M. BERNSTEIN REAL ESTATE APPRAISALS
1147 N. HOWARD BOULEVARD
Tucson, Arizona 85716

Telephone (520) 325-3554
Facsimile (520) 622-3308
email: mkbappraiser@comcast.net

APPRAISAL REPORT

28.5317-ACRE PARCEL
A PORTION OF 141-17-011C
WITHIN SECTION 36, TOWNSHIP 15 SOUTH, RANGE 15 EAST
OF THE GILA AND SALT RIVER MERIDIAN

OWNED BY
PIMA COUNTY

LOCATED ALONG THE
NORTH SIDE OF MARY ANN CLEVELAND WAY
AND EAST OF HOUGHTON ROAD
TUCSON, PIMA COUNTY, ARIZONA

FOR

PIMA COUNTY REAL PROPERTY SERVICES

BY

MICHAEL BERNSTEIN, MAI
STATE OF ARIZONA CERTIFIED GENERAL REAL ESTATE APPRAISER
CERTIFICATE NUMBER 30370

EFFECTIVE DATE OF VALUE – NOVEMBER 7, 2017
DATE OF REPORT – NOVEMBER 21, 2017

OUR FILE NUMBER 1100-17B

M. BERNSTEIN REAL ESTATE APPRAISALS
1147 N. HOWARD BOULEVARD
Tucson, Arizona 85716

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email: mkbappraiser@comcast.net

Our File Number 1100-17B
November 21, 2017

Mr. Jeffrey Teplitsky
Pima County Real Property Services
Appraisal Supervisor
201 N. Stone Ave. 6th Floor
Tucson, Arizona 85701

Dear Mr. Teplitsky:

In accordance with your request, I have made an appraisal of the 28.5317-acre parcel located along the north side of Mary Ann Cleveland Way, east of Houghton Road, Tucson, Pima County, Arizona, herein referred to as the subject property. The purpose of this appraisal is to set forth my opinion of the market value of the fee simple value of the subject site. The effective date of value is November 7, 2017 the date of my recent inspection. The intended use or function of this appraisal is for the potential sale of the site to the Catholic Diocese. The intended users of this report are Pima County, and/or its designated users.

Attached to this letter of transmittal is an appraisal report that is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). As such, it presents discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinion of value sufficient for the users to understand the rational for the opinions and conclusions. The appraisal report is intended to provide support and credible evidence of my opinion of value. I consider the scope of the report utilized to provide a credible and reliable indication of value. This report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Foundation. Further, this report is intended to comply with the State of Arizona Statutes regarding appraisal practice.

This report is only being prepared for my client, the intended user. The intended user is defined for establishing a relationship. And further the intended user is identified to provide the basis for knowing the depth and scope of work necessary in writing to that user's level of understanding. While other parties may read this appraisal report, their reliance upon it is at their own risk. In other words, my contractual obligations are with my client only and I will not be liable to other parties.

1100-17B

The appraiser will maintain the confidentiality and privacy of client information obtained during this assignment.

Based upon the facts and analysis contained within the following report, I set forth my opinion that the following is indicated as of November 7, 2017:

OPINION OF MARKET VALUE FOR SUBJECT SITE $520,000

In addition to the general underlying assumptions attached, the value estimate is subject to the following extraordinary assumption:

1. The subject site has a developable area of 7.9709-acres. The eastern 275 feet of the site, or about 20.5608-acres is to be encumbered by an easement to Pima County for a pedestrian trail. According to Mr. Jeffrey Teplitsky of Pima County, no development will be allowed within the easement and must be left in a natural state, existing City of Tucson Land Use Ordinance will apply and potential for density transfers through the flexible lot development standards may be available. While Pima County would be responsible for development and liability for the trail, additional maintenance and liability for the balance of this open area would still be the responsibility of the new owner, the Catholic Diocese.

Further, this appraisal is subject to the following hypothetical conditions:

1. None.

THE USE OF EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS MIGHT HAVE AFFECTED THE ASSIGNMENT RESULTS.

It is my opinion that the marketing period for the sale of the subject property is within one year or less at the indicated market value provided herein.

I previously appraised a 9.4631-acre parcel as a different sized configuration of this parcel for Pima County as of May 30,2017. I consider myself to be competent to perform this assignment, please refer to my qualifications made a part of this report. Your attention is directed to the data and discussions contained within this report and to the exhibits, which are pertinent.

Respectfully submitted,

MICHAEL BERNSTEIN, MAI
STATE OF ARIZONA CERTIFIED GENERAL REAL ESTATE APPRAISER
CERTIFICATE NO. 30370, EXPIRES AUGUST 31, 2018

1100-17B

TABLE OF CONTENTS

1100-17B

GENERAL UNDERLYING ASSUMPTIONS

The liability of the appraiser, Michael K. Bernstein is limited to the client only and to the fee actually received.

I am not responsible for any costs incurred to discover or correct any deficiencies of any type present in the property; whether physical, financial, and/or legal. In the case of limited partnerships, or syndication offerings, or stock offerings in real estate, the client agrees that in case of a lawsuit (brought by lender, partner or part owner in any form of ownership, tenant, or any other party), any and all awards or settlements of any type in such suite, regardless of the outcome, the client and all parties will completely hold Michael K. Bernstein harmless in any such action.

The validity of legal, engineering, or auditing opinions is assumed to be good, and no responsibility is assumed.

Unless otherwise stated, I assume and believe that information furnished to us by others is reliable, but I assume no responsibility for its accuracy.

I reserve the right to alter statements, analysis, conclusion or any value estimate in the appraisal if there becomes known to me facts pertinent to the appraisal process that were unknown to me when the report was finished. Appraisal report and value estimate are subject to change if physical or legal entity or financing is different than that envisioned in this report.

The title to the property being appraised is assumed to be marketable and competent management and/or ownership is assumed. Consideration has been given to the existing or potential financing associated with the subject and the impact of such financing on value.

I was not provided with an environmental and/or land use history studies for the subject property. The existence of hazardous material has been considered; however, I am not qualified to detect such substances or materials. I assume that no such materials adversely affect the utility, usability, or developability of the property. Unless otherwise stated within my report, the existence of hazardous material may or may not be present within or on the property. 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 estimate(s) will be predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility will be assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired

I have inspected as far as possible, by observation, the land and the improvements; however, it was not possible to personally observe conditions beneath the soil, or hidden structural, mechanical, or other components and this appraiser shall not be responsible for defects in the property related thereto. I assume that there are no conditions that are not apparent, relating to the real estate, sub-soil conditions, or structures located on the real estate that would affect my analyses, opinions, or conclusions with respect to the real estate.

I assume no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An Agent for The Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

Maps, drawings, or sketches have been made a part of the report to aid the reader in visualizing the property, neighborhood, and region. I have made no survey of the property and assume no responsibility in connection with such matters.

I am not required, because of this appraisal report, to appear or to testify at a public hearing, committee, or corporate meeting, deposition, or legal proceeding of any kind unless satisfactory arrangements have been made in advance for my appearance.

The possession of this appraisal report does not include the right of its publication without my consent, nor may it be used for any purpose other than its intended use.

The appraisal report is to be used only in its entirety; no part may be used without the full or entire report.

Except for data provided by the client, all data gathered in the appraisal process and the appraisal report itself remains my property.

Unless otherwise stated, the present purchasing power of the dollar is the basis for the values ascribed.

The client authorizes disclosure of all or any portion of this appraisal report and the related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable me to comply with the bylaws and regulations of the Institute.

Acceptance of, and/or use of, this appraisal report by the client constitutes acceptance of the above underlying assumptions and limiting conditions, as well as the specific assumptions detailed in the Letter of Transmittal and Appraiser's Certification sections of the appraisal report.

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Date of Report:	November 21, 2017
Effective Date of Value:	November 7, 2017
Location:	North side of Mary Ann Cleveland Way and East of Houghton Road Tucson, Pima County, Arizona
Ownership:	Pima County
Assessor's Parcel Number:	141-17-011C (portion of)
Intended Use of Appraisal:	Potential sale of site to Catholic Diocese.
Intended Users:	Pima County and/or its designated users.
Interest Appraised:	Fee simple
Site Size:	28.5317-acres
Property Type:	Vacant land.
Zoning:	RX-1, residential Houghton Area Master Plan recommends periphery uses to a Village Center including day care, preschool, convenience commercial uses, and live/work accommodations.
Highest and Best Use As Vacant:	Residential and used permitted within RX-1 zone, or speculative future higher density uses.

SUMMARY OF MARKET VALUE

The following are indicated as of November 7, 2017:

OPINION OF MARKET VALUE FOR SUBJECT SITE $520,000

In addition to the general assumptions attached the value estimate is subject to the following extraordinary assumptions:

1. The subject site has a developable area of 7.9709-acres. The eastern 275 feet of the site, or about 20.5608-acres is to be encumbered by an easement to Pima County for a pedestrian trail. According to Mr. Jeffrey Teplitsky of Pima County, no development will be allowed within the easement and must be left in a natural state, existing City of Tucson Land Use Ordinance will apply and potential for density transfers through the flexible lot development standards may be available. While Pima County would be responsible for development and liability for the trail, additional maintenance and liability for the balance of this open area would still be the responsibility of the new owner, the Catholic Diocese.

Further, this appraisal is subject to the following hypothetical conditions:

1. None.

THE USE OF EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS MIGHT HAVE AFFECTED THE ASSIGNMENT RESULTS.

PURPOSE OF THE APPRAISAL

PURPOSE

The purpose of this appraisal is to set forth my opinion of the market value of the subject.

INTENDED USE (FUNCTION) AND INTENDED USER

The intended use or function of this appraisal is for the potential sale of the site to the Catholic Diocese. The intended users of this report are Pima County and/or its designated users.

This report is only being prepared for my client, the intended user. The intended user is defined for establishing a relationship. And further the intended user is identified to provide the basis for knowing the depth and scope of work necessary in writing to that user's level of understanding. While other parties may read this appraisal report, their reliance upon it is at their own risk. In other words, my contractual obligations are with my client only and I will not be liable to other parties.

EFFECTIVE DATE OF VALUE

The effective date of value was November 7, 2017, the date of a recent inspection. The value conclusion is as of a specified date. The conclusion of market value reflects an expectation of the continuation of current market trends and conditions, modified by my best estimates of current and future competitive factors. The opinion of market value contained in this appraisal report results from my investigation and study of the market, as it exists as of the effective date valuation, and is subject to changes resulting from the dynamic nature of the real estate market. At times the word estimate has been utilized and it is intended to have the same meaning as "opinion or judgment".

PROPERTY IDENTIFICATION

The subject site is a 28.5317-acre parcel located along the north side of Mary Ann Cleveland Way and east of Houghton Road. The owner of the subject property controls a 283.64-acre site from which they intend to subdivide the proposed parcel. The larger parcel is identified by the Pima County Assessor as Parcel Number 141-17-011C.

LEGAL DESCRIPTION

A legal description of the subject parcel has been provided by Pima County:

Bruce Small Surveys, Inc.

3040 N. Conestoga Ave.
Tucson AZ 85749-9332
e-mail: bruce.small@cox.net
voice: (520) 444-7186

October 5, 2017

EXHIBIT “A”
LEGAL DESCRIPTION

A part of the Southeast quarter of Section 25 and the Northeast quarter of Section 36, Township 15 South, Range 15 East, Gila and Salt River Meridian, Pima County, Arizona, described as follows:

COMMENCING at the ACP (aluminum cap on an iron rebar) stamped PE 2201 monumenting the Southeast corner of said Northeast quarter;

THENCE N 00°13'49" E (basis of bearings) along the East line of said Northeast quarter a distance of 522.63 feet to the POINT OF BEGINNING on a found 1/2" rebar tagged RLS 14172 on the North right-of-way line of Mary Ann Cleveland Way;

THENCE continue N 00°13'49" E along said East line a distance of 2,123.61 feet to the original GLO marked stone monumenting the Northeast corner of said Northeast quarter;

THENCE N 00°26'30" E along the East line of said Southeast quarter a distance of 1,510.77 feet to a found 1/2" rebar tagged RLS 14172;

THENCE S 89°38'13" W 275.03 feet to a set ACP stamped RLS 12122 on the West line of the 100' electric easement described in Docket 4887 at Page 920;

THENCE S 00°26'30" W along said West line a distance of 1,507.56 feet to a set ACP stamped RLS 12122;

THENCE S 00°13'49" W along said West line a distance of 170.33 feet to a set ACP stamped RLS 12122;

THENCE S 44°06'05" E 25.11 feet to a set ACP stamped RLS 12122 at a point of curvature of a tangent curve concave to the West;

THENCE Southerly and Southwesterly along the arc of said curve, to the right, having a radius of 535.00 feet, with a chord of S 07°04'16" W 833.57 feet, and a central angle of 102°20'40" for an arc distance of 955.64 feet to a set ACP stamped RLS 12122 at a point of tangency;

THENCE S 58°14'36" W 583.47 feet to a set ACP stamped RLS 12122;

THENCE S 31°48'19" E 684.98 feet to a found 1/2" iron rebar tagged RLS 27755 on the North right-of-way line of Mary Ann Cleveland Way;

THENCE S 72°36'42" E along said North right-of-way line a distance of 129.93 feet to a found 1/2" iron rebar tagged RLS 27755;

THENCE S 17°13'27" W along said North right-of-way line a distance of 65.11 feet to a found 1/2" iron rebar tagged RLS 27755;

THENCE S 72°41'38" E along said North right-of-way line a distance of 400.84 feet to the POINT OF BEGINNING.

Containing 28.5317 acres more or less.

Prepared by:

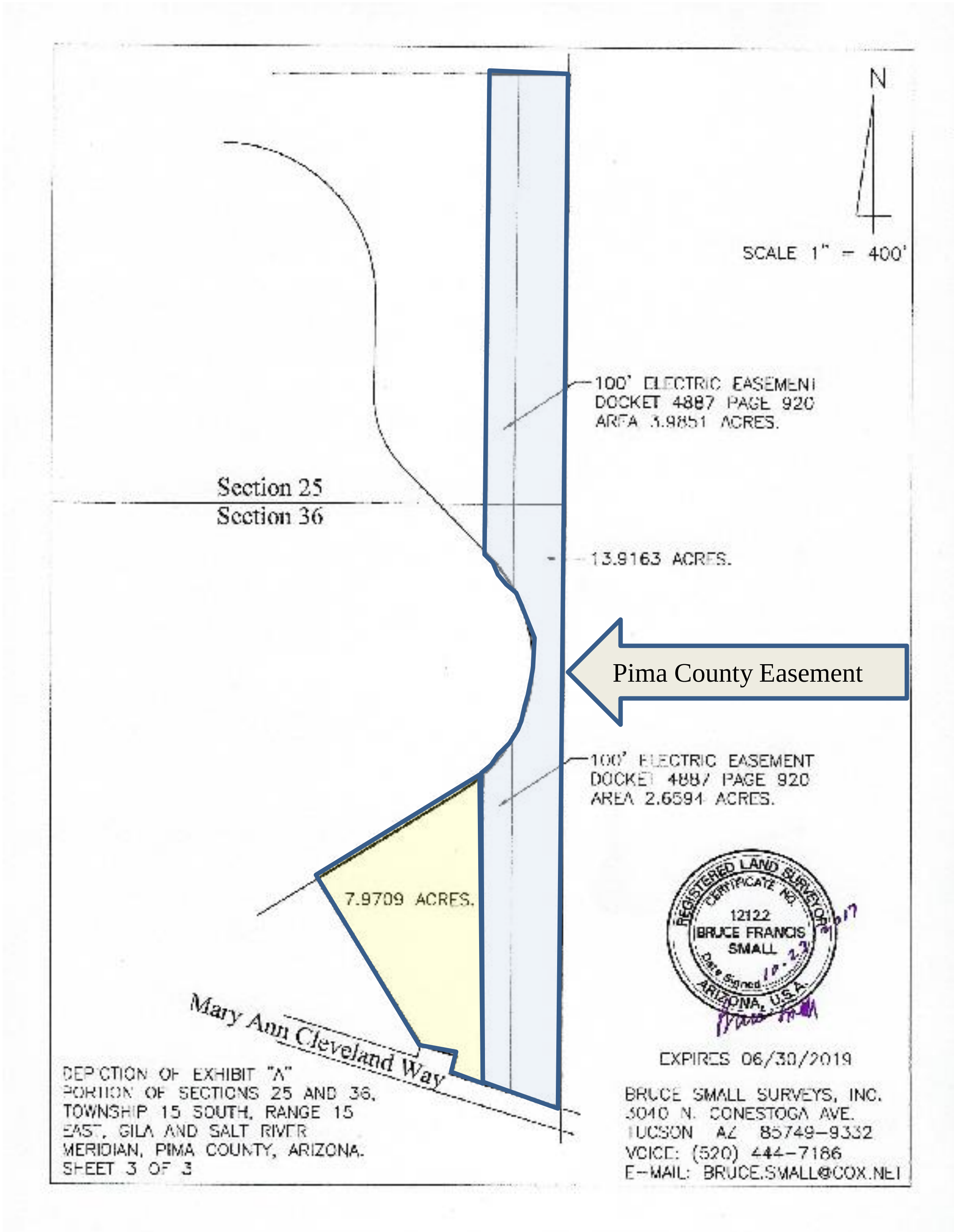
Bruce Small

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
12122
BRUCE FRANCIS
SMALL
Date Signed 10.05.2017
ARIZONA, U.S.A.

Bruce Small

Expires 06/30/2019

Sheet 2 of 3


N
SCALE 1" = 400'
100' ELECTRIC EASEMENT
DOCKET 4887 PAGE 920
AREA 3.9851 ACRES.
Section 25
Section 36
13.9163 ACRES.
Pima County Easement
100' ELECTRIC EASEMENT
DOCKET 4887 PAGE 920
AREA 2.6594 ACRES.
7.9709 ACRES.
REGISTERED LAND SURVEYOR
CERTIFICATE NO.
12122
BRUCE FRANCIS
SMALL
ARIZONA, U.S.A.
EXPIRES 06/30/2019
Mary Ann Cleveland Way
DEPICTION OF EXHIBIT "A"
PORTION OF SECTIONS 25 AND 36,
TOWNSHIP 15 SOUTH, RANGE 15
EAST, GILA AND SALT RIVER
MERIDIAN, PIMA COUNTY, ARIZONA.
SHEET 3 OF 3
BRUCE SMALL SURVEYS, INC.
3040 N. CONESTOGA AVE.
TUCSON AZ 85749-9332
VOICE: (520) 444-7186
E-MAIL: BRUCE.SMALL@COX.NET

SURVEY MAP

OWNERSHIP HISTORY AND 5-YR CHAIN OF TITLE

Per Pima County Assessor Records, the subject site is vested in the name of Pima County. The property was acquired from the State of Arizona Land Trust on June 24, 2013.

No other market transactions of the subject property appear to have occurred in the past five years. According to you, Mr. Jeffrey Teplitsky, the spokesman for Pima County, there are no contracts for sale or current listings of the subject site.

