DAVIS VALUATION GROUP

A COMPLETE APPRAISAL-SUMMARY REPORT OF

A Vacant Parcel of Land

LOCATED AT

7565 E. Eagle Crest Drive
Mesa, Arizona 85207

DVG2005-101JMM

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CERTIFICATION

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

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

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

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

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

5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*. Furthermore, the report has been prepared in conformity with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

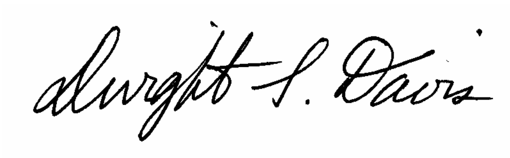
8. The appraiser or appraisers signing this report state that they have the competence to perform this appraisal and report its results.

9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

10. I have made a personal inspection of the property that is the subject of this report.

11. John McCook provided significant professional assistance to the person signing this report. He researched and inspected the subject and all comparable properties and authored the report.

12. As of the date of this report, Dwight S. Davis has completed the continuing education program of the Appraisal Institute.

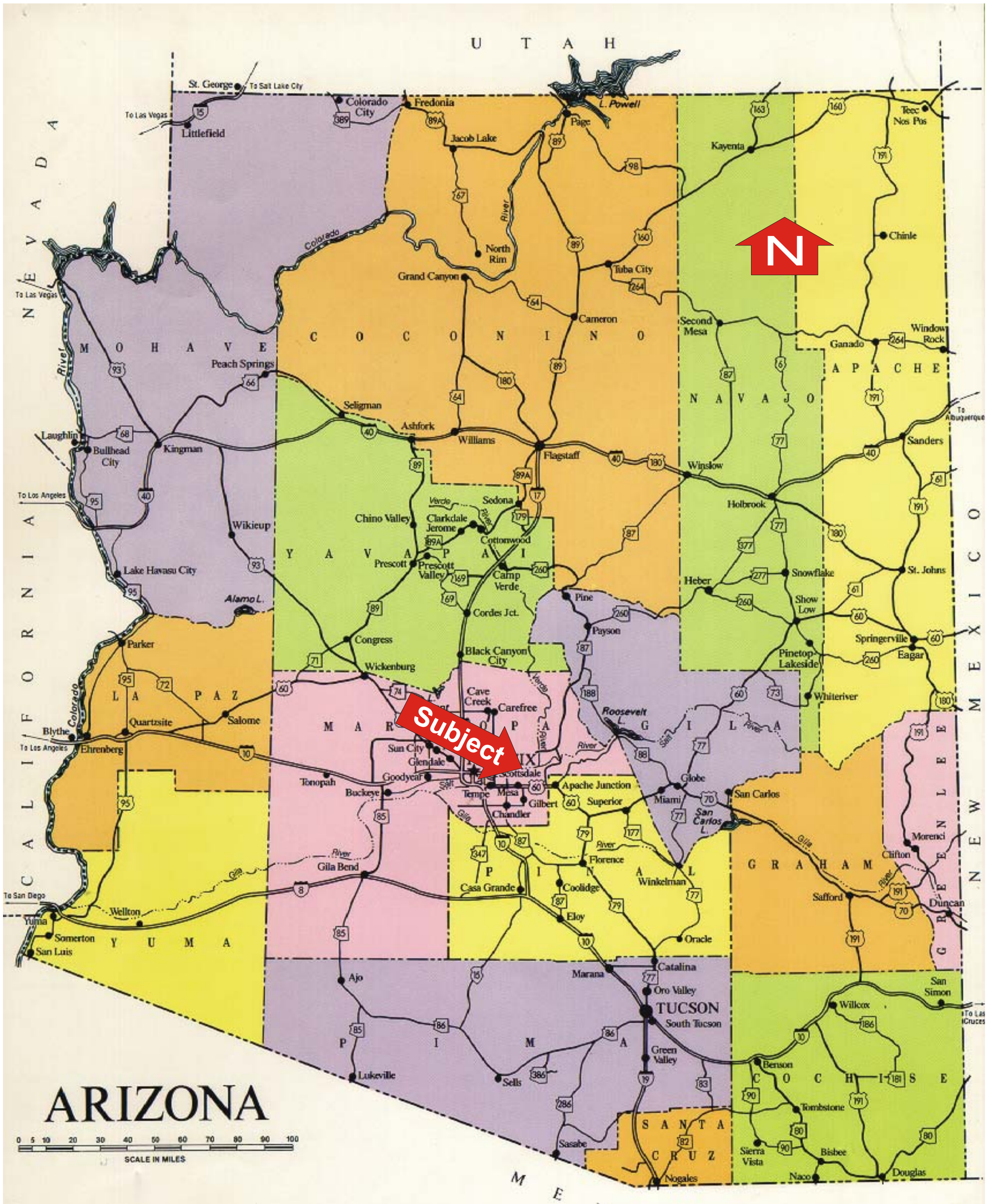


______________________________	May 17, 2005
(Signature) Dwight S. Davis	Date of Report

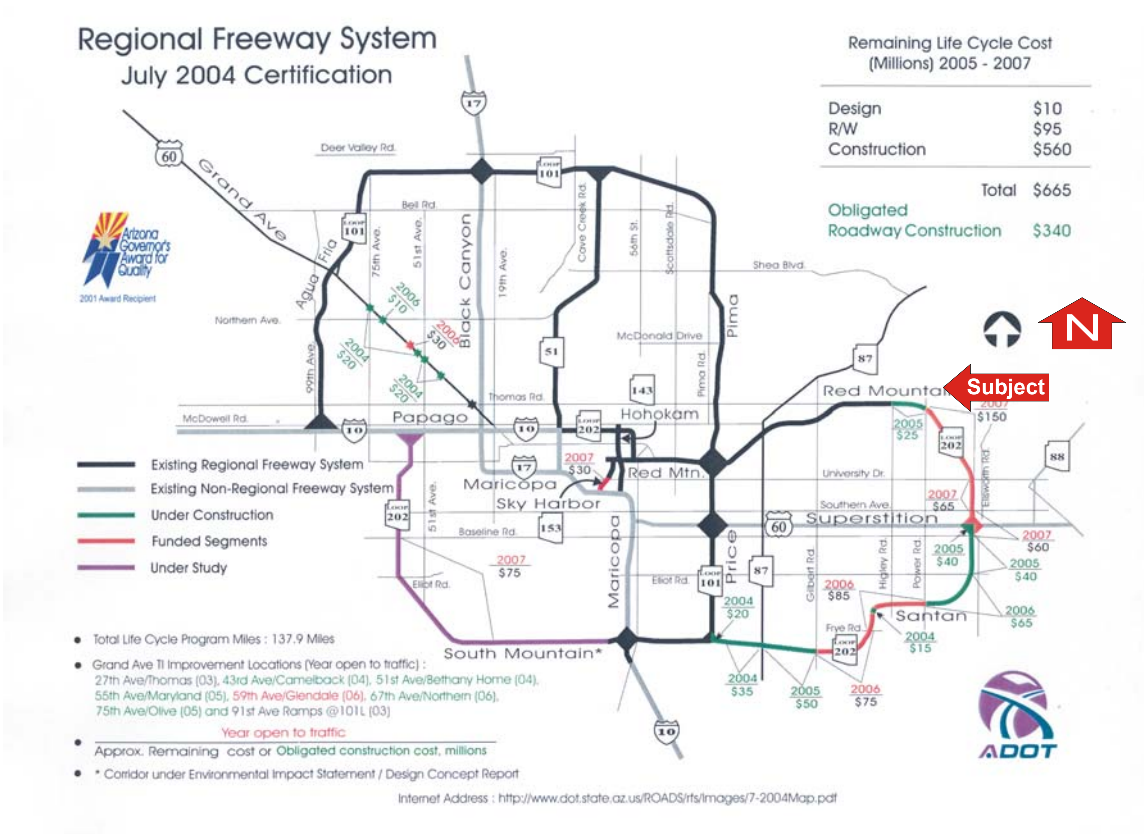
APPRAISAL SUMMARY

Type of Property:	A vacant parcel of land
Location:	7565 E. Eagle Crest Drive, Mesa, Arizona 85207
Map Identification:	130-187LS (Wide World of Maps, Inc.)
Assessor's Parcel Number:	219-17-494
Objective (Purpose and Intended Use):	The purpose of this investigation is to value the fee simple interest in the subject property. The intended use of this appraisal is for financing and the intended user is Merchants Funding, LLC.
Site Area:	65,906 Square feet, or 1.513 acres
Developable Area:	Roughly 29,250 square feet
Flood Zone:	X500 - This code identifies an area inundated by 500-year flooding; an area inundated by 100-year flooding with average depths of less than 1 foot or an area protected by levees from 100-years flooding. *Source: Digital Media Services*
Zoning:	C-2, Intermediate Commercial, Mesa
Property Taxes:	$2,223.38 for the year 2004; of this amount, $1,111.69 has been paid.
Highest & Best Use:	Develop as a pre-leased or owner-occupied office building
Exposure Period:	One year or less
Opinion of Value:	$838,000
Effective Date of Appraisal:	May 13, 2005
Date of Inspection:	May 13, 2005
Appraiser:	Dwight S. Davis, MAI

STATE MAP


U T A H
N E V A D A
C A L I F O R N I A
N E W M E X I C O
ARIZONA
SCALE IN MILES
0 5 10 20 30 40 50 60 70 80 90 100
N
Subject
M O H A V E
C O C O N I N O
N A V A J O
A P A C H E
Y A V A P A I
L A P A Z
M A R I C O P A
G I L A
G R A H A M
G R E E N L E E
P I N A L
Y U M A
P I M A
S A N T A C R U Z
C O C H I S E
L. Powell
St. George
Littlefield
Colorado City
Fredonia
Jacob Lake
Page
Kayenta
Teec Nos Pos
Chinle
North Rim
Grand Canyon
Tuba City
Cameron
Second Mesa
Ganado
Window Rock
Peach Springs
Seligman
Ashfork
Williams
Flagstaff
Winslow
Holbrook
Sanders
Laughlin
Bullhead City
Kingman
Wikieup
Lake Havasu City
Alamo L.
Chino Valley
Clarkdale
Jerome
Sedona
Cottonwood
Prescott
Prescott Valley
Camp Verde
Cordes Jct.
Heber
Snowflake
Show Low
St. Johns
Pine
Payson
Springerville
Eagar
Pinetop-Lakeside
Whiteriver
Parker
Congress
Wickenburg
Black Canyon City
Cave Creek
Carefree
Roosevelt L.
Quartzsite
Salome
Blythe
Ehrenberg
Sun City
Glendale
Goodyear
Tonopah
Buckeye
Scottsdale
Tempe
Mesa
Gilbert
Chandler
Apache Junction
Superior
Miami
Globe
San Carlos
San Carlos L.
Florence
Winkelman
Gila Bend
Casa Grande
Coolidge
Eloy
Oracle
Safford
Clifton
Morenci
Duncan
Wellton
Yuma
Somerton
San Luis
Ajo
Marana
Catalina
Oro Valley
TUCSON
South Tucson
Green Valley
Lukeville
Sells
Sasabe
Nogales
Benson
Willcox
San Simon
Tombstone
Sierra Vista
Bisbee
Naco
Douglas

LOCAL MAP


Regional Freeway System
July 2004 Certification
Remaining Life Cycle Cost (Millions) 2005 - 2007
Design $10
R/W $95
Construction $560
Total $665
Obligated Roadway Construction $340
Subject
N
Existing Regional Freeway System
Existing Non-Regional Freeway System
Under Construction
Funded Segments
Under Study
Total Life Cycle Program Miles : 137.9 Miles
Grand Ave TI Improvement Locations (Year open to traffic) : 27th Ave/Thomas (03), 43rd Ave/Camelback (04), 51st Ave/Bethany Home (04), 55th Ave/Maryland (05), 59th Ave/Glendale (06), 67th Ave/Northern (06), 75th Ave/Olive (05) and 91st Ave Ramps @101L (03)
Year open to traffic
Approx. Remaining cost or Obligated construction cost, millions
* Corridor under Environmental Impact Statement / Design Concept Report
Internet Address : http://www.dot.state.az.us/ROADS/rfs/Images/7-2004Map.pdf
ADOT
2001 Award Recipient

ASSUMPTIONS AND LIMITING CONDITIONS

General Assumptions

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

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

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

3. Responsible ownership and competent property management are assumed.

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

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

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

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

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

9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.

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

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

General Limiting Conditions

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

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

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

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

4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.

Additional General Assumptions and Limiting Conditions

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

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

3. No legal description or survey was furnished, so the appraiser used the county tax plat to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, it may be necessary for this appraisal to be adjusted.

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

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

6. Neither this report, nor any of its contents, may be used for the sale of shares or similar units of ownership in the nature of securities, without specific prior approval of the appraiser, and no part of this appraisal may be reproduced without the permission of the appraiser.

7. The appraiser cannot predict or evaluate the possible effects of future wage price control actions of the government upon rental income or financing of the subject property; hence, it is assumed that no control will apply which would nullify contractual agreements, thereby changing property values.

8. Subject property is not, nor will it be, in violation of the National Environmental Policy Act, the State Environmental or Clean Air Act, or any

and all similar government regulations or laws pertaining to the environment.

9. This report is the confidential and private property of the client and the appraiser. Any person other than the appraiser or the client who obtains and/or uses this report or its contents for any purpose not so authorized by the appraiser or the client is hereby forewarned that all legal means to obtain redress may be employed against him.

10. The purpose of this investigation is to value the fee simple interest in the subject property. The intended use of this appraisal is for financing and the intended user is Merchants Funding, LLC. This report may not be used for any other reason, nor is it intended for use by any other entity than the party for whom it was prepared.

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

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

EXTRAORDINARY ASSUMPTIONS

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

1. The developable area is roughly 29,250 square feet in size;
2. Neighborhood opposition will not be so strong as to prevent the property from being developed to its highest and best use in a reasonable amount of time;
3. A perpetual access easement will be agreed upon for the private drive owned by the golf course so the southern portion of the parcel can be accessed. The city will not allow access from Eagle Crest Drive. We consider the issue of access to be of great importance to an underwriting decision.

The use of the foregoing extraordinary assumptions might have affected the assignment results.

SCOPE OF THE APPRAISAL

In order to value the subject property, the following was performed:

- Inspected the subject property on May 13, 2005
- Inspected each comparable property
- Photographed the subject and improved sale and rental comparables
- Described the subject's market area
- Analyzed the supply of, and demand for, the subject's property type within a defined market area

As part of this appraisal, I have made several independent investigations and analyses concerning both the subject property and its relevant market area. I have relied on several different data sources in each section and have documented or referenced those sources as completely as possible. A summary of this information is contained below.

