

FIRST APPRAISAL SERVICES

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

Owned by
Arizona Department of Transportation

Location of Property to be Appraised:

Northwest of 59th Avenue and Glendale Avenue
6202 NW Grand Avenue
Glendale, Arizona 85301

Report Dated:

August 14, 2023

Effective Date:

June 16, 2023

Prepared for:

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

Prepared by:

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

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

602.264-0011
info@azfas.com

**Reference:**

FAS 1.23-2917.00

Project: M5193 01X
Highway: Wickenburg – Phoenix Highway
Section: 43rd Ave – 71st Ave
Parcel: L-C-081



FIRST APPRAISAL SERVICES

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

August 14, 2023

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

RE Project: M5193 01X
Highway: Wickenburg – Phoenix Highway
Section: 43rd Ave – 71st Ave
Parcel: L-C-081

Dear Mr. Walcutt:

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

The purpose of this appraisal is to provide an opinion of the market value of the property identified herein. The intended use of this appraisal is to assist in decisions regarding the possible sale or disposal of the property being appraised. The effective date for this appraisal assignment is June 16, 2023.

The subject property is a 2.398-acre tract of land located at 6202 NW Grand Avenue in the City of Glendale. A physical inspection of the property was made on June 16, 2023, with Mr. Jim Walcutt representing the property owner present.

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



Mr. Jim Walcutt
Arizona Department of Transportation
August 14, 2023

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

The appraisal of the fee simple interest in the subject property is being presented in this report. As a result of my investigation and study, I am of the opinion that the market value of the appraised property, as of June 16, 2023, is:

**ONE MILLION
FORTY THOUSAND DOLLARS
\$1,040,000.00**

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

Respectfully submitted,

FIRST APPRAISAL SERVICES

Timothy A. Haskins, ASA
Arizona Certified General Real Estate Appraiser No. 30668

Table of Contents

Letter of Transmittal.....	i
Table of Contents.....	iii
Summary of Salient Facts and Conclusions	v
State Map.....	vi
Regional Map	vii
Aerial Map.....	viii
INTRODUCTION	1
PURPOSE AND SCOPE OF THE APPRAISAL	2
Purpose	2
Scope of Work	4
Limiting Conditions.....	6
FACTUAL DATA.....	7
IDENTIFICATION OF THE REAL ESTATE	8
OWNERSHIP AND OCCUPANCY	9
Ostensible Owner.....	9
Occupancy	9
REGIONAL ANALYSIS	10
Location	10
Population	11
Economic Trends	12
Real Estate Market Sectors	17
NEIGHBORHOOD ANALYSIS	26
Location	26
Demographics	27
Transportation.....	28
Land Use Patterns	29
Amenities.....	30
Trends	30
REAL PROPERTY DESCRIPTION.....	31
Site Data.....	31
Zoning.....	33
Easements and Restrictions.....	33
Taxes and Assessments.....	34
Division of Real and Personal Property	35
VALUATION ANALYSIS.....	36
HIGHEST AND BEST USE	37
As If Vacant.....	37
Summary and Conclusion	38
VALUATION METHODOLOGY	39
SALES COMPARISON APPROACH.....	41
Introduction.....	41
Land Value Analysis.....	42
Conclusion of Land Value	51
INCOME CAPITALIZATION APPROACH	53
Introduction.....	53
COST APPROACH.....	54
Introduction.....	54
RECONCILIATION OF VALUE	55
CERTIFICATION	56

Table of Contents

ADDENDA

- A Underlying Assumptions and Limiting Conditions
- B Subject Photographs
- C Maps
 - Neighborhood Map
 - Assessor's Parcel Map
 - Zoning Map
 - Flood Map
- D Exhibits
 - Right of Way Disposal Report
 - ADOT Property Exhibits
- E Comparable Land Sales Data
- F Administrative Exhibits
 - Appraiser Qualifications

Summary of Salient Facts and Conclusions

Client	Arizona Department of Transportation		
Client Reference	Project:	M5193 01X	
	Highway:	Wickenburg – Phoenix Highway	
	Section:	43 rd Ave – 71 st Ave	
	Parcel:	L-C-081	
Date of Report	August 14, 2023	Limiting Conditions	See Addendum A
Report Format	Appraisal Report	Certification	See Page 56
Intended Use	Assist in the possible sale or disposal of the subject property		
Intended User(s)	Arizona Department of Transportation and Federal Highway Administration		

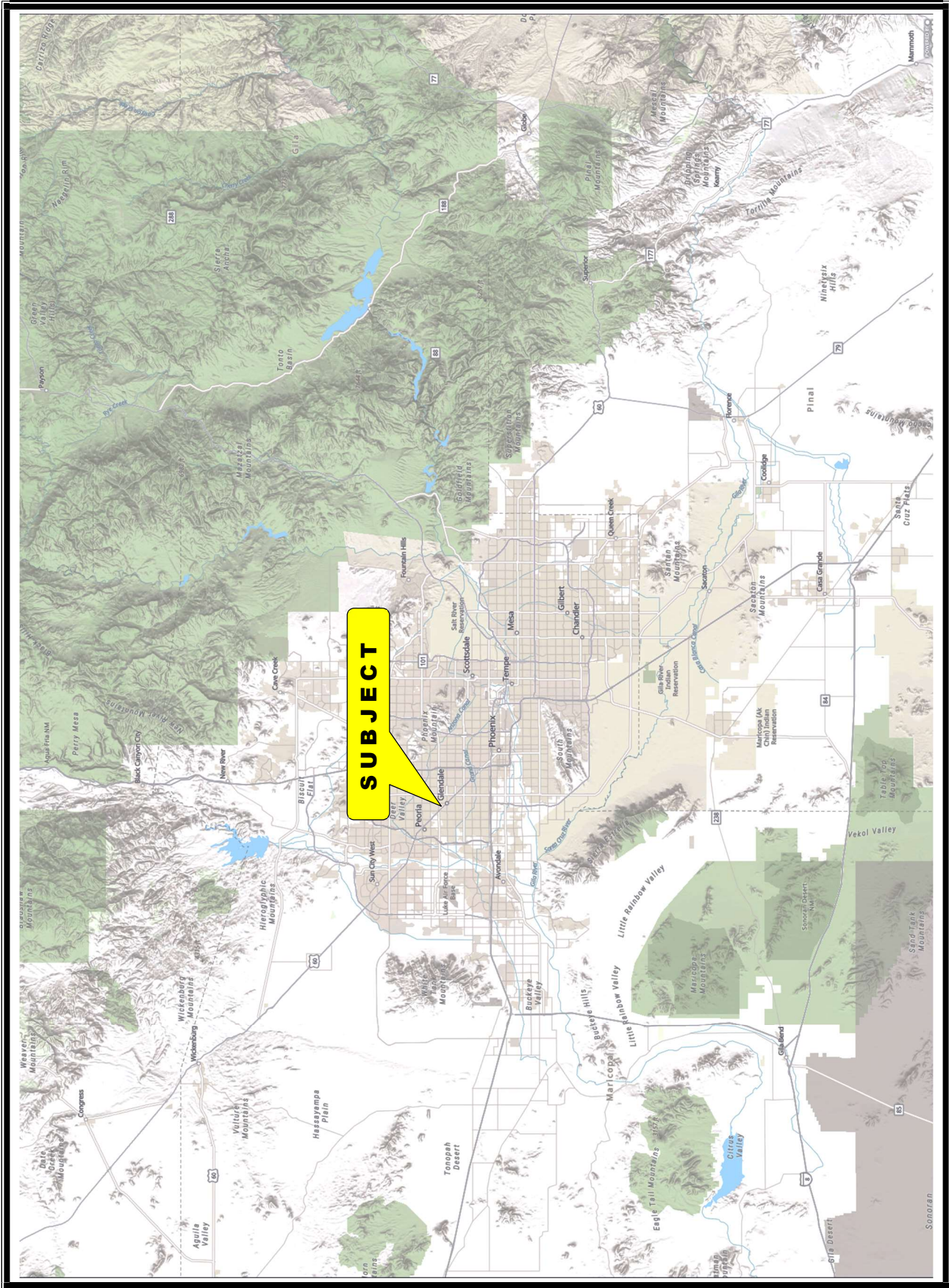
Property Information

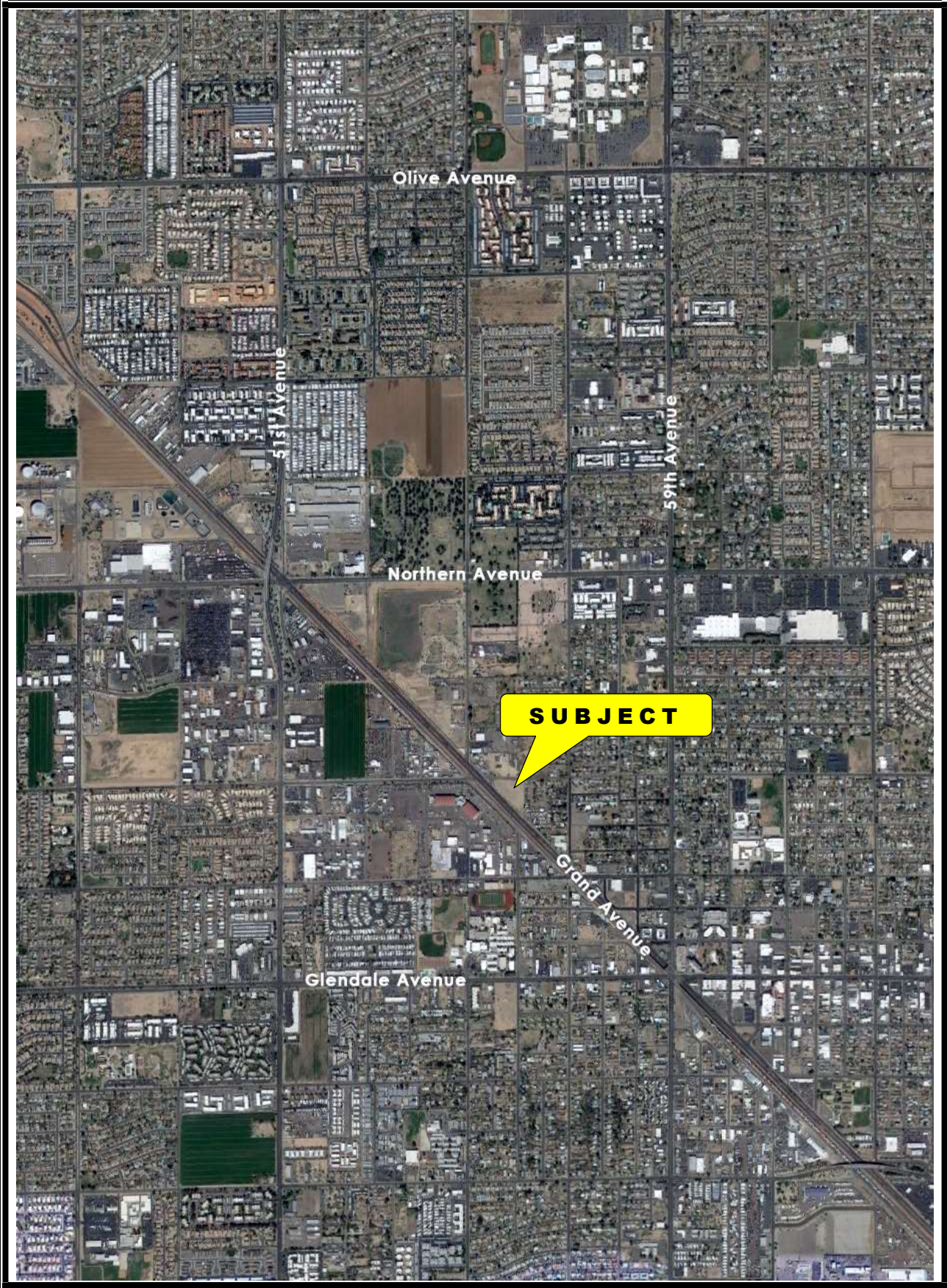
Ostensible Owner	Arizona Department of Transportation		
Location of Property	Northwest of 59 th Avenue and Glendale Avenue		
Street Address	6202 NW Grand Avenue	Township-Range	T2N-R2E
	Glendale, Arizona 85301	Section	6
County	Maricopa	Map Reference	125-157LN
Assessor Parcel Number(s)	143-38-014A; 143-35-015A		
Site Area	104,443 square feet	Zoning District(s)	C-2, General Commercial
	2.398 acres		City of Glendale
		Flood Zone	Zone X
Present Use	Vacant Land		
Date of Inspection	June 16, 2023		

Valuation Information

Highest and Best Use		
As If Vacant:	Land Investment	
Effective Date	June 16, 2023	
Extraordinary Assumptions	None	
Hypothetical Conditions	None	
Indications of Value	Sales Comparison Approach (Land Value)	\$1,040,000.00
	Income Approach	Not Applicable
	Cost Approach.....	Not Applicable
Fee Simple Interest	Conclusion of Value	\$1,040,000.00









INTRODUCTION

Purpose and Scope of the Appraisal

Purpose

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

Intended Use, User and Client

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

Definitions

Market Value

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

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

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

Exposure Time

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

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.¹

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

¹ Uniform Standards of Professional Appraisal Practice, 2020-2023 Edition, The Appraisal Foundation

Significant Dates

Effective Date: June 16, 2023

The effective date of this appraisal, which is also referred to as the date of value, is the date to which an appraiser's analyses, opinions, and conclusions apply. The effective date of this appraisal, which is the date of valuation, is the most recent date of physical inspection by the appraiser.

Date of Inspection: June 16, 2023

The appraiser made a physical inspection of the property at approximately 9:30 am on June 16, 2023.

Date of Report: August 14, 2023

The date of the report is the date on which the report is transmitted to the Client.

Property Rights Appraised

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

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

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

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

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

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

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

² The Appraisal of Real Estate, 15th ed. (Chicago: Appraisal Institute, 2020) p59

³ The Dictionary of Real Estate Appraisal, 7th ed. (Chicago: Appraisal Institute, 2022) p73 and p105

Scope of Work

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

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

Area Analysis

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

Neighborhood data was gathered from several sources including a physical inspection of the area. Specific data pertaining to the metropolitan Phoenix real estate market was provided by several brokerage firms including CBRE, NAI Horizon, Lee & Associates, Cushman & Wakefield, Avison Young, Colliers International, and real estate agents, and brokers active in the market.

Property Description

Primary sources of information regarding the description of the subject property include a physical inspection of the property by the appraiser on June 16, 2023. The inspection of the site consisted of an observation of the property from the abutting roadways.

Zoning information and information relating to the availability of utility infrastructure was provided by the City of Glendale. Title information is based upon the Right of Way Disposal Report provided by the Client. Other sources of information utilized in this appraisal include the Office of the Maricopa County Recorder, Maricopa County Treasurer and Maricopa County Assessor, and the Federal Emergency Management Agency.

Market Data Information

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

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

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

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

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

Limiting Conditions

The underlying assumptions and limiting conditions pertaining to this report are contained in the Certificate of Appraiser on page 56 and Addendum A to this report. These assumptions and limiting conditions are an integral part of the report and are only placed at the end to facilitate reading of the report, not to minimize their importance.

Extraordinary Assumptions and Hypothetical Conditions

Extraordinary assumptions and hypothetical conditions are conditions of the appraisal assignment that affect the scope of work. The intended users of this appraisal are cautioned that the use of the hypothetical conditions and extraordinary assumptions discussed below, if any, might have affected the assignment results.

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

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

⁴ Uniform Standards of Professional Appraisal Practice, 2020-2023 Edition, The Appraisal Foundation

⁵ Uniform Standards of Professional Appraisal Practice, 2020-2023 Edition, The Appraisal Foundation



FACTUAL DATA

Identification of the Real Estate

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

The purpose of this section of the report is to identify the property only. A physical description of the property to be appraised can be found later in this report beginning on page 31 of this report. The property that is the subject of this report may be commonly identified as follows:

Location.....	Northwest of 59 th Avenue and Glendale Avenue
Street Address	6202 NW Grand Avenue
City, State, ZIP	Glendale, Arizona 85301
Assessor Parcel Number(s)	143-38-014A; 143-38-015A

Legal Description⁶

A portion of 6, Township 2 North, Range 2 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona

Figure 1 – Aerial Photograph



⁶ A legal description has not been provided by the Client for this appraisal assignment

Ownership and Occupancy

Ostensible Owner

According to public records, the State of Arizona, by and through its Department of Transportation, holds title to the subject property as of the date of valuation. The current vesting of the subject property is established by Warranty Deed recorded with the Maricopa County Recorder on June 11, 2012, as document number 2012-0500955.

Five Year Sales History

Investigation of the public records fails to reveal any arm's length transactions involving the subject property within five years of the date of valuation. The appraiser has not discovered any evidence indicating that the subject property is currently offered for sale.

Occupancy

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

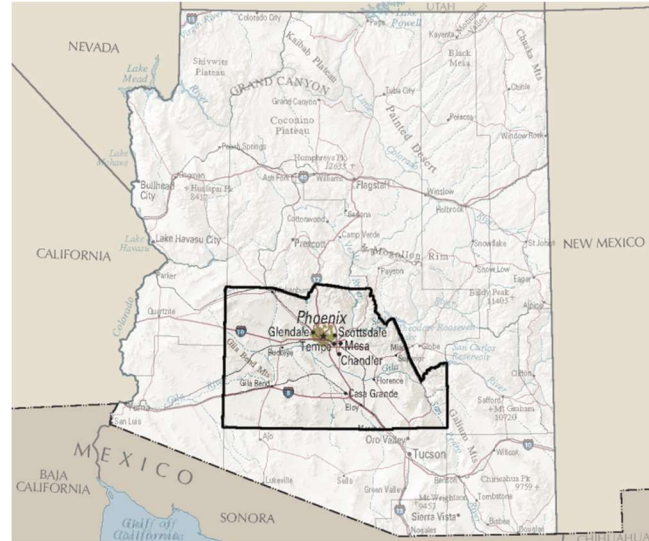
Vacant Land	<input checked="" type="checkbox"/>	Occupant(s):	- _____	Owner	<input type="checkbox"/>	Tenant	<input type="checkbox"/>
Unoccupied	<input type="checkbox"/>						

Regional Analysis

Location

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

Figure 2 – State Map



Geographically, Arizona can be generally divided into three physiographic regions. Much of the northern portion of the state is a semi-arid, mostly flat region of the Colorado Plateau. This region ranges in elevation between 5,000 and 8,000 feet in elevation. The southern edge of the plateau is defined by the Mogollon Rim which extends from northern Yavapai County eastward into New Mexico. The southern portion of the state, as well as a strip of land in the northwest part of the state, is within the Basin and Range Province region. This part of Arizona is characterized by wide desert plains alternating with steep, linear mountain ranges. Between the Basin and Range Province and the Colorado Plateau is a region of rugged mountainous terrain. This region, the Transition Zone, shares characteristics of the two other regions. The metropolitan Phoenix area is in the south-central portion of Arizona and primarily in the Basin and Range region.

The metropolitan Phoenix area is comprised of Maricopa County and Pinal County which cover an area of 14,596 square miles, of which approximately 103 square miles are water. Maricopa County and Pinal County have low mountain ranges, desert valleys and man-made lakes, with an extensive system of canals crisscrossing the agricultural districts. The U.S. Forest Service and Bureau of Land Management controls approximately 30% of the land, the State of Arizona controls 20%, 12% of the land area is within Indian Reservations, and another 12% of the land is other public land. Only 26% of the region is privately owned by individuals or corporations. The City of Florence is the Pinal County seat, and the City of Phoenix is the Maricopa County seat as well as the Arizona capital.

