

Market Demand Study

Proposed Abrigados Apartments Wtihin the Valencia Crossings Development Northeast corner of Valencia Road and Interstate-10 Tucson, Pima County, Arizona 85706



FOR: Centennial Mortgage, Inc. Mr. Joseph A. Spina Jr. Senior Vice President – Chief Underwriter 218 W. Washington St., Suite 900 South Bend, Indiana 44601

Valbridge Property Advisors | Tucson

6061 East Grant Road Tucson, AZ 85712 520.321.0000 phone 520.290-5293 fax

Valbridge File Number: AZ01-18-A-003



6061 East Grant Road Tucson, AZ 85712 520.321.0000 phone 520.290-5293 fax valbridge.com

March 21, 2018

Mr. Joseph A. Spina Jr.
Senior Vice President – Chief Underwriter
Centennial Mortgage, Inc.
218 W. Washington St., Suite 900
South Bend, Indiana 44601

RE: Market Demand Study

Abrigados Apartments

Northeast Corner of Valencia Road and Interstate-10

Tucson, Pima County, Arizona 85706

Valbridge Property Advisors | Tucson Job # AZ01-18-A-003

Dear Mr. Spina:

In accordance with your request, we have prepared a market demand study of the above-referenced property. This report is prepared in conformance with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and the requirements of the Department of Housing and Urban Development ("HUD") under the Multifamily Accelerated Processing ("MAP") guidelines within Section 7.3. The purpose of the report is to demonstrate whether sufficient demand exists for the proposed multifamily rental project in the market area. The report concludes no opinion of value although a reasonable market rent range is developed for each unit type.

The effective date of the market study conclusions is the date of the most recent inspection, January 24, 2018. The date of the report is March 21, 2018. The intended use of this report is for asset management decisions. Centennial Mortgage, Inc. is the client. The intended users are the client and the Department of Housing and Urban Development.

The data and analyses presented in this report indicate sufficient demand exists for the proposed subject project.

Your attention is directed to the data and discussions contained in this report and to the pertinent exhibits.





We do hereby certify that, to the best of our knowledge and belief, all statements and opinions contained in this report are correct. This letter of transmittal is not considered valid if separated from this report, and must be accompanied by all sections of this report as outlined in the Table of Contents, in order for the conclusions set forth above to be valid.

Respectfully submitted, Valbridge Property Advisors | Tucson

Michael Naifeh, MAI, CRE®

Michael [Maps.

Certified General Real Estate Appraiser State of Arizona, Certificate No. 30276

mnaifeh@valbridge.com



Table of Contents

Cover Page

Letter of Transmittal	
Table of Contents	i
I. Introduction	1
II. Executive Summary	13
III. Proposed Project Summary	20
IV. Proposed Site Analysis	29
V. Market Area Analysis	46
VI. Demographic and Economic Analysis	56
VII. Supply Analysis	64
VIII. Capture & Penetration Rate Analyses	86
IX. Conclusions	88
Addenda	91



I. Introduction

Objectives of the Market Demand Study

This market demand study has been has been prepared at the request of the Client (Centennial Mortgage, Inc.) in order to determine if sufficient demand exists for the proposed multifamily rental project summarized below.

Project Summary

1) Project Name: Abrigados

2) Location: Northeast corner of Valencia Rd. and Interstate-10 within the

Valencia Crossings development in Tucson, Pima County, AZ

85706

3) Type of Project: New Construction

4) Market segment served: Conventional, market rate

5) Income targeting: Market - 100% of units; Demand projections exclude

households with income under \$32,500.

6) Number of units: 224 in Phase 1 - 1, 2, and 3 Bedroom Units; 304 units

including Phase 2

Client

Mr. Joseph A. Spina Jr. Senior Vice President – Chief Underwriter Centennial Mortgage, Inc. 218 W. Washington St., Suite 900 South Bend, Indiana 44601

The market demand study is subject to the General Assumptions and Limiting Conditions which follow, as well as any extraordinary assumptions or hypothetical conditions set forth below.



General Assumptions and Limiting Conditions

This market demand study is subject to the following limiting conditions:

- 1. The legal description, if provided to us, is assumed to be correct.
- No responsibility is assumed for matters legal in character, nor is any opinion rendered by us
 to title which is assumed to be marketable. All existing liens and encumbrances have been
 disregarded and the property is appraised as though free and clear, under responsible
 ownership and competent management unless otherwise noted.
- 3. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
- 4. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
- 5. The appraisers are not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
- 6. Unless expressly specified in this Agreement, the fee for this market demand study does not include the attendance or giving of testimony by the appraisers at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Tucson is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate the appraisers for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the current hourly rate plus reimbursement of expenses.
- 7. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
- 8. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors. These forecasts are, therefore, subject to changes with future conditions.
- 9. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraisers made no survey of the property and assumed no responsibility in connection with such matters.
- 10. The information, estimates and opinions contained in this report which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraisers.



- 11. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by MJN Enterprises, Inc.. Valbridge Property Advisors, Inc. has not been engaged to provide this report, does not provide valuation services, and has taken no part in the preparation of this report.
- 12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
- 13. This market demand study was prepared for the sole and exclusive use of the client. Any party who is not the client or intended user identified in the market demand study or engagement letter is not entitled to rely upon the contents of the market demand study without express written consent of Valbridge Property Advisors | tucson and Client. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
- 14. This market demand study was prepared for the sole and exclusive use of the client. No third parties are authorized to rely upon this report without express written consent. We assume no liability for unauthorized use of the market demand study report by a third party.
- 15. This market demand study shall be considered in its entirety. No part thereof shall be used separately or out of context.
- 16. The value opinion provided herein is subject to any and all predications set forth in this report.
- 17. If required by governmental authorities, any environmental impact statement prepared for the subject property will be favorable and will be approved.
- 18. Unless otherwise noted in the body of this report, this market demand study assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraisers is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
- 19. If the market demand study is for mortgage loan purposes 1) we assume satisfactory condition of improvements if construction is not complete, 2) no consideration has been given rent loss during rent-up unless otherwise noted in the body of this report, and 3) occupancy at levels consistent with our "Income & Expense Projection" are anticipated.
- 20. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.



- 21. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.
- 22. This market demand study does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
- 23. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical market demand study industry methods, however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this market demand study assignment.
- 24. We have attempted to reconcile sources of data discovered or provided during the market demand study process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
- 25. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this market demand study (at additional cost) if substantial differences are discovered.
- 26. In the absence of a professional Engineer's Feasibility Study, information regarding the existence of utilities is made only from a visual inspection of the site. We assume no responsibility for the actual availability of utilities, their capacity, or any other problem which



may result from a condition involving utilities. The respective companies, governmental agencies or entities should be contacted directly by concerned persons.

- 27. If only preliminary plans and specifications were available for use in the preparation of this market demand study, then this market demand study is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this market demand study if substantial differences are discovered.
- 28. This market demand study is not intended to be used, and may not be used, on behalf of or in connection with a real estate syndicate or syndicates. A real estate syndicate means a general or limited partnership, joint venture, unincorporated association or similar organization formed for the purpose of, and engaged in, an investment or gain from and interest in real property, including, but not limited to a sale or exchange, trade or development of such real property, on behalf of others, or which is required to be registered with the United States Securities and Exchange Commission or any state regulatory agency which regulates investments made as a public offering. It is agreed that any user of this market demand study who uses it contrary to the prohibitions in this section indemnifies the appraisers and the appraiser's firm and holds them harmless of and from all claims, including attorney's fees, arising from said use.
- 29. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraisers. The appraisers has no knowledge of the existence of such materials on or in the property. The appraisers, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value conclusion is predicted on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
- 30. We have not made a specific compliance survey and analysis of the property to determine if it is in conformity with the various detailed requirements of the Americans with Disabilities Act ("ADA") which became effective January 26, 1992. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in developing an opinion of value.
- 31. This market demand study applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this market demand study unless specifically stated to the contrary.
- 32. If any claim is filed against any of Valbridge Property Advisors, Inc. a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages and (2) the



maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.

- 33. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
- 34. Any income and expense estimates contained in the market demand study report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
- 35. It is your responsibility to read the report and to inform the appraisers of any errors or omissions of which you are aware, prior to utilizing the report.
- 36. Disclosures of the contents of the market demand study report by the Appraiser are governed by the Bylaws and regulations of the professional appraisal organizations with which the Appraiser is affiliated.
- 37. This report and any associated work files are subject to evaluation by Valbridge Property Advisors, Inc. for quality control purposes. Any evaluation shall maintain confidentiality of client data.
- 38. All disputes shall be settled by binding arbitration in accordance with the then-existing commercial arbitration rules of the American Arbitration Association.
- 39. Acceptance of and/or use of this market study report constitutes acceptance of the foregoing underlying assumptions and contingent conditions.

Extraordinary Assumptions

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

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

(USPAP, 2018 ed.)



- 1. The construction materials, design, layout, and rental structure will adhere to current market standards and demands.
- 2. Analyses herein are based on preliminary plans

Hypothetical Conditions

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

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

(USPAP, 2018 ed.)

1. The rental rate conclusions assume completion as proposed.



Qualifications of the Analysts

The qualifications of the analyst completing this Market Demand Study are presented on the following pages.

MICHAEL J. NAIFEH, MAI, CRE®

State of Arizona Certified General Real Estate Appraiser, Certificate #30276

PROFESSIONAL EXPERIENCE

2013 to present	Valbridge Property Advisors MJN Enterprises, Inc., Senior Managing Director
1988 - 2012	MJN Enterprises, Inc., President and Principal Appraiser
1983 - 1988	Mahoney, Cole and Associates, Fee Appraiser
1980 - 1983	Sanders K. Solot and Associates, Fee Appraiser

PROFESSIONAL AFFILIATIONS AND MEMBERSHIPS

- Member of the Counselors of Real Estate (CRE®), Certification Number 2387. The CRE® designation is awarded only to those individuals who are invited by their peers into the membership of the Counselors of Real Estate.
- Member of the Appraisal Institute, earning the MAI (#7812) designation in 1988. The Institute conducts a mandatory program of continuing education for its designated members. Mr. Naifeh is currently certified under this program.
- Registered Property Tax Agent in the State of Arizona
- Licensed Real Estate Salesman, State of Arizona

FORMAL EDUCATION

Bachelor of Science Degree, University of Arizona, 1980. Concentration: Accounting and Real Estate

PROFESSIONAL EDUCATION

All required classes to obtain and maintain the MAI designation and state certifications.

PUBLIC SERVICE

- Appointed to the Arizona State Board of Appraisal January, 2000.
- · Served as Vice Chairperson in 2000 and Chairperson in 2001.
- · Reappointed for a second term January, 2002.

SCOPE OF APPRAISAL PRACTICE

Mr. Naifeh's appraisal practice is concentrated on valuations for the following purposes: Mortgage loan underwriting, Private negotiations, Legal proceedings, and Consultations. Clientele includes governmental agencies, corporate organizations, attorneys, development companies, and financial institutions. Mr. Naifeh has extensive experience in the valuation of most types of urban and rural real property, including single and multi-family residential, commercial, industrial, and vacant land. Experience also includes special-purpose properties, feasibility studies, property tax appeals, leased fee and leasehold interest, partial interests, condemnation, UASFLA (Yellow Book) compliant appraisals and counseling.

Mr. Naifeh is a founding member of Valbridge Property Advisors and served on the initial Board of Directors.



Department of Financial Institutions Real Estate Appraisal Division Real Estate Appraisal Division MICHAEL J. NAIFEH MICHAEL J. NAIFEH Certified General Real Estate Appraisar This certificate shall remain evidence thereof unless or until the sume is suspended, revoked or expires in accordance with provisions of law. CERTIFICATE NUMBER CERTIFICATE NUMBER Department of Institutions caused to be signed by the Division Manager on behalf of the Superintendent on the List of August 31, 2018 EXPIRATION DATE August 31, 2018 STATE OF ARRIVANCE APPRAISANCE SA CERTIFICATE NUMBER Debra Rudd Debra Rudd STATE APPRAISANCE SA CERTIFICATE NUMBER Debra Rudd Debra Rudd STATE APPRAISANCE SA STATE APPRAISANCE SA AUGUST OF STATE APPRAISANCE SA CERTIFICATE SA STATE APPRAISANCE SA CERTIFICATE SA STATE APPRAISANCE SA STATE APPRAISANCE SA CERTIFICATE SA STATE APPRAISANCE SA CERTIFICATE SA STATE APPRAISANCE SA STATE APPRAISANCE



Certification Letter

Centennial Mortgage, Inc.

MARKET ANALYST'S CERTIFICATION

Project Name: Abrigados Apartments

City, State: Tucson, AZ

I understand that my Market Study report will be used by Centennial Mortgage, Inc. to document to the U.S. Department of Housing and Urban Development that the MAP Lender's application for FHA multifamily mortgage insurance was prepared and reviewed in accordance with HUD requirements.

I certify that my review was in accordance with the HUD requirements applicable on the date of my review and that I have no financial interest or family relationship with the officers, directors, stockholders or partners of the Borrower, the general contractor, any subcontractors, the buyer or seller of the proposed property, nor do I engage in any business that might present a conflict of interest.

I further certify that I am under contract for this specific assignment for the Market Study report and that I have no other side deals, agreements or financial considerations with the MAP Lender or others in connection with this transaction.

Signature

Printed Name / Title

Date

Federal Employer Identification Number

WARNING: Title 18 U.S.C. 1001, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any manner in the jurisdiction of any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

2101 Fourth Avenue, Suite 1570 - Seattle, WA 98121 - 206-682-9000



Certification

We certify that, to the best of our knowledge:

- 1. The statements of fact contained in this report are true and correct.
- 2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- 3. We have no present or prospective interest in the property that is the subject of this report and no personal interest or bias with respect to the parties involved.
- 4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5. The assignment was not based on a requested minimum valuation, a specific valuation, or the approval of the loan.
- 6. Our engagement in this assignment and our compensation are not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- 7. Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- 8. Michael Naifeh has personally inspected the subject property.
- No one provided significant professional assistance to the person(s) signing this report, except as provided hereafter. Carolyn Van Hazel, MAI, and Craig Johnson, MAI, provided significant assistance in the preparation of this report.
- 10. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- 11. The undersigned hereby acknowledge that they have the appropriate education and experience to complete the assignment in a competent manner. The reader is referred to the appraisers' Statement of Qualifications.
- 12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 13. As of the date of this report, I, Michael Naifeh, have completed the continuing education program of the Appraisal Institute.



- 14. The conclusions of this Market Demand Study were not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the property appraised, or upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the subject property.
- 15. All conclusions and opinions concerning the real estate that are set forth in the market demand study were prepared by the analysis whose signature(s) appears on the market demand study.
- 16. No change of any item in the Market Demand Study report shall be made by anyone other than the Appraiser(s), and the Appraiser(s) shall have no responsibility for any such unauthorized change.
- 17. We have not provided previous services, as an appraiser or in any other capacity, regarding the subject property within the three years prior to this assignment, other than completing an associated preliminary market study dated January 24, 2018, preliminarily addressing the market demand of the subject site, as proposed.
- 18. This Market Demand Study is prepared in conformance with Department of Housing and Urban Development ("HUD") Market Study and Multifamily Accelerated Processing ("MAP") Guidelines.

Michael Naifeh, MAI, CRE®

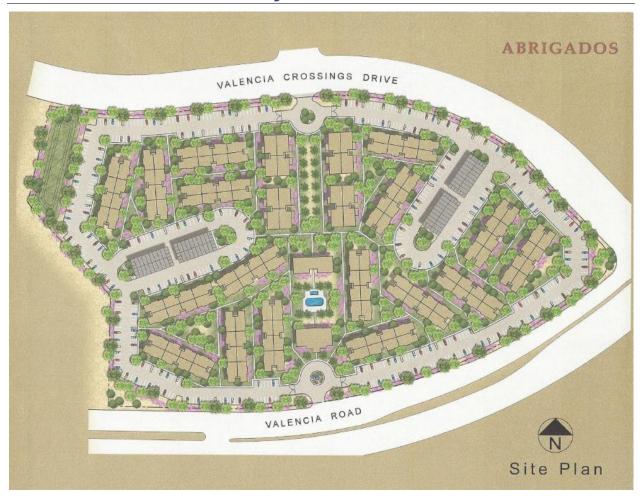
Certified General Real Estate Appraiser

State of Arizona, Certificate No. 30276

mnaifeh@valbridge.com



II. Executive Summary







SIDE ELEVATION - BUILDING "A"



END ELEVATION BUILDING "A"

Quick Project Details

Location		Description	
Project Name:	Abrigados Apartments	Project Type:	New Construction
City/Town:	Tucson	Total Units:	224 (Phase 1)
County:	Pima	Low Income Units:	0
Address/Intersection:	Nec of Valencia Rd. & I-10	Market Rate Units:	224
		Unit Types:	1/1, 2/2, 3/2
		Target Population:	Conventional
Demand, Absorption, and C	Occupancy		
Target Vacancy Rate:		7% (including physical v	racancy and other economic losses)
Projected Absorption Rate: 10 units/mo		mo (from date first units	s placed in service)
Projected Lease-Up Period:	21 mon	ths	

Proposed Project

The proposed project will be located at the northeast corner of Valencia Road and Interstate-10 within the southeast submarket of the City of Tucson. The site measures approximately 19.38 acres and is zoned PAD, Planned Area Development, as part of the Valencia Crossings development. The existing zoning permits multifamily development. The immediate surrounding area consists of vacant



land and single family homes, mostly built in the early to mid 2000's. Income demographics are average while growth rates are slightly above average. Transportation linkages are above average due to the location along the Interstate-10 corridor. The subject neighborhood is a pioneering area for Class A multifamily development and there is no competition in the immediate area. The majority of new development has occurred in the northwest and east submarkets. Most of the proposed or under construction development is otherwise within downtown Tucson or near Uof A.

The project will involve new construction and will comprise 224 units in Phase 1, all of which will be conventional market rate units. The project will consist of residential apartment buildings containing 16 units each with two stories and a separate clubhouse/ leasing office. The units are tabulated below. Construction will be wood frame with a stucco cover. Community amenities include an open concept clubhouse, indoor/outdoor party kitchen, TV room and coffee area, pool & spa with waterfall features, fitness center, covered parking, BBQ stations, fire pits, a pet play area, security perimeter fencing and entry gates, and professionally landscaped grounds. Unit amenities include full size washer & dryer, refrigerator, stainless steel appliances, free standing breakfast bar, faux wood flooring, and ceiling fans. The project design and construction appear to adhere to market demand and standards for the purpose of this analysis. The project is assumed to be individually metered for unit electric (air conditioning, heat, hot water) water, and sewer, with gas assumed to be master metered. No other information is available to date.

The proposed unit mix is set forth below.

Proposed Unit Mix

#				Total SF
Units	Description	Type	Unit SF	(NRA)
96	1 BD/1 BA	Flat	756	72,576
112	2 BD/2 BA	Flat	1,080	120,960
16	3 BD/2 BA	Flat	1,180	18,880
224			948	212,416

Market Area

The Primary Market Area (PMA) has been defined as the area bounded by Houghton Road on the east, Ajo Way on the north, Campbell Ave/Old Nogales Hwy on the west and the Old Vail Connection Road on the south. The geographic area extends roughly 3.0 to 7.0 miles around the subject. The total area is approximately 83 square miles based on ESRI's calculations, although roughly 30% of the area is encumbered by Davis Monthan Air Force Base and Tucson International Airport. The PMA was defined as an area along the Interstate corridor in a path of growth area of Southeast Tucson with similar income demographics. The entire area is within the jurisdiction of the City of Tucson or Pima County.



