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REAL ESTATE SERVICES

APPRAISAL REPORT

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9 Parcel Redevelopment - Land

714 718, 722 North 2nd Street; 713, 714, 717, 718, 721, 722 North 1st Street
Phoenix, Arizona 85004

BBG File #0123100224
Client File #PM 1780

Prepared For
Mr. Burton Byars
City of Phoenix Finance Department
251 West Washington Street 8th Floor
Phoenix, AZ 85003-1611

Report Date
January 27, 2023

Prepared By
BBG, Inc., Scottsdale Office
4835 E. Cactus Road
Scottsdale, AZ 85254
602-648-8600

Client Manager: Albert Nava, MAI, SGA
anava@bbgres.com

BBG Website
bbgres.com

Valuation + Assessment

January 27, 2023

Mr. Burton Byars
City of Phoenix Finance Department
251 West Washington Street 8th Floor
Phoenix, AZ 85003-1611

Re: Appraisal of Real Property
9 Parcel Redevelopment - Land
714 718, 722 North 2nd Street; 713, 714, 717, 718, 721, 722 North 1st Street
Phoenix, Arizona 85004
BBG File #0123100224
Client File #PM 1780

Dear Mr. Byars:

In accordance with your authorization (per the engagement letter found in the *Addenda* of this report), an Appraisal Report of the above-referenced property has been prepared.

The subject of the appraisal reflects nine lots within the Evans Churchill West section of Downtown Phoenix. The overall site includes three grouping of three lots each one of which is separated by a city of Phoenix alleyway and the other separated by 1st Street, a public right-of-way. The three groupings are each rectangular in shape, one having 150± lineal feet of frontage along the west line of 1st Street and 135± lineal feet of frontage along the south line of McKinley Street. Along the rear of this grouping is a 20± foot alley which bisects the city block. The second grouping also has 150± lineal feet of frontage along the east line of 1st Street and 140± lineal feet along the south line of McKinley Street with the third grouping having 150± lineal feet of frontage along west line of 2nd Street and 140± lineal feet along the south line of McKinley Street. These two groupings are separated by a city of Phoenix owned alleyway. In total, the three groupings have a combined 300± lineal feet of frontage along 1st Street, 150± lineal feet along 2nd Street and 415± lineal feet along McKinley Street. The lots are less than two blocks north of the Downtown Arizona State University Campus and only a few blocks from a light-rail station.

The City has allowed for the abandonment of alleys (retain utility and ingress/egress easement[s]) in the downtown area to help accommodate larger scale developments. As such, it will be an Extraordinary Assumption of this report that the City would grant a similar abandonment to a developer if the property were sold or leased. It will also be an Extraordinary Assumption of this report that the City would allow some form of elevated exclusive pedestrian easement over 1st Street allowing all nine parcels to have some level of connectivity. Further, the combined six parcels located between 1st and 2nd street appear to have some form of parking arrangement (lease) with MCK in conjunction with Arizona State University. That said, it will be a Hypothetical Condition of this report that no restrictions exist that would impede development of the site.

As of the valuation date of this report, City of Phoenix owns the subject property. The subject is not listed for sale, nor is it the object of a sales contract.

This Appraisal Report was prepared to conform with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), Qualifications RFQ 16-003, the terms and conditions specified in the City Contract 21-38 and the City of Phoenix Finance Department appraisal guidelines and the *Uniform Act* (49 CFR Part 24). This report has been written in accordance with the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute. In addition, this report is intended to be in compliance with additional requirements of City of Phoenix Finance Department (client).

- The *purpose* of the appraisal is to establish the market value of the parcel for potential sale or lease as of the effective date of the report. The *intended use* of the appraisal report is to estimate market value for decision making.
- The *client* and *intended user* is the City of Phoenix Finance Department.

Market Value as defined by A.R.S. 12-1122:

> *Value shall be determined by ascertaining the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements that the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable*."[1]

Note: My opinion of market value is subject to the following Extraordinary Assumptions and/or Hypothetical Conditions:

EXTRAORDINARY ASSUMPTION(S) AND HYPOTHETICAL CONDITION(S)

The values presented within this appraisal report are subject to the extraordinary assumptions and hypothetical conditions listed below. Pursuant to the requirement within Uniform Standards of Professional Appraisal Practice Standards, it is stated here that the use of any extraordinary assumptions might have affected the assignment results.

Extraordinary Assumption(s)	There is no archaeological significance on the parcel. There is no geological significance on the parcel. There are no environmental risks or hazardous conditions found on the parcel. No soils or subsoils report was provided. This appraisal assumes no adverse soil or subsoil conditions. It is an Extraordinary Assumption of this report that the City would grant an alleyway abandonment to a developer if the property were sold or leased. It is an Extraordinary Assumption of this report that the City would allow some form of elevated exclusive pedestrian easement over 1st Street allowing all nine parcels to have some level of connectivity.
Hypothetical Condition(s)	The appraiser is to not recognize the existing right-of-way created within the March 1979 Downtown Area Redevelopment and Improvement Plan (Resolution 15143) and acquired via a Land Exchange and Development Agreement Dated July 27, 2004 and recorded as a Special Warranty Deed (City Contract No. 107432) by the City of Phoenix 2004-1036198 (September 3, 2004 recording date). The subject property is to be value based on three parcels having no right-of-way encumbrances. The combined six parcels located between 1st and 2nd Streets appear to have some form of parking arrangement (lease) with MCK in conjunction with Arizona State University. As such, it is a Hypothetical Condition of this report that no restrictions exist that would impede development of the site.

A Hypothetical condition is, "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis", as defined by the Appraisal Foundation.

[1]*Arizona State Legislature., AZLEG.gov*

Based on the analysis undertaken, the following value opinion(s) have been developed.

MARKET VALUE CONCLUSION(S)			
Appraisal Premise	**Interest Appraised**	**Date of Value**	**Value Conclusion**
Market Value - As Is - Nine Parcels, Three groupings of three parcels - SWC/SEC 1st and McKinley Streets and SWC of 2nd and McKinley	Fee Simple	January 12, 2023	$16,810,000
Market Value - As Is - Six Parcels, Two groupings of three parcels - between 1st and 2nd Streets at McKinley Street	Fee Simple	January 12, 2023	$12,600,000
Market Value - As Is - Three Parcels, One groupings of three parcels - SWC 1st and McKinley Streets	Fee Simple	January 12, 2023	$6,080,000

In addition, we have estimated a **Year 1 lease rate of $760,000 annually for the Nine Parcels at the SWC/SEC of 1st and McKinley Street and the SWC of 2nd and McKinley Streets; $570,000 annually for only the Six Parcels between 1st and 2nd Street at McKinley Street and $270,000 annually for only the Three Parcels at the SWC of 1st and McKinley Streets,** based on a minimum ground lease term of 49 years, with option to extend to 99 years.

Your attention is directed to the accompanying report and to its Certification, Assumptions and Limiting Conditions sections. Acceptance of and/or use of this appraisal report constitutes acceptance of these conditions. This appraisal has been performed in accordance with the reporting requirements as set forth by the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP) as provided by the Appraisal Foundation. This appraisal report is intended to be an Appraisal Report prepared in conformance with USPAP Standard 2-2(a), the City of Phoenix's Appraisal Guidelines.

This letter must remain attached to the report, which should be transmitted in its entirety, in order for the value opinion(s) set forth above to be relied upon by the intended user(s).

BBG, Inc. appreciates the opportunity to have performed this appraisal assignment on your behalf. If we may be of further service, please contact the Client Manager.

Sincerely,

Barott G Hurd

Barott G. Hurd
AZ Certified General Appraiser
License #: CGA 30577
480-867-7440
bhurd@bbgres.com

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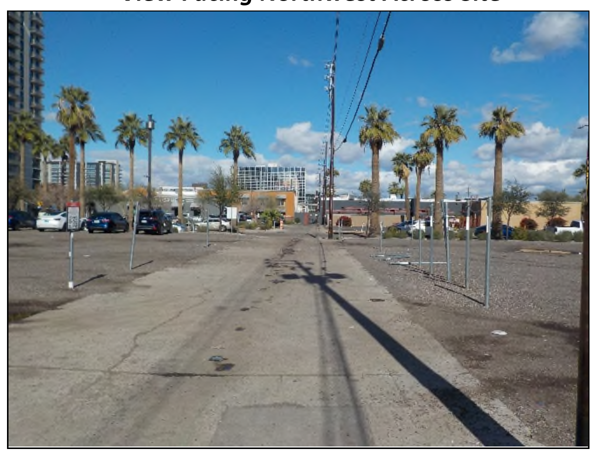
SUBJECT PROPERTY

Three Parcels At the SWC Of 1st And McKinley Streets - View Facing Southwest Across Site

Three Parcels At the SWC Of 1st And McKinley Streets - View Facing Northwest Across Site

Three Parcels At the SWC Of 1st And McKinley Streets - View South Along Alleyway



Three Parcels At the SWC Of 1st And McKinley Streets - View North Along Alleyway

Three Parcels At the SEC Of 1st And McKinley Streets - View Facing Northeast Across Site

Three Parcels At the SEC Of 1st And McKinley Streets - View Facing Southeast Across Site

SUBJECT PROPERTY – CONTINUED

Three Parcels At the SWC Of 2nd And McKinley Streets - View Facing Southwest Across Site

Three Parcels At the SWC Of 2nd And McKinley Streets - View Facing Northwest Across Site

View South Along Alleyway Between 1st and 2nd Streets

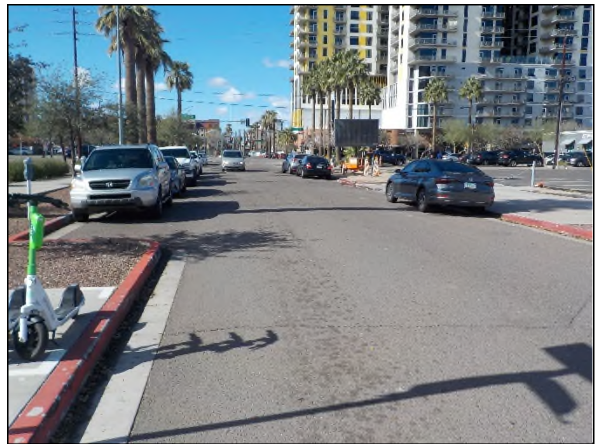
1st Street Facing South

1st Street Facing North

2nd Street Facing South

Subject Property – Continued

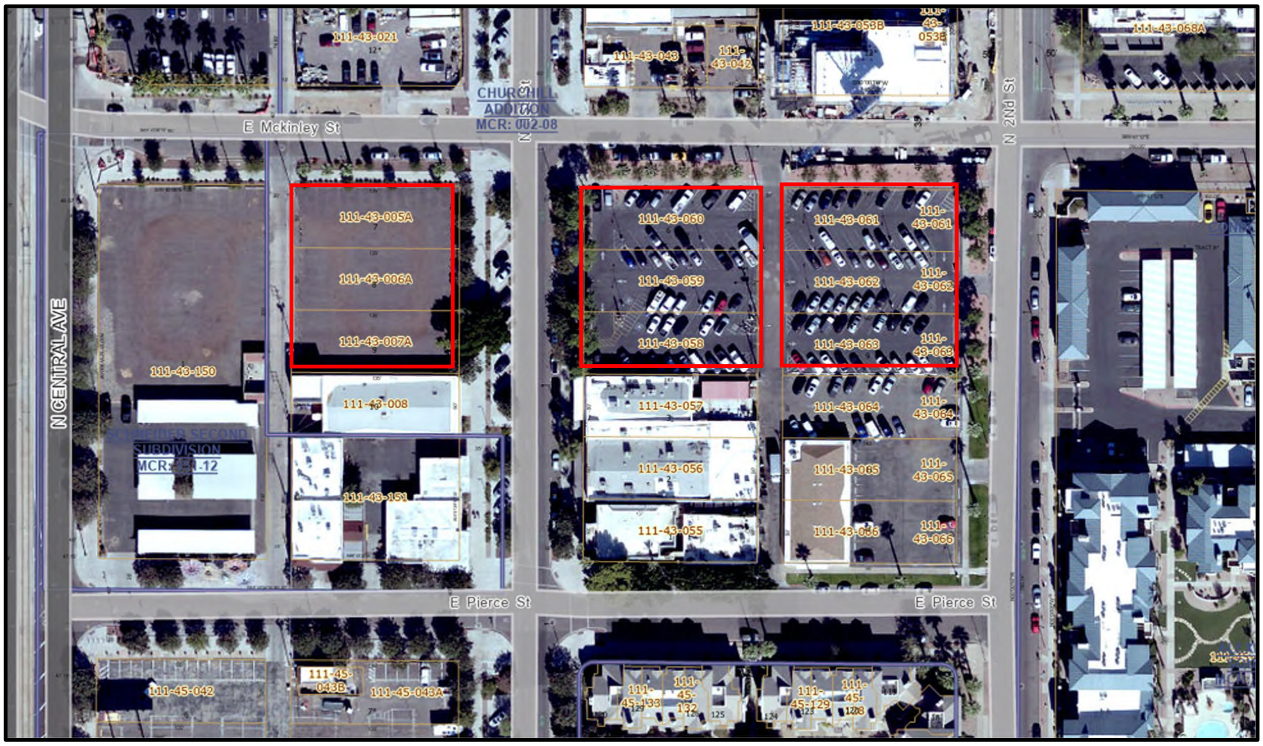
2nd Street Facing North



McKinley Street Facing West

McKinley Street Facing West

AERIAL PHOTOGRAPH



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SUMMARY OF SALIENT FACTS

APPRAISAL INFORMATION	
Client	City of Phoenix Finance Department 251 West Washington Street, 8th Floor Phoenix, AZ 85003-1611
Intended User(s)	This appraisal report may only be relied upon by the client and intended user(s) named herein City of Phoenix Finance Department Real Estate Division.
Intended Use	This appraisal is to be used for to establish the market value of the parcel for potential sale and/or ground lease from the City of Phoenix. purposes.
Property Rights Appraised / Premise	•Market Value of the Fee Simple interest in the subject property, As Is as of January 12, 2023
Date of Inspection	January 12, 2023
Marketing Time	12 months
Exposure Time	12 months
Owner of Record	City of Phoenix
Property Contact(s)	Information pertaining to this assignment was provided by Christopher Rocca and/or Burton Byars of the City of Phoenix Finance Department.
Most Probable Purchaser	Owner-User
Highest and Best Use	
If Vacant	Multifamily and/or Mixed Use development as demand dictates
As Improved	NA

PROPERTY DATA		
Property Name	9 Parcel Redevelopment - Land	
Address	714 718, 722 North 2nd Street; 713, 714, 717, 718, 721, 722 North 1st Street Phoenix, Arizona 85004	
Location	SEC, SWC McKinley and 1st Street and the SEC of McKinley and 2nd Street	
Property Description	Land (Downtown Phoenix development site) Vacant Land	
County	Maricopa County	
Parcel Number	111-43-005A, 006A, 007A, 058, 059, 060, 061, 062 and 063	
Census Tract No.	1131.00	
Legal Description	Lots 7, 8 and 9, Block 5 of Churchill's Addition (MCR 2/69), Maricopa County, Arizona; and Lots 4, 5, 6, 7, 8 and 9, Block 10 of Churchill's Addition (MCR 2/69), Maricopa County,	
Site Area		
Primary Site	62,250 square feet	(1.43 acres)
Zoning	DTC-W-EV; Downtown Code - West/Evans Churchill	
Flood Status	Zone X Unshaded (Outside 500Y) is a Non-Special Flood Hazard Area (NSFHA) of minimal flood hazard, usually depicted on Flood Insurance Rate Maps (FIRM) as above the 500-year flood level. This is an area in a low to moderate risk flood zone that is not in any immediate danger from flooding caused by overflowing rivers or hard rains. In communities that participate in the National Flood Insurance Program (NFIP), flood insurance is available to all property owners and renters in this zone.	

VALUE INDICATIONS			
1) As Is as of January 12, 2023 - Nine Parcels, Three groupings of three parcels -SWC/SEC 1st and McKinley Streets and SWC of 2nd and McKinley Streets			
Sales Comparison Approach	$16,810,000	$270.04	Per Square Foot of Land
Approach Reliance	**Sales Comparison Approach**		
Value Conclusion - As Is	**$16,810,000**	**$270.04**	**Per Square Foot of Land**
Exposure Time (Months)	12		
Marketing Time (Months)	12		
2) As Is as of January 12, 2023 - Six Parcels, Two groupings of three parcels between 1st and 2nd Streets at McKinley Street			
Sales Comparison Approach	$12,600,000	$300.00	Per Square Foot of Land
Approach Reliance	**Sales Comparison Approach**		
Value Conclusion - As Is	**$12,600,000**	**$300.00**	**Per Square Foot of Land**
Exposure Time (Months)	12		
Marketing Time (Months)	12		
3) As Is as of January 12, 2023 - Three Parcels, One groupings of three parcels - SWC 1st and McKinley Streets			
Sales Comparison Approach	$6,080,000	$300.25	Per Square Foot of Land
Approach Reliance	**Sales Comparison Approach**		
Value Conclusion - As Is	**$6,080,000**	**$300.25**	**Per Square Foot of Land**
Exposure Time (Months)	12		
Marketing Time (Months)	12		

EXTRAORDINARY ASSUMPTION(S) AND HYPOTHETICAL CONDITION(S)

The values presented within this appraisal report are subject to the extraordinary assumptions and hypothetical conditions listed below. Pursuant to the requirement within Uniform Standards of Professional Appraisal Practice Standards, it is stated here that the use of any extraordinary assumptions might have affected the assignment results.

Extraordinary Assumption(s)

There is no archaeological significance on the parcel.

There is no geological significance on the parcel.

There are no environmental risks or hazardous conditions found on the parcel.

No soils or subsoils report was provided. This appraisal assumes no adverse soil or subsoil conditions.

It is an Extraordinary Assumption of this report that the City would grant an alleyway abandonment to a developer if the property were sold or leased.

It is an Extraordinary Assumption of this report that the City would allow some form of elevated exclusive pedestrian easement over 1st Street allowing all nine parcels to have some level of connectivity.

Hypothetical Condition(s)

The appraiser is to not recognize the existing right-of-way created within the March 1979 Downtown Area Redevelopment and Improvement Plan (Resolution 15143) and acquired via a Land Exchange and Development Agreement Dated July 27, 2004 and recorded as a Special Warranty Deed (City Contract No. 107432) by the City of Phoenix 2004-1036198 (September 3, 2004 recording date). The subject property is to be value based on three parcels having no right-of-way encumbrances.

The combined six parcels located between 1st and 2nd Streets appear to have some form of parking arrangement (lease) with MCK in conjunction with Arizona State University. As such, it is a Hypothetical Condition of this report that no restrictions exist that would impede development of the site.

PROPERTY TRANSACTION HISTORY

As of the valuation date of this report, the owner of record is the City of Phoenix who acquired the property in 2004. The subject is not currently listed for sale, nor is it under a sales contract.

SCOPE OF WORK

The scope of work best defines the needs of the client(s) and intended user(s) of the report and dictates what factors an appraiser considered during the valuation process. The scope of work summarized below has been deemed acceptable as it meets or exceeds both the expectations of parties who are regularly intended users for similar assignments and what an appraiser's peers' actions would be in performing the same or a similar assignment. As such, the scope of work summarized below is deemed appropriate for this assignment based on its parameters and will produce credible assignment results. Additional scope details are included in appropriate sections of this report.

SCOPE OF THE INVESTIGATION	
General and Market Data Analyzed	▪ Regional economic data and trends ▪ Market analysis data specific to the subject property type ▪ Published survey data ▪ Neighborhood demographic data ▪ Comparable cost, sale, rental, expense, and capitalization rate data ▪ Floodplain status ▪ Zoning information ▪ Assessor's information ▪ Interviewed professionals knowledgeable about the subject's property type and market
Inspection Details	Barott G. Hurd inspect the subject property on the date of value.
Property Specific Data Requested and Received	PROPERTY DATA RECEIVED Title report Final Plat Vesting Deed
Data Requested, but not Provided	DATA REQUESTED, BUT NOT PROVIDED None
Data Sources	(see table below)

DATA SOURCES	
Site Size	Assessor's Records
Tax Data	Treasurer's Records
Zoning Information	Planning Dept
Flood Status	FEMA
Demographics Reports	Spotlight
Comparable Land Sales	Public Records, CoStar, Broker conformations

VALUATION METHODOLOGY	
Most Probable Buyer	To apply the most relevant valuation methods and data, the appraiser must first determine the most probable buyer of the subject property. Based on the analyses presented, the most probable buyer of the subject property would be a(n) Owner-User
Valuation Methods Utilized	As the subject represents vacant land, this appraisal employs only the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that this approach would be considered necessary and applicable for market participants. Since no improvements exist on site, the Cost Approach is not relevant. The property generates no income and is not typically marketed, purchased or sold on the basis of anticipated lease income; thus, the Income Capitalization Approach was precluded. Notably, the client did request and estimate of market rent for the underlying land should they choose to ground lease the site.

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DEFINITIONS

Pertinent definitions, including the definition of market value is as follows:

Market Value as defined by A.R.S. 12-1122	• Value shall be determined by ascertaining the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements that the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable."[2]
Fee Simple Interest	• "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."[3]
As Is	• A value on the appraisal date means an estimate of the market value of a property in the condition observed upon inspection and as it typically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date the appraisal is prepared. .[4]
Appraisal	• "(noun) The act or process of developing an opinion of value; an opinion of value. (adjective) Of or pertaining to appraising and related functions such as appraisal practice or appraisal services."
Appraiser	• "One who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective."
Extraordinary Assumption	• "An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. 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."
Hypothetical Condition	• "A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis", as defined by the Appraisal Foundation.
Price	• "The amount paid in exchange for a good or commodity. Price is distinguished from value because price becomes a fact when the transaction is consummated as opposed to value, which is an estimate." 2. The amount asked, offered, or paid for a property. Comment: Once stated, price is a fact, whether it is publicly disclosed or retained in private. Because of the financial capabilities, motivations, or special interests of a given buyer or seller, the price paid for a property may or may not have any relation to the value that might be ascribed to that property by others. (USPAP, 2022-2023 ed.)"

[2] *Arizona State Legislature., AZLEG.gov*

[3] *The Appraisal of Real Estate, Appraisal Institute, 12th Edition.*

[4] *Appraisal Policies and Practices of Insured Institutions and Service Corporations, Federal Home Loan Bank Board, "Final Rule," 12 CFR Parts 563 and 571, December 21, 1987*

LEVEL OF REPORTING DETAIL
Standards Rule 2-2 (Real Property Appraisal, Reporting) contained in USPAP requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report. This report is prepared as an **Appraisal Report.** An Appraisal Report must at a minimum summarize the appraiser's analysis and the rationale for the conclusions.

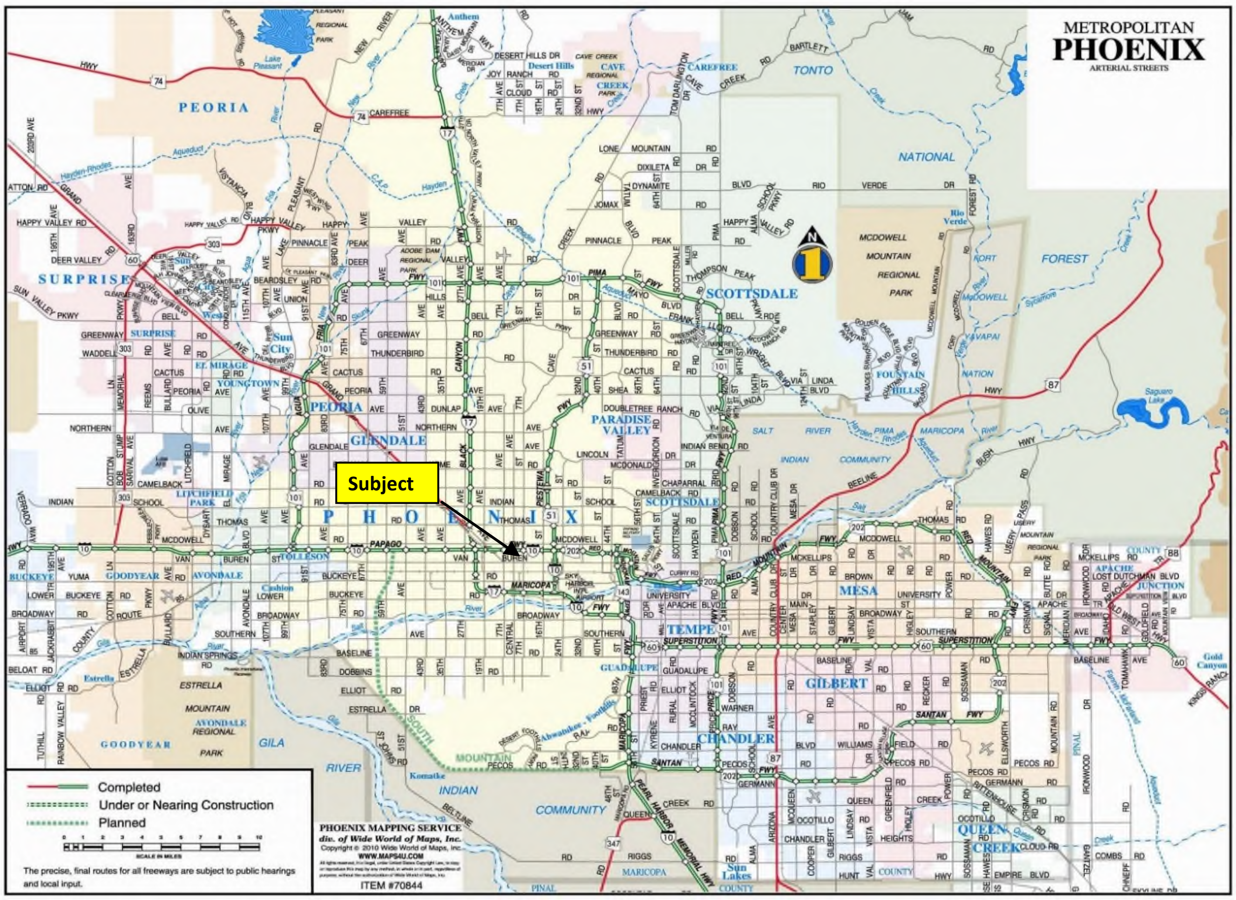
PROPERTY RIGHTS APPRAISED
The real estate interest appraised is that of ownership in *Fee Simple Interest*. Fee Simple is defined as follows: *Fee Simple Interest* - "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."[5]

[5] *The Appraisal of Real Estate*, Appraisal Institute, 12th Edition.

REGIONAL OVERVIEW

The subject is located within the city limits of Phoenix, Arizona in the central portion of the Phoenix metropolitan statistical area (MSA).

REGIONAL MAP



PHOENIX-MESA-SCOTTSDALE MSA

The metropolitan Phoenix area has emerged as one of the largest populations and trade centers in the Southwest, having experienced substantial growth over the past two decades. This growth has been the result of Phoenix's centralized location, favorable climate and advantageous business environment. The Phoenix-Mesa-Scottsdale MSA (Metropolitan Statistical Area) includes virtually all of central and eastern Maricopa County. The City of Phoenix forms the nucleus of the metropolitan area, surrounded by 22 incorporated cities and towns.

ECONOMY & DEMOGRAPHIC PROFILE

The following profile of the Phoenix-Mesa-Scottsdale MSA was provided by Economy.com, a leading provider of economic, financial, and industry information.

Moody's ANALYTICS

PHOENIX-MESA-SCOTTSDALE AZ

Data Buffet® MSA code: IUSA_MPHO

ECONOMIC DRIVERS

FINANCIAL CENTER

RETIREE HAVEN

EMPLOYMENT GROWTH RANK

2021-2023	2021-2026
151	89
2nd quintile	2nd quintile

Best=1, Worst=410

RELATIVE COSTS

LIVING	BUSINESS
110%	103%

U.S.=100%

VITALITY

RELATIVE 0.83 Rank: 18

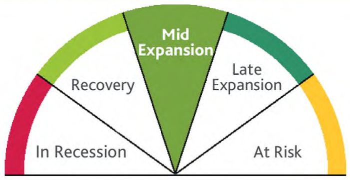
Best=1, Worst=403

QUALITY OF LIFE

67

Best=1, Worst=378

BUSINESS CYCLE STATUS



STRENGTHS & WEAKNESSES

STRENGTHS

- Robust population growth and in-migration.
- Hub for expansion and relocation of banks, insurance companies, and business services firms.
- Lower business costs than in California.

WEAKNESSES

- Average wages are well below those of the West.
- High cyclicality due to dependence on investment and population inflows.

FORECAST RISKS

SHORT TERM ↓ LONG TERM ↑

RISK EXPOSURE 2022-2027 **46** 1st quintile *Most=1 Least=403*

UPSIDE

- Population growth is faster than expected as more firms allow staff to work remotely.
- Retiree in-migration is more robust than expected as the pandemic subsides.

DOWNSIDE

- Finance hiring slows as fiscal stimulus and loan accommodations wind down.
- Homebuilding is weaker than expected as the cost of building materials rises.

MOODY'S RATING

Aa1 CITY AS OF APR 19, 2022

ANALYSIS

Recent Performance. Phoenix-Mesa-Scottsdale is a top performer among the West's large economies. PHO payrolls sit 2% above their pre-pandemic peak, ranking just outside the top 10 nationally among metro areas and divisions with more than 1 million residents. Job growth has slowed in the past six months, owing mostly to a slowdown in financial services hiring. Employment in professional/business services is still ticking higher, though industry growth now trails that of the rest of the region. PHO is contending with supply constraints consistent with an economy in a late-cycle expansion. The unemployment rate is nearly a full percentage point below its pre-pandemic level, and the labor force is leveling out. Finally, the housing market is scorching. Prices have climbed more than 30% over the past year, more than 10 percentage points ahead of the national pace. Permit issuance is advancing strongly as supply remains tight.

