

**AN APPRAISAL REPORT AND MARKET RENT ANALYSIS**

**OF**

**AN EXISTING WAREHOUSE**

**LOCATED AT**

**350 S. TOOLE AVENUE  
TUCSON, PIMA COUNTY, ARIZONA**

**FOR**

**PIMA COUNTY PUBLIC WORKS,  
REAL PROPERTY SERVICES**

**MR. JEFF TEPLITSKY  
MANAGER, REAL PROPERTY SERVICES**

**OWNERSHIP: LEVIN FAMILY LIMITED PARTNERSHIP  
TAX PARCEL NUMBER: 117-06-320D  
SECTION 13, TOWNSHIP 14 SOUTH, RANGE 13 EAST**

**EFFECTIVE DATE OF APPRAISAL  
JUNE 12, 2020**

*BAKER, PETERSON, BAKER & ASSOCIATES, INC.  
Tucson, Arizona*

BAKER, PETERSON, BAKER & ASSOCIATES, INC.  
REAL ESTATE APPRAISERS - CONSULTANTS  
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July 7, 2020

Mr. Jeffrey Teplitsky  
Manager, Real Property Services  
Pima County Public Works, Real Property Services  
201 North Stone Avenue, Sixth Floor  
Tucson, Arizona 85701-1207

RE: An appraisal report and market rent analysis of an existing warehouse use located at 350 S. Toole Avenue, Tucson, Pima County, Arizona.  
*Ownership:* Levin Family Limited Partnership  
*Tax Parcel Nos.:* 117-06-320D  
*Effective Date of Appraisal:* June 12, 2020  
*Date of Report:* July 7, 2020

Dear Mr. Teplitsky:

In response to your authorization, we have conducted the required inspection, gathered the necessary data, and made certain analyses that have enabled us to form an opinion of the market value of the fee simple interest in the above-named property as well as the market rental rate of the subject property. This report is intended for use only by the intended user, Pima County Public Services Division, and its designees. Use of this report by others is not intended by the appraisers. This report is intended only for use in assisting the intended user in the determination of the fee simple market value for potential acquisition purposes as well as a market rental rate of the subject property. It is not intended for any other use.

The global outbreak of a “novel coronavirus” known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO). The reader is cautioned, and reminded that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. The appraiser makes no representation as to the effect on the subject property of any unforeseen event, subsequent to the effective date of the appraisal.

We have formed the opinion that, as of the effective date of the appraisal, June 12, 2020, based on a six to twelve-month market period, and subject to the assumptions and limiting conditions set forth in the report, the subject property has a market value of:

THREE MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS  
(\$3,350,000)

We have formed the opinion that, as of the effective date of the appraisal, June 12, 2020, subject to the assumptions and limiting conditions set forth in the report, the subject property has an estimated annual market lease rate of:

TWO HUNDRED SIXTY-SEVEN THOUSAND FIVE HUNDRED TWENTY-FIVE  
DOLLARS  
(\$267,525)

The value conclusions in this report have been concluded for a specific type of user in the marketplace which requires an industrial use building with a fully insulated and air-conditioned warehouse area. The typical purchaser of a warehouse property similar to the subject, an insulated and fully air-conditioned warehouse would be considered an over improvement and the air-conditioned warehouse area would not contribute to a higher value when compared to a typical warehouse property that has a warehouse area with evaporative cooling due to the cost associated with cooling such a large warehouse area with air-conditioning units. To those users in the market who seek an air-conditioned warehouse, a higher price and higher rent can be achieved in the market.

This is an appraisal report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report (USPAP). As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraisers' file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated above. The appraisers are not responsible for unauthorized use of this report.

**Extraordinary Assumptions:** This appraisal is based on the extraordinary assumptions that upon purchase or lease of the subject property, the seller would create a shared parking easement with the adjacent property to the north which would guarantee the purchaser of the subject property sufficient parking spaces to meet current City of Tucson parking code requirements, estimated by the appraiser to be 61 spaces for the subject property, and allow the balance of the parking spaces on the subject property to be utilized by the adjacent property to the north. Additionally, the seller would create cross access easements over the adjacent property to the north to allow ingress/egress on Toole Avenue on the adjacent property to the north. Per USPAP, the use of these extra ordinary assumptions might have affected the assignment results.

Respectfully submitted,



Thomas A. Baker, MAI, SRA  
Certified General Real Estate Appraiser  
Certificate Number 30139  
Designated Supervisory Appraiser  
Registration Number DS0007



Dan Orlowski  
Certified General Real Estate Appraiser  
Certificate Number 32195

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## **PART I - APPRAISAL ABSTRACT**

### **CLIENT**

Mr. Jeffrey Teplitsky, Appraisal Supervisor  
Pima County Public Works, Real Property Services

### **APPRAISERS**

Thomas A. Baker, MAI, SRA  
Dan Orlowski

Baker, Peterson, Baker & Associates, Inc.  
4547 East Fort Lowell Road, Suite 401  
Tucson, Arizona 85712

### **SUBJECT PROPERTY**

An existing industrial warehouse use building located at 350 S. Toole Avenue, Tucson, Pima County, Arizona.

### **LAND AREA**

109,104 square feet (per Pima County Assessor's records)

### **IMPROVEMENT SIZE**

43,500 square feet – per development plans

### **ZONING**

I-1, City of Tucson

### **LEGAL DESCRIPTION**

A portion of Block C, Cushing Business Center, Tucson, Pima County, Arizona (See exhibits)

### **OWNERSHIP**

According to public records of the Pima County Assessor and the title report supplied by the client, title to the subject property is in the name of Levin Family Limited Partnership, according to Docket 10108, Page 1625, August 16, 1995. This transaction was an internal transfer of the subject property and not a market sale.

### **SALES/LISTING HISTORY**

No known sales of the subject property have occurred within the last five years. No current listings, options, or agreements of sale of the subject property were discovered in the course of this analysis.

### **TAX PARCEL NUMBER**

117-06-032D

**FULL CASH VALUE**

\$1,930,500 (2020)

\$1,963,155 (2021)

The development of full cash values is based on mass appraisal models as set by the State of Arizona. They are for tax assessment purposes only and cannot be equated with market value as utilized in this appraisal. Thus, they serve only as a point of comparison with other properties.

**LIMITED CASH VALUE**

\$991,307 (2020)

\$1,040,872 (2021)

Limited Cash Value is the basis for primary property taxes. It is a legislatively established value based on a mathematical formula that limits the amount of increase in any given year.

**REAL ESTATE TAXES**

\$26,064.46 (2019)

Real estate taxes are a combination of a primary tax, which is the primary tax rate applied to the limited cash value and divided by 100, plus the secondary tax, which is the secondary tax rate applied to the full cash value and divided by 100. The primary and secondary tax rates are an aggregate of various tax rates set by various jurisdictions.

**DELINQUENT TAXES**

None

**SPECIAL ASSESSMENTS**

None

**LIMITING CONDITIONS**

Subject to those assumptions and limiting conditions contained in the "*Assumptions and Limiting Conditions*" section of this report.

**PURPOSE OF THE APPRAISAL**

The purpose of this appraisal is to provide the appraisers' opinion of the market value and market rent of the subject real property as of the effective date of the appraisal, June 12, 2020.

**MARKET VALUE DEFINITION**

*Market value*, as utilized in this appraisal, and as defined in The Appraisal of Real Estate, 14th Edition, published by the Appraisal Institute, 2013, page 59, is:

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

#### **INTENDED USE AND USER OF REPORT**

This report is intended for use only by the intended user, Pima County Public Services Division, and its designees. Use of this report by others is not intended by the appraisers. This report is intended only for use in assisting the intended user in the determination of the fee simple market value for potential acquisition purposes as well as a market rental rate of the subject property. It is not intended for any other use.

#### **INTEREST VALUED**

Fee Simple Interest. *Fee Simple Interest*, as defined in The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, 2015, page 90, is "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."

#### **EXTRAORDINARY ASSUMPTIONS**

This appraisal is based on the extraordinary assumptions that upon purchase or lease of the subject property, the seller would create a shared parking easement with the adjacent property to the north which would guarantee the purchaser of the subject property sufficient parking spaces to meet current City of Tucson parking code requirements, estimated by the appraiser to be 61 spaces for the subject property, and allow the balance of the parking spaces on the subject property to be utilized by the adjacent property to the north.

Additionally, the seller would create cross access easements over the adjacent property to the north to allow ingress/egress on Toole Avenue on the adjacent property to the north. Per USPAP, the use of these extra ordinary assumptions might have affected the assignment results.

#### **EFFECTIVE DATE OF APPRAISAL**

June 12, 2020

#### **DATE OF INSPECTION**

June 12, 2020



## PART II - SCOPE OF THE APPRAISAL

Scope of work is identified by USPAP as the “amount and type of information researched and the analysis applied in an assignment.” According to the scope of work rule as defined by USPAP, “For each appraisal, appraisal review, and appraisal consulting assignment, an appraiser must:

- 1) identify the problem to be solved;
- 2) determine and perform the scope of work necessary to develop credible assignment results; and
- 3) disclose the scope of work in the report.”

This appraisal assignment has been completed in response to authorization by Mr. Jeffrey Teplitsky for Pima County Real Property Services in a contract executed by Thomas A. Baker, MAI, SRA for Baker, Peterson, Baker and Associates, Inc. The assignment includes appraisal of the property herein described, and the preparation of a report which describes the property being appraised, analyzes appropriate data, and offers an opinion of the market value of the property as of the effective date specified in the report. The appraisal is prepared and reported according to the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation, the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute, the standards of Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), and to those specifications provided by the client.

This report is intended for use only by the intended user, Pima County Public Services Division, and its designees. Use of this report by others is not intended by the appraisers. This report is intended only for use in assisting the intended user in the determination of the fee simple market value for potential acquisition purposes as well as a market rental rate of the subject property. It is not intended for any other use. The purpose of the appraisal is to provide the appraisers’ opinion of the market value in fee simple interest and market rental rate of a specific property which has been previously identified in this report, and is referred to as the subject property, the subject, or the property. The exact nature of, and interest in, the subject property is defined elsewhere in this report.

The appraisal provides an opinion of the market value of the subject property using the sales comparison approach, which is defined in the report. In completing this assignment, the appraiser inspected and photographed the subject property, reviewed, and confirmed data relative to metropolitan Tucson (from economic and demographic data, including COMPS®, Tucson Multiple Listing Service (MLS), and the Pima County Real Estate Research Council), the neighborhood and the site).

An opinion of the “highest and best use” of the property was formed, utilizing resources to identify such factors as land use, supply and demand, governmental requirements, environmental concerns, and economic elements, present and anticipated which may impact upon the marketability of the property.



In the sales comparison approach, there was a thorough search for sale and listing data considered directly competitive to the subject property. This data was confirmed with one or more parties related to the transaction and (in the case of sales) by review of deeds and records of the Pima County Assessor. The analysis then compared each sale considered a reliable indicator of the value of the subject property in terms of those factors which were superior to the subject, inferior to the subject, and equal or offsetting.

The cost approach is one of the three approaches which are available to the appraiser in the valuation process. The cost approach is most valid when a property is new or contains relatively little depreciation. While considered, due to the amount of depreciation in the subject improvements from all causes, this approach is not applicable in valuing the subject property. The reliability of the cost approach is greatly diminished due to the reflected depreciation. Additionally, market participants do not utilize the cost approach when making purchasing decisions for properties similar to the subject. Therefore, the cost approach is not applicable in this analysis.

The *income approach* was not utilized in the valuation of the subject property. The subject is currently occupied by Vector that is in bankruptcy and the new buyers of Vector continue to occupy the building on a short terms basis. However, if made available for sale in the market, industrial warehouse buildings similar to the subject property are typically purchased for owner/user use and not as income producing purchases by investors. Therefore, although considered, the income approach to value was not utilized in the valuation of the subject property. However, the client has requested that a market rental rate be estimated as part of this appraisal assignment. In order to determine the annual market rental rate for the subject property, there was a thorough search for leases considered directly competitive to the subject property. An analysis was completed which compared each lease to a reliable indicator of the value of the subject property in terms of those factors which were superior to the subject, inferior to the subject, and equal or offsetting.

The sales comparison approach to value provided an opinion of value and an analysis of comparable leases provided an opinion of a market rental rate for the subject property. This was utilized in order to provide a final opinion of market value and annual lease market lease rate for the subject property. To develop the opinion of value, the appraiser performed an appraisal process as defined by the Uniform Standards of Professional Appraisal Practice. This appraisal report is a brief recapitulation of the appraiser's data, analyses, and conclusions. The appraiser's file retains supporting documentation.

***Extraordinary Assumptions:*** This appraisal is based on the extraordinary assumptions that upon purchase or lease of the subject property, the seller would create a shared parking easement with the adjacent property to the north which would guarantee the purchaser of the subject property sufficient parking spaces to meet current City of Tucson parking code requirements, estimated by the appraiser to be 61 spaces for the subject property, and allow the balance of the parking spaces on the subject property to be utilized by the adjacent property to the north. Additionally, the seller would create cross access easements over the adjacent property to the north to allow ingress/egress on Toole Avenue on the adjacent

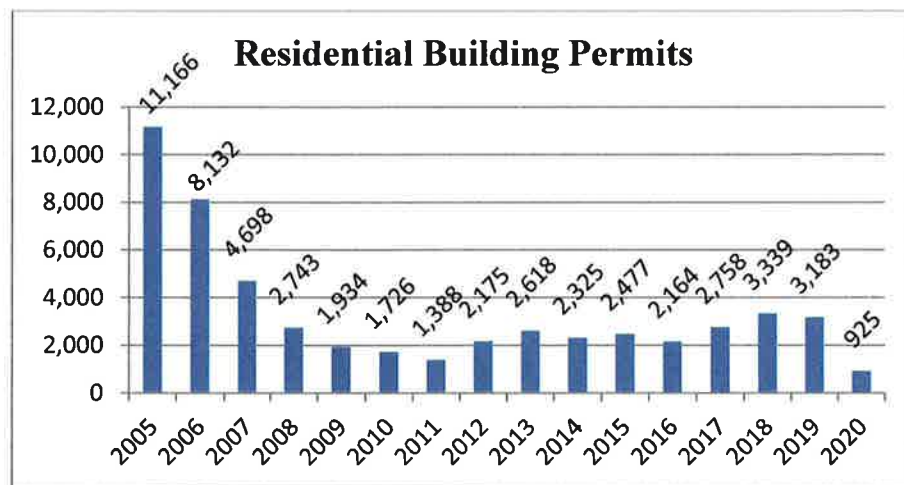
property to the north. Per USPAP, the use of these extra ordinary assumptions might have affected the assignment results.

### PART III - DESCRIPTION OF REAL ESTATE APPRAISED

#### TUCSON OVERVIEW:

Tucson is Arizona's second largest city and the "hub" of commerce in southeastern Arizona. According to the Pima Association of Governments, in July, 2010, the estimated population of all of Pima County (including Tucson) was 981,168 persons while the population of Tucson alone was estimated to be 520,795 persons.

Starting in 2006, fewer single-family residential permits were issued due to the current oversupply of lots and residential homes on the market. According to the United States Census Bureau, Building Permits Survey, the number of single-family residential permits declined through 2011. There was limited new single-family construction since 2008, with the decline continuing through 2011, with a small increase in 2012. The number of permits remained mostly stable with some slight variations since 2013, and increased slightly in 2017 and again in 2018. The number of permits was mostly stable in 2019. The first quarter of 2020 permits were consistent with previous years, but the permits in 2020 will likely be affected at least in the short-term by the ongoing Covid-19 pandemic.



Overall, housing permits and sales had been increasing and a period of substantial growth occurred during 2004 and 2005 with unprecedented price increases experienced for most areas of Tucson. Building permit activity declined steadily in the Tucson Metropolitan area from a peak in 2005 of 11,166 to a low of 1,388 in 2011 for all new single-family residential construction residential building permits, according to the United States Census Bureau, Building Permits Survey. This was due in part to the difficulty in obtaining financing and, to a larger extent, a decrease in demand from primary home buyers and speculative home purchases by out of state buyers and an oversupply of available homes on the market, resulting in declining home prices. The number of housing permits increased slightly in 2012 and 2013 and then remained relatively stable. In recent years, the number of permits has remained mostly stable with a slight increase in 2017 and 2018. The 2020 data is for the first quarter of the year. In the immediate future, permits are likely to be impacted by the Covid-19 pandemic.

### ***Multi-Family Market***

Vacancy rates for apartment properties in the Tucson Metropolitan area peaked in 2009 before slowly declining. The chart below shows vacancy rates in metropolitan Tucson between Second Quarter 2008 and First Quarter 2020.



The vacancy rate peaked in the Second Quarter 2009 and generally declined since that time. Vacancy rates for apartment properties typically increase in the second quarter of each year due to seasonal changes in population. The current rent levels for multi-family properties have remained generally stable with small increases in most sectors in many recent quarters. There has been limited demand for new construction, with the exception of student housing projects and some larger high-end Class A apartment complexes with many amenities. However, due to the Covid-19 pandemic and associated business shutdowns, some segments of the apartment market are predicted to soften in the short-term with increasing vacancy rates and a potential for decreasing rents in Class B and Class C apartments. Class A apartments are not expected to experience the same effects. While most rents were collected in April 2020, this could potentially decrease in May 2020. Rent collection was also lower for Class C apartments compared to Class A apartments. It is uncertain how long and to what extent the apartment market will be impacted and what affect this may have on the apartment sale market. This will be affected by the length of business shutdowns, the severity and length of decline in GDP and the overall economy, and the severity of the increase in unemployment.

### ***Office Market***

Overall, the Pima County leasable *office market* experienced net negative absorption of 102,001 square feet in the First Quarter of 2020, according to *CoStar*. This compares to net negative absorption of 93,525 square feet in the Fourth Quarter of 2019, positive absorption of 230,330 square feet in the Third Quarter of 2019, net positive absorption of 302,600 in the Second Quarter of 2019, net positive absorption of 211,446 in the First Quarter of 2019, net negative absorption of 27,218 square feet in the Fourth Quarter of 2018, net positive absorption of 70,648 square feet in the Third Quarter of 2018, net positive absorption of 82,517 square feet in the Second Quarter 2018, and net positive absorption of 40,068 square feet in the First Quarter of 2018.

Three new buildings containing 45,085 square feet were completed in the First Quarter of 2020. This compares to two new buildings containing 33,341 square feet in the Fourth Quarter of 2019, two new buildings containing 206,737 in the Third Quarter 2019, two new buildings containing 330,300 square feet in the Second Quarter 2019, three new buildings totalling 205,000 square feet in the First Quarter 2019, one new building containing 14,952 square feet in the Fourth Quarter 2018, four new buildings containing 57,516 square feet in the Third Quarter 2018, one new building containing 61,000 square feet completed in the Second Quarter of 2018, and one new building containing 20,000 square feet completed in the First Quarter of 2018.

The following figure shows trends in the vacancy rates for office properties in Pima County between mid-2005 and First Quarter 2019. The vacancy rate increased until late 2013 and has declined since that time. The vacancy rate remained mostly stable in 2018 and the first part of 2019 before increasing at the end of 2019 and in the first quarter of 2020.



The stable but higher overall annual vacancy rate indicates an office market which is coupled to the overall stable but slow real estate market. There was a decline in demand for owner/user office buildings, which had made up a majority of office sales in 2006 and 2007. Market conditions stabilized in 2013 and remained slow but stable through 2019. Market conditions for office properties had started to slowly improve, primarily for office properties in high demand areas and newer office buildings in good condition. Demand remained lower for older office buildings. It is uncertain the effects the Covid-19 pandemic will have on the office market and if these effects will be short-term. Possible effects in the near-term include increased vacancy rates, decreased rents and leasing deals, and potential delays in construction starts. With many office employees currently working from home during the pandemic, it is not yet known if work from home will remain in demand when the pandemic slows, permanently impacting office trends and demand.

### ***Industrial Market***

Tucson experienced rapid *industrial* growth from the late 70's to the mid-80s. There has been limited new industrial space constructed recently in Tucson, with no new buildings completed in the First Quarter of 2020, one new building containing 157,000 square feet completed in the Fourth Quarter of 2019, four new buildings containing 286,434 square feet in the Third Quarter of 2019, two new buildings containing 906,900 square feet in the

Second Quarter of 2019, no new buildings completed in the First Quarter of 2019, the Fourth, or the Third Quarter of 2018, two new buildings containing 306,966 square feet completed in the Second Quarter of 2018, and no new buildings completed in the First Quarter of 2018, according to *CoStar*. Many of the recently constructed buildings are larger buildings constructed for a specific user.

There was net negative absorption of 13,537 square feet in the First Quarter of 2020. This compares to net negative absorption of 35,087 square feet in the Fourth Quarter of 2019, net negative absorption of 325,776 square feet in the Third Quarter of 2019, net positive absorption of 1,195,900 square feet in the Second Quarter of 2019, net negative absorption of 25,632 square feet in the First Quarter of 2019, net positive absorption of 10,697 square feet in the Fourth Quarter 2018, net positive absorption of 294,755 square feet in the Third Quarter 2018, net positive absorption of 288,013 square feet in the Second Quarter 2018, and net positive absorption of 25,084 square feet in the First Quarter 2018, according to *CoStar*.

The following chart shows trends in the industrial vacancy rate in Tucson through First Quarter 2020, according to *CoStar*:



Overall, the industrial vacancy rate increased through late 2012. The vacancy rate declined from late 2012 through the first part of 2019 before increasing slightly in the second half of 2019. The industrial market had stabilized but there were not yet signs of significantly increased prices. There continues to be a large supply of fully zoned and improved industrial lots available in the Tucson market with limited demand in the current market. In March 2020, the Covid-19 pandemic led to a shutdown of many businesses. It is not yet known what extent this pandemic will impact the industrial real estate market, although it is projected that the industrial market may be less significantly impacted and will recover more quickly than other markets. There may potentially be long-term impacts due to changing demand for warehouses and cold storage due to potential changes in supply chains and delivery and storage models.

### ***Retail Market***

*Retail* space had maintained more constant levels of growth and absorption, with decreasing vacancy rates observed prior to mid-2007. In general, the market turned down starting at the end of 2007. Some signs for a decline in market conditions includes contracts cancelled,



development projects put on hold with reasons including reduced demand and increased competition of other developments coming out of the ground, offers and counter offers at considerably below the listing price, listings being repriced at lower levels, existing tenants looking for rental relief, businesses closing their stores and vacating the premises, and excess developed land without demand. In recent years, demand had increased for many types of retail properties and remained stable for less desirable retail uses. In March 2020, the Covid-19 pandemic impacted the world. With many businesses temporarily closed, there is anecdotal evidence of many retail tenants not paying rent in April 2020. However, the effects on the retail real estate market are not yet known, with demand remaining for some retail uses that remained open. Some sales and leases in process continued, with others temporarily paused. It is not known how long any impacts will continue, and the extent to which this will impact sale prices and rents. While the vacancy rate may increase in the short term, it is currently too soon to see these impacts.

There was net positive absorption of 13,123 square feet in the First Quarter of 2020, according to *CoStar*. This compares to net positive absorption of 92,158 square feet in the Fourth Quarter of 2019, net negative absorption of 53,935 square feet in the Third Quarter of 2019, net positive absorption of 64,670 square feet in the Second Quarter of 2019, net negative absorption of 171,003 square feet in the First Quarter of 2019, net positive absorption of 183,141 square feet in the Fourth Quarter of 2018, net positive absorption of 291,795 square feet in the Third Quarter of 2018, net positive absorption of 233,172 square feet in the Second Quarter of 2018, and net positive absorption of 375,739 square feet in the First Quarter 2018. The following shows trends in the vacancy rate for retail properties in the Tucson market through the First Quarter 2020, according to *Costar*.

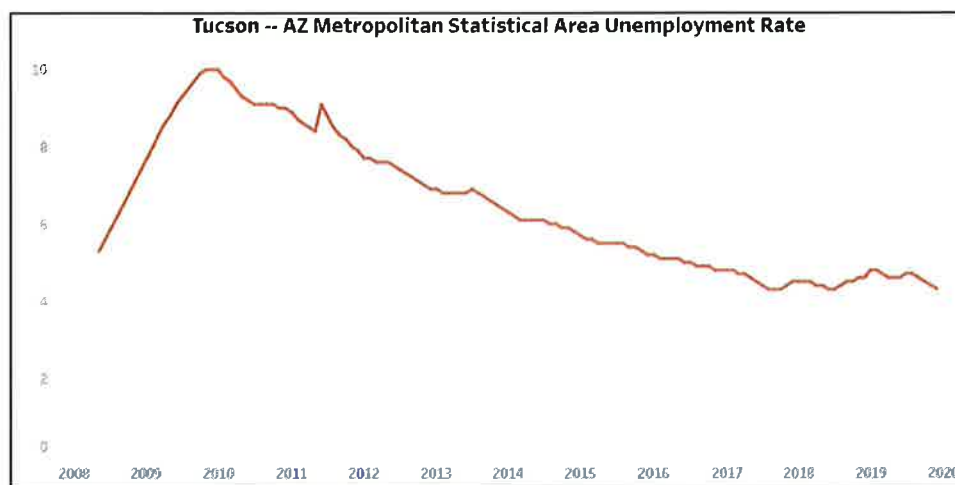


This chart shows that the vacancy rate for retail properties increased through mid-2012. The retail vacancy rate declined since that time. Most recently, there was a decline though 2018, with a slight increase in the vacancy rate from late 2018 through the first quarter of 2020. The retail market has stabilized and prices and rents were increasing in high demand areas or for high demand property types, although there remains little demand for older retail properties in low demand areas. The Covid-19 pandemic is expected to impact the retail market in the short-term, although the extent and length of any impact is currently unknown as of the end of the first quarter of 2020.