Primary Market Area Map



Rental Housing Market

The housing market in the PMA includes about 93% single-family units and 7% multifamily units. About 31% of the total housing units were occupied by renters as of 2017. A search of multifamily projects within (or very near to) the PMA revealed 11 projects.

Statistical Data for Existing Multifamily Projects in the PMA

Number of Properties:	11	Avg Property Grade:	74.276
Average Year Built:	1980	All Units Avg Sq Ft:	715
Total Units:	1,975	Vacant Units:	225
Total Sq Ft:	1,412,936	Occupied Units:	1,750
Total Unf Rent:	\$1,248,490	Vacancy Rate:	11.39%



Тептасе RON HORSE E Broadway Blvd HOUGH PARKWAY TERRACE Craycroft Rolling Hills South Tucson Country Club Estates E Golf links Rd E 36th 5, Polvo SOUTH HARRISON WESTERN HILLS TA CRUZ THWEST E Ajo Way GROVES LINCOLN PARK E Irvington Rd S Midvale Park Rd Davis-Monthan Air Force Base Rankin MESQUITE RA W Valencia Rd Littletown Wilmot BANDES E Valencia Rd RITA RANCH Aerospace Pkwy GRABE INDUS

Map of Existing Multifamily Projects in the PMA

Property Name	Address	City	State	Zip	Phone	Year Built	Total Units	Property Grade
Casa Bella	175 W. Valencia Rd.	Tucson	AZ	85706	(520) 889-6001	1984	410	65.67
Commons on Stella	6534 E. Stella Rd.	Tucson	AZ	85730	(520) 790-0881	1964	200	84.85
Copperhill	7950 E. Stella Rd.	Tucson	ΑZ	85730	(520) 721-7411	1984	160	67.95
Desert Pines	180 W. Valencia Rd.	Tucson	AZ	85706	(520) 807-7723	1982	96	71.94
El Conquistador	1881 E. Irvington Rd.	Tucson	AZ	85714	(520) 889-9484	1982	201	87.00
Lakewood Townhomes	4200 E. Benson Hwy	Tucson	AZ	85706	(520) 574-0020	1964	196	70.45
Paseo Del Sol	6280 S. Campbell Ave.	Tucson	AZ	85706	(520) 807-7703	1994	152	77.50
Ridgewood Gardens	3302 S. Pantano Rd.	Tucson	AZ	85730	(520) 790-1275	1974	171	77.29
Silverado	5000 S. Country Club Rd.	Tucson	AZ	85706	(520) 746-0764	1988	132	78.08
South Cornerstone	1514 E. Irvington Rd.	Tucson	AZ	85714	(520) 777-3801	1978	60	64.02
Wilmot Vista	3225 S. Wilmot Rd.	Tucson	AZ	85730	(520) 571-1515	1984	197	74.03

4Q 2017

Copyright © 2017 RealData, Inc./ApartmentInsights All rights reserved.

4Q 2017

All of the multifamily projects within the subject subdistrict were built prior to 1994 and the overall average year built is 1980. These units are now over 24 years old, with all but one over 30+ years



old. None of the existing multifamily projects in the PMA are considered to be competitive to the proposed subject. They are considerably inferior to the proposed subject.

Through our market research, we identified the following newer Class A projects located in periphery areas of Tucson MSA which are considered to be most comparable to the proposed subject. These projects appear to be performing well and demonstrated an overall occupancy rate of about 92% for the stabilized properties. There are currently no projects under construction or with final plan approval within the PMA. There is one project with 310 units in the PMA within the preliminary planning stages.

Summary of Comparable Rentals

					No.	
#	Name	Location	Туре	Year Built	Units	Occupancy
1	Springs at Silverbell	7759 N Silverbell	Market	2002	290	96%
2	Encantada at Dove Mountain	4688 W Tangerine Rd.	Market	2013	272	86%
3	Legacy at Dove Mountain	12100 N Mountain Centre Rd	Market	2011	168	98%
4	The Place at Creekside	9971 E Speedway Blvd	Market	2013	352	91%
_5	The Place at Presidio Trails	9190 E Old Spanish Trl	Market	2016	208	91%
		Average Occupancy Comps:				92%

Condition	No. of Units PMA
Under Construction	0
Construction Scheduled	0
Preliminary Plan (including subject)	534
Total	534
Less 7% Market Vacancy	(37)
Potential Net Supply Additions	497

The larger metro Tucson apartment market is performing well at the present time. Apartment Insights reported an overall vacancy rate of 6.3% for all stabilized conventional projects at the end of the Q4 2017. The vacancy rate has trended downward annually since 2009. The PMA reported an overall vacancy rate of 8% at the end of Q4 2017 for stabilized conventional projects, but the area lacks new and competitive product. All data reported by Apartment Insights reflects projects with 40 or more units.

While the larger metro Tucson apartment market is performing well, the subject area lacks new construction and is untested for new Class A product. The lack of competition and location along a major transportation linkage, and proximity to several major employers infers possible unmet demand. Thus, uncertainty is prevalent, so to be prudent, we will consider cautionary factors in this study.



Conclusions

The proposed subject project is expected to attract adequate demand to achieve stabilization within 21 months of opening, assuming a competitive design, layout, amenities, and rental structure. As proposed, the subject appears to be compatible with the market area and target population and should provide rental housing units that will be well-received. The PMA appears to be undersupplied for new and conventional multifamily housing, and there is demonstrated demand for such. Rent indicators reveal above average rents for newer Class A projects with periphery locations, with low vacancy rates and strong absorption when properly priced. We do not believe that the subject project will cause undue economic harm to the existing rental stock in the PMA.

Key conclusions

2017 Income Eligible Renter Households in PMA: 8,102

Projected Growth in Income Eligible Renter Households by 2019: 122

Existing Units in Multifamily Projects over 40 units: 1,975

Number of Units currently under Construction and Planned in the Subject PMA: 0 and 614*

Residual Demand: 1,623-2,405 units *Includes both subject phases of 304 units

Competitive Advantages of the Proposed Subject

- New construction
- Location along the I-10 Corridor with convenient transportation
- Near to the recently completed Loop, 131 miles of paved bike paths
- Proximity to several major employers
- Limited existing or planned competition in the immediate area

Competitive Disadvantages of the Proposed Subject

- Average to slightly below average income demographics in the PMA
- Untested market for Class A multifamily product
- Typical market cycle risk



III. Proposed Project Summary



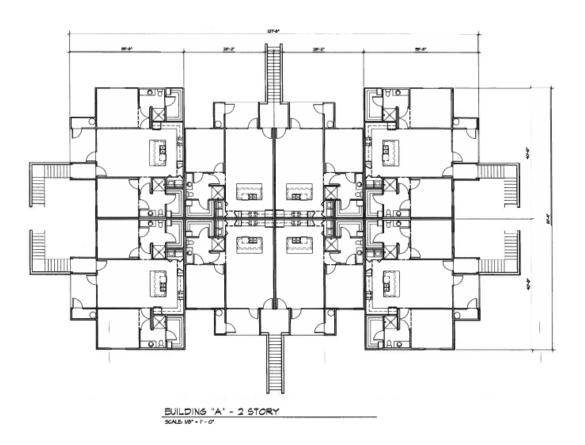




SIDE ELEVATION - BUILDING "A"



END ELEVATION BUILDING "A"



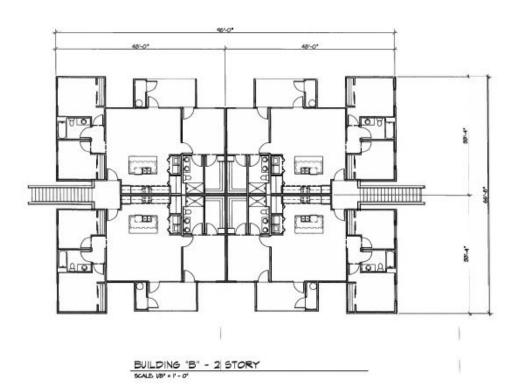




SIDE ELEVATION - BUILDING "B"



END ELEVATION BUILDING "B"





Project Description

The subject property is a proposed 304-unit conventional rate project with 224 units planned for Phase 1. The following description is based on information provided by the client. Detailed construction data was not available at this time. It is an extraordinary assumption of this report that the construction materials, design and layout will adhere to and at least meet current market standards and demands. The complex design is Santa Fe. The proposed unit mix for Phase 1 is set forth below.

Proposed Unit Mix

Proposed Unit Mix

#				Total SF
Units	Description	Type	Unit SF	(NRA)
96	1 BD/1 BA	Flat	756	72,576
112	2 BD/2 BA	Flat	1,080	120,960
16	3 BD/2 BA	Flat	1,180	18,880
224			948	212,416

General Data

Property Type: Multifamily

Property Subtype: Apartments

Number of Buildings: 21 plus clubhouse and leasing office

Number of Stories: 2

Number of Units: 224

Building Areas & Ratios

Gross Building Area (GBA): 212,416, plus common area buildings of approximately 6,000

SF

GBA Source: Acorn Associates Architecture, under project 17017 dated

February 26, 2018

Site Coverage: 25% for Phase 1

Net Rentable Area (NRA) 212,416 square feet (market)

NRA Source: Acorn Associates Architecture, under project 17017 dated

February 26, 2018

Project Density 15.7 units per acre overall (304 units/19.4 acres)

Age / Life

Year Built: Proposed

Actual Age: 0 years (proposed construction)

Effective Age: 0 years

Typical Building Life: 55 years

Remaining Economic Life: 55 years



Exterior

Construction Class: D - Wood Frame per Marshall and Swift Cost Handbook

Foundation: Poured concrete

Exterior Walls: Painted cement stucco over wood framing

Interior

Floors: Combination of carpet and faux wood plank flooring

Walls: Painted drywall

Doors: Hollow and solid wood

Ceiling Finish: Painted drywall with 9-10 ft height

Lighting Fixtures: Assumed adequate and consistent with market standards.

Ceiling fans with lights will be installed in the bedrooms

Kitchen/Appliances: Each unit will have a stainless steel side by side

refrigerator/freezer, electric range/oven, microwave oven with fan hood, dishwasher, garbage disposal, quartz countertops, stainless steel extra deep single undermounted sink and

pressed wood with wood veneer cabinets.

Mechanical Systems

Electrical: Standard service in working order assumed.

Plumbing: Standard service in working order assumed. Each restroom

includes a sink in quartz counter, toilet, tub with tile sourround and shower head, fan, and vinyl wood plank floor.

HVAC: Each unit will be served by an individual electric air

conditioning/heating unit assumed to meet current efficiency

standards.

Utility Structure: The units are assumed to be individually metered for

electricity (air conditioning, heat and hot water), water, and sewer, and these expenses will be paid by the tenants to the utility providers. The project is assumed to be master metered for gas. The landlord will pay for gas and trash

charges.

Layout

The preliminary floor plans provided by the client are copied on the following pages. Each unit will have a patio/ balcony and an assigned covered parking space. Garages will be available for rent.



Unit and Project Amenities

Clubhouse Amenities: Estimated 6000 SF Under Roof.

- 1) Leasing Offices estimated at 500 SF
- 2) Living / Dining areas estimated at 1500 SF (Coffee Area, TV rooms, etc.)
- 3) Fitness Center with workout equipment estimated at 1500 SF
- Fitness Center Aerobic room estimated at 1500 SF
- 5) Extended Patio area estimated at 1000 SF
- 6) Complimentary Bicycle Check-Out
- 7) Wi-Fi Services
- 8) Smoke Free Property
- 9) Concierge Services Wake Up Calls, Trash Pickup, Package Delivery (UPS, Amazon) Area.

Swimming Pool Amenities: Estimated Pool Size 80' X 50' Size Pool

- 1) Minimum two (2) Private Cabanas including televisions
- 2) Minimum two BBQ stations with 2 gas ovens per station
- 3) Minimum two firepit stations or fireplaces around sitting areas
- 4) Pool furniture, loungers, umbrellas etc.
- 5) Extended sauna pool along with water fall feature
- 6) Wi-Fi Services

Unit Amenities:

- Energy efficient and Smoke Free Units
- 2) Free Standing Large 5' X 8' Breakfast Bar (Possibly Quartz) with overhead lighting
- Full size washer/dryers
- 4) Walk-in closets and linen in bathrooms
- 9' Ceilings in living room area and bathrooms
- 6) Wood look alike flooring in Living, Dining, Kitchen and bathrooms
- Upgraded carpet in bedrooms.
- Extended 8' x 10' minimum size balconies plus storage area
- 9) Ceiling fans in Living room area and bedrooms

Project Amenities:

- 1) Located five minutes to Interstate 10 and Tucson's largest Employment base cos.
- Covered spaces for all units, rentable garages and storage units.
- 3) Extended Pet playground area
- Security Perimeter fencing, entry gates, overhead lighting and camera monitoring
- 5) Environmentally green construction (insulation & other)
- 6) 24 hour emergency maintenance service
- 105 Mile Loop Area for biking, walking, jogging and sightseeing
- 8) Elementary, Middle Schools and community park located across the street on Littleton road.



Proposed Amenities

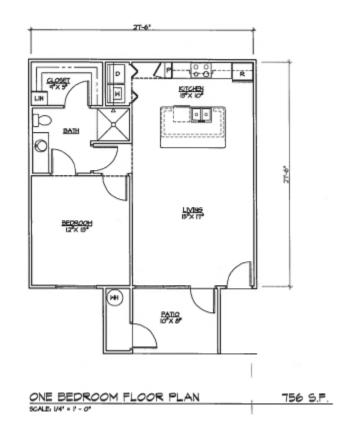
U	NIT AMENITIES	P	ROJECT AMENITIES
Χ	RANGE	Χ	ON-SITE MANAGEMENT
Χ	REFRIGERATOR	Х	COVERED PARKING
Χ	DISHWASHER	Х	GARAGES
Χ	DISPOSAL	Х	SWIMMING POOL
Χ	KITCHEN EXHAUST FAN	Х	STORAGE ROOMS
Х	MICROWAVE	Χ	COMMUNITY ROOM*
Χ	AIR CONDITIONING	Χ	COMMON LAUNDRY AREA
Χ	CEILING FANS	Х	FITNESS CENTER
Х	WALK IN CLOSETS	Х	COMPLIMENTARY BICYCLE CHECKOUT
Х	WASHER & DRYER	Χ	CONCIERGE SERVICES
Χ	QUARTZ BREAKFAST BAR	Х	SECURITY CAMERAS
		Х	PERIMETER FENCING AND ENTRY GATES
		Х	SAUNA W/WATERFALL FEATURE
		Χ	FIRE PITS
		Χ	BBQ AREA
		Χ	PRIVATE CABANAS W/ TELEVISION
		Х	WI-FI IN COMMON AREAS
		Χ	PET PLAYGROUND AREA

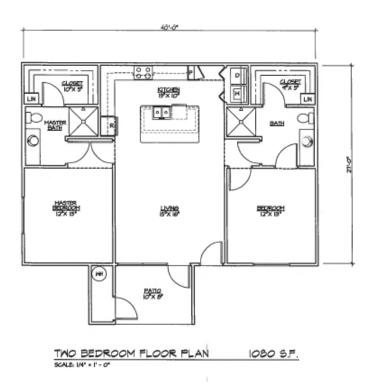
Conclusion

Detailed construction and design details were unavailable for the proposed subject project. It is assumed that the improvements will adhere to and at least meet current market standards and preferences in order to be competitive. The project will offer attractive, modern buildings that are assumed to be designed to meet current energy efficiency standards. The unit floorplans are functional and appropriately sized. The project will offer competitive community amenities. The projected rental schedule is \$950 for the one-bedroom units, \$1200 for the two-bedroom units, and \$1300 for the three-bedroom units.

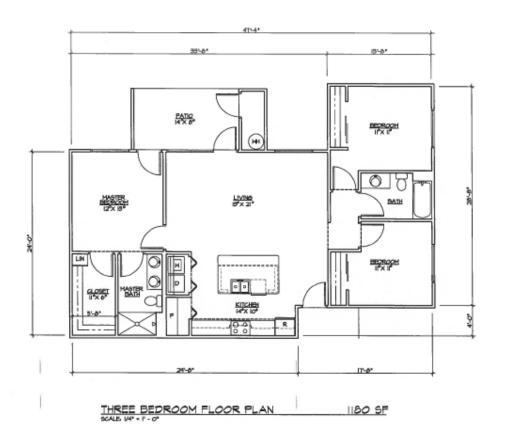


Floor Plans











IV. Proposed Site Analysis



Oblique Aerial View Looking North





Site Description

The following description is based on our field inspection of the subject, assessor records, and information provided by the client

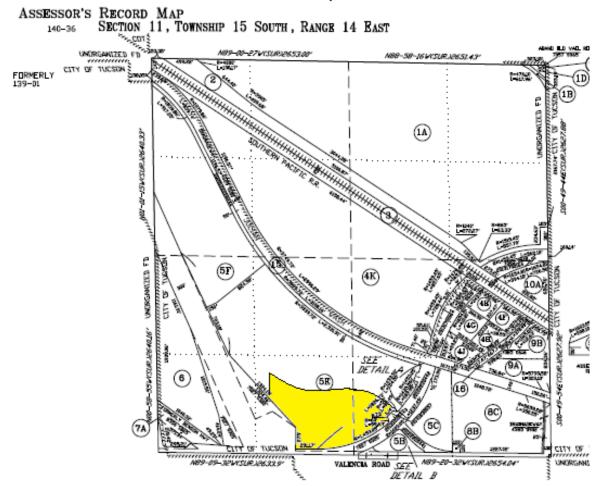
General Data

Location: Northeast corner of Valencia Road and Interstate-10 in

Tucson, Pima County, Arizona 85706

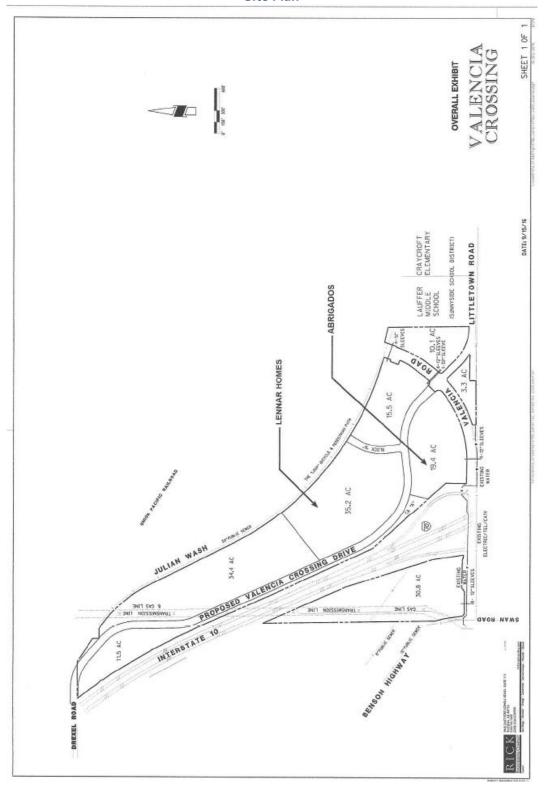
Assessor Parcel Numbers: 139-01-005E (Portion)

Plat Map





Site Plan





Adjacent Land Uses

North: Vacant land proposed for single family homes by Lennar and

the Loop bike path

South: A fast food restaurant and gas station/convenience store,

vacant land, and single family homes

East: Vacant land followed by a middle school and elementary

school

West: Interstate-10 followed by vacant land

Physical Characteristics

Site Area: 844,193 square feet, or 19.4 acres per Site Plan prepared by

Rick Engineering and dated September 15, 2016.