White-collar. Despite some cooling in PHO's key finance and tech drivers in recent months, prospects remain stable given the metro area's strong fundamentals. Moderate business and living costs, a high quality of life, a strong labor pool, and a friendly business climate make the metro area a hub for expansions and relocations of back-office banking and insurance roles.

Financial service providers will contend with a more complex environment in the near term. Equity prices have backslid in recent months, corresponding to a significant slowdown in finance hiring. On the plus side, solid credit quality and continued credit growth will enable banks and credit card issuers to expand. Tech will pick up the slack as many firms are opting to expand in the metro area given its cost advantage over other tech hubs such as San Francisco.

Factories. Manufacturing's hot streak will continue given robust demand for semiconductors and the arrival of a new gigafactory. The local semiconductor industry, PHO's specialization, will benefit from solid demand and rising prices for chips used in automobiles and electronic devices. PHO's reasonable costs, large labor pool, and abundance of available land are already enabling the area to attract a vast amount of factory investment. Semiconductor producers Intel and Taiwan Semiconductor as well as battery cell maker KORE Power are the latest firms to choose PHO. KORE Power recently broke ground on a $1.25 billion facility that is expected to be operational in 2024 and employ about 3,000 workers. Intel is likewise in the midst of a $20 billion expansion, with plans to hire more than 3,000 workers in the same time frame.

Structural. Extremely favorable demographic trends will enable PHO to extend its late-cycle expansion further than its peers. A high quality of life and a strong labor market have enticed new residents to the metro area. PHO has the third-highest rate of in-migration among metro areas with at least 1 million residents. The population is forecast to continue growing at more than twice the West region's pace. This will provide ample fuel for consumer-driven industries and keep the labor force expanding.

Phoenix-Mesa-Scottsdale will remain one of the best-performing metro areas in the country thanks to gains in white-collar services and manufacturing, but job growth will slow as supply constraints and cost pressures consistent with a late-cycle expansion grow more apparent. Longer term, a favorable business climate and strong demographics will keep the metro area an outperformer.

Colin Seitz *1-866-275-3266*
May 2022 *help@economy.com*

2016	2017	2018	2019	2020	2021	INDICATORS	2022	2023	2024	2025	2026	2027
213.4	222.0	231.3	240.9	238.8	251.1	Gross metro product (C12$ bil)	261.4	274.2	286.4	298.7	311.4	324.1
3.9	*4.0*	*4.2*	*4.1*	*-0.9*	*5.2*	*% change*	*4.1*	*4.9*	*4.5*	*4.3*	*4.3*	*4.1*
1,980.0	2,040.0	2,108.4	2,180.1	2,122.0	2,211.9	Total employment (ths)	2,292.9	2,337.7	2,371.0	2,394.2	2,421.6	2,456.0
3.4	*3.0*	*3.4*	*3.4*	*-2.7*	*4.2*	*% change*	*3.7*	*2.0*	*1.4*	*1.0*	*1.1*	*1.4*
4.7	4.3	4.2	4.2	7.2	4.5	Unemployment rate (%)	2.7	3.3	3.6	3.6	3.7	3.5
4.6	5.6	6.6	6.4	10.1	8.0	Personal income growth (%)	5.2	6.7	6.2	5.6	5.6	5.6
58.4	61.3	64.6	67.9	72.0	76.6	Median household income ($ ths)	78.2	81.1	84.0	86.7	89.6	92.5
4,673.3	4,758.7	4,849.2	4,948.2	5,035.3	5,095.5	Population (ths)	5,177.1	5,259.9	5,339.4	5,418.1	5,496.6	5,577.9
2.1	*1.8*	*1.9*	*2.0*	*1.8*	*1.2*	*% change*	*1.6*	*1.6*	*1.5*	*1.5*	*1.4*	*1.5*
69.1	61.0	69.2	77.7	70.6	47.6	Net migration (ths)	63.7	65.6	63.2	63.0	63.7	67.2
18,433	20,471	23,526	25,026	31,658	35,402	Single-family permits (#)	36,514	32,929	33,348	34,100	33,060	31,509
10,150	8,841	7,817	10,847	16,561	16,687	Multifamily permits (#)	13,947	11,353	10,828	9,866	8,462	7,808
237.7	256.2	277.4	296.0	321.4	394.1	FHFA house price (1995Q1=100)	447.5	436.5	427.8	420.9	418.7	420.3

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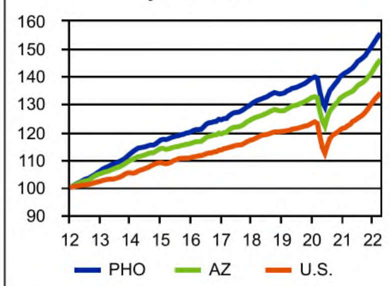
ECONOMIC HEALTH CHECK

3-MO MA	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 22
Employment, change, ths	4.1	4.2	5.7	6.4	4.3	4.0
Unemployment rate, %	3.6	3.5	3.3	3.2	3.0	2.8
Labor force participation rate, %	64.1	64.0	63.9	63.8	63.8	63.9
Average weekly hours, #	35.7	35.8	35.9	35.9	36.0	35.8
Industrial production, 2012=100	103.5	103.9	104.4	105.2	106.2	107.2
Residential permits, single-family, #	31,727	33,748	38,636	42,008	44,713	39,911
Residential permits, multifamily, #	16,905	20,130	20,812	18,770	17,611	16,047
Dec/Dec	**Dec 16**	**Dec 17**	**Dec 18**	**Dec 19**	**Dec 20**	**Dec 21**
Employment, change, ths	55.7	64.9	69.5	78.6	-65.1	96.6

Better than prior 3-mo MA | Unchanged from prior 3-mo MA | Worse than prior 3-mo MA

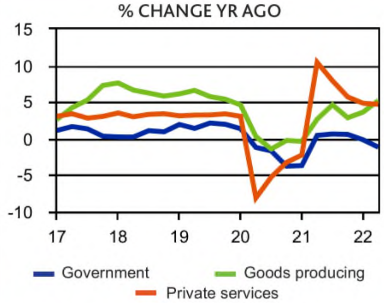
Sources: BLS, Census Bureau, Moody's Analytics

BUSINESS CYCLE INDEX



Source: Moody's Analytics

CURRENT EMPLOYMENT TRENDS



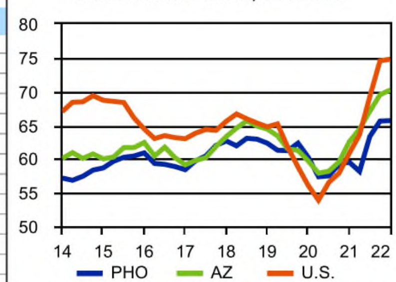
Sources: BLS, Moody's Analytics

% CHANGE YR AGO, 3-MO MA

	Apr 21	Oct 21	Apr 22
Total	2.0	5.8	3.9
Mining	-21.5	3.8	15.6
Construction	1.2	4.0	2.7
Manufacturing	1.2	4.2	4.4
Trade	4.7	5.6	5.3
Trans/Utilities	13.4	8.0	7.3
Information	-2.0	9.9	4.5
Financial Activities	5.4	4.1	-0.8
Prof & Business Svcs.	1.7	5.3	2.8
Edu & Health Svcs.	0.8	3.4	3.2
Leisure & Hospitality	-1.3	21.6	11.6
Other Services	7.3	8.1	6.9
Government	-3.4	-0.6	-0.1

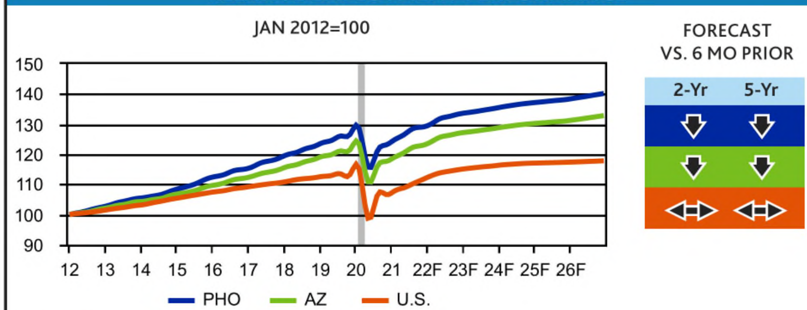
Sources: BLS, Moody's Analytics

DIFFUSION INDEX



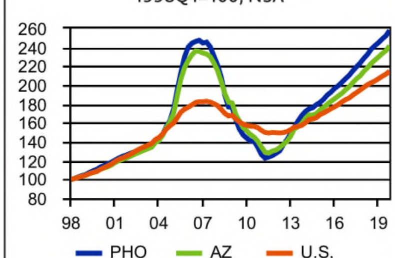
Sources: BLS, Moody's Analytics

RELATIVE EMPLOYMENT PERFORMANCE



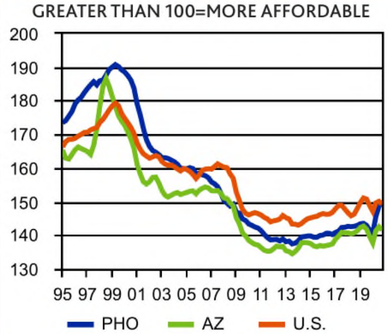
Sources: BLS, Moody's Analytics

HOUSE PRICE



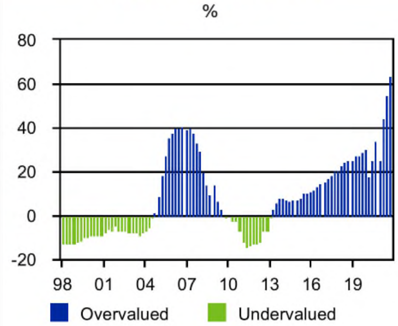
Sources: FHFA, Moody's Analytics

RENTAL AFFORDABILITY



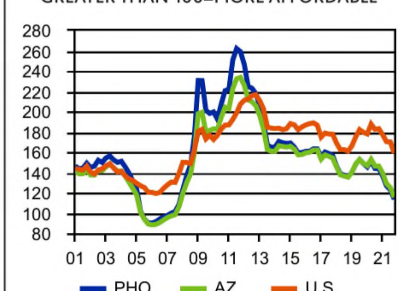
Sources: Census Bureau, BLS, Moody's Analytics

HOUSE PRICE TRENDS



Sources: FHFA, Moody's Analytics

HOUSING AFFORDABILITY



Sources: NAR, Moody's Analytics

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EMPLOYMENT AND INDUSTRY

TOP EMPLOYERS

Banner Health System	45,894
Walmart Inc.	33,619
Fry's Food Stores	20,165
Wells Fargo	16,700
Arizona State University	14,889
HonorHealth	12,163
Dignity Health	10,598
Intel Corp.	10,400
Bank of America	10,000
JP Morgan Chase & Co.	10,000
Freeport-McMoRan Copper & Gold Inc.	9,300
Grand Canyon Education	8,500
Bashas' Family of Stores	8,299
American Express	7,795
Honeywell Aerospace	7,792
Mayo Clinic Hospital	7,500
UnitedHealthcare of Arizona Inc.	7,302
State Farm	7,200
Arizona Public Service Co.	5,866
Salt River Project	5,239

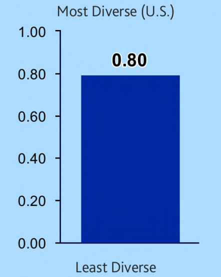
Sources: Arizona Central (Mesa), 2019, Arizona Central (Scottsdale), 2019, Phoenix Business Journal, 2019, Phoenix Relocation Guide, 2019

PUBLIC

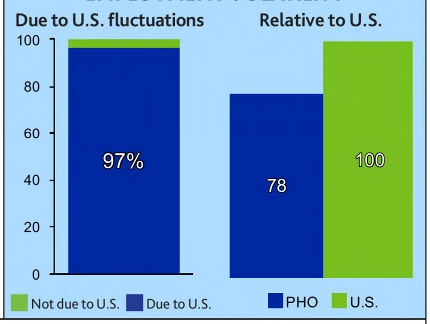
Federal	24,051
State	51,724
Local	163,541

2021

INDUSTRIAL DIVERSITY

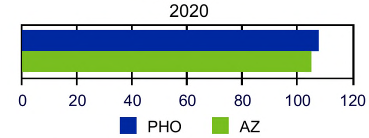


EMPLOYMENT VOLATILITY



ENTREPRENEURSHIP

BROAD-BASED START-UP RATE
U.S.=100
2020



Sources: Census Bureau, Moody's Analytics

EXPORTS

Product	$ mil
Food and kindred products	ND
Chemicals	ND
Primary metal manufacturing	ND
Fabricated metal products	ND
Machinery, except electrical	1,217.5
Computer and electronic products	4,369.5
Transportation equipment	3,328.9
Miscellaneous manufacturing	ND
Other products	ND
Total	15,136.6

Destination	$ mil
Africa	91.4
Asia	6,138.8
European Union	3,178.2
Canada & Mexico	4,389.0
South America	581.8
Rest of world	757.4
Total	15,136.6

% of GDP	*5.5*
Rank among all metro areas	*149*

Sources: BEA, International Trade Administration, Moody's Analytics, 2019

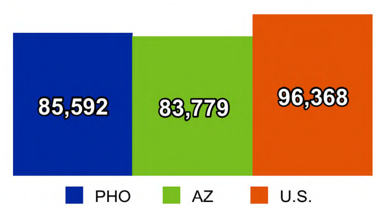
COMPARATIVE EMPLOYMENT AND INCOME

	% OF TOTAL EMPLOYMENT			AVERAGE ANNUAL EARNINGS		
Sector	PHO	AZ	U.S.	PHO	AZ	U.S.
Mining	0.1	0.4	0.4	$105,848	$89,591	$151,071
Construction	6.3	6.0	5.1	$76,130	$71,508	$76,012
Manufacturing	6.2	6.1	8.5	$97,413	$97,373	$91,702
Durable	*73.1*	*75.0*	*62.2*	*nd*	*$107,218*	*$94,522*
Nondurable	*26.9*	*25.0*	*37.8*	*nd*	*$66,702*	*$87,083*
Transportation/Utilities	5.0	4.9	4.5	$56,405	$55,479	$65,944
Wholesale Trade	3.8	3.4	3.9	$103,757	$98,219	$98,506
Retail Trade	11.1	11.5	10.5	$44,047	$42,489	$41,889
Information	1.8	1.6	1.9	$119,399	$118,044	$153,450
Financial Activities	9.8	8.3	6.0	$63,588	$59,036	$67,570
Prof. and Bus. Services	16.8	15.0	14.5	nd	$62,709	$82,393
Educ. and Health Services	15.6	15.7	16.2	$66,641	$64,706	$63,178
Leisure and Hosp. Services	9.7	10.3	9.6	$33,443	$31,696	$30,932
Other Services	3.1	3.1	3.7	$41,647	$40,570	$42,842
Government	10.8	13.7	15.1	$83,420	$80,947	$86,611

Sources: Percent of total employment — BLS, Moody's Analytics, 2021, Average annual earnings — BEA, Moody's Analytics, 2020

PRODUCTIVITY

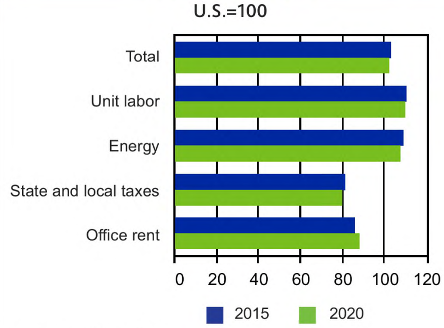
REAL OUTPUT PER WORKER, $



Sources: BEA, Moody's Analytics, 2020

BUSINESS COSTS

U.S.=100



Source: Moody's Analytics

HIGH-TECH EMPLOYMENT

	Ths	% of total
PHO	130.3	5.9
U.S.	7,880.5	5.4

HOUSING-RELATED EMPLOYMENT

	Ths	% of total
PHO	309.1	14.0
U.S.	14,779.4	10.1

Source: Moody's Analytics, 2021

LEADING INDUSTRIES BY WAGE TIER

	NAICS	Industry	Location Quotient	Employees (ths)
HIGH	6211	Offices of physicians	1.3	51.7
HIGH	5242	Agencies, brokerages & other insur. rel. acts.	2.1	39.0
HIGH	5415	Computer systems design & related srvcs.	1.0	34.2
HIGH	5511	Management of companies & enterprises	0.9	31.8
MID	GVL	Local Government	0.8	160.4
MID	6221	General medical and surgical hospitals	0.9	62.4
MID	GVS	State Government	0.7	52.4
MID	2382	Building equipment contractors	1.3	43.8
LOW	7225	Restaurants and other eating places	1.1	162.5
LOW	5613	Employment services	1.6	91.4
LOW	4451	Grocery stores	1.0	39.0
LOW	5617	Services to buildings and dwellings	1.1	34.6

Source: Moody's Analytics, 2021

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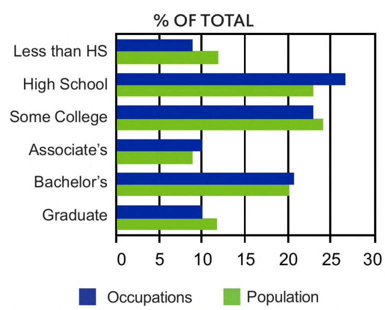
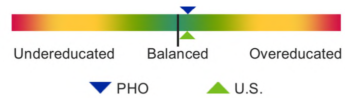
SKILLS MISMATCH



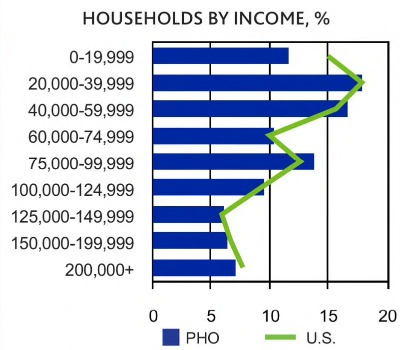
Sources: Census Bureau, ACS, Moody's Analytics, 2018



ECONOMIC DISENFRANCHISEMENT

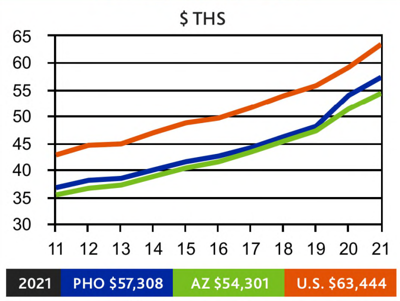
Index	2018	Rank*
Gini coefficient	0.45	238
Palma ratio	2.8	313
Poverty rate	12.2%	265

*Most unequal=1; Most equal=403



Sources: Census Bureau, ACS, Moody's Analytics, 2018

PER CAPITA INCOME



Sources: BEA, Moody's Analytics

MIGRATION FLOWS

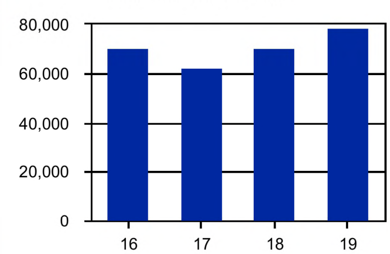
INTO PHOENIX AZ

	Number of Migrants
Los Angeles CA	7,569
Tucson AZ	6,279
Chicago IL	5,664
Riverside CA	5,650
San Diego CA	4,998
Denver CO	3,814
Anaheim CA	3,750
Seattle WA	3,636
Prescott AZ	2,994
Las Vegas NV	2,857
Total in-migration	*168,020*

FROM PHOENIX AZ

Tucson AZ	5,136
Prescott AZ	3,690
Los Angeles CA	3,140
Denver CO	2,540
San Diego CA	2,461
Seattle WA	2,400
Riverside CA	2,387
Las Vegas NV	2,156
Chicago IL	1,959
Flagstaff AZ	1,938
Total out-migration	*116,970*
Net migration	**51,050**

NET MIGRATION,

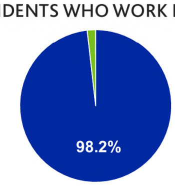


	2016	2017	2018	2019
Domestic	53,626	50,769	62,999	71,657
Foreign	15,425	10,251	6,168	6,007
Total	69,051	61,020	69,167	77,664

Sources: IRS (top), 2019, Census Bureau, Moody's Analytics

COMMUTER FLOWS

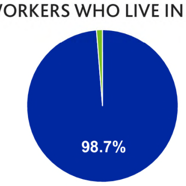
RESIDENTS WHO WORK IN PHO



Top Outside Sources of Jobs

Phoenix AZ	Share
Tucson AZ	0.4
Prescott AZ	0.1
Los Angeles CA	0.1

WORKERS WHO LIVE IN PHO

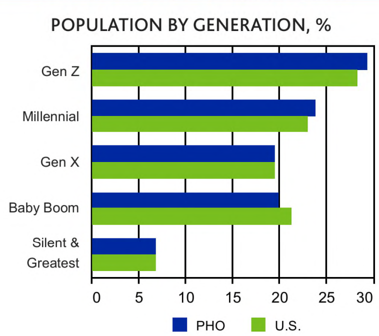


Top Outside Sources of Workers

Phoenix AZ	Share
Tucson AZ	0.2
Prescott AZ	0.2

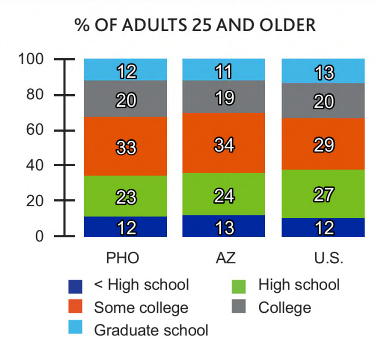
Sources: Census Bureau, Moody's Analytics, avg 2011-2015

GENERATIONAL BREAKDOWN



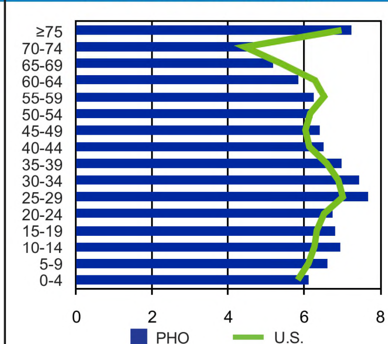
Sources: Census Bureau, Moody's Analytics, 2020

EDUCATIONAL ATTAINMENT



Sources: Census Bureau, ACS, Moody's Analytics, 2018

POPULATION BY AGE, %



Sources: Census Bureau, Moody's Analytics, 2020

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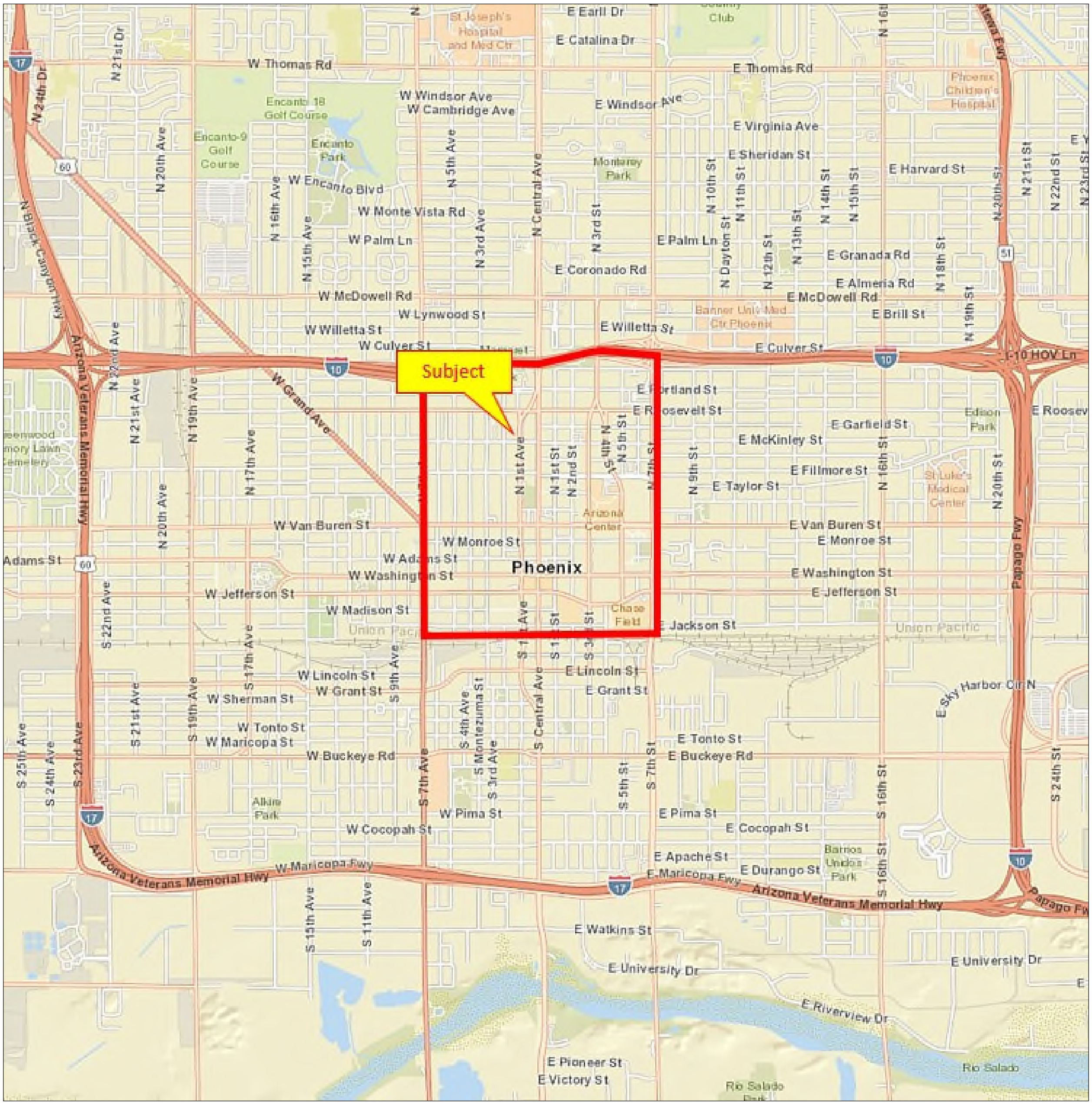
Conclusion

Phoenix-Mesa- recovery will be modest in coming months, but the economy will rapidly pick up steam once herd immunity is achieved. By the summer, consumers will let loose with spending, state and local governments will receive relief from Uncle Sam, and firms and workers will accelerate their relocations to Phoenix-Mesa-Scottsdale.

NEIGHBORHOOD OVERVIEW

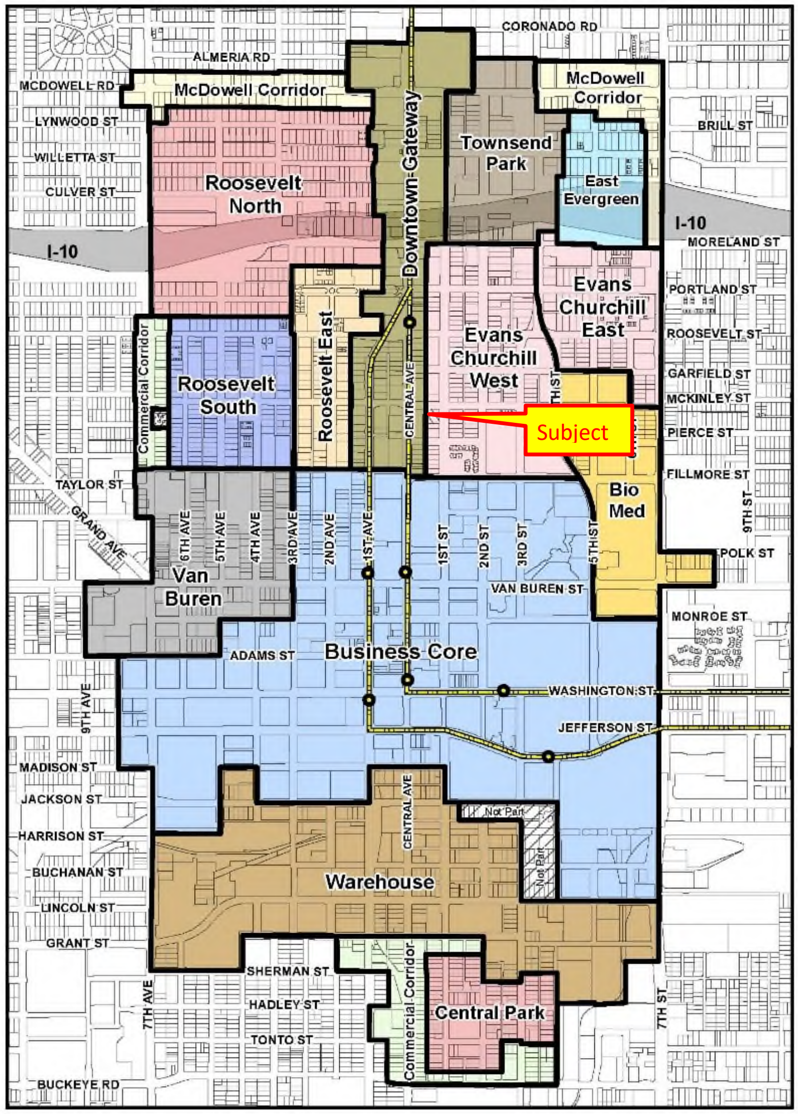
NEIGHBORHOOD MAP



The subject property is located in the northern third of the Phoenix downtown area, just north of the central core more commonly known as the Downtown Phoenix Business Improvement District (formerly Copper Square). The Downtown Phoenix Business Improvement District is the metropolitan area's business address, government center, cultural center, and sports destination. It is the center of economic activity with 26,000 employees in government, banking, and finance, legal, service and non-profit organizations. Served by every major freeway and only five minutes from Sky Harbor International Airport, this area is easily accessible from all parts of the Valley. It is also serviced regularly by the local mass transit system and will serve as the hub of the future light rail transit office.

