

PAUL HENDRICKS REAL ESTATE APPRAISAL & COUNSELING

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Letter of Transmittal
September 10, 2018

Mr. Jeffrey Teplitsky
Real Property Appraisal Supervisor
Pima County
201 N. Stone Avenue, 6th Floor
Tucson, AZ 85701-1215

Re: Update-revision of former appraisal of sites for partial acquisition and exchange on the south end of Eisenhower Road south of Aerospace Parkway, Pima County, Arizona.
Tax Parcels: 140-52-032, 033A, 033B, 0340, 051, 140-51-0090 (and adjacent right of way)

In response to your request I have completed an update of a previously analyzed appraisal report (File #20171025, effective date January 31, 2017), incorporated by reference, including all descriptions, limiting conditions, and assumptions of that previous report. This letter update, by incorporation of previous report by reference, is considered to conform to Uniform Standards of Professional Appraisal Practice.

Problem Identification: The purpose of the appraisal is to opine market value of the site(s), the intended use is for partial acquisition and exchange. Effective date of the appraisal is September 5, 2018, the date of most recent site visit; date of report-September 10, 2018.

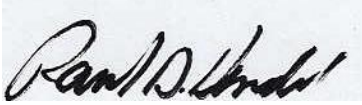
Relevant subject characteristics: The larger parcel of the City owned site for partial acquisition of 7,266.8sf is indicated to be 261,131 square feet, approximately 5.995 acres. The larger parcel from which 74,716.1sf of Pima County owned right of way is to be exchanged is indicated to be 335,847.1sf or approximately 7.71 acres. It/they are located at the south end of Eisenhower Road south of Aerospace Parkway (formerly Hughes Access Road). They are zoned CI-2, not located in the flood zone; site utility is considered to be slightly below average due to the road not being County maintained. The purpose of this analysis is to opine value for partial acquisition and offsetting exchange. Highest and best use is considered investment with eventual development of an industrial use.

Assignment Conditions: From prior analysis, the subject and other parcels identified as Santa Cruz Well Field (140-52-0320, 033A, 0340, 051C and 140-51-0090) have had a Phase I environmental site assessment (ESA); the ESA notes prior uses including auto salvage yard (parcels 140-52-0320, 033A, 0340 and 140-51-0090) and solid waste landfill (parcel 140-51-0090) and recommends further site testing. It is an extraordinary assumption of this report that the subject site has no significant contamination issues. The use of this assumption may affect assignment results; additionally, please see standard limiting conditions in the appendix.

My opinion of market value, subject to all conditions and assumptions, as of September 4, 2018, is \$6,050 for City of Tucson partial acquisition and \$62,210 for Pima County partial Eisenhower Right of Way exchange.

Please call if you have any questions regarding the following appraisal report. Thank you for the opportunity to be of service.

Sincerely,

A handwritten signature in black ink, reading "Paul D. Hendricks". The signature is written in a cursive style with a large, stylized "P" and "H".

Paul D. Hendricks, MAI
Arizona Certified General Real Estate Appraiser 30197

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UPDATE SUMMARY

Subject Property:	City owned larger parcel from which County intends a partial acquisition (7,266.8sf) is 261,131sf, approximately 5.995 acres; the larger parcel from which County intends an exchange (74,716.1sf) is 335,847.1sf, approximately 7.71 acres, Pima County, Arizona 85756.
Client and Intended Users:	Our client, Pima County is the only intended user; however, it is understood that following review and acceptance of this report by client, this report will become public information
Intended Use:	Update prior opinion of values for partial acquisition and exchange.
Appraiser:	Paul D. Hendricks, MAI
Effective Date of Value:	September 5, 2018
Date of Report:	September 10, 2018
Interest Appraised:	Fee Simple
OPINIONS OF VALUE:	
Partial Acquisition:	\$6,050
Partial Exchange:	\$62,210
Assignment Conditions:	There is an extraordinary assumption noted in the letter of transmittal; the use of extraordinary assumptions may affect assignment results, please also see standard limiting conditions and assumptions contained in the appendix.

SCOPE

Please see scope in prior appraisal report; in preparing this appraisal update, the appraiser:

- Reviewed the prior appraisal report incorporated by reference.
- Confirmed current physical and legal subject property characteristics.
- Analyzed market and market area changes since the prior appraisal.
- Searched for updated comparable sales.
- Inspected updated comparable site sales and confirmed with parties to the transactions.
- Re-analyzed value, amending my opinion of value and communicated same by this letter report by incorporation of prior report previously discussed.

PROPERTY OWNERSHIP; 5 YEAR SALES HISTORY

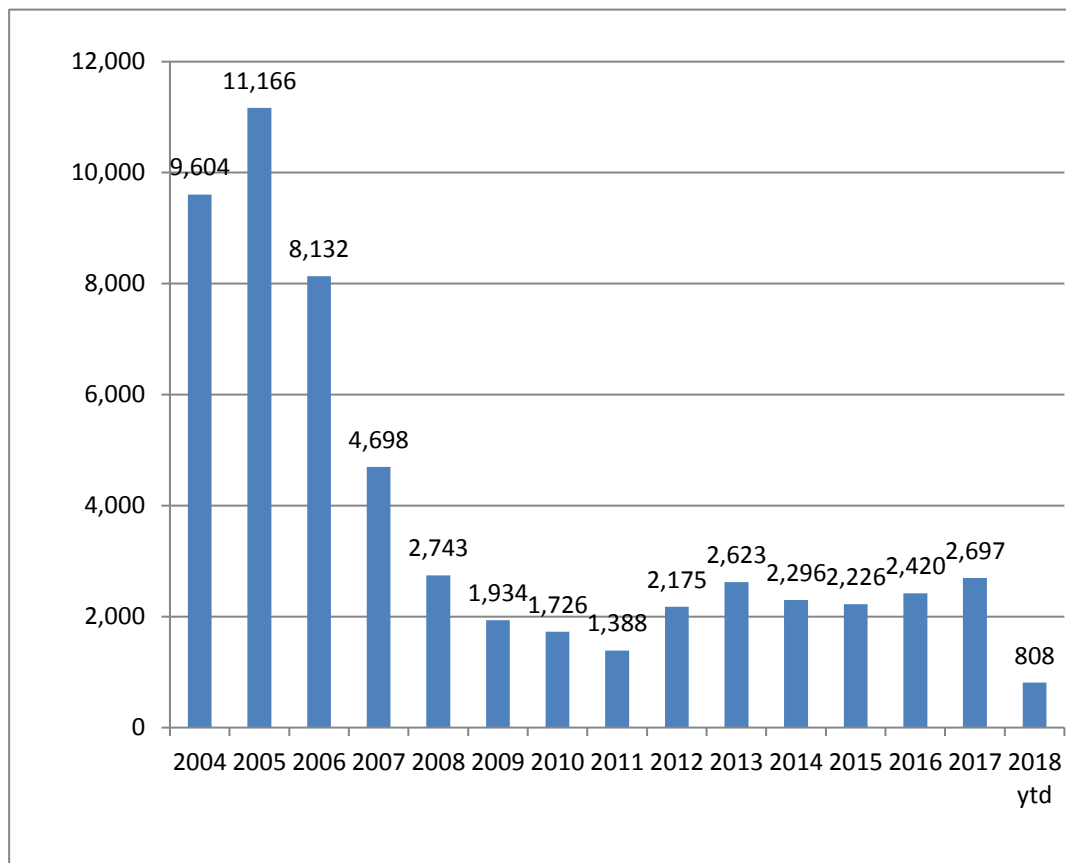
As mentioned in the prior analysis, the City of Tucson owned properties were recently acquired through eminent domain from three different property owners (2016-2017). The Eisenhower Road right of way has not transferred within the past 5 years. The appraiser is unaware of any marketing history within the past year.