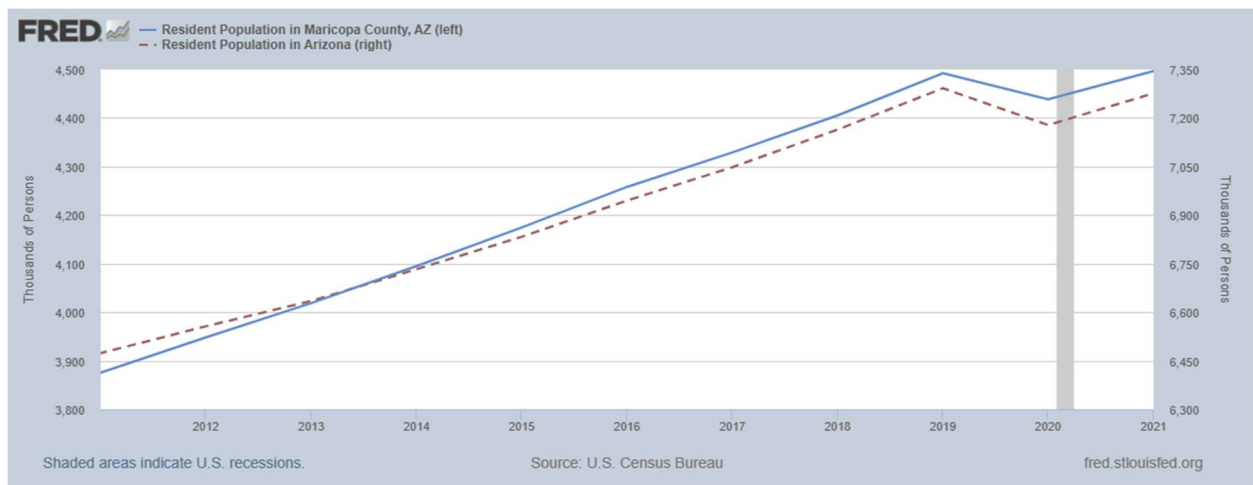
Population

Based upon the 2000 decennial census performed by the U.S. Bureau of Census, Arizona has a population 5,130,632 persons. The population of Arizona increased by 40.0% over the population estimate made in the 1990 census. Only the population of Nevada grew at a faster rate than Arizona during this decade. The 2020 Census population estimate for the State of Arizona by the U.S. Census Bureau is 7,151,502 and currently ranks as the 14th largest state in the nation by population.

Figure 3 – Historical Decennial Population Estimates⁷

	Arizona	Phoenix MSA
Census Estimates		
2020	7,151,502	5,059,909
2010	6,392,017	4,200,427
2000	5,130,632	3,251,876
1990	3,665,339	2,238,498
1980	2,716,546	1,600,093
1970	1,775,399	1,039,807

Figure 4 – Population Trend



The U.S. Bureau of Census defines the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (MSA) as both Maricopa and Pinal counties in central Arizona and has a 2020 population estimate of 5,059,909 persons. Approximately 91% of the MSA’s population, however, is in Maricopa County. Based upon U.S. Census Bureau data, Maricopa County is the most populous of Arizona’s counties with a 2020 estimate of 4,579,081 persons and has grown by approximately 19.8% since 2010.

The greater metropolitan Phoenix area is comprised of the cities of Phoenix, Mesa, Chandler, Glendale, Scottsdale, Gilbert, Tempe, Peoria, Surprise, Buckeye, Goodyear and numerous smaller communities. The City of Phoenix is the state’s largest municipality and fifth largest city in the United States with a 2022 estimated population of 1,657,035 while these other ten communities boast populations in excess of 100,000 each. The surrounding Maricopa County municipalities of Apache Junction, Avondale, El Mirage, Fountain Hills, Paradise Valley, and Queen Creek, each have a population of more than 10,000 persons. The cities of Casa Grande, Coolidge, Eloy, Florence and Maricopa, all within Pinal County, also have a population more than 10,000 persons.⁸

⁷ Source: U.S. Census Bureau (data.census.gov)

⁸ Source: Arizona Department of Administration, Office of Economic Opportunity(oeo.az.gov/)

Economic Trends

Figure 5 – GDP by State and Region

	Current-dollar gross domestic product							Real gross domestic product							
	(Millions of dollars)				Percent change from preceding period ¹			(Millions of chained (2012) dollars)				Percent change from preceding period ¹			
	2021	Seasonally adjusted at annual rates			2021	2022		2021	Seasonally adjusted at annual rates			2021	2022		
		Q1	Q2	Q3 ^p		Q2	Q3 ^p		Q1	Q2	Q3 ^p		Q2	Q3 ^p	Rank Q3
United States	23,315,081	24,740,480	25,248,476	25,723,941	10.7	8.5	7.7	19,609,812	19,924,088	19,895,271	20,054,663	5.9	-0.6	3.2
New England	1,221,039	1,286,078	1,295,723	1,321,189	9.5	3.0	8.1	1,011,338	1,031,578	1,024,371	1,031,315	6.3	-2.8	2.7
Mideast	4,107,499	4,336,992	4,401,027	4,481,038	9.1	6.0	7.5	3,354,244	3,423,724	3,422,591	3,445,767	5.2	-0.1	2.7
Great Lakes	3,056,083	3,255,114	3,308,326	3,361,436	10.1	6.7	6.6	2,543,643	2,596,259	2,582,849	2,591,224	6.1	-2.1	1.3
Plains	1,450,801	1,537,981	1,571,795	1,597,269	9.4	9.1	6.6	1,209,836	1,220,619	1,215,719	1,220,892	4.3	-1.6	1.7
Southeast	5,022,473	5,352,881	5,461,187	5,565,912	10.9	8.3	7.9	4,158,107	4,247,986	4,245,003	4,272,823	6.5	-0.3	2.6
Southwest	2,796,714	3,043,846	3,172,719	3,234,615	13.6	18.0	8.0	2,452,810	2,486,173	2,491,512	2,535,497	3.8	0.9	7.3
Arizona	420,027	446,397	453,602	463,654	9.9	6.6	9.2	347,656	355,309	353,566	356,966	6.3	-1.9	3.9	9
New Mexico	109,583	118,292	122,359	123,819	10.9	14.5	4.9	93,625	94,307	93,750	94,739	1.2	-2.3	4.3	6
Oklahoma	215,336	231,584	242,303	244,906	13.3	19.8	4.4	193,230	190,164	189,412	191,961	0.4	-1.6	5.5	3
Texas	2,051,769	2,247,573	2,354,455	2,402,237	14.6	20.4	8.4	1,815,064	1,843,354	1,851,812	1,888,869	3.9	1.8	8.2	2
Rocky Mountain	858,193	927,214	947,898	964,606	11.7	9.2	7.2	727,705	747,354	744,141	749,987	5.8	-1.7	3.2
Far West	4,665,853	4,857,961	4,944,818	5,050,871	11.4	7.3	8.9	3,963,354	3,970,172	3,966,830	4,004,556	7.4	-0.3	3.9

The state gross domestic product (GDP) is the sum of gross state product originating from all industries in Arizona. This is a measurement of the State’s output, which was estimated to be \$161,792 million in 2000. The Arizona GDP, the counterpart to the national gross domestic product, had been increasing prior to 2007. By 2008, the Arizona GDP had increased to \$261,128 million, but decreased to \$245,216 million in 2009. The Arizona GDP has been increasing since 2009 to its current level of \$453,602 million in the second fourth quarter of 2022.⁹ According to the Bureau of Economic Analysis website,

Real gross domestic product (GDP) increased in 47 states and the District of Columbia in the third quarter of 2022, with the percent change in real GDP ranging from 8.7 percent in Alaska to -0.7 percent in Mississippi, according to statistics released today by the U.S. Bureau of Economic Analysis (BEA).

Current-dollar GDP increased in all 50 states and the District of Columbia in the third quarter, with the percent change ranging from 10.4 percent in Oregon to 2.3 percent in North Dakota.

In the third quarter of 2022, as real GDP for the nation increased at an annual rate of 3.2 percent, real GDP increased in 16 of the 23 industry groups for which BEA prepares quarterly state estimates (table 2). Information services; professional, scientific, and technical services; and mining were the leading contributors to the increase in real GDP nationally.

- The mining industry was the leading contributor to the increases in real GDP in Alaska, Texas, Oklahoma, Wyoming, North Dakota, and New Mexico, the six states with the largest increases in real GDP, and in West Virginia, the state with the eighth-largest increase in real GDP.
- The information services industry increased in all 50 states and the District of Columbia (table 3). This industry was the leading contributor to the increase in 14 states.
- Professional, scientific, and technical services increased in 48 states and the District of Columbia and was the leading contributor to the increase in 5 states and the District of Columbia.
- The construction industry was the leading contributor to the decrease in Mississippi and Indiana, two of three states with decreases in real GDP. This industry also moderated increases in real GDP in 47 states and the District of Columbia.

⁹ United States Department of Commerce, Bureau of Economic Analysis; <https://www.bea.gov/sites/default/files/2022-12/stgdppi3q22.xlsx>

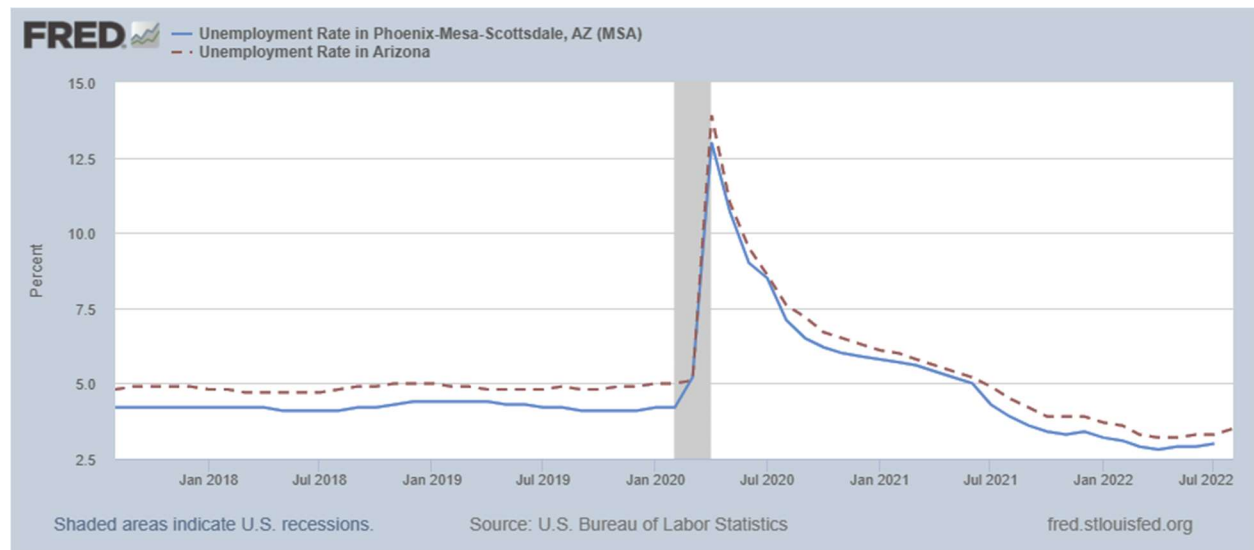
Labor Force and Employment

Figure 6 – Employment by Sector

by NAICS Codes	Businesses		Employees	
	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing	406	0.3%	4,364	0.2%
Mining	104	0.1%	2,784	0.1%
Utilities	164	0.1%	4,806	0.3%
Construction	9,052	6.9%	104,236	5.5%
Manufacturing	4,264	3.2%	108,867	5.8%
Wholesale Trade	4,039	3.1%	71,861	3.8%
Retail Trade	17,625	13.4%	245,900	13.0%
Transportation & Information	1,958	1.5%	35,307	1.9%
Finance & Insurance	3,014	2.3%	56,822	3.0%
Real Estate, Rental & Management of Companies	7,671	5.8%	76,628	4.0%
Professional, Scientific & Administrative & Support & Educational Services	8,175	6.2%	96,416	5.1%
Health Care & Social	13,694	10.4%	124,857	6.6%
Arts, Entertainment & Accommodation & Food	207	0.2%	1,136	0.1%
Other Services (except Public Administration)	5,243	4.0%	63,813	3.4%
Public Administration	3,632	2.8%	162,711	8.6%
Unclassified Establishments	13,826	10.5%	227,997	12.0%
Total	2,873	2.2%	76,330	4.0%
	10,446	8.0%	200,246	10.6%
	14,236	10.8%	104,289	5.5%
	2,012	1.5%	112,793	6.0%
	8,711	6.6%	11,094	0.6%
	131,352	100.0%	1,893,257	100.0%

Source: Copyright 2021 Data Axle, Inc. All rights reserved. Esri Total Residential Population forecasts for 2021.

Figure 7 – Phoenix-Mesa-Scottsdale MSA Unemployment Rate Trend



Historically, the principal industries in Arizona have been agriculture, mining, trade and services. Through the years, there has been a shift in the State's industrial structure, with significant declines in mining and agriculture in relation to other sectors. Agriculture and mining remain significant forces in the local economy of some parts of rural Arizona. Principal industries of the region include retail trade, health care/social assistance, and accommodation/food services.¹⁰

¹⁰ Source: Copyright 2021 Data Axle, Inc. All rights reserved. Esri Total Residential Population forecasts for 2021. Published by STDB

The preliminary average monthly statewide total civilian labor force in June 2022 was estimated to be 3,577,764 persons with an average unemployment rate of 3.3% . The average monthly total civilian labor force was 2,542,313 for the Phoenix-Mesa-Scottsdale MSA, while the average unemployment rate was 2.9%.¹¹ Although the unemployment rate for the greater Phoenix area has increased from the twenty-year record low of 2.7% in the late 1990's, it has historically been below that of both the state and national averages. The unemployment rates for both the State and Phoenix-Mesa-Scottsdale Metropolitan Area have been generally decreasing since 2010, although conditions surrounding the COVID-19 pandemic resulted in a spike to 13.7% in April 2020.

Income and Wages

Figure 8 – Arizona Per Capita Personal Income by County

	Per capita personal income ¹				Percent change from preceding period		
	Dollars			Rank in state	Percent change		Rank in state
	2019	2020	2021	2021	2020	2021	2021
United States	56,250	59,765	64,143	--	6.2	7.3	--
Arizona	48,124	52,327	55,487	--	8.7	6.0	--
Apache	36,803	42,196	45,671	10	14.7	8.2	2
Cochise	41,557	46,909	49,096	5	12.9	4.7	13
Coconino	49,454	54,008	56,914	2	9.2	5.4	12
Gila	41,033	45,429	48,752	7	10.7	7.3	6
Graham	32,018	35,987	38,785	15	12.4	7.8	5
Greenlee	40,517	43,150	48,079	8	6.5	11.4	1
La Paz	43,174	46,286	49,933	4	7.2	7.9	4
Maricopa	52,032	56,255	59,759	1	8.1	6.2	10
Mohave	35,647	38,717	41,331	14	8.6	6.8	9
Navajo	33,756	38,524	41,680	13	14.1	8.2	3
Pima	45,996	50,131	52,942	3	9.0	5.6	11
Pinal	37,402	40,979	43,793	12	9.6	6.9	8
Santa Cruz	38,555	43,734	46,828	9	13.4	7.1	7
Yavapai	43,306	47,203	49,060	6	9.0	3.9	14
Yuma	37,624	42,732	44,299	11	13.6	3.7	15

Arizona’s nominal per capita personal income hit \$55,487 in 2021, according to the latest estimates from the U.S. Bureau of Economic Analysis (BEA). National per capita personal income was \$64,143. At \$58,308, per capita personal income in the Phoenix-Mesa metropolitan statistical area (Maricopa and Pinal Counties) is below the national level but above the state average.

¹¹ Arizona Commerce Authority, Office of Economic Opportunity (<https://www.azcommerce.com/oeo/labor-market/unemployment>)

Forecast Data

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

ARIZONA RECENT DEVELOPMENTS

Inflation remains a key concern, with prices rising much faster in the Phoenix MSA than nationally. In October, U.S. inflation measured by the all-items Consumer Price Index for All Urban Consumers (CPIU) was 7.7% over the year. Prices in the Phoenix MSA rose even faster in October, up 12.1% over the year. Price increases in commodities have moderated slightly from their summer peak, but services inflation (which includes housing) continues at a very rapid pace, particularly in Phoenix.

Skyrocketing house prices have driven inflation in Phoenix well above the national average. They have also pushed housing affordability to very low levels in the third quarter of 2022. According to data from the NAHB-Wells Fargo Housing Opportunity Index, 22.5% of homes sold in the Phoenix MSA in the third quarter were affordable to a family making the median income. That was up slightly from 22.3% in the second quarter, but well below the national average of 42.2% and miles below Phoenix affordability in the fourth quarter of 2019 (64.9%).

Compared to February 2020, Arizona jobs were up by 103,800 in October. During that period, the strongest job gains were in trade, transportation and utilities, education and health services, manufacturing, financial activities, construction, and professional and business services. Jobs in government and leisure and hospitality remained well below their February 2020 level in October.

The state's seasonally-adjusted unemployment rate ticked up from 3.7% in September to 3.9% in October. That was slightly above the U.S. rate of 3.7%. Even so, the state's labor market remains very tight.

As of October, Tucson replaced 95.4% of the jobs lost during the first two months of the pandemic. Since February 2020, trade, transportation, and utilities has generated by far the most jobs, followed by manufacturing and education and health services. In contrast, professional and business services has lost the most, followed by government, leisure and hospitality, information. Jobs in other services, construction, and natural resources and mining are close to their February 2020 level.

Tight labor markets have driven strong wage gains. One key measure of wage/price pressures is the Employment Cost Index (ECI) from the U.S. Bureau of Labor Statistics. Overall compensation growth in the Phoenix MSA was 5.5% over the year in the third quarter, just above the U.S. at 5.2%. Even so, compensation growth was well below Phoenix inflation in the third quarter.

ARIZONA OUTLOOK

The outlook for Arizona, Phoenix, and Tucson depends in part on national and global economic events. The baseline forecast from IHS Markit calls for U.S. real GDP to increase by 1.7% in 2022 (annual average basis) before dropping by 0.5% in 2023. Growth rebounds to 1.3% in 2024 and again to 2.0% in 2025. On a quarterly basis, the forecast calls for real GDP to decline from the fourth quarter of 2022 through the second quarter of 2023. The peak-to-trough decline is 1.1%, which would be similar to the (relatively mild) early 1990s recession.

If the U.S. economy falls into recession, it will take the wind out of Arizona's sails. As Exhibit 3 shows, Arizona job growth decelerates from 3.8% in 2022 to 1.1% in 2023 and 1.6% in 2024.

Slowing job gains drive the state's unemployment rate up from 3.5% in 2022 to 5.2% in 2023 and 5.7% in 2024.

Nominal personal income growth is forecast to decelerate from 7.5% in 2021 to 2.6% in 2022, as federal pandemic-related income support ends. Income growth rebounds to a modest 4.5% in 2023 as wage gains decelerate with loosening labor markets.







Growth in nominal retail sales (including remote sales) decelerates from 19.9% in 2021 to 8.4% in 2022 and then to 1.2% in 2023 as negative real income growth, wealth effects (declining stock and real estate values), and reduced consumer confidence take their toll on consumers.







Population growth cycles up and down modestly in the near term, reflecting residual effects of the pandemic on net migration and natural increase (births minus deaths).

Skyrocketing mortgage rates, plummeting housing affordability, and slowing population growth combine to drive housing permit activity down from 65,334 in 2021 to 43,968 in 2024.

