AN APPRAISAL REPORT OF

A Vacant R-5 Zoned Site

LOCATED

East of the Intersection of Miller Road and Polk Street in Scottsdale, Arizona 85257

DVG2025-012DD

DAVIS VALUATION GROUP
REAL ESTATE VALUATION & CONSULTING

AN APPRAISAL REPORT OF

A Vacant R-5 Zoned Site

LOCATED

**East of the Intersection of Miller Road
and Polk Street in
Scottsdale, Arizona 85257**

PREPARED FOR

**David Free
Frueger Scottsdale LLC
15721 N. Greenway Hayden Loop, Suite 105
Scottsdale, AZ 85260**

EFFECTIVE DATE OF APPRAISAL

April 8, 2025

PREPARED BY

**Davis Valuation Group
625 West Southern Avenue, Ste. E
Mesa, Arizona 85210
(480) 968-7449**

DVG File #: DVG2025-012DD

DAVIS VALUATION GROUP
625 W. Southern Avenue, Suite E
Mesa, Arizona 85210
Office: 480-968-7449

April 24, 2025

David Free
Frueger Scottsdale LLC
15721 N. Greenway Hayden Loop, Suite 105
Scottsdale, AZ 85260

Re: Appraisal Report of the site area located east of the intersection of Miller Road and Polk Street in Scottsdale, Arizona 85257 as identified by Maricopa County Assessor's parcels 131-15-001S, 001F, 001N, 001L, along with a second scenario that includes the potential acquisition of a portion of Polk Street which bisects said property.

Davis Valuation Group File #: DVG2025-012DD

Dear David:

At your request, I have performed an appraisal report of the identified property as of April 8, 2025 (effective date of valuation). The purpose of this appraisal is to arrive at an opinion of the market value of the fee simple interest of the "as is" condition of the subject property (before acquisition) and the "as combined" condition (including acquisition) as of the date of valuation (inspection date). The term "acquisition" and "abandonment" are used interchangeably and refer to a segment of Polk Street that bisects the subject parcels as defined in the Legal Description section of this report. The function of the report is for asset management decisions and to help determine a consideration of value of the proposed abandonment by the intended users of the report. The client is identified as Frueger Scottsdale LLC and the intended users of the report include the client, the City of Scottsdale, and the public. This report may not be used for any other reason, nor is it intended for use by any other entity than the party for whom it was prepared. This opinion of value is predicated upon the definition of value presented in the body of the report of which this letter is a part.

Based upon the inspection of the subject property and the investigation and analysis of market data with respect to this appraisal assignment, the “as is” and “as combined” opinions of the market value of the subject property, as of the effective date of appraisal are:

“As Is” Value Opinion: $ 1,210,000

“As Combined” Value Opinion: $ 1,400,000

This opinion of value does not include any tangible or intangible personal property. No personal property value was included in the estimate of value. Further, discounts and deductions were considered in this analysis, but ultimately none were required. It should also be noted that the subject property has no significant natural, cultural, recreational or scientific value.

Within the scope of this appraisal, the Cost, Sales, and Income Approaches to value were considered. The Cost Approach is not used because the subject is comprised of vacant site area. The Income Approach is not used because market participants would not typically consider the subject as an investment to be leased. Only the Sales Comparison Approach was used and is deemed reliable for determining the market value of the subject property.

This appraisal report is being prepared for the addressee, the client and intended users, and has been written in conformance with my understanding of the Uniform Standards of Professional Appraisal Practice. It is prepared in accordance with the OCC's Rule/Policy 12 CFR Part 34 FIRREA and the Appraisal Guidelines of the client. This appraisal is intended to comply with the OCC’s amended Appraisal Rule, effective June 7, 1994, as published in the Federal Register, Volume 59, No. 108, and with the Interagency Appraisal and Evaluation Guidelines, dated October 27, 1994.

This valuation is based upon the attached report and all of the assumptions and limiting conditions contained therein, including the understanding that we have no control of the use to which the report may be put by a subsequent reader of this report. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which he is connected shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without prior written consent and approval of the undersigned.

This report may not be used for the sale of partial property interests (limited, general partnership, and syndication) unless specifically authorized by the appraiser.

I have performed no services as an appraiser or in any other capacity regarding the subject property of this report within a three-year period immediately preceding the agreement to perform this assignment.

I refer the reader to the Underlying Assumptions and Limiting Conditions. The subject does not appear on a list of those properties known to suffer from environmental contamination or evidence of lead-based paint, and no firm evidence of such problems was noted during the physical inspection of the property. The appraiser is not qualified to confirm or deny the existence of hazardous conditions. Confirmation of site conditions relative to hazardous materials and/or wastes would require assessment by a duly qualified professional with direct training and experience in environmental assessment of real property. Unless otherwise stated, the site is presumed to be unaffected by these substances.

Thank you for the opportunity to provide this service.

Sincerely,

Denning S. Davis
Certified General Real Estate Appraiser
State of Arizona #31124

TABLE OF CONTENTS

CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.

2. I have performed no services as an appraiser or in any other capacity regarding the subject property of this report within a three-year period immediately preceding acceptance of this assignment.

3. 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.

4. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

6. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

7. 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.

8. 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 & Standards of the *Uniform Standards of Professional Appraisal Practice*. Furthermore, the report has been prepared in conformity with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

9. The appraiser signing this report states that they have the competence to perform this appraisal and report its results.

10. Denning Davis has made a personal inspection of the property that is the subject of this report.

11. No one has provided real property appraisal assistance to the person signing this certification.

April 24, 2025

(Signature) Denning S. Davis Date of Report

APPRAISAL SUMMARY

Type of Property:	A Vacant R-5 Zoned Site
Location:	East of the intersection of Miller Road and Polk Street in Scottsdale, Arizona 85257
Map Identification:	149 – 173 LU (Wide World of Maps, Inc.)
Assessor's Parcel Number:	131-15-001S, 001F, 001N, 001L
Objective (Purpose and Intended Use):	The purpose of this appraisal is to arrive at an opinion of the market value of the fee simple interest of the "as is" condition of the subject property (before acquisition) and the "as combined" condition (including acquisition) as of the date of valuation (inspection date). The term "acquisition" and "abandonment" are used interchangeably and refer to a segment of Polk Street that bisects the subject parcels as defined in the Legal Description section of this report. The function of the report is for asset management decisions and to help determine a consideration of value of the proposed abandonment by the intended users of the report. The client is identified as Frueger Scottsdale LLC and the intended users of the report include the client, the City of Scottsdale, and the public.

Site Area:

Parcel:	Size Sq. Ft.	Size Acres
131-15-001S	10,142	0.23
131-15-001F	7,339	0.17
131-15-001N	6,720	0.15
131-15-001L	13,030	0.30
Total:	**37,231**	**0.85**
Abandonment:	5,952	0.14
Combined:	**43,183**	**0.99**

Flood Zone: X - Areas of 500-year flood; areas of 100-year flood with average depths of less than one (1) foot or with drainage areas less than 1 square mile; and areas protected by levees from 100-year flood; Community Panel 04013C2235M; of the National Flood Insurance Program (FEMA). The subject is not situated in an established seismic zone or wetlands area.

Zoning: R-5, Multiple-Family Residential, City of Scottsdale

Property Taxes:

Parcel:	2024 RE Taxes	Taxes Due	Full Cash Value	Site SF	RE Tax $/SF Site
131-15-001S	$ 1,230.96	$ -	$ 537,500	10,142	$ 0.12
131-15-001F	$ 1,074.54	$ -	$ 325,600	7,339	$ 0.15
131-15-001N	$ 1,000.12	$ -	$ 301,900	6,720	$ 0.15
131-15-001L	$ 2,472.58	$ -	$ 539,600	13,030	$ 0.19
	$ 5,778.20		$ 1,704,600	**37,231**	$ 0.16

The subject Real Estate property taxes for 2024 are $5,778.20 (paid). The assessed full cash value is $1,704,600. Although the subject currently is comprised of vacant site area, there are building improvements indicated in public records for parcels 131-15-001S and 001L which have since been razed that may have resulted in a higher tax rate than what typically should be the case.

The property tax rates from the comparable sales used in the Sales Comparison approach are shown below:

Tax Comps Sale	2024 RE Taxes	Site Area (SF)	Tax Per SF
1	$ 3,816.90	42,253	$ 0.09
2	$ 328.00	13,068	$ 0.03
3	$ 675.84	6,534	$ 0.10
4	$ 4,894.86	30,259	$ 0.16
5	$ 784.18	7,994	$ 0.10

The range of comparable tax rates $0.03 to $0.16 per square foot, per year. The subject rate of $0.16 per square foot is at the upper end of the range but might be lower if reassessed.

Highest & Best Use:

As if Vacant — Hold as investment or develop as multi-family property

Exposure Period: One year or less

Opinions of Value:

"As Is": $ 1,210,000

"As Combined": $ 1,400,000

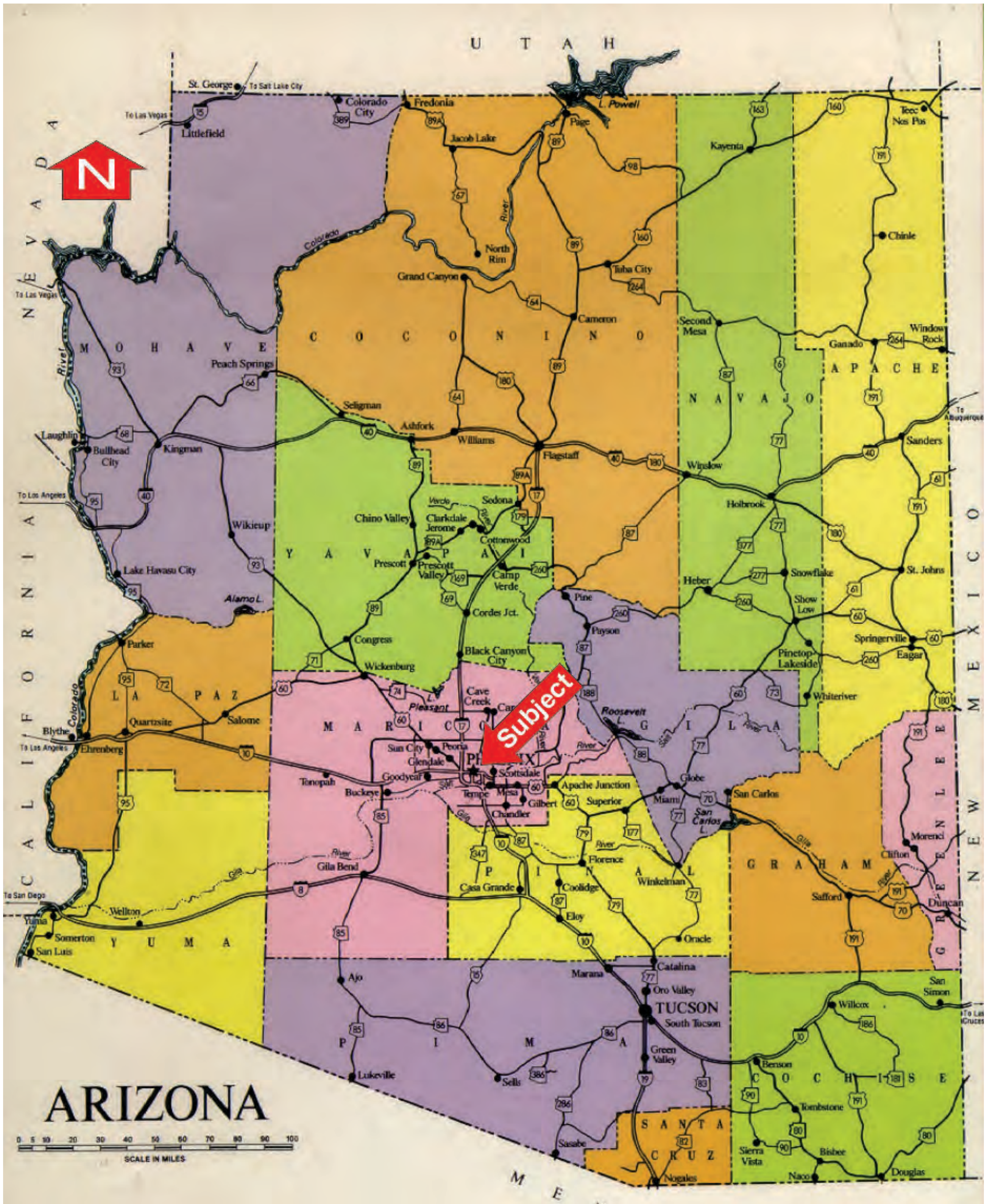
Extraordinary Assumptions: I assume that the measurement of the abandonment indicated in the Legal Description section of this report as “EXHIBIT B RIGHT OF WAY ABANDONMENT GRAPHIC DEPICTION” is correct, being 5,951.74 square feet or 5,952 square feet (rounded). Should the square footage be proven otherwise, I reserve the right to revise the appraisal report results.

There was a water leak observed near the east border of parcel 131-15-001L that appears to be minimal. I assume that the cost to repair said leak would be minimal with no impact on the subject property value of any significance.

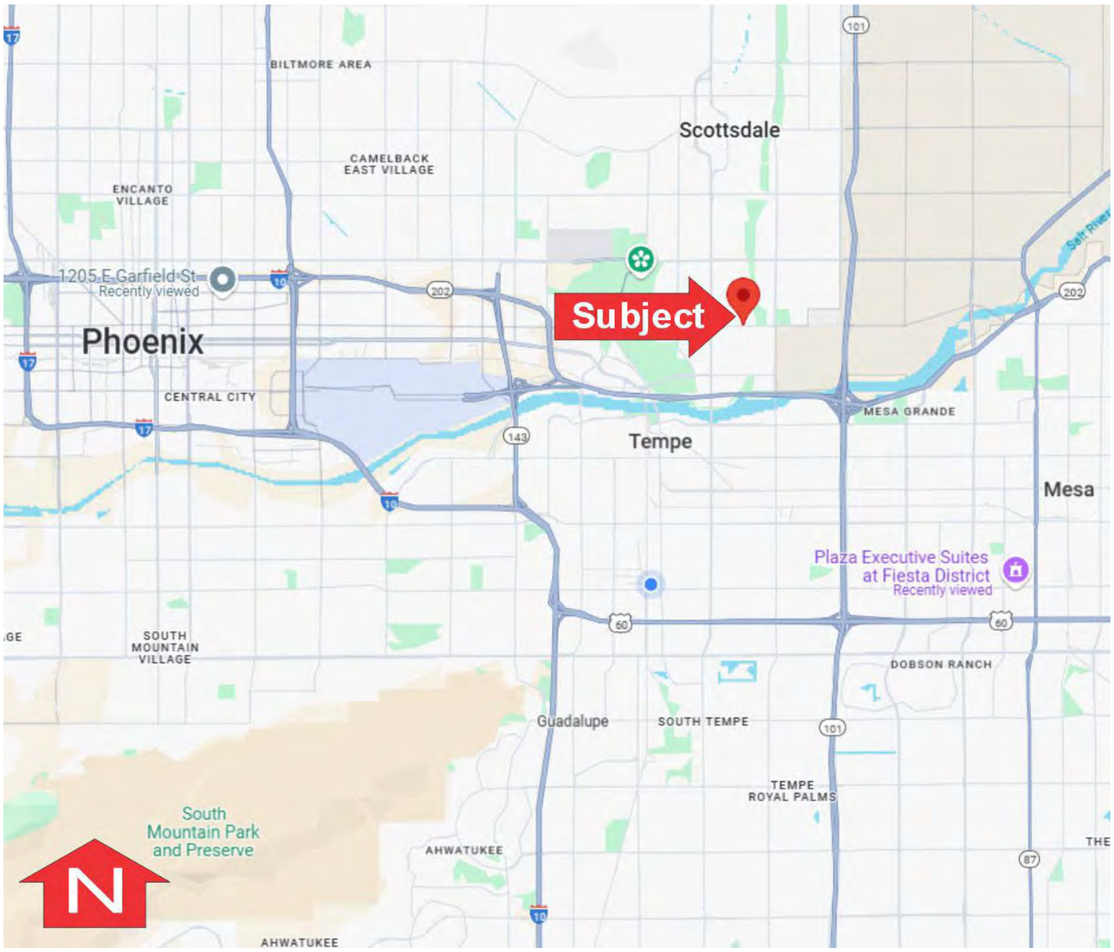
Hypothetical Conditions: A hypothetical condition exists that for the “As Combined” valuation scenario that the abandonment is combined with the subject property.

Effective Date of Valuation:	April 8, 2025
Date of Inspection:	April 8, 2025
Appraiser:	Denning S. Davis, Certified General Appraiser

STATE MAP


UTAH
NEVADA
CALIFORNIA
NEW MEXICO
ARIZONA
Subject
N
MOHAVE
COCONINO
NAVAJO
APACHE
YAVAPAI
LA PAZ
MARICOPA
GILA
PINAL
GRAHAM
GREENLEE
YUMA
PIMA
SANTA CRUZ
COCHISE
Phoenix
TUCSON
Flagstaff
Kingman
Prescott
Yuma
Nogales
Douglas
Safford
Globe
Holbrook
St. Johns
Winslow
Page
Lake Havasu City
Mesa
Tempe
Scottsdale
Chandler
SCALE IN MILES

LOCAL MAP



BILTMORE AREA
Scottsdale
CAMELBACK EAST VILLAGE
ENCANTO VILLAGE
1205 E Garfield St
Recently viewed
Phoenix
Subject
CENTRAL CITY
MESA GRANDE
Tempe
Mesa
Plaza Executive Suites at Fiesta District
Recently viewed
SOUTH MOUNTAIN VILLAGE
DOBSON RANCH
Guadalupe
SOUTH TEMPE
TEMPE ROYAL PALMS
South Mountain Park and Preserve
AHWATUKEE
N

ASSUMPTIONS AND LIMITING CONDITIONS

General Assumptions

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

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

3. Responsible ownership and competent property management are assumed.

4. The information furnished by the client and others is believed to be reliable, but no warranty is given for its accuracy.

5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.

6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.

7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.

8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described, and considered in the appraisal report.

9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be

obtained or renewed for any use on which the opinion of value contained in this report is based.

10. It is assumed that the use of the land and improvements (if any) is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

11. Unless otherwise stated in this report, the existence of hazardous materials or the presence of Radon, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials or Radon may affect the value of the property. The value opinion is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intender user is urged to retain an expert in this field, if desired.

General Limiting Conditions

This appraisal report has been made with the following general limiting conditions:

1. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

2. Possession of this report, or a copy thereof, does not carry with it the right of publication.

3. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.

4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through

advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.

Additional General Assumptions and Limiting Conditions

1. Any opinions of value provided in the report apply to the entire property, and any prorations or division of the total into fractional interests will invalidate the opinion of value, unless such proration or division of interests has been set forth in the report.

2. Only preliminary plans and specifications were available for use in the preparation of this appraisal. The analysis, therefore, is subject to a review of the final plans and specifications when available.

3. Any proposed improvements are assumed to have been completed unless otherwise stipulated, so any construction is assumed to conform with the building plans (if any) referenced in the report.

4. The appraiser assumes that the reader or user of this report has been provided with copies of available building plans and all leases and amendments, if any, that encumber the property.

5. A legal description was furnished – in addition, the appraiser used the county tax plat and public records (as applicable) to support the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, it may be necessary for this appraisal to be adjusted.

6. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

7. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirement of the ADA would reveal that the property is not in compliance with one or more of the requirements

of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

8. 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, and no part of this appraisal may be reproduced without the permission of the appraiser.

9. 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.

10. 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.

11. 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.

12. The purpose of this appraisal is to arrive at an opinion of the market value of the fee simple interest of the “as is” condition of the subject property (before acquisition) and the “as combined” condition (including acquisition) as of the date of valuation (inspection date). The term “acquisition” and “abandonment” are used interchangeably and refer to a segment of Polk Street that bisects the subject parcels as defined in the Legal Description section of this report. The function of the report is for asset management decisions and to help determine a consideration of value of the proposed abandonment by the intended users of the report. The client is identified as Frueger Scottsdale LLC and the intended users of the report include the client, the City of Scottsdale, and the public.

13. That utility services are available, as detailed in this report, for the subject property and that they will continue to be so in the foreseeable future.

14. Virtually all land in Arizona is affected by pending or potential litigation by various Indian tribes claiming superior water rights for their reservations. The amounts claimed and the effects on other water users are largely undetermined, but the claims could result in some curtailment of water usage or ground water pumping on private land. The Ground Water Management Act (as amended) may also restrict future ground water pumping in various parts of the state. Given this uncertainty, neither the undersigned nor any of his representatives can make warranties concerning rights to or adequacy of the water supply with respect to the premises, although the sale of premises include such water rights as are appurtenant thereto.

EXTRAORDINARY ASSUMPTIONS

In addition to the Underlying Assumptions and Conditions noted in this report, the conclusions of value are subject to the following extraordinary assumption(s):

1. I assume that the measurement of the abandonment indicated in the Legal Description section of this report as “EXHIBIT B RIGHT OF WAY ABANDONMENT GRAPHIC DEPICTION” is correct, being 5,951.74 square feet or 5,952 square feet (rounded). Should the square footage be proven otherwise, I reserve the right to revise the appraisal report results.

2. There was a water leak observed near the east border of parcel 131-15-001L that appears to be minimal. I assume that the cost to repair said leak would be minimal with no impact on the subject property value of any significance.

The use of the foregoing extraordinary assumption(s) might have affected the assignment results.

HYPOTHETICAL CONDITIONS

In addition to the Underlying Assumptions and Conditions noted in this report, the conclusions of value are subject to the following hypothetical condition(s):

1. A hypothetical condition exists that for the “As Combined” valuation scenario that the abandonment is combined with the subject property.

The use of the foregoing hypothetical condition(s) might have affected the assignment results.

General Procedures

- Summarized the findings of the appraisal in the Letter of Transmittal and Summary Section of the report
- Presented appropriate General Assumptions, Limiting Conditions, Special Assumptions, and Hypothetical Conditions as they may pertain to the report
- Included a section entitled Definitions near the beginning of the report to avoid repetition
- Presented the appropriate Definition of Market Value for use in the report
- Provided the subject's legal description, when possible, or other information to adequately identify the subject property
- Provided a history of the subject property
- Discussed the Exposure Time and Marketing Time applicable to the subject property
- Described the subject's market area (see Market Area Analysis section)
- Inspected and described the subject site (see Site Description section)
- Photographed the subject property and comparable sales
- Performed a market analysis (See Market Analysis section)
- Analyzed the subject's highest and best use (see Highest and Best Use section)
- Described the several approaches to value and identified the approaches that were: (1) applicable to in this assignment, and (2) used in this assignment (see Valuation Section)
- Inspected and described each comparable property, and presented the descriptions in the appropriate approaches to value
- Reconciled conclusions of value from the various approaches (see Reconciliation section) or, if only one approach was utilized, performed a reconciliation within that section
- Included appropriate documents in the Addenda if necessary

Specific Procedures

The purpose of the following paragraphs is to enlarge upon the foregoing General Procedures:

Inspection

The subject property was inspected on April 8, 2025

Market Area Analysis

Within this section, I have examined the four forces - geographic, social, economic, and governmental - that influence value. Supporting data, which are updated regularly, are retained within our office and appraisal files.

Valuation

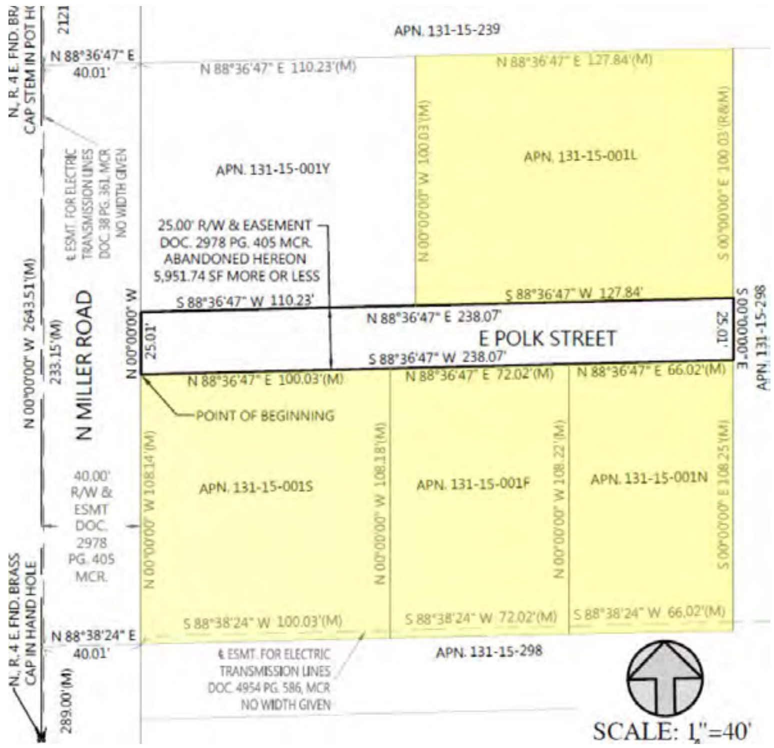
Within the scope of this appraisal, the Cost, Sales, and Income Approaches to value were considered. The Cost Approach is not used because the subject is a vacant site. The Income Approach is not used because market participants would not typically consider the subject as an investment to be leased. Only the Sales Comparison Approach was used and is deemed reliable for determining the market value of the subject property.

