

**A NARRATIVE APPRAISAL REPORT
OF AN ABANDONMENT OF PUBLIC REAL PROPERTY RIGHTS
SAID PROPERTY RIGHTS BEING
A GOVERNMENT LAND OFFICE PATENT EASEMENT ("GLOPE")
ENCUMBERING THE PERIMETER OF APPROXIMATELY 4.659 ACRES OF
VACANT LAND
LOCATED ON THE WEST SIDE OF 90TH STREET
APPROXIMATELY 925' NORTH OF RAINTREE DRIVE
APN 217-15-033
CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA 85251**

Prepared for and Authorized by

Mr. John Berry, Esq.
Berry Riddell, LLC
6750 East Camelback Road, Suite 100
Scottsdale, AZ 85251

Effective Date of Valuation

March 30, 2020

Date of Inspection

March 30, 2020

Date of Report

April 16, 2020

Prepared by

Roger L. Dunlap, MAI
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9401 East Diamond Rim Drive
Scottsdale, Arizona 85255-9123

RLD File: 132-20-070

Client File: Raintree GLOPE Abandonment

Roger L. Dunlap & Associates, LTD.

Appraisals • Consulting • Litigation Support

April 16, 2020

Mr. John Berry, Esq.
Berry Riddell, LLC
6750 East Camelback Road, Suite 100
Scottsdale, AZ 85251

Subject: A Narrative Appraisal of an Abandonment of Public Property Rights, Said Rights Being a GLOPE, Encumbering 1.1342 Acres Surrounding the Perimeter of Approximately 4.659 Acres of Vacant Land, Located on the West Side of 90th Street, Approximately 925' North of Raintree Drive, APN 217-15-033, City of Scottsdale, Maricopa County, Arizona 85251

Dear Mr. Berry:

Please find attached a copy of my narrative appraisal report, containing 74 pages, wherein I provide an opinion of the value of the subject property (the property to which the property rights will be abandoned) in the fee simple estate. Also provided in the report is an opinion of the market value of the GLOPE ("property to be abandoned"), which the City of Scottsdale intends to abandon to the subject property owner. March 30, 2020, is the date of value in this report. In this appraisal report "subject property" refers to assessor Parcel Number 217-15-033, Maricopa County, Arizona.

Sales and other market data for similar properties in the immediate and competing areas were analyzed, and well-informed individuals familiar with real estate values for this type of property were interviewed. The best available market data were analyzed. Public records were also utilized to assist in the valuation of this property.

As of the date of this report, Roger L. Dunlap has completed the requirements of continuing education for the Appraisal Institute and the State of Arizona.

April 16, 2020
Berry Riddell
Page 2

Based on the market data found in my research, appropriate analysis and professional judgment, it is my opinion that the market value of the subject property, in fee simple, as of the effective date of this appraisal, March 30, 2020, is:

**THREE MILLION FORTY-FIVE THOUSAND DOLLARS
\$3,045,000**

Based on the market data found in my research, appropriate analysis and professional judgment, it is my opinion that the market value of the property to be conveyed (GLOPE), as of the effective date of this appraisal, March 30, 2020, is:

**FORTY-SEVEN THOUSAND NINE HUNDRED FIVE DOLLARS
\$47,905**

As of the date of this report, the United States economy is experiencing impacts from the latest worldwide pandemic, Coronavirus Disease 2019 (COVID-19). While this is a rapidly evolving situation, it is unknown at this time what, if any, long-term impact COVID-19 will have on real estate markets. While consideration to overall market conditions are given in this analysis, specific impacts related to COVID-19 are highly speculative as of the date of this report and no material impact on the valuation has been considered. There is no empirical data to analyze at this point in time. It is not know how the economy as a whole will be affected, nor how individual property types will be affected. The impacts will be negative and substantial when there are data to analyze.

This letter must remain attached to the report, which contains 74 pages plus related exhibits, for the value opinion set forth to be valid.

Assuming that the subject is marketed by a professional brokerage firm, it is my judgment that the subject could sell in its "as is" condition within a 6-9 month period if it were offered at a price within ten percent of the appraised value. Exposure time would be similar.

I appreciate the opportunity to be of service to you.

Respectfully Submitted,

Roger L. Dunlap

Roger L. Dunlap, MAI
Certified General Real Estate Appraiser
Arizona Certificate #31062

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ADDENDA

Appraiser's Qualifications
Appraisal License
Contract Letter for Appraisal Services
Zoning Summary
Abandonment Application Exhibits

EXECUTIVE SUMMARY

Type of Property:	A parcel of residentially-zoned, vacant land
Location/Address:	The west side of 90th Street, approximately 925' north of Raintree Drive, City of Scottsdale, Maricopa County, Arizona
Assessor Tax Parcel Number:	217-15-033
Total Full Cash Value:	\$2,793,000 (2020)
Real Estate Taxes:	\$28,168.62 (2019). There are no prior year delinquent taxes.
Interest Appraised:	Fee simple
Gross Site Area:	±202,946 SF or 4.659 gross acres (per Maricopa County Assessor)
Area of Property to be Abandoned:	49,302 SF GLOPE
Zoning:	R1-35, single-family residential
Flood Zone Designation:	The subject is in Zone "X" - Map #04013C1760L. The effective date of the map is October 16, 2013. Flood insurance is not required in a Zone "X."
Highest and Best Use:	Office or multi-family residential uses
Date of Inspection:	March 30, 2020
Effective Date of Value:	March 30, 2020
Date of Report:	April 16, 2020

Value Opinion

Land Value “As If Vacant”:	\$3,045,000
Value of GLOPE to be Abandoned:	\$ 47,905
Marketing Period:	6-9 months
Exposure Time:	6-9 months

UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

1. That the legal description for the subject property available to the appraiser is correct.
2. That no survey was provided to the appraiser, and all other plans and specifications noted in this report are correct.
3. That the title to the property is marketable, free and clear of all liens.
4. That the property is appraised as if owned in fee simple.
5. That the fee simple interest in the property signifies all ownership interests of the property rights subject only to the limitations of the four powers of government.
6. That responsible ownership and competent management exist for the property.
7. That adequate utility services are available for the subject property and that they will continue to be so in the foreseeable future. These include electricity, water and sewer.
8. That construction, whether existing or to be completed, is assumed to be done according to the plans and specifications furnished to the appraiser, and that such construction is legal in character and meets all governmental requirements.
9. That hidden defects within the materials of the structures, or defects which are inaccessible to normal inspection, are not the responsibility of the appraiser.
10. An environmental site survey was not provided to the appraiser. Moreover, the appraiser is not qualified to detect or evaluate the subject site for environmental criteria. Thus, this appraisal does not take into consideration the possibility of the existence of asbestos, PCB transformers, urea formaldehyde foam insulation, or other toxic, hazardous or contaminated substances, and/or underground storage tanks (containing hazardous materials), or the cost of encapsulation or removal thereof.
11. That the subject property is not, nor will be, in violation of the National Environmental Policy Act, the State Environmental or Clean Air Act, or any and all similar government regulations or laws pertaining to the environment.
12. That information furnished by the client, property owner, agent or management is correct as received.
13. That the appraiser is not responsible for the accuracy of the opinions furnished by others and contained in this report, nor is he responsible for the reliability of government data utilized in the report.

14. That this report considers nothing of a legal character and that the appraiser assumes no responsibility for matters of a legal nature.
15. That compensation for appraisal services rendered is dependent only upon the delivery of this report and that it is not contingent upon the value opinions herein.
16. That testimony or attendance in court is not required by reason of this appraisal, unless arrangements are previously made.
17. That this report is the confidential and private property of the client and the appraiser. Any person other than the appraiser or the client who obtains and/or uses this report or its contents for any purpose not so authorized by the appraiser or the client is hereby forewarned that all legal means to obtain redress may be employed against him/her.
18. That neither this report, nor any of its contents, may be used for the sale of shares or similar units of ownership in the nature of securities, without specific prior approval of the appraiser. That no part of this appraisal may be reproduced without the permission of the appraiser.
19. That the appraiser cannot predict or evaluate the possible effects of future wage price control actions of the government upon rental income or financing of the subject property; hence, it is assumed that no control will apply which would nullify contractual agreements, thereby changing property values.
20. Statement of Policy. The following statements represent official policy of the Appraisal Institute with respect to neighborhood analysis and the appraisal of residential real estate:
 - a. It is improper to base a conclusion or opinion of value upon the premise that the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.
 - b. Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.
 - c. It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped or biased presumptions relating to race, color, religion, sex, or national origin, or upon unsupported presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.
21. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. It is beyond the scope of the assignment to make a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed

requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since there is no direct evidence relating to this issue, the possible non-compliance of the subject property with the requirements of ADA was not considered in estimating the value of the property. If, at a later date, it is determined that the subject does not conform, the value opinion is subject to change.

Special Limiting Condition

1. The following items relating to the subject were not available to the appraiser: survey, Phase I environmental report, soil report, site plan, title report, complete plans and specifications.

Extraordinary Assumption

1. **As of the date of this report, the United States economy is experiencing impacts from the latest worldwide pandemic, Coronavirus Disease 2019 (COVID-19). While this is a rapidly evolving situation, it is unknown at this time what, if any, long-term impact COVID-19 will have on real estate markets. While consideration to overall market conditions are given in this analysis, specific impacts related to COVID-19 are highly speculative as of the date of this report and no material impact on the valuation has been considered. There is no empirical data to analyze at this point in time. It is not know how the economy as a whole will be affected, nor how individual property types will be affected. The impacts will be negative and substantial when there are data to analyze. .**

SUBJECT PHOTOGRAPHS

All photographs were taken by Roger Dunlap on March 30, 2020



Looking west from SEC of Subject



Looking northwest from SEC of Subject



Looking north from SEC of Subject



Looking west from NEC of Subject



Looking southwest from NEC of subject



Looking south from NEC of Subject



Looking south toward subject from adjacent property to north



Looking west along power line easement on south side of subject

INTRODUCTION

Description of the Assignment

The client is in the process of seeking approval from the City of Scottsdale to abandon a GLOPE along the north, west and south sides of the subject property. Since easements cannot reasonably be valued using comparable transactions, the subject property will be valued and then the abandonment property will be valued taking into account its limited utility and market.

This appraisal has been prepared to comply with the appraisal reporting guidelines of the Uniform Standards of Professional Appraisal Practice (USPAP) as established by the Appraisal Foundation, and the Standards of Professional Practice as defined by the Appraisal Institute.

Identification of Subject Property

The subject property is a parcel of residentially-zoned land, containing approximately 4.659 acres, located on the west side of 90th Street, approximately 925' north of Raintree Drive, city of Scottsdale, Maricopa County, Arizona. It is identified by the Maricopa County Assessor as parcel number 217-15-033. A copy of the subject's legal description is located in the addenda at the end of the report.

Positive attributes of the subject property include adequate site size for a commercial or residential development, access to services, transportation system linkages, amenities and population centers. Negatives are a low traffic count on the fronting street and lack of exposure to traffic.

Scope of Work

The scope of work included:

1. A physical inspection of the subject property;
2. A collection of zoning information from the City of Scottsdale, including any stipulations which may affect the use of the property;
3. Conversations with market participants, including real estate brokers, property owners and representatives of financial institutions, etc., in the Phoenix metro area;
4. Examination and analysis of the market relative to the subject property's area, using data developed by the appraiser as well as secondary sources of information;
5. Primary data collection, including gathering sales of comparable properties as well as other relevant market data; and,
6. Application of the relevant approaches to value based on the highest and best use of the subject property as well as the availability of pertinent market data.

On the date of value, the appraiser personally inspected and photographed the subject property from 90th Street. and adjacent properties.

In the search for data, the appraiser employed CoStar, MLS and the Internet sites of the Maricopa County Assessor, Recorder and Treasurer as well as others.

Purpose, Intended Use, Client and Intended User of the Appraisal

The purpose of this appraisal is to provide an opinion of the market value of the property rights to be abandoned as of March 30, 2020, the date of valuation. Berry Riddell, LLC is the client. The intended use of this report is to provide an opinion of the value of the property to be abandoned to facilitate the abandonment process. The intended users are the client and the City of Scottsdale.

Property Rights Appraised

This appraisal values the *fee simple estate* which can be defined as:

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

Effective Date of Valuation and Date of the Report

The subject property was inspected on March 30, 2020. Therefore, the effective date for the “as is” market valuation is March 30, 2020. The report date is April 16, 2020.

Definition of Market Value

Market Value

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.²

¹ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. “fee simple estate.” (Chicago: Appraisal Institute, 2015), PDF e-book.

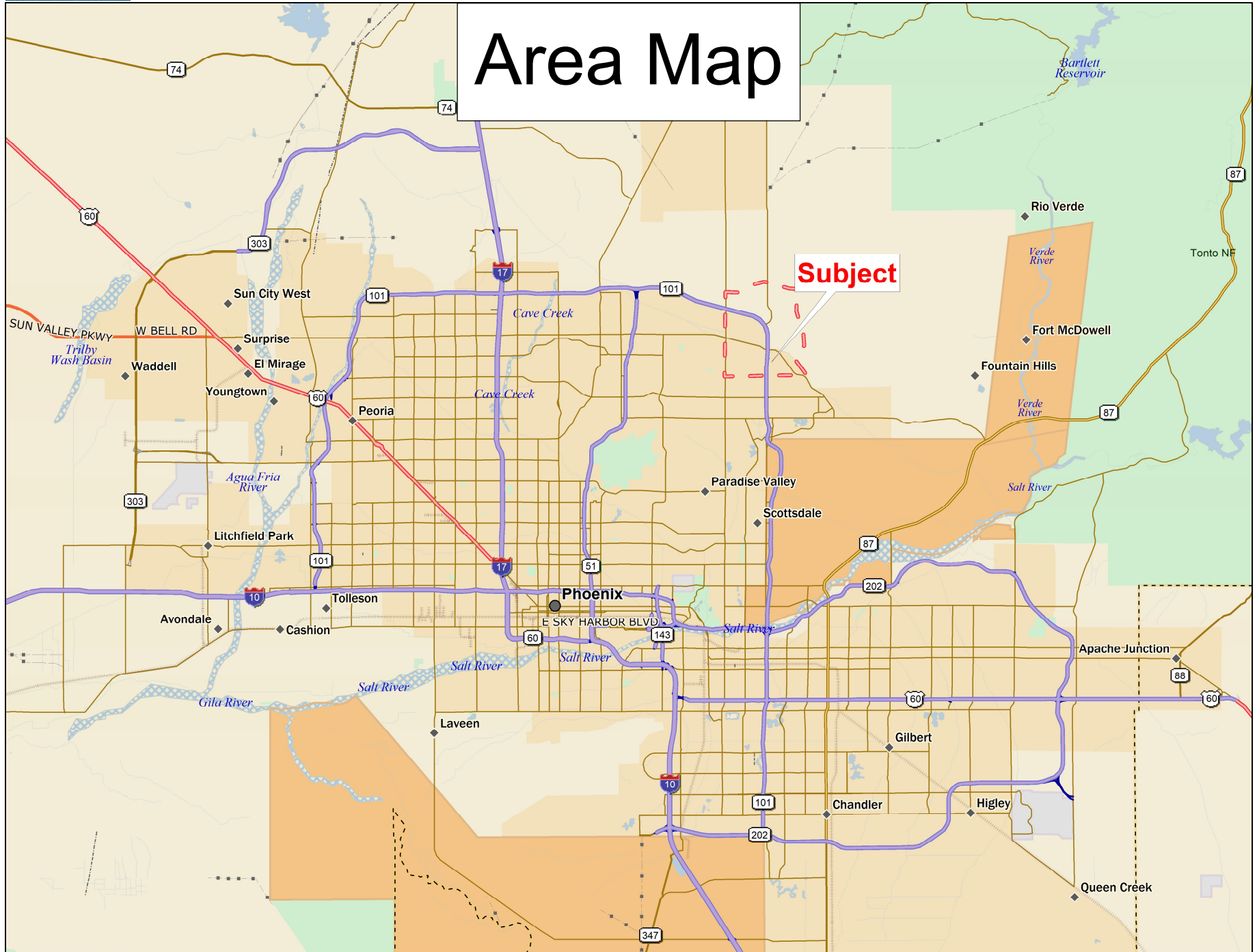
² Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. “market value.” (Chicago: Appraisal Institute, 2015), PDF e-book.

Ownership History of the Subject Property

No title report was provided to the appraiser. According to recorded documents, title to the subject property is currently held in the name of SFI Raintree-Scottsdale LLC. The property was conveyed from Craig Kaufman, successor trustee of RCC South, LLC via a trustee's deed and bill of sale recorded at 2011-1003433, records of Maricopa County. The conveyance was exempt from affidavit requirements, and included the subject site as well as an adjacent office project. There have been no other transfers of the subject property within the past five years and the property is not listed for sale to the best of my information.

Area Map

Subject



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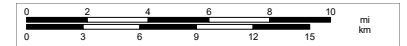
Data use subject to license.