The Central Phoenix Committee agency and the Planning Department of the City of Phoenix refer to this area as Downtown Phoenix, as distinguished from Midtown Phoenix that generally extends along the Central Avenue corridor north of McDowell Road and Uptown Phoenix north of Campbell Avenue.

The preceding map depicts the Downtown Phoenix neighborhood area as bounded by 7th Street on the east, 7th Avenue on the west, Interstate 10 on the north, and Lincoln Street on the south. It covers an area of approximately 1.5 square miles and contains the original town site of Phoenix that has remained as the downtown core of the city. Central Avenue bisects this core, extending north/south into the bordering mountains, as a significant corridor for development. This corridor consists of three distinct neighborhoods. Valley Center, or downtown, forms the lower or southern extreme for high-rise development. The Midtown neighborhood extends from McDowell Road north to Campbell Avenue. The Uptown neighborhood begins at Campbell Avenue and extends north to Glendale Avenue.



Downtown is distinctly defined by the zoning ordinance that designates this General Plan area as the Downtown Code (DTC) district. In 2006, the Downtown Urban Form was initiated as an implementation step for *Downtown Phoenix: A Strategic Vision and Blueprint for the Future*, adopted by the City Council in December 2004. The Urban Form Project includes an area of 1,500 acres which is approximately one mile wide and two miles long. As part of this Urban Form, new character areas were identified which are reflections of existing downtown neighborhoods. In some cases, due to distinctive features, such as the ASU Campus, sub-areas have been identified, but remain a part of the larger character areas. Character areas are further based on existing land use, zoning, circulation, parcel configuration, building footprints, landscaping, site dimensions, and opportunity sites. As shown on the above map, the subject is within the Roosevelt East and the Downtown Gateway character areas.

EVANS CHURCHILL WEST CHARACTER AREA

According to the Phoenix Zoning Ordinance, "The Evans Churchill West Character Area is to serve as a transition between the mixed-use neighborhoods to the north and east, the Downtown Gateway Corridor to the west, and the Biomed Cluster to the south. Ideally the area should embrace architecturally innovative high-density residential buildings and offer a dynamic mix of commercial and retail uses. It is the home of the downtown public market and will develop into a destination for retail, restaurants and nightlife. Adjacency to major destinations creates the potential for this area to serve as a major pedestrian thoroughfare. New developments should reflect the innovation of the area and incorporate shade structures and landscaping to create comfortable and inviting pedestrian thoroughfares. Outdoor dining and retail shops will enhance the pedestrian experience and encourage exploration and patronage. Buildings oriented to the street with ample sidewalk space allow for pedestrian amenities in addition to the tree-shaded sidewalks in parkway-like strips."

DOWNTOWN GATEWAY CHARACTER AREA

According to the Phoenix Zoning Ordinance, "The Downtown Gateway should be a high- density, vibrant corridor with a mix of residential and commercial development designed for transit riders. Restaurants with outdoor dining and commercial and retail uses should be placed along the street to invite pedestrian exploration. Streetscape improvements throughout the area should be encouraged to make light rail accessible and vibrant."

ARIZONA STATE UNIVERSITY CAMPUS

The downtown campus of ASU is located on the south side of Van Buren Street, across from the PBC. It will be potentially larger in student population than Boston College, Notre Dame, or Syracuse Universities, with an expected 15,000 student campus. The Walter Cronkite School of Journalism facility opened in August 2008, and the College of Nursing moved there in 2006.

Fall 2021 enrollment at the Downtown ASU campus was reported to be 11,721 students. When fully developed, 15,000 students, 1,800 faculty and staff, and 4,000 student housing beds are projected. The academics will include the College of Public Programs, Cronkite School of Journalism and Mass Communications, KAET, College of Nursing, and School Health Management and Policy. The undergraduate experience will be at University College. ASU Phoenix is expected to create 7,700 jobs and generate more than $500 million a year is spending and $7 million a year in revenues to the city.

OTHER DEVELOPMENT

In the past 15± years, great strides have been made to revitalize the downtown core area with an estimated $3 billion in private and public capital spent. It was once an area that was all but deserted after the 9am-5pm traditional work hours. Recent redevelopment efforts have transcended this region, adding diverse land uses to create a balance between commerce, cultural, governmental, recreational, and even to a small extent residential land uses.

The $600 million expansion of the Phoenix Civic Plaza and Convention Center tripled the amount of rentable space, positioning Phoenix as a top destination for 80 percent of all conventions and elevating if from the 67th largest convention center in the United States into the top 20. Fairly recently completed (December 2008), the Phoenix Convention Center provides a spacious, high-tech and client-friendly facility with approximately 900,000 square feet of rentable space and more than 2 million square feet total.

Joining the redeveloped sites of the Phoenix Civic Plaza and the Hyatt Regency are numerous premiere signature projects. Some of the more prominent facilities completed in the past eight to ten years include the Arizona Museum of Science and Technology, and the Arizona Museum, included near the existing Heritage Square. Other major additions to cultural activities in the downtown Phoenix area include the Herberger Theater Center located south of Van Buren between 2nd and 3rd Streets; a two-theater complex including 827-seat and 379-seat facilities; the 45,000-seat retractable domed Chase Field (formerly Bank One Ballpark), the home of the Arizona Diamondbacks; the Talking Stick Arena (formerly America West Arena), a 22,500-seat multipurpose facility and home of the NBA's Phoenix Suns and the WNBA's Phoenix Mercury.

Another large project completed in the last 10 years is the 1,000-room Sheraton Hotel located west and across 3rd Street from the Arizona Center. This 31-story facility was completed in 2008 and is the largest hotel in the state.

In October 2008, construction began on Cityscape, a multi-use development in the center of downtown Phoenix. Bounded by 1st Avenue on the west, 1st Street on the east, Washington Street on the north, and Jefferson Street on the south, this $500 million development contains approximately 1.2 million square feet of space in two towers, including 224 residential apartments, office space, retail and hotel uses (250-room Kimpton Hotel Palomar).

Finally, the new Arizona State University Beus Center for Law and Society, a $129 million law school building for the Sandra Day O'Connor College of Law, is located in the developing ASU downtown campus. The six-story, 280,000 square foot building includes 2 levels of underground parking. The City of Phoenix donated the land roughly located between Fillmore and Van Buren Streets, and Central Avenue and Second Street, and provided $12,000,000 in construction bonds.

HOUSING PROJECTS

A number of multifamily housing projects have been completed within the downtown area within the past several years. Alta Phoenix Lofts, Park at Arizona Center and Roosevelt Square are three Class A apartment projects. Both the Alta Phoenix Lofts and Roosevelt Square projects offer unique loft-style units in an urban living setting with rental rents at the top of the market. In addition, comparatively older multi-story office buildings (Class B) are converting to residential loft developments. In addition, Block 23 includes The Ryan a mid-rise, 330-unit apartment project between 1st and 2nd Streets, south of Washington Street recently completed in 2020.

EMPLOYMENT

According to the Site-To-Do-Business, employment within the defined neighborhood totals 49,040 persons, well above the 8,884 persons who live in the area. This is a result of the dense employment found in the mid to high-rise buildings typical of the downtown area. The largest employment group is Services, which includes Legal, Health and Education services with 18,341 employees followed by Government, with 16,214 employees. The next highest group is Retail/Trade, which includes restaurants and food and apparel stores. The indication is that this defined area, with 1.2 square miles approximately, has one of the highest employment densities in the metro area, at 40,867 persons per square mile.

TRANSPORTATION

Access to and through the defined neighborhood is good. Major east/west arterial streets include Roosevelt, Van Buren, Washington and Jefferson Streets. Major north/south arterial streets include 7th and 3rd Streets and Central, 3rd and 7th Avenues. Arterial streets are asphalt paved, and most are at least four lanes wide with adequate sidewalks for pedestrian traffic and storm drains for surface water disposal.

Completed in December 2008, the Valley Metro Rail system runs down Central Avenue in the neighborhood, between Camelback Road and Washington Street. From Camelback Road on the north, the line extends west to 19th Avenue where it turns north again to Dunlap Avenue. From Jefferson Street in downtown Phoenix, it extends east through Tempe and into Mesa to Gilbert Road. The 26.3-mile Valley Metro Rail system has enabled much better access to Downtown Phoenix, with linkage between ASU-Tempe, Sky Harbor International Airport and the North Central Avenue Corridor. Further extensions will occur over the next 20-plus years to a total length of approximately 66 miles (current plans). Valley Metro also provides bus transportation into and out of the area with numerous routes and regular time intervals. The neighborhood is also only two miles west of Sky Harbor International Airport and lies between Interstates-10 and -17.

NEIGHBORHOOD SERVICES

The neighborhood is served with electricity from Arizona Public Service Company, gas from Southwest Gas Company, and water/sewer and police/fire from the City of Phoenix.

DEMOGRAPHICS

Presented on the following page are select demographics for the subject neighborhood. Demographics for Phoenix-Mesa-Scottsdale MSA are shown for comparison.

COMPARATIVE DEMOGRAPHIC ANALYSIS FOR PRIMARY MARKET AREA		
Description	Defined Neighborhood Totals	Phoenix-Mesa-Scottsdale MSA Totals
Population		
2026 Projection	9,705	5,433,311
2021 Estimate	9,198	5,081,979
2010 Census	6,271	4,192,887
2000 Census	5,217	3,251,872
2021 Est. Median Age	33.5	37.3
2021 Est. Average Age	37.9	38.9
Households		
2026 Projection	4,623	1,998,220
2021 Estimate	4,243	1,862,569
2010 Census	2,625	1,537,173
2000 Census	1,976	1,194,258
2021 Est. Average Household Size	1.34	2.68
2021 Est. Households by Household Income (%)		
Income < $15,000	***26.4***	7.7
Income $15,000 - $24,999	15.3	7.0
Income $25,000 - $34,999	8.1	7.9
Income $35,000 - $49,999	12.3	12.4
Income $50,000 - $74,999	12.0	***17.8***
Income $75,000 - $99,999	8.7	13.4
Income $100,000 - $124,999	5.2	10.2
Income $125,000 - $149,999	3.0	7.1
Income $150,000 - $199,999	4.5	7.3
Income $200,000 - $249,999	2.3	3.6
Income $250,000 - $499,999	1.8	3.8
Income $500,000+	0.5	1.9
2021 Est. Average Household Income	$58,895	$98,011
2021 Est. Median Household Income	$35,362	$70,672
2021 Est. Tenure of Occupied Housing Units (%)		
Owner Occupied	11.6	65.7
Renter Occupied	88.4	34.3
2021 Est. Median All Owner-Occupied Housing Value	$447,292	$301,197
Source: 2021 Claritas, Inc.		

Population in the subject neighborhood is projected to grow by 5.5% over the next five years compared to 6.9% for the overall Phoenix-Mesa-Scottsdale MSA. The average household size in the neighborhood is 1.34 persons reflecting a high percentage of single occupant households which accounts for lower average household income compared to the overall Phoenix-Mesa-Scottsdale MSA. The percentage of renter-occupied households is vastly greater than the overall Phoenix-Mesa-Scottsdale MSA.

NEIGHBORHOOD SUMMARY

The neighborhood includes the downtown central core of the City of Phoenix. Redevelopment efforts of the downtown core district are successfully revitalizing the neighborhood. There are on-going ventures and future plans to diversify the land uses in this area to provide an assortment of choices to attract employers, residents, and visitors to congregate in this neighborhood. As a result, the trend for the area is positive in terms of activity and land values.

SITE DESCRIPTION

The description of the site is based upon our physical inspection of the property, information available from the client, and public sources. See the *Data Sources Used Within This Appraisal* table in the Scope of Work section for more detail.

GENERAL SITE DESCRIPTION OVERVIEW			
Location	SEC, SWC McKinley and 1st Street and the SEC of McKinley and 2nd Street		
Parcel Number	111-43-005A, 006A, 007A, 058, 059, 060, 061, 062 and 063		
Legal Description	Lots 7, 8 and 9, Block 5 of Churchill's Addition (MCR 2/69), Maricopa County, Arizona; and Lots 4, 5, 6, 7, 8 and 9, Block 10 of Churchill's Addition (MCR 2/69), Maricopa County, Arizona		
Site Area	62,250 square feet (1.43 acres)		
Configuration	Three rectangular sites making-up one irregular and fragmented site		
Topography	Level		
Drainage	Appears adequate		
Utilities/Municipal Services	Typical utilities and municipal services available to site.		
Off-Site Improvements	Completed		
Floodplain	**Zone**	**Map**	**Date**
	Zone X (Unshaded)	04013C2205L	October 16, 2013
	Zone X Unshaded (Outside 500Y) is a Non-Special Flood Hazard Area (NSFHA) of minimal flood hazard, usually depicted on Flood Insurance Rate Maps (FIRM) as above the 500-year flood level. This is an area in a low to moderate risk flood zone that is not in any immediate danger from flooding caused by overflowing rivers or hard rains. In communities that participate in the National Flood Insurance Program (NFIP), flood insurance is available to all property owners and renters in this zone.		
Soil/Subsoil Conditions	No soils or subsoils report was provided. This appraisal assumes no adverse soil or subsoil conditions (see Extraordinary Assumptions).		
Environmental Concerns	No environmental report was provided for this analysis. Although no obvious signs of potential problems were noted during my inspection, I am not an expert in this area. This appraisal assumes no adverse environmental hazards or other conditions (see Extraordinary Assumptions).		
Easements, Encroachments and Deed Restrictions	There are no known detrimental easements, encroachments or other restrictions that would adversely affect the site's use or marketability.		
Hazards Nuisances	None noted		
Frontage	Three neighborhood streets		
Access	Currently, there is no access from either 1st or McKinley Streets for the thee lots at the SWC. The three parcels at the SEC of 1st and McKinley Streets have a sigle point of access from 1st Street. The three parcels at the SWC of 2nd and McKinley Streets have a single point of access from 2nd Street. Upon development, additional points of access will likely be granted. The sites can also assessed from the aforementioned respective alleys.		
Visibility	Average, as it fronts the interior downtown streets		

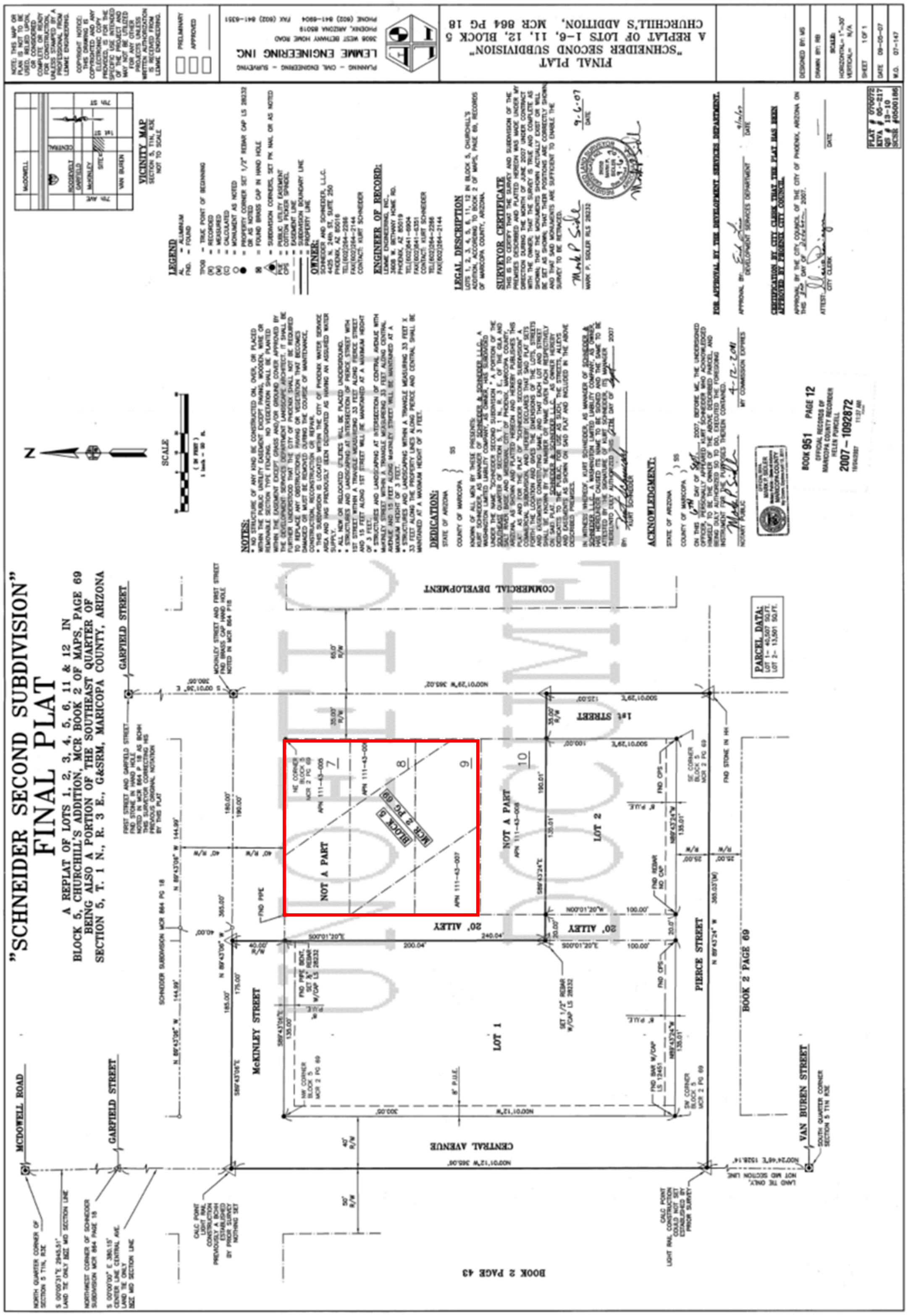
Surrounding Land Uses	North: Older commercial development across McKinley Street (west of 1st Street); older commercial and newer high-rise multi-family project between 1st and 2nd Streets. South: Vacant land proposed for a high-rise multifamily development with the potential of ground floor retail (west of 1st Street) with older commercial buildings between 1st and 2nd Streets. East: older multi-family development West: Vacant land proposed for a high-rise multifamily development with the potential of ground floor retail.
Opportunity Zone	Yes
Traffic Counts	Not measured along 1st, 2nd or McKinley Streets
Transportation Facilities	Excellent public transportation is provided throughout downtown Phoenix. There are light-rail stops within approximately three blocks of the site.
Site Utility	Good
Comments	Redevelopment site currently comprised of nine lots within the Evans Churchill West section of Downtown Phoenix. Notably, the site includes three grouping of three lots each one separated by a city of Phoenix alleyway and one separated by 1st Street, a public right-of-way. The lots are less than two blocks north of the Downtown Arizona State University Campus and only a few blocks from a light-rail station.

ZONING

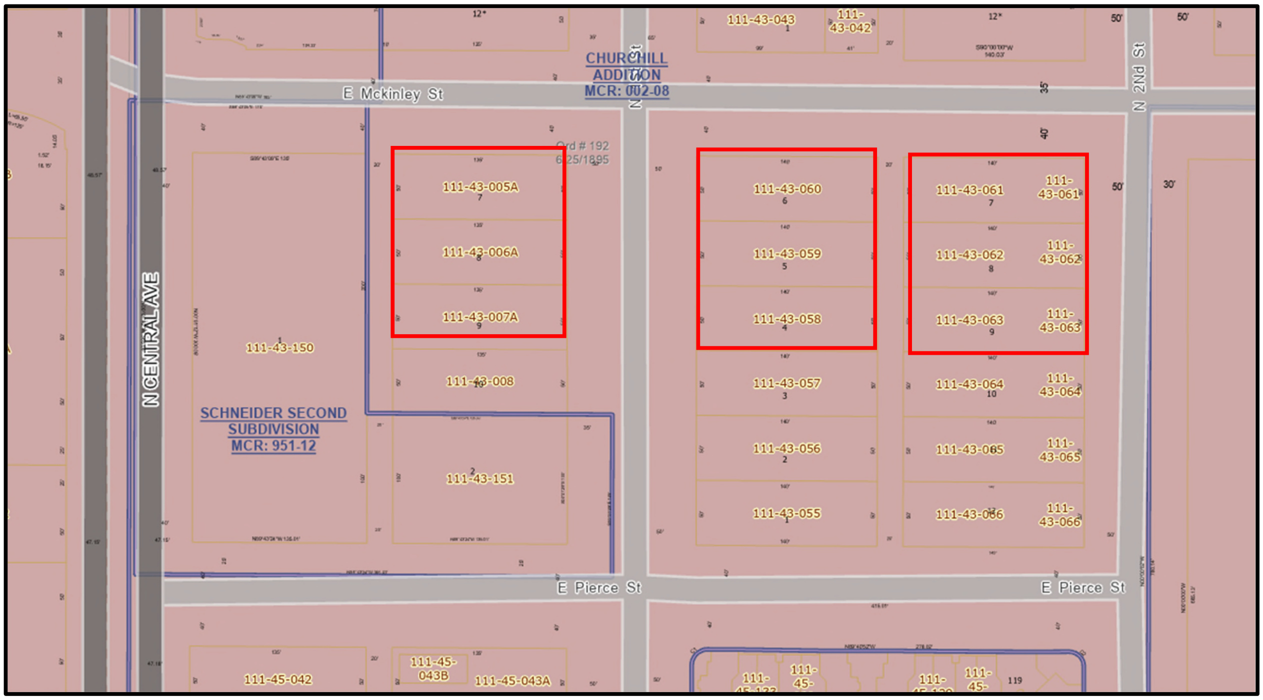
Designation	DTC-W-EV
Description	Downtown Code - West/Evans Churchill
Zoning Intent	Downtown Code - The purpose of the Code is to implement the vision, goals and policies of the Downtown Phoenix Plan and provide the physical environment necessary to create a pedestrian-oriented, dynamic urban center with an authentic sense of place. The intent of the Downtown Code is to address design that impacts the public realm by establishing standards and guidelines that will allow projects to develop over time in a scale and character consistent with the Downtown Phoenix Plan and with the vision and goals of PlanPHX. The Downtown Code applies to all land uses, subdivisions, and development within the boundary specifically identified in Section 1202.B and generally bounded by McDowell Road on the north, 7th Street on the east, Buckeye Road on the south, and 7th Avenue on the west. This boundary shall be hereafter known as Downtown. If a conflict occurs between requirements of the Downtown Code and the remainder of the City of Phoenix Zoning Ordinance, the requirements of the Downtown Code shall prevail. Evans Churchill West - The primary intent of the Evans Churchill West Character Area is to serve as a transition between the mixed-use neighborhoods to the north and east, the Downtown Gateway Corridor to the west, and the Biomed Cluster to the south. Ideally the area should embrace architecturally innovative high-density residential buildings and offer a dynamic mix of commercial and retail uses. It is the home of the downtown public market and will develop into a destination for retail, restaurants and nightlife. Adjacency to major destinations creates the potential for this area to serve as a major pedestrian thoroughfare. New developments should reflect the innovation of the area and incorporate shade structures and landscaping to create comfortable and inviting pedestrian thoroughfares. Outdoor dining and retail shops will enhance the pedestrian experience and encourage exploration and patronage. Buildings oriented to the street with ample sidewalk space allow for pedestrian amenities in addition to the tree-shaded sidewalks in parkway-like strips.
Compliance	The subject is vacant land and is a legal conforming use.

ZONING REQUIREMENTS	
Permitted Uses	The area indicated on the Arts, Culture, Small Business Area Map in Section 1202.G has the following standards and guidelines. In the event of a conflict with other Zoning Ordinance provisions, the more permissive shall apply.
Minimum Lot Size	6,000 SF
Minimum Lot Width	55 Feet
Front (min. ft.)	Based on approved use
Rear, alley/no alley (min. ft.)	Based on approved use
Side (min. ft.) interior	Based on approved use
Minimum building seperation	Based on approved use
Maximum Density	None
Maximum Height	250 feet

