A MARKET VALUE APPRAISAL OF
RETAIL & OFFICE CONDOMINIUMS
AT 320 CENTRAL AVE., SOUTHWEST
IN ALBUQUERQUE, NEW MEXICO

A Market Value Appraisal In An Appraisal Report
Retail & Office Condominiums Comprising The Rosenwald Building
Considering A Fee Simple Title & "Assumed As Is" Condition
As Of July 28, 2017

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

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September 28, 2017

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 mixed-use property commonly known as the Rosenwald Building, located at 320 Central Avenue, SW, in Albuquerque, Bernalillo County, New Mexico. Specifically, the subject property is identified as Condominium Units 100-160, 200-250, 300-350, and all related common areas, comprising the whole of the Rosenwald Building Condominiums. The purpose of the appraisal was to estimate the market value of a fee simple title to the real estate, as described in the following report, considering the property in "assumed as is" condition, as of July 28, 2017. The appraisal also includes estimates of value for two groupings of condominium units. The appraisal is subject to extraordinary assumptions outlined in the following report. As requested, an appraisal using all applicable approaches to value has been developed and is hereby presented in an Appraisal Report (Summary format).

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 sales comparison approaches to value. Based on the following report, subject to the underlying assumptions, limiting conditions, and term definitions, contained therein, I conclude that

ONE MILLION FIFTY THOUSAND DOLLARS

represents the market value of a fee simple title to the real estate (***all condominium units as a unified whole***), as described in the following report, considering the property in "assumed as is" condition, as of July 28, 2017, subject to the extraordinary assumptions outlined in the following report. Exposure time associated with this value estimate is estimated at up to 24 months, assuming active professional marketing.

Consideration of individual condominium clusters led to estimates of value of $875,000 for condominium units comprising the first and second floors (and proportional interest in related common areas), and $470,000 for condominium units that comprise the third floor (and proportional interest in related common areas).

Respectfully,

Bryan E. Godfrey

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 Format)
Property Type	Retail & Office Condominium Building
Property Location	The Rosenwald Building 320 Central Avenue, SW Albuquerque, New Mexico
Values Estimated	"As Is" On Date Of Inspection
Rights Appraised	Fee Simple Title
Hypothetical Conditions	None
Extraordinary Assumptions	Yes – See Report
Date Of Appraisal Report	April September 18, 2017
Date Of Property Valuation	"Assumed As Is" On July 28, 2017

PROPERTY INFORMATION

Site Zoning	SU-3 For Intense Commercial Development
Site Area	10,650 Square Feet Underlying Total Project
Improvement Area	41,730 Square Feet Gross Building Area 9,975 Square Feet Ground Floor 10,455 Square Feet Second Floor 10,650 Square Feet Third Floor 10,650 Square Feet Basement (Storage Only)
Easements	None Known
Highest & Best Use	Land: Future Mixed-Use Development Improvements: Speculative Holding
Potential Environmental Hazards	ACMs Identified In Building

VALUATION INFORMATION

Replacement Cost Approach	Not Used
Sales Comparison Approach	$1,050,000 All Condominium Units As Unified Whole
Income Capitalization Approach	Not Used
Market Value Conclusion	**$1,050,000 All Condominium Units As Unified Whole**
Alternate Valuation	***$875,000 Condominiums Comprising Floors 1 & 2*** ***$470,000 Condominiums Comprising Floor 3***

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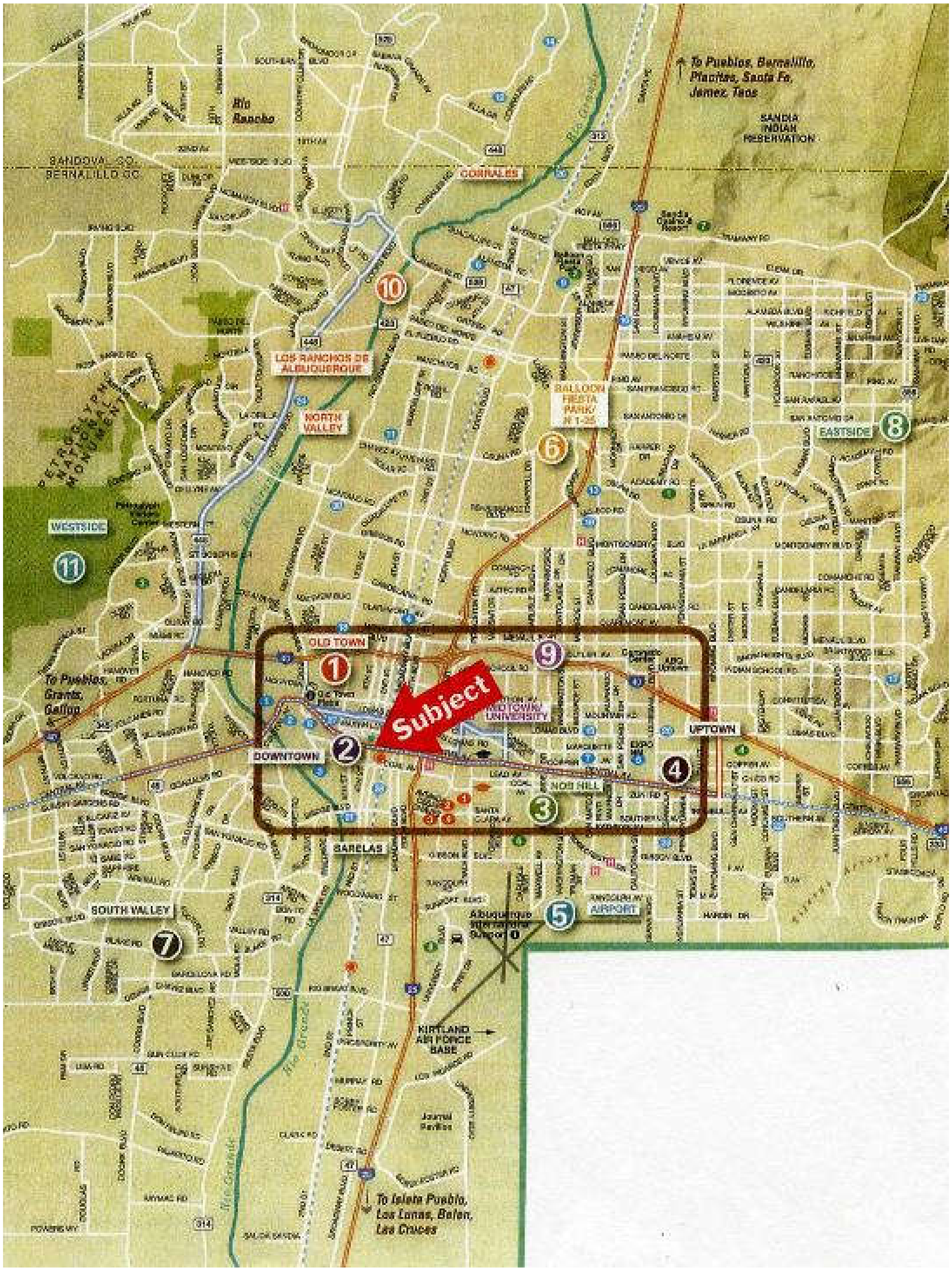
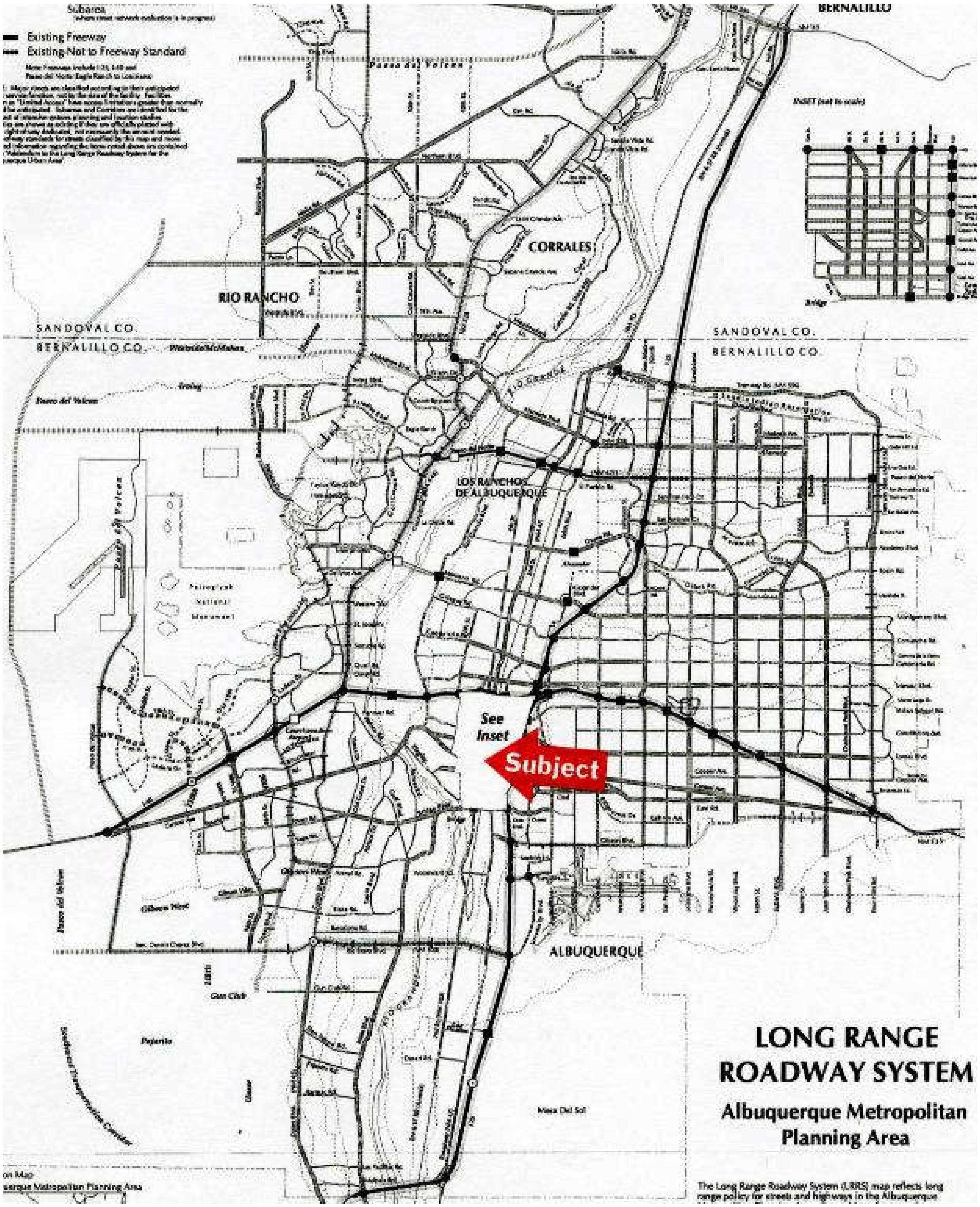
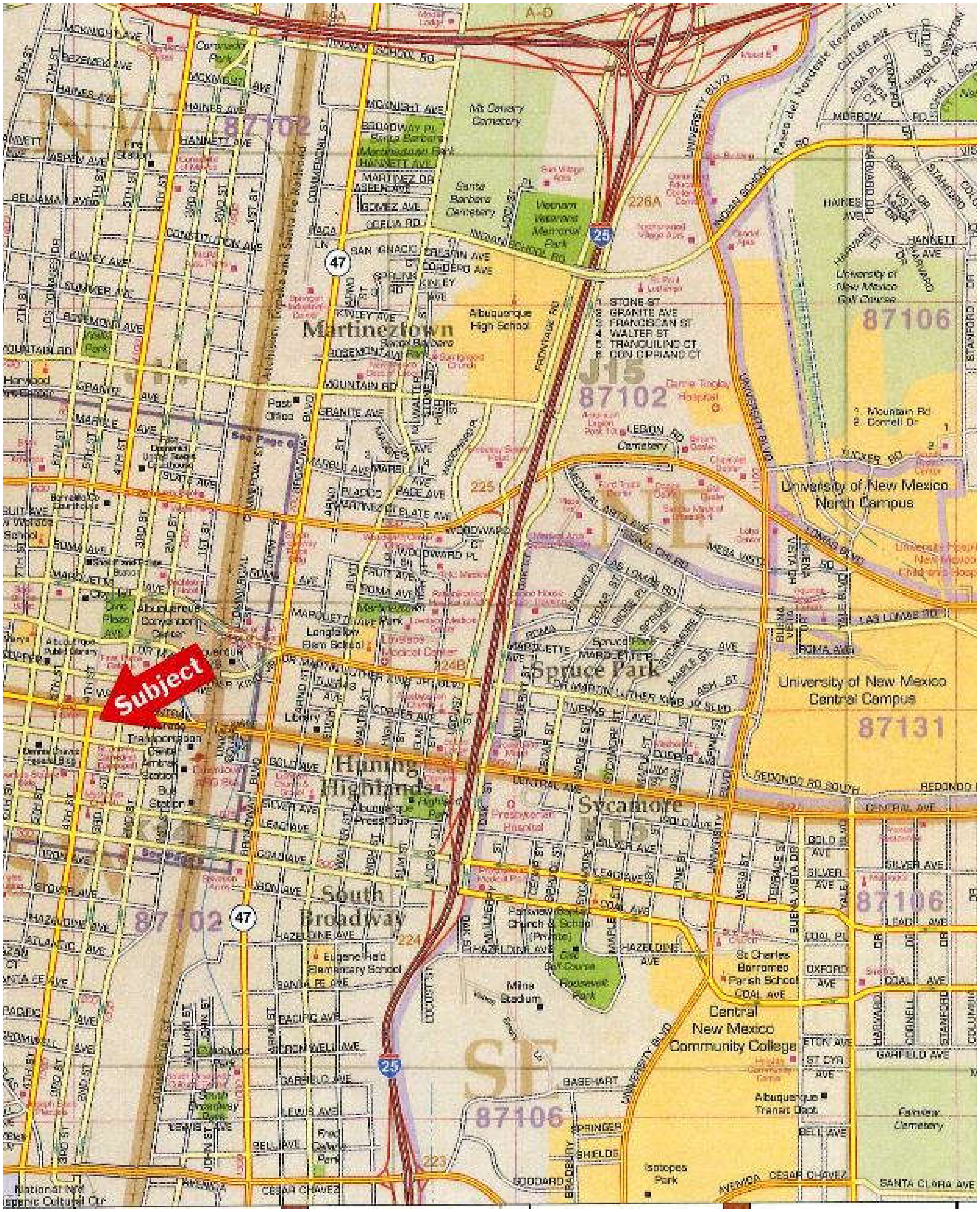
ALBUQUERQUE METRO AREA MAP



