

## Subject Photographs



**View of property from Kolb Road**



**South building elevation**



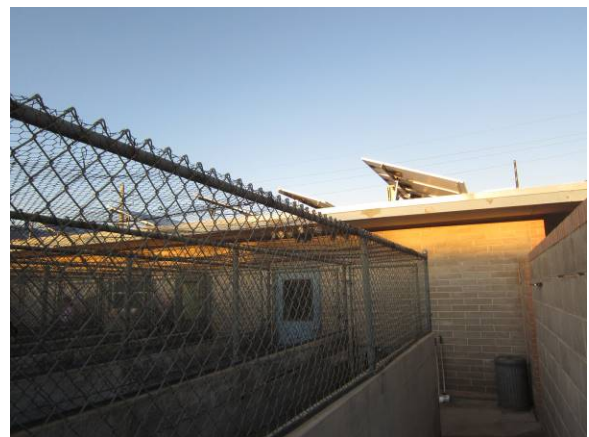
**Looking southwest at subject property**



**Looking east over undeveloped portion of site toward building improvements**



**Front (east) building elevation**



**West (rear) building elevation and exercise runs**



**West (rear) building elevation and exercise runs; leased solar PV system**



**Reception and waiting area**



**North building elevation and rear walled yard area**



**Reception / check out area**



**Waiting area**



**Private office**





**Ceiling damage in private office**



**Exam room**



**Interior corridor**



**Pre-surgery area**



**Exam room**



**Surgery area**



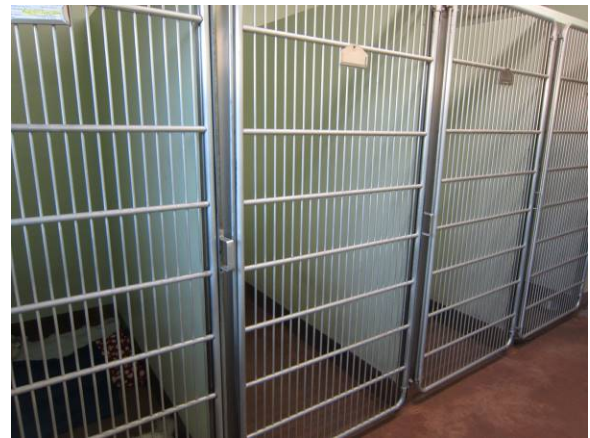
**Ward area**



**Treatment area**



**Ward area**



**Indoor stalls**



**Ward area**



**X-ray room**





**Wash and grooming area**



**Mechanical room**



**Ceiling damage in wash and grooming area**



**Rest room - client**



**Food preparation area**



**Rest room - employee**



**Storage area**



**Outside storage area**



**Outdoor exercise runs**



**Looking south along Kolb Road**



**Outdoor exercise runs**



**Looking north along Kolb Road**

## Highest and Best Use

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The Highest and Best Use of a property is the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

### Analysis of Highest and Best Use as if Vacant

The site is zoned C-2, which allows most commercial uses, including retail and offices, plus limited industrial when associated with a larger commercial use. This zone is typical of properties in the immediate area that have arterial frontage. A change in zoning is considered unlikely as the C-2 zone does not realistically limit the highest and best use of the property. The subject site comprises 28,875 square feet and is not impacted by any significant physical development constraints other than size.

The third test of highest and best use is feasible use. A feasible use is one that is physically possible, legally permissible, and will produce a net return to the owner. The subject is located within the Broadway Boulevard and Kolb Road retail node, which includes Gaslight Plaza at the southwest quadrant, a closed Kmart at the northwest quadrant, a former neighborhood shopping center at the northeast quadrant was repositioned with Floor and Décor, DSW Shoes, and In-N-Out Burger, and Circle Plaza at the southeast quadrant, which includes Michael's, HomeGoods, Beal's Outlet, Skechers, Natural Grocers, Ross, Hooters, Starbucks and Freddy's. The subject property and the other three properties located at the immediate southwest corner of Broadway and Kolb (as shown on plat map) are not actually part of Gaslight Plaza, which is a marginal retail center that is anchored by the Gaslight Theater and has numerous owners for its many parcels. Kmart closed in March of 2019 and the future of this center is unknown. While there were some major tenant losses at Circle Plaza over the past decade, the owner were able to re-tenant all of the larger spaces and this remains a strong retail center.

The subject retail node is located one mile east of the Broadway and Wilmot, which is the premier retail node for the eastern portion of metro Tucson. This area includes Park Place, one of Tucson's premier malls, plus Wilmot Plaza, which was redeveloped over the past five years and includes Dick's Sporting Goods, Nordstrom Rack, and TJ Maxx. The southeast quadrant of the Broadway and Wilmot intersection was also redeveloped over the past decade and includes CVS Drug, Raisin Cane's and Kneaders. This general area also experienced redevelopment of smaller commercial properties and religious facilities with new national chain restaurants. The subject retail node is not as strong as Broadway and Wilmot but is still considered to be strong and desirable to national and regional retailers.

Recent activity associated with the subject property and the adjacent west property indicated that investors are interested in the immediate area for its redevelopment potential. In September of 2018, an investor purchased the former Macayo's restaurant facility located at 7040 E Broadway for a price that equates to about \$123 per square foot of building area and \$32.50 per square foot of land area. The site totals 24,647 square feet and is improved with a 6,510 square foot restaurant. It also include a large billboard on a leased site that appears to have positively impacted the price. The



brokers suggested that this was purchased for redevelopment and it is currently being marketed unpriced for sale, lease, ground lease or build to suit.

As noted in the ownership history section of this report, the purchaser of the Macayo's property, which abuts the west boundary of the subject site, executed a purchase agreement for the subject property in December of 2018. The buyer was apparently interested in the redevelopment potential of the site and the effective purchase price, excluding the potential costs associated with the leased solar PV system, was equal to \$615,000, or \$21.30 per square foot of land area. Under a worst case scenario, the buyer felt that basis could increase to about \$23 per square foot including the buyout of the solar lease. As noted, this transaction was ultimately cancelled because the buyers wanted more time to close and the sellers were reportedly unwilling to grant this. The attempt to purchase the subject property by another investor was also documented in the Ownership History section of the report, this time in May of 2017 for a price of \$550,000, or \$19.05 per square foot of land area. The subject's listing broker believed that this buyer was interested in redeveloping the site with a Dutch Bros coffee store, although this was not certain. In any event, the owners of the subject property did not respond to the letter of intent. Additional details regarding the marketing history are included in the Ownership History section.

Based on the legal, physical and locational characteristics, it is clear that the highest and best use of the site property, as if vacant would be for some type of commercial use that would benefit from the high level of visibility and location with an established commercial node. Recent development trends suggest that this would be some type of fast-food restaurant/coffee store with drive-thru.

### Analysis of Highest and Best Use as Improved

The subject is improved with a 3,706 square foot building that was originally constructed as a small animal veterinary hospital in 1962. The use continues through the present date and the property appears to be largely unchanged from when it was constructed. While the property is considered to be in relatively good overall condition for its age, with some deferred maintenance noted, it is considered to be functionally obsolete by current design standards, which emphasize more exam rooms and less ward area. The cages in the ward areas appear to be constructed of reinforced concrete and conversion of these areas to alternative uses would likely face major physical challenges due to the construction materials and mass of the cage enclosures. Ultimately, I don't believe that the existing improvements area highly conducive to conversion to an alternative use.

As noted in the Ownership History section, the listing broker reported that there has been some interest in the property by local veterinarians, but that none ever actually presented an offer or letter of intent to purchase the property. However, most recently, the property was presented to Pima County for purchase and they are reportedly interested in acquiring it and retaining the current improvements for use by the animal control department. It is my understanding that the property owner and Pima County have tentatively agreed upon a purchase price of \$500,000, which equates to \$135 per square foot of building area (and \$17.32/SF of land area). The fact that Pima County would retain the building and continue the animal care use was apparently very important to the seller, who wanted the property to remain in its current use. Mr. Kirk Costich, the listing broker, believed that the seller's desire for the property to remain an animal care facility outweighed his desire to the sell it for the highest price. This appears to be borne out by the marketing history as the potential sale to Pima County is effectively more than \$100,000 less than the contract price to the adjacent property owner, who would have redeveloped the property with another use. Therefore, I



concluded that the current owner is not typically motivated and that the proposed sale price may not be reflective of the current market value of the property.

In order to support the conclusion of highest and best use, I investigated recent sales of improved properties. I initially searched for recent sales of veterinary facilities and discovered that there have been no meaningful sales in over five years. I next investigated sales of office buildings located in the central area of Tucson in order to document pricing trends.

