A MARKET VALUE APPRAISAL
VACANT COMMERCIAL LAND
AT 102 LOMAS BOULEVARD, NE
ALBUQUERQUE, NEW MEXICO

A Market Value Appraisal In An Appraisal Report
A Vacant Commercially-Zoned Site
Considering A Fee Simple Title
"As Is" Condition, As Of August 19, 2016

Prepared For
Mr. James McNeely
Real Property Division
City of Albuquerque
600 Second Street, Northwest
Albuquerque, New Mexico 87102

Prepared By
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August 22, 2016

Mr. James McNeely
Real Property Division
City of Albuquerque
600 Second Street, Northwest
Albuquerque, New Mexico 87102

Dear Mr. McNeely:

In accordance with our agreement, I have made an investigation, study and appraisal of the vacant lot located at 102 Lomas Boulevard, NE, in the northeast quadrant of the downtown central business district of Albuquerque, in Bernalillo County, New Mexico. The purpose of the appraisal was to estimate the market value of a fee simple title to the property, in "as is" condition, as of August 19, 2016, the date of my last on-site inspection. As requested, an appraisal using the applicable approach to value has been developed and is hereby presented in an Appraisal Report (Summary Form).

The following report contains a legal and physical description of the property, and includes maps, plats, and photographs to help visualize the appraised property. Valuation is based on a sales comparison approach to value. Based on the following report, subject to the underlying assumptions, limiting conditions, and term definitions, contained therein, I conclude that

FOUR HUNDRED SEVENTY THOUSAND DOLLARS

represents the market value of a fee simple title to the real estate, as it is described in the following report, in "as is" condition, as of August 19, 2016,. Exposure time associated with this value estimate is estimated at up to 12 months, assuming active professional marketing.

Respectfully,

Bryan E. Godfrey, MAI, State Certified General Appraiser G-192

APPRAISAL CONCLUSION SUMMARY

GENERAL INFORMATION

Purpose Of The Appraisal	Market Value Estimate
Type Of Appraisal	Appraisal Using The Sales Comparison Approach
Type Of Report	Appraisal Report (Summary Form)
Property Type	Vacant Land
Property Location	102 Lomas Boulevard, NE Albuquerque, Bernalillo County, New Mexico
Values Estimated	"As Is" On Inspection Date
Rights Appraised	Fee Simple Title
Hypothetical Conditions	None
Extraordinary Assumptions	None
Date Of Appraisal Report	August 22, 2016
Date Of Property Valuation	"Assumed As Is" As On August 19, 2016

PROPERTY INFORMATION

Site Zoning	SU-# For Intense Commercial Uses
Site Area	28,567 Square Feet
Improvements	Sign Post & Sign
Easements	None Known
Highest & Best Use	Industrial, Service-Class Or Commercial Development
Potential Environmental Hazards	None Known

VALUATION INFORMATION

Replacement Cost Approach	Not Used
Sales Comparison Approach	$470,000
Income Capitalization Approach	Not Used
Market Value Conclusion	***$470,000***

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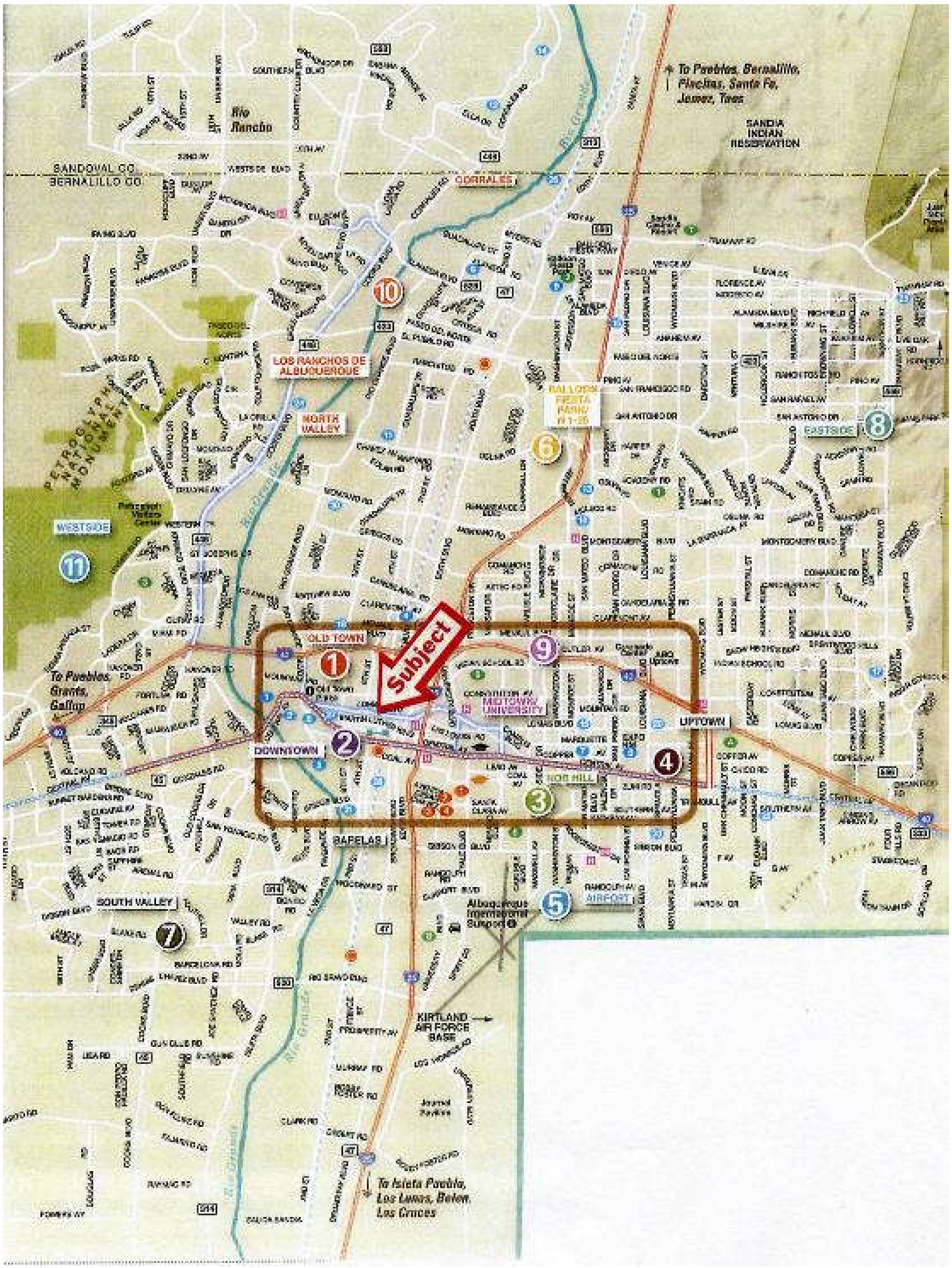
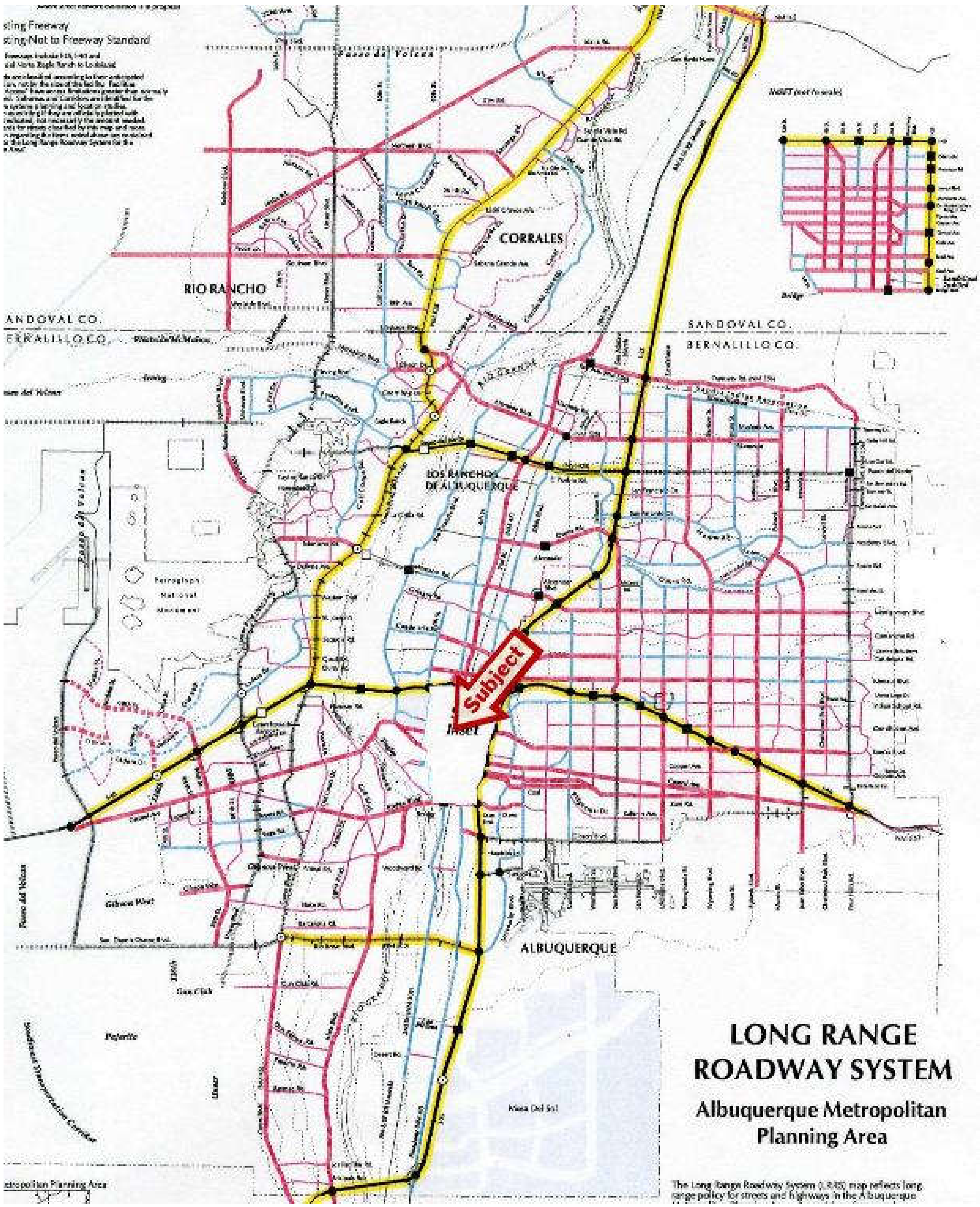
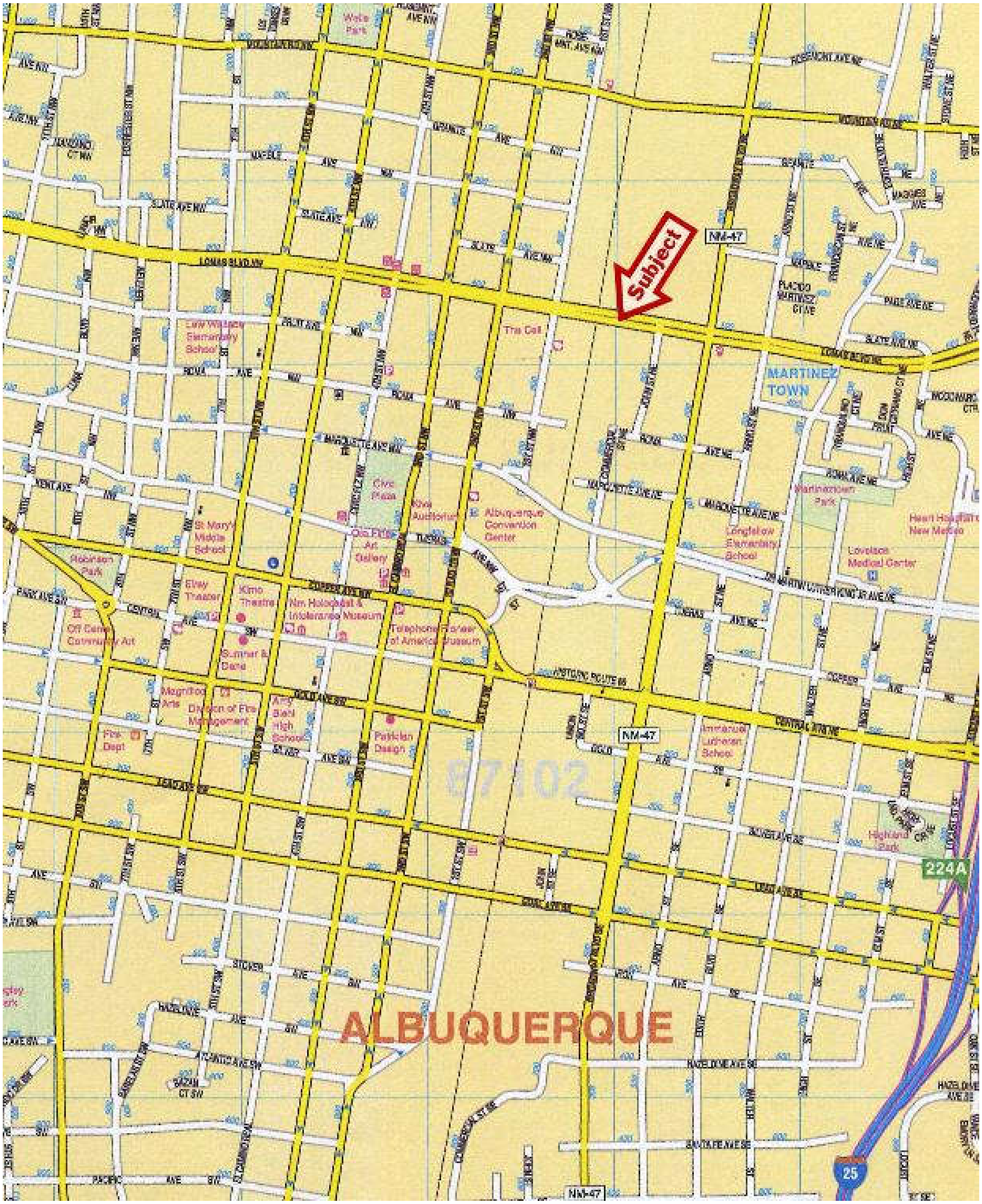
ALBUQUERQUE CITY MAP