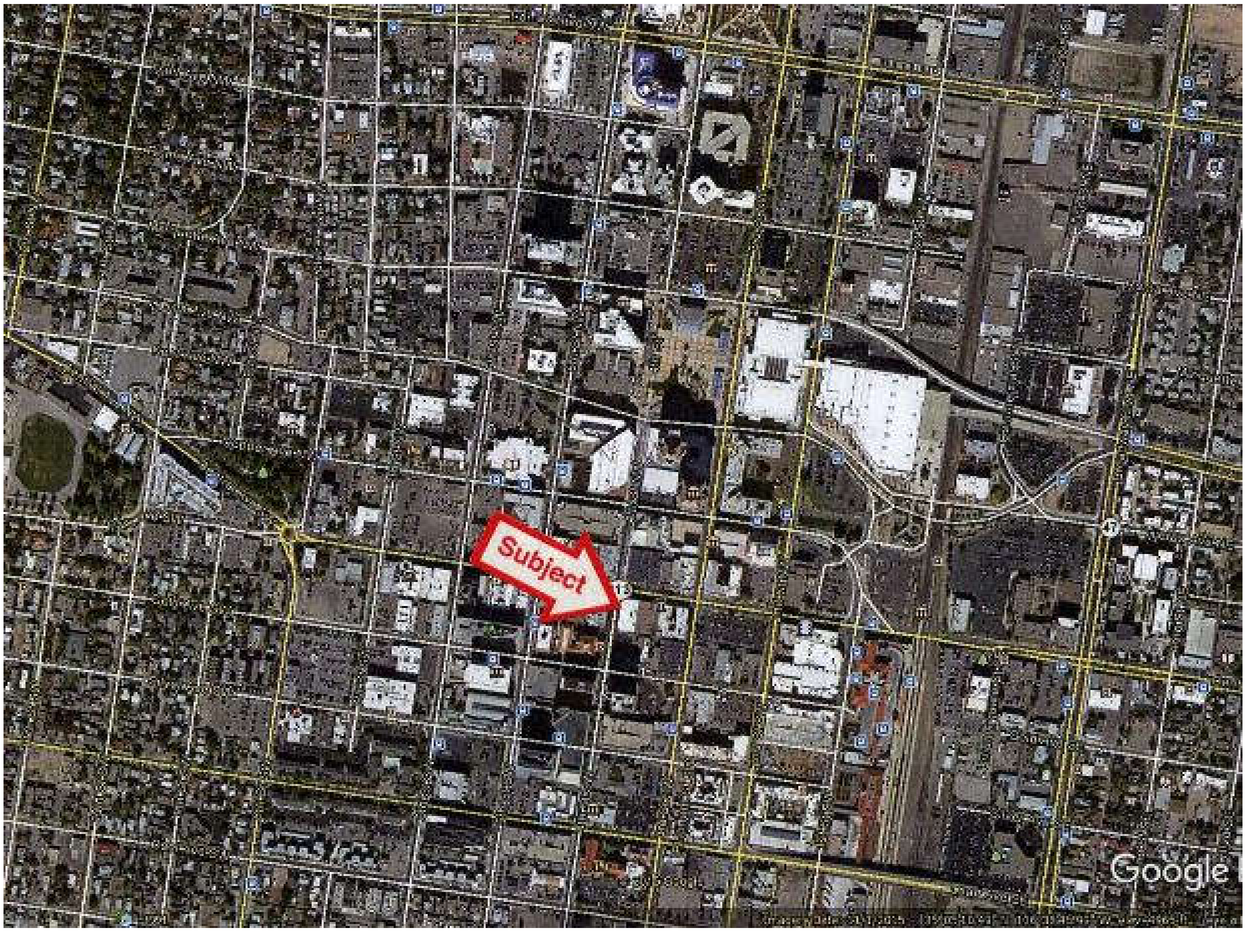
MAJOR ARTERIAL MAP



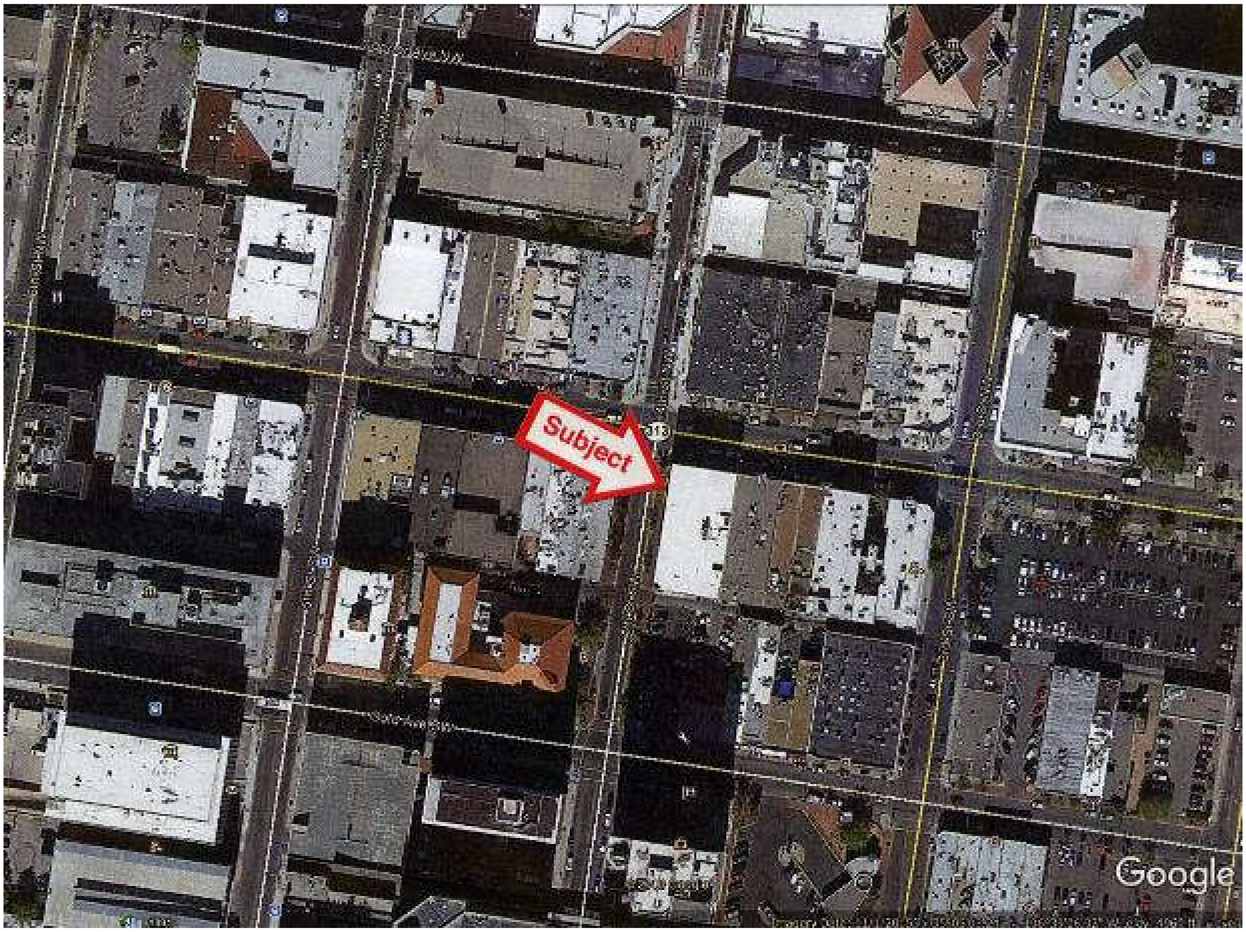
SUBJECT AREA STREET MAP



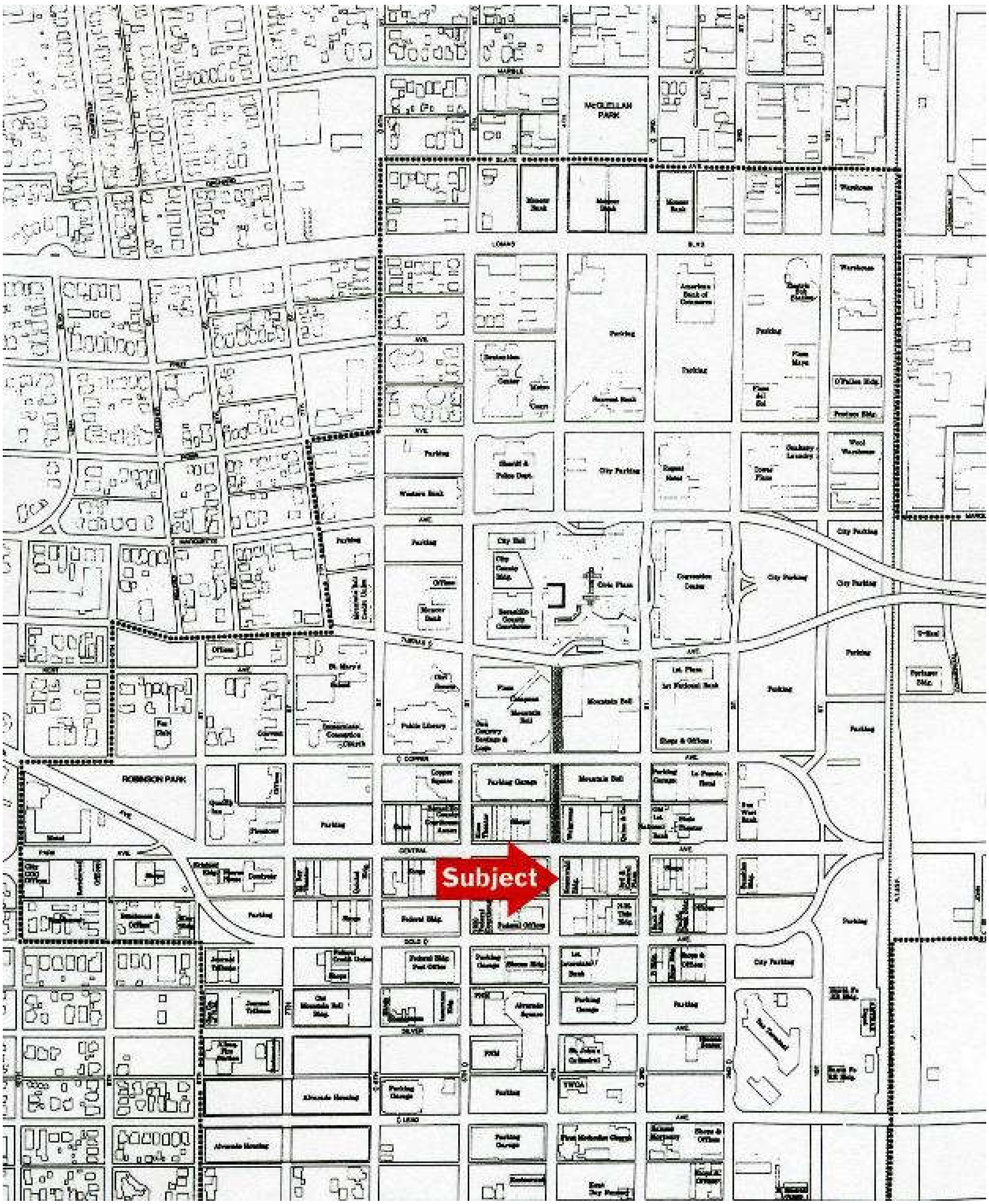
2015 NEIGHBORHOOD AERIAL VIEW



AERIAL ENLARGEMENT



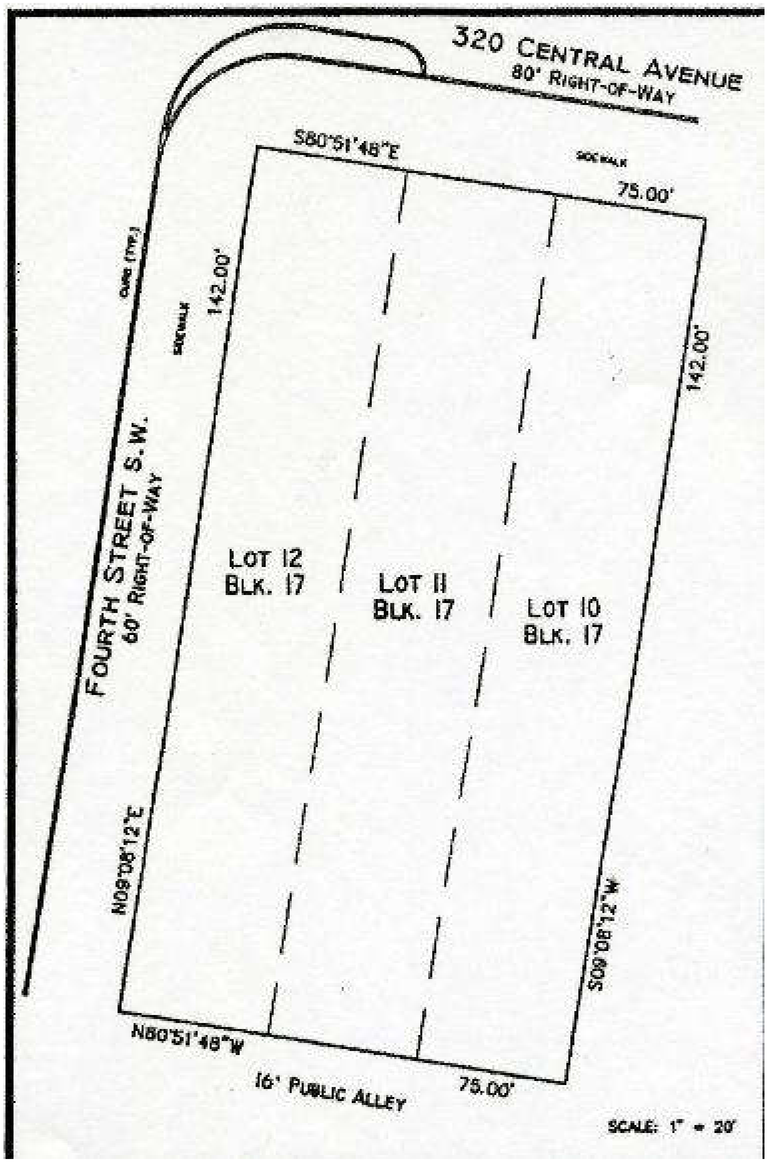
DOWNTOWN IMPROVEMENT MAP



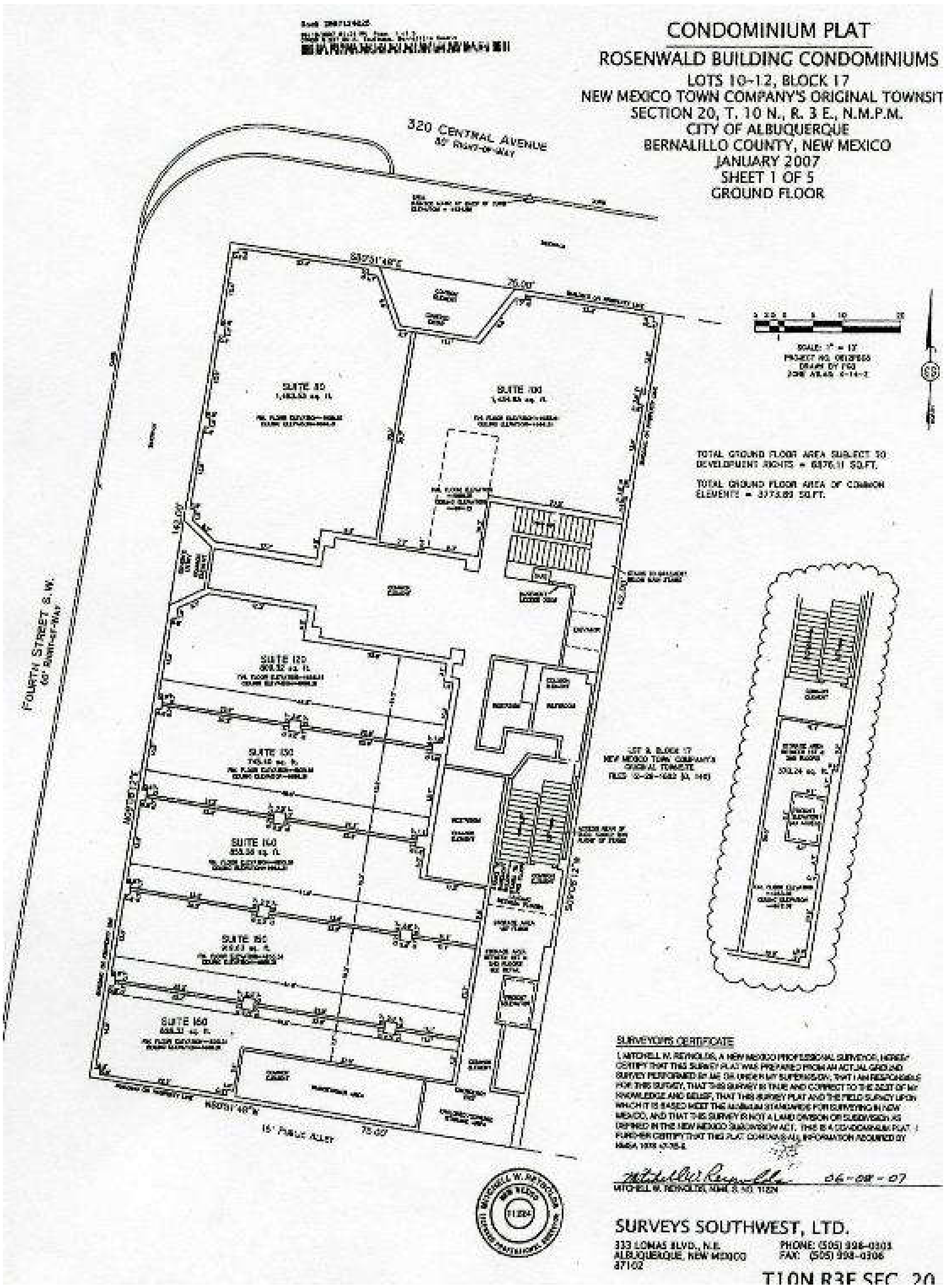
FEMA FLOOD MAP

ZONE ATLAS MAP

RECORDED SITE PLAT



CONDOMINIUM PLAT



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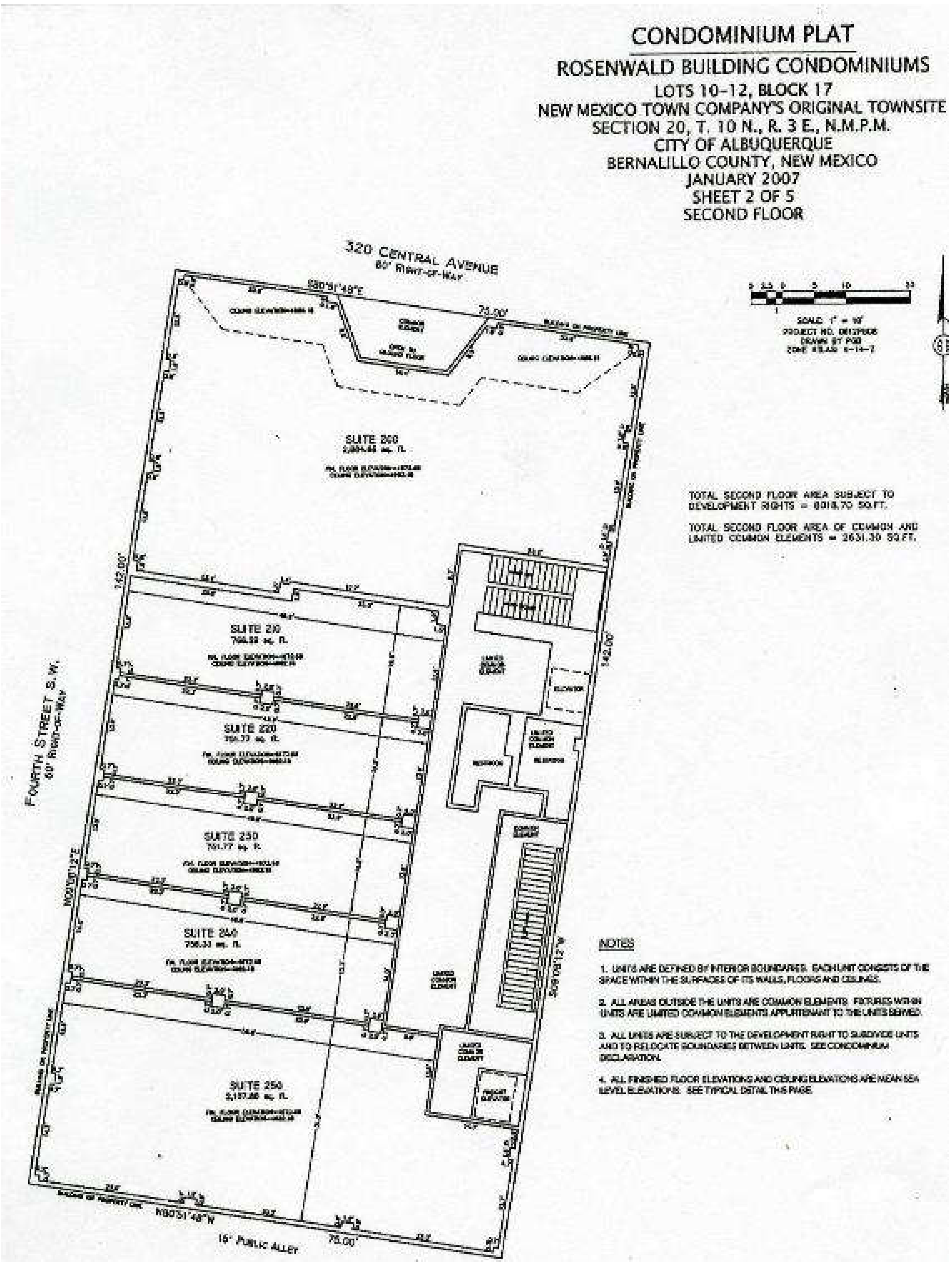
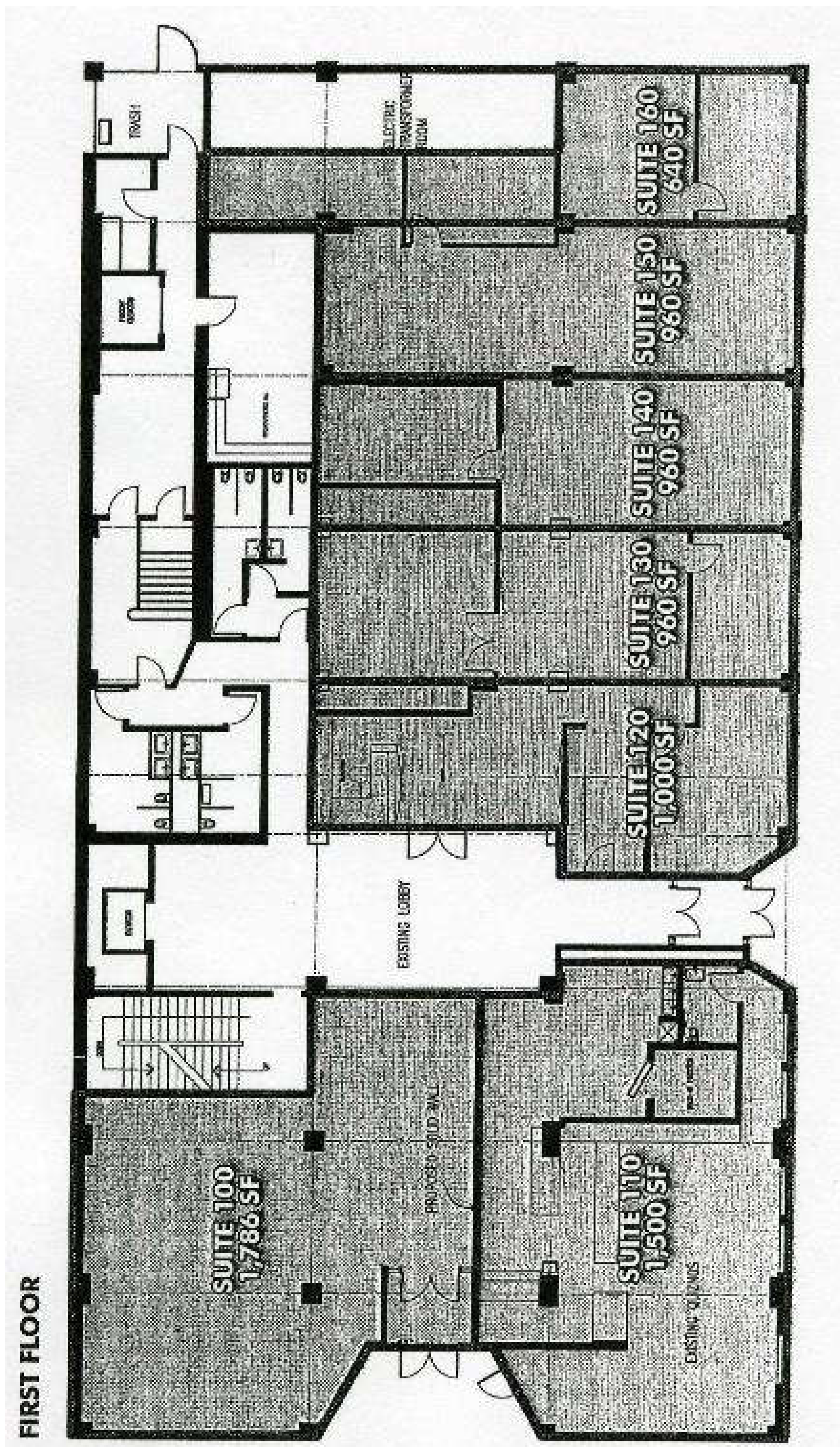
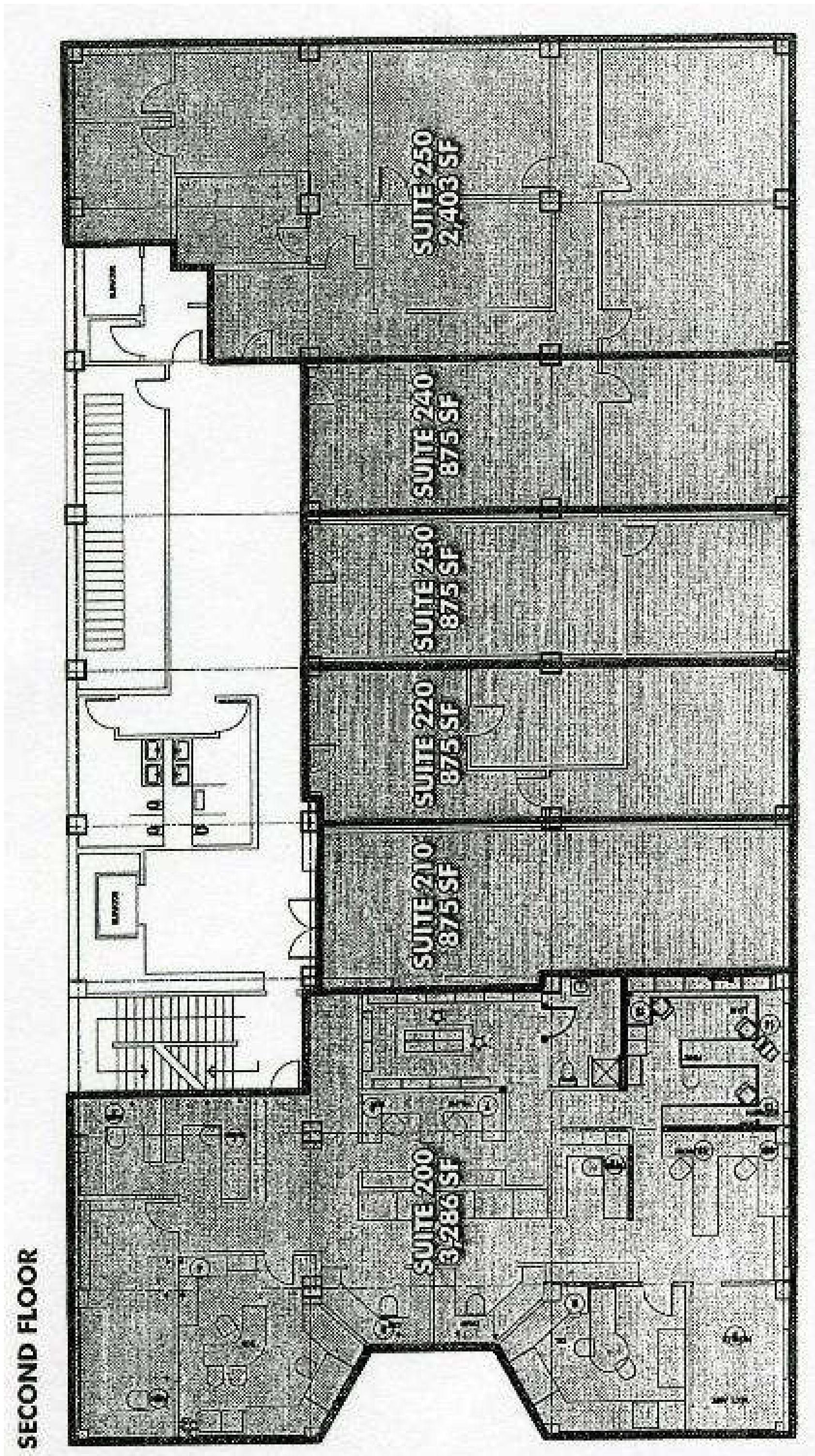


SUBJECT FIRST FLOOR PLAN (MOST PARTITIONS NOW REMOVED)



SUBJECT SECOND & THIRD FLOOR PLAN (NOT PRECISELY ACCURATE)



BUILDING LOOKING SOUTHEAST & SOUTHWEST

BUILDING LOOKING NORTHEAST & NORTHWEST

MAIN CENTRAL AVENUE ENTRY DOORS

GROUND FLOOR INTERIORS


GROUND FLOOR INTERIORS

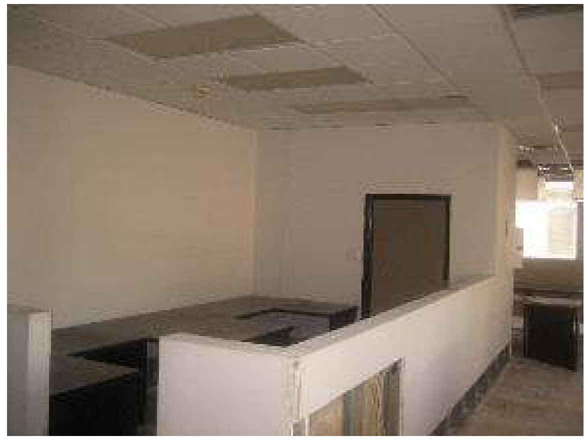

GROUND FLOOR INTERIORS


GROUND FLOOR COMMON AREAS

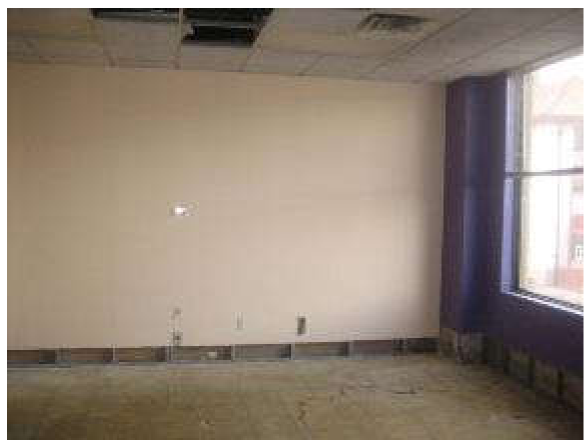
GROUND FLOOR COMMON AREAS

GROUND FLOOR COMMON AREAS

SECOND FLOOR OFFICE SPACE



SECOND FLOOR OFFICE SPACE



SECOND FLOOR OFFICE SPACE

SECOND FLOOR COMMON AREAS

SECOND FLOOR COMMON AREAS

SECOND FLOOR COMMON AREAS

THIRD FLOOR OFFICE SPACE


THIRD FLOOR OFFICE SPACE


THIRD FLOOR OFFICE SPACE


BASEMENT SPACE

BASEMENT SPACE

FREIGHT ELEVATOR & NEW ROOF

Identification Of The Subject Property

The subject of this appraisal is all of the condominium units that comprise an unoccupied commercial building situated in the downtown central business district ("CBD") of Albuquerque, New Mexico. 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 "revitalization". Federal, County and Metro Courthouse buildings, and office buildings for various government agencies have been built 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, and multi-family or high-density housing.

The subject property is located in the southwest quadrant of the CBD. Specifically, the subject is situated at the southeast corner of Central Avenue and Fourth Street. This location on the "south side" of the CBD (south of Copper Avenue) places the subject on the "side" of the CBD that has been least active in modern era commercial development; it is the north side of the CBD that has been the area where almost all of the recent private sector office development and government sector offices and judicial facilities have been developed. Alternatively, the south half of the CBD has been more active in development of multi-family or medium-density residential development.

The subject condominium units are the units that comprise the Rosenwald Building, which is addressed 320 Central Avenue, Southwest. Neither the subject improvements nor any other part of the building is being actively occupied (nor has it been for several years), so there are no other name associations with the property as of the effective date of appraisal.

Legal Description

The land underlying the subject condominium project is legally described as follows.

> *Lots 10, 11 and 12, Block 17, New Mexico Town Company's Original Townsite, as the same is shown and designated on the recorded plat of said subdivision, filed in the Office of the probate Clerk and Ex-Officio, recorded in Bernalillo County, New Mexico on December 29, 1882, in Volume D, Folio 140.*

The subject condominium units are legally described as follows.

> *Units 100, 110, 120, 130, 140, 150, 160, 200, 210, 220, 230, 240, 250, 300, 310, 320, 330, 340 And 350, and all corresponding common areas of Rosenwald Building Condominiums as depicted on the plat entitled "Condominium Plat, Rosenwald Building Condominiums, Lots 10-12, Block 17, New Mexico Town Company's Original Townsite, Section 20, Township 10 North, range 3 East, N.M.P.M., City of Albuquerque, Bernalillo County, New Mexico, January 2007.*

My client provided these legal descriptions or information that led to development of these legal descriptions. These legal descriptions were correlated with recorded sale deeds, recorded condominium documents and plats, building plans and property tax assessment records. These legal descriptions are accepted as accurate and form the basis for this appraisal. Any change to these legal descriptions may necessitate revision to this appraisal, or possibly render it invalid.

Purpose Of The Appraisal

The purpose of this appraisal is to estimate the market value of the ***fee simple title*** to the property, as described in this report, in "assumed as is" condition, as of July 28, 2017. The reader is advised that I inspected the subject property on March 7, 2017 and submitted my appraisal to my client on April 17, 2017. Subsequently, my client obtained a condition assessment of the subject property from an independent third party and provided a copy of said assessment to me, requesting that the assessment be incorporated into this appraisal. Incorporating the assessment required the appraisal to become subject to certain extraordinary assumptions.

This appraisal ***excludes*** any personal property, including but not limited to items in the basement, specialty restaurant equipment, or any type of furniture and fixtures that might be located within any part of the subject condominium units. It is my intent in this appraisal to value only realty elements.

Within this report, the objective is to discuss the appraisal process and data considered in developing the final estimate of market value that my client may use as an indicator of the most probable price the subject property would bring in an open market sale. Underlying assumptions, limiting conditions and term definitions are included in the addendum and should be read. My client did not issue an independent engagement letter or other documents related to the appraisal process. Therefore, there are no supplemental appraisal guidelines, requirements or term definitions to be considered.

Extraordinary Assumptions

One or more Extraordinary Assumption impacts this appraisal. As defined in the Uniform Standards of Professional Appraisal Practice (2016-2017 edition), an Extraordinary Assumption is "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions". That is, an Extraordinary Assumption presumes as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property; or about conditions external to the subject, such as market conditions or trends; or about the integrity of data used in an analysis.

It is an extraordinary assumption that:

> the building was in essentially the same physical condition on March 7, 2017, the date of my last inspection, as it was on July 28, 2917, the date the City of Albuquerque obtained an independent condition assessment report on the subject building;
>
> HVAC equipment, in the form of boilers and chillers, that serves the subject property is in fair/serviceable condition, but distribution ducting and localized air handling units are in poor physical condition, are non-operation, or are missing altogether from much of the subject building;
>
> based on visual inspection and discussion with workers, the building's roof is essentially new and in serviceable to good physical condition;

there was no change in market conditions and no new relevant market data (sales data) between March 7, 2017 and July 28, 2017 that would influence the estimate of market value developed in this appraisal;

The reader is advised that the use of extraordinary assumptions influences appraisal analyses and conclusions. Therefore, if any extraordinary assumption is later shown to be inaccurate, this appraisal could be rendered invalid or become subject to revision.

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 Estate Department. The City of Albuquerque 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 users identified herein. Possession of a copy of this report by other than the client and intended user identified above does not convey client or intended user status.

Intended Use Of The Appraisal

Based on discussions with my client, I understand the intended use of the appraisal to be as an independent estimate of market value that my client may use in an asset management capacity related to their current ownership of a portion of the subject property and the remainder of the property that remains under separate ownership. I am not responsible for any unauthorized or unintended use of this report.

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, sales activity, and occupancy 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 plans and building diagrams, 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 inspections of the property and conversed with the owner’s representatives to obtain 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 construction cost information, researched sales and listing data, researched income and expenses data, and researched the broad economic data related to commercial investment properties in 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 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 my client's expectations.

As required by appraisal standards, I hereby advise the reader that I performed a market value appraisal of the subject property in December of 2014 for the same client and intended user as the current appraisal and my client was aware of my past involvement with the property prior to engaging this appraisal assignment. Otherwise, I have provided no other services related to the subject property within the three years leading up to accepting this appraisal assignment.

Albuquerque City Data

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Q-1	398,000	396,400	380,800	371,800	372,100	369,500	372,400	373,800	379,100	392,210
Q-2	399,800	398,100	378,700	374,800	373,000	368,000	373,500	376,000	384,700	395,333
Q-3	399,200	400,400	379,900	373,400	373,400	372,400	374,900	378,100	386,200	393,734
Q-4	401,500	392,500	378,300	376,300	371,600	376,300	378,600	383,100	388,100	401,717
AVG	***397,900***	***396,700***	***379,700***	***373,500***	***372,200***	***370,800***	***374,600***	***377,300***	***383,600***	***395,749***
CHG	**+1.09%**	**-0.30%**	**-4.29%**	**-1.63%**	**-0.35%**	**-0.38%**	**+1.02%**	**+0.72%**	**+1.67%**	**+3.17%**

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, followed by a growth rate of 3.17% in 2016. Although these figures show the Albuquerque area regained roughly 15,000 jobs over the past four years, the 2016 job count is still more than 2,000 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 – 2016

#	EMPLOYER	# EMP	DESCRIPTION
1	Albuquerque Public Schools	**14,810**	Educational Institution
2	Kirtland Air Force Base	**10,125**	Government (Civilian)
3	Sandia National Laboratories	**8,400**	Research & Development
4	Presbyterian	**7,310**	Hospital & HMO
5	City of Albuquerque	**6,940**	Government
6	UNM Hospital	**6,021**	Hospital
7	State of New Mexico	**4,950**	Government
8	University of New Mexico	**4,210**	Educational Institution
9	Lovelace	**4,000**	Hospital/Medical Services
10	Bernalillo County	**2,648**	Government

The prior chart of metro Albuquerque's largest employers was published in 2016. In recent years, many companies moved to keep employee totals secret for security purposes. While the specific employee levels likely change with some regularity, the employment categories and even specific employers likely remain unchanged.

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
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%**
2016	884	**-10.16**	11,764	**+7.65%**	$224,230	**+4.13%**

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 since.

Entering 2017, 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 several years. Existing home sales are most up over the last five years. With job increases finally coming in 2015 and 2016, there is less of an obstacle to recovery than there has been in many years.

Entering 2017, 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
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%**
2016	926	**+874.74%**	N/A	**N/A**

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. The 2016 permit total is impressive, essentially matching the highest annual total of the prior 10 years.

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
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%**
2016	N/A	**N/A**	N/A	**N/A**

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. 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. The resumption of redevelopment efforts of Winrock Mall began in 2012, with those efforts accelerating significantly in 2015 and 2016.

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 several national-chain restaurants. A huge underground parking garage was being built in 2015/2016, and surface level retail stores were built atop the garage in 2016. Construction of retail stores is on-going in this location and elsewhere on the Winrock campus. Several national-chain retainers new to the Albuquerque marketplace have located at Winrock, including DSW, Nordstrom Rack, and others. Development is likely to continue throughout 2017 and into 2018, 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 and CBRE (2016).

RETAIL MARKET VACANCY HISTORY

LOCATION	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Cottonwood	3.0%	6.3%	9.0%	9.1%	9.9%	7.3%	5.6%	3.6%	3.0%	4.3%
Downtown	24.0%	18.6%	26.2%	21.1%	16.5%	17.4%	16.0%	17.9%	25.8%	24.1%
Far Northeast	6.7%	8.0%	8.3%	7.4%	7.9%	6.3%	8.0%	5.8%	5.9%	9.7%
North 1-25	5.4%	5.8%	8.8%	6.5%	6.5%	6.7%	6.3%	2.4%	4.9%	12.1%
North Valley	5.5%	10.3%	6.2%	5.3%	9.0%	9.0%	8.5%	8.4%	9.1%	9.3%
Northeast	10.4%	11.6%	17.3%	13.9%	15.2%	12.8%	11.6%	9.2%	6.7%	10.0%
Northwest	10.9%	12.7%	9.6%	7.9%	6.5%	6.5%	5.5%	4.0%	3.5%	11.4%
Rio Rancho	4.3%	5.1%	4.8%	7.2%	6.5%	4.3%	3.8%	5.8%	1.7%	13.1%
Southeast	3.6%	4.1%	5.1%	6.6%	7.8%	6.5%	7.8%	8.7%	6.7%	19.1%
Southwest	6.1%	8.8%	10.0%	9.8%	10.2%	9.9%	8.5%	15.5%	16.2%	13.1%
University	10.1%	10.2%	8.1%	7.4%	6.5%	5.3%	4.1%	4.4%	4.5%	5.0%
Uptown	19.8%	22.3%	21.2%	11.8%	10.4%	10.5%	8.8%	8.0%	7.6%	23.8%
TOTALS	**8.0%**	**9.4%**	**10.8%**	**9.1%**	**9.4%**	**8.1%**	**7.6%**	**6.6%**	**6.1%**	**11.9%**

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. The difference in overall and sub-market vacancy rates in 2016 is not due to a significant market shift, but a change in data providers. The CBRE statistics for 2016 show higher overall vacancy, and higher vacancy I most every submarket.

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 and CBRE (2016).

OFFICE MARKET VACANCY HISTORY

LOCATION	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Airport	10.2%	7.7%	9.7%	12.0%	11.8%	15.8%	15.2%	36.6%	36.3%	45.6%
Downtown	15.6%	18.5%	18.0%	18.7%	21.1%	21.7%	29.6%	24.9%	22.3%	31.7%
Far Northeast	8.8%	10.4%	10.8%	13.7%	14.8%	12.1%	11.6%	11.4%	11.4%	11.6%
Mesa Del Sol		0.0%	13.9%	15.4%	15.4%	16.1%	16.1%	16.1%	16.1%	26.8%
North I-25	10.8%	13.3%	14.3%	18.9%	20.9%	18.5%	14.2%	14.6%	17.6%	14.1%
Northeast	13.2%	16.4%	15.7%	20.7%	15.4%	19.3%	19.2%	18.6%	14.4%	24.7%
Rio Rancho	13.3%	18.7%	10.5%	11.2%	11.9%	11.7%	11.5%	11.1%	5.8%	26.0%
Southeast	4.1%	10.7%	11.4%	23.4%	23.4%	24.0%	23.2%	18.8%	17.4%	10.4%
University	5.3%	10.3%	23.4%	23.2%	14.3%	12.5%	11.2%	23.3%	19.9%	32.9%
Uptown	9.1%	8.5%	13.2%	17.2%	19.6%	22.3%	21.0%	20.6%	18.6%	20.4%
West Mesa	9.3%	26.2%	29.1%	27.5%	30.0%	33.9%	32.0%	35.5%	33.9%	19.1%
TOTALS	**10.8%**	**13.1%**	**15.0%**	**18.0%**	**18.5%**	**18.9%**	**19.3%**	**20.9%**	**19.9%**	**22.8%**

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 900,000 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 and CBRE (2016).