#### Summary of Comparable Improved Sales

Sale #	Location	Sale Date	Sale Price	Price per SF	Building SF	Year Built	Site SF	FAR	Zoning
Subject	22 S Kolb Rd	Proposed	\$500,000	\$135	3,706	1962	28,875	0.13	C-2
1	680 S Craycroft Rd	Jul-19	\$395,000	\$106	3,716	1985	13,939	0.27	O-3
2	601 N Craycroft Rd	Jan-19	\$448,800	\$110	4,080	1986	18,901	0.22	C-1
3	639-621 N Swan Rd	Sep-18	\$230,000	\$77	2,987	1947	10,402	0.29	O-3
4	6802 E Broadway Bl	May-18	\$755,000	\$165	4,588	1971	16,966	0.27	O-3
5	160-170 S Kolb Rd	May-18	\$420,000	\$105	4,000	1965	9,363	0.43	C-2
6	3002 N Country Club Rd	Oct-17	\$485,000	\$126	3,855	1973	15,418	0.25	C-1
7	101-103 S Pantano Rd	Sep-17	\$400,000	\$129	3,100	1976	15,000	0.21	C-1
8	2975 N Country Club Rd	Apr-17	\$240,000	\$75	3,200	1958	14,266	0.22	C-1



680 S Craycroft Rd



639-621 N Swan Rd



601 N Craycroft Rd



6802 E Broadway Bl



160-170 S Kolb Rd



101-103 S Pantano Rd



3002 N Country Club Rd



2975 N Country Club Rd

The sales summarized above reflect purchase prices from \$75 to \$165 per square foot, although all but one are under the proposed \$135 per square foot purchase price of the subject property. Sale 4 is located about one-quarter mile west of the subject, at the signalized intersection of Broadway and Jessica. It is a professional office building that was purchased for conversion to a medical office. Its purchase price of \$165 per square foot is clearly at the high end of the range for properties of this type; however, it has excellent exposure and access characteristics. Sale 5 is located about 280 feet south of the subject and fronts Kolb Road as well. It is a general retail store although not highly functional as such by current standards, and was purchased for use as a karate studio. Its purchase price of \$105 per square foot was likely impacted by limited parking due to the high floor area ratio.

The marketing history of the subject and sales data summarized above suggest that the subject property might be valued by a user at or even above \$135 per square foot, or \$500,000, although the data tends to provide more support for a lower value of perhaps \$400,000, or \$108 per square foot. It is noted that Pima County would also be acquiring any personal property associated with the veterinary practice that the owner elect to leave, although this would not appear to be a major consideration in the deal. However, the marketing history indicates that investors value the property



at \$550,000 to \$600,000, or possibly more, suggesting that the improvements no longer contribute value to the property and have therefore reached the end of their economic life. Mr. Costich believed that the party offering \$550,000 may have been willing to increase the bid if the owner had been willing to entertain the offer. The land value analysis presented later in this report supports a current market value in this range as well.

Based on the analyses presented, I concluded that the highest and best use of the property as presently improved is for near-term redevelopment with a new commercial use.

### Most Probable Purchaser of Subject Property

The most probable purchaser of the subject property would most likely be a local or regional developer.

# Appraisal Methodology

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## Three Approaches to Value

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

### Cost Approach

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

### Sales Comparison Approach

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

### Income Capitalization Approach

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

## Subject Valuation

Per my agreement with the client, I have been engaged for this appraisal assignment in order to provide opinions of value under the following scenarios:

Valuation Scenarios	Effective Date of Value
Market Value As Is, Fee Simple	August 20, 2019

Based on the conclusion of highest and best use, the property has been valued based on application of the sales comparison approach, specifically utilizing improved properties purchased for their redevelopment potential, as well as sales of vacant land. The income capitalization and cost approaches were not applicable and have not been undertaken.



# Sales Comparison Approach

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## Methodology

This approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. In the sales comparison approach, an indication of market value is developed by analyzing closed sales, listings, or pending sales of properties similar to the subject property, using the most relevant units of comparison. The comparative analysis focuses on the difference between the comparable sales and the subject property using all appropriate elements of comparison.

## Unit of Comparison

The primary unit of comparison selected depends on the appraisal problem and nature of the property. The primary unit of comparison in for the current appraisal is price per square foot of land area.

## Elements of Comparison

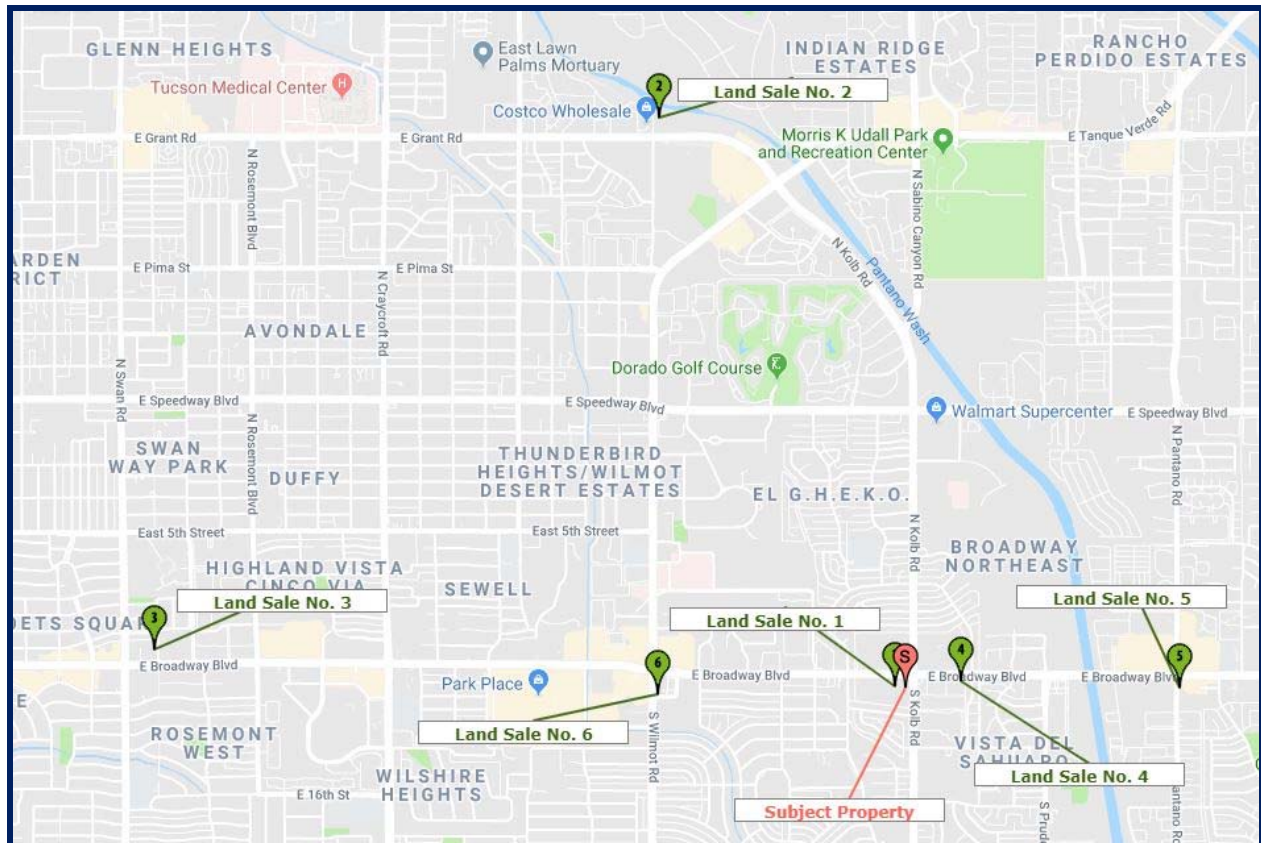
Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The main elements of comparison that should be considered in sales comparison analysis are as follows: (1) real property rights conveyed, (2) financing terms, (3)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

## Comparable Sales Data

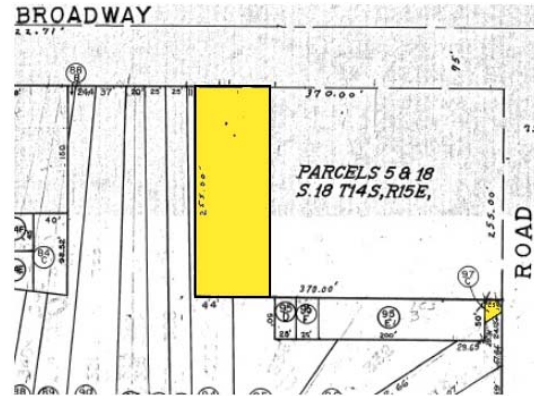
A search of data sources and public records, a field survey, interviews with knowledgeable real estate professionals in the area, as well as a review of our internal database was also conducted to obtain and verify relevant sales of similar properties. The sales summarized on the following pages were judged to be the most applicable in developing an indication of the market value of the subject property via the sales comparison approach.

