Board of Supervisors Memorandum

August 6, 2019

Authorization to Finalize a Lease with Southern New Hampshire University beginning September 1, 2019

Background

As has been previously announced, Southern New Hampshire University (SNHU) will locate their west coast headquarters in Pima County. Sun Corridor Inc. announced this corporate attraction. What has not been announced is their selection of Pima County's 97 E. Congress building to house their headquarters and staff.

Pima County staff has negotiated the terms and conditions of the lease as identified in the attached June 18, 2019 letter from Newmark Knight Frank, the real estate representative of SNHU. (Attachment 1)

It should be noted this property was acquired by the County in 2004 for approximately $3.8 million and has formerly housed the Regional Flood Control District, the Tucson Indian Center, Teen Court and a program of the Pima Vocational High School. These occupants were relocated in 2016 to make a renovated building available as the interim office space for Caterpillar's Surface Mining and Technology Headquarters. Caterpillar occupied the building from September 1, 2016 to March 31, 2019 and has now moved to their new permanent facility built by Rio Nuevo.

Caterpillar's lease with the County required an early termination fee as well their lease through August, 2019. Caterpillar has relocated and paid Pima County $2,040,230 in final rent, including the early termination fee. The final rent payment covers the period through August, 2019.

The Letter of Intent indicated SNHU desires to lease 97 E. Congress, beginning September 1, 2019. The lease term is for a period of 10 years at a lease per square foot rate of $15.50 for the 44,341 rentable square feet, which is a minimum of $687,285.50 per year, not including rent escalation amounts or nearly $7 million over the lease period. Out of these lease payments, the County will pay for building utilities and maintenance.

SNHU will pay for building security, janitorial services and food vending. This lease rate is compatible with and equivalent to market rent as defined in an appraisal report provided to the County on January 23, 2019. (Attachment 2) The appraisal summarizes values on Pages 82 to 94. In summary, the market rent is $9.25 per square foot, plus operating and maintenance expenses to be paid by the County, which includes mostly utilities and maintenance costs of approximately $6.25 per square foot.

In addition, SNHU has agreed to lease parking spaces from the County in our parking garage located at Scott Avenue Garage, 50 North Scott Avenue at a monthly rate of $85 per space, escalating at a rate of $2 per space per month at the beginning of each lease year.

SNHU is also responsible to pay for any tenant improvement modifications in this existing space. We will change our older air handler units that were not replaced when we remodeled the building for Caterpillar.

Initially, 100 jobs will be created; this number is anticipated to increase to 350 jobs by 2021. The average salary will be $48,344 with benefits of approximately $12,086 for a total average salary of $60,431. The economic impact over the next five years is expected to exceed $218 million. In other communities, SNHU has initiated educational opportunities in locations convenient for non-traditional students, like those that attend our Pima Vocational High School and Las Artes. Their goal is to encourage those students to pursue post-secondary education achievement through flexible courses that allow them to work and obtain specific learning skills while having an opportunity to earn college credits.

I would like to welcome SNHU to Pima County and the City of Tucson. I believe their investment and confidence in our community is well placed. Furthermore, I believe our County residents will significantly benefit from their educational opportunities provided through their curriculum and community service activities.

Recommendation

I recommend the Board of Supervisors authorize the Pima County Attorney's office and County Administrator to draft a lease based on the Arizona Economic Development Statutes for Board of Supervisors approval.

Sincerely,

C.H. Huckelberry
County Administrator

CHH/anc – July 24, 2019

Attachments

c: Jan Lesher, Chief Deputy County Administrator
Tom Burke, Deputy County Administrator for Administration
Dr. John Moffatt, Director, Economic Development Office
Lisa Josker, Director, Facilities Management

ATTACHMENT 1

Newmark Knight Frank

June 18, 2019

Mr. Charles Huckelberry
County Administrator
130 W. Congress, 10th Floor
Tucson, Arizona 85701

RE: SNHU ("Tenant")
97 EAST CONGRESS, TUCSON

Via Email to chh@pima.gov

Dear Mr. Huckelberry:

On behalf of SNHU, we are pleased to present the following proposed terms and conditions under which SNHU would consider entering into lease negotiations. The terms and conditions are outlined below.

Southern New Hampshire University (SNHU) is a private, nonprofit, coeducational, and nonsectarian university situated between Manchester and Hooksett, New Hampshire, in the United States. The university is accredited by the Commission on Institutions of Higher Education of the New England Association of Schools and Colleges, along with national accreditations for some hospitality, health, education and business degrees. With the expansion of its online programs, SNHU is one of the fastest-growing universities in the United States.

BUILDING:	97 E. Congress, Tucson AZ ("Building").
TENANT:	SNHU ("Tenant").
BUILDING OWNERSHIP:	Please confirm the ownership entity.
USE & ZONING:	The Premises may be used by Tenant, and its approved subtenants, for General Office uses (and ancillary uses thereto related to Tenant's occupancy).
PREMISES:	The Premises shall consist of approximately 44,341 rentable square feet consisting of the entire Building. Exact layout and square footages to be confirmed following test fit, and shall be calculated per Pima county modified Building Owners' and Managers' Association (BOMA) Standard Method of Measuring Floor Area in Office Building. ("Premises"). Landlord shall provide the calculations used for the represented RSF.
ARIZONA BOARD OF EDUCATION APPROVAL CANCELLATION CONTINGENCY:	SNHU has submitted their formal request to the Arizona Board of Education for approval of their operation within the state of Arizona. It is anticipated that this request will be approved. In the event that, for whatever reason, such approval is denied and SNHU is prohibited from operating in the state of Arizona, then the Lease shall automatically void and all obligations between Landlord and Tenant shall be cancel and no compensation shall be owed to either party.

Newmark Knight Frank

LANDLORD DELIVERY:	Landlord shall deliver the Premises to Tenant upon the full execution of a lease.
RENT COMMENCEMENT DATE:	Following full execution by the parties, the rent shall commence on September 1, 2019 or when first occupied, whichever occurs later ("Rent Commencement Date"). Following lease execution, Tenant will be entitled to begin setup of FF&E and IT infrastructure. Landlord shall provide consent to Tenant and Tenant's utility provider to begin configuration of IT circuit and provision as of the execution of this Letter of Intent.
PHASED RENT COMMENCEMENT:	Tenant will be hiring from the Tucson community to fill most of the job requirements housed in this building. As such, Tenant seeks to phase rent commencement according to the following schedule. 75% Rent Abatement for months 1-3 50% Rent Abatement for Months 4-6
LEASE TERM:	The Lease Term for the Premises shall be ten (10) years from Lease Commencement Date.
FULLY SERVICED BASE ANNUAL RENT:	Taking into consideration the elimination of the tenant improvement fund and understanding that the tenant is tax exempt, the Fully Serviced ("Gross") Annual Rent shall be fifteen dollars and fifty cents per square foot. The rent rate shall increase by 1.5% annually. Tenant to provide own security and janitorial services. Operation and maintenance expenses, utilities, all-risk property insurance, and property taxes shall be the responsibility of Landlord and are included in Tenant's base rent amount.
LEASE TERMINATION OPTION:	Tenant shall be granted a one (1) time right to terminate this Lease at the end of the sixtieth (60th) month of term by providing Landlord 9 months' prior written notice.
OPERATING EXPENSES & REAL ESTATE TAXES:	Landlord shall be responsible for operating expenses and utilities. Tenant expects its use will be exempt from property tax and government property lease excise tax ("GPLET") (A.R.S. §§ 42-6201 through 42-6210).
COMPLIANCE:	Landlord, at its sole cost and expense, shall represent that the Building follows all codes and regulations pursuant to any federal, state or local governmental law or regulation (ADA, Fire/Life Safety, etc.). In the event Building is not in compliance, Landlord will bring into compliance at its own cost and expense.
DELIVERY CONDITION:	Landlord shall deliver the interior of the Premises in its "as-is" condition. Landlord shall, at its expense, and not a part of any "Additional Rent", keep in good order, condition and repair the common areas and structural parts of the Building, including structural

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walls, the roof, and the foundation. Landlord shall warrant that the existing HVAC, electrical and plumbing systems and equipment serving the Premises are in good working condition. Landlord shall be responsible, during the initial term and any extensions thereto, for all capital repairs or replacements (as defined by generally accepted accounting principles) related to these systems.

LANDLORD WORK: None

RESTORATION: Tenant shall not be required to remove at the expiration of the Lease Term, any wiring or cabling, or any improvements or alterations associated with Tenant's initial build out or future alterations which may include a full-service kitchen and/or interconnecting stairs.

RECONFIGURATION AND EXPANSION OF EXISTING FURNITURE SYSTEM: Landlord will provide existing furniture to tenant through the term of the lease at no cost to Tenant. Space is currently configured for approximately 200 seats. Tenant will need to reconfigure the furniture to be able to accommodate an additional 100 seats. Landlord will allow Tenant to utilize any extra furniture system parts that Landlord has access to, possibly in storage, and acquire any necessary parts to complete configuration for the 300 total seats. All associated costs of furniture reconfiguration and additional furniture parts from Pima County vendor and designers to be paid by Tenant. Estimated costs will be provided by Pima County. An existing furniture layout to be provided for an exhibit.

The cost of all future tenant improvements to be Tenant responsibility.

ALTERATIONS AND ADDITIONS: Tenant will have the right to make alterations, additions, and improvements to the Premises with Landlord's prior written consent, which will not be unreasonably withheld, conditioned or delayed as provided above. Tenant may make cosmetic alterations and alterations costing less than $25,000 without Landlord's consent. Tenant will not be obligated to pay Landlord any oversight, coordination or management fees about any alterations, additions or improvements.

RENEWAL OPTIONS: Tenant shall have the right to renew its lease for two periods of five (5) years each. Tenant shall provide Landlord with no less than twelve (12) months prior written notice to exercise such right. The rent payable during the extension shall be ninety-five percent (95%) of fair market value ("FMV") and in no event greater than 1.5% higher than the then rent rate in the final year of the original lease term. The definition of fair market value shall be further defined in the LOI and incorporated into the Lease.

HOLDOVER: Any holdover by Tenant beyond the expiration of the Lease Term shall be at (i) One Hundred and Twenty-Five Percent (125%) of Tenant's then current Base Rent plus Tenant's continued payment of its pro-rata share of Operating Expenses for the first six (6) months

Newmark Knight Frank

after expiration of the Lease Term, and (ii) One Hundred Fifty Percent (150%) of Tenant's then current Base Rent plus Tenant's continued payment of its pro-rata share of Expenses thereafter. Tenant shall not be subject to consequential damages as a result of its holdover.

SUBLEASE AND ASSIGNMENT:

Tenant shall have the right to sublease or assign all or any portion of the Premises with **Landlord's prior written consent,** which shall not be unreasonably withheld, conditioned, or delayed. Landlord shall have no right of recapture. Any subleasing profits shall be split 50/50 between Landlord and Tenant after first deducting Tenant's direct, reasonable costs.

Tenant reserves the right to substitute any of its subsidiaries or affiliates as occupants of the Premises without the Landlord's consent. Tenant shall have the right, without the consent of Landlord, to enter any merger or consolidation, to transfer the Lease to a purchaser of all or substantially all the assets of Tenant, or to any change of control of Tenant, and none of the foregoing shall constitute an "assignment" pursuant to the Lease.

BUILDING HOURS AND HVAC OPERATION:

Tenant shall have access to the Premises 24 hours a day 7 day a week. Tenant shall have the ability to control its HVAC operation at minimum on a per floor basis. Landlord shall provide heating, ventilation and air-conditioning (HVAC) from 8:00 a.m. to 8:00 p.m. Monday through Friday ("Building Hours"). Please provide the cost and manner of ordering after-hours fan or HVAC services ("After Hours Services'). Tenant will have access to the Premises 24 hours per day, 7 days per week, 365 days per year.

PARKING:

Landlord shall provide 100 spaces of reserved parking. Such parking spaces shall be paid for as additional rent in the amount of $85 per space per month. Cost of the first 100 spaces to increase $2 per space per month at the beginning of each lease year.

Tenant shall have the option at any time during the Term to add additional parking spaces, if available, up to a combined 300 spaces, within the adjacent garages owned by Landlord and serving the Premises. Such spaces shall be at a cost equal to the current SNHU "per space per month" cost.

BUILDING MANAGEMENT:

Please describe in detail the party that shall provide building management and the way the services shall be delivered ("Building Management").

Building cleaning specifications shall be included within Tenant's Premises as well as Building common areas and the exterior portions of the Building and shall be further defined and included as an exhibit to Lease ("Building Cleaning Specifications").

Tenant shall provide building security, janitorial and food vending service if desired.

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NON-DISTURBANCE:	Landlord shall deliver to Tenant a mutually acceptable subordination, non-disturbance and attornment agreement ("SNDA") from the lender(s), if any, or any other holder of any existing encumbrance(s) on the Building about this lease. Tenant shall subordinate the lease to any future encumbrance if Tenant receives a commercially reasonable non-disturbance and attornment agreement from the holder of such encumbrance.
AUDIT RIGHTS:	Tenant shall have audit rights to be further defined in the lease.
REPLACEMENT OF EXISTING FAN COIL UNITS:	As was observed by Tenant and as noted by building engineer, the existing fan coil units for the Premises are old and in need of replacement. Landlord, at Landlord's sole cost and expense, shall replace the existing fan coil units prior to Delivery Date.
GYM AND LOCKER-ROOM:	Existing Gym, showers and Locker-room shall be delivered in good working condition.
INTERIOR SIGNAGE:	Tenant shall have the right to install exclusive signage at the entrance to the Building, throughout the Lobby and within the Premises ("Interior Signage"). All Interior Signage shall be subject to Tenant's specifications and at Tenant's sole cost and expense, subject to Landlord's approval, which shall not be unreasonable withheld.
EXTERIOR SIGNAGE:	Tenant shall be granted exclusive Exterior Signage rights to the maximum extended permitted by Law. Such Exterior Signage will be permitted to be placed at the top of the building on both the South and West facing walls as per City of Tucson sign codes. Tenant to pay all costs associated with exterior signage.
SECURITY DEPOSIT:	None. Financials shall be provided upon request.
PROFESSIONAL FEES:	Each party shall represent and warrant to the other that it has not dealt with any broker or person in connection with the transaction other than Newmark Knight Frank working in conjunction with Mark Irvin Commercial Real Estate (collectively "Tenant Representatives"), representing Tenant. Associated outstanding commissions shall be paid by Tenant pursuant to a separate agreement between Tenant and Tenant Representatives.
NON-BINDING AGREEMENT:	Neither party may claim any legal rights against the other by reason of the signing of this letter, or by taking any action in reliance thereon. Both parties understand that no obligation whatsoever between the parties shall arise until a Lease has been fully executed by both parties. This letter is not intended, nor should it be interpreted to be a Lease or any other type of contract between Tenant and Landlord.

Newmark
Knight Frank

Please contact the undersigned directly with any questions. Please respond to this LOI by redline against this document no later than 5:00 pm, Friday, June 21, 2019.

Sincerely,
NEWMARK KNIGHT FRANK

Bill Benton
Executive Managing Director
(415) 806-2455

CC. Rodney Freeman, SNHU

AGREED AND ACCEPTED:
LANDLORD

By: C. Duhelbeny
Its: County Administrator
Date: 6/18/2019

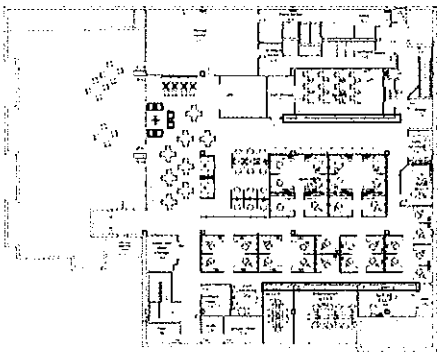
AGREED AND ACCEPTED:

By:
Its: CFO
Date: 6/18/2019

Newmark Knight Frank

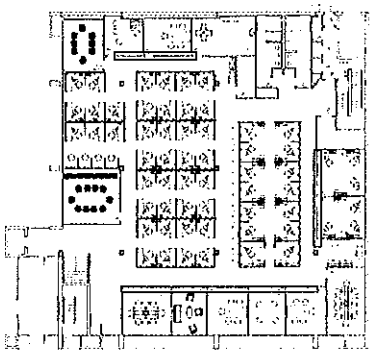
EXHIBIT A

Lower Level

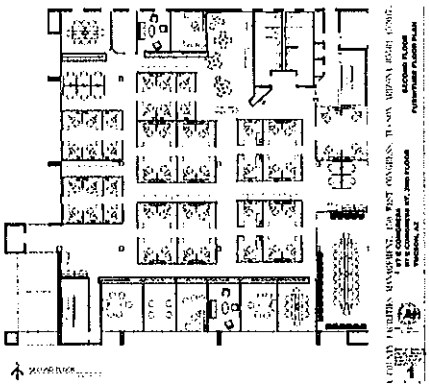


It appears that many of these offices and rooms may already have full height glass. Tenant seeks to have full height glass in these rooms, highlighted in blue, that do not already have the full height glass.

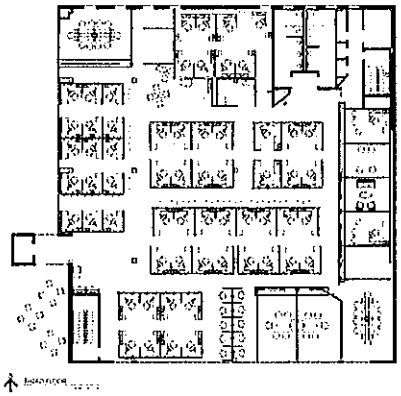
Ground Floor



2nd Floor



3rd Floor



ATTACHMENT 2

CBRE VALUATION & ADVISORY SERVICES

APPRAISAL REPORT

97 EAST CONGRESS
97 EAST CONGRESS STREET
TUCSON, ARIZONA 85701
CBRE FILE NO. 18-271PH-3340-1
TAX PARCEL NOS. 117-12-121C, -121E & -1230
SECTION 12, TOWNSHIP 14 SOUTH, RANGE 13 EAST

PIMA COUNTY REAL PROPERTY SERVICES

CBRE

VALUATION & ADVISORY SERVICES

CBRE

3719 North Campbell Avenue
Tucson, AZ 85719

T 520 323 5100
F 520 323 5156

www.cbre.com

January 23, 2019

Jeffery Teplitsky
Appraisal Supervisor
PIMA COUNTY REAL PROPERTY SERVICES
201 North Stone Avenue, Sixth Floor
Tucson, Arizona 85701

RE: Appraisal of: 97 East Congress
97 East Congress Street
Tucson, Pima County, Arizona 85701
CBRE, Inc. File No. 18-271PH-3340-1

Mr. Teplitsky:

At your request and authorization, CBRE, Inc. has prepared an appraisal of the fee simple market value of the referenced property. Our analysis is presented in the following Appraisal Report.

The subject consists of an approximately 40,158-rentable square foot, four-story office building located at 97 East Congress Street in downtown Tucson, Arizona. The improvements were originally constructed in 1975 (per Pima County Assessor), and most recently renovated in 2016. The improvements are situated on a combined 0.35-acre site and are in good overall condition. Currently, the property is 100% leased to Caterpillar Global Mining through September 1, 2019, at which time they plan to terminate their lease per the Early Termination right, with a one-time payment of $168,000. Thus, we are appraising the fee simple estate in the subject property. As part of the appraisal, we have assumed that 200+/- vehicle parking spaces within the adjacent north Legal Services Garage (LSG) will be dedicated for the exclusive use of the subject's 97 East Congress office building, which will be leased at a market rental rate per space, per month. The subject is more fully described, legally and physically, within the enclosed report.

Based on the analysis contained in the following report, the hypothetical market values for the subject are concluded as follows:

MARKET VALUE CONCLUSIONS			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Hypothetical As Is - Real Estate	Fee Simple Estate	December 21, 2018	$4,600,000
Hypothetical As Is - FF&E	Fee Simple Estate	December 21, 2018	$620,000
Hypothetical Market Rent - Real Estate	Fee Simple Estate	December 21, 2018	$371,462
Hypothetical Market Rent - FF&E	Fee Simple Estate	December 21, 2018	$43,400

Compiled by CBRE

At the request of the client, the appraisers have provided the *1)* hypothetical "as is" fee simple market value of the subject's real estate, *2)* the hypothetical "as is" depreciated value of the in-place FF&E (furniture, fixtures and equipment), *3)* a hypothetical market rent estimate for the real estate, *4)* and a separate hypothetical market rent for the in-place FF&E.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter.

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), and the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. As a condition to being granted the status of an intended user, any intended user who has not entered into a written agreement with CBRE in connection with its use of our report agrees to be bound by the terms and conditions of the agreement between CBRE and the client who ordered the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to any non-intended users does not extend reliance to any such party, and CBRE will not be responsible for any unauthorized use of or reliance upon the report, its conclusions or contents (or any portion thereof).

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if CBRE can be of further service, please contact us.

Respectfully submitted,

CBRE - VALUATION & ADVISORY SERVICES

Richard Lee
Senior Appraiser
Arizona Certified General Real
Estate Appraiser No. 31626
Phone: 520-323-5168
Fax: 520-323-5156
Email: richard.lee6@cbre.com

Byron Bridges, MAI, MRICS
Director
Arizona Certified General Real
Estate Appraiser No. 31173
Phone: 520-323-5163
Fax: 520-323-5156
Email: byron.bridges@cbre.com

Certification

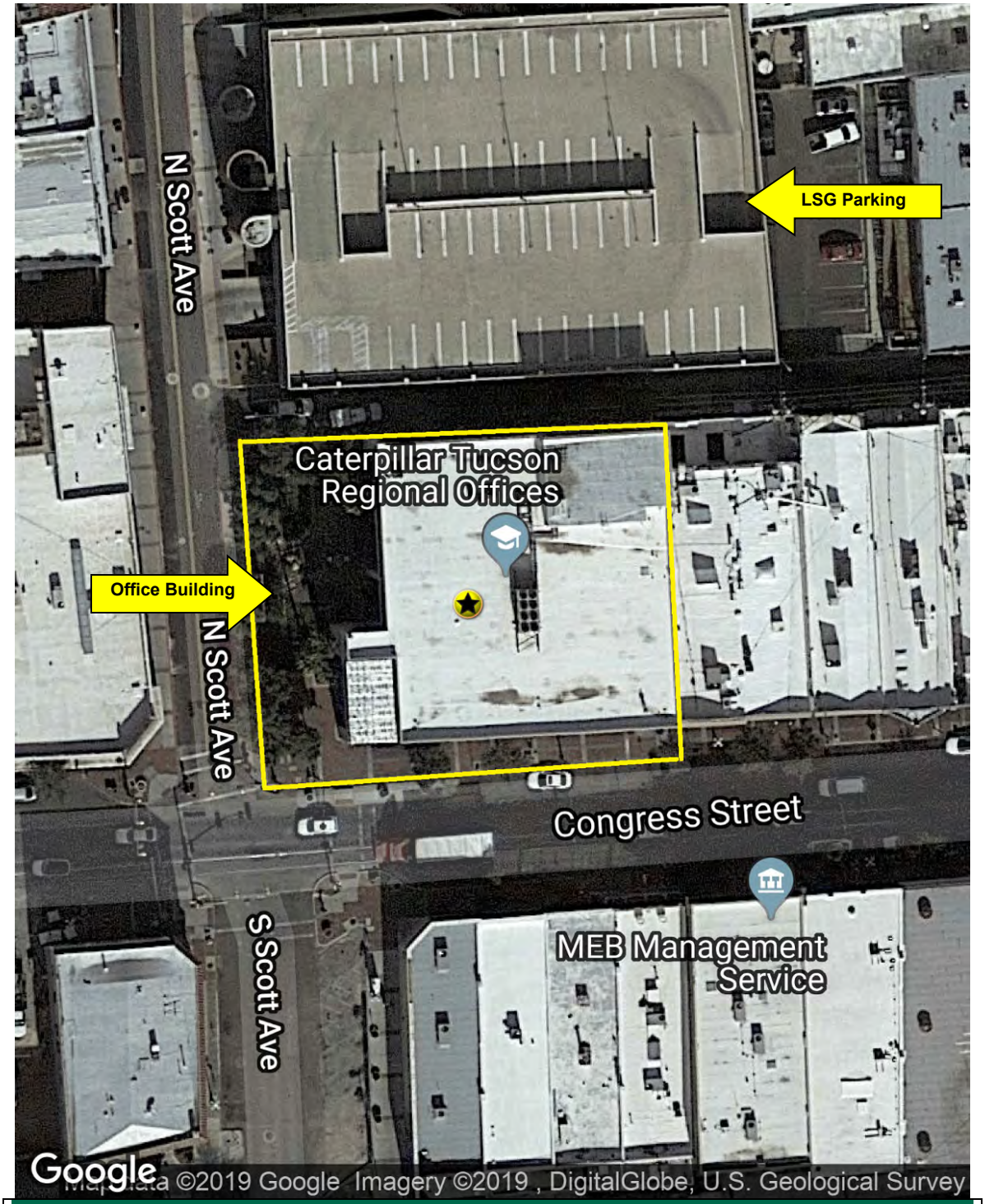
We certify to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
4. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of Arizona.
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 and Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, Byron Bridges, MAI, MRICS has completed the continuing education program for Designated Members of the Appraisal Institute.
11. As of the date of this report, Richard Lee has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.Richard Lee has and Byron Bridges, MAI, MRICS has not made a personal inspection of the property that is the subject of this report.
13. No one provided significant real property appraisal assistance to the persons signing this report.
14. Valuation & Advisory Services operates as an independent economic entity within CBRE, Inc. Although employees of other CBRE, Inc. divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
15. Richard Lee and Byron Bridges, MAI, MRICS, have not provided appraisal services, as appraisers or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Richard G. Lee
Senior Appraiser
Arizona Certified General Real
Estate Appraiser No. 31626

Byron Bridges, MAI, MRICS
Director
Arizona Certified General Real
Estate Appraiser No. 31173

Subject Photographs



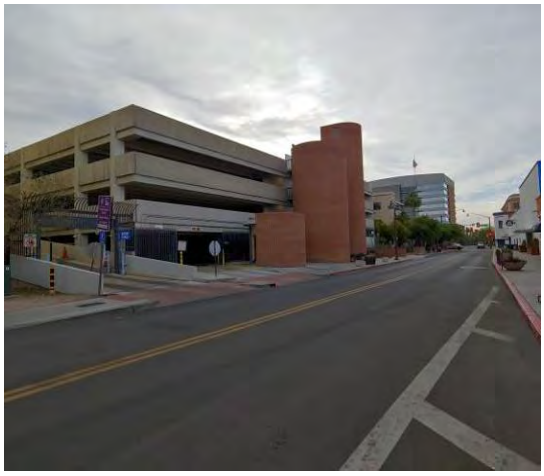
Aerial View

South Elevation

South and West Elevations

West and South Elevations

West and North Elevation

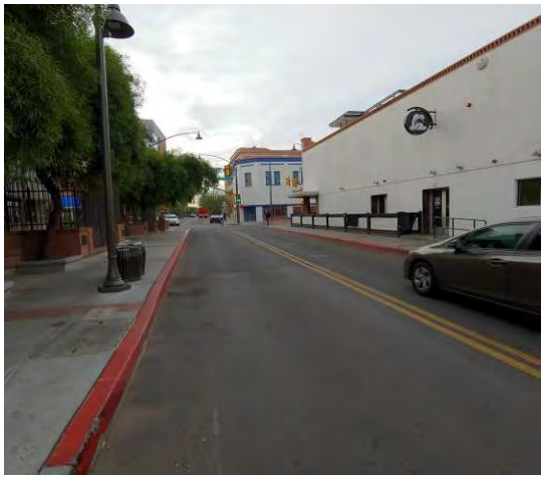


Adjacent Parking Structure (200 Spaces)

Adjacent Parking Structure (200 Spaces)

View West Along Congress Street

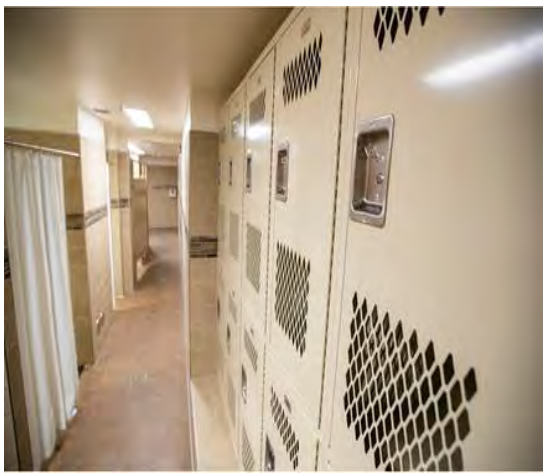
View South Along Scott Avenue



View North Along Scott Avenue

View East Along Congress Street

Lower Level - Open Area



Lower Level – Men's Locker Room

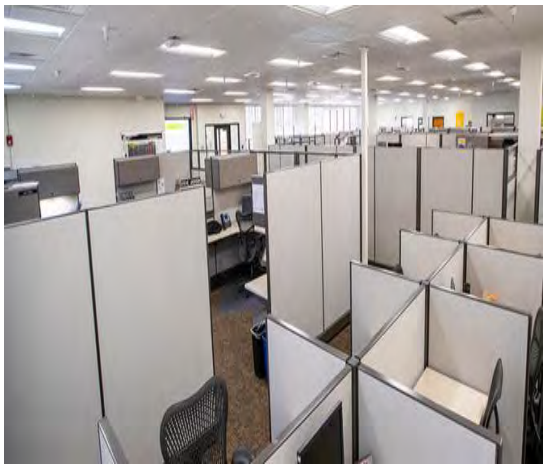
Lower Level – Fitness Center

Lower Level – Outdoor Patio/Garden

3rd Floor – Conference Room

3rd Floor – Balcony

2nd Floor – Open Space



2nd Floor – Open Bullpen/Cubicles

Executive Summary

Property Name	97 East Congress		
Location	97 East Congress Street, Tucson, Pima County, AZ 85701		
Client	Pima County Real Property Services		
Assessor Parcel Numbers	117-12-121C		
	117-12-121E		
	117-12-1230		
Highest and Best Use			
As If Vacant	Office/retail development, time and circumstances warranted		
As Improved	Office, as it currently exists		
Property Rights Appraised	Fee Simple Estate		
Date of Report	January 23, 2019		
Date of Inspection	December 21, 2018		
Estimated Exposure Time	12 Months		
Estimated Marketing Time	12 Months		
Land Area	0.35 AC		15,224 SF
Zoning	OCR-2, Office Commercial Residential Zone		
Improvements			
Property Type	Office	(Single Tenant)	
Number of Buildings	1		
Number of Stories	4		
Net Rentable Area	40,158 SF		
Year Built	1975	Renovated:	2016
Condition	Good		
Buyer Profile	Owner-User		
Financial Indicators			
Stabilized Occupancy	96.0%		
Overall Capitalization Rate	7.50%		

Pro Forma Operating Data	***Total***	***Per SF***
Effective Gross Income	$680,043	$16.93
Operating Expenses	$342,940	$8.54
Expense Ratio	50.43%	
Net Operating Income	$337,103	$8.39

VALUATION - REAL ESTATE	Total	Per SF
Sales Comparison Approach	$4,600,000	$114.55
Income Capitalization Approach	$4,500,000	$112.06

CONCLUDED MARKET VALUE			
Appraisal Premise	**Interest Appraised**	**Date of Value**	**Value**
Hypothetical As Is - Real Estate	Fee Simple Estate	December 21, 2018	$4,600,000
Hypothetical As Is - FF&E	Fee Simple Estate	December 21, 2018	$620,000
Hypothetical Market Rent - Real Estate	Fee Simple Estate	December 21, 2018	$371,462
Hypothetical Market Rent - FF&E	Fee Simple Estate	December 21, 2018	$43,400

Compiled by CBRE

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT)

Strengths/ Opportunities

- The subject offers a prominent CBD location with frontages along Congress Street and Scott Avenue at a signalized intersection.
- The subject has undergone extensive renovations over the past few years, with a modern appearance, which has been well maintained and is in good overall condition.
- The downtown office vacancy rate decreased from nearly 30% at the start of 2017 to a vacancy rate of 9.8% as of the 3rd quarter 2018.
- With major corporate users like Caterpillar Global Mining and Hexagon Mining moving their headquarters to the downtown area, as well as other projects under construction or planned, the dynamics of the downtown area continue to improve.
- There is more leasing activity in the downtown area currently than there has been for the past few years; this, according to local brokers, developers, and property owners.

Weaknesses/ Threats

- The subject property features no onsite parking. As is typical with most downtown office buildings, parking is primarily provided off-site within nearby parking garages, surface lots, and metered street parking. However, the nearby parking is within walking distance of the subject. The subject's lack of onsite parking is partially mitigated by the exclusive dedication of 200+/- vehicle parking spaces in the adjacent north Legal Services Garage (LSG), at a market rent rate per space, per month.
- The subject includes a lower level, which sits below the street grades of Congress Street and Scott Avenue, with limited window lines and natural light.
- There is a substantial amount of vehicular and pedestrian traffic along Congress Street with increased street level noise and difficult site access.
- The limited number of potential users or tenants actively pursuing 40,000 square foot office spaces in the downtown office submarket.
- Although metropolitan Tucson has made significant progress regaining jobs that were lost during the most recent economic downturn, the local economic recovery has been slow compared to the larger U.S. recovery.

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is defined as "an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions." [1]

- This appraisal assumes that 200+/- vehicle parking spaces will be dedicated for exclusive use of the subject's 97 East Congress Street building within the adjacent Pima County owned Legal Services Garage (LSG), a five-level above grade parking structure. The 200+/- parking spaces will be made available at a market rent rate per space, per month. Thus, there is parking available to the subject's office building in an area where parking comes at a premium.
- The rentable building area of 40,158-square feet is based on architectural drawings provided by the client. We did not verify the accuracy of this information and assumed the rentable building area to be accurate. Should the actual rentable building area differ from that reported, we reserve the right to adjust the value accordingly.
- The use of this extraordinary assumption may have affected the assignment results.

HYPOTHETICAL CONDITIONS

A hypothetical condition is defined as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but, is used for the purposes of analysis." [2]

- The appraisers assume that the subject property is not encumbered by any lease agreements. The property is currently leased to Caterpillar Global Mining through September 1, 2019, at which time Caterpillar will vacate the building. Thus, the value contained herein represents the fee simple estate in the land and building improvements.

OWNERSHIP AND PROPERTY HISTORY

OWNERSHIP SUMMARY	
	Current
Owner:	Pima County
Date Purchased:	Jan 6, 2005
Purchase Price:	N/A
Legal Reference	2005-0040131
County/Locality Name:	Pima
Pending Sale:	No
Change of Ownership - Past 3 Years	No
Compiled by CBRE	

Title to the property is currently vested in the name of Pima County, who acquired title to the property on January 2005; this, as recorded in Document No. 2005-0040131 of the Pima County Recorders records. We researched Pima County records, CoStar, and LoopNet, and to

[1] The Appraisal Foundation, *USPAP, 2018-2019*

[2] The Appraisal Foundation, *USPAP, 2018-2019*

the best of our knowledge, no transactions have occurred in the last three years. The subject property is not currently marketed for sale.

EXPOSURE/MARKETING TIME

Current appraisal guidelines require an estimate of a reasonable time period in which the subject could be brought to market and sold. This reasonable time frame can either be examined historically or prospectively. In a historical analysis, this is referred to as exposure time. Exposure time always precedes the date of value, with the underlying premise being the time a property would have been on the market prior to the date of value, such that it would sell at its appraised value as of the date of value. On a prospective basis, the term marketing time is most often used. The exposure/marketing time is a function of price, time, and use. It is not an isolated estimate of time alone. In consideration of these factors, we have analyzed the following:

- exposure periods for comparable sales used in this appraisal;
- exposure/marketing time information from the PwC Real Estate Investor Survey; and
- the opinions of market participants.

The following table presents the information derived from these sources.

EXPOSURE/MARKETING TIME DATA

Investment Type	Exposure/Mktg. (Months) Range	Average
Comparable Sales Data	12.0 - 24.0	18.0
PwC CBD Office		
National Data	2 - 18	6.5
Local Market Professionals	9.0 - 18.0	12.0
CBRE Exposure Time Estimate	**12 Months**	
CBRE Marketing Period Estimate	**12 Months**	

Source: PwC Real Estate Survey

Table of Contents

Certification i
Subject Photographs ii
Executive Summary vi
Table of Contents x
Scope of Work 1
Area Analysis 5
Neighborhood Analysis 15
Site Analysis 30
Improvements Analysis 38
Zoning 45
Tax and Assessment Data 46
Market Analysis 49
Highest and Best Use 62
Sales Comparison Approach 64
Income Capitalization Approach 76
Reconciliation of Value 94
Assumptions and Limiting Conditions 95
ADDENDA
A Improved Sale Data Sheets
B Rent Comparable Data Sheets
C Operating Data
D Client Contract Information
E Qualifications

Scope of Work

This Appraisal Report is intended to comply with the reporting requirements set forth under Standards Rule 2 of USPAP. The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered, and analysis is applied.

INTENDED USE OF REPORT

This appraisal is to be used for internal asset management decisions, and no other use is permitted.

CLIENT

The client is Pima County Real Property Services.

INTENDED USER OF REPORT

This appraisal is to be used by Pima County Real Property Services, and no other user may rely on our report unless as specifically indicated in the report.

> Intended Users - the intended user is the person (or entity) who the appraiser intends will use the results of the appraisal. The client may provide the appraiser with information about other potential users of the appraisal, but the appraiser ultimately determines who the appropriate users are given the appraisal problem to be solved. Identifying the intended users is necessary so that the appraiser can report the opinions and conclusions developed in the appraisal in a manner that is clear and understandable to the intended users. Parties who receive or might receive a copy of the appraisal are not necessarily intended users. The appraiser's responsibility is to the intended users identified in the report, not to all readers of the appraisal report. [3]

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the hypothetical market values for the subject property.

DEFINITION OF VALUE

The current economic definition of market value agreed upon by agencies that regulate federal financial institutions in the U.S. (and used herein) is as follows:

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:

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[3] Appraisal Institute, The Appraisal of Real Estate, 14th ed. (Chicago: Appraisal Institute, 2013), 50.

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. [4]

INTEREST APPRAISED

The value estimated represents Fee Simple Estate and defined as follows:

> *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. [5]

Extent to Which the Property is Identified

The property is identified through the following sources:

- postal address
- assessor's records

Extent to Which the Property is Inspected

CBRE, Inc. inspected the interior and exterior of the subject, as well as its surrounding environs on the effective date of appraisal.

Type and Extent of the Data Researched

CBRE reviewed the following:

- applicable tax data
- zoning requirements
- flood zone status
- demographics
- income and expense data
- comparable rents and sales data

Type and Extent of Analysis Applied

CBRE, Inc. analyzed the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value. The steps required to complete each approach are discussed in the methodology section.

---

[4] Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472.

[5] *Dictionary of Real Estate Appraisal*, 78.

Data Resources Utilized in the Analysis

DATA SOURCES	
Item:	*Source(s):*
Site Data	
Size	Pima County Assessor
Improved Data	
Building Area	Architect Drawings
No. Bldgs.	Visual Survey
Parking Spaces	Visual Survey and Information Provided by Client
Year Built/Developed	Pima County Assessor
Economic Data	
Deferred Maintenance:	Visual Survey
Building Costs:	Marshall Valuation Services
Income Data:	Rental Comparables
Expense Data:	Operating Income Statements and Expense Comparables
Compiled by CBRE	

APPRAISAL METHODOLOGY

In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

Cost Approach

The cost approach is based on the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when it is improved with relatively unique or specialized improvements for which there exist few sales or leases of comparable properties.

Sales Comparison Approach

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons.