MARKET AREA (NEIGHBORHOOD) ANALYSIS

As reported in the Pima County Economic Development Plan (update through 2018), following the completion of the Aerospace parkway (December 2015), following the announcement of a second tenant in the Business Park (Vector), there is now a planned expansion through the Business Park to 4 lanes.

Real Estate Markets:

Residential: US Census reported single family residential permits in the Tucson Metro area (Pima County) as follows:



As indicated, residential permits dropped precipitously from a high in 2005 through 2011, over this time period home values decreased drastically but 2012 and 2013 began a turn around with relatively strong increases and appreciation; 2017 and 2018 to date (through 1st quarter, annualized indicates potential 3,232 units) continues to show improvement over the worst of the great recession though well below a 5,000 permit long term sustainable level benchmark and well below prior highs.

The market area demographics along with demographics indicated in a 2 mile radius around the subject property are compared to county averages as follows:

Variable	Eisenhower (2 miles)	Sonoran Corridor MA	Pima County, AZ
2018 Total Population (Esri)	4,760	17,289	1,039,768
2018-2023 Population: Annual Growth Rate (Esri)	0.46%	0.67%	0.81%
2018 Median Household Income (Esri)	\$44,142	\$53,753	\$51,163
2018 Per Capita Income (Esri)	\$15,374	\$16,668	\$28,531
2018 Median Home Value (Esri)	\$112,092	\$166,529	\$207,185
2018 Average Home Value (Esri)	\$143,073	\$178,937	\$257,202
2012-2016 ACS Median Contract Rent (Households Paying Cash Rent)	\$503	\$820	\$698
2018 Total Households (Esri)	1,283	3,427	410,290
2018 Owner Occupied Housing Units (Esri)	941	2,597	257,915
Percent Owner Occupied	65.6%	68.2%	55.5%
2018 Vacant Housing Units (Esri)	151	380	54,835
Percent Vacant	10.5%	10.0%	11.8%
2018 Total Housing Units (Esri)	1,434	3,807	465,125
2012-2016 ACS Housing: Mobile Homes	1,046	1,560	46,986
Percent Mobile Homes	72.9%	41.0%	10.1%
2018 Population Density (Pop per Square Mile) (Esri)	378.9	319.6	113.2

As indicated, the subject surrounding 2 mile radius area is projected to grow at lower rate than the surrounding market area or Pima County overall. Median household income levels bracket county averages, per capita income levels are significantly below county averages as are median home values, particularly in the surrounding 2 mile radius; there is significantly greater housing by mobile homes, particularly in the surrounding 2 mile radius (over 7 times). There is moderately greater owner occupied housing and below average vacant housing units as compared to county averages.

In summary, the subject market area is an area with a vast amount of open-undeveloped land. Currently market area residents have significantly below average per-capita incomes and median home values. There are significant changes planned with respect to access linkages and moving existing roadways in order to provide adequate buffers for TIA and Raytheon and creating an aerospace and technical park district.

SITE DESCRIPTION

The Old Nogales Interceptor is a project designed to increase capacity of the existing Old Nogales Interceptor (ONI) and the Park Avenue Sewer (PAS) in addition to installing new sewer infrastructure to manage the future anticipated flows along the new Aerospace Corridor (ASC) and Aerospace Parkway. The total length of the project is nearly 14 miles and extends west along Old Vail Connection Road from the Wilmot State Prison to Nogales Highway and north along the east side of Nogales Highway, where it discharges into the Southeast Interceptor at 36th Street and Euclid Avenue. The work will be completed in phases. Per Pima County, in February 2018, Pima County and its contractors, Borderland Construction and B&F Contracting, will begin work on the Aerospace Corridor (ASC) and Aerospace Parkway phase of the project. The ASC follows the Old Vail Connection Road alignment from the Wilmot Prison west to Nogales Highway and north to Aerospace Parkway. When completed, this will provide sewer in close proximity to the subject parcels western boundary.

Real Estate Tax Analysis

The following information is available from the county treasurer's office:

Tax Parcel	140-52-0320	140-52-033A	140-52-033B	140-52-034	140-52-051C	140-51-0090	Total
FCV Land	\$84,000	\$56,000	\$15,300	\$39,324	\$128,289	\$37,026	\$359,939
FCV Impvt	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FCV Total	\$84,000	\$56,000	\$15,300	\$39,324	\$128,289	\$37,026	\$359,939
2018 Tax	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Assessments	None	None	None	None	None	None	None

There are no delinquent taxes per Pima County Treasurer. There are indicated to be no special assessments.

HIGHEST AND BEST USE

The following excerpts are taken from Arizona's Economy Summer 2018 issue: Arizona added jobs, population, and income at solid rates last year. Jobs rose by 2.4% in 2017, slower than gains in 2016 but above the national rate, and the state is on a similar pace so far in 2018. Population growth hit 1.5% and personal income rose by 4.3% before adjustment for inflation. The Phoenix Metropolitan Statistical Area (MSA) remained the engine of growth in Arizona, but the Tucson MSA has generated gradually improving growth during the last two years. Overall, the state is in solid shape as we look forward to 2018 and 2019.

A forecast of continued national growth sets the stage for Arizona to continue expanding. The state is forecast to add jobs, residents, and income next year at a solid pace. Statewide, jobs are forecast to rise by 69,700, which translates into 2.5% growth. That's well above the expected national rate of 1.7%. Job gains drive population increase, with Arizona adding 112,800 net new residents. With tightening labor markets, Arizona income gains accelerate 5.2% this year. With expansionary fiscal policy coming during a time of tight labor markets, inflation is likely to be more of a concern as we move into 2019 and 2020. This will put a premium on the judicious use of monetary policy.

