



Valbridge

PROPERTY ADVISORS

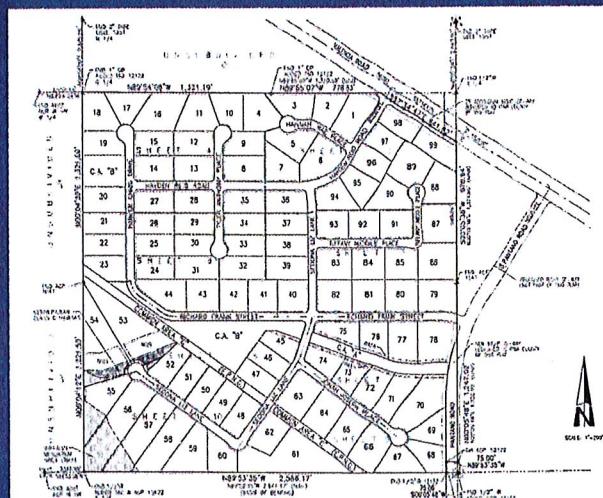
Appraisal Report

VP Commerce Center
158.05 Gross Acres (139.13 Net Acres) of Industrial Land Platted for 99 Industrial Lots

Located at the Southwest Corner of Valencia Road and the Pantano Road Alignment,
Tucson (Unincorporated), Pima County, Arizona

Situated in Township 15 South, Range 15 East, Section 17

Report Date: March 6, 2020
Date of Value: November 12, 2019



FOR:
Pima County Real Property Services
Mr. Jeffrey Teplitsky
Appraisal Supervisor
201 N Stone Avenue, Floor 6
Tucson, AZ 85701

Property Owner: Title Security Agency Trust #201634-S

Project Name: REPI (Readiness and Environmental
Protection Integration) United States
Department of Defense

Valbridge Property Advisors |
Tucson
Ms. Carolyn Van Hazel, MAI

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Valbridge File Number:
AZ01-19-L-155

CC 15-2019-0057-PC-KC-10
CMA



March 6, 2020

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

Re: Valbridge File No. AZ01-19-L-155
Property Owner: Title Security Agency Trust #201634-S
Project Name: REPI (Readiness and Environmental Protection Integration) United States Department of Defense

Dear Mr. Teplitsky:

At your request, I have appraised the 158.05 gross acres (139.13 acres net of dedicated roadways) of industrial land platted for 99 lots and referred to as the VP Commerce Center. The subject property is located at the southwest corner of Valencia Road and the Pantano Road alignment in Tucson (unincorporated), Pima County, Arizona. More specifically, the property is located within a portion of Township 15 South, Range 15 East, Section 17.

I developed my analyses, opinions, and conclusions and prepared this report in conformity with the Appraisal Standard Board's Uniform Standards of Professional Appraisal Practice (USPAP), invoking the Jurisdictional Exception Rule in Section 1.2.7.2 of the UASFLA; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA); and the requirements of our client as I understand them.

The purpose of this appraisal transmitted herewith is to provide an opinion of market value of the subject property, as is, consistent with its highest and best use (before value). In addition, a hypothetical opinion of market value of the subject property will be developed (After Value), as if encumbered by a Restricted Use Easement which 1) restricts the northern 60.29 gross acres of the site to 43 developable lots and prohibits the assemblage of more than 3 adjacent lots (Parcel A), and 2) prohibits building structures on the remaining 97.76 gross acres but permits storage, utility, or agriculture uses with a maximum of 100 employees (Parcel B). The difference between the "before" and "after" opinions of value is also reported in order to establish an opinion of the value of the voluntary Restrictive Use Easement for compensation purposes. The date of value is November 12, 2019, the date of inspection.

The client of this appraisal is Pima County Real Property Services. The intended users of this appraisal report are Pima County Real Property Services, Davis Monthan Air Force Base (DMAFB)/Department of Defense, the landowner, and/or other designated users with an interest in the potential partial acquisition of the subject property. The intended use of the appraisal is to determine reasonable

compensation by DMAFB/Department of Defense to the landowner for voluntarily placing a restricted use easement on the site. The appraisal report is not intended for any other use.

For the purpose of this appraisal, "Market Value" is defined per UASFLA as:

"The amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of value, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property."

Source: Interagency Land Acquisition Conference, The Uniform Appraisal Standards for Federal Land Acquisitions, 6th ed., [The Appraisal Foundation, 2016, pg. 10]

The value opinions reported herein are subject to the definitions, general assumptions and limiting conditions, extraordinary assumptions, hypothetical conditions, and certification contained in this report. Use of the following extraordinary assumptions and hypothetical conditions may affect the value indication and conclusions.

Extraordinary Assumptions:

- The valuation of the voluntary Restricted Use Easement is based upon the unsigned and unrecorded easement document provided by Pima County. The analysis and conclusions in this appraisal report specifically assume that the final signed and recorded easement will contain substantially the same language and provisions as in the summarized document. Any significant difference between the summarized easement document contained in the Addenda and the easement document as signed and recorded may affect the analysis, highest and best use and value conclusions in this appraisal report.
- There are no known factors of archeological significance, geological significance, or environmental or hazardous conditions found on the site.
- The soil quality of the site is sufficient for most industrial type development.
- The road improvements to Valencia Road have been satisfied to issue assurances for Phase 1 lot development.
- Drainage and retention requirements and water storage to serve the 43 platted lots (Parcel A) in the 'after' condition are able to be placed in the open space area of Parcel B.
- Private water lines serving the individual lots are able to cross interior public streets.
- Sewer extension cost estimates provided by Bosque Engineering in March 2008 are generally similar to estimated current extension costs.

Hypothetical Conditions:

- The 'after condition' value conclusion is developed under the hypothetical condition that the Restricted Use Easement has been imposed on the subject property.

Jurisdictional Exception:

The Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) provide that the appraiser not link an estimate of market value to a specific exposure time. This provision is contrary to Standards Rule 1-2 and Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice (USPAP), and is considered a Jurisdictional Exception. USPAP provides for jurisdictional exceptions as part of complying with other standards like UASFLA.

Based on the analysis contained in the following report, my value conclusions involving the subject property are summarized as follows:

Value Indications and Conclusions

	Market Value, Fee Simple Interest
Valuation Date	November 12, 2019
Market Value, 'as is', Before Value	\$7,600,000
Market Value, Hypothetically After Imposition of the Restricted Use Easement	\$1,750,000
Market Value of the Restrictive Easement	\$5,850,000

This letter of transmittal is not considered valid if separated from this report, and must be accompanied by all sections of this report as outlined in the Table of Contents, in order for the value opinions set forth above to be valid.

Respectfully submitted,
Valbridge Property Advisors |
Tucson



Carolyn Van Hazel, MAI
Certified General Real Estate Appraiser
State of Arizona, Certificate No. 31591
Expires December 31, 2021

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Certification

I certify that, to the best of my knowledge:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of the loan.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have performed no services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment and my compensation is not contingent upon the reporting of a predetermined value or direction in value that are favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- My analyses, opinions, and conclusions were developed, the appraisal was made and the appraisal report prepared in conformity with the Uniform Appraisal Standards for Federal Land Acquisitions.
- The appraisal was developed and the appraisal report prepared in conformance with the Appraisal Standards Board's Uniform Standards of Professional Appraisal Practice and complies with USPAP's Jurisdictional Exception Rule when invoked by Section 1.2.7.2 of the Uniform Appraisal Standards for Federal Land Acquisitions.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- The undersigned hereby acknowledge that they have the appropriate education and experience to complete the assignment in a competent manner. The reader is referred to the appraisers' Statement of Qualifications.