¹² Excerpts from Arizona's Economy, December 2022, University of Arizona Eller College of Management, Economic and Business Research Center

Figure 9 – Blue Chip Forecast, Greater Phoenix

2022 ANNUAL PERCENTAGE CHANGE						
	Population	Personal Income	Retail Sales	Wage & Salary Employment	Manufacturing Employment	Construction Employment
ASU Economic Outlook Center	1.7%	3.5%	10.0%	4.0%	5.0%	3.0%
EconLit LLC	1.7%	5.2%	6.5%	3.4%	2.9%	3.4%
Elliott D. Pollack & Co.	1.9%	4.0%	9.9%	3.8%	4.7%	2.8%
Hoyle Cohen	1.5%	5.0%	5.5%	3.5%	2.8%	3.1%
Joint Legislative Budget Committee	1.7%	6.0%	5.4%	2.1%	1.8%	5.0%
Rounds Consulting	1.8%	6.5%	12.0%	4.0%	3.5%	3.0%
Southwest Growth Partners	1.8%	4.2%	6.8%	4.6%	4.0%	3.2%
The Maguire Company	1.7%	6.0%	7.5%	5.2%	3.5%	2.2%
University of Arizona Eller College	2.0%	3.3%	8.6%	3.0%	3.7%	5.3%
Vision Econ/ Governing Star Group	1.5%	8.7%	11.2%	4.3%	5.2%	2.1%
CONSENSUS	1.7%	5.2%	8.3%	3.8%	3.7%	3.3%

2023 ANNUAL PERCENTAGE CHANGE						
	Population	Personal Income	Retail Sales	Wage & Salary Employment	Manufacturing Employment	Construction Employment
ASU Economic Outlook Center	1.7%	5.5%	4.0%	3.5%	4.0%	3.0%
EconLit LLC	1.8%	5.2%	5.4%	3.3%	2.5%	2.7%
Elliott D. Pollack & Co.	1.9%	3.5%	5.6%	3.2%	2.2%	1.8%
Hoyle Cohen						
Joint Legislative Budget Committee						
Rounds Consulting	1.8%	5.5%	6.0%	3.5%	3.0%	2.5%
Southwest Growth Partners	1.8%	4.2%	5.2%	3.8%	3.0%	2.5%
The Maguire Company	1.7%	6.0%	7.0%	5.0%	4.0%	2.5%
University of Arizona Eller College	1.8%	6.2%	3.7%	1.9%	2.3%	3.1%
Vision Econ/ Governing Star Group	1.4%	7.8%	10.5%	2.7%	3.1%	1.8%
CONSENSUS	1.7%	5.5%	5.9%	3.4%	3.0%	2.5%

<https://seidmaninstitute.com/wp-content/uploads/2021/11/GPBC-2021-Qtr-3>. <https://seidmaninstitute.com/wp-content/uploads/2022/10/GPBC-2022-Qtr-3.pdf>

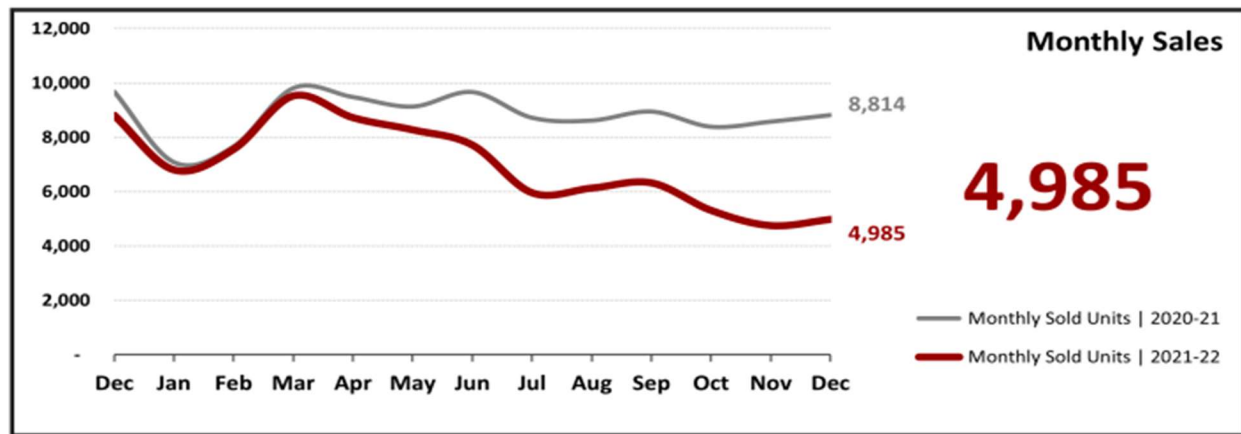
Real Estate Market Sectors

Single Family Housing Sector

Figure 10 – ARMLS Quarterly Housing Summary, 2022Q4

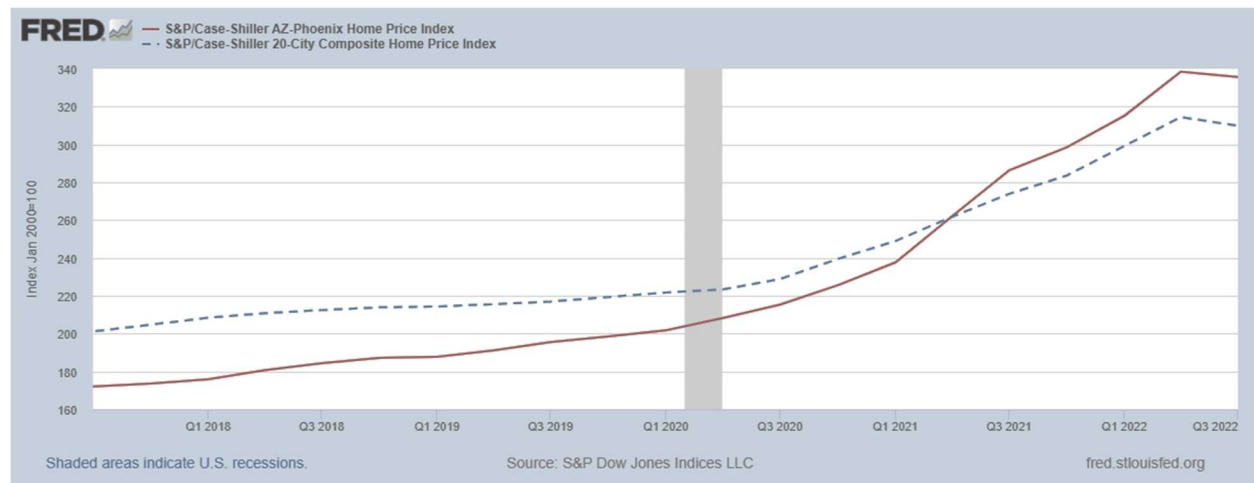
	Median Sales Price			Average Sales Price			Pct. of List Price Received			Days on Market			Closed Sales		
	Q4-2022	1-Yr Chg		Q4-2022	1-Yr Chg		Q4-2022	1-Yr Chg		Q4-2022	1-Yr Chg		Q4-2022	1-Yr Chg	
Cochise	\$249,950	▲ 8.7%		\$264,000	▲ 4.8%		94.4%	▼ -2.9%		64	▲ 16.4%		362	▼ -33.0%	
Maricopa	\$445,000	▲ 1.1%		\$556,952	▲ 2.5%		92.0%	▼ -7.8%		60	▲ 81.8%		12,236	▼ -42.7%	
Pinal	\$355,000	▼ -4.1%		\$375,481	▼ -1.3%		91.6%	▼ -8.2%		66	▲ 106.3%		1,828	▼ -39.9%	

Figure 11 – ARMLS Monthly Sales



Closed MLS sales with a close of escrow date from 12/1/22 to 12/31/22, 0 day DOM sales removed

Figure 12 – Case-Shiller Index



The Case-Shiller index refers to several indices that measure home prices across the United States on a point system (with January 2000 set at 100). The Case-Shiller U.S. National Home Price Index tracks prices of single-family homes in each of the nine U.S. Census divisions and is the leading measure of U.S. residential real estate prices, tracking changes in the value of residential real estate nationally.

Multifamily Housing Sector¹³

Figure 13 – CoStar Analytics Key Indicators and Submarkets, Multi-Family Market

KEY INDICATORS													
Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units						
4 & 5 Star	165,045	10.3%	\$1,818	\$1,797	1,441	2,475	20,351						
3 Star	136,123	8.4%	\$1,420	\$1,408	(211)	1,182	6,131						
1 & 2 Star	59,705	6.9%	\$1,086	\$1,078	(235)	0	1,230						
Market	360,873	9.0%	\$1,565	\$1,549	995	3,657	27,712						
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When						
Vacancy Change (YOY)	3.3%	8.6%	11.3%	12.8%	2009 Q4	5.0%	2021 Q3						
Absorption Units	2,551	5,108	5,408	16,067	2021 Q2	(3,967)	2007 Q4						
Delivered Units	15,246	5,794	8,764	13,922	2022 Q3	250	2011 Q3						
Demolished Units	0	183	201	699	2016 Q2	0	2022 Q3						
Asking Rent Growth (YOY)	-0.1%	3.1%	1.3%	21.2%	2021 Q3	-7.2%	2009 Q4						
Effective Rent Growth (YOY)	-0.5%	3.1%	1.2%	22.1%	2021 Q3	-7.1%	2009 Q4						
Sales Volume	\$14.4B	\$3.9B	N/A	\$18.6B	2022 Q2	\$340.5M	2009 Q1						
SUBMARKET INVENTORY													
No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	Units	% Market	Rank	Bldgs	Units	Percent	Rank	Bldgs	Units	Percent	Rank
1	Camelback	260	10,844	3.0%	12	3	58	0.5%	15	2	144	1.3%	15
2	Chandler	158	29,732	8.2%	7	2	434	1.5%	11	8	1,547	5.2%	7
3	Deer Valley	134	33,360	9.2%	6	3	869	2.6%	6	8	1,771	5.3%	6
4	Downtown Phoenix	868	39,117	10.8%	5	20	3,405	8.7%	1	20	4,878	12.5%	1
5	East Valley	514	44,618	12.4%	1	12	2,358	5.3%	2	15	2,916	6.5%	4
6	Gilbert	62	14,488	4.0%	9	6	713	4.9%	9	8	1,414	9.8%	9
7	North Phoenix	615	41,729	11.6%	4	3	95	0.2%	14	5	1,189	2.8%	10
8	North Scottsdale	86	17,650	4.9%	8	4	770	4.4%	8	7	1,507	8.5%	8
9	North West Valley	93	13,869	3.8%	10	5	1,114	8.0%	5	10	1,799	13.0%	5
10	Old Town Scottsdale	184	13,714	3.8%	11	6	849	6.2%	7	2	379	2.8%	14
11	South Phoenix	137	8,094	2.2%	13	4	446	5.5%	10	6	1,069	13.2%	11
12	South West Valley	346	44,160	12.2%	2	11	2,185	4.9%	3	16	3,408	7.7%	3
13	Southeast Valley	82	3,347	0.9%	14	2	128	3.8%	13	2	544	16.3%	13
14	Tempe	449	43,993	12.2%	3	7	1,544	3.5%	4	14	4,114	9.4%	2
15	West Maricopa County	38	2,158	0.6%	15	2	281	13.0%	12	4	1,033	47.9%	12

The Phoenix apartment market has seen a change of tides. During the pandemic, demand, rents, and supply climbed to unprecedented levels, transforming the area into one of the strongest apartment markets in the country. Starting in late 2021, however, market dynamics began to shift. The pace of absorption moderated at the same time construction activity ramped up, causing metrowide vacancy to push upward. The metro has seen negative net absorption in three of the past five quarters. As a result, rent growth is slowing considerably and concession usage is increasing.

¹³ CoStar Analytics, Phoenix, AZ, Multi-Family Market Report (generated December 20, 2022)

Just 2,600 units were absorbed in the past year versus a record high 15,000 delivered units. With supply outpacing demand, the vacancy rate is now at 9.0%. Landlords will still need to brace for a wave of deliveries over the next few quarters. The construction pipeline is robust and focused on top-tier rentals, which could disproportionately pressure performance at 4 & 5 Star properties. Additionally, the development of an emerging asset class, single-family build-to-rent product, is a growing trend worth monitoring.

Overall, the long-term outlook for fundamentals is supported by some of the country's strongest employment and household growth along with low levels of single-family inventory. Despite these robust demographics, single-family development has not kept pace, and pricing has soared. Phoenix has been a top market for home price appreciation for the past few years. Unwavering price escalation and the rapid rise in mortgage rates will continue to force some would-be homeowners into the renter pool.

About \$14.0 billion worth of apartments have traded in Phoenix in the past 12 months as investors continue to place capital here. Pricing has surged, and average cap rates have compressed to 3.9%, among the most rapid decline in yields across the country. Investors who were once overwhelmingly bullish on Phoenix are beginning to recalibrate amid lower returns, moderating property performance, and the uncertain economic outlook. The rise in interest rates is also playing a major factor. The higher cost of debt is making it more difficult for deals to pencil, especially for larger, luxury assets that typically trade at lower yields. Over the near term, rising interest rates coupled with lower rent growth projections will put upward pressure on metrowide cap rates and likely moderate investment activity.

Figure 14 – Historical Submarket Data, Multi-Family Market

Period	Vacancy Rate	Market Asking Rent/Unit	Annual Rent Growth	Inventory Units	Under Construction Units	% of Inventory	12 Month Absorp Units	Market Sale Price/Unit	12 Month Sales Vol	12 Month Sales Vol Growth	Market Cap Rate
2027	10.1%	\$1,709	2.6%	397,844	-	-	6,553	\$319,162	-	-	3.9%
2026	10.5%	\$1,665	3.1%	392,569	-	-	7,230	\$309,151	-	-	3.9%
2025	11.5%	\$1,614	2.7%	388,663	-	-	7,882	\$296,209	-	-	3.9%
2024	12.6%	\$1,572	0.4%	384,637	-	-	5,908	\$285,968	-	-	3.9%
2023	11.9%	\$1,566	0.3%	375,002	-	-	3,113	\$284,779	-	-	3.9%
2022 EST	9.6%	\$1,560	-0.5%	361,751	-	-	1,410	\$296,739	-	-15.4%	3.9%
2022 YTD	9.0%	\$1,565	-0.1%	360,873	27,712	7.7%	2,551	\$298,241	\$14,407,588,523	-	3.9%
2021	5.8%	\$1,569	20.7%	345,944	29,538	8.5%	11,171	\$271,047	\$15,715,979,956	145.1%	4.0%
2020	5.9%	\$1,299	5.3%	334,391	23,011	6.9%	9,908	\$210,717	\$6,412,869,864	-20.3%	4.4%
2019	6.6%	\$1,234	6.5%	326,245	14,951	4.6%	8,154	\$184,193	\$8,045,794,668	31.0%	4.8%
2018	6.6%	\$1,158	6.4%	317,291	13,429	4.2%	9,853	\$160,579	\$6,141,256,816	29.3%	5.1%
2017	7.1%	\$1,089	4.6%	308,394	15,426	5.0%	6,653	\$142,338	\$4,748,262,928	-7.6%	5.4%
2016	7.3%	\$1,041	4.6%	302,002	10,038	3.3%	4,876	\$131,361	\$5,141,097,841	44.2%	5.6%
2015	7.4%	\$995	5.8%	297,119	6,714	2.3%	6,789	\$121,520	\$3,565,176,334	33.7%	5.8%
2014	7.7%	\$941	3.5%	290,682	8,632	3.0%	6,466	\$110,016	\$2,667,154,490	4.6%	6.0%
2013	7.8%	\$909	2.6%	283,996	7,992	2.8%	3,875	\$100,021	\$2,548,999,514	0.4%	6.3%
2012	8.3%	\$886	2.5%	281,436	4,401	1.6%	3,993	\$97,618	\$2,538,336,630	79.9%	6.3%
2011	9.7%	\$864	1.4%	281,289	1,854	0.7%	3,443	\$93,989	\$1,411,235,759	30.4%	6.3%
2010	10.9%	\$852	1.7%	281,198	740	0.3%	5,474	\$86,648	\$1,082,142,746	98.9%	6.5%

Industrial Sector¹⁴

Figure 15 – CoStar Analytics Key Indicators and Submarkets, Industrial Market

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	287,518,525	5.4%	\$11.08	14.0%	6,098,307	8,923,628	42,183,019
Specialized Industrial	94,829,016	2.3%	\$12.03	2.7%	69,258	0	4,099,623
Flex	34,296,986	7.9%	\$16.38	9.0%	105,251	49,585	140,056
Market	416,644,527	4.9%	\$11.67	11.2%	6,272,816	8,973,213	46,422,698

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.2%	9.3%	7.0%	16.3%	2010 Q1	4.2%	2022 Q2
Net Absorption SF	25.5M	7,454,384	17,738,698	26,321,669	2021 Q3	(6,648,743)	2009 Q3
Deliveries SF	28.1M	8,084,206	22,568,321	22,929,362	2022 Q3	1,094,416	2011 Q2
Rent Growth	16.3%	2.8%	5.0%	16.5%	2022 Q3	-9.1%	2009 Q4
Sales Volume	\$4.6B	\$1.5B	N/A	\$6.5B	2022 Q2	\$340.7M	2009 Q3

SUBMARKET INVENTORY

No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Percent	Rank	Bldgs	SF (000)	Percent	Rank
1	Central Phoenix	363	4,452	1.1%	26	0	0	0%	-	0	-	-	-
2	Chandler	394	24,687	5.9%	6	9	1,136	4.6%	6	5	621	2.5%	8
3	Chandler Airport	134	7,814	1.9%	17	13	1,912	24.5%	5	14	1,266	16.2%	7
4	Chandler N/Gilbert	896	29,141	7.0%	4	49	4,389	15.1%	2	85	10,298	35.3%	2
5	Deer Vly/Pinnacle Pk	734	19,180	4.6%	9	9	398	2.1%	10	24	3,279	17.1%	4
6	Falcon Fld/Apache Jct	281	6,207	1.5%	22	6	274	4.4%	12	2	244	3.9%	15
7	Glendale	197	31,823	7.6%	3	23	10,529	33.1%	1	30	13,697	43.0%	1
8	Goodyear	224	26,469	6.3%	5	12	3,473	13.1%	3	21	9,293	35.1%	3
9	Grand Avenue	641	14,279	3.4%	12	3	741	5.2%	8	1	75	0.5%	16
10	Mesa	483	7,804	1.9%	18	0	0	0%	-	0	-	-	-
11	North Airport	654	14,271	3.4%	13	0	0	0%	-	3	508	3.6%	13
12	North Black Canyon	257	4,613	1.1%	24	0	0	0%	-	0	-	-	-
13	North Outlying	19	213	0.1%	29	0	0	0%	-	0	-	-	-
14	Northwest Outlying	3	39	0%	31	0	0	0%	-	0	-	-	-
15	Pinal County	426	12,326	3.0%	14	1	1,000	8.1%	7	1	540	4.4%	12
16	S Airport N of Roeser	525	16,085	3.9%	11	0	0	0%	-	0	-	-	-
17	S Airport S of Roeser	168	4,579	1.1%	25	0	0	0%	-	0	-	-	-
18	SC N of Salt River	700	16,364	3.9%	10	3	208	1.3%	13	3	276	1.7%	14
19	SC S of Salt River	142	2,669	0.6%	28	0	0	0%	-	0	-	-	-
20	Scottsdale Airpark	370	6,940	1.7%	20	0	0	0%	-	0	-	-	-
21	Scottsdale/Salt River	173	5,538	1.3%	23	0	0	0%	-	1	23	0.4%	17
22	Southwest Outlying	4	100	0%	30	0	0	0%	-	0	-	-	-
23	Surprise	160	4,411	1.1%	27	1	80	1.8%	15	7	548	12.4%	11
24	SW N of Buckeye Road	732	34,487	8.3%	2	3	109	0.3%	14	9	2,997	8.7%	5
25	SW S of Buckeye Road	333	20,136	4.8%	8	3	736	3.7%	9	5	572	2.8%	9
26	Tempe East	374	6,930	1.7%	21	1	283	4.1%	11	0	-	-	-
27	Tempe Northwest	345	11,075	2.7%	15	1	2	0%	16	0	-	-	-
28	Tempe Southwest	614	21,846	5.2%	7	0	0	0%	-	4	554	2.5%	10
29	Tolleson	284	47,138	11.3%	1	9	2,866	6.1%	4	6	1,632	3.5%	6
30	W Phx N of Thomas Rd	475	8,216	2.0%	16	0	0	0%	-	0	-	-	-
31	W Phx S of Thomas Rd	327	7,245	1.7%	19	0	0	0%	-	0	-	-	-

¹⁴ CoStar Analytics, Phoenix, AZ, Industrial Market Report (generated December 20, 2022)

The past two years were the best on record for Phoenix industrial properties, which helps to explain why the market now has one of the most aggressive construction pipelines in the U.S. The Valley's growing consumer base coupled with online retail's expanding market share drives demand for industrial space.

A key factor benefitting Phoenix industrial is the market's proximity to the ports of LA and Long Beach. The metro is one of the first major outlets for sorting imports that come in at West Coast ports, before driving them to their final destinations across the country. These factors together with the metro's robust and expanding population base are fueling industrial space demand among companies in the logistics, transportation, e-commerce, and construction industries. As a result, metrowide vacancy remains compressed at 5.0%, the lowest point on record. Phoenix has also become one of the most active data center markets in the country due to Arizona's tax incentive for data center development, robust power grid, and the limited risk of natural disasters.

A low cost of doing business and proximity to major regional markets, particularly in California, continues to draw industrial tenants to the market. Phoenix's average industrial rent is near the National Index but is roughly 35%-40% below average rents in nearby Los Angeles and Orange County.

Industrial investors continue to target the Phoenix market. Sales volume in the past 12 months reached an all-time high, outpacing the second-best year for transaction volume by a wide margin. Notable institutional and private out-of-state investors including the California State Teachers' Retirement System (CalSTRS) and Cohen Asset Management have been behind some sizable transactions over the past few quarters that have bolstered sales.