Market Area Analysis: Within this section, I have examined the four forces - geographic, social, economic, and governmental - that influence value. Supporting data are retained within my office and appraisal files. Sources that I have used are specifically noted within this section, and may include the following:

- Arizona Department of Economic Security
- Maricopa County Association of Governments
- CoStar

Site Description: Within this section of the report, I have described the subject's site characteristics. Where factual information is required, I have used several sources including:

- City of Mesa General Plans, and the applicable zoning ordinances for the City of Mesa
- HUD Special Flood Agency Maps from the Federal Emergency Management Agency
- Maricopa County Assessor's and Treasury Departments
- State of Arizona Department of Environmental Quality

I assume that the legal description is correct.

I cannot guarantee that the property is free of encroachments or easements, and recommend further investigation and survey.

Valuation Analysis: Within the scope of this appraisal report, all three approaches to value were considered. The Cost and Income Approaches were eliminated because the subject is vacant land. Further, I have concluded that the Sales Approach wase sufficient to establish a credible opinion of value.

I have gathered information from the following sources:

- First American Real Estate Services
- CoStar
- Local business and real estate related newspapers, magazines, and the Internet
- Direct contact with listing/sales brokers, leasing agents, and property managers and owners
- Davis Valuation Group files

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

Sales Comparison Approach and Final Opinion of Value: In the Sales Comparison Approach to Value, I have searched the Mesa area for sales of comparable properties. These sales were analyzed and compared with the subject property.

It should be noted that a valuation of personal property and equipment (if any) located on or about the subject is beyond the scope of this report.

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

DEFINITIONS

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

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

1. Buyer and seller are typically motivated;

2. Both parties are well informed or well advised and acting in what they consider their own best interests;

3. A reasonable time is allowed for exposure in the open market;

4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.[1]

Exposure Time: "The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market."[2]

Marketing Time: "The reasonable marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal."[3]

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1 This definition is from regulations published by federal regulatory agencies pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 between July 5, 1990, and August 24, 1990, by the Federal Reserve System (FRS), National Credit Union Administration (NCUA), Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and the Office of the Comptroller of the Currency (OCC). This definition is also referenced in regulations jointly published by the OCC, OTS, FRS, and FDIC on June 7, 1994, and in the Interagency Appraisal and Evaluation Guidelines, dated October 27, 1994.

2 2004 Uniform Standards of Professional Appraisal Practice: SMT-6.

3 USPAP 2004 Edition, ©The Appraisal Foundation, p. 141.

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

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

Fee simple estate: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

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

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

[4] Ibid., p. 142.

PROPERTY IDENTIFICATION

The subject is a A vacant parcel of land located at 7565 E. Eagle Crest Drive, Mesa, Arizona 85207.

INTENDED USE AND PROPERTY RIGHTS

The purpose of this investigation is to value the fee simple interest in the subject property. The intended use of this appraisal is for financing and the intended user is Merchants Funding, LLC.

EXPOSURE TIME

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

PROPERTY HISTORY

In compliance with a guideline of the Appraisal Institute, any pending or prior sales of the subject property over the last three years must be analyzed. In April of 2004, the two property owners Kyle Brock and Paul Sorensen transferred title to their Arizona limited liability company, Oryx, LLC. This name transfer is recorded in Maricopa County document number 04-0431687.

The property is currently in escrow at a sales price of $838,000 or $12.72 per square foot. The buyer is Mordechai Ben-Shabat. The seller's broker, Terry Brock is the spouse of one of the current owners. She informed me that the property has been owned by her husband and others for many years. Her husband is an engineer who was involved with the design of Las Sendas 14 years ago. According to Mrs. Brock, the property has had a few proposed uses including a day care center and a restaurant. She informed me that no approval from the city was ever sought or issued for any proposed project.

According to information obtained by the city planner, Ryan Heiland, a restaurant was proposed for construction upon the subject property in 1999. The site plan for the restaurant, which is dated 1991, was obtained from the city and is included in the appendix of this report. Due to the volume of people opposed to this restaurant project, the City of Mesa's planning and development board felt that a continuance would allow for adequate additional dialogue with area residents. Two months later, the applicant requested the application for the restaurant be withdrawn. The Board felt that, due to neighborhood opposition in this case, the applicant's request was justified. The minutes of these two meetings are also included in the appendix of this report.

The city planner stated that a site hearing would be required before any building improvements could be performed on the subject property. He felt that virtually any project on the subject site would incur neighborhood opposition. Due to certain building requirements which state that no improvements can be constructed above a 15 percent slope line and current building set-back requirements, Mr. Heiland felt the developable area of the subject property would be limited to the southern portion of the parcel.

PROPERTY OWNERSHIP

The property is owned by Oryx, LLC.

DATE OF LAST INSPECTION

May 13, 2005

EFFECTIVE DATE OF APPRAISAL

May 13, 2005

LEGAL DESCRIPTION

That portion of the Northeast quarter of Section 30, Township 2 North, Range 7 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, being more particularly described as follows:

COMMENCING at the Northeast corner of said Section 30, from which the East quarter corner bears South 00 degrees 02 minutes 36 seconds East, a distance of 2641.80 feet;

Thence South 20 degrees 47 minutes 05 seconds West, a distance of 1632.04 feet to the Northeasterly corner of a parcel of land, this being the TRUE POINT OF BEGINNING;

Thence South 00 degrees 41 minutes 58 seconds West, a distance of 315.63 feet;

Thence North 89 degrees 18 minutes 02 seconds West, a distance of 60.57 feet to the beginning of a non-tangent curve, the center of which bears South 73 degrees 58 minutes 20 seconds West, a distance of 164.00 feet;

Thence Northwesterly along the arc of said curve, a distance of 98.89 feet through a central angle of 34 degrees 33 minutes 01 second;

Thence North 50 degrees 34 minutes 41 seconds West, a distance of 195.26 feet to the beginning of a tangent curve concave Northeasterly, having a radius of 141.00 feet;

Thence Northerly along the arc of said curve, a distance of 27.19 feet through a central angle of 11 degrees 03 minutes 00 seconds to the beginning of a tangent curve concave Easterly, having a radius of 48.00 feet;

Thence Northerly along the arc of said curve, a distance of 30.88 feet through a central angle of 36 degrees 51 minutes 18 seconds;

Thence North 02 degrees 40 minutes 23 seconds West, a distance of 32.21 feet to the beginning of a tangent curve concave Westerly, having a radius of 52.00 feet;

Thence Northerly along the arc of said curve, a distance of 6.98 feet through a central angle of 07 degrees 41 minutes 46 seconds to the beginning of a tangent curve concave Easterly, having a radius of 124.00 feet;

Thence Northerly along the arc of said curve, a distance of 31.19 feet through a central angle of 14 degrees 24 minutes 38 seconds;

Thence North 04 degrees 02 minutes 29 seconds East, a distance of 11.56 feet to the beginning of a non-tangent curve whose center bears South 25 degrees 57 minutes 31 seconds East, a distance of 12.00 feet;

Thence Northerly along the arc of said curve, a distance of 6.28 feet through a central angle of 30 degrees 00 minutes 00 seconds;

Thence South 85 degrees 57 minutes 31 seconds East, a distance of 296.71 feet to the TRUE POINT OF BEGINNING.

This legal description is assumed to be correct and has been relied upon in the preparation of this report.

PHOENIX-MESA-SCOTTSDALE SMSA SUMMARY

Introduction

This analysis is presented in a summary format that is intended to provide a general understanding of the social, economic, governmental, and environmental trends that are presently impacting the Metropolitan Phoenix Area. The analysis includes a brief discussion of trends affecting various segments of the real estate industry for a defined metropolitan area with a current population of over 3,350,000 people as of the 1st Quarter of 2004. Maricopa County is now rated the fastest-growing big county in the U.S. It had the highest annual growth rate among the 10 largest counties nationwide, the census Bureau reported on April 17, 2003.

The City of Scottsdale has been linked to Mesa and Phoenix by U.S. agencies. The 'Scottsdale' name is now part of the Phoenix-Mesa Metropolitan Statistic Area (SMSA) label. This will result in greater national recognition as a business hub and vacation destination. The U.S. Census Bureau and the Office of Management and Budget (OMB) have renamed the metro area 'Phoenix-Mesa-Scottsdale in their June reports. The area includes all of Maricopa and Pinal counties. The new major metro name is likely to get notice from research firms, news organizations and other entities. Having the Scottsdale name with the statistics reinforces it as a strong business community along with being recognized as a tourist destination.

The Metropolitan Phoenix Area encompasses most of Maricopa County, and includes the cities of Phoenix, Tempe, Guadalupe, Scottsdale, Mesa, Chandler, Gilbert, Glendale, Peoria, Avondale, Tolleson, Surprise, Sun City, El Mirage, Litchfield Park, Goodyear, Cave Creek and Carefree. Apache Junction in Pinal County is also included. These cities were once politically and geographically independent. Although they retain their political independence, they must cooperate more closely because they have essentially lost their geographic identity. Several are "landlocked" because they are surrounded by other municipalities, Indian reservations, and natural and man-made boundaries.

Social Influences

Culture and Entertainment

Downtown Phoenix is home to the Phoenix Civic Plaza, the Convention Center, the Phoenix Symphony Hall, America West Arena, BankOne Ballpark, the Herberger and Orpheum Theaters, the new Arizona Science center and the Phoenix History Museum. There are excellent symphony, opera and ballet companies, as well as numerous theater groups. Phoenix's South Mountain Park has horseback riding and hiking trails. Papago Park is home to the Phoenix Zoo, Desert Botanical Gardens, an 18-hole golf course, and fishing lakes. Golf courses are found throughout all of the metro area, making Metro-Phoenix home to more holes of golf per 100,000 population, than any other metro area in the U.S.

Construction has started on the Cardinal's Stadium in Glendale near the 101 Freeway, north of Bethany Home Road, and construction has finished on the Phoenix Coyote Hockey Arena that is south of Glendale Avenue, immediately north of the Cardinal Stadium. Several of the cities have fine arts centers under construction or planned, which, combined with existing cultural arts venues, will make Metro Phoenix the entertainment and cultural center of Southwestern U.S.

Governmental

The Phoenix City Council is made up of the mayor and eight council members. Each council member is elected by the people from his or her council district. The mayor is elected at-large and is in charge of council meetings. The mayor and council members have the job of setting policy for the city. The city manager is hired by the mayor and council to manage the day-to-day operations of the city and to advise them about these operations when they set policy. In Phoenix, the city manager is in charge of more than 12,000 city employees. Each of the 15 cities making up Metro Phoenix, have some form of Mayor/City Council form of government. Through MAG (Maricopa Association of Governments), there is seemingly good co-operation and planning between communities.

Economic Characteristics

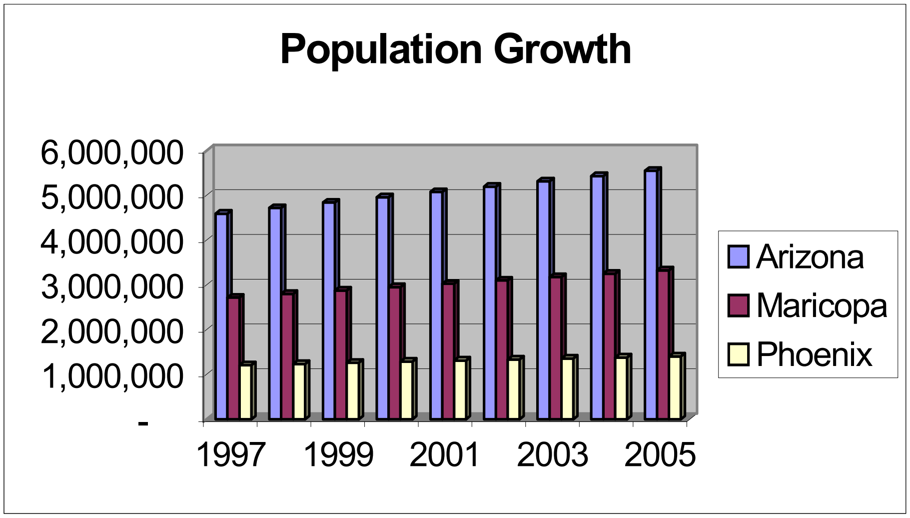
Population Growth

Numeric population gains in the metro area have continued since 1970. The annual average increase was 30,000 during the 1960s, 55,000 during the 1970s, 65,000 during the 1980s and 80,000 during the 1990s. Net in-migration from outside the metro area accounts for 70 percent of the total population increase. In the 1990s, about 170,000 people per year moved to Maricopa County, but 100,000 left the area, resulting in annual average net in-migration of 70,000. This rate has moved up to over 100,000 per the recently released data from the Census Bureau. On average, 280 people per day move into Metro Phoenix.

Following is a summary of Census 2000 populations for the 10 largest cities, and their anticipated population in 2030:

Avondale:	37,800	161,400	Chandler:	185,300	288,600
Gilbert:	119,200	290,500	Glendale:	230,000	312,200
Mesa:	441,800	647,800	Peoria:	114,100	253,400
Phoenix:	1,400,000	2,200,000	Scottsdale:	204,300	297,700
Surprise:	37,700	395,500	Tempe:	158,900	196,700

According to the U. S. Census, The Phoenix Standard Metropolitan Statistical Area (SMSA) covers 9,225 square miles, located entirely within Maricopa County. The following chart displays population growth since 1997.



Rapid population growth in Maricopa County is expected to continue over the next 50 years. The 2004 population of almost 3.2 million is projected to swell to more than 7 million in 2050. Annual growth in the next two decades is expected to slow somewhat from the pace of the 1990s, but gains after that should gradually rise. The current +/-100,000 per year average population change is projected to remain steady to around 2050. A small portion of Pinal County (Apache Junction) already is included in the Phoenix urbanized area. More of Pinal County will be added to the urbanized area over time. Pinal County's population is projected to rise from 188,000 in 2001 to 231,000 in 2020. The population of Pinal County increased by over 20,000 people in 2003. Major growth is projected for Pinal County in or near the communities of Apache Junction, Florence, Casa Grande, and the Town of Maricopa[5].

Principle Economic Activities

Over the next 25 years, the Maricopa Association of Governments predicts that development will shift somewhat from the southeast part of the Phoenix metro area (East Valley Communities) to the northwest and southwest. The population center of the county has shifted to the east over the last 20 years, to northeast of Thomas Road and 24th Street in 1995. Over the next 25 years, the center of population is projected to move slightly west and north to about Central and Camelback Roads.