- Carolyn Van Hazel, MAI, has made a personal inspection of the subject property. The property owner was given the opportunity to accompany the appraiser on the property inspection.
- No one provided significant professional assistance to the person(s) signing this report, except as provided hereafter.
- The "Market Value Opinion" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the property appraised, or upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I, Carolyn Van Hazel, MAI, have completed the requirements under the continuing education program of the Appraisal Institute.
- All conclusions and opinions concerning the real estate that are set forth in the appraisal were prepared by the Appraisers whose signature(s) appears on the appraisal, unless indicated as "Review Appraiser."
- No change of any item in the appraisal report shall be made by anyone other than the Appraiser(s), and the Appraiser(s) shall have no responsibility for any such unauthorized change.
- This appraisal report was developed and the appraisal report prepared in conformity with the Appraisal Standard Board's Uniform Standards of Professional Appraisal Practice (USPAP) and complies with USPAP's Jurisdictional Exception Rule when invoked by Section 1.2.7.2 of the UASFLA; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA); and the requirements of the client as I understand them.
- That my opinion of the MARKET VALUE of the subject property as of the 12th day of November, 2019, as is, 'Before Value', is \$7,600,000. That my opinion of the MARKET VALUE of the subject parcel as of the 12th day of November, 2019, hypothetically after the imposition of the Restricted Use Easement is \$1,750,000. The market value of the Restricted Use Easement is \$5,850,000. The value opinions are based upon my independent appraisal and the exercise of my professional judgment.

By 
Carolyn Van Hazel, MAI
Certified General Real Estate Appraiser
State of Arizona, Certificate No. 31591
Expires December 31, 2021

Executive Summary

Date of Value:	November 12, 2019
Effective Date of the Report:	March 6, 2020
Purpose:	<p>To provide an opinion of market value of the subject property, as is, consistent with its highest and best use (before value). In addition, a hypothetical opinion of market value of the subject property will be developed (After Value), as if encumbered by a Restricted Use Easement which 1) restricts the northern 60.29 gross acres (51.91 acres net of dedicated roadways) of the site to 43 developable lots and prohibits the assemblage of more than 3 adjacent lots (Parcel A), and 2) prohibits building structures on the remaining 97.76 gross acres (87.22 acres net of dedicated roadways) but permits storage, utility, or agriculture uses with a maximum of 100 employees (Parcel B). The difference between the "before" and "after" opinions of value is also reported in order to establish an opinion of the value of the voluntary Restricted Use Easement for compensation purposes.</p>
Client:	Pima County Real Property Services
Intended Users:	Pima County Real Property Services, Davis Monthan Air Force Base (DMAFB)/ Department of Defense, the landowner, and/or other designated users with an interest in the potential partial acquisition of the subject property.
Intended Use:	To determine reasonable compensation by DMAFB/ Department of Defense to the landowner for voluntarily placing a restricted use easement on the site. The appraisal report is not intended for any other use.
Methodology:	<p>The property was inspected on November 12, 2019. The appraiser was accompanied by the property owner, Mr. Greg Boccardo.</p> <p>The Sales Comparison Approach and Income Approach are employed to determine the value conclusions, both before and after the placement of a restricted use easement on the site.</p> <p>The subject consists of 158.05 gross acres of industrial land platted for 99 lots. Given the limited sales data available for small industrial lots and large industrial acreage, quantifiable patterns and trends were difficult to support in some</p>

instances. The limited data was supplemented with discussions with area brokers and market participants. Supplemental data was included to provide a bracketed value range for the subject. Quantitative adjustments are derived where possible. Where not possible, qualitative considerations are applied, per UASFLA requirements.

Assessor's Parcel Numbers:	141-07-0380 through -1390
Site Size:	158.05 gross acres (Per Final Plat) which is relied upon. The gross acreage includes approximately 18.92 acres of internal roadways which have been dedicated to Pima County. The 'before' condition of the site includes 158.05 gross acres of land (139.13 net acres) platted for 99 lots which range from 0.87 acres to 3.37 acres and average 1.30 acres per lot. The 'after' condition hypothetically includes 43 developable lots with restricted assemblage (Parcel A) and approximately 97.76 gross acres (87.22 net acres) to be restricted to storage, utilities, and agriculture use with no building structures (Parcel B).
Location:	The property is located at the southwest corner of Valencia Road and the Pantano Road alignment within southeastern Metropolitan Tucson in Pima County, Arizona. The site is situated in portions of Township 15 South, Range 15 East, Section 17
Zoning:	CI-2, Industrial, Pima County, subject to AEZ, APZ, ADC-2, and NCD-B overlay zones
Improvements:	None
Utilities:	Electricity, domestic water (well), and gas. Lot development will require construction and installation of a second commercial well and storage tank, as well as installation of septic systems and/or extension of sewer lines.
Access:	Valencia Road – an asphalt paved 3 lane arterial with the center lane for left turns.
Larger Parcel	The subject larger parcel consists of 158.05 gross acres of vacant land platted for 99 industrial lots under the ownership of Title Security Agency Trust #201634-S. The parcels have an integrated highest and best use for investment and/or industrial development. The owner does not have additional holdings in the area.

Ownership:	Title Security Agency, L.L.C., Trust No. 201634-S. The property was acquired in two phases in 1972 and 1989/1990 as raw vacant land. The property was approved and recorded as a 99-lot platted industrial development in November 2010.
Tenancies	Approximately 8.05 acres of the site (Lots 24-31) is leased on a month to month basis to Insurgent Airsoft for use as an air soft shooting range. The lease rate is \$1200/month with an annual increase of \$100/month. The tenant utilizes the land only for their operation and has no utilities or permanent structures on the site.
Personal Property	None included in the appraisal.
Reservations	In accordance with Schedule B II exceptions within the title report, it appears that the United States has possibly reserved mineral rights on the site.
Highest & Best Use, as vacant:	Investment and/or replatting to support industrial development by a large user.

Value Indications and Conclusions

	Market Value, Fee Simple Interest
Valuation Date	November 12, 2019
Market Value, 'as is', Before Value	\$7,600,000
Market Value, Hypothetically After Imposition of the Restrictive Easement	\$1,750,000
Market Value of the Restrictive Easement	\$5,850,000

The Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) provide that the appraiser not link an estimate of market value to a specific exposure time. This provision is contrary to Standards Rule 1-2 and Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice (USPAP), and is considered a Jurisdictional Exception. USPAP provides for jurisdictional exceptions as part of complying with other standards like UASFLA.

The value opinions above are subject to the following extraordinary assumptions and hypothetical conditions. Use of extraordinary assumptions and hypothetical conditions may affect the value indication and conclusions.

Extraordinary Assumptions:

- The valuation of the voluntary Restricted Use Easement is based upon the unsigned and unrecorded easement document provided by Pima County. The analysis and conclusions in this appraisal report specifically assume that the final signed and recorded easement will contain substantially the same language and provisions as in the summarized document. Any significant difference between the summarized easement document contained in the Addenda

and the easement document as signed and recorded may affect the analysis, highest and best use and value conclusions in this appraisal report.

- There are no known factors of archeological significance, geological significance, or environmental or hazardous conditions found on the site.
- The soil quality of the site is sufficient for most industrial type development.
- The road improvements to Valencia Road have been satisfied to issue assurances for Phase 1 lot development.
- Drainage and retention requirements and water storage to serve the 43 platted lots (Parcel A) in the 'after' condition are able to be placed in the open space area of Parcel B.
- Private water lines serving the individual lots are able to cross interior public streets.
- Sewer extension cost estimates provided by Bosque Engineering in March 2008 are generally similar to estimated current extension costs.

Hypothetical Conditions:

- The 'after condition' value conclusion is developed under the hypothetical condition that the Restricted Use Easement has been imposed on the subject property.

AERIAL VIEW



PARCEL VIEW



Statement of Assumptions and Limiting Conditions

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

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

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

she makes no guarantees, express or implied, regarding this determination.

20. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
21. My inspection included an observation of the land only. It was not possible to observe conditions beneath the soil.
22. In the absence of being provided with a detailed land survey, I have used assessment department data and plat map to ascertain the physical dimensions of the property. Should a survey prove this information to be inaccurate, I reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
23. In the absence of a professional Engineer's Feasibility Study, information regarding the existence of utilities is made only from a visual inspection of the site and estimates provided by the landowner. The Appraiser assumes no responsibility for the actual availability of utilities, their capacity, or any other problem which may result from a condition involving utilities. The respective companies, governmental agencies or entities should be contacted directly by concerned persons.
24. This appraisal is not intended to be used, and may not be used, on behalf of or in connection with a real estate syndicate or syndicates. A real estate syndicate means a general or limited partnership, joint venture, unincorporated association or similar organization formed for the purpose of, and engaged in, an investment or gain from and interest in real property, including, but not limited to, a sale or exchange, trade or development of such real property, on behalf of others, or which is required to be registered with the United States Securities and Exchange Commission or any state regulatory agency which regulates investments made as a public offering. It is agreed that any user of this appraisal who uses it contrary to the prohibitions in this section indemnifies the appraisers and the appraiser's firm and holds them harmless of and from all claims, including attorney's fees, arising from said use.
25. Unless otherwise stated in this report, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value conclusion is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
26. This appraisal applies to the land only. The value of subsurface rights (minerals, gas, and oil) were not considered in this appraisal.