Statewide job growth in 2017 was revised up from 1.7% to 2.4%. The revised data showed that the state added 64,100 jobs last year. Even with the upward revision, state job growth decelerated last year, compared to the 2.7% rate in 2016. Arizona continued to outpace the national rate of 1.6%. The upward revision in the Tucson MSA was particularly striking. Preliminary estimates suggested growth of just 0.1% last year. In contrast, the EBRC benchmark indicated that Tucson was doing much better. The revision showed that EBRC was correct. The Tucson MSA added jobs at a solid 1.5% clip last year, close to the national average and the fastest pace since 2012.

The forecasts for Arizona, Phoenix, and Tucson depend on assumptions about the U.S. and global economies. In turn, these assumptions (forecasts) come from IHS Markit, a global macroeconomic forecasting firm. The baseline forecast for the U.S. and global economies was created in April 2018. It calls for the U.S. to continue to grow during the next decade. Growth initially accelerates, driven in part by the recent fiscal stimulus, but then slows as demographic forces reassert themselves.

Real Gross Domestic Product (GDP) is expected to accelerate from 2.3% this year to 2.7% in 2019 and then to 2.9% in 2020. Thereafter, growth slows to the 1.6%-1.8% range through 2027. The acceleration is driven in part by stronger gains in household consumption, reflecting increased disposable income as tax cuts and low unemployment rates translate into increased purchasing power. Corporate tax cuts, coupled with stronger growth, contribute to increased investment spending on structures and equipment. Increased federal spending (for both defense and non-defense purchases) also contributes to gains through 2020.

The U.S. economy is forecast to experience higher rates of inflation than we have seen during the previous decade. For the Federal Reserve to continue increasing the target federal funds rate range, which now stands at 1.5%-1.75%. The forecast calls for three more rate hikes this year and additional hikes in coming years, with the rate expected to hit 3.5% in 2020. That drives long-term interest rates up, with the 30-year conventional mortgage rate forecast to rise from 4.0% last year to 5.3% by 2020.

Arizona. Job growth is expected to rise slightly during the next two years, reflecting stronger national growth. Arizona jobs are forecast to increase by 2.5% in 2018, 2.6% in 2019, and 2.3% in 2020. Those gains are expected to significantly outpace national growth. Continued steady job gains, and a gradually declining state unemployment rate, translate into faster wage gains during the forecast. That, in turn, spurs improved personal income growth, which is forecast to accelerate from 4.3% last year, to 5.2% this year, and then to 6.3% in 2019 and 6.1% in 2020. Improved growth in income means stronger growth in retail sales, which is forecast to accelerate from 4.1% last year to 5.2% by 2020. Improved job gains generate a modest improvement in population growth, which rises to 1.6% this year and stabilizes in that range through 2023. Population gains trigger improved housing permits activity in the near term, but total permits stabilize in the 43,000 per year range by 2020.

Picor-Cushman Wakefield provides local industrial survey information including market breakdowns. The following is based on their 2nd quarter 2018 Tucson Industrial report. The following provides a summary of market conditions:

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Tucson Employment	377k	380k	▲
Tucson Unemployment	4.6%	4.6%	▼
U.S. Unemployment	4.3%	3.8%	▼

Market Indicators (Overall, All Property Types)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	7.1%	6.0%	▼
YTD Net Absorption (sf)	-126k	361k	▲
Under Construction (sf)	30k	543k	■
Average Asking Rent*	\$0.53	\$0.51	▲

*Rental rates reflect net asking \$psf/month

Economy

Arizona has enjoyed impressive growth in population and income, ending 2017 with job growth at a strong 2.4%. This upward trend continues in 2018, where job gains in the 2.5% range seem likely at year's end. Tucson's unemployment rate now sits at a healthy 4.6% level (US Average 4.1%). Similarly, population growth approximates 1.5%, while personal incomes are also making strides, rising at a 4.3% clip. Arizona continues to outpace the national average in these key indicators. Expansionary fiscal policy poses a potential risk to this continued prosperity at a time when labor markets are significantly tightening. This policy may result in increasing inflation, which is being carefully monitored heading into 2019.

Market Overview

The industrial market in Q2 2018 continued the positive trend experienced in recent years, with strong and consistent momentum. Market-wide industrial vacancy improved to 6.0%, approaching the historic low of 5.0% prior to the crash in 2008. Gains were headlined by the mining, defense and logistics sectors. Hexagon Mining, Caterpillar, Raytheon, Amazon are all names we have become accustomed to hearing in Tucson, and with them come construction, long-term, and indirect jobs, subcontractors, and general business enthusiasm. Of note, medical marijuana-related businesses are finding traction in the industrial sector, as the industry begins to come of age.

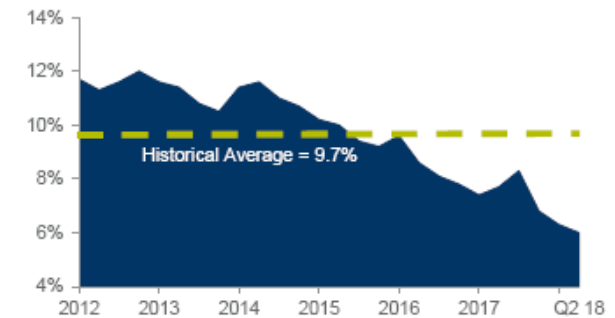
Mid-year sales volume was quite strong, posting double the volume seen in 2017 in the first half of the year. Average sale price per sf was on pace for its highest level since 2008. Distressed

asset sales have all but evaporated, and plans are in motion for new speculative construction in the industrial sector.

Overall Net Absorption/Overall Asking Rent
4-QTR TRAILING AVERAGE



Overall Vacancy



Outlook

Expect an increase in speculative development, marking a return to health for the Tucson market. Harsch Investments announced plans to build a multi-tenant distribution building in the airport submarket, and rumors of new, speculative construction in other submarkets are afoot. In the mining sector, we look forward to Hudbay's Rosemont project, and the further economic impact on the region. With continued construction, employment, and overall positive economic indicators, we project that the industrial market will stay strong through the remainder of 2018 and beyond.

