

NEIGHBORHOOD DATA

In the context of appraisal practice, a neighborhood is defined as "a group of complementary land uses."² For purposes of this report the neighborhood can be defined as that area located in the northwest portion of Albuquerque, just north of the Downtown Business District. The neighborhood is bounded by Mountain Road to the north, Interstate 25 to the east, Coal Avenue to the south, and 12th Street to the west. The subject is located on Zone Atlas Page K-14-Z. **The stated neighborhood boundaries can be identified on the location map presented in the Preface section of the report.**

The subject is located within the boundaries of the Downtown 2010 Sector Plan, which addresses protecting surrounding neighborhoods from intrusion of commercial and office land uses, while simultaneously expanding the Downtown core boundary and encouraging new neighborhood-oriented commercial development and ancillary office activity.

Properties within the neighborhood parameters consist largely of SU-1, SU-2, and SU-3 (for residential, commercial, and office and institutional uses). North of Mountain Road predominant zoning is S-R, S-MI, and M-1 zoning for (for residential and light industrial uses), and this area is bound by the McClellan Park Sector Development Plan. The area to the east of the subject has been reserved primarily for residential use, and preservation of one of the City's historic

zones, and is governed by the Huning Castle and Reynolds Addition Neighborhood Sector Plans.

This is a well developed locale that is within the "maturity" phase of a neighborhood's life cycle, which is a period without major gains or losses. However, many portions of Albuquerque's Downtown area have recently been redeveloped. A tri-courthouse complex, several new office buildings, renovated restaurants and shops, and a movie house, to name a few, have drawn tenants and professionals into the Downtown Business District after years of neglect. Loft and retail projects have also been popular in this area of Albuquerque over the past three to five years. Due to this recent development, activity in the area has increased, and demand for properties and locations in and around the Downtown area is expected to increase moderately after the current economic glitch is over.

The commercial land uses along the major (and some minor) arterials have good access and visibility. Most commercial establishments are neighborhood and community grade retail facilities that cater to daily consumer needs. In addition, various other commercial users in the area include fast food and conventional restaurants, banks, medical and professional offices, retail and service businesses, and various governmental facilities.

Traffic Conditions

The subject is located on the northwest corner of Central Avenue (major arterial) and Broadway Boulevard (major arterial), within downtown Albuquerque. The main roads most affecting the subject property are Central Avenue, and

² The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Pg. 193.

Broadway Boulevard. Central Avenue is a four to six-lane, major arterial running east/west that provides the subject site's south frontage. Broadway is also four-lane, major arterial running north/south providing the subject's east frontage.

Each of these roads has curb and gutter, street lights, and traffic lights. The intersection of Central and Broadway is fully signalized. A history of traffic counts for Central & Broadway is noted below.

CENTRAL AVENUE

Location	2005	2006	2007	2008
West of Broadway	16,600	16,400	16,100	17,400
East of Broadway	25,800	25,400	25,000	25,100

Source: Middle Rio Grande Council of Governments

BROADWAY BOULEVARD

Location	2005	2006	2007	2008
North of Central	16,500	16,200	16,000	19,100
South of Central	13,600	19,400	19,100	19,100

Source: Middle Rio Grande Council of Governments

For the most part, these traffic counts have shown a general stable pattern over the previous three years. The appraiser speculates this is due to various improvements to arterials in close proximity to the subject, as well as the recent trend for businesses and retail to locate in the Downtown Core. However, the neighborhood and subject site are well-located to suit the needs of employees, prospective tenants, and clientele. Additionally, the location of the subject in close proximity to several major courthouses gives it a strategic location for law offices, and other professional uses. Overall, the appraised property and neighborhood possess good access and linkage.

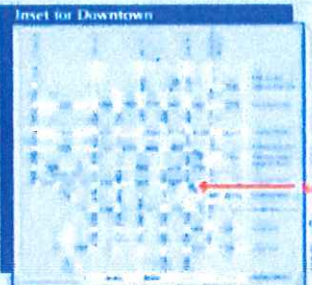
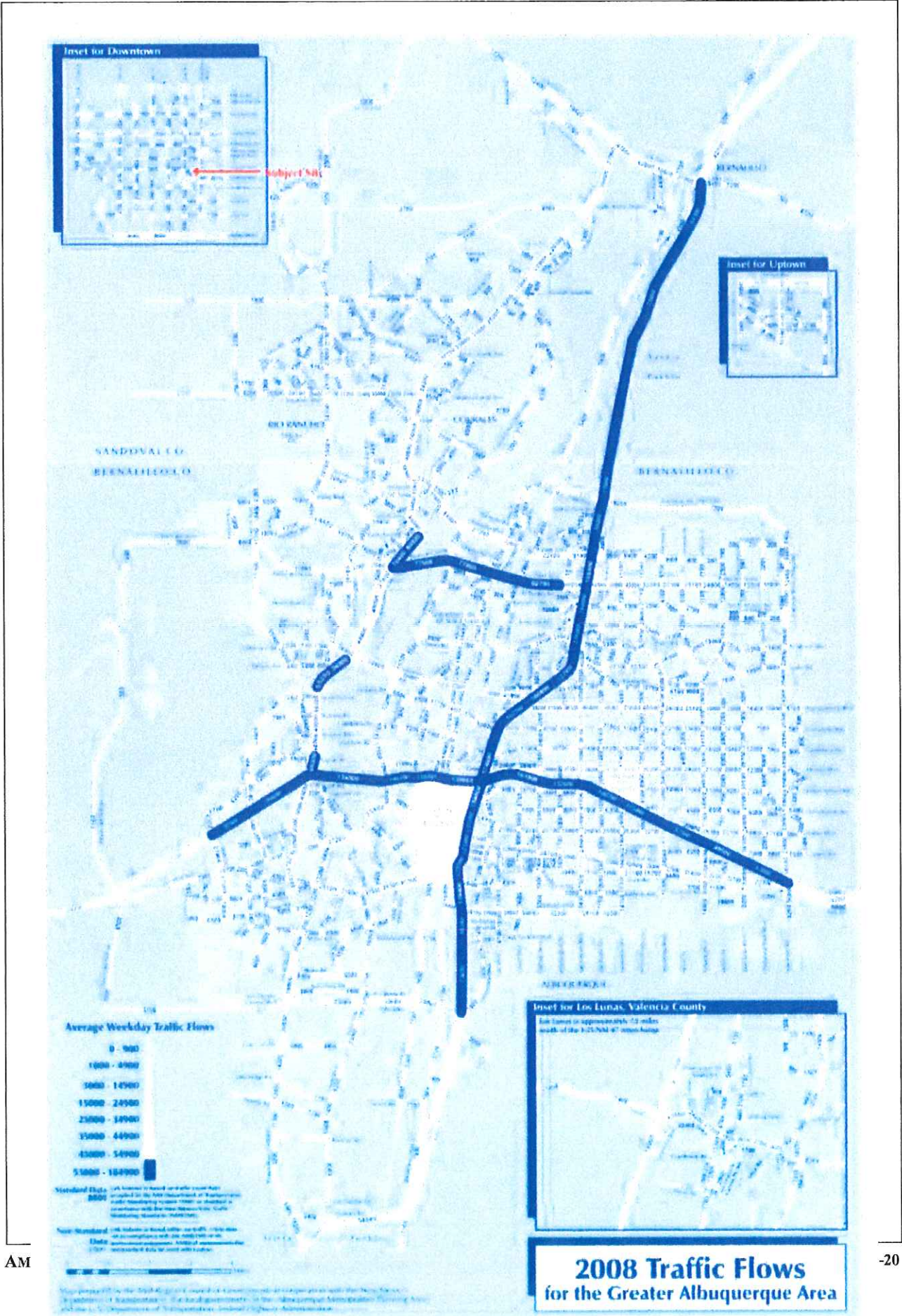
the continued use of the appraised property as a church/school, or school facility.

Summary

The economic trends of the surrounding area over the last ten years have exhibited stability in both population and employment. Considering the location of the subject and the dynamic of both the subject's neighborhood and the current state of the Downtown markets, a good environment exists for

FIGURE 1

Traffic Flow Map

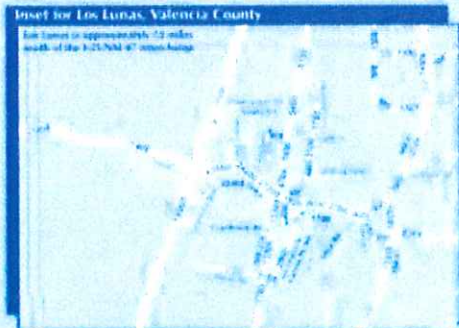


Average Weekday Traffic Flows

0 - 900
1000 - 4900
5000 - 14900
15000 - 24900
25000 - 34900
35000 - 44900
45000 - 54900
55000 - 104900

Standard Data: Data collected by the New Mexico Department of Transportation (NMDOT) from the 2008 National Household Travel Survey (NHTS) as described in the NHTS User's Manual (NHTS 2008).

Note: Standard 15-minute peak traffic flow data is presented for the 2008 peak period. Actual peak traffic flow may vary by date and location.



**2008 Traffic Flows
for the Greater Albuquerque Area**

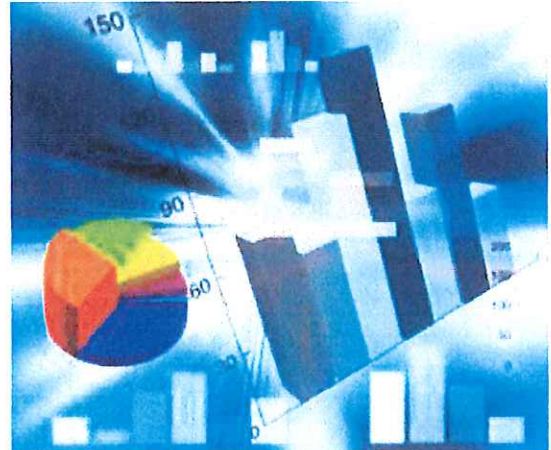
Market Overview

Market Overview...

The valuation process requires that a property be appraised within the context of its market. Of particular significance to the Market Overview are the supply of competitive properties and the future demand for the appraised property. After gathering property-specific data, the appraiser inventories the supply of properties that constitute the major competition for the subject property in its defined market.

The supply inventory includes all competitive properties: rental units, properties that have been sold, properties being offered for sale, and properties that will come on the market at some future time. The appraiser must recognize that the subject property will always compete in a future market. Thus the appraiser's investigation must cover not only existing competition, but also prospective projects that will compete with the subject.

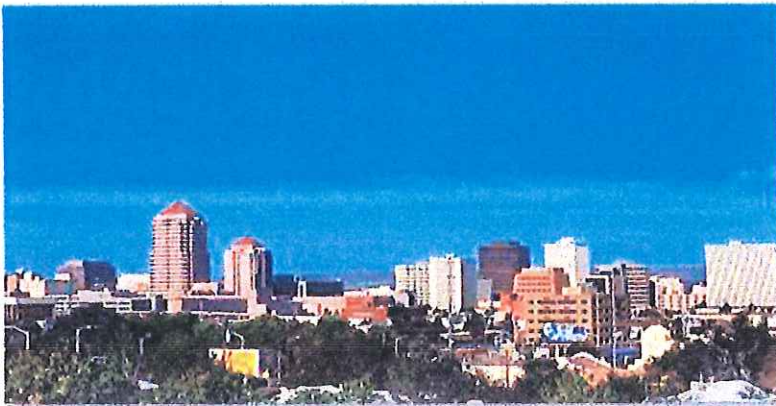
Along with the supply inventory of major competitive properties, the appraiser analyzes the prospective demand for the subject property. Even in the most stable markets, subtle shifts in the market appeal or utility of a category of properties can put some properties at a competitive disadvantage and benefit others. Even in volatile markets characterized by rapid change due to factors such as accelerating growth, precipitous decline, or an upturn in proposed construction, the appraiser needs to quantify demand in some manner.



Market overviews may include analyses of construction and absorption trends, pricing and price changes, construction types and locations, or other factors relating to supply and demand. The market overview may reveal or explain facts and behavior regarding property types, investor activities, or other matters or market concern.