27. If any claim is filed against any of Valbridge Property Advisors, Inc. a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
28. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
29. It is your responsibility to read the report and to inform the appraisers of any errors or omissions of which you are aware, prior to utilizing the report.
30. Disclosures of the contents of the appraisal report by the Appraiser are governed by the Bylaws and regulations of the professional appraisal organizations with which the Appraiser is affiliated.
31. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes subject to client data confidentiality.
32. All disputes shall be settled by binding arbitration in accordance with the then-existing commercial arbitration rules of the American Arbitration Association.
33. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.
34. I recognize that appraisal reports submitted to the NRCS for review may be used by NRCS for any legal and proper purpose.
35. The Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) provide that the appraiser not link an estimate of market value to a specific exposure time. This provision is contrary to Standards Rule 1-2 and Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice (USPAP), and is considered a Jurisdictional Exception. USPAP provides for jurisdictional exceptions as part of complying with other standards like UASFLA.

Description of Scope of Work

Client

The client in this assignment is Pima County Real Property Services.

Intended Users of the Appraisal

The intended users of the appraisal are Pima County Real Property Services, Davis Monthan Air Force Base (DMAFB)/Department of Defense, the landowner, and/or other designated users with an interest in the potential partial acquisition of the subject property.

Intended Use of the Appraisal

The intended use of the appraisal is to determine reasonable compensation by DMAFB/ Department of Defense to the landowner for voluntarily placing a restricted use easement on the site. The appraisal report is not intended for any other use.

Type and Definition of Value

For the purpose of this appraisal, "Market Value" is defined per UASFLA as:

"The amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of value, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property."

Source: The Uniform Appraisal Standards for Federal Land Acquisitions, 2016, Section 1.2.4, pg. 10

Please refer to the Glossary in the Addenda section for further definitions of value type(s) employed in this report.

Valuation Scenarios and Effective Dates of Value

Opinions of value are developed for the subject property under the following scenarios and corresponding effective dates of value:

Valuation	Effective Date
Market Value, "as is" - Before Value	November 12, 2019
Hypothetical Market Value After Encumbering the Site with the Restrictive Use Easement – After Value	November 12, 2019

Carolyn Van Hazel completed an appraisal inspection of the subject property on November 12, 2019 together with Greg Boccardo, property owner.

Date of Report

The date of this report is March 6, 2020.

Property Characteristics

The subject consists of 158.05 gross acres of vacant land which is platted with 99 industrial lots. Approximately 18.92 acres of the site consists of interior roadways which have been dedicated to Pima County. The site size, net of the dedicated roadways is 139.13 acres. The platted development is called VP Commerce Center. The property is located in southeast Metropolitan Tucson at the southwest corner of Valencia Road and the Pantano Road alignment in Tucson (unincorporated), Pima County, Arizona.

Real Property Rights Appraised

The fee simple estate is appraised, both unencumbered (as is) and hypothetically as if encumbered with a restricted use easement, subject to the exceptions within Schedule B of the Title Report.

Extraordinary Assumptions

An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may impact the assignment results. An extraordinary assumption may be used in an assignment only if:

- it is required to properly develop credible opinions and conclusions;
- the appraiser has a reasonable basis for the extraordinary assumption;
- use of the extraordinary assumption results in a credible analysis; and
- the appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.

(USPAP, 2018 ed.)

- The valuation of the voluntary Restricted Use Easement is based upon the unsigned and unrecorded easement document provided by Pima County. The analysis and conclusions in this appraisal report specifically assume that the final signed and recorded easement will contain substantially the same language and provisions as in the summarized document. Any significant difference between the summarized easement document contained in the Addenda and the easement document as signed and recorded may affect the analysis, highest and best use and value conclusions in this appraisal report.
- There are no known factors of archeological significance, geological significance, or environmental or hazardous conditions found on the site.
- The soil quality of the site is sufficient for most industrial type development.
- The road improvements to Valencia Road have been satisfied to issue assurances for Phase 1 lot development.
- Drainage and retention requirements and water storage to serve the 43 platted lots (Parcel A) in the 'after' condition are able to be placed in the open space area of Parcel B.
- Private water lines serving the individual lots are able to cross interior public streets.

- Sewer extension cost estimates provided by Bosque Engineering in March 2008 are generally similar to estimated current extension costs.

Hypothetical Conditions

A hypothetical condition is a condition, directly related to a specific assignment, that is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. A hypothetical condition may impact the assignment results. A hypothetical condition may be used in an assignment only if:

- use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- use of the hypothetical condition results in a credible analysis; and
- the appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

(USPAP, 2018 ed.)

- The 'after condition' value conclusion is developed under the hypothetical condition that the Restricted Use Easement has been imposed on the subject property.

Special Instructions

There were no special instructions given in regards to this appraisal assignment other than those contained within the Statement of Work and Description of the Restricted Use Easement prepared by Pima County Real Property Services and contained within the Addenda.

Scope of Work

An appraisal is defined as the act or process of developing an opinion of value. An appraiser is one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.

In preparation of this appraisal, the appraiser has conducted an independent investigation. The subject property is vacant land platted with 99-industrial lots. There are no improvements on the site. Factors, including the supply and demand characteristics pertinent to the subject property, were analyzed. Thereafter, the larger parcel was determined. The subject larger parcel was valued in conformance with its highest and best use in the before condition. The cost approach was considered but not applied due to lack of relevance. The Income Approach (DCF) and Sales Comparison Approach are applied in order to determine the highest and best use of the subject in the 'before condition' and to establish the hypothetical 'after value' assuming the site is encumbered with the Restricted Use Easement. Sufficient data was available to develop credible value conclusions.

Type, Geographic Area and Timespan of Market Data Research

The subject contains 158.05 gross acres (139.13 net acres) of vacant industrial zoned land. While the property is currently platted for 99 lots, the lots can be assembled into larger parcels and/or replatted for a single user. I searched for comparable land sales data, both for smaller lots and larger

land parcels within Pima County, specifically concentrating on areas south of 22nd Street. Due to the scarcity of land sales and tepid industrial land market, I extended my research to include sales from 2014 onward.

Extent of Market Data Confirmation

Sales data was confirmed, directly with the buyer, seller, or broker, by the appraiser, Carolyn Van Hazel.

Data Sources

Primary and secondary data sources were used. Secondary data includes STDB Online, data from the Pima County Assessor and Recorder, Tucson Area Realtors MLS, Costar Comps, and data published by governmental entities such as the Arizona Department of Economic Security and the U.S. Census Department. In addition, the appraiser interviewed brokers, buyers, sellers, appraisers, and governmental agencies during the market data research.

Property Inspection

The appraiser, Carolyn Van Hazel, MAI, inspected the property and market area on November 12, 2019, together with Mr. Greg Boccardo, the property owner.

Project Influence

The influence on value arising from any government project in the area is considered. *The scope of the project rule* provides that the United States cannot be charged in federal land acquisitions for values it has created in constructing the project for which the property is being acquired; nor can an owner be penalized for any diminution in value attributable to the project. Accordingly, any increase or decrease in the market value of real property prior to the date of valuation caused by the public improvement for which such property is acquired, or by the likelihood that the property would be acquired for such improvement, other than that due to the physical deterioration within the reasonable control of the owner, must be disregarded in estimating the market value of the property for federal acquisition purposes.

Various land parcels within the DMAFB Approach-Departure Corridor (ADC-2) are currently being considered for encumbrance by a voluntary restricted use easement in order to reduce the employment density within this area of risk. Involvement in this project is voluntary. To date, there has been one parcel that has participated in this program. The owner of parcel 141-03-036B, accepted the placement of a restrictive easement on the property as of April 2018 for a compensation amount of \$132,760. The easement essentially removed development rights for anything other than AG uses. The subject property is unique and has a grandfathered use for smaller lots than are currently permitted within the ADC-2. For this reason, specific conditions of use for the subject easement have been developed which have not yet been considered for any other land parcel within the ADC-2. Furthermore, there is no "project" in that there are no plans for improvement construction.