Shape: Irregular shape, though functional.

Topography: Level

Parcel Location: The site is located in the city of Tucson along the Interstate-

10 corridor. Davis Monthan Air Force base is located approximately one mile to the northeast, while Tucson International Airport is about 3 miles to the west. Downtown Tucson is approximately 9 miles to the northwest along Interstate-10, while Raytheon is 4 miles to the southwest. The site is located along the newly completed Loop, 131 miles of

paved bike paths, and is along a Sun Tran bus route.

Site Improvements

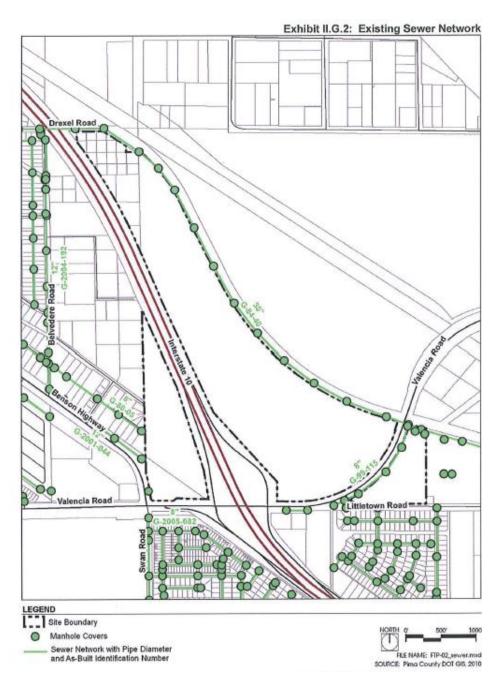
Utilities: All available to site

Electric: Tucson Electric Power Natural Gas-Southwest Gas

Water-City of Tucson Sewer-Pima County

Site Improvements: None





Flood Zone Data

Flood District: Shaded X

Floodplain Status: Shaded Zone X: Minimal areas of hazard. Outside the 100-

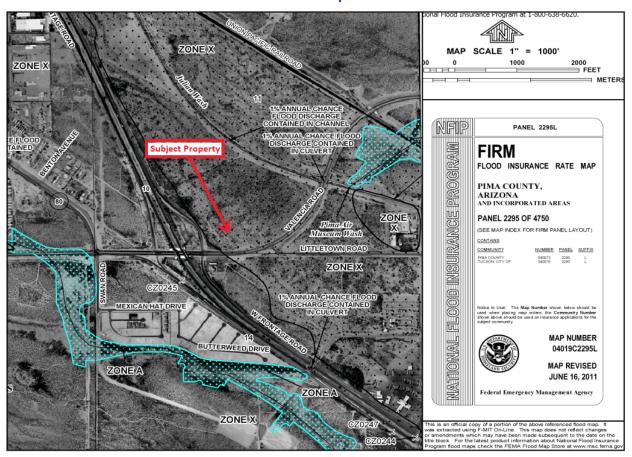
year-floodplain but subject to 500-year flooding. This designation is typical of the larger area surrounding the

subject property. Flood insurance is not required.

Flood Map Panel: 04013C2295L dated June 16, 2011



Flood Map



Other Site Conditions

Soils: No atypical conditions assumed

Environmental Issues: No atypical conditions assumed. A Phase I Environmental Site Assessment was prepared for the subject and concluded no

known environmental concerns on the subject property.

Easements & Encroachments: None observed that would negatively affect the developability of the site. A Title Report is recommended for further investigation

investigation.

A cultural resourses survey was prepared on the property by Professional Archeological Services and Technologies (PAST) in July 2000. Based on the field methods employed and the observable surface indications, sufficient evidence was not present to warrant further archeological studies.



Valencia Crossing PAD

Exhibit II.H: Arizona State Museum Letter



Arizona State Museum

P.O. Box 210026 Tucson, AZ 83721-0026 Tel. (520) 621-6302 East (520) 621-3976

MAR 2 3 2010

PIMA COUNTY ARCHAEOLOGICAL RECORDS SEARCH RESULTS

E-mail Request Received: 2/19/2010 Search Completed: 3/17/2010

Requester Name and Title: Kelly Lee, Project Manager The Planning Center Address: 110 South Church, Suite 6320 City, State, Zip Code: Tucson 85701

Phone/Fax/or E-mail: (520) 623-6146

Project Name and/or Number **Project Description**

FTP-02 / 28 Parcels owned by Stewart T&T Rezoning (multifunctional use) of about 189 ac

Project Location: Between Drexel Rd & Valencia Rd at I-10, Pima County, Arizona.

Legal Description: A portion of the W1/2 & SW, S11, and the E1/2, NE, S10, T15S, R14E, G&SR B&M, Pima County, Arizona.

Search Results: A search of the archaeological site records maintained at the Arizona State Museum (ASM) identified one cultural resource, SR 80, within the subject project area. The project area has been entirely inspected for cultural resources by several projects in the late 1980s and early 2000s. Eleven cultural resources are recorded within a mile radius of the parcels; all are historic linear features - roads, railroads, or gas pipelines - except for one, a prehistoric site that was destroyed during the construction of I-10. Fifty archaeological projects have been completed within the project area or within a mile of it between 1980 and 2006. A 2008 color orthophotograph taken of the proposed project area, enclosed, shows a mostly undisturbed landscape. Native vegetation covers most of the project area.

Sites in the Project Area: None are identified.

Recommendations: Because Pima County has jurisdiction in these parcels, the county's cultural resources staff bases its recommendations for additional archaeological inquiry on its own data sources, including the ASM's search results and others. Should the county require further archaeological investigation, you will need to consult a professional contractor. A list of qualified contractors is posted on the ASM website at the following address: http://www.statemuseum.arizona.edu/crservices/permits/permittees.shtml.

If you have any questions regarding the results of this records search, please contact me at the letterhead address or at the phone number or email address as follows.

Sincerely,

Maney Nancy E. Pearson Assistant Permits Administrator (520) 621-2096 Phone/FAX nepearso@email.arizona.edu

Fair

Zoning

Permitted Uses:

Zoning Code: PAD, Planned Area Development – Valencia Crossings

Zoning Jurisdiction: City of Tucson

> The subject is within Development Area A of the PAD. The primary use anticipated for this area is commercial development consisting of a blend of retail, entertainment, and office space. Commercial uses envisioned include large-scale retailers with an assortment of dining establishments, retail shops and office tenants. All uses permitted within the C-2 zoning designation are

also allowed.



Table III.C: Development Standards

	Commercial and Industrial Uses	Residential Uses		
Minimum Site Area	No	one		
Minimum Lot Width	No	one		
Maximum Lot Coverage	None	85 percent		
Maximum Floor Area Ratio	None			
Maximum Building Height	120 feet from finished grade*			
Minimum Building Separation	Per Building Code			
Minimum Perimeter Setbacks	20 feet			
Setbacks from Non- Residential to Residential Uses (does not include mixed use developments, see definition, page 66)	20 feet from any int adjacent to non-resid	erior property line unless dential uses		

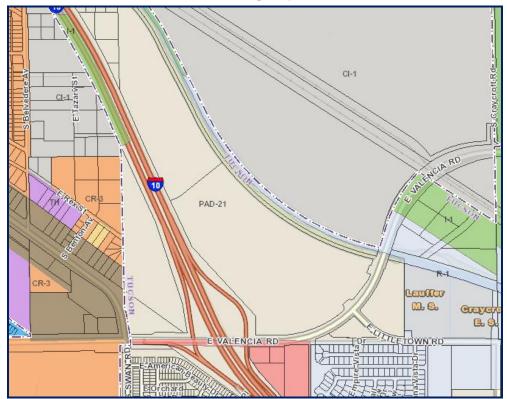
^{*} Davis Monthan Airport Environs Height Overlay Zone covers a portion of the property east of Interstate 10. The height limitation for this area is a maximum of 120 feet from the elevation at the end of the runway. According to Davis Monthan officials, the runway elevation is approximately 2705 feet, and thus, higher than the elevation of the subject property. Therefore, the maximum building height is 120 feet from finished grade of the subject property. The elevation shall be indicated on every development plan and/or plat submitted for review to the City of Tucson. If the elevation is higher than 2705 the proposed building may not be 120 feet tall.

Conclusion:

The subject parcel is zoned for commercial development which also permits multifamily development. The zoning designation is consistent with locational attributes and surrounding land uses.



Zoning Map



PAD Area Designation

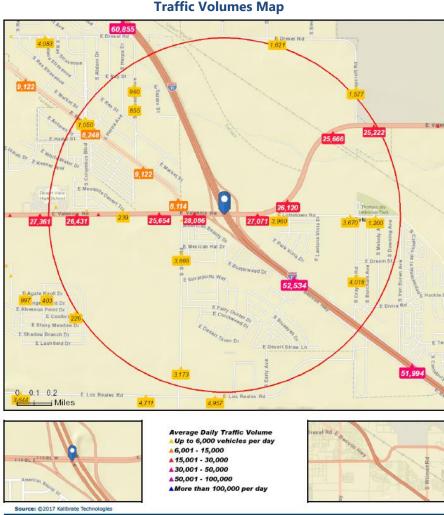




Site Access and Visibility

Primary access is presently provided via Valencia Road, an asphalt paved four lane, median divided arterial with median breaks. There are vertical concrete curbs, sidewalks and overhead street lights. No access is available from the Interstate-10 off-ramp. Interstate-10 is a four lane, median divided interstate highway with an interchange adjacent west of the subject property.

The site has good visibility from its frontage along Valencia Road and Interstate-10. Valencia Road reported a two-way average daily traffic count of 27,071 vehicles per day in the subject vicinity. Adjacent west of the subject, Interstate-10 reported a two-way average daily traffic count of 52,534 vehicles per day. The proximity to major transportation linkages increases the subject's appeal.

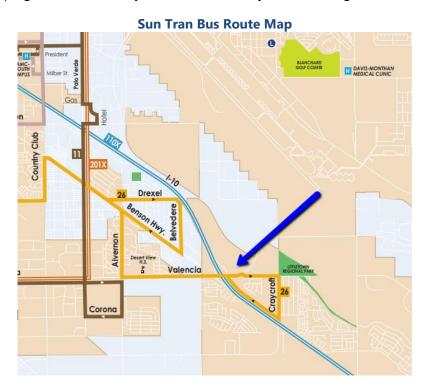


The proximity of the subject site to a Sun Tran bus route and the 131 mile bike path called "The Loop" is also considered a highly beneficial trait. The Loop is a system of paved, shared-use paths and short segments of buffered bike lanes connecting the Rillito, Santa Cruz, and Pantano River Parks with the Julian Wash and Harrison Road Greenways. The bus route runs along Valencia Road, fronting the subject, while the Loop is accessible less than 0.10 miles to the northeast. A Drive-Time

Map prepared by ESRI denotes accessible areas from the subject within a 15 minute drive. These



include: downtown Tucson, the Tucson International Airport, Davis Monthan, Park and El Con Malls, the Bridges shopping center, University of Arizona, and Raytheon, among others.







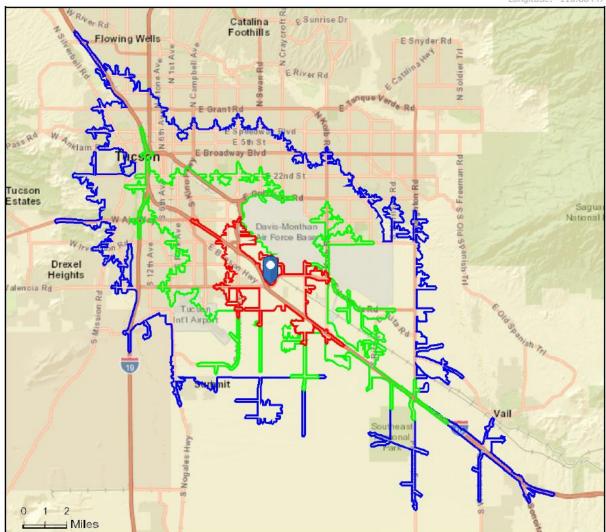
Drive Time Map



Site Map

85756, Tucson, Arizona Drive Time Bands: 0-5, 5-10, 10-15 minute radii Prepared by Esri Latitude: 32.13555

Longitude: -110.88447



Overall, vehicular access and visibility are both considered adequate for the proposed use. The proximity of the subject site to employment, schools, public transportation, bike routes, and major transportation linkages is a major asset to the subject property and greatly enhances its overall access characteristics.



Proximity to Community Services

Community Services & Site Area Detractions

COMMUNITY SERVICES	NAME	TRAVEL DISTANCE* FROM SITE (IN MILES)
MAJOR HIGHWAYS	Interstate 10	0.25
WASCHIGHWATS	Interstate 19	5.7
PUBLIC BUS STOP	Sun Tran Route 25; Park and Minorka	0.1
LIGHT RAIL / STREETCAR STOP	Sun Link	4.8
SCHOOLS:		
ELEMENTARY	Drexel	0.3
MIDDLE / JUNIOR HIGH	Sierra Middle School	0.7
HIGH	Desert View	1.0
SENIOR CENTER	El Pueblo Senior Center	1.0
HOSPITAL	Banner - University Medical Center South	2.3
URGENT CARE CENTER, FEDERALLY	Concentra Urgent Care	1.0
QUALIFIED HEALTH CENTER		
RECREATIONAL CENTER	El Pueblo Swimming Pool	1.0
	Mulcahy YMCA	.08
PUBLIC PARK	Rudy Garcia Park	0.6
PUBLIC LIBRARY	El Pueblo Library	1.0
CHILD CARE CENTER	Mulcahy YMCA	0.8
FULL SERVICE GROCERY	Food City	4.5
	Frys/ Walmart & Costco	4.5
MAJOR EMPLOYERS / EMPLOYMENT	Tucson International Airport	3.0
CENTERS	C3 Call Center	1.9
SHOPPING CENTER / MALL	Tucson Spectrum	5.0
POLICE/FIRE STATION	Tucson Santa Cruz Police Department	1.2
	Tucson Fire Station 10	1.7
OTHER	The Loop Bike Path	0.1

SITE AREA DETRACTIONS	DIRECT DISTANCE* FROM SITE (IN MILES)
ACTIVE RAILROADS	0.2
FREEWAYS	0.3
NATURAL WASH AREAS	0.1
HIGH TENSION POWER LINES	N/A
LANDFILL/GARBAGE DUMP	2.5
OIL/CHEMICAL REFINERY	N/A
POWER PLANT	2.0
OTHER	
Tucson International Airport	3.0
Davis Monthan Air Force Base	1.0

^{*}Direct distance is "as the crow flies"

The site is a path of growth site with very good proximity and access to residential services and employment. There are no significant detractions observed.



Crime Maps

Crime statistics are tablulated as a risk index for a one mile ring around the subject, the PMA, and Metro Tucson. The data was obtained from Applied Geographic Solutions. An area northwest along Benson Highway is perceived to have higher crime risk.

Crime Risk Index

	1 Mile Ring	PMA	Tucson MSA
Crime Index (Total)	197	251	164
Personal Crime	199	226	119
Murder	312	293	137
Rape	130	198	117
Robbery	156	184	119
Assault	227	249	118
Property Crime	197	254	171
Burglary	182	190	118
Larceny	193	271	190
Motor Vehicle Theft	274	286	149

Site Location Comments

The subject site is located within a path of growth area of Southeast Tucson along the interstate corridor. Residential development in the area is mostly single family homes with some older, outmoded multifamily apartment projects. Commercial uses are concentrated at major intersections, with regional shopping options available at the Bridges at Kino Parkway and Interstate-10 and Irvington Spectrum at Irvington Rd. and Interstate-19. The area includes a broad spectrum of land uses and these reflect varied levels of quality and condition. The area is appealing to residents due to its convenient proximity to employment centers, commercial services and transportation linkages. The area has historically provided affordable residential options. Income demographics in the area are average to below average. However, many white collar workers are employed in the area and may be residing elsewhere due to a lack of quality available options, particularly for multifamily residences. Overall, we consider the site to have favorable characteristics to support the proposed project. Nevertheless, the subject will be the first Class A apartment complex to enter the area and uncertainty is present for this pioneering and untested use.

The conversion of the property from essentially vacant land to a new multifamily housing project will substantially enhance the surrurounding area.



Property Location Map – Metro Area





Site Photographs



Looking north over Valencia Road where the spine road will intersect



Looking east through subject property



Looking north toward subject property from Valencia Road



Looking north through subject property



Street scene looking east along Valencia Road



Looking northwest through the subject property





Looking west through the subject property



Street scene looking west along Valencia Road



V. Market Area Analysis

Regional and Market Area Analysis

Regional Map



Overview

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

Population

Mid-year 2018 population in metro Tucson is projected at 1,025,400, which reflects a 0.7% increase over the prior year. The same growth rate is projected for 2019 with a slightly higher growth of 0.8% per year projected for 2020 and 2021.



Metropolitan Tucson Population Forecasts

	2016	2017	2018	2019	2020	2021
Population (000s, mid-year)	1,013.1	1,018.6	1,025.4	1,032.8	1,041.0	1,049.7
Change (000s)	3.7	5.5	6.8	7.4	8.2	8.7
% Change	0.4%	0.5%	0.7%	0.7%	0.8%	0.8%
Source: Arizona's Economy August 2017, Eller College of Management, The University of Arizona						

Employment

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

Top 10 Southern Arizona Employers

	Full Time	Change	
Name	Jobs	Past Year	Industry
University of Arizona	11,251	16	Education
Raytheon Missile Systems	9,600	0	Manufacturing
State of Arizona	8,580	56	Government
Davis-Monthan Air Force Base	8,406	71	Military
Pima County	7,060	37	Government
Tucson Unified School District	6,770	-364	Education
Banner-University Medical Center	6,272	-270	Health Care
U.S. Customs and Border Protection	5,739	N/A	Government
Freeport-McMoRan, Inc.	5,530	-270	Mining
Walmart	5,500	100	Retail
Source: Arizona Daily Star 4/24/2016			

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

There have been a number of recent employment and other significant announcements that suggest Tucson's economy may improve at a greater pace than indicated over the past five or more years. Raytheon Missile Systems, Tucson's largest private employer, is in the process of planning a major expansion that would add over 1,900 new high-paying jobs. Caterpillar recently announced that it is bringing its regional headquarters for its Surface Mining and Technology Division to Tucson and will provide more than 600 new high paying jobs over the next five years. They will initially locate in an



existing building in Downtown Tucson while their new facility is being constructed just to the west of downtown. HomeGoods has completed construction of an 800,000 square foot distribution center near the Tucson International Airport and will reportedly employ up to 900. Comcast recently located a call center into a newly renovated facility near the Tucson Mall that will employ up to 1,100 positions. Banner-University is building a new \$400 million addition to their existing facility near the University of Arizona campus and a new AC Hotel by Marriott is under construction in downtown. Pima County has completed a deal (although there is litigation pending) that will bring World View Enterprises to the Airport area where they would operate Spaceport Tucson, a high altitude balloon launch site for near-space tourism and research. Afni and Alorica both announced in early 2017 that they will be hiring for 280 and 200 position at their local call centers in the coming year.

Employment by industry for the MSA is as follows.