SITE SURVEY – THREE LOTS SWC 1ST AND MCKINLEY STREETS

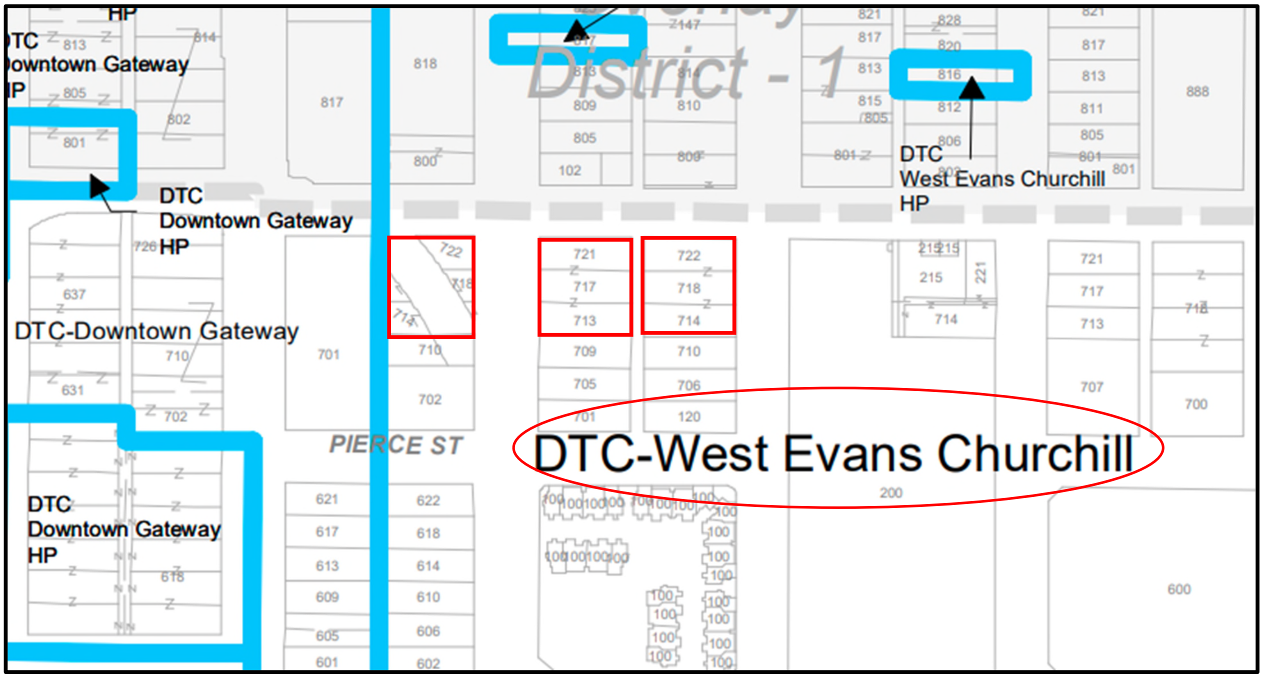


ASSESSOR'S PARCEL MAP

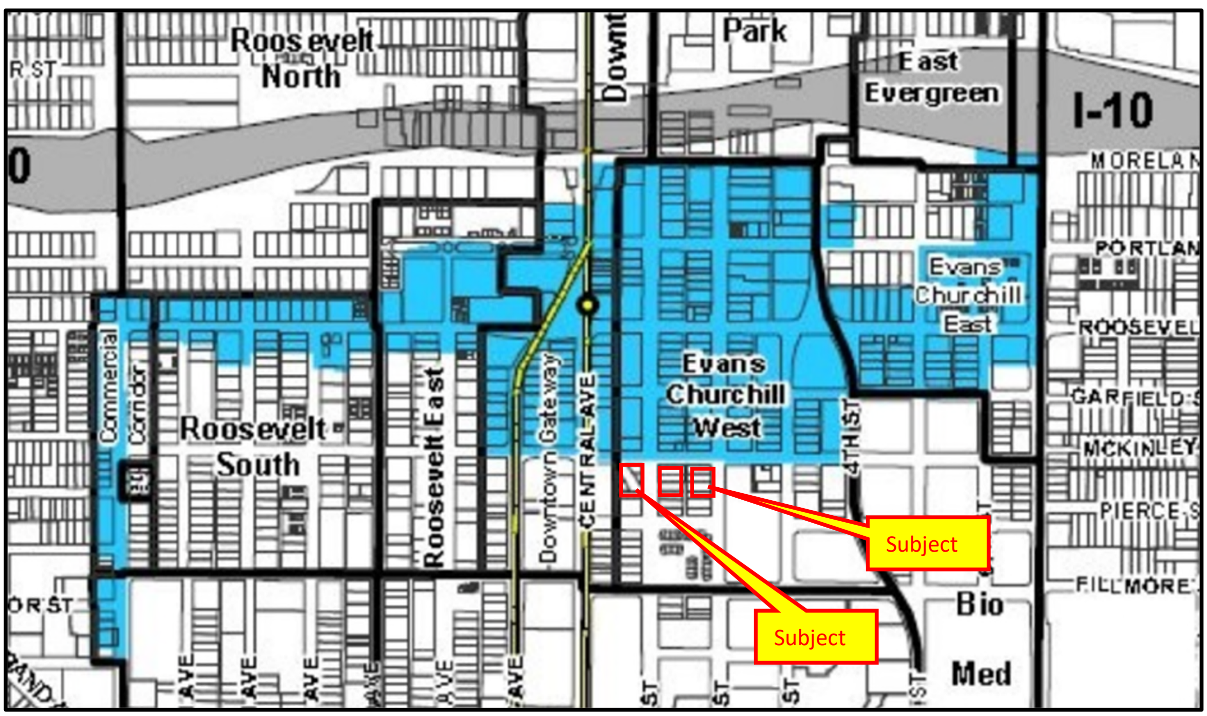


ASSESSOR'S AERIAL MAP

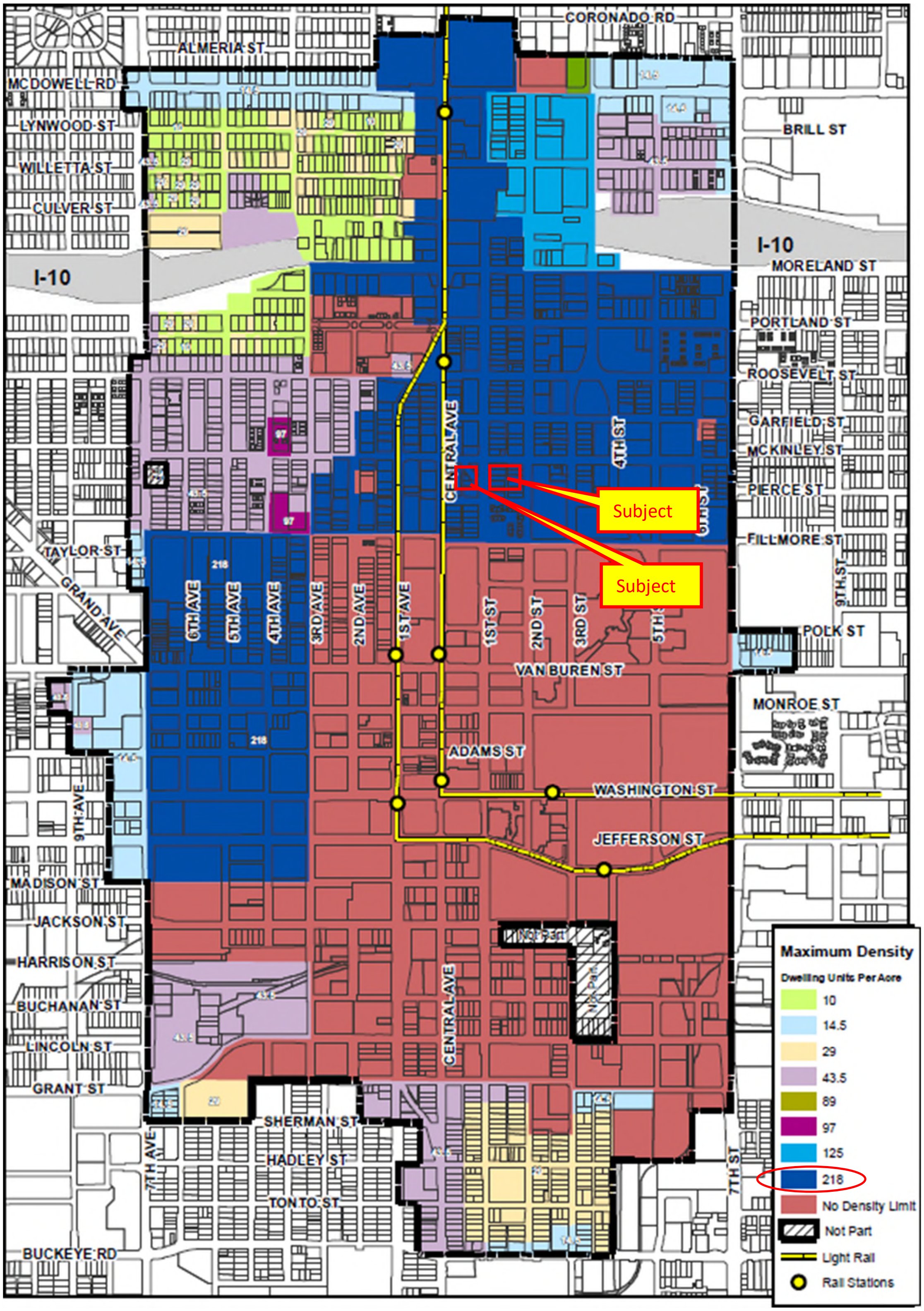
Zoning Map



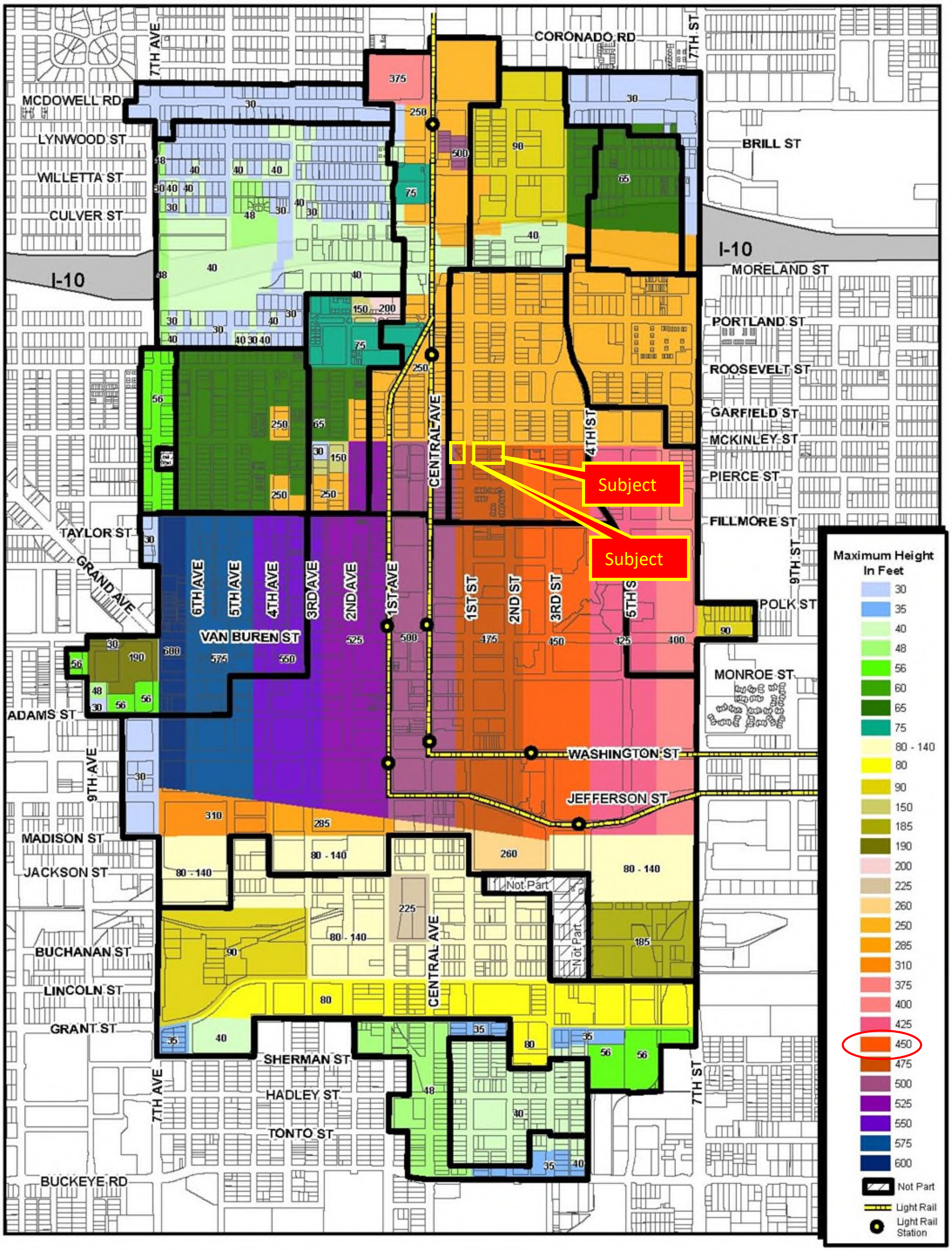
Arts, Culture, and Small Business Overlay Map



MAXIMUM DENSITY MAP



MAXIMUM BUILDING HEIGHT MAP



OPPORTUNITY ZONE

The subject property is also located in an Opportunity Zone, a federal program that allows each state's governor to nominate up to 25% of the qualifying low-income census tracts as Opportunity Zones.

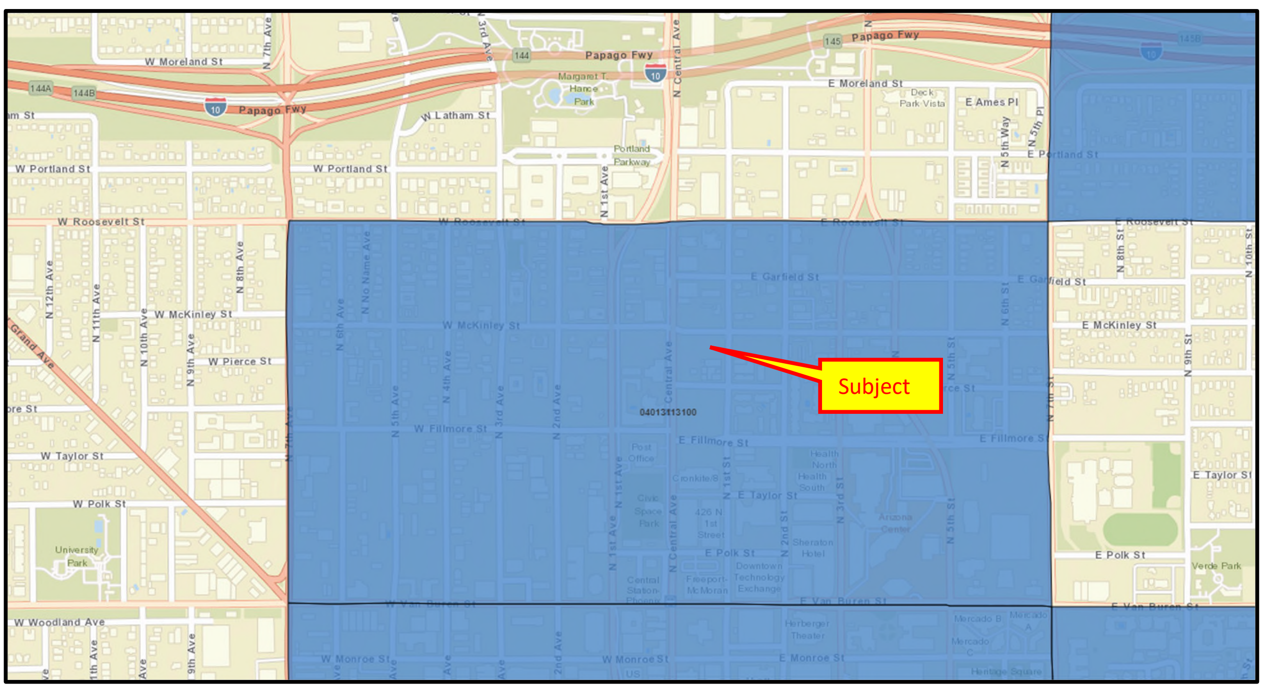
Arizona's Opportunity Zone nominations were submitted on March 21, 2018 and approved by the U.S. Treasury Department on April 9, 2018, making Arizona one of the first states in the nation to have its zones officially designated. It was created under a provision of the Tax Cuts and Jobs Act, which was signed into law December of 2017. Investors who reinvest capital gains monies in Opportunity Zone funds will receive reductions on capital gains taxes relative to the years of their investment.

- **Investments held 10 years:** taxable amount of the capital gains reinvested is reduced by 15% and no tax is owed on appreciation. For example: $100 of capital gains is reinvested into an Opportunity Zone fund and held for 10 years. Tax owed on the original $100 is deferred until 2026, and taxable amount is reduced to $85 ($100 minus $15). Investor will owe $20 of tax on the original capital gains (23.8% of $85). No tax is owed on Opportunity Zone investment's capital gain. Assuming a 7% annual growth rate, the after-tax value of the original $100 investment is $176 by 2028.

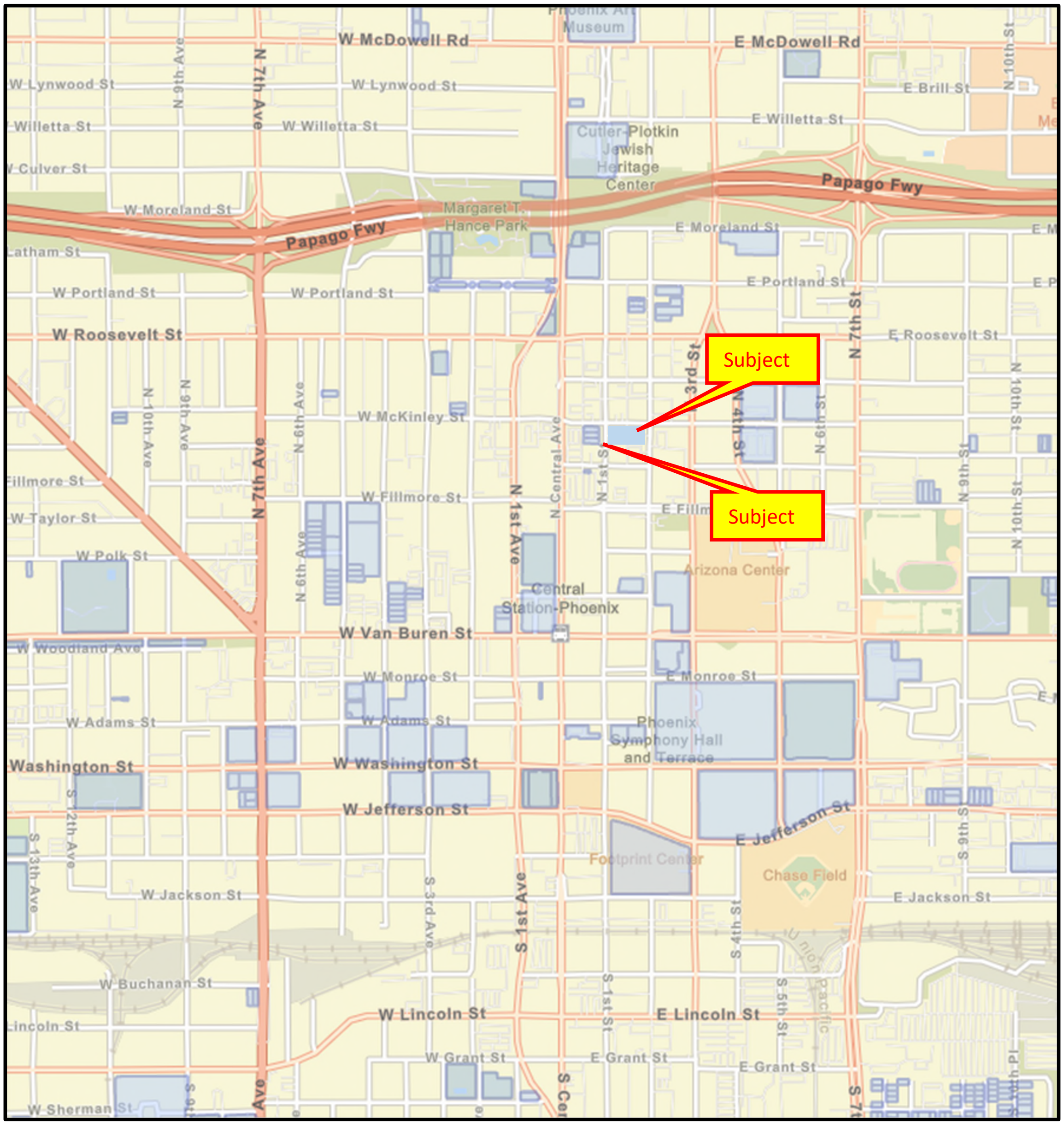
- **Investments held 7 years:** taxable amount of the capital gains reinvested is reduced by 15%. For example: $100 of capital gains is reinvested into an Opportunity Zone fund and held for 7 years, selling in 2025. Taxable amount is reduced to $85 ($100 minus $15). Investor will owe $20 of tax on the original capital gains (23.8% of $85). Assuming a 7% annual growth rate, the investor will owe $15 in tax (23.8% of $61) on the Opportunity Zone investment's capital gain.

- **Investments held 5 years:** taxable amount of the capital gains reinvested is reduced by 10%. For example: $100 of capital gains is reinvested into an Opportunity Zone fund and held for 5 years, selling in 2023. Taxable amount is reduced to $90 ($100 minus $10). Investor will owe $21 in tax on the original capital gains (23.8% of $90). Assuming a 7% annual growth rate, the investor will owe $10 in tax (23.8% of $40) on the Opportunity Zone investment's capital gain.

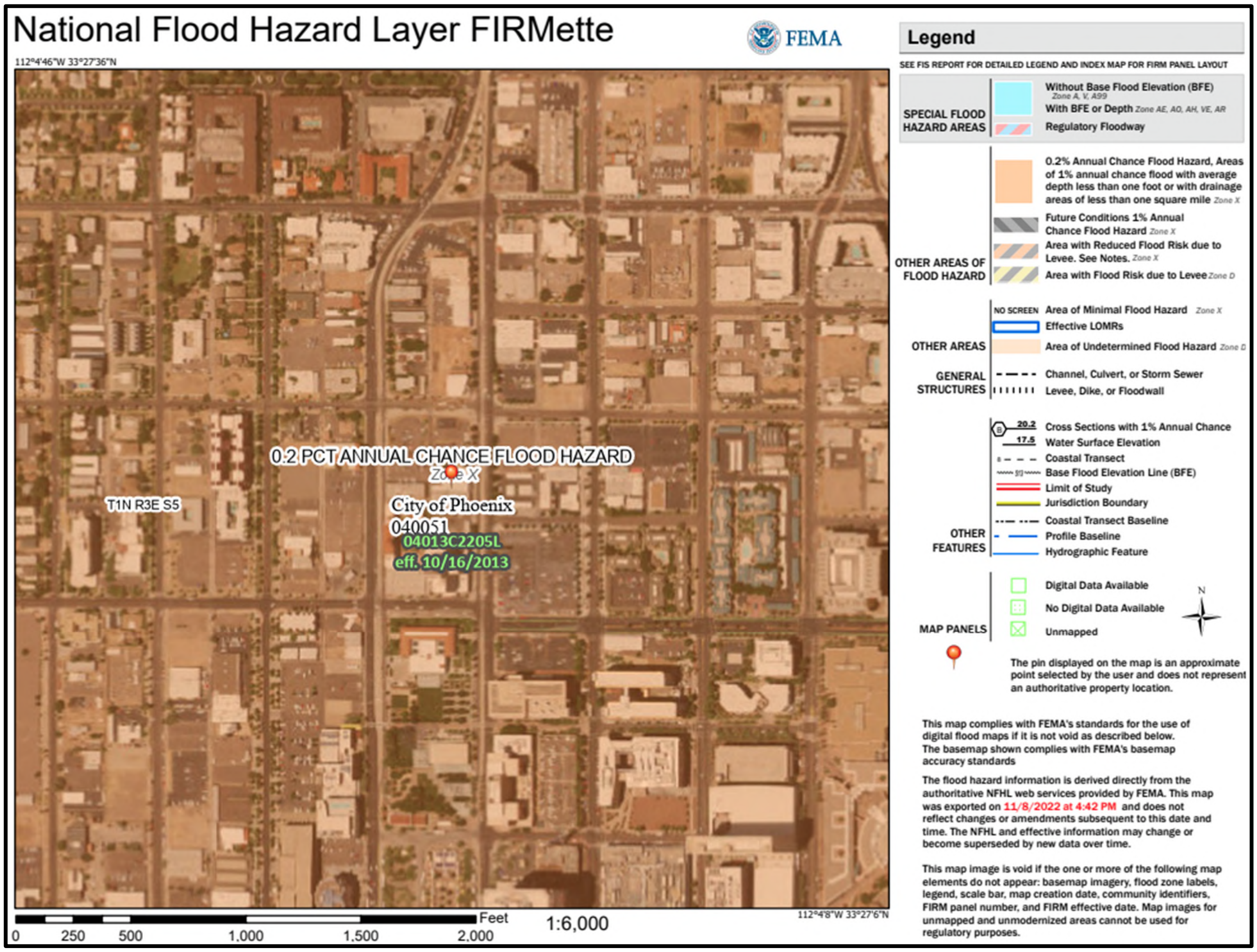
OPPORTUNITY ZONE MAP



DOWNTOWN CITY OF PHOENIX OWNED PROPERTY MAP



FLOOD MAP


National Flood Hazard Layer FIRMette
FEMA
112°4'46"W 33°27'36"N
0.2 PCT ANNUAL CHANCE FLOOD HAZARD
Zone X
T1N R3E S5
City of Phoenix
040051
04013C2205L
eff. 10/16/2013
112°4'8"W 33°27'6"N
Feet
0 250 500 1,000 1,500 2,000
1:6,000
Legend
SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT
SPECIAL FLOOD HAZARD AREAS
Without Base Flood Elevation (BFE) Zone A, V, A99
With BFE or Depth Zone AE, AO, AH, VE, AR
Regulatory Floodway
OTHER AREAS OF FLOOD HAZARD
0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile Zone X
Future Conditions 1% Annual Chance Flood Hazard Zone X
Area with Reduced Flood Risk due to Levee. See Notes. Zone X
Area with Flood Risk due to Levee Zone D
OTHER AREAS
NO SCREEN Area of Minimal Flood Hazard Zone X
Effective LOMRs
Area of Undetermined Flood Hazard Zone D
GENERAL STRUCTURES
Channel, Culvert, or Storm Sewer
Levee, Dike, or Floodwall
OTHER FEATURES
20.2
17.5
Cross Sections with 1% Annual Chance Water Surface Elevation
Coastal Transect
Base Flood Elevation Line (BFE)
Limit of Study
Jurisdiction Boundary
Coastal Transect Baseline
Profile Baseline
Hydrographic Feature
MAP PANELS
Digital Data Available
No Digital Data Available
Unmapped
N
The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.
This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards
The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 11/8/2022 at 4:42 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.
This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

IMPROVEMENTS DESCRIPTION

The western three parcel grouping is currently undeveloped having crushed asphalt cover and some temporary fencing. The six parcels between 1st and 2nd Street are asphalt paved parking lots.

PROPERTY ASSESSMENT AND TAX ANALYSIS

PROPERTY ASSESSMENT AND TAX DATA

The subject property is owned by Maricopa County; thus, is exempt from taxation.

REAL ESTATE ASSESSMENT AND TAXES			
Tax ID No.		**2022**	**2023**
111-43-005A, 006A, 007A, 058, 059, 060, 061, 062 and 063		$2,637,528	$2,769,408
Tax Value Subtotal		$2,637,528	$2,769,408
Assessed Value @	15.00%	$395,629	$415,411
General Tax Rate	per $100	14.7860	14.7860
Property Taxes		**$58,498**	**$61,423**
Special/Direct Assessments		$0	$0
Total Taxes *		**$58,498**	**$61,423**
Total Taxes per Unit		**$1**	**$1**

** The subject property is owned by the City of Phoenix; thus, is exempt from taxation.*

MARKET ANALYSIS - DOWNTOWN PHOENIX MULTI-FAMILY MARKET

OVERVIEW

Downtown Phoenix has the most aggressive development pipeline in The Valley as builders look to capitalize on the revitalization of the city center. Over the past 10 years, growing enrollment at Arizona State University's downtown campus, the extension of Light Rail, and an influx of retail and entertainment attracted young professionals to the area. Recently, however, the inundation of new supply overtook rental demand, weakening property performance. Vacancy is up more than 400 basis points in the past year, and rent growth has slowed considerably. Net absorption in Downtown Phoenix has held up well compared to the overall market, an indication that recent weakness is more supply-driven than demand-driven. Landlords will need to prepare for a wave of new construction that will deliver over the next two years. Development is focused on high-end units, despite the need for more affordable housing in the submarket. Moving forward, this supply and demand imbalance will put upward pressure on vacancy and moderate rent over the short to mid-term. Following record trade volume in 2021, investors have taken a more cautious approach to Downtown Phoenix. Rising interest rates and weaker rent growth projections are making it difficult for deals to pencil, particularly higher-end assets that typically trade at lower yields. Approximately $83.8 million worth of apartments traded in the submarket over the past 12 months, compared to the five-year annual average of $983 million.

KEY INDICATORS *AT A GLANCE*

	PRIOR QUARTER	CURRENT QUARTER	COMPARISON
Vacancy (%)	10.03%	10.17%	increased 14 Basis Points
Absorption (Units)	162	511	increased 349 Units
Quoted Rental Rates ($/Unit/Month)	$1,533	$1,513	decreased $20 Per Unit
Inventory (Units)	37,539	38,167	increased 628 Units
Net Deliveries (Units)	646	628	decreased 18 Units
Under Construction (Units)	5,604	5,541	decreased 63 Units
Overall Comparison	*Although the overall vacancy rate increased slightly, absorption was un the current quarter. Rents declined roughly 1.3% from the prior quarter which could have been a function of the unit mix associated with the 628 units added to the inventory. The number of units under construction has remained over 5,000 units for the 11 consecutive quarter. With the continued increase in interest rates, many market participants anticipate this number to decline sharply as a number of projects are being put on hold. On a positive note, should inflation get under control, construction costs could decrease to a level making development financially feasible, despite the higher interest rates.*		

DOWNTOWN PHOENIX MULTI-FAMILY MARKET STATISTICS

PERIOD	EXISTING INVENTORY (UNITS)	VACANCY %	NET ABSORPTION (UNITS)	NET COMPLETIONS (UNITS)	UNDER CONST. (UNITS)	QUOTED RATES ($/UNIT/MONTH)
2022 Q3	38,167	10.17%	511	628	5,541	$1,513
2022 Q2	37,539	10.03%	162	646	5,604	$1,533
2022 Q1	36,893	8.89%	517	1,111	5,219	$1,509
2021 Q4	35,782	7.51%	230	799	5,638	$1,489
2021	35,782	7.51%	1,793	1,888	5,638	$1,489
2020	33,894	7.65%	1,263	1,209	5,557	$1,284
2019	32,685	8.10%	1,348	1,608	4,137	$1,262
2018	31,077	7.68%	1,651	1,507	3,130	$1,215
2017	29,570	8.56%	1,299	1,296	3,743	$1,162
2016	28,274	8.97%	1,061	1,069	2,602	$1,130
2015	27,205	9.28%	532	757	1,346	$1,089
2014	26,448	8.71%	266	195	1,290	$1,043
2013	26,253	9.04%	262	32	230	$1,023

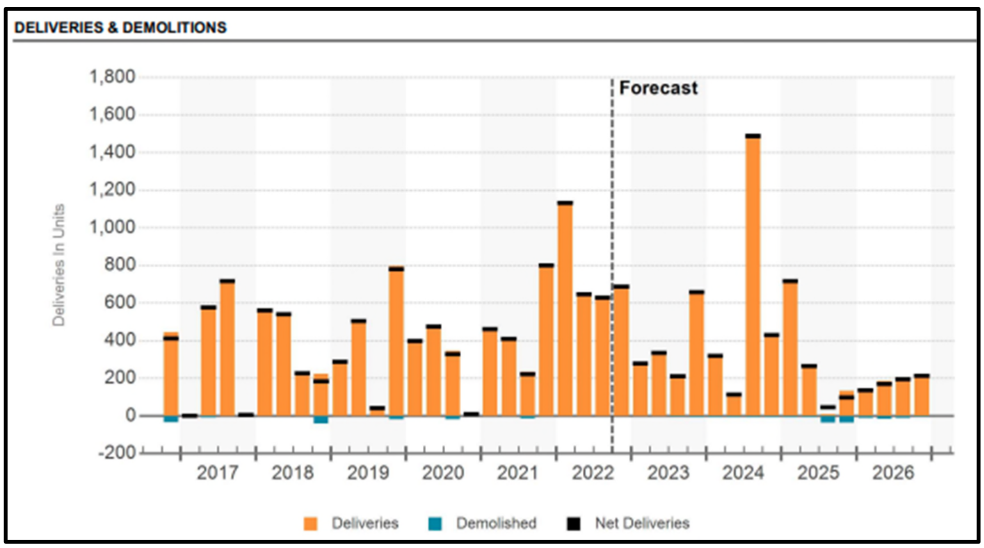
The Downtown Phoenix Multi-Family market ended the third quarter with a vacancy rate of 10.17%. The vacancy rate increased over the previous quarter, with net absorption totaling 511 units in the third quarter. Rental rates decreased compared to the previous quarter, ending third quarter at $1,513. A total of 628 units was delivered to the market, with 5,541 units still under construction at the end of the quarter.

INVENTORY & CONSTRUCTION

During the third quarter 2022, a total of 628 units was completed in the Downtown Phoenix market area. This compares to a total of 646 units completed in the second quarter 2022, a total of 1,111 units completed in the first quarter 2022, and 799 units completed in the fourth quarter 2021.

There were 5,541 units of Multi-Family space under construction at the end of the third quarter 2022.

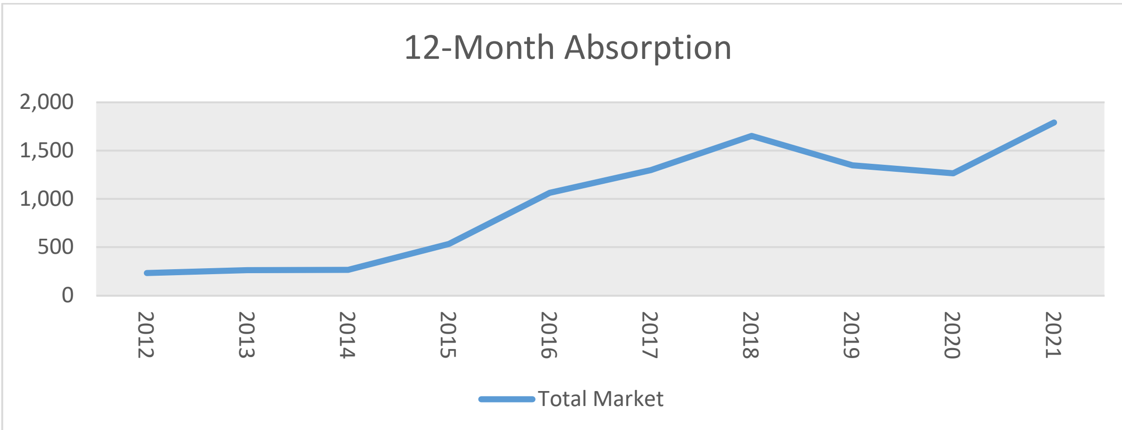
SUBTYPE	EXISTING INVENTORY (UNITS)	NET DELIVERIES (12 MONTHS)	UNDER CONSTRUCTION (UNITS)
Class A (4 & 5 Star)	17,735	2,905	4,960
Class B (3 Star)	8,283	263	581
Class C (1 & 2 Star)	12,149	16	0
Total	**38,167**	**3,184**	**5,541**



All-Time Annual Avg. Units	Delivered Units Past 8 Qtrs	Delivered Units Next 8 Qtrs	Proposed Units Next 8 Qtrs
712	4,718	5,150	2,585

Apartment construction has ramped up in Downtown Phoenix, and the development pipeline will remain robust through 2023. Approximately 9,000 units have been delivered in the submarket in the past five years, growing inventory by 30.5%. Like the metro-wide trend, luxury apartments account for most of the new development in the submarket; virtually all deliveries since 2015 are 4 & 5 Star quality. A hefty supply pipeline and rising construction costs have not yet deterred developers in the submarket; several apartments have broken ground in the past year. About 5,200 units are underway, which would increase inventory by about 13.3% when complete. Most projects are concentrated around Roosevelt Row, which is one of the few organic live/work/play neighborhoods in the metro. The Downtown Phoenix skyline is poised for further growth in the coming years. In 22Q1, builders broke ground on PALMtower, a luxury high-rise apartment complex located near Van Buren and 5th Street. Clayco, in partnership with North American Development Group and William Bruder Architects, is developing the property. Once completed, the 300+ unit tower will be among the tallest residential properties in Downtown Phoenix. Clayco is also underway on another luxury high-rise just a few miles north. Skye on 6th is a 309-unit Class A multifamily property that extends 26 stories high. Both projects are expected to deliver sometime in 2023. Construction activity is also occurring in the northern part of the submarket, in Encanto and Midtown. This summer, builders completed work on Haverly Apartments, a 323- unit multifamily project off Thomas Road and Central Avenue. Thousands of units are underway here as developers push further north amid increased competition in the CBD.