**Land Sales Summary**

Comp #	Location	Sale Date	Acres	Sq Ft	Zoning	Sale Price	Price /SF Land	Intended Use
<b>Subject</b>	<b>22 S Kolb Rd</b>	<b>12/18 Contract</b>	<b>0.66</b>	<b>28,875</b>	<b>C-2</b>	<b>\$600,000</b>	<b>\$20.78</b>	<b>Redevelopment</b>
1	7040 E Broadway Blvd	9/18	0.57	24,647	C-2	\$800,000	\$32.46	Redevelopment
2	6307 E. Grant Road	5/18	1.08	46,986	CB-1	\$700,000	\$14.90	Surf Thru Car Wash
3	4741 E Broadway Bl	4/17	1.97	85,622	C-1	\$1,200,000	\$14.02	Redevelopment
4	7280 E Broadway Bl	4/15	0.41	17,900	C-2	\$500,000	\$27.93	Hooter's
5	35 S Pantano Rd.	3/15	1.46	63,631	C-1	\$600,000	\$9.43	Surf Thru Car Wash
6	135 S Wilmot Rd	12/14	1.13	49,063	C-1	\$900,000	\$18.34	Kneaders Bakery & Café





**Land Sale No. 1**

Property Identification

Property ID	10982245
Property Type	Commercial Land
Property Name	Former Macayo's - Gaslight Plaza
Address	7040 E Broadway Blvd
City, State Zip	Tucson, Arizona 85710
County	Pima
Tax ID	134-21-0040, -097C

Sale Data

Seller	Macayo Restaurants LLC
Buyer	WNDG, LLC
Sale Date	09-11-2018
Reference No.	20182540510
Property Rights	Fee Simple
Market Time (days)	336
Financing	Cash equiv.
Verification	Pete Villaescusa, Listing Broker, CBRE, 520-323-5112, 10-08-2018
Prior Sales	No sales prior three years.

Land Data

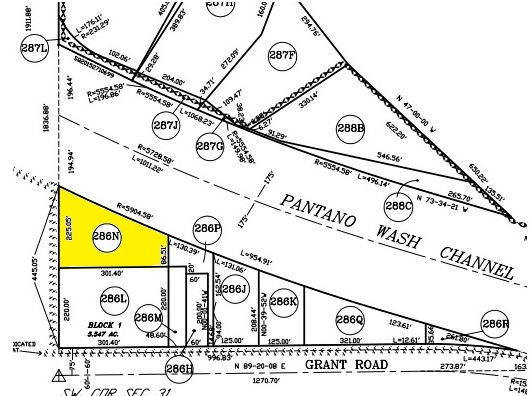
Size	0.57 acres; 24,647 SF
Shape	Generally rectangular
Topography	Generally level
Flood Issues	None
Utilities	All available to the site
Site Improvements	Restaurant (6,510 SF), asphalt paved parking lot, billboard
Zoning	C-2 Commercial

<b>Price</b>	<b>\$800,000</b>
<b>Price/SF</b>	<b>\$32.46 per SF</b>

Remarks

Arm's length market transaction. The former Macayo's restaurant was vacant at the time of sale. The condition was represented as average for a building of its age. The property was purchased by an investor who subsequently remarketed the property as a redevelopment opportunity for sale, lease, ground lease or build to suit. The listing broker also suggested demolition and redevelopment was a possibility. The property includes a billboard leased for \$1,300 per month with multiple renewal options; however, this does not impact the development potential of the property. The property also includes a non-contiguous 422 square foot site that fronts Kolb Road and is utilized for access to utilities but might also allow for signage. Personal property including all the kitchen equipment and furniture was included in the sale, but was accorded no value.

The property is a front pad in Gaslight Plaza, an unanchored retail center that wraps around the southwest corner of Broadway Boulevard and Kolb Road. Traffic exposure on Broadway Boulevard was approximately 39,800 VPD (2018).

**Land Sale No. 2**

**Property Identification**

Property ID	10852051
Property Type	Retail Land
Property Name	Surf Thru Site
Address	6307 E. Grant Road
City, State Zip	Tucson, Arizona 85715
County	Pima
Tax ID	114-40-286N

**Sale Data**

Seller	Altima Investments, LLC
Buyer	Surf Thru
Sale Date	05-25-2018
Reference No.	2018-1350478
Property Rights	Fee Simple
Market Time (days)	84
Financing	Cash equivalent
Verification	Rob Tomlinson, PICOR, 520-546-2757, 01-07-2019
Prior Sales	No sales in prior three years.

**Land Data**

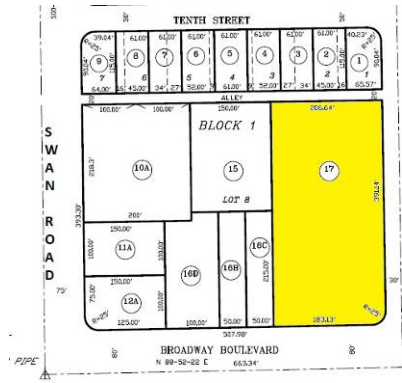
Size	1.08 acres; 46,986 SF
Shape	Irregular, functional
Topography	Generally level
Flood Issues	None
Utilities	All available to site
Site Improvements	None
Zoning	CB-1 Local Business

<b>Price</b>	<b>\$700,000</b>
<b>Price/SF</b>	<b>\$14.90 per SF</b>



Remarks

The site is an interior lot located adjacent to a Costco. The listing broker reported that there was a fair amount of interest; however, serious interest was limited due to the lack of frontage and visibility along Grant Road. There were no reported unique conditions that influenced the sale price. The shape of the site is irregular, but does not appear to impact the development potential. The site is located adjacent to the Pantano Wash, although the majority of the site is outside the 100 year floodplain. Utilities are available to the site. The buyer is a user that plans on developing a self-serve car wash (Surf Thru).

**Land Sale No. 3**

Property Identification

Property ID	10982297
Property Type	Commercial Land
Property Name	Redevelopment Site
Address	4741 E Broadway Bl
City, State Zip	Tucson, Arizona 85711
County	Pima
Tax ID	126-07-017

Sale Data

Seller	Tucson Full Gospel Church, Inc.
Buyer	Shenitzer Properties, LLC
Sale Date	04-21-2017
Reference No.	20171110551
Property Rights	Fee Simple
Market Time (days)	1317
Financing	Cash equivalent
Verification	Chris Tsighis, Coldwell Banker, 520-275-4861,
Prior Sales	No sales prior 3 years

Land Data

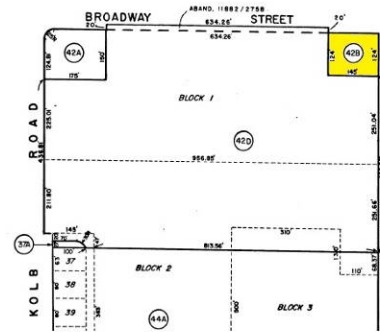
Size	1.97 acres; 85,622 SF
Shape	Rectangular
Topography	Level
Flood Issues	None
Utilities	All available to site
Site Improvements	Religious facility constructed in 1956 comprising 16,410 SF
Zoning	C-1 Commercial

<b>Price</b>	<b>\$1,200,000</b>
<b>Price/SF</b>	<b>\$14.02 per SF</b>

Remarks

Investor acquisition of a religious facility for eventual commercial redevelopment. There was reportedly a short-term lease back to the seller, although this did not impact the purchase price. The site is located along Broadway at a minor corner and there is a left-turn bay permitting access from eastbound Broadway. Swan Road is located about 350 feet to the west. Demolition costs are unknown but would total about \$82,000 at \$5/SF of building area. Broadway carries about 42,000 VPD near this site.



**Land Sale No. 4**

Property Identification

Property ID	10982258
Property Type	Commercial Land
Property Name	Hooter's Site
Address	7280 E Broadway Bl
City, State Zip	Tucson, Arizona 85710
County	Pima
Tax ID	134-19-042B

Sale Data

Seller	Murray
Buyer	Circle Plaza Sports LLC
Sale Date	04-30-2015
Reference No.	20151200645
Property Rights	Fee Simple
Market Time (days)	Off market transaction
Financing	Cash
Verification	Andy Seleznov, Larsen Baker, 520-296-0200,
Prior Sales	No sales prior 3 years

Land Data

Size	0.41 acres; 17,900 SF
Shape	Rectangular
Topography	Building pad level
Flood Issues	None
Utilities	All available to the site
Site Improvements	The site was improved with two commercial buildings totaling 7,567 SF.
Zoning	C-2 Commercial

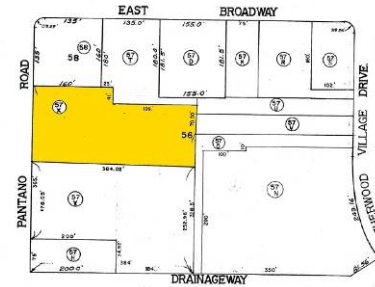
<b>Price</b>	<b>\$500,000</b>
<b>Price/SF</b>	<b>\$27.93 per SF</b>

Remarks

Property was improved with two commercial buildings at the time of sale that totaled about 7,567 SF and was purchased for redevelopment by the owners of the adjacent Circle Plaza, which is anchored by Sports Authority, Michaels, Ross, and HomeGoods. This was an off-market transaction that reportedly took five years to negotiate. The buyer believed that the site could support 4,700 SF of building improvements and it was ultimately developed with a 5,200 SF Hooter's restaurant. The seller operated a Play It Again Sports retail store on the property, which shared access rights with Circle Plaza. Demolition costs were estimated at about \$5/SF, or \$38,000. Broadway carries about 38,900 VPD.