Income Capitalization Approach

The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two

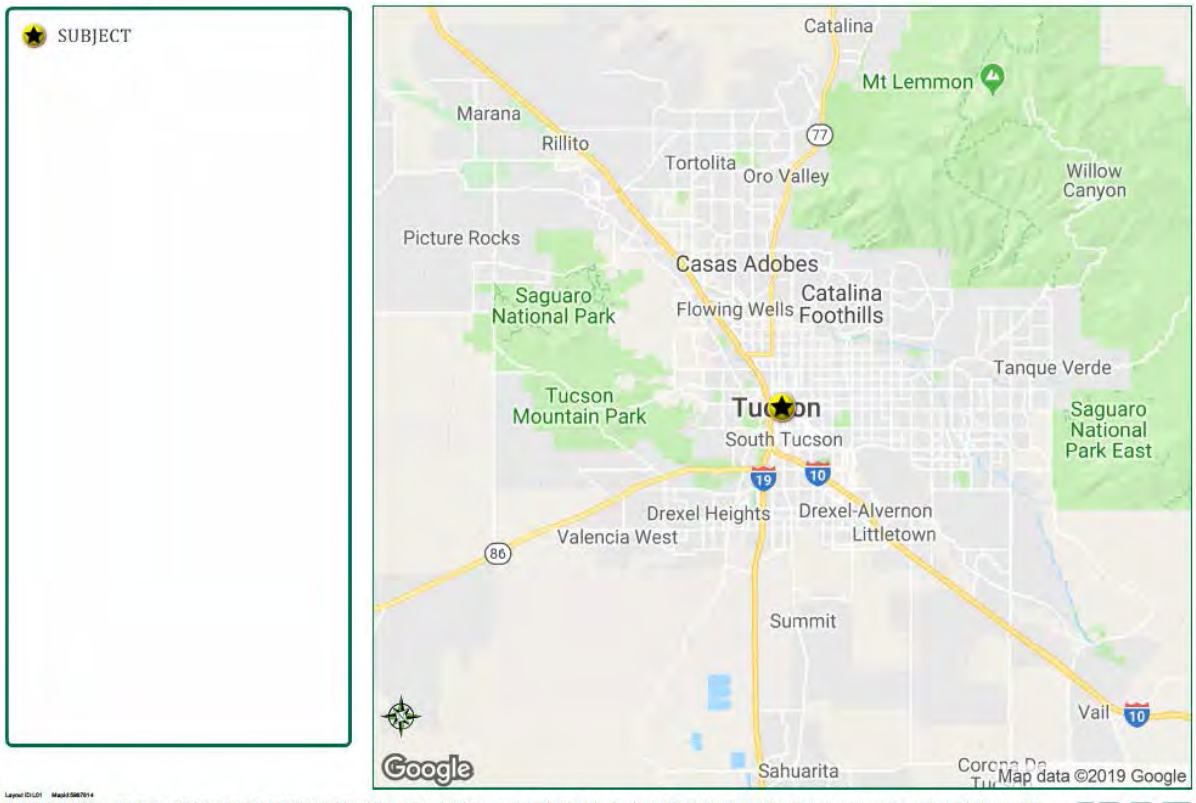
common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

Methodology Applicable to the Subject

In valuing the subject, only the sales comparison and income capitalization approaches are applicable and have been used. The cost approach is not applicable in the estimation of market value due to the age of the improvements and various renovations, rendering estimates of depreciation highly speculative. Additionally, and more importantly, buyers of properties such as the subject do not typically consider the cost approach in a potential acquisition in this recovering market. Therefore, the cost approach is omitted from our analysis.

Area Analysis

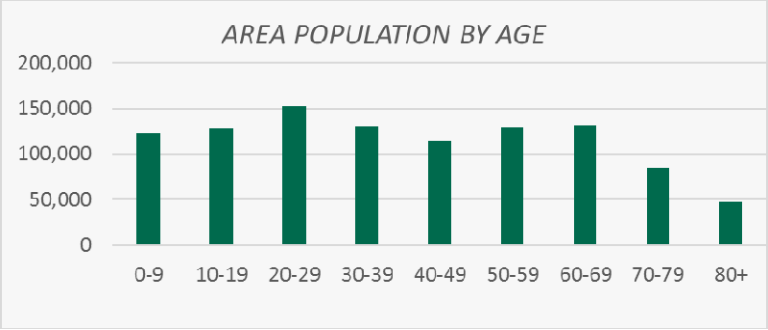
Area Map



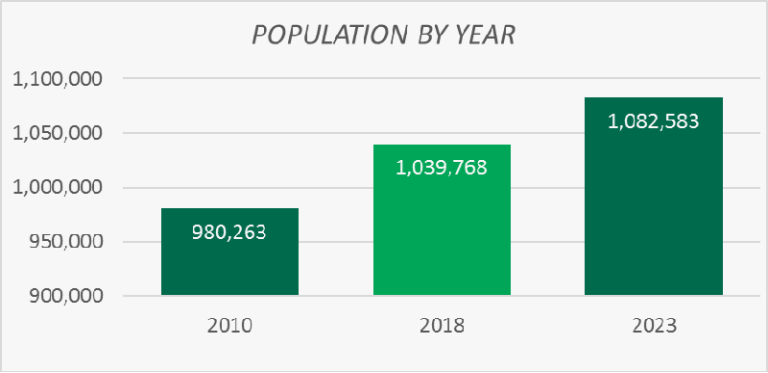
The subject property is located within the city of Tucson, which is part of the Tucson MSA (Pima County). Pima County is the second largest county by population in Arizona and is in the south-central portion of the state. The Area Market Analysis is meant to provide background information for the greater Tucson market area. Key information about the Tucson MSA is provided in the following charts and paragraphs.

POPULATION

According to ESRI, the Tucson MSA (Pima County) has a 2018 estimated population of just under 1.04 million and a median age of 39, with the largest population group in the 20-29 age range and the smallest population group in the 80 and over age range.

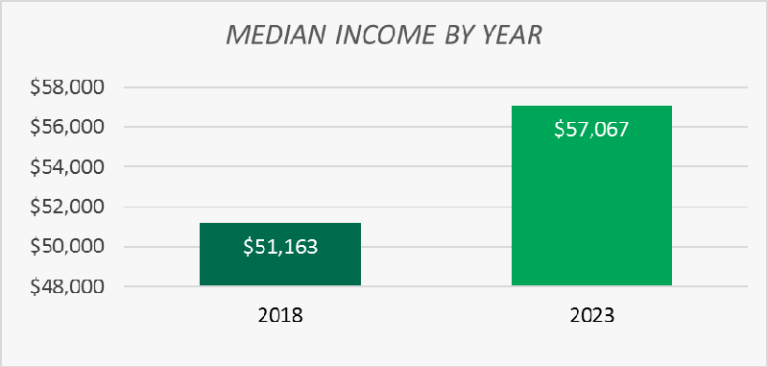


ESRI reports that Tucson's population has increased by 59,505 since 2010, reflecting an annual increase of 0.7% during that timeframe. Tucson's overall population is expected to grow by about 0.8% annually, to just over 1.08 million over the next five years.



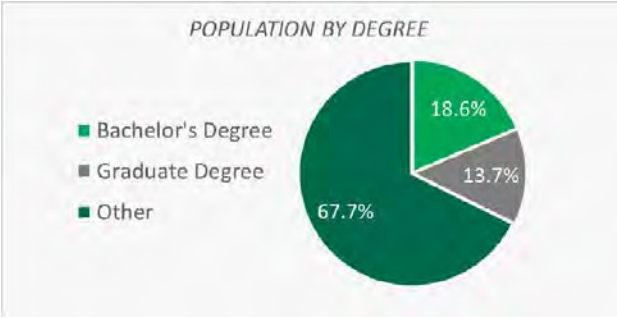
INCOME

According to ESRI, the Tucson MSA features a 2018 average household income of $71,176 and a median household income of $51,163, which respectively fall about 6.9% and 6.7% below Arizona and roughly 11.9% and 15.0% below the nation. Still, Tucson's median household income is projected to grow by 2.3% annually over the next five years.



EDUCATION

ESRI reports that a total of 32.3% of individuals over the age of 24 have a college degree, with 18.6% holding a bachelor's degree and 13.7% holding a graduate degree. The combined 32.3% rate ranks above the statewide rate of 29.5% and the national rate of 31.8%.



Overall, Tucson's education attainment is likely buoyed by the presence of the University of Arizona, a premier, student-centered research institution.

The University of Arizona

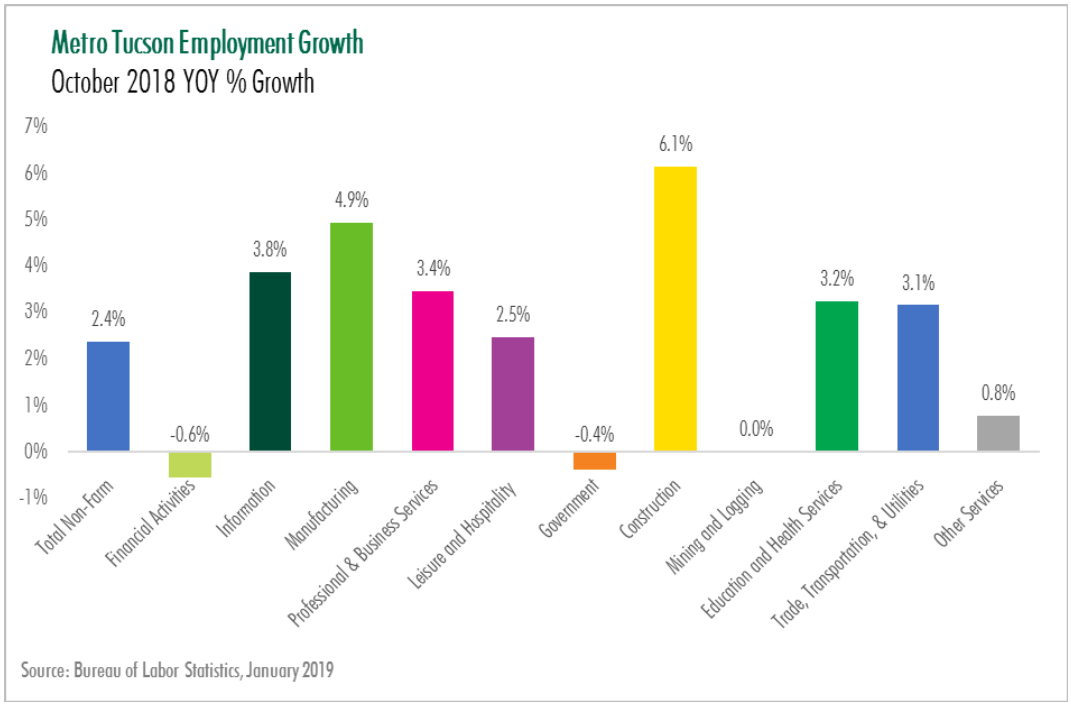
Established in 1885 as the first university in the Arizona Territory and the state's only land grant institution, the University of Arizona (UA) now encompasses 391 acres and includes 228 buildings. Now in its second century of service to the state, the UA has been ranked one of the nation's top 20 public research institutions. It is also one of only 63 members in the Association of American Universities, a prestigious organization that recognizes universities with exceptionally strong research and academic programs. In some areas such as optics, water research, and astronomy, UA considers itself among the best in the world. With world class faculty in fields as diverse as astronomy, plant science, biomedical science, business, law, music and dance, UA has much to offer students and the local economy. According to 2011 statistics, the University generates over $631 million in research, and gives the state economy an annual $3.6 billion boost. The high level of education trickles into the regional economy of Tucson, helping to fuel growth and attract investment. For the Fall 2017 semester, total enrollment equated to 44,831 students. The chart below, from the 2017–2018 fact book, illustrates student enrollment information from the 2007 through 2017 academic years.

Fall	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Undergraduate	29,070	29,719	30,346	30,592	30,665	31,565	31,670	32,987	33,732	34,072	35,123
Graduate	6,870	6,962	6,989	6,991	7,083	7,162	7,443	7,720	7,817	7,946	8,106
First Professional*	1,277	1,376	1,432	1,503	1,488	1,496	1,508	1,529	1,539	1,607	1,602
University Total	37,217	38,057	38,767	39,086	39,236	40,223	40,621	42,236	43,088	43,625	44,831
% Change	1.1	2.3	1.9	0.8	0.4	2.5	1.0	4.0	2.0	1.2	2.8

* Includes PharmD, Law, and MD Students

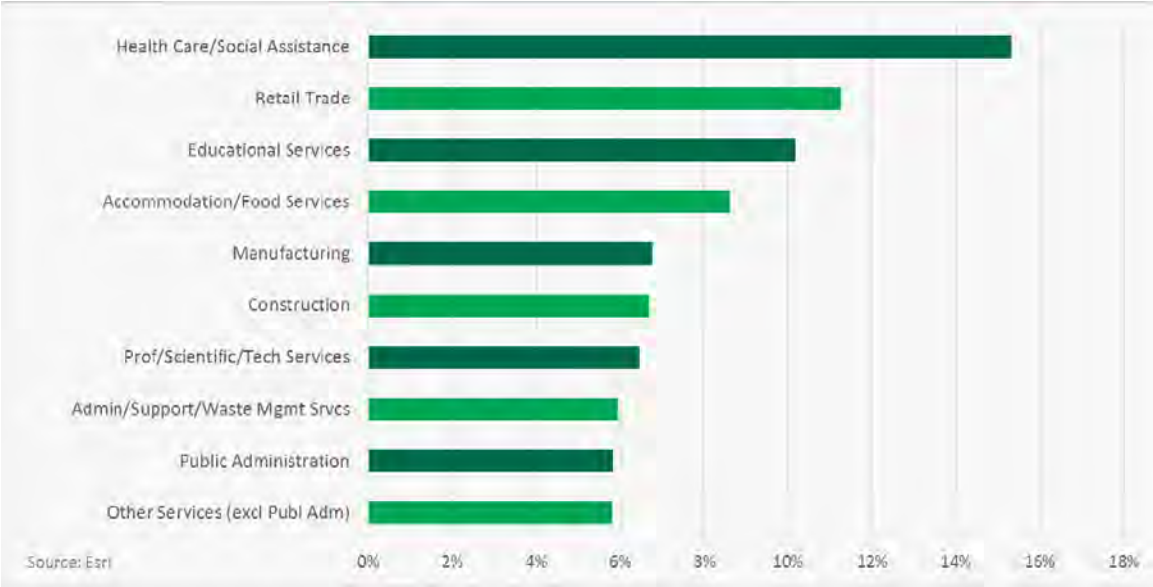
EMPLOYMENT

According to ESRI, the Tucson MSA includes a total workforce of over 453,000 people, with an unemployment rate of about 6.7%. For much of 2017, Tucson's employment growth appeared to be stagnant; however, following revisions from the Bureau of Labor statistics (BLS), the employment picture in Tucson is much brighter than was previously thought. Initially, BLS reported only 0.1% annual job growth in the Tucson metro during 2017; however, a recently released data adjustment showed employment grew by about 1.5%, with the addition of 3,600 jobs. As shown in the following chart, employment growth has continued within the Tucson MSA during 2018, with the BLS indicating total non-farm, year-over-year employment growth of 2.4% in October 2018. Over the last 12 months, the construction, manufacturing, and information sectors have posted the largest job growth rates, while the government and financial activities sectors reported slight employment declines.



Employment by Industry

According to ESRI, the top three employment industries within the Tucson MSA are health care/social assistance, retail trade, and educational service, which represent a combined total of approximately 37% of employees.



Notwithstanding this information, Tucson's economy is heavily influenced on government, defense, mining, and aerospace industries. As shown in the following table, eight of the top ten employers in the Tucson MSA fall with these industry categories, with Raytheon, Walmart, Banner Health, and Free-port-McMoRan representing the largest private employers in the area.

MAJOR EMPLOYERS

Rank	Company	# of Employees
1	University of Arizona	10,846
2	Raytheon Missile Systems	10,300
3	Davis-Monthan Air Force Base	9,100
4	State of Arizona	8,807
5	Wal-Mart Stores, Inc.	7,450
6	Tucson Unified School District	7,688
7	U.S. Border Patrol	6,500
8	Banner Health - University Medicine (UA Health)	6,099
9	Pima County	6,076
10	Freeport-McMoRan Copper & Gold	5,463

Source: Tucson Chamber of Commerce; Arizona Daily Star

Davis-Monthan Air Force Base

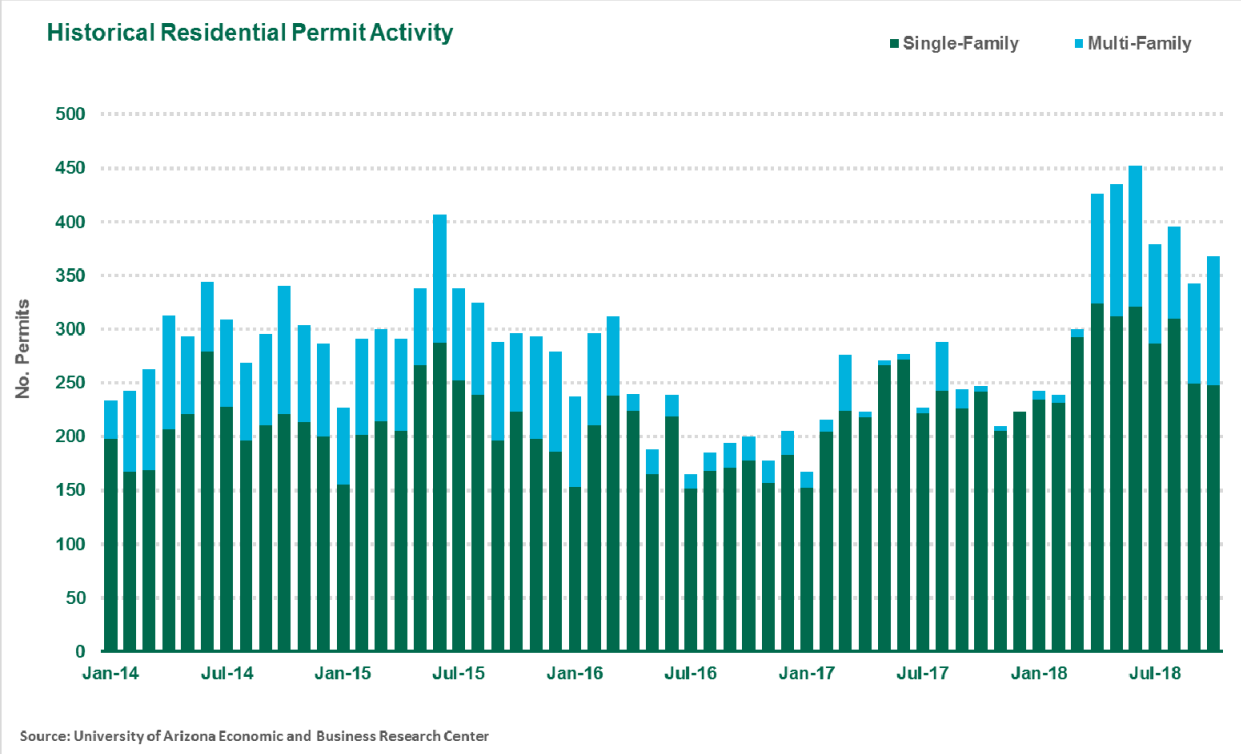
Davis-Monthan Air Force Base is a major military installation located in southeast Tucson, north of Interstate 10, south of Golf Links Road, and east of Alvernon Way. The base currently contains about 1,440 buildings, including 1,256 family housing units providing for roughly 60,000 personnel and family in a 10,763-acre community, which is one of the largest in Air Combat Command. According to its website, Davis-Monthan includes 6,500 Active Duty military personnel, 1,000 Reserve and Air National Guard personnel, and 3,000 civilian employees. The primary operation at the base is the 355th Wing, whose mission is to deploy,

employ, and sustain expeditionary combat and combat support forces while enabling critical JFACC and HLS operations.

According to DM50, a non-profit organization that advocates for the base and its airmen, Davis-Monthan has an overall economic impact of $2.6 billion to the Tucson economy, making it an important employment center for the Southern Arizona region.

HOUSING

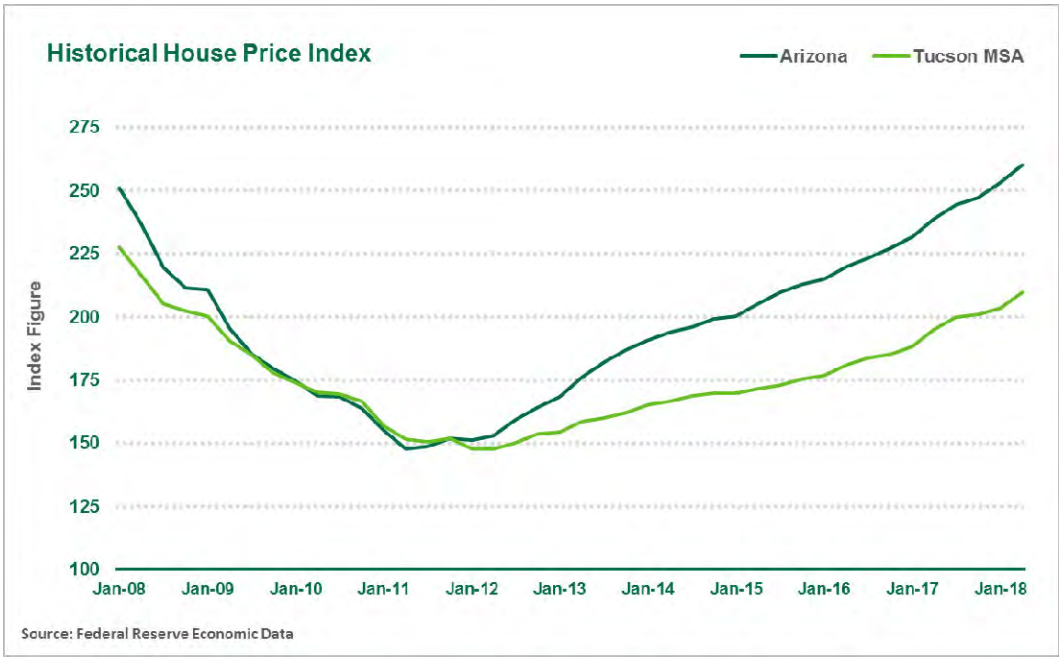
The following bar graph shows single-family and multi-family permit activity since 2014, per data obtained from the University of Arizona Economic Business Research Center.



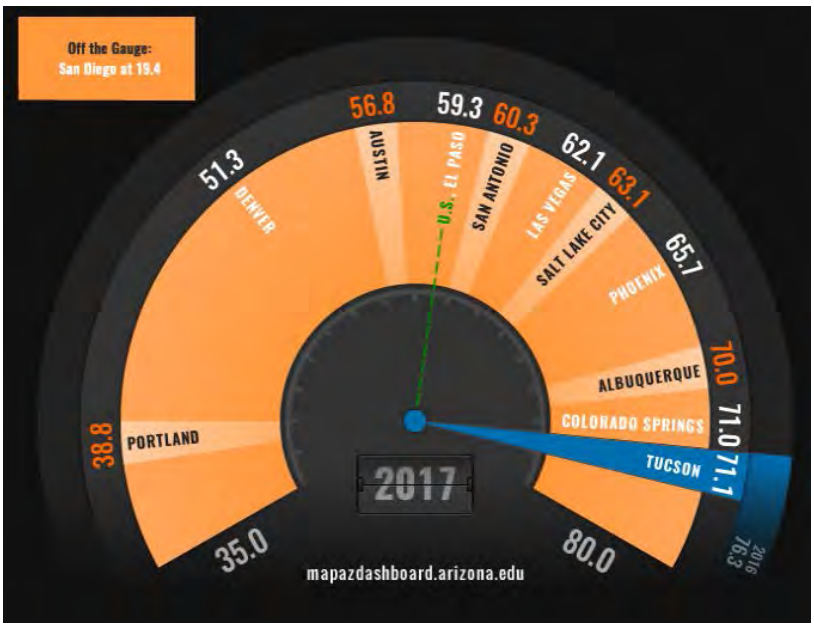
As indicated above, single-family permit activity has ticked up slightly in 2018, ranging between 250 and 350 per month over the past six to eight months, indicating somewhat stronger demand for new housing. During the previous two years, single-family permits largely ranged between 150 and 250 per month. Multi-family permits have also trended upward over the last six to eight months, following a two-year period with very little development activity. Currently, the multi-family housing market is considered to vibrant, with rental rates continuing to rise while vacancy has remained near historically low levels. Over the past 12 to 24 months, investors have aggressively sought multi-family product in Tucson, as buyers have been attracted to the higher achievable returns available to them in the Tucson market as compared to larger and more competitive markets, particularly in California. Despite slight increases in mortgage interest rates due to recent Federal Reserve interest rate hikes and rising yield rates in the treasury bond

markets, capitalization rates have held steady due to the abundance of investor activity in the local multi-family market.

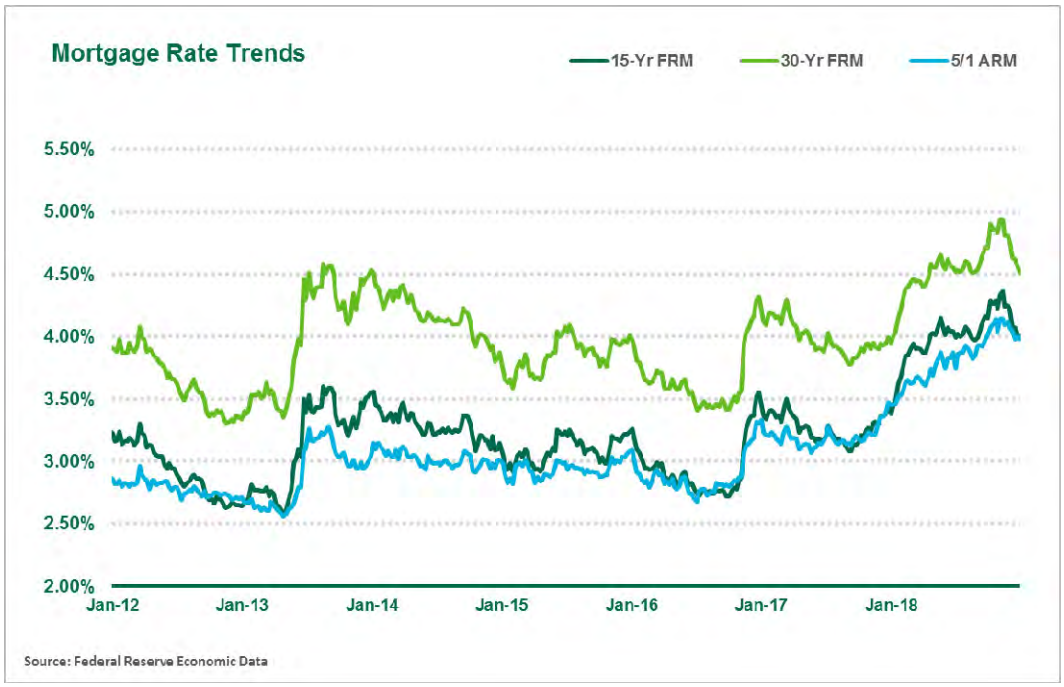
The following bar graph shows home price trends within metropolitan Tucson and the state of Arizona between 2007 and 2017, per Metro Study data.



As indicated in the previous chart, home prices within metropolitan Tucson have climbed steadily over the past five to six years after following a downward trend during the aftermath of the most recent economic recession. However, home prices in Tucson have been recovering more slowly than the rest of the state, resulting in higher housing affordability for the metro area than other large MSAs located in the southwest. Tucson housing affordability index, as compared to other southwest MSAs, is illustrated in the following chart. The chart below is provided by the University of Arizona MAP Dashboard.



The following graph illustrates mortgage rate trends over the past several years.



As indicated above, mortgage rates have generally increased over the past two years, which is largely the result of Federal Reserve interest rate hikes and yield rate increases in the treasury bond markets. The general consensus among most economists is that mortgage rates will trend modestly higher over the next several years, especially if the Federal Reserve continues to raise its benchmark fund rate.

TUCSON BY THE NUMBERS

The following presents the fundamental commercial real east market fundamentals for the Tucson MSA, as published by CBRE Research.

TUCSON BY THE NUMBERS

ARROWS USED IN THIS REPORT INDICATE A YEAR-OVER-YEAR COMPARISON

Market Size

Office	Industrial	Retail
9.7 Million SF	37.2 Million SF	23.1 Million SF

Source: CBRE Research, Q2 2018.

Sales Data

	OFFICE	INDUSTRIAL	RETAIL	MULTIFAMILY
2018 H1 Sales	84	60	131	38
Total SF	684,972	615,702	576,819	5,525
Total $	$78.23M	$31.14M	$73.23M	$363.82M
$/SF	$130	$69	$197	$51,268
2017 Sales	175	134	197	77
Total SF	1.68M	1.51M	1.71M	11,378
Total $	$166.94M	$46.60M	$313.74M	$693.73M
$/SF	$115	$71	$183	$60,180
2016 Sales	155	103	173	60
Total SF	1.07M	1.13M	1.26M	8,389
Total $	$107.65M	$45.56M	$240.30M	$484.73M
$/SF	$109	$56	$189	$56,847

Source: CBRE Research, Q2 2018. The sales data provided herein includes no minimum square footage and all records that include sales price; multifamily sales data includes a minimum of 40 units.

QUICK STATS: H1 2018

OFFICE
- 11.4% Vacancy
- 139,924 SF Net Absorption**
- $20.55 Lease Rates*
- 29,000 SF Completions

INDUSTRIAL
- 7.8% Vacancy
- 675,422 SF Net Absorption**
- $0.48 Lease Rates*
- 538,915 SF Completions

RETAIL
- 7.9% Vacancy
- (175,915) SF Net Absorption**
- $16.36 Lease Rates*
- 0 SF Completions

MULTIFAMILY
- 6.2% Vacancy
- (258) Units Net Absorption**
- $760 Lease Rates*
- 70 Units Completions

Source: CBRE Research, CBRE EA, Q2 2018.
*Lease rates are quoted for office and retail are psf/annually; industrial rents are psf/monthly; apartment rents are per unit/monthly. Based on weighted average of all lease types.
**The arrows are trend indicators over the specified time period and do not represent a positive or negative value (e.g., absorption could be negative, but still represent a positive trend over a specified period).

UNEMPLOYMENT RATE

3.6% Tucson | 4.7% Arizona | 3.8% U.S.

Source: BLS, May 2018.

Metro Profile

POPULATION
1,035,744

PER CAPITA INCOME
$36,328

GROSS METRO PRODUCT*
$45.4 Billion

Source: Moody's Analytics, Q2 2018.
*Seasonally adjusted annualized rate.

Employment

Industry	Empl. (000s)	YOY Change
Total Employment	381.8	▲ 1.4%
Natural Resources & Mining	1.7	▲ 7.0%
Construction	16.8	▲ 6.9%
Manufacturing	24.6	▲ 2.2%
Trade, Transp. & Utilities	61.3	▼ -0.1%
Information	5.3	▼ -0.8%
Financial Activities	17.8	▲ 1.8%
Professional & Business Srvs.	52.4	▲ 1.4%
Educational & Health Srvs.	66.5	▲ 2.0%
Leisure & Hospitality	44.9	▲ 1.7%
Other Services	13.1	▼ -0.3%
Government	77.4	▲ 0.6%
Office-Using Jobs	75.6	▲ 1.4%

Source: Moody's Analytics, Q2 2018.
*Office-Using Jobs is a combination of the Information, Business & Professional Services, and Financial Services industries above.

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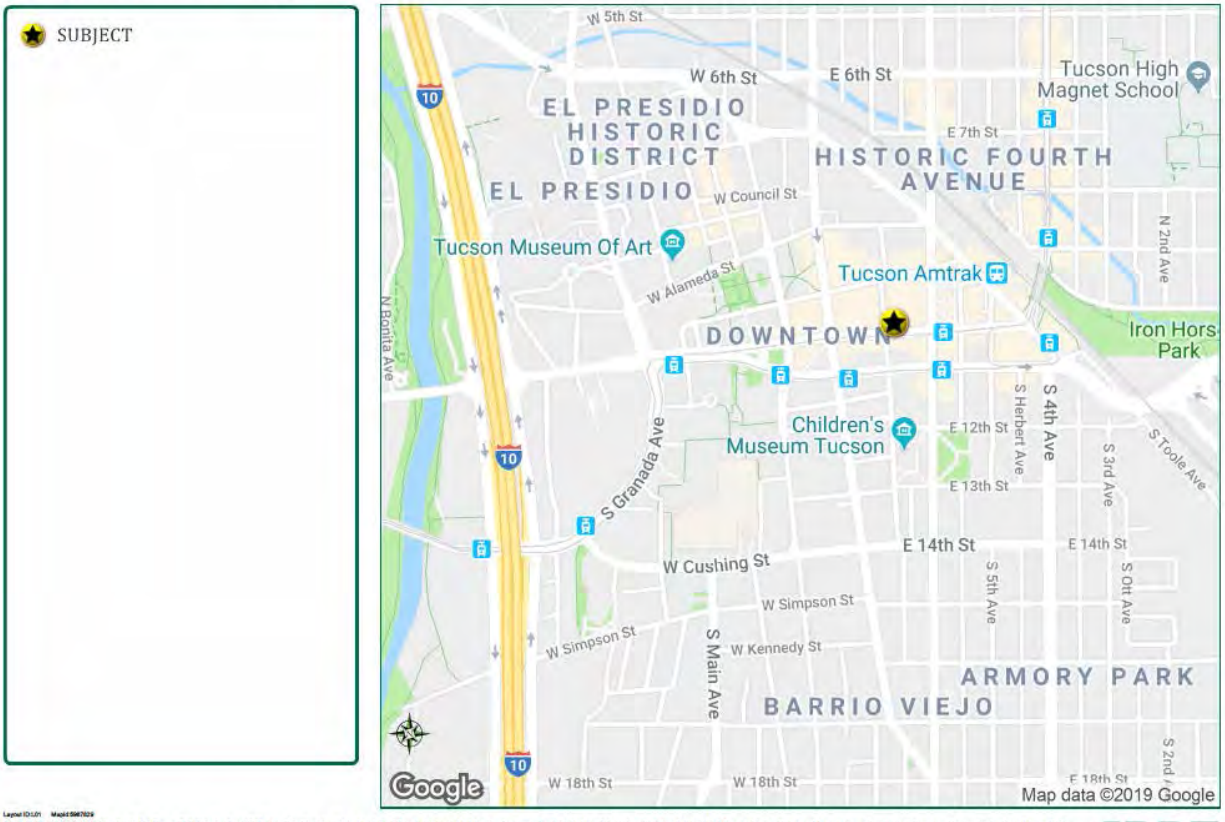
CONCLUSION

Tucson's economy is expected to continue gaining momentum over the near-term, particularly if defense spending on a Federal level continues to increase. Yet, Tucson's dependence on government spending has been a key contributor to its slower recovery from the 2008 financial crisis as compared to the state and the nation, and diversification of its economy could better position the Tucson MSA over the long-term. Still, recent job announcements by companies such as Caterpillar, Amazon, and Raytheon, as well as the continuing revitalization efforts in downtown Tucson and enrollment growth at the University of Arizona provide reason for optimism. Because of these factors, market participants anticipate that Tucson will continue to experience near-term growth in terms of employment, income, and housing, although the potential for a national economic recession could dampen future gain.

Neighborhood Analysis

Neighborhood Map



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LOCATION

The subject property is in downtown Tucson with frontage along two downtown roads: Congress Street on the south and Scott Avenue on the west. It is part of the Downtown Central Business District within the city of Tucson, and is considered an urban location.

BOUNDARIES

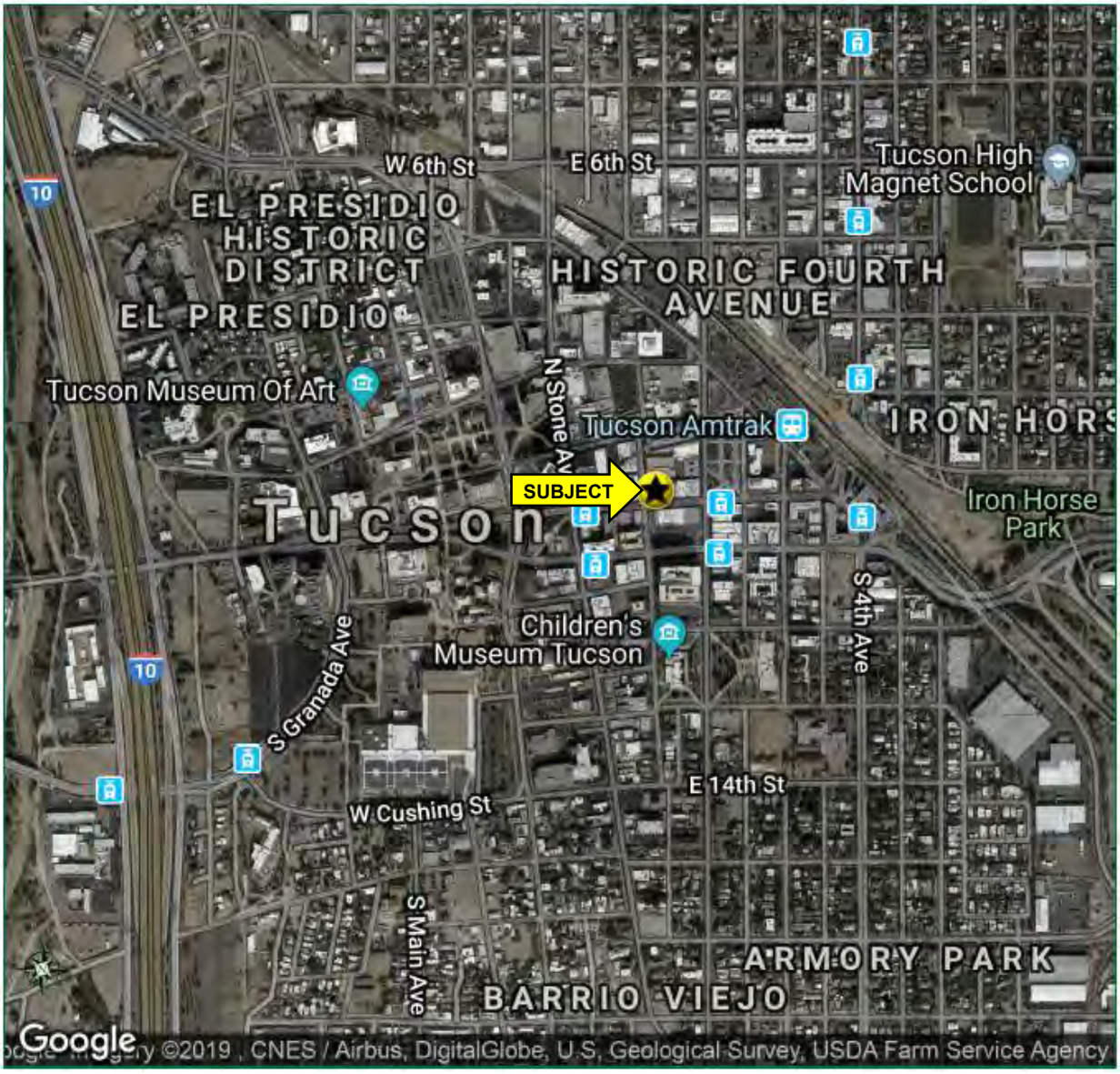
The neighborhood boundaries are detailed as follows:

North:	Speedway Boulevard
South:	22nd Street
East:	Euclid Avenue/Park Avenue
West:	Interstate 10 Freeway and Santa Cruz River

LAND USE

Properties located within the subject neighborhood represent a complementary mixture of residential, commercial and public utilizations. Office development is by far the most prominent commercial use represented by low, mid and high-rise structures. The neighborhood is over 95%

built-out with only small scattered parcels available for new development. The aerial map shown below illustrates the character of the neighborhood, with the location of the subject indicated by the yellow arrow.



Tucson Street Car – Sun Link

The downtown district has experienced a recent influx of new shops, restaurants, bars, and dance clubs in anticipation of the new street car line (Sun Link) that opened in July 2014. The newly built Sun Link street car line, which cost an estimated $196.5 million as part of the $2.1 billion Regional Transportation Plan, approved by Pima County voters in May 2006. It runs from the University of Arizona (near Speedway Boulevard and Campbell Avenue), through the 4th Avenue Shops District and into downtown Tucson. The subject is located along the street car line which runs along Congress Street with stops at 6th and Stone avenues. A map of the street car route is presented on the following page.

The fixed-guide way electric rail system has eight ADA-compliant vehicles in operation, sharing a travel lane with other vehicles and is compatible with street parking. The streetcar is expected to reach a stop every 10 minutes during the day and every 20 minutes during the evening. According to the most recent fiscal 2018 years statistics, the streetcar line reported an average daily ridership of over 2,400 people.