Figure 16 – Historical Submarket Data, Industrial Market

Period	Vacancy Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	Under Construction SF	% of Inventory	12 Month Net Absorp SF	Market Sale Price/SF	12 Month Sales Vol	12 Month Sales Vol Growth	Market Cap Rate
2027	8.3%	\$13.66	1.1%	514,750,549	-	-	7,149,946	\$196	-	-	5.7%
2026	8.0%	\$13.51	1.6%	505,361,301	-	-	8,658,479	\$195	-	-	5.7%
2025	7.5%	\$13.30	2.5%	493,328,544	-	-	12,464,696	\$193	-	-	5.7%
2024	7.0%	\$12.97	2.5%	477,233,537	-	-	17,003,236	\$190	-	-	5.7%
2023	6.7%	\$12.65	7.5%	459,368,773	-	-	30,265,287	\$187	-	-	5.6%
2022 EST	4.4%	\$11.77	16.9%	417,077,637	-	-	27,437,782	\$177	-	-21.8%	5.5%
2022 YTD	5.0%	\$11.67	16.3%	417,077,637	46,422,698	11.1%	25,499,102	\$176	\$4,641,657,367	-	5.5%
2021	4.8%	\$10.07	12.9%	390,042,786	34,691,756	8.9%	22,788,022	\$149	\$5,508,536,745	88.1%	5.6%
2020	7.3%	\$8.92	7.1%	375,948,457	12,707,830	3.4%	16,280,715	\$126	\$2,927,837,707	12.3%	5.9%
2019	7.2%	\$8.33	6.2%	357,845,937	11,532,723	3.2%	5,250,045	\$113	\$2,606,937,949	26.1%	6.2%
2018	6.6%	\$7.84	5.7%	350,058,733	6,495,018	1.9%	8,510,880	\$100	\$2,066,791,533	56.2%	6.4%
2017	6.9%	\$7.42	4.7%	341,651,863	5,877,054	1.7%	11,028,836	\$92	\$1,322,829,005	-22.7%	6.5%
2016	8.4%	\$7.09	4.8%	334,981,781	4,513,114	1.3%	6,056,197	\$86	\$1,710,815,322	33.9%	6.6%
2015	9.1%	\$6.76	4.6%	331,093,605	4,480,633	1.4%	8,396,029	\$80	\$1,277,960,476	4.4%	6.8%
2014	10.2%	\$6.46	4.8%	325,632,755	5,146,219	1.6%	10,724,926	\$73	\$1,223,600,633	6.8%	7.1%
2013	11.6%	\$6.17	3.1%	318,589,401	5,931,385	1.9%	4,572,286	\$66	\$1,145,171,810	14.2%	7.4%
2012	11.3%	\$5.98	1.9%	312,476,017	7,342,244	2.3%	6,717,291	\$63	\$1,003,210,220	65.1%	7.5%
2011	12.7%	\$5.87	-2.6%	309,796,065	4,224,021	1.4%	6,959,932	\$61	\$607,500,301	-15.0%	7.7%
2010	14.9%	\$6.03	-6.9%	309,545,257	878,108	0.3%	4,073,058	\$59	\$714,381,464	89.3%	7.9%

Office Sector¹⁵

Figure 17 – CoStar Analytics Key Indicators and Submarkets, Office Market

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	65,586,835	22.9%	\$33.74	26.4%	(581,245)	181,494	1,005,694
3 Star	87,082,403	13.3%	\$26.82	16.0%	(91,699)	12,406	415,921
1 & 2 Star	40,946,185	6.8%	\$21.43	7.8%	176,466	0	9,000
Market	193,615,423	15.2%	\$28.05	17.8%	(496,478)	193,900	1,430,615
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.3%	14.6%	15.0%	20.4%	2011 Q1	8.8%	1999 Q3
Net Absorption SF	(1.6M)	2,717,329	888,935	9,306,681	2006 Q2	(3,006,729)	2009 Q3
Deliveries SF	1.2M	3,752,706	1,545,728	9,031,517	2007 Q4	164,044	2013 Q4
Rent Growth	2.7%	1.4%	2.6%	11.2%	2006 Q3	-12.7%	2009 Q4
Sales Volume	\$3.1B	\$2B	N/A	\$3.9B	2022 Q2	\$346.5M	2009 Q4

SUBMARKET INVENTORY

No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Percent	Rank	Bldgs	SF (000)	Percent	Rank
1	44th Street Corridor	149	3,975	2.1%	19	0	0	0%	-	0	-	-	-
2	Airport Area	126	5,564	2.9%	14	0	0	0%	-	0	-	-	-
3	Arrowhead	384	4,821	2.5%	18	3	59	1.2%	6	0	-	-	-
4	Camelback Corridor	211	9,115	4.7%	8	1	181	2.0%	4	1	70	0.8%	7
5	Central Scottsdale	403	9,112	4.7%	9	1	12	0.1%	12	0	-	-	-
6	Chandler	542	12,867	6.6%	4	3	32	0.2%	9	0	-	-	-
7	Deer Valley/Airport	293	11,926	6.2%	5	0	0	0%	-	2	239	2.0%	2
8	Downtown	186	11,398	5.9%	6	0	0	0%	-	1	120	1.1%	4
9	Gateway Airport/Loop 202	307	2,899	1.5%	22	2	2	0.1%	14	1	45	1.6%	10
10	Glendale	211	3,667	1.9%	20	0	0	0%	-	0	-	-	-
11	Loop 303/ Surprise	173	2,675	1.4%	24	0	0	0%	-	1	9	0.3%	12
12	Mesa Downtown	204	1,523	0.8%	27	0	0	0%	-	0	-	-	-
13	Mesa East	465	4,910	2.5%	17	0	0	0%	-	2	46	0.9%	9
14	Midtown	391	13,124	6.8%	3	0	0	0%	-	0	-	-	-
15	Midtown/Central Phoenix	503	5,990	3.1%	13	0	0	0%	-	1	90	1.5%	5
16	N Phoenix/Cave Creek	20	156	0.1%	30	0	0	0%	-	0	-	-	-
17	N Scottsdale/Carefree	196	1,903	1.0%	25	1	11	0.6%	13	0	-	-	-
18	North I-17	62	952	0.5%	28	1	42	4.4%	7	0	-	-	-
19	Northwest Outlying	36	138	0.1%	31	0	0	0%	-	0	-	-	-
20	Northwest Phoenix	845	11,086	5.7%	7	0	0	0%	-	1	80	0.7%	6
21	Paradise Valley	271	5,400	2.8%	15	0	0	0%	-	0	-	-	-
22	Piestewa Peak Corridor	203	3,453	1.8%	21	1	17	0.5%	11	0	-	-	-
23	Pinal County	281	1,694	0.9%	26	1	17	1.0%	10	1	6	0.3%	13
24	Scottsdale Airpark	397	14,036	7.2%	2	3	162	1.2%	5	2	182	1.3%	3
25	Scottsdale South	513	7,949	4.1%	10	1	244	3.1%	1	0	-	-	-
26	South Tempe/Ahwatukee	297	7,752	4.0%	11	0	0	0%	-	0	-	-	-
27	Southwest Outlying	35	307	0.2%	29	0	0	0%	-	0	-	-	-
28	Southwest Phoenix	208	4,994	2.6%	16	0	0	0%	-	0	-	-	-
29	Superstition Corridor	439	7,049	3.6%	12	2	41	0.6%	8	1	10	0.1%	11
30	Tempe	519	20,435	10.6%	1	1	184	0.9%	3	3	465	2.3%	1
31	West I-10	165	2,745	1.4%	23	5	232	8.4%	2	2	69	2.5%	8

¹⁵ CoStar Analytics, Phoenix, AZ, Office Market Report (generated December 20, 2022)

The Phoenix office market has yet to build consistent momentum as uncertainty surrounding the future of workplace configurations continues to weigh on demand. Some office tenants have become more comfortable locking in long-term leases in the past year, but record sublease availabilities act as a considerable counterweight. The concurrent rise in leasing and sublease activity indicates there is no one-size-fits-all solution for businesses operating post-pandemic.

Despite the recent negative absorption, Phoenix's office vacancy rate of 15.2% remains near its historical average. Demand is stronger for higher-quality space in Phoenix's marquee submarkets. These areas are more urban and can access a deep talent pool while offering desirable amenities. As a result, office rents in Phoenix continue to climb. However, landlords have been more amenable to offering concessions in exchange for longer lease terms.

Development has slowed in the past 24 months, partly due to the uncertainty of office demand moving forward. The amount of office space under construction is at its lowest level since 2017, reducing supply-side risk in the near term.

Figure 18 – Historical Submarket Data, Office Market

Period	Vacancy Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	Under Construction SF	% of Inventory	12 Month Net Absorp SF	Market Sale Price/SF	12 Month Sales Vol	12 Month Sales Vol Growth	Market Cap Rate
2027	15.0%	\$31.93	1.9%	200,800,049	-	-	1,402,434	\$266	-	-	7.1%
2026	14.9%	\$31.33	2.5%	198,893,058	-	-	1,378,163	\$261	-	-	7.1%
2025	14.8%	\$30.55	3.5%	197,124,908	-	-	1,314,594	\$254	-	-	7.1%
2024	14.9%	\$29.53	3.1%	195,692,559	-	-	1,477,895	\$244	-	-	7.1%
2023	15.3%	\$28.65	2.0%	194,879,171	-	-	828,070	\$234	-	-	7.2%
2022 EST	15.2%	\$28.08	2.7%	193,615,423	-	-	(1,648,600)	\$233	-	-13.5%	7.1%
2022 YTD	15.2%	\$28.05	2.7%	193,615,423	1,430,615	0.7%	(1,560,470)	\$233	\$3,088,725,936	-	7.1%
2021	13.9%	\$27.35	5.1%	192,632,094	1,538,657	0.8%	(217,674)	\$228	\$3,399,618,117	120.3%	7.1%
2020	12.8%	\$26.01	1.1%	190,527,015	3,075,916	1.6%	(123,281)	\$216	\$1,543,031,502	-50.7%	7.2%
2019	11.4%	\$25.74	5.0%	187,683,473	3,972,070	2.1%	3,920,155	\$209	\$3,128,094,026	4.5%	7.3%
2018	12.2%	\$24.51	3.5%	184,907,746	4,516,243	2.4%	3,568,051	\$197	\$2,994,013,440	11.0%	7.3%
2017	13.7%	\$23.68	4.7%	183,892,580	2,391,407	1.3%	2,847,726	\$188	\$2,697,569,337	19.2%	7.2%
2016	14.5%	\$22.62	6.2%	182,102,424	2,380,870	1.3%	4,039,516	\$183	\$2,262,752,844	-29.6%	7.2%
2015	15.5%	\$21.29	7.2%	179,567,537	3,021,368	1.7%	4,312,139	\$174	\$3,214,150,536	77.5%	7.2%
2014	16.5%	\$19.86	5.1%	176,424,186	3,975,008	2.3%	2,445,790	\$163	\$1,811,008,239	24.5%	7.3%
2013	17.6%	\$18.89	2.7%	175,895,764	2,724,487	1.5%	1,636,507	\$154	\$1,454,613,251	3.2%	7.5%
2012	18.7%	\$18.40	-1.0%	176,134,535	220,869	0.1%	3,024,455	\$151	\$1,409,527,333	-1.7%	7.7%
2011	19.8%	\$18.58	-3.5%	174,845,307	1,133,569	0.6%	1,104,565	\$152	\$1,434,378,444	154.9%	7.7%

Retail Sector¹⁶

Figure 19 – CoStar Analytics Key Indicators and Submarkets, Retail Market

KEY INDICATORS													
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction						
Malls	15,990,593	9.4%	\$28.52	5.8%	479,464	0	0						
Power Center	32,315,785	3.6%	\$24.67	4.0%	356,313	272,954	6,000						
Neighborhood Center	91,068,288	6.4%	\$21.48	7.2%	371,033	32,676	234,413						
Strip Center	14,096,439	5.2%	\$19.51	6.3%	77,232	0	254,461						
General Retail	81,721,899	3.1%	\$21.29	3.2%	287,034	186,737	1,384,780						
Other	2,313,488	11.6%	\$21.34	11.8%	(10,168)	0	0						
Market	237,506,492	5.1%	\$22.20	5.3%	1,560,908	492,367	1,879,654						
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When						
Vacancy Change (YOY)	-1.6%	8.6%	5.3%	12.4%	2011 Q1	5.1%	2022 Q4						
Net Absorption SF	5M	2,616,166	2,176,400	11,151,935	2007 Q3	(2,956,851)	2009 Q3						
Deliveries SF	1.8M	3,238,083	2,588,105	12,846,725	2007 Q4	658,683	2011 Q2						
Rent Growth	7.2%	0.1%	2.3%	7.9%	2022 Q3	-8.9%	2009 Q3						
Sales Volume	\$3.7B	\$1.7B	N/A	\$3.9B	2022 Q3	\$436.7M	2010 Q3						
SUBMARKET INVENTORY													
No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Percent	Rank	Bldgs	SF (000)	Percent	Rank
1	Ahwatukee Foothills	189	3,266	1.4%	20	1	1	0%	31	0	-	-	-
2	Airport Area	438	3,994	1.7%	17	3	86	2.1%	7	0	-	-	-
3	Anthem	144	2,713	1.1%	24	2	50	1.9%	13	0	-	-	-
4	Apache Junction	191	2,309	1.0%	26	8	56	2.4%	12	5	45	1.9%	9
5	Carefree	158	1,898	0.8%	29	1	2	0.1%	30	0	-	-	-
6	Central Scottsdale	1,001	16,901	7.1%	4	4	16	0.1%	18	1	3	0%	21
7	Chandler	853	16,985	7.1%	3	3	10	0.1%	23	0	-	-	-
8	Ctrl Peoria/Arrowhead	494	10,534	4.4%	8	3	38	0.4%	15	0	-	-	-
9	Deer Valley	165	2,230	0.9%	27	5	13	0.6%	20	1	1	0%	24
10	Downtown Phoenix	967	8,466	3.6%	11	1	5	0.1%	28	4	115	1.4%	4
11	East Phoenix	807	8,957	3.8%	10	5	42	0.5%	14	1	3	0%	19
12	Fountain Hills	93	768	0.3%	34	0	0	0%	-	0	-	-	-
13	Gateway Airport	183	2,978	1.3%	22	14	83	2.8%	8	9	76	2.5%	6
14	Gila River Outlying	9	357	0.1%	35	0	0	0%	-	0	-	-	-
15	Gilbert	975	17,029	7.2%	2	24	259	1.5%	2	13	139	0.8%	3
16	Glendale	895	11,539	4.9%	7	9	99	0.9%	6	4	81	0.7%	5
17	Goodyear	277	4,074	1.7%	16	4	11	0.3%	22	3	186	4.6%	2
18	Laveen	100	1,659	0.7%	31	4	66	4.0%	10	4	23	1.4%	12
19	Loop 101/I-10	169	3,153	1.3%	21	2	15	0.5%	19	1	3	0.1%	20
20	N Goodyear/Litchfield	286	6,210	2.6%	14	16	121	1.9%	4	16	942	15.2%	1
21	N Phoenix/I-17 Corr	932	16,162	6.8%	5	12	69	0.4%	9	1	1	0%	24
22	NE Outlying Maricopa	4	16	0%	37	0	0	0%	-	0	-	-	-
23	North Buckeye	18	258	0.1%	36	3	18	6.8%	17	2	46	17.7%	8
24	North Scottsdale	636	13,838	5.8%	6	0	0	0%	-	0	-	-	-
25	Outlying Pinal County	952	9,115	3.8%	9	8	119	1.3%	5	1	5	0.1%	18
26	Queen Creek	144	2,576	1.1%	25	6	301	11.7%	1	6	67	2.6%	7
27	Red Mountain/Mesa	2,009	31,305	13.2%	1	18	146	0.5%	3	5	18	0.1%	14
28	South Buckeye	159	1,659	0.7%	30	4	61	3.7%	11	1	8	0.5%	16
29	South Mountain	112	1,642	0.7%	32	0	0	0%	-	3	11	0.7%	15
30	South Phoenix	322	1,901	0.8%	28	1	3	0.2%	29	0	-	-	-
31	South Scottsdale	356	3,308	1.4%	19	3	8	0.3%	24	1	39	1.2%	11
32	Sun City	260	3,955	1.7%	18	1	7	0.2%	26	2	2	0.1%	22
33	Surprise/North Peoria	345	5,639	2.4%	15	1	6	0.1%	27	1	5	0.1%	17
34	Tempe	547	8,246	3.5%	13	3	7	0.1%	25	3	19	0.2%	13
35	Tolleson	296	2,874	1.2%	23	3	11	0.4%	21	4	41	1.4%	10
36	W Outlying Maricopa	137	835	0.4%	33	0	0	0%	-	0	-	-	-
37	West Phoenix/Maryvale	543	8,379	3.5%	12	3	34	0.4%	16	1	2	0%	23

A resilient local economy coupled with robust job and population growth in recent quarters has positioned the Phoenix retail market to be able to weather a potential economic storm. Property performance has improved dramatically in the last 12 months, driven by expanding retailers and limited new supply. Overall, leasing activity is elevated, and investors are searching The Valley for quality assets.

Phoenix was among the hardest hit metros during the global financial crisis and had a sluggish road to recovery in the years after. On the contrary, during the COVID-19 economic disruption, the metro was a performance standout, rebounding much quicker than most other markets. Residents from across the country were moving to Phoenix in droves seeking jobs and housing affordability. The influx of residents supported demand for home and necessity goods. These positive forces, coupled with the metro's existing demographic drivers, put steady downward pressure on vacancy and accelerated rent growth. Average retail rents in Phoenix are up 7.2% in the last year, versus the national average of 3.9%.

The moderated development pipeline and demolition of outdated space has also played a key role in re-establishing the balance between supply and demand. Builders have kept overall construction activity largely in check, and most of the new space is being built with a tenant already in place.

Strong property performance, higher yields, and a positive long-term outlook are attracting investors to Phoenix at an aggressive pace. In the past year, about \$3.5 billion worth of retail assets have traded in the market, the strongest 12-month period of investment volume on record. Out-of-state buyers, particularly from California, and 1031 exchanges are driving transaction activity. Moving forward, high interest rates could weigh on transaction activity as the spread between yields and capital costs narrows.