**Land Sale No. 5**

 134-B  
 3/3

**BLOCK A, CLOUD RIDGE EAST**

Property Identification

Property ID	10849402
Property Type	Commercial Land
Property Name	Surf Thru Car Wash Site
Address	35 S Pantano Rd.
City, State Zip	Tucson, Arizona 85710
County	Pima
Tax ID	134-13-057X

Sale Data

Seller	National Retail Properties, LP
Buyer	Surf Thru Inc.
Sale Date	03-17-2015
Reference No.	2015-0860284
Property Rights	Fee Simple
Market Time (days)	1783
Financing	Cash
Verification	Sarah with Craig Finrock, Commercial Retail Advisors, 520-290-3200, 06-26-2015
Prior Sales	Deed and Assignment 9/11/2012, Document #20122550506, unknown price.

Land Data

Size	1.46 acres; 63,631 SF
Shape	Slightly irregular, functional
Topography	Generally level
Flood Issues	None
Utilities	All available to site
Site Improvements	None
Zoning	C-1 Commercial

<b>Price</b>	<b>\$600,000</b>
<b>Price/SF</b>	<b>\$9.43 per SF</b>



Remarks

Vacant site located on the west side of Pantano, just south of Broadway. Arms-length market transaction. Purchased by a user for development with a Surf Thru Express Car Wash. The buyer owns another car wash in Tucson. Traffic Volume on Pantano is about 32,000 VPD. Broadway carries 42,000 VPD.

**Land Sale No. 6**

Property Identification

Property ID	10849140
Property Type	Commercial Land
Property Name	Kneaders Bakery & Cafe site
Address	135 S Wilmot Rd
City, State Zip	Tucson, Arizona 85710
County	Pima
Tax ID	134-23-411D

Sale Data

Seller	Tucson Broadway and Wilmot, LLC (Eisenberg Company)
Buyer	FFG Development, LLC
Sale Date	12-16-2014
Reference No.	20143500601
Property Rights	Fee Simple
Market Time (days)	See remarks
Financing	Cash Equiv.
Verification	Torrey Briegel, Phoenix Commercial Advisors, 602-734-7219, 02-06-2015
Prior Sales	This sale was reported as the second part of a double escrow. The larger 2.3 acre site was acquired for \$1,725,000 (\$17.21/SF); 2014-3500598

Land Data

Size	1.13 acres; 49,063 SF
Shape	rectangular with a radial curve
Topography	Level, graded, previously developed
Flood Issues	None
Utilities	All available
Site Improvements	
Zoning	C-1 Commercial

<b>Price</b>	<b>\$900,000</b>
<b>Price/SF</b>	<b>\$18.34 per SF</b>

Remarks

Arm's length market transaction. This sale was reported as the second part of a double escrow. The buyer will construct a 4,050 S.F. Kneaders Bakery and Cafe with a drive-thru. The traffic count on Wilmot Road was 41,000 VPD (2014).



## Sales Comparison Analysis

Adjustments have been made for differences in the various elements of comparison, including real property rights, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, size, and other relevant factors. If the comparable sale is considered superior to the subject, a negative adjustment is applied to the comparable. A positive adjustment to the comparable is applied if it is considered inferior to the subject.

## Transaction Adjustments

These items are applied prior to the application of market conditions and property adjustments. Transaction adjustments include, real property rights conveyed, financing terms, conditions of sale, and expenditures made immediately after purchase.

### Real Property Rights Conveyed

The fee simple estate is being appraised and all of the sales also involved the transfer of the fee simple interest. No adjustments were required.

### Financing Terms

All of the sales reflected cash equivalent financing terms and did not warrant adjustment.

### Conditions of Sale

Sales 1, 2, 3, 5 and 6 appear to have reflected normal conditions of sale with no atypical motivation or influences, so no adjustments were warranted. The buyer of the subject property under the December 2018 contract did own the adjacent west Sale 1 parcel, so it is possible that they were willing to pay a premium due to the assemblage factor. Given the combined "L" shape of the two parcels, it would not appear that overall utility was greatly enhanced for either parcel, although this might have permitted more intensive overall development. I elected to apply no adjustment but also did not add in the buyer's share of the sales commission, which is typically paid by the seller. Sale 4 was also purchased by the owner of the adjacent shopping center; however, I do not believe that a significant premium was paid so no adjustment was made.

### Expenditures Made Immediately After Purchase

Given the nature of this analysis, no adjustments were made for estimated demolition costs, although this will be addressed as part of the physical characteristics.

## Market Conditions Adjustment

The sales occurred between December of 2014 and September of 2018. Given the nature of the subject property, I concluded that location and development potential were more important than date of sale and for this reason I expanded the dates of sale back five years. The comparables selected provide a good indication of market activity in the area surrounding the subject property and are more insightful and relevant than newer sales of properties located in other distinct market areas within metro Tucson.

Tucson's retail market sector has been fairly stable over the past five years, with overall vacancy declining from about 6.5% at the end of 2014 to 5.2% at the end of 2018. The average vacancy at the end of the second quarter of 2019 was 5.7% and the trailing four-quarter average was 5.5%. The East Tucson retail submarket generally includes all of the areas east of Craycroft and reflected a second quarter 2019 average of 7.4% and an average trailing four-quarter vacancy of 6.8%. This area includes Park Place (Mall), which had a Sears department store that closed in July 2018, which

increased the overall vacancy by close to 200 basis points. Roughly one quarter of this space has been re-leased. The Kmart that vacated earlier this year is still classified as occupied since it is apparently under lease. In any event, market conditions have been relatively stable but I believe that there has likely been some upward pressure on land pricing over this period of time, particularly in the cases of Sales 4 and 5 and 6, which occurred between December of 2014 and April of 2015, and I adjusted them upward by 10%, based on a general inflation rate of 2.0% to 2.5% per year.

## Property Adjustments

Property adjustments are based on locational and physical characteristics and are applied after the application of transaction and market conditions adjustments.

### Location

Sale 1 is located adjacent to the subject property but fronts Broadway Boulevard, which is a more established retail corridor than Kolb Road. Sale 4, located just to the east of the subject on Broadway, at the northeast corner of Circle Plaza, is superior to the subject and Sale 1 because of its common access and proximity to the major tenants within this successful retail center. Recent traffic counts by Pima Association of Governments show Kolb carrying almost 46,000 vehicles per day compared to just under 40,000 for Broadway, although counts in prior years indicated a volume of about 50,000 per day for Broadway. In any event, Broadway is the primary commercial arterial that attracts demand from national retailers while Kolb is only intensively commercialized near its major intersections with east-west arterials like Broadway, Speedway and 22<sup>nd</sup> Street.

Sale 6 is located on Wilmot Road, which is similar to Kolb Road in that it is not heavily commercialized to the south beyond the immediate Broadway retail node. Comparison of this sale to Sales 1 and 4, as well as other 2014 sales of parcels on Wilmot and Broadway supports that pricing on Broadway has generally been \$8 to \$10 per square foot higher than on Wilmot. A similar differential would be expected for Kolb Road versus Broadway, although the location of Sale 6 is considered to be superior overall to the subject. I applied downward adjustments of 15% to Sale 1, 25% to Sale 4 and 10% to Sale 6.

Sale 2 has a Grant Road address but has limited visibility because it sits behind the Carl's Jr. restaurant at the northeast corner of Grant and Wilmot. Access is via the northern extension of Wilmot Road, which also is the main access point to Costco, a major demand generator. I concluded that an upward adjustment of 25% was warranted.

Sale 3 is also located on Broadway just east of Swan Road. This area of Broadway is not as desirable as the commercial nodes farther to the east, including Broadway/Wilmot and Broadway/Kolb. I concluded that the site was slightly superior to the subject in terms of location and applied a 5% downward adjustment.

Sale 5 is located about one mile east of the subject on Pantano Road, just south of Broadway. This commercial node is considered interior to the Broadway/Kolb node and the traffic count on Pantano is also well below that of Kolb. A 25% upward adjustment was applied.

### Physical Characteristics

The physical characteristics include shape, size, topography, drainage, availability of utilities, site improvements and other features that could impact the development of the site. None of the sites are impacted by flooding or significant topographical issues and all have adjacent utilities.