Factual Data

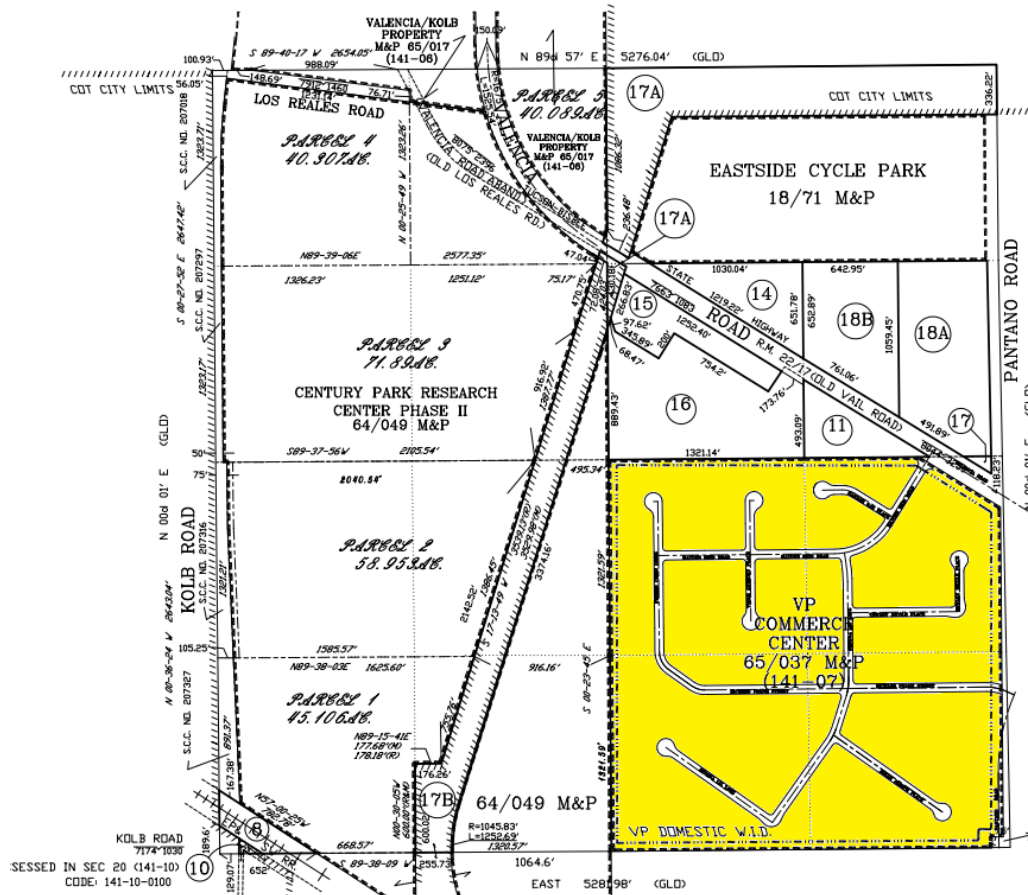
Legal Description

The following legal description was taken from the Title Report prepared by Pioneer Agency Title under Report No. 204358 KM and dated January 31, 2018.

Lots 1 through 99 and Common Areas "A", "B" and "C" of VP Commerce Center Lots 1 through 99 and Common Area "A" (Private Drainage) Common Area "B" (Open Space) a subdivision of Pima County, Arizona, according to the plat of record in the office of the Pima County Recorder in Book 65 of Maps and Plats at page 37 thereof.

ASSESSOR'S RECORD MAP

SECTION 17, TOWNSHIP 15 SOUTH, RANGE 15 EAST



PLAT MAP



Area, City, and Neighborhood Data

Overview

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

Population

Mid-year 2019 population in metro Tucson was projected at 1,042,100, which reflects a 0.8% increase over the prior year. As noted below, slightly lower rates are projected for 2020 through 2023.

Metropolitan Tucson Population Forecasts

	2018	2019	2020	2021	2022	2023
Population (000s, mid-year)	1,034.2	1,042.1	1,049.7	1,057.6	1,065.4	1,073.3
Change (000s)	8.1	7.9	7.6	7.9	7.8	7.9
% Change	0.8%	0.8%	0.7%	0.8%	0.7%	0.7%

Source: Economic and Business Research Center, The University of Arizona, August 2019

Esri estimated a 2019 population of 1,051,292 for the Tucson MSA and projects an increase to 1,095,684 by 2024. This results in an overage annual increase of about 8,900 residents per year. They further project an increase of about 17,900 households over this period, or an average of just under 3,600 households per year. Tucson has a projected 2019 average household size of 2.46 persons.

Employment

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

Tucson's Top 25 Employers - 2018

Rank	Name	Full Time Jobs	Industry
1	University of Arizona	11,251	Education
2	Raytheon Missile Systems	9,600	Manufacturing
3	State of Arizona	8,580	Government
4	Davis-Monthan Air Force Base	8,406	Military
5	Tucson Unified School District	7,700	Education
6	Pima County	7,060	Government
7	Banner-University Medical Center	6,272	Health Care
8	U.S. Border Patrol	5,739	Government
9	Freeport-McMoRan Copper & Gold	5,530	Mining
10	Wal-Mart Stores, Inc.	5,500	Retail
11	Fort Huachuca	5,477	Military
12	City of Tucson	4,595	Government
13	Tohono O'odham Nation	4,350	Government
14	Carondelet Health Network	3,860	Health Care
15	TMC HealthCare	3,162	Health Care
16	Southern AZ VA Health Care System	2,464	Health Care
17	Corrections Corp. of America (CCA)	2,413	Corrections
18	Fry's Food Stores of Arizona, Inc.	2,346	Retail
19	Pima Community College	2,235	Education
20	Asarco, LLC	2,200	Mining
21	Sunnyside Unified School District	2,100	Education
22	Afni Inc.	1,900	Call Center
23	Pinal County	1,852	Government
24	Amphitheater Unified School District	1,739	Education
25	Vail Unified School District	1,705	Education

Source: Phoenix Relocation Guide 2018

Davis Monthan Air Force Base's total economic impact in 2016 was estimated at \$2.6 billion. Employment was 16,679, including all contractors with 6,460 indirect jobs created according to statistics from Davis Monthan Air Force Base. There are 19,321 military retirees with annual retirement pay of \$513.6 million. Davis Monthan Air Force Base has annual expenditures totaling approximately \$428 million.

There have been a number of recent employment and other significant announcements that suggest Tucson's economy may improve at a greater pace than indicated over the past five or more years.

Raytheon Missile Systems, Tucson's largest private employer, is undertaking a major expansion that will add 1,975 new high-paying jobs. An additional 1,000 positions are also being proposed.

Caterpillar has relocated its Surface Mining and Technology Division to Tucson and will provide 635 new high paying jobs over the next five years. Their new facility located just to the west of downtown Tucson was completed in 2019.

Hexagon Mining, an information technology provider of planning, operations and safety solutions for the mining industry, announced in March 2017 the relocation and expansion of its North American headquarters to a new mixed-use facility in downtown Tucson. Hexagon moved into the new facility in the summer of 2018 and will employ 260 people in Tucson.

Amazon selected Tucson for a new fulfillment center that will ultimately employ 1,500 people. The facility is located in the southeast area of Tucson near I-10 and Kolb Road and was completed in mid-2019.

GEICO has recently moved into a new office complex and will reportedly expand its employment by 861 jobs.

ADP, a major human resources provider, announced in early 2017 that it was bringing another 250 jobs to Tucson as part of a program coordinated between the Human Capital Management firm, the City of Tucson and the State of Arizona.

HomeGoods completed construction of an 800,000 square foot distribution center near the Tucson International Airport and will reportedly employ up to 900.

Comcast recently located a call center into a newly renovated facility near the Tucson Mall that will employ up to 1,100 positions.

Banner-University Medical Center recently completed a \$400 million addition to their existing facility near the University of Arizona campus.

A new AC Hotel by Marriott was completed in downtown Tucson in 2017, representing the first hotel to be built in the area in over 40 years. Caliber Hospitality is currently constructing a 170-room DoubleTree Hotel convention hotel southwest of the Tucson Convention Center and a new 200-room Hilton facility has recently been approved for incentives. The Hilton project, at South Stone Avenue and East Ochoa Street, will include a 75-room Hampton Inn and a 123-room Extended-Stay.