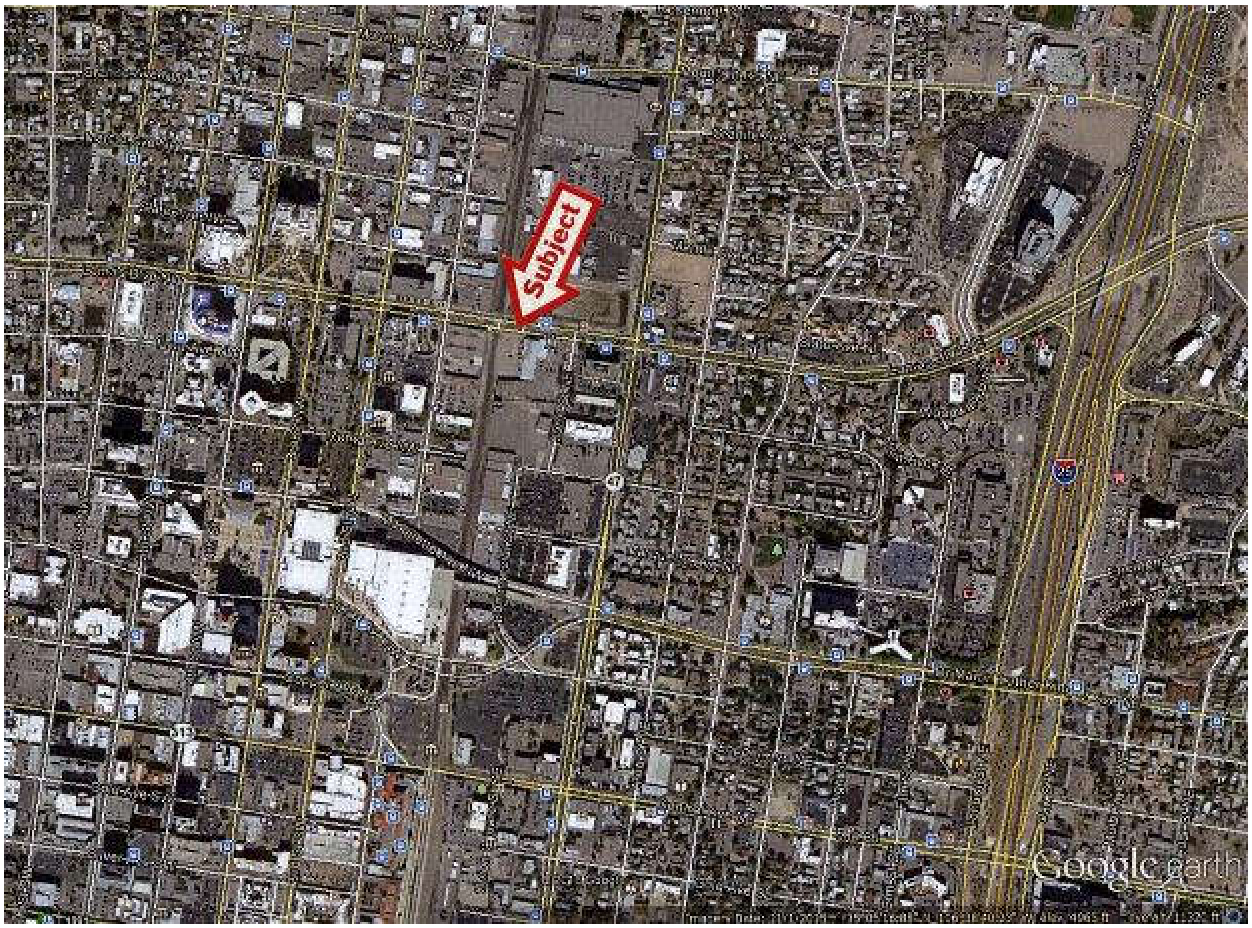
MAJOR ARTERIAL MAP



SUBJECT AREA STREET MAP



2015 AERIAL PHOTOGRAPH

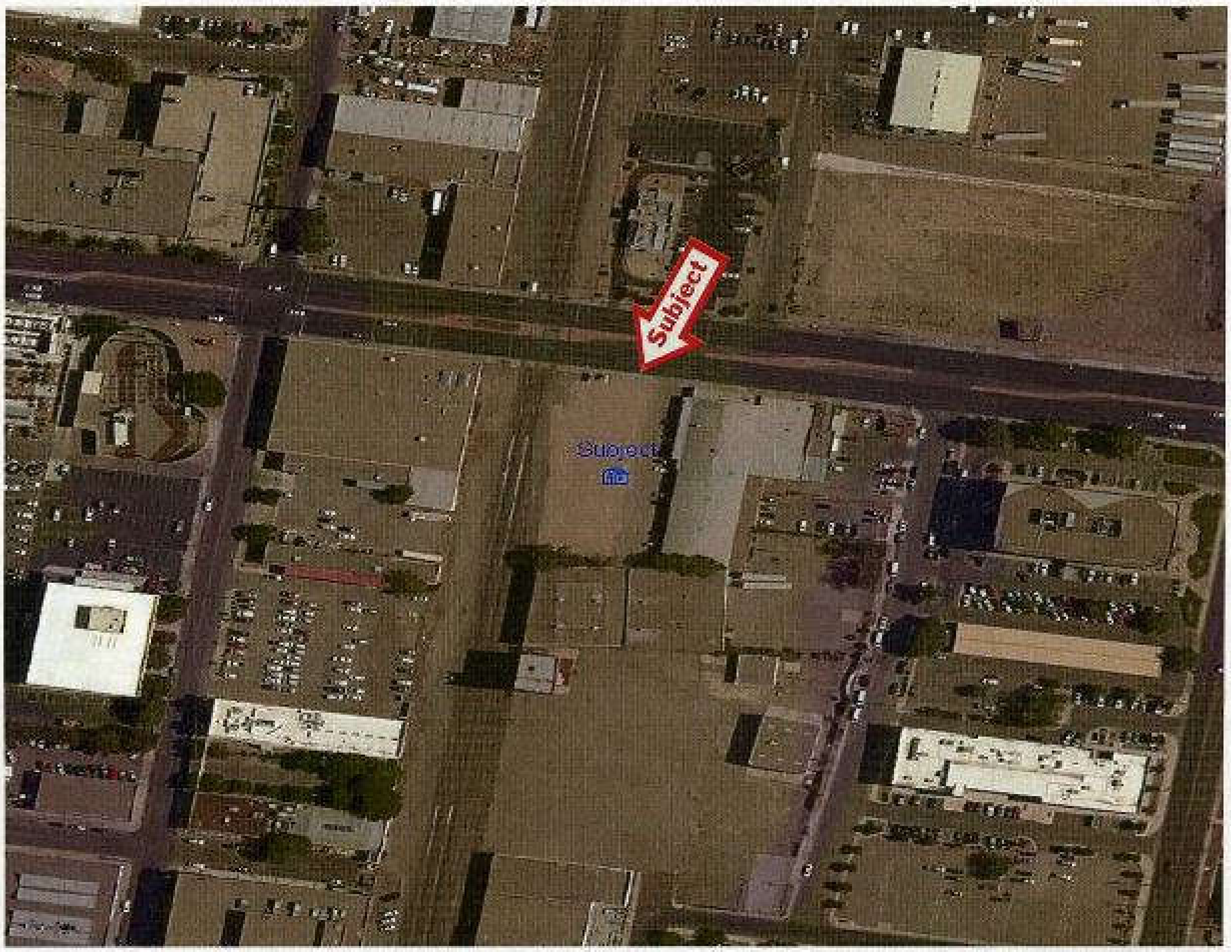


AERIAL ENLARGEMENT

FEMA FLOOD HAZARD MAP

STDB

You are currently logged in as:(Bryan Godfrey) on 22-Aug-2016
102 Lomas Boulevard Northeast, Albuquerque, NM
102 LOMAS BLVD NE, ALBUQUERQUE, NM



MAP DATA

Map Number :**35001C0334G**

Panel Date :**September 26,2008**

FIPS Code : **35001**

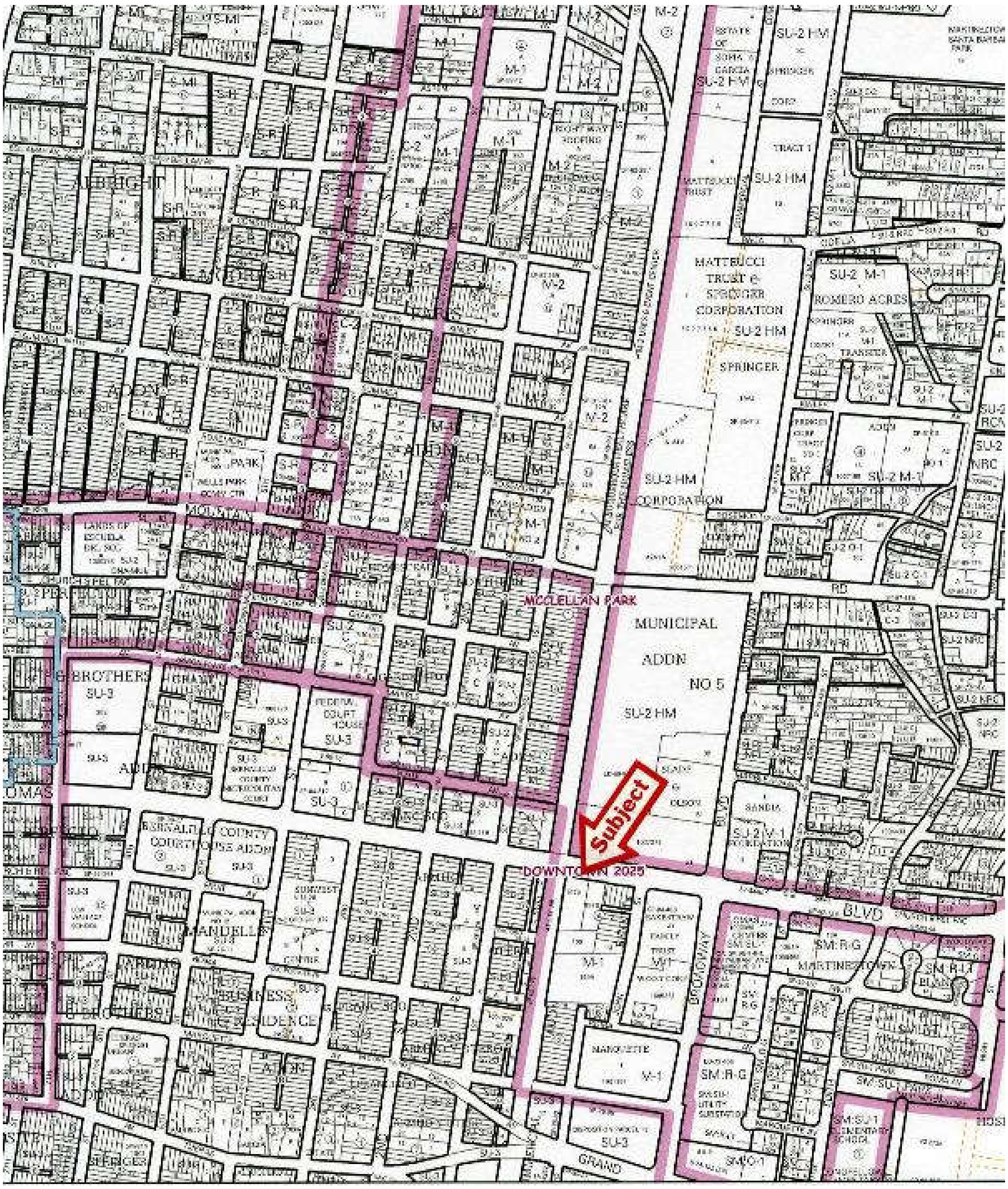
Census Tract : **0021.00**

Geo Result :**S8 (Most Accurate) - single valid address match, point located at a single known address point candidate (Parcel)**

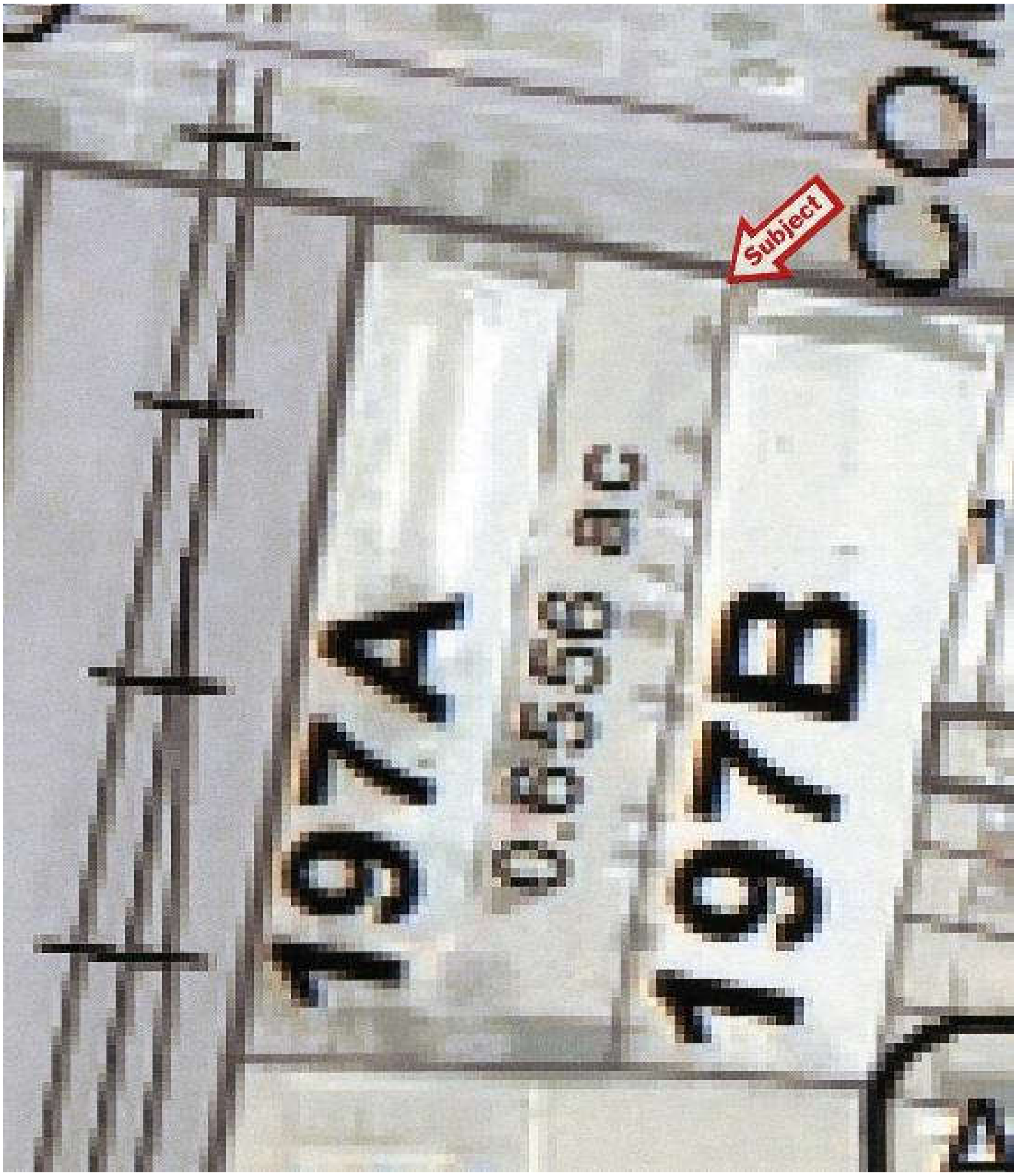
Flood

- X or C Zone
- X500 or B Zone
- A Zone
- V Zone
- D Zone
- Area Not Mapped

ZONE ATLAS MAP



RECORDED SITE PLAT



AERIAL CLOSE-UP

SITE VIEWS LOOKING SOUTHWEST & SOUTHEAST FROM LOMAS BOULEVARD

SITE VIEWS LOOKING SOUTHWEST & SOUTHEAST FROM NORTH EDGE OF SITE

Identification Of The Property

The subject of this report is a vacant tract of land located near the geographic center of the city of Albuquerque, in Bernalillo County, New Mexico. Broadly, the subject's location is most easily referenced as being in the far northeast corner of the downtown central business district (CBD). Though not large, perhaps only about eight blocks by ten blocks, the CBD remains the home of concentrated City, County, State and Federal government offices and judicial facilities, and has one of the city's densest concentrations of professional and institutional offices. Like many downtown districts, Albuquerque's CBD seems constantly in the midst of attempted revitalization. The latest flurry of Federal, County and Metro Courthouse buildings, and office buildings for various government agencies took place in the early to middle 2000s, and with government assistance of one type or another, private development groups have been and continue to be in the process of developing entertainment facilities, limited retail/restaurant/office space, multi-family and/or high-density housing.

More specifically, the subject property is situated on the south side of Lomas Boulevard one block east of First Street and one block west of Commercial Avenue, where the BN&SF railroad lines intersect with Lomas Boulevard. Many properties in this railroad corridor are industrial-class properties that date back to an era of heavy freight use of the rail lines and prominent warehousing along either side of the tracks. In fact, until 12 to 18 months ago, the subject site was improved with a light-industrial class building historically used for automotive service. Though the subject site has been cleared of said improvements, some warehousing operating remain in the area, but few properties maintain active use of their rail frontage. Many former industrial buildings have been converted to other uses.

Based on the prior building improvements, the subject property is addressed 102 Lomas Boulevard, NE. The property is not formally named, but I note it has been owned by the City of Albuquerque since 2007.

Legal Description

The subject site is legally described as follows.

Tract 197-A, MRGCD Map 37

This legal description or information that led to development of this legal description was provided by my client. This legal description was specifically taken from the deed by which the current owner took title to the property many years ago. The legal description has been correlated with recorded plats and property tax records. This legal description is accepted as accurate, forming the basis for this appraisal. If there is any change to this legal description, this appraisal may be rendered invalid or become subject to revision.

Purpose Of The Appraisal

The purpose of this appraisal is to estimate the market value of a ***fee simple title*** to the subject property, as it is described in this report, in "as is" condition, as of August 19, 2016, the date of my last inspection of the property interiors.

Within this report, the objective is to describe the appraisal process and present sufficient facts, reasoning and conclusions to support the final estimate of market value that my client may use in an asset management capacity, which may include assessing possible disposition of their interest in the subject property. Standard underlying assumptions, limiting conditions, and term definitions governing this report are presented in the addendum and should be referenced. My client did not provide an independent engagement letter, so there are no supplemental appraisals requirements, guidelines or term definitions to disclose/discuss.

Client And Intended User Identification

My initial discussion regarding an appraisal of the subject property was with a representative of the City of Albuquerque Real Property Division. The City of Albuquerque Real Property Division subsequently authorized me to complete an appraisal of the subject property. Therefore, the City of Albuquerque is identified as the sole and exclusive client and intended user for whom this appraisal was prepared, and the party who may place reliance on it. I assume no responsibility for use of this appraisal by any party other than the client and intended user identified herein. Possession of a copy of this report by persons/parties other than the client and intended user identified above does not convey client or intended user status to the possessor.

Intended Use Of The Appraisal

Based on discussions with my client, I understand the intended use of this appraisal is to provide an independent estimate of market value for the fee simple title to the subject property that my client may use in an asset management capacity, which may include assessing a possible disposition of my client's ownership interest in the subject property. I am not responsible for any unintended or unauthorized use of this appraisal.

Scope Of Work

As of July 1, 2006, changes in the Uniform Standards of Professional Appraisal Practice (USPAP) effectively eliminated the terms "Complete" or "Limited" when referring to the development of an appraisal. While these terms can still be used to convey a common understanding of the type of process employed in developing an appraisal, the terms have no formal meaning in relation to appraisal standards (USPAP). Nonetheless, for purposes of simple reference, this appraisal was developed in a way consistent with the general understanding of a Complete Appraisal in that it employs all of the applicable approaches to estimating market value.

The Scope Of Work for this appraisal included generic processes like a periodic gathering of relevant data on the greater Albuquerque metro area; information such as population, employment, and other economic data. Similarly, some of the most prominent sectors of the local real estate market are periodically analyzed for trends related to construction activity, occupancy, sales and rental rate movement. More specifically, the neighborhood in which the subject property is located has been surveyed and both historic development patterns and emerging trends are noted. I have gathered information from governmental agencies related to legal descriptions, recorded plats, legal use information, property tax data, etc., and assembled other factual data from a variety of sources. I have obtained the available site plat and made on-site inspections of the property to serve as the basis for the physical description offered herein.

For purposes of valuing the subject property, I have made an inspection of the property to develop a reliable working knowledge of the property and its physical, mechanical and functional attributes. I have researched recorded transactions in the subject area and of the same property type in expanded areas, researched sales and listing data, and researched the broad economic data related to commercial lands within the greater Albuquerque metro area. All of these data have been analyzed and reconciled in the process of developing the market value estimate for the subject. Analyses included considering the subject's physical and functional features, analysis of market data and comparisons of market data to the subject for selection of the most applicable indicators of market value for the subject.