SITE INSPECTION

Mr. Jeffrey Teplitsky of Pima County Real Property Services accompanied Michael Bernstein, the appraiser, on inspection of the subject site on May 30, 2017. Michael Bernstein re-inspected the site on November 7, 2017.

PROPERTY RIGHTS APPRAISED

The interest appraised is that arising from fee simple ownership. This interest represents absolute ownership unencumbered by any other interest or estate, subject only to the four powers of government: eminent domain, escheat, police power, and taxation

DEFINITION OF MARKET VALUE

Market value is intended to reflect the prevailing level of prices in the applicable market, as of a specified date, applied to the property being appraised, as defined in this appraisal report. The definition of value is of particular importance in the appraisal. Appraisers recognize numerous types of "value", such as market value, value in use, investment value, and many others. Market value is the most commonly sought type of "value", and there are numerous different definitions of market value. Most market value definitions require that the valuation conclusion exclude "undue duress", "undue stimulus", and reflect a "fair sale" or "typically motivated" buyer and seller. The Appraisal Institute has determined that sales of lender-foreclosed properties typically do not meet this criterion, and must be excluded from consideration or used with adjustments for unusual seller motivation. Thus, no sales with unusual seller motivations are used in this report.

As utilized in this report, market value is hereby defined as:

> Market value means the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, with 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 to a buyer under conditions whereby:
>
> 1. Buyer and seller are typically motivated;
> 2. Both parties are well informed or well advised, and acting in what they consider their best interests;
> 3. A reasonable time is allowed for exposure to the open market.
> 4. Payment is made in terms of cash or U.S. dollars or in terms of financial arrangements comparable thereto; and
> 5. 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.

Source: Federal Register, Volume 55, No. 165 p. 34228.9, Friday, August 24, 1990, Rules and Regulations, 12 C.F.R Part 34.42 (f)

Cash Equivalency (Financing Terms)

Cash equivalency is required to be considered in the use of comparable sales. Cash equivalency is defined as follows:

A price expressed in terms of cash, as distinguished from a price expressed totally or partly in terms of the face amounts of notes or other securities that cannot be sold at their face amounts.

Where appropriate, I converted the comparable sales presented in this report into cash equivalent terms. An adjustment is not warranted if the financing was at market terms. However, cash equivalency is based primarily on the intent of the parties to each transaction.

"The definition of market value recognizes cash equivalent terms provided the calculation is based on market evidence."

SCOPE OF THE INVESTIGATION

Depth of Discussion

An appraisal report is a technical document, which is written for a specific intended user or users, and typically may only be understood by them. It necessarily assumes that the reader has a certain degree of familiarity with real estate markets and typical real estate terminology, as well as technical factors related to land and improvements. The degree of familiarity assumed in the appraisal report depends upon the client for whom the report is written. This appraisal report is written for Pima County, the client, who has additional experience and assumes greater expertise on the part of the reader. The client for this report is knowledgeable about the subject property type and has insight as to the Tucson real estate market. I will only provide abbreviated City Data and Neighborhood sections.

As described in your Request for Proposal, the report will include a property description, general description of the subject location, statement of highest and best use, valuation including discussion of comparable sales and adjustments, estimate of market value and certificate of appraiser.

Sources of Information

Information on the subject property is typically obtained from the property owner, as well as the other sources. Information provided by the property owner is typically assumed to be correct and reliable; for example, an appraisal does not include an audit or test of financial information provided. Still, in these cases we may compare the information to market data in an effort to provide analysis without bias or atypical management.

The presentation of physical characteristics may be based upon representations or descriptions provided by the property owner, or professional engineers or architects. Additional sources of property information include the Pima County Assessor and Real Estate Department. The appraiser has made a physical inspection of the subject property. The appraiser is not a professional surveyor or engineer and is not capable of measuring tracts of land or complex buildings.

Reports or information prepared by licensed or certified non-real estate appraisal professionals typically offer conclusions as to the adequacy of a specific property component or issue pertaining to the property. This information may include soil reports, or environmental assessments. These conclusions are generally based on accepted procedures or standards and represent informed opinions on matters beyond the appraiser's expertise. Absent reasonable doubt, these reports usually are accepted conditioned upon the qualification that they were prepared by recognized professionals. Should observed or apparent material discrepancies exist between the appraiser's investigation and the submitted report, such material discrepancies will be disclosed in the appraisal report. However, we are not trained as an accountant, engineer, architect or similar professional, and make no representations to such effect.

My market data research utilized property sales services including Co-Star Comps and Multiple Listing Service. Other market data abstracted from third party surveys from firms like CB Richard Ellis, Picor/Cushman Wakefield, Korpacz, or the Real Estate Research Corporation may also have been utilized.

Appraisal Development and Reporting Process

The following steps were completed for this assignment:

1. Property identification and determination of problem to be solved.
2. Determined and performed the scope of work necessary to develop credible assignment results.
3. Analyzed regional, neighborhood, site and improvement data.
4. Reviewed data regarding the subject site including: site characteristics, zoning, utilities, easements, services, and real estate taxes.
5. Made a highest and best use analysis to determine the probable use of the subject property, and create a basis for the valuation process.
6. Researched and analyzed land sales within the Direct Sale Comparison Approach.
7. Estimated a reasonable exposure time associated with the market value estimate.
8. Confirmed data with principals, or real estate agents representing principals, unless otherwise noted.

Valuation Process

The analysis utilizes one approach or method of analysis of market information, with consideration given to the applicability and limitations of other approaches.

The Sales or Direct Market Comparison Analysis considers sales of properties in the applicable market which are comparable to the subject property and which are adjusted through a systematic process of comparison to the subject. This process measures market reactions to location, date of sale, terms of sale and economic and physical characteristics. Adjustments are derived from the appraiser's experience and judgment, as well as on discrete market evidence, where available. The comparable sales are adjusted for their respective differences from the subject, helping provide an indication of market value.

The information and data used in this approach is typically obtained from a variety of sources, and is intended to reflect the information that would be available to a typical prospective purchaser. The appraisal includes representative sales, but does not necessarily reflect all of the data available to the appraiser. Sales data is initially researched from public records, and by subscription data services. I attempt to confirm all sales data with a primary participant to the transaction, either the buyer, seller, or broker.

I consider the indication of value and in the reconciliation process, draw a rational conclusion of the indicated market value of the subject property.

REGIONAL OVERVIEW

This section is abbreviated based upon your needs, though is typically intended to provide information on the environmental, governmental, and socio-economic factors that influence growth. Most importantly, this section will emphasize the market snapshots for the various property types

Real Estate Market Sectors:

The traditional land uses in Tucson be divided into four categories: industrial, retail, office, and residential. The following is a brief synopsis of the primary commercial sectors as reported by Co-Star Property. Local brokerage surveys are utilized to supplement discussion.

TUCSON INDUSTRIAL SURVEY

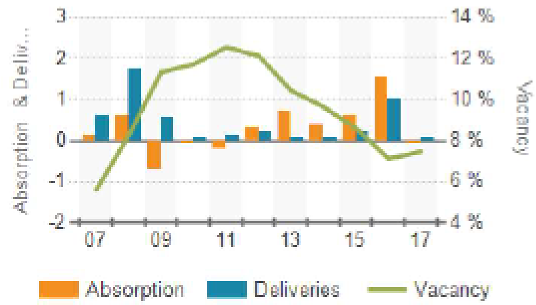
Availability	Survey	5-Year Avg
Rent Per SF	$6.70	$6.50
Vacancy Rate	7.5%	9.9%
Vacant SF	3,087,485	3,994,571
Availability Rate	10.3%	12.9%
Available SF	4,268,330	5,242,125
Sublet SF	119,485	219,257
Months on Market	12.2	16.6

Inventory	Survey	5-Year Avg
Existing Buildings	2,516	2,508
Existing SF	41,367,196	40,369,065
12 Mo. Const. Starts	13,750	273,266
Under Construction	0	246,176
12 Mo. Deliveries	193,721	301,047

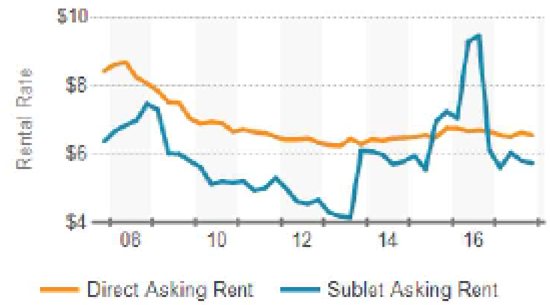
Demand	Survey	5-Year Avg
12 Mo. Absorption SF	145,639	671,440
12 Mo. Leasing SF	2,178,620	2,175,303

Sales	Past Year	5-Year Avg
Sale Price Per SF	$71	$61
Asking Price Per SF	$117	$97
Sales Volume (Mil.)	$79	$64
Cap Rate	8.8%	8.8%

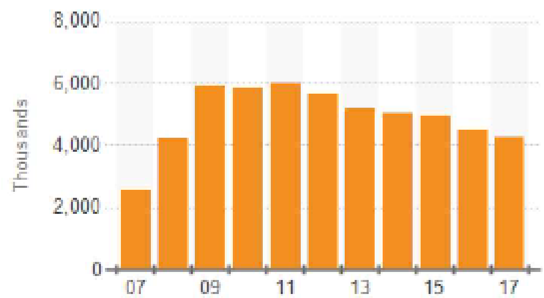
Absorption, Deliveries, Vacancy



Direct & Sublet Rental Rates



Available SF



11/7/2017

Industrial:

According to Co-Star Property, there are 2,516 improved industrial and flex properties in the Tucson market with a total building area of about 41,367,196 square feet. Deliveries slowed back down this past year to 193,721, after a healthy increase of about 1 million square feet in 2016. Deliveries have averaged 301,047 square feet over the past five years. The leasing market has been very active with 2,178,620 square feet leased in the past year, with a five-year average of 2,175,303 square feet. However, much of this activity appears to be transfer activity within the market as absorption was only 145,639 square feet this past year, and a five-year average of 671,440 square feet. Consequently, vacancy has dropped from over 12% in 2011 to about 7% last year. Co-Star estimates current industrial vacancy at about 7.5%, below its 5-year average of 9.9%. Co-Star estimates current average industrial rent of about $6.70 per square foot per year, up from about $6.10 in 2012, yet still down from levels over $8.00 in 2008.

Picor Cushman Wakefield estimated an industrial inventory of 2,510 buildings with about 42,719,570 square feet with an overall vacancy of about 8.2% for the 3rd quarter 2017. They described a positive national economic outlook, boosts to economic activity in disaster struck areas through federal and insurance funding, and a seasonally adjusted unemployment rate nationally of 4.4%. Closer to home, the State of Arizona has a 5.0% unemployment rate, and Tucson is nearby at 4.9%. However, Arizona ranks 13th nationally in job growth.

Specifically, to the Tucson industrial market, the continued absorption has pushed vacancies to their lowest levels since 2008. Picor opines the market has tightened to the point of equilibrium in lease negotiations between landlord and tenant. Recent wavering in the vacancy rate is described as “an ebb and flow” rather than a “market concern.” Further, large block space over 100,000 square feet, and functionally obsolete space is described as padding the vacancy statistic.

The owner-occupied segment of the market has experienced continued interest and is supplemented by strong interest from investors. New construction is based upon build-to-suit activity and is not feeding on speculative investment construction. Picor cites that rental rates are still short of the level justifying new speculative construction.

1100-17B

Picor forecasts continued strong and stable occupancy with slowly rising rental rates. However, they note that any significant changes like the commencement of construction at Rosemont Copper mine, or another new large employer absorbing space could quickly absorb the balance of functional space.

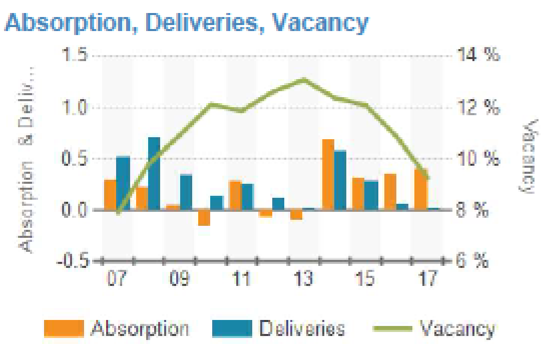
TUCSON OFFICE SURVEY

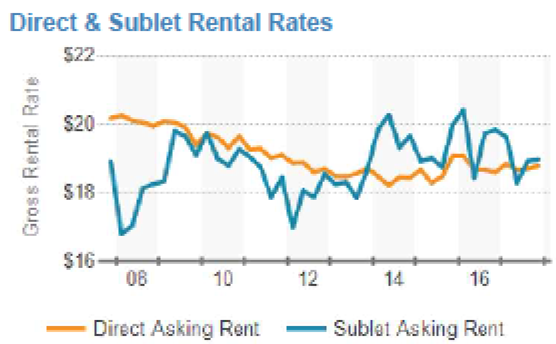
Availability	Survey	5-Year Avg
Gross Rent Per SF	$18.82	$18.63
Vacancy Rate	9.3%	12.0%
Vacant SF	2,262,916	2,889,648
Availability Rate	11.6%	14.2%
Available SF	2,846,798	3,444,680
Sublet SF	155,897	130,655
Months on Market	16.8	19.9

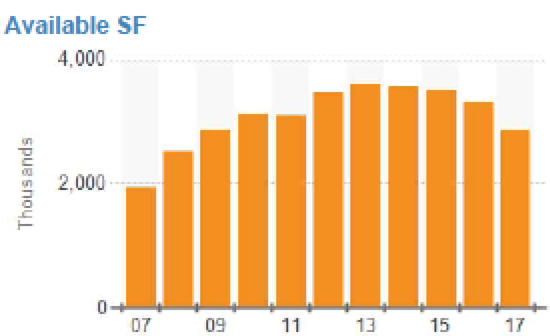
Inventory	Survey	5-Year Avg
Existing Buildings	2,383	2,372
Existing SF	24,450,320	24,006,464
12 Mo. Const. Starts	0	193,929
Under Construction	0	228,452
12 Mo. Deliveries	16,271	187,582

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	542,031	287,592
12 Mo. Leasing SF	1,105,056	1,106,400

Sales	Past Year	5-Year Avg
Sale Price Per SF	$102	$122
Asking Price Per SF	$220	$187
Sales Volume (Mil.)	$98	$109
Cap Rate	7.8%	8.1%







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Office:

Co-Star Property reports an estimated an inventory of 2,383 existing office buildings in Tucson with about 24,450,320 square feet. Vacancy had climbed from about 6% in 2007 to about 13% by 2013 and has now significantly improved to its current level of 9.3%. Deliveries were nominal this past year, only 16,271 square feet. Construction has been relatively low as the deliveries 5-year average is only 187,582 square feet. In the meantime, leasing has been active with a 5-year average over 1,100,000 square feet. Positive absorption this past year of 542,031 increased the 5-year average to 287,592 square feet. The average annual office rent has been relatively level the past few years, estimated to be about $18.82 per square foot.

The Marketbeat by Picor Cushman Wakefield for the 2nd quarter 2017 described positive trends. Overall, Picor tracks office inventory of 26,011,048 square feet and estimates that current vacancy is at 10.0%. Picor describes office demand as not robust enough to encourage speculative development. Lease rates are described as low compared to other property types. Picor does note improved consumer confidence in the small user market sector and desire by businesses to purchase small to medium buildings.

The Picor outlook is for continued market improvement due to business growth and new jobs. An active medical sector is described to be improving as Tucson Medical Center, Banner, and Tenet continue to invest locally.

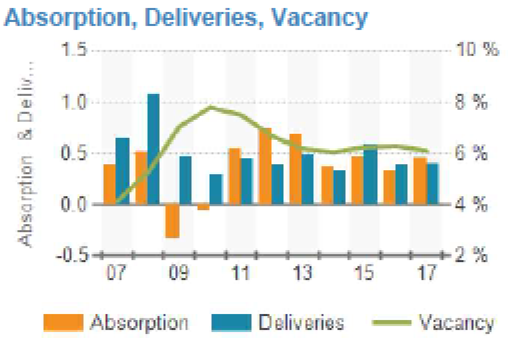
TUCSON RETAIL SURVEY

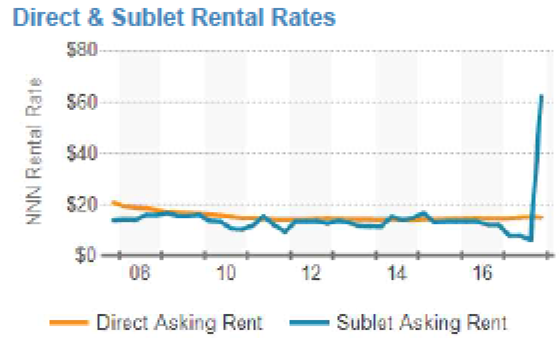
Availability	Survey	5-Year Avg
NNN Rent Per SF	$16.89	$14.03
Vacancy Rate	6.1%	6.3%
Vacant SF	2,905,115	2,925,482
Availability Rate	7.8%	7.6%
Available SF	3,697,141	3,542,764
Sublet SF	128,471	119,943
Months on Market	19.1	19.9

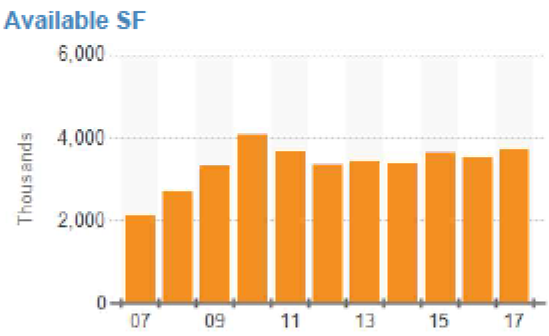
Inventory	Survey	5-Year Avg
Existing Buildings	4,933	4,877
Existing SF	47,675,427	46,549,715
12 Mo. Const. Starts	143,580	415,852
Under Construction	0	248,832
12 Mo. Deliveries	601,004	479,435

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	485,250	527,250
12 Mo. Leasing SF	1,080,635	1,315,344

Sales	Past Year	5-Year Avg
Sale Price Per SF	$164	$166
Asking Price Per SF	$230	$217
Sales Volume (Mil.)	$235	$205
Cap Rate	7.2%	6.9%







Retail:

Co-Star Property estimates that there are about 4,933 retail buildings in the Tucson area with about 47,675,427 square feet of building area. Deliveries averaging 479,435 square feet over the past five years have been offset by absorption averaging 527,250 square feet. Subsequently, retail vacancy has decreased from about 8% in 2011 to 6% by 2014 and is currently 6.1%. Co-Star estimates an average retail rent of $16.89 per square foot per year, above the 5-year average of $14.03, but well below the $21 per square foot in 2007.