In the First Quarter 2020, ten new buildings containing 60,170 square feet were completed. This compares to six new buildings containing 29,862 square feet in the Fourth Quarter of 2019, 14 new buildings containing 77,860 square feet in the Third Quarter of 2019, six new buildings containing 16,232 square feet in the Second Quarter of 2019, ten new buildings containing 87,989 square feet in the First Quarter of 2019, nine new buildings containing 114,424 square feet in the Fourth Quarter of 2018, fourteen new buildings containing 182,955 square feet in the Third Quarter 2018, thirteen new buildings containing 225,172 square feet in the Second Quarter of 2018, and eighteen new buildings containing 196,508 square feet in the First Quarter of 2018.

According to the Arizona Commerce Authority, the seasonally adjusted unemployment rate for metropolitan Tucson was as follows:



This data shows that the unemployment rate in the Tucson metropolitan area increased and peaked in early 2010. The unemployment rate has slowly been declining since early 2010. There was a slow steady decline in the unemployment rate over several years. However, the seasonally adjusted unemployment rate in Tucson increased slightly in mid-2019 and then declined slightly through the end of the year. Due to the shutdown of many businesses due to Covid-19, unemployment began to increase significantly in mid-March 2020, continuing through April. Although the April 2020 data is not yet available, the seasonally adjusted unemployment rate increased from 4.2% in February 2020 to 5.2% in March 2020, and is expected to increase significantly. Areas with significant increases in unemployment include hospitality, restaurant, and retail jobs, although many job categories have seen increases in unemployment. It is uncertain how long it will take employment to recover.

According to the United States Department of Labor, Bureau of Labor Statistics, the national seasonally adjusted unemployment rate also increased through late 2009. The unemployment rate remained high and started to decline slowly in late 2010. The unemployment rate has declined and is below 2007 levels. The seasonally adjusted unemployment rate was 3.5% in February 2020 and 4.4% in March 2020, and will increase significantly in the upcoming month or two.



Overall, the commercial real estate markets reveal that most investors held a cautionary but improving outlook due to continued oversupply of available space in many markets which adversely affects tenants, owners and investors, and the continuing uncertainty of the government conditions. The stabilizing supply and demand fundamentals will result in slowly improving values. In the short term, market conditions are unstable and projected to decline for at least some property types in the immediate future due to impacts of Covid-19. As of the end of the first quarter of 2020, there was not yet evidence of declining market conditions including decreasing prices and rents as the effects of the pandemic are not yet known. The market appears to be on “pause” as market participants wait to see the impact of the pandemic and businesses shutdown. Many real estate deals already in progressing are closing, with others put on hold or cancelled. It is hoped that economic improving growth will be seen by the third quarter of 2020 but this is uncertain. However, it is projected that declines will be short-term, with good prospects for Tucson in the long term. The long-term result should be a more balanced level of supply and demand - more conducive to steady long-term development. Factors such as climate, health and educational facilities, and the availability of housing are positive influences which will result in long-term economic growth for metropolitan Tucson.

## **MARKET AREA**

The market area of the subject property is located on the eastern border of the downtown Tucson market area. Generally speaking, downtown Tucson it is bounded on the north by Sixth Street and the Union Pacific Railroad tracks; on the south by Cushing Street and the Cushing Street alignment; on the east by the Union Pacific Railroad tracks and Third Avenue; and on the west by Interstate 10. Existing property types located in the market area include commercial retail buildings, City, County, State, and Federal office buildings, low and medium high-rise office buildings, hotels, residential uses, and some industrial uses. Most of the vacant land in the general area typically is used for parking lots. The downtown area consists of the "core area" and the "core support area." The core area is bounded on the north by Alameda Street, on the east by Scott Avenue, on the south by Broadway Boulevard and on the west by Church Avenue. It is that downtown area which includes the most intense land uses. It includes all of the high-rise properties in the downtown area. It also has some retail space which is predominantly utilized by restaurants. The remainder of the area surrounding the downtown core area is the "core support area." This area generally consists of support uses to the core area. These uses include garden to mid-rise office buildings, public buildings, retail, hotel, residential, parking lot and garage uses, and vacant land. The core support area on the west side of the downtown market area is influenced by proximity to Interstate 10 and the Tucson Community Center. Single family residential properties in the area include historic barrio homes with ages ranging from 75 to 125 years, and a trend towards some new residential construction, such as the conversion of the old "Ice House" building located near 17th Street into 51 loft condos. Residential development has been limited in the area since the slowdown in the residential market starting in mid-2006. However, there has been a recent increase in multifamily mixed-use development in the downtown area. There is a pocket of industrial uses on the far east portion of the market area along Toole Avenue. This industrial area is well located due to the proximity to transportation corridors. There are additional industrial uses to the south and east of this industrial area, with similar types of uses.

Future trends anticipate a continued increase in multifamily and mixed-use properties in the downtown area projected to continue to be strong, with low vacancy rates. Commercial uses include single-tenant and multi-tenant retail and office space. Many properties between Broadway Boulevard and Alameda Street, east of Stone Avenue are commercial buildings used for art gallery space, restaurants, and service businesses, as well as multi-tenant mid-rise and high-rise office buildings. The area east of Scott Avenue is comprised of single-story to low-rise retail and apartment uses. The southeast portion of downtown, along Toole Avenue and the railroad tracks contains industrial uses

The east area of downtown, which would be considered the entertainment district of downtown, has seen the most development in the past couple of years, with student housing over two city garages, new retail, and conversion of older spaces with restaurant and bar uses. The core area has a higher and more stable occupancy, with an estimated vacancy rate ranging from 5 to 10 percent. The core area has been the focus of recent multifamily developments, with several new mid-rise and high-rise projects recently completed and a number of developments currently under construction or in the planning phase. The area outside of the core area has a higher vacancy rate due to age and condition of the available

space. This is based on observation and conversations with brokers familiar with the downtown area. The Tucson Community Center is located in the southwest portion of the market area and state, federal, and county buildings are located near Pennington and Congress Streets, which is part of the Heritage Incentive Zone and the Rio Nuevo Plan. Over the past few years, public and private improvements have been completed or are planned which will increase demand for new development in the market area. Unisource purchased the former Santa Rita Hotel property on Broadway between Scott and Sixth Avenues and demolished the former hotel building and built a new company headquarters office on the site. Scott Avenue improvements and construction of the Fourth Avenue underpass are complete. The Fourth Avenue underpass improves connection between the University area, the Fourth Avenue area, and the east side of downtown. Construction of a modern streetcar, which went live in 2014, has been an important component in the revitalization of the downtown area, and further enhances mobility between the University area, the Fourth Avenue area, downtown's east side, and the Mission district area located on the west side of the freeway is also a newer core support area. Many mixed-use and multifamily residential developments have been completed in the downtown area including redevelopment of the old Martin Luther King Apartment building at Fifth Avenue and Congress into what is now a mixed-use development with market rate apartments and ground floor retail space; two mixed-use developments located at the northeast and southwest corners of Stone and Broadway; the AC brand by Marriot which opened late in the third quarter of 2017 at the northwest corner of Broadway Boulevard and Fifth Avenue; the McCormick Townhouses located on Stone Avenue, south of Broadway; and several other smaller developments and renovations throughout the downtown area. The Congress District is planned for a facelift for storefronts with the implementation of the Downtown Facade program. Streetscape improvements, including sidewalks, plantings, and lighting features are also planned. The Rialto Theatre and Club Congress provide a center of activity for the east side of downtown.

While the overall Tucson commercial real estate market has been mostly stable, the areas around downtown, the downtown core area, Mission District on the west site of the I-10 freeway, Fourth Avenue, and the University campus area continues to increase in demand. There has been increased demand and sales activity for commercial properties and mixed-use multifamily developments in and around the core downtown area. Due to greater parking requirements for student housing away from the campus, student housing projects away from the campus have only been developed on sites with 100,000 square feet or larger land areas. There are several large student-housing uses currently being developed, with several others planned. The largest of these properties include the Hub III tower on Speedway, the Mark on Speedway, and the Chase Bank site tower adjacent to Park Avenue. Both of these tower sites are located immediately adjacent to the campus in the immediate area of the existing student housing tower sites. There also a large student housing project under construction on Broadway Boulevard, located approximately one-half mile south of the campus. This project is located on a land area greater than 100,000 square feet and is a mid-rise development with a parking garage on site.

There are a number of multifamily/mixed use developments within the core and adjacent to the core downtown area. According to information from the Downtown Tucson Partnership, there are over 1,500 planned housing units in and around the core downtown area which are planned to be completed or under construction within the next several years. There are additional planned developments that are not listed on the Downtown Tucson Partnership list which would likely increase the number of upcoming multifamily residential uses in and around the core downtown area to over 2,000 units under construction over the next several years. While not a complete list, below are some of the more notable very recently completed, currently under construction, or currently planned projects in the area include:

- Northwest corner of Stone and Broadway - located in the core downtown area. Currently under construction, the Rendezvous Urban Flats is a mixed-use project with six-story structure consisting of over 4,000 square feet of ground floor retail and 100 market rate apartments on the upper floors. This site has a three-level underground parking garage already in place. This site was initially planned for a high-rise site; however, due to high cost of construction of development over six stories, this development has been scaled down to six story development.
- Southeast corner of I-10 and Congress Street - located approximately five blocks west of the core downtown area. This is a large land area (8.5 acres) with several uses planned which include multifamily development, hotel, and gem show facility.
- Northeast corner of Stone and 16th Street - located approximately 5 blocks south of the core downtown area. This recently completed development consists of nine two-story market-rent town homes.
- In the Mission District, west of I-10, are several planned projects in different phases of development. The West End station apartment development, an affordable housing mixed-use development, is currently under construction. Site work has already started on the Monier Apartments, which will consist of a four-story building with market-rate rental units and ground-floor retail with an underground parking garage. Additionally, a large entertainment and retail development utilizing storage containers has opened in the immediate vicinity of the Monier Apartment site. There is a planned high-density mixed-use development which is in the planning stages. This area west of I-10 is a separate market area which supports the downtown area due to the proximity to downtown and the streetcar line which runs through this market area.
- Adjacent to the Mission District on the west side of I-10, is a new corporate headquarters facility for Caterpillar which will add employees to the area. This recently completed office use development has been a key driver for the recent increase in demand in the adjacent Mission District.
- On the south side of Congress Street, between Scott Avenue and Stone Avenue - located within the core downtown area. Known as City Park, this recently completed development consists of a six-story mixed use development containing 39 residential lofts, 39,500 square feet of creative office lofts, 23,500 square feet of ground floor retail and restaurant space, and 10,000 square feet of outdoor and rooftop entertainment space.



- Southwest corner of Broadway Boulevard and Church Avenue - located within the core downtown area. Currently under construction, HSL Properties is redeveloping La Placita into a four to five story residential multifamily development containing approximately 230 - 240 multifamily units with two levels of onsite parking.
- Southwest corner of Church Avenue and Franklin Street - located approximately 5 blocks north of the core downtown area. Known as "Block 175", located on 84,626 square feet of land area and is currently within the RFP phase with plans to develop the site into a mixed-use development with ground-floor retail and medical office uses, mid-rise multifamily uses, and town home uses along Franklin street. The number of units planned has not yet been determined.
- A vacant site on the east side of Stone Avenue, south of Broadway Boulevard was recently purchased with the planned use being a Hilton brand hotel site. Another hotel use is to be located adjacent to the convention center. Additionally, other market rate apartments are being considered for development in the downtown area as well as downtown support areas like Fourth Avenue where mixed use developments are planned.
- A currently improved office use site on the east side of Fifth Avenue, south of Broadway boulevard has been approved for demolition of the existing office improvements and the development of a multi-family use building consisting of 96 units (all studio and one bed-rooms), with an approved reduction in parking to 51 spaces. The same developer, Mr. Ross Rulney, has been approved to develop a 44-unit, five-story, multi-family use development with no onsite parking and no agreements with any nearby parking lots. Mr. Rulney feels the demographic of the potential tenants comprising students or people working near the downtown or university would lease a unit with no onsite or guaranteed parking available.
- The existing Ronstadt Transit Center is currently in the planning phases. The conceptual plan for the site includes a mixed-use development consisting of a hotel use on the portion of the site fronting on Congress Street, two multifamily use buildings with ground floor retail, and a parking structure with upper level multifamily uses on the northern portion of the site separated by Toole Avenue. The only parking for this project would be on Toole Avenue. The transit center would be reconfigured to the east side of the site with the potential building improvements cantilevered over portions of the transit center.
- A mixed-use development located at the southwest corner of Fourth Avenue and Sixth Street is current under construction. The development will include street level retail uses with two buildings of market rate apartments. Herbert Avenue will bisect the development. The planned building on the east side of Herbert will have a height between 2 and 5 stories and the building planned for the west side of Herbert is planned to be 7 stories in height. There are 254 units and the development will have onsite parking.
- A mixed-use development wrapping around the northwest corner of Fourth Avenue and Stevens Avenue is currently in the planning phase. The development is planned to include street level retail uses, high-rise market rate apartments, and onsite parking.

**SITE DESCRIPTION**

The subject property is a rectangular shaped property with approximately 307 feet of frontage on Toole Avenue along the eastern border, and a depth of approximately 357 feet along the northern and southern borders. The subject contains a total land area of 109,104 square feet per the Pima County Assessor. The subject property has direct access from Toole Avenue. Toole Avenue is a two-lane asphalt paved roadway with center turn lane, concrete curbs, and sidewalks on the west side of Toole Avenue, but no streetlights in the area of the subject property. There is no traffic count available for Toole Avenue in the area of the subject property. The topography is mostly level. Soil conditions appear to be typical of the area. Properties bordering the subject property include industrial uses to the north and south; UPRR storage facility followed by the UPRR tracks and industrial uses to the east; and single-family residences to the west. Utilities available to the property include electric (Tucson Electric Power Company), telephone (CenturyLink), water (City of Tucson Water Company), and sewer (Pima County), and are available to the site in sufficient quantity and quality.

According to FEMA Flood Insurance Rate Map 04019C2279L, dated June 16, 2011, the subject property is not identified as being located in a Special Flood Hazard Area (see Exhibits). The property is in a seismic zone which is considered to have a low probability of seismic activity. There are no known easements or encumbrances that adversely affect the subject property.

**ZONING:**

The subject property is zoned I-1 according to the City of Tucson zoning code. The purpose of this zone is to provide for industrial uses that do not have offensive characteristics, in addition to the land uses allowed in more restrictive nonresidential zones. The I-1 zoning allows for commercial, industrial, and manufacturing uses. No dwelling uses are permitted except for caretakers' residences. There is no minimum lot or site area. A maximum building height of 75 feet is permitted. Specific building setbacks for the subject vary depending on the type of uses allowed on adjacent sites. The subject property is also located within the City of Tucson (GPLET) district. Per the City of Tucson, the GPLET district can provide up to 8 years of property tax abatement. This incentive is available for projects located in GPLET Downtown boundaries that result in a property value increase of at least 100%. To become "government property" the City will take ownership of the property for the duration that the owner wishes to be relieved of tax obligations. The subject property is also located within the Opportunity Zone. Within the opportunity zone, investors can reduce the amount of their reinvested taxable capital gains by 10% or 15%, depending on the length of the investment.

**IMPROVEMENTS DESCRIPTION:**

The subject building improvements consist of an industrial warehouse building constructed in 1988 with a building age of 32 years as of the date of value. Gross building area is 43,500 square feet per Pima County Assessor and Site plan building dimensions (see Exhibits). The layout consists of 35,625 square feet of warehouse space, with 7,875 square feet of office use buildout. The finished built out office area consists of approximately 18.1 percent of the gross building area.



The exterior of the building consists of concrete floors, footings and foundation, pre-engineered steel trusses and beams with metal pre-formed insulated sheet walls, glass in aluminum framed windows located on the eastern and northeastern portions of the building, and an insulated gable metal roof with a clear height ranging from approximately 20 feet at the exterior walls, pitching to a maximum clear height of approximately 23 feet in central portion of the property. There is a concrete truck well and dock located at the southeast corner of the building which includes two 8 by 8-foot metal rollup doors and one 22 by 14-foot metal rollup door. There is a secondary loading area located at the northwest corner of the building which contains two 8 by 8-foot metal rollup doors and one 14 by 14-foot metal rollup door. There are two 8 by 8-foot rollup door and one 14 by 14-foot metal rollup door located along the northern wall of the warehouse area. Electrical capacity for the subject property has been upgraded to 4000 amps, which is much greater than a typical user would require. The property has a surveillance and security system installed.

The warehouse portion of the building contains fully insulated walls and ceilings, painted concrete flooring, hanging fluorescent lighting, a metal interior partitioning wall which was partially formally utilized as a cold storage room with two coolers; however, these have not been utilized in a number of years and would require extensive servicing to put into working condition. There is a small receiving office with attached restroom and storage room located in the southeast portion of the warehouse adjacent to the loading area. The receiving office and storage room contains drywall floors, drop ceiling with acoustic panels, florescent lighting, and painted concrete flooring. The restroom contains a toilet and sink. There is a workshop area located in the northeast portion of the warehouse area which has drywall partitioning. Cooling of the warehouse is provided by several large capacity air-conditioning units which fully cool the entire warehouse area. There is one evaporative cooler located at the northwestern portion of the building; however, this unit has not been utilized in a number of years and would require servicing to put this unit in working area. This evaporative unit is insufficient to cool the entire warehouse.

The office buildout area of the subject property contains a reception area located at the northeastern portion of the building and contains drywall walls and ceiling, canned lighting, carpet flooring, aluminum framed glass doors and windows, and a stacked stone façade on the southern wall of the reception area. There are 14 private offices and two conference rooms that contain drywall interior partitioning wall, drop panel ceiling with florescent lighting, and commercial carpet flooring. There are four restrooms in the office buildout area which include textured painted concrete flooring, drop panel ceiling, toilets, and sinks. There is an open work area with a break area and kitchenette located in the northwest portion of the office buildout area. This open work area contains painted concrete flooring, drop ceiling with florescent lighting, drywall exterior walls, and wood cabinets with a sink and refrigerator. Heating and cooling for the entire built out office area is provided by air-conditioning units with forced warm air heat.

Other improvements include an asphalt paved parking lot with potential to contain up to 86 spaces. There are five parking spaces located on the east front of the property, adjacent to Toole Avenue. There are currently 78 spaces on the north side of the building; however, if restriped to maximize the number of spaces, the parking lot on the north side of the building

could have 81 potential parking spaces. As discussed, This appraisal is based on the extraordinary assumptions that upon purchase or lease of the subject property, the seller would create a shared parking easement with the adjacent property to the north which would guarantee the purchaser of the subject property sufficient parking spaces to meet current City of Tucson parking code requirements, estimated by the appraiser to be 61 spaces for the subject property, with the balance of the parking spaces on the subject property able to be utilized by the adjacent property to the north.

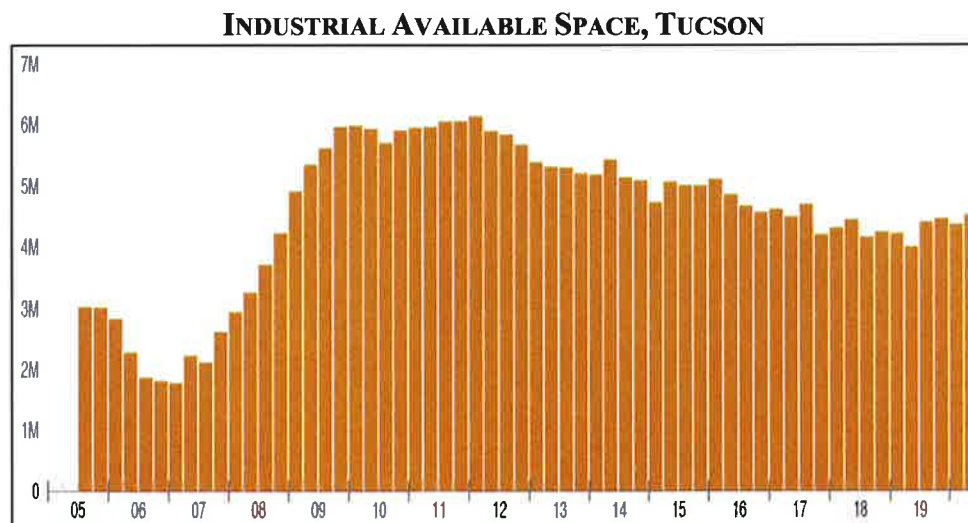
The improvements are of average quality construction and the condition is generally average. Actual age is 32 years, effective age is considered to be 15 years with a remaining economic life of 30 years. The building coverage ratio is 39.9 percent. While this building coverage ratio is greater than a typical warehouse use, the location of the loading docks on the southeast portion of the building allows trucks to utilize Toole Avenue to access the loading docks and does not take up a portion of the available parking/yard area for truck access. This effectively lowers the site coverage ratio for the subject property.

### MARKET PROFILE – INDUSTRIAL

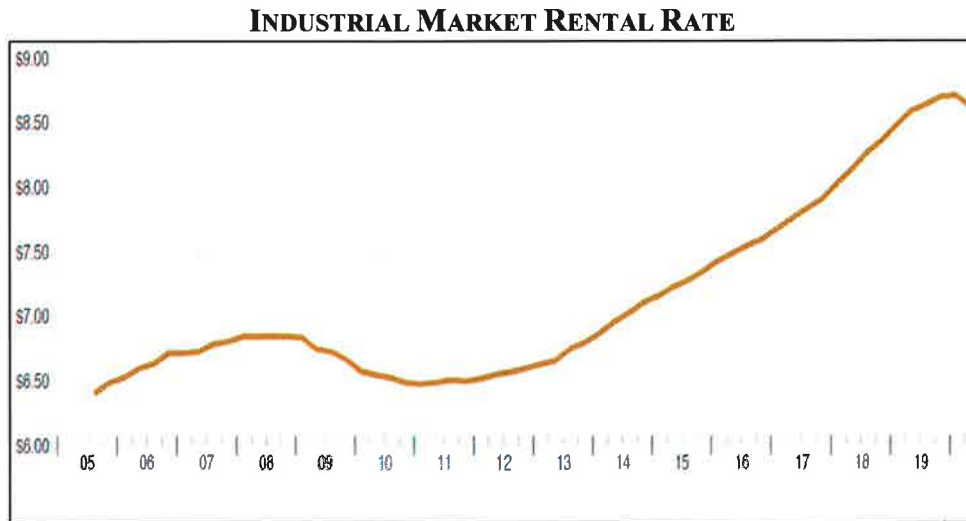
The following is the vacancy rate for industrial/flex properties in the Tucson Market, according to CoStar. This data indicates that the vacancy rate for industrial properties increased from 2007 before peaking in mid-2012. From the peak level, the vacancy rate for industrial properties have trended downward continuing through the first quarter of 2019. Vacancy rates for industrial properties has since increased from mid- 2019 through the second quarter of 2020. The effects of Covid-19 are projected to have minimal impact on industrial vacancy rates, as the industrial market has been less effected than other real estate markets, based on conversations with brokers and market participants.



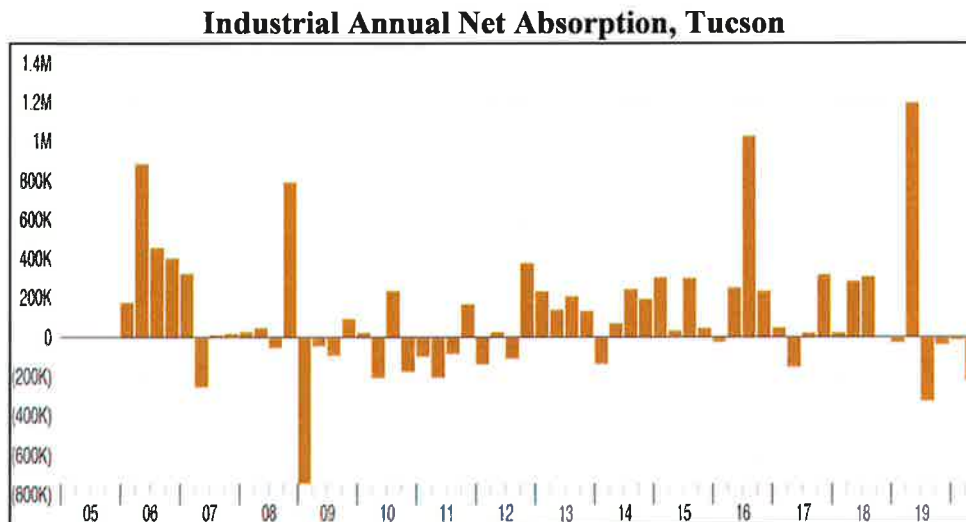
The following is the amount of available industrial/flex space in the Tucson market through the second quarter of 2020, according to CoStar. This data indicates that the amount of available industrial space peaked in early 2012. Since this peak, the amount of available industrial space steadily declined through 2015early 2019. There was a slight increase in mid-2019, with available industrial space remaining mostly stable since that time through second quarter of 2020.



The following is the market rental rate for industrial/flex properties in the Tucson market through the second quarter of 2020, according to CoStar. The market rental rate increased to a peak level in late 2008 and then declined until 2011. From 2012 through the beginning of 2020, asking rental rates for industrial properties in the Tucson market trended upward. There was a slight decrease in the first half of 2020.