Sub-Market indicators are as follows:

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG NET RENT* (HT)	OVERALL WEIGHTED AVG NET RENT* (MF)	OVERALL WEIGHTED AVG NET RENT* (OS)	OVERALL WEIGHTED AVG NET RENT* (W/D)
Downtown	418	4,184,435	13,400	1.7%	-21,858	0	N/A	\$0.28	\$1.00	\$0.73
Northeast	232	2,614,706	0	8.6%	2,458	0	N/A	\$0.58	\$0.64	\$0.44
Northwest/Oro Valley	728	9,627,949	13,955	2.8%	4,513	12,600	\$0.82	\$0.58	\$0.74	\$0.57
Palo Verde	531	6,497,806	7,939	4.8%	40,120	0	\$0.49	\$0.37	\$0.72	\$0.61
Park/Ajo	257	3,707,786	177,297	7.5%	31,527	0	\$0.68	\$0.09	\$0.53	\$0.43
South/Green Valley	12	187,663	0	0.6%	0	0	N/A	N/A	N/A	N/A
Southeast	98	5,873,923	0	3.4%	50,551	230,134	N/A	\$0.62	N/A	\$0.87
Southwest/Airport	249	9,296,988	13,000	13.4%	253,207	300,181	\$0.69	\$0.42	\$0.50	\$0.43
West Outlying	5	1,245,019	0	0.0%	0	0	N/A	N/A	N/A	N/A
TUCSON TOTALS	2,530	43,236,295	225,591	6.0%	360,791	542,915	\$0.70	\$0.42	\$0.63	\$0.51

*Rental rates reflect asking \$psf/month

HT = High Tech MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

As indicated above, the subject Southwest-Tucson Airport sub-market is at 13.4% vacancy, the highest of any sub-sector and well above the market average of 6.0%, there has been 253,257sf total net absorption, 70.2% of the total area wide market; there is 300,181sf under construction. Rental rates for each type of industrial space are moderately below market-wide averages.

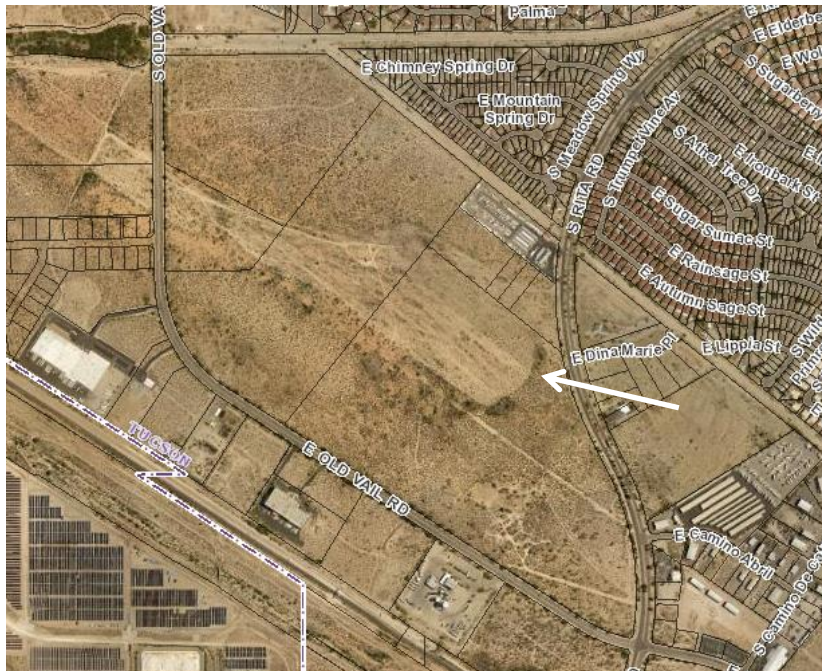
Maximum Profitability: In conclusion, the highest and best use "as if vacant" is considered to be investment. Vacancy in the subject sub-market area is quite high; while there are significant improvements in traffic linkages and promising plans for aerospace and high tech business parks, the subject is in a relatively small island industrial district with miscellaneous contractor's and salvage yards. Portions of the subject industrial subdivision, particularly the southern portion where the subject is located, have remained un-developed for years.

SALES COMPARISON APPROACH

A search of the Tucson area market revealed the following sales, considered to be most applicable to this appraisal valuation.

Comparable Site Sale One

LOCATION: Rita Rd n/o Old Vail Rd. (8901), Tucson, Arizona
LEGAL DESCRIPTION: Sunbelt Industrial Center, northern ptn Lot 1, Pima County, Arizona
TAX CODE NUMBER: 141-11-024C-split
RECORDS: 2018110373, 4/20/2018 Pima County Recorder
SELLER: Rita Ranch Limited Partnership
BUYER: Jensen Investments LLC
SALE PRICE: \$502,876
TERMS: Cash.
SITE SIZE: 15.735 acres reported
PRICE PER SF: \$.73
ZONING: I-1, Tucson Industrial.
COMMENTS: The site is restricted by airport environs including ADC-2, NCD-A (65-70 LDN). Per FEMA, zone X; a minor, non-regulatory wash crosses through the northwest corner of the site. Utilities are available to the site. Adjacent parcels, 26B, 25, 26A are also available for sale. The site had been listed for years as part of the larger parcel-24C (93.11 acres) at \$.678/sf. The site is purchased for development of a marijuana growing facility.
CONFIRMED WITH: Listing Agent, Steve Cohen, 546-2750, pdh 20181081



Comparable Site Two

LOCATION: Canada St. (5189 E), e/o Rosemont, Tucson, Arizona

LEGAL DESCRIPTION: E2 SW4 NW4 SE4 Less RDS 4.55 AC SEC 2-15-14, Pima County, Arizona

