



Valbridge
PROPERTY ADVISORS

Appraisal Report

Sahuarita Middle School Ball Field
Northwest Corner of Sahuarita Road and Salome Loop
Sahuarita, Pima County, Arizona 85629

Report Date: February 6, 2018



FOR:
Mr. Scott Downs
Assistant Superintendent
Sahuarita Unified School District
350 West Sahuarita Road
Sahuarita, AZ 85629

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Valbridge File Number:
AZ01-18-L-018



February 6, 2018

Mr. Scott Downs
Assistant Superintendent
Sahuarita Unified School District
350 West Sahuarita Road
Sahuarita, AZ 85629

RE: Appraisal Report
Sahuarita Middle School Ball Field
Approximately 3.227 Acres
Northwest Corner of Sahuarita Road and Salome Loop
Sahuarita, Pima County, Arizona

Dear Ms. Olivas:

In accordance with your request, we have prepared an appraisal of the above-referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions.

The subject property is vacant land located at the northwest corner of Sahuarita Road and Salome Loop in Sahuarita, Pima County, Arizona. It contains a total of approximately 3.227 acres and is a portion of tax parcel number 303-33-008A.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

The Sahuarita Unified School District is the client in this assignment. The sole intended user of the appraisal and report is the client. The intended use is for asset management decisions, specifically potential disposition decisions. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are contingent on the following extraordinary assumptions and/or hypothetical conditions:

Extraordinary Assumptions:

1. None

Hypothetical Conditions:

1. None

Based on the analysis contained in the following report, our value conclusions involving the subject property are summarized as follows:

Value Indications and Conclusions

Valuation Date	February 3, 2018
Market Value, "as is":	\$675,000

This letter of transmittal is not considered valid if separated from this report, and must be accompanied by all sections of this report as outlined in the Table of Contents, in order for the value opinions set forth above to be valid.

Respectfully submitted,
Valbridge Property Advisors |
MJN Enterprises, Inc.



Michael Naifeh, MAI, CRE®
Certified General Real Estate Appraiser
State of Arizona, Certificate No. 30276
Expires August 31, 2018

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Summary of Salient Facts

Property Name:	Sahuarita Middle School Ball Field
Address:	Northwest corner of Sahuarita Road and Salome Loop in Sahuarita, Pima County, Arizona
Assessor's Parcel Numbers:	Portion of 303-33-008A
Property Rights Appraised:	Fee Simple
Zoning:	RH, Rural Homestead, Town of Sahuarita
Site Size:	3.227 acres per Pima County Survey
Existing Improvements Property Type:	Vacant land –baseball field
Extraordinary Assumptions:	None
Hypothetical Conditions:	None
Highest and Best Use As Vacant:	Commercial development
Date of Inspection:	February 3, 2018
Date of Report:	February 6, 2018

Value Indications and Conclusions

Valuation Date	February 3, 2018
Market Value, "as is":	\$675,000

AERIAL VIEWS



Introduction

Client and Other Intended Users of the Appraisal

The client in this assignment is the Sahuarita Unified School District. The sole intended user is the client.

Intended Use of the Appraisal

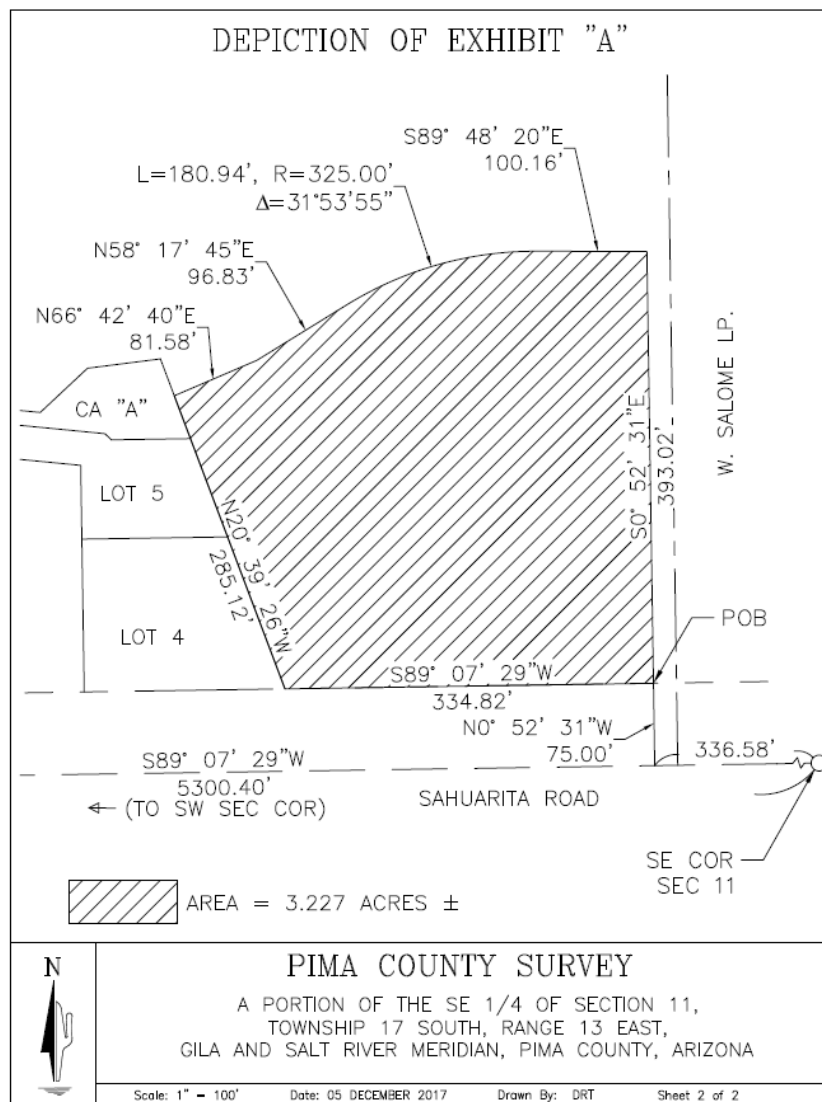
The intended use of this report is for asset management decisions, specifically disposition decisions.

Real Estate Identification

The subject property is located at the northwest corner of Sahuarita Road and Salome Loop in Sahuarita, Pima County, Arizona.

Legal Description

The following legal description was prepared by the Pima County Department of Transportation:





05 December 2017

EXHIBIT "A"
LEGAL DESCRIPTION

A portion of the Southeast Quarter of the Southeast Quarter of Section 11, Township 17 South, Range 13 East, Gila & Salt River Meridian, Pima County, Arizona, as described in Docket 1178 at Page 497, more particularly described as follows:

COMMENCING at the southeast corner of said Section 11, a brass cap survey monument stamped "RLS37400, 11,12,13,14, T17S, R13E", to which the southwest corner of said Section 11, a brass cap survey monument stamped "PSOMAS, 10,11,14,15, RLS27739" bears South 89°07'29" West a distance of 5300.40 feet;

THENCE along the south line of said Section 11, South 89°07'29" West a distance of 336.58 feet;

THENCE North 00°52'31" West a distance of 75.00 feet to the north right of way line of Sahuarita Road and the **POINT OF BEGINNING**;

THENCE along said right of way line South 89°07'29" West a distance of 334.82 feet to the southeast corner of "The Corner At Rancho Sahuarita", a subdivision plat recorded in Sequence #20163540075 in the office of the Pima County Recorder;

THENCE along the east line of said subdivision North 20°39'26" West a distance of 285.12 feet;

THENCE North 66°42'40" East a distance of 81.58 feet;

THENCE North 58°17'45" East a distance of 96.83 feet to the beginning of a tangent curve concave to the south having a radius of 325.00 feet and a central angle of 31°53'55";

THENCE along the arc of said curve to the right a distance of 180.94 feet to a point of tangency;

THENCE South 89°48'20" East a distance of 100.16 feet;

THENCE South 00°52'31" East a distance of 393.02 feet to the **POINT OF BEGINNING**.



Property Rights Appraised

We have appraised the fee simple interest in the subject property.

Type and Definition of Value

Market value is the most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.

(Dictionary of Real Estate, 6th Edition, Page 141)

Please refer to the Glossary in the Addenda section for further definitions of value type(s) employed in this report.

Valuation Scenarios and Effective Dates of Value

We developed an opinion of value for the subject property under the following scenarios and corresponding effective dates of value:

Valuation	Effective Date
As Is	February 3, 2018

We completed an appraisal inspection of the subject parcel on February 3, 2018.

Date of Report

The date of this report is February 6, 2018, which is the same as the date of the letter of transmittal.

Scope of Work

The scope of work includes all steps taken in the development of the appraisal. These include 1) the extent to which the subject property is identified, 2) the extent to which the subject property is inspected, 3) the type and extent of data researched, 4) the type and extent of analysis applied, and the type of appraisal report prepared. These items are discussed as follows:

[Extent to Which the Property was Identified](#)

Legal Characteristics

The subject property was legally identified via information obtained from Pima County Department of Transportation, Assessor's and Recorder's Office.

Economic Characteristics

Economic characteristics of the subject parcel were identified via STDB demographic reports, CoStar market data, as well as a comparison to properties with similar locational and physical characteristics, and discussions with market participants.

Physical Characteristics

The subject property was physically identified via an exterior inspection, as it is vacant land.

[Extent to Which the Property was Inspected](#)

We inspected the subject parcel on February 3, 2018.

Type and Extent of Data Researched

We researched and analyzed: 1) market area data, 2) property-specific market data, 3) zoning and land-use data, and 4) current data on comparable listings and sales in the competitive market area.

Type and Extent of Analysis Applied

The subject property is vacant land previously used as a baseball field and part of a larger school campus. We observed surrounding land use trends, demand for the subject property, and relative legal limitations in concluding a highest and best use. We then valued the subject based on its highest and best use conclusion, relying on the Sales Comparison Approach.

Appraisal Report Type

This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice.

Appraisal Conformity

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

Use of Real Estate as of the Effective Date of Value

The subject was vacant land as of the effective date of appraisal.

Use of Real Estate as of the Date of this Report

Same as above, as required by USPAP.

Ownership and Sales History

According to the Pima County Assessor, title to the subject property is vested in the Sahuarita School District No. 30. Vesting information was not available, as is typical for publicly owned property.

The property is not currently listed or under contract for sale, although it is under consideration for sale to Pima County for a library.

We have considered and analyzed the known history of the subject in the development of our opinions and conclusions.

List of Items Requested but Not Provided

1. None

Extraordinary Assumptions

An extraordinary assumption is 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. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may impact the assignment results. An extraordinary assumption may be used in an assignment only if:

- it is required to properly develop credible opinions and conclusions;
- the appraiser has a reasonable basis for the extraordinary assumption;

- use of the extraordinary assumption results in a credible analysis; and
- the appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.

(USPAP, 2018 ed.)

1. None

Hypothetical Conditions

A hypothetical condition is a condition, directly related to a specific assignment that 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. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. A hypothetical condition may impact the assignment results. A hypothetical condition may be used in an assignment only if:

- use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- use of the hypothetical condition results in a credible analysis; and
- the appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

(USPAP, 2018 ed.)

1. None

Regional and Market Area Analysis

REGIONAL MAP



Overview

Tucson is in south-central Arizona, about 100 miles southeast of Phoenix and 60 miles north of the Mexican border. Tucson is the second largest metropolitan area in Arizona. The metropolitan area includes the incorporated communities of South Tucson, Oro Valley, Marana, and Sahuarita, plus the surrounding unincorporated areas of Pima County.

Population

Mid-year 2018 population in metro Tucson is projected at 1,025,400, which reflects a 0.7% increase over the prior year. The same growth rate is projected for 2019 with a slightly higher growth of 0.8% per year projected for 2020 and 2021.

Metropolitan Tucson Population Forecasts

	2016	2017	2018	2019	2020	2021
Population (000s, mid-year)	1,013.1	1,018.6	1,025.4	1,032.8	1,041.0	1,049.7
Change (000s)	3.7	5.5	6.8	7.4	8.2	8.7
% Change	0.4%	0.5%	0.7%	0.7%	0.8%	0.8%

Source: Arizona's Economy August 2017, Eller College of Management, The University of Arizona

Employment

The regional economy is primarily driven by tax-supported entities, including military bases, the University of Arizona, state and local governments, and the school districts. Most of these sectors have posted moderate levels of growth over the past decade. The military, which includes the U.S. Army Intelligence Center at Fort Huachuca in Sierra Vista (80 miles southeast of Tucson) and Davis Monthan Air Force Base in Tucson, employs nearly 15,000 in Southern Arizona. Raytheon Missile Systems, a defense contractor, is the largest private employer in the area and has maintained relatively stable employment over the past 20+ years. The government budget cuts for defense spending may affect employment in the military and defense related industries over the foreseeable future although the sector has been fairly stable over the past several years.

Top 10 Southern Arizona Employers

Name	Full Time Jobs	Change Past Year	Industry
University of Arizona	11,251	16	Education
Raytheon Missile Systems	9,600	0	Manufacturing
State of Arizona	8,580	56	Government
Davis-Monthan Air Force Base	8,406	71	Military
Pima County	7,060	37	Government
Tucson Unified School District	6,770	-364	Education
Banner-University Medical Center	6,272	-270	Health Care
U.S. Customs and Border Protection	5,739	N/A	Government
Freeport-McMoRan, Inc.	5,530	-270	Mining
Walmart	5,500	100	Retail

Source: Arizona Daily Star 4/24/2016

Davis Monthan Air Force Base's total economic impact in 2015 was estimated at \$1.5 billion. The total payroll was \$597 million. Employment was 10,617, including all contractors with 4,598 indirect jobs created according to statistics from Davis Monthan Air Force Base. There are 19,487 military retirees with annual retirement pay of \$521.6 million. Davis Monthan Air Force Base has annual expenditures totaling approximately \$199 million.