Figure 20 – Historical Submarket Data, Retail Market

Period	Vacancy Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	Under Construction SF	% of Inventory	12 Month Net Absorp SF	Market Sale Price/SF	12 Month Sales Vol	12 Month Sales Vol Growth	Market Cap Rate
2027	6.0%	\$23.98	0.5%	249,455,835	-	-	1,389,727	\$248	-	-	6.7%
2026	5.7%	\$23.85	0.6%	247,221,141	-	-	1,629,785	\$247	-	-	6.7%
2025	5.5%	\$23.70	1.1%	244,877,593	-	-	1,817,457	\$247	-	-	6.7%
2024	5.2%	\$23.45	1.5%	242,361,552	-	-	1,784,147	\$245	-	-	6.7%
2023	5.0%	\$23.11	4.0%	239,731,049	-	-	1,809,373	\$242	-	-	6.7%
2022 EST	5.0%	\$22.23	7.2%	237,864,897	-	-	5,132,017	\$234	-	3.7%	6.6%
2022 YTD	5.1%	\$22.19	7.2%	237,834,897	1,879,654	0.8%	4,967,529	\$233	\$3,676,571,042	-	6.6%
2021	6.6%	\$20.73	5.6%	236,527,498	1,489,756	0.6%	2,003,008	\$218	\$3,245,288,924	119.6%	6.7%
2020	7.5%	\$19.64	1.9%	236,781,673	1,012,882	0.4%	706,717	\$202	\$1,477,782,268	-32.2%	6.8%
2019	6.9%	\$19.27	3.8%	234,292,429	2,781,936	1.2%	1,332,846	\$193	\$2,180,357,834	13.6%	7.0%
2018	7.0%	\$18.57	2.4%	233,218,927	1,013,392	0.4%	2,208,550	\$183	\$1,919,998,421	37.6%	7.2%
2017	7.4%	\$18.13	2.9%	231,734,025	1,246,879	0.5%	3,958,697	\$182	\$1,395,566,695	-35.1%	7.1%
2016	8.1%	\$17.62	1.8%	229,082,209	1,892,188	0.8%	2,744,795	\$178	\$2,151,916,683	3.0%	7.0%
2015	8.6%	\$17.30	3.5%	227,275,049	1,506,006	0.7%	2,671,222	\$174	\$2,088,353,425	30.4%	7.1%
2014	9.4%	\$16.72	1.8%	226,293,258	936,853	0.4%	2,110,260	\$163	\$1,600,943,206	36.6%	7.3%
2013	10.2%	\$16.42	-0.3%	226,084,954	654,125	0.3%	2,929,441	\$147	\$1,171,776,480	-24.1%	7.6%
2012	11.1%	\$16.47	-2.6%	224,874,414	826,568	0.4%	2,653,027	\$148	\$1,543,708,739	23.0%	7.6%
2011	11.9%	\$16.92	-6.6%	224,122,582	1,225,387	0.5%	817,768	\$142	\$1,255,073,114	172.6%	7.8%
2010	12.1%	\$18.11	-7.9%	223,587,052	690,899	0.3%	(208,538)	\$142	\$460,440,935	-10.8%	7.9%

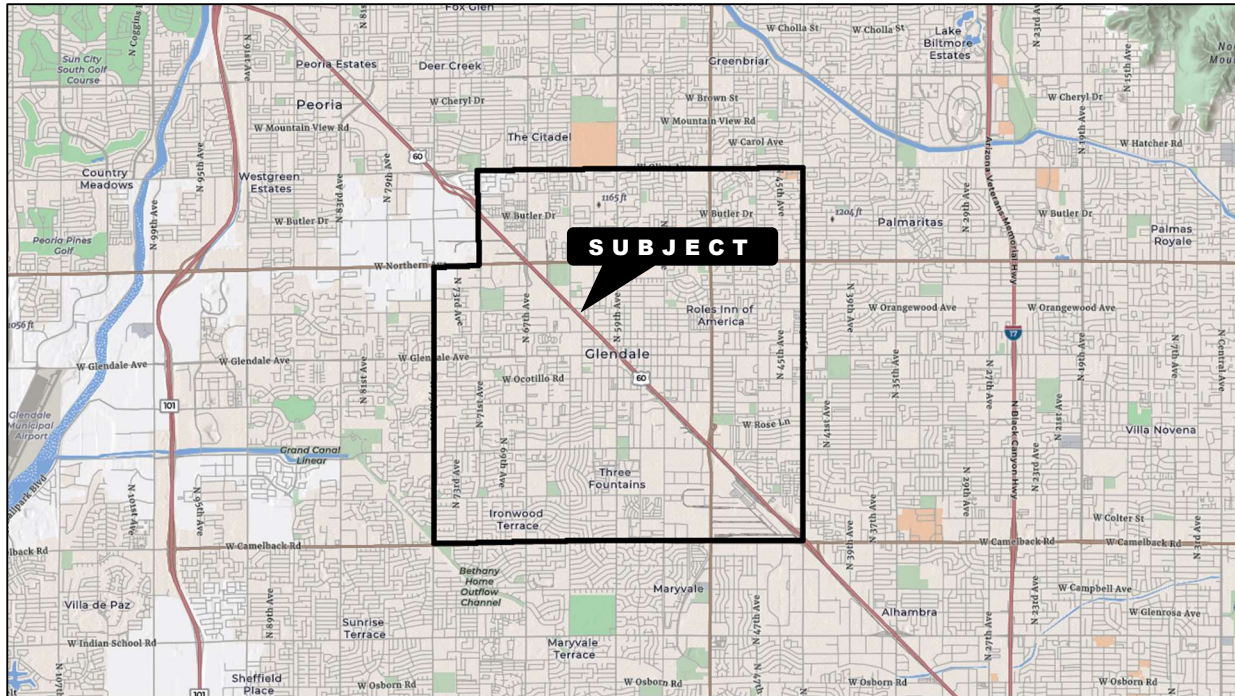
¹⁶ CoStar Analytics, Phoenix, AZ, Retail Market (December 20, 2022)

Neighborhood Analysis

Location

The subject property is located at the southeast corner of Grand Avenue and Orangewood Avenue, south of Northern Avenue in the City of Glendale. Situated approximately ten miles northwest of the downtown central business district of the City of Phoenix, the location of the subject property is graphically illustrated on the map in Figure 21.

Figure 21 -- Location Map



© Arizona State Land Department Parcel Viewer

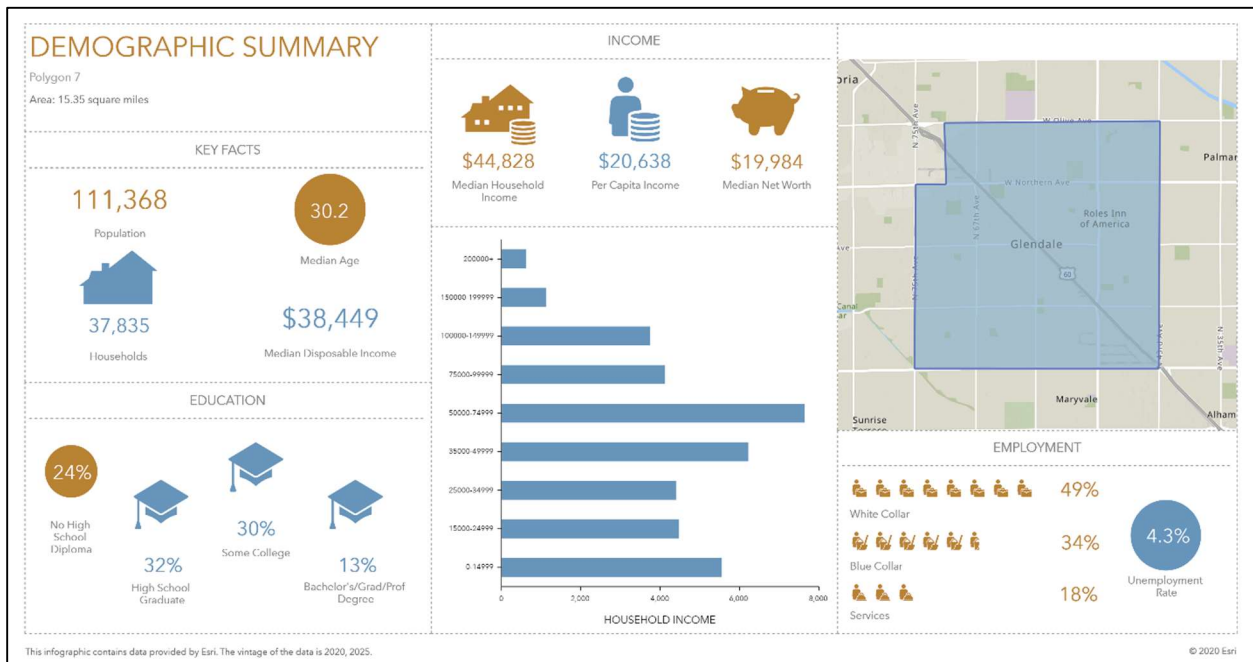
The subject neighborhood is generally bounded by Olive Avenue on the north, Camelback Road to the south, 75th Avenue on the west, and 43rd Avenue to the east. This area covers approximately fifteen square miles within the City of Glendale. The boundaries of the subject neighborhood, which represent a portion of the market area, encompass an area considered influential on the property to be appraised, given the types, visibility, accessibility, utility and overall consistency and similarity of uses.

Demographics

Figure 22 – Demographic Summary

Summary	Census 2010	Census 2020	2022	2027
Population	97,994	111,264	111,368	114,375
Households	32,678	37,445	37,835	38,848
Families	21,760	-	24,241	24,910
Average Household Size	2.97	2.95	2.92	2.92
Owner Occupied Housing Units	15,187	-	15,962	16,827
Renter Occupied Housing Units	17,491	-	21,873	22,021
Median Age	29.2	-	30.2	30.8
Trends: 2022-2027 Annual Rate	Area	State	National	
Population	0.53%	0.65%	0.25%	
Households	0.53%	0.71%	0.31%	
Families	0.55%	0.70%	0.28%	
Owner HHs	1.06%	0.97%	0.53%	
Median Household Income	4.07%	3.61%	3.12%	
Households by Income	2022		2027	
	Number	Percent	Number	Percent
<\$15,000	5,550	14.7%	4,252	10.9%
\$15,000 - \$24,999	4,458	11.8%	4,084	10.5%
\$25,000 - \$34,999	4,395	11.6%	3,253	8.4%
\$35,000 - \$49,999	6,219	16.4%	5,653	14.6%
\$50,000 - \$74,999	7,634	20.2%	8,221	21.2%
\$75,000 - \$99,999	4,113	10.9%	5,077	13.1%
\$100,000 - \$149,999	3,745	9.9%	5,528	14.2%
\$150,000 - \$199,999	1,113	2.9%	1,965	5.1%
\$200,000+	608	1.6%	814	2.1%
Median Household Income	\$44,828		\$54,716	
Average Household Income	\$60,736		\$74,290	
Per Capita Income	\$20,638		\$25,233	

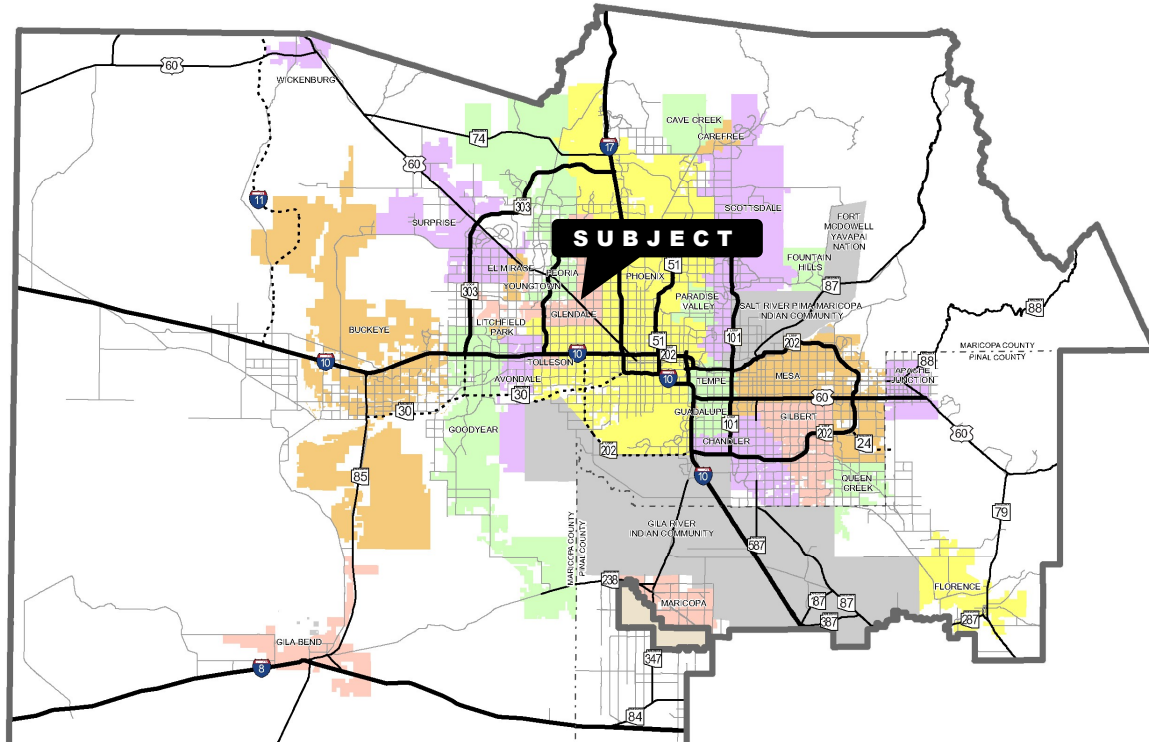
Source: Esri, Esri and Bureau of Labor Statistics, U.S. Census (stdb.com)



Transportation

Regional Freeway System

Figure 23 – Regional Freeway System Map



Source: Maricopa Association of Governments RTP 2040

The subject neighborhood is in the west-central portion of the metropolitan Phoenix area and is served by several regional freeways. The Black Canyon Freeway (Interstate 17) is east of the subject neighborhood and just east of the 27th Avenue alignment. The Agua Fria Freeway (State Route 101) is west of the subject neighborhood between 91st and 99th Avenues, and the Papago Freeway (Interstate 10) is a short distance to the south between McDowell Road and Van Buren Street. These freeways provide good access from the subject neighborhood to the balance of the regional freeway system, metropolitan Phoenix, and the rest of the state. Grand Avenue (US Highway 60) which extends to the northwest from central Phoenix also crosses the subject neighborhood.

Arterial Roadways

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

The primary east/west arterial roadways through the subject neighborhood are Camelback Road, Bethany Home Road, Glendale Avenue, Northern Avenue and Olive Avenue. The primary north/south arterial roadways in the area are 43rd Avenue, 51st Avenue, 59th Avenue, 67th Avenue, and 75th Avenue. These major roadways are generally paved multiple lane thoroughfares with traffic control signals as they intersect each other.

Railway

Freight rail service is found in the metropolitan area with railroads operated by Union Pacific Railroad and BNSF Railway. The BNSF Railway crosses the region west of the subject neighborhood generally following the US Highway 60/Grand Avenue alignment.

Commuter rail and intercity rail passenger service is not currently available in the metropolitan area, although a light rail system for the metropolitan region has been started. The first phases of the light rail system extend from north central Phoenix, through the downtown Central Business District of Phoenix and then turns east to serve Phoenix Sky Harbor International Airport, downtown Tempe, Arizona State University and downtown Mesa. The light rail system does not currently provide service the subject neighborhood although the Capitol/I-10 West extension of the light rail which is currently in the planning stages would extend the system along the Papago Freeway along the southern boundary of the subject neighborhood.

Airports

Public air transportation for the subject neighborhood is provided primarily by Phoenix Sky Harbor International Airport east of downtown Phoenix. The airport has three runways, three domestic terminals with 117 gates, an international terminal, four cargo buildings, and houses the Arizona Air National Guard. Based upon statistics from the Airports Council International, Sky Harbor was the eighth busiest airport in the nation in terms of passenger traffic with 38,846,713 passengers enplaned and deplaned during 2021, as well as being the eighth busiest airport for all traffic movements.¹⁷

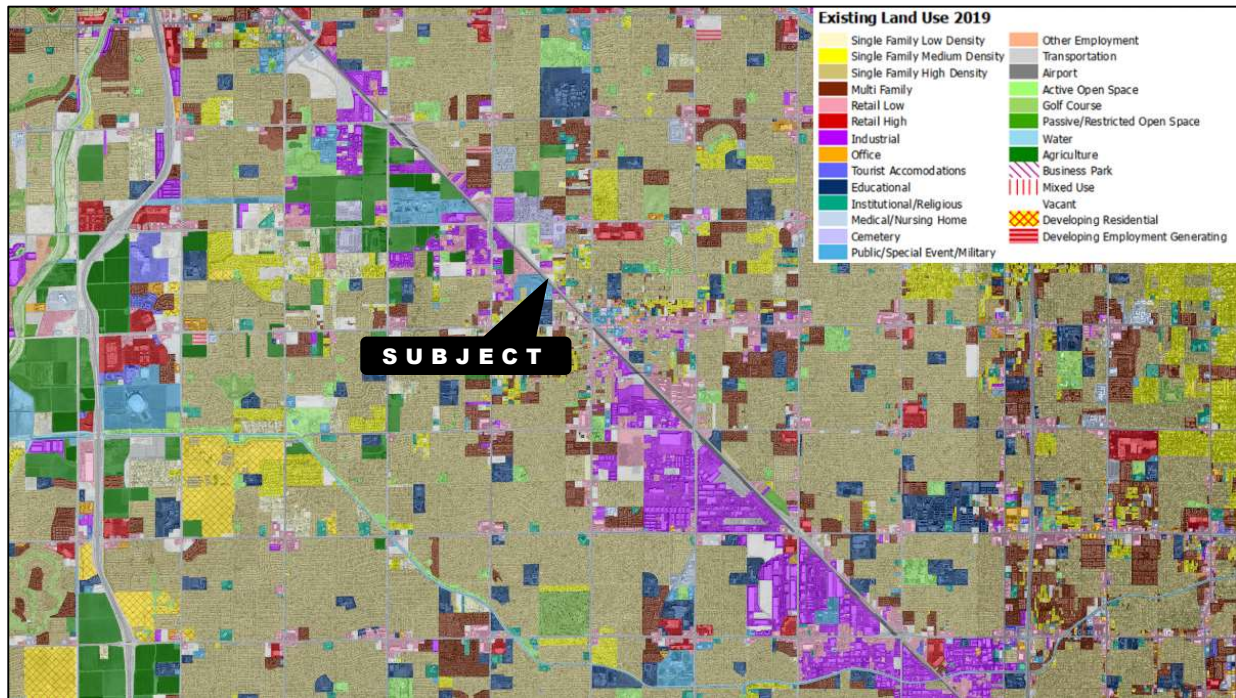
Land Use Patterns

The ultimate land use of the subject neighborhood is governed to a large extent by the land use elements of the general plan for the City of Glendale. Specific development patterns tend to be defined by the city's zoning ordinance. The City of Glendale has successfully coordinated growth by defined zoning ordinances, construction requirements, and environmental requirements.

The subject neighborhood includes the central business district of the City of Glendale at the intersection of 59th Avenue, Glendale Avenue and Grand Avenue. The predominant land use in the subject neighborhood is for residential purposes and supporting commercial land uses. Typical of suburban areas, commercial development is found primarily along arterial roadways and concentrated at intersections of two arterial roadways. The more interior tracts have residential land uses, ranging from single-family to multi-family residential development. Industrial development can also be found in the area, generally along the Grand Avenue corridor.

¹⁷ North American Airport Traffic Report, Airports Council International (<https://airportsCouncil.org/>)

Figure 24 – Existing Land Use Map



Source: Maricopa Association of Governments Land Use Explorer (geo.azmag.gov/maps/landuse/)

Amenities

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

Public educational facilities are located in and around the subject area and include a number of K-12 schools within the Washington, Glendale and Alhambra elementary school districts, and the Glendale Union and Phoenix Union high school districts. There are no higher education facilities within the boundaries of the subject neighborhood, although Grand Canyon University is located on Camelback Road at 35th Avenue a short distance east of the subject neighborhood. Arizona State University West Campus also serves the subject neighborhood and is located several miles to the north at 43rd Avenue and Thunderbird Road.

Trends

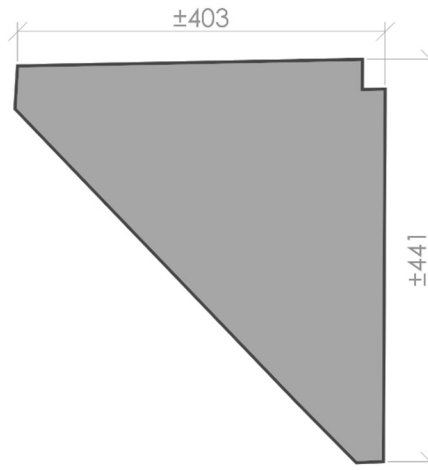
The subject neighborhood is characterized by a large percentage of residential land uses, although there is a mix of commercial and industrial land uses throughout the area. No drastic change in these land uses is likely to take place in the foreseeable future. The neighborhood is significantly built-up with few vacant land parcels available for development. The trend of the subject neighborhood is for continued stability with development of the few remaining sites as demand warrants.

Real Property Description

The following description of the subject property is based upon a physical inspection of the property on June 16, 2023, and on other occasions, in conjunction with an examination of Maricopa County public records. Photographs of the property being appraised are in Addendum B of this report.

Site Data

<i>Location</i>	Northwest of 59 th Avenue and Glendale Avenue		
<i>Street Address</i>	6202 NW Grand Avenue		
<i>City, State ZIP</i>	Glendale, Arizona 85301		
<i>County</i>	<u>Maricopa</u>	<i>Map Reference</i>	<u>125-157LN</u>
<i>Census Tract</i>	<u>092600</u>	<i>Block</i>	<u>3005</u>
<i>Assessor Parcel No(s)</i>	143-38-014A; 143-38-015A		
<i>Land Area</i> ¹⁸	<u>104,443</u>	Square Feet	
	<u>2.398</u>	Acres	
<i>Shape/Dimensions</i>	The subject property is nearly triangular in shape, measuring approximately 403 east to west and 441 feet north to south.		



<i>Surrounding Development</i>	North:	<u>Commercial Development</u>
	South:	<u>Industrial Development</u>
	East:	<u>Residential Development</u>
	West:	<u>Industrial Development</u>

The subject property is located in an area of residential development although commercial and industrial land uses predominate along the Grand Avenue corridor.