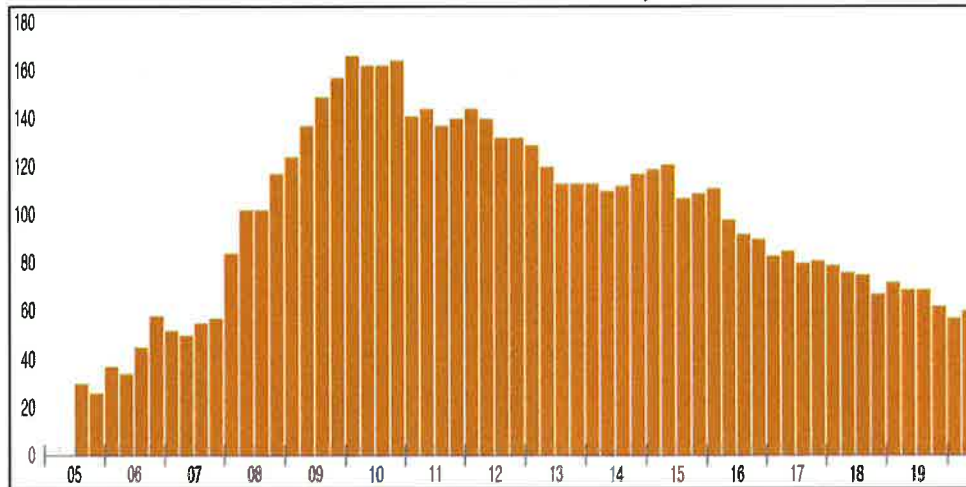


The following is the industrial/flex net absorption rate in the Tucson Market, according to CoStar. Since 2006 there has been a mix of net negative and net positive absorption. Most recently there was net negative absorption in the second quarter of 2020. Covid-19 is expected to have minimal impact on the net absorption for industrial properties in the Tucson market, based on conversations with brokers and market participants.



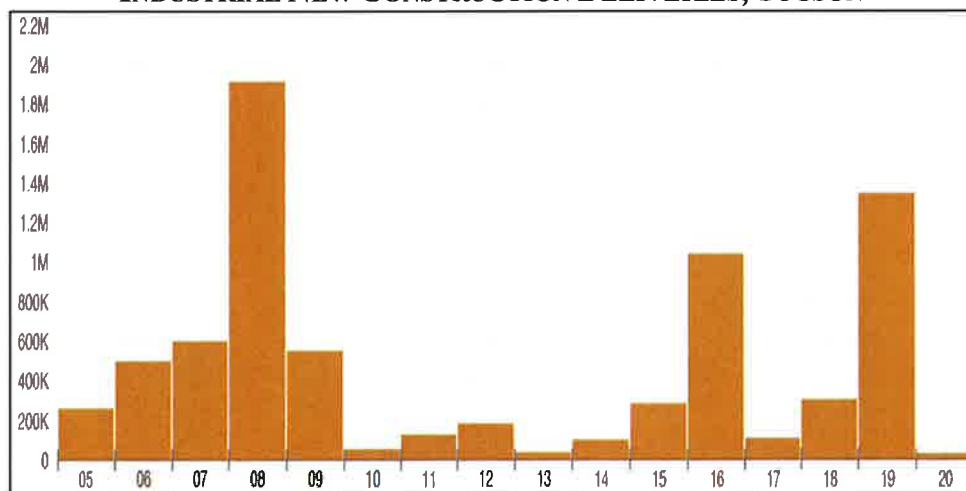
The following is the number of industrial/flex properties listed for sale in the Tucson market, according to CoStar. The number of listings increased from 2005 to a peak level in 2010. From 2010 through 2019, the number of listings for industrial properties has gradually declined. Industrials listings for Tucson has remained stable in the first half of 2020.

**INDUSTRIAL LISTINGS FOR SALE, TUCSON**



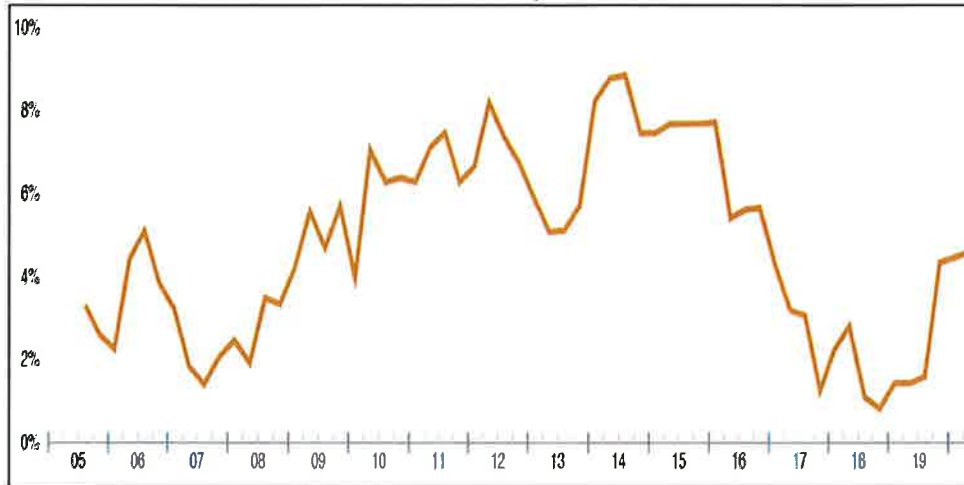
The following is the amount of new construction delivery of industrial/flex space in the Tucson Market, according to CoStar. There has been limited new construction from 2009 through 2018 for industrial properties in the overall Tucson market. Although 2019 indicates an increase in new construction, the majority of this new construction was located in one large building that contained approximately 800,000 square feet of building area. The first half of 2020 saw little construction deliveries, and is expected to remain low as developers and market participants in the immediate near future remain cautious due to the current Covid-19 global pandemic.

**INDUSTRIAL NEW CONSTRUCTION DELIVERIES, TUCSON**



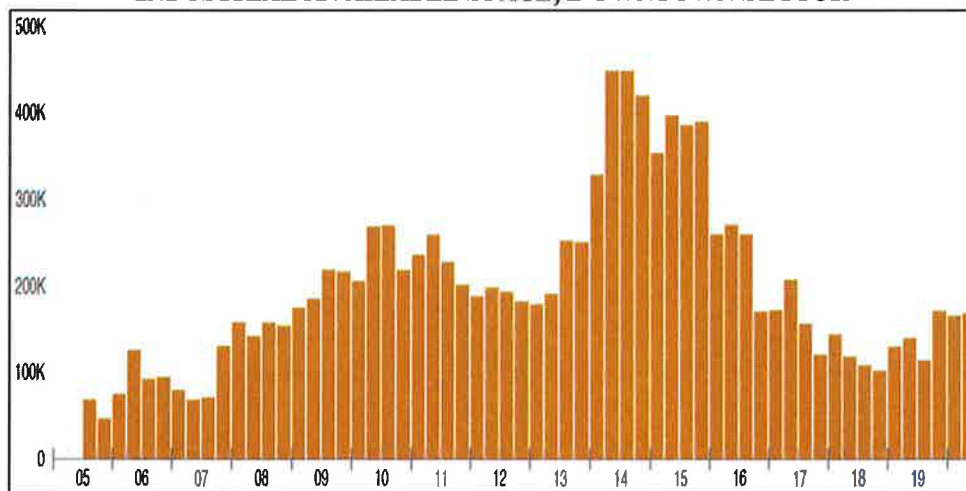
The following are the vacancy rates for industrial properties in the subject sector, Downtown, according to CoStar. This data indicates that the industrial vacancy rate in the subject sector increased from 2007 and peaked in 2014. From the peak level in 2014, the vacancy rate then declined through mid-2019 before increasing again slightly from the second half of 2019, and remaining mostly stable in the first half of 2020.

**INDUSTRIAL VACANCY RATE, DOWNTOWN SECTOR**



The following is the amount of available industrial space in the subject sector, downtown according to CoStar. This data indicates that the amount of available industrial space peaked in 2014. Since this peak in 2014, the amount of industrial space steadily declined through 2017 and then remained relatively stable. There was a slight increase at the end of 2019, with available space mostly stable in the first two quarters of 2020.

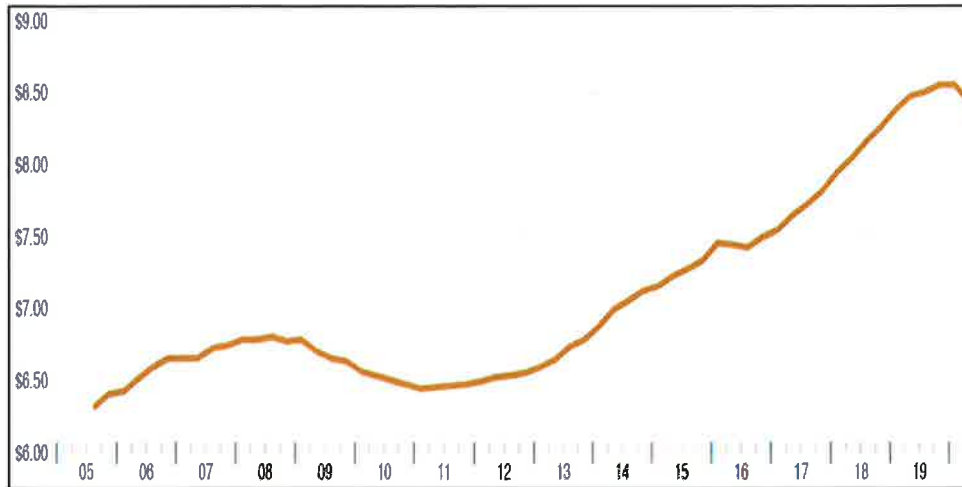
**INDUSTRIAL AVAILABLE SPACE, DOWNTOWN SECTOR**





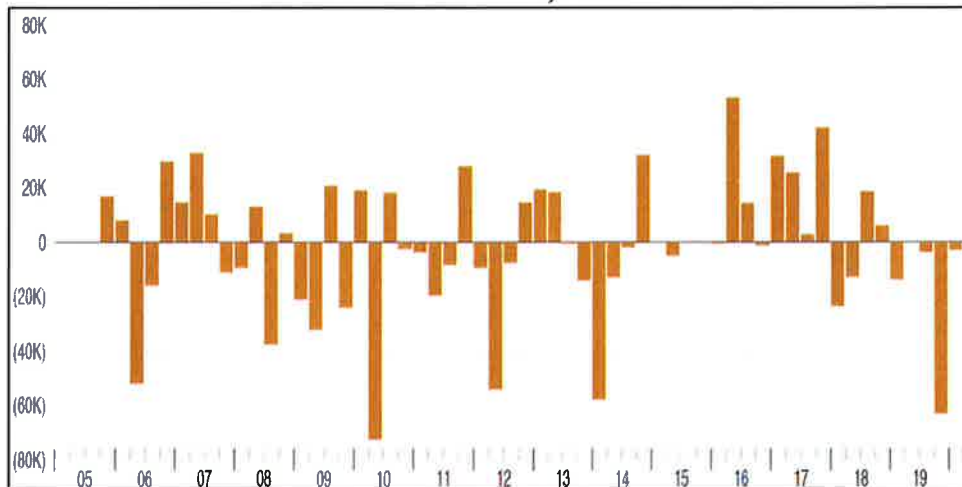
The following is the market rental rate for industrial/flex properties within the subject sector, Downtown, according to CoStar. The average asking rental rate increased slightly from 2005 to 2008, before declining through 2010. From 2011, the market rental rate in the sector increased steadily through 2019 and declined slightly through the first half of 2020.

**INDUSTRIAL MARKET RENTAL RATES, DOWNTOWN SECTOR**



The following is the industrial net absorption for the subject sector, Downtown, according to CoStar. From 2005 through the second quarter of 2020 there has been a mix of net positive and net negative absorption in the sector. Most recently, there has been net negative absorption since 2019.

**INDUSTRIAL NET ABSORPTION, DOWNTOWN SECTOR**

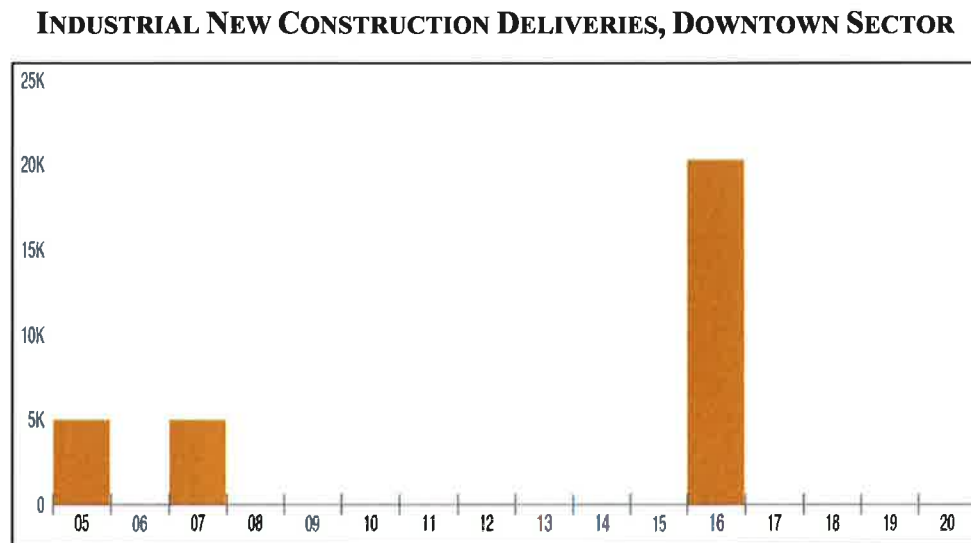




The following is the number of industrial properties listed for sale in subject sector, Downtown, according to CoStar. The number of listings remained somewhat stable and then increased significantly in 2014 before declining. There have been limited listings for sale in the sector since 2018.



The following is new industrial construction deliveries in the subject sector, Downtown, according to CoStar. There has been very little construction activity in the subject sector in recent years.



Overall, the Tucson industrial real estate market reveals that most investors had held a cautionary but improving outlook due to continued oversupply of available space in many markets which adversely affects tenants, owners and investors, and the continuing uncertainty of the government conditions. The stabilizing supply and demand fundamentals had resulted in slowly improving values over the past few years. The effect of the recent COVID-19 pandemic is unknown in the market as of the effective date of this appraisal because there is not yet sufficient data to support changes in market conditions. The global outbreak of a “novel coronavirus” known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO). The reader is cautioned, and reminded that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. The appraiser makes no representation as to the effect on the subject property of any unforeseen event, subsequent to the effective date of the appraisal. However, market participants indicate that Covid-19 is projected to have the least impact on the industrial real estate market. While later this year there is a potential for some short-term decline in industrial market conditions, a recovery would be projected to be faster than other real estate markets. For now, market conditions remain static as market participants wait to see the impacts of Covid-19. The long-term result should be a more balanced level of supply and demand - more conducive to steady long term development. Factors such as climate, health and educational facilities, and the availability of housing are positive influences which will result in long-term economic growth for metropolitan Tucson.

## **EXPOSURE/MARKETING TIME**

*Marketing time*, as utilized in this appraisal, is defined as:

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. <sup>1</sup>

The reasonable *exposure time* is the period a property is on the market until a sale is consummated and as utilized in this appraisal, is defined as:

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; a retrospective opinion based on an analysis of past events assuming a competitive and open market. <sup>2</sup>

The reasonable exposure and marketing time is estimated to be six to twelve months based on the sales used in this report and based on conversations with brokers familiar with properties similar to the subject property.

## **HIGHEST AND BEST USE**

The Sixth edition of The Dictionary of Real Estate Appraisal (Appraisal Institute; 2015, p. 109), defines highest and best use as:

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.

An analysis of market data supports the conclusion of highest and best use. The first step is to determine the highest and best use of the land as though vacant. This includes a determination as to whether the site should be left as vacant or should be developed. If the site should be developed, an analysis determines the ideal improvements that should be developed on the property. The second step is to determine the highest and best use of the property as improved. This involves a comparison of the existing improvements to the ideal improvements in order to determine if the existing improvements should be modified or left in the current condition.

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1. The Dictionary of Real Estate Appraisal (Appraisal Institute, Sixth Edition, 2015), p. 140

2. Ibid, p. 83

### ***Highest and Best Use as Vacant***

#### ***Legal Considerations***

The subject property is zoned I-1 according to the City of Tucson zoning code. The purpose of this zone is to provide for industrial uses that do not have offensive characteristics, in addition to the land uses allowed in more restrictive nonresidential zones. The I-1 zoning allows for commercial, industrial, and manufacturing uses. No dwelling uses are permitted except for caretakers' residences. There is no minimum lot or site area. A maximum building height of 75 feet is permitted. Specific building setbacks for the subject vary depending on the type of uses allowed on adjacent sites.

The subject property is also located within the City of Tucson Government Property Lease Excise Tax (GPLET) district. Per the City of Tucson, the GPLET district can provide up to 8 years of property tax abatement. This incentive is available for projects located in the Central Business District that result in a property value increase of at least 100%. To become "government property" the City will take ownership of the property for the duration that the owner wishes to be relieved of tax obligations. The subject property is also located within the Opportunity Zone. Within the opportunity zone, investors can reduce the amount of their reinvested taxable capital gains by 10% or 15%, depending on the length of the investment

Therefore, the subject property could be developed with industrial uses under the existing I-1 zoning. If developed, the subject property could qualify for GPLET incentives.

#### ***Physical Considerations***

The subject property is a rectangular shaped property with approximately 307 feet of frontage on Toole Avenue along the eastern border, and a depth of approximately 357 feet along the northern and southern borders. The subject contains a total land area of 109,104 square feet per the Pima County Assessor. The subject property has direct access from Toole Avenue. Toole Avenue is a two-lane asphalt paved roadway with center turn lane, concrete curbs, and sidewalks on the west side of Toole Avenue, but no streetlights in the area of the subject property. There is no traffic count available for Toole Avenue in the area of the subject property. The topography is mostly level. Soil conditions appear to be typical of the area. Properties bordering the subject property include industrial uses to the north and south; UPRR storage facility followed by the UPRR tracks and industrial uses to the east; and single-family residences to the west. All utilities are at the lot lone and the subject property is not located within a FEMA floodplain. There are no known easements or encumbrances that adversely affect the subject property. The site has sufficient land area for an industrial use.

#### ***Financial Feasibility***

The subject property could be developed with an industrial use. The site is located in an area of predominantly industrial properties with some office uses and some recreational uses located in the industrial buildings. There is limited vacant land in the immediate area of the subject, therefore, there would be demand for development of the subject property. This property is located in an area with average to good demand for industrial type uses. Therefore, the most financially feasible use of the subject property, as if vacant, would be for development with an industrial use building.

### *Maximally Productive*

Therefore, the maximally productive highest and best use of the subject site is for the development of an industrial use building. The subject property is located in an area with average to good demand for industrial uses.

### *Ideal Improvement*

As vacant, the subject site would likely be developed with an industrial building containing between 22,000 square feet and 33,000 square feet of building area. The building would likely contain an office buildout of 15 to 25 percent office space, with the remaining building area being warehouse/shop space.

### *Highest and Best Use as Improved*

The highest and best use as improved compares the ideal improvements for the property to the existing improvements. This is used to determine if the existing improvements should be retained or modified. A modified property can be converted, removed, or renovated. The property currently contains an industrial warehouse building. This use was constructed in 1988. The total building size is 43,500 square feet. The office buildout in the building contains approximately 7,875 square feet (approximately 18.1%) and the warehouse area containing approximately 35,625 square feet. The building is in average condition. The building is finished out with typical average quality industrial finishes.

### *Legal Considerations*

The improved property appears to meet all of the requirements under the existing I-1 zoning. Therefore, the existing industrial use could be retained under the existing zoning. There are no other legal restrictions to modifying or demolishing the existing improvements.

### *Physical Considerations*

The subject building contains 43,500 total square feet of building area, with the finished office area buildout containing approximately 18.1 percent to the total space. This is typical in the market. The improvements are in average condition and are of average quality. There are no physical restrictions to continuing the existing use or to modifying or demolishing the existing use.

### *Financial Feasibility and Maximally Productive*

The subject property is located in an area with average demand for industrial uses and is in an area with a number of industrial properties. Market conditions have improved over the past few years and there would still be demand for the subject property. As the value of the property as improved is greater than the value of the site as though vacant, it is not financially feasible to demolish the existing improvements. As the existing improvements are in average condition and are similar to the type of improvements that would be developed on the site, it would not be financially feasible to modify the existing improvements by conversion or renovation. Therefore, the highest and best use of the property as improved is to retain the existing industrial use.

## PART IV - SUMMARY OF ANALYSIS AND VALUATION

### SALES COMPARISON APPROACH

The sales comparison approach to value considers what a typical well-informed purchaser would pay for a property, based on an analysis of similar properties. This approach reflects the application of the principle of substitution, which affirms that when a property can be replaced, its value tends to be set by the cost of acquiring an equally desirable substitute property.

This approach analyzes sales and listings of properties similar to the subject. This analysis uses those sales most relevant as indicators of value of the subject property, adjusting for dissimilarities such as site size, location, quality, age, building size, condition, appeal, amenities, and terms of sale. Sales used in this approach must contain these elements; 1) both parties are typically motivated; 2) both parties are well-informed; 3) a reasonable market exposure time is allowed; 4) payment is made in cash or its equivalent; and 5) financing reflects terms typically available, and not affected by special or unusual terms. The summary below illustrates the comparable improved sales used in this report.

The value conclusions in this report have been concluded for a specific type of user in the marketplace which requires an industrial use building with a fully air-conditioned warehouse area. For the typical purchaser of a property similar to the subject, a fully air-conditioned warehouse would be considered an over improvement, and the fully air-conditioned warehouse would not contribute to a purchase price when compared to a typical warehouse property that uses evaporative cooling in the warehouse portion due to the high costs associated with cooling such a large warehouse area with air-conditioning units.

**Table of Comparable Improved Sales**

<b>Sale No.</b>	<b>Sale Date</b>	<b>Property Address</b>	<b>Sale Price</b>	<b>GBA (Sq. Ft.)</b>	<b>Price/SF GBA</b>	<b>Buildout</b>	<b>Site Coverage</b>
1.	07/18	4495 S. Coach Drive	\$1,709,000	23,229	\$73.57	18.9%	28.6%
2.	12/18	6161 S. Palo Verde Road	\$10,025,000	128,941	\$77.75	4.0%	40.4%
3.	01/19	4551-4571 S. Alvernon Way	\$3,865,000	44,779	\$86.31	25.5%	9.8%
4.	09/19	3130 S. Dodge Boulevard	\$2,800,000	44,504	\$62.92	5.1%	43.5%
5.	09/19	3248-3260 N. Industrial Loop	\$2,495,000	32,508	\$76.75	22.6%	20.7%
<b>Subject Property</b>				<b>43,500</b>		<b>18.1%</b>	<b>39.9%</b>

## COMPARABLE IMPROVED SALES ADJUSTMENT GRID

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Sale Date		07/2018	12/2018	01/2019	09/2019	09/2019
Bldg. Size (Sq. Ft.)	43,500	23,229	128,941	44,779	44,504	32,508
Site Size (Sq. Ft.)	109,104	81,207*	318,933	455,172	102,204	157,002
Age/Condition	32/Average	12/Superior	22/Similar	19/Similar	26/Similar	13-17/Superior
Quality	Average	Similar	Similar	Similar	Similar	Inferior
Buildout	18.1%	18.9%	4.0%	25.5%	5.1%	22.6%
Site Coverage	39.9%	28.6%*	40.4%	9.8%	43.5%	20.7%
Sale Price		\$1,709,000*	\$10,025,000	\$3,865,000	\$2,800,000	\$2,495,000
Price per Bldg. Sq. Ft.		\$73.57*	\$77.75	\$86.31	\$62.92	\$76.75

\* Not inclusive of excess land

### Summary of Adjustments

Unadjusted Price / Bldg. Sq. Ft.	\$73.57	\$77.75	\$86.31	\$62.92	\$76.75
Property Rights	0%	0%	0%	0%	0%
Adjusted Price	\$73.57	\$77.75	\$86.31	\$62.92	\$76.75
Financing	0%	0%	0%	0%	0%
Adjusted Price	\$73.57	\$77.75	\$86.31	\$62.92	\$76.75
Conditions of Sale	0%	0%	0%	0%	0%
Adjusted Price	\$73.57	\$77.75	\$86.31	\$62.92	\$76.75
Date/Market Conditions	6%	5%	5%	2%	2%
Adjusted Price	\$77.98	\$81.64	\$90.63	\$64.17	\$78.29
Physical Adjustments (%)					
Location/Frontage	0	-5	-5	5	0
Building Size	-5	5	0	0	0
Age/Condition	-5	0	5	0	-5
Quality of Construction/Finishes	0	0	0	0	10
Buildout	0	5	0	5	0
Site Coverage/Utility	0	0	-15	10	-10
Other Improvements	0	-5	0	0	0
Net Adjustment	-10%	0%	-15%	20%	-5%
Indicated Value / Bldg. Sq. Ft.	\$70.19	\$81.64	\$77.03	\$77.01	\$74.37



This analysis compares five sales of similar industrial buildings to the subject property on a price per building square foot basis. The buildings range in size from 23,229 to 128,941 square feet, and in age from 12 to 26 years. Sales prices range from \$62.92 to \$86.31 per building square foot before adjustment. The adjustment grid on the previous page reflects the adjustments. An upward adjustment indicates that the comparable is inferior to the subject; a downward adjustment indicates that the comparable is superior to the subject; and no adjustment (0) indicates the comparable is similar or equal to the subject.