The subject site contains 0.66 acres, while the comps range from 0.41 to 1.97 acres. Larger commercial sites typically sell for less per square foot than otherwise comparable smaller sites, although this is not absolute. Sales 1 and 4 are close in size to the subject and do not warrant adjustment. Sales 2 and 6 both comprise about 1.1 acres and were adjusted upward by 10%. Sales 3 and 5 range from about 1.5 to 2.0 acres and were adjusted upward by 25%.

Sales 1, 2, 3, 5 and 6 have similar frontage to depth aspects as the subject and did not warrant adjustment for site shape/orientation. Sale 4 has a superior nearly square shape and was adjusted downward by 10%.

The subject and Sales 1, 3, and 4 all included significant building improvements, although the magnitude of the improvements is greater on Sale 3 and 4. No adjustment was warranted for Sale 1, while Sale 3 and 4 were adjusted upward by 5%. Sales 2, 5 and 6 had no improvements at the time of sale and were adjusted downward by 5%.

#### Use/Zoning

The comparables all reflect a commercial zoning that allows similar uses and development. There did not appear to be any type of premium for C-2 zoning compared to C-1 zoning. No adjustments were made.

#### Economic Characteristics

Sale 1 included a billboard that appears to have significantly contributed to the purchase price. A downward adjustment of 25% was applied. None of the other sales required adjustments for economic characteristics.

#### Non-Realty Components of Value

None of the comps included any significant non-realty components so no adjustments were required.

#### Summary of Adjustments

Based on the preceding analysis, we have summarized adjustments to the sale comparables on the following adjustment grid. These adjustments are based on 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.

**Land Sale Adjustment Grid**

	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Location	22 S Kolb Rd Tucson, Arizona	7040 E Broadway Blvd Tucson, Arizona	6307 E. Grant Road Tucson, Arizona	4741 E Broadway Bl Tucson, Arizona	7280 E Broadway Bl Tucson, Arizona	35 S Pantano Rd. Tucson, Arizona	135 S Wilmot Rd Tucson, Arizona
Date	12/18 Contract	9/18	5/18	4/17	4/15	3/15	12/14
Sale Price	\$600,000	\$800,000	\$700,000	\$1,200,000	\$500,000	\$600,000	\$900,000
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing Terms	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash	Cash	Cash Equiv.
Conditions of Sale	Normal	Normal	Normal	Normal	Off-market	Normal	Normal
Acres	0.66	0.57	1.08	1.97	0.41	1.46	1.13
Land SF	28,875	24,647	46,986	85,622	17,900	63,631	49,063
Zoning	C-2	C-2	CB-1	C-1	C-2	C-1	C-1
Existing Bldg SF	3,706	6,510	N/A	16,410	7,567	N/A	N/A
Intended Use	Redevelop	Redevelop	Car Wash	Redevelop	Hooter's	Car Wash	Kneader's
<b>Price/SF Land</b>	<b>\$20.78</b>	<b>\$32.46</b>	<b>\$14.90</b>	<b>\$14.02</b>	<b>\$27.93</b>	<b>\$9.43</b>	<b>\$18.34</b>
<b>Transactional Adjustments</b>							
Property Rights Conveyed	0	0	0	0	0	0	0
Financing Terms	0	0	0	0	0	0	0
Conditions of Sale	0	0	0	0	0	0	0
Expenditures after Sale	0	0	0	0	0	0	0
<b>Adjusted Price/SF</b>	<b>\$20.78</b>	<b>\$32.46</b>	<b>\$14.90</b>	<b>\$14.02</b>	<b>\$27.93</b>	<b>\$9.43</b>	<b>\$18.34</b>
<b>Market Conditions Adjust.</b>	0	0	0	0	+10%	+10%	+10%
<b>Adjusted Price/SF</b>	<b>\$20.78</b>	<b>\$32.46</b>	<b>\$14.90</b>	<b>\$14.02</b>	<b>\$30.72</b>	<b>\$10.37</b>	<b>\$20.17</b>
<b>Property Adjustments</b>							
Location	0	-15%	+25%	-5%	-25%	+25%	-10%
<b>Physical Characteristics</b>							
Size	0	0	+10%	+25%	0	+25%	+10%
Shape, Topo, Flood	0	0	0	0	-10%	0	0
Utilities	0	0	0	0	0	0	0
Other/Demolition	0	0	-5%	+5%	+5%	-5%	-5%
Zoning/Allowable Use	0	0	0	0	0	0	0
Economic Characteristics	0	-25%	0	0	0	0	0
Non Realty Components	0	0	0	0	0	0	0
<b>Indicated Value/SF</b>	<b>\$20.78</b>	<b>\$19.48</b>	<b>\$19.37</b>	<b>\$17.53</b>	<b>\$21.51</b>	<b>\$15.04</b>	<b>\$19.17</b>

## Sales Comparison Approach Conclusions

The sales represented the best available data for this analysis and reflected non-adjusted purchase prices from \$9.43 to \$32.46 per square foot. The top of the range was set by the former Macayo's restaurant property located adjacent west of the subject, but fronting Broadway Boulevard. The property also included a large billboard that appears to have contributed significant value to the deal. The next highest sale involved the former Play It Again Sports pad site with Circle Plaza, located just to the east of the subject property on Broadway. The bottom of the range was established by the car wash site on Pantano, just south of Broadway. After adjustments, the sales ranged from about \$15.00 to 21.50 per square foot, although the second lowest indicator was about \$17.50 per square foot and I felt that a range from \$17.50 to \$21.50 per square foot was supported.

The December 2018 contract to purchase the subject property reflected a sale price of \$600,000, or \$20.78 per square foot, although the purchaser was also going to pay half of the 5% sales commission and also would have to deal with terminating the solar PV lease. The effective purchase



price, including the commission but excluding the potential costs associated with the leased solar PV system, was equal to \$21.30 per square foot of land area. Under a worst case scenario, the buyer felt that basis could increase to about \$23 per square foot including the buyout of the solar lease. As noted, this transaction was ultimately cancelled because the buyers wanted more time to close and the sellers were reportedly unwilling to grant this. The attempt to purchase the subject property by another investor was also documented in the Ownership History section of the report, this time in May of 2017 for a price of \$550,000, or \$19.05 per square foot of land area. The subject's listing broker believed that this buyer was interested in redeveloping the site with a Dutch Bros coffee store, although this was not certain. In any event, the owners of the subject property did not respond to the letter of intent.

My investigation identified the following offerings that are of interest in this appraisal.

### Land Offerings Summary

Comp #	Location	Price					
		Asking Price	/SF land	Acres	S.F.	Zoning	MOM
1	5712 E Speedway Bl	\$1,250,000	\$20.79	1.38	60,113	C-2 & R-1	6
2	6041-6079 E 22nd St	\$799,000	\$13.10	1.40	60,984	C-1	148

Listing 1 is located at a minor intersection on Speedway between Craycroft and Wilmot. It is improved with a 15,372 square foot building that has been occupied for many years by Rite Way Heating the Air Conditioning, but is being marketed as a redevelopment site. The rear portion of the site is zoned R-1, and would have to be rezoned to permit redevelopment. It has been on the market for about 6 months.

Listing 2 is a mid-block site on 22<sup>nd</sup> Street, about one-third mile west of Kolb Road. While benefiting from a high frontage to depth ratio, this part of 22<sup>nd</sup> Street is inferior in terms of land use compared to the subject site. It has been on the market for nearly 3 years.

Overall, the listings provide perspective on current pricing but do not provide much additional insight into the valuation of the subject property since they do not represent closed transactions.

The sales comparison approach suggests that market value "as is" of the subject property would most likely fall within the range from \$17.50 to \$21.50 per square foot. I also considered the May 2017 letter of intent to purchase the subject property for \$19.05 per square foot and the December 2018 contract to purchase for \$20.78 per square foot, acknowledging that neither represented a closed sale. Based on the available information, I concluded the following from the sales comparison approach.

### Sales Comparison Approach Conclusion - "As Is"

Concluded Range:	\$17.50	/SF	X	28,875 SF	=	\$505,313
	\$21.50	/SF	X	28,875 SF	=	\$620,813

**Concluded Value Indication:** **\$575,000**  
**\$19.91 /SF**

## Reconciliation

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Based on the conclusion that the highest and best use of the property is for near-term redevelopment with a new commercial use, the market value was supported through application of the sales comparison approach, specifically utilizing improved properties purchased for their redevelopment potential, as well as sales of vacant land in the central area of Tucson. The sales comparison approach supported a range of value from about \$505,000 to \$621,000 and I concluded that \$575,000 was most probable. This value reflected the "as is" condition of the property, including the existing building improvements, which no longer contribute to the overall value to the property. In fact, the property would presumably be worth more if it were in fact vacant. The income capitalization and cost approaches were not applicable and were not completed. The exclusion of these approaches did not reduce the reliability of this appraisal.