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www.delorme.com



Scale 1 : 400,000



1" = 6.31 mi

Data Zoom 9-0

AREA ANALYSIS

Metropolitan Phoenix is located in Maricopa County which is also known as the “Valley of the Sun.” Maricopa County is located in south central Arizona and contains ±9,127 square miles of land area. Phoenix is the state capital, county seat and the largest city in the state. Maricopa County has grown to become the 4th largest county in the country in terms of population. Growth has been attributed to a variety of factors, including favorable cost of living, recreational opportunities, weather and availability of employment. The official town site was originally selected in 1870, although several people were living in the area in the early 1860's. In the late 1860's, the Swilling Irrigation Canal Company was organized and is responsible for giving Phoenix its name. The new city was to be located on top of ancient canals and villages of a vanished civilization and therefore rise upon the ashes of the old - just as the legendary Phoenix Bird, when consumed by fire, rose from its own ashes. Phoenix was incorporated in 1881.

Arizona Employment Trends

Arizona’s economy is heavily service-based, with just 12% of the jobs being goods-producing, such as mining and construction, and manufacturing. Of the 88% of the jobs in the total non-farm universe, private service-providing jobs account for 89% of that subset and just under 78% of the total non-farm jobs in Maricopa County.

Year	Period	labor force	employment	unemployment	unemployment rate
2019	Jan	2471289	2347408	123881	5.0
2019	Feb	2469839	2366730	103109	4.2
2019	Mar	2461718	2361436	100282	4.1
2019	Apr	2450501	2359228	91273	3.7
2019	May	2464110	2365751	98359	4.0
2019	Jun	2506366	2391380	114986	4.6
2019	Jul	2514255	2392982	121273	4.8
2019	Aug	2507467	2389357	118110	4.7
2019	Sep	2523439	2428354	95085	3.8
2019	Oct	2527808	2433852	93956	3.7
2019	Nov	2546142	2450618	95524	3.8
2019	Dec	2543195(P)	2449813(P)	93382(P)	3.7(P)

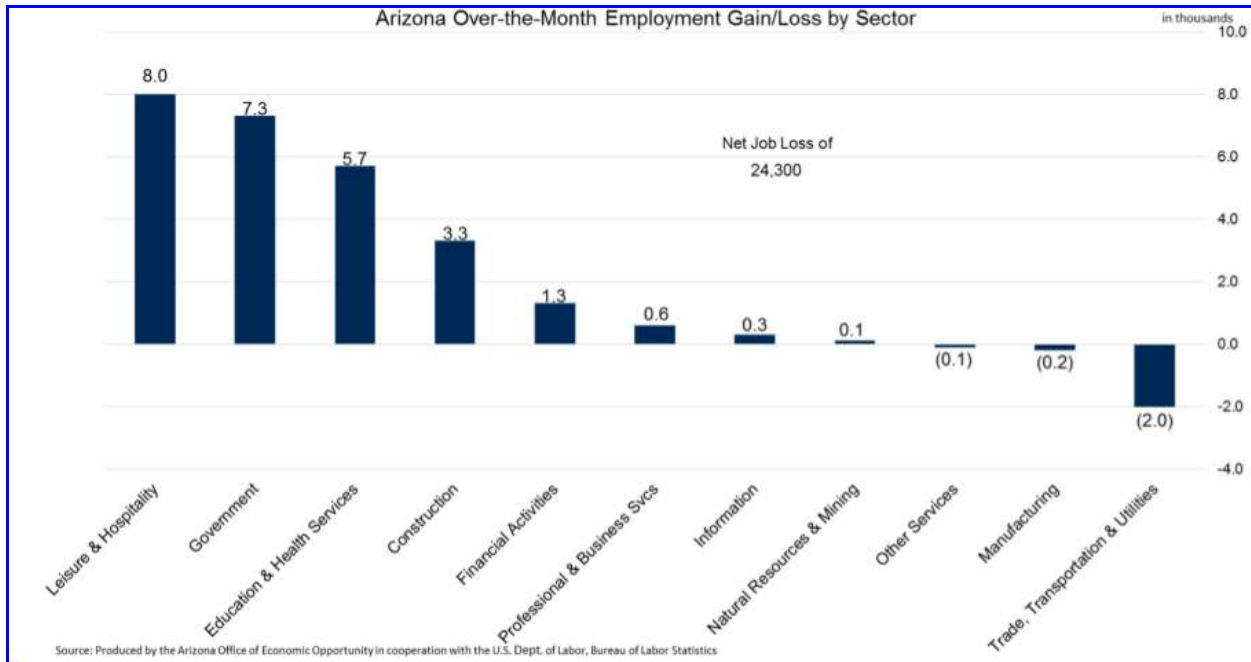
P : Preliminary.

The Arizona seasonally-adjusted unemployment rate remained at 4.5% in February 2020, the same as January 2020. During that same period, the U.S. seasonally adjusted unemployment rate decreased from 3.6% to 3.5%. Over the month, Arizona's seasonally adjusted labor force increased by 8,253 individuals. Over the year, labor force levels increased by 111,366 individuals or 3.2%.

Over the Month

Arizona nonfarm employment increased by 24,300 jobs in February. Fewer job gains were recorded in February 2020 compared to the historical 10-year (2010-2019) average gain of 25,100 jobs in February. The government sector recorded a gain of 7,300 jobs in February, less than the historical 10-year (2010-2019) average gain of 11,200 jobs in February. The Private Sector gained 17,000 jobs in February, greater than the historical 10-year (2010-2019) average gain of 13,800 jobs.

<i>Arizona, U.S. Economic Indicators</i>			
<i>Unemployment Rate (Seasonally Adj.)</i>			
	<i>Feb '20</i>	<i>Jan '20</i>	<i>Feb '19</i>
<i>United States</i>	3.5%	3.6%	3.8%
<i>Arizona</i>	4.5%	4.5%	4.9%
<i>Arizona unadjusted rate</i>	4.6%	4.4%	4.7%
<i>Arizona Nonfarm Employment (in Thousands)</i>			
	<i>Feb '20</i>	<i>Jan '20</i>	<i>Feb '19</i>
<i>Overall</i>	3,001.7	2,977.4	2,922.7
<i>Over-Month % Chg.</i>	-1.6%	0.2%	1.5%
<i>Year-to-Year % Chg.</i>	2.7%	2.7%	2.9%



Private sector employment gains were reported in the following sectors:

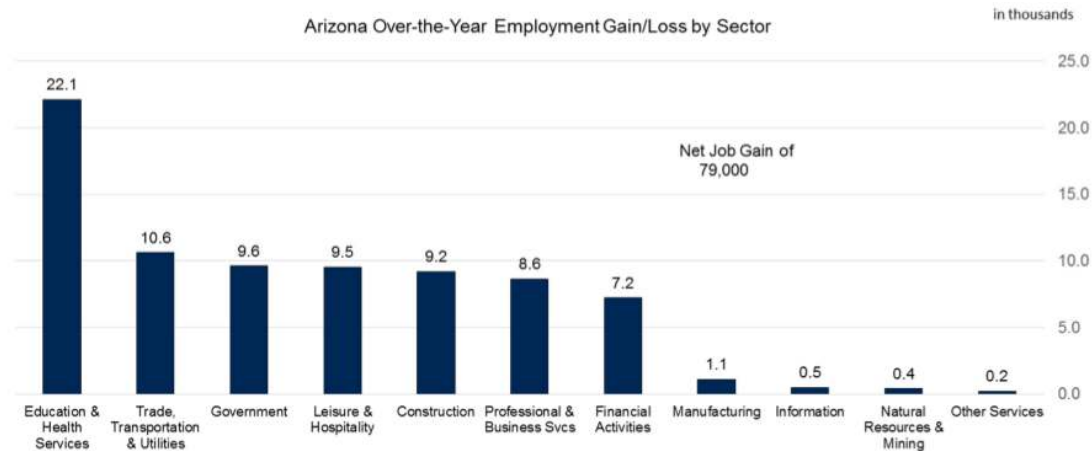
- M Leisure and Hospitality (8,000 jobs)
- M Education and Health Services (5,700 jobs)
- M Construction (3,300 jobs)
- M Financial Activities (1,300 jobs)
- M Professional and Business Services (600 jobs)
- M Information (300 jobs)
- M Natural Resources & Mining (100 jobs)

Private Sector employment losses were reported in the following sectors:

- M Trade, Transportation & Utilities (-2,000 jobs)
- M Manufacturing (-200 jobs)
- M Other Services (-100 jobs)

Over the Year Arizona nonfarm employment increased by 79,000 jobs or 2.7% in February. A majority of the job gains were recorded in Private Sector employment (69,400 jobs), while Government recorded gains of 9,600 jobs in February. Gains were reported in:

- M Education and Health Services (22,100 jobs)
- M Trade, Transportation & Utilities (10,600 jobs)
- M Leisure & Hospitality (9,500 jobs)
- M Construction (9,200 jobs)
- M Professional & Business Services (8,600 jobs)
- M Financial Activities (7,200 jobs)
- M Manufacturing (1,100 jobs)
- M Information (500 jobs)
- M Natural Resources & Mining (400 jobs)
- M Other Services (200 jobs)



Source: Produced by the Arizona Office of Economic Opportunity in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

MARICOPA COUNTY UNEMPLOYMENT RATES

Year	Annual Average
2000	2.7%
2001	3.9%
2002	5.6%
2003	4.9%
2004	4.0%
2005	4.1%
2006	3.5%
2007	3.6%
2008	5.7%
2009	7.7%
2010	8.6%
2011	7.7%
2012	7.1%
2013	6.7%
2014	5.8%
2015	5.1%
2016	5.0%
2017	3.9%
2018	4.8%
2019	4.5%
March 2020	3.5%

Population Data and Trends

The US Census Bureau estimates population in Maricopa County of 4,485,414 in 2019 compared to a population of 3,072,149 in 2000. This represents a compounded growth rate of 1.57% per year. The following table illustrates population growth in Maricopa County from 2000-2019.

MARICOPA COUNTY HISTORIC POPULATION GROWTH

Year	Population	% Change From Previous Year
2000	3,072,149	
2001	3,173,219	3.29%
2002	3,261,203	2.77%
2003	3,353,875	2.84%
2004	3,559,540	6.13%
2005	3,577,074	0.49%
2006	3,663,915	2.43%
2007	3,753,413	2.44%
2008	3,808,829	1.48%
2009	3,821,136	0.32%
2010	3,817,117	-0.11%
2011	3,843,370	0.69%
2012	3,884,705	1.08%
2013	3,944,859	1.55%
2014	4,008,651	1.62%
2015	4,076,438	1.69%
2016	4,137,076	1.49%
2017	4,221,684	2.05%
2018	4,294,460	1.72%
2019	4,485,414	4.45%

Source: Office of Employment & Population Statistics, Arizona Dept. of Administration

Most of the population growth has occurred outside the city of Phoenix where there is more developable land. Population increases are primarily attributed to employment opportunities, affordable housing, good weather and economic dislocation from other regions. Maricopa County currently accounts for about 60 percent of the State's population.

Although the Phoenix metropolitan area has exhibited strong long-term historical growth, annual net population gains have varied substantially, following the economic cycles affecting the region. During economic downturns, in-migration typically declines. The fact that 2010 saw the first decline in the County's population since World War II is a testament to the severity of the market downturn that was unfolding at the time. Population growth projections show growth of 1.4%/year to the year 2050.

The region typically attracts a continual flow of immigrants seeking new opportunities. This employment-related in-migration has brought a large number of young, well-educated residents to the region. The median age of Maricopa County residents is 36.0 years, which is somewhat younger than the national median of 37.8 years. About 53 percent of the population is in the prime work force age range of 20 to 59 years old. The median household income is \$55,099 in Maricopa County per the 2012 data. Maricopa County also offers a well-educated work force. About 26 percent of adults have some college education, and an additional 33 percent have completed an associate's, bachelor's or graduate degree.

Utilities

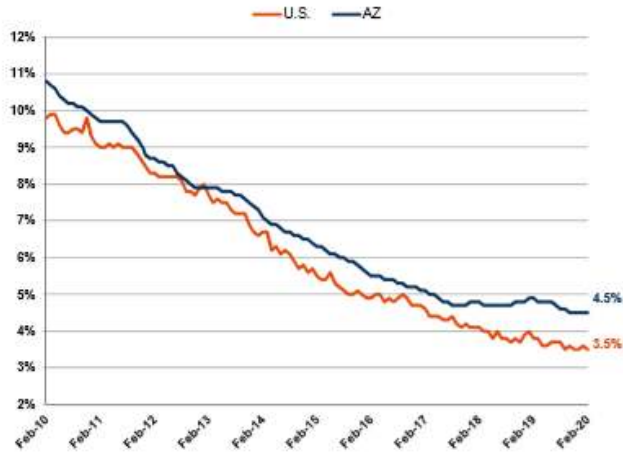
Although water supply is constrained in an arid desert climate such as Phoenix, there is generally adequate water for the overall region. The completion of the Central Arizona Project (CAP) has allowed the Phoenix area to receive water transported from the Colorado River to supplement local surface and groundwater supplies. However, increasing limitations on groundwater pumping have been mandated by the Arizona Groundwater Management Code, requiring a gradual total cutback in the 500,000 acre-feet of groundwater which is over drafted annually. These regulations will have an impact on development patterns in the metropolitan area, but are not generally expected to constrain overall growth in the economy and population. The Palo Verde Nuclear Power Project is expected to provide adequate electrical power to serve anticipated population and employment growth. Utility services are adequate and are typically provided by the following:

Electricity:	Salt River Project, Arizona Public Service Company
Natural Gas:	Southwest Gas Company
Telephone:	CenturyLink & others
Water:	Salt River Project/Municipal
Sewer:	Municipal

Availability of water, sewer, electricity and gas has historically been adequate in the metro area. Utility costs have been average for the metro area, particularly when compared with other similar metro areas in the West. At this time, there are no factors which suggest any changes in the adequacy of utility services in the metro area. The trend for solar use and development is gaining momentum. Future development potential is not hampered by current or foreseeable utility shortages in the metro area.

LABOR MARKET TRENDS CHARTS

Arizona & U.S. Unemployment Rate
Seasonally Adjusted



Arizona & U.S. Nonfarm Employment
Year-to-Year Percent Change



Arizona & U.S. Construction Employment
Year-to-Year Percent Change



Arizona & U.S. Manufacturing Employment
Year-to-Year Percent Change



Source: Prepared by the Arizona Office of Economic Opportunity, in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

LABOR MARKET TRENDS CHARTS

Arizona & U.S. Retail Trade
Year-to-Year Percent Change



Arizona & U.S. Employment Services
Year-to-Year Percent Change



Arizona & U.S. Health Care
Year-to-Year Percent Change



Arizona & U.S. Leisure & Hospitality
Year-to-Year Percent Change



Source: Prepared by the Arizona Office of Economic Opportunity, in cooperation with the U.S. Dept. of Labor, Bureau of Labor Statistics

Transportation

The metropolitan area has major airport and freeway infrastructure developments underway which will substantially improve accessibility within the region. Airline passenger traffic for 2019 was 46,288,437 passengers. This is a large increase from 38,554,530 in 2010. Forecasts suggest a continuing upward trend assuming stable economic conditions.

In order to meet continued demand, the airport has recently completed several extensive upgrades and projects at an estimated cost of \$2.0 billion. The projects include an automated train, new taxiways, and continuation of on-going improvements to airport security.

The Phoenix metropolitan area is served by Interstate 17 (I-17), which runs in a north/south direction and Interstate 10 (I-10), which merges with I-17 near Sky Harbor International Airport. I-17 provides access to Prescott and Flagstaff to the north. I-10 provides access to Los Angeles to the west and Texas, New Mexico and Southeastern and Atlantic Seaboard states to the east. Other metro freeways such as the Loop 101, Loop 202 and the San Tan Freeway also provide access for travelers. According to The Maricopa Association of Governments, new freeways will be added over the next several years, some of which are currently under construction. If population continues to grow as in the past, the freeway system will most likely remain over-taxed. Inefficient transportation has resulted from the development of urban centers and residential developments scattered throughout the metropolitan area. This situation has exacerbated the problem of designing an efficient mass transit system. The light rail project opened for operation in December 2008. The expansion of an additional 3.1 miles to Mesa opened August 22, 2015. Transportation availability and efficiency remain one of the Phoenix area's challenges to future economic growth.

Financial

Numerous state and national banks are located throughout the Phoenix area. State-chartered credit unions also serve metropolitan Phoenix. The Phoenix metro area is presently served by a number of large financial institutions such as Bank of America, JP Morgan Chase and Wells Fargo to name a few. Extensive branch banking operations are also maintained by the large national banks as well as many local and regional banks. Banking and financial services adequately serve the needs of the growing metro area.