There have been a number of recent employment and other significant announcements that suggest Tucson's economy may improve at a greater pace than indicated over the past five or more years. Raytheon Missile Systems, Tucson's largest private employer, is in the process of planning a major expansion that would add over 1,900 new high-paying jobs. Caterpillar recently announced that it is bringing its regional headquarters for its Surface Mining and Technology Division to Tucson and will provide more than 600 new high paying jobs over the next five years. They will initially locate in an existing building in Downtown Tucson while their new facility is being constructed just to the west of

downtown. HomeGoods has completed construction of an 800,000 square foot distribution center near the Tucson International Airport and will reportedly employ up to 900. Comcast recently located a call center into a newly renovated facility near the Tucson Mall that will employ up to 1,100 positions. Banner-University is building a new \$400 million addition to their existing facility near the University of Arizona campus and a new AC Hotel by Marriott is under construction in downtown. Pima County has completed a deal (although there is litigation pending) that will bring World View Enterprises to the Airport area where they would operate Spaceport Tucson, a high altitude balloon launch site for near-space tourism and research. Afni and Alorica both announced in early 2017 that they will be hiring for 280 and 200 position at their local call centers in the coming year.

Employment by industry for the MSA is as follows.

Metropolitan Tucson Nonfarm Employment

Year Ending Sector	2013		2014		2015		2016		2017**	
	Empl.*	%Total	Empl.*	%Total	Empl.*	%Total	Empl.*	%Total	Empl.*	%Total
Natural Resources & Mining	2.3	0.6%	2.3	0.6%	2.0	0.6%	1.6	0.4%	1.6	0.4%
Construction	15.1	4.2%	14.5	4.0%	14.9	4.1%	14.8	4.1%	14.9	4.1%
Manufacturing	22.6	6.3%	22.5	6.3%	22.9	6.4%	23.4	6.5%	23.3	6.5%
Trade, Transp. & Utilities	62.6	17.4%	63.3	17.6%	62.8	17.4%	61.4	17.1%	60.5	16.8%
Information	4.5	1.3%	4.5	1.3%	4.8	1.3%	5.0	1.4%	4.8	1.3%
Financial Activities	17.7	4.9%	17.8	4.9%	17.2	4.8%	17.4	4.8%	17.5	4.9%
Professional & Business Svcs	50.6	14.1%	51.7	14.4%	51.6	14.3%	50.0	13.9%	49.7	13.8%
Education & Health Services	62.6	17.4%	62.7	17.4%	64.2	17.8%	65.4	18.2%	65.4	18.2%
Leisure & Hospitality	40.3	11.2%	42.1	11.7%	43.1	12.0%	46.0	12.8%	45.8	12.7%
Other Services	12.6	3.5%	14.5	4.0%	14.5	4.0%	15.1	4.2%	15.5	4.3%
Government	79.7	22.1%	79.1	22.0%	80.1	22.3%	79.2	22.0%	79.7	22.1%
TOTAL NONFARM	370.6	100%	375.0	100%	378.1	100%	379.3	100%	378.7	100%

Source: Arizona Office of Employment and Population Statistics * (000s) Year-end figures, non-seasonally adjusted ** thru November

Unemployment

The unemployment rate increased dramatically over 2009 and 2010 as a result of the Great Recession, but has declined every year since 2010. Unemployment rates in Tucson were historically below the national and state averages, as dependence on governmental and tax-supported employment had historically insulated the region from national recessionary trends; however, the metro area's unemployment rate has more recently been similar to the national rate.

Average Unemployment Rate

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
National	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	5.6%	5.0%	4.9%	3.9%
Arizona	3.7%	6.0%	9.8%	10.4%	9.4%	8.3%	8.0%	6.8%	6.0%	5.3%	4.3%
Metro Tucson	3.6%	5.7%	9.0%	9.4%	8.3%	7.4%	7.0%	6.0%	5.4%	4.9%	4.0%

Source: Arizona Office of Employment and Population Statistics & Bureau of Labor Statistics

Notes: Not seasonally adjusted. * through November

Economic Forecasts

The projections summarized below suggest modest, yet stronger economic growth from 2017 through 2019 with a slight decrease in growth rates in 2021. The forecast suggest that number of

jobs lost in the Great Recession will be recaptured some time in 2018. Projected growth will remain well below the growth experienced in prior recoveries.

Metropolitan Tucson Economic Forecasts

Category	2016	2017	2018	2019	2020	2021
Personal Income (\$mill)	\$ 39,963.3	\$ 41,349.6	\$ 43,150.8	\$ 45,250.7	\$ 47,526.3	\$ 49,659.5
% Change	2.7%	3.5%	4.4%	4.9%	5.0%	4.5%
Retail Sales (\$mill)	\$ 13,059.8	\$ 13,562.5	\$ 13,818.8	\$ 14,371.4	\$ 14,999.0	\$ 15,465.9
% Change	0.9%	3.8%	1.9%	4.0%	4.4%	3.1%
Employment (non-farm,000s)	373.4	376.8	382.1	387.5	393.1	397.0
Change (000s)	4.8	3.4	5.3	5.4	5.6	3.9
% Change	1.3%	0.9%	1.4%	1.4%	1.4%	1.0%
Residential Permits	2,466.0	2,632.9	3,054.4	3,235.8	3,571.2	3,684.3
% Change	1.6%	6.8%	16.0%	5.9%	10.4%	3.2%

Source: Arizona's Economy August 2017, Eller College of Management, The University of Arizona

Commercial Real Estate

The retail, office and industrial sectors have all significantly recovered since the Great Recession; however, the office sector still remains somewhat challenged with respect to non-Class A properties, particularly those with secondary or marginal locations. Class A office sub-sector is fairly strong but is limited in scale relative to the overall office sector, which is impacted by significant aging inventory. Retail development has been on-going at prime locations while most significant vacancies are associated with secondary locations or older, dysfunctional spaces. Essentially all new industrial development over the recent past has been user-driven and there is minimal investor demand for new speculative industrial construction.

Metro Tucson Commercial Sectors - 2017

Sector	No. Buildings	Total Sq. Ft.	YTD Deliveries	Under Construction	YTD Vacancy	Average Absorption	Quoted Rent
Industrial	2,551	42,120,970	53,721	230,134	6.8%	163,847	\$6.53
Office	2,518	25,945,284	17,771	249,000	9.4%	370,202	\$18.93
Retail	5,326	52,528,203	458,705	139,939	6.0%	592,583	\$14.89

Source: CoStar: 4th Quarter 2017

Residential Real Estate

The Tucson MSA housing market is in a slow sustained recovery that commenced in 2012. Sale velocity has been within a consistent range from 10,300 to 11,500 sales per year since 2011. Based on the average sales velocity over the past five years, there is currently a little over three months of supply on the market. The low supply is due to limited new construction, a decrease in REO sales, and an inability of some homeowners to sell due to a lack of equity. The average single-family sale price increased by nearly 14% during 2016 and by 8% during 2017; however, average single-family pricing is still 5.5% below the historic high reached in 2007. Real estate agents are reporting shorter marketing times, which is caused by a limited supply and gradual increase in demand. Investors

made up a larger percentage of the total sales from 2011 to 2013; however, investor purchases have since slowed for the most part. The housing market is currently considered to be in balance with respect to supply and demand. The recent trends are summarized below.

Tucson Single-Family Market

Year	# Sales	Avg. SF	Avg. Sale Price	% Change	Avg. Price/SF	% Change	DOM
2007	10,164	1,688	\$264,122	1.30%	\$156.47	-2.60%	101
2008	8,383	1,727	\$233,696	-11.52%	\$135.32	-13.52%	155
2009	9,286	1,724	\$192,314	-17.71%	\$111.55	-17.56%	148
2010	9,329	1,731	\$180,091	-6.36%	\$104.04	-6.73%	140
2011	10,702	1,723	\$156,611	-13.04%	\$90.89	-12.63%	103
2012	11,245	1,752	\$167,787	7.14%	\$95.77	5.36%	70
2013	11,502	1,750	\$184,523	9.97%	\$105.44	10.10%	63
2014	10,616	1,771	\$196,987	6.75%	\$111.23	5.49%	76
2015	11,479	1,775	\$202,485	2.79%	\$107.93	-2.97%	79
2016	10,328	1,881	\$230,616	13.89%	\$122.60	13.59%	65
2017	10,431	1,889	\$249,489	8.18%	\$128.19	4.56%	54

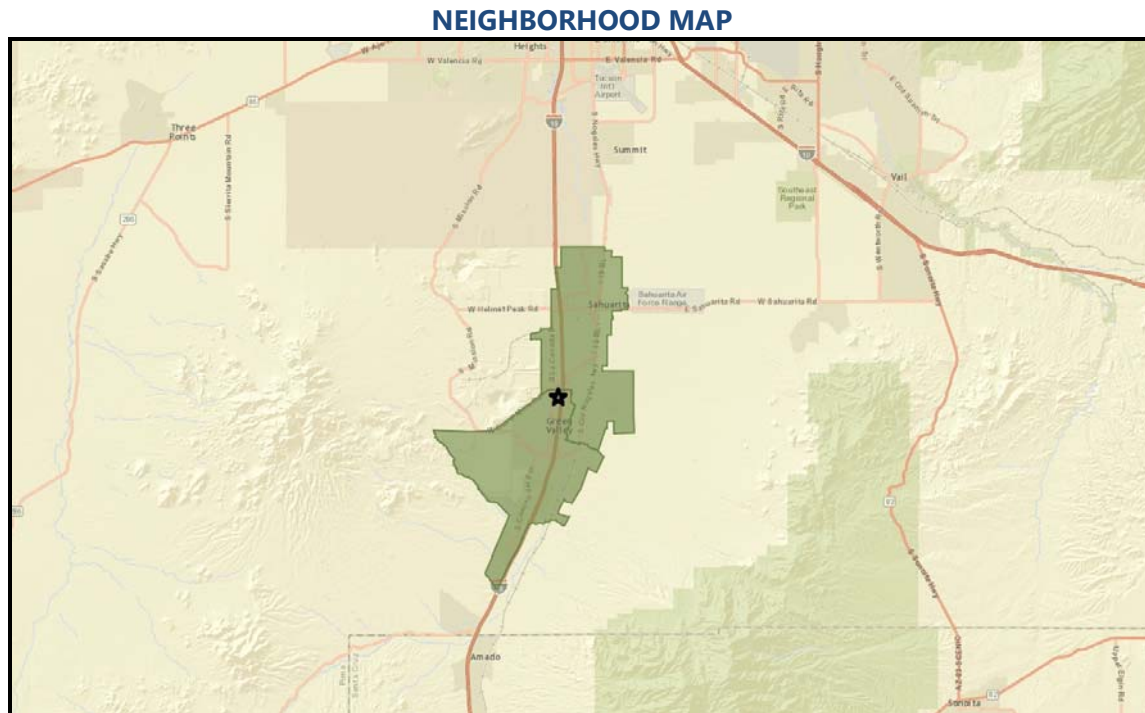
source: Tucson MLS

Tucson's multifamily sector has demonstrated stable performance over the past several years with larger 40-plus unit apartment projects averaging about 94% occupancy over the past year. There was a limited amount of new multifamily construction from 2007 to 2010 but a new development cycle ramped up during 2011 and 2012 and nearly 5,400 units have been constructed since 2010. Approximately 650 units were under construction at the end of 2017. The vast majority of new construction has been in the Class A luxury and student housing sectors. The Class A sector had been underserved for the past 20 or more years and new Class A projects have generally been experiencing strong market acceptance. Rental rates remain fairly modest, averaging about \$0.98 per square foot overall and about \$1.13 per square foot for new conventional projects currently in lease-up. Tucson's modest economic growth over the recent past kept downward pressure on rents; however, concessions have continued to trend downward and average gross rents increased by almost 5% over 2016 and by 6% over 2017. Given the limited amount of construction currently scheduled, Tucson's apartment market should continue to improve over the near term.

Conclusions

Economic projections for metro Tucson suggested that the population increased by about 0.7% over 2017 and gains of 0.7% to 0.8% are forecast for 2018 through 2021. Employment growth was projected at 0.9% over 2017 but is forecast to increase to 1.4% over the next three years. While these annual growth rates are well below those experienced during prior recoveries, the overall economic climate in Tucson has improved significantly over the past several years and there have been a number of recent employment and other significant announcements that suggest Tucson's economy may improve at a greater pace than indicated over the past five or more years. Economists from the University of Arizona do not predict a full recovery of jobs lost during the Great Recession until 2018. These factors positively impact the residential and commercial real estate sectors and there is essentially no speculative development occurring so the risk of overbuilding is considered to be minimal in the current market environment. With the exception of office, most real estate sectors are demonstrating fairly balanced supply and demand characteristics.

City and Neighborhood Analysis



The subject property is located in the south portion of Metro Tucson within the Town of Sahuarita. The neighborhood is known as the Green Valley/Sahuarita. The neighborhood boundaries are the city limits of Green Valley (unincorporated) and the Town of Sahuarita. Green Valley is a planned, age restricted (55+ years) adult community that was established in 1964. This unincorporated community is situated 25 miles south of Tucson and consists of approximately 5,000 acres of land on the east and west sides of Interstate 19. The Town of Sahuarita was incorporated circa 1994 and is located adjacent north of Green Valley. The subject is located within the central portion of the defined neighborhood.

Access to the neighborhood is provided by I-19, which connects with Tucson to the north and the Mexican border to the south. Transportation within the neighborhood is provided by surface streets. The major east/west roadways are Sahuarita Road/Helmet Peak Road and Continental Road. The major north/south roadways are La Canada Drive and Old Nogales Highway. Duval Mine Road/Nogales Highway runs northeast/southwest through the central portion of the neighborhood.

Retail uses are primarily located along arterial roadways near I-19. The main shopping nodes in the neighborhood include: Continental Plaza anchored by Safeway located at the northwest corner of I-19 and Continental Road; Rancho Sahuarita Plaza anchored by Fry's located along Sahuarita Road east of I-19; Sahuarita Palms Plaza anchored by Safeway located at the southeast corner of Duval Mine Road and La Canada Drive; and Madera Marketplace anchored by Walmart and Sahuarita Plaza anchored by Ross located along Nogales Highway east of I-19. A Sprouts Market anchored center will open in 2018 across from Walmart. The majority of the retail inventory was constructed from the

1970s to the early-2000s, which is consistent with the housing inventory. The Sprouts construction indicates rising demand.

Office uses are concentrated along arterial roadways with small nodes along La Canada Drive, Duval Mine Road, and Old Nogales Highway. The office uses are primarily smaller properties constructed in the 1970s to early 2000s. The office market has struggled to recover since the recession with high vacancy rates limiting rent growth potential. There are no office projects currently under construction or proposed for construction within the neighborhood. Industrial uses are minimal in the area, although there is a distribution and cold storage node south of the neighborhood near Nogales. Moreover, the Town of Sahuarita is developing a business incubator facility whereby phase one is nearly 100% pre-leased.

