

JOSHUA CANNON & ASSOCIATES, INC.

APPRAISAL & ADVISORY SERVICES FOR NEW MEXICO REAL ESTATE

NARRATIVE APPRAISAL REPORT

VACANT LAND

Sunshine Terrace Avenue SE
West of University Boulevard
ALBUQUERQUE, NEW MEXICO

PROPERTY OWNER

Steven & Gina DeBlasie

Appraisal Project 27455

EFFECTIVE DATE

September 6, 2015

PREPARED FOR

Thomas M. Neale
Director of Real Estate
The University of New Mexico
2811 Campus Boulevard NE
MSC06 3595
1 University of New Mexico