Albuquerque Office Market Overview (Year-End 2008)

According to reliable experts in the Albuquerque market, the year-end 2008 office market encompassed 12,897,968 rentable square feet. This analysis includes buildings which meet the following criteria: office buildings and complexes containing a minimum of 10,000 rentable square feet, including all multi-tenant and single-tenant buildings. Building quality is based on location, design, construction, building systems, amenities, tenant mix and the ability to command premium rents. The charts below display historical growth



in total net rentable area and vacancy rates in Albuquerque quarterly by submarket from 2004 through 2008.

Office Inventory and Vacancy Rates 2004

	1 st Qtr		2 nd Qtr		3 rd Qtr		Year-End	
	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate
Airport	1,240,450	31.0%	1,240,450	29.8%	1,241,118	27.6%	1,241,118	30.2%
Downtown	2,894,059	22.4%	2,894,059	21.6%	2,894,059	20.7%	2,894,059	20.3%
Far Northeast Heights	938,873	15.3%	948,901	14.6%	952,825	15.1%	953,192	13.0%
North I-25	2,730,865	11.6%	2,810,865	10.2%	2,864,115	9.1%	2,905,593	10.1%
Northeast Heights	760,356	11.2%	760,356	13.0%	760,356	11.1%	760,356	12.1%
Rio Rancho	252,823	25.7%	252,823	18.8%	252,823	19.0%	252,823	15.5%
Southeast Heights	577,769	8.3%	577,769	7.9%	577,769	6.2%	577,769	6.2%
University	946,269	6.9%	946,269	6.5%	946,269	5.8%	946,269	5.5%
Uptown	1,976,899	16.7%	1,977,349	14.2%	1,977,674	15.8%	1,977,674	14.2%
West Mesa	237,113	22.3%	237,113	20.9%	237,113	20.0%	237,113	20.8%
City Wide	12,555,476	17.0%	12,645,947	15.8%	12,704,121	15.2%	12,745,966	15.1%

Office Inventory and Vacancy Rates 2005

	1 st Qtr		2 nd Qtr		3 rd Qtr		Year-End	
	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate
Airport	1,222,492	26.5%	1,222,492	26.8%	1,222,492	24.4%	1,222,492	23.2%
Downtown	2,767,440	17.8%	2,767,440	18.3%	2,767,440	20.0%	2,778,053	18.0%
Far Northeast Heights	913,339	9.3%	913,339	9.3%	913,339	7.9%	928,806	9.3%
North I-25	2,697,916	7.7%	2,758,662	8.0%	2,834,216	8.8%	2,834,716	8.1%
Northeast Heights	754,494	15.0%	754,494	13.9%	754,494	13.0%	754,494	12.6%
Rio Rancho	279,928	13.7%	279,928	12.7%	279,928	10.1%	279,928	9.8%
Southeast Heights	566,769	5.1%	566,847	5.3%	566,847	6.7%	555,865	5.2%
University	990,573	7.4%	990,573	6.6%	990,573	6.1%	990,333	5.6%
Uptown	1,773,556	12.9%	1,773,556	11.1%	1,773,556	10.9%	1,773,556	10.3%
West Mesa	230,713	20.3%	266,713	19.5%	266,713	16.6%	280,672	20.0%
City Wide	12,197,220	13.4%	12,294,044	13.2%	12,369,598	13.2%	12,398,915	12.5%

Office Inventory and Vacancy Rates 2006

	1 st Qtr		2 nd Qtr		3 rd Qtr		Year-End	
	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate
Airport	1,221,792	21.0%	1,221,792	21.4%	1,221,792	22.8%	1,221,792	21.5%
Downtown	2,717,338	20.1%	2,717,338	19.9%	2,717,338	19.6%	2,717,338	20.4%
Far Northeast Heights	931,867	8.7%	931,867	8.5%	974,905	7.8%	1,005,635	9.7%
North I-25	2,844,533	9.1%	2,844,533	8.9%	2,956,669	9.9%	3,008,487	12.4%
Northeast Heights	784,230	10.7%	784,230	12.9%	784,230	10.3%	784,230	10.5%
Rio Rancho	284,019	7.5%	284,019	6.7%	284,019	4.6%	284,019	5.5%
Southeast Heights	582,050	5.2%	582,050	4.5%	582,050	4.5%	582,050	4.4%
University	978,333	5.7%	978,333	7.4%	978,333	9.5%	978,333	8.2%
Uptown	1,784,449	12.3%	1,784,449	10.3%	1,784,449	8.9%	1,784,449	9.0%
West Mesa	296,280	14.9%	296,280	13.6%	296,280	12.4%	296,280	14.0%
City Wide	12,441,491	12.8%	12,441,491	12.7%	12,580,065	12.6%	12,662,613	13.4%

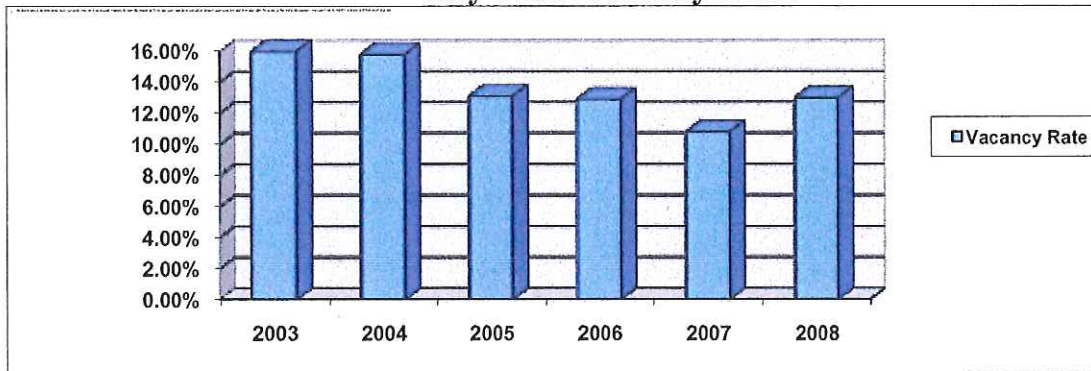
Office Inventory and Vacancy Rates 2007

	1 st Qtr		2 nd Qtr		3 rd Qtr		Year-End	
	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate
Airport	1,206,567	10.1%	1,206,567	10.0%	1,235,020	9.4%	1,235,020	10.2%
Downtown	2,649,225	19.2%	2,649,225	17.9%	2,649,225	18.7%	2,589,225	15.6%
Far Northeast Heights	986,111	9.3%	986,111	11.6%	965,027	10.8%	965,027	8.8%
North I-25	2,915,710	8.9%	2,915,710	9.5%	2,915,710	7.8%	2,939,710	10.8%
Northeast Heights	730,584	10.2%	730,584	11.5%	730,584	9.9%	730,584	13.2%
Rio Rancho	271,022	6.2%	282,222	8.7%	293,022	5.7%	353,022	13.3%
Southeast Heights	596,673	4.0%	596,673	4.1%	596,673	3.9%	597,073	4.1%
University	958,737	5.6%	958,737	6.1%	958,737	6.9%	958,737	5.3%
Uptown	1,821,785	9.2%	1,821,785	10.7%	1,821,785	9.5%	1,821,785	9.1%
West Mesa	296,280	16.7%	296,280	13.1%	296,280	10.0%	296,280	9.3%
City Wide	12,432,694	11.0%	12,443,894	11.4%	12,462,063	10.6%	12,486,463	10.8%

Office Inventory and Vacancy Rates 2008

	1 st Qtr		2 nd Qtr		3 rd Qtr		Year-End	
	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate
Airport	1,206,567	10.1%	1,206,567	10.0%	1,235,020	9.4%	1,234,969	7.7%
Downtown	2,649,225	19.2%	2,649,225	17.9%	2,649,225	18.7%	2,612,806	18.5%
Far Northeast Heights	986,111	9.3%	986,111	11.6%	965,027	10.8%	921,325	10.4%
North I-25	2,915,710	8.9%	2,915,710	9.5%	2,915,710	7.8%	3,154,138	13.3%
Northeast Heights	730,584	10.2%	730,584	11.5%	730,584	9.9%	758,588	16.4%
Rio Rancho	271,022	6.2%	282,222	8.7%	293,022	5.7%	385,300	18.7%
Southeast Heights	596,673	4.0%	596,673	4.1%	596,673	3.9%	592,914	10.7%
University	958,737	5.6%	958,737	6.1%	958,737	6.9%	973,180	10.3%
Uptown	1,821,785	9.2%	1,821,785	10.7%	1,821,785	9.5%	1,834,776	8.5%
West Mesa	296,280	16.7%	296,280	13.1%	296,280	10.0%	309,301	26.2%
City Wide	12,528,687	10.8%	12,728,332	12.7%	12,745,668	12.5%	12,897,968	13.1%

City Wide Vacancy Rates



Source: Grubb & Ellis

Office Construction

Rentable square feet of office increased from 12,486,463 for year-end 2007 to 12,897,968 for year-end 2008. The increase is mostly due to construction within the Mesa Del Sol submarket. The office market declined for most landlords in the past year, with vacancies increasing 21.4% in 2008 from the previous year with a citywide vacancy rate of 13%. Speculative construction will virtually come to an end in 2009 and is expected to be at historical lows. Any new construction will primarily be build-to-suit where state and federal government tenants will be the majority of these projects. The decline of speculative construction will keep vacancy from spiking upward. The North I-25 corridor and Mesa Del Sol area continue to experience the most growth.

Office Vacancy

The overall Albuquerque city wide office vacancy rate for year-end 2008 was 13.1%. Companies appear to be hunkering down and putting excess space on the market. Only one submarkets saw a decrease in vacancy: Airport. West Mesa saw the largest increase in vacancy from 9.3% year-end 2007 to 26.2% for 2008. The two top performing submarkets in 2008 were the Uptown (8.5% vacancy) and Airport (7.7%) areas.

Absorption

A positive factor, looking backward, was that the Albuquerque metro area had a positive absorption of 76,606 square feet during 2008; however this was down from a positive absorption of 278,600 square feet during 2007. The North I-25, Mesa Del Sol, and Airport submarkets experienced the greatest absorption during the year. Seven of the thirteen submarkets experienced negative absorption.

Tenant Distribution

Tenants continue to vacate outdated properties in favor of more modern facilities, especially those with multiple locations that are consolidating to lease more efficient space. The trend of right sizing by office users will continue as tenants move from functionally obsolete properties to better locations that provide for the currently sought after "campus-style" developments. However, looking forward, it is expected that higher activity levels will be experienced in Class B or lower buildings as tenants seek more economical options.

Lease Rates

According to Grubb & Ellis, overall full service rental rates decreased slightly in 2008. The average rental rate for class "A" properties is \$21.65 per square foot, down from \$20.80 for 2007. The average for Class "B" is \$17.30 per square foot, down from \$17.48 per square foot year-end 2007.

Conclusions

A positive absorption of 76,606 was experienced during 2008, down from 278,600 square feet for 2007. Speculative office projects virtually come to a stop due to the current economic situation. Rental rates are expected to remain level, or decrease slightly. During the current recessionary period, tenant improvements are expected to be challenging for both tenants and landlords in 2009. Tenants will view the market moving to their advantage and expect landlords to offer larger allowances for building improvements. As lenders become more cautionary with lending, landlords may find it difficult to finance tenant improvements and tenants may be forced to take space "as is," with possible rent adjustments. In addition, higher activity levels will be experienced in Class C buildings as tenants seek more economical options. Asking rental rates across all product classes are projected to remain steady, or slightly decrease in 2009.

At this time, the outlook for the Albuquerque office market depends largely on the overall US economy and the City's ability to attract new employers.