The single-family market is dominated by master planned communities such as Rancho Sahuarita, Quail Creek, and Madera Highlands. The neighborhood includes a mixture of older and newer homes, with older inventory in the central portion of the neighborhood and newer development in the outskirts. There was a significant building cycle during the peak of the market from 2005 to 2008; however, new construction slowed considerably during the economic recession. The improvement in the single-family market has resulted in an uptick in new development over the past couple of years. The neighborhood includes mobile home/RV parks that are typically well maintained and cater to the winter visitor population. Multifamily uses are limited in the neighborhood with a small node west of I-19 along Duval Mine Road and La Canada Drive. The inventory includes a mixture of market rate, affordable, and age restricted projects that were primarily constructed from the 1984 to 2008.

Primary education is provided by the Sahuarita and Continental School Districts. Higher education is not provided in the area. The primary hospital in the area is the recently constructed Green Valley Hospital with 49 beds located at 4455 S. I-19 Frontage Road. Police services are provided by the Sahuarita Police Department and Pima County. Fire services are provided by Rural Metro Fire and Green Valley Fire District. The neighborhood is adequately served by parks, golf courses, and recreational facilities.

The demographic information from the defined neighborhood (Green Valley/Sahuarita) and Metro Tucson is provided below. The neighborhood makes up approximately 5% of the total population in Metro Tucson. Population growth is projected to be 1.2% over the next five years, which is above the metro average. The substantial growth prospects of Sahuarita are likely similar to southeast Tucson. The neighborhood has a large retirement population with a median age well above the Tucson average and an average household size below the average. Income characteristics are above the Metro Tucson average. Home ownership and average home prices are above the metro average. The neighborhood has a small renter population with average rental rates. The higher vacancy rate in the neighborhood is due to the retirees that spend only the winter months in Green Valley/Sahuarita.

Neighborhood Demographic Profile

Population	Neighborhood	Tucson MSA
2010 Census	46,650	980,263
2017 Estimate	51,403	1,029,203
2022 Projection	54,555	1,066,763
Gross Population Change		
2010 - 2017	10.2%	5.0%
2017 - 2022	6.1%	3.6%
Average Annual Population Change		
2010 - 2017	1.7%	0.8%
2017 - 2022	1.2%	0.7%
Median Age (2017)	60.4	38.8
Households		
2017 Estimate	23,629	404,272
2022 Projection	24,931	417,701
Avg. New HH/Year 2017-2022	260	2,686
2017 - 2022 % Change	5.5%	3.3%
Avg. Annual Change 2017 - 2022	1.1%	0.7%
Average Household Size (2017)	2.17	2.48
Daytime Population (2017)		
Total	43,365	1,022,251
Workers	7,491	442,321
Residents	35,874	579,930
Income (2017)		
Average HH Income	\$71,039	\$67,467
Median HH Income	\$56,901	\$48,436
Per Capita Income	\$32,522	\$26,958
Household Income		
\$0 - \$15,000	7.4%	14.1%
\$15,000 - \$24,999	10.0%	11.6%
\$25,000 - \$34,999	10.0%	11.2%
\$35,000 - \$49,999	13.9%	14.2%
\$50,000 - \$74,999	23.1%	18.4%
\$75,000 - \$99,999	14.7%	11.6%
\$100,000 - \$149,999	13.8%	11.2%
\$150,000 - \$199,999	4.9%	3.9%
\$200,000 +	2.2%	3.8%
Housing (2017)		
% Owner Occupied	63.8%	52.8%
% Renter Occupied	14.7%	34.7%
% Vacant	21.5%	12.5%
Median Home Value	\$215,709	\$199,207

Source: U.S. Bureau of the Census, 2010 Census of Population and Housing. ESRI forecasts for 2017 and 2022

Market Analysis

Property Type

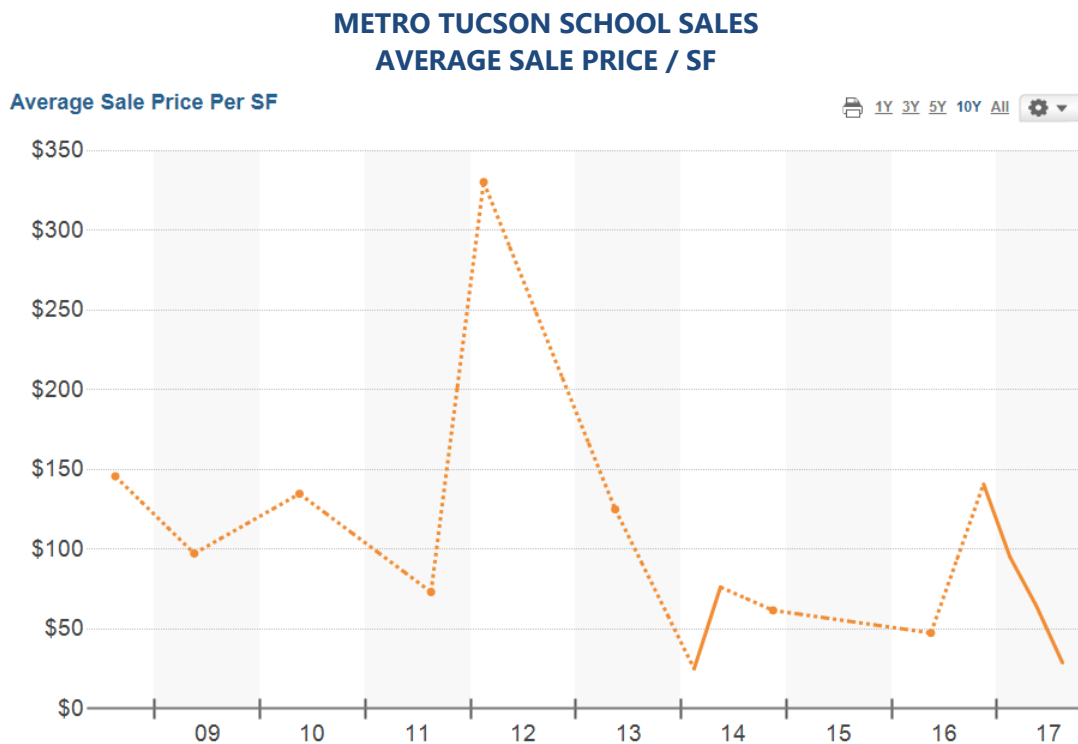
The subject's physical, legal and economic characteristics and restrictions indicate potential uses for the site of retail or school use. Retail data from Metro Tucson and the subject's Sahuarita / Green Valley submarket has been analyzed to determine overall market conditions that influence the subject property. We have also included data from the school real estate market for Metropolitan Tucson overall.

Schools

Market data is not available for the school real estate market. Research on Costar Comps identified 25 school sales, excluding related party transactions, in Pima County between January 2005 and July 2017. The Tucson market for this type of property has reported relatively stable pricing over the past 10 years with the majority of properties selling between \$50/S.F. and \$150/S.F. The data point spikes at the beginning of 2012 and the end of 2016 were build-to-suit schools. The transaction velocity is low and generally ranges between one and three transactions annually.

SCHOOL SALES IN METRO TUCSON													
Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Jul-17
# Transactions	3	1	1	1	1	1	1	1	3	5	1	3	3

Source: Costar



The Tucson Unified School District (TUSD) is the largest school district in Pima County. Enrollment decrease by more than 10,000 students between 2006 and 2012. TUSD announced closure of 9 schools in the Spring of 2010 and 11 more schools were closed for the 2013-2014 school year. Numerous potential users and uses emerged for these properties including leasing to charter schools, churches, the University of Arizona, and community services. Proposed redevelopment of the properties includes a church, apartments, and single family homes.

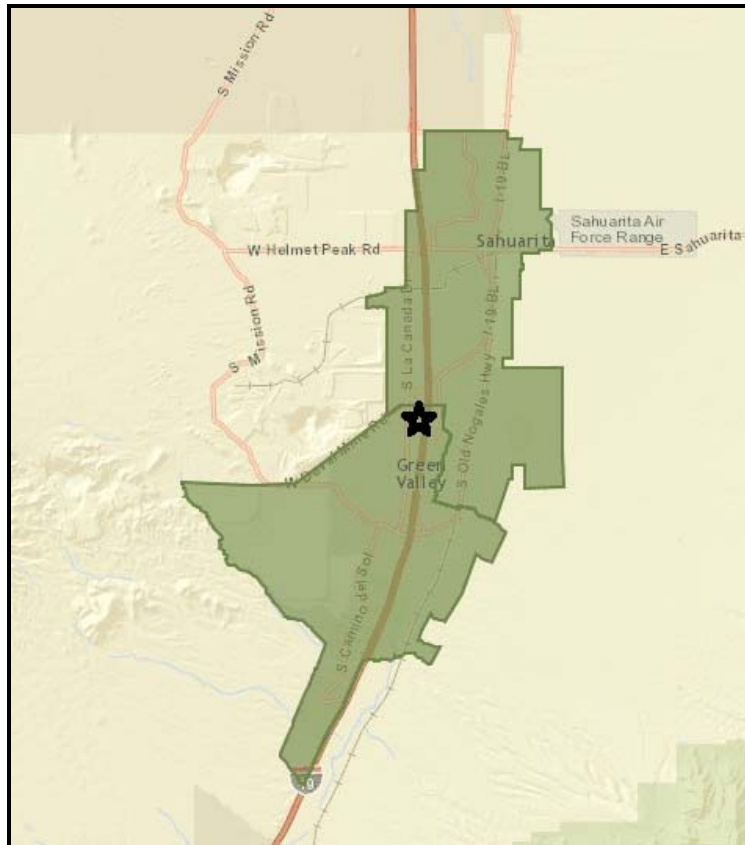
TUSD plans to hold some of the properties for future use should demand for public schools increase. In the meantime the cost of maintaining the properties is mitigated by leasing the vacant campuses. Over 2011 - 2013 TUSD has entered into leasing arrangements with triple net terms and as much as a full year of free rent with the target rent of \$3/SF by year three or four. The most recent lease commenced January 1, 2016. Calvary Christian Fellowship rented 12,500 square feet of the closed elementary school (formerly Lyons Elementary) at 7555 E. Dogwood Street. The first two years of the triple net lease are free as the church will be making repairs. The lease rate is flat at \$3 per square foot for the remaining three year lease.

Despite the numerous vacant public school buildings released onto the market over the past seven years, TUSD's policy of refusing to sell to competing charter or private schools has resulted in new development in the Metropolitan Tucson market. There have been eight new schools constructed since 2010, seven of which are charter schools. The new construction is evidence of a steady market for school sites. An additional Leman Academy of Excellence is proposed for a site at Golf Links and Houghton Roads.

Building Name	Building Address	Rentable Building Area	Year Built
Sahuarita Middle School	350 W Sahuarita Rd	5,200	2010
BASIS Oro Valley	11155 N Oracle Rd	31,018	2011
Legacy Traditional	3500 W Cortaro Farms Rd	8,995	2011
Pima Rose Academy	1690 W Irvington Rd	10,037	2011
Basis Tucson North	5740 E River Rd	55,894	2012
Academy Del Sol	7102 W Valley Crest Pl	34,885	2013
Basis Oro Valley	11129 N Oracle Rd	35,000	2014
Leman Academy of Excellence	7720 N Schisler Dr	48,300	2015

Retail Market

RETAIL SUBMARKET MAP



Overview

The subject's market area is defined as Metro Tucson and the submarket is defined as Sahuarita/Green Valley Retail. The general submarket boundaries include the incorporated areas of Sahuarita and Green Valley.

Definition of Product and Market Segmentation

In the following paragraphs, we describe the competitive qualities of the subject and the market segment in which it competes. The subject property will compete with retail properties with arterial frontage in the submarket.

Market Data Tables

Tables for the market (Metro Tucson Retail) and submarket (Sahuarita-Green Valley Retail) are presented below. The data is from Costar.

Metro Tucson Retail Market

Period	Leaseable Sq. Ft.	Change in Inventory	Vacancy Rate	Vacant Sq. Ft.	Avail. Rate	Net Absorption	Sq. Ft. Delivered	Quoted Rates (NNN)
Annual Trend								
2007	48,675,813		4.3%	2,085,569	5.3%	652,483	953,959	\$20.76
2008	50,546,017	1,870,204	5.8%	2,936,908	6.5%	1,018,865	1,876,858	\$18.27
2009	50,716,948	170,931	8.0%	4,056,748	8.2%	-948,909	522,898	\$17.04
2010	50,873,343	156,395	8.3%	4,239,713	9.5%	-26,570	345,369	\$15.07
2011	51,177,117	303,774	8.2%	4,174,442	8.6%	369,045	463,050	\$14.57
2012	51,011,749	-165,368	7.4%	3,750,378	8.0%	258,696	389,079	\$14.79
2013	51,476,438	464,689	6.6%	3,416,156	7.8%	798,911	625,416	\$14.31
2014	51,798,611	322,173	6.6%	3,397,371	7.7%	340,958	368,536	\$14.30
2015	52,101,482	302,871	6.3%	3,285,313	7.8%	414,929	637,948	\$14.67
2016	52,460,173	358,691	6.3%	3,314,785	7.5%	329,219	422,210	\$14.83
2017	52,925,022	464,849	6.0%	3,179,569	7.7%	600,065	468,809	\$14.93
Quarterly Trend								
2016 Q1	52,124,706	23,224	6.3%	3,269,157	7.9%	546,195	42,182	\$14.23
2016 Q2	52,266,310	141,604	6.3%	3,278,593	7.6%	132,168	149,267	\$14.94
2016 Q3	52,297,839	31,529	6.1%	3,176,757	7.3%	133,365	36,229	\$14.78
2016 Q4	52,460,173	162,334	6.3%	3,314,785	7.5%	24,306	194,532	\$14.83
2017 Q1	52,661,118	200,945	6.5%	3,400,411	7.8%	115,319	200,945	\$14.82
2017 Q2	52,741,347	80,229	6.5%	3,440,392	8.0%	40,248	80,229	\$14.99
2017 Q3	52,831,002	89,655	6.2%	3,271,821	7.8%	258,226	89,655	\$15.25
2017 Q4	52,925,022	94,020	6.0%	3,179,569	7.7%	186,272	97,980	\$14.93
8 Quarter Average			6.3%	3,291,436	7.7%	179,512	111,377	\$14.85
4 Quarter Average			6.3%	3,323,048	7.8%	150,016	117,202	\$15.00

