

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:

Northeast corner of Mountain Road and State Route 24
6361 S. Mountain Road
Mesa, Arizona 85212

Report Dated:

January 17, 2025

Effective Date:

January 10, 2025

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
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**Reference:**

FAS 1.24-2980.00

Project: H8915 01R
Highway: Gateway Freeway
Section: Ellsworth Road – Ironwood Drive
Parcel: L-C-177



FIRST APPRAISAL SERVICES

7227 N. 16th Street, Suite 112 | Phoenix | Arizona | 85020
602.264-0011 | info@azfas.com

January 17, 2025

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: H8915 01R
Highway: Gateway Freeway
Section: Ellsworth Road – Ironwood Drive
Parcel: L-C-177

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 January 10, 2025.

The subject property is a 144,970-square foot tract of land located at the northeast corner of Mountain Road and State Route 24 in the City of Mesa. A physical inspection of the property was made on January 10, 2025, with a representative of 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 standards and specifications of the Arizona Department of Transportation.



Mr. Jim Walcutt
Arizona Department of Transportation
January 17, 2025

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 January 10, 2025, is:

**ONE MILLION
TEN THOUSAND DOLLARS
\$1,010,000.00**

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
Assignment 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
Demographics	27
Transportation	28
Land Use Patterns	29
Amenities	31
Trends	31
REAL PROPERTY DESCRIPTION	32
Site Data	32
Zoning	34
Easements and Restrictions	34
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
 - ADOT Property Exhibits
 - Legal Description
- E Comparable Land Sales Data
- F Administrative Exhibits
 - ADOT Purchase Order
 - Appraiser Qualifications

Summary of Salient Facts and Conclusions

Client	Arizona Department of Transportation		
Client Reference	Project:	H8915 01R	
	Highway:	Gateway Freeway	
	Section:	Ellsworth Road – Ironwood Drive	
	Parcel:	L-C-177	
Date of Report	January 17, 2025	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		

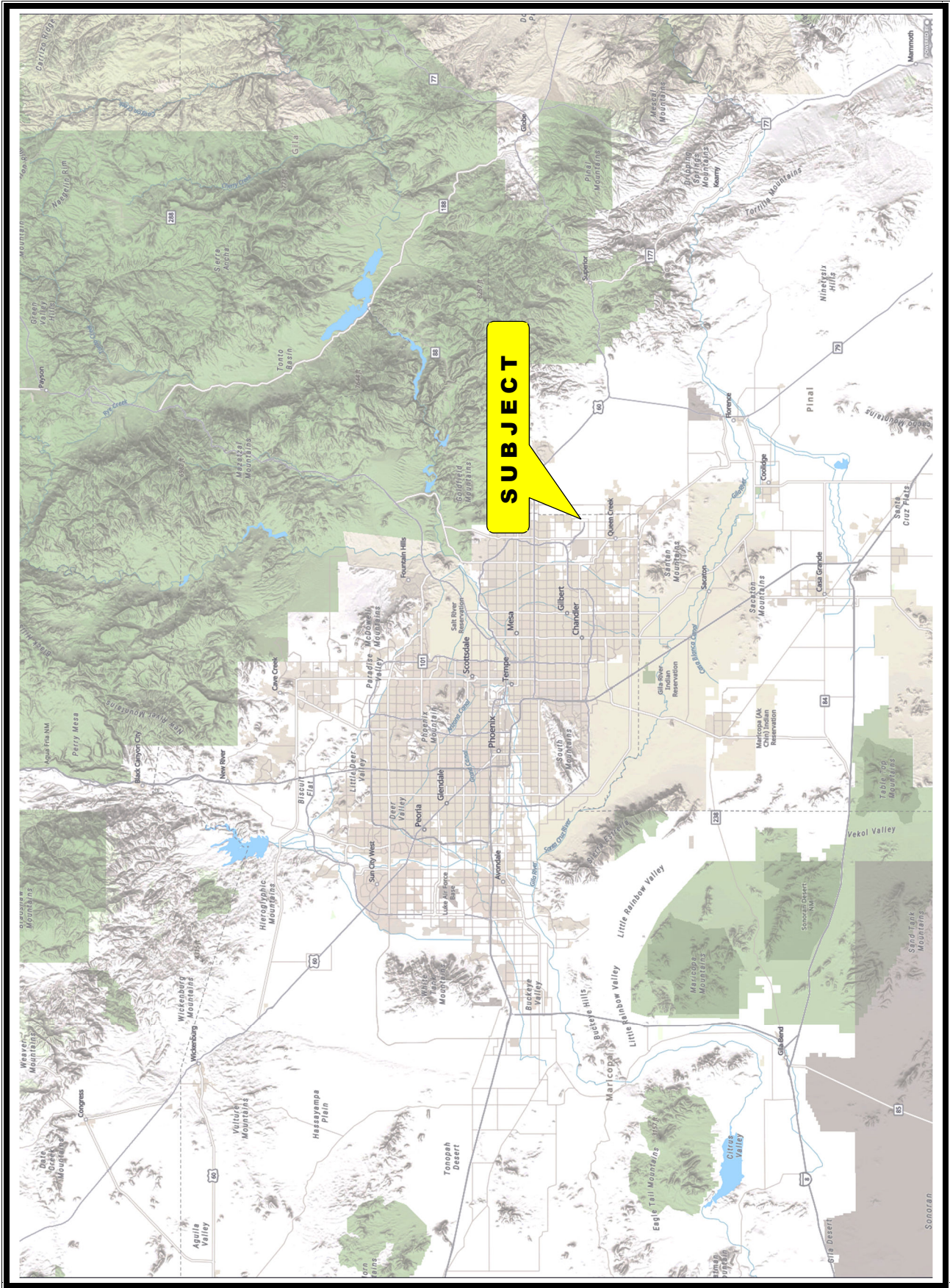
Property Information

Ostensible Owner	Arizona Department of Transportation		
Location of Property	Northeast corner of Mountain Road and State Route 24		
Street Address	6361 S. Mountain Road	Township-Range	T1S-R7E
	Mesa, Arizona 85212	Section	36
County	Maricopa	Map Reference	169-192MF
Assessor Parcel Number(s)	304-34-926 (portion of)		
Site Area	144,970 square feet	Zoning District(s)	AG, Agricultural
	3.328 acres		City of Mesa
		Flood Zone	Zone X
Present Use	Vacant Land		
Date of Inspection	January 10, 2025		

Valuation Information

Highest and Best Use		
As If Vacant:	Light Industrial Development	
Effective Date	January 10, 2025	
Extraordinary Assumptions	None	
Hypothetical Conditions	None	
Indications of Value	Sales Comparison Approach.....	\$1,010,000.00
	Income Approach.....	Not Developed
	Cost Approach	Not Developed
Fee Simple Interest	Conclusion of Value	\$1,010,000.00









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, 2024 Edition, The Appraisal Foundation

Significant Dates

Effective Date: January 10, 2025

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: January 10, 2025

The appraiser made a physical inspection of the property at approximately 10:00 am on January 10, 2025.

Date of Report: January 17, 2025

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 January 10, 2025. The inspection of the site consisted of an observation of the property from the abutting roadway.

Zoning information and information relating to the availability of utility infrastructure was provided by the City of Mesa. Title information is based upon information available in the public record. 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, CoStar Group, and data contained within the appraiser's files. 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 made across the 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 standards and specifications of the Arizona Department of Transportation.

Assignment 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 Foundation.⁵ The opinions and conclusions as stated within this report are not based upon any hypothetical conditions.

⁴ Uniform Standards of Professional Appraisal Practice, 2024 Edition, The Appraisal Foundation

⁵ Uniform Standards of Professional Appraisal Practice, 2024 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 26 of this report. The property that is the subject of this report may be commonly identified as follows:

Location.....	Northeast corner of Mountain Road and State Route 24
Street Address	6361 S. Mountain Road
City, State, ZIP	Mesa, Arizona 85212
Assessor Parcel Number(s)	304-34-926 (portion of)

Legal Description⁶

A portion of the North half of Section 36, Township 1 South, Range 7 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona

Figure 1 – Aerial Photograph



⁶ A complete legal description is included in the addenda to this appraisal report

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 on May 22, 2018, as document number 2018-0391873.

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 believed to be as follows:

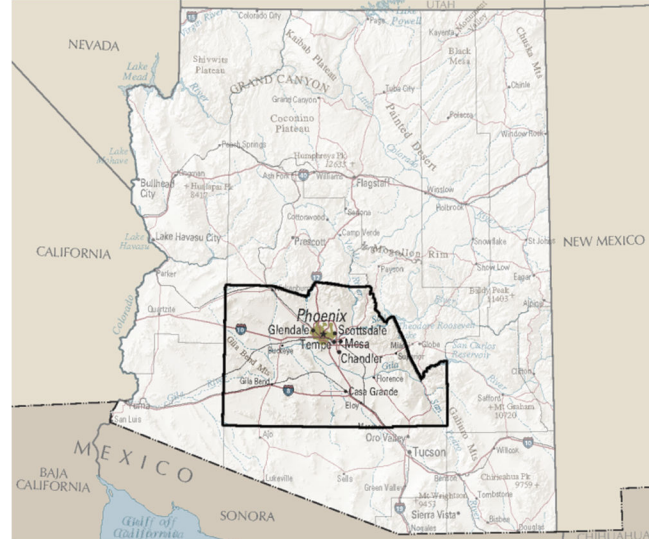
Vacant Land	<input checked="" type="checkbox"/>	Occupant(s): _____	Owner	Tenant
Unoccupied	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Agricultural	<input type="checkbox"/>			

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 with 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.

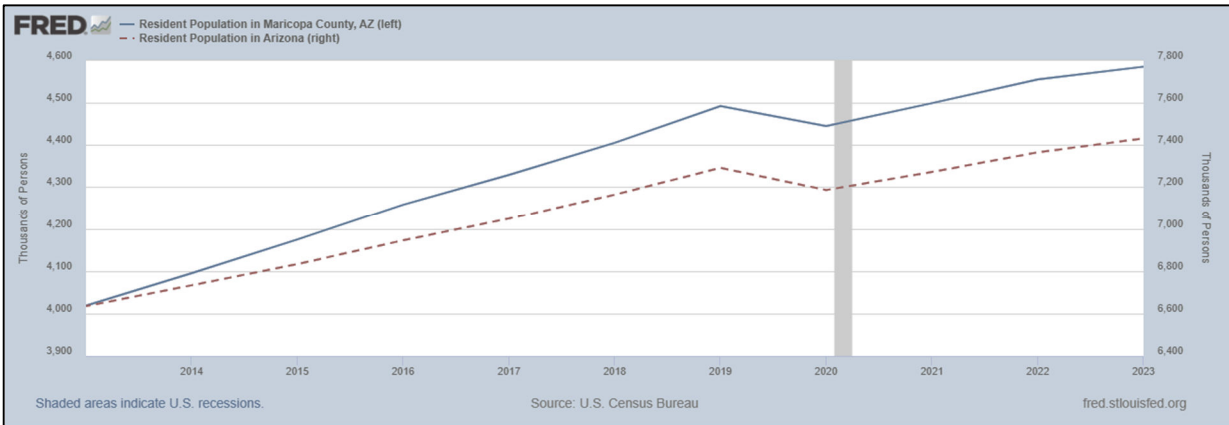
Population

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 2023 population estimate for the State of Arizona is 7,525,113 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 2023 population estimate of 5,132,479 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 2023 estimate of 4,665,020 persons and has grown by approximately 21.9% 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 2023 estimated population of 1,682,053 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

	Millions of dollars			Percent change from preceding period ¹							
	2022	2023	adjusted at a	2023	2023 Rank	2023				2024 Q1 ^P	2024 Rank Q1
			2024			Q1 ^r	Q2 ^r	Q3 ^r	Q4 ^r		
			Q1 ^P								
United States	21,820,248	22,952,028	23,616,794	5.2	.....	6.8	4.0	3.9	2.8	7.0	.....
New England	1,188,528	1,243,427	1,273,171	4.6	.....	3.6	3.2	2.2	2.5	6.3	.....
Mideast	3,597,384	3,779,199	3,873,149	5.1	.....	7.1	4.8	4.9	0.6	6.8	.....
Great Lakes	2,863,569	2,991,772	3,069,923	4.5	.....	6.2	4.0	3.2	3.0	5.9	.....
Plains	1,364,311	1,435,873	1,469,925	5.2	.....	8.3	3.1	4.0	2.2	5.2	.....
Southeast	5,102,324	5,396,159	5,575,783	5.8	.....	8.3	3.3	3.9	4.0	7.8	.....
Southwest	2,646,114	2,805,975	2,897,795	6.0	.....	8.3	2.9	4.9	4.2	7.1	.....
Arizona	430,084	458,154	471,753	6.5	4	9.0	7.2	1.5	1.7	8.4	6
New Mexico	110,303	115,082	119,303	4.3	42	6.1	7.2	-1.3	5.8	8.8	4
Oklahoma	226,308	237,145	245,204	4.8	34	7.2	2.3	4.1	4.7	7.5	15
Texas	1,879,420	1,995,594	2,061,535	6.2	7	8.4	1.8	6.2	4.7	6.6	32
Rocky Mountain	864,062	912,422	942,832	5.6	.....	6.9	5.2	3.2	5.0	7.0	.....
Far West	4,193,955	4,387,201	4,514,215	4.6	.....	4.5	5.3	3.3	2.1	7.8	.....

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 \$471,753 million in the first quarter of 2024.⁹ According to the Bureau of Economic Analysis website,

Real gross domestic product increased in 39 states and the District of Columbia in the first quarter of 2024, with the percent change ranging from 5.0 percent at an annual rate in Idaho to -4.2 percent in South Dakota, according to statistics released today by the U.S. Bureau of Economic Analysis (BEA).

Current-dollar gross domestic product (GDP) increased in 45 states and the District of Columbia, with the percent change ranging from 7.8 percent at an annual rate in Delaware to -4.0 percent in North Dakota.

In the first quarter of 2024, real GDP for the nation grew at an annual rate of 1.4 percent. Real GDP increased in 15 of the 23 industry groups for which BEA prepares quarterly state estimates (table 2). Retail trade, construction, finance and insurance, and health care and social assistance were the leading contributors to growth in real GDP nationally.

- Construction, which increased in 46 states and the District of Columbia, was the leading contributor to growth in 10 states including Idaho and Nevada, the states with the first- and second-largest increases in real GDP.
- Agriculture, forestry, fishing, and hunting, which increased in 34 states, was the leading contributor to growth in 6 states including Oklahoma, the state with the third-largest increase in real GDP. In contrast, this industry was the leading offset to growth in 9 states including South Dakota, North Dakota, Kansas, Iowa, Nebraska, and Illinois, the states with the largest decreases in real GDP.

⁹ United States Department of Commerce, Bureau of Economic Analysis;
<https://www.bea.gov/sites/default/files/2024-06/stgdppi1q24.xlsx>

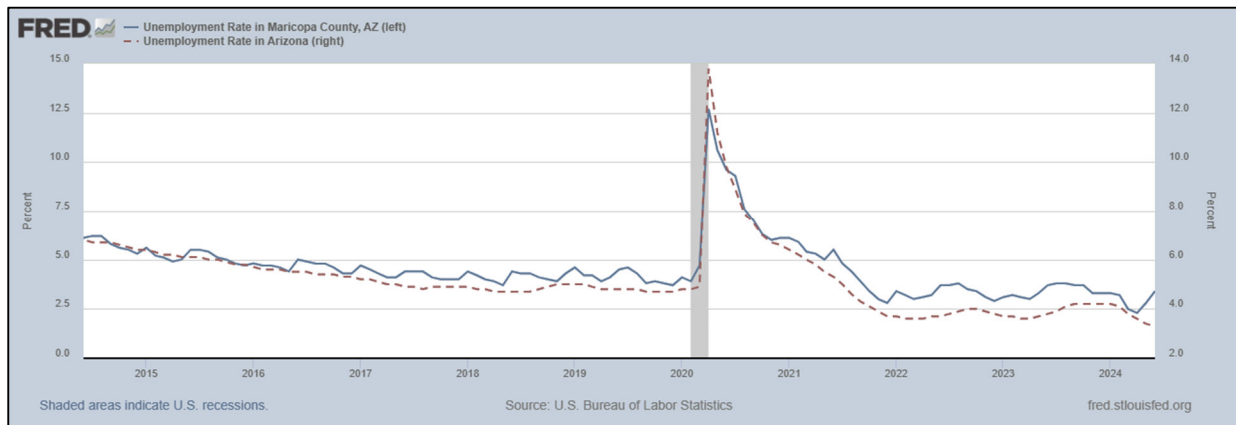
Labor Force and Employment

Figure 6 – Civilian Labor Force Profile

2024 Labor Force						
Age Group	Population	Employed	Unemployed	Unemployment Rate	Labor Force Participation Rate	Employment-Population Ratio
16+	4,146,612	2,553,824	102,579	3.9%	64.1%	61.6%
16-24	630,186	374,124	32,607	8.0%	64.5%	59.4%
25-54	2,018,675	1,630,717	53,466	3.2%	83.4%	80.8%
55-64	579,481	379,287	10,014	2.6%	67.2%	65.5%
65+	918,270	169,696	6,492	3.7%	19.2%	18.5%
Male Age 16+	2,065,469	1,406,376	53,335	3.7%	70.7%	68.1%
Female Age 16+	2,081,143	1,147,448	49,244	4.1%	57.5%	55.1%
White Age 16+	2,541,463	1,505,854	57,190	3.7%	61.5%	59.3%
Black Age 16+	240,729	158,899	9,047	5.4%	69.8%	66.0%
American Indian Age 16+	99,747	60,131	4,744	7.3%	65.0%	60.3%
Asian Age 16+	197,104	129,831	2,903	2.2%	67.3%	65.9%
Pacific Islander Age 16+	10,676	6,976	167	2.3%	66.9%	65.3%
Other Race Age 16+	539,661	352,505	12,814	3.5%	67.7%	65.3%
Multiple Races Age 16+	517,232	339,628	15,714	4.4%	68.7%	65.7%
Economic Dependency Ratio						
Total						99.9
Child (<16)						39.3
Working-Age (16-64)						31.4
Senior (65+)						29.2
Industry						
Total		2,553,824		100.0%	100.0%	-
Agriculture/Forestry/Fishing		12,869		0.5%	1.1%	0.45
Mining/Quarrying/Oil & Gas		5,234		0.2%	0.3%	0.67
Construction		199,820		7.8%	6.9%	1.13
Manufacturing		203,668		8.0%	10.0%	0.80
Wholesale Trade		45,926		1.8%	2.0%	0.90
Retail Trade		297,976		11.7%	10.5%	1.11
Transportation/Warehousing		137,137		5.4%	5.1%	1.06
Utilities		25,425		1.0%	0.9%	1.11
Information		36,860		1.4%	2.0%	0.70
Finance/Insurance		195,271		7.6%	4.8%	1.58
Real Estate/Rental/Leasing		65,139		2.6%	1.8%	1.44
Professional/Scientific/Tech		199,358		7.8%	8.3%	0.94
Management of Companies		5,169		0.2%	0.1%	2.00
Admin/Support/Waste Management		137,992		5.4%	4.3%	1.26
Educational Services		198,521		7.8%	9.1%	0.86
Health Care/Social Assistance		324,241		12.7%	14.1%	0.90
Arts/Entertainment/Recreation		56,708		2.2%	2.3%	0.96
Accommodation/Food Services		182,901		7.2%	6.8%	1.06
Other Services (Excluding Public)		115,399		4.5%	4.6%	0.98
Public Administration		108,210		4.2%	5.0%	0.84

Source: Esri forecasts for 2024 and 2029 (stdb.com)

Figure 7 – 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 health care/social assistance, retail trade, and manufacturing.