Rio Nuevo and Downtown Redevelopment:

Of significant importance to Downtown Tucson are Rio Nuevo and the Downtown Redevelopment Project. Voters approved the Rio Nuevo project in early 2000 through Proposition 400. Rio Nuevo was planned as a $320 million public/private redevelopment project to revitalize downtown and recreate Tucson's birthplace, along with several other historical sites. Most of the new development was intended to take place on 62 acres of city-owned property bounded by "A" Mountain on the west, Interstate 10 on the east, primarily along the west bank of the Santa Cruz River, north and south of Congress Street.

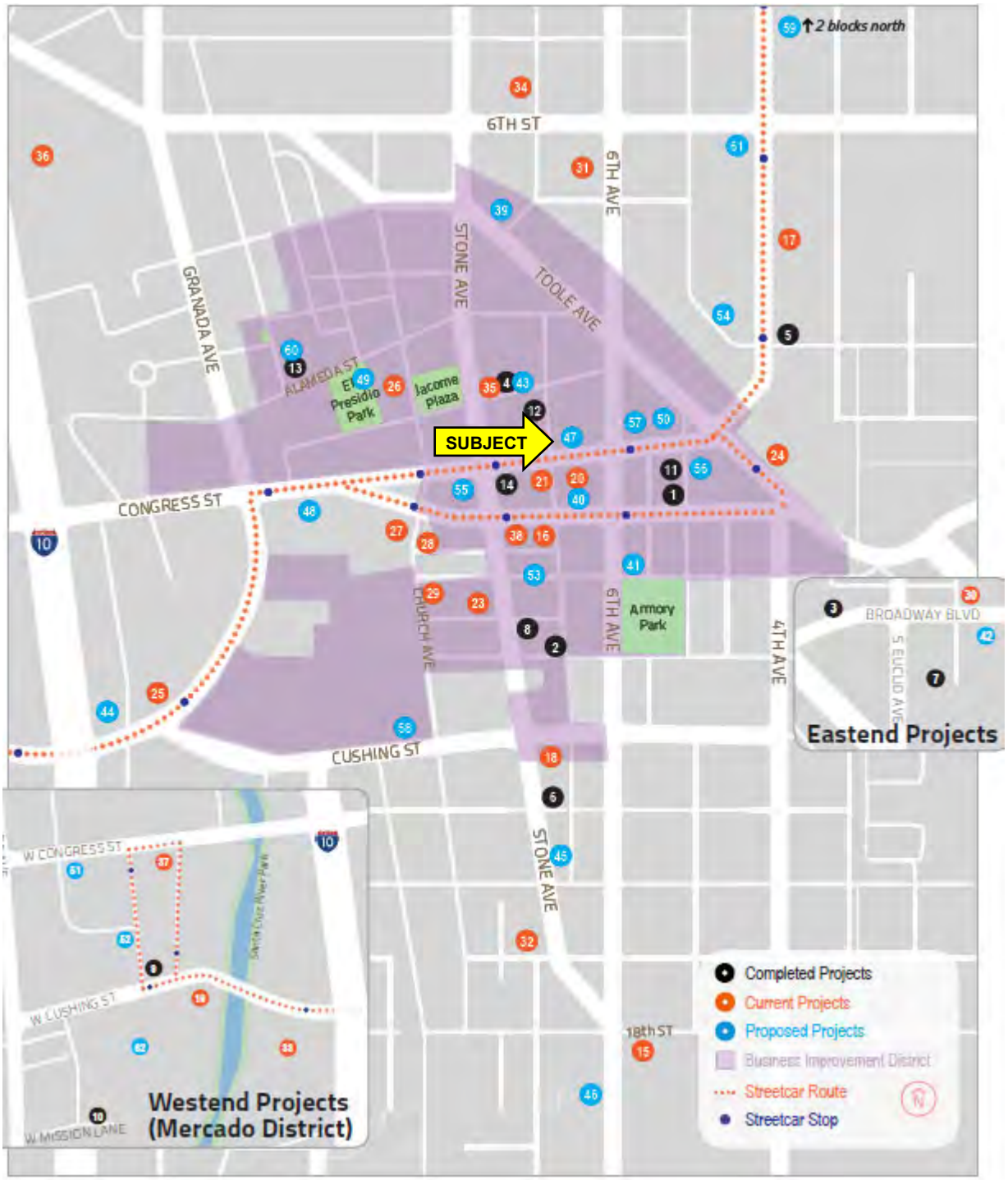
Since its inception, the redevelopment goals for Rio Nuevo have changed over the years with many concepts that never progressed beyond the initial design and review phase. Along with other projects that have recently finished or currently in progress, redevelopment efforts are now focused on the Tucson Convention Center (TCC). In addition, several other major developments have been announced.

Caterpillar Global Mining is bringing its regional headquarters for the manufacturer of construction and mining equipment to downtown Tucson. Caterpillar was originally thought to bring 650 high-paying jobs to Tucson over the next five years; however; that projection is now closer to 1,000 jobs. These jobs will consist primarily of executive management, engineering, product development and support positions. The state estimates the economic impact to Southern Arizona at $600 million. Caterpillar has a heavy equipment proving ground near Green Valley/Sahuarita that opened in 1990. The company also has a large plant in Monterrey, Mexico, and suppliers throughout Northern Mexico. Caterpillar noted that their decision to move was based upon their ability to be closer to their mining customers and close to the Tucson Proving Ground (iron), as well as Southern Arizona being a growing region known for a workforce rich in mining, technology, and engineering expertise with strong government support. Currently, Caterpillar's operations are being temporarily housed in approximately 40,000 square feet of office space located at 97 E. Congress Street (subject property), and within 26,093 square feet (portion of 1st floor and all of the 2nd floor) located at 1 S. Church Avenue. Presently, the company is building a three-story, 150,000-square foot headquarters facility just west of downtown and Interstate 10 at 875 W. Cushing Street within the Westend Projects/Mercado District (see map on following page). Construction is slated to be completed by March 2019.

In addition to Caterpillar, other prominent tech companies who have relocated to downtown Tucson include Hexagon Mining and Ernst Young/Forensic Logic. Hexagon Mining recently moved into approximately 36,000 square feet (3rd floor, 4th floor and portion of 5th floor) of newly constructed office space (North American headquarters) within the City Park & Trading Post development. The City Park & Trading Post project consists of a 99,000-square foot mixed-use development located at 40-60 E. Congress Street. Ernst Young/Forensic Logic moved into 12,036 square feet of office space in the Transamerica Building located at 177 N. Church Avenue in March 2018 and will be bringing approximately 125 new jobs to the downtown Tucson market.

The National Hockey League franchise, the Arizona Coyotes, recently brought an American Hockey League affiliate to Tucson that operates as the main development team that would send players to the NHL. The American Hockey League season runs from October until April, with the Tucson Roadrunners scheduled to play about 35 home games each season.

Although there has been some controversy from Tucson residents about the lack of progress for Rio Nuevo projects, many new projects have been completed with others continuing to progress forward. These projects will be summarized later within this section. Overall, these redevelopment efforts have helped to revitalize downtown Tucson and attract new residents and employers to the area. The map on the following page illustrates recently completed projects, current projects under construction, and planned/proposed projects in downtown Tucson. The location of the subject property is identified by the yellow arrow.



The above map is taken from the Downtown Tucson Development Report, Summer 2018 produced by the Downtown Tucson Partnership.

COMPLETED PROJECTS

On Map	Project Name	Location	Type	Developer	Status	Cost (millions)	Housing Units	Comm. Sq Ft	Jobs Created
1	AC Hotel Tucson Downtown	151 E Broadway Blvd	Hotel; parking garage	Tucson Urban & North Face Investments	Completed September 2017	$38	-	6,000	220
2	Bring's Building	236 S Scott Ave	Retail & office space	Peach-Dabooub	Completed summer 2017	$2.5	-	13,845	25
3	Broadway Protected Bike Lanes	Westbound Broadway Blvd - Aviation Pkwy to S. Toole Ave	Roadway project	City of Tucson	Completed April 2018	$0.26	-	-	-
4	CITY cc| Collaborative Learning Center - Phase I	37 E Pennington St	Education space	CITY Center for Collaborative Learning	Completed March 2018; Seeking donations for additional improvements - see proposed projects	$0.60	-	-	-
5	Coronado Hotel Apartments	402 E 9th St	Market-rate apartments	Carbon Cabo LLC	Completed February 2018	$1.5	30	-	-
6	Downtown Motor Apartments	383 S Stone Ave	Low-income apartments	Compass Affordable Housing	Completed February 2017	$6.6	44	-	-
7	Greyhound Bus Terminal	801 E 12th St	Bus station	Rio Nuevo	Completed March 2017	$2.5	-	1,500	-
8	McCormick	201 S Stone Ave	Market-rate apartments	Holualoa Cos. & Scotia Group	Completed April 2017	$4.6	25	-	2
9	Mercado San Agustin Annex	267 S Ave Convento	Retail & event space	Gadsden Company	The project is mostly complete; grand opening held May 4	$12	-	31,755	75
10	Mission Garden	927 W Mission Ln	Office & facilities	Gadsden Company	Completed February 2017	$1.1	-	-	-
11	Playground & HUB Remodel	266 & 278 E Congress St	Retail & event space	Rio Nuevo & Scott Stteler	HUB completed August 2017. Playground completed December 2017	$3.2	-	12,500	-
12	Scott Avenue	0-100 N Scott Ave	Streetscape improvements	City of Tucson, Rio Nuevo funded	Completed November 2017	$0.75	-	-	-
13	Tucson Museum of Art Renovation Phase1	140 N Main Ave	Museum & event space	Tucson Museum of Art	Completed October 2017	$0.75	-	5,000	-
14	Two East Lofts	2 E Congress St	Market-rate apartments	Art Wadlund & Rob Caylor	Completed July 2017	-	21	-	-
						$74.3	120	70,600	322

CURRENT PROJECTS

On Map	Project Name	Location	Type	Developer	Status	Cost (millions)	Housing Units	Comm. Sq Ft	Jobs Created
15	18th Street Bungalows	140 E 18th St	Single family homes	RCV Properties LLC	Construction underway; completion summer 2018	$2.1	4	-	-
16	44 East	44 E Broadway Blvd	Office & retail; parking garage	Dabdoub-Schwabe	Renovation of existing building underway; new adjacent buildings to begin 1QTR 2019	$34.3	-	79,500	-
17	Boxyard, The	238 N 4th Ave	Retail & event space	Cypress Civil Development	Nearing completion; estimated opening June 2018	-	-	12,000	-
18	Brady Court	40 E 14th St	Market-rate apartments	Marcel Dabdoub	Construction underway; completion 4QTR 2018	$0.40	8	-	-
19	Caterpillar Tucson Mining Center	W Cushing St	Company HQ offices; parking garage	Rio Nuevo	Construction of 3-story structure underway; completion 3QTR 2019	$49	-	150,000	650
20	Central Block Rehabilitation	98-110 E Congress St	Commercial	Dabdoub-Schwabe	Construction underway; completion 3QTR 2018	$3.5	-	10,000	30
21	City Park & Trading Post	40-60 E Congress St	Food hall, retail, entertainment, & company HQ offices	Bourn Companies	Construction underway; completion 3QTR 2018	$27.5	-	99,000	300
22	Cobra Arcade Bar	63 E Congress St	Retail	EQ Scott & Congress LLC	Nearing Completion; grand opening June 29	$0.25	-	5,000	15
23	Diocesan Complex at Cathedral Square	192 S Stone Ave	Offices & event center	Catholic Diocese of Tucson	Construction underway; completion 4QTR 2018	$12	-	-	-
24	Downtown Links Phase III	Broadway to I-10	Roadway project	City of Tucson, RTA	Construction bidding phase; no timeline set	$39	-	-	-
25	Granada Drainage Improvements	S Granada Ave	Drainage improvements	Rio Nuevo	Construction ongoing; completion 4QTR 2018	$1.5	-	-	-
26	Historic Pima County Courthouse	115 N Church Ave	Adaptive-reuse; offices	Pima County	Exterior renovations complete; Interior renovations underway; completion November 2018	$25	-	87,000	-
27	The Flin (La Placita Village)	110 S Church Ave	Market-rate apartments	HSL Properties	Demolition of La Placita Village complete; no timeline set for The Flin	$22	244	-	-
28	Marist, The	111 S Church Ave	Low-income senior housing	Foundation for Senior Living	Construction underway; completion 4QTR 2018	$12.6	75	-	-
29	Marist at Cathedral Square, The	235 S Church Ave	Senior housing; community center	Foundation for Senior Living	Exterior and interior renovations continue on the historic Marist College; completion 4QTR 2018	$24	8	-	-
30	Mark, The	931-949 E Broadway Blvd	Student housing	Landmark Properties	Construction delayed after fire; completion unknown	$52	154	-	10
31	Mister Car Wash Corporate Offices	415 N 6th Ave	Offices	Mister Car Wash	Construction underway; occupancy by summer 2018	$3.8	-	29,000	105
32	Mordasini Villas	19 W 17th St	Market-rate houses	Renee Morton	Construction underway, completion 4QTR 2018	$3	7	-	-
33	Ramada by Wyndham Tucson (former Riverpark Inn)	777 W Cushing St	Hotel	Brian Corbell	GPLET approved in 2017; renovations happening in phases and ongoing	$2.2	-	-	-
34	Seventh Avenue Commons	529 N 7th Ave	Affordable housing	Gardner Capital Development	Nearing completion; leasing summer 2018	$14	50	-	-
35	SinfoniaRx Pioneer Relocation	100 N Stone Ave	Offices	Holualoa Pioneer, LLC	13,530 RSF delivered so far; 2,600 RSF to follow	$0.69	-	16,000	-
36	U-Haul of El Presidio	450-460 N Freeway	Retail, vehicle rental, personal/ commercial storage	AMERCO Real Estate Co.	Construction underway; completion 3QTR 2018	$9.1	-	108,000	-
37	West End Station	855 W Congress St	Affordable housing	Gadsden Co. and Gorman & Co.	Construction underway; completion 4QTR 2018	$12	70	-	-
38	Westerner/West Point Apartments	10-20 E Broadway Blvd	Low-income senior and veteran housing; offices	COPE Community Services	Construction underway; completion 4QTR 2018	$10	50	55,000	-
						$359.9	**670**	**650,500**	**1,110**

PROPOSED PROJECTS

On Map	Project Name	Location	Type	Developer	Status	Cost (millions)	Housing Units	Comm. Sq Ft	Jobs Created
39	35 Toole	35 E Toole Ave	Restaurant & additional rsf	Fenton Investment Co.	Rio Nuevo approved an agreement w/ developer; projected start 3QTR 2018	-	-	13,500	-
40	75 Broadway	NW corner of Broadway and 6th Ave	Office, retail, parking garage	JE Dunn	Rio Nuevo and JE Dunn entered into a temporary agreement	$120	-	250,000	500
41	Aveda School Salon and Spa	145 S 6th Ave	Education space; salon and spa	Lemonds Holdings LLC	Picaretta Davis relocated; projected start 3QTR 2018	-	-	12,000	-
42	Broadway Volvo PAD	930-948 E Broadway	Mixed use	City of Tucson	City of Tucson now seeking a buyer; a PAD will be pursued after buyer selected	-	-	-	-
43	CITY CCL - Phase II	37 E Pennington St	Education space	CITY Center for Collaborative Learning	Seeking $500k for additional improvements; phase I complete	$0.50	-	-	-
44	Cushing Street Skate Park	Cushing St @ I-10	Outdoor skate park	Tucson Parks Foundation	Raising funds; potential start 4QTR 2018	$0.20	-	-	-
45	Downtown Clifton Hotel Expansion	485 S Stone Ave	Hotel expansion	Urban Oasis LLC	Construction to begin summer 2018; projected completion 1QTR 2019 with now 30 total rooms	$3.5	-	-	12
46	Flash Apartments	834-836 S 6th Ave	Adaptive reuse; studio apartments	Marcel Dabdoub	Planning/Design	-	31	-	-
47	Flores Concepts - Congress St	61, 121, 125 E Congress St	Restaurants and nightlife; renovation	Flores Concepts	Planning/Design	$0.25	-	-	-
48	Hotel Arizona Renovation	181 W Broadway Blvd	Hotel & event space	HSL Properties	Projected start 4QTR 2018	$20	-	180,000	-
49	January 8th Memorial	El Presidio Park	Memorial	January 8th Memorial Foundation	Plans scaled back due to funding shortage; projected start 1QTR 2019	$4	-	-	-
50	Moxy Hotel by Marriott	45 N 5th Ave	Hotel (110 rooms); market-rate housing	Scott Stiteler & Partners	Projected start 1QTR 2019	$23	40	-	-
51	Menlo Park Row Houses	885 W Congress St	Market-rate homes	Gadsden Co. & Pure Build	No timeline set	$3.8	9	-	-
52	Monier, The	160 S Ave Del Convento	Apartments with retail frontage	Gadsden Co. & Holualoa Cos.	Planning/Design; projected start 4QTR 2018	$25	122	13,450	-
53	Ochoa Street Improvements	Ochoa St between Stone and Scott	Streetscape improvements	Rio Nuevo	Planning/Design; projected start 4QTR 2018	$1	-	-	-
54	Partners on Fourth PAD	213,225 N 4th Ave	Market-rate apartments; retail & office	Partners on Fourth Inv LLC	Rezoning approved; projected start 3QTR 2019	-	-	10,000	-
55	Rendezvous Urban Flats	1 W Congress St	6-story apartments; ground-floor retail	Aerie Development LLC	No timeline set	-	100	130,000	-
56	Rialto Theatre Improvements	318 E Congress St	Entertainment venue	Rialto Theatre Foundation	More than $700k has been raised; HVAC improvements to begin July 2018, others to follow	$1	-	-	-
57	Ronstadt Transit Center	215 E Congress St	Transit center, mixed use	Peach Properties	Awaiting FTA approval	$127	274	112,000	-
58	TCC Hotel-Caliber Hospitality	Church & Cushing	Hotel (125 rooms); parking garage	Caliber Hospitality	Zoning completed; projected start 3QTR 2018	$24	-	-	-
59	Trinity, The	400 E University Blvd	Office building; residential/retail building	R+R Development & Bourn Cos.	Projected start of office 3QTR 2018; residential/retail building to follow	$21.5	58	30,700	-
60	Tucson Museum of Art Renovation Phase II	140 N Main Ave	Museum & event space	Tucson Museum of Art	$2.5 million has been raised of $5.5 million goal; projected start 1QTR 2019	$5.5	-	-	-
61	Union on 6th	340 E 6th St	Student housing & retail	Education Realty Trust Inc.	Planning/Design; projected demolition 2QTR 2019	-	250	8,000	-
62	Mercado District	Cushing & Ave Del Convento	Infrastructure improvements	Rio Nuevo	Planning/Design	$10	-	-	-
						$390.3	884	759,650	512

The addition of new office space to the downtown Tucson market may impact occupancies in the older existing office buildings. The fact that proposed speculative office space is a possibility is a testament to the submarkets strength and long term potential.

Multi-Family Development

The neighborhood has experienced a surge in multi-family development over the past few years, with several market-rate, student housing, and low-income housing projects recently completed,

currently under construction, or planned/proposed. The following chart details each of the recently built and planned multi-family developments within the downtown area.

NEW DOWNTOWN MULTI-FAMILY DEVELOPMENT				
Name	Type	Location	Year Built/ Redeveloped	No. Units
The Cadence	Student Housing	345-350 E. Congress Street	2013	206
The Junction at Iron Horse	Student Housing	504 E. 9th Street	2014	76
One North Fifth	Market Rate/Low-Income	1 N. 5th Avenue	2008	96
MLK Apartments	Low-Income	55 N. 5th Avenue	2010	68
One East Broadway	Market Rate/Low-Income	1 E. Broadway Boulevard	2013	24
One West Broadway	Market Rate	1 W. Broadway Boulevard	2016	40
Herbert Residential	Market Rate	202 E. 12th Street	2013	144
The Flats at Julian Drew Block (subject)	Market Rate	128 S. 5th Avenue	2012	53
Downtown Motor Hotel	Low-Income	383 S. Stone Avenue	2017	44
McCormick Apartments	Market Rate	201 S. Stone Avenue	2017	25
The Lofts at 2 E Congress	Market Rate	2 E. Congress Street	2017	21
The District on 5th	Student Housing	550 N. 5th Avenue	2012	206
Arizona Hotel Apartments	Market Rate	35 N. 6th Avenue	2016	15
Rally Point Apartments	Low-Income (Veteran)	101 S. Stone Avenue	2016	30
Sentinel Senior Housing	Low-Income (Senior)	800 W. Congress Street	2012	143
Total Units				1,191
Under Construction/Planned				
Name	Type	Location	Year Built	No. Units
The Coronado	Market Rate	402 E. 9th Street	2018	30
7th Avenue Commons	Low-Income	529 N. 7th Avenue	2018	50
The Marist at Cathedral Square	Low-Income (Senior)	111 S. Church Street	2018	75
Marist College	Low-Income (Senior)	235 S. Church Street	2018	8
West Point Apartments	Low-Income (Senior)	20 E. Broadway Boulevard	2018	50
West End Station	Low-Income	855 W. Congress Street	2018	70
La Placita Village	Market Rate	110 S. Church Avenue	2018	246
Rendezvous Urban Flats	Market Rate	20 S. Stone Avenue	2019	100
The Ronstadt	Market Rate	NEC 6th Avenue & Congress Street	2020	246
Trinity	Market Rate	400 E. University Boulevard	2020	72
The Mark	Student Housing	95 N. Park Avenue	2019	154
Monier Apartments	Market Rate	160 S. Avenida del Convento	2020	122
Depot Plaza	Market Rate	45 N. 5th Avenue	2020	50
One Forty One South	Market Rate	141 S. Stone Avenue	2020	87
Total Units Planned/Under Construction				1,360
Compiled by CBRE				

Commercial Development

The character of the Downtown Central Business District had changed from one of general business and commercial uses to an office and government district. However, there has been a resurgence of small retailers, services, restaurants, night clubs, taverns and art galleries which have joined downtown.

In 2011, the mixed-use Tucson Electric Power (UniSource) tower and the parking garage for Plaza Centro were constructed. These were the first two, new, private sector developments in the downtown neighborhood in over 20 years. The TEP tower is a 9-story building that is located at the southwest corner of 6th Avenue and Broadway Boulevard. The project was built on the site of the former Santa Rita Hotel and comprises approximately 170,000 square feet of office space with 11,000 square feet of ground level retail space, as well as a conference center. The Plaza

Centro garage is located beneath a portion of the Cadence student housing project. It is located at Congress Street and 4th Avenue, near the east entrance of the downtown core.

As noted previously, the City of Tucson hopes to increase the downtown population base to support existing stores and services and attract new businesses. Currently, most downtown activity occurs during normal workday hours Monday through Friday. Over the last few years, several new restaurants and bars have opened in the downtown district, joining the Rialto Theatre and Club Congress as nightlife destinations for downtown Tucson. These openings, along with other recent downtown activity demonstrate new interest in the downtown submarket.

There is a general lack of grocery and convenient stores located in downtown Tucson, although a small, 6,000-square foot grocery store and deli known as Johnny Gibson's Downtown Market located at 11 S. 6th Avenue was opened in 2015. Most neighborhood grocery and convenience stores in the area are located on the periphery of downtown, along secondary neighborhood streets. The nearest neighborhood shopping center is located at the southeast corner of St. Mary's Road and Silverbell Road, about one mile west of Interstate 10.

The Mercado San Agustin, located at the southwest corner of West Congress Street and Avenida del Convento, was completed in late 2009. The Mercado is Tucson's first and only public market and has 15,000-square feet available for independently owned businesses. Now open are La Estrella Bakery, Sonoran Sno-Cones, Dolce Pastello, San Augustin Trading Company, La Cabana, and others. The center offers special events include the Santa Cruz River Farmers' Market every Thursday and Sunday Brunch Market every Sunday from 8 a.m. to noon. The Mercado San Agustin is the final stop for the Sun Link Streetcar.

Office Development

There has been relatively limited new office development in downtown Tucson over the past 20 years. Most new office construction are built-to-suit projects, like Caterpillar's 150,000-square foot headquarters, the built-to-suit 61,355-square foot Casa de los Niños headquarters, and the approximately 36,000-square feet of office space in the City Park & Trading Post project for Hexagon Mining. Other office projects include the redevelopment of The Westerner/West Point Apartments, which is being renovated to include offices and 50 apartment units (low-income senior and veteran housing) above ground floor retail. The office space will be 100% occupied by COPE Community Services. The most significant announcement for office development is JE Dunn's proposed new 12-story (previously 21-story), 150,000-square foot (previously 250,000-square feet), mixed-use office and retail project known as 75 Broadway. The information regarding this project, as of the date of value, is that the top five floors will be office, the middle five floors will be parking (approximately 350 spaces), and the bottom two floors will be retail. Delivery is scheduled for 2020 although, no definitive date has been set for ground-breaking at this time.

The table below summarizes the recently developed and planned commercial and public infrastructure developments located within the downtown area that have been a part of its revitalization.

RIO NUEVO REDEVELOPMENT PROJECTS	
Complete	**Under Construction/Planned**
Fox Theater renovation	Chicago Music Store
Presidio San Agustin del Tucson	44 E. Broadway Boulevard (mixed-use)
4th Avenue underpass	Caterpillar headquarters
Scott Avenue Streetscape	Mercado San Agustin Annex
Depot Plaza historic train depot	Ramada by Wyndam (fmr Riverpark Inn)
Mercado San Agustin	Downtown Links
Menlo Park Mercado District	Moxy Hotel by Marriott
Convention Center east entrance	January 8th Memorial at El Presidio Park
Plaza Centro parking garage	Tucson Convention Center hotel
SunLink modern streetcar line	Mission Garden
Depot Plaza parking garage	123 S. Stone Avenue (restaurant)
Cushing Street bridge	75 Broadway
Fire Central	Diocesan Complex at Cathedral Square
AC Marriott Hotel	Historic Pima County Courthouse
Depot Plaza parking garage	The Flin (fmr La Placita Village
The Brings Building	The Marist
Greyhound bus terminal	Seventh Avenue Commons
Tucson Convention Center renovations (on-going)	
HUB & Playground renovation	
Mister Car Wash Corporate Offices	
City Park & Trading Post	

Source: Rio Nuevo and Downtown Tucson Partnership

University of Arizona

Although it is located just east of the subject neighborhood boundaries, much of the redevelopment with downtown Tucson has been heavily influenced by the presence of the University of Arizona and its enrollment growth over the last several years.

As mentioned previously, the University of Arizona (UA) is a premier, student-centered research institution. Established in 1885 as the first university in the Arizona Territory and the state's only land grant institution; the UA now encompasses 391 acres and includes 228 buildings. Now in its second century of service to the state, the UA has been ranked one of the nation's top 20 public research institutions. It is also one of only 63 members in the Association of American Universities, a prestigious organization that recognizes universities with exceptionally strong research and academic programs. In some areas such as optics, water research, and astronomy, UA considers itself among the best in the world. With world class faculty in fields as diverse as astronomy, plant science, biomedical science, business, law, music and dance, UA has much to offer students and the local economy. According to 2011 statistics, the University generates over $631 million in research, and gives the state economy an annual $3.6 billion boost. The high level of education trickles into the regional economy of Tucson, helping to fuel growth and attract

investment. For the Fall 2017 semester (most recently available), total enrollment equated to 44,831 students.

The main campus sits on 380 acres in central Tucson, approximately one-mile northeast of downtown Tucson, and includes 179 buildings. Many of the early buildings, including the Arizona State Museum buildings (one of them the 1927 main library) and Centennial Hall, were designed by Roy Place, a prominent Tucson architect. It was Place's use of red brick that set the tone for the red brick facades that are a basic and ubiquitous part of nearly all U of A buildings, even those built in recent decades. Indeed, almost every U of A building has red brick as a major component of the design, or at the very least, a stylistic accent to harmonize it with the other buildings on campus.

ACCESS

Primary north/south arterials through downtown Tucson include Stone and 6th avenues. The primary east/west arterials include Broadway Boulevard/Congress Street, and Saint Mary's Road/6th Street. The Tucson Freeway/Interstate-10 is the western boundary of the downtown neighborhood. This limited access freeway extends north/south across the western edge of downtown Tucson with a full diamond interchange at Congress Street approximately one-mile northwest of the subject. Interstate 10 provides the downtown area with reasonably good access.

DEMOGRAPHICS

Selected neighborhood demographics in 1-, 3-, and 5-mile radii from the subject are shown in the following table:

SELECTED NEIGHBORHOOD DEMOGRAPHICS			
97 East Congress Street Tucson, AZ 85701	1 Mile Radius	3 Mile Radius	5 Mile Radius
Population			
2023 Total Population	14,365	114,157	296,724
2018 Total Population	13,932	111,384	288,918
2010 Total Population	13,247	108,434	280,031
2000 Total Population	10,999	104,700	270,155
Annual Growth 2018 - 2023	*0.61%*	*0.49%*	*0.53%*
Annual Growth 2010 - 2018	*0.63%*	*0.34%*	*0.39%*
Annual Growth 2000 - 2010	*1.88%*	*0.35%*	*0.36%*
Households			
2023 Total Households	6,447	43,688	118,358
2018 Total Households	6,220	42,513	115,268
2010 Total Households	5,902	41,353	112,189
2000 Total Households	5,620	39,874	109,089
Annual Growth 2018 - 2023	*0.72%*	*0.55%*	*0.53%*
Annual Growth 2010 - 2018	*0.66%*	*0.35%*	*0.34%*
Annual Growth 2000 - 2010	*0.49%*	*0.36%*	*0.28%*
Income			
2018 Median Household Income	$28,946	$30,740	$33,488
2018 Average Household Income	$46,739	$46,159	$47,842
2018 Per Capita Income	$21,654	$18,932	$19,735
2018 Pop 25+ College Graduates	3,621	20,189	48,560
Age 25+ Percent College Graduates - 2018	47.6%	30.9%	26.8%

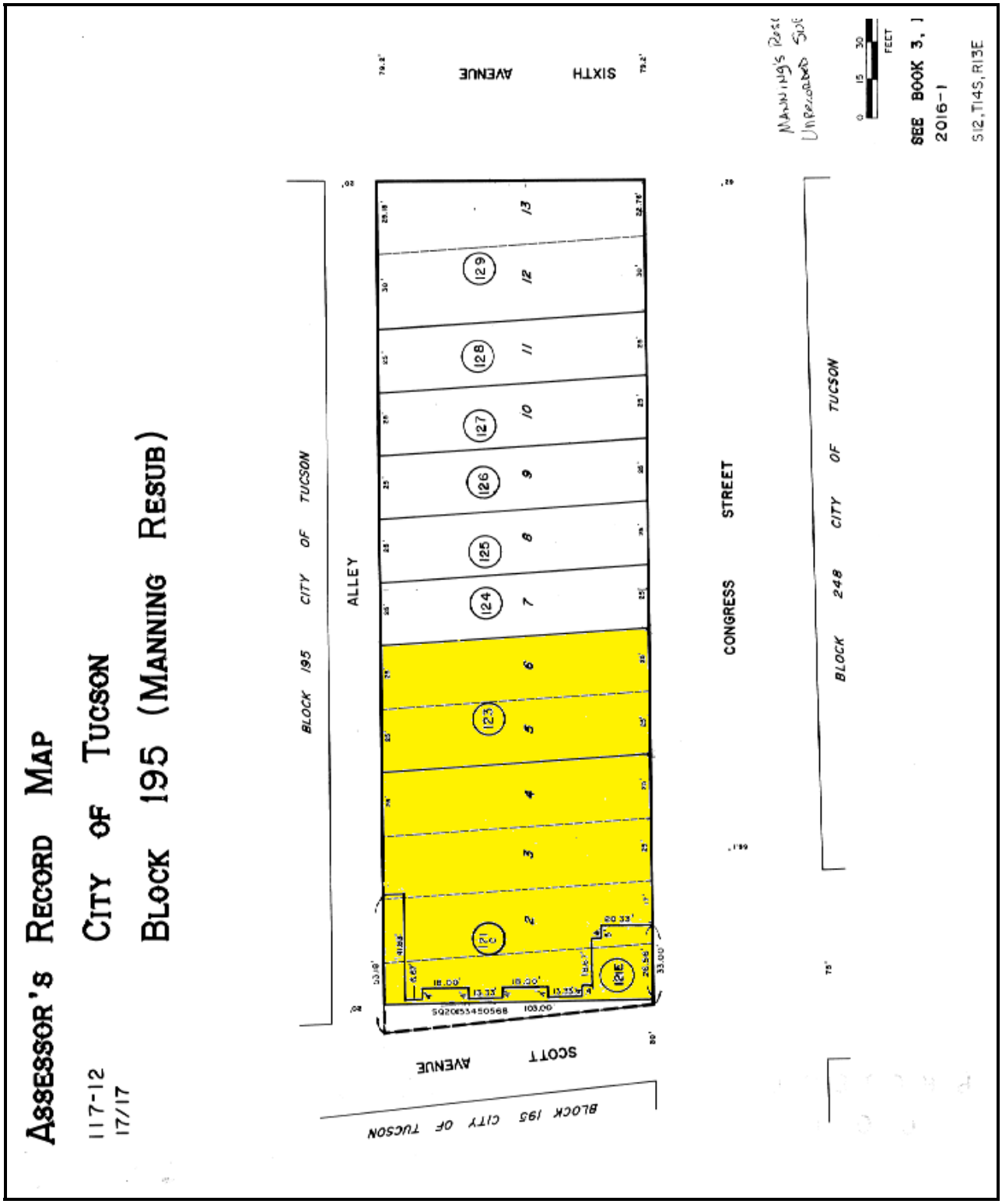
Source: ESRI

CONCLUSION

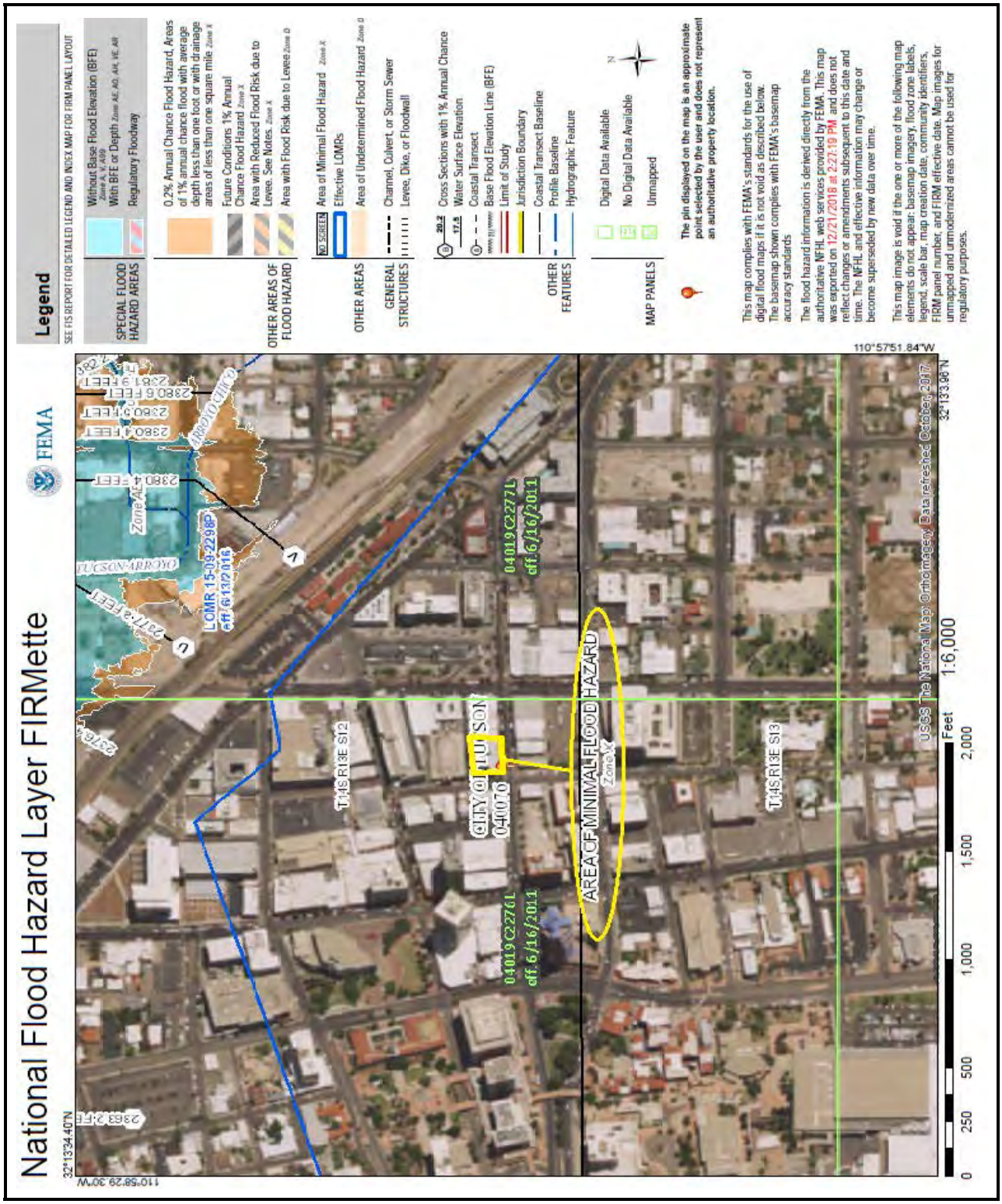
As shown above, the population and number of households within the subject's immediate area and the larger neighborhood have increased moderately since 2010, a trend that is expected to continue over the next five years. The subject neighborhood has a lower- to middle-income profile, with a 2018 average household income of $46,159 within a three-mile radius of the subject.

The subject neighborhood is currently positioned in a redevelopment phase of a typical neighborhood life cycle. There is a limited supply of vacant land in the area, with most of new construction in the area representing redevelopment projects. The newly built modern streetcar system and proximity to the University of Arizona both provide positive influences on the subject, and the neighborhood benefits from good transportation linkages overall. The neighborhood also includes large employment centers and provides a multitude of walkable amenities and attractions to residents. Overall, downtown Tucson is expected to continue experiencing an influx of new development and new residents, which will spur even more growth over the near-term. Thus, the subject is in an area of growth, and the neighborhood is considered to have a positive influence on the property overall.

PLAT MAP


ASSESSOR'S RECORD MAP
CITY OF TUCSON
BLOCK 195 (MANNING RESUB)
117-12
17/17
BLOCK 195 CITY OF TUCSON
ALLEY
SIXTH AVENUE
CONGRESS STREET
SCOTT AVENUE
BLOCK 248 CITY OF TUCSON
BLOCK 195 CITY OF TUCSON
SEE BOOK 3, 1
2016-1
S12,T14S,R13E
FEET

FLOOD PLAIN MAP



Site Analysis

The following chart summarizes the salient characteristics of the subject site.

SITE SUMMARY AND ANALYSIS			
Physical Description			
Net Site Area	0.35 Acres	15,224 Sq. Ft.	
Primary Road Frontage	Congress Street	144 Feet	
Secondary Road Frontage	Scott Avenue	103 Feet	
Shape	Rectangular		
Topography	Level		
Zoning District	OCR-2, Office Commercial Residential Zone		
Flood Map Panel No. & Date	04019C2276L	16-Jun-11	
Flood Zone	Zone X (Unshaded)		
Adjacent Land Uses	Parking garage, office and retail uses		
Comparative Analysis	**Rating**		
Visibility	Above Average		
Functional Utility	Assumed adequate		
Traffic Volume	Moderate		
Adequacy of Utilities	Assumed adequate		
Landscaping	Average		
Drainage	Assumed adequate		
Utilities	**Provider**		**Availability**
Water	City of Tucson		Yes
Sewer	Pima County Wastewater		Yes
Natural Gas	Southwest Gas Corporation		Yes
Electricity	Tucson Electric Power Company		Yes
Telephone	CenturyLink and other providers		Yes
Mass Transit	SunTran, SunLink		Yes
Other	**Yes**	**No**	**Unknown**
Detrimental Easements			X
Encroachments			X
Deed Restrictions			X
Reciprocal Parking Rights		X	

Source: Various sources compiled by CBRE

INGRESS/EGRESS

There is no vehicle ingress and egress available to the subject site; this, as there is no onsite parking. Pedestrian access is available via both Congress Street and Scott Avenue. Per the client, the subject property will have exclusive use of 200+/- parking spaces in the adjacent five level Legal Services Garage (LSG), which sits adjacent to the north that will be leased at a market rate per space, per month. Vehicle ingress and egress to the LSG is provided along the east side of Scott Avenue via two curb cuts.