INDUSTRIAL MARKET VACANCY HISTORY

LOCATION	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Airport	3.4%	10.1%	9.1%	11.6%	10.3%	18.9%	17.3%	15.1%	12.3%	11.5%	6.3%
Downtown	14.5%	16.5%	13.4%	18.7%	12.1%	12.3%	14.9%	14.2%	15.5%	12.7%	13.4%
Far Northeast	1.5%	32.5%	0.9%	0.9%	0.9%	0.9%	1.9%	0%	0%	0%	0%
Mesa Del Sol			0.0%	0.0%	1.0%	1.0%	31.9%	31.9%	2.4%	2.4%	0.5%
North I-25	6.8%	5.9%	6.9%	8.1%	8.5%	9.6%	8.3%	7.7%	6.0%	5.3%	7.7%
North Valley	12.4%	14.2%	13.4%	11.6%	7.7%	15.4%	17.5%	17.9%	5.4%	7.3%	7.3%
Northeast	9.7%	6.8%	14.0%	21.0%	7.0%	15.9%	12.9%	13.7%	11.7%	10.6%	1.1%
Northwest	5.3%	2.4%	8.7%	12.7%	13.5%	12.8%	10.3%	3.5%	2.4%	3.5%	6.9%
Rio Rancho	0.6%	0.7%	2.0%	1.6%	2.5%	4.6%	4.1%	4.4%	1.6%	2.2%	1.8%
Southeast	3.9%	2.9%	18.0%	17.3%	14.1%	11.4%	12.9%	11.3%	11.1%	11.0%	9.4%
Southwest	8.2%	3.1%	6.3%	12.5%	35.1%	19.1%	17.9%	19.0%	17.0%	15.3%	5.8%
University	14.1%	12.1%	5.4%	2.9%	9.6%	12.4%	17.2%	24.1%	24.1%	24.1%	0%
TOTALS	**6.5%**	**5.9%**	**7.5%**	**9.3%**	**10.3%**	**10.3%**	**10.3%**	**9.3%**	**6.9%**	**6.4%**	**6.8%**

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, businesses and property values, at least until late 2007 and early 2008. The Great recession spared no community, and Albuquerque was hit very hard. Unlike many metro areas in surrounding states, recovery has been modest and very slow for Albuquerque.

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. These elements 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.

As real estate development and prosperity are ultimately related to a population that presents a demand for goods and services, economic conditions that resulted in lost jobs outweighed other factors. With local job losses continuing into 2012, it was nearly impossible for the local economy to grow. As modest job growth started in 2012, other elements of the economy, namely housing, also turned, and the city has seen mostly positive movement in building permits, sales of existing units and average prices over the past five years. Economic improvement outside the residential sector has mostly favored retail and industrial properties, but the local office market continues to slip into record high rates of vacancy. This has led some owners and developers to start actively seeking to convert all or parts of large offices into residential units.

These relative market sector conditions will have varying levels of influence on any individual property, but outside the office sector, influences are generally seen as very slightly positive. However, each individual property has its own 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 was vacated by PNM and has been available since. Though Bernalillo County had an appraisal performed and investigated an acquisition, the inability to also acquire the PNM parking garage to support the building effectively ended Bernalillo County's interest. In 2016, Bernalillo County turned its attention to the Galleria First Plaza building, a 300,000+ square foot office and retail building with associated underground parking. The County has authorized a detailed investigation and study of the building to see if it meets their consolidation objective. No decision is expected until sometime in 2017.

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. Various attempts at renovating older defunct offices into condos or other types of rental space have also failed, confirming the lack of demand for new office space in the CDB.

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 initiated the relocation of 650 employees to the downtown office in 2015. Unfortunately, The Gap concurrently elected to relocate out of downtown to the north side of the city, which partly offset the impact of the Molina Healthcare move.

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 attracted a 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. Efforts are continually on-going to enhance the appeal of Civic Plaza for public use.

After long planning, one of the City projects for the CBD broke ground in 2000. The Alvarado Transportation Center project 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 and restaurant. 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, but environmental issues remain and building renovations must be planned and executed. Accordingly, any meaningful physical occupancy of the building is likely to be relatively far off. In fact, UNM has moved forward with construction of a new building on the northern part of the site. The new building will focus on providing housing and some commercial services that are seen as necessary to support the longer-term renovations of the church structures. 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 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. As a key component of the new innovation corridor, the city has partnered with local developers to build a mixed-use building at the northeast corner of Central Avenue and First Street. The building will include a large parking garage, apartments and space intended to support retail-commercial development. Site preparation started in 2016, but building construction is not expected until 2017.

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. As of the end of 2016, the Master Developer has not moved to start renovation of any part of the Rail Yard property. 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 modest retail additions following in relatively small quantities. Thus far, the downtown theater has sparked/sustained 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, no consistent retail presence has been created/sustained.

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 was part of a mixed-use development undertaken in 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. After many delays, the project was built in 2015/2016. The project includes an underground parking garage, the grocery store and other retail storefronts on the ground floor (reportedly about 10,000 square feet in size), and 70+ residential rental units on upper floors. The project opened in the third quarter of 2016. It is too early to know whether or not downtown residents will be able to adequately support this level of retailing.

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. Lastly, the Imperial Building, which supports the CBD's new grocery store, has 70+ rental units that became available in 2016. Media reports indicate strong demand for the apartments, and the developer expressed regret that they did not incorporate more units.

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

The core area, despite the significant office 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 office space.

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, physical and 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 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. The most recent project to come from these efforts is a mixed-use project that brought the first grocery store to the south side of the CBD, and included development of 70+ housing units over the store.

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 has periodically flirted with the idea of 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.

Hoping to capitalize on and create synergy with the creation of an incubator facility by the University of New Mexico immediately east of the CBD, the City partnered with private developers to build a mixed-use building at Central Avenue and First Street, adding parking, apartments, and some retail-commercial space. Site work started in 2016, but building construction is not expected to start until early 2017.

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 are 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 on the south side of the CBD, controlling the southeast corner of Central Avenue and Fourth Street. This specific location is in the southeast quadrant of the CBD, in an area that is still dominated by older CBD improvements.

Specifically, the subject property abuts one and two-story retail-commercial buildings to the east, and stands opposite mostly similar one and two-story retail-commercial buildings on the south and north sides of Central Avenue to the east and west. Exceptions along nearby parts of Central Avenue include some surface parking lots, a former mid-rise bank/office building the upper floors of which were converted (unsuccessfully) to up-scale residential condominiums, and a mid-rise mixed-use commercial and residential condominium building that was only recently completed after standing unfinished for several years. To the south, the subject also abuts a small commercial parking lot and stands adjacent to retail-commercial buildings and a charter school operating in a renovated courthouse building.

Access to this immediate location is good. Central Avenue and Fourth Street are both two-way streets with center medians and turning lanes accommodated at intersections. After many years as a "pedestrian mall", Fourth Street between Central Avenue and Tijeras Avenue was converted back into a street to carry vehicular traffic. The reopening of Fourth Street north of Central Avenue enhanced the local surface street network surrounding the subject. Interstate freeway access is roughly one mile east and north of the subject location. Commuter rail service is available nominally four blocks east of the subject.

Growth by means of new construction in the subject's immediate area has been limited for many years by a combination of poor market conditions in the CBD office market and the lack of vacant land, or at least vacant land available for development. Over at least the past eight to 10 years, new construction has been restrained by broader economic conditions. These factors inhibited private-sector development, but some subsidized projects have moved forward. After stalling with just a handful of units built, completion of The Elements townhouse project (the remaining 64 units) was finished in early 2014. A highly stylized but poorly designed mixed-use building at Central Avenue and Sixth Street was completed after having been stalled for several years. The commercial and residential units have reportedly experienced reasonable lease-up. Development of a mixed-use property with a grocery store on the ground level of 72 residential units above was completed in 2016 on the north side of Silver Avenue, between Second and Third Streets. Currently, a mixed-use project sponsored in part by the City of Albuquerque is being developed at Central Avenue and First Street. The project will have a parking garage, bowling alley, commercial space and apartments.

Overall, the specific subject location is considered good in the context of a CBD location. The site fronts two well known arterials and is readily accessible. The site abuts mostly older retail-commercial and office improvements that are typical of the south side of the CBD. The site is close to surface parking lots and parking garage facilities. There has been a moderate amount of new construction in the area, mostly of mixed-use properties that benefitted from some level of government assistance. Growth is on-going four blocks east of the subject, with commercial, recreational and residential components and a supporting parking garage. Overall, I find the specific location good and typical of the southern half of the CBD.

Subject Site Description

The reader is reminded that the subject property is the condominium units within a larger commercial building. The site description that follows is applicable to the site underlying the whole of the condominium project.

Copies of the recorded subdivision plat and condominium plat are presented in the preface for reference.

Location: The southeast corner of Central Avenue and Fourth Street, with additional frontage on the north side of the public alley paralleling Central Avenue.

Size: Based on the recorded subdivision plat and condominium plat, the site contains 10,650 square feet.

Shape: The site is rectangular. Pertinent dimensions are 75' on Central Avenue and 142' of frontage on Fourth Street. The site also has 75' of frontage on the public alley to the south. These dimensions give the site an adequate frontage to depth ratio in relation to Central Avenue, but excellent frontage to depth relative to Fourth Street. Obviously, the corner location enhances shape attributes by increasing visibility. As a functional matter, the public alley along the south side of the site improves access attributes. Overall, I consider the site's shape to be good and readily usable.

Topography: The subject site has been in a finished condition for years. The current development's core elements date back over 100 years. Effectively, the "finished" grading is flat, as the current building covers essentially 100% of the site area. Hence, topography is mild and readily usable.

Flood Zone: Based on FEMA Map 35001C-0334G (September 2008), the site is in a Zone "X" (no-shading), defined as an area outside the 500-year flood.

Soil: Absent any current soil tests or evaluations, except those indicated on renovation/construction plans for the current project, this appraisal is predicated on the extraordinary assumption that the subject site is sufficiently stable to support the existing and any reasonably probable future improvements. Discovery of adverse soil conditions could make this appraisal invalid.

Environmental: Absent a current Phase I environmental study, this appraisal is predicated on the extraordinary assumption that there are no recognized environmental conditions in connection with the site that could negatively impact the value of the site or improvements. Discovery of adverse environmental conditions could make this appraisal invalid.

Zoning: In May of 2000, the City of Albuquerque enacted the Downtown Sector Development 2010 Plan (2010 Plan). The 2010 Plan detailed the City's desires for the redevelopment and revitalization of downtown, and provides a streamlined approval process for conforming developments. The 2010 Plan also repealed prior zoning plans for the CBD, and altered the zoning of some parts of downtown through the creation of "districts". The subject property is within the "Arts & Entertainment District" and is subject to the use restriction enacted by the 2010 Plan. The 2010 Plan was updated in 2014 and is now known as the Downtown Sector Development 2025, though very little of the 2010 Plan was changed.

With minor exceptions, the changes impacting the subject area are minimal, leaving intact the majority of the traditional SU-3 zoning for intense development. The zoning is, however, fairly restrictive on ground floor property uses, requiring retail, restaurant and arts uses. The Plan disallows offices and other non-retail character uses on the ground floor, but encourages them on upper floors. Development density and restrictions related to property lines, building height restrictions and providing adequate on or off-site parking, etc. remain. The mandatory presence of retail, restaurant and arts uses on the ground floor is considered a significant influence in a market where demand/support for retail uses is nearly non-existent.

Utilities: Public utilities extended to the site now consist of electricity, telephone, cable TV, natural gas, water and sanitary sewer. Water and sewer service is provided by the Albuquerque Bernalillo Water Utility Authority, with various other private utility companies delivering other services. High capacity telecommunication lines are widely available in the CBD and are extended to the subject site.

Easements: The recorded plat does not show any easements on the site. Absent a current title report or complete survey of the property, this appraisal is predicated on the extraordinary assumption that there are no unknown easements negatively impacting the subject property.

Access: Direct legal access is possible from Central Avenue, Fourth Street and the public alley along the south side of the site. Because the existing improvements effectively cover the entire site, there is no developed vehicular access to the site.

Streets: Adjacent to the site, Central Avenue is a two-lane street with a painted median divider that doubles as a central turning lane. The painted median technically precludes mid-block turns, but enforcement varies.

Central Avenue is paved and has bordering concrete curb, gutter and sidewalks. Parallel parking is allowed on both sides of Central Avenue, subject to meter fees. Fourth Street is similarly configured, absent the center turning land, with similar bordering improvements. The intersection of Fourth Street and Central Avenue is controlled by a traffic light. The alley along the site's south side is paved and technically allows two-way traffic.

Summary: Overall, the site is considered well suited to commercial use in accordance with underlying SU-3 zoning, and the existing commercial improvements. The site's frontage to depth ratio towards Central Avenue is considered adequate, and the site's topography, utility services and access attributes are all considered good. Overall, aside from zoning that requires retail, restaurant and art type uses of all ground floor space, I observed no material impediments to development or use of the site.

The Rosenwald Building Improvements

The owner provided partial renovation plans and select floor plans showing mostly current demising of parts of the property. The available plan pages are included in the preface and/or addendum for the reader's reference. The following description is based on these documents, my personal inspections of the property, and comments offered by the owner's representative who accompanied me on my inspection. My inspection was limited to those elements of the property readily seen while walking around and through most parts of the building. I also inspected the basement, a mechanical room on the third floor, and I viewed the roof.

Absent any evidence to the contrary, this appraisal assumes that the subject building is in structurally sound condition, that the roof is in good condition, that core electrical and plumbing systems are in fundamentally good condition. My client informed me that the HVAC plant for the first and second floors was shut down some time ago. A past inspection of the mechanical room on the third floor revealed a recent inspection and certification sticker in the boiler room. Based on this, this appraisal is predicated on the extraordinary assumption that the boilers and chiller units that provide the heart of the building's HVAC system are in generally good condition and could be made operational for the subject property, but distribution ducting and localized air handling units are in poor physical condition or are missing altogether. The passenger elevator was reported to be in working order during my inspection, and I assume the freight elevator to be functional and in serviceable condition (neither were tested). If the reader has questions about any specific part of the property, experts in the appropriate field(s) should be consulted before making important decisions about the property.

Development Overview

The primary improvement to the subject site is a three-story, plus basement, retail-commercial building that effectively covers the entire underlying site. The building was originally erected in 1910 as the Rosenwald Department Store, and its construction marked several "firsts" for New Mexico. The building was used as a retail store by various users into the 1970s. In 1978, the building was put on the State and National registers of cultural and historic places, respectively. In 1981, the building was renovated into a mixed-use facility retaining retail-commercial uses on the ground floor, but with the second and third floors converted to professional office space. The building continued operations in this fashion into the middle 2000s when the building was converted into condominium units that were sold to independent users. The property fell victim to poor economic conditions in the broader and very specific real estate markets, resulting in the building falling entirely vacant by late 2011, possibly earlier. To the best of my knowledge, the building has been effectively vacant for roughly six years.

The building has early 20th century urban architecture that remains little changed from when the building was built. Based on placement of the property on cultural and historic registers for the past 35+ years, no changes can likely be made to the building's facades. Despite its age, the building retains a handsome exterior that is not overly dated or out of place in downtown Albuquerque. Aside from recessed entries to the building and service areas, the structure covers the entire site. Obviously, aside from concrete porches and adjacent sidewalks, there is no on-site landscaping. More importantly, there is no on-site parking.

The Rosenwald building was erected in 1910. Thus, as of date of valuation, the property was nominally 107 years old. Based on its masonry construction, major renovations in 1981 and periodic lesser renovations and modernizations since, the effective age of the building is less than its chronological age. I estimate the building's effective age to be approximately 50 years. Assuming the entire property is properly repaired and the ground floor is properly renovated for requisite retail-commercial occupancy, and assuming the property is appropriately maintained in the future, remaining physical and economic life should exceed 25 years.

I have used various building plans and condominium documents to develop estimates of the gross building area, condominium count, square footages and percent of total, as well as common areas and their status.

BUILDING AREA ANALYSIS

FLR	G.B.A.	CONDO #	CONDO SF	%/TTL	COMMON	C.A. STATUS
B	10,650	0	0.00	0.00%	10,650.00	General Only
1	9,975	7	6,876.11	29.78%	3,773.89	General Only
2	10,455	6	8,018.70	34.73%	2,631.10	General & Limited
3	10,650	6	8,197.02	35.50%	2,452.98	General & Limited
TTL	**41,730**	**19**	**23,091.83**	**100.00%**	**19,507.97**	

My estimate of gross building area conflicts with that reported in the condominium declaration. While I accounted for door (public and private) and mechanical area recesses, the condominium declarations presume full floor areas of 10,650 square feet on all floors. I consider my estimate to be accurate, but acknowledge that because of the need to account for common areas, inside or outside the building walls, there is merit to the accounting employed in the condominium declarations.

A total of 19 existing condominium units were defined in the condominium declarations, with there being the possibility of four more being created if a fourth floor had been added to the structure. Said fourth floor was obviously never built, so I have not reflected the potential unit count or square footages in the prior chart.

As originally defined, condominium units on any given floor totaled 6,876 to 8,197 square feet, deriving a total of 23,092 (rounded) square feet. Based on the total common areas for which owners could be held responsible, total building area on the first, second and third floors is 31,080 square feet. Therefore, the actual condominium areas derive an efficiency ratio of only 74%. This is far below modern commercial buildings that generally approximate 85% efficiency. Thus, the Rosenwald Building offers a poor efficiency ratio. This ratio is exacerbated (falling to 55%) if the entire basement, which is a general common area, is included.

Common areas on the first through third floors total 8,858 square feet, or 19,508 square feet if the basement is included. The entire basement and the common areas of the first floor are all general common areas, meaning they serve all unit owners equally. Common areas on the second and third floor include general common areas, such as stairs, elevators and other vertical penetrations, as well as "limited" common areas that serve only the unit owners of the second or third floors. These limited common areas include the corridors and restrooms that would reasonably be expected to serve only unit owners on either the second or third floors.

The most significant renovations to the property took place approximately 36 years ago at which time the ground floor was demised into multiple retail-commercial suites used for restaurant and retail purposes. The upper floors were converted to professional office spaces. The building's basement, which has low ceilings and exposed mechanical components, was demised into multiple storage rooms of various sizes accessed by multiple hallways. Basement storage areas were only for use by building tenants. In 2007, the first and second floors, and a proportional share of the basement, were acquired by the City of Albuquerque for a proposed museum. The City allowed some of the tenants that were occupying space they had acquired to remain in occupancy until museum construction started. Funding to develop the museum never materialized. Tenants within the City's space have long since vacated the property, as has the owner of the third floor, leaving the building totally vacant.

Construction

Absent any available construction plans, construction features of the building are described as best as possible. Assumptions are employed as needed.

Footings: Reinforced concrete footings assumed to be at least 12" wide, and sink to depths of at least 24" below slab grade. Interior spot footings are assumed to be at least 12" thick and up to several feet square.

Slab/Floors: The basement and ground floor have poured concrete slabs with wire mesh reinforcing estimated to be at least 4" to 6" thick. The second and third floors are poured concrete supported by perimeter walls, concrete pillars and reinforced concrete cross bracing members. Second and third floor slabs are estimated to be 2" to 4" thick.

Walls: Exterior wall construction is reinforced concrete pillars and cross bracing members with masonry panel inserts. Exterior walls incorporate cornices and other relief features, and are covered with stucco or paint. I assume the original masonry walls have no insulation, but I assume that where perimeter walls have been furred out on the inside that some form of batt insulation has been incorporated.

Roof: The roof over the building is flat. I assume roof construction is of concrete "T" panels supported by perimeter and interior load-bearing columns and walls. I assume the roof has some type of modern era insulation and membrane roof finish. I assume the roof has recessed drains and internal pipes to drain water to ground level.

Access: The building has pedestrian doors to central corridors on the north and west, and a service door opening to the alley to the south. Internally, the building is served by two sets of stairs that serve all four levels of the building. There is also an antique passenger elevator serving the first through third floors and a modern freight elevator serving all floors.

HVAC: The subject portion of the building, the first and second floors, are served by third floor and roof-mounted boilers and chillers that circulate hot and cold water to exchangers suspended from the floor structure of the floor above. Where it exists, ducting is run above finished ceilings. The HVAC system for the first and second floors has reportedly been disconnected for several years. While the boiler and chiller units are reportedly in generally functional condition, the distribution system is believed to be in poor condition and lacking in distribution ducting. Condominium documents indicate the third floor's HVAC system is separate from that of the rest of the building. It appears employ the same components as the first and second floors, but could have some independent components. Any independent components of the third floor's HVAC system are assumed to be serviceable. The basement does not seem to have direct heating/cooling.

Alarms/Sprinklers: The building is served by a fire alarm system employing manual hand-pulls and ceiling-mounted smoke sensors. The basement is protected by a water-based fire suppression sprinkler system.

Plumbing: The only observed plumbing in the basement was a janitorial sink. The first and second floors have matching sets of men and women's restrooms with two sinks, two toilets or one toilet and one urinal, as well as recently added unisex bathrooms with one sink and one toilet designed to be handicapped accessible. The prior use of the northwest corner of the first floor as a restaurant resulted in a private two-fixture restroom and additional kitchen sinks and drains being plumbed into that part of the building. I assume the third floor has bathrooms similar to those found on the second floor.

Floors: My inspection revealed a wide variety of floor finishes, including extensive exposed concrete, various types of ceramic and quarry tile, and commercial grade carpeting. A similar mix of finishes is assumed for the third floor.

Partitions: Some of the original interior demising walls remain in place and core constructed could include masonry elements. Modern era demising is presumed to be constructed of wood or metal stud framing with sheetrock or other sheathing. Partitions are finished in wood and wood grain paneling, taped and bedded drywall, textured and painted drywall, laminated wall panels, and ceramic tile. A similar finish mix is assumed for the third floor.

Ceilings: The basement and most of the first floor areas lack finished ceilings, but one suite with ceilings exhibits a suspended ceiling with lay-in acoustic tiles, and common areas with finished ceilings exhibit mostly dropped ceilings with textured and painted drywall finishes. The second floor exhibits the same textured and painted drywall ceilings in common areas, with private offices having suspended ceilings with lay-in acoustic tile. Third floor ceilings are assumed comparable to those on the second floor.

Lights: Basement lighting is by strip fluorescent lights affixed to or suspended from the basement ceiling. Lighting in the upper floors is a mix of fluorescent lights and "can" style incandescent lights recessed into the suspended or hard-surface ceilings. A similar mix of lights is assumed for the third floor. There are lights affixed to the exterior of the building to illuminate the adjacent grounds.

Doors: Customer entrances are through standard storefront aluminum framed glass doors, with service doors being metal doors in metal frames.

Windows: Most windows are aluminum framed with insulated glass. On the second and third floors, upper tiers of windows appear to be original lead-framed tinted glass.

Elevators: The building has one freight elevator and one passenger elevator. Both systems are believed to be functional and serviceable, but are likely in need of maintenance and current inspections.

Design/Functional Utility: The building's design features are mostly simple and dated. Exterior walls are constructed of very durable masonry components, with original facades that are now protected as culturally and historically significant. The building's interior concrete floors form a highly durable platform for almost any type of internal use, and the concrete roof is also a durable component. The building appears to have a mix of HVAC systems, both types of which remain common in the marketplace. The building has access to all modern utility services, including high-speed telecommunication lines. Overall, I rate the structure's design and functional utility as adequate.

Floor planning of the first through third floors is mostly typical of modern commercial buildings. Each floor is planned around perimeter access points and/or central corridors, stairs and elevators. Ground floor space has the benefit of being able to use multiple direct entrances to individual suites as well as interior corridors. Upper floor spaces all derive access from common corridors accessed by stairs and elevators. On the whole, interior common areas, namely corridors, stairs, elevators and restroom areas, consume a relatively large percentage of the building's floor area, yielding a comparatively low efficiency ratio. Based on ceiling and cross-member heights, the basement is not suitable for human occupancy, but has been made into partitioned storage areas of various sizes. The basement is a general common area, meaning owners of upper floor units have a proportional interest in the basement; there are no designated areas assigned to the units of the upper floors. Overall, I rate the design and functional utility of the floor planning as fair to good.

Interior finishes of the building vary throughout. The basement has concrete floors, walls and low ceilings, simple lighting, and loosely fashioned partitions demising various sized storage areas. Most finishes (floor, walls and ceilings) have been removed from the first floor, though common corridors and restrooms have fairly typical floor, wall and ceiling finishes in place. The second and third floors retain demising as professional office space with typical finishes of carpeted floors, textured and painted drywall walls and suspended or painted drywall ceilings with fluorescent lighting. Current condition excepted, the interior finishes of the second and third floor are reasonably typical of modern offices. While interior finishes are typical of the market, six years of vacancy and interior water leaks have left most interior finishes in need of replacement.

On the whole, the design and functional utility of the Rosenwald Building is rated fair. This stated, the reader is reminded that the first floor has largely been stripped of all interior demising and finishes and stands largely as a "shell" awaiting demising and finishing as may be indicated by market demand. All upper floors are vacant, but appear to be able to support immediate occupancy, subject to varying degrees of "make ready" to replace floor, wall and ceiling finishes, plus lighting and HVAC ducting. Perhaps one of the largest functional issues with the subject is one common to many downtown properties, a complete lack of on-site parking.

Outside Improvements

As noted, the existing building covers almost the entire site. Areas not covered by the building are dedicated to small concrete porches connecting the building entry points to adjacent public sidewalks, and recessed areas holding utility meters and other equipment.

Condition

The first floor has been stripped of almost all interior demising, save for suites in the northeast and northwest corners of the building which are largely demised by the common corridors that access Central Avenue and Fourth Street, and the partitions that demise the other corridors, stairs, elevators and restrooms. Save for those in the northwest corner of the building and in the common areas, the first floor has been stripped of all interior finishes, and the owner reported that HVAC components on the first and second floor are inoperable. The second floor retains floor planning and finishes for professional office use. However, because of flooding in late 2010 or early 2011, floor finishes have been removed or remain in badly damaged condition, and in some areas lower sections of the drywall wall finishes have been cut off to remove damaged are/or suspect sections of drywall. The third floor has also suffered damage from past roof leaks, resulting in massive deterioration of insulation, ceiling tiles, walls and floor finishes. As a result, all areas are in need of new flooring, and some are in need of significant wall repairs and refinishing.

The building has recently has a new roof surface installed, indicating it is in "good" condition, Based on past inspections, it appears that the central boilers and chillers of the HVAC system have been regularly maintained, though distribution ducting and air handlers are, for all intents and purposes, in need of complete replacement.

My client provided a copy of a "Condition Assessment" of the property prepared by Cherry, See, Reames Architects, PC, dated July 28, 2017. A copy of said report is included in the addendum. This assessment was produced several months after the date of my property inspection. While the Condition Assessment includes many details that are beyond the scope of my appraisal assignment or expertise, my reading of the report reveals no material discrepancies between my observations of the property and those reported in the Condition Assessment. I note that the Condition Assessment report provided to me was only a "draft" and not a completed report. I assume no responsibility for any changes that might exist between the draft and a final Condition Assessment. The reader is advised that the Condition Assessment cites various instances where conclusions were not definitive and/or where additional research was reported to be needed. The Condition Report provides no cost estimates to cure any cited deficiency.

Although I am unaware of any changes to the condominium declaration, the floor plans of the first and second floor have been slightly modified from the way they are depicted in the condominium declaration. Change centers on the removal of one pair of multi-fixture men and women's restrooms and replacement of same with a single smaller unisex handicapped-accessible restroom; this was accomplished on both floors. The resulting change in partitioning resulted in a reduction of general common areas (approximately 100 square feet on each floor), and an increase in condominium areas (approximately 200 square feet on each floor). If said changes were not made with approval of the owner's association, the owner of the subject property could be forced to remove the changes or otherwise reestablish the relative condominium and common area sizes/ratios.

Environmental

The Condition Assessment report cited above identified areas of ACMs within the building. The report does not provide a detailed plan of action related to the ACMs, nor any cost estimate for remediation of the ACMs.

This information suggests that detailed Phase I and/or Phase II study may be necessary to determine the exact extent of the presence of environmental issues, the appropriate methods of dealing with said issues, and the costs associated with the recommended remediation.

Assessed Value & Property Taxes

The subject property is assessed under the name of The City of Albuquerque (first and second floors) and PGP Holdings HW 1 (third floor), with notices sent to Albuquerque, New Mexico and Tiburon, California, respectively. The property is assessed under multiple uniform property code (UPC) numbers, one for each designated condominium unit.

The following chart shows the property tax assessments and taxable values for the 2016/2017 tax year.

SUBJECT PROPERTY TAX STATUS

UNIT	UPC NUMBER	ASSESSED	TAXABLE	TAXES
100	101405717441726701-AA	$66,600	$22,200	$0
110	101405717441726701-AB	$70,500	$23,500	$0
120	101405717441726701-AC	$33,900	$11,300	$0
130	101405717441726701-AD	$31,000	$10,333	$0
140	101405717441726701-AE	$35,700	$11,900	$0
150	101405717441726701-AF	$38,000	$12,667	$0
160	101405717441726701-AG	$26,400	$8,800	$0
200	101405717441726701-AH	$134,100	$44,700	$0
210	101405717441726701-AJ	$36,300	$12,100	$0
220	101405717441726701-AK	$31,600	$10,533	$0
230	101405717441726701-AL	$31,600	$10,533	$0
240	101405717441726701-AM	$31,600	$10,533	$0
250	101405717441726701-AN	$95,700	$31,900	$0
300	101405717441726701-AN	$38,500	$12,833	$689
310	101405717441726701-AN	$14,000	$4,667	$251
320	101405717441726701-AN	$9,000	$3,000	$161
330	101405717441726701-AN	$9,600	$3,200	$172
340	101405717441726701-AN	9,000	$3,000	$161
350	101405717441726701-AN	$28,800	$9,600	$515
TOTAL		**$771,900**	**$257,299**	**$1,949**

The subject property is partly owned by the City of Albuquerque, and those parts of the building are exempt from ad valorem taxes. Therefore, the tax information presented above has no relevance because the City is not motivated to make sure the assessment is accurate. The remainder of the building is privately owned. My analysis of the value assessment of that part of the property indicates it is assessed below its actual market value. Therefore, the reader is advised that a more accurate assessment would likely result in increased taxes. This stated, there is no historic basis for projecting any material increase in the assessed value or applicable tax rate in the near future.