Albuquerque Retail Market Overview (Year-End 2008)

Vacancy

The following chart shows historical retail inventory and vacancy rates by quarter and by market area for years 2004 through 2008:

Retail Inventory and Vacancy Rates 2004

	1 st Qtr		2 nd Qtr		3 rd Qtr		4 th Qtr	
	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate
Cottonwood	3,542,949	7.2%	3,542,949	7.8%	3,576,901	7.5%	3,590,901	7.9%
Downtown	657,034	22.2%	658,679	21.5%	658,679	21.4%	658,679	21.3%
Far Northeast Heights	3,442,022	5.3%	3,442,022	6.2%	3,442,022	6.6%	3,484,022	7.5%
North I-25	2,259,093	5.4%	2,374,624	5.8%	2,449,111	7.5%	2,504,111	7.5%
North Valley	877,709	11.6%	921,409	15.8%	868,609	28.5%	744,609	13.3%
Northeast Heights	4,520,672	11.1%	4,520,672	10.8%	4,520,672	10.0%	4,534,672	10.3%
Rio Rancho	1,219,665	8.7%	1,219,665	8.6%	1,321,665	7.8%	1,321,665	7.5%
South Valley	691,455	16.3%	691,455	15.4%	691,454	16.2%	691,454	18.1%
Southeast Heights	2,222,774	7.4%	2,257,274	7.4%	2,257,274	7.6%	2,297,274	7.6%
University	1,032,965	14.5%	1,032,965	14.4%	1,032,965	14.8%	1,046,965	14.8%
Uptown	2,289,625	7.7%	2,289,265	7.7%	2,289,625	8.8%	2,289,625	8.7%
West Mesa	1,441,014	14.0%	1,441,014	12.5%	1,465,630	13.1%	1,501,824	12.5%
City Wide	24,196,977	9.2%	24,392,353	9.4%	24,574,607	10.0%	27,663,954	9.6%

Retail Inventory and Vacancy Rates 2005

	1 st Qtr		2 nd Qtr		3 rd Qtr		4 th Qtr	
	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate
Cottonwood	3,436,852	8.6%	3,481,862	8.7%	3,508,862	6.9%	3,530,862	6.1%
Downtown	568,650	23.3%	608,450	26.3%	608,450	24.6%	618,834	25.9%
Far Northeast Heights	3,432,702	8.6%	3,478,174	8.3%	3,478,174	7.9%	3,481,674	6.4%
North I-25	2,501,132	6.2%	2,614,280	6.5%	2,753,780	5.8%	2,753,780	5.2%
North Valley	685,109	10.1%	723,109	8.2%	723,109	8.8%	723,109	9.3%
Northeast Heights	4,137,484	10.3%	4,240,184	10.4%	4,229,861	10.3%	4,214,361	11.0%
Rio Rancho	1,311,665	7.4%	1,356,665	7.1%	1,356,665	5.6%	1,356,665	5.6%
South Valley	674,396	18.9%	939,975	15.5%	939,975	12.4%	939,975	10.6%
Southeast Heights	2,700,085	10.2%	2,700,085	8.1%	2,703,545	8.2%	2,703,545	8.1%
University	1,004,365	14.9%	1,016,825	14.9%	1,016,825	15.8%	1,016,825	16.4%
Uptown	2,268,096	8.7%	2,268,096	8.4%	2,268,096	8.4%	2,267,923	8.4%
West Mesa	1,576,843	14.1%	1,618,115	13.3%	1,632,675	12.4%	1,704,345	11.5%
City Wide	24,297,379	10.1%	25,045,820	9.8%	25,220,017	9.1%	25,311,898	8.7%

Retail Inventory and Vacancy Rates 2006

	1 st Qtr		2 nd Qtr		3 rd Qtr		4 th Qtr	
	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate
Cottonwood	3,540,862	5.3%	3,540,862	5.3%	3,557,832	4.9%	3,688,225	5.2%
Downtown	580,978	26.0%	580,978	24.1%	580,978	23.1%	580,978	22.9%
Far Northeast Heights	3,520,674	5.3%	3,520,674	5.1%	3,547,393	5.3%	3,649,783	5.0%
North I-25	2,944,850	2.9%	2,944,850	2.8%	2,963,780	3.6%	2,963,780	3.3%
North Valley	737,168	10.0%	737,168	10.2%	757,168	9.9%	761,168	9.6%
Northeast Heights	4,243,371	11.1%	4,234,371	11.0%	4,244,694	11.0%	4,271,514	9.9%
Rio Rancho	1,377,965	5.3%	1,377,965	5.0%	1,611,965	5.1%	1,611,965	5.4%
South Valley	971,572	9.7%	971,572	9.7%	971,572	7.0%	987,798	7.0%
Southeast Heights	2,794,755	7.9%	2,885,093	9.7%	2,885,093	9.7%	2,901,563	8.0%
University	1,016,764	16.4%	1,016,764	16.4%	1,016,764	15.8%	1,016,764	15.6%
Uptown	2,267,923	15.0%	2,267,923	15.0%	2,267,923	17.6%	2,438,923	17.3%
West Mesa	1,744,950	10.7%	1,744,950	9.1%	1,849,501	9.2%	1,864,501	9.2%
City Wide	25,742,0152	8.7%	25,743,152	8.5%	26,254,843	8.8%	26,155,984	8.0%

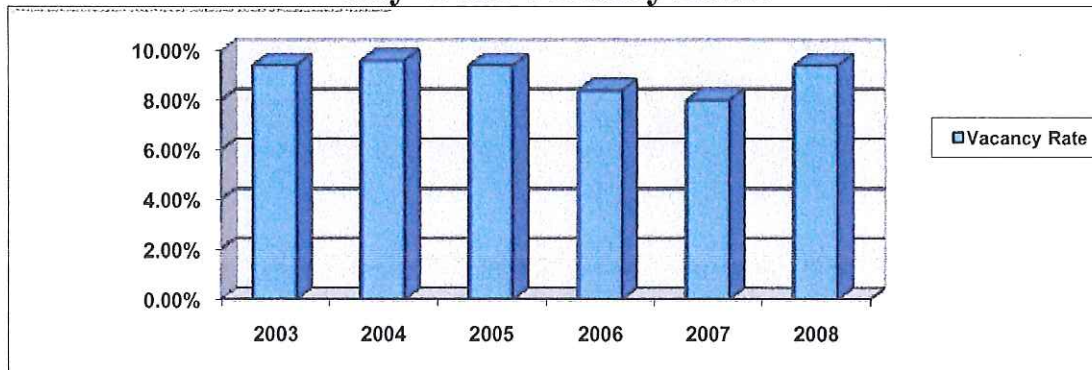
Retail Inventory and Vacancy Rates 2007

	1 st Qtr		2 nd Qtr		3 rd Qtr		4 th Qtr	
	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate
Cottonwood	3,735,245	3.7%	3,749,049	3.5%	3,749,049	3.9%	3,962,871	3.0%
Downtown	554,178	20.0%	554,178	19.9%	589,578	23.2%	589,578	24.0%
Far Northeast Heights	3,645,904	5.3%	3,658,446	5.1%	3,714,393	7.4%	3,764,253	6.7%
North I-25	2,971,989	3.2%	3,030,846	3.6%	3,062,846	4.9%	3,075,346	5.4%
North Valley	761,168	8.8%	920,151	7.1%	920,151	7.4%	920,151	5.5%
Northeast Heights	4,045,976	9.9%	3,967,627	9.2%	3,923,143	10.7%	4,010,404	10.4%
Rio Rancho	1,543,675	3.8%	1,543,675	4.0%	1,594,175	5.9%	1,605,675	4.3%
South Valley	992,798	6.3%	992,798	5.6%	1,017,327	7.1%	1,017,327	6.1%
Southeast Heights	2,902,059	6.9%	2,902,059	7.0%	2,902,059	3.6%	2,902,059	3.6%
University	959,351	9.4%	922,304	8.6%	922,304	8.6%	1,006,011	10.1%
Uptown	2,346,923	17.9%	2,346,923	18.9%	2,371,923	19.5%	2,371,923	19.8%
West Mesa	1,900,627	12.9%	1,900,627	12.4%	1,912,627	10.4%	1,925,005	10.9%
City Wide	26,359,893	7.9%	26,488,683	7.7%	26,679,575	8.3%	27,150,603	8.0%

Retail Inventory and Vacancy Rates 2008

	1 st Qtr		2 nd Qtr		3 rd Qtr		4 th Qtr	
	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate	Inventory SF	Vacancy Rate
Cottonwood	3,989,409	2.7%	3,998,109	2.9%	4,008,471	2.4%	4,037,024	6.3%
Downtown	588,005	16.5%	588,005	17.9%	588,005	18.5%	588,005	18.6%
Far Northeast Heights	3,756,052	6.5%	3,756,052	6.0%	3,756,052	6.4%	3,859,128	8.0%
North I-25	3,078,335	5.5%	3,078,335	4.9%	3,092,435	4.9%	3,092,435	5.8%
North Valley	948,704	7.6%	948,704	7.6%	948,704	7.3%	981,540	10.3%
Northeast Heights	4,001,701	11.0%	4,013,441	10.7%	4,013,441	10.2%	4,049,725	11.6%
Rio Rancho	1,631,573	5.2%	1,631,573	5.2%	1,748,573	5.0%	1,758,605	5.1%
South Valley	1,017,327	7.0%	1,017,327	6.8%	1,017,327	8.3%	1,017,327	8.8%
Southeast Heights	2,809,190	3.5%	2,809,190	3.4%	2,809,190	4.6%	2,809,190	4.1%
University	979,241	9.2%	979,241	9.5%	979,241	9.3%	999,179	10.2%
Uptown	2,405,896	19.0%	2,405,896	18.2%	2,405,896	17.6%	2,405,896	22.3%
West Mesa	2,014,733	13.1%	2,054,601	11.8%	2,054,601	12.9%	2,054,601	12.7%
City Wide	27,220,166	8.1%	27,280,474	7.8%	27,421,936	7.9%	27,652,655	9.4%

City Wide Vacancy Rates



Source: Grubb & Ellis

Market data is derived from published quarterly reports from Grubb & Ellis New Mexico. Albuquerque retail market vacancy rate increased from 8.0% for year-end 2007 to 9.4% for year-end 2008. After steady reductions in vacancy rates during the period from 2004 to mid-2008, retail vacancy rates increased sharply during the second half of 2008. According to Grubb & Ellis, New Mexico, the closure of two Mervin's Department Stores and the bankruptcy of Linen's & Things flooded the retail market with 278,000 square feet of vacant retail space, which accounts for more than ten percent of total vacancies for the MSA. However, Rio Rancho, University and West Mesa areas did experience positive market absorption. The underlying trend during the second half of 2008 reflects vacancy rates increasing. This is consistent with the current economic trends. We expect the deterioration of the sector to continue during the next year. Weak consumer spending is expected to continue, further reducing the demand for retail real estate.

Lease Rates

Rates for new retail centers in tighter submarkets were among the highest in the City. These centers are now facing a softening retail market, and some asking rates have begun to decrease. Overall, the average asking rental rate during 2008 ranged between \$16.51 and \$17.41 per square foot. The fourth quarter 2008 asking rental rate is reported at \$16.70 per square foot. We expect asking rates to decrease somewhat during 2009, as new developments should continue to face headwinds in leasing times.

New Developments

There was significant new development within the MSA during 2006 through 2008. The most prominent area of new development was the Paseo del Norte corridor, east of I-25. This area continues to experience growth with the openings of Kohl's Department Store, Flying Star (prominent local restaurant), Ashley Furniture, Pharmaca, and Bed Bath and Beyond. Several other neighborhood-grade retail developments were completed in and around San Pedro Boulevard and Paseo Del Norte. These new developments reflect significant vacancy. Additional, planned "Big Box" developments in the Cottonwood and north Coors Boulevard, and Rio Rancho areas appear to be postponed due to the current economic climate. We do not anticipate significant new developments for the foreseeable future.

Conclusion

The Albuquerque retail market has seen a steady decrease in vacancy rates during the housing and credit crises. The market has maintained its vacancy rate below the 10% mark for the past five years. However, the outlook for 2009 is unfavorable as lease rates for new retail construction are expected to deflate in response to increasing vacancies and tenant defaults. Rates for older facilities in established areas should remain fairly stable. Fewer new retail projects may allow the market some time to absorb current vacant spaces. However, we predict that vacancies will continue to increase during 2009. While lease rates appear to be somewhat flat, we expect some softening in asking rates for new, vacant retail space. The primary retail destinations of the Far Northeast Heights, Uptown, and Cottonwood submarkets appear to have inventory surpluses. We do not expect any substantial new developments during 2009.

From a macroeconomic perspective, retail appears to be one of the hardest hit sectors nationwide. With higher unemployment, consumer spending is expected to contract. Most national retailers have eliminated capital projects for new locations. Many, such as Starbucks, have recently announced store closures and layoffs to cut costs. Some "Big Box" retailers, such as Linen's & Things and Circuit City, have declared bankruptcy. Others, such as Target, plan to sell real estate holdings to add liquidity to their balance sheets. These responses to the national economic downturn are expected to continue.