*Comparable Sale One* included excess land area as part of the purchases; however, the analysis of this sale does not include the excess land area or the contributory value of the excess land area. This sale requires an upward adjustment for date and market conditions as market conditions improved between the date of this sale and the date of value.

Physical adjustments include a downward adjustment for building size as this building is smaller than the subject building. Smaller buildings tend to sell for more on a price per square foot basis than larger buildings, all else being equal. There is a downward adjustment for age/condition as this building is newer and in better condition than the subject. This sale warrants offsetting adjustments for quality of construction/finishes. While this building is constructed out of concrete which is superior in the quality of construction compared to the steel construction of the subject property; this is offset due to this property only having air-conditioning in the office/buildout area, compared to the subject property which is cooled by air-conditioning units in both the office and the entire warehouse area. Overall, this sale price per building square foot indicates a downward adjustment in comparison to the subject.

*Comparable Sale Two* requires an upward adjustment as for date and market conditions as market conditions improved between the date of this sale and the date of value.

Physical adjustments include a downward adjustment for location/frontage as this property has better exposure with frontage on a more major road than the subject property. There is an upward adjustment for building size as this building is larger than the subject building. Larger buildings tend to sell for less on a price per square foot basis than smaller buildings, all else being equal. This sale warrants offsetting adjustments for quality of construction/finishes. While this building is constructed out of concrete which is superior in the quality of construction compared to the steel construction of the subject property; this is offset due to this property only having air-conditioning in the office/buildout area, compared to the subject property which is cooled by air-conditioning units in both the office and the entire warehouse area. There is an upward adjustment for buildout as this property has less built out/finished out area than the subject property. This sale warrants a downward adjustment for other improvements as this property contains other improvements that contribute value in the warehouse that the subject does not contain. Overall, this sale price per building square foot indicates an upward adjustment in comparison to the subject.

*Comparable Sale Three* requires an upward adjustment as for date and market conditions as market conditions improved between the date of this sale and the date of value.

This sale warrants a downward adjustment for location/frontage as this property has better exposure with frontage on a more major road than the subject property. There is an upward adjustment for age/condition as this property is in inferior condition compared to the subject. This sale warrants offsetting adjustments for quality of construction/finishes. While this building is constructed out of concrete which is superior in the quality of construction compared to the steel construction of the subject property; this is offset due to this property only having air-conditioning in the office/buildout area, compared to the subject property which is cooled by air-conditioning units in both the office and the entire warehouse area. There is a downward adjustment for site coverage/utility as this property has a lower coverage ratio than the subject. Overall, this sale price per building square foot indicates a downward adjustment in comparison to the subject.

*Comparable Sale Four* requires an upward adjustment as for date and market conditions as market conditions improved between the date of this sale and the date of value.

Physical adjustments include an upward adjustment for location/frontage as this property is located in area with less demand than the subject property. This sale warrants offsetting adjustments for quality of construction/finishes. While this building is constructed out of concrete which is superior in the quality of construction compared to the steel construction of the subject property; this is offset due to this property only having air-conditioning in the office/buildout area, compared to the subject property which is cooled by air-conditioning units in both the office and the entire warehouse area. There is an upward adjustment for buildout as this property has less built out/finished out area than the subject property. This sale warrants an upward adjustment for site coverage/utility as this property has a higher coverage ratio and thus less availability of land for parking or other uses than the subject property. Overall, this sale price per building square foot indicates an upward adjustment in comparison to the subject.

*Comparable Sale Five* requires an upward adjustment as for date and market conditions as market conditions improved between the date of this sale and the date of value.

Physical adjustments include a downward adjustment for age/condition as this building is newer and in better condition than the subject. There is an upward adjustment for quality of construction/finishes as this property only has air-conditioning in the office/buildout area, compared to the subject property which is cooled by air-conditioning units in both the office and the entire warehouse area. There is a downward adjustment for site coverage/utility as this property has a lower coverage ratio than the subject. Overall, this sale price per building square foot indicates a downward adjustment in comparison to the subject.

*Sales Comparison Approach Summary*

	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Adjusted Sale Price/ Sq. Ft.	\$70.19	\$81.64	\$77.03	\$77.01	\$74.37

These five comparable sales indicate a price range of \$70.19 to \$81.64 per building square foot after adjustment. All of the sales provide a reliable indicator of value. After analyzing the comparable sales, the conclusion of market value of the subject property for a user requiring air-conditioning in the warehouse area by the sales comparison approach, as of June 12, 2020, is \$77.00 per building square foot, times 43,500 square feet, equaling \$3,349,500, rounded to \$3,350,000.

### **COST APPROACH**

The cost approach is one of the three approaches which are available to the appraiser in the valuation process. The cost approach involves three steps. First, an analysis of sales and listings of comparable land indicate the value of the land as if vacant, taking into consideration various similar and dissimilar property characteristics. Second, local and national cost sources provide the current replacement cost of all improvements on the land. Third, there is an estimate of any accrued depreciation and obsolescence. The value of the property is the cost new, less any depreciation or obsolescence, plus the land value.

The cost approach is most valid when a property is new or contains relatively little depreciation. While considered, due to depreciation from all causes to the subject improvements, the cost approach is not applicable in valuing the subject property. The subject property has physical depreciation due to the age and condition of the property. The reliability of the cost approach is diminished due to the reflected depreciation. In addition, purchasers of properties similar to the subject do not utilize this approach in valuing a property similar to the subject.

### **INCOME APPROACH**

The income approach analyzes a property's capacity to generate future benefits in order to provide a conclusion of property value. These future benefits include the income generated by the property during ownership and the reversion amount at the end of ownership. In this approach, the capitalization of the property's net operating income indicates the present value of the property. Like the sales comparison and cost approaches, this approach is based on market-derived data.

The *income approach* was not utilized in the valuation of the subject property. The subject is currently vacant, but had been leased in the past. However, if made available for sale in the market, industrial warehouse buildings similar to the subject property are typically purchased for owner/user use and not as income producing purchases by investors. Therefore, although considered, the income approach to value was not utilized in the valuation of the subject property. However, the client has requested that a market rental rate be estimated as part of this appraisal assignment.

## RECONCILIATION

The sales comparison approach provided a conclusion of value of the subject property. The indicated value, using this approach, is as follows:

Sales Comparison Approach	\$3,350,000
Income Approach	N/A
Cost Approach	NA

The *sales comparison approach* requires full weight in valuing the subject property. This approach used six comparable sales. All of these sales are similar to the subject property and provide a reliable indicator of value. The *cost approach* is most valid when a property is new or contains relatively little depreciation. While considered, due to depreciation from all causes to the subject improvements, the cost approach is not applicable in valuing the subject property. The subject property has physical depreciation due to the age and condition of the property. The reliability of the cost approach is diminished due to the reflected depreciation. In addition, purchasers of properties similar to the subject do not utilize this approach in valuing a property similar to the subject. The *income approach* was not utilized in the valuation of the subject property. The subject is currently vacant, but had been leased in the past. However, if made available for sale in the market, industrial warehouse buildings similar to the subject property are typically purchased for owner/user use and not as income producing purchases by investors. Therefore, although considered, the income approach to value was not utilized in the valuation of the subject property. However, the client has requested that a market rental rate be estimated as part of this appraisal assignment.

## MARKET VALUE CONCLUSION

Therefore, based on the above analysis and subject to the assumptions and limiting conditions contained in this report, the opinion of market value of the subject property to a user required air-conditioned warehouse space, as of the effective date of the appraisal, June 12, 2020, is \$3,350,000.

## OPINION OF MARKET VALUE OF SUBJECT PROPERTY AS OF JUNE 12, 2020:

THREE MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS  
(\$3,350,000)



## PART V - MARKET LEASE RATE

An annual market lease rate for the subject property was situated by the appraiser. The appraiser analyzed leases of properties similar to the subject. This analysis uses those leases which were most relevant as indicators of the annual market lease rate of the subject property, adjusting for dissimilarities such as site size, location, quality, age, building size, condition, appeal, amenities, and terms of lease. The summary below illustrates the comparable leases analyzed in this report.

The annual rent conclusion in this report has been estimated for a specific type of user in the marketplace which requires an industrial use building with a fully insulated and air-conditioned warehouse area. The typical user of a warehouse property similar to the subject, an insulated and fully air-conditioned warehouse would be considered an over improvement and the air-conditioned warehouse area would not pay a greater lease rate compared to a typical warehouse property that has a warehouse area with evaporative cooling due to the high cost associated with cooling such a large warehouse area with air-conditioning units

**Table of Comparable Rents**

Lease No.	Property Address	Tenant	GBA (Sq. Ft.)	Annual Rent / SF GBA*	Lease Type
1.	6050 S. Country Club Road #156	Keystone	120,000	\$5.11	Triple Net
2.	6161 S. Palo Verde Road #10	Tire Company	65,390	\$6.30	Triple Net
3.	9538 E. Old Vail Road	TuSimple	50,400	\$7.93	Triple Net
4	2301 S. Freibus Avenue #8	Heating and Cooling Supply	28,500	\$6.43	Modifed Gross
5.	4755 S. Coach Avenue	Apex Window and Bath	20,522	\$6.77	Triple Net
<b>Subject Property</b>			<b>43,500</b>		

## COMPARABLE RENT GRID

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Lease Date		03/2018	07/2018	07/2018	01/2019	05/2019
Type of Lease		NNN	NNN	NNN	MG	NNN
Bldg. Size (Sq. Ft.)	43,500	120,000	65,390	50,400	28,500	20,522
Site Size (Sq. Ft.)	109,104	337,043	318,933**	208,217	73,172	57,064
Age/Condition	32/Average	24/Inferior	22/Similar	9/Superior	35/Similar	20/Superior
Quality	Average	Similar	Similar	Similar	Inferior	Similar
Buildout	18.1%	4.2%	5.0%	8.2%	10.0%	18.0%
Site Coverage	39.9%	35.6%	40.4%***	24.2%	38.9%	36.0%
Annual Rent Sq. Ft. *		\$5.11	\$6.37	\$7.93	\$6.43	\$6.77

\*Current Rent as of date of value

\*\* Site Size and Coverage Ratio based upon entire property

### Summary of Adjustments

Unadjusted Rent / Sq. Ft.	\$5.11	\$6.37	\$7.93	\$6.43	\$6.77
Date of Lease	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Adjusted Rent	\$5.11	\$6.37	\$7.93	\$6.43	\$6.77
Type of Lease	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>-20%</u>	<u>0%</u>
Adjusted Rent	\$5.11	\$6.37	\$7.93	\$5.14	\$6.77

### Physical Adjustments (%)

Location/Visibility	0	-5	0	5	0
Building Size	5	0	0	0	-5
Age/Condition	5	0	-10	0	-5
Quality/Finishes	0	0	0	10	0
Buildout	5	5	0	5	0
Site Coverage/Utility	<u>0</u>	<u>0</u>	<u>-10</u>	<u>0</u>	<u>0</u>
Net Adjustment	15%	0%	-20%	20%	-10%
Indicated Market Rent / Sq. Ft.	\$5.88	\$6.37	\$6.34	\$6.17	\$6.09

This analysis compares five leases of similar industrial buildings to the subject property on a rental rate per building square foot basis. The buildings range in size from 20,522 to 120,000 square feet, and in age from 9 to 35 years. Current rental rates range from \$5.11 to \$7.93 per building square foot before adjustment. The adjustment grid on the previous page reflects the adjustments. An upward adjustment indicates that the comparable is inferior to the subject; a downward adjustment indicates that the comparable is superior to the subject; and no adjustment (0) indicates the comparable is similar or equal to the subject.

*Comparable Rent One* warrants an upward adjustment for building size as this property is larger than the subject property. Larger properties tend to lease for less on a price per square foot basis than smaller properties, all else being equal. There is an upward adjustment for age/condition as this property is in inferior condition compared to the subject. This rent warrants offsetting adjustments for quality/finishes. While this this building is constructed out of concrete which is superior in quality of construction compared to the steel construction of the subject property; this is offset due to this property only having air-conditioning in the office/buildout portion of the building, compared to the subject property which is cooled by air-conditioning units in both the office and the entire warehouse area. There is an upward adjustment for buildout as this property has less finished out area than the subject. Overall, this rental rate per building square foot indicates an upward adjustment in comparison to the subject.

*Comparable Rent Two* warrants a downward adjustment for location/visibility as this property has better visibility with frontage on a more major road than the subject. This rent warrants offsetting adjustments for quality/finishes. While this this building is constructed out of concrete which is superior in quality of construction compared to the steel construction of the subject property; this is offset due to this property only having air-conditioning in the office/buildout portion of the building, compared to the subject property which is cooled by air-conditioning units in both the office and the entire warehouse area. There is an upward adjustment for buildout as this property has less finished out area than the subject. Overall, this rental rate per building square foot indicates offsetting adjustments in comparison to the subject.

*Comparable Rent Three* warrants a downward adjustment for age/condition as this building is newer and in better condition than the subject. This rent warrants offsetting adjustments for quality/finishes. While this this building is constructed out of concrete which is superior in quality of construction compared to the steel construction of the subject property; this is offset due to this property only having air-conditioning in the office/buildout portion of the building, compared to the subject property which is cooled by air-conditioning units in both the office and the entire warehouse area. There is a downward adjustment for site coverage/utility as this property has a lower coverage ratio than the subject. Properties with a lower coverage ratio tend to rent for more than properties with a higher coverage ratio. Overall, this rental rate per building square foot indicates a downward adjustment in comparison to the subject.

*Comparable Rent Four* requires a downward adjustment for type of lease as this property is leased on a modified gross basis and the subject is being analyzed on a triple net basis. This rent warrants an upward adjustment for location/visibility as this property is located in an area with less demand than the subject property. This rent warrants an upward adjustment in quality/finishes as this property only has air-conditioning in the office/buildout portion of the building, compared to the subject property which is cooled by air-conditioning units in both the office and the entire warehouse area. There is an upward adjustment for buildout as this property as this property has less finished out area than the subject. Overall, this rental rate per building square foot indicates a downward adjustment in comparison to the subject property.

*Comparable Rent Five* warrants a downward adjustment for building size as this building is smaller than the subject. Smaller buildings tend to rent for more than larger buildings on a rental rate per square foot basis, all else being equal. There is a downward adjustment for age/condition as this building is in better condition than the subject. This rent warrants offsetting adjustments for quality/finishes. While this this building is constructed out of concrete which is superior in quality of construction compared to the steel construction of the subject property; this is offset due to this property only having air-conditioning in the office/buildout portion of the building, compared to the subject property which is cooled by air-conditioning units in both the office and the entire warehouse area. Overall, this rental rate per building square foot indicates a downward adjustment in comparison to the subject.

*Market Rental Rate Summary.*

	Rent 1	Rent 2	Rent 3	Rent 4	Rent 5
Adjusted Rental Rate/ Sq. Ft.	\$5.88	\$6.37	\$6.34	\$6.17	\$6.09

The subject property was previously leased on an industrial gross basis with an annual lease rate of \$7.08 per square foot (\$0.59 per square foot on a monthly basis). This prior lease equates to a triple net equivalent annual lease rate of approximately \$5.66 per building square foot (\$0.47 per square foot on a monthly basis). This prior lease was also considered in the analysis of the market rent of the subject property.

These five comparable leases indicate a rental rate range of \$5.88 to \$6.37 per building square foot after adjustment. All of the comparable rents provide a reliable indicator of the market rental rate for the subject property. After analyzing the comparable leases, the conclusion of the annual market rental rate for the subject property, as of June 12, 2020, is \$6.15 per building square foot. Therefore, the annual market lease rate for the subject property is equal to the estimated annual lease rate \$6.15, times 43,500 square feet, for an annual market lease rate of \$267,525.

This annual lease rate conclusion would be the annual lease rate for the first year of the lease term. A typical lease for this type of industrial property would have a term of three to five years in duration, with annual increases between two and three percent per year.

**MARKET LEASE RATE CONCLUSION**

Therefore, based on the above analysis and subject to the assumptions and limiting conditions contained in this report, the estimated annual market lease rate of the subject property, as of the effective date of the appraisal, June 12, 2020, is \$267,525.

ESTIMATED ANNUAL MARKET LEASE RATE OF THE SUBJECT PROPERTY  
AS OF JUNE 12, 2020:

TWO HUNDRED SIXTY-SEVEN THOUSAND FIVE HUNDRED TWENTY-FIVE  
DOLLARS  
(\$267,525)

## PART VI - ASSUMPTIONS AND LIMITING CONDITIONS

1. **Type of Report.** This is an appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraisers' file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
2. **Definitions.** "Appraisal," as herein defined, is the process of completing a service; namely, a valuation assignment. "Subject property" refers to the property which is the subject of the assignment. "Appraisers" are those persons, whether one or more, who have accepted the assignment and who have participated in the analyses, opinions, and conclusions formed in the appraisal. "Company" refers to Baker, Peterson, Baker & Associates, Inc. "Report" refers to this written document containing the analyses, opinions, and conclusions which constitute the appraisal.
3. **Liability.** The liability of Baker, Peterson, Baker & Associates, Inc., including any or all of its employees, and including the appraiser responsible for this report, is limited to the Client only, and to the fee actually received by the Company. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of any person other than the Client, the Client is responsible for making such party aware of all assumptions and limiting conditions related thereto. The appraiser is in no way responsible for any costs incurred to discover or correct any deficiencies of any type present in the subject property, whether physical, financial, or legal.
4. **Title.** No opinion as to title is rendered. Data related to ownership and legal description was provided by the Client or was obtained from available public records and is considered reliable. Unless acknowledged in this report, no title policy or preliminary title report was provided. Title is assumed to be marketable and free and clear of all liens, encumbrances, and restrictions except those specifically discussed in the report. The property is appraised assuming responsible ownership, competent management and ready availability for its highest and best use.
5. **Survey or Engineering.** No survey or engineering analysis of the subject property has been made by the appraiser. It is assumed that the existing boundaries are correct and that no encroachments exist. The appraiser assumes no responsibility for any condition not readily observable from customary investigation and inspection of the premises which might affect the value thereof, excepting those items which are specifically mentioned in the report.



6. **Data Sources.** The report is based, in part, upon information assembled from a wide range of sources and, therefore, the incorporated data cannot be guaranteed. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the Client consider independent verification within these categories prior to any transaction involving a sale, lease, or other significant commitment of the subject property, and that such verification be performed by appropriate recognized specialists.
7. **Subsequent Events.** The date of valuation to which the conclusions and opinions expressed in this report apply is set forth in the letter of transmittal. The appraiser assumes no responsibility for economic or physical factors occurring after the date of valuation which may affect the opinions in this report. Further, in any prospective valuation assignment, the appraiser cannot be held responsible for unforeseeable events that alter market conditions prior to the date of valuation. Such prospective value estimates are intended to reflect the expectations and perceptions of market participants along with available factual data, and should be judged on the market support for the forecasts when made, not whether specific items in the forecasts are realized.
8. **Adjustments.** The appraiser reserves the right to make such adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional data or more reliable data which may become available subsequent to issuance of the report.
9. **Special Rights.** No opinion is expressed as to the value of any subsurface (oil, gas, mineral) or aerial rights or whether the property is subject to surface entry for the exploration or removal of materials except where expressly stated in the report.
10. **Value Distribution.** The distribution of total value in this report between land and improvements applies only under the specified highest and best use of the subject property as herein described. The allocations of value among the land and improvements do not apply to any other property other than the property which is the subject of this report.
11. **Legal or Special Opinions.** No opinion is intended to be expressed for matters which require legal expertise, specialized investigation, or a level of professional or technical knowledge beyond that customarily employed by real estate appraisers.
12. **Personal Property.** Unless expressly stated within this report, no consideration has been given as to the value of any personal property located on the premises, or to the cost of moving or relocating such personal property. Only the real property has been considered.

13. **Soil Conditions.** Unless expressly stated within this report, no detailed soil studies covering the subject property were available to the appraiser. Therefore, it is assumed that existing soil conditions are capable of supporting development of the subject property in a manner consistent with its highest and best use without extraordinary foundation or soil remedial expense. Further, it is assumed that there are no hidden or unapparent matters (hazardous materials, toxic substances, etc.) related to the soil or subsurface which would render the subject more or less valuable by knowledge thereof.
14. **Court Testimony.** Testimony or attendance in court or at any other hearing (including depositions) is not required by reason of rendering this appraisal or issuing this report, unless such arrangements have previously been made and are part of a contract for services.
15. **Exhibits.** Maps, floor plans, photographs, and any other exhibits contained in this report are for illustration only, and are provided as an aid in visualizing matters discussed within the report. They should not be considered as surveys or scale renderings, or relied upon for any other purpose.
16. **Statute, Regulation, and License.** Unless otherwise stated within the report, the subject property is assumed to be in full and complete compliance with all applicable federal, state, and local laws related to zoning, building codes, fire, safety, permits, and environmental regulations. Further, it is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authorizations have been, or can be, readily obtained or renewed as related to any use of the subject property on which the value estimate contained herein is based.
17. **Hidden or Unapparent Conditions.** It is assumed that there are no hidden or unapparent conditions which, if known, would affect the analyses, opinions or conclusions contained in this report. This includes, but is not limited to, electrical, mechanical, plumbing, and structural components.
18. **Hazardous/Toxic Substances.** In this appraisal assignment, no observation was made of the existence of potentially hazardous material from any source, whether borne by land or air, including, but not limited to, asbestos, lead, toxic waste, radon, and urea formaldehyde. While not observed, and while no information was provided to confirm or deny the existence of such substances (unless expressly stated herein), it is emphasized that the appraiser is not qualified to detect or analyze such substances. Unless otherwise stated, no consideration has been given to the presence of, nature of, or extent of such conditions, nor to the cost to "cure" such conditions or to remove any toxic or hazardous substances which could potentially affect the value or marketability of the property. Any such conclusions must be based upon the professional expertise of persons qualified to make such judgments. Thus, any person or other entity with an interest in the subject property is urged to retain an expert if so desired. This value estimate assumes that there is no such material on or in the property.

19. ***Americans with Disabilities Act of 1990.*** The ADA became effective on January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. 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 fact 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 noncompliance with the requirements of ADA in estimating the value of the property.
20. ***Disclosure.*** Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report, including the value estimate, the identity of the appraisers or their professional designations, or the company with which the appraisers are associated, shall be used for any purpose by anyone other than the Client as herein stated, without the prior written consent of the appraisers. Nor shall it be conveyed, in whole or in part, in the public through advertising, news, sales, listings, or any other media without such prior written consent. Possession of this report does not carry with it any right of public distribution.
21. ***Endangered and Threatened Species.*** The appraisers have not made a specific survey of the subject property to determine whether or not it has any plant or wildlife which are identified as an endangered or threatened species by the U. S. Fish and Wildlife Service. While not observed and while no information was provided to confirm or deny the existence of any endangered or threatened species on the subject property (unless expressly stated herein), it is emphasized that the appraisers are not qualified to detect or analyze such plants or wildlife. Any such conclusions must be based upon the professional expertise of persons qualified to make such judgments. Thus, any person or other entity with an interest in the subject property is urged to retain an expert if so desired. It is possible that a survey of the property could reveal that the site contains endangered or threatened plants or wildlife. If so, this fact could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible endangered or threatened species in estimating the value of the property.
22. ***Acceptance of Report.*** Acceptance and/or use of this report by the Client or any third party constitutes acceptance of all of the above conditions.

## PART VII - CERTIFICATION

WE CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* (USPAP) of The Appraisal Foundation, the Code of Ethics and Standards of Professional Practice of the Appraisal Institute, and any other specifications submitted by the Client, including Title XI, FIRREA.
8. The use of this report is subject to the requirements of the Appraisal Institute, relating to review by its duly authorized representatives.
9. In accord with the Uniform Standards of Professional Appraisal Practice, We have the experience and knowledge to complete this assignment in a credible and competent manner.
10. As of the date of this report, we have completed requirements of the continuing education program of the Appraisal Institute.
11. The effective date of this appraisal is June 12, 2020.
12. We have made a personal inspection of the property that is the subject of this report.

13. Our firm has not appraised the subject property within three years prior to this assignment.
14. No one provided significant real property appraisal assistance to the persons signing this certification.
15. We are Certified General Real Estate Appraisers in the State of Arizona.



Thomas A. Baker, MAI, SRA  
Certified General Real Estate Appraiser  
Certificate Number 31039  
Designated Supervisory Appraiser  
Registration Number DS0007



Dan Orlowski  
Certified General Real Estate Appraiser  
Certificate Number 32195

## **PART VIII - EXHIBITS**

Exhibit A	Title Report
Exhibit B	Subject Plat Map
Exhibit C	Aerial Photograph
Exhibit D	Zoning Map
Exhibit E	FEMA Flood Plain Map
Exhibit F	Floor Plan
Exhibit G	GPLET Incentive District Maps
Exhibit H	Subject Photographs
Exhibit I	Improved Comparable Location Map
Exhibit J	Comparable Improved Sales, Aerial Photos and Street Views
Exhibit K	Improved Rental Location Map
Exhibit L	Comparable Improved Rentals, Aerial Photos and Street Views
Exhibit M	Qualifications



## **EXHIBIT A- TITLE REPORT**

(See Following Pages)

 <b>First American Title™</b>	<b>ALTA Commitment for Title Insurance</b>
<b>Commitment</b>	ISSUED BY <b>First American Title Insurance Company</b>

**COMMITMENT FOR TITLE INSURANCE**

**Issued By**

**FIRST AMERICAN TITLE INSURANCE COMPANY**

**NOTICE**

**IMPORTANT—READ CAREFULLY:** THIS COMMITMENT IS AN OFFER TO ISSUE ONE OR MORE TITLE INSURANCE POLICIES. ALL CLAIMS OR REMEDIES SOUGHT AGAINST THE COMPANY INVOLVING THE CONTENT OF THIS COMMITMENT OR THE POLICY MUST BE BASED SOLELY IN CONTRACT.