Prior Sales Of The Subject Property

My investigation of the subject revealed no closed sale(s) of the subject property in the three years leading up to the date of appraisal. The current owner acquired the property in September of 2007 in a cash sale for $1,600,000 plus $85,823 in capital improvements ($1,685,823 total). There have been no subsequent arms-length transactions. Because of physical and economic differences in the property, and the fact that this sale significantly precedes the crises that emerged in real estate and financial markets in 2008, it has no direct relevance to this appraisal. Thus, this appraisal has not been impacted by any recent sales of the property.

To the best of my knowledge, the subject property is not now, nor has it recently been, listed for sale. Thus, there is no pertinent listing history to be analyzed for purposes of this appraisal. This stated, I note that when the subject property sold in late 2007, the third floor of the Rosenwald Building was listed for sale at $107.98 per square foot. In late 2011, the third floor was again listed for sale at $84.04 per square foot (a 22% decline in asking price). I understand the listing was withdrawn in 2012. The third floor was again listed for sale with a local brokerage house in 2014, with an asking price of $95.99 per square foot. The agent reports no measurable interest being shown in the space.

Office Market Overview

The subject property is a multi-building office complex with nearly 350,000 square feet. This places the subject well into the 10,000+ square foot size range of properties routinely tracked by broader statistical surveys. Accordingly, the subject is a component of the broader office market and broad statistical data related to the local office market is deemed pertinent to this analysis.

The Albuquerque office market has, as in most metro areas, its longest history in the downtown area. The downtown market is also home to most of the City's and County's offices and judicial branches, as well as offices and judicial facilities for the State and Federal governments. As a result, private downtown offices are frequently oriented to the legal profession, but also include a number of corporate headquarters, bank offices, accounting firms and other professional services. For a wide variety of reasons, the downtown office market has consistently been the poorest performing market, in terms of occupancy rates, for at least the past two decades. Most recently, a significant departure of government tenants that moved to new purpose-built buildings in suburban locations hurt downtown occupancy. Unfortunately, the near future of the downtown market appears to hold little hope of significant improvement. Though one large tenant has recently been attracted to the CBD, the loss of another large tenant will largely offset the gain. Perhaps one of the few bright spots related to downtown office space is that a modest amount of office space is being converted to residential condominiums, thereby reducing, slightly, the total inventory of office space.

The prime competition to downtown office space is found in the Uptown District in the northeast quadrant of Albuquerque. The amount of Uptown office space rivals the downtown core, and is supplemented by a regional shopping mall, a new life-style shopping center, and a wide variety of supporting commercial developments like restaurants and hotels. These markets compete for many of the same types of tenants, though there are fewer legal offices in the Uptown District because of the distance to the city's courthouses and other judicial facilities. Though the Uptown District was the favored sub-market for many years, it too has recently found itself in a period of elevated vacancy and soft earnings. Companies leaving Albuquerque or relocating from Uptown to new buildings on the far north side of the city have caused a recent spike in Uptown vacancy. The completion of the ABQ Uptown life-style shopping center had a brief positive impact in 2007 and 2008, the broad economic downturn in late 2008 resulted in a drop in performance that has yet to materially abate.

While there are offices of all types scattered throughout the city, the North I-25 Corridor has emerged as the newest and most popular sub-market. Unlike the downtown and uptown office districts, which are concentrated in fairly small areas, the North I-25 Corridor spans a considerable distance along the northerly stretches of Interstate 25. Sub-sections of this sub-market, like Journal Center and the Jefferson Corridor, have most of the city's newest and nicest office buildings. These locations offer workers and patrons easier access, better on-site parking ratios, and more "open" environments than either the downtown or uptown markets. Despite having the newest and nicest buildings, the North I-25 Corridor currently struggles with vacancy problems of its own. Certain sub-sections of this market have become victims of their own success; heavy building has over-burdened streets and resulted in intense traffic congestion in some locations.

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%**

This chart shows vacancy declining into 2007, falling from about 13% to near 11% from 2005 through 2007. The economic crises that emerged in late 2007 and blossomed in 2008 had a negative impact on occupancy, resulting in an increase in vacancy to 13.1% by the end of 2008. Expectations that vacancy would continue to increase were realized, and vacancy steadily increased through year-end 2014, reaching a high of 20.9%. High vacancy has been a persistent problem for the downtown market as evidenced by the 10-year average vacancy rate of 16.8%. Conditions have worsened in recent years, as evidenced by the five-year average vacancy rate of 19.5%. Year-end vacancy for 2015 was 19.9%, one percentage point lower than 2014. This marked the first year-over-year decline in the vacancy rate since 2007.

The physical growth in the amount of vacant space has been bleak. The following chart shows statistics for the entire metro area office market relative to market size, physical vacancy and absorption.

METRO AREA OFFICE MARKET VACANCY & NET ABSORPTION

YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	**12,662,613**	**12,486,463**	**12,897,968**	**13,518,826**	**13,606,321**	**13,734,779**	**13,731,850**	**14,119,179**	**14,069,079**	**14,123,852**
Vacant	1,693,638	1,344,444	1,690,699	2,168,937	2,455,337	2,544,730	2,589,066	2,729,860	2,933,696	2,808,812
% Vacant	**13.38%**	**10.77%**	**13.11%**	**16.04%**	**18.05%**	**18.53%**	**18.85%**	**19.33%**	**20.85%**	**19.89%**
Absorbed	**90,585**	**278,600**	**76,606**	**73,116**	**-209,787**	**-29,942**	**-32,656**	**-116,258**	**-261,936**	**92,128**

This chart shows that across the metro area, vacancy has skyrocketed over the past eight years. From the recent "peak" of performance in 2007, vacancy increased from 10.77% to 20.85% as of year-end 2014, falling back to 19.89% by year-end 2015. While this increase sounds bad enough, when it is equated to an increase of 1,465,000 square feet of vacant space, the impact seems more tangible. The most sobering figure is that at year-end 2015 there was more than 2,800,000 square feet of office space vacant in the metro area. In truth, the figure is probably higher because the Colliers International survey excludes buildings under 10,000 square feet.

Absorption of existing vacancy is likely to be a long-term event. At the best pace of absorption seen in the chart above (280,000 square feet in 2007), it would take five full years of comparable absorption just to return to a 10% vacancy rate. The average absorption for the past 10 years stands at ***negative*** 4,000 square feet per year; absorption is even worse for the past five years, standing at negative 70,000 square feet per year. (The five-year period from 2010 through 2014 was the market's worst, showing negative absorption every year, yielding an average of ***negative*** absorption of 130,000 square feet per year.) While the positive absorption seen in 2015 is certainly welcome, it is far too early to conclude this is a sustainable trend. While neither a five-year absorption time or a market that forever deteriorates is likely, absorption to a reasonable level of stabilized vacancy will be an extremely long-term event. Hence, the Albuquerque office market will suffer from elevated vacancy for many years to come.

This massive amount of vacancy, expressed as a percentage or in square feet, combined with rental rates that declined over the past several years, seriously impacted the demand for new office space, and should serve to focus whatever demand does exist on existing inventories for the foreseeable future. To the extent that there is any positive to be taken from these figures, existing buildings should have very little competition from new construction. However, a factor that cannot be reliably accounted for, but certainly exists, is that advancements in technology are serving to decrease demand for office space. Everything from "cloud" storage of electronic data, to shifts from desktop to laptop and now tablet computers and smart phones, and the ease with which employees can work remotely are serving to decrease demand for office space.

The Subject Sub-Market

The subject property is in the "Downtown" sub-market. Data specific to that sub-market follows.

OFFICE SUB-MARKET VACANCY HISTORY

LOCATION	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Downtown	***20.4%***	***15.6%***	***18.5%***	***18.0%***	***18.7%***	***21.1%***	***21.7%***	***29.6%***	***24.9%***	***22.3%***
Citywide	13.4%	10.8%	13.1%	15.0%	18.0%	18.5%	18.9%	19.3%	20.9%	19.9%

This chart shows the Downtown sub-market historically under-performs the citywide market, and that it has a very long history of very high vacancy. In only one of the last 10 years was year-end vacancy reported at less than 18%, and it has not been below 15% in well over a decade. The 10-year average for vacancy is 21.1% and the five-year average is 23.9%. Although year-end vacancy for 2014 and 2015 showed consecutive years of improvement, vacancy remains at extremely high levels.

The clear lack of demand for office space downtown has impacted earnings, as rental rates have remained flat or even declined over the last several years (while expenses have generally increased). The following chart shows statistics for the Downtown office sub-market market relative to market size, physical vacancy and absorption.

DOWNTOWN SUB-MARKET OFFICE VACANCY & NET ABSORPTION

YEAR	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Downtown Total Area	2,717,338	2,589,225	2,612,806	2,602,323	2,642,619	2,773,722	2,773,722	3,241,080	3,191,080	3,158,324
Square Feet Vacant	**554,573**	**403,240**	**482,140**	**472,207**	**494,228**	**585,401**	**601,031**	**953,592**	**794,608**	**703,314**
% Vacant	20.41%	15.57%	18.45%	18.15%	18.70%	21.11%	21.67%	29.42%	24.90%	22.27%
Net Absorption	**-70,495**	**65,458**	**-69,458**	**-15,073**	**-22,021**	**-9,873**	**-15,630**	**-261,875**	**107,434**	**58,538**

The gross inventory of office space was stable in the Downtown sub-market for many years, but changed in 2013 when some buildings previously owner-occupied were vacated and entered the market as rental properties. Even prior to 2013, vacancy was high and fairly volatile. Over the past 10 years, the Downtown sub-market experienced only three year with positive absorption. Those three years of positive absorption have been overwhelmingly offset by negative absorption in the other seven years, with 2013 being the worst single year for negative absorption with over 260,000 square feet of negative absorption. The year-end 2013 vacancy of nearly 29.5% was a record for downtown, easily eclipsing the record set the prior year.

Improvement was realized by year-end 2014 because a large healthcare company relocated to the CBD. Despite The Gap exiting the CBD in 2015, there was still moderate positive absorption. Back-to-back years of positive absorption have not been seen in the CBD in more than a decade.

This chart shows that for the past decade, vacancy has been as low as about 15.6% and as high as about 29.6%. The average for the past decade is 21.1% vacancy, and the average for the past five years was 23.9%. Both averages were mildly influenced by a spike in 2013, but with or without the spike of 2013 it is clear that the CBD has a long-standing problem with very high vacancy. Given this history and the lack of known activity that would have a material impact on vacancy. It is reasonable to say that the subject is located in a market where vacancy of 21% or more is the norm. (Negative absorption has been so prevalent in the CBD for so many years that there is no reasonable basis for projecting a return to quasi-normal level of 10% vacancy.)

Highest And Best Use

Highest and best use is the analysis of the legal, the physically possible, the probable, and the most profitable use of land and/or improvements. If a property is already improved, the analysis is undertaken for the site as though vacant, and again as the property is improved.

Land As Though Vacant

Legal Uses

Zoning is the usual determinant of legal use. Zoning can be supplemented by restrictive covenants or other such developer-imposed restrictions. The subject site is zoned SU-3, which is the City's most permissive zoning category intended for dense urban center development, allowing a wide variety of residential and commercial uses. This zoning classification is known for allowing very high density, and often reduced parking requirements. Underlying SU-3 zoning was modified in 2000 by the Downtown 2010 Sector Development Plan, which was updated in 2014 and renamed the 2025 Plan. The subject falls within the "Arts & Entertainment District". The changes introduced/reiterated by the sector plan are significant in that they require ground floor space to be retail or arts/entertainment, with office uses allowed on upper floors. Industrial uses are precluded, but would not be appropriate for this location anyway. Otherwise, changes are relatively minor.

Accordingly, existing zoning allows for a variety of residential and commercial uses, with the key restriction being retail/arts/entertainment use on the ground floor.

Physically Possible Uses

The subject site contains 10,650 square feet. The site has good frontage on two streets and a paved alley, has essentially flat topography, has all standard utility services, and is assumed to have soil conditions adequate to support any reasonable and legal development. These physical features will obviously support a wide variety of uses, with the key limitation being the size of the site. While zoning will allow a physically tall improvement, the small size of the site still imposes limitations on the size of prospective improvements. I believe the site is physically able to support any reasonable and legal use of the land, with a use scaled to the size of the site being the only limitation.

Reasonably Probable Uses

Probable uses are influenced by internal characteristics, like site size or topography, and external influences like location, surroundings and economic factors. As indicated above, internal features are not very specific in identifying a probable use. The site has all the physical characteristics necessary to support a wide variety of uses, but its small size will be a limiting factor. Zoning is generally permissive, but does require a retail type of use on the ground level of any improvement.

External uses are viewed as more influential on the subject, starting with location. The subject's location on a primary commercial arterial on the eastern side of the downtown business district is one that immediately evokes a commercial use expectation. Central Avenue, from First to Eighth Streets, is lined with all variety of retail-commercial improvements. While a couple of properties have performed internal modifications to turn commercial space into residential space, only one has been successful, and it is located at the western edge of the CBD and the conversion took place in the middle 2000s, well before the 2008 market crash. Therefore, to date, the subject's location is one that has a long association with retail-commercial uses, but mostly failed residential uses.

Surrounding properties are also influential on property use. The subject site abuts lands to the east that are improved with one and two-story retail-commercial buildings. The site stands adjacent to more one and two-story buildings to the north and west with similar retail-commercial uses, and some upper floor residential uses. Buildings to the south are mostly very old government buildings, some of which are no longer in active use and are awaiting renovation or another fate. Looking slightly past the immediately abutting or adjacent uses shows that to the east and west retail-commercial buildings are the dominant property uses along Central Avenue, with a multi-screen movie theater the single most prominent nearby use. To the north, corporate and professional offices, prominent hotels and the city's convention center are nearby. In my opinion, I believe the immediate and nearby surroundings are most indicative of retail-commercial (as dictated by zoning) and office use of the property.

Economic conditions are another external influence. Without repeating details previously presented in the "city" description and market overview sections of this report, the downtown market continues to struggle in many ways. Office vacancy continues to rise and rental rates are flat or trending slightly lower. Retail uses struggle and have been largely reduced to a handful of specialty stores. Restaurants and night clubs have mixed performance, with some located close to a movie theater reportedly doing well, but others struggling. Night clubs that cater to a young crowd generally do well, but some have run afoul of the law and have closed or are under intense scrutiny. Residential property also has mixed performance, as many properties recently built or renovated for sale as residential condominiums have failed to find buyers. However, most have been leased to high rates of occupancy. While such occupancy generates revenue, the implied value based on rental revenue is far below the value anticipated when the properties were developed for sale. Following a surge of new government buildings in the early to middle 2000s, residential buildings or renovations have been the most active segment of the market, seeing several new projects in recent years. However, almost all of the residential development has been government-subsidized in some way or another, so it is hard to assess "market" economics for many residential properties.

If judged purely on occupancy, residential rental property would appear to have the greatest economic support. However, as noted above, the level of return on investment that most residential properties are able to generate is significantly less than costs to build. Other primary property types falter on both occupancy and revenue considerations, as high vacancy and flat earnings have been persistent in the retail-commercial and office segments of the downtown market for decades. While there is no private-sector type of development that is economically viable in terms of new construction, it appears that support for existing improvements is best for residential property uses, specifically rental property.

Therefore, based on consideration of legal, physically possible and reasonably probable uses, I conclude that a mixed-use project that would include retail/arts/entertainment uses on the ground floor (only because of the legal requirement to use ground floor space in this manner) and residential uses on upper floors is most probable for the subject site. The final consideration is economic feasibility.

Economic Feasibility

Economic feasibility is satisfied when the value of a completed project exceeds the cost of building the project. Economic feasibility is maximized by the use that returns the highest value to the underlying land. In my opinion, outside of a government or similar institutional use that is not subject to private sector financial feasibility requirements, the most likely economically feasible use of the subject site, as though vacant, is a mixed use development that includes the required retail/arts/entertain component on the ground floor and residential components on the upper floors.

Economic feasibility is usually demonstrated by comparing the costs of development, usually inclusive of a developer profit, with the estimated value of a project, usually by capitalized earnings (direct capitalization or a discounted cash flow analysis). Any use that has value in excess of cost is economically feasible, and the use that creates the greatest spread of value over cost is the maximally productive use. Although I consider a mixed-use development of the site to be the one most likely to be economically feasible, my analysis of the subject marketplace indicates that under current economic conditions, such a use is not economically feasible.

As indicated in the office and retail market overviews, there is insufficient demand for retail-commercial or office space to support new development, and while occupancy is high at residential projects, the available economic return remains insufficient to support the cost of land, construction and developer profit required for private-sector development. Accordingly, I conclude that market-driven (not subsidized) development of the land is currently not economically feasible.

Conclusion

In conclusion, legal and probable use considerations indicate a mixed use development that includes the required retail/arts/entertainment component on the ground floor and residential components on the upper floors as the most probable type of development for the subject site. However, economic considerations negate retail-commercial or office uses altogether, and leaves market-driven rental-residential development lacking in providing an economic return adequate to support land acquisition, building construction costs and developer profit. Finding no private-sector development able to satisfy traditional economic feasibility tests, I conclude the immediate highest and best use of the land, as though vacant, is a speculative holding use.

<u>Property As Improved</u>

All of the tests considered for land use are equally applicable to the improvements. The subject improvements are a three-story building, plus basement. Having been developed as a retail store and later converted to office space, the building was last used for retail-commercial activities on the ground floor and offices on the upper floors. A reflection of the prolonged struggles in the downtown office market, and the effects of the Great Recession, the building has been totally vacant for six years, perhaps slightly more.

The existing use of the subject building is a legal use of the property (including requisite ground floor retail/arts/entertainment use), a use that is obviously physically possible, and a use that is reasonably probable. Thus, the main consideration is whether or not the value of the building could be enhanced by changes to the improvements. Obviously, enhancement would mean the impact on property value exceeded the cost of any physical change to the property.

As of the effective date of appraisal, the subject's ground floor space is essentially shell space, needing interior demising walls as might be needed, floor, wall and ceiling finishes, lighting, and new or repaired HVAC components. Thus, a substantial investment in repairs/renovations will be required for the space to be economically viable, but current market conditions strongly suggest that such renovations are not economically feasible. In brief, competition for retail-commercial tenants is high, demand is weak, and combined rental and occupancy rates are such that insufficient revenue would be created to provide an acceptable return on investment.

The subject's second and third floor spaces are fully and reasonably demised as professional office space. However, both floors have suffered water leaks that resulted in significant damage to interior finishes. Some of the damage was partially repaired, but substantial damage exists and has not been tended to. These elements of damage, combined with at least six years of vacancy, leaves the property with dated and damaged interior finishes that will require substantial replacement and refurbishment of finishes, plus installation of HVAC ducting and air handlers, to make the spaces habitable. Realizing the work that needs to be accomplished to make the second and third floors tenant-ready for use as professional offices, there is no data to indicate that accomplishing this work is economically viable. The downtown office market is so weak as to find some office space renting for little more than the costs of operation. In such an environment, there is no evidence to suggest that the space should be refurbished into office space.

At present, the only evidenced demand for buildings in the subject's condition is for possible conversion of upper floors into residential use. At least two recent sales of downtown office buildings like the subject were motivated by plans to convert upper floors to apartments. While this is providing motivation for building acquisitions, there is yet no support for the downtown market being able to support non-subsidized apartments. Thus, it remains to be seen whether such conversion is economically feasible, but at present it seems to be the force that is driving sales of older, defunct downtown offices.

Absent any indication of demand for or economic incentive to finish the ground floor space for retail-commercial use, or the upper floors to office space, and with yet unproven economic feasibility of conversion of upper floors to apartments, the subject property must stand essentially "as is" to meet the test of highest and best use. For improved property, the basic requirement of highest and best use is that the improvements add value to the site as though vacant. Highest and best use is maximized when no changes to the property will enhance profitability. The following approaches to market value will clearly show that the existing improvements add to the value of the underlying land and are representative of the highest and best use of the property. Lacking evidence of any changes to be made to the improvements to enhance property value, the improvements are deemed to be the maximally productive use.

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 developer's standpoint. Thus, all aspects of land acquisition, planning costs, construction costs, and financing charges 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 depreciation, 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 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.

Applicable Approaches

Based on the buildings age of 107 years, the physical condition of the building, the functional obsolescence that the building suffers from, and the external obsolescence that impacts the property, a depreciated cost approach is not a viable or reliable indicator of market value. The prospect of deriving a meaningful indication from a cost approach is further diminished because of the subject's status as condominium units comprising only part of the building. For all these reasons, the cost approach is excluded from this appraisal.

Physical attributes of the subject units and downtown market conditions are such that I do not consider an income capitalization approach to be applicable. Clearly, for the first floor space, development of an income approach means development of appropriate interior demising, estimating costs of construction to create one or more rentable units, and core elements of rental rate, operating expenses and absorption time. Based on data presented in the market overview section of this report, it is my opinion that it is unreasonable to expect the subject ground floor to appeal to an "investor" who plans to use the property as rental property. In a citywide market environment where vacancy is persistently high and rental rates are declining, and in a sub-market where vacancy averages over 20% and absorption to even 10% vacancy would take many years, the prospects of the property appealing to an investor are deemed very low. Accordingly, I think it is unrealistic, and potentially misleading, to develop an income approach for the subject's retail space.

Although needing some repairs (some of which reportedly can be accomplished at no cost to the owner), the subject's second floor office space is essentially market-ready. The reader will recall that current floor planning has departed somewhat from what was outlined in the condominium declaration. The second floor space is currently demised into three suites, but could readily be used by a single user with little or no changes to the floor plan. For many of the reasons noted above, I consider use of the second floor by a single user to be most probable and the manner of use that would maximize property value. In brief, market conditions are even worse for office space than for retail space. On top of high vacancy extending back for decades, the downtown office market has shown negative absorption for many years. Rental rates are flat or falling. Therefore, it is again likely that the potential to attract an investor to the subject property when the prospects for return on investment are continually eroding is minimal. Accordingly, I think it is unrealistic, and potentially misleading, to develop an income approach for the subject's office space.

The prior paragraphs outline the fundamental reasons that I think an income approach is not applicable. One other factor is cited as applicable to both the retail and office space. In smaller properties that are physically best suited to single-tenant or owner-occupancy, the income capitalization approach is consistently yielding lower property values than the sales comparison approach. The basic reason for this is that in the current market, not just the subject sub-market, investor confidence is so low that investors are requiring high rates of return. This is a natural response for an investment community that thinks occupancy and revenue will/may continue to trend down. As a result, the combined effect of lower occupancy, lower rental rates and higher investor return requirements is property values based on capitalized earnings that are notably lower than what is derived from comparable sales wherein return on investment was not the motivation for purchase. Therefore, based on all of the reasons outlined above, I do not consider the income capitalization approach applicable to this appraisal, and it is not included in this appraisal.

Accordingly, valuation of the subject property falls to the sales comparison approach. For properties that are suitable to owner-occupancy, I consider this to be the most accurate indicator of market value and, at least in the current market, the approach that tends to yield the highest indication of market value.

Sales Comparison Approach

Ideally, sales of similar improved properties would be available for comparison to the subject from within the same neighborhood. Since this is rarely the case with commercial property, sales from other areas must be used. Unfortunately, use of sales from other areas can introduce location-based variations to the analysis, complicating the comparison. Since most location differences are related to underlying land value, this problem can be avoided for certain types of comparisons.

The land component of an improved property sale can often present comparison problems even when land value is considered equal from one sale to the next. For instance, if both the subject and the sale property have 1,000 square feet of building area, but the sale property has twice as much land area as the subject, the price indicated by the sale would not be directly applicable to the subject property. Thus, in addition to varying underlying land values, this approach must also be conscious of land and building area ratios.

Both location influences and building to land area ratios may be effectively minimized or eliminated by using a component analysis of improved sales. This is done by making an allocation between land and improvement value for each sale. An analysis of the land value is made, and then deducted from the total sales price of each sale. This analysis accounts for differences in the value and/or quantity of underlying land. Remaining value is then attributed to the improvements. Division of the remainder by improvement area develops a price per square foot applicable to the improvements only. The improvement value per square foot, then, has almost all land attributes (value or quantity) removed.

This type of study is applicable for physical units of comparison like price per square foot. Though economic units of comparison can also be developed from sales, they are generally not impacted as much by the land component, and adjustments are not normally used.

Because the broad economic conditions related to the office market, sales of land for office use have been very few in numbers in recent years. This undermines a reliable component analysis, as described above, because land values cannot be reliably estimated and extracted from overall sales prices. Therefore, the sales will be analyzed on an overall price per square foot. This may introduce the need for adjustments related to the quantity and value of land associated with the comparable buildings, but the sales selected for this analysis include downtown properties that may show such adjustments are unnecessary.

Office Property Analysis - Sales Selection

I have selected sales for comparison to the subject on the primary criteria that the buildings were bought for owner-occupancy or had extensive work to accomplish before the building could be legitimately turned into an income-producing (rental) property. While I attempted to be cognizant of building size and other factors, the prospective pool of office sales was too small to exercise tight controls on physical attributes. For the same reason, the time period over which sales have been considered is relatively long, approximately three years. While this would ordinarily present the need for a time adjustment, the static condition of the local office market is such that the use of older sales is not problematic.

Sales Presentation

In keeping with a Summary Report format, the sales are not discussed in individual narratives. Rather, pertinent elements of the sales are tabulated for easy reference and analysis, with additional sale details, photographs and location maps presented in the addendum.

COMPARABLE SALES - BY SALE DATE

#	LOCATION	DATE	LAND	BLDG	L:B	AGE	COND	PARKING	$/ALL
1	615 First	**02/24/2014**	36,421	62,287	0.58	35	Fair	On-Site	**$28.42**
2	2130 Eubank	**02/27/2014**	108,900	22,815	4.77	30	Good	On-Site	**$71.66**
3	301 M.L.K., NE	**10/28/2014**	65,863	32,756	2.01	35	Fair	On-Site	**$38.92**
4	101 Sun	**03/25/2015**	52,764	11,900	4.43	20	Good	On-Site	**$109.24**
5	10600 Menaul	**03/31/2015**	105,263	14,732	7.15	35	Good	On-Site	**$95.03**
6	2100 Airpark	**10/23/2015**	61,873	29,500	2.10	29	Good	On-Site	**$66.10**
7	8100 Mountain	**04/15/2016**	85,678	39,102	2.19	45	Good	On-Site	**$44.75**
8	3916 Juan Tabo	**06/23/2016**	40,276	10,000	4.03	25	Fair	On-Site	**$81.70**
9	505 Central	**10/28/2016**	14,200	55,400	0.26	80	Good	None	**$26.17**
10	1801 Randolph	**03/01/2017**	142,252	85,938	1.66	36	Good	On-Site	**$28.80**

The sales are studied for applicable adjustments.

Sales Analysis . . . Conditions Of Sale

"Conditions of sale" refers to factors outside a sale property that might have influenced the sales price, such as seller distress, favorable seller financing, excess buyer motivation, etc. To the best of my knowledge, none of the sales was impacted by atypical conditions of sale that warrant an adjustment.

Date Of Sale (Time)

All of the sales took place within 36 months of the date of valuation. This is a relatively long time span that warrants consideration. While there is ample evidence to show that market conditions relative to occupancy and rental rates have deteriorated somewhat over that time, there is no reliable data to show that sales of properties oriented to owner-occupancy have experienced a measurable move in value related to the passage of time over the past 36 months. Absent a reliable indication of appreciation or depreciation, no time adjustment is made to the sales.

Land To Building Ratio

Although I have noted that I believe land values among the comparables are reasonably similar, there is still some differences in land to building ratio. The sales are re-tabulated in order of land to building ratio to test for a correlation between land to building ratio and unit value.

COMPARABLE SALES - BY LAND TO BUILDING RATIO

#	LOCATION	DATE	LAND	BLDG	L:B	AGE	COND	PARKING	$/ALL
9	505 Central	10/28/2016	14,200	55,400	**0.26**	80	Good	None	**$26.17**
1	615 First	02/24/2014	36,421	62,287	**0.58**	35	Fair	On-Site	**$28.42**
10	1801 Randolph	03/01/2017	142,252	85,938	**1.66**	36	Good	On-Site	**$28.80**
3	301 M.L.K., NE	10/28/2014	65,863	32,756	**2.01**	35	Fair	On-Site	**$38.92**
6	2100 Airpark	10/23/2015	61,873	29,500	**2.10**	29	Good	On-Site	**$66.10**
7	8100 Mountain	04/15/2016	85,678	39,102	**2.19**	45	Good	On-Site	**$44.75**
8	3916 Juan Tabo	06/23/2016	40,276	10,000	**4.03**	25	Fair	On-Site	**$81.70**
4	101 Sun	03/25/2015	52,764	11,900	**4.43**	20	Good	On-Site	**$109.24**
2	2130 Eubank	02/27/2014	108,900	22,815	**4.77**	30	Good	On-Site	**$71.66**
5	10600 Menaul	03/31/2015	105,263	14,732	**7.15**	35	Good	On-Site	**$95.03**

The sales show a consistent, if not perfect, correlation between land to building ratio and unit price. The correction is rather broad, and is most in evidence at the extremes of the range. Broadly, sales with land to building ratios of 2:1 or less are associated with unit prices from $26.17 to $28.80, with the three sales yielding a simple mean of $27.80 per square foot. Three sales with land to building rations slightly above 2:1 indicate $38.92 to $66.10 per square foot, with a simple mean of $49.92 per square foot. These two groups stand in sharp contrast to sales where land to building ratio is 4.00:1 or higher. These sales show $71.66 to $109.24 per square foot, and derive a simple mean of 89.41 per square foot. Based on this comparison, I think it is reasonable to apply a qualitative adjustment to properties with large land to building ratios.