Education

Metropolitan Phoenix offers a broad educational system from elementary through doctoral degree programs. There are numerous schools of higher learning in the Phoenix area, including Arizona State University. Arizona State University is a major university offering numerous bachelors' degree programs, masters' degree programs and doctoral degree programs. ASU has developed a 300-acre site in west Phoenix and has developed significant classrooms and housing in downtown Phoenix, which has revitalized the downtown area in a dramatic fashion.

There is also an ASU East Campus located at the Williams Gateway Airport facility. The Phoenix metropolitan area also offers community colleges and other private technical schools offering a wide range of educational opportunities.

Office Market

The following summary of the Greater Phoenix office market relies in part on the Colliers International *Greater Phoenix Office Research & Forecast Report for the 3rd Quarter 2019*.

The end of Q3, marks the 30th consecutive quarter of positive net absorption with nearly one million square feet absorbed. If current trends continue, absorption is expected to exceed 2.5 million square feet by the end of the year.

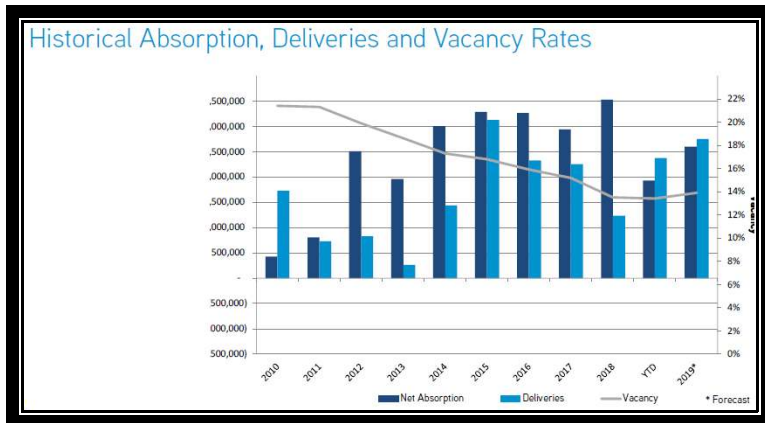
Over-the-year, employers added more than 57,800 new jobs which is below 2018's high of 68,700 and more in line with job growth witnessed in 2017 which averaged 60,000. Since January, monthly readings of year-over-year job growth have averaged three percent, nearly double the national average. In Q3, employment gains were primarily in the Construction (up 8.7 percent YoY), Manufacturing (up 6.3 percent YoY) and Education and Health Services (up 4.3 percent YoY) sectors. Office using employment, while off its 2016 highs, has averaged 1.9 percent growth thus far in 2019. Investment activity continues to remain robust with \$756 million in sales.

Market Indicators Relative to prior period	Market Q3 2019	Market Q3 2018	
Vacancy	↑	↓	
Net Absorption	↑	↓	
Construction	↓	↓	
Rental Rate	↑	↑	
Third Quarter Employment Trends*			
Total Nonfarm Phoenix Metro	↓	↓	
Office-Using Phoenix Metro	↓	↓	
Total Nonfarm United States	↑	↓	
Office-Using United States	↑	↓	
*Source: Bureau of Labor Statistics			
Summary Statistics			
	Phoenix Market	Phoenix Class A	Phoenix Class B
Vacancy Rate (Q3 2019)	13.4%	14.5%	13.9%
Change from Q3 2018 (bps)	-250	-50	Same
Net Absorption (thousands SF)	990	720	209
New Construction (thousands SF)	777	697	80
Under Construction (thousands SF)	2,012	1,506	507
Asking Rents	\$24.04	\$29.41	\$21.23
Q3 2018 Rents	\$23.37	\$28.88	\$20.19
Change from Q3 2018	2.9%	1.8%	5.2%

Median price per SF during the third quarter was \$168. Cap rates have continued to remain low and have averaged in the high six percent to mid seven percent range for much of the last three years with the first three quarters of 2019 continuing the same trend and reflecting continued investor interest in quality office assets.



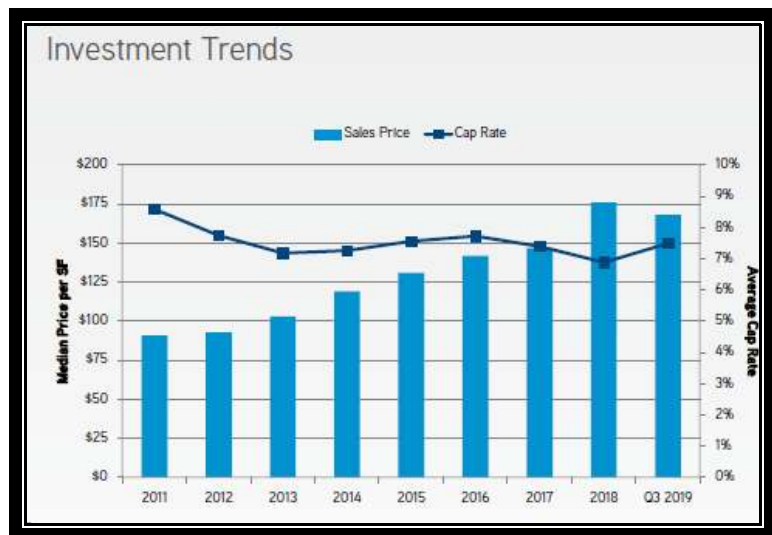
The outlook for the Greater Phoenix office market continues to remain bright in both the mid-to-near-term as local businesses continue to expand and new companies continue to bring operations to the Valley. Since July 2019, a little over 14,000 new jobs have been



announced with some 40 percent concentrated in the Scottsdale/ North Tempe submarket areas. While the rate of job growth has slowed, employers are continuing to add employees which supports the need for office space, and with the overall vacancy rate staying below 15 percent, new development is gaining momentum.

Projects totaling a little over two million square feet are under way and development of new projects, or additional phases of current projects, will likely enter the development pipeline in the coming quarters. Since January, the Federal Reserve and central banks across the developed world have become more dovish. From reducing interest rates to the resumption of QE (Quantitative Easing), central banks have, once again, fully reinserted themselves back into market operations.

When combined with the on-going trade war, rising global tensions and mixed signal indicators all point to a weakening economic outlook, but as of now, no recession. With continued market uncertainty, all roads point to continued reductions in interest rates at the Federal Reserve level and deeper negative abroad, particularly in Europe. The net result, real estate markets remained robust for most of the third quarter and the drag on real estate prices many were expecting, as a result of rising rates, has not materialized. With a more dovish Fed, deepening negative rates in Europe, demand for commercial real estate assets should continue to increase, especially as yields plummet and as investor need for cash flowing vehicles, due in large part to changing demographics, continues to rise.



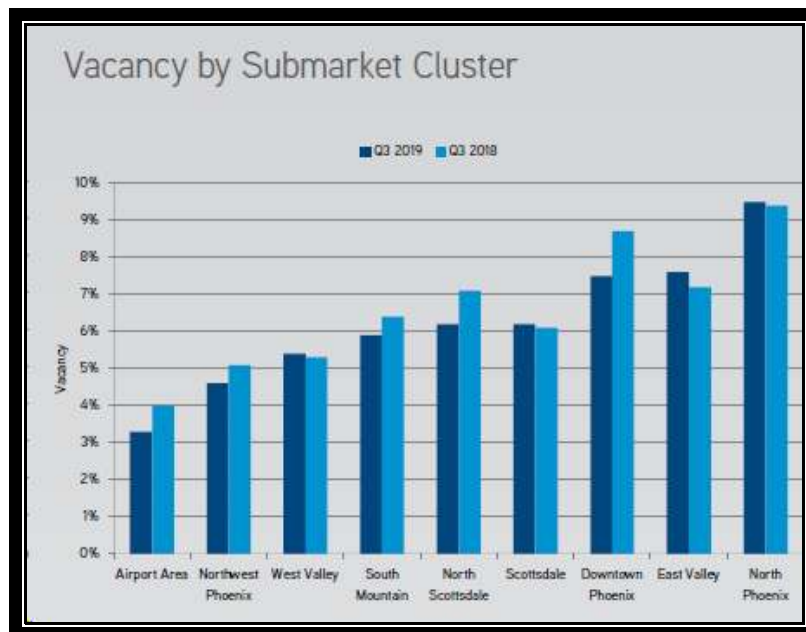
Retail Market

The following summary of the Greater Phoenix retail market relies in part on the Colliers International *Greater Phoenix Retail Research & Forecast Report for the 3rd Quarter 2019*.

The Greater Phoenix retail market had an overall healthy third quarter, with positive absorption of 262,130 square feet and both low vacancy, 7.0 percent, and ongoing rent growth, 3.2 percent. With the local economy remaining healthy, and bolstered by sustained population and job growth, expanding retailers should continue to perform.

With continued market uncertainty, all roads point to continued reductions in interest rates at the Federal Reserve level and deeper negative abroad, particularly in Europe. The net result, real estate markets remained robust for most of the third quarter and the drag on real estate prices many were expecting, as a result of rising rates, has not materialized. With a more dovish Fed, deepening negative rates in Europe, demand for commercial real estate assets should continue to increase, especially as yields plummet and as investor need for cash flowing vehicles, due in large part to changing demographics, continues to rise.

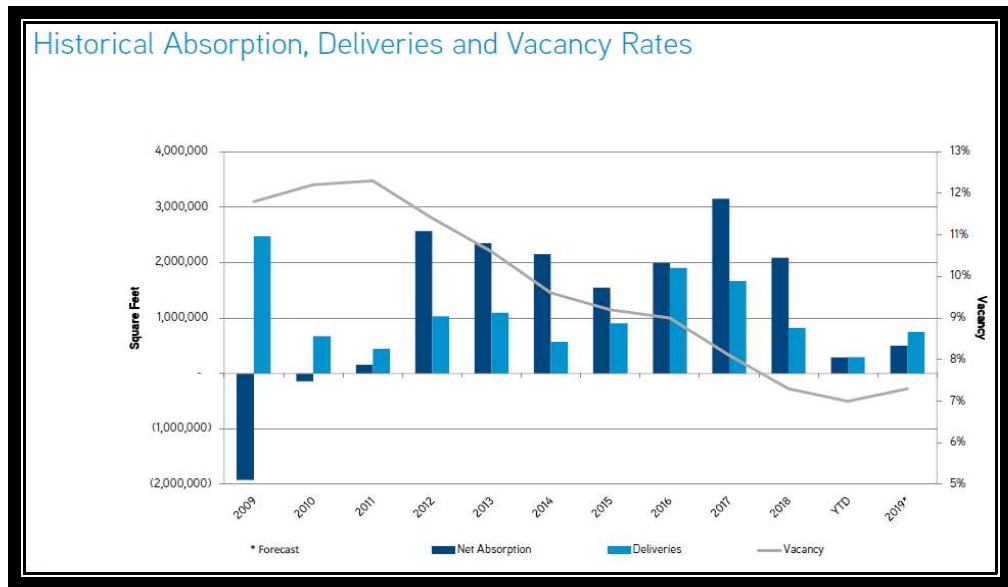
Market Indicators Relative to prior period	Market Q3 2019	Market Q3 2018
Vacancy	↓	—
Net Absorption	↑	↓
Construction	↓	↑
Rental Rate	↑	↑
Second Quarter Employment Trends*		
Total Nonfarm Phoenix Metro	↓	↓
Retail Phoenix Metro	↓	↓
Total Nonfarm United States	↓	↓
Retail United States	↓	↓
*Source: Bureau of Labor Statistics		
Summary Statistics		
	Phoenix Market	
Vacancy Rate	7.0%	
Change from Q3 2018 (bps)	—	
Net Absorption (thousands SF)	262	
New Construction (thousands SF)	91	
Under Construction (thousands SF)	686	
Asking Rents Per Square Foot Per Year	\$15.40	
Change from Q3 2018	3.2%	





While cap rates had been trending higher since 2018 in response to ongoing rises in interest rates, as the Federal Reserve reversed course, so too have cap rates reversed trend and declined 138 bps over-the-year to 6.71 percent. Reducing cap rates are something to watch as 2019 has completely reversed cap rate's previously growing trend upwards. In fact, since Q1 2019, cap rates have stayed below 7 percent the most since 2016. Median cap rates continue to compress for NNN leased investments which have

reduced 10 bps over-the-quarter to rest at 6.8 percent.



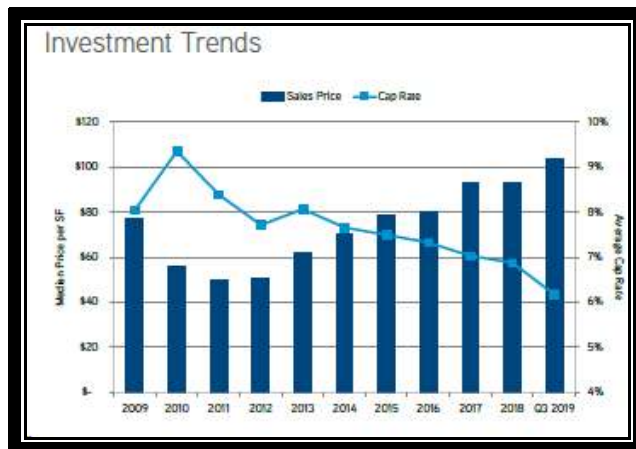
Industrial Market

The following summary of the Greater Phoenix industrial market relies in part on the Colliers International *Greater Phoenix Industrial Research & Forecast Report for the 3rd Quarter 2019*.

The median price settled at \$104 per square foot and tied for the second highest over the last several years but below Q3 2017's \$106 high.

Cap rates continued to compress decreasing 12 bps over-the-year to 6.18 percent, and 59 bps lower over-the-quarter, and marks the lowest reading since 2016. The outlook for the Greater Phoenix industrial market continues to remain bullish in both the near-to-medium terms.

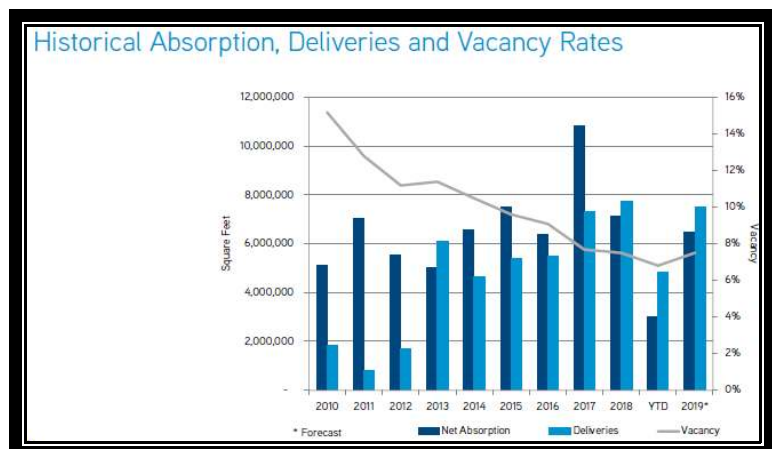
Absorption climbed higher and with the vacancy rate at 6.8 percent continues to remain well below 10 percent, first achieved in Q4 2015. Tenant demand continues 2019 sales volume continues to



the infrastructure investment of the Loop 202 extension, anticipated opening in December, will connect the Southeast Valley to the West Valley and make the transporting of goods into and through the Greater Phoenix area far less time consuming.

Market Indicators Relative to prior period	Market Q3 2019	Market Q3 2018
Vacancy	↓	↓
Net Absorption	↓	↑
Construction	↓	↑
Rental Rate	—	↑
Third Quarter Economic Trends*		
Phoenix Metro Employment	↓	↓
Phoenix Industrial Uses Employment	↓	↓
U.S. Employment	↑	↓
U.S. Industrial Uses Employment	↓	↓
*Source: Bureau of Labor Statistics		
Summary Statistics		Phoenix Industrial Market
Vacancy Rate	6.8%	
Change from Q3 2018 (bps)	10	
Net Absorption (thousands SF)	1,232	
New Construction (thousands SF)	2,266	
Under Construction (millions SF)	7,933	
Asking Rents Per Square Foot Per Month	\$0.57	
Change from Q3 2018	3.6%	

outpace 2018 highs and are currently at \$1.36 billion. The number of transactions is also outpacing 2018 levels with a total of 210 transactions completed through Q3, which is an increase of 16 percent to remain robust and suggests continued healthy absorption rates and rent growth. The Greater Phoenix area continues to attract industrial businesses, and



When combined with the ongoing trade war, rising global tensions and mixed signal indicator's all point to a weakening economic outlook, but as of now, no recession. With continued market uncertainty, all roads point to continued reductions in interest rates at the Federal Reserve level and deeper negative abroad, particularly in Europe. The net result, real estate markets remained robust for most of the third quarter and the drag on real estate prices many were expecting has not materialized. Demand for commercial real estate assets should continue to increase, especially as yields plummet and as investors need for cash flowing vehicles, due in large part to changing demographics, continues to rise.

Residential Market

2019 was a solid year for housing in metropolitan Phoenix, as the trend of housing market growth continued to accelerate in 2018 after the long housing market recession. In this 126th month of market recovery from the "great recession," there are few signs of overextension or overheating in the metro Phoenix housing market.