Metropolitan Tucson Nonfarm Employment

Year Ending	20	13	20)14	20	015	20)16	20	17**
Sector	Empl.*	%Total								
Natural Resources & Mining	2.3	0.6%	2.3	0.6%	2.0	0.6%	1.6	0.4%	1.6	0.4%
Construction	15.1	4.2%	14.5	4.0%	14.9	4.1%	14.8	4.1%	14.9	4.1%
Manufacturing	22.6	6.3%	22.5	6.3%	22.9	6.4%	23.4	6.5%	23.3	6.5%
Trade, Transp. & Utilities	62.6	17.4%	63.3	17.6%	62.8	17.4%	61.4	17.1%	60.5	16.8%
Information	4.5	1.3%	4.5	1.3%	4.8	1.3%	5.0	1.4%	4.8	1.3%
Financial Activities	17.7	4.9%	17.8	4.9%	17.2	4.8%	17.4	4.8%	17.5	4.9%
Professional & Business Svcs	50.6	14.1%	51.7	14.4%	51.6	14.3%	50.0	13.9%	49.7	13.8%
Education & Health Services	62.6	17.4%	62.7	17.4%	64.2	17.8%	65.4	18.2%	65.4	18.2%
Leisure & Hospitality	40.3	11.2%	42.1	11.7%	43.1	12.0%	46.0	12.8%	45.8	12.7%
Other Services	12.6	3.5%	14.5	4.0%	14.5	4.0%	15.1	4.2%	15.5	4.3%
Government	79.7	22.1%	79.1	22.0%	80.1	22.3%	79.2	22.0%	79.7	22.1%
TOTAL NONFARM	370.6	100%	375.0	100%	378.1	100%	379.3	100%	378.7	100%

Unemployment

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

Average Unemployment Rate

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
National	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	5.6%	5.0%	4.9%	3.9%
Arizona	3.7%	6.0%	9.8%	10.4%	9.4%	8.3%	8.0%	6.8%	6.0%	5.3%	4.3%
Metro Tucson	3.6%	5.7%	9.0%	9.4%	8.3%	7.4%	7.0%	6.0%	5.4%	4.9%	4.0%

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

Notes: Not seasonally adjusted. * through November



Economic Forecasts

The projections summarized below suggest modest, yet stronger economic growth from 2018 through 2019 with a slight decrease in growth rates in 2021. The forecast suggest that number of jobs lost in the Great Recession will be recaptured some time in 2018. Projected growth will remain well below the growth experienced in prior recoveries.

Metropolitan Tucson Economic Forecasts

2016	2017	2018	2019	2020	2021
\$ 39,963.3	\$41,349.6	\$43,150.8	\$45,250.7	\$47,526.3	\$49,659.5
2.7%	3.5%	4.4%	4.9%	5.0%	4.5%
\$ 13,059.8	\$ 13,562.5	\$ 13,818.8	\$ 14,371.4	\$ 14,999.0	\$ 15,465.9
0.9%	3.8%	1.9%	4.0%	4.4%	3.1%
373.4	376.8	382.1	387.5	393.1	397.0
4.8	3.4	5.3	5.4	5.6	3.9
1.3%	0.9%	1.4%	1.4%	1.4%	1.0%
2,466.0	2,632.9	3,054.4	3,235.8	3,571.2	3,684.3
1.6%	6.8%	16.0%	5.9%	10.4%	3.2%
	\$ 39,963.3 2.7% \$ 13,059.8 0.9% 373.4 4.8 1.3% 2,466.0	\$39,963.3 \$41,349.6 2.7% 3.5% \$13,059.8 \$13,562.5 0.9% 3.8% 373.4 376.8 4.8 3.4 1.3% 0.9% 2,466.0 2,632.9	\$39,963.3 \$41,349.6 \$43,150.8 2.7% 3.5% 4.4% 4.4% \$13,059.8 \$13,562.5 \$13,818.8 0.9% 3.8% 1.9% 373.4 376.8 382.1 4.8 3.4 5.3 1.3% 0.9% 1.4% 2,466.0 2,632.9 3,054.4	\$39,963.3 \$41,349.6 \$43,150.8 \$45,250.7 2.7% 3.5% 4.4% 4.9% 4.9% \$13,059.8 \$13,562.5 \$13,818.8 \$14,371.4 0.9% 3.8% 1.9% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0% 4.0	\$39,963.3 \$41,349.6 \$43,150.8 \$45,250.7 \$47,526.3 2.7% 3.5% 4.4% 4.9% 5.0% 5.0% \$13,059.8 \$13,562.5 \$13,818.8 \$14,371.4 \$14,999.0 0.9% 3.8% 1.9% 4.0% 4.4% 4.4% 373.4 376.8 382.1 387.5 393.1 4.8 3.4 5.3 5.4 5.6 1.3% 0.9% 1.4% 1.4% 1.4% 2,466.0 2,632.9 3,054.4 3,235.8 3,571.2

Source: Arizona's Economy August 2017, Eller College of Management, The University of Arizona

Commercial Real Estate

The retail, office and industrial sectors have all significantly recovered since the Great Recession; however, the office sector still remains somewhat challenged with respect to non-Class A properties, particularly those with secondary or marginal locations. Class A office sub-sector is fairly strong but is limited in scale relative to the overall office sector, which is impacted by significant aging inventory. Retail development has been on-going at prime locations while most significant vacancies are associated with secondary locations or older, dysfunctional spaces. Essentially all new industrial development over the recent past has been user-driven and there is minimal investor demand for new speculative industrial construction.

Metro Tucson Commercial Sectors - 2017

	No.		YTD	Under		YTD	Average
Sector	Buildings	Total Sq. Ft.	Deliveries	Construction	Vacancy	Absorption	Quoted Rent
Industrial	2,551	42,120,970	53,721	230,134	6.8%	163,847	\$6.53
Office	2,518	25,945,284	17,771	249,000	9.4%	370,202	\$18.93
Retail	5,326	52,528,203	458,705	139,939	6.0%	592,583	\$14.89

Source: CoStar: 4th Quarter 2017

Residential Real Estate

The Tucson MSA housing market is in a slow sustained recovery that commenced in 2012. Sale velocity has been within a consistent range from 10,300 to 11,500 sales per year since 2011. Based on the average sales velocity over the past five years, there is currently a little over three months of supply on the market. The low supply is due to limited new construction, a decrease in REO sales, and an inability of some homeowners to sell due to a lack of equity. The average single-family sale



price increased by nearly 14% during 2016 and by 8% during 2017; however, average single-family pricing is still 5.5% below the historic high reached in 2007. Real estate agents are reporting shorter marketing times, which is caused by a limited supply and gradual increase in demand. Investors made up a larger percentage of the total sales from 2011 to 2013; however, investor purchases have since slowed for the most part. The housing market is currently considered to be in balance with respect to supply and demand. The recent trends are summarized below.

Tucson Single-Family Market

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

Tucson's multifamily sector has demonstrated stable performance over the past several years with larger 40-plus unit apartment projects averaging about 94% occupancy over the past year. There was a limited amount of new multifamily construction from 2007 to 2010 but a new development cycle ramped up during 2011 and 2012 and nearly 5,400 units have been constructed since 2010. Approximately 650 units were under construction at the end of 2017. The vast majority of new construction has been in the Class A luxury and student housing sectors. The Class A sector had been underserved for the past 20 or more years and new Class A projects have generally been experiencing strong market acceptance. Rental rates remain fairly modest, averaging about \$0.98 per square foot overall and about \$1.13 per square foot for new conventional projects currently in lease-up. Tucson's modest economic growth over the recent past kept downward pressure on rents; however, concessions have continued to trend downward and average gross rents increased by almost 5% over 2016 and by 6% over 2017. Given the limited amount of construction currently scheduled, Tucson's apartment market should continue to improve over the near term.

Conclusions

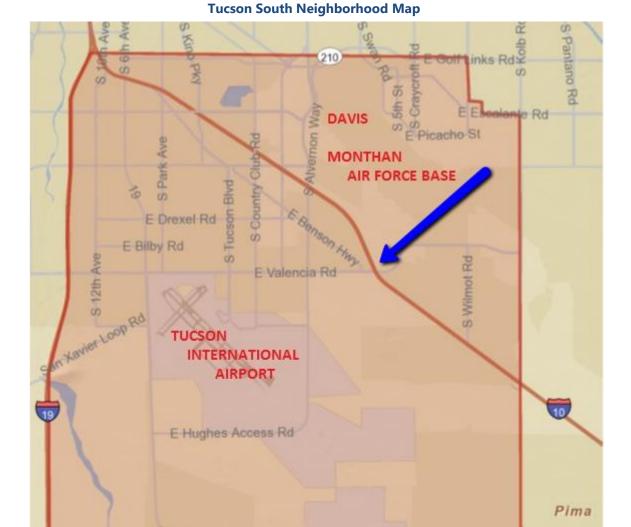
Economic projections for metro Tucson suggested that the population increased by about 0.7% over 2017 and gains of 0.7% to 0.8% are forecast for 2018 through 2021. Employment growth was projected at 0.9% over 2017 but is forecast to increase to 1.4% over the next three years. While these annual growth rates are well below those experienced during prior recoveries, the overall economic climate in Tucson has improved significantly over the past several years and there have been a number of recent employment and other significant announcements that suggest Tucson's economy may improve at a greater pace than indicated over the past five or more years. Economists from the University of Arizona do not predict a full recovery of jobs lost during the Great Recession until 2018.



These factors positively impact the residential and commercial real estate sectors and there is essentially no speculative development occurring so the risk of overbuilding is considered to be minimal in the current market environment. With the exception of office, most real estate sectors are demonstrating fairly balanced supply and demand characteristics.



Neighborhood Trends



Boundaries: Golf Links and 36th Street (north), Kolb Road (east), Pima Mine Road (south), Interstate 19 (west); excluding area south of Golf Links, east of Wilmot and North of Escalante.



Neighborhood Trends

Access to the Tucson South neighborhood from the central areas of Tucson is primarily provided by five major north-south arterials: 6th Avenue, Kino Parkway, Palo Verde Road, Alvernon Way and Kolb Road. Ajo Way, Irvington Road and Valencia Road are primary east-west arterials that provide access from Interstate 19, which forms the west boundary of the neighborhood. Interstate 10 bisects the northern half of the neighborhood. The presence of Davis Monthan Air Force Base at the northeast quadrant limits access from the central areas of Tucson.

Residential uses are concentrated in the northwest quadrant of the neighborhood and primarily consist of medium to high density developments constructed from the 1940s through the 1970s. In the early 2000s, homebuilders actively built new moderately–priced housing in the areas east of Palo Verde Road, south of Interstate 10 and north of Los Reales Road. This construction ceased as the housing market crashed. Future residential will likely be constructed in the area of I-10 and Wilmot (La Estancia with 1,500-2,000 homes) and I-10 and Kino Parkway (The Bridges with 700-750 homes). The area also includes a number of Class C apartment projects that were typically constructed in the 1970s and 1980s, as well as a limited number of newer subsidized/affordable projects. There are also a substantial number of mobile homes in the northwest quadrant. The southern half of the neighborhood is sparsely populated due in part to the location of Tucson International Airport and general lack of services.

Retail uses are mostly neighborhood-oriented and are concentrated at Campbell Avenue and Irvington Road, Irvington Road and Interstate 19, and 12th Avenue and Valencia Road. Tucson Marketplace at the Bridges is a new community center under development at I-10 and Kino Parkway that is anchored by Walmart, Costco and Century Theatres.

Industrial uses are located within established nodes adjacent to the Tucson International Airport (TIA), adjacent west and south of Davis Monthan Air Force Base (DM) and around the intersection of Park Avenue and Ajo Way. There are a number of high quality business parks in these nodes as well as the Port of Tucson (an active inland port). In total, the neighborhood includes nearly half the industrial space in Metro Tucson. In addition to TIA and DM, Raytheon Missile Systems is a major employer in this area. Office development is mostly within the established business parks. The University of Arizona Bioscience Park is planned for future development within The Bridges, at I-10 and Kino Parkway. Gieco announced a consolidation into a planned office building in the Bridges.

Overall, the Tucson South neighborhood is approximately 25% to 35% built out, with the majority of the vacant or underutilized land being within the southern half. Development of the northern half is constrained by TIA, DM and the Los Reales Landfill, which is located just to the east of TIA. Demographics tabulated on the following page reflect slightly higher population and household growth rates. The population is younger than the Tucson MSA overall, with lower measures of income, wealth and housing values.



Neighborhood	Demographic Profile
--------------	----------------------------

Population	Neighborhood	Tucson MSA
2010 Census	114,536	980,263
2017 Estimate	118,850	1,029,203
2022 Projection	121,726	1,066,763
Gross Population Change	,	, ,
2010 - 2017	3.8%	5.0%
2017 - 2022	2.4%	3.6%
Average Annual Population Change		
2010 - 2017	0.6%	0.8%
2017 - 2022	0.5%	0.7%
Median Age (2017)	29.7	38.8
Households		
2017 Estimate	33,486	404,272
2022 Projection	34,219	417,701
Avg. New HH/Year 2017-2022	147	2,686
2017 - 2022 % Change	2.2%	3.3%
Avg. Annual Change 2017 - 2022	0.4%	0.7%
Average Household Size (2017)	3.32	2.48
Daytime Population (2017)		
Total	148,796	1,022,251
Workers	78,514	442,321
Residents	70,282	579,930
Income (2017)		
Average HH Income	\$44,173	\$67,467
Median HH Income	\$34,022	\$48,436
Per Capita Income	\$13,468	\$26,958
Household Income		
\$0 - \$15,000	20.7%	14.1%
\$15,000 - \$24,999	16.3%	11.6%
\$25,000 - \$34,999	14.0%	11.2%
\$35,000 - \$49,999	15.8%	14.2%
\$50,000 - \$74,999	17.4%	18.4%
\$75,000 - \$99,999	8.7%	11.6%
\$100,000 - \$149,999	5.6%	11.2%
\$150,000 - \$199,999	0.8%	3.9%
\$200,000 +	0.6%	3.8%
Housing (2017)		
% Owner Occupied	49.0%	52.8%
% Renter Occupied	39.3%	34.7%
% Vacant	11.7%	12.5%
Median Home Value	\$109,762	\$199,207

Source: U.S. Bureau of the Census, 2010 Census of Population and Housing. ESRI forecasts for 2017 and 2022.



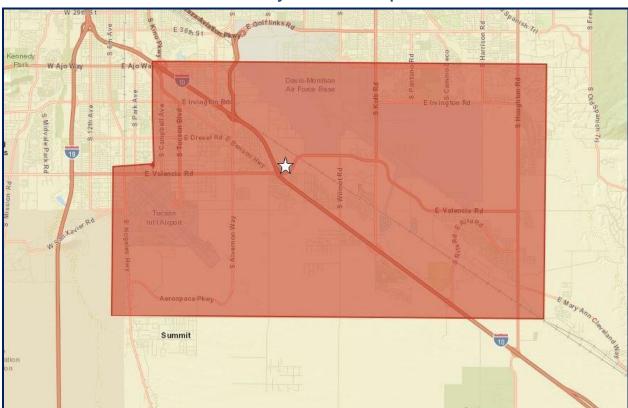
Primary Market Analysis

The subject's primary market area ("PMA") is the geographic area in which the subject development will compete with similar properties for residents. It is the area in which properties of the same use are affected by the same economic, demographic, and supply and demand factors. It is also the smallest geographic area from which the subject development will draw most of its residents. The subject's primary competition is within the PMA.

The factors that were considered in the determination of the PMA included population and housing characteristics and trends, demographic characteristics, natural and manmade barriers, including freeways, access to transportation, jurisdictional boundaries, and general market perceptions.

The subject is with a path of growth area along the interstate corridor of southeast Tucson. Based on these locational attributes, and conversations with market participants, we concluded that the PMA for the subject property would be bounded by Campbell Avenue and Nogales Highway on the west, Ajo Way on the north, Houghton Road on the east and Old Vail Connection Road on the south. The geographic area extends roughly 3.0 to 7.0 miles around the subject. The total area is approximately 83 square miles based on ESRI's calculations and is bisected by Interstate 10. Tucson International Airport and the Davis Monthan Air Force Base encompass approximately one-third of the PMA.

Primary Market Area Map





VI. Demographic and Economic Analysis

Demographic data is based on Census 2000 and Census 2010 data that was typically obtained from ESRI, as well as from estimates and projections by ESRI's Site To Do Business. The most current data is for 2017 and projections are for 2022. All reported growth rates are compound annual rates, not average annual rates.

Timing of the subject project is unknown, but projected for a late 2019 or early 2020 opening.

Population and Households

The subject area is a peripheral path of growth location within the Tucson MSA.

Change in Total Population

	PMA				Tucson MSA			
		Total	Annual	Comp		Total	Annual	Comp
Year	Population	Change	Change	Growth	Population	Change	Change	Growth
2000	53,786				843,746			
2010	80,707	26,921	2,692	4.14%	980,263	136,517	13,652	1.51%
2017	85,273	4,566	652	0.79%	1,029,203	48,940	6,991	0.70%
2019 *	86,743	1,470	735	0.86%	1,044,227	15,024	7,512	0.73%
2022	88,949	2,206	735	0.84%	1,066,763	22,536	7,512	0.71%

^{*} projected date of market entry based on ESRI growth rates

Source: ESRI

Change in Total Households

	PMA				Tucson MSA			
		Total	Annual	Comp		Total	Annual	Comp
Year	Households	Change	Change	Growth	Households	Change	Change	Growth
2000	17,623				332,350			
2010	26,541	8,918	892	4.18%	388,660	56,310	5,631	1.58%
2017	27,417	876	125	0.46%	404,272	15,612	2,230	0.56%
2019 *	27,838	421	211	0.77%	409,644	5,372	2,686	0.66%
2022	28,470	632	211	0.75%	417,701	8,057	2,686	0.65%

^{*} projected date of market entry based on ESRI growth rates

Source: ESRI

The ESRI projections of moderately slow, stable population and household growth rates appear reasonable, but likely conservative, given the characteristics of the PMA and its proximity to employment and major transportation linkages, including Interstate-10. There is a single family growth node accelerating at Wilmot north of I-10. PMA growth is projected at slightly higher rates than Tucson MSA. The projection is for a total population increase of 1,470 between 2017 and 2019 at the proposed subject project entry in to the market, and 3,676 by 2022. Households over the same time periods are projected to increase by 421 and 1,053, respectively, at 3.5 persons per household.



Households by Tenure

	PMA					Tucson MSA				
	Total	Owner		Renter		Total	Owner		Renter	
Year	Households	Number	Percent	Number F	Percent	Households	Number	Percent	Number	Percent
2000	17,623	13,272	75.3%	4,351	24.7%	332,350	257,611	77.5%	74,739	22.5%
2010	26,541	19,693	74.2%	6,848	25.8%	388,660	283,230	72.9%	105,430	27.1%
2017	27,417	19,315	70.4%	8,102	29.6%	404,272	297,208	73.5%	107,064	26.5%
2019 *	27,838	19,615	70.5%	8,223	29.5%	409,644	300,556	73.4%	109,088	26.6%
2022	28,470	20,064	70.5%	8,406	29.5%	417,701	305,549	73.2%	112,152	26.8%

^{*} projected date of market entry based on ESRI growth rates

Source: ESRI

Homeownership has declined since Census 2010, which is consistent with the observed trends across metro Tucson. The 5-year projection from 2017 forecasts stable homeownership in the PMA and for the Tucson MSA.