¹⁸ Source: Arizona Department of Transportation

Utilities

	In Use		Available from:
	Yes	No	
Electricity.....	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Arizona Public Service Company
Water.....	<input type="checkbox"/>	<input checked="" type="checkbox"/>	City of Glendale
Sanitary Sewer	<input type="checkbox"/>	<input checked="" type="checkbox"/>	City of Glendale
Natural Gas	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Southwest Gas Company
Telecom	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Cox Communications
			CenturyLink

Frontage/Access

The subject site has frontage along Grand Avenue and Orangewood Avenue. Information provided by the Arizona Department of Transportation indicates that control of access will be imposed along the Grand Avenue frontage upon the sale of the property. Access to the property is considered good.

Street Improvements

Street Name	Grand Avenue	Orangewood Avenue
Lanes (# Direction)	3 North 3 South	1 East 1 West
Street Width	±105 feet	±65 feet
Center Lane/Median	Raised Median	None
Surface	Asphalt	Asphalt
Curb	Yes	No
Gutter	Yes	No
Sidewalk	Yes	No
Lighting	Yes	No
Frontage	±540 feet	±378 feet
Traffic Count	29,611	1,317

Topography

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

Drainage

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

Flood Hazard

FEMA Flood Insurance Rate Map(s):

Flood Zone(s)	Panel	Effective Date
X	04013C1715L	October 16, 2013

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

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

*Soil Conditions
and
Environmental
Conditions*

The appraiser is not aware of any soils report or other environmental study having been conducted for the property, nor has any such report been requested or supplied to the appraiser. Furthermore, the appraiser has not performed any background investigation or testing for indications of contamination, whether man-made or naturally occurring. This appraisal assumes that the property is not in violation of any federal or state environmental policy, act, statute, or regulation.

A physical inspection of the property was made, and no factors were observed that would indicate the existence of surface or subsurface contamination of the property. A site assessment study by a qualified environmental engineer, hydrologist, geologist and/or other such experts may discover conditions that require action. This appraisal is written with the assumption that the property is free from environmental contaminants. The reader of this report is cautioned that the presence of such substances can have a dramatic impact upon the value of the property.

Zoning

The subject property is located in an area categorized for commercial land uses as shown on the general plan for the City of Glendale. More specifically, the subject property is located within the General Commercial (C-2) zoning district as defined by the City of Glendale zoning authorities. According to the zoning ordinance,

The intent of this district is to accommodate either integrated or freestanding commercial uses and services. Uses serve both neighborhood scale as well as community level needs. The district is characterized by a wide range of retail uses operated within an enclosed building. Orientation is to major streets with individual access points, signage, and parking areas.¹⁹

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

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

Easements and Restrictions

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

A Right of Way Disposal Report dated May 24, 2022, prepared by the Arizona Department of Transportation does not refer to any easements or restrictions. A physical inspection did not reveal the presence of any obvious easements, restrictions or adverse uses which would affect the development potential, utility, or marketability of the property to be appraised.

¹⁹ City of Glendale Zoning Ordinance, Section 5.751

Taxes and Assessments

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

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

The full cash value (FCV) of real estate as estimated by Maricopa County is determined for ad valorem tax purposes and is purportedly synonymous with market value according to state statute. Table 1 summarizes the current assessments and shows a brief tax history of the subject property. In this instance, the subject property is exempt from real property taxes because it is owned by the State of Arizona.

Table 1 – Real Property Assessment and Tax History

Tax Year	Primary Valuation			Secondary Valuation			Assessed Tax	Status
	Limited Value	Assessment Ratio	Assessed Value	Full Cash Value	Assessment Ratio	Assessed Value		
2024	\$509,649.00	15%	\$76,446.00	\$1,184,000.00	21%	\$254,046.00		Preliminary
2023	\$485,381.00	15%	\$72,807.00	\$1,209,300.00	15%	\$181,395.00		Preliminary
2022	\$462,268.00	15%	\$69,341.00	\$850,400.00	15%	\$127,560.00	\$0.00	Exempt
2021	\$440,255.00	15%	\$66,039.00	\$794,300.00	15%	\$119,145.00	\$0.00	Exempt
2020	\$419,290.00	15%	\$62,894.00	\$469,000.00	15%	\$70,350.00	\$0.00	Exempt

While there is some theoretical relationship between the assessed valuation and the fair market value of properties in Maricopa County, no reliance may be placed on this relationship since the Assessor’s appraisals are not always borne out by examination of actual activity in the marketplace. Consequently, no further emphasis or attention will be given the assessed valuation of the subject property, as it relates to market value, in this appraisal report.

Apart from the normal primary and secondary assessments for which nearly all properties are liable, some properties may also be subject to special assessments. These special assessments may arise from the inclusion of that property within a local improvement district or some other district that has taxing authority. Based upon information obtained from the Maricopa County Treasurer’s Office, the subject property is not within any special tax districts.

Division of Real and Personal Property

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

1. Tangible or intangible objects that are considered personal, as opposed to real property. Examples of tangible personal property include furniture, vehicles, jewelry, collectibles, machinery and equipment, and computer hardware. Examples of intangible personal property include contracts, patents, licenses, computer software, and intellectual property.
2. Any tangible or intangible article that is subject to ownership and classified as real property, including identifiable tangible objects that are considered by the general public as being “personal,” such as furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment, and intangible property that is created and stored electronically such as plans for installation art, choreography, emails, or designs for digital tokens. (USPAP, 2020-2021 ed.)²⁰

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

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

²⁰ The Dictionary of Real Estate Appraisal, 7th ed. (Chicago: Appraisal Institute, 2022) p142



VALUATION ANALYSIS

Highest and Best Use

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

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

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

As If Vacant

Legally Permissible

The City of Glendale zoning ordinance requirements are the only significant legal restrictions limiting the use of the property. As indicated in the site analysis, the subject property is presently within the General Commercial (C-2) district. This zone allows for a variety of commercial land uses as set forth in the zoning ordinance for the City of Glendale. Thus, only these uses and those specifically mentioned in the zoning ordinance could currently be considered legally permissible.

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

The general plan for the City of Glendale indicates that the subject property is in an area planned for commercial land uses, and the current zoning conforms to the general plan. Considering the existing land uses in the area and those allowed under the current zoning of the subject property, a change in zoning is not likely to occur.

²¹ The Appraisal of Real Estate, 15th ed. (Chicago: Appraisal Institute, 2020) p305

Physically Possible

The physical characteristics of the subject parcel, such as its topography, access, size, shape, and available utilities, are adequate for its legally permissible land uses. A soils report has not been provided, although it is noted from a physical inspection of the subject property and existing development on properties in the immediate area, that the soil appears to be adequate for its legally permissible uses.

The subject property has a good location in proximity to residential development, commercial services, employment centers and transportation routes. No adverse external physical conditions were observed which would materially affect the development of the site. In general, there do not appear to be any significant physical constraints to the development of the subject parcel.

Financially Feasible

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

All things considered, the subject property has few physical constraints to the development of its legally permissible uses. Given existing development patterns, the location of the subject property, the current economic climate and the market in which the subject property competes, it is my opinion that near-term speculative development of the subject site could be economically feasible.

Maximally Productive

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

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

Summary and Conclusion

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

As If Vacant: Land Investment

Valuation Methodology

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

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

Sales Comparison Approach to Value

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

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

Income Capitalization Approach to Value

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

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

Cost Approach to Value

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

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

The final step in the valuation process is a reconciliation of the three approaches to value. The quantity and quality of the data gathered for each method is examined and weighted appropriately. The subject parcel is a vacant tract of land, and for this reason, a sales comparison methodology will be employed in this analysis. The income capitalization and cost approaches to value are not germane in the valuation of land parcels similar to the property being appraised.

Sales Comparison Approach

Introduction

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

The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.²²

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

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

²² The Dictionary of Real Estate Appraisal, 7th ed. (Chicago: Appraisal Institute, 2022) p170

Land Value Analysis

No two properties are exactly alike, so it is necessary to develop some common unit of comparison. This could be the price per square foot, the price per acre, the price per section, or the price per site. Due to the size of the subject land and the market in which the property competes, a comparison on a price per square foot basis will be most meaningful. Since properties do differ in characteristics, it is necessary to adjust comparable sites for features in which they differ from the subject. This might be for such items as size, shape, location, access, terrain, and vegetation. After adjustment, the sales will then give useful indications of value for the subject land. Table 2 summarizes the significant information extracted from the comparable sales believed to be most pertinent in the valuation of the subject land.

Table 2 – Land Sales Summary Table and Photographs

Comp No.	Intended Use	Sale Date	Zoning	Flood Zone	Frontage	Land Area Square Feet	Price	Price per Square Foot
1	Commercial Development	02/21	PAD	X AH	Mid-Block	67,342	\$ 757,617.30	\$11.25
2	Land Investment	07/21	C-2	X	Corner	178,286	\$ 1,200,000.00	\$6.73
3	Land Investment	10/21	GCO	X	Corner	166,272	\$ 1,550,000.00	\$9.32
4	Land Investment	01/23	C-2	X	Corner	43,592	\$ 389,000.00	\$8.92
SUBJECT			C-2	X	Corner	104,443		



Comparable No. 1



Comparable No. 2



Comparable No. 3



Comparable No. 4

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

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

- *Property Rights*

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

- *Financing*

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

- *Conditions of Sale*

An examination of the comparable transactions reveals each of the conveyances to be considered arm's length, and the buyers and sellers having been informed and typically motivated. For this reason, no adjustment will be necessary when considering the conditions of these sales.

- *Immediate Expenditures*

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

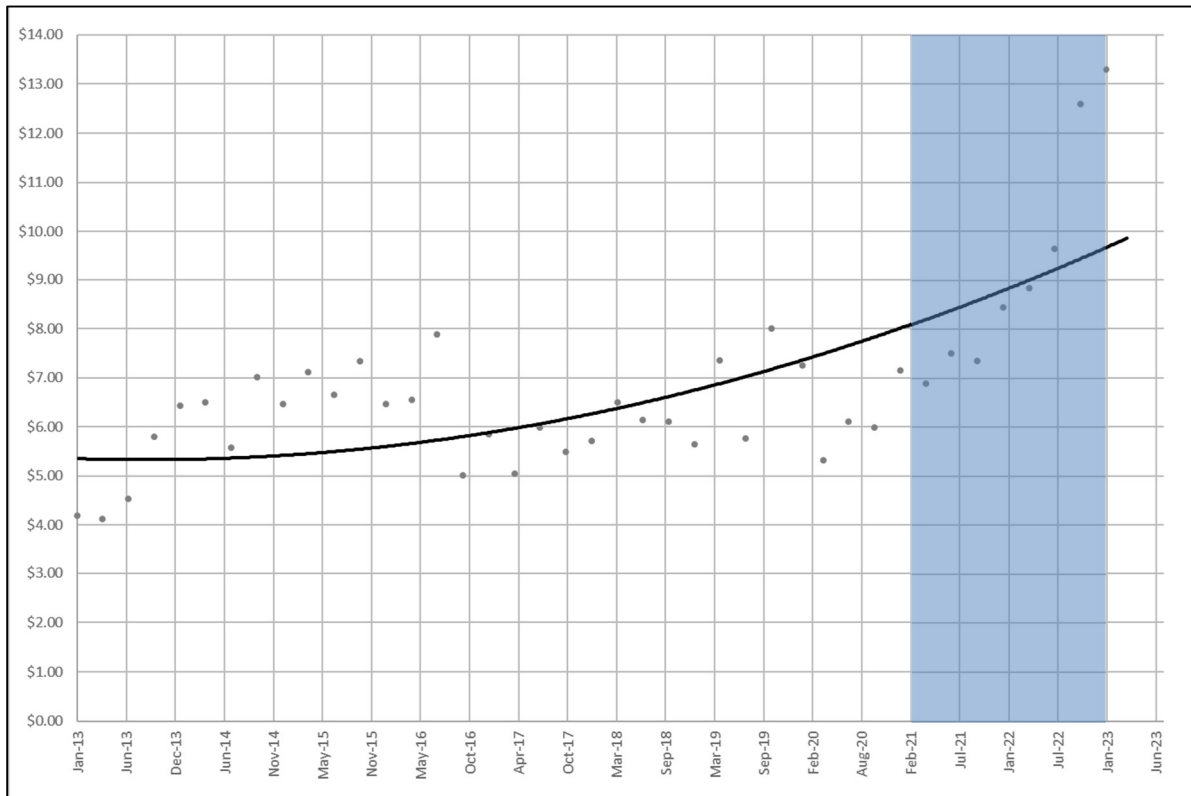
- *Market Conditions*

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

Price Trends – It would be difficult to quantify any specific time adjustment in terms of percentage or dollar amount that could be universally applied to all properties within the subject area. The sales presented in this report for analysis cover a time period from early 2021 and early 2023.

A survey of land sales throughout the metropolitan Phoenix area shows that prices have been increasing over the time period covered by the comparable sales. Based upon my analysis of the market data and my professional judgment, an upward adjustment will be made to the comparable properties examined in this analysis when considering the amount of time that has elapsed between the dates of purchase of the comparable properties and the date of valuation of the property to be appraised.

Figure 25 – Median Land Sale Price Trend, 2013-present



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

Properties that were exposed to the market for a significantly shorter or longer period of time than the exposure time of the subject would require adjustment. In this instance, each of the comparable properties was purchased given a reasonable exposure time, and no adjustment will be necessary for this factor.

- *Location*

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

Considered in the location of a property are such external influences as street patterns and width, surrounding property maintenance and upkeep, access to the property and the neighborhood, availability of utilities, and possible nuisances in the area. Adjustments for location can be for these general external influences and may also be applied for site specific characteristics such as frontage, visibility, or corner characteristics.

Comparable No. 1 is located southeast of 83rd Avenue and Peoria Avenue. Comparable No. 2 is on Glendale Avenue west of 59th Avenue, and Comparable No. 4 is on 59th Avenue south of Glendale Avenue. Comparable No. 3 is northeast of 51st Avenue and Glendale Avenue. The overall location of each comparable property is generally similar to the subject, although Comparable No. 1 is in an area of a higher concentration of retail development. A downward adjustment will be applied for this reason.

In terms of more site-specific locational characteristics, the subject property has a corner location and is similar to Comparable Nos. 2, 3 and 4 in this regard. Comparable No. 1 has a mid-block location and a minor upward adjustment will be applied for this factor.

- *Physical Characteristics*

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

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

- *Economic Characteristics*

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

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

- *Legal Characteristics*

The highest and best use of the comparable properties should be similar to that of the subject property. Legal characteristics such as zoning, environmental regulations, building codes and flood zones are factors which contribute to the highest and best use of a property.

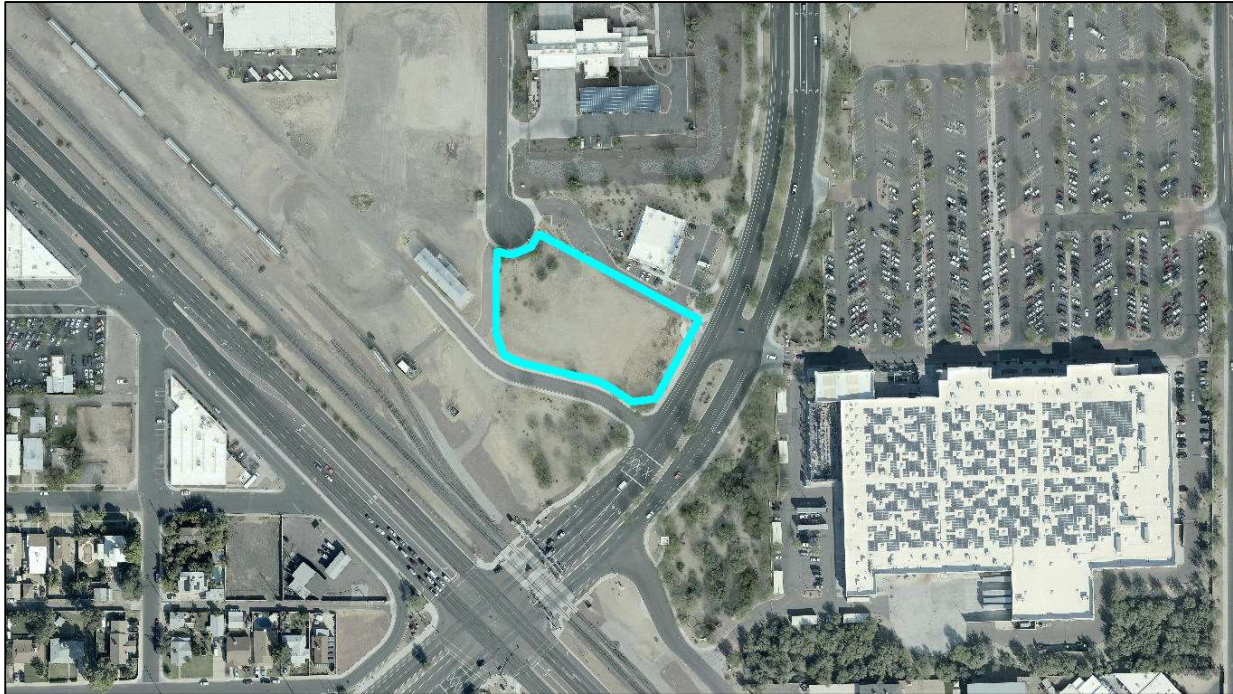
Flood Zone – Comparable Nos. 2, 3 and 4 are all within the Zone X flood hazard area and similar to the subject property. A portion of Comparable No. 1 is within the Zone AH special flood hazard area. The difference in flood zone is believed to be only minor and a small adjustment for this factor will be applied in this analysis.

- *Non-Realty Components*

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

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

Comparable No. 1	
Southeast of 83rd Avenue and Peoria Avenue	
Grantor	Land Area
Wal-Mart Stores, Inc.	67,342 Square Feet
Grantee	1.546 Acres
Sale Date	Zoning
February 2021	PAD
Sale Price	Planned Area Development
\$757,617.30	
\$11.25 per Square Foot	



Comparable No. 1 is a site located on Cotton Crossing Road southeast of 83rd Avenue and Peoria Avenue, situated approximately three miles northwest of the subject parcel. Surrounding land uses include commercial development including a Walmart Supercenter and the planned Peoria Place mixed-use development. This site is generally level and at grade with the abutting properties and roadways. The buyers purchased this site for the development of a car wash.

An upward adjustment of 23% will be applied to account for the amount of time between the date of sale and the date of valuation. A 20% downward adjustment will be applied for the location of this property, although a partially offsetting 5% upward adjustment will be made for the frontage of this parcel. In terms of physical characteristics, this parcel is smaller than the subject property, and a 5% downward adjustment will be applied in this instance. This property is partially within a special flood hazard area and a 5% upward adjustment will be made for this reason. After the adjustments indicated, this sale suggests a value of \$11.76 per square foot for the subject land.

Comparable No. 2			
Glendale Avenue west of 59th Avenue			
Grantor	DNM-West Properties, LLC	Land Area	178,286 Square Feet
Grantee	Magdalena Covaciu and Cristian Covaciu		4.093 Acres
Sale Date	July 2021	Zoning	C-2
Sale Price	\$1,200,000.00		General Commercial
	\$6.73 per Square Foot		



Comparable No. 2 is a site located on Glendale Avenue west of 59th Avenue at the southwest corner of 62nd Avenue, situated approximately one-half mile south of the subject parcel. Surrounding land uses include primarily residential land uses with supporting commercial development. This site is generally level and at grade with the abutting properties and roadways. This site is currently being marketed for sale at \$7,000,000 and has been listed since January 2023.

An upward adjustment of 19% will be applied to account for the amount of time between the date of sale and the date of valuation. The overall location of this property is considered similar enough to the subject that an adjustment will not be made for this factor. In terms of physical characteristics, this parcel is larger than the subject property, and a 5% upward adjustment will be applied in this instance. After the adjustments indicated, this sale suggests a value of \$8.41 per square foot for the subject land.

Comparable No. 3			
Northeast of 51st Avenue and Glendale Avenue			
Grantor	Auto Body Parts, LLC	Land Area	166,272 Square Feet
Grantee	MHMP Arizona Housing, LLC		3.817 Acres
Sale Date	October 2021	Zoning	GCO
Sale Price	\$1,550,000.00		Glendale Centerline Overlay
	\$9.32 per Square Foot		



Comparable No. 3 is a site located on Glenn Avenue northeast of 51st Avenue and Glendale Avenue, situated less than two miles southeast of the subject parcel. Surrounding land uses include primarily residential land uses with supporting commercial development. This site is generally level and at grade with the abutting properties and roadways. The buyers of this parcel are affordable housing developers.