I have not knowingly excluded any pertinent data in the development of this appraisal. However, New Mexico is a non-disclosure state, and parties to sales and leases cannot be compelled to provide information on real estate transactions. Therefore, it is possible that there is pertinent data that has not been included in this appraisal because of non-disclosure issues. It is also possible that data provided to me and relied upon in this appraisal is inaccurate. I have attempted to obtain information from knowledgeable and reliable parties, but I assume no responsibility for the accuracy of such data. I have not knowingly excluded any pertinent steps in the development of this appraisal.

My client has requested the appraisal be presented in an Appraisal Report. As of January 1, 2014, the term "Summary Report" was formally retired by the Appraisal Foundation. However, the term Summary Report may still be used as an adjective to refer to a style of reporting that appraisal consumers have utilized for many years. Therefore, this Appraisal Report follows what is commonly known as a Summary Report format with regard to the presentation of narratives and market data. The report type does not impact the appraisal process. I have attempted to develop this appraisal and report in a fashion that satisfies all applicable appraisal standards and our client's expectations.

In accordance with appraisal standards I hereby advise the reader that I have provided no services, appraisal or other, related to the subject property within the three years leading up to my acceptance of this appraisal assignment.

<u>Albuquerque City Data</u>

Traditionally, Albuquerque's single largest source of employment had been various branches of Federal, State and local government. A high percentage of this employment was in defense related jobs at Kirtland Air Force Base, Sandia National Laboratories and the many private contract firms involved in research, development, testing, and the like. Although Kirtland Air Force Base escaped cuts by B.R.A.C in 1995 and 2005, the whole of government employment has represented less of the city's total employment picture, and government appears to be on a long-term downward trend.

Entering 2016, the top employment categories for the Albuquerque metro area were as follows.

TOP EMPLOYMENT CATEGORIES

TYPE OF EMPLOYMENT	% JOBS
Government (Federal/State/Local)	21.5%
Education & Healthcare	16.2%
Business & Professional	15.7%
Retail (Including Wholesale)	14.2%
Leisure/Hospitality	10.6%

These top five categories account for some 78% of the metro area's employment. Although relative percentages change slightly from year to year, these categories have remained constant and in essentially the same position for many years.

The following chart shows Albuquerque metro area employment levels on a quarterly and annual basis.

ALBUQUERQUE METRO AREA EMPLOYMENT

DATE	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Q-1	391,600	398,000	396,400	380,800	371,800	372,100	369,500	372,400	373,800	379,100
Q-2	396,000	399,800	398,100	378,700	374,800	373,000	368,000	373,500	376,000	384,700
Q-3	397,600	399,200	400,400	379,900	373,400	373,400	372,400	374,900	378,100	386,200
Q-4	399,800	401,500	392,500	378,300	376,300	371,600	376,300	378,600	383,100	388,100
AVG	***393,600***	***397,900***	***396,700***	***379,700***	***373,500***	***372,200***	***370,800***	***374,600***	***377,300***	***383,600***
CHG	**+2.47%**	**+1.09%**	**-0.30%**	**-4.29%**	**-1.63%**	**-0.35%**	**-0.38%**	**+1.02%**	**+0.72%**	**+1.67%**

Albuquerque experienced modest to moderate job growth from 2002 through 2007. As the local/national recession set in, job losses started in 2008 and continued through 2012. Comparing the peak employment from 2007 with that of 2012 shows the metro area lost more than 27,000 jobs. Employment growth resumed in 2013 and approximated 1% in 2013 and in 2014. Somewhat more robust growth of 1.67% was seen in 2015. Although these figures show the Albuquerque area regained almost 13,000 jobs over the past three years, the 2015 job count is still more than 14,000 below the leak level of 2007.

Unfortunately, there are no major occurrences expected in the near-term job market to substantially alter Albuquerque employment levels. The city regularly entices new business or helps existing business grow, but these efforts generally result in jobs in the tens or maybe hundreds. Economists are projecting Albuquerque will have several years of consecutive growth, but at modest levels similar to what has been experienced over the past few years.

The city's top employers provide a very wide variety of employment types. In the main, however, expansion has been heavily related to various types of 'clean industry'. Examples include manufacturers of computers, microchips, and aircraft systems; technology testing centers, research and development firms, data processing centers; insurance companies, health care companies, reservation centers for hotel and airline companies, and banking, utility and communication companies. Close association of the Albuquerque area with military defense research and development is reflected in a high percentage of business with government related work, much of which is directly related to the D.O.D. and the D.O.E.

ALBUQUERQUE AREA MAJOR EMPLOYERS – 2008/2009

#	EMPLOYER	# EMP	DESCRIPTION
1	Kirtland Air Force Base	26,960	Government (Civilian)
2	University of New Mexico	15,435	Educational Institution
3	Albuquerque Public Schools	14,000	Educational Institution
4	Sandia National Laboratories	8,730	Research & Development
5	Presbyterian	7,315	Hospital & HMO
6	City of Albuquerque	6,500	Government
7	State of New Mexico	5,605	Government
8	Kirtland Air Force Base	4,860	Government (Military)
9	UNM Hospital	4,595	Hospital
10	Lovelace	3,400	Hospital/Medical Services

The prior chart of metro Albuquerque's largest employers is dated. In recent years, many companies moved to keep employee totals secret for security purposes. While the specific employee levels have likely changed, the employment categories and even specific employers likely remain unchanged, at least in the top half of the list.

Residential construction and price levels are often good indicators of economic conditions. The following chart shows the area's single family residential development trend based on building permits, and changes in the average price of all homes sold via the Albuquerque Board of Realtors' multiple listing service.

SINGLE-FAMILY RESIDENTIAL PERMITS & HOME SALES

YEAR	PERMITS	% CHANGE	SOLDS	% CHANGE	AVG. PRICE	% CHANGE
2006	3,334	-28.70%	13,593	-4.16%	$227,883	+11.41%
2007	1,946	-41.63%	10,993	-19.13%	$243,089	+6.70%
2008	659	-66.14%	8,174	-25.64%	$232,626	-4.30%
2009	654	-0.76%	7,965	-2.56%	$214,662	-7.72%
2010	749	+14.53%	7,484	-6.04%	$215,989	+0.62%
2011	767	+2.40%	7,373	-1.48%	$201,176	-6.86%
2012	903	+17.73%	8,387	+13.75%	$204,513	+1.66%
2013	849	-5.98%	9,741	+16.14%	$210,488	+2.92%
2014	935	+10.13%	9,450	-5.99%	$212,990	+1.19%
2015	984	+5.24%	10,928	+15.64%	$215,331	+1.10%

Following the sagging market in the late 1980s, strong demand returned to the single-family residential sector in the 1990s. Thereafter, despite some ups and downs, sustained demand was largely attributed to interest rates that hit near record lows in middle 1990s and remained quite low for a protracted period of time. New residential building permits increased steadily from the middle 1990s through 2004. The seemingly sharp drop in 2005 was not indicative of slowing growth in the metro area, but of some growth shifting to Rio Rancho and Los Lunas, which are not counted in the permit statistics above. Evidence of continued strong demand in the metro area was supported by sales of existing homes, which continued at a strong pace through 2005 and into 2006.

Reflective of the slowing economy and trouble in the sub-prime lending markets, the residential market suffered its first truly negative performance in many years in 2007. Although average prices increased slightly, issuance of new home permits declined significantly and sales of existing homes were off by 18%. Deterioration continued and accelerated in 2008, with building permits falling precipitously to fewer than 700 and sales of existing homes falling by more than 28%. For the first time in many years, the average home price fell in 2008, marking a 4.30% loss compared to 2007. Deterioration continued in 2009, but at a much slower rate than in the immediately prior years. Building permits rebounded in 2010, 2011 and 2012, but dipped a bit in 2013. An increase in building permits came at the expense of continually deteriorating sales of existing homes and average prices, which decline in 2010 and 2011. However, 2012 showed a more extensive rebound, with permits, sales and average price all increasing for the first time since 2003. Permits dipped slightly in 2013, but existing home sales and average price both increased. Permits rebounded in 2014 and were up again in 2015; average sales price increased every year since 2011; existing homes declined in 2014, but rebounded in 2015.

Entering 2016, signs are mildly positive for residential markets. Existing inventories and foreclosures are down, financing for qualified buyers remains cheap by historic standards, and average prices have increased modestly, but steadily, for a few years. Existing home sales show modest volatility, but are most recently up. With job increases finally coming in 2015, there is less of an obstacle to recovery than there has been in many years.

Entering 2016, the multi-family residential sector is showing clear improvement. Massive over-building in the 1980s was overcome by the middle 1990s. However, despite low levels of new construction since then (average of less than 515 units per year over the prior decade), the broader apartment market was not able to regain much strength. Although apartment occupancy generally exceeded 90% for the past 10 years, rentals rates grew very little and rental concessions remained common throughout the market.

In the early years of the real estate and financial market crises, apartments suffered elevated vacancy, high turn-over and flat rent rates. In late 2010, the apartment market appeared to be gaining pricing power and apartments appeared to regain appeal as investment properties. The crisis in single-family residential market forced many people to return to the apartment market and some are unlikely to go back to home ownership for many years.

MULTI-FAMILY CONSTRUCTION PERMITS & VALUES

YEAR	# UNITS	% CHANGE	PERMIT VALUE	% CHANGE
2006	893	+92.04%	$83,430,652	+236.00%
2007	522	-41.55%	$42,596,581	-48.94%
2008	349	-33.14%	$27,612,866	-35.18%
2009	262	-24.93%	$25,121,477	-9.02%
2010	264	+0.76%	$35,237,890	+40.27%
2011	255	-3.41%	$27,462,339	-22.07%
2012	741	+190.59%	$60,597,624	+120.66%
2013	933	+25.91%	$79,798,349	+31.69%
2014	530	-43.19%	$31,444,458	-60.60%
2015	95	-82.08%	$5,545,131	-82.37%

Development of fewer than 485 units per year (10-year average) should have allowed the apartment market to regain strength in occupancy and earnings, but it proved to be the housing crisis that led to improvement in the apartment market. It took several years, but improvements in occupancy and average rental rates finally led to significant new construction starting in 2012. Though new construction in 2012 and 2013 (and probably beyond) was at a higher pace than had been seen in many years, economic infeasibility remained questionable.

Economic feasibility remained questionable because a large number of the units built over the past several years were benefitted by some level of subsidy or another, or were in projects restricted to or targeted at students of the University of New Mexico. Compared to the total number of apartment units built, a small minority were true market-rent projects (where economic feasibility must be satisfied to support development). Although the prior chart suggests apartment construction cooled in 2014 and 2015, I attribute this to issues related to the collection of permit data; it is my belief the many more units were permitted and erected in 2014 and 2015 than the chart indicates.

Starting in middle 1990s, commercial properties also pulled out of a long "down" period. Nonetheless, there are still problem areas within the commercial sectors. For offices, it is the downtown business district that still suffers with high vacancies and stagnant rental rates. For retail properties, it is the older, smaller, unanchored strip centers that struggle to compete with new shopping centers. Industrial markets have performed best and most consistently in recent years, but the rental market was strained by a significant movement from a rental basis to ownership basis that was facilitated by low interest rates.

COMMERCIAL CONSTRUCTION PERMITS & VALUES

YEAR	# PERMITS	% CHANGE	PERMIT VALUE	% CHANGE
2006	119	-13.14%	$156,947,442	-9.83%
2007	130	+9.24%	$212,950,246	+35.68%
2008	131	+0.77%	$326,262,746	+53.21%
2009	46	-64.89%	$36,421,821	-88.84%
2010	37	-19.27%	$43,681,054	+19.93%
2011	35	-5.41%	$47,609,373	+8.99%
2012	35	N/C	$55,133,473	+15.80%
2013	73	+108.57%	$64,533,897	+17.05%
2014	99	+35.62%	$97,356,839	+50.86%
2015	89	-10.10%	$132,430,901	+36.03%

The biggest news in the retail market in many years was the 2006 opening of "Abq Uptown", a lifestyle center in the northeast quadrant of Albuquerque. The center was built on land adjacent to the Coronado and Winrock Malls, two of the three regional malls in the city. Though offering only about 225,000 square feet of space, the center re-introduced an open-air shopping environment to Albuquerque with a number of high-end retailers and restaurants. In its nine-year history the center has proved successful, so much so that modest expansion was undertaken in 2012 and again in 2013. The strength of Abq Uptown and the immediate market spurred the construction on a huge new Target store opposite Abq Uptown. This multi-level Target sells groceries and a full line of retail products. 2012, 2013 and 2014 also saw the resumption of redevelopment efforts of Winrock Mall, with those efforts accelerating in 2015.

The Winrock Mall redevelopment is currently the largest project of its type in the city. The project has progressed from the outer edges toward the center in that pad sits on the perimeter of the Winrock mall site have been progressively developed over the past few years with a new multi-screen movie theater and national-chain restaurants. Currently, a huge underground parking garage is being built, and the garage is being covered with retail stores that have just recently started being built. Construction is expected to start soon on the primary retail structures, some of which will house national-chain retainers new to the Albuquerque marketplace. Development is likely to continue throughout 2016 and 2017, with openings happening as progress continues.

Though on a far smaller scale, retail development has continued throughout the city. Projects have tended to be small in-line centers that sometimes incorporate a freestanding restaurant. These improvements have mostly been seen in the northeast and northwest quadrants of the city. Following a lengthy period of almost no new retail development, even these smaller projects are positive signs of a firming market. The following chart shows the results of surveys performed by the local office of Colliers International.

RETAIL MARKET VACANCY HISTORY

LOCATION	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Cottonwood	5.2%	3.0%	6.3%	9.0%	9.1%	9.9%	7.3%	5.6%	3.6%	3.0%
Downtown	22.9%	24.0%	18.6%	26.2%	21.1%	16.5%	17.4%	16.0%	17.9%	25.8%
Far Northeast	5.0%	6.7%	8.0%	8.3%	7.4%	7.9%	6.3%	8.0%	5.8%	5.9%
North 1-25	3.3%	5.4%	5.8%	8.8%	6.5%	6.5%	6.7%	6.3%	2.4%	4.9%
North Valley	9.6%	5.5%	10.3%	6.2%	5.3%	9.0%	9.0%	8.5%	8.4%	9.1%
Northeast	9.9%	10.4%	11.6%	17.3%	13.9%	15.2%	12.8%	11.6%	9.2%	6.7%
Northwest	9.2%	10.9%	12.7%	9.6%	7.9%	6.5%	6.5%	5.5%	4.0%	3.5%
Rio Rancho	5.4%	4.3%	5.1%	4.8%	7.2%	6.5%	4.3%	3.8%	5.8%	1.7%
Southeast	8.0%	3.6%	4.1%	5.1%	6.6%	7.8%	6.5%	7.8%	8.7%	6.7%
Southwest	7.0%	6.1%	8.8%	10.0%	9.8%	10.2%	9.9%	8.5%	15.5%	16.2%
University	15.6%	10.1%	10.2%	8.1%	7.4%	6.5%	5.3%	4.1%	4.4%	4.5%
Uptown	17.3%	19.8%	22.3%	21.2%	11.8%	10.4%	10.5%	8.8%	8.0%	7.6%
TOTALS	**8.0%**	**8.0%**	**9.4%**	**10.8%**	**9.1%**	**9.4%**	**8.1%**	**7.6%**	**6.6%**	**6.1%**

Throughout 2009, retail properties suffered deteriorating rents and higher vacancy, plus unexpected vacancies created by some national companies closing local stores. Soft conditions continued in 2010, but many of the big box and department store spaces left vacant in 2009 found new users in 2010, which helped reduce the decade-high vacancy rate of 10.80% in 2009 to 9.10% in 2010. There was a mix of large vacancies and re-absorption in 2011, as stores like Borders Books closed, but stores like Baillio's took over a space vacated by Circuit City. Nonetheless, vacancy inched up in 2011 to 9.40%. The cycle of some large closings and some large re-leasing continued in 2012. In addition, new construction in 2012 was seen in many parts of the city, with some single-tenant national chains erecting new stores, and some developers constructing small strip retail centers. New construction continued and expanded in 2013, 2014 and 2015.

By year-end 2012, the retail market had shown solid improvement, with vacancy down to just 8.10%. Strengthening continued throughout 2013, 2014 and 2015. Almost every sub-market within the city saw vacancy decline since 2012, and the city's overall vacancy rate fell to 6.1% at the end of 2015. This was the lowest year-end vacancy in a decade and the fourth consecutive year of declining vacancy. Over the past 10 years, year-end vacancy has averaged 8.3%. Thus, the last four years have yielded vacancy rates that are below the long-term average for the retail marketplace.

Office occupancy continues to be negatively impacted by nation-wide economic conditions/trends and some associated corporate downsizing. Most sub-markets recovered very well in the middle 1990s, with occupancy returning to almost 95% by the end of the decade. Additional corporate departures in the late 1990s were accompanied by a trend of private companies and government agencies leaving buildings in which they previously leased space in favor of freestanding buildings built for owner-occupancy or as specific responses to government requests for purpose-built buildings. The trend away from renting in favor of owning was not limited to major corporate or government tenants. The long-term availability of low interest rates induced significant numbers of small space users to leave rental space in favor of owner-occupied space, primarily small condominium units. As a result, the local office market has been struggling through one of its worst periods of prolonged high vacancy. The following chart shows the results of surveys performed by the local office of Colliers International.