TAX CODE NUMBER: 140-01-0310

RECORDS: 10/17/2017, documents not yet available

SELLER: Unisource Energy Corporation

BUYER: PPR Tucson LLC

SALE PRICE: \$150,000, Asking price \$245,000 991 DOM

TERMS: Cash

SITE SIZE: 198,198 square feet, 4.55 acres

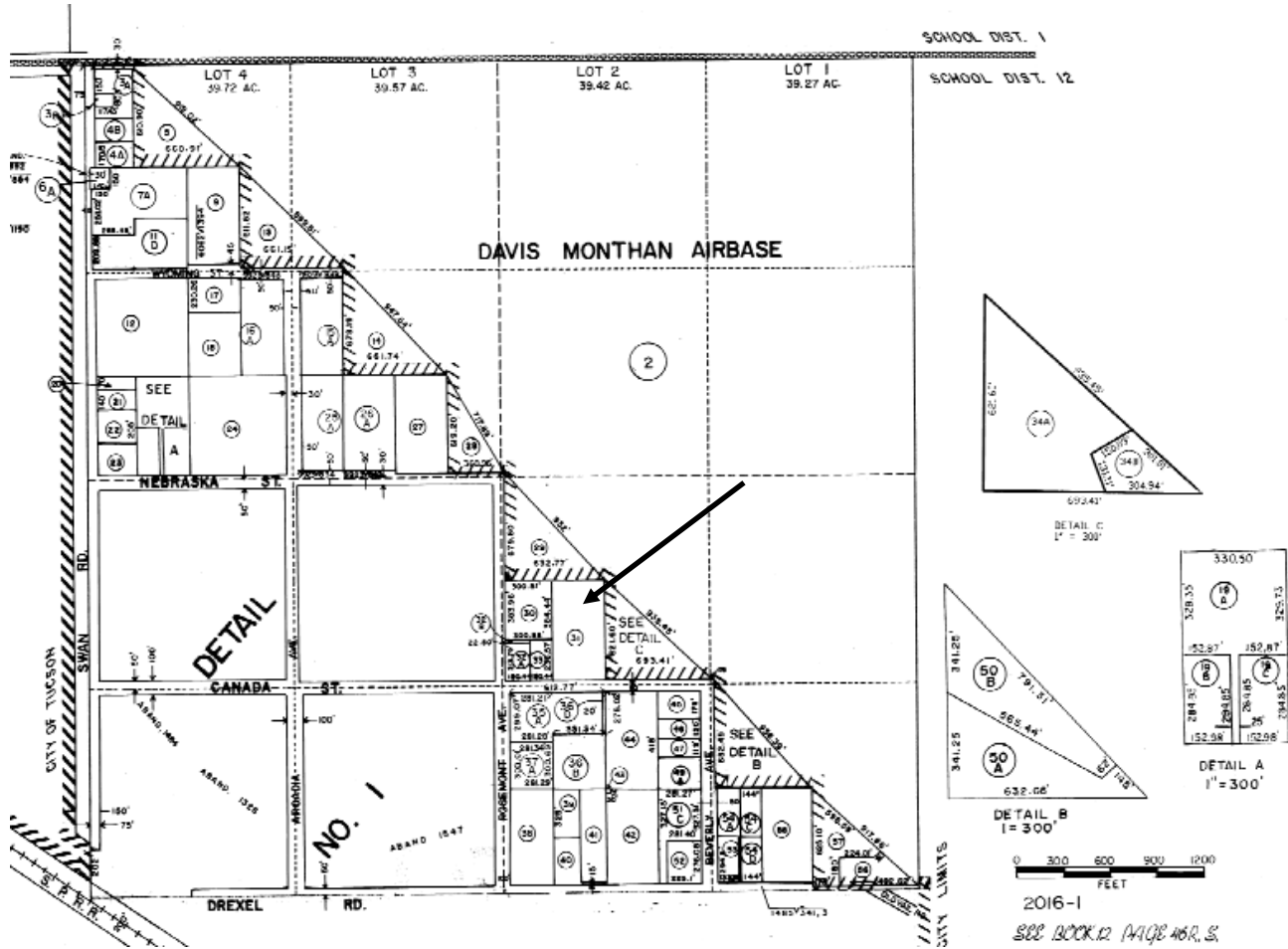
PRICE PER SF: \$0.764

ZONING: CI-1, Pima County Light Industrial

COMMENTS: The site is cade-corner to Davis Monthan Air Force Base; it is NCD-B noise restricted prohibiting some uses including cemeteries (NCZ-B), child care centers, cultural activities and religious facilities, educational facilities (NCZ-B) schools, hospitals and assisted-living centers, outdoor public assembly and residential. Canada in this vicinity is a dirt road. The site will require a well for water and septic. Per FEMA 04019C2295L the site is flood zone X. The site is rectangular in shape and chain link fenced.

CONFIRMED WITH: Brandon Rodgers, Listing agent, 546-2714, pdh, 2016979





Comparable Site Three

LOCATION: 6160 S Country Club, SWC Bilby, Tucson, Arizona 85706

LEGAL DESCRIPTION: LOS RANCHITOS NUMBER 3 L 120 LESS S30' & LESS N10' & E20', Pima County, Arizona

TAX CODE NUMBER: 140-27-0250

RECORDS: 4/21/2017 20170901050

SELLER: Living the Dream Holdings LLC, Steve Barry, Tucson

BUYER: Bilby Country Club LLC

SALE PRICE: \$169,884

TERMS: Cash

SITE SIZE: 141,100 square feet, 3.24 acres

PRICE PER SF: \$1.20

ZONING: CI-1, Pima County Light Industrial

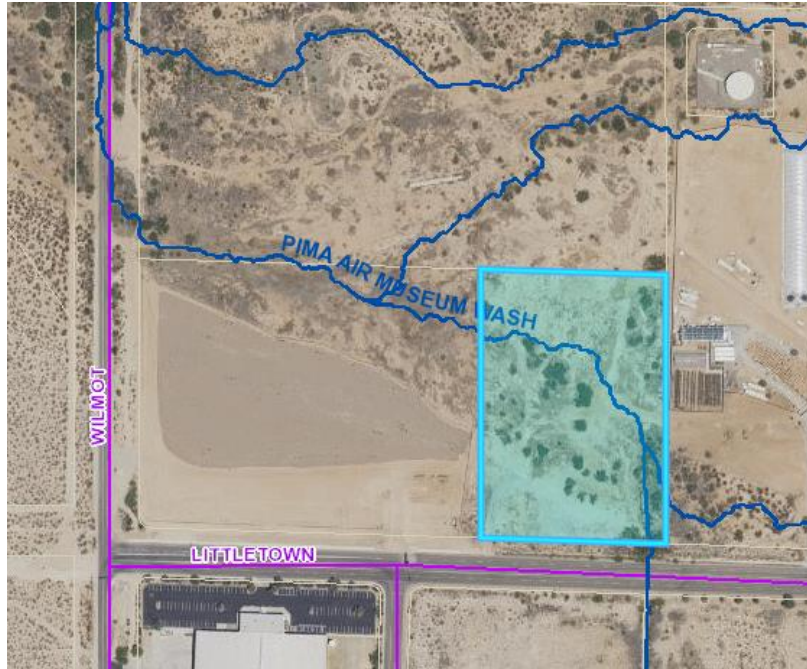
COMMENTS: The southwest corner of Bilby, the site is moderately restricted by TIA environs, height 112-124' (above that permitted by zoning (50'), the northwest corner is CUZ-2. Per FEMA 04019C2295L the site is flood zone X. The site is rectangular in shape and has utilities necessary for development. Traffic counts are 5,208 (15), 1,870 (15) on Country Club and Bilby respectively.