PMA Households by Household Size - 2010 Census

	Occupied		Ow	ner	Ren	ter
Household Size	Units	Percent	Units	Percent	Units	Percent
1 Person	4,944	18.6%	3,723	18.9%	1,221	17.8%
2 Persons	7,717	29.1%	6,261	31.8%	1,456	21.3%
3 Persons	4,751	17.9%	3,426	17.4%	1,325	19.3%
4 Persons	4,562	17.2%	3,279	16.7%	1,283	18.7%
5 Persons	2,624	9.9%	1,782	9.1%	842	12.3%
6 Persons	1,184	4.5%	758	3.8%	426	6.2%
7 or more Persons	759	2.9%	461	2.3%	298	4.3%
Total	26,541	100%	19,690	100%	6,851	100%
Source: ESRI						

As noted, the vast majority of renters are one to three-person households (nearly 60%) and the percentages of total renter households continued to decline as household size increases. A similar trend is demonstrated by the owner-occupied households.

Household Income

Data below shows current (2017) and forecast future (2022) households by household income. Note that roughly 21% of the population has a household income below \$25,000 per year. We have deducted this segment in the residual demand analysis in order to not overstate demand, as well a portion of the \$25,000-\$34,999 household income segment due to estimated rental rate affordability constraints. Moreover, this likely accounts for a significant amount of SFR shadow rentals and also eliminates a significant amount of substandard housing.



PMA Household Income Distribution

		2017		2019*		2022
Households by Income	Number	Percent	Number	Percent	Number	Percent
<\$15,000	3,060	11.2%	3,064	11.0%	3,089	10.9%
\$15,000-\$24,999	2,844	10.4%	2,771	10.0%	2,714	9.5%
\$25,000-\$34,999	2,731	10.0%	2,594	9.3%	2,469	8.7%
\$35,000-\$49,999	4,198	15.3%	3,955	14.2%	3,731	13.1%
\$50,000-\$74,999	5,770	21.0%	5,796	20.8%	5,864	20.6%
\$75,000-\$99,999	3,917	14.3%	4,148	14.9%	4,417	15.5%
\$100,000-\$149,999	3,667	13.4%	4,068	14.6%	4,512	15.8%
\$150,000-\$199,999	769	2.8%	893	3.2%	1,029	3.6%
\$200,000+	462	1.7%	549	2.0%	644	2.3%
Total Households	27,418	100.0%	27,838	100.0%	28,469	100.0%
Median Household Income	\$52,557		54,405		\$57,177	
Average Household Income	\$63,714		67,240		\$72,529	

^{* 2019} households estimated based on average ratios for 2017 and 2022; ESRI does not provide projections for 2019. Source: ESRI

PMA Renter Household Income Distribution

Year	2010		2017		2019		2022	
Income Category	Total	%	Total	%	Total	%	Total	%
<\$5,000	390	5.7%	461	5.7%	468	5.7%	479	5.7%
\$5,000-\$9,999	314	4.6%	371	4.6%	377	4.6%	385	4.6%
\$10,000-\$14,999	740	10.8%	876	10.8%	889	10.8%	908	10.8%
\$15,000-\$19,999	524	7.7%	620	7.7%	630	7.7%	644	7.7%
\$20,000-\$24,999	459	6.7%	543	6.7%	552	6.7%	564	6.7%
\$25,000-\$34,999	979	14.3%	1,159	14.3%	1,176	14.3%	1,202	14.3%
\$35,000-\$49,999	1,155	16.9%	1,367	16.9%	1,387	16.9%	1,418	16.9%
\$50,000-\$74,999	1,234	18.0%	1,459	18.0%	1,481	18.0%	1,514	18.0%
\$75,000-\$99,999	629	9.2%	745	9.2%	756	9.2%	772	9.2%
\$100,000-\$149,999	320	4.7%	379	4.7%	384	4.7%	393	4.7%
\$150,000+	104	1.5%	123	1.5%	124	1.5%	127	1.5%
Total Households	6,848	100%	8,102	100%	8,223	100%	8,406	100%

Calculated from income segregations obtained from 2012-2016 American Community Survey for census tracts approximating PMA applied to total renter household figures from ESRI

Employment

Employment statistics are not tracked by census tract, and many residents outside of the subject market area travel inside the PMA for work based upon employment census of nearby employers. Employment data for the Tucson MSA forms the basis for the data of this section. Data sources include the University of Arizona's Eller College of Business's Arizona's Economy publication, as well as Arizona Department of Administration's Department of Employment and Population Statistics and the U.S. Bureau of Labor Statistics.



Employment by Industry

Metropolitan Tucson Nonfarm Employment

Year Ending)13)14	20	015	20	016	20	17**
Sector	Empl.*	%Total	Empl.*	%Total	Empl.*	%Total	Empl.*	%Total	Empl.*	%Total
Natural Resources & Mining	2.3	0.6%	2.3	0.6%	2.0	0.6%	1.6	0.4%	1.6	0.4%
Construction	15.1	4.2%	14.5	4.0%	14.9	4.1%	14.8	4.1%	14.9	4.1%
Manufacturing	22.6	6.3%	22.5	6.3%	22.9	6.4%	23.4	6.5%	23.3	6.5%
Trade, Transp. & Utilities	62.6	17.4%	63.3	17.6%	62.8	17.4%	61.4	17.1%	60.5	16.8%
Information	4.5	1.3%	4.5	1.3%	4.8	1.3%	5.0	1.4%	4.8	1.3%
Financial Activities	17.7	4.9%	17.8	4.9%	17.2	4.8%	17.4	4.8%	17.5	4.9%
Professional & Business Svcs	50.6	14.1%	51.7	14.4%	51.6	14.3%	50.0	13.9%	49.7	13.8%
Education & Health Services	62.6	17.4%	62.7	17.4%	64.2	17.8%	65.4	18.2%	65.4	18.2%
Leisure & Hospitality	40.3	11.2%	42.1	11.7%	43.1	12.0%	46.0	12.8%	45.8	12.7%
Other Services	12.6	3.5%	14.5	4.0%	14.5	4.0%	15.1	4.2%	15.5	4.3%
Government	79.7	22.1%	79.1	22.0%	80.1	22.3%	79.2	22.0%	79.7	22.1%
TOTAL NONFARM	370.6	100%	375.0	100%	378.1	100%	379.3	100%	378.7	100%
Source: Arizona Office of Employe	ment and	Population	Statistics	* (000s) Yea	r-end figu	res, non-se	asonally ac	djusted ** t	hru Novem	ber

Government and Education and Health services have been the largest employment sectors over the past four years, followed by Trade/Transportation/Utilities, which is largely driven by retail trade. Professional & Business Services accounts for 12-13% of employment, along with Leisure and Hospitality.

Total Employment Growth and Unemployment Trends

Tucson MSA Employment and Unemployment Trends

	Tucson MSA				
	Total	%	Total	%	Unemployment
Year	Labor Force	Change	Employment	Change	Rate
2004	438,856		418,266		4.7%
2005	441,581	0.6%	421,815	0.8%	4.5%
2006	451,861	2.3%	433,523	2.8%	4.1%
2007	458,486	1.5%	441,553	1.9%	3.7%
2008	474,464	3.5%	446,795	1.2%	5.8%
2009	485,850	2.4%	441,837	-1.1%	9.1%
2010	478,743	-1.5%	434,106	-1.7%	9.3%
2011	466,908	-2.5%	427,335	-1.6%	8.5%
2012	462,851	-0.9%	428,751	0.3%	7.4%
2013	457,975	-1.1%	427,041	-0.4%	6.8%
2014	462,327	1.0%	434,481	1.7%	6.0%
2015	466,549	0.9%	441,243	1.6%	5.4%
2016	472,015	1.2%	448,937	1.7%	4.9%
2017*	476,914	1.0%	456,774	1.7%	4.2%

^{*} preliminary - through December

Source: Arizona Department of Administration - Office of Employment and Population Statistics

Total employment has risen since 2011 and recently exceeded the 2008 market peak during 2016 and has remained above this level over 2017.



The Tucson MSA's unemployment rate peaked in 2010, but has declined each year since. The most recent rate of 4.2% in December 2017 is approaching the rates from 2005 through 2007.

Major employers

The largest employers in the MSA are presented on the following page. The University of Arizona, Raytheon, the State of Arizona, and Davis Monthan Air Force Base employ nearly 38,000 in total. Raytheon is the top private employer in the MSA, and represents the largest manufacturer in the area.

Major employers in the immediate area surrounding the subject property would include the Raytheon and Davis Monthan Air Force Base. The Abrigados developers also provided an employment list along with drive times from the subject property which is presented in the following exhibits. The location along Interstate-10 enhances the appeal for easy access to many major employment centers.

Top Southern Arizona Employers

	outhern Anzona Employers	Full Time	
Rank	Name	Jobs	Industry
1	University of Arizona	11,251	Education
2	Raytheon Missile Systems	9,600	Manufacturing
3	State of Arizona	8,580	Government
4	Davis-Monthan Air Force Base	8,406	Military
5	Pima County	7,060	Government
6	Tucson Unified School District	6,770	Education
7	Banner-University Medical Center	6,272	Health Care
8	U.S. Customs and Border Protection	5,739	Government
9	Freeport-McMoRan, Inc.	5,530	Mining
10	Walmart	5,500	Retail
11	Fort Huachuca	5,477	Military
12	City of Tucson	4,595	Government
13	Tohono O'odham Nation	4,350	Government
14	Carondelet Health Network	3,860	Health Care
15	TMC Healthcare	3,162	Health Care
16	Southern Arizona VA Health Care System	2,464	Health Care
17	Corrections Corp. of America (CCA)	2,413	Correctional
18	Fry's Food Stores	2,346	Retail
19	Pima Community College	2,235	Education
20	Asarco	2,200	Mining
21	Sunnyside Unified School District	2,100	Education
22	Afni, Inc.	1,900	Call Center
23	APAC Custerm Services, Inc.	1,889	Call Center
24	Pinal County	1,852	Government
25	Amphitheater Unified School District	1,739	Education
	Source: Arizona Daily Star 4/24/2016		



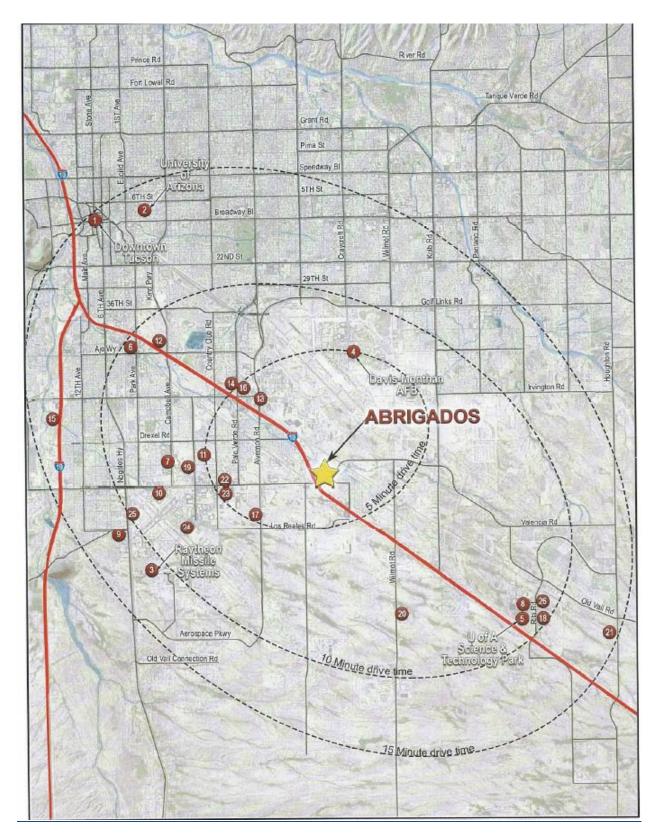
Employers Hiring in PMA and Surrounding Areas

Employer	Jobs
Raytheon Missile Systems	1,975
HomeGoods	900
Caterpillar	600
World View	500
AFNI	280
Alorica	200
Source: azcentral.com	

ABRIGADOS Employer List

Employer	Number of Employees	Drive Time
1 - Downtown Tucson	30,000	11 Minutes
2 - University of Arizona	12,000	15 Minutes
3 - Raytheon Missile Systems	11,000	14 minutes
4 - Davis-Monthon Air Force Base	8,406	3 minutes
5 - UA Science & Technology Park	6,500	10 Minutes
6 - Veterans Hospital	2,464	10 Minutes
7 - Sunnyside School District	2,100	8 Minutes
8 - Citi Bank	1,600	9 Minutes
9 - Desert Diamond Casino Nogales Hwy	1,100	12 Minutes
10 - Tucson Air National Guard	1,043	7 Minutes
11 - Intuit	966	8 Minutes
12 - Tucson Marketplace at The Bridges	858	8 Minutes
13 - Tucson Electric Power Plant	800	4 minutes
14 - Sears Holdings/ Call Center	800	5 Minutes
15 - Tucson Spectrum	555	11 Minutes
16 - Southwest Gas	426	5 Minutes
17 - Home Goods Distribution Center	400	5 Minutes
18 - Target.com Distribution Center	400	10 Minutes
19 - Caid Industries	352	7 Minutes
20 - Arizona State Prison Complex	300	8 Minutes
21 - Houghton Town Center	280	12 Minutes
22 - Modular Mining	272	5 Minutes
23 - Universal Avionics	229	5 Minutes
24 - Tucson International Airport	219	10 Minutes
25 - Ascent Aviation Services	165	10 Minutes
26 - Arizona Canning Co.	150	9 minutes
	83,385	







Average annual wages by industry

Average Annual Wage by Industry

Ownership	Industry	Average Annual Wage
Total Covered	Total, all industries	\$44,757
Federal Government	Total, all industries	\$72,160
State Government	Total, all industries	\$67,557
Local Government	Total, all industries	\$45,926
Private	Total, all industries	\$42,102
Private	Goods-Producing	\$64,338
Private	Natural Resources and Mining	\$61,748
Private	Construction	\$44,174
Private	Manufacturing	\$77,766
Private	Service-Providing	\$38,435
Private	Trade, Transportation, and Utilities	\$36,456
Private	Information	\$56,184
Private	Financial Activities	\$53,823
Private	Professional and Business Services	\$44,398
Private	Education and Health Services	\$44,335
Private	Leisure and Hospitality	\$19,978
Private	Other Services	\$32,293
Private	Unclassified	\$29,242

The most current data on wages by industry is from Q2 2017. Average annual wages in Pima County were \$44,757 for all industries, and \$42,102 for private employment. The highest-paying industries are manufacturing, goods producing, and mining.

Anticipated expansions, closures, and any new employment planned

No major new expansions or closures are expected in the PMA. A search of the WARN (Worker Adjustment and Retaining Notifications) posting through the Arizona Department of Economic Security website (AzjobConnection.gov) did not reveal any significant areas of concern. The 1,900 person Raytheon expansion was previously announced last year (2017).

Proposed transportation improvements and detrimental changes

The most significant transportation improvement concerning the PMA involves the completion of The Loop regional bike and pedestrian path, which was previously described. There are currently no roadway improvements that would impact the subject property.



VII. Supply Analysis

Housing Stock Overview

PMA Housing Units by Structure

Time Housing Office by Structure	Housing	%		
	Units	Total		
Total housing units	30,206	100%		
1-unit, detached	20,795	68.8%		
1-unit, attached	1,592	5.3%		
2 units	176	0.6%		
3 or 4 units	378	1.3%		
5 to 9 units	150	0.5%		
10 to 19 units	678	2.2%		
20 to 49 units	286	0.9%		
50 or more units	286	0.9%		
Mobile Home	5,765	19.1%		
Boat, RV, van, etc	101	0.3%		
Source: 2011-2015 American Community Survey 5-Year Estimates				

About 74% of the housing stock is within the single-family sector, while only 6.4% is multifamily, including just 0.9% in 50-plus unit projects. Mobile homes are a significant element in the PMA at 19%.

Housing Units by Occupancy Status and Tenure

	Census 2010		201	2017		2022		2017-2022 Change	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Total Housing Units	29,385	100%	30,825	100%	32,204	100%	1,379	4.5%	
Occupied	26,535	90.3%	26,123	88.9%	25,976	88.4%	-147	-0.6%	
Owner	19,688	67.0%	18,424	62.7%	18,307	62.3%	-118	-0.6%	
Renter	6,847	23.3%	7,728	26.3%	7,669	26.1%	-59	-0.8%	
Vacant	2,850	9.7%	3,262	11.1%	3,409	11.6%	147	4.5%	
Source: ESRI									

ESRI projects that the percentage of occupied housing units decreased slightly from the 2010 census figure of 90.3%. The occupancy percentage is projected to stabilize over the next 5 years. The percentage of owner-occupied units is projected to continue to decline slightly along with renter occupied (-0.2%) units. Vacant units are projected to increase slightly.



PMA Vacant Housing Units by Status

	Census 2010		
	Number	Percent	
Total Vacant Housing Units	2,843	100%	
For Rent	821	28.9%	
Rented - Not Occupied	39	1.4%	
For Sale Only	625	22.0%	
Sold-Not Occupied	90	3.2%	
Seasonal/Recreational/Occasional Use	740	26.0%	
For Migrant Workers	0	0.0%	
Other Vacant	528	18.6%	
Source: US Census	•		

About 9.7% of the 29,385 housing units within the PMA in 2010 were vacant. "Other vacant" includes uninhabitable and boarded up units, which indicates a rental housing supply in poor condition, along with an investor community not actively rehabilitating homes. These accounted for over 18% of the total vacant units and just under 2% of the total housing units in the PMA.

PMA Tenure by Year Structure Built

	Housing	%	%
	Units	Total	Category
Total housing units	26,847	100%	
Owner Occupied	18,571	69%	100%
Built 2014 or later	87	0.3%	0.5%
Built 2010 to 2013	101	0.4%	0.5%
Built 2000 to 2009	6,877	25.6%	37.0%
Built 1990 to 1999	4,495	16.7%	24.2%
Built 1980 to 1989	2,181	8.1%	11.7%
Built 1970 to 1979	4,046	15.1%	21.8%
Built 1960 to 1969	410	1.5%	2.2%
Built 1950 to 1959	249	0.9%	1.3%
Built 1940 to 1949	24	0.1%	0.1%
Built 1939 or earlier	101	0.4%	0.5%
Renter Occupied	8,276	31%	100%
Built 2014 or later	19	0.1%	0.2%
Built 2010 to 2013	497	1.9%	6.0%
Built 2000 to 2009	2,866	10.7%	34.6%
Built 1990 to 1999	1,814	6.8%	21.9%
Built 1980 to 1989	1,044	3.9%	12.6%
Built 1970 to 1979	1,208	4.5%	14.6%
Built 1960 to 1969	353	1.3%	4.3%
Built 1950 to 1959	316	1.2%	3.8%
Built 1940 to 1949	113	0.4%	1.4%
Built 1939 or earlier	46	0.2%	0.6%



Approximately 26% of the PMA's housing stock was built prior to 1980. These units are now over 35 years old, although some have certainly been renovated and function as newer properties. The majority of houses (just under 39% of the housing stock) have been constructed since 1999, with most falling within the 2000-2009 range during the housing boom. The vacant housing units for rent are considered to be competition for the proposed subject project and may partially usurp demand.