OFFICE MARKET VACANCY HISTORY

LOCATION	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Airport	21.5%	10.2%	7.7%	9.7%	12.0%	11.8%	15.8%	15.2%	36.6%	36.3%
Downtown	20.4%	15.6%	18.5%	18.0%	18.7%	21.1%	21.7%	29.6%	24.9%	22.3%
Far Northeast	9.7%	8.8%	10.4%	10.8%	13.7%	14.8%	12.1%	11.6%	11.4%	11.4%
Mesa Del Sol			0.0%	13.9%	15.4%	15.4%	16.1%	16.1%	16.1%	16.1%
North I-25	12.4%	10.8%	13.3%	14.3%	18.9%	20.9%	18.5%	14.2%	14.6%	17.6%
Northeast	10.5%	13.2%	16.4%	15.7%	20.7%	15.4%	19.3%	19.2%	18.6%	14.4%
Rio Rancho	5.5%	13.3%	18.7%	10.5%	11.2%	11.9%	11.7%	11.5%	11.1%	5.8%
Southeast	4.4%	4.1%	10.7%	11.4%	23.4%	23.4%	24.0%	23.2%	18.8%	17.4%
University	8.2%	5.3%	10.3%	23.4%	23.2%	14.3%	12.5%	11.2%	23.3%	19.9%
Uptown	9.0%	9.1%	8.5%	13.2%	17.2%	19.6%	22.3%	21.0%	20.6%	18.6%
West Mesa	14.0%	9.3%	26.2%	29.1%	27.5%	30.0%	33.9%	32.0%	35.5%	33.9%
TOTALS	**13.4%**	**10.8%**	**13.1%**	**15.0%**	**18.0%**	**18.5%**	**18.9%**	**19.3%**	**20.9%**	**19.9%**

It is noted that inclusion of sub-lease space would lead to increases in this accounting. These figures have been impacted by some new construction in emerging sub-markets and/or conversions of defunct industrial shells into large office complexes, but new construction has been insufficient to cause these current conditions. Unlike in previous periods of high vacancy, over-building is not to blame. Rather, the crises in real estate and financial markets that emerged in the fourth quarter of 2008, the lingering effects of a serious recession, and persistently high unemployment are the prime causes of the currently high vacancy rate in offices. These factors are likely being compounded by technology factors that are reducing requirements for conventional office space. Older buildings with less efficient HVAC and telecommunications infrastructure suffer the most, but current market conditions have resulted in high vacancy in all classes of office space.

The Albuquerque market ended 2008 with a 13.1% vacancy rate, similar to that of 2006 (13.4%). Thereafter, the local office market deteriorated, with vacancy reaching 18.0% by 2010. Conditions have deteriorated slightly since that point in time, but for the past six years, office vacancy has been between 18.0% and 20.9%. While the 10-year average vacancy rate is 16.8%, the average of the past five years is 19.5%, and vacancy has exceeded this short-term average in each of the last two years. Absent more impressive job growth than the city has been able to achieve in recent years, weakness in the office market is likely to continue. As in other segments of the market, the lower occupancy and rental rates that emerged in 2008 combined with higher capital requirements have resulted in falling property values within the office sector.

Clearly, the city's central business district (Downtown sub-market) is the most distressed, with standing vacancy well in excess of 20% for several years. The 10 and five-year vacancy rates for downtown are 21.1% and 23.9%, respectively. With some large office tenants known to be vacating space in 2015, conditions in Downtown are likely to get worse again before they get better. With over 800,000 square feet of vacant space, it would take massive job growth to absorb existing vacancies. Therefore, politicians and property owners are exploring alternative property uses, such as partial conversions of office space into residential quarters. Although the Downtown market has seen increased apartment construction and high occupancy in recent years, subsidies of various types have been highly influential in this sector of the market, so it remains unclear if private market forces are sufficient to justify office-to-apartment conversions costs.

Industrial markets were better able to maintain their health than commercial markets through the late 1980s and into the 1990s. Being more oriented to owner-occupancy than speculative multiple tenancy, industrial property, as a class, avoided the very heavy over-building of the mid 1980s and through the 1990s. However, in the early 2000's, the move to owner-occupied space clearly impacted the industrial marketplace, being at least partly to blame for increased vacancy. Heavy construction of office-warehouse condominium projects in the middle 2000s has allowed many former tenants to become owners, with low interest rates making the move beneficial from an economic standpoint. The following chart shows the results of surveys performed by the local office of Colliers International.

INDUSTRIAL MARKET VACANCY HISTORY

LOCATION	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Airport	3.4%	10.1%	9.1%	11.6%	10.3%	18.9%	17.3%	15.1%	12.3%	11.5%
Downtown	14.5%	16.5%	13.4%	18.7%	12.1%	12.3%	14.9%	14.2%	15.5%	12.7%
Far Northeast	1.5%	32.5%	0.9%	0.9%	0.9%	0.9%	1.9%	0%	0%	0%
Mesa Del Sol			0.0%	0.0%	1.0%	1.0%	31.9%	31.9%	2.4%	2.4%
North I-25	6.8%	5.9%	6.9%	8.1%	8.5%	9.6%	8.3%	7.7%	6.0%	5.3%
North Valley	12.4%	14.2%	13.4%	11.6%	7.7%	15.4%	17.5%	17.9%	5.4%	7.3%
Northeast	9.7%	6.8%	14.0%	21.0%	7.0%	15.9%	12.9%	13.7%	11.7%	10.6%
Northwest	5.3%	2.4%	8.7%	12.7%	13.5%	12.8%	10.3%	3.5%	2.4%	3.5%
Rio Rancho	0.6%	0.7%	2.0%	1.6%	2.5%	4.6%	4.1%	4.4%	1.6%	2.2%
Southeast	3.9%	2.9%	18.0%	17.3%	14.1%	11.4%	12.9%	11.3%	11.1%	11.0%
Southwest	8.2%	3.1%	6.3%	12.5%	35.1%	19.1%	17.9%	19.0%	17.0%	15.3%
University	14.1%	12.1%	5.4%	2.9%	9.6%	12.4%	17.2%	24.1%	24.1%	24.1%
TOTALS	**6.5%**	**5.9%**	**7.5%**	**9.3%**	**10.3%**	**10.3%**	**10.3%**	**9.3%**	**6.9%**	**6.4%**

Over the past few years, the lack of availability of large industrial facilities was cited by some companies interested in locating/re-locating to this area as a problem. Some companies want to enter the market immediately, and not wait for construction of new improvements. Entering 2016, this remains something of a problem because the limited number of large buildings that have been available have attracted greater interest in an era when new construction is price-prohibitive.

Unfortunately, the economic crises that have impacted all markets have also weighed heavily on the industrial market. Vacancy increased from the 5.9% level of 2007 to 10.3% by 2010. However, year-end vacancy for 2010, 2011 and 2012 was 10.30%. While these rates were near 10-year highs for the industrial market, they at least showed that the market had stabilized and was not continuing to deteriorate. Vacancy has declined every year since 2012, reaching 6.4% by year-end 2015. This is the lower rate of the past 10 years, except for the 5.9% rate in 2007. The 10-year average for vacancy stands at 8.3% and the five-year average is 8.6%. While short and long-term averages are similar, the market's performance over the past two years is substantially better than either.

Overall, economic conditions in the Albuquerque area were generally good through the middle 2000s. Population continued to grow, as did employment. With the exception of the local office market, most segments of the real estate market were performing well, with the single-family residential market having record-setting performance in the middle years of the decade. Residential markets began deteriorating in late 2006, with problems growing worse in 2007 and reaching crisis levels in 2008. Most commercial markets sustained good performance until the latter part of 2008 when a serious banking crisis led to essentially frozen financial markets. As crisis conditions spread to equities, the nation's economy slipped into deep recession (technically starting in late 2007). Economic conditions impacting the nation rippled throughout the entire county and consumers significantly curtailed spending. In addition to prominent national banks closing, closings spread to prominent national retail and restaurant chains, and virtually every company, large or small, enacted cut-backs wherever possible. More than seven years after crises emerged, recovery has been mixed and often segmented.

Entering 2016, the local retail market has shown strong and consistent signs of recovery, the industrial market has stabilized and shown strong recovery on the occupancy side, but the office market continues to experience very high vacancy. All sectors of commercial real estate are impacted by employment, but it seems reduced employment in recent years has impacted the office market hardest and for the longest period of time. Even modest employment growth over the past three years has been insufficient to lead to measurable improvement in the office market.

The impact of these individual features of the economy on the subject, or any individual property, is subtle. But, all signs point to a recent past of elevated vacancies, lower rental rates, increased/sustained difficulty in obtaining financing, and real estate investors, being fewer in numbers, expecting higher rates of return on invested monies. In sum, lower property values, compared to those of the middle 2000s, emerged in 2009 and persisted for varying lengths of time. While the local retail market appears to have experienced good recovery and signs of increasing values, other segments of the market remain flat or still in decline.

City Data Summary And Conclusions

The four influences on real estate and values that have just been discussed can sometimes work one against the other. However, in Albuquerque, all appear to have worked together to the betterment of the city, its residents business and property values, at least until late 2007 and early 2008.

Environment features of mild weather, easy movement and good social services make Albuquerque a very attractive place to live and work. Political elements (mostly passively) favor growth, offering a non-restrictive zoning structure, moderate tax rates, and, on occasion, development incentives like favorable tax rates and/or financing.

All these efforts have helped diversify the city’s economy. Heavy dependence on government spending and employment has been reduced somewhat via expansion of the retail and service sectors. The character of new industry attracted to the city, partly because of close relations with military defense spending, is generally “future oriented” and “clean” industry. While gains in employment were not overly impressive, job growth remained positive and steady through the first half of 2008. However, the crises in real estate and financial markets that emerged in the latter part of 2008 combined with a serious recession introduced declining employment in the latter part of 2008, and this trend continued through the end of 2014. There are signs job losses could continue, and growth in employment remains elusive and is likely to be weak when it does emerge.

Serious and widespread problems in the real estate markets largely disappeared in the early 1990s and most markets enjoyed an extended period of growth and prosperity that lasted until 2006 or slightly later. Single-family residential markets showed the first signs of weakening in late 2006, growing worse in 2007, with the decline progressing and reaching crisis levels in the fourth quarter of 2008 and suffering falling sales volumes through 2011. Though coming off of very low figures, 2012 and 2013 posted modest growth in existing home sales and average price, with 2014 yielding mixed results. Commercial real estate markets sustained themselves a bit longer, with softness not appearing until 2008. By the end of 2008, commercial properties began to feel the impact of the deep recession and a financial market that was/is seriously restricted in its ability to extend credit. Accordingly, commercial property values have suffered to varying degrees since 2008.

As real estate development and prosperity are ultimately related to a population that presents a demand for goods and services, economic conditions that threaten jobs and incomes outweigh other factors and will serve as a drag on real estate markets for the foreseeable future. These conditions will have varying levels of influence on any individual property, but are fundamentally unfavorable to all types of property, including the subject property. However, each individual property has its unique attributes that must be considered against these broader market conditions and influences.

Subject Neighborhood Discussion

Generally, the subject neighborhood is regarded as Albuquerque's Central Business District ("CBD"), with the subject property located near the northern edge thereof. In broad terms, the CBD is depicted on the prefacing aerial photographs and accompanying maps. It is more specifically identified by the dotted outline on the Downtown Improvement Map included herein. The immediate subject neighborhood lies within the northeastern region of the maps and aerials, with the subject property identified thereon by arrows.

Generalities

Although some retail outlets have survived, downtown Albuquerque is truly a central "business" district. Development is dominated by numerous mid-rise office buildings, with premiere occupants being federal, state, county, and city government offices and judicial facilities, City of Albuquerque convention center facilities, major legal firms, commercial banks, and the corporate headquarters of a local utility company. Luxury office space for private sector firms is also present in the CBD, but does not represent the main character of the CBD.

The immediate CBD is surrounded on all sides by older residential neighborhoods/properties. Those neighborhoods that immediately abut the CBD are periodically pressured for conversion to commercial use or complete redevelopment. For the most part, the surrounding commercial buildings and residences are quite old and functionally obsolete when compared to more modern buildings and homes. A few of the residential areas have become "fashionable" and evidence strong cohesion and pride of ownership. However, most are typical of old neighborhoods subject to periodic transitional pressure.

The subject property is located in the north half of the CBD, which I consider to be the area along and north of Copper Avenue. Through the 1990s and early 2000s, the north side of the CBD grew ever more separate from the south side of the CBD. The north side experienced almost all of the major modern era government building development during that time. Although most of the recently-past commercial developments in the CBD focused attention on the north side of the CBD, year 2000 saw the start of a return to development on the south side of the CBD, with government offices, transportation facilities and entertainment facilities introduced. In the most recent of times, the south side of the CBD has experienced a greater share of new building construction, most of which has been residential in nature.

Development Background

Downtown Albuquerque has been in the process of Urban Renewal and core area redevelopment since the late 60s. Urban Renewal started in the late 1960s in the area east of 4th Street and west of 1st Street between Copper Avenue and Lomas Boulevard. The properties acquired for "renewal" were virtually all razed and the sites made available at attractive prices for redevelopment. Illustrative of this era are Wells Fargo (formerly United New Mexico Bank) building, Plaza Maya, Plaza Del Sol building, First Plaza, and Bank of America (formerly NationsBank) building (augmented since).

Following downtown's Urban Renewal phase, a dramatic exodus from the CBD to the Winrock-Coronado Regional Shopping Center area, or "Uptown District", created a demand for governmental assistance in "redevelopment" of CBD buildings. This avenue took the guise of low interest rate funding through industrial revenue bonds for rehabilitation of interesting, though mostly functionally obsolete, structures. Redevelopments examples include La Posada de Albuquerque Hotel, Old First National Bank Building, Copper Square, 612 First Street, Hudson Hotel, Shufflebarger Building, Rosenwald Building, and others. Coincident with the Urban Renewal program, and continuing through the latest bout with CBD redevelopment, were acquisitions for, and new construction of Civic Plaza, the City-County complex, the Sheriff and Police Building, Detention Center, the Metropolitan Court building, and most recently new buildings for Federal Courts, County Courts, another Metropolitan Court building, and the County's District Attorney's offices, all of which are on the north side of the CBD.

Private sector growth was attempted by First City National Bank (MONCOR), which acquired numerous land tracts in the area north of Lomas Boulevard in the early 1980s and was successful in assembling the full block from Lomas to Slate Avenue between 3rd and 4th Streets, plus half block to the east and west. Due to various banking problems, this site was never developed. It was more than a decade before this site would become important to CBD development, when in 1998 the site was acquired for development of a new Federal Courthouse building.

In the middle 1980s, Cavan and Associates acquired the lands between 5th and 6th Streets on the south side of Marquette for "500 Marquette", a 230,000 square foot high-rise office building project. This project was completed with some assistance from the City of Albuquerque. As with most CBD office projects, 500 Marquette subsequently failed to satisfy its economic expectations/requirements and was soon sold at a fraction of its original construction cost.

On a smaller scale, the northeast corner of Lomas and 2nd Street was developed with a multi-level office building that was in the planning stages for several years. This 100,000 square foot office structure, with an adjacent parking structure, also failed to meet economic expectations and stood only partly finished for several years. The property did not receive final interior build-out until the late 1990s, and has since been home to First Community Bank (fka First State Bank).

More recently, the City completed expansion of the Convention Center and multi-level parking garage. Aerial walkways spanning Second Street connected the new structure to the old convention center. The new convention center is on the north side of the CBD, on its far eastern periphery.

Built at about the same time, and in close proximity to the new "expanded" Convention Center, was a new high rise office and hotel complex known as the Albuquerque Plaza Office and Hyatt Regency Hotel. This project was also sponsored to a degree by the City of Albuquerque. And like almost all other CBD developments, its economic performance fell far short of expectations/requirements and the property sold within a few years of being completed at only about 70% of its construction cost. This property is also on the north side of the CBD.

Following a few years of no new construction, the aforementioned Federal Courthouse structure was built in 1998 and 1999. As only the second major CBD project on the north side of Lomas, this project had the effect of stretching the core area to the north. Further, since the GSA's original intention was to place the building on the far south side of the CBD, its eventual placement on the far north side was something of a double blow to the status of the south side of the CBD.

Lastly, site acquisitions were completed and construction of new facilities for Bernalillo County were completed on the south side of Lomas, between Fourth and Sixth Streets. Two buildings, for the District Attorney's office and for the County Court have been built, and a supporting parking garage was also erected. Though the D.A.'s offices were immediately occupied, dissatisfaction with parts of the County Courthouse necessitated renovations before the space was ever occupied. It has since moved to full occupancy by the County. On the northwest corner of Lomas Boulevard and Fourth Street, a new Metropolitan Courthouse and adjacent parking garage were built.
Effectively, these assemblies and acquisitions for new development, redevelopment, and/or rehabilitation of existing structures, have left a dearth of lands in the CBD. Without a potentially expensive assembly process, lands sizeable enough to accommodate large-scale CBD projects like those noted above, with unified ownership, are very rare.

Demand for future development must, therefore, concentrate on very few available vacant sites, or compete with other market entities in assemblage of small improved properties. When/if market-based demand returns to the CBD, the acquisition of already-assembled vacant lands, or assembly of many smaller improved tracts, implies the possibility of inclining values. Currently, however, over-supplied conditions do not bode well for appreciation in the foreseeable future.

While limited acquisitions by some groups have taken place in the past few years, the real demand for new commercial development is considered moderate to very low at this time. Since the early 1980s, the CBD office market has been dramatically over-built. Reaching back to the late 1985 and early 1986 time frames, and running to the present, occupancy in the overall market has approximated only 75% to 85%, even with some owner occupied buildings included. Even Class A space, which is often thought to out-perform the market at large, suffers from persistent vacancy problems.