The preliminary average monthly statewide total civilian labor force in June 2024 was estimated to be 3,747,413 persons with an average unemployment rate of 3.3% . The average monthly total civilian labor force was 2,687,907 for the Phoenix-Mesa-Scottsdale MSA, while the average unemployment rate was 3.0%.¹⁰ 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

Table 1. Per Capita Personal Income, by County, 2020–2022

	Per capita personal income ¹				Percent change from preceding period		
	Dollars			Rank in state	Percent change		Rank in state
	2020	2021	2022	2022	2021	2022	2022
United States	59,153	64,430	65,470	--	8.9	1.6	--
Arizona	52,133	56,420	58,442	--	8.2	3.6	--
Apache	42,192	45,817	45,633	11	8.6	-0.4	15
Cochise	46,835	49,445	50,195	8	5.6	1.5	12
Coconino	52,890	56,505	58,933	2	6.8	4.3	4
Gila	44,992	49,250	50,505	7	9.5	2.5	10
Graham	35,930	39,014	40,981	15	8.6	5.0	2
Greenlee	43,210	48,193	54,219	4	11.5	12.5	1
La Paz	46,218	51,897	53,997	5	12.3	4.0	5
Maricopa	56,024	61,008	63,461	1	8.9	4.0	6
Mohave	40,229	42,777	44,645	13	6.3	4.4	3
Navajo	38,620	42,102	42,096	14	9.0	0.0	14
Pima	49,601	53,034	54,464	3	6.9	2.7	9
Pinal	41,546	44,574	45,950	10	7.3	3.1	8
Santa Cruz	43,176	47,119	47,898	9	9.1	1.7	11
Yavapai	46,954	50,065	51,747	6	6.6	3.4	7
Yuma	42,177	44,285	44,811	12	5.0	1.2	13

Arizona's nominal per capita personal income hit \$58,442 in 2022, according to the latest estimates from the U.S. Bureau of Economic Analysis (BEA). National per capita personal income was \$65,470. At \$61,840, 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.

¹⁰ Arizona Office of Economic Opportunity (<https://oeo.az.gov/labor-market/unemployment>)

Forecast Data

George W. Hammond, Ph.D., EBR Director with the Eller College of Management at The University of Arizona, reports¹¹

The Arizona economy kicked off the new year in solid shape. The labor market has normalized somewhat, with quit and hire rates back to pre-pandemic levels and steady job gains. Even so, the state unemployment rate is near historic lows. Phoenix inflation has moderated and is below the national rate. Real income growth has accelerated but retail plus remote sales have lost momentum. The housing market remains stressed, with rising home prices and elevated mortgage interest rates taking a toll on housing affordability.

The baseline outlook calls for the U.S. economy to avoid recession in the near term, which translates into continued solid, but slowing, gains in Arizona, Phoenix, and Tucson. As we look further out, the aging of the baby boom generation brings slowing growth across the major macroeconomic indicators. Even so, Arizona is projected to outpace the U.S. While recession risks remain an important consideration, a modest U.S. downturn would likely slow Arizona's gains below the baseline forecast but not cause major job losses.

ARIZONA RECENT DEVELOPMENTS

The latest Current Employment Statistics program benchmark updates were released in March. State job growth was revised up for both 2022 and 2023. Arizona job growth was revised up from a preliminary estimate of 2.1% to 2.6%, or from slightly below the national rate (of 2.3%) to a bit above the U.S. Phoenix MSA job gains were revised up more significantly, from an initial estimate of 2.2% to 3.0%. Tucson MSA job growth was revised up from 1.4% to 1.6% and Prescott MSA job growth was revised up from 1.6% to 1.7%.

The benchmarked Arizona unemployment rate for 2022 and 2023 was 3.8% and 3.9%, respectively, unchanged from the preliminary data. That was above the national rate in both years at 3.6%.

Phoenix MSA all-items CPIU inflation remained below the national average in April 2024, at 2.6% over the year. That was below the U.S. at 3.4%. It was slightly faster than the February rate of 2.2%. Both Phoenix and U.S. inflation rates were well below recent peaks in the summer of 2022 of 13.0% and 9.1%, respectively.

Slower growth in shelter inflation has contributed significantly to the deceleration both in Phoenix and nationally. The shelter CPIU includes rent, imputed owner-occupied rent, and short-term rentals. This is a major component of the all-items index. The Phoenix shelter CPIU rose 3.5% over the year in April while the national index rose faster, at 5.5%.

Overall services inflation, which includes housing services like shelter, has moderated, but remained relatively rapid. The Phoenix services CPIU rose 4.6% over the year while the national index rose 5.3%. In addition to housing services, the services index includes travel and tourism, health services, educational services, and many more intangible products.

Commodities inflation declined rapidly from a recent peak during the summer of 2022, in part thanks to normalizing global supply chains. The commodities index includes tangible goods, like gasoline, new and used cars, appliances, apparel, food, and other tangible goods. The Phoenix MSA commodities index declined 0.7% over the year in April, while the national index rose 0.3%.

Core inflation has also moderated significantly from two years ago. The all-items less food and energy index rose 3.0% over the year in Phoenix and 3.6% nationally. That was down from peaks in the summer/fall of 2022 of 12.3% in Phoenix and 6.6% nationally.

With the release of the fourth quarter 2023 personal income data, we now have the preliminary estimate for the full year. The current data show that Arizona personal income rose 6.5% in 2023, up from 4.9% in 2022. Income growth in 2022 was dragged down by the drop in federal income support related to the pandemic. Arizona personal income growth last year outpaced the national average in each major component.

¹¹ Excerpts from Arizona's Economy, August 2022, University of Arizona Eller College of Management, Economic and Business Research Center

The new data put Arizona's per capita personal income at \$61,652 in 2023, up 5.6% over 2022. That was faster than national growth at 4.7%. Arizona's per capita personal income in 2023 was 90.0% of the U.S. average, at \$68,531. Relative to other U.S. states (and the District of Columbia), Arizona ranked 34th in the nation in 2023.

Statewide housing activity ended 2022 and began 2023 very weakly. However, as 2023 progressed, permit activity increased strongly. That relative strength continued in the first quarter of 2024, with Arizona seasonally-adjusted total permits up 30.1% over the year. That was led by single-family permits which roughly doubled over the year. Similarly, housing permits started 2024 strong in Phoenix and Tucson, with single-family permits leading the way. Multi-family permits were down over the year in the first quarter of 2024 for Arizona, Phoenix, and Tucson.

Arizona house prices continued to rise through the first quarter of 2024. The Phoenix median house price hit \$444,990 in March 2024, up 6.0% over the year. The Phoenix Case-Shiller Index rose 4.9% over the year in February (latest data). The Tucson median house price increased 7.3% over the year in March to reach \$364,900.

Arizona taxable retail sales (plus remote) rose at an anemic 1.5% over the year in the first quarter of 2024. Growth was even slower in the Phoenix MSA, at 0.9%, while Tucson fared better with a 3.1% increase. Driving growth during the period was the remote sellers component, which rose more than 10% over the year for the state and the two largest metropolitan areas. By 2023, this component accounted for just over 10% of total retail plus remote sales in all three geographies.

Taxable sales at restaurants and bars have also slowed significantly, although gains were faster than in the retail plus remote category. Statewide taxable sales at restaurants and bars were up 2.7% over the year in the first quarter, up 2.4% in Phoenix, and up 3.8% in Tucson.

ARIZONA OUTLOOK

The baseline outlook for Arizona calls for continued but gradually slowing growth. The source of decelerating growth is the ongoing demographic transition driven by the aging of the baby boom generation.

The state labor market gradually loosens as job gains slow from 2.6% in 2023 to 2.2% in 2024 and 2.0% in 2025. Even though growth slows, Arizona is forecast to add jobs significantly faster than the nation. With slower job gains, the unemployment rate is forecast to rise from 3.9% in 2023 to 4.3% in 2025.

State population growth also declines, from 1.6% in 2023 to 1.3% in 2024 and 2025, driven by a slower pace of net migration. This, in turn, results from lower mobility within the U.S. as relatively high interest rates and reduced housing affordability weigh on preferences for migration.

Personal income growth slows in 2024 to 5.7%, after strong growth in 2023 of 6.5%. Growth rebounds modestly in 2025 to 6.0%. The pace of retail sales (plus remote retailers) also decelerates in 2024, falling from 3.4% last year to 2.5% in 2024. Sales growth recovers in 2025 to 4.2%.

Housing permit activity rises in 2024, after declining last year, reflecting increased permit activity for single-family homes. Starting in 2025, permits gradually drop to a level more consistent with population growth.

The Phoenix MSA drives growth for the state, but even there gains slow during the forecast. Job growth drops from 3.0% in 2023, to 2.6% in 2024, and again to 2.2% in 2025. Population growth slows from 1.8% last year to 1.5% in 2024 and 2025.

The Tucson MSA experiences a similar slowdown, with job growth dropping from 1.6% in 2023 to 1.2% in 2024 and 2025. Population growth decelerated significantly last year (to 0.7%) and slows a bit more in 2024 and 2025, to 0.6%.

Real Estate Market Sectors

Single Family Housing Sector

Figure 9 – ARMLS Quarterly Housing Summary, 2023Q4

	Median Sales Price			Average Sales Price			Pct. of List Price Received		Days on Market		Closed Sales	
	Q4-2023	1-Yr Chg		Q4-2023	1-Yr Chg		Q4-2023	1-Yr Chg	Q4-2023	1-Yr Chg	Q4-2023	1-Yr Chg
Cochise	\$256,000	▲ 2.4%		\$264,754	▲ 0.3%		94.1%	▼ -0.3%	80	▲ 25.0%	283	▼ -21.8%
Maricopa	\$459,900	▲ 3.3%		\$601,065	▲ 7.9%		96.1%	▲ 4.4%	56	▼ -8.2%	11,460	▼ -6.9%
Pinal	\$355,000	■ 0.0%		\$378,626	▲ 1.2%		96.1%	▲ 5.0%	69	▲ 4.5%	1,913	▲ 3.3%

Figure 10 – ARMLS Monthly Sales

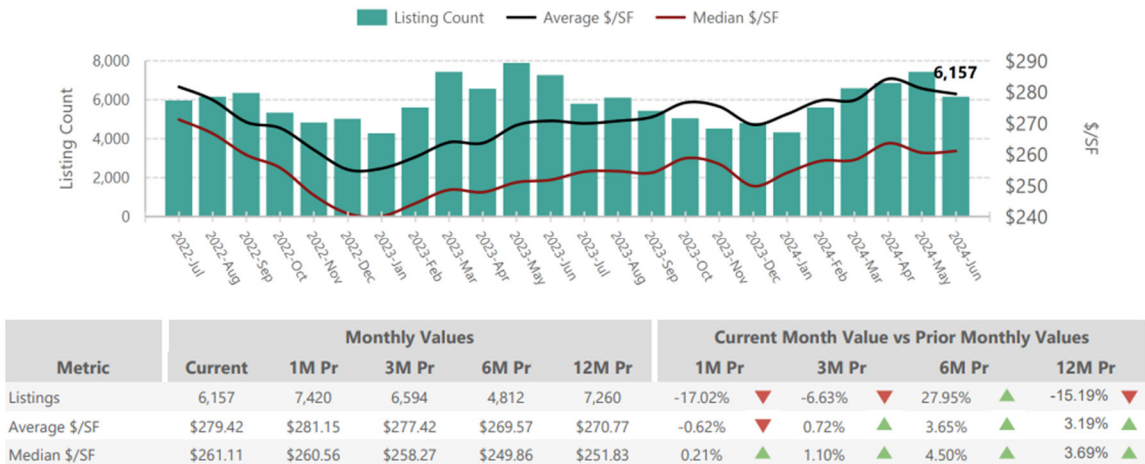
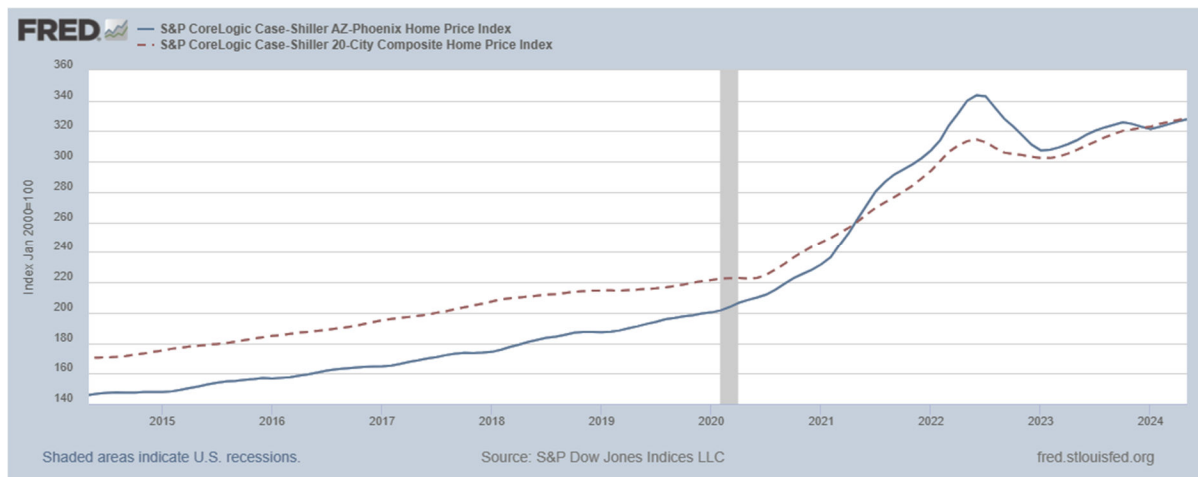


Figure 11 – Case-Shiller Index



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 Sector¹²

Figure 12 – CoStar Analytics Key Indicators, Multi-Family Market

KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Constr Units
4 & 5 Star	188,183	12.5%	\$1,770	\$1,742	958	698	23,509
3 Star	144,010	10.1%	\$1,415	\$1,397	993	917	7,217
1 & 2 Star	62,781	8.2%	\$1,166	\$1,157	(40)	32	130
Market	394,974	10.9%	\$1,559	\$1,537	1,911	1,647	30,856

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.7%	8.7%	10.8%	12.8%	2009 Q4	5.1%	2021 Q2
Absorption Units	15,626	5,495	10,035	16,388	2021 Q2	(3,970)	2007 Q4
Delivered Units	20,507	6,721	10,606	20,374	2024 Q2	205	2011 Q1
Demolished Units	0	177	209	709	2016 Q2	0	2024 Q2
Asking Rent Growth (YOY)	-1.9%	2.6%	2.3%	18.5%	2021 Q3	-7.0%	2009 Q4
Effective Rent Growth (YOY)	-2.1%	2.5%	2.3%	19.5%	2021 Q3	-6.9%	2009 Q4
Sales Volume	\$4.2B	\$4B	N/A	\$19.1B	2022 Q2	\$342.5M	2009 Q1

The Phoenix multifamily market took another step toward recovery in the first half of 2024. Easing inflation and rising consumer confidence have unlocked renter household formation, driving a rebound in underlying tenant demand. Though new supply additions continue to outpace leasing activity, the rate of decline in occupancy and rents has begun to flatten out, indicating that the market may be at or near the bottom regarding property performance.

