



Valbridge
PROPERTY ADVISORS

Appraisal Report

Sam Lena Library
1601 S 6th Avenue
South Tucson, Pima County, Arizona 85713



FOR
Pima County Real Property Services
Mr. Douglas M. Laney, MAI
201 N Stone Avenue, Floor 6
Tucson, AZ 85701

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AZ01-15-SP-080



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July 8, 2015

Mr. Douglas M. Laney, MAI
Pima County Real Property Services
201 N Stone Avenue, Floor 6
Tucson, AZ 85701

RE: Appraisal Report
Sam Lena Library
1601 S 6th Avenue
South Tucson, Pima County, Arizona 85713
Valbridge | MJN Job # AZ01-15-SP-080

Dear Mr. Laney:

At your request, I have appraised the above-referenced property. This appraisal report sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to my value opinions.

The subject property is currently utilized as a public library and is part of the South Tucson Municipal Complex. For this assignment, I have been asked to determine the market value and the market rental rate for the property assuming that it was legally separated from the larger municipal complex property. Per the information provided by the client, I have assumed that the property has a gross building area of 9,051 and that the site comprises 19,700 square feet. The assumed terms of the lease have also been stipulated by the client. To my knowledge, the property is not currently listed for sale or pending; however, Pima County reportedly is investigating the purchase or lease of the property from the City of South Tucson.

I developed my analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

Pima County Real Property Services is the client in this assignment. The intended use is for decisions related to a potential acquisition or lease of the property. The intended user of the report is the client. The value opinion reported herein is subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

The following extraordinary assumptions apply in this report:

- 1. The site and building areas provided by Pima County Facilities Management that are stated in this report are assumed to be accurate.**
- 2. The appraisal assumes that the property would have grandfathered rights allowing all legally permissible uses under the zoning code that do not require more parking spaces than the current use as a library.**
- 3. The assumed lease terms stipulated by the client reflected the following conditions: 1) tenant pays for insurance, utilities, janitorial, repairs and maintenance of the interior and exterior of the building, including roofing and HVAC; 2) landlord (South Tucson) pays for common area maintenance, consisting of the parking lot and landscaping; 3) real estate taxes will be zero since this is a government-owned facility; 4) The tenant will be responsible for roof replacement and exterior building repairs that are estimated to cost \$65,800.**

The following hypothetical conditions apply in this report:

- 1. The appraisal assumed that the subject site has been legally split from the larger South Tucson Municipal Complex parcel as described in this report and is provided with a legal means of access to and from 6th Avenue and the non-exclusive right to utilize parking within the South Tucson Municipal Complex.**

Based on my investigation and the analyses summarized in the attached appraisal report, I concluded the following:

MARKET VALUE – “AS IS”, FEE SIMPLE INTEREST (REAL ESTATE ONLY)
AS OF JUNE 25, 2015 \$450,000

MARKET RENT – “AS IS”, (PER STIPULATED TERMS)
AS OF JUNE 25, 2015 \$63,357 PER YEAR

This letter of transmittal is not valid if separated from this report and must be accompanied by all of its sections.

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



Craig Johnson, MAI
Certified General Real Estate Appraiser
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Summary of Salient Facts

Property Name:	Sam Lena Library
Address:	1601 S 6th Avenue, South Tucson, Pima County, Arizona 85713
Assessor's Parcel Number:	118-18-041A
Property Rights Appraised:	Fee Simple
Property Type:	Special Purpose, Public Library
Site Size:	0.452 acres (19,700 square feet)
Existing Improvements	
Building Area:	9,051 SF
Year Built:	1986 and 2000
Condition:	Fair
Current Status:	The property is currently utilized as a public library branch and is part of the Pima County Public Library system. It is presently part of the South Tucson Municipal Complex, which is owned by the City of South Tucson. To my knowledge, the property is not currently listed for sale or pending; however, Pima County reportedly is investigating the purchase or lease of the property from the City of South Tucson. I have not been provided with any information related to the possible sale price or rental rate.
Important Issues:	For this assignment, I have been asked to determine the market value and the market rental rate for the property assuming that it was legally separated from the larger municipal complex property.
Extraordinary Assumptions:	1) The site and building areas provided by Pima County Facilities Management that are stated in this report are assumed to be accurate. 2) The appraisal assumes that the property would have grandfathered rights allowing all legally permissible uses under the zoning code that do not require more parking spaces than the current use as a library. 3) The assumed lease terms stipulated by the client reflected the following conditions: 1)

tenant pays for insurance, utilities, janitorial, repairs and maintenance of the interior and exterior of the building, including roofing and HVAC; 2) landlord (South Tucson) pays for common area maintenance, consisting of the parking lot and landscaping; 3) real estate taxes will be zero since this is a government-owned facility; 4) The tenant will be responsible for roof replacement and exterior building repairs that are estimated to cost \$65,800.

Hypothetical Conditions:

1) The appraisal assumed that the subject site has been legally split from the larger South Tucson Municipal Complex parcel as described in this report and is provided with a legal means of access to and from 6th Avenue and the non-exclusive right to utilize parking within the South Tucson Municipal Complex.

Highest and Best Use

Commercial use, most likely for office, educational or religious use.

Date of Inspection:

June 25, 2015

Date of Report:

July 8, 2015

APPRAISAL CONCLUSIONS

MARKET VALUE – “AS IS”, FEE SIMPLE INTEREST (REAL ESTATE ONLY)

AS OF JUNE 25, 2015 \$450,000

MARKET RENT – “AS IS”, (PER STIPULATED TERMS)

AS OF JUNE 25, 2015 \$63,357 PER YEAR

Introduction

Client and Intended Users of the Appraisal

The client in this assignment is Pima County Real Property Services. The intended user of this report is Pima County Real Property Services.

Intended Use of the Appraisal

The intended use of this report is for decisions related to a potential acquisition or lease of the property.

Real Estate Identification

The subject property is a public library branch facility located at 1601 S 6th Avenue, South Tucson, Arizona, 85713.

The Pima County Assessor identifies the subject property as Assessor Parcel Number (APN) 118-18-041A; however, this is a larger parcel that includes the entire South Tucson Municipal Complex.

Legal Description

A legal description has not been provided for this assignment. I have relied on the following general description provided by Gary A. Campbell, RA, Asset Management & Planning Division Manager, with Pima County Facilities Management.

Start at NW property corner, south on west PL south to point even with the south wall of the library, east to a point even with the projected west wall of the municipal complex (MC), north to MC building corner, west to a point approximately 6 feet beyond east wall of library, north to PL, west to point of beginning.

Real Property Interest Appraised

The appraisal has addressed the fee simple interest.

Personal Property Identification

No personal property (FF&E) has been included in the concluded opinion of value.

Definition of Market Value

Market value is the most probable price that a specified interest in real property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- a) buyer and seller are typically motivated;
- b) both parties are well informed or well advised, and each acting in what they consider their own best interest;

- c) a reasonable time is allowed for exposure to the open market;
 - d) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - e) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
- 12 CFR 34.42(g) (2012).

The definition of market value set forth above is utilized for most federally-related transactions but is considered to be appropriate for general use as well, including this appraisal of the subject property. Use of an alternate definition of market value would not change the results of this appraisal as long as the general terms and conditions were similar.

Effective Dates of Value

The effective dates of value are as follows:

Valuation Scenarios	Effective Date of Value
Market Value As Is, Fee Simple	June 25, 2015
Market Rental Rate *	June 25, 2015

* assuming general terms specified by client

The date of inspection was June 25, 2015.

Date of Report

The date of this report is July 8, 2015, the date of the letter of transmittal.

Scope of Work

Real estate appraisal involves the following steps:

- Identify the property
- Inspect the property
- Research subject and comparable data
- Analyze data
- Report conclusions

The subject could not be legally identified since no legal description was available. I have relied on a general description provided by the client.

The subject was physically identified via review of the recorded plat map any my inspection of the property and the available floor plan and partial site plan.

I completed a typical appraisal field inspection but did not measure the building. I have relied on the building area provided by the client. I am not an engineer or a zoning inspector. An appraisal inspection is not a structural inspection of the improvements for soundness or conformity with applicable codes.

Economic characteristics of the subject property were identified via data provided by client, owner, or owner's representative; interviews with brokers, buyers, sellers and governmental agencies; and secondary sources, such as STDBOnline, CoStar COMPS and Property Professional, and data published by governmental entities such as the Arizona Department of Economic Security and the U.S. Census Department.

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

Based on the subject inspection and data research, I concluded a highest and best use and valued the subject based on this conclusion. The three approaches to value, cost approach, sales comparison approach and the income capitalization approach, were considered as they relate to the valuation of the subject property. I applied the sales comparison approach since it provided the most reliable results of the three approaches. The exclusion of the cost and income approaches did not reduce the overall reliability of the appraisal. The opinion of market rent was based on comparison of leases for properties deemed most similar to the subject property.

Use of Real Estate as of the Effective Date of Value

As of the date of value, the subject property was being utilized as a public library branch facility.

Ownership and Sales History

Title to the property is currently vested in the City of South Tucson. There have been no sales of the property over the past three years.

Pima County is reportedly investigating the purchase or lease of the property from the City of South Tucson. I have not been provided with any information related to the possible sale price or rental rate.

List of Items Requested but Not Provided

- **None**

Extraordinary Assumptions

- 1) The site and building areas provided by Pima County Facilities Management that are stated in this report are assumed to be accurate.**
- 2) The appraisal assumes that the property would have grandfathered rights allowing all legally permissible uses under the zoning code that do not require more parking spaces than the current use as a library.**
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Hypothetical Conditions

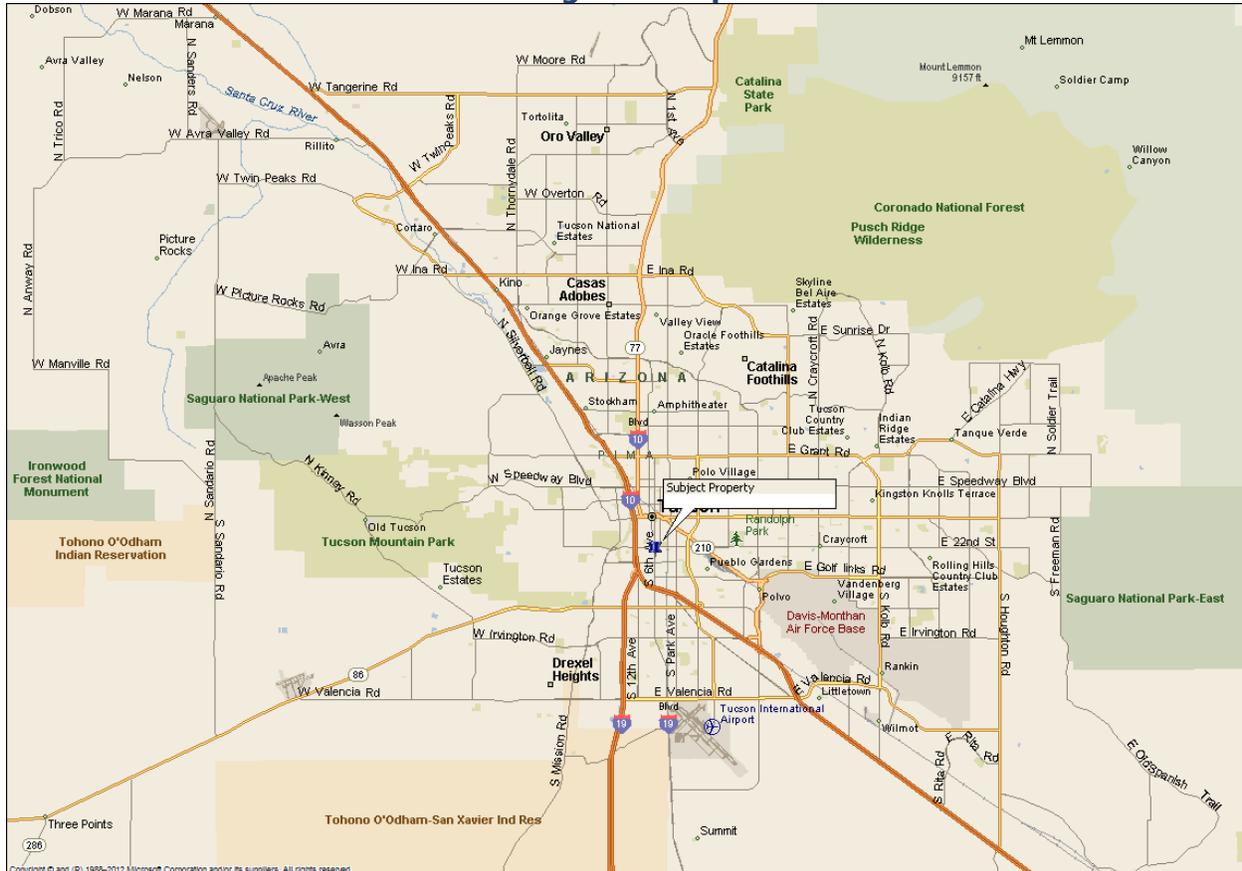
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Prior Appraisal

I have not appraised the subject property within the past three years nor have I been provided with any prior appraisals.