The following exhibit provided in the September 2019 edition of the Phoenix Housing Market newsletter by RL Brown shows the new and resale home price history for the Phoenix market.

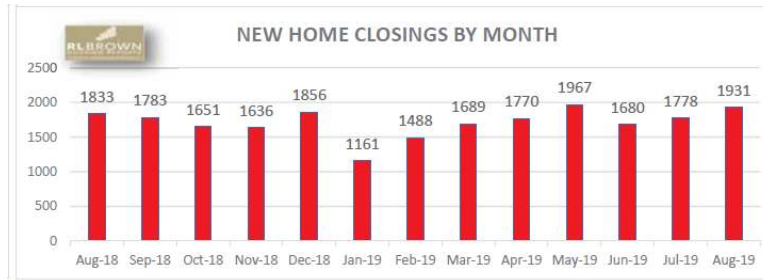


The widely feared shortage of available lots has failed to materialize. To date, most builders have carefully controlled their lot inventories as the market has improved, having learned from the lot inventory buildup of 2003-2005 that excessive lot inventory by builders can "sink the ship" if a market deteriorates for one reason or another. The marketplace has benefitted from a shortage of labor and of some materials, helping to keep a lid on potential overproduction. Some say the new home side of the market has also profited as consumers have become aware that this is a "seller's market" with a shortage of resale listings and a backlog of builder orders.

The 2019 single-family permit activity through September 2019 is broken down by selected jurisdictions and is presented in the following exhibit. As shown, the 2019 year-to-date number of permits of 18,471 is 5.74% ahead of the 17,469 permits at the same time in 2018.

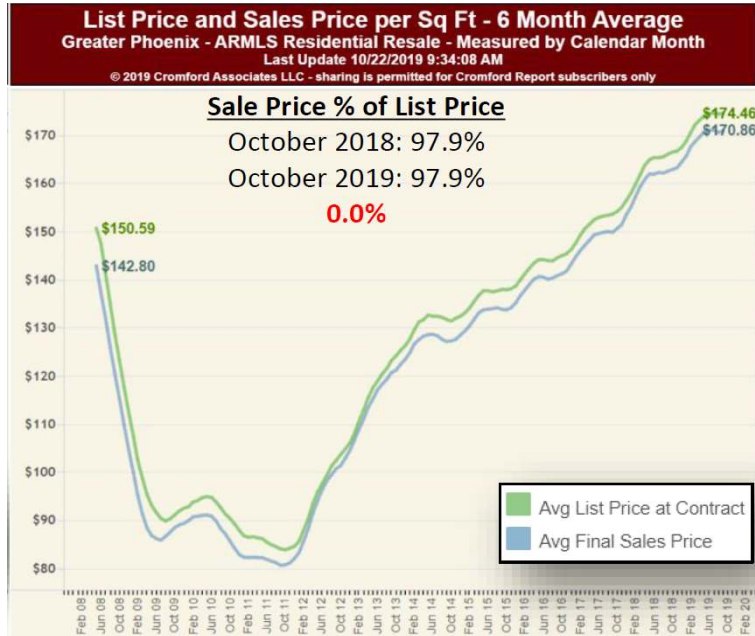
	2018				2019									YTD	YTD	Pct Change from YTD 2018	2018 Total	2017 Total	2016 Total
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	2018	2019				
Apache Junction	12	10	8	2	7	25	3	5	8	6	14	4	15	91	85	-7%	111	42	52
Avondale	8	15	12	7	10	7	4	8	9	6	6	10	18	198	78	-61%	232	252	355
Buckeye	163	182	156	182	247	201	183	179	221	216	246	183	234	1,685	1,910	13%	2,205	2,195	1,520
Casa Grande	16	29	51	26	101	42	48	73	35	53	29	49	34	148	464	214%	254	114	138
Chandler	35	51	54	45	34	8	48	39	58	38	61	51	45	338	382	14%	486	670	1,107
Coolidge	-	19	21	2	2	-	23	23	10	18	1	50	24	7	151	2057%	49	11	7
Florence	15	26	13	18	15	24	26	25	14	22	35	36	54	176	253	44%	233	218	188
Gilbert	86	101	74	78	123	137	112	106	138	82	77	62	91	1,174	928	-21%	1,427	1,600	1,602
Glendale	2	13	14	14	23	21	27	25	29	18	27	13	15	150	198	32%	191	171	174
Goodyear	53	65	64	64	109	98	195	119	101	126	146	108	124	994	1,126	13%	1,187	1,082	994
Maricopa	79	97	65	45	76	68	78	62	87	112	148	84	48	815	783	-6%	1,022	865	545
Maricopa County	99	143	113	132	139	116	183	220	175	282	120	152	147	1,388	1,534	11%	1,776	1,104	1,148
Mesa	184	166	178	189	156	155	160	202	223	199	218	212	198	1,950	1,723	-12%	2,483	2,666	2,090
Paradise Valley	5	8	4	8	4	3	5	12	4	5	6	10	7	63	56	-11%	83	75	83
Peoria	87	110	80	89	115	94	109	133	132	140	145	175	109	1,033	1,152	12%	1,292	1,626	1,641
Phoenix	236	310	283	269	295	329	401	409	304	339	385	431	386	2,854	3,279	15%	3,716	2,923	2,493
Pinal County	204	263	189	216	247	192	143	219	148	239	189	265	143	2,022	1,785	-12%	2,690	2,133	1,549
Queen Creek	70	97	71	113	84	107	92	126	136	114	158	124	138	1,015	1,079	6%	1,296	851	1,098
Scottsdale	27	25	25	21	33	29	18	31	37	40	31	39	34	316	292	-8%	387	452	505
Surprise	69	118	74	71	73	101	135	140	158	137	185	166	138	1,054	1,233	17%	1,317	814	523
Total	1,448	1,848	1,529	1,591	1,893	1,757	1,995	2,156	2,025	2,192	2,227	2,224	2,002	17,469	18,471	6%	22,437	19,864	17,812
																Pct Change from Prior Year	13%	12%	12%

According to the September 2019 RL Brown Newsletter, there were 1,931 new home closings August 2019 - up 5.35% from August 2018. Total closings for the year-to-date were 13,464, which was a 1.43% decrease from 13,274 closings in 2018. The median new home price in March 2019 was \$332,000, which was a 1.26% increase over 2018. The following exhibit shows historical new home closing in the month of August 2018 through August 2019.



According to RL Brown, the market share capture of new homes versus resales can be expected to increase as more and more new homes are presented in the more affordable price brackets and as the improving economy and job market in the region attracts additional prospective buyers into the market for new housing and for home ownership in general. The following graphic shows the trend in average new and resale prices by month from January 1992 through January 2017 and shows that the market has returned to 1992-2004 levels in both new and resale average prices after both the run up to the 2007 highs and the crash to 2009 lows.





Resale Housing Market

A snapshot of the metropolitan Phoenix housing market published by ROI Properties ("ROI") in its March 21, 2019 newsletter (The Real State) follows. "From February to March 2019, the supply-demand index rose 5.7 points from 125.8 to 131.5. While supply rose less than a point, demand rose nearly five points, placing it back within normal range. Overall, the majority of major cities saw an improvement for sellers primarily due to improving demand across the Valley. Demand has been benefitted by a decrease in mortgage rates and an increase in loan limits for both conventional and FHA financing. In addition, Arizona has continued to benefit from would-be buyers being priced out of the market in neighboring California, particularly middle-income workers who cannot afford homes at the median price of nearly \$550,000. Meanwhile, baby boomers who sell their homes in the Golden State can afford much nicer homes for the same price in the Grand Canyon State—or pocket the difference."

According to ROI, the percentage change in median new and resale home sales in the metropolitan Phoenix area broken down by price range from October 2018 to October 2019 is as follows.

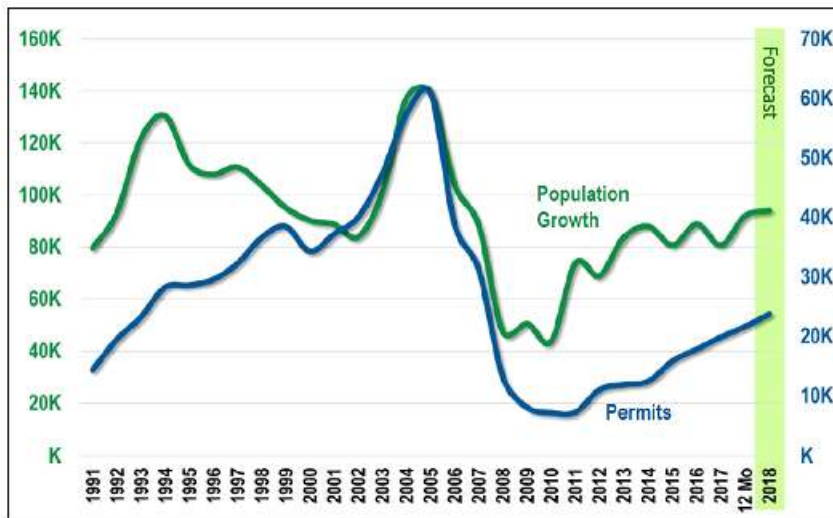
% Change in 4 th Quarter Sales: October 22, 2018 vs. 2019		
Price Range	# Sales	% Change
Under \$200K	636	-29.4%
\$200K-\$250K	908	-7.2%
\$250K-\$300K	815	+16.1%
\$300K-\$400K	912	+11.8%
\$400K-\$600K	628	+21.2%
\$600K-\$1M	258	+29.6%
\$1M-\$2M	63	-10.0%
Over \$2M	22	+22.2%

**Sale Price Percent of List Price at Contract:
October 2019**

Price Range	Sale \$/s.f.	% of List \$/s.f.
Under \$200K	\$132.22	99.3%
\$200K-\$250K	\$142.99	99.3%
\$250K-\$300K	\$149.55	99.0%
\$300K-\$400K	\$160.56	98.6%
\$400K-\$600K	\$177.36	98.1%
\$600K-\$1M	\$219.72	97.2%
\$1M-\$2M	\$289.83	94.2%
Over \$2M	\$464.50	93.5%

The over \$2,000,000 price range saw the largest increase in sales, at 24.1%. This may partially be due to the small sample size of 103 sales. The \$600,000 to \$1,00,000 range saw the next largest increase at 2.5%. A comparison of average list price to contract price is shown below.

Population growth in the Phoenix metro area has far outpaced single-family home permits since approximately 2006. Given this information, demand for new single-family homes is expected to outpace supply.



As discussed, resale activity is projected to remain strong in the Phoenix area and will continue to command a significant market share of the overall total home sales activity in the region even as the home building community shifts toward the production of more affordable housing in many parts of the valley. Continued relatively moderate upward pressure on resale prices is expected, especially in areas preferred by consumers for convenience to transportation and employment as well as areas where quality of life is considered to be stable and where the availability of resale homes is minimal vs. the demand for those homes and where multiple offers have become prevalent.

Mortgage Rates

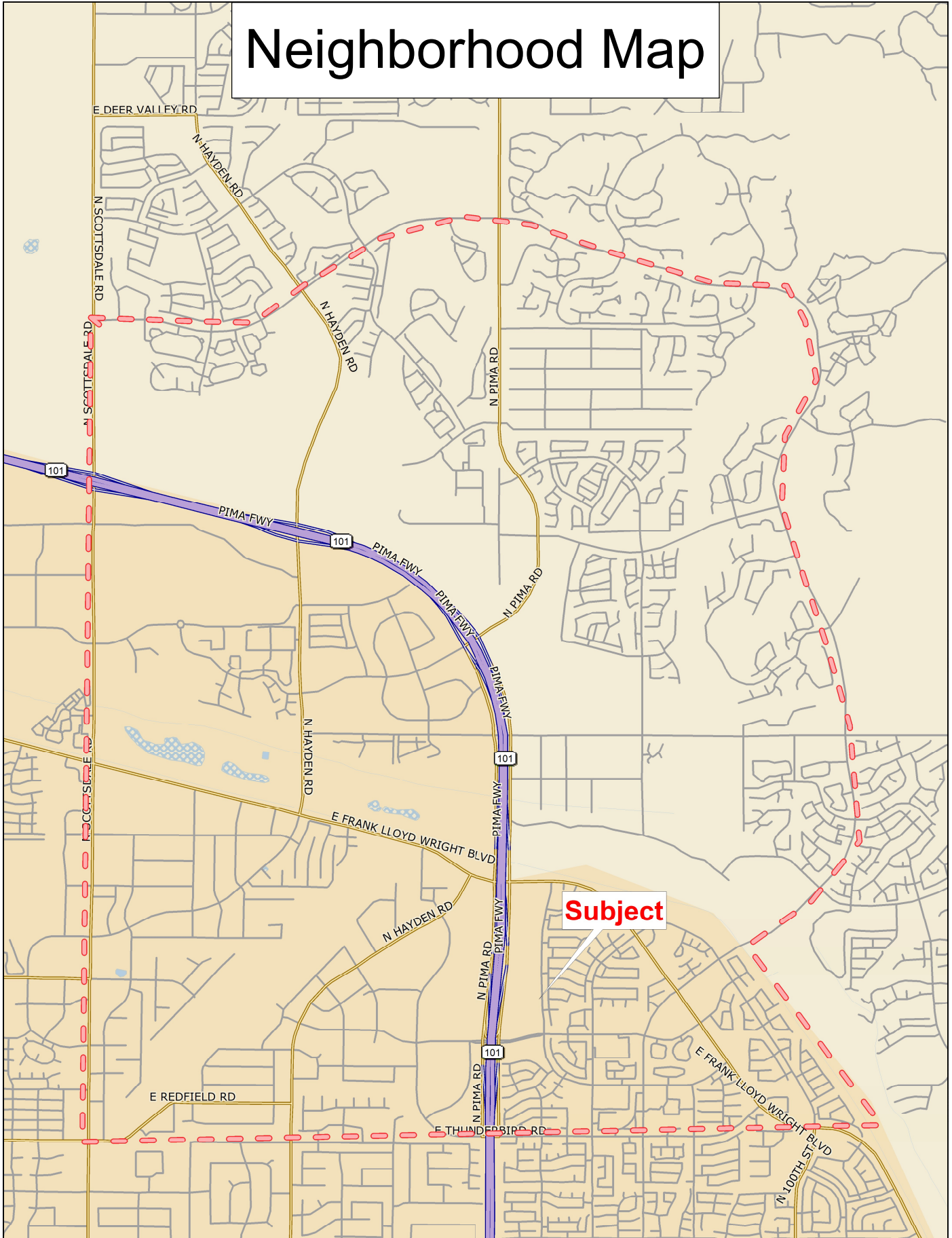
A primary reason for the acceleration in the metropolitan Phoenix housing market had been the relatively low 30-year mortgage interest rates that have been below 9% since 1991 and typically ranging between 4% and 8% over the past eight years. These rates are in significant contrast to the early 1980's, which experienced interest rates in excess of 15%.

In efforts to spur the housing market the U.S. Federal Reserve has continually suppressed the federal rate for the past several years, which has pressured mortgage interest rates downward. Additionally, the U.S. Government has worked with the large U.S. lenders to reduce the number of foreclosures and they are no longer a driving factor in the residential market. Nevertheless, with rising interest rates in 2018 and projected further increases in 2019, adjustable rate mortgages could once again become a concern for higher-than-normal rate of foreclosures. Though clearly not at the rate that was experienced in the last recession, new foreclosures could put a damper on housing prices in the near-term, which in turn could affect sales velocities and general economic growth.

Concluding Remarks – Residential Market Analysis

The residential marketplace in the metropolitan Phoenix area will continue to require new residential developments to keep pace with the continued demand for at least the foreseeable future. This will remain true as long as mortgage interest rates remain relatively low, the economy continues to improve, and there are no unforeseen major events that would erode consumer confidence.

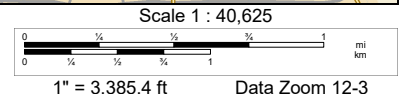
Neighborhood Map



Data use subject to license.

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www.delorme.com



NEIGHBORHOOD SUMMARY

Neighborhood

1. A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises. *See also* [market area](#). 2. A developed residential superpad within a master planned community usually having a distinguishing name and entrance.³
belabored.

Surrounding Influences

The neighborhood is characterized by a mixture of residential, industrial and commercial uses. The intended users of the report are familiar with the subject's location and the geographical mileau in which it is located. Retail and service related business are located on sites with good frontage along the major arterial roadways with residential properties located immediately adjacent to those retail and commercial properties. The industrial uses are located predominantly in the Scottsdale Airpark. The predominant uses within the neighborhood are neighborhood commercial/retail uses interspersed with industrial uses clustered around the Municipal Airport.

NEIGHBORHOOD CONCLUSION

The most significant neighborhood influence is the Scottsdale Municipal Airpark and surrounding industrial and commercial development. The proximity to Loop 101 is also a significant influence and fosters both industrial development and the presence of corporate headquarters and regional offices. The neighborhood has supportive transportation corridors, existing commercial areas, and space available for further commercial/industrial development or related support activities. This neighborhood appears to possess the necessary social, governmental, environmental and economic considerations to support future commercial/industrial projects within its boundaries. Overall, the neighborhood is considered to have a positive impact on the subject property.

³ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "neighborhood." (Chicago: Appraisal Institute, 2015), PDF e-book.

SITE DESCRIPTION

Location

The subject site is located on the west side of 90th Street, approximately 925 feet north of Raintree Drive, in the city of Scottsdale, AZ 85251.

Legal Description

The subject is legally described as a portion of Section 7, Township 3N, Range 5E, G&SRB&M, Maricopa County. A complete legal description for the subject property from the latest conveyance of the subject property is provided below.

Parcel No. 2:

Lot 7 (or the North half of the Northeast quarter of the Southwest quarter of the Northwest quarter) in Section 7, Township 3 North, Range 5 East, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT the East 45 feet thereof; and

EXCEPT all coal, oil, gas and other mineral deposits and except all uranium, thorium, or any other material which is or may be determined to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in Patent from United States of America.

Site Features

The subject site is a rectangular parcel. The site is approximately 615 feet wide from east to west. It has a north/south dimension of approximately 325 feet. The reader is referred to the assessor map and aerial photo, attached as exhibits, following the Site Description section of the report.

Adjacent Uses

North:	Office
East:	SFR
South:	Office condominium
West:	Vacant

Access

The subject has frontage on 90th Street. There are currently no driveways developed to the subject. There are no medians in front of the subject property.

The nearest signalized intersection is at Raintree Drive and 90th Street, approximately 925 feet to the south. Loop 101 is accessed at Raintree Drive, just 1/4 mile west of 90th Street. Access to the subject is good.

Traffic Count

Traffic counts for 90th Street in front of the subject site are not available.

Title Report/Restrictions and Easements

No title report was provided by the client. There are 230 kV overhead electric transmission lines along the south boundary of the subject site. The portion of the subject property that overlaps with the transmission line easement has virtually no utility, with or without the GLOPE since electric transmission easements consume nearly all of the surface rights of the encumbered property.

Utilities

The utilities that are available to the subject site are shown below.

Gas:	Southwest Gas
Electricity:	Arizona Public Service
Water:	City of Scottsdale
Sewer:	City of Scottsdale
Trash Disposal:	City of Scottsdale or private
Telephone:	Centurylink and cellular services

All available utility services are reported to be adequate.

Environmental

A Phase I environmental study was not supplied by the client. No evidence of environmental problems was noted during the inspection of the subject; however, we are not trained to detect environmental contamination. The opinion of value assumes the property is free and clear of any environmental problems.

Topography/Soils

The subject site is level. There was no evidence of puddling or flooding on the subject site. Based on nearby development, there do not appear to be any soil problems. There are very few soil problems in the Phoenix metro area aside from some subsidence issues in the far southeast portion of the Valley.

Zoning/Allowed Property Use

The subject property is zoned R1-35, Single Family Residential by the City of Scottsdale. According to the City’s zoning ordinance, R1-35 zoning is intended to promote and preserve residential development. Allowed uses include any use permitted in the (R1-43) single-family residential district. Large lots are required to maintain low density of population. The principal land use is single-family dwellings and uses incidental or accessory thereto together with required recreational, religious and educational facilities. Uses subject to conditional use permit include specialized residential health care facilities.

The development standards for R1-35 zoning are detailed in the following table.

Minimum Lot Area	Minimum Lot width	Density	Building Height	Required Setbacks		
				Front Yard	Rear Yard	Side Yards
35,000 SF	135 feet	1 unit per lot	30 feet	40 feet	35 feet	15 feet

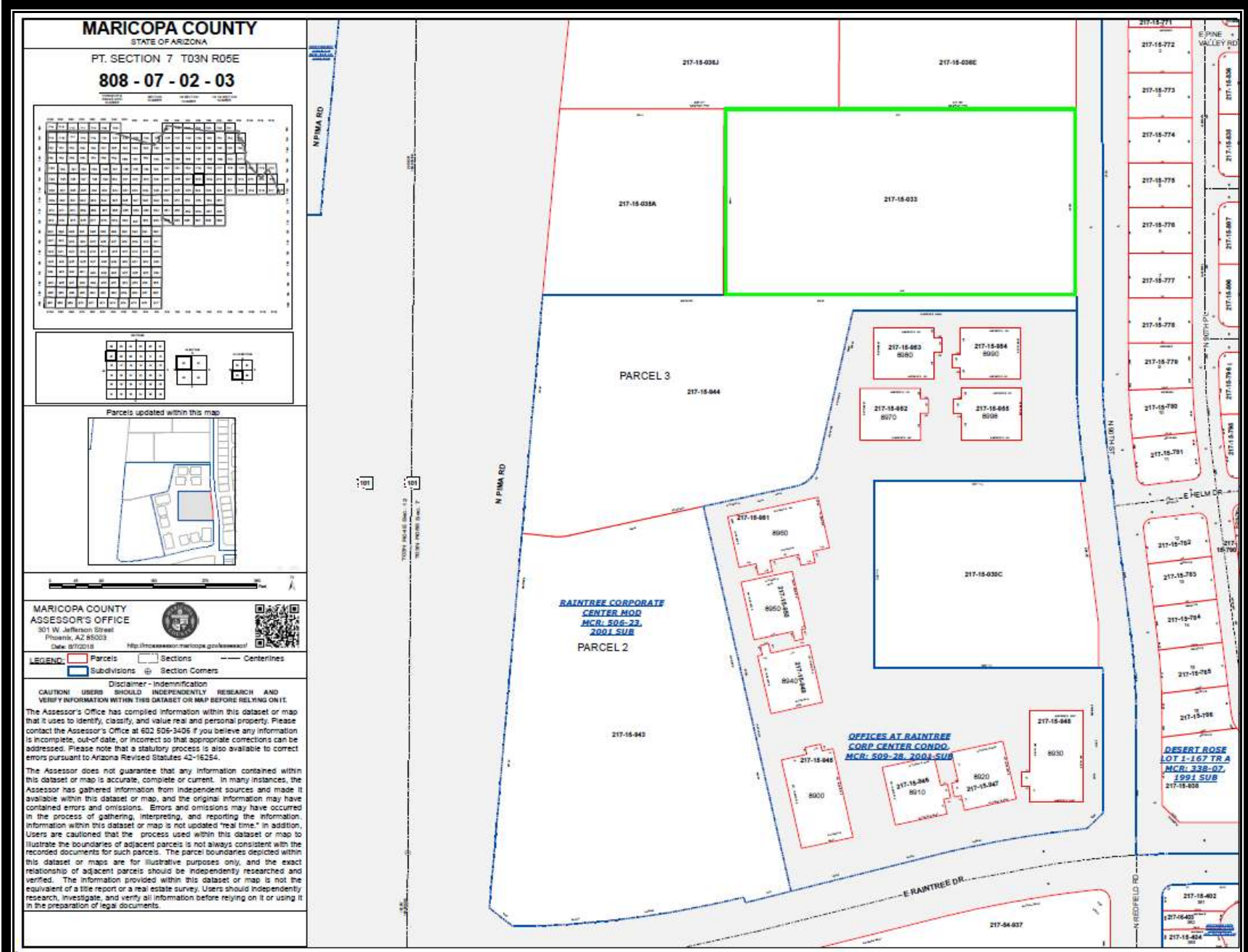
Flood Plain

The subject property is located in Zone "X" flood plain (Map #04013C1760L), effective October 16, 2013. Zone X is the area determined to be outside the 500-year flood and protected by levee from the 100-year flood. Flood insurance is not required in a Zone "X."

Functional Utility of Site

The site's functional utility is good for office or multi-family residential purposes. It has an minor street location with access along its east side. Freeway access is excellent. It is not located in a flood plain. It is a rectangular parcel.

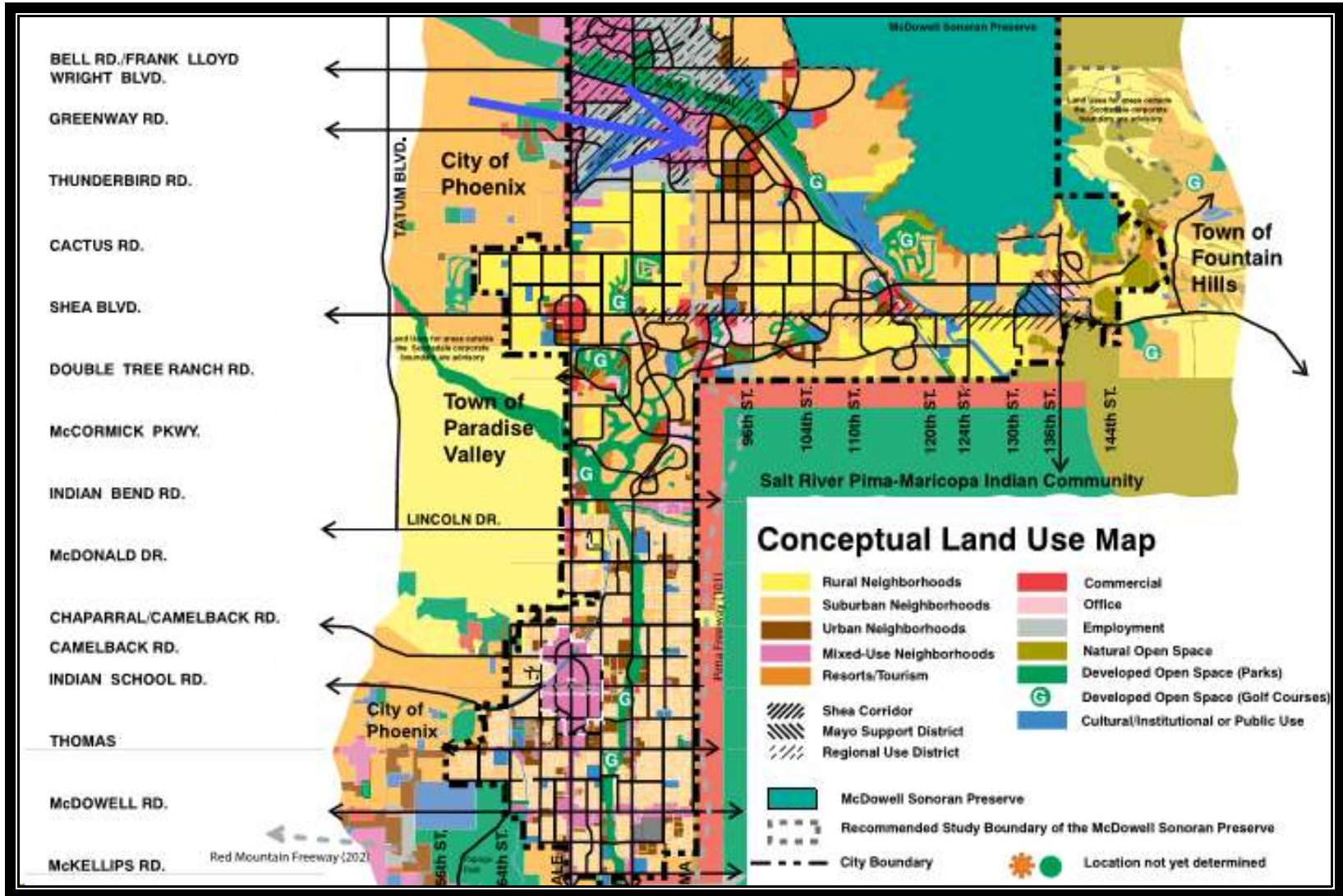
Assessor Plat



Aerial Photograph

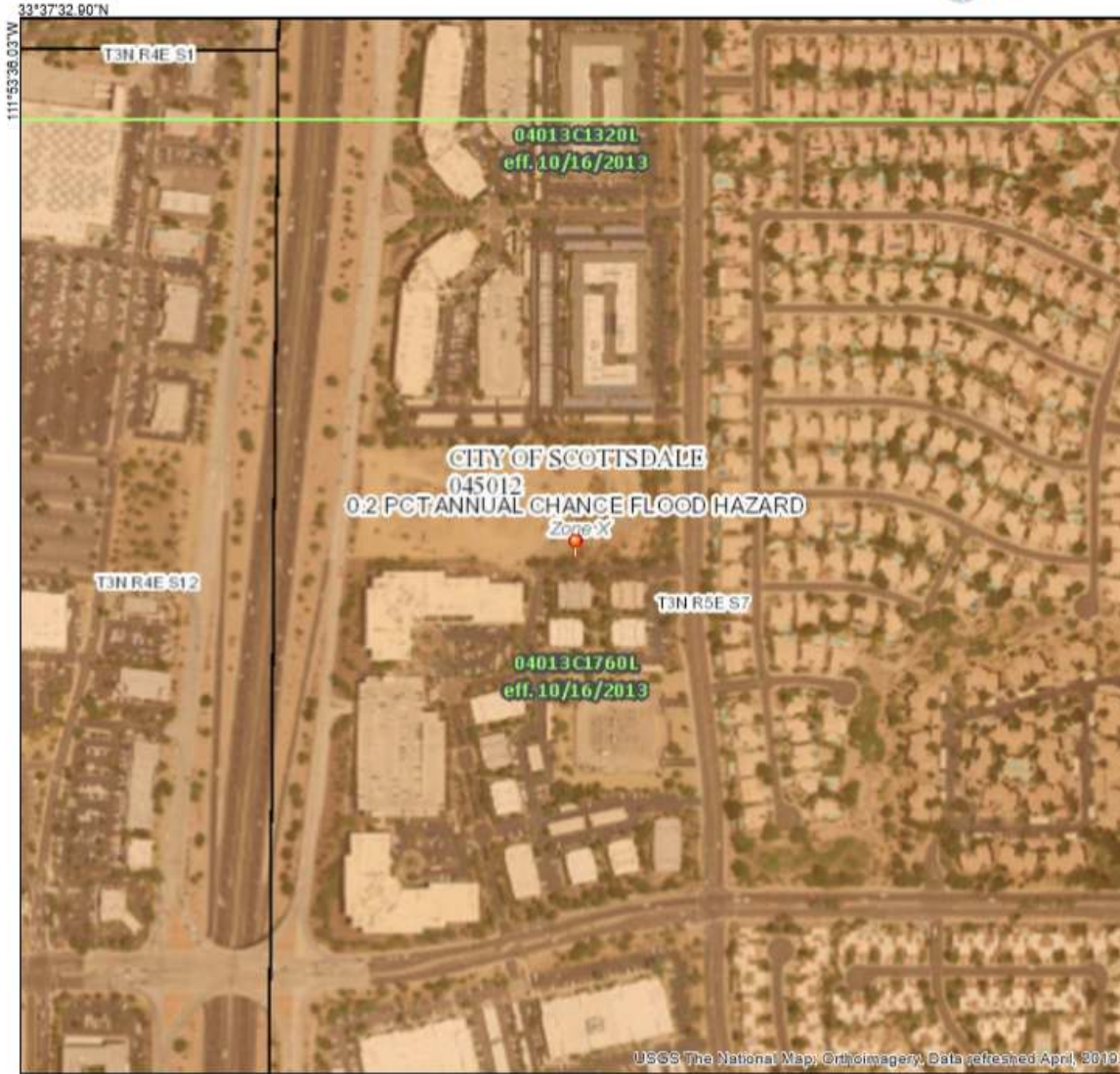


Land Use Plan Map



Flood Plain Map

National Flood Hazard Layer FIRMette



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		Area of Minimal Flood Hazard Zone X
		Effective LOMRs
GENERAL STRUCTURES		Area of Undetermined Flood Hazard Zone D
		Channel, Culvert, or Storm Sewer
OTHER FEATURES		Levee, Dike, or Floodwall
		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	
		No Digital Data Available
		Unmapped

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 3/31/2020 at 12:17:23 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.

REAL ESTATE TAXES & FULL CASH VALUE

The taxing authority for the subject is Maricopa County. The subject is identified by tax assessor number 217-15-033.

Assessed valuations are based on "limited and full cash values" estimated by county assessors. Tax rates will vary throughout the county. Assessed valuations are multiplied by both primary and secondary rates. Resulting real estate taxes are a total of both rates applied to primary and secondary assessed valuations. The primary rate includes the State of Arizona, Maricopa County, school district and college funds. The secondary rate accounts for flood zone, CAWCD, bonds, overrides, volunteer fire department and library funds. The assessor uses the Market Approach to value vacant land. The total estimate is called the Full Cash Value (FCV) and it is synonymous with market value according to state statute. It may or may not approximate actual market value since the assessor uses mass formula techniques for these determinations. The assessor values are determined for ad valorem tax purposes. The value ascribed may or may not be related to the fair market value for the subject property.

Taxes and Full Cash Value (FCV)

A three-year tax and assessment history is provided for the subject property below.