The property is currently offered for sale for \$550,000 through Kirk Costich (Southern Arizona Real Estate Partners 520-404-1704) and Pima County is reportedly interested in purchasing the property at a proposed price of \$500,000, but has not prepared a written offer. Pima County would apparently utilize the property as part of its animal control operation and this was very important to the seller, who wanted the property to remain in its current use. Mr. Costich believed that the seller's desire for the property to remain an animal care facility outweighed his desire to sell it for the highest price. This appears to be borne out by the marketing history as the potential sale to Pima County is effectively more than \$100,000 less than the December 2018 contract price to the adjacent property owner, who would have redeveloped the property with another use. Therefore, I concluded that the current owner is not typically motivated and that the current offered price and the proposed sale price may not be reflective of the current market value of the property. In fact, the proposed price is essentially at the bottom of the value range that was supported by the sales comparison approach, but is well below the concluded market value of \$575,000.

### Value Conclusion

	As Is, Real Estate Only
Value Type	Market Value
Property Rights Appraised	Fee Simple
Date of Value	August 20, 2019
<b>Value Conclusion</b>	<b>\$575,000</b>
	<b>\$155.15 per SF Building</b>
	<b>\$19.91 per SF Land</b>

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### Exposure Time and Marketing Periods

Exposure time may be defined as: 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 appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The reasonable marketing time is an opinion of the amount of time it might take to sell a real property interest at the concluded market value level during the period immediately after the effective date of an appraisal.

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time were each estimated at no more than 6 months.

# General Assumptions and Limiting Conditions

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This appraisal is subject to the following limiting conditions:

1. The legal description, if provided to me, is assumed to be correct.
2. No responsibility is assumed for matters legal in character, nor is any opinion rendered by me 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 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 are 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 the 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 the appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the 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. I 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. These forecasts are, therefore, subject to changes 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 made no survey of the property and assumed no responsibility in connection with such matters.



10. The information, estimates and opinions contained in this report 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. has not been engaged to provide this report, 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 appraiser, professional designations, reference to any professional appraisal organization or the firm with which the appraiser 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. I claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client. No third parties are authorized to rely upon this report without express written consent. I assume no liability for unauthorized use of the appraisal report by a third party.
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 and will be approved.
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, I have not completed nor have I 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) I assume satisfactory condition of improvements if construction is not complete, 2) no consideration has been given rent loss during rent-up unless otherwise noted in the body of this report, and 3) occupancy at levels consistent with my "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. My 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. I 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, I 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 me, I have relied upon my own measurements of the subject improvements. I follow typical appraisal industry methods, however, I recognize that some factors may limit my 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. I 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 me 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, I 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). I 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, I have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, I 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. I assume 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 I 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 appraiser 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, which may or may not be present on the property, was not observed by the appraiser. 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 predicted 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 to discover them. The client is urged to retain an expert in this field, if desired.

30. I have not made a specific compliance survey and analysis of the property to determine if it is in conformity with the various detailed 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 a detailed 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 I have no direct evidence relating to this issue, I did not consider possible non-compliance 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. 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.
33. 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.
34. Any estimate of insurable value, if included within the scope of work and presented in this report, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from my estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, I strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, I make no warranties regarding the accuracy of this estimate.
35. It is your responsibility to read the report and to inform the appraiser of any errors or omissions of which you are aware, prior to utilizing the report.
36. 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.
37. This report and any associated work files are subject to evaluation by Valbridge Property Advisors, Inc. for quality control purposes. Any evaluation shall maintain confidentiality of client data.



38. All disputes shall be settled by binding arbitration in accordance with the then-existing commercial arbitration rules of the American Arbitration Association.
39. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing underlying assumptions and contingent conditions.

# Certification

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

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



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

# Addenda

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## Glossary

Definitions are taken from the Dictionary of Real Estate Appraisal, 6<sup>th</sup> Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP) and Building Owners and Managers Association International (BOMA).

### Absolute Net Lease

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

### Amortization

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

### As Is Market Value

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

### Base Rent

The minimum rent stipulated in a lease. (Dictionary)

### Base Year

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

### Building Common Area

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

### Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and

is rarely affected by changes in corridor size or configuration. (BOMA)

### Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

### Common Area Maintenance (CAM)

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

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4<sup>th</sup> Ed.)

### Condominium

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

### Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

### Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

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



### Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ( $DCR = NOI/Im$ ), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

### Deed Restriction

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

### Depreciation

- 1) In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
- 2) In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

### Disposition Value

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

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

### Easement

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

### EIFS

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

### Effective Date

- 1) The date on which the appraisal or review opinion applies. (SVP)
- 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

### Effective Gross Income (EGI)

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

### Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

### EPDM

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

### Escalation Clause

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

### Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

### Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

### Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

### Expense Stop

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

### Exposure Time

- 1) The time a property remains on the market.
- 2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

### Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.)

### Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

### Floor Common Area

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

### Full Service (Gross) Lease

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

### Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

### Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (Dictionary)

### Gross Building Area (GBA)

- 1) Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
- 2) Gross leasable area plus all common areas.
- 3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

### Gross Measured Area

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

### Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

### Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values*, *aggregate retail selling price* or *sum of the retail values*. (Dictionary)

### Ground Lease

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

### Ground Rent

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

### HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

### Highest and Best Use

- 1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
- 2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
- 3) [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

### Hypothetical Condition

- 1) A condition that is presumed to be true when it is known to be false. (SVP – Standards of Valuation Practice, effective January 1, 2015)
- 2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.) (Dictionary)

### Industrial Gross Lease

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

### Insurable Value

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

### Investment Value

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

### Just Compensation

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

### Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

### Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

### Lessee (Tenant)

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

### Lessor (Landlord)

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

### Liquidation Value

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

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

### Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

### Major Vertical Penetrations

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

### Market Rent

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

### Market Value

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

(Dictionary)

### Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory

Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) (Dictionary)

### Master Lease

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

### Modified Gross Lease

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

### Operating Expense Ratio

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

### Option

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

### Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

### Pass Through

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

### Potential Gross Income (PGI)

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

### Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation

project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed- reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

#### Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

#### Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

#### Reproduction Cost

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

#### Retrospective Value Opinion

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

#### Sandwich Leasehold Estate

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

#### Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

#### Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

#### Surplus Land

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

#### Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease, net net net lease, or fully net lease*. (Dictionary)

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

#### Usable Area

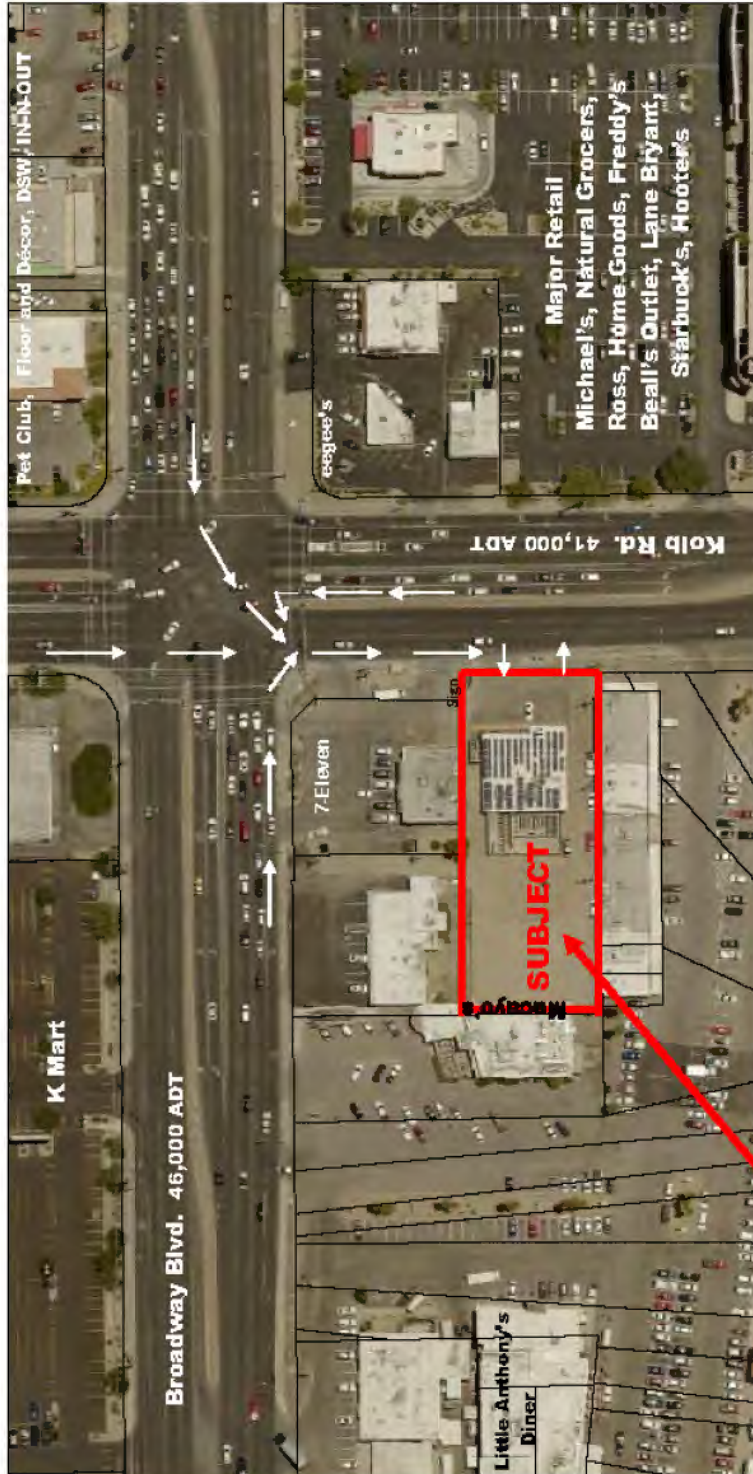
The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