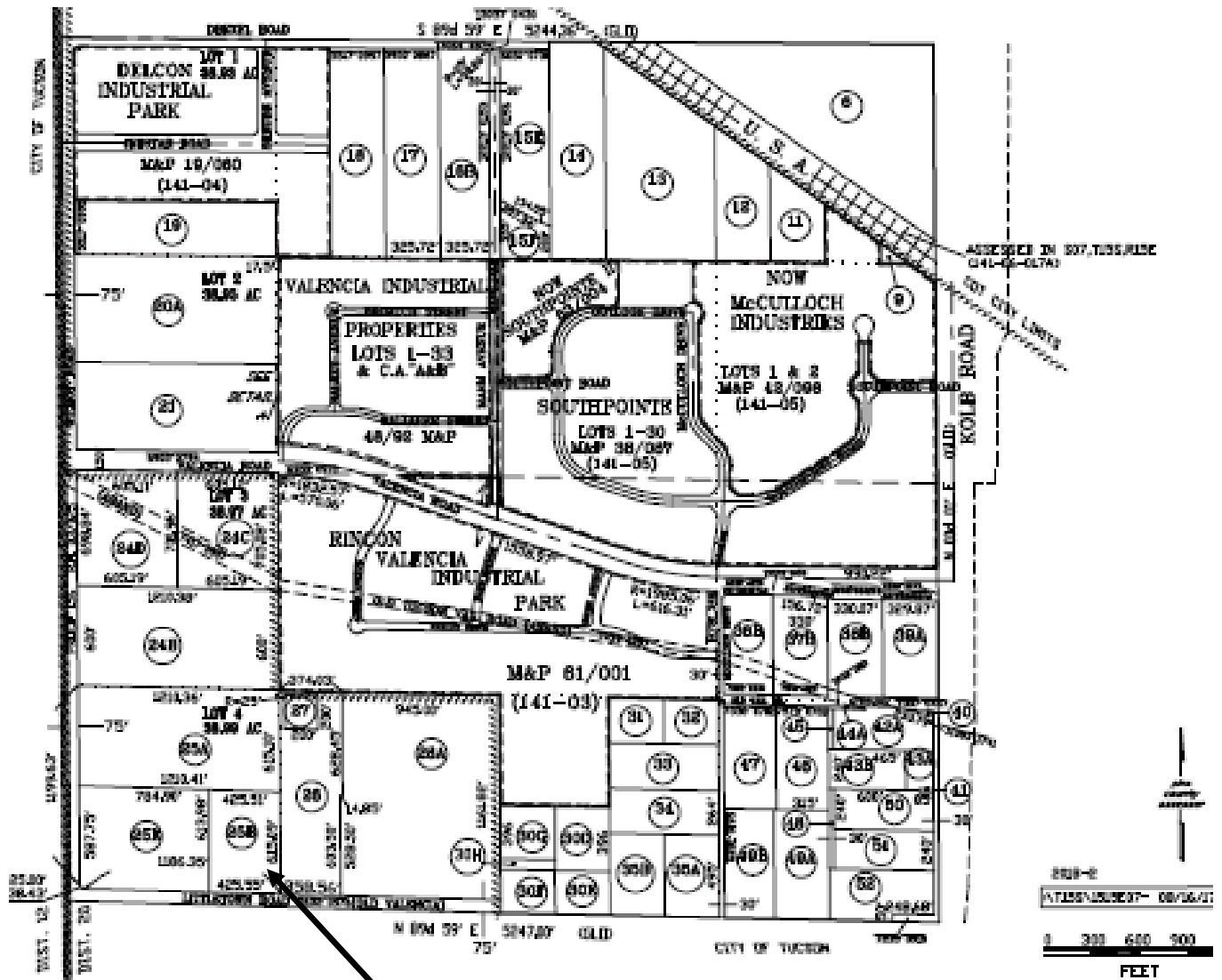
CONFIRMED WITH: Costar 3889715, Gary Emerson, listing agent, 777-4949, pdh, 20171054



Comparable Site Four

LOCATION: 6467 E Littletown Rd. Tucson, 85714
LEGAL DESCRIPTION: S615.09' N1230.04' E425.51' LOT 4 6 AC SEC 7-15-15, Pima County, AZ
TAX CODE NUMBER: 141-03-025B
RECORDS: 8/6/2017 20172280626
SELLER: Glenn Thompson
BUYER: HM1 LLC
SALE PRICE: \$210,000
SITE SIZE: 261,360sf, 6.0 acres
\$/Sf Site \$.80
TERMS: Cash
ZONING: I-2, City of Tucson Industrial
COMMENTS: A rectangular parcel fronting on Littletown Rd., a neighborhood collector, no traffic count available. Per FEMA, zone-x. All utilities were believed available. The site is restricted by airport environs including Ht 140-160' (85%), 120-140 (15%), ADC-2, NCD-B 68% 75-80 LDN, NCD-A 32% 70-75 LDN. The Pima Air Museum Wash, (proposed regulatory) crosses through the site. Seller believes purchasers plan is to offer the site to adjacent east Cannabis grower.
CONFIRMED WITH: Glenn Thompson, seller, 907-5446, pdh 20181076





Comparable Site Five (Current Listing)

LOCATION: Wilmot Road at Littletown Road, Tucson, Arizona

LEGAL DESCRIPTION: S500' N540' W875' E950' NE4 10.04 AC SEC 13-15-14, Pima County, Arizona

TAX CODE NUMBER: 140-37-059B

RECORDS: N/A Current Listing

SELLER: Wilmot Investments LLC

BUYER: N/A Current Listing

ASKING PRICE: \$330,000

TERMS: Cash

SITE SIZE: 437,342 square feet (10.04 acres)