The Valley recorded 16,000 units of net absorption over the past 12 months, outpacing the pre-COVID five-year average of 7,200 units. Though the lease-up of newly delivered luxury complexes drove the bulk of activity, a turnaround among 3 Star properties has been the most notable revelation. Midpriced communities saw 4,400 units of net absorption over the past 12 months, compared to thousands of units of negative net absorption the prior two years combined. These healthy demand figures caused metrowide vacancy to level off at 10.9%.

Although demand has improved, the surge in construction remains a formidable headwind impacting the market. Builders completed 21,000 net new units over the past 12 months, doubling the average annual completion total from 2015 to 2019. Another 31,000 units are currently under construction, representing 7.8% of existing inventory. That share ranks Phoenix as the nation's sixth most aggressively built apartment market. Empty units are most likely to accumulate in high-growth areas like Downtown Phoenix and Tempe, as well as the South West Valley, which recently became the top construction submarket.

With most development focused on high-end communities, the workforce housing segment has been more insulated from supply-side pressure. Vacancy at 1 & 2 Star properties has risen about 380 basis points from its post-COVID low, and rents are down about 1% from the recent peak. Meanwhile, at luxury properties, vacancy is 500 basis points higher than its post-pandemic best, and rents have declined 4%.

¹² CoStar Analytics, Phoenix, AZ, Multi-Family Market Report (generated July 30, 2024)

Elevated vacancy and the onslaught of construction have intensified competition. Annual rent growth has been negative since 22Q4, and concessions have ramped up. Over the past 12 months, the average asking rent fell -1.9%, and about 40% of communities offer some form of discount. Prospective renters can expect six to eight weeks of free rent at properties in lease-up and four weeks at some stabilized assets. Some property managers have also begun to offer concessions at renewal to shore up their backdoor.

Expectations are for another year of tepid rent growth, with rates finishing modestly positive by the end of 2024. The stronger-than-expected macroeconomy and recent pullback in construction starts, however, set the stage for a potential reacceleration by late 2025 or 2026.

Figure 13 – Historical Submarket Data, Multi-Family Market

Period	Vacancy Rate	Market Asking Rent/Unit	Annual Rent Growth	Inventory Units	Under Constr Units	Under Constr % of Inventory	12 Mo Absorp Units	Market Sale Price/Unit	12 Mo Sales Vol	12 Mo Sales Vol Growth	Market Cap Rate
2029	9.7%	\$1,784	2.6%	442,313	-	-	8,986	\$331,327	-	-	4.5%
2028	9.9%	\$1,740	3.0%	435,940	-	-	8,371	\$316,031	-	-	4.6%
2027	10.4%	\$1,689	3.0%	428,787	-	-	7,960	\$290,209	-	-	4.8%
2026	11.0%	\$1,639	3.7%	422,874	-	-	9,720	\$268,408	-	-	5.0%
2025	11.4%	\$1,581	2.3%	413,712	-	-	11,087	\$252,320	-	-	5.1%
2024 EST	11.4%	\$1,546	-0.8%	401,318	-	-	14,629	\$252,080	-	-	5.0%
2024 YTD	10.9%	\$1,559	-1.9%	394,974	30,856	7.8%	15,626	\$262,346	\$4,240,070,718	-28.0%	4.8%
2023	10.8%	\$1,558	-2.1%	382,242	37,770	9.9%	10,533	\$261,360	\$3,644,152,330	-72.2%	4.7%
2022	9.2%	\$1,591	-0.1%	364,064	36,469	10.0%	2,868	\$292,481	\$13,120,194,145	-18.8%	4.1%
2021	6.0%	\$1,592	18.2%	348,355	29,628	8.5%	11,250	\$291,842	\$16,160,278,957	151.8%	3.9%
2020	6.0%	\$1,348	5.0%	336,569	22,352	6.6%	10,077	\$219,509	\$6,416,981,184	-20.3%	4.5%
2019	6.7%	\$1,283	6.1%	328,204	14,665	4.5%	8,038	\$189,038	\$8,054,584,654	27.9%	5.0%
2018	6.6%	\$1,209	6.0%	319,278	13,412	4.2%	9,852	\$166,006	\$6,295,576,302	32.3%	5.3%
2017	7.1%	\$1,140	4.5%	310,381	15,426	5.0%	6,468	\$149,298	\$4,757,617,414	-7.4%	5.5%
2016	7.3%	\$1,091	4.4%	304,186	9,841	3.2%	4,953	\$137,663	\$5,139,997,865	44.3%	5.7%
2015	7.4%	\$1,045	5.4%	299,167	6,865	2.3%	6,853	\$128,840	\$3,562,670,889	33.6%	5.8%
2014	7.7%	\$992	3.3%	292,740	8,632	2.9%	6,535	\$116,637	\$2,667,395,263	4.6%	6.0%

Industrial Sector¹³

Figure 14 – CoStar Analytics Key Indicators and Submarkets, Industrial Market

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	346,643,491	12.7%	\$13.10	17.0%	1,265,754	2,142,150	25,173,956
Specialized Industrial	94,832,379	3.6%	\$13.63	3.9%	144,278	0	4,291,156
Flex	33,651,436	9.1%	\$19.16	9.5%	41,980	135,000	451,292
Market	475,127,306	10.7%	\$13.61	13.9%	1,452,012	2,277,150	29,916,404

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	5.3%	9.2%	12.2%	16.2%	2010 Q1	4.1%	2022 Q2
Net Absorption SF	15.3M	8,115,889	12,648,043	26,733,807	2021 Q3	(6,773,554)	2009 Q3
Deliveries SF	42.9M	9,832,077	16,908,804	45,118,944	2024 Q2	1,011,814	2011 Q4
Market Asking Rent Growth	6.4%	3.5%	5.0%	15.2%	2022 Q4	-9.0%	2009 Q4
Sales Volume	\$2.7B	\$1.6B	N/A	\$6.6B	2022 Q2	\$339.7M	2009 Q3

A deluge of new development completions continues to drive Phoenix's industrial vacancy rate higher, a condition that could persist into mid-2025. The second quarter marked the fourth consecutive quarter with 10+ million square feet of net deliveries, bringing the total over the past 12 months to an unprecedented 42.7 million square feet. For comparison, Phoenix averaged 8 million square feet of annual net deliveries in the three years leading up to the onset of the pandemic.

The wave of construction overshadows a resilient demand picture. While demand has eased from the frenetic pace seen in 2021 and 2022, leasing volume is 20% above 2019 levels as occupiers related to logistics, construction, and manufacturing continue to expand. For example, Amazon made a splash to start the year, signing three 1+ million square foot leases for a total of 3.5 million square feet at newly built industrial properties in the West Valley, reiterating the area's attractiveness as a logistics option. These factors, along with advanced manufacturing momentum, drove 15.3 million square feet of net absorption over the past 12 months, the third most in the nation.

Though tenant demand has been sturdy, it has not been enough to absorb the remarkable pace of deliveries, keeping vacancy on a swift upward trajectory. Vacancy rose from 4.2% in mid-2022 to 10.7% as of 24Q3, and further increases are likely.

With nearly 90% of recent construction focused on buildings larger than 100,000 square feet, vacant space is accumulating most quickly in the Valley's largest properties. The vacancy rate among existing buildings larger than 100,000 square feet reached a decade high of 13.8% in 24Q2, and another 16.5 million square feet of unleased space is underway in buildings of that size. Small bay product, meanwhile, is largely insulated from recent supply, with vacancy among existing properties smaller than 50,000 square feet in alignment with where it was entering COVID in the low 4% range.

¹³ CoStar Analytics, Phoenix, AZ, Industrial Market Report (generated July 30, 2024)

Increased competition from new supply is causing rent growth to decelerate. Average asking rents rose 6.4% over the past year, down from 15.2% in late 2022. Annual rent growth is forecast to slow to the lowest level in over a decade in the next 12 to 18 months as further supply additions normalize performance. Landlords of infill assets and small bay product will likely retain more pricing power than those of big bomber space along the metro's periphery.

The 29.9 million square feet currently under construction, 60% of which is being built on spec, is expected to put further upward pressure on vacancy through mid-2025. Looking beyond the near-term dislocation, the recent pullback in construction starts indicates that a reprieve of supply could be in store by late 2025 and 2026, setting Phoenix up for a return to tightening vacancies and an eventual reacceleration in rent growth.

Figure 15 – Historical Submarket Data, Industrial Market

Period	Vacancy Rate	Available SF Total	Market Asking Rent/SF	Market Asking Rent Growth	Inventory SF	Under Constr SF	12 Mo Net Absorp SF	Market Sale Price/SF	12 Mo Sales Vol Growth	Market Cap Rate
2029	10.4%	-	\$17.60	5.3%	546,753,355	-	14,718,727	\$240	-	6.3%
2028	10.9%	-	\$16.94	5.6%	537,240,994	-	14,725,773	\$228	-	6.3%
2027	11.6%	-	\$16.05	6.7%	524,707,375	-	14,078,728	\$210	-	6.4%
2026	12.4%	-	\$15.04	6.2%	513,448,556	-	13,991,821	\$190	-	6.5%
2025	13.8%	-	\$14.16	3.3%	505,744,455	-	7,847,860	\$173	-	6.7%
2024 EST	12.4%	-	\$13.71	3.2%	488,579,999	-	13,880,246	\$170	-	6.7%
2024 YTD	10.7%	70,375,359	\$13.61	6.4%	475,774,423	29,985,644	15,270,626	\$173	-2.9%	6.7%
2023	8.5%	66,943,247	\$13.29	11.2%	452,380,618	44,674,833	13,267,844	\$168	-46.4%	6.6%
2022	4.7%	49,948,954	\$11.94	15.2%	420,605,775	49,008,825	24,692,310	\$167	-23.6%	6.0%
2021	4.7%	36,895,237	\$10.37	12.7%	394,843,518	32,799,602	23,697,694	\$152	95.3%	5.8%
2020	7.2%	31,979,732	\$9.20	7.9%	379,816,470	12,311,817	15,562,226	\$123	13.2%	6.4%
2019	7.0%	32,014,351	\$8.52	6.8%	362,270,841	10,928,874	6,264,130	\$106	26.1%	6.8%
2018	6.5%	31,612,773	\$7.99	5.8%	353,404,919	7,931,583	9,548,306	\$96	55.2%	6.9%
2017	7.0%	32,427,917	\$7.55	4.8%	344,921,885	5,817,629	11,047,723	\$89	-21.3%	7.0%
2016	8.5%	36,424,766	\$7.20	5.0%	338,122,409	4,528,223	6,167,188	\$88	29.6%	6.6%
2015	9.3%	40,653,960	\$6.86	4.8%	334,380,736	4,485,084	8,576,723	\$83	4.3%	6.6%
2014	10.3%	43,516,742	\$6.54	4.8%	328,724,500	5,067,603	9,767,609	\$74	7.9%	7.0%

Office Sector¹⁴

Figure 16 – CoStar Analytics Key Indicators and Submarkets, Office Market

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	71,231,929	25.8%	\$34.43	26.9%	(275,269)	133,356	560,044
3 Star	88,406,594	13.7%	\$28.63	15.7%	(354,176)	0	401,810
1 & 2 Star	38,038,682	7.3%	\$23.09	8.2%	(129,699)	0	0
Market	197,677,205	16.8%	\$29.67	18.3%	(759,144)	133,356	961,854

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.4%	14.3%	17.4%	19.9%	2011 Q1	8.4%	1999 Q1
Net Absorption SF	(2.2M)	2,518,030	136,122	9,330,508	2006 Q2	(2,914,609)	2009 Q3
Deliveries SF	646K	3,668,461	1,091,635	9,383,184	2007 Q4	275,928	2013 Q4
Market Asking Rent Growth	1.4%	1.6%	2.2%	11.1%	2006 Q3	-13.0%	2009 Q4
Sales Volume	\$1.5B	\$1.9B	N/A	\$3.9B	2007 Q3	\$347.8M	2010 Q3

The steady rise in office vacancy remains unabated in Phoenix as the third quarter kicks off. Many local users are scrutinizing the effective use of their footprints, often resulting in space reductions or closures. This structural lowering of underlying demand caused market-wide vacancy to climb more than 550 basis points since 19Q4. Expectations are for further increases over the midterm as leases signed pre-pandemic or on short-term extensions expire, prompting tenants to make longer-term decisions about their space needs.

The total amount of net space vacated since the onset of COVID has now reached over - 4.5 million square feet, surpassing the total occupancy loss seen during the worst of the Great Recession. Nearly half of the space givebacks occurred in the past 12 months as tepid tenant demand persists even four years after the pandemic's start. Empty space is accumulating more quickly in larger suites and single-tenant buildings than in smaller ones.

Market participants indicate that spaces under 5,000 square feet in quality buildings are still in demand and typically get more competitive as suite size shrinks. The diverging performance across building sizes reinforces this trend. The average vacancy among non-medical properties smaller than 50,000 square feet has compressed 150 basis points since 2019's average, while those larger than 50,000 square feet have seen a 940-basis-point increase. Another pocket of strength can be found in the medical office sector, which also has lower vacancy than it did in 19Q4.

The increase in sublet availabilities also illustrates the downshift in demand. The total space available for sublease has climbed to 7.1 million square feet, more than triple the pre-COVID historical average. Sublet space now accounts for 3.6% of the total inventory, making Phoenix the fourth most heavily impacted sublease market in the country.

The lack of meaningful construction activity has helped avoid a more severe imbalance between supply and demand. Builders completed just 460,000 square feet of net new office space over the past 12 months, the lowest four-quarter total in nearly a decade. Additionally, just 960,000 square feet is underway, representing a third of what Phoenix had on average between 2017 and 2019.

¹⁴ CoStar Analytics, Phoenix, AZ, Office Market Report (generated July 30, 2024)

The swiftly decelerating pace of rent growth is a natural consequence of the sector's slackening demand. Average asking rents rose 1.4% over the past year, down from more than 5% gains seen just 12 to 18 months ago. However, increasing rent abatements and TI allowance may be masking a steeper decline in effective rent at the asset level.

Persistent uncertainty is expected to plague the Phoenix office market over the midterm as higher vacancy, softer rents, and elevated sublease availability weigh on market conditions.

Figure 17 – Historical Submarket Data, Office Market

Period	Vacancy Rate	Available SF Total	Market Asking Rent/SF	Market Asking Rent Growth	Inventory SF	Under Constr SF	12 Mo Net Absorp SF	Market Sale Price/SF	12 Mo Sales Vol Growth	Market Cap Rate
2029	17.3%	-	\$33.42	3.0%	202,405,687	-	1,370,442	\$258	-	7.6%
2028	17.4%	-	\$32.69	2.9%	201,422,817	-	1,233,016	\$246	-	7.8%
2027	17.5%	-	\$31.77	2.9%	200,219,039	-	1,169,690	\$228	-	8.2%
2026	17.6%	-	\$30.89	2.2%	199,182,655	-	436,553	\$213	-	8.5%
2025	17.6%	-	\$30.22	1.3%	198,493,729	-	(799,987)	\$202	-	8.7%
2024 EST	16.9%	-	\$29.84	1.2%	197,978,008	-	(2,011,053)	\$200	-	8.8%
2024 YTD	16.8%	36,396,387	\$29.67	1.4%	197,677,205	961,854	(2,220,235)	\$204	-19.0%	8.6%
2023	15.7%	35,613,189	\$29.48	3.8%	197,426,428	602,736	(1,693,755)	\$211	-57.5%	8.4%
2022	14.6%	33,591,901	\$28.41	5.1%	196,780,257	629,553	(984,515)	\$221	-9.3%	7.8%
2021	13.5%	32,119,310	\$27.02	5.3%	195,450,515	1,867,648	(112,552)	\$232	112.9%	7.2%
2020	12.3%	31,778,531	\$25.66	1.0%	193,025,881	3,930,971	168,495	\$217	-50.7%	7.4%
2019	11.1%	25,883,247	\$25.40	4.7%	190,216,815	3,963,258	4,276,610	\$205	5.6%	7.7%
2018	11.9%	27,800,275	\$24.27	3.4%	187,098,672	4,949,782	3,253,159	\$193	9.7%	7.6%
2017	13.2%	28,447,752	\$23.47	4.5%	186,049,799	2,981,340	2,908,034	\$186	18.3%	7.5%
2016	14.1%	30,656,514	\$22.46	6.3%	184,448,609	2,288,916	4,211,201	\$186	-28.1%	7.2%
2015	15.1%	31,748,671	\$21.14	7.3%	181,606,015	3,325,868	4,031,465	\$177	77.5%	7.2%
2014	15.9%	33,556,034	\$19.70	4.6%	178,568,130	4,062,948	2,448,752	\$165	23.7%	7.3%

Retail Sector¹⁵

Figure 18 – CoStar Analytics Key Indicators and Submarkets, Retail Market

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	16,595,427	9.2%	\$29.92	4.3%	(48,241)	0	519,410
Power Center	33,017,350	4.0%	\$27.92	3.7%	34,624	0	156,260
Neighborhood Center	91,633,326	5.6%	\$24.54	5.9%	103,654	0	139,055
Strip Center	14,955,216	5.1%	\$22.83	6.5%	4,703	20,299	248,261
General Retail	85,076,879	3.1%	\$23.85	3.1%	57,990	1,502	1,780,236
Other	2,309,855	11.0%	\$24.79	10.6%	5,400	0	32,670
Market	243,588,053	4.8%	\$25.02	4.6%	158,130	21,801	2,875,892

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.2%	8.1%	5.1%	12.3%	2011 Q1	4.4%	2023 Q4
Net Absorption SF	1.3M	2,733,040	932,535	11,198,394	2007 Q3	(2,981,695)	2009 Q3
Deliveries SF	1.8M	3,188,312	1,769,266	12,909,541	2007 Q4	671,330	2011 Q2
Market Asking Rent Growth	6.5%	0.8%	3.0%	8.2%	2023 Q4	-9.2%	2009 Q3
Sales Volume	\$1.6B	\$1.7B	N/A	\$3.9B	2022 Q3	\$436.7M	2010 Q3

Conditions in the Phoenix retail market remain near the tightest level on record as the third quarter kicks off. Strong demographics, continued income growth, and healthy job gains fuel robust underlying tenant demand. These stout demand drivers, coupled with the modest construction pipeline and limited store closures, have kept space availability and rent growth near all-time bests.