Problem Identification

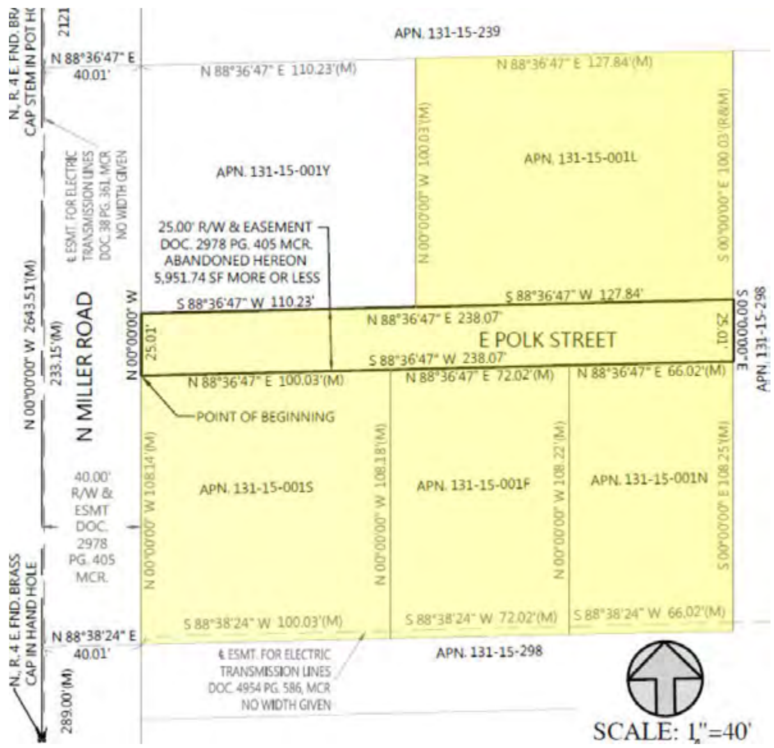
The problem to be solved is to form an opinion of the “As Is” and “As Combined” market value of the fee simple interest in the subject property as of the date of valuation.

The “As Is” condition of the subject consists of the four parcels under ownership of the client. The subject parcels are bisected by Polk Street which is owned and maintained by the City of Scottsdale. The client has plans to develop a multi-family complex on the subject property as a single parcel which would be advantageous to both the owner of the subject and City of Scottsdale - the City would receive compensation for the bisecting portion of Polk Street in addition to not being burdened with its maintenance. Thus, the “As Combined” condition would be the subject parcels combined with the bisecting portion of Polk Street. The increase would be from 37,231 SF “As Is” to 43,183 SF “As Combined” – the abandonment (also known as the acquisition) is indicated to be 5,951.74 or 5,952 SF (rounded) on Exhibit B of the Right-of-Way Abandonment Graphic Depiction as seen in the Legal Description section of this report.

The “as is” condition of the subject property is shown by the four parcels that are highlighted in yellow as seen on the image below:



The “As Combined” condition of the subject property is indicated by the highlighted areas of the image on the following page:



Problem Solution

The tasks are to gather comparable properties for the Sales Approach, analyze them, and draw conclusions as of the date of valuation based on the square footage of the "As Is" and "As Combined" conditions separately. The two value opinions will be displayed separately at the conclusion of the Sales Approach.

I have gathered information from the following sources:

- First American Real Estate Services (RealQuest)
- CoStar
- Multiple Listing Service
- LoopNet
- Local business and real estate related newspapers, magazines, and the Internet
- Direct contact with listing/sales brokers, leasing agents, and property managers and owners

- Davis Valuation Group files
- General Plan and/or Zoning Ordinance
- HUD Special Flood Agency Maps from FEMA
- County Assessor's and Treasury Departments
- State of Arizona Department of Environmental Quality
- Arizona Department of Transportation

Highest and Best Use Analysis: When the purpose of an appraisal is to estimate market value, highest and best use analysis identifies the most profitable, competitive use to which the property can be put. Therefore, the highest and best use is a market-driven concept. I have evaluated the subject as if it were vacant land available for use.

Reconciliation and Final Value Estimate: Each of the approaches to value typically provides an indication of the subject's market value. Reconciliation is the process of resolving the differences between the various conclusions of value. The relative significance, applicability, and defensibility of each value indication is weighed, and primary reliance is placed upon the approach considered most appropriate to the purpose of the appraisal. As this appraisal used one approach, reconciliation was not applicable. It should be noted that a valuation of personal property and equipment (if any) located on or about the subject is beyond the scope of this report.

There was no apparent evidence of environmental contamination noted during my inspection. However, we are not qualified to confirm or deny the existence of hazardous conditions. Confirmation of site conditions relative to hazardous materials and/or wastes would require assessment by a duly qualified professional with direct training and experience in environmental assessment of real property.

DEFINITIONS

Terms that are used in this report are defined as follows:

Market Value[1]: "*Market value* means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

Exposure Time: "An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at 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."[2]

Marketing Time: "The reasonable marketing time is 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."[3]

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1 FIRREA Title XI Definition of Market Value
2 2024 Uniform Standards of Professional Appraisal Practice: ADVISORY OPINION 35, P. 101
3 2024 Uniform Standards of Professional Appraisal Practice: ADVISORY OPINION 7, p. 16

"Marketing time occurs after the effective date of the market value opinion and the marketing time opinion is related to, yet apart from, the appraisal process. Therefore, it is appropriate for the section of the appraisal report that discusses marketing time and its implications to appear toward the end of the report after the market value conclusion. The request to provide a reasonable marketing time opinion exceeds the normal information required for the appraisal process and should be treated separately from that process."[4]

A brief statement regarding Marketing Time (Period) is made at the end of the report.

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.

Leased fee interest: An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold interest: The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

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[4] Ibid., p. 17

PROPERTY IDENTIFICATION

The subject is a vacant R-5 zoned site located east of the intersection of Miller Road and Polk Street in Scottsdale, Arizona 85257

INTENDED USE AND PROPERTY RIGHTS

The purpose of this appraisal is to arrive at an opinion of the market value of the fee simple interest of the “as is” condition of the subject property (before acquisition) and the “as combined” condition (including acquisition) as of the date of valuation (inspection date). The term “acquisition” and “abandonment” are used interchangeably and refer to a segment of Polk Street that bisects the subject parcels as defined in the Legal Description section of this report. The function of the report is for asset management decisions and to help determine a consideration of value of the proposed abandonment by the intended users of the report. The client is identified as Frueger Scottsdale LLC and the intended users of the report include the client, the City of Scottsdale, and the public.

EXPOSURE TIME

With reference to sales presented in the Sales Comparison Approach to Value, it appears that sufficient demand has existed to reasonably presume the subject property could have been marketed successfully under the supplied definitions of value within a period of one year. The opinion of value, however, assumes any disposition of the subject property is in its "as is" and “as combined” condition, with pricing near the value opinion within this report.

PROPERTY HISTORY

Per review of records, portions of the subject property had sold over differing periods of time. Parcels 131-15-001F and 131-15-001N sold combined at a sale price of $215,000 and closed on 2-1-2021 per document 2021-0112157. The combined square footage is 14,059 SF which equates to the sale being $15.29 per square foot. Per conversation with the engaging party, the buyer and seller contacted each other directly without market exposure. After having obtained the two parcels, the buyer then directly approached the owners of parcels 131-15-001S and 131-15-001L. Parcel 131-15-001S sold for $475,000 and closed on 4-29-2022 per document 2022-0378775. This parcel measures 10,142 square feet which equates to the sale being $46.83 per square foot of site area. This property was recorded to have a 2,228 square foot residential building on the site at the time of sale. Said structure has since been razed.

Parcel 131-15-001L sold for $525,000 and closed on 9-30-2022 per document 2022-0749383. This parcel measures 13,030 square feet which equates to the sale being $40.29 per square foot of site area. As with parcel 131-15-001S, this property also was recorded to have a residential building in place which has since been razed. The structure was 1,040 square feet per record. Parcels 131-15-001S and 131-15-001L were obtained as assemblage pieces and also had residential improvements on site which would most likely have resulted in the higher site unit prices paid. There is no other indication of prior arms-length sales of the subject parcels over the past three years. The subject parcels are not currently offered for sale or lease. The owner of the subject property has plans to build a multi-family complex on the site “as combined” which includes the portion of Polk Street that bisects the subject parcels.

PROPERTY OWNERSHIP

Per review of public records and per the Maricopa County Tax records, the current owner of the subject property (as is) is: POLK DEVCO LLC

DATE OF LAST INSPECTION

April 8, 2025

EFFECTIVE DATE OF VALUATION

April 8, 2025

LEGAL DESCRIPTION

Parcel 131-15-001S

20220378775

Escrow No. 08148961-849-NMA
Affidavit of Property Value…Continued
Page 2

EXHIBIT "A"
Legal Description

The West 140 feet of the South 100 feet of the North 225 feet of the following described property:

That part of the Southwest quarter of the Southeast quarter of Section 2, Township 1 North, Range 4 East of the Gila and Salt River Base and Meridian, described as follows:

BEGINNING at the Southwest corner of the Southeast quarter of Section 2; Thence North along the West line of said quarter section 522 feet;

Thence East 278 feet;

Thence South 522 feet to the South line of said Section; Thence West 278 feet to the BEGINNING.

Contains 10,142 Square Feet per Assessor

Parcels 131-15-001F, 001N

20210112157

ORDER NO. : 4715009631

EXHIBIT A

PARCEL NO. 1:

That part of the South 522 feet of the West 278 feet of the Southeast quarter of Section 2, Township 1 North, Range 4 East, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona described as follows:

Beginning at the South quarter corner of Section 2 thence running North 389.00 feet;

Thence North 88 degrees 37 minutes East 140.00 feet to the TRUE POINT OF BEGINNING;

Thence North 88 degrees 37 minutes East 72.00 feet;

Thence South 100.00 feet;

Thence South 88 degrees 37 minutes West 72.00 feet;

Thence North 100.00 feet to the TRUE POINT OF BEGINNING.

PARCEL NO. 2:

That part of the South 522 feet of the West 278 feet of the Southeast quarter of Section 2, Township 1 North, Range 4 East, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona descried as follows:

Beginning at the South quarter corner of Section 2, thence running North 389 feet;

Thence North 88 degrees, 37 minutes East 212 feet, to the TRUE POINT OF BEGINNING;

Thence North 88 degrees, 37 minutes East 66 feet,

Thence South 100 feet;

Thence south 88 degrees, 37 minutes West 66 feet;

Thence North 100 feet to the TRUE POINT OF BEGINNING.

Contains 14,059 Square Feet per Assessor (combined)

Parcel 131-15-001L

20220749383

File No.: 1791332

EXHIBIT "A"
Legal Description

That portion o of the South 522.00 feet of the West 278.00 feet of the Southeast quarter of Section 2, Township 1 North, Range 4 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

Commencing at the South quarter corner of said Section 2, a City of Scottsdale brass cap in handhole, from which the center of Section 2, a stem of a brass cap flush, bears North 00 degrees 00 minutes 00 seconds East, basis of bearings, a distance of 2643.58 feet;

Thence North 00 degrees 00 minutes 00 seconds East, along the West line of the Southeast quarter of said Section 2, a distance of 522.15 feet (measured) 522 feet record, to the North line of the South 522 feet of the Southeast quarter of Section 2;

Thence leaving said West line, North 88 degrees 37 minutes 16 seconds East, along the North line of the South 522 feet of said Southeast quarter, a distance of 40.01 feet (measured) 40.00 feet record, to the East line of the 40 foot right-of-way line of Miller Road;

Thence continuing along said North line, North 88 degrees 37 minutes 16 seconds East, and parallel with the South line of Section 2, a distance of 110.23 feet, to the Point of Beginning;

Thence continuing North 88 degrees 37 minutes 16 seconds East, a distance of 127.84 feet (measured) 127.77 feet record to the East line of the West 278.00 feet of said Southeast quarter;

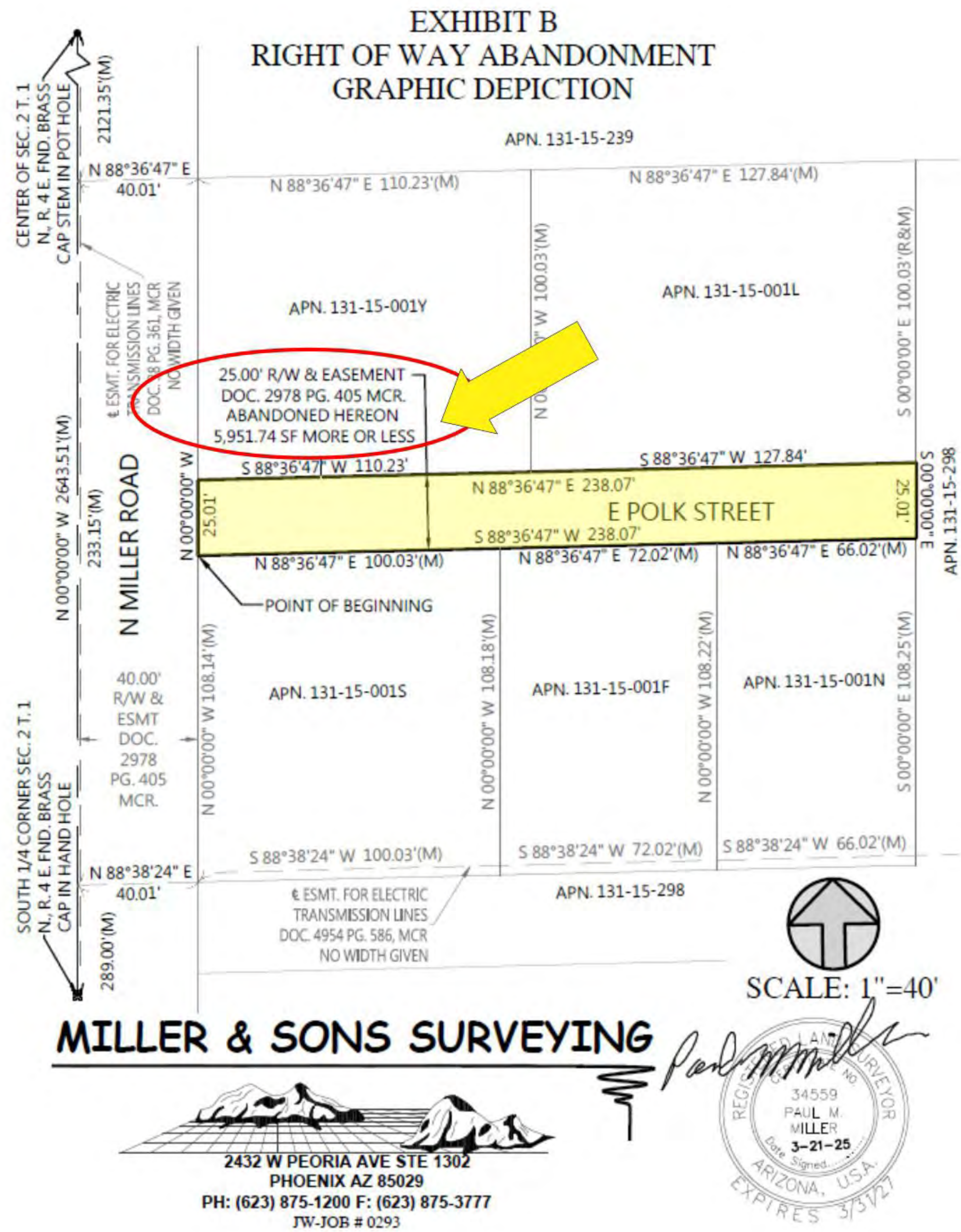
Thence leaving said north line, South 00 degrees 00 minutes 00 seconds East, along the East line of the West 278.00 feet, a distance of 100.03 feet (measured) 100.00 feet record;

Thence leaving said East line, South 88 degrees 37 minutes 16 seconds West, and parallel with the South line of the Southeast quarter of Section 2, a distance of 127.84 feet (measured) 127.77 feet record to the Southeast corner of Parcel 1 described in Document No. 2014-579989;

Thence North 00 degrees 00 minutes 00 seconds East, and parallel with the West line of the Southeast quarter and along the East line of Parcel 1 described in Document No. 2014-579989, a distance of 100.03 feet (measured) and 100.00 feet record to the Point of Beginning.

Contains 13,030 Square Feet per Assessor

Abandonment (to be combined with the subject property)



The abandonment is highlighted in yellow. The square footage of the abandonment is circled in red and pointed out by yellow arrow. The surveying company confirmed by email that the 5,951.74 square foot measurement is the area of the abandonment. The provided legal description of the abandonment is shown below:

EXHIBIT A - RIGHT OF WAY ABANDONMENT
LEGAL DESCRIPTION

A PORTION OF THE SOUTHEAST QUARTER OF SECTION 2, TOWNSHIP 1 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA DESCRIBED AS FOLLOWS:

BEGINNING AT A FOUND BRASS CAP IN A HANDHOLE AT THE SOUTH QUARTER CORNER OF SECTION 2, TOWNSHIP 1 NORTH, RANGE 4 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;

THENCE NORTH 00 DEGREES 00 MINUTES 00 SECONDS WEST, A DISTANCE OF 289.00 FEET ALONG THE MONUMENT LINE, ALSO KNOWN AS NORTH CENTERLINE OF MILLER ROAD TO A POINT;

THENCE NORTH 88 DEGREES 88 MINUTES 24 SECONDS EAST, A DISTANCE OF 40.01 FEET;

THENCE NORTH 00 DEGREES 00 MINUTES 00 SECONDS WEST, A DISTANCE OF 108.14 FEET TO A POINT ON THE EASTERN RIGHT OF WAY OF NORTH MILLER ROAD, SAID POINT BEING THE POINT OF BEGINNING;

THENCE NORTH 00 DEGREES 00 MINUTES 00 SECONDS WEST, A DISTANCE OF 25.01 FEET TO A POINT ON THE EASTERN RIGHT OF WAY OF NORTH MILLER ROAD;

THENCE NORTH 88 DEGREES 36 MINUTES 47 SECONDS EAST, A DISTANCE OF 238.07 FEET TO A POINT;

THENCE SOUTH 00 DEGREES 00 MINUTES 00 SECONDS EAST, A DISTANCE OF 25.01 FEET TO A POINT;

THENCE SOUTH 88 DEGREES 36 MINUTES 47 SECONDS WEST, A DISTANCE OF 238.07 FEET, TO THE POINT OF BEGINNING.

AREA CONTAINS 5,51.74 SQUARE FEET MORE OR LESS

0293
RIGHT OF WAY
ABANDONMENT
THE ARDEN

DRN:	RLM
SCALE:	NONE
JOB NO.:	0293
DATE:	01-23-25
SHT	1
OF	2

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
34559
PAUL M.
MILLER
3-21-25
Date Signed
ARIZONA, U.S.A.
EXPIRES 3/31/27

MILLER & SONS SURVEYING
2432 W PEORIA AVE, STE. 1302 BLDG 17 PHOENIX AZ 85029
PH: (623) 875-1200 F: (623) 875-3777
E-MAIL: PAUL@MILLERANDSONSSURVEYING.COM

The square footage indicated at the end of this legal description is assumed to be a typo error.

AREA ANALYSIS

Introduction

This analysis is presented in a summary format that is intended to provide a general understanding of the social, economic, governmental, and environmental trends that are presently impacting the Metropolitan Phoenix Area. The analysis includes a brief discussion of trends affecting various segments of the Real Estate industry. It is based upon studies that are released monthly, quarterly, annually, or in some cases a less-frequent-than-annual basis.

The Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (MSA) encompasses both Maricopa county and Pinal county and covers an area of 14,587 square miles.[5] The Metropolitan Phoenix Area includes the cities of Apache Junction, Avondale, Buckeye, Carefree, Cave Creek, Chandler, El Mirage, Fountain Hills, Gila Bend, Gilbert, Glendale, Goodyear, Guadalupe, Litchfield Park, Mesa, Paradise Valley, Peoria, Phoenix, Queen Creek, Scottsdale, Surprise, Tempe, Tolleson, Wickenburg, and Youngtown. These cities were once politically and geographically independent. Although they retain their political independence, they must cooperate more closely because they have essentially lost their geographic identity. Several cities and townships are "landlocked" because they are surrounded by other municipalities, Indian reservations and natural and man-made boundaries.

At the heart of the Phoenix MSA area is Phoenix itself which was incorporated in 1881 after outgrowing its original Townsite-Commissioner form of government. The "Phoenix Charter Bill" was passed by the 11th territorial legislature which provided for a government consisting of a mayor and four council members. The bill was signed by Gov. John C Fremont on February 25, 1881. On May 3 of the same year the first election was held within this newly incorporated city that had a population of approximately 2,500 people.[6]

John T. Alsap
Phoenix's first Mayor

The following map shows the MSA area as described above:

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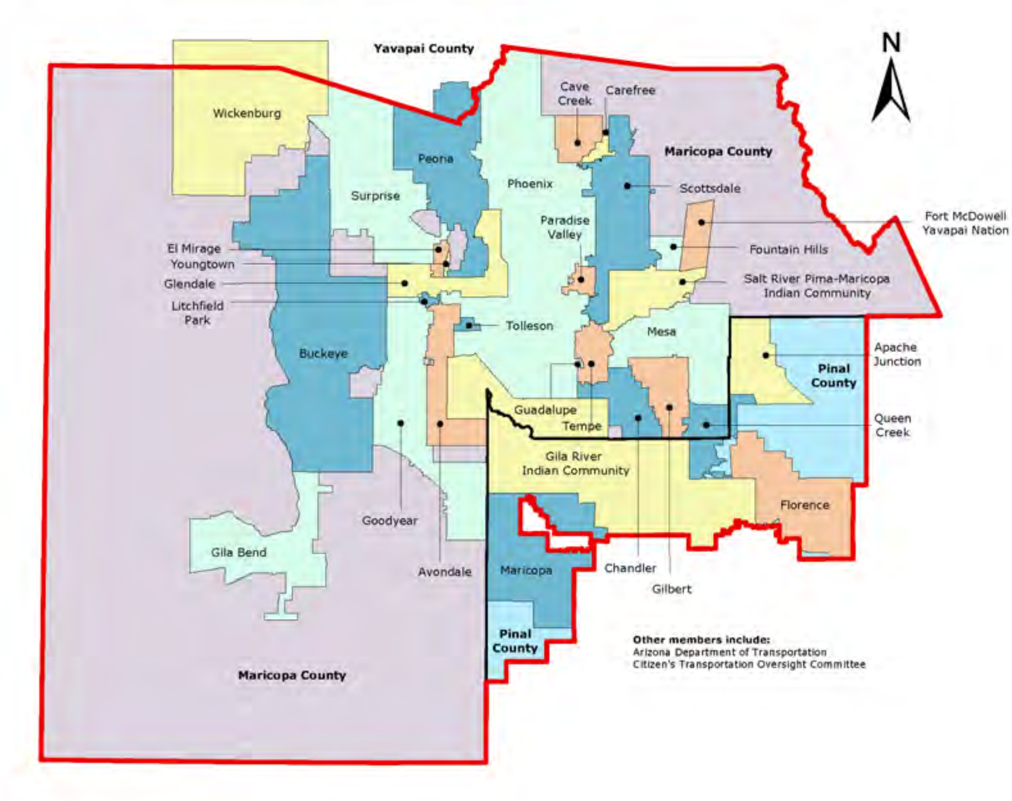
5 https://www.azmag.gov/About-Us/Divisions/Regional-Analytics-Division/MAG-Fast-Facts-Population-and-Growth - Researched September 2020

6 https://www.phoenix.gov/pio/city-publications/city-history



Social Influences

Culture and Entertainment

Downtown Phoenix is home to the Phoenix Civic Plaza, the Convention Center, the Phoenix Symphony Hall, Talking Stick Resort Arena, Chase Field, the Herberger and Orpheum Theaters, the Arizona Science center and the Phoenix Museum of History. There are symphony, opera and ballet companies, as well as numerous theater groups and art displays.