Market Area Data

Regional Map



Overview

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

Population

Mid-year 2015 population in metro Tucson is projected at 1,018,100, which reflects a 1.1% increase over the prior year. Similar growth is projected for 2016, with increased growth rates in 2017 and 2018.

Metropolitan Tucson Population Forecasts

	2013	2014	2015	2016	2017	2018
Population (000s, mid-year)	996.0	1,007.2	1,015.4	1,025.0	1,038.2	1,052.7
Change (000s)	5.6	11.2	8.2	9.6	13.2	14.5
% Change	0.6%	1.1%	0.8%	0.9%	1.3%	1.4%

Source: Arizona's Economy May 2015, Eller College of Management, The University of Arizona

Employment

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

Top 10 Southern Arizona Employers

Name	Full Time Jobs	Change Past Year	Industry
University of Arizona	11,235	118	Education
Ratheon Missile Systems	9,600	-333	Manufacturing
State of Arizona	8,524	-915	Government
Davis-Monthan Air Force Base	8,335	54	Military
Tucson Unified School District	7,134	609	Education
Pima County	7,023	-305	Government
Banner-University Medical Center	6,542	213	Health Care
U.S. Customs and Boarder Protection	6,470	N/A	Government
Freeport-McMoRan, Inc.	5,800	200	Mining
Walmart	5,400	200	Retail

Source: Arizona Daily Star 4/26/2015

Davis Monthan Air Force Base's economic impact in 2014 was \$974 million. The total payroll was \$542 million. Local retiree pay was \$513.5 million. Employment was 9,934, including all contractors with 4,216 indirect jobs created according to statistics from Davis Monthan Air Force Base.

Metropolitan Tucson Nonfarm Employment

Year Ending Sector	2011		2012		2013		2014	
	Empl.*	%Total	Empl.*	%Total	Empl.*	%Total	Empl.*	%Total
Natural Resources & Mining	2.0	0.6%	2.1	0.6%	2.2	0.6%	2.4	0.7%
Construction	14.0	3.9%	15.0	4.2%	14.0	3.9%	15.5	4.3%
Manufacturing	23.4	6.5%	23.2	6.4%	23.1	6.4%	22.9	6.4%
Trade, Transp. & Utilities	60.3	16.8%	59.7	16.6%	61.4	17.1%	61.5	17.1%
Information	4.3	1.2%	4.3	1.2%	4.0	1.1%	4.3	1.2%
Financial Activities	18.9	5.3%	19.2	5.3%	20.0	5.6%	17.7	4.9%
Professional & Business Svcs	49.0	13.6%	48.8	13.6%	48.4	13.4%	50.7	14.1%
Education & Health Services	61.1	17.0%	61.3	17.0%	61.5	17.1%	67.0	18.6%
Leisure & Hospitality	39.6	11.0%	41.7	11.6%	42.1	11.7%	42.1	11.7%
Other Services	12.5	3.5%	12.4	3.4%	12.2	3.4%	12.5	3.5%
Government	78.3	21.8%	81.7	22.7%	80.9	22.5%	79.0	22.0%
TOTAL NONFARM	363.4	100%	369.4	100%	369.8	100%	375.6	100%

Source: Arizona Office of Employment and Population Statistics * (000s)

Unemployment

The unemployment rate increased dramatically over 2008 and 2009 as a result of overall economic conditions, but has declined since 2011. Unemployment rates in Tucson have historically been below the national and state averages, as dependence on governmental and tax-supported employment has historically insulated the region from national recessionary trends.

Average Unemployment Rate

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
National	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	5.6%
Arizona	4.7%	4.1%	3.7%	6.0%	9.8%	10.4%	9.4%	8.3%	8.0%	6.7%
Metro Tucson	4.5%	3.9%	3.6%	5.7%	9.0%	9.4%	8.3%	7.4%	7.0%	5.9%

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

Notes: Not seasonally adjusted.

Forecasts

The projections suggest continuation of the continuation of modest recovery in 2015 followed by a trend of increasing growth and stabilization in 2016, 2017 and 2018.

Metropolitan Tucson Economic Forecasts

Category	2013	2014	2015	2016	2017	2018
Personal Income (\$mill)	\$ 36,935.4	\$ 38,026.2	\$ 39,051.5	\$ 40,488.8	\$ 42,636.6	\$ 44,966.8
% Change	2.4%	3.0%	2.7%	3.7%	5.3%	5.5%
Retail Sales (\$mill)	\$ 12,378.4	\$ 12,573.5	\$ 12,571.5	\$ 13,159.7	\$ 13,767.4	\$ 14,435.5
% Change	2.6%	1.6%	0.0%	4.7%	4.6%	4.9%
Employment (non-farm,000s)	363.1	365.0	368.4	373.6	379.9	386.4
Change (000s)	4.3	1.9	3.4	5.2	6.3	6.5
% Change	1.2%	0.5%	0.9%	1.4%	1.7%	1.7%
Residential Permits	3,491.0	3,279.0	3,329.3	3,844.2	4,535.8	4,818.9
% Change	22.9%	-6.1%	1.5%	15.5%	18.0%	6.2%

Source: Arizona's Economy May 2015, Eller College of Management, The University of Arizona

Commercial Real Estate

Commercial real estate in Tucson has struggled in most sectors over the past few years. The retail and industrial sectors are now in moderate recoveries, while the office sector remains in a persistent recession. Some retail development has emerged at prime locations, but there is minimal demand for new industrial construction, while the office sector appears overbuilt for at least several years.

Metro Tucson Commercial Sectors - 2015

Sector	No. Buildings	Total Sq. Ft.	YTD Deliveries	Under Construction	Vacancy	YTD Absorption	Quoted Rent
Industrial	2,507	40,383,426	0	270,000	10.1%	270,292	\$6.50/NNN
Office	2,457	24,362,675	37,179	30,711	12.8%	(6,351)	\$18.57/FS
Retail	5,221	50,480,946	18,764	373,050	6.7%	28,580	\$14.45/NNN

Source: CoStar: 1st Quarter 2015 data

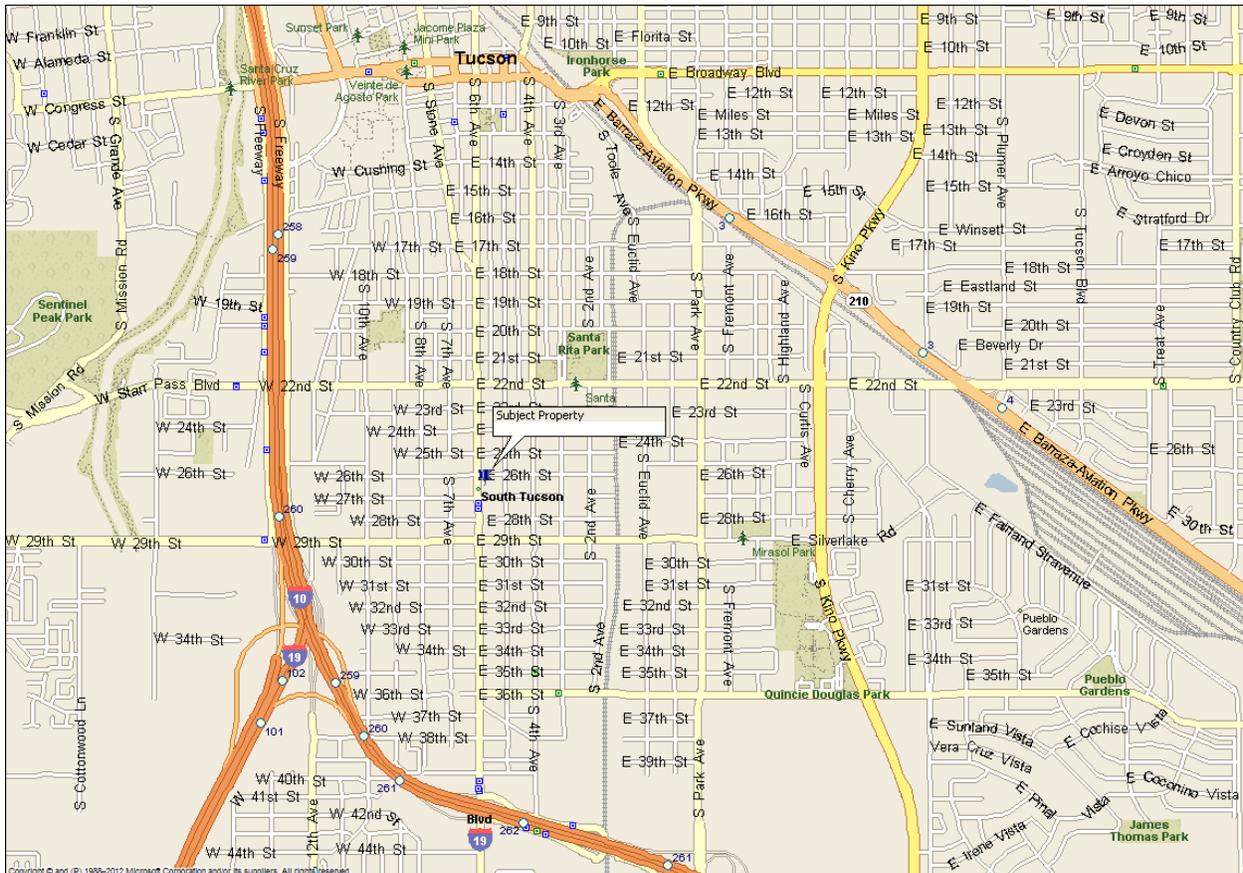
Conclusions

The national and local economies began to show signs of stabilization and modest growth in 2012 and this has continued through 2014. Slightly stronger growth is projected for 2015 with more significant improvement projected from 2016 through 2018, with annual employment growth in the 1.4% to 1.7% range. This should positively impact all residential and commercial real estate markets. Economists do not generally predict strong economic growth until at least 2017 and a full recovery of lost jobs is not expected until 2018.

Neighborhood Trends

The subject is located within an established neighborhood in the south central sector of the metropolitan Tucson area, within the jurisdiction of the City of South Tucson. The immediate area, which is generally bounded by 22nd Street on the north, I-10 on the west and south and Kino Parkway on the east, includes a mixture of residential, commercial and industrial uses.

NEIGHBORHOOD MAP



In terms of residential uses, the area includes single-family and multifamily properties that were generally constructed prior to the 1960s and reflect low-to-moderate pricing relative to the metro area norms. There has been no significant new residential development in the area for over three decades.

Commercial uses are typically located along 6th Avenue and 22nd Street, with 4th Avenue functioning as a secondary arterial for the area. There are no regional retail facilities in the core area of the neighborhood, although a Food-City anchored shopping center was developed along 6th Avenue in 2000 and includes some national tenants. 4th Avenue is characterized by mixed development that includes restaurants, smaller strip retail centers and automotive service uses. Tucson Marketplace at the Bridges is a new regional facility under development at I-10 and Kino Parkway, at the southeast corner of the neighborhood. This facility is anchored by Walmart and Costco.

Industrial uses are clustered in the southeast quadrant of the neighborhood, generally to the south of 36th Street. An additional industrial node is found along Euclid Avenue, just to the south of 22nd Street. This node includes single and multi-tenant facilities that were typically developed from the 1960s through the mid-1980s.

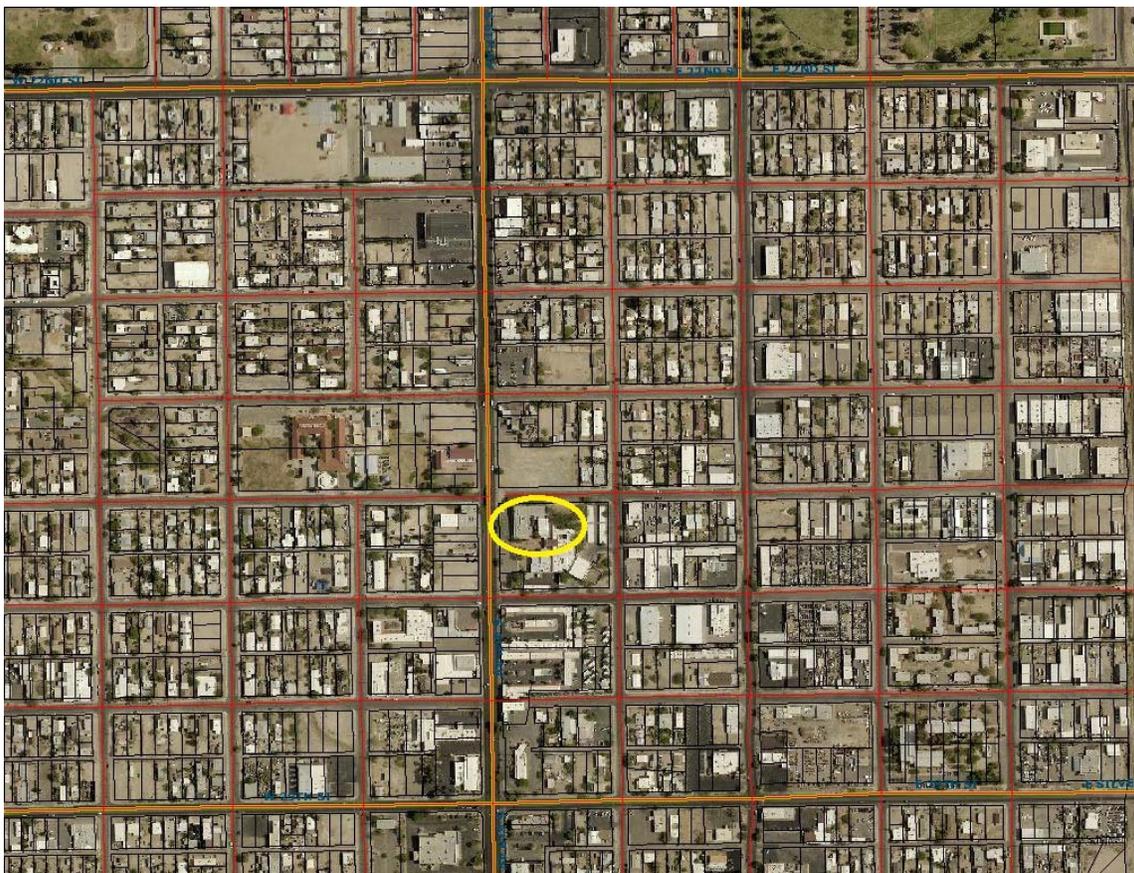
The neighborhood does not include any well-established office nodes. Most office uses are found in or adjacent to retail corridors.