The Valley recorded 1.3 million square feet of net absorption over the past 12 months, ranking Phoenix as one of the nation's top 15 strongest demand markets. Quick-service restaurants, beverage shops, discount retailers, and experiential tenants have been the primary sources of new retail leases this year.

One of the main factors supporting the steady improvement in property fundamentals during the current expansion cycle has been the lack of new construction. About 1.8 million square feet delivered over the past 12 months, down from an average of 2.1 million square feet from 2015 to 2019. Supply-side pressure is expected to remain limited over the near term, with 2.9 million square feet currently under construction, just 20% of which is available for lease.

After years of steady gains, the Phoenix retail market is bumping up against a structural bound on growth. The availability rate is flattening out at a multi-decade low of 4.6%, making it difficult for retailers to find quality expansion options. Limited availabilities have weighed on leasing volume, down more than 10% from the pre-pandemic five-year average. When normalizing for the amount of for-lease space, however, leasing is well above the historical level, indicating that the recent slowdown is more a function of a lack of space than a weakness in demand.

¹⁵ CoStar Analytics, Phoenix, AZ, Retail Market (February 16, 2024)

Instead of an upswing in leasing, the recent outperformance is primarily driven by a pullback in store closures. Healthy corporate balance sheets and strong profit margins have kept most national retailers in a financially sound position. As a result, the amount of space vacated during the most recent 12-month period is down 20% from pre-pandemic levels, keeping conditions tight even as leasing slows.

Historically low availability coupled with strong consumption patterns have driven aggressive rent growth. Additionally, many retailers have seen sales, profitability, and efficiency increase, enabling landlords to steadily push rents while allowing tenants to maintain comfortable occupancy costs. The average asking rent increased 6.5% over the past 12 months and a staggering 31.4% over the past five years, ranking Phoenix as one of the country's top rent growth markets.

Though an anticipated slowdown in economic and consumption growth may cause the availability rate and rent growth to normalize, a meaningful weakening of property performance is not expected over the near term. Robust demographic tailwinds, continued job gains, and healthy incomes are forecast to keep the fundamental balance between supply and demand intact in 2024.

Figure 19 – Historical Submarket Data, Retail Market

Period	Vacancy Rate	Available SF Total	Market Asking Rent/SF	Market Asking Rent Growth	Inventory SF	Under Constr SF	12 Mo Net Absorp SF	Market Sale Price/SF	12 Mo Sales Vol Growth	Market Cap Rate
2029	5.3%	-	\$28.71	2.1%	250,543,670	-	1,182,319	\$286	-	6.8%
2028	5.2%	-	\$28.27	2.2%	249,443,202	-	855,343	\$277	-	6.9%
2027	5.2%	-	\$27.65	2.3%	248,274,715	-	639,228	\$266	-	7.0%
2026	5.1%	-	\$27.04	3.1%	247,316,039	-	961,059	\$251	-	7.2%
2025	5.1%	-	\$26.22	3.4%	246,478,843	-	1,186,495	\$243	-	7.2%
2024 EST	5.0%	-	\$25.37	4.7%	244,828,572	-	644,823	\$251	-	6.8%
2024 YTD	4.8%	11,325,772	\$25.02	6.5%	243,898,390	2,875,892	1,250,796	\$255	-27.5%	6.6%
2023	4.4%	10,620,757	\$24.23	8.2%	242,788,902	2,653,744	3,383,494	\$248	-51.6%	6.6%
2022	5.2%	12,847,040	\$22.39	6.8%	241,133,048	2,469,017	4,425,392	\$231	3.3%	6.7%
2021	6.5%	16,191,304	\$20.96	5.6%	239,766,376	1,253,978	2,372,230	\$216	121.7%	6.8%
2020	7.4%	19,938,253	\$19.84	2.3%	239,696,996	1,137,847	134,822	\$201	-32.7%	6.9%
2019	6.8%	18,916,773	\$19.40	4.0%	237,761,341	2,215,633	1,556,790	\$191	14.4%	7.1%
2018	6.9%	19,280,844	\$18.66	2.7%	236,542,671	1,168,347	2,212,964	\$181	37.7%	7.2%
2017	7.3%	20,250,004	\$18.17	3.2%	235,013,316	1,327,174	4,405,415	\$178	-35.0%	7.2%
2016	8.0%	21,484,571	\$17.61	2.0%	231,841,541	2,485,681	2,784,386	\$175	3.5%	7.2%
2015	8.4%	22,382,919	\$17.26	3.7%	229,966,775	1,722,569	2,750,897	\$174	30.3%	7.0%
2014	9.2%	23,899,009	\$16.65	1.8%	228,912,844	926,647	2,323,061	\$163	35.5%	7.3%

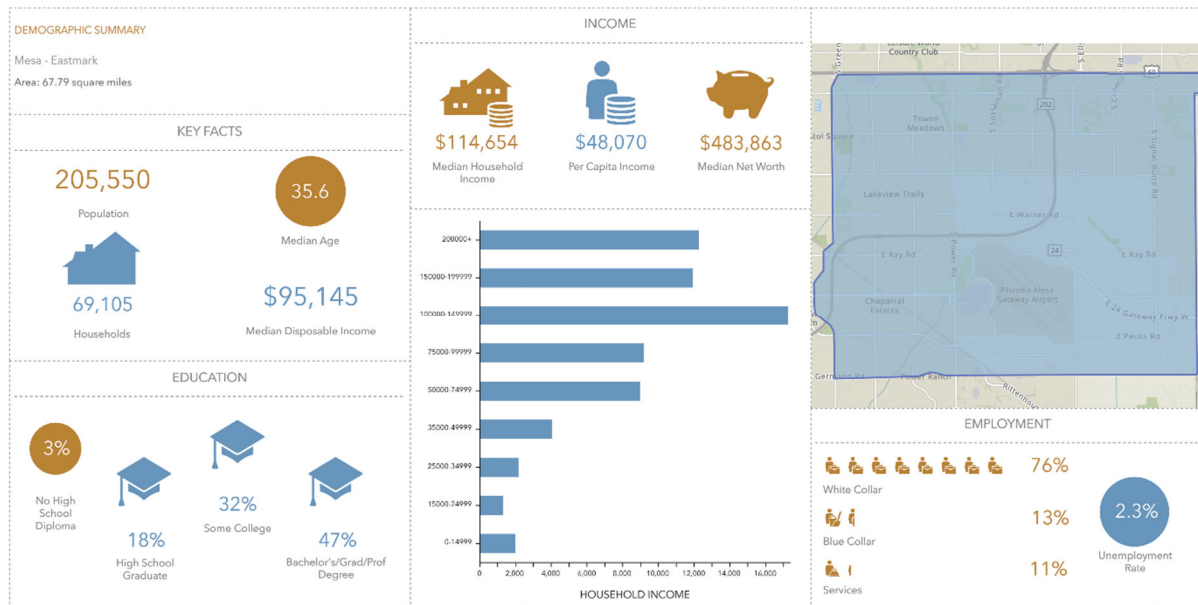
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Demographics

Figure 21 – Demographic Summary

Summary	Census 2010	Census 2020	2024	2029	
Population	125,095	180,947	205,550	214,159	
Households	42,070	60,013	69,105	73,053	
Families	32,380	46,866	53,695	56,840	
Average Household Size	2.96	2.99	2.95	2.91	
Owner Occupied Housing Units	31,683	45,441	53,160	56,110	
Renter Occupied Housing Units	10,387	14,572	15,945	16,943	
Median Age	31.3	34.9	35.6	36.3	
Trends: 2024-2029 Annual Rate		Area	State	National	
Population	0.82%		0.74%	0.38%	
Households	1.12%		1.10%	0.64%	
Families	1.14%		1.08%	0.56%	
Owner HHs	1.09%		1.52%	0.97%	
Median Household Income	3.07%		3.56%	2.95%	
Households by Income		Number	2024	2029	
		Percent	Number	Percent	
<\$15,000		1,982	2.9%	1,491	2.0%
\$15,000 - \$24,999		1,302	1.9%	850	1.2%
\$25,000 - \$34,999		2,166	3.1%	1,600	2.2%
\$35,000 - \$49,999		4,056	5.9%	3,048	4.2%
\$50,000 - \$74,999		8,967	13.0%	7,141	9.8%
\$75,000 - \$99,999		9,192	13.3%	8,236	11.3%
\$100,000 - \$149,999		17,264	25.0%	18,740	25.7%
\$150,000 - \$199,999		11,916	17.2%	16,146	22.1%
\$200,000+		12,259	17.7%	15,802	21.6%
Median Household Income		\$114,654		\$133,350	
Average Household Income		\$142,940		\$166,117	
Per Capita Income		\$48,070		\$56,681	

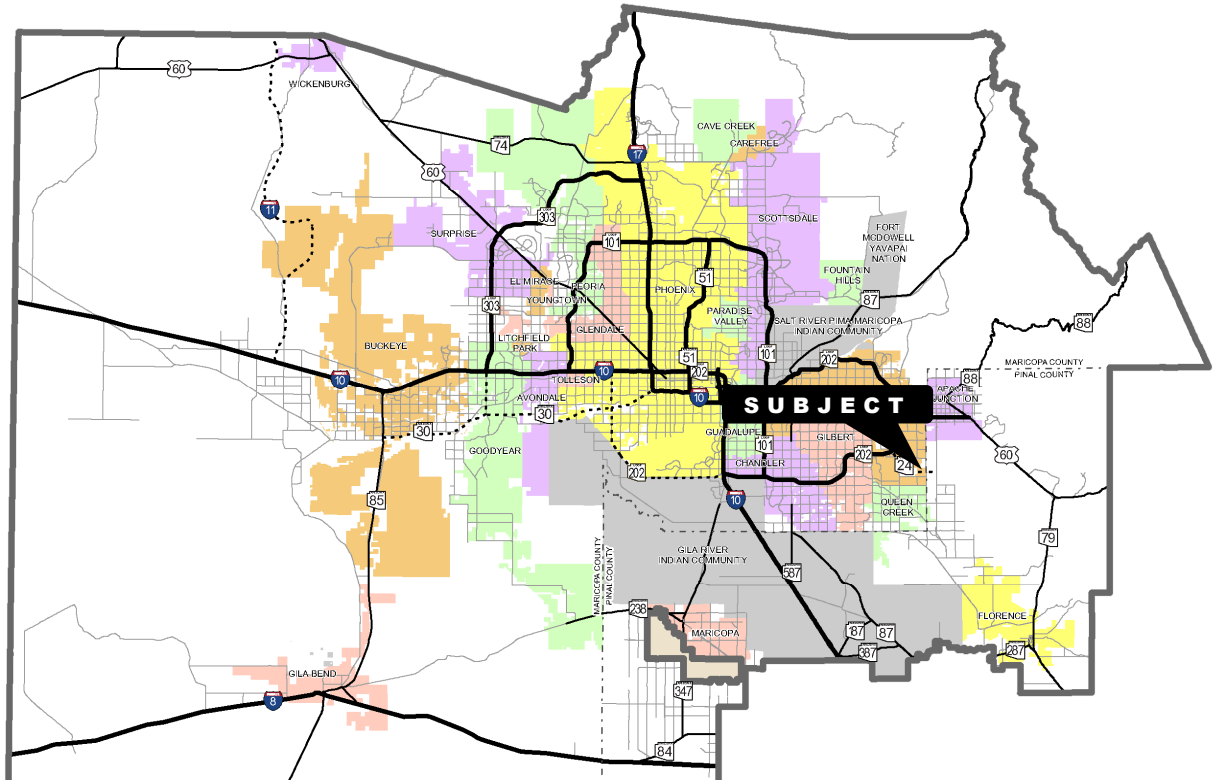
Source: Esri forecasts for 2024 and 2029. U.S. Census Bureau 2020 decennial Census in 2020 geographies.



Transportation

Regional Freeway System

Figure 22 – Regional Freeway System Map



Source: Maricopa Association of Governments RTP 2040

The subject neighborhood is in the southeast portion of the metropolitan Phoenix area and has excellent access to the regional freeway system. State Route 202 (San Tan Freeway) crosses the neighborhood and US Highway 60 (Superstition Freeway) forms the northern boundary of the neighborhood. The first phase of State Route 24 extends easterly from State Route 202 and is an interim highway facility currently terminating at Ironwood Road in Pinal County.

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 across the subject neighborhood 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 Baseline Road, Guadalupe Road, Elliot Road, Warner Road, Ray Road, Williams Field Road, Pecos Road, and Germann Road. The primary north/south arterial roadways are Greenfield Road, Higley Road, Recker Road, Power Road, Sossaman Road, and Ellsworth Road. A portion of Greenfield Road was realigned when the Santan Freeway was built and has been renamed Santan Village Parkway between Ray Road and Pecos Road. Rittenhouse Road extends southeast from Pecos Road near Power Road, following the alignment of the Union Pacific Railroad tracks, and crosses the southwest portion of the neighborhood.

Railway

Freight rail service is found in the metropolitan area with railroads operated by Union Pacific Railroad and BNSF Railway. The Union Pacific Railroad crosses the subject neighborhood from the southeast.

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. There are no plans for the light rail system to serve 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 fourteenth busiest airport in the nation in terms of passenger traffic with 46,121,791 passengers enplaned and deplaned during 2023, as well as being the tenth busiest airport for all traffic movements.¹⁶

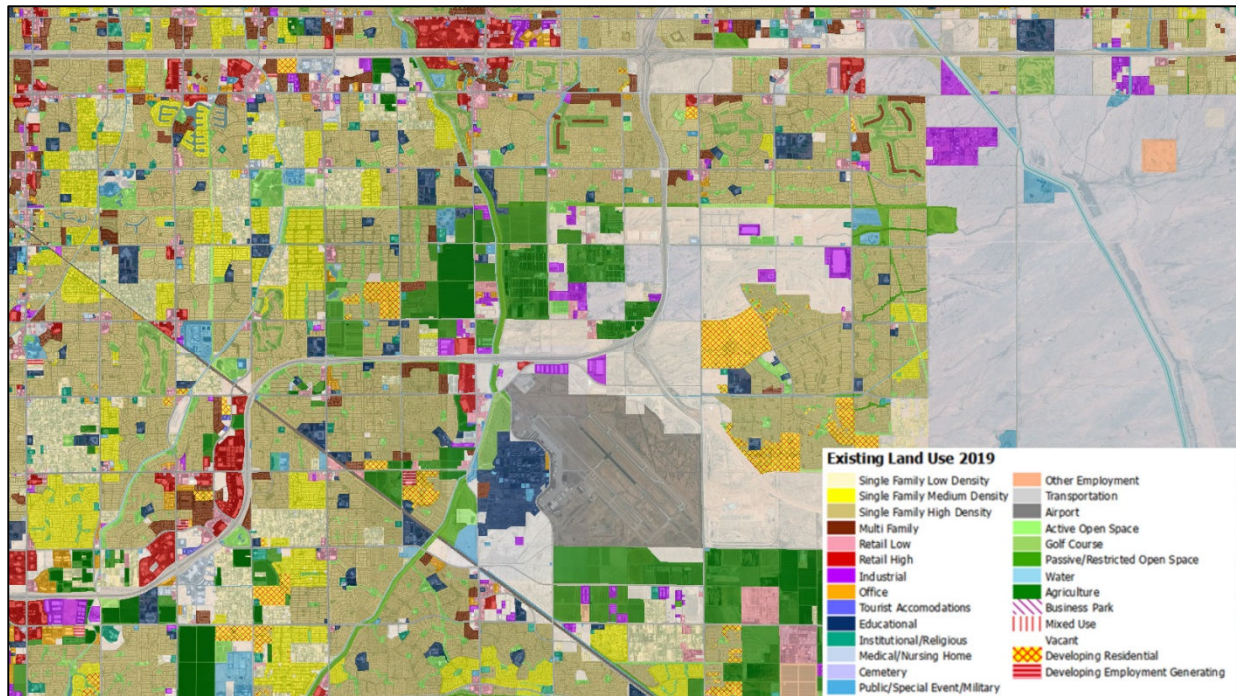
Cargo air service and limited passenger air service is also provided by Mesa Gateway Airport, the former Williams Air Force Base located in the eastern portion of the subject neighborhood. The airport has three runways and is a reliever airport for Phoenix Sky Harbor International Airport. Chandler Municipal Airport, located southwest of the subject neighborhood near Cooper Road and Germann Road, also serves the subject neighborhood and is used primarily for general aviation purposes.

Land Use Patterns

The ultimate land use of the subject neighborhood is governed to large extent by the land use elements of the general plans for the cities of Mesa and Gilbert. Specific development patterns tend to be defined by the zoning ordinances of Mesa and Gilbert. The subject neighborhood is in the southeast valley of the metropolitan Phoenix area and has seen recent growth of residential subdivision development.