The few real gains in occupancy that have taken place have been almost immediately, and often more than equally, off-set by the development of new buildings like 500 Marquette, First State Bank, and Albuquerque Plaza, for example. Adding to these new buildings were redevelopment projects that brought back into service, as offices, buildings that had been out of service for a few to many years, as in the case of Silver Square, the Springer Building, and the "Old Sears Building", to name a few. Those gains not off-set by new construction have generally been overshadowed by relocation of some major tenants, namely Federal Government agencies, to buildings outside the CBD.

While new buildings often appeared to be leasing up and increasing overall occupancy, the real effect, to a large degree, was simply a shuffling in occupancy from one building to another, and sometimes a decrease in overall occupancy rates. Very little new occupancy was generated. And in many cases, tenancy has only been preserved through renegotiations (reductions) in lease rates. The economic failure or precarious status of many core area offices attests to the unfavorable economic conditions in the private sector of the CBD.

Activity & Status

The City of Albuquerque is strongly committed to downtown, and continues to make every effort to revitalize the area. Because of the lack of private sector economic interest or strength, the City must generally be the driving force in development, offering various forms of assistance. As of 2014, the City is trying to take advantage of plans by the University of New Mexico to utilize a large building on the eastern edge of the CBD as something akin to incubator space to promote new technology and business. The City envisions an "innovation corridor" that would link downtown with areas to the east, and eventually to the Sandia Science & Technology Park and Sandia National Laboratories. Though UNM has acquired the target building, it is likely to be some time before any occupancy can occur in the building.

Government Offices

City and County government offices are concentrated in the City/County building at 5th and Marquette and the Plaza Del Sol building at Second and Roma. Some County offices moved east of the CBD core to buildings east of the railroad tracks several years ago. With completion of new structures at Lomas and Fifth Street, most County offices returned to the heart of the CBD. The south side of the CBD also experienced some growth with the development of a building for the Social Security Administration. The 130,000+ square foot facility was the first major government project in the south CBD in many years.

There have also been some losses in this sector. A developer received approval for construction of a new office building to house the Forest Service, which was previously located in the southwest quadrant of the CBD. While the move outside the traditional CBD was questioned, the new building was built on the far eastern edge of the CBD, east of the BN & SF railroad tracks. Another government office building was built along Broadway and is occupied by the Bureau of Reclamation and some Social Security offices. Finally, new offices for the F.B.I. and Bureau of Indian Affairs were built far away from the CBD resulting in the exodus of these tenants from CBD buildings.

In 2008, Bernalillo County considered acquiring the 230,000 square foot building at 500 Marquette, adjacent to the City/County building. In 2010, Bernalillo County revisited the possible acquisition of this property, underscoring the need of Bernalillo County to acquire or build new office space to accommodate government growth, but no agreement was reached. In 2013, Bernalillo County turned its attention to the Public Service Company of New Mexico headquarters building in the southwest quadrant of the CBD. This 282,500 square foot building has been vacated by PNM and it is available. As of this writing, Bernalillo County has had an appraisal performed and investigated an acquisition, but my understanding is that the parties could not reach an agreement. However, a recent and significant price drop has again peaked Bernalillo County's interest and they are reevaluating the property.

Judicial Facilities

Judicial facilities include federal courthouses, as well as district, County and City courts. The Albuquerque Police Dept. and the County Detention Center are also counted in this group. Clearly, the status of this group has been dynamic over the past few years, with new Federal, District, County and Metro courthouse having been completed. A huge parking garage built to serve these facilities has been completed, and ground floor retail space along the front of the garage is available for lease. In some cases, courts moved from old buildings on the south side of the CBD, leaving old obsolete structures empty. New buildings have left some older courthouse and jail buildings empty or underutilized, but their functionally obsolete designs make reuse of the buildings challenging. Substantial redevelopment of the buildings may be the only way to make them usable in the current market.

Private Offices

The largest office buildings in the CBD are typically anchored by local, regional or national banks. Included in this group are Bank of The West, Wells Fargo Bank, Compass Bank, US Bank, New Mexico Bank &

Trust, Bank of America and Bank of Albuquerque. Some small banks and credit unions occupy smaller facilities. Interestingly, only one of these major banking institutions is based in the south side of the CBD, all others in the north side.

Notable exceptions to the banking association are Plaza Compana, Simms Tower, 500 Marquette (Bank of The West has signage rights) and the Albuquerque Plaza buildings (Bank of Albuquerque has signage rights). While the latter two have space controlled by banks, the buildings were never strongly associated with institutions, nor does the presence of the banks serve to "define" the buildings. Simms Tower is an old building on the south side of the CBD that had been in need of modernization for years. The property was sold in 2013 to a local developer who has since thoroughly refurbished the building and modernized internal components. Conversely, 500 Marquette and Albuquerque Plaza are on the north side of the CBD, have modern and more efficient construction, and are very attractive buildings. Despite its location in the north half of the CBD, the Plaza Compana building's design and its limited parking availability serious hinder its competitive position in the marketplace.

Additional details will follow, but the CBD's office market has long suffered from over-building, resulting in relatively low rental rates and high vacancy. If space available for sub-lease is included, there has rarely been a period over the last 15 to 20 years when CBD vacancy has been less than 15% to 20%. To be sure, vacancy is normally lower in Class A buildings, but over the years, these buildings have not been immune to depressed rents and high vacancy. Repeated buy-outs and takeovers by major banks, and changes impacting utility companies have resulted in consolidation and down-sizing, periodically making large amounts of space available in some of the CBD's nicest buildings.

Whether real or perceived, agents say that prospective tenants believe the CBD has poor access, poor parking, and has a danger element that is not associated with alternative office districts or emerging suburban office locations. Generally, it is often heard that unless a person/firm has a specific reason to be in the CBD, they are rarely drawn to the CBD.

In the middle 2000s, construction of new office condominiums, or conversion of older buildings to condominiums, was very popular throughout Albuquerque. This concept came to the CBD mostly in the context of buildings offering primarily residential condominiums, with perhaps some commercial units on the ground floor. Combined live/work spaces have also been offered. Despite only modest success in the CBD, enormous success elsewhere in the city led developers to initiate conversions of a couple of large multi-tenant office buildings into condominium projects. These include the Copper Square building at Copper and Sixth, and the Plaza Maya building at Second and Roma. Given that the "condo craze" was closely tied to readily available financing, the deteriorating financial markets in 2008 severely stifled demand for condominiums throughout the city. The two large CBD projects encountered serious problems and both failed. Those condos that got completed in the CBD have mostly been forced to compete as rental units, and this has exacerbated an office rental market with chronic high vacancy.

Based on the lack of success of these major projects, and other smaller ones, it is something of a surprise that the owners of the Springer Building at 121 Tijeras Avenue on the eastern periphery of the CBD have announced plans to convert the building to condominiums. The building is generally well occupied by tenants, which could provide something of a base of prospective buyers. It is my understanding that suites will remain available for lease, but also be available for sale.

The newest speculative lease office building erected at Lomas Boulevard and Eighth Street stood totally vacant more than a year after construction was completed. After more than two years on the market, the building achieved about a 50% occupancy rate. Occupancy has improved over time, but this last gasp of construction shows the poor demand for office space in the CBD.

Corporate Offices

Major corporate offices are associated with local utility companies or suppliers. On the south side of the CBD, Public Service Company of New Mexico controlled the majority of space within the Alvarado Square, a two-tower office complex, and several neighboring buildings for many years. In 2012/2013, PNM vacated the Alvarado Square building, leaving over 280,000 square feet vacant. On the north side of the CBD, Century Link and AT&T control two buildings along Copper. Before down-sizing, Qwest had occupied a considerable amount of space in Albuquerque Plaza. That space has been available on a sub-lease, some having been occupied. Qwest recently closed its call center space within the Plaza Compana (Century Link) building in the CBD, leaving over 100,000 square feet vacant. Part of the space was re-leased and Century Link recently completed development of a "data center" within the building. A very sizeable amount of space remained vacant in Plaza Compana, but a large amount of the space has been leased by Molina Healthcare, which plans to relocate 650 employees to the downtown office in 2015. Unfortunately, The Gap has concurrently elected to relocate out of downtown to the north side of the city.

Hospitality Industry

There are currently three major hotels operating in the CBD. Following numerous attempts, the former La Posada de Albuquerque hotel was thoroughly renovated as reopened as Hotel Andaluz. This property joins the Double Tree and the Hyatt Regency hotels. An old Holiday Inn facility on the far west side of the CBD was completely renovated in 1997/1998 and reentered the market thereafter. However, its location on the far west side of the CBD, and its use of exterior walks to guest rooms diminish the ability of this property to complete with more traditional hotel facilities; this property no longer carries a national franchise and has changed names several times. Both east and west of the CBD, old motels offer very budget-oriented rooms.

The City has long promoted the need for additional quality hotel rooms in the CBD. The lack of an adequate number of rooms is cited by some as the reason for Albuquerque not being able to attract some of the large convention business it could otherwise get. Without City assistance, however, the private sector has largely been unwilling or unable to be the development force. In the middle 2000, a moderate expansion of the Double Tree hotel was discussed, but not undertaken. A similar consideration and dismissal took place at La Posada hotel. In 2006, new owners reported another plan of renovation for the La Posada hotel. Renovations finally started in 2008, but moved very slowly as the economy turned down. Renovation was finally completed and The Andaluz hotel eventually reopen in 2009 with a "silver" LEED certification.

A local development group acquired the Old First National Bank building in late 1999. The buyer planned to renovate the structure into a first class hotel facility, with 151 rooms and several unique suite options. A parking garage necessary to support the project was started in early 2001. Throughout most of 2001 the developer reported the hotel redevelopment was expected to start in the fourth quarter of 2001. However, near the end of the year the developer abandoned the idea of a hotel renovation, and planned to renovate the property into residential units. The property was subsequently sold in 2003, and the new owner started gutting the interior to prepare the building for renovation into residential loft-style condominium units, with some ground floor commercial space envisioned. The lofts have extremely high price-points, and absorption has been nearly non-existent. The ground level has attracted a small bank facility as a tenant, but not a buyer.

Though the City had long hoped a new hotel would locate in the CBD, the City supported and provided financial incentives to the developer of a 300-room Embassy Suites constructed east of the CBD at Lomas Boulevard and Interstate 25. Even though Lomas Boulevard is a main gateway to the CBD, the specific location of the new hotel is certainly outside the boundaries of the CBD.

Civic/Social Facilities

Facilities that fall into this category include the public library, the post office, bus and train stations, churches, the convention center, and civic plaza. It is these last two uses that have been major factors in the CBD.

The convention center was expanded in 1990. Albuquerque has been able to attract larger and more varied events/conventions since, and the City believes that further expansion is warranted. There is talk of another expansion, but this is likely an event tied to the expansion of the area's hospitality facilities. As such, no certainty surrounds expansion. Although the convention center has not been expanded, a significant renovation project started in 2013 and was completed near the end of 2014. This process involved exterior and interior renovations to modernize and refurbish elements of the facility.

Civic plaza is situated between the City/County building and the old convention center. It has long been used by the City as the site for political/social rallies, various forms of entertainment, and ethnic "fairs". The plaza was recently renovated, and is now considered more pedestrian friendly.

After long planning, one of the City projects for the CBD broke ground in 2000. The Alvarado Transportation Center is a project that combined, in a unified facility, terminals for train and bus transportation, as well as cab service. This project is positioned on land at the southeast corner of First and Central Avenue and extends a couple of blocks south, between the railroad tracks and First Street. The first phase of the project progressed slowly, not opening until late 2002, and not including all the users the City had expected. In 2006, relocation of bus terminals to the property was completed, and in the summer of 2006, a light-rail service began, originally linking Albuquerque to Bernalillo. Since then, light-rail service has expanded to Los Lunas and Belen, and as of December 2008, to Santa Fe.

Eating/Drinking & Entertainment Establishments

This has been one of the strong areas of growth for the CBD in recent years. Concentrated along Central Avenue, a variety of new establishments have opened. These include medium to mid-priced restaurants, espresso bars, a number of bars/nightclubs that are oriented to young adults, and some specialty theaters.

While this has been an area of growth, it is not associated with strong economics. The names of spots like "The Zone", "Brewster's Pub", "University Draft House", and others suggest an appeal to a young adult or college type crowd, as opposed to professionals. Not surprisingly, not all of these facilities have been long-lived, and not all are seen as desirable for the broad downtown revitalization effort.

As a result of City and private development group collaborations, significant changes are starting to take place in this sector. Following condemnation or friendly acquisition, the City has sold land to the Historic Downtown Improvement Company (HDIC) for redevelopment. The area termed the "arts and entertainment district" covers several blocks, and is concentrated along Central Avenue, from the railroad tracks to Fourth Street. The highlight and focal point of the redevelopment is the newly built modern stadium-seating movie theater. Century Theaters occupy a 14-screen theater complex at First and Central Avenue, having opened in November of 2001. The theaters are supported by a modest amount of retail and restaurant space developed in the same structure, and a large parking garage on the adjacent site. To date, several restaurant spaces have been leased/occupied, but none of the retail space has been leased.

The only private-sector development in this category has been the re-development of buildings at Central Avenue and Third Street. The building has one of the most unique facades in the entire city, and the second floor was leased to an up-scale billiards club. In early 2008, the owners renamed the facility and promoted the restaurant and nightclub attributes of the property over billiards. The restaurant eventually closed and in 2013 the space was reconfigured for an office user and leased in 2013. The ground floor remains in the lease-up phase. Several tenants have been attracted, but the space struggles to maintain occupancy and tenant turn-over is high.

On a more long-term basis, the City has periodically explored development of a sports or entertainment arena on the east side of Second Street, north of Central Avenue. However, budget considerations make such a development project highly speculative. A private development company attempted to work with the City in 2004 to develop an arena at no cost to the city except for a land contribution, but poor financials forced the Mayor to terminate the agreement. The neighboring City of Rio Rancho announced plans to build an arena, and this quickly re-ignited the City of Albuquerque's interest in construction of an arena. In late 2006, the Mayor announced that a developer had been selected, but timing of construction was to be subject to funding and condemnation of private property. Since then, plans have started and stopped. An inverse condemnation action was brought by a key property owner in the target area, and that further stalled the development efforts. The city eventually shifted the target site east of the BN & SF railroad tracks to the site of the First Baptist Church, but did not attempt an acquisition. In 2010, Albuquerque Public Schools contracted to buy the First Baptist Church site, seemingly scooping the City of Albuquerque. Subsequent discovery of environmental issues with the property voided the APS purchase, and put future use of the property in question.

Following continued marketing of the First Baptist Church facility, the University Of New Mexico moved to acquire the property. UNM plans to use the property as something of an incubator facility to try to help new business emerge and move to profitability. The acquisition has been completed, as there remain environmental issues and building renovations that must be resolved/completed. Accordingly, physical occupancy of the building is likely to be relatively far off. In an attempt to be a part of and expand upon the efforts of UNM, the Central New Mexico Community College (CNM) has agreed to lease a sizeable amount of office space in the First Plaza office building at Second Street and Tijeras Avenue. CNM plans to implement similar programs as those proposed by UNM.

The City of Albuquerque has concurrently announced a vision for an "innovation corridor" that would eventually extend east of the CBD to the main UNM campus, on to Nob Hill, and eventually as far east and south as the Sandia Science & Technology Park and Sandia National Laboratory facilities in the southeast region of the city. These ideas are in their infancy and will probably not progress much until the UNM acquisition and renovation of the First Baptist Church facility is completed.

In early 2005, the City promoted redevelopment of part of the rail yards on the south side of the CBD, with some film industry facilities the initial driving force behind the plans. This project failed to materialize in the CBD area, but the film industry user moved forward with development of a large facility in the emerging Mesa Del Sol project in the southeast quadrant of the city. In the first quarter of 2007, talks started with another film industry user who was interested in the rail yard property. In late 2007, the City of Albuquerque acquired the land and several defunct railroad service buildings from a local development group. The buildings have historical significance and had been planned as the site for museums, possible convention facilities, etc., but the private development group had not been able to bring the plans to fruition. The City still plans to use part of the space for the Wheels Museum, and has periodic lease commitments to the film industry and other occasional users. In 2014 a Master Plan for redevelopment of the Rail Yards, and an independent developer has been selected to work with the city. Extensive planning will still be needed before any significant work to the property is started, and the project is expected to take many years to reach completion. This property is off the far southeast corner of the CBD and is considered a peripheral component as the present time.

Retailing

Retailing has all but vanished in the downtown area. There remain scattered stores along Central and Gold Avenues, but there are also many vacancies. The last departure of a major retailer from the CBD was by Walgreens in 1998. Outside of some ground level space in major offices or hotels, retailing has only a token presence in the CBD.

As noted, part of the theater project is a small amount of retail and restaurant development. It is considered pertinent to point out that the huge success of the other Century Theater property in Albuquerque spawned considerable restaurant development in immediate proximity to the theater, with the first retail additions coming in very small quantities, and only four years after the theater opened and demonstrated its staying power. Thus far, the downtown theater has sparked only limited restaurant development/tenancy, and no retailing.

It is also noted that the Acropolis Garage building also incorporates retail space on the perimeter of the ground level. This is consistent with new zoning guidelines introduced in 2000 that promote “pedestrian friendly” building fronts, regardless of the building’s overall use. Though the garage opened in 2002, none of the retail space has been leased under market terms.

To date, the only location where retail uses have emerged with any success is along Gold Avenue, primarily between Second and Third Streets. This limited success has had comparatively little impact on the CBD, and 2007 saw the departure of a couple of retailers who had relatively long-term operations in the Gold Avenue corridor.

