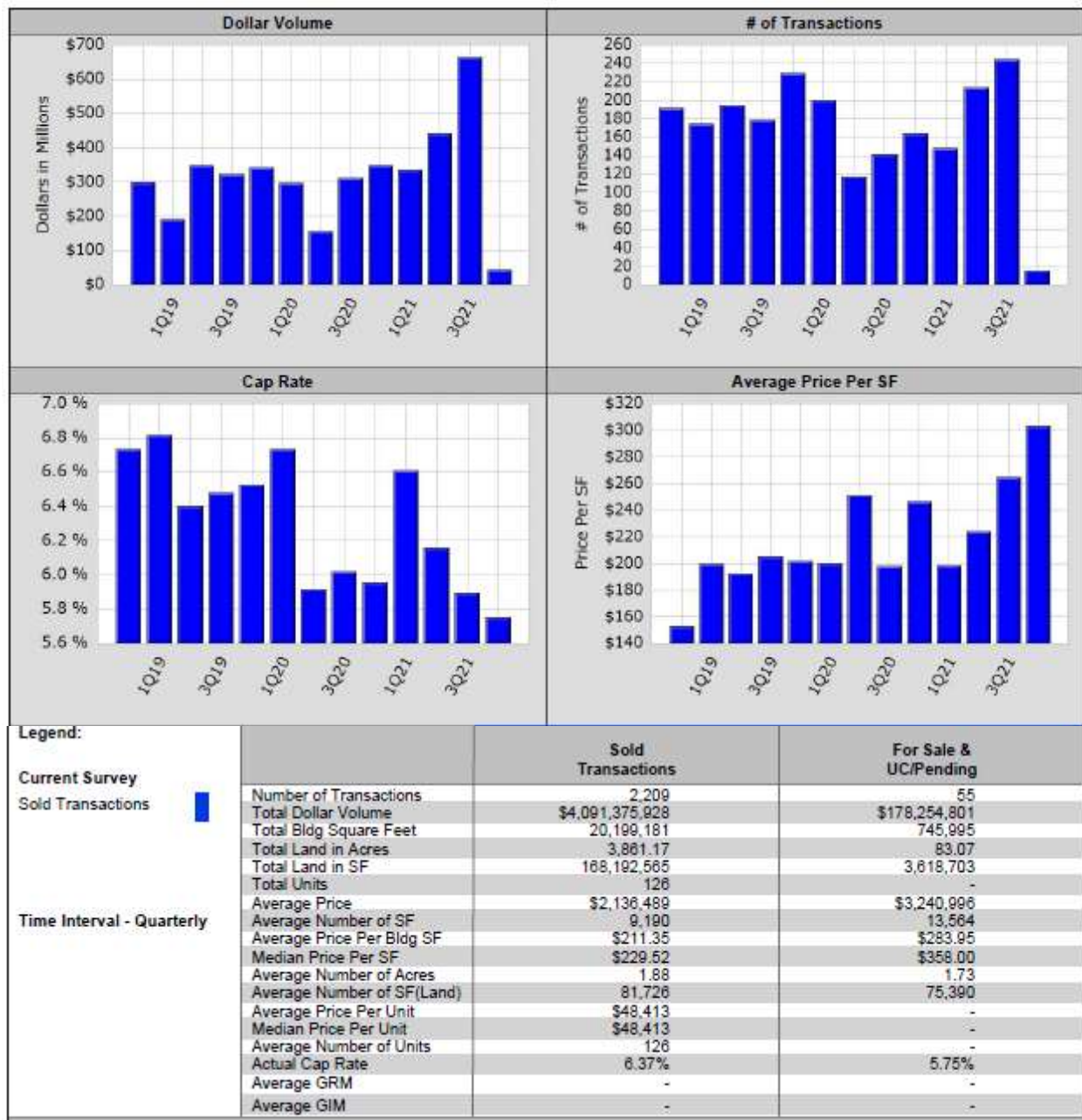
RETAIL MARKET:

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 Absorb SF	12 Mo Delivered	Under Const SF	Quoted Rates
Market	Inventory SF	Vac %				
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.

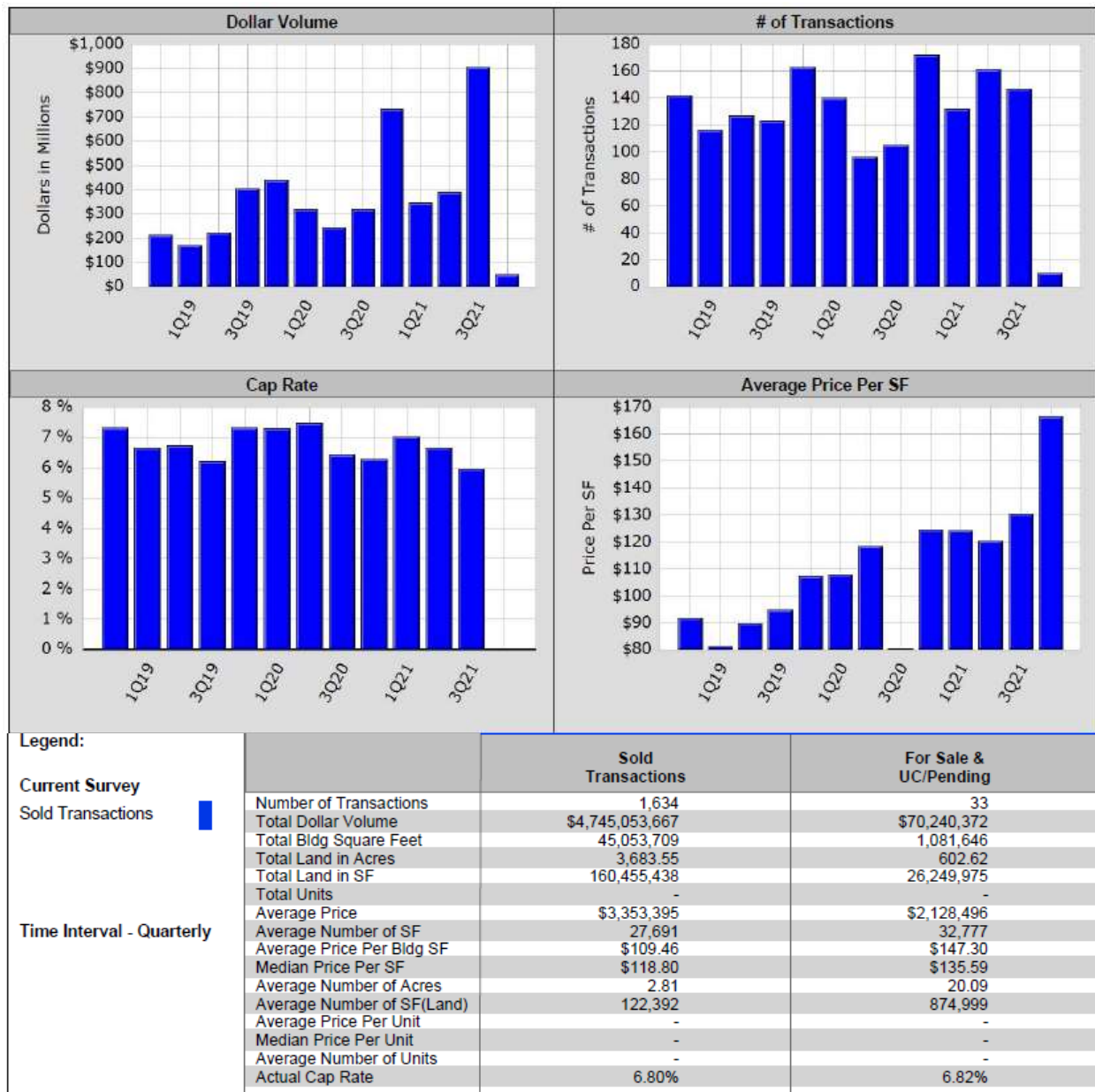


INDUSTRIAL MARKET:

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	12 Mo Net Absorp SF	12 Mo Delivered SF	Under Const SF	Market Rent/SF
Market	Inventory SF	Vac %				
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.














PINAL COUNTY:

Pinal County was formed from portions of Maricopa and Pima Counties on February 1, 1875, in response to the petition of residents of the upper Gila River Valley, as “Act #1” of the Eighth Territorial Legislature. Florence, established in 1866, was designated and has remained the county seat.

The County encompasses 5,371 square miles, of which 30 are water. In both economy and geography, Pinal County has two distinct regions. The eastern portion is characterized by mountains with elevations to 6,000 feet and copper mining. The western area is primarily low desert valleys and irrigated agriculture. The following data is the most up to date information from the United States Census Bureau and the University of Arizona Economic and Business Research Center for Pinal County.

Personal Income, Population, and Per Capita Personal Income

Personal Income, Per Capita Personal Income, Population Pinal County, Arizona	2014	2015	2016	2017	2018	2019
<i>Bureau of Economic Analysis</i>						
Personal income (thousands of dollars)	10,694,165	11,320,026	12,008,208	12,907,958	13,864,299	14,893,430
% Chg from Year Ago	6.27% ↑	5.85% ↑	6.08% ↑	7.49% ↑	7.41% ↑	7.42% ↑
Population (persons) 1/ 	395,322	405,614	417,193	431,564	446,806	462,789
% Chg from Year Ago	2.58% ↑	2.60% ↑	2.85% ↑	3.44% ↑	3.53% ↑	3.58% ↑
Per capita personal income (dollars) 2/	27,052	27,908	28,783	29,910	31,030	32,182
% Chg from Year Ago	3.60% ↑	3.16% ↑	3.14% ↑	3.92% ↑	3.74% ↑	3.71% ↑
1/ Census Bureau midyear population estimates. 2/ Per capita personal income was computed using Census Bureau midyear population estimates.						
Published by  Economic and Business Research Center.						
        						

Monthly Labor Force, Employment, Sales, and Housing Permits

Pinal County - Monthly Summary	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021
<i>Persons (000s, seasonally adjusted), Local Area Unemployment Statistics, BLS & EBRC</i>						
Civilian Labor Force	190,529.6	191,503.3	192,063.5	194,662.7	196,319.8	198,497.6
% Chg from Year Ago	0.3%	0.4%	1.6%	5.5%	5.3%	6.9%
Employment	176,809.8	178,263.6	180,133.9	182,572.5	183,517.1	185,747.3
% Chg from Year Ago	-1.7%	-2.0%	1.8%	12.3%	7.0%	10.3%
Unemployment	13,128.6	13,280.7	12,458.3	12,458.0	12,943.0	12,428.7
% Chg from Year Ago	37.9%	50.2%	-0.9%	-44.2%	-13.8%	-23.3%
Unemployment Rate	6.9	6.9	6.5	6.4	6.6	6.3
<i>Employees on Nonagricultural Payrolls by Industry (seasonally adjusted), Current Employment Statistics, BLS & EBRC</i>						
Total Nonfarm Employment	61,013.8	61,185.6	61,278.0	60,966.4	61,406.7	61,839.7
% Chg from Year Ago	-3.4%	-3.3%	-2.6%	2.9%	1.3%	3.3%
Total Private	42,208.1	42,312.9	42,414.9	41,862.0	42,519.4	42,739.4
% Chg from Year Ago	-2.7%	-2.7%	-1.9%	5.9%	2.9%	2.0%
Goods Producing	7,240.9	7,202.9	7,195.8	7,146.6	7,194.7	7,170.5
% Chg from Year Ago	-3.3%	-1.4%	-1.3%	-1.4%	-3.0%	0.7%
Mining and Construction	3,335.9	3,307.5	3,269.8	3,208.5	3,200.7	3,177.7
Manufacturing	3,887.9	3,893.1	3,922.8	3,937.1	3,985.7	3,991.8
Service Providing	53,759.6	54,006.3	54,115.7	53,851.5	54,294.7	54,585.6
% Chg from Year Ago	-3.4%	-3.6%	-2.7%	3.5%	2.0%	3.7%
Trade, Transportation, and Utilities	12,823.5	12,873.6	12,926.0	12,913.8	13,044.9	13,073.2
Information	412.8	415.3	414.3	396.1	388.3	394.0
Financial Activities	1,430.3	1,434.3	1,429.1	1,405.1	1,417.2	1,423.8
Professional and Business Services	6,276.0	6,296.5	6,279.7	6,248.2	6,270.3	6,265.8
Educational and Health Services	6,537.0	6,544.3	6,593.2	6,560.7	6,633.6	6,680.5
Leisure and Hospitality	6,127.4	6,144.0	6,163.4	5,935.1	6,229.2	6,298.5
Other Services	1,365.6	1,378.8	1,387.5	1,333.4	1,345.7	1,360.6
Government	18,977.1	18,957.9	18,951.1	19,000.7	18,951.4	18,989.6
% Chg from Year Ago	-4.8%	-4.6%	-4.0%	-3.2%	-2.0%	6.5%
Federal	1,628.7	1,623.7	1,644.1	1,647.8	1,652.5	1,644.7
State and Local	17,346.2	17,321.5	17,308.6	17,347.8	17,309.9	17,334.8

Source: University of Arizona Economic and Business Research Center

MAJOR EMPLOYERS:

The major employers for the area include: Abbott Labs, Albertson's, Apache Junction Health Center, Apache Junction Schools, Arizona State Prison, Asarco, Basha's, Casa Grande Regional Medical Center, Casa Grande Elementary School District, Casa Grande Union High School District, Casa Grande Valley Newspapers, Central Arizona College, City of Apache Junction, City of Casa Grande, City of Eloy, Coolidge Unified School District, Corrections Corp. of America, Eloy Schools, Evergreen Air Center, Flying J Truckstop, Frito-Lay, Fry's Food & Drug, Gila River Indian Community Government Farms, Harrah's Ak-Chin Casino, Hexcel Corp., Holiday Inn, Hunter Douglas Wood Products, K-Mart, Mayville Metals, Mulay Plastics of Casa Grande, Pinal County, Regional Care Services Corp., Safeway Supermarkets, Sun Life Family Health Center, Tanger Outlet Center, Truckstop of America, Wal-Mart, Westile Roofing Products.