Landforms only partially act as barriers to urban growth in the metro area. While mountains to the north and east are part of a large, rugged mountainous region,

[5] Arizona Workforce Informer, www.workforce.az.gov July 1, 2003

those at the fringe of the Valley to the south and west are not substantial enough to stop the expansion of the urban area. Metropolitan Phoenix likely will run out of water before it runs out of developable land. Enough of both exist to allow the current population of 3.35 million to reach at least several million – more than that projected to be living in Maricopa County in 50 years.

Transportation

The valley has an intricate system of freeways, generally conforming to concentric loops. Major freeways include I-10, I-17, Loops 101, 202, and 303. Construction has recently begun on a new segment of the loop 202 system named the 'San Tan' loop, which will make the towns of Gilbert and Queen Creek more accessible to other parts of the valley. Traffic counts along these freeways range from 51,000 to 223,000 and are increasing each year.

Environmental

Water

The main water supply originates in the central mountains of Arizona. A series of reservoirs has been constructed over the years to catch and retain winter and spring runoff. A secondary source is the Central Arizona Project (CAP), which was formed to direct water from the Colorado River into the central part of Arizona. An additional source is the underground aquifer. Overall, the assured water supply extends well into the next century. Water is an emerging issue in the permitting of new residential subdivisions. Water issues are becoming a major influence the direction, style, and extent of population growth. Any new golf courses must utilize treated waste-water, and not fresh water for watering of greens and fairways.

Several communities have put together water agreements with the Gila River Indian Community, which has laid claim to Gila and Salt River stream flow along with a major share of the CAP, for the past 80 years. Settlement with the Tribe over water-rights will clear the way for future expansion of these communities, now that they will know how much water they can rely upon out of the CAP. Under these agreements, these communities will exchange treated waste-water to GRIC for farming, in exchange for 'clean' water out of the CAP.

On average, water usage by the populace, within Metro Phoenix, is about 1 acre foot/year per 4 people. An acre foot of water is 326,000 gallons. Rapid growth of the Phoenix metro area is expected to continue for at least the next 50 years. Land and water availability should not restrict growth until after the current population of nearly 3.35 million exceeds seven million in 2050.

Real Estate Overview

Single-family

The homebuilding industry has been providing support for the economy during the past year, as interest rates have declined and home prices appreciated. Even though both new and resale markets remained surprisingly strong throughout 2002, the industry is expected to hold steady in the coming months, unless interest rates take a significant ‘jump’ from current levels of 5% to 6%. What matters now are the softness in labor markets, reduced population growth, and much lower confidence coming from concerns over U.S. involvement in the Middle East. The good news is that the pullback in new construction should be quite muted compared to prior building cycles since vacancies are low. The metro area appears capable of absorbing about 3,000 new units per month, or 36,000 per year, making Metro Phoenix one of the most active residential markets in the U.S.

Multi-family

The apartment market has become increasingly competitive, with concessions beginning to appear, especially in the Class A market. This is also true of areas where there are a lot of apartments. The reasons are:

- There are fewer people in the pipeline to replace those that move into new homes.
- Population growth has continued in spite of the slower economy, which has meant that many people, especially young adults, need their own housing.
- Low interest rates have resulted in large numbers of apartment dwellers, being able to qualify and move into entry level housing.

In a slowing or weak economy, the apartment market frequently improves because people cannot afford or not want to buy a home, but still need a place to live. Because demand is expected to be very constant or improve slightly, this outlook tends to call for apartment development to remain at or near current levels. In 2002, 4,774 units were permitted. Less than 4,000 units are anticipated to be permitted in 2003 and 2004. As long as mortgage rates remain historically low, so will the creation of apartments.

Possible areas of the strongest building are Chandler-Gilbert, southwest Phoenix, as well as North Scottsdale, East Valley, and Arrowhead (Peoria area). The Valley appears capable of absorbing 4,000 to 5,000 units per year, with up to 3% rent increases. The overall metro-wide vacancy is 10+% in the apartment market, with the average monthly rent at $714. The average price per unit of apartments sold in 2003 was $45,000, or $60/SF of building.

The average price for apartment buildings continued to rise above $50,000/unit in 2003, compared to approximately $45,000/unit in 2000. Construction of additional apartment units has been modest, as low interest rates have caused many apartment dwellers to purchase homes. The pace is roughly 8,000 units per year. Apartments are capturing less of the overall housing market than in the past. Several thousand apartment units have been converted to condominiums during the past 5 years. This trend may slow during coming years due to lack of projects capable of being converted to condo ownership status.

Non-Residential

Industrial

Overview – As reported by CB Richard Ellis Information Services, the Phoenix Metropolitan Area has a total of 5,918 industrial buildings consisting of over 215 million square feet, of which 20.9 million square feet are vacant, or 9.71% overall. The vacancy rate at end of 2003 was 10.31%, which was up from 7% two years earlier, and 9.8% at the end of 2001. Downward pressure on vacancy rates can be directly attributed to economic recovery and increased demand in production and warehousing of goods. In 2002, 5.1 million square feet of new product was added to the industrial market. About 3.4 million square feet was added to the inventory in 2003. A similar amount of 3 to 3.5 million square feet of new industrial space is planned for 2004.

Net Absorption - According to CB Richard Ellis, net absorption during 2003 was 4,406,646 square feet. This was a significant decline from 2000, which showed absorption of 10,711,383 square feet in 2000. Net absorption, however was over 1,000,000 square feet greater than in 2003 and is expected to be even better in 2004. About 2.4 million SF of industrial space is under construction as of the end of 2003, with an additional 6.5 million SF planned in the next year or two.

Lease Rates - The average asking lease rates within the metropolitan Phoenix industrial market can vary significantly by sub-market and product type. Fourth quarter average asking lease rates increased slightly. However, concessions by building owners remain common. The current average triple net asking lease rates by product type are: warehouse/distribution-32¢ per square foot; manufacturing-62¢ per square foot; and back office-94¢ per square foot.

Completions - At year-end (2003), a total of 3.44 million square feet had been completed, compared to 5.14 million square feet of new product in 2002. Markets with significant building completions in 2003 included Chandler, Southwest Phoenix, and Tolleson, and Scottsdale Airpark. At year-end, there were 2.44 million square feet of new buildings under construction, with delivery expected by year-end 2004. Markets with buildings under construction include southwest Phoenix (Tolleson), Scottsdale Airport, and Williams Gateway Airport areas.

Outlook - The outlook for the Phoenix industrial market in the next 12 months is one where supply still exceeds demand, but a decrease in inventory and the vacancy rate seems apparent, as low rates for 'big box' warehouse space, continue to draw in well-known corporations in need of a central hub location for huge distribution centers.

Retail

Overview – the Metropolitan Phoenix retail market did not show the effects of a slowing economy and lower consumer confidence, as rental rates remained stable. The retail market reaped the advantages of record home sales and building. Despite steady development, the vacancy rate only ticked up to 7.76% at year end 2003, from 7.30% at year end 2002. Net absorption was 4.3+ million square feet. The Phoenix metropolitan area has a total of 867 retail buildings consisting of 110 million square feet. Of this total, 7.38 million square feet are vacant, resulting in a vacancy rate of 7.36 percent, including regional malls. This rate has remained constant since the end of 2002. Approximately 5.01 million square feet of retail space came on-line in 2003, compared to 3.29 million square feet of proposed new space. The 8.12 million SF of vacant space or 7.76% overall vacancy, will probably hold throughout 2004. Markets that experienced strong absorption in 2003 included North Scottsdale, Mesa/Chandler/Gilbert, and North Bell Road, mirroring the largest residential growth areas in The Valley.

Lease Rates – Average asking lease rates remained stable in the fourth quarter. Average asking triple net lease rates for anchored centers ranged from $15.00 to $18.00 per square foot throughout the valley. The average asking triple net lease rates for unanchored strip centers ranged from $13.00 to $14.00 per square foot.

Completions – building completions totaled 5.01 million square feet at year-end 2003, compared to 4.27 million square feet at year end 2002. Markets with significant building completions in 2003 included Mesa/Chandler/Gilbert, North Bell Road, and North Scottsdale. At year-end, 3.29 million square feet of new product were under construction, with delivery expected by year-end 2004. Planned projects totaled 23 million square feet.

Outlook – The outlook for the next year depends on whether the economy can continue on track to a full recovery – with Job growth being the final piece of the puzzle. If job growth continues to lag, consumer confidence may start to wain, and the retail leasing market could be headed for tougher times. As world-wide conflicts are resolved, it should help consumers, who make up two-thirds of the market, to increase spending, and lift our economy out of the doldrums resulting from war fears.

Office

Overview –The office market was hit hard several years ago by corporate contractions due to recession. The Phoenix Metropolitan Area has a total of 1,000 square feet of multi-tenant office buildings consisting of 60.11 million square feet. At year-end 2003, 11 million square feet were vacant, representing a vacancy rate of 18.3% (per CB Richard Ellis), down by almost 1 percentage point since year-end 2002. About 5.5 million square feet of office space was absorbed in the fourth quarter, with 1.24 million square feet of net absorption for the year. At this rate, it could be 5 years before the over-supply of office space is 'worked off', providing the construction rate of new office buildings remains low. About 3.3 million square feet are in the planning stages, but may not be built, with almost 1 in 5 square feet vacant throughout the metro area.

The vacancy rate is starting to level out from a 4 year increase beginning in 2000. At end-of-year the 18.3% vacancy rate was essentially unchanged from 18.7% one year prior. In 2001, 4.5 million square feet of new product were added to the market, whereas less than 1.03 million square feet of new office space was under construction as of year-end 2003, with most of this representing the office-condo type product.

Net Absorption – Year end net absorption in 2003 of 1,245,156 square feet was considerably higher than the previous year's total of about 410,000.

Lease Rates – Average asking lease rates were stable in 2003. However, increased concessions have decreased the net effective rents during the fourth quarter. Class A buildings range between \$20.00 and \$30.00 per square foot on a full-service basis. Class B buildings range from \$14.00 to \$22.00 per square feet, and Class C buildings range from \$12.00 to \$20.00 per square foot.

Completions – At year-end 2003, 388,992 million square feet of new office space had been completed, compared to 1.34 million square feet one year earlier. Markets with significant building completions in 2002 included Downtown Phoenix (CBD), Scottsdale Airpark, and 'back office' space along the 101 freeway in Tempe and Chandler. At year-end 1.02 million square feet of new buildings were under construction, with delivery expected by year-end 2004. Markets with buildings under construction including east Mesa, Chandler, Pima Freeway in Scottsdale, and Scottsdale Airpark.

Outlook – The outlook for this year is one of stabilized vacancy, slightly increasing concessions, stable rental rates, decreasing new construction, and generally the same market conditions as in 2003. The turn-around in the office market may not come for four or five years, given the 11+ million square foot supply of vacant space.

Despite increasing vacancy and falling lease rates, the price paid for office buildings in the greater Phoenix area during 2003 was about the same as in the previous year, providing buildings 'cash flowed'. Buyers paid an average of $113 per square foot for the 71 buildings sold in the 1st Qtr. of 2003. This compares with $115 per foot paid in 2001 and $111/SF paid in 2002.

Although new construction has slowed, it is still in excess of what can reasonably be absorbed on an annual basis. But for the office market, the other major sectors of the real estate market are doing reasonably well, considering current economic signs. The economy may be pulling out of a 3 year slump that began with a bursting stock market bubble and was intensified by recession, terrorist attacks, corporate scandals and war. Metro Phoenix has done better than other metro areas of comparable size due to continued growth and strong sales in the housing sector. The 5.4% current unemployment rate is a 'drag' on the economy, but is down from 6.4% one year earlier. This should continue to ease as consumer confidence improves, recent tax cuts kick in, and the retail sector benefits most as people increase their spending. The retail sector is 2/3 the GDP, and economists are looking to it to lead the economy to a sustainable rebound and recovery.

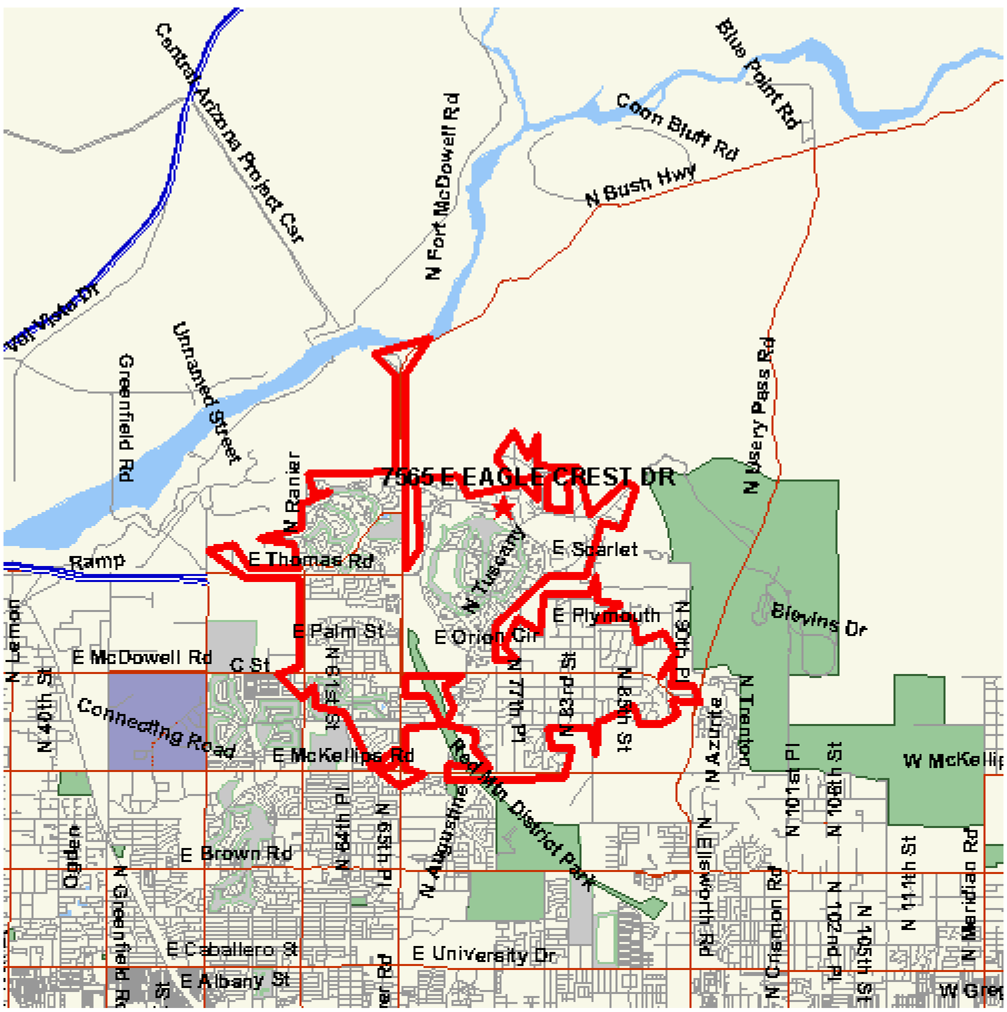
Market Area - Introductory Remarks

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

Market Area Boundaries

For the purposes of this report, the market area is defined as the area within a ten-minute drive time of the subject property.