	2017	2018	2019	2020
FCV	\$2,809,700	\$2,809,700	\$2,660,000	\$2,793,000
Taxes	\$26,123.10	\$27,276.14	\$28,168.62	N/A

HIGHEST AND BEST USE SUMMARY

Highest and best use may be defined as:

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).⁴

The definition of highest and best use indicates that there exist two types of highest and best use. The first type is the highest and best use of the land or site "as if vacant." The second is the highest and best use "as improved." Moreover, in each case the existing use may or may not be different from the site's highest and best use.

The determination of highest and best use results from the appraiser's judgment and analytical skills. The eventual use determined from the analysis represents an opinion, or conclusion, rather than an absolute fact. To determine the highest and best use, four criteria must be considered sequentially. For a use to be the highest and best use, it must be:

- 1) Legally permissible
- 2) Physically possible
- 3) Financially feasible
- 4) Maximally productive

⁴ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "highest and best use." (Chicago: Appraisal Institute, 2015), PDF e-book.

Legally Permissible

The subject property is zoned R1-35, by the City of Scottsdale. This zoning category is consistent with the City's General Land Use Plan map, which shows the subject in an area intended for mixed used neighborhoods. Considering the subject's proximity to the Loop 101 freeway and surrounding commercial and office uses, in my opinion, a rezoning of the subject to allow multi-family or office uses would be reasonably probable. This would entail an expensive, time-consuming legal process. A reasonable probability of rezoning does not mean rezoning is assured. There is a substantial risk that the effort would not be successful. The prospective developer assumes the risk that the time and expense could be wasted.

Physically Possible

As if vacant and available for its highest and best use, the subject property contains approximately 4.659 net acres of land area. A soil report was not provided to the appraiser. This is typical in the Phoenix metro area as there are very few soil problems, Based on the inspection, which included a visual observation of the site and surrounding development, there do not appear to be any soil problems. A Phase I environmental study was not supplied by the client. No evidence of environmental problems was noted during the inspection of the subject. The opinion of value assumes the property is free and clear of any environmental problems. The subject is not located in a flood plain. All utilities are available.

The subject parcel is rectangular and has frontage on 90th Street only. Access to the subject site is good. The site appears to be suitable for potential allowable uses within the physical constraints indicated herein. The site size, shape and location appear to be well-suited for any potential use. Freeway noise would be a negative for residential uses, but the site could be used for single-family residential development as it is currently zoned. Due to the low traffic count on 90th Street, a retail commercial use would not be competitive in the market area.

Given the location of the subject, and the General Plan designation, rezoning for an office, service commercial or multi-family residential development of the site would be reasonably probable and physically possible.

Financially Feasible

All projections show ever increasing population and employment growth for the Phoenix Metro area, which will increase the need for commercial, industrial and residential uses in the area generally and including the subject's immediate neighborhood. Mid-rise residential infill projects are becoming more frequent and there appears to be adequate demand as many older properties are being razed for new residential developments.

Maximally Productive & Conclusion

Given the forgoing considerations with respect to the legally permissible, physically possible and financially feasible criteria, the highest and best use of the subject site would be for an office or multi-family residential development. This would require a rezoning, which is reasonably probable in my opinion, but not assured. Changing the zoning on the subject site would entail significant time, expense and risk. The opinion of the subject's "as is" value should not be conflated with the value of an entitled site.

VALUATION PROCESS

Typically, the market value of real estate can be estimated by applying three approaches: cost, sales comparison and income. This is a narrative appraisal report.

COST APPROACH: A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised.⁵

Since the subject property is vacant land, the cost approach is not applicable.

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.⁶ The sales comparison approach to value will be employed to value the subject site.

INCOME 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.⁷ Vacant land is not typically rented in the subject's market area. The income approach is not applicable.

⁵ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "cost approach." (Chicago: Appraisal Institute, 2015), PDF e-book.

⁶ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "sales comparison approach." (Chicago: Appraisal Institute, 2015), PDF e-book.

⁷ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "income capitalization approach." (Chicago: Appraisal Institute, 2015), PDF e-book.

LAND VALUATION

The property to be abandoned will be valued using the sales comparison approach. The sales comparison approach provides an estimate of market value by comparing recent sales of similar properties in the surrounding or competing areas to the subject property. Inherent in this approach is the principle of substitution which holds that "... [W]hen several similar or commensurate commodities, goods, or 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." ⁸

By analyzing sales which qualify as arms'-length transactions with reasonable market exposure between willing and knowledgeable buyers and sellers, price trends can be identified from which value parameters may be extracted. Comparability in physical, locational and economic characteristics represent important criteria in analyzing the sales in relation to the subject property. The basic steps involved in the application of this approach are as follows:

1. *Researching recent, relevant sales throughout the competitive area for sales similar to the subject property;*
2. *Selecting properties considered most comparable to the subject, and then analyzing the selected comparable properties giving consideration to the date of sale and any change in economic conditions which may have occurred since the date of value. Other relevant factors of a physical, functional or locational nature are also considered as well as the interest conveyed;*
3. *Reducing the sales price to common units of comparison as indicated by the market;*
4. *Making appropriate adjustments between the comparable properties and the subject property; and,*
5. *Interpreting the adjusted sales data and reaching a valid conclusion of market value.*

To apply this approach to value, the market was searched for land sales considered to be the most similar in terms of location, size, highest and best use, zoning, etc. The sales were analyzed and adjusted for differences between the subject and the comparable. The subject property is a parcel of R1-35; Single-Family Residence District, zoned land. The Scottsdale General Plan designates the subject for mixed use neighborhoods. In my opinion, there is a reasonable probability of a zoning change to allow light industrial, office, service commercial or multi-family residential uses. City water, sewer, electricity, natural gas and telephone service are available.

⁸Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "substitution." (Chicago: Appraisal Institute, 2015), PDF e-book.

The sales will be compared to the subject on a price per square foot basis. The basic elements of comparison have been considered in the adjustment process.

Sales sheets detailing the salient details of the sales are presented in the following pages followed by a summary table and a location map. The appraiser was also able to obtain broker opinions which will be discussed at the conclusion of the land valuation discussion.

We were able to locate three recent sales near the subject property. The sales used as direct comparables are the best available sales based on the market research. The sales were all fee simple transactions which were found to be arms'-length. We attempted to verify every sale with a broker or a party to the sale. In addition, every sale was verified with recorded and notarized documents, which included the sale price.

VACANT LAND COMPARABLE NUMBER 1



Property Identification Data

Location: 9112-9220 East Verde Grove View, Scottsdale
Legal Description: Portion of Section 31, T4N, R5E, G&SRB&M
Assessor’s Tax Parcel Number: 217-55-704

Sale Data

Conditions of Sale: Arms’-length
Sale Price: \$2,190,015
Financing Terms: Cash to Seller
Cash Equivalency Adjustment: N/A
Cash Equivalent Price: \$2,190,015
Unit Price: \$15.00/SF
Date of Sale: August 6, 2018

Date of Sale Recording: August 7, 2018
Instrument Type: Special Warranty Deed
Instrument Number: 2018-0596683
Seller: Greathearts Arizona
Buyer: Capital Industrial Holdings, LLC
Date Inspected: April 9, 2020
Sales History: Lot 4, on the east end of the property subsequently sold for \$1,450,000 or approximately \$37.11/SF in February 2020

Site Data

Shape: Mostly Rectangular
Size: 146,001 SF or 3.35 Acres
Zoning: I-1, Industrial Park
Frontage: The sale property is the surrounded by Palo Brea Bend, Garden Grove View, 91st Street and 92nd Place with a total of about 1,380 feet of frontage.
Traffic Count: N/A
Legal Access: Yes
Visibility: Fair
Topography: Gently rolling
Flood Zone: X
Utilities: All to site
Off Sites: Paved streets, curbs and gutters
Site Utility: Good

Highest and Best Use:

Office Development

Comments:

There are three two-story office buildings under construction on the sale property. The sale property was replated and the eastern lot was sold.

VACANT LAND COMPARABLE NUMBER 2



Property Identification Data

Location: 10101 E McDowell Mountain Ranch Rd, Scottsdale
Legal Description: Portion of Section 5, T3N, R5E, G&SRB&M
Assessor's Tax Parcel Number: 217-14-003M

Sale Data

Conditions of Sale: Arms'-length
Sale Price: \$2,400,000
Financing Terms: Cash to Seller
Cash Equivalency Adjustment: N/A
Cash Equivalent Price: \$2,400,000
Unit Price: \$11.57/SF

Date of Sale: April 18, 2019
Date of Sale Recording: April 29, 2019
Instrument Type: Special Warranty Deed
Instrument Number: 2019-0302648
Seller: Spensa Arizona XV, LLC
Buyer: McDowell Mountain Community Storage, LLC
Date Inspected: April 9, 2020
Sales History: No other reported sales in last 3 years

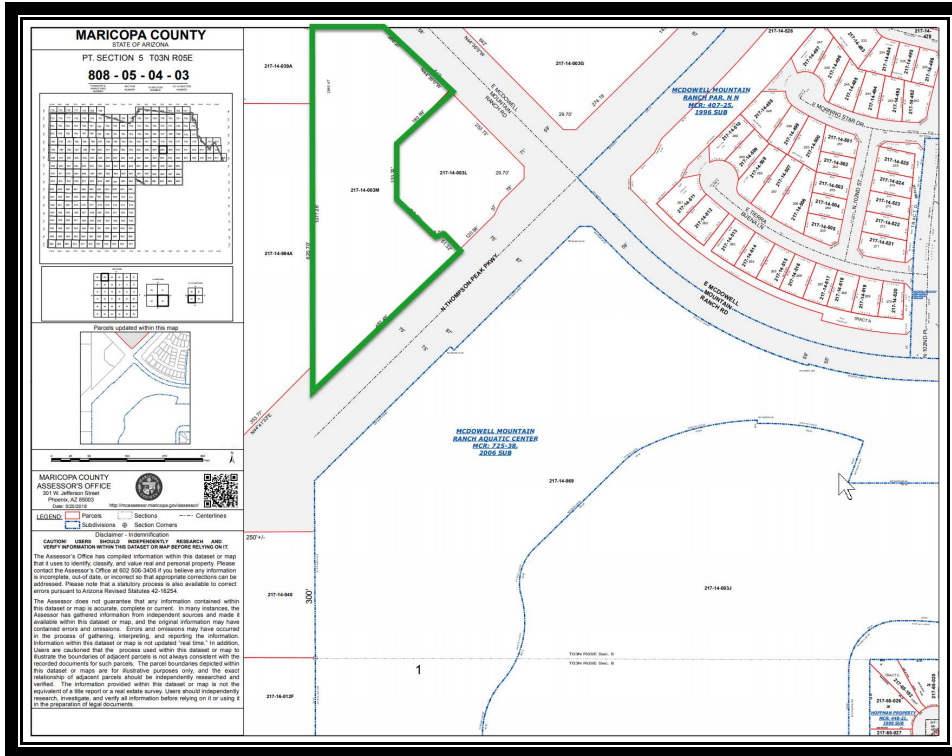
Site Data

Shape: Irregular
Size: 207,346 SF
Zoning: C-1, Neighborhood Commercial
Frontage: 730' along the southwest side of McDowell Mountain Road and 482 feet along the northwest side of Thompson Peak Parkway
Traffic Count: N/A
Legal Access: Yes
Visibility: Average
Topography: Native desert
Flood Zone: X
Utilities: All to site
Off Sites: Paved streets, curbs and gutters
Site Utility: Good
Highest and Best Use: Commercial Development

Comments:

The sale property is proposed for development with a mini-storage building with 96,800 SF and an attendant office building with 7,400 SF. The project requires a general plan amendment.

Assessor Map & Aerial Photograph – Land Sale 2



VACANT LAND COMPARABLE NUMBER 3



Property Identification Data

Location: W of SWC Raintree Drive & AZ Loop 101
Legal Description: Portion of Section 12, T3N, R4E, G&SRB&M
Assessor’s Tax Parcel Number: 215-53-103

Sale Data

Conditions of Sale: Arms’-length
Sale Price: \$11,500,000
Financing Terms: Cash to Seller
Cash Equivalency Adjustment: N/A
Cash Equivalent Price: \$11,500,000
Unit Price: \$32.03/SF

Date of Sale: April 30, 2019
Date of Sale Recording: May 1, 2019
Instrument Type: Special Warranty Deed
Instrument Number: 2019-0313865
Seller: Liberty Property, LP
Buyer: PR III/Crow Raintree Office, LLC
Confirmed By: Roger Dunlap
Confirmed With: Press release, public records, CoStar
Date Inspected: April 9, 2020
Sales History: No other reported sales in last three years

Site Data

Shape: Irregular
Size: 359,050 SF
Zoning: I-1, Industrial Park
Frontage: 878' along south side of Raintree Drive; 309' along west side of 87th Street
Traffic Count: 30,900
Legal Access: Yes
Visibility: Good
Topography: Level
Flood Zone: X
Utilities: All to site
Off Sites: Paved streets, curbs and gutters

Site Utility:

Good

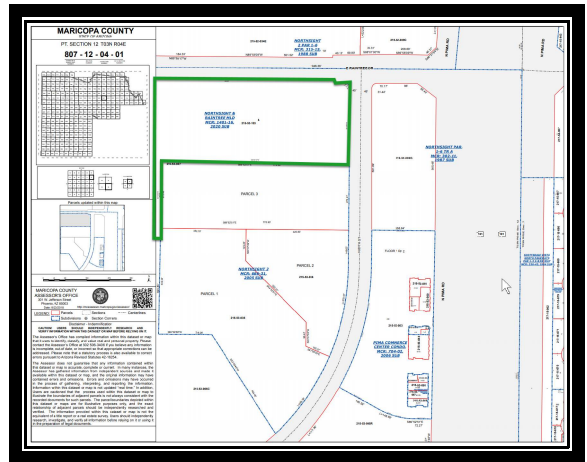
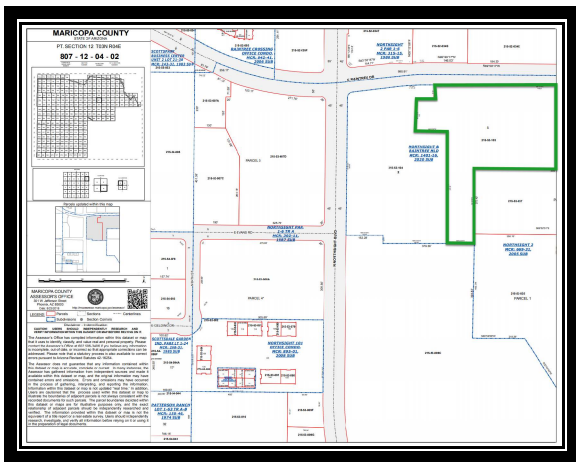
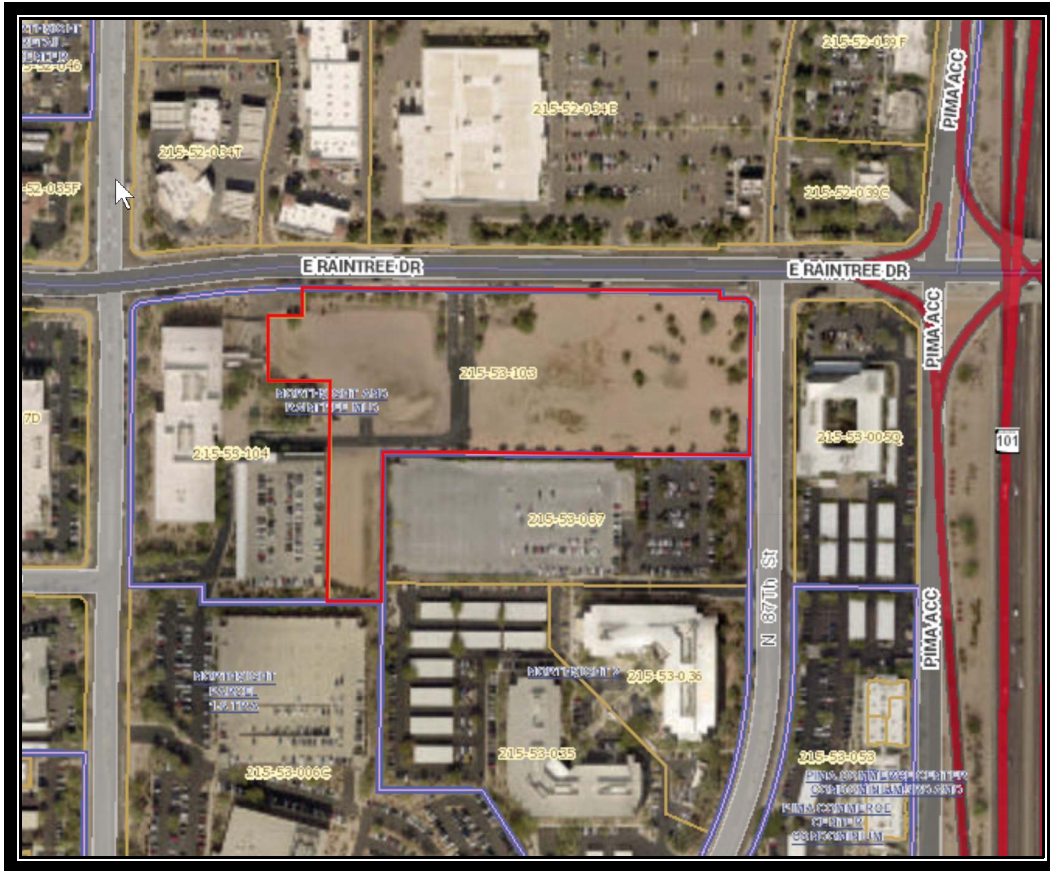
Highest and Best Use:

Office development

Comments:

The sale property is being developed with low-rise, tilt-up concrete office buildings. The project is called Axis Raintree and will have three stories and a parking structure. It is a speculative 175,000 SF office project, being developed by Trammel Crow.