Property Analysis

Property Analysis...

The Property Analysis portion of the appraisal report can involve three distinct sections of analysis - namely Site Description, Improvements' Description, and Highest and Best Use.

The Site Description & Analysis section details the location of the subject property, specifies its shape and size, discusses applicable property taxes and assessments, describes the property's zoning, comments on topographic and soil conditions, defines the possibility of flood hazard to the property, identifies easements and encroachments which might affect the property, and explains the availability of access and utilities to the property. Any other features that might impact the land or site are also covered in this section.

If improvements are present, the Improvements' Description & Analysis section identifies their existence and discusses construction and building improvement details. Further, major items of deferred maintenance and the existence of obsolescence are outlined if applicable.

The Highest and Best Use Analysis section looks at the most profitable and likely use to which the land or site could be put if vacant. If the site is improved, this section also determines if the existing use is the highest and best use for the site.



SITE DESCRIPTION & ANALYSIS

Following is a brief description of the site characteristics based on a physical inspection of the property and related supportive data.

Location

Maps presented in the *Preface* identify the location of the subject within the City. More specifically, the site is located within one-half mile of Interstate 25 & the Big I, on the northwest corner of Central & Broadway Boulevards NE.

Shape & Size

The site segments, and the overall site are rectangular in shape. According to information obtained from the City of Albuquerque, and Bernalillo County; the subject site contains 6.96 gross acres, or 303,103 gross square feet.

Topography & Soil

The property is mostly level with a slight downward slope from north to south and east to west. The site sits at, or slightly above, curb grade, while drainage and soil conditions appear adequate to support the subject improvements. Absent a soil analysis, and based on visual inspection of the nearby developments, the soil bearing capacity is assumed to be adequate. There were no observed signs of any environmental contamination or problematic sub-soil conditions; however, no warranty is made to this effect, especially due to the age of the improvements (see *Environmental Statement* forthcoming). I reserve the right to revise the appraised value contained herein if the existence of environmental issues surfaces.

Flood Hazard

Located on Flood Insurance Rate Map #35002, Panel 0334, Suffix G, dated September 26, 2008 (*Exhibit F*), the subject is located within unshaded flood zone "X", an area determined to be outside the 0.2% chance annual floodplain.

Utilities

The full array of City and public utilities are available to the neighborhood. Public Service Company of New Mexico (PNM) provides both electric and natural gas services. Qwest Communications provides telephone service. The City of Albuquerque provides water, sewer and trash collection.

Visibility & Access

Due to the layout of the buildings on the improved site, visibility from both frontage arterials is good. Access to the improved site is via curb-cuts on both Central and Broadway. This is a major City intersection, and is fully signalized.

Encroachments & Easements

Based on visual inspection and documentation furnished to me, there do not appear to be any detrimental easements or encroachments present on the sites. Typical public utility easements are assumed to be present; with no negative effect on the subject's functional utility or value.

Zoning

The site is zoned *SU-3, Special Center Zone*. This zone allows a variety of uses controlled by a plan which tailors development to an Urban Center; these include centers of employment, institutional uses, commerce, and high density dwelling.

In addition, the subject site lies within the

boundaries of the *Downtown 2010 Sector Development Plan*. It is within the *Mixed Use Corridor District* identified within the plan. Within this district, mixed use developments are allowed and strongly encouraged. No predominant or primary uses are prescribed for the *Mixed Use Corridors District*. This district is located on the transit corridors through Downtown (i.e. Lomas Boulevard, Central Avenue, Fourth Street). Compatible office, institutional, residential, retail, commercial, educational and other uses are encouraged along this district. These developments should be concentrated and of a density to encourage transit use along these principal corridors.

Note that the SU-3 zone is the most lenient within the Downtown Sector, with no height restrictions and the most permissive uses. Detailed permissive and conditional uses associated with this zoning district and the Mixed Use Corridor District are presented in *Exhibit D*. The existing improvements are allowable and in conformance with the zoning ordinance noted.

Property Taxes

The property is taxed by the authority of Bernalillo County under Uniform Property Tax Codes #101405736244211911 (improved Tract A); #101405736244211910 (vacant Tract B), #101405736244211908 (improved Tract C); and #101405736244211909 (vacant Tract D). The total assessed value for 2009 is \$4,123,500. Note that the land and improvement value is not separated on the assessment sheets.

The ownership is a tax exempt entity; and as such, no taxes are assessed.

Special Assessments

No special assessments are known to affect the subject property.

IMPROVEMENTS' DESCRIPTION & ANALYSIS

The subject consists of three distinct structures; a large church with an auditorium, a sanctuary, administrative offices, and some classrooms (28,518 SF on five levels); an attached educational wing with classrooms, kitchen facilities, and day care facilities (48,436 SF on two levels); and a separate gymnasium with showers, kitchen facilities, and some sleeping quarters (9,730 SF on one level open to a second level height). The total structural footprint is 44,986 square feet, with 86,684 total building square footage. A complete breakdown of building square footages by floor level is contained in the *Summary of Important Facts & Conclusions* in the Preface section of the report.

The three distinct buildings were constructed at different times, with exact dates unknown. The oldest of the buildings is the church, followed by the educational wing, and the gymnasium (Noon Day Center). All improvements are considered to be of good quality construction; with the church in fair condition, and the other two structures in average condition.

The non-structural site improvements cover +/- 216,419 square feet of the subject property and include asphalt parking, curbs and sidewalks, fencing, lighting, and landscaping.

A brief description of construction and building improvement details are presented on the following page.

Floor Area Ratio

The subject's floor area ratio (FAR) is calculated as 0.10 (5,000 gross square feet of building area divided by 50,586 square feet of land area). This

FAR is at the low end, but within the typical range for similar facilities located in the subject's general market area. Therefore, no surplus land exists.

CONSTRUCTION & BUILDING IMPROVEMENT DETAILS (CHURCH)

BUILDING AREA:	+/- 28,518 square feet
BUILDING QUALITY/CONDITION:	Good/Fair
EFFECTIVE AGE:	35 years
REMAINING ECONOMIC LIFE:	15 years (based on an economic life of 50 years)
FOUNDATION:	Stem Wall & reinforced concrete slab
EXTERIOR WALLS:	Steel Frame with brick veneer
ROOF STRUCTURE & COVER:	Built-up roofing on steel supported plywood deck with synthetic membrane
INTERIOR FINISHES:	
FLOORS	Commercial-grade ceramic tile, and carpet
WALLS	Painted & textured drywall & ceramic wall tile
CEILINGS	Mostly exposed, lay-in acoustical tiles
LIGHTING:	Mix of recessed and suspended fluorescent lights, with some track lighting
PLUMBING:	Assumed built-to-code at the time of construction, considered adequate with ample amount of toilets and urinals in restrooms
HEATING/COOLING:	Roof-mounted combo HVAC and evaporative units
DEFERRED MAINTENANCE:	No significant items of deferred maintenance items were noted during property inspection

CONSTRUCTION & BUILDING IMPROVEMENT DETAILS (EDUCATIONAL WING)

BUILDING AREA:	+/- 48,436 square feet
BUILDING QUALITY/CONDITION:	Good/Average
EFFECTIVE AGE:	25 years
REMAINING ECONOMIC LIFE:	25 years (based on an economic life of 50 years)
FOUNDATION:	Stem Wall & reinforced concrete slab
EXTERIOR WALLS:	Steel Frame with brick veneer
ROOF STRUCTURE & COVER:	Built-up roofing on steel supported plywood deck with synthetic membrane
INTERIOR FINISHES:	
FLOORS	Commercial-grade ceramic tile, and carpet
WALLS	Painted & textured drywall & ceramic wall tile
CEILINGS	Mostly exposed, lay-in acoustical tiles
LIGHTING:	Mix of recessed and suspended fluorescent lights, with some track lighting
PLUMBING:	Assumed built-to-code at the time of construction, considered adequate with ample amount of toilets and urinals in restrooms
HEATING/COOLING:	HVAC units
DEFERRED MAINTENANCE:	No significant items of deferred maintenance items were noted during property inspection

CONSTRUCTION & BUILDING IMPROVEMENT DETAILS (GYMNASIUM)

BUILDING AREA:	+/- 9,730 square feet
BUILDING QUALITY/CONDITION:	Good/Average
EFFECTIVE AGE:	20 years
REMAINING ECONOMIC LIFE:	20 years (based on an economic life of 40 years)
FOUNDATION:	Stem Wall & reinforced concrete slab
EXTERIOR WALLS:	Steel Frame with brick veneer
ROOF STRUCTURE & COVER:	Built-up roofing on steel supported plywood deck with synthetic membrane
INTERIOR FINISHES:	
FLOORS	Commercial-grade ceramic tile, concrete and carpet
WALLS	Painted & textured drywall & ceramic wall tile
CEILINGS	Mostly exposed, lay-in acoustical tiles
LIGHTING:	Mix of recessed and suspended fluorescent lights, with some track lighting
PLUMBING:	Assumed built-to-code at the time of construction, considered adequate with ample amount of toilets and urinals in restrooms
HEATING/COOLING:	HVAC units
DEFERRED MAINTENANCE:	No significant items of deferred maintenance items were noted during property inspection

Conclusion

No forms of functional obsolescence were noted in the building improvements. The placement of the buildings is functional in regard to the site's configuration, and the overall design of the property is efficient and competitive within the market area. The large parking area is typical of church and school facilities, thus there is no excess, or surplus land present. The property conforms to the surrounding neighborhood and its legally permitted uses.

AMERICANS WITH DISABILITIES STATEMENT

The concluded value is based on the extraordinary assumption that the property is not adversely impacted by non-compliance with the Americans with Disabilities Act. Such determination requires investigation by a qualified expert in the field of architecture or engineering. I have not been provided with information from such an expert as to the subject's status with regard to the ADA. The user of this report is cautioned that the value conclusion provided might be hypothetical on the basis of this assumption.

ENVIRONMENTAL STATEMENT

I uncovered no apparent or obvious signs of hazardous materials during my property inspection. Hazardous materials may or may not be present on the site, but I am not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, leaking oil or gas tanks, or other potentially hazardous materials may affect the value of the property.

Again, there were no observed signs of any environmental contamination or problematic sub-soil conditions; however, no warranty is made to this effect, especially due to the age of the improvements (see *Environmental Statement* forthcoming). I reserve the right to revise the appraised value contained herein if the existence of environmental issues surfaces.

The value estimate is predicated on the assumption that there are no other such materials on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in these fields, if so desired.

HIGHEST & BEST USE ANALYSIS

Highest and best use is defined as:

"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 profitability."³

Alternatively, it is the most profitable likely use to which a property can be developed.

An additional implication is that the determination of highest and best use results from my judgment and analytical skills, and that the use determined from this analysis represents an opinion, not necessarily a fact to be found. In appraisal

³ *ibid.*, page 135

practice, the concept of highest and best use represents the premise upon which value is based.

As the site in question is improved, I must analyze the site as though vacant and as improved. The four highest and best use criteria noted in the conceptual definition are discussed as follows:

HIGHEST & BEST USE AS THOUGH VACANT

Legally Permissible

Except for a legally non-conforming property, the first step in determining what is legally permissible is to analyze zoning and building codes, historic district controls, environmental regulations, and private restrictions. I found no historic district controls, environmental regulations, or private restrictions that would have an impact on the use of the property. The site is zoned SU-3 - Downtown 2010 Sector Development Plan for mixed uses. Compatible office, institutional, residential, retail, commercial, educational and other uses are encouraged along this district. These developments should be concentrated and of a density to encourage transit use along these principal corridors.. The SU-3 zone is the most lenient within the Downtown Sector, with no height restrictions and the most permissive uses.

Based on surroundings uses and current market trends in the market, it appears the site *if vacant*, would most likely be developed with some type of office, institutional, residential, retail, commercial, or educational use development within parameters presented by the Downtown 2010 Sector Plan.

Physically Possible

The physical characteristics of a site can affect the uses to which it can be developed. These characteristics can include location, size, shape, topography, easements, utility availability, and surrounding property uses.