Ten-Minute Drive Time Map



Complementary Land Uses within the Market Area

Complementary land uses within the market area include homes, golf courses, office buildings, and retail buildings. The subject is located within the Las Sendas custom home community. There is a golf course with club house at the center of the community. The community also has an elementary school and a fitness center. There is a vast trail system throughout the area. Outside Las Sendas, several retail buildings including two pharmacies and a retail strip center were noted. Shea Commercial recently constructed an office condominium complex southwest of Las Sendas and there is a proposed office complex located at the southwest corner of Thomas Road and Power Road. The last of home site in the Las Sendas community sold out the day they were offered. This phase of homes is located immediately north of the subject.

Market Area Life Cycle

A market area life cycle typically evolves through four stages:

1. Growth - a period during which the area gains public favor and acceptance

2. Stability - a period of equilibrium without marked gains or losses

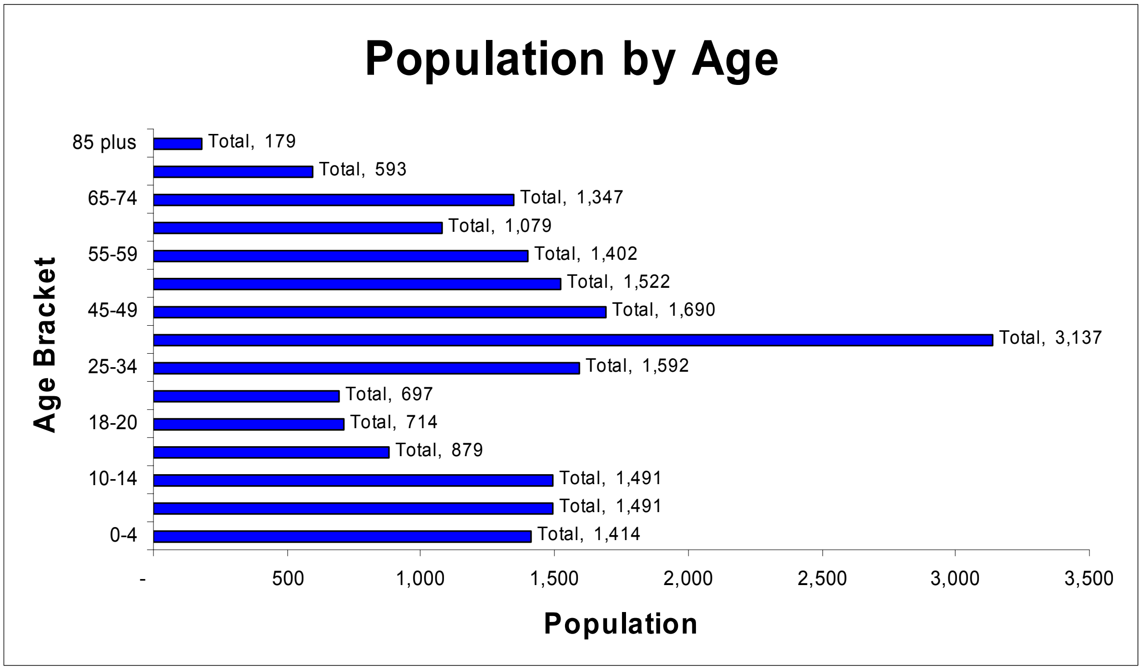
3. Decline - a period of diminishing return

4. Revitalization - a period of renewal, modernization, and increasing demand

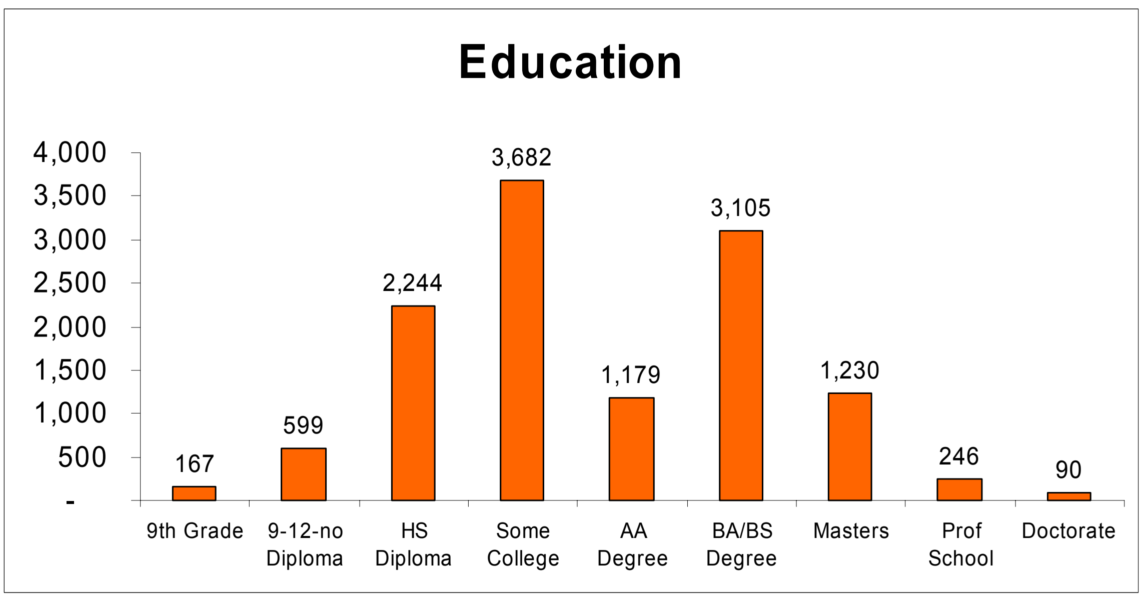
The subject's market area appears to be in a period of stability and mild growth for the following reasons:

1. Most of the community has been built out and there is not an excess of vacant land upon which to build.
2. The portions of the market area outside the community are growing in large part due to the close proximity to the soon to be completed Loop 202 (Red Mountain Freeway).
3. There are only a few commercially zoned properties within the Las Sendas community.
4. Local residents have opposed commercial building within the Las Sendas community in the past.

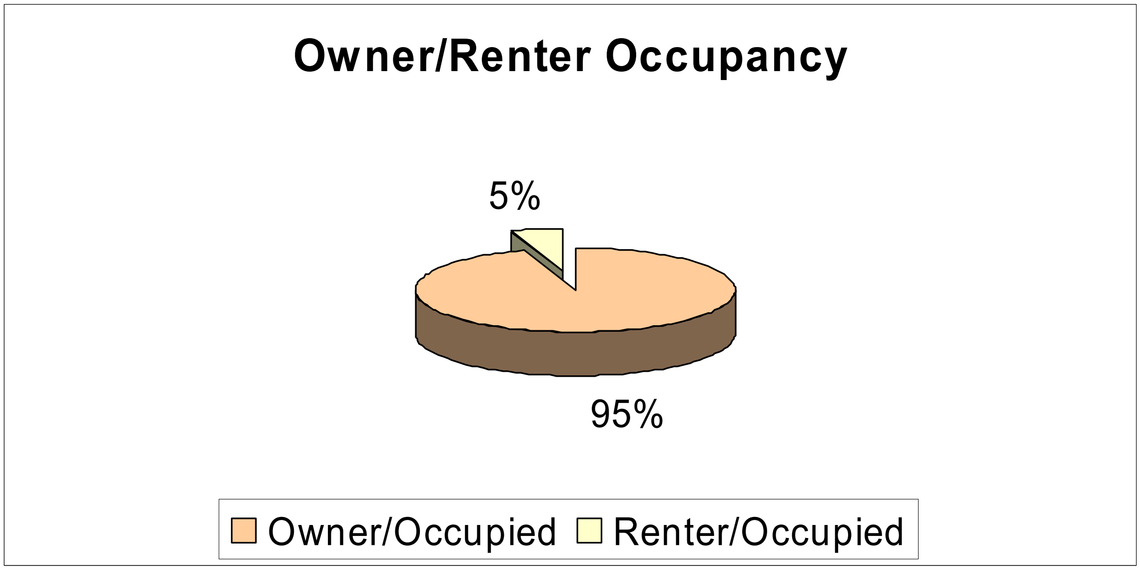
Social Influences

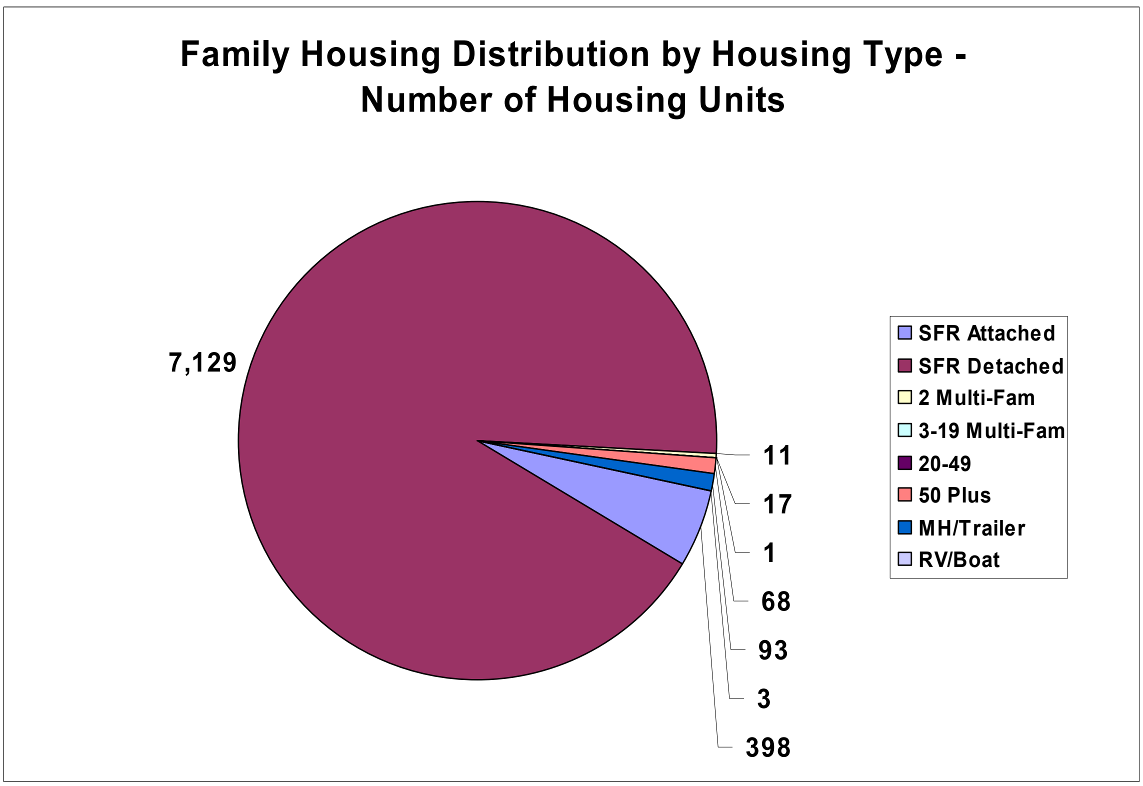


Total population within this market area is 19,226. It is evenly distributed among the age groups with 31 percent of the population being below age 21, 37 percent within the ages of 21 and 50, and 32 percent being over the age of 50.



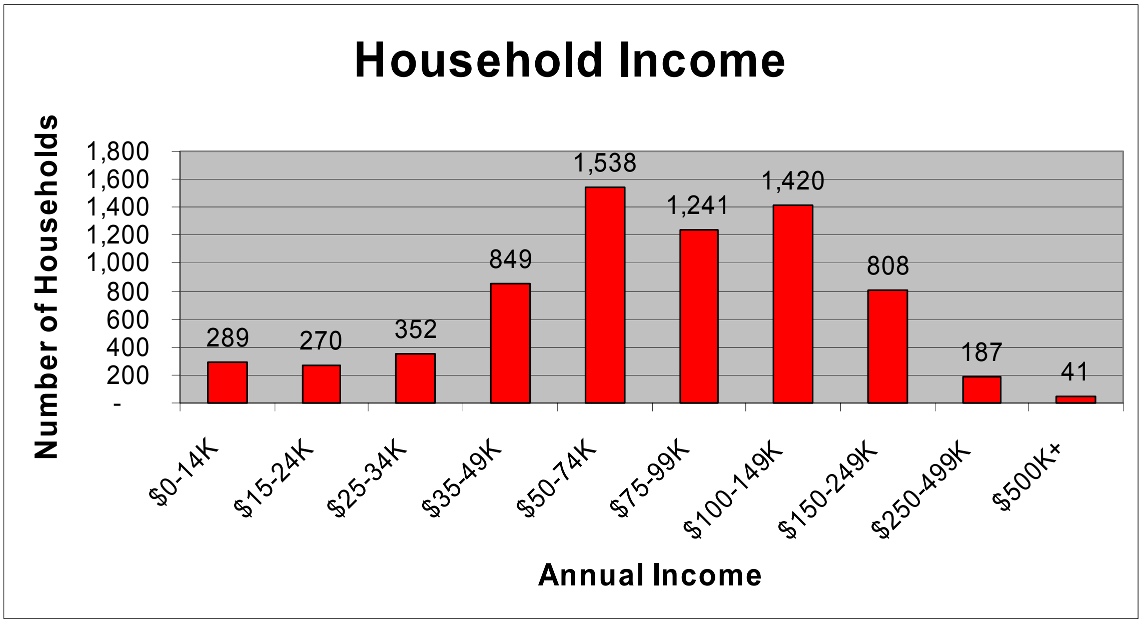
Individuals who have attended some college are predominant in this market area, followed by those with bachelor's degrees.