Congress Street, at the subject, is a primary west-bound arterial street that has a dedicated width of 62 feet and is improved with two lanes of traffic (west-bound only). Street improvements include asphalt paving and concrete curbs, gutters and sidewalks, and street lighting. Metered street parking is permitted along both sides of the street. Per Pima Association of Governments (PAG), the 2014 annual daily traffic count along Congress Street was 15,571 vehicles.

Scott Avenue, at the subject, is a secondary north-south street that has a dedicated width of 30 feet and is improved with two-lanes of traffic (one lane in each direction). Street improvements include asphalt paving and concrete curbs, gutters and sidewalks, and street lighting. Street parking is not permitted.

There is also a 20 foot-wide, one-lane, asphalt paved alley located along the north side of the property.

EASEMENTS AND ENCROACHMENTS

There are no known easements or encroachments impacting the site that are considered to affect the marketability or highest and best use. It is recommended that the client/reader obtain a current title policy outlining all easements and encroachments on the property, if any, prior to making a business decision.

COVENANTS, CONDITIONS AND RESTRICTIONS

There are no known covenants, conditions or restrictions impacting the site that are considered to affect the marketability or highest and best use. It is recommended that the client/reader obtain a copy of the current covenants, conditions and restrictions, if any, prior to making a business decision.

ENVIRONMENTAL ISSUES

The appraiser is not qualified to detect the existence of potentially hazardous material or underground storage tanks which may be present on or near the site. The existence of hazardous materials or underground storage tanks may affect the value of the property. For this appraisal, CBRE, Inc. has specifically assumed that the property is not affected by any hazardous materials that may be present on or near the property.

ADJACENT PROPERTIES

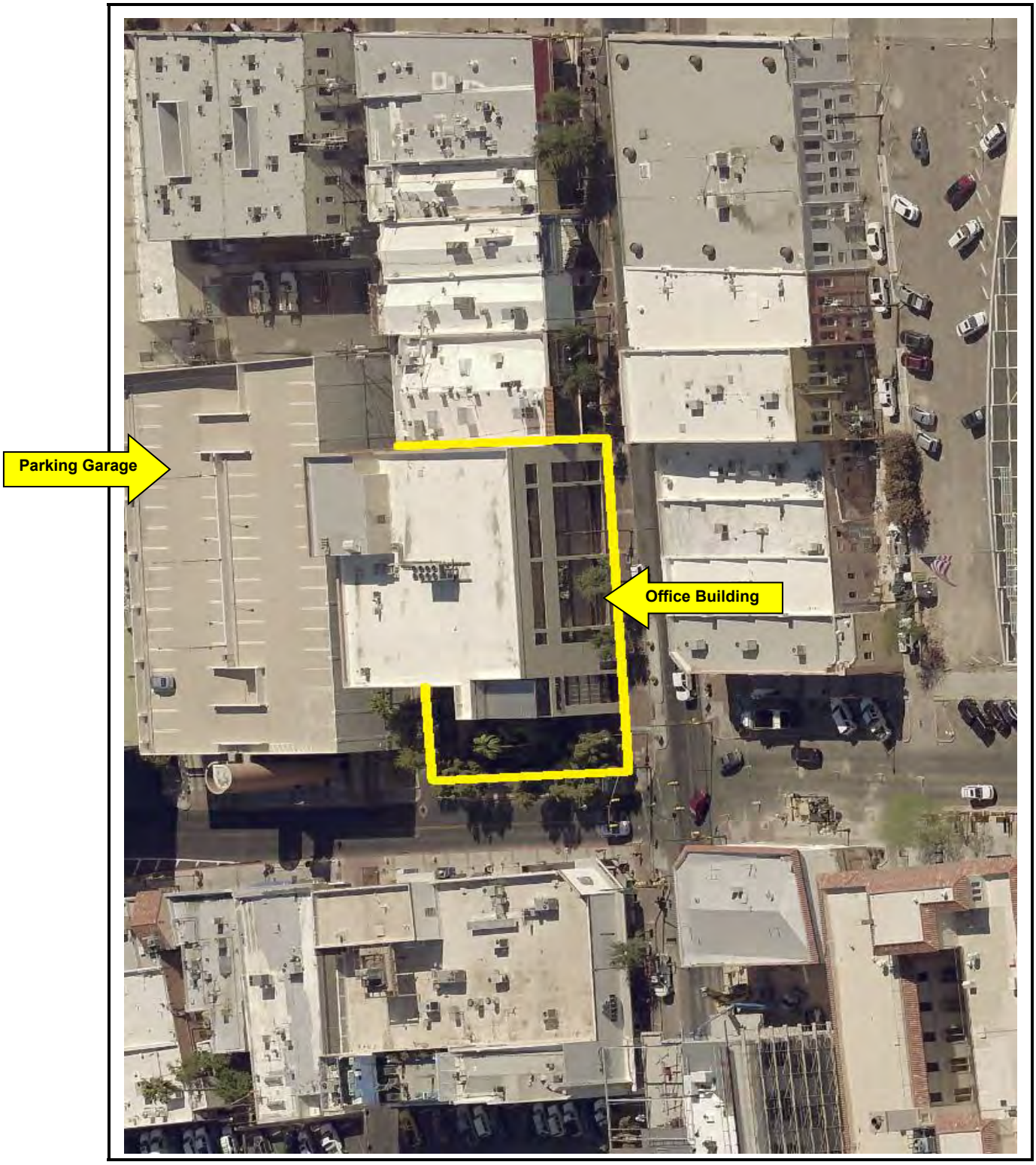
The adjacent land uses are summarized as follows:

North:	Legal Services Garage (LSG) with approximately 235 spaces
South:	Congress Street and retail and office uses
East:	Office and retail uses
West:	Scott Avenue and retail uses

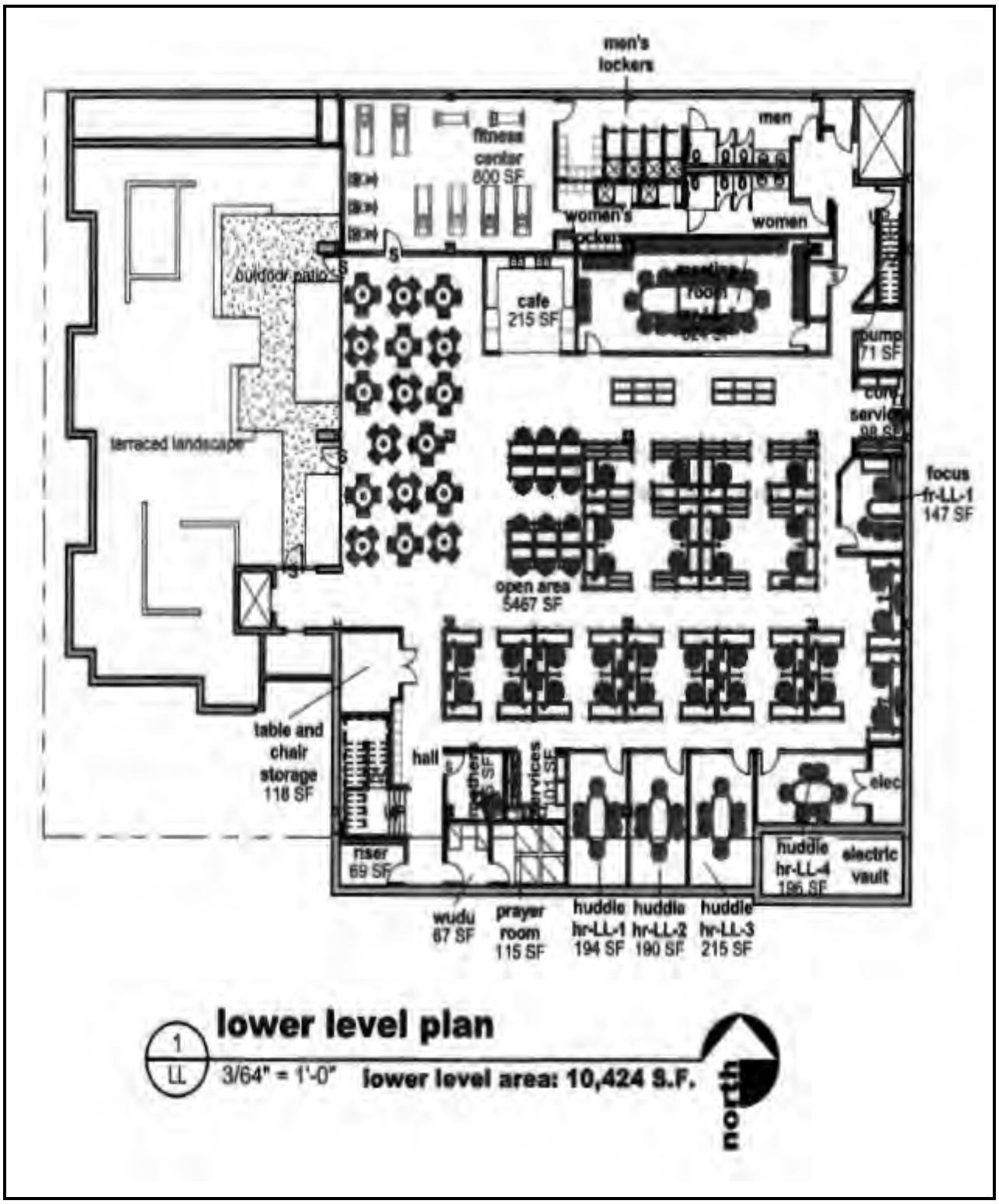
CONCLUSION

The size of the site is typical for the area and use, and there are no known detrimental uses in the immediate vicinity. Overall, there are no known factors which are considered to prevent the site from development to its highest and best use, as if vacant, or adverse to the existing use of the site.

AERIAL SITE PLAN

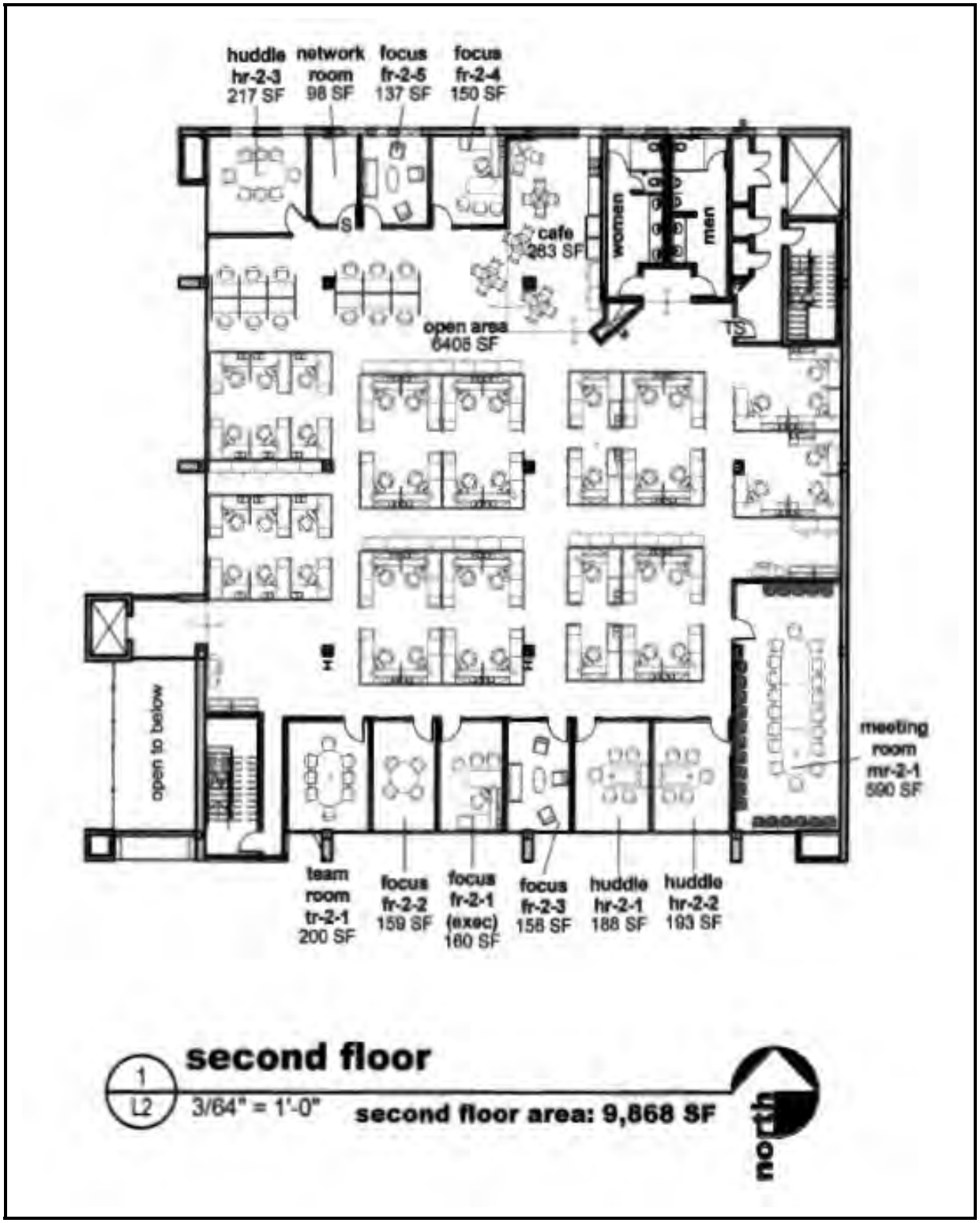


LOWER LEVEL FLOOR PLAN

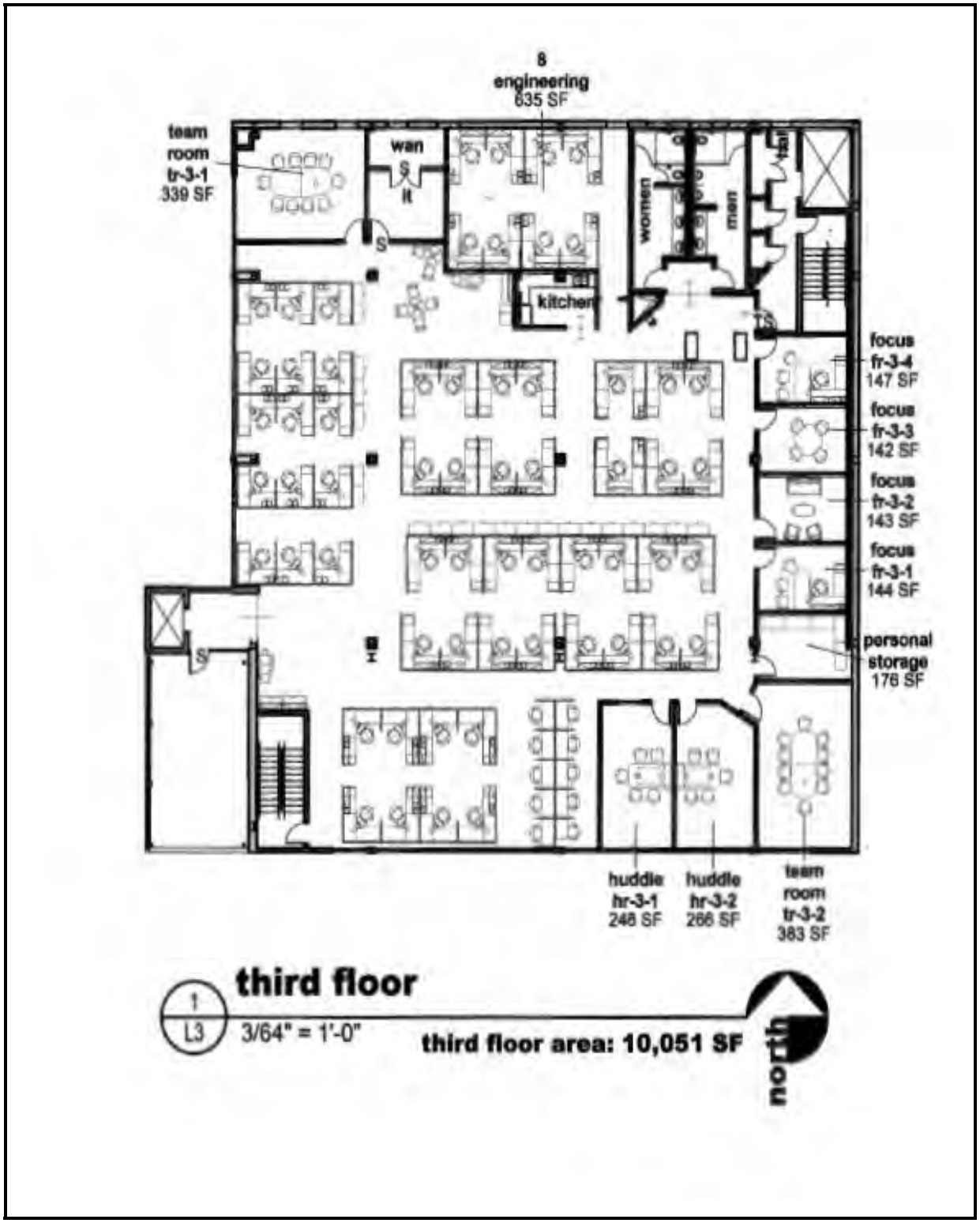


FIRST FLOOR PLAN

SECOND FLOOR PLAN



THIRD FLOOR PLAN



Improvements Analysis

The following chart shows a summary of the improvements.

IMPROVEMENTS SUMMARY AND ANALYSIS					
Property Type		Office	(Single Tenant)		
Number of Buildings		1			
Number of Stories		4			
Year Built		1975	Renovated: 2016		
Net Rentable Area		40,158 SF			
Site Coverage		77.1%			
Land-to-Building Ratio		0.38 : 1			
Parking Improvements		Garage			
Parking Spaces:		200			
Parking Ratio (per 1,000 SF NRA)		4.98			
Functional Utility		Adequate			
		Comparative Rating			
Improvement Summary	**Description**	**Good**	**Avg.**	**Fair**	**Poor**
Foundation	Reinforced concrete	X			
Frame	Steel, concrete block & brick	X			
Exterior Walls	Painted stucco	X			
Interior Walls	Textured and painted drywall	X			
Roof	Built-up composition	X			
Ceiling	Suspended acoustical tile and painted drywall	X			
HVAC System	Roof mounted units & cooling	X			
Exterior Lighting	Mercury vapor fixtures	X			
Interior Lighting	Fluorescent & incandescent fixtures	X			
Flooring	Carpet, ceramic tile and wood plank	X			
Plumbing	Assumed adequate	X			
Elevators/Stairwells	Two internal stairwells & one four-stop (2,000 lbs) elevator	X			
Life Safety and Fire Protection	Sprinklered, smoke detectors and fire extinguishers	X			
Amenities	Key card access & security cameras	X			
Parking	200 spaces in adjacent parking garage	X			
Landscaping	Brick pavers, trees, shrubs and natural desert vegetation	X			

Source: Various sources compiled by CBRE

BUILDING AREA

Please refer to the Resource Verification table in the Scope of Work for the source of the building area size. The following is a description of the subject improvements and basic construction features derived from CBRE's inspection.

The subject's 97 East Congress office building is currently 100% occupied by Caterpillar Global Mining. Notably, there is a lease agreement between Pima County, the landlord and Caterpillar Global Mining, the tenant with an initial lease term of 4 years which commenced September 1, 2016 and is scheduled to expire August 31, 2020. The tenant has the right to terminate the lease on the third anniversary of the commencement date, or on September 1, 2019 with a one-time payment of $168,000. Reportedly, Caterpillar has already given notice of their intent to terminate the lease; thus, they intend to vacate the building. Because of the short remaining

lease term (9 months) and at the request the client, we have ignored the lease and assumed there is no lease encumbering the subject property.

Per the Pima County Assessor's Office, the gross building area is 45,416 square feet. Per the architectural plans reviewed, the subject's rentable area is 40,158 square feet, which also is similar to the rentable building area quoted in the Caterpillar Global Mining lease agreement. For purposes of analysis, we have used the rentable building area of 40,158 square feet. We did not verify the accuracy of this information and assumed the rentable building area to be accurate. Should the actual rentable building area differ from that report by the client, we reserve the right to adjust the value accordingly.

YEAR BUILT

The subject was built in 1975, and most recently renovated in 2016 for occupancy by Caterpillar Global Mining. A complete breakdown of the renovations and tenant improvements was not provided for our review. Per the lease agreement, the capital tenant improvement costs to meet the Caterpillar space and design needs were approximately $2,000,000, or $49.58 per square foot of rentable building area.

CONSTRUCTION CLASS

Building construction class is as follows:

> C - Masonry/concrete ext. walls & wood/steel roof & floor struct., exc. concrete slab on grade

The construction components are assumed to be in working condition and adequate for the building.

The overall quality of the facility is considered to be average for the neighborhood and age. However, CBRE, Inc. is not qualified to determine structural integrity and it is recommended that the client/reader retain the services of a qualified, independent engineer or contractor to determine the structural integrity of the improvements prior to making a business decision.

FOUNDATION/FLOOR STRUCTURE

The foundation is assumed to be of adequate load-bearing capacity to support the improvements. The floor structure is summarized as follows:

Ground Floor:	Concrete slab on compacted fill
Other Floors:	Steel joists with concrete slabs

EXTERIOR WALLS

The exterior walls are a combination of concrete masonry unit (CMU) and face brick with painted stucco cover.

ROOF COVER

The building has a flat, built-up composition roof.

INTERIOR FINISHES - OFFICE AREAS

The typical interior office finish of the property is summarized as follows:

Floor Coverings:	Commercial grade short loop carpeting, ceramic tile and/or vinyl composition tile over concrete.
Walls:	Textured and painted sheetrock.
Ceilings:	Combination textured and painted sheetrock and suspended acoustical tile.
Lighting:	Standard commercial fluorescent and incandescent fixtures.
Summary:	The interior office areas are typical building standard office finish and are commensurate with competitors in the downtown submarket area. The majority of the space is open bullpen areas with modular and cubicle furniture and plug-in-play work stations. There are some partitioned private offices along the perimeters of the building, along with huddle rooms, focus rooms, team and meeting/conference rooms. The open floor plan offers flexible space with one set of men's and women's restroom facilities on each floor. The building is 100% finished as office space with full HVAC throughout.

ELEVATOR/STAIR SYSTEM

Two sets of interior stairwells located with one set at the northeast corner of the building and the other set at the southwest corner of the building. The building also includes one, four-stop (2,500 lbs.) passenger elevator near the southwest corner of the building.

HVAC

The property has a full package HVAC system including cooling tower. The HVAC equipment is assumed to be in good working order and adequate for the building.

ELECTRICAL

The electrical system is assumed to be in good working order and adequate for the building.

PLUMBING

The plumbing system is assumed to be in good working order and adequate for the building.

RESTROOMS

The restrooms are adequate and are assumed built to local code with full ADA compliance.

LIFE SAFETY AND FIRE PROTECTION

The building has a wet-pipe fire sprinkler system. It is assumed the improvements have adequate fire alarm systems, fire exits, fire extinguishers, fire escapes and/or other fire protection measures to meet local fire marshal requirements. CBRE is not qualified to determine adequate levels of safety & fire protection, whereby it is recommended that the client/reader review available permits, etc. prior to making a business decision.

SECURITY

The building offers an updated CCTV surveillance system. Additional security is controlled via key card requirements for main and personnel doorways.

PARKING AND DRIVES

The subject property does not have any onsite parking. Per the City of Tucson, the required number of parking spaces is 1 space per 300 square feet of gross floor area, or 3.33 spaces per 1,000 square feet for administrative and professional office use. The subject property, as it exists, is considered to be a legal, non-conforming use; this, due to the substandard onsite parking. The majority of parking for older office buildings, like the subject, in downtown Tucson is off-site in nearby parking garages, surface lots, and metered street parking. The subject is near several parking garages that are within easy walking distance and typically give the 1st hour of parking free.

Again, this appraisal assumes that 200+/- vehicle parking spaces will be dedicated for exclusive use of the subject's 97 East Congress Street office building within the adjacent Pima County owned Legal Services Garage (LSG), a five-level, above grade parking structure. The 200+/- parking spaces will be made available at a market lease rate per space, per month. Therefore,

the allocated number of parking spaces of 200+/- spaces for a parking ratio of 4.98 spaces per 1,000 square feet of building area, or 1 space per 201 square feet.

LANDSCAPING

Landscaping is considered to be in good overall condition and is well maintained. It consists of trees, shrubs and low-maintenance desert vegetation with a timed irrigation system.

FUNCTIONAL UTILITY

The overall quality of the facility is considered to be good for the neighborhood and age. However, CBRE is not qualified to determine structural integrity and it is recommended that the client/reader retain the services of a qualified, independent engineer or contractor to determine the structural integrity of the improvements prior to making a business decision.

ADA COMPLIANCE

The client/reader's attention is directed to the specific limiting conditions regarding ADA compliance.

ENVIRONMENTAL ISSUES

The appraiser is not qualified to detect the existence of any potentially hazardous materials such as lead paint, asbestos, urea formaldehyde foam insulation, or other potentially hazardous construction materials on or in the improvements. The existence of such substances may affect the value of the property. For the purpose of this assignment, we have specifically assumed there are no hazardous materials that would cause a loss in value to the subject.

DEFERRED MAINTENANCE

Our inspection of the property indicated no items of deferred maintenance.

ECONOMIC AGE AND LIFE

CBRE, Inc.'s estimate of the subject improvements effective age and remaining economic life is depicted in the following chart:

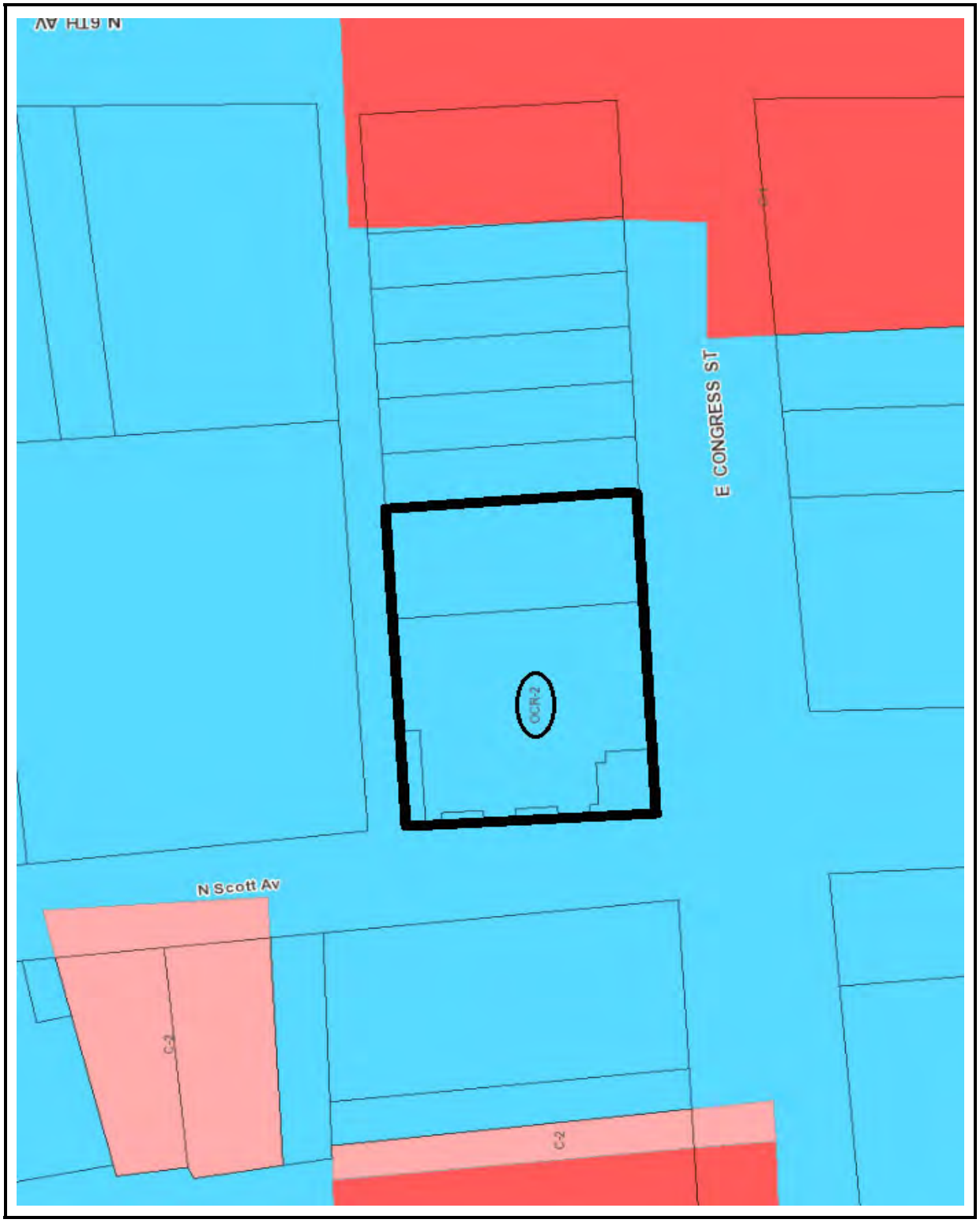
ECONOMIC AGE AND LIFE	
Actual Age	43 Years
Effective Age	15 Years
MVS Expected Life	55 Years
Remaining Economic Life	40 Years
Accrued Physical Incurable Depreciation	27.3%
Compiled by CBRE	

The remaining economic life is based upon our on-site observations and a comparative analysis of typical life expectancies as published by Marshall and Swift, LLC, in the Marshall Valuation Service cost guide. While CBRE, Inc. did not observe anything to suggest a different economic life, a capital improvement program could extend the life expectancy.

CONCLUSION

The improvements are in good overall condition. Overall, there are no known factors that adversely impact the marketability of the improvements.

ZONING MAP



Zoning

The following chart summarizes the subject's zoning requirements.

ZONING SUMMARY	
Current Zoning	OCR-2, Office Commercial Residential Zone
Legally Conforming	See Comments
Purpose/Uses Permitted	The purpose of this zone is to provide for high-rise development that serves the community and region, and is located in major activity centers or at transit centers. High-density residential and including agriculture, civic, commercial, industrial, retail, storage, utility, and wholesaling uses may also be permitted, provided design and development standards apply. A mixture of development types is encouraged, including office, commercial, and high-density residential uses. An office complex, such as a high-rise office building is permitted in the OCR-2 zone.
Zoning Change	Not likely
Category	**Zoning Requirement**
Parking Requirements	1 space / 300 SF of Bldg. (3.33 spaces/1,000 SF)
Subject's Actual Parking	0 spaces (200 spaces are allocated in the adjacent parking garage)
Source: Planning & Zoning Dept.	

ANALYSIS AND CONCLUSION

The improvements represent a legally, non-conforming use due to being under parked. Since the subject improvements were developed prior to the current zoning code, if damaged, they may be restored without special permit application. Additional information may be obtained from the appropriate governmental authority. For purposes of this appraisal, CBRE has assumed the information obtained is correct.

Tax and Assessment Data

Prior to the 2015 tax year, the State of Arizona employed a dual (Primary, Secondary) structure for real estate taxation. The assessed value derived from the "full cash value" (FCV) was the basis for computing taxes for budget overrides, bond and sanitary, fire and other special districts (Secondary taxes), while the assessed value derived from "limited property value" (LPV) was the basis for computing taxes for the maintenance and operation of school districts, community college districts, cities, county and the state (Primary taxes). However, in 2012 the voters of Arizona passed Proposition 117, which amended Article IX of the Arizona Constitution relating to property taxes. The constitutional amendment established that beginning with the 2015 tax year, the limited property value was to be the *only* basis for determining all property taxes. Thus, the full cash value would no longer be used for tax calculation purposes.

Arizona courts have interpreted the term full cash value to mean the "cash equivalent value" of the property. However, the value established by the assessor may be equal to, or less than, the actual market value. These lower values are the result of adjusting all sale prices for mass appraisal error, creative financing, personal property, and time on the market. Full cash values are unlimited in the amount that they increase each year since they fluctuate with the market. Following the Proposition 117 amendment, the yearly increase in limited property value was further limited from 10% to 5% of the previous year's value, with a few exceptions. The exceptions include properties that have had changes in use, new construction, tenant improvements, demolition, parcel splits, parcel combinations, change in legal descriptions, or other changes from the previous year. According to the new statute, if a property falls under one of these exceptions, the limited property value may be recalculated using what is known as the "Rule B" factor. For the 2015 tax year, the Rule B factor mandates that the limited property value equate to 93.5% of the full cash value for commercial property, 96.2% for primary residences, 95.2% for rental residential property, and 95.3% for vacant land. Whether an exception applies to a property or not, the limited property value cannot exceed the full cash value.

Beginning in tax year 2015, the assessed value is derived by multiplying the limited property value by the assessment ratio. In previous years, two assessed values (primary and secondary) were determined by applying assessment ratios to the full cash and limited values. The assessment ratio of each property class is determined using percentages set by the State Legislature. Effective January 1, 2006, the assessment ratio for commercial properties (type 1) changed from 25.0% to 24.5% due to a statute change. Though the assessment change was to decrease by 50 basis points every twelve months until it reached 20% for 2015, the Arizona Legislature in mid-2007 enacted House Bill Number 2784, which, among other things, accelerated the reduction in the assessment ratio for Class 1 (commercial) and Class 6 (free enterprise zones) that was originally passed in 2006. In February 2011, the Arizona Legislature passed House Bill Number 2001, which further accelerated the reduction of the assessment ratio

for commercial and vacant land/agricultural properties. The following assessment ratios apply to the three most used classifications.

PROPERTY ASSESSMENT RATIO			
Tax Year	Vacant Land	Residential	Commercial
2010	16.0%	10.0%	21.0%
2011	16.0%	10.0%	20.0%
2012	16.0%	10.0%	20.0%
2013	16.0%	10.0%	19.5%
2014	16.0%	10.0%	19.0%
2015	16.0%	10.0%	18.5%
2016 & Beyond	15.0%	10.0%	18.0%

Source: AZ State Legislature, House Bill 2001

In Arizona, a sale of a property does not initiate its reassessment. Taxes are determined by applying the tax rate to the assessed value. As of the date of value, 2017 through 2019 assessments, and 2017 through 2018 tax rates are available for the subject.

The following summarizes the Pima County Assessor's estimate of the subject's full cash values, assessed values, and taxes, and does not include any tangible personal property or furniture, fixtures or equipment (FF&E).

AD VALOREM TAX INFORMATION						
	2017 Actual		2018 Actual		2019 Pro Forma	
APN Number	Limited	Full Cash	Limited	Full Cash	Limited	Full Cash
Commercial Zoned Parcels						
117-12-121C	$3,064,700	$3,064,700	$3,217,935	$4,273,631	$3,378,832	$4,273,631
117-12-121E	$32,284	$33,841	33,841	33,841	33,841	33,841
117-12-1230	$132,659	$132,659	132,659	132,659	132,659	132,659
Subtotal	$3,229,643	$3,231,200	$3,384,435	$4,440,131	$3,545,332	$4,440,131
Per SF		$80.46		$110.57		$110.57
Assessment Rate	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Assessed Values	$459,705	$459,705	$507,665	$666,020	$531,800	$666,020
Taxation Type	Primary	Secondary	Primary	Secondary	Primary	Secondary
Rates per $100	13.1705	3.2763	12.5031	3.2491	N/A	N/A
Total Ad Velorum Tax	$60,545	$15,061	$63,474	$16,495	N/A	N/A
Total Taxes		**$75,607**		**$79,968**		**$82,367**
Taxes per SF		**$1.88**		**$1.99**		**$2.05**

Sources: Pima County Asssesor's Office (theses are estimates of real estate taxes, as Pima County is exempt)

The subject property is owned by Pima County; thus, they are exempt from paying property taxes. Therefore, we have provided estimates of the subject's real estate taxes based on the information available from the Pima County Assessor's Office. For purposes of analysis, we applied the primary and secondary tax rates for the subject property to the Assessor's limited value indication. Thus, the subject's combined full cash value for 2018 equates to $4,440,131, or $110.57 per square foot of rentable building area. The estimated taxes due for 2018 applying a primary rate

of 12.5031%, and a secondary rate of 3.2491% equate to $79,968, or $1.99 per rentable square foot.

TAX COMPARABLES

As a crosscheck to the subject's applicable real estate taxes, CBRE, Inc. has reviewed the real estate tax information according to Pima County for comparable office properties in the market area. The following table summarizes the comparables employed for this analysis:

AD VALOREM TAX COMPARABLES

Tax Comparable	177 N. Church Ave	1 S. Church Ave	100 N. Stone Ave	2 E. Congress St	5151 E. Broadway Blvd	Subject
Year Built	1961-64	1986	1976	1929	1975 / 2015	1975
NRA (SF)	126,221	241,355	101,937	52,100	270,763	40,158
Tax Year	2019	2019	2019	2019	2019	2019
Assessor's Market Value	$5,989,595	$31,693,701	$4,200,042	$6,315,920	$16,190,460	$4,440,131
AV Per SF (NRA)	$47.45	$131.32	$41.20	$121.23	$59.80	$110.57
Total Taxes	$178,245	$685,343	$110,949	$118,207	$459,064	$79,968
Per SF (NRA)	$1.41	$2.84	$1.09	$2.27	$1.70	$1.99

Source: Assessor's Office

CONCLUSION

The subject's 2018 assessed value appears to be similar in comparison to other office buildings in the market place. For purposes of analysis, the appraisers inflated the 2018 taxes of $79,968 by 3%, to derive the following year's forecasted property taxes of $82,367, or $2.05 per square foot, per annum.

Market Analysis

An overview of local market conditions is a necessary aspect of the appraisal process. The market analysis forms a basis for assessing market area boundaries, supply and demand factors, and indications of financial feasibility. The data used in this section of the report is attributable to CBRE Research's Tucson Office MarketView, 3rd Quarter 2018, as well as from CBRE Econometric Advisors Office Outlook 3rd Quarter 2018 for the Tucson market. The survey includes leasable multi-tenant office facilities 10,000 square feet and greater in size.

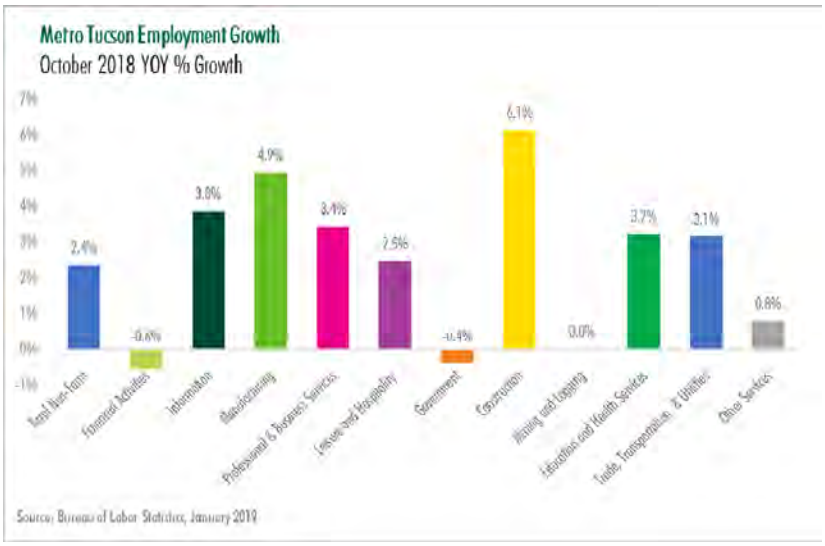
TUCSON MSA AT A GLANCE

The population of the Tucson area stands at roughly 1.04 million, which is 54th largest of the office markets tracked by CBRE Econometric Advisors (CBRE EA). The average per capita income (according to recent data from Moody's Economy.com) is estimated to be $42,424, which is approximately 21.2% below the national average. Total employment in the area currently stands at 383,500 workers.

Economic Overview

According to CBRE Research, the Tucson employment picture is much brighter following the recent employment revisions from the Bureau of Labor statistics (BLS). Previously, BLS reported only 0.1% annual job growth in the Tucson metro during 2017; however, the recently released data adjustment showed employment grew at an average annual rate of 1.5%, with the addition of 3,600 jobs.