Source: CoStar Group - Note: includes leasable and owner-occupied space

Sahuarita/ Green Valley Retail

Period	Leaseable Sq. Ft.	Change in Inventory	Vacancy Rate	Vacant Sq. Ft.	Avail. Rate	Net Absorption	Sq. Ft. Delivered	Quoted Rates (NNN)
Annual Trend								
2007	1,475,447	0	7.2%	106,749	6.7%	150,109	150,547	\$16.96
2008	1,583,047	107,600	8.4%	133,605	13.5%	80,744	107,600	\$17.04
2009	1,600,304	17,257	14.8%	236,174	14.8%	-85,312	17,257	\$16.03
2010	1,612,123	11,819	10.2%	163,929	10.5%	84,064	11,819	\$15.14
2011	1,623,347	11,224	9.2%	149,701	9.5%	25,452	11,224	\$15.53
2012	1,623,347	0	8.3%	135,009	7.6%	14,692	0	\$14.19
2013	1,655,959	32,612	5.4%	89,032	5.6%	78,589	32,612	\$14.50
2014	1,663,759	7,800	5.0%	83,674	5.2%	13,158	7,800	\$14.19
2015	1,672,897	9,138	4.6%	77,668	5.5%	15,144	12,325	\$14.46
2016	1,675,497	2,600	5.5%	92,628	5.9%	-12,360	2,600	\$14.49
2017	1,675,497	0	6.5%	108,694	6.7%	-16,066	0	\$13.59
Quarterly Trend								
2016 Q1	1,672,897	0	5.2%	87,277	5.8%	5,346	0	\$14.38
2016 Q2	1,675,497	2,600	6.1%	101,580	6.2%	-11,703	2,600	\$14.54
2016 Q3	1,675,497	0	5.1%	85,427	5.6%	16,153	0	\$14.07
2016 Q4	1,675,497	0	5.5%	92,628	5.9%	-7,201	0	\$14.49
2017 Q1	1,675,497	0	5.8%	97,048	6.2%	-4,420	0	\$15.60
2017 Q2	1,675,497	0	6.5%	108,597	6.5%	-11,549	0	\$13.46
2017 Q3	1,675,497	0	6.7%	112,256	6.2%	-3,659	0	\$13.55
2017 Q4	1,675,497	0	6.5%	108,694	6.7%	3,562	0	\$13.59
8 Quarter Average			5.9%	99,188	6.1%	(1,684)	325	\$14.21
4 Quarter Average			6.4%	106,649	6.4%	(4,017)	-	\$14.05

Source: CoStar Group - Note: includes leasable and owner-occupied space

Supply and Demand Trends

Using Costar, we researched the market area to determine real estate trends within the market area. This information is presented as follows:

Inventory of Existing Space

There are 5,372 retail buildings in Metro Tucson with 52,925,022 square feet or 9,852 square feet per building. A little over eight million square feet of inventory or 15.2% of the current inventory level was added during the last development cycle from 2002 to 2008. The large percentage on new construction combined with the downturn in overall economic conditions resulted in an oversupplied market from 2008 to 2011. Inventory growth levels growth levels ranged from roughly 150,000 to 300,000 from 2009 to 2011 with negative growth in 2012. The improvement in overall market

conditions has resulted in a steady increase in inventory growth from 300,000 to 500,000 square feet per year since 2013.

The submarket has 135 retail buildings with 1,675,497 square feet or 12,411 square feet per building. The average building size in the submarket is larger than the metro average due to larger neighborhood and community shopping centers in the submarket. The submarket makes up 3.2% of the metro inventory. Inventory levels in the path of growth submarket have increased by 13.6% since 2007, which is above the Metro Tucson average over that time period.

Barriers to Entry

New construction was limited from 2007 to 2011 due to the downturn in the overall economy. Financing was difficult to secure for new development as financial institutions increased their requirements and limited the supply of funds. Additionally, the significant decreases in value from 2007 to 2011 did not make it financially feasible for speculative development. The improvement in the overall economy has resulted in an increase in new construction, although it is primarily for owner-user properties and prime locations.

New or Proposed Construction

New construction in the retail market has totaled 468,809 square feet over the past. New deliveries have averaged 643,103 square feet over the past 10 years, although that is skewed by the significant new construction in 2007 and 2008. There are 256,840 square feet currently under construction in the Metro Tucson retail market, which represents about 0.5% of the total inventory. Most of the new construction has been in the north/northwest and, to a lesser extent, central portions of Metro Tucson.

There were no new retail properties added to the submarket over the past year. There has only been 52,150 S.F. in total added to the submarket since 2011. However, as the residential market recovers, the retail market is expected to continue to grow. There are currently 102,799 S.F. under construction in the subject submarket including a Sprouts anchored shopping center.

Occupancy / Frictional Vacancy

Vacancy rates in the Metro Tucson retail market steadily increased from 2007 to 2010, trended downward from 2011 through 2013, and have been within a relatively concise range of 6.0% to 6.6% since 2013. The average vacancy rate over the past four and eight quarters was 6.3%. The average vacancy rate over the past 10 years is 6.7%; therefore, the market is in a state of equilibrium once obsolete space is excluded.

The submarket vacancy rates peaked in 2009 and recovered in 2013. The vacancy rate has ranged between 5.0% and 6.5% for the past four years. The average vacancy over the past eight quarters was 6.1% compared to 6.4% over the past four quarters. The current vacancy rate in the submarket is 6.5%, similar to the metro average.

Absorption Trends

Absorption in Metro Tucson has been positive since 2010. Absorption has totaled 600,065 square feet over the past year. The average absorption over the past 10 years is 346,154 square feet,

although the total is skewed by the strong absorption in 2008 followed by significant negative absorption in 2009. The average absorption over the past three years is 448,071 square feet, which indicates that the market is experiencing above average absorption over the past year. Absorption has generally outpaced new deliveries over the past couple of years, which has resulted in a decrease in vacancy rates.

Absorption in the submarket has been negative over the past two years while new inventory is being added. The average absorption over the past four quarters was negative 4,017 square feet compared to negative 1,684 square feet over the past eight quarters.

Range and Average of Rental Rates

Rental rates in Metro Tucson bottomed in 2013 and 2014 and have gradually increased over the past couple of years. The current average asking rent of \$14.93 per square foot, triple net reflects a 4.4% increase since 2014, although it is still 28.1% below the historical high reached in 2007.

Rental rates in the submarket have generally followed the overall trend. The current average asking rent of \$13.59 per square foot is the lowest asking rate in the past ten years but appears to be stabilizing. Again, the current rate is 25% below the record high of 2008. The average asking rent in the submarket is currently 9.9% lower than the metro average. This is somewhat due to the outmoded Green Valley “mall” at I-19 and Esperanza. The other centers are well-occupied and achieve higher rents.

Typical Lease Terms

Leases for retail uses depends on a variety of factors and could include terms that range from month-to-month to 50 years; however, most leases range from three to 20 years. The lease types in the retail sector can be gross, modified gross, and triple net, although most are triple net. Concessions increased during the downturn in the market and were prevalent from 2009 to 2012. Concessions are still being offered in the current market; however, the improvement in the overall retail market has reduced the amount of concessions. Tenant improvement allowances depend on the condition of the space, type of user, and lease rate. Uses that are in shell condition often include a tenant improvement allowance of \$30 to \$50 per square foot, while good quality built-out space will often include minimal tenant improvements. The lease rate and term will often dictate the amount of tenant improvements offered. Some landlords will offer a lower rental rate with minimal or no tenant improvements. Conversely, a higher tenant improvement allowance will often result in a higher rental rate.

Growth Factors (Employment, Population, Income, Households)

Population and household growth in Metro Tucson has fluctuated over the years, but has typically ranged from 0.5% to 1.0% over the past decade. The projected growth rates over the next five years fall within this historic range. The subject neighborhood’s projected growth rate is above the metro average. The growth rates suggest that there will be continued demand for housing in Metro Tucson, and within the subject’s submarket, which should spur demand for retail uses. Income characteristics in the subject’s neighborhood are above the metro average. Personal income is projected to steadily grow by 4.4% to 5.0% annually through 2021, employment is projected to grow by 1.0% to 1.4% annually through 2021, and retail sales are projected to grow by 1.9% to 4.4% through 2021. These

growth rates should positively influence the commercial real estate markets, especially the retail market.

Conclusions

The Metro Tucson retail market peaked in 2006 and 2007, trended downward from 2008 to 2011, and has been in a slow growth recovery since 2012 and 2013. The improvement in the overall market, specifically vacancy rates, has shifted the market from oversupplied to a state of equilibrium. A new development cycle appears to be in the early stages in prime locations with the improvement in overall economic conditions. While population and overall economic growth are expected to be modest over 2017, increasing rates of growth are projected for the following years, which should drive retail spending and create demand for existing and proposed retail uses. The continued improvement in economy should result in an increase in rental rates, although this is likely to vary greatly by location, with prime nodes experiencing most of the increases.

The submarket has generally followed the overall trends in the retail market. The path of growth location is expected to see continued, though measured, increases to supply.

Strengths and Weaknesses

Subject Strengths

- Arterial frontage at a secondary corner
- Proximity to Interstate-19
- All utilities available and developable land

Subject Weaknesses

- Lack of commercial zoning

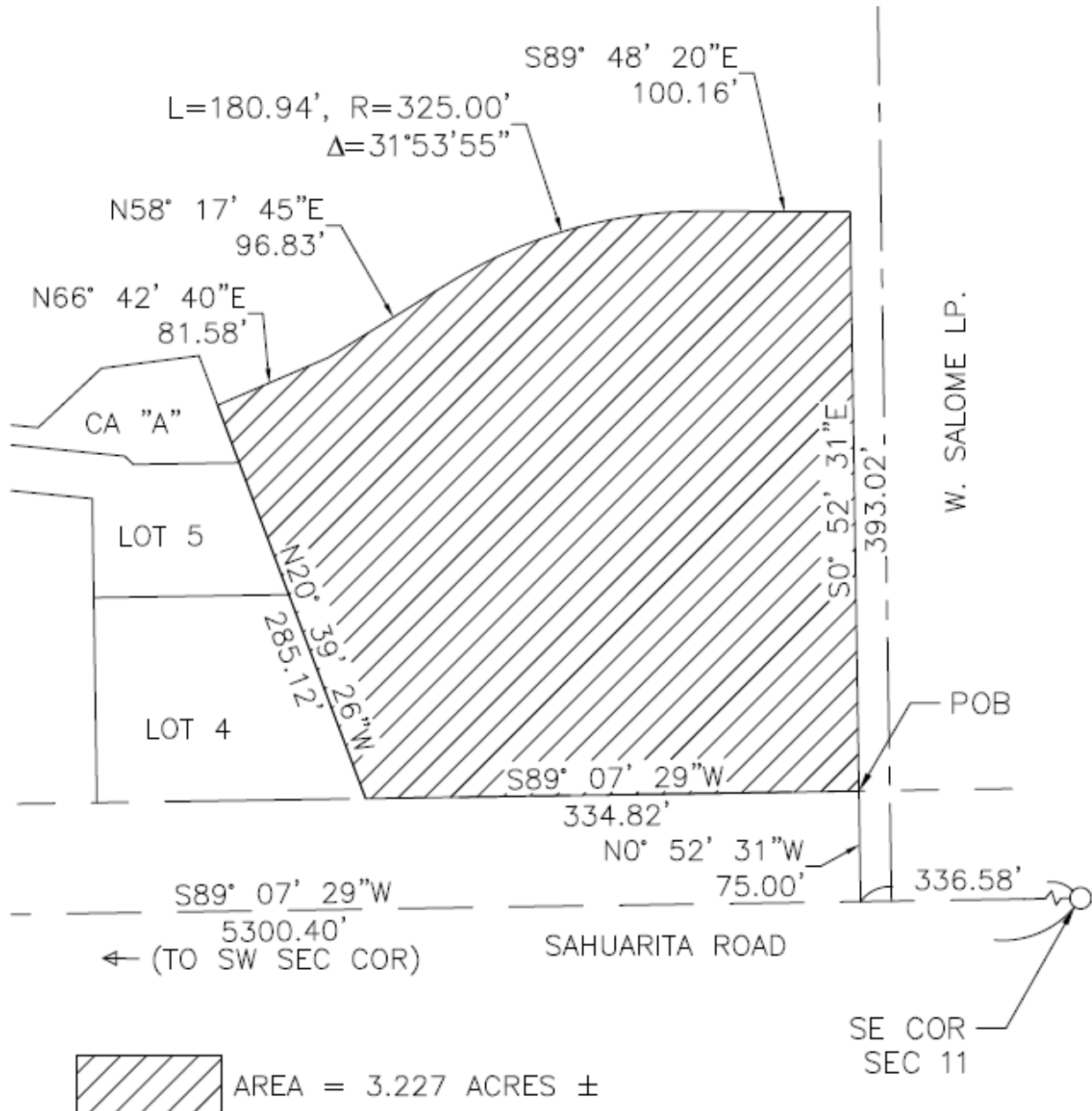
Most Probable Purchaser of Subject Property

Based on recent trends in the market, and considering nature of the subject property, the most probable purchaser of the property would be a local investor-developer or owner-user.

Site Description

The following description is based on our appraisal inspection of the subject, assessor records, and information provided by the client and/or owner.

SURVEY MAP



AERIAL VIEW



General Data

Street Address: Northwest corner of Sahuarita Road and Salome Loop in Sahuarita, Pima County, Arizona 85629
Assessor Parcel Number: Portion of 303-33-008A

Adjacent Land Uses

North: Sahuarita schools (elementary, middle, high school)
South: Post Office, Sahuarita Library, and vacant land
East: Sahuarita schools (elementary, middle, high school)
West: Vacant land and Fry's gas station

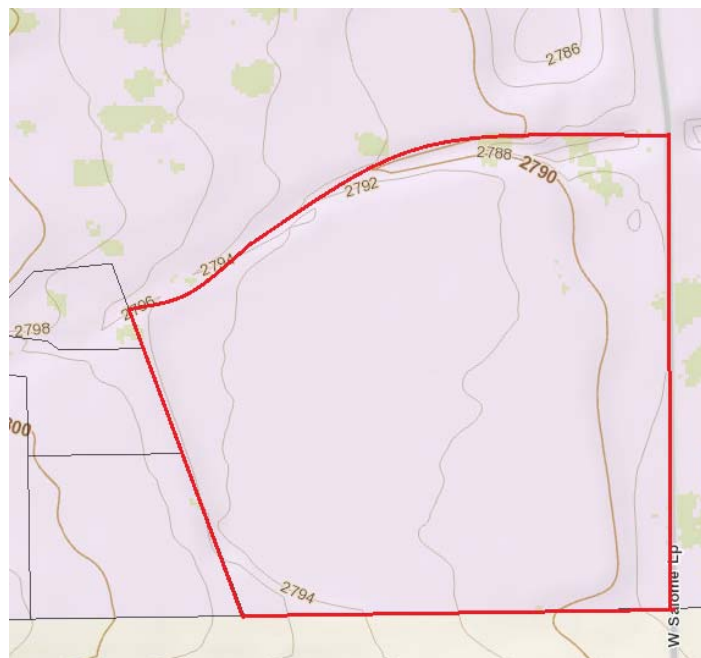


Physical Characteristics

Site Area: 140,568 square feet, or 3.227 acres per the Survey prepared by Pima County Department of Transportation, which is relied upon

Shape: Irregular, functional

Topography: Generally level with sparse some grass coverage. The property has historically been used as a baseball field.