SCENIC ATTRACTIONS:

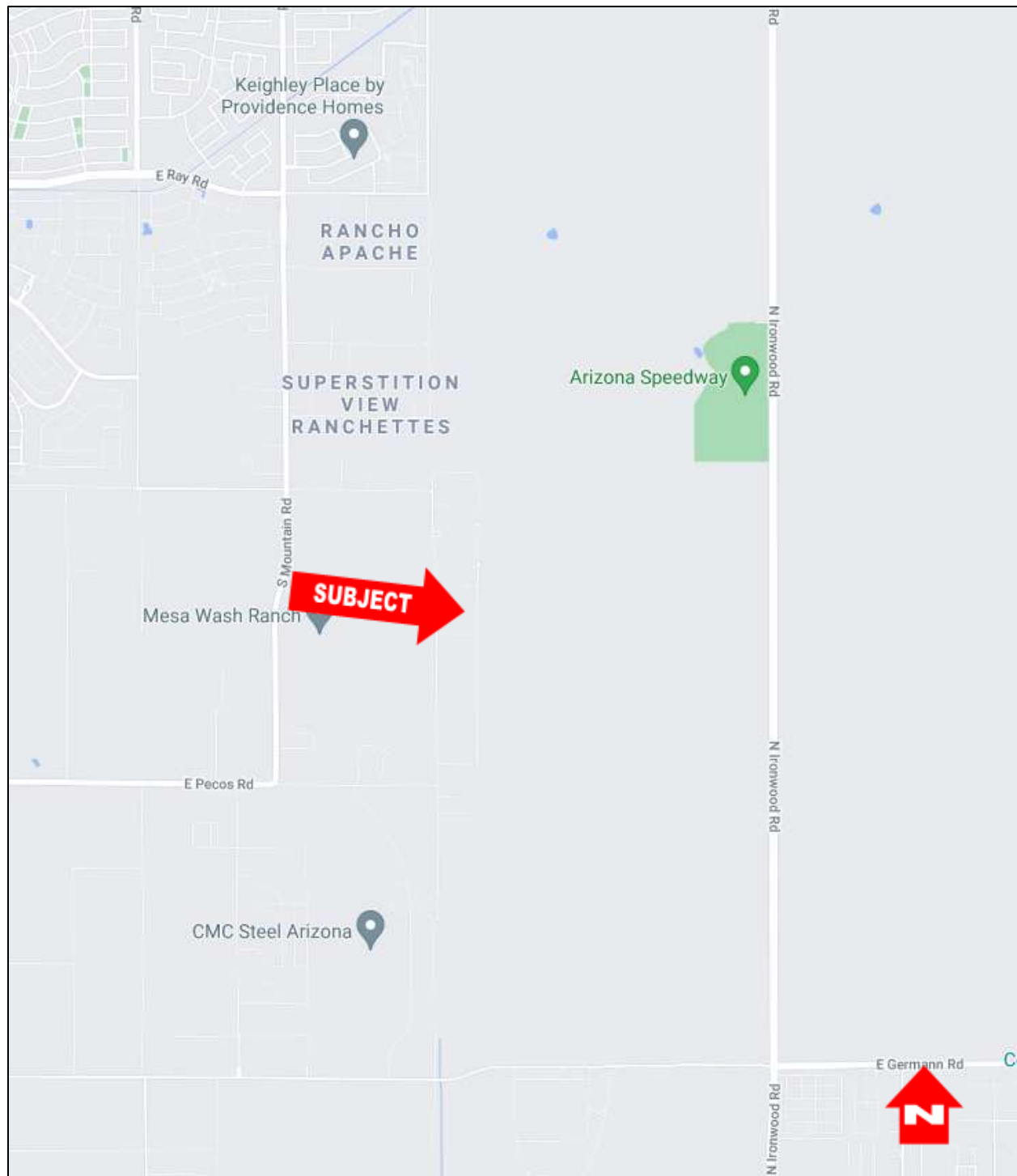
The County is home to many interesting attractions, including the Old West Highway 60, Casa Grande Ruins National Monument, Picacho Peak State Park, Picacho Reservoir, Boyce Thompson Southwestern Arboretum, Oracle State Park, and Columbia University's Biosphere II, McFarland State Park, Lost Dutchman State Park, Skydive Arizona, the world's largest skydiving drop-zone, and the Florence Historical District, with 120 buildings on the National Register.

SUMMARY AND CONCLUSION:

This area's location is just south of the metropolitan Phoenix area and is defined as an area of affordable housing, cultural and recreational amenities, and economic diversity as it experiences growth and is expected to enjoy increasing job opportunities.

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 and surrounding areas. However, even in the midst of such economic turmoil the cost of living in Phoenix metropolitan and surroundings cities can still be viewed as a bright spot. Though 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 and surrounding cities as a relocation destination.

NEIGHBORHOOD MAP



NEIGHBORHOOD DATA ANALYSIS

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

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

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

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

The neighborhood which is described as that area beyond which a change in land use would not affect the subject property site, is an area bounded on the North by Ray Road alignment, on the South by Germann Road, on the West by Ellsworth Road and on the East by Ironwood Road in Pinal County, Arizona. The major arterials for the area include Pecos Road to the southwest, Ray Road to the northwest and, Ironwood Road to the east. Gateway Highway (State Route 24) is currently under construction adjacent to the south of the property and will be a major roadway for the area upon completion.

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

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

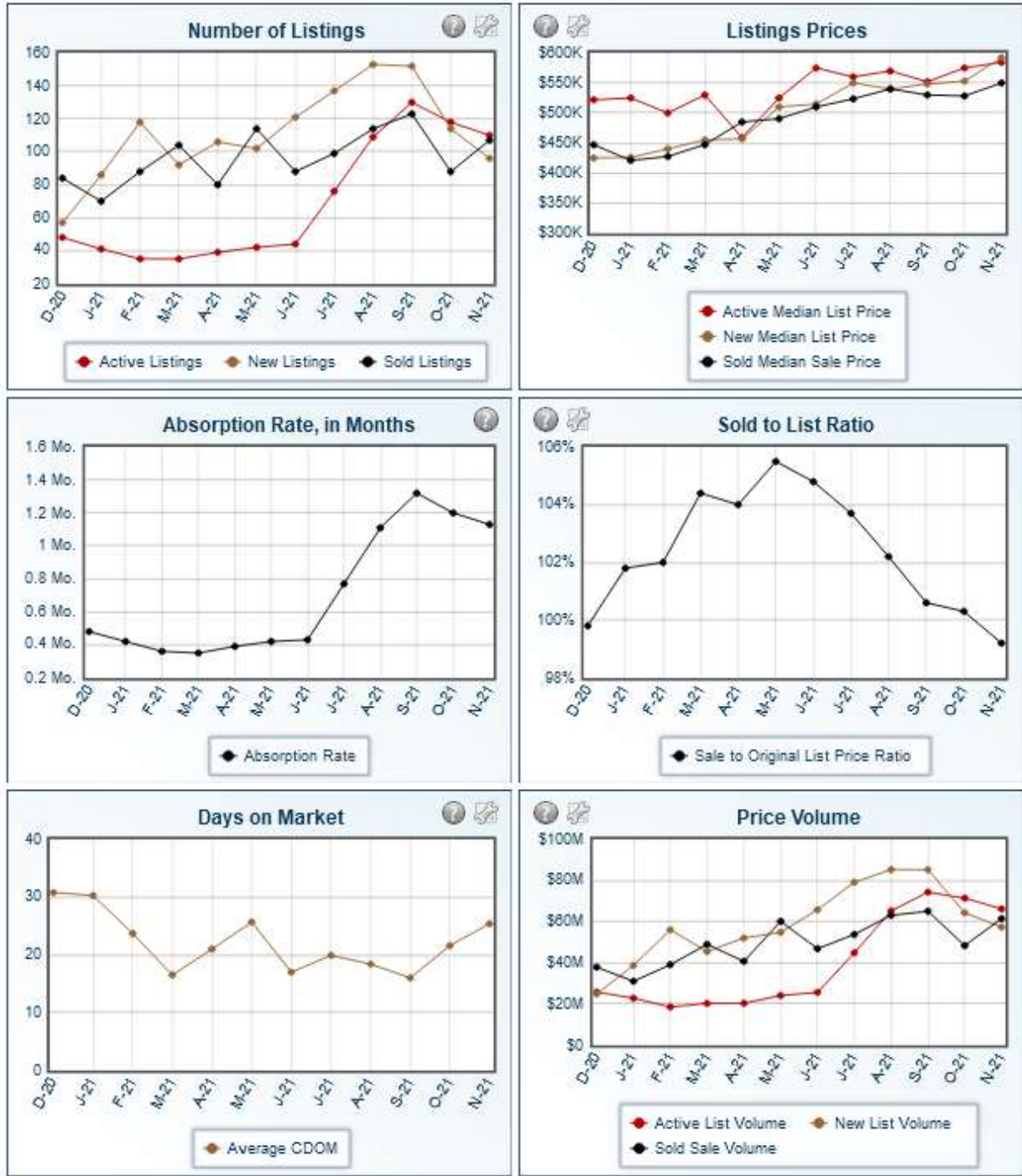
The appraiser researched the subject zip code (85212) to determine single family residential supply and demand factors. According to Arizona Multiple Listing Service the current single-family median sales price is up by 29.44% compared to the same time period last year. The median list price for homes in the subject's zip code was up 28.45% from the previous year's median list price. Absorption rates for single family homes are up 59.15%.

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

Summary Statistics			
	Nov-21	Nov-20	% Chg
Absorption Rate	1.13	0.71	59.15
Average List Price	\$602,042	\$503,493	19.57
Median List Price	\$584,450	\$455,000	28.45
Average Sale Price	\$574,527	\$436,777	31.54
Median Sale Price	\$550,000	\$424,900	29.44
Average CDOM	25	34	-26.47
Median CDOM	18	23	-21.74

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



The appraiser utilized an additional source to determine price increases and searched Zillow.com for value statistics. Zillow reports that home values in the zip code (85212) have increased 34% over the past 12 months and it is predicted that values will increase an additional 20% over the next 12 months.

DESTINATION AT GATEWAY:

An assemblage of roughly 250 acres in Mesa that has been in the works for about five years is now complete. This will allow for a mixed-use community with more than 700 residences. Located east of the Phoenix-Mesa Gateway Airport and south of the 3,200-acre Eastmark community, the planned development is being called Destination at Gateway. Maricopa County records show the land was acquired in four transactions totaling \$25,253,636. The City of Mesa has recently made a series of resolutions and zoning ordinances for 89 acres of the 250 acres that will allow for the development of an auto mall known as Destination at Gateway. The entirety of the planned area development will sit along the future State Route 24 extension.



DEMOGRAPHICS:

Population				
	2 mile	5 mile	10 mile	
2010 Population	3,717	54,249	426,621	
2021 Population	16,131	103,950	574,029	
2026 Population Projection	18,262	116,335	632,466	
Annual Growth 2010-2021	30.4%	8.3%	3.1%	
Annual Growth 2021-2026	2.6%	2.4%	2.0%	
Median Age	33.3	33.3	37.1	
Bachelor's Degree or Higher	33%	32%	30%	
U.S. Armed Forces	0	77	249	

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 Pinal County. Water is typically provided by wells within the market area with some areas not having access to a well. Electricity in the area is mainly provided by Salt River Project (SRP). Natural Gas is provided by Southwest Gas and the telephone service is provided by CenturyLink. The cost of obtaining these services is similar to competing neighborhoods in the metropolitan area. These services are adequate and are available at reasonable rates.

GOVERNMENTAL FORCES:

The governmental forces maintaining accord in the neighborhood and influencing development in the area have been Pinal County zoning regulations. Police and fire protection is provided are typically on the municipal and county level.

TRANSPORTATION:

The major roadways for the area are east/west roads; Williams Field Road, Pecos Road and Ray Road. Major north/south roads include Ironwood Drive, Meridian Road, Mountain Road, Signal Butte Road and Ellsworth Road.

It is noted that there are plans to extend the State Route 24 Highway which will sit adjacent to the subject site upon completion. It will feature two lanes in each direction with a graded median separating them. The Arizona Department of Transportation, in conjunction with the Federal Highway Administration, has begun construction of the Interim Phase II section of State Route 24 (SR 24) also referred to as Gateway Highway. This section will include approximately five miles of new freeway. The road will extend from its current terminus of Ellsworth Road on to Ironwood Drive with at-grade intersections at Williams Field Road; Signal Butte Road; Meridian Road; and Ironwood Drive. A map of the future is shown next.