The Picor Cushman Wakefield Marketbeat retail report, for the 2nd quarter 2017, tallies 5,311 retail buildings with 52,215,116 square feet within the Tucson inventory. Vacancy is estimated to be 6.4%. Overall asking rents are estimated to be $14.99 per square foot.

Picor described an ebb and flow to absorption, though described the leasing activity as robust. Although the local Macys and Sears were not reported to be on the chopping block, changes in anchor tenants could affect the local shopping malls. Picor highlights that retail storefronts continue to evolve, transitioning to service businesses. They opined as to a shortage of restaurant space and continued changes in that sector. Particularly noting the redevelopment of the Broadway corridor near Park Mall. Also, Picor offered that supply should catch up with demand in the underserved southwest part of town.

Picor describes the Tucson market as a desirable investment market for California investors seeking better returns. Tucson has a reputation as a growth market and the retail should continue that growth trajectory. Picor project lease rates to edge upward.

TUCSON APARTMENT SURVEY

Leasing Units	Survey	5-Year Avg
Vacant Units	5,963	7,150
Vacancy Rate	7.0%	8.6%
12 Mo. Absorption Units	1,289	1,288

Inventory in Units	Survey	5-Year Avg
Existing Units	89,524	87,607
12 Mo. Const. Starts	94	564
Under Construction	0	889
12 Mo. Deliveries	479	995

Rents	Survey	5-Year Avg
Studio Asking Rent	$504	$462
1 Bed Asking Rent	$632	$577
2 Bed Asking Rent	$804	$742
3+ Bed Asking Rent	$909	$843
Concessions	1.8%	2.6%

Sales	Past Year	5-Year Avg
Sale Price Per Unit	$57,385	$55,265
Asking Price Per Unit	$56,334	$44,903
Sales Volume (Mil.)	$600	$375
Cap Rate	7.1%	7.5%

Absorption, Deliveries, Vacancy

Asking Rent Per SF

Cap Rate

11/7/2017

Residential:

Co-Star estimates that the Tucson residential market includes about 89,524 apartment units. Recent apartment deliveries are down to 479 units from the most recent active years of 2012 - 2014 when over 1,200 units were deliver annually. The average 5-year deliveries are at 995 annually. Absorption has outpaced deliveries averaging 1,288 units over the past five years. It would be fair to describe the recent additions as being within the student housing sector near the University of Arizona and a small number of self-described luxury units. Most importantly, the apartment market has been recovering from a high vacancy mark over 11% in 2009. Vacancy has now dropped to 7.0%. Average asking rent has increased since 2010, obtaining levels for all unit sizes above the five-year average. Reported concessions have decreased to 1.8%.

The Marketbeat by Picor Cushman Wakefield described the conditions in the multi-family market in their 2nd quarter 2017 report. Continued growth did not sway the apartment market from finishing at an improved vacancy of 6.82% for stabilized units. Average monthly rent was described to have increased to $709 per unit, or $0.96 per square foot.

Picor describes the rental outlook as continued strengthening after years of stagnant and minimal rental growth. Lack of available inventory is driving up the value of apartments. Excepting for a significant pick growth in available student housing as investors are looking to exit at a time of good profit.

Conclusion:

In summary, the Metropolitan Tucson Area is finally gaining some momentum and recovery from the recession of 2007/2008. Bloomberg named Tucson as the third fastest-growing metro area over 500,000 when job growth reached 4.2% in July 2016. More likely, job growth will occur more slowly and should stimulate an increase in population. The new development of commercial sectors will lag actual growth. Tucson is expected to continue to increase in both population and size, resulting from the location and diversity of current and future major employers in Tucson, availability of developable lands, the prominence Tucson is gaining with respect to tourism, and the increased identity of Tucson as a major retirement locale. Last, the physical and social amenities, which make Tucson unique like an ideal year-round climate, the fascination of the area's cultural history and diversity, as well as the multi-faceted physical beauty of the region, contribute to Tucson's reputation as a desirable Sunbelt City.

^ NORTH

CITY MAP

NEIGHBORHOOD SUMMARY

The subject site is located in the southeast portion of the City of Tucson, Pima County, Arizona. The boundaries of the area that exerts the most influence over the subject can be described as Craycroft Road on the west, Interstate 10 along the south, Pantano Wash and Colossal Cave Road to the east, and Irvington Road on the north. These boundaries are considered appropriate due to physical divisions, predominate land uses, and social characteristics. The primary reason behind the substantial growth within the subject neighborhood is due to its proximity to major transportation networks, employment centers, and necessary infrastructure.

The subject neighborhood is bordered by Interstate 10 and bisected by the Southern Pacific Railroad line. The access to these transportation corridors has a major influence on the industrial character of the subject area. Interstate 10 (I-10) traverses the southern boundary of the subject neighborhood in a northwest to southeast manner. I-10 is a six-lane, asphalt and concrete paved, limited access freeway. Interstate 10 is the major traffic artery between the cities of Phoenix and Tucson, as well as across the southern United States. Interstate 19 (I-19) is the transportation corridor for U.S. - Mexico trade in Arizona, intersecting I-10, south of downtown Tucson, about 10 miles west of Kolb Road. I-19 extends south to the City of Nogales and Sonora, Mexico. Both highways are federally regulated transportation systems.

Davis Monthan Airforce Base physically separates the subject neighborhood from the central and eastern portions of Tucson. DM Airforce Base is the fourth largest employer in Southern Arizona with 8,406 full time equivalent jobs, and an estimated payroll of $541,847,000, according to the Star 200 compiled by the Arizona Daily Star.

The Desert Lightning Team and military retirees contributed $1.5 billion to the Tucson community last fiscal year, according to the D-M AFB FY 2015 Economic Impact Analysis, released April 22. D-M AFB's annual expenditures totaled $199 million. An estimated 4,598 indirect jobs were created by the base with an approximate annual dollar value of $195.6 million. While base closings and consolidation can happen anywhere, Davis Monthan continues to grow and prosper.

Roadways

Roadway access within and to the neighborhood from other portions of Tucson is provided by a number of minor arterials and major thoroughfares. Major north-south roadways include Kolb Road and Houghton Road. The major east-west arterials include Valencia Road and I-10. Access is limited by the Davis Monthan Air Force Base in the northwest quadrant of the neighborhood. Houghton Road is designated as a scenic roadway and adjacent developments would be subject to specific requirements of the Major Streets and Routes Plan. Similarly, portions of Valencia Road are designated as a gateway route.

The Regional Transportation Authority has designated Houghton Road for roadway improvements in coordination with the City of Tucson. Houghton Road is envisioned for widening and development as a primary traffic thoroughfare through the eastern portions of the City of Tucson. These improvements could be made in conjunction with the State of Arizona by plans to designate this route a state highway.

Similarly, the RTA is discussing how to improve Valencia Road from Alvernon Way, through its alignment at Kolb Road, to an extension across the Pantano Wash into the Vail valley.

Existing Development- Residential

The primary focus of residential development in the subject neighborhood has been Rita Ranch. Originally part of the Howard Hughes estate, Rita Ranch was developed as a masterplanned community about 1986. Rita Ranch is a 2,855-acre multi-use community that includes about 40 percent industrial, 40 percent residential land uses, with the balance designated for office, commercial, roadways, parks, and other uses. Rita Ranch is situated on the west side of Houghton Road, on the north side of the Southern Pacific Railroad tracks, and south Valencia Road. The City of Tucson estimates there are about 4,500 housing units in Rita Ranch housing nearly 10,000 people. A variety of merchant homebuilders constructed subdivisions since the original development. According to Multiple Listing Service (MLS), in 2016, 332 homes have sold for prices between $106,000 and $305,000. The average price was about $178,469, or about $102.50 per square foot. Through November 7, 2017, 252 sales were reported in Rita Ranch through MLS. Those prices ranged from $128,000 to $330,000 with an average price of

$191,882, equal to about $112.55 per square foot.

Another large residential project is Civano, about 818 acres of land along the east side of Houghton Road, south of Irvington Road. This project is envisioned to provide a more environmentally aware, self-sustaining neighborhood. The MLS has reported 68 resales in 2016. These sales have ranged from $115,000 to $565,000 with an average price about $238,303, or about $128.80 per square foot. Through November 7, 2017 57 sales have closed. This year prices ranged from $146,000 to $371,000, with an average price of $241,157, equal to $135.96 per square foot. Over 720 lots have been developed. The Civano Master Plan describes additional residential and commercial phases within this project.

Homes in the large communities cited, and in the eastern portion of the neighborhood along Houghton Road are more consistent in quality and represent decent quality tract housing. The area known as Littletown is located just north of Interstate 10 and Craycroft Road. Littletown has some older, lower valued properties in addition to more recent affordable housing units.

La Estancia is located north of Interstate 10 between Wilmot and Kolb Roads. This 555-acre tract is approved with La Estancia Specific Plan and has a plat for 36 blocks providing for a variety of industrial, commercial, and residential uses. Residential construction began in the first phase with 330 platted lots and 17 homes were sold in 2016. The homes ranged in price from $195,500 to $284,584, with an average price of $237,613, or about $108.48 per square foot. Sales to date in 2017 have ranged between $200,252 and $300,487, with an average price of $248,369, equal to $112.65 per square foot.

According to MLS, 749 single family residences sold in the subject neighborhood in 2016. The homes ranged in price from $61,000 to $565,000. Overall, the average sale price was $193,099, or about $104.86 per square foot. In 2017 the neighborhood home sale prices increased, ranging from $90,000 to $409,000. The 2017 average price is $208,780, equal to $113.95 per square foot.

NEIGHBORHOOD RETAIL SURVEY

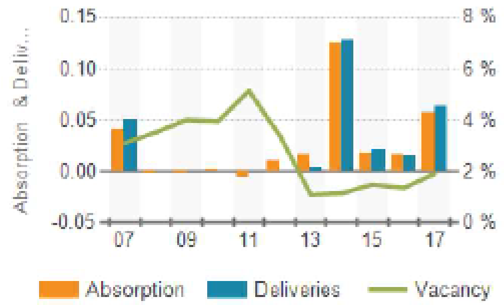
Availability	Survey	5-Year Avg
NNN Rent Per SF	$24.19	$21.82
Vacancy Rate	1.9%	1.4%
Vacant SF	15,168	9,741
Availability Rate	2.3%	1.7%
Available SF	18,418	11,760
Sublet SF	0	0
Months on Market	12.1	19.0

Inventory	Survey	5-Year Avg
Existing Buildings	52	45
Existing SF	794,362	677,457
12 Mo. Const. Starts	60,500	50,629
Under Construction	0	40,034
12 Mo. Deliveries	63,000	56,957

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	57,652	47,273
12 Mo. Leasing SF	3,002	8,350

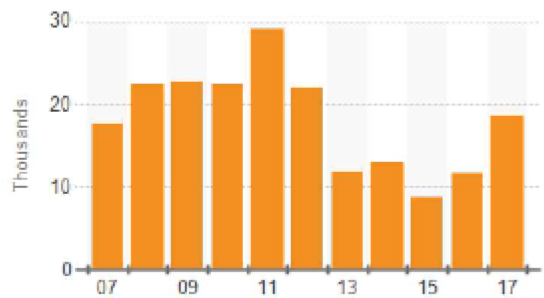
Sales	Past Year	5-Year Avg
Sale Price Per SF	$54	$346
Asking Price Per SF	$45	$118
Sales Volume (Mil.)	$2.6	$7.5
Cap Rate	-	6.4%

Absorption, Deliveries, Vacancy



Direct & Sublet Rental Rates

Available SF



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Retail

CoStar Property estimates that the subject neighborhood, as defined in this report, has a retail inventory of 52 buildings with about 794,362 square feet. This sector is now estimated to have about 1.9% vacancy, down from about 14% in 2012. Limited additions to inventory and continued absorption number have spurred this decrease. The average retail rent is estimated to be about $24.19 per square foot, higher than the Tucson average due to overall age of the product. The broker reports found did not have statistics provided by geographic sector.

Existing Development – Commercial

Commercially, four neighborhood shopping centers have been built in the subject neighborhood. The newest addition has been the Houghton Town Center, anchored by a Wal-Mart. Houghton Town Center now includes 6 buildings totaling 184,216 square feet of retail space. The center is reported to be full and another 53,442-square feet is currently proposed for construction. The Safeway Center at Rita Ranch is located at the southwest corner of Valencia Road and Nexus Road, on the north side of Rita Ranch. This center is about 80,135 square feet, and is reported by Costar to be 91.6% occupied. The Shoppes at Rita Ranch are anchored by a Fry's Food Store and is located at the northwest corner of Houghton Road and Rita Road. Costar reports this 113,115-square foot center currently has no vacancy. The Houghton Plaza Shopping Center southeast of Houghton and Valencia is comprised of 34,178 square feet. Costar reports vacancy in this center is about 24% and a 6,300-square foot addition is proposed.

NEIGHBORHOOD INDUSTRIAL SURVEY

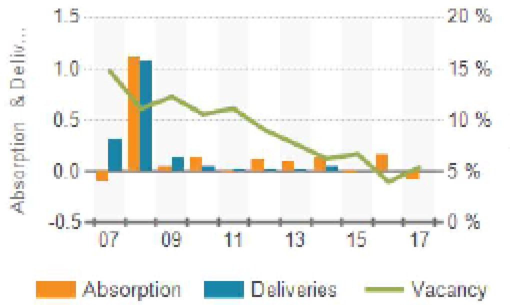
Availability	Survey	5-Year Avg
Rent Per SF	$7.97	$7.32
Vacancy Rate	5.4%	10.8%
Vacant SF	317,303	634,493
Availability Rate	8.1%	13.7%
Available SF	477,307	804,817
Sublet SF	0	45,082
Months on Market	9.8	18.9

Inventory	Survey	5-Year Avg
Existing Buildings	97	96
Existing SF	5,890,585	5,868,553
12 Mo. Const. Starts	0	13,466
Under Construction	0	6,733
12 Mo. Deliveries	0	15,051

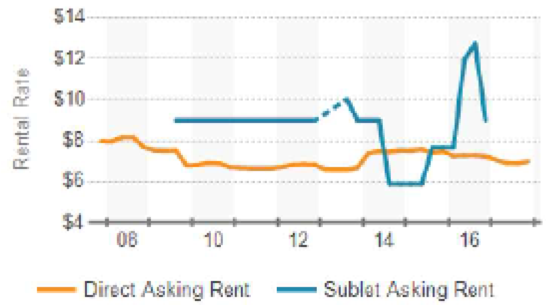
Demand	Survey	5-Year Avg
12 Mo. Absorption SF	-90,272	69,428
12 Mo. Leasing SF	505,002	337,743

Sales	Past Year	5-Year Avg
Sale Price Per SF	-	$62
Asking Price Per SF	$169	$177
Sales Volume (Mil.)	$0.0	$2.1
Cap Rate	-	-

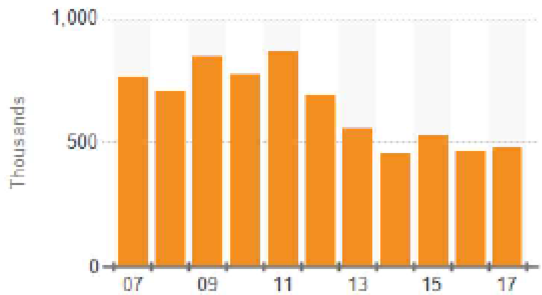
Absorption, Deliveries, Vacancy



Direct & Sublet Rental Rates



Available SF



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Industrial

Industrial uses are firmly established in the subject neighborhood with CoStar reporting 97 industrial buildings with about 5,890,585 square feet, or about 14.2% of the Tucson total. Few additions have been made to the inventory since 2008. Although the past year experienced negative absorption, the five-year average is 69,428 square feet. The overall vacancy is down to 5.4%. The average rent is reported to be about $7.97 per square foot.

Of regional significance is the former IBM plant, now the University of Arizona Science and Technology Park located along Rita Road, north of Interstate 10. The UA Tech Park sits on 1,345 acres and almost 2 million square feet of space has been developed featuring high tech office, R&D and laboratory facilities on 345 acres. Home to several high technology companies, the UA Tech Park houses 6 Fortune 500 companies: Citigroup, CH2MHill, IBM, Oracle, Optum RX (United Healthcare Group), and Raytheon, as well as several emerging technology companies including NP Photonics, and DILAS Diode Laser. The UA Tech Park is also home to the Arizona Center for Innovation, a technology business incubator, and three educational institutions - UA South, Pima Community College, and Vail Academy and High School. The UA Tech Park contributes $2.7 billion annually to Pima County's economy and is one of the region's largest employment centers. The UA Tech Park to 40 business and educational organizations that employ 6,000 employees. Average wage of Park employees is $91,145, nearly twice the Pima County average of $46,363.

Arizona Canning Co. LLC paid $27.5 million for the 85-acre property at 8755 S. Rita Road. The 550,000-square foot former Slim-Fast plant was renovated for one of Mexico's largest canned-food companies. La Costeña produces an array of products from mayonnaise to canned tomatoes and fruits.

Target Corp. purchased 98-acres of land in the Interstate Commerce Park within Rita Ranch and opened a distribution center that will process, house and ship online orders, creating up to 900 jobs. The distribution center will employ 400 full-time workers and 500 seasonal employees, according to Tucson Regional Economic Opportunities Inc.

NEIGHBORHOOD OFFICE SURVEY

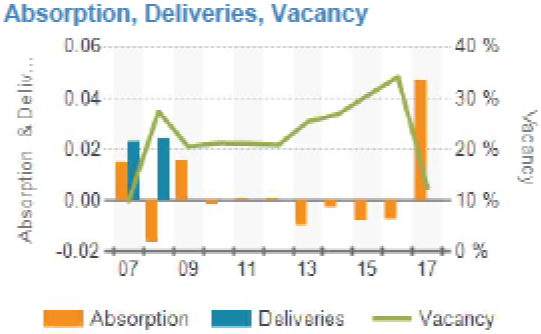
Availability	Survey	5-Year Avg
Gross Rent Per SF	$17.51	$16.07
Vacancy Rate	12.4%	27.3%
Vacant SF	26,867	59,242
Availability Rate	12.4%	26.1%
Available SF	26,867	56,519
Sublet SF	0	0
Months on Market	54.9	64.9

Inventory	Survey	5-Year Avg
Existing Buildings	12	12
Existing SF	216,651	216,651
12 Mo. Const. Starts	0	0
Under Construction	0	0
12 Mo. Deliveries	0	0

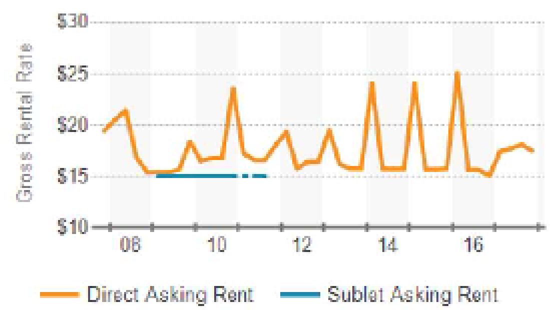
Demand	Survey	5-Year Avg
12 Mo. Absorption SF	44,330	-22
12 Mo. Leasing SF	27,228	7,358

Sales	Past Year	5-Year Avg
Sale Price Per SF	-	-
Asking Price Per SF	-	-
Sales Volume (Mil.)	$0.0	$0.0
Cap Rate	-	-

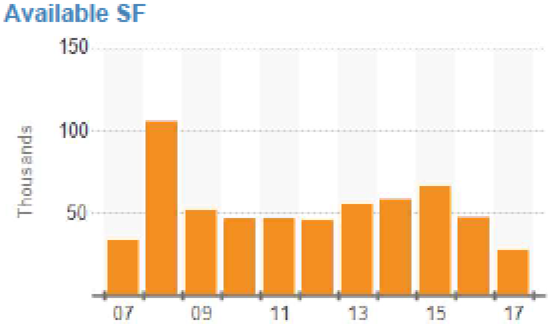
Absorption, Deliveries, Vacancy



Direct & Sublet Rental Rates



Available SF



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Office

CoStar reports 12 office properties with 216,651 square feet are in the subject neighborhood. Vacancy is estimated to be at 12.4%. Office use is not a significant sector of activity in the subject neighborhood.