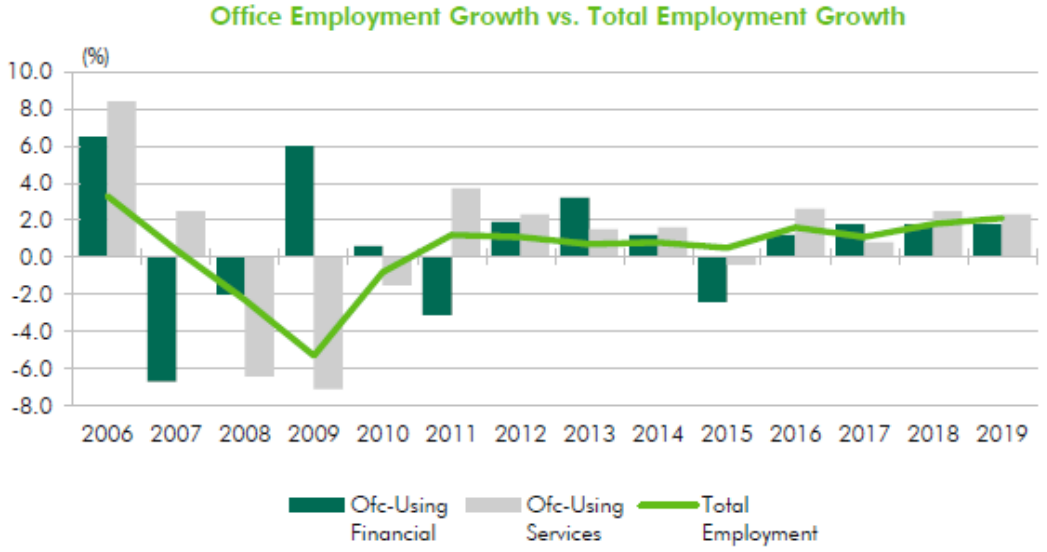
As shown in the following chart, employment growth has continued within the Tucson MSA during 2018, with the BLS indicating total non-farm, year-over-year employment growth of 2.4% in October 2018. Over the last 12 months, the construction, manufacturing, and information sectors have posted the largest job growth rates, while the government and financial activities sectors reported slight employment declines.

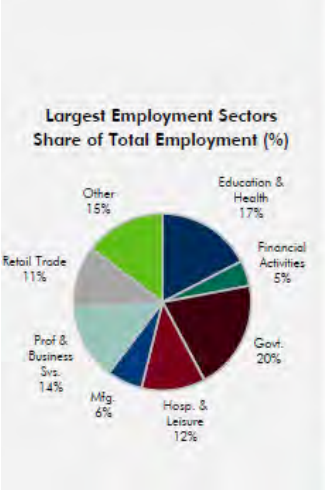


Office Employment

Office employment, the primary determinant of office demand, is defined as certain categories within the financial and service employment sectors in which workers typically occupy office space. According to CBRE Research, Tucson saw finance employment growth of 1.9% and an increase of 1.2% within professional and business services employment on a year-over-year basis during 2017. Overall job growth for 2017 was 1.5% on a year-over-year basis.

The CBRE EA estimate of office employment for Tucson currently stands at 69,000 workers. Over the last five years, office employment has grown by 1.2%. Over the last 12 months, CBRE EA estimates office employment growth of 1.5%.





Employment Levels & Growth Rates: Tucson vs. Nation

NAICS Category	Level (x 1000)	Location Quotient	Avg Annual Growth Rates (%) Last 5 Years Metro	Last 5 Years U.S.	Last 12 Mos. Metro	Last 12 Mos. U.S.	Next 5 Years Metro	Next 5 Years U.S.
Agriculture & Mining	2	0.89	-5.9	-3.0	0.0	8.1	0.0	0.4
Construction	17	0.91	1.9	4.3	6.9	4.4	3.1	1.3
Manufacturing	25	0.76	1.6	1.2	2.0	2.2	-0.4	-1.8
Wholesale Trade	8	0.49	-1.0	0.9	-2.6	1.5	0.5	0.1
Retail Trade	43	1.05	0.4	1.0	0.9	0.5	0.0	-0.2
Transportation & Warehousing	10	0.69	4.6	3.5	5.6	3.1	-0.2	-0.6
Information	5	0.76	3.3	0.4	1.9	-0.8	0.0	-0.3
Financial Activities	18	0.81	0.6	1.7	0.6	1.3	0.8	0.2
Prof. & Business Svcs.	53	0.98	1.4	2.5	2.7	2.5	0.9	0.8
Education & Health	67	1.09	1.4	2.4	2.3	2.0	1.2	0.7
Hospitality & Leisure	45	1.06	2.3	2.7	0.0	1.8	1.0	0.7
Other Services	13	0.85	0.3	1.4	-0.8	1.5	0.2	-0.2
Government	77	1.35	0.0	0.5	-0.4	0.0	0.3	0.1
Total	**384**	**n/a**	**1.0**	**1.8**	**1.3**	**1.6**	**0.7**	**0.2**

Source: Moody's Economy.com, CBRE Econometric Advisors

TUCSON OFFICE MARKET OVERVIEW

Vacancy 12.2%

Rental Rate $20.69 Per Sq. Ft.

Q3 Net Absorption (74,990) Sq. Ft.

Under Construction 637,155 Sq. Ft.

*Trend arrows indicate year-over-year change. Data reflects market totals.

According to CBRE Research, following a strong first half of 2018, metro Tucson's office market posted the first quarter of sluggish demand this year, ending the third quarter with 74,990 sq. ft. of negative net absorption. Still, market wide vacancy fell 20 basis points (bps) year-over-year to 12.2% in Q3 2018. Performance was not evenly distributed throughout the submarkets. Suburban submarkets accounted for the bulk of absorption, recording 68,535 sq. ft. of negative net absorption in the third quarter. Conversely, the Downtown submarket's vacancy declined to 9.8% and continued to experience demand in the third quarter, recording 8,493 sq. ft. of net absorption.

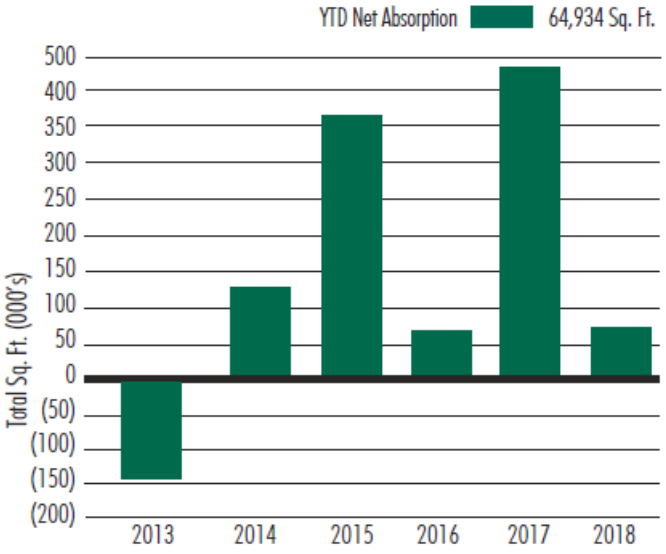
Developers were especially active this quarter. Numerous developments broke ground and neared completion in the West Central submarket. This includes Geico's 200,000-sq.-ft. build-to-suit (BTS), which is anticipated to deliver in mid-2019. Additionally, Caterpillar's Surface Mining Division is nearing completion on a 150,000-sq.-ft. BTS and is expected to deliver in the first half of 2019. Meanwhile, speculative office development remains on the horizon. Construction is anticipated to begin on a 150,000-sq.-ft. speculative, mixed-use office and retail, 12-story tower (75 Broadway) in the Downtown submarket. Per an article published in the Arizona Daily Star on January 10, 2019, the development of the 12-story building can move forward after the Pima County Board of Supervisors agreed to lease the property to the Rio Nuevo Multipurpose Facilities District. Reportedly, the District will lease the site at 75 East Broadway Boulevard for $189,000 per year, with plans by the J.E. Dunn corporation to begin construction of the tower within the next year. When construction is complete in what is expected to be two years, Rio Nuevo will purchase the site from the county for the appraised value of $2,700,000. Pima County acquired the site in 2005 for $500,000 as part of the purchase of the subject's 97 East Congress Street property.

Aerospace and defense, mining and technology users drove demand in Q3 2018. AxisCades, a mining technology firm in the Downtown submarket, announced during the third quarter it would expand its workforce by 320 employees over the next five years, which will increase their need for office space. Texas Instruments also announced plans to build a 125,000-sq.-ft. office facility in the East Central submarket at William's Centre, adjacent to their existing location.

Net Absorption

Tucson's office market recorded the first quarter of negative net absorption since Q3 2014. The market ended Q3 2018 with 74,990 sq. ft. of negative net absorption. Two submarkets contributed heavily to absorption in the third quarter, the East Central submarket recorded 69,224 sq. ft. of negative net absorption followed by the Northwest submarket, which posted 22,638 sq. ft. of negative net absorption. The North Central and Downtown submarkets posted notable activity during the quarter, where net absorption totaled 11,341 sq. ft. and 8,493 sq. ft., respectively. The West Central submarket recorded 1,055 sq. ft. of net absorption during the third quarter.

Figure 2: Net Absorption

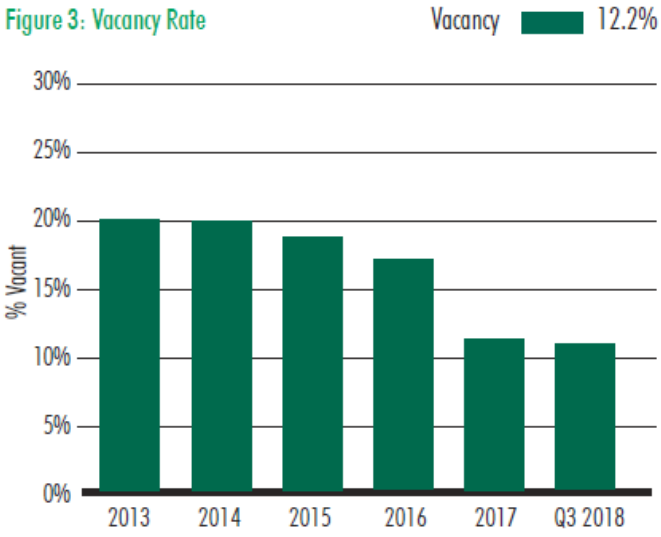


Source: CBRE Research, Q3 2018.

Vacancy

In the third quarter of 2018, vacancy slipped 20 basis points year-over-year to 12.2%. The Southeast and Northeast submarkets posted significant decreases in vacancy over the year, falling by 150 bps and 90 bps to 16.3% and 21.6%, respectively. Over the same time span, the Downtown submarket posted a 50-bps decline to 9.8%. In addition, the vacancy rate in the Northwest submarket edged down 10 bps to 11.7%. On a quarter-over-quarter basis, the two submarkets that recorded negative net absorption also posted a rise in vacancy, the East Central and Northwest submarkets, where vacancy increased 20 bps and 10 bps to 14.3%, and 11.7%, respectively.

Figure 3: Vacancy Rate

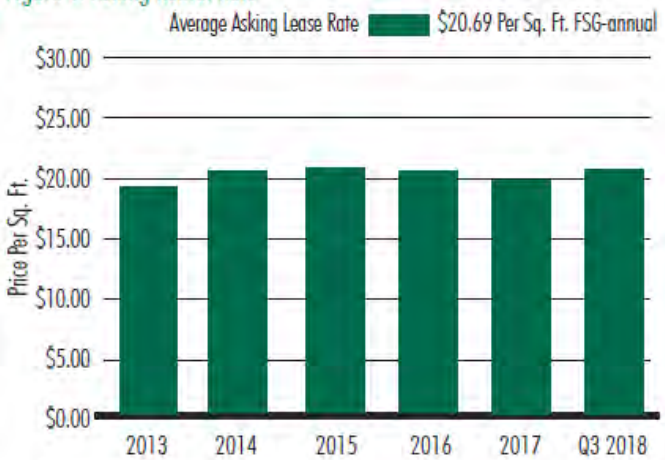


Source: CBRE Research, Q3 2018.

Asking Lease Rates

The market wide average asking lease rate rose to $20.69 per sq. ft. full service gross (FSG-annual) in the third quarter, marking an annual increase of 2.0%. The West Central and Downtown submarkets recorded the most significant year-over-year increase of 10.5% and 8.5% to $20.13 per sq. ft. and $24.11 per sq. ft., respectively. Average rent also increased in the Northeast and East Central submarkets by 2.4% and 2.2% to $19.14 per sq. ft. and $19.46 per sq. ft. The Northwest submarket recorded an annual rent decrease, falling 3.7% to $21.34 per sq. ft.

Figure 4: Asking Rental Rate



Source: CBRE Research, Q3 2018.

Construction

No new office completions came online during the third quarter, while 200,000 sq. ft. broke ground. Year-over-year, construction activity was up by 575,800 sq. ft. The West Central submarket remains the most active area for new construction with 411,355 sq. ft. underway. Geico's 200,000-sq.-ft. BTS broke ground during the third quarter at The Bridges master-planned development, with delivery anticipated in the second half of 2019. Moreover, the 61,355-sq.-ft. BTS for Casa de los Niños is set to open in Q4 2018. Caterpillar's Surface Mining Division's 150,000-sq.- ft. BTS continues to make progress, with an estimated completion date in the second half of 2019.

Meanwhile, construction on the mixed-use City Park development in the Downtown submarket is nearing completion in which Hexagon Mining already occupies the Class A office space on the third, fourth and partial fifth floors. In the North Central submarket, construction on Pima Medical Institute's 75,000-sq.-ft. BTS is ongoing, with completion anticipated in the second half of 2019. Upon full buildout, the campus development will feature seven single-tenant and multi-tenant buildings totaling 199,200 sq. ft.

Additionally, several office projects in the planning stages are anticipated to break ground in the near-term. Construction is expected to begin on 75 Broadway, a 12-story, 150,000-sq.-ft.

speculative, mixed-use office and retail development in the Downtown submarket, sometime in 2019. The Texas Instruments BTS project at William's Centre is in the planning stages and will feature 125,000 sq. ft. of Class A office space. Moreover, The Trinity mixed-use development in the West Central submarket is anticipated to break ground on the first phase consisting of 25,000 sq. ft. of Class A office space and ground floor retail.

Submarket Overview

A map of the submarkets and table summarizing their current state are presented below. The subject is located in the Downtown submarket, as demarcated by CBRE Research.

Figure 5: Office Market Statistics

Submarket	Gross Rentable Area Sq. Ft. (±)	Vacancy Rate %	Availability Rate %	Q3 2018 Net Absorption Sq. Ft. (±)	Under Construction Sq. Ft. (±)	*Average Asking Lease Rate (FSG) $
Downtown	804,166	9.8	9.8	8,493	26,600	24.11
East Central	2,879,559	14.3	14.3	(69,224)	0	19.46
North Central	2,240,154	6.8	7.9	11,341	199,200	22.48
Northeast	956,571	21.6	22.8	(4,017)	0	19.14
Northwest	2,188,065	11.7	11.6	(22,638)	0	21.34
Southeast	119,157	16.3	16.3	0	0	27.00
Southwest	18,000	38.4	38.4	0	0	25.00
West Central	472,328	9.1	8.5	1,055	411,355	20.13
Totals	9,678,000	12.2	12.5	(74,990)	637,155	20.69

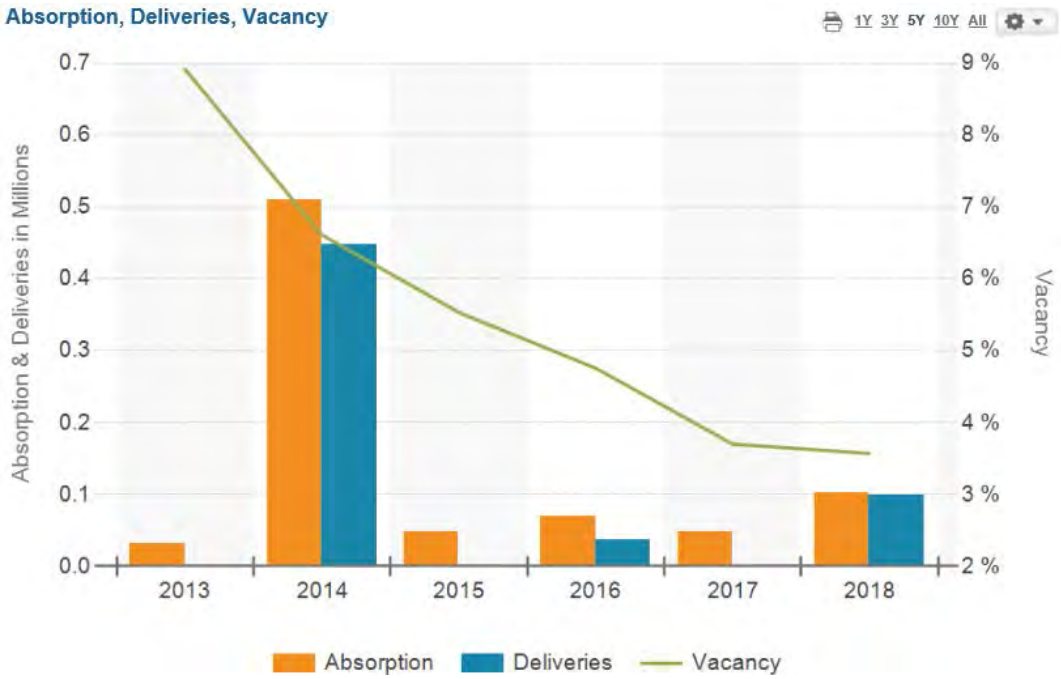
*Lease rates are quoted as weighted average of all lease types based on asking price per square foot per year.
Source: CBRE Research, Q3 2018.

According to CBRE Research, the base inventory of multi-tenant office space (over 10,000 square feet) stands at 9,678,000 square feet. Of this total, 804,166 square feet is in the subject's submarket, or approximately 8.3% of the overall office supply.

Current vacancy in the subject's Downtown submarket is 9.8%, which ranks near the middle of all the submarkets in the Tucson MSA. The submarket's average asking rate is $24.11 per square foot, full service (FS), which is also near the middle of all the submarkets.

The following chart outlines current office market trends, for the subject submarket, as outlined by CoStar for properties greater than 10,000 square feet. Rents are reflected on a full service (FS) basis.

Downtown Tucson



Absorption in the downtown office submarket has generally either kept pace or even outpaced new construction. As shown in the chart above, space has historically been absorbed the same quarter as it's delivered, due largely to the fact that much of the new construction is build-to-suit or is substantially pre-leased prior to completion. Vacancy spiked in 2012 just prior to revitalization efforts and has come back down since that time due in part to major improvements post-revitalization. Vacancy is currently low, as compared to the rest of the Tucson market. This is due, in part, to fully occupied government buildings (the largest users in the downtown market), as well as the high concentration of owner/user properties. Of the office properties reported by CoStar, just over half of them are single tenant. It is noted that the multi-tenant office, non-government projects, report an overall vacancy rate of 12.1%. These properties include the Transamerica Building (177 N. Church Avenue), One South Church (1 S. Church), portions of the former Bank of America Building (33 N. Stone Avenue), the Pioneer Building (100 N. Stone Avenue), the U.S. Bank Building (1 E. Congress Street), and the Chase Building (2 E Congress Street), for a total of 770,863 square feet. Of course, this number is overly punitive, as it does not include any single-tenant buildings, like the subject. But this does illustrate that the high concentration of single-tenant properties does impact the overall vacancy rate.

The occupancy and rental rates for the downtown submarket have followed a similar trend. Occupancy dropped during the revitalization and has since been steadily improving. Asking rental rates have been increasing since 2014. Thus, in short, both occupancy and rental rates have shown an upward trend since 2014 in the downtown office submarket.

DOWNTOWN REVITALIZATION

The downtown market has undergone a revitalization over the past few years. Key to this was the development of the SunLink Streetcar, which opened in the summer of 2014. According to an article published by the UA Journalism School, about $200 million of private investment arrived due to streetcar development, and another estimated $1 billion-worth of investment is on the streetcar line. The downtown revival has brought many new businesses and stimulated economic growth throughout the submarket.

Downtown Tucson has significant high-end retail and residential development, as well as a robust "night life." Of interest is that growth has been more concentrated in these two areas, and less around office development. As can be shown in the first chart, there has been little new development in downtown Tucson, aside from the 320,070-square foot Pima County Courthouse. For the most part, Tucson businesses prefer not to be in the downtown area. The most notable deterrents mentioned by market participants are parking, and difficulty navigating one-way streets. These are small issues that are not major deterrents in much larger cities; but for the average Tucsonan, these problems are significant enough to deter office users from the downtown corridor. Roughly 20% of the total office inventory is located downtown. In other markets, it is typical to have 30% or more office space downtown. That being said, improvements for retail and housing have positively impacted demand for existing product, as

well as the market overall. Also, the downtown area has improved the marketability of Tucson as a whole, which is a driving factor for businesses who could potentially come into the market.

CBRE Econometric Advisors Office Market Forecast

According to CBRE EA, the short-term forecast calls for overall positive growth in office workers through year-end 2019. Total net absorption is forecasted to be positive 108,000 square feet, lagging supply during the same period. By year-end 2019, the vacancy rate is expected to be 12.6%, while rents are forecasted to grow, reaching $18.75 per square foot, per annum full service compared to current rents of $18.38.

Historical minimum, maximum, and average values for each variable are provided to put current market performance in perspective. The time period in which these values are calculated is 1980 (or the earliest year of available data) to the current year. CBRE EA expects net absorption to remain below long-term averages during the forecast, though demand is anticipated to be positive overall.

Tucson Forecast Summary: Q3 2018

	Demand				Supply		Performance		
	New Jobs		Net Absorp	Absorp	Deliveries	Compl	Vac	TW Rent	Rent
	Ofc Financial	Ofc Services	(sf x 1000)	Rate (%)	(sf x 1000)	Rate (%)	Rate (%)	($/sf)	Infl (%)
2017	300	400	433	5.9	6	0.1	12.2	18.23	0.8
2018F	300	1,300	33	0.5	0	0.0	11.9	18.28	0.3
Q1	100	600	39	0.5	0	0.0	11.8	18.32	0.5
Q2	0	200	56	0.7	0	0.0	11.2	18.21	-0.6
Q3	100	200	-105	-1.3	0	0.0	12.3	18.38	0.9
Q4F	100	300	43	0.5	0	0.0	11.9	18.28	-0.5
2019F	300	1,200	65	0.8	150	1.7	12.6	18.75	2.6
Historical Performance (1980 - Present)									
Min	-1,600	-5,300	-426	-5.7	0	0.0	5.5	7.80	-26.7
Max	1,500	5,500	673	20.5	1,371	36.9	28.2	20.94	26.6
Mean	300	900	146	2.7	192	4.7	15.9	14.73	2.2

The longer term, six-year CBRE EA forecast for the Tucson office market is presented below. Historical measures are provided back to 2006. Forecasted figures for new supply are based on projects known to be currently under construction.

Tucson Annual History & Forecast: 2006 - 2023

Year	Ofc. Empl. (ths.) Financial	Ofc. Empl. (ths.) Services	Inventory (sf x 1000)	Completions (sf x 1000)	Vacancy Rate (%)	Net Absorp. (sf x 1000)	TW Rent Index ($/sf)	Rent Infl. (%)
History								
2006	16.4	51.7	8,322	433	10.7	354	19.84	3.3
2007	15.3	53.0	8,383	61	11.4	-6	20.93	5.5
2008	15.0	49.6	8,564	181	14.8	-133	20.59	-1.6
2009	15.9	46.1	8,723	159	17.7	-116	18.92	-8.1
2010	16.0	45.4	8,834	111	16.5	193	17.79	-6.0
2011	15.5	47.1	8,834	0	17.7	-113	17.68	-0.6
2012	15.8	48.2	8,849	15	17.4	34	17.06	-3.5
2013	16.3	48.9	8,881	32	20.8	-274	17.58	3.0
2014	16.5	49.7	9,034	153	20.5	164	18.01	2.4
2015	16.1	49.5	9,034	0	18.8	169	18.13	0.7
2016	16.3	50.8	9,076	42	17.1	182	18.08	-0.3
2017	16.6	51.2	9,082	6	12.2	433	18.23	0.8
Forecast								
2018	16.9	52.5	9,082	0	11.9	33	18.28	0.3
2019	17.2	53.7	9,232	150	12.6	65	18.75	2.6
2020	17.2	53.5	9,321	88	13.9	-47	19.81	5.7
2021	17.0	52.9	9,439	115	15.6	-54	19.91	0.5
2022	17.3	53.3	9,586	145	14.1	265	20.42	2.6
2023	17.6	53.9	9,712	124	13.3	182	20.52	0.5

Sales Activity

The following sales information was obtained from CoStar, which depicts sales data of office buildings of at least 10,000 square feet in the Tucson MSA since 2013.

TUCSON OFFICE SALES: +10,000 SF

	2013	2014	2015	2016	2017	2018 YTD
Total # of Sales	24	18	24	20	27	3
Total Sales Value	$89,770,500	$64,465,871	$149,916,342	$74,038,033	$108,648,781	$12,465,000
Total Building Square Feet	843,851	653,051	1,412,000	693,289	950,246	101,006
Total Acres	68.44	55.72	71.48	67.51	74.14	13.69
Average Sale Price	$3,740,438	$3,581,437	$6,246,514	$3,701,902	$4,024,029	$4,155,000
Average Number of SF	35,160	36,281	58,833	34,664	35,194	33,669
Average Price per SF	$106.38	$98.71	$106.17	$106.79	$114.34	$123.41
Median Price per SF	$90.88	$71.60	$124.36	$89.50	$89.86	$189.57
Average Cap Rate	9.50%	7.90%	6.96%	7.77%	7.39%	---

Source: CoStar, CBRE

As shown, average sale prices per square foot increased slightly in 2017, following minimal growth between 2013 and 2016. The average purchase price per square foot in 2017 rose approximately 7.1% to $114.34 per square foot from 2016. Additionally, the total number of

sales increased from 20 to 27, and the average capitalization rate fell slightly during the same period. While it would be imprudent to extrapolate significant trends from this data, the information does support the general market participant opinion that the Tucson office market has improved slightly over the last few years.

Conclusion

Considering the recent growth in office employment and the positive net absorption exhibited over the past several quarters, the outlook for the Tucson office market is positive. However, the general lack of quality space will continue to be a difficult challenge for the overall market and could somewhat limit demand growth. Yet, the market finally appears to be responding to the dearth of Class A space, with a significant amount of build-to-suit space planned or currently under construction in the West Central submarket, and new speculative office space development planned for the Downtown submarket. While demand has increased in the Downtown and West Central submarkets and remains generally healthy in the North Central and Northwest submarkets, metro Tucson's eastern submarkets have continued to lag behind.

COMPETITIVE PROPERTIES

The rental comparable properties, described in more detail with the Income Capitalization Approach section of this report, were surveyed in order to identify their current occupancy levels. The comparable data is summarized in the following table:

SUMMARY OF COMPARABLE OFFICE RENTALS

Comp. No.	Name	Location	Occupancy
1	5151 Broadway	5151 E. Broadway Boulevard, Tucson, AZ	65%
2	University of Arizona Tech Park - Building 9070	9070 S. Rita Road, Tucson, AZ	89%
3	One South Church	1 S. Church Avenue, Tucson, AZ	68%
4	44 E Broadway	44 E. Broadway Boulevard, Tucson, AZ	100%
5	Pioneer Building	100 N. Stone Avenue, Tucson, AZ	87%
6	Transamerica Building	177 N. Church Avenue, Tucson, AZ	94%
Subject	97 East Congress	97 East Congress Street, Tucson, Arizona	100%

Compiled by CBRE

The comparable properties surveyed reported occupancy rates of 65% or better, with a weighted average of 76.2%. Four of the six comparables are from within the downtown office submarket.

Rental Comparables 3, 4, 5 and 6 are downtown office projects which are currently in average to good overall condition and are directly competitive with the subject property. These four comparables, which represent multi-tenant office buildings had occupancies ranging from 68% to 100% with an average of 87.3%. Notably, the subject represents a single-tenant office building. As is typical of single-tenant buildings, like the subject, they are either 100% occupied or 100% vacant. For purposes of analysis via the income approach, we included a vacancy factor to account for any unforeseen rollover or downtime between tenancies. In general, occupancy is on the upward trend for the subject's downtown office submarket and the competitive data set.

Based on the foregoing analysis, CBRE, Inc.'s conclusion of stabilized occupancy for the subject is illustrated in the following table. This estimate considers both the physical and economic factors of the market.

OCCUPANCY CONCLUSIONS	
Tucson MSA	87.8%
Downtown Office Submarket	90.2%
Rent Comparables	76.2%
Subject's Stabilized Occupancy	96.0%
Compiled by CBRE	

Investors are primarily interested in the cash revenues that an income property is likely to produce annually over a specific period of time, rather than what it could produce if it were always fully occupied and all the tenants were actually paying the rent in full and on time. It is normally prudent practice to expect some income loss, either in the form of actual vacancy or in the form of turnover, non-payment, or slow payment by tenants. Based on our market research and interviews with market participants, investors typically apply a vacancy and credit loss allowance of 2% to 5% for a similar quality single-tenant assets, with an initial lease term of less than 10 years. Therefore, we applied a vacancy allowance of 4.0% within our analysis, inclusive of any credit loss.

CONCLUSION

The Tucson area office market and the local submarket continue to exhibit excess supply. However, net absorption and rental rates have increased in the recent past. Additionally, recent projections by CBRE Economic Advisors forecast growth in office workers and continued positive net absorption and rent growth. As the economy continues to improve, planned projects are increasing. Overall, the long-term projection for the overall market and submarket is favorable.

Highest and Best Use

In appraisal practice, the concept of highest and best use represents the premise upon which value is based. The four criteria the highest and best use must meet are:

- legally permissible;
- physically possible;
- financially feasible; and
- maximally productive.

The highest and best use analysis of the subject is discussed below.

AS IF VACANT

Legally Permissible

The legally permissible uses were discussed in the Site Analysis and Zoning Sections.

Physically Possible

The subject is adequately served by utilities, has an adequate shape and size, sufficient access, etc., to be a separately developable site. The subject site would reasonably accept a site layout for any of the legally probable uses. There are no known physical reasons why the subject site would not support any legally probable development. The existence of the present development on the site provides additional evidence for the physical possibility of development.

Financially Feasible

Potential uses of the site include high-rise office development as well as retail, residential, and civic uses. The determination of financial feasibility is dependent primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create the uses. As discussed in the market analysis of this report, the office market in the subject's submarket is similar to the Tucson market wide average. However, the only new office projects to be developed recently in this market represent owner/user and build-to-suit developments due to still somewhat soft economic conditions. Specifically, there are proposed developments which are no longer moving forward due to inadequate construction financing and market conditions (increases in vacancy, declining effective rental rates, etc.). Overall, there is still risk in the office market and most investors would not move forward with new speculative development at this time.

Maximally Productive - Conclusion

The final test of highest and best use of the site, as if vacant, is that the use be maximally productive, yielding the highest return to the land.

The use that results in the maximum profitability of the site is beyond the scope of this assignment. The recipient of the property's productivity (e.g., the lender, equity investor, the public, etc.) greatly determines what the use should be. Regardless, the use for the subject should

conform to the neighborhood trends and be consistent with existing land uses. Most of the developments currently taking place involve multi-family, student housing, or mixed-use projects. Due to the subject's prominent street frontage along a primary Downtown corridor (Congress Street), a mixed-use development with a combination of street frontage retail, office and/or higher density residential uses would be most likely. With the continued lack of tenant demand and job growth, a large-scale office development is not warranted. Further, there has been a number of Class A multi-family and student housing projects built Downtown over the past few years. Therefore, we are of the opinion the most likely use of the subject site, is to hold it for future development. Our analysis of the subject and its respective market characteristics indicate the most likely buyer, as if vacant, would be an investor (land speculation), or a developer.

AS IMPROVED

Legal Permissibility

The site has been improved with an office development that is a legal, non-conforming use due to being under parked.

Physical Possibility

The layout and positioning of the improvements are considered functional for office use. While it would be physically possible for a wide variety of uses, based on the legal restrictions and the design of the improvements, the continued use of the property for office users would be the most functional use.

Financial Feasibility

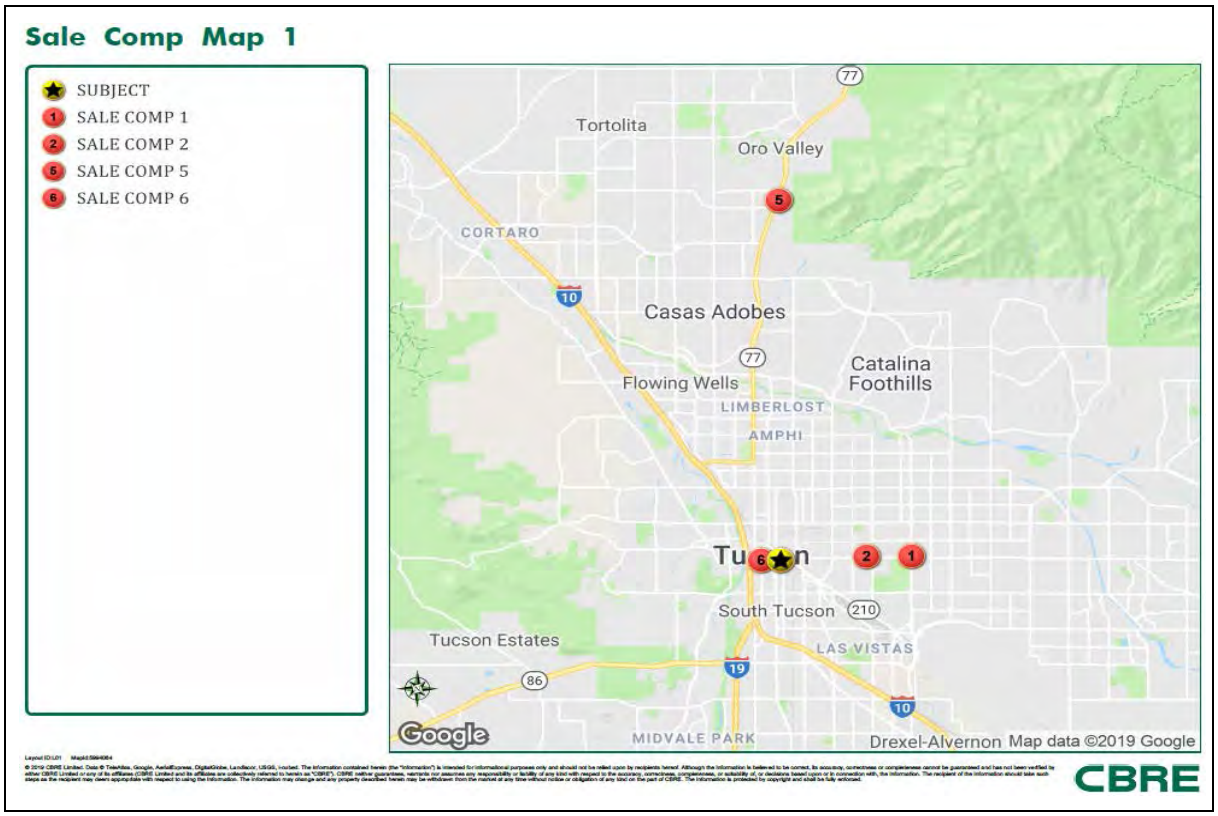
The financial feasibility of an office property is based on the amount of rent which can be generated, less operating expenses required to generate that income; if a residual amount exists, then the land is being put to a productive use. Based upon the income capitalization approach conclusion, the subject property has the ability to produce a positive net cash flow; thus, continued utilization of the improvements for office purposes is considered financially feasible. Further, the value of the improvements detailed clearly exceeds the underlying land value.

Maximum Productivity - Conclusion

As shown in the applicable valuation sections, buildings that are similar to the subject have been acquired or continue to be used by office owners and tenants, and none of the comparable buildings have been acquired for conversion to alternative uses. Based on the foregoing, the highest and best use of the property, as improved, is consistent with the existing use as a single-tenant office development. The most likely buyer of the subject, as improved, would be an owner-user.

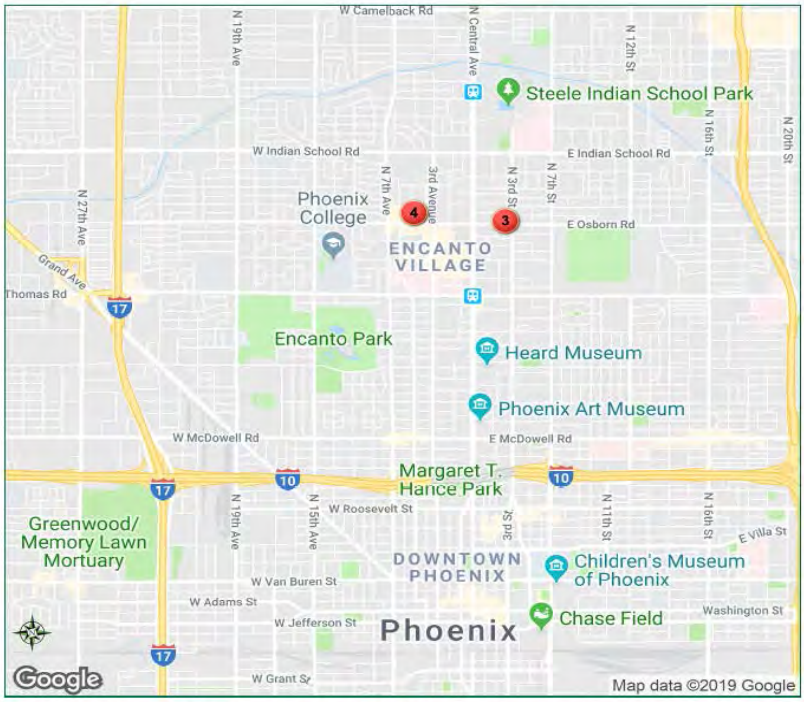
Sales Comparison Approach

The following location maps and table summarize the comparable data used in the valuation of the subject. A detailed description of each transaction is included in the addenda.



Sale Comp Map 2

3 SALE COMP 3
4 SALE COMP 4



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SUMMARY OF COMPARABLE OFFICE SALES

Comp No.	Property Name	Transaction Type	Transaction Date	YOC / Reno'd	Parking Ratio	NRA (SF)	Actual Sale Price	Adjusted Sale Price [1]	Price Per SF [1]
1	Consulate of Mexico, 3915 E. Broadway Boulevard Tucson, AZ 85711	Sale	Jan-15	1972	4.03 : 1,000	28,534	$3,900,000	$3,900,000	$136.68
2	Owner-User Office Building, 2919 E. Broadway Boulevard Tucson, AZ 85716	Sale	Nov-16	1984	3.12 : 1,000	24,340	$2,400,000	$2,400,000	$98.60
3	Midtown Office Building, 212 E. Osborn Road Phoenix, AZ 85012	Sale	Mar-17	1968 / 2014	4.18 : 1,000	21,750	$2,700,000	$2,700,000	$124.14
4	5th Avenue Office Building, 3411 N. 5th Avenue Phoenix, AZ 85013	Sale	Mar-17	1968	3.08 : 1,000	38,929	$4,200,000	$5,173,225	$132.89
5	Owner-User Office Building, 8950 N. Oracle Road Oro Valley, AZ 85704	Sale	Dec-17	2007	4.84 : 1,000	41,134	$4,500,000	$5,430,000	$132.01
6	Tucson Convention & Visitors Bureau Building, 100 S. Church Avenue Tucson, AZ 85701	Listing	Jan-19	1973 / 2017	2.49 : 1,000	22,471	$2,800,000	$2,800,000	$124.61
Subj.	97 East Congress, 97 East Congress Street Tucson, AZ 85701	---	---	1975 / 2016	4.98 : 1,000	40,158	---	---	---

[1] Adjusted sale price for cash equivalency, lease-up and/or deferred maintenance (where applicable)
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The sales utilized represent the best data available for comparison with the subject. Our research found a limited number of sales of similar office buildings within the subject's immediate area and throughout metropolitan Tucson; therefore, our search criteria were expanded to include recent sales and listings of generally similar properties throughout the Phoenix MSA. These sales were chosen based upon the time frame in which they occurred, their locations, and their generally similar physical characteristics as compared to the subject.