¹⁶ North American Airport Traffic Report, Airports Council International (<https://airportsCouncil.org/>)

Figure 23 – Existing Land Use Map



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

The large amount of land within the subject neighborhood has been vacant desert land or in agricultural production although these land uses have been in transition to more suburban types of uses. Residential development has been spreading to the east and southeast with the most notable development being the Eastmark master planned community located on the former General Motors proving grounds.

The most significant commercial developments within the subject neighborhood are found along the Superstition Freeway and Santan Freeway corridors. The largest of these developments are the Superstition Springs Center, located along the west side of Power Road between the Superstition Freeway and Southern Avenue, and Santan Village located at Williams Field Road and the Santan Freeway. Both developments are regional retail shopping centers with an adjoining retail power center. Smaller commercial neighborhood shopping centers are found throughout the northern and western portions of the subject neighborhood.

Phoenix-Mesa Gateway Airport occupies approximately six square miles between Power Road and Ellsworth Road, south of Ray Road. Industrial development. The Arizona State University Polytechnic campus is also located next to the Phoenix-Mesa Gateway Airport.

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 Maricopa County, the Town of Gilbert and the City of Mesa, Southwest Gas Company provides natural gas service, and both Cox Communications and CenturyLink provides local telecom services. Electric service is provided by Salt River Project. Utility rates are equitable to other areas of the city and do not adversely impact property values.

Fire and police protection in the neighborhood are provided by the City of Mesa, the Town of Gilbert and Maricopa County. Major medical facilities that serve the subject neighborhood are Mercy Gilbert Medical Center at Val Vista Drive and the Santan Freeway, the Veterans Administration Clinic near Power Road and Williams Field Road, Desert Samaritan Hospital at Dobson Road and Southern Avenue, and Chandler Regional Medical Center near Dobson Road and Pecos Road in Chandler.

Public educational facilities are located in and around the subject area and include a number of K-12 schools within the Higley Elementary School District, Gilbert Unified School District, and Queen Creek Unified School District. The Arizona State University Polytechnic campus, Chandler-Gilbert Community College and Mesa Community College all share buildings at the Williams Gateway Airport Center. The Chandler-Gilbert Community College campus is located on Pecos Road east of Cooper Road in Chandler, and the Mesa Community College campus is located at Dobson Road and Southern Avenue in Mesa. The main campus of Arizona State University is located approximately ten miles to the northwest in Tempe.

Other amenities serving the subject neighborhood include a number of local city parks throughout the region, including the Riparian Preserve at Water Park. The subject neighborhood hosts several golf courses, many of which are features of master planned communities, including Greenfield Lakes, Superstition Springs Golf Club and Augusta Ranch Golf Club.

Trends

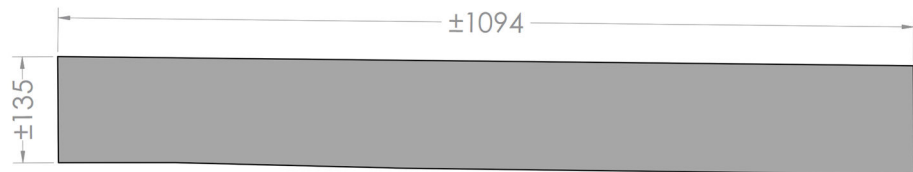
The subject neighborhood is characterized by a mix of residential and commercial land uses, and undeveloped land that is in transition to similar development. The overall trend for the subject neighborhood is for continued development, with commercial and industrial development taking place near Mesa Gateway Airport where residential development is not encouraged or allowed. The long-term outlook is for the continued transition from agricultural uses to more suburban type of residential housing, neighborhood commercial support facilities, and industrial development.

Real Property Description

The following description of the subject property is based upon a physical inspection of the property on January 10, 2025, 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

Location	Northeast corner of Mountain Road and State Route 24		
Street Address	6361 S. Mountain Road		
City, State ZIP	Mesa, Arizona 85212		
County	<u>Maricopa</u>	Map Reference	<u>169-192MF</u>
Census Tract	<u>817600</u>	Block	<u>1073</u>
Assessor Parcel No(s)	304-34-926 (portion of)		
Land Area ¹⁷	<u>144,970</u>	Square Feet	
	<u>3.328</u>	Acres	
Shape/Dimensions	The subject property is irregular in rectangular in shape, measuring approximately 1,094 feet along the northern boundary and 135 feet along the western boundary.		



<i>Surrounding Development</i>	North:	<u>Residential Subdivision Development</u>
	South:	<u>Vacant Land</u>
	East:	<u>Vacant Land</u>
	West:	<u>Commercial/Industrial Development (under construction)</u>

The subject parcel is located along the State Route 24 corridor in an area which is in transition from vacant land to planned commercial and industrial land uses.

<i>Utilities</i>	In Use		Available from:
	Yes	No	
Electricity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>Salt River Project</u>
Water	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>City of Mesa</u>
Sanitary Sewer	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>City of Mesa</u>
Natural Gas	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>Southwest Gas Company</u>
Telecom	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>Cox Communications</u>
			<u>CenturyLink</u>

<i>Frontage/Access</i>	The subject site has frontage along Mountain Road and along State Route 24. Access to the property is only available from Mountain Road.
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¹⁷ Source: Maricopa County Assessor

<i>Street Improvements</i>	Street Name	Mountain Road	State Route 24
	Lanes (# | Direction)	1 North | 1 South	2 East | 2 West
	Street Width	110 feet	Varies
	Center Lane/Median	None	Median
	Surface	Asphalt	Asphalt
	Curb	No	No
	Gutter	No	No
	Sidewalk	No	No
	Lighting	No	No
	Frontage	±135 feet	±1,094 feet
	Traffic Count (2023)	Unmeasured	60,325 AADT

The Arizona Department of Transportation completed construction of the Interim Phase II section of State Route 24 (SR 24), in August 2022. In July 2024, ADOT began the design phase for the ultimate buildout of SR 24 between Loop 202 and Ironwood Drive.

Topography The site is generally level and at grade with surrounding properties

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

<i>Flood Hazard</i>	FEMA Flood Insurance Rate Map(s):		
	Flood Zone(s)	Panel	Effective Date
	X	04013C2790L	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.

Signs A physical inspection of the site did not reveal the presence of any signs on the property.

Zoning

The subject property is located in an area categorized for mixed residential land uses as shown on the general plan for the City of Mesa. More specifically, the subject property is located within the Agricultural (AG) zoning district as defined by the City of Mesa zoning authorities. According to the zoning ordinance,

The purpose of the Agricultural (AG) District is to protect and preserve agricultural lands and related activities in their present character. The intent of this district is to protect agricultural lands from incompatible land uses and urban encroachment. This district encourages the use of land for local food production. This district may also be used as a means to limit premature development, or to assure development of property takes place when suitable infrastructure and adopted plans are in place to support development of the area in a manner consistent with the applicable General Plan designation.¹⁸

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 considered to be 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 title report would reveal the presence of any easements and legal restrictions placed upon the subject property, although such a report has not been provided in conjunction with this appraisal assignment. 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.

Taxes and Assessments

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. 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. In this instance, the property to be appraised is exempt from real property taxes because it is owned by the State of Arizona.

¹⁸ City of Mesa Zoning Ordinance, Section 11-4-1

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.)¹⁹

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.

¹⁹ 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."²⁰

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 Mesa 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 Agricultural (AG) district. This zone allows for primarily low density land uses as set forth in the zoning ordinance for the City of Mesa. 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 land. 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 Mesa indicates that the subject property is in an area planned for mixed land uses, including an existing residential subdivision to the north and planned commercial and industrial uses to the east, west and south. Considering the existing land uses in the area and those allowed under the current zoning of the subject property, a change in zoning is likely to occur.

²⁰ 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, and available utilities, are adequate for its legally permissible land uses. The shape of the parcel is rectangular but the site is rather long and narrow with a frontage to depth ratio of 0.12. A soils report has not been provided, although it is noted from a physical inspection of the subject land and existing development on properties in the immediate area, that the soil appears to be adequate for its legally permissible uses.

The subject land 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 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 light industrial development.

Summary and Conclusion

After examining the reasonably probable use of the property that results in the highest value, both as if vacant and as improved, it is my conclusion that the highest and best use of the subject property is as follows:

As If Vacant: Light Industrial Development

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.²¹

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.

²¹ 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 1 summarizes the significant information extracted from the comparable sales believed to be most pertinent in the valuation of the subject land.

Table 1 – Land Sales Summary Table

Comp No.	Intended Use	Sale Date	Zoning	Frontage	Land Area Square Feet	Price	Price per Square Foot
1	Assemblage	05/21	LI	Interior	209,523	\$ 1,256,556.00	\$6.00
2	Industrial Development	10/21	LI	Corner	208,172	\$ 2,498,076.00	\$12.00
3	Land Investment	06/22	RU-43	Interior	207,900	\$ 1,100,000.00	\$5.29
4	Industrial Development	06/23	GI	Mid-Block	87,120	\$ 871,000.00	\$10.00
SUBJECT			AG	Mid-Block	144,970		

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 land 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 land, 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 land.

- *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.

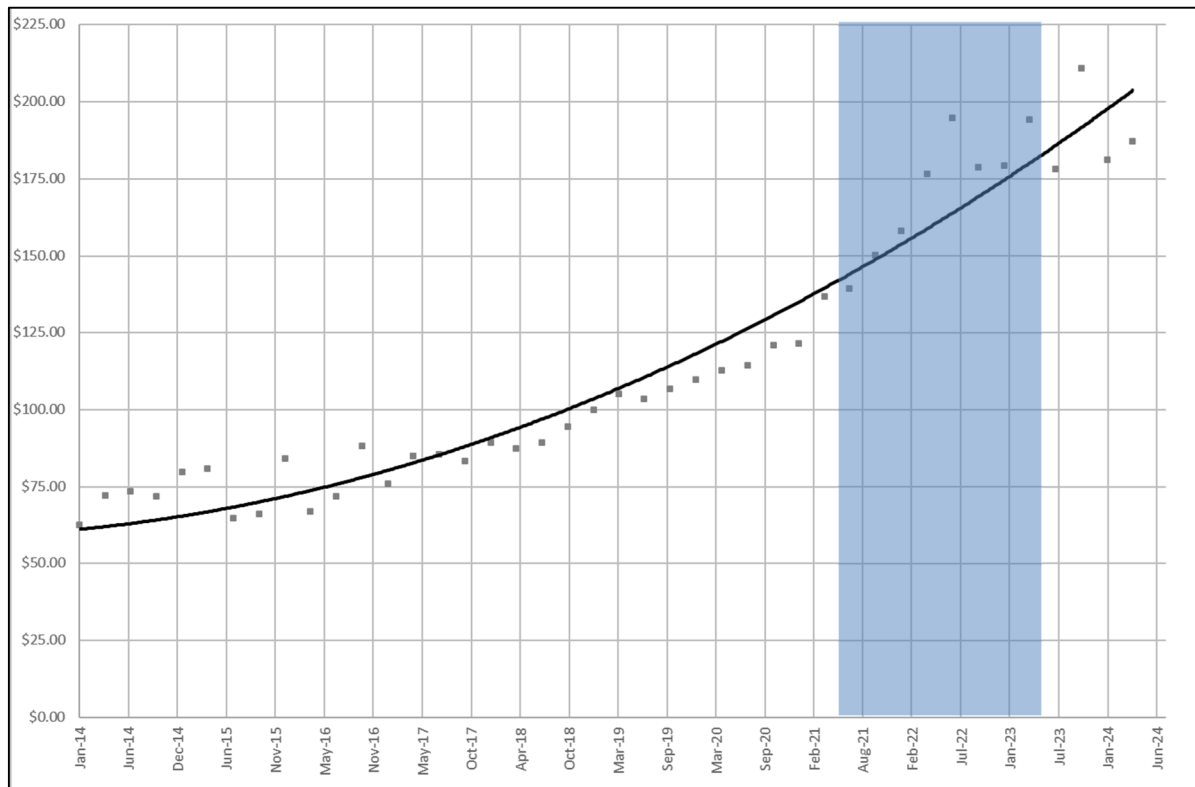
- *Immediate Expenditures*

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 land. 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.

Figure 24 – Median Land Sale Price Trend, 2014-present



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 mid-2021 to mid-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.

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.

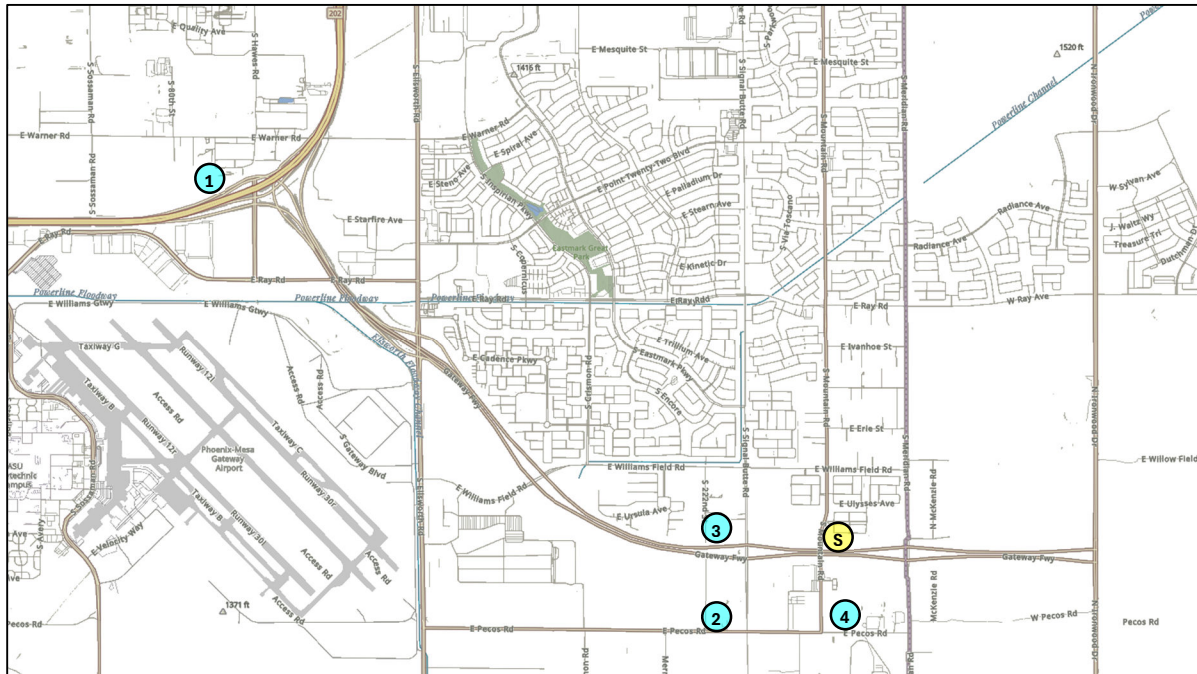
Properties that were exposed to the market for a significantly shorter or longer period of time than the exposure time of the subject would require adjustment. In this instance, each of the comparable properties was purchased given a reasonable exposure time, and no adjustment will be necessary for this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

Figure 25 – Land Sales Location



Comparable No. 1 is located southwest of Hawes Road and Warner Road along the north side of State Route 202. Comparable Nos. 2 and 3 are located along 222nd Street between Pecos Road and Williams Field Road, and Comparable No. 4 is northwest of Meridian Road and Pecos Road. Comparable No. 3 is in close proximity to the subject but is a more interior site within a Maricopa County island. An upward adjustment will be applied for the location of this parcel. The location of the other properties and considered similar enough to the subject that an adjustment will not be necessary.

- 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, no adjustment for land area will be made in this analysis.

Shape – The subject property is rectangular in shape but is narrow with a small frontage to depth ratio which is considered to diminish the utility of the site. The comparable properties are all more regular in shape with superior frontage to depth ratios and are not impacted by a similarly narrow site. Downward adjustments will be applied in this analysis for this factor.

Access –Access to Comparable No. 1 is considered inferior due to access provided by dirt roads and trails. An upward adjustments will be applied to this property for this reason. The access to the other comparable properties is similar and will not warrant adjustment.

- *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.

Use/Zoning – The location of a property within a given zoning district, in some instances, may warrant adjustment. A tract of land with a more restrictive zoning classification might develop a lower price per unit than a similar tract with a more liberal classification. The subject property is zoned AG which is most similar to the RU-43 zoning of Comparable No. 3. The other comparable properties have zoning in place which allow for more intensive industrial development and a downward adjustment will be made for this reason.

- *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

Southwest of Hawes Road and Warner Road

Grantor	Vantage Retirement Plans, LLC, FBO Robert Taylor IRA	Land Area	209,523 Square Feet
Grantee	EastGroup Properties, LP		4.810 Acres
Sale Date	May 2021	Zoning	LI
Sale Price	\$1,256,556.00		Light Industrial
	\$6.00 per Square Foot		



Comparable No. 1 is a site located southwest of Hawes Road and Warner Road with frontage along State Route 202, situated less than five miles northwest of the subject property. Surrounding land uses include industrial development and vacant land planned for similar development. This site is generally level and at grade with the abutting properties and roadways. This property was purchased to be assembled with surrounding land and planned as a 50-acre Class A industrial development known as Gateway Interchange.

An upward adjustment of 37% will be applied to account for the amount of time between the date of sale and the date of valuation. The location of this property is similar enough to the subject that an adjustment will not be necessary. In terms of physical characteristics, this property is slightly larger than the subject property, although an adjustment will not be applied in this instance. A 15% downward adjustment will be applied for the superior shape when compared to the subject parcel. A partially offsetting 10% upward adjustment will be made for inferior access characteristics. A 25% downward adjustment will be applied for the LI (Light Industrial) zoning of this parcel. After the adjustments indicated, this sale suggests a value of \$5.75 per square foot for the subject land.