Renter Occupied Housing by Contract Rent

Renter Occupied Housing by Contract Kent	Housing	%
Gross Monthly Rent	Units	Total
Total	8,195	100%
With Cash Rent	7,841	96%
Less than \$100	62	1%
\$100 to \$149	48	1%
\$150 to \$199	10	0%
\$200 to \$249	77	1%
\$250 to \$299	60	1%
\$300 to \$349	254	3%
\$350 to \$399	250	3%
\$400 to \$449	357	4%
\$450 to \$499	308	4%
\$500 to \$549	293	4%
\$550 to \$599	267	3%
\$600 to \$649	632	8%
\$650 to \$699	243	3%
\$700 to \$749	469	6%
\$750 to \$799	208	3%
\$800 to \$899	719	9%
\$900 to \$999	1,025	13%
\$1,000 to \$1,249	2,072	25%
\$1,250 to \$1,499	411	5%
\$1,500 to \$1,999	74	1%
\$2,000 or more	0	0%
No cash rent	355	4%
Median Contract Rent	\$853	
Average Contract Rent	N/A	
Source: ESRI - 2011-2015 ACS Estimates		

The \$1000 to \$1249 category has the greatest percentage of renters, at 25%, with an additional 13% of units rented for \$900 to \$999. The median contract rent in the PMA is \$853. The contract rents in the area are competitive to the proposed market rent range for the subject and lend support for the project's affordability. The subject will reflect an alternative rental option to single family homes at similar rental prices.



PMA Owner Occupied Housing Units By Value

	•	
	2017	
	Number	Percent
Total Housing Units	19,324	100%
<\$50,000	2,358	12.2%
\$50,000-\$99,999	2,358	12.2%
\$100,000-\$149,000	3,401	17.6%
\$150,000-199,999	4,754	24.6%
\$200,000-\$249,999	2,976	15.4%
\$250,000-\$299,999	1,816	9.4%
\$300,000-\$399,999	1,179	6.1%
\$400,000-\$499,999	213	1.1%
\$500,000-\$749,999	155	0.8%
\$750,000-\$999,999	19	0.1%
\$1,000,000+	116	0.6%
Average Home Value	\$177,543	
Source: ESRI		

Owner-occupied home values are concentrated at \$100,000 to \$200,000, with 58% of the inventory falling within this range. An additional 24% of the units fall under \$100,000, and the remaining 18% are valued above \$250,000. Housing prices vary considerably depending on specific location within the PMA and there are pockets of relatively high and low prices.

Median Home Values

	Subject Census Tract	%		%	
	4105.01	MSA	PMA	MSA	Tucson MSA
2017 Estimate	\$155,685	78%	\$166,382	84%	\$199,207
2022 Projection	\$203,694	84%	\$200,641	83%	\$243,036
Avg. Annual Increase	5.5%		3.8%		4.1%
Source: ESRI					

The estimated 2017 median home price in the subject's PMA is 78% of the Tucson MSA figure and is projected to increase by 3.8% per year.

General home pricing in the PMA currently appears to be more affordable and likely reflects a higher entry level housing component. At the PMA's 2017 median home price, and assuming typical current mortgage terms (95% loan, 4.1% interest rate, and 30-year amortization), the payment would approximate \$762 per month. Including probable taxes and insurance, the cost would approximate \$962 per month, which equates to about 27% of the estimated 2017 median household income for the PMA of \$43,256. This suggests that the PMA has reasonable affordability. Visual and demographic review of the area suggests a significant census of newer production housing units, mostly entry level.



The PMA is a path of growth area on the peripheral of southeast Tucson. The majority of growth took place during the housing boom of 2004-2007 when 37% of the housing stock was constructed. Only 1% of the housing has been constructed since 2010.

Rental Housing Overview

Much of the data utilized in this section was obtained from Apartment Insights, published by Real Data, Inc. on a quarterly basis and covering apartment projects of 40 units or more. The most recent edition reflects data as of the 4th quarter of 2017. Data for the entire Tucson MSA is presented below.

Inventory

PROJECTS BY SECTOR

I KOJECIO DI SECION			
	No.	No.	%
Sector	Projects	Units	Total
Stabilized Conventional	364	59,968	86.7%
Conventional Projects in Lease-up	6	1,310	1.9%
Subsidized/Affordable	36	3,768	5.4%
Other/Student	27	4,097	5.9%
TOTALS	433	69,143	100%
Source: Apartment Insights			·

The historical changes to the inventory are summarized below. New construction totaled 5,236 units since 2010, while the total inventory has increased by 5,503 units because of the removal of units that have been converted to condominiums or otherwise removed from the rental pool. When a project was converted, Apartment Insights removed it from the inventory effective the year that it was constructed, thus the historical annual inventory numbers have also been modified. Condominium conversion and new construction have decreased significantly since their peak in 2005 due to the slowdown in the overall economy.



MULTIFAMILY INVENTORY & PERMITS METRO TUCSON 40+ UNIT PROJECTS

	Ending	Net Inventory	%	Net Condo	New Units	
Year	Inventory	Change	Change	Conversions	Constructed	Permits
2004	64,624	199	0.3%	230	230	986
2005	64,089	-535	-0.8%	1,521	890	219
2006	62,415	-1,674	-2.6%	1,915	402	247
2007	62,590	175	0.3%	-216	0	226
2008	63,528	938	1.5%	-103	658	425
2009	63,434	-94	-0.1%	155	0	224
2010	63,640	206	0.3%	11	281	220
2011	64,448	808	1.3%	-91	524	1,023
2012	65,290	842	1.3%	47	1,001	935
2013	66,854	1,564	2.4%	29	1,226	1,833
2014	67,680	826	1.2%	-69	1,148	669
2015	68,296	616	0.9%	-4	539	303
2016	69,045	749	1.1%	0	710	88
2017	69,143	98	0.1%	0	88	474
Source: Ap	partment Insights					

Building permits have increased significantly since 2010 and are expected to remain relatively high for the next several years.

New Construction

There were 655 units under construction and 1,866 units in the various stages of planning as of Q4 2017. One year prior, there were 88 units under construction and 1,337 units in the various stages of planning. Total units in the pipeline has typically ranged from 500 to 1,000 over the past five years; however, the number of units actually under construction has increased significantly over the past several years.

METRO TUCSON

CONSTRUCTION PIPELINE SUMMARY

Development Stage		4th Qtr. 2016	4th Qtr. 2017
Construction Commenc	ed:	88	655
Construction Scheduled	l:	0	154
In Planning Stage:		1,337	1,712
	subtotal	1,425	2,521
Zoning Approval Receiv	ved:	811	739
Re-Zoning Requested:		1,209	625
	subtotal	2,020	1,364
Grand Total		3,445	3,885
Source: Apartment Insight	s, Projects with	40+ units	



Vacancy

The overall average annual vacancy rate for all conventional projects has been trending downward over the past five years and now stands at about 6.3% for stabilized conventional projects.

AVERAGE VACANCY RATES
STABILIZED CONVENTIONAL PROJECTS

					Annual
Year	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Average
2005	8.08%	8.76%	7.31%	7.31%	7.87%
2006	6.95%	6.77%	5.98%	7.01%	6.68%
2007	6.48%	7.55%	7.62%	8.20%	7.46%
2008	8.18%	9.29%	9.65%	11.02%	9.54%
2009	11.66%	12.61%	11.74%	12.21%	12.06%
2010	11.35%	11.76%	10.39%	10.17%	10.92%
2011	9.41%	10.57%	9.10%	9.35%	9.61%
2012	9.03%	10.09%	9.55%	9.91%	9.65%
2013	9.44%	9.39%	9.28%	9.41%	9.38%
2014	9.33%	9.05%	8.21%	8.87%	8.87%
2015	8.50%	8.87%	8.17%	7.82%	8.34%
2016	6.81%	6.83%	6.27%	6.87%	6.70%
2017	6.52%	6.82%	6.51%	6.30%	6.54%
Source	e: Apartment l	Insights			

Absorption

ABSORPTION TRENDS METROPOLITAN TUCSON

	Conventional
Year	Projects
2005	-98
2006	-1,688
2007	-398
2008	-1,489
2009	-439
2010	1,271
2011	1,251
2012	465
2013	754
2014	902
2015	1,070
2016	1,254
2017	1,274
Source: Apartment Insights	

The absorption figures were skewed from 2004 to 2007 because of the high percentage of condo conversions. Net absorption has been positive since 2010 with most years absorbing 900 to 1275 units. The absorption data provides strong support for the contention that the apartment market is now in a sustained trend of recovery.



Rental Rates

The historical average gross rental rates within stabilized conventional projects (unfurnished/no utilities) are summarized in the following table. The gross rental rates do not reflect the impact of any reported concessions.

RENTAL RATE TRENDS (Stabilized Projects, Unfurnished - No Utilities)

(Stabilized 1 Toje	Avg. Gross		Avg. Rent /	
Year	Rent	Change	Sq.Ft.	Change
2005	\$582	1.6%	\$0.80	2.6%
2006	\$612	5.2%	\$0.84	5.0%
2007	\$635	3.8%	\$0.87	3.6%
2008	\$633	-0.3%	\$0.87	0.0%
2009	\$629	-0.6%	\$0.87	0.0%
2010	\$631	0.3%	\$0.86	-1.1%
2011	\$630	-0.2%	\$0.86	0.0%
2012	\$629	-0.2%	\$0.86	0.0%
2013	\$637	1.3%	\$0.86	0.0%
2014	\$638	0.2%	\$0.87	1.2%
2015	\$657	3.0%	\$0.89	2.3%
2016	\$688	4.7%	\$0.93	4.5%
2017	\$729	6.0%	\$0.98	5.4%
Average Annual	Increase			
Past 10 Years	\$9	1.5%	\$0.01	1.3%
Past 5 Years	\$20	3.2%	\$0.02	2.8%
Past 3 Years	\$30	4.8%	\$0.04	4.2%
Source: Aparti	ment Insights			

The average rents began a slight trend of increase in 2013 and this trend has gained significant momentum over the past three years, with the 2015-2017 average rent increasing by 3.0% to 6.0% per year.

Concessions

The use and overall impact of rental concessions had declined significantly during 2005 and 2006; however this trend reversed course over 2007 and 2008 in response to increasing vacancy rates. Data extracted from Apartment Insights indicated the following losses from concessions for stabilized conventional projects.



RENT LOSS FROM CONCESSIONS METRO TUCSON 40+ UNIT PROJECTS

Year	%
Ending	Loss
2006	4.5%
2007	8.1%
2008	13.7%
2009	19.1%
2010	8.8%
2011	7.8%
2012	6.8%
2013	5.6%
2014	5.7%
2015	4.3%
2016	3.2%
2017	2.3%
Source: Apartment Insights	

These loss factors may tend to be overstated because the net rental income figures from which they are derived are based on the application of the maximum reported free rent or discount over the shortest reported term. The current effective loss is equivalent to about 1.1 weeks of free rent over a 12 month lease term and is the lowest reported over the past decade.

Observations

The apartment market is clearly performing well as net absorption has exceeded new construction over the past three years. The current average vacancy rate for stabilized conventional projects is 6.3%, the lowest rate demonstrated over the past 10 years. A new development cycle started in 2012 and there are currently over 655 units under construction and over 1,850 units in various stages of planning. Given recent absorption trends of mostly 900 to 1275 units per year, it is possible that vacancy will start to increase during the next 12 to 24 months; however any increase would likely be nominal.

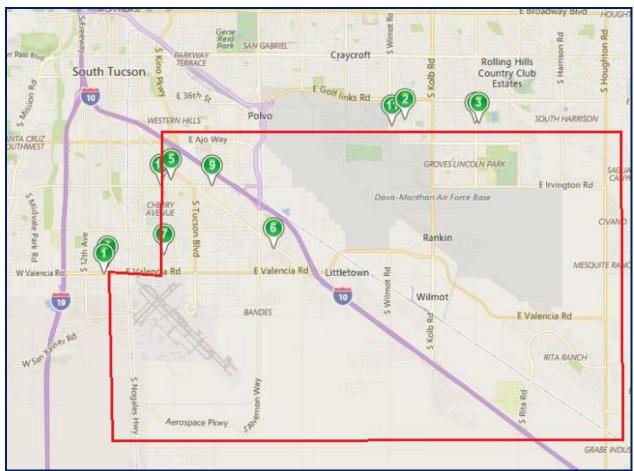
The actual performance of the market will depend greatly on a number of factors, including job growth, housing availability and affordability and household preferences for rentals versus ownership. There are no major areas of concern at this time.

<u>Historical and Current Rental Inventory – PMA</u>

We utilized Apartment Insights to segregate data for the conventional (market-rate) projects in or near the PMA.



Conventional – Market Rate Market Conditions In or Near PMA – 4th Quarter 2017



PMA Conventional Projects

			Total	Year	Average		Vacant	Average	Average
#	Project	Address	Units	Built	S.F/Unit	Vacancy	Units	Rent/Unit	Rent/SF
1	Casa Bella	175 W Valencia Rd	410	1984	692	7%	29	\$554	\$0.80
2	Commons on Stella *	6534 E Stella Rd	200	1964	906	22%	44	\$814	\$0.90
3	Copperhill	7950 E Stella Rd	160	1984	911	6%	10	\$675	\$0.74
4	Desert Pines	180 W Valencia Rd	96	1982	539	5%	5	\$519	\$0.96
5	El Conquistador	1881 E Irvington Rd	201	1982	402	6%	12	\$520	\$1.29
6	Lakewood Townhomes *	4200 E Benson Hwy	196	1964	689	30%	59	\$639	\$0.93
7	Paseo Del Sol	6280 S Campbell Ave	152	1994	1,113	9%	14	\$880	\$0.79
8	Ridgewood Gardens	3302 S Pantano Rd	171	1974	868	5%	9	\$722	\$0.83
9	Silverado	5000 S Country Club Rd	132	1988	578	8%	11	\$586	\$1.01
10	South Cornerstone	1514 E Irvington Rd	60	1978	500	2%	1	\$450	\$0.90
11	Wilmot Vista	3225 S Wilmot Rd	197	1984	562	15%	30	\$555	\$0.99
	Total/ Average		1,975	1980	705	11%	222	\$629	\$0.92
	Excluding Commons on St	ella and Lakewood	1,579			8%	119		
	* Currently impacted by re	novation or down units							



The 11 market rate projects (40+ units) in or just outside the PMA currently comprise 1,975 units. Two projects are undergoing renovation which is impacting occupancy rates. The remainder are stabilized. According to the data, the average date of construction is 1980, indicating that the supply is relatively old, with no projects constructed after 1994. Therefore, the newest project in the PMA is 24 years old. Excluding the projects under renovation, the units are currently about 92% occupied on average. The older stock generally has smaller average unit sizes and fewer common area amenities. The average unit size for the existing stock is 705 square feet, compared with the proposed subject average unit size of 948 square feet. The PMA is under-supplied for newer multifamily projects and the existing inventory is not expected to compete with the subject project.

Future Multifamily Supply

A review of the construction pipeline reported the most recent edition of Apartment Insights published by Real Data, Inc. There are no projects under construction in or near the PMA. There is one project in the planning area to be located in Rita Ranch. The 310 Class A units will be located approximately 5 miles east of the subject and are expected to compete directly with the subject property. Timing of this project is unknown.

New Apartment Construction in PMA

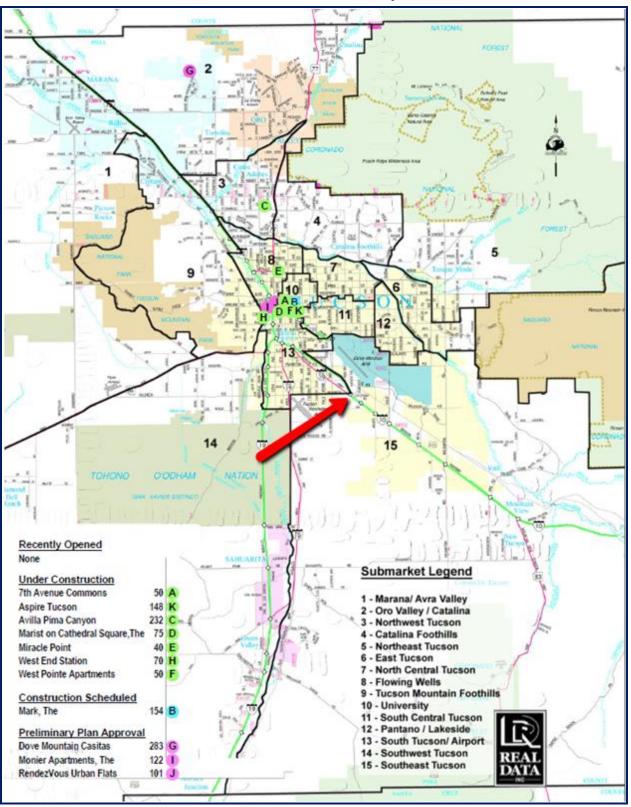
Project	Address	Units	Status	Projected Opening	Туре
Total under Construction		0			
HSL Rita Ranch	9190-9380 E Valencia Rd	310	Expected	Unknown	Class A
Total Planned		310			

Source: Apartment Insights and other sources

There are currently no multifamily developments under construction in the immediate PMA. New and planned construction in the Tucson MSA is almost exclusively contained within the downtown/ UofA environs, 9 to 10 miles northwest of the subject. These projects cater to students and young professionals working downtown. They are not expected to compete with the proposed subject project.



Current Planned and Under Construction Projects in Tucson MSA





In conclusion, the subject PMA is currently lacking in significant new or future multifamily development. The surrounding secondary market has significant planned development, although the tenant mix is likely to be different from the subject due to the locational attributes appealing to students and young professionals. Considering all these factors, approximated future supply catering to PMA demand is estimated at 1,075 units. Calculations are presented below:

Condition	No. of Units PMA
Under Construction	0
Construction Scheduled	0
Preliminary Plan (including subject)	534
Total	534
Likelihood of Completion	80%
Potential Supply	427
% of PMA Demand Capture	100%
Total Supply Additions Affecting PMA	427

Comparable Properties

Existing multifamily projects in or near the PMA were older, outmoded, and had much smaller unit sizes and inferior unit mixes compared to the proposed subject project. Lacking comparable projects in the subject area, we researched newer Class A projects on the periphery of Tucson for rental comparables. The properties summarized below were identified during our field survey and were determined to be most comparable to the proposed subject property.