Given the fact that Gold Avenue has been about the only section of the CBD with any recent retail success, it is natural that a long-awaited grocery store will be part of a mixed-use development planned for the block bounded by Gold and Silver Avenues, and by Second and Third Streets. The multi-story project won approval in early 2013 and a developer was selected. The grocery store element is reported to be about 10,000 square feet in size, with an underground parking garage. The project will include 70+ residential units on upper floors. Ground was broken for the project in the first quarter of 2015.

Housing

This was clearly the least active sector of the market for many years. Aside from City assisted apartments built in the early 1980s (Alvarado Apartments), there had been no measurable growth in the residential market in or around the CBD.

Over the past several years, the City has acquired numerous tracts of land along the south periphery of the CBD with the intention of the land being used for subsidized housing (apartments of some type). After calling for bids from private developers, the City awarded the development rights to the lands along Coal to a local developer. The inability to obtain acceptable financing led the developer to sell the project (plans) to a major national apartment developer who constructed a 161-unit apartment project in 2001. The apartments provide housing at market rent and under lower-income housing guidelines.

The City also awarded a development group with local ties the rights to redevelop the old Albuquerque High School property east of the CBD, at Central Avenue and Broadway. This project includes a mix of commercial and residential uses, including apartment units. The first phase of the renovation started in early 2001 with approximately 70 units. The initial occupancy of units took place in early 2002. New units have continued to be renovated, and the project has also come to include a new parking garage that incorporates ground-floor commercial space. The final phase was completed in 2007. This project has performed well, with all early condominium units having been sold, and all early apartments rented. The most recently completed condominiums saw only limited sales, but nearly 100% occupancy as rentals.

The Gold Street Lofts are one of the most recent developments in the CBD. Located on the south side of Gold, between First and Second Streets, the lofts were built backing up to a parking garage. The lofts reported were in high demand and were mostly pre-sold before construction was finished. However, since being finished, absorption has been extremely slow and is still not complete more than five years after the property came to market. A few of the office condominiums on the second floor were sold and the remaining units were leased. None of the commercial condominiums on the ground floor sold, and the only occupancy has come by virtue of space being let to users for free or at exceptionally low cost.

In the far southwest corner of the CBD, a local developer specializing in in-fill projects developed the Silver Lofts along Silver Avenue, between Eighth and Ninth Streets. The project was highly successful in its first phase, prompting a national home builder to acquire the rights to develop the second and third phases, which proved equally successful. Ultimately, full sell-out of 47 condominiums was achieved prior to residential markets experiencing the 2008 crisis.

As noted previously, the owner of the Old First National Bank building initially planned to renovate the property into a hotel, but switched the end use to residential condominium units. The latter plan also failed, but new owners acquired the property in 2003, and in early 2005 started gutting the building in preparation for developing lofts on the upper floors. The ground floor has been built-out for a bank, and might eventually contain limited retail/restaurants tenants like large residential buildings in major urban areas. The developer originally targeted unit delivery by late 2005, then by late 2006. Completion was extended to 2007. The units are aimed at very up-scale residents, with prices ranging from $500,000 to over $1,000,000 per unit. Only two units have sold, and those two sales were to related parties. There has reportedly been some transition from a sale to a rental platform, but formal market ceasing in 2008.

One other residential condominium project in the CBD has fared quite well. Office space was converted to residential condominium units in the Quickel Building at Central Avenue and Sixth Street. All units sold quickly in 2005/2006. The success of this project prompted the developer to acquire additional property at the southeast corner of the same intersection. Defunct retail improvements were razed and the developer launched construction of a 9-story condominium building. The building was to feature very modern and unique architecture and was targeted to up-scale buyers. Partway through construction the project lost funding and has been left idle for nearly one year. After sitting unfinished and in disrepair for several years, the property was sold out of foreclosure to an Arizona company that is currently finishing the building for its originally intended use.

Despite serious trouble in the residential markets, additional residential product has been developed in the CBD. At First Street and Silver Avenue, a new apartment complex with adjacent parking garage was completed in 2009. All 66 units rented, the majority of which are on a subsidized basis. A second phase for this project, containing 70 units, was initiated and completed in 2011. Nearby, land along Lead Avenue between Second and Third Streets has been developed with the first eight of a planned 72 townhouse project; only one of the units sold, and the others rented. In 2013, the remainder of The Elements was constructed, with occupancy following immediately. In addition, land at the corner of Lomas Boulevard and Second Street was improved with 72 residential units targeted directly at low-income residents under City of Albuquerque sponsorship. The project opened in 2010 and reached full lease-up in just a few months. Commercial space associated with this apartment property took nearly two years to gain occupancy.

Outside Influences

Generally, the CBD is considered to have good access. Interstate access is available from multiple interchanges. Interchanges with I-25 include those at Lead/Coal, Central Avenue, Grand and Lomas. From I-40, there are interchanges and/or frontage roads accessible from 2nd, 4th and 6th.

Summary

In summary, then, the subject is located on the north side of the CBD. The core area, despite the significant construction that took place in the 1990s, has not really added new tenants/employees, at least not of a significant nature, since that time. Tenant shuffling represents the bulk of the activity, and this often develops a weaker overall market.

For more than 20 years, the City of Albuquerque, or other governmental agencies, has been the driving force in the development of the CBD. Aside from their own facilities, the City has assisted in almost all development, from multi-family residential to commercial construction. Despite assistance, commercial office developments have consistently failed to satisfy economic requirements, forcing foreclosures or sales at heavily discounted prices. Currently, the economic vacancy of commercial office space is over 20%, with sub-lease space adding to total physical vacancy. An attempt by some developers to capitalize on the mid-2000s demand for office condominiums came too late in the cycle, and projects initiated were devastated by the 2008 recession and near total lack of mortgage financing.

The City's constant push for revitalization and reinvigoration of the CBD continues. The City just recently completed work on refurbishing exterior and interior elements of the convention center. The City has also acquired considerable property on the south side of the CBD and turned the land over to the HDIC for commercial development, a national company for apartment development, and internally handled construction of the intermodal transportation center.

No City participation was required for the Federal Courthouse built on Lomas, on the far north side of the CBD. County monies were obviously used for acquisition of land that was improved with the County Courthouse and D.A.'s office, and the City was obviously responsible for development of the Metro Courthouse. Considerable participation was required on the part of the City for the Social Security Administration building on the south side of the CBD.

Extremely high hopes were placed on the multi-screen movie theater development and the surrounding retail and restaurant space. Residents of Albuquerque responded so favorably to the first Century Theater project, and the success of the theater led to development of numerous restaurants and retail centers adjacent to the theater. While the CBD movie theater has survived, its influence has not been very broad, as only a few adjacent restaurants have survived, and no retail development has been fostered. The City continues to express interest in developing an arena facility in the CBD, but numerous missteps and economic conditions beyond the control of the City have brought the City to a point where such a project may no longer be possible.

A hopeful start to the residential condominium market in 2005 and 2006 was largely choked off by the deteriorating housing market, a recession, and near total collapse of the financial markets. This perfect storm resulted in prominent projects failing to find buyers, or not even be completed. Some of the projects completed as condominiums have transitioned to rental properties and generally found a ready tenant base. However, property values associated with rental units is generally a fraction of that targeted as sale units. Despite the problems with ownership housing, subsidized rental housing has been an active part of downtown's development scene over the past few years, with new projects experiencing rapid absorption.

Specific Subject Location

The subject property is located in the northeast corner of the subject neighborhood, on the south side of Lomas Boulevard, a block east of First Street and a block west of Commercial Avenue, where the BN&SF railroad lines cross Lomas Boulevard. This location gives the site frontage on a primary arterials, in an area of mixed uses.

Specifically, the subject abuts industrial-class properties to the south and to the east, and is separated from a former industrial building converted to an indoor self-storage facility to the west (on the other side of the railroad tracks. The subject stands opposite a national-chain fast-food restaurant on the north side of Lomas. Beyond the abutting and immediately adjacent uses, the subject is close to professional offices, various types of light-industrial and service-class buildings, and a couple of national-chain fast-food restaurants, a gas station and convenience store, and more.

Access to the subject's specific location is good. The site's frontage on Lomas Boulevard gives it immediate access to a major east/west arterial. Lomas Boulevard provides immediate linkage to Broadway Boulevard to the east, and First through Eighth Streets to the west. Lomas Boulevard extends farther in both directions, including reaching I-25 a short distance to the east.

Growth in the immediate area has been limited for many years. A lack of ready vacant land has been a factor for an extended period of time, and crises-level economic conditions arising from the real estate and financial market collapse in 2007/2008 and the Great Recession and its lingering effects effectively ending new market-driven construction in the downtown area. The most recent example of new construction close to the subject was of a relatively small multi-family residential property developed at the southeast corner of Lomas Boulevard and Second Street. Like other new residential projects in the CBD, this project benefitted from government assistance and renting is targeted toward low-income residents.

Overall, this location is considered fair for commercial uses. While being on a main arterial, the property suffers some negative influences attributable to the adjacent railroad tracks and still prevalent industrial-class property uses. For several reasons, the location is better suited to industrial and service-class uses.

<u>*Description Of The Subject Site*</u>

A copy of the recorded plat of the subject site is presented in the preface for the reader's reference.

Location: The south side of Lomas Boulevard where the BN&SF railroad lines cross Lomas Boulevard.

Size: The recorded plat indicates the site has an approximate area of 0.6558 acres, or 28,567 square feet.

Shape: The site's shape is semi-rectangular. Pertinent dimensions include approximately 110' of frontage on Lomas Boulevard, and an average site depth of about 260'. These dimensions give the site a poor frontage to depth ratio suggesting future site improvements might have somewhat limited visibility and accessibility from Lomas Boulevard. Overall, despite a poor frontage to depth ratio, I consider the site's shape to be adequate and usable.

Topography: Currently, topography reflects site the finished topography of a developed site. Even after removal of a defunct structure, the site is relatively level, with perhaps the slightest downward slope from north to south. I not that the site sits several inches to perhaps one foot below the grade of Lomas Boulevard. Overall, topography has been rendered very mild and readily usable.

Flood Zone: According to my reading of FEMA Map #35001C-0334G (September 2008), the site is in a Zone 'X' (un-shaded), defined as "areas outside the 500-year flood".

Soil: Absent current or past soil bearing or composition data, this appraisal is predicated on the underlying assumption that the site is sufficiently stable to support the existing and any reasonably probable future improvements. Discovery of any adverse soil conditions could make this appraisal invalid.

Environmental: Absent a current Phase I or other environmental evaluation, this appraisal is predicated on the underlying assumption there are no above/below ground conditions or contaminants that could negatively impact the value of the site or property. Discovery of any adverse environmental conditions could make this appraisal invalid or subject to revision.

Zoning: Under the authority of the City of Albuquerque, the site is zoned SU-3 for intense development. The zoning is very permissive regarding property types and development density, but still has restrictions related to property lines, building height restrictions and providing adequate on or off-site parking, etc. For additional details, the SU-3 section of the zoning code is reprinted in the addendum.

Utilities: Public/private utilities extended to the site include water, sewer, electricity, natural gas and telephone. The Albuquerque Bernalillo County Water Utility Authority provides water and sewer, while private utility companies provide the remaining utility services. All utilities are within standard overhead or underground easements.

Easements: The recorded plat does not show any easements within the subject property lines. Absent a detailed title report or a current survey, I cannot state for certain that there are no other easements on the site. Therefore, it becomes and underlying assumption of this appraisal that there are no unknown detrimental easements on the subject site.

Access: Legal access to the site is possible from Lomas Boulevard. Developed access is via a single driveway at the northeast corner of the site.

Streets: Adjacent to the site, Lomas Boulevard is a paved six-lane boulevard with raised concrete median dividers. The street has bordering curb and gutter, with sidewalks installed in front of improved sites. There are median openings at intersecting streets and in front of some mid-block parcels, including the subject. Therefore, the site has access to/from east and westbound lanes of Lomas Boulevard.

Summary: Overall, the site is considered adequately suited to all variety of commercial and industrial uses in accordance with underlying SU-3 zoning. Aside from standing immediately adjacent to active railroad lines and being subjected to the periodic noise and vibration of passing trains, there are no obvious impediments to the use or development of the site.

Existing Improvements

Based on my inspection, the only lingering improvement following demolition of a defunct building is a small metal post and sign along the north edge of the site.

Assessed Value And Property Taxes

The property's tax assessment is in the name of the City of Albuquerque, with notices sent to an Albuquerque, New Mexico address. The subject property is currently assessed under a single Uniform Property Code number (UPC). The following chart shows the property's identification number, tax assessment, the taxable value, and the actual taxes for the most recent tax year. (I note the 2016 assessment is slightly higher at $170,300, but the applicable tax rate has not been released yet.)

UPC #1-014-058-348-094-4-10-24

YEAR	ASSESSED	TAXABLE	TAXES
2015	$166,800	$55,595	$0

The subject property is owned by a government agency and is, therefore, exempt from ad valorem taxes. Nonetheless, based on the estimate of market value developed in this appraisal, I conclude that the assessed market value is well below the subject's actual market value. Therefore, the reader is advised that a more accurate assessment would likely result in higher property taxes. This stated, the subject's recent assessment history offers no reason to suspect there will be any significant change in the assessed value or applicable tax rate in the near future.

Subject Property Sales & Listing History

My investigation of the property did not reveal any arms-length sales of the property within the past three years leading up to the date of appraisal. The City of Albuquerque acquired the property in 2007 and there have been no arms-length transactions since that point in time. Therefore, this appraisal has not been influenced by any recent sales of the subject property.

To the best of my knowledge, the subject property is not now, nor has it recently been, listed for sale on the open market. Therefore, there is no pertinent listing history to analyze.

Highest And Best Use

Prime concerns within a highest and best use study are the legal, possible, probable, and profitable use of land and/or improvements. These elements are examined as they apply to the subject site.

Land As Vacant

I conclude the highest and best use of the subject site, is for ***future*** light-industrial, service-class or commercial development. Factors leading to this conclusion include the underlying zoning of the site that allows for intense industrial and commercial uses, the physical features of the site that are capable of supporting light-industrial, service-class or commercial development, the fact that most abutting and nearby surrounding properties are light-industrial, service-class or commercial in nature, and the potential for well-planned light-industrial, service-class or commercial development to provide an acceptable economic return on development. Within the broad category of light-industrial, service-class or commercial use, I believe a service-class or commercial use is most likely, given the subject's arterial frontage and relatively small site area.

Appraisal Procedure

Standard approaches to market value include the depreciated cost approach, the sales comparison (market) approach, and net income capitalization approach. While the three approaches may use some common data, the analysis of data is different for each, and each focuses on a different attribute of property value. Since any analysis can include certain variables, this report may develop low, high, and most probable indications from each study used. A final review of the approaches, in light of each other, is the basis for the final value estimate.

The depreciated cost approach considers the property from a/the developer's standpoint. Thus, all aspects of land acquisition, planning costs, construction costs, and financing costs must be considered, as well as the developer's incentive. When "new" cost is estimated, deductions, if appropriate, may be made for areas where the property suffers from depreciations, be it physical, functional, or economic.

The sales comparison approach is essentially a comparison-shopping study that reflects common buyers and sellers. This approach considers the property as an item to be bought or sold like other goods. Common denominators like price per square foot or net/gross income multipliers are used as units of comparison, developed from the sales and applied to the subject. The approach pays particular attention to aspects of quality, condition, size, and potential.

Finally, the capitalization of net revenue is the basis for the income approach, which considers real estate as an "investment". Prime concerns are the quantity and quality of income that a/the property can be expected to produce, subject to the anticipated expenses of operating the property. Capitalization of the net income is based on required and desired capital returns. Capitalization may take more than one form, with common applications being direct capitalization and a discounting of future cash flows.

Applicable Approaches

As an essentially vacant site, the subject property is not reproducible. Therefore, the depreciated cost approach is not applicable and it is not used in this appraisal. The income capitalization approach, while technically applicable, is not a reliable indicator of value because of the relative infrequency with which land like the subject is leased and the corresponding lack of viable market data. Therefore, the income capitalization approach is not used in this appraisal. The subject property is valued through the sales comparison approach. The sales comparison approach is the most applicable approach to estimating the market value of vacant land, and it is the approach that most market participants rely on when estimating land value.

Sales Comparison Approach – Land Value

The market value of vacant land is best estimated through a sales comparison process. This process involves analysis of sales of similar lands that have sold within a reasonably proximate period of time. Unit values like price per square foot or price per acre are taken from the sales as indicators for the subject property's market value. If there are significant differences between the sale and subject properties, and if the market's reaction to the differences can be isolated and demonstrated, then adjustments to the sales can be made. If sound, the adjustments make a sale, or its value indication, more applicable to the subject. Where limited data is available, or adequate support for quantitative adjustment(s) cannot be demonstrated, sales must normally be used in a "raw" form, possibly subject to qualitative adjustments.

Sales Selection

Based on the subject's size and location, the pool of prospective comparable sales is rather limited. Sales in the immediate area are available, but they are few in number and some are quite dated. Unfortunately, the subject neighborhood is so unique that it is not reasonable, in my opinion, to import sales from other neighborhoods. Therefore, even though only a few sales will be included, I consider them most relevant to estimating the market value of the subject site.

In keeping with a Summary Report format, the comparable sales are not discussed in individual narratives. Pertinent sale details are tabulated for easy reference and analysis, with additional details/location maps presented in the addendum.

Sales Presentation – Area Land Sales

Pertinent data from the sale properties is presented in the following chart.