THIS COMMITMENT IS NOT AN ABSTRACT OF TITLE, REPORT OF THE CONDITION OF TITLE, LEGAL OPINION, OPINION OF TITLE, OR OTHER REPRESENTATION OF THE STATUS OF TITLE. THE PROCEDURES USED BY THE COMPANY TO DETERMINE INSURABILITY OF THE TITLE, INCLUDING ANY SEARCH AND EXAMINATION, ARE PROPRIETARY TO THE COMPANY, WERE PERFORMED SOLELY FOR THE BENEFIT OF THE COMPANY, AND CREATE NO EXTRACONTRACTUAL LIABILITY TO ANY PERSON, INCLUDING A PROPOSED INSURED.

THE COMPANY'S OBLIGATION UNDER THIS COMMITMENT IS TO ISSUE A POLICY TO A PROPOSED INSURED IDENTIFIED IN SCHEDULE A IN ACCORDANCE WITH THE TERMS AND PROVISIONS OF THIS COMMITMENT. THE COMPANY HAS NO LIABILITY OR OBLIGATION INVOLVING THE CONTENT OF THIS COMMITMENT TO ANY OTHER PERSON.

**COMMITMENT TO ISSUE POLICY**

Subject to the Notice; Schedule B, Part I—Requirements; Schedule B, Part II—Exceptions; and the Commitment Conditions, **First American Title Insurance Company**, a NEBRASKA Corporation (the "Company"), commits to issue the Policy according to the terms and provisions of this Commitment. This Commitment is effective as of the Commitment Date shown in Schedule A for each Policy described in Schedule A, only when the Company has entered in Schedule A both the specified dollar amount as the Proposed Policy Amount and the name of the Proposed Insured.

If all of the Schedule B, Part I—Requirements have not been met within six months after the Commitment Date, this Commitment terminates and the Company's liability and obligation end.

**First American Title Insurance Company**



Dennis J. Gilmore  
President



Jeffrey S. Robinson  
Secretary

If this jacket was created electronically, it constitutes an original document.

*This page is only a part of a 2016 ALTA® Commitment for Title Insurance issued by First American Title Insurance Company. This Commitment is not valid without the Notice; the Commitment to Issue Policy; the Commitment Conditions; Schedule A; Schedule B, Part I—Requirements; Schedule B, Part II—Exceptions; and a counter-signature by the Company or its issuing agent that may be in electronic form.*

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## COMMITMENT CONDITIONS

### 1. DEFINITIONS

- (a) "Knowledge" or "Known": Actual or imputed knowledge, but not constructive notice imparted by the Public Records.
- (b) "Land": The land described in Schedule A and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is to be insured by the Policy.
- (c) "Mortgage": A mortgage, deed of trust, or other security instrument, including one evidenced by electronic means authorized by law.
- (d) "Policy": Each contract of title insurance, in a form adopted by the American Land Title Association, issued or to be issued by the Company pursuant to this Commitment.
- (e) "Proposed Insured": Each person identified in Schedule A as the Proposed Insured of each Policy to be issued pursuant to this Commitment.
- (f) "Proposed Policy Amount": Each dollar amount specified in Schedule A as the Proposed Policy Amount of each Policy to be issued pursuant to this Commitment.
- (g) "Public Records": Records established under state statutes at the Commitment Date for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge.
- (h) "Title": The estate or interest described in Schedule A.

2. If all of the Schedule B, Part I—Requirements have not been met within the time period specified in the Commitment to Issue Policy, this Commitment terminates and the Company's liability and obligation end.

3. The Company's liability and obligation is limited by and this Commitment is not valid without:

- (a) the Notice;
- (b) the Commitment to Issue Policy;
- (c) the Commitment Conditions;
- (d) Schedule A;
- (e) Schedule B, Part I—Requirements;
- (f) Schedule B, Part II—Exceptions; and
- (g) a counter-signature by the Company or its issuing agent that may be in electronic form.

### 4. COMPANY'S RIGHT TO AMEND

The Company may amend this Commitment at any time. If the Company amends this Commitment to add a defect, lien, encumbrance, adverse claim, or other matter recorded in the Public Records prior to the Commitment Date, any liability of the Company is limited by Commitment Condition 5. The Company shall not be liable for any other amendment to this Commitment.

### 5. LIMITATIONS OF LIABILITY

- (a) The Company's liability under Commitment Condition 4 is limited to the Proposed Insured's actual expense incurred in the interval between the Company's delivery to the Proposed Insured of the Commitment and the delivery of the amended Commitment, resulting from the Proposed Insured's good faith reliance to:
  - (i) comply with the Schedule B, Part I—Requirements;
  - (ii) eliminate, with the Company's written consent, any Schedule B, Part II—Exceptions; or
  - (iii) acquire the Title or create the Mortgage covered by this Commitment.
- (b) The Company shall not be liable under Commitment Condition 5(a) if the Proposed Insured requested the amendment or had Knowledge of the matter and did not notify the Company about it in writing.
- (c) The Company will only have liability under Commitment Condition 4 if the Proposed Insured would not have incurred the expense had the Commitment included the added matter when the Commitment was first delivered to the Proposed Insured.
- (d) The Company's liability shall not exceed the lesser of the Proposed Insured's actual expense incurred in good faith and described in Commitment Conditions 5(a)(i) through 5(a)(iii) or the Proposed Policy Amount.
- (e) The Company shall not be liable for the content of the Transaction Identification Data, if any.
- (f) In no event shall the Company be obligated to issue the Policy referred to in this Commitment unless all of the Schedule B, Part I—Requirements have been met to the satisfaction of the Company.
- (g) In any event, the Company's liability is limited by the terms and provisions of the Policy.

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**6. LIABILITY OF THE COMPANY MUST BE BASED ON THIS COMMITMENT**

- (a) Only a Proposed Insured identified in Schedule A, and no other person, may make a claim under this Commitment.
- (b) Any claim must be based in contract and must be restricted solely to the terms and provisions of this Commitment.
- (c) Until the Policy is issued, this Commitment, as last revised, is the exclusive and entire agreement between the parties with respect to the subject matter of this Commitment and supersedes all prior commitment negotiations, representations, and proposals of any kind, whether written or oral, express or implied, relating to the subject matter of this Commitment.
- (d) The deletion or modification of any Schedule B, Part II—Exception does not constitute an agreement or obligation to provide coverage beyond the terms and provisions of this Commitment or the Policy.
- (e) Any amendment or endorsement to this Commitment must be in writing and authenticated by a person authorized by the Company.
- (f) When the Policy is issued, all liability and obligation under this Commitment will end and the Company's only liability will be under the Policy.

**7. IF THIS COMMITMENT HAS BEEN ISSUED BY AN ISSUING AGENT**

The issuing agent is the Company's agent only for the limited purpose of issuing title insurance commitments and policies. The issuing agent is not the Company's agent for the purpose of providing closing or settlement services.

**8. PRO-FORMA POLICY**

The Company may provide, at the request of a Proposed Insured, a pro-forma policy illustrating the coverage that the Company may provide. A pro-forma policy neither reflects the status of Title at the time that the pro-forma policy is delivered to a Proposed Insured, nor is it a commitment to insure.

**9. ARBITRATION**

The Policy contains an arbitration clause. All arbitrable matters when the Proposed Policy Amount is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Proposed Insured as the exclusive remedy of the parties. A Proposed Insured may review a copy of the arbitration rules at <http://www.alta.org/arbitration>.

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 <b>First American Title™</b>	<b>ALTA Commitment for Title Insurance</b> ISSUED BY <b>First American Title Insurance Company</b>
<b>Schedule A</b>	

**Transaction Identification Data for reference only:**

Issuing Agent: Title Security Agency, LLC

Issuing Office: 1 S. Church Avenue, Suite 1610, Tucson, AZ 85701

Escrow Officer: Rebecca Sauers

Issuing Office File No.: 60018401-001-RS-RH

Title Officer: Ranny Harper

Property Address: 350 S. Toole Ave, Tucson, AZ 85701

Revision No.:

**SCHEDULE A**

1. Commitment Date: May 28, 2020
2. Policy to be issued:
  - (a) ALTA 2006 Extended Owner's Policy  
Proposed Insured: **Pima County, a municipal corporation**  
Proposed Policy Amount: \$0.00
  - (b) None  
Proposed Insured:  
Proposed Policy Amount: \$0.00
  - (c) None  
Proposed Insured:  
Proposed Policy Amount: \$0.00
3. The estate or interest in the Land described or referred to in this Commitment is **A Fee**
4. The Title is, at the Commitment Date, vested in:  
  
**Levin Family Limited Partnership, an Arizona limited partnership**
5. The Land is described as follows:  
  
**See Exhibit A attached hereto and made a part hereof.**

By:   
Authorized Countersignature

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**First American Title™**

## ALTA Commitment for Title Insurance

ISSUED BY

**First American Title Insurance Company**

### Exhibit A

The Land referred to herein below is situated in the County of Pima, State of Arizona, and is described as follows:

All that part of Block C, of Cushing Business Center, Blocks A thru D and Las Brisas, Blocks 1 thru 5, a subdivision of Pima County, Arizona according to the map or plat thereof of record in the office of the County Recorder of Pima County, Arizona, in Book 35 of Maps and Plats at page 19 thereof.

Commencing at the Southeast corner of said Block C, the True Point of Beginning, said point also located on the Westerly right-of-way of Toole Avenue, a street right-of-way described in Docket 6619 at pages 631-653;

Thence Northerly following the Westerly right-of-way of Toole Avue along a curve to the right, said curve having a central angle of 02 degrees 46 minutes 06 seconds, a radius of 695.00 feet, an arc length of 33.58 feet to a point of tangency;

Thence continuing along the Westerly right-of-way of Toole Avenue on a bearing of North 00 degrees 25 minutes 10 seconds West, a distance of 272.96 feet to a point;

Thence South 89 degrees 34 minutes 50 seconds West, a distance of 356.99 feet to a point;

Thence South 00 degrees 25 minutes 10 seconds East, a distance of 306.53 feet to a point;

Thence North 89 degrees 34 minutes 50 seconds East, a distance of 357.80 feet to the True Point of Beginning.

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 <b>First American Title™</b>	<b>ALTA Commitment for Title Insurance</b> ISSUED BY <b>First American Title Insurance Company</b>
<b>Schedule BI &amp; BII</b>	

Commitment No.: 60018401-001-RS-RH

### SCHEDULE B, PART I

#### Requirements

All of the following Requirements must be met:

1. The Proposed Insured must notify the Company in writing of the name of any party not referred to in this Commitment who will obtain an interest in the Land or who will make a loan on the Land. The Company may then make additional Requirements or Exceptions.
2. Pay the agreed amount for the estate or interest to be insured.
3. Pay the premiums, fees, and charges for the Policy to the Company.
4. Documents satisfactory to the Company that convey the Title or create the Mortgage to be insured, or both, must be properly authorized, executed, delivered, and recorded in the Public Records.
5. USUAL preliminary inspection report by an employee of the Company. The right is reserved to make additional requirements or exceptions upon examination.
6. FURNISH the Company with Owner's Affidavit executed by Levin Family Limited Partnership, an Arizona limited partnership.

Said Owner's Affidavit to include an itemization of all leases (if any) including Lessee, date and terms, and shall indicate if any of said leases contain rights of first refusal or options to purchase.

7. FURNISH plat of survey of the subject property by a Registered Land Surveyor in accordance with "Minimum Standard Detail Requirements for ALTA/NSPS Land Title Surveys", which became effective February 23, 2016. Said plat shall include the required certification and, at a minimum, also have shown Items 1, 8, 11, 16, 17 and 19, from Table A thereof.

NOTE: If Zoning assurances are requested, Items 7(a), 7(b), 7(c) and 9 from Table A, and information regarding the usage of the property must be included.


8. Submit fully executed copy of the partnership agreement (and all amendments) of the partnership named below for examination. The right is reserved to make additional requirements upon such examination.

Levin Family Limited Partnership, an Arizona limited partnership

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 <b>First American Title™</b>	<b>ALTA Commitment for Title Insurance</b>
<b>Schedule BI &amp; BII (Cont.)</b>	ISSUED BY <b>First American Title Insurance Company</b>

Commitment No.: 60018401-001-RS-RH

**SCHEDULE B**

**(Continued)**

9. FURNISH currently certified copy of a Resolution of the Board of Directors of the Corporation named below, authorizing the execution and delivery by the proper officers of all instruments required to consummate this transaction. Said certification must be by an officer other than the officer(s) authorized to sign and must state that the Resolution has not been revoked:

Pima County, a municipal corporation

10. Prior to closing, the Company must confirm whether the county recording office in which the Land is located has changed its access policies due to the COVID-19 outbreak. If recording has been restricted, specific underwriting approval is required; and, additional requirements or exceptions may be made.
11. RECORD Deed from Levin Family Limited Partnership, an Arizona limited partnership to Pima County, a municipal corporation.

NOTE: ARS 11:1133 may require the completion and filing of an Affidavit of Value.

NOTE: Taxes for 2019 are shown paid in the amount of \$26,064.46, Tax Parcel No. 117-06-320D.


NOTE: Vesting Deed recorded in Docket 9998 at page 572 re-recorded in Docket 10108 at page 1621 and re-recorded in Docket 10311 at page 2533. (With other property)

NOTE: *Vesting Deed contains more property than what is shown in this report. Legal description herein was obtained through an instrument recorded in Docket 10551 at page 280.*

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 <b>First American Title™</b>	<b>ALTA Commitment for Title Insurance</b>
<b>Schedule BI &amp; BII (Cont.)</b>	ISSUED BY <b>First American Title Insurance Company</b>

Commitment No.: 60018401-001-RS-RH

**SCHEDULE B**  
**(Continued)**

**SCHEDULE B, PART II**  
**Exceptions**

THIS COMMITMENT DOES NOT REPUBLISH ANY COVENANT, CONDITION, RESTRICTION, OR LIMITATION CONTAINED IN ANY DOCUMENT REFERRED TO IN THIS COMMITMENT TO THE EXTENT THAT THE SPECIFIC COVENANT, CONDITION, RESTRICTION, OR LIMITATION VIOLATES STATE OR FEDERAL LAW BASED ON RACE, COLOR, RELIGION, SEX, SEXUAL ORIENTATION, GENDER IDENTITY, HANDICAP, FAMILIAL STATUS, OR NATIONAL ORIGIN.


The Policy will not insure against loss or damage resulting from the terms and provisions of any lease or easement identified in Schedule A, and will include the following Exceptions unless cleared to the satisfaction of the Company:

- I. Any defect, lien, encumbrance, adverse claim, or other matter that appears for the first time in the Public Records or is created, attaches, or is disclosed between the Commitment Date and the date on which all of the Schedule B, Part I—Requirements are met.
- A. a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
- B. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession thereof.
- C. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
- D. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the Public Records.
- E. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
- F. Any lien or right to a lien for services, labor or material not shown by the Public Records.

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 <b>First American Title™</b>	<b>ALTA Commitment for Title Insurance</b>
<b>Schedule BI &amp; BII (Cont.)</b>	ISSUED BY <b>First American Title Insurance Company</b>

Commitment No.: 60018401-001-RS-RH

**SCHEDULE B**  
**(Continued)**

1. Reservations or exceptions in Patents or in Acts authorizing the issuance thereof.
2. TAXES AND ASSESSMENTS collectible by the County Treasurer, a lien not yet due and payable for the following year:  
  
2020
3. WATER RIGHTS, claims or title to water, and agreements, covenants, conditions or rights incident thereto, whether or not shown by the public records.  
This exception is not limited by reason of the disclosure of any matter relating to Water Rights as may be set forth elsewhere in Schedule B.
4. EASEMENTS, restrictions, reservations and conditions as set forth on the recorded plat of said subdivision recorded in Book 35 of Maps and Plats at page 19.
5. EASEMENT and rights incident thereto, as set forth in instrument:  
  

Recorded in <u>Docket</u>	<u>8315</u>
<u>Page</u>	<u>1074</u>
<u>Purpose</u>	electric facilities and communication facilities
6. RIGHTS OF PARTIES in possession.  
NOTE: This exception will be amended or deleted upon the submission of the corresponding documents required in Schedule B, Part I.

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## Privacy Notice

**Effective:** January 1, 2020

**Notice Last Updated:** January 1, 2020

This Privacy Notice describes how First American Financial Corporation and its subsidiaries and affiliates (together referred to as "First American," "we," "us," or "our") collect, use, store, and share your information. This Privacy Notice applies to information we receive from you offline only, as well as from third parties. For more information about our privacy practices, please visit <https://www.firstam.com/privacy-policy/index.html>. The practices described in this Privacy Notice are subject to applicable laws in the places in which we operate.

**What Type Of Information Do We Collect About You?** We collect both **personal** and **non-personal information** about and from you. **Personal information** is non-public information that can be used to directly or indirectly identify or contact you. **Non-personal information** is any other type of information.

**How Do We Collect Your Information?** We collect your **personal** and **non-personal information**: (1) directly from you; (2) automatically when you interact with us; and (3) from third parties, including business parties and affiliates.

**How Do We Use Your Information?** We may use your personal information in a variety of ways, including but not limited to providing the services you have requested, fulfilling your transactions, comply with relevant laws and our policies, and handling a claim. We may use your **non-personal information** for any purpose.

**How Do We Share Your Personal Information?** We do not sell your **personal information** to nonaffiliated third parties. We will only share your **personal information**, including to subsidiaries, affiliates, and to unaffiliated third parties: (1) with your consent; (2) in a business transfer; (3) to service providers; and (4) for legal process and protection. If you have any questions about how First American shares your **personal information**, you may contact us at [dataprivacy@firstam.com](mailto:dataprivacy@firstam.com) or toll free at 1-866-718-0097.

**How Do We Secure Your Personal Information?** The security of your **personal information** is important to us. That is why we take commercially reasonable steps to make sure your **personal information** is protected. We use our best efforts to maintain commercially reasonable technical, organizational, and physical safeguards, consistent with applicable law, to protect your **personal information**.

**How Long Do We Keep Your Personal Information?** We keep your **personal information** for as long as necessary in accordance with the purpose for which it was collected, our business needs, and our legal and regulatory obligations.

**Your Choices** We provide you the ability to exercise certain controls and choices regarding our collection, use, storage, and sharing of your **personal information**. In accordance with applicable law, your controls and choices. You can learn more about your choices, and exercise these controls and choices, by sending an email to [dataprivacy@firstam.com](mailto:dataprivacy@firstam.com) or toll free at 1-866-718-0097.

**International Jurisdictions:** Our Products are hosted and offered in the United States of America (US), and are subject to US federal, state, and local law. If you are accessing the Products from another country, please be advised that you may be transferring your **personal information** to us in the US, and you consent to that transfer and use of your **personal information** in accordance with this Privacy Notice. You also agree to abide by the applicable laws of applicable US federal, state, and local laws concerning your use of the Products, and your agreements with us.

We may change this Privacy Notice from time to time. Any and all changes to this Privacy Notice will be reflected on this page, and where appropriate provided in person or by another electronic method. **YOUR CONTINUED USE, ACCESS, OR INTERACTION WITH OUR PRODUCTS OR YOUR CONTINUED COMMUNICATIONS WITH US AFTER THIS NOTICE HAS BEEN PROVIDED TO YOU WILL REPRESENT THAT YOU HAVE READ AND UNDERSTOOD THIS PRIVACY NOTICE.**

**Contact Us** [dataprivacy@firstam.com](mailto:dataprivacy@firstam.com) or toll free at 1-866-718-0097.



## For California Residents

If you are a California resident, you may have certain rights under California law, including but not limited to the California Consumer Privacy Act of 2018 ("CCPA"). All phrases used in this section shall have the same meaning as those phrases are used under California law, including the CCPA.

**Right to Know.** You have a right to request that we disclose the following information to you: (1) the categories of personal information we have collected about or from you; (2) the categories of sources from which the personal information was collected; (3) the business or commercial purpose for such collection and/or disclosure of your personal information; (4) the categories of third parties with whom we have shared your personal information; and (5) the specific pieces of your personal information we have collected. To submit a verified request for this information, go to our online privacy policy at [www.firstam.com/privacy-policy](http://www.firstam.com/privacy-policy) to submit your request or call toll-free at 1-866-718-0097. You may also designate an authorized agent to submit a request on your behalf by going to our online privacy policy at [www.firstam.com/privacy-policy](http://www.firstam.com/privacy-policy) to submit your request or by calling toll-free at 1-866-718-0097 and submitting written proof of such authorization to [dataprivacy@firstam.com](mailto:dataprivacy@firstam.com).

**Right of Deletion.** You also have a right to request that we delete the personal information we have collected from you. This right is subject to certain exceptions available under the CCPA and other applicable law. To submit a verified request for deletion, go to our online privacy policy at [www.firstam.com/privacy-policy](http://www.firstam.com/privacy-policy) to submit your request or call toll-free at 1-866-718-0097. You may also designate an authorized agent to submit a request on your behalf by going to our online privacy policy at [www.firstam.com/privacy-policy](http://www.firstam.com/privacy-policy) to submit your request or by calling toll-free at 1-866-718-0097 and submitting written proof of such authorization to [dataprivacy@firstam.com](mailto:dataprivacy@firstam.com).

**Verification Process.** For either a request to know or delete, we will verify your identity before responding to your request. To verify your identity, we will generally match the identifying information provided in your request with the information we have on file about you. Depending on the sensitivity of the personal information requested, we may also utilize more stringent verification methods to verify your identity, including but not limited to requesting additional information from you and/or requiring you to sign a declaration under penalty of perjury.

**Right to Opt-Out.** We do not sell your personal information to third parties, and do not plan to do so in the future.

**Right of Non-Discrimination.** You have a right to exercise your rights under California law, including under the CCPA, without suffering discrimination. Accordingly, First American will not discriminate against you in any way if you choose to exercise your rights under the CCPA.

**Collection Notice.** The following is a list of the categories of personal information we may have collected about California residents in the twelve months preceding the date this Privacy Notice was last updated, including the business or commercial purpose for said collection, the categories of sources from which we may have collected the personal information, and the categories of third parties with whom we may have shared the personal information:

<b>Categories of Personal Information Collected</b>	The categories of personal information we have collected include, but may not be limited to: real name; signature; alias; SSN; physical characteristics or description, including protected characteristics under federal or state law; address; telephone number; passport number; driver's license number; state identification card number; IP address; policy number; file number; employment history; bank account number; credit card number; debit card number; financial account numbers; commercial information; internet or other electronic network activity; geolocation data; audio and visual information; professional or employment information; and inferences drawn from the above categories to create a profile about a consumer.
<b>Categories of Sources</b>	Categories of sources from which we've collected personal information include, but may not be limited to: the consumer directly; public records; governmental entities; non-affiliated third parties; social media networks; affiliated third parties
<b>Business Purpose for Collection</b>	The business purposes for which we've collected personal information include, but may not be limited to: completing a transaction for our Products; verifying eligibility for employment; facilitating employment; performing services on behalf of affiliated and non-affiliated third parties; debugging to identify and repair errors that impair existing intended functionality on our Websites, Applications, or Products; protecting against malicious, deceptive, fraudulent, or illegal activity



<b>Categories of Third Parties Shared</b>	The categories of third parties with whom we've shared <b>personal information</b> include, but may not be limited to: advertising networks; internet service providers; data analytics providers; service providers; government entities; operating systems and platforms; social media networks; non-affiliated third parties; affiliated third parties
-------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

*Categories of Personal Information We Have Sold In The Past Year.* We have not sold any personal information of California residents to any third party in the twelve months preceding the date this Privacy Notice was last updated.

*Categories of Personal Information Disclosed For A Business Purpose In The Past Year.* The following is a list of the categories of **personal information** of California residents we may have disclosed for a business purpose in the 12 months preceding the date this Privacy Notice was last updated: The categories of personal information we have collected include, but may not be limited to: real name; signature; alias; SSN; physical characteristics or description, including protected characteristics under federal or state law; address; telephone number; passport number; driver's license number; state identification card number; IP address; policy number; file number; employment history; bank account number; credit card number; debit card number; financial account numbers; commercial information; internet or other electronic network activity; geolocation data; audio and visual information; professional or employment information; and inferences drawn from the above categories to create a profile about a consumer.

**NOTICE OF TITLE POLICY DISCOUNTS**  
**Residential Resale and Refinance Transactions – Arizona**

Escrow No.: **60018401**

Please note certain discounts sometimes apply to reduce title insurance premiums. You should review the possible discounts listed below and tell your escrow officer if you think any apply. For some of the discounts, you may be asked to provide additional information to allow us to verify that the discount is applicable. The discount will be subject to specific formulas filed by the Underwriter with the Arizona Department of Insurance and the location of the property.

**SHORT/LONG TERM RESALE RATE:**

There are certain discounts available if your purchase was within last 5 years and insured by us or another title company. The discount will vary depending on when you purchased your property and who insured it.

**REFINANCE RATE:**

There are certain discounts available if your current transaction is a refinance of a prior loan that was insured by us, or another title insurance company. This rate is subject to determination of loan balances in some instances, depending on the formula filed by the Underwriter being used to insure the current transaction.