The physical characteristics of the site were previously discussed. There are no significant physical limitations to development. Visibility and site access are considered average. Site configuration and soil conditions are not considered adverse for development. The site has all utilities available, and adequate utility carrying capacities are assumed to exist for all forms of legally permissible development. Surrounding development includes light industrial, professional & institutional office, and commercial developments to the north, west and south of the subject; and single, and multi-family residential uses to the east.

The subject property is situated just east of the Downtown Railrunner station, and west of the Albuquerque High Loft Complex. Due to the office and residential uses increasing in close proximity to the subject, the most dominant uses immediately proximate to the subject are high density residential, and office developments, not to preclude educational uses. In summary, the legally permissible and physically possible criteria appear to lean towards some type of office, institutional, residential, or educational use development within parameters presented by the Downtown 2010 Sector Plan.

Financially Feasible

The uses that are physically possible and legally permissible must be analyzed further to determine those that are likely to produce some income, or return, greater than the combined income needed to satisfy operating expenses, financial expenses, and capital amortization. All uses that are expected to produce a positive return are regarded as financially feasible.

Financially feasible uses must account for the physical and legal constraints already discussed which indicate uses such as office, institutional, residential, or educational; within parameters presented by the Downtown 2010 Sector Plan.. The site is legally zoned and adequately sized and shaped for such uses.

Maximally Productive & As Though Vacant Conclusion

Among financially feasible uses, the use that reflects the highest rate of return (or value) constitutes the highest and best use.

High density residential, and/or educational uses would satisfy all previous tests of highest and best use. High density residential uses are predominant in the area. Both residential, and educational uses would be highly compatible with other developments in the area. In conclusion, it is my opinion that the highest and best use of the site *as vacant* is for high density residential, or educational support uses within parameters presented by the Downtown 2010 Sector Plan.

Note that, although it would bring the highest dollar value for the subject as a vacant site, short-term redevelopment of the site is not a

logical assumption under the current economic climate.

HIGHEST & BEST USE AS IMPROVED

The subject improved site supports a large church with an auditorium and sanctuary, an educational wing, and a gymnasium, of good quality construction. The improvements are adequately situated on the site. The improvements are a legal use under current city zoning codes and the *Downtown 2010 Sector Plan*, and are comparable with surrounding uses in the neighborhood. The existing improvements would be well suited for an educational complex such as a large charter school, or other educational facility. The church portion would be suited for administrative offices, the auditorium for a similar use, the educational wing for similar classroom use, and the gymnasium for a similar use.

Noting that the value of the site for both future redevelopment (\$7,578,000 - after economic recovery); and its "as is" value under the current status of the economy (\$6,062,000) is notably below the value of the property "as improved, or as developed" (\$11,300,000); it is evident that the existing improvements continue to contribute value over the value of the site for redevelopment purposes. Thus, the existing improvements are considered to be the highest and best use of the site "as improved" on the date of my appraisal.



Valuation Methodology

Valuation Methodology...

The methodology followed in the valuation process is used to develop a well supported estimate of a specific, defined value, based on the consideration of all relevant data collected by us and/or our research staff. We estimate the value of a property by applying standard appraisal procedures, which are market oriented and represent three distinct mathematical approaches for analyzing data. These methods include the Cost, Sales Comparison, and Income Approaches, which are outlined below. One or more of these approaches are appropriate in all estimations of value. The approaches applicable to a specific appraisal vary with the type of property, the use and purpose of the appraisal, and the quality and quantity of available data.

The Cost Approach

The Cost Approach estimates the value of the land (as if vacant) as of the effective date of appraisal by comparing it to similar sites, which have sold, or are currently listed for sale. The reproduction or replacement cost new of the improvements (building and site) is then estimated. Depreciation from all causes is estimated and subtracted from the reproduction or replacement cost. The depreciated value of the improvements (building and site) are added to the previously estimated value of the land, which produces an indication of value via the Cost Approach.

The principle of substitution is basic to the Cost Approach, which is predicated upon the assumption that a prudent investor pays no more for a given property than its cost of replacement, assuming no unusual delays, less any depreciation that has occurred. The Cost Approach is best suited for properties where the improvements are new or fairly new and suffer from little accrued depreciation.

The Sales Comparison Approach

The Sales Comparison Approach is also reflective of the principle of substitution. It produces an estimate of value of the property by comparing it with similar properties of the same type and class that have sold recently or are currently offered for sale in the same or competing areas. The process used in determining the comparability between two properties involves judgment concerning their similarities with respect to many factors such as location, construction, utility, age and condition. Adjustments are made for differences, and the value range as indicated by the comparable sales is then correlated into a final indicated value for the subject via this approach. Additionally, income multipliers extracted from comparable sales can be utilized to provide a further valuation technique. The values derived from these two methods are then reconciled into a specific value conclusion or range of values.

The Income Approach

Since we are estimating the market value of developed lots, the Income Approach will be based on the principal of yield capitalization instead of the traditional direct capitalization method. Yield capitalization uses a discounting process to convert future anticipated benefits to present value based on market-accepted level of rates of return on invested capital. This method is profit or yield oriented as it attempts to simulate the typical investor's investment expectations.

In some cases, the Income Approach utilizes a Discounted Cash Flow (DCF) model where gross sales income generated by the sale of the lots is projected, sales and carrying costs incurred during the sell-out period are deducted, and net sales proceeds are discounted over the forecasted sell-out, or absorption period to reflect the time value of money. The resulting answer represents the present value of the property as a whole to a single buyer.

Reconciliation & Final opinion of Value

The reconciliation or correlation of value is the final step of the appraisal process which considers the relative applicability of each of the three approaches utilized, examine the range between the value indications, and places major emphasis on one or more approaches which appear to produce the most reliable and most applicable solution to the appraisal problem. Once all the approaches have been completely analyzed, a final value or range of values is concluded.

Applicable Approaches

The Cost and Income Approaches to value will be utilized herein. I was unable to locate any sales of comparable properties with a similar property mix; thus, the Sales Comparison Approach was deemed unsupportable and not applicable to this assignment.



Cost Approach

Cost Approach...

The Cost Approach to value, like the Sales Comparison and Income Approaches, is based on comparison. Buyers tend to weigh the value of an existing property by comparing it to the value of a newly constructed property with optimal functional utility. Often prospective buyers mentally adjust the prices they are willing to pay by estimating the costs to bring an existing property to their desired levels of functional utility. By utilizing the Cost Approach, an appraiser attempts to estimate the difference in worth to a potential buyer between the property being appraised and a newly constructed building with optimal utility.

The principal of substitution is basic to the Cost Approach in that a prudent investor would not pay more for a property than he could build a like building with equal utility. The Cost Approach implies that the improvements could be constructed in a reasonable amount of time.

The Cost Approach is based on the premise that the value of a property can be developed by calculating the current cost of constructing a replacement or reproduction of the improvements, adding entrepreneurial profit if it can be realized in the current market, subtracting depreciation affecting the improvements from all causes (i.e., deterioration and any elements of measurable obsolescence), and then adding the opinion of site value.

The Cost Approach is particularly useful in valuating new or almost new improvements and certain properties that are not frequently exchanged in the market due to their unique qualities and specially designed uses. Data concerning the current costs to construct the improvements can be obtained from cost estimators, cost estimating publications, and local builders and contractors familiar with the specific type of construction.

SITE VALUE ANALYSIS

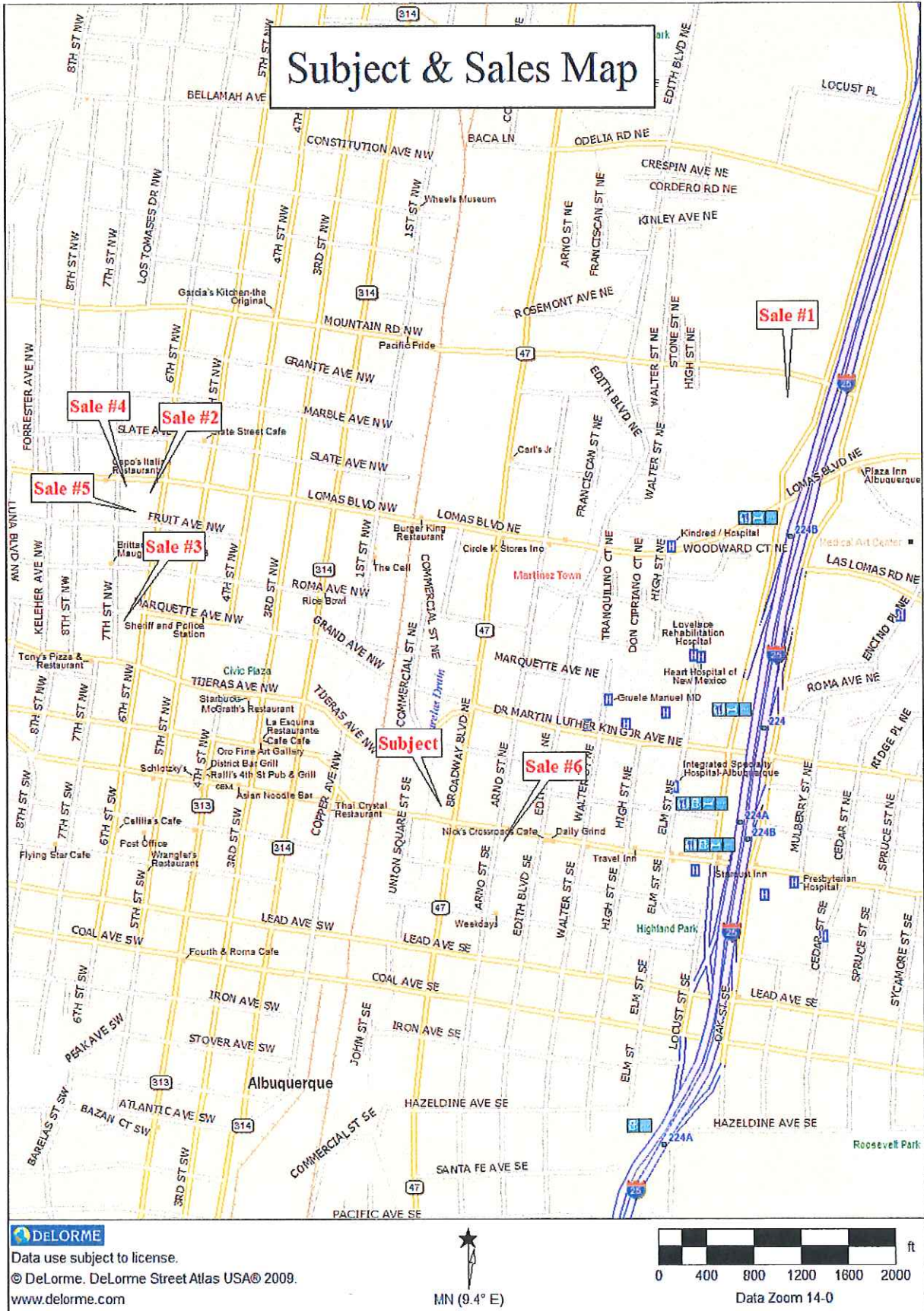
COMPARABLE SITE SALES

An in-depth search was conducted for vacant site sales which exhibit similar locational and physical characteristics to the subject. Following is a detailed summary identifying the sales determined to be most comparable for analysis. *Figure 2* presents a map identifying the location of each in relation to the subject, while full details are presented in *Exhibit H*. I will value the site both as a redevelopment site, which is not the current highest and best use under present day market conditions; and “as is” under current market conditions, which represents the current highest and best use. Note that the redevelopment valuation is presented for information purposes in order to aid in the determination of the highest and best use of the improved site. It is a future “best case” valuation scenario for the site only once redevelopment sites are again in demand within the Downtown Sector.