PRICE PER SF: \$0.75

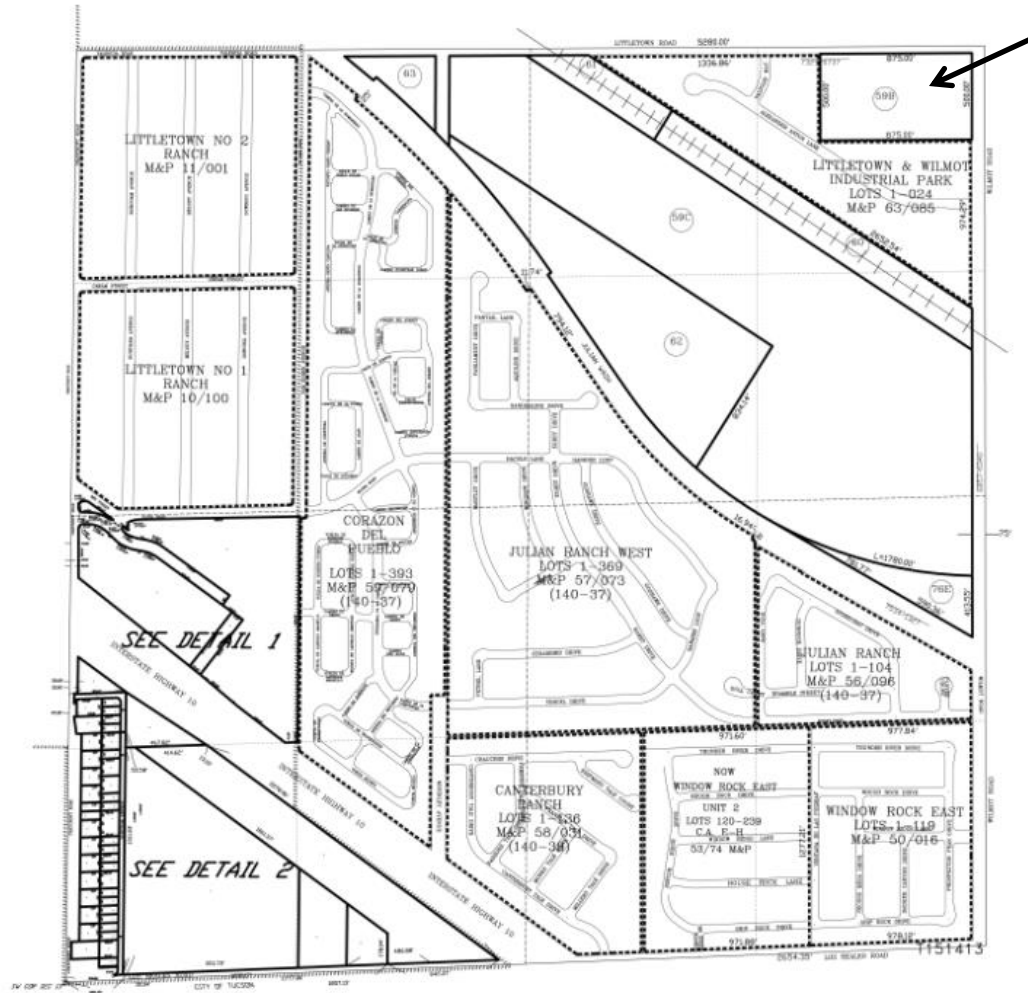
ZONING: I-2, Industrial, Pima County

COMMENTS: The property is on Wilmot Road at Littletown Road; traffic volumes on Wilmot are 5,707vpd (2013 s/o RR tracks). There site is believed to have electric, water and sewer to property line. It is approximately 77% NCD-B and 23% NCD-A which prohibits a number of high person per area uses and residential; it is in Height Overlay Zone 3, outside of the paddle (within the paddle height is restricted to 120-140'); per FEMA it is not located in the flood zone. The site previously sold 3/2007 for \$500,000.

CONFIRMED WITH: Paul Hooker, listing agent (520) 546-2704, pdh 2016988



SECTION 13, TOWNSHIP 15 SOUTH, RANGE 14 EAST



SITE SALES COMPOSITE MAP



Site Value Analysis; Partial Acquisition (5.99 acre) Larger Parcel

Four sales and one current listing have been selected for the subject value analysis.

Adjustments are applied to provide insight into the relative significance (weight) of the characteristic being considered and difference from the various comparable sales to the subject parcel. While based on appraisal experience and interpretation from the market, they are not intended to be precise to each comparable and category.

Property Rights: each of the sales is similar to the subject being fee simple, no adjustment is necessary.

Conditions of Sale: Each of the sales was considered to have typical buyer/seller motivations, no adjustments for conditions of sale are considered necessary.

Market Conditions: The sales occurred from April 2017 through April 2018; comparable 5 is a current listing. The sales are recent enough as to not warrant adjustment; comparable 5 is adjusted downward for listing status as buyer-seller negotiations typically result in sales below asking prices.

Location: Comparables 1, 4 and 5 are considered to be superior to the subject in location due to newer surrounding development and socio-economic characteristics of surrounding residents, they are adjusted moderately downward. Comparables 2 and 3 are considered to be similar the subject or offsetting, not requiring adjustment.

Size; as larger parcels typically sell for less on a per square foot basis all else being equal, comparables 1 and 5 are adjusted upward for inferior larger size, comparable 3 is adjusted moderately downward for smaller size, sales 2 and 4 are considered to be comparable, not requiring adjustment.

Zoning: the subject and comparables are zoned industrial; no adjustment is considered necessary.

Site Utility: The subject is considered to have average site utility; the sales are all moderately inferior for airport environs restrictions and in some cases, minor washes, they are adjusted upward accordingly.

Utilities: The subject currently does not have sewer, though sewer is not too distant and will be closer following completion of the Old Nogales Interceptor. Sales 1 and 3-5 are moderately superior for having all utilities available, they are adjusted downward accordingly due to further lack of utilities; sale 2 was inferior and therefore adjusted upward.

Access and Visibility: the subject has below average access-visibility as it is at the end of a dead end road; comparables 1, 2 and 4 are similar enough as to not require adjustment. Comparables 3 and 5 are superior and therefore adjusted downward.

Conclusion: The subject is considered to be bracketed by the comparables as sales 1 and 2 have net upward physical adjustments, comparables 3 and 4 have net downward physical adjustment and comparable 5 is offsetting. No one comparable is considered to be more significant than the others, a subject value at \$.83/sf, indicating value of the partial acquisition (7,266.8sf) as it contributes to the larger parcel at \$6,050 is considered reasonable.

Greater detail concerning the comparable sales and their adjustment when compared to the partial acquisition larger parcel site is available on the following grid:

SITE SALES COMPARISON SUMMARY; Partial Acquisition LP						
Comparable	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
	Eisenhower Pt Acquisition	Rita n/o Old Vail Rd	5189 E Canada	6160 S Country Club	6467 E Litletown	Wilmot at Litletown
Location						
Tax ID Number	140-52-0320	141-11-024C	140-01-031	140-27-025	141-03-025B	140-37-059b
Sales Data						
Date of Sale	N/A	Apr-18	Oct-17	Apr-17	Aug-17	Listing
Sales Price	N/A	\$502,876	\$150,000	\$169,884	\$210,000	\$330,000
Site Size (ac)	5.99	15.74	4.55	3.24	6.00	10.04
Price per SF	N/A	\$0.73	\$0.76	\$1.20	\$0.80	\$0.75
Property Rights (Interest)	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Interest adjustment	0%	0%	0%	0%	0%	0%
Financing	Cash	Cash	Cash	Cash	Cash	Cash
Cash Equivalent Price	N/A	\$502,876	\$150,000	\$169,884	\$210,000	\$330,000
Conditions of Sale	Average	Average	Average	Average	Average	Average
Condition Adjustment	0%	0%	0%	0%	0%	0%
Market Condition (Time)	N/A	Apr-18	Oct-17	Apr-17	Aug-17	Listing
Market Conditions Adj.	0.0%	0.0%	0.0%	0.0%	0.0%	-10.0%
Adjusted price per SF	N/A	\$0.73	\$0.76	\$1.20	\$0.80	\$0.68
Physical Characteristics						
Location	Avg/Fair	Superior	Similar	Offsetting	Superior	Superior
Size	5.99	15.74	4.55	3.24	6.00	10.04
Zoning	CI-2	I-1	CI-1	CI-1	I-2	I-2
Site Utility	Average	AE, washes	AE	AE	AE, wash	AE
Utilities	Avg/Fair	Superior	Inferior	Superior	Superior	Superior
Access/Visibility	Fair	Offsetting	Similar	Superior	Similar	Superior
Adjustments						
Location	0.0%	-10.0%	0.0%	0.0%	-5.0%	-5.0%
Size	0.0%	20.0%	0.0%	-5.0%	0.0%	7.5%
Zoning	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Site Utility	0.0%	5.0%	2.5%	2.5%	5.0%	2.5%
Utilities	0.0%	-2.5%	10.0%	-2.5%	-2.5%	-2.5%
Access/Visibility	0.0%	0.0%	0.0%	-10.0%	0.0%	-2.5%
Net Physical Adjustments	N/A	Upward	Upward	Downward	Downward	Offsetting
Net Adjustment (Overall)	0.0%	12.5%	12.5%	-15.0%	-2.5%	0.0%
Adjusted Comp Price/sf		\$0.83	\$0.85	\$1.02	\$0.78	\$0.68
Subject Value (\$/SF)	\$0.83					
Larger Parcel Value Opinion	\$217,400					
Partial Acquisition	\$6,050					