ABSORPTION



Net absorption for the overall Downtown Phoenix Multi-Family market was 511 units in third quarter 2022. That compares to 162 units in second quarter 2022, 517 units in first quarter 2022, and 230 units in fourth quarter 2021. Net absorption in the market over the prior 12 months totaled 1,420 units.

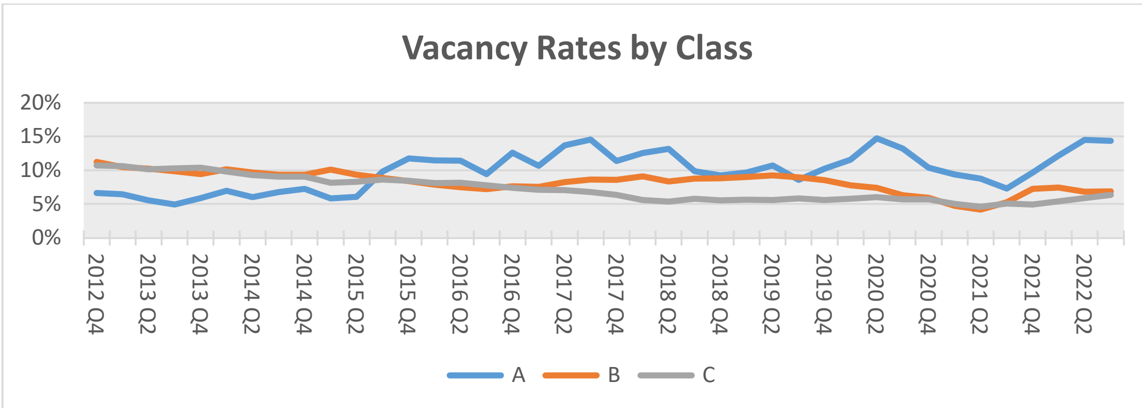
The Class A (4 & 5 Star) Multi-Family market recorded net absorption of 513 units in the third quarter 2022, compared to 167 units in the second quarter 2022, 582 units in the first quarter 2022, and 184 units in the fourth quarter 2021.

The Class B (3 Star) Multi-Family market recorded net absorption of 43 units in the third quarter 2022, compared to 53 units in the second quarter 2022, -13 units in the first quarter 2022, and 32 units in the fourth quarter 2021.

The Class C (1 & 2 Star) Multi-Family market recorded net absorption of -44 units in the third quarter 2022, compared to -57 units in the second quarter 2022, -51 units in the first quarter 2022, and 14 units in the fourth quarter 2021.

VACANCY

Like trends seen for the overall market, Downtown Phoenix vacancies have risen considerably over the last 12 months, erasing the robust gains made during the pandemic era. The area's steep construction pipeline has outstripped steady net absorption, softening property performance. The overall apartment vacancy climbed to 10.5%, the highest level in over a decade. Vacancies are still about 400 basis points higher at newly delivered projects than at stabilized properties. Over the past several years, construction has been limited to 4 & 5 Star apartments, which have a vacancy rate of 14.8%. The rate is significantly lower for older and more affordable communities, where demand has been the strongest since the pandemic. The gap between supply and demand will play a key role over the next several quarters. A glut of luxury units is in the pipeline and slated to deliver through 2023, which will create supply-side risk in the near term. Apartment performance varies by location. Vacancies are highly elevated in the core: the area bounded by Seventh Street and Seventh Avenue between the I-10 and I-17 freeways. Availabilities are more compressed in neighborhoods north of I-10, like Coronado, Encanto, and Uptown Phoenix. These areas received limited new supply over the past five years, and rents can be about $500/month cheaper than the core. While supply over the next two years is a headwind for the submarket, the long-term outlook is favorable. Key economic drivers, capital investments, and a growing amenity base will continue to generate housing demand in the submarket. The Metro Light Rail's construction has brought more than 20 stops throughout the submarket, giving residents easy access to Uptown, Phoenix Sky Harbor Airport, and parts of the East Valley. Transit has attracted new businesses; according to the Downtown Phoenix Partnership, the area has added about 100 net new restaurants since 2008. Downtown Phoenix is also home to all three state universities. Arizona State University has the most substantial presence, and its downtown campus has grown to nearly 12,000 students.



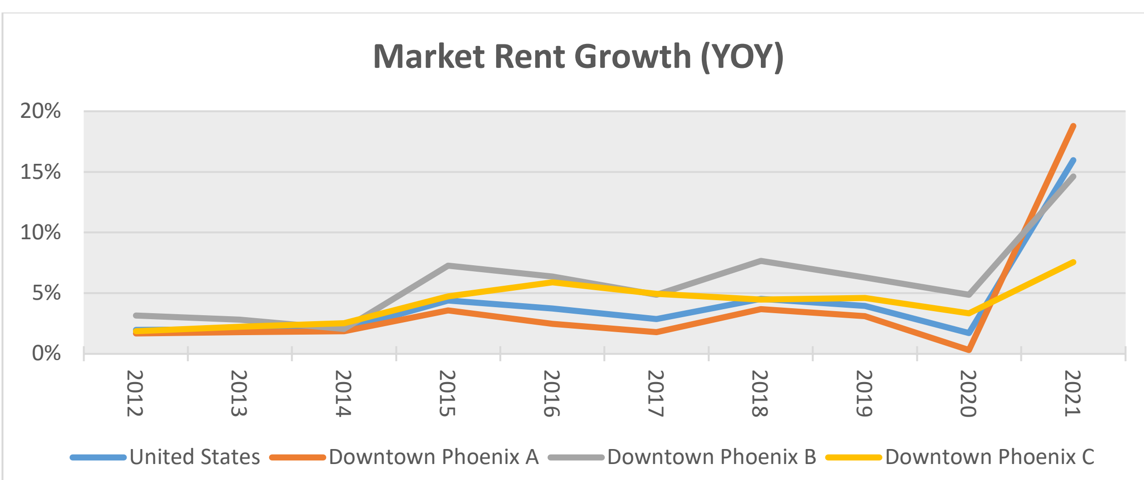
Vacancy for the overall Downtown Phoenix Multi-Family market increased to 10.17% in the third quarter 2022. That compares to 10.03% in the second quarter 2022, 8.89% in the first quarter 2022, and 7.51% in the fourth quarter 2021.

Class A (4 & 5 Star) projects reported a vacancy rate of 14.34% at the end of the third quarter 2022, 14.50% at the end of the second quarter 2022, 12.17% at the end of the first quarter 2022, and 9.65% at the end of the fourth quarter 2021.

Class B (3 Star) projects reported a vacancy rate of 6.87% at the end of the third quarter 2022, 6.80% at the end of the second quarter 2022, 7.44% at the end of the first quarter 2022, and 7.27% at the end of the fourth quarter 2021.

Class C (1 & 2 Star) projects reported a vacancy rate of 6.33% at the end of the third quarter 2022, 5.89% at the end of the second quarter 2022, 5.42% at the end of the first quarter 2022, and 4.95% at the end of the fourth quarter 2021.

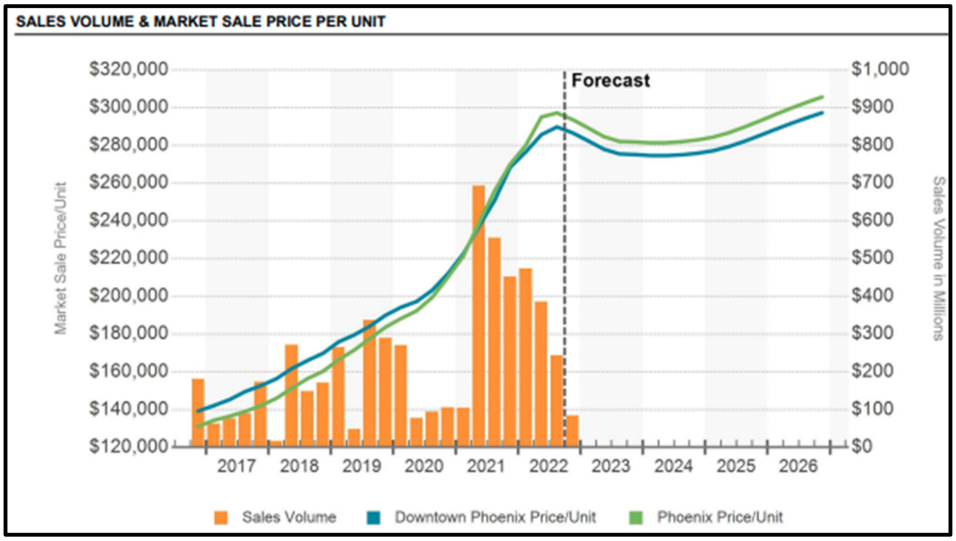
RENTAL RATES

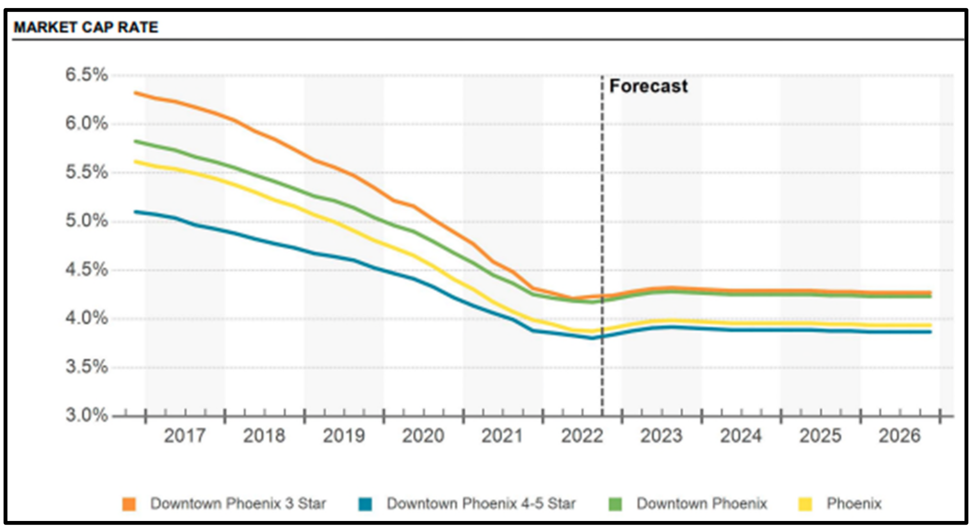


The average asking rental rate for available Multi-Family space, all classes, was $1,513 per unit per month at the end of the third quarter 2022 in the Downtown Phoenix market area. This represented a 1.3% decrease in quoted rental rates from the end of the second quarter 2022, when rents were reported at $1,533 per unit.

The average quoted rate within the Class A (4 & 5 Star) sector was $1,856 at the end of the third quarter 2022, while Class B (3 Star) rates stood at $1,334, and Class C (1 & 2 Star) rates at $987. At the end of the second quarter 2022, Class A (4 & 5 Star) rates were $1,893 per unit, Class-B (3 Star) rates were $1,339, and Class C (1 & 2 Star) rates were $987.

SALES





Sale Comparables	Avg. Price/Unit (thous.)	Average Price (mil.)	Average Vacancy at Sale
101	$286	$16.2	13.1%

Investment activity in Downtown Phoenix is decelerating from last year's record pace as higher interest rates and softer property performance restrain investor bullishness. Around $83.8 million of multifamily assets have traded in the past 12 months, compared to the five-year annual average of $983 million. Private investors still drive the bulk of investment activity, most of which are from out of state. In one of the biggest trades in submarket history, New York-based RXR Realty acquired Mercer on Fillmore for $145 million ($417,000/unit) in January 2022. The 348- unit apartment complex delivered in March 2022 and was developed by Trammell Crowe. The project features onsite retail, a game room, and a fitness center, among other amenities. KB Development, a private investment group from California, paid $127 million ($453,500/unit) for Arts District Apartments in May 2022. Completed in 2017, the 280-unit mid-rise property was 3.7% vacant at time of sale. Institutional investors are also pursuing multifamily assets in Downtown Phoenix, although they represent a much smaller share of the buyer pool than private investors. Harbor Group International recently purchased Colter Gardens for $81 million ($210,000/unit). The 386-unit property is located near 7th Avenue and Colter Street, just north of Camelback Road. The seller, 3rd Avenue Investments, acquired the property in February 2020 for $53 million. Strong competition for assets had put consistent upward pressure on pricing over the last several years. The average market sales price is $290,000/unit, up 170% from its 2007 peak. Average cap rates have compressed to 4.2% and are flattening out as the market begins to transition. Despite the compression, there is still about a 50-basis-point spread between cap rates in the submarket and those in Southern California.

DOWNTOWN PHOENIX MARKET OUTLOOK

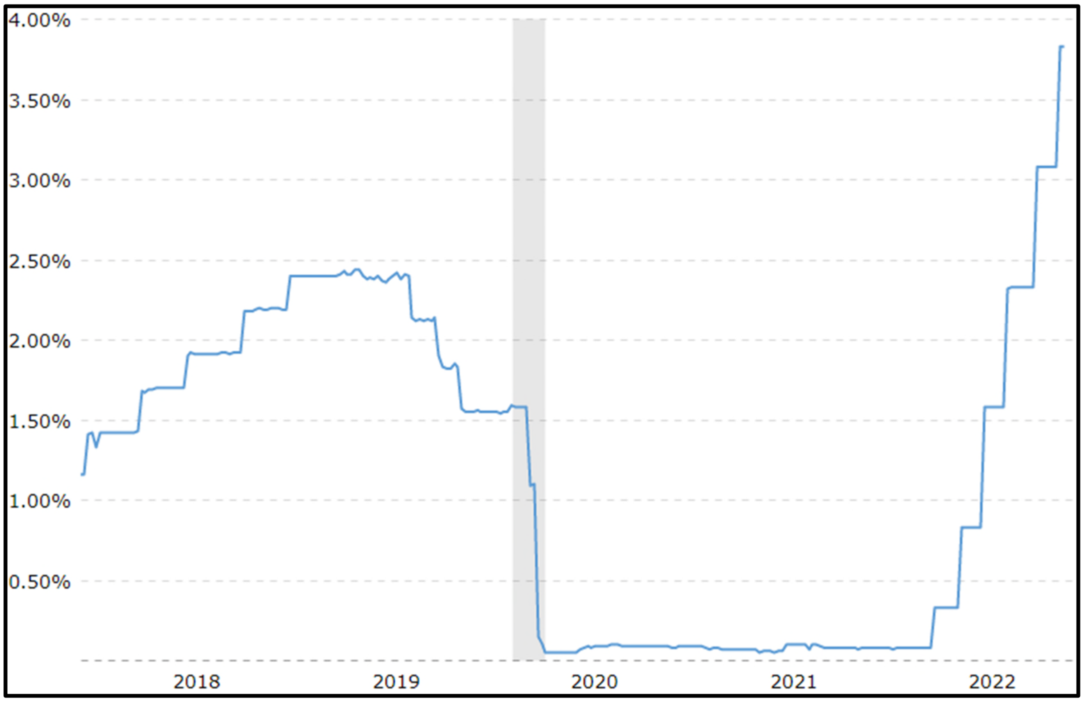
The Downtown Phoenix Multi-Family market ended the third quarter 2022 with an overall vacancy rate of 10.17%. The vacancy rate increased over the previous quarter, with net absorption totaling 511 units in the third quarter 2022. Rental rates decreased $20.02 per unit per month over the previous quarter and ended at $1,513 per unit per month. A total of 628 units was delivered in the quarter, with 5,541 units still under construction at the end of the quarter.

Rental rates needed to justify the cost of new construction are materially higher than asking rent at the subject property and any new construction is unlikely to compete with the subject; however, it will add to new supply. Overall, the submarket appears to have solid fundamentals and the subject should enjoy adequate market acceptance within the submarket.

INTEREST RATE HIKES

The Federal Reserve has expressed concerns regarding the recent increase in inflation. The Federal Reserve began raising interest rates with a 0.25% increase in March 2022, another 0.50% increase in May 2022 and 0.75% in June, July, September, and October 2022. Interest rates have been at all-time lows for an extended period of time; therefore, an increase in all types of interest rates has begun and they are expected to continue until inflation decreases. This has a direct impact on mortgage interest rates, which has increased the cost of borrowing. The rise in mortgage interest rates combined, with the increased cost of construction could begin to slow the demand for all types of housing. The rate at which the Federal Reserve raises interest rates will have a substantial impact on the ability of the economy to absorb these increases.

The graph below is published by Macrotrends.net and shows the Federal Funds Rate since 2017. The grey bar represents the recession caused by the CoVid-19 pandemic and the subsequent sharp rate drop that occurred at that time. The Federal Reserve has increased rates by 3.75% so far in 2022, interest rates are now considerably higher than what they were at the peak in 2018 through 2019.



We have had several conversations with market participants who indicate capitalization rates on contracts negotiated since the interest rate hikes are between 50 and 100 basis points higher than those negotiated prior to the interest rate increase. Brokers active in the multi-family market indicate the rates have increased from the 3.0% to 4.0% range to the upper 4.0% to low 5.0% range. Recently closed sales have confirmed that capitalization rates have increased by 50 to 100 basis points. Brokers have also indicated buyer interest in multi-family investment has remained strong despite the interest rate increases due to a combination of the need to complete 1031 exchanges and the strong rent increases in the multi-family market. Many multi-family investors remain optimistic and have continued their multi-family investment as the interest rate increases are pricing home buyers out of the housing market, forcing them to remain renters longer than they had anticipated.

HIGHEST AND BEST USE

INTRODUCTION

The highest and best use is the reasonable, probable, and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, financially feasible and that results in the highest value. These criteria are often considered sequentially. The tests of legal permissibility and physical possibility must be applied before the remaining tests of financial feasibility and maximal productivity. A financially feasible use is precluded if it is legally prohibited or physically impossible. If a reasonable possibility exists that one of the prior, unacceptable conditions can be changed, is it appropriate to proceed with the analysis with such an assumption.

HIGHEST AND BEST USE CRITERIA

The site's highest and best use is analyzed both as vacant and as improved, and if improvements are proposed then an as proposed analysis is required. In all cases, the property's highest and best use must meet four criteria: (1) legally permissible; (2) physically possible; (3) financially feasible; and (4) maximally productive.

HIGHEST AND BEST USE AS VACANT

LEGALLY PERMISSIBLE

Legal restrictions include deed restrictions, CC&R's, lease encumbrances, zoning requirements, building codes, historic district controls and environmental regulations, and were previously analyzed to determine legally permitted uses. Legally, the subject is zoned DCT-W-EV (Downtown Code - West/Evans Churchill). Allowable uses include a wide variety of commercial and/or intense residential uses. No other legal restrictions have been identified that would limit development of the property beyond the development standards stipulated by municipal code.

PHYSICALLY POSSIBLE

Size, shape, topography, soil condition, availability of utilities, transportation access, surrounding uses, and locational characteristics were previously analyzed to determine which legal land uses are physically possible and which are best to conform to the physical and locational aspects of the site and its setting with respect to the neighborhood and community. Overall, the physical site attributes result in adequate utility, and the property could be developed with a variety of legally-conforming uses. Given the surrounding uses and location, the site is best suited for multifamily and/or a mixed-use development.

FINANCIALLY FEASIBLE

Financial feasibility is determined by the relationship of supply and demand for the legally probable land uses versus the cost to create them. The market analysis section reveals that multifamily and/or a mixed use (multifamily/retail) in the subject's market are generally stabilized. Recent and planned developments in the market area serve as direct evidence that new development is financially feasible; however, the recent increases in interest rates and high construction costs have stymied much of the new development. Comparisons of rental rates, operating expenses and construction costs indicate that the feasibility of a new development could be questionable in the current market. Given the legal and physical attributes of the site, coupled with the underlying land values and planned inventory, immediate development of the site would not be considered financially feasible.

MAXIMALLY PRODUCTIVE

The final test of highest and best use of the site as vacant is that the use be maximally productive, yielding the highest return to the land. In order to determine the maximally productive use, a comparison of rental rates, occupancy, operating expenses, and rates of return for the financially feasible uses have been made. Again, based on this analysis, multifamily and/or a mixed use project renders the highest residual land value, representing the maximally productive use of the site.

CONCLUSION – AS VACANT

The subject lot is zoned DTC-W-EV Downtown Code - West/Evans Churchill. Allowable uses include a wide variety of commercial and/or intense residential uses. Based on the adjoining development, or planned development coupled with the significant underlying land values and proximity to the light rail, the subject site would be best utilized for a high density multifamily and/or mixed use development consistent with other new development within the area. Based upon the above analysis, it is my opinion *the Highest and Best Use of the subject, as vacant, is for future high density multifamily and/or mixed use development.*

VALUATION PROCESS

Valuation in the appraisal process generally involves three techniques, including the Cost Approach, Sales Comparison Approach and the Income Capitalization Approach.

These three valuation methods are defined in the following table:

VALUATION METHODS	DEFINITION
Cost Approach	In this approach, value is based on adding the contributing value of any improvements (after deductions for accrued depreciation) to the value of the land as if it were vacant based on its highest and best use. If the interest appraised is other than fee simple, additional adjustments may be necessary for non-realty interest and/or the impact of existing leases or contracts.
Sales Comparison Approach	In this approach, recent sales of similar properties in the marketplace are compared directly to the subject property. This comparison is typically accomplished by extracting "units of comparison", for example, price per square foot, and then analyzing these units of comparison for differences between each comparable and the subject. The reliability of an indication found by this method depends on the quality of the comparable data found in the marketplace.
Income Capitalization Approach	In this approach, a property is viewed through the eyes of a typical investor, whose primary objective is to earn a profit on the investment principally through the receipt of expected income generated from operations and the ultimate resale of the property at the end of a holding period.

VALUATION METHODS UTILIZED

As the subject represents vacant land, this appraisal employs only the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that this approach would be considered necessary and applicable for market participants. Since no improvements exist on site, the Cost Approach is not relevant. The property generates no income and is not typically marketed, purchased or sold on the basis of anticipated lease income; thus, the Income Capitalization Approach was precluded. Notably, the client did request and estimate of market rent for the underlying land should they choose to ground lease the site.

The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal.

LAND VALUATION

METHODOLOGY

The Sales Comparison Approach is employed to develop an opinion of land value. In the Sales Comparison Approach, we developed an opinion of value by comparing similar, recently sold sites in the surrounding or competing area to the subject property. In order to determine the value of the subject property, these comparable sales and/or listings are then evaluated and adjusted based on their differences when compared to the subject property. Inherent in this approach is the principle of substitution, which states that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

The Sales Comparison Approach to value requires the following sequential steps:

Unit of Comparison	A unit of comparison (i.e. price per square foot, price per acre, price per dwelling unit) must be selected for comparable analysis of the sales and the subject. The selected unit of comparison must be consistent with market behavior.
Search for Sales	Research must be done to locate comparable sales, listings and contracts of sites that are similar to the subject. Similarities may include size, utility, zoning, physical characteristics, location and the date of the sale.
Confirmation	All sales must be confirmed to verify that the data used is accurate, and that all of the sales, listings or contracts represent arm's-length transactions.
Comparison	Each of the sales that is chosen for this valuation is considered generally similar to the subject. Therefore, each difference between the comparables and the subject must be identified, and then adjusted for the various differences. All adjustments are made to the comparables as they relate to the subject property.
Reconciliation	Once the comparables have been adjusted, a value must be concluded based on the indications produced from the analysis of the comparables.

UNITS OF COMPARISON

The sales are compared to the subject property on the basis of price per ***square foot of net site area***. The unit of comparison is adjusted to the subject property for various differences and then applied to the subject's land area to arrive at an estimate of value.

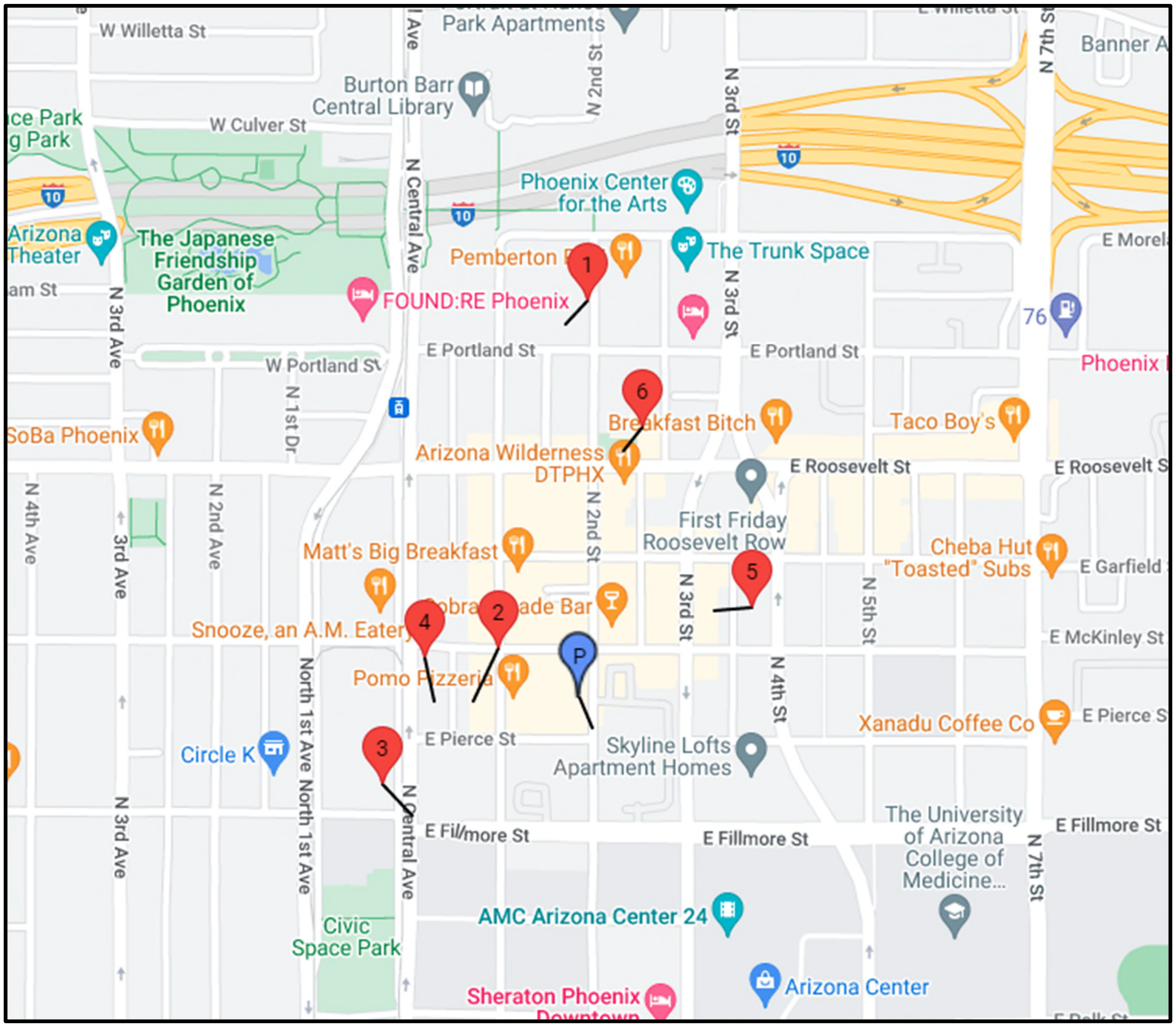
SALE OF THE SUBJECT PROPERTY

As of the valuation date of this report, the owner of record is the City of Phoenix who acquired the property in 2004. The subject is not currently listed for sale, nor is it under a sales contract.

COMPARABLE LAND SALES

Six comparables in the subject's general market area are employed to conclude an opinion of value for the subject site. These sales emphasized locations which is most comparable to the subject. Although all six comparables are sites best suited for high density development, five will be, or are being developed with high density multifamily projects (may have ground floor retail) and one is being developed with a freestanding restaurant. The comparables range in size from 13,500 to 79,837 square feet. All thee variation of the subject lots fall within the range of the comparables. Recorded dates are between Jan-21 and Jan-23. Following is a summary map followed by a summary table providing pertinent details of the respective sales. Full sale write-ups can be found in the addendum of the report.