SITE SALES SUMMARY

	Subject	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Sale #6
Location	101 Broadway NE (NWC of Broadway & Central)	SEC Mountain & Woodward Pl. NE	S s/o Lomas, N s/o Fruit, btwn 6 th & 7 th NE	SWC Marquette & 6 th NE	SEC Lomas & 7 th NE	N s/of Fruit, One Block S/of Lomas, btwn 6 th & 7 th NE	SEC Central & Arno SE
Zone Atlas	K-14	J-15	J-14	J-14	J-14	J-14	K-14
Date	-	8/31/07	3/3/06	2/4/05	2/15/2004	12/10/03	7/29/02
Sale Price	-	\$3,000,000	\$932,741	\$580,000	\$612,000	\$286,200	\$440,000
Land Area	303,103 SF	121,293 SF	27,843 SF	21,907 SF	21,026 SF	10,650 SF	13,206 SF
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing	-	Cash to Seller	Cash to Seller & REC	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller
Site Position	Dual Corner	Secondary Corner w/Big-1 Visibility	Dual Corner	Corner	Corner	Interior	Corner
Zoning	SU-3 Downtown 2010	SU-2/C-3 Downtown 2010	SU-3 Downtown 2010	SU-3 Downtown 2010	SU-3 Downtown 2010	SU-3 Downtown 2010	SU-2/NCR Downtown 2010
Shape	Rectangular	Mstly Rectangular	Rectangular	Rectangular	Corner	Rectangular	Rectangular
Proposed End Use	Church	Immediate Redevelopment Parking for Embassy Suites Hotel =	Future Redevelopment =	Continued Use for Public Parking Lot +20% (+\$5.30)	Continued Use for Public Parking +20% (+\$5.82)	Parking for Adjacent Existing Law Office +20%(+\$5.37)	Immediate Redevelopment Arno Lofts @ Alb. High =
End Use	Church	Parking for Embassy Suites Hotel	Future Redevelopment /Speculative	Commercial Public Parking Lot	Proposed Office	Parking for Proposed Office	Arno Lofts @ Alb. High
Price/SF	-	\$24.73	\$33.50	\$26.48	\$29.11	\$26.87	\$33.32

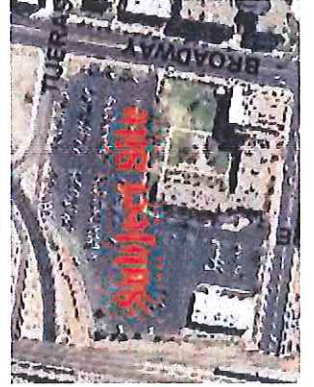
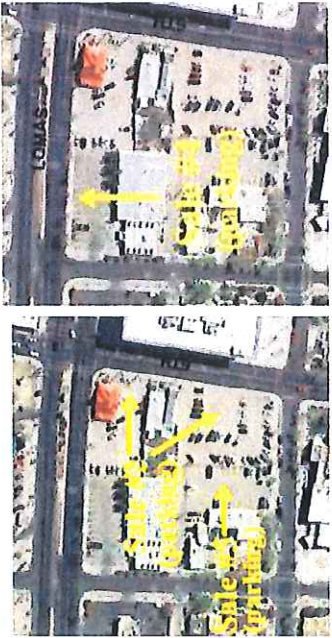
FIGURE 2
Subject & Sales Map(s)



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MN (9.4° E)
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 Data Zoom 14-0

Subject & Sales Location Map - Aerial



Real Property Rights

Property rights transferred by Sales 1, 3, 4, 5, & 6 were all fee simple interests with no adjustments warranted. Sale 2 involved the transfer of rights under a real estate contract for two of eleven lots; thus the majority of right were transferred as fee simple, with adjustments warranted.

Financing Terms

All sales were reported as cash or equivalent transactions. Thus, no adjustments for financing are warranted.

Conditions of Sale

All of the sales were reported to be arm's-length transactions. No adjustments are necessary for conditions of sale.

Expenditures After Sale

A knowledgeable buyer considers any expenditures to be made upon purchase because such costs would affect the price the buyer is willing to pay. Within the Cost Approach, the subject is appraised on the basis of land value, plus contributory value of the improvements. Sale 1 had an old motel on the site, which was to be demolished for development. The improvements were not given any value in the sale. The buyer thus, incurred the demolition cost liability, and no deduction is needed. Sale 2 was a purchase of eleven lots, or portions of lots comprising two contiguous larger parcels separated by an alley. Thus, no adjustment is indicated for Sale 2. Sale 3 was a surface parking lot sold for continued use as a parking lot; thus, no adjustment is indicated for additional expenditures by the buyer. The contract sale price on Sale 4 was based on the appraised value, which was based on a vacant site after demolition of the improvements (highest & best

use), with a deduction made to the appraised value for the estimated cost of demolition. Again, no adjustment is needed for Sale 4, since the buyer would incur the cost of demolition. Relative to Sale 5, it was purchased to provide additional parking for an adjacent office development with no additional expenditures indicated.

Market Conditions (Time of Sale)

Although site sales in Albuquerque have generally been on the upswing in the past few years, the dataset does not evidence an adjustment directly related to market conditions. In fact, other sales of comparable properties were considered in the downtown area that transpired between 1999 and 2001. Some of these values were actually higher than the more current values. Part of the explanation for this, is that at that time, several of these properties were purchased as part of an assemblage to create a lot large enough for a multi-level parking garage. This motivation may have caused prices to inflate above market for those properties. Additionally, the City has instituted moratoriums on parking facilities at different times, and the amount of competition for parking structures has tapered prices down to a degree. Note that Sale 1 was purchased by an investment development group, Discover Land LLC, in January of 2006 for \$20.64 per square foot; it was sold eight months later to John Z. Hammons for Hotel guest parking for the new Embassy Suites Hotel for \$24.73 per square foot. On the surface this pairing appears to indicate price appreciation during that time frame; however, it is my opinion that this was a "must have" purchase by Mr. Hammons for needed hotel parking, and thus does not reflect true time based value appreciation. In addition, no other parings

were found that would support an adjustment for time during the parameters presented by the comparable properties. Thus, without solid indicators pointing in either direction, no adjustment will be applied for market conditions.

Locational Characteristics

Arterial linkage, access, frontage, traffic volume, and surrounding developments are primary components in analysis of locational characteristics of the sites as they compare to the subject. The subject has dual frontage along Central Avenue, and Broadway Boulevard. The subject and all of the sales are within the Downtown Sector, and also within the Downtown 2010 Sector Development Plan boundaries. Sale 6 is located proximate to the Big I Interchange, with excellent visibility from the Interchange. Sales 2, 4, & 5 are within a City block bounded by Lomas, Fruit, 6th & 7th Streets. This location benefits from the visibility along both Lomas and 6th & 7th Streets, as well as its proximity to the three major courthouses. In short, all of the comparable sales exhibit similar locational amenities with minor variances.

Intended Use

Note that the two sites purchased for immediate, or future redevelopment purposes (Sales 2 & 6) present the highest values; \$33.50 and \$33.32 per square foot (note that Sale 1 was also purchased for immediate redevelopment; however, its lower price is attributable to size).

From this analysis, it is evident that an adjustment for intended use is in order, assuming that a highest and best use for redevelopment purposes is true. Since the City of Albuquerque intends to redevelop the subject site into a large multi-

purpose events/arena center, **redevelopment** is the intended use relative to this particular market participant. Thus, from a redevelopment viewpoint, a positive adjustment is indicated for Sales 3, 4, & 5, that continued with the same use as when they were purchased. The adjustment is based on a pairing of the average sale price of Sales 2 & 6, or \$33.41 per square foot, and the average sale price of Sales 3, 4, & 5, or \$27.49 per square foot. **The indicated upward adjustment to be applied to Sales 3, 4, & 5 in the adjustment grid to follow is 21.5%. Application of a negative, or downward adjustment would be 18%. I will conclude with and apply a 20% adjustment for either an upward, or downward adjustment application.**

Physical Characteristics

Topography, drainage, configuration, utility availability, easements, and size are primary components in analysis of physical characteristics of the sites as they compare to the subject.

Sales 2, 3, 4, 5, & 6 are within compatible size parameters, and Sale 1 is much larger; as such, a pairing of the average sales price of these sales (after first adjusting for intended use), or \$33.15 per square foot, and the sale price of Sale 1, or \$24.73 per square foot yields an **adjustment factor of minus 25% to be applied to Sales 2 through 6** in the market data adjustment grid to follow. No further adjustments are indicated under this category.

Zoning

In the case of this dataset, the zoning ordinances are essential to discuss. The Downtown 2010 Sector Development Plan categorizes properties into one of five different types, with permissive

uses and height requirements varying for each category; however, all categories strongly encourage a mixed use development standard for the SU-3 zone. The subject and Sales 2, 3, 4, & 5 are zoned SU-3 within the Downtown 2010 Sector Development Plan. The SU-3 zone is the most lenient within the Downtown Sector, with no height restrictions and the most permissive uses. Sale 1 has SU-2/C3 zoning within the Downtown

2010 Sector Development Plan. This zone does not have similar density to the subject without further action to City Planning and Zoning. Thus, this zoning is slightly inferior to the subject. Sale 6 is zoned SU-2/NCR, also not as flexible as the SU-3 zone. These minor differences are not considered to affect price, of more importance is intended end-use; thus, no adjustments will be made.

Market Data Adjustment Grid – As a Redevelopment Site

	Subject	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5	Sale #6
Location	101 Broadway NE (NWC of Broadway & Central)	SEC Mountain & Woodward Pl. NE	S s/o Lomas, N s/o Fruit, btwn 6 th & 7 th NE	SWC Marquette & 6 th NE	SEC Lomas & 7 th NE	N s/of Fruit, One Block S/of Lomas, btwn 6 th & 7 th NE	SEC Central & Arno SE
Zone Atlas	K-14	J-15	J-14	J-14	J-14	J-14	K-14
Date	-	8/31/07	3/3/06	2/4/05	2/15/2004	12/10/03	7/29/02
Sale Price	-	\$3,000,000	\$932,741	\$580,000	\$612,000	\$286,200	\$440,000
Land Area	303,103 SF	121,293 SF	27,843 SF	21,907 SF	21,026 SF	10,650 SF	13,206 SF
Price/SF	-	\$24.73	\$33.50	\$26.48	\$29.11	\$26.87	\$33.32
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing	-	Cash to Seller =	Cash to Seller & REC =	Cash to Seller =	Cash to Seller =	Cash to Seller =	Cash to Seller =
Site Position	Dual Corner	Secondary Corner w/Big-1 Visibility =	Dual Corner =	Corner =	Corner =	Interior =	Corner =
Zoning	SU-3 Downtown 2010 =	SU-2/C-3 Downtown 2010 =	SU-3 Downtown 2010 =	SU-3 Downtown 2010 =	SU-3 Downtown 2010 =	SU-3 Downtown 2010 =	SU-2/NCR Downtown 2010 =
Shape	Rectangular	Mstly Rectangular =	Rectangular =	Rectangular =	Rectangular =	Rectangular =	Rectangular =
Proposed End Use	Church	Immediate Redevelopment Parking for Embassy Suites Hotel =	Future Redevelopment =	Continued Use for Public Parking Lot +20% (+\$5.30)	Continued Use for Public Parking +20% (+\$5.82)	Parking for Adjacent Existing Law Office +20% (+\$5.37)	Immediate Redevelopment Arno Lofts @ Alb. High =
Adjusted Price/SF	-	\$24.73	\$33.50	\$31.78	\$34.93	\$32.24	\$33.32
Size	303,103 SF	121,293 SF	27,843 SF -25%(-\$8.38)	21,907 SF -25%(-\$7.95)	21,026 SF -25%(-\$8.73)	10,650 SF -25%(-\$8.06)	13,206 SF -25%(-\$8.33)
Final Adjusted Price/SF	-	\$24.73	\$25.13	\$23.84	\$26.20	\$24.18	\$24.99

Conclusion of Value as a Redevelopment Site (not its current highest and best use)

The sales present a range of values from \$23.84 to \$26.20 per square foot, with a mean of \$24.85, and a median of \$24.86 per square foot. I will utilize a site value of \$25.00 per square foot for this valuation. Application of this figure to the subject's site area indicates the following opinion of market value:

OPINION OF SITE'S MARKET VALUE FOR REDEVELOPMENT

Total Site Area	303,103 SF
Multiplied by Price Per Square Foot	x \$25.00
Estimated Value	\$7,577,575
Rounded To	\$7,578,000

**Opinion of Fee Simple Market Value
For Redevelopment - December 10, 2009
\$7,578,000**

Note that short-term redevelopment of the site is not a logical assumption under the current economic climate. Also note that demolition of the existing improvements would be required for redevelopment. However; since a knowledgeable buyer would consider any required expenditures after purchase (such as demolition costs) in his offer, and since the buyer would incur the demolition cost liability; no deduction is applicable.