Site Value Analysis; Partial Exchange (7.71 acre) Larger Parcel

The same four sales and current listing are considered to be appropriate for analysis of the moderately larger Partial Exchange larger parcel; the only difference potentially significant enough for different adjustment is considered to be size and site utility.

Size: comparables 1 and 5 are adjusted upward for inferior larger size, comparables 2-4 adjusted downward for smaller size.

Site utility/utilities: utilities do not change; site utility is improved moderately as the parcel is no longer a "U" shape partially divided by Eisenhower Road right of way. However, the improvement in site utility is relatively minor, not significant enough for adjustment.

Conclusion: The subject is still bracketed with comparables sales 1 and 2 having net upward physical adjustments, comparables 3-5 having net downward physical adjustment. A subject value at approximately \$.80/sf, is indicated by simple mean, a minor 4.27% lower than the above Partial Acquisition opinion of value; however, considering the minor improvement in site utility mentioned above, an opinion of site value at the same \$.83/sf is considered reasonable, indicating value of the partial exchange (74,716.1sf) as it contributes to the larger parcel at \$62,610.

The adjustment grid, highlighting the difference for size adjustment, is as follows:

SITE SALES COMPARISON SUMMARY; Partial Exchange LP						
Comparable	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Location	Eisenhower Pt Exchange	Rita n/o Old Vail Rd	5189 E Canada	6160 S Country Club	6467 E Littletown	Wilmot at Littletown
Tax ID Number	140-52-0320	141-11-024C	140-01-031	140-27-025	141-03-025B	140-37-059b
Sales Data						
Date of Sale	N/A	Apr-18	Oct-17	Apr-17	Aug-17	Listing
Sales Price	N/A	\$502,876	\$150,000	\$169,884	\$210,000	\$330,000
Site Size (ac)	7.71	15.74	4.55	3.24	6.00	10.04
Price per SF	N/A	\$0.73	\$0.76	\$1.20	\$0.80	\$0.75
Property Rights (Interest)	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Interest adjustment	0%	0%	0%	0%	0%	0%
Financing	Cash	Cash	Cash	Cash	Cash	Cash
Cash Equivalent Price	N/A	\$502,876	\$150,000	\$169,884	\$210,000	\$330,000
Conditions of Sale	Average	Average	Average	Average	Average	Average
Condition Adjustment	0%	0%	0%	0%	0%	0%
Market Condition (Time)	N/A	Apr-18	Oct-17	Apr-17	Aug-17	Listing
Market Conditions Adj.	0.0%	0.0%	0.0%	0.0%	0.0%	-10.0%
Adjusted price per SF	N/A	\$0.73	\$0.76	\$1.20	\$0.80	\$0.68
Adjustments						
Location	0.0%	-10.0%	0.0%	0.0%	-5.0%	-5.0%
Size	0.0%	12.5%	-5.0%	-7.5%	-2.5%	3.5%
Zoning	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Site Utility	0.0%	5.0%	2.5%	2.5%	5.0%	2.5%
Utilities	0.0%	-2.5%	10.0%	-2.5%	-2.5%	-2.5%
Access/Visibility	0.0%	0.0%	0.0%	-10.0%	0.0%	-2.5%
Net Physical Adjustments						
Net Physical Adjustments	N/A	Upward	Upward	Downward	Downward	Downward
Net Adjustment (Overall)	0.0%	5.0%	7.5%	-17.5%	-5.0%	-4.0%
Adjusted Comp Price/sf		\$0.77	\$0.81	\$0.99	\$0.76	\$0.65
Subject Value (\$/SF)	\$0.83					
Larger Parcel Value Opinion	\$279,600					
Partial Acquisition	\$62,210					

There are extraordinary assumptions noted in the letter of transmittal; the use of these assumptions may affect assignment results.

STATEMENT AND CERTIFICATION OF APPRAISER

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

the statements of fact contained in this report are true and correct.

the reported 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

I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

my engagement in this assignment was not contingent upon developing or reporting predetermined results.

my compensation for completing this assignment is 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, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

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 & Standards of Professional Appraisal Practice of the Appraisal Institute. (C.S.R.1-1)

My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.

I have made a personal inspection of the property that is the subject of this report.

No one provided significant professional appraisal assistance to the person signing this report.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.(C.S.R.1-2).

As of the date of this report, I have completed the continuing education program of the Appraisal Institute (C.S.R.1-3).

As the client was aware prior to acceptance of assignment, I previously appraised this property within the prior 3 years.

I am competent to complete the appraisal.

If this report is in any way disassembled, reproduced, altered, or used in any other capacity than that made known to the appraiser at the time of the request and stated herein, the appraiser is not responsible for this report and it is invalid.

PAUL HENDRICKS REAL ESTATE APPRAISAL & COUNSELING



9/6/18

Paul D. Hendricks, MAI
Arizona Certified General Real Estate Appraiser 30197

PAUL HENDRICKS REAL ESTATE APPRAISAL & COUNSELING

HENDRICKS APPRAISAL & COUNSELING

Subject Photos

Parcel on West Side of Eisenhower (Lots 35-49), looking Southwest



Eisenhower and parcel south of dead end, looking South



Parcel on East Side of Eisenhower (Lots 113-120), looking Southeast



Eisenhower Road Looking North