Summary of Comparable Rentals

					No.	
#	Name	Location	Туре	Year Built	Units	Occupancy
1	Springs at Silverbell	7759 N Silverbell	Market	2002	290	96%
2	Encantada at Dove Mountain	4688 W Tangerine Rd.	Market	2013	272	88%
3	Legacy at Dove Mountain	12100 N Mountain Centre Rd	Market	2011	168	98%
4	The Place at Creekside	9971 E Speedway Blvd	Market	2013	352	91%
5	The Place at Presidio Trails	9190 E Old Spanish Trl	Market	2016	208	91%
		Average Occupancy Comps:				92%



Comparable Rental Location Map





Summary of Comparable Properties

Project Name	No of	Unit Size	Rent Per	Rent Per SF
	Units	(SF)	Month	
One Bedroom Units:				
Springs at Silverbell	91	628-860	\$899-\$939	\$1.13-\$1.49
Encantada at Dove Mountain	102	786	\$1,043	\$1.36
Legacy at Dove Mountain	36	698	\$869	\$1.27
The Place at Creekside	110	685-692	\$875-\$893	\$1.28-\$1.29
The Place at Presidio Trails	13	769-985	\$880-\$960	\$1.08-\$1.14
Totals/ Ranges	352	628-985	\$869-\$1043	\$1.08-\$1.36
Subject Property	96	756	\$950	\$1.26
Two Bedroom Units:				
Springs at Silverbell	138	914-1009	\$1085-\$1170	\$1.19-\$1.23
Encantada at Dove Mountain	136	1028-1279	\$1237-\$1320	\$0.98-\$1.24
Legacy at Dove Mountain	108	852-935	\$939-\$1025	\$1.12-\$1.13
The Place at Creekside	176	990-1062	\$1075-\$1090	\$1.03-\$1.09
The Place at Presidio Trails	104	1097-1165	\$1035-\$1055	\$0.89-\$0.96
Totals/ Ranges	662	852-1279	\$939-\$1320	\$0.89-\$1.24
Subject Property	112	1080	\$1,200	\$1.11
Three Bedroom Units:				
Springs at Silverbell	8	1228	\$1,345	\$1.12
Encantada at Dove Mountain	34	1313	\$1,493	\$1.21
Legacy at Dove Mountain	24	1142	\$1,185	\$1.06
The Place at Creekside	22	1112	\$1,185	\$1.07
The Place at Presidio Trails	13	1486	\$1,300	\$0.87
Totals/ Ranges	101	1112-1486	\$1185-\$1493	\$0.87-\$1.21
Subject Property	16	1180	\$1,300	\$1.10

The subject's proposed unit sizes are within the range of the comparables for all unit types. Proposed rents also fall within the comparable range both per month and per square foot. All of the comparable properties were confirmed to have similar utilities structure and unit and community amenities. The Springs at Silverbell is an older complex, built in 2002. Concessions are generally not offered, or are minimal (less than 2). All of the comparable properties are located in periphery areas, although the Springs at Silverbell, Encantada at Dove Mountain, and Legacy at Dove Mountain are within areas of superior income demographics. Encantada at Dove Mountain has the highest rents but suffers the lowest occupancy.

RENT AND HOUSEHOLD INCOME COMPARISON

	3-Mile Radius				
	Year	Unit	Average Rent	Househol	d Income
Project	Built	SF	/ Mo	Avg.	Med.
Springs at Silverbell	2002	839	\$1,023	\$84,827	\$73,069
Encantada at Dove Mt	2013	1,030	\$1,212	\$103,276	\$82,577
Legacy at Dove Mt	2011	878	\$978	\$103,276	\$82,577
The Place at Creekside	2013	907	\$1,007	\$70,512	\$52,594
The Place at Presidio Trails	2016	1,028	\$1,009	\$60,474	\$48,771
Subject Property	Proposed	948	\$1,100	\$53,494	\$43,256



Reasonable market rent ranges for the proposed subject one bedroom units are \$925 to \$950 per month. The proposed two bedroom market rent range estimates are \$1100 to \$1200 per month, and the proposed three bedroom market rent range estimates are \$1200-\$1300. The proposed subject rents are within the reasonable adjusted market rent range, although at the center to top end of the range. Only Rental 1 offered incentives and it is the oldest facility.

One-Bedroom Units

		Net	Base		Adjustmen	its	Adj.
ID#	Project Name	Unit Sq.	Rent	Size	Location	Condition	Rent
		Ft.				/ Age	
1	Springs at Silverbell	628-860	\$899-\$939	\$0	(\$50)	\$25	\$874-\$914
2	Encantada at Dove Mountain	786	\$1,043	(\$30)	(\$50)	\$0	\$963
3	Legacy at Dove Mountain	698	\$869	\$65	(\$50)	\$0	\$884
4	The Place at Creekside	685-692	\$875-\$893	\$70	\$0	\$0	\$945-\$963
5	The Place at Presidio Trails	769-985	\$880-\$960	(\$30)	\$0	\$0	\$850-\$930
	SUBJECT PROPERTY Consultant's Conclusions:	756					\$925-\$950

Two-Bedroom Units

		Net	Base		Adjustments		Adj.
ID#	Project Name	Unit Sq. Ft.	Rent	Size	Location	Age/	Rent
						Condition	
1	Springs at Silverbell	914-1009	\$1085-\$1170	\$100	(\$50)	\$25	\$1160-\$1245
2	Encantada at Dove Mountain	1028-1279	\$1237-\$1320	\$0	(\$50)	\$0	\$1187-\$1270
3	Legacy at Dove Mountain	852-935	\$939-\$1025	\$150	(\$50)	\$0	\$1039-\$1125
4	The Place at Creekside	990-1062	\$1075-\$1090	\$50	\$0	\$0	\$1125-\$1140
5	The Place at Presidio Trails	1097-1165	\$1035-\$1055	\$0	\$0	\$0	\$1035-\$1055
	SUBJECT PROPERTY Consultant's Conclusions:	1080					\$1100-\$1200



Three-Bedroom Units

ID#	Project Name	Net Unit Sq. Ft.	Base Rent	Size	Adjustment Location	nts Age / Condition	Adi. Rent
1	Springs at Silverbell	1,228	\$1,345	(\$50)	(\$50)	\$25	\$1,270
2	Encantada at Dove Mountain	1,313	\$1,493	(\$130)	(\$50)	\$0	\$1,313
3	Legacy at Dove Mountain	1,142	\$1,185	\$40	(\$50)	\$0	\$1,175
4	The Place at Creekside	1,112	\$1,185	\$70	\$0	\$0	\$1,255
5	The Place at Presidio Trails	1,486	\$1,300	(\$300)	\$0	\$0	\$1,000
	SUBJECT PROPERTY Consultant's Conclusions:	1180					\$1200-\$1300



RENT COMPARABLE NO. 1 Springs at Silverbell

LOCATION

Address: 7759 N Silverbell
City/State: Tucson, AZ
Zip Code: 85743

APN: 226-30-002Q 3-mile Med HH Income \$73,069

PROJECT DATA

No. Units290Year Built:2002Stories:2Density (units/acre):13.74

Exterior Walls: Frame & Stuco
Roof: Built-up
Type: Mid-rise

Occupancy: 96%



PRO	DJECT AMENITIES										
Х	Clubhouse	x Th	neater		Carport each unit	S	Attach. Garages	Х	Playground		Basketball
Х	Pool	x Bu	usiness Center		Carport Optional		Gated Access		Security Patrol	Х	BBQ Grills
Х	Spa	x Fit	tness Center	Χ	Comm garage		Laundry		Volleyball		Elevator
	•										
UN	IT AMENITIES (x = all unit	<u>is; s = s</u>	some units; o = o	ptic	onal)						
Х	FF Refrigerator	x Dis	ishwasher		W/D Hook-Up	Х	Individ. A/C	Х	Patio/Balcony	Х	Walk-in closet
Х	Oven/Stove	x Dis	isposal	Χ	Ceiling Fan		Individ. Evap.	Х	9' Ceilings	Х	Storage Room
Х	Microwave	x Wa	asher/Dryer		Fireplace		Master HVAC		Vaulted Ceilings		T1/HS Internet
-		-									
		<u>ıt; L</u> = p	paid by landlord;	X =	Not Provided)						
Τ	Water	T Se	ewer	Т	Trash	Т	Hot Water	Т	Electric	Х	Gas
	LITIES (T = paid by tenar Water	_		X = T		T	Hot Water	T	Electric	Х	Gas

UNIT MIX / CURRENT RENTS

Unit Type	Unit Layout	No Units	Unit Sq. Ft.	Base Rent	*	Rent/Sq.Ft.
Studio	Loft	6	896	\$1,049	М	\$1.19
1 BR / 1 BA	Flat	91	628-860	\$899-\$939	М	\$1.13-\$1.49
2 BR / 2 BA	Flat	138	914-1009	\$1085-\$1170	М	\$1.19-\$1.23
3 BR / 2 BA	Flat	8	1,228	\$1,345	М	\$1.12

^{*} M=Market Rent

LEASE TERMS: 6-12 months

RENTAL PREMIUMS: \$95/month with detached garage and \$35/month with storage

CONCESSIONS: 1/2 first month with 12 month lease

COMMENTS: The property is currently in renovation including granite countertops, faux wood flooring, stainless steel

appliances, and new bath vanities

SURVEY DATE: March-18
PROJECT PHONE: 520-572-0006



RENT COMPARABLE NO. 2

Encantada at Dove Mountain

LOCATION

Address: 4688 W Tangerine Rd.

City/State: Marana, AZ Zip Code: 85658

APN: 218-55-724A 3-Mile Med HH Income \$82,577

PROJECT DATA

No. Units 272
Year Built: 2013
Stories: 2
Density (units/acre): 13.74
Exterior Walls: Frame & Stuco
Roof: Built-up
Type Mid-rise

Occupancy: 88%



PROJECT AMENITIES x Clubhouse x Pool x Spa	x Theater x Business Center x Fitness Center	Carport each unit Carport Optional Det. Garages		x Playground Security Patrol Volleyball	хВ	lasketball IBQ Grills levator
UNIT AMENITIES (x = all ur x FF Refrigerator x Oven/Stove x Microwave	nits; s = some units; o = o x Dishwasher Disposal X Washer/Dryer	optional) W/D Hook-Up X Ceiling Fan Fireplace	x Individ. A/C Individ. Evap. Master HVAC	x Patio/Balcony y 9' Ceilings Vaulted Ceilings	x S	ecurity System torage Room 1/HS Internet
UTILITIES (T = paid by tend	ant; L = paid by landlord; T Sewer	X = Not Provided) T Trash	T Hot Water	T Electric	х	Sas
UNIT MIX / CURRENT RENT		No Units	Unit Ca. Ft	Page Pont	*	Dant/Ca Ft
Unit Type 1 BR / 1 BA	Unit Layout Flat	102	Unit Sq. Ft. 786	Base Rent \$1,043	M	Rent/Sq.Ft. \$1.36
•						
2 BR / 2 BA	Flat	136	1028-1279	\$1237-\$1320	М	\$0.98-\$1.24
3 BR / 2 BA	Flat	34	1,313	\$1,493	М	\$1.21

*	M=	Market	Rent
---	----	--------	------

LEASE TERMS: 2-18 months

RENTAL PREMIUMS: None

CONCESSIONS: None

COMMENTS: Completed in Q2 2014. Offers bike rentals, granite countertops, and free wifi in common areas.

SURVEY DATE: March-18 PROJECT PHONE: 520-572-3942



RENT COMPARABLE NO. 3

Legacy at Dove Mountain

LOCATION

Address: 12100 N Mountain Centre Rd

City/State: Marana, AZ Zip Code: 85658

APN: 218-55-5880 3-Mile Med HH Income \$82,577

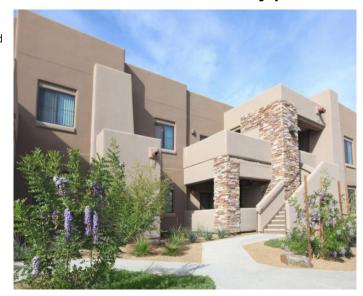
PROJECT DATA

No. Units 168
Year Built: 2011
Stories: 2 & 3
Density (units/acre): 19.43

Exterior Walls: Frame & Stucco

Roof: Built-up Type: Garden

Occupancy: 98%



PROJECT AMENITIES x Clubhouse	x Theater	Carport each unit	Attach. Garages	x Pet Park	x Putting Green
x Pool	x Business Center	Carport Optional	x Gated Access	Tennis Court	x BBQ Grills
x Spa	x Fitness Center	x Comm. Garage	Laundry	Volleyball	Elevator
UNIT AMENITIES $(x = all $	I units; s = some units; c	o = optional)			
x FF Refrigerator	x Dishwasher	W/D Hook-Up	x Individ. A/C	x Patio/Balcony	Security Systen
x Oven/Stove	x Disposal	x Ceiling Fan	Individ. Evap.	x 9' Ceilings	x Storage Room
x Microwave	x Washer/Dryer	x Fireplace	Master HVAC	Vaulted Ceilings	x T1/HS Internet
LITUITIES (T = poid by t	enanti I — naid by landl	ord: V - Not Provided)			
UTILITIES (T = paid by t T Water	enant; L = paid by landl	T Trash	T Hot Water	T Electric	x Gas
ı water	1 Sewer	I IIdSII	i not water	i Electric	X Gas

UNIT MIX / CURRENT RENTS

_	Unit Type	Unit Layout	No Units	Unit Sq. Ft.	Base Rent	*	Rent/Sq.Ft.	
_	1 BR / 1 BA	Flat	36	698	\$869	М	\$1.27	_
	2 BR / 2 BA	Flat	108	852-935	\$939-\$1025	М	\$1.12-\$1.13	
	3 BR / 2 BA	Flat	24	1,142	\$1,185	М	\$1.06	

^{*} M=Market Rent

LEASE TERMS: 3-18 months

RENTAL PREMIUMS: Rents increase \$95 for detached garage and \$25-45 for storage locker.

CONCESSIONS: None

COMMENTS: A concierge service is available.

SURVEY DATE: March-18 PROJECT PHONE: 520-989-0524



RENT COMPARABLE NO. 4 The Place at Creekside

LOCATION

Address: 9971 E Speedway Blvd

City/State: Tucson, AZ Zip Code: 85748

APN: 133-03-301E 3-Mile Med HH Income \$52,594

PROJECT DATA

No. Units 352
Year Built: 2013
Stories: 2
Density (units/acre): 19.6

Exterior Walls: Frame & Stuco
Roof: Built-up
Type: Garden
Occupancy: 91%



PROJECT AMENITIES

x Clul x Poo x Spa		X	Theater Business Center Fitness Center	Х	Carport each unit Carport Optional Comm. Garage	Х	Attach. Garages Gated Access Laundry	X	Playground Jogging Trail Volleyball	Х	Basketball BBQ Grills Elevator
x FF F	MENITIES (x = all uni defrigerator n/Stove rowave	x x x	= some units; o = Dishwasher Disposal Washer/Dryer	opti x	onal) W/D Hook-Up Ceiling Fan Fireplace	Х	Individ. A/C Individ. Evap. Master HVAC	X	Patio/Balcony 9' Ceilings Vaulted Ceilings	X X	Walk-in closet Storage Room T1/HS Internet
UTILITIE T Wa	` ' '		. = paid by landlord Sewer		= Not Provided) Trash	L	Hot Water	Τ	Electric	Х	Gas

UNIT MIX / CURRENT RENTS

Unit Type	Unit Layout	No Units	Unit Sq. Ft.	Base Rent	*	Rent/Sq.Ft.
1 BR / 1 BA	Flat	110	685-692	\$875-\$893	М	\$1.28-\$1.29
2 BR / 1 BA	Flat	44	879	\$940	М	\$1.07
2 BR / 2 BA	Flat	176	990-1062	\$1075-\$1090	М	\$1.03-\$1.09
3 BR / 2 BA	Flat	22	1,112	\$1,185	М	\$1.07

^{*} M=Market Rent

LEASE TERMS: 6-12 months

RENTAL PREMIUMS: None

CONCESSIONS: None

COMMENTS: The property was built in two phases from 2012 to 2014.

SURVEY DATE: March-18
PROJECT PHONE: 520-207-4748



RENT COMPARABLE NO. 5

The Place at Presidio Trails

LOCATION

Address: 9190 E Old Spanish Trl

City/State: Tucson, AZ Zip Code: 85710

APN: 134-03-1450 3-Mile Med HH Income \$48,771

PROJECT DATA

No. Units 208
Year Built: 2016
Stories: 2
Density (units/acre): 19.25

Exterior Walls: Frame & Stucco
Roof: Flat, built-up
Type: Garden
Occupancy: 91%



PROJECT AMENITIES

	0,101,111111111111111111111111111111111										
Х	Clubhouse		Sauna		Carport each unit		Attach. Garages		Playground		Theater
Х	Pool		Business Center		Carport Optional		Gated Access		Tennis Court	Х	BBQ Grills
Х	Spa	Χ	Fitness Center		Det. Garages		Laundry		Racquetball		Elevator
	•						•		•		
UN	IT AMENITIES (x = all uni	ts; s	= some units; o =	optio	onal)						
Х	FF Refrigerator	Χ	Dishwasher		W/D Hook-Up	Χ	Individ. A/C	Х	Patio/Balcony		Security System
Х	Oven/Stove	Χ	Disposal	Х	Ceiling Fan		Individ. Evap.	Х	9' Ceilings	Х	Storage Room
Х	Microwave	Χ	Washer/Dryer		Fireplace		Master HVAC		Vaulted Ceilings	Χ	T1/HS Internet
		nt; L	= paid by landlord	d; X =	Not Provided)						
T	Water	T	Sewer	L	Trash	T	Hot Water	T	Electric	L	Gas

UNIT MIX / CURRENT RENTS

Unit Type	Unit Layout	No Units	Unit Sq. Ft.	Base Rent	* Rent/Sq.Ft.
1 BR / 1 BA	Flat	65	769-985	\$880-\$960	\$1.08-\$1.14
2 BD/ 1 BA	Flat	26	928	\$1,000	\$1.08
2 BR / 2 BA	Flat	104	1097-1165	\$1035-\$1055	\$0.89-\$0.96
3 BR / 2 BA	Flat	13	1,486	\$1,300	\$0.87

^{*} M=Market Rent

LEASE TERMS: 7-12 months

RENTAL PREMIUMS: None

CONCESSIONS: \$300 off 1st months with 12 month lease

COMMENTS: The project was completed in Q2 2016

SURVEY DATE: March-17
PROJECT PHONE: 520-777-6968



VIII. Capture & Penetration Rate Analyses

Income Restrictions

The subject property, as proposed, will be a market rate conventional multifamily project. Households with income under \$25,000 per year are excluded from the analysis, as this segment of the population would typically be housed in more affordable and/or low income subsidized projects. Furthermore, estimated market rent for the one bedroom units is \$950. At a 35% rent to income ratio, minimum income requirements would be \$32,500 annually. Therefore, only 25% of the households within the \$25,000 to \$34,999 income range are considered within the analysis.

Calculation of PMA Potential Household Demand By Income

Calculation	1 01	PINIA Potential Household L	Jennanu by n	icome	
Туре					Total
Market Based Project					Family
Minimum Income Limit					\$32,500
Maximum Income Limit		ome Limit			\$99,000
			2017		
			Total	%	
			Renter	ln	
Income Ca	teg	ory	нн	Cohort	Total
<\$5,000			461	0%	0
\$5,000	-	\$9,999	371	0%	0
\$10,000	-	\$14,999	876	0%	0
\$15,000	-	\$19,999	620	0%	0
\$20,000	-	\$24,999	543	0%	0
\$25,000	-	\$34,999	1,159	25%	290
\$35,000	-	\$49,999	1,367	100%	1,367
\$50,000	-	\$74,999	1,459	100%	1,459
\$75,000	-	\$99,999	745	100%	745
\$100,000	-	\$149,999	379	0%	0
\$150,000+			123	0%	0
Total Households		8,102		3,860	
Percent of Total HH that are income qualified				47.6%	

There are currently no conventional projects under construction within the PMA, although 310 units have been preliminarily approved in Rita Ranch and these units represent competition for the subject for the purposes of estimating the subject's net capture rates.

The conventional projects surveyed reflected current vacancy rates from 2% to 12%, with an average of 8% (excluding lease-up projects). This indicates that this sector is essentially fully absorbed and that the current vacancy is nearing the expected normal frictional vacancy rate, which is around 5%. There is no existing competition in the subject PMA. We concluded that there was no excess vacancy to be considered in the capture rate analysis.

The capture rate analysis is presented on the following page. The subject project is projected to achieve a penetration rate of 45.2% of new, income-eligible households based on the assumptions utilized. When developing the penetration rate, only supply additions from the PMA are considered.