SALE SUMMARY – BY SALE DATE

#	ADDRESS	DATE	STREET	SIZE	SITE	SHAPE	ZONING	END USE	$/SF
1	Lomas to Slate	**09/25/2007**	Primary +	6,854	Dbl-Frt	Rectangular	SU-C-3	Undeveloped	**$19.70**
2	Lomas	**11/12/2007**	Primary	5,227	Interior	Rectangular	SU-RC	Undeveloped	**$20.47**
3	Lomas/Broadway	**07/24/2008**	Primary	120,596	Corner	Rectangular	SU-2	Ponding	**$17.41**
4	Central/10th	**06/26/2013**	Primary	60,019	Corner	Semi-Rect.	SU-3	Apartments	**$19.58**
5	Sixth/Fruit	**11/05/2014**	Secondary	17,175	Corner	Rectangular	SU-3	Parking Lot	**$15.14**
6	Lomas & Sixth	**11/23/2015**	Primary	18,513	Dbl-Frt	Semi-Rect.	SU-3	Undeveloped	**$15.66**
7	Broadway/Marble	**05/24/2016**	Primary	75,446	Corner	Semi-Rect.	SU-2	Ponding	**$12.68**

The sales are analyzed for relevant adjustments.

Analysis . . . Sale Conditions

The first consideration in analyzing sales is whether or not there are "conditions of sale" unique to one sale that might influence the sale price. Such conditions could be some form of distress on the part of the seller, favorable financing by the seller, or some other factor that is atypical of the normal conditions of sale for real estate.

Sale #2 sold with seller financing following an 11% down payment. In a market where 20% to 25% down is generally considered cash equivalent, the sale terms could be considered favorable to the buyer. In such cases, it is sometimes the case that the buyer pays an above-market price because of the favorable terms. In this case, the seller financing was for only five years. Based on this short-term loan, and the fact that comparison of the sale to others in the dataset shows no abnormality, I conclude no adjustment for conditions of sale are warranted.

Expenditures After Sale

If a buyer faces immediate expenses to make land usable, such as extending road or utility infrastructure, it can be appropriate to account for said expenditures.

In the case of Sale #1, the buyer assumed the responsibility of razing the defunct residential improvements from the site. The cost was not reported, but I have estimated a cost of $0.30 per square foot, increasing the cost of acquiring the site as though vacant to $20.00 per square foot.

In the case of Sale #5, the buyer assumed the responsibility of bringing the property into compliance with the City of Albuquerque's requirements for surface parking lots. The cost was reported at $100,000, which added $5.82 per square foot to the cost of the site, bringing the total to $20.96 per square foot.

In the case of Sale #6, the buyer assumed the responsibility of razing the defunct residential structures from the site. The cost was not reported, but I have estimated a cost of $0.81 per square foot, increasing the cost of acquiring the site as though vacant to $16.47 per square foot.

The impact of the expenditures after sale is shown in the following chart.

SALE SUMMARY – ADJUSTED FOR EXPENDITURES AFTER SALE

#	ADDRESS	DATE	STREET	SIZE	SITE	SHAPE	ZONING	END USE	$/SF
1	Lomas to Slate	09/25/2007	Primary +	6,854	Dbl-Frt	Rectangular	SU-C-3	Undeveloped	**$20.00**
2	Lomas	11/12/2007	Primary	5,227	Interior	Rectangular	SU-RC	Undeveloped	**$20.47**
3	Lomas/Broadway	07/24/2008	Primary	120,596	Corner	Rectangular	SU-2	Ponding	**$17.41**
4	Central/10th	06/26/2013	Primary	60,019	Corner	Semi-Rect.	SU-3	Apartments	**$19.58**
5	Sixth/Fruit	11/05/2014	Secondary	17,175	Corner	Rectangular	SU-3	Parking Lot	**$20.96**
6	Lomas & Sixth	11/23/2015	Primary	18,513	Dbl-Frt	Semi-Rect.	SU-3	Undeveloped	**$16.47**
7	Broadway/Marble	05/24/2016	Primary	75,446	Corner	Semi-Rect.	SU-2	Ponding	**$12.68**

These adjusted unit prices are used for subsequent analyses.

Market Conditions – Date Of Sale (Time)

The sales cover a period of nominally nine years, plus a few more months leading up to the effective date of valuation. Over such a period of time it is certainly possible that market conditions have changed in a way that could impact unit prices (up or down). Unfortunately, with so few sales, there is virtually no chance of extracting a reliable indication of the change in market conditions.

Sales #1 and #2 are not too dissimilar from Sale #6. While the latter shows a unit price about 19% lower than the earlier sales, it is also a much larger site (generally a downward influence on unit price) and is also an "L" shaped site with most of its frontage on a secondary street (also potentially a negative influence on unit price). Therefore, it any reasonable amount of the difference is attributable to size and shape/frontage, the implication is that date of sale has little or no influence.

Sales #3 and #7 are also not too dissimilar from one another. Again, the latter sale shows a lower unit price by about 27%. However, while the site's share Broadway Boulevard frontage, sale #7 lacks Lomas Boulevard frontage, which is considered far more influential than Broadway Boulevard. As in the comparison above, Sale #7 is also an "L" shaped site with frontage on two tertiary streets. Thus, as before, if even moderate consideration is given to street frontage and shape issues, the implication is that date of sale has little or no impact.

Finally, I have considered the simple mean of the 2007/2008 sales ($19.29 per square foot) and the simple mean of the 2014/2016 sales ($17.42 per square foot). If the sole difference is related to date of sale, the implied time adjustment would be less than 10%. Clearly, if even a little bit of the difference is attributable to other causes, the indicated time adjustment is small or nonexistent.

Based on these indications, I conclude that there is no compelling evidence of a change in downtown area land prices related to date of sale. Accordingly, no time adjustment will be used.

Site Size

It is often the case that large sites command lower unit values than otherwise similar small sites, reflecting economy of scale.

SALE SUMMARY – BY SITE SIZE

#	ADDRESS	DATE	STREET	SIZE	SITE	SHAPE	ZONING	END USE	$/SF
2	Lomas	11/12/2007	Primary	**5,227**	Interior	Rectangular	SU-RC	Undeveloped	**$20.47**
1	Lomas to Slate	09/25/2007	Primary +	**6,854**	Dbl-Frt	Rectangular	SU-C-3	Undeveloped	**$20.00**
								MEAN	**$20.24**
5	Sixth/Fruit	11/05/2014	Secondary	**17,175**	Corner	Rectangular	SU-3	Parking Lot	**$20.96**
6	Lomas & Sixth	11/23/2015	Primary	**18,513**	Dbl-Frt	Semi-Rect.	SU-3	Undeveloped	**$16.47**
								MEAN	**$18.72**
4	Central/10th	06/26/2013	Primary	**60,019**	Corner	Semi-Rect.	SU-3	Apartments	**$19.58**
7	Broadway/Marble	05/24/2016	Primary	**75,446**	Corner	Semi-Rect.	SU-2	Ponding	**$12.68**
3	Lomas/Broadway	07/24/2008	Primary	**120,596**	Corner	Rectangular	SU-2	Ponding	**$17.41**
								MEAN	**$16.56**

The sales do not compare well one to another to isolate the element of size, but arrayed in order of site size there appears to be a limited correlation between site size and unit price. This apparent correlation is supported by a comparison of the simple means of the very small, medium, and larger-sized sites, as unit prices drop 7.50% from the first to the second group, and 11.50% from the second to the third group. Based on these indications, and is recognition of the subject's size, I will use a downward 10% adjustment to the very small sales and an upward 10% adjustment to the larger sales.

SALE SUMMARY – ADJUSTED FOR SITE SIZE

#	ADDRESS	DATE	STREET	SIZE	SITE	SHAPE	ZONING	END USE	$/SF
2	Lomas	11/12/2007	Primary	5,227	Interior	Rectangular	SU-RC	Undeveloped	**$18.42**
1	Lomas to Slate	09/25/2007	Primary +	6,854	Dbl-Frt	Rectangular	SU-C-3	Undeveloped	**$18.00**
5	Sixth/Fruit	11/05/2014	Secondary	17,175	Corner	Rectangular	SU-3	Parking Lot	**$20.96**
6	Lomas & Sixth	11/23/2015	Primary	18,513	Dbl-Frt	Semi-Rect.	SU-3	Undeveloped	**$16.47**
4	Central/10th	06/26/2013	Primary	60,019	Corner	Semi-Rect.	SU-3	Apartments	**$21.54**
7	Broadway/Marble	05/24/2016	Primary	75,446	Corner	Semi-Rect.	SU-2	Ponding	**$13.95**
3	Lomas/Broadway	07/24/2008	Primary	120,596	Corner	Rectangular	SU-2	Ponding	**$19.15**

These adjusted unit prices are used for subsequent analyses.

Location

Location is almost always influential on land value. The sales have locations that are broadly similar, but vary with regard to specifics.

SALE SUMMARY – BY SITE LCATION

#	ADDRESS	DATE	STREET	SIZE	SITE	SHAPE	ZONING	END USE	$/SF
7	**Broadway/Marble**	05/24/2016	Primary	75,446	Corner	Semi-Rect.	SU-2	Ponding	**$13.95**
6	**Lomas & Sixth**	11/23/2015	Primary	18,513	Dbl-Frt	Semi-Rect.	SU-3	Undeveloped	**$16.47**
1	**Lomas to Slate**	09/25/2007	Primary +	6,854	Dbl-Frt	Rectangular	SU-C-3	Undeveloped	**$18.00**
2	**Lomas**	11/12/2007	Primary	5,227	Interior	Rectangular	SU-RC	Undeveloped	**$18.42**
3	**Lomas/Broadway**	07/24/2008	Primary	120,596	Corner	Rectangular	SU-2	Ponding	**$19.15**
5	**Sixth/Fruit**	11/05/2014	Secondary	17,175	Corner	Rectangular	SU-3	Parking Lot	**$20.96**
4	**Central/10th**	06/26/2013	Primary	60,019	Corner	Semi-Rect.	SU-3	Apartments	**$21.54**

Overall, sales adjusted to this point indicate a range from $13.95 to $21.54 per square foot. Six of the seven sales fall into a range of $16.47 to $21.54, and it is really Sale #1 that stands relatively far apart from the other sales. Sale #7 indicates a unit price roughly 15% lower than the next closest sale, while all of the remaining sales have less than a 10% spread between any two. In my opinion, the lower unit price associated with Sale #7 is related to its specific location north of Lomas Boulevard and its slightly more "detached" relationship to the CBD.

If adjusted just to the next closest sale, an adjustment of 18% would be indicated. If adjusted to the simple mean of the other six sales ($19.09), an adjustment of 37% is indicated. Based on these indications, I will use a 20% adjustment to account for the inferior location of Sale #7.

Application Of Adjustments

My analysis of the sales presented herein indicates multiple adjustments are applicable. The following chart shows the sales and all applicable adjustments, with the sales sorted by price per square foot.

SALE SUMMARY – SITES BY ADJUSTED PRICE PER SQUARE FOOT

#	ADDRESS	$/SF	C.O.S.	EXP	DATE	STREET	SIZE	SITE	ZONING	USE	$/SF
6	Lomas & Sixth	$15.66		+$0.81							**$16.47**
7	Broadway/Marble	$12.68				+$2.54	+$1.52				**$16.75**
1	Lomas to Slate	$19.70		+$0.30			-$2.00				**$18.00**
2	Lomas	$20.47					-$2.05				**$18.42**
3	Lomas/Broadway	$17.41					+$1.74				**$19.15**
5	Sixth/Fruit	$15.14		+$5.82							**$20.96**
4	Central/10th	$19.58					+$1.96				**$21.54**

Following application of quantitative adjustments, the sales indicate $16.47 to $21.54 per square foot. Obviously, this remains a relatively wide range. In reconciling these indications, it is reasonable to note that Sale #5 was bought for continued use as a surface parking lot. Though the physical improvements to the land are modest, there is probably come contributory value in them. Thus, the subject could reasonably be expected to command a unit price below $20.96 per square foot, which effectively narrows the range to $16.47 to $19.15 per square foot. This is still a spread of about 15%. The five "preferred" sales yield a simple mean of $17.76 per square foot.

In reaching a final conclusion, I have taken two factors into consideration. First, Sale #6, which yields the lowest indication of value, required the fewest and/or smallest adjustment. In my opinion, this lends some added weight to the lower end of the range.

The second consideration is something that the other sales cannot measure. The subject site abuts active rail lines. As a result, the site and/or future improvements are potentially subject to noise, vibration and odors associated with daily train traffic. In my opinion, this is a less than desirable influence that none of the other sales have. As a result, I think that all of the sales have a level of superiority to the subject in this one instance.

Ultimately, I think that the best indication of value for the subject is the preferred sales that show $16.47 to $19.15 per square foot. I think the low end of the range is supported by the sale requiring the lease amount of adjustment. Further, the fact that each of the sales has some element of superior by virtue of being located away from active rail lines also supports a conclusion at or below the low end of the range. Based on this, I find a conclusion at or near $16.47 per square foot most reasonable. Subject to incidental rounding, I conclude with an estimate of $16.50 per square foot.

Conclusion

The analysis of primary sales supports a conclusion of $16.50 per square foot for the subject site.

Estimated Unit Value	$	16.50
Subject Land Area	X	28,567
Indicated Site Value	$	471,356

Incidental rounding leads to a conclusion of $470,000.

Therefore, based on comparisons with the best available land sales, I estimate the market value of the subject site, in "as is" condition, to be $470,000.

Final Estimate Of Value

The subject property is a small parcel of commercially-zoned land located in the far northeast corner of the central business district. The site benefits from frontage on a primary east/west arterial with bidirectional access, level topography, standard utility services, and very permissive zoning. The site's one undesirable attribute is that it abuts active railroad lines and can be subject to periodic noise, vibration and odor. Based on the status of the site as vacant land, the cost and income capitalization approaches are not directly applicable and are not used in the valuation process. The site has been valued solely through the sales comparison approach.

I have identified sevel comparable sales spanning a period of several years. The sales are subject to several adjustments. The result of the adjustment and analysis process is that five sales support a value range of $16.47 to $19.15 per square foot. Based on the sale requiring the least adjustment, and in consideration of the influence of the adjacent railroad tracks, the low end of the range was deemed tp be most applicable, leading to a conclusion of $16.50 per square foot, or $470,000.

Therefore, based on information provided by my client, my on-site inspection, review of pertinent documents, and analysis of the pertinent market data, I conclude that

FOUR HUNDRED SEVENTY THOUSAND DOLLARS

represents the market value of a fee simple title to the property described in this report, considering the property in "as is" condition, as of August 19, 2016, subject to the extraordinary assumptions cited in this report.

Exposure Time

Exposure time is the theoretical time a property would have had to be exposed to the market, prior to the date of appraisal, to realize a sale at or near the appraised value. Estimating exposure time is made difficult by several factors. The motivations of buyers and sellers can be very strong or just passing. Listing prices can be set excessively high and discourage all inquiries. And conditions impacting the overall market or certain sub-markets can be very influential. The ability of any or all of these elements to change quickly is also a factor.

The marketing efforts of listing agents or sellers are also a large variable. For example, properties are often not listed by a real estate brokerage firm. Such sale-by-owner attempts usually do not access avenues of marketing and exposure readily available to the professional salesperson. Further, such properties are often not well identified by signs, and often do not have responses ready for inquiries.

In the subject's favor, the sale approach shows there have been several sales of land in the CBD over the past three years, and a handful of other sales deemed less comparable add to the total volume of sales on the subject vicinity. This stated, comparable sales have averaged only one per year, or slightly less, for the past decade, so expectations should not be high for a short listing time. Based on the available sales and the time span they cover, I estimate an exposure period of not less than six months and probably not more than 12 months, with proper marketing.

This estimate of exposure time assumes that if the property had been placed on the market for sale, that it would have been listed with a qualified commercial broker, that it would have been actively marketed through all reasonably available sources, that the asking price would not have been inflated, and that the seller would have responded promptly to all offers made on the property. Failure to properly expose the property would conflict with estimates of value and exposure time expressed within this report and may render them invalid.

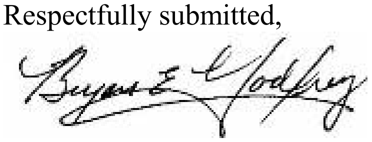
Certification

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

- the statements of fact contained in this report are true and correct;
- the report analyses, opinions, and conclusions are limited only by the reported assumptions, extraordinary assumptions, limiting conditions and hypothetical conditions, and are my personal, unbiased professional analyses, opinions and conclusions;
- I have performed no services (appraisal or otherwise) regarding the subject property within the three-year period immediately preceding acceptance this assignment;
- I have no present or prospective interest in the property appraised that is the subject of this report and no personal interest with respect to the parties involved;
- I have no bias with respect to the property appraised that is the subject of this report or to the parties involved with this assignment;
- the engagement of this assignment was not based on or contingent upon developing or reporting a requested minimum valuation, a specific valuation, approval of a loan, the occurrence of any subsequent event, or any other predetermined result;
- the compensation for completing this assignment was not based on or contingent upon developing or of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, of the occurrence of a subsequent event directly related to the intended use of this appraisal;
- the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformance with the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;
- the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformance with the Uniform Standards of Professional Appraisal Practice;
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- as of the date of this report, Bryan E. Godfrey, MAI has completed the requirements under the continuing education program of the Appraisal Institute;
- my contractual agreement with my client does not authorize the out of context quoting from or partial reprinting of this appraisal report, nor does it permit all or any part of this appraisal report to be disseminated to the general public by the use of media for public communication without my written consent;
- Bryan E. Godfrey, MAI has made a personal inspection of the appraised property;
- no one provided significant professional appraisal assistance to me in the preparation of this report.