The neighborhood is primarily under the jurisdiction of the City of South Tucson and is provided with all municipal services. Access to schools and parks is adequate. The City of South Tucson comprises an approximate one-square-mile area that is surrounded by the City of Tucson jurisdiction.

A demographic profile for the area is summarized on the following page. ESRI projects negative population and household for the City of South Tucson over the next five years. The population was projected to have declined by over 4% from 2010 to 2015. The area is already substantially built-out and any significant new development would likely reflect redevelopment of an older use. South Tucson includes above-average household sizes and below-average median age.

The income and housing characteristics summarized in the following table demonstrate that households in the area surrounding the subject have significantly lower income characteristics compared to the metro figures, as well as a lower percentage of home ownership. Owner-estimated home values are well below the regional median.

Aerial Photo of Area Surrounding Subject Property



Neighborhood Demographic Profile

Population	South Tucson	Tucson MSA
2010 Census	5,652	980,263
2015 Estimate	5,412	1,007,707
2020 Projection	5,309	1,033,814
Gross Population Change		
2010 - 2015	-4.2%	2.8%
2015 - 2020	-1.9%	2.6%
Average Annual Population Change		
2010 - 2015	-0.8%	0.6%
2015 - 2020	-0.4%	0.5%
Median Age (2014)	32.5	38.4
Households		
2015 Estimate	1,734	399,890
2020 Projection	1,691	410,750
Avg. New HH/Year 2015-2020	(9)	2,172
2015 - 2020 % Change	-2.5%	2.7%
Avg. Annual Change 2015 - 2020	-0.5%	0.5%
Average Household Size (2015)	2.94	2.46
Income (2015)		
Average HH Income	\$29,223	\$62,690
Median HH Income	\$19,543	\$45,786
Per Capita Income	\$10,363	\$25,315
Household Income		
\$0 - \$15,000	39.4%	15.2%
\$15,000 - \$24,999	18.9%	12.6%
\$25,000 - \$34,999	13.0%	11.7%
\$35,000 - \$49,999	13.3%	13.7%
\$50,000 - \$74,999	9.1%	17.7%
\$75,000 - \$99,999	2.4%	11.9%
\$100,000 - \$149,999	3.6%	11.3%
\$150,000 - \$199,999	0.2%	3.4%
\$200,000 +	0.2%	2.7%
Housing (2015)		
% Owner Occupied	25.6%	52.9%
% Renter Occupied	54.5%	34.9%
% Vacant	19.9%	12.1%
Median Home Value	\$81,230	\$174,094

Source: U.S. Bureau of the Census, 2010 Census of Population and Housing. ESRI forecasts for 2015 and 2020.

Property Analysis

The following description is based on my property inspection, assessor records, and information provided by the client.

Site Data

Location:	Southeast corner of 6th Avenue and 26th Street
Street Address:	1601 S 6th Avenue, South Tucson, Pima County, Arizona 85713.
Assessor Parcel Number:	118-18-041A – Larger Parcel

Adjacent Land Uses

North:	26th Street, followed by vacant land and miscellaneous commercial uses along 6th Avenue
South:	South Tucson Municipal Complex (police, fire, courts) followed by 27th Street and miscellaneous commercial uses along 6th Avenue
East:	Water retention basin and employee parking lot for South Tucson Municipal Complex, followed by 5th Avenue and mixed residential uses
West:	Commercial uses along 6th Avenue, followed by mixed residential uses

Physical Characteristics

Site Area:	19,700 square feet, or 0.452 acres (per client)
Shape:	Irregular
Topography:	Generally level
Access:	The site is currently part of the South Tucson Municipal Complex, which is bounded by 6 th Avenue on the west, 26 th Street on the north, 5 th Avenue on the east and 27 th Street on the south. Access to the subject property is effectively provided by the 6 th Avenue and 26 th Street points of access as the other points of access serve the police and fire departments. 26 th Street terminates just to the east of 6 th Avenue and does not intersect with 6 th Avenue. I have assumed that the subject property will be provided with a legal means of access from 6 th Avenue via a cross easement through the municipal complex site.

The traffic count is 15,000 to 22,000 VPD for 6th Avenue near the subject property.

Utilities: All utilities are located to the site

Site Improvements: Asphalt-paved parking lot striped for 10 spaces, concrete walkways and landscaping.

Flood Zone Data

Flood District: X

Floodplain Status: Not in 100 year flood plain

Flood Map Panel: 04019C2279L dated June 16, 2011



Aerial Photo

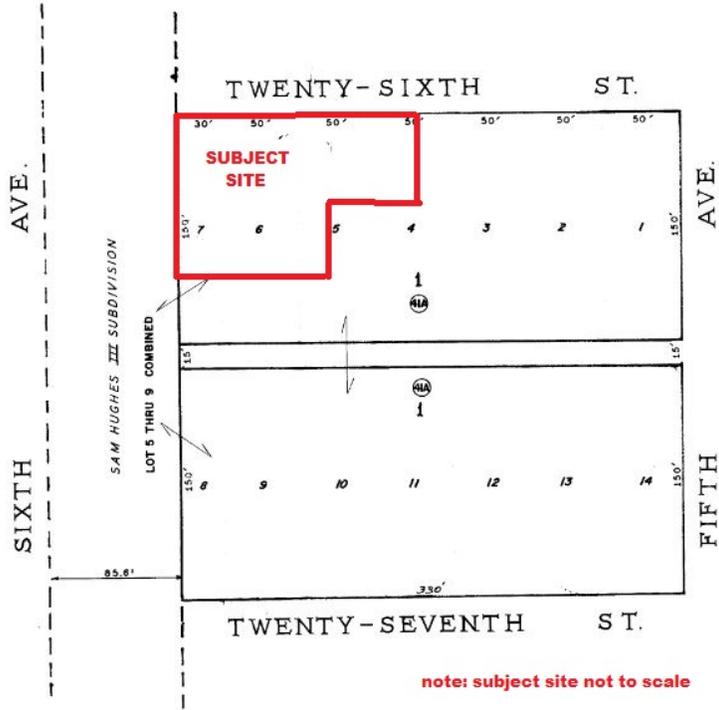


Assessor's Record Map

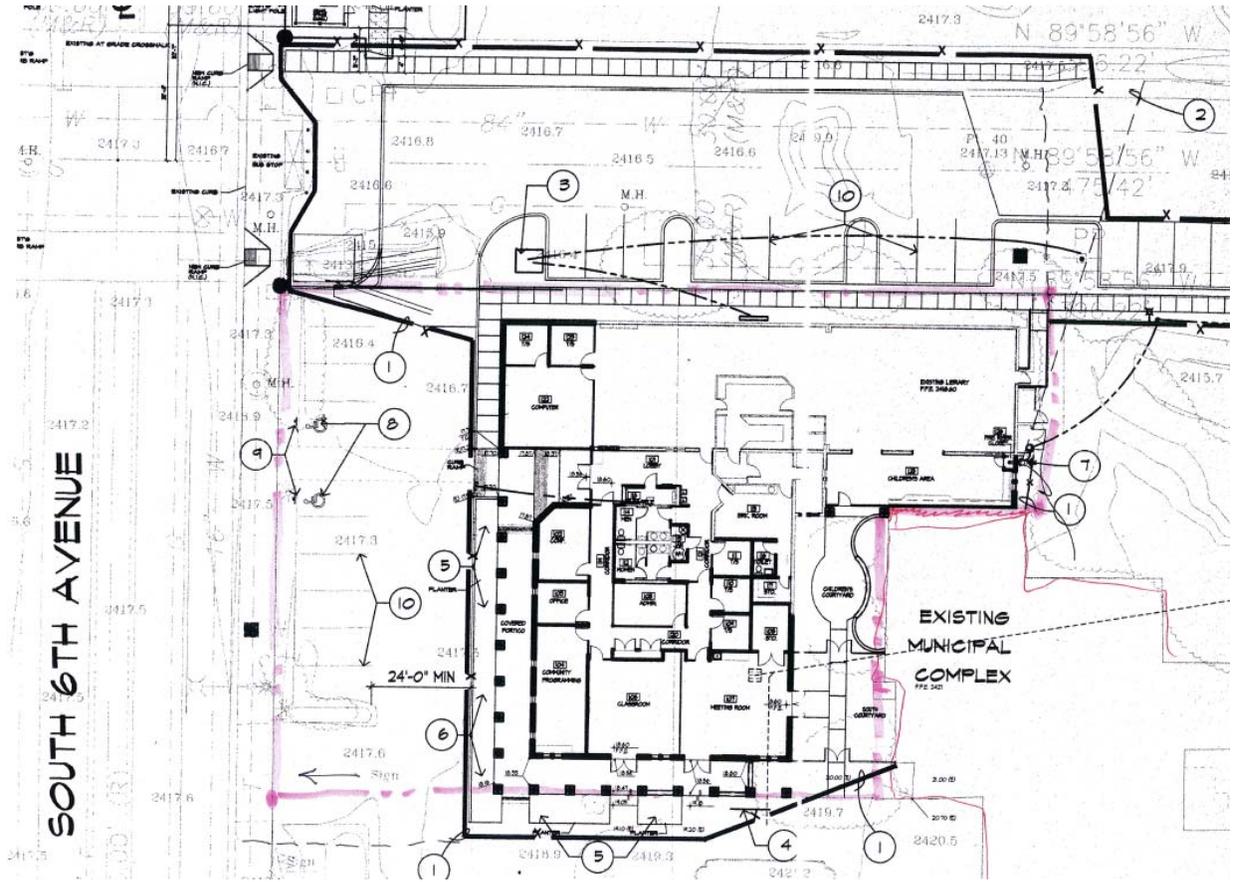
ASSESSOR'S RECORD MAP

118-18
6/25

BLOCK 6, CHATTMAN'S ADDITION



Site Plan Exhibit Provided By Client



Other Site Conditions

Environmental Issues:	None known
Easements & Encroachments:	None known
Restrictions:	None known
Zoning:	SB2, Commercial, South Tucson

The subject is zoned SB2, General and Intensive Business, per the City of South Tucson Zoning Code. This zone allows residential, retail, wholesale, office, warehousing, repairing, amusement, schools, religious facilities and limited manufacturing uses. Maximum building height is 75 feet. No front, side or rear yards appear to be required for the subject site since it does not adjoin a residential district.

Parking requirements vary depending on use but include 1 space per 150 square feet for a library and 1 space per 200 square feet for general office use. Thus, under the current library use, the subject would require 60 parking spaces. For general office use, the requirement would be 45 spaces.

As noted, there are only 10 parking spaces on the subject site. The property clearly has limited on-site parking. The appraisal has assumed that the property has non-exclusive rights to the parking on the adjacent South Tucson Municipal Complex, which includes 23 spaces in the public lot at the northeast corner of 6th Avenue and 27th Street, and there are also 22 parking spaces located along the south side of 26th Street that effectively serve the larger municipal complex. There are also secured parking lots within the municipal complex for the police department and for city employees.

The current use may conform to the zoning code, although I am not certain if parking meets current requirements.

The appraisal assumes that the property would have grandfathered rights allowing all legally permissible uses under the zoning code that do not require more parking spaces than the current use as a library.