Phoenix's South Mountain Park has horseback riding, hiking trails, picnic areas and overlooks. Papago Park is home to the Phoenix Zoo, Desert Botanical Gardens and fishing lakes. Golfing is yet another activity to be enjoyed with courses located throughout the metro area.

State Farm Stadium in Glendale is home to the NFL's Arizona Cardinals which hosts the annual college football's Fiesta Bowl and will host the Super Bowl in 2023. Among other sports events, there are various concerts, corporate gatherings and other special occasions.[7] The Mesa Arts Center, located in downtown Mesa, is the largest arts center in the state of Arizona with four theaters, five art galleries and fourteen art studios and offers performances, visual arts exhibitions and arts education classes.[8]

The Tonto National Forest just north of the Phoenix Metro Area offers numerous recreational activities such as boating, water-skiing, camping, fishing, hiking, recreational shooting, and rockhounding/prospecting.[9] To the west are the White Tank Mountains and Regional Park suited for camping, hiking and horseback riding. To the south is the Estrella Mountain Regional Park attracting golfers, horseback riders, ball players and mountain bikers.[10]

Government

Phoenix - The Phoenix City Council comprises a staff involving the mayor and eight council members. Each council member is elected by the people from his or her council district. The mayor is elected at-large and governs the council meetings. The mayor and council members have the job of setting policy for the city.[11] The city manager is hired by the mayor and council to manage the day-to-day operations of the city and to advise them about these operations when they set policy.[12] In Phoenix, the city manager is in charge of more than 14,500 city employees.[13]

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7 https://www.stadiumsofprofootball.com/stadiums/state-farm-stadium/

8 Mesa Arts Center Home Page/About. <http://www.mesaartscenter.com>.

9 Tonto National Forest Home Page/Recreation. <http://www.fs.fed.us/r3/tonto> .

10 "Estrella Mountains, Maricopa County, Arizona." Arizonensis Home Page/Sonoran Desert Naturalist/Desert Places/Estrella Mountains. <http://arizonensis.org>

11 City of Phoenix Home Page/City Departments/City Council Office. <http://www.phoenix.gov>.

12 City of Phoenix Home Page/City Departments/City Manager's Office/How the city is organized/View the city's organization chart (PDF). <http://www.phoenix.gov> .

13 City of Phoenix Home Page/Employment/Current Employment Opportunities/If you are interested in applying for Human Resources Director please click: *here*. <http://www.phoenix.gov>

Other Cities - Each of the 25 cities making up Metro Phoenix has some form of Mayor/City Council form of government. Through MAG (Maricopa Association of Governments), there is good co-operation between communities.[14]

Maricopa County - The County Board of Supervisors consists of five members chosen by popular vote within their own districts. Each member serves for a period of four years and may be continuously reelected. The Board of Supervisors acts in the capacity of executive authority for the county within the statutes and powers prescribed by Arizona state law. In this respect the Legislature of the State of Arizona is, in effect, the legislative body of the county, with limited discretion granted to the Board of Supervisors on minor ordinance and revenue collection issues. Chair of the Board is held by one member for a period of one year and is selected by the Board members themselves through public hearing. Unlike cities and towns in Arizona, each county is not a chartered government and is considered both politically and legally a sub-division of the state. The election of the County Sheriff, County Attorney, County Assessor, County Treasurer, Superintendent of Schools, County Recorder, Constables, Justices of the Peace, Clerk of the Superior Court, and retention of Superior Court Judges are also determined by popular vote.

Economic Characteristics

Population Growth

The Phoenix Metropolitan Area has witnessed increasing numeric population gains in the metro area for decades. The average annual gain was 30,000 during the 1960s, 55,000 during the 1970s, 60,000 during the 1980s and 100,000 during the 1990s. The overall gain from 2000-2010 was 940,000 with a slow-down/drop-off in population increase during the latter part of the decade. Population estimates for July 1, 2019 for Maricopa County total at 4,367,835.

The Office of Economic Opportunity has issued statistics regarding estimates as well as the future growth of various counties and cities throughout Arizona. Below

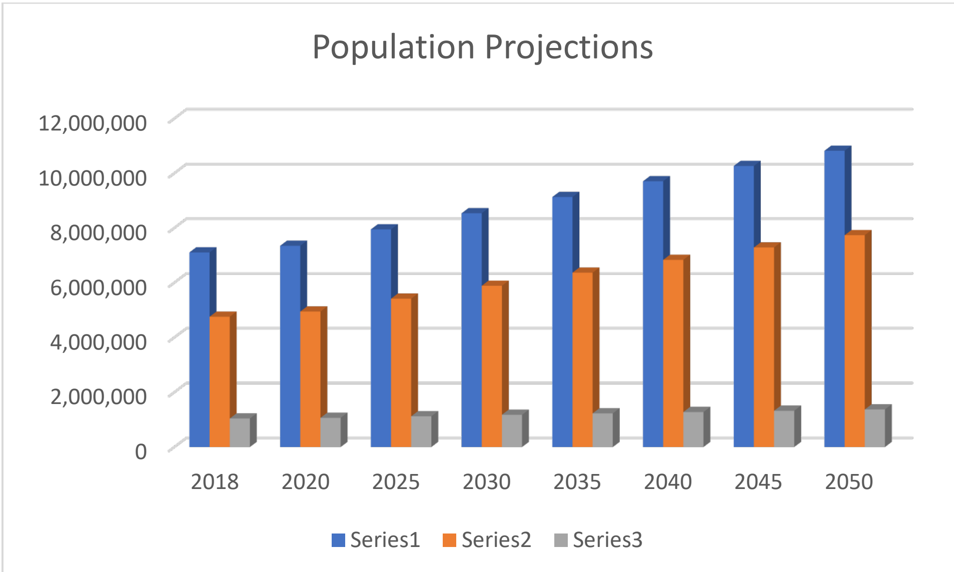
14 Maricopa Association of Governments Home Page. <http://www.azmag.gov>

is a listing of population counts from the 15 largest cities in the Phoenix Metropolitan Area as of July 1, 2019[15] (Most recent publication as of 9/28/20):

CITY	POPULATION ESTIMATE
Apache Junction	41,388
Avondale	84,595
Buckeye	81,624
Chandler	266,804
El Mirage	34,359
Fountain Hills	24,225
Gilbert	259,386
Glendale	243,262
Goodyear	88,870
Mesa	497,439
Peoria	180,161
Phoenix	1,617,344
Scottsdale	247,944
Surprise	136,194
Tempe	188,616

The following chart displays population projections through 2050. The first bar represents the population of the state as a whole. The following two bars show the projected population for Phoenix and Tucson respectively:

15 Source: https://population.az.gov/population-estimates > State, County, Place Level Population Estimates for July 1, 2018 (PDF 99 KB) (July 1, 2018)



According to the Arizona Department of Administration, substantial population growth in Maricopa County is expected to continue over the next 40 years. The 2018 Maricopa County population of 4,755,500 is projected to swell to just over 7.7 million in 2050 with an annual compounded growth rate of about 1.5%. Pinal County's population is projected to rise from an estimated 439,900 in 2018 to 1.04 million by 2050.[16]

Arizona Employment

The Arizona seasonally adjusted unemployment rate remained steady at 4.9% in June 2019. During that same period, the U.S. seasonally adjusted unemployment rate increased one-tenth of a percentage point from 3.6% to 3.7%. Over the month, the Arizona seasonally adjusted labor force increased by 10,361 individuals. Over the year, labor force levels increased by 93,189 individuals or 2.7%.[17]

Over the Year

Arizona nonfarm employment decreased by -95,600 jobs or 3.2% in August of 2020 over the prior year – all of which appear to have happened in the months of

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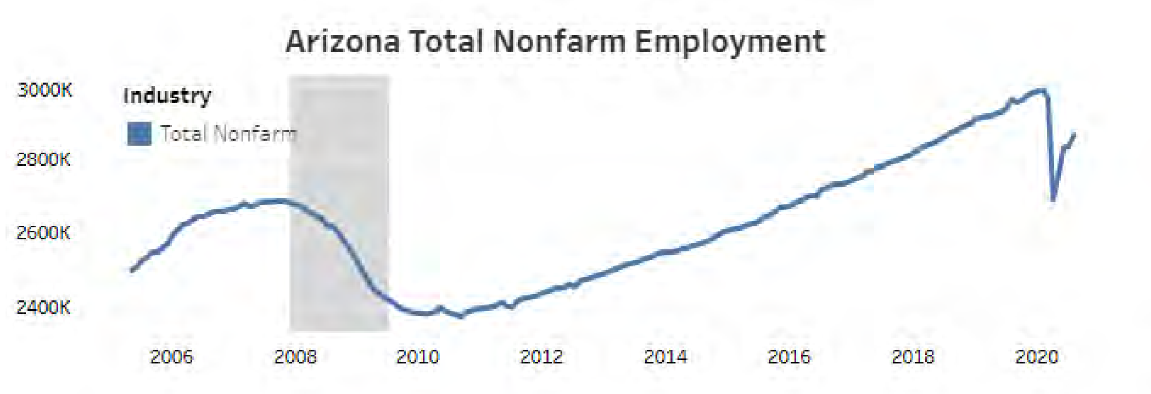
16 Office of Employment and Population Statistics Home Page/Population/Population Projections/2018-2050 State and County Population Projections, Medium Series XLSX. <http://www.azstats.gov >https://population.az.gov/population-projections

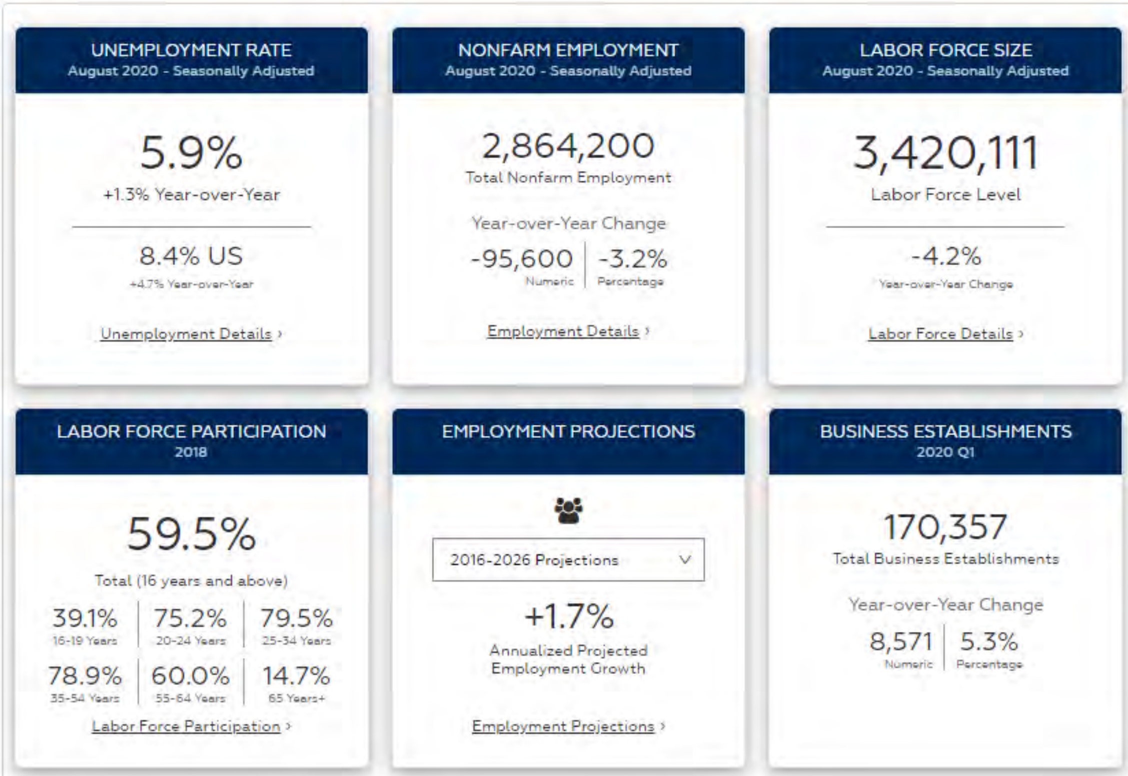
17 https://laborstats.az.gov/sites/default/files/documents/files/emp-report.pdf (July 18, 2019)

March and April, presumably due to Covid. The total loss in employment for the month of April alone was 272,700. ***However***, job gains in the months of June through August totalled 172,400 as the economy recovers from this unprecedented mandatory economic shut down. The unemployment rate as of August is only up 1.3% year over year and currently lies at 4.9%, compared with a 4.7% jump for the United States as a whole, which now reports an 8.4% unemployment rate. As the following graph shows, despite the economic shut down in the first and second quarters of 2020, employment is recovering rapidly.



Labor Force Data

The following is a summary snapshot of Arizona Labor as reported in September 2020 by the Arizona Department of Commerce.


UNEMPLOYMENT RATE
August 2020 - Seasonally Adjusted
5.9%
+1.3% Year-over-Year
8.4% US
+4.7% Year-over-Year
Unemployment Details ›
NONFARM EMPLOYMENT
August 2020 - Seasonally Adjusted
2,864,200
Total Nonfarm Employment
Year-over-Year Change
-95,600
Numeric
-3.2%
Percentage
Employment Details ›
LABOR FORCE SIZE
August 2020 - Seasonally Adjusted
3,420,111
Labor Force Level
-4.2%
Year-over-Year Change
Labor Force Details ›
LABOR FORCE PARTICIPATION
2018
59.5%
Total (16 years and above)
39.1%
16-19 Years
75.2%
20-24 Years
79.5%
25-34 Years
78.9%
35-54 Years
60.0%
55-64 Years
14.7%
65 Years+
Labor Force Participation ›
EMPLOYMENT PROJECTIONS
2016-2026 Projections
+1.7%
Annualized Projected Employment Growth
Employment Projections ›
BUSINESS ESTABLISHMENTS
2020 Q1
170,357
Total Business Establishments
Year-over-Year Change
8,571
Numeric
5.3%
Percentage

Major Employers[18]

State of Arizona	Wells Fargo	Apollo Group, Inc.
Wal-Mart Stores, Inc.	Bank of America	JPMorgan Chase
Banner Health	Maricopa County	Intel Corp.
City of Phoenix	Arizona State University	US Airways

Downtown Phoenix

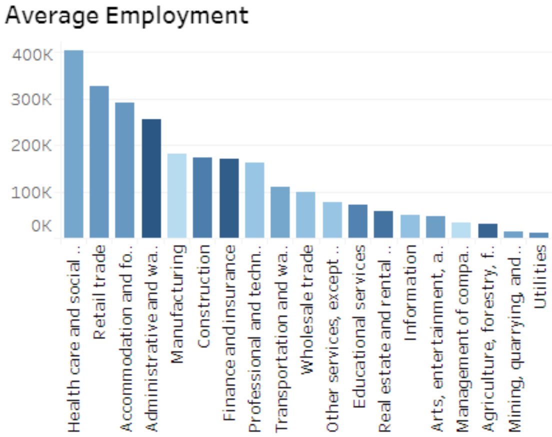
Changes have occurred over the past several years in downtown Phoenix with major improvements made in areas such as office space, retail, restaurants, educational facilities, convention space and hotel rooms. Large-scale projects have included expansion of the Phoenix Convention Center and the addition of the METRO Light Rail Line and the Phoenix Biomedical Campus. Neighborhood residents, chefs and restaurateurs, researchers from the Biomedical Campus, students from Arizona State University and the University of Arizona Medical School along with the thousands of people who take advantage of the services provided in the area help to create a true downtown community. This area also boasts the highest concentration of employment in the state and is only five minutes away from Sky Harbor Airport.

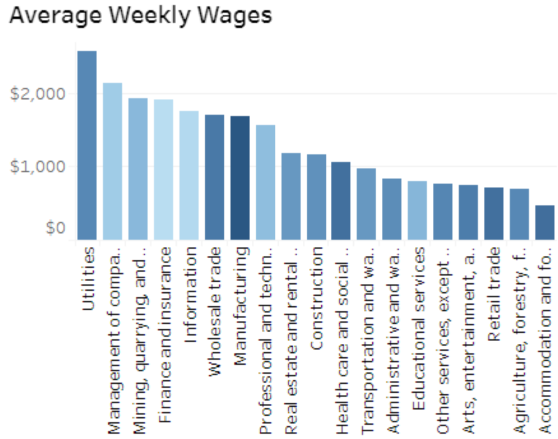
Following is the September 2020 average wage and occupation estimate from the Arizona Commerce Authority.[19]

September 2020 Phoenix MSA Wage & Occupation Estimates

18 http://www.phoenixrelocationguide.com/Top-Major-Employers-and-Businesses/)

19 "May 2018 State Occupational Employment and Wage Estimates." https://www.azcommerce.com/oeo/labor-market/industry-employment/#content-block-0

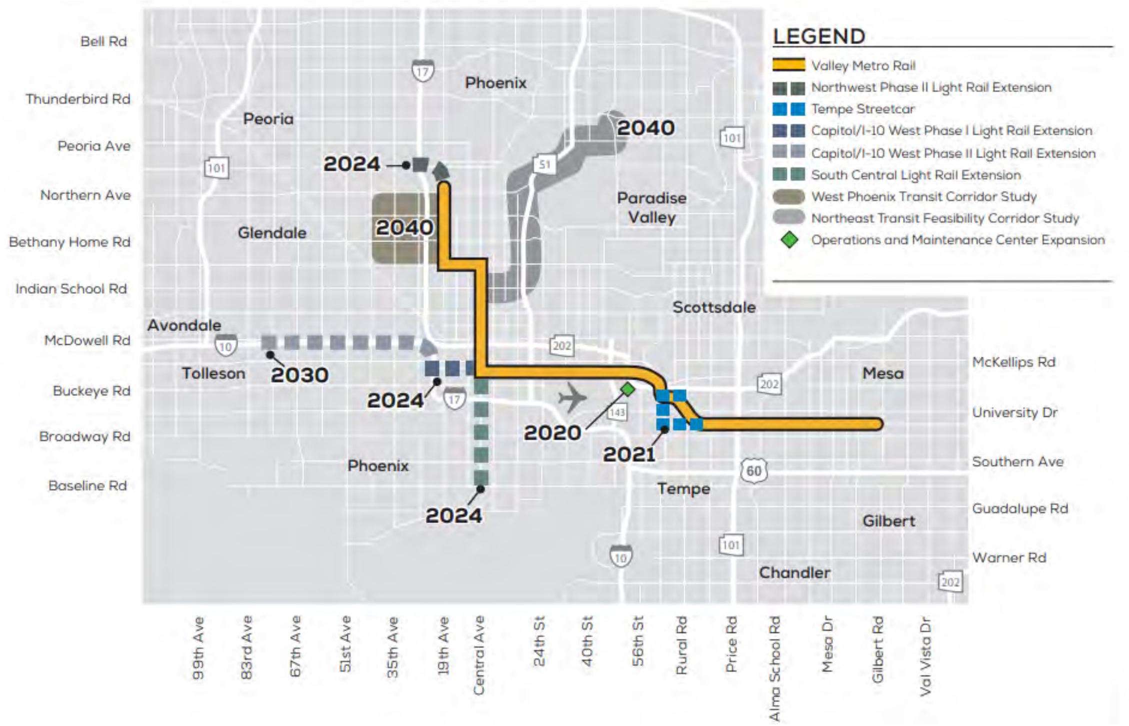




Transportation

The Valley has an intricate system of freeways, generally conforming to concentric loops. Major freeways include 1-10, 1-17, US 60 and Loops 101, 202, and 303. Among the more traveled freeways are: Papago, Black Canyon, Maricopa, Pima, Piestewa, Red Mountain and Superstition. Annual average weekday traffic counts along these freeways range from under 5,000 in outlying areas to over 40,000 in the more centralized parts while heavily traveled freeways have counts that cross over the 200,000 range.[20]

20 "2019 Average Weekday Traffic Volume Map." Maricopa Association of Governments Home Page/Projects/Traffic Volume Survey and Traffic Count Maps/2011 Average Weekday Traffic Volume Map. <http://www.azmag.gov>



The Phoenix Metro Light Rail System passes through the cities of Phoenix, Tempe and Mesa. The diagram above shows the light rail alignment and plans for future light rail transit corridors.[21] This light rail connects the Tempe and Phoenix A.S.U. campuses, provides passage to the Phoenix, Tempe and Mesa downtowns and facilitates accessibility to Sky Harbor Airport 44th Street shuttle as well as various parks, museums, medical centers, shopping areas and employment centers.

Environmental

Water

Arizona's major renewable resource for water comes from lakes, rivers and streams. Another source is the Central Arizona Project (CAP), which was formed to direct water from the Colorado River into the central part of Arizona. An

21 ValleyMetro Home Page/METRO light rail Service/Publications & Reports/Fact Sheets/ System Factsheet. <http://www.valleymetro.org>.

additional source is the underground aquifer.[22] The Arizona Department of Water Resources (ADWR) Assured and Adequate Water Supply programs were created to address the problem of limited groundwater supplies in Arizona. Both the Assured and Adequate Water Supply programs evaluate the availability of a 100-year water supply considering current and committed demand, as well as growth projections.[23]

Development

Over the next 25 years, the Maricopa Association of Governments predicts that development will shift somewhat from the southeast part of the Phoenix metro area to the northwest and southwest. The population center of the county has shifted from the east over the last 25 years, to northeast of Thomas Road and 24th Street. Over the next 25 years, the center of population is projected to move slightly west and north to about Central and Camelback Roads.[24] Landforms only partially act as barriers to urban growth in the metro area. While mountains to the north and east are part of a large, rugged mountainous region, those at the fringe of the Valley to the south and west are not substantial enough to stop the expansion of the urban area.

Real Estate Overview

Office (April 2025)[25]

195M ↑	657K ↓	(1.2M) ↑	16.9% ↑	$29.35 ↑	$201 ↓	8.9% ↑
Inventory SF	Under Constr SF	12 Mo Net Absorp SF	Vacancy Rate	Market Asking Rent/SF	Market Sale Price/SF	Market Cap Rate

Conditions in the Phoenix office market remain dislocated. Users continue to scrutinize the effective use of their footprints, often resulting in space reductions or

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22 AZ Dept. of Water Resources Home Page/Water Resources/ABCs of Water/Arizona's Water Supplies, Water Demands and Water Budget (1). <http://www.azwater.gov/azdwr> .

23 https://new.azwater.gov/aaws (September 28, 2020)

24 Maricopa Association of Governments Home Page/Projects/Concentration Maps/2030 Population Concentration.

25 CoStar Phoenix Metro Area Market Report

closures. Additionally, job growth has been sluggish in traditionally office-using employment sectors for over two years. This lowering of underlying space demand caused vacancy to climb more than 550 basis points since 19Q4, and expectations are for further increases over the midterm as pre-pandemic leases expire.

AVAILABILITY	MARKET	NATIONAL INDEX
Market Asking Rent/SF	$29.35 ↑	$36.04 ↑
Vacancy Rate	16.9% ↑	14.0% ↑
Vacant SF	33M ↑	1.2B ↑
Availability Rate	18.0% ↓	16.1% ↓
Available SF Direct	28.9M ↓	1.2B ↓
Available SF Sublet	6.8M ↓	171M ↓
Available SF Total	35.3M ↓	1.4B ↓
Months on Market	10.3	14.2

The net amount of space vacated since the onset of COVID has surpassed -5.5 million SF, well outpacing the total occupancy loss seen during the worst of the Great Recession. More than half of the space givebacks occurred in the past 24 months as weak tenant demand persists even five years removed from the pandemic's start. Empty space is accumulating more quickly in larger suites and single-tenant buildings than in smaller ones.

Market participants indicate that spaces under 5,000 SF in quality buildings are still in demand and typically get more competitive as suite size shrinks. A decrease in the average lease size reinforces this trend as users adapt to lower space-per-employee requirements and softer headcount growth. Though the number of direct, non-renewal leases is marginally above the pre-pandemic five-year average, the preference for smaller footprints resulted in the total square footage of leasing volume declining 15% from pre-COVID norms.