Future Growth

The subject neighborhood is planned for significant growth. A primary opportunity for growth is the vacant lands along Houghton Road mostly owned by the State of Arizona Land Trust. The City of Tucson plans for this growth in the Houghton Area Master Plan (HAMP). The HAMP area encompasses 10,800 acres (16.9 square miles) extending in a four-mile wide area south of Irvington to the City of Tucson southern boundary about one mile north of Interstate 10. The subject site is located within the HAMP plan.

The City of Tucson General Plan mandates a planned community approach to development, using the Desert Village model for large-scale master planning areas. This basic pattern of development is a way to encourage transit use, reduce air pollution, improve delivery of public and private services, and create inviting places to live, work, and play. The grouping and integration of commercial uses in mixed-use centers is a way to create a more livable, pedestrian-friendly community by making access to goods and services more convenient for residents. Increasing residential uses and density in and around mixed-use centers will establish a local market for commercial activity, in addition to providing housing opportunities for employees.

City Services and Infrastructure

The subject property is within the jurisdiction of the City of Tucson. However, the city boundaries are gerrymandered through the area and portions of the subject neighborhood are still in unincorporated Pima County. All necessary community facilities are provided. The City of Tucson provides police and fire protection. The Pima County Sheriff also provides police protection. The City of Tucson provides water service. Southwest Gas Corporation provides natural gas service, Tucson Electric Power Company provides electric service, Pima County Wastewater provides sanitary sewer, Century Link provides telephone.

Conclusions

In general, the subject neighborhood is well established with residential development, both mid-priced tract homes and lower priced units. Retail centers have been developed. The industrial employment base is going to be centered on the U of A Science and Tech Park. Overall, the industrial growth in Rita Ranch has occurred and new projects suggest greater demand in the future. The area is envisioned for growth, with many opportunities over the next decades. Though, growth will be limited by the current conditions in the marketplace.

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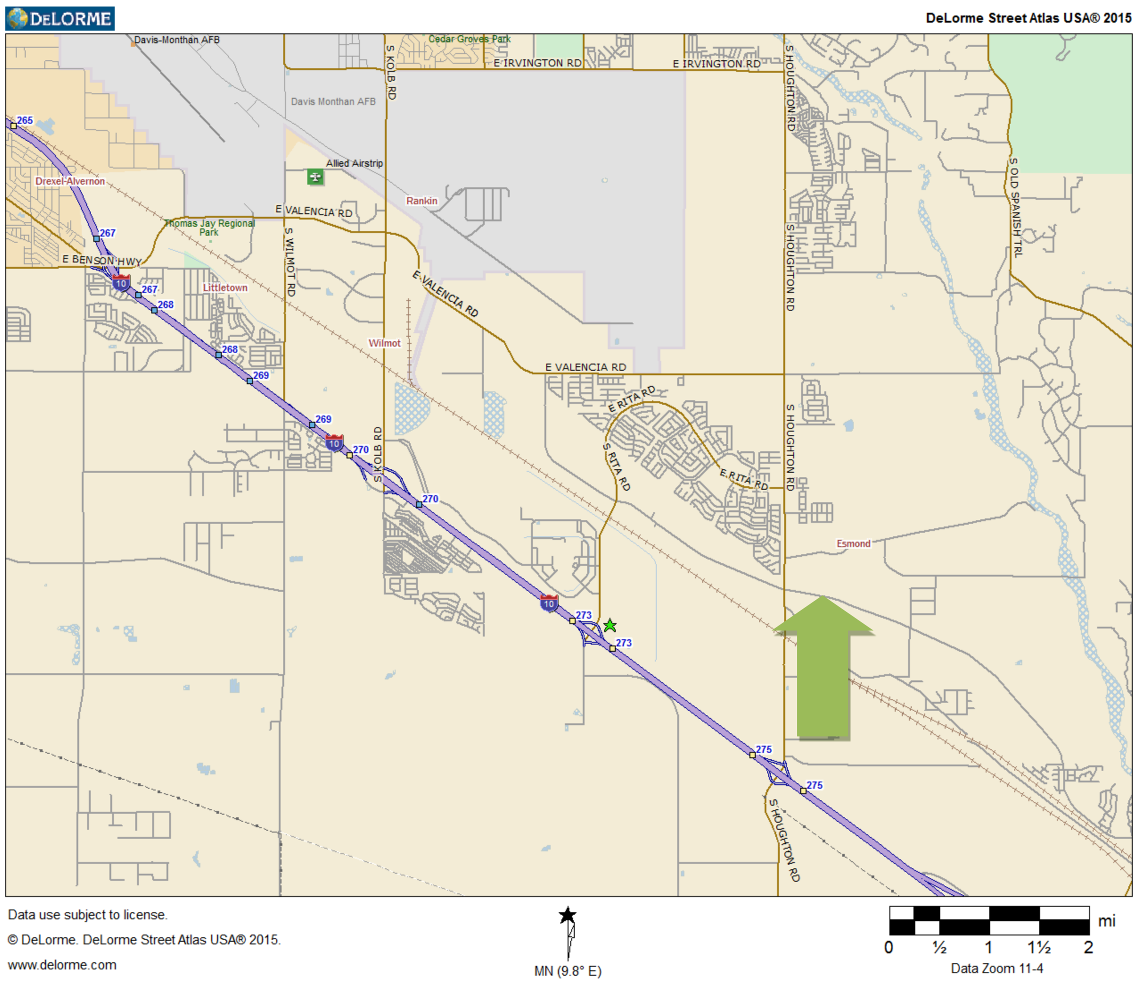


^ NORTH

NEIGHBORHOOD MAP

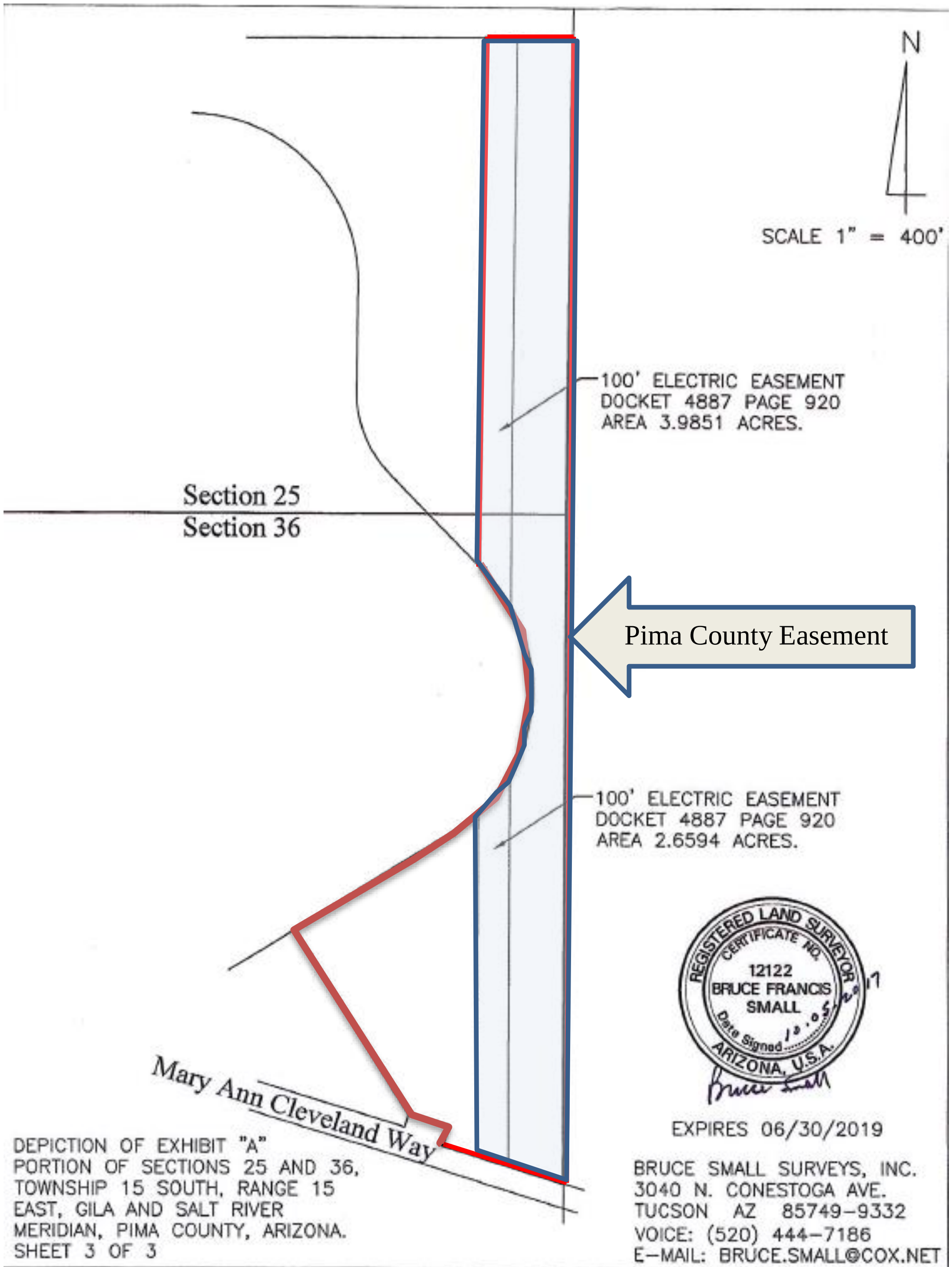
SITE SUMMARY

LOCATION:	North side of Mary Ann Cleveland Way, about 2,000 ft East of Houghton Road
ACCESS/FRONTAGE:	400.84. frontage along Mary Ann Cleveland Way and future access from the proposed interior loop road of Pima County Park. Mary Ann Cleveland Way is a two-lane, undivided, asphalt paved roadway past the subject site.
SIZE:	28.5317-acres, per legal description.
SHAPE:	Irregular.
EASEMENTS/ ENCROACHMENTS:	Survey by Bruce Small Surveys, Inc. illustrates a 100-foot electric easement extending the full north/south depth of the site. Site inspection revealed an additional electrical line about 100 feet east of the existing high-power line. A drainage ditch appears to provide the southwestern boundary of the site and additional easement area was not described. A more detail survey, nor title insurance policy was provided describing easements or encroachments on the subject site. The eastern 275 feet of the site, or about 20.5608-acres is to be encumbered by an easement to Pima County for a pedestrian trail. According to Mr. Jeffrey Teplitsky of Pima County, no development will be allowed within the easement and must be left in a natural state. While Pima County would be responsible for development and liability for the trail, additional maintenance and liability for the balance of this open area would still be the responsibility of the new owner, the Catholic Diocese. Any additional utility easements are assumed to not have an adverse effect on the value of the subject site.

UTILITIES:	Sewer, natural gas, and cable are reported along the north side of Mary Ann Cleveland Way, by Nancy Cole of Pima County. Electric and water reported to be available at Attabury Wash Way. Specific capacity and locations not determined.
FLOOD CONDITION:	Zone X, areas outside the floodplain. FIRM Community Panel Number 04019C2925L, revised June 16, 2011.
TOPOGRAPHY/DRAINAGE:	An unnamed wash is located adjacent to the southwestern boundary of the subject site, with flows of 500 to 1,000 CFS and a 50' setback requirement per Pima County GIS. Site relatively flat, slightly sloping to the northwest.
SOILS/SUBSOIL:	No current soil analysis was provided. This appraiser is not qualified to detect soil conditions. This report has been prepared and the value estimates are predicated upon the general assumption that no adverse soil conditions exist and adversely affect the subject property. No responsibility will be assumed for such conditions, or for any expertise or engineering knowledge required to discover them.
ENVIRONMENTAL:	Appraiser's inspection did not determine evidence of environmental conditions. Still, I assume that no such hazardous materials adversely affect the utility, usability, or developability of the property.
SITE UTILITY:	The shape of the subject site is irregular, though the southern developable portion is roughly triangular. Due to the electric easement and additional area restricted by the Pima County easement, the subject site has a developable area of 7.9709-acres. Aside from the easements, size and shape of the site there does not appear to be limitations in developing the site to its highest and best use.

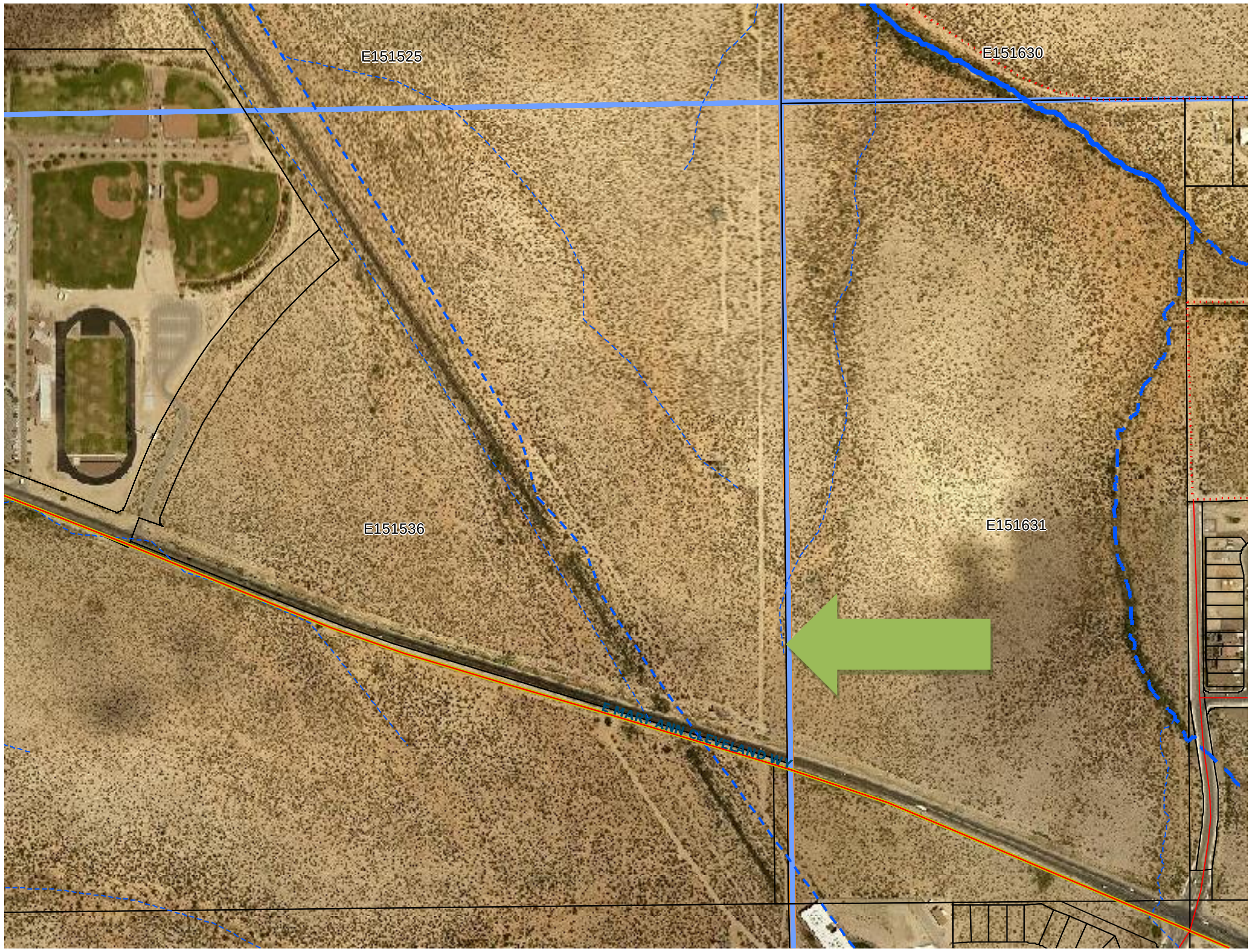
TRAFFIC VOLUME:	8,966 vpd, Mary Ann Cleveland Way per PAG 2013
ZONING:	RX-1, low density residential 36,000 sq.ft. minimum lot size. City of Tucson Land Use Ordinance. Flexible lot development option would require maximum of 33% site coverage and a minimum lot size of 18,000 square feet. Houghton Area Master Plan recommends periphery uses to a Village Center including day care, preschool, convenience commercial uses, and live/work accommodations. Located outside of Davis Monthan Airforce Base Land Use Overlays and Approach-Departure Corridors.
SURROUNDING LAND USES:	West: Vacant land owned by Pima County, and Empire High School. East: Vacant land owned by State of Arizona South: Vacant land owned by State of Arizona North: Vacant owned by Pima County.
SITE CONCLUSION:	In conclusion, the subject site is physically available for development to its highest and best use. No limitations are apparent other than the overall size of the project.