COMPARABLE LAND SALES MAP



COMPARABLE LAND SALES SUMMARY

SUMMARY OF LAND SALES								
No.	Property / Location	Date of Sale	Transaction Status	Site Size (Net SF)	Zoning	Sale Price	Price per SF (Net)
1	Downtown Phoenix Development Site 114 East Portland Street Phoenix, AZ	Jan-23	Closed	28,000	DTC-W-EV / ACOD, Downtown - Evans Churchill West / Arts, Culture Overlay	$8,820,000	$315.00
2	Downtown Phoenix Development Site 710 North 1st Street Phoenix, AZ	Jun-22	Closed	20,251	DTC-W-EV, Downtown Code - West/Evans Churchill	$8,250,000	$407.39
3	Downtown Phoenix Development Site 601 North Central Avenue Phoenix, AZ	Mar-22	Closed	79,837	DTC-GTWY-ECW / DTC-W/EV, Downtown Code - Gateway/Evans Churchill West and Downtown Code - West/Evans Churchill	$22,000,000	$275.56
4	Downtown Phoenix Development Site 701 North Central Avenue Phoenix, AZ	Dec-21	Closed	40,508	DTC-GTWY-ECW, Downtown Code - Gateway/Evans Churchill West	$11,700,000	$288.83
5	Downtown Phoenix Development Site 811 North 3rd Street Phoenix, AZ	Jul-21	Closed	27,615	DTC-W-EV, Downtown Core - West/Evans Churchill	$5,380,000	$194.82
6	Downtown Phoenix Development Site 1005 North 2nd Street Phoenix, AZ	Jan-21	Closed	13,500	DTC-W-EV, Downtown Code - West/Evans Churchill	$2,500,000	$185.19
Subj.	9 Parcel Redevelopment - Land 714 718, 722 North 2nd Street; 713, 714, 717, 718, 721, 722 North 1st Street Phoenix, Arizona	—	—	62,250	DTC-W-EV, Downtown Code - West/Evans Churchill	—	—

BBG REAL ESTATE SERVICES

COMMENTS

1 - This 28,000± square foot corner site has similar physical characteristics as the subject. The purchase contract was signed in mid-September 2022 with a close of escrow anticipated by late December 2022, but extended to early January of 2023. According to the confirming party this is an all-cash transaction and the buyer's plans are to close prior to obtaining City of Phoenix approval or permits. The developer's preliminary plans are to build a residential tower.

Note that the sale date was estimated by the buyer as the actually recording is not yet available.

This property represents a portion of the previous June 2021 sale which also included a 42,000 square foot site at the northeast corner of 1st Street and Portland, across the alleyway from this sale. Based on the current sale, the compounded appreciation equates to 7.3% per month or 87.0% annually.

2 - This sale is comprised of two parcels located at the northwest corner of 1st and Pierce Streets in downtown Phoenix. The property is current developed with several single story buildings which will be razed for the development of a new high-rise apartment project which may have some ground floor retail. It is located only one block north of the Downtown Arizona State University Campus and only a few blocks from a light-rail station.

This property represents a portion of a previous sale in October 2020 for a reported $23,762,484 or $174.00 per square foot (136,559 square feet) of land area. Notably, the seller also recently sold a near city block to the south in March of 2022 and the adjacent property to the west in December 2021, both to different buyers.

We were unable to obtain confirmation from the parties to the sale to ascertain the impact if any on the sales price from the existing improvements.

3 - This sale is comprised of 13 parcels comprising most of one city block. A city of Phoenix alley runs down the middle of the block separating the parcels. The property is current developed with an asphalt paved pay parking lot and a billboard. An approximately 1,157 SF parcel owned by the city of Phoenix is located within one of the northern parcels and improved with a small structure. It is located across the street from the Downtown Arizona State University Campus and only a few blocks from a light-rail station.

According to an article within the Phoenix Business Journal, the buyer indicate that the Chicago-based developer LG Development Group has proposed a 29-story multifamily building with 747 residential units ranging from studio's to 3-bedroom units and 29,000± square feet for first floor commercial space.

There was a previous sale of the property in October 2018 for a reported $14,000,000 or $175.36 per square foot of land area; the sale was recorded in April 2020. This buyer was a real estate professional active in the area. Based on the current sale, this represents a compounded appreciation of 1.1% per month or 14.6% annually. Notably, the seller also recently sold two sites on the next block north in December 2021 and June 2022, both to different buyers.

We were unable to obtain confirmation from the parties to the sale to ascertain the impact if any on the sales price from the existing improvements.

4 - This sale is comprised of a single parcel comprising of a half city block. The property is current developed with an asphalt paved pay parking lot having both covered and open parking. It is located only one block north of the Downtown Arizona State University Campus and only a few blocks from a light-rail station.

This property represents a portion of a previous sale in October 2020 for a reported $23,762,484 or $174.00 per square foot (136,559 square feet) of land area. Notably, the seller also recently sold a near city block to the south in March of 2022 and the adjacent property to the east in June 2022, both to different buyers.

We were unable to obtain confirmation from the parties to the sale to ascertain the impact if any on the sales price from the existing improvements.

5 - This sale is comprised two transactions of four parcels located along 3rd Street between Garfield and McKinley Streets in downtown Phoenix. Notably both sales transacted on the same day. The property is currently being developed with a 326 unit, 24-story apartment project. It is located several blocks northeast of the Downtown Arizona State University Campus and roughly five blocks from a light-rail station.

There was a previous sale of the northern three lots in September 2019 for a reported $3,200,000 or $152.38 per square foot of land area. The seller, Wolverine OZ Fund, LLC is active in the downtown Phoenix real estate market. Based on the current sale, this represents a compounded appreciation of 1.1% per month or 12.6% annually. Additionally, the southern lots was acquired by the respective seller in May 2019 for a reported $1,150,000.

We were unable to obtain confirmation from the parties to the sale to ascertain the impact if any on the sales price from the existing improvements.

6 - This sale is comprised of two parcels located at the northeast corner of 2nd and Roosevelt Streets in downtown Phoenix. Based upon information provided on the buyers website (hubbardstreetgroup.com), the property is to be developed with a single story restaurant having approximately 11,500 square feet of outdoor patio area. The improvements will be leased by Four Corner's out of Chicago who operates 11 restaurant concepts, with their Federales Tequila & Tacos going at this location. It is located approximately one-half mile north of the downtown Phoenix within the Roosevelt Row Art District with within close proximity to the Downtown Arizona State University Campus, multiple new student housing and apartment projects, in addition to being only two blocks from a light-rail station.

There have been no previous arms-length transaction of this property in the previous three years. Notably, the buyer completed an internal ownership transfer in October 2022.

We were unable to obtain confirmation from the parties to the sale to ascertain the impact if any on the sales price from the existing improvements.

LAND VALUE ESTIMATE – NINE PARCELS, THREE GROUPINGS OF THREE PARCELS - SWC/SEC 1ST AND MCKINLEY STREETS AND SWC OF 2ND AND MCKINLEY STREETS

ADJUSTMENT PROCESS

The sales that we have utilized represent the best available information that could be compared to the subject property. The major elements of comparison for an analysis of this type include the property rights conveyed, the financial terms incorporated into a particular transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its physical traits and the economic characteristics of the property.

TRANSACTIONAL ADJUSTMENTS

PROPERTY RIGHTS CONVEYED

This adjustment accounts for any impact that the property rights transferred to the buyer may have on sale price. For leased fee properties, the length of leases in place and the relationship of market to contract rent could impact value. Some properties may have stronger appeal to an owner-user or an investor, resulting in a premium or discount associated with fee simple property rights. The subject property is being valued as if owned in Fee Simple Interest.

All of the comparables were sales of the Fee Simple Interest as well, and no adjustments were required.

FINANCING TERMS

This category accounts for differences in financing terms associated with the transaction. Financing arrangements that may require an adjustment include mortgage assumptions (at favorable interest rates), seller financing, installment sales, wrap-around loans, or any other atypical financing arrangements that do not represent cash-equivalent terms.

The comparables were reported to be cash to the seller, therefore, no adjustments were necessary for cash equivalency.

TERMS/CONDITIONS OF SALE

Adjustments for conditions of sale typically reflect various motivations of the buyer and/or seller. This may include such factors as seller distress (short sale, REO, auction) or buyer motivation (assemblage, etc.). In some situations, the conditions of sale may significantly affect transaction prices. Properties that are listed for sale may require adjustments herein to account for any disparity between asking prices and the achievable sale price anticipated.

All of the comparables represented arm's-length transactions, consistent with the definition of market value. Therefore, no adjustments will be applied for this factor.

EXPENDITURES IMMEDIATELY AFTER SALE

In order to arrive at the effective sale price, the actual sale price of each comparable is adjusted to account for any unusual expenditures planned by the buyer immediately after sale, such as unusual site work.

No unusual expenditures were reported for the comparables; therefore, no adjustments have been made for this factor.

MARKET CONDITIONS

This adjustment category accounts for differences in economic conditions between the effective date of appraisal and the transaction date of the comparable, such as may be caused by changing supply and demand factors.

The comparables occurred during the past 24-month period, with the most recent sale occurring in Jan-23. As noted, Comparable 1 represents a sale and resale from which a 7.3% monthly increase was derived. According to a representative of the seller, they acquired the site at what they believed to have been an advantageous price which was confirmed by the substantial delta between their acquisition price of $110.71 per square foot in June 2021 and resale price of $315 per square foot for 28,000 square feet of the 70,000 square foot site in January 2023. Comparables 3 and 5 also represent a prior sale and resale from which a 1.1% monthly increase was extracted. Comparable 3 sold in October 2018 (closed in April 2020) and again in March 2022, having a compounded 1.1% monthly increase. Three of the four lots representing Comparable 5 sold in September 2019 and again in July 2021, having a compounded 1.1% monthly increase.

Costar provides the ability to analyze land sale trends, however, because of the vast range of land sizes, locations, uses, differences in entitlements, connection to utilities, occasional costs of demolition, included site improvements or no site improvements, included offsite improvements or no offsite improvements, etc., the data can be significantly diluted. Any single sale may skew the results unfairly upward or downward.

Brokers familiar with the downtown Phoenix land market indicate that values increased substantially over the past five years, with the development of several apartment towers. However, with the pandemic in 2020 and substantial increases in construction costs, many the developer have been moving forward only with projects which were fully approved and "shovel ready." With nearly the doubling of interest rates in the past six months, there have been only a few new land deals in the second half of 2022. The consensus is that for nearly six to nine months in 2020, there has been little to no appreciation and from March 2020 to present there has been no, to slightly negative appreciation. Therefore, for the purpose of this analysis, an upward 1.0% per month (roughly 12% annually) adjustment has been employed through March 2022.

PROPERTY ADJUSTMENTS

LOCATION

NEIGHBORHOOD

The appeal of a property's location to users of and/or investors in a particular property type can influence value significantly. This factor broadly considers the impact of demographics, geographical attributes, access to transportation networks and local land use trends on pricing. Comparisons of location can often be derived or quantified, by examining demographic and development trends in the subject and comparable areas.

The subject property and comparable sales are located in the Downtown Core area and more specifically within the Evans Churchill – West and abutting Downtown Gateway (located across the alley from the subject property) corridors. Overall neighborhood characteristics are similar for the subject and sales, warranting no adjustment.

ACCESS / VISIBILITY

As noted, the subject has visibility along two neighborhood streets. Similar to the subject no adjustments were applied to Comparables 1 and 2. Having arterial and multiple neighborhood street frontage, downward adjustments were made to Comparables 3 and 4. With frontage along a single neighborhood street, Comparable 5 was given and upward adjustment. Having dual street frontage along a single arterial and neighborhood street, no adjustment was made to Comparable 6. Notably, in the course of our sale conformation, arterial frontage within the area had little to no value impact on sales prices. Additionally, at the time of sale, the subject and all six sales could be accessed from city owned alleyway.

PHYSICAL CHARACTERISTICS

NET SITE SIZE (SF)

Size and pricing typically have an inverse relationship, whereby larger sites tend to achieve lower pricing on a per-square-foot basis. This is attributable to economies of scale, as well as the narrower pool of prospective buyers for a larger property. However, in the case of redevelopment or infill areas, larger property can often garner a high price per square due to the assemblage value and the ability to create a greater economies of scale.

As noted, the comparable sales range in size from 13,500 square feet to 79,837 square feet, with the subject's site falling towards the upper end of the range at 62,250 square feet. Upon review of the sales, there does not appear to be a sufficient data set from which to extract a size adjustment. Based on our communication with the various brokers, buyer, etc., the general consensus was that sites are acquired based on their underlying zoning, i.e. allowable density and building height and intended use. While a larger site may realize better economies from a development standpoint, a smaller site will attract the attention of more mid-sized developers. In consideration of this, no size adjustment was believed necessary.

CORNER INFLUENCE

Corner influence is generally regarded as superior over interior land due to the accessibility and exposure from intersecting roadways, as well as development flexibility with respect to ingress/egress.

While corner influence is less a factor for smaller parcels being assembled into larger development sites, it is a positive factor for sites purchased for development "as is." Similar to the subject, Comparables 1, 2, 3, 4 and 6 have corner locations and were not adjusted. Comparable 5 was assembled with an adjacent parcel but has a mid-block location as assembled and was adjusted upward.

SHAPE / CONFIGURATION

The configuration, shape, dimensions and depth of a site determine its developability and overall utility. These factors can impact development costs, usable area of the site, and thereby, achievable pricing.

As noted, the subject site represents three separate groupings, each comprised of three downtown lots. Two of the groupings (lots located between 1st and 2nd Streets) are separated by a city of Phoenix alleyway in which we have made the extraordinary assumption that the buyer or lessee of the subject property could request an abandonment similar to other sites located within the downtown area. The remaining grouping of lots are across 1st Street. I have also made the extraordinary assumption that the city of Phoenix would grant an exclusive pedestrian walkway over 1st Street. During the course of this valuation, the appraiser reached out to multiple brokers, investors and/or developers to determine the advantage or disadvantage of the overall subject site. The general consensus is that development of the overall site would eliminate a number of small or mid-sized groups; thus, requiring a developer having "deep pockets" given the likely scale of such a project. The six lots separated by the alleyway didn't seem to be a real concern, but the separation by a public right-of-way would likely cause some hurdles with respect to the movement of materials between the sites, in addition to the potential additional cost associated with bridging over 1st Street. Overall, most felt that the additional costs (time associated with the abandonment of the alley and additional cost of engineering, permitting, etc.) would warrant a discount.

Superior to the subject, all six comparables have generally rectangular shapes (Comparable 3 has a small out parcel near its north property line); thus, requiring downward adjustments. Similar to the subject western six parcels, Comparable 2 consists of two non-contiguous parcels separated by an alleyway. It is our understanding that the buyer is currently in the process of acquiring the alleyway, with the city retaining an easement for ingress/egress and utilities. As we were not able to confirm whether or not this influenced the sales price we have made no additional adjustments.

UTILITIES / INFRASTRUCTURE

Infrastructure adjustments may reflect differences in utility availability/capacity, developmental plans or other outside influences.

All six comparables have the necessary utilities and infrastructure available for development; thus required no adjustment.

FLOOD ZONE

The prices of properties located within flood prone areas tend to be proportionately less than otherwise similar parcels not adversely affected by flood plain locations. This is due to the increased development costs associated with alleviating the problem as well as the fact that portions of the site may not be able to be developed or higher expenses related to insurance for buildings located in flood prone areas.

The subject and all six comparable are located within an unshaded area of Zone X; thus, requiring no adjustment.

OPPORTUNITY ZONE

An Opportunity Zone is a federal program that allows each state's governor to nominate up to 25% of the qualifying low-income census tracts as Opportunity Zones. As noted, investors who reinvest capital gains monies in Opportunity Zone funds will receive reductions on capital gains taxes relative to the years of their investment.

The subject and Comparables 1 through 5 are located in an opportunity zone and have the same potential tax benefits with no adjustments required. Comparable 6 is not located in an opportunity zone. Brokers we have interviewed on the topic of the benefits of location in an opportunity zone have suggested no specific impact on selling prices as the actual benefits vary from project to project and depend on the holding period and the intent of their construction. That said, a location in an opportunity zone is likely to be perceived as a positive factor and we have elected to apply an upward adjustment.

ZONING / INTENDED USE

The value of vacant land is largely contingent upon its potential use. This factor considers the uses permitted by the applicable development standards, per the subject's zoning designation. The maximum density to which a property can be developed typically impacts total value positively.

The subject, as well as Comparables 1, 2, 5 and 6 and the east half of Comparable 3 are zoned DTC-W/EV, Downtown Code – West/Evans Churchill, with Comparables 1 and 6 also falling in the Arts, Culture, and Small Business Overlay District by the city of Phoenix. The district allow for a maximum density of 218 units per acre for residential development (excluding any density bonuses), with a maximum building height of 450 feet for the subject and Comparable 2 and 250 feet for Comparables 5 and 6 (excluding any height bonuses). As most of the more current developments appear to be below the 250 feet, no adjustment was applied.

The west half or Comparable 2 and all of Comparable 3 are zoned DTC-GTWY-ECW, Downtown Code - Gateway - West/Evans Churchill with the same 218 dwelling units per acre for residential development (excluding any density bonuses), but a higher 500-foot maximum height allowance (excluding any height bonuses). Again, as most of the more current developments appear to be below the 250 feet, no adjustment was applied.

Please note, in the case of Comparable 2, this property was nearly fully entitled, pending site plan approval, which is clearly reflected within the sales price. According to the selling agent, the buyer acquired the site as it was nearly "ready to go;" thus saving them most of the time (holding costs) and architectural/engineering costs associated with the development of the project. For this reason, a downward adjustment was applied.

COMPARABLE LAND SALES ADJUSTMENT GRID

COMPARABLE LAND SALE ADJUSTMENTS							
	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Property / Location	9 Parcel Redevelopment - Land 714 718, 722 North 2nd Street; 713, 714, 717, 718, 721, 722 North 1st Street Phoenix, Arizona	Downtown Phoenix Development Site 114 East Portland Street Phoenix, AZ	Downtown Phoenix Development Site 710 North 1st Street Phoenix, AZ	Downtown Phoenix Development Site 601 North Central Avenue Phoenix, AZ	Downtown Phoenix Development Site 701 North Central Avenue Phoenix, AZ	Downtown Phoenix Development Site 811 North 3rd Street Phoenix, AZ	Downtown Phoenix Development Site 1005 North 2nd Street Phoenix, AZ
Transaction Status	-----	Closed	Closed	Closed	Closed	Closed	Closed
Date of Sale	-----	Jan-23	Jun-22	Mar-22	Dec-21	Jul-21	Jan-21
Site Size (SF)	62,250	28,000	20,251	79,837	40,508	27,615	13,500
Sale Price	-----	$8,820,000	$8,250,000	$22,000,000	$11,700,000	$5,380,000	$2,500,000
Zoning	DTC-W-EV	DTC-W-EV / ACOD	DTC-W-EV	DTC-GTWY-ECW / DTC-	DTC-GTWY-ECW	DTC-W-EV	DTC-W-EV
Property Use	Downtown Phoenix development site	0	Commercial	Commercial	Commercial	Commercial	Commercial
Unadjusted Price per SF	-----	**$315.00**	**$407.39**	**$275.56**	**$288.83**	**$194.82**	**$185.19**
Transactional Adjustments							
Property Rights Conveyed		*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*
Adjustment		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Financing Terms							
Adjustment		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Conditions of Sale							
Adjustment		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Expenditures Immed After Sale							
Adjustment		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Market Conditions	***Jan-23***	*Jan-23*	*Jun-22*	*Mar-22*	*Dec-21*	*Jul-21*	*Jan-21*
Adjustment		**0%**	**0%**	**0%**	**3%**	**8%**	**14%**
Total Transactional Adjustments		**0%**	**0%**	**0%**	**3%**	**8%**	**14%**
Adjusted Price per SF		**$315.00**	**$407.39**	**$275.56**	**$297.50**	**$210.41**	**$211.11**
Property Adjustments							
Location							
Neighborhood	***Downtown Phoenix - Evans Churchill West***	*Downtown Phoenix - Evans Churchill West* **0%**	*Downtown Phoenix - Evans Churchill West* **0%**	*Downtown Phoenix - Gateway* **0%**	*Downtown Phoenix - Gateway* **0%**	*Downtown Phoenix - Evans Churchill West* **0%**	*Downtown Phoenix - Evans Churchill West* **0%**
Frontage / Visibility / Access	***Three neighborhood streets***	*Two neighborhood streets* **0%**	*Two neighborhood streets* **0%**	*Arterial and three neighborhood streets* **-5%**	*Arterial and two neighborhood streets* **-5%**	*Neighborhood street* **5%**	*Arterial and neighborhood street* **0%**
Physical							
Net Site Size (SF)	***62,250***	*28,000* **0%**	*20,251* **0%**	*79,837* **0%**	*40,508* **0%**	*27,615* **0%**	*13,500* **0%**
Corner Influence	***Corner***	*Corner* **0%**	*Corner* **0%**	*Corner* **0%**	*Corner* **0%**	*Mid-Block* **5%**	*Corner* **0%**
Shape / Configuration	***Three separate groupings***	*Rectangular* **-10%**	*Rectangular* **-10%**	*Rectangular* **-10%**	*Rectangular* **-10%**	*Rectangular* **-10%**	*Rectangular* **-10%**
Utilities / Infrastructure	***All available to site.***	*All available to site.* **0%**	*All available to site.* **0%**	*All available to site.* **0%**	*All available to site.* **0%**	*All available to site.* **0%**	*All available to site.* **0%**
Flood Zone	***Zone X (Unshaded)***	*Zone X (Unshaded)* **0%**	*Zone X (Unshaded)* **0%**	*Zone X (Unshaded)* **0%**	*Zone X (Unshaded)* **0%**	*Zone X (Unshaded)* **0%**	*Zone X (Unshaded)* **0%**
Opportuntiy Zone	***Yes***	*Yes* **0%**	*Yes* **0%**	*Yes* **0%**	*Yes* **0%**	*Yes* **0%**	*No* **5%**
Zoning / Intended Use	***DTC-W-EV***	*DTC-W-EV / ACOD* **0%**	*DTC-W-EV* **-20%**	*DTC-GTWY-ECW / DTC-W/EV* **0%**	*DTC-GTWY-ECW* **0%**	*DTC-W-EV* **0%**	*DTC-W-EV* **0%**
Total Property Adjustments		**-10%**	**-30%**	**-15%**	**-15%**	**0%**	**-5%**
Indication for Subject per SF		**$283.50**	**$285.17**	**$234.23**	**$252.87**	**$210.41**	**$200.56**

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LAND VALUE CONCLUSION - NINE PARCELS, THREE GROUPINGS OF THREE PARCELS - SWC/SEC 1ST AND MCKINLEY STREETS AND SWC OF 2ND AND MCKINLEY STREETS

SALES SUMMARY	UNADJUSTED	ADJUSTED
Minimum	$185.19	$200.56
Maximum	$407.39	$285.17
Average	$277.80	$244.46
Median	$282.20	$243.55
Standard Deviation	$75.02	$32.77

After adjustments, the comparable land sales reflect a range from $200.56 to $285.17 per square foot, with an average of $244.46 per square foot. The lower end of the range was set by Comparables 4 and 5 which both transacted in early to mid-2021. The three more recent sales, which all happen to be adjacent or within one block of the subject have an adjusted range from $234.23 to $285.17 per square foot, with an average of $263.94 per square foot.

Based on the data available and the analyses presented, the indicated value of the land by the Sales Comparison Approach is $270.00 per square foot, calculated in the following table.

LAND VALUE CONCLUSION	
Indicated Value per SF	$270.00
Land Area (SF)	x 62,250
Indicated Value	**$16,807,500**
Rounded to nearest $10,000	**$16,810,000**
Per SF (Net)	**$270.04**

LAND VALUE ESTIMATE – SIX PARCELS, TWO GROUPINGS OF THREE PARCELS BETWEEN 1ST AND 2ND STREETS AT MCKINLEY STREET

As noted, the grouping of six parcels represent two groupings of three parcels each and are located between 1st and 2nd Street along the south line of McKinley Street. These parcels are separated by a city of Phoenix Alleyway. We have employed an extraordinary assumption that the developer would be granted an abandonment of the alley with the city retaining utility and ingress/egress easements.

Our analysis of these six parcels relative to the nine parcels required the same adjustments with the exception of our Shape / Configuration adjustment. As the six parcels are divided by only an alleyway, no adjustment was considered necessary. Our adjustment grid and conclusion follows:

COMPARABLE LAND SALE ADJUSTMENTS							
	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Property / Location	6 Parcel Redevelopment - Land 714 718, 722 North 2nd Street; 713, 717, 721, 722 North 1st Street Phoenix, Arizona	Downtown Phoenix Development Site 114 East Portland Street Phoenix, AZ	Downtown Phoenix Development Site 710 North 1st Street Phoenix, AZ	Downtown Phoenix Development Site 601 North Central Avenue Phoenix, AZ	Downtown Phoenix Development Site 701 North Central Avenue Phoenix, AZ	Downtown Phoenix Development Site 811 North 3rd Street Phoenix, AZ	Downtown Phoenix Development Site 1005 North 2nd Street Phoenix, AZ
Transaction Status	-----	Closed	Closed	Closed	Closed	Closed	Closed
Date of Sale	-----	Jan-23	Jun-22	Mar-22	Dec-21	Jul-21	Jan-21
Site Size (SF)	42,000	28,000	20,251	79,837	40,508	27,615	13,500
Sale Price	-----	$8,820,000	$8,250,000	$22,000,000	$11,700,000	$5,380,000	$2,500,000
Zoning	DTC-W-EV	DTC-W-EV / ACOD	DTC-W-EV	DTC-GTWY-ECW / DTC-W/EV	DTC-GTWY-ECW	DTC-W-EV	DTC-W-EV
Property Use	Downtown Phoenix development site	0	Commercial	Commercial	Commercial	Commercial	Commercial
Unadjusted Price per SF	-----	**$315.00**	**$407.39**	**$275.56**	**$288.83**	**$194.82**	**$185.19**
Transactional Adjustments							
Property Rights Conveyed		*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*
Adjustment		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Financing Terms							
Adjustment		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Conditions of Sale							
Adjustment		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Expenditures Immed After Sale							
Adjustment		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Market Conditions	***Jan-23***	*Jan-23*	*Jun-22*	*Mar-22*	*Dec-21*	*Jul-21*	*Jan-21*
Adjustment		**0%**	**0%**	**0%**	**3%**	**8%**	**14%**
Total Transactional Adjustments		**0%**	**0%**	**0%**	**3%**	**8%**	**14%**
Adjusted Price per SF		**$315.00**	**$407.39**	**$275.56**	**$297.50**	**$210.41**	**$211.11**
Property Adjustments							
Location							
Neighborhood	***Downtown Phoenix - Evans Churchill West***	*Downtown Phoenix - Evans Churchill West* 0%	*Downtown Phoenix - Evans Churchill West* 0%	*Downtown Phoenix - Gateway* 0%	*Downtown Phoenix - Gateway* 0%	*Downtown Phoenix - Evans Churchill West* 0%	*Downtown Phoenix - Evans Churchill West* 0%
Frontage / Visibility / Access	***Three neighborhood streets***	*Two neighborhood streets* 0%	*Two neighborhood streets* 0%	*Arterial and three neighborhood streets* -5%	*Arterial and two neighborhood streets* -5%	*Neighborhood street* 5%	*Arterial and neighborhood street* 0%
Physical							
Net Site Size (SF)	***42,000***	*28,000* 0%	*20,251* 0%	*79,837* 0%	*40,508* 0%	*27,615* 0%	*13,500* 0%
Corner Influence	***Corner***	*Corner* 0%	*Corner* 0%	*Corner* 0%	*Corner* 0%	*Mid-Block* 5%	*Corner* 0%
Shape / Configuration	***Two separate groupings***	*Rectangular* 0%	*Rectangular* 0%	*Rectangular* 0%	*Rectangular* 0%	*Rectangular* 0%	*Rectangular* 0%
Utilities / Infrastructure	***All available to site.***	*All available to site.* 0%	*All available to site.* 0%	*All available to site.* 0%	*All available to site.* 0%	*All available to site.* 0%	*All available to site.* 0%
Flood Zone	***Zone X (Unshaded)***	*Zone X (Unshaded)* 0%	*Zone X (Unshaded)* 0%	*Zone X (Unshaded)* 0%	*Zone X (Unshaded)* 0%	*Zone X (Unshaded)* 0%	*Zone X (Unshaded)* 0%
Opportuntiy Zone	***Yes***	*Yes* 0%	*Yes* 0%	*Yes* 0%	*Yes* 0%	*Yes* 0%	*No* 5%
Zoning / Intended Use	***DTC-W-EV***	*DTC-W-EV / ACOD* 0%	*DTC-W-EV* -20%	*DTC-GTWY-ECW / DTC-W/EV* 0%	*DTC-GTWY-ECW* 0%	*DTC-W-EV* 0%	*DTC-W-EV* 0%
Total Property Adjustments		**0%**	**-20%**	**-5%**	**-5%**	**10%**	**5%**
Indication for Subject per SF		**$315.00**	**$325.91**	**$261.78**	**$282.62**	**$231.45**	**$221.67**

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LAND VALUE CONCLUSION - SIX PARCELS, TWO GROUPINGS OF THREE PARCELS BETWEEN 1ST AND 2ND STREETS AT MCKINLEY STREET

SALES SUMMARY	UNADJUSTED	ADJUSTED
Minimum	$185.19	$221.67
Maximum	$407.39	$325.91
Average	$277.80	$273.07
Median	$282.20	$272.20
Standard Deviation	$124.51	$39.04

After adjustments, the comparable land sales reflect a range from $221.67 to $325.91 per square foot, with an average of $273.07 per square foot. The lower end of the range was set by Comparables 4 and 5 which both transacted in early to mid-2021. The three more recent sales, which all happen to be adjacent or within one block of the subject have an adjusted range from $261.78 to $325.91 per square foot, with an average of $296.33 per square foot.

Based on the data available and the analyses presented, the indicated value of the land by the Sales Comparison Approach is $300.00 per square foot, calculated in the following table.