The increase in sublet availability also illustrates the downshift in demand. The total space available for sublease has climbed to 6.8 million SF, more than triple the pre-COVID historical average. Sublet space now accounts for 3.5% of inventory, making Phoenix the fourth most heavily impacted sublease market in the country.

The lack of meaningful construction activity has helped avoid a more severe imbalance between supply and demand. Builders completed just 160,000 SF of net new office space over the past 12 months, the lowest four-quarter total in nearly a decade. Additionally, 660,000 SF is under construction, representing a third of what Phoenix had on average between 2017 and 2019. While the supply pullback may temporarily act as a counterweight to the sector's broader challenges, it creates a shortage of first-generation office space over the near term, providing fewer premium options for tenants seeking to enter or expand in the market.

The swiftly decelerating pace of rent growth is a natural consequence of the sector's slackening demand. Average asking rents rose 1.8% over the past year, down from about 5% per year from 2015 to 2019. Additionally, local leasing professionals report that generous TI packages remain prevalent in most negotiations.

Moving forward, the expiration of pre-pandemic leases during the current environment of softer headcount growth and preference for smaller footprints is expected to contribute to further occupancy loss over the short- to midterm.

Retail (April 2025)[26]

247M ↑	2.6M ↓	329K ↓	4.9% ↑	$25.38 ↑	$253 ↑	6.8% ↑
Inventory SF	Under Constr SF	12 Mo Net Absorp SF	Vacancy Rate	Market Asking Rent/SF	Market Sale Price/SF	Market Cap Rate

Though a pick-up in store closures caused net absorption to decelerate swiftly last year, fundamental tightness in the Phoenix retail market persists as 2025 kicks off. Strong demographics, continued income growth, and healthy job gains fuel robust underlying tenant demand. These stout demand drivers, coupled with the modest construction pipeline, have kept availability low and rent growth elevated.

The availability rate has risen to 5.2% in early 2025, up from 4.3% in late 2023. Bankruptcies by national brands, as well as the closure of some small-business tenants operating on thin profit margins, left several vacant spaces that have yet

26 CoStar Phoenix Metro Area Market Report

to be fully backfilled. Despite the modest increase, availability remains well below the low-8% range recorded in 20Q1 as well as the previous cycle's low of about 5.8% in 2006. Additionally, local market participants report that competition for space is elevated and tenant retention is healthy.

AVAILABILITY	MARKET	NATIONAL INDEX
Market Asking Rent/SF	$25.38 ▲	$25.47 ▲
Vacancy Rate	4.9% ▲	4.2% ▲
Vacant SF	12M ▲	512M ▲
Availability Rate	5.2% ▲	4.8% ▲
Available SF Direct	12.6M ▲	568M ▲
Available SF Sublet	351K ▲	19M ▲
Available SF Total	13M ▲	586M ▲
Months on Market	9.6	10.5

The increase in closures has freed up capacity for other retailers to expand. In the years following the onset of the pandemic, historically low space availability restrained Phoenix leasing activity as retailers found limited quality expansion options. Recently, however, leasing has accelerated swiftly, posting decade-high quarterly volumes in 24Q2 and 24Q3. Off-price retailers, dollar stores, and experiential tenants have helped backfill big box sites, though it could take several quarters for higher absorption to materialize.

One of the main factors supporting the steady improvement in property fundamentals over the past decade has been the lack of new construction. About 900,000 SF delivered over the past 12 months, down from an average of 2.1 million SF from 2015 to 2019. Though the construction pipeline has grown to 2.6 million SF, only 20% is available for lease, and supply-side pressure remains limited. The bulk of supply additions can be found in rapidly growing suburbs on the outskirts of the metro, like Buckeye, Surprise, and Queen Creek. These areas boast some of the strongest rates of population growth in the Valley while also having cheaper and more abudent land as well as a more limited existing retail offering.

Low availability and strong consumption patterns drive nation-leading rent growth. Many retailers have seen sales, profitability, and efficiency increase, enabling landlords to steadily push rents while allowing tenants to maintain comfortable occupancy costs. The average asking rent increased 2.8% over the past 12 months and a staggering 29.0% over the past five years, providing healthy leasing spreads for many landlords.

Though an anticipated slowdown in economic and consumption growth may cause the availability rate and rent growth to normalize further, a meaningful weakening of property performance is not expected. Robust demographic tailwinds, continued job gains, and healthy incomes are forecast to keep the fundamental balance between supply and demand intact over the near term.

Industrial (April 2025)[27]

500M ↑	18M ↓	15.6M ↑	12.8% ↑	$13.64 ↑	$179 ↑	6.6% ↑
Inventory SF	Under Constr SF	12 Mo Net Absorp SF	Vacancy Rate	Market Asking Rent/SF	Market Sale Price/SF	Market Cap Rate

A deluge of new development completions continues to drive Phoenix's industrial vacancy rate higher, a condition that could persist into 2026. Builders delivered an unprecedented 34.6 million SF of net new industrial space over the past 12 months, driving a normalization of market conditions. For comparison, Phoenix averaged 8 million SF of annual net deliveries in the three years leading up to the onset of the pandemic.

The wave of construction overshadows a resilient demand picture. While demand has eased from the frenetic pace seen in 2021 and 2022, leasing volume modestly accelerated in 2024 and is 33% above the average annual level from 2017 to 2019 as occupiers related to logistics, construction, and manufacturing continue to expand. Phoenix's West Valley remains a favorable option for logistics-related tenants, highlighted by Amazon's trio of 1+ million leases in the area last year. These factors, along with advanced manufacturing momentum, drove 15.6 million SF of net absorption over the past 12 months, the third most in the nation.

Though tenant demand has been sturdy, it has not been enough to absorb the remarkable pace of deliveries, keeping vacancy on a swift upward trajectory.

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[27] CoStar Phoenix Metro Area Market Report

Vacancy rose from 4.2% in mid-2022 to 12.8% today, and further increases could be in store.

AVAILABILITY	MARKET	NATIONAL INDEX
Market Asking Rent/SF	$13.64 ▲	$12.13 ▲
Vacancy Rate	12.8% ▲	7.1% ▲
Vacant SF	63.8M ▲	1.4B ▲
Availability Rate	15.2% ▲	9.4% ▲
Available SF Direct	70.3M ▲	1.7B ▲
Available SF Sublet	8.5M ▲	218M ▲
Available SF Total	78.6M ▲	1.9B ▲
Months on Market	4.7	6.7

With nearly 90% of recent construction focused on buildings larger than 100,000 SF, vacant space is accumulating most quickly in the Valley's largest properties. The vacancy rate among existing buildings larger than 100,000 SF has climbed to a 15-year high of above 16%, and another 8 million SF of unleased space is underway in buildings of that size. Small bay product, meanwhile, is more insulated from recent supply, with vacancy among existing properties smaller than 50,000 SF in the high 4% range, though rates have been rising in this segment too.

Increased competition from new supply is causing rent growth to decelerate. Average asking rents rose 2.7% over the past year, down from 14.4% in late 2022. Annual rent growth is forecast to slow to the lowest level in over a decade in the coming quarters as further supply additions normalize performance. Landlords of infill assets and small bay product will likely retain greater pricing power than those of big bomber space along the metro's periphery.

The 17.9 million SF under construction, about 60% of which is being built on spec, is expected to put further upward pressure on vacancy throughout the year. Looking beyond the near-term dislocation, the recent pullback in construction starts indicates that a reprieve of supply could be in store by 2026, setting Phoenix up for a return to tightening vacancies and an eventual reacceleration in rent growth.

Hospitality (April 2025)[28]

Arizona Area

40,817 ↑	904 ↓	62.6% ↓	$136.01 ↑	$85.12 ↑	$150K ↑	9.1% ↑
Inventory Rooms	Under Construction Rooms	12 Mo Occupancy	12 Mo ADR	12 Mo RevPAR	Market Sale Price/Room	Market Cap Rate

Arizona Area is a fairly large hotel market, and contains about 41,000 rooms spread across 661 properties. Very small hotels characterize the market, which is not typically the case in a market this large. Hotels here have 62 rooms on average, considerably below the 89-room-per-building average in the U.S.

INVENTORY	MARKET	NATIONAL INDEX
Existing Buildings	661 ↑	65,046 ↑
Avg Rooms Per Building	62 ↑	89 ↑
12 Mo Delivered Rooms	519 ↓	74,941 ↑
12 Mo Delivered Buildings	7 ↓	697 ↑
12 Mo Opened Rooms	584 ↓	82,320 ↑
12 Mo Opened Buildings	8 ↑	730 ↑
Under Construction Buildings	9 ↓	1,159 ↓

Affordable hotels are common here: Just over half of the market's rooms fall into the Economy or Midscale classes.

Average occupancies in the past 12 months are 62.6%, essentially matching the national average for this period of time.

28 CoStar Phoenix Metro Area Market Report

Twelve-month RevPAR in the Arizona Area hotel market was essentially flat year-over-year as of February. The situaton looks a bit better on a national scale, where RevPAR is in the green, albeit modestly.

The 900 rooms currently underway in the Arizona Area market amount to a 2.2% expansion of the hotel inventory. This extends a stretch of new development in the market, which saw 17 projects containing around 1,300 rooms deliver in the past three years. That development was partially offset by a number of demolitions, which took around 420 rooms off line over the same timeframe.

Arizona Area has an active investment market, but recorded far fewer trades in the past 12 months than it has in recent years. That's consistent with a decrease in hotel investment playing out nationally.

Employment in the market was recently increasing at an annual rate of 1.5%, or a gain of about 5,800 jobs. While a positive result, this does represent the weakest rate of job creation in the past 12 months, which at one point was as high as 5.3%.

Phoenix Area

72,431 ↑	4,475 ↑	68.0% ↓	$173.87 ↑	$118.18 ↑	$307K ↑	7.4% ↑
Inventory Rooms	Under Construction Rooms	12 Mo Occupancy	12 Mo ADR	12 Mo RevPAR	Market Sale Price/Room	Market Cap Rate

Phoenix maintains its position as a leading hotel market in the Southwest despite showing softening performance indicators. After a strong start, ADR growth is muted at 1.9% experiencing consecutive months of declining metrics over the last 12 months, resulting in shifting RevPAR growth 1.1%.

The sustained softening in group demand and moderate transient performance has led to the 12-month ADR decline. While current occupancy holds at 68.0%, still slightly below 2019 levels at 70%, this performance is noteworthy given the market's 13% room inventory expansion since 2019, representing an addition of 85 hotels with 10,000 rooms.

The market operating dynamics reflect an even split between traveler segments, with weekday and weekend occupancy at 58% and 64%, respectively. However, weekend performance grew flatly compared to weekdays, which have changed -2.6%. Group demand, historically a strength in the past few years, moderated over the last year through December as conventions rotated to other destinations; as of December, group demand has shifted positively by 1.3%, resulting in moderate but higher group occupancy. Transient occupancy's growth slowed by -3% for the month.

INVENTORY	MARKET	NATIONAL INDEX
Existing Buildings	563 ▲	65,046 ▲
Avg Rooms Per Building	129 ▲▼	89 ▲
12 Mo Delivered Rooms	1,070 ▼	74,941 ▲
12 Mo Delivered Buildings	10 ▼	697 ▲
12 Mo Opened Rooms	1,117 ▼	82,320 ▲
12 Mo Opened Buildings	11 ▼	730 ▲
Under Construction Buildings	29 ▲	1,159 ▼

Despite the market's performance, market participants remain optimistic for the next few years. The city's foundations as a leisure and group destination hub, combined with major events such as the M3F music festival and MLB's Catus League spring training I Q12024, along with its significant conference facilities and continued tourism, should provide a stable base for growth. The 12-month outlook for ADR and RevPAR is expected to experience moderate increases this year. Occupancy growth will remain flat as the market's supply is expected to grow by 3.4%.

Development activity remains robust with 4,300 rooms under construction, marking a significant shift towards upper-tier properties. While historically, one-third of the pipeline has been upper-tier, the proportion has increased since 2021. Notable luxury additions, including The Ritz-Carlton Paradise Valley, The Palmerie, The Remi Autograph Collection, and VAI Resort with upwards of 1,000 rooms, are reshaping the market's high-end segment, while limited-service development concentrates in the Phoenix West and Black Canyon Corridor submarkets.

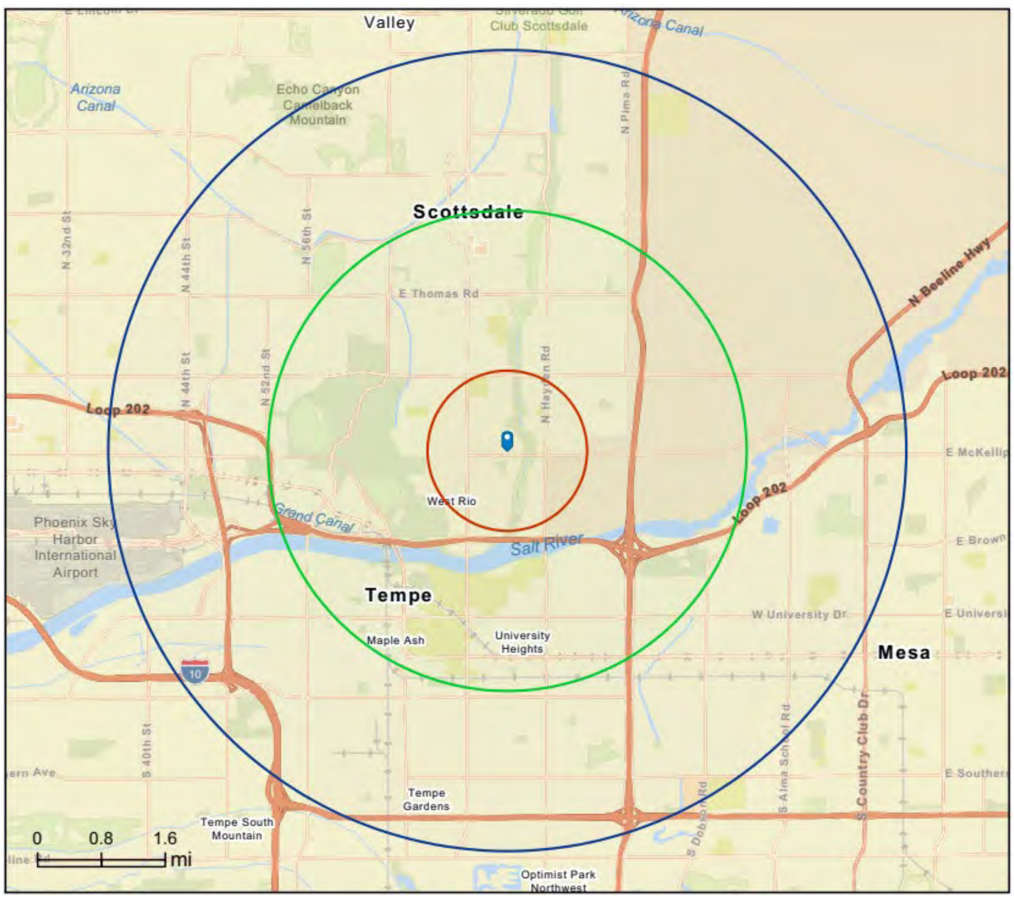
Investment activity has remained resilient despite a national slowdown. The market achieved a significant milestone in May 2024 with Blackstone's sale of the Arizona Biltmore, a Waldorf Astoria Resort, for $705 million ($1,000,000/key). This transaction helped push the 12-month sales volume to $1.2 billion, exceeding the three-year average of $951 million. While middle-tier hotels dominate hotel trade activity, Phoenix maintains one of the highest hotel investment sales volumes among the top 25 markets. The market shows 42 properties with CMBS loans maturing in two years, including 22 properties on the watchlist for distress, though notably, only one is in special servicing.

Market Area - Introductory Remarks

As a rule, market area boundaries establish the geographical framework within which comparable data are searched and analyzed in the traditional approaches to value.

Market Area Boundaries

For the purposes of this report, the market area is defined as the area within a five-mile radius from the subject property.



Complementary Land Uses within the Market Area

Complementary land uses within the market area include Coronado Golf Course, Continental Golf Club, Silverado Golf Club, McCormick Ranch Golf Club, Scottsdale City Hall, Scottsdale Civic Center Library, Scottsdale Center for the performing Arts, Scottsdale Stadium, Scottsdale Sports Complex, Scottsdale Museum of the West, Scottsdale Museum of Contemporary Art, , Scottsdale Arts District, Scottsdale Fashion Square, Scottsdale Quarter and Kierland Commons. The local parks include Eldorado Park, McCormick-Stilman Railroad Park, McDowell Mountain Preserve, Pinnacle Peak Park, Educational institutions include Yavapi Elementary School, Mohave Middle School, Coronado High School, Pima Elementary School, International School of AZ, Our Lady of Perpetual Help School, Villa De Marie Academy and Scottsdale Community College .

<u>Market Area Life Cycle</u>

A market area life cycle typically evolves through four stages:

1. Growth - a period during which the area gains public favor and acceptance
2. Stability - a period of equilibrium without marked gains or losses
3. Decline - a period of diminishing return
4. Revitalization - a period of renewal, modernization, and increasing demand

The subject's market area appears to be in a period of stability.

<u>Demographic Summary</u>

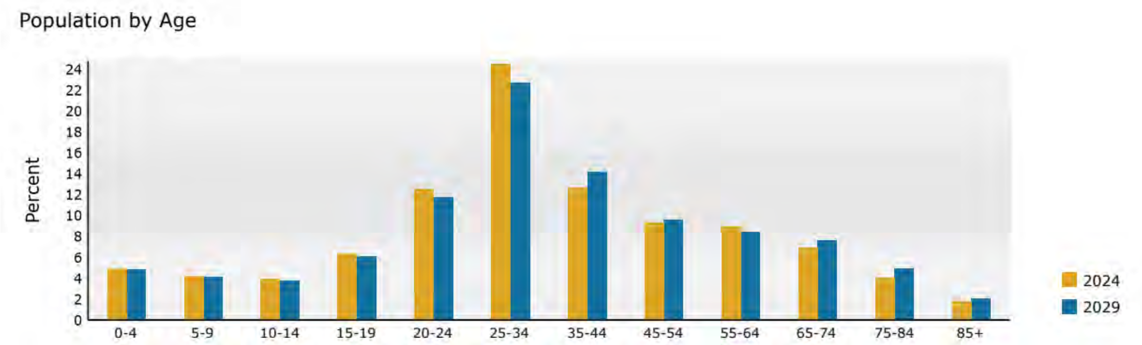
The "Market Area" is that area bounded by a circle within a five-mile radius from the subject property.

<u>Population</u>

The Market area has a population of 311,490 that is up about 10,436 from the 2020 Census and projected to grow about $17,701 the next five years.

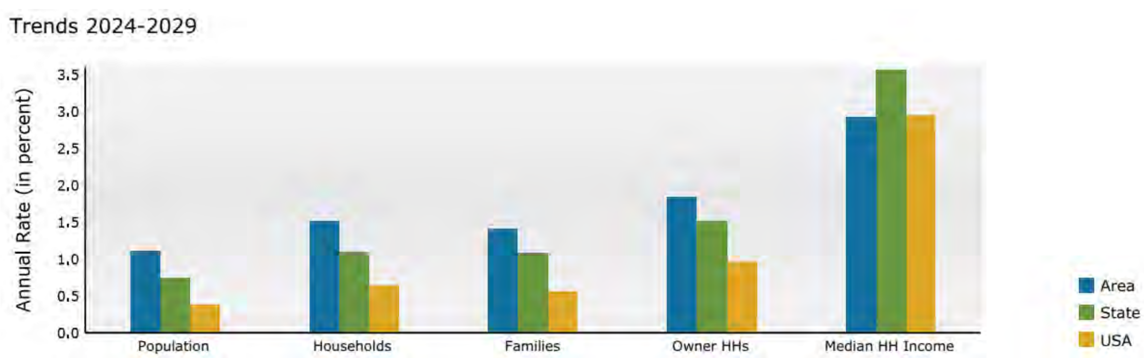
Population Mix by Age

The Median age is 31.9 which is below the Arizona mean of 34. The major distribution is in the 25-34 age group, as shown in the following chart.



Population Growth and Income Comparisons

The 1.11% rate of population growth is above Arizona (0.74%) and above the United States (0.38%).



Governmental Influences

Zoning, building and housing codes are enforced well throughout the market area, both by the City of Phoenix and local inhabitants. The tax burden among business real estate and homeowners is in balance. Special assessments are virtually paid up because of the general older age of improved properties throughout the market area. Fire and police protection appear adequate, and there exists a good balance between population and schools.

Environmental Aspects

I am aware of no nuisances and hazards anywhere within the market area. Public utilities are adequate. Neither the subject nor its immediately surrounding properties appear to contain asbestos and PCBs. The topography of the area is generally flat. Newer developments require the construction and maintenance of open spaces, both for drainage and park use.

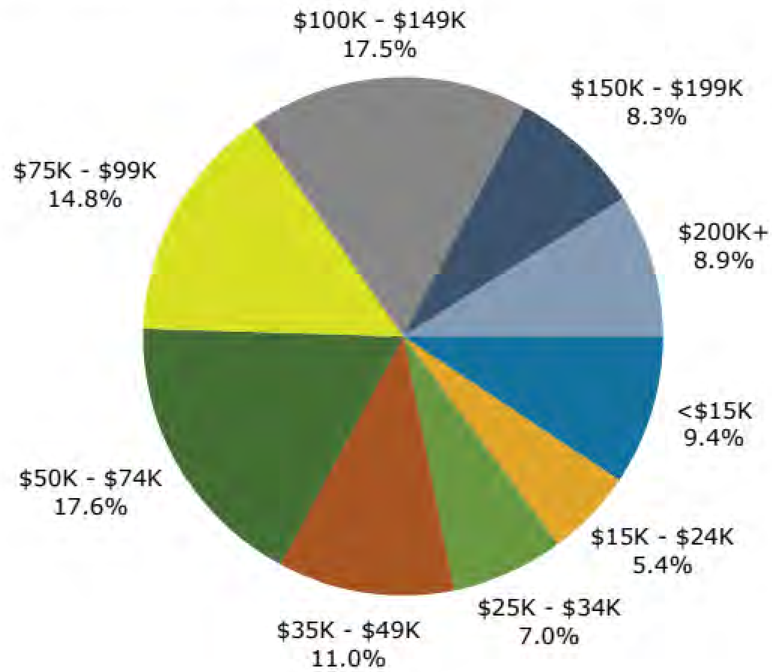
Locational Linkages

Transportation routes affect the viability of a market area. The major routes into and out of the area are:

- 202 Freeway (Red Mountain Freeway)
- 101- Freeway (Pima Freeway)
- McKellips Road.
- Miller Road.
- Scottsdale Road.
- McDowell Road.

These streets and freeways assure continued vitality within the market area.

2024 Household Income



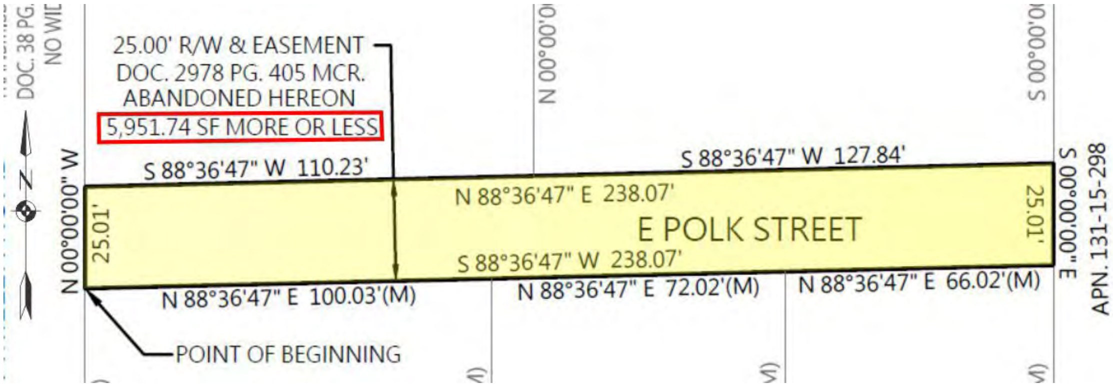
The median household income is $74,047. The average household income for the market area is $101,019.