#### Value-in-Use

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



**FOR SALE**  
**22 S Kolb Road, Tucson, AZ 85710**



**Joe Manemann**  
SAZCRE  
520-870-1621  
[jmanemann@msn.com](mailto:jmanemann@msn.com)

**Kirk Costich**  
520-404-1704 M  
[jkcostich@comcast.net](mailto:jkcostich@comcast.net)

**Demographics:**

	1mi.	3mi.	5mi.
Population:	13,114	124,644	233,119
Income:	\$48,512.	\$51,184.	\$57,004.
Employees:	10,577	64,215	111,271
Traffic:	87,000 ADT at Intersection		

**Parcel: 134-21-0020**  
**Lot Size: 29,775 sf.**  
**Bldg Size: 3,683 sf.**  
**Zoning: C-2**  
**Monument Signage**  
**Price: \$550,000.00**  
**Existing Pet Hospital. C-2 Zoned Property at Key Commercial Hub.**



**Convenient East/ Central Location. Major Arterial Roadways with High Traffic and Easy Access.**



**Area amenities include St. Joseph's Hospital, Park Place Mall, Wal-Mart, and over 100 National Retailers and Restaurants.**

**Located One Door South of a Prominent Corner, with Convenient Visible Access from All Directions.**

**Large Monument Signage.**

**Building has a veterinarian operation, but has an adaptable floorplan. A rooftop solar array is transferable.**

**Excess land can be utilized for additional improvements.**

**Ready for occupancy or re-purposing.**







May 5, 2017

Kirk Costich  
SAREP

**Regarding:** *Offer to Purchase the .68 acre (29,775 SF) property and improvement located at 22 S Kolb Rd., Tucson, AZ 85710.*

Dear Kirk:

The following proposal establishes the basic terms and conditions under which our clients, Vintage Partners or assigns, would agree to purchase the above-referenced property from Seller.

1. Property: 22 S Kolb Rd., Tucson, AZ 85710
2. Seller: Tucson Small Animal Hospital LTD
3. Buyer: Vintage Partners or assigns
4. Purchase Price: \$550,000
5. Earnest Money: Within three (3) business days following execution by both parties of the Purchase Agreement (the "Effective Date"), Buyer shall deposit with Thomas Title the sum of ten thousand dollars (\$10,000), in Earnest Money. Earnest Money shall be fully refundable through the Due Diligence Period and shall be applied toward the Purchase Price at Closing. Within three (3) business days following expiration of Due Diligence Period, Buyer shall deposit an additional ten thousand dollars (\$10,000) in Earnest Money that shall be applied toward the Purchase Price at Closing.
6. Contract & Closing: Upon Seller's acceptance of this LOI, Buyer will commence preparation of the Purchase Agreement and deliver the same to Seller for review within ten (10) business days. The parties agree to use reasonable and good faith efforts to agree on the Purchase Agreement. Transfer of title and Closing shall occur within ninety (90) days after the expiration of the Due Diligence Period. The Property shall be conveyed by General Warranty Deed.
7. Condition Precedent: Conditions to Closing shall include terms satisfactory to the Buyer and obtaining any required third party approvals, if any, required for the sale.

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**8. Seller's Disclosures:**

Within five (5) days after the Effective Date, Seller shall deliver to Purchaser for review during the Due Diligence Period (to the extent within Seller's possession or control) the following documents(if any): (i) copies of environmental report (including but not limited to, A.L.T.A. Survey, engineering and soil reports and any asbestos, toxic waste reports), copies of any available "as built" plans, drawings, licenses, service contracts, leases, operating statements, soil compaction reports, topographical surveys and other documents related to the Property; (ii) a copy of the most recent real estate tax bills and fire and casualty insurance policies for the Property; (iii) copies of all permits, covenants conditions and restrictions or other building and use restrictions governing the Property; (iv) current Preliminary Title report, including copies of all recorded documents affecting the property and a plan showing the site and all easements thereon; (v) copies of all books, records, existing title insurance policies and surveys and other documents and reports relating to the use, occupancy, condition and maintenance of the Property; and (vi) such other documents and information as Buyer may reasonably request in connection with its evaluation of the Property.

**9. Due Diligence Period:**

Buyer and its agents shall have one hundred twenty (180) days from the Effective Date to enter upon the Property and inspect, examine, survey and test the Property (including environmental testing), to investigate and obtain permits and governmental approvals, and to determine the suitability of the Property for Buyer's intended use. If at, or prior to the conclusion of the Due Diligence Period, Buyer has not notified Seller that Buyer is satisfied with all aspects of the property, in Buyer's sole discretion, then the Purchase Agreement shall automatically terminate and the Earnest Money shall be returned to Buyer.

**10. Title Insurance:**

As a condition of Closing, Seller shall deliver to Buyer (or cause the Title Insurer to issue) an ALTA Form Owner's Policy of Title Insurance, showing title to be in the Purchaser's name with the standard exceptions removed and subject only to the title exceptions permitted in the Purchase Agreement. Seller shall transfer all permits and other intangible personal property relating to the Property to Buyer at Closing.

**11. Pro-rations; Closing:**

At Closing, Seller and Buyer shall prorate general real estate taxes, assessments, and any utility charges based on the most recently ascertainable taxes assessments and utility charges for the Property to be re-prorated by the parties, if necessary, on receipt of a final bill for any such period and such pro-ration shall then be final. Seller shall be responsible for transfer taxes, if any.

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12. Allocation of Costs: Each party shall bear its own legal expenses in connection with this transaction. Seller shall pay for Owner's Policy of Title Insurance and one half of any escrow fees, notwithstanding any local practice to the contrary.
13. Brokers: The parties acknowledged that Kirk Costich of SAREP represents Seller and Greg Saltz (President) of GPS Retail Advisors represents Buyer. The parties represent that they have dealt with no brokers other than the aforementioned and that there are no other claims for brokerage commissions in connection with the contemplated transaction. The parties agree that the brokerages commission due shall be paid by Seller.
14. Exclusive Dealings: In consideration of Buyer's commitment to expend significant time, effort and expense to evaluate the possible acquisition of the Property, Seller agrees that it will deal exclusively with Buyer while Seller and Buyer are negotiating a Purchase Agreement (unless either party terminates negotiations as described below) and while the Purchase Agreement is in full force and effect, Seller will not entertain offers, conduct negotiations or enter into any binding agreement affecting the Property with third parties during such time.
15. Confidentiality: This Offer to Purchase is being transmitted to you with the express understanding that its contents and the fact that it is being transmitted remain confidential. Prior to the completion of any transaction between Buyer and Seller, Seller will not make, or allow to be made, any public announcement of the transaction contemplated by this Offer to Purchase or the existence of this Offer to Purchase without the prior consent of Buyer.
16. Prior Agreements: This Offer to Purchase supersedes any and all previous discussions and communications by and between Buyer and Seller with respect to the Property.
17. Termination: This proposal and Offer to Purchase shall terminate if not fully executed by 5:00 M.S.T. on Friday, May 12<sup>th</sup>, 2017.
18. Term Sheet; Non-Binding Commitment: This Offer to Purchase is a term sheet and is intended on the part of Buyer to be an expression of the terms and conditions on which Buyer is willing to negotiate in good faith toward execution of the Purchase Agreement. This Offer to Purchase is not, is not intended to be and is not to be construed as, a binding commitment, contract or agreement of purchase and sale on the part of either Buyer or Seller (except the parties shall be bound by the terms of the "Confidentiality" and "Exclusive Dealings" provisions). Seller

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understands and agrees that material terms and conditions of the Purchase Agreement remain to be negotiated. Either Seller or Buyer may terminate negotiations at any time prior to the execution of the Purchase Agreement.

If the basic terms and conditions of this Offer to Purchase are acceptable, please indicate the same by executing below and returning a copy of this Letter of Intent.