Conclusion of Value of Site for Continued Use "As Developed" - The Current Highest and Best Use

The adjustment factor previously concluded for application of a downward adjustment was 20%, similar to an upward adjustment application. Thus, the value of the site "as developed" would be \$20.00 per square foot (\$25.00/SF -20%). Application of this figure to the subject's site area indicates the following opinion of market value:

OPINION OF SITE'S MARKET VALUE "AS DEVELOPED" - HIGHEST AND BEST USE

Total Site Area	303,103 SF
Multiplied by Price Per Square Foot	x \$20.00
Estimated Value	\$6,062,060
Rounded To	\$6,062,000

**Opinion of Fee Simple Market Value
"As Developed" - December 10, 2009
\$6,062,000**

IMPROVEMENT REPLACEMENT COST ESTIMATE

Basic to arriving at an appropriate depreciated value for the subject improvements, is a detailed estimate of their replacement cost new as of the date of the appraisal. This entails a reasonably accurate accounting of the component costs necessary to bring into existence a substitute of like utility. The replacement cost approach to value is based on the principle of substitution, which is an economic principle based on the concept that the price of a commodity tends to be no higher than the price of a substitute having equal utility, available without undue delay. Replacement cost is more clearly defined as *"The estimated cost to construct, at current prices as of the effective appraisal date, a building with utility equivalent to the building being appraised, using modern materials and current standards, design, and layout."*⁴

Replacement Cost New

Accurate construction cost information was requested by the appraiser; however, it was not made available. Thus, I will use Marshall Valuation Service to determine the replacement cost new.

Cost Index (Marshall Valuation Service) –

Although there are several methods for estimating replacement costs, the multiplier cost or square foot cost method will be used herein. This method recognizes all direct and most indirect building costs including labor, materials, supervision, contractor's profit and overhead, architectural

⁴ The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Pg. 244.

plans and specifications, sales taxes, and insurance. The Marshall Valuation Service will be consulted in the derivation of the factors to be employed. Not included in Marshall are most FF&E items.

Based on Marshall descriptions for each property type appraised; I will use good quality, Class "C" church/sanctuary costs from Marshall for the older church portion (28,518 SF) of the subject; Class "C" church educational wing costs for the newer classroom addition (48,436 SF); and Class "C" gymnasium costs for the separate *Noon Day* building. Following is the pertinent data from Marshall Valuation Service for the cost estimates:

Church/Sanctuary/Auditorium/Offices/ Classrooms

+/- 28,518 square feet

Section 16, Page 9; Class "C", Good

Educational Wing (classrooms)

+/- 48,436 square feet

Section 16, Page 11, Class "C", Good

Gymnasium (separate Noon Day building)

+/- 9,730 square feet

Section 18, Page 25; Class "C", Good

The base replacement cost for the church improvements is \$163.32 per square foot (August 2009). The base replacement cost for the Educational Wing improvements is \$106.82 per square foot (August 2009). The base replacement cost for the separate gymnasium building improvements is \$133.42 per square foot (February 2009).

Additionally, time and location multipliers must be applied to the base costs to bring current the Marshall Valuation Service cost data and to reflect costs in the local Albuquerque area. The current

cost multiplier is 0.98 (November 2009) for the church and the educational wing, and 0.95 for the gymnasium; while the local multiplier is 0.92 (October 2009) for all three property types analyzed. After applying these multipliers to the base building replacement costs, the adjusted base replacement cost new for the church is \$147.25 per square foot, \$96.31 for the educational wing, and \$116.61 for the gymnasium.

Additional site improvements, including asphalt parking, curbs and sidewalks, fencing, lighting, and landscaping are estimated at \$2.50 per square foot. I will apply this figure to the 216,419 square feet of remaining site area outside the building footprints.

The replacement cost new calculations for the subject can be found in the *Cost Approach Summary*, which follows the cost analyses.

Indirect Costs

Certain indirect costs are not included in the Marshall Valuation data, such as property taxes during construction, loan fees, lease-up costs, professional fees for legal, appraiser, and consulting services, etc. Based on confidential data these costs typically run from 5% to 10% of the direct cost. *In this case, I estimate the indirect costs to be 7% of the Marshall Valuation Service direct cost estimate.*

Entrepreneurial Incentive

These direct and indirect costs do not consider entrepreneurial or developer's incentive, which is the difference between total construction cost and market value. Entrepreneurial incentive is desired by all developers. Generally, developers desire a rate of return ranging from 10% to 30%, or the

project does not offer the financial feasibility for them to participate. *In the case of the subject, a return on investment cost is not the primary objective for development. Thus, an entrepreneurial incentive rate at the low-end, say 10% is applied.*

Accrued Depreciation

Accrued depreciation is a loss in value from the replacement cost new of the improvements due to any cause as of the date of appraisal. Accrued depreciation may emanate from physical deterioration, functional obsolescence, external obsolescence, or any combination of these sources.

1. *Curable physical deterioration* refers to items of deferred maintenance. This element of accrued depreciation is measured as the cost of restoring an item to new or reasonably new condition, if feasible, on the date of appraisal. No significant items of deferred maintenance were noted, and thus, no deduction is made.
2. *Incurable physical deterioration* identifies items of deterioration that cannot be practically or economically corrected as of the date of appraisal, such as the age of the structural elements. The church portion has been given a 35 year effective age with a 50 year typical life expectancy. Based on the age/life method, the depreciation rate would be 70%. The educational wing segment has been given a 25 year effective age with a 50 year typical life expectancy. Based on the age/life method, the depreciation rate would be 40%. The gymnasium portion has been given a 20 year effective age with a 40 year typical life expectancy. Based on the age/life method, the depreciation rate would be 50%.
3. *Curable functional obsolescence* is a loss in value resulting from defects in design where the cost of replacing the component is the same or less than the anticipated value increase. No items of curable functional obsolescence are present.

4. *Incurable functional obsolescence* is a loss in value resulting from defects in design, which cannot be economically replaced or corrected. Since I am using replacement cost new, which is the total cost of construction required to replace the subject building with a *substitute of like utility* instead of reproduction cost new, which is the total cost of construction required to replace the subject building with an *exact replica* in all salient characteristics and components regardless of their utility, items of functional obsolescence are not duplicated in the cost estimate.

5. *External obsolescence*, also referred to as economic obsolescence, is the diminished utility of a structure due to negative influences from outside the site, and is usually incurable. Alternatively, external obsolescence is defined as any occurrence external to the physical characteristics of a property, which prevent it from achieving the level of rents that support the cost of construction. Based on market evidence, including land sales, improved sales, and rentals presented in this report, there is currently no market evidence that external obsolescence exists in the subject's market area.

COST APPROACH SUMMARY

Following is a summary of the previously discussed Cost Approach factors, followed by a conclusion with a value indication for the subject property through cost analysis:

COST SUMMARY - Church

Replacement Cost New (RCN):	
Building Area	
28,518 SF x \$147.25/SF (church)	\$4,199,276
Plus Indirect Costs @ 7%	+293,949
Sub-Total:	\$4,493,225
Plus Entrepreneurial Profit @ 10%	+449,323
Total RCN:	\$4,942,548
Less Accrued Depreciation:	
Physical Incurable @ 70% (35 years effective age/ 50 years economic life).....	-3,459,783
Depreciated Value of Church Structure:	\$1,482,764

COST SUMMARY – Educational Wing

Replacement Cost New (RCN):	
Building Area	
48,436 SF x \$96.31/SF (educational wing).....	\$4,664,871
Plus Indirect Costs @ 7%	+326,541
Sub-Total:	\$4,991,412
Plus Entrepreneurial Profit @ 10%	+499,141
Total RCN:	\$5,490,553
Less Accrued Depreciation:	
Physical Incurable @ 50% (25 years effective age/ 50 years economic life).....	-2,745,277
Depreciated Value of Educational Wing Structure:	\$2,745,277

COST SUMMARY - Gymnasium

Replacement Cost New (RCN):

Building Area
9,730 SF x \$116.61/SF (gymnasium)1,134,615

Plus Indirect Costs @ 7% +79,423

Sub-Total:\$1,214,038

Plus Entrepreneurial Profit @ 10% +121,404

Total RCN:\$1,335,442

Less Accrued Depreciation:

Physical Incurable @ 50% (20 years effective age/ 40 years economic life)..... -667,721

Depreciated Value of Gymnasium Structure:\$667,721

FINAL COST APPROACH SUMMARY

Depreciated Value of All Buildings:\$4,895,762

Plus Depreciated Site Costs:

Asphalt Paving, Lighting, Landscaping, etc.
(216,419 SF x \$3.00/SF x 50%)..... +324,629

Sub-Total:\$5,220,391

Plus Estimated Site Value (303,103 SF x \$20.00/SF)..... +6,062,000®

Indicated Value of Property:.....\$11,282,391

Rounded to.....\$11,300,000

Fee Simple Opinion of Market Value

“As Is” (December 10, 2009)

via Cost Approach:

\$11,300,000 (\$130.00/SF)

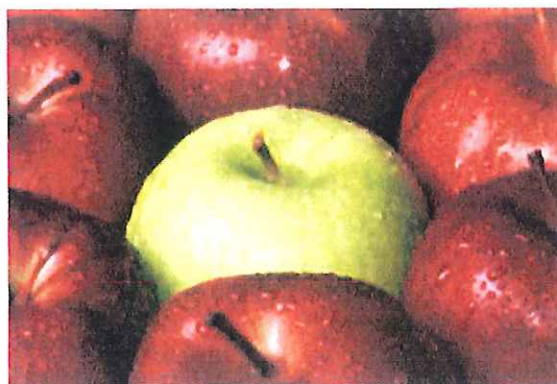
Sales Comparison Approach

Sales Comparison Approach...

Within the Sales Comparison Approach, market value is estimated by comparing the subject property to similar properties that have recently sold, are currently listed, or for which offers to purchase have been made. A major premise of the Sales Comparison Approach is that the market value of a property is directly related to the prices of comparable, competitive properties. This approach is most useful when a number of similar properties have sold or are currently listed for sale in the competing market. Using this approach, an appraiser produces an indication of value by comparing the subject property to similar properties called comparable sales. The sale prices of the comparable sales tend to set a range in which the value indication for the subject property falls. The appraiser considers and compares all differences between the comparable properties and the subject property that could affect their values. Adjustments for differences are made to the price of each comparable property to make the comparables equal to the subject property as of the date of the appraisal. Elements of comparison are the characteristics of properties and transactions that cause the prices paid for real estate to vary.

Common elements of comparison that should be considered in the Sales Comparison Approach include:

- real property rights conveyed;
- financing terms;
- conditions of sale;
- market conditions (date of sale);
- location;
- physical characteristics; and,
- income characteristics.



Furthermore, sales comparison analysis may be used in conjunction with the Income Approach as well as to value land in the cost approach. Capitalization rates and factors extracted from market analysis of comparable properties may be applied to the income projection for the subject property to derive an indication of value by the Income Approach.

**JUSTIFICATION FOR OMISSION
OF SALES COMPARISON
ANALYSIS**

Because of its mixed use status, the subject is considered a special use property. I was unable to locate any sales of comparable properties with a similar property mix; thus, the approach was deemed unsupported and not applicable to this assignment.

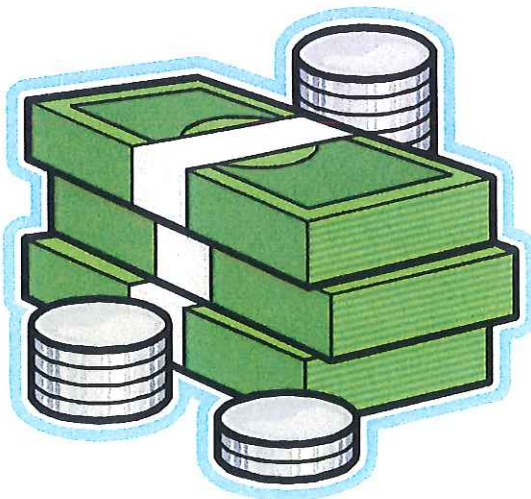


Income Approach

Income Approach

Income-Producing real estate is typically purchased as an investment, and from the investor's point of view, earning potential is the critical element affecting property value.