1100-17B



BOUNDARY SURVEY

1100-17B

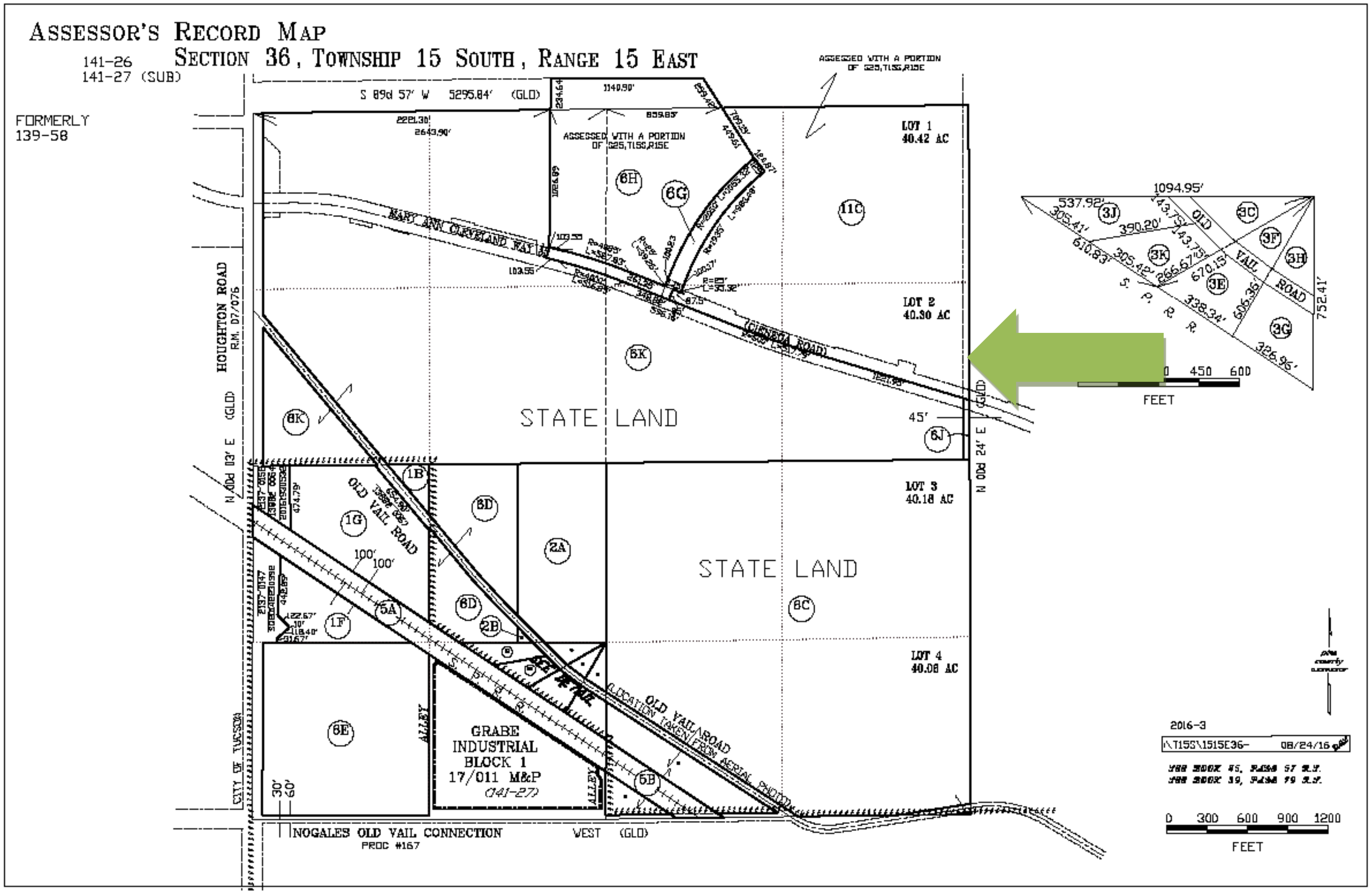


NORTH ^

Pima County Mapguide (Not to Scale)

AERIAL PHOTOGRAPH

1100-17B



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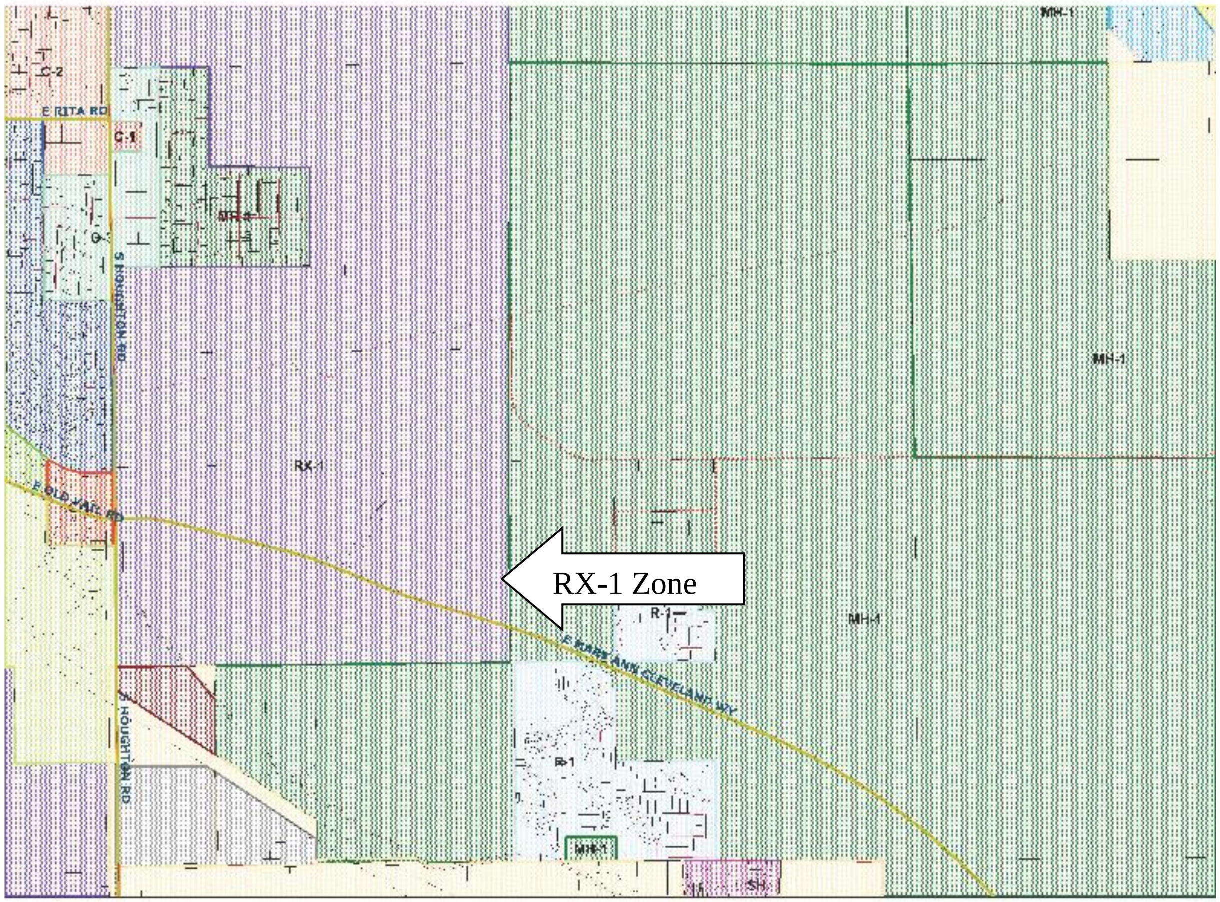
Not to Scale

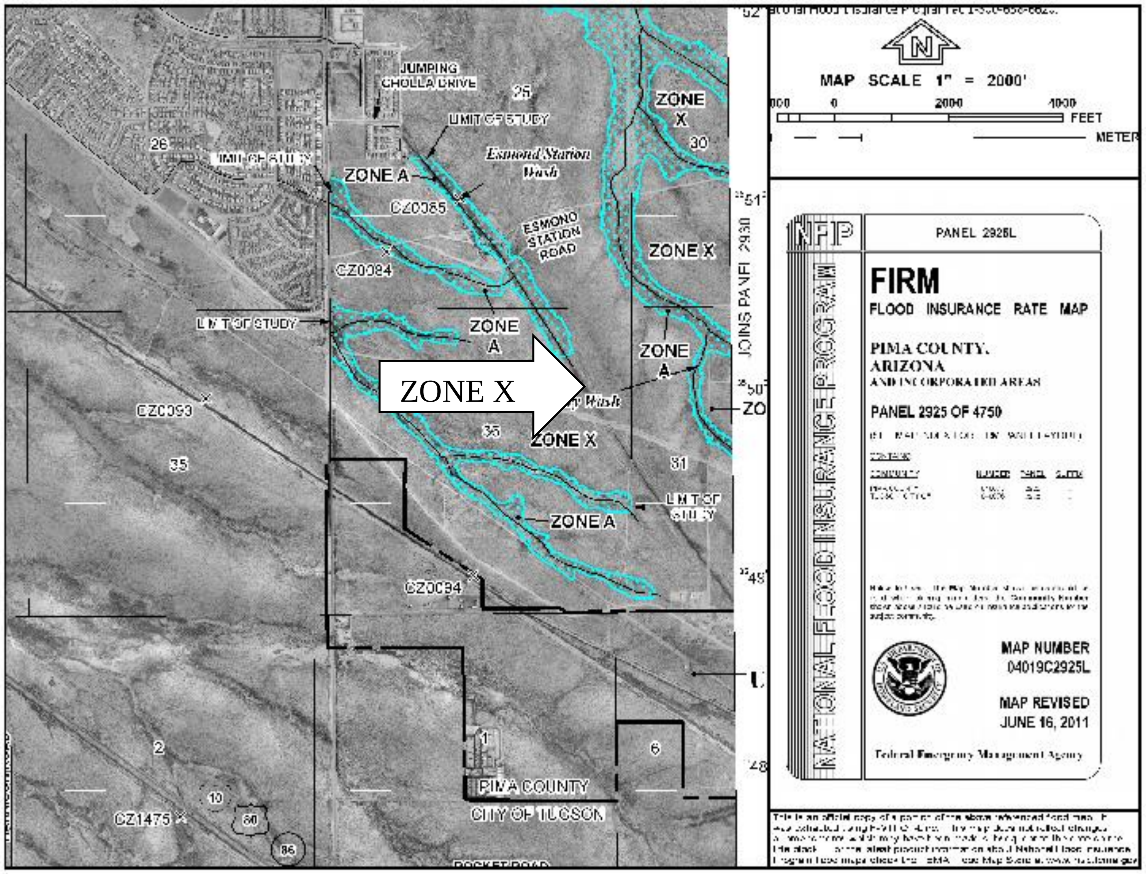
PLAT MAP

1100-17B



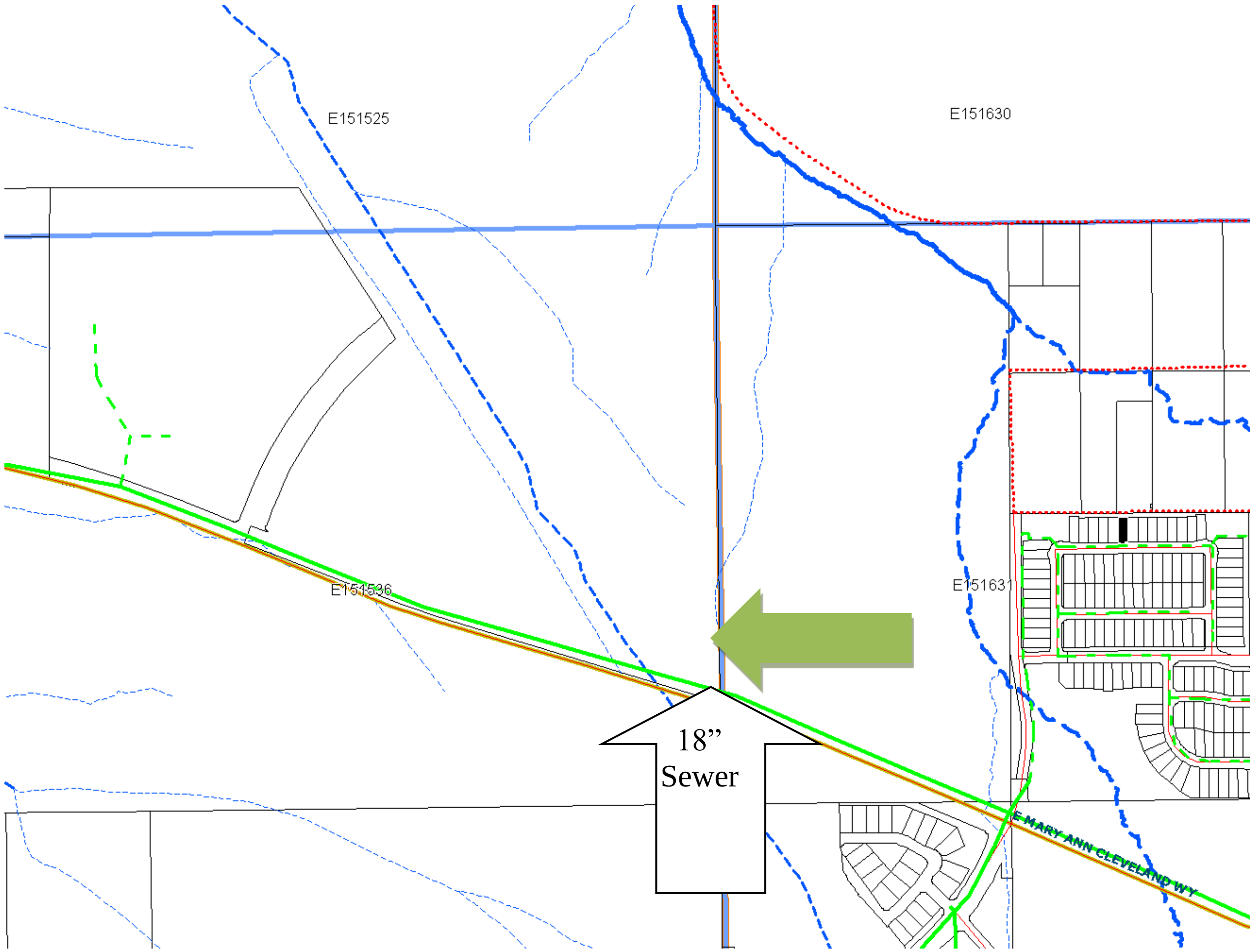
NORTH ^

ZONING MAP


JUMPING CHOLLA DRIVE
25
LIMIT OF STUDY
Esmond Station Wash
ZONE A
CZ0085
ESMOND STATION ROAD
CZ0084
26
LIMIT OF STUDY
ZONE A
ZONE X
30
ZONE X
JOINS PANEL 2930
ZONE A
ZONE X
Wash
35
ZONE X
31
LIMIT OF STUDY
ZONE A
CZ0093
35
CZ0094
2
CZ1475
PIMA COUNTY
CITY OF TUCSON
6
1
MAP SCALE 1" = 2000'
2000
4000
FEET
METER
PANEL 2925L
FIRM
FLOOD INSURANCE RATE MAP
PIMA COUNTY, ARIZONA
AND INCORPORATED AREAS
PANEL 2925 OF 4750
NFIP
NATIONAL FLOOD INSURANCE PROGRAM
MAP NUMBER
04019C2925L
MAP REVISED
JUNE 16, 2011
Federal Emergency Management Agency

FLOOD MAP

1100-17B



NORTH ^

Pima County Mapguide

UTILITY MAP

1100-17B

SITE DEVELOPMENT PLAN

Site sizes depicted on Plan are approximate only
And do not reflect the actual sizes from the legal description.

NORTH

SUBJECT PHOTOGRAPHS

1) NORTH ALONG ELECTRICAL TOWERS/EASEMENT

2) NORTH ALONG WASH/WEST PROPERTY LINE

3) WEST ALONG MARY ANN CLEVELAND WAY

4) EAST ALONG MARY ANN CLEVELAND WAY

5) VIEW OF WASH/DRAINAGE COMING ONTO SOUTHWEST CORNER OF SITE

6) NORTH ACROSS SUBJECT SITE

TAX DATA AND ASSESSED VALUATION

The subject property is taxed and assessed by the Pima County Treasurer and Assessor's office as a portion of the following tax codes.

TAX CODE NO.	FCV IMPR.	FCV LAND	FCV TOTAL	LIMITED VALUE	TAXES
2017					
141-17-011C	$0	$1,418,200	$1,418,200	$1,418,200	NA

The subject is part of a 283.64-acre parcel owned by Pima County and is not subject to taxation.

The full cash value for 2017 was equal to a value of $5,000 per acre.

For 2017, vacant land had an assessment ratio of 15%.

The limited value is designed to protect a property owner during inflationary periods. The limited value will increase annually at 10 percent, or 25 percent of the difference with the full cash value, whichever is greater. The limited value can equal, but not exceed the full cash value.

The 2016 tax rate for Tax Area 2050 was comprised of a primary rate of 11.2034 and a secondary rate of 5.3966. The total tax rate is now applied to the limited value, after application of the assessment ratio.

HIGHEST AND BEST USE

The American Institute of Real Estate Appraisers in The Dictionary of Real Estate Appraisal defines highest and best use, as

1) The reasonable and probable use that supports the highest present value of vacant land or improved property, as defined, as of the effective date of appraisal.

2) The reasonably probable and legal use of land or sites as though vacant, found to be physically possible, appropriately supported, financially feasible, and that results in the highest present land value.

3) The most profitable use.

Implied in these definitions is that the determination of highest and best use takes into account the contribution of a specific use to the community and community development goals, as well as the benefits of that use to individual property owners. Hence, in certain situations the highest and best use of land may be for parks, greenbelt, preservation, conservation, wildlife habitats, and the like.

SUBJECT PARCEL A, AS VACANT:

Physically Possible: The subject site is 28.5317-acres. All utilities are available to the area in adequate capacity and quality to support residential, commercial, or industrial uses, though specific location and capacity has not been determined. Costs to extend utilities onto the site may exist. There is a wash along the western border of the site that may require a development setback. Further, an electric transmission easement with a high voltage line and a second electric line with an undefined easement are located in the eastern portion the site. The eastern 275 feet of the site will also be restricted from development for a trail easement to Pima County.

Effectively, the subject site has a developable area of 7.9709-acres. According to Jeffrey Teplitsky of Pima County, no development will be allowed within the easement and must be left in a natural state. Existing City of Tucson Land Use Ordinance will apply and potential for density transfers through the flexible lot development standards may be available.

Other than the easement restrictions which limit the developable area, there are no physical characteristics which limit the potential uses for the subject site.

Legally Permissible: The subject parcel is zoned RX-1, a low density residential classification under the jurisdiction of the City of Tucson Land Use Ordinance. This classification has a minimum lot size of 36,000 square feet.   This zone provides for suburban, low density, single-family, residential development, agriculture and other compatible neighborhood uses.

The uses permitted in the RX-1 zoning classification are consistent with the existing usages currently found in the immediate subject neighborhood. Zoning and planning seek to promote new development to be compatible with the existing design of the area.

The subject is within the Houghton Area Master Plan. HAMP designates the subject as Village Center Periphery, and recommends higher density uses to a Village Center including day care, preschool, convenience commercial uses, and live/work accommodations. The area plan is a recommended use only and would require the risk and cost of rezoning of the site.

Overall, the subject site could benefit by rezoning once the area and market become more active. Currently, a rezoning to high residential density or commercial, is not warranted and would be speculative. However, a mid-density residential product, say 4-6 units per acre, may be supported by the market.

Financially Feasible and Maximally Productive: The subject area in the southeastern Tucson is on the fringe of the Rita Ranch neighborhood and University of Arizona Tech Park. There could be demand for residential development, though any high residential density or commercial services is not currently warranted.