An upward adjustment of 17% will be applied to account for the amount of time between the date of sale and the date of valuation. The overall location of this property is considered similar enough to the subject that an adjustment will not be made for this factor. In terms of physical characteristics, this parcel is larger than the subject property, and a 5% upward adjustment will be applied in this instance. After the adjustments indicated, this sale suggests a value of \$11.45 per square foot for the subject land.

Comparable No. 4			
59th Avenue south of Glendale Avenue			
Grantor	Isabel Cristina Carvalho	Land Area	43,592 Square Feet
Grantee	Mirna Cecilia Cote Alcocer		1.001 Acres
Sale Date	January 2023	Zoning	C-2
Sale Price	\$389,000.00		General Commercial
	\$8.92 per Square Foot		



Comparable No. 4 is a site located on 59th Avenue south of Glendale Avenue, situated approximately one-half mile southeast of the subject parcel. Surrounding land uses include a mix of residential land uses and supporting commercial development. This site is generally level and at grade with the abutting properties and roadways.

An upward adjustment of 4% will be applied to account for the amount of time between the date of sale and the date of valuation. The overall location of this property is considered similar enough to the subject that an adjustment will not be made for this factor. In terms of physical characteristics, this parcel is smaller than the subject property, and a 5% downward adjustment will be applied in this instance. After the adjustments indicated, this sale suggests a value of \$8.82 per square foot for the subject land.

Conclusion of Land Value

Thus far, we have examined several sales that are believed to be the best representations of the value that may be applied to the subject land. The unadjusted value indications range from a low of \$6.73 per square foot to a high indication of \$11.25 per square foot. The comparable sales examined each have some characteristics in common with the subject site. After adjustments have been applied for those factors that vary from the subject, we are presented with a range in values that might be applied to the subject land.

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

After adjustment for those elements that differ from the subject property, the indicated range is from \$8.41 per square foot to \$11.76 per square foot, with a mean value of \$10.11 per square foot. I believe that the subject property may be reasonably and fairly placed within this range.

Comparable No. 1 required the largest gross property adjustment and the indication of value provided by this property will be given slightly less weight and consideration. Comparable Nos. 2 and 4 are both in close proximity to the subject parcel and share many of the same external influences as the subject parcel. All things considered, it is my opinion the subject property could reasonably be placed in the middle portion of the range in indicated values provided by these comparable properties.

Based upon the preceding analysis, a value of \$10.00 per square foot represents a reasonable expectation of the probable market value of the subject land. Therefore, the indication of value for the subject land, as of the date of valuation and given a reasonable period of exposure, is \$1,040,000.00, and can be calculated as follows:

$$\begin{array}{rcl} 104,443 \text{ square feet at} & \$10.00 \text{ per square foot} & = \$ 1,044,430.00 \\ & \text{rounded to,} & \$ 1,040,000.00 \end{array}$$

Table 3 – Land Sales Adjustment Grid

	1	2	3	4	SUBJECT
Comparable No.					
Sale Price	\$757,617.30	\$1,200,000.00	\$1,550,000.00	\$389,000.00	
Date of Sale	02/21	07/21	10/21	01/23	
Elapsed Time (months)	28	23	20	5	
Frontage	Mid-Block	Corner	Corner	Corner	Corner
Land Area – Square Feet	67,342	178,286	166,272	43,592	104,443
Zoning	PAD	C-2	GCO	C-2	C-2
Flood Zone	X AH	X	X	X	X
Sale Price per Square Foot of Land	\$11.25	\$6.73	\$9.32	\$8.92	
Transactional Adjustments					
Property Rights	0%	0%	0%	0%	
Adjusted Price	\$11.25	\$6.73	\$9.32	\$8.92	
Financing	0%	0%	0%	0%	
Adjusted Price	\$11.25	\$6.73	\$9.32	\$8.92	
Conditions of Sale	0%	0%	0%	0%	
Adjusted Price	\$11.25	\$6.73	\$9.32	\$8.92	
Immediate Expenditures	0%	0%	0%	0%	
Adjusted Price	\$11.25	\$6.73	\$9.32	\$8.92	
Market Conditions	+23%	+19%	+17%	+4%	
Adjusted Price	\$13.84	\$8.01	\$10.90	\$9.28	
Property Adjustments					
Location					
Surrounding Development	-20%	0%	0%	0%	
Frontage	+5%	0%	0%	0%	
Physical Characteristics					
Land Area	-5%	+5%	+5%	-5%	
Economic Characteristics	0%	0%	0%	0%	
Legal Characteristics					
Flood Zone	+5%	0%	0%	0%	
Non-Reality Components	0%	0%	0%	0%	
Net Adjustment	-15%	+5%	+5%	-5%	
Indicated Unit Value	\$11.76	\$8.41	\$11.45	\$8.82	
Gross Property Adjustment	35%	5%	5%	5%	
Total Adjustment	\$0.51	\$1.68	\$2.13	-\$0.10	
Total Adjustment as % of Sale Price	+5%	+25%	+23%	-1%	

Income Capitalization Approach

Introduction

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

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

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

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

Yield capitalization is a method used to convert future benefits into present value by (1) discounting each future benefit at an appropriate yield rate, or (2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate.²⁵

The income capitalization approach to value is generally applied to properties which are considered to be an investment-type property owned for the potential of providing an income stream to an investor. In this instance, the property to be appraised is vacant land which is not typically owned for the potential of providing an income stream to an investor. While ground leases of vacant land do occur, they are not considered to be an investment vehicle capable of producing an income stream commensurate with the market value of the underlying land. For this reason, the income capitalization approach will not be utilized in this appraisal.

²³ *The Appraisal of Real Estate*, 15th ed. (Chicago: Appraisal Institute, 2020) p413

²⁴ *The Dictionary of Real Estate Appraisal*, 7th ed. (Chicago: Appraisal Institute, 2022) p53

²⁵ *Ibid*, p206

Cost Approach

Introduction

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

A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised.²⁶

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

This approach is particularly useful in valuing new or nearly new improvements and properties that are not frequently exchanged in the market. Cost approach techniques can also be employed to derive information needed in the sales and income capitalization approaches to value, such as cost-related adjustments to account for specific building features and cost-to-cure adjustments to address deferred maintenance.

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

²⁶ The Dictionary of Real Estate Appraisal, 7th ed. (Chicago: Appraisal Institute, 2022) p43

Reconciliation of Value

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

Sales Comparison Approach	\$1,040,000.00
Income Capitalization Approach	Not Applicable
Cost Approach	Not Applicable

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

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

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

Based on the analyses presented herein and the indications of value provided by the traditional approaches to value, it is my final conclusion that the market value of the fee simple interest of the subject parcel, as of June 16, 2023, is:

**ONE MILLION
FORTY THOUSAND DOLLARS
\$1,040,000.00**

Certification

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

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

Therefore, based upon the preceding data and discussion, together with the appraiser's best judgment and experience, the market value of the subject property as of June 16, 2023, is:

ONE MILLION FORTY THOUSAND DOLLARS

\$1,040,000.00



Timothy A. Haskins, ASA

Arizona Certified General Real Estate Appraiser No. 30668

Underlying Assumptions and Limiting Conditions

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



View southwest across the subject property



View southeast across the subject property

3



View north-northwest across the subject property

4



View northwest along Grand Avenue (US Highway 60)



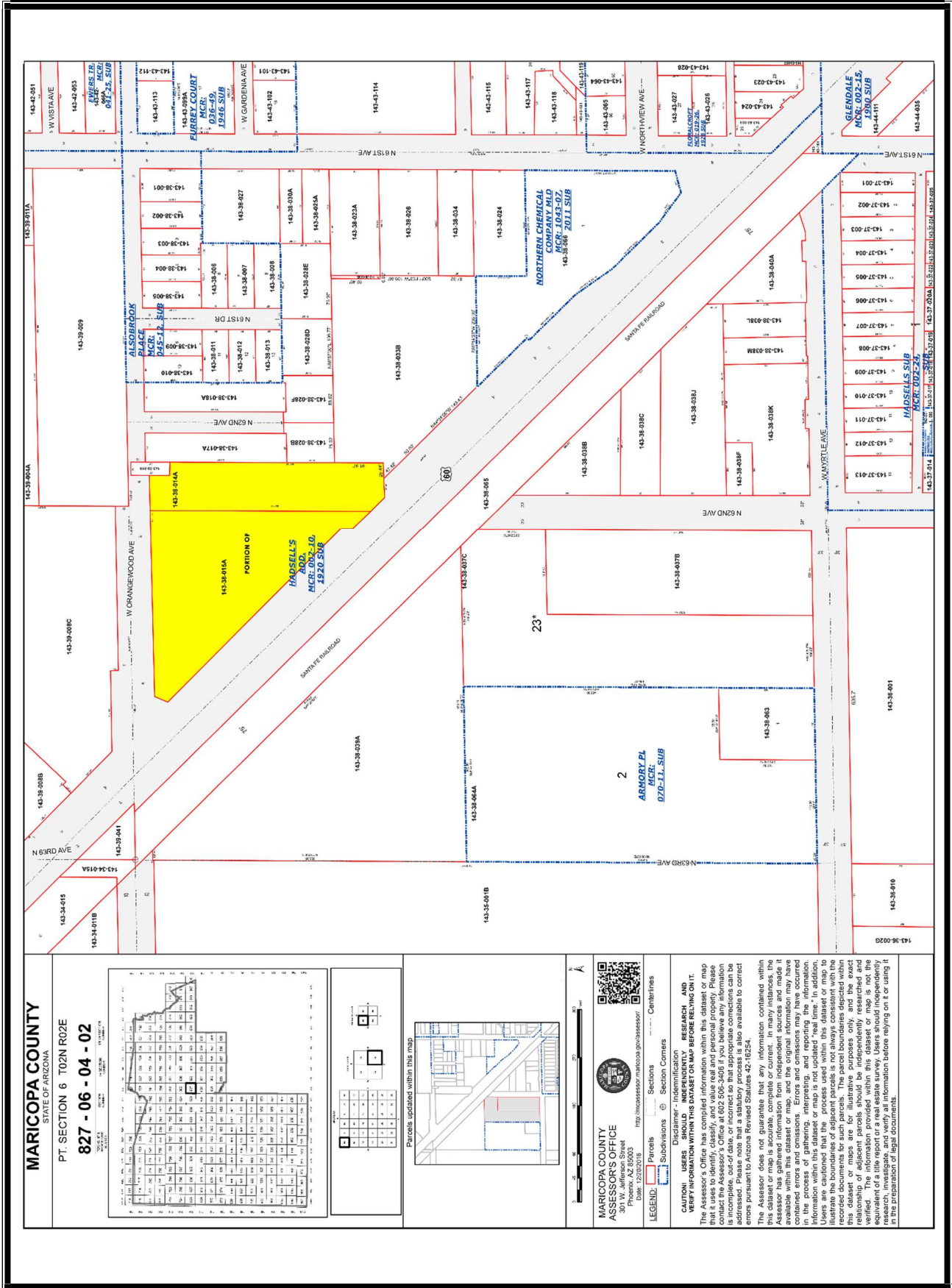
View southeast along Grand Avenue (US Highway 60) at Orangewood Avenue

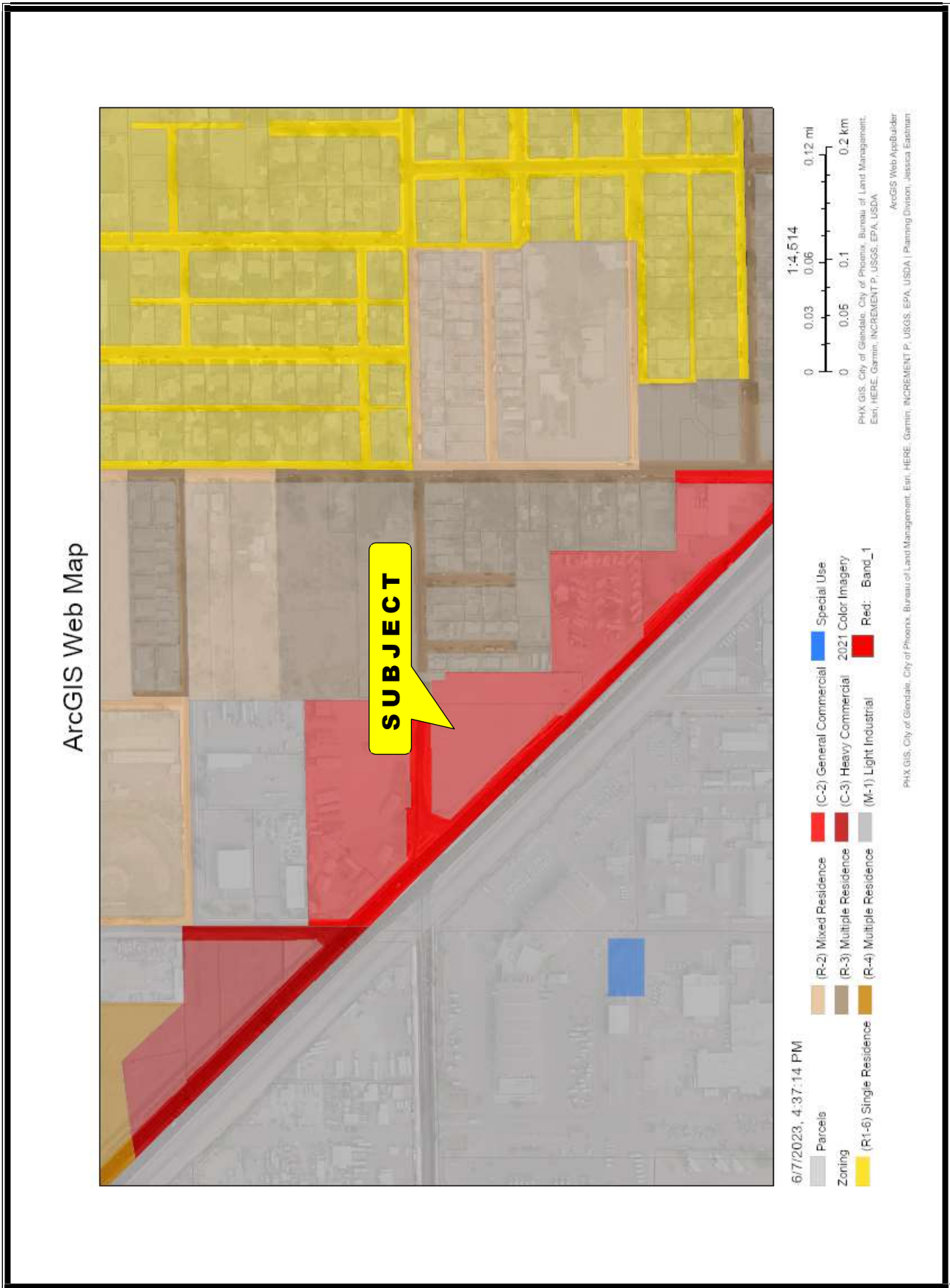


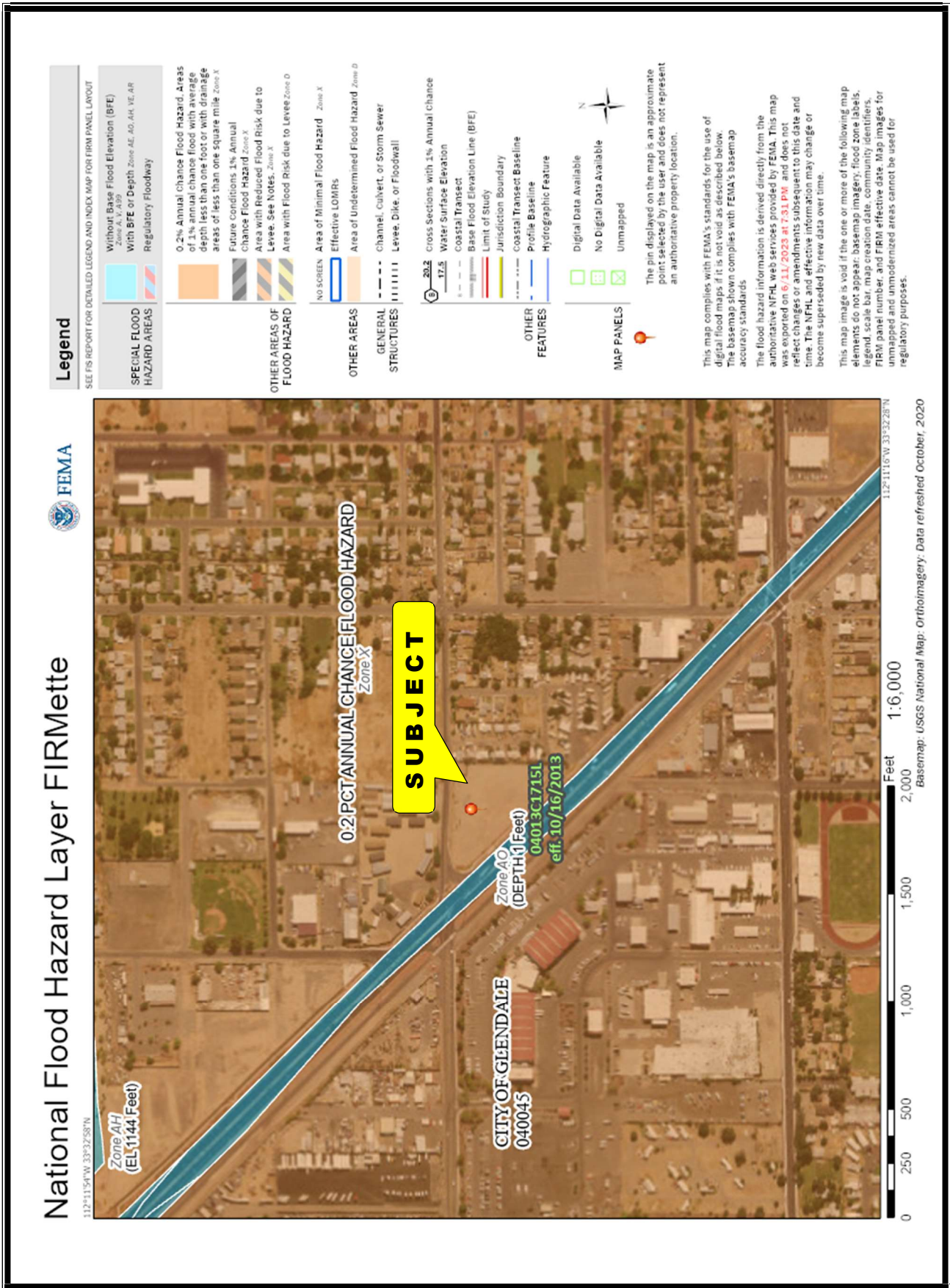
View east along Orangewood Avenue at Grand Avenue (US Highway 60)



View west along Orangewood Avenue







DocuSign Envelope ID: B86D1FC6-9476-42C3-BA59-0383FD5859B2

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

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

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

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

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

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

LEGAL DESCRIPTION

SEE SCHEDULE A-1 ATTACHED

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

Date of Search: 5/24/2022	Examiner: Sherry L Kinsella	Reviewer:
Update to:	Examiner:	Reviewer:
Update to:	Examiner:	Reviewer:

County: Maricopa	Tax Arb: 143-38-N/A	Disposal: N/A
Tracs No.: 060MA149H7292	Highway: WICKENBURG - PHOENIX HIGHWAY	Excess Land: L-C-081
Fed. No.:	Section: 43 rd Ave. - 71 st Ave.	Parcel No.: 7-11090

DocuSign Envelope ID: B86D1FC6-9476-42C3-BA59-0383FD5859B2

**SCHEDULE A-1
LEGAL DESCRIPTION**

A portion of ADOT Parcel 7-11090, as depicted on Exhibit "A" attached, Sheet P-13 and Sheet P-14 of ADOT Drawing # D-7-T-1001 the Right of Way Plans of WICKENBURG - PHOENIX HIGHWAY, 43rd Avenue - 71st Avenue, Project No. 060 MA 149 H7292.