Building Size

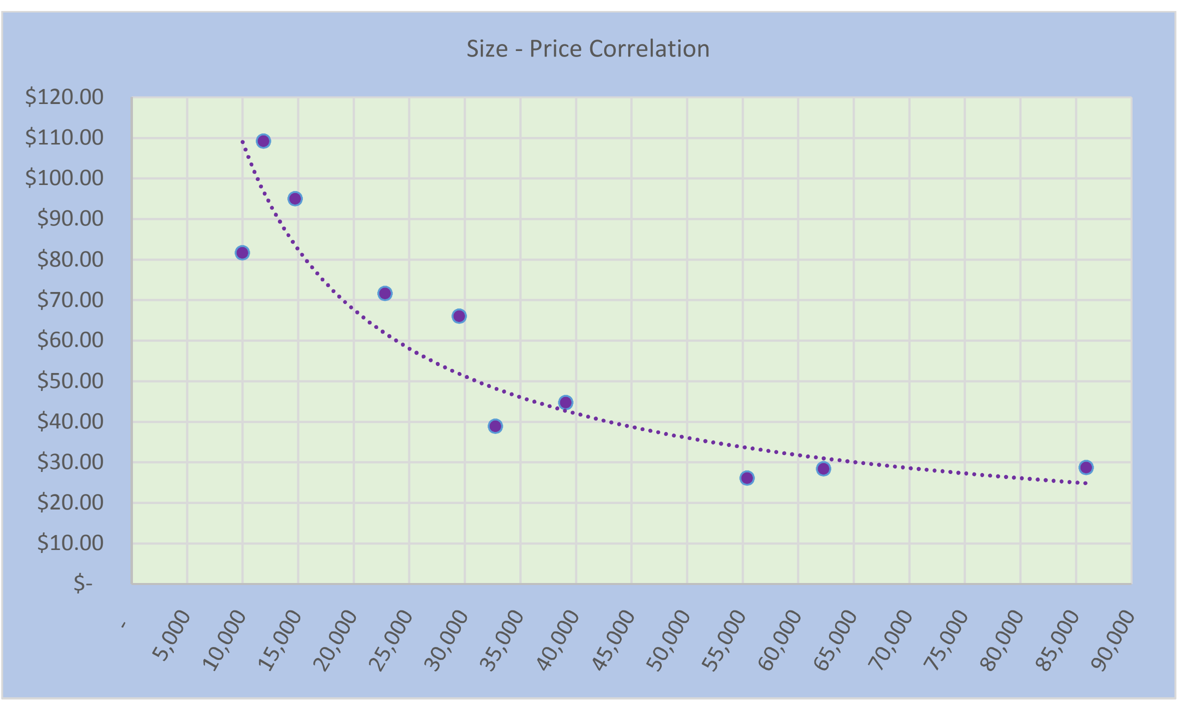
It is commonplace for large sites or buildings to command lower unit values than otherwise similar small sites or buildings, reflecting the principle of economy of scale. The sales are re-tabulated to test for a correlation between building size and unit value.

COMPARABLE SALES - BY BUILDING SIZE

#	LOCATION	DATE	LAND	BLDG	L:B	AGE	COND	PARKING	$/ALL
8	3916 Juan Tabo	06/23/2016	40,276	**10,000**	4.03	25	Fair	On-Site	**$81.70**
4	101 Sun	03/25/2015	52,764	**11,900**	4.43	20	Good	On-Site	**$109.24**
5	10600 Menaul	03/31/2015	105,263	**14,732**	7.15	35	Good	On-Site	**$95.03**
			MEAN	**12,211**					**$95.32**
2	2130 Eubank	02/27/2014	108,900	**22,815**	4.77	30	Good	On-Site	**$71.66**
6	2100 Airpark	10/23/2015	61,873	**29,500**	2.10	29	Good	On-Site	**$66.10**
3	301 M.L.K., NE	10/28/2014	65,863	**32,756**	2.01	35	Fair	On-Site	**$38.92**
7	8100 Mountain	04/15/2016	85,678	**39,102**	2.19	45	Good	On-Site	**$44.75**
			MEAN	**31,043**					**$55.36**
9	505 Central	10/28/2016	14,200	**55,400**	0.26	80	Good	None	**$26.17**
1	615 First	02/24/2014	36,421	**62,287**	0.58	35	Fair	On-Site	**$28.42**
10	1801 Randolph	03/01/2017	142,252	**85,938**	1.66	36	Good	On-Site	**$28.80**
			MEAN	**67,875**					**$27.80**

Sorted in this fashion, the sales show a very strong, but not perfect, correlation between building size and unit value. Buildings of less than 15,000 square feet are associated with a mean unit price of $95.32 per square foot, while those from 20,000 to 40,000 square feet have a mean of $55.36 per square foot, and buildings from about 60,000 to about 85,000 square feet have a simple mean of $27.31 per square foot. These indications suggest much smaller buildings would reasonably be subjected to a downward 40% (rounded) adjustment, while larger buildings would be adjusted up by 100% (rounded).

For another interpretation, the data is plotted in a scatter-gram with a power trend line.



The prior chart and graphic show a strong correlation between building size and unit value. Because of the imperfections in both, and the inability to isolate building size from other influences, this data is used to support a qualitative adjustment.

Age & Condition

In buildings of advanced age, as the sales and subject are, specific chronological age tends to have limited meaning because properties of this age have almost all been repaired and renovated over time. Thus, it is more relevant to consider building condition. Based on the prior chart that showed how influential building size is, the analysis of age/condition is performed within segregated size groups.

COMPARABLE SALES - BY PROPERTY CONDITION – SMALL BUILDINGS.

#	LOCATION	DATE	LAND	BLDG	L:B	AGE	COND	PARKING	$/ALL
8	3916 Juan Tabo	06/23/2016	40,276	10,000	4.03	25	**Fair**	On-Site	**$81.70**
5	10600 Menaul	03/31/2015	105,263	14,732	7.15	35	**Good**	On-Site	**$95.03**
4	101 Sun	03/25/2015	52,764	11,900	4.43	20	**Good**	On-Site	**$109.24**

Within the group of small buildings, the sale reported in fair condition brought $81.70 per square foot while the sales reported in good condition brought a simple mean unit price of $102.14 per square foot. Comparing these indications suggests a condition adjustment of 20% is applicable to sales in good condition.

COMPARABLE SALES - BY PROPERTY CONDITION – MEDIUM0SIZED BUILDINGS

#	LOCATION	DATE	LAND	BLDG	L:B	AGE	COND	PARKING	$/ALL
3	301 M.L.K., NE	10/28/2014	65,863	32,756	2.01	35	**Fair**	On-Site	**$38.92**
7	8100 Mountain	04/15/2016	85,678	39,102	2.19	45	**Good**	On-Site	**$44.75**
6	2100 Airpark	10/23/2015	61,873	29,500	2.10	29	**Good**	On-Site	**$66.10**
2	2130 Eubank	02/27/2014	108,900	22,815	4.77	30	**Good**	On-Site	**$71.66**

Within the group of medium-sized buildings, the sale reported in fair condition brought $38.92 per square foot while the sales reported in good condition brought a simple mean unit price of $60.84 per square foot. Comparing these indications suggests a condition adjustment of 36% is applicable to sales in good condition.

COMPARABLE SALES - BY PROPERTY CONDITION – LARGE BUILDINGS

#	LOCATION	DATE	LAND	BLDG	L:B	AGE	COND	PARKING	$/ALL
1	615 First	02/24/2014	36,421	62,287	0.58	35	**Fair**	On-Site	**$28.42**
9	505 Central	10/28/2016	14,200	55,400	0.26	80	**Good**	None	**$26.17**
10	1801 Randolph	03/01/2017	142,252	85,938	1.66	36	**Good**	On-Site	**$28.80**

Within the group of large buildings, the sale reported in fair condition brought $28.42 per square foot while the sales reported in good condition brought a simple mean unit price of $27.49 per square foot. Comparing these indications shows only a fractional difference of 3%, and the property in fair condition brought the higher unit price. Given the size of the indicated adjustment, it is my opinion that the large building sales show no measurable difference related to reported condition. While these sales do no show a condition bias, I note that each of the sales was bought with the buyer intending to perform significant tenant improvements in order to accommodate the planned building use. Thus, regardless of the condition of the buildings at the time of sale, they were to be fully renovated for the buyer's use.

Even though the large sales do not support a specific adjustment relative to building condition, the small and medium-sized building support adjustments of 20% and 36%. Because the subject's ground floor is stripped of all finishes and HVAC ducting, negating the possibility of a buyer to use the space without total renovation, I will use an adjustment consistent with the upper end of the range, 35%, to sales in good condition. I will use a 15% adjustment to sales reported in fair condition to account for the same issue related to the subject's ground floor.

Application Of Adjustments

My analysis of the relevant sales leads me to conclude that the sales are subject to various quantitative and/or qualitative adjustments. The sales are re-tabulated showing the applicable adjustments and are sorted by adjusted price per square foot.

COMPARABLE SALES - BY ADJUSTED PRICE PER SQUARE FOOT

#	LOCATION	$/ALL	C.O.S.	DATE	L:B	BLDG	AGE/COND	PARKING	$/ALL
7	8100 Mountain	$44.75					-$15.66		**$29.09**
3	301 M.L.K., NE	$38.92					-$5.84		**$33.08**
9	505 Central	$26.17				+$26.17	-$18.32		**$34.02**
5	10600 Menaul	$95.03			-	-$38.01	-$19.96		**$37.06 -**
10	1801 Randolph	$28.80				+$28.80	-$20.16		**$37.44**
8	3916 Juan Tabo	$81.70			-	-$32.68	-$7.35		**$41.67 -**
4	101 Sun	$109.24			-	-$43.70	-$22.94		**$42.60 -**
6	2100 Airpark	$66.10					-$23.14		**$42.97**
2	2130 Eubank	$71.66			-		-$25.08		**$46.58 -**
1	615 First	$28.42				+$28.42	-$8.53		**$48.31**

After applicable of quantitative adjustments, the sales indicate a range of $29.09 to $48.31 per square foot, with seven of the ten sales showing $33.08 to $42.97 per square foot. Consideration of the qualitative adjustment for land to building ratio suggests a unit value below $41.67 per square foot, and possibly below $37.06 per square foot.

Ultimately, I think that the two best comparable sales are Sales #1 and #9 based on their downtown locations that are subject to most of the same influences as the subject. Surprisingly, these two sales are at nearly opposite ends of the value indication spectrum. Based on its location just one block from the subject, and it's very recent date of sale, I must place greatest reliance on Sale #9. Sale #9 indicates $34.02 per square foot and leads me to a conclusion of $34.00 per square foot for the subject.

Estimated Unit Value	$	34.00
Subject Building Area	X	31,080
Indicated Property Value	$	1,056,720

Immediate rounding would be to $1,055,000, but I think more reasonable rounding is to $1,050,000.

Final Estimate Of Value

The subject property is the whole of the historic Rosenwald Building located at 320 Central Avenue, SW, in the downtown central business district of Albuquerque. From its origin as a retail department store over 105 years ago, the building was renovated some 36 years ago to use the second and third floors as offices. In 2007, the building was turned into condominiums. The City of Albuquerque acquired the first and second floors subject property in 2007 with plans to use the ground floor as a museum and the second floor for supporting office space. The third floor, retained by the prior owner, was (then) rented as professional office space. Succumbing to the financial and real estate crises that have impacted the market since 2008, funding was unavailable for development of the museum, and all tenants and owners vacated the property several years ago.

Despite split ownership, my client asked for this appraisal to address the market value of the entire building, including the basement. Because of the legal requirement for the ground floor to be used for retail (or similar) uses and status of the second and third floors as office space, the most applicable sales are of offices buildings, which sometimes include non-office uses on their first floors. Preliminary market analyses show the subject's office sub-market to suffer from the city's worst vacancy rates. Rental rates have done little more than hold stable, and absorption rates have been overwhelmingly negative. As a result, I concluded the cost approach was inapplicable, that the subject space has no immediate appeal to an investor seeking return on investment, and that the property is most appropriately valued as owner-user space. Thus, the cost and income capitalization approaches have been excluded and valuation accomplished based on the sales comparison approach.

I identified 10 sales of office buildings sold primarily or entirely for owner-occupancy or future renovation for multi-tenant occupancy. The sales are located across the city, but include three sales in or on the periphery of the downtown area. My analysis of the sales showed some sensitivity to land to building ratio, and a high degree of sensitivity to building size. The sales supported a quantitative adjustment for building size, and a qualitative adjustment for building land to building ratio. After adjustments, the best sale, which sold within the last few months and is just a block from the subject, supported a conclusion slightly over $34.00 per square foot,

In prior appraisals of the subject, I considered sales of retail properties for comparison to the subject's ground floor and office sales for upper floors. Because of the sale of a building just a block from the subject, I believe that the office sales reasonably capture the re-use potential of the subject's ground level and other floors, negating the need for a second set of comparables from the retail sector.

Therefore, based on information provided by my client and my client's representatives, my personal inspection of the property, review of plans and property documents, and my analysis of the pertinent market data, I conclude that

ONE MILLION FIFTY THOUSAND DOLLARS

represents the market value of the fee simple title to the subject property, considered in "assumed as is" condition, as of July 28, 2017, subject to the extraordinary assumptions outlined within 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. Conditions impacting overall or sub-markets can be very influential. The ability of all of these elements to change quickly is also a factor.

In the subject's favor, the sales approach shows that there have been several sales of office buildings for owner-occupancy, including a few in or on the periphery of the downtown area, over the past two to three years. A few other sales that parties refused to confirm or that were not deemed as directly comparable to the subject add to the total number of recent transactions. Since the subject has been valued using physical and/or economic indicators extracted from recent sales, and not inflated figures unsupported by market data, it is expected to be immediately competitive in the subject market.

However, the subject would have faced competition in various forms in the immediate market area. Though mostly much larger than the subject, there are several multi-story office buildings that have been listed for sale in the subject's immediate market (asking prices varied dramatically). In my opinion, the majority of the listings of smaller spaces are at unrealistic prices considering the market conditions in downtown. Nonetheless, the fact that a prospective buyer would have ample options is likely to protract the exposure time of any individual property.

Overall, my analysis of the subject property and market suggest an exposure period of not less than 12 months, and probably not more than 24 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.

Alternative Valuation

My client has also asked that I provide estimates of value for the condominium components that comprise the subject property. Specifically, my client, the City of Albuquerque, owns the first and second floors, and the third floor is owned independently by a private, unrelated party. Valuation of the property under the condominium premise alters certain factors, most important of which is building area. Under a premise of full building ownership, many of the condominium attributes and the building's poor floor plan features are negated and building area is equated to the gross floor area of the first, second and third floors. Under the condominium premise, the owners of the various parts of the building must acknowledge and honor all of the building's common areas and the resulting low efficiency rating of the property. The following chart is a reminder of the building areas under the condominium premise.

BUILDING AREA ANALYSIS

FLR	OWNERSHIP	G.B.A.	CONDO #	CONDO SF	%/TTL	COMMON	C.A. STATUS
B	Shared	10,650	0	0.00	0.00%	10,650.00	General Only
1	City of Albuquerque	9,975	7	6,876.11	29.78%	3,773.89	General Only
2	City of Albuquerque	10,455	6	8,018.70	34.73%	2,631.10	General & Limited
3	Private Owner	10,650	6	8,197.02	35.50%	2,452.98	General & Limited
TTL		**41,730**	**19**	**23,091.83**	**100.00%**	**19,507.97**	

My estimate of gross building area conflicts with that reported in the condominium declaration. While I accounted for door (public and private) and mechanical area recesses, the condominium declarations presume full floor areas of 10,650 square feet on all floors. I consider my estimate to be accurate, but acknowledge that because of the need to account for common areas, inside or outside the building walls, there is merit to the accounting employed in the condominium declarations.

BUILDING AREA ANALYSIS – EXCLUDING BASEMENT

FLR	OWNERSHIP	G.B.A.	CONDO #	CONDO SF	%/TTL	COMMON	C.A. STATUS
1	City of Albuquerque	9,975	7	6,876.11	29.78%	3,773.89	General Only
2	City of Albuquerque	10,455	6	8,018.70	34.73%	2,631.10	General & Limited
Sub-Total		***20,430***		***14,894.81***			
3	Private Owner	10,650	6	8,197.02	35.50%	2,452.98	General & Limited
Sub-Total		***10,650***	***19***	***8,197.02***			

Thus, the City of Albuquerque owns 14,895 square feet and a private owner owns 8,197 square feet.

Although I am unaware of any changes to the condominium declaration, the floor plans of the first and second floor have been slightly modified from the way they are depicted in the condominium declaration. Change centers on the removal of one pair of multi-fixture men and women's restrooms and replacement of same with a single smaller unisex handicapped-accessible restroom; this was accomplished on both floors. The resulting change in partitioning resulted in a reduction of general common areas (approximately 100 square feet on each floor), and an increase in condominium areas (approximately 200 square feet on each floor). If said changes were not made with approval of the owner's association, the owner of the subject property could be forced to remove the changes or otherwise reestablish the relative condominium and common area sizes/ratios. Absent accurate floor plans, I estimate condominium areas for the subject's first and second floors at 7,050 and 8,200 square feet, respectively, for a total of 15,250 square feet. There have been no known changes to the third floor, so the 8,197 square foot figure is retained.

The sizes of the suites considered herein makes them most comparable to the "small" building sales. This requires a different set of adjustments to the comparable sales, as seen below.

COMPARABLE SALES - BY BUILDING SIZE

#	LOCATION	DATE	LAND	BLDG	L:B	AGE	COND	PARKING	$/ALL
8	3916 Juan Tabo	06/23/2016	40,276	**10,000**	4.03	25	Fair	On-Site	**$81.70**
4	101 Sun	03/25/2015	52,764	**11,900**	4.43	20	Good	On-Site	**$109.24**
5	10600 Menaul	03/31/2015	105,263	**14,732**	7.15	35	Good	On-Site	**$95.03**
			MEAN	**12,211**					**$95.32**
2	2130 Eubank	02/27/2014	108,900	**22,815**	4.77	30	Good	On-Site	**$71.66**
6	2100 Airpark	10/23/2015	61,873	**29,500**	2.10	29	Good	On-Site	**$66.10**
3	301 M.L.K., NE	10/28/2014	65,863	**32,756**	2.01	35	Fair	On-Site	**$38.92**
7	8100 Mountain	04/15/2016	85,678	**39,102**	2.19	45	Good	On-Site	**$44.75**
			MEAN	**31,043**					**$55.36**
9	505 Central	10/28/2016	14,200	**55,400**	0.26	80	Good	None	**$26.17**
1	615 First	02/24/2014	36,421	**62,287**	0.58	35	Fair	On-Site	**$28.42**
10	1801 Randolph	03/01/2017	142,252	**85,938**	1.66	36	Good	On-Site	**$28.80**
			MEAN	**67,875**					**$27.80**

Based on these indications, large sales will be adjusted up by 245%, and medium sized sales will be adjusted up by 70% to account for size differences.

Application Of Adjustments

Only the magnitude of the size adjustment changes in the following chart.

COMPARABLE SALES - BY ADJUSTED PRICE PER SQUARE FOOT

#	LOCATION	$/ALL	C.O.S.	DATE	L:B	BLDG	AGE/COND	PARKING	$/ALL
7	8100 Mountain	$44.75				+$31.33	-$26.63		**$49.45**
3	301 M.L.K., NE	$38.92				+$27.24	-$9.92		**$56.24**
9	505 Central	$26.17				+$64.12	-$31.60		**$58.69**
5	10600 Menaul	$95.03			-		-$33.26		**$61.77 -**
10	1801 Randolph	$28.80				+$70.56	-$34.78		**$64.58**
8	3916 Juan Tabo	$81.70			-		-$12.26		**$69.45 -**
4	101 Sun	$109.24			-		-$38.23		**$71.01 -**
6	2100 Airpark	$66.10				+$46.27	-$39.33		**$73.04**
2	2130 Eubank	$71.66			-	+$50.16	-$42.64		**$79.18 -**
1	615 First	$28.42				+$69.63	-$14.71		**$83.34**

After applicable of quantitative adjustments, the sales indicate a range of $49.45 to $83.34 per square foot. Consideration of the qualitative adjustment for land to building ratio suggests a unit value below $69.45 per square foot, and possibly below $61.77 per square foot.

Ultimately, I think that the two best comparable sales are Sales #1 and #9 based on their downtown locations that are subject to most of the same influences as the subject. Surprisingly, these two sales are at nearly opposite ends of the value indication spectrum. Based on its location just one block from the subject, and it's very recent date of sale, I must place greatest reliance on Sale #9 ($58.69 per square foot). I note that this indication is very similar to that of Sale #3 ($56.24 per square foot), one of the other sales in the downtown area. Based on these sales, I conclude with an estimate of $57.50 per square foot for the subject.

This unit value conclusion is applied to the condominium areas controlled by the respective owners.

CONDOMINIUM UNIT CONCLUSIONS

OWNERSHIP		**CITY**			**PRIVATE**
Estimated Unit Value	$	57.50		$	57.50
Subject Building Area	X	15,250		X	8,197
Indicated Property Value	***$***	***876,875***		***$***	***471,328***
ROUNDED	**$**	**875,000**		**$**	**$470,000**

Immediate rounding would be to $1,140,000, but I think more reasonable rounding is to $1,150,000.

Therefore, based on information provided by my client and my client's representatives, my personal inspection of the property, review of plans and property documents, and my analysis of the pertinent market data, I conclude that

EIGHT HUNDRED SEVENTY-FIVE THOUSAND DOLLARS

represents the market value of the fee simple title the condominium units comprising the first and second floors of the subject property, and related percentage ownership of basement and other common areas, considered in "as is" condition, as of July 28, 2017, subject to the extraordinary assumptions outlined within this report, and that

FOUR HUNDRED SEVENTY THOUSAND DOLLARS

represents the market value of the fee simple title the condominium units comprising the third floor of the subject property, and related percentage ownership of basement and other common areas, considered in "as is" condition, as of July, 2017, subject to the extraordinary assumptions outlined within this report.

<u>*Exposure Time*</u>

Overall, my analysis of the subject property and market suggest an exposure period of not less than 12 months, and probably not more than 24 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.

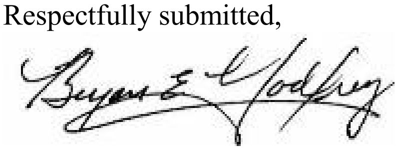
<u>Certification</u>

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 performed a market value appraisal of the subject property in 2013, but no other services relates to the subject in the prior three years;
- 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 the real estate identified as all of the condominium units comprising, and related common areas, of the Rosenwald Building located at 320 Central Avenue, SW, 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]

OFFICE BUILDING SALE #1

```
ID#: 12145     City: ABQ    Property Type: OFF   Rec #: 14- 16459
Address:   615 FIRST              NW  Map: J14C  Date:   02/24/14
Property Name: PLAZA MAYA            File:       Quality:    FAIR
Grantor Name : SFGVI-NM LLC           Grantee Name: STATE OF NM

Selling Price: $ 1,770,000        # UN:                Age:    35
Down Payment : $ 1,770,000        %Fin:      %         Sty:     4
Total Debt   : $                  Rate:      %         Trm:

Land SF:      36,421   Bldg SF:      62,287   Net SF:      60,000
Value  : $   620,000   Value   : $ 1,150,000   Value : $ 1,150,000
$/SQFT : $     17.02   $/SQFT : $      18.46   $/SQFT: $     19.17
L to B :      0.58:1   $ALL/SF: $      28.42   $/UNIT: $    **,***
Conf To: JMH           Conf By: EDWARDS, M      Date:    08/13/14

ACTUAL Rent: $            Expenses: $           NOI: $
       Ocpd: %            Cap Rate: %           GRM:       ***.**
       Debt: $            Payment : $           DCR:        **.**
       Eqty: $ 1,770,000  Payment : $           EDR: %

COMMENT:  LIST 3 YR. STATE WANTED FOR PAROLE SITE, BUT OFF ONLY.
```

OFFICE BUILDING SALE #2

ID#:	12109	City:	ABQ	Property Type:	OFF	Rec #:	14- 16784
Address:	2130 EUBANK NE			Map:	H21	Date:	02/27/14
Property Name:				File:		Quality:	GOOD
Grantor Name :	CHARTER SW			Grantee Name:	REGENTS UNM		

Selling Price:	$ 1,635,000	# UN:		Age:	30
Down Payment :	$ 1,635,000	%Fin:	100%	Sty:	2
Total Debt :	$	Rate:	%	Trm:	

Land SF:	108,900	Bldg SF:	22,815	Net SF:	22,815
Value :	$ 635,000	Value :	$ 1,000,000	Value :	$ 1,000,000
$/SQFT :	$ 5.83	$/SQFT :	$ 43.83	$/SQFT:	$ 43.83
L to B :	4.77:1	$ALL/SF:	$ 71.66	$/UNIT:	$ **,***
Conf To:	BEG	Conf By:	NEALE, T	Date:	08/31/14

ACTUAL Rent:	$	Expenses:	$	NOI:	$
Ocpd:	%	Cap Rate:	%	GRM:	***.**
Debt:	$	Payment :	$	DCR:	**.**
Eqty:	$ 1,635,000	Payment :	$	EDR:	%

COMMENT: ADDITIONS IN 1989 & 2006; 1815 SF 2ND-LEVEL OFFICE

OFFICE BUILDING SALE #3

I ID#: 12145 City: ABQ Property Type: OFF Rec #: 14- 86729
Address: 301 MARTIN LUTHER KING NE Map: K14 Date: 10/28/14
Property Name: File: Quality: FAIR
Grantor Name : WHITEFIELD PR Grantee Name: M H WIN LLC

Selling Price: $ 1,275,000 # UN: Age: 35
Down Payment : $ 1,275,000 %Fin: % Sty: 2
Total Debt : $ Rate: % Trm:

Land SF: 65,863 Bldg SF: 32,756 Net SF: 32,756
Value : $ 675,000 Value : $ 600,000 Value : $ 600,000
$/SQFT : $ 10.25 $/SQFT : $ 18.32 $/SQFT: $ 18.32
L to B : 2.01:1 $ALL/SF: $ 38.92 $/UNIT: $ **,***
Conf To: JMH Conf By: WITH, T Date: 12/18/14

ACTUAL Rent: $ Expenses: $ NOI: $
Ocpd: % Cap Rate: % GRM: ***.**
Debt: $ Payment : $ DCR: **.**
Eqty: $ 1,275,000 Payment : $ EDR: %

COMMENT: LST 4 YR. PARK GARAGE. BUYER TO RENOVATE FOR GYM+OTHER.

OFFICE BUILDING SALE #4

```
ID#: 12309     City: ABQ    Property Type: OFF   Rec #: 15- 24739
Address:   101 SUN (C)            NE  Map: D17C  Date:   03/25/15
Property Name:                       File:       Quality:    GOOD
Grantor Name : MASTHEAD LLC            Grantee Name: EC-COUNCIL IN

Selling Price: $ 1,300,000        # UN:                 Age:    20
Down Payment : $ 1,300,000        %Fin:      %          Sty:     1
Total Debt   : $                  Rate:      %          Trm:

Land SF:      52,764   Bldg SF:      11,900   Net SF:      11,900
Value  : $   750,000   Value   : $  550,000   Value : $   550,000
$/SQFT : $     14.21   $/SQFT : $     46.22   $/SQFT: $     46.22
L to B :      4.43:1   $ALL/SF: $    109.24   $/UNIT: $    **,***
Conf To: BEG           Conf By: JENKINS, T      Date:    01/07/16

ACTUAL Rent: $            Expenses: $           NOI: $
       Ocpd: %            Cap Rate: %           GRM:       ***.**
       Debt: $            Payment : $           DCR:        **.**
       Eqty: $ 1,300,000  Payment : $           EDR: %

COMMENT:  4 TRAINING RMS, ONE 400-SEAT AUDITORIUM, LOTS OF RR.
```

OFFICE BUILDING SALE #5

ID#: 12302	City: ABQ	Property Type: OFF	Rec #: 15- 26981
Address: 10600 MENAUL		NE Map: H21	Date: 03/31/15
Property Name:		File:	Quality: GOOD
Grantor Name : HYLINE LLC		Grantee Name: SUNWEST TRUST	

Selling Price: $ 1,400,000	# UN:	Age: 35
Down Payment : $ 1,400,000	%Fin: %	Sty: 1
Total Debt : $	Rate: %	Trm:

Land SF: 105,263	Bldg SF: 14,732	Net SF: 14,732
Value : $ 600,000	Value : $ 800,000	Value : $ 800,000
$/SQFT : $ 5.70	$/SQFT : $ 54.30	$/SQFT: $ 54.30
L to B : 7.15:1	$ALL/SF: $ 95.03	$/UNIT: $ **,***
Conf To: JMH	Conf By: ARNOLD, W	Date: 06/02/15

ACTUAL Rent: $	Expenses: $	NOI: $
Ocpd: %	Cap Rate: %	GRM: ***.**
Debt: $	Payment : $	DCR: **.**
Eqty: $ 1,400,000	Payment : $	EDR: %

COMMENT: BUYER FOR OWNER OCCUPANCY.