PHOENIX-MESA GATEWAY AIRPORT:

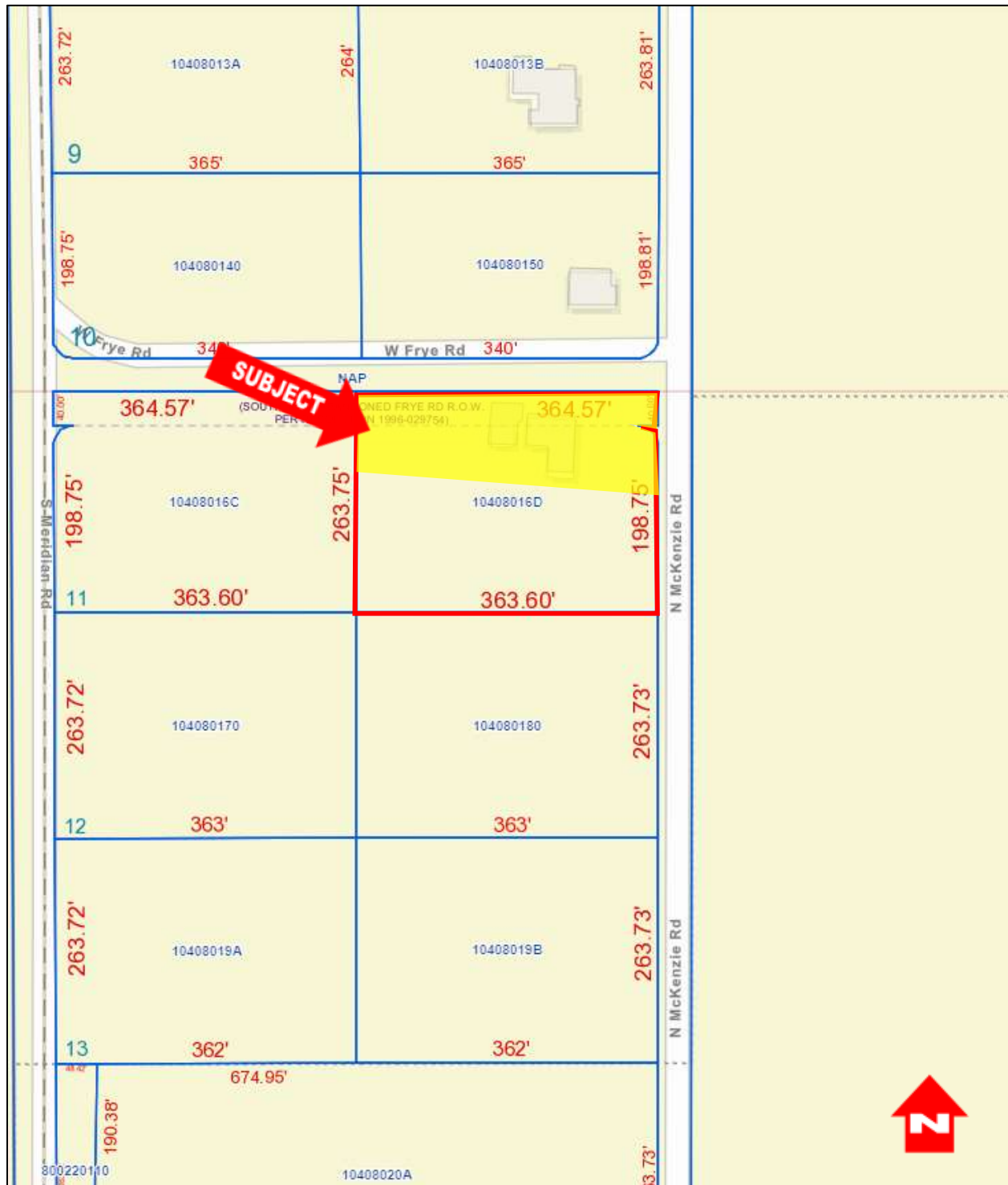
Phoenix–Mesa Gateway Airport, formerly Williams Gateway Airport (1994–2008) and Williams Air Force Base (1948–1993), is an international airport in the southeastern area of Mesa, Arizona, 20 miles southeast of Phoenix, in Maricopa County. The airport, owned and operated by the Phoenix–Mesa Gateway Airport Authority, is a reliever airport for Phoenix Sky Harbor International Airport. It is a base for Allegiant Air. The airport authority is governed by a six-member board: the mayors of the towns of Gilbert and Queen Creek, the mayors of the cities of Mesa, Phoenix and Apache Junction, as well as the tribal governor of the Gila River Indian Community.

The FAA's National Plan of Integrated Airport Systems for 2007–2011 called Phoenix–Mesa Gateway a reliever airport, which is a general aviation airport used to relieve congestion at a large airline airport. Allegiant Air began scheduled service from Mesa in October 2007. Phoenix-Mesa Gateway Airport records say the airport had 1,338,216 passenger boardings in calendar year 2017.

CONCLUSION:

The subject neighborhood is in a growth stage of development with newer residential development occurring within the neighborhood. The subject neighborhood is located within an area of Pinal County that is comprised of an adequate amount of retail centers, schools, medical facilities, and other goods and services that will promote the marketability of the subject neighborhood.

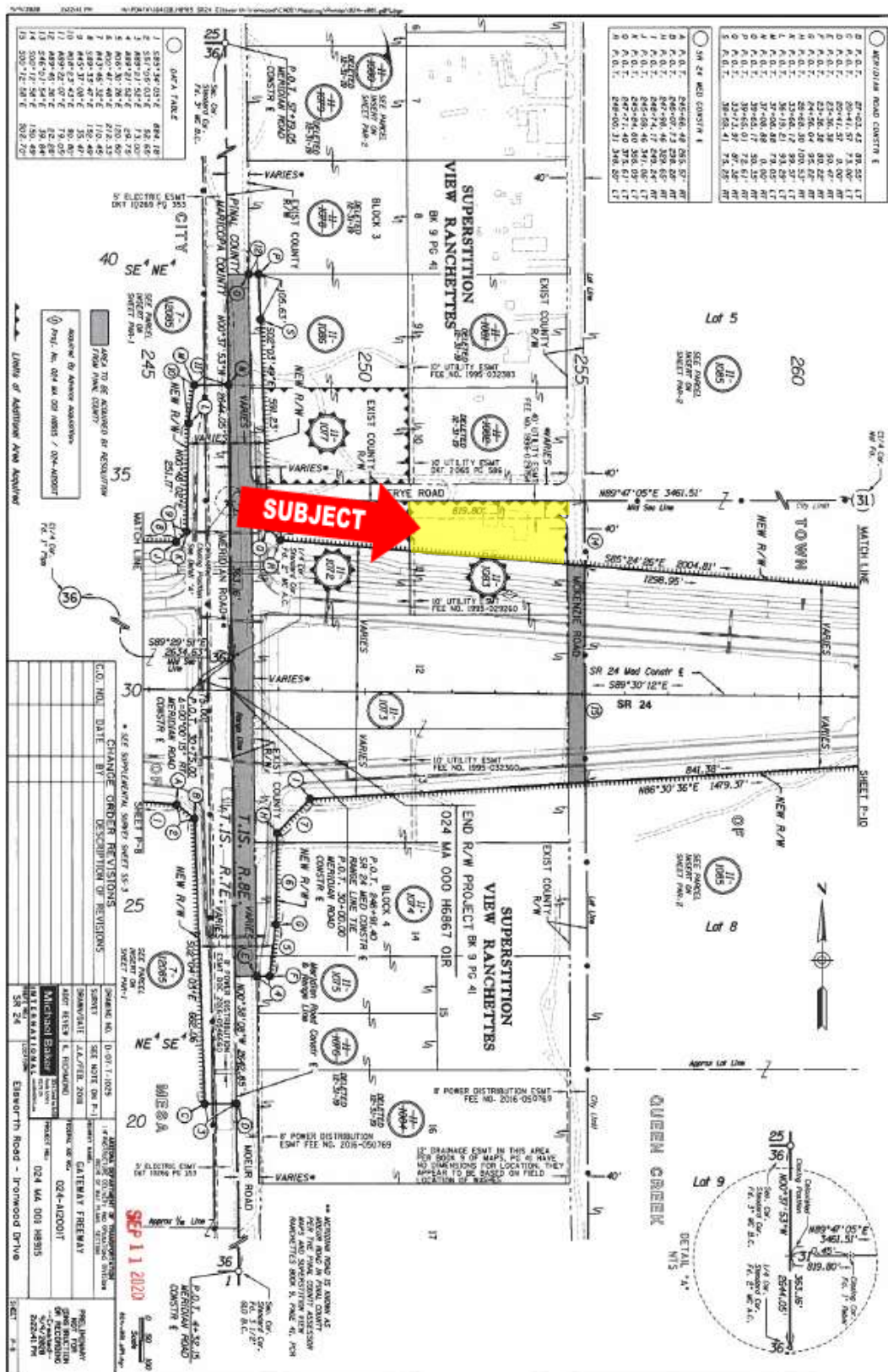
PLAT MAP



AERIAL VIEW



SITE PLAN



SITE DATA ANALYSIS

LOCATION:

The subject property is located along the south side of Frye Road just west of McKenzie Road in Pinal County, Arizona. It should be noted that State Route 24 is currently under construction adjacent to the south of the property and will be a major roadway for the area upon completion.

SITE DIMENSIONS AND SHAPE:

The subject site is irregular in shape. As per information supplied for this assignment the site is 1.09 acres or 47,837 square feet in size. The site has approximately 365 feet of frontage along Frye Road with the western border having 100 feet of depth and the eastern border having approximately 115 feet of depth.

IMPROVEMENTS:

The subject is vacant land and does not have any vertical improvements.

NUISANCES OR HAZARDS:

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

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

The Gateway Highway (State Route 24) is currently under construction adjacent to the south of the subject. It is likely that the increase in traffic from this freeway could cause an increase in noise which, is not ideal for residential development.

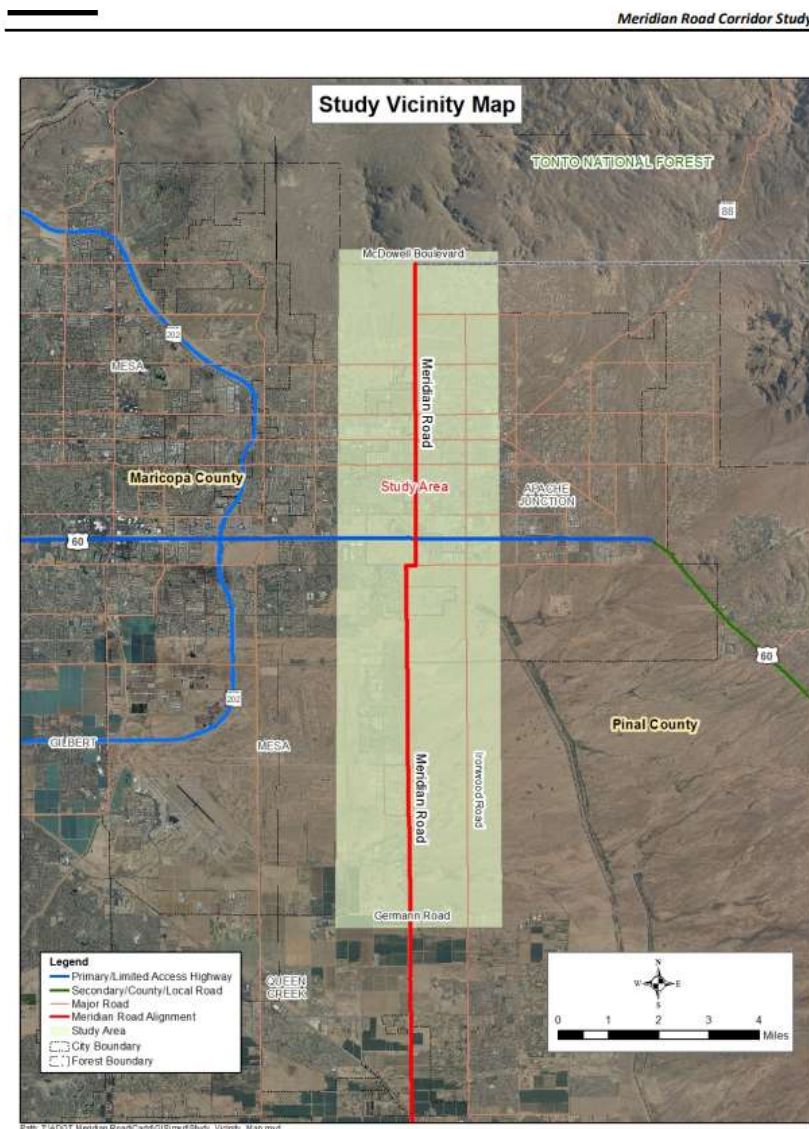
TRANSPORTATION IMPROVEMENTS:

The subject property has visibility and frontage from Meridian Road and the future Gateway Highway (State Route 24) and visibility, frontage and access from Frye Road. Due to the proximity to the Gateway Highway (State Route 24), the subject site (and Frye Road) are access restricted to Meridian Road and the Gateway Highway (State Route 24). Access to the site is somewhat circuitous as Frye Road dead ends at the subject site and Meridian Road, the main arterial for the area, is access restricted. Access can be achieved from Frye Road to the north which is accessed from McKenzie Road to the east. McKenzie Road can be accessed by Williams Field Road to the north, which then allows access to Meridian Road.

Meridian Road is currently under construction and was paved at the time of inspection, however Meridian Road will be a paved roadway upon completion. Frye Road is also made of dirt gravel with no curbs, gutters, sidewalks or street lights.

The Arizona Department of Transportation completed a Meridian Road Corridor Study in 2013. The study area for the Meridian Road Corridor Study is approximately 13 miles in length and is generally bounded by Germann Road on the south, McDowell Boulevard on the north, Ironwood Road on the east and Signal Butte Road on the west. Meridian Road is a section line alignment road that is located on the boundary between Pinal County and Maricopa County. The Cities of Apache Junction and Mesa and the Counties of Maricopa and Pinal along with the Town of Queen Creek all control portions of Meridian Road.

As the SR-24 Highway is completed, it appears that Meridian Road will be developed as a two lane road with access to the SR-24 Highway.



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 subject site is located in an area denoted as being in an "X" Flood Hazard Area, as found on Federal Emergency Management Agency Flood Insurance Rate Map number 04021C0200E based on the December 4, 2007 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:

The subject does not include water and would require a well until municipal utilities are run to the area, which is typical of the surrounding area. Additionally, the subject does not include any sewer and would require a septic system which is also typical of the area. Electric to the site is provided by Salt River Project (SRP) and telephone is provided by CenturyLink. Other than electric and telephone, there are no other public utilities in the area.