The Income Approach consists of methods, techniques, and mathematical procedures that an appraiser can use when analyzing a property's potential to generate monetary benefits and when converting the benefits into an indication of present value. Value is created by the expectation of benefits to be derived in the future, and value may be defined as the present worth of all rights to future benefits. All income capitalization methods, techniques, and procedures represent attempts to quantify expected future benefits.



The Income Approach considers the rent potential of the subject property under market conditions, less stabilized vacancy and collection losses, less anticipated owner's expenses. Once the net operating income is forecasted, an overall capitalization rate must be determined which can be used to convert the net operating income into an opinion of value. This method is known as direct capitalization.

If appropriate to the appraisal problem, a discounted cash flow model (DCF) can be developed which will incorporate the affect of anticipated lease rate and expense changes over the life of any existing leases, as well as the reversionary value of the property at the termination of a projected holding period. While direct capitalization converts a single year's net operating income into a present value estimate through the application of an overall capitalization rate, a discounted cash flow analysis estimates the present value of a series of future income streams through a discounting process.

INCOME VALUATION ANALYSIS

The Income Capitalization Approach considers the rent potential of the subject property under lease conditions, less stabilized vacancy and collection loss, and anticipated owner's expenses. Once the net operating income is forecasted, an overall capitalization rate can be determined that can be used to convert the net operating income into an estimate of value. This method is known as direct capitalization. *Direct capitalization is the most*

acceptable method of valuation in the local market. Consequently, direct capitalization analysis has been used herein.

Comparable Rentals

A rental survey of charter school facilities was performed. I focused my attention on facilities in Albuquerque. Following is a summary of the most comparable facilities found for analysis. Photographs of the comparable rentals are presented in the *Addenda*.

SUMMARY OF CHARTER SCHOOL RENTALS

Comparable	#1	#2	#3	#4	#5
Address	3821 Singer NE	2120 Atrisco NW	7939 Fourth NW	3713 Isleta SW	4261 Balloon Park
Gross Bldg Area	15,040 SF	35,420 SF	36,080 SF	29,500 SF	10,781 SF
Floor Area Ratio	0.30	0.13	0.13	0.21	0.24
Lease Began	Aug-08	Aug-03	Aug-03	Aug-02	May-06
Current Lease Rate/SF	\$10.37	\$11.78	\$11.57	\$12.24	\$12.49
Lease Structure	MG	NNN	NNN	NNN	NNN
Adjust to NNN	-\$2.50	-	-	-	-
Adjusted Rate/SF	\$7.87	\$11.78	\$11.57	\$12.24	\$12.49
Comments	Effective Age 10 yrs	New construction at commencement of lease	New construction at commencement of lease	Conversion from retail facility.	Effective Age 10 yrs

NNN Triple Net Lease
MG Modified Gross Lease

Analysis of Rentals: As shown, market rents range from \$7.87 to \$12.49 based on triple-net leases. Rentals #1 and #5 have effective ages of approximately 10 years; Rentals #2 and #3 were new construction at commencement of the leases; and, Rental #4 was the conversion/refurbishment of a retail facility. The lease rates shown above are "current".

The opinion of value in the Cost Approach was \$11,282,000. Multiplying this value by a desired rate of return of 10.00% indicates a required net operating income of \$1,128,200, or \$13.02, say \$13.00 per square foot (\$1,128,200 divided by

86,684 SF).

Potential Gross Income: From cost analysis, considering the physical characteristics of the subject property, *market rent is estimated at \$13.00 per square foot, triple net. Although this lease rate is slightly higher than those shown, none of the comparables have gymnasiums, which enhances the facility, providing quality space for athletic events, etc. As such, the opinion of market rent is deemed reasonable.*

Net Operating Income Pro-Forma

Following is the net operating income pro-forma based on the analysis presented. As noted, under a triple net lease structure such as the subject's, the tenant is responsible for real estate expenses excluding management and major structural repairs/maintenance. Albuquerque area investors do not usually recognize leasing fees or reserves for replacement as operating expenses; therefore, deduction of these items as expenses does not conform to market perceptions. Informal surveys

of the charter school market sector indicate vacancies are dependent on location and physical characteristics, as is the case in most commercial real estate market segments. Considering the physical and locational characteristics of the subject, a stabilized vacancy and credit loss of 5% is forecast over the life of the subject. Management/administration and occasional major structural maintenance/repair items are estimated at 5% of annual effective gross income (3% for management due to triple net lease, and 2% for major structural maintenance and repairs).

NET OPERATING INCOME PRO-FORMA

	\$/SF or %	Total
Potential Gross Income (PGI) 86,684 SF	\$13.00	\$1,126,892
Vacancy & Collection (5% of PGI)	5%	-56,345
Effective Gross Income (EGI)	\$37.58	\$1,070,547
Mgmt/Admin/Maint/Rep (5% of EGI)	5%	-53,527
Net Operating Income (NOI)	\$35.71	\$1,017,020

Estimation of Overall Capitalization Rate

No comparable improved sales were found for valuation analysis. However, a Charter School was sold in October 2006 for \$116.84 per square foot for a 14,122 square foot facility in the Northeast Heights of Albuquerque. The sale reflected an overall capitalization rate of 8.79%. A Charter School was listed for sale, but was subsequently leased for five years. If this facility were to have been sold, an overall capitalization rate of approximately 8.75% would have been realized. From this analysis, rates from 8.75% to 8.79% are indicated.

Based on interest rates ranging from 6.0% to 7.0%, a loan-to-value ratio of 75%, an equity dividend rate of 8%, 20 year amortization periods,

and a debt coverage ratio of 1.20, overall capitalization rates would range from 8.45% to 8.98% by Band of Investment techniques, and from 7.74% to 8.37% by Debt Coverage Ratio techniques.

Based on commercial sales activity throughout the metro in recent months, an overall capitalization rate of 9.00% is deemed reasonable to apply to the projected net operating income for the subject facility.

Direct Capitalization of NOI

Following is the market value indication is derived by dividing the projected net operating income by the overall capitalization rate.

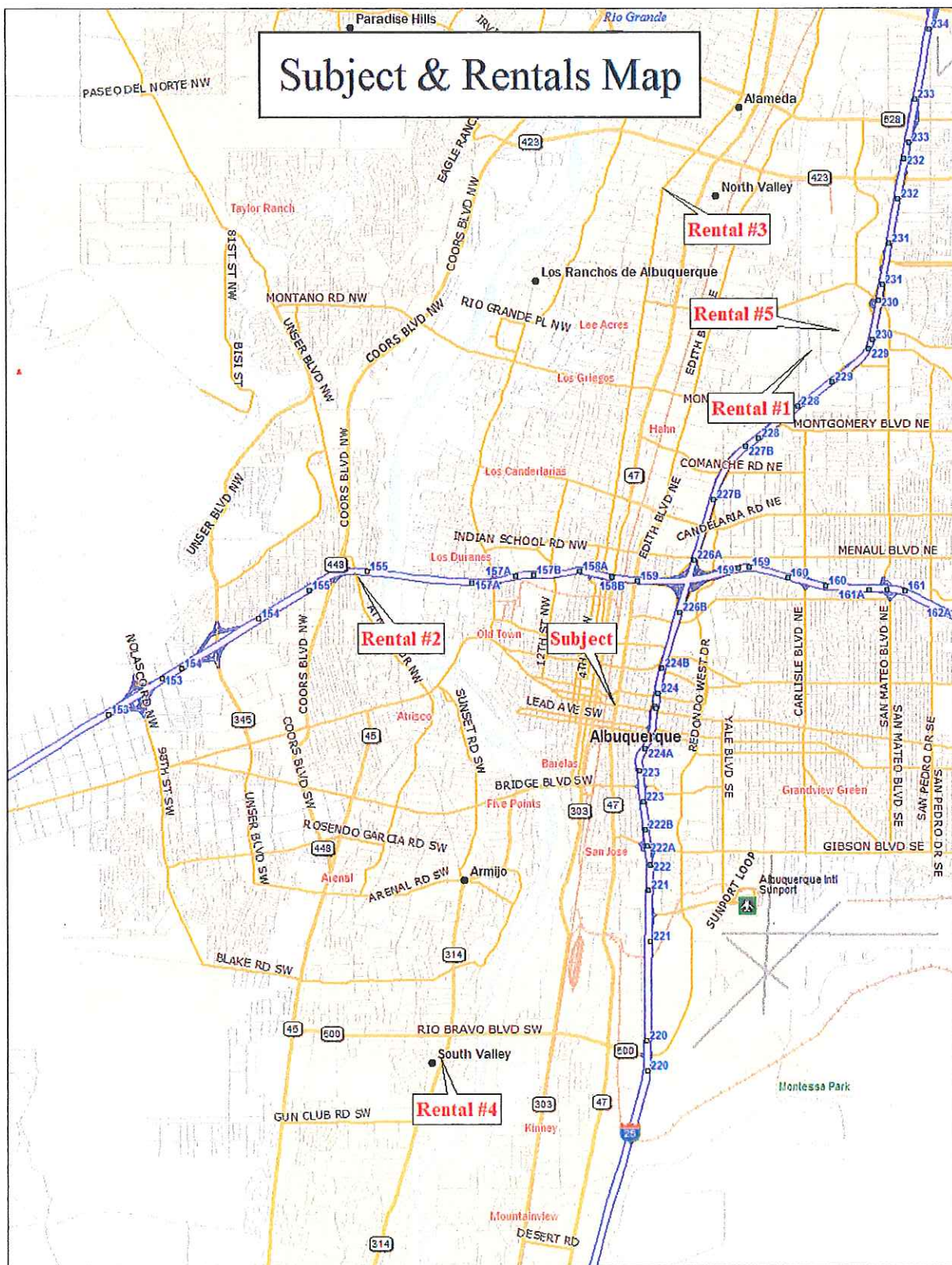
DIRECT CAPITALIZATION OF NOI

Net Operating Income for Both Facilities	\$1,017,020
Divided by Overall Capitalization Rate	<u>0.0900</u>
Market Value	\$11,300,222
Rounded To.....	<u>\$11,300,000</u>

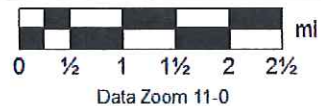
*Opinion of "Fee Simple"
Market Value "As Is"
(December 10, 2009)
via Income Approach
\$11,300,000 (\$130.00/SF)*

FIGURE 3
Rentals Location Map

Subject & Rentals Map



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Final Reconciliation

Reconciliation & Final Opinion of Value

An appraisal report is performed to answer a client's question about real estate. In answering this question, appraisers follow the valuation process whereby the appraisers identify, gather, and analyze general and specific data; determine the subject property's highest and best use; and apply the Cost, Sales Comparison, and Income Approaches, as warranted by the question, and as suggested by the available data. Often, more than one approach is applied, and typically, each approach results in a different indication of value. Resolving the differences among various value indications is called reconciliation; i.e. the analysis of alternative conclusions to arrive at a final opinion of value.

To prepare for reconciliation, appraisers review the entire appraisal making sure that the data available and the analytical techniques, rationales, and logic applied have led to consistent judgments. The data is reviewed to ensure that it is authentic, pertinent, and sufficient. Appraisers should examine the differences in the conclusions derived from the various approaches, apply tests of reasonableness to these primary conclusions, and resolve any inconsistencies. Finally, the logic employed throughout the valuation process is scrutinized.

Reviewing an appraisal helps substantiate its accuracy, its consistency, and the logic leading to the value indications. Appraisers rely more on professional experience, expertise, and judgment in reconciliation than in any other part of the valuation process. Appraisers weigh the relative significance, applicability, and defensibility of each value indication, relying most heavily on the approach that is most appropriate to the nature of the appraisal. All factors that influence the assignment are brought into focus and related to the client's question, which ultimately guides the appraiser's deliberations. In the reconciliation section of the report, appraisers explain variations among the indications derived within the different approaches and account for any inconsistencies between the value conclusions and methods with which they were derived.

Reconciliation requires educated appraisal judgment based on a careful, logical analysis of the procedures that lead to each value indication. Appropriateness, accuracy, and quantity of evidence are the criteria with which appraisers form a meaningful, defensible final opinion of value. The value conclusion must be consistent with market thinking, and the quantity of data used should correspond to the amount of data the market considers relevant to the appraisal problem.