DISCUSSION/ANALYSIS OF IMPROVED SALES

Property Rights Conveyed

All six comparables represent the transfer of the fee simple interest in the property and were purchased by users for total or partial owner occupancy; thus, no adjustment is made for property rights conveyed.

Financing Terms

All six comparables involve cash transactions or were completed with the buyer obtaining conventional bank financing; thus, no adjustments are necessary for financing terms.

Conditions of Sale

Four of the six comparables represent arm's-length transactions and sold with broker representation, with sale commissions being paid. Thus, no adjustments are indicated for conditions of sale to Comparables 2, 4 and 5. Comparable 1 sold "off-market" with the buyer approaching the sellers directly, with no brokers involved and no sales commissions being paid. Thus, we made an upward adjustment based on typical sales commissions as reported by the brokerage community for a transaction in the $3 to $4 million dollar range. Comparable 3 sold "off-market" with the purchase price slightly below market as it came in under the appraised value by about 7%, as reported by the broker; thus, the upward adjustment. Comparable 6 represents an active listing and not a closed transaction. According to the listing broker, the property will sell for closer to $100 per square foot; this, based on current sales negotiations with a prospective buyer. Thus, we made a downward adjustment for conditions of sale, as the property will sell for less than the asking price.

Market Conditions (Time)

The subject property is being appraised as of a specific date; therefore, adjustments to the comparables must be recognized for changes in market conditions between the comparable sale dates and the date of valuation. Upward adjustments to the comparables are indicated for improving market conditions since the sales were negotiated between January 2015 and January 2019. Property values for similar assets have experience increasing demand with modestly increasing property values.

	2015	2016	2017	2018
	Sold Transaction	Sold Transaction	Sold Transaction	Sold Transaction
Number of Transactions	9	10	11	5
Total Dollar Volume	$37,143,175	$49,022,990	$28,349,762	$16,265,000
Total Bldg Square Feet	277,662	373,359	239,677	113,722
Total Land in Acres	19.95	27.04	33.40	18.29
Total Land in SF	869,022	1,177,862	1,454,904	796,712
Total Units	-	265	343	-
Average Price	$4,127,019	$4,902,299	$2,577,251	$3,253,000
Average Number of SF	30,851	41,484	23,968	22,744
Average Price Per Bldg SF	$133.77	$125.14	$111.78	$143.02
Median Price Per SF	$136.68	$108.03	$131.59	$157.76
Average Number of Acres	2.22	3.38	3.34	4.57
Average Number of SF(Land)	96,558	147,233	145,490	199,178
Average Price Per Unit	-	$18,838	$6,261	-
Median Price Per Unit	-	$18,838	$6,261	-
Average Number of Units	-	265	343	-
Actual Cap Rate	7.92%	8.54%	6.50%	8.40%
Average GRM	-	-	-	-
Average GIM	-	-	-	-

The appraisers used CoStar to search sales of similar office properties throughout Tucson ranging in size from 10,000 to 100,000 square feet which sold between January 1, 2015 and December 31, 2018. CoStar reported that in 2016, there were a total of 9 transactions totaling $37,143,175, with an average price per square foot of $133.77. This compares to year-end December 31, 2018, in which 5 transactions totaling $16,265,000, with an average price per square foot of $143.02. The sales data implies a value increase on a price per square foot of about 6.9% from January 1, 2015 through year-end December 2018, or 1.7% per year. Market participants interviewed indicated more conservative appreciation rates over the past few years of

0.5% to 1% annually. Based on this information, the appraisers made upward adjustments of 1% to 2% for improving market conditions to Comparables 1 and 2. No adjustments are made to Comparables 3, 4, 5 and 6 which transacted more recently with no discernable increases in property values. The rate of appreciation applied in our analysis is 0.5% annually, or 0.04% per month.

Improved Sale One

This comparable represents the sale of a 28,534-square foot, Class B office building located at 3915 East Broadway Boulevard in central Tucson, AZ. The property exhibits good visibility along the north side of Broadway Boulevard, and is situated just east of Alvernon Way. The four-story improvements were constructed in 1972, and are situated on a 1.44-acre site. Overall, the property was considered to be in good condition at the time of sale. The Consulate of Mexico purchased the property in January 2015 for $3,900,000, or $136.68 per square foot, for full owner-occupancy. Prior to the sale, the property was partially owner-occupied by the seller, with three existing tenants; however, each of the tenants vacated upon close of escrow. The property sold "off-market" with the buyer approaching the seller directly. The parties represented themselves in the transaction, with no brokers involved and no sale commissions being paid.

Again, an upward adjustment is made for the lack of broker commissions as this was an “off-market” sale. Upward adjustments are also indicated for improving market condition since the sale was negotiated in January 2015 and for inferior effective age/condition. This is an older building which has not undergone any major recent renovations; thus, the upward adjustment for inferior effective age/condition.

Downward adjustments are made for superior location/visibility/access, smaller building size, and more onsite parking. This property is situated in an area with a larger population base, higher median income levels, and higher property values. Further, the property fronts along Broadway Boulevard with superior vehicular access near the intersection of Alvernon Way with heavier traffic volumes; thus, the downward adjustments for superior location/visibility/access. Upward adjustments are made for larger building size and inferior economic characteristics. Economies of scale dictate that higher prices on a price per square foot are paid for smaller buildings; this, due to more potential buyers competing for smaller properties; thus, the downward adjustment for smaller building size. Properties with more onsite parking command higher rents and property values; thus, the downward adjustment for more onsite parking at a higher ratio. The downward adjustment for more onsite parking is partially offset by the subject’s access to 200+/- parking spaces in the adjacent LSG garage. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Improved Sale Two

This comparable represents the sale of three-story, multi-tenant office property composed of 24,340-rentable square feet, located at 2919 East Broadway Boulevard, just west of Country

Club Road, in central Tucson, AZ. Situated on a 1.08-acre site, the improvements were constructed in 1984, and were considered to be in average overall condition at the time of sale. The property sold in April 2017 for $2,400,000, or $98.60 per square foot. Prior to sale, the property was 100% occupied by the seller and eight local/regional tenants, including the buyer (CEDR), which occupied a total of 9,567 square feet. Based on our discussions with the buyer, CEDR, plans to expand into an additional 6,480 square feet by December 2017, for a total footprint of 16,047 square feet, or 66% of the building's rentable area. The buyer intends to lease the remaining space during the near-term, but could eventually expand into 100% of the building. All of the existing tenants have leases with short remaining term lengths.

Downward adjustments are made for superior location/visibility/access, smaller building size and more onsite parking. This property is located in an area with a larger population base, higher median income levels and higher property values. Further, the property fronts along Broadway Boulevard with superior vehicular access near the intersection of Country Club Road with heavier traffic volumes; thus, the downward adjustments for superior location/visibility/access; thus, the downward adjustment for superior location/visibility/access. Again, economies of scale dictate that higher prices on a price per square foot are paid for smaller buildings; this, due to more potential buyers competing for smaller properties; thus, the downward adjustment for smaller building size. Properties with more onsite parking command higher rents and property values; thus, the downward adjustment for more onsite parking at a higher ratio. The downward adjustment for more onsite parking is partially offset by the subject's access to 200+/- parking spaces in the adjacent LSG garage.

Upward adjustments are indicated for inferior effective age/condition, inferior quality of construction/appeal, inferior interior finishes/appeal, and the lack of any building amenities. Although this property was more recently constructed (built 1984), it has not undergone any major recent renovations which sold in inferior overall condition. This three story building lacks elevator service and a wet pipe fire suppression system with inferior curb appeal and building fenestration; thus, the upward adjustment for inferior construction quality/appeal. Further, the interior office finishes are older with an outmoded appearance and inferior market appeal; thus, the upward adjustment for inferior interior finishes/appeal. This building also lacks any building amenities including a common area outdoor patio and garden area and no balconies, like the subject; thus, the upward adjustment for the lack of building amenities. Overall, this comparable was deemed inferior in comparison to the subject and an upward net adjustment was warranted to the sales price indicator.

Improved Sale Three

This property represents a two-story office building located at 212 East Osborn Road in central Phoenix, AZ, just west of 3rd Street. The property sold in March 2017 for $2,700,000, or $124.14 per square foot to the existing tenant. According to the buyer's broker, the property was never marketed for sale, rather the buyer approached the seller with an offer that was mutually

agreed upon. It was further noted that the purchase price was slightly below market as it came in under the appraised value by about 7%. The improvements were built in 1968 and have been well maintained over the years, with the most recent renovation occurring in 2014.

Again, an upward adjustment is indicated for inferior conditions of sale as the property sold below the appraised value. Upward adjustments are also made for inferior construction quality/appeal and inferior building amenities. This is a two-story office building with no elevator service and no wet pipe fire suppression system, with a limited window line and less curb appeal; thus, the upward adjustment for inferior quality of construction/appeal. An upward adjustment is also made for the lack of an outdoor patio and garden area or exterior balconies.

Downward adjustments are made for superior location/visibility/access, smaller building size, and more onsite parking. This property is located in a major metropolitan area with a larger population base, higher median income levels, and higher property values; thus, the downward adjustment for superior location. Further, the property fronts along Osborn Road near the intersection of 3rd Street in Uptown Phoenix with superior vehicular access and heavier traffic volumes; thus, the downward adjustments for superior location/visibility/access. Again, economies of scale dictate that higher prices on a price per square foot are paid for smaller buildings; this, due to more potential buyers competing for smaller properties; thus, the downward adjustment for smaller building size. Properties with more onsite parking command higher rents and property values; thus, the downward adjustment for more onsite parking at a higher ratio. The downward adjustment for more onsite parking is partially offset by the subject's access to 200+/- parking spaces in the adjacent LSG garage. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Improved Sale Four

The comparable represents a four-story, multi-tenant office building located at 3411 North 5th Avenue in central Phoenix, AZ. The improvements were built in 1968 and reportedly in sold in average overall condition. The broker reported that the property had been listed on the market for nearly 18 months before selling at $4,200,000, or $107.89 per square foot on June 23, 2017. The buyer was from Canada, who had plans to relocate their company headquarters to this location as an owner-user for administrative office use. The broker reported that the buyer would occupy about 50% of the building and continue leasing the remaining space. It was also reported that the buyer renovated their space for approximately $50 per square foot or $973,225 after the close of escrow. Thus, the buyer's total consideration for the property was $5,173,225, or $132.89 per square foot.

Downward adjustments are made for superior location/access, more onsite parking, and superior interior finishes/appeal. This property is located in a major metropolitan area with a larger population base, higher median income levels, and higher property values; thus, the downward adjustment for superior location. Further, it offers superior vehicular access; thus, the

downward adjustments for superior location/access. Properties with more onsite parking command higher rents and property values; thus, the downward adjustment for more onsite parking at a higher ratio. The downward adjustment for more onsite parking is partially offset by the subject's access to 200+/- parking spaces in the adjacent LSG garage. This property sold with superior overall interior finishes including more partitioned office spaces, two passenger elevators, superior build-out upgrades (lobby water fountain feature and marble tile upgrades); thus, the downward adjustment for superior interior finishes/appeal. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Improved Sale Five

This comparable represents the sale of a 41,134-rentable square foot office building located at 8950 North Oracle Road in Oro Valley, AZ (northwest Tucson). The two-story improvements were originally developed as a build-to-suit for Pulte Homes in 2007, which never fully occupied the building and eventually vacated the space. The property includes 199 onsite parking spaces, including 52 covered spaces, equating to a parking ratio of 4.84 spaces per 1,000 square feet of building area. Marketed for sale at $4,936,000, or for lease at $16.00 per square foot, triple-net, the property sold in December 2017 for $4,500,000, or $109.40 per square foot to an end user. According to the listing broker, the property was marketed for approximately two years, with very little interest until this buyer submitted an offer. The buyer, Simpleview, is a software company that intends to fully occupy the building as an owner-user. The listing broker estimated the buyer will spend an additional $20 to $25 per square foot to retrofit the building for their needs. Thus, the buyers total consideration for the property is $5,430,000, or $132.01 per square foot.

An upward adjustment is indicated for inferior location in a more remote area with a smaller population base and lower property values. The upward adjustment for inferior location is partially offset by superior street frontage visibility and vehicular access to Oracle Road with heavier traffic volumes; thus, the net adjustment is upward for inferior location. Downward adjustments are indicated for superior effective age/condition, superior construction quality/appeal, and more onsite parking. The improvements represent newer construction (built 2007) which have sustained less physical depreciation; thus, the downward adjustment for superior effective age/condition. This represents more contemporary construction with more architectural features and copper accents; thus, the downward adjustment for superior construction quality/appeal. Again, properties with more onsite parking command higher rents and property values; thus, the downward adjustment for more onsite parking at a higher ratio. The downward adjustment for more onsite parking is partially offset by the subject's access to 200+/- parking spaces in the adjacent LSG garage. Overall, this comparable was deemed superior in comparison to the subject and a downward net adjustment was warranted to the sales price indicator.

Improved Listing Six

This comparable represents the active listing of a 22,471-rentable square foot, single-tenant office building located at 100 South Church Avenue in downtown Tucson, AZ along the streetcar route. It is physically located at the southwest corner of the signalized intersection of Broadway Boulevard and Church Avenue (highly visible). The three-story improvements were originally developed as a bank and administrative office in 1973. It was most recently renovated in late 2017. The building area does not include the 3,263 square foot basement area, which has been used for storage. The ownership rights include the right to lease up to 56 parking spaces (at $75 per month/space) in the La Placita Garage, across the street, equating to a parking ratio of 2.49 spaces per 1,000 square feet of building area. The property has been marketed for sale at $2,800,000, or $124.61 per square foot for about 12 months. According to the listing broker, the property had some investor interest but, could not make the deal "pencil out" due to CC&R restrictions, the lack of on-site parking and building layout. The listing broker further indicated that they will have the property in escrow to an end user at around $100 per square foot, or about $2,250,000.

Again, a downward adjustment is made for superior conditions of sale as this represents a listing which will sell for below the asking price. A downward adjustment is also made for smaller building size. Economies of scale dictate that higher prices on a price per square foot are paid for smaller buildings; this, due to more potential buyers competing for smaller properties; thus, the downward adjustment for smaller building size.

An upward adjustment is made for inferior location which is further from the retail core of Congress Street and 6th Avenue. Upward adjustments are also made for access to less parking at a lower ratio, which is further away from the office building, and inferior interior finishes/appeal. This property has no onsite parking, like the subject, with the rights to access 56 parking spaces in the La Placita parking garage, which is situated across the street from this office building; thus, the upward adjustment for inferior parking ratio/availability. The interior finishes are of inferior quality with less functionality and lower market appeal; thus, the upward adjustment for inferior interior finishes/appeal. Overall, this comparable was deemed inferior in comparison to the subject and an upward net adjustment was warranted to the sales price indicator.

SUMMARY OF ADJUSTMENTS

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable.

OFFICE SALES ADJUSTMENT GRID

Comparable Number	1	2	3	4	5	6	Subj.
Transaction Type	Sale	Sale	Sale	Sale	Sale	Listing	---
Transaction Date	Jan-15	Nov-16	Mar-17	Mar-17	Dec-17	Jan-19	---
Year Built/Renovated	1972	1984	1968 / 2014	1968	2007	1973 / 2017	1975 / 2016
Parking Ratio	4.03 : 1,000	3.12 : 1,000	4.18 : 1,000	3.08 : 1,000	4.84 : 1,000	2.49 : 1,000	4.98 : 1,000
NRA (SF)	28,534	24,340	21,750	38,929	41,134	22,471	40,158
Actual Sale Price	$3,900,000	$2,400,000	$2,700,000	$4,200,000	$4,500,000	$2,800,000	---
Adjusted Sale Price [1]	$3,900,000	$2,400,000	$2,700,000	$5,173,225	$5,430,000	$2,800,000	---
Price Per SF [1]	$136.68	$98.60	$124.14	$132.89	$132.01	$124.61	---
Adj. Price Per SF	$136.68	$98.60	$124.14	$132.89	$132.01	$124.61	
Property Rights Conveyed	0%	0%	0%	0%	0%	0%	
Financing Terms [1]	0%	0%	0%	0%	0%	0%	
Conditions of Sale	2%	0%	7%	0%	0%	-20%	
Market Conditions (Time)	2%	1%	0%	0%	0%	0%	
Subtotal - Price Per SF	$142.20	$99.59	$132.83	$132.89	$132.01	$99.69	
Location/Visibility/Access	-5%	-5%	-5%	-5%	5%	5%	
Size	-10%	-10%	-10%	0%	0%	-10%	
Effective Age/Condition	5%	10%	0%	0%	-10%	0%	
Quality of Const./Appeal	0%	10%	5%	0%	-5%	0%	
Parking Ratio/Availability	-5%	-5%	-5%	-5%	-5%	10%	
Interior Finishes/Appeal	0%	5%	0%	-5%	0%	5%	
Building Amenities	0%	5%	5%	0%	0%	0%	
Total Other Adjustments	-15%	10%	-10%	-15%	-15%	10%	
Indicated Value Per SF	**$120.87**	**$109.54**	**$119.55**	**$112.96**	**$112.21**	**$109.66**	

[1] Adjusted for cash equivalency, lease-up and/or deferred maintenance (where applicable)
Compiled by CBRE

Additional Sales/Listing Data

In addition to the six comparables analyzed above, the appraisers identified a pending sale of a 22,276-rentable square foot, two-story, Class B office building in the Williams Center area near the intersections of Broadway Boulevard and Crayroft Road. The property was built in 2000, is in good overall condition, with access to onsite parking at a ratio of about 4 spaces per 1,000 square feet. The property had been on and off the market for about 2 years, with a most recent list price of $3,500,000, or $157.12 per square foot. Per a party involved in the transaction, the property is being purchased by an owner-user for about $2,900,000, or about $130 per square foot. This represents a newer building with free onsite parking in a superior central Tucson location with easier access. A lower value would be appropriate for the subject property.

SALE PRICE PER SQUARE FOOT CONCLUSION

Overall, these comparable sales indicated an adjusted range of $109.54 to $120.87 per square foot, with a mean of $115.03 and a median of $112.96. Four of the six comparables had tightly adjusted value indications of $109.66 to $119.55 per square foot, with an average of $113.60. We put most weight in the adjusted values of Comparables 3, 4, 5 and 6, which are the most recent sales, are most similar to the subject and required the least amount of net adjustments. The following chart presents the valuation conclusion:

SALES COMPARISON APPROACH				
NRA (SF)	**X**	**Value Per SF**	**=**	**Value**
40,158	X	$110.00	=	$4,417,380
40,158	X	$120.00	=	$4,818,960

VALUE CONCLUSION	
Indicated Stabilized/As Is Value - Real Estate	**$4,600,000**
Value Per SF	**$114.55**

Compiled by CBRE

DEPRECIATED VALUE OF FF&E

Per the cost information provided by the client, the cost of the subject's FF&E, which consists of telecom and data improvements and systems and non-systems furniture (plug-in-play), and other furnishings and equipment, completed by December 30, 2016 totaled $1,232,527, or $30.69 per square foot of rentable building area. This figure excludes the Caterpillar exterior and interior signage, which will be removed once Caterpillar vacates the building. The following is a summary of the subject's FF&E, as provided by the client.

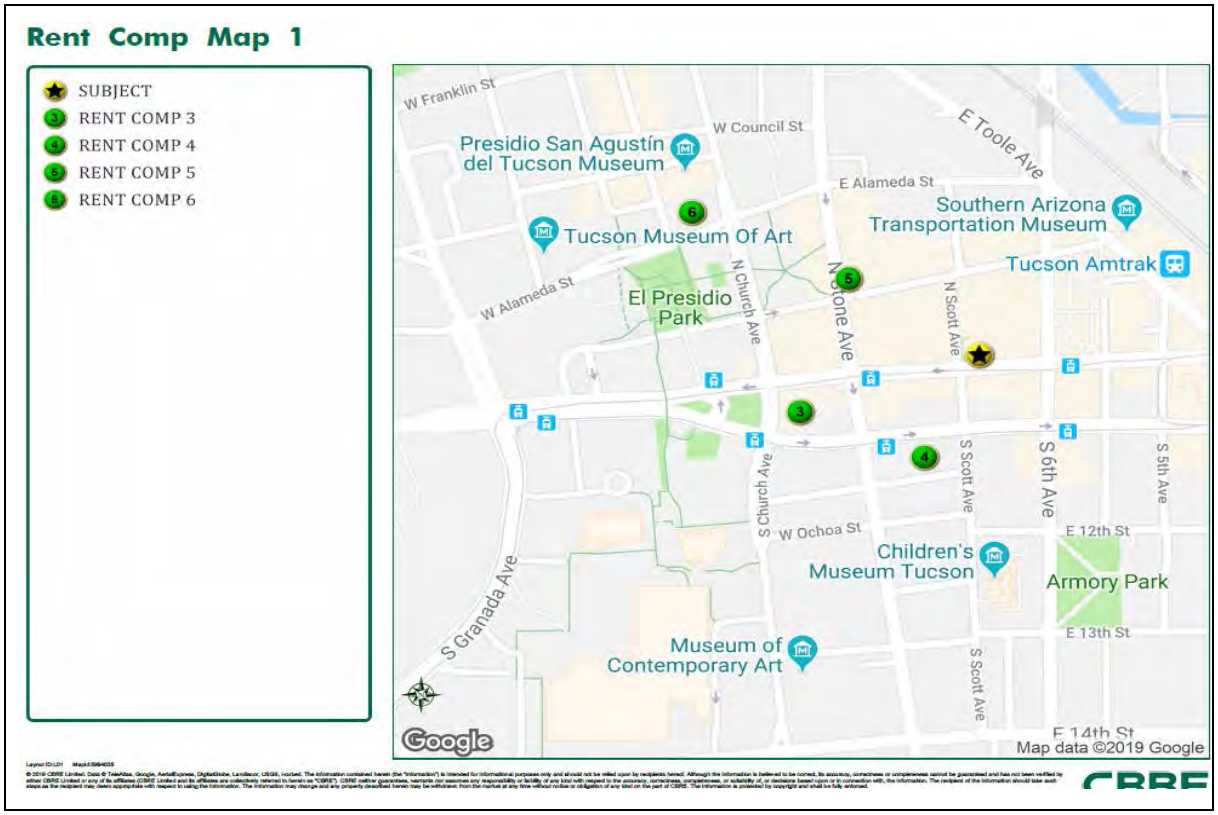
Program Phase:	Complete			
Construction Start (NTP) Date:		**6/27/2016**		
Construction Substantial Completion Date:		**12/30/2016**	**Paid ITD as of:**	9/30/2017
Work Orders	**CFM.X97ECI - 97 E Congress Modernization**		Paid Inception to Date	Remaining Balance
1600244663	**Equipment/Technology (CON)**		**$210,480**	**$0**
1600244664	Telecom/Data Exterior & Interior Cabling (CON)		210,480	$0
1600244665	Telecommunications Equipment (CON)			$0
1600244666	Computer Network Equipment (CON)			$0
1600244667	Wireless Access Points (CON)			$0
1600244668	Building Security Systems (CON)			$0
1600244669	AV Systems (CON)			$0
1600244670	**Furnishings (CON)**		**$1,023,934**	**$0**
1600244671	Systems & Non-Systems Furniture (CON)		1,006,938	$0
1600244672	Other Furnishings & Equipment (CON)		15,109	$0
1600244673	Signage (Exterior and Interior) (CON)		1,887	$0

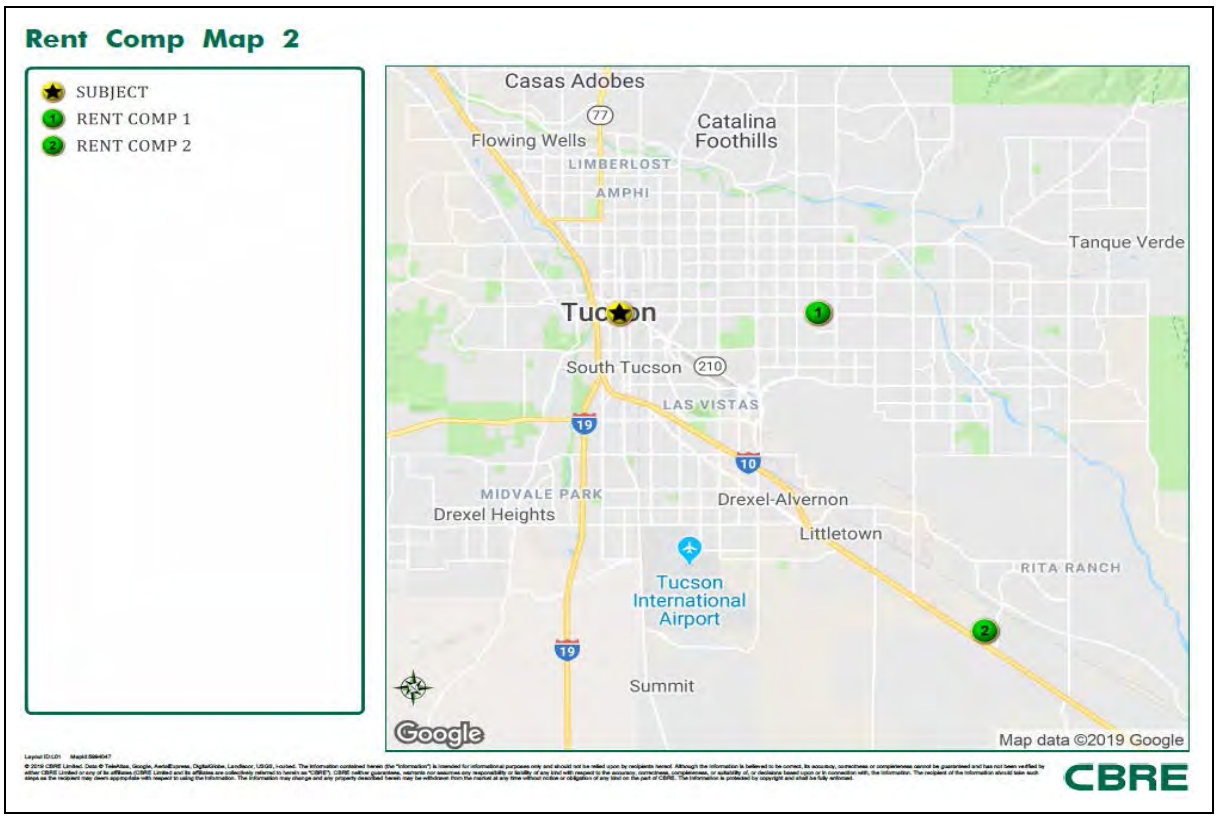
Per our interviews with market participants, including property owners (Steve and Zach Fenton – Fenton Investment Company and George Larsen – Larsen Baker), property managers with CBRE and Picor, and leasing brokers (Buzz Isaacson – Buzz Isaacson Realty, Jeff Casper and Dave Volk – CBRE, and Tom Nieman – Picor), FF&E depreciates quickly and typically exhausts its useful life

within a typical 5-year initial lease term. Further, these individuals indicated that they would apply a depreciation rate of about 50% to the subject's FF&E; this, considering that Caterpillar is more than two years into their 4 year lease term. Thus, we applied a depreciation rate of 50% to the subject's FF&E. Therefore, the depreciated value of the subject's FF&E is $616,263, which we rounded to $620,000.

Income Capitalization Approach

The following location maps and table summarize the primary rental comparable data used in the valuation of the subject. A detailed description of each transaction is included in the addenda.





SUMMARY OF COMPARABLE OFFICE RENTALS

Comp No.	Property Name and Location	YOC / Reno'd	Occ.	NRA (SF)	Parking Ratio	Tenant Name	Lease Area (SF)	Lease Date	Lease Term	Base Rent	TI Allowance	Lease Basis	Escalations
1	5151 Broadway 5151 E. Broadway Boulevard, Tucson, AZ	1975 / 2015	65%	270,763	4.62 : 1,000	Bayview Loan Servicing	39,627	May-17	5.3 Yrs.	$14.00 PSF	$25.00 PSF	NNN	3%/Yr.
2	University of Arizona Tech Park - Building 9070 9070 S. Rita Road, Tucson, AZ	2003	89%	73,172	3.14 : 1,000	Ascensus	27,423	Jul-17	10.0 Yrs.	$10.50 PSF	$70.00 PSF	NNN	Flat
3	One South Church 1 S. Church Avenue, Tucson, AZ	1986 / 2008	68%	240,811	2.04 : 1,000	Caterpillar Global Mining	26,093	Aug-17	1.8 Yrs.	$16.13 PSF	$0.00 PSF	NNN	3%/Yr.
4	44 E Broadway 44 E. Broadway Boulevard, Tucson, AZ	1979 / 2017	100%	32,000	1.56 : 1,000	Community Partners	14,985	Jan-18	5.0 Yrs.	$14.95 PSF	$5.00 PSF	NNN	3%/Yr.
5	Pioneer Building 100 N. Stone Avenue, Tucson, AZ	1929 / 2000	87%	101,937	0.00 : 1,000	Sinfonia RX, Inc.	13,530	Jan-18	8.4 Yrs.	$7.50 PSF	$30.00 PSF	NNN	$0.25/SF/Yr.
6	Transamerica Building 177 N. Church Avenue, Tucson, AZ	1961	94%	126,221	0.51 : 1,000	Forensic Logic, LLC	12,036	Mar-18	7.0 Yrs.	$8.00 PSF	$35.00 PSF	NNN	4%/Yr.
Subj.	97 East Congress 97 East Congress Street, Tucson, Arizona	1975 / 2016	---	40,158	4.98 : 1,000	---	40,158	---	---	---	---	NNN	---

Compiled by CBRE

The rentals utilized represent the best and most recent data available for comparison with the subject. They were selected from our research of comparable large office floor plate leases throughout the Tucson MSA. They were selected based upon the time frame in which they

occurred, their locations, and their generally similar physical characteristics as compared to the subject.

DISCUSSION/ANALYSIS OF RENT COMPARABLES

Rent Comparable One

This comparable represents a 17-story, 270,763-rentable square foot, multi-tenant office building located at 5151 East Broadway Boulevard in central Tucson, AZ. The property is located at the northeast corner of Broadway Boulevard and Rosemont Boulevard, west of Craycroft Road, and across from Williams Center, a high-end mixed-use master planned development. The improvements were built in 1975 and have undergone various renovations over the past few decades (most recently in 2015). The property includes a secured parking garage, floor-to-ceiling glass walls with excellent views, and secured storage available. The property is currently about 64.8% occupied, and was considered to be in good overall condition at the time of our research. Asking rates for vacant spaces currently range from $22.00 to $25.00 per square foot, full-service, depending on location. Bayview Loan Servicing signed a new 64-month lease for 39,627 square feet on multiple floors that commenced in May 2017. The starting rent was $24.00 per square foot, per annum, full-service, and escalates 3.0% annually. The tenant received half-rent concession for four months (two months free), as well as a TI allowance of approximately $25.00 per square foot to renovate the space. The spread to a triple net (NNN) lease is approximately $10.00 per square foot; thus, the NNN equivalent rent is $14.00 per square foot, per annum.

Downward adjustments are made for superior location/visibility/access, superior interior finishes/appeal, more onsite parking, and superior building amenities. This property is located in a more centralized area with a larger population base, more tenant demand and higher potential rents. Further, it fronts along a major corridor at a signalized intersection with heavy traffic volumes and superior vehicular access; thus, the downward adjustments for superior location/visibility/access. This property offers superior interior finishes with more upgrades and superior market appeal; thus, the downward adjustment for superior interior finishes/appeal. Properties with more free onsite parking command higher rents; thus, the downward adjustment for more parking. This building offers superior amenities including mountain and city views, floor to ceiling windows and state of the art elevators; thus, the downward adjustment for superior building amenities. After adjustments, an adjusted rental rate of $10.50 per square foot, per annum, triple net is indicated for the subject's 2nd and 3rd floors. Lower rents would be applicable to the subject's 1st floor and lower level.

Rent Comparable Two

This comparable represents a three-story, multi-tenant office building composed of 73,608-rentable square feet, located at 9070 South Rita Road in southeast Tucson, AZ. The property is located within the 1,345-acre UA Tech Park, a mixed-use research park improved with

approximately two million square feet of manufacturing, office, and research and development space, and roughly 200 acres designated for solar power generation. The improvements were constructed in 2003, and were considered to be in good overall condition at the time of our research. Currently, the property is roughly 89.2% occupied by four tenants and Campus Research Corporation (CRC), an owner-occupant. Most recently, Ascensus signed a 10-year lease for 27,423 square feet with commencement occurring in July 2017. The base rental rate of $10.50 per square foot, triple-net (NNN), remains flat during the initial term. The tenant also has two, 5-year renewal options available at 95% of fair market rent. The tenant received two months free rent and a significant TI allowance of $70.00 per square foot to build-out the space, which was largely in shell condition.

Upward adjustments are made for inferior location/visibility and interior building amenities. This building is located in a more remote area in southeast Tucson with a smaller population base, higher office vacancies and lower achievable rents. Further, this property lacks prominent street frontage with lower traffic volumes; thus, the upward adjustments for inferior location/visibility. The building does not offer any outdoor patios/gardens or balconies with inferior building amenities; thus, the upward adjustment.

Downward adjustments are made for smaller space size, superior effective age/condition, and more onsite parking. Economies of scale dictate that tenants pay more on a price per square foot for smaller space; this, due to more potential tenants competing for smaller spaces. The downward adjustment for superior effective age/condition reflects this properties newer construction (built 2003), which underwent renovations for the new tenant in 2017, which has sustained less physical depreciation. Properties with more onsite parking which are included in the rent (not additional rent) tend to command higher rents; thus, the downward adjustment for more onsite parking at a higher ratio. After adjustments, an adjusted rental rate of $11.03 per square foot, per annum, triple net is indicated for the subject's 2nd and 3rd floors. Lower rents would be applicable to the subject's 1st floor and lower level.

Rent Comparable Three

This comparable represents One South Church, a 241,355-rentable square foot, multi-tenant, high-rise, Class A office building located at 1 South Church Avenue in downtown Tucson, AZ. The 23-story tower is situated on a 0.93-acre site and includes a parking garage with onsite parking at a ratio of 2.04/1,000 SF (493 spaces which will be shared with Urban Flats development). The improvements were completed in 1986, and were considered to be in good condition at the time of our research. Caterpillar Global Mining leased 26,093-square feet between the 1st and 2nd floors at a starting rent of $27.13 per square foot, per annum, full service. The rent escalates 3% annually and the tenant received 5 months of free rent in exchange for TI's. The spread to a triple net (NNN) lease is approximately $11.00 per square foot; thus, the NNN equivalent rent is $16.13 per square foot.

Downward adjustments are made for superior visibility/access, smaller space size, superior effective age/condition, superior interior finishes/appeal, and onsite parking. This property is highly visible from four signalized intersections with superior vehicular access; thus, the downward adjustment for superior visibility/access. Economies of scale dictate that tenants pay more on a price per square foot for smaller space; this, due to more potential tenants competing for smaller spaces. This building represents more recent construction (built 1986) which was extensively renovated in 2008 and 2016, which has sustained less physical depreciation; thus, the downward adjustment for superior effective age/condition. This property offers upgraded finishes commensurate with a Class A office building. Further, the space leased by Caterpillar had been extensively built-out by the sublessor (TEP), with more partitioned space and higher quality TI's; thus, the downward adjustment for superior interior finishes/appeal. This property also offers onsite parking, with some parking included in the rental rate (not additional rent); thus, the downward adjustment for superior onsite parking/availability. After adjustments, an adjusted rental rate of $11.29 per square foot, per annum, triple net is indicated for the subject's 2nd and 3rd floors. Lower rents would be applicable to the subject's 1st floor and lower level.

Rent Comparable Four

This comparable represents a multi-tenant, Class B, office building located at 44 East Broadway Boulevard in downtown Tucson, AZ. The four-story building totals about 32,000-rentable square feet of space, of which the ground floor space is for retail use while the 2nd and 3rd floors are office space, with residential on the 4th floor. The property also includes tuck under covered parking and open surface parking consisting of about 50 total space (ratio at 1.56 spaces/1,000 SF). The improvements were built in 1979, fully renovated in 2017, and were considered to be in good condition at the time of our research. Most recently, Community Partners leased the entire 2nd and 3rd floors consisting of 14,985 square feet for an initial term of 5 years. The lease commenced in January 2018 with a starting base rent of $22.95 per square foot, per annum, modified gross. The spread to a triple net (NNN) lease is about $8.00 per square foot. Thus, the NNN equivalent rent is $14.95 per square foot. The space was delivered largely completed, with the tenant getting a TI allowance of $5.00 per square foot. The lease includes 3% annual increases.

Downward adjustments are made for superior visibility/access, smaller space size, superior effective age/condition, and onsite parking. This property is visible and accessible to vehicles from both Broadway Boulevard and Jackson Street; thus, the downward adjustment for superior visibility/access. Economies of scale dictate that tenants pay more on a price per square foot for smaller space; this, due to more potential tenants competing for smaller spaces. This building represents more recent construction (built 1979) which was extensively renovated in 2017, which has sustained less physical depreciation; thus, the downward adjustment for superior effective age/condition. This property also offers onsite parking, with the parking included in the rental rate (not additional rent); thus, the downward adjustment for superior onsite parking/availability which is partially offset by the subject's access to more parking at a higher ratio. After

adjustments, an adjusted rental rate of $11.59 per square foot, per annum, triple net is indicated for the subject's 2nd and 3rd floors. Lower rents would be applicable to the subject's 1st floor and lower level.

Rent Comparable Five

This represents an 11-story, multi-tenant, Class C, office building in downtown Tucson, AZ. The building is approximately 87% leased and has an asking rent of $18.50 per square foot, per annum, full service. Tenant improvements and rental concessions are dependent on the tenant and the lease term, with typical quoted terms of 3 to 5 years. There is no onsite parking available and the load factor is approximately 18%. Sinfonia RX, Inc. leased 13,530 square feet of space for an initial term of 101 months (8.42 years) at a starting rent of $17.50 per square foot, per annum, full service. The lease includes annual escalations of $0.25 per square foot and the tenant received a TI allowance of $30 per square foot. The spread to a triple net (NNN) lease is about $10.00 per square foot; thus, the NNN equivalent rent is $7.50 per square foot.

A downward adjustment is indicated for smaller space size. Economies of scale dictate that tenants pay more on a price per square foot for smaller space; this, due to more potential tenants competing for smaller spaces. Upward adjustments are made for inferior effective age/condition, inferior interior finishes/appeal, and no parking. This is an older building (originally built in 1929 and converted to office in 1976), which has sustained more physical depreciation with no major recent renovations; thus, the upward adjustment for inferior effective age/condition. This property has inferior quality interior finishes with smaller corridors, less open space and lower ceiling heights (7 feet). There is no onsite parking, which is provided for by offsite garages within walking distance for additional monthly rents. Again, the subject is being allocated approximately 200 parking spaces in the adjacent garage; thus, the upward adjustment for inferior parking ratio/availability. After adjustments, an adjusted rental rate of $10.13 per square foot, per annum, triple net is indicated for the subject's 2nd and 3rd floors. Lower rents would be applicable to the subject's 1st floor and lower level.

Rent Comparable Six

This comparable represents the Transamerica Building, a multi-tenant, Class C office building located in Downtown Tucson, AZ at 177 North Church Avenue. This is an 11-story, 126,221-rentable square foot building that sits on a 0.60-acre site. A total of 65 garage spaces are available onsite at a ratio of 0.51 spaces per 1,000 square feet of building area. The improvements were constructed in 1961, and were considered to be in average condition at the time of our research. The load factor is about 15%. Forensic Logic, LLC leased 12,036 square feet of space for an initial term of 84 months (7 years) at a starting rent of $18.00 per square foot, per annum, full service. The lease includes 4% annual escalations and the tenant received a TI allowance of $35 per square foot. The spread to a triple net (NNN) lease is about $10.00 per square foot; thus, the NNN equivalent rent is $8.00 per square foot.