LAND VALUE CONCLUSION	
Indicated Value per SF	$300.00
Land Area (SF)	x 42,000
Indicated Value	**$12,600,000**
Rounded to nearest $10,000	**$12,600,000**
Per SF (Net)	**$300.00**

LAND VALUE ESTIMATE – THREE PARCELS LOCATED AT THE SWC OF 1ST AND MCKINLEY STREETS

As noted, the grouping of three parcels represent a single grouping at the southwest corner of 1st and McKinley Streets.

Our analysis of these three parcels relative to the six parcels required the same adjustments. Our adjustment grid and conclusion follows:

COMPARABLE LAND SALE ADJUSTMENTS							
	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Property / Location	3 Parcel Redevelopment - Land 714, 718, 722 North 1st Street Phoenix, Arizona	Downtown Phoenix Development Site 114 East Portland Street Phoenix, AZ	Downtown Phoenix Development Site 710 North 1st Street Phoenix, AZ	Downtown Phoenix Development Site 601 North Central Avenue Phoenix, AZ	Downtown Phoenix Development Site 701 North Central Avenue Phoenix, AZ	Downtown Phoenix Development Site 811 North 3rd Street Phoenix, AZ	Downtown Phoenix Development Site 1005 North 2nd Street Phoenix, AZ
Transaction Status	-----	Closed	Closed	Closed	Closed	Closed	Closed
Date of Sale	-----	Jan-23	Jun-22	Mar-22	Dec-21	Jul-21	Jan-21
Site Size (SF)	20,250	28,000	20,251	79,837	40,508	27,615	13,500
Sale Price	-----	$8,820,000	$8,250,000	$22,000,000	$11,700,000	$5,380,000	$2,500,000
Zoning	DTC-W-EV	DTC-W-EV / ACOD	DTC-W-EV	DTC-GTWY-ECW / DTC-W/EV	DTC-GTWY-ECW	DTC-W-EV	DTC-W-EV
Property Use	Downtown Phoenix development site	0	Commercial	Commercial	Commercial	Commercial	Commercial
Unadjusted Price per SF	-----	**$315.00**	**$407.39**	**$275.56**	**$288.83**	**$194.82**	**$185.19**
Transactional Adjustments							
Property Rights Conveyed		*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*
Adjustment		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Financing Terms							
Adjustment		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Conditions of Sale							
Adjustment		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Expenditures Immed After Sale							
Adjustment		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Market Conditions	***Jan-23***	*Jan-23*	*Jun-22*	*Mar-22*	*Dec-21*	*Jul-21*	*Jan-21*
Adjustment		**0%**	**0%**	**0%**	**3%**	**8%**	**14%**
Total Transactional Adjustments		**0%**	**0%**	**0%**	**3%**	**8%**	**14%**
Adjusted Price per SF		**$315.00**	**$407.39**	**$275.56**	**$297.50**	**$210.41**	**$211.11**
Property Adjustments							
Location							
Neighborhood	***Downtown Phoenix - Evans Churchill West***	*Downtown Phoenix - Evans Churchill West* **0%**	*Downtown Phoenix - Evans Churchill West* **0%**	*Downtown Phoenix - Gateway* **0%**	*Downtown Phoenix - Gateway* **0%**	*Downtown Phoenix - Evans Churchill West* **0%**	*Downtown Phoenix - Evans Churchill West* **0%**
Frontage / Visibility / Access	***Three neighborhood streets***	*Two neighborhood streets* **0%**	*Two neighborhood streets* **0%**	*Arterial and three neighborhood streets* **-5%**	*Arterial and two neighborhood streets* **-5%**	*Neighborhood street* **5%**	*Arterial and neighborhood street* **0%**
Physical							
Net Site Size (SF)	***20,250***	*28,000* **0%**	*20,251* **0%**	*79,837* **0%**	*40,508* **0%**	*27,615* **0%**	*13,500* **0%**
Corner Influence	***Corner***	*Corner* **0%**	*Corner* **0%**	*Corner* **0%**	*Corner* **0%**	*Mid-Block* **5%**	*Corner* **0%**
Shape / Configuration	***Two separate groupings***	*Rectangular* **0%**	*Rectangular* **0%**	*Rectangular* **0%**	*Rectangular* **0%**	*Rectangular* **0%**	*Rectangular* **0%**
Utilities / Infrastructure	***All available to site.***	*All available to site.* **0%**	*All available to site.* **0%**	*All available to site.* **0%**	*All available to site.* **0%**	*All available to site.* **0%**	*All available to site.* **0%**
Flood Zone	***Zone X (Unshaded)***	*Zone X (Unshaded)* **0%**	*Zone X (Unshaded)* **0%**	*Zone X (Unshaded)* **0%**	*Zone X (Unshaded)* **0%**	*Zone X (Unshaded)* **0%**	*Zone X (Unshaded)* **0%**
Opportuntiy Zone	***Yes***	*Yes* **0%**	*Yes* **0%**	*Yes* **0%**	*Yes* **0%**	*Yes* **0%**	*No* **5%**
Zoning / Intended Use	***DTC-W-EV***	*DTC-W-EV / ACOD* **0%**	*DTC-W-EV* **-20%**	*DTC-GTWY-ECW / DTC-W/EV* **0%**	*DTC-GTWY-ECW* **0%**	*DTC-W-EV* **0%**	*DTC-W-EV* **0%**
Total Property Adjustments		**0%**	**-20%**	**-5%**	**-5%**	**10%**	**5%**
Indication for Subject per SF		**$315.00**	**$325.91**	**$261.78**	**$282.62**	**$231.45**	**$221.67**

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LAND VALUE CONCLUSION - THREE PARCELS LOCATED AT THE SWC OF 1ST AND MCKINLEY STREETS

SALES SUMMARY	UNADJUSTED	ADJUSTED
Minimum	$185.19	$221.67
Maximum	$407.39	$325.91
Average	$277.80	$273.07
Median	$282.20	$272.20
Standard Deviation	$124.51	$39.04

After adjustments, the comparable land sales reflect a range from $221.67 to $325.91 per square foot, with an average of $273.07 per square foot. The lower end of the range was set by Comparables 4 and 5 which both transacted in early to mid-2021. The three more recent sales, which all happen to be adjacent or within one block of the subject have an adjusted range from $261.78 to $325.91 per square foot, with an average of $296.33 per square foot.

Based on the data available and the analyses presented, the indicated value of the land by the Sales Comparison Approach is $300.00 per square foot, calculated in the following table.

LAND VALUE CONCLUSION	
Indicated Value per SF	$300.00
Land Area (SF)	x 20,250
Indicated Value	**$6,075,000**
Rounded to nearest $10,000	**$6,080,000**
Per SF (Net)	**$300.25**

Notably, our valuation conclusion for the Three Parcels located at the southwest corner of 1st and McKinley Streets represents an increase of 3.6% over the $5,870,000 value provided on November 6, 2022. This difference was not considered a result of improving or changing market conditions but rather the inclusion of a very recent closed sale from within the same downtown market.

GROUND LEASE ANALYSIS

In addition to the market value of the subject site, the client has also requested a first year market rent.

By definition, a ground lease is a lease the grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. Lease rates are primarily based on a required return to the underlying land, i.e., a return to its perceived market value. For the lessee, the most important factor is the term of the lease as the longer the commitment offered by the lessor, the greater likely hood the lessee can enjoy the economic live of the improvements. Conversely, for the lessor, the return, or lease rate, can vary greatly based on the lessee intended use of the property and the perceived risk. Similar to absolute net investments, ground leases are bought and sold within the market. The difference between the two is that the underlying ground lease is considered the least risky component of the investment as a default of the ground lease may trigger the reversionary clause within the lease, whereby the improvements could prematurely revert back to the lessor.

Pursuant to City of Phoenix, our estimate of the subject ground rent will be based on a 49-year ground lease with options that will extend the term to 99 years. The lessor would be the City of Phoenix and the intent is for a long term hold of the asset.

MARKET RENT

Our first year ground rent estimate will be based on a 49-year ground lease with option/extensions that will extend the term to 99-years. Escalations of the rent will be subject to negotiation between the City and the Lessee. The expense structure would be absolute net whereby the landlord is responsible for no expenses. There will be no purchase option. Further, this analysis does not take into consideration any potential real estate tax saving but rather assumes that the lessee would be responsible for such.

Ground lease rent is typically don't derived based on a physical comparison of other ground leased properties but rather a comparison of ground lease returns, via, extraction.

MARKET DERIVATION

When adequate data is available, the overall rate is best derived from the comparable sales. Given the highly unique nature of the subject property, i.e., a downtown Phoenix site zoned for high density development, our search was focused on sites which were developed with high quality/demand improvements occupied by national credit tenants. Notably, the greater majority of the sales were quick serve restaurants, with one being an automotive user, one being a portion of a Walmart and one being a new high volume gas station. All have sold within the past two years with the appraiser attempting to confirm the sale with a party to the transaction and/or public records. Notably, the shorter lease terms, and option periods are typical for this property and considered adequate for the lessee to realize the full economic life (development costs) of the improvements. As for the subject property, it will likely be developed with a high-density development which will require a longer lease term to fully justify the development costs. The following table summarizes capitalization rates extracted from the comparable sales transactions.

MARKET DERIVED CAPITALIZATION RATE SUMMARY - GROUND LEASE									
		Improvements		Ground Lease Information					
Tenant	Location	Year Built	Square Feet	Date of Sale	Sales Price	Lease Rate	Yrs. Remain on Lease	Options	Annual Return
McDonald's	7450 W Lower Buckeye Rd, Phxx	2022	2,020	Oct-22	$2,500,000	$90,000	20	Multi, 5-year	3.60%
Jiffy Lube	1075 W Parklane Blvd, Chandler	1999	1,824	Aug-22	$1,125,000	$56,800	2.5	1, 5-year	5.05%
Bikini Beans	2816 S Country Club Dr, Mesa	2018	712	Aug-22	$1,444,300	$79,567	18	2, 10-year	5.51%
Sherwin-Williams	3175 Bell Rd, Phoenix	2021	4,400			$158,000	10	4, 5-Year	
BIkini Beans	3155 E Bell Rd, Phoenix	2022	2,300			$96,000	20	4, 5-Year	
Chipotle	3185 E Bell Road	2021	2,327			$135,000	10	4, 5-Year	
		Total/Average		Mar-22	$8,200,000	$389,000			4.74%
Red Lobster	5315 S Calle Santa Cruz, Tucson	2009	7,028	Mar-22	$2,420,000	$151,250	9	2, 5-year	6.25%
Salad and Go	5218 E Baseline Rd, Gilbert	2022	758	Mar-22	$2,200,000	$99,000	20	Unkn	4.50%
Chipotle	5355 E Carefree Hwy, Cave Creek	2020	2,800	Dec-21	$3,575,000	$130,845	13.5	4, 5-Year	3.66%
Portillio's	17125 N 79th Ave, Glendale	2021	7,800	Dec-21	$7,142,857	$325,000	Unkn	Unkn	4.55%
Farmer Boys	1535 N Higley Rd, Gilbert	2021	3,645	May-21	$2,823,500	$125,363	Unkn	Unkn	4.44%
Walmart (portion)	5845 W Bell Rd, Glendale	1990	NA	Apr-21	$16,200,000	$907,500	Unkn	Unkn	5.60%
Speedway	7266 S Ellsworth Rd, Mesa	2020	4,600	Mar-21	$3,613,636	$159,000	20	Unkn	4.40%
In-N-Out	2405 W Baseline Rd, Tempe	2021	3,870	Dec-20	$4,101,250	$145,000	20	6, 5-year	3.54%
Low									3.54%
High									6.25%
Median									4.53%
Average									4.65%
Appraiser's Concluded Range									**4.25% - 4.75%**

The sales above indicate a wide range of returns/capitalization rates from 3.54% to 6.25% with an average of 4.65%. All are leased on an absolute net basis, whereby the lessor is responsible for all expenses. The upper end of the range was set by a Red Lobster in Tucson, has 9 years remaining and two, 5-year options available. The lower end of the range was set by a new In-N-Out Burger which had a 20 year lease term and six, 5-year options. As the subject will likely be developed with a high-density development and have a long lease term of 49 to 99 years, a rate towards the middle of the range is believed appropriate. Based on the data available and the analyses presented, the subject warrants a Year 1 return in the 4.25% - 4.75% range.

MARKET PARTICIPANT INTERVIEWS

We spoke with multiple brokers who specialize in ground lease investment. Admittedly, all specialize is much smaller deals such as QSR's, Automotive, Fuel Station and Car Wash ground leases. Although a lease for the subject property would likely never make it to market, they all believe that the same investment principles apply.

Respondent	Company	Income	Survey Date	Cap Rate Range
Joe Campagno	CBRE	Market	3Q 2022	3.50% - 4.5%
Chris Lind	Marcus & Millichap	Market	3Q 2022	4.0% to 5.0%
Confidential, Broker	Taylor Street Advisors	Market	3Q 2022	3.5% to 4.5%
Reported Range				**3.50% - 5.00%**

INVESTOR SURVEYS

There are no true investor surveys that specifically track ground lease returns/capitalization rates. The most closely related product type is triple net investments. The Boulder Group, which specializes in triple net investments, track individual product types such as retail, dining, banks, etc. As can be seen in the chart below, the overall rates range for 5.0% to 7.5% with an average of 5.67%. The lower end of the range was set by the median closed capitalization for banks. In all cases, these rates are expected to be above a ground lease as they also include the risk associated with the improvements.

Survey/Investment Type	OAR Range	Average
The Boulder Group: Net Lease Market Report 3Q 2022		
National Data - Retail (Asking)		5.86%
Corporate Guaranteed Casual Dining Market Closed Cap (Q1 2022)		5.75%
Bank Median Closed Cap (Q1 2022)		4.90%
PwC Real Estate Investor Survey (3Q22)		
Net Lease	5.00% - 7.50%	6.13%
Indicated OAR:	**5.00% - 7.50%**	**5.66%**

RETURN/CAPITALIZATION RATE SUMMARY AND CONCLUSIONS

The capitalization rates derived from the various techniques are summarized in the following table.

SUMMARY ANNUAL RETURNS/CAPITALIZATION RATES	
Method	**Return/Capitalization Rate**
Market Extraction	4.25% - 4.75%
Investor Surveys	5.66%
Market Participants	3.50% - 5.00%
Primary Weight	**Market Extraction**
Secondary Weight	**Investor Surveys, Market Participants**
Capitalization Rate Conclusion	**4.50%**

Typically, most weight is placed on the rates derived from sources most closely associated with the subject's immediate market, that is, comparable sales, particularly if the comparable sales have a similar risk profile to the subject property. Based on all available data sources, we conclude to a 4.50% capitalization rate. However, the range would be from 4.25% to 4.75%.

MARKET RENT CONCLUSIONS - JANUARY 12, 2023

An opinion of market rent is indicated by multiplying our estimated annual return (capitalization rate) by the concluded market value of the underlying land, derived within the Sales Comparison Approach. Our conclusions are as follows.

ANNUAL RETURN/CAPITALIZATION RATE VALUE CONCLUSION - NINE PARCELS - SWC/SEC 1ST AND MCKINLEY STREETS AND SWC 2ND AND MCKINLEY STREETS			
ESTIMATED MARKET VALUE		**$16,810,000**	**$270.04**
Sensitivity Analysis (0.25% Spread)		**Value**	**$/SF**
Based on Low-Range of	4.25%	$714,425	$11.48
Based on Most Probable Rate of	4.50%	$756,450	$12.15
Based on High-Range of	4.75%	$798,475	$12.83
Indicated Year 1 Rent		$756,450	
Rounded to nearest $10,000		**$760,000**	**$12.21**

ANNUAL RETURN/CAPITALIZATION RATE VALUE CONCLUSION - SIX PARCELS - BETWEEN 1ST AND 2ND STREETS AT MCKINLEY STREET			
ESTIMATED MARKET VALUE		**$12,600,000**	**$300.00**
Sensitivity Analysis (0.25% Spread)		**Value**	**$/SF**
Based on Low-Range of	4.25%	$535,500	$12.75
Based on Most Probable Rate of	4.50%	$567,000	$13.50
Based on High-Range of	4.75%	$598,500	$14.25
Indicated Year 1 Rent		$567,000	
Rounded to nearest $10,000		**$570,000**	**$13.57**

ANNUAL RETURN/CAPITALIZATION RATE VALUE CONCLUSION - THREE PARCELS - SWC 1ST AND MCKINLEY STREETS			
ESTIMATED MARKET VALUE		**$6,080,000**	**$300.25**
Sensitivity Analysis (0.25% Spread)		**Value**	**$/SF**
Based on Low-Range of	4.25%	$258,400	$12.76
Based on Most Probable Rate of	4.50%	$273,600	$13.51
Based on High-Range of	4.75%	$288,800	$14.26
Indicated Year 1 Rent		$273,600	
Rounded to nearest $10,000		**$270,000**	**$13.33**

MARKETING TIME AND EXPOSURE TIME

The comparable land sales used in this report did not report marketing times. Other land sales in the area which were priced at market rates, generally sold within 3 to 12 months. A reasonable marketing time for the subject lot 12 months or less.

CERTIFICATION

I 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 my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved with this assignment.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My 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. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the state of State.
9. The reported analyses, opinions, and Value Indications 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.
10. Barott G. Hurd has made a personal inspection of the property that is the subject of this report.
11. No one provided significant real property appraisal assistance to the person signing this certification.
12. Barott G. Hurd has provided services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.

Barott G. Hurd
AZ Certified General Appraiser
License #: CGA 30577
480-867-7440
bhurd@bbgres.com

STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

1) Notwithstanding that Appraiser may comment on, analyze or assume certain conditions in the appraisal, BBG, Inc. shall have no monetary liability or responsibility for alleged claims or damages pertaining to: (a) title defects, liens or encumbrances affecting the property; (b) the property's compliance with local, state or federal zoning, planning, building, disability access and environmental laws, regulations and standards; (c) building permits and planning approvals for improvements on the property; (d) structural or mechanical soundness or safety; (e) contamination, mold, pollution, storage tanks, animal infestations or other hazardous conditions affecting the property; and (f) other conditions and matters for which licensed real estate appraisers are not customarily deemed to have professional expertise. Accordingly:
    a) The Appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the Appraiser or the Appraiser's staff or was obtained or taken from referenced sources and is considered reliable. The Appraiser and BBG, Inc. shall not be monetarily liable or responsible for or assume the costs of preparation or arrangement of geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
    b) Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment. Further, unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Further, unless otherwise stated, it is assumed that there are no rights associated with extraction or exploration of such elements considered. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
    c) Any legal description or plats reported in the appraisal are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. BBG, Inc. has made no survey of the property and assumes no monetary liability or responsibility in connection with such matters.
    d) Title is assumed to be good and marketable, and in fee simple, unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated. Further, BBG, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
    e) The appraisal report is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the appraisal report; additionally, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the appraisal report. Further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value opinion. Moreover, unless otherwise stated herein, it is assumed that there are no encroachments or violations of any zoning or other regulations affecting the subject property, that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that there are no trespasses or encroachments.

f) The American Disabilities Act (ADA) became effective January 26, 1992. The Appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would 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 impact upon the value of the property. Since the Appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

g) No monetary liability or responsibility is assumed for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.

h) It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein. Further, it is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.

i) Unless otherwise stated within the appraisal report, the depiction of the physical condition of the improvements described therein is based on visual inspection. No monetary liability or responsibility is assumed for (a) the soundness of structural members since no engineering tests were conducted; (b) the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made; and (c) hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during the Appraiser's inspection.

j) If building improvements are present on the site, it is assumed that no significant evidence of termite damage or infestation was observed during physical inspection, unless so stated in the appraisal report. Further, unless so stated in the appraisal report, no termite inspection report was available. No monetary liability or responsibility is assumed for hidden damages or infestation.

k) Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No monetary liability or responsibility is assumed for such conditions or for engineering which may be required to discover them.

l) BBG, Inc., excepting employees of BBG Assessment, Inc., and the appraiser(s) are not experts in determining the presence or absence of hazardous substances toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. BBG, Inc. and the appraiser(s) assume no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. The Client is free to retain an expert on such matters in this field; however, Client retains such expert at Client's own discretion, and any costs and/or expenses associated with such retention are the responsibility of Client.

m) BBG, Inc. is not an expert in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. BBG, Inc. assumes no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The Appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions contained within the appraisal repot based upon any subsequent endangered species impact studies, research, and investigation that may be provided. However, it is assumed that no environmental impact studies were either requested or made in conjunction with this analysis, unless otherwise stated within the appraisal report.

2) If the Client instructions to the Appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the

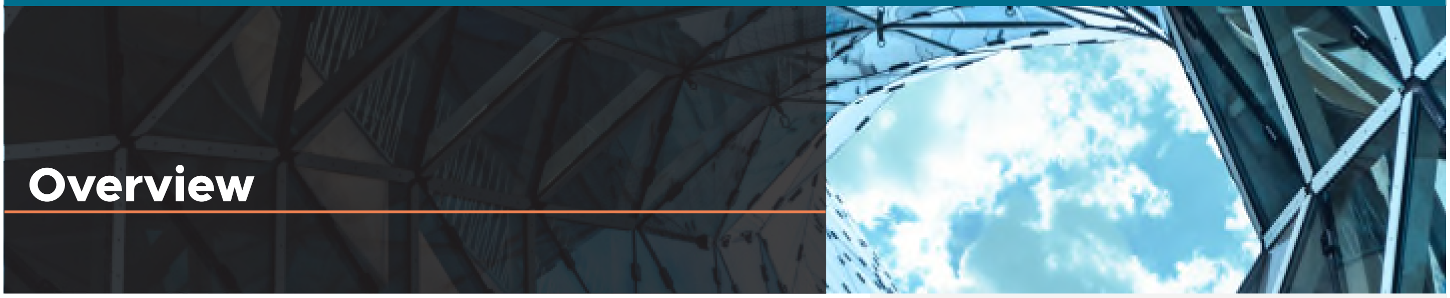
inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.

3) If provided, the estimated insurable value is included at the request of the Client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The Appraiser is not familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The Appraiser is not a cost expert in cost estimating for insurance purposes.
4) The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States Dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.
5) The value opinions reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value opinions, unless such proration or division of interests is set forth in the report. Any division of the land and improvement values stated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
6) Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are BBG, Inc.'s best estimate of current market thinking of what future trends will be. No warranty or representation is made that such projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
7) The Appraiser assumes no monetary liability or responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
8) Any proposed or incomplete improvements included in the appraisal report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
9) If the appraisal report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the Appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
10) Although the Appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the Appraiser either by the Client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the Appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or opinions of value.

11) The right is reserved by the Appraiser to make adjustments to the analyses, opinions, and conclusions set forth in the appraisal report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the Appraiser. The Appraiser shall have no monetary liability or responsibility for any unauthorized change(s) to the report.
12) The submission of the appraisal report constitutes completion of the services authorized and agreed upon. Such appraisal report is submitted on the condition the Client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, or judicial or administrative proceedings. In the event the Appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the Client immediately. The Client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files, and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the opinion of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the Client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.
13) Client shall not disseminate, distribute, make available or otherwise provide any Appraisal Report prepared hereunder to any third party (including without limitation, incorporating or referencing the Appraisal Report , in whole or in part, in any offering or other material intended for review by other parties) except to (a) any third party expressly acknowledged in a signed writing by Appraiser as an "Intended User" of the Appraisal Report provided that either Appraiser has received an acceptable release from such third party with respect to such Appraisal Report or Client provides acceptable indemnity protections to Appraiser against any claims resulting from the distribution of the Appraisal Report to such third party, (b) any third party service provider (including rating agencies and auditors) using the Appraisal Report in the course of providing services for the sole benefit of an Intended User, or (c) as required by statute, government regulation, legal process, or judicial decree. In the event Appraiser consents, in writing, to Client incorporating or referencing the Appraisal Report in any offering or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to any such parties unless and until Client has provided Appraiser with complete copies of such materials and Appraiser has approved all such materials in writing. Client shall not modify any such materials once approved by Appraiser. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated as an Intended User, the receipt of an Appraisal Report by such party shall not confer any right upon such party to use or rely upon such report, and Appraiser shall have no liability for such unauthorized use or reliance upon such report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Appraiser, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Appraiser and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and against all losses, liabilities, damages and expenses (collectively, "Damages") claimed against, sustained or incurred by any Indemnified Party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the Appraisal Report.

BBG
REAL ESTATE SERVICES

Overview



BBG OVERVIEW

BBG is one of the nation's largest real estate due diligence firms with more than 45 offices across the country serving more than 3,000 clients. We deliver best-in-class valuation, advisory and assessment services with a singular focus of meeting our clients' needs.

Our professional team offers broad industry expertise and deep market knowledge to help clients meet their objectives throughout the real estate life cycle.

BBG clients include commercial real estate professionals, investors, lenders, attorneys, accountants and corporations.

THE BBG DIFFERENCE

National Footprint. BBG is one of only two national firms offering in-house valuation and environmental and property condition assessment services for all commercial property types.

Customer-focused Growth. BBG is one of the largest national due diligence firms because we deliver best-in-class work product and provide excellent customer care.

Qualified Team. Over 50 percent of BBG appraisers are MAI designated and offer deep industry expertise gained through real-world experience.

Unbiased Independence. By focusing exclusively on due diligence services, BBG guarantees an independent perspective free from potential conflicts of interest.

Innovative Technology. BBG has made significant analytics and IT investments to continually improve our data and report quality.

SERVICES

Valuation

+ Single Asset Valuation
+ Portfolio Valuation
+ Institutional Asset Valuation
+ Appraisal Review
+ Appraisal Management
+ Lease and Cost Analysis
+ Insurance Valuation
+ Arbitration & Consulting
+ Feasibility Studies
+ Highest and Best Use Studies
+ Evaluation
+ Investment analysis
+ Tax appeals
+ Litigation Support
+ Manufactured Housing and Campgrounds

Advisory

+ ASC 805 Business combinations
+ ASC 840 Leases
+ Purchase Price Allocations
+ Portfolio Valuations for reporting net asset values (NAV)
+ Public and non-traded REIT valuations
+ Valuations for litigation and litigation support
+ Sale-leaseback valuation analysis
+ Valuations for bankruptcy/fresh start accounting
+ Cost segregation analysis

Assessment

+ Environmental due diligence
+ Property condition consulting
+ Small loan services
+ Energy consulting
+ Environmental consulting
+ Zoning
+ ALTA Surveys

Valuation + Assessment

ADDENDA

❖

GLOSSARY

Appraisal: (noun) the act or process of developing an opinion of value; an opinion of value. (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.[7]

Appraisal Practice: valuation services performed by an individual acting as an appraiser, including but not limited to appraisal and appraisal review.[7]

Appraisal Review: (noun) the act or process of developing an opinion about the quality of another appraiser's work (i.e., a report, part of a report, a workfile, or some combination of these), that was performed as part of an appraisal or appraisal review assignment, (adjective) of or pertaining to an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment.[7]

Appraiser: one who is expected to perform valuation services competently and in a manner that is independent, impartial and objective.[7]

Appraiser's Peers: other appraisers who have expertise and competency in a similar type of assignment.[7]

Assessed Value: The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. [1]

Asset:

1. Any item, the rights to which may have economic value, including financial assets (cash or bonds), business interests, intangible assets (copyrights and trademarks), and physical assets (real estate and personal property).
2. In general business usage, something owned by a business and reflected in the owner's business sheet.

Asset: A resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. [2]

Assignment: a valuation service that is provided by an appraiser as a consequence of an agreement with a client.[7]

Assignment Conditions: Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulation, jurisdictional exceptions, and other conditions that affect the scope of work.[7]

Assignment Elements: Specific information needed to identify the appraisal or appraisal review problem: client and any other intended users, intended use of the appraiser's opinions and conclusions, type and definition of value; effective date of the appraiser's opinions and conclusions; subject of the assignment and its relevant characteristics; and assignment conditions.[7]

Assignment Results: An appraiser's opinions or conclusions, not limited to value, that were developed when performing an appraisal assignment, an appraisal review assignment, or a valuation service other than an appraisal or appraisal review.[7]

Bias: a preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an assignment.[7]

Business Enterprise: an entity pursuing an economic activity.[7]

Business Equity: the interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).[7]

Capital Expenditure: Investments of cash (or the creation of liability) to acquire or improve an asset, e.g., land, buildings, building additions, site improvements, machinery, equipment; as distinguished from cash outflows for expense items that are normally considered part of the current period's operations. Also referred to as Cap Ex.[1]

Cash Equivalency Analysis: An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash or its equivalent.[1]

Client: the party or parties (i.e., individual, group or entity) who engage an appraiser by employment or contract in a specific assignment, whether directly or through an agent.[7]

Condominium Ownership: A form of fee ownership of separate units or portions of multiunit buildings that provides for formal filing and recording of a divided interest in real estate.[1]

Confidential Information:

1: information that is either:

- Identified by the client as confidential when providing it to a valuer and that is not available from any other source, or
- Classified as confidential or private by applicable law or regulation.