The subject area is established with residential development and retail and commercial services are being developed around Houghton Road and Old Vail Road, west of the subject. It is my opinion that the subject site “as vacant” has a highest and best use for residential development. Currently, the subject is zoned for about 1 unit per acre, though rezoning to mid-density products from 4 to 6 units per acre would be more productive. Speculative opportunities for higher densities may be available as the area becomes more developed.

LAND VALUATION

The subject site is situated along the north side of Mary Ann Cleveland Way, east of Houghton Road, on the east side of Tucson. The application of the sales comparison approach is well suited for valuing vacant sites. While considering the price per lot or unit, I will utilize the price per square foot or acre.

The first step in this approach is to review the sales presented. Second, analyze the difference in properties and sale transactions, which provide evidence of the subject's value. Specifically, we consider rights conveyed, financing terms, conditions of sale (motivation), and changes in market conditions, which may have occurred since the date of sale. The differences are reconciled, and the value concluded.

Land sales were found, and the current use, potential use, location, and site size were considerations given the greatest weight in selection. The comparable sales are similar to and generally reliable for comparison to the subject.

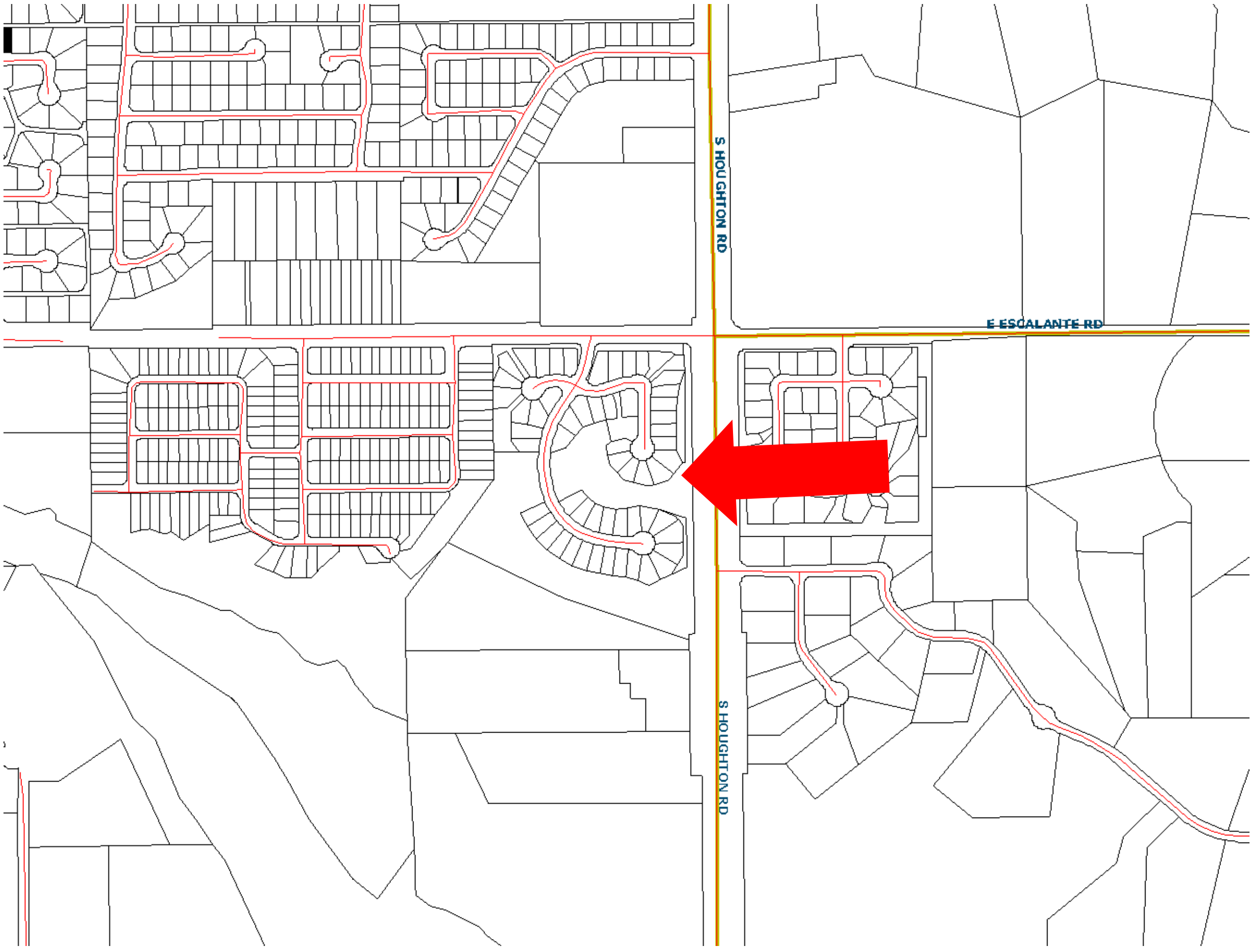
Consider the following comparable sales.

1100-17B

COMPARABLE LAND SALE ONE:

LOCATION:	Southwest corner of Houghton Rd. and Escalante Rd.
LEGAL DESCRIPTION:	Lots 1-57 and common area of La Cima Esplendora, as recorded Book 63, of Maps Page 65, within Section 35, Township 14 South, Range 15 East, Tucson, Pima County, Arizona
TAX CODE NUMBER:	136-31-220 thru 136-31-3810
RECORDS:	Warranty Deed recorded 2/21/14 Document Number 20140520483
SELLER:	Landmark Title Trust 18174-T
BUYER:	KB Homes
SALE PRICE:	$1,567,500
TERMS:	Cash to seller
SITE SIZE:	23.51 acres
SALE PRICE PER SQ. FT.:	$1.53
ZONING:	R-1
FLOOD PLAIN:	FEMA Map 04019C2320L, effective 6/16/11; Zone X, not within floodplain.
MARKETING TIME:	Not available.
COMMENTS:	Developed 57-lots subdivision, clustered 5,500 to 8,000 sf lots.
CONFIRMED WITH:	Will White, Land Advisors 520-514-7454

1100-17B



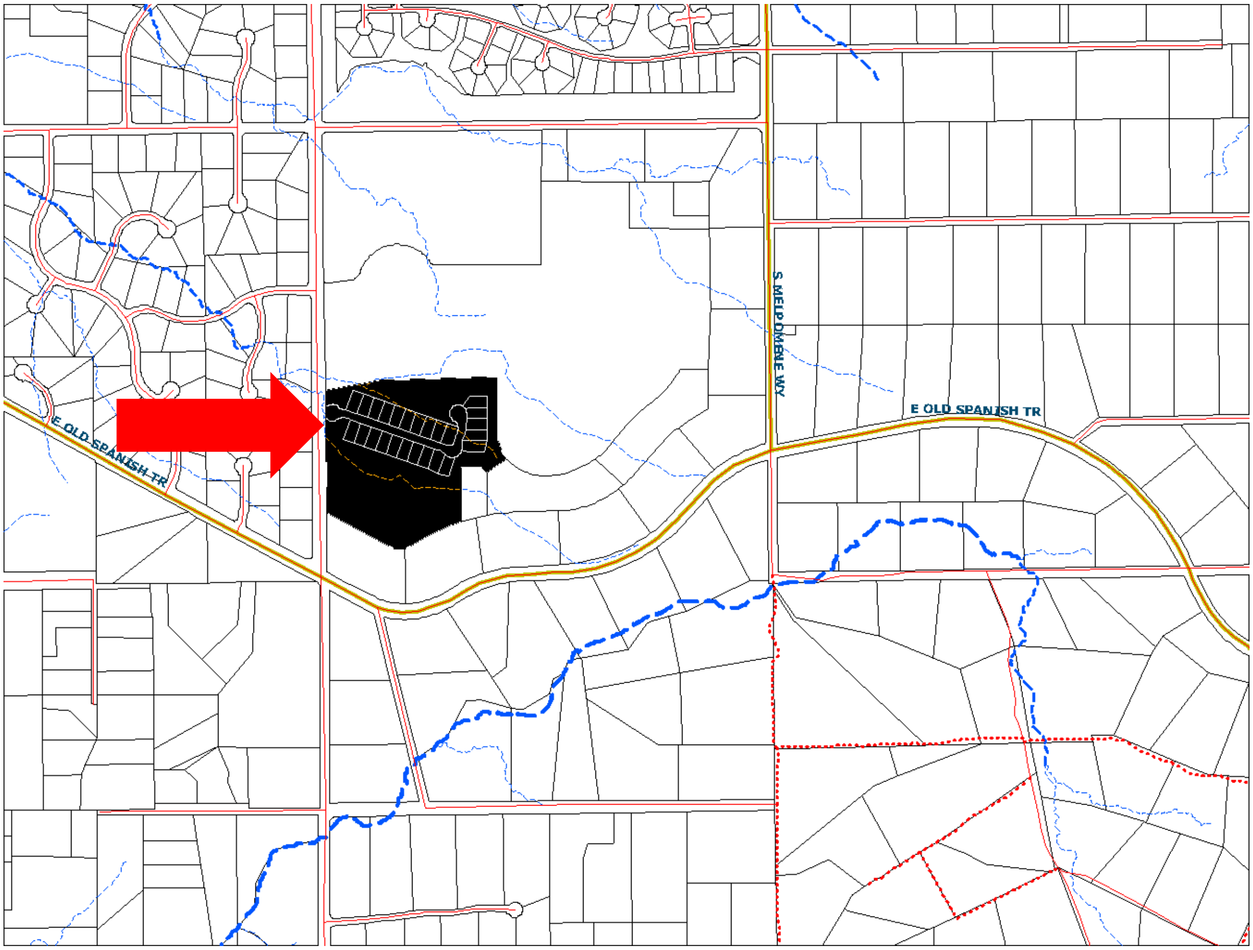
COMPARABLE LAND SALE ONE

1100-17B

COMPARABLE LAND SALE TWO:

LOCATION:	East side of Avenida de los Reyes and north of Old Spanish Trail
LEGAL DESCRIPTION:	Portion of Lot 1 All Faiths Memorial Park, as recorded in Book 28 at Page 89 of Maps and Plats, within Section 24, Township 14 South, Range 15 East, Tucson, Pima County, Arizona
TAX CODE NUMBER:	136-09-024P
RECORDS:	Warranty Deed recorded 7/21/15 Document Number 20152020415
SELLER:	Diocese of Tucson Catholic Cemeteries
BUYER:	Tucson Land and Cattle Co. LLC
SALE PRICE:	$490,000
TERMS:	Short term seller financing, then cash to seller.
SITE SIZE:	19.04 acres
SALE PRICE PER SQ. FT.:	$0.59
ZONING:	SH
FLOOD PLAIN:	FEMA Map 04019C2309, effective 6/16/11; Zone X, not within floodplain.
MARKETING TIME:	Not available.
COMMENTS:	Seller carried a short-term note allowing the buyer to remove the zoning restriction for cemetery use. Buyer also platted site with the 25-lot Rancho Reina, Seq# 20163200543, clustered 7,400 to 8,500 sf lots.
CONFIRMED WITH:	Ben Becker, CBRE 520-325-5149

1100-17B

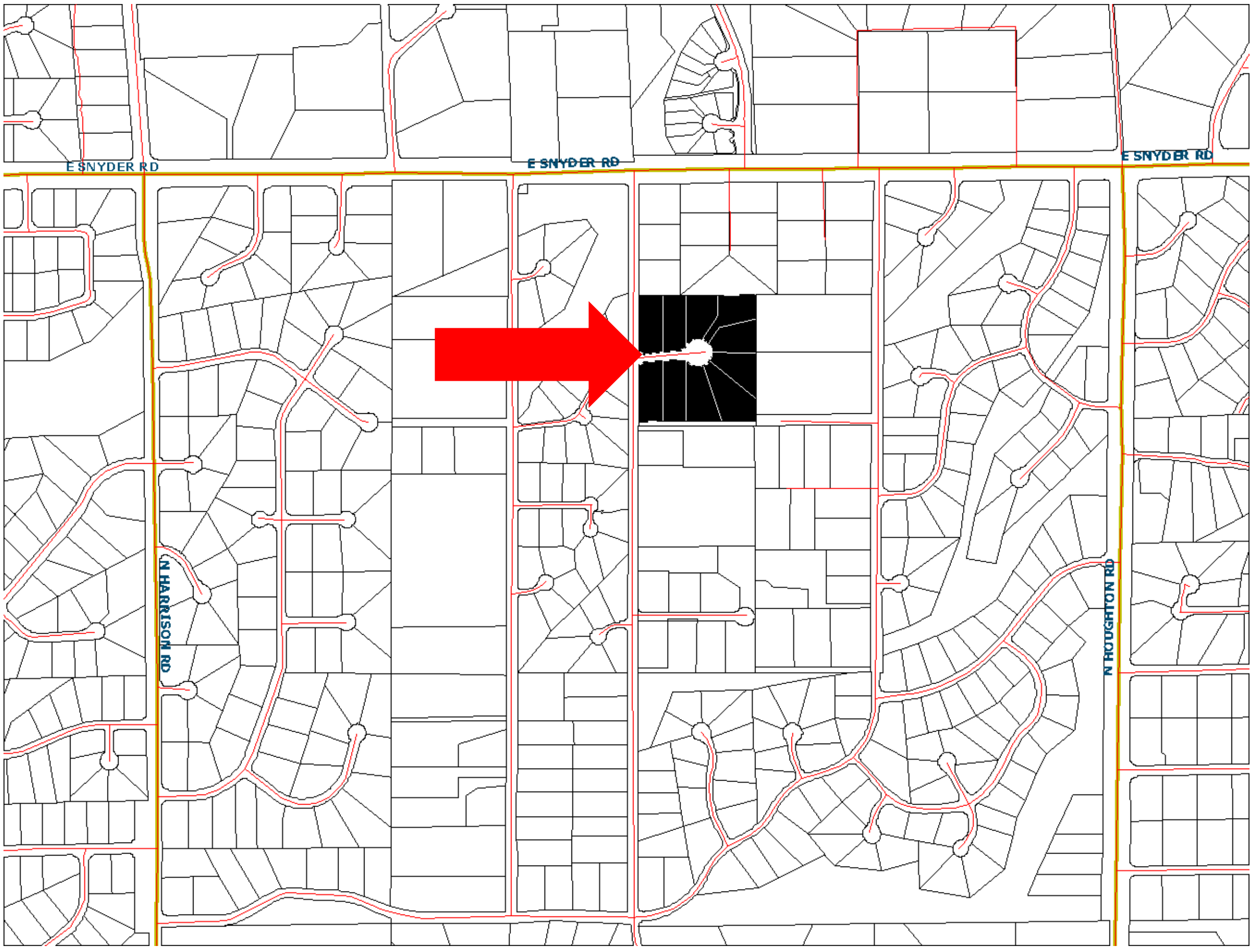


COMPARABLE LAND SALE TWO

COMPARABLE LAND SALE THREE:

LOCATION:	East side of Bonanza Ave., and South of Snyder Rd.
LEGAL DESCRIPTION:	Portion of NE4, Section 23, Township 13 South, Range 15 East, Pima County, Arizona
TAX CODE NUMBER:	114-21-322A
RECORDS:	Deed recorded 7/31/15 Document Number 20152120683
SELLER:	J. DeGrazia Company
BUYER:	Maracay 91, LLC
SALE PRICE:	$764,700
TERMS:	Cash to seller
SITE SIZE:	9.7 acres
SALE PRICE PER SQ. FT.:	$1.81
ZONING:	CR-1
FLOOD PLAIN:	FEMA Map 04019C1720M, effective 9/28/12; Zone X, not within floodplain.
MARKETING TIME:	Not available.
COMMENTS:	Now platted as Territory at Santa Catalina, Lots 1-10, Seq. # 21051950083, mostly 36,000 to 42,000 sf lots.
CONFIRMED WITH:	Costar, Pima County Records

1100-17B



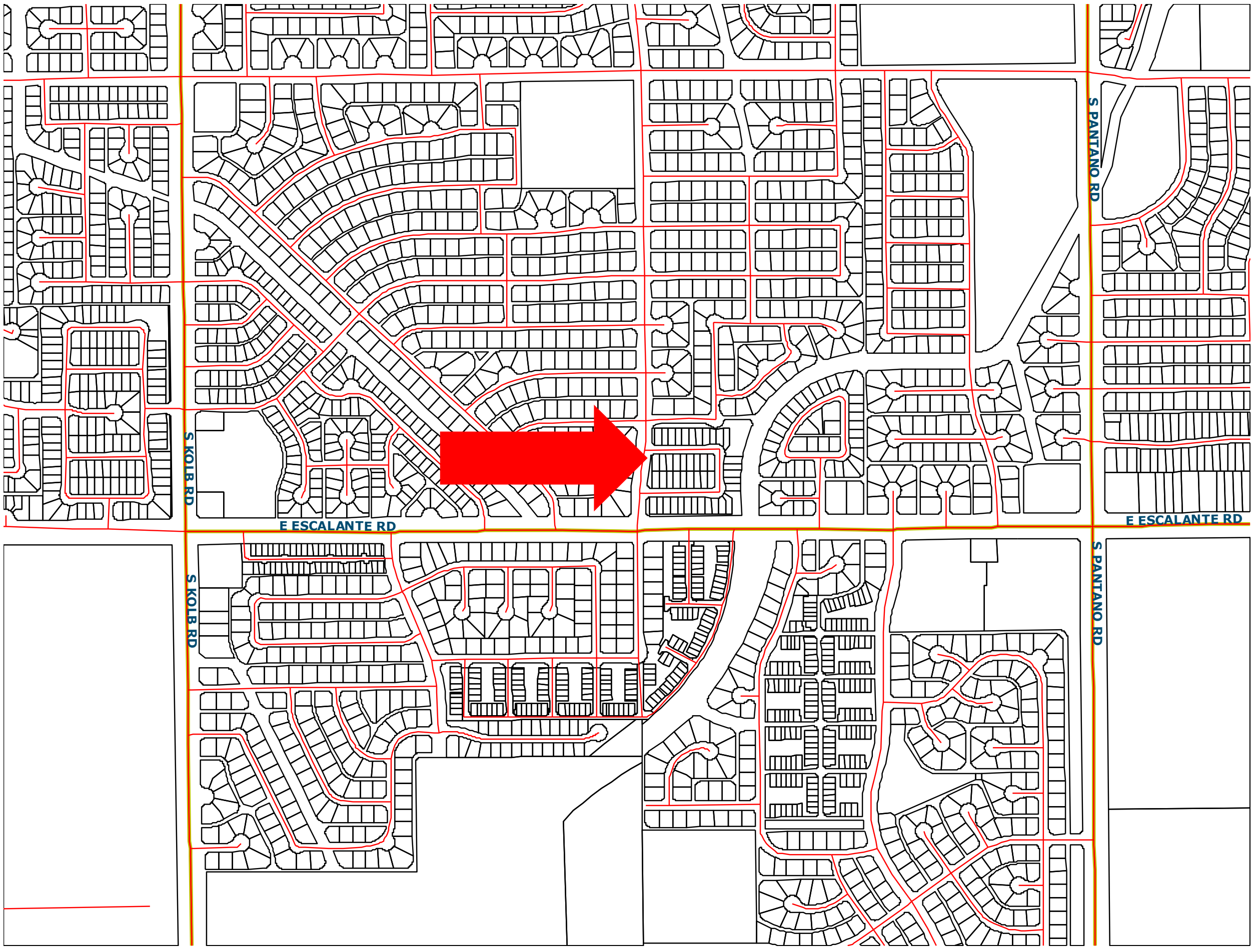
COMPARABLE LAND SALE THREE

1100-17B

COMPARABLE LAND SALE FOUR:

LOCATION:	Northeast corner Escalante Rd. and Prudence Rd.
LEGAL DESCRIPTION:	Now platted as Lots 1-46 and common areas of Kinnison Overlook, Seq. # 21060890579, within Section 29, Township 14 South, Range 15 East, Tucson, Pima County, Arizona
TAX CODE NUMBER:	Now 136-21-9180 thru 136-21-9640
RECORDS:	Warranty Deed recorded 12/11/15 Document Number 20153450095
SELLER:	OT Huachuca
BUYER:	KB Home
SALE PRICE:	$828,000
TERMS:	Cash to seller
SITE SIZE:	6.84 acres
SALE PRICE PER SQ. FT.:	$2.78
ZONING:	R-3
FLOOD PLAIN:	FEMA Map 04019C2312L, effective 6/16/11; Mostly Zone X, not within floodplain. Partially or adjacent to Zone AE, area subject to 100-year flood.
MARKETING TIME:	Not available.
COMMENTS:	Developed 46-lot subdivision. 4,000 sf lots. Adjacent to the Kinnison Wash, 2,000–5,000 cfs, 75 ft setback.
CONFIRMED WITH:	Will White, Land Advisors 520-514-7454

1100-17B



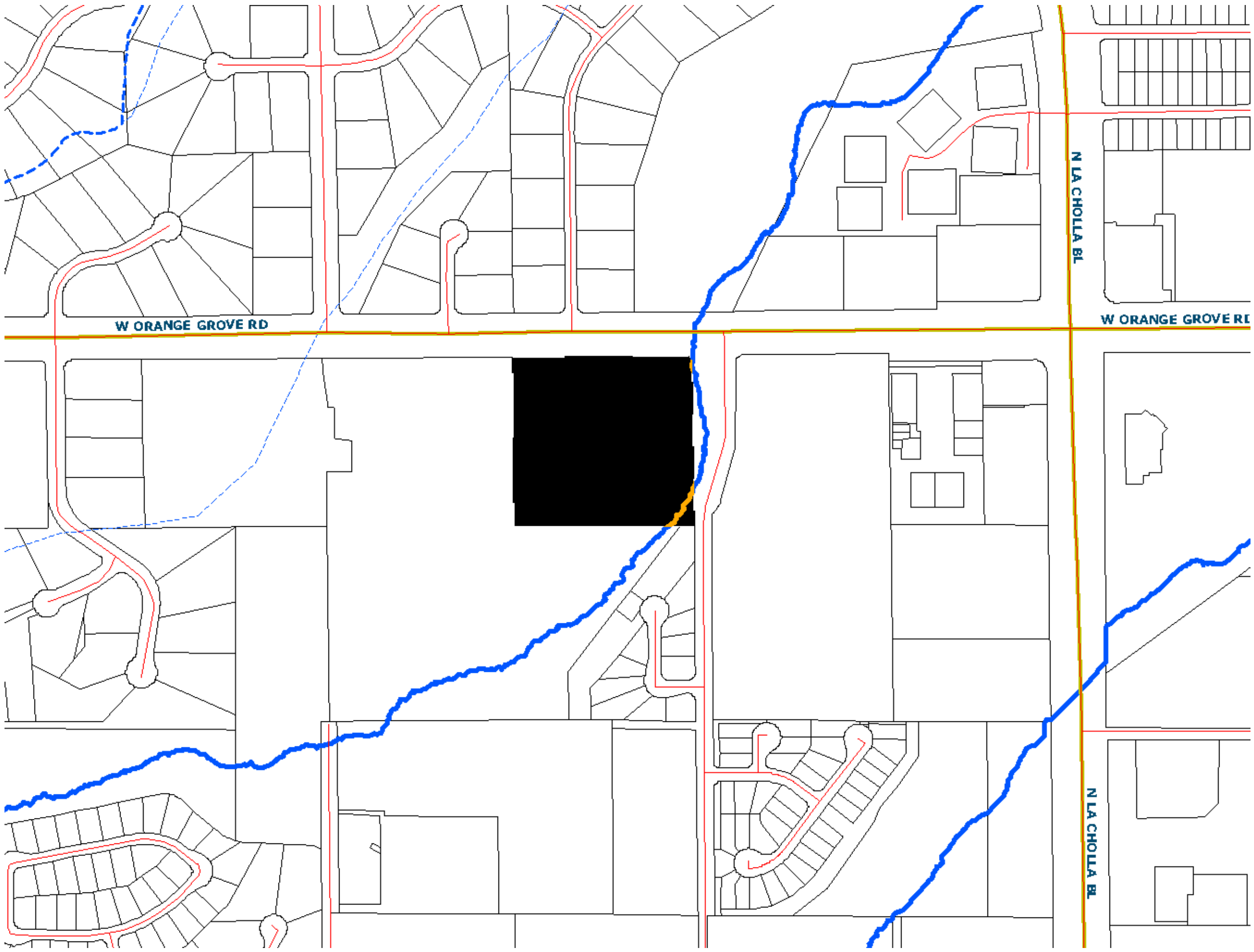
COMPARABLE LAND SALE FOUR

1100-17B

COMPARABLE LAND SALE FIVE:

LOCATION:	South side of Orange Grove Rd. and west of La Cholla Blvd.
LEGAL DESCRIPTION:	Portion of NE4 within Section 9, Township 13 South, Range 13 East, Pima County, Arizona
TAX CODE NUMBER:	101-09-004A
RECORDS:	Warranty Deed recorded 9/30/16 Document Number 20162740335
SELLER:	Lee Family Trust
BUYER:	Sage Tucson Senior Living LLC
SALE PRICE:	$940,000
TERMS:	Cash to seller
SITE SIZE:	8.90 acres
SALE PRICE PER SQ. FT.:	$2.43
ZONING:	TR/SR
FLOOD PLAIN:	FEMA Map 04019C1660L, effective 6/16/11; 58% Zone X, not within floodplain. 42% Zone A, within 100-year floodplain.
MARKETING TIME:	Not available.
COMMENTS:	Proposed senior living center. Good proximity to Northwest Hospital. About 4 acres restricted to natural open area.
CONFIRMED WITH:	Jason Wong, Crestline Properties 520-603-1191

1100-17B

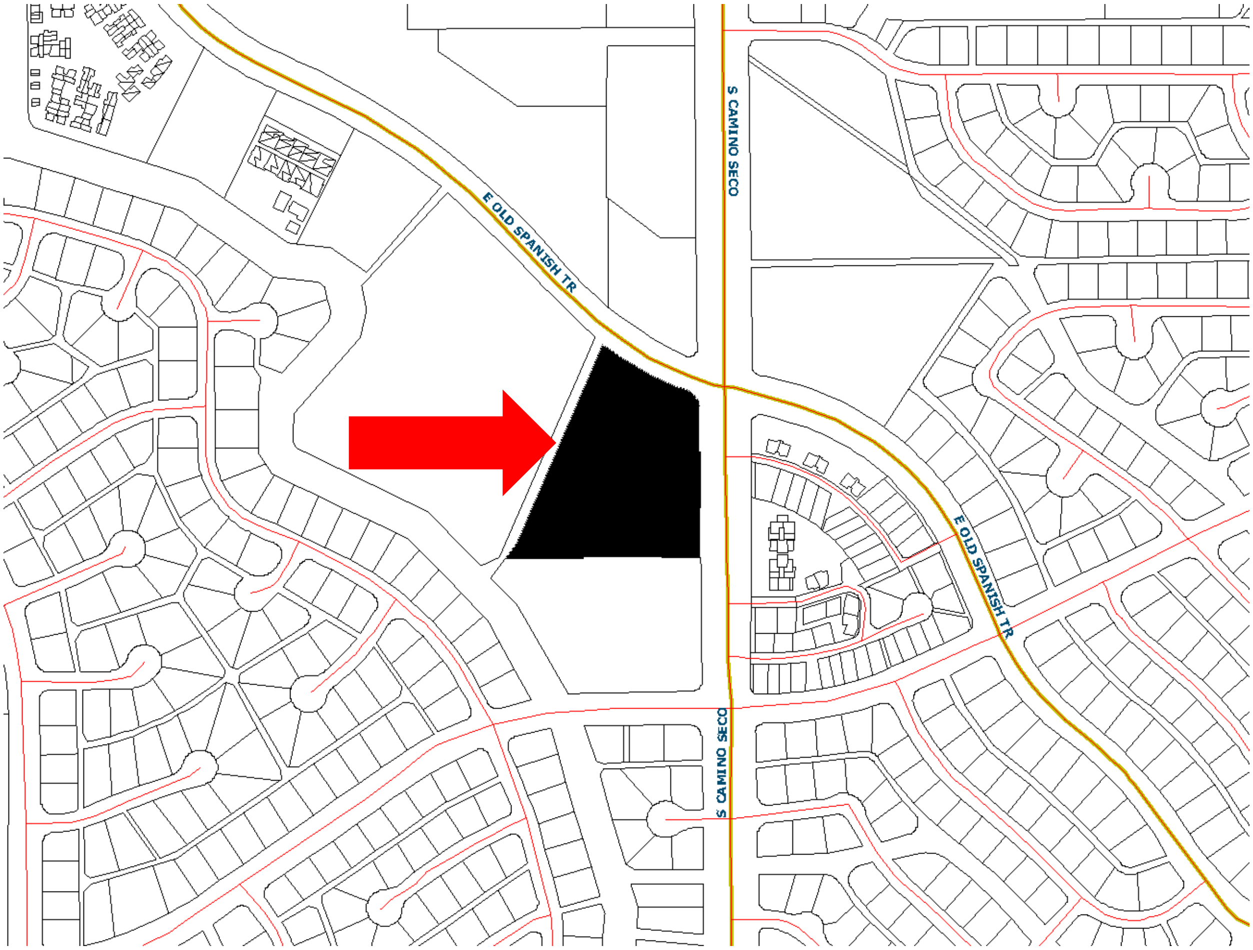


COMPARABLE LAND SALE FIVE

COMPARABLE LAND SALE SIX:

LOCATION:	Southwest corner Camino Seco and Old Spanish Trail
LEGAL DESCRIPTION:	Portion of Block E, Desert Steppes Estates with Section 16, Township 14 South, Range 15 East, Tucson, Pima County, Arizona
TAX CODE NUMBER:	134-09-013A
RECORDS:	Warranty Deed recorded 5/26/17 Document Number 20171460659
SELLER:	Harvey Evenchik Revocable Trust
BUYER:	PSSW Investments
SALE PRICE:	$590,000
TERMS:	Cash to seller
SITE SIZE:	5.09 acres
SALE PRICE PER SQ. FT.:	$2.68
ZONING:	R-3
FLOOD PLAIN:	FEMA Map 04019C2308L, effective 6/16/11; Zone X, not within floodplain.
MARKETING TIME:	Not available.
COMMENTS:	Extended escrow. Proposed use for 54 single family residential lots.
CONFIRMED WITH:	Michael Shiner, buyer 520-247-6436

1100-17B



COMPARABLE LAND SALE SIX

TABULATION OF COMPARABLE SALES

NO.	SALE DATE	LOCATION	SALE PRICE	ACRES	PRICE/ SQ.FT..	ZONING	COMMENTS
1	2/21/14	Southwest corner Houghton and Escalante	$1,567,500	23.51	$1.53	R-1	Platted as La Cima Esplendora 57-lots
2	7/21/15	East side Avenida Los Reyes And north of Old Spanish Tr.	$490,000	19.04	$0.59	SH	Now platted as Rancho Reina 25-lots
3	7/31/15	East side of Bonanza and South of Snyder Rd.	$764,700	9.70	$1.81	CR-1	Now platted as Territory at Santa Catalina 10-lots
4	12/11/15	Northeast corner Escalante And Prudence Rd.	$828,000	6.84	$2.78	R-3	Now platted as Kinnison Overlook 46-lots
5	9/30/16	Southside of Orange Grove And west of La Cholla Blvd.	$940,000	8.90	$2.43	TR/SR	Proposed senior living center Floodplain/natural open space.
6	5/26/17	Southwest corner Camino Seco and Old Spanish Tr.	$590,000	5.09	$2.66	R-3	Proposed use for 54-lots.

COMPARABLE LAND SALES MAP

ADJUSTMENTS TO COMPARABLE SALES

The sales identified on the previous pages are compared to the subject site and adjustments for price related differences are made. All the comparable sales are of vacant land with similar utility as the subject. The primary adjustments include, real property rights conveyed, the financing terms, the conditions of sale, and the market conditions at the time of sale. After these primary adjustments are made individually to the sale price, the adjustment for the various differences in physical characteristics is made in the aggregate. Physical characteristics include the location of the site, access and visibility, the size, site utility, and zoning. The following grid summarizes our adjustments. I attempted to confirm all comparable sales with the buyer, seller, or broker/agent to the transactions.

LAND SALE ADJUSTMENT CHART

	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Sale Price/sq.ft.	$1.53	$0.59	$1.81	$2.78	$2.43	$2.66
Property Rights Conveyed	o	o	o	o	o	o
Financing Terms	o	+10%	o	o	o	o
Conditions of Sale	o	o	o	o	o	o
	2/14	7/15	7/15	12/15	9/16	5/17
Market Conditions	+7.9%	+4.7%	+4.7%	+5.4%	+2.9%	+0.8%
Adjusted Price/sf.ft.	$1.65	$0.62	$1.90	$2.93	$2.50	$2.68
Location						
Population 1-mile	5,364	17,317	3,593	14,127	9,234	14,625
Population 3-mile	43,875	128,074	21,526	78,272	67,720	111,068
Projected population growth 5-year growth within 1-mile	2.07%	3.64%	2.64%	2.50%	2.97%	2.61%
Median Household Income – 1 mile	$61,602	$33,638	$92,287	$43,724	$58,508	$40,894
Median Housing Value 1-mile	$161,475	$127,233	$326,171	$127,760	$179,183	$156,897
Location Adjustment	o	+	-	+	-	o

1100-17B

Site Area – acres	23.51	19.04	9.70	6.84	8.90	5.09
Relative Adjustment	+	+	o	o	o	o
Site Condition	o	o	o	o	o	o
Site Utility	+	o	o	o	+78%	o
Utilities	-	-	-	-	-	-
Zoning	-	+	o	-	-	-
Platting/Engineering	-	o	-	-	o	o
Overall	Above $1.65	Above $0.62	Below $1.90	Below $2.93	Below $4.45	Below $2.68

Note 1: (-) represents superior, thus downward adjustment;
(+) represents inferior, thus upward adjustment;
(o) represents similar, thus no adjustment.

Note 2: Not all adjustments are equally weighted; therefore, one superior characteristic of a comparable may outweigh an inferior characteristic of that comparable.

Land Value Analysis:

A thorough search of the Tucson marketplace was made, and the six most comparable land sales are presented. The primary factor in sale selection is current use and potential use. The subject is currently zoned as RX-1, a lower density residential classification with a minimum lot size of 36,000 square feet. Based upon the usable area unrestricted by the easements, the subject could possibly be platted with nine (9) lots. Potentially, the subject could use the flexible lot development option with a minimum lot size of 18,000 square feet. Based upon roadway design and requirements, the subject may have potential for up to nineteen (19) lots. Additionally, the subject is recommended for higher density Peripheral Village Center uses under the Houghton Area Master Plan and has additional high density residential and commercial potential. However, this greater potential is not currently considered feasible and may only occur many years in the future.

The site size and utility are a significant consideration in adjustment to the comparable sales. Two approaches are considered, value the subject as a larger 28-acre site with and adjust the comparable sales based upon their site conditions; or value the subject as a 7.9-acre site and consider additional benefit of the encumbered area. In this case, the benefit of the encumbered area is small. The potential for density transfer is limited by the minimum lot size of 18,000 square feet. The site has reasonable potential for rezoning to acquire greater density. Further, the encumbered area may require greater maintenance and liability issues. In the case of the proposed subject development for a church, the extra area will provide a lower site coverage and permit development without need for rezoning. Based upon these factors, the developable area of 7.9-acres will provide for best comparison without additional adjustments.

The sales occurred since 2014, and are still considered indicative of current market conditions with slight adjustment. These sales range in unadjusted price from $0.59 to $2.78 per square foot.

The adjustments that can potentially be quantified for adjustment include a cash equivalent sale price and change in market conditions. Only Sale Two included seller financing. The seller provided a short term note on the property, as the buyer removed zoning restrictions and platted the site. This was less of a financing consideration and more of providing a “free look” to the buyer during the rezoning process. A 10% upward adjustment is made to reflect the decreased risk of this transaction, more than the financing benefit provided.

The real estate market has been in recovery since the recession about 2008. Velocity of sales volume and real estate values decreased at that time. Various markets began to recover and commercial development activity has occurred. The land sales market in Tucson were reviewed for the period between 2014 through 2017. Paired sales transactions were inconsistent in determining changes in market conditions. The Consumer Price Index helps illustrate the recent level of inflation. This CPI is not necessarily credible in indicating the change in the market value of commercial land in Tucson, but it does illustrate the change in the value of money over this period. The adjustment to the comparable sales is based upon this best available information.

CONSUMER PRICE INDEX
All Urban Consumers - West

Sale	Date	CPI Index	Change to Present
1	2/14	237.614	7.9%
2/3	7/15	245.040	4.7%
4	12/15	243.434	5.4%
5	9/16	249.234	2.9%
6	5/17	254.380	0.8%
Current	9/17	256.504	

Oddly, a slight deflation near the end of 2015 reflects a non-linear adjustment pattern. However, this adjustment is relatively small, and any modification would not be significant.

Other adjustments to the comparable sales are considered reasonable, but may not be quantifiable. A qualitative plus/minus adjustment has been indicated for differences in location, site size, site condition, site utility, zoning, and the platting/engineering process.

Sale One is at the southwest corner of Houghton and Escalante, just north of the subject neighborhood. This site was purchased in February 2014 to $1,567,500, or about $1.53 per square foot.