The subject is located within the Apache Junction Water District, however the nearest water and sewer services would be provided by the City of Mesa. These services are located at the intersection of Pecos Road and Meridian Road and it is unknown if the City of Mesa would extend these services in the Pinal County area. However, it is possible for an owner to install a septic system for sewage and gain access to a well for water, both of which are somewhat common for the area.

EASEMENTS:

A title report was provided. However, the title report is from 2017 and shows information prior to the current ownership gaining title to the property. This title report would not include any new easements or property conditions added to the site after acquisition by the current ownership. It is assumed that 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 my 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.

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 GR; General Rural according the Pinal County Planning and Zoning Department.

The zoning regulations are for the promotion and protection of the public health, peace, safety, comfort, convenience and general welfare and in order to secure for the citizens of Pinal County, Arizona, the social and economic advantages of an orderly, efficient use of land, and as a part of the comprehensive plan for the county, there is hereby adopted and established an official land use plan and zoning ordinance for Pinal County, Arizona, and rules, regulations and plans by which the future growth and development of the county may be directed in accordance with the plan and ordinance.

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. A more detailed description of the subject zoning is located within the Addenda.

Based on the subject zoning code, a minimum lot size of 54,450 square feet or 1.25 acres of land area is required in order to develop a single family residence. Prior to the recent right of way acquisition for the proposed Gateway Highway (State Route 24), the subject property met the minimal parcel size requirements for development. Following the acquisition, the site was reduced in size to 47,837 square feet which is below the development requirements set by Pinal County. According to Ryan Green with the Pinal County Zoning Department any future building permit for the subject would require a variance from Pinal County. Mr. Green indicated that it was highly likely a variance for single family development would be approved for the site due to the circumstances of its reduction in site size. It is an Extraordinary Assumption that a variance would be approved for development.

TAX AND ASSESSMENT DATA:

Presently, the subject property is identified as a portion of assessor's tax parcel number: 104-08-016D. The subject property is located in Pinal County and valued by the county assessor for taxing purposes.

The Pinal 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.

Following is the available information concerning FCV, LPV, and Assessed Ratio for the subject property.

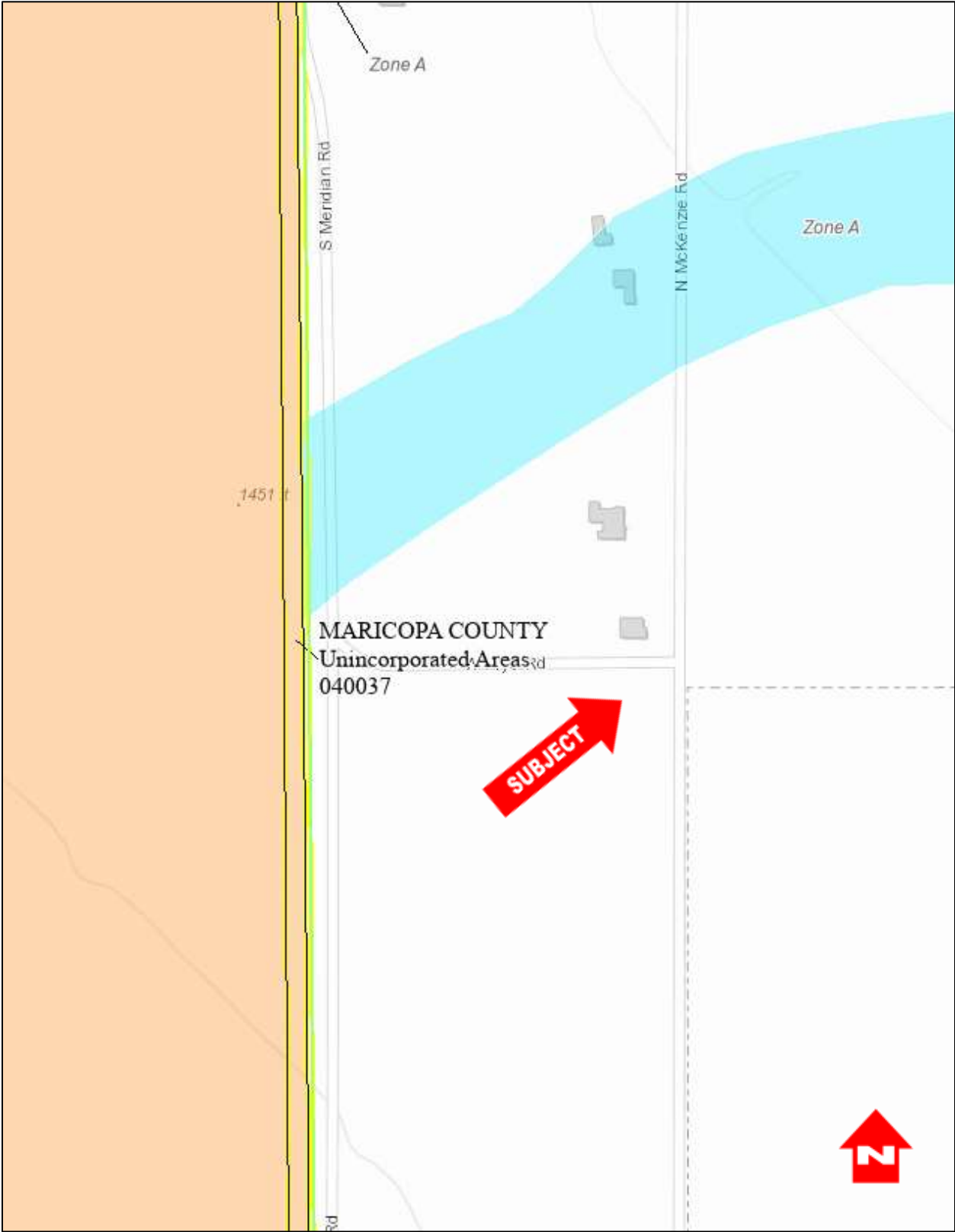
Full Cash Value (FCV):	\$117,112.00
Limited Value (LPV):	\$108,616.00

The subject is owned by an entity of the state and is not required to pay taxes.

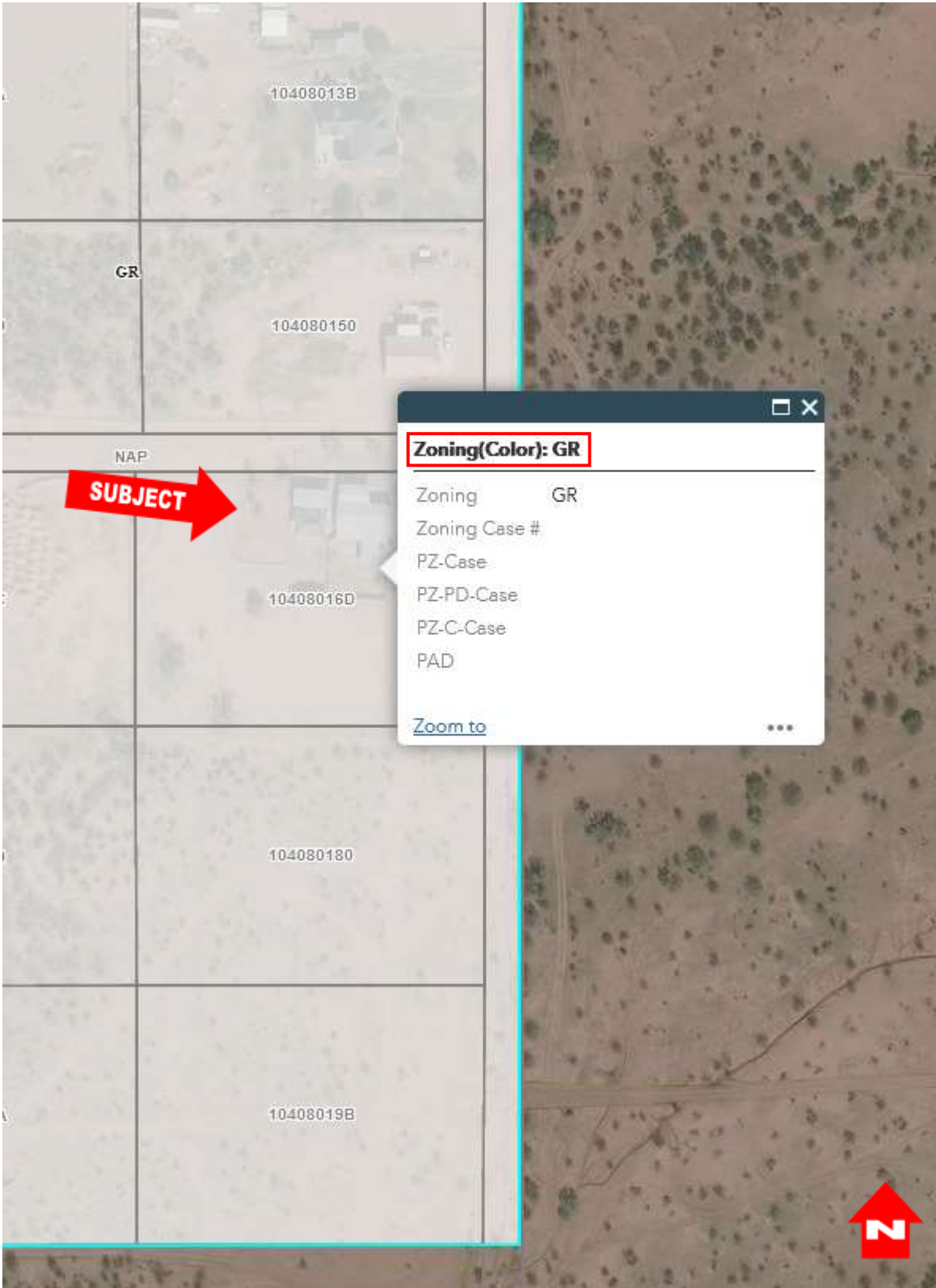
CONCLUSION:

In conclusion, the subject site has multiple physical and functional characteristics that limit its desirability and functionality. Due to the construction of the Gateway Highway (State Route 24), access to the subject is somewhat circuitous due to the fact that Frye Road, adjacent to the north of the site, dead ends at Meridian Road due to the Meridian Road access restriction. Additionally, the subject property is currently smaller than what current development standards allow for single family use. Although it was confirmed that a zoning variance would likely be approved, there would still be a cost associated with procuring development potential on the site. The shape of the site is somewhat elongated also slightly decreasing the desirability and municipal utilities have not quite been extended to the immediate area.

FLOOD ZONE MAP



ZONING MAP



SUBJECT PHOTOGRAPHS



Looking east along Frye Road, subject on the right



Looking south across the subject site



Looking southeast across the subject site



Looking west along Frye Road, subject on the left



Looking south across the subject site



Looking west across the subject site



Looking northwest across the subject site



Looking north across the subject site



Looking northeast across the subject site



Looking west across the subject site



Looking northwest across the subject site

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 it would be willing to bid. (IVS)
3. The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) *Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).*

Highest and Best Use as a Vacant Site

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

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

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

Highest and best use implies contribution of that specific use (ideal improvements) to the community environment or to community development goals in addition to wealth maximization of individual property owners. Also implied, is that the determination of highest and best use results from the appraisers' judgment and analytical skill, i.e., the use determined from analysis represents an opinion, not fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

The highest and best use conclusion may be identical to the one permitted by either zoning ordinances or private restrictions. In some instances land has a more valuable use than that permitted by law. When there is a strong possibility that a change in the legal use would be permitted, then it could properly be considered as a factor affecting value. Conversely, zoning could legally permit a use

more intense than the site could reasonably be expected to perform. In such cases, if zoning will not permit a less intense use, then it is necessary to determine whether or not the zoning could be changed and the effect of this factor upon the ultimate utilization of the property.

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

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

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

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

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

LEGALLY PERMISSIBLE:

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

The purpose of zoning is to provide for the 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 GR; General Rural according the Pinal County Zoning Map.

The zoning regulations are for the promotion and protection of the public health, peace, safety, comfort, convenience and general welfare and in order to secure for the citizens of Pinal County, Arizona, the social and economic advantages of an orderly, efficient use of land, and as a part of the comprehensive plan for the county, there is hereby adopted and established an official land use plan and zoning ordinance for Pinal County, Arizona, and rules, regulations and plans by which the future growth and development of the county may be directed in accordance with the plan and ordinance.

Based on the subject zoning code, a minimum lot size of 54,450 square feet or 1.25 acres of land area is required in order to develop a single family residence. Prior to the recent right of way acquisition for the proposed Gateway Highway (State Route 24), the subject property met the minimal parcel size requirements for development. Following the acquisition, the site was reduced in size to 47,837 square feet which is below the development requirements set by Pinal County. According to Ryan Green with the Pinal County Zoning Department any future building permit for the subject would require a variance from Pinal County. Mr. Green indicated that it was highly likely a variance for single family development would be approved for the site due to the circumstances of its reduction in site size. It is an Extraordinary Assumption that a variance would be approved for development.

In conclusion, the subject site is zoned for rural residential development and it is assumed a variance could be procured to allow for single family uses.

PHYSICALLY POSSIBLE:

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

The subject site is irregular in shape. As per information supplied for this assignment the site is 1.09 acres or 47,837 square feet in size. The subject site is irregular in shape. As per information supplied for this assignment the site is 1.09 acres or 47,837 square feet in size. The site has approximately 365 feet of frontage along Frye Road with the western border having 100 feet of depth and the eastern border having approximately 115 feet of depth.

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

The physical and functional characteristics of the site are not typical due to its irregular shape and access restrictions. Due to the construction of the Gateway Highway (State Route 24), access to the subject site is restricted making it somewhat circuitous. The shape is more narrow on the western end of the subject site somewhat limiting development potential.

In conclusion, development on the subject site is not currently likely until services are extended to the site.