Assessor Map & Aerial Photograph – Land Sale 3



Summary Table of Comparable Land Sales

Sale	Subject	1	2	3
Location	West side of 90 th Street, 925' north of Raintree Drive	9112-9220 E Verde Grove View	10101 E McDowell Mountain Ranch Road	SWC 87 th Street and Raintree Drive
Date of Sale	4/20 (DOV)	8/18	8/19	4/19
Price		\$2,190,015	\$2,400,000	\$11,500,000
Recording Number		2018-0586683	2019-0302648	2019-0313865
Financing		Cash	Cash	Cash
Site Area (acres)	4.659	3.352	4.760	8.243
Topography	Level	Level	Native desert	Level
Utilities	Water and sewer electricity, natural gas and telephone	Water and sewer electricity, natural gas and telephone	Water and sewer electricity, natural gas and telephone	Water and sewer electricity, natural gas and telephone
Zoning	R1-35	I-1	C-1	I-1
Flood Zone	X	X	X	X
Off Sites	Paved streets, curb, gutter and sidewalk	Paved streets, curb, gutter and sidewalk	Paved streets, curb, gutter and sidewalk	Paved streets, curb, gutter and sidewalk
Sale Price/SF		\$15.00	\$11.57	\$32.03

Discussion of Adjustments

All sales were fee simple, cash equivalent, arms'-length transactions and therefore do not require any adjustments for property rights conveyed, financing or conditions of sale.

The other adjustment considerations were for market conditions (time), differences in location, zoning, available utilities, parcel shape, parcel size, flood plain, topography and off-site improvements. When a sale's characteristic is considered to be inferior to the subject by comparison, a positive adjustment is made to the comparable's sale price. Conversely, when a sale's characteristic is considered superior in comparison to the subject, a negative adjustment is made.

An adjustment grid showing the adjustments to the comparables is located at the end of this discussion.

Market Conditions

Generally speaking, the market for residential land in the Valley peaked in late 2005 or early 2006. Since the "great recession" of 2007-2009, and the attending collapse of the residential market, there has been a very slow recovery. As discussed in the area analysis there is increasing demand for infill sites. A +10% annual market conditions adjustment is employed.

Location

The locational adjustment refers to each property's physical location and surrounding property uses in comparison to the subject. The subject is located in north Scottsdale. The demographics of the area are good.

All of the land sales used as direct comparables are located in north Scottsdale, within a short distance of the subject property. Linkages and demographics are similar for the subject and all of the comparable properties.

Land Sales 1 and 2 have inferior exposure to the subject and require slight upward adjustments. Land Sale 3 has superior visibility with Raintree Drive access and exposure and Loop 101 proximity. A substantial downward location adjustment is applied to Land Sale 3.

Zoning

The subject is zoned R1-35, Single-Family Residential, with a General Plan designation of Mixed Use Neighborhoods. The subject would require a zoning change to permit development to the subject's highest and best use. Land Sales 1 and 3 have vested zoning and require downward adjustments. Land Sale 2 also required a General Plan amendment and does not require an adjustment for this criterion.

Available Utilities

The subject has availability to City water and sewer, natural gas, electricity and phone. All of the land sales have access to all necessary utilities and do not require adjustments for this element of comparison.

Size

The market typically reflects higher sale prices per SF for smaller sites and lower sale prices per SF for larger transactions as there is a larger pool of potential purchasers who can afford to compete for smaller sites. However, all of the sales are within the subject's general size range. The largest sale property commanded the highest unit price. No adjustments are applied for size.

Flood Plain

The subject is located in Zone "X" flood plain (Map #Map/Panel #04013C2201L), effective October 16, 2013. Zone "X" is the area determined to be outside the 500-year flood and protected by levee from the 100-year flood. Flood insurance is not required in a Zone "X." None of the sales are located within a flood hazard area and no adjustments are required for this criterion.

Topography

The subject property is generally level and at grade with the surrounding properties. Land Sales 1 and 3 are similar in this regard and no adjustments are applied to the sales for topography. Land Sale 2 is below the grade of the abutting street with a swale and native vegetation. An upward adjustment is required.

Offsites

This element of comparison refers to the existence of off site improvements such as paved streets, curbs, etc. If these items are not in place a developer will consider his cost to install them at the time of development. The across-the-fence property is adjacent to paved streets with legal access, curb and gutter in place. No adjustment are required for this criterion.

The following table sets forth the adjustment process described above.

Land Sales Adjustment Grid

	Subject	L-1	L-2	L-3
Price/SF		\$15.00	\$11.27	\$32.03
Property Rights Conveyed	Fee Simple	Fee simple 0%	Fee simple 0%	Fee simple 0%
Financing	Cash/C.E.	Cash/CE 0%	Cash/C.E. 0%	Cash 0%
Conditions of Sale	Arms'-length	Arms'-length 0%	Arms'-length 0%	Arms'-length 0%
Adjusted Price/SF		\$15.00	\$11.27	\$32.03
Market Conditions +10%/year	3/30/20 (DOV)	8/18 +16%	8/19 +6%	4/19 +10%
Adjusted Price/SF		\$17.40	\$11.95	\$35.23
Location	Good	5%	5%	-20%
Zoning	R1-35	-20%	0%	-20%
Available Utilities	All available	0%	0%	0%
Size (Acres)	4.659	0%	0%	0%
Flood Plain	X	0%	0%	0%
Topography	Level	0%	10%	0%
Off-Sites in Place	All to site	0%	0%	0%
Cumulative Adjustment		-15%	15%	-40%
Adjusted Price/SF		\$14.79	\$13.74	\$21.14

Land Valuation Summary

Prior to adjustments, the comparables range from \$11.27 to \$32.03 per square foot. Following adjustments, the range narrowed to \$13.74 to \$21.14 per square foot, with a mean of \$16.56 per square foot and a median of \$14.79 per square foot.

Conclusion

In reference to the previously discussed land valuation and after considering the merits of each sale, discussions with brokers working in the area and other market data, it is my opinion that the subject's site value, as of March 30, 2020, for the ±4.659 net acre subject property (202,946 SF), is as follows:

**\$15.00/SF X 202,946 = \$3,044,190, rounded to \$3,045,000
THREE MILLION FORTY-FIVE THOUSAND DOLLARS**

EXPOSURE TIME AND MARKETING PERIOD

Exposure Time is defined as:

1. The time a property remains on the market. 2. [The] estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (USPAP, 2016-2017 ed.)⁸

Reasonable Marketing Time is defined as:

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.)⁹

In researching the market for comparables, real estate participants active in the subject's area that are familiar with the subject property type were interviewed concerning a probable marketing period for the subject. In addition, the marketing period for the sales considered as comparables were considered in the estimate.

Based on the information obtained during the course of preparing this appraisal, the conclusion is that a marketing period of about 6-9 month is reasonably probable. This assumes that the subject property is marketed at a value within ten percent of the appraised value, and also assumes professional marketing. The exposure time would also be for a similar period.

³ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "exposure time." (Chicago: Appraisal Institute, 2015), PDF e-book.

⁸ Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed., s.v. "marketing time." (Chicago: Appraisal Institute, 2015), PDF e-book.

Valuation of Right of Way to be Conveyed

The client has requested an opinion of value for the real property rights to be conveyed from the City to the adjacent prospective landowner. The purpose of the assignment is to express an opinion of value of the property rights in the right of way that is to be conveyed by the City of Scottsdale and assembled with the subject property. The right of way to be abandoned is a vestigial easement that has been in place, and never used, since the land was patented in 1954.

Market value is a function of the highest and best or most probable use; which, in the case of the property to be conveyed, is for mixed use development. Consistent with the Arizona Department of Transportation *Right of Way Procedures Manual*, FHWA certified January 1, 2016, the adjoining property ("subject property"), was first valued as a separate parcel. The base value of the subject property was concluded to be \$15.00/SF.

The property is then to be valued as assembled with the property to be conveyed. The plottage value created by the assemblage must then be allocated between the adjoining parcel and the excess parcel, recognizing that both parcels are needed to create plottage value, but taking into consideration what each contributes to that value. The portion of the allocation attributed to the property to be conveyed is the market value of the property to be conveyed.

In valuing the assembled parcels, the costs of physically joining the property to be conveyed with the adjacent property, such as earthwork; or soft costs such as professional fees, carrying costs and profit required to realize the plottage value must be considered.

The area of abandonment of fee simple rights in the GLOPE totals 49,302 SF. The base fee simple value was concluded to be \$15/SF. The GLOPE is located along the south, west and north sides of the subject site. The area of the GLOPE overlaps with the transmission line easement described above. This segment of the GLOPE contains 20,295 SF. Abandonment of the GLOPE adds virtually no utility of value to the site. A nominal 1% of fee value is applied to this segment of the GLOPE.

The west and north segments of the GLOPE are unencumbered by other easements. However, they are along the outer 33' of the subject property. Typically, this is where setbacks would apply. In addition, this is likely where drive aisles and parking would be placed, which would not be in conflict with the GLOPE. There is no market for a sale of the GLOPE in the open market. However, elimination of the GLOPE is required for a replat and rezoning of the subject site. Certainly, the easement consumes substantially less than 50% of fee value. I conclude to 10% of fee value for the portion of the easement that is not also encumbered by the transmission line easement. This area contains 29,007 SF (49,302 SF - 20,295 SF = 29,007 SF).

The value of the right of way proposed for abandonment is

\$15/SF X 29,295 SF X 1%	= \$ 4,394
\$15/SF X 29,007 SF X 10%	= <u>\$43,511</u>
Total	\$47,905

Based on the market data found in my research, appropriate analysis and professional judgment, it is my opinion that the "as is" market value of the property to be conveyed (fee simple and underground rights), as of the effective date of this appraisal, March 30, 2020, is:

**FORTY-SEVEN THOUSAND NINE HUNDRED FIVE DOLLARS
\$47,905**

CERTIFICATION

RE: A Narrative Appraisal of a Parcel of Residentially-Zoned Land Containing Approximately 4.659 Acres of Land Area, Located on the West Side of 90th Street, Approximately 925' North of Raintree Drive, APN 217-15-033, City of Scottsdale, Maricopa County, Arizona 85251

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 have no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My 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. My analyses, opinions and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
8. I have made a personal inspection of the property that is the subject of this report.
9. No one provided significant professional assistance to the appraiser. The conclusions and analyses contained in the report are mine alone.
10. The reported analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

CERTIFICATION (CONTINUED)

RE: A Narrative Appraisal of a Parcel of Residentially-Zoned Land Containing Approximately 4.659 Acres of Land Area, Located on the West Side of 90th Street, Approximately 925' North of Raintree Drive, APN 217-15-033, City of Scottsdale, Maricopa County, Arizona 85251

11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Roger L. Dunlap has completed the requirements of the continuing education program for designated members of the Appraisal Institute and the State of Arizona.
13. The appraisal assignment and my value conclusions as well as other opinions, analysis and/or judgment expressed herein are not based on a requested minimum valuation, specific valuation or the approval of a loan.
14. The undersigned hereby acknowledges that he has the appropriate education and experience to complete the assignment in a competent manner. The reader is referred to the appraiser's Professional Qualifications located in the Addenda.
15. The appraiser has not performed any services regarding the subject property within the three-year period immediately preceding acceptance of this assignment.

Roger L. Dunlap

Roger L. Dunlap, MAI
Certified General Real Estate Appraiser
Arizona Certificate #31062

April 16, 2020
Date

ADDENDA

Appraiser's Qualifications
Appraisal License
Contract Letter for Appraisal Services
Zoning Summary
Abandonment Application Exhibits

Appraiser's Qualifications

Professional Qualifications of **Roger L. Dunlap, MAI**

Roger L. Dunlap & Associates, Ltd.
Appraisals • Consulting • Litigation Support
9401 East Diamond Rim Drive
Scottsdale, AZ 85255-9123
(480) 585-0700 (Voice)
(480) 585-7343 (Fax)
Roger@RLDLTD.com

EDUCATION:

Arizona State University; Tempe, Arizona
B.A. in English awarded May 1998

Phoenix College; Phoenix, Arizona
A.A.S. in Paralegal studies, May 1983
Member, Phi Beta Kappa Honor Fraternity

Camelback High School; Phoenix, Arizona
Diploma awarded May 1976

PROFESSIONAL DESIGNATIONS:

Appraisal Institute MAI designation

APPRAISAL COURSES:

Real Estate Appraisal Principles (Course & Exam), Basic Valuation Procedures (Course & Exam), Litigation Valuation (Course & Exam), Capitalization Theory and Techniques, Part A (Course & Exam); Uniform Standards of Professional Appraisal Practice (Course & Exam), Appraising from Blueprints (Course & Exam), Appraising Industrial Properties (Course & Exam), Analyzing Operating Expenses (Course and Exam), Highest and Best Use and Market Analysis (Course & Exam), Advanced Income Capitalization (Course & Exam), Advanced Sales Comparison and Cost Approaches (Course and Exam), Report Writing and Valuation Analysis (Course and Exam), Advanced Applications (Course and Exam), Appraising Convenience Stores (No Exam), Partial Interest Valuation - Divided (No Exam) Condominiums, Co-ops and PUD's (No exam), Business Practice and Ethics (No exam), Supervising Beginning Appraisers (No exam) Appraising and Analyzing Office Buildings for Mortgage Underwriting (No exam), Appraisal Through the Eyes of the Reviewer (No exam), Appraising the Appraisal: Appraisal Review - General (No exam), Residential Report Writing (No exam), Online Data Verification Methods (No exam), Review Theory - General (Course and Exam), Real Estate Finance Statistics and Valuation (Course and Exam), Business Practices and Ethics (Course and Exam), The Nuts and Bolts of Green Building for Appraisers (Course and Exam), Uniform Standards for Federal Land Acquisitions (Course and Exam), Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets (Course and Exam)

PROFESSIONAL LICENSES:

Certified General Real Estate Appraiser, Arizona Certificate #31062; New Mexico Certificate #03625-G

EXPERIENCE:

February 2017 - Present Burke Hansen, LLC

Contract Appraiser for litigation-oriented appraisal firm

June 1998 – Present Roger L. Dunlap & Associates, LTD. (formerly Dunlap Litigation Services, L.L.C.)

President and CEO of corporation providing commercial appraisals; and real estate consulting services and litigation support for real estate attorneys, lenders, government agencies and individuals. Qualified as an expert witness in Yavapai County, Mohave County and Maricopa County, Arizona and Ada County, Canyon County and Twin Falls County, Idaho Superior Courts.

October 1985 – May 1998 Dushoff & McCall
Phoenix, Arizona

Real Estate Analyst/Paralegal for law firm with a practice emphasizing eminent domain and real estate related litigation. Duties including research and analysis of transaction data, assistance with management and support of expert witnesses and assistance in depositions and trials. I also provided services as a consultant for an insurance company in conducting due diligence on investment portfolios. The assignments required a written report on the prospect of eminent domain affecting the income streams of various portfolios of NNN income property across the United States.

VALUATION ASSIGNMENTS:

My work with Dushoff & McCall, for nearly 13 years, provided invaluable experience in analyzing the impacts of potential government partial acquisitions of real property. I assisted in all facets of eminent domain litigation including analysis, organization and presentation of data relative to real property valuation. This experience provided an outstanding foundation for my latest two decades of work as a fee appraiser and expert trial witness.

I have been engaged in valuation assignments for purposes of estate valuation, mortgage financing, buyer/seller transactions, title disputes, land exchanges, right of way abandonments and condemnation matters, among others. I have appraised a variety of property types throughout Arizona and Idaho. I recently completed an assignment in New Mexico involving land to be acquired for a national park. I have worked in most municipalities of the Phoenix metro area as well as rural areas including properties located on three Indian reservations, and in thirteen of fifteen Arizona counties; as well as Boise, Caldwell, Nampa, Emmett, Twin Falls, Burley and other cities in Idaho. Property types I have appraised include land parcels, proposed and existing commercial and industrial projects on Indian reservations, all types of retail/commercial property, offices, medical facilities, multifamily residential property, and industrial projects ranging from small owner/user manufacturing properties to hi-tech industrial corporate headquarters. I have been engaged to conduct Standard 3 reviews for bank clients and government agencies.