SITE DESCRIPTION

The subject site is comprised of 4 parcels that measure a total of 37,231 square feet (SF) in the “as is” condition as described in the Scope of Work section of this report. The site is generally flat and at grade with the surrounding properties with parcels 131-15-001S, 001F, and 001N appearing to be slightly below grade of the bisecting portion of Polk Street and Miller Road. There is a block wall that surrounds the outer periphery of the subject site, yet open access is possible from the segment of Polk Street which bisects the subject parcels and at a point at the southwest corner of parcel 131-15-001S. There is a gate at the terminal east end of Polk Street. The surrounding uses include Ethos on Polk (to the north) – a six-unit apartment building consisting of four 2-bedroom/ 1-bath units and two 1-bedroom/ 1-bath units. To the east is Casa de Amigos – an apartment complex, a Circle K and strip retail property is located to the south, and a single-family residential subdivision is positioned to the east. Traffic along Miller Road is medium-to-light with light traffic (access traffic) along Polk Street.

There is a gas easement that runs along Polk Street along the proposed abandonment in addition to a 25’ access easement that allows traffic to reach the apartment property (ethos on polk) on parcel 131-15-001Y. There is a 40’ right-of-way easement that spans from the center of Miller Road up to parcel 131-15-001S of the subject property. Along the south border of the subject site (parcels 131-15-001S, 001F, 001N) there is an easement for electric transmission lines. Per review of the proposed preliminary plans for development, it appears that the easements (described or otherwise) would not impact the buildability of the “as combined” condition of the subject site for future multi-family development. There are plans for gas easement modification that would provide service access as needed.

The “as combined” condition of the subject property would include a portion of Polk Street measuring 5,952 SF (rounded) resulting in a total “as combined” area of 43,183 SF. The proposed abandonment is shown on the following page:



The proposed abandonment is highlighted in yellow

It is noted that on the date of inspection, there was a slow water leak on parcel 131-15-001L near the east border. I assume that the cost to repair the leak would be marginal with no direct impact on the subject property value.

An aerial photograph of the "as is" condition of the subject site is shown below:

The subject parcels above are highlighted in yellow

An aerial photograph of the subject property in the “as combined” condition is shown below:

The subject parcels are highlighted in yellow and the abandonment is highlighted in red.

Site Area:

Parcel:	Size Sq. Ft.	Size Acres
131-15-001S	10,142	0.23
131-15-001F	7,339	0.17
131-15-001N	6,720	0.15
131-15-001L	13,030	0.30
Total:	**37,231**	**0.85**
Abandonment:	5,952	0.14
Combined:	**43,183**	**0.99**

Dimensions:	Irregular
Shape:	Irregular / L-Shaped
Topography:	The topography is essentially level and at grade with the surrounding uses on the north parcel (131-15-001L) with the remaining southern parcels being slightly lower than street level.
Soil:	No soil report was provided. The soil compaction appears to be adequate and typical of the area. I assume that the subject property is free from soil contamination or other environmental hazards.
Drainage:	Upon my inspection of the subject, the drainage appeared to be adequate, with no adverse factors noted. There was also no evidence of flood damage or standing water; however, there was a minor water leak observed on the east side of the north parcel (131-15-001L).
Type Lot:	Effectively an interior, multi-family zoned property
Frontage:	About 300 feet along Miller Road
Traffic Flow:	Medium-to-light along Miller Road
Street Improvements:	**Miller Road**
Width	3 lane; 1 north, 1 south, center lane
Surface	Asphalt
Median	No
Curbs	Yes
Sidewalks	Yes
Streetlights	Yes
Storm Sewer	Yes

Street Improvements:	**Polk Street (bisecting the subject parcels)**
Width	2 lane; 1 east, 1 west
Surface	Asphalt
Median	No
Curbs	No – on portion bisecting the subject parcels
Sidewalks	Yes – on south side of parcel 131-15-001Y set north of curbing along south border of this parcel (not a part of the subject). The remainder of Polk Street that bisects the subject parcels does not have sidewalks.
Streetlights	No
Storm Sewer	No
Ingress and Egress:	The subject site can be accessed from Miller Road along Polk Street. There is also a break in the slump block wall at the southwest corner of parcel 131-15-001S that can provide access.
Flood and Seismic Zone:	X - Areas of 500-year flood; areas of 100-year flood with average depths of less than one (1) foot or with drainage areas less than 1 square mile; and areas protected by levees from 100-year flood; Community Panel 04013C2235M; of the National Flood Insurance Program (FEMA). The subject is not situated in an established seismic zone or wetlands area.
Zoning:	R-5, Multiple-Family Residential, Scottsdale
Restrictions:	No restrictions were noted that would adversely affect the value of the subject site.

Utilities:

Electric	APS
Gas	Southwest Gas
Water	City of Scottsdale
Sanitary Sewer	City of Scottsdale

Adjacent Land Uses:

North	Multi-Family Residential
East	Multi-Family Residential
South	C-Store/Service Station and Strip Retail
West	Single-Family Residential

Site Compatibility: The subject site conforms to surrounding properties, with no adverse factors noted.

Unusual Nuisances: None noted

Apparent Adverse Factors: No adverse easements or encroachments were observed (except normal utility easements and rights of way).

Unapparent Adverse Factors: I again refer the reader to the Underlying Assumptions and Limiting Conditions. I repeat that I am not qualified to determine the presence of hazardous substances as they affect the site. This would include, but not be limited to, toxic chemicals, radon gas, and methane. Unless otherwise stated, the site is assumed to be unaffected by these substances.

Recorded and Non-Recorded Easements: I have not been furnished with a title report for the subject property. Information available to me from public records indicates that the property is subject to certain public utility easements and roadway easements. These easements, restrictions, and influences are not, however, considered to materially affect the development potential, utility, or marketability of the subject property.

Site Utility: Good

Census Tract: 2182.00 / 2

Assessor's Parcel Number: 131-15-001S, 001F, 001N, 001L

Property Taxes:

Parcel:	2024 RE Taxes	Taxes Due	Full Cash Value	Site SF	RE Tax $/SF Site
131-15-001S	$ 1,230.96	$ -	$ 537,500	10,142	$ 0.12
131-15-001F	$ 1,074.54	$ -	$ 325,600	7,339	$ 0.15
131-15-001N	$ 1,000.12	$ -	$ 301,900	6,720	$ 0.15
131-15-001L	$ 2,472.58	$ -	$ 539,600	13,030	$ 0.19
	$ 5,778.20		$ 1,704,600	**37,231**	$ 0.16

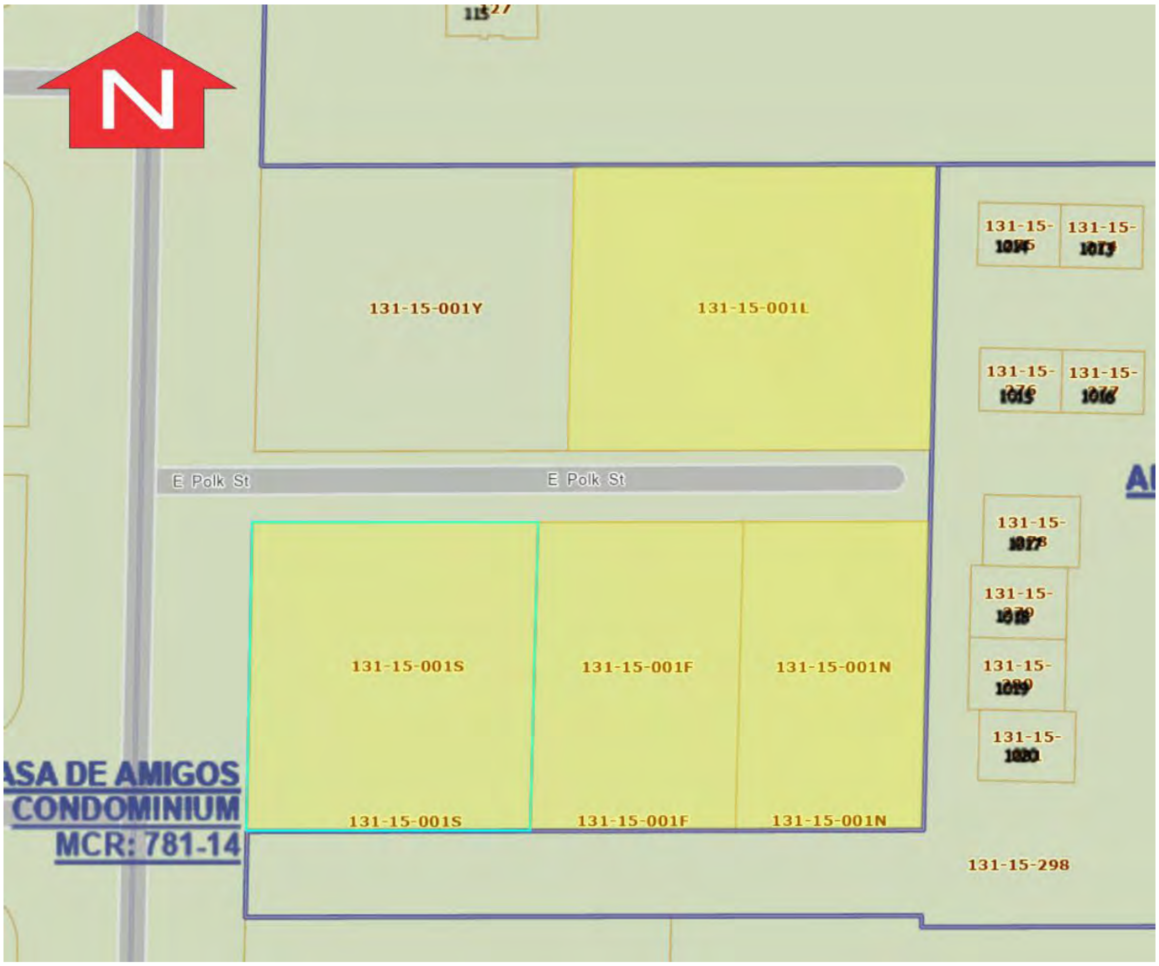
The subject Real Estate property taxes for 2024 are $5,778.20 (paid). The assessed full cash value is $1,704,600. Although the subject currently is comprised of vacant site area, there are building improvements indicated in public records for parcels 131-15-001S and 001L which have since been razed that may have resulted in a higher tax rate than what typically should be the case.

The property tax rates from the comparable sales used in the Sales Comparison approach are shown below:

Tax Comps Sale	2024 RE Taxes	Site Area (SF)	Tax Per SF
1	$ 3,816.90	42,253	$ 0.09
2	$ 328.00	13,068	$ 0.03
3	$ 675.84	6,534	$ 0.10
4	$ 4,894.86	30,259	$ 0.16
5	$ 784.18	7,994	$ 0.10

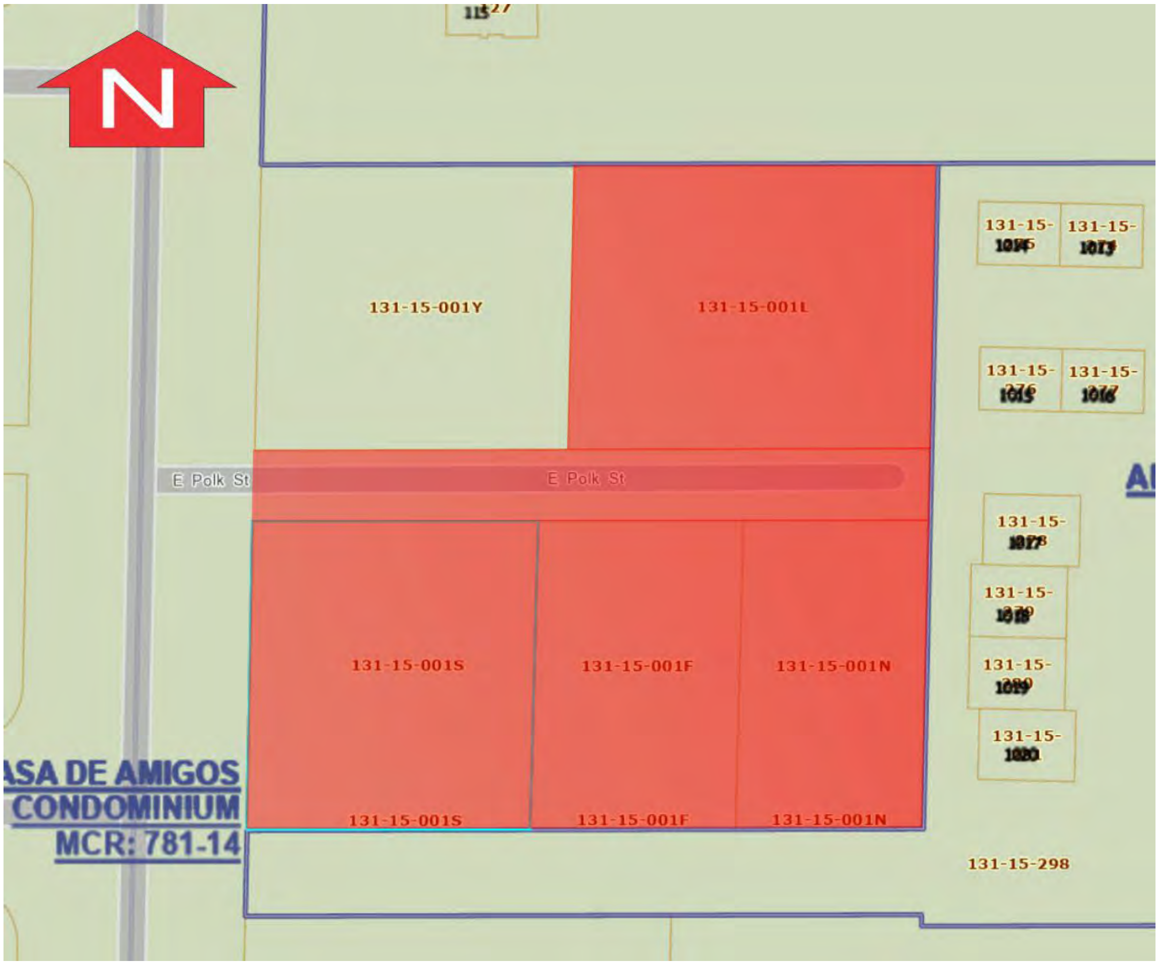
The range of comparable tax rates $0.03 to $0.16 per square foot, per year. The subject rate of $0.16 per square foot is at the upper end of the range but might be lower if reassessed.

ASSESSOR'S MAP



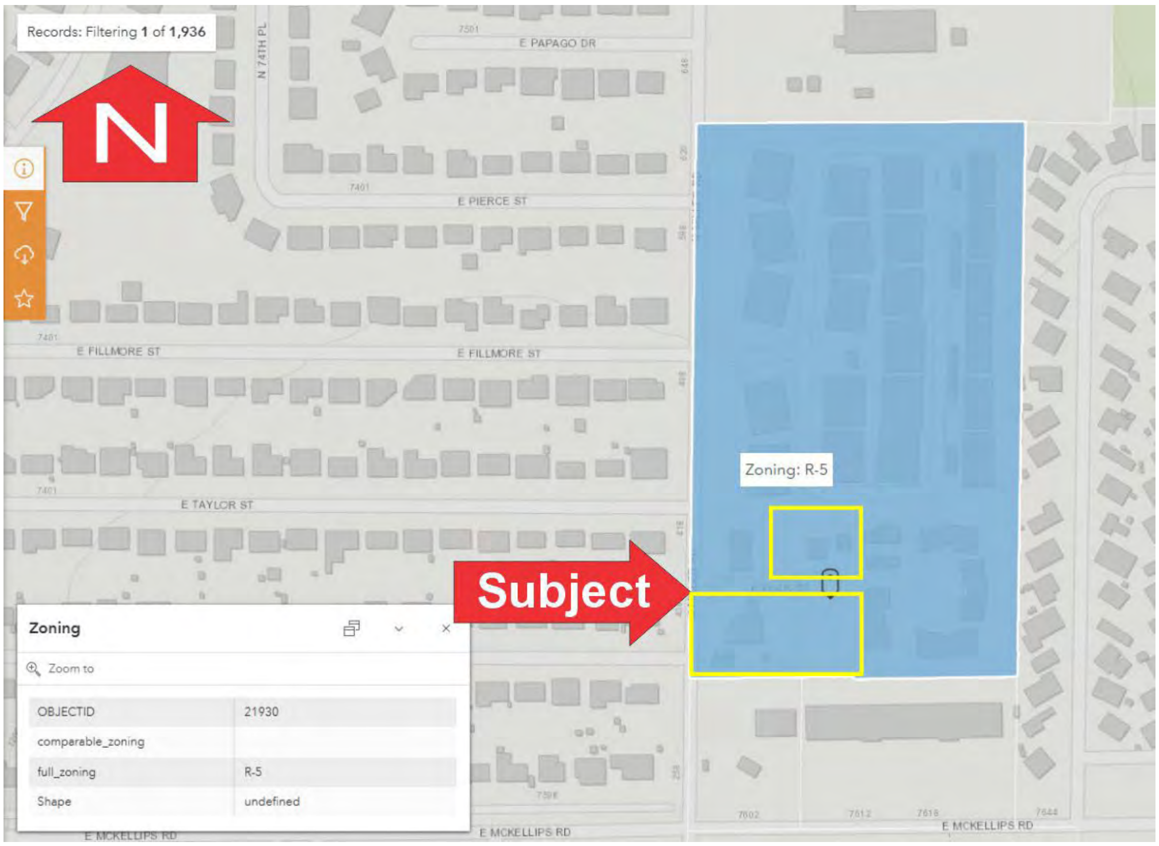
The "as is" condition of the subject site is highlighted in yellow

The “as combined" condition:



The subject site in the “as combined" condition is highlighted above in red

ZONING MAP



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comparable_zoning
full_zoning R-5
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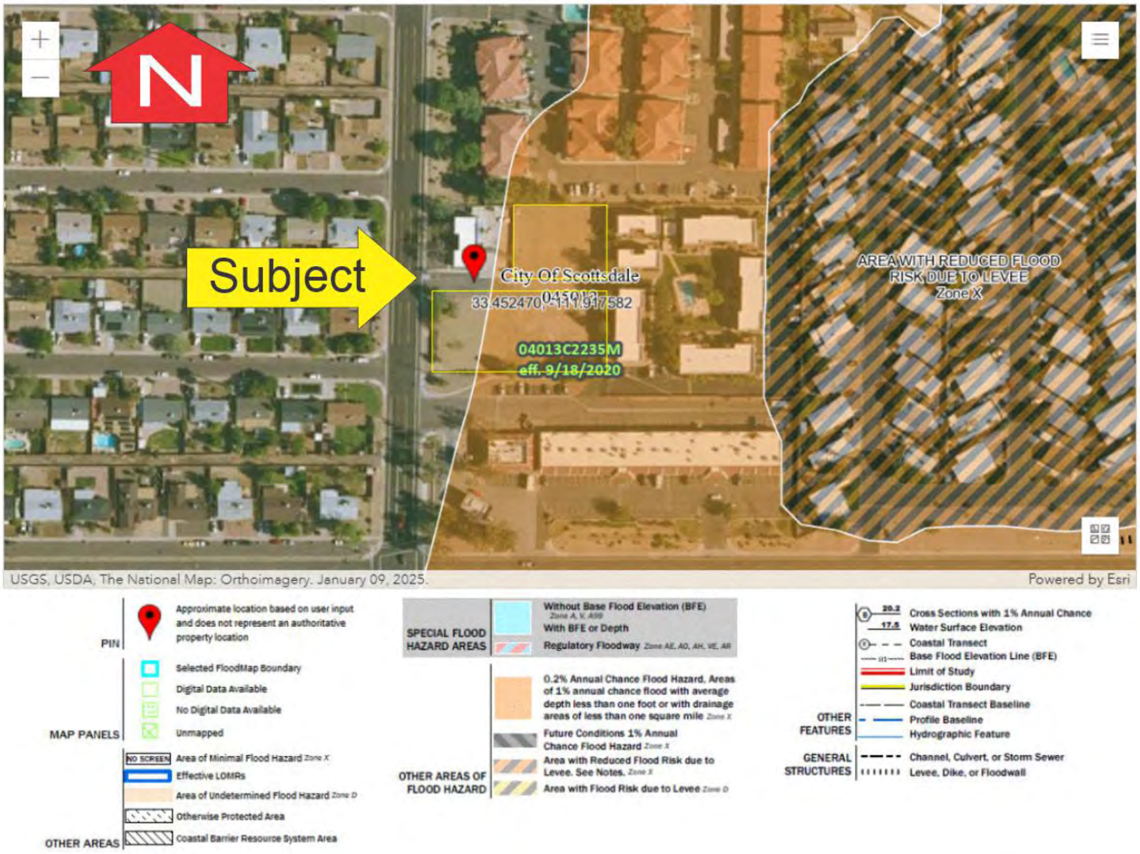
FLOOD MAP



Source: Fema

AERIAL MAP

The "as is" condition of the subject site is highlighted above in yellow

The “as combined" condition:

The “as combined" condition of the subject site is highlighted above in red

SITE PLAN "AS COMBINED" OF SINGLE PARCEL

PHOENIX MULTI-FAMILY MARKET ANALYSIS

415,305	21,779	18,629	11.9%	$1,587	$265K	4.9%
Inventory Units	Under Constr Units	12 Mo Absorp Units	Vacancy Rate	Market Asking Rent/Unit	Market Sale Price/Unit	Market Cap Rate

Summary (CoStar Report; April 2025)

A persistent mismatch between supply and demand continues to hamper the Phoenix apartment market. A multidecade high wave of construction is overshadowing a healthy leasing picture, keeping vacancies elevated and rent growth negative.

DEMAND	MARKET	NATIONAL INDEX
12 Mo Absorption Units	18,629	554,641
12 Mo Absorption % of Inv	4.6%	2.7%
Median Household Income	$90,017	$80,504
Population Growth 5 Yrs	10.4%	2.8%
Pop Growth 5 Yrs 20-29	4.8%	-0.4%
Pop Growth 5 Yrs 30-39	7.6%	-0.1%
Pop Growth 5 Yrs 40-54	12.8%	3.8%
Pop Growth 5 Yrs 55+	15.6%	7.2%

The Valley recorded 19,000 units of net absorption over the past 12 months, outpacing the pre-COVID five-year annual average of 7,200 units. Though the lease-up of newly delivered luxury complexes drove the bulk of activity, a turnaround among 3 Star properties has been the most notable trend. Mid-priced communities saw 3,900 units of net absorption over the past 12 months, compared to heavy losses throughout most of 2022 and 2023.

Although demand has improved, the surge in construction remains a formidable headwind. Builders completed 26,000 net new units over the past 12 months, more than triple the average annual completion amount from 2015 to 2019. As a result, overall vacancy, which includes newly built properties and those in lease-up, has risen to 11.9% and could drift higher throughout the year as more supply comes online.

Another 22,000 units are under construction, representing 5.2% of existing inventory. That share ranks Phoenix as the nation's sixth most aggressively built apartment market. Empty units are most likely to accumulate in high-growth areas like Downtown Phoenix and Tempe, as well as the South West Valley, which recently became the top construction submarket.

With most development focused on high-end communities, the workforce housing segment has been more insulated from supply-side pressure. Vacancy at 1 & 2 Star properties has risen about 420 basis points from its post-COVID low, and asking rents saw negative growth of 0.3% over the past year. Meanwhile, at luxury properties, vacancy is over 700 basis points higher than its post-pandemic best, and rents have declined 2.6% year over year.