Comparable No. 2

Northwest of Signal Butte Road and Pecos Road

Grantor	Mad Aim Investments, LLC	Land Area	208,172 Square Feet
Grantee	NM Management, LLC		4.779 Acres
Sale Date	October 2021	Zoning	LI
Sale Price	\$2,498,076.00		Light Industrial
	\$12.00 per Square Foot		



Comparable No. 2 is a site located northwest of Signal Butte Road and Pecos Road at 222nd Street, situated less than one mile southwest of the subject property. Surrounding land uses include industrial development and vacant land planned for similar development. This site is generally level and at grade with the abutting properties and roadways. This property was purchased for the construction of an industrial building to be occupied by the buyer.

An upward adjustment of 33% will be applied to account for the amount of time between the date of sale and the date of valuation. The location of this property is similar enough to the subject than an adjustment will not be necessary. In terms of physical characteristics, this property is slightly larger than the subject property, although an adjustment will not be applied in this instance. A 20% downward adjustment will be applied for the superior shape when compared to the subject parcel. A 25% downward adjustment will be applied for the LI (Light Industrial) zoning of this parcel. After the adjustments indicated, this sale suggests a value of \$8.78 per square foot for the subject land.

Comparable No. 3

Southwest of Signal Butte Road and Williams Field Road

Grantor	Joseph H. Libbey and Willie M. Libbey
Grantee	SR24 Storage, LLC
Sale Date	June 2022
Sale Price	\$1,100,000.00
	\$5.29 per Square Foot

Land Area	207,900 Square Feet
	4.773 Acres
Zoning	RU-43
	Rural



Comparable No. 3 is a site located southwest of Signal Butte Road and Williams Field Road with frontage along 222nd Street, situated less than one mile west of the subject property. Surrounding land uses include residential development and vacant land planned for commercial development. This site is generally level and at grade with the abutting properties and roadways. This property was subsequently sold as part of a larger property and purchased by group planning a commercial development and auto mall along Signal Butte Road north of State Route 24.

An upward adjustment of 26% will be applied to account for the amount of time between the date of sale and the date of valuation. The location of this property is a more interior site and within a Maricopa County island, and a 25% upward adjustment will be applied for this reason. In terms of physical characteristics, this property is slightly larger than the subject property, although an adjustment will not be applied in this instance. A 15% downward adjustment will be applied for the superior shape when compared to the subject parcel. After the adjustments indicated, this sale suggests a value of \$7.34 per square foot for the subject land.

Comparable No. 4

Northwest of Meridian Road and Pecos Road

Grantor	High Voltage Holdings, LLC	Land Area	87,120 Square Feet
Grantee	Mountain Pecos, LLC		2.000 Acres
Sale Date	June 2023	Zoning	GI
Sale Price	\$871,000.00		General Industrial
	\$10.00 per Square Foot		



Comparable No. 4 is a site located northwest of Meridian Road and Pecos Road with frontage along Pecos Road, situated approximately one-half mile south of the subject property. Surrounding land uses include industrial development and vacant land planned for similar development. This site is generally level and at grade with the abutting properties and roadways. This property was purchased for the construction of an industrial building.

An upward adjustment of 16% will be applied to account for the amount of time between the date of sale and the date of valuation. The location of this property is similar enough to the subject than an adjustment will not be necessary. In terms of physical characteristics, this property is slightly smaller than the subject property, although an adjustment will not be applied in this instance. A 10% downward adjustment will be applied for the superior shape when compared to the subject parcel. A 25% downward adjustment will be applied for the GI (General Industrial) zoning of this parcel. After the adjustments indicated, this sale suggests a value of \$7.54 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 \$5.29 per square foot to a high indication of \$12.00 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 \$5.75 per square foot to \$8.78 per square foot, with a mean value of \$7.35 per square foot. I believe that the subject property may be reasonably and fairly placed within this range. All things considered, it is my opinion the subject property could reasonably be placed in the middle to lower portion of the range in indicated values provided by these comparable properties.

Based upon the preceding analysis, a value of \$7.00 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 \$1,010,000.00, and can be calculated as follows:

$$\begin{array}{rcl} 144,970 \text{ square feet at} & \$7.00 \text{ per square foot} & = \$ 1,014,790.00 \\ & \text{rounded to,} & \$ 1,010,000.00 \end{array}$$

Table 2 – Land Sales Adjustment Grid

Comparable No.		1	2	3	4	SUBJECT
Sale Price		\$1,256,556.00	\$2,498,076.00	\$1,100,000.00	\$871,000.00	Mid-Block Paved Road 144,970 Rectangular Level AG X
Date of Sale		05/21	10/21	06/22	06/23	
Elapsed Time (months)		44	39	31	19	
Frontage		Interior	Corner	Interior	Mid-Block	
Access		Dirt Road	Paved Road	Paved Road	Paved Road	
Land Area – Square Feet		209,523	208,172	207,900	87,120	
Shape		Slightly Irregular	Rectangular	Rectangular	Rectangular	
Topography		Level	Level	Level	Level	
Zoning		LI	LI	RU-43	GI	
Flood Zone		X	X	X	X	
Sale Price per Square Foot of Land		\$6.00	\$12.00	\$5.29	\$10.00	
Transactional Adjustments						
Property Rights		0%	0%	0%	0%	
Adjusted Price		\$6.00	\$12.00	\$5.29	\$10.00	
Financing		0%	0%	0%	0%	
Adjusted Price		\$6.00	\$12.00	\$5.29	\$10.00	
Conditions of Sale		0%	0%	0%	0%	
Adjusted Price		\$6.00	\$12.00	\$5.29	\$10.00	
Immediate Expenditures		0%	0%	0%	0%	
Adjusted Price		\$6.00	\$12.00	\$5.29	\$10.00	
Market Conditions		+37%	+33%	+26%	+16%	
Adjusted Price		\$8.22	\$15.96	\$6.67	\$11.60	
Property Adjustments						
Location		0%	0%	+25%	0%	
Physical Characteristics						
Land Area		0%	0%	0%	0%	
Shape		-15%	-20%	-15%	-10%	
Access		+10%	0%	0%	0%	
Economic Characteristics		0%	0%	0%	0%	
Legal Characteristics						
Use/Zoning		-25%	-25%	0%	-25%	
Non-Reality Components		0%	0%	0%	0%	
Net Adjustment		-30%	-45%	+10%	-35%	
Indicated Unit Value		\$5.75	\$8.78	\$7.34	\$7.54	
Gross Property Adjustment						
Total Adjustment		50%	45%	40%	35%	
Total Adjustment as % of Sale Price		-\$0.25	-\$3.22	\$2.05	-\$2.46	
		-4%	-27%	39%	-25%	

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.²²

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.²³

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.²⁴

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.

²² *The Appraisal of Real Estate*, 15th ed. (Chicago: Appraisal Institute, 2020) p413

²³ *The Dictionary of Real Estate Appraisal*, 7th ed. (Chicago: Appraisal Institute, 2022) p53

²⁴ *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.²⁵

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.

²⁵ 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	\$1,010,000.00
Income Capitalization Approach	Not Developed
Cost Approach	Not Developed

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 property results in a reasonable indication of value for the property to be appraised. Since the subject property 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 developed for this appraisal assignment.

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 developed for this appraisal assignment.

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 property, as of January 10, 2025, is:

**ONE MILLION
TEN THOUSAND DOLLARS
\$1,010,000.00**

Certification

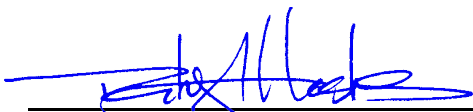
I hereby certify that, to the best of my knowledge and belief:

- 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 January 10, 2025, is:

ONE MILLION TEN THOUSAND DOLLARS

\$1,010,000.00



Timothy A. Haskins, ASA

Arizona Certified General Real Estate Appraiser No. 30668

**RIGHT-OF-WAY SECTION APPRAISAL SERVICES
CERTIFICATE OF APPRAISER**

Project Number: H8915 01R
Parcel Number: L-C-177

I hereby certify:

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

That I have given consideration to the value of the property the damages and benefits to the remainder, if any; and accept to liability for matters of title or survey. That, to the best of my knowledge and belief, the statements contained in said appraisal are true and the opinions, as expressed, therein, are based upon correct information; subject to the limiting conditions therein set forth.

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

That my analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the ADOT ROW Procedures Manual, Chapter 4, Appraisal Standards and Specifications (2018); the Federal Highway Administration (FHWA) Uniform Act, 49 CFR Part 24; and the Uniform Standards of Professional Appraisal Practice (USPAP 2024) guidelines.

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

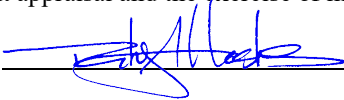
That I understand this appraisal may be used in connection with the acquisition of right of way for a highway to be constructed by the State of Arizona with the assistance of federal aid highway funds or other federal funds.

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

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

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

That my opinion of the Market Value of the property as of January 10, 2025, is ONE MILLION TEN THOUSAND DOLLARS (\$1,010,000.00), based on my independent appraisal and the exercise of my professional judgment.

DATE: 1/17/2025 SIGNATURE: 