Access

Primary Street Name:	Sahuarita Road
Street Type:	Four-lane, asphalt paved median divided arterial, with curbs and bicycle lane. There is a signalized median cut and turn lane at the subject property for eastbound travelers.
Secondary Street Name	Salome Loop; a narrow two lane access street for interior access throughout the school campus.
At Signalized Intersection:	Yes. There is a signalized intersection with Salome Loop, though Rancho Sahuarita Blvd. approximately 900 feet to the west, is a primary signalized intersection.
Overall Visibility:	Above average – secondary corner location with arterial frontage

Site Improvements

Utilities:	All Available Electric: TRICO Natural Gas – Southwest Gas Water: Sahuarita Water Company Sewer: Town of Sahuarita Wastewater Telecomm: Century Link
On-Site Improvements:	None
Proposed Development:	A Pima County public library

Flood Zone Data

Flood Map Panel:	Panel: 04019C3455L dated June 16, 2011
Flood Zone:	Zone X, outside the 100-year flood plain.

Other Site Conditions

Environmental Issues:	According the AZDEQ Map, the site is not within a superfund or WQARF designated area. A Phase I ESA was not provided but is recommended. No on-site environmental conditions were noted upon inspection, but we are not qualified to detect them.
Easements and Encroachments:	A title report was not provided. The appraisal assumes typical access and utility easements that do not affect the site adversely.

Site Ratings

Location:	Average
Access:	Above average

FEMA FLOOD MAP



Zoning Designation

Zoning Code:

RH, Rural Homestead

Zoning Jurisdiction:

Town of Sahuarita

Permitted Uses:

Permitted uses within the RH designated areas include single family residential development, agriculture, and residential support uses such as churches and schools.

Zoning Analysis

The general development standards for the RH designation are presented in the following table:

Zone	Principal Uses	Minimum Lot Area (Sq. Ft.)	Minimum Lot Width (Ft.)	Min. area per unit (Sq. Ft.)	Minimum Yard Requirements (Main Structure) Front/Side/Rear	Maximum Building Height (Ft.)/# of Stories
RH Rural Homestead 18.13	Low density residential; agriculture	180,000	None	180,000	50/10/10	34/2

Zoning Comments

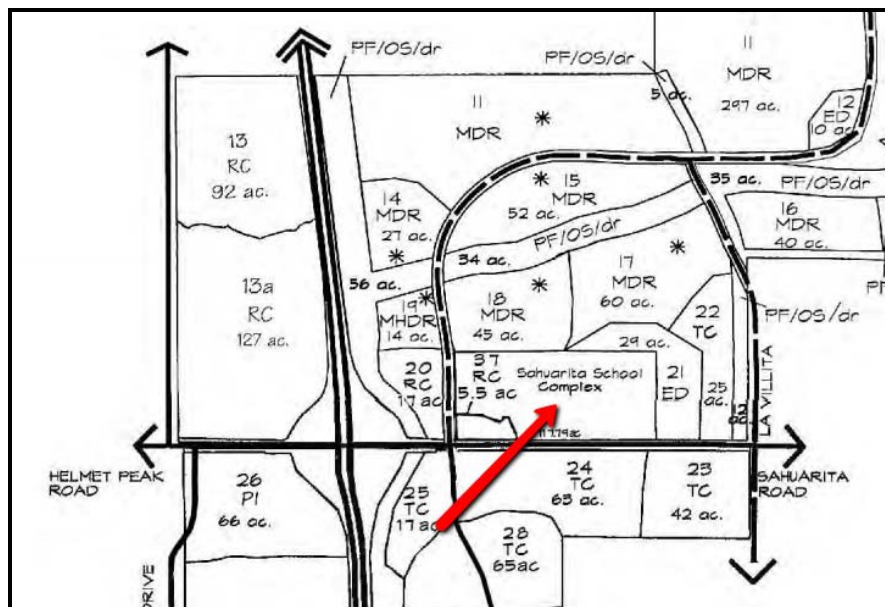
The subject is part of the Sahuarita School Complex, as designated under the Rancho Sahuarita Specific Plan. The

underlying RH zone is consistent with residential support uses. However, if it were to be sold to a private entity, it is reasonably probable that the designation could be changed to TC, Town Center, allowing a variety of office and commercial uses. The TC designation is consistent with the arterial frontage and surrounding privately owned land uses along Sahuarita Road.

ZONING MAP



RANCHO SAHUARITA SPECIFIC PLAN LAND USE



Analysis/Comments on Site:

Functional site with all utilities available and arterial frontage.

Subject Photographs



Photo 1: Street scene looking west on Sahuarita Road



Photo 4: Street scene looking north



Photo 2: Street scene looking east on Sahuarita Road



Photo 5: Looking north through the site



Photo 3: Street scene looking south



Photo 6: Looking west through the site



Photo 7: Looking southeast through the site

Assessment and Tax Data

Assessment Methodology

In Arizona, property tax is based on a full cash value (FCV) and a limited property value (LPV). Full cash value is equal to market value, with certain exceptions (e.g., agricultural property, golf courses and shopping centers). Limited value is determined by statute, and can never exceed full cash value. The assessment ratio is based on the subject's classification into one of nine categories. The most typical categories are residential property (10%); vacant land (15%); and commercial property (18.0%). The subject is vacant land and assessed at a 15% ratio.

On November 6, 2012, voters approved an amendment to the Arizona Constitution known as the Arizona Property Tax Assessed Valuation Amendment, or Proposition 117, which changes how property taxes are calculated beginning in the 2015 tax year. For 2015 and following years, real estate taxes will be based on the combined primary and secondary tax rates applied only to the LPV, which, by statute, cannot be increased by more than 5% per year (except under certain limited exceptions, including new construction).

Assessed Values and Property Taxes

The subject is identified by the Pima County Assessor as a portion of the larger APN 303-33-008A. The larger tax parcel is improved with 112,034 S.F. of school improvements. The subject is a vacant land portion of the overall site.

Larger Tax Parcel	Tax Parcel Size (ac)	Subject Parcel Proportion	Full Cash Value		Limited Property Value	
			2017	2018	2017	2018
303-33-008A	27.20	11.9%	\$10,392,667	\$10,078,274	\$10,392,667	\$10,078,274

Real Estate Tax Rates (Area 3002)

Year	2016	2017
Primary Rate	10.6019	11.0310
Secondary Rate	4.7146	6.0997
Total Tax Rate	15.3165	17.1307

Property Taxes

The subject is publicly owned and is not taxed.

Highest and Best Use

The Highest and Best Use of a property is the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value.

It is necessary to determine the highest and best use of a subject property both As If Vacant, and As Improved. Improved properties may have a highest and best use that is different than the existing use. The existing use will generally continue however, until land value exceeds the total value of the property at its existing use plus demolition costs.

Analysis of Highest and Best Use as if Vacant

In determining the highest and best use of the property as though vacant, we focus on: 1) the existing use, 2) a projected development, 3) a subdivision, 4) an assemblage, or 5) holding the land as an investment.

Physically Possible

The subject site has an irregular yet functional shape and contains 140,568 square feet or 3.227 acres. The topography is generally level but just below street grade. All utilities are available to the site. The site has above average visibility with arterial frontage at a secondary signalized corner. According to the FEMA map, the site is outside the 100-year flood plain. Surrounding land uses include vacant land, an educational campus, and commercial uses along Sahuarita Road. The size is the only significant physical constraint.

Legally Permissible

The subject site is zoned RH, Rural Homestead, and is designated as part of the Sahuarita school campus according to the Rancho Sahuarita Specific Plan. Privately owned parcels along Sahuarita Road are generally designated as TC, Town Center, which permits a variety of office, retail, or multifamily development. No other legal restrictions were discovered. Access and utility easements do not affect the site adversely.

Financially Feasible

After determining the uses that are physically possible and legally permissible, an appraiser considers the uses that are likely to produce an adequate return on investment based on a cost/benefit analysis or through direct market observation. Further, it is the appraiser's opinion the use of the subject site should generally conform to surrounding uses, which primarily consist of vacant land, commercial uses, and municipal development.

The commercial market in the subject area has reported low vacancy rates and increased new development as the residential market recovers. Rental rates have decreased but appear to be stabilizing. There has been minimal new development over the past five years. However, the arterial frontage with proximity to I-19 and municipal offices would increase demand for the subject property.

Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for either rezoning for commercial development or continued school facilities use.

Conclusion of Highest and Best Use as though Vacant

The conclusion of the highest and best use as though vacant, as analyzed in the previous sections, is for either rezoning for commercial development or continued schools facilities use. A library is a consistent and complementary use.

Most Probable Buyer/User

As of the date of value, the most probable buyer of the subject property is an investor or a developer and the most probable end user would be a commercial user or tenant, or a school/ancillary school use.

Appraisal Methodology

Three Approaches to Value

There are three traditional approaches typically available to develop indications of real property value: the cost, sales comparison, and income capitalization approaches.

Cost Approach

The cost approach is based upon the principle of substitution, which states that a prudent purchaser would not pay more for a property than the amount required to purchase a similar site and construct similar improvements without undue delay, producing a property of equal desirability and utility. This approach is particularly applicable when the improvements being appraised are relatively new or proposed, or when the improvements are so specialized that there is little or no sales data from comparable properties.

Sales Comparison Approach

The sales comparison approach involves the direct comparison of sales and listings of similar properties, adjusting for differences between the subject property and the comparable properties. This method can be useful for valuing general purpose properties or vacant land. For improved properties, it is particularly applicable when there is an active sales market for the property type being appraised – either by owner-users or investors.

Income Capitalization Approach

The income capitalization approach is based on the principle of anticipation, or the assumption that value is created by the expectation of benefits to be derived in the future, such as expected future income flows including the reversion, or future re-sale of the property appraised. Its premise is that a prudent investor will pay no more for the property than he or she would for another investment of similar risk and cash flow characteristics. The income capitalization approach is widely used and relied upon in appraising income-producing properties, especially those for which there is an active investment sales market.

Subject Valuation

The subject parcel is a publicly owned vacant land parcel which is part of a larger school campus. The arterial frontage would infer a more intense use if the site were privately owned. An example is the gas station to the west. Privately owned parcels along Sahuarita Road are generally zoned and developed for commercial use. The subject's highest and best use is for either rezoning to allow commercial development or continued school facilities use. Commercial land and school parcels in peripheral areas of Metropolitan Tucson were sought and confirmed as comparable sales.

Land Valuation

Methodology

Land is most often valued using the Sales Comparison Approach. This approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same utility. In the sales comparison approach, the opinion of market value is based on closed sales, listings and pending sales of properties similar to the subject property, using the most relevant units of comparison. The comparative analysis focuses on the difference between the comparable sales and the subject property using all appropriate elements of comparison.

Unit of Comparison

The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis is the price per square foot.

Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The main elements of comparison that are considered in sales comparison analysis are as follows: (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location, (7) physical characteristics, (8) economic characteristics, and (9) use/zoning.

Comparable Sales Data

A search of data sources and public records, a field survey, interviews with knowledgeable real estate professionals in the area, and a review of our internal database were conducted to obtain and verify comparable sales of vacant land properties. Two larger commercial land sales were discovered in the Sahuarita/Green Valley market and are presented in the table below. Larger parcels typically sell for less than smaller parcels due to affordability constraints and these sales would support a lower limit to value. However, Sale A is located at a superior signalized corner, while Sale B may have included a premium for assemblage. Both these conditions offset any size adjustments and these sales lend additional support for the subject value conclusion.

Large Land Sales

Sale	Sale Date	Location	City	Sale Price	Price /SF land	Usable Acres	S.F.	Zoning	Intended Use
A	Dec-15	I-19 & Canoa Ranch Dr.	Green Valley	\$4,275,000	\$4.67	21.00	914,760	CB-2	Hospital Expansion
B	Jan-17	Nogales Hwy & Abrego Dr.	Sahuarita	\$3,500,000	\$5.00	17.73	772,319	CB-1	Shopping Center

We used six sales in our analysis, these representing the sales judged to be the most comparable in developing an indication of the market value of the subject property.

The following table summarizes each of the land sale comparables and is followed by a map displaying the location of each comparable in relation to the subject. Summary sheets detailing each comparable follow the location map along with a discussion of necessary adjustments and an adjustment grid.