ZONING MAP



Improvement Data

Property Type:	Special Purpose; public library
Number of Buildings:	1
Number of Stories:	1
Number of Tenant Spaces:	1

Building Areas & Ratios

Gross Building Area (GBA):	9,051
GBA Source:	Gary Campbell, RA, Pima County Facilities Management. Note, the Assessor reflects a building area of 9,139 square feet for the library, but I have relied on the area provided by the client.
Floor Area Ratio:	0.46

Age / Life

Year Built:	1986 – The Assessor’s records indicate that 3,418 SF was constructed in 1986 and that an additional 5,721 SF was constructed in 2000.
Actual Age:	15 to 29 years
Effective Age:	25 years
Typical Building Life:	50 years
Remaining Economic Life:	25 years

Exterior

Construction Class:	C - Masonry
Foundation:	Concrete slab
Structure:	Masonry
Exterior Walls:	Stucco over concrete block
Windows:	Insulated glass in aluminum frames
Doors:	Glass in aluminum frame at main entry and at courtyard; all others are hollow core steel
Roof System:	Wood sheathing and trusses assumed
Roof Cover:	Built up over wood base and wood truss supports

Interior

Floors:	Carpet and vinyl tile
Walls:	Drywall over wood or steel frame

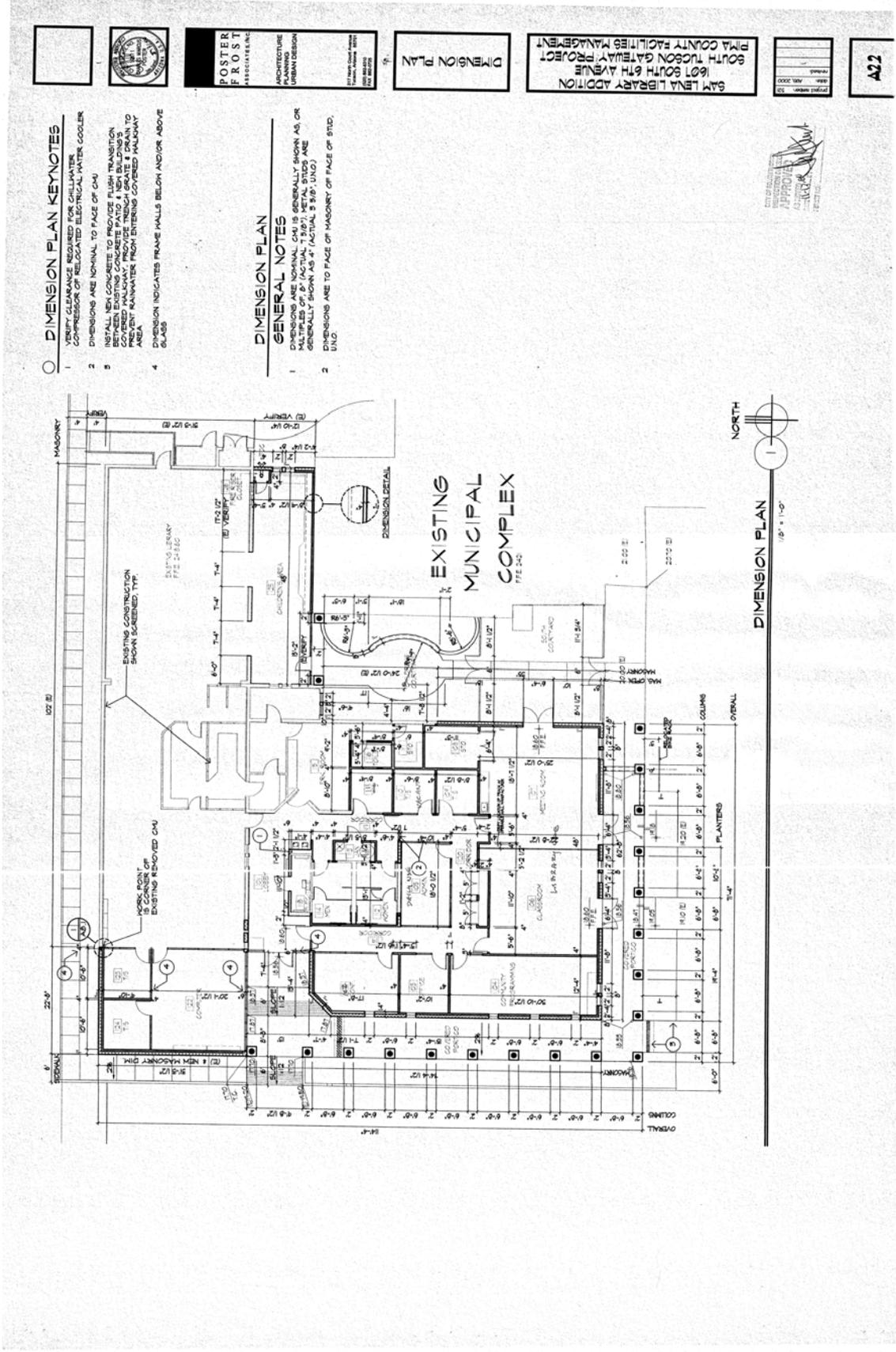
Doors:	Solid core wood
Ceiling Finish:	Combination of suspended acoustical tiles and finished drywall
Lighting Fixtures:	Suspended and flush mounted fluorescent lights
Restrooms:	Two public restrooms (men and women) plus smaller employee restroom.

Mechanical Systems

Electrical:	Assumed to be adequate and to code
Sprinklers:	Wet system serves entire building
HVAC:	6 roof mounted HVAC units

Improvement Ratings

Quality:	Average
Condition:	Fair
Deferred Maintenance	The building is in need of a general exterior refurbishment. The exterior paint is faded and the roof apparently needs to be replaced. The interior finishes are in fair overall condition. Information provided by Gary Campbell, RA, Pima County Facilities Management, included the following cost estimates: \$34,315 to replace roof; and \$31,500 to repair stucco and paint the exterior of the building. The total estimated cost of immediate needs is about \$65,800, or \$7.27 per square foot of gross building area.
Functional Utility:	Fair – The building was constructed in two or more phases and was designed for use as a branch library facility. The layout is atypical of most branch facilities in that it includes more conference, meeting and office space. The floorplan is included as an exhibit on a following page. The existing floor plan could be reasonably functional for general office use with minimal to no modifications. Viable alternative uses would also include educational (charter school) or religious uses.
Parking:	There are 10 striped parking spaces along the portion of the site that fronts 6 th Avenue according the site plan exhibit provided by the client and confirmed by my site inspection.



DIMENSION PLAN KEYNOTES

1. VERIFY CLEARANCE REQUIRED FOR CHILLWATER COMPRESSOR OF RELOCATED ELECTRICAL WATER COOLER
2. DIMENSIONS ARE NOMINAL TO FACE OF CMU
3. INSTALL NEW CONCRETE TO PROVIDE FLUSH TRANSITION BETWEEN EXISTING CONCRETE PATIO & NEW BUILDING'S PATIO. PROVIDE 1/2" SLOPE TO DRAINAGE AREA. PREVENT RAINWATER FROM ENTERING COVERED WALKWAY AREA
4. DIMENSION INDICATES FRAME WALLS BELOW AND/OR ABOVE SLAB

DIMENSION PLAN GENERAL NOTES

1. DIMENSIONS ARE NOMINAL CMU IS GENERALLY SHOWN AS OR DIMENSIONS ARE NOMINAL TO FACE OF MASONRY OF FACE OF STD. DIMENSIONS ARE TO FACE OF MASONRY OF FACE OF STD. DIMENSIONS ARE TO FACE OF MASONRY OF FACE OF STD.
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Strengths and Weaknesses

Subject Strengths

- Visibility along a major arterial roadway (6th Avenue)
- Newer construction of good quality
- Floor Plan is reasonably functional for alternative uses, including general office, educational and religious.

Subject Weaknesses

- Property is located within the City of South Tucson, an extremely small municipality reported to have financial constraints
- Property is adjacent to (and currently a part of) the South Tucson Municipal Complex, a condition that would not be highly desirable to some alternative users
- Improvements are currently in need of exterior refurbishment
- Parking spaces on the designated site are well below what is needed to serve a building of this size unless additional off-site parking can be guaranteed
- The property is not located within an established office node, which increase uncertainty for this alternative use

Market Position and Conclusions

The subject property is public library branch facility that is located within the South Tucson Municipal Complex, which also includes the police and fire departments and the courts. The property has visibility and assumed access from South 6th Avenue, which is a major commercialized arterial roadway. Although located in South Tucson, the property is only about one mile south of downtown Tucson. South 6th Avenue is developed with a wide array of commercial uses, including a limited number of national retailers. Many of the commercial uses are local in nature. The area is not a well-established office node but does include office uses scattered among retail uses.

The subject building comprises 9,051 square feet and was constructed in at least two phases over the past 15 to 29 years. The building was designed for use as a public library but includes more small offices and meeting rooms than is typical for a branch facility. The improvements could also support a number of alternative uses with moderate to little modification, including professional office, school, and religious uses. The large open main library area could serve as open office space for cubicles or could function as assembly space. The property includes very limited on-site parking but, for this appraisal, I have assumed that it has non-exclusive rights to the parking located within the South Tucson Municipal Complex, as well as legal ingress and egress from 6th Avenue. Furthermore, the appraisal assumes that the property would have grandfathered rights allowing all legally permissible uses under the zoning code that do not require more parking spaces than the current

use as a library. This would allow for a professional office use and would likely allow an educational or religious use of the property, all of which are generally allowed under the current zoning.

Given the nature of the property, market data from the office sector was considered to be relevant. CoStar Property reports an average office sector vacancy rate of 13% for the metro area, but only 7.5% for similar properties in the subject neighborhood. However, the neighborhood contains only about 200,000 square feet of designated office space, which is less than one percent of the metro inventory. A survey for office buildings between 6,000 and 12,000 square feet indicated an overall vacancy rate of 10.5%, while the 5-year average was 12% for the metro area. In contrast, the office sector in this size range reflects a vacancy rate of 13% within the subject neighborhood, with an average of 14% over the past 5 years.

The immediate area surrounding the subject property is not currently considered a prime office node; however, I believe that the subject property has potential to attract an office-type of use. Most of the larger office users in the neighborhood are associated with social services and such a user might be attracted to the subject property. Given the location and nature of the property, other alternative uses might also include a charter school or a religious use.

Highest and Best Use

As Vacant: Commercial development as permitted by the SB-2 zoning.

As Improved: Continued use as public library, or alternatively, professional office, educational or religious uses.

Most Probable Purchaser Of Subject Property

The most probable purchaser of the property would be an owner-user. Unless the property was encumbered by a long-term lease to a secure tenant, or unless the property could be acquired for an extremely low price (well below the price expected from an owner-user), acquisition by an investor would not be likely.

Subject Photographs



View of subject property from 6th Avenue



South elevation and entry plaza to municipal complex



West (front) building elevation



West and north elevations



South building elevation



East building elevation



North building elevation and public parking along 26th Street



Faded exterior door paint



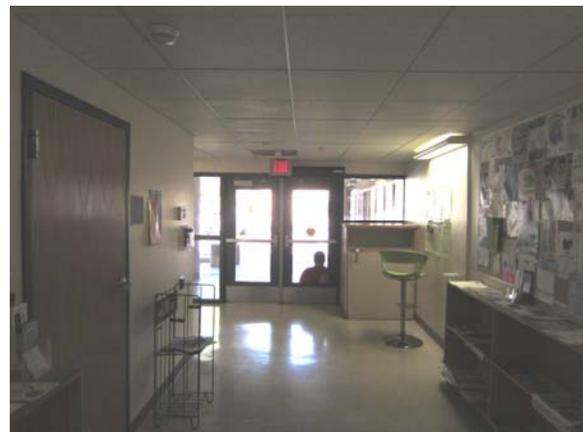
Courtyard at southeast area of building (excluded property shown to left)