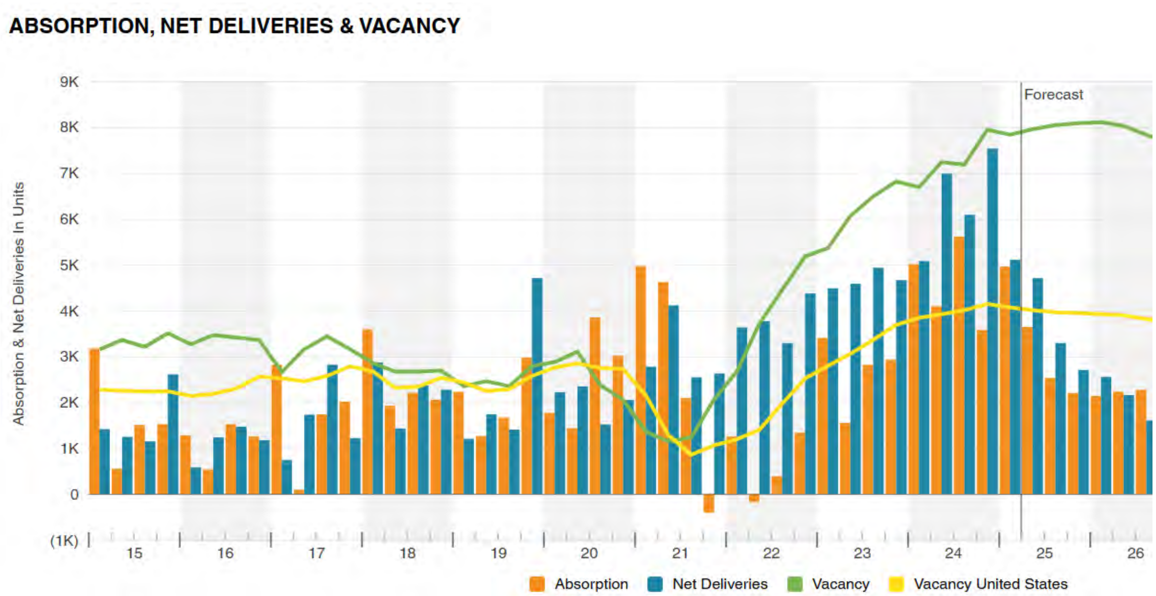
AVAILABILITY	MARKET	NATIONAL INDEX
Vacancy Rate	11.9% ↑	8.0% ↑
Vacant Units	49.3K ↑	1.6M ↑
Market Asking Rent/Unit	$1,587 ↓	$1,758 ↑
Market Effective Rent/Unit	$1,558 ↓	$1,739 ↑
Concession Rate	1.9% ↑	1.0% ↓
Studio Asking Rent	$1,188 ↓	$1,579 ↑
1 Bedroom Asking Rent	$1,418 ↓	$1,581 ↑
2 Bedroom Asking Rent	$1,688 ↓	$1,842 ↑
3 Bedroom Asking Rent	$2,205 ↓	$2,260 ↑

Elevated vacancy and the onslaught of construction have intensified competition. Annual rent growth has been negative since early 2023, and concessions have ramped up. Over the past 12 months, the average asking rent fell 2.3%, and more than 50% of communities offer some form of discount. Prospective renters can expect six to eight weeks of free rent at properties in lease-up and concession usage is expected to be widespread throughout the year.

Moving forward, a pullback in construction starts suggests an easing of supply pressure by 2026, which should allow a recovery to form. The increase in vacancy showed signs of leveling off last year, and occupancy at stabilized communities has remained flat for over 18 months. Nevertheless, a substantial glut of excess inventory still needs to be worked through, indicating another year of tepid rent growth is likely in store.

Vacancy

Demand is rebounding in the Phoenix apartment market. Over the past 12 months, the Valley recorded 19,000 units of net absorption, outpacing the pre-pandemic five-year annual average of about 7,200 units per year. The Valley finished 2024 as one of the nation's top eight markets for net demand formation, on both an absolute and inventory-normalized basis.



While newly-built communities continue to capture the bulk of net absorption, a pick-up in demand at midpriced communities drove the improvement. Over the past 12 months, 3 Star properties recorded 3,900 units of net absorption, compared to -2,500 units from 21Q3 to 22Q4 cumulatively.

Though renter demand formation has been strong, the wave of new construction is stronger, keeping the Valley apartment market in a persistent state of fundamental imbalance. Over the past 12 months, about 26,000 net new units delivered, causing vacancy to rise to a 15-year high of 11.9%.

Over the short term, the substantial construction pipeline will continue to weigh on the market. Developers delivered 62,000 units over the past three years, and another 22,000 units are underway. The construction boom over the past few years represents the largest supply injection since the 1980s, and the increased competition from new development is straining operations. Local property managers are reporting longer lease-up timelines for newly delivered complexes as well as challenges at the time of renewal for stabilized communities. Additionally, operating expenses such as payroll, insurance, and third-party services have risen, squeezing profitability.

Performance over the short term will likely remain challenged and overall vacancy is expected to push higher throughout 2025. Additionally, the recent weakening of consumer confidence presents a downside risk, potentially hampering the launch of new renter households.

Over the long term, however, the underlying drivers supporting the Valley's apartment market are still in place. Nation-leading demographics, a growing and diversifying local economy, and relative affordability compared to high-cost coastal markets keep the area well-positioned for an eventual recovery once the current supply glut is digested.

Rent

Increased competition from new supply continues to hamper Phoenix's rent growth. Annual gains turned negative in early 2023 and have remained in the red ever since. Over the past 12 months, the average asking rent declined 2.3%, ranking the Valley as one of the worst-performing rent growth markets in the United States with at least 75,000 units of inventory.

For comparison, Phoenix multifamily properties averaged 5% annual rent growth in the five years leading up to the onset of the pandemic and saw gains peak near 18% in mid-2021. Below-trend performance is expected to continue throughout 2026 as the market digests the hefty construction pipeline as well as the wave of new supply over the past five years.

Local property managers are reporting challenges at the time of renewal. This has led many to place increased focus on maintaining occupancy at the expense of higher rents. This "heads in beds" strategy often includes flat or modest renewal rate increases, discounts, and price-matching competitors. Additionally, operating costs for insurance, payroll, third-party contract services, and other expenses have increased significantly, further pressuring profitability.

Newly built properties are remaining aggressive with their discounts. About six to eight weeks of free rent is the standard at brand-new luxury properties, though some have extended beyond. Submarkets with a particularly hefty construction pipeline, like Downtown Phoenix, Tempe, and the West Valley, are most likely to offer renters especially strong deals. In an extreme example, PALMtower, a newly-built Class A residential tower in Downtown Phoenix, is offering up to four months free on select units and lease terms.

The increased competition from heavily discounted new builds is also impacting stabilized properties. Many Class B and C properties in areas with high supply have lowered rents and begun offering concessions to remain attractive. Four weeks of free rent can often be found at stabilized communities and some operators have also used discounts at the time of renewal to keep their backdoors closed.

Moving forward, the current baseline forecast calls for this year to be modestly better for rent growth, though a year-over-year decline in asking rents could be in store by the end of 2025. A recovery in rent performance will likely occur unevenly throughout the Valley, with submarkets facing more limited inventory growth, like Chandler and the Camelback Corridor, returning to positive territory earlier than places like the West Valley and Downtown Phoenix, which remain construction hotspots.

Additionally, the size and frequency of concessions will likely remain a headwind in 2025. Though deliveries are expected to modestly downshift, the number of units concurrently in lease-up will likely continue rising this year, putting upward pressure on discount usage. Reports from local property managers indicate it could take until 2026 before concessions begin to burn off.

Construction

Supply-side challenges plague the Phoenix multifamily market as a wave of deliveries overshadows rebounding rental demand. Over the past 12 months, apartment builders delivered a staggering 26,000 net new units, outpacing the pre-COVID five-year annual average of about 7,100 units per year. The surge in construction activity has caused vacancies to rise quickly since mid-2021 and turned rent growth negative.

The impact of the construction pipeline will be felt through at least this year. About 22,000 units are under construction, representing 5.2% of existing inventory. That figure ranks Phoenix as one of the most aggressively built markets in the country. With much of the development activity focused on luxury properties, supply pressure has been most acute in the 4 & 5 Star segment, though weakness has also extended to 3 Star properties.

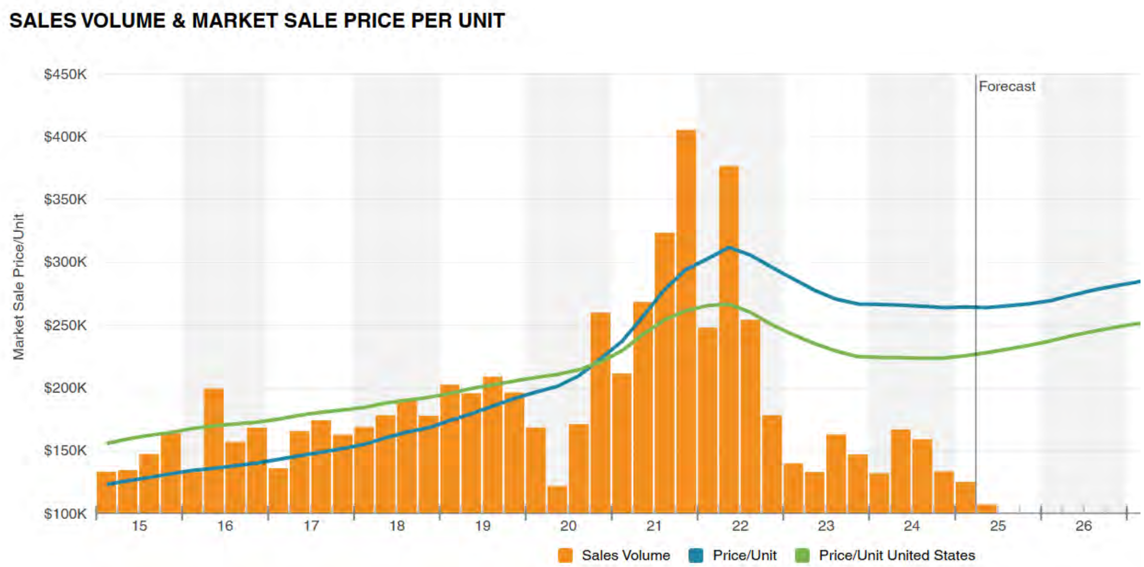
Downtown Phoenix and Tempe have been the primary recipients of new construction, comprising about a quarter of the current pipeline. These areas both offer some of the only live/work/play neighborhoods in the Valley, making them a favorite among young professionals and renters by choice. PALMtower is the latest luxury high-rise to open downtown. The 28-story residential tower totals 352 units and is located near the Roosevelt Row Art District, a trendy neighborhood popular with young adults and apartment builders. Another 2,700 units are underway in Roosevelt Row, most of which are luxury high-rises targeting the top of the renter pool.

The Valley's fast-growing west-side suburbs have also been a target of new development. Builders have added more than 21,500 units to the North West Valley and South West Valley submarkets since the pandemic's onset. The influx of supply has dramatically intensified competition, and local property managers report that asset performance has been particularly sluggish here. Build-to-rent (BTR) developers have been especially active. About 30% of deliveries in the West Valley since 2020 have been BTR projects, lagging only garden-style communities, which comprise about a third.

Construction starts have begun to ease from the record levels seen in 2021 and 2022, which should help alleviate the pressure from additional deliveries by 2026. Lower rent growth projections, elevated land and construction costs, higher interest rates, and higher exit cap rates have made it difficult for developers to break ground profitably. Additionally, local developers report that it has become more difficult to raise equity for new construction.

Sales

Investment volume in the Phoenix multifamily market remains slow, though modest signs of acceleration are beginning to emerge. Last year, sales volume rose 5% year over year, and about $3.6 billion worth of apartment assets traded hands over the past 12 months. Nevertheless, deal flow remains 30% below the pre-pandemic five-year annual average as impaired property performance, higher borrowing costs, and limited for-sale inventory present barriers to transaction activity.



Recently built properties continue to get across the finish line and have remained a consistent source of deal flow. Among trades of 50 units or more, properties that sold within two years of delivery accounted for 40% of sales volume in 2024, up from 15% in 2021 and 2022.

The standard strategy of the merchant developers doing these deals revolves around building, stabilizing, and selling properties, and many are simply following through on their business plans. Additionally, though new construction is not immune to the challenges facing the broader sector, those selling are often still meeting or exceeding their original underwriting targets and are able to exit profitably.

For example, High Street Residential, a subsidiary of Trammell Crow Company specializing in multifamily development, sold Smith & Rio for $106.25 million ($342,700/unit) in December 2024. The Class A mid-rise was built in 2023 in Northern Tempe and totals 310 units. The buyer was Goldman Sachs, highlighting a trend among institutional buyers focusing on quality with their acquisitions.

Class A properties generally fetch cap rates in the low 5% range, with market participants reporting that some best-in-class assets in strong locations have compressed into the high-4% range. This marks about a 150-basis-point increase from 2021 and 2022 when most deals traded in the sub-4% range.

Sales of older vintage assets are rarer and often trade a discount to prior pricing. Local market participants report that price discovery in the Class B/C segment is ongoing and more transactions will likely be needed before greater transparency can emerge. Several recent deals point to a 20% to 30% decline in value from the peak in 2021 and 2022.

For example, DGE Investments paid $48 million ($158,900/unit) for Amara Apartments in February 2025. The 302-unit garden-style community was originally built in the 1970s in the Camelback Submarket, receiving renovation work in 2019. The asset last sold in September 2021 for $60 million ($237,150/unit) at a 3.3% cap rate, representing a 20% decline during the three-and-a-half-year hold period.

Additionally, Sunstone Properties Trust paid $28.25 million ($121,800/unit) for Ardella on 28th in November 2024. The 1970s-vintage property totals 232 units and is located along the I-17 Corridor. The seller acquired the asset in August 2021 for $36.5 million ($157,300/unit) at a 3.25% cap rate, a 23% decrease.

Moving forward, the boom in construction over the past few years will likely provide ample opportunity for institutional-grade product to come to market, which should help maintain a flow of transaction activity for newly delivered assets by merchant builders.

Economy

Phoenix is a high-growth market anchoring the Southwestern United States known for positive demographic trends, a relatively affordable cost of living, attractive weather, and a business-friendly government. Maricopa County, the fourth-largest county in the country, comprises about 90% of the metropolitan statistical area's resident base and consistently ranks as one of the nation's top counties for population growth.

Strong demographic momentum in Maricopa, along with explosive growth in neighboring Pinal County, helped Phoenix earn the number eight spot for population gains, according to the most recent data from the U.S. Census Bureau. The addition of nearly 50,000 residents put the Valley of the Sun ahead of other high-growth metros like Nashville, Jacksonville, and Miami/South Florida.

Phoenix's strategic location near California is a competitive advantage attracting residents, businesses, and demand from logistics users. Arizona registered more than 33,000 net relocations from California according to recent Census data, outpacing the next ten states combined as lower housing costs drew population from the Golden State. The state also continues to capture net inflows from the Midwest as the more favorable climate and enhanced employment opportunities make the Valley an attractive relocation destination.

Though total employment continues to slowly push higher in Phoenix, gains in the traditional office-using sectors have been choppy. Companies like Carvana, Silicon Valley Bank, Northrop Grumman, and Intel have enacted layoffs over the past few years, contributing to total knowledge sector employment lagging the level seen in late 2022. Some employers with back-office call centers have also shuttered offices amid alternative workplace arrangements.

Additionally, office-using sectors account for less than 15% of the Phoenix metro area's total job growth since the onset of the pandemic, lagging the 30% share seen from 2017 to 2019. This is a divergence from the national trend, which saw office-using jobs compose about 25% to 30% of employment growth since February 2020, in alignment with pre-COVID norms.

While some firms have reduced headcounts, others remain in expansion mode. Dutch Brothers was responsible for the metro's largest office lease in 2024, taking 136,400 SF in Tempe. The coffee company is shifting 40% of its headquarters workforce from Oregon to Phoenix and has ambitious growth plans. Dutch Bros cited the Valley's deep talent pool and reasonable commute times as factors for its relocation decision.

On the industrial side, Taiwan Semiconductor Manufacturing Company (TSMC) recently announced plans for an additional $100 billion investment at its microchip manufacturing campus in North Phoenix, adding three additional fabrication units, two packing/testing facilities, and an R&D facility. This is on top of the existing $65-billion investment to build three fabs announced a few years ago, the first of which is slated to begin operations in the first half of 2025. Major investments emanating from the project include Amkor's $2-billion semiconductor testing and packaging facility in Peoria, as well as Mack Real Estate Group's $7-billion Halo Vista mixed-use development near TSMC's campus.

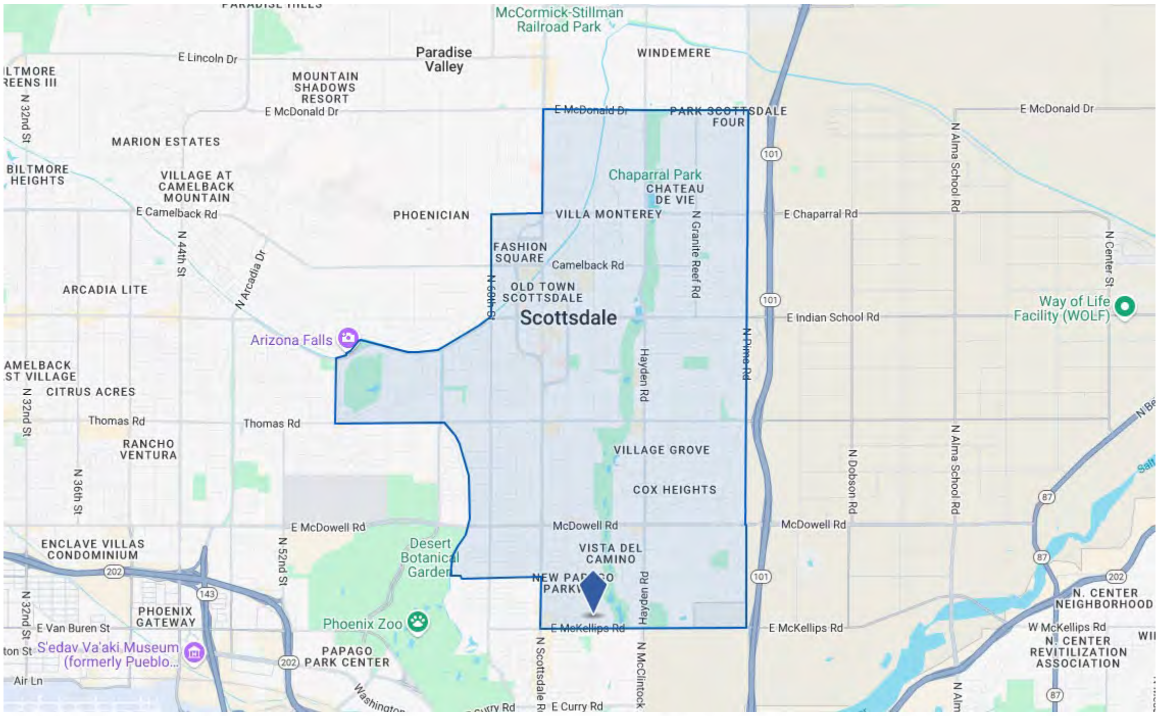
Other advanced manufacturers in the battery, solar, and electric-vehicle industries have also tapped Phoenix for expansion, though some projects are facing challenges. Electric vehicle maker Nikola announced layoffs in the Valley, including 315 workers at its Coolidge manufacturing facility, which it recently put on the market for sale. Additionally, KORE Power canceled plans for a $1.25 billion battery plant in Buckeye. Nevertheless, other green energy manufacturing projects like LGE's battery plant in Queen Creek and Lucid's Casa Grande expansion are still in the works. These firms join a well-established cluster of aerospace, defense, and medical device manufacturers, fostering an ecosystem of high-tech assembly.

Additionally, the Valley has emerged as a critical link in national supply chains. Proximity to trade points of entry, including Southern California ports and the U.S.-Mexico border, spurred a surge in development and leasing for big bomber distribution space over the past few years. Amazon signed a trio of 1+ million SF leases in the West Valley in 2024, reiterating the area's attractiveness for logistics uses.

The Valley boasts excellent freeway and road infrastructure, keeping the sprawling metro area well-connected. The Interstate 10 runs from Los Angeles to Jacksonville, crossing directly through Phoenix, helping transport goods, visitors, and new residents. The grid-like layout of Phoenix's streets keeps traffic and commute times more limited than other markets of its size. The wide suburban streets and lack of inclement weather played a role in attracting robotaxi companies like Waymo to begin operations here. The lack of natural disasters has also encouraged data center development and keeps real estate insurance rates more modest than other metros in Florida and Texas.

The Valley is home to the largest public university in the country, Arizona State University (ASU). ASU's four campuses, including 56,600 students in Tempe, supply the metro with a steady stream of talented labor. For the 10th consecutive year, U.S. News and World Report named ASU the Most Innovative University in the Country, and many companies choose to locate near and partner with the school on research and curricula.

Multi-Family Submarket – Old Town Scottsdale



14,188	450	22	6.4%	$1,904	$328K	5.1%
Inventory Units	Under Constr Units	12 Mo Absorp Units	Vacancy Rate	Market Asking Rent/Unit	Market Sale Price/Unit	Market Cap Rate

Summary (CoStar Report; April 2025)

Old Town Scottsdale is a highly desirable submarket with a large share of luxury rentals and a plethora of walkable amenities that attract a young professional workforce. The submarket's ranking as the second-most expensive submarket in the Valley reiterates its appeal.

Though Old Town has felt the impact of the broader apartment market's softer performance over the past two years, it has held up better than many other neighborhoods.

Unlike Downtown Phoenix or Tempe, the development pipeline is more manageable in Old Town Scottsdale, helping mitigate the pain felt by a more substantial supply and demand imbalance. Over the past 12 months, 0 units were delivered, and just 450 units are under construction. With supply pressure not as pronounced as in other parts of the Valley, the submarket has seen some positive momentum in terms of vacancies, declining -0.2% percentage points over the past 12 months.

DEMAND	SUBMARKET	MARKET
12 Mo Absorption Units	22	18,737
12 Mo Absorption % of Inv	0.2%	4.6%
Population Growth 5 Yrs	10.6%	10.4%
Pop Growth 5 Yrs 20-29	-27.1%	4.8%
Pop Growth 5 Yrs 30-39	3.5%	7.6%
Pop Growth 5 Yrs 40-54	31.5%	12.8%
Pop Growth 5 Yrs 55+	9.1%	15.6%

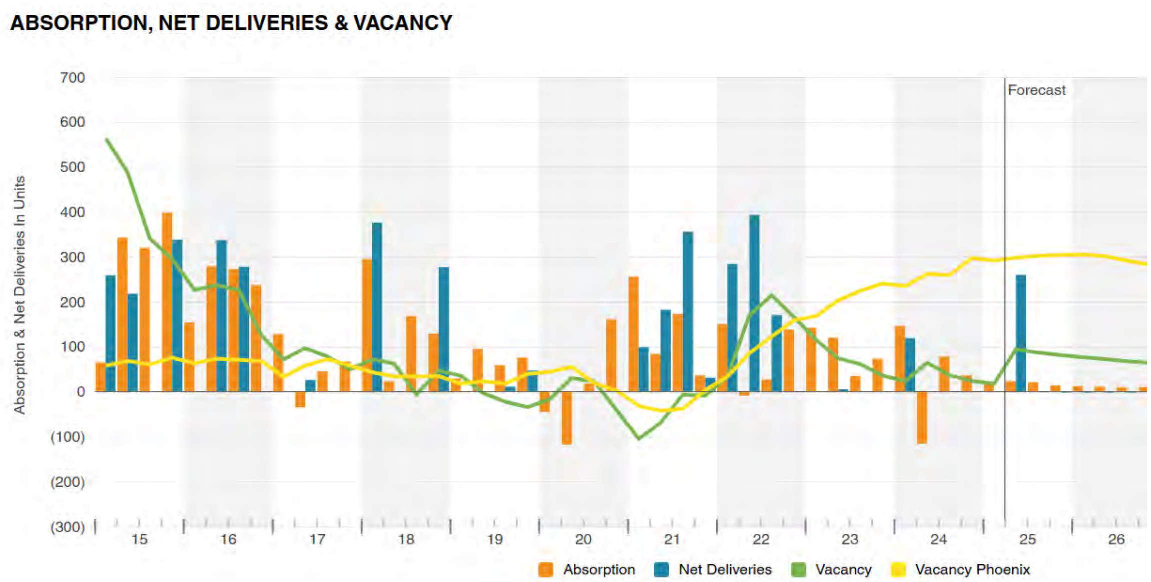
Though vacancy has been on the decline for over two years, rent growth remains hampered. Over the past 12 months, the average asking rent fell -2.1%, lagging the nearly 4% annual growth the submarket averaged from 2015 to 2019.

Moving forward, limited construction activity should help keep the market in equilibrium in the coming years, as new housing demand is directed toward existing properties. The prospect for a meaningful acceleration of rent growth, however, may be delayed until late 2025 or early 2026 as operators remain focused on maintaining occupancy at the expense of rent gains.

Vacancy

Old Town Scottsdale boasts a vibrant nightlife and an excellent restaurant scene, which has attracted a concentration of young professionals. Additionally, the submarket has a large inventory of high-quality office space. It is home to several major employers, making it one of the few live/work/play communities in the Valley. As a result, the neighborhood is one of the most desirable places to live in the greater Phoenix area and, as such, commands some of the steepest rents.