Land Sales Summary

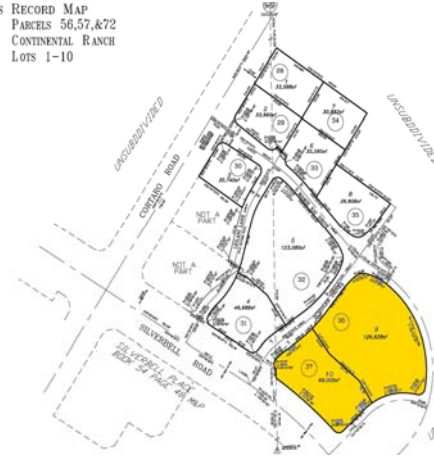
Comp #	Property Name	Location	Sale Date	Acres		Zoning	Sale Price	Price /SF Land
				(Usable)	Sq Ft			
Subject	Sahuarita MS Ball Field Site	NWc of Sahuarita Rd. & Salome Lp	N/A	3.23	140,568	RH	N/A	
1	Charter School Site	SE of Cortaro & Silverbell Rds	3/15	4.49	195,584	F	\$1,275,000	\$6.52
2	Dove Mountain Retail Centre Lot	NE of Dove Mountain Blvd & Tangerine Rd	1/16	1.65	71,700	F	\$427,000	\$5.96
3	Continental Crossing Marketplace Lot	SW of Silverbell Rd & Continental Reserve Loop	3/16	3.99	173,804	F	\$869,190	\$5.00
4	Charter School	12255 N La Canada Blvd.	2/17	8.63	375,790	R1-144/C-1/TR	\$1,500,000	\$3.99
5	Senior Apt Site	9005 N Oracle Rd	2/17	3.35	145,926	R-S	\$830,000	\$5.69
6	Charter School	S/s of Golf Links, W of Houghton Rd	9/17	9.70	422,532	C-1	\$2,100,000	\$4.97

COMPARABLE SALES MAP


Land Sale No. 2



ASSESSOR'S RECORD MAP
226-27
PARCELS 56,57,&72
CONTINENTAL RANCH
LOTS 1-10



Property Identification

Property ID	6464
Property Type	Vacant Land
Property Name	Charter School Site - Lots 9 & 10
Address	SE of Cortaro & Silverbell Rds
City, State Zip	Marana, Arizona 85653
County	Pima
Tax ID	226-27-0360 & -0370 (now combined to -036B)

Sale Data

Seller	Silverbell Cortaro, LLC
Buyer	Leman Academy of Excellence, Inc,
Sale Date	03-23-2015
Reference No.	20150710266
Property Rights	Fee Simple
Market Time (days)	1442
Financing	Cash equivalent; institutional financing
Verification	David Montijo, CBRE (520-323-5136)

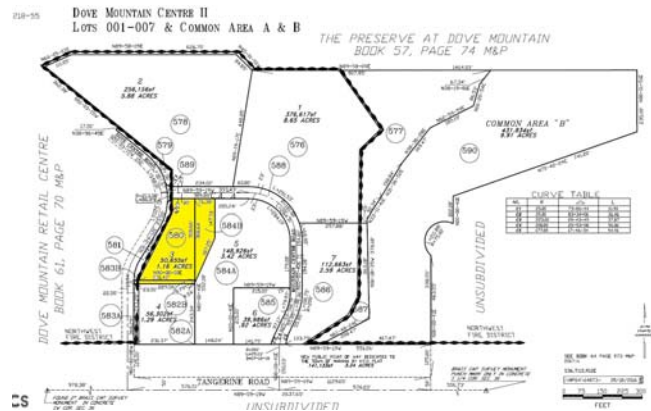
Land Data

Size	4.49 acres; 195,584 SF
Shape	Irregular, yet functional
Topography	Generally level, graded site
Utilities	All available
Zoning	F Specific Plan
Proposed Use	Charter School

Price	\$1,275,000
Price/Gross Acre	\$283,965 per acre
Price/Gross SF	\$6.52 per SF

Remarks

The buyer purchased the site to construct a new charter school to accommodate 600 students. The lots were development ready, with utilities to the lot lines, access roads, and grading completed. This was an arm's length transaction.

Land Sale No. 2

Property Identification

Property ID	7311
Property Type	Land
Property Name	Dove Mountain Retail Centre II
Address	NE of Dove Mountain Blvd & Tangerine Rd.
City, State Zip	Marana, Arizona 85658
County	Pima
Tax ID	218-55-580 et al

Sale Data

Seller	Rita Land Corporation
Buyer	Dove Mountain Medical Offices, LLC
Sale Date	01-26-2016
Reference No.	20160260645
Property Rights	Fee Simple
Market Time (days)	Unknown
Financing	Cash
Verification	Doug Marsh, Oxford Realty Advisors 520-232-0200, 06-06-2016

Land Data

Size	1.65 acres; 71,700 SF
Zoning	F Specific Plan

Price	\$427,000
Price/Gross Acre	\$259,416 per acre
Price/Gross SF	\$5.96 per SF

Remarks

The parcel was raw vacant land. The buyer felt that he got a good deal because he has a medical user in hand and the seller would benefit from the use as a marketing amenity for the Dove Mountain development.

Land Sale No. 3

Property Identification

Property ID	7312
Property Type	Land
Property Name	Continental Crossing Marketplace Lot
Address	SW of Silverbell Rd & Continental Reserve Loop
City, State Zip	Tucson, Arizona 85743
County	Pima
Tax ID	226-22-6150

Sale Data

Seller	DAZ7-Sombrero Peak, LLC
Buyer	Salem Marana Investments, LLC
Sale Date	03-24-2016
Property Rights	Fee Simple
Financing	Cash equivalent
Verification	James Hardman, DESCO Southwest, 520-297-8929, 06-06-2016

Land Data

Size	3.99 acres; 173,804 SF
Zoning	F Specific Plan

Price	\$869,190
Price/Gross Acre	\$217,843 per acre
Price/Gross SF	\$5.00 per SF

Remarks

The site was purchased to develop a senior care facility. Onsite improvements were required prior to development. Furthermore, as part of the purchase price, the buyer was required to complete the onsite improvements on the two adjacent acre sites as well. The cost is unknown.

Land Sale No. 4

Property Identification

Property ID	8448
Property Type	Land
Property Name	Charter School Site
Address	12255 N. La Canada
City, State Zip	Oro Valley, Arizona 85737
County	Pima
Tax ID	219-47-006A

Sale Data

Seller	Desco-Miller, LLC
Buyer	Schoolhouse Oro Valley, LLC
Sale Date	02-06-2017
Reference No.	2017108388
Market Time (days)	1,664
Financing	Cash equivalent
Verification	Pat Welchert, Alpha Commercial, 520-360-9394,

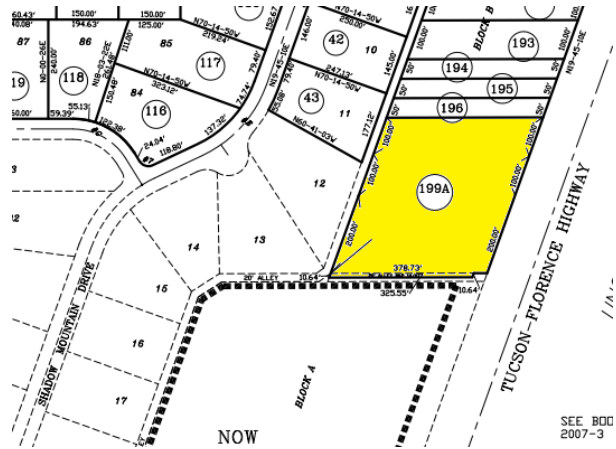
Land Data

Size	8.63 acres; 375,790 SF
Shape	Irregular, yet functional
Topography	Undulating, with a downward slope to the southwest
Utilities	All available
Zoning	R1-144/C-1/TR
Proposed Use	Charter School

Price	\$1,500,000
Price/Gross Acre	\$173,874 per acre
Price/Gross SF	\$3.99 per SF

Remarks

The property was purchased to construct a charter school. Construction was proposed for completion in the fall of 2017. The listing broker reported an arm's length transaction.

Land Sale No. 5

Property Identification

Property Type	Land
Property Name	Commercial land
Address	9005 N. Oracle Rd
City, State Zip	Tucson, Arizona 85704
County	Pima
Tax ID	225-11-199A

Sale Data

Seller	327 OH Land, LLC
Buyer	CA Senior Oro Valley AZ Prop O
Sale Date	02-21-2017
Reference No.	20170540427
Property Rights	Fee Simple
Market Time (days)	Unknown
Financing	Cash
Verification	Pete Villascusa, CBRE (520) 323-5112

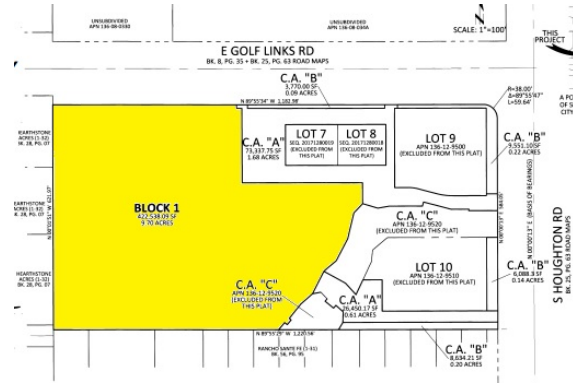
Land Data

Size	3.35 acres; 145,926 SF
Zoning	R-S, Residential Services

Price	\$830,000
Price/Gross Acre	\$247,761 per acre
Price/Gross SF	\$5.69 per SF

Remarks

The sale was confirmed as an arm's length, non-distressed transaction. The site was purchased to develop an assisted living facility. All utilities are available.

Land Sale No. 6

Property Identification

Property ID	8549
Property Type	Commercial Land
Property Name	Leman Academy School Site
Address	S/s of Golf Links Rd, W of Houghton Rd.
City, State Zip	Tucson, Arizona 85730
County	Pima
Tax ID	136-12-9420 thru -9470 & -9520

Sale Data

Seller	Title Security Agency, Tr No 201728-T
Buyer	Brand Properties, LLC
Sale Date	01-03-2018
Reference No.	20180030512
Financing	Cash equivalent
Property Rights	Fee Simple
Verification	Andy Selevnov, Larsen Baker, 520-296-0200, 02-02-2018

Land Data

Size	12.64 acres; 550,598 SF; 9.70 acres; 422,532 S.F.
Shape	Irregular, functional
Topography	Generally level
Utilities	All available
Zoning	C-1 , City of Tucson
Proposed Use	School site

Price	\$2,100,000
Price/Usable Acre	\$216,495 per acre
Price/Usable SF	\$4.97 per SF
Price/Gross S.F.	\$3.81 per SF

Remarks

The sale was confirmed as an arm's length, non distressed transaction. The buyer plans to develop the site with a K-8 Leman Academy of Excellence Charter School. It will be its third location in Tucson. The gross area of the site includes a large drainage area. Approximately 9.7 acres is considered usable area.

Land Sales Comparison Analysis

We analyzed the sales and made adjustments for differences in the elements of comparison previously listed. The comparable sales are adjusted to the subject: if the comparable sale was superior to the subject, we applied a negative adjustment to the comparable sale. A positive adjustment to the comparable property was applied if it was inferior to the subject. A summary of the elements of comparison follows.

Transaction Adjustments

These items are applied prior to the application of property adjustments. Transaction adjustments include:

1. Real Property Rights Conveyed
2. Financing Terms
3. Conditions of Sale
4. Expenditures Made Immediately After Purchase

The adjustments are discussed as follows:

Real Property Rights Conveyed

The fee simple interest of the subject property is considered. The fee simple interest is transferred in each of the sales and no adjustment is necessary.

Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. Sales involving financing terms that are not at or near market terms require adjustments for cash equivalency to reflect typical market terms. A cash equivalency procedure discounts the atypical mortgage terms to provide an indication of value at cash equivalent terms.

The transactions were all cash or cash equivalent transactions, requiring no adjustment.

Conditions of Sale

When the conditions of sale are atypical, the result may be a price that is higher or lower than that of a normal transaction. Adjustments for conditions of sale usually reflect the motivations of either a buyer or a seller who is under duress to complete the transaction. Another more typical condition of sale involves the downward adjustment required to a comparable property's for-sale listing price, which usually reflects the upper limit of value.

The sales were all confirmed to be arm's length, non-distressed transactions. The buyer of Sale 2 felt he was given a good deal as he had a medical user in hand which would benefit the overall development for the seller. An upward adjustment is applied.

Expenditures Made Immediately After Purchase

A knowledgeable buyer considers expenditures that will have to be made upon purchase of a property because these costs affect the price the buyer agrees to pay. Such expenditures may include: (1) costs to demolish and remove any portion of the improvements, (2) costs to petition for a zoning change, and/or (3) costs to remediate environmental contamination.

The relevant figure is not the actual cost incurred, but the cost that was anticipated by both the buyer and seller. Unless the sales involved expenditures anticipated upon the purchase date, no adjustments to the comparable sales are required for this element of comparison.

Land Sales 1 through 6 require no adjustment for expenditures made immediately after purchase.

Market Conditions Adjustment

Market conditions change over time as a result of inflation, deflation, fluctuations in supply and demand and other factors. Changing market conditions creates the need for adjustments to sale comparables that represent transactions during periods of dissimilar market conditions.

The sales have occurred from March 2015 through January 2018. While the commercial market has improved over this period with decreasing vacancy and stabilizing rents, the sales are all located in peripheral areas where land prices are less sensitive and development time windows are longer. Small upward adjustments are given to the older Sales 1 through 3.

Property Adjustments

Property adjustments are usually expressed quantitatively as percentages that reflect the increase or decrease in value attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. These adjustments are based on locational and physical characteristics and are applied after the application of transaction and market conditions adjustments.

The adjustments are discussed as follows:

Location adjustments may be required when the locational characteristics of a comparable are different from those of the subject. These characteristics can include general neighborhood characteristics, freeway accessibility, street exposure, corner versus interior lot location, neighboring properties, view amenities, and other factors.

The subject site is located in the town of Sahuarita, a path of growth satellite community about 20 miles south of Tucson. The subject has arterial frontage at a signalized secondary corner with proximity to Interstate-19. All of the sales, except Sale 4, have arterial frontage in more established areas with proximity to a larger population base. Downward adjustments are given to these sales. The adjustment given to Sale 5 is reduced due to its significant below grade profile. Sale 4 has a small window of arterial frontage but is within a lower density residential area. The location and exposure are inferior to the subject. Sale 4 is given an upward adjustment.

The size adjustment identifies variances in the physical size of the comparables and the subject. Typically, all other characteristics being equal, the larger a parcel, the lower the sale price per unit. This inverse relationship is due, in part, to the principle of "economies of scale." The subject site contains 3.23 acres. All of the sales are reported on their usable acreage because the gross areas for Sales 1 through 5 are also net usable area. Smaller Sale 2 receives a downward adjustment, while the larger Sales 4 and 6 are adjusted upward. The remaining sales are competitive in size and no additional adjustments are warranted.

All of the sales, as well as the subject, had generally level topography with all utilities available, and are developable sites. No adjustments are warranted, other than Sale 4 which receives an upward adjustment to reflect its undulating topography and irregular narrow shape.

Adjustments are considered for site improvements. The sales are generally vacant land. Sale 1 had been graded and was development ready. A downward adjustment is required. The buyer of Sale 3 was required to complete onsite improvements on the adjacent parcel as part of the purchase price. The cost is unknown and a subjective upward adjustment is applied.