Looking north over on-site parking area



Exterior wall condition – north elevation



Main entry



Main library area



Children's area



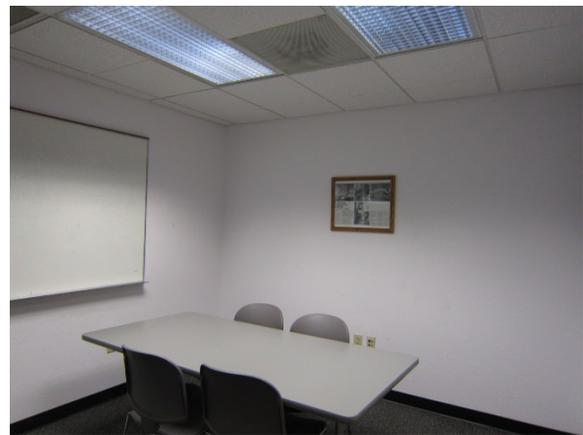
Main library area



Computer area



Main library area



Typical office/small conference room



Typical office/small conference room



Private office/meeting area



Meeting room



Small private office



Large meeting area



Typical public restroom



Employee break area



Looking east on 26th Street



Looking south on 6th Avenue



Looking west on 26th Street



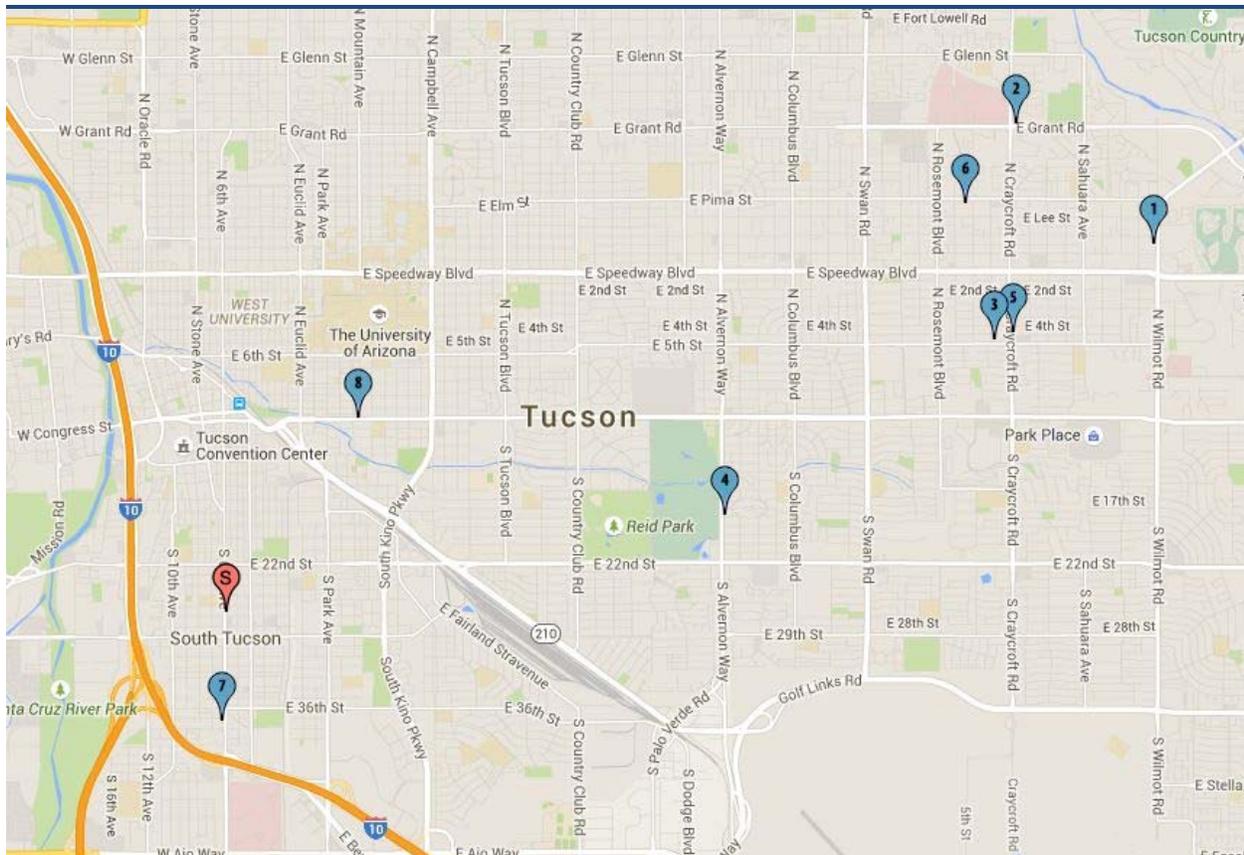
Looking north on 6th Avenue

Sales Comparison Approach

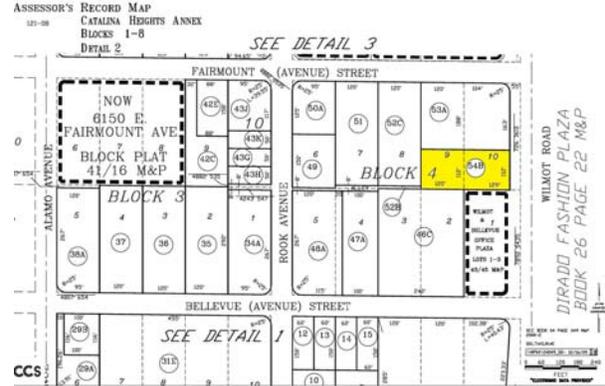
The sales comparison approach considers comparable sales of competitive properties in order to develop a market value opinion of the subject property. The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis is price per square foot of gross building area.

Summary of Comparable Improved Sales

Sale #	Location	Sale Date	Sale Price	Price / SF	Building SF	Year Built	Occ'y	FAR	Purchaser
Subject	1601 S 6th Avenue	N/A	N/A		9,051	1986		0.46	
1	1325 N Wilmot Road	Apr-15	\$850,000	\$68	12,500	1984	34%	0.45	Owner-user
2	5515 E Grant	Dec-14	\$540,000	\$56	9,714	1986	0%	0.37	Investor
3	5401 E 5th St	Sep-14	\$850,000	\$96	8,856	1970	0%	0.14	Owner-user
4	717 South Alvernon	May-14	\$775,000	\$100	7,767	1982	0%	0.35	Owner-user
5	620 N Craycroft	Jan-14	\$825,000	\$70	11,817	1973	0%	0.50	Owner-user
6	5232 E Pima	Dec-13	\$400,000	\$45	8,810	1987	30%	0.27	Investor
7	2716 S 6th Ave	Apr-13	\$425,000	\$49	8,733	1982	0%	0.35	Owner-user
8	1201-1215 E Broadway	Nov-12	\$520,000	\$49	10,584	1963	0%	0.41	Owner-user



Improved Sale No. 1



Property Identification

Property ID 6449
Property Type Office Building
Address 1325 N Wilmot Road
County Pima
City, State Zip Tucson, Arizona 85712
Tax ID 121-08-054B

Sale Data

Seller Singer Family Trust
Buyer Alrp LLC
Recording Date 04-20-2015
Reference No. 2015 1100524
Property Rights Leased Fee
Days on Market 179

Price **\$850,000**
Imm. Expenditures \$142,900
Description Tenant improvements for owner space
Adj. Price **\$992,900**

Financing Buyer to obtain new construction loan
Verification Tom Nieman, PICOR, 520-546-2728; 04-10-2015
Prior Sales No sales prior 3 years

General Physical Data

Gross Building Area 12,500
Site Size 0.64022 acres or 27,888 SF
Zoning Code O-3, Office and multifamily
Floor Area Ratio 0.45
Year Built 1984
Stories 3

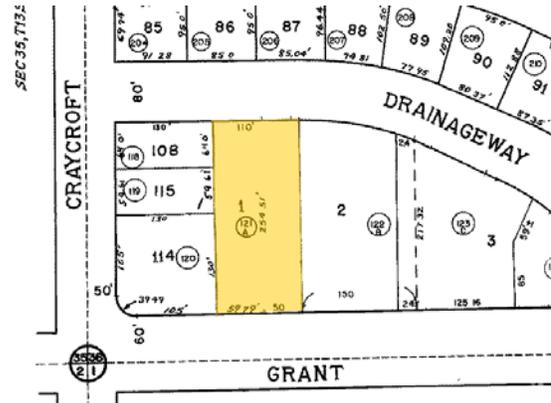
Exterior Walls	Frame & Stucco
Building Condition	Good
Construction Quality	Average

Indicators

Price/SF GBA	\$68.00(excluding immediate expenditures) \$79.43(adjusted for immediate expenditures)
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Remarks

Building has two floors over ground level parking and was in good overall condition at the time of sale. The seller had recently painted the building and installed new HVAC units in place of the original chiller-boiler system. Sold from an investor to a partial owner-user who plans to initially occupy just over 50% of the building. The planned TIs for the owner-occupied space approximate \$142,900, or about \$25/SF. The seller accepted the offered price after the property was on the market for less than one month. The property had only one existing lease in place with the other 5 tenants on month to month. Occupancy at sale was 34%.

Improved Sale No. 2

Property Identification

Property ID	6450
Property Type	Office Low Rise
Address	5515 E Grant
County	Pima
City, State Zip	Tucson, Arizona 85712
Tax ID	110-15-121B

Sale Data

Seller	Hallag, et al
Buyer	Grant 5515 Venture LLC
Recording Date	12-31-2014
Reference No.	2014 3650543
Property Rights	Fee Simple
Days on Market	2687

Price	\$540,000
Imm. Expenditures	\$0
Adj. Price	\$540,000

Financing	Cash
Verification	Tom Nieman, PICOR, 520-546-2728; 04-01-2015
Prior Sales	No sales prior 3 years

General Physical Data

Gross Building Area	9,714
Site Size	0.60209 acres or 26,227 SF
Zoning Code	C-1, Commercial
Floor Area Ratio	0.37
Year Built	1986
Stories	2

Exterior Walls	Frame and stucco
Building Condition	Fair
Construction Quality	Average
Flood Status	See Remarks; zone X and A

Indicators

Price/SF GBA	\$55.59(excluding immediate expenditures)
	\$55.59(adjusted for immediate expenditures)

Remarks

This is an average quality multi-tenant professional office building located along a major arterial roadway, It is located near Tucson Medical Center but has not historically attracted medical users. The rear portion of the site is within the 100-year floodplain (Zone A); however, the building is in Zone X. The property was purchased by an investor based on a low per square foot price. The building was vacant at the time of sale and required substantial upgrades. The layout was reported to be poor and the HVAC equipment was all original. About 9% of the space was still in shell condition, having never been occupied. The buyer intends to renovate the property at unknown cost and market it for lease.

Improved Sale No. 3

Property Identification

Property ID	2059
Property Type	Office Other
Address	5401 E 5th St
County	Pima
City, State Zip	Tucson, Arizona 85712
Tax ID	127-02-361C, -362B

Sale Data

Seller	Ft Lowell Real Estate LLC
Buyer	COPE Community Services
Recording Date	09-30-2014
Reference No.	2014 2730940
Property Rights	Fee Simple
Days on Market	41

Price	\$850,000
Imm. Expenditures	\$0
Adj. Price	\$850,000

Financing	Cash
Verification	Janine Irvin, Mark Irvin Commercial, 520-620-1833; 04-10-2015
Prior Sales	Seller acquired for \$490,000 (\$55/SF) in January 2012.

General Physical Data

Gross Building Area	8,856
Site Size	1.46901 acres or 63,990 SF
Zoning Code	C-1, Commercial
Floor Area Ratio	0.14
Year Built	1970
Stories	1

Exterior Walls	Brick and masonry
Building Condition	Good
Construction Quality	Average

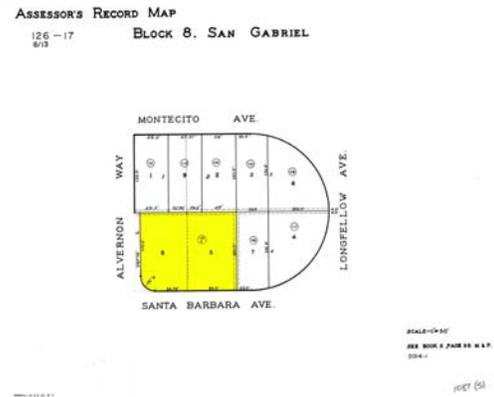
Indicators

Price/SF GBA	\$95.98(excluding immediate expenditures) \$95.98(adjusted for immediate expenditures)
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Remarks

Property is a former post office that was purchased in January 2012 by a user who intended to develop it into a call center. A major renovation was completed in 2013, including new HVAC, restrooms, front office and fiber optic line to building. The building has typical perimeter offices and a large central open office area. The property does have a relatively low site coverage ratio with extra parking with a walled rear parking area. The call center operation never materialized and the owner put the property on the market in mid-2014 for sale or for lease. The asking lease rate was \$12/SF NNN. The property was vacant at the time of sale and was acquired for owner-occupancy by a community service provider.

Improved Sale No. 4



Property Identification

Property ID 5583
Property Type Office
Address 717 South Alvernon Way
County Pima
City, State Zip Tucson, Arizona 85711
Tax ID 126-17-119A

Sale Data

Seller The Blake Holding Corporation
Buyer Alvernon Medical Center LLC
Recording Date 05-05-2014
Reference No. 20141250495
Property Rights Fee Simple
Days on Market 910

Price **\$775,000**
Imm. Expenditures \$0
Adj. Price **\$775,000**

Financing New conventional loan
Verification Purchase Contract ; 04-17-2014
Prior Sales Last sold for \$1,275,000 on 8/11/06.

General Physical Data

Gross Building Area 7,767
Site Size 0.50764 acres or 22,113 SF
Zoning Code O-3, Office
Floor Area Ratio 0.35
Year Built 1982
Stories 2

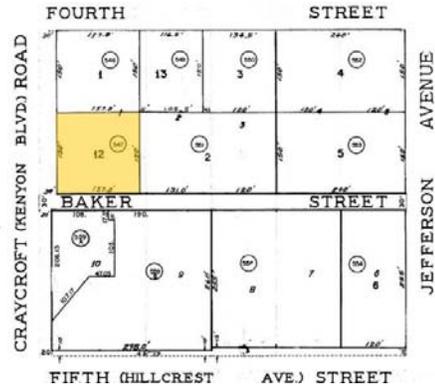
Exterior Walls	Frame and stucco
Building Condition	Average
Construction Quality	Average

Indicators

Price/SF GBA	\$99.78(excluding immediate expenditures) \$99.78(adjusted for immediate expenditures)
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Remarks

Average quality multi-tenant professional office building in secondary office node that had most recently been occupied by a single user. This is an arm's length sale to an owner-user. The buyer is expected to convert the space for medical use.