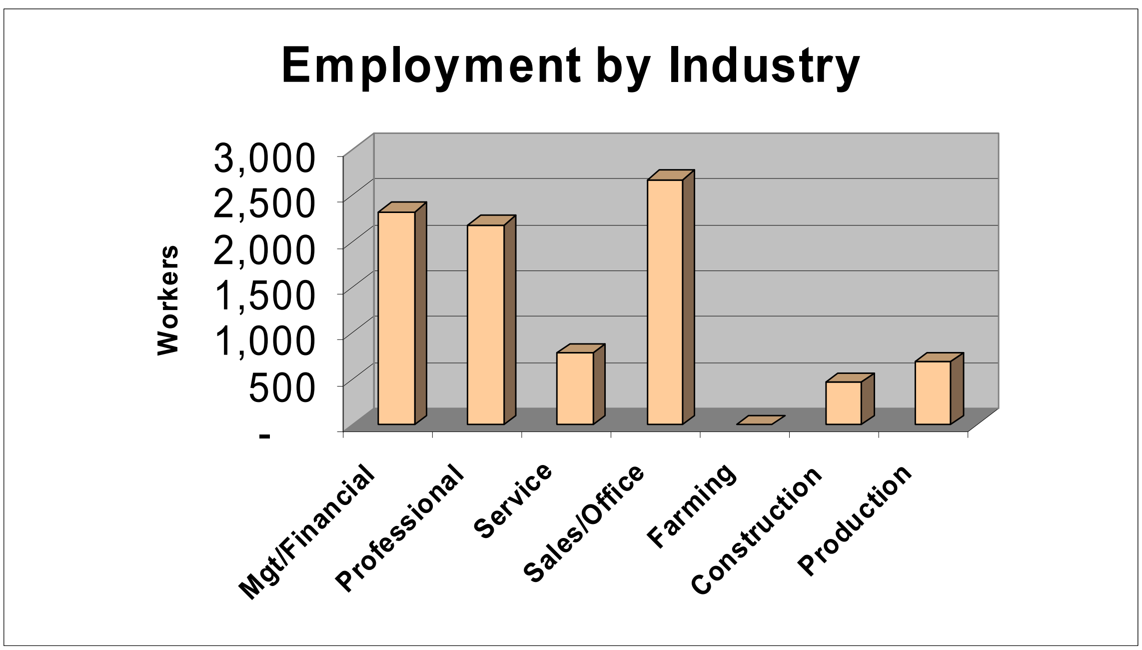


The housing mix overwhelmingly favors home ownership, with 95 percent of the population living in their own homes. Also, housing types are stacked in favor of single-family detached housing.

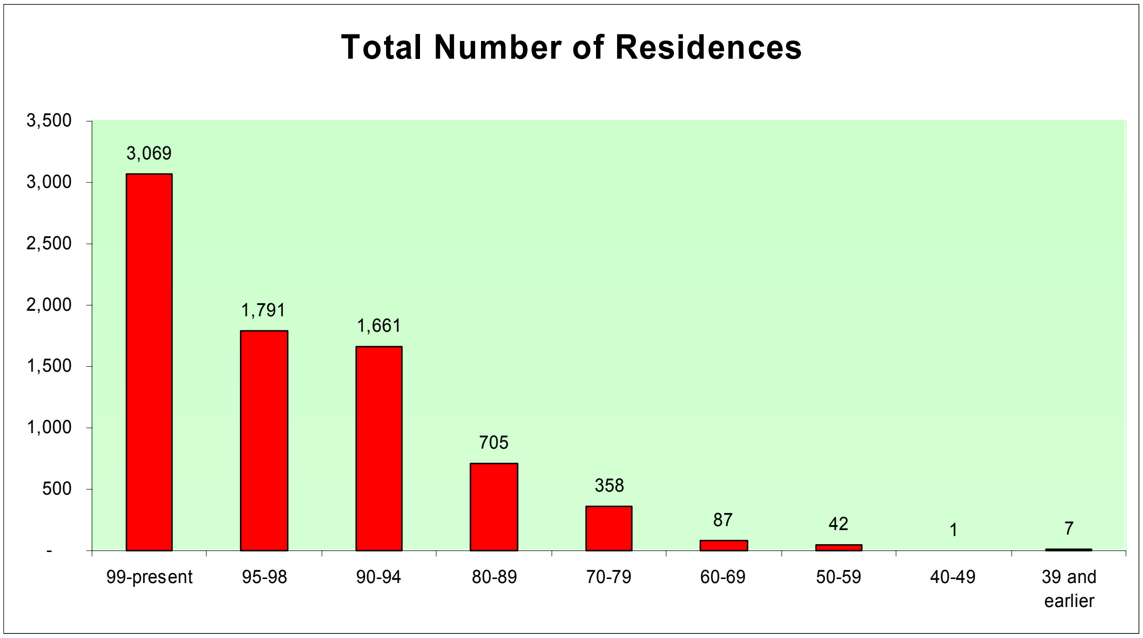
Economic Considerations



Annual median household income is $79,026 per household. This amount is much greater than that of the Phoenix area as a whole which is roughly $46,000.



Major employment within the market area is concentrated in sales and office work, followed closely by management/financial and professional services.



A major residential building effort was conducted during the 1990's where most of the custom homes within the Las Sendas community were constructed. Much of the market area has been built out although custom homes continue to be developed.

Recap – Social Influences

Occupancy levels are high. Real estate value levels are generally increasing. Land uses are being maintained in accordance with the General Plan.

Governmental Influences

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

Environmental Aspects

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

Locational Linkages

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

- Power Road
- Thomas Road
- Eagle Crest Drive

These streets and freeways assure continued vitality within the market area. The Loop 202 (Red Mountain Freeway) will be extended soon to Power Road. This freeway exit is located about one-half mile southwest of the entrance to Las Sendas.

SUBJECT PROPERTY PHOTOGRAPHS

Looking south at subject from Eagle Crest Drive (private drive to the right)

Looking southwest from retention area to mountain across private drive

Utilities located at southeast portion of parcel

Standing on summit of subject looking northeast

Standing on summit of subject looking west at Valley

Standing on summit of subject looking north

Looking south from summit of subject (this is the developable portion)

Looking north at developable portion from golf course area

Developable area

SITE DESCRIPTION

The subject site is located within the Las Sendas custom home community. In addition to custom homes, surrounding land uses within the community include a golf course, a fitness center, and an elementary school. The subject is only one of three commercial properties located within the community. The topography is not level. There are retention areas at the front northern portion of the property as well as the side or eastern portion. The northern portion of the property has a steep incline to the summit of a small mountain located toward the middle of the subject property. The southern portion of the property does not have a steep incline. The only access to the southern portion of the property is from the private drive that is owned by the golf course as a driveway can not be developed from Eagle Crest Drive according to a city planner.

Area:	65,906 square feet according to county records, roughly 29,250 square feet of which I consider capable of development.
Dimensions:	A land survey was not available at the time of this report. The county assessor's parcel map did not include measurements.
Shape:	Irregular, see map at end of this section for shape
Topography:	The topography is not level. There are retention areas at the front northern portion of the property as well as the side or eastern portion. The northern portion of the property has a steep incline to the summit of a small mountain located toward the middle of the subject property. The southern portion of the property does not have a steep incline.
Soil:	No soil report was provided. The soil compaction appears to be adequate and typical of the area.
Drainage:	Upon our inspection of the subject, the drainage appeared to be adequate, with no adverse factors noted. There was also no evidence of flood damage or standing water.
Type Lot:	Commercial

Frontage:	Eagle Crest Drive and County Club Drive (a private street)
Traffic Flow:	Moderately light
Street Improvements:	Eagle Crest Drive
Width	Two lanes, one each direction
Surface	Asphalt
Median	Yes, with turning lanes
Curbs	Vertical 6" curbs
Sidewalks	Yes
Streetlights	Yes
Storm Sewer	No
Ingress and Egress:	Ingress and egress to the southern or developable portion of the subject property is possible from the private drive that belongs to the golf course.
Flood and Seismic Zone:	The site is located within Flood Zone X500 panel number 0400482210E according to FEMA map dated July 19, 2001. This area is not a specified flood zone hazard area. The subject is also not located within a known area of seismic activity.
Zoning:	C-2, Intermediate Commercial district by the City of Mesa
Restrictions:	Ryan Heiland, a city planner, informed me that there had been neighborhood opposition to developing a restaurant on the subject property in 1999. A site hearing would need to be performed to give local residents an opportunity to voice concerns about any proposed project before the planning and developing board would approve any construction on the property (even a legal, conforming use according to local code). Please see Extraordinary Assumptions section of this report.

Utilities:

Electric	Salt River Project
Water	City of Mesa
Sanitary Sewer	City of Mesa

Adjacent Land Uses:

North	Newest custom home sites within the Las Sendas community, across Eagle Crest Drive
East	Custom homes
South	Golf course club house and course entrance
West	Vacant land with large mountain, across Country Club Drive (private street).

Unusual Nuisances: None noted

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

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

My conclusion of value is based upon the assumption that there are no hidden or unapparent conditions of the property that might impact upon buildability. I recommend due diligence be conducted through the local building department or municipality to investigate buildability and whether the property is suitable for its intended use. I make no representations, guarantees or warranties.

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

Site Utility: Due to the retention area and mountainous terrain, the utility of the site is somewhat limited. I estimate roughly 29,245 square feet of site area is developable. Given a 6.00:1 land-to-building ratio, the property could most likely support a building of approximately 4,875 square feet with enough parking for professional office use. The only access to the southern portion of the property is from a private drive that belongs to the golf course. It is assumed a perpetual easement for access can be reached with the golf course owner (see Extraordinary Assumptions section of this report).

Census Tract: 4201.01

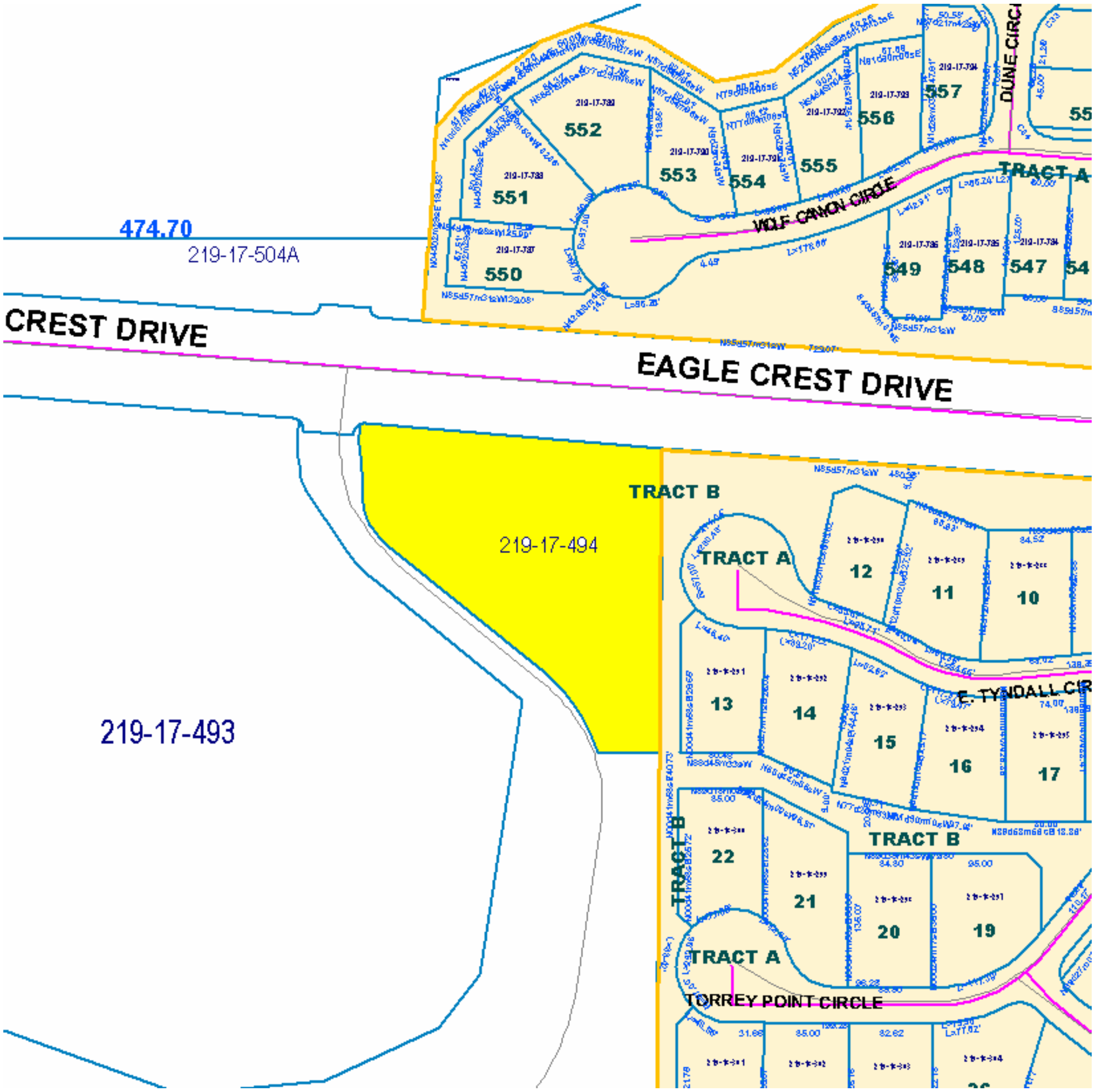
Assessor's Parcel Number: 219-17-494

Assessments and Taxes:

Tax year is 2004.