The highest and best use of sale comparables should be very similar to the subject property. When land sales with the same zoning as the subject are lacking or scarce, parcels with slightly different zoning, but a highest and use similar to that of the subject may be used as comparables.

All of the sales are zoned for commercial use. Their highest and best uses are for commercial development or school uses. The subject requires rezoning and a specific land use amendment for commercial development. All of the sales are given a downward adjustment to reflect the time, cost, and risk of rezoning. No further adjustments apply.

No non-realty items are relevant to the analysis.

Summary of Adjustments

Based on the preceding analysis, we have summarized adjustments to the sale comparables on the following adjustment grid. These adjustments are based on our market research, best judgment, and experience in the appraisal of similar properties.

The unadjusted sale prices for comparable Sales 1 through 6 ranged from \$3.99 to \$6.52/S.F. After adjustments, the range of indicated values is \$4.55 to \$4.81/S.F. with an average of \$4.73/S.F. The sales have a narrow adjusted range and support a value opinion of \$4.75/S.F. Multiplying the subject 140,568 S.F. by \$4.75/S.F. yields a total value conclusion of \$667,698, rounded to \$675,000, the nearest \$25,000.

Land Sale Adjustment Grid

	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Property Name	Charter School Site	Dove Mountain Retail Centre Lot	Continental Crossing Marketplace Lot	Charter School	Senior Apt Site	Charter School
Location	SE of Cortaro & Silverbell Rds	NE of Dove Mountain Blvd & Tangerine Rd	SW of Silverbell Rd & Continental Reserve Loop	12255 N La Canada Blvd.	9005 N Oracle Rd	S/s of Golf Links, W of Houghton Rd
Date	3/15	1/16	3/16	2/17	2/17	1/18
Sale Price	\$1,275,000	\$427,000	\$869,190	\$1,500,000	\$830,000	\$2,100,000
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing Terms	Cash Equiv.	Cash	Cash Equiv.	Cash Equiv	Cash Equiv.	Cash Equiv.
Conditions of Sale	Typical	Typical	Typical	Typical	Typical	Typical
Expenditures after Sale per SF	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Acres (usable)	4.49	1.65	3.99	8.63	3.35	9.70
Land SF	195,584	71,700	173,804	375,790	145,926	422,532
Zoning	F	F	F	R1-144/C-1/TR	R-S	C-1
Intended Use	Charter School	Medical Office	Senior Care Facility	School Site	Senior Apts	School Site
Price/SF Land	\$6.52	\$5.96	\$5.00	\$3.99	\$5.69	\$4.97
Transactional Adjustments						
Property Rights Conveyed	0	0	0	0	0	0
Financing Terms	0	0	0	0	0	0
Conditions of Sale	0	+10%	0	0	0	0
Expenditures after Sale	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Adjusted Price/SF	\$6.52	\$6.55	\$5.00	\$3.99	\$5.69	\$4.97
Market Conditions Adjust.	+5%	+5%	+5%	0	0	0
Adjusted Price/SF	\$6.84	\$6.88	\$5.25	\$3.99	\$5.69	\$4.97
Property Adjustments						
Location	-10%	-10%	-10%	+10%	-10%	-5%
Physical Characteristics						
Size	0	-10%	0	+10%	0	+10%
Shape, Topo, Flood	0	0	0	+10%	0	0
Site Improvements	-10%	0	+10%	0	0	0
Economic Characteristics						
Zoning/Allowable Use	-10%	-10%	-10%	-10%	-10%	-10%
Non Realty Components	0	0	0	0	0	0
Indicated Value/SF	\$4.79	\$4.81	\$4.73	\$4.79	\$4.55	\$4.72

Reconciliation

Summary of Value Indications

The indicated values from the approach used and our concluded market value for the subject property are summarized in the following table.

Value Indications and Conclusions

Valuation Date	February 3, 2018
Market Value, "as is":	\$675,000

The sales comparison approach is typically important in the estimate of market value for a property of this type. This approach is considered in both the listing of the property for sale, as well as the purchase of the property by an informed and prudent purchaser. Sales of similar properties were available, and the data was rated good. This approach receives strong weight and best represents market actions.

Exposure Time and Marketing Periods

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants. We conclude an exposure time of 12 months or less. Due to gradually improving market conditions, the estimate of marketing time is the same. The subject site can also be marketed within the time frame to rezone the property.

General Assumptions and Limiting Conditions

This appraisal and appraisal certification are subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for matters legal in character, nor is any opinion rendered by us to title which is assumed to be marketable. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. The stamps and/or consideration placed on deeds/affidavits used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
4. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
5. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
6. Unless expressly specified in this Agreement, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | MJN Enterprises, Inc. is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
7. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
8. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
9. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.

10. The information, estimates and opinions which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
11. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by MJN Enterprises, Inc. Valbridge Property Advisors, Inc. nor any of its affiliates, has not been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. This appraisal was prepared for the sole and exclusive use of the client. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | MJN enterprises, Inc. and Client. We assume no liability for unauthorized use of the appraisal report by a third party.
14. No claim is intended to be expressed for matters of expertise which would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
15. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
16. The value opinion provided herein is subject to any and all predications set forth in this report.
17. If required by governmental authorities, any environmental impact statement prepared for the subject property will be favorable, unless otherwise stated in the report.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

19. If the appraisal is for mortgage loan purposes 1) we assume satisfactory condition of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income & Expense Projection" are anticipated.
20. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
21. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.
22. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
23. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
24. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional

- cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
25. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
 26. In the absence of a professional Engineer's Feasibility Study, information regarding the existence of utilities is made only from a visual inspection of the site. The Appraiser assumes no responsibility for the actual availability of utilities, their capacity, or any other problem which may result from a condition involving utilities. The respective companies, governmental agencies or entities should be contacted directly by concerned persons.
 27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.
 28. This appraisal is not intended to be used, and may not be used, on behalf of or in connection with a real estate syndicate or syndicates. A real estate syndicate means a general or limited partnership, joint venture, unincorporated association or similar organization formed for the purpose of, and engaged in, an investment or gain from and interest in real property, including, but not limited to, a sale or exchange, trade or development of such real property, on behalf of others, or which is required to be registered with the United States Securities and Exchange Commission or any state regulatory agency which regulates investments made as a public offering. It is agreed that any user of this appraisal who uses it contrary to the prohibitions in this section indemnifies the appraisers and the appraiser's firm and holds them harmless of and from all claims, including attorney's fees, arising from said use.
 29. Unless otherwise stated in this report, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value conclusion is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
 30. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the Americans with Disabilities Act ("ADA") which became effective January 26, 1992. It is possible that a compliance

survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.

31. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
32. If any claim is filed against any of Valbridge Property Advisors, Inc. a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
33. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
34. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
35. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
36. It is your responsibility to read the report and to inform the appraisers of any errors or omissions of which you are aware, prior to utilizing the report.
37. Disclosures of the contents of the appraisal report by the Appraiser are governed by the Bylaws and regulations of the professional appraisal organizations with which the Appraiser is affiliated.

38. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes subject to client data confidentiality.
39. All disputes shall be settled by binding arbitration in accordance with the then-existing commercial arbitration rules of the American Arbitration Association.
40. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Certification

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

1. The statements of fact contained in this report are true.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My engagement in this assignment and my compensation are not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, approval of a loan, or the occurrence of a subsequent event.
7. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. Michael Naifeh has personally inspected the subject property. Carolyn Van Hazel has not personally inspected the subject property.
9. Except as provided hereafter, no one provided significant real property appraisal assistance in the preparation of the appraisal. Carolyn Van Hazel, MAI, provided significant assistance in the preparation of the appraisal.
10. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
11. The undersigned hereby acknowledge that they have the appropriate education and experience to completion the assignment in a competent manner. The reader is referred to the appraisers' Statement of Qualifications.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

13. As of the date of this report, I, Michael Naifeh, MAI, CRE®, have completed the continuing education program of the Appraisal Institute.
14. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the property appraised, or upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
15. All conclusions and opinions concerning the real estate that are set forth in the appraisal were prepared by the Appraisers whose signature(s) appears on the appraisal, unless indicated as "Review Appraiser".
16. No change of any item in the appraisal report shall be made by anyone other than the Appraiser(s), and the Appraiser(s) shall have no responsibility for any such unauthorized change.
17. Michael Naifeh has provided no previous services, as an appraiser or in any other capacity, regarding the subject property within the three years prior to this assignment.



Michael Naifeh, MAI, CRE®
Certified General Real Estate Appraiser
State of Arizona, Certificate No. 30276
Expires August 31, 2018
mnaifeh@valbridge.com

Addenda

Glossary

Definitions are taken from the Dictionary of Real Estate Appraisal, 5th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP) and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Additional Rent

Any amounts due under a lease that is in addition to base rent. Most common form is operating expense increases. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

Base (Shell) Building

The existing shell condition of a building prior to the installation of tenant improvements. This condition varies from building to building, landlord to landlord, and generally involves the level of finish above the ceiling grid. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

The areas of the building that provide services to building tenants but which are not included in the rentable area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common areas are; floor common areas, parking spaces, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Certificate of Occupancy (COO)

A statement issued by a local government verifying that a newly constructed building is in compliance with all codes and may be occupied.

Common Area (Public) Factor

In a lease, the common area (public) factor is the multiplier to a tenant's useable space that accounts for the tenant's proportionate share of the common area (restrooms, elevator lobby, mechanical rooms, etc.). The public factor is usually expressed as a percentage and ranges from a low of 5 percent for a full tenant to as high as 15 percent or more for a multi-tenant floor. Subtracting one (1) from the quotient of the rentable area divided by the useable area yields the load (public) factor. At times confused with the "loss factor" which is the total rentable area of the full floor less the useable area divided by the rentable area. (BOMA)

Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.

CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas and sometimes the exterior walls of the buildings. CAM can refer to all operating expenses.

CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative load. An example would be a 15 percent addition to total operating expenses, which are then prorated among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee. (Dictionary)

Condominium

A form of ownership in which each owner possesses the exclusive right to use and occupy an allotted unit plus an undivided interest in common areas.

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement

An interest in real property restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature to continue, subject to the easement. In some locations, a conservation easement may be referred to as a conservation restriction. (Dictionary)

Contributory Value

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ($DCR = NOI/Im$), which measures the relative ability to a property to meet its debt service out of net operating income. Also called Debt Service Coverage Ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation

- 1) In appraising, the loss in a property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. 2) In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method. (Dictionary)

Disposition Value

The most probable price that a specified interest in real property is likely to bring under the following conditions:

- Consummation of a sale within a exposure time specified by the client;
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;

- An adequate marketing effort will be made during the exposure time specified by the client;
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Easement

The right to use another's land for a stated purpose. (Dictionary)

EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date

The date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Gross Income (EGI)

The anticipated income from all operations of the real property after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Effective Rent

The rental rate net of financial concessions such as periods of no rent during the lease term and above- or below-market tenant improvements (TIs). (Dictionary)

EPDM

Ethylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called an expense recovery clause or stop clause. (Dictionary)

Estoppel Certificate

A statement of material factors or conditions of which another person can rely because it cannot be denied at a later date. In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an estoppel letter. (Dictionary)

Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and

best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. (Dictionary)

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. (Dictionary)

Exposure Time

1) The time a property remains on the market. 2) The estimated length of time 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; a retrospective estimate based on an analysis of past events assuming a competitive and open market. (Dictionary)

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

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. (Dictionary)

Floor Common Area

Areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a full service lease. (Dictionary)

Going Concern Value

- The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern.
- The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable. (Dictionary)

Gross Building Area

The total constructed area of a building. It is generally not used for leasing purposes (BOMA)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of the same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expense in income-producing properties when less than 100 percent occupancy is assumed. The gross up method approximates the actual expense of providing services to the rentable area of a building given a specified rate of occupancy. (Dictionary)

Gross Retail Sellout

The sum of the appraised values of the individual units in a subdivision, as if all of the units were completed and available for retail sale, as of the date of the appraisal. The sum of the retail sales includes an allowance for lot premiums, if applicable, but excludes all allowances for carrying costs. (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning. A general term encompassing any system designed to heat and cool a building in its entirety.

Highest and Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are 1) legal permissibility, 2) physical possibility, 3) financial feasibility, and 4) maximally profitability. Alternatively, the probable use of land or improved –specific with respect to the user and

timing of the use—that is adequately supported and results in the highest present value. (Dictionary)

Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

Industrial Gross Lease

A lease of industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real estate taxes as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value

A type of value for insurance purposes. (Dictionary) (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees).

Investment Value

The value of a property interest to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position as he or she would be if the property had not been taken. (Dictionary)

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (Dictionary)

Leasehold Interest

The tenant's possessory interest created by a lease. (Dictionary)

Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

- Consummation of a sale within a short period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Loan to Value Ratio (LTV)

The amount of money borrowed in relation to the total market value of a property. Expressed as a percentage of the loan amount divided by the property value. (Dictionary)

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement including permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is

not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- a. Buyer and seller are typically motivated;
- b. Both parties are well informed or well advised, and acting in what they consider their own best interests;
- c. A reasonable time is allowed for exposure in the open market;
- d. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- e. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Market Value As If Complete

Market value as if complete means the market value of the property with all proposed construction, conversion or rehabilitation hypothetically completed or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

Market Value As If Stabilized

Market value as if stabilized means the market value of the property at a current point and time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Marketing Time

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

Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease. (Dictionary)

Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., OER = 1 – NIR (Dictionary)

Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the optionee) to buy, sell, or lease real property for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest

Divided or undivided rights in real estate that represent less than the whole (a fractional interest). (Dictionary)

Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real estate taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Potential Gross Income (PGI)

The total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Future Value Upon Completion

Market value "upon completion" is a prospective future value estimate of a property at a point in time when all of its improvements are fully completed. It assumes all proposed construction, conversion, or rehabilitation is hypothetically complete as of a future date when such effort is projected to occur. The projected completion date and the value estimate must reflect the market value of the property in its projected condition, i.e., completely vacant or partially occupied. The cash flow must reflect lease-up costs, required tenant improvements and leasing commissions on all areas not leased and occupied.

Prospective Future Value Upon Stabilization

Market value "upon stabilization" is a prospective future value estimate of a property at a point in time when stabilized occupancy has been achieved. The projected stabilization date and the value estimate must reflect the

absorption period required to achieve stabilization. In addition, the cash flows must reflect lease-up costs, required tenant improvements and leasing commissions on all unleased areas.

Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, super-adequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate

The interest held by the original lessee when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee (i.e., the tenant) leases part or all of the property to another party and thereby becomes a lessor. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior,

or subordinate, to the claims of another party. (Dictionary)

Substantial Completion

Generally used in reference to the construction of tenant improvements (TIs). The tenant's premises are typically deemed to be substantially completed when all of the TIs for the premises have been completed in accordance with the plans and specifications previously approved by the tenant. Sometimes used to define the commencement date of a lease.

Surplus Land

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Triple Net (Net Net Net) Lease

A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN, triple net lease, or fully net lease. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area

The measured area of an office area, store area or building common area on a floor. The total of all the usable areas on a floor shall equal floor usable area of that same floor. The amount of floor usable area can vary over the life of a building as corridors expand and contract and as floors are remodeled. (BOMA)

Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

Contract

Purchase Order	SAHUARITA UNIFIED SCHOOL DISTRICT 350 W SAHUARITA ROAD SAHUARITA AZ 85629	No. 20183460
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LIFT GATE REQUIRED if over 150 lbs. Schedule delivery 24 HR. in advance with SUSD Warehouse	Send 1 Copy of Invoice Mail Invoice to above address	P.O.# must be on all documents P.O.# MUST BE ON SHIPPING LABELS/CARTONS MSDS sheets must accompany all products
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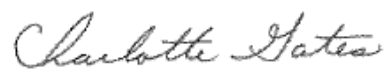
P.O. Date: 01/29/2018	Questions ?	ACCOUNTS PAYABLE DEPT (520) 625-3502	Ext: 1036	Account:
P.O. Issued To :		Ship To:		
VALBRIDGE PROPERTY ADVISORS MJN ENTERPRISES, INC 6061 E GRANT ROAD TUCSON AZ 85712		SAHUARITA WAREHOUSE Attn: OLIVAS, BEA BUILDING NUMBER 46 350 W. SAHUARITA ROAD SAHUARITA AZ 85629-9522 (520) 625-3502		
Contact: MICHAEL NAIFEH	Location: ASSISTANT SUPT.			
Phone: (520) 321-0000	Fax:	Project: UNDESIGNATED	(520) 625-3502	Req# 183633
Reference: SMS BALL FIELD	Date Required: 02/13/2018		Award Number:	

Line	Qty	Unit	Part#	Description	Unit Price	Extended	Tax	Freight
1	1	EA	SMS BALL FIELD	APPRAISAL OF 3.2 ACRES OF LAND INFORMALLY KNOWN AS SAHUARITA MIDDLE SCHOOL BALL FIELDS (LEGAL DESCRIPTION ATTACHED FROM PIMA COUNTY	2,431.00	2,431.00	0.00	0.00

 EMAIL PO TO -
 MNAIFEH@VALBRIDGE.COM

TO AVOID DELAYS IN PAYMENT - INVOICES MUST HAVE PURCHASE ORDER NUMBER.

 For purchase order terms and conditions refer to: <http://www.sued30.us/district/PURCHASEORDERTERMSAND CONDITIONS>.

APPROVAL SIGNATURES:	Sub-Total: 2,431.00
	Freight: 0.00
	Tax: 0.00
	Total Amount: 2,431.00

NOTES: All Transportation Chgs must be prepaid. NO DELIVERIES AFTER 3:00 P.M. LIFT GATE REQUIRED if over 150 lbs. Schedule delivery 24 hrs. in advance with SUSD Warehouse

Order Via: Mail

VENDOR COPY

Tuesday, January 30, 2018

Page 1 of 1

Qualifications

MICHAEL J. NAIFEH, MAI, CRE®

State of Arizona Certified General Real Estate Appraiser, Certificate #30276

PROFESSIONAL EXPERIENCE

2013 to present	Valbridge Property Advisors MJN Enterprises, Inc., Senior Managing Director
1988 – 2012	MJN Enterprises, Inc., President and Principal Appraiser
1983 – 1988	Mahoney, Cole and Associates, Fee Appraiser
1980 - 1983	Sanders K. Solot and Associates, Fee Appraiser

PROFESSIONAL AFFILIATIONS AND MEMBERSHIPS

- Member of the Counselors of Real Estate (CRE®), Certification Number 2387. The CRE® designation is awarded only to those individuals who are invited by their peers into the membership of the Counselors of Real Estate.
- Member of the Appraisal Institute, earning the MAI (#7812) designation in 1988. The Institute conducts a mandatory program of continuing education for its designated members. Mr. Naifeh is currently certified under this program.
- Registered Property Tax Agent in the State of Arizona
- Licensed Real Estate Salesman, State of Arizona

FORMAL EDUCATION

Bachelor of Science Degree, University of Arizona, 1980. Concentration: Accounting and Real Estate

PROFESSIONAL EDUCATION

All required classes to obtain and maintain the MAI designation and state certifications.

PUBLIC SERVICE

- Appointed to the Arizona State Board of Appraisal January, 2000.
- Served as Vice Chairperson in 2000 and Chairperson in 2001.
- Reappointed for a second term January, 2002.

SCOPE OF APPRAISAL PRACTICE

Mr. Naifeh's appraisal practice is concentrated on valuations for the following purposes: Mortgage loan underwriting, Private negotiations, Legal proceedings, and Consultations. Clientele includes governmental agencies, corporate organizations, attorneys, development companies, and financial institutions. Mr. Naifeh has extensive experience in the valuation of most types of urban and rural real property, including single and multi-family residential, commercial, industrial, and vacant land. Experience also includes special-purpose properties, feasibility studies, property tax appeals, leased fee and leasehold interest, partial interests, condemnation, UASFLA (Yellow Book) compliant appraisals and counseling.

Mr. Naifeh is a founding member of Valbridge Property Advisors and served on the initial Board of Directors.



STATE OF ARIZONA

Department of Financial Institutions

Real Estate Appraisal Division

BE IT KNOWN THAT

MICHAEL J. NAIFEH

HAS MET ALL THE REQUIREMENTS AS A

Certified General Real Estate Appraiser

This certificate shall remain evidence thereof unless or until the same is suspended, revoked or expires in accordance with provisions of law.


CERTIFICATE NUMBER

30276

EXPIRATION DATE

August 31, 2018

In witness whereof the Real Estate Appraisal Division of the Department of Financial Institutions caused to be signed by the Division Manager on behalf of the Superintendent on the 1st day of August, 2016.


Debra Rudd



Comprehensive Valuation and Advisory Services

Valbridge specializes in appraising all types of property and land:

- Office buildings and properties
- Industrial buildings and properties
- Retail buildings and properties
- Apartments, multifamily, senior living buildings and properties
- Hotel, lodging, hospitality, recreational buildings and properties
- Other special-purpose buildings and properties

SPECIALTY SERVICES

- Portfolio valuation
- Real estate market and feasibility analysis, including rent and demand studies and site analysis and selection
- Property and lease comparables, including lease review
- Due diligence
- Property tax assessment analysis and property tax appeals
- Valuations and analysis of property for right-of-way, eminent domain, easements
- REO and foreclosure evaluation
- Valuations of property for financial reporting, including goodwill impairment, impairment or disposal of long-lived assets, fair value and leasehold valuations
- Valuation of property for insurance, estate planning and trusteeship, including fractional interest valuation for gifting and IRS purposes
- Litigation support, including expert witness testimony
- Business and partnership valuation and advisory services, including partial interests



Company Information on Valbridge Property Advisors

- ▮ Valbridge is one of the Top 3 national commercial real estate valuation and advisory services firms based on:
 - Total number of MAIs (200 on staff)
 - Total number of office locations (68 across the U.S.)
 - Total number of staff (650+ strong)

- ▮ Valbridge covers the U.S. from coast to coast.

- ▮ Valbridge services all property types, including special-purpose properties.

- ▮ Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.

- ▮ Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.

- ▮ Valbridge is owned by our local office leaders.

- ▮ Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.



Independent Valuations for a Variable World

valbridge.com



Valbridge
PROPERTY ADVISORS

OFFICE LOCATIONS

ALABAMA

4732 Woodmere Boulevard
Montgomery, AL 36106
334-277-5077

ARIZONA

6061 E. Grant Road
Suite 121
Tucson, AZ 85712
520-321-0000

CALIFORNIA

4915 Calloway Drive
Suite 101
Bakersfield, CA 93312
661-587-1010

1370 N. Brea Boulevard
Suite 255
Fullerton, CA 92835
714-449-0852

2813 Coffee Road
Suite E-2
Modesto, CA 95355
209-569-0450

99 S. Lake Avenue
Suite 21
Pasadena, CA 91101
626-744-0428

10301 Placer Lane
Suite 100
Sacramento, CA 95827
916-361-2509

55 South Market Street
Suite 1210
San Jose, CA 95113
408-279-1520

3160 Crow Canyon Place
Suite 245
San Ramon, CA 94583
925-327-1660

COLORADO

5345 Arapahoe Avenue
Suite 7
Boulder, CO 80303
303-443-9600

562 Highway 133
Carbondale, CO 81623
970-340-1016

CONNECTICUT

6 Central Row
Third Floor
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860-246-4606

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Suite 214
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FLORIDA

2240 Venetian Court
Naples, FL 34109
239-514-4646

FLORIDA (cont'd.)

603 Hillcrest Street
Orlando, FL 32803
407-839-3626

1100 16th Street N
St. Petersburg, FL 33705
727-894-1800

2711 Polinesella Avenue
West Palm Beach, FL 33407
561-833-6331

GEORGIA

2675 Paces Ferry Road
Suite 145
Atlanta, GA 30339
678-644-4653

IDAHO

1459 Tyrell Lane
Suite 6
Boise, ID 83706
208-336-1097

1875 N. Lakewood Drive
Suite 100
Coeur d'Alene, ID 83814
208-292-2965

INDIANA

820 Fort Wayne Avenue
Indianapolis, IN 46204
317-687-2747

KANSAS

10990 Quivira Road
Suite 100
Overland Park, KS 66210
913-451-1451

KENTUCKY

214 South 8th Street
Suite 200
Louisville, KY 40202
502-585-3651

LOUISIANA

512 North Causeway Boulevard
Metairie, LA 70001
504-833-8234

7607 Fern Avenue
Suite 104
Shreveport, LA 71105
318-797-0543

MARYLAND

6240 Old Dobbin Lane
Suite 140
Columbia, MD 21045
410-423-2300

MASSACHUSETTS

21 Muzzey Street
Suite 2
Lexington, MA 02421
781-652-0700

MICHIGAN

1442 Brush Street
Detroit, MI 48226
313-986-3313

2127 University Park Drive
Suite 390
Okemos, MI 48864
517-336-0001

MINNESOTA

120 South 6th Street
Suite 1650
Minneapolis, MN 55402
612-253-0650

NEVADA

3034 S. Durango Drive
Suite 100
Las Vegas, NV 89117
702-242-9369

NEW JERSEY

2740 Route 10 West, Suite 204
Morris Plains, NJ 07950
973-970-9333
3500 Route 9 South, Suite 202
Howell, NJ 07731
732-807-3113

NEW YORK

424 West 33rd Street
Suite 630
New York, NY 10001
212-268-1113

NORTH CAROLINA

412 E. Chatham Street
Cary, NC 27511
919-859-2666
4530 Park Road, Suite 100
Charlotte, NC 28209
704-376-5400

OHIO

1655 W. Market Street
Suite 130
Akron, OH 44313
330-899-9900
8291 Beechmont Ave.,
Suite B
Cincinnati, OH 45255
513-785-0620

1422 Euclid Avenue
Suite 1070
Cleveland, OH 44115
216-367-9690

OKLAHOMA

6525 N. Meridian Avenue
Suite 309
Oklahoma City, OK 73116
405-603-1553

6666 South Sheridan Road
Suite 104
Tulsa, OK 74133
918-712-9992

OREGON

8220 SW Warm Springs Street
Suite 100
Tualatin, OR 97062
503-620-0881

PENNSYLVANIA

150 S. Warner Road
Suite 440
King of Prussia, PA 19406
215-545-1900

4701 Baptist Road
Suite 304
Pittsburgh, PA 15227
412-881-6080

SOUTH CAROLINA

610 N. Main Street
Greenville, SC 29601
864-233-6277

800 Main Street
Suite 220
Hilton Head Island, SC 29926
843-342-2302

1250 Fairmont Avenue
Mt. Pleasant, SC 29464
843-884-1266

TENNESSEE

112 Westwood Place
Suite 300
Brentwood, TN 37027
615-369-0670

701 Broad Street
Suite 209
Chattanooga, TN 37402
423-285-8435

213 Fox Road
Knoxville, TN 37922
865-522-2424

6750 Poplar Avenue
Suite 706
Memphis, TN 38138
901-753-6977

TEXAS

Two Energy Square
4849 Greenville Avenue
Suite 1495
Dallas, TX 75206
214-446-1611

974 Campbell Road
Suite 204
Houston, TX 77024
713-467-5858

2731 81st Street
Lubbock, TX 79423
806-744-1188

111 Soledad
Suite 800
San Antonio, TX 78205
210-227-6229

UTAH

260 South 2500 West
Suite 301
Pleasant Grove, UT 84062
801-492-9328

1100 East 6600 South
Suite 201
Salt Lake City, UT 84121
801-262-3388

20 North Main
Suite 304
St. George, UT 84770
435-773-6300

VIRGINIA

656 Independence Parkway
Suite 220
Chesapeake, VA 23320
757-410-1222

7400 Beaufort Springs Drive
Suite 300
Richmond, VA 23225
804-672-4473

5107 Center Street
Unit 2B
Williamsburg, VA 23188
757-345-0010

WASHINGTON

18728 Bothell Way, NE
Suite B
Bothell, WA 98011
425-450-4040

2927 Colby Avenue
Suite 100
Everett, WA 98201
425-258-2611

419 Berkeley Avenue
Suite A
Firorest, WA 98466
253-274-0099

8378 W. Grandridge Boulevard
Suite 110-D
Kennewick, WA 99336
509-221-1540

506 Second Avenue
Suite 1001
Seattle, WA 98104
206-209-3016

324 N. Mullan Road
Spokane Valley, WA 99206
509-747-0999

WISCONSIN

12660 W. North Avenue
Brookfield, WI 53005
262-782-7990

Each Valbridge office is independently owned and operated.

CORPORATE OFFICE

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Naples, FL 34109

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239-325-8356 fax

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