FINANCIAL FEASIBILITY:

At this point of the Highest and Best Use analysis, the appraiser concludes that the subject can be legally developed with a single family use (assuming a variance is approved); however, physically possible is a concern due to the subjects distance from water lines. This conclusion statement

considers the type of uses that are deemed to be the most reasonable and prudent uses for the subject, as of the date of valuation. Now at this point, one must divert the analysis with regards to the economic feasibility that may affect the subject site.

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

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

Single Family Residential

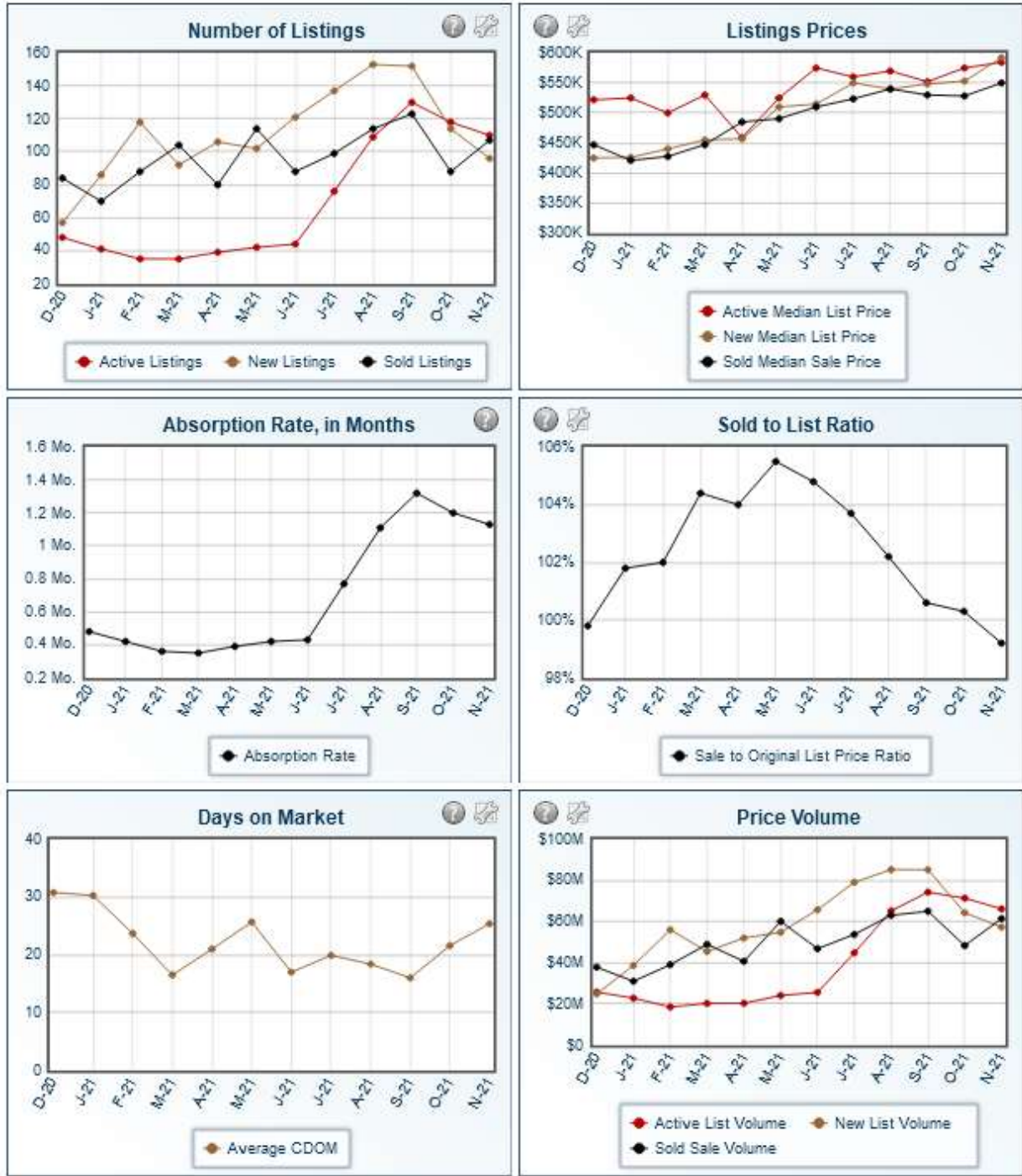
The appraiser researched the subject zip code (85212) to determine single family residential supply and demand factors. According to Arizona Multiple Listing Service the current single-family median sales price is up by 29.44% compared to the same time period last year. The median list price for homes in the subject's zip code was up 28.45% from the previous year's median list price. Absorption rates for single family homes are up 59.15%.

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

Summary Statistics			
	Nov-21	Nov-20	% Chg
Absorption Rate	1.13	0.71	59.15
Average List Price	\$602,042	\$503,493	19.57
Median List Price	\$584,450	\$455,000	28.45
Average Sale Price	\$574,527	\$436,777	31.54
Median Sale Price	\$550,000	\$424,900	29.44
Average CDOM	25	34	-26.47
Median CDOM	18	23	-21.74

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



The appraiser utilized an additional source to determine price increases and searched Zillow.com for value statistics. Zillow reports that home values in the zip code (85212) have increased 34% over the past 12 months and it is predicted that values will increase an additional 20% over the next 12 months.

The subject site is located in a low density residential area. Also, as stated previously, the development on the subject site is currently not likely due to limited services. Based on the preceding analysis, the appraiser believes that although there is significant demand for residential uses, the cost to procure utilities would likely be too cost prohibitive. It is concluded that residential development is not yet considered 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 that a residential use is legally permissible, not yet physically possible, or financially feasible and/or maximally productive at this time.

CONCLUSION:

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

VALUATION PROCESS

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

The valuation process is:

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

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

SALES COMPARISON APPROACH - *The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriated) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*

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

COST APPROACH - *A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciations from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised. Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*

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

another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. The 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. Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

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

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

As the subject is vacant land and does not produce income and has no improvements, only the Sales Comparison Approach is considered in this report in order to determine a value of the subject site.

SALES COMPARISON APPROACH

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

There are five basic steps in the Sales Comparison Approach:

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

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

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

COMPARABLE LAND SALE NO. 1



LOCATION	North of Ivanhoe Street just west of Mountain Road, Lot 2, Mesa, Arizona
GRANTOR	Siwel Properties, LLC
GRANTEE	Matthew J Horton
CLOSING DATE	November 8, 2021
SALE DATE	September 2021 was the reported sale date within the Affidavit of Property Value.
DAYS ON MARKET	20
PARCEL NO.	304-94-012C
DOCUMENT NO.	2021-1199345
SALE PRICE	\$299,000
SALE PRICE/SF	\$6.86
TERMS	Cash Equivalent
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length Transaction Typical
CONFIRMED BY	Katrina McCarthy, Broker 480.406.8857

DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and ARMLS/Monsoon.
SALES HISTORY	No prior sales in the previous three years.
SITE DATA	
Land Size/SF	43,560
Land Size/Acre	1.00
Building Improvements	None
Frontage	Minor
Location	Interior/Average
Access	Paved
Shape	Flag
Surroundings	Average
Topography	Level
Utilities	E, W, P
Off-sites	None
Flood Zone	X
Zoning	RU-43
Present Use	Vacant land
Highest and Best Use	Single Family Residential Development
COMMENTS	The property was purchased for single family residential development and the site is part of a future 5-lot subdivision. The site is flag shaped with frontage along Ivanhoe Street. According to the broker, the developer will construct a paved road along the western border that will include water lines and the street will dead end into a cul-de-sac.

AERIAL VIEW



COMPARABLE LAND SALE NO. 2



LOCATION	North of Ivanhoe Street just west of Mountain Road, Lot 3, Mesa, Arizona
GRANTOR	Siwel Properties, LLC
GRANTEE	Melissa Hinton
CLOSING DATE	October 8, 2021
SALE DATE	September 2021 was the reported sale date within the Affidavit of Property Value.
DAYS ON MARKET	5
PARCEL NO.	304-94-012C
DOCUMENT NO.	2021-1091814
SALE PRICE	\$299,000
SALE PRICE/LOT	\$299,000
SALE PRICE/SF	\$6.86
TERMS	Cash Equivalent
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length Transaction Typical
CONFIRMED BY	Andrew Hawkes, Broker 480.751.7580
DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and ARMLS/Monsoon.

SALES HISTORY No prior sales in the previous three years.

SITE DATA

Land Size/SF	43,560
Land Size/Acre	1.00
Building Improvements	None
Frontage	Minor
Location	Interior/Average
Access	Paved
Shape	Flag
Surroundings	Average
Topography	Level
Utilities	E, W, P
Off-sites	None
Flood Zone	X
Zoning	RU-43
Present Use	Vacant land
Highest and Best Use	Single Family Residential Development

COMMENTS

The property was purchased for single family residential and the site is part of a 5-lot subdivision. The site is flag shaped with frontage along Ivanhoe Street. According to the broker, the developer will construct a paved road along the western border that will include water lines and the street will dead end into a cul-de-sac.

AERIAL VIEW



COMPARABLE LAND SALE NO. 3



LOCATION	Southeast corner of Mountain Road and Galveston Street, Phoenix, AZ
GRANTOR	Fouad & Claire Touma
GRANTEE	Brian Fuller
CLOSING DATE	June 1, 2021
SALE DATE	May 2021 was the reported sale date within the Affidavit of Property Value.
DAYS ON MARKET	44
PARCEL NO.	304-93-001A
DOCUMENT NO.	2021-0606313
SALE PRICE	\$250,000
SALE PRICE/SF	\$5.61
TERMS	All Cash
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length Transaction Typical
CONFIRMED BY	Dale Eames, Seller Broker 480.330.3485

DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and ARMLS/Monsoon.
SALES HISTORY	No prior sales in the previous three years.
SITE DATA	
Land Size/SF	44,555
Land Size/Acre	1.02
Building Improvements	None
Frontage	Minor
Location	Corner/Average
Access	Paved
Shape	Rectangular
Surroundings	Fair/Average
Topography	Level
Utilities	E, P
Off-sites	None
Flood Zone	X
Zoning	RU-43
Present Use	Vacant land
Highest and Best Use	Single Family Residential Development
COMMENTS	The site is rectangular in shape with frontage along Mountain Road and Galveston Street. The site was purchased for single family residential development. According to the broker, the site did not included any on-site water and would require a shared well. Utilities to the site are currently limited to electric and phone.

AERIAL VIEW



COMPARABLE LAND SALE NO. 4



LOCATION	Northeast corner of Williams Field Road and 230th Place in Mesa, AZ
GRANTOR	John A. and Anna M Scarpone
GRANTEE	Refugio De La Torre
CLOSING DATE	May 21, 2021
SALE DATE	December 2020 was the reported sale date within the Affidavit of Property Value.
DAYS ON MARKET	N/Av
PARCEL NO.	304-93-029D
DOCUMENT NO.	2021-0565818
SALE PRICE	\$225,000
SALE PRICE/SF	\$4.62
TERMS	All Cash
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length Transaction Typical
CONFIRMED BY	Repeated attempts to contact the buyer, seller, and/or broker were unsuccessful; the vital sales data was confirmed through a signed affidavit of property value and CoStar.

DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and ARMLS/Monsoon.
SALES HISTORY	No prior sales in the previous three years.
SITE DATA	
Land Size/SF	48,734
Land Size/Acre	1.12
Building Improvements	None
Frontage	Major
Location	Corner/Average
Access	Paved
Shape	Rectangular
Surroundings	Average
Freeway Proximity	No
Topography	Level
Utilities	E, W, P
Off-sites	None
Flood Zone	X
Zoning	RU-43
Present Use	Vacant land
Highest and Best Use	Hold for single family development
COMMENTS	The site is rectangular in shape and has frontage from Williams Field Road and 230th Place. Utilities available to the site include water, phone and electric.

AERIAL VIEW



COMPARABLE LAND SALE NO. 5



LOCATION	Northwest of Meridian Road and Galveston Street in Mesa, AZ
GRANTOR	Craig Shumway and Dallan Randall
GRANTEE	Kyle Edward and Skye Dugger
CLOSING DATE	April 16, 2021
SALE DATE	February 2021 was the reported sale date within the Affidavit of Property Value.
DAYS ON MARKET	N/A
PARCEL NO.	304-94-031C
DOCUMENT NO.	2021-0429855
SALE PRICE	\$165,013
SALE PRICE/SF	\$3.25
TERMS	All Cash
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length Transaction Typical
CONFIRMED BY	Repeated attempts to contact the buyer, seller, and/or broker were unsuccessful; the vital sales data was confirmed through a signed affidavit of property value and CoStar.

DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and ARMLS/Monsoon.
SALES HISTORY	No prior sales in the previous three years.
SITE DATA	
Land Size/SF	50,822
Land Size/Acre	1.17
Building Improvements	None
Frontage	Minor
Location	Interior/Average
Access	Dirt
Shape	Rectangular
Freeway Proximity	No
Surroundings	Fair
Topography	Level
Utilities	E, P
Off-sites	None
Flood Zone	X
Zoning	RU-43
Present Use	Vacant land
Highest and Best Use	Hold for single family development
COMMENTS	The site is rectangular in shape and would require an access easement through the adjacent site from Galveston Street to the south. It should be noted that the site has legal access. However, a cross access easement would need to be acquired through the property adjacent to the south. Utilities to the site are limited to electric and phone.