After rising from 3.9% in early 2021 to 10.3% in mid-2022, vacancies in the Old Town Scottsdale apartment submarket have recompressed now that it has seen a reprieve from new supply. About 22 net apartment units were absorbed in the past 12 months, compared to 0 units of net deliveries, causing vacancy to fall to 6.4% today. Despite recent improvements, vacancies are still above where they were entering the health crisis, and operators are competing with new builds in North Scottsdale and Tempe, causing some weakness in rent growth.



Moving forward, the supply pipeline has peaked and is poised to remain modest over the near term. The reduced supply-side pressure should help keep vacancies stable in the coming year, barring a much worse-than-expected economic disruption.

The positive underlying economic drivers will continue to support demand for housing in the area. Old Town Scottsdale and neighboring North Scottsdale have about 30 million SF of office space, making it the largest office-employment hub in the metro. Notable employers include Honor Health, Indeed, and CNA Surety, which generate high-paying jobs. Along with high educational attainment, the submarket has one of the top median household incomes in the metro.

Rent

Old Town Scottsdale is one of the most expensive submarkets in the metro, with tenants paying $1,900/month in rent on average, lagging only North Scottsdale. Asking rents here are more than 20% above the metro average of $1,590/month. The composition of the submarket's apartment stock partially drives these higher rents, with inventory skewing toward newer properties. About 40% of the multifamily units in Old Town Scottsdale were built since 2010, compared to about 25% for Phoenix overall.

Following an unprecedented appreciation in 2021, the pace of rent growth reversed course in 2022, as elevated inflation and economic uncertainty stalled household formation. The daily asking rent series shows rates peaking at the end of 2021 before declining throughout the next two years and most of 2024. Asking rents are down 5.5% since the peak in December 2021 and have declined -2.1% on a year-over-year basis.

Amid a less accommodating leasing environment, property managers for Old Town's recently built luxury complexes are employing concessions to attract new tenants. For example, The Monde Scottsdale is offering up to six weeks free while in preleasing. Though concession usage has risen, discounts are less prevalent here than in other neighborhoods like Downtown Phoenix or the West Valley, which are contending with considerable supply pressure.

Moving forward, a return to modestly positive asking rent growth could be in store by the end of the year. Vacancy has steadily compressed over the past 36 months and is working towards alignment with pre-pandemic levels. Additionally, renter demand has remained steady, and the area's attractive amenity base and cluster of white-collar employers should support a more swift recovery than the broader metro area.

Construction

Unlike other parts of the Valley that have seen a substantial increase in new supply, development has been relatively modest in Old Town Scottsdale. Local developers report limited land availability and a more arduous entitlement process as barriers to new construction. The limited pressure from new supply has helped the submarket maintain relatively healthy property performance compared to high-construction areas like Downtown Phoenix and the West Valley.

The most recent supply addition was Scottsdale on Main, which Wespac Construction completed in February 2024. The 4-Star mid-rise has 119 units and is located in the Scottsdale Arts District near Goldwater Boulevard and Indian School Road. In-unit amenities include 10- to 12-foot ceilings, gas cooktops, and floor-to-ceiling windows. The property is over 75% occupied, and one-bedroom units average $2,750/month in rent, excluding specials.

Just 1,600 units were completed over the past five years, and only 450 units are in the construction pipeline, accounting for 3.2% of the submarket's existing stock. Virtually all developments cater to the luxury renter seeking high-end amenities in one of Phoenix's most sought-after rental neighborhoods. Over the past few years, much of the construction has been clustered near ASU SkySong, a 1.2 million SF mixed-use office development on Scottsdale and McDowell Road.

Just two developments are currently in the pipeline. Construction is nearing completion at The Monde Scottsdale, located at the high-traffic intersection of Scottsdale Road and Camelback Road. The 260-unit mid-rise complex is adjacent to the Arizona Canal and is a short walk from the iconic Scottsdale Fashion Square Mall. Move-ins are tentatively scheduled for March 2025.

Additionally, over the summer, builders broke ground on The Kimsey, a 190-unit mid-rise by PEG Property Group. Located near Indian School and Scottsdale roads, the rental community is part of a larger development that includes a 168-room AC Hotel. Delivery is not expected for several years.

Moving forward, the more modest delivery schedule should allow a recovery to form more quickly in Old Town Scottsdale than in many other parts of the Valley.

Sales

Investors were active in the years following the onset of the pandemic and often paid a premium in exchange for access to one of Arizona's most affluent and highly sought-after areas. Sales volume surged to over $1 billion in 2022 as institutions and large investment groups doled out nine-figure payments for luxury communities. The rapid rise in borrowing costs since Spring 2022, however, has slowed investment activity to a near standstill, and just $138 million traded in the past 12 months, nearly all of which came from a single deal.

Kairoi Residential and German American Realty Partners jointly acquired Carter in June 2024 for $161.4 million ($442,200/unit). The luxury mid-rise, which totals 365 units, was built in 2018 off Scottsdale Road and Osborn Road. At the time of sale, it was 94% occupied. It last traded shortly following delivery in June 2019 for $117.8 million ($322,700/unit).

The primary sellers in today's market are merchant developers disposing of newly built assets. With limited new construction and owners of existing assets content to hold until market conditions improve, only two other major deals occurred since the start of 2023.

In May 2023, Eaton Vance acquired The Griffin Apartments for $127.8 million ($461,300/unit), representing one of the largest single-asset transactions of the year. The Boston-based institutional investor purchased the asset from Starwood using a debt assumption, a financing agreement allowing the new owner to enter the existing loan. When interest rates are rapidly rising, loan assumptions can be an effective way for buyers to acquire properties using more favorable financing since the loans were originally issued when rates were lower. Totaling 277 units, the 4 Star mid-rise was built in 2018 by Wood Partners near Scottsdale Road and Drinkwater Boulevard. The property last traded in December 2019 for $96.15 million ($347,100/unit) shortly after lease-up.

Additioanlly, 29th Street Capital paid $41.6 million ($215,500/unit) for Dwell Apartment Homes in February 2023. The 193-unit garden-style community was originally built in the 1960s with renovation work completed in 2016. The Class B asset sold at a 5.3% cap rate.

HIGHEST AND BEST USE

Highest and best use may be defined as follows:

“The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.”[29]

These criteria or “tests” of highest and best use are often considered sequentially. However, the tests of legal permissibility and physical possibility must be applied before the remaining tests of financial feasibility and maximal productivity. Additionally, an appraiser should distinguish between highest and best use as though vacant and as improved. Land is said to *have* value, while improvements *contribute to* the value of the property as a whole. Also, It is to be recognized that in cases where a site has existing improvements, the highest and best use, as if vacant, may be determined to be different from the existing use. The existing use will continue, however, unless and until the land value in its highest and best use exceeds the total value of the property in its existing use.[30]

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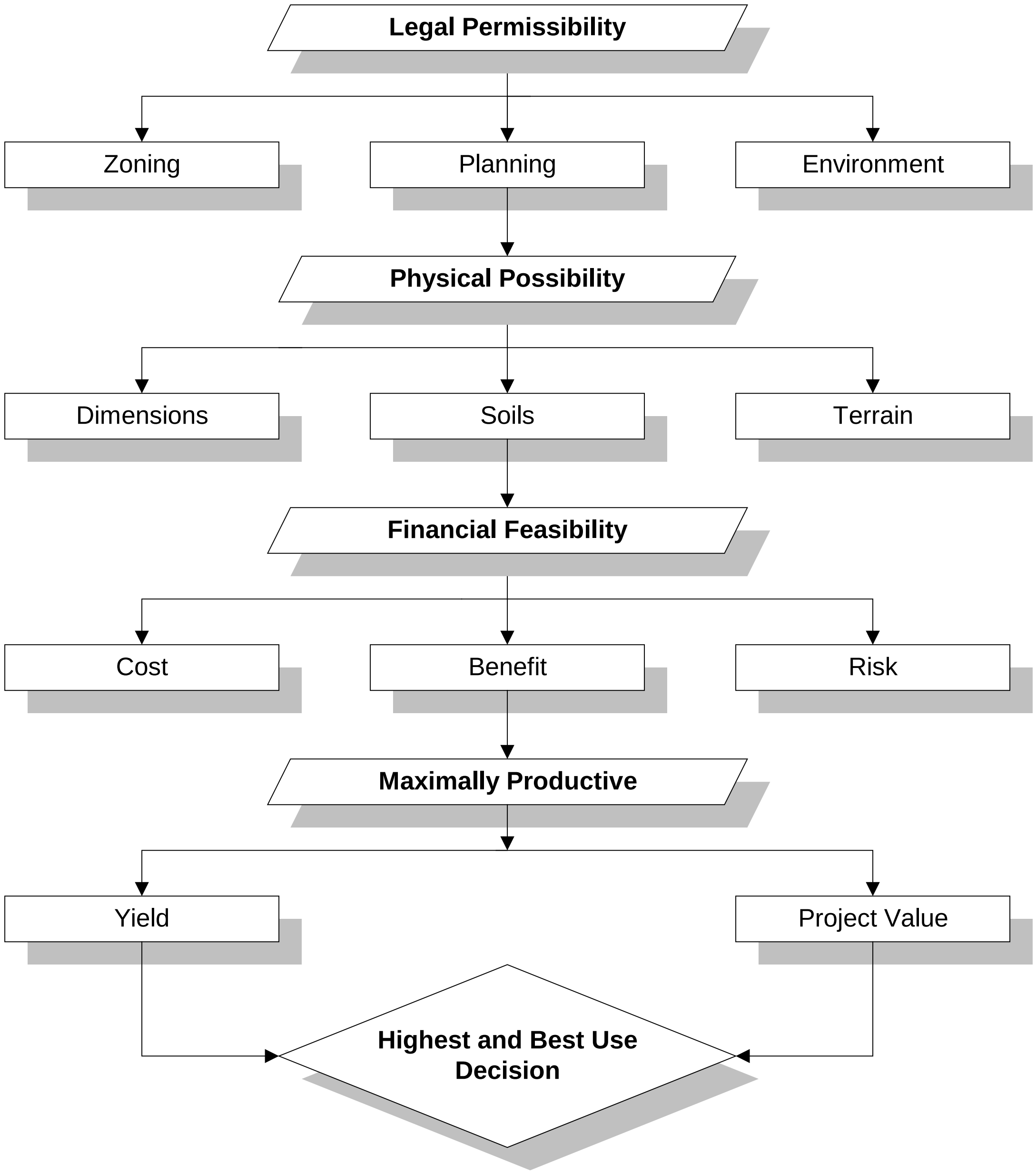
29 The Dictionary of Real Estate Appraisal, 4th ed. 2002 (Appraisal Institute), P. 135.

30 Paraphrased from *The Twelfth Edition of The Appraisal of Real Estate,* pages 305-306, published by the Appraisal Institute.



As Vacant

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

Legally Permissible

The subject is zoned R-5, Multiple-family Residential, Scottsdale

The purpose of the R-5 zoning district is to provide for the development of multiple-family uses that allows a high density of population with a proportional increase in amenities as the density rises. This is a residential district that is meant to promote a high-quality environment through aesthetically oriented property development standards (per Section 5.1001 of the code)

Permitted uses include multi-family dwellings, educational service properties, day care homes and centers, municipal uses, places of worship, and residential health care facilities, to name a few.

The minimum property size of a development shall be a minimum net lot size of 35,000 square feet; however, If an R-5 zoned parcel of land or a lot of record in separate ownership has an area of less than thirty-five thousand (35,000) square feet and has been lawfully established and re-corded prior to the adoption of this requirement on October 2, 1979, such lot may be used for any purpose permitted in section 5.1004 of the R-5 zoning code, subject to all other requirements of this ordinance.

The building height under the R-5 zoning code cannot exceed 36 feet except under provisions found in article 7 of the code. A building cannot exceed 1 story within 50 feet of any R-1, R-2, R-3, R-4, R-4R or M-H district boundary line.

Conclusion – Legal Permissibility

Upon review of the R-5 zoning ordinance, multi-family residential development would be legally permissible.

Physically Possible

The site is of sufficient size and shape to permit the development of a multi-family property in conformance with the zoning code.

Financially Feasible and Maximally Productive

The primary legal use of the land is for multi-family residential purposes, and the physical characteristics of the site support this use. The neighboring properties support future multi-family use. The Market Analysis section of this report indicates that the overall Real Estate market is in a state of stability. It would be feasible to hold the site (as vacant) for investment purposes or for future multi-family development.

Maximally Productive

In the face of a stable Real Estate market, the most productive type of development would be a deferred project or development on a pre-leased or pre-sold basis.

Conclusions As Vacant

I conclude that the highest and best use of the subject site, as vacant, is its eventual development to a multi-family residential use that conforms with the present zoning or to hold as an investment property.

Typically, real estate can be valued by applying three approaches, i.e., the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach.

COST APPROACH: A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.[31]

This approach in appraisal analysis is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements which represent the highest and best use of the land or when relatively unique or specialized improvements are located on the site and for which there exist no comparable properties on the market.

SALES COMPARISON APPROACH: A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales are available.[32]

Traditionally, this is an appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and prices asked in current listings. It is a process of analyzing sales of similar recently sold properties

[31] Appraisal Institute, *The Dictionary of Real Estate Appraisal, Fourth Edition* (Chicago, Illinois: 2002), P. 67.
[32] Ibid., P. 255.

in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this technique is dependent upon (a) the availability of comparable sales data; (b) the verification of the sales data; (c) the degree of comparability or extent of adjustment necessary for time differences; and (d) the absence of atypical conditions affecting the sales price. It is sometimes referred to as Value in Exchange or the value, in terms of money, of real estate in a typical market.

INCOME (CAPITALIZATION) APPROACH: A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.[33]

In the Reconciliation and Final Value Estimate section of this report, the approaches are evaluated as to their applicability and reliability to the appraisal problem. This analysis results in a final value estimate for the specified interest in the subject property.

The following analysis demonstrates the application of the appropriate approaches to value for the subject property.

[33] Ibid., P. 143.

SALES COMPARISON APPROACH

The Sales Comparison Approach to Value affords an analysis of the subject's value by direct comparison with similar properties that have been purchased or that are offered for sale. It is based upon the Principle of Substitution by recognizing the availability of substitute properties in the market. Comparables are selected, identified, and adjusted for factors that affect value. They are analyzed by using various units of comparison. The units of comparison from the comparable properties are applied to the corresponding subject units to arrive at an estimate of its value.

Following is a map showing the relative locations of the subject and comparable properties.

LAND SALES MAP

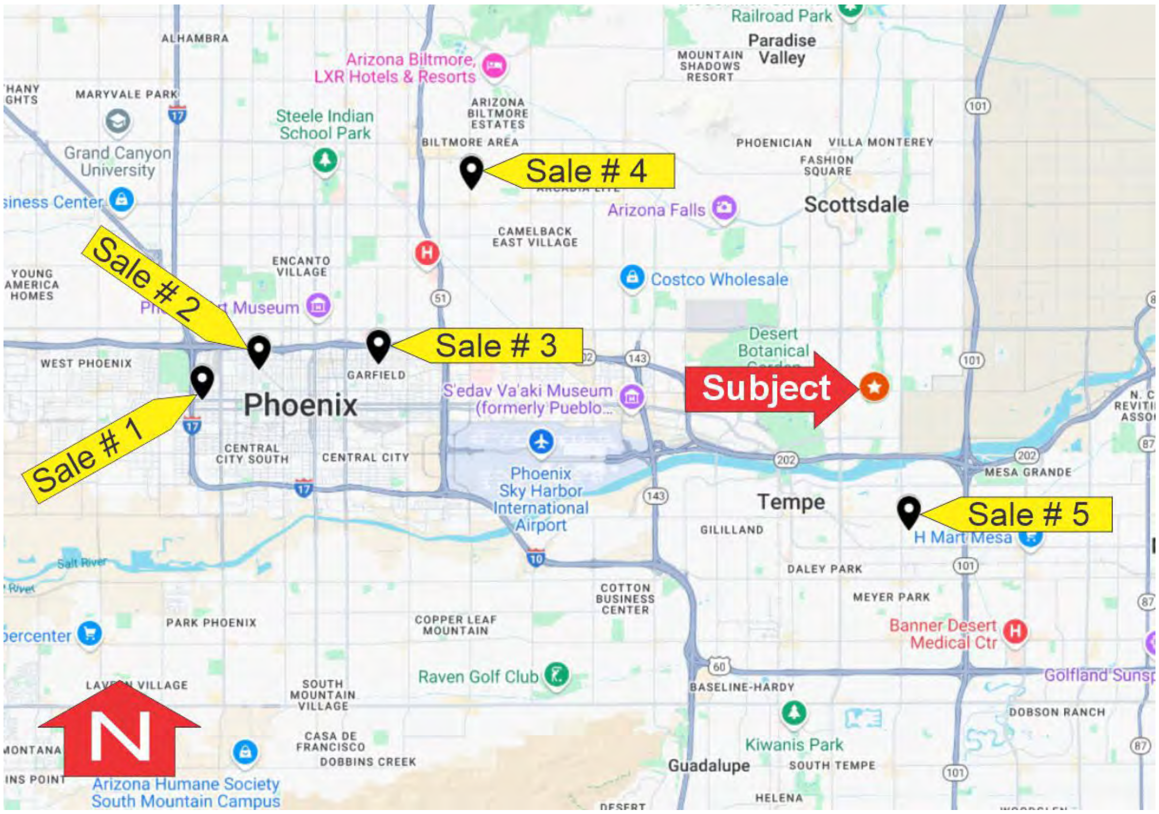


Table 1. Summary of Comparable Sales

COMP NO	COE DATE	SALES PRICE	LAND SIZE	PRICE PSF	ZONING	USE
1	9/5/2023	$ 1,300,000	42,042	$30.92	R-3	Multi-Fam Development
2	5/26/2023	$ 402,000	13,080	$30.73	R-5	Hold for investment
3	2/25/2025	$ 230,000	6,875	$33.45	R3	Hold for investment
4	7/8/2024	$ 1,275,000	30,259	$42.14	R-4A	Hold for investment
5	7/9/2024	$ 280,000	7,994	$35.03	R1-PAD	Multi-Fam Development
SUBJ			37,231		R-5	Multi-Fam Development

Analysis - Introduction

The properties were selected for analysis according to the following criteria:

- Location – Within the Phoenix Metro Area
- Date at Close of Escrow – May 2023 to present
- Type – Land zoned to include multi-family use
- Land Size – 5,000 to 100,000 square feet

Like the subject in the "as is" condition, the square footage of the comparable sales is based on the recorded parcel area(s) indicated in public records and on the Maricopa County Assessor's GIS website.

Property Overviews

An overview of the comparable sales is shown on the following pages.

LAND SALE COMPARABLE NO. 1

PROPERTY IDENTIFICATION

Type:	Residential Land (at time of sale)
Address:	2121 W. Adams St., Phoenix, AZ 85009
Tax Parcel Number:	109-32-135

SALE DATA

Sale Price:	$1,300,000
Unit Value:	$30.92 Per square foot of site area
Escrow Close Date:	9/5/2023
Days on Market:	N/Av
Seller:	Adams 21 LLC
Buyer:	Adams Place Apartments LLC

Document #:	2023-0464465
Confirmation:	Public Records and CoStar Comps (data source). David Arustamian of Russ Lyon Sotheby's International Realty (listing broker) also confirmed the sale details.

SITE DATA

Site Size:	42,042 square feet, 0.97 acres
Zoning:	R-3, Phoenix
Legal Description:	on file

PROPERTY HISTORY

According to records, there was a prior sale in the amount of $460,000 that was recorded on February 20, 2020 per document 2020-0143084 (Warranty Deed). There have been no other recent, prior arms-length sales involving this property within the last 3 years.

ADJUSTMENT CRITERIA

Property Rights Transferred:	Fee Simple
Financing:	Seller Carryback. The affidavit indicates a down payment of $950,000 with a seller loan (carryback).
Conditions of Sale:	Arms length between unrelated parties.
Expenditures After Sale:	None indicated
Changes in Value Over Time:	None indicated
Location:	This property is located on the south side of Adams Street, east of 22nd Avenue in Phoenix. Surrounding uses include a Neighborhood Market to the east and single-family residences in all other directions. Traffic along Adams Street is light-to-medium at this location.
Physical Conditions:	The site was vacant at the time of sale and is flat and at grade with the surrounding uses. Upon inspection, there is a 20-unit multi-family complex under construction. Access is possible from Adams Street.

Income Considerations: This property was purchased to be developed as an apartment complex featuring 2-bedroom, 2-bathroom units.

COMPARABLE 1 MAP

LAND SALE COMPARABLE NO. 2

PROPERTY IDENTIFICATION

Type:	Residential Land
Address:	1244 W. Pierce St., Phoenix, AZ 85007
Tax Parcel Number:	111-27-131A

SALE DATA

Sale Price:	$402,000
Unit Value:	$30.73 Per square foot of site area
Escrow Close Date:	5/26/2023
Days on Market:	578 Days

Seller:	Pierce Street Holdings LLC
Buyer:	Shane Dulin
Document #:	2023-0274865
Confirmation:	Public Records and CoStar Comps (data source). John Klocek and Patrick Burch of ABI Multifamily (listing brokers) also confirmed the sale details.

SITE DATA

Site Size:	13,080 square feet, 0.30 acres
Zoning:	R-5, Phoenix
Legal Description:	on file

PROPERTY HISTORY

According to records, there have been no recent, prior arms-length sales involving this property within the last 3 years.

ADJUSTMENT CRITERIA

Property Rights Transferred:	Fee Simple
Financing:	Cash to the seller. The affidavit indicated a 100% payment
Conditions of Sale:	Arms length between unrelated parties.
Expenditures After Sale:	None indicated
Changes in Value Over Time:	None indicated
Location:	This property is located on the north side of Pierce Street, east of 15th Avenue in Phoenix. The surrounding properties include industrial properties to the north with residential uses to the east, west, and south. Traffic along Pierce Street is light at this location.
Physical Conditions:	The site is flat and at grade with surrounding land uses. Access is possible from Perce Street.

Income Considerations: This property was purchased with the proposed use of apartment development.

COMPARABLE 2 MAP

LAND SALE COMPARABLE NO. 3

PROPERTY IDENTIFICATION

Type:	Residential Land
Address:	1205 E. Garfield St., Phoenix, AZ 85006
Tax Parcel Number:	116-24-063

SALE DATA

Sale Price:	$230,000
Unit Value:	$33.45 Per square foot of site area
Escrow Close Date:	2/25/2025
Days on Market:	N/Av
Seller:	Michael J Underhill
Buyer:	Dana Lambert PLLC

Document #:	2/25/2025
Confirmation:	Public Records and CoStar Comps (data source). Dana Lambert of Coronado Venue LLC (buyer's broker) and Julia Foley of Homesmart International LLC (listing broker) also confirmed the sale details.

SITE DATA

Site Size:	6,875 square feet, 0.16 acres
Zoning:	R-3, Phoenix
Legal Description:	on file

PROPERTY HISTORY

According to records, there have been no recent, prior arms-length sales involving this property within the last 3 years.

ADJUSTMENT CRITERIA

Property Rights Transferred:	Fee Simple
Financing:	All cash to the seller. The affidavit shows a 100% payment
Conditions of Sale:	Arms length between unrelated parties.
Expenditures After Sale:	None indicated
Changes in Value Over Time:	None indicated
Location:	This property is located on the south side of Garfield Street, east of 12th Street in Phoenix. The surrounding uses include residential uses in all directions. Traffic along Garfield Street is light at this location.
Physical Conditions:	The site is flat and at grade with surrounding uses. Access is possible from Garfield Street.
Income Considerations:	This property was purchased as an investment for future multi-family development.

COMPARABLE 3 MAP

LAND SALE COMPARABLE NO. 4

PROPERTY IDENTIFICATION

Type:	Residential Land
Address:	4235 N. 24th St., Phoenix, AZ 85016
Tax Parcel Number:	163-06-097A

SALE DATA

Sale Price:	$1,275,000
Unit Value:	$42.14 Per square foot of site area
Escrow Close Date:	7/8/2024
Days on Market:	N/Av
Seller:	PBV – 4235 North 24th Street, LP
Buyer:	4235 North 24th Street, LLC

Document #:	2024-0361325
Confirmation:	Public Records and CoStar Comps (data source). Attempts were made to call the indicated listing broker involved with the sale.

SITE DATA

Site Size:	30,259 square feet, 0.69 acres
Zoning:	R-4A, Phoenix
Legal Description:	on file

PROPERTY HISTORY

According to records, there was a prior sale involving this parcel in the amount of $1,250,000 that was recorded 12/28/2021 per document # 2021-1322526. There have been no other recent prior arms-length sales of this property within the past three years.