A downward adjustment is indicated for smaller space size. Economies of scale dictate that tenants pay more on a price per square foot for smaller space; this, due to more potential tenants competing for smaller spaces. Upward adjustments are made for inferior effective age/condition, inferior interior finishes/appeal, and less parking. This is an older building (originally built in 1961), which has sustained more physical depreciation with no major recent renovations; thus, the upward adjustment for inferior effective age/condition. This property has inferior quality interior finishes with smaller corridors and less open space. There is onsite parking at a lower ratio (0.51 : 1,000 SF), which is in additional to the base rent; thus, we made an upward adjustment for the lower parking ratio as compared to the subject. After adjustments, an adjusted rental rate of $10.00 per square foot, per annum, triple net is indicated for the subject's 2nd and 3rd floors. Lower rents would be applicable to the subject's 1st floor and lower level.

SUMMARY OF ADJUSTMENTS

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable rental.

OFFICE RENT ADJUSTMENT GRID

Comparable Number	1	2	3	4	5	6	Subject
Building Information							
Year Built	1975 / 2015	2003	1986 / 2008	1979 / 2017	1929 / 2000	1961	1975 / 2016
Occupancy	65%	89%	68%	100%	87%	94%	---
NRA (SF)	270,763	73,172	240,811	32,000	101,937	126,221	40,158
Parking Ratio	4.62 : 1,000	3.14 : 1,000	2.04 : 1,000	1.56 : 1,000	0.00 : 1,000	0.51 : 1,000	4.98 : 1,000
Lease Specific Information							
Tenant Name	Bayview Loan Servicing	Ascensus	Caterpillar Global Mining	Community Partners	Sinfonia RX, Inc.	Forensic Logic, LLC	---
Leased Area (SF)	39,627	27,423	26,093	14,985	13,530	12,036	40,158
Lease Date	May-17	Jul-17	Aug-17	Jan-18	Jan-18	Mar-18	---
Lease Term (Yrs)	5.3	10.0	1.8	5.0	8.4	7.0	---
Base Rent	$14.00	$10.50	$16.13	$14.95	$7.50	$8.00	---
TI Allowance	$25.00	$70.00	$0.00	$5.00	$30.00	35	---
Lease Basis	NNN	NNN	NNN	NNN	NNN	NNN	NNN
Escalations	3%/Yr.	Flat	3%/Yr.	3%/Yr.	$0.25/SF/Yr.	4%/Yr.	---
Adj. Rent Per SF	$14.00	$10.50	$16.13	$14.95	$7.50	$8.00	
Conditions of Lease	0%	0%	0%	0%	0%	0%	
Market Conditions (Time)	0%	0%	0%	0%	0%	0%	
Subtotal	$14.00	$10.50	$16.13	$14.95	$7.50	$8.00	
Location/Visibility/Access	-5%	20%	-5%	-5%	0%	0%	
Size	0%	-5%	-5%	-10%	-10%	-10%	
Effective Age/Condition	0%	-10%	-5%	-5%	20%	20%	
Interior Finish/Appeal	-5%	0%	-10%	0%	15%	10%	
Parking Ratio/Availability	-10%	-5%	-5%	-2.5%	10%	5%	
Building Amenities	-5%	5%	0%	0%	0%	0%	
Total Other Adjustments	-25%	5%	-30%	-23%	35%	25%	
Indicated Rent Per SF	**$10.50**	**$11.03**	**$11.29**	**$11.59**	**$10.13**	**$10.00**	

Source: CBRE

After adjustments, the six rental comparables indicate a rent range of $10.00 to $11.59 per square foot, per annum, triple-net (NNN), with a mean of $10.75 and a median of $10.76 for the subject's 2nd and 3rd floor office spaces. The appraisers put equal weight in all six rental indications. Based on comparison with other similar leases for office spaces, the appraisers estimate the subject's 2nd and 3rd floor office spaces would lease at market rent of $11.00 per square foot, per annum, NNN.

Notably, the subject's lower level and 1st floor office spaces are considered to be less desirable than the 2nd and 3rd floor office spaces. This is largely due to the lack of windows and natural light, as well as the increased road and pedestrian noise associated with fronting along prominent streets like Congress Street. Congress Street is the premier retail corridor in downtown Tucson with heavy vehicular and pedestrian traffic. Tenant and user demand for first floor space along Congress Street are primarily for retail, which welcome the heavy traffic and building visibility. Office users tend to lease first floor space and lower levels/basements at discounted rents. The appraisers queried several market participants including property owners, property managers and leasing brokers as to the appropriate discounts applicable to subject's lower level/basement and 1st floor office spaces. Based on our research, analysis and discussions with market participants a discount of 15% to 25% is reasonable for the subject's 1st floor space, while a larger discount of 40% to 50% is reasonable for the lower level space.

Applying a discount of 20% to the previously estimated market rent of $11.00 per square foot, per annum, NNN for the 2nd and 3rd floors, indicates a market rent estimate of $8.80 per square foot for the first floor, which we rounded to $9.00 per square foot.

Applying a discount of 20% to the previously estimated market rent of $11.00 per square foot, per annum, NNN for the 2nd and 3rd floors, indicates a market rent estimate of $6.05 per square foot for the lower level, which we rounded to $6.00 per square foot. A breakdown of the estimated market rents per floor level is provided in the following chart.

MARKET RENT BREAKDOWN BY FLOOR

	NRA (SF)	Rent ($/SF/Yr.)	Annual Rent
Lower Level	10,424	$6.00	$62,544
First Floor	9,815	$9.00	$88,335
Second Floor	9,868	$11.00	$108,548
Third Floor	10,051	$11.00	$110,561
Total	40,158	Blended Annual Rent	$369,988
		Blended Rent/SF/Yr.	$9.21

Compiled by CBRE

Based on comparison with other similar leases for office spaces, the appraisers estimate the subject's blended market rent at $9.25 per square foot, per annum, triple-net (NNN). Our estimate of the blended market rent for the real estate is appropriate given the fact that any tenant would also have to pay additional rent for the approximately 200 parking spaces dedicated for exclusive use of the subject's office building. We estimate that a market rent per

parking space, per month would be about $75 per month, or approximately $15,000 monthly, and $180,000 annually. A survey of similar below and above grade parking structures in the downtown submarket, which rent spaces to monthly tenants, indicated market rents of $65 to $85 per month, per space. The higher monthly rents tend to occur in newer, well-lit, above grade structures with street level retail users, while the lower monthly rents tend to occur in older, below grade structures. Thus, a mid-point rent of $75 per space, per month is reasonable. In terms of the impact on a market rental rate, the parking by itself would be about $4.48 per square foot, per annum ($75 per month/space x 200 spaces = $15,000 x 12 months = $180,000 ÷ 40,158 SF = $4.48 per square foot). Thus, an "all in" rental rate for the subject's office building and the approximately 200 parking spaces in the adjacent LSG garage is about $13.73 per square foot, per annum, NNN (blended market rent for office building $9.25 per square foot + 200 parking spaces rent $4.48 = $13.73 per square foot). The subject's "all-in" rental estimate of $13.73 per square foot is within the range of the rental comparables analyzed in the prior section.

MARKET RENT CONCLUSIONS – REAL ESTATE

The following chart shows the market rent conclusion for the subject's real estate:

MARKET RENT CONCLUSIONS

Category	Office
NRA (SF)	40,158
Percent of Total SF	100.0%
Blended Market Rent ($/SF/Yr.)	$9.25
Concessions	None
Reimbursements	NNN
Annual Escalation	3.0%
Average Lease Term	5 Years

Compiled by CBRE

MARKET RENT ESTIMATE – FF&E

At the request of the client, the appraisers estimated the depreciated value of the subject's in-place FF&E. Furthermore, the client requested a separate market rent estimate be made for the subject's FF&E. This is not customarily done in the market place but, we completed it at the request of the client. The subject's FF&E was previously estimated to have a depreciated value of $616,263, which we rounded to $620,000. Again, the appraisers relied upon interviews with market participants (Buzz Isaacson – Buzz Isaacson Realty, Jeff Casper and Dave Volk – CBRE, Tom Nieman – Picor, Zach Fenton – Fenton Investment Company, and George Larsen – Larsen Baker). We also relied on data derived from other appraisal assignments in order to estimate an appropriate rate of return (RoR) for the subject's FF&E. The rate of return is a means of deriving

a rental estimate which is applied to the depreciated value of the FF&E, much like an overall capitalization rate applied to the net operating income to derive property value.

According to the market participants interviewed, it is not customary to apply a rate of return to just the FF&E in order to derive a rental rate. Rates of return are typically applied to all costs involved in either ground-up construction or a tenant improvement project. Thus, the impact on the RofR is difficult to predict. Market participants reported that rates of return typically range from 6.0% to 8.0% depending on the scale and overall costs of the project, the credit worthiness of the tenant and their ability to pay the rent, and other associated lease terms. A review of several ground-up office construction projects indicated similar rates of return on costs of 6.50% to 7.50%. Based on this information, we applied a rate of return 7.0%. Applying the 7.0% rate of return to the subject's depreciated FF&E of value $620,000 indicates an annual rental rate of $43,400, or $1.08 per square foot, per annum ($620,000 x 0.07 = $43,400). Notably, the appraisers believe the most likely buyer for the subject is an owner-user, which are typically not interested in the income earning potential of a property, or the tenant improvements and FF&E. Thus, this analysis carries nominal weight in our final value conclusions but, was completed at the request of the client.

POTENTIAL RENTAL INCOME CONCLUSION

Within this analysis, potential rental income, for just the real estate, is based on the forward looking market rental rate over the next twelve months.

POTENTIAL RENTAL INCOME

Year	Total	$/SF
CBRE Estimate	**$371,462**	**$9.25**

Compiled by CBRE

OPERATING HISTORY

The following table presents available historical operating expenses for the subject, as provided by the client.

OPERATING HISTORY

Year-Occupancy	FY 2015	N/A	FY 2016	N/A	FY 2017	100.0%	FY 2018	100.0%	CBRE Estimate	96.0%
	Total	$/SF	Total	$/SF	Total	$/SF	Total	$/SF	Total [2]	$/SF
Expenses										
Real Estate Taxes	$77,994	$1.94	$76,649	$1.91	$75,607	$1.88	$79,968	$1.99	$82,367	$2.05
Property Insurance	-	-	-	-	-	-	-	-	10,040	0.25
Common Area Maintenance	209,136	5.21	238,172	5.93	256,136	6.38	125,105	3.12	230,909	5.75
Management Fee	-	-	-	-	-	-	-	-	13,601	0.34
Non-reimbursable LL	852	0.02	925	0.02	1,360	0.03	2,368	0.06	6,024	0.15
Operating Expenses	$287,982	$7.17	$315,746	$7.86	$333,103	$8.29	$207,441	$5.17	$342,940	$8.54

Source: Operating statements

VACANCY AND CREDIT LOSS

The subject's estimated stabilized occupancy rate was previously discussed in the market analysis. Based on the foregoing analysis, CBRE's conclusion of stabilized occupancy for the subject is illustrated in the following table. This estimate considers both the physical and economic factors of the market:

VACANCY AND CREDIT LOSS		
Year	Total	% PGI
CBRE Estimate	**$14,858**	**4%**
Compiled by CBRE		

EXPENSE REIMBURSEMENTS

Being a single-tenant building, the property would most likely be leased on a triple net (NNN) basis. In a triple-net lease, the tenant either pays directly for or reimburse the landlord for its pro-rata share of all operating expenses. Those expenses considered to be eligible for reimbursement are as follows:

EXPENSES ELIGIBLE FOR REIMBURSEMENT
Real Estate Taxes
Property Insurance
Common Area Maintenance
Management Fee
Compiled by: CBRE

The subject's forecasted expense reimbursements are detailed as follows:

EXPENSE REIMBURSEMENTS		
Year	Total	$/SF
CBRE Estimate	**$323,440**	**$8.05**
Compiled by CBRE		

EFFECTIVE GROSS INCOME

The subject's forecasted effective gross income is detailed as follows:

EFFECTIVE GROSS INCOME		
Year	Total	$/SF
CBRE Estimate	**$680,043**	**$16.93**
Compiled by CBRE		

OPERATING EXPENSE ANALYSIS

Expense Comparables

The following chart summarizes expenses obtained from three comparable office properties in the metro Tucson area.

EXPENSE COMPARABLES				
Comparable Number	1	2	3	Subject
Location	Tucson, AZ	Tucson, AZ	Tucson, AZ	Tucson, AZ
NRA (SF)	60,405	22,276	24,622	40,158
Expense Year	2016	2017	2017	Pro Forma
	$/SF	$/SF	$/SF	$/SF
Expenses				
Real Estate Taxes	$1.43	$2.66	$2.71	$2.05
Property Insurance	0.24	0.33	0.28	0.25
Common Area Maintenance	4.42	4.25	3.96	5.75
Management Fee	0.17	0.82	0.52	0.34
Non-reimbursable LL Expense/Reserves	0.15	0.19	0.15	0.15
Operating Expenses	$6.41	$8.25	$7.62	$8.54
Compiled by CBRE				

A discussion of each expense category is presented on the following pages.

Real Estate Taxes

The comparable data and projection for the subject are summarized as follows:

REAL ESTATE TAXES		
Year	Total	$/SF
FY 2015	$77,994	$1.94
FY 2016	$76,649	$1.91
FY 2017	$75,607	$1.88
FY 2018	$79,968	$1.99
Expense Comparable 1	N/A	$1.43
Expense Comparable 2	N/A	$2.66
Expense Comparable 3	N/A	$2.71
CBRE Estimate	**$82,367**	**$2.05**
Compiled by CBRE		

Our estimate is based on the current property assessment and tax rate, is consistent with other properties operating in the area. Taxes are generally expected to increase at or near the rate of inflation. For purposes of analysis, the appraisers inflated the subject's 2018 taxes of $79,968 by 3%; this, in order to estimate the subject's 2019 forecasted property taxes. Thus, the subject's 2019 forecasted property taxes are $82,367, or $2.05 per square foot of building area. This is consistent with office comparables which ranged from $1.43 to $2.71 per square foot.

Property Insurance

Property insurance expenses typically include fire and extended coverage and owner's liability coverage. Pima County self-insures the building; thus, there is no historical insurance data available. To make our forecast, we relied on the three expense comparables and information provided by market participants:

PROPERTY INSURANCE		
Year	Total	$/SF
Expense Comparable 1	N/A	$0.24
Expense Comparable 2	N/A	$0.33
Expense Comparable 3	N/A	$0.28
CBRE Estimate	**$10,040**	**$0.25**
Compiled by CBRE		

For purposes of analysis, we have relied on the comparable properties surveyed which tightly ranged from $0.24 to $0.33 per square foot, with an average of $0.28. Thus, our estimate is well supported and reasonable.

Common Area Maintenance (CAM)

Common area maintenance (CAM) expenses typically include utilities, trash removal, janitorial services and supplies, building and site improvement repairs and maintenance (including service contracts for HVAC, elevator, mechanical), pest control, landscaping and grounds maintenance, security, etc. The CAM expense tends to be highly property specific and can vary greatly from property to property. Thus, we put most weight in the subject's historical data in making our forecast, with secondary support being provided by the expense comparables. The comparable data and projection for the subject are summarized as follows:

COMMON AREA MAINTENANCE		
Year	Total	$/SF
FY 2015	$209,136	$5.21
FY 2016	$238,172	$5.93
FY 2017	$256,136	$6.38
FY 2018	$125,105	$3.12
Expense Comparable 1	N/A	$4.42
Expense Comparable 2	N/A	$4.25
Expense Comparable 3	N/A	$3.96
CBRE Estimate	**$230,909**	**$5.75**
Compiled by CBRE		

Based on the subject's historical information, as well as consideration of comparable data and our experience in the local market, we estimate the subject's common area maintenance (CAM) expense at $5.75 per square foot.

Management Fee

Management expenses are typically negotiated as a percentage of collected revenues (i.e., effective gross income). Professional management fees in the local market range from 1.0% to 3.0%.

MANAGEMENT FEE		
Year	Total	% EGI
CBRE Estimate	**$13,601**	**2.0%**
Compiled by CBRE		

Given the subject's size, the triple-net lease, and the competitiveness of the local market area, we believe an appropriate management expense for the subject would be towards the middle of the reported range.

Non-Reimbursable Landlord/Reserves Expense

The landlord can expect to incur additional expenses not typically reimbursed by the tenant. These expenses include general and administrative expenses including legal, accounting and professional fees, and reserves for replacements. The subject's non-reimbursable costs over the past few years have been highly inconsistent. The three expense comparables included non-reimbursable landlord expenses ranging from $0.15 to $0.19 per square foot, per annum. The subject's historical data and projection are summarized as follows:

NON-REIMBURSABLE LL EXPENSE/RESERVES		
Year	Total	$/SF
FY 2015	$852	$0.02
FY 2016	$925	$0.02
FY 2017	$1,360	$0.03
FY 2018	$2,368	$0.06
Expense Comparable 1	N/A	$0.15
Expense Comparable 2	N/A	$0.19
Expense Comparable 3	N/A	$0.15
CBRE Estimate	**$6,024**	**$0.15**
Compiled by CBRE		

OPERATING EXPENSE CONCLUSION

The comparable data and projection for the subject are summarized as follows:

OPERATING EXPENSES		
Year	Total	$/SF
FY 2015	$287,982	$7.17
FY 2016	$315,746	$7.86
FY 2017	$333,103	$8.29
FY 2018	$207,441	$5.17
Expense Comparable 1	N/A	$6.41
Expense Comparable 2	N/A	$8.25
Expense Comparable 3	N/A	$7.62
CBRE Estimate	**$342,940**	**$8.54**
Compiled by CBRE		

The subject's per square foot operating expense pro forma is consistent with the historical figures reviewed, albeit higher than the comparables.

NET OPERATING INCOME CONCLUSION

The projection for the subject is summarized as follows:

NET OPERATING INCOME		
Year	Total	$/SF
CBRE Estimate	**$337,103**	**$8.39**
Compiled by CBRE		

DIRECT CAPITALIZATION

Direct capitalization is a method used to convert a single year's estimated stabilized net operating income into a value indication. The following subsections represent different techniques for deriving an overall capitalization rate.

Secondary Comparable Sales

All six comparables analyzed in the Sales Comparison Approach section were purchased by owner-users with no capitalization rates involved. Thus, the appraisers performed a second search of office investment transactions which involved overall capitalization rates (OAR's). The secondary comparable sales overall capitalization rates (OARs) confirmed are summarized as follows:

COMPARABLE CAPITALIZATION RATES									
Secondary Sale	Location	Tenancy	Sale Date	NRA (SF)	Sale Price	Sale Price $/SF	Occ.	OAR Basis	Adjusted OAR
7	Tucson, AZ	Single	Sep-16	45,675	$6,080,000	$133.11	100%	Trailing Actuals	7.16%
8	Marana, AZ	Single	Sep-16	50,509	$11,035,000	$218.48	100%	Trailing Actuals	6.85%
9	Tucson, AZ	Multiple	Sep-17	50,000	$10,250,000	$205.00	100%	Pro Forma	7.16%
10	Tempe, AZ	Single	Jan-18	31,829	$5,010,000	$157.40	100%	Trailing Actuals	6.18%
11	Gilbert, AZ	Multiple	Feb-18	39,053	$5,325,000	$136.35	90%	Pro Forma	6.97%
12	Mesa, AZ	Multiple	May-18	59,843	$5,600,000	$93.58	82%	Trailing Actuals	7.50%
13	Tempe, AZ	Multiple	Sep-18	23,195	$2,620,000	$112.96	100%	Pro Forma	7.00%
14	Phoenix, AZ	Single	Nov-18	43,013	$6,750,000	$156.93	100%	Trailing Actuals	7.11%
15	Phoenix, AZ	Multiple	Nov-18	41,383	$4,150,000	$100.28	96%	Trailing Actuals	6.89%
16	Tucson, AZ	Single	Dec-18	57,600	$12,450,000	$216.15	100%	Pro Forma	7.21%
Indicated OAR:							96%		**6.18%-7.50%**
Compiled by: CBRE									

In order to stay consistent with our analysis of the ten office comparable sales used to extract overall capitalization rates, the appraisers deducted a 4.0% vacancy and credit loss factor and non-reimbursable expense of $0.15 per square foot, per annum from the sales above, if it had not already been included.

The recent sales of office buildings throughout the Tucson and Phoenix MSA's indicated overall capitalization rates ranging from 6.18% to 7.50%, with an average of 6.86%. The overall

capitalization rates for these ten sales were derived based upon the actual or pro forma income characteristics of the property. The low end of the cap rate data range represents a new long-term lease to a national credit worthy tenant for a newer building in a superior market. The high end of the cap rate data range represents a single-tenant building leased to a lesser credit tenant with some near term rollover risk.

Published Investor Surveys

The results of the most recent investor surveys are summarized in the following chart.

OVERALL CAPITALIZATION RATES		
Investment Type	OAR Range	Average
CBRE - U.S. Net-Lease Market Trends Report - April 2018		
Office	N/A - N/A	6.70%
The Boulder Group - Net Lease Market Report - 4Q 2018		
Office	N/A - N/A	7.02%
RealtyRates.com		
Office	4.85% - 13.17%	9.62%
CBD Office	5.90% - 13.17%	9.89%
PwC Net Lease		
National Data	5.00% - 8.50%	6.71%
PwC CBD Office		
National Data	3.00% - 7.50%	5.44%
Indicated OAR:		**7.00%-8.00%**
Compiled by: CBRE		

The subject is considered to be a Class BN asset by local market participants. Due to the subject's location, building age an OAR between 7.00% and 8.00% is indicated from national survey data and considered appropriate.

Market Participants

The results of recent interviews with knowledgeable real estate professionals are summarized in the following table.

OVERALL CAPITALIZATION RATES				
Respondent	Company	OAR	Income	Date of Survey
Investment Broker	CBRE	7.00%-8.00%	Existing	4Q18
Investment Broker	Marcus & Millichap	7.25%-7.75%	Existing	4Q18
Investment Broker	Cushman & Wakefield	7.25%-8.00%	Existing	4Q18
Indicated OAR:				**7.00%-8.00%**
Compiled by: CBRE				

Those interviewed suggested a fairly tight range of indicators, ranging from 7.00% to 8.00%. Overall, those parties interviewed indicated that an OAR at the middle of those rates observed in similar single-tenant net leased building sales is appropriate for the subject property; this, given that the subject would likely be leased on a shorter initial lease term of 5 years. Thus, the selection of an overall capitalization rate at the middle of the indicated range is appropriate for the subject.

Band of Investment

The band of the investment technique has been utilized as a crosscheck to the foregoing techniques. The Mortgage Interest Rate and the Equity Dividend Rate (EDR) are based upon current market yields for similar investments. The analysis is shown in the following table.

BAND OF INVESTMENT					
Mortgage Interest Rate	5.50%				
Mortgage Term (Amortization Period)	25 Years				
Mortgage Ratio (Loan-to-Value)	75%				
Mortgage Constant (monthly payments)	0.07369				
Equity Dividend Rate (EDR)	8.00%				
Mortgage Requirement	75%	x	0.07369	=	0.05527
Equity Requirement	25%	x	0.08000	=	0.02000
	100%				0.07527
Indicated OAR:					**7.50%**
Compiled by: CBRE					

Capitalization Rate Conclusion

The following chart summarizes the OAR conclusions.

OVERALL CAPITALIZATION RATE - CONCLUSION	
Source	Indicated OAR
Sercondary Comparable Sales	6.18%-7.50%
Published Surveys	7.00%-8.00%
Market Participants	7.00%-8.00%
Band of Investment	7.50%
CBRE Estimate	**7.50%**
Compiled by: CBRE	

In concluding an overall capitalization rate for the subject, primary reliance has been placed upon the data obtained from the comparable sales and interviews with active market participants. This data tends to provide the most accurate depiction of both buyers' and sellers' expectations within the market and the ranges indicated are relatively consistent. Further secondary support for our conclusion is noted via national investor surveys and the band of investment methodology. Overall, an OAR in the middle portion of the range is considered appropriate.

Direct Capitalization Summary

A summary of the direct capitalization is illustrated in the following chart.

DIRECT CAPITALIZATION SUMMARY

		$/SF/Yr	Total
Income			
Potential Rental Income		$9.25	$371,462
Vacancy Loss	4.00%	(0.37)	(14,858)
Net Rental Income		$8.88	$356,603
Expense Reimbursements		$8.05	$323,440
Effective Gross Income		$16.93	$680,043
Expenses			
Real Estate Taxes		$2.05	$82,367
Property Insurance		0.25	10,040
Common Area Maintenance		5.75	230,909
Management Fee	2.00%	0.34	13,601
Non-reimbursable LL Expense/Reserves		0.15	6,024
Operating Expenses		**$8.54**	**$342,940**
Operating Expense Ratio			50.43%
Net Operating Income		**$8.39**	**$337,103**
OAR		÷	**7.50%**
Indicated Stabilized/As Is Value - Real Estate			**$4,494,702**
Rounded			**$4,500,000**
Value Per SF			**$112.06**

Compiled by CBRE

Reconciliation of Value

The value indications from the approaches to value are summarized as follows:

SUMMARY OF VALUE CONCLUSIONS	
Sales Comparison Approach	$4,600,000
Income Capitalization Approach	$4,500,000
Reconciled Hypothetical Value - Real Estate	$4,600,000
Compiled by CBRE	

In the sales comparison approach, the subject is compared to similar properties that have been sold recently or for which listing prices or offers are known. The sales used in this analysis are considered comparable to the subject, and the required adjustments were based on reasonable and well-supported rationale. In addition, market participants are currently analyzing purchase prices on similar properties as they relate to available substitutes in the market. Therefore, the sales comparison approach is considered to provide a reliable value indication and has been given primary emphasis in the final value reconciliation as the most likely buyer is an owner-occupant.

The income capitalization approach is applicable to the subject since it has formerly been used as an income producing property which had been leased in the open market. Market participants are primarily analyzing properties based on their income generating capability. Therefore, the income capitalization approach is considered a reasonable and substantiated value indicator but, has been given secondary emphasis in the final value estimate.

Based on the foregoing, the hypothetical market values for the subject have been concluded as follows:

MARKET VALUE CONCLUSIONS			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Hypothetical As Is - Real Estate	Fee Simple Estate	December 21, 2018	$4,600,000
Hypothetical As Is - FF&E	Fee Simple Estate	December 21, 2018	$620,000
Hypothetical Market Rent - Real Estate	Fee Simple Estate	December 21, 2018	$371,462
Hypothetical Market Rent - FF&E	Fee Simple Estate	December 21, 2018	$43,400
Compiled by CBRE			

Assumptions and Limiting Conditions

1. CBRE, Inc. through its appraiser (collectively, "CBRE") has inspected through reasonable observation the subject property. However, it is not possible or reasonably practicable to personally inspect conditions beneath the soil and the entire interior and exterior of the improvements on the subject property. Therefore, no representation is made as to such matters.
2. The report, including its conclusions and any portion of such report (the "Report"), is as of the date set forth in the letter of transmittal and based upon the information, market, economic, and property conditions and projected levels of operation existing as of such date. The dollar amount of any conclusion as to value in the Report is based upon the purchasing power of the U.S. Dollar on such date. The Report is subject to change as a result of fluctuations in any of the foregoing. CBRE has no obligation to revise the Report to reflect any such fluctuations or other events or conditions which occur subsequent to such date.
3. Unless otherwise expressly noted in the Report, CBRE has assumed that:

   (i) Title to the subject property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE has not examined title records (including without limitation liens, encumbrances, easements, deed restrictions, and other conditions that may affect the title or use of the subject property) and makes no representations regarding title or its limitations on the use of the subject property. Insurance against financial loss that may arise out of defects in title should be sought from a qualified title insurance company.

   (ii) Existing improvements on the subject property conform to applicable local, state, and federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; and the roof and exterior are in good condition and free from intrusion by the elements. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. CBRE appraisers are not engineers and are not qualified to judge matters of an engineering nature, and furthermore structural problems or building system problems may not be visible. It is expressly assumed that any purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.

   (iii) Any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices.

   (iv) Hazardous materials are not present on the subject property. CBRE is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, mold, or other potentially hazardous materials may affect the value of the property.

   (v) No mineral deposit or subsurface rights of value exist with respect to the subject property, whether gas, liquid, or solid, and no air or development rights of value may be transferred. CBRE has not considered any rights associated with extraction or exploration of any resources, unless otherwise expressly noted in the Report.

   (vi) There are no contemplated public initiatives, governmental development controls, rent controls, or changes in the present zoning ordinances or regulations governing use, density, or shape that would significantly affect the value of the subject property.

   (vii) All required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be readily obtained or renewed for any use on which the Report is based.

   (viii) The subject property is managed and operated in a prudent and competent manner, neither inefficiently or super-efficiently.

   (ix) The subject property and its use, management, and operation are in full compliance with all applicable federal, state, and local regulations, laws, and restrictions, including without limitation environmental laws, seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, and licenses.

   (x) The subject property is in full compliance with the Americans with Disabilities Act (ADA). CBRE is not qualified to assess the subject property's compliance with the ADA, notwithstanding any discussion of possible readily achievable barrier removal construction items in the Report.

(xi) All information regarding the areas and dimensions of the subject property furnished to CBRE are correct, and no encroachments exist. CBRE has neither undertaken any survey of the boundaries of the subject property nor reviewed or confirmed the accuracy of any legal description of the subject property.

Unless otherwise expressly noted in the Report, no issues regarding the foregoing were brought to CBRE's attention, and CBRE has no knowledge of any such facts affecting the subject property. If any information inconsistent with any of the foregoing assumptions is discovered, such information could have a substantial negative impact on the Report. Accordingly, if any such information is subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. CBRE assumes no responsibility for any conditions regarding the foregoing, or for any expertise or knowledge required to discover them. Any user of the Report is urged to retain an expert in the applicable field(s) for information regarding such conditions.

4. CBRE has assumed that all documents, data and information furnished by or behalf of the client, property owner, or owner's representative are accurate and correct, unless otherwise expressly noted in the Report. Such data and information include, without limitation, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any error in any of the above could have a substantial impact on the Report. Accordingly, if any such errors are subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. The client and intended user should carefully review all assumptions, data, relevant calculations, and conclusions of the Report and should immediately notify CBRE of any questions or errors within 30 days after the date of delivery of the Report.
5. CBRE assumes no responsibility (including any obligation to procure the same) for any documents, data or information not provided to CBRE, including without limitation any termite inspection, survey or occupancy permit.
6. All furnishings, equipment and business operations have been disregarded with only real property being considered in the Report, except as otherwise expressly stated and typically considered part of real property.
7. Any cash flows included in the analysis are forecasts of estimated future operating characteristics based upon the information and assumptions contained within the Report. Any projections of income, expenses and economic conditions utilized in the Report, including such cash flows, should be considered as only estimates of the expectations of future income and expenses as of the date of the Report and not predictions of the future. Actual results are affected by a number of factors outside the control of CBRE, including without limitation fluctuating economic, market, and property conditions. Actual results may ultimately differ from these projections, and CBRE does not warrant any such projections.
8. The Report contains professional opinions and is expressly not intended to serve as any warranty, assurance or guarantee of any particular value of the subject property. Other appraisers may reach different conclusions as to the value of the subject property. Furthermore, market value is highly related to exposure time, promotion effort, terms, motivation, and conclusions surrounding the offering of the subject property. The Report is for the sole purpose of providing the intended user with CBRE's independent professional opinion of the value of the subject property as of the date of the Report. Accordingly, CBRE shall not be liable for any losses that arise from any investment or lending decisions based upon the Report that the client, intended user, or any buyer, seller, investor, or lending institution may undertake related to the subject property, and CBRE has not been compensated to assume any of these risks. Nothing contained in the Report shall be construed as any direct or indirect recommendation of CBRE to buy, sell, hold, or finance the subject property.
9. No opinion is expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Any user of the Report is advised to retain experts in areas that fall outside the scope of the real estate appraisal profession for such matters.
10. CBRE assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
11. Acceptance or use of the Report constitutes full acceptance of these Assumptions and Limiting Conditions and any special assumptions set forth in the Report. It is the responsibility of the user of the Report to read in full, comprehend and thus become aware of all such assumptions and limiting conditions. CBRE assumes no responsibility for any situation arising out of the user's failure to become familiar with and understand the same.
12. The Report applies to the property as a whole only, and any pro ration or division of the title into fractional interests will invalidate such conclusions, unless the Report expressly assumes such pro ration or division of interests.

13. The allocations of the total value estimate in the Report between land and improvements apply only to the existing use of the subject property. The allocations of values for each of the land and improvements are not intended to be used with any other property or appraisal and are not valid for any such use.
14. The maps, plats, sketches, graphs, photographs, and exhibits included in this Report are for illustration purposes only and shall be utilized only to assist in visualizing matters discussed in the Report. No such items shall be removed, reproduced, or used apart from the Report.
15. The Report shall not be duplicated or provided to any unintended users in whole or in part without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Exempt from this restriction is duplication for the internal use of the intended user and its attorneys, accountants, or advisors for the sole benefit of the intended user. Also exempt from this restriction is transmission of the Report pursuant to any requirement of any court, governmental authority, or regulatory agency having jurisdiction over the intended user, provided that the Report and its contents shall not be published, in whole or in part, in any public document without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Finally, the Report shall not be made available to the public or otherwise used in any offering of the property or any security, as defined by applicable law. Any unintended user who may possess the Report is advised that it shall not rely upon the Report or its conclusions and that it should rely on its own appraisers, advisors and other consultants for any decision in connection with the subject property. CBRE shall have no liability or responsibility to any such unintended user.

ADDENDA

Addendum A

IMPROVED SALE DATA SHEETS

Sale — Office - Single Tenant — No. 1

Property Name	Consulate of Mexico
Address	3915 E. Broadway Boulevard Tucson, AZ 85711
County	Pima
Govt./Tax ID	126-07-0730, -0740, -0745 & -0760
Net Rentable Area (NRA)	28,534 sf
Condition	Good
Number of Buildings	1
Parking Type/Ratio	Open and Covered/ 4.03:1,000 sf
Year Built/Renovated	1972/ N/A
Floor Count	4
Occupancy Type	Owner/User
Land Area Net	1.444 ac/ 62,880 sf
Actual FAR	0.45
Zoning	C-1, Commercial Zone (City of Tucson)
Construction Class/ Type	C/ Average
External Finish	Glass
Amenities	N/A

Transaction Details

Type	Sale	Primary Verification	Buyer, Seller, Public Records
Interest Transferred	Fee Simple	Transaction Date	01/14/2015
Condition of Sale	None	Recording Date	01/14/2015
Recorded Buyer	United Mexican States Consulate	Sale Price	$3,900,000
Buyer Type	End User	Financing	Cash to Seller
Recorded Seller	DEB 3915 LLC and Ponca Investors LLC	Cash Equivalent	$3,900,000
Marketing Time	0 Month(s)	Capital Adjustment	$0
Listing Broker	None	Adjusted Price	$3,900,000
Doc #	2015-0140324	**Adjusted Price / sf**	**$136.68**
Buyer's Primary Analysis	Owner/Occupier		
Occupancy at Sale	100%		

Comments

This comparable represents the sale of a 28,534-square foot, Class B office building located at 3915 East Broadway Boulevard in central Tucson, AZ. The property exhibits good visibility along the north side of Broadway Boulevard, and is situated just east of Alvernon Way. The four-story improvements were constructed in 1972, and are situated on a 1.44-acre site. Overall, the property was considered to be in good condition at the time of sale. The Consulate of Mexico purchased the property in January 2015 for $3,900,000, or $136.68 per square foot, for full owner-occupancy. Prior to the sale, the property was partially owner-occupied by the seller, with three existing tenants; however, each of the tenants vacated upon close of escrow. The property sold "off-market" with the buyer approaching the seller directly. The parties represented themselves in the transaction, with no brokers involved and no sale commissions being paid.

Sale — Office - Single Tenant — No. 2

Property Name	Owner-User Office Building
Address	2919 E. Broadway Boulevard Tucson, AZ 85716
County	Pima
Govt./Tax ID	125-01-1170, 125-01-1260, 125-01-1270, 125-01-1280
Net Rentable Area (NRA)	24,340 sf
Condition	Average
Number of Buildings	1
Parking Type/Ratio	Open and Covered/ 3.12:1,000 sf
Year Built/Renovated	1984/ N/A
Floor Count	3
Occupancy Type	Multi-tenant
Land Area Net	1.083 ac/ 47,152 sf
Actual FAR	0.58
Zoning	C-1/R-2 (City of Tucson)
Construction Class/ Type	C/ Average
External Finish	Stucco
Amenities	N/A

Transaction Details

Type	Sale	Primary Verification	Buyer, public records
Interest Transferred	Fee Simple	Transaction Date	11/28/2016
Condition of Sale	Partial owner-user	Recording Date	04/28/2017
Recorded Buyer	Beard2919, LLC	Sale Price	$2,400,000
Buyer Type	End User	Financing	Market Rate Financing
Recorded Seller	El Encanto Partners, LLC	Cash Equivalent	$2,400,000
Marketing Time	0 Month(s)	Capital Adjustment	$0
Listing Broker	N/A	Adjusted Price	$2,400,000
Doc #	2017-1181182	**Adjusted Price / sf**	**$98.60**
Buyer's Primary Analysis	Owner/Occupier		
Occupancy at Sale	100%		

Comments

This comparable represents the sale of three-story, multi-tenant office property composed of 24,340-rentable square feet, located at 2919 East Broadway Boulevard, just west of Country Club Road, in central Tucson, AZ. Situated on a 1.08-acre site, the improvements were constructed in 1984, and were considered to be in average overall condition at the time of sale. The property sold in April 2017 for $2,400,000, or $98.60 per square foot. Prior to sale, the property was 100% occupied by the seller and eight local/regional tenants, including the buyer (CEDR), which occupied a total of 9,567 square feet. Based on our discussions with the buyer, CEDR, plans to expand into an additional 6,480 square feet by December 2017, for a total footprint of 16,047 square feet, or 66% of the building's rentable area. The buyer intends to lease the remaining space during the near-term, but could eventually expand into 100% of the building. All of the existing tenants have leases with short remaining term lengths.

Sale — Office - Single Tenant — No. 3

Property Name	Midtown Office Building
Address	212 E. Osborn Road Phoenix, AZ 85012
County	Maricopa
Govt./Tax ID	A portion of 118-33-137D
Net Rentable Area (NRA)	21,750 sf
Condition	Average
Number of Buildings	1
Parking Type/Ratio	Open and Covered/ 4.18:1,000 sf
Year Built/Renovated	1968/ 2014
Floor Count	2
Occupancy Type	Owner/User
Land Area Net	1.037 ac/ 45,165 sf
Actual FAR	0.48
Zoning	C-2
Construction Class/ Type	C/ Average
External Finish	Stucco
Amenities	N/A

Transaction Details

Type	Sale	Primary Verification	Broker, CoStar, Public records
Interest Transferred	Fee Simple	Transaction Date	03/21/2017
Condition of Sale	Average	Recording Date	03/21/2017
Recorded Buyer	Recovery Empowerment Network of Maricopa County, Inc.	Sale Price	$2,700,000
Buyer Type	End User	Financing	Cash to Seller
Recorded Seller	Phoenix Midtown Center, LLC	Cash Equivalent	$2,700,000
Marketing Time	0 Month(s)	Capital Adjustment	$0
Listing Broker	None	Adjusted Price	$2,700,000
Doc #	2017-0198684	**Adjusted Price / sf**	**$124.14**
Buyer's Primary Analysis	Owner/Occupier		
Occupancy at Sale	100%		

Comments

This property represents a two-story office building located at 212 East Osborn Road in central Phoenix, AZ, just west of 3rd Street. The property sold in March 2017 for $2,700,000, or $124.14 per square foot to the existing tenant. According to the buyer's broker, the property was never marketed for sale, rather the buyer approached the seller with an offer that was mutually agreed upon. It was further noted that the purchase price was slightly below market as it came in under the appraised value by about 7%. The improvements were built in 1968 and have been well maintained over the years, with the most recent renovation occurring in 2014.