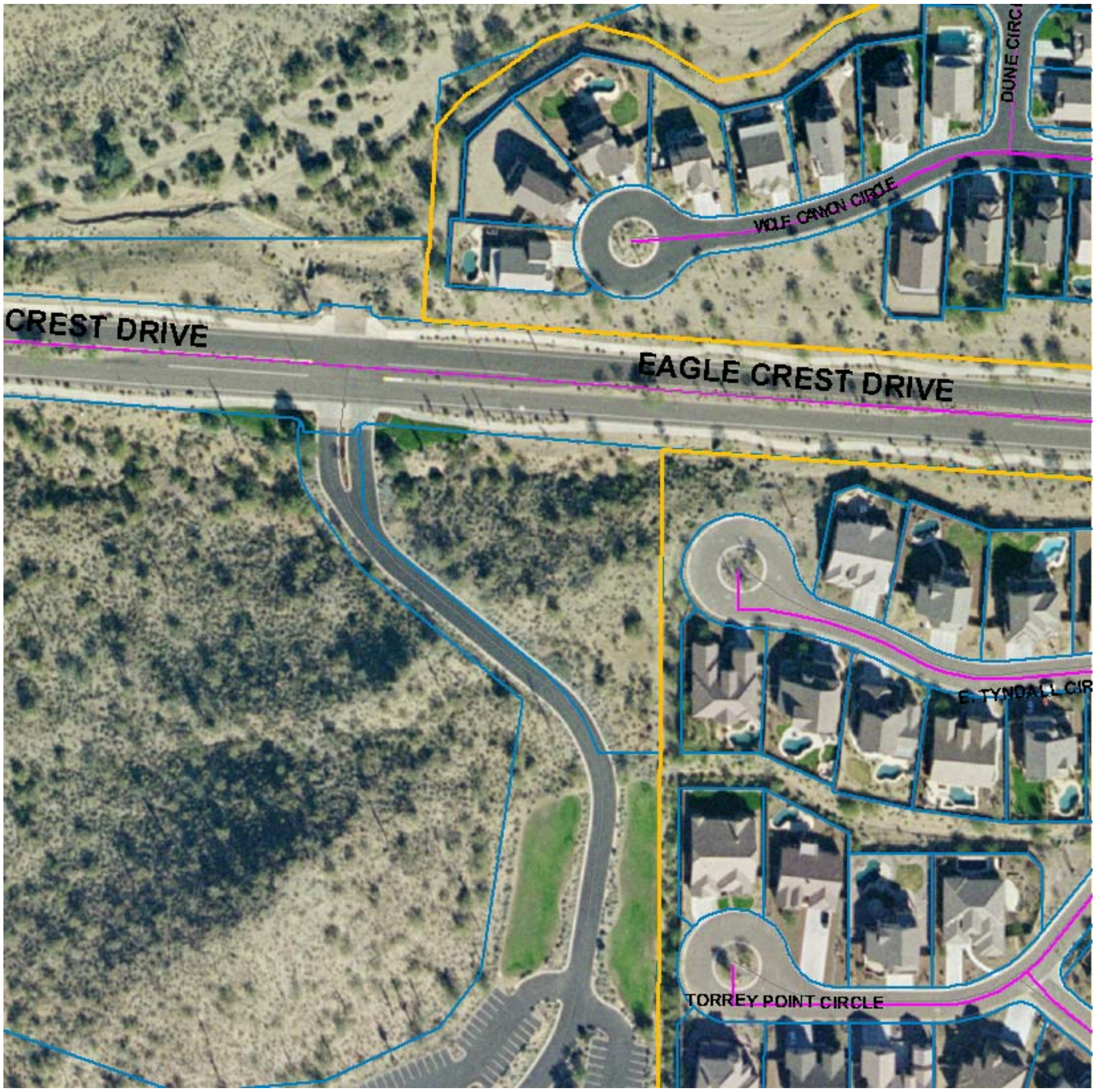
Tax amount:	$2,223.38
Tax paid:	$1,111.69
Land value (assessor):	$195,500
Improvement value (assessor):	$0
Full cash value (assessor):	$195,500

Assessor's Map

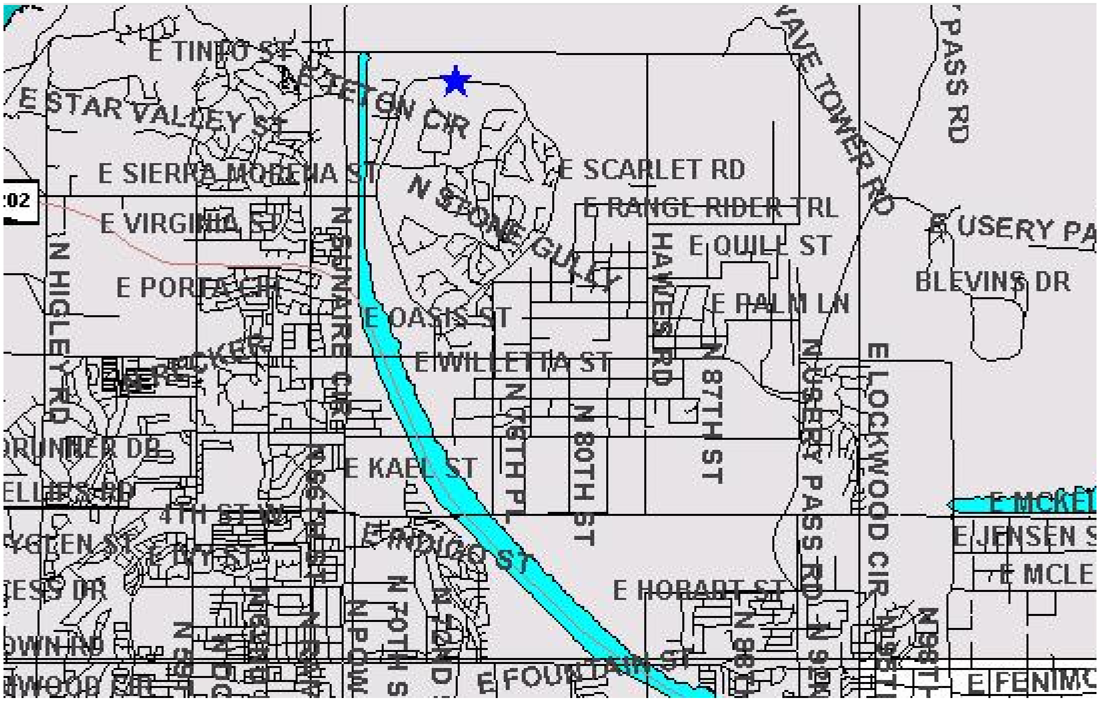


Aerial Photos

Close-up Aerial Photo



Flood Map



The site is located within Flood Zone X500.
FEMA map number 0400482210E is dated July 19, 2001.

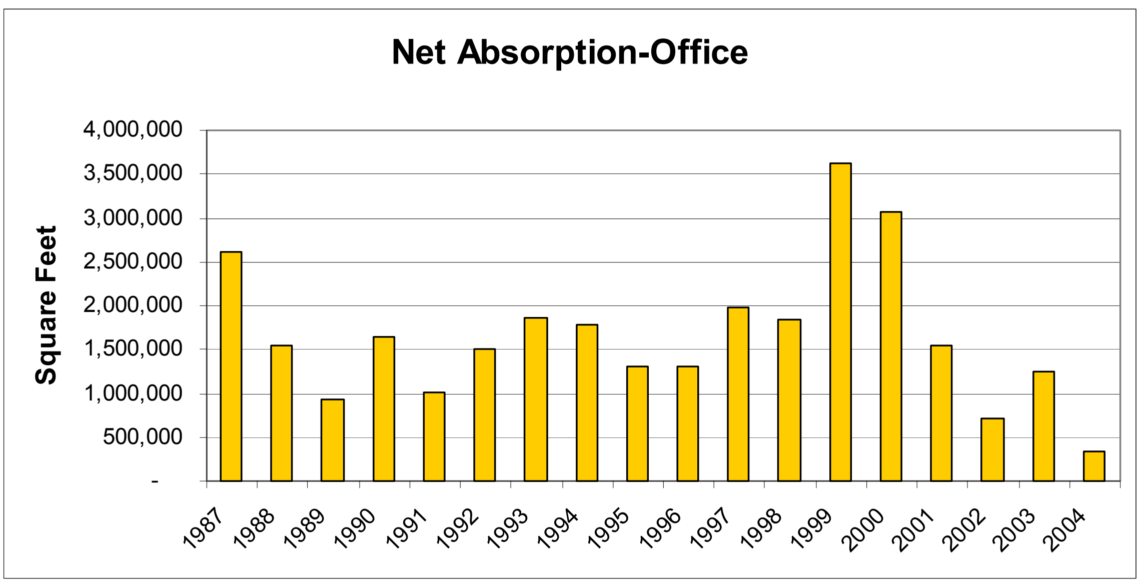
Zoning Map

Metropolitan Phoenix Area

According to a recent survey by CB Richard Ellis, the vacancy rate for office buildings decreased for the seventh consecutive quarter to 16.4 percent from 18.3 percent one year ago.

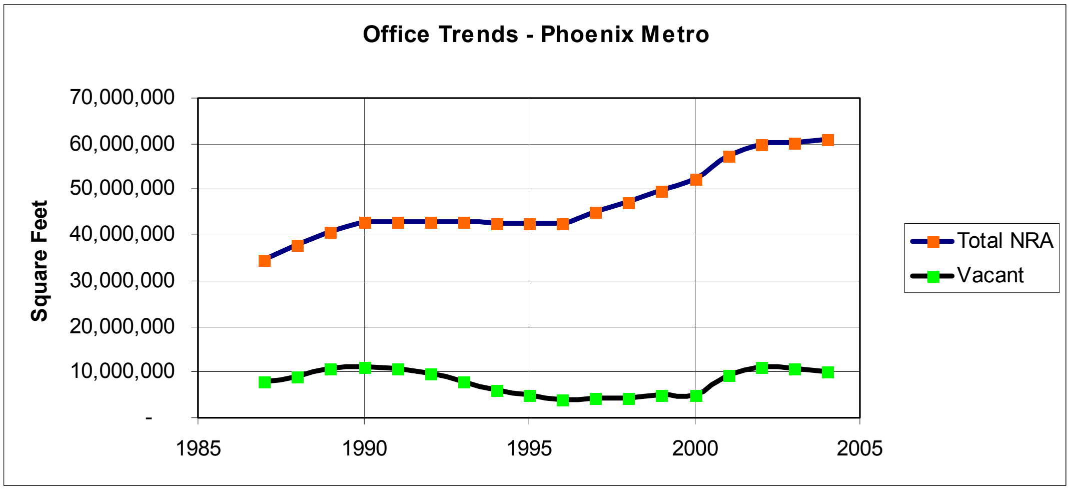
Year to date, developers delivered 1,385,444 square feet of new office building space. As of the end of the forth quarter, most of the 821,936 square feet under construction were Class “A” properties. The West Phoenix submarket represents 388,645 square feet or 47 percent of all product under construction. Approximately 4.5 million square feet of new construction is currently pending.

Net absorption in the forth quarter was 912,720 square feet compared to 213,540 square feet for the same period in 2003. Class “A” properties accounted for 961,037 square feet of absorption, Class “B” properties had 9,078 square feet of absorption, and Class “C” properties had negative absorption of 57,395 square feet in the quarter. Current availability is 18.8 percent down from 20.3 percent at the end of the third quarter.

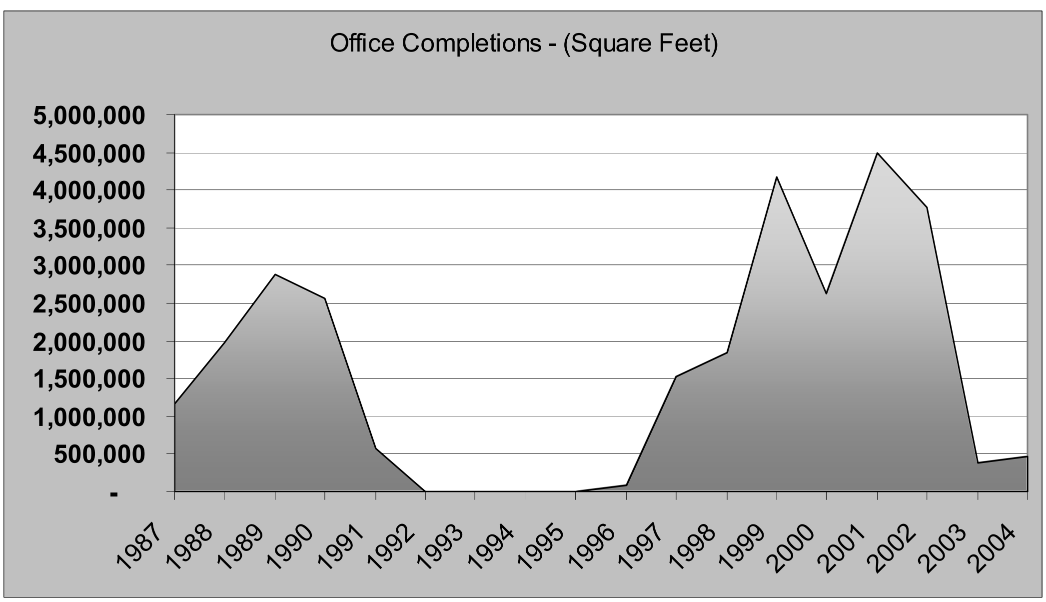


Metropolitan Phoenix added 69,900 non-farm jobs from November 2003 to November 2004 according to the Arizona Department of Economic Security. During the 12 month period, the construction industry has added 14,500 jobs. Arizona’s jobless rate decreased slightly in November according to state officials. Service producing industries accounted for 52,900 jobs or 76 percent of all new nonfarm jobs. The unemployment rate in Metropolitan Phoenix, in November was 3.7 percent compared to 4.3 percent one year ago. The Valley’s unemployment rate remains lower than that of the State of Arizona and the nation's, which are 4.5 percent and 5.4 percent respectively.

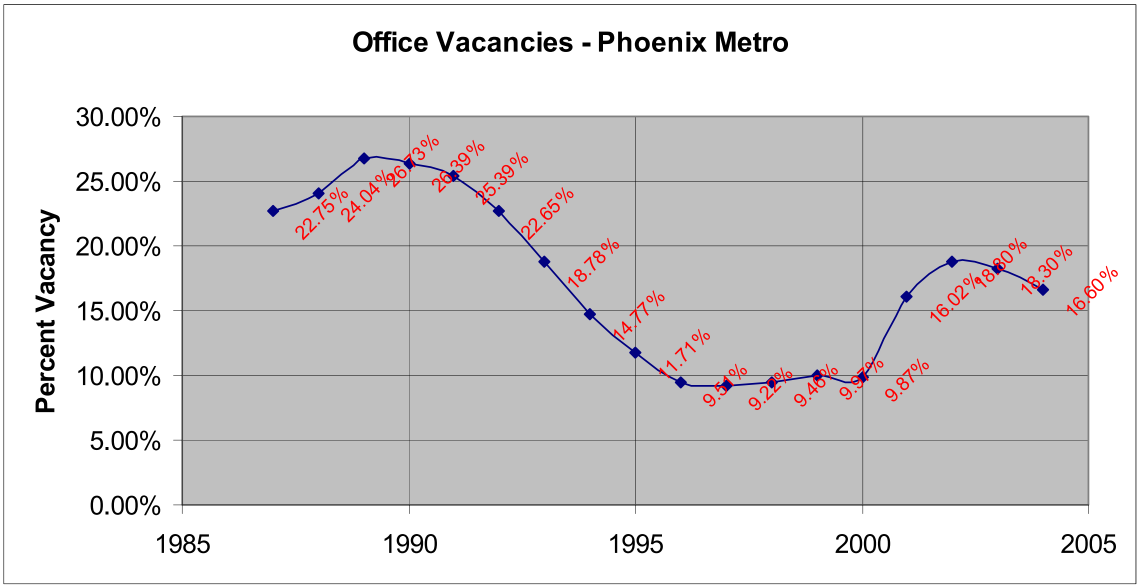
Asking lease rates remained relatively unchanged during the forth quarter as concessions by property owners remain in the market. Rental rates for Class "A" properties range between $22.00 to $30.00 per square foot, the range for Class "B" properties is $16.00 to $21.00 and $12.00 to $13.00 for Class "C" properties.