AERIAL VIEW



COMPARABLE LAND SALE NO. 6



LOCATION	North of Galveston Street just west of Meridian Road in Mesa, AZ
GRANTOR	Craig Shumway and Dillan Randall
GRANTEE	Jeralyn and Luis Elgueda
CLOSING DATE	April 16, 2021
SALE DATE	March 2021 was the reported sale date within the Affidavit of Property Value.
DAYS ON MARKET	N/A
PARCEL NO.	304-94-031D
DOCUMENT NO.	2021-0429856
SALE PRICE	\$155,304
SALE PRICE/SF	\$3.06
TERMS	All Cash
PROPERTY RIGHTS	Fee Simple
CONDITION OF SALE	Arm's Length Transaction Typical
CONFIRMED BY	Repeated attempts to contact the buyer, seller, and/or broker were unsuccessful; the vital sales data was confirmed through a signed affidavit of property value and CoStar.

DATA SOURCES	Sworn Affidavit of Property Value signed by grantor and grantee, and ARMLS/Monsoon.
SALES HISTORY	No prior sales in the previous three years.
SITE DATA	
Land Size/SF	50,825
Land Size/Acre	1.17
Building Improvements	None
Frontage	Minor
Location	Interior/Average
Access	Paved
Shape	Rectangular
Freeway Proximity	No
Surroundings	Fair
Topography	Level
Utilities	E, P
Off-sites	None
Flood Zone	X
Zoning	RU-43
Present Use	Vacant land
Highest and Best Use	Hold for single family development
COMMENTS	The site is rectangular in shape with frontage along Galveston Street. It is noted that this site would host an access easement for the lot located adjacent to the north. The existence of this access easement would limit a portion of the net usable area. Utilities to the site are limited to electric and phone.

AERIAL VIEW



LAND SALES MAP



LAND SALES SUMMARY CHART:

Sale Data	Subject Property	1	2	3	4	5	6
SALE PRICE		\$299,000	\$299,000	\$250,000	\$225,000	\$165,013	\$155,304
SALE PRICE/SF		\$6.86	\$6.86	\$5.61	\$4.62	\$3.25	\$3.06
TERMS	Cash	Cash Equivalent	Cash Equivalent	All Cash	All Cash	All Cash	All Cash
PROPERTY RIGHTS	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
CONDITION OF SALE	Typical	Typical	Typical	Typical	Typical	Typical	Typical
CLOSING DATE	Current	November 8, 2021	October 8 , 2021	June, 1, 2021	May 21, 2021	April 16, 2021	April 16, 2021
SALE DATE	Current	9/21	9/21	5/21	12/20	2/21	3/21
SITE DATA							
Lot Size/SF	47,837	43,560	43,560	44,555	48,734	50,822	50,825
Lot Size/Acre	1.09	1.00	1.00	1.02	1.12	1.17	1.17
Building Improvements	None	None	None	None	None	None	None
Frontage	Minor/Freeway	Minor	Minor	Minor	Major	Minor	Minor
Location	Interior/Fair	Interior/Avg	Interior/Avg	Corner/Avg	Corner/Avg	Interior/Avg	Interior/Avg
Access	Dirt	Paved	Paved	Paved	Paved	Dirt	Paved
Shape	Irregular	Flag	Flag	Rectangular	Rectangular	Rectangular	Rectangular
Surroundings	Fair	Average	Average	Fair/Average	Average	Fair	Fair
Topography	Level	Level	Level	Level	Level	Level	Level
Utilities	E, P	E, W, P	E, W, P	E, P	E, W, P	E, P	E, P
Off-sites	None	None	None	None	None	None	None
Flood Zone	X	X	X	X	X	X	X
Zoning	GR	RU-43	RU-43	RU-43	RU-43	RU-43	RU-43

*E – Electric, W-Water, S-Sewer, P-Phone, G-Gas

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 lot. This unit of measure is commonly used in the market for vacant land property and is accepted as a method of assisting in the determination value.

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 lot). 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 an appraiser uses his or her judgment to analyze and interpret quantitative data.

Adjustments to the comparables are made as follows:

PROPERTY RIGHTS CONVEYED:

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

FINANCING:

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

CONDITIONS OF SALE:

All of the comparable sales were reported to be arm’s length transactions and no adjustments were made.

MARKET CONDITIONS:

The comparable sales closed between April 2021 and November 2021, with several of the transactions actually occurring slightly earlier than their closing date. The appraiser searched residential lot sales data within the subject zip code in order to determine if there has been market movement over the past couple years. Based on our market data findings as well as the conversations with agents and brokers there has been significant upward movement due to the lack of supply and increased demand. As can be seen in the adjacent chart, the median list price has increased from approximately \$450,000 to approximately \$590,000 or 22% in the past 12 months.



The appraiser utilized an additional source to determine price increases and searched Zillow.com for value statistics. Zillow reports that home values in the zip code (85212) have increased 34% over the past 12 months and it is predicted that values will increase an additional 20% over the next 12 months. Although this report represents increases in home values, the underlying land value generally increases at a similar rate. This increase is consistent with increases seen in single family residential homes in the area as well.

Based on this market evidence, the appraiser will utilize a 24% annual increase or 2.0% per month for each of the comparable sales.

LOCATION:

The subject lot is located within an unincorporated part of Pinal County. Access to the site is somewhat circuitous as Frye Road dead ends at Meridian Road, the main arterial for the area, and is access restricted. Access can be achieved from Frye Road to the north and McKenzie Road to the east. McKenzie Road can be accessed by Williams Field Road to the north, which then allows access to Meridian Road.

Arterial Frontage

The subject property has frontage along a major and minor roadway and frontage along a public right of way that includes a canal separating the subject from the freeway. The SR-24 is currently under construction and will run adjacent to the south of the subject. Residential lots near freeways are generally considered to be less desirable due to the noise generated from the traffic. None of the sales were located adjacent to freeways and therefore each will be adjusted downward for being superior with respect to frontage.

Access

Multiple dirt roads near the subject have to be navigated in order to reach Frye Road and therefore the subject location is considered to be somewhat circuitous compared to what is typical. All of the comparable sales had more desirable access compared to the subject and will be adjusted downward.

The subject does not have paved access and paved access is considered desirable to users. The subject can be reached from Frye Road which is a dirt roadway. Comparable sales one, two, three, four and six were located along paved roadways. These sales will incur an additional downward adjustment for have superior paved access as compared to the subject. Comparable sale five did not have a physical roadway (paved or dirt) at the time of sale and a roadway would need to be cut to reach the site and will be adjusted upward. This upward adjustment off-sets the downward adjustment for its ease of access and no adjustment will be made.

Surroundings

The subject is located within an area with average surrounding development. Comparable sales one, two, three and four had superior surrounding development as compared to the subject and will be adjusted downward accordingly.

Locational Characteristics Chart

Location Factors	Subject Property	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Arterial Frontage	Minor/Freeway	Superior	Superior	Superior	Superior	Superior	Superior
Adjustment		-\$25,000	-\$25,000	-\$25,000	-\$25,000	-\$25,000	-\$25,000
Access	Fair	Superior	Superior	Superior	Superior	Off-Set	Superior
Adjustment		-\$20,000	-\$20,000	-\$20,000	-\$20,000	\$0	-\$20,000
Surroundings	Fair	Superior	Superior	Superior	Superior	Similar	Similar
Adjustment		-\$50,000	-\$50,000	-\$30,000	-\$25,000	\$0	\$0
Quantitative Adjustment		-\$95,000	-\$95,000	-\$75,000	-\$70,000	-\$25,000	-\$45,000

PHYSICAL CHARACTERISTICS:

Physical characteristics include the following; size of parcel, shape of parcel, site improvements, topography, easements, availability of utilities, flood zone and off-sites.

Size

As previously reported in the Site Data section of this report, the subject site is 47,837 square feet or 1.09 acres in size with a generally level topography. The comparable sales had lot sizes ranging

between 1.00 to 1.17 acres. Each of the comparables are generally similar in size as compared to the subject and no adjustment will be made for size.

Shape

The subject is elongated in shape making development on the site less desirable than the more typically shaped sites in the area having 150 feet to 460 feet of width. The site is narrow on the west end, approximately 100 feet wide, with the east end being 115 feet in width. All of the comparable sales were superior in shape allowing for a less restrictive building envelope as compared to the subject and will be adjusted downward.

Site Improvements

Prior to construction, site grading may be performed to even out the surface and provide a clean site for future development. This also includes any grading for roadways that give access to the site. Comparable sale three already had roadways in place adjacent to the site. However, the land would require some additional grading and therefore this sale will be adjusted upward. Comparable sales three, five and six require some additional grading along with some additional roadway construction for access. These sales will be adjusted upward for site improvements.

Topography

The subject has a level topography similar to all of the comparable sales and no adjustment is made.

Easement

The subject site is not required to host an easement for access from the adjoining properties. Comparable sale six would be required to host an easement to access the property located to the north and will be adjusted upward for this inferior attribute.

The appraiser was supplied with an outdated (2017) title report and it is assumed that there have been no new easements or restrictions placed on the site since its acquisition by the current ownership.

Utilities

The subject does not include water or sewer and would require a well and septic system. Comparable sales one, two and four had water readily available to their sites and have superior utilities as compared to the subject and will be adjusted downward.

Flood Zone

The subject is located in the "X" flood zoned designation. None of the comparable sales were located within a floodplain and no adjustment is made.

Off-Sites

The subject does not have any off-sites. All of the comparable sales lacked off-sites similar to the subject and will not be adjusted.

Physical Characteristics Chart

Physical Attributes	Subject Property	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Lot Size	47,837	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Shape	Elongated	Superior	Superior	Superior	Superior	Superior	Superior
Adjustment		-\$5,000	-\$5,000	-\$5,000	-\$5,000	-\$5,000	-\$5,000
Site Improvements	Yes	Similar	Similar	Inferior	Similar	Inferior	Inferior
Adjustment		\$0	\$0	\$5,000	\$0	\$10,000	\$10,000
Topography	Level	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Easement	None	Similar	Similar	Similar	Similar	Similar	Inferior
Adjustment		\$0	\$0	\$0	\$0	\$0	\$10,000
Utilities	E, P	Superior	Superior	Similar	Superior	Similar	Similar
Adjustment		-\$20,000	-\$20,000	\$0	-\$20,000	\$0	\$0
Flood Zone	X	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Off-Sites	None	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Quantitative Adjustment		-\$25,000	-\$25,000	\$0	-\$25,000	\$5,000	\$15,000

ZONING:

The subject lot is zoned GR or General Rural by Pinal County. Although all of the comparable sales have similar zoning designations, the subject site is not legally permissible for development due to its small size.

Based on the subject zoning code, a minimum lot size of 54,450 square feet or 1.25 acres of land area is required in order to develop a single family residence. According to Ryan Green with Pinal County zoning department, a variance would be required.

Due to the uncertainty of a variance being granted as well as the cost associated with procuring the variance, all of the comparable sales are considered to be superior with respect to zoning and will be adjusted downward.

In conclusion, the values indicated in the Summary of Sales show a range from \$155,304 per lot to \$299,000 per lot before adjustments. It is believed the indicated value range is reflective of the utility, wants, and needs of buyers in the current marketplace.

SALES ADJUSTMENT CHART

Elements of Comparison	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Price/Lot	\$299,000	\$299,000	\$250,000	\$225,000	\$165,013	\$155,304
Property Rights	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price	\$299,000	\$299,000	\$250,000	\$225,000	\$165,013	\$155,304
Financing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price	\$299,000	\$299,000	\$250,000	\$225,000	\$165,013	\$155,304
Condition of Sale	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price	\$299,000	\$299,000	\$250,000	\$225,000	\$165,013	\$155,304
Market Conditions	4.00%	4.00%	12.00%	22.00%	18.00%	16.00%
Adjusted Price	\$310,960	\$310,960	\$280,000	\$274,500	\$194,715	\$180,153
Locational Factors	-\$95,000	-\$95,000	-\$75,000	-\$70,000	-\$25,000	-\$45,000
Physical Attributes	-\$25,000	-\$25,000	\$0	-\$25,000	\$5,000	\$15,000
Zoning	-\$20,000	-\$20,000	-\$20,000	-\$20,000	-\$20,000	-\$20,000
Overall Adjustment	-\$140,000	-\$140,000	-\$95,000	-\$115,000	-\$40,000	-\$50,000
Final Indicated Value	\$170,960	\$170,960	\$185,000	\$159,500	\$154,715	\$130,153

CONCLUSION OF SITE VALUE:

After adjustments have been made to the cumulative adjustment factors a value range results ranging between \$130,153 per lot to \$185,000 per lot with an indicated mean of \$161,881 per lot. Each of the comparables utilized within the valuation were considered to be indicators of value for the subject.

Most weight was placed on comparable sales four, five and six due to their similar locations and utility as compared to the subject. Therefore, the appraiser will conclude to near the middle of these sales or **\$140,000**.

RECONCILIATION

The Final Reconciliation is the process of coordinating and integrating related facts to form a unified conclusion. Final Reconciliation is defined as: *The last phase in the development of a value opinion in which two or more value indications derived from market data are resolved into a final value opinion, which may be either a range of value, in relation to a benchmark, or a single point estimate.* Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015)

The orderly connection of interdependent elements is a prerequisite of proper reconciliation. This requires a re-examination of specific data, procedures, and techniques within the framework of approaches used to derive preliminary estimates. The approach utilized to conclude to a value estimate considered appraisal techniques which encompassed: (1) reviewed to make sure that the data is authentic and reflects pertinent market activity and (2) the analytical techniques used and the logic followed are valid, realistic, and consistent. In addition, all mathematical calculations have been checked by someone other than the appraiser in an attempt to eliminate errors.