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. |
|---|--|

1



View northeast across the subject property

2



View east across the subject property

3



View southeast across the subject property

4

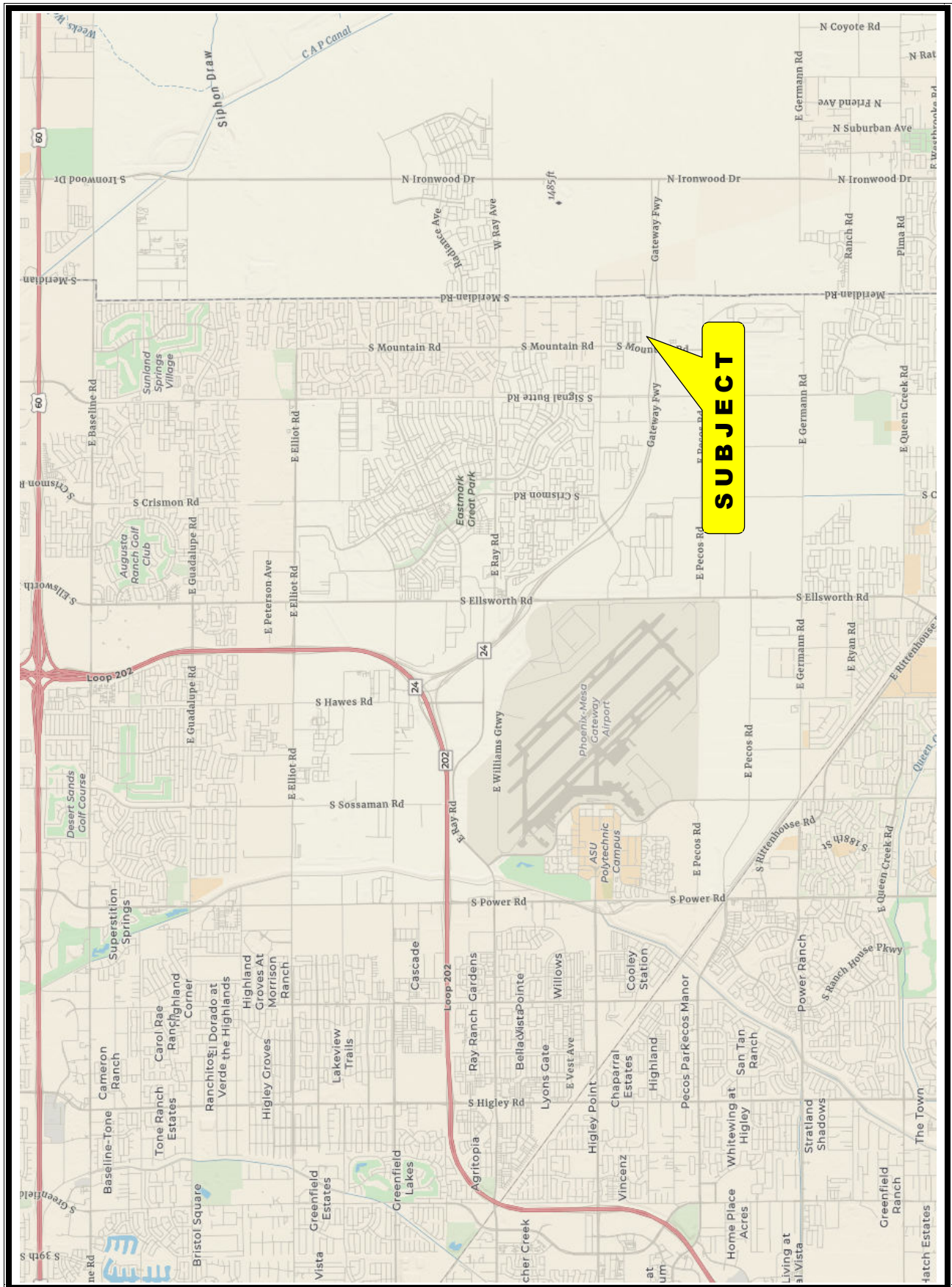


View north along Mountain Road

5

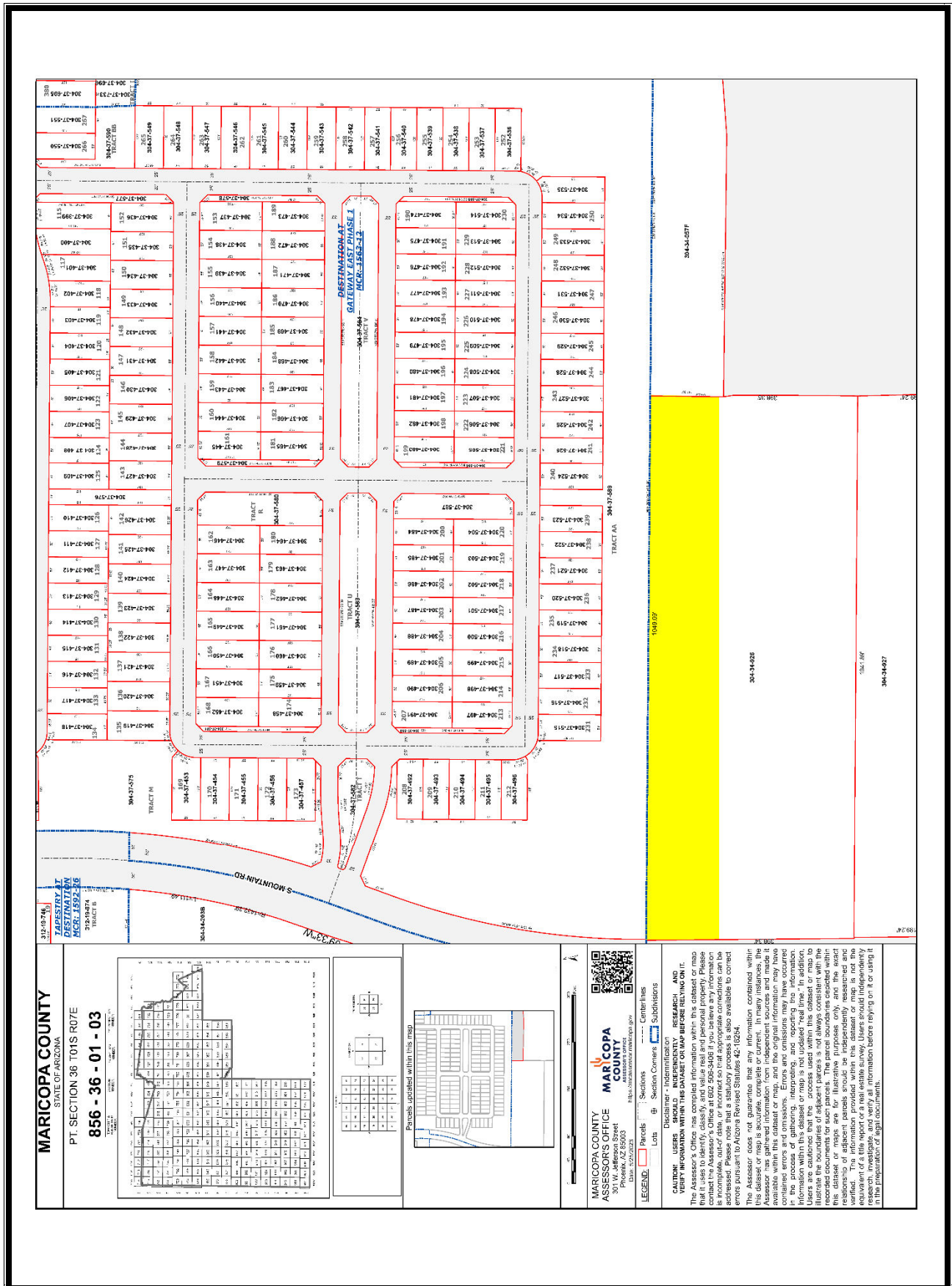


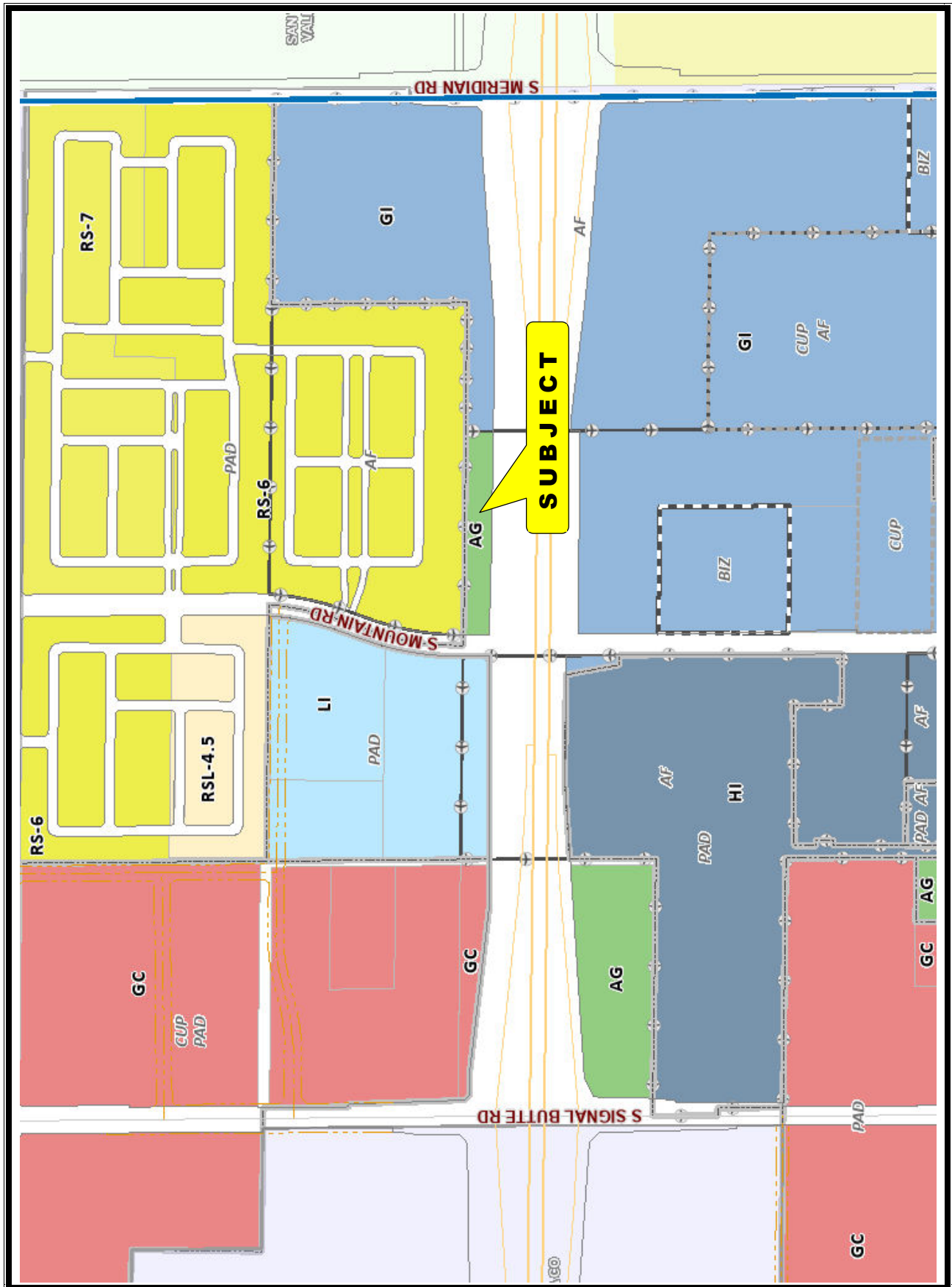
View south along Mountain Road

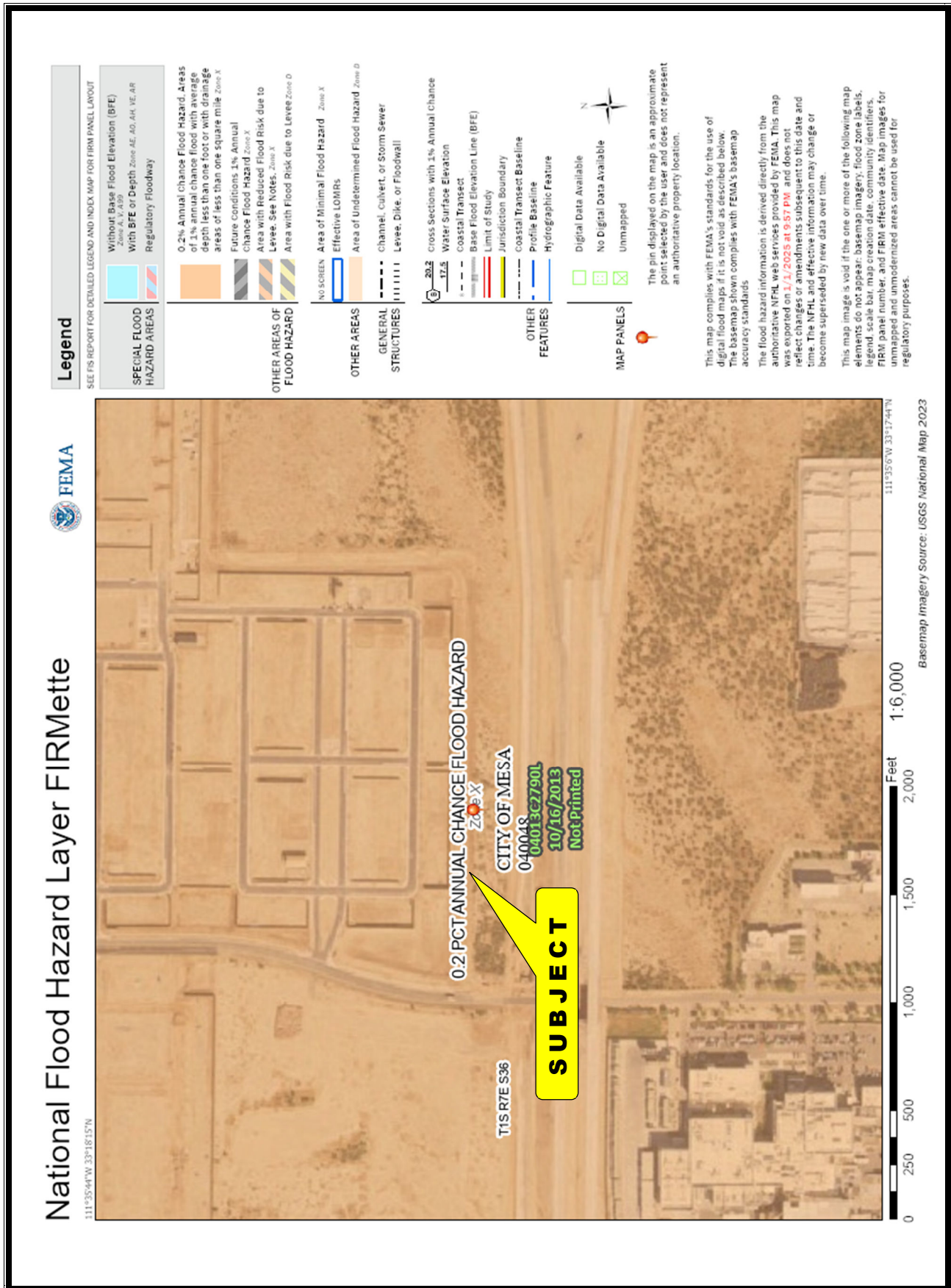


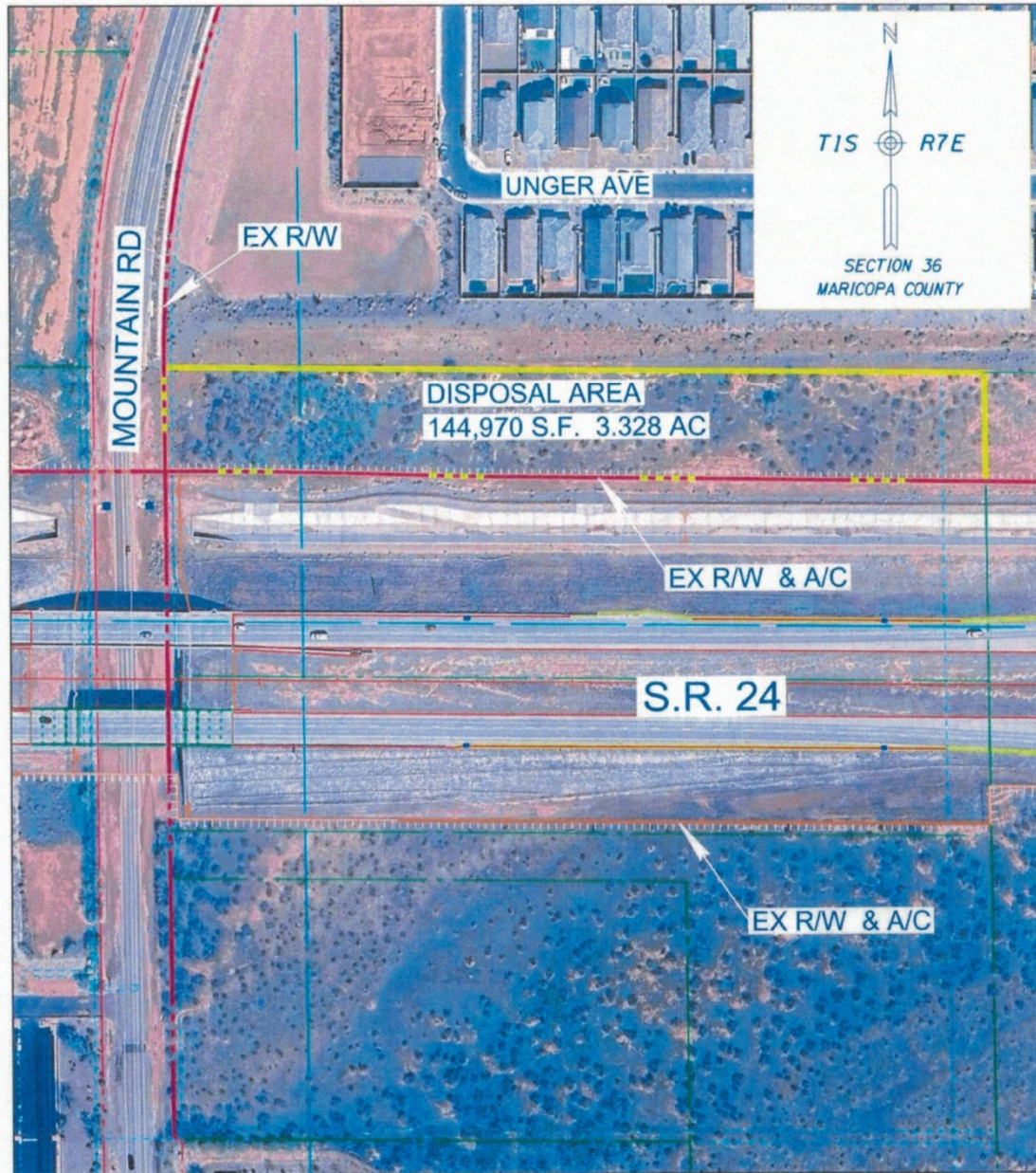
© Arizona State Land Department Parcel Viewer

C










PLEASE NOTE: This exhibit is intended for Appraisal purposes only. Refer to Final Right-of-Way Plans for additional information.

Remainder of PARCEL # 7-12088	 Right Of Way <small>THIS SKETCH PLAN IS FOR ADOT INTERNAL USE ONLY</small>	PARCEL #	L-C-177	HIGHWAY NAME: GATEWAY FREEWAY	
		DRAWN	JV	PROJECT NO. 024 MA 001 H8915	
		DATE	08/29/24		
	ROUTE NO.: SR24	LOCATION: Ellsworth Road - Ironwood Drive	FEDERAL AID NO.: 024-A(200)T		SHEET NO.: 1 OF 1

G:\9340\PROJECTS\MARICOPA (7)\024 MA 001 H8915 - Ellsworth Road-Ironwood Drive\Plans\Right of Way\Excess Land\L-C-177\L-C-177 Parcel Exhibit.dgn

EXHIBIT "A"

That portion of the Grantors' land which is described in the following **PROPERTY DESCRIPTION** located in the North half (N½) of Section 36, Township 1 South, Range 7 East, Gila and Salt River Meridian, Maricopa County, Arizona, which lies northerly of the following described **RIGHT OF WAY LINE**:

PROPERTY DESCRIPTION:

(ADOT Parcel No. 7-12088, Warranty Deed, Doc. No. 2018-0391873, Maricopa County Recorder Office)

That part of Section 36, Township 1 South, Range 7 East, Gila and Salt River Meridian, Maricopa County, Arizona, being more particularly described as follows:

Commencing at the Southeast corner of said Section 36, being marked by a U.S. General Land Office brass cap;

thence North 89 degrees 27 minutes 16 seconds West (basis of bearings) along the Southerly line of said Section 36, a distance of 1757.57 feet to a point from which the South quarter corner of Section 36, being marked by a Maricopa County brass cap in concrete, bears North 89 degrees 27 minutes 16 seconds West, 881.41 feet distant therefrom;

thence North 0 degrees 29 minutes 01 seconds West, 2576.48 feet to the TRUE POINT OF BEGINNING;

thence North 89 degrees 23 minutes 20 seconds West, 1096.39 feet (record) 1094.09 feet (measured) to a point on the centerline of Mountain Road;

thence North 0 degrees 23 minutes 13 seconds West, along the said centerline of Mountain Road, a distance of 398.34 feet;

thence South 89 degrees 23 minutes 20 seconds East, 1095.72 feet (record), 1093.68 feet (measured);

thence South 0 degrees 29 minutes 01 seconds East, 398.35 feet to the TRUE POINT OF BEGINNING.

EXCEPT any portion thereof lying within property described in Quit-Claim Deed to the City of Mesa, recorded in Document No. 90-273644, records of Maricopa County, Arizona.

(continued)

EXHIBIT "A"**PAGE 1**

PROJECT: 024 MA 001 H8915	LOCATION: Ellsworth Road – Ironwood Road	PARCEL: L-C-177
024-A(200)T	disposal: portions of 7-12088	cg 11-01-2024

RIGHT OF WAY LINE DESCRIPTION:

Commencing at a 2 inch MC aluminum cap marking the West quarter corner of said Section 36, being South 00°44'34" East 2636.87 feet from a 3 inch COM brass cap in handhole marking the Northwest corner of said Section 36;

thence along the West line of said Section 36, North 00°44'34" West 881.21 feet to the POINT OF BEGINNING;

thence North 89°15'26" East 68.98 feet;

thence South 02°10'29" East 588.17 feet;

thence South 46°05'16" East 36.02 feet;

thence North 89°59'56" East 107.74 feet;

thence South 83°26'10" East 851.23 feet;

thence North 89°57'54" East 1181.21 feet;

thence North 89°57'26" East 322.10 feet;

thence South 88°35'54" East 60.51 feet to the North – South mid section line of said Section 36, being North 00°32'02" West 193.98 feet from a 1 inch pipe marking the Center quarter corner of said Section 36;

thence continuing South 88°35'54" East 233.94 feet;

thence South 89°17'46" East 1141.63 feet;

thence North 85°51'19" East 982.87 feet;

thence South 89°33'47" East 152.49 feet;

thence North 45°37'08" East 35.47 feet;

(continued)

EXHIBIT "A"

PAGE 2

PROJECT: 024 MA 001 H8915	LOCATION: Ellsworth Road – Ironwood Road	PARCEL: L-C-177
024-A(200)T	disposal: portions of 7-12088	cg 11-01-2024

thence North 00°48'02" East 251.17 feet;

thence North 08°23'43" East 90.80 feet;

thence North 89°22'07" East 79.05 feet to the POINT OF ENDING on the East line of said Section 36, being North 00°37'53" West 633.88 feet from a 2 inch MC aluminum cap marking the East quarter corner of said Section 36.

The above described property shall have no rights or easements of access to or from State Route 24 (GATEWAY FREEWAY).