OFFICE BUILDING SALE #6

ID#: 12298 City: ABQ Property Type: OFF Rec #: 15- 93432
Address: 2100 AIR PARK SE Map: M16 Date: 10/23/15
Property Name: File: Quality: GOOD
Grantor Name : ECONOMIDES Grantee Name: CBRS LLC

Selling Price: $ 1,950,000 # UN: Age: 29
Down Payment : $ 1,950,000 %Fin: % Sty: 2
Total Debt : $ Rate: % Trm:

Land SF: 61,873 Bldg SF: 29,500 Net SF: 29,500
Value : $ 310,000 Value : $ 1,640,000 Value : $ 1,640,000
$/SQFT : $ 5.01 $/SQFT : $ 55.59 $/SQFT: $ 55.59
L to B : 2.10:1 $ALL/SF: $ 66.10 $/UNIT: $ **,***
Conf To: BEG Conf By: WHITE, J Date: 12/28/15

ACTUAL Rent: $ Expenses: $ NOI: $
Ocpd: % 100 Cap Rate: % GRM: ***.**
Debt: $ Payment : $ DCR: **.**
Eqty: $ 1,950,000 Payment : $ EDR: %

COMMENT: SOLD W/1.3972 EXCESS LD=@ $5 SQFT=$300K.GROSS=$2.25MIL

OFFICE BUILDING SALE #7

```
ID#: 12502      City: ABQ    Property Type: OFF   Rec #: 16- 38965
Address:  8100 MOUNTAIN            NE  Map: J19   Date:   04/15/16
Property Name:                        File:       Quality:    GOOD
Grantor Name : KNIGHT, D               Grantee Name: ALICE KING SC

Selling Price: $ 1,750,000        # UN:                 Age:    45
Down Payment : $ 1,750,000        %Fin:       %         Sty:     2
Total Debt   : $                  Rate:       %         Trm:

Land SF:       85,678   Bldg SF:       39,102   Net SF:       39,102
Value   : $   500,000   Value   : $ 1,250,000   Value : $ 1,250,000
$/SQFT : $       5.84   $/SQFT : $      31.97   $/SQFT: $      31.97
L to B :       2.19:1   $ALL/SF: $      44.75   $/UNIT: $     **,***
Conf To: JMH            Conf By: EDWARDS, M       Date:     02/02/17

ACTUAL Rent: $               Expenses: $            NOI: $
       Ocpd: %               Cap Rate: %            GRM:       ***.**
       Debt: $               Payment : $            DCR:        **.**
       Eqty: $ 1,750,000     Payment : $            EDR: %

COMMENT:  TERMS WERE $450k DONATION AND THE REST IN CASH.
```

OFFICE BUILDING SALE #8

```
ID#: 12430     City: ABQ    Property Type: OFF   Rec #: 16- 57978
Address:  3916 JUAN TABO PL       NE  Map: G21   Date:   06/23/16
Property Name:                         File:       Quality:    FAIR
Grantor Name : SUITES @ EL D            Grantee Name: DISABILITY RT

Selling Price: $   817,000        # UN:                  Age:    25
Down Payment : $   817,000        %Fin:      %           Sty:     1
Total Debt   : $                  Rate:      %           Trm:

Land SF:      40,276   Bldg SF:      10,000   Net SF:      10,000
Value   : $   217,000   Value   : $   600,000   Value : $   600,000
$/SQFT : $       5.39   $/SQFT : $      60.00   $/SQFT: $      60.00
L to B :       4.03:1   $ALL/SF: $      81.70   $/UNIT: $     **,***
Conf To: JMH            Conf By: CARPENTER, M    Date:     08/09/16

ACTUAL Rent: $             Expenses: $            NOI: $
       Ocpd: %             Cap Rate: %            GRM:        ***.**
       Debt: $             Payment : $            DCR:         **.**
       Eqty: $   817,000   Payment : $            EDR: %

COMMENT:  OWNER/USER; ALL EXEC. STE ON MTM & SELLER HAD TO VACATE
```

OFFICE BUILDING SALE #9

ID#: 12507 City: ABQ Property Type: OFF Rec #: 16-103505
Address: 505 CENTRAL NW Map: K14 Date: 10/28/16
Property Name: OLD SEARS BLDG File: Quality: GOOD
Grantor Name : 3-C BUILDING Grantee Name: 505 CENTRAL L

Selling Price: $ 1,450,000 # UN: Age: 80
Down Payment : $ 1,450,000 %Fin: % Sty: 3
Total Debt : $ Rate: % Trm:

Land SF: 14,200 Bldg SF: 55,400 Net SF: 55,400
Value : $ 400,000 Value : $ 1,050,000 Value : $ 1,050,000
$/SQFT : $ 28.17 $/SQFT : $ 18.95 $/SQFT: $ 18.95
L to B : 0.26:1 $ALL/SF: $ 26.17 $/UNIT: $ **,***
Conf To: JMH Conf By: CONFIDENTIAL Date: 10/28/16

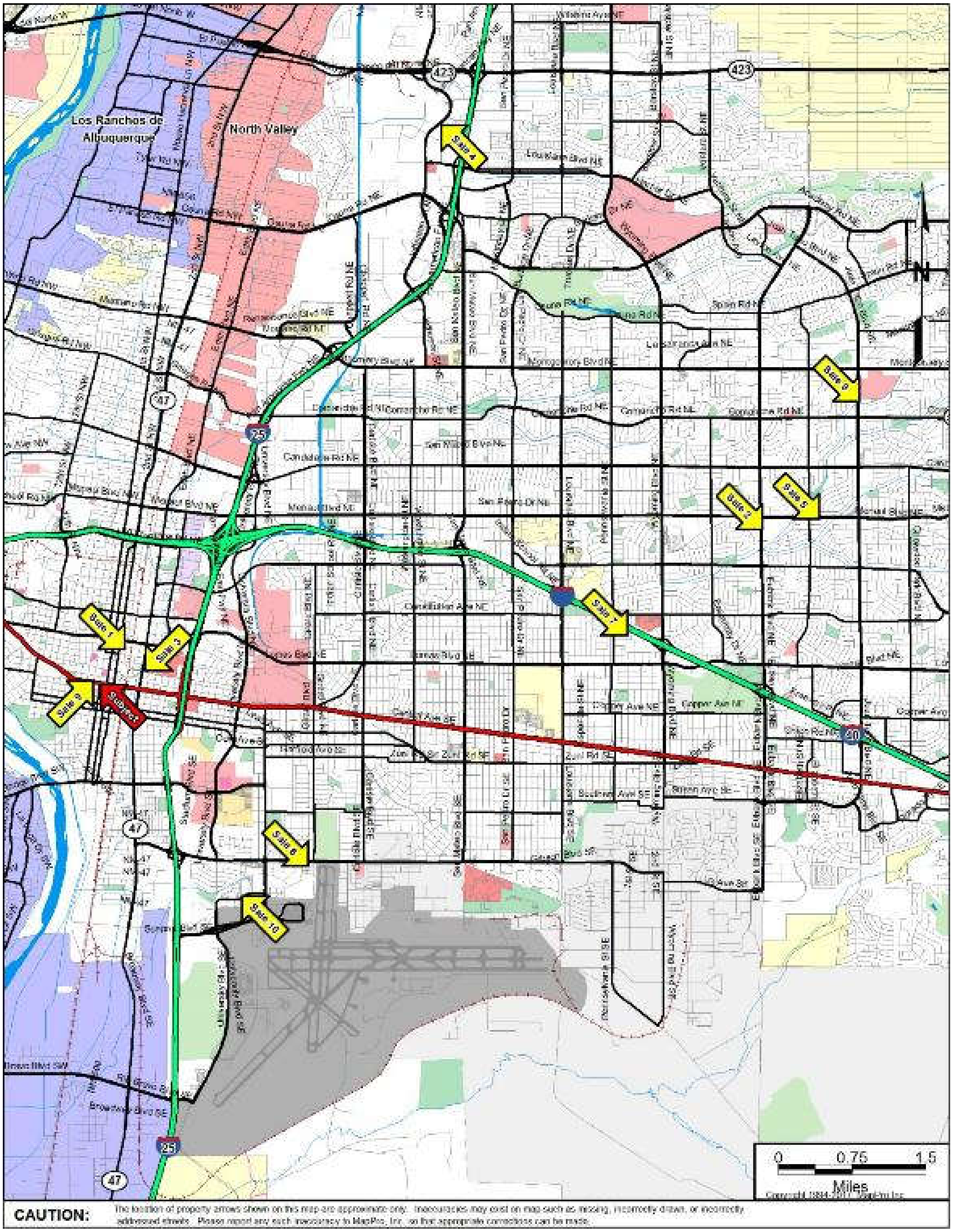
ACTUAL Rent: $ Expenses: $ NOI: $
Ocpd: % Cap Rate: % GRM: ***.**
Debt: $ Payment : $ DCR: **.**
Eqty: $ 1,450,000 Payment : $ EDR: %

COMMENT: BOUGHT FOR RENOV TO OFF/RET AND UPPER FL APARTMENTS.

OFFICE BUILDING SALE #10

```
ID#: 12511      City: ABQ    Property Type: OFF   Rec #: 17-
Address:  1801 RANDOLPH            SE  Map: M15   Date:   03/01/17
Property Name: SUNPORT CORP CTR      File:        Quality:    GOOD
Grantor Name : AOC NM LLC             Grantee Name: STOREMASTER

Selling Price: $ 2,475,000         # UN:                   Age:    37
Down Payment : $ 2,475,000         %Fin:       %           Sty:     3
Total Debt   : $                   Rate:       %           Trm:

Land SF:     142,252   Bldg SF:      85,938   Net SF:      85,938
Value  : $   500,000   Value  : $ 1,975,000   Value : $ 1,975,000
$/SQFT : $      3.51   $/SQFT : $     22.98   $/SQFT: $     22.98
L to B :      1.66:1   $ALL/SF: $     28.80   $/UNIT: $    **,***
Conf To: BEG           Conf By: WHITE, J        Date:    03/13/17

ACTUAL Rent: $            Expenses: $            NOI: $
       Ocpd: %            Cap Rate: %            GRM:        ***.**
       Debt: $            Payment : $            DCR:         **.**
       Eqty: $ 2,475,000  Payment : $            EDR: %

COMMENT:  BUYER TO SPEND $5m RENOVATE.SELLER SEALED PASSAGEWAYS.
```

OFFICE SALES LOCATION MAP



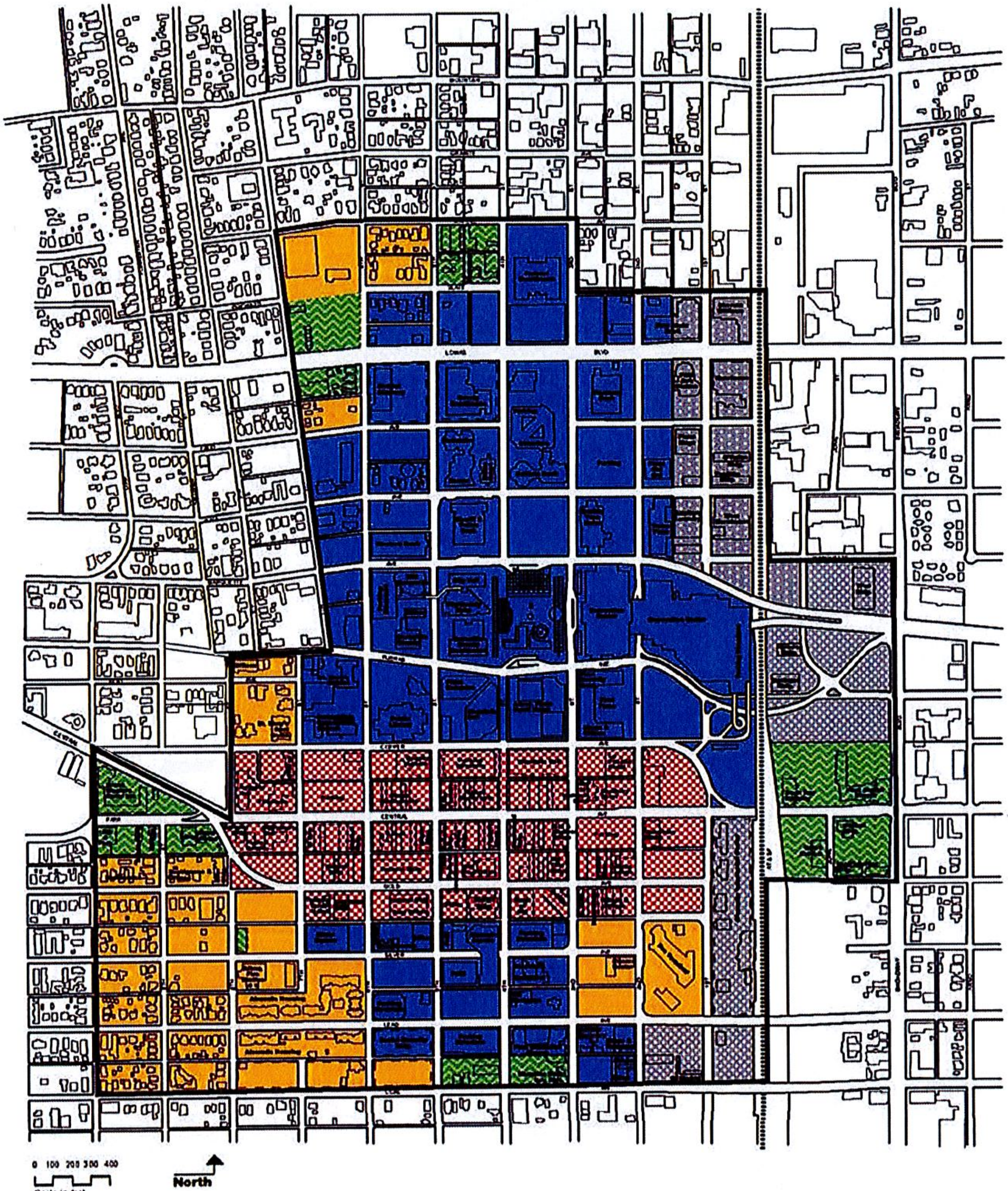
ITEMS TO FOLLOW THIS PAGE

- Zoning Data
- Condominium Plats & Documents
- Condition Assessment Report

DOWNTOWN 2025

districts map

step one



Housing Focus

Government/Financial/ Hospitality Focus

Warehouse Focus

Mixed-Use Corridor

Arts & Entertainment Focus

Downtown Core

City of Albuquerque Planning Department

downtown districts

Following is a general description of each of the Downtown districts and the uses envisioned in each district:

Housing District

Residential development is allowed and encouraged in all districts of Downtown. Residential is the primary use within the Housing District. The Housing District should be medium to high density with a range of housing types: 3-4 story townhouses, 4-6 story urban apartments, housing above retail or office, housing integrated into mixed use office structures, loft apartments converted from older mercantile buildings. Other neighborhood serving retail and ancillary office activity are allowed to provide diversity but must be compatible with the residential focus of this district.

Arts and Entertainment District

The Arts & Entertainment District is the primary center for arts, entertainment, cultural, and specialty retail shopping experiences. The Arts & Entertainment District will serve as Downtown's Main Street and host a variety of activities and experiences. The ground floor of all buildings will have exciting street level arts, entertainment and retail presence in this district. Compatible office, hotel institutional, commercial and residential uses are encouraged above the street level. The street level design of buildings should be visually interesting and reinforce the image of a premier urban shopping district and entertainment district. The street level environment will be active, visually exciting and accommodating to the pedestrian. The Arts & Entertainment District is a logical location for a new arena, multi-plex theater, restaurants, clubs, and assorted visual and performing arts venues. It is the logical location for community festivals and celebrations.

Government/Financial/Hospitality District

Downtown will maintain its position as the government, financial, and hospitality center of the metropolitan region. Downtown is the seat of government for the City of Albuquerque, Bernalillo County, and regional Federal Government facilities. These and other State departments and agencies will be located Downtown. It is also the center of the federal, state and local judicial complex. Concentrate new government and private office development in this District. Locate high and medium density office development in the district. Convention and hospitality facilities are strongly encouraged to locate in this district as well. Street level retail is required in the district to provide services and street level vitality.

Warehouse District

The Warehouse District is a lasting remembrance of Downtown's early commercial district along the railroad. Therefore, it is important to protect its historic character by preserving the existing stock of older buildings, while promoting compatible infill development. Within the Warehouse District the reuse and rehabilitation of existing older commercial buildings is strongly encouraged. A broad range and diverse mix of uses are allowed and encouraged in the Warehouse District. These uses include: commercial, office, retail, residential, transportation and sports facilities.

Types of development envisioned for this district include mixed use buildings which combine residents with workplaces, small office blocks, outdoor sports facilities, and product showrooms. The Warehouse District offers several logical locations of an outdoor ballpark. It is an ideal location for live/work artist studios and "funky" off-beat retail and restaurant venues.

Mixed Use Corridors District

Mixed use developments are allowed and strongly encouraged for all of Downtown. No predominant or primary uses are prescribed for the Mixed Use Corridors District. This district is located on the transit corridors through Downtown (Lomas Blvd.-Central Avenue-Fourth Street). Compatible office, institutional, residential, retail, commercial, educational and other uses are encouraged along this district. These developments should be concentrated and of a density to encourage transit use along these principal corridors.

The Downtown Core is zoned SU-3 Special Center. R-3 and C-2 Uses are allowed as regulated by the Comprehensive City Zoning Code as further governed by this Sector Development Plan. The Development Regulations of the R-3 and the C-2 zones, including density, setbacks, open space, etc., do not apply within the Plan area. All uses are encouraged in the Downtown, except for the prohibited uses, shown on Page 34. However, the principal uses are: residential, arts, entertainment, office, cultural, hospitality, and specialty retail. The Plan strongly encourages a mixture of compatible land uses (office/residential, retail/office, arts/entertainment). Residential development is allowed and encouraged throughout all districts of Downtown.

All types of land uses are encouraged Downtown, however certain uses are not appropriate in some districts. To assure that uses most conducive to achieving *The Plan's* objectives are developed in the appropriate districts, it is important to permit, prohibit, or regulate uses by district. There are no parking requirements in the SU-3 Special Center Zone.

The SU-3 zone creates a clear and defined (hard) boundary between the Downtown Core and surrounding neighborhoods. The Plan and zoning intent is to protect, retain, and enhance the integrity of neighborhoods surrounding the Downtown Core. Commercial and office intrusion into the surrounding neighborhoods is strongly discouraged.

Following is a general color-coded District/Use Matrix to guide in determining if a use is appropriate in a District:

	HOUSING (1)	GOVERNMENT FINANCIAL/ HOSPITALITY	WAREHOUSE	MIXED USE	ARTS & ENTERTAINMENT
RESIDENTIAL (2)					
Ground Floor	P	R	P	P	R
Above Ground Floor	P	P	P	P	P
RETAIL/SERVICES	R (3)	P	P	P	P
OFFICE/INSTITUTIONAL	R (4)	P	P	P	P
WAREHOUSE/WHOLESALE	R	R	P	R	R
MANUFACTURING					
Per M-1	X	X	R (5)	X	X
Artisanal and Craft (6)	X	P	P	P	P

P = Permitted R = Review Required X = Prohibited

1. Housing district area between Central Avenue and Lomas Boulevard is restricted to residential development only to buffer the Downtown Neighborhood Association (DNA). The remaining housing district areas are controlled by the Uses Matrix.
2. Home occupations are allowed as regulated by the R-1 zone.
3. The purpose of *The Plan* is to encourage neighborhood serving retail.

4. The purpose of *The Plan* is to allow ancillary office activity in the Housing District.
5. The purpose of *The Plan* is to allow manufacturing as regulated by the M-1 zone.
6. For the purposes of this Plan, Artisanal and Craft Manufacturing shall include:

   1.) Makerspace, tech shop, or artisanal studio where products, including but not limited to, stone, clay, glass, ceramic, metal, textile, leather, wood, paper, plastic, electronics, or similar materials are used in the design, development, creation or testing of a resulting object that may be manufactured commercially, provided:

      (a) Items created are primarily prototypical, specialized objects;
      (b) All activities are conducted within a completely enclosed building;
      (c) Activities or products will not produce odor, dust, smoke, noise, vibration, or other impacts in excess of allowed standards.

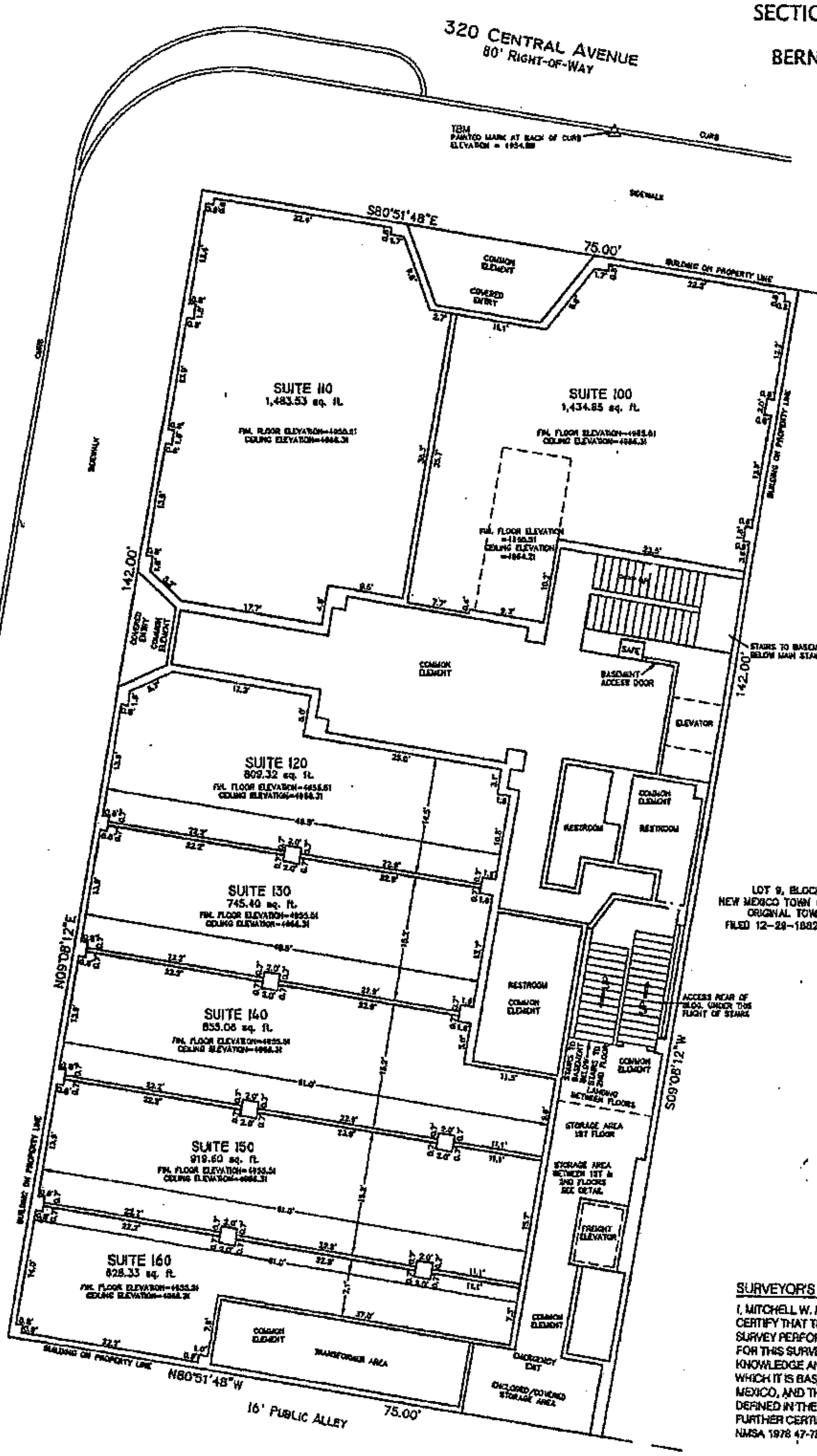
   2.) Brewery operated under a New Mexico Small Brewers License, provided:

      (a) All activities are conducted within a completely enclosed building;
      (b) Activities or products will not produce odor, dust, smoke, noise, vibration, or other impacts in excess of allowed standards.

CONDOMINIUM PLAT

ROSENWALD BUILDING CONDOMINIUMS

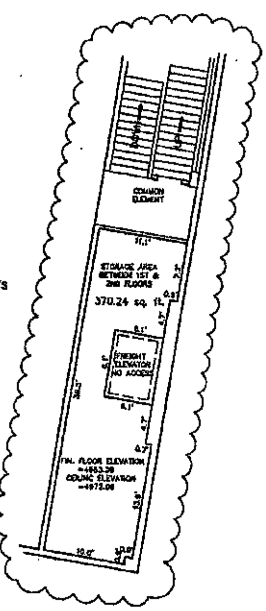
LOTS 10-12, BLOCK 17
NEW MEXICO TOWN COMPANY'S ORIGINAL TOWNSITE
SECTION 20, T. 10 N., R. 3 E., N.M.P.M.
CITY OF ALBUQUERQUE
BERNALILLO COUNTY, NEW MEXICO
JANUARY 2007
SHEET 1 OF 5
GROUND FLOOR



SCALE: 1" = 10'
PROJECT NO. 0612P808
DRAWN BY FGB
ZONE ATLAS: K-14-Z

TOTAL GROUND FLOOR AREA SUBJECT TO DEVELOPMENT RIGHTS = 5876.11 SQ.FT.

TOTAL GROUND FLOOR AREA OF COMMON ELEMENTS = 3773.89 SQ.FT.



SURVEYOR'S CERTIFICATE

I, MITCHELL W. REYNOLDS, A NEW MEXICO PROFESSIONAL SURVEYOR, HEREBY CERTIFY THAT THIS SURVEY PLAT WAS PREPARED FROM AN ACTUAL GROUND SURVEY PERFORMED BY ME OR UNDER MY SUPERVISION, THAT I AM RESPONSIBLE FOR THIS SURVEY, THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF, THAT THIS SURVEY PLAT AND THE FIELD SURVEY UPON WHICH IT IS BASED MEET THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO, AND THAT THIS SURVEY IS NOT A LAND DIVISION OR SUBDIVISION AS DEFINED IN THE NEW MEXICO SUBDIVISION ACT. THIS IS A CONDOMINIUM PLAT. I FURTHER CERTIFY THAT THIS PLAT CONTAINS ALL INFORMATION REQUIRED BY NMSA 1978 47-7B-9.

Mitchell W. Reynolds 06-08-07
MITCHELL W. REYNOLDS, N.M.L.S. NO. 11224

MITCHELL W. REYNOLDS
NEW MEXICO
11224
LICENSED PROFESSIONAL SURVEYOR

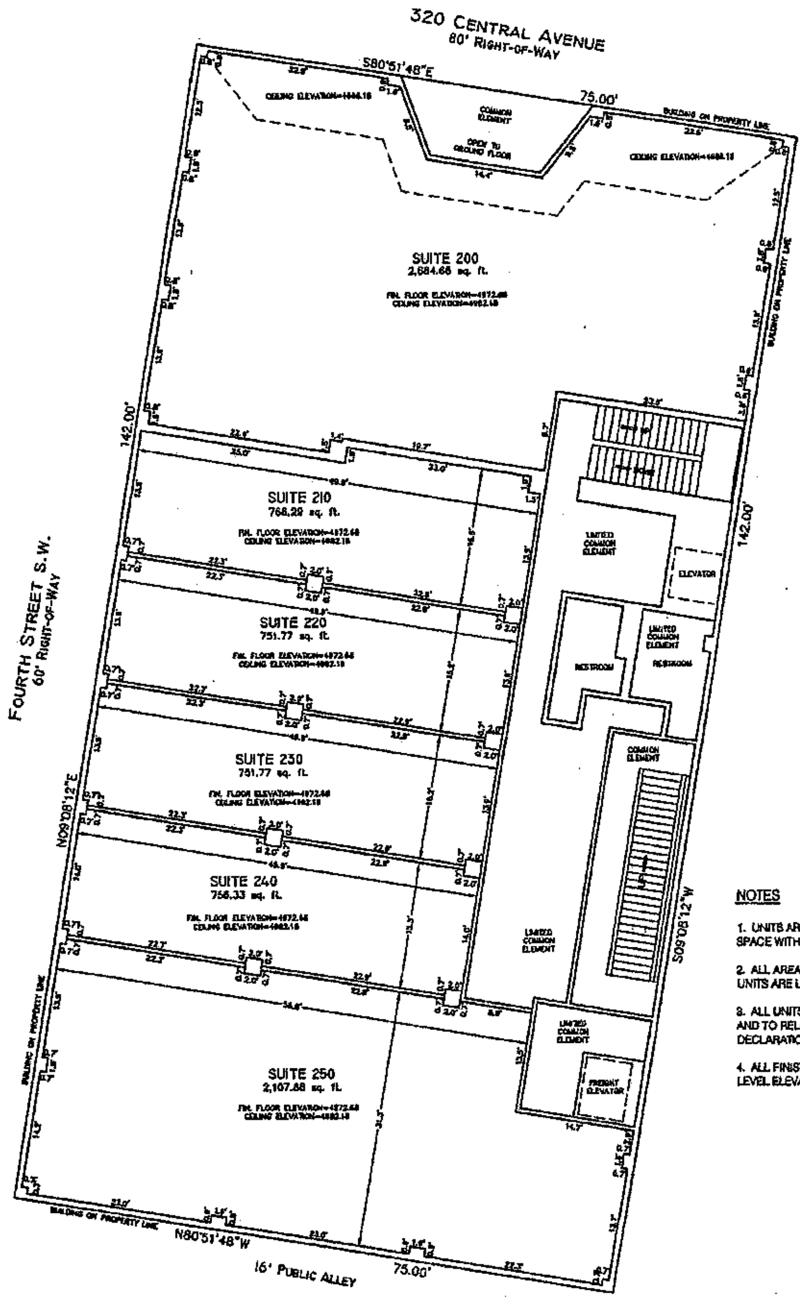
SURVEYS SOUTHWEST, LTD.
333 LOMAS BLVD., N.E.
ALBUQUERQUE, NEW MEXICO 87102
PHONE: (505) 998-0303
FAX: (505) 998-0306

T10N R3E SEC. 20

CONDOMINIUM PLAT

ROSENWALD BUILDING CONDOMINIUMS

LOTS 10-12, BLOCK 17
NEW MEXICO TOWN COMPANY'S ORIGINAL TOWNSITE
SECTION 20, T. 10 N., R. 3 E., N.M.P.M.
CITY OF ALBUQUERQUE
BERNALILLO COUNTY, NEW MEXICO
JANUARY 2007
SHEET 2 OF 5
SECOND FLOOR



SCALE: 1" = 10'
PROJECT NO. 0612P806
DRAWN BY PGB
ZONE ATLAS: K-14-Z

TOTAL SECOND FLOOR AREA SUBJECT TO DEVELOPMENT RIGHTS = 8018.70 SQ.FT.