ADJUSTMENT CRITERIA

Property Rights Transferred:	Fee Simple
Financing:	All cash to the seller. The affidavit indicates a 100% payment.
Conditions of Sale:	Arms length between unrelated parties.
Expenditures After Sale:	None indicated
Changes in Value Over Time:	None indicated
Location:	This property is located on the east side of 24th Street, north of Indian School Road in Phoenix. The surrounding uses include multi-family properties to the north, south, and east with single-family residences to the east. Traffic along 24th Street is heavy at this location.
Physical Conditions:	The site is flat and at grade with surrounding uses. Access is possible from 24th Street.

Income Considerations: This property was purchased as an investment opportunity for future multi-family development.

COMPARABLE 4 MAP

LAND SALE COMPARABLE NO. 5

PROPERTY IDENTIFICATION

Type:	Residential Land
Address:	1825 E. Hayden Ln., Tempe, AZ 85281
Tax Parcel Number:	132-66-109, 110, 111, 112

SALE DATA

Sale Price:	$280,000
Unit Value:	$35.03 Per square foot of site area
Escrow Close Date:	7/9/2024
Days on Market:	441 Days
Seller:	1825 Hayden Lane, LLC
Buyer:	Lindsay Villas, A Residential Community, LLC

Document #:	2024-0360530
Confirmation:	Public Records and CoStar Comps (data source). Attempts were made to contact the listing broker.

SITE DATA

Site Size:	7,994 square feet, 0.18 acres
Zoning:	R-PAD, Tempe
Legal Description:	on file

PROPERTY HISTORY

According to records, there have been no recent, prior arms-length sales involving this property within the last 3 years.

ADJUSTMENT CRITERIA

Property Rights Transferred:	Fee Simple
Financing:	All cash to the seller. The affidavit indicates a 100% payment.
Conditions of Sale:	Arms length between unrelated parties.
Expenditures After Sale:	None indicated
Changes in Value Over Time:	None indicated
Location:	This property is located on the south side of Hayden Lane, east of McClintock Drive in Tempe. The surrounding uses include the Tamarak Apartments to the north, multi-family uses to the west, and single-family uses to the east and south. Traffic along Hayden Lane is light at this location.
Physical Conditions:	The site is flat and at grade with surrounding uses. Access is possible from Hayden Lane.
Income Considerations:	This property was purchased for future multi-family development.

COMPARABLE 5 MAP

Adjustments

The subject property is analyzed according to the following adjustment criteria:

Property Rights Conveyed

A transaction price is always predicated on the real property interest to be conveyed. Based on evidence from the sales comparables and per conversation with market participants. The comparables consist entirely of site areas zoned for multi-family development. All were sold in the fee simple interest as is typically the case for properties like the subject. No adjustments were given.

Financing Terms

Adjustments to the stated sales price are made when a sale is transacted or negotiated subject to extraordinary financing considerations. Adjustments are typically downward because of soft terms or conditions associated with carry-back financing (when applicable). Comparable sale 1 was sold through a seller loan (carry-back). Seller carry-back terms typically favor the buyer; thus, a downward adjustment was given to this comparable sale. No other adjustments are necessary for any of the other sales, all of which were sold for cash to the seller or on cash equivalent terms and conditions.

Conditions of Sale

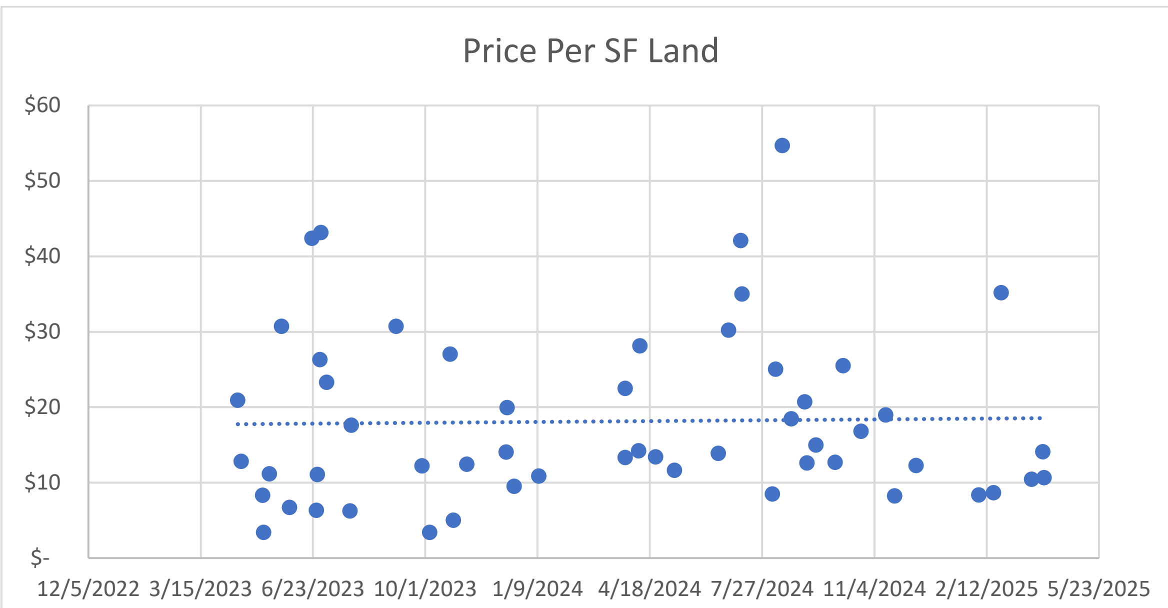
Adjustments are required for conditions of sale when transactions occur between related parties, when investment objectives are at variance, or when buyer or seller has an extraordinary need to dispose of or acquire property. Additional considerations are listing status, rezoning, eminent domain, tax considerations, the need to auction a property, the occupancy level of a building, or a property's extended market exposure. All properties were sold on an arms-length basis between unrelated parties. No adjustments were needed for conditions of sale.

Expenditures Immediately After Purchase

During the negotiation process a buyer considers expenditures that will have to be made upon purchase of a property. These may include costs to cure deferred maintenance, costs to demolish and remove any portion of the improvements, costs to petition for a change in zoning, costs to remediate environmental contamination, and the like. The relevant figure is the cost that was anticipated by the buyer and seller. No adjustments are given to any of the sales based on expenditures immediately after the purchase.

Market Conditions

Adjustments for market conditions are frequently referred to as "time adjustments" because they reflect price changes wrought by supply and demand changes over time. I conducted a survey from the CoStar sales database for the sales of residential land measuring 0 to 10 acres in size within a 20-mile radius of the subject property over the past two years which encompasses the date range of the comparable sales used in this analysis. A scatter graph of the data is shown below:



The market appears to be stable with no remarkable changes over the past two years. The sales used within this sales comparison approach all occurred from May 2023 to the present day (date of valuation). Thus, no adjustments for market conditions are given to the comparable properties.

Location & Physical Characteristics

Adjustments for location and physical characteristics are discussed below and will be shown in Table 2. “Adjustment Grid”.

An upward adjustment is given to comparable sale 1 due to its location in an older area with fewer recent redevelopments. The subject is located between the Old Town Scottsdale area and Tempe Town Lake. The Old Town Scottsdale area is popular and has some of the higher rental rates for both commercial and residential properties alike as is the case with properties around Tempe Town Lake. No adjustment for location is given to comparable 2 as it is positioned near the popular Roosevelt Row Arts district. This area is experiencing many new redevelopment and renovation projects. Comparable 3 is adjusted upward due to the similar surrounding conditions as comparable 1.

A downward adjustment is given to comparable 4 for its location close to the Biltmore and Arcadia Lite residential areas where economic conditions are favorable. Also, comparable 4 fronts 24th Street with higher-rent residential projects nearby. No adjustment is given to comparable 5 as it is located closer to the subject with relatively similar neighboring uses. Downward adjustments are given to comparables 2 through 5 due to the smaller size of their site areas to account for economies of scale. Smaller properties tend to sell at a higher unit value than the larger ones – comparable 1 is larger and was given an upward adjustment.

Economic

All of the comparable properties selected are zoned for multi-family development. The subject zoning is R-5, City of Scottsdale which allows for around 23 units per gross acre. The comparable properties included R-5 zoning, Phoenix that allows 45.68 dwelling units per gross acre, R-4A which provides around 43 units/Ac., the R-3, Phoenix zoning that allows 15.23 units per gross acre, and R1-PAD, Tempe that effectively provides ± 20 units per gross acre based on sale 1 being slated for 3 units on its 7,994 square foot site (net).

Comparables 2, 3, and 5 are smaller in size as compared to the subject and ranged from $30.73 to $35.03 per square foot before adjustment. This pool of comparables included densities ranging from 15.23 to 45.68 dwelling units per gross acre. Comparable 2 sold for $30.73 per foot and had the Phoenix R-5 density at 45.68 units per gross acre and comparable 3 sold for $33.45 per foot with a density of 15.23 units per gross acre. Despite the difference in allowed density, the price per foot was relatively similar.

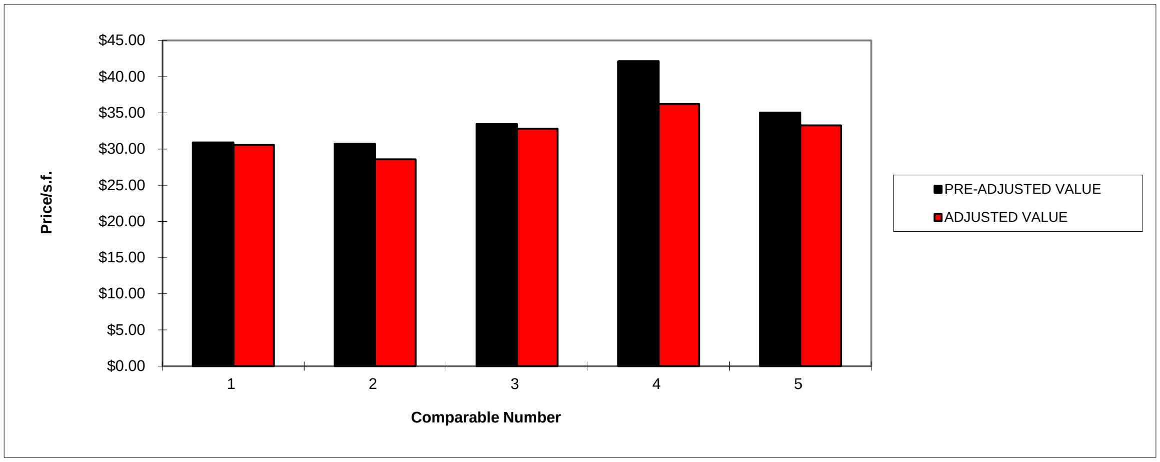
Among the larger sites is comparable 1 that measures 42,042 square feet (net) and is zoned R-3 at 15.23 units per gross acre - it sold for $30.92 per square foot (unadjusted). Comparable 4 measures 30,259 net square feet and sold for $42.14 per square foot (unadjusted). The zoning is R-4A which supports a higher density, but the location is superior as it is located on 24th Street, near the Biltmore and Arcadia Lite areas. As mentioned earlier, a downward adjustment for location was given.

Generally, higher-density zoned residential land tends to be more valuable as more units can be developed on the same site. That being said, a developer would also have to account for a higher future cost in building materials, labor, and soft costs to fully improve such a site. Downward adjustments were given to comparables 2 and 4 as the R-5 and R-4A multi-family zoning districts in Phoenix offer a higher unit density than the subject. No adjustments are given to comparables 1, 3, and 5 as they approximate the subject zoning density.

Table 2. Adjustment Grid

COMPARABLE >>>>>>	1	2	3	4	5
PRE-ADJUSTED VALUE	**$30.92**	**$30.73**	**$33.45**	**$42.14**	**$35.03**
PROPERTY RIGHTS	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price/s.f.	$30.92	$30.73	$33.45	$42.14	$35.03
FINANCING	-5.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price/s.f.	$29.38	$30.73	$33.45	$42.14	$35.03
CONDITIONS OF SALE	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price/s.f.	$29.38	$30.73	$33.45	$42.14	$35.03
EXPENDITURES	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price/s.f.-Individual	$29.38	$30.73	$33.45	$42.14	$35.03
MARKET CHANGES	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price/s.f.-Individual	$29.38	$30.73	$33.45	$42.14	$35.03
LOCATION - Surround Uses	3.00%	0.00%	3.00%	-10.00%	0.00%
PHYSICAL - Size (Econs of Scale)	1.00%	-4.00%	-5.00%	-1.00%	-5.00%
ECONOMIC	0.00%	-3.00%	0.00%	-3.00%	0.00%
USE	0.00%	0.00%	0.00%	0.00%	0.00%
NON-REALTY	0.00%	0.00%	0.00%	0.00%	0.00%
Net % adjustment-Grouped	4.00%	-7.00%	-2.00%	-14.00%	-5.00%
ADJUSTED VALUE	$30.55	$28.58	$32.79	$36.24	$33.27
Net % adjustment-Overall	-1.20%	-7.00%	-2.00%	-14.00%	-5.00%
ROUND ADJ VALUE	**$30.60**	**$28.60**	**$32.80**	**$36.20**	**$33.30**

Chart 1. Adjustment Chart



Conclusions

The range of adjusted unit values is $28.60 to $36.20 per square foot for multi-family zoned site areas, based on recorded parcel size. Consideration is given to comparables 1, 3, and 5 due to their similar allowed dwelling unit densities per zoning. Although comparables 2 and 4 are allowed a higher density, the price per foot was close to the overall range. Comparable 4 sold above the norm but may have been influenced by a favorable location.

Further consideration is given to comparable 5 which is located within closer proximity to the subject and shares many similar neighborhood attributes. The remainder of the sales help to form an understanding of the general market for multi-family zoned sites that were recently purchased either as an investment or for future multi-family development.

Comparable 4 appears to be somewhat of an outlier at an adjusted unit value indicator of $36.20 per square foot. This would be the most that a typical buyer would expect to pay for a property like the subject as indicated by current market evidence. The low end of the range is represented by comparable 2 at a value indication of $28.60 per square foot which would be the least amount a seller would anticipate for the subject. Upon review and conclusion, a narrowed range of $30 to $35 per square foot can be considered reasonable, given market evidence.

The calculation of this narrowed range is as follows:

$30 per Sq. Ft. X 37,231 Sq. Ft. = $1,116,930

To

$35 per Sq. Ft. X 37,231 Sq. Ft. = $1,303,085

With emphasis at the middle of the range, I conclude that the “as is” market value opinion of the subject property, as of the date of valuation, is:

One Million Two Hundred Ten Thousand Dollars

$1,210,000

($32.50 per Sq. Ft.)

The “As Combined” Value Opinion

The portion of Polk Street known as the “abandonment” shown in the Legal Description section of this report indicates an area measurement of 5,952 (rounded from 5,951.74) square feet. The combined square footage of the original larger parcel (37,231 SF) with the abandonment would be 43,183 square feet – an increase of about 16%. I will use the same narrowed range of adjusted comparable unit value indicators as before to estimate a reasonable market value opinion of the “as combined” condition of the subject property as follows:

$30 per Sq. Ft. X 43,183 Sq. Ft. = $1,295,490

To

$35 per Sq. Ft. X 43,183 Sq. Ft. = $1,511,405

With emphasis at the middle of the range, I conclude that the "as combined" market value opinion of the subject property, as of the date of valuation, is:

One Million Four Hundred Thousand Dollars

$1,400,000

($32.42 per Sq. Ft.)

Extraordinary Assumptions: I assume that the measurement of the abandonment indicated in the Legal Description section of this report as "EXHIBIT B RIGHT OF WAY ABANDONMENT GRAPHIC DEPICTION" is correct, being 5,951.74 square feet or 5,952 square feet (rounded). Should the square footage be proven otherwise, I reserve the right to revise the appraisal report results.

There was a water leak observed near the east border of parcel 131-15-001L that appears to be minimal. I assume that the cost to repair said leak would be minimal with no impact on the subject property value of any significance.

Hypothetical Conditions: A hypothetical condition exists that for the "As Combined" valuation scenario that the abandonment is combined with the subject property.

MARKETING TIME

As indicated in the Introduction section of the report, “Marketing time occurs after the effective date of the market value opinion and the marketing time opinion is related to, yet apart from, the appraisal process. Therefore, it is appropriate for the section of the appraisal report that discusses marketing time and its implications to appear toward the end of the report after the market value conclusion. A request to estimate a reasonable marketing time opinion exceeds the normal information required for the appraisal process and should be treated separately from that process.”

With this in mind, and as a matter of consultation rather than appraisal, we suggest that the subject property, based on recent evidence in the market place as described in the Sales Comparison Approach and Introduction sections, could be reasonably expected to sell in the open market within a period of 12 months from the effective date of valuation. This statement assumes that the property remains in its “as is” condition and that normal market forces bear on the buy-sell decision.

APPENDICES

A – PHOTOGRAPHS OF THE SUBJECT PROPERTY

SUBJECT PROPERTY PHOTOGRAPHS

Looking west along Polk Street from the center of the subject parcel grouping

Looking east along Polk Street from the center of the subject parcel grouping


Looking southwest across the subject parcel grouping


Looking west across the north subject parcel

Looking south along the subject east boundary

View of gate on Polk Street at the center east side of the subject parcel grouping

Looking west across the subject parcel grouping along Polk Street from the east gate

Looking northwest across the subject parcel grouping

Looking east across the subject parcel grouping (Polk Street in center)

Looking east along the south border of the subject parcel grouping

Looking south along Miller Road

Looking north along Miller Road

ADDENDUM

APPRAISER QUALIFICATIONS

DENNING S. DAVIS, CERTIFIED GENERAL APPRAISER
Professional Qualifications

Davis Valuation Group, LLC.

Davis Valuation Group, LLC is a group of Arizona based real estate and consulting professionals who specialize in appraisals of commercial, industrial, office, multi-family, motels/hotels, mobile home parks, self-storage facilities, churches, restaurants, subdivisions, partial acquisitions, and land.

Professional Affiliations

State of Arizona, Certified General Real Estate Appraiser, Certificate No. 31124

Education & Training

National USPAP Update Course 2018-2019 (course IDECC# 7139), 7 hours, completed December 28, 2019 (Continuing Education)

A Brief Historic Stroll through America's Architecture for Appraisers (course ABA D0613-1181), 7 hours, completed November 3, 2018

Environmental Hazards Impact on Value (course ABA D1112-1144), 7 hours, completed November 11, 2018

2017 Spring Ag Forum (course 0117-1524), 7 hours, completed February 24, 2017 (Continuing Education)

2016 Commercial Real Estate Trends Forum (course 0816-1493), 7 hours, completed November 4, 2016 (Continuing Education)

The Appraisal of Real Estate (course 0516-14473), 8 hours, completed May 20, 2016 (Continuing Education)

National USPAP Update Course 2014-2015 (course ABA 1013-1211), 7 hours, completed August 5, 2015 (Continuing Education)

2015 Spring Ag Forum (course ABA 0211-993), 7 hours, completed February 20, 2015 (Continuing Education)

Arizona Appraiser Laws & Regulations Course (ABA #0813-1194), 3 hours. Completed September 6, 2013 (Continuing Education)

Arizona Supervisory Appraiser/Trainee Appraiser Course (ABA #0813-1195), 4 hour course. Completed September 6, 2013 (Continuing Education)

Real Estate Market Update (ABA # 0806-555), Completed September 25, 2012, 3 hour course. Completed September 25, 2012 (Continuing Education)

Business Valuation Approaches & Methods (ABA # 0806-556), 3 hours. Completed September 20, 2012 (Continuing Education)

Commercial Leasing Issues (ABA #0806-561), 3 hours, Completed September 12, 2012 (Continuing Education)

Gadgets, Gizmos, & Technology (ABA # 0712-1120), 4 hour course, Completed September 12, 2012 (Continuing Education)

FHA Min. Prop. Stndrs & FNMA Appraisal Guidelines # ABA 1205-4923, 4 hour course. Completed September 11, 2012 (Continuing Education)

Arizona School of Real Estate & Business, Course ABA# 0103-262, 2012-2013 National USPAP. 7 hour course. Scottsdale, Arizona. Completion Date: January 14, 2012 (Continuing Education)

Phoenix Chapter, Appraisal Institute, Course 809, Appraising Distressed Commercial Real Estate: State Code ABA 1108-829. Mesa, Arizona. Completion Date: May 21, 2009 (Continuing Education)

Arizona School of Real Estate & Business, Course C5908-624, 2008-09 National USPAP. 7 hour course. Scottsdale, Arizona. Completion Date: January 19, 2008 (Continuing Education)

Arizona School of Real Estate & Business, Course 2986, Government Lands in Arizona. 3 hour course. Scottsdale, Arizona. Completion Date: September 9, 2006 (Continuing Education)

Arizona School of Real Estate & Business, Course 2104, Real Estate Feasibility Study (#ABA 0502-217). 3 hour course. Scottsdale, Arizona. Completion Date: September 9, 2006 (Continuing Education)

Arizona School of Real Estate & Business, Course 1254, Appraising Income Producing Property. 4 hour course. Scottsdale, Arizona. Completion Date: August 1, 2006 (Continuing Education)

Arizona School of Real Estate & Business, Course ABA 0502-214, Uniform Standards of Professional Appraisal Practice. 15-hour course. Scottsdale, Arizona. Completion Date: October 25-27, 2005 (Continuing Education) to satisfy USPAP requirement for Appraisal Institute Membership

Arizona School of Real Estate & Business, Course C5908-501, Uniform Standards of Professional Appraisal Practice. 7-hour course. Scottsdale, Arizona. Completion Date: August 12, 2005 (Continuing Education)

Arizona School of Real Estate & Business, Course 1968-197, Appraisal Valuation & Current Economic Trends, Scottsdale, Arizona. Completion Date: October 13, 2004 (Continuing Education)

Arizona School of Real Estate & Business, Course 1254-192, Appraising Income Producing Properties, Scottsdale, Arizona. Completion Date: September 7, 2004 (Continuing Education)

APPRAISAL INSTITUTE Course 410 National USPAP Course, 15-Hour – University of Phoenix, 2004

APPRAISAL INSTITUTE Course 420 Business Practices and Ethics – University of Phoenix, 2004

INTERNATIONAL RIGHT OF WAY ASSOCIATION Course 104 Standards of Practice for the Right of Way Professional, Phoenix, Arizona January 30, 2003

INTERNATIONAL RIGHT OF WAY ASSOCIATION Course 401 The Appraisal of Partial Acquisitions, Phoenix, Arizona April 1-5, 2002

Arizona School of Real Estate & Business, Course 101 Real Property Valuation 101, Scottsdale, Arizona. Completion Date: March 6, 1998

Arizona School of Real Estate & Business, Course 102 Real Property Valuation 102, Scottsdale, Arizona. Completion Date: March 19, 1998

Arizona School of Real Estate & Business, Course 103 Real Property Valuation 103, Scottsdale, Arizona. Completion Date: June 4, 1998

Arizona School of Real Estate & Business, Course 104 Real Property Valuation 104, Scottsdale, Arizona. Completion Date: August 21, 1998

Arizona School of Real Estate & Business, Uniform Standards of Professional Appraisal Practice, Scottsdale, Arizona. Completion Date: May 28, 1998

Arizona State University, Tempe
Bachelor of Fine Arts, 1999

<u>Professional Experience</u>

President, Davis Research LLC, March 1996 to present.

Community Service & Club Memberships

- Assistant Scout Leader, Troup 274
- Cub Scout Master, Pack 274 and 279
- Member of the ARRL (National Association for Amateur Radio)
- Member of the Arizona Repeater Association
- Member of the Thunderbird Amateur Radio Club
- Member of the Chandler HAM Radio Club

ARIZONA FINANCIAL ENTERPRISE CREDENTIAL CERTIFICATE

No: CGA-31124

DENNING S. DAVIS ( )

CREDENTIAL TYPE	ISSUE DATE	EFFECTIVE DATE	EXPIRATION DATE
Certified General Appraiser	December 17, 2002	January 1, 2025	December 31, 2026

This certificate was printed on December 30, 2024 and will remain in effect until a change request has been approved by the Department or the credential is surrendered, suspended, revoked or expired.

Arizona Department of Insurance and Financial Institutions
difi.az.gov
100 N 15th Ave, Suite 261
Phoenix, AZ 85007-2630