Sale — Office - Multi Tenant — No. 4

Property Name	5th Avenue Office Building
Address	3411 N. 5th Avenue Phoenix, AZ 85013
County	Maricopa
Govt./Tax ID	118-29-017B
Net Rentable Area (NRA)	38,929 sf
Condition	Average
Number of Buildings	1
Parking Type/Ratio	Open and Covered/ 3.08:1,000 sf
Year Built/Renovated	1968/ N/A
Floor Count	4
Occupancy Type	Owner/User
Land Area Net	1.038 ac/ 45,215 sf
Actual FAR	0.86
Zoning	R-5
Construction Class/ Type	B/ N/A
External Finish	Masonry
Amenities	N/A

Transaction Details

Type	Sale	Primary Verification	Listing Broker - Cushman & Wakefield
Interest Transferred	Fee Simple	Transaction Date	03/23/2017
Condition of Sale	Arm's-Length	Recording Date	06/23/2017
Recorded Buyer	5th Avenue LLC	Sale Price	$4,200,000
Buyer Type	End User	Financing	Market Rate Financing
Recorded Seller	5th Avenue Professional Office, LLC	Cash Equivalent	$4,200,000
Marketing Time	18 Month(s)	Capital Adjustment	$973,225
Listing Broker	Michael Coover (602)-224-4473	Adjusted Price	$5,173,225
Doc #	2017-0461256	**Adjusted Price / sf**	**$132.89**
Buyer's Primary Analysis	Owner/Occupier		
Occupancy at Sale	50%		

Comments

The comparable represents a four-story, multi-tenant office building located at 3411 North 5th Avenue in central Phoenix, AZ. The improvements were built in 1968 and reportedly in sold in average overall condition. The broker reported that the property had been listed on the market for nearly 18 months before selling at $4,200,000, or $107.89 per square foot on June 23, 2017. The buyer was from Canada, who had plans to relocate their company headquarters to this location as an owner-user for administrative office use. The broker reported that the buyer would occupy about 50% of the building and continue leasing the remaining space. It was also reported that the buyer renovated their space for approximately $50 per square foot or $973,225 after the close of escrow. Thus, the buyer's total consideration for the property was $5,173,225, or $132.89 per square foot.

Sale — Office - Single Tenant — No. 5

Property Name	Owner-User Office Building
Address	8950 N. Oracle Road Oro Valley, AZ 85704
County	Pima
Govt./Tax ID	225-12-066E
Net Rentable Area (NRA)	41,134 sf
Condition	Good
Number of Buildings	1
Parking Type/Ratio	Open and Covered/ 4.84:1,000 sf
Year Built/Renovated	2007/ N/A
Floor Count	2
Occupancy Type	Owner/User
Land Area Net	4.436 ac/ 193,214 sf
Actual FAR	0.21
Zoning	C-1, Commercial Zone
Construction Class/ Type	C/ Good
External Finish	Masonry
Amenities	N/A

Transaction Details

Type	Sale	Primary Verification	Listing broker, public records
Interest Transferred	Fee Simple	Transaction Date	12/19/2017
Condition of Sale	None	Recording Date	12/21/2017
Recorded Buyer	220Properties, LLC	Sale Price	$4,500,000
Buyer Type	End User	Financing	Market Rate Financing
Recorded Seller	N-Vista 8950, LLC	Cash Equivalent	$4,500,000
Marketing Time	24 Month(s)	Capital Adjustment	$930,000
Listing Broker	Buzz Isaacson - CBRE	Adjusted Price	$5,430,000
Doc #	2017-3550407	**Adjusted Price / sf**	**$132.01**
Buyer's Primary Analysis	Owner/Occupier		
Occupancy at Sale	0%		

Comments

This comparable represents the sale of a 41,134-rentable square foot office building located at 8950 North Oracle Road in Oro Valley, AZ (northwest Tucson). The two-story improvements were originally developed as a build-to-suit for Pulte Homes in 2007, which never fully occupied the building and eventually vacated the space. The property includes 199 onsite parking spaces, including 52 covered spaces, equating to a parking ratio of 4.84 spaces per 1,000 square feet of building area. Marketed for sale at $4,936,000, or for lease at $16.00 per square foot, triple-net, the property sold in December 2017 for $4,500,000, or $109.40 per square foot to an end user. According to the listing broker, the property was marketed for approximately two years, with very little interest until this buyer submitted an offer. The buyer, Simpleview, is a software company that intends to fully occupy the building as an owner-user. The listing broker estimated the buyer will spend an additional $20 to $25 per square foot to retrofit the building for their needs. Thus, the buyers total consideration for the property is $5,430,000, or $132.01 per square foot.

Available/Listing — Office - Single Tenant — No. 6

Property Name	Tucson Convention & Visitors Bureau Building
Address	100 S. Church Avenue Tucson, AZ 85701
County	Pima
Govt./Tax ID	117-20-016H
Net Rentable Area (NRA)	22,471 sf
Condition	Good
Number of Buildings	1
Parking Type/Ratio	Above Grade Structure/ 2.49:1,000 sf
Year Built/Renovated	1973/ 2017
Floor Count	3
Occupancy Type	Owner/User
Land Area Net	0.244 ac/ 10,614 sf
Actual FAR	2.23
Zoning	OCR-2, Office Commercial Residential (City of Tucson)
Construction Class/ Type	C/ Good
External Finish	Stucco
Amenities	N/A

Transaction Details

Type	Available/Listing	Primary Verification	Broker, CoStar, Listing flyer
Interest Transferred	Fee Simple	Transaction Date	01/10/2019
Condition of Sale	Listing	Recording Date	N/A
Recorded Buyer	N/A	Sale Price	$2,800,000
Buyer Type	End User	Financing	Cash to Seller
Recorded Seller	Metropolitan Tucson Convention & Vistors Bureau	Cash Equivalent	$2,800,000
Marketing Time	12 Month(s)	Capital Adjustment	$0
Listing Broker	Buzz Isaacson, Buzz Isaacson Realty, 520-529-1300	Adjusted Price	$2,800,000
Doc #	Current	**Adjusted Price / sf**	**$124.61**
Buyer's Primary Analysis	Owner/Occupier		
Occupancy at Sale	0%		

Comments

This comparable represents the active listing of a 22,471-rentable square foot, single-tenant office building located at 100 South Church Avenue in downtown Tucson, AZ along the streetcar route. It is physically located at the southwest corner of the signalized intersection of Broadway Boulevard and Church Avenue (highly visible). The three-story improvements were originally developed as a bank and administrative office in 1973. It was most recently renovated in late 2017. The building area does not include the 3,263 square foot basement area, which has been used for storage. The ownership rights include the right to lease up to 56 parking spaces (at $75 per month/space) in the La Placita Garage, across the street, equating to a parking ratio of 2.49 spaces per 1,000 square feet of building area. The property has been marketed for sale at $2,800,000, or $124.61 per square foot for about 12 months. According to the listing broker, the property had some investor interest but, could not make the deal "pencil out" due to CC&R restrictions, the lack of on-site parking and building layout. The listing broker further indicated that they will have the property in escrow to an end user at around $100 per square foot, or about $2.25 million.

Addendum B

RENT COMPARABLE DATA SHEETS

Rental Survey — Office - Multi Tenant — No. 1

Property Name	5151 Broadway
Address	5151 E. Broadway Boulevard Tucson, AZ 85711
County	Pima
Govt./Tax ID	127-01-005D
Net Rentable Area (NRA)	270,763 sf
Condition	Good
Number of Buildings	N/A
Parking Type/Ratio	Above Grade Structure/ 4.62:1,000 sf
Year Built/Renovated	1975/ N/A
Floor Count	17
Occupancy Type	Multi-tenant
Land Area Net	7.800 ac/ 339,933 sf
Actual FAR	0.80
Zoning	OCR-2, Office/Commercial/Residential
Construction Class/ Type	B/ Good
External Finish	Glass
Amenities	24-hour Security, Indoor Athletic Facility, On-Site Management

Quoted Terms

Reimbursements	Full Service	Rent Changes/Steps	3%/Yr.
Occupancy	65%	Free Rent	N/A
Tenant Size	796 - 13,238 sf	TI Allowance	N/A
Lease Term	36 - 120 Mo(s).	Reimbursement Amount	N/A
Survey Date	01/2019	Total Oper. & Fixed Exp.	N/A
Verification	Tom Hunt, Rein & Grossoehme 520.288.1231 / (520) 288-1231	Annual Base Rent	$22.00 - $25.00 per sf

Actual Leases

Tenant Name	Tenancy Use Type	Size (sf)	Term (Mo.)	Type of Lease	Start Date	Reimbs.	Rent Changes / Steps	Free Rent (Mo.)	TI Allowance per sf	Annual Base Rate per sf
Bayview Loan Servicing	Office	39,627	64	New	May 2017	NNN	3%/Yr.	2.00	$25.00	$14.00

Comments

This comparable represents a 17-story, 270,763-square foot, multi-tenant office building located at 5151 East Broadway Boulevard in central Tucson, AZ. The property is located at the northeast corner of Broadway Boulevard and Rosemont Boulevard, west of Craycroft Road, and across from Williams Center, a high-end mixed-use master planned development. The improvements were built in 1975 and have undergone various renovations over the past few decades (most recently in 2015). The property includes a secured parking garage, floor-to-ceiling glass walls with excellent views, and secured storage available. The property is currently about 64.8% occupied, and was considered to be in good overall condition at the time of our research. Asking rates for vacant spaces currently range from $22.00 to $25.00 per square foot, full-service, depending on location. Bayview Loan Servicing signed a new 64-month lease for 39,627 square feet on multiple floors that commenced in May 2017. The starting rent was $24.00 per square foot, per annum, full-service, and escalates 3.0% annually. The tenant received half-rent concession for four months (two months free), as well as a TI allowance of approximately $25.00 per square foot to renovate the space. The spread to a triple net (NNN) lease is approximately $10.00 per square foot; thus, the NNN equivalent rent is $14.00 per square foot, per annum.

Rental Survey — Office - Multi Tenant — No. 2

Property Name	University of Arizona Tech Park - Building 9070
Address	9070 S. Rita Road Tucson, AZ 85747
County	Pima
Govt./Tax ID	141-22-034 (portion)
Building Area	N/A
Condition	Good
Number of Buildings	1
Parking Type/Ratio	Open Asphalt/ 3.14:1,000 sf
Year Built/Renovated	2003/ N/A
Floor Count	3
Occupancy Type	Multi-tenant
Land Area Net	N/A/ N/A
Actual FAR	N/A
Zoning	Research Park (UA Tech Park)
Construction Class/ Type	N/A/ Good
External Finish	Steel
Amenities	N/A

Quoted Terms

Reimbursements	NNN	Rent Changes/Steps	3%/Yr.
Occupancy	89%	Free Rent	N/A
Tenant Size	1,707 - 5,033 sf	TI Allowance	$20.00 per sf
Lease Term	60 - 84 Mo(s).	Reimbursement Amount	N/A
Survey Date	01/2019	Total Oper. & Fixed Exp.	$7.50 per sf
Verification	University of Arizona property management	Annual Base Rent	$15.00 per sf

Actual Leases

Tenant Name	Tenancy Use Type	Size (sf)	Term (Mo.)	Type of Lease	Start Date	Reimbs.	Rent Changes / Steps	Free Rent (Mo.)	TI Allowance per sf	Annual Base Rate per sf
Ascensus	Office	27,423	120	New	Jul 2017	NNN	Flat	2.00	$70.00	$10.50

Comments

This comparable represents a three-story, multi-tenant office building composed of 73,608-rentable square feet, located at 9070 South Rita Road in southeast Tucson, AZ. The property is located within the 1,345-acre UA Tech Park, a mixed-use research park improved with approximately two million square feet of manufacturing, office, and research and development space, and roughly 200 acres designated for solar power generation. The improvements were constructed in 2003, and were considered to be in good overall condition at the time of our research. Currently, the property is roughly 89.2% occupied by four tenants and Campus Research Corporation (CRC), an owner-occupant. Most recently, Ascensus signed a 10-year lease for 27,423 square feet with commencement occurring in July 2017. The base rental rate of $10.50 per square foot, triple-net (NNN), remains flat during the initial term. The tenant also has two, 5-year renewal options available at 95% of fair market rent. The tenant received two months free rent and a significant TI allowance of $70.00 per square foot to build-out the space.

Rental Survey — Office - Multi Tenant — No. 3

Property Name	One South Church
Address	1 S. Church Avenue Tucson, AZ 85701
County	Pima
Govt./Tax ID	117-12-098A, 099A & 103C
Net Rentable Area (NRA)	240,811 sf
Condition	Good
Number of Buildings	1
Parking Type/Ratio	Garage/ N/A
Year Built/Renovated	1986/ 2008
Floor Count	23
Occupancy Type	N/A
Land Area Net	1.480 ac/ 64,815 sf
Actual FAR	3.72
Zoning	N/A
Construction Class/ Type	N/A/ N/A
External Finish	Glass
Amenities	N/A

Quoted Terms

Reimbursements	Full Service	Rent Changes/Steps	2%-3%/Yr.
Occupancy	68%	Free Rent	N/A
Tenant Size	1,474 - 12,445 sf	TI Allowance	N/A
Lease Term	36 - 120 Mo(s).	Reimbursement Amount	N/A
Survey Date	01/2019	Total Oper. & Fixed Exp.	N/A
Verification	Buzz Isaacson, CBRE / 520-323-5151	Annual Base Rent	$27.50 per sf

Actual Leases

Tenant Name	Tenancy Use Type	Size (sf)	Term (Mo.)	Type of Lease	Start Date	Reimbs.	Rent Changes / Steps	Free Rent (Mo.)	TI Allowance per sf	Annual Base Rate per sf
Caterpillar Global Mining	Office	26,093	21	New	Aug 2017	NNN	3%/Yr.	5.00	$0.00	$16.13

Comments

This comparable represents One South Church, a 241,355-rentable square foot, multi-tenant, high-rise, Class A office building located at 1 South Church Avenue in downtown Tucson, AZ. The 23-story tower is situated on a 0.93-acre site and includes a parking garage with onsite parking at a ratio of 2.04/1,000 SF (493 spaces which will be shared with Urban Flats development). The improvements were completed in 1986, and were considered to be in good condition at the time of our research. Caterpillar Global Mining leased 26,093-square feet between the 1st and 2nd floors at a starting rent of $27.13 per square foot, per annum, full service. The rent escalates 3% annually and the tenant received 5 months of free rent in exchange for TI's. The spread to a triple net (NNN) lease is approximately $11.00 per square foot; thus, the NNN equivalent rent is $16.13 per square foot.

Rental Survey — Office - Multi Tenant — No. 4

Property Name	44 E Broadway
Address	44 E. Broadway Boulevard Tucson, AZ 85701
County	Pima
Govt./Tax ID	117-13-2190, -2200, -2210, -2220 & -2270
Net Rentable Area (NRA)	32,000 sf
Condition	Good
Number of Buildings	1
Parking Type/Ratio	Open and Covered/ 1.56:1,000 sf
Year Built/Renovated	1979/ 2017
Floor Count	4
Occupancy Type	Multi-tenant
Land Area Net	0.559 ac/ 24,332 sf
Actual FAR	1.32
Zoning	OCR-2
Construction Class/ Type	C/ Good
External Finish	Brick
Amenities	N/A

Quoted Terms

Reimbursements	Full Service	Rent Changes/Steps	3%/Yr.
Occupancy	100%	Free Rent	N/A
Tenant Size	N/A	TI Allowance	N/A
Lease Term	N/A	Reimbursement Amount	N/A
Survey Date	01/2019	Total Oper. & Fixed Exp.	N/A
Verification	Patricia Schwabe / 520-603-6103	Annual Base Rent	per sf

Actual Leases

Tenant Name	Tenancy Use Type	Size (sf)	Term (Mo.)	Type of Lease	Start Date	Reimbs.	Rent Changes / Steps	Free Rent (Mo.)	TI Allowance per sf	Annual Base Rate per sf
Community Partners	Office	14,985	60	New	Jan 2018	NNN	3%/Yr.	0.00	$5.00	$14.95

Comments

This comparable represents a multi-tenant, Class B, office building located at 44 East Broadway Boulevard in downtown Tucson, AZ. The four-story building totals about 32,000-rentable square feet of space, of which the ground floor space is for retail use while the 2nd and 3rd floors are office space, with residential on the 4th floor. The property also includes tuck under covered parking and open surface parking consisting of about 50 total space (ratio at 1.56 spaces/1,000 SF). The improvements were built in 1979, fully renovated in 2017, and were considered to be in good condition at the time of our research. Most recently, Community Partners leased the entire 2nd and 3rd floors consisting of 14,985 square feet for an initial term of 5 years. The lease commenced in January 2018 with a starting base rent of $22.95 per square foot, per annum, modified gross. The spread to a triple net (NNN) lease is about $8.00 per square foot. Thus, the NNN equivalent rent is $14.95 per square foot. The space was delivered largely completed, with the tenant getting a TI allowance of $5.00 per square foot. The lease includes 3% annual increases.

Rental Survey — Office - Multi Tenant — No. 5

Property Name	Pioneer Building
Address	100 N. Stone Avenue Tucson, AZ 85701
County	Pima
Govt./Tax ID	117-11-096D & -121C
Net Rentable Area (NRA)	101,937 sf
Condition	Average
Number of Buildings	1
Parking Type/Ratio	None/ 0.00:1,000 sf
Year Built/Renovated	1929/ 2000
Floor Count	11
Occupancy Type	Multi-tenant
Land Area Net	0.450 ac/ 19,924 sf
Actual FAR	5.12
Zoning	OCR-2
Construction Class/ Type	B/ Average
External Finish	Concrete
Amenities	N/A

Quoted Terms

Reimbursements	Full Service	Rent Changes/Steps	3%/Yr.
Occupancy	87%	Free Rent	N/A
Tenant Size	661 - 3,462 sf	TI Allowance	N/A
Lease Term	36 - 60 Mo(s).	Reimbursement Amount	N/A
Survey Date	01/2019	Total Oper. & Fixed Exp.	N/A
Verification	Buzz Isaacson, CBRE / 520-323-5151	Annual Base Rent	$18.50 per sf

Actual Leases

Tenant Name	Tenancy Use Type	Size (sf)	Term (Mo.)	Type of Lease	Start Date	Reimbs.	Rent Changes / Steps	Free Rent (Mo.)	TI Allowance per sf	Annual Base Rate per sf
Sinfonia RX, Inc.	Office	13,530	101	New	Jan 2018	NNN	$0.25 PSF/Yr.	N/A	$30.00	$7.50

Comments

This represents an 11-story, multi-tenant, Class C, office building in downtown Tucson, AZ. The building is approximately 87% leased and has an asking rent of $18.50 per square foot, per annum, full service. Tenant improvements and rental concessions are dependent on the tenant and the lease term, with typical quoted terms of 3 to 5 years. There is no onsite parking available and the load factor is approximately 18%. Sinfonia RX, Inc. leased 13,530 square feet of space for an initial term of 101 months (8.42 years) at a starting rent of $17.50 per square foot, per annum, full service. The lease includes annual escalations of $0.25 per square foot and the tenant received a TI allowance of $30 per square foot. The spread to a triple net (NNN) lease is about $10.00 per square foot; thus, the NNN equivalent rent is $7.50 per square foot.

Rental Survey — Office - Multi Tenant — No. 6

Property Name	Transamerica Building
Address	177 N. Church Avenue Tucson, AZ 85701
County	Pima
Govt./Tax ID	117-11-017
Net Rentable Area (NRA)	126,221 sf
Condition	Average
Number of Buildings	1
Parking Type/Ratio	Garage/ 0.51:1,000 sf
Year Built/Renovated	1961/ N/A
Floor Count	11
Occupancy Type	Multi-tenant
Land Area Net	0.600 ac/ 26,136 sf
Actual FAR	4.83
Zoning	OCR-2
Construction Class/ Type	C/ Good
External Finish	Concrete
Amenities	N/A

Quoted Terms

Reimbursements	Full Service	Rent Changes/Steps	3%/Yr.
Occupancy	94%	Free Rent	N/A
Tenant Size	1,088 - 3,595 sf	TI Allowance	N/A
Lease Term	36 - 60 Mo(s).	Reimbursement Amount	N/A
Survey Date	01/2019	Total Oper. & Fixed Exp.	N/A
Verification	N/A	Annual Base Rent	$18.00 per sf

Actual Leases

Tenant Name	Tenancy Use Type	Size (sf)	Term (Mo.)	Type of Lease	Start Date	Reimbs.	Rent Changes / Steps	Free Rent (Mo.)	TI Allowance per sf	Annual Base Rate per sf
Forensic Logic, LLC	Office	12,036	84	New	Mar 2018	NNN	4%/Yr.	N/A	$35.00	$8.00

Comments

This comparable represents the Transamerica Building, a multi-tenant, Class C office building located in Downtown Tucson, AZ at 177 North Church Avenue. This is an 11-story, 126,221-rentable square foot building that sits on a 0.60-acre site. A total of 65 garage spaces are available onsite at a ratio of 0.51 spaces per 1,000 square feet of building area. The improvements were constructed in 1961, and were considered to be in average condition at the time of our research. The load factor is about 15%. Forensic Logic, LLC leased 12,036 square feet of space for an initial term of 84 months (7 years) at a starting rent of $18.00 per square foot, per annum, full service. The lease includes 4% annual escalations and the tenant received a TI allowance of $35 per square foot. The spread to a triple net (NNN) lease is about $10.00 per square foot; thus, the NNN equivalent rent is $8.00 per square foot.

Addendum C

OPERATING DATA

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Departmental Analysis
Bureau Expenditure and Revenue Report
For Fiscal Years 2014, 2015, 2016, 2017, 2018, 2019
Current FY 2019 Period Ending 5

B016 Facilities Management

			2014 Actuals	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	FY 2019 YTD Actuals	FY 2019 FY Adopted	FY 2019 Revised Budget	FY 2019 Remain (Revised - YTD)
REVENUE											
Revenue Sources	4400	RENT & ROYALTIE	208,628	218,915	221,211	407,164					
	4404	MISCREVGOV					148	490			490
	4404	MISC REV OPR	4,679	2,676	2,528	1,555					
	4414	NSF CHARGE	25								
	FM100005 Revenue		**213,332**	**221,591**	**223,740**	**408,718**	**148**	**490**			**490**
Total Revenue Sources			**213,332**	**221,591**	**223,740**	**408,718**	**148**	**490**			**490**
Funding Source	6506	CASH DEF	(236,381)	(220,001)	(217,909)	(195,741)	146,199				
	FM100006 Funding Source		**(236,381)**	**(220,001)**	**(217,909)**	**(195,741)**	**146,199**				
Total Funding Source			**(236,381)**	**(220,001)**	**(217,909)**	**(195,741)**	**146,199**				
Operational Transfers	4717	TRFR IN OSR				30,409					
	4717	TRFR IN SPC REV	220,546	223,443	216,679						
	FM100007 Operational Transfers		**220,546**	**223,443**	**216,679**	**30,409**					
Total Operational Transfers			**220,546**	**223,443**	**216,679**	**30,409**					
TOTAL REVENUE			**197,497**	**225,033**	**222,510**	**243,386**	**146,346**	**490**			**490**
EXPENSES											
Operating Expenses	5400	SALARY & WAGES	36,503	36,566	33,778	32,528	13,110	1,985	36,882	36,882	34,897
	5401	OVERTIME		68	343	784	220		124	124	124
	5403	SHIFT DIFF	143	51		1			100	100	100
	5409	FICA & MEDICARE	2,576	2,562	2,283	2,494	962	152	2,740	2,740	2,588
	5410	UNEMPLOYMENT	62	52	33	27	10	1	19	19	18
	5411	HLTH INS PREM	13,299	13,757	14,006	12,059	1,600	1	4,110	4,110	4,109
	5412	WORKERS COMP	1,389	1,372	1,275	1,655	665	109	1,974	1,974	1,865
	5413	LIFE INSURANCE	60	59	32	34	12	2	34	34	32
	5416	RETR AZ ST	4,229	4,255	3,761	4,048	1,533	234	4,227	4,227	3,993
	5422	DENTAL INS PREM	51	52	47	50	18		51	51	51
	5423	INTER SALARY CR				(103)	(17)	(92)			92
	5424	INTER SALARY DR		1,238	1,785	2,044	1,912	841	1,989	1,989	1,148

Report ID: DA-ER-0002-B
Run Date: 12/26/18
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Departmental Analysis
Bureau Expenditure and Revenue Report
For Fiscal Years 2014, 2015, 2016, 2017, 2018, 2019
Current FY 2019 Period Ending 5

B016 Facilities Management

			2014 Actuals	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	FY 2019 YTD Actuals	FY 2019 FY Adopted	FY 2019 Revised Budget	FY 2019 Remain (Revised - YTD)
Operating Expenses	5425	INTER FRINGE CR				(37)	(6)	(23)			23
	5426	INTER FRINGE DR		439	647	762	699	284	670	670	386
	5427	INTRA FRINGE CR									
	5427	LDFRCR	(1,842)	(1,169)	(1,990)	(8,970)	(2,700)	(120)	(4,398)	(4,398)	(4,278)
	5428	INTRA FRINGE DR									
	5428	LDFRDR	1,595	1,858	2,828	12,159	3,886	2,523	2,584	2,584	61
	5429	INTRA SALARY CR									
	5429	LDSALCR	(5,611)	(2,624)	(3,461)	(16,969)	(7,215)	(478)	(10,243)	(10,243)	(9,765)
	5430	INTRA SALARY DR									
	5430	LDSALDR	4,860	4,409	7,625	29,389	8,588	5,835	6,018	6,018	183
	5431	BUDGTD BENEFITS							210	210	210
	5436	RETIRE ADJ									
	5457	HSACONTRIB					500		1,000	1,000	1,000
	5459	HSAEXPOFFSET							(1,000)	(1,000)	(1,000)
	FM100001 Personnel Services		**57,313**	**62,944**	**62,993**	**71,955**	**23,778**	**11,254**	**47,091**	**47,091**	**35,837**
	5010	R & M SUPPLIES	3,573	3,397	9,481	20,853	5,663	1,819	5,077	5,077	3,258
	5012	CHEMICALS			989	1,188					
	5013	JANITORIAL SUP	242			642	100		240	240	240
	5014	APPAREL	878	89		65	187		250	250	250
	5020	TOOLS & EQ<1000	805		19	924	495		268	268	268
	5021	FURNITURE<1000				258	654				
	5022	SIGNAGE			121						
	5023	VANDALISM REP				2,479	2,900				
	5113	ARCHITECTRL SVC			23,161						
	5142	POSTAGE & FRGHT					29				
	5145	SECURITY	283	168	168	6,290	168	168	168	168	
	5147	LEASES & RENTAL	1,924								
	5149	R & M MACH & EQ	1,367	1,774	1,984	5,072	245				
	5149	RM MACH&EQ SVC						245	5,950	5,950	5,705
	5150	R & M BUILDINGS	53,106	50,404	48,482	77,944	11,962	1,742	8,045	8,045	6,303
	5151	R & M GROUNDS			5,850		1,165				
	5152	NON MED PRO SRV					1,098				
	5162	ADVERTISING						477			(477)

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Run Date: 12/26/18
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Departmental Analysis
Bureau Expenditure and Revenue Report
For Fiscal Years 2014, 2015, 2016, 2017, 2018, 2019
Current FY 2019 Period Ending 5

B016 Facilities Management

			2014 Actuals	2015 Actuals	2016 Actuals	2017 Actuals	2018 Actuals	FY 2019 YTD Actuals	FY 2019 FY Adopted	FY 2019 Revised Budget	FY 2019 Remain (Revised - YTD)
Operating Expenses	5167	LEASE RNTL-OTHR				304					
	5178	JANITORIAL SVCS							1,965	1,965	1,965
	5179	PEST CONTROL						78	240	240	162
	5200	INTER SPL SV CR				(1,040)					
	5203	INTER SPL SV DR									
	5204	INTRA SPL SV DR	56	349	210	1,684	696	244	500	500	256
	5205	DEPT OH DR		453	690	716	594	270	805	805	535
	5300	PHONE INTERNET	1,589	1,576	1,028	1,113					
	5301	ELECTRICITY	77,177	78,546	73,970	62,648	72,632	34,917	71,953	71,953	37,036
	5302	WATER & SEWER	4,496	5,007	4,401	3,301	3,838	2,543	3,679	3,679	1,136
	5304	WASTE RECYCLING	5,231	5,231	5,524	1,102			2,849	2,849	2,849
	5307	RGLTRY PRMT FEE					124				
	5312	MISC CHARGES	125	50	25						
	5359	PHONEEXT					760	263	756	756	493
	5361	MOBLDEVC					386		333	333	333
	5362	PORTCHRG						880	2,112	2,112	1,232
	FM100002 Operating Expenses		**150,853**	**147,044**	**176,104**	**185,541**	**103,695**	**43,645**	**105,190**	**105,190**	**61,545**
	5560	OFF MCH CMPTR C									
	FM100003 Capital Equipment										
Total Operating Expenses			**208,166**	**209,988**	**239,098**	**257,496**	**127,473**	**54,899**	**152,281**	**152,281**	**97,382**
	9008	AMS CONVERSION									
Total											
TOTAL EXPENSES			**208,166**	**209,988**	**239,098**	**257,496**	**127,473**	**54,899**	**152,281**	**152,281**	**97,382**
FUND BALANCE B016 FACILITIES MANAGEMENT			**(10,669)**	**15,045**	**(16,588)**	**(14,110)**	**18,873**	**(64,696)**	**(152,281)**	**(152,281)**	**(87,585)**

Addendum D

CLIENT CONTRACT INFORMATION

VALUATION & ADVISORY SERVICES

Proposal and Contract for Services

CBRE

CBRE, Inc.
3719 North Campbell
Tucson, Arizona 85719
www.cbre.us/valuation

Byron Bridges, MAI, MRICS
Director

December 19, 2018

Jeff Teplitsky
Appraisal Supervisor
PIMA COUNTY REAL PROPERTY SERVICES
201 North Stone Avenue, Sixth Floor
Tucson, Arizona 85701-1215
Phone: 520.724.6306
Email: jeffrey.teplitsky@pima.gov

RE: Assignment Agreement
Single-tenant office, 97 East Congress Street
Tucson, AZ

Dear Mr. Teplitsky:

We are pleased to submit this proposal and our Terms and Conditions for this assignment.

PROPOSAL SPECIFICATIONS

Purpose:	To estimate the Market Value of the referenced real estate
Premise:	As Is
Rights Appraised:	Fee Simple Estate
Intended Use:	Potential Sale or Lease
Intended User:	The intended user is PIMA COUNTY REAL PROPERTY SERVICES, and such other parties and entities (if any) expressly recognized by CBRE as "Intended Users" (as further defined herein).
Reliance:	Reliance on any reports produced by CBRE under this Agreement is extended solely to parties and entities expressly acknowledged in a signed writing by CBRE as Intended Users of the respective reports, provided that any conditions to such acknowledgement required by CBRE or hereunder have been satisfied. Parties or entities other than Intended Users who obtain a copy of the report or any portion thereof (including Client if it is not named as an Intended User), whether as a result of its direct dissemination or by any other means, may not rely upon any opinions or conclusions contained in the report or such portions thereof, and CBRE will not be responsible for any unpermitted use of the report, its conclusions or contents or have any liability in connection therewith.

Inspection:	CBRE will conduct a physical inspection of both the interior and exterior of the subject property, as well as its surrounding environs on the effective date of appraisal.
Valuation Approaches:	All three traditional approaches to value will be considered.
Report Type:	Standard Appraisal Report
Appraisal Standards:	USPAP and Pima County requirements
Appraisal Fee:	$4,500
Expenses:	Fee includes all associated expenses
Retainer:	A retainer is not required for this assignment
Payment Terms:	Final payment is due upon delivery of the final report or within thirty (30) days of your receipt of the draft report, whichever is sooner. The fee is considered earned upon delivery of the draft report.
Delivery Instructions:	CBRE encourages our clients to join in our environmental sustainability efforts by accepting an electronic copy of the report. An Adobe PDF file via email will be delivered to jeffrey.teplitsky@pima.gov. The client has requested No (0) bound final copy (ies).
Delivery Schedule:	
Preliminary Value:	Not Required
Draft Report:	45 days or less
Final Report:	Upon Client's request
Start Date:	The appraisal process will start upon receipt of your signed agreement and the property specific data.
Acceptance Date:	These specifications are subject to modification if this proposal is not accepted within 10 business days from the date of this letter.

When executed and delivered by all parties, this letter, together with the Terms and Conditions and the Specific Property Data Request attached hereto and incorporated herein, will serve as the Agreement for appraisal services by and between CBRE and Client. Each person signing below represents that it is authorized to enter into this Agreement and to bind the respective parties hereto.

We appreciate this opportunity to be of service to you on this assignment. If you have additional questions, please contact us.

Sincerely,

CBRE, Inc.
Valuation & Advisory Services

Byron Bridges, MAI, MRICS
Director
As Agent for CBRE, Inc.
T 520.323.5163
F 520.323.5156
byron.bridges@cbre.com

AGREED AND ACCEPTED

FOR PIMA COUNTY REAL PROPERTY SERVICES:

Signature	Date 12/20/18
Name J. Teplitsky	Title Appraisal Supervisor
Phone Number 520-724-6306	E-Mail Address jeffrey.teplitsky@pima.gov

ADDITIONAL OPTIONAL SERVICES

Assessment & Consulting Services: CBRE's Assessment & Consulting Services group has the capability of providing a wide array of solution-oriented due diligence services in the form of property condition and environmental site assessment reports and other necessary due diligence services (seismic risk analysis, zoning compliance services, construction risk management, annual inspections, etc.). CBRE provides our clients the full complement of due diligence services with over 260 employees in the U.S. that are local subject matter experts.

Initial below if you desire CBRE to contact you to discuss a proposal for any part or the full complement of consulting services, or you may reach out to us at **WhitePlainsProposals@cbre.com.** We will route your request to the appropriate manager. For more information, please visit **www.cbre.com/assessment.**

_____ Initial Here

Addendum E

QUALIFICATIONS

Richard Lee

Senior Appraiser, Arizona

CBRE

T + 520 323 5168
M+ 520 232 4314
richard.lee6@cbre.com

3719 N. Campbell Avenue
Tucson, AZ 85719

Experience

Richard Lee is a Senior Appraiser with the Valuation & Advisory Services within the Intermountain Region of CBRE, and is located in the Tucson, Arizona office. Located in the CBRE Tucson office since 2014, Mr. Lee has over twenty years of real estate appraisal and consulting experience throughout the States of Arizona and California, with primary experience in Arizona. Mr. Lee is currently licensed as a Certified General Real Estate Appraiser in the State of Arizona.

Appraisal experience has been in the fee preparation of real estate appraisals, rent analyses, and feasibility studies for a variety of clients, including numerous financial institutions, government agencies, fortune 500 corporations, insurance companies, and private organizations. Experience involves a broad spectrum of property types including retail centers, industrial buildings and facilities, traditional office buildings, medical offices and surgical centers, ground leases, convenience stores/gas stations, car washes, self-storage facilities, and vacant land. Experience also encompasses property types including mobile home/RV parks, residential subdivisions, master-planned communities, PUD's, assisted living facilities, private/charter schools, restaurants, apartments, automotive facilities, and a variety of special use properties with an emphasis in going-concern valuations.

The Intermountain Region of CBRE, Inc. Valuation and Advisory Services covers the states of Arizona, Colorado, Idaho, Montana, Nebraska, Nevada, New Mexico, North and South Dakota, Utah and Wyoming. The regional office is located in Phoenix, Arizona

The assignments prepared were done so for various clients for a many reasons such as financial transactions, business decisions, investment speculation, estates, litigation, partnership disputes, and others.

Professional Affiliations / Accreditations

- Certified General Real Estate Appraiser, State of Arizona, #31626
- Certified General Real Estate Appraiser, State of California #AG037478
- Associate Member, The Appraisal Institute, Actively Seeking MAI Designation

Education

- Bachelor of Arts, Criminal Justice, The University of Reno, Reno, Nevada, 1997

Department of Financial Institutions

State of Arizona

CGA - 31626

This document is evidence that: **RICHARD G. LEE** has complied with the provisions of Arizona Revised Statutes, relating to the establishment and operation of a:

Certified General Real Estate Appraiser

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

Certified General Real Estate Appraiser

RICHARD G. LEE

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

Signed in the Superintendent's office at 2910 North 44th Street, Suite 310, in the City of Phoenix, State of Arizona, this 18th day of April, 2018.

Expiration Date : **April 30, 2020**

Robert D. Charlton
Superintendent

Byron Bridges, MAI, MRICS

Director, Tucson

CBRE

T + 520 323 5163
M +520 903 8962
Byron.bridges@cbre.com

3719 North Campbell Avenue
Tucson, Arizona 85719

Clients Represented

- Bank of America
- Caliber Companies
- Capital Source Bank
- CarVal Investors
- CEMEX
- Citibank
- Compass Bank
- Commerce Bank
- Exclusive Resorts
- Freddie Mac
- Fortress Investment Group
- Goldman Sachs
- Grupo Presidente
- ING
- Kerzner International
- Merrill Lynch
- MIRA Companies
- Mister Car Wash
- Morgan Stanley
- Ohana Real Estate
- PriceWaterhouseCoopers
- Promecap
- Snell & Wilmer
- State Farm Insurance
- U.S. Army Corps of Engineers
- Western Alliance Bank

Experience

Mr. Bridges is the director of the Valuation & Advisory Services Group's Tucson office in the Intermountain Region and has over 17 years of real estate appraisal and consulting experience. Mr. Bridges is a designated the Member of the Appraisal Institute (MAI). Mr. Bridges's primary geographical location is Southern Arizona. Mr. Bridges is also a member of CBRE's Latin America Valuation & Advisory Team.

His appraisal experience has been in the fee preparation of real estate appraisals, rent analyses, demand and absorption studies, and feasibility studies for a variety of clients, including numerous financial institutions, government agencies, Fortune 500 corporations, insurance companies, and private organizations. Experience involves a wide variety of property types as well as conservation easements, special purpose real estate holdings, agriculture properties, among others. Mr. Bridges has considerable experience with litigation cases.

Mr. Bridges has conducted many appraisals, market studies and feasibility analyses of master-planned communities, condominium projects, land, hospitality resort properties, residential properties, and commercial properties within and around the major beach front communities in Mexico, Costa Rica, and Belize. Mr. Bridges has extensive knowledge of the Mexico and Latin America real estate marketplace and since 2001 has performed valuation and consultation assignments in Latin America countries in excess of over 650 individual assignments.

Mr. Bridges areas of concentration include the oceanfront beach resorts of Mexico, Costa Rica, and Belize, and other Latin America countries. Within Baja California Sur resort areas, he has completed extensive valuation and consultation work in Los Cabos (Cabo San Lucas, San Jose del Cabo), East Cape, Todos Santos, the Pacific Ocean area, La Paz, and Loreto; in Quintana Roo, Riviera Maya, Playa del Carmen, Cancun, Tulum, Cozumel, Isla Mujeres, and Riviera Maya; in Jalisco and Nayarit, Puerto Vallarta, Punta Mita, Nuevo Vallarta, Sayulita, and the Riviera Vallarta; in Baja California, Rosarito, Ensenada, and San Felipe; in Sonora, Puerto Peñasco (Rocky Point) and San Carlos/Guaymas; in Costa Rica, Guanacaste, and Jaco.

The assignments prepared were done for various clients for many reasons such as financial transactions, business decisions, investment speculation, estates, litigation, partnership disputes, easements, and others.

Professional Affiliations / Accreditations

- State Certified General Real Estate Appraiser-State of Arizona, No. 31173
- State Certified General Real Estate Appraiser-State of New Mexico, No. 03487-G
- Appraisal Institute, Designated Member (MAI), No. 534642
- Member of the Royal Institution of Chartered Surveyors (MRICS)

Education

- University of Arizona
- Bachelor of Science; Regional Development/Planning
- Bachelor of Science in Business Administration; Entrepreneurship
- Appraisal Institute and other appraisal-related coursework

Department of Financial Institutions

State of Arizona

CGA - 31173

This document is evidence that: **BYRON L. BRIDGES** has complied with the provisions of Arizona Revised Statutes, relating to the establishment and operation of a:

Certified General Real Estate Appraiser

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

Certified General Real Estate Appraiser

BYRON L. BRIDGES

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

Signed in the Superintendent's office at 2910 North 44th Street, Suite 310, in the City of Phoenix, State of Arizona, this 28th day of September, 2017.

Expiration Date : **September 30, 2019**

Robert D. Charlton
Superintendent

CBRE VALUATION & ADVISORY SERVICES

RICHARD LEE
Valuation & Advisory Services
(520) 323-5168
Richard.Lee6@cbre.com

BYRON BRIDGES, MAI, MRICS
Valuation & Advisory Services
(520) 323-5163
Byron.Bridges@cbre.com

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CBRE