TOTAL SECOND FLOOR AREA OF COMMON AND LIMITED COMMON ELEMENTS = 2631.30 SQ.FT.

NOTES

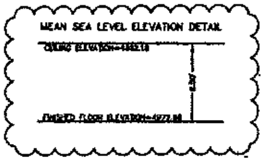
1. UNITS ARE DEFINED BY INTERIOR BOUNDARIES. EACH UNIT CONSISTS OF THE SPACE WITHIN THE SURFACES OF ITS WALLS, FLOORS AND CEILINGS.

2. ALL AREAS OUTSIDE THE UNITS ARE COMMON ELEMENTS. FIXTURES WITHIN UNITS ARE LIMITED COMMON ELEMENTS APPURTENANT TO THE UNITS SERVED.

3. ALL UNITS ARE SUBJECT TO THE DEVELOPMENT RIGHT TO SUBDIVIDE UNITS AND TO RELOCATE BOUNDARIES BETWEEN UNITS. SEE CONDOMINIUM DECLARATION.

4. ALL FINISHED FLOOR ELEVATIONS AND CEILING ELEVATIONS ARE MEAN SEA LEVEL ELEVATIONS. SEE TYPICAL DETAIL THIS PAGE.

MEAN SEA LEVEL ELEVATION DETAIL



THE BASIS OF ELEVATIONS FOR THIS SURVEY IS ACS BENCHMARK 6-K14(R). THE PUBLISHED ELEVATION OF WHICH IS 4971.48. BENCHMARK IS LOCATED IN THE SIDEWALK AT THE NORTHEAST QUADRANT OF THE INTERSECTION OF CENTRAL AVENUE AND BROADWAY BOULEVARD.

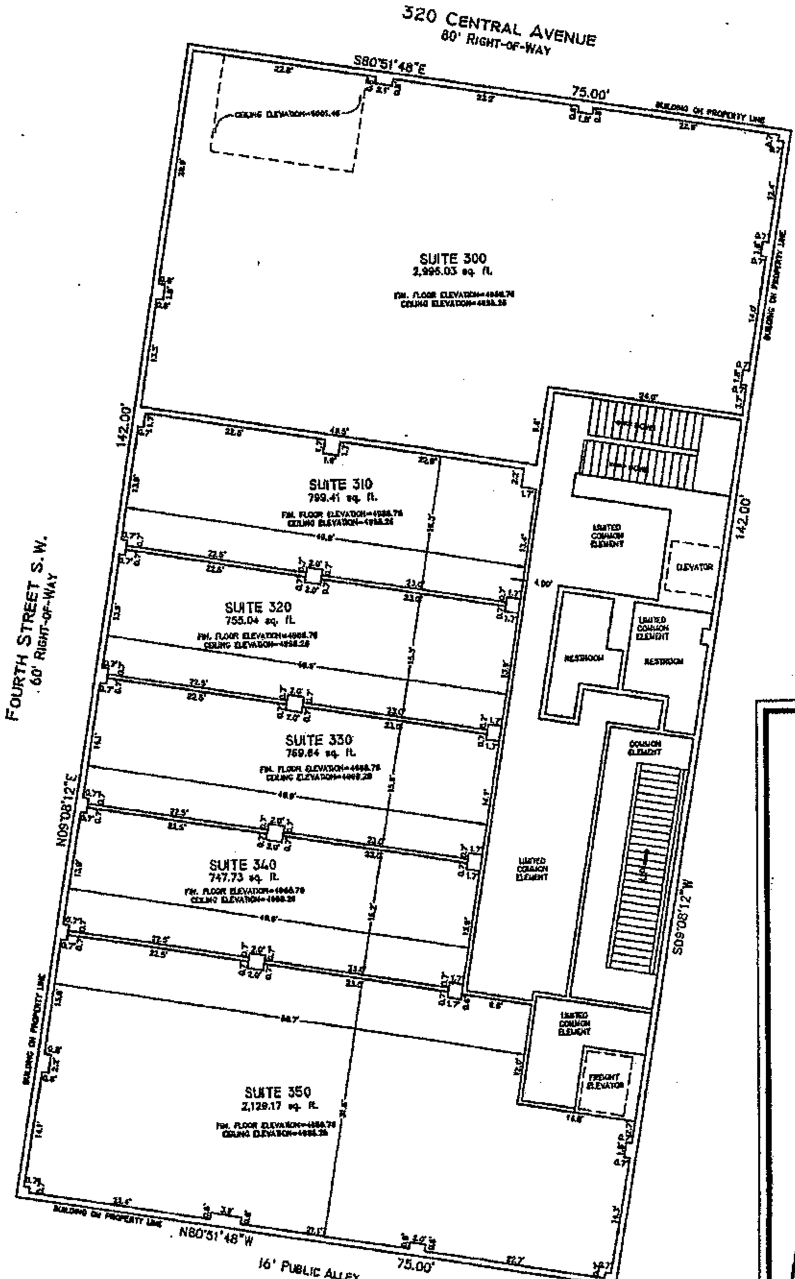
SURVEYS SOUTHWEST, LTD.
333 LOMAS BLVD., N.E.
ALBUQUERQUE, NEW MEXICO
87102
PHONE: (505) 998-0303
FAX: (505) 998-0306

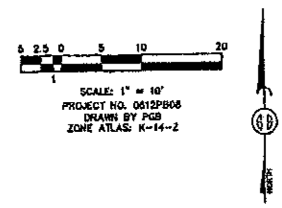
T10N R3E SEC. 20

CONDOMINIUM PLAT

ROSENWALD BUILDING CONDOMINIUMS

LOTS 10-12, BLOCK 17
NEW MEXICO TOWN COMPANY'S ORIGINAL TOWNSITE
SECTION 20, T. 10 N., R. 3 E., N.M.P.M.
CITY OF ALBUQUERQUE
BERNALILLO COUNTY, NEW MEXICO
JANUARY 2007
SHEET 3 OF 5
THIRD FLOOR



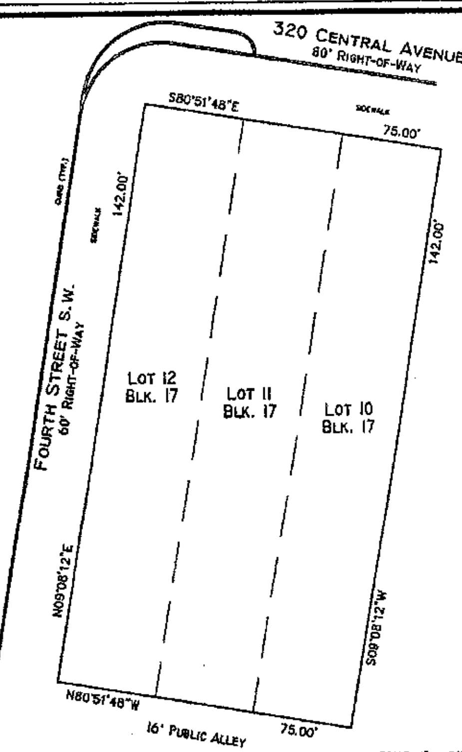


TOTAL THIRD FLOOR AREA SUBJECT TO DEVELOPMENT RIGHTS = 6197.02 SQ.FT.

TOTAL THIRD FLOOR AREA OF COMMON AND LIMITED COMMON ELEMENTS = 2452.98 SQ.FT.

LEGAL DESCRIPTION
Lots numbered Ten (10), Eleven (11) and Twelve (12) in Block numbered Seventeen (17) of the New Mexico Town Company's Original Townsite of the City of Albuquerque, New Mexico, as the is shown and designated on the map of said townsite, filed in the office of the Probate Clerk and Ex-Officio recorded of Bernalillo County, New Mexico on December 29, 1882 in Volume D, Folio 140.

Detail Showing Underlying Property Lines



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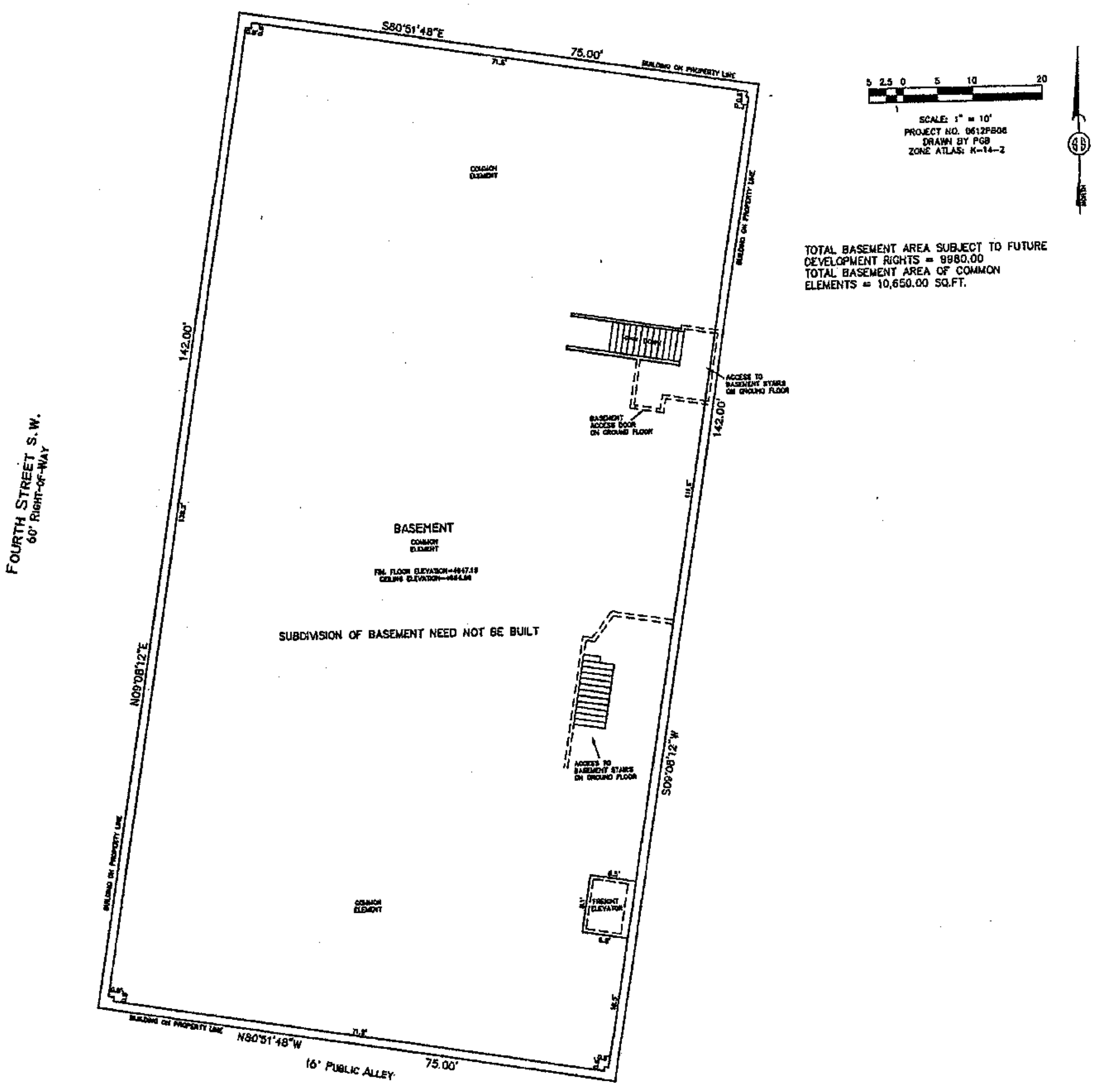
T1ON R3E SEC. 20

CONDOMINIUM PLAT

ROSENWALD BUILDING CONDOMINIUMS

LOTS 10-12, BLOCK 17
NEW MEXICO TOWN COMPANY'S ORIGINAL TOWNSITE
SECTION 20, T. 10 N., R. 3 E., N.M.P.M.
CITY OF ALBUQUERQUE
BERNALILLO COUNTY, NEW MEXICO
JANUARY 2007
SHEET 4 OF 5
BASEMENT



TOTAL BASEMENT AREA SUBJECT TO FUTURE DEVELOPMENT RIGHTS = 9980.00
TOTAL BASEMENT AREA OF COMMON ELEMENTS = 10,650.00 SQ.FT.

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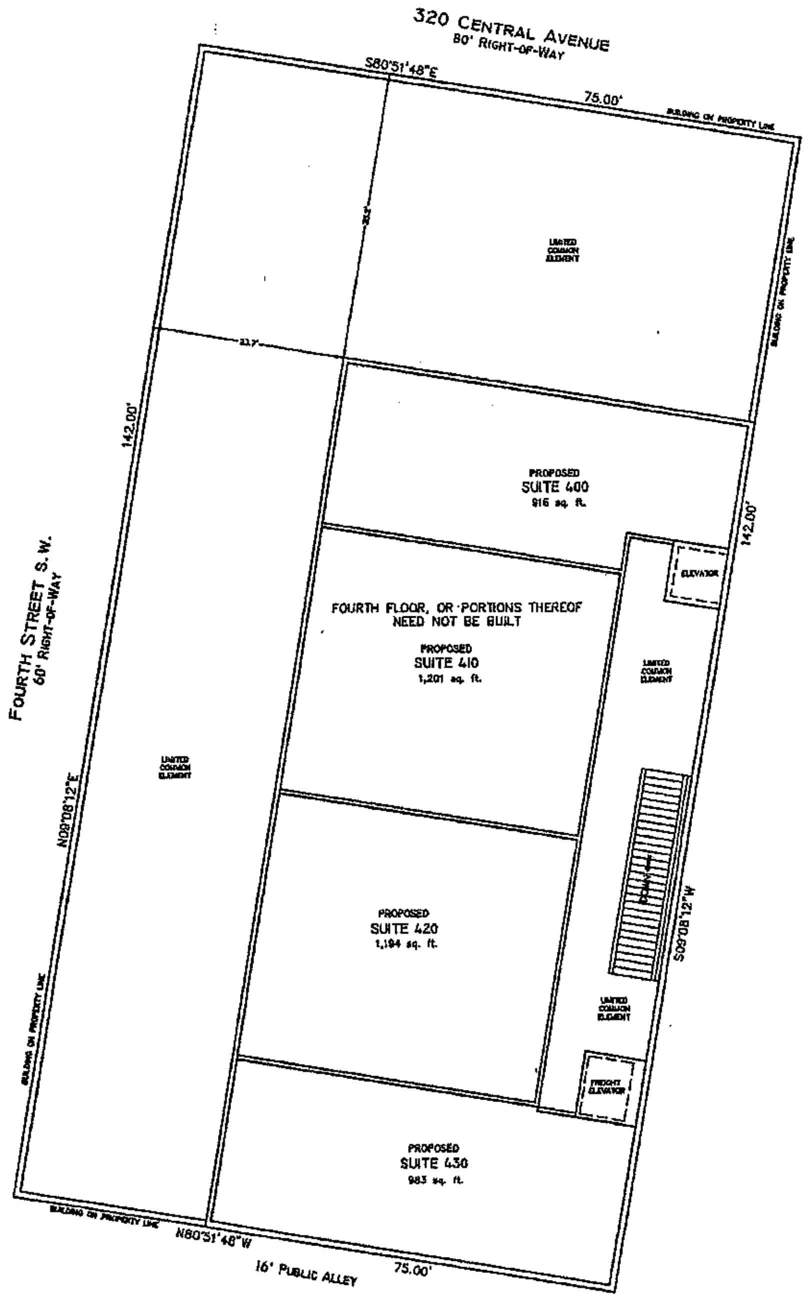
T10N R3E SEC. 20

CONDOMINIUM PLAT

ROSENWALD BUILDING CONDOMINIUMS

LOTS 10-12, BLOCK 17
NEW MEXICO TOWN COMPANY'S ORIGINAL TOWNSITE
SECTION 20, T. 10 N., R. 3 E., N.M.P.M.
CITY OF ALBUQUERQUE
BERNALILLO COUNTY, NEW MEXICO
JANUARY 2007
SHEET 5 OF 5
PROPOSED FOURTH FLOOR



SCALE: 1" = 10'
PROJECT NO. 0612P608
DRAWN BY PGB
ZONE ATLAS: K-14-Z

TOTAL FOURTH FLOOR AREA SUBJECT TO FUTURE DEVELOPMENT RIGHTS = 4,561.00
TOTAL FOURTH FLOOR AREA OF LIMITED COMMON ELEMENTS = 6,089.00 SQ.FT.

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T10N R3E SEC. 20

EXHIBIT B
PERCENTAGE INTEREST

Rosenwald Building Condominium

Number Units:	Location	Square Footage
	Floor 1	
Suite 100	First Floor	1,434.85
Suite 110	First Floor	1,483.53
Suite 120	First Floor	809.32
Suite 130	First Floor	745.40
Suite 140	First Floor	855.08
Suite 150	First Floor	919.60
Suite 160	First Floor	628.33
First Floor Common Elements		3,773.89

No Limited Common Elements within the First Floor

<u>Floor 2</u>

Suite 200	Second Floor	2,884.66
Suite 210	Second Floor	766.29
Suite 220	Second Floor	751.77
Suite 230	Second Floor	751.77
Suite 240	Second Floor	756.33
Suite 250	Second Floor	2,107.88
Second Floor Common Elements		2,631.10

Declarant has, by the Plat, designated certain Limited Common Elements within the Second Floor as more fully shown and described on the Plat. The Limited Common Elements located on the Second Floor are for the exclusive benefit and use of the owners of Units located on the Second Floor. The maintenance and upkeep of the Common Elements located on the Second Floor shall be assessed to the owners of Units on the Second Floor on a pro rata basis based on Unit square footage. Stairwells and elevator areas, and immediately adjacent adjoining hallways, as shown on the Plat, are Common Elements for the use and benefit of all Unit Owners.

<u>Floor 3</u>

Suite 300	Third Floor	2,996.03
Suite 310	Third Floor	799.41
Suite 320	Third Floor	755.04
Suite 330	Third Floor	769.64
Suite 340	Third Floor	747.73
Suite 350	Third Floor	2,129.17
Third Floor Common Elements		2,452.98

Declarant has, by the Plat, designated certain Limited Common Elements within the Third Floor as more fully shown and described on the Plat. The Limited Common Elements located on the Third Floor are for the exclusive benefit and use of the owners of Units located on the Third Floor. The maintenance and upkeep of the Common Elements located on the Third Floor shall be assessed to the owners of Units on the Third Floor on a pro rata basis based on Unit square footage. Stairwells and elevator areas, and immediately adjacent adjoining hallways, as shown on the Plat, are Common Elements for the use and benefit of all Unit Owners.

Basement

The Basement is a Common Element. 10,650

Fourth Floor

Reserved Area/Special Declarant Rights

Suite 400	Fourth Floor	1,183	Need Not Be Built
Suite 410	Fourth Floor	1,201	Need Not Be Built
Suite 420	Fourth Floor	1,194	Need Not Be Built
Suite 430	Fourth Floor	983	Need Not Be Built
Fourth Floor Common Elements		6,089	Need Not Be Built

Total Area Reserved/Need Not Be Built Fourth Floor 10,650 Sq. Ft.

Declarant has, by the Plat, designated certain Limited Common Elements within the Fourth Floor that need not be built, but which if built shall be for the exclusive benefit and use of the owners of Units located on the Fourth Floor. The maintenance and upkeep of the Common Elements located on the Fourth Floor, if built, shall be assessed to the owners of Units on the Fourth Floor on a pro rata basis based on Unit square footage.

CONDOMINIUM DECLARATION
FOR
ROSENWALD BUILDING CONDOMINIUMS

(A Condominium formed pursuant to this Declaration and the Condominium Plat of Rosenwald Building Condominiums platting Lots 10, 11 and 12 in Block Numbered Seventeen (17) of the New Mexico Town Company's Original Townsite of the City of Albuquerque, New Mexico)

Introductory Provisions

A. PGP Holdings RL 1, LLC, a California limited liability company, PGP Holdings WP 1, LLC, a California limited liability company, and PGP Holdings HW 1, LLC, a California limited liability company, collectively the "Declarant," are the owners of certain real property located in Albuquerque, Bernalillo County, New Mexico, as described with further particularity in the Plat attached hereto as **Exhibit A** (hereinafter, the "Plat"), which Plat is incorporated herein by reference, together with all easements and rights appurtenant thereto (the "Property").

B. Declarant desires to establish a condominium regime as set forth herein.

NOW, THEREFORE, Declarant makes the following Declaration:

Declaration

1. Submission of Property. Declarant submits the Property to the provisions of Sections 47-7A-1 et seq. NMSA 1978, known as the New Mexico Condominium Act (the "Condominium Act"), and hereby creates a condominium regime to be known as Rosenwald Building Condominiums (the "Condominium").

2. Name. The name by which the Condominium is to be identified is the Rosenwald Building Condominiums.

3. Definitions. The terms used herein shall have the meanings stated in the Condominium Act, unless otherwise defined or unless the context otherwise requires:

Doc# 2007138160
09/27/2007 11:51 AM Page: 1 of 69
DEC R:$145.00 M. Toulouse, Bernalillo County

3.1 Association means Rosenwald Building Owners' Association, Inc., and its successors.

3.2 Bylaws means the Bylaws of the Association, including any amendments thereto, whether or not filed with the New Mexico State Corporation Commission, as from time to time amended.

3.3 Common Elements means and includes the items and areas of the Property described in Section 5.1, and shall include the tangible personal property required for the maintenance and operation of the Condominium even though owned by the Association, as well as the items stated in the Condominium Act.

3.4 Common Expenses include (a) expenses of administration, insurance, maintenance, operation, repair or replacement of the Common Elements, and of the portions of Units to be maintained by the Association; (b) expenses declared common expenses by provisions of this Declaration or the Bylaws; and (c) any valid charge against the Condominium as a whole.

3.5 Condominium means all of the Property, as a whole when the context so permits, as well as the meaning stated in the Condominium Act.

3.6 Limited Common Elements means and includes those common elements which are reserved for the use of a certain Unit or Units to the exclusion of other Units, as described in the Condominium Act and in this Declaration.

3.7 Singular, plural, gender. Whenever the context so permits, the use of the plural shall include the singular, the singular the plural, and the use of any gender shall be deemed to include all genders.

3.8 Special Declarant Rights means the special rights reserved in Section 14 of this Declaration.

3.9 Unit means a unit in the Condominium as defined by the Condominium Act, and as set forth herein.

3.10 Unit Owner means the owner of a Unit.

3.11 Other terms not otherwise defined shall have the meanings specified in Section 47-7A-3 of the Condominium Act.

4. Development Plan.

4.1 Plat and Unit Information.

(a) The Plat of the Property showing the location of the buildings and other improvements (including improvements that have been built and improvements that need not be built) and the perimeter of the Property are shown in the Plat.

(b) The total number of Units created in the Condominium as of the date of this Declaration is twenty-three (23) Units as shown on the Plat (said Units not including those Units shown on the Plat in the marked "need not be built" area). Declarant reserves the right under this Declaration to create additional Units as set forth herein. The location of Units within the building comprising the Condominium, if any, as of the date of this Declaration, is shown on the Plat. A list of all Units, their identifying numbers, locations, sizes (all as shown more fully on the Plat) and the undivided percentage interest of each Unit Owner in the Common Elements and Common Expenses ("Percentage Interest") appurtenant to each Unit determined on the basis of area, as of date of this Declaration, if any, is shown in **Exhibit B** hereto and incorporated herein by this reference. The area of each Unit is the total number of square feet contained therein determined by reference to the dimensions shown on the Plat. The Percentage Interest allocated to each Unit is the ratio of the area of the Unit to the area of all Units in the Condominium expressed as a decimal fraction or as a percentage of the whole.

(c) Declarant reserves the right to create additional Units within the Condominium. A maximum of thirty-five (35) total Units may be created in the Condominium, by division of existing units or by further development, with a maximum total floor area of all Units not exceeding 37,632.83 square feet. The maximum total floor area of the Common Elements, once all Units are created, shall not exceed 25,597.17 square feet.

4.2 Unit Boundaries. Each Unit consists of the space within the boundaries defined as follows:

(a) Upper and Lower (horizontal) Boundaries: The upper and lower boundaries of the Unit shall be the following boundaries extended to an intersection with the vertical (perimetric) boundaries:

1. Upper Boundary: The horizontal plane(s) of the upper finished interior ceiling surface of each Unit including such surface. If a Unit has no ceiling, the Upper Boundary of such Unit is to the point immediately below existing ceiling rafters.

2. Lower Boundary: The horizontal plane(s) of the lower finished interior floor surface of each Unit including such surface.

The Plat shows the elevation(s) for the floor and ceiling surfaces of each Unit and the resulting Upper and Lower Boundary of each Unit. The finish surface of the floor and ceiling is considered part of each Unit provided such is non structural (i.e., non load bearing). Drywall is not considered finish surface. Concrete slab or other structural elements of the floor of the Units is not considered finish surface.

(b) Vertical (perimetric) Boundaries: The vertical boundaries of the Unit shall be the vertical plane(s) which includes the innermost finish surface of the interior walls of each Unit, including such surface, provided that such surface is not structural. Drywall, studs and other elements of the interior walls are not part of the Units.

4.3 Relocating Unit Boundaries and Subdivision of Units. Relocation of boundaries between Units and subdivision of Units will be permitted subject to compliance with the provisions therefor in the Bylaws and in the Condominium Act. Nothing contained herein shall be construed to prohibit the Owner or Owners of adjacent Units from removing walls or creating doorways for direct access between the Units.

5. Common Elements; Use of Units.

5.1 Common Elements. All portions of the Condominiums other than the Units are Common Elements. Any portion of a chute, flue, duct, wire, conduit, bearing wall, bearing column or any other fixture which lies partially within and partially outside the designated boundaries of a Unit serving more than one Unit or any portion of the Common Elements is a part of the Common Elements. Any portion of any of such fixtures serving one or more but less than all Units is a Limited Common Element allocated exclusively to such Unit or Units. Any terrace, porch, enclosed yard or patio, and all roof areas covering all or a portion of same, designed to serve one or more but less than all Units, but located outside the boundaries of the Unit, is a Limited Common Element allocated exclusively to the Unit or Units which is serves. The Common Elements and Limited Common Elements shall only be used for the purposes for which they were intended in the furnishing of services and facilities for the enjoyment of the Units to which they are allocated.

5.2 Allocation of Certain Limited Common Elements. Declarant reserves the right to assign certain restroom, hallway, veranda, or other areas within the Property for the exclusive use of one or more Unit Owners as designated by Declarant, or Declarant may allocate such Common Elements as Limited Common Element pursuant to the provisions of the Condominium Act by making such allocation in the deed to the Unit to which such Limited Common Element shall be appurtenant, and by confirming such assignment by recording an appropriate amendment to this Declaration or the Plat. In the absence of any such assignment or allocation by Declarant, the Association, by its Board of Directors, shall have the right to make such assignment or allocation. Attached to this Declaration, as **Exhibit B**, is a definition of current Limited Common Elements appurtenant to certain Units within the Property.

5.3 Designation of Reserved Common Elements. The Association shall have the power in its discretion to designate from time to time certain Common Elements as "Reserved Common Elements" and grant reserved rights to any or less than all of the Unit Owners and to establish a reasonable charge to such Unit Owners for the use and maintenance thereof. Such designation by the Association shall not be construed as a sale or disposition of the Common Elements.

5.4 Occupancy and Use of Units. No Unit shall be used for other than office and commercial purposes as permitted under the zoning and other land use laws of the City of Albuquerque, New Mexico. No nuisances shall be allowed upon the Property, nor any use or practice which interferes with the peaceful possession and proper use of the Property by the Unit Owners. All parts of the Condominium shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage shall be allowed to accumulate nor any fire hazard allowed to exist. No Unit Owner shall permit any use of such party's Unit or make any use of the Common Elements that will increase the cost of insurance upon the Property.

5.5 Leasing. To the extent permitted under the applicable zoning and other land use laws of the City of Albuquerque, Unit Owners may lease entire Units or a portion thereof.

5.6 Rules and Regulations. Reasonable rules and regulations concerning the use of Property may be made and amended from time to time by the Association in the manner provided by its Articles of Incorporation and Bylaws. Copies of such regulations and amendments shall be furnished by the Association to all Unit Owners.

5.7 Association Membership. Each Unit Owner shall, by virtue of ownership of a Unit, be a member of the Association. Each Unit shall be allocated a percentage vote in the Association equal to its Percentage Interest in the Common Elements and Common Expenses.

5.8 Common Expenses. All Common Expenses of the Condominium shall be assessed against all Units in accordance with the Percentage Interests of each Unit, except a common expense caused by misconduct of any Unit Owner or except in the following case. If, in the opinion of in the opinion of not less than two-thirds (2/3rds) of the members of the Board of Directors of the Association any additions, alterations, or improvements to the Condominium are exclusively or substantially exclusively for the benefit of any Unit Owner or Unit Owners requesting the same, such Common Expense shall be assessed against such Unit or Units in such proportions as such Unit Owners jointly approve or, if unable to agree, in such proportions as may be determined by the Association.