PARTIAL LIST OF CLIENTS

Arizona Department of Transportation
Gene D. Cox
Phoenix, AZ
(520) 400-7169

Arizona State Land Department
Mark Fast, MAI
Phoenix, Arizona
(602) 364-2684

James M. Balogh, Esq.
Tempe, Arizona
(480) 755-7955

Blandford Homes
Scottsdale, Arizona
(480) 892-4492

Central Arizona Water Conservation District
Phoenix, Arizona
(623) 869-2274

Country Bank
Prescott, Arizona
(928) 443-9595

Davison, Copple, Copple & Copple
Boise, Idaho
(208) 342-3658

Embry Riddle Aeronautical University
Prescott, Arizona
(928) 777-6600

Farmers and Merchant's Bank
Colby, Kansas
(785) 460-3321

First American Title Insurance Company
Scottsdale, Arizona
(602) 685-7681

First Community Bank
Fort Collins, Colorado
(970) 232-3074

City of Flagstaff
Flagstaff, Arizona
(928) 779-7623

City of Glendale
Glendale, Arizona
(623) 930-2983

Higley Unified School District
Gilbert, Arizona
(480) 279-7063

K. Hovnanian Homes
Phoenix, Arizona
(480) 824-4175

Lennar Homes
Scottsdale, Arizona
(480) 718-1378

Magellan Law, PLC
Scottsdale, Arizona
(602) 443-4888

Maricopa County Fiduciary's Office
Phoenix, Arizona
(602) 506-7407

City of Mesa
Mesa, Arizona
(480) 644-3050

City of Phoenix
Phoenix, Arizona
(602) 495-2006

Pinal County Public Works Department
Florence, Arizona
(520) 866-6982

City of Prescott
Prescott, Arizona
(928) 777-1130

Town of Prescott Valley
Prescott Valley, Arizona
(928) 759-3079

Town of Queen Creek
Queen Creek, Arizona
(480) 358-3192

State of Arizona
School Facilities Board
Phoenix, Arizona
(602) 542-6501

Toll Brothers, Inc.
Scottsdale, Arizona
(480) 596-5807

United States Department of the Interior
Denver, CO
(303) 969-5367

Yavapai County
Prescott, Arizona
(928) 771-3183

Appraisal License

Department of Financial Institutions State of Arizona

CGA - 31062

This document is evidence that:

ROGER L. DUNLAP

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

ROGER L. DUNLAP

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.

Signed in the Superintendent's office at 100 North 15th Avenue, Suite 261, in
the City of Phoenix, State of Arizona, this 20th of May, 2019.

Expiration Date : **May 31, 2021**


Keith A. Schraad
Interim Superintendent

Contract Letter for Appraisal Services

RLD

Roger L. Dunlap & Associates, LTD.

Appraisals • Consulting • Litigation Support

February 12, 2020

iStar Financial Inc.
C/O Ms. Michele Hammond
Principal Planner
Berry Riddell LLC
6750 East Camelback Road, Suite 100
Scottsdale, AZ 85251

Via E-mail: mh@berryriddell.com

SUBJECT: Appraisal of property at 90th Street, north of Raintree Drive, Scottsdale, AZ, owned by SFI Raintree-Scottsdale, LLC APN 217-15-033

Dear Ms. Hammond:

Pursuant to your request, I am submitting this proposal to prepare an appraisal report on the above referenced property. The appraisal will estimate the market value of a GLO easement that the City of Scottsdale proposes to abandon to the fee title owner of the above referenced property. You are the client and intended user of the appraisal report. The other intended user is the City of Scottsdale.

I propose to prepare an appraisal report for a total of \$3,250, in a PDF format. Hard copies, if required, will cost an additional \$75/copy. The appraisal will employ the sales comparison approach to value and will use the "across the fence" method to value the property to be abandoned, taking into account its limited utility and lack of potential buyers.

The appraisal fee includes all travel expenses and other related out of pocket expenses. The appraisal fee does not include future meetings subsequent to completion of the appraisal, depositions, arbitration, preparation for and/or appearance in court, FedEx charges, updates, etc., in the event such circumstances should occur.

We can complete the assignment within 45 days of engagement.

Future meetings, subsequent to completion and delivery of the appraisal report, depositions, appraisal review, arbitration, and preparation for and/or appearance in court will be billed at \$250/hour for my time and \$100/hour for staff time. This hourly rate will remain in effect for one year from the date of this proposal.

Page 2 - Appraisal Proposal
February 12, 2020
iStar Financial Inc.

SUBJECT: Appraisal of property at 90th Street, north of Raintree Drive, Scottsdale, AZ

The appraisal will be subject to certain Underlying Assumptions and Limiting Conditions as attached hereto. The appraisal report will be prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP). **The appraisal will assume the subject property is not adversely affected by any environmental problems.**

The appropriate signature will indicate your agreement with the terms and conditions stated herein. Thank you for hiring our firm. Please give me a call if you have any questions regarding this contract. Please return one signed copy to our office. E-mail is acceptable.

Sincerely,



Roger L. Dunlap, MAI
Certified General Real Estate Appraiser
Arizona Certificate #31062

Agreed and Accepted

iStar

Title _____

Date

UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

1. That the legal description available to the appraiser is correct.
2. That a current A.L.T.A. survey was not provided to the appraiser, and that all other plans and specifications noted in this report are correct.
3. That the title to the property is marketable, free and clear of all liens.
4. That the property is appraised as if owned in fee simple title.
5. That the fee simple estate in the property contains the sum of all interests which may exist.
6. That responsible ownership and competent management exist for the property.
7. That the appraiser is not responsible for the accuracy of the opinions furnished by others and contained in this report, nor is he responsible for the reliability of government data utilized in the report.
8. That compensation for appraisal services rendered is dependent only upon the delivery of this report and that it is not contingent upon the values estimated herein.
9. That this report considers nothing of a legal character and that the appraiser assumes no responsibility for matters of a legal nature.
10. That testimony or attendance in court is not required by reason of this appraisal, unless arrangements are previously made.
11. That hidden defects within the materials of the structures, or defects which are inaccessible to normal inspection, are not the responsibility of the appraiser.
12. That construction, whether existing or to be completed, is assumed to be done according to the plans and specifications furnished to the appraiser, and that such construction is legal in character and meets all governmental requirements.
13. That information furnished by the client, property owner, agent, or management is correct as received.
14. That neither this report, nor any of its contents, may be used for the sale of shares or similar units of ownership in the nature of securities, without specific prior approval of the appraiser. That no part of this appraisal may be reproduced without the permission of the appraiser.

15. That the appraiser cannot predict or evaluate the possible effects of future wage price control actions of the government upon rental income or financing of the subject property; hence, it is assumed that no control will apply which would nullify contractual agreements, thereby changing property values.
16. That the subject property is not, nor will it be, in violation of the National Environmental Policy Act, the State Environmental or Clean Air Act, or any and all similar government regulations or laws pertaining to the environment.
17. That this report is the confidential and private property of the client and the appraiser. Any person other than the appraisers or the client who obtains and/or uses this report or its contents for any purpose not so authorized by the appraiser or the client is hereby forewarned that all legal means to obtain redress may be employed against him/her.
18. That adequate utility services are available for the subject property and that they will continue to be so in the foreseeable future. This includes electricity, water and sewer.
19. An environmental site survey was not provided to the appraiser. However, the appraiser is not qualified to detect or evaluate the subject site for environmental criteria. Thus, this appraisal does not take into consideration the possibility of the existence of asbestos, PCB transformers, urea formaldehyde foam insulation, or other toxic, hazardous, or contaminated substances, and/or underground storage tanks (containing hazardous materials), or the cost of encapsulation or removal thereof.
20. Statement of Policy. The following statements represent official policy of the Appraisal Institute with respect to neighborhood analysis and the appraisal of residential real estate:
 - a. It is improper to base a conclusion or opinion of value upon the premise that the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.
 - b. Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.
 - c. It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped or biased presumptions relating to race, color, religion, sex, or national origin, or upon unsupported presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.
21. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the

requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible non-compliance with the requirements of ADA in estimating the value of the property. If at a later date, it is determined that the subject does not conform, I reserve the right to adjust the value accordingly.

22. Appraiser liability extends only to the stated client and not to subsequent parties or users, and the liability to the amount of the fee received by the appraiser.

Zoning Summary

Sec. 5.200. Single-family Residential (R1-35).

(Ord. No. 4005, § 1(Res. No. 8947, Exh. A, § 29), 4-3-12)

Sec. 5.201. Purpose

This district is intended to promote and preserve residential development. The minimum lot size, although less than one (1) acre, still results in a low density of population. The principal land use is single-family dwellings and uses incidental or accessory thereto, together with required recreational, religious and educational facilities.

Sec. 5.202. Use regulations.

A. Permitted uses. Buildings, structures or premises shall be used and buildings and structures shall hereafter be erected, altered or enlarged only for the following uses:

Any use permitted in the (R1-43) single-family residential district. (see section 5.102A).

B. Uses permitted by conditional use permit. Any use permitted by conditional use permit in the (R1-43) district. (see section 5.102B).

(Ord. No. 3048, § 2, 10-7-97; Ord. No. 3034, § 1, 11-4-97; Ord. No. 3103, § 1, 1-6-98; Ord. No. 3493, § 1, 3-4-03)

Sec. 5.203. Approvals required.

Prior to development of any municipal use, or any use requiring a conditional use permit, Development Review Board approval shall be obtained as outlined in article I, section 1.900 hereof.

(Ord. No. 3225, § 1, 5-4-99)

Sec. 5.204. Property development standards.

The following property development standards shall apply to all land and buildings in the R1-35 District:

A. Lot area.

1. Each lot shall have a minimum lot area of not less than thirty-five thousand (35,000) square feet.

2. If a parcel of land or a lot of record in separate ownership has less width or area than herein required and has been lawfully established and recorded prior to the date of the passage of this ordinance, such lot may be used for any purpose permitted in this section.

B. Lot dimension.

1. Width. All lots shall have a minimum width of one hundred thirty-five (135) feet.

C. Density. There shall not be more than one (1) single-family dwelling unit on any one (1) lot.

D. Building height. No building shall exceed thirty (30) feet in height, except as provided in article VII.

E. Yards.

1. Front Yard.

a. There shall be a front yard having a depth of not less than forty (40) feet.

b. Where lots have a double frontage on two (2) streets, the required front yard of forty (40) feet shall be provided on both streets.

c. On a corner lot, the required front yard of forty (40) feet shall be provided on each street. No accessory buildings shall be constructed in a front yard. Exception: On a corner lot which does not abut a key lot or an alley adjacent to a key lot, accessory buildings may be constructed in the yard facing the side street.

2. Side Yard. There shall be side yards of not less than fifteen (15) feet on each side of a building.

3. Rear Yard. There shall be a rear yard having a depth of not less than thirty-five (35) feet.

4. Other requirements and exceptions as specified in article VII.

F. Distance between buildings.

1. There shall not be less than ten (10) feet between an accessory building and the main building.

2. The minimum distance between main buildings on adjacent lots shall be not less than thirty (30) feet.

G. Walls, fences and landscaping. Walls, fences and hedges up to eight (8) feet in height are allowed on the property line or within the required side or rear yard. Walls, fences and hedges up to three (3) feet in height are allowed on the front property line or within the required front yard, except as provided in Article VII. The height of the wall or fence is measured from within the enclosure. Exception: Where a corner lot does not abut a key lot or an alley adjacent to a key lot, the height of walls, fences and hedges in the yard facing the longer street frontage need only conform to the side yard requirements.

H. Access. All lots shall have vehicular access on a dedicated street, unless a secondary means of permanent vehicular access has been approved on a subdivision plat.

I. Corral. Corral not to exceed six (6) feet in height shall be permitted on the property line or within the required front, side or rear yard.

(Ord. No. 2509, § 1, 6-1-93; Ord. No. 4005, § 1(Res. No. 8947, Exh. A, §§ 30, 31), 4-3-12)

Sec. 5.205. Off-street parking.

The provisions of article IX shall apply.

Sec. 5.207. Signs.

The provisions of article VIII shall apply

Abandonment Application Exhibits

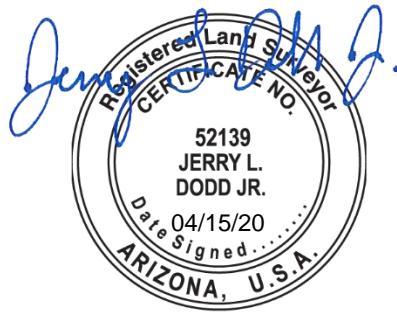
EXHIBIT 'A'

LEGAL DESCRIPTION

G.L.O. EASEMENT ABANDONMENT

THE NORTH 33 FEET, THE SOUTH 33 FEET AND THE WEST 33 FEET OF THAT G.L.O. EASEMENT FOR ROADWAY AND PUBLIC UTILITY PURPOSES AS RESERVED BY THE UNITED STATES BY UNITED STATES PATENT NO. 1143422, WHICH LIES IN THE PARCEL OF LAND DESCRIBED AS PARCEL NO. 2 IN THE TRUSTEE'S DEED AND BILL OF SALE RECORDED AS NUMBER 2011-1003433, RECORDS OF MARICOPA COUNTY, ARIZONA, SITUATED IN G.L.O. LOT 7 OF SECTION 7, TOWNSHIP 3 NORTH, RANGE 5 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA.

EASEMENT ABANDONMENT CONTAINING 49,302 SQUARE FEET OR 1.13 ACRES, MORE OR LESS.



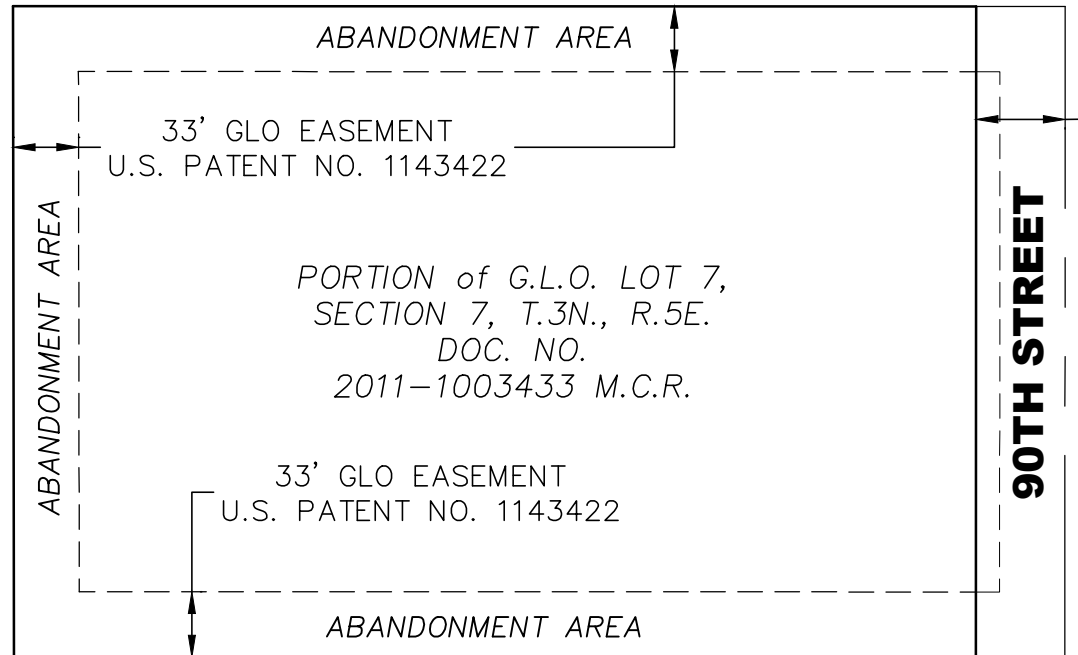
SURVEY INNOVATION GROUP, INC.
22425 N. 16TH STREET, SUITE 1
PHOENIX, AZ 85024

SIG JOB NO. P5338

EXHIBIT 'B'
G.L.O. EASEMENT
ABANDONMENT



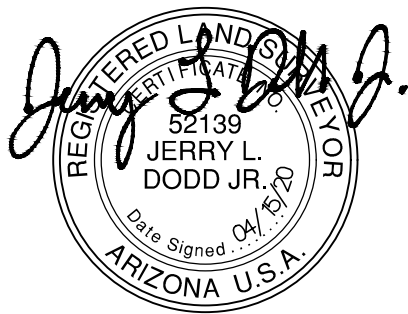
NTS



45' EXCEPTION TO
PARCEL NO. 2
DOC.
2011-1003433,
M.C.R.

PORTION of G.L.O. LOT 7,
SECTION 7, T.3N., R.5E.
DOC. NO.
2011-1003433 M.C.R.

33' GLO EASEMENT
U.S. PATENT NO. 1143422



NOTE: THIS IS NOT
A BOUNDARY SURVEY

SIG JOB# P5338