Sincerely,  
GPS Retail Advisors

Greg Saltz (President)

Agreed and accepted this \_\_\_\_\_ day of \_\_\_\_\_, 201\_\_

**SELLER SIGNATURE:**

\_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

COMPANY: \_\_\_\_\_

Agreed and accepted this \_\_\_\_\_ day of \_\_\_\_\_, 201\_\_

**BUYER SIGNATURE:**

\_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

COMPANY: \_\_\_\_\_

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## REAL ESTATE PURCHASE CONTRACT, RECEIPT FOR DEPOSIT AND ESCROW INSTRUCTIONS

THIS REAL ESTATE PURCHASE CONTRACT AND RECEIPT FOR DEPOSIT ("Agreement"), made by and between WNDG, LLC, an Arizona limited liability company, and/or nominee ("Buyer") and TUCSON SMALL ANIMAL HOSPITAL LTD., an Arizona Corporation, ("Seller"), constitutes a contract for the purchase of the described property.

1. **Property.** Seller agrees to convey to Buyer that certain described real property, together with improvements thereon, consisting of the Southwest Corner of Kolb and Broadway, Tucson, Arizona, which is approximately a 29,775 SF parcel (134-21-0020) with approximately a 3,683 SF building ("**Building**"), as more particularly described on Exhibit "A" attached hereto and depicted on Exhibit "B" attached hereto; together with such covenants, restrictions, fixtures, equipment that is (i) not affixed to the Building; (ii) not used in the Seller's business regardless of whether it may be affixed to the Building; and (iii) not personal property as defined in Section 2 immediately below ("**Equipment**"), solar panels that are subject to the solar lease agreement entered into between Seller and Solar H2O, LLC, and Arizona limited liability company, on December 6, 2011 ("**Solar Panels and Lease**"), and utility access and parking easements, which burden and benefit the Property ("**Property**"). Upon written request of Buyer, pursuant to Section 24 below, Seller will have ten (10) business days to repair any damage to the Building incurred during the removal of anything from the Building by Seller or its agents, identified by Buyer in its request, but repair will not include repainting or redecorating.

2. **Personal Property Excluded.** Seller's personal property located in or on the Property is excluded and not a part of this transaction. Personal Property shall include but not be limited to furniture, fixtures and equipment not affixed (i.e. desks, chairs, appliances, medical equipment, washers, dryers, freezers and refrigerators), and those items which would otherwise be classified as "fixtures," but which are used in Seller's day-to-day business.

3. **Consideration.** The consideration for the conveyance shall be as follows:

a. **Purchase Price.** The purchase price for the Property shall be Six Hundred Thousand Dollars (\$600,000.00), which sum (the "**Purchase Price**") shall be paid in cash at Closing (hereinafter defined) to Seller.

b. **Earnest Money.** Buyer shall deposit Ten Thousand Dollars (\$10,000.00) with Pioneer Title Agency, Attention: Desha Leonard, 1889 North Kolb Road, Tucson, Arizona 85715, (520) 901-4181, Desha.Leonard@ptaaz.com ("**Title Company**") upon execution of this Agreement, as earnest money ("**Earnest Money**"). The Earnest Money deposit is refundable during the Feasibility Period, only, and is applicable to the Purchase Price.

c. **Assignment.** Prior to Closing, Seller shall deliver, or cause to be delivered, to Escrow Agent, hereinafter defined, an Assignment of the Solar Equipment Lease relating

to the Property in form and substances acceptable to Buyer signed by Seller.

4. **Purchase Price Allocation.** The Purchase Price shall be allocated between the assets of the Property as mutually agreed upon by Seller and Buyer.

5. **Escrow.** Upon Buyer's receipt of a fully executed copy of this Agreement, Buyer shall open an escrow with Title Company, by depositing with Title Company the Earnest Money and an executed copy of this Agreement. Title Company shall act as Escrow Agent ("Escrow Agent") in the transaction contemplated by this Agreement. The Agreement, together with other written instructions as will be provided by Buyer and Seller to the Title Company, shall constitute its escrow instructions to the Title Company ("**Escrow Instructions**"). Upon Opening of Escrow, Title Company shall issue a Closing Protection Letter.

Joint Escrow Instructions. The provisions of this Agreement shall constitute joint instructions to the Escrow Agent; provided, however, the parties shall execute such additional instructions as requested by the Escrow Agent not inconsistent with the provisions hereof.

6. **Effective Date.** This Agreement shall become effective upon the date of final execution hereof by all necessary parties hereto (the "**Effective Date**").

7. **Title Commitment.** Except as otherwise agreed in writing, title to the Property shall be delivered to Buyer free and clear of all title defects, deeds of trust and mortgages (unless assumed by Buyer), mechanic's and material men's liens but shall be subject to (i) the lien of non-delinquent real property taxes and assessments; (ii) the lien of any bond or assessment which Buyer has agreed in writing to assume; (iii) liens, encumbrances, easements, covenants, conditions and restrictions of record; (iv) the Permitted Exceptions as defined in Section 9 below; and (v) the Solar Panels and Lease.

8. **Survey.** Seller shall provide Buyer copies of its most current boundary survey of the Property ("**Survey**"), if in Seller's possession.

9. **Title and Survey Objections.** Within Five (5) days after the Effective Date, Seller shall order a preliminary title report ("**Title Report**") from Title Company. Within Fifteen (15) days after receiving the Title Report, Buyer shall give notice to Seller of any matters contained in the Title Report or Survey to which Buyer objects. All taxes and assessments not yet due and payable and any matters in the Title Report or Survey to which Buyer does not so object or which Buyer waives in accordance with this Section 9, shall be "**Permitted Exceptions**" including but not limited to the Solar Panels and Lease.

10. **Curing Objections.** Seller shall have Twenty (20) days after receipt of such notice ("**Seller's Curing Period**") to communicate if it has cured the Title and Survey Objections ("**Objections**") to the satisfaction of Buyer. If Seller gives notice that Seller is unable or unwilling to



cure the Objections, or if Seller fails to cure the Objections to Buyer's satisfaction within Seller's Curing Period, then Buyer may either (a) terminate this Agreement and receive back the Earnest Money as Buyer's exclusive remedy and neither party shall have any further obligations one to the other, or (b) waive the Title Objections and proceed with Closing. If Buyer elects to waive the Objections then the parties shall proceed to fulfill their obligations hereunder and under the Escrow Instructions to effect a timely close of escrow.

11. **Feasibility Period.** For the consideration of \$100.00, which shall be paid from the Earnest Money, in the event this purchase does not close, but which shall otherwise be included in the Purchase Price, this Agreement and Buyer's obligations hereunder to purchase the Property are expressly conditioned upon Buyer and its representatives having the right to enter upon the Property to conduct investigations, including without limitation, obtaining or performing surveys, soils and/or water tests, engineering studies, feasibility studies, environmental assessments and inspections, evaluating the availability of utilities, drainage, and access, and performing such other investigations as Buyer may desire to determine the suitability of the Property for Buyer's intended use, but shall not contact any existing tenant(s), if any, on the Property without the prior written consent of Seller, and shall otherwise maintain the confidentiality of this Agreement. Buyer shall have a period of Forty-Five (45) days ("**Feasibility Period**") after the Effective Date to determine the suitability of the Property for Buyer's intended use. On or before expiration of the Feasibility Period, Buyer may give written notice to Seller and the Title Company pursuant to Section 24, below, of its decision to proceed with this purchase (subject to conditions herein stipulated) or written notice of termination ("**Feasibility Period Notice**"). If Buyer fails to timely provide Feasibility Period Notice to the Seller and the Title Company, Buyer shall have effectively waived the right to terminate this Agreement pursuant to the terms of this Section 11. If the Buyer's Feasibility Period Notice indicates Buyer will not terminate this Agreement, or if Buyer fails to timely provide the Feasibility Period Notice, the Earnest Money shall be immediately released to Seller. If Buyer timely terminates this Agreement, the Earnest Money shall be promptly be released to Seller, less the \$100 consideration for the Feasibility Period, and this Agreement shall terminate and be of no further force and effect. In the event the last day of the Feasibility Period should fall on a weekend or holiday, the Feasibility Period shall be extended to the next business day.

a. **Indemnification.** Buyer, in the conduct of its investigation, shall not unreasonably interfere with any existing operations on or near the Property and Buyer shall indemnify and hold Seller harmless from and against any and all physical damage to the Property resulting from Buyer's investigation of the Property or for any violation of this Agreement. Buyer agrees to repair any damage to the Property as a result of its activities, Buyer will not permit any lien to attach to the Property as a result of its activities. This indemnification obligation shall specifically survive the closing of escrow and delivery of the Deed, as described in Section 19(a).

b. **Buyer's Reports.** Buyer shall provide Seller with copies of all studies, surveys, tests, assessments, evaluations and reports relating to the Property which it may obtain or receive following the Effective Date (exclusive of internal or proprietary information, included but not limited to attorney client privileged documentation, work product, trade secrets, financial