As seen in the above chart, the total amount of net rentable area had flattened in recent years. This is due to the decrease in new construction as a result of the past economic slowdown in the valley. As a result, the vacancy rate has also flattened. The following chart shows a steep decline in office completions since the market peaked in 2001. This decline is only temporary as there are 4.5 million square feet of planed projects throughout the Valley.



The following chart displays the trend of office vacancies for much of the past decade. One indicator that the office market is improving is the downward turn of the vacancy curve. Indicators suggest that the vacancy rate will continue to decline.



Predictions

Good economic conditions in 2004 indicate there will be steady expansion, but quality space will be in short supply. CB Richard Ellis predicts that net absorption in 2005 and 2006 will exceed two million square feet. The vacancy rate is expected to continue to decrease over the next two years. The development of new office product will be impacted by increasing construction costs, increasing land values, and residential developers competing for sites to develop high rise condominiums. Renewed interest in Downtown Phoenix continues to gain momentum as the City of Phoenix has released a draft of their strategic vision for the Downtown Area. The West Valley will see an increase in both interest and demand for office space as both developers and employers explore opportunities.

Southeast Valley Submarket

The subject is located within the Southeast Valley submarket. A total of 7,162,764 square feet of net rentable office area exists in this submarket. The vacancy rate for all multi-tenant office buildings over 10,000 square feet located in this submarket is 13.5 percent. This is one of the lowest vacancy rates of all submarkets in the Greater Phoenix Area. The net absorption for this area was positive at 68,042 square feet. There was 53,365 square feet of completed office space introduced in this market area this quarter and 66,000 square feet is currently under construction.

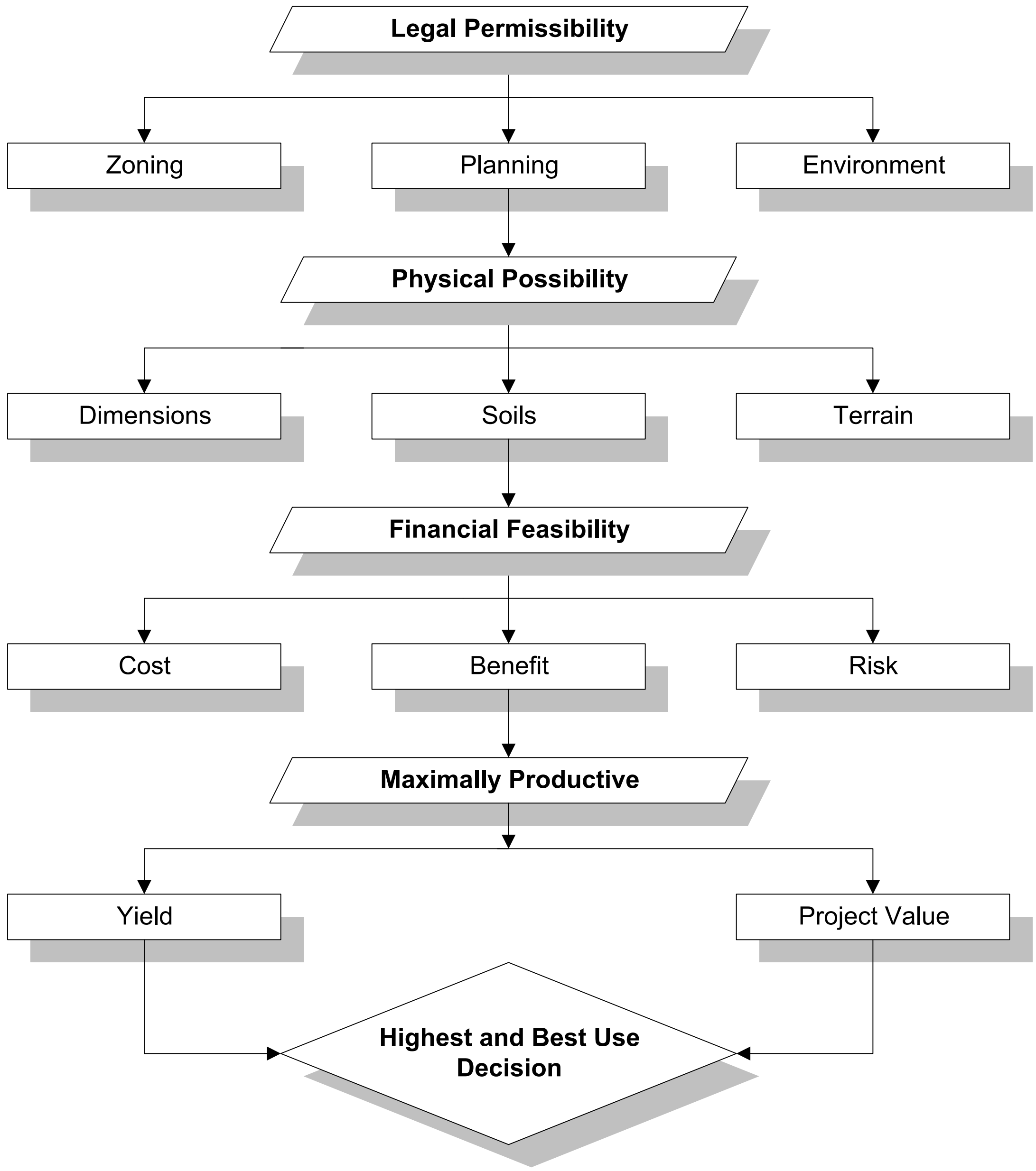
Highest and best use may be defined as follows:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."[6]

These criteria or "tests" of highest and best use are often considered sequentially. However, the tests of legal permissibility and physical possibility must be applied before the remaining tests of financial feasibility and maximal productivity. Additionally, an appraiser should distinguish between highest and best use as though vacant and as improved. Land is said to *have* value, while improvements *contribute to* the value of the property as a whole. Also, It is to be recognized that in cases where a site has existing improvements, the highest and best use, as if vacant, may be determined to be different from the existing use. The existing use will continue, however, unless and until the land value in its highest and best use exceeds the total value of the property in its existing use.[7]

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

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


Legal Permissibility
Zoning
Planning
Environment
Physical Possibility
Dimensions
Soils
Terrain
Financial Feasibility
Cost
Benefit
Risk
Maximally Productive
Yield
Project Value
Highest and Best Use Decision

As Vacant

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

Legally Permissible

The Commercial districts within the jurisdiction of Mesa are designed to provide for a wide range of office and commercial uses, including personal services, professional businesses, retailing stores, and entertainment establishments. The intent of these districts is to allow for a variety of business intensities from personal services to regional retailing. The site is located within the C-2, Limited Commercial District. The purpose of this district is to provide for a broad range of indoor retail businesses. The intent of this district is to allow commercial uses to satisfy the needs of the community with emphasis on shopping center and group commercial developments.

Permitted uses within the district include banks and financial institutions, professional and medical offices, art studios, churches, day care centers, wedding reception centers, retail outlets, restaurants, mortuaries, hotels, auto repair facilities, and storage facilities.

According to Ryan Heiland, a City of Mesa planner, before any use of the property is considered legally permissible, there will most likely be a site hearing. This provides the local residents an opportunity to voice their concerns concerning any project.

Physically Possible

The northern and eastern portions of the property are retention areas that are not physically possible to develop. The City of Mesa development standards require setbacks of 20 feet from the property lines to any development, including parking lot areas. The only setback less than 20 feet is the 15 foot setback allowed from the southernmost portion of the parcel. The northern portion of the property has a steep incline. No structure can be built on an incline greater than or equal to 15 percent according to the current codes. The only portion of the property that is physically possible to develop is the southern portion. The incline from the south to the north does not appear to be so great that a structure could not be built. Although we are not engineers, it appears after measuring the property, roughly 29,250 square feet of this 65,906 square foot property is usable area.

Using a 6.00:1 land to building ratio, I estimate the property could support a building of roughly 4,875 square feet with limited parking. The only legal uses with low level traffic are professional office and art studio.

The access to the southern portion of the property is from a private road owned by the golf course. A permanent access agreement with the owner of this private road would have to be created to provide access to the structure as there is no other way for a vehicle to access the southern portion of the parcel.

Financially Feasible and Maximally Productive

The financial feasibility of constructing a small office building is manifest by the number of office condominiums currently being constructed in many areas of the Greater Phoenix area. An office condominium complex has been constructed southwest of the Las Sendas community and another is projected for the southwest corner of Thomas Road and Power Road. Several small office properties have also been developed in the east valley and portions of Scottsdale.

The subject property is located in a beautiful mountain desert area with surrounding land uses that include custom homes and a golf course. The views from the subject property of the immediate surrounding area mountains as well as views of the Phoenix area are spectacular. An office located in such an area would be very prestigious for the tenant. Such a location could provide an opportunity for a local resident who desires to have an office outside of their home that is located near their home or within the community.

Therefore, in my opinion, the highest and best use of the subject property would be to develop a small pre-leased or owner-occupied professional office building. The development of such a project is assumed to be legally permissible and legally possible for the purposes of this report (please see Extraordinary Assumptions section of this report).

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

COST APPROACH: A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.[8]

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

SALES COMPARISON APPROACH: A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales are available.[9]

Traditionally, this is an appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and prices asked in current listings. It is a process of analyzing sales of similar recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this technique is dependent upon (a) the availability of comparable sales data; (b) the verification of the sales data; (c) the degree of comparability or extent of adjustment necessary for time differences; and (d) the absence of atypical conditions affecting the sales price. It is sometimes referred to as Value in Exchange or the value, in terms of money, of real estate in a typical market.

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

[9] Ibid., P. 255.

INCOME (CAPITALIZATION) APPROACH: A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.[10]

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

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

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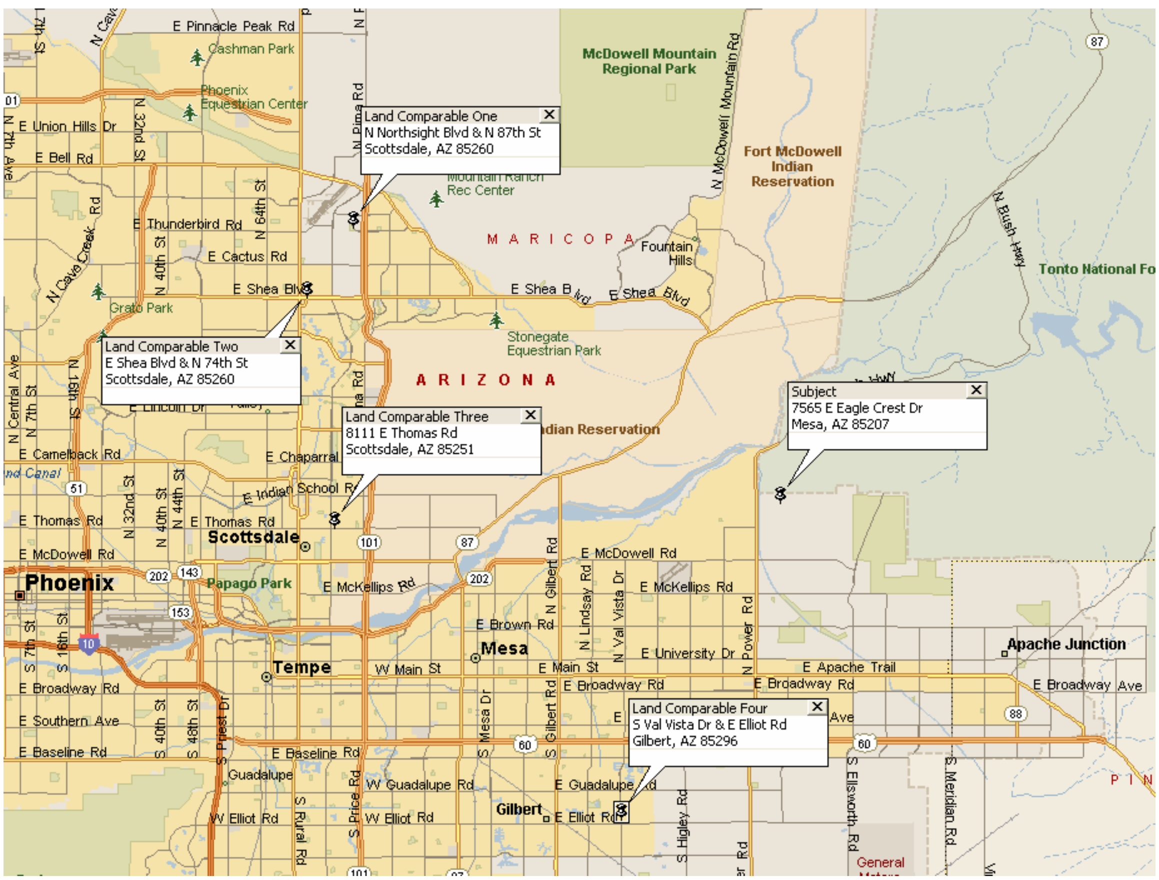
[10] Ibid., P. 143.

SALES COMPARISON APPROACH TO VALUE

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

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

Comparable Land Sales Map



LAND SALE COMPARABLE NO. 1

Dvg2005-101|Lid 1|Cmp1

PROPERTY IDENTIFICATION

Type:	Commercial Land - C-2 Zoned Acreage
Address:	SW of Northsight & 87th St, Scottsdale, Arizona 85260
Map Code:	105 - 174/LH
Tax Parcel Number:	215-53-009J

SALE DATA

Sale Price:	$569,000
Unit Value:	$19.53 per square foot of land; $850,727 per acre
Escrow Close Date:	5/18/2004
Seller:	The Harris Bank N.A. c/o Harley H Barnes
Buyer:	Stave Properties LLC c/o Marvin Spatz
Document #:	549542
Confirmation:	Marvin Spatz, the buyer Ph 480-994-0220

SITE DATA

Site Dimensions:	Irregular
Site Size:	29,140 Square feet; 0.669 acres
Zoning:	C-2, Scottsdale
Legal Description:	Por parcel 5 Northsight bk 302 pg 11 & por parcel A
Site Improvements:	None
Off-sites:	All to site

PROPERTY HISTORY

There is no history of a prior sale of this property over the past three years.