**Please acknowledge your understanding of the foregoing disclosure, even if no discount applies, by signing below.**

Date: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Seller/Borrower

\_\_\_\_\_  
Signature of Seller/Borrower

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

## **DISCLOSURE NOTICES**

### **Good Funds Law**

Arizona Revised Statutes Section 6-843 regulates the disbursement of escrow funds by an escrow agent. The law requires that funds be deposited in the escrow agent's escrow account and available for withdrawal prior to disbursement. Funds deposited with the Company by wire transfer may be disbursed upon receipt. Funds deposited with the Company in the form of cashier's checks, certified checks or teller's checks, or checks which are made by an affiliate of a state or federally regulated depository institution when the check is drawn on that institution, may be disbursed the same day as deposited. If funds are deposited with the Company by other methods, recording and/or disbursement may be delayed.

### **PURCHASER DWELLING ACTIONS NOTICE**

Pursuant to Arizona Revised Statutes Section 12-1363.N, notice is hereby provided to the purchaser of a dwelling of the provisions of Arizona Revised Statutes Sections 12-1361, 1362 and 1363. These statutory sections set forth the requirements to be met by a purchaser prior to bringing an action against the seller of a dwelling arising out of or related to the design, construction, condition or sale of the dwelling. "Dwelling" means a single or multifamily unit designed for residential use and common areas and improvements owned or maintained by an association or its members. "Seller" means any person, firm, partnership, corporation, association or other organization engaged in the business of designing, constructing or selling dwellings. The complete statutory sections can be viewed on the Arizona State Legislature's web site: [www.azleg.state.az.us/ars/ars.htm](http://www.azleg.state.az.us/ars/ars.htm).

### **NOTICE:**

Pursuant to Arizona Revised Statutes 11-480, effective January 1, 1991, the County Recorder may not accept documents for recording that do not comply with the following:

- a      Print must be ten-point type (pica) or larger.
- b      Margins of at least one-half inch along the left and right sides one-half inch across the bottom      and  
         at least two inches on top for recording and return address information.
- ☐      Each instrument shall be no larger than 8 ½ inches in width and 14 inches in length.



*First American Title*

## **NOTICE OF IMPORTANT CHANGE TO ARIZONA NOTARY LAWS**

**If your client is a foreign citizen, you will want to be aware of this change.**

Arizona law currently provides that "satisfactory evidence of identity" for purposes of a notary's acknowledging signatures or performing jurats includes a "current form of identification issued by a federal, state or tribal government...." (A.R.S. 41-311.11.) Effective August 25, 2004, however, this provision has been amended to provided that the current form of identification must be issued by "the United States government or a state or tribal government...." This change means that a current form of identification issued by a foreign government, such as a foreign driver's license, will NOT meet the statutory identification requirements.

To avoid delays in closing transactions involving foreign citizens who may not have appropriate identification, you should determine as soon as possible what form(s) of identification your clients have. If they do not have appropriate identification, then you may wish to suggest, depending on their circumstances, that they apply for and obtain an appropriate form of U.S. or state identification.

# Title Security Agency, LLC

## **AFFILIATION DISCLOSURE Pursuant to ARS 6-840**

This is to give you notice that Title Security Agency of Arizona, a Delaware limited liability company, doing business in the State of Arizona as Title Security Agency, LLC ("Title Security"), has a business relationship with First American Title Insurance Company ("FATCO"), a company that provides title insurance policies. Title Security is also affiliated with and has business relationships with Long Title Agency, LLC ("Long Title"), Catalina Title Agency, LLC ("Catalina Title"), and Signature Title Agency, LLC ("Signature Title") to provide title services. Title Security is a Title Agent for and has business relationships with First American Title Insurance Company, Old Republic National Title Insurance Company and Title Resources Guaranty Company, which underwrite the policies issued by Title Security. Because of these relationships, this referral may provide Title Security with a financial or other benefit.

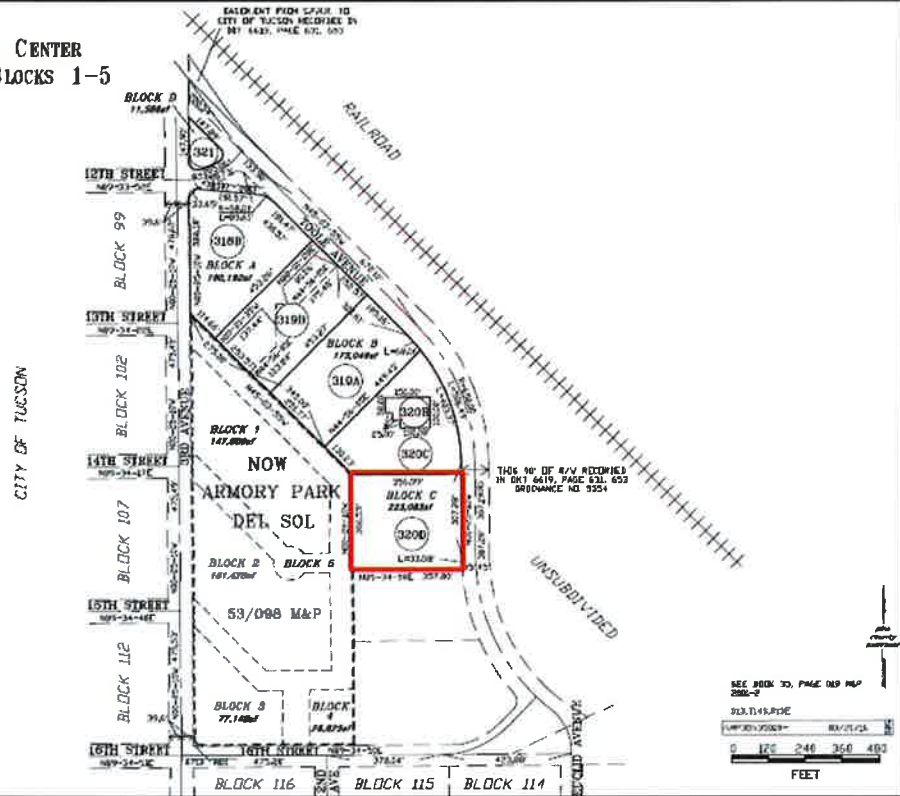
You are not required to use Title Security, Long Title, Catalina Title, Signature Title, First American Title Insurance Company, Old Republic National Title Insurance Company or Title Resources Guaranty Company, as part of the real estate transaction for this subject property.

THERE ARE FREQUENTLY OTHER SETTLEMENT SERVICE PROVIDERS AVAILABLE WITH SIMILAR SERVICES. YOU ARE FREE TO SHOP AROUND TO DETERMINE THAT YOU ARE RECEIVING THE BEST SERVICES AND THE BEST RATE FOR THESE SERVICES.

The rates for escrow agencies that are also title insurers or title insurance agents are filed with the Arizona Department of Financial Institutions and the escrow agency may not deviate from those filed rates. Title insurance rates are filed with the Arizona Department of Insurance by each title insurer, and the rates are the same for all title insurance issuing agents for each particular insurer. The premium you are charged for your title insurance policy is based upon the purchase price for the property you are purchasing/selling. If you are refinancing, the premium you are charged for your title insurance policy is based upon the loan amount. You may request to review the title insurance rate card which establishes the premium amount from the escrow agent handling your transaction.

## EXHIBIT B - SUBJECT PLAT MAP

ASSESSOR'S RECORD MAP  
117-06  
CUSHING BUSINESS CENTER  
BLOCKS A-D & BLOCKS 1-5





## EXHIBIT C - AERIAL PHOTOGRAPH



# **EXHIBIT D - ZONING MAP** (City of Tucson)



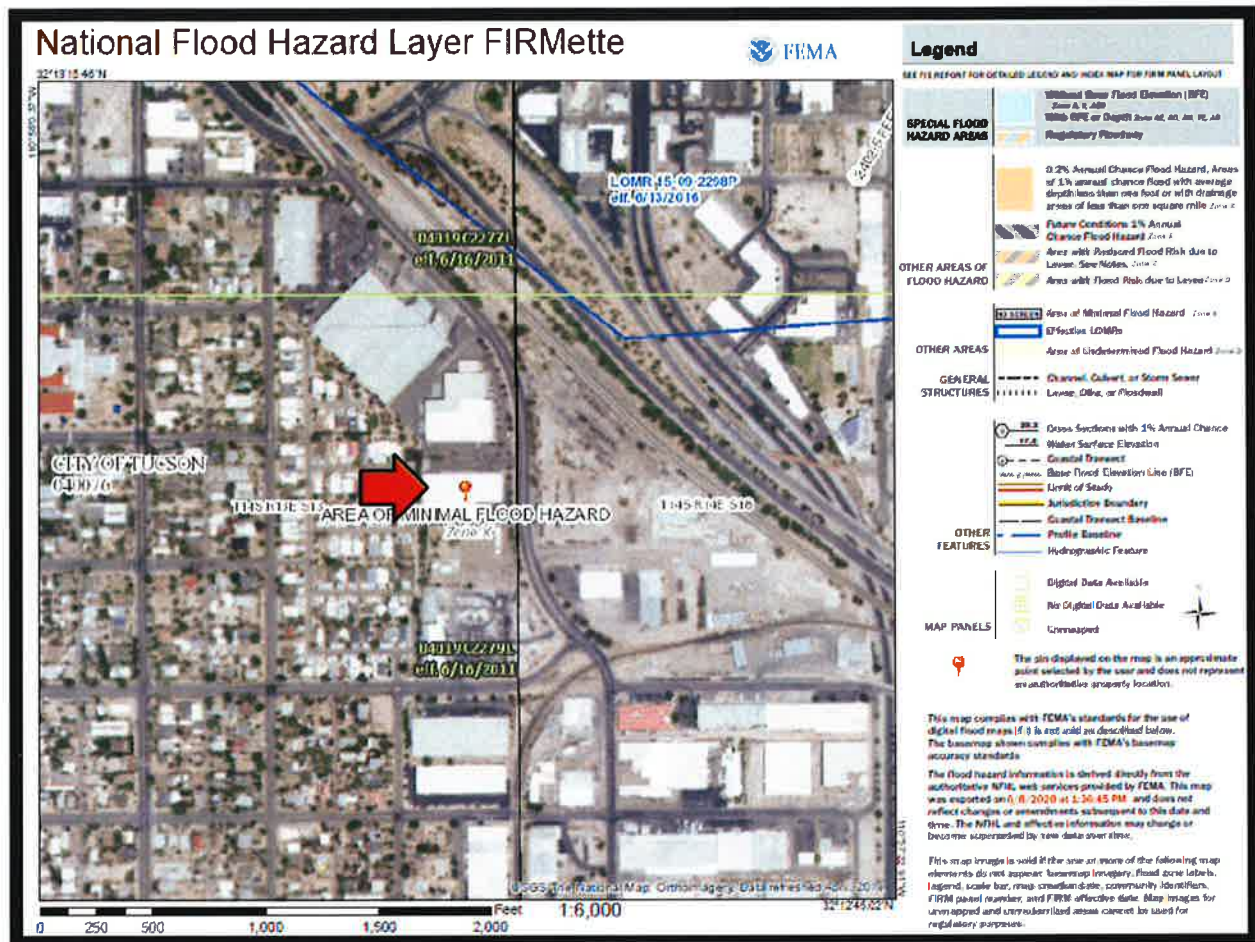
<input checked="" type="checkbox"/>	Zoning - Tucson
	C-1
	C-2
	C-3
	HC-1
	HC-2
	HC-3
	HNC
	HO-1
	HO-2
	HO-3
	HOCR-2
	HP
	HR-1
	HR-2
	HR-3
	HRX-1
	HRX-2
	HSR
	I-1
	I-2
	MH-1

	MH-2
	MU
	NR-1
	NR-2
	NR-3
	O-1
	O-2
	O-3
	OCR-1
	OCR-2
	OS
	P
	P-1
	PAD-1
	PAD-2
	PAD-3
	PAD-4
	PAD-5
	PAD-7
	PAD-8
	PAD-9

	PAD-10
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	PAD-13
	PAD-14
	PAD-15
	PAD-16
	PAD-17
	PAD-18
	PAD-19
	PAD-20
	R-1
	R-2
	R-3
	RH
	RV
	RX-1
	RX-2
	SH
	SR



## EXHIBIT E - FEMA FLOOD PLAIN MAP



**EXHIBIT F - FLOOR PLAN**

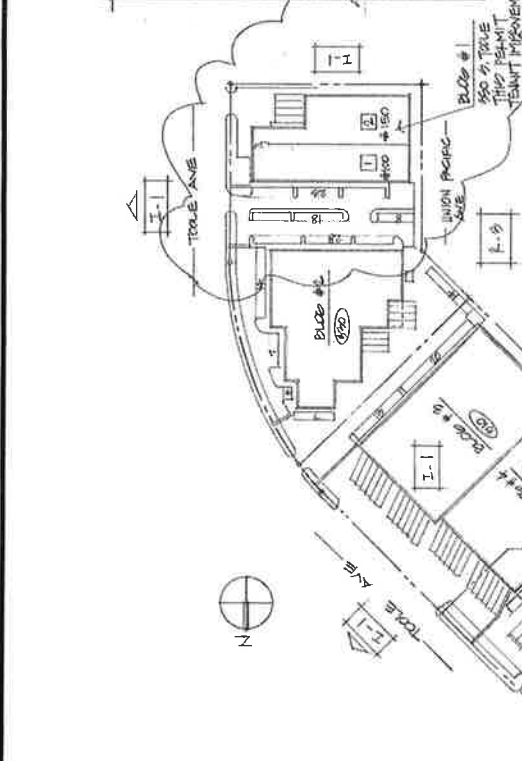
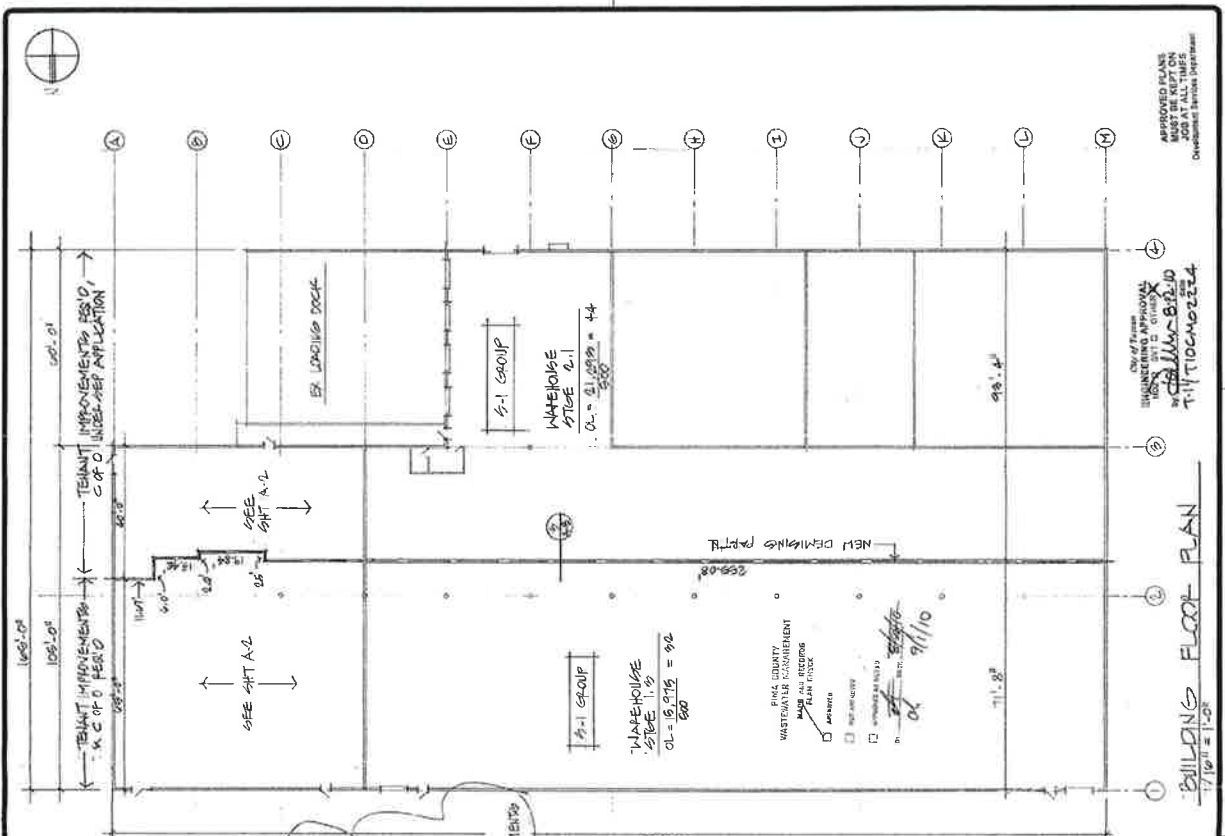
(See Following Pages)

REVISION	BY

TENANT IMPROVEMENTS  
 3550 S. TOOLE AVE # 100

JAMES R. WATSON  
 ARCHITECT  
 1011 S. WATSON BLVD, SUITE 101  
 TULSA, OK 74106-0010  
 TEL (918) 438-0010

DRAWN BY  
 CHECKED BY  
 DATE  
 SCALE  
 SHEET NO.  
 TOTAL SHEETS  
 A-1



**TENANT AREA TABULATIONS**

TENANT	AREA	OL
WAREHOUSE	20,414 SF	24
OFFICE	18,950 SF	38
TOTAL	39,364 SF	62
WAREHOUSE	20,414 SF	24
OFFICE	21,946 SF	44
TOTAL	42,360 SF	70
GRAND TOTAL	81,724 SF	132

**CODE CHECK**  
 EX. 1000  
 TOTAL G 18,954 SF  
 WAREHOUSE G 9,154 SF  
 OFFICE G 9,800 SF  
 PROPOSED WBS  
 WAREHOUSE G 20,817 SF  
 OFFICE G 4,948 SF  
 TOTAL 25,765 SF  
 GRAND TOTAL 107,489 SF (NO CHANGES)

**SITE PLAN NOTES**  
 1. BUILDING 11 (EXISTING) USE: WAREHOUSE (44,421 SQ. FT.) (TOTAL 45,739 SF)  
 2. BUILDING 12 (EXISTING) USE: OFFICE (20,414 SQ. FT.) (TOTAL 21,428 SF)  
 3. EXISTING PAVED PARKING - 25 SPACES  
 4. EXISTING ASPHALT DRIVEWAY - 1,000 SQ. FT.  
 5. TOTAL PROPOSED PAVED PARKING - 251 SPACES  
 6. TOTAL PROPOSED DRIVEWAY - 2,311 SPACES  
 7. TOTAL PROPOSED DRIVEWAY - 2,311 SPACES

**APPROVED**  
 WATSON BLDG. 11 & 12  
 10/1/10  
 10/1/10

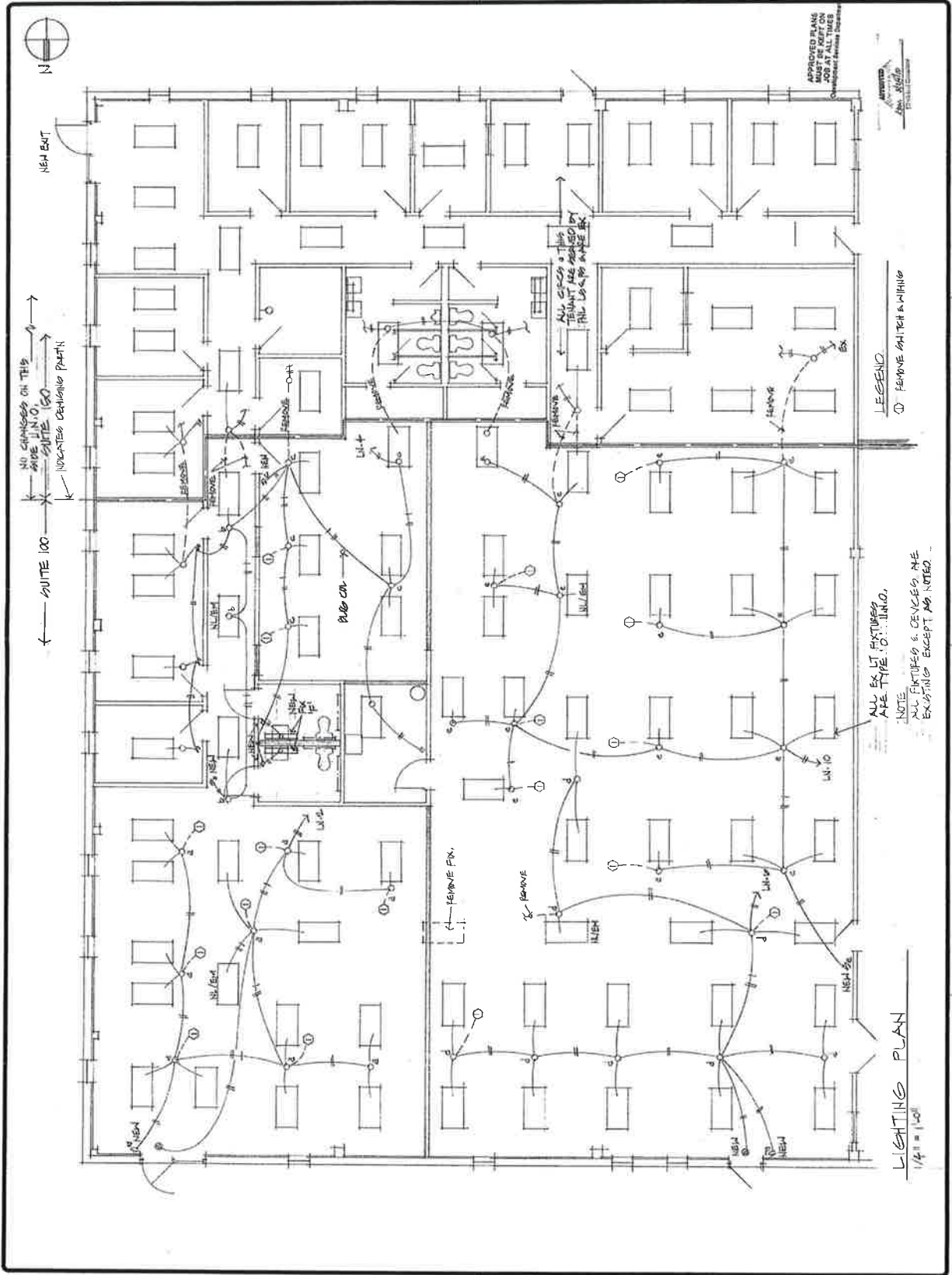
APPROVED PLANS  
 MUST BE KEPT ON  
 JOB AT ALL TIMES  
 DEVELOPMENT SERVICES DEPARTMENT  
 1/1/10

REVISIONS	DATE

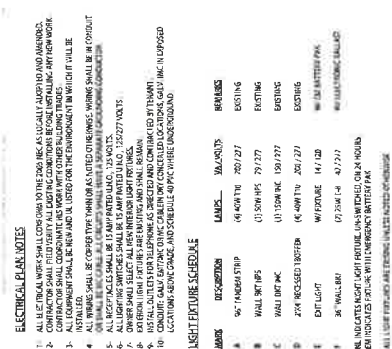
TENANT IMPROVEMENTS  
 350 S. TOOLE AVE  
 01-11-10

JAMES R. WATSON  
 ARCHITECT  
 1000 S. WILSON BLVD. SUITE 101  
 TULSA, OKLAHOMA 74106  
 TEL (918) 482-1000 FAX (918) 482-1001

E-2  
 7 OF 9 SHEETS





[illegible][illegible]

① BILLIONS ELECTRICAL PLAN

②

③

④

NOTE  
ALL PATENTS, DEVICES, ETC., ARE EXISTING  
EXCEPT AS NOTED

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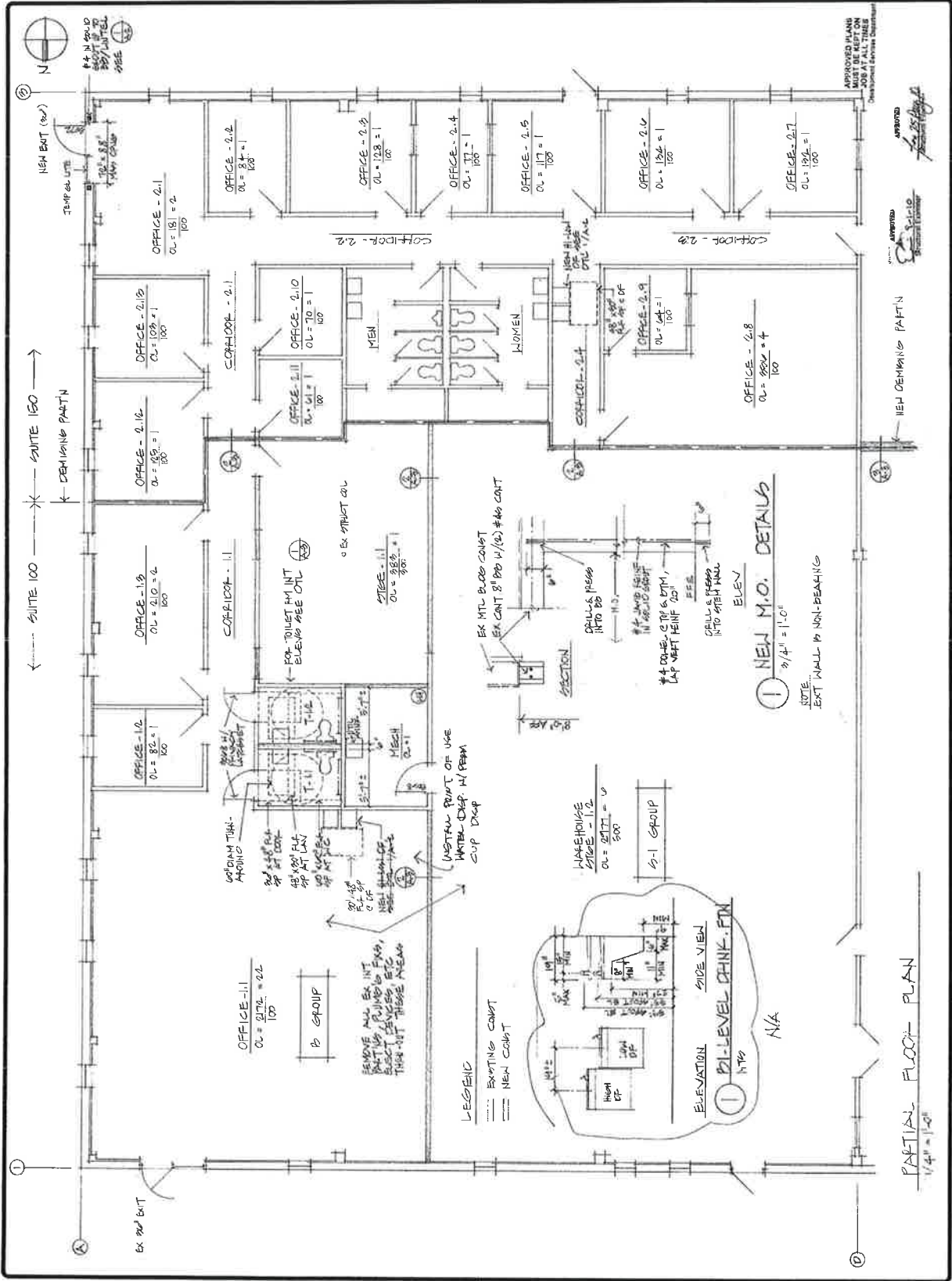
㊿

REVISIONS BY	DATE	DESCRIPTION

950 S. TOOLE AVE  
TENANT IMPROVEMENTS

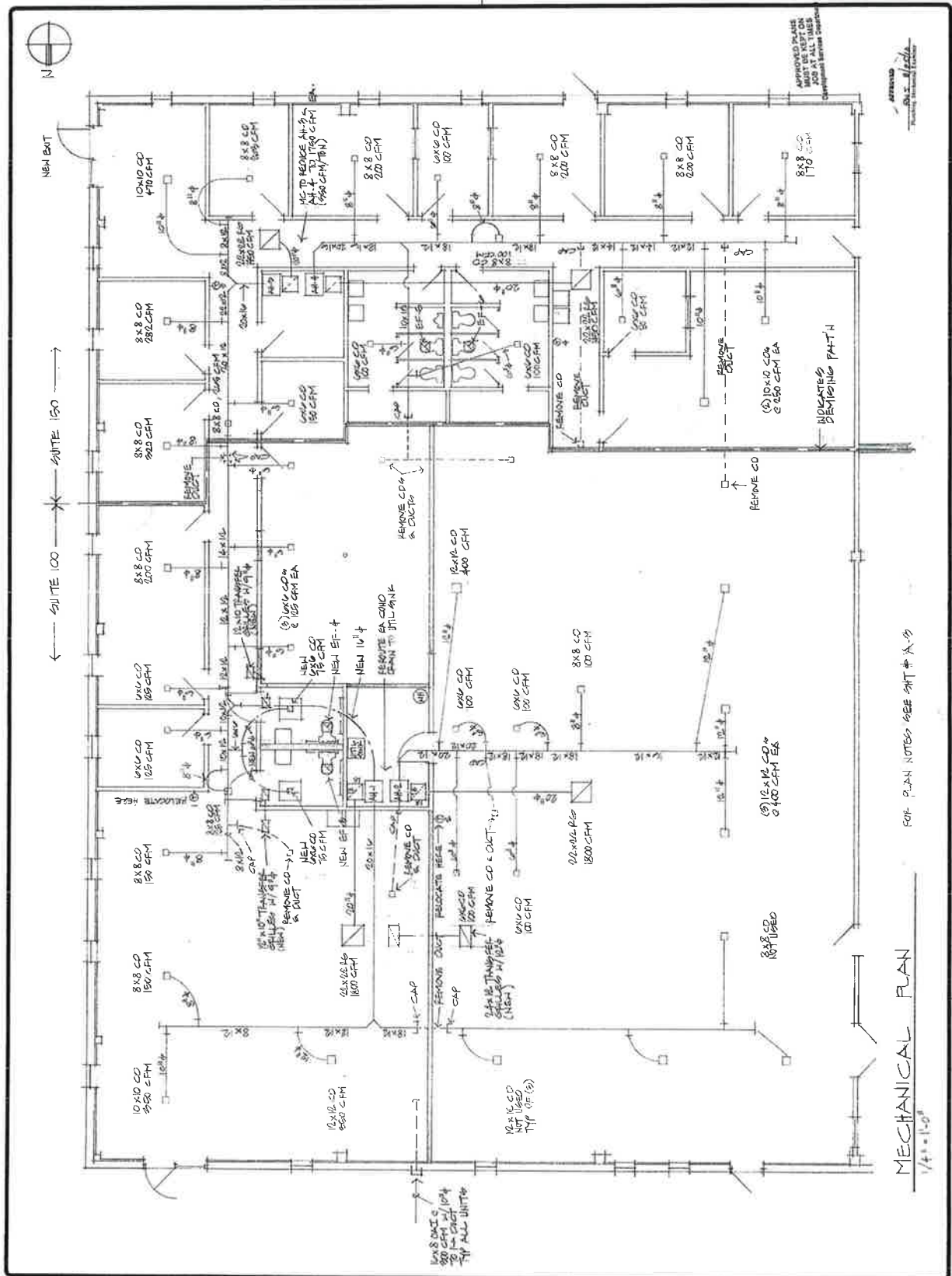
**JAMES R. WATSON ARCHITECT PLC**  
3025 E. SPEEDWAY BLVD. SUITE 101  
TUCSON, ARIZONA 85718  
TEL. (520) 660-0715

**APPROVED**  
A-2  
2 OF 9 SHEETS



PARTIAL FLOOR PLAN  
1/4" = 1'-0"

DRAWN BY  
 CHECKED  
 DATE 8-10-10  
 SCALE 1/4" = 1'-0"  
 JOB NO. 072  
 SHEET M-1  
 5 of 9 SHEETS

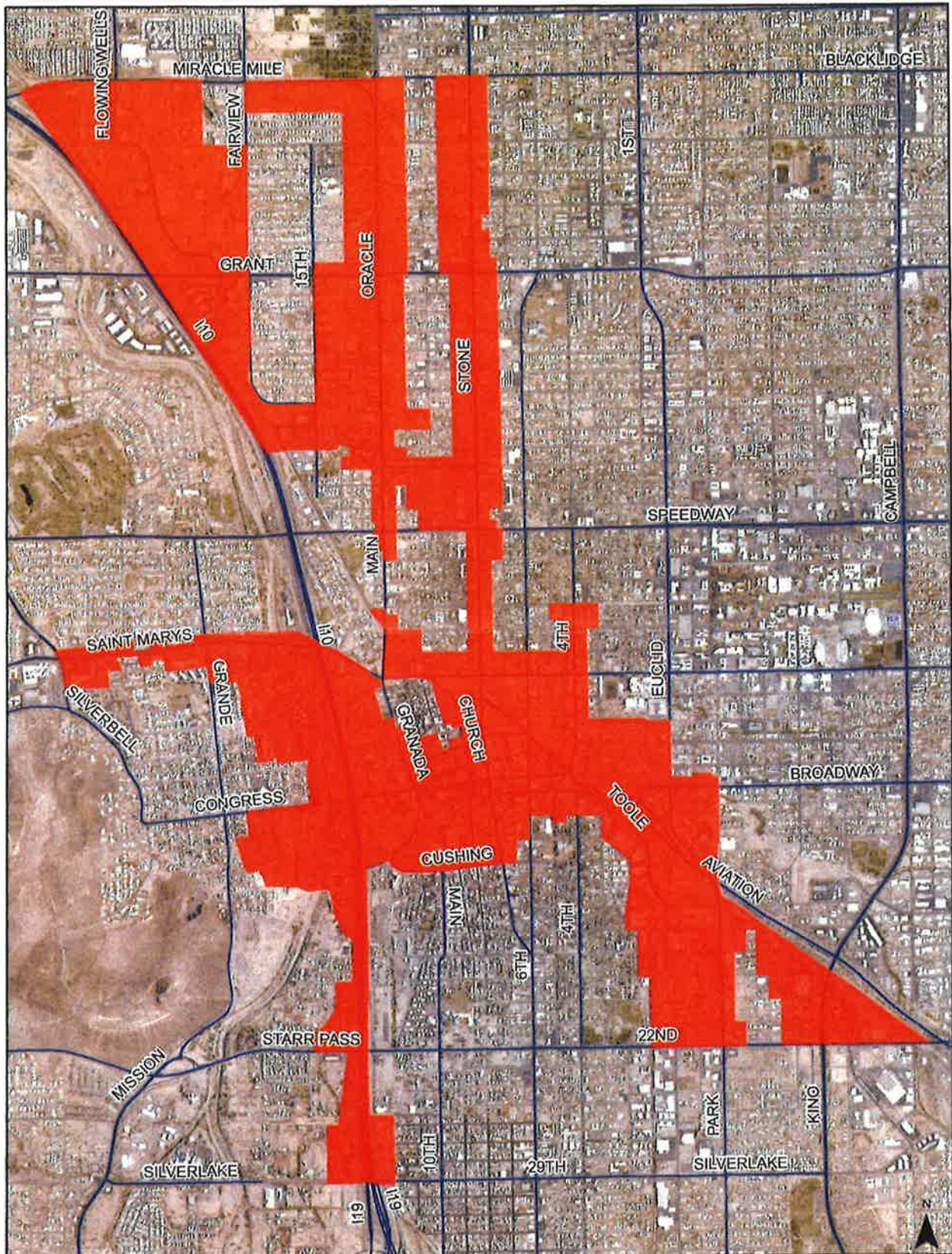


# MECHANICAL PLAN



EXHIBIT G -GPLET MAP

# GPLET Incentive Area



Are you in the area? Visit [maps.tucsonaz.gov/zoombiz](https://maps.tucsonaz.gov/zoombiz)



0 0.25 0.5 1 Miles

Created: 11/6/13



**EXHIBIT H - SUBJECT PHOTOGRAPHS**  
**PHOTO 1 - VIEW FROM TOOLE**



**PHOTO 2 - VIEW FROM TOOLE**



PHOTO 3 - VIEW PARKING LOT ON NORTH PORTION OF PROPERTY



PHOTO 4 - VIEW TRUCK LOADING AT SEC





PHOTO 5 - NORTH ELEVATION



PHOTO 6 - WEST ELEVATION



PHOTO 7 - SOUTH ELEVATION



PHOTO 8 - INTERIOR



PHOTO 9 - INTERIOR



PHOTO 10 - KITCHEN



PHOTO 11 - INTERIOR



PHOTO 12 - INTERIOR





PHOTO 13 - INTERIOR



PHOTO 14 - INTERIOR



PHOTO 15 - INTERIOR



PHOTO 16 - INTERIOR





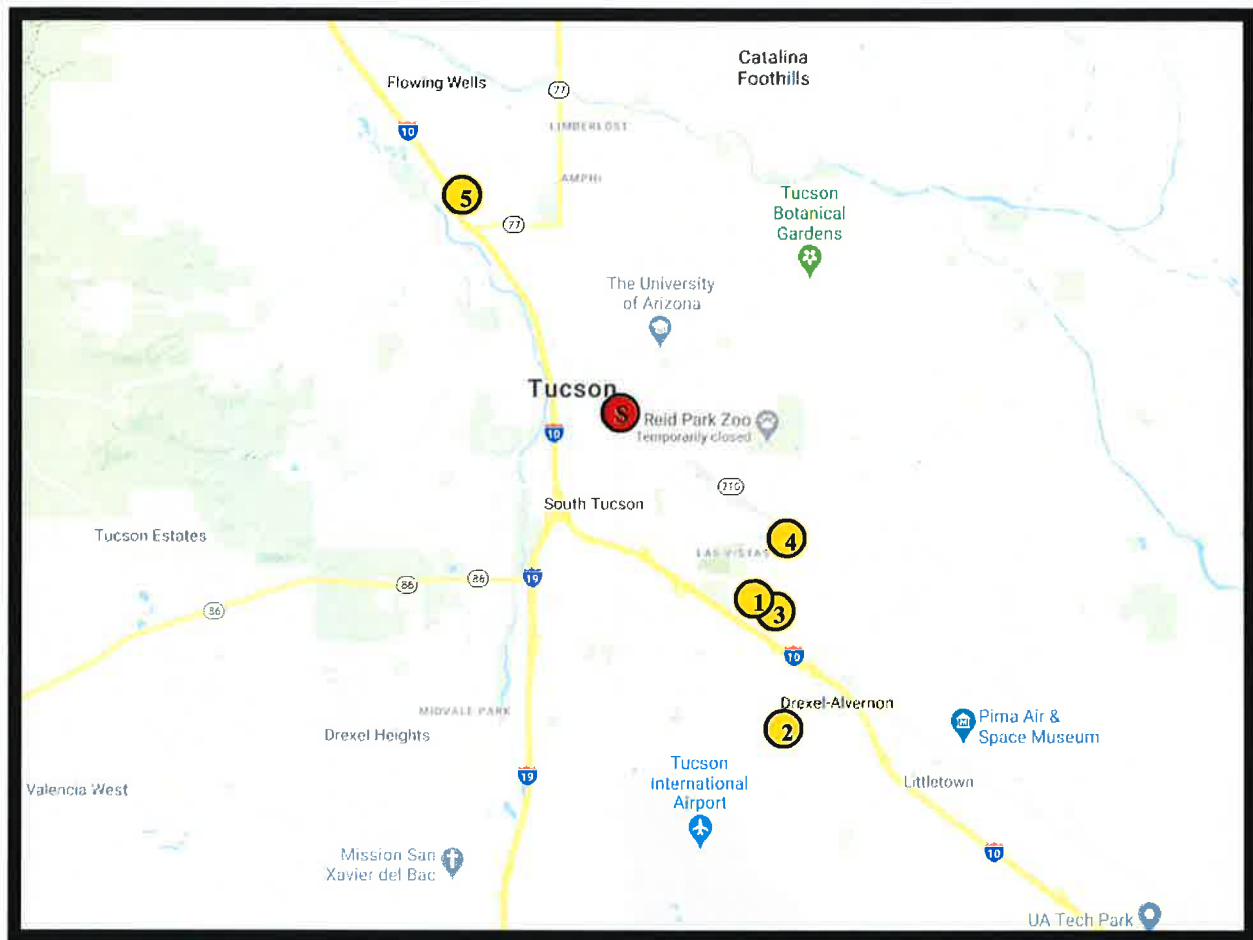
PHOTO 17 - VIEW NORTH ALONG TOOLE



PHOTO 18 - VIEW SOUTH ALONG TOOLE



## EXHIBIT I - COMPARABLE IMPROVED SALES LOCATION MAP



**Subject: 350 South Toole Avenue**

**Sale 1: 4495 South Coach Drive**

**Sale 2: 6161 South Palo Verde Road**

**Sale 3: 4551-4571 South Alvernon Way**

**Sale 4: 3130 South Dodge Boulevard**

**Sale 5: 3248-3260 North Industrial Loop**

## EXHIBIT J - COMPARABLE IMPROVED SALES

### IMPROVED COMPARABLE NUMBER ONE (SALE)

ID: 30 0703 7895

IMPROVEMENT TYPE: Warehouse building

LOCATION: 4495 South Coach Drive

LEGAL DESCRIPTION: Lots 13 and 14, Butterfield Business Center, Pima County, Arizona

STATE TAX PARCEL: 132-20-0200, -0210

RECORD DATA: Fee Number 20181990674

DATE OF SALE: July 18, 2018

SELLER: Bednotes, LLC

BUYER: Compass RE, LLC

CONFIRMED BY: Rob Glaser, buyer's broker (520-513-5112)  
TAB; June 24, 2020

### IMPROVEMENT DESCRIPTION:

This is a warehouse building constructed in 2006 with a building age of 12 years as of the date of sale. Exterior construction is reinforced concrete with a flat roof with rolled composition covering. The layout includes approximately 9,200 square feet of office and showroom space, with typical layout and finishes. The remaining 14,029 square feet includes warehouse space, with typical layout and finishes. Warehouse improvements include ceiling heights of 18-20 feet, a sprinkler system, and seven 10' x 10' roll-up doors. Cooling is by air conditioning in the office/showroom area and by evaporative cooling in the warehouse area. Heating is by forced warm air heat. There is an asphalt paved parking lot with 41 striped surface spaces and 12 free covered spaces. The improvements were in average to good condition at the time of sale and the quality of construction is average.

BUILDING SIZE: 23,229 square feet

**LAND DESCRIPTION:**

161,607 square feet (of which 81,207 square feet is an improved lot and 80,400 square feet is excess land). This site is an irregular shaped corner property with approximately 700 feet of frontage on Coach Drive and approximately 215 feet of frontage on Butterfield Drive. Coach Drive is a two-lane, asphalt-paved roadway with a concrete median and concrete curbs. Improved properties along this roadway, including this lot, have concrete sidewalks. There are no streetlights in the vicinity of this property. Butterfield Drive is a two-lane, asphalt-paved roadway with concrete curbs. The improved property on the south side of this roadway has concrete sidewalks. Currently, there are no traffic counts available for Coach Drive and Butterfield Drive, according to the Pima Association of Governments. The topography is mostly level, sloping slightly in a northwesterly direction. All utilities are available to the property. According to FEMA Flood Insurance Rate Map 04019C2291L, dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. The TDC South Interceptor Canal runs along the northeast property line, requiring a 75 foot setback for buildings. This northeastern border also falls slightly within an erosion hazard setback area.

**BUILDING COVERAGE  
RATIO:**

28.6 percent (improved lot only)  
14.4 percent (includes excess land)

**ZONING:**

CI-1 (Pima County)

This property falls within the Pima County Airport Environs Height Overlay Zone for DMAFB, with a height requirement of 100-120 feet.

**REPORTED SALE PRICE:**

\$1,959,000 (with excess land)  
\$1,709,000 (without excess land)

**PRICE PER BLDG. SQ. FT.:**

\$84.33 (with excess land)  
\$73.57 (without excess land)

**MARKETING TIME:**

211 days

**TERMS OF SALE:**

The terms of sale included a down payment in the amount of \$195,900 (10%), with the purchaser obtaining a conventional loan for the remainder. This is considered cash equivalent.

**PRIOR SALE:**

Records of the Pima County Assessor indicate that no market transaction has occurred within three years of the date of valuation.

**CONDITIONS OF SALE:**

This sale is reported to have occurred under normal market conditions.

**COMMENTS:**

The 80,400 square feet of excess land contributed an amount of \$250,000 to the sale price of this property. The buyer intends to be an owner/user for the building.



**COMPARABLE IMPROVED SALE ONE - AERIAL PHOTO AND STREET VIEW**  
Address: 4495 South Coach Drive





IMPROVED COMPARABLE NUMBER TWO (SALE)

ID: 30 0684 7250

IMPROVEMENT TYPE: Industrial Distribution Building

LOCATION: 6161 South Palo Verde Road

LEGAL DESCRIPTION: A portion of Lot 43 and a portion of the abandoned Palo Verde Road, Tucson International Business Center, Pima County, Arizona

STATE TAX PARCEL: 140-29-052C and -052E

RECORD DATA: Fee Number 20183530421

DATE OF SALE: December 19, 2018

SELLER: ColFin Cobalt I-II Owner, LLC (Colony Capital, Inc.)

BUYER: STAG Industrial Holdings, LLC

CONFIRMED BY: Rob Glaser, listing broker (520-850-9642)  
TAB; April 12, 2019

IMPROVEMENT  
DESCRIPTION:

This is a single-story, two-tenant industrial distribution building constructed in 1996 with a building age of 22 years as of the date of sale. Exterior construction is concrete tilt-up panels with a flat built-up composition roof covering. Interior finishes include are standard office and warehouse finishes. The layout includes 5,200 square feet (4%) office space and 96% warehouse space. Heating is by forced warm air heat and cooling is air conditioning in the office area and evaporative cooling in the warehouse. Other improvements include a ceiling height of 30 feet, six external loading docks with elevators, two 12'x12' drive ins, eight roll-up dock high doors, heavy electricity/power (9000a/480v), and a fire sprinkler system throughout. There is an asphalt paved parking lot with approximately 120 striped surface spaces. The improvements were in average condition at the time of sale and the quality of construction is average.

BUILDING SIZE: 128,941 square feet

**LAND DESCRIPTION:**

318,933 square feet. This site is a rectangular shaped interior property with 783 feet of frontage on the east side of Palo Verde Road, north of Hemisphere Loop. The property has a depth of 384 feet. Palo Verde Road is a four-lane, asphalt-paved roadway with concrete curbs and sidewalks, but no streetlights in the vicinity of this property. Palo Verde Road has a 2017 traffic count of 14,399 vehicles per day in the vicinity of this site, according to the Pima Association of Governments. The topography is level. All utilities are available to the property. According to FEMA Flood Insurance Rate Map 04019C2293L, dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain. Approximately 18 percent of this property falls within an erosion hazard setback area. Two unnamed washes cross the property along the west and north property lines. These small washes require a 25 foot setback for buildings. Approximately 50 percent of the property falls within a Riparian Habitat area with a designated classification of Xeroriparian D.

**BUILDING COVERAGE  
RATIO:**

40.4 percent

**ZONING:**

I-1 (City of Tucson)

**REPORTED SALE PRICE:**

\$10,025,000

**PRICE PER BLDG. SQ. FT.:**

\$77.75

**MARKETING TIME:**

N/A

**TERMS OF SALE:**

This was an all cash to the seller transaction.

**PRIOR SALE:**

Records of the Pima County Assessor indicate that no transaction has occurred within three years of the date of valuation.

**CONDITIONS OF SALE:**

This sale is reported to have occurred under normal market conditions.

**COMMENTS:**

The building was 100 percent leased at the time of sale. The tenants were PODS and Big O Tires. The NOI at the time of sale was \$621,550, indicating a Cap Rate of 6.2%. The tenants have 5 years remaining on the leases, with 2.5 percent annual increases.

**COMPARABLE IMPROVED SALE TWO - AERIAL PHOTO AND STREET VIEW**  
Address: 6161 South Palo Verde Road



IMPROVED COMPARABLE NUMBER THREE (SALE)

ID: 30 0705 7895

IMPROVEMENT TYPE: Industrial Property

LOCATION: 4551-4571 South Alvernon Way

LEGAL DESCRIPTION: A portion of Block F, Block G, and Coachman Drive, Butterfield Business Center, Pima County, Arizona

STATE TAX PARCEL: 132-20-035D

RECORD DATA: Fee Number 2019-0020485

DATE OF SALE: January 2, 2019

SELLER: HS-Tucson AZ, LLC

BUYER: Walter & Sons, LLC

CONFIRMED BY: Stephen Cohen, buyer's broker (520-546-2750)  
TAB; June, 2020

IMPROVEMENT  
DESCRIPTION:

This property consists of two industrial buildings totaling 44,779 square feet of building area, constructed in 2000 with a building age of 19 years as of the date of sale. Exterior construction is concrete. The first building contains 29,879 square feet of building area with 8,317 square feet of office area with 21,562 square feet of warehouse space. The second building contains 14,900 square feet of building area with 11,796 square feet of warehouse space and 3,104 square feet of office area. The total property has finished out area of 25% of the building area. The office areas have air conditioning and typical finishes. The warehouse area has concrete flooring, evaporative cooling. There are four grade level doors and two docks. There is an asphalt paved parking lot with approximately 70 striped spaces and a paved asphalt yard that allows for additional parking. The improvements were in average condition at the time of sale and the quality of construction is average.

BUILDING SIZE: 44,779 square feet

**LAND DESCRIPTION:**

455,172 square feet. This site is a somewhat irregular shaped corner backage property with approximately 1,025 feet of frontage on Alvernon Way on the western property line and approximately 300 feet of frontage on Michigan Street on the northern property line. The property has a depth of 175.15 feet on the southern property line and approximately 525 feet on the northern property line, and a depth of 1,033.41 feet on the eastern property line. Alvernon Way is a six-lane, asphalt-paved roadway with a center median and concrete curbs, but no sidewalks or streetlights in the vicinity of this property. Alvernon Way has a 2019 traffic count of 42,410 vehicles per day in the vicinity of this site, according to the Pima Association of Governments. Michigan Street is a two-lane, asphalt-paved roadway with concrete curbs and sidewalks in this area. Michigan Street ends in the area of the subject property. The intersection of Alvernon Way and Michigan Street is a minor corner. The property has one curb cut on Alvernon Way and two curb cuts on Michigan Street. The topography is mostly level, sloping slightly to the northwest. All utilities are available to the property. According to FEMA Flood Insurance Rate Map 04019C2291L, dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.

**BUILDING COVERAGE  
RATIO:**

9.8 percent

**ZONING:**

CI-1, Pima County

The property is in the Davis-Monthan Air Force Base Airport Environs Height Overlay Zone (Height 80-100 feet); the Airport Environs Land Use Overlay Zone (Noise Control Zone A- 75% of property); and the Airport Environs Noise Overlay Zone (75% of property), 65-60 LDN

**REPORTED SALE PRICE:**

\$3,865,000

**PRICE PER BLDG. SQ. FT.:**

\$86.31

**MARKETING TIME:**

Not Available



**TERMS OF SALE:**

Conventional financing

**PRIOR SALE:**

Records of the Pima County Assessor indicate that no market transaction has occurred within three years of the date of valuation.

**CONDITIONS OF SALE:**

This sale is reported to have occurred under normal market conditions.

**COMMENTS:**

The buyer intended to occupy the larger building as an owner-user. The smaller 14,900 square foot building was leased and the owner planned to continue leasing this building.

## COMPARABLE IMPROVED SALE THREE - AERIAL PHOTO AND STREET VIEW

Address: 4551-4571 South Alvernon Way



IMPROVED COMPARABLE NUMBER FOUR (SALE) ID: 30 0704 7895

IMPROVEMENT TYPE:	Industrial building
LOCATION:	3130 South Dodge Boulevard
LEGAL DESCRIPTION:	A portion of the Northeast Quarter of Section 28, Township 14 South, Range 14 East, G&SRB&M, Pima County, Arizona
STATE TAX PARCEL:	132-04-012Q; -012S
RECORD DATA:	Fee Number 2019-2460139
DATE OF SALE:	September 3, 2019
SELLER:	DRD Group, LLC
BUYER:	Elliott Partners, Ltd.
CONFIRMED BY:	David Blanchette, buyer's broker (520-906-9446) DFO; June, 2020
IMPROVEMENT DESCRIPTION:	This is a 44,504 square foot industrial building constructed in 1993 with a building age of 26 years as of the date of sale. Exterior construction is tilt-up concrete. Approximately 5% of the building is finished out office area with drop ceiling, carpet, and air conditioning. The remaining is open warehouse with concrete flooring, insulation, roll up doors, and evaporative cooling. The warehouse area has a demising wall. Other improvements include an attached small canopy area and a truck well. There is an asphalt paved parking lot with 14 striped spaces in front of the building and a rear paved yard area that can be used for additional parking. The improvements were in average condition at the time of sale and the quality of construction is average.
BUILDING SIZE:	44,504 square feet

LAND DESCRIPTION:	102,204 square feet. This site is a mostly rectangular shaped property with 219.88 feet of frontage on Dodge Boulevard on the eastern property line. The property has a depth of 463.58 feet on the southern property line. Dodge Boulevard is a four-lane, asphalt-paved roadway with concrete curbs and sidewalks in front of this property only in the vicinity of this property. Dodge Boulevard has a 2019 traffic count of around 3,000 vehicles per day in the vicinity of this site, according to the Pima Association of Governments. The topography is mostly level. All utilities are available to the property. According to FEMA Flood Insurance Rate Map 04019C2291L and 04019C2283L, dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.
BUILDING COVERAGE RATIO:	43.5 percent
ZONING:	CI-2, Pima County
	This property is in the Davis-Monthan Air Force Base Airport Environs Height Overlay Zone (Height of 100-120 feet); the Airport Environs Land Use Overlay Zone (NCZ-A, Noise Control Zone A); and Airport Environs Noise Overlay Zone (65-70 LDN)
REPORTED SALE PRICE:	\$2,800,000
PRICE PER BLDG. SQ. FT.:	\$62.92
MARKETING TIME:	Approximately 131 days
TERMS OF SALE:	This was an all cash to the seller.
PRIOR SALE:	Records of the Pima County Assessor indicate that no market transaction has occurred within three years of the date of valuation.
CONDITIONS OF SALE:	This sale is reported to have occurred under normal market conditions.
COMMENTS:	This property was purchased by an owner-user.



**COMPARABLE IMPROVED SALE FOUR - AERIAL PHOTO AND STREET VIEW**  
Address: 3130 South Dodge Boulevard





IMPROVED COMPARABLE NUMBER FIVE (SALE)

ID: 30 0706 7895

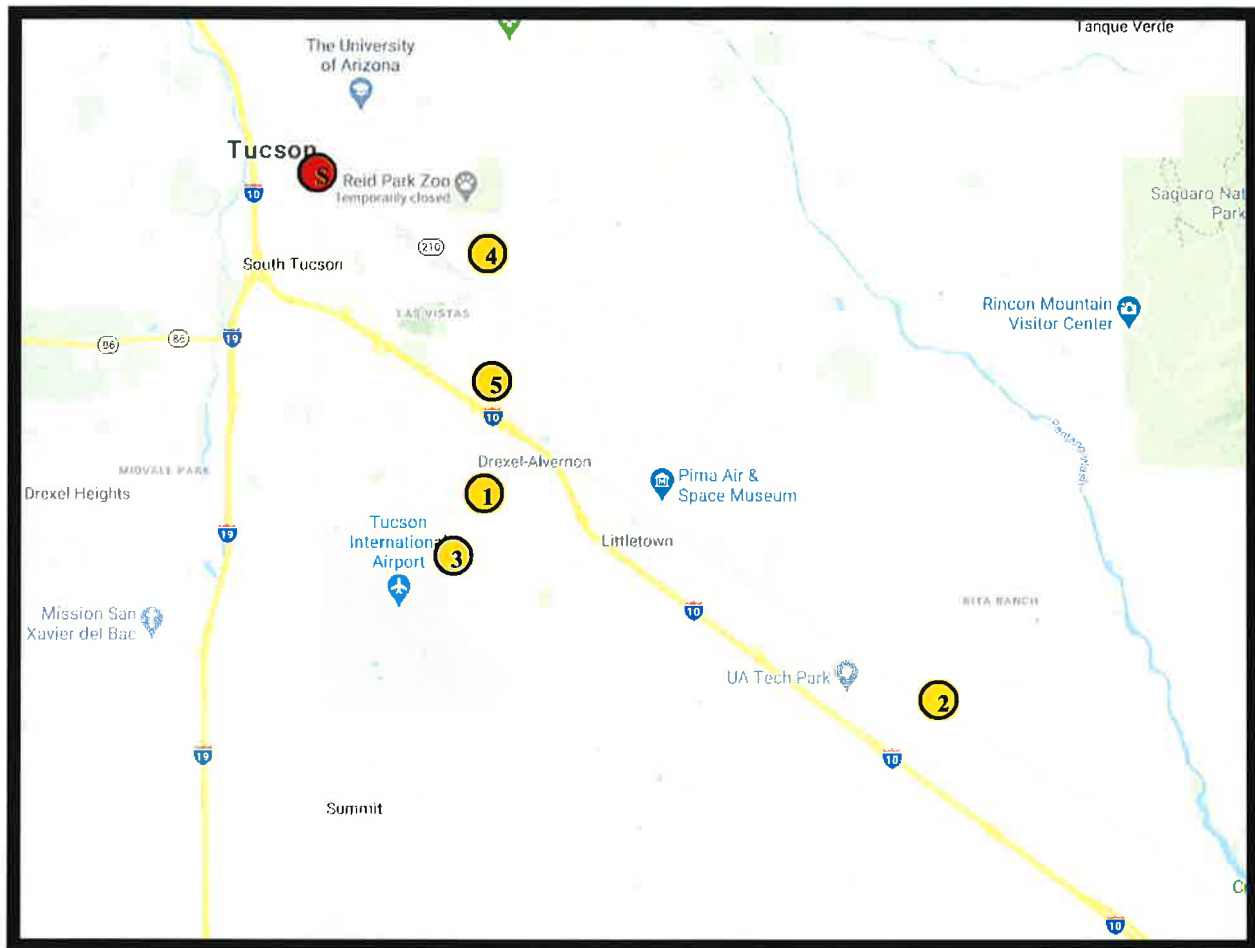
IMPROVEMENT TYPE:	Industrial Building
LOCATION:	3248-3260 North Freeway Industrial Loop
LEGAL DESCRIPTION:	Lots 1 and 2, Freeway Industrial Park, Pima County, Arizona
STATE TAX PARCEL:	107-02-0060; -0070
RECORD DATA:	Fee Number 2019-2600825
DATE OF SALE:	September 17, 2019
SELLER:	Long Meadow Ranch, Inc.
BUYER:	Freeway Clover, LLC
CONFIRMED BY:	Paul Kraft, buyer's representative (520-829-4621) SRB; June, 2020
IMPROVEMENT DESCRIPTION:	<p>This is a 32,508 square foot multi-tenant industrial property with two adjacent buildings constructed in 2002 and 2006 with building ages of 13 and 17 years as of the date of sale. Exterior construction is metal. There are three tenants in the property. Wayne Dalton occupies 12,500 square feet, Belfor occupies 7,800 square feet, and Pump it Up occupies 12,000 square feet. There are clear heights of 18 to 20 feet as well as four grade level doors and two docks. The overall property has approximately 23% finished out office area, with some office area and majority warehouse area in each building. The buildings have typical finishes. Two of the suites have air conditioning in the office areas and evaporative cooling in the warehouses. The Pump it Up has air conditioning and the open warehouse space is more finished out as this area is utilized by customers. There is an asphalt paved parking lot with approximately 78 striped spaces. The improvements were in average condition at the time of sale and the quality of construction is average.</p>
BUILDING SIZE:	32,508 square feet

LAND DESCRIPTION:	157,002 square feet. This site is a somewhat rectangular shaped property with approximately 125 feet of frontage on Freeway Industrial Loop. The property has a depth of 497.14 feet on the eastern property line, 507.71 feet on the western property line, and a width of approximately 325 feet on the southern property line and 219.59 feet on the northern property line. Freeway Industrial Loop is a two-lane, asphalt-paved roadway with concrete curbs and sidewalks in the vicinity of this property. No traffic count is available for Freeway Industrial Loop in the vicinity of the subject property. The topography is mostly level and at the street grade. All utilities are available to the property. According to FEMA Flood Insurance Rate Map 04019C1669L, dated June 16, 2011, and a LOMR dated November 28, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.
BUILDING COVERAGE RATIO:	20.7 percent
ZONING:	I-1, City of Tucson
REPORTED SALE PRICE:	\$2,495,000
PRICE PER BLDG. SQ. FT.:	\$76.75
MARKETING TIME:	Not Available
TERMS OF SALE:	This was an all cash to the seller transaction.
PRIOR SALE:	Records of the Pima County Assessor indicate that no market transaction has occurred within three years of the date of valuation.
CONDITIONS OF SALE:	This sale is reported to have occurred under normal market conditions.
COMMENTS:	This property was leased to three tenants, with rents ranging from \$6.73 to \$10.28 per square foot, triple net. The listing packet indicates the net operating income was \$181,890, which indicates a capitalization rate of 7.3%. However, the buyer's representative indicated the capitalization rate may have been slightly higher.

**COMPARABLE IMPROVED SALE FIVE - AERIAL PHOTO AND STREET VIEW**  
Address: 3248-3260 North Industrial Loop



## EXHIBIT K - COMPARABLE RENTAL LOCATION MAP



**Subject:** 350 South Toole Avenue

**Sale 1:** 6161 South Palo Verde Road, Suite 10

**Sale 2:** 9538 East Old Vail Road

**Sale 3:** 6959 South Country Club Road , Suite 156

**Sale 4:** 2301 South Freibus Avenue, Suite 8

**Sale 5:** 4755 South Coach Avenue

## **EXHIBIT L – COMPARABLE RENTALS**

### **COMPARABLE RENTAL NUMBER ONE**

ID: R30 0159 7250

USE:	Industrial Warehouse Distribution Building
LOCATION:	6050 South Country Club Road, Suite 156
TENANT:	Keystone
TYPE OF LEASE:	Triple Net
DATE OF LEASE:	March, 2018
TERM OF LEASE:	Ten years, with options to extend
OPTION:	N/A
BUILDING/SPACE SIZE:	120,000 square feet
LAND SIZE:	337,043 square feet or 7.74 acres
ANNUAL RENT PER BLDG. SQ. FT.:	\$4.86 – Year 1 \$4.98 – Year 2 \$5.11 – Year 3
RENTAL INCREASES:	2.5% annual increases
LANDLORD EXPENSES:	The tenant pays all expenses in a triple net lease
CONFIRMED:	Rob Glaser, broker (520-546-2707) TAB; April 22, 2019
IMPROVEMENT DESCRIPTION:	This is an industrial distribution warehouse building space constructed in 1994, with a building age of 24 years as of the start date of the lease. This is a single story concrete tilt-up building with a truss height of 30 feet and a fire sprinkler system. A majority of it is configured as open warehouse distribution space containing 115,000 square feet that has exposed concrete floors, evaporative cooling, and suspended gas heating units. The rest of the interior area is divided into finished office space containing 5,000 square feet



which has drywall partitions, suspended ceilings, and is heated and cooled with dual-pac air conditioning units. There are dock high loading doors. There is an asphalt paved parking lot with 50 striped spaces. The improvements were in good condition at the time of lease and the quality of construction is good.

**LAND DESCRIPTION:**

337,043 square feet or 7.74 acres. This site is a rectangular shaped interior property with cross access easements through the adjacent industrial park to Country Club Road to the east of the property. The site has a maximum length of 775 feet along the northern property line and a maximum width of 435 feet along the western property line. This property has access from Country Club Road but does not have direct frontage on Country Club Road. Country Club Road is a two-lane, asphalt-paved roadway with a right turn lane onto this industrial park and no curbs, sidewalks, or streetlights in the vicinity of this property. Country Club Road has a 2017 traffic count of 5,509 vehicles per day in the vicinity of this site. The topography is level and at the street grade. All utilities are available to the property. According to FEMA Flood Insurance Rate Map 04019C2293L, dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.

## COMPARABLE RENTAL ONE - AERIAL PHOTO AND STREET VIEW

Address: Address: 6161 South Palo Verde Road, Suite 10



COMPARABLE RENTAL NUMBER TWO

ID: R30 0163 7895

USE:	Industrial Suite
LOCATION:	6161 South Palo Verde Road, Suite #10
TENANT:	National Tire Wholesale
TYPE OF LEASE:	Triple Net
DATE OF LEASE:	July 2018
TERM OF LEASE:	5-year lease
OPTION:	Not Available
BUILDING/SPACE SIZE:	65,390 square feet (out of a 128,941 square foot larger building)
LAND SIZE:	318,933 square feet (entire property)
MONTHLY RENT PER BLDG. SQ. FT.:	\$0.50 – Year 1 \$0.515 – Year 2 \$0.53 – Year 3
ANNUAL RENT PER BLDG. SQ. FT.:	\$6.00 – Year 1 \$6.18 – Year 2 \$6.37 – Year 3
RENTAL INCREASES:	3% annual
TENANT EXPENSES:	Tenant pays all expenses
CONFIRMED:	Rob Glaser, listing broker; (520-546-2707) TAB; July, 2020 Stein Koss, tenant's representative (602-510-1999) DFO; July 2020
IMPROVEMENT DESCRIPTION:	This is a 65,390 square foot industrial suite in a two-tenant building constructed in 1996 with a building age of 22 years as of the date of sale. Exterior construction is concrete tilt-up panels with a flat built-up composition roof covering. Interior finishes include are

standard office and warehouse finishes. The layout is approximately 10% office space and approximately 90% warehouse space. Heating is by forced warm air heat and cooling is air conditioning in the office area and evaporative cooling in the warehouse. Other improvements include a ceiling height of 30 feet, six docks and one grade level door, heavy electricity/power (9000a/480v), and a fire sprinkler system throughout. There is an asphalt paved parking lot with approximately 120 striped surface spaces for the center. The improvements were in average condition at the time of sale and the quality of construction is average.

**LAND DESCRIPTION:**

318,933 square feet. This site is a rectangular shaped interior property with 783 feet of frontage on the east side of Palo Verde Road, north of Hemisphere Loop. The property has a depth of 384 feet. Palo Verde Road is a four-lane, asphalt-paved roadway with concrete curbs and sidewalks, but no streetlights in the vicinity of this property. Palo Verde Road has a 2017 traffic count of 14,399 vehicles per day in the vicinity of this site, according to the Pima Association of Governments.

**COMMENTS:**

The entire property sold in December 2018 for \$10,025,000, or \$77.75 per square foot.



**COMPARABLE RENTAL TWO - AERIAL PHOTO AND STREET VIEW**  
Address: 9538 East Old Vail Road





COMPARABLE RENTAL NUMBER THREE

ID: R30 0161 7250

USE:	Industrial Warehouse Manufacturing Building
LOCATION:	9538 East Old Vail Road
TENANT:	TuSimple
TYPE OF LEASE:	Triple Net
DATE OF LEASE:	July, 2018
TERM OF LEASE:	6 years, with options to extend
OPTION:	N/A
BUILDING/SPACE SIZE:	50,400 square feet
LAND SIZE:	208,217 square feet or 4.78 acres
ANNUAL RENT PER BLDG. SQ. FT.:	\$7.77 – Year 1 \$7.93 – Year 2
RENTAL INCREASES:	CPI annual increases with a minimum of 2% and a maximum of 4%
LANDLORD EXPENSES:	The tenant pays all expenses in a triple net lease.
CONFIRMED:	Gary Emerson, broker (520-777-4949) TAB; April 22, 2019
IMPROVEMENT DESCRIPTION:	This is an industrial manufacturing warehouse building space constructed in 2009 with a building age of 9 years as of the start date of the lease. This is a single story concrete tilt-up building with a truss height of 25 feet and a fire sprinkler system. A majority of it is configured as open warehouse manufacturing space containing 46,600 square feet that has exposed concrete floors, evaporative cooling, and suspended gas heating units. The rest of the interior area is divided into finished office space containing 3,800 square feet which has drywall partitions, suspended ceilings, and is heated and cooled with dual-pac air conditioning units.

There are 8 grade level metal roll-up loading doors and 3 dock high loading doors. There is additional electrical power capacity due to the manufacturing uses in the building. There is an asphalt paved parking lot with 90 striped parking spaces. The improvements were in very good condition at the time of lease and the quality of construction is very good.

**LAND DESCRIPTION:**

208,217 square feet or 4.78 acres. This site is a rectangular shaped backage property with access through cross access easements over the adjacent parcel to the north that fronts on Old Vail Road. The site has a width of 400 feet and a maximum depth of 527.45 feet along the western property line. This property has vehicular access from Old Vail Road to the north across the adjacent parcel. There are Union Pacific Railroad tracks located along the south property line and the Interstate 10-Houghton Road interchange is located about 2-3/4 miles to the southeast of the site. Old Vail Road is a two-lane, asphalt-paved roadway with a center turn lane, concrete curbs and sidewalks, and no streetlights in the vicinity of this property. Old Vail Road has a 2017 traffic count of 6,813 vehicles per day in the vicinity of this site. The topography is level and at the street grade. All utilities are available to the property. According to FEMA Flood Insurance Rate Map 04019C2925L, dated June 16, 2011, the land is identified as being located in Zone X (unshaded) which are areas determined to be outside the 0.2 percent annual chance floodplain.

**COMMENTS:**

The original user of the building manufactured air duct systems.

**COMPARABLE RENTAL THREE - AERIAL PHOTO AND STREET VIEW**  
Address: 6050 South Country Club Road, Suite 156



COMPARABLE RENTAL NUMBER FOUR

ID: R30 0164 7895

USE:	Industrial building
LOCATION:	2301 S. Friebus Avenue
TENANT:	Heating & Cooling Supply
TYPE OF LEASE:	Modified/Industrial Gross
DATE OF LEASE:	January 2019
TERM OF LEASE:	3 years
OPTION:	N/A
BUILDING/SPACE SIZE:	28,500 square feet
LAND SIZE:	73,172 square feet
MONTHLY RENT PER BLDG. SQ. FT.:	\$0.52 – Year 1 \$0.536 – Year 2
ANNUAL RENT PER BLDG. SQ. FT.:	\$6.24 – Year 1 \$6.43 – Year 2
RENTAL INCREASES:	3% annual
TENANT EXPENSES:	utilities
LANDLORD EXPENSES:	taxes, insurance
CONFIRMED:	Brandon Rodgers, leasing broker; (520-546-2714) DFO; June, 2020
IMPROVEMENT DESCRIPTION:	This is a 28,500 square foot industrial building constructed in 1984 with a building age of 35 years at the time of lease. Exterior construction is concrete, with a built-up composition roof covering. Approximately 10% of the building area is finished out as office area with the rest of the building being warehouse space. The interior finishes are typical for a industrial use,

including concrete flooring and evaporative cooling in the warehouse. The office area has typical finishes for this type of use with air conditioning in the office. There is an asphalt-paved parking lot with adequate striped spaces. The property is in average condition and is of average quality construction.

**LAND DESCRIPTION:**

73,172 square feet. This site is a mostly rectangular shaped property with frontage on Friebus Avenue. Friebus Avenue is a two-lane, asphalt-paved roadway with concrete curbs and sidewalks, in the vicinity of this property. No traffic count is available for Friebus Avenue in this area.



**COMPARABLE RENTAL FOUR - AERIAL PHOTO AND STREET VIEW**  
Address: 2301 South Freiburg Avenue, Suite #8



COMPARABLE RENTAL NUMBER FIVE

ID: R30 0165 7895

USE:	Industrial Building
LOCATION:	4755 South Coach Drive
TENANT:	Apex Windows & Bath
TYPE OF LEASE:	Triple Net
DATE OF LEASE:	May 2019
TERM OF LEASE:	5 years
OPTION:	N/A
BUILDING/SPACE SIZE:	20,552 square feet
LAND SIZE:	57,064 square feet
MONTHLY RENT PER BLDG. SQ. FT.:	\$0.55 – Year 1 \$0.564 – Year 2
ANNUAL RENT PER BLDG. SQ. FT.:	\$6.60 – Year 1 \$6.77 – Year 2
RENTAL INCREASES:	2.5% annual
TENANT EXPENSES:	Tenant pays expenses in a triple net basis
CONFIRMED:	Tim Healy, broker; (520-323-5119) TAB; July, 2020
IMPROVEMENT DESCRIPTION:	This is a 20,552 square foot industrial building constructed in 1999 with a building age of 20 years at the time of lease. Exterior construction is concrete, with a rolled composition roof covering. The layout includes approximately 18% of the building area containing finished out office area. The remainder is warehouse area. There is a 3,000 square foot mezzanine area not included in the building square footage. The interior finishes are typical for an industrial use. There is air

conditioning in the office area and evaporative cooling in the warehouse area. The building contains 17 to 23 foot ceiling height, six grade level doors, and two docks with truck well. There is an asphalt-paved parking lot with striped spaces. The property is in average condition and is of average quality construction.

**LAND DESCRIPTION:**

57,064 square feet. This site is a rectangular shaped property with frontage on Coach Drive. Coach Drive is a two-lane, asphalt-paved roadway with concrete curbs and sidewalks on the east side in the vicinity of this property. No traffic count is available for Coach Drive in the vicinity of this site, according to the Pima Association of Governments.



## COMPARABLE RENTAL FIVE - AERIAL PHOTO AND STREET VIEW

Address: 4755 South Coach Avenue



## **EXHIBIT M - QUALIFICATIONS**

**BAKER, PETERSON, BAKER & ASSOCIATES, INC.** serves a wide variety of clients in Arizona, providing real estate appraisal and consultation services relating both to commercial and to residential properties. We also provide a wide variety of appraisal services relating to right of way acquisitions for multiple government agencies across Arizona. These clients include governmental agencies, utility companies, right of way companies, attorneys, CPA's, banks, credit unions, developers, real estate brokers, corporate and legal professionals, and numerous individuals. More than forty years of such services are represented by those presently associated with the firm, which was founded in 1974.

**THOMAS A. BAKER, MAI, SRA**, is a principal of the Company, and specializes in valuation and consultation services related to commercial, income-producing, and residential properties. He is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 30139). He is a graduate of the University of Arizona, with a Master's Degree in Business Administration (MBA) with a specialty in Real Estate Finance. He holds the MAI and SRA Designations of the Appraisal Institute. He qualifies as an expert witness in United States District Court, the Superior Courts of Pima County, Maricopa County, Pinal County and Santa Cruz County, and United States Bankruptcy Court. He is Past President of the Tucson Chapter of the Society of Real Estate Appraisers and is Past President of the Southern Arizona Chapter of the Appraisal Institute.

**SARA R. BAKER, MAI, SRA**, is a principal of the Company, and specializes in valuation and consultation services related to commercial, income-producing, and residential properties. She is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 31679). She holds the MAI and SRA Designations of the Appraisal Institute. She qualifies as an expert witness in the Superior Court of Pima County. She is a Past President of the Appraisal Institute, Southern Arizona Chapter. She graduated from Washington University in St. Louis with a Bachelor's Degree in Comparative Literature and earned a Master's Degree at the University of California at Los Angeles.

**DAN F. ORLOWSKI** is a staff appraiser specializing in valuation and consultation services related to commercial and income-producing properties. He is a Certified General Real Estate Appraiser in the State of Arizona (Certificate 32195). He graduated from San Diego State University with a Bachelor's Degree in Business Administration and also received a Master's Degree from the University of Phoenix in Accountancy.

**TIM HALE** is an appraiser trainee in commercial valuation. He graduated from Arizona State University with a Bachelor's Degree in Justice Studies.

**RACHEL TOWNSEND** is an appraiser trainee in commercial valuation. She graduated from Northern Arizona University with a Bachelor's Degree in Humanities.

**ROBERT PARKER, SUSAN CLEVELAND**, and **JOSHUA BAKER** are production coordinators and support technicians.