Improved Sale No. 5

Property Identification

Property ID	5605
Property Type	Office
Address	620 N Craycroft
County	Pima
City, State Zip	Tucson, Arizona 85711
Tax ID	127-03-5470

Sale Data

Seller	Platinum Funding Corp
Buyer	COPE Community Services Inc
Recording Date	01-24-2014
Reference No.	20140290527
Property Rights	Fee Simple
Days on Market	365

Price	\$825,000
Imm. Expenditures	\$825,000
Description	Complete rehab
Adj. Price	\$1,650,000

Financing	Cash
Verification	David Montijo, CBRE, 520-323-5136; 04-21-2014
Prior Sales	Last sold for \$1,250,000 on 12/14/04

General Physical Data

Gross Building Area	11,817
Site Size	0.54000 acres or 23,522 SF
Zoning Code	C-1, Commercial
Floor Area Ratio	0.50
Year Built	1973

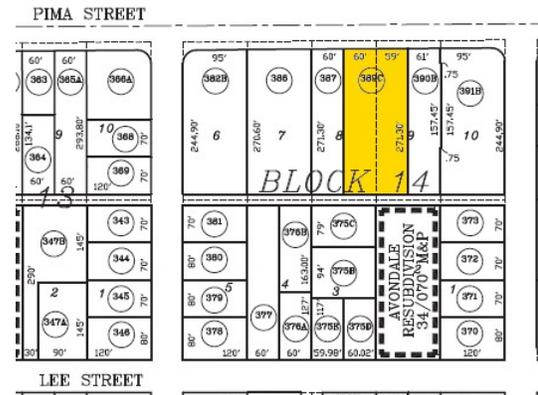
Stories	2
Exterior Walls	Masonry
Building Condition	See Comments
Construction Quality	Average

Indicators

Price/SF GBA	\$69.81(excluding immediate expenditures) \$139.63(adjusted for immediate expenditures)
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Remarks

This was an arm's length sale to an owner/user. The entire inside was gutted prior to sale. The building sold in need of a new chiller and all interiors and the bathrooms in need of updating. The buyer is a community service provider for substance abuse counseling, etc. The buyer will spend approximately 4 months renovating the building at a cost of approximately \$825,000.

Improved Sale No. 6

Property Identification

Property ID	5418
Property Type	Office
Address	5232 E Pima
County	Pima
City, State Zip	Tucson, Arizona 85712
Tax ID	121-12-389C

Sale Data

Seller	Source One Investments LLC
Buyer	2030 East LLC
Recording Date	12-23-2013
Reference No.	20133580122
Property Rights	Leased Fee
Days on Market	30

Price	\$400,000
Imm. Expenditures	\$0
Adj. Price	\$400,000
	Cash

Financing	
Verification	Tom Knox, PICOR, 520-546-2701; 02-19-2014

General Physical Data

Gross Building Area	8,810
Site Size	0.74309 acres or 32,369 SF
Zoning Code	C-1, Commercial
Floor Area Ratio	0.27
Year Built	1987
Stories	1
Exterior Walls	Masonry
Building Condition	Average

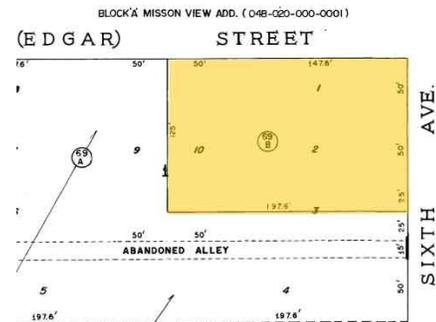
Construction Quality Average

Indicators

Price/SF GBA **\$45.40(excluding immediate expenditures)**
 \$45.40(adjusted for immediate expenditures)

Remarks

Part of the building had large open office areas. There is a courtyard and common area restrooms in addition to restrooms in each suite. This property was purchased at a discount. The buyer wanted to purchase another property, 9302 E 22nd Street, from the same seller. The seller agreed to sell 9302 E 22nd Street provided the buyer also purchase this property. The listing broker estimated the discount at about 35% and said this office building should have sold for about \$65/S.F. The interior needed paint and carpet. The property was 30% occupied at the time of sale.

Improved Sale No. 7

Property Identification

Property ID	5168
Property Type	Office
Address	2716 S 6th Ave
County	Pima
City, State Zip	Tucson, Arizona 85713
Tax ID	119-02-069B

Sale Data

Seller	2716 South Sixth Avenue LLC
Buyer	MHB Insurance Services LLC
Recording Date	04-25-2013
Reference No.	20131150432
Property Rights	Fee Simple
Days on Market	1142

Price	\$425,000
Imm. Expenditures	\$0
Adj. Price	\$425,000

Financing	Cash
Verification	Tom Nieman, Picor, 520-546-2728; 11-12-2013
Prior Sales	Sold for \$674,250 on 11/19/09 in non-arms length transaction. REO status at time of the 2013 sale.

General Physical Data

Gross Building Area	8,733
Site Size	0.57000 acres or 24,829 SF
Zoning Code	SB-1, Commercial
Floor Area Ratio	0.35
Year Built	1982

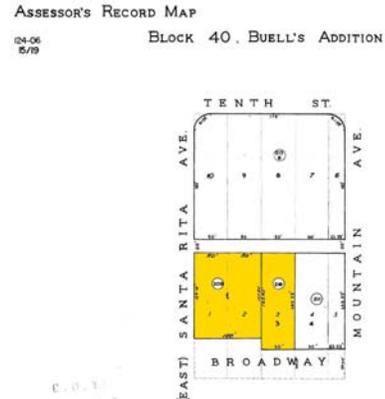
Exterior Walls	Wood frame
Building Condition	Average
Construction Quality	Average

Indicators

Price/SF GBA	\$48.67(excluding immediate expenditures)
	\$48.67(adjusted for immediate expenditures)

Remarks

The property had been repossessed by the insurance company that owned the note. The building was in decent shape at the time of sale and was formerly occupied by the DES, most recently leased by a church. The property was under parked, according to the broker. The buyer intends to owner/occupy as an insurance company.

Improved Sale No. 8

Property Identification

Property ID	4597
Property Type	Office
Address	1201-1215 E Broadway Blvd
County	Pima
City, State Zip	Tucson, Arizona 85719
Tax ID	124-06-209 &-210

Sale Data

Seller	Target Commercial Interiors Inc
Buyer	LM Investment Group, LLC
Recording Date	11-02-2012
Reference No.	2012-3070093
Property Rights	Fee Simple
Days on Market	20 months

Price	\$520,000
Imm. Expenditures	\$0
Adj. Price	\$520,000

Financing	Cash
Verification	Nancy McClure, CBRE, 520-323-5117; 06-07-2013
Prior Sales	No sales in previous three years.

General Physical Data

Gross Building Area	10,584
Site Size	0.58985 acres or 25,694 SF
Zoning Code	C-1,
Floor Area Ratio	0.41
Year Built	1963
Stories	2

Exterior Walls Masonry
Building Condition Poor

Indicators

Price/SF GBA **\$49.13(excluding immediate expenditures)**
 \$49.13(adjusted for immediate expenditures)

Remarks

Vacant at the time of sale, the property was purchased for owner occupancy. The building has a good profile and dual street access. The condition of the improvements was poor. The property had been vandalized and the A/C and copper piping ripped out. Parking was tight. Arms-length market transaction.

Adjustments to Comparable Sales

I researched sales of similar properties in order to complete the sales comparison approach and concluded that the sales noted above represented the best available data. Adjustments to the sales were considered for property rights conveyed, financing terms, immediate capital needs, market conditions, conditions of sale, location, physical characteristics, economic characteristics, zoning/use, and non-realty components.

No adjustments were warranted for property rights conveyed or financing terms.

No adjustments for conditions of sale were required except in the case of Sale 6. The transaction was related to the sale of another property and was reportedly discounted. Although the broker believed that the discount was as much as 35%, I have applied only a 20% upward adjustment based on general pricing trends in the area. Sale 7 involved a lender-owned property; however, the price was considered reflective of market value so no adjustment was made.

Although some data was available regarding immediate capital needs (expenditures after sale), I elected to apply any adjustments for this within the age and condition category as part of the physical characteristics.

The sales occurred between November of 2012 and April of 2015. Tucson's office market has generally been stagnant over this period of time, with no significant changes in pricing evident. Overall vacancy has hovered in the 12.5% to 13% range over this period with no real change in rental rates being achieved. I considered all of the sales to be reflective of current market conditions and made no adjustments.

With respect to location, Sales 1, 2, 3, 4, 5, and 6 are all considered to be superior and were adjusted downward by varying percentages. Sales 1 and 2 have the strongest location and received the largest adjustments. Sale 7 is located on 6th Avenue, about one-half mile south of the subject. The surrounding uses may be slightly more favorable than those of the subject but I did not believe that a specific adjustment was warranted. Sale 2 is located along Broadway Boulevard, about one-half mile east of downtown Tucson. This location is considered marginal for office use but it is nominally superior to the subject in this regard and a small downward adjustment has been applied.

Adjustments for physical characteristics considered building size, construction quality, age, physical condition, functional utility, site coverage/parking. Site coverage is indicated by the floor area ratio (FAR) which is the building area divided by the site area. Site coverage or FAR is often related to the parking ratio assuming that there is no undeveloped land included in the site. The subject comprises 9,051 square feet of building area and was constructed in phases between 1986 and 2000. The property is current in fair overall condition and is reportedly in need of a new roof. The exterior paint is also faded and in need of some stucco repair. The interior improvements are considered to be in fair overall condition. The cost estimates provided for immediate needs total about \$65,800 (\$7.27/SF). The subject property has only limited on-site parking (1.1 spaces per 1,000 SF of building area) but is assumed to have non-exclusive rights to available parking in the adjacent South Tucson Municipal Complex and also benefits from free street-side parking along 26th Street. The effective parking ratio is unknown but this is considered to be a negative attribute overall when compared

with most of the comparable sales. The building offers relatively good overall functional utility for office-related uses.

The sales reflect building sizes from 7,767 to 12,500 square feet and the subject comprises 9,051 square feet. The market data does not support any size adjustments.

I next applied adjustments to the sales for differences in age, condition, quality and functional utility. These adjustments are inherently subjective unless the subject property and sale properties are highly similar. The adjustments applied reflect my opinions as to how the market would perceive these differences. The most significant issues are related to condition and parking. None of the properties reflects above-average construction quality and none had excess land or any flood issues of significance.

Sale 1 is superior in terms of condition and offers superior parking. Downward adjustments were applied.

Sale 2 is superior in terms of condition and offers superior parking. Downward adjustments were applied.

Sale 3 was vastly superior in condition and offered a very high parking ratio. The seller had invested nearly \$34 per square foot in the property several years prior to the sale and the building had not been occupied since the renovation was completed. Large downward adjustments were applied.

Sale 4 is superior in terms of condition and offers superior parking. Downward adjustments were applied.

Sale 5 is inferior in terms of condition but is considered similar in terms of parking. The building had essentially been gutted prior to sale and the buyer invested about \$70 per square foot for a complete renovation. A large upward adjustment was applied for condition.

Sale 6 is nominally superior in terms of condition and offers superior parking. Downward adjustments were applied.

Sale 7 was considered to be similar to the subject in terms of condition but offers superior parking. A downward adjustment was applied for parking.

Sale 8 was considered to be similar to the subject in terms of condition but would likely be considered inferior with respect to parking. An upward adjustment was applied for parking.

No adjustments were indicated for economic characteristics, zoning or non-realty components.

Based on the preceding analysis, I have summarized adjustments to the sale comparables on the following adjustment grid. These adjustments are based on my market research, best judgment, and experience in the appraisal of similar properties. It is noted that the percentage adjustments tend to imply a greater level of accuracy than actually exists; however, such have been shown with the intent of providing a relative level of magnitude for each.