This certification is prepared specifically for the appraisal of property at 102 Lomas Boulevard, NE, in Albuquerque, New Mexico.

Respectfully submitted,



Bryan E. Godfrey, MAI, State Certified General Appraiser #G-192

UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

Opinions of value and/or other conclusions contained in this appraisal report are based on the following basic assumptions and limiting conditions.

1. This report is based in part upon information carefully selected from a variety of sources, including public records and other sources deemed to be reliable. While a reasonable effort has been made to verify such information, the appraiser for its accuracy assumes no responsibility.

2. Legal descriptions of the property were furnished by my Client, or were obtained from public records, and are assumed to be accurate. Plans, sketches, aerial photography, and the like included in this report are intended only to assist the reader in visualizing the property and are not to be construed as engineering drawings or surveys unless so identified.

3. Property proposed for construction has been examined to the extent possible. Available plans and specifications have been examined and conclusions based on such examination reported herein. I assume no responsibility for the quantity or quality of such material provided to me and I restrict my analyses and conclusions to information so obtained.

4. The appraiser assumes no responsibility for matters legal in nature, nor does the appraiser render any opinion as to the property title, which is assumed to be marketable. Unless otherwise stated within the report, any and all liens and encumbrances have been disregarded and the property appraised as though free and clear under responsible ownership and competent management.

5. I assume that all applicable zoning and use regulations and restrictions have been complied with unless non-conformity has been stated, defined, and considered in this report.

6. I assume that all required licenses, consents, 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 opinion contained within this report is based.

7. I assume that the utilization of the land and improvements of the subject is within the boundaries or property lines described and that there is no encroachment or trespass unless otherwise noted within the report.

8. I assume that there is full compliance with applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined, and considered in this report.

9. No soil borings or analyses have been made of the subject. I assume that soil conditions are adequate to support standard construction consistent with the highest and best use as stated in this report, and that there are no surface or sub-surface conditions or contaminants present that would materially impact value.

10. No responsibility is assumed for engineering matters, mechanical or structural. Good mechanical and structural condition is assumed to exist.

11. I did not observe, during inspection of the subject, any materials considered to be hazardous including, but not limited to, asbestos, urea formaldehyde foam insulation, and aluminum wiring. However, no guarantees against the presence of such hazardous materials are implied by this report.

12. No environmental impact studies were either requested or conducted in conjunction with this appraisal and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions bases on any subsequent environmental impact studies, research, or investigation.

13. This appraisal report was prepared for the confidential use of the Client for the purpose specified and must not be used in any other manner. Possession of this report, or a copy thereof, does not carry with it the right of publication, nor may it be used by anyone but the Client and Intended User(s), for any purpose, without the written consent of the Client and the Appraiser, and in any event, only with the proper qualification.

14. The appraiser is not required to provide further consultation nor to appear or give testimony before any Court or Tribunal with reference to this report and/or the property in question unless previous arrangements have been made therefore.

15. This appraisal report and/or valuations stated herein shall not be relied upon or utilized in any matters pertaining to any syndication, or any State or Federal Securities and Exchange Commission registrations.

16. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in conformance with one or more of the requirements of the act. If so, this fact could have a negative impact on the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which the appraiser is connected or reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, any public relations media, news media, sales media or any other public means of communication without the prior written consent of the appraiser(s).

COMMON DEFINITIONS AND RESTRICTIONS

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

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

(Source: Financial Institutions Recovery, Reform, and Enforcement Act of 1989 (FIRREA), Title 12 CFR, Part 34.42(g))

"As Is" Market Value . . . "The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal's effective date."

(Source: Interagency Appraisal & Evaluation Guidelines, Department of Treasury, 2010)

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

Fee Simple Title . . . "Absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power, and taxation."

Leased Fee Estate . . . "An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; usually consists of the right to receive rent and the right to repossession at the termination of the lease."

Leasehold Estate . . . "The right to use and occupy real estate for a stated term and under certain conditions; conveyed by a lease."

Highest And Best Use . . . "The reasonable and probable use that supports the highest present value of land or improved property, as defined, as of the date of appraisal."

Cash Equivalent . . . "A price expressed in terms of cash, as distinguished from a price which is expressed all or partly in terms of the face amounts of notes or other securities which cannot be sold at face."

(Source: The Dictionary of Real Estate Appraisal, American Institute of Real Estate Appraisers, 1984 & 2010)

QUALIFICATIONS OF BRYAN E. GODFREY, MAI
REAL ESTATE APPRAISER

BASIC EDUCATION

Highland High School, Albuquerque, Graduated 1977
University of New Mexico, Albuquerque, B.A. 1983

RECENT SPECIALIZED EDUCATION

Uniform Appraisal Standards For Federal Land Acquisition (Yellow Book), March 2007
Appraisal Operations, December 2007
Valuemetrics (Stats & Graphs), July 2009
Valuemetrics I (Stats & Graphs), March 2010
Lending World In Crisis, November 2010
Conservation Easements, June 2011
Appraisal Curriculum Overview, September 2011
Evaluating Commercial Construction, September 2012
Practical Linear Regression, October 2012
Regression Analysis, April 2014
Business Practices & Ethics, January 2016
Uniform Standards OF Professional Appraisal Practice (Update), January 2016
Eminent Domain & Condemnation, April 2016
Supporting The Work File, April 2016

PROFESSIONAL EXPERIENCE

Real Estate Appraiser, Godfrey Appraisal Services, Inc., since 1976
Appraisal Witness Before Albuquerque City Zoning Commission
Appraisal Expert Witness Before NM District Court

SAMPLE CLIENTELE

State of New Mexico
City of Albuquerque
County of Bernalillo
Native American Pueblos
Attorneys At Law
Real Estate Investment Trusts
Banks, Mortgage Companies, and Savings And Loans
Private Lending-Investment Institutions
Insurance Companies
Private Individuals and Corporations

PROFESSIONAL MEMBERSHIPS

The Appraisal Institute [MAI #8030], 1988
State Of New Mexico, Certified Real Estate Appraiser [#00192-G]

LAND SALE #1

```
DB #:     1  ID #: 11807CP  City: ABQ  Doc: WD   Rec #:  7-139705
Street Name: LOMAS/SLATE              Quad: NE  Zoning Map: J14C
Subdivision: MRGCD #37          Block: TRACT   Lot: 216
Seller: SANCHEZ, R       Buyer: SNOY, F        Date: 09/25/07
Square Feet:          6,854 Acres:       0.16   End Use:
Zoning: SU-C-3  Site: COR   Imp: CSP Util: WSGE  Topo: LEVEL
Sale Price: $   135,000 DOM:     Pr/Sft: $ 19.70 Pr/Ac: $  857,981
Downpayment: 100%  Rate:          Term:          Special:
Comments: DEFUNCT SFR ON SITE PROBABLY HAD NO VALUE.
```

LAND SALE #2

```
DB #:     2  ID #: 12044CP  City: ABQ  Doc: REC  Rec #:  7-157840
Street Name: LOMAS                    Quad: NW  Zoning Map: J14D
Subdivision: PERFECTO GARCIA    Block: 22      Lot: 239-240+
Seller: PADILLA, T       Buyer: JJMD ENTERPR   Date: 11/12/07
Square Feet:          5,227 Acres:       0.12   End Use:
Zoning: SU-RC   Site: INT   Imp: CSP Util: WSGE  Topo: LEVEL
Sale Price: $   107,000 DOM:     Pr/Sft: $ 20.47 Pr/Ac: $  891,701
Downpayment:  11%  Rate:  8.000   Term:  5.00   Special:
Comments: SMALL SITE ON NW FRINGE OF CBD.
```

LAND SALE #3

```
DB #:     3  ID #: 12163C   City: ABQ  Doc: SWD  Rec #:  8- 84493
Street Name: BROADWAY/LOMAS           Quad: NE  Zoning Map: J14C
Subdivision: SLADE-OLSEN        Block: TRACT   Lot: A-1
Seller: US POSTAL SE     Buyer: CITY ABQ       Date: 07/24/08
Square Feet:        120,596 Acres:       2.77   End Use: PONDIN
Zoning: SU-H-M  Site: COR   Imp: CSP Util: WSGE  Topo: LEVEL
Sale Price: $ 2,100,000 DOM:     Pr/Sft: $ 17.41 Pr/Ac: $  758,533
Downpayment: 100%  Rate:          Term:          Special:
Comments:
```

LAND SALE #4

```
DB #:     4  ID #: 12897C   City: ABQ  Doc: WD   Rec #: 13- 73245
Street Name: CENTRAL/10TH             Quad: SW  Zoning Map: K13
Subdivision: NM ORIG TOWNSITE   Block: 48      Lot: 13-A
Seller: SILVER MOON      Buyer: SILVER MOON    Date: 06/26/13
Square Feet:         60,019 Acres:       1.38   End Use: APARTM
Zoning: SU-3    Site: COR   Imp: CSP Util: WSGE  Topo:
Sale Price: $ 1,175,000 DOM:     Pr/Sft: $ 19.58 Pr/Ac: $  852,780
Downpayment: 100%  Rate:          Term:          Special:
Comments: FORMER MOTL THAT HAD BEEN DEMOLISHED.
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LAND SALE #5

```
DB #:     5  ID #: 13108C   City: ABQ  Doc:       Rec #: 14- 88885
Street Name: 6TH/FRUIT                 Quad: NW  Zoning Map: J14
Subdivision: PERFECTO ARMIJO &    Block: 18      Lot: 212-216
Seller: KARSTEN, S       Buyer: 6TH & FRUIT      Date: 11/05/14
Square Feet:         17,175 Acres:       0.39    End Use: PKLT
Zoning: SU-3    Site: COR   Imp: CSP Util: WSGE  Topo: LEVEL
Sale Price: $   260,000 DOM: 379 Pr/Sft: $ 15.14 Pr/Ac: $  659,424
Downpayment: 100%  Rate:          Term:          Special:
Comments: CITY REQUIRED BUYER TO PAY ADD'L $100K FOR CONTINUE USE
```

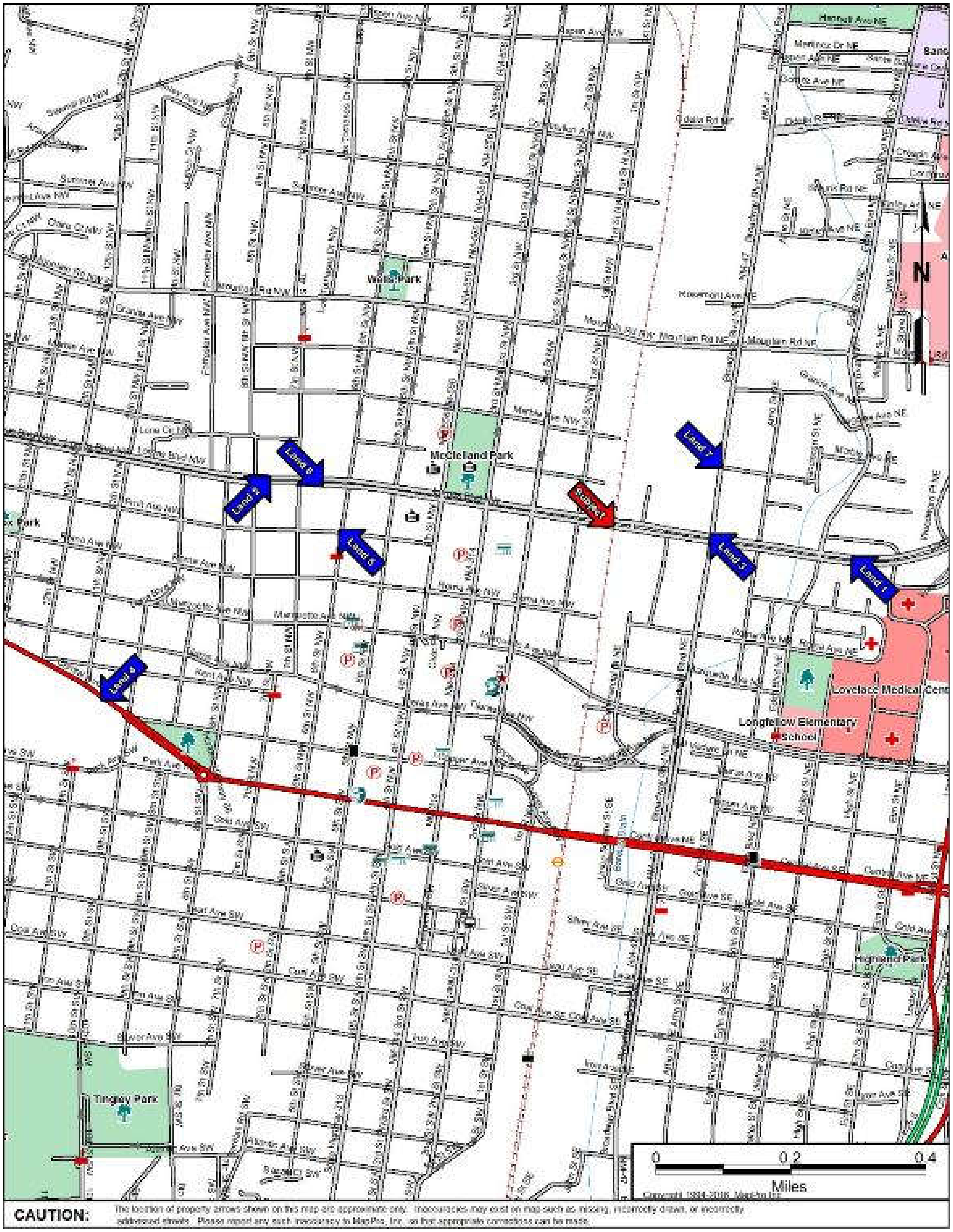
LAND SALE #6

```
DB #:  2106  ID #: 13320C   City: ABQ  Doc: REC  Rec #: 15-102700
Street Name: LOMAS & SIXTH             Quad: NW  Zoning Map: J14
Subdivision: PERFECTO ARMIJO      Block: 18      Lot: 223-229p
Seller: KARSTEN, S       Buyer: PETERSON INV     Date: 11/23/15
Square Feet:         18,513 Acres:       0.43    End Use:
Zoning: SU-3    Site: DBFT  Imp: CSP Util: WSGE  Topo: LEVEL
Sale Price: $   290,000 DOM:     Pr/Sft: $ 15.66 Pr/Ac: $  682,353
Downpayment:  34%  Rate:  7.000   Term:  3.00    Special:
Comments: DEMO SFR = $0.81 (EST.), TOTAL = $16.47sf.
```

LAND SALE #7

```
DB #:     7  ID #: 13316C   City: ABQ  Doc: SWD  Rec #: 16- 48050
Street Name: BROADWAY/MARBLE/AR        Quad: NE  Zoning Map: J14C
Subdivision: LD SANDIA FOUNDATI   Block: TRACT   Lot: 1-A
Seller: SANDIA FOUND     Buyer: CITY ABQ         Date: 05/24/16
Square Feet:         75,446 Acres:       1.73    End Use: PONDIN
Zoning: SU-2    Site: COR   Imp: CSP Util: WSGE  Topo: LEVEL
Sale Price: $   956,708 DOM:     Pr/Sft: $ 12.68 Pr/Ac: $  552,371
Downpayment: 100%  Rate:          Term:          Special:
Comments: SWAPS FOR 5694 SQFT + 3271 SQFT RESULTED IN NET 75446sf
```

COMPARABLE SALES LOCATION MAP



ITEMS TO FOLLOW THIS PAGE

- Zoning Data

§ 14-16-2-24 SU-3 SPECIAL CENTER ZONE.

This zone allows a variety of uses controlled by a plan which tailors development to an Urban Center; these include centers of employment, institutional uses, commerce, and high density dwelling.

(A) ***Control.*** Any use consistent with the master plan and specified by a duly adopted Sector Development Plan is permitted. Specifications contained in the Sector Development Plan shall control. However, if a matter controlled in the R-3 or C-2 zones is not mentioned in the Sector Development Plan, then the provisions of the R-3 zone shall be applicable for residential uses and the provisions of the C-2 zone shall be applicable for nonresidential uses.

(B) ***Procedure for Total Urban Center.*** Procedure for the total Urban Center, in addition to that specified in § 14-16-4-3 of this Zoning Code, shall be as follows:

(1) An application for SU-3 shall include a proposed Sector Development Plan.

(2) The City Council or other approval body shall follow the procedures of § 14-16-4-1(C). The zone shall not be approved without approving a Sector Development Plan.

(C) ***Procedure for Individual Premises within the Total Urban Center.*** All uses and structures must have a Site Development Plan and, if relevant, a Landscaping Plan, each approved by the Planning Director.

(1) These shall be approved only when they are consistent with the Sector Development Plan.

(2) The Planning Director or a designee may approve site plans for park-and-ride temporary facilities.

(D) ***Open Space.*** The amount of open space required per dwelling and the alternatives for satisfying the requirement shall be stated in the Sector Development Plan for each SU-3 zone mapped in an area not designated by the master plan as Redeveloping or Established Urban.

(E) ***Large Retail Facility Regulations.*** Any site containing a large retail facility, as defined in § 14-16-1-5 of the Zoning Code, is subject to the special development regulations for large retail facilities as provided in § 14-16-3-2 of the Zoning Code unless the site is governed by a Rank III Plan that contains design regulations or other similar standards applicable to retail development, as determined by the Planning Director, then the regulations of the Rank III Plan shall apply.

('74 Code, § 7-14-32) (Ord. 80-1975; Am. Ord. 77-1984; Am. Ord. 12-1990; Am. Ord. 58-1995; Am. Ord. 23-2007; Am. Ord. 19-2010; Am. Ord. 2012-036)