Pima County completed a deal that brought World View Enterprises to the Tucson International Airport area where they operate Spaceport Tucson, a high altitude balloon launch site for near-space tourism and research.

Afni and Alorica call centers both announced in early 2017 that they would be hiring for 280 and 200 positions at their local call centers in the coming year. C3/Customer Contact Channel opened its third call center facility in Tucson in 2017 as well.

Employment by industry for the MSA is as follows.

Metropolitan Tucson Nonfarm Employment

Year Ending	2014		2015		2016		2017		2018	
Sector	Empl.*	%Total	Empl.*	%Total	Empl.*	%Total	Empl.*	%Total	Empl.*	%Total
Natural Resources & Mining	2.3	0.6%	2.0	0.5%	1.6	0.4%	1.7	0.4%	1.7	0.4%
Construction	14.5	3.9%	14.9	3.9%	14.8	3.9%	16.4	4.3%	17.4	4.4%
Manufacturing	22.5	6.0%	22.9	6.1%	23.4	6.2%	24.6	6.4%	26.2	6.6%
Trade, Transp. & Utilities	63.3	16.9%	62.8	16.6%	61.4	16.2%	62.4	16.2%	63.1	16.0%
Information	4.5	1.2%	4.8	1.3%	5.0	1.3%	5.3	1.4%	5.6	1.4%
Financial Activities	17.8	4.7%	17.2	4.5%	17.4	4.6%	17.8	4.6%	17.7	4.5%
Professional & Business Svcs	51.7	13.8%	51.6	13.6%	50.0	13.2%	52.2	13.5%	54.5	13.8%
Education & Health Services	62.7	16.7%	64.2	17.0%	65.4	17.2%	65.6	17.0%	68.2	17.3%
Leisure & Hospitality	42.1	11.2%	43.1	11.4%	46.0	12.1%	45.5	11.8%	46.2	11.7%
Other Services	14.5	3.9%	14.5	3.8%	15.1	4.0%	13.0	3.4%	13.0	3.3%
Government	79.1	21.1%	80.1	21.2%	79.2	20.9%	80.9	21.0%	81.2	20.6%
TOTAL NONFARM	375.0	100%	378.1	100%	379.3	100%	385.4	100%	394.8	100%

Source: Arizona Office of Employment and Population Statistics * (000s) Year-end figures, non-seasonally adjusted

Unemployment

The unemployment rate increased dramatically over 2009 and 2010 as a result of the Great Recession, but has declined every year since 2010. Unemployment rates in Tucson were historically below the national and state averages, as dependence on governmental and tax-supported employment had historically insulated the region from national recessionary trends; however, the metro area's unemployment rate has more recently been similar to the national rate.

Average Unemployment Rate

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
National	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.7%
Arizona	6.2%	9.9%	10.4%	9.5%	8.3%	7.7%	6.8%	6.1%	5.4%	4.9%	5.1%
Metro Tucson	5.8%	9.1%	9.3%	8.5%	7.4%	6.8%	6.0%	5.5%	5.0%	4.5%	4.8%

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

Notes: Not seasonally adjusted.

Economic Forecasts

The projections summarized below suggest that job growth will peak in 2019 at a rather anemic rate of 1.2%, and then decline to 1.0% during 2020 and 0.8% for the next three years. The forecast suggests that number of jobs lost in the Great Recession was finally recaptured some time in 2018. Projected growth will remain well below the growth experienced in prior recoveries.

Metropolitan Tucson Economic Forecasts

Category	2018	2019	2020	2021	2022	2023
Personal Income (\$mill)	\$44,507.2	\$46,614.8	\$48,851.8	\$51,154.7	\$53,468.8	\$55,985.4
% Change	4.5%	4.7%	4.8%	4.7%	4.5%	4.7%
Retail Sales (\$mill)	\$14,461.5	\$15,108.1	\$15,593.7	\$16,163.8	\$16,742.4	\$17,370.6
% Change	5.5%	4.5%	3.2%	3.7%	3.6%	3.8%
Employment (non-farm,000s)	381.5	386.0	389.9	393.2	396.3	399.8
Change (000s)	4.3	4.5	3.9	3.3	3.1	3.5
% Change	1.1%	1.2%	1.0%	0.8%	0.8%	0.9%
Residential Permits	4,404.0	4,358.2	4,173.7	4,140.6	4,027.0	4,019.6
% Change	-2.0%	-1.0%	-4.2%	-0.8%	-2.7%	-0.2%

Source: Economic and Business Research Center, The University of Arizona, August 2019

Commercial Real Estate

The retail, office and industrial sectors have all significantly recovered since the Great Recession; however, the office sector still remains somewhat challenged with respect to non-Class A properties, particularly those with secondary or marginal locations. Class A office sub-sector is fairly strong but is limited in scale relative to the overall office sector, which is impacted by significant aging inventory. Retail development has been on-going at prime locations while most significant vacancies are associated with secondary locations or older, dysfunctional spaces. Essentially all new industrial development over the recent past has been user-driven, although one major speculative project of about 157,000 square feet will be completed in 2019.

Metro Tucson Commercial Sectors - 2019

Sector	No. Buildings	Total Sq. Ft.	YTD Deliveries	Under Construction	Vacancy	YTD Absorption	Average Quoted Rent
Industrial	2,581	44,032,539	1,193,334	157,000	6.3%	872,980	\$6.35
Office	2,569	27,174,349	673,037	66,768	8.8%	525,212	\$18.84
Retail	5,469	54,359,803	160,368	74,424	5.7%	(151,477)	\$15.47

Source: CoStar: 3rd Quarter 2019

Residential Real Estate

The Tucson MSA housing market is in a slow sustained recovery that commenced in 2012. Sale velocity has been within a consistent range from 10,300 to 11,500 sales per year since 2011, though falling to 9,900 in 2018. Based on the average sales velocity over the past five years, there is currently a little over three months of supply on the market. The low supply is due to limited new construction, a decrease in REO sales, and an inability of some homeowners to sell due to a lack of equity. The average single-family sale price increased by nearly 14% during 2016 and by 8% during 2017; and the average single-family sale price in 2018 finally topped the former 2007 peak by 0.3%. Real estate agents are reporting shorter marketing times, which is caused by a limited supply and gradual increase in demand. Investors made up a larger percentage of the total sales from 2011 to 2013; however, investor purchases have since slowed for the most part. The housing market is currently

considered to be in balance with respect to supply and demand. The recent trends are summarized below.

Tucson Single-Family Market

Year	# Sales	Avg. SF	Avg. Sale Price	% Change	Avg. Price/SF	% Change	DOM
2007	10,164	1,688	\$264,122	1.30%	\$156.47	-2.60%	101
2008	8,383	1,727	\$233,696	-11.52%	\$135.32	-13.52%	155
2009	9,286	1,724	\$192,314	-17.71%	\$111.55	-17.56%	148
2010	9,329	1,731	\$180,091	-6.36%	\$104.04	-6.73%	140
2011	10,702	1,723	\$156,611	-13.04%	\$90.89	-12.63%	103
2012	11,245	1,752	\$167,787	7.14%	\$95.77	5.36%	70
2013	11,502	1,750	\$184,523	9.97%	\$105.44	10.10%	63
2014	10,616	1,771	\$196,987	6.75%	\$111.23	5.49%	76
2015	11,479	1,775	\$202,485	2.79%	\$107.93	-2.97%	79
2016	10,328	1,881	\$230,616	13.89%	\$122.60	13.59%	65
2017	10,431	1,889	\$249,489	8.18%	\$128.19	4.56%	54
2018	9,944	1,903	\$264,966	6.20%	\$135.38	5.61%	40