Comparable Improved Sales Adjustment Grid

Sale Number	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8
Location	1601 S 6th Avenue	1325 N Wilmot	5515 E Grant	5401 E 5th St	717 S Alvernon	620 N Craycroft	5232 E Pima	2716 S 6th Ave	1201-1215 E Broadway
Sale Date	N/A	Apr-15	Dec-14	Sep-14	May-14	Jan-14	Dec-13	Apr-13	Nov-12
Sale Price	N/A	\$850,000	\$540,000	\$850,000	\$775,000	\$825,000	\$400,000	\$425,000	\$520,000
Property Rights Conveyed		Leased Fee	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Leased Fee	Fee Simple	Fee Simple
Financing Terms		Cash Equiv.	Cash	Cash	Cash Equiv.	Cash	Cash	Cash	Cash
Conditions of Sale		Typical	Typical	Typical	Typical	Typical	See Remarks	REO sale	Typical
Expenditures After Sale		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures After Sale per SF		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
S.F. of Improvements	9,051	12,500	9,714	8,856	7,767	11,817	8,810	8,733	10,584
Year Built	1986	1984	1986	1970	1982	1973	1987	1982	1963
Parking	1.10/1,000 SF	4.26/1,000 SF	3.19/1,000 SF	8.13/1,000 SF	4.89/1,000 SF	3.05/1,000 SF	4.31/1,000 SF	4.12/1,000 SF	1.89/1,000 SF
Site Area (SF)	19,700	27,888	26,227	63,990	22,113	23,522	32,369	24,829	25,694
Floor Area Ratio	0.46	0.45	0.37	0.14	0.35	0.50	0.27	0.35	0.41
Zoning	SB-2	O-3	C-1	C-1	O-3	C-1	C-1	SB-1	C-1
Jurisdiction	South Tucson	Tucson	Tucson	Tucson	Tucson	Tucson	Tucson	South Tucson	City of Tucson
Buyer Type		Owner-user	Investor	Owner-user	Owner-user	Owner-user	Investor	Owner-user	Owner-user
Sale Price/SF		\$68.00	\$55.59	\$95.98	\$99.78	\$69.81	\$45.40	\$48.67	\$49.13
Transactional Adjustments									
Property Rights Conveyed		0	0	0	0	0	0	0	0
Financing Terms		0	0	0	0	0	0	0	0
Conditions of Sale		0	0	0	0	0	+20%	0	0
Expenditures After Sale		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Adjusted Price/SF	N/A	\$68.00	\$55.59	\$95.98	\$99.78	\$69.81	\$54.48	\$48.67	\$49.13
Market Conditions Adjustment									
Adjusted Price/SF	N/A	\$68.00	\$55.59	\$95.98	\$99.78	\$69.81	\$54.48	\$48.67	\$49.13
Property Adjustments									
Location		-15%	-15%	-10%	-5%	-10%	-10%	0	-5%
Physical Characteristics									
Size		0	0	0	0	0	0	0	0
Age, Cond., Quality		-10%	-5%	-25%	-10%	+50%	-5%	0	0
Site Coverage/Parking		-5%	-5%	-10%	-5%	0	-5%	-5%	+5%
Flood/Other		0	0	0	0	0	0	0	0
Economic Characteristics		0	0	0	0	0	0	0	0
Use/Zoning		0	0	0	0	0	0	0	0
Non-realty components		0	0	0	0	0	0	0	0
Indicated Value/SF		\$47.60	\$41.69	\$52.79	\$79.82	\$97.73	\$43.58	\$46.24	\$49.13

The sale prices of the comps ranged from about \$45 to \$100 per square foot prior to adjustments. After adjustments, the range was from \$42 to \$98 per square foot. Sale 5 is considered to be an outlier given its nearly \$70 per square foot purchase price for a shell building. If Sale 5 is excluded, the top end of the adjusted range drops to \$80 per square foot, set by Sale 4. Sale 4 is reflective of the top of the range in pricing given the marginal location of this property. Sales 2 and 6 were acquired by investors and reflected the lowest prices; when excluded, the bottom of the adjusted range increases to \$46 per square foot.

Sale 7 is the most insightful in that it is located on South 6th Avenue and required the least adjustment. This building had formerly been occupied by the Arizona Department of Economic Security (DES) and was then occupied by a religious organization. It was acquired in 2012 for use as an insurance office. The purchase price of about \$49 per square foot is given strong consideration in this appraisal.

I also researched current listings for sale and concluded that the following were the most relevant.

Summary of Comparable Listings

Listing #	Location	Offered Price	Price per SF	Building SF	Year Built	FAR	Parking	DOM
1	1037 S Alvernon	\$625,000	\$59	10,529	1980	0.37	3.04/1000	238
2	3655 E 2nd St	\$799,000	\$71	11,259	1960	0.28	4.88/1000	397

Listing 1 is an average quality multi-tenant office located in a secondary office node. It has limited parking. Listing 2 is a former post office that has a largely open floor plan that is similar to the subject. Parking is vastly superior. Although located in the central area of Tucson, the property has no visibility from an arterial roadway. There are also numerous properties listed for sale at prices in excess of \$100 per square foot; however, these are not comparable to the subject in any way and are often considered to be overpriced when compared to actual recent sales of similar buildings.

Based on the analyses summarized above, I concluded that the sales comparison approach provided greatest support for a value for the subject property (9,051 SF) in the range from \$45 to \$55 per square foot of building area, or from \$407,295 to \$497,805. Realistically, this suggests a range of value from \$400,000 to \$500,000 and I concluded that \$450,000 (\$49.72/SF) was most probable.

MARKET VALUE – “AS IS”, FEE SIMPLE INTEREST (REAL ESTATE ONLY)

AS OF JUNE 25, 2015..... \$450,000

Exposure Time

Exposure time is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Based on my research of comparable sales exposure time was estimated at 6 to 12 months.

Determination of Market Rent

In order to estimate the market rent that would be appropriate for the subject property I have analyzed a number of comparable lease transactions and then applied adjustments to these comparables so that they are reflective of the physical nature of the subject property and consistent with the general lease terms that were stipulated by the client for this portion of the assignment.

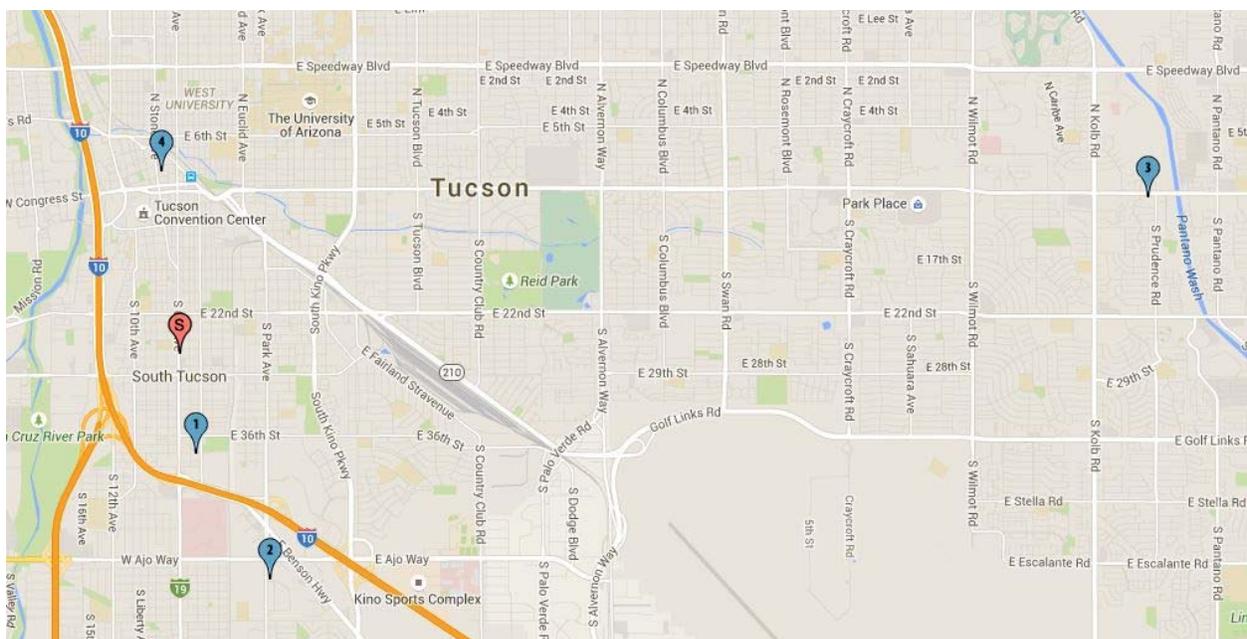
The assumed lease terms stipulated by the client reflected the following conditions:

1. Tenant pays for insurance, utilities, janitorial, repairs and maintenance of the interior and exterior of the building, including roofing and HVAC.
2. Landlord (South Tucson) pays for common area maintenance, consisting of the parking lot and landscaping.
3. Real estate taxes will be zero since this is a government-owned facility.
4. The tenant will be responsible for roof replacement and exterior building repairs that are estimated to cost \$65,800.

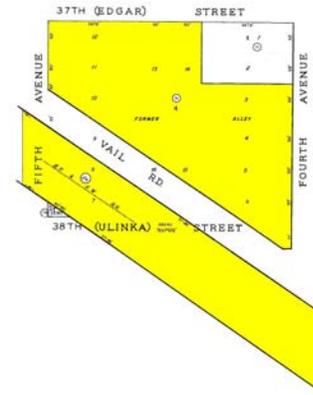
Market Rent Analysis

Market rent is defined as the rentable income that a property would most probably command in the open market, as indicated by current rentals being paid for comparable space, as of the date of the appraisal. I identified leases of professional office space considered to be generally comparable to the subject property. The comparables are summarized on the following pages.

COMPARABLE RENTAL MAP



Lease Comp No. 1



Property Identification

Property ID	3418
Property Name	Madera Business Park
Address	2750-2760 S 4th Ave
City, State Zip	Tucson, Arizona 85713
Tax ID	119-02-074

Physical Data

Rentable Area	35,200
Floor Area Ratio	0.27
Year Built	1985
Construction	Concrete tilt
Building Condition	Good
Construction Quality	Average

Lease Data

Tenant	AZ DCS
Date Commences	01-01-2015
Leased Area (SF)	11,860
Type of Lease	Full Service
Lease Terms (months)	90
Lease Escalations	Flat
Tenant Improv (\$/SF)	\$40-\$45
Concess. Description	None
First Year Rate (\$/SF)	\$17.07
Effective Rate (\$/SF)	\$16.00
Confirmation	Melissa Lal, Larsen Baker

Remarks

This is a business park that was substantially renovated by the owner after it was acquired in 2013. Arizona Department of Child Safety took the space in turnkey condition. TI costs were reportedly in the \$40-\$45/SF range as the space was essentially in gray shell condition with HVAC. This is a full service lease and the reported base rent is net of the 2.5% rent tax, which must be paid by the landlord. Operating expenses were reported at \$7.50/SF, including \$4.00 for CAM, \$1.75 for electric and \$1.75 for janitorial. The effective rent is equal to about \$16.00/SF assuming normal 2% to 2.5% annual increases for such space.

Lease Comp No. 2



S PARK



Property Identification

Property ID	6142
Property Name	Tucson Business Park
Address	3939 South Park Avenue
City, State Zip	Tucson, Arizona 85714
Tax ID	132-17-118C

Physical Data

Rentable Area	35,938
Floor Area Ratio	0.32
Year Built	1985
Building Condition	Average
Construction Quality	Average

Lease Data

Tenant	PPEP, Inc
Date Commences	09-01-2014
Leased Area (SF)	5,933
Type of Lease	Industrial Gross
Lease Terms (months)	60
Lease Escalations	See remarks
Tenant Improv (\$/SF)	\$7.50 (est.)
TI Description	Paint, carpet, and removal of a few walls
Concess. Description	None
First Year Rate (\$/SF)	\$11.18
Effective Rate (\$/SF)	\$11.18
Confirmation	Review of lease and addendums

Remarks

The space is used for behavioral health counseling and general office. Original 5-year lease commenced 9/1/03 at \$8.16/SF. Tenant pays for their own utilities and janitorial plus a pro rata share of taxes, insurance and CAM over 2003 base year. Lease rate escalates as follows: 3.6%, 3.5%, 3%, & 3% years 2-5. Termination by tenant with 120 days notice if program is not adequately funded.

Lease Comp No. 3



Property Identification

Property ID	5843
Property Name	School building
Address	7444 E Broadway
City, State Zip	Tucson, Arizona 85710
Tax ID	134-18-113B

Physical Data

Rentable Area	10,828
Floor Area Ratio	0.23
Year Built	1980
Building Condition	Average
Construction Quality	Average

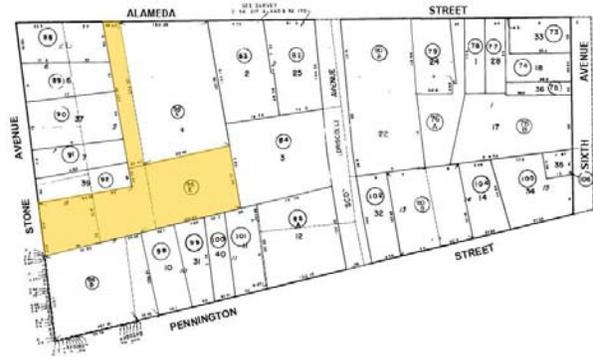
Lease Data

Tenant	Rising School
Date Commences	08-26-2014
Leased Area (SF)	10,828
Type of Lease	NNN
Lease Terms (months)	60
Tenant Improv (\$/SF)	\$.00
Concess. Description	See remarks
First Year Rate (\$/SF)	\$4.99
Effective Rate (\$/SF)	\$8.25
Confirmation	Gary Best, Keller Williams

Remarks

The space was previously occupied by a 9-12 charter school, but had been vacant for 12 months. It was in great condition and the tenant was able to move-in with almost no work to do. The monthly base rents are as follows: \$3,000 months 1-3; \$5000 months 4-12 (blended \$4.99/SF year 1); \$6,000 (\$6.65/SF) year 2; \$10,000 (\$11.08/SF) years 3-5. The effective rent is equal to about \$8.25/SF assuming normal 3% annual increases in rent.