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

Sales Comparison Approach

\$140,000

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

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

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

Based on the information found in my investigation, the appraiser is of the opinion that the "As Is" Market Value of the subject, as of November 17, 2021, is:

<p style="text-align: center;">ONE HUNDRED FORTY THOUSAND DOLLARS (\$140,000.00)</p>
--

AUDITING BREAKDOWN

Land:	\$140,000
Improvements:	\$ 0
Severance:	\$ 0
Special Benefits:	\$ 0
Cost to Cure:	<u>\$ 0</u>
Total	\$140,000

CERTIFICATION

Parcel No.: L-C-141

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 2020-2021) 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 November 17, 2021 is \$140,000, 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

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:

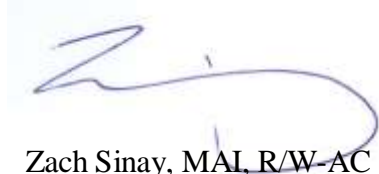
- Inspection of the subject property
- Data collection and verification
- Report writing
- Value conclusions
- Packaging

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,

A handwritten signature in blue ink, appearing to read 'Zach Sinay', is written over a light blue rectangular background.

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

has complied with the provisions of

ERIC ZACHARY SINAY

This document is evidence that:

Arizona Revised Statutes, relating to the establishment and operation of a:

Certified General Real Estate Appraiser

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

Certified General Real Estate Appraiser

ERIC ZACHARY SINAY

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

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

Purchase Order



PURCHASE ORDER

PHOENIX, on 11/22/2021
CTR054962/ TO-022-015/ H891501R/ L-C-138, L-C-141/ Appraisal due 12/15/21-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@etiaz.com

ORDER No. PO0000381262

(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
1	CTR054962-1	456354-1	CTR054962/ TO-022-015/ H891501R/ L-C-138/11-1072, L-C-141/11-1083/ Appraisal due 12/15/21 Commentaire : L-C-138, L-C-141	1.0000	Total Cost



DELIVERY CONDITIONS					
Delivery Conditions	Date	Type	%	Amount	Item

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 Designation

Chapter 2.40

GR GENERAL RURAL ZONE¹

Sections:

2.40.010 Uses permitted.

2.40.020 Site development standards.

2.40.030 Detached accessory buildings.

2.40.040 Cluster option.

2.40.010 Uses permitted.

A. One-family dwelling unit, conventional construction or manufactured home or mobile home.

B. Commercial Agricultural Uses.

1. Field crops, truck gardening, berry or bush crops, tree crops, flower gardening, plant nurseries and greenhouses, orchards, aviaries and apiaries.
2. The raising and marketing of poultry, rabbits and small animals, but slaughtering of only those raised on the premises.
3. The grazing and raising of livestock and horses, except that not more than three hogs shall be kept or maintained on any parcel, lot or tract under one ownership within 500 feet of any residential zone or more restrictive zone.

C. Public and quasi-public uses: church, club, museum, library, community service agency, clinic, public park, school, college, playground, athletic field, public or private utility and facilities, governmental structure; athletic, sport or recreation club; and hospital or sanatorium; such buildings shall be located at least 50 feet from any boundary line of the site.

D. Fruit, vegetable or agricultural products packing or processing plant, provided it is located on a site of not less than 10 acres and any buildings located thereon occupy not more than 30 percent of the site area.

E. Livestock sales yard or auction yard, provided, the site where located is not less than one-half mile from any residential zone or within one-half mile of any exterior boundary of a restricted zone or residence district established by any municipal corporation in this county in which the use requested is prohibited; and provided further, that the site is not less than 20 acres in area and applicant shall provide zoning inspector with written consent of 51 percent of the owners by number and area of property within 300 feet of proposed site.

F. A stand of not more than 200 square feet in area for the sale of farm products grown or produced on the premises provided the stand is not more than 10 feet to any street lot line and not closer than 20 feet to any other lot line.

G. Public riding stables and boarding stables, providing the site contains not less than 10 acres and the buildings housing animals set back from all lot lines a distance of not less than 100 feet.

H. Accessory building or use; home occupation, housing for seasonal farm labor, and private stable.

I. Dairy. [Ord. 61862 § 801].

2.40.020 Site development standards.

A. Building height: maximum height of any structure shall be 30 feet.

B. Minimum lot area: 54,450 square feet (one and one-fourth acres).

C. Minimum lot width: 100 feet.

D. Minimum area per dwelling unit: 54,450 square feet (one and one-fourth acres).

E. Minimum front yard: 40 feet.

F. Minimum side yards: 20 feet each.

G. Minimum rear yard: 40 feet.

H. Minimum distance between main buildings: 25 feet. [Ord. 61862 §§ 802 – 809].

2.40.030 Detached accessory buildings.

A. Permitted coverage: one-third of the total area of the rear and side yards.

B. Maximum height: 20 feet.

C. Minimum distance to main building: seven feet.

D. Minimum distance to front lot line: 60 feet.

E. Minimum distance to side and rear lot lines: four feet if building is not used for poultry or animals; 15 feet to side lot line and four feet to rear lot line if building is used for poultry or small animals; 50 feet if used for livestock.

F. A structure having a roof supported by columns and used exclusively for the shading of livestock shall not be considered a building and shall not need to conform to setback requirements that apply to buildings used to house livestock. [Ord. 61862 § 810].

2.40.040 Cluster option.

A. Intent. This cluster option, to be used in the GR zone only, provides for (1) the voluntary, permanent conservation of open space as a product of the subdivision of land, (2) the protection of natural features including riparian areas, rock outcrops and natural topography, and (3) flexibility in designing residential developments while not exceeding standard general rural (GR) residential densities.

B. Purpose. The purpose of the cluster option in the GR zone is to:

1. Preserve significant, natural open space areas and cultural resources without increasing overall residential densities.
2. Encourage and provide incentives for innovative site planning that is harmonious with the natural features and constraints of property.
3. Support open spaces that are interconnected, continuous, and integrated, particularly when located contiguous to public preserves.
4. Allow for design innovation, flexibility, and more cost-effective development due to more efficient servicing of the development with utilities, roads and other services.
5. Provide additional usable open space.

C. Definitions.

"Functional open space" means a designed element of the subdivision that has a functionally described and planned use as an amenity for the direct benefit of all the residents of the subdivision. Functional open space is equally accessible to all residents of the subdivision. Examples of functional open space include, but are not limited to, landscaped areas which provide visual relief, shade, screening, buffering and other environmental amenities; nature trails; exercise trails; playgrounds; picnic areas and facilities; recreation areas and facilities. Functional open space does not include indoor facilities, public or private streets, driveways, parking areas, or channelized/alterd drainage ways.

"Natural open space" means any area of land, unimproved except for pedestrian and nonmotorized access trails, that is set aside, dedicated or reserved in perpetuity for public or private enjoyment as a preservation or conservation area.

"Open space" means those areas of either functional or natural open space (as defined herein), of the subdivision that are permanently designated and deed restricted to open space.

"Primary conservation features" means those parts of the site that contain primary resource value natural features such as lakes, ponds, wetlands, floodway, riparian areas, prominent peaks and ridges, prominent rock outcrops, slopes over 15 percent, prominent vegetative and geologic features including saguaros, ironwoods, mesquite bosques, and habitat for threatened and endangered species.

"Private living area" means the portion of a lot occupied by buildings, walls, patios, permitted accessory uses, vehicular parking, circulation areas, and connecting pedestrian walks.

"Restored," "restoration," or "mitigation" means the process of repairing a previously disturbed area or graded site feature and replicating its previously undisturbed, or ungraded condition of vegetation, plant communities, geologic structures, grade, drainages, and riparian area that historically existed on the site. Restoration includes revegetation, and may include corrective grading, natural and artificial rock, and top dressing.

"Wildlife friendly fencing" means a maximum 42-inch-high fence using two-strand, nonbarbed, 12-gauge wire and T-posts as installed and maintained, with the bottom strand being no less than 18 inches from the ground. Other specifications shall be in accordance with Arizona Game and Fish Department standards for wildlife friendly fencing.

D. Applicability. These cluster standards may be used to allow development on land containing natural features while permanently conserving substantial amounts of valuable open space. The GR cluster option is only to be applied to land that contains natural features such as desert washes, riparian areas, prominent peaks and ridges or natural slopes over 15 percent, and shall not be applied to agricultural lands where natural features have been removed such as farm fields. The cluster option can only be used in conjunction with the application for a subdivision plat submitted and processed in accordance with the Pinal County zoning ordinance and other regulations. This cluster option shall not be used in conjunction with a planned area development (PAD) application. Except as noted in this section, all other requirements of the Pinal County zoning ordinance shall apply.

E. Permitted Uses.

1. One-family dwelling unit, conventional construction;
2. Public and quasi-public uses: church, club, museum, library, community service agency, clinic, public park, school, college, playground, athletic field, public or private utility and facilities, government structure, athletic, sport or recreation club;
3. Private stable for the exclusive use by residents, provided the site contains not less than 10 acres and the buildings housing animals are set back from all lot lines a distance of not less than 100 feet;
4. Detached Accessory Buildings.
 - a. Maximum height: 20 feet.
 - b. Minimum distance to main buildings: seven feet.
 - c. Minimum distance to front lot line: 60 feet.
 - d. Minimum distance to side and rear lot lines: four feet.
 - e. Accessory buildings shall be detached from the main building except they may be attached by means of an unenclosed structure that has only one wall not over six feet high which shall be placed on only one side of the structure.

F. Development Standards. Development standards shall be in accordance with the GR zone except as modified herein:

1. Minimum subdivision area: 160 acres.
2. Maximum density: determined by dividing the subdivision area by 54,450 square feet.

3. Minimum lot size: 5,000 square feet.

4. Minimum Yards.

a. Front: 25 feet.

b. Side: 10 feet.

c. Rear: 25 feet.

5. Minimum lot width: 50 feet.

6. Subdivision Perimeter. The subdivision perimeter shall consist of either a natural open space buffer no less than 200 feet in width or large lots, with a minimum area of one and one-fourth acres each, a minimum depth of 200 feet, and a yard no less than 100 feet in width from the subdivision perimeter boundary. Roadways, if crossing perimeter buffer areas, shall do so over the shortest distance feasible, preferably at 90-degree angles and in a manner that minimizes impacts to natural open space and existing, neighboring residential uses.

7. Cluster Lot Groups. Development areas including lot layout will be shown on the tentative plat in accordance with this section. Groupings containing individual lots of less than 54,450 square feet shall not contain more than 50 lots. Further, said lot groups shall be separated by a distance of not less than 200 feet.

8. Crossings. If approved by the planning and development director, roads, driveways, utility easements or similar improvements may cross natural open space areas in alignments that are the least disruptive to the natural features, including topography, of the site. The area of such crossings cannot be counted toward meeting minimum open space requirements.

9. Exterior Lighting. All lights shall be designed to shield and reflect light away from neighboring properties and residential lots.

10. CC&Rs. The subdivision shall have covenants, conditions and restrictions (CC&Rs) regulating the following:

a. The keeping of domestic animals as follows:

i. Fowl, swine and livestock are not permitted in a cluster subdivision, except horses may be kept in a private stable on a site of not less than 10 acres.

ii. Domestic animals shall be confined to private living areas or accompanied on a leash outside private living areas. Domestic animals are not permitted in natural open space areas.

iii. Fenced dog runs may be located outside private living areas, no closer than 10 feet to adjacent properties.

b. Requiring residential outdoor lighting to comply with Pinal County outdoor lighting regulations.

- c. All lots less than one acre in area require storage of recreational vehicles, boat, trailer and similar equipment in a centralized, common storage area.

11. Storage Yards/Areas. All storage yards/areas shall be screened on all sides with a wall or opaque fence at least six feet in height.

12. Fencing. Wildlife fencing shall be used, with the following exceptions:

- a. Fencing and walls in private living areas on individual lots.
- b. Fencing and walls for domestic pet enclosures on portions of lots not restricted by a conservation easement.

13. Driveways. Widths shall be limited to a maximum of 24 feet with a maximum three-foot graded area on each side of the driveway. In sloped conditions, disturbed areas, beyond the maximum three-foot graded area, shall be restored. Maneuvering and turnaround areas adjacent to the private living areas of the lot may be wider than 24 feet.

G. Open Space. The subdivision's open space shall protect the subdivision's primary conservation features and provide links, as appropriate, between open space areas and important habitat areas.

Open space requirements are as follows:

1. A minimum of 30 percent of the subdivision shall be open space.
2. No more than 50 percent of the required open space shall be functional open space, as defined in subsection C of this section. The remaining required open space shall be comprised of natural open space as defined in subsection C of this section.
3. Open space adjacent to public parks, preserves or county-maintained stream channels may be deeded to Pinal County or a nonprofit land trust as public open space, if approved by the board of supervisors. Such open space must remain readily accessible to the public.
4. Except where protection of sensitive natural resources is paramount, convenient access to the open space areas of the subdivision shall be provided for all residents with multiple points for nonvehicular access. Nonvehicular access to open space will provide frequent access points making the open space amenities equally accessible to all residents of the subdivision.
5. To maximize natural open space area benefits, open space areas shall provide connections to public preserves, undisturbed riparian areas and natural areas on adjoining properties, where appropriate.
6. Where possible, natural open space areas shall be designed as part of a larger contiguous and integrated open space system of undeveloped areas.
7. Buffers shall be provided adjacent to existing development to mitigate impacts of sound, visibility, and traffic. Buffers may include landscaping, walls, fences, pathways, drainage ways, natural features, and existing vegetation.

8. Natural open space areas ownership and control shall be:

- a. As part of an individual, private lot with recorded covenants running with the land; or
- b. By a homeowners' association, as specified in this section; or
- c. By Pinal County, as legally dedicated either in fee simple or as a conservation easement, by form of instrument approved by the county. The county may, but is not required to, accept natural open space areas; or
- d. By a nonprofit organization with perpetual existence that is acceptable to the county and whose principal purpose is to conserve natural areas and/or natural resources.