2: Information that is either

- Identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or
- Classified as confidential or private by applicable law or regulation *
- NOTICE: For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers. The Federal Trade Commission (FTC) issued two rules. The first rule (16 CFR 313) focuses on the protection of "non-public personal information" provided by consumers to those involved in financial activities "found to be closely related to banking or usual in connection with the transaction of banking." These activities include "appraising real or personal property." The second rule (16 CFR 314) requires appraisers to safeguard customer non-public personal information. Significant liability exists for appraisers should they fail to comply with these FTC rules. [7]

Cost: the actual or estimated amount required to create, reproduce, replace or obtain a property.[7]

Cost Approach: A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. [1]

Credible: worthy of belief.[7]

Deferred Maintenance: Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.[1]

Disposition Value: The most probable price that a specified interest in real property should bring under the following conditions: 1) Consummation of a sale within a specific time, which is short than the typical exposure time for such a property in that market. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) An adequate marketing effort will be made during the exposure time. 8) Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) The price represents the normal consideration of the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This definition can also be modified to provide for valuation with specified financing terms. [1]

Economic Life: The period over which improvements to real estate contribute to property value. [1]

Effective Date: the date to which the appraiser's analysis, opinions and conclusions apply, also referred to as date of value.[7]

Effective Gross Income Multiplier (EGIM): The ratio between the sale price

(or value) of a property and its effective gross income.[1]

Effective Rent: Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions, the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. [1]

Exposure Time: an opinion, based on supporting market data, of the 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 the market value on the effect date of the appraisal.[7]

Extraordinary Assumption: 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.[7]

Fair Market Value:

1. In nontechnical usage, a term that is equivalent to the contemporary usage of market value.
2. As used in condemnation, litigation, income tax, and property tax situations, a term that is similar in concept to market value but may be defined explicitly by the relevant agency. For example, one definition of *fair market value* provided by the Internal Revenue Service for certain purposes is as follows: The price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. The fair market value of a particular item of property includible in the decedent's gross estate is not to be determined by a forced sale price. Nor is the fair market value of an item of property to be determined by the sale price of the item in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate. (IRS Regulation §20.2031-1) [1]

Fair Share:

1. A share of a fund or deposit that is divided or distributed proportionately.
2. A share of a burden or obligation that is divided proportionately; e.g., a tenant in a multitenant building or development may be required to pay a pro rata share of the building's operating expenses based on the number of square feet the tenant occupies. In a shopping center, the tenant's share of operating costs is often stated as a fraction, with the gross leasable area of the tenant's premises as the numerator and the gross leasable area or gross leased area of the entire shopping center as the denominator.
3. The share of a trade area that a retail facility is likely to capture; assumes that capture is a function of property size as a proportion of the overall inventory of competitive space in the trade area, i.e., that the facility captures a "fair share" of the trade area.[1]

Fair Value:

1. The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (FASB)
2. The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties. (This does not apply to valuations for financial reporting.) (IVS).[1]
3. The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.[2]

Feasibility Analysis: a study of the cost benefit relationship of an economic endeavor.[1]

Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. [1]

Floor Area Ratio (FAR): The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. [1]

Going Concern:

1. An established and operating business having an indefinite future life.
2. An organization with an indefinite life that is sufficiently long that, over time, all currently incomplete transformations [transforming resources from one form to a different, more valuable form] will be completed. [1]

Gross Building Area (GBA):

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

Highest and Best Use:

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

Hypothetical Condition: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.[7]

Income Capitalization Approach: Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income. [1]

Inspection: Personal observation of the exterior or interior of the real estate that is the subject of an assignment performed to identify the property characteristics that are relevant to the assignment, such as amenities, general physical condition, and functional utility. Note that this is not the inspection process performed by a licensed or certified building inspector. [1]

Insurable Value: A type of value for insurance purposes. [1]

Intangible Property (intangible Assets): Nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.[7]

Intended Use: the user(s) of an appraiser's reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment.[7]

Intended User: the client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment.[7]

Internal Rate of Return ("IRR"): The annualized yield rate or rate of return on capital that is generated or capable of being generalized within an investment of portfolio over a period of ownership. Alternatively, the indicated return of capital associated with a projected or pro forma income stream. The discount rate that equates the present value of the net cash flows of a project with the present value of the capital investment. It is the rate at which the Net Present Value (NPV) equals zero. The IRR reflects both the return on invested capital and the return of the original investment, which are basic considerations of potential investors. Therefore, deriving the IRR from analysis of market transactions of similar properties having comparable income patterns is a proper method for developing market discount rates for use in valuations to arrive at Market Value. Used in discounted cash flow analysis to find the implied or expected rate of return of the project, the IRR is the rate of return which gives a zero net present value (NPV). See also equity yield rate (YE); financial management rate of return (FMRR); modified internal rate of return (MIRR); yield rate (Y). [1]

Investment Value: 1) The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. 2) The value of an asset to the owner or a prospective owner for individual investment or operational objectives. (IVS) [1]

Jurisdictional Exception: an assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.[7]

Leasehold Interest: The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. [1]

Leased Fee Interest: The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.[1]

Liquidation Value: The most probable price that a specified interest in real property should bring under the following conditions: 1) Consummation of a sale within a short time period; 2) The property is subjected to market conditions prevailing as of the date of valuation; 3) Both the buyer and seller are acting prudently and knowledgeably; 4) The seller is under extreme compulsion to sell; 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) A normal marketing effort is not possible due to the brief exposure time 8) Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto. 9) The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This definition can also be modified to provide for valuation with specified financing terms.[1]

Load Factor: A measure of the relationship of common area to useable area and therefore the quality and efficiency of building area layout, with higher load factors indicating a higher percentage of common area to overall rentable space than lower load factors; calculated by subtracting the amount of usable area from the rentable area and then dividing the difference by the usable area: [1]

Load Factor =

(Rentable Area – Useable Area) Usable Area

Market Value: a type of value stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the value definition that is identified by the appraiser as applicable in an appraisal.[7]

Market Value "As If Complete" On The Appraisal Date: Market value as if complete on the effective date of the appraisal is an estimate of the market value of a property with all construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value should reflect the market value of the property as if complete and prepared for occupancy by tenants.

Market Value "As Is" On The Appraisal Date: Value As Is -The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning. See also effective date; prospective value opinion.

Market Value of the Total Assets of the Business: The market value of the total assets of the business is the market value of all of the tangible and intangible assets of a business as if sold in aggregate as a going concern. This assumes that the business is expected to continue operations well into the future. [4]

Marketing Time: An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property Market Value Opinions" address the determination of reasonable exposure and marketing time.). [3]

Mass Appraisal: the process of valuing a universe of properties as of a given date using standard methodology, employing common data and allowing for statistical testing.[7]

Mass Appraisal Model: a mathematical expression of how supply and demand factors interact in a market.[7]

Misleading: intentionally or unintentionally misrepresenting, misstating or concealing relevant facts or conclusions.[7]

Net Lease: A lease in which the landlord passes on all expenses to the tenant. See also lease. [1]

Net Rentable Area (NRA): 1) The area on which rent is computed. 2) The Rentable Area of a floor shall be computed by measuring to the inside finished surface of the dominant portion of the permanent outer building walls, excluding any major vertical penetrations of the floor. No deductions shall be made for columns and projections necessary to the building. Include space such as mechanical room, janitorial room, restrooms, and lobby of the floor.[5]

Penetration Ratio (Rate): The rate at which stores obtain sales from within a trade area or sector relative to the number of potential sales generated; usually applied to existing facilities. Also called: penetration factor.[1]

Personal Inspection: a physical observation performed to assist in identifying relevant property characteristics in a valuation service.[7]

Personal Property: any tangible or intangible article that is subject to ownership and not classified as real property, including identifiable tangible objects that are considered by the general public as being "personal", such as furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment, and intangible property that is created and stored electronically such as plans for installation art, choreography, emails or designs for digital tokens.[7]

Physical Characteristics: attributes of a property that are observable or measurable as a matter of fact, as distinguished from opinions and conclusions, which are the result of some level of analysis or judgement.[7]

Price: the amount asked, offered or paid for a property.[7]

Prospective opinion of value. A value opinion effective as of a specified future date. The term does not define a type of value. Instead it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy. [1]

Real Estate: an identified parcel or tract of land, including improvements, if any.[7]

Real Property: the interests, benefits and rights inherent in the ownership of real estate.[7]

Reconciliation: A phase of a valuation assignment in which two or more value indications are processed into a value opinion, which may be a range of value, a single point estimate, or a reference to a benchmark value. [1]

Relevant Characteristics: features that may affect a property's value or marketability such as legal, economic or physical characteristics.[7]

Reliable Measurement: [The IAS/IFRS framework requires that] neither an asset nor a liability is recognized in the financial statements unless it has a cost or value that can be measured reliably.[2]

Remaining Economic Life: The estimated period over which existing improvements are expected to contribute eco-nomically to a property; an estimate of the number of years remaining in the economic life of a structure or structural components as of the effective date of the appraisal; used in the economic age-life method of estimating depreciation. [1]

Replacement Cost: The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. [1]

Report: any communication, written or oral, of an appraisal or appraisal review that is transmitted to the client or a party authorized by the client upon completion of an assignment.[7]

Retrospective Value Opinion: A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." [1]

Sales Comparison Approach: The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available. [1]

Scope of Work: the type and extent of research and analyses in an appraisal or appraisal review assignment.[7]

Signature: personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analyses and the conclusions in the report.[7]

Stabilized value: A value opinion that excludes from consideration any abnormal relationship between supply and demand such as is experienced in boom periods when cost and sale price may exceed the long-term value, or during periods of depression, when cost and sale price may fall short of long-term value. It is also a value opinion that excludes from consideration any transitory condition that may cause excessive construction costs, e.g., a premium paid due to a temporary shortage of supply.

Substitution: The principle of substitution states that when several similar or commensurate commodities, goods, services are available, the one with the lowest price will attract the greatest demand and widest distribution. This is the primary principle upon which the cost and sales comparison approaches are based. [3]

Total Assets of a Business: Total assets of a business is defined by the Appraisal Institute as "the tangible property (real property and personal property, including inventory and furniture, fixtures and equipment) and intangible property (cash, workforce, contracts, name, patents, copyrights, and other residual intangible assets, to include capitalized economic profit)."

Use Value:

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Use value may or may not be equal to market value but is different conceptually. [1]

Valuation Service: a service pertaining to an aspect of property value, regardless of the type of service and whether it is performed by appraisers or by others.[7]

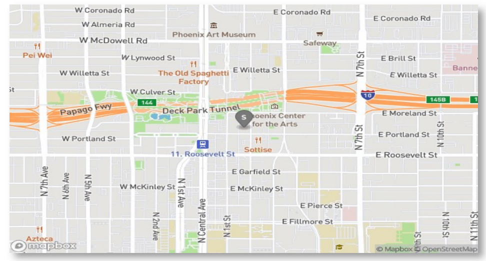
Value: the monetary relationship between properties and those who buy and sell, or use those properties, expressed as an opinion of the worth of a property at a given time.[7]

Workfile: data, information and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP.[7]

[1]Appraisal Institute, *The Dictionary of Real Estate Appraisal, 6*th ed. (Chicago: Appraisal Institute 2010). [2]Appraisal Institute, *International Financial Reporting Standards for Real Property Appraiser, IFRS Website, www.ifrs-ebooks.com/index.html*. [3]Appraisal Institute, *The Appraisal of Real Estate,* 13th ed. (Chicago: Appraisal Institute 2008). [4] This definition is taken from "Allocation of Business Assets Into Tangible and Intangible Components: A New Lexicon," Journal of Real Estate Appraisal, January 2002, Volume LXX, Number 1. This terminology is to replace former phrases such as: value of the going concern. [5]Financial Publishing Company, *The Real Estate Dictionary*, 7 ed. [6] U.S. Treasury Regulations. [7]USPAP 2020-2021

COMPARABLE LAND SALES

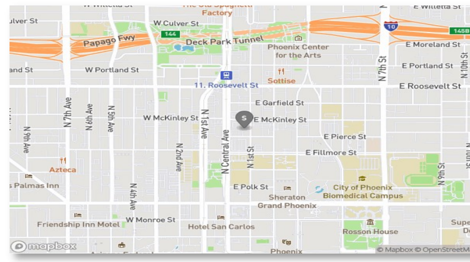
Sale Comparable #1
Downtown Phoenix Development Site
114 East Portland Street
Phoenix, AZ 85004
Maricopa County
BBG Property #660292



Property Data			
Property Type/Use	**Land**	Lat/Long	**33.460311 / -112.0716**
Parcel ID #	**111-36-077; -078; -079; -080**	Census Tract	**1130.00**
Opportunity Zone	**No**	Frontage	**Two neighborhood streets**
Gross Land Area	**28,000 SF** **0.64 Acres**	Net Land Area	**28,000 SF** **0.64 Acres**
Flood Designation	**Zone X (Unshaded)**	Flood Panel	**04013C2205L** **Dated October 17, 2013**
Utilities	**All available to site.**	Terrain / Topography	**Level**
Easements / Encroachments		Zoning	**DTC-W-EV / ACOD** **Downtown - Evans Churchill West / Arts, Culture Overlay**
Comments	**The site is rectangle-shaped consisting of four level parcels on the NWC of 2nd Street and Portland Street within the Evans Churchill West section of Downtown Phoenix.**		

Sale Transaction Data for BBG Event #794922 on 1/11/2023					**Net Area**	**Gross Area**
Transaction Date	**1/11/2023**	Consideration	**$8,820,000**	Price PSF	**$315.00**	**$315.00**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$13,781,250**	**$13,781,250**
		Cash Equivalent Price	**$8,820,000**			
Property Rights	**Fee Simple**					
Grantor	**First and Portland LLC**					
Grantee	**Unknown**					
Record Info	**TBA**					
Comments	**This 28,000± square foot corner site has similar physical characteristics as the subject. The purchase contract was signed in mid-September 2022 with a close of escrow anticipated by late December 2022, but extended to early January of 2023. According to the confirming party this is an all-cash transaction and the buyer's plans are to close prior to obtaining City of Phoenix approval or permits. The developer's preliminary plans are to build a residential tower.** **Note that the sale date was estimated by the buyer as the actually recording is not yet available.** **This property represents a portion of the previous June 2021 sale which also included a 42,000 square foot site at the northeast corner of 1st Street and Portland, across the alleyway from this sale. Based on the current sale, the compounded appreciation equates to 7.3% per month or 87.0% annually.**					
Verification	**1/25/2023 , Kriste Cali 9312.542.1133, represents buyer; Public Records**					

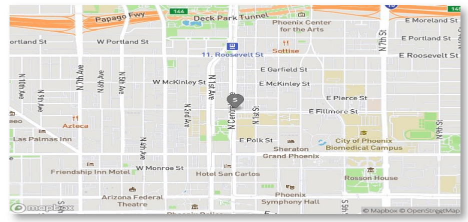
Sale Comparable #2
Downtown Phoenix Development Site
710 North 1st Street
Phoenix, AZ 85004-2059
Maricopa County
BBG Property #650120



Property Data			
Property Type/Use	**Land, Commercial**	Lat/Long	**33.455984 / -112.0729**
Parcel ID #	**111-43-008 and 151**	Census Tract	**1131.00**
Opportunity Zone	**Yes**	Frontage	**Two neighborhood streets**
Gross Land Area	**20,251 SF** **0.46 Acres**	Net Land Area	**20,251 SF** **0.46 Acres**
Flood Designation	**Zone X (Unshaded)**	Flood Panel	**04013C2205L** **Dated October 16, 2013**
Utilities	**All available to site.**	Terrain / Topography	**Level**
Easements / Encroachments	**None detrimental known**	Zoning	**DTC-W-EV** **Downtown Code - West/Evans Churchill**
Comments	**Redevelopment site currently improved with several commercial buildings. Notably, the site was fully entitled pending site plan approval.**		

Sale Transaction Data for BBG Event #790077 on 6/30/2022					**Net Area**	**Gross Area**
Transaction Date	**6/30/2022**	Consideration	**$8,250,000**	Price PSF	**$407.39**	**$407.39**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$17,934,783**	**$17,934,783**
		Cash Equivalent Price	**$8,250,000**			
Days on Market	**173**					
Property Rights	**Fee Simple**					
Grantor	**Central Fillmore Dev, 1, LLC**					
Grantee	**Downtown Phx RESI Owner, LLC c/o Clayco, Inc.**					
Record Info	**2022-0544168**					
Comments	**This sale is comprised of two parcels located at the northwest corner of 1st and Pierce Streets in downtown Phoenix. The property is current developed with several single story buildings which will be razed for the development of a new high-rise apartment project which may have some ground floor retail. It is located only one block north of the Downtown Arizona State University Campus and only a few blocks from a light-rail station.** **This property represents a portion of a previous sale in October 2020 for a reported $23,762,484 or $174.00 per square foot (136,559 square feet) of land area. Notably, the seller also recently sold a near city block to the south in March of 2022 and the adjacent property to the west in December 2021, both to different buyers.** **We were unable to obtain confirmation from the parties to the sale to ascertain the impact if any on the sales price from the existing improvements.**					
Verification	**11/3/2022, Steven Nicoluzakis of Cushman & Wakefield; Public Records; CoStar**					

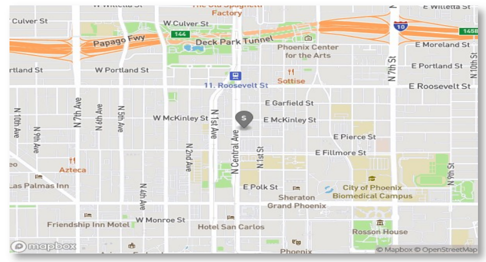
Sale Comparable #3
Downtown Phoenix Development Site
601 North Central Avenue
Phoenix, AZ 85004
Maricopa County
BBG Property #458839



Property Data			
Property Type/Use	**Land, Commercial**	Lat/Long	**33.454689 / -112.0737**
Parcel ID #	**111-45-036A, 037, 038, 039, 040, 041, 042, 043A, 044, 045, 046, 047, and 048**	Census Tract	**1131.00**
Opportunity Zone	**Yes**	Frontage	**Arterial and three neighborhood streets**
Gross Land Area	**79,837 SF** **1.83 Acres**	Net Land Area	**79,837 SF** **1.83 Acres**
Flood Designation	**Zone X (Unshaded)**	Flood Panel	**04013C2205L** **Dated October 16, 2013**
Utilities	**All available to site.**	Terrain / Topography	**Level**
Easements / Encroachments	**None detrimental known**	Zoning	**DTC-GTWY-ECW / DTC-W/EV** **Downtown Code - Gateway/Evans Churchill West and Downtown Code - West/Evans Churchill**
Comments	**Redevelopment site currently improved with a surface parking lot and a billboard.**		

Sale Transaction Data for BBG Event #789766 on 3/8/2022					**Net Area**	**Gross Area**
Transaction Date	**3/8/2022**	Consideration	**$22,000,000**	Price PSF	**$275.56**	**$275.56**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$12,021,858**	**$12,021,858**
		Cash Equivalent Price	**$22,000,000**			
Property Rights	**Fee Simple**					
Grantor	**Central Fillmore Dev 1, LLC**					
Grantee	**601 Central Avenue OZ Owner, LLC**					
Record Info	**2022-0212626**					
Comments	**This sale is comprised of 13 parcels comprising most of one city block. A city of Phoenix alley runs down the middle of the block separating the parcels. The property is current developed with an asphalt paved pay parking lot and a billboard. An approximately 1,157 SF parcel owned by the city of Phoenix is located within one of the northern parcels and improved with a small structure. It is located across the street from the Downtown Arizona State University Campus and only a few blocks from a light-rail station.** **According to an article within the Phoenix Business Journal, the buyer indicate that the Chicago-based developer LG Development Group has proposed a 29-story multifamily building with 747 residential units ranging from studio's to 3-bedroom units and 29,000± square feet for first floor commercial space.** **There was a previous sale of the property in October 2018 for a reported $14,000,000 or $175.36 per square foot of land area; the sale was recorded in April 2020. This buyer was a real estate professional active in the area. Based on the current sale, this represents a compounded appreciation of 1.1% per month or 14.6% annually. Notably, the seller also recently sold two sites on the next block north in December 2021 and June 2022, both to different buyers.** **We were unable to obtain confirmation from the parties to the sale to ascertain the impact if any on the sales price from the existing improvements.**						
Verification	**11/2/2022, Public Records; Costar**					

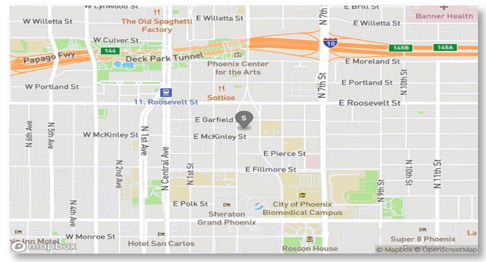
Sale Comparable #4
Downtown Phoenix Development Site
701 North Central Avenue
Phoenix, AZ 85004
Maricopa County
BBG Property #649916



Property Data			
Property Type/Use	**Land, Commercial**	Lat/Long	**33.455994 / -112.0735**
Parcel ID #	**111-43-150**	Census Tract	**1131.00**
Opportunity Zone	**Yes**	Frontage	**Arterial and two neighborhood streets**
Gross Land Area	**40,508 SF** **0.93 Acres**	Net Land Area	**40,508 SF** **0.93 Acres**
Flood Designation	**Zone X (Unshaded)**	Flood Panel	**04013C2205L** **Dated October 16, 2013**
Utilities	**All available to site.**	Terrain / Topography	**Level**
Easements / Encroachments	**None detrimental known**	Zoning	**DTC-GTWY-ECW** **Downtown Code - Gateway/Evans Churchill West**
Comments	**Redevelopment site currently improved with a surface parking lot having both open and covered spaces.**		

Sale Transaction Data for BBG Event #789817 on 12/20/2021					**Net Area**	**Gross Area**
Transaction Date	**12/20/2021**	Consideration	**$11,700,000**	Price PSF	**$288.83**	**$288.83**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$12,580,645**	**$12,580,645**
		Cash Equivalent Price	**$11,700,000**			
Property Rights	**Fee Simple**					
Grantor	**Central Fillmore Dev 1, LLC**					
Grantee	**701 North Central Avenue**					
Record Info	**2021-1201971**					
Comments	**This sale is comprised of a single parcel comprising of a half city block. The property is current developed with an asphalt paved pay parking lot having both covered and open parking. It is located only one block north of the Downtown Arizona State University Campus and only a few blocks from a light-rail station.** **This property represents a portion of a previous sale in October 2020 for a reported $23,762,484 or $174.00 per square foot (136,559 square feet) of land area. Notably, the seller also recently sold a near city block to the south in March of 2022 and the adjacent property to the east in June 2022, both to different buyers.** **We were unable to obtain confirmation from the parties to the sale to ascertain the impact if any on the sales price from the existing improvements.**					
Verification	**11/2/2022, Public Records; Costar**					

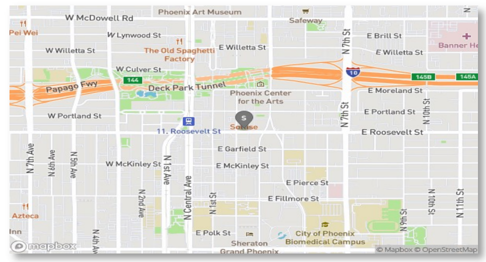
Sale Comparable #5
Downtown Phoenix Development Site
811 North 3rd Street
Phoenix, AZ 85004
Maricopa County
BBG Property #52115



Property Data			
Property Type/Use	**Land, Commercial**	Lat/Long	**33.457031 / -112.0696**
Parcel ID #	**111-44-017, 019, 020 and 021**	Census Tract	**1131.00**
Opportunity Zone	**Yes**	Frontage	**Neighborhood street**
Gross Land Area	**27,615 SF** **0.63 Acres**	Net Land Area	**27,615 SF** **0.63 Acres**
Flood Designation	**Zone X (Unshaded)**	Flood Panel	**04013C2205L** **Dated October 16, 2013**
Utilities	**All available to site.**	Terrain / Topography	**Level**
Easements / Encroachments	**None detrimental known**	Zoning	**DTC-W-EV** **Downtown Core - West/Evans Churchill**
Comments	**Redevelopment site consisting of four contiguous parcels on 3rd Street between Garfield and McKinley Streets in downtown Phoenix.**		

Sale Transaction Data for BBG Event #790089 on 7/16/2021					Net Area	Gross Area
Transaction Date	**7/16/2021**	Consideration	**$5,380,000**	Price PSF	**$194.82**	**$194.82**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$8,539,683**	**$8,539,683**
		Cash Equivalent Price	**$5,380,000**			
Property Rights	**Fee Simple**					
Grantor	**BBD, LLC c/o Vento Investments, LLC and Anthons Anemone OZ Fund, LLC**					
Grantee	**3rd Street Phoenix QOZB Owner, LLC c/o LV Collective**					
Record Info	**2021-0778181 and 2021-0778180**					
Comments	**This sale is comprised two transactions of four parcels located along 3rd Street between Garfield and McKinley Streets in downtown Phoenix. Notably both sales transacted on the same day. The property is currently being developed with a 326 unit, 24-story apartment project. It is located several blocks northeast of the Downtown Arizona State University Campus and roughly five blocks from a light-rail station.** **There was a previous sale of the northern three lots in September 2019 for a reported $3,200,000 or $152.38 per square foot of land area. The seller, Wolverine OZ Fund, LLC is active in the downtown Phoenix real estate market. Based on the current sale, this represents a compounded appreciation of 1.1% per month or 12.6% annually. Additionally, the southern lots was acquired by the respective seller in May 2019 for a reported $1,150,000.** **We were unable to obtain confirmation from the parties to the sale to ascertain the impact if any on the sales price from the existing improvements.**					
Verification	**11/3/2022, Jason Carr of LV Collective; Public Records; CoStar**					

Sale Comparable #6
Downtown Phoenix Development Site
1005 North 2nd Street
Phoenix, AZ 85004
Maricopa County
BBG Property #650473



Property Data			
Property Type/Use	**Land, Commercial**	Lat/Long	**33.458850 / -112.0709**
Parcel ID #	**111-36-036 and 038**	Census Tract	**1130.00**
Opportunity Zone	**Yes**	Frontage	**Arterial and neighborhood street**
Gross Land Area	**13,500 SF** **0.31 Acres**	Net Land Area	**13,500 SF** **0.31 Acres**
Flood Designation	**Zone X (Unshaded)**	Flood Panel	**04013C2205L** **Dated October 16, 2013**
Utilities	**All available to site.**	Terrain / Topography	**Level**
Easements / Encroachments	**None detrimental known**	Zoning	**DTC-W-EV** **Downtown Code - West/Evans Churchill**
Comments	**Redevelopment site consisting of two contiguous parcels at the northeast corner of 2nd and Roosevelt Streets in downtown Phoenix.**		

Sale Transaction Data for BBG Event #790402 on 1/1/2021					Net Area	Gross Area
Transaction Date	**1/1/2021**	Consideration	**$2,500,000**	Price PSF	**$185.19**	**$185.19**
Sale Status	**Closed**	Adjustments	**$0**	Price Per Acre	**$8,064,516**	**$8,064,516**
		Cash Equivalent Price	**$2,500,000**			
Property Rights	**Fee Simple**					
Grantor	**LTD, LLC c/o Michael Davis**					
Grantee	**HSG Roosevelt & 2nd Street, LLC c/o Hubbard Street Group**					
Record Info	**2021-0029551**					
Comments	**This sale is comprised of two parcels located at the northeast corner of 2nd and Roosevelt Streets in downtown Phoenix. Based upon information provided on the buyers website (hubbardstreetgroup.com), the property is to be developed with a single story restaurant having approximately 11,500 square feet of outdoor patio area. The improvements will be leased by Four Corner's our of Chicago who operates 11 restaurant concepts, with their Federales Tequila & Tacos going at this location. It is located approximately one-half mile north of the downtown Phoenix within the Roosevelt Row Art District with within close proximity to the Downtown Arizona State University Campus, multiple new student housing and apartment projects, in addition to being only two blocks from a light-rail station.** **There have been no previous arms-length transaction of this property in the previous three years. Notably, the buyer completed an internal ownership transfer in October 2022.** **We were unable to obtain confirmation from the parties to the sale to ascertain the impact if any on the sales price from the existing improvements.**					
Verification	**11/1/2022, Kage Brown, Managing Partner of Hubbard Street Group; Public Records; CoStar**					

APPRAISER QUALIFICATIONS AND LICENSES

BBG

Barott G Hurd
Director
Work: 480-867-7440
bhurd@bbgres.com

Profile

Barott Hurd is a valuation Director at BBG working out of the Scottsdale, Arizona office. Having started in the appraisal industry in the mid-1980's, Mr. Hurd became a licensed Arizona Certified General Real Estate Appraiser in June of 1992. Over the past 35 years, Mr. Hurd has been responsible for the preparation of narrative commercial appraisals of all property types, including both existing and proposed developments, in addition to market feasibility studies. Duties also include maintaining high profile client relationships and business development.

Although having knowledge of all property types, Mr. Hurd largely specializes in special use properties such as Charter, Private, Public, and Special Purpose Schools, as well as Student Housing, having appraised over 400 education related properties in 14 States, over the past 10 years. Mr. Hurd was hired by a major university to value nearly $800m in assets (12 residence halls, 9 student housing apartment buildings, a 6,868± seat/137,500± square foot event center/sport arena, and 260± acres of Underlying Land) for their transition from a "for-profit" to "non-profit" institution. He has extensive knowledge in other special-use properties such as Hotels, Convenience Stores, Gas Stations, Car Washes, Marinas, Subdivisions, and Logistic Buildings. His client profile includes balance sheet lenders, agency lenders, owners, life insurance companies, and governmental agencies.

Mr. Hurd is a registered certified general real estate appraiser in the states of Arizona, Nevada, and Texas. Having over 35 years of practical experience, he is an established real estate expert providing his clients knowledge based valuations for all property types.

Professional Affiliations

Appraisal Institute
Affiliate
State of Arizona- Certified General Real Estate Appraiser CGA30577
State of Nevada - Certified General Real Estate Appraiser A.0207875-CG
State of Texas - Certified General Real Estate Appraiser 1380558 G

Education

Bachelor of Science Degree - Real Estate and Finance Dual Major, Arizona State University 1988

Department of Insurance and Financial Institutions

State of Arizona

CGA - 30577

This document is evidence that: **BAROTT GUY HURD** has complied with the provisions of Arizona Revised Statutes, relating to the establishment and operation of a:

Certified General Real Estate Appraiser

and that the Superintendent of Financial Institutions of the State of Arizona has granted this license to transact the business of a:

Certified General Real Estate Appraiser

BAROTT GUY HURD

This license is subject to the laws of Arizona and will remain in full force and effect until surrendered, revoked or suspended as provided by law.

Expiration Date : **June 30, 2023**