MARKETING PERIOD

Not available

ADJUSTMENT CRITERIA

Property Rights Transferred:	Fee simple
Financing:	All cash sale
Location:	This property is located at the front portion of an office condominium complex in the Scottsdale Airpark area. Surrounding land uses include office buildings of various sizes.
Physical Conditions:	The land is at grade with surrounding properties and the street. All utilities are available to the site. The site is a pad that is ready for development.
Income Considerations:	The owner intends to eventually develop an office building to suite the needs of a buyer.
Property Use:	Hold for Investment
Non-Realty Transferred:	None indicated

LAND SALE COMPARABLE NO. 2

Dvg2005-101|Lid 2|Cmp2

PROPERTY IDENTIFICATION

Type:	Commercial Land - C-2 Zoned Acreage
Address:	SW Shea Blvd & 74th St, Scottsdale, Arizona 85258
Map Code:	105 - 173/LL
Tax Parcel Number:	175-33-093N

SALE DATA

Sale Price:	$1,010,000
Unit Value:	$21.42 per square foot of land; $933,457 per acre
Escrow Close Date:	2/25/2005
Seller:	Butte Properties, Inc. c/o Ed Lewis
Buyer:	Gold Dust Projects, LLC c/o Michael L. Mason
Document #:	234316
Confirmation:	Pete Rich of Coldwell Banker Commercial Metro Ph 602-224-6000

SITE DATA

Site Dimensions:	Irregular
Site Size:	47,150 Square feet; 1.082 acres
Zoning:	C-2, Scottsdale
Legal Description:	Por E2 NW4 NW4 sec 26 T3N R4E
Site Improvements:	None
Off-sites:	All to site

PROPERTY HISTORY

There is no history of a prior sale of this property over the past three years.

MARKETING PERIOD

Approximately four months

ADJUSTMENT CRITERIA

Property Rights Transferred:	Fee simple
Financing:	$310,000 cash downpayment; $700,000 first trust deed to First National Bank of AZ
Location:	This property is located near Scottsdale Road and Shea Boulevard in Scottsdale. Surrounding land uses immediately about this comparable property include a Danny's car wash, a retail strip building, a mini-storage facility, an office building, and a medical office center.
Physical Conditions:	The site is currently a parking lot that was considered excess parking for the seller. All utilities are available to the site.
Income Considerations:	The buyer intends to develop an 18,000 square foot office building on the site.
Property Use:	Hold for Investment
Non-Realty Transferred:	None indicated

LAND SALE COMPARABLE NO. 3

Dvg2005-101|Lid 3|Cmp3

PROPERTY IDENTIFICATION

Type:	Commercial Land - Medical/Dental Office Site
Address:	SE of Thomas Rd & Hayden Rd, Scottsdale, Arizona 85257
Map Code:	127 - 174/LT
Tax Parcel Number:	131-03-093E

SALE DATA

Sale Price:	$712,257
Unit Value:	$10.47 per square foot of land; $455,987 per acre
Escrow Close Date:	9/30/2003
Seller:	The General's Partners #5 c/o Flip Weber
Buyer:	Offices at Thomas and Hayden (LLC) c/o Mark Levy
Document #:	1369266
Confirmation:	Attempts were made to contact parties involved with this sale. The information included in this report was obtained by CoStar. I compared information with public records for accuracy.

SITE DATA

Site Dimensions:	252 x 271
Site Size:	68,041 Square feet; 1.562 acres
Zoning:	C-2, Scottsdale
Legal Description:	Por NW4 NW4 sec 36 T2N R4E
Site Improvements:	Finished lot
Off-sites:	All to site

PROPERTY HISTORY

There is no history of a prior sale of this property over the past three years.

MARKETING PERIOD

Not available

ADJUSTMENT CRITERIA

Property Rights Transferred:	Fee simple
Financing:	All cash sale
Location:	This comparable property is located on the south side of Thomas Road, east of Hayden Road in Scottsdale. Surrounding land uses include multi-residential housing and small retail buildings. The property is located approximately one mile from the Loop 101 Freeway.
Physical Conditions:	The site was a fully finished lot at the time of sale with all utilities available to the site. At the time of my inspection, three office buildings had been constructed.
Income Considerations:	Two of the three building were occupied at the time of my inspection. Dr. Levy, the buyer is a doctor with Emergency Chiropractic. They occupy one of the three buildings. Another building is occupied by State Farm.
Property Use:	Office buildings
Non-Realty Transferred:	None indicated

LAND SALE COMPARABLE NO. 4

Dvg2005-101|Lid 4|Cmp4

PROPERTY IDENTIFICATION

Type:	Commercial Land - Single Tenant Low Rise Site
Name:	Elliott Ranch Plaza
Address:	NE of Val Vista Dr & Elliot Rd, Gilbert, Arizona 85234
Map Code:	168 - 183/MB
Tax Parcel Number:	309-21-236

SALE DATA

Sale Price:	$500,000
Unit Value:	$12.25 per square foot of land; $533,610 per acre
Escrow Close Date:	6/12/2003
Seller:	NEC Elliot Val Vista (LLC) c/o S. David Scott
Buyer:	Elliot Ranch III (LLC) c/o Robert W. Klepinger
Document #:	762652
Confirmation:	I spoke with one of the tenants, the Remax broker, who explained the office building was built to suit his needs and the needs of the other tenant in the building. He did not know of the specifics of the

sale. Attempts were made to contact the parties affiliated with this sale but they could not be reached. The information contained herein was confirmed by Costar. I compared the following information with public records for accuracy.

SITE DATA

Site Dimensions:	260 x 157
Site Size:	40,820 Square feet; 0.937 acres
Zoning:	C-2, Gilbert
Legal Description:	Lot 1 Elliot Ranch Plaza bk 543 pg 10
Site Improvements:	Finished lot
Off-sites:	All to site

PROPERTY HISTORY

There has been no sale of this comparable property over the past three years.

MARKETING PERIOD

Approximately one year

ADJUSTMENT CRITERIA

Property Rights Transferred:	Fee simple
Financing:	$900,000 first trust deed to First International (includes a portion for construction loan); the amount of a downpayment if any was not able to be determined.
Location:	This property is located near the northeast corner of Val Vista Drive and Elliot Road in Gilbert. It is located within the Elliott Ranch Plaza. Surrounding land uses include retail businesses such as restaurants, a check cashing business, a dry cleaners, and a wireless store. There are commercial properties located on each of the four corners of the intersection.
Physical Conditions:	The site was a finished lot at the time of sale with all utilities available to the site.
Income Considerations:	The buyer constructed a 5,269 square foot building on the site. The building has recently sold although no sales information was available at this time.
Property Use:	Single Tenant Low Rise
Non-Realty Transferred:	None indicated

Table 1. Summary of Comparable Sales

COMP NO	COE DATE	SALES PRICE	LAND SIZE	PRICE PSF	ZONING	USE
1	5/18/2004	$ 569,000	29,140	$ 19.53	C-2, Scottsdale	Hold for development of an office building
2	2/25/2005	$ 1,010,000	47,150	$ 21.42	C-2, Scottsdale	Build an 18,000 sqft office building
3	9/30/2003	$ 712,257	68,041	$ 10.47	C-2, Scottsdale	Construct three small office buildings
4	6/12/2003	$ 500,000	40,820	$ 12.25	C-2, Gilbert	Two tenant office building
SUBJ			65,906		C-2, Mesa	Small office building

Analysis - Introduction

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

- Location – East Valley including Scottsdale
- Date at Close of Escrow – After June 1, 2003
- Type – C-2 properties purchased for the purpose of developing office buildings
- Size – Under 1.75 acres

My opinion of value for the developable portion of the property (29,250 square feet) will be formed utilizing the attributed value per square foot of the adjusted values for comparable properties. The value of the remaining supporting property (36,656 square feet) in my opinion is much less than that of the developable portion. This adjustment is made at the conclusion of this section of the report.

Adjustments

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

Property Rights Conveyed

A transaction price is always predicated on the real property interest to be conveyed. No adjustments are indicated for property rights because the fee simple interest was conveyed for all comparable properties.

Financing Terms

Adjustments to the stated sales price are made when a sale is transacted or negotiated subject to extraordinary financing considerations. Adjustments are typically downward because of soft terms or conditions associated with carry-back financing. No adjustments are necessary for any of the sales, all of which were sold for cash to the seller or on cash equivalent terms and conditions.

Conditions of Sale

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

Expenditures Immediately After Purchase

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

Market Conditions

Adjustments for market conditions are frequently referred to as "time adjustments" because they reflect price changes wrought by supply and demand changes over time. Time adjustments are made to each of the comparable properties with the exception of Land Comparable Two which was sold this year. The rate of this adjustment is approximately 8 percent per year.

Location & Physical Characteristics

The locational and physical characteristics of the comparable properties are difficult to compare with the subject property because such comparisons are so objective. All of the comparable properties are located in areas of high visibility and good accessibility. Land Comparables One and Two are located in attractive locations in Scottsdale near buildings of similar quality. Although Land Comparable Three is located near freeway access, in my opinion, it is the least desirable location based on surrounding land uses. Land Comparable Four is located in an area of high retail activity.

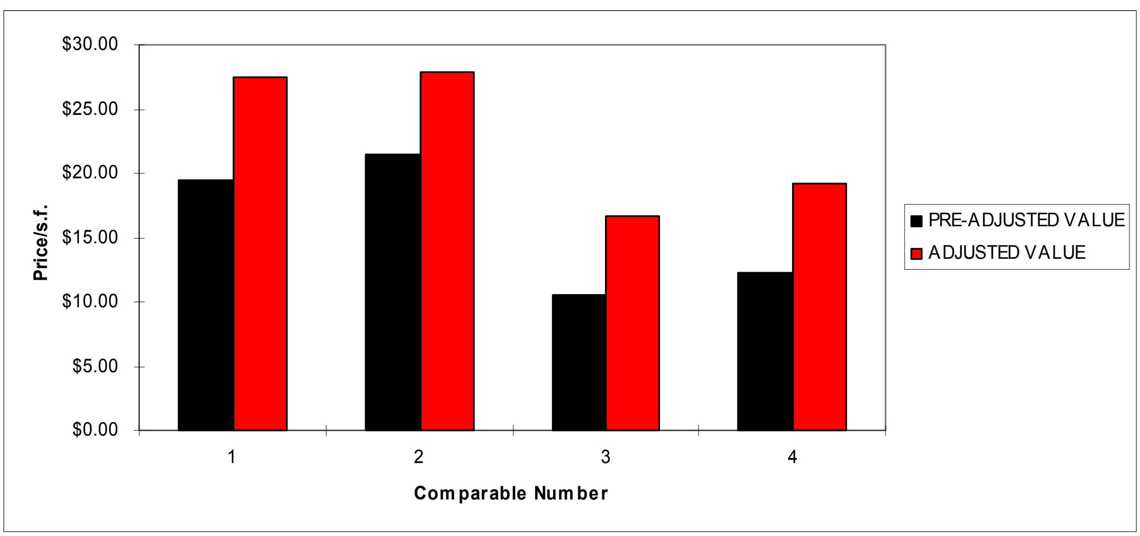
All of the comparable properties are located on relatively flat ground. While this physical characteristic allows for relative ease of development and nearly full utilization of site area, these physical characteristics can not be considered superior to the subject in my opinion. The subject is located on mountainous terrain. The subject property is very desirable because it has magnificent views of mountains and the valley. The surrounding land uses are custom homes that are very high in quality and a well maintained golf course with club house.

The table and chart on the following page show adjustments made to comparable properties along with a summary of adjustments:

Table 2. Adjustments to Value

COMPARABLE >>>>>>	1	2	3	4
PRE-ADJUSTED VALUE	$19.530	$21.420	$10.470	$12.250
PROPERTY RIGHTS	0.00%	0.00%	0.00%	0.00%
Adjusted Price/s.f.	$19.53	$21.42	$10.47	$12.25
FINANCING	0.00%	0.00%	0.00%	0.00%
Adjusted Price/s.f.	$19.53	$21.42	$10.47	$12.25
CONDITIONS OF SALE	0.00%	0.00%	0.00%	0.00%
Adjusted Price/s.f.	$19.53	$21.42	$10.47	$12.25
EXPENDITURES	0.00%	0.00%	0.00%	0.00%
Adjusted Price/s.f.-Individual	$19.53	$21.42	$10.47	$12.25
MARKET CHANGES	8.00%	0.00%	14.00%	16.00%
Adjusted Price/s.f.-Individual	$21.09	$21.42	$11.94	$14.21
LOCATION	20.00%	20.00%	30.00%	25.00%
PHYSICAL	10.00%	10.00%	10.00%	10.00%
Net % adjustment-Grouped	30.00%	30.00%	40.00%	35.00%
ADJUSTED VALUE	$27.42	$27.85	$16.71	$19.18
Net % adjustment-Overall	40.40%	30.00%	59.60%	56.60%
	1	2	3	4
PRE-ADJUSTED VALUE	$19.53	$21.42	$10.47	$12.25
ADJUSTED VALUE	$27.42	$27.85	$16.71	$19.18

Chart 1. Summary of Adjustments



Conclusions

The range of adjusted unit prices is $16.71 to $27.85 per square foot. Equal weight is placed upon comparable properties in developing an opinion of attributed value per square foot of the developable portion of the property. Due to the homogeneous use of comparable properties, equal weight is placed upon all comparable properties as follows:

Table 3. Weighted Emphasis

Comp #	Pre-Adjusted Value psf	Adjusted Value psf	% Weight	Attributed Value psf
1	$ 19.53	$ 27.42	25.0%	$ 6.86
2	$ 21.42	$ 27.85	25.0%	$ 6.96
3	$ 10.47	$ 16.71	25.0%	$ 4.18
4	$ 12.25	$ 19.18	25.0%	$ 4.80
			100.0%	$ 22.79

In my opinion, the value of the developable portion of the subject property, which according to my calculations is roughly 29,250 square feet, is:

$22.79 x 29,250 sqft = $666,608

The value of the remainder of the subject property receives a much lower value per square foot. The area surrounding the developable area supports the area that can be developed. It provides natural desert beauty to the property as well as drainage. There is also the possibility the front portion of the property can be utilized for signage, although this would most likely be dependant on the property association rules for signage and approval. The surrounding property is also utilized to meet set-back requirements. In my opinion, the value of the remainder is as follows:

$5.00 per sqft x 36,656 sqft = $183,280

My opinion of value for the developable portion is added to my opinion of value for the supporting portion in developing an opinion of the subject value as follows:

$666,608 + $183,280 = $849,888

The subject is currently in escrow for the sales price of $838,000. The sales price is quite similar to the value formed and is a strong indication of the market value of the subject. Therefore, my opinion of the fair market value of the subject property is:

Eight Hundred Thirty Eight Thousand Dollars

$838,000

($12.72 per square foot of total site area)

MARKETING TIME

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

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