Lease Comp No. 4



Property Identification

Property ID	6592
Property Name	Compass Bank Bldg
Address	120 N Stone
City, State Zip	Tucson, Arizona 85701
Tax ID	117-11-096A

Physical Data

Rentable Area	28,000
Floor Area Ratio	1.09
Year Built	1929
Building Condition	Good
Construction Quality	Average

Lease Data

Tenant	Lutheran Social Services
Date Commences	06-01-2014
Leased Area (SF)	8,500
Type of Lease	Full Service
Lease Terms (months)	63
Lease Escalations	3% per year
Tenant Improv (\$/SF)	\$6.00
Concess. Description	3 months free
First Year Rate (\$/SF)	\$14.00
Effective Rate (\$/SF)	\$14.00
Confirmation	Michael Gross, Tucson Realty & Trust

Remarks

Building was constructed in 1929 but has been upgraded over the recent past and is in good overall condition. It includes a parking garage in the rear of the site that is accessed via Alameda Street. Compass Bank has a branch facility on the ground floor. Landlord provided carpet and paint and minor modifications estimated to cost \$6/SF. The premises include space on the first and second floors. Tenant also received 10 parking spaces in the adjacent parking garage.

The comparables have been adjusted so that they are reflective of the subject property as it existed on the effective date of value. Therefore, the market rent assumes that there would be no tenant improvements provided by the landlord. Adjustments have been considered for equivalent lease terms (modified gross vs. full service), lease conditions (atypical escalations, concessions, etc.), market conditions, location, physical characteristics and other factors.

I have analyzed the property on the basis of the stipulated lease terms, which essentially equate to triple net terms, but with the landlord paying for common area maintenance. Based on my review of operating expenses from office complexes, the cost of the common area maintenance is estimated at about \$0.25 per square foot per year. Given the size of the subject property (9,051 SF), I have assumed a 5-year lease term with the rent increasing by 2% to 3% per year, or a 10-year lease with a 10% increase after the fifth year.

The comparables reflect effective dates from June 2014 through January 2015. There have been no significant changes in market conditions over this period of time so no adjustments were indicated for market conditions.

Rental 1 reflected full service terms and flat rent over the 90-month term. The operating expenses were estimated at \$7.50 per square foot, suggesting a net adjustment for subject terms of negative \$7.25. The lease conditions adjustment for the flat rent is equal to negative 10.9%. These two adjustments reduce the rent down to about \$8.75 per square foot. The property is located in South Tucson about three-quarters of a mile southeast of the subject. It is within a recently renovated business park but has no vehicular exposure. The lack of exposure would be important to some tenants but does not appear to be an issue with the Arizona Department of Child Safety so I do not believe that an adjustment for location would be supported. This space was completely new for this lease and this warrants a downward adjustment for physical characteristics. The subject property is inferior in terms of condition and a tenant leasing the space in its "as is" condition would likely anticipate replacing flooring and repainting the interior. The cost of these and other potential TIs is roughly estimated at \$7.50 per square foot, which suggests a downward adjustment of \$1.40 per square foot, assuming amortization over 7 years. A downward adjustment of 15% has been applied for physical characteristics. No other adjustments are indicated.

Rental 2 reflected industrial gross terms, whereby the tenant pays for their own utilities and janitorial, as well as for increases over base year taxes, insurance and common area maintenance. The adjustment to the subject lease terms is estimated a negative \$0.65 per square foot to reflect insurance and the repairs and maintenance handled by the landlord. This 5-year lease included annual escalations of 3% to 3.6% per year. This could support a slight upward adjustment but this would be less than 1% so no adjustment was applied. The property is located near Ajo and Park Avenue and has visibility from Park Avenue. I considered the location comparable to the subject. The tenant received minor TIs including carpet, paint and removal of a few walls, so I applied a downward adjustment similar to Rental 1. No other adjustments are indicated.

Rental 3 reflected triple net terms, whereby the tenant pays for all expenses. I adjusted this upward by \$0.25 per square foot to reflect the subject's lease terms. This 5-year lease included atypical annual escalations in base rent, increasing from \$4.99 per square foot in the first year to \$11.08 per square foot in years 3 through 5. I elected to analyze this on the basis of the effective rent of

approximately \$8.25 per square foot (NNN), therefore no additional adjustment was considered for lease conditions. The property is located along Broadway Boulevard, east of Kolb Road. I considered the location superior, although this is not a strong office node so a small downward adjustment was applied. The tenant did not receive any tenant improvements or allowance so no adjustments were made for physical characteristics. No other adjustments are indicated.

Rental 4 reflected full service terms and typical 3% annual escalations in base rent. A downward adjustment of \$7.25 per square foot was made to reflect the subject's lease terms. The three months of free rent is nominal and I concluded that no adjustment was needed for lease conditions. The property is located in downtown Tucson and has limited parking provided with the lease (10 spaces). The office market is very competitive in this area and demand is low. I concluded to a large upward adjustment for location based in part on comparison with Rental 1. The tenant received minor TIs including carpet, paint and minor modifications, so I applied a downward adjustment similar to Rental 1. No other adjustments are indicated.

The adjustments are summarized on the grid below.

Rental Adjustment Grid

	Rental 1	Rental 2	Rental 3	Rental 4
Location	2750-2760 S 4th Ave	3939 South Park Avenue	7444 E Broadway	120 N Stone
Property SF	35,200	35,938	10,828	28,000
Year Built	1985	1985	1980	1929
Tenant	AZ DCS	PPEP, Inc	Rising School	Lutheran Social Services
Lease Commencement	Jan-15	Sep-14	Aug-14	Jun-14
Tenant SF	11,860	5,933	10,828	8,500
Lease Type	Full Service	Ind. Gross	NNN	Full Service
Term (months)	90	60	60	63
Increases (annual)	Flat	See remarks	See remarks	3% per year
TIs (per SF)	\$0.00	\$0.00	\$0.00	\$6.00
Rent Concessions	None	None	See remarks	3 months free
Rent/SF	\$17.07	\$11.18	\$8.25	\$14.00
Adjust to Subject Terms	-\$7.25	-\$0.65	+\$0.25	-\$7.25
Subject Equivalent	\$9.82	\$10.53	\$8.50	\$6.75
Lease Conditions	-10.9%	0	0.0	0
Market Conditions	0	0	0	0
Base Adjusted Rent	\$8.75	\$10.53	\$8.50	\$6.75
Location	0	0	-5%	+30%
Physical Characteristics	-15%	-15%	0	-15%
Other	0	0	0	0
Indicated Rent/SF	\$7.44	\$8.95	\$8.08	\$7.76

After adjustments, the comps support a range of market rent for subject property from \$7.44 to \$8.95 per square foot, per the specified lease terms. Given the nature of the adjustments, this is rounded to a range from \$7.50 to \$9.00 per square foot and I concluded to a market rent of \$8.00 per square foot.

The subject property will involve atypical circumstances in that the tenant will be paying the estimated \$65,800 costs of the required exterior capital improvements, including roofing (\$34,300) and stucco repairs and paint (\$31,500). This is not a typical scenario under a lease and this is why I have addressed it after the initial conclusion of market rent. Similar to how landlords amortize excessive tenant improvement costs that they provide to tenants and add this to the rental rate, I have made a deduction in the initial market rental rate concluded above to reflect the cost of the tenant providing these improvements during the start of the lease. Given the nature of the

improvements, I have assumed a 10 year term for amortization purposes. Landlords typically utilize a discount rate of 8% for such purposes and discounting is done on a monthly basis since this is how the rent is paid. Based on the present value of \$65,800, the required payment at 8% annual interest (0.6667% monthly) is equal to \$798.34 per month, or \$9,580.03 per year. When divided by the gross building area of 9,051 square feet, this supports a reduction in the rent of \$1.06 per square foot, which I have rounded to \$1.00 per square foot. Therefore, under the stipulated lease conditions, the market rent is estimated at \$7.00 per square foot, or \$63,357 per year.

MARKET RENT – “AS IS”, (PER STIPULATED TERMS)**AS OF JUNE 25, 2015 \$63,357 PER YEAR**

The assumed lease terms stipulated by the client reflected the following conditions:

5. Tenant pays for insurance, utilities, janitorial, repairs and maintenance of the interior and exterior of the building, including roofing and HVAC.
6. Landlord (South Tucson) pays for common area maintenance, consisting of the parking lot and landscaping.
7. Real estate taxes will be zero since this is a government-owned facility.
8. The tenant will be responsible for roof replacement and exterior building repairs that are estimated to cost \$65,800.

General Assumptions and Limiting Conditions

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

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

10. The information, estimates and opinions which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
11. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by MJN Enterprises, Inc. Valbridge Property Advisors, Inc. nor any of its affiliates, has not been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. This appraisal was prepared for the sole and exclusive use of the client. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | MJN enterprises, Inc. and Client. We assume no liability for unauthorized use of the appraisal report by a third party.
14. No claim is intended to be expressed for matters of expertise which would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc..
15. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
16. The value opinion provided herein is subject to any and all predications set forth in this report.
17. If required by governmental authorities, any environmental impact statement prepared for the subject property will be favorable, unless otherwise stated in the report.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. If the appraisal is for mortgage loan purposes 1) we assume satisfactory condition of improvements if construction is not complete, 2) no consideration has been given for rent

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

survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.

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

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

Certification

I certify that, to the best of my knowledge:

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

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



Craig Johnson, MAI
Certified General Real Estate Appraiser
State of Arizona Certificate No. 30236
cjohnson@valbridge.com

Addenda

QUALIFICATIONS OF CRAIG W. JOHNSON, MAI
State of Arizona Certified General Real Estate Appraiser, Certificate #30236

PROFESSIONAL EXPERIENCE

2013 to present	Valbridge Property Advisors MJN Enterprises, Inc., Managing Director
2012 – 2013	US Department of Interior, Office of Valuation Services, Review Appraiser
2005 to 2012	MJN Enterprises, Inc., Senior Analyst and Consultant
2001 – 2005	Bruce D. Greenberg, Inc., Senior Analyst and Consultant
2000	KB Real Estate Advisors & Appraisers, Inc., Senior Analyst/Consultant
1994 - 2000	CB Richard Ellis, Inc., Assistant VP Valuation & Advisory Services
1992 - 1994	Craig W. Johnson, MAI, sole proprietor
1990 - 1991	RTC/Pima Federal Savings, Vice President and Chief Appraiser
1982 - 1990	Greenberg Chin Consultants, Senior Appraiser

PROFESSIONAL AFFILIATIONS AND MEMBERSHIPS

Member (MAI), #8241 of the Appraisal Institute. The Institute conducts a mandatory program of continuing education for its designated members. Mr. Johnson is currently certified under this program.

FORMAL EDUCATION

Bachelor of Science in Business Administration, University of Arizona, Finance major

PROFESSIONAL EDUCATION

All required classes to obtain MAI Designation and state certifications.

SCOPE OF PRACTICE

Mr. Johnson's appraisal practice is concentrated on valuations for the following purposes: Mortgage loan underwriting, Private negotiations, Legal proceedings, and Consultations.

Clientele include private individuals, corporate entities, financial institutions, and governmental agencies. Mr. Johnson is experienced in the appraisal of both residential and commercial properties and specializes in single- and multi-tenant industrial, retail, and office facilities, and conventional and subsidized multifamily projects, including apartments developed under the Low Income Housing Tax Credit (LIHTC) program. Assignments have been completed in Arizona, New Mexico, Colorado and Nevada, with the State of Arizona being the primary service area.

STATE OF ARIZONA

BOARD OF APPRAISAL

BE IT KNOWN THAT

CRAIG W. JOHNSON

HAS MET ALL THE REQUIREMENTS AS A

Certified General Real Estate Appraiser

In accordance with Arizona Revised Statutes and on authority of the Board of Appraisal, State of Arizona.

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

CERTIFICATE NUMBER
30236

EXPIRATION DATE

August 31, 2016



In witness whereof the Arizona Board of Appraisal caused to be signed by the Chair of the Board and the Executive Director

[Signature] 7.31.14 Date Issued
Chair, Board of Appraisal
[Signature] 7.31.14 Date Issued
Executive Director of the Board of Appraisal

SHALL REMAIN PROPERTY OF ARIZONA BOARD OF APPRAISAL

CC0119

Information on Valbridge Property Advisors

Valbridge covers the U.S. from coast to coast, and is one of the Top 3 national commercial real estate valuation and advisory services firms based on:

- Total number of MAIs (185 on staff)
- Total number of office locations (65 across the U.S.)
- Total number of staff (600+ strong)

Valbridge is owned by our local office leaders. Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.

Valbridge services all property types, including:

- Office
- Industrial
- Retail
- Apartments/multifamily/senior living
- Lodging/hospitality/recreational
- Land
- Special-purpose properties

Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements. Specialty services include:

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

Independent Valuation for a Variable World

Office Locations

ALABAMA

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

ARIZONA

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

CALIFORNIA

Valbridge Property Advisors | Michael Burger & Associates
 4915 Calloway Drive, Suite 101
 Bakersfield, CA 93312
 661-587-1010 phone

Valbridge Property Advisors | Cummings Appraisal Group, Inc.

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