9. If the natural open space areas are to be owned and maintained by the homeowners' association of the subdivision, the subdivider shall record covenants, conditions and restrictions approved by the county including maintenance and preservation standards running with the land. The covenants shall contain the following provisions:

- a. A clause stating that designated natural open space on the subdivision plat shall be restricted to natural open space in perpetuity and maintained by the homeowners' association;
- b. A clause stating that Pinal County is not responsible for maintenance or liability of the natural open space areas but that Pinal County may enforce the maintenance and preservation standards and that the clause cannot be amended or repealed without the written consent of the county.

H. Grading. Grading shall be in accordance with Pinal County grading and drainage standards and policies. Additional grading requirements for subdivisions using the GR cluster option are:

- 1. Grading of a subdivision is permitted only for infrastructure including roadways, drainage facilities, utilities, recreation facilities and within the approved development areas.
- 2. The maximum grading area on lots smaller than one acre (43,560 square feet) is 16,000 square feet.
- 3. The maximum grading area on lots one acre or larger is 20,000 square feet.
- 4. Lots with grading area limitations as described in subsections (H)(1) and (2) of this section shall have building envelopes, delineated on the subdivision plat indicating the maximum area of the lot to be graded.
- 5. The development shall be designed to have the least impact on the primary conservation features.
- 6. Cut and Fill.
 - a. Cut material may not be pushed, dumped or disposed over any existing 15 percent or greater slope.

b. Fill depth may not exceed eight feet and the face of exposed constructed slopes may not exceed eight vertical feet when measured from existing grade to the finished elevation.

c. The height of any exposed cut slope shall not exceed 12 vertical feet. Larger cuts are permitted provided they are completely shielded from view from all surrounding areas.

7. Within washes that have riparian habitat, only that grading for roadways and utilities that is necessary to provide access to approved development areas is permitted. Wash disturbance shall be minimized and all utilities shall be installed within utility easements, except where a utility easement is not a practical location for the utility as confirmed by the planning director, then the utility crossing shall utilize the least intrusive construction methodology. The disturbed wash area is subject to mitigation and revegetation as approved by the planning director.

8. Graded and disturbed areas outside private living areas and fenced or walled pet runs shall be revegetated with plant material that replicates the understory, midstory and canopy of adjoining open space areas. Drought tolerant, low water use plants including trees, shrubs, cacti, ground covers, grasses and seed mixes approved by the planning director may also be used.

9. Except as provided in subsection (H)(8) of this section, revegetation of graded or disturbed areas shall be with indigenous trees, shrubs, and ground cover to simulate understory, midstory and canopy of adjoining open space areas.

10. Grading design, including the requirements of this section, will be included on the grading/landscape and restoration plan submitted with the tentative plat.

I. Infrastructure Standards.

1. Cluster development shall comply with Pinal County roadway standards.

2. Streets shall be laid out in a manner that avoids or minimizes adverse impacts to natural open space areas to the greatest extent practical.

3. There is no restriction on cul-de-sac length in a cluster subdivision project subject to satisfaction of public health and safety concerns including reasonable accommodation for emergency vehicles. No cul-de-sac may serve more than 50 dwellings or any use that would generate 500 or more average daily vehicle trips. Pinal County may require enhanced cul-de-sac street design, including traffic calming devices or additional pavement width, to reasonably offset local traffic impacts and public safety concerns created by additional cul-de-sac length.

J. Submittal Requirements. For review purposes, a cluster project submittal will include:

1. Tentative subdivision plat to Pinal County standards and application requirements.

2. Grading, landscaping and restoration/revegetation plans are required for all portions of the site disturbed during development.

3. Covenants, conditions and restrictions that will apply to the cluster subdivision project.

4. Application for review of a tentative subdivision plat utilizing the cluster option shall be submitted in writing together with required fees to planning and development services.

K. Procedures. Pinal County subdivision platting procedures shall apply to the processing of cluster subdivision projects. The following additional requirements also apply:

1. A preapplication concept review meeting with planning and development services is required for all proposals prior to submittal of a tentative plat utilizing the cluster option. The applicant shall prepare for the meeting a preliminary plan that shows:

- a. Proposed functional and natural open space areas;
- b. Lot pattern;
- c. Street layout; and
- d. All development areas.

2. The applicant shall consult with other applicable governmental agencies, affected utility companies, and property owners within 300 feet of the site and submit a summary report that includes the names, addresses and dates of consultations to the planning director at least 30 days prior to review of the subdivision plat by the planning and zoning commission.

3. The tentative plat shall be prepared according to the applicable Pinal County standards. Additionally, the tentative plat shall include the following:

- a. Determination of density yield (see subsection (F)(2) of this section).
- b. Identification of open space areas, including primary conservation features.
- c. Identification of development areas.
- d. Approximate location of building sites.
- e. Grading limits in accordance with subsection H of this section.
- f. The lot lines should, where possible, be located approximately midway between house locations and may include L-shaped or "flag lots" subject to the following requirements:
 - i. Minimum 30-foot width of "pole" portion of flag lot.
 - ii. Pinal County drainage requirements are met and drainage conflicts are not created.
 - iii. Driveways for flag lots shall be paved.
 - iv. Minimum lot size for flag lots is one and one-fourth acres.
- g. The tentative and final plat will include notes specifying the natural and functional open space included on the plat are permanent and are not to be resubdivided or used for any purposes other than open space as defined herein.

4. Planning and development services shall review the application and plat to determine if they are acceptable for further processing.

- a. If rejected, planning staff shall specify the conditions and revisions that must be complied with before the plat can be accepted by staff for further processing.
- b. Once accepted, copies of the plat will be transmitted to the applicable county departments for review.

5. Applicable county departments shall review the plat for compliance with the county's subdivision regulations; appropriateness of subdivision layout to the subdivision's primary conservation features and cultural features, and for the subdivision's compliance with the purposes of this section. Diversity and originality in lot layout are encouraged to achieve the best possible relationship between development and natural open space areas. To the greatest extent possible and practical, the layout of the subdivision shall:

- a. Protect and conserve riparian areas, slopes greater than 15 percent and significant peaks and ridges from grading, clearing, filling or construction except as necessary for essential infrastructure;
- b. Use buffers to minimize conflicts between residential uses, public preserves, and wildlife habitat;
- c. Locate development on the least environmentally sensitive areas of the subdivision;
- d. Protect wildlife habitat;
- e. Avoid siting dwellings on prominent hilltops or ridges;
- f. Preserve sites of historic, archaeological or cultural value, preserving their character and integrity;
- g. Provide pedestrian and hiking trails that provide for pedestrian safety and convenience and connectivity between properties and activities or features of the project. Make open space areas intended for recreational use easily accessible to pedestrians; and
- h. Consolidate and connect open space areas and minimize fragmentation of natural open space areas within the subdivision.

6. The planning commission shall review the tentative plat for conformance with the county's subdivision regulations and conformance with the intent, purpose and requirements of this section and for design that is compatible with the primary conservation features of the subdivision. [Ord. 61862 § 811].

¹Holding classification pending more intensive development of area.

EXHIBIT 3

Title Report

ARIZONA DEPARTMENT OF TRANSPORTATION

RIGHT OF WAY GROUP

RIGHT OF WAY TITLE REPORT

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

Susan E. Morgan, a married woman, as her sole and separate property, who acquired title as a single woman

Property & Mailing Address: 1431 W. Frye Road, Mesa, AZ 85212

By virtue of that certain:

Warranty Deed from Leo Jensen, a married man, Grantor, to Susan E. Morgan, a single woman, dated September 11, 1995, recorded September 22, 1995 in Fee No. 1995-029260.

Upon compliance with REQUIREMENTS herein, satisfactory title will vest in the State of Arizona subject to encumbrances set forth in SCHEDULE B.

SCHEDULE A-1

(SEE ATTACHED SCHEDULE A-1)

Contiguous Property: None: ☒ See Schedule A-2: ☐ Not Searched: ☐ Not Applicable: ☐

Encumbrances and Requirements are not included for property in Schedule A-2.

REMARKS: Staff Report

- AMENDED 1/17/2018 – to add word “feet” to exception shown on Schedule A-1 legal description.
- AMENDED 2/7/2018 – to add Parcel No. 3 to Schedule A-1; to add Schedule B Item No. 5; and to add Affidavit of Affixture under Information Purposes. NOTE TO ACQUISITIONS: Parcel No. 3 shown herein is an undivided interest in the use of a well for which the encumbrances and requirements are not included for said parcel. RWK

Date of Search	11/17/2017	Examiner:	Robert Keil 	Reviewer:	Ryan Kenan 
Update to:		Examiner:		Reviewer:	
Update to:		Examiner:		Reviewer:	
Update to:		Examiner:		Reviewer:	
Update to:		Examiner:		Reviewer:	

Tax Assessor No: 104-08-016B (purported to be changed to 104-08-016D for future tax years)

Tracts #: 024MA001H8915 Section: Ellsworth Road – Ironwood Road County: Pinal

Highway: GATEWAY FREEWAY ADOT Parcel: 11-1083

Federal Proj #: 024-A(200)T

SCHEDULE A-1 LEGAL DESCRIPTION

PARCEL NO. 1: (Part of APN 104-08-016B)

The East half of Lot 11, Block 4, Superstition View Ranchettes, according to Book 9 of Maps, Page 41, records of Pinal County, Arizona.

PARCEL NO. 2: (Part of APN 104-08-016B)

The East half of the following property as described in Resolution No. 82996-RH, dated August 29th, 1996, recorded September 4, 1996 in Fee No. 1996-029754, records of Pinal County:

That portion of Section 31, Township 1 South, Range 8 East of the Gila and Salt River Meridian, County of Pinal, State of Arizona, described as follows:

The North 40 feet of the West 819.13 feet of the Southwest $\frac{1}{4}$ of Section 31, T1S, R8E, except the West 50 feet and the East 50 feet thereof.

PARCEL NO. 3:

TOGETHER WITH an undivided interest in the use of a Well for the purpose of supplying domestic water needs and rights incident thereto located on:

The West half of Lot 3, Block Three, Superstition View Ranchettes, according to Book 9 of Maps, Page 41, records of Pinal County, Arizona.

NOTE TO ACQUISITION: Said rights to well and incidental rights appurtenant thereto appear to only burden Parcel No. 3 and do not appear to extend beyond the borders of the same.

NOTE: Well and rights incident thereto are located on Assessor's Parcel Nos. 104-08-005C and 104-08-005D.

NOTE: The above description has been modified by ADOT title examiner for clarification purposes.

SCHEDULE "B"

1. Reservations contained in Patent from the United States of America, dated January 2, 1920, recorded January 2, 1920 in Book 35 of Deeds, Page 485, described as follows:

Subject to any vested and accrued water rights for mining, agricultural, manufacturing, or other purposes, and rights to ditches and reservoirs used in connection with such water rights, as may be recognized and acknowledged by the local customs, laws and decisions of courts. And there is reserved from the lands hereby granted, a right of way thereon for ditches or canals constructed by the authority of the United States.
2. Reservations of easements for existing sewer, gas, water or similar pipelines and appurtenances for canals, laterals or ditches and appurtenances, and for electric, telephone, and similar lines and appurtenances which shall continue as they existed prior to abandonment of Frye Road as shown on Plat of Superstition View Ranchettes recorded in Book 9 of Maps, Page 41 and thereafter pursuant to abandonment by Resolution No. 82996-RH, a Resolution Ordering the Abandonment by Vacation of portion of the County Right-of-Way known as Frye Road, lying within Section 31, Township 1 South, Range 8 East and within an unincorporated Area of Pinal County, Arizona, recorded September 4, 1996 in Fee No. 96-029754, records of Pinal County, Arizona.
3. Easement for public utilities and rights incident thereto, recorded September 22, 1995 in Fee No. 1995-029260.
4. Notice of possible well sites as filed with the Arizona Department of Water Resources located in Section 31, Township 1 South, Range 8 East. (Registration Nos. 55-214719, 55-226144, 55-919230, 55-562726, 55-581556, 55-919136, 55-225978, 55-550187, 55-207413, 55-549681 and 55-227089).
5. Covenants, conditions, restrictions, easements, liabilities and obligations disclosed by a Judgment supplying the domestic water needs of parties (in their capacity as owners of lots in the Superstition View Ranchettes subdivision), dated March 24, 1998, recorded April 22, 1998 in Fee No. 1998-015294, records of Pinal County, Arizona.

(Affects Parcel No. 3)

INFORMATION PURPOSES

- Plat of Superstition View Ranchettes recorded in Book 9 of Maps, Page 41.
- Affidavit of Affixture recorded November 26, 1997 in Fee No. 1997-040918, records of Pinal County, Arizona.

END OF SCHEDULE "B"

REQUIREMENTS

1. Payment or proration, as applicable, of all taxes, penalties and/or interest, if any, which may be due at the date of acquisition.
2. Proper showing as to any Permits, Lessees, Tenants or Parties in Possession of said premises or any portion thereof, and disposition of the rights of said parties.
3. Record satisfaction of that certain security interest given to Concord Mortgage Company, as disclosed in that certain Affidavit of Affixture recorded November 26, 1997 in Fee No. 1997-040918, records of Pinal County, Arizona, encumbering that certain mobile home described therein.
4. Record Deed of Release and Reconveyance by First Assurance Trust Deed Services, Trustee, of Deed of Trust executed by Susan E. Morgan (Married), Trustor, with Mortgages Electronic Registration Systems, Inc., solely as nominee for the beneficiary U.S. Bank, N.A., as Beneficiary, dated October 21, 2005, recorded November 1, 2005 in Fee No. 2005-150358, records of Pinal County, Arizona.
5. Warranty Deed from Vestee to the State of Arizona, by and through its Department of Transportation.

NOTES TO ACQUISITION AGENT:

There are possible well sites on this parcel, shown as Schedule B Item No. 4 herein. Agent should obtain registration information, if any, from owner herein or the Irrigation Company for whom the well site is benefitting.

END OF REQUIREMENTS

EXHIBIT 4

USPAP Reporting Options

USPAP Reporting Options

The 2020-2021 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).