A slight upward adjustment is made for changes in market conditions. This location is considered comparable to the subject. The larger size of this site provides more economy of scale and an upward adjustment is made. This site was bisected by two unnamed washes which required small setbacks and engineering consideration. Further the southern portion of this site is impacted by drainage issues and flow easements and erosion hazard setbacks were established by the plat map. An upward adjustment for these physical considerations is made. Utilities were available without significant expense to extend onto the site and a downward adjustment is made. This site benefitted by having an R-1 zoning classification, typically allowing a minimum lot size of 7,000 to 10,000 square feet. The site was engineered and benefitted by an approved plat for 57 lots. A cluster option provided the opportunity for smaller lots. A downward adjustment is made for the existing higher density zoning and benefit of the recorded plat. This site was developed at 2.5 units per acre. I think the subject has slightly greater potential, probably 5,000 to 10,000 square foot lots, without the site constraints or maybe 4 to 6 units per acre.

Overall, this sale suggests that the subject should be worth more than $1.65 per square foot.

Sale Two was the purchase of a 19.04-acre site along the east side of Avenida Los Reyes, north of Old Spanish Trail. The purchase price of $490,000, is equal to $0.59 per square foot.

Again, the short-term seller financing provided the buyer a “free look” to remove zoning restrictions and plat the site at his own expense. This was less of a financing consideration and more of lessening the buyers political risk in obtaining an acceptable plat. A 10% upward adjustment is made to reflect the decreased risk of this transaction. A slight upward adjustment is made for improved market conditions. This site is well located on Tucson’s east side, though the median household income and housing value warrant an upward adjustment. The larger size of this site provides more economy of scale and an upward adjustment is made. This site was more proximite to utilities and warrants downward adjustment. This site is zoned SH, a similar density to the subject, though higher densities on this site were unlikely. This property was part of the All Faiths Memorial Park, a cemetery, and the buyer had to remove use restrictions. The clustered development for 25 lots was approved with the standard lot about 7,800 square feet. The density is equal to 1.31 lots per acre, with significant open space.

Overall, I think the subject has greater potential than this sale and should be worth more than $0.62 per square foot.

Sale Three was the purchase of a 9.7-acre site on the east side of Bonanza, south of Snyder Road, for $764,700, or about $1.81 per square foot.

This sale in July 2015 warrants a slight upward adjustment for improved market conditions. The Catalina Highway neighborhood has significantly greater income and home value characteristics and is considered a better area than the subject. This site also warrants a downward adjustment for its closer proximity to utilities. This site was zoned CR-1, or about one home per acre which is similar to the existing zoning of the subject. A plat for 10 lots was recorded on this property, providing the benefit of the engineering and plat risk, warranting downward adjustment. Overall, the superior location more than outweighs the benefit of a greater use in the future for the subject.

This sale indicates the subject should be worth less than $1.90 per square foot.

Sale Four was the purchase of a 6.84-acre site at the northeast corner of Escalante and Prudence. This site had a sale price of $828,000, or $2.78 per square foot.

An upward adjustment is made for the slightly improved market conditions. The subject is considered to have higher economic characteristics, as this area has a lower median housing value and household income. However, this site was zoned R-3, and was platted for 46 lots, typically 4,000 square feet. This is a medium density project with 6.7 lots per acre. The Kinnison Wash is located adjacent east of this project but does not appear to impact its development capacity. Utilities to this site were readily available and warrant a downward adjustment to this sale price. Overall, this site was platted and ready to develop and may represent the current potential if the subject got rezoned and platted.

This sale indicates the subject should be worth less than $2.93 per square foot.

Sale Five was the purchase of an 8.90-acre site on Orange Grove Road, west of La Cholla Boulevard. This site was purchased for $940,000 or $2.43 per square foot. A slight upward adjustment is made for market conditions. This site is located on the northwest side of Tucson, near the active Northwest Hospital. This was the attraction for the buyer of this site, who is planning to develop a senior care facility. A downward adjustment is made for location. This site is impacted by the Pegler Wash and 4 acres of the site is restricted to natural open area. The smaller usable area warrants a significant upward adjustment, as this equals an effective price of $4.32 per square foot for the usable area. The adjustment for site utility is based upon the difference in price between the gross area and net usable area, $4.32-$2.43 = $1.89/$2.43=78%.

The site is zoned TR, a transitional classification which represents the higher densities similar to the proposed uses for the subject under the Houghton Area Master Plan. The subject does not have this higher potential at this time and this sale helps indicate that the subject is worth less than $4.53 per square foot.

Sale Six is the most recent sale found, having closed on May 26, 2017. This 5.09-acre site is located at the southwest corner of Camino Seco and Old Spanish Trail. The site was purchased for $590,000, or $2.66 per square foot. This site is in a well-established east side neighborhood of Tucson, which is balanced by the slightly higher economic indicators of the subject area. Utilities are readily available and this sale warrants a downward adjustment. Most important is that this site is located in an area established with apartments, and is zoned R-3. However, due to market conditions the buyers are proposing a 54-lot development, or 10.6 units per acre. The subject area is not ready for this slightly higher density, though the Houghton Area Plan suggests that in the future the subject site could warrant a higher density use of at least 16 units per acre. Currently, this site is in better position to be developed and indicates the subject is worth less than $2.68 per square foot.

Additional Sales Considered

For informational purposes, an additional site near Sale Three was closed on at the same time, between the same seller and buyer. The Ranches at Santa Catalina subdivision is a 24-lot project located on the west side of Harrison, south of Snyder Road. This 20.4-acre site sold for $1,835,280, or $2.07 per square foot. This site has similar density and characteristics to Sale Three, and should set an upper limit of value for the subject.

Additional data considered includes the purchase of 17.24-acres on the south side of Valencia Road, east of Nexus Road. This C-2 zoned parcel of land was purchased by an apartment developer for $3,775,000, equal to $5.03 per square foot. As described in the Neighborhood Summary, there are no existing apartments in the subject area and if developed, this may be the first. With commercial zoning, this site provides greater flexibility in design and potential. However, this purchase illustrates the potential the subject may have in the future as apartment demand increases in the area.

Listing and Market Interviews

Listings are utilized to illustrate potential market transactions that may occur in the future. However, listings are just that, a beginning to a negotiation process and not a closed sale. Listings can effectively show new areas for additional competition and sellers expectations.

Expired Listing One was an 8.96-acre parcel on the south side of Speedway Boulevard, east of Houghton Road listed for sale at $395,000, or $1.02 per square foot. This parcel is zoned RX-1, like the subject. However, the Houghton East Neighborhood Plan appears to recommend against any commercial or higher density uses for this site. There are some small washes and about 12% of this site is within the 100-year floodplain. Interestingly, this property was put in escrow by a church, but the deal did not consummate as the limited site coverage in an RX-1 zone was too restrictive for this proposed use. Overall, this listing is suggested that the subject site should be worth more than $1.00 per square foot because of its greater potential.

Listing Two has potential for rezoning, like the subject. This 10.48-acre parcel is located on the east side of Houghton Road and south of Golf Links. The list price of $708,500 equals $1.55 per square foot. This SR zoned parcel has an existing lower density than the subject. However, the South Pantano Area Plans recommends commercial uses near major Houghton Road intersections. The subject is located adjacent to the Wal-Mart at the intersection of Houghton and Golf Links. The Plan describes that higher density development may be appropriate in conjunction with those commercial nodes and must have direct access to Houghton Road, like this parcel.

Listing Three is an 18.62-acre parcel is listed for sale along Silverbell Road, north of Continental Loop Road. This site is approved under the Continental Ranch Specific Plan and has a development plan approved for a 200-unit apartment complex. Further, the listing agent Patrick Welchert reports that the archeological study is complete. The list price of $1,900,000 is equal to $2.34 per square foot. This site is located in the Continental Ranch neighborhood, an area that has already seen development of its first apartment complexes. This site has the high-density approval for what the subject could potentially generate in the future.

I discussed land values with Jim Marion of Chapman Lindsey (520-747-4000 ext. 106). He described demand for production housing on lots typically ranging from 4,500 to 8,000 square feet, or roughly 5 to 8 lots per acre. He noted the success by land developers like the Diamond Ventures further east along Mary Ann Cleveland Way. Recent sales in this corridor were found, each having platted lots ready for development. All purchased by major homebuilders, these sales indicate the value of land engineered and ready for construction. These properties sold for $25,855 to $36,000 per lot. Mr. Marion recognized the added value of the approved zoning and engineered plats for these properties. He described that he may market land with a “conceptual plan” to provide a vision for a prospective developer but recognizes that there is some cost and risk. For properties that do not need a rezoning, that have utilities readily available, and do not have significant physical characteristics that may prove costlier to develop, he opines that a few thousand dollars per lot discount may be sufficient.

The subject needs rezoning to achieve its greater potential, utilities are in the area though specific location and capacity has not been determined, and in my opinion would warrant more of a discount to attract a developer than the “safer” range suggested.

Land Valuation Conclusion

After adjustments, the sales established that the subject should be worth more than Sale Two and $0.62 per square foot. The value of the subject could be comparable to Sale One, and be worth about $1.65 per square foot. Sale Three has a current use similar to the existing zoning of the subject, but is in a better neighborhood. Sale Three suggests the subject is worth less than $1.90 per square foot. Sales Four, Five, and Six indicate that someday in the future the subject may be worth $2.68 to $4.53 per square foot.

The three listings described support the range demonstrated by the comparable sales. Listing One is the same existing zoning, without the greater potential use and establishes the lower portion of the range at $1.00 per square foot. Listing Two has a low-density zoning and potential greater use, at a list price of $1.55 per square foot. Listing Three has the approval for that higher-density use and is listed for $2.34 per square foot.

In conclusion, based upon the comparable sales and listings, and my discussions with the active real estate brokers, I set forth my opinion of market value in the subject site to be $1.50 per square foot. The value indicated by the price per square foot analysis is rounded to $520,000.

Additional support is provided by a per lot unit of comparison. The price indicated by analysis per square foot is $520,000. Without rezoning or density transfer, the subject may have potential for 9 lots. The indicated value of $520,000 divided by 9 lots is $57,778 per lot. Sale 3 has the most similar density and lot size, and reflected a price of $76,470 per lot. Based upon its superior location, Sale Three should have a higher value than the subject in this comparison.

If the flexible lot development option is utilized to create a 19-lots on the subject, it would reflect a density of 2.4 units per acre on the developable 7.9-acres. The indicated value of $520,000 divided by 19 lots equals $27,368 per lot. Sale One provides the closest comparison, with 57-

lots on 23.51-acres, this project has open space and an overall density of 2.4 lots per acre. This sale indicates a price of $27,500 per lot and provides good comparison for the subject.

If the subject were to be rezoned and designed for production sized lots, the site may yield 40 to 60 lots based upon 5 to 8 lots per acre. The indicated value of $520,000 would illustrate a range of value from about $8,600 to $13,000 per lot.

I found one paired resale of raw land before and after the platting process. A developer bought a 58+ acre site in northwest Tucson near La Canada and Overton in December 2016 for $42,677 per acre. He rezoned the site from SR, suburban ranch, and obtained a plat for 120 lots. His risk included obtaining some additional land for access and he resold the site for $90,697 per acre, generating a profit of over 100%.

Certainly, greater data points would help support whether 15% or 100% profit is reasonable for development risk of rezoning and platting. I am presenting the range evident in the market through interviews and market evidence. I do not feel this evidence is sufficient to derive a credible conclusion and only offer it as support for my discussion.

Overall, the most credible evidence is provided by the analysis of the comparable sales presented, and supported by the additional market information presented. In conclusion my opinion of market value is calculated as follows:

347,212 sq.ft x $1.50/sq.ft. = $520,818

OPINION OF MARKET VALUE OF THE SUBJECT PARCEL $520,0000

The above value estimate is subject to the specific and general Underlying Assumptions, which are made part of this report.

RECONCILIATION

The Direct Sales Comparison Approach to value was utilized to value the vacant subject property and the following indication was derived:

OPINION OF MARKET VALUE FOR SUBJECT SITE $520,000

The Sales Comparison Approach has good application in that the land sales are of fee simple title. Location, potential use, and site utility were important factors in selection of the comparable sales. Reasonable quality sales data was found, and supporting information from additional listings for sale is provided. I set forth my opinion that the market value of the subject site is reasonable and credible through its indication by the Direct Sales Comparison Approach.

EXPOSURE PERIOD

INDICATED EXPOSURE TIME: 12 months

ESTIMATED MARKETING TIME: 12 months

The marketing period section is divided into reasonable exposure time and reasonable marketing time. Exposure time is always presumed to precede the effective date of the appraisal. Marketing time is the period required to sell a real property interest at market value during the period immediately after the effective date of the appraisal.

Reasonable Exposure Time

Exposure time is always presumed to precede the effective date of the appraisal. It is the estimated length of time the property would have been offered prior to a hypothetical market value sale on the effective date of appraisal. It is a retrospective estimate based on an analysis of recent past events, assuming a competitive and open market. It assumes not only adequate, sufficient, and reasonable time but also adequate, sufficient, and reasonable marketing effort. Exposure time and appraisal conclusion of value are therefore interrelated.

Exposure time is often expressed as a range and is based on direct and indirect market data gathered during the market analysis, sales verifications, and interviews with market participants, and other appropriate sources. The amount of time, which a property will require to be marketed, varies greatly depending on a number of factors including market conditions, listing price, terms of sale offered, and competitive listing inventory. A reasonable exposure period for the subject is less than one year.

Reasonable Marketing Time

Reasonable marketing time is the period a prospective investor would forecast to sell the subject property immediately after the effective date of value, at the value estimated. Anticipated marketing time is essentially a measure of the perceived level of risk associated with the marketability, or liquidity, of the subject. The sources for this information include those used in estimating the reasonable exposure time, but also an analysis of the anticipated changes in market conditions following the effective date of appraisal. In other words, the reasonable marketing time is the number of months it will require to sell the subject property from the effective date of value, into the future.

The reader must understand, however, that the future price for the subject property (at the end of the marketing time) may or may not equal the appraisal estimate. The future price depends on unpredictable changes in the physical real estate, demographic and economic trends; real estate markets in general, supply/demand characteristics for the property type, and many other factors.

Based on the premise that present market conditions are the best indicators of future performance, a prudent investor will forecast that, under the conditions described above, the subject property will require a marketing time of less than one year.

CERTIFICATE OF APPRAISER

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

- The statements of fact contained in this report are true and correct.
- The reported analysis, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased, professional analysis, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent upon the reporting of a predetermined value or direction that favors the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- My analysis, opinions and conclusions were developed, and this report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- I have appraised the subject property within the past three years. I previously appraised a 9.4631-acre parcel as a different sized configuration of this parcel for Pima County as of May 30,2017.
- No one provided significant professional assistance to the person signing this report.
- Each finding, prediction, assumption, or conclusion contained in this report is my personal opinion and is not an assurance that an event will or will not occur.
- All of the limiting conditions imposed by the terms of this assignment or by the undersigned affecting analyses, opinions, and conclusions are set forth in this report.
- With respect to data provided by the client, I shall not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to me.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- It is acknowledged that this appraiser is not an expert in the field of hazardous materials, and this appraisal report in no way warrants the subject property against any hazardous materials.
- Furthermore, this valuation report is based on the subject property not being affected by any hazardous materials.

- Michael Bernstein and M. Bernstein Real Estate Appraisals have not been sued by a regulatory agency or financial institution for fraud or negligence involving appraisal services.
- As of the date of this report, Michael Bernstein has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Designated Members.
- I consider my competent to perform this appraisal and refer the reader to my qualifications included in this report.

In addition to the general underlying assumptions attached, the value estimate is subject to the following extraordinary assumption:

1. The subject site has a developable area of 7.9709-acres. The eastern 275 feet of the site, or about 20.5608-acres is to be encumbered by an easement to Pima County for a pedestrian trail. According to Mr. Jeffrey Teplitsky of Pima County, no development will be allowed within the easement and must be left in a natural state, existing City of Tucson Land Use Ordinance will apply and potential for density transfers through the flexible lot development standards may be available. While Pima County would be responsible for development and liability for the trail, additional maintenance and liability for the balance of this open area would still be the responsibility of the new owner, the Catholic Diocese.

Further, this appraisal is subject to the following hypothetical conditions:

1. None.

THE USE OF EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS MIGHT HAVE AFFECTED THE ASSIGNMENT RESULTS.

MICHAEL BERNSTEIN, MAI
STATE OF ARIZONA
CERTIFIED GENERAL REAL ESTATE APPRAISER
CERTIFICATE NUMBER 30370 EXPIRES AUGUST 31, 2018

QUALIFICATIONS OF MICHAEL BERNSTEIN, MAI

PROFESSIONAL EXPERIENCE

2005 -	Commercial Real Estate Appraiser M. Bernstein Real Estate Appraisals Michael Bernstein, MAI, principal
1993 - 2004	Commercial Real Estate Appraiser Bruce D. Greenberg & Associates, Tucson Mr. Bruce D. Greenberg, MAI, principal
1992 - 1993	Senior Appraiser, Pima County Assessor's Office Mr. Rick Lyons, supervisor Appraised properties and negotiated settlements of properties whose valuation was subject of litigation.
1992 -	Commercial Real Estate Appraiser, Best Commercial Real Estate, Tucson Mr. Bob Thwaits, MAI, manager
1990 - 1992	Commercial Real Estate Appraiser, Sanders K. Solot & Associates, Tucson Mr. Sanders Solot, MAI, principal
1989 - 1990:	Independent Contract Appraiser Urban Real Estate Research, Chicago, Illinois Mr. Arthur Murphy, MAI, principal
1988, '91, '92,'94, '95	Hearing Officer Pima County Board of Equalization Ms. Jane Williams, Clerk of the Board of Supervisors Arbitrated disputes in property valuations.
1984 - 1988:	Associate Appraiser/Consultant Greenberg, Chin, and Associates, Tucson Mr. Bruce D. Greenberg, MAI, principal

Qualifications of Michael Bernstein, MAI (continued):

PROFESSIONAL CERTIFICATIONS & DESIGNATIONS

Certified General Real Estate Appraiser, State of Arizona (#30370)
Appraisal Institute, MAI

PROFESSIONAL EDUCATION

Successful completion of examinations for the following courses given by the Appraisal Institute:

Real Estate Appraisal Principles
Basic Valuation Procedures
Capitalization Theory and Techniques, Parts I & II
Case Studies in Real Estate Valuation
Report Writing and Valuation Analysis
Highest and Best Use Analysis
Advanced Sales Comparison and Cost Approach
Standards of Professional Practice
Comprehensive Examination
Demonstration of Knowledge Report
Review Theory - General

Successfully completion of examinations for the following courses given by the Arizona Department of Revenue:

Residential and Simple Commercial Appraisal
Introduction to Personal Property Valuation

FORMAL EDUCATION

University of Arizona, Bachelor of Science Degree in Business Administration.

ADDENDUM

1100-17B

STATE CERTIFICATION

STATE OF ARIZONA

Department of Financial Institutions

Real Estate Appraisal Division

BE IT KNOWN THAT

MICHAEL K. BERNSTEIN

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

30370

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 9th day of June, 2016.

Debra Rudd