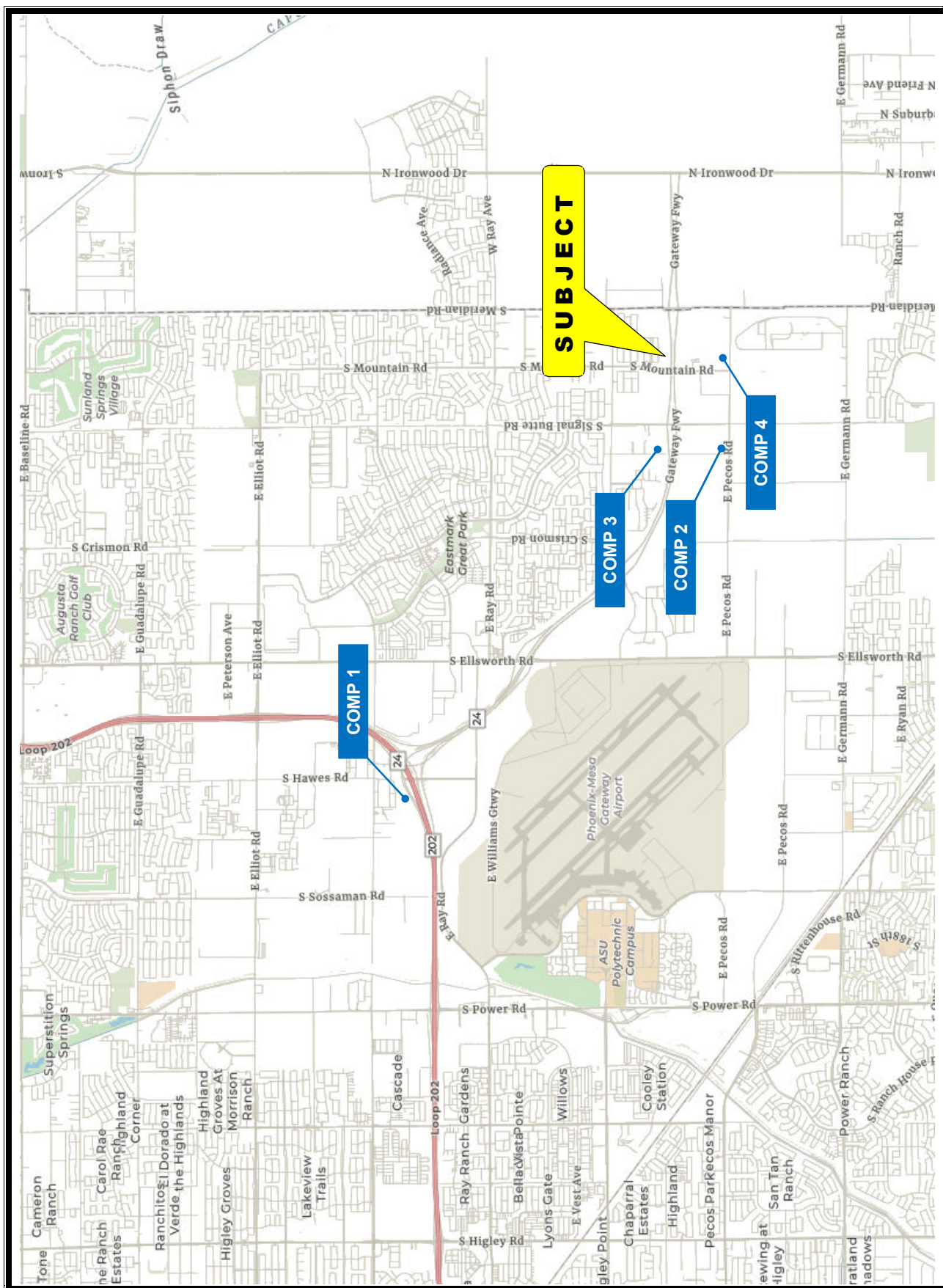
The Access Control provisions set forth above shall be a covenant running with the land and shall be binding upon, and shall inure to the benefit of the State of Arizona, the landowners and their respective successors and assigns with respect to the property. The Access Control provisions shall also remain enforceable by the State of Arizona even if all or part of any roadway is abandoned to a local jurisdiction.

EXHIBIT "A"
PAGE 3

PROJECT: 024 MA 001 H8915
024-A(200)T

LOCATION: Ellsworth Road – Ironwood Road
disposal: portions of 7-12098

PARCEL: L-C-177
cg 11-01-2024



© Arizona State Land Department Parcel Viewer

Comparable No. 1**Property Information****Property Type:** Vacant Land**Location:** Southwest of Hawes Road and Warner Road**Address:** None Given**City, State ZIP:** Mesa, Arizona 85212**Map Reference:** 169-188MD
County: Maricopa**Land Area:** 209,523 square feet
4.810 acres**Legal Description:** Part of the NE¼ of Section 20, Township 1 South, Range 7 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona**Parcel Number(s):** 304-30-023J**Zoning Authority:** City of Mesa**Zoning District(s):** LI, Light Industrial**Flood Hazard Zone(s):** X
Topography: Level
Access: Dirt Road
Utilities: In area**Building Area:** NA
Year Built: NA
No. of Stories: NA
Occupancy: NA**LBR:** NA
Parking / 1,000 sf: NA
Clear Height: NA
Percent Office: NA**Sale Information****Grantor:** Vantage Retirement Plans, LLC, FBO Robert Taylor IRA
Grantee: EastGroup Properties, LP**Date of Sale:** May 2021**Sales Price:** \$1,256,556.00
\$6.00 per square foot**Terms:** \$1,256,566.00 (100%) cash down
Cash to seller**Recordation:** 2/15/2022
Special Warranty & Quitclaim Deed
2022-0137450**Three Year Sales History:** None**Source/Confirmation:** CoStar Group; Recorded Affidavit of Property Value
Mr. Mike Sacco, EastGroup Properties (602.840-4038 / Mike.Sacco@eastgroup.net)

Comments:
Surrounding land uses include industrial development and vacant land planned for similar development. This site is generally level and at grade with the abutting properties and roadways. This property was purchased to be assembled with surrounding land and planned as a 50-acre Class A industrial development known as Gateway Interchange.



Comparable No. 2**Property Information****Property Type:** Vacant Land

Location: Northwest of Signal Butte Road and Pecos Road
Address: 10630 E. Pecos Road
City, State ZIP: Mesa, Arizona 85212

Map Reference: 169-191MF
County: Maricopa

Land Area: 208,172 square feet
 4.779 acres

Legal Description: Part of the SE¼ of Section 35, Township 1 South, Range 7 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona

Parcel Number(s): 304-34-016Z; 304-34-931

Zoning Authority: City of Mesa
Zoning District(s): LI, Light Industrial

Flood Hazard Zone(s): X
Topography: Level
Access: Paved Road
Utilities: In area

Building Area: NA
Year Built: NA
No. of Stories: NA
Occupancy: NA

LBR: NA
Parking / 1,000 sf: NA
Clear Height: NA
Percent Office: NA

Sale Information

Grantor: Mad Aim Investments, LLC
Grantee: NM Management, LLC

Date of Sale: October 2021

Sales Price: \$2,498,076.00
 \$12.00 per square foot

Terms: \$2,498,076.00 (100%) cash down
 Cash to seller

Recordation: 11/16/2021
 Special Warranty Deed
 2021-1222170

Three Year Sales History: 7/2021: \$750,000

Source/Confirmation: CoStar Group; Recorded Affidavit of Property Value
 Ms. Alison Avalos, Seller (480.785-7786 / aliavalos@gmail.com)

Comments:

Surrounding land uses include industrial development and vacant land planned for similar development. This site is generally level and at grade with the abutting properties and roadways. This property was purchased for the construction of an industrial building to be occupied by the buyer.



zComparable No. 3**Property Information**

Property Type: Vacant Land

Location: Southwest of Signal Butte Road and Williams Field Road
Address: 16025 S. 222nd Street
City, State ZIP: Mesa, Arizona 85212

Map Reference: 169-191MF
County: Maricopa

Land Area: 207,900 square feet
 4.773 acres

Legal Description: Part of the NE¼ of Section 35, Township 1 South, Range 7 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona

Parcel Number(s): 304-34-205

Zoning Authority: Maricopa County
Zoning District(s): RU-43, Rural

Flood Hazard Zone(s): X
Topography: Level
Access: Paved Road
Utilities: In area

Building Area: NA
Year Built: NA
No. of Stories: NA
Occupancy: NA

LBR: NA
Parking / 1,000 sf: NA
Clear Height: NA
Percent Office: NA

Sale Information

Grantor: Joseph H. Libbey and Willie M. Libbey
Grantee: SR24 Storage, LLC

Date of Sale: June 2022

Sales Price: \$1,100,000.00
 \$5.29 per square foot

Terms: \$150,000.00 (14%) cash down
 Seller carried balance on undisclosed terms

Recordation: 6/20/2022
 Special Warranty Deed
 2022-0512989

Three Year Sales History: None

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

Comments:

Surrounding land uses include residential development and vacant land planned for commercial development. This site is generally level and at grade with the abutting properties and roadways. This property was subsequently sold as part of a larger property and purchased by group planning a commercial development and auto mall along Signal Butte Road north of State Route 24.



Comparable No. 4**Property Information****Property Type:** Vacant Land**Location:** Northwest of Meridian Road and Pecos Road**Address:** None Given**City, State ZIP:** Mesa, Arizona 85212**Map Reference:** 169-192MF
County: Maricopa**Land Area:** 87,120 square feet
2.000 acres**Legal Description:** Part of the SE¼ of Section 36, Township 1 South, Range 7 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona**Parcel Number(s):** 304-34-929B**Zoning Authority:** City of Mesa**Zoning District(s):** GI, General Industrial**Flood Hazard Zone(s):** X
Topography: Level
Access: Paved Road
Utilities: In area**Building Area:** NA
Year Built: NA
No. of Stories: NA
Occupancy: NA**LBR:** NA
Parking / 1,000 sf: NA
Clear Height: NA
Percent Office: NA**Sale Information****Grantor:** High Voltage Holdings, LLC
Grantee: Mountain Pecos, LLC**Date of Sale:** June 2023**Sales Price:** \$871,000.00
\$10.00 per square foot**Terms:** \$340,600.00 (39%) cash down
Balance from third party lender on undisclosed terms**Recordation:** 2/8/2024
Special Warranty Deed
2024-0068278**Three Year Sales History:** 5/2022: \$785,000**Source/Confirmation:** CoStar Group; Recorded Affidavit of Property Value**Comments:**

Surrounding land uses include industrial development and vacant land planned for similar development. This site is generally level and at grade with the abutting properties and roadways. This property was purchased for the construction of an industrial building.



ARIZONA**PURCHASE ORDER**

PHOENIX, on 11/19/2024

CTR054966/ JW-25-014/ H891501R/ L-C-177/ Appraisal due 60 days from approval-FIRST APPRAISAL SERVICES INC

SUPPLIER

FIRST APPRAISAL SERVICES INC
Attn: TIMOTHY HASKINS
Address: Legal Address
 7227 N. 16th Street
 UNITED STATES
 PHOENIX, Arizona 85020
Phone: 6022640011
E-mail: THASKINS@AZFAS.COM

ORDER No. PO0000721238*(please refer to this number on all documents)***Amendment:**

Requestor: ESTHER VALENCIA
Agency: Department of Transportation
Division: Infrastructure Delivery & Operations
 Division Construction
Department: Right Of Way
Site: RIGHT OF WAY
Phone: 6027128793
Email: EVALENCIA@AZDOT.GOV

DELIVER TO*(unless specified differently per item)*

Address: RIGHT OF WAY
 1801 W Jefferson St
 UNITED STATES
 Phoenix, Arizona 85007
Deliver To:
Requested Delivery Date:

*(Unless specified differently per item in section delivery details)***BILL TO**

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

ITEM	CONTRACT ID	CODE/SKU	REFERENCE AND DESCRIPTION	QTY	UNIT	UNIT PRICE (USD)	TOTAL (USD)
1	CTR054966-3	851991-1	CTR054966/ JW-25-014/ H891501R/ L-C-177/ Appraisal due 60 days from approval Commentaire : L-C-177	1.0000	Total Cost		

Total before Tax **2,800.00 USD**

Non-Taxable - 0 % **0.00 USD**

Total after Tax **2,800.00 USD**

ARIZONA

ARIZONA**PURCHASE ORDER****DELIVERY CONDITIONS**

Delivery Conditions	Date	Type	%	Amount	Item

ARIZONA

Page 2 of 5



PURCHASE ORDER

PURCHASE ORDER TERMS AND CONDITIONS

State of Arizona
PURCHASE ORDER TERMS AND CONDITIONS
Applied to APP Purchase Orders on or after 11/10/2022

1. Modification. No modification of the purchase order shall bind State of Arizona Buyer (Buyer) unless Buyer agrees to the modification in writing.

2. Packing and Shipping. Seller shall be responsible for industry standard packing which conform to all legal requirements. Containers must be clearly marked with any required identifying information such as the lot number, destination address, and purchase order number.

3. Title and Risk of Loss. The title and risk of loss of the materials shall not pass to Buyer until Buyer physically receives the materials at the point of delivery.

4. Invoice and Payment. A separate invoice shall be issued for each shipment. No invoice shall be issued prior to shipment of materials and no payment will be made prior to receipt and acceptance of materials and correct invoice. Payment due dates, including discount periods, will be computed from date of receipt of materials or date of receipt of correct invoice (whichever is later) to date Buyer's warrant as mailed. Unless freight and other charges are itemized, any discount provided will be taken on full amount of invoice. Payment shall be subject to the provisions of Title 35 of Arizona Revised Statutes (A.R.S.), subject to the requirements and limitations of A.R.S. § 35-154. The Buyer's obligation is payable solely from funds appropriated for the purpose of acquiring the materials or services referred to in this Purchase Order; should Buyer's funding change, no legal liability on the part of the Buyer for any payment may arise under this Purchase Order until funds are made available for performance.

5. Inspection. All materials are subject to final inspection and acceptance by Buyer. Material failing to meet the requirements of this Purchase Order will be held at Seller's risk and may be returned to Seller. If so returned, the cost of transportation, unpacking, inspection, repacking, reshipping, or other similar expenses are the responsibility of the Seller.

6. No Replacement of Defective Tender. Every tender of materials must fully comply with all provisions of Purchase Order as the time of delivery, quantity, quality and the like. If a tender is made which does not fully conform, it shall constitute a breach and Seller shall not have the right to substitute a conforming tender.

7. Gratuities. The buyer may, by written notice to the Seller, cancel this Purchase Order if it is found by Buyer that gratuities, in the form of entertainment, gifts, or otherwise, were offered or given by the Seller, or any agent or representative of the Seller, to any officer or employee of the State of Arizona with the purpose of securing an order or securing favorable treatment with respect to the awarding or amending, or the making of any determinations with the respect to the performing, of such order. In the event this Purchase Order is canceled by Buyer pursuant to this provision, Buyer shall be entitled to recover or withhold from the Seller the amount of the gratuity, in addition to any other rights and remedies available under Arizona state law.

8. Warranties. Seller warrants that all materials and services delivered under this Purchase Order will conform to the requirements of this Purchase Order (including all applicable descriptions, specifications, drawing and samples) will be free from defects in material and workmanship and will be free from defects in design and fill for the intended purposes. Any inspection or acceptance of the materials or services by Buyer shall not alter or affect the obligations of Seller or the right of Buyer under the foregoing warranties.





PURCHASE ORDER

9. E-Verify. In accordance with A.R.S. § 41-4401, Seller warrants compliance with all Federal immigration laws and regulations relating to employees and warrants its compliance with Section A.R.S. § 23- 214, Subsection A.

10. Protection of State Cybersecurity Interests. Seller shall comply with State Executive Order No. 2023-10, which includes, but is not limited to, a prohibition against (a) downloading and installing of TikTok on all State-owned and State-leased information technology; and (b) accessing TikTok through State information technology.

11. Assignment and Delegation. No right or interest in this Purchase Order shall be assigned by Seller without the written permission of Buyer, and no delegation of any duty of Seller shall be made without written permission of Buyer.

12. Third Party Antitrust Violations. Seller assigns to Buyer any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to the Seller toward fulfillment of this Purchase Order

13. Interpretation – This Purchase Order is intended by the parties as a final expression of their agreement and is intended also as a complete and exclusive statement of the terms of their agreement. No course of prior dealings between the parties and no course of dealing or usage of the trade shall supplement or explain any terms used in this document and no other understanding either oral or in writing shall be binding. Whenever a term defined by the Uniform Commercial Code (U.C.C.) is used in the Purchase Order, the definition contained in the U.C.C. is to control.

14. Non-Discrimination. The Seller shall comply with State Executive Orders No. 2023-09, 2023-01, 2009-09, and any and all other applicable Federal and State laws, rules and regulations, including the Americans with Disabilities Act.

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

16. Liens. All delivered materials and services performed under this Purchase Order shall be free of all liens and if Buyer requests, a formal release of all liens shall be delivered to Buyer.

17. Contract Number. If an Arizona contract number appears on the face of this Purchase Order or the Purchase Order was placed against an existing Arizona contract, the terms of that contract are incorporated herein by this reference.

18. Taxes. Seller shall be responsible for paying any and all applicable taxes, including but not limited to state and local transaction privilege taxes.

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

20. Remedies and Applicable Law. This Purchase Order shall be governed by the law of the State of Arizona and suits pertaining to this Purchase Order may only be brought under Article 9 of the Arizona Procurement Code (A.R.S. §§ 41-2501 et





PURCHASE ORDER

seq., and the rules thereunder, A.A.C. R2-7-101 et seq.)

21. Books and Records. Under A.R.S. § 35-214 and § 35-215, the Seller shall retain all books, accounts, reports, files and other records relating to the Purchase Order for five years after completion of the Purchase Order. These books and records shall be available at all reasonable times for inspection and audit by the State at such state offices designated by the State.

22. State Law Certifications. If Seller is a Company as defined in A.R.S. § 35-393, Contractor Seller certifies that it shall comply with A.R.S. § 35-394, regarding use of forced labor of ethnic Uyghurs, as applicable. If this purchase order is over \$100,000, Seller further certifies that it is not currently engaged in a boycott of Israel as described in A.R.S. §§ 35-393 et seq. and will refrain from any such boycott for the duration of this Purchase Order.

23. Arbitration. The Buyer and Seller agree to use arbitration as required by A.R.S. § 12-1518.



Page 5 of 5

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

7227 N. 16th Street, Suite 112
Phoenix, Arizona 85020
602.264-0011
thaskins@azfas.com



<p>Department of Insurance and Financial Institutions State of Arizona</p>	
<p>CGA - 30668</p>	<p>TIMOTHY A. HASKINS</p>
<p>This document is evidence that: Arizona Revised Statutes, relating to the establishment and operation of a:</p>	<p>has complied with the provisions of</p>
<p>Certified General Real Estate Appraiser</p>	
<p>and that the Deputy Director of Financial Institutions of the State of Arizona has granted this license to transact the business of a:</p>	
<p>Certified General Real Estate Appraiser</p>	
<p>TIMOTHY A. HASKINS</p>	
<p>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.</p>	
<p>Expiration Date : June 30, 2025</p>	