6. Easements. In addition to the easements created by Sections 47-7B-14 and 47-7C-7 of the Condominium Act, the following easements are hereby granted:

6.1 Use for Sales Purposes/Signs. All Units shall be subject to the statutory right in favor of Declarant provided in Section 47-7B-15 of the Condominium Act. Declarant reserves the right to use any Units owned by Declarant as models, management offices or sales offices until such time as Declarant conveys title thereto to a Unit Owner or thereafter with the consent of the Unit Owner. Declarant reserves the right to relocate the same from time to time within the Property; upon relocation or sale of a model, management office or sales office, the furnishings thereof may be removed. Declarant further reserves the right to maintain on the Property such advertising signs as may comply with applicable governmental regulations, which may be placed in any location on the Property and may be relocated or removed, all at the sole discretion of Declarant.

6.2 Easement for Ingress and Egress Through Common Elements and Access to Units.

(a) Each Unit Owner is hereby granted a non-exclusive easement in common with each other Unit Owners, appurtenant to the Unit, for ingress and egress through all Common Elements, other than Limited Common Elements, subject to such reasonable rules, regulations and restrictions as may be imposed by the Association.

(b) Declarant reserves in favor of Declarant its agents and employees, the Association and/or any other person authorized by the Association, the right of access to any Unit for maintenance, repair and/or replacement of the Common Elements. In case of emergency, such entry shall be immediate whether the Unit Owner is present at the time or not.

(c) Declarant expressly reserves for itself, its agents and employees an easement over, upon and through the Common Elements and Limited Common Elements, and the right of access to any Unit, as may be reasonably necessary, for the purpose of (i) making improvements within the Condominium and/or (ii) exercising any Special Declarant's Rights and/or (iii) discharging the Declarant's obligations under this Declaration.

7. Maintenance, Alterations and Improvements. Responsibility for the maintenance of the Property and restrictions upon the alteration and improvement thereof, shall be as follows:

7.1 By Unit Owners. The responsibility of each Unit Owner shall be as follows:

(a) To maintain, repair and replace at the Unit Owner's expense all portions of the Unit and any Limited Common Elements allocated to such Unit individually or in common with another Unit, in the latter case of which such responsibility shall be joint and several with the other Unit Owner(s). Such shall be done without disturbing the rights of other Unit Owners.

(b) To maintain, repair and replace the roof and the air conditioning and heating equipment serving the Unit, including any portion thereof which may be located upon the roof of the Unit, and all appliances and fixtures located in the Unit.

(c) To maintain, repair and replace exterior glass and door units serving the Unit.

(d) Not to change the appearance of any portion of the exterior of the building in which the Unit is located from that which was originally constructed, or as modified by the Association.

(e) To promptly report to the Association any defect or need for repairs, the responsibility for the remedying of which is that of the Association.

7.2. By the Association. The maintenance and operation of the Common Elements (other than the Limited Common Elements) shall be the responsibility and expense of the Association.

7.3 Alteration and Improvements of Units. Neither a Unit Owner nor the Association shall make any alterations in the portions of a Unit or building which are to be maintained by the Association, or remove any portion thereof, or make any additions thereto, or do anything which would jeopardize the safety or soundness of a building, or impair any easement, without first obtaining approval in writing of Owners of all Units in which such work is to be done and the approval of the Association. A copy of plans for all of such work shall be filed with the Association prior to the starting of the work.

7.4 Alteration and Improvement of Common Elements. After the completion of the improvements included in the Common Elements which are contemplated by this Declaration, there shall be no alteration or further improvement of common elements without prior approval in writing of the Association, subject, however, to the Special Declarant Rights described herein.

7.5. Signage. Each Unit Owner may, subject to City of Albuquerque Ordinances and other applicable City of Albuquerque restrictions, maintain signage on the exterior of the Building, on the main glass door entrance(s) to the Building, and within the lobby area located in the interior Common Elements, subject to the following terms and provisions:

(a) Unless otherwise agreed by not less than a supermajority of 75% of the Unit Owners, signage is limited to two (2) shared exterior Building signs, to shared signage on the doors allowing access to the Building, and to one shared lobby directory identifying each building occupant, Unit Owner or its business. One exterior building sign will be on 4th Street and may contain the signage for the second and third floor Units. One exterior building sign will be on Central Avenue and may contain the signage for the first floor Units. The second and third floor Units may have shared door signage on the doors facing on to 4th Street with the north half of the double door reserved for the second floor Units and the south half of the double door for the third floor Units. The first floor Units may have signage on the doors facing Central Avenue. The exterior and door signage on both streets shall be similar in style and size to each other and appropriate to the historical character of the building and the professional nature of the businesses occupying the building as more fully described below.

(b) Each Unit Owner shall be entitled to have signage on only one of the exterior Building signs identifying its (or its tenant's or subtenant's) business; provided, (i) each Unit may have signage on only one of the two exterior signs on the Building; provided, that if one entity owns multiple Units, it may be entitled to signage for each Unit owned unless one business occupies multiple Units in which instance, that business shall have only one listing on one sign regardless of the number of Units occupied with the size of such entry as described more fully elsewhere in these Declarations, and (ii) each Unit Owner will be responsible for paying for the cost of its signage including installation and maintenance and if a Unit Owner, in order to obtain signage on the Building, is required to replace an existing Building sign in order to add its signage to the Building, the cost of the entire replacement Building sign including but not limited to the cost of the signage to be displayed on the replacement Building sign for those Unit Owner(s) who signage is being removed from the replaced Building sign and added to the replacement Building sign. In the instance of a shared Building sign, the signage shared by each such Unit Owner displayed on the Building sign shall be proportionate to the square footage contained within the Units owned by each such Unit Owner and the Unit Owner entitled to the most signage within such Building sign shall have its signage displayed as the lead signage on such Building sign.

(c) The cost of maintenance, repair and upkeep of the Building signs shall be shared proportionately by the Unit Owner(s) whose signage is displayed on the Building, in proportion to the square footage of signage for each

Unit Owner(s). The Association shall have the right, but not the obligation, to maintain such signage and to assess, specifically, from time to time those of the Unit Owners responsible for the maintenance, repair and upkeep of such signs.

(d) Signage on the door which is the main entrance to the Building shall be shared by all Unit Owners, using the same color, size, and lettering style. Signage on any door allowing access only to specific Unit(s) shall be shared only by the Unit Owners of such Units, and shall be of the same color, size and lettering style (or, if the door materials are different, as close as practical) to that used on the main entrance to the Building. The cost of installation of door signage shall be borne by the Unit Owner(s) installing such signage. The Association shall bear the cost of maintenance, upkeep and repair of door signage for the main entrance to the Building, with the right to assess, specifically, from time to time those Unit Owners whose signage appears, from time to time, on the main entrance door. The cost of maintenance, upkeep and repair of door signage into a Unit shall be borne by the Unit Owner; provided, the Association shall have the right, but not the obligation, to maintain such signage and to assess, specifically, from time to time those of the Unit Owners responsible for the maintenance, repair and upkeep of such signage.

(e) Lobby signage shall be maintained by the Association.

(f) All building, door and lobby signage shall be maintained in a first class manner.

(g) Interior and exterior signage shall be uniform as to lettering color, style or font, and other characteristics (or, with respect to different door materials, as close thereto as practicable), for all Unit Owners, following rules established a majority of at least 66% of the Unit Owners, provided the exterior signs attached to the Building shall be limited as follows: (i) sign lettering shall not exceed in height the lesser of twenty-four (24") or that permitted under applicable city of Albuquerque sign ordinances with each sign not exceeding the lesser of 40 square feet or that permitted under applicable city of Albuquerque sign ordinances; (ii) flashing, moving or audible signs are not permitted; (iii) signage shall not include any visual images; (iv) signage shall not backlit or employ exposed raceways, exposed neon tubes, exposed ballast boxes, or exposed transformers; and (v) signage shall not be constructed of paper or cardboard or other temporary type materials, and (vi) signage shall be compatible with the signage used in a first class office building (to be determined by a local, commercial architect selected by a majority of the Unit Owners if a majority of the Unit Owners cannot agree otherwise on whether signage is that used in a first class office building).

(h) Interior lobby signage shall be limited to a Building directory that identifies the Unit Owners and occupants and their assigned Unit

Numbers. The Building directory shall be maintained as a Common Expense. The cost of acquiring, installing, maintaining, repairing and if necessary replacing the Building Directory shall be a Common Expense.

(i) Each Unit Owner is responsible for obtaining, for its signage, all permits and approvals required from applicable governmental authorities which permits and approvals shall include, without limitation, zoning, building code, and building permit(s).

One brochure stand may be located from time to time in the lobby of the Building for display of Unit Owner brochures. The cost of maintaining the brochure stand shall be a Common expense, and the amount of space within such stand shall be allocated to the Unit Owners based on the total number of Units owned by each Unit Owner.

7.6. HVAC. The Unit Owners owning Units on the first and second floors of the Buildings shall be allocated, on a square footage of Units basis, the cost of maintaining, repairing and replacing the existing heating, ventilation and cooling equipment servicing the Building. Unit Owners of Units located on the third floor of the Building, prior to placing such Unit(s) into service through occupancy and use (and the construction, reconstruction or alteration thereof prior to taking occupancy shall not be considered placing such Unit(s) into service), shall install for the third floor heating, ventilation and cooling equipment for the third floor, and the Unit Owners for Units within the third floor shall be responsible for the cost of maintaining, repairing and replacing such HVAC equipment with the cost of such allocated to the Unit Owners located on the third floor on a square footage of Units basis.

8. Insurance; Condemnation.

8.1 Insurance To Be Carried. The Association shall obtain and maintain in full force and effect, to the extent reasonably available and at all times, the insurance coverage set forth herein and as set forth in the Condominium Act, which insurance coverage shall be provided by financially responsible and able companies duly authorized to do business in the State of New Mexico.

8.2 Hazard Insurance on the Units and Common Elements. The Association shall obtain adequate hazard insurance covering loss, damage or destruction by fire or other casualty to the Units and to the Common Elements and the other property of the Association as provided in this Declaration. Insurance obtained by the Association on the Units is not required to include improvements and betterments installed by Unit Owners. Owners acknowledge that insurance coverage for improvements and betterments installed by Unit Owners to their respective Units, if obtained by the Association, shall be at the cost of each individual Unit Owner. Each Unit Owner shall obtain its own insurance for improvements and betterments to its Unit or shall self insure such improvements and betterments at the Unit Owner's peril. All blanket hazard insurance policies shall contain a standard noncontributory mortgage clause in favor of each holder of a First Mortgage, and their successors and assigns, which shall provide that the loss, if any thereunder, shall be payable to the Association for the use and benefit of holders of First Mortgages, and their successors and assigns, as their interests may appear of record in the records of the office of the County Clerk for Bernalillo County, New Mexico.

8.3 Liability Insurance. The Association shall obtain adequate comprehensive policy of public liability and property damage liability insurance covering all of the Units and the Common Elements, including structural coverage of the Units, in such limits as the Board may determine from time-to-time, but not in any amount less than Two Million Dollars ($2,000,000.00) per injury, per person, and per occurrence, and in all cases covering all claims for bodily injury (including medical payments insurance) or property damage. Coverage shall include, without limitation, liability for personal injuries, operation of automobiles on behalf of the Association, and activities in connection with the ownership, operation, maintenance and other uses of the Condominium. All liability insurance shall name the Association as the insured.

8.4 Fidelity Insurance. The Association shall obtain adequate fidelity coverage or fidelity bonds to protect against dishonest acts on the parts of its officers, directors, trustees and employees and on the part of all others who handle or are responsible for handling the funds of the Association, including persons who serve the Association with or without compensation. The fidelity coverage or bonds should be in an amount sufficient to cover the maximum funds that will be in the control of the Association, its officers, directors, trustees and employees.

8.5 Officers' and Directors' Personal Liability Insurance. The Association may, at its election, obtain officers' and directors' personal liability insurance to protect the officers and directors from personal liability in relation to their duties and responsibilities in acting as officers and directors on behalf of the Association.

8.6 Other Insurance. The Association may obtain insurance against such other risks, of similar or dissimilar nature, including flood insurance, as it shall deem appropriate with respect to the Association responsibilities and duties.

8.7 Terms and Provisions for Insurance Obtained by the Association and Owners. The Association shall obtain and maintain, to the extent reasonably available, insurance policies with the coverage as provided for in this Declaration with the following terms or provisions:

(a) All policies of insurance shall contain waivers of subrogation and waivers of any defense based on invalidity arising from any acts of a Unit Owner and shall provide that such policies may not be canceled or modified without at least thirty (30) days' prior written notice to all of the Unit Owners, holders of First Mortgages on Units of the Condominium, and the Association.

(b) If requested, duplicate originals of all policies and renewals thereof, together with proof of payments of premiums, shall be delivered to all holders of First Mortgages at least ten (10) days prior to the expiration of the then-current policies.

(c) All liability insurance shall be carried in blanket form, naming the Association, the Board, the manager or managing agent, if any, the officers of the Association, holders of First Mortgages, their successors and assigns and Unit Owners as insureds.

(d) Prior to obtaining any policy of casualty insurance or renewal thereof, pursuant to the provisions hereof, the Board may obtain an appraisal from a duly qualified real estate or insurance appraiser, which appraiser shall reasonably estimate the full replacement value of the Units and the Common Elements, without deduction for depreciation, review any increases in the cost of living, and/or consider other factors, for the purpose of determining the amount of the insurance to be effected pursuant to the provisions hereof. In no event shall any casualty insurance policy contain a co-insurance clause.

(e) All policies of insurance shall provide that the insurance thereunder shall be invalidated or suspended only in respect to the interest of any particular Unit Owner guilty of a breach of warranty, act, omission, negligence or non-compliance of any provision of such policy, including payment of the insurance premium applicable to the Unit Owner's interest, or who permits or fails to prevent the happening of any event, whether occurring before or after a loss, which under the provisions of such policy would otherwise invalidate or suspend the entire policy, but the insurance under any such policy, as to the interests of all other insured Unit Owners not guilty of any such act or omission, shall not be invalidated or suspended and shall remain in full force and effect.

8.8 Owner Acknowledgment of Insurance Owners Are Advised to Individually Obtain. Unit Owners acknowledge that they have been advised to carry, and may carry, insurance on the betterments and Improvements installed at their Unit by them and on personal property in their Unit, for their benefit and at their expenses, provided that the liability of the carriers issuing insurance obtained by the Association shall not be affected or diminished by reason of any such insurance carried by Unit Owners and provided, further, that the policies of insurance carried by the Association shall be primary, even if a Unit Owner has other insurance that covers the same loss or losses as covered by policies of the Association. In this regard, the Association's insurance coverage, as specified hereunder, does not obviate the need for Unit Owners to obtain insurance for their own benefit.

8.9 Waiver of Claims Against Association. As to all policies of insurance maintained by or for the benefit of the Association and Unit Owners, the Association and the Unit Owners hereby waive and release all claims against one another, the Board, to the extent of the insurance proceeds available, whether or not the insurance damage or injury is caused by the negligence of or breach of any agreement by and of said persons.

8.10 Annual Insurance Review. The Board shall review the insurance carried by and on behalf of the Association at least annually, for the purpose of determining the amount of insurance required.

8.11 Adjustments by the Association. Any loss covered by an insurance policy described above shall be adjusted by the Association, and the insurance proceeds for that loss shall be payable to the Association and not to any holder of a first lien Security Interest. The Association shall hold any insurance proceeds in trust for the Association, Unit Owners and holders of First Mortgage as their interests may appear. The proceeds must be distributed first for the repair or restoration of the damaged property, and the Association, Unit Owners and holders of First Mortgages are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the damaged property has been completely repaired or restored.

8.12 Duty to Repair. Any portion of the Condominium for which insurance is required under this Article which is damaged or destroyed must be repaired or replaced promptly by the Association or Unit Owner.

8.13 Condemnation and Hazard Insurance Allocations and Distributions. In the event of a distribution of condemnation proceeds or hazard insurance proceeds to the Unit Owners, the distribution shall be as the parties with interests and rights are determined or allocated by record and pursuant to the Condominium Act.

9. Assessments. The making and collection of assessments against Unit Owners for Common Expenses shall be pursuant to the Bylaws of the Association and subject to the following provisions:

9.1 Share of Common Expense. Except as specifically provided hereinabove, each Unit Owner shall be liable for the Proportionate Share of the Common Expenses, and shall share in any common surplus, such shares being the same as the undivided share in the Common Elements appurtenant to the Unit owned by the Unit Owner. Common expenses shall be assessed and paid as set forth in the Bylaws of the Association.

9.2 Interest; Application of Payments. Assessments and installments on such assessments paid on or before ten (10) days after the day when due shall not bear interest, but all sums not paid on or before ten (10) days after the date when due shall bear interest at the rate of 12% per annum from the date when due until paid. All payments upon account shall be first applied to interest and then to the assessment payment first due. The rate of interest may be increased or decreased from time to time by the Association.

9.3 Lien for Assessments. Any unpaid assessment remaining unpaid for thirty (30) days after it is due shall automatically become a lien on the Unit to which it is assessed. The lien for unpaid assessments shall also secure reasonable attorney's fees and expenses incurred by the Association incident to the collection of such assessment or enforcement of such lien. The Association may, without further consent or authorization, file a written notice of such lien. Any such lien may be foreclosed as a mortgage under New Mexico law or by power of sale pursuant to the New Mexico Deed of Trust Act, as amended, Section 48-10-1 et. seq., N.M.S.A. 1978 Comp. (herein the "Deed of Trust Act").

Each Unit Owner grants the Association all rights, powers and remedies afforded a trustee and beneficiary under the Deed of Trust Act, whether or not such rights, powers and remedies are granted in this Declaration; and the provisions of the Deed of Trust Act are incorporated herein by reference.

The right of redemption with respect to the foreclosure of such lien shall be **one (1) month in lieu of nine (9) months** following completion of a sale to foreclose a Unit.

9.4 Rental Pending Foreclosure. In any foreclosure of a lien for assessments, the Owner of the Unit subject to the lien shall be required to pay a reasonable rental for the Unit, and the Association shall be entitled to the appointment of a receiver to collect the same.

9.5 Yearly Budget. At the annual meeting of the Association or at a special meeting of an Association called for such purpose, the Unit Owners shall be afforded the opportunity to ratify a budget of the projected revenues, expenditures (both ordinary and capital) and reserves for that Association's next fiscal year as proposed by that Association's Board of Directors. Unless at the meeting a Majority of Owners, rather than a majority of those present and voting in person or by proxy, reject the proposed budget, the budget is ratified whether or not a quorum is present at the meeting. In the event the proposed budget is rejected, the budget last ratified by the Unit Owners continues until such time as the Unit Owners ratify a subsequent budget proposed by the Board of Directors as provided above. The capital expenditures of the Association, once approved at an annual meeting, shall not be increased by more than 10% by amendment approved at a special meeting of the Association without approval of a majority of at least 66% of Unit Owners unless (a) the proposed capital expenditure is of the nature of an emergency capital expenditure which, if not made, threatens imminent damage or harm to the Building or Common Elements, or (b) the proposed amendment is necessary to maintain the Building as a first class office building.

10. Amendment of Declaration.

10.1 Mortgagee Consent. Other than any Amendment of the Declaration by the Declarant under its reserved Special Declarant Rights, no Amendment of the Declaration may be made by the Association or the Unit Owners without prior written approval of all holders of first mortgages or deeds of trust (herein "First Mortgagees") encumbering the Unit or Units which are affected by such Amendment, where such Amendment:

(a) Changes the Percentage Interest or obligations of any Unit for the purpose of (i) levying assessments or charges or allocating distribution of hazard insurance proceeds or condemnation awards, or (ii) determining the pro rata share of ownership of each Unit in the Common Elements;

(b) Subdivides, partitions or relocates the boundaries of any Unit or the Common Elements or Limited Common Elements;

(c) By act or omission, seeks to abandon or terminate the Condominium;

(d) By act or omission, seeks to abandon, partition, subdivide, encumber, sell, or transfer the Common Elements. (The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements shall not be deemed a transfer within the meaning of this subparagraph);

(e) Uses hazard insurance proceeds for losses to any Property (whether Units or Common Elements) for other than the repair, replacement, or reconstruction of such Condominium Property;

(f) Imposes any restriction on the right of a Unit Owner to sell or transfer his or her Unit; or

(g) Changes the votes in the Association allocated by this Declaration.

10.2 Vote of Unit Owners. Except as otherwise provided or reserved herein or in the Condominium Act, this Declaration may be amended only by a vote of Unit Owners of Units holding at least sixty-six and two thirds percent (66.66%) of the total Allocated or Percentage Interests, or as further restricted in the Bylaws.

10.3 Declarant Consent. No amendment to this Declaration which purports to decrease, modify or otherwise limit the Special Declarant Rights hereunder shall be valid unless approved by the Declarant and the written consent of the Declarant is endorsed thereon prior to the recording of such Amendment.

11. Declarant's Right to Lease. Declarant shall retain title to each Unit not sold to any purchaser. Declarant retains the right to enter into one or more leases or other rental arrangements with others for the rental of Units retained by Declarant and not sold to any purchaser.

12. Priority of Mortgages.

12.1 Mortgagee Priority. Except as specifically provided in this Declaration, no provision of the Declaration shall be construed to grant to any Unit Owner, or to any other person, any priority over the lien rights of First Mortgagees or as provided in Section 12.3 below.

12.2 Subordination. Notwithstanding any other provisions of this Declaration to the contrary, the lien of any assessment levied pursuant to the Bylaws upon any Unit (and any penalties, interest on assessments, late charges or the like) shall be subordinate to, and shall in no way affect, the rights of first mortgagees holding a prior first mortgage or deed of trust (herein, a "First Mortgage") made in good faith for value received; provided, that such first mortgage secures a loan initially made by an institutional lender; and, provided further, that such subordination shall apply only to assessments on a Unit which have become due and payable prior to a sale or transfer of such Unit pursuant to a decree of foreclosure or to any deed or other proceeding in lieu of foreclosure, and any such sale or transfer in foreclosure or in lieu of foreclosure shall not relieve the purchaser of the Unit from liability for any assessment thereafter becoming due, nor from the lien of any such subsequent assessment.

12.3. Subordination in favor of Small Business Administration. Notwithstanding any other provisions of this Declaration, the lien of any assessment levied pursuant to the Bylaws upon any Unit (and any penalties, interest on assessments, late charges or the like) shall be subordinate to, and shall in no way affect, the rights of the Small Business Administration holding a Section 504 Mortgage position on a Unit; and, provided further, that such subordination shall apply only to assessments on a Unit which have become due and payable prior to a sale or transfer of such Unit pursuant to a decree of foreclosure or to any deed or other proceeding in lieu of foreclosure, and any such sale or transfer in foreclosure or in lieu of foreclosure shall not relieve the purchaser of the Unit from liability for any assessment thereafter becoming due, nor from the lien of any such subsequent assessment.

13. Association. The operation of the Condominium shall be by the Association, a corporation not for profit under the laws of New Mexico which shall fulfill its functions pursuant to the following provisions:

13.1 Articles of Incorporation. A copy of the Articles of Incorporation of the Association is attached as **Exhibit C**.

13.2 The Bylaws. The Bylaws of the Association shall be the Bylaws of the Condominium, a copy of which is attached as **Exhibit D**, as same may be amended from time to time.

13.3 Limitation Upon Liability of Association. Notwithstanding the duty of the Association to maintain and repair parts of the Property, the Association shall not be liable to Unit Owners for injury or damage other than the cost of maintenance and repair, caused by any latent condition of the property to be maintained and repaired by the Association, or caused by the elements or the other Owners or persons.

13.4 Restraint Upon Separation.

(a) The undivided share in the Common Elements and/or Limited Common Elements which are appurtenant to a Unit shall not be separated therefrom and shall pass with the title to the Unit whether or not separately described.

(b) A share in the Common Elements or Limited Common Elements appurtenant to a Unit cannot be conveyed or encumbered except together with the Unit.

(c) The share in the Common Elements or Limited Common Elements appurtenant to a Unit shall remain undivided and no action for partition of the Common Elements or Limited Common Elements shall lie.

13.5 Approval or Disapproval of Matters. Whenever the decision of a Unit Owner is required upon any matter, whether or not the subject of an Association meeting, each decision shall be expressed by the same person who would cast the vote of such Owner if in an Association meeting, unless the joinder of all record Owners is specifically required by this Declaration.

13.6 Powers of Association. The Association shall have all the powers provided for in Section 47-7C-2 of the Condominium Act including but not limited to the right to assign its right to future income (including the right to receive Common Expense Assessments) for the purpose of securing repayment of funds borrowed or indebtedness incurred by the Association in the performance of its responsibilities.

13.7 Control of Declarant. Notwithstanding anything to the contrary in this Declaration, the Articles of Incorporation or the Bylaws, Declarant shall designate, remove and replace the Directors of the Association until the earlier of (i) the expiration of the maximum time for Declarant control permitted by Section 47-7C-3 of the Condominium Act, or (ii) thirty (30) days after written notice by Declarant of its voluntary relinquishment of Declarant's rights to appoint and remove officers and members of the Board of Directors.

13.8 Severability. The invalidity or unenforceability of any provisions of this Condominium Declaration shall not be deemed to impair or affect in any manner the validity, enforceability or affect of the remaining provisions of this Condominium Declaration and in such event all of the other provisions of the Condominium Declaration shall continue in full force and effect as if such invalid or unenforceable provision had never been included herein.

14. Special Declarant Rights/Development Rights.

14.1 Nothing in this Declaration or the Plat shall limit, and no Unit Owner or the Association shall do anything to interfere with, the right of Declarant to subdivide or re-subdivide any portion of the Property, or to complete improvements or additional Units on and within any portion of the Property, or to alter the foregoing or its construction plans and designs (including a decrease in the total number of Units or the total floor area of all Units combined), or to construct such additional improvements as Declarant deems advisable in the course of development of the Property, including the relocation of or the increase or decrease in designated Common Elements and Limited Common Elements of the Property for so long as any Unit in the Condominium or planned or otherwise contemplated by Declarant for the Condominium remains unsold.

14.2. The Declarant's Development Rights include specifically the right to construct a fourth (4^{th}) floor on the building comprising the Property so as to create additional Units as shown on the Plat for the fourth (4^{th}) floor "Need Not Be Built" area. Declarant's Development Rights shall also include, but shall not be limited to, the right to install and maintain such structures, displays, signs, billboards, flags and sales offices as may be reasonably necessary for the conduct of its business of completing the work and disposing of the Units by sale, lease or otherwise.

14.3 Each Unit Owner, by accepting a deed to a Unit, hereby acknowledges that the Condominium Activities of Declarant may temporarily or permanently constitute an inconvenience or nuisance to the Unit, and each Unit Owner hereby consents to such inconvenience or nuisance. This Declaration and the Plat shall not limit the right of Declarant at any time prior to acquisition of title to a Unit by a purchaser from Declarant to establish upon or within that Unit additional licenses, easements, reservations and rights-of-way to itself, to utility companies or to others as may from time to time be reasonably necessary to the proper development and disposal of the Property.

14.4 Declarant may use any of the Units owned by Declarant as model complexes or sales or leasing offices. Declarant need not seek or obtain Association approval of any improvement or building constructed or placed on any portion of Property by Declarant. The rights of Declarant hereunder elsewhere in this Declaration may be assigned by Declarant to any successor in interest to any portion of Declarant's interest in any portion of the Property by a written assignment. Declarant shall be entitled to the nonexclusive use of the Common Area and any facilities thereon, without further cost, for access, ingress, egress, use or enjoyment, to show the Property to its prospective purchasers or lessees and dispose of the Property as provided herein.

14.5 Declarant, its successors and tenants, shall also be entitled to the nonexclusive use of any portions of the Property which comprise drives and walkways for the purpose of ingress, egress and accommodating vehicular and pedestrian traffic to and from the Property. Each Unit Owner grants, by acceptance of the deed to such Owner's Unit, an irrevocable, special power of attorney to Declarant to execute and record all documents and maps necessary to allow Declarant to exercise its rights under this Section or under other Sections of this Declaration. Notwithstanding any other provision of the Declaration, the prior written approval of Declarant, as developer of the Property, will be required before any amendment to this Section shall be effective.

14.6 The special rights of Declarant described herein shall be exercised not later than the ten (10) year anniversary of the first recording of this Declaration in the official records of Bernalillo County, New Mexico.

15. Insurance. Insurance covering the Condominium Property shall be maintained by the Association, as set forth in the Bylaws of the Association. The cost of insurance shall be apportioned among Unit Owners as Common Expenses. The Association shall not be required to insure the contents of any Unit.

16. Prohibition Against Timeshares. No Unit may be subdivided into timeshares, interval ownerships, use periods or any similar property interest commonly considered to fall within the general conception of timesharing.

17. Taxes. The Association shall elect whether the entire Property shall be deemed a single parcel for purposes of ad valorem assessment and taxation or whether each Unit on the Property (together with the respective Percentage Interest in the Common Elements appurtenant thereto) shall be deemed a separate parcel for the purpose of such assessment and taxation. Declarant shall be responsible for ad valorem taxes on the portion of the Common Elements with respect to which Special Development Rights have been reserved; provided, that as such area is made Unit(s) and Common Elements pursuant to this Declaration, such area shall be taxed to the Association and/or Unit Owner(s) on the same terms as other Units and Common Elements.

18. Title Matters; Disclosures. The Condominium is subject to the following special title matters, to wit:

18.1 The Condominium is a City of Albuquerque landmark. Notice of the Landmark designation was filed of record in the Office of the County Clerk for Bernalillo County, New Mexico, on June 27, 1990, in Book 90-10, at Page 7696. Any change to the exterior of the Condominium must be approved by the Albuquerque Landmarks and Urban Conservation Commission or its successor agency.

18.2 The Condominium is subject to a Grant of Façade Easement filed of record in the office of the County Clerk for Bernalillo County, New Mexico, on December 21, 1988, in Book MS 696A, at Page 151-156. The exterior surfaces of the Condominium are subject to the terms and restrictions contained in the Grant of Façade Easement.

18.3. All parking for the Condominium is currently provided by pubic parking on public streets. The Condominium has no private parking.