source: Tucson MLS

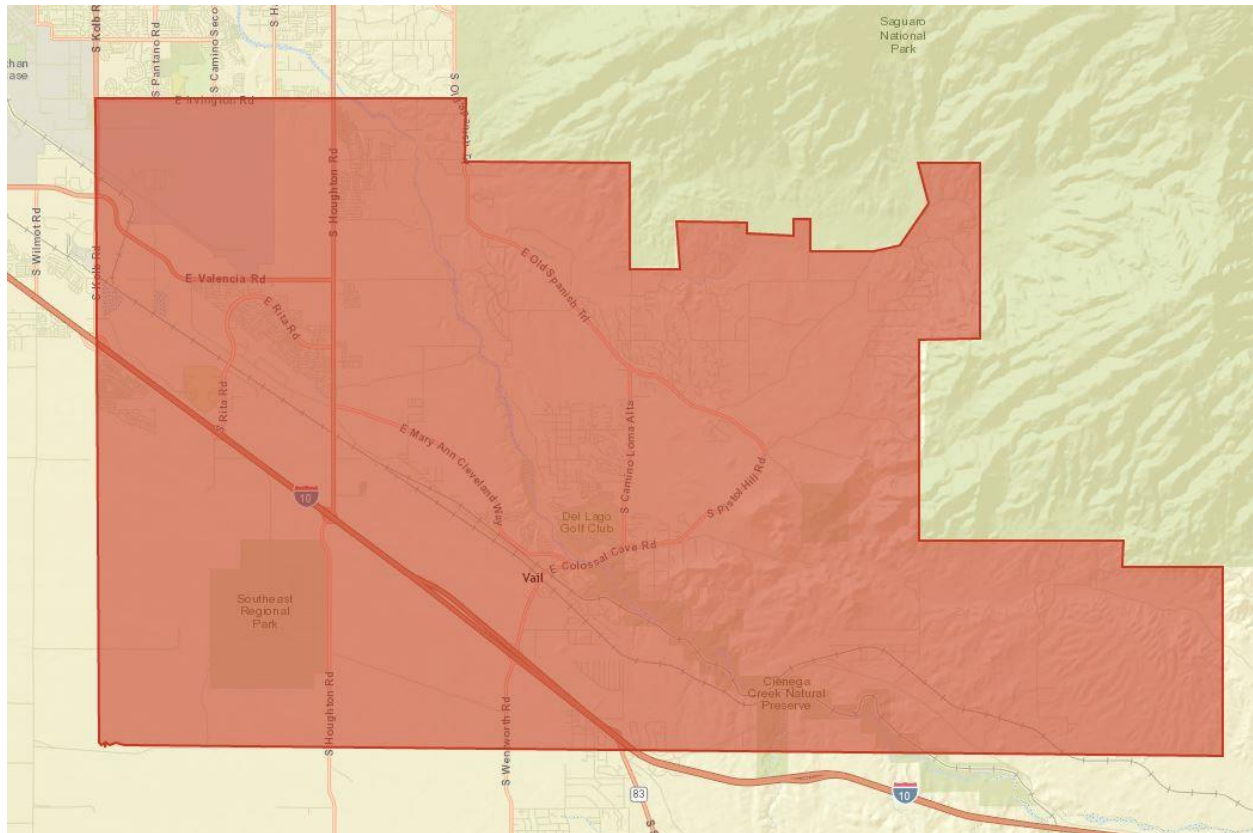
Tucson's multifamily sector has demonstrated strong performance over the past several years with larger 40-plus unit apartment projects averaging about 94% occupancy. There was a limited amount of new multifamily construction from 2007 to 2010 but a new development cycle ramped up during 2011 and 2012 and nearly 6,300 units have been constructed since 2010, including 405 units during 2018 and 639 units to date over 2019. Approximately 1,063 units were under construction at the end of the third quarter of 2019. The vast majority of new construction has been in the Class A luxury and student housing sectors. The Class A sector had been underserved for the past 20 or more years and new Class A projects have generally been experiencing strong market acceptance. Rental rates remain fairly modest, averaging about \$1.09 per square foot overall and about \$1.22 per square foot for new conventional projects currently in lease-up. Despite Tucson's modest economic growth over the recent past, rents increased by 6% to 7% annual over the past two years and concessions have been insignificant. Given the limited amount of construction currently scheduled, Tucson's apartment market should continue to improve over the near term.

Conclusions

Economic projections for metro Tucson suggested that the population will increase by about 7,600, or 0.7% from mid-2019 to mid-2020 and that annual gains of 0.7% to 0.8% are forecast through 2023. Employment growth was projected at 1.1% over 2018 and 1.2% over 2019, but growth is forecast to decrease to 1.0% over 2020, 0.8% over 2021 and 2022 and 0.9% for 2023. These forecasts suggest that economic growth will peak in 2019 and that Tucson's economy may again become sluggish by 2021 or 2022. These factors suggest that the residential and commercial real estate sectors should remain fairly healthy over the next year but may experience moderately reduced demand or downward pressure on rents in the following years. Because there is essentially no speculative development occurring, the risk of overbuilding is considered to be minimal in the current market environment. With the exception of office, most real estate sectors are demonstrating fairly balanced supply and demand characteristics and the office market has also been continuing to

show improvement over the past several years. Significant vacancies in most sectors are at least partially the result of older, dysfunctional space as opposed to limited demand.

TUCSON SOUTHEAST NEIGHBORHOOD MAP



Boundaries: Irvington Road / Saguaro National Park (north), Saguaro National Park / Cochise County border (east), Pima Mine Road alignment (south), Kolb Road and Kolb Road alignment (west).

Neighborhood Trends

Southeast Tucson is comprised of the areas south of Irvington Road and east of Kolb Road. Irvington Road generally separates developed areas to the north from a large area of undeveloped land extending east from Davis-Monthan Air Force Base to Houghton Road. Kolb Road and Houghton Road are the only north-south arterials that bisect the neighborhood and connect with Interstate 10 to the south. Houghton Road provides access to established residential areas in eastern Tucson, north of the neighborhood, as well as access to Corona de Tucson, a developing satellite community to the south. Interstate 10 bisects the southwest quadrant of the neighborhood and also includes interchanges at Rita Road and Colossal Cave Road. Valencia Road will eventually be extended across the Pantano Wash, but until then, the portions of the neighborhood along Old Spanish Trail remain relatively secluded from employment and residential services. East of Houghton near the end of Old Spanish Trail is Vail, a growing bedroom community formerly dominated by ranching and low density residential development.

Rita Ranch, one of Tucson's first master-planned communities, is generally situated at the southwest quadrant of Houghton and Valencia Roads and was a leapfrog development into a largely

undeveloped area, starting in the 1990s. The success of this project fostered other projects in the southeast, including the “new urban” Civano community on the east side of Houghton near Irvington Road. Additional medium density residential development continued along the east side of Houghton Road in the 2000s with recent development underway along the west side within the Saguaro Trails development. The far east and southeast portions of the neighborhood are characterized by low density rural residential uses ultimately terminating at the boundary of the Saguaro National Park. There are currently no major multifamily projects in the area, although a 312-unit project is proposed for near-term development within Rita Ranch along Valencia Road. The southeast is one of metropolitan Tucson’s major paths of growth, with ample vacant land, both for residential development and for commercial development.

Rita Ranch has two grocery-anchored shopping centers with a large amount of shop space. Houghton Town Center, is a 118-acre developing Walmart-anchored center located at the southwest corner of Houghton and Old Vail Road. The area is well served by retail and service establishments as well as medical and urgent care facilities. At various times, there have been rumors of a new regional mall to be built along I-10 in or near the subject neighborhood, but there are no current plans.

The Southeast Neighborhood is not a recognized office location. Most office users in this area locate within retail space.

Industrial uses are found in the Valencia and I-10 corridors, and include the Port of Tucson (an active inland port) located at the northwest quadrant of Kolb Road and Interstate 10 and the University of Arizona Science and Technology Park (a former IBM facility) located at the northeast quadrant of this interchange, and extending east along the north side of I-10 to Rita Road. There is ample available vacant industrial land. Target is a notable industrial user in the area and operates a large distribution center. Amazon recently finished construction on a major distribution facility within this area as well, reportedly an 855,000 square foot facility at Kolb and I-10 which will employ over 1,500 people.

Overall, Southeast Tucson is estimated to be about 30% built out, so future growth in this area will be substantial. Demographics tabulated on the following page reflect path-of-growth characteristics, with higher growth rates, higher income measures, and relatively affordable home pricing.