While some new projects outside the PMA may usurp some demand, conversely, some new supply within the PMA will likely capture demand from outside the PMA, at least cancelling out this factor. Therefore, using an abundance of caution, we applied all planned instead of probable projected supply additions from the PMA, including those projects in preliminary stages. The subject is expected to capture a significant percentage of new demand. The subject is also expected to attract considerable existing demand from within the PMA due to the vastly inferior current inventory of dated and smaller average unit sized complexes with low cost appointments. Given this issue, the net capture rate is an inadequate measure of demand.

Capture Rate Analysis

Capture Rate Analysis	Total
	Project
	\$32,500
Appropriate Income Range	to
	\$99,000
Gross Households Capture Rate	
Number of Renter Households in Current Year (2017)	8,102
Add: Number of renter households expected to be added to the market	
area by project opening (2019)	122
Equals: Number of renter households at project opening	8,223
Multiply: Percentage of renter households who are income eligible	47.6%
Equals: Number of income-eligible renter households at project opening	3,918
Divide: Number of units being proposed	224
Equals: Gross Households Capture Rate	5.72%
Net Households Capture Rate Number of renter households expected to be added to the market area	
between the current year and project opening	122
Multiply: Percentage of renter households who are income eligible	47.6%
Equals: Number of income-eligible renter households expected to be	
added to the market area between the current year and project opening	58
Subtract: Number of currently excess vacant units at comparable	
properties in the market area	0
Subtract: Number of competitive units that are either under construction	
or planned in the market area	-310
Equals: Net new renter households expected to be added to the market	
area between the current year and project opening	-252
Divide: Number of units being proposed	224
Equals: Net Households Capture Rate	-88.87%



IX. Conclusions

Feasibility

As proposed, the subject appears to be compatible with the market area and target population and should provide rental housing units that will be well-received. The PMA appears to be undersupplied for Class A conventional multifamily housing because there is nothing available nearby, and there is demonstrated demand for such. Indeed, another developer is planning a project in this PMA. Rent indicators reveal above average rents for newer projects in periphery locations of Tucson MSA with low vacancy rates and strong absorption when properly priced. The subject improvements are not expected to disrupt the market due to the lack of competitive properties in the PMA, as reiterated in the residual demand analysis below. The subject will benefit from its location near major employers, major transportation linkages, and schools.

Note that two calculations are performed for the residual demand analysis. The first calculation subtracts the existing units from only the renter income eligible rental demand. This may underrepresent demand as the existing units also serve the excluded 46% of total renter households at lower income levels. Therefore, we modified the calculations with an alternative version where the existing supply is deducted from the entire renter household census prior to applying income eligible factors. Regardless, both versions indicate substantial demand for rental units in the subject PMA through 2020. The demand is due to recent redevelopment trends in the area and the desireability of transit oriented developments which closely link employment centers and transportation alternatives.

Mulitfamily Residual Demand				
2017 Renter Households		8,102		
% of Households Income Eligible*	times	47.6%		
Eligible Renter Households		3,857		
÷ .95 for frictional vacancy		÷ .95		
Rental Unit Demand		4,060		
Less Existing Units		(1,975)		
Current Residual Demand for Rental Units		2,085		
Renter Household Growth Projection 2017-2022		304		
x % of Households Income Eligible		x 47.6%		
Income Eligible Renter Growth Projection		145		
÷ .95 for frictional vacancy		÷ .95		
Future Renter Demand		152		
Total Rental Units Demanded 2017-2022		2,237		
Less Multifamily Projects Under Construction or Planne	ed**	(614)		
Residual Demand for Multifamily Units Thru 2022		1,623		

^{*}Excludes HH below \$32,500/year in income

^{**}Includes Ph 1 & 2 of subject and 310 Planned units in Rita Ranch



Mulitfamily Residual Demand			
2017 Renter Households	8,102		
.95 for frictional vacancy	x.95		
Rental Unit Demand	7,697		
Less Existing Units	(1,975)		
Current Residual Demand for Rental Units	5,722		
+Renter Household Growth Projection 2017-2022	<u>304</u>		
Total	6,026		
x % of Households Income Eligible	x 47.6%		
Income Eligible Rental Demand	2,868		
x .95 for frictional vacancy	÷ .95		
Total Rental Units Demanded 2015-2020	3,019		
Less Multifamily Projects Under Construction or Planned	(614)		
Residual Demand for Multifamily Units Thru 2020	2,405		

^{*}Excludes HH below \$32,500/year in income

We have considered the subject proximity to employment and convenient transportation linkages. Schools are nearby and retail centers are within 5 to 10 minutes drive times. The supply in the PMA is outdated and vastly inferior which underserves the PMA. The peripheral rental data and occupancy rates offer analogous support for the project. Strong residual demand is evident, but the pioneering location creates uncertainty which also derives a tepid capture rate analysis. In our opinion, a reasonable solution is phasing. The 304 unit subject is proposed for a 224 unit first phase. Instead, we suggest that consideration be given to a first phase of 160 to 180 units, about 55% to 60% of the overall complex. A central conclusion around 170 units would be most probable and act to reduce/partly mitigate uncertainty of the pioneering location.

Absorption

The best indicator of projected absorption for the proposed subject property is the actual performance of competitive properties. As discussed within this market study, the subject PMA is untested for Class A multifamily development and there are no comparable properties in the vicinity to observe historical performance. We researched absorption rates for other Class A multifamily developments in the Tucson MSA, concentrating on properties with periphery or path of growth locations. These projects report absorption rates of 4 to 17 units per month. The subject is expected to absorb an average of 12 units per month for a lease-up period of 19 months for the 224 units in Phase 1.



Absorption Comparables

			Average Units Per Month
Project	Units	Date Completed	Absorbed Until Stabilized
Avila Tanque Verde	85	Apr-12	17
Avila Marana One	166	Apr-13	14
Avila River	76	Sep-13	4
Avila Preserve	184	Apr-14	8
Place at Presidio Trails	208	Apr-16	16
Legacy at Dove Mountain	168	Sep-11	11
The Place at Creekside Ph I	208	Oct-12	15
The Place at Creekside Ph II	144	May-14	8
Average		_	12

Stabilized Vacancy

Stabilized vacancy is estimated at a total economic loss factor of 7%. This is comprised of 5-6% for physical vacancy and 1-2% for other sources, including possible concessions. The recently surveyed comparables in the PMA have an estimated current average vacancy of 8% for projects constructed after 2000. However, the Encantada at Dove Mountain complex, due to above market rents, skews vacancy upward. Thus, a stable vacancy rate of 7% is most probable. The overall metro vacancy averaged over 2017 is 6.5%.

Impact of Proposed Subject Project on PMA

The proposed subject property will comprise 224 conventional market rate units in Phase 1 and 304 overall. Our analysis suggests that demand for the additional market rate rental housing projects is strong and should increase over the next several years. The subject Phase 1 will increase the supply of conventional units in or near the PMA by about 11%; however, current occupancy of these projects is strong and the subject would not compete directly with these projects, so the increase in inventory should not negatively impact the other projects, other than possibly usurping demand from some of the older outmoded units. We concluded that the subject project should not negatively impact other market rate projects in the PMA.

There were no discovered nearby HUD Insured properties, and therefore, the proposed subject will not compete with or negatively affect any HUD projects.



Addenda



Contract

Centennial Mortgage, Inc.

January 4, 2018

Valbridge Property Advisors Michael Naifeh 6061 E Grant Road Tucson, AZ 85712

Re: Contract Agreement - Market Study per HUD/MAP Guidelines

Abrigados Apartments Tucson, AZ Section 221(d)(4) - New Construction

Dear Mr. Naifeh,

This letter is to confirm your agreement by Centennial Mortgage, Inc. (CMI) to provide a Market Study in connection with the above referenced project. The terms of this agreement are as follows:

- Scope of Services: You will provide a Market Study, to be prepared in accordance with Chapter 7 and Appendix 7 of the current MAP Guide as amended, including Appendices, applicable Mortgagee Letters and Notices, and in the Most Frequently Asked Questions pages of the HUD website, www.hud.gov.
- Deliverables: You will be required to provide an original and one (1) copy of the final report. Hard copies should be sent to the CMI Seattle Office (address below) c/o Reneé Greenman, Managing Director. Electronic copies should be sent to the Loan Processor, Underwriter, and Chief Underwriter at the email addresses indicated below.
- Final Invoice: Please submit your invoice electronically to accountspayable@centennialmortgage.com.
- 4. <u>HUD Standing</u>: It is the responsibility of the consultant to remain in good standing with HUD. If the consultant is not in good standing or has been informed by HUD that they are no longer in good standing the consultant must notify the Chief Underwriter immediately.
- 5. <u>Identity-of-Interest</u>: The attached Certification must be signed and submitted at the time of the final reports. Your signature thereon constitutes confirmation to CMI and to HUD that you have reviewed the identities of all participants in this transaction, that you have no identity-of-interest with any of them and that your completion of the undertaking set out herein will not constitute a conflict of interest. It is understood and agreed that if you or your firm presently have or have previously had any relationship with any of the

2101 Fourth Avenue, Suite 1570 - Seattle, WA 98121 - 206-682-9000



Valbridge Property Advisors Re: Market Study for Abrigados Apartments January 4, 2018 Page 2 of 4

> participants herein, you will notify CMI immediately and prior to accepting this assignment. The foregoing requirement shall be a continuing one and you agree to inform CMI immediately of any relationship covered by this paragraph of which you subsequently become aware,

- Completion Date: You agree to conduct your investigation and deliver your completed draft reports to this office on or before 2/6/2018 and your completed final reports 5 days after draft review comments. If you do not have all the information required to prepare your reports, you must immediately notify Amy Ahseln, CMI Loan Processor for Abrigados Apartments in writing, and the Chief Underwriter via email. All documentation will be provided by CMI. Upon delivery of the necessary information, a revised completion date will be determined by CMI.
- Compensation: As compensation for your services, you will be paid a total fee of \$5,500 which includes the fee for your services, for all travel expenses, printing costs and other reimbursable expenses. Payment of your fee will be as follows:
 - a. \$2,750, representing your retainer, payable upon CMI's receipt of your signed Letter of Engagement.
 - b. \$2,750, the balance of contract representing the final payment, to be made upon CMI's review and approval of the report.
- Compensation Adjustment for Late Submission: Should your reports be received by CMI more than five (5) business days after the set completion date, there will be a 10% reduction in the fee for your services.

Any questions regarding HUD regulations or CMI's requirements for this project should be directed to Joe Spina, Chief Underwriter, or his designee.

CMI Chief Underwriter: Joseph A. Spina Jr.

Centennial Mortgage, Inc.

218 W. Washington St., Suite 900

South Bend, IN 44601

Phone: 574-233-6773 x212 Fax: 574-233-6855 E-mail: jspina@centennialmortgage.com

CMI Loan Processor: Amy Ahseln

> Centennial Mortgage, Inc. 2101 Fourth Avenue, Suite 1570

Seattle, WA 98121

Phone: 206-682-9000 Fax: 574-233-6855 E-mail: aahseln@centennialmortgage.com

2101 Fourth Avenue, Suite 1570 - Seattle, WA 98121 - 206-682-9000



Valbridge Property Advisors Re: Market Study for Abrigados Apartments January 4, 2018 Page 3 of 4

Please countersign in the space indicated below to evidence your agreement to the terms and conditions set forth in this letter and return one copy of the executed agreement to the undersigned at accountspayable@centennialmortgage.com.

Sincerely,

Joseph A. Spina Jr.

Senior Vice President - Chief Underwriter

The undersigned agrees to the terms of agreement set forth in the above letter.

Valbridge Property Advisors





SERVICES

Comprehensive Valuation and Advisory Services

Valbridge specializes in appraising all types of property and land:

- Office buildings and properties
- Industrial buildings and properties
- Retail buildings and properties
- Apartments, multifamily, senior living buildings and properties
- Hotel, lodging, hospitality, recreational buildings and properties
- Other special-purpose buildings and properties

SPECIALTY SERVICES

- Portfolio valuation
- Real estate market and feasibility analysis, including rent and demand studies and site analysis and selection
- Property and lease comparables, including lease review
- Due diligence
- Property tax assessment analysis and property tax appeals
- Valuations and analysis of property for right-of-way, eminent domain, easements
- REO and foreclosure evaluation
- Valuations of property for financial reporting, including goodwill impairment, impairment or disposal of long-lived assets, fair value and leasehold valuations
- Valuation of property for insurance, estate planning and trusteeship, including fractional interest valuation for gifting and IRS purposes
- Litigation support, including expert witness testimony
- Business and partnership valuation and advisory services, including partial interests

Independent Valuations for a Variable World

valbridge.com





FAST FACTS

Company Information on Valbridge Property Advisors

- Valbridge is one of the Top 3 national commercial real estate valuation and advisory services firms based on:
 - Total number of MAIs (200 on staff)
 - Total number of office locations (68 across the U.S.)
 - Total number of staff (650+ strong)
- Valbridge covers the U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by our local office leaders.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.



Independent Valuations for a Variable World

valbridge.com





OFFICE LOCATIONS

ALABAMA

4732 Woodmere Boulevard Montgomery, AL 36106 334-277-5077

ARIZONA

6061 E. Grant Road Sulte 121 Tucson, AZ 85712 520-321-0000

CALIFORNIA

4915 Calloway Drive Sulte 101 Bakersfield, CA 93312 661-587-1010

1370 N. Brea Boulevard Sulte 255 Fullerton, CA 92835 714-449-0852

2813 Coffee Road Sulfe E-2 Modesto, CA 95355 209-569-0450

99 S. Lake Avenue Sulte 21 Pasadena, CA 91101 626-744-0428

10301 Placer Lane Sulte 100 Sacramento, CA 95827 916-361-2509

55 South Market Street Sulte 1210 San Jose, CA 95113 408-279-1520

3160 Crow Canyon Place Suffe 245 San Ramon, CA 94583 925-327-1660

COLORADO

5345 Arapahoe Avenue Sulte 7 Boulder, CO 80303 303-443-9600

562 Highway 133 Carbondale, CO 81623 970-340-1016

CONNECTICUT

6 Central Row Third Floor Hartford, CT 06103-2701 860-246-4606

17 High Street Suite 214 Norwalk, CT 06851 203-286-6520

FLORIDA

2240 Venetian Court Naples, FL 34109 239-514-4646

FLORIDA (cont'd.)

603 Hillcrest Street Orlando, FL 32803 407-839-3626

1100 16th Street N St. Petersburg, FL 33705 727-894-1800

2711 Poinsettia Avenue West Palm Beach, FL 33407 561-833-5331

GEORGIA

2675 Paces Ferry Road Sulte 145 Atlanta, GA 30339 678-644-4853

IDAHO

1459 Tyrell Lane Sulte B Bolse, ID 83706 208-336-1097

1875 N. Lakewood Drive Suite 100 Coeur d'Alene, ID 83814 208-292-2965

INDIANA

820 Fort Wayne Avenue Indianapolis, IN 46204 317-687-2747

KANSAS

10990 Qulvira Road Sulte 100 Overland Park, KS 66210 913-451-1451

214 South 8th Street Suite 200 Louisville, KY 40202 502-585-3651

KENTUCKY

LOUISIANA

512 North Causeway Boulevard Metairle, LA 70001 504-833-8234

7607 Fern Avenue Sulte 104 Shreveport, LA 71105 318-797-0543

MARYLAND

6240 Old Dobbin Lane Suite 140 Columbia, MD 21045 410-423-2300

MASSACHUSETTS

21 Muzzey Street Sutte 2 Lexington, MA 02421 781-652-0700

MICHIGAN

1442 Brush Street Detroit, MI 48226 313-986-3313

2127 University Park Drive Suite 390 Okemos, MI 48864 517-336-0001

MINNESOTA

120 South 6th Street Suite 1650 Minneapolis, MN 55402 612-253-0650

NEVADA

3034 S. Durango Drive Sulte 100 Las Vegas, NV 89117 702-242-9369

NEW JERSEY

2740 Route 10 West, Suite 204 Monts Plains, NJ 07950 973-970-9333

3500 Route 9 South, Sutte 202 Howell, NJ 07731 732-807-3113

NEW YORK

424 West 33rd Street Sulte 630 New York, NY 10001 212-268-1113

NORTH CAROLINA

412 E. Chatham Street Cary, NC 27511 919-859-2666

4530 Park Road, Sulte 100 Charlotte, NC 28209 704-376-5400

OHIO

1655 W. Market Street Suite 130 Akron, OH 44313 330-899-9900

8291 Beechmont Ave., Sufte B Cincinnati, OH 45255 513-785-0820

1422 Euclid Avenue Suite 1070 Cleveland, OH 44115 216-367-9690

OKLAHOMA

6525 N. Meridian Avenue Sulfe 309 Oklahoma City, OK 73116 405-603-1553

6666 South Sheridan Road Sutte 104 Tulsa, OK 74133 918-712-9992

OREGON

8220 SW Warm Springs Street Suite 100 Tualatin, OR 97062 503-620-0881

PENNSYLVANIA

150 S. Warner Road Suite 440 King of Prussia, PA 19406 215-545-1900

4701 Baptist Road Suite 304 Pittsburgh, PA 15227 412-881-6080

SOUTH CAROLINA

610 N. Main Street Greenville, SC 29601 864-233-6277

800 Main Street Suite 220 Hilton Head Island, SC 29926 843-342-2302

1250 Fairmont Avenue Mt. Pleasant, SC 29464 843-884-1266

TENNESSEE

112 Westwood Place Sulte 300 Brentwood, TN 37027 615-369-0670

701 Broad Street Sufte 209 Chattanooga, TN 37402 423-285-8435

423-285-8435 213 Fox Road Knoxville, TN 37922 865-522-2424

6750 Poplar Avenue Sulte 706 Memphis, TN 38138 901-753-6977

TEXAS

Two Energy Square 4849 Greenville Avenu Sulte 1495 Dallas, TX 75206 214-446-1611

974 Campbell Road Sulte 204 Houston, TX 77024 713-467-5858

2731 81st Street Lubbock, TX 79423 806-744-1188

111 Soledad Sulte 800 San Antonio, TX 78205 210-227-6229

UTAH

260 South 2500 West Suite 301 Pleasant Grove, UT 84062 801-492-9328

1100 East 6600 South Suite 201 Salt Lake City, UT 84121 801-262-3388

20 North Main Sulte 304 St. George, UT 84770 435-773-6300

VIRGINIA

656 Independence Parkway Sulte 220 Chesapeake, VA 23320 757-410-1222

7400 Beaufont Springs Drive Sulte 300 Richmond, VA 23225 804-672-4473

5107 Center Street Unit 2B Williamsburg, VA 23188 757-345-0010

WASHINGTON

18728 Bothell Way, NE Suite B Bothell, WA 98011 425-450-4040

2927 Colby Avenue Sulte 100 Everett, WA 98201 425-258-2611

419 Berkeley Avenue Suite A Fircrest, WA 98466 253-274-0099

8378 W. Grandridge Boulevard Sulfe 110-D Kennewick, WA 99336 509-221-1540

506 Second Avenue Suite 1001 Seattle, WA 98104 206-209-3016

324 N. Mullan Road Spokane Valley, WA 99206 509-747-0999

WISCONSIN

12660 W. North Avenue Brookfield, WI 53005 262-782-7990

Each Valbridge office is independently owned and operated.

CORPORATE OFFICE

2240 Venetian Court Naples, Fl. 34109 239-325-8234 phone 239-325-8356 fax

valbridge.com