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

END OF SCHEDULE A-1

DocuSign Envelope ID: B86D1FC6-9476-42C3-BA59-0383FD5859B2

RIGHT OF WAY / VESTING

1. Warranty Deed from Millard F. Busbee and Renate S. Busbee, as Trustees of the Millard F. and Renate S. Busbee Trust, dated April 15, 1991 to the State of Arizona, by and through its Department of Transportation, dated April 16, 2012, recorded June 11, 2012 in Fee No. 2012-0500955. [Project No. 060 MA 139 H7292, Parcel 7-11090]

NOTE: Property acquired as fee only

END OF RIGHT OF WAY / VESTING

DocuSign Envelope ID: B86D1FC6-9476-42C3-BA59-0383FD5859B2

REQUIREMENTS

1. Record Deed from the State of Arizona, by and through its Department of Transportation to the proposed buyer(s).

NOTE: Repurchase rights **do** apply due to property being acquired less than eight years after the date of recording of Warranty Deed from Millard F. Busbee and Renate S. Busbee, as Trustees of the Millard F. and Renate S. Busbee Trust, dated April 15, 1991, see Item No. 1 of Right of Way/Vestings. [Project No. 060 MA 139 H7292, Parcel 7-11090]

NOTE: Repurchase rights will expire June 11, 2022.

END OF REQUIREMENTS

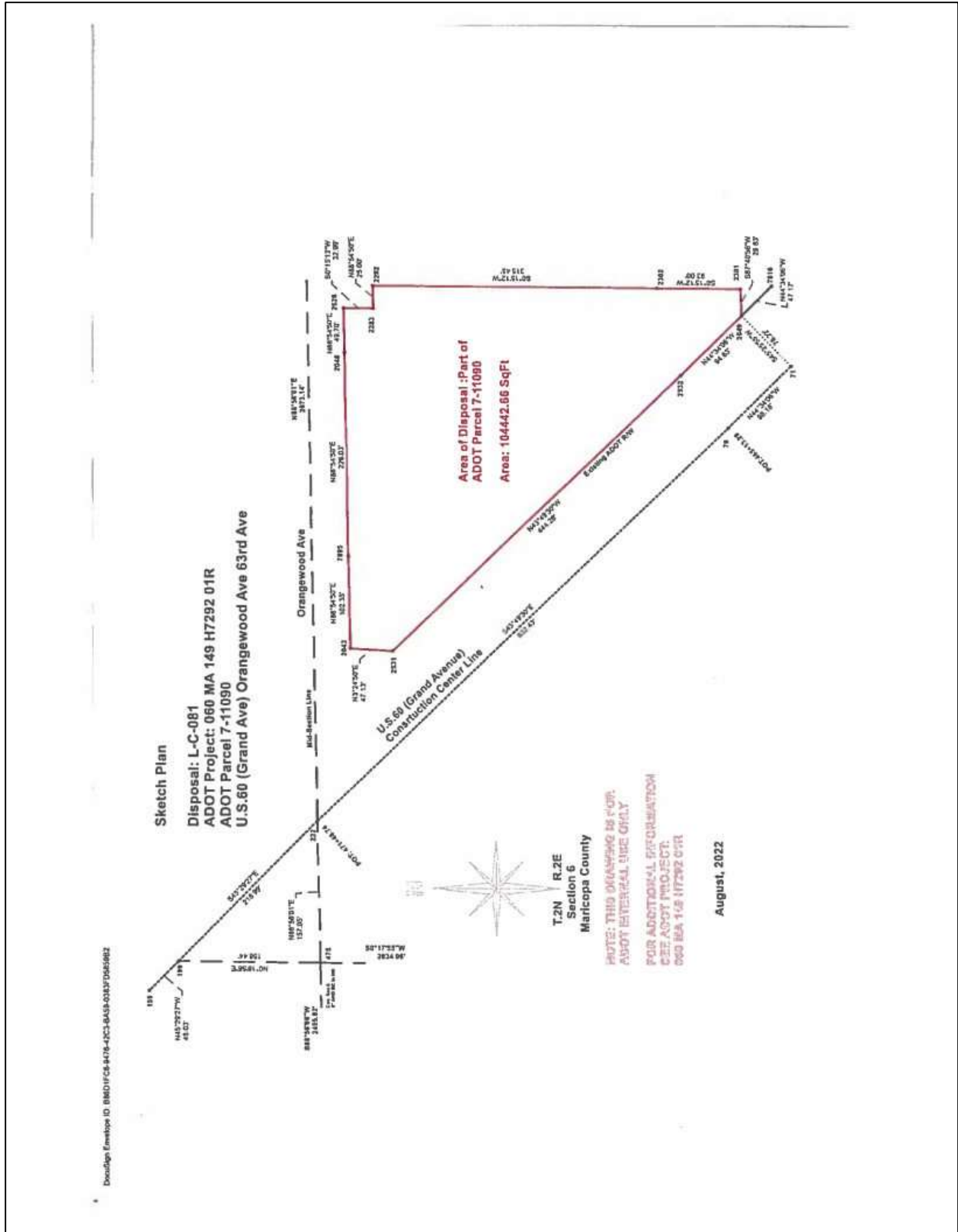
DocuSign Envelope ID: B86D1FC6-9476-42C3-BA59-0383FD5859B2

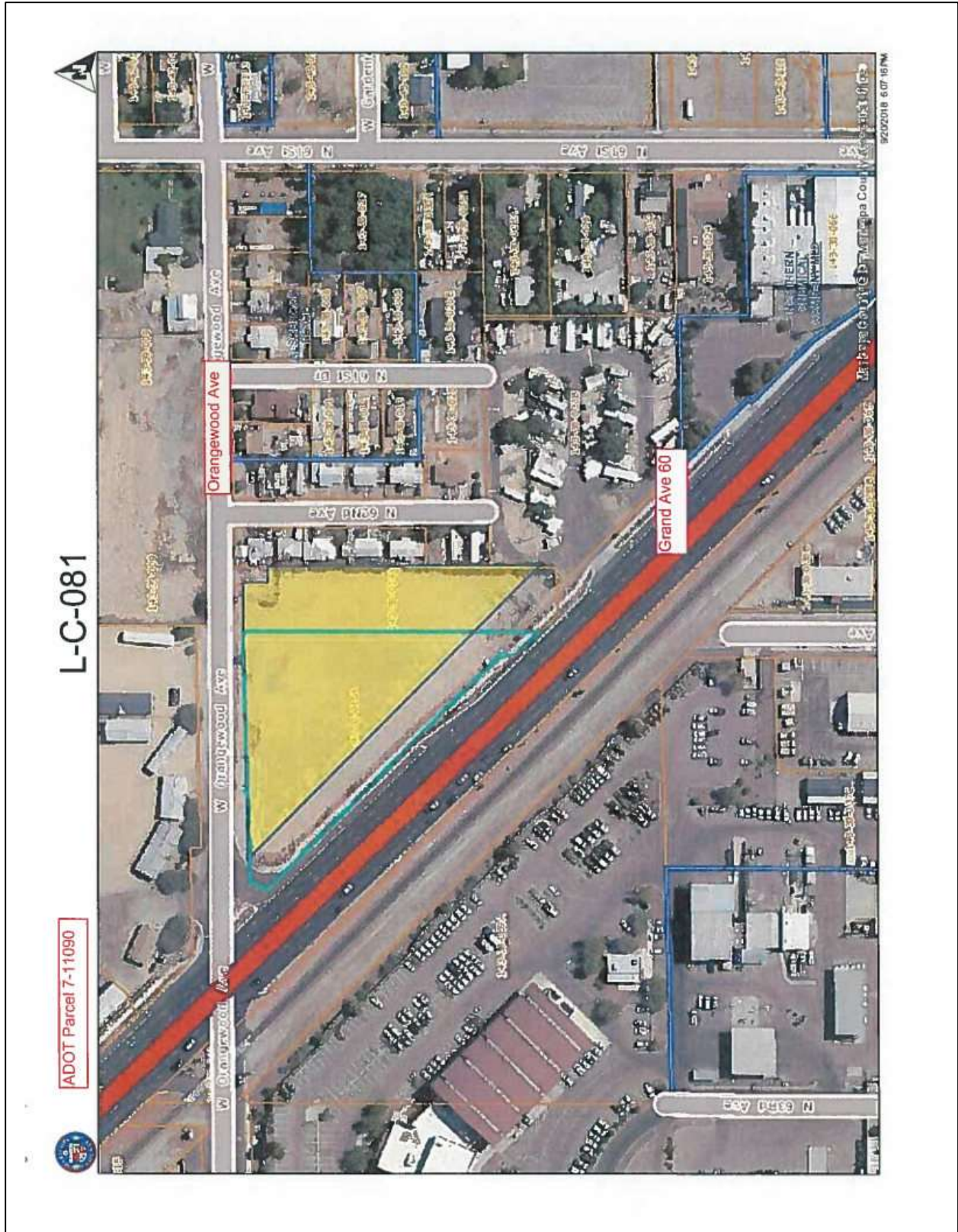
SCHEDULE B

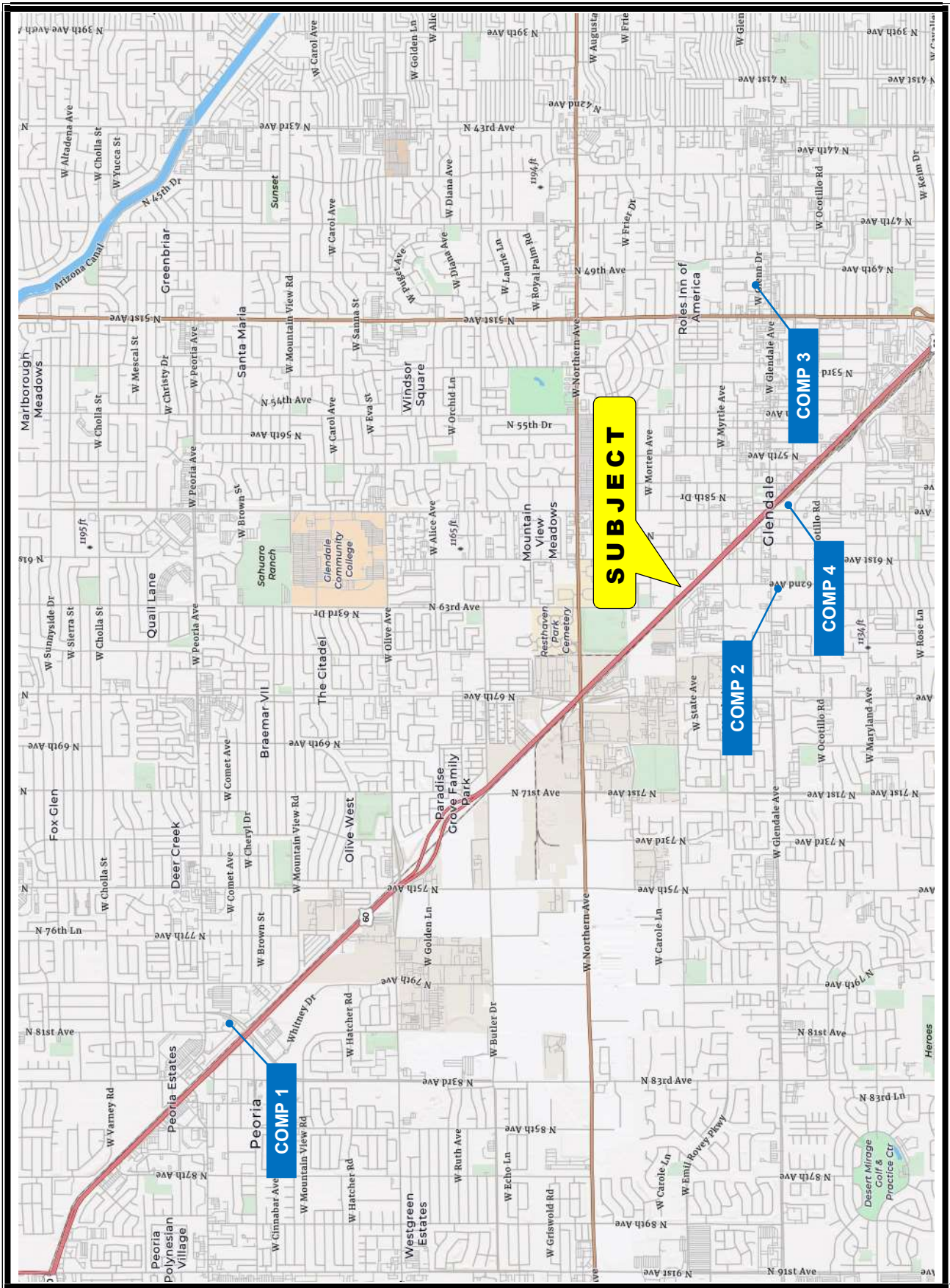
1. Resolution No. 2010-02-A-019 for establishment and acquisition of new right of way for a portion of U.S. Route 60 by John S. Halikowski, Director, Arizona department of Transportation dated February 19, 2010, recorded February 24, 2010 in Fee No. 2010-0152022.
2. Resolution No. 2017-03-A-017 to abandon a right of way temporarily acquired for the improvement of U.S. Route 60 by John S. Halikowski, Director, Arizona department of Transportation dated March 17, 2017, recorded March 24, 2017 in Fee No. 2017-0207101; thereafter re-recorded June 15, 2017 in Fee No. 2017-0435393.

END OF SCHEDULE B









© Arizona State Land Department Parcel Viewer

C

Comparable No. 1



Property Information

Property Type:	Vacant Land	
Location:	Southeast of 83rd Avenue and Peoria Avenue	
Address:	10480 N. Cotton Crossing Road	
City, State ZIP:	Peoria, Arizona 85345	Map Reference: 102-155LL
		County: Maricopa
Land Area:	67,342 square feet 1.546 acres	
Legal Description:	Part of the NW¼ of Section 26, Township 3 North, Range 1 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona	
Parcel Number(s):	142-13-023	
Zoning Authority:	City of Peoria	
Zoning District(s):	PAD, Planned Area Development	

Flood Hazard Zone(s):	X AH	Building Area:	NA	LBR:	NA
Topography:	Level	Year Built:	NA	Parking / 1,000 sf:	NA
Access:	Paved Road	No. of Stories:	NA	Clear Height:	NA
Utilities:	At property	Occupancy:	NA	Percent Office:	NA

Sale Information

Grantor:	Wal-Mart Stores, Inc.		
Grantee:	Grand Wash, LLC		
Date of Sale:	44228		
Sales Price:	\$757,617.30 \$11.25 per square foot	Terms:	\$757,617.30 (100%) cash down All cash sale
Recordation:	2/5/2021 Special Warranty Deed 2021-0131669	Three Year Sales History:	None
Source/Confirmation:	CoStar Group; Recorded Affidavit of Property Value		

Comments:
Surrounding land uses include commercial development including a Walmart Supercenter and the planned Peoria Place mixed-use development. This site is generally level and at grade with the abutting properties and roadways. The buyers purchased this site for the development of a car wash.



Comparable No. 2



Property Information

Property Type: Vacant Land

Location: Glendale Avenue west of 59th Avenue
Address: 6219 W. Glendale Avenue
City, State ZIP: Glendale, Arizona 85301

Map Reference: 125-157LP
County: Maricopa

Land Area: 178,286 square feet
 4.093 acres

Legal Description: Part of the NE¼ of Section 7, Township 2 North, Range 2 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona

Parcel Number(s): 144-09-018

Zoning Authority: City of Glendale
Zoning District(s): C-2, General Commercial

Flood Hazard Zone(s): X	Building Area: NA	LBR: NA
Topography: Level	Year Built: NA	Parking / 1,000 sf: NA
Access: Paved Road	No. of Stories: NA	Clear Height: NA
Utilities: At property	Occupancy: NA	Percent Office: NA

Sale Information

Grantor: DNM-West Properties, LLC
Grantee: Magdalena Covaciu and Cristian Covaciu

Date of Sale: 44378

Sales Price: \$1,200,000.00
 \$6.73 per square foot

Terms: \$1,200,000.00 (100%) cash down
 All cash sale

Recordation: 9/22/2021
 Special Warranty Deed
 2021-1025281

Three Year Sales History: 3/2020: \$550,000

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

Comments:

Surrounding land uses include primarily residential land uses with supporting commercial development. This site is generally level and at grade with the abutting properties and roadways. This site is currently being marketed for sale at \$7,000,000 and has been listed since January 2023.



Comparable No. 3



Property Information

Property Type: Vacant Land

Location: Northeast of 51st Avenue and Glendale Avenue
Address: None Given
City, State ZIP: Glendale, Arizona 85301

Map Reference: 125-159LN
County: Maricopa

Land Area: 166,272 square feet
 3.817 acres

Legal Description: Part of the SW¼ of Section 4, Township 2 North, Range 2 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona

Parcel Number(s): 147-13-035A; 147-13-036B; 147-13-041A

Zoning Authority: City of Glendale
Zoning District(s): GCO, Glendale Centerline Overlay

Flood Hazard Zone(s): X	Building Area: NA	LBR: NA
Topography: Level	Year Built: NA	Parking / 1,000 sf: NA
Access: Paved Road	No. of Stories: NA	Clear Height: NA
Utilities: At property	Occupancy: NA	Percent Office: NA

Sale Information

Grantor: Auto Body Parts, LLC
Grantee: MHMP Arizona Housing, LLC

Date of Sale: 44470

Sales Price: \$1,550,000.00
 \$9.32 per square foot

Terms: \$1,550,000.00 (100%) cash down
 All cash sale

Recordation: 5/22/2022
 Special Warranty Deed
 2022-0657574

Three Year Sales History: 1/2020: \$550,000

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

Comments:

Surrounding land uses include primarily residential land uses with supporting commercial development. This site is generally level and at grade with the abutting properties and roadways. The buyers of this parcel are affordable housing developers.



Comparable No. 4



Property Information

Property Type:	Vacant Land	
Location:	59th Avenue south of Glendale Avenue	
Address:	None Given	Map Reference: 125-158LP
City, State ZIP:	Glendale, Arizona 85301	County: Maricopa
Land Area:	43,592 square feet 1.001 acres	
Legal Description:	Part of the NW¼ of Section 8, Township 2 North, Range 2 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona	
Parcel Number(s):	146-01-010B; 146-01-106E	
Zoning Authority:	City of Glendale	
Zoning District(s):	C-2, General Commercial	

Flood Hazard Zone(s):	X	Building Area:	NA	LBR:	NA
Topography:	Level	Year Built:	NA	Parking / 1,000 sf:	NA
Access:	Paved Road	No. of Stories:	NA	Clear Height:	NA
Utilities:	At property	Occupancy:	NA	Percent Office:	NA

Sale Information

Grantor:	Isabel Cristina Carvalho		
Grantee:	Mirna Cecilia Cote Alcocer		
Date of Sale:	44927	Terms:	\$4,000.00 (1%) cash down Seller carried balance on undisclosed terms
Sales Price:	\$389,000.00 \$8.92 per square foot	Three Year Sales History:	5/2021: \$335,000
Recordation:	2/3/2023 Warranty Deed 2023-0058048		
Source/Confirmation:	CoStar Group; Recorded Affidavit of Property Value		

Comments:
Surrounding land uses include a mix of residential land uses and supporting commercial development. This site is generally level and at grade with the abutting properties and roadways.



Timothy A. Haskins, ASA

APPRAISAL CERTIFICATION, LICENSING AND MEMBERSHIPS

State of Arizona Certified General Real Estate Appraiser; Certificate No. 30668
Recertified through June 30, 2025

Accredited Senior Appraiser, (ASA) American Society of Appraisers (1995)
Recertified through October 30, 2025

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

Member, International Right of Way Association (2001)

PROFESSIONAL AFFILIATIONS

Practicing Affiliate, Appraisal Institute

EXPERIENCE

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

SCOPE OF ASSIGNMENTS

<u>Property Types</u>	<u>Purpose</u>	<u>Geographic Areas Covered</u>
Vacant Land	Eminent Domain	Arizona, statewide
Industrial Facilities	Estate Planning	
Office Buildings	Tax Planning	
Retail Buildings	Appraisal Review	
Residential Properties	Litigation Support	
Special Use Properties	Expert Witness	

EDUCATION

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

Various Continuing Education Courses, including:

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

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



Department of Insurance and Financial Institutions
State of Arizona

CGA - 30668

This document is evidence that:
TIMOTHY A. HASKINS has complied with the provisions of
Arizona Revised Statutes, relating to the establishment and operation of a:

Certified General Real Estate Appraiser

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

Certified General Real Estate Appraiser

TIMOTHY A. HASKINS

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

Expiration Date : **June 30, 2025**