Neighborhood Demographic Profile

Population	Neighborhood	Tucson MSA
2010 Census	39,452	980,263
2019 Estimate	46,483	1,051,292
2024 Projection	50,388	1,095,684
Gross Population Change		
2010 - 2019	17.8%	7.2%
2019 - 2024	8.4%	4.2%
Average Annual Population Change		
2010 - 2019	2.0%	0.8%
2019 - 2024	1.7%	0.8%
Median Age (2019)	37.6	39.2
Households		
2019 Estimate	16,309	416,703
2024 Projection	17,629	434,591
Avg. New HH/Year 2019-2024	264	3,578
2019 - 2024 % Change	8.1%	4.3%
Avg. Annual Change 2019 - 2024	1.6%	0.9%
Average Household Size (2019)	2.83	2.46
Daytime Population (2019)		
Total	32,376	1,043,206
Workers	7,054	448,813
Residents	25,322	594,393
Income (2019)		
Average HH Income	\$102,015	\$74,752
Median HH Income	\$85,770	\$53,114
Per Capita Income	\$35,776	\$29,725
Household Income		
\$0 - \$15,000	3.5%	12.3%
\$15,000 - \$24,999	4.9%	10.6%
\$25,000 - \$34,999	5.5%	9.8%
\$35,000 - \$49,999	9.4%	14.0%
\$50,000 - \$74,999	18.1%	18.4%
\$75,000 - \$99,999	16.9%	12.3%
\$100,000 - \$149,999	25.7%	13.5%
\$150,000 - \$199,999	8.9%	4.4%
\$200,000 +	7.1%	4.8%
Housing (2019)		
% Owner Occupied	80.0%	56.7%
% Renter Occupied	11.3%	32.0%
% Vacant	8.8%	11.3%
Median Home Value	\$242,821	\$217,669

Source: U.S. Bureau of the Census, 2010 Census of Population and Housing. ESRI forecasts for 2019 and 2024

Market Analysis

Overview

The subject property generally supports industrial uses due to the locational attributes, existing zoning, and ADC-2 overlay guidelines. A brief overview of the Tucson industrial market is presented.

There are currently 2,583 industrial buildings in Tucson MSA, about 78% of which are warehouse, distribution, or manufacturing type users. Land in the southeast area, and particularly parcels within the ADC-2, are not generally demanded for Flex and R&D type uses. Focusing only on warehouse and manufacturing uses, the southeast Tucson submarket contains 15.5% of the total supply, or 89 buildings with 5.3 million square feet. The average building size is 59,964 S.F. This is a reflection of several large users in the area. Recent new construction totaled 1,125,534 S.F. and included the 857,400 S.F. Amazon fulfillment center, a 230,134 S.F. speculative rail service warehouse at the Port of Tucson, and a 38,000 S.F. cannabis warehouse. There are no buildings currently under construction in the Southeast submarket.

Total Pima County Industrial Submarket Statistics

Market	Existing Inventory		Percent of		Quoted Rates NNN
	# Blds	Total RBA	Total Supply	Vac %	
Flex/ R&D	467	9,666,625	22.0%	6.6%	\$8.51
Warehouse, Dist, Manufacturing	2,116	34,365,023	78.0%	6.3%	\$6.35
Totals	2,583	44,031,648		6.3%	\$6.85

Source: CoStar Property®

Warehouse, Distribution, Manufacturing Submarket Statistics

Third Quarter 2019

Market	Existing Inventory		Percent of		YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Total Supply	Vacancy %				
Downtown Tucson Ind	371	3,714,409	10.8%	1.3%	2,764	0	0	\$7.59
E Outlying Pima Cty Ind	2	18,464	0.1%	0.0%	0	0	0	\$0.00
Northeast Tucson Ind	165	1,628,852	4.7%	3.9%	23,865	0	0	\$7.45
NW Tucson/Oro Valley Ind	592	7,488,575	21.8%	4.6%	(192,637)	0	0	\$7.60
Palo Verde Ind	465	5,307,277	15.4%	1.1%	90,296	0	0	\$6.93
Park/Ajo Ind	209	3,417,393	9.9%	13.4%	(207,158)	49,500	0	\$5.90
S Pima/Green Valley Ind	7	134,505	0.4%	0.0%	0	0	0	\$0.00
Southeast Tucson Ind	89	5,336,762	15.5%	7.7%	876,700	1,125,534	0	\$7.95
SW Tucson/Airport Ind	213	7,304,894	21.3%	10.5%	100,995	9,500	157,000	\$5.43
W Outlying Pima Cty Ind	3	13,892	0.0%	0.0%	0	0	0	\$0.00
Totals	2,116	34,365,023		6.3%	694,825	1,184,534	157,000	\$6.35

Source: CoStar Property®

Statistics obtained from Costar indicate that the southeast submarket grew significantly over 2001-2010 with over half the existing inventory added during this decade. Furthermore, it has a higher percentage of buildings over 50,000 S.F. than overall Tucson, consisting of 19% of the inventory compared to only 6% of the Tucson inventory. A large supply of vacant land and access to major transportation linkages make the Southeast submarket attractive for large users.

Year Built	Total No of Bldgs Tucson MSA	No of Bldgs 50,000+ S.F. Tucson MSA	% of Total	No of Bldgs 50,000+ S.F. Southeast		
				Total No. of Bldgs Southeast Tucson	Tucson	% of Total
1940-1960	243	5	2%	0	0	0
1961-1970	262	6	2%	5	0	0
1971-1980	479	22	5%	7	1	14%
1981-1990	498	31	6%	4	1	25%
1991-2000	255	20	8%	10	3	30%
2001-2010	256	23	9%	44	8	18%
2011-2019	36	11	31%	8	2	25%

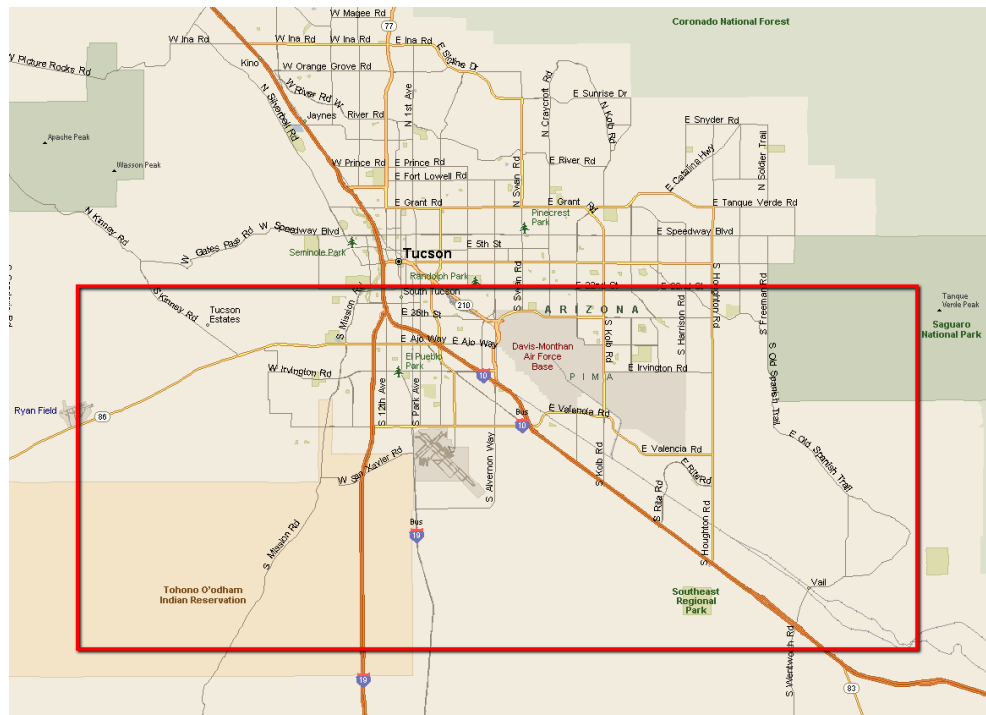
Nevertheless, demand for new construction from 2008-2019 in Southeast submarket shows the majority of space being developed is distribution warehouses under 20,000 S.F. In fact, 21 of the 27 buildings constructed over this time period, or 78%, contained less than 20,000 S.F. The data indicates about 192,000 S.F. added per year on average over the past 12 years in the southeast subdistrict, although the two largest developments, Amazon and Target, somewhat skew this data. Eliminating these two developments, the submarket has added about 40,500 S.F. per year on average since 2008. On an annual basis, about 2.25 buildings per year have been constructed in the Southeast submarket.

Address	Site Size	Use (per Costar)	Improvement Size	Submarket	Year Built
8272 S Camino De Cafe	0.58	Warehouse	7,200	Southeast Tucson Ind	2008
9034 E Camino Abril	0.65	Warehouse	2,400	Southeast Tucson Ind	2008
9082 E Camino Abril	0.61	Service	2,400	Southeast Tucson Ind	2008
9089 E Camino Abril	0.52	Warehouse	2,700	Southeast Tucson Ind	2008
9098 E Camino Abril	0.61	Warehouse	3,600	Southeast Tucson Ind	2008
9121 E Camino Abril	0.56	Warehouse	1,800	Southeast Tucson Ind	2008
8233 S Camino De Cafe	0.68	Warehouse	5,000	Southeast Tucson Ind	2008
8317 S Camino de Cafe	2.02	Manufacturing	15,520	Southeast Tucson Ind	2008
9337 E Old Vail Rd	1.75	Warehouse	10,664	Southeast Tucson Ind	2008
9417 E Old Vail Rd	1.73	Service	2,641	Southeast Tucson Ind	2008
6781 E Outlook Dr	1.37	Distribution	15,000	Southeast Tucson Ind	2008
8940 E Rita Park Dr	97.71	Distribution	971,480	Southeast Tucson Ind	2008
6450 E Valencia Rd	9.77	Distribution	24,000	Southeast Tucson Ind	2008
8190 S Camino De Cafe	1.55	Service	3,600	Southeast Tucson Ind	2009
9538 E Old Vail Rd	8.39	Manufacturing	50,400	Southeast Tucson Ind	2009
9018 E Camino Abril	0.73	Warehouse	7,200	Southeast Tucson Ind	2010
8165 S Camino de Cafe	1.24	Warehouse	7,200	Southeast Tucson Ind	2010
8198 S Camino de Cafe	1.48	Warehouse	7,200	Southeast Tucson Ind	2010
5833 S Mann Ave	8.75	Manufacturing	11,250	Southeast Tucson Ind	2010
9367 E Old Vail Rd	1.74	Warehouse	5,824	Southeast Tucson Ind	2010
8174 S Camino de Cafe	1.97	Warehouse	7,200	Southeast Tucson Ind	2011
5885 S Mann Ave	1.86	Service	4,153	Southeast Tucson Ind	2012
9398 E Old Vail Rd	4.52	Distribution	14,214	Southeast Tucson Ind	2013
8182 S Camino De Cafe	1.97	N/A	7,200	Southeast Tucson Ind	2014
8000 S Rita Rd	15.84	Warehouse	38,000	Southeast Tucson Ind	2019
7225 S Kolb Rd	33.56	Distribution	230,134	Southeast Tucson Ind	2019
6701 S Kolb Rd	79.48	Distribution	857,400	Southeast Tucson Ind	2019
10.43			85,755		

Land Sales

Land sale activity was researched, concentrating on the area of metropolitan Tucson south of 22nd Street, as indicated in the map below. Industrial land availability in central, north, and northwest Tucson is increasingly scarce and subject to different demand/ supply factors than the subject area.

LAND SEARCH AREA MAP



A Costar search for all industrial land sales in the defined area since January 1, 2017 resulted in 34 total land sales, or approximately 11 to 12 sales per year on average. The sales data is broken down in the following table and indicates that the majority of activity in the market includes land parcels under 5 acres. Sale transactions under 5 acres account for 62% of all sales. Sales under 10 acres encompass 82% of all land sales in the researched area.

Size Range	No. of Land Sales	Average Sale Price/S.F.
0 - 5 acres	21	\$2.64
5 - 10 acres	6	\$2.21
10 - 40 acres	4	\$1.26
40+ acres	2	\$2.03*

*Includes Site-ready Amazon transaction

Sale Transactions

Year	Number of Sales
2017	10
2018	17
2019*	8

*As of Nov. 20, 2019

The subject is platted for +/- one acre industrial lots. I narrowed my search to include only sales under 5 acres. Sales volume increased over 2018, but average pricing was reduced, indicating more demand at lower price levels. Average pricing has ranged from \$2.17/S.F. to \$3.14/S.F. in the researched area for industrial lots containing 0 to 5 acres. The number of sale transactions have averaged 7 sales per year over the past three years with an overall average price of \$2.65/S.F. The majority of land sales in this category have occurred in the area surrounding the airport.

Sale Transactions: 0 to 5 acres

Year	Number of Sales	Ave Price/S.F.
2017	6	\$3.04
2018	10	\$2.17
2019*	5	\$3.14

*As of Nov. 20, 2019

Broker Comments:**Russ Hall - Picor**

The overall industrial market has experienced many years of positive absorption in Tucson with declining vacancy. This is mainly due increased demand in the 5,000 – 10,000 S.F. users. Large buildings over 50,000 S.F. still remain on the market with high vacancy and many available options. For this reason, there is not a lot of interest in new construction for large users as they have the ability to retrofit existing properties for less than half the cost. The majority of demand is coming from smaller users in the northwest. As land in the northwest becomes increasingly scarce, demand has shifted to the Palo Verde, Park/Ajo area as well as the Southeast. But there is a tremendous amount of supply in these areas.

Steve Cohen - Picor

Warehouse demand in Tucson is strong in the 5,000-10,000 S.F. range. Arizona has 7.5 million people: 5.5 million in Phoenix, 1.0 million in Tucson. For distribution within the state, operators are setting up 50,000+ S.F. warehouses in Phoenix, and 5,000-10,000 S.F. warehouses in Tucson, proportionate to the size.

There is nothing currently for sale in the ADC-2 area that he knows of which is immediately developable. If the economy remains strong, he projects 50 to 100 acres per year of land will be absorbed in the Southeast submarket. Of this, about 25% of the land will be warehousing sites, or 12 to 25 acres per year. If all the warehouse demand went to the area within the ADC-2, sellout would take 22 to 45 years.

Rob Glaser – Picor

There is a large supply of industrial land in the Southeast corridor. Demand is improving, but it still isn't great. Rob expects demand to continue to improve over the next few years. There is currently way too much land supply in the area which increases marketing times and land values due to the available alternatives for buyers. Over the last five years, the main driver of new development is smaller users from 5,000 S.F. to maybe 15,000 S.F. Larger users over 50,000 S.F. are scarce.

Tim Healy – CBRE

Currently, the southeast corridor has an oversupply of industrial land. He believes there is about a 50 year supply with even more coming online with the aviation corridor completion. Potential users have a plethora of options for development. Given the abundance of industrial land supply in the area, the land in the ADC-2 is not needed to fill demand now or in the foreseeable future, especially in the 1 to 10 acre parcel range. The only demand that exists are for large users, similar to Home Goods and Amazon, which require larger assemblages of land near major transportation corridors. The subject area is perfect for these users. However, they are few and far between at a rate of one per decade.

Jesse Blum - CBRE

The biggest obstacle to sales in Tucson is the limited demand pool coupled with a lot of supply options. Other than the anomalous Amazon, the majority of demand and development in the area is in the 5,000 to 10,000 S.F. building range with yards. Very few users in the Tucson market are above 100,000 S.F.

Conclusions

The industrial market is improving, with the majority of activity in the range of 5,000 S.F. to 20,000 S.F. buildings. Demand for land continues to be weak due to a large supply of competitive options, along with high construction costs, and low rents which do not support speculative development at this time. The subject area is a path of growth area which benefits from a large supply of available land, large privately owned parcels, and proximity to rail and interstate transportation linkages.

Property Data

Site Description



AERIAL VIEW


Yellow Highlight = internal roadways dedicated to Pima County

Subject	The subject site consists of 158.05 gross acres of vacant land platted for a 99 lot industrial subdivision referred to as VP Commerce Center. Approximately 18.92 acres of internal roadways have been dedicated to Pima County. The net size of the subject is 139.13 acres.
Methodology	The subject parcel was inspected on November 12, 2019. Carolyn Van Hazel, MAI, inspected the property and was accompanied by property owner, Mr. Greg Boccardo.
Location	The subject is located at the southwest corner of Valencia Road and Pantano Road in Tucson (unincorporated), Pima County, Arizona. The parcel is located within Section 17, Township 15 South, Range 15 East.
Shape	The larger property has a mostly rectangular shape, with the northeast corner cut-out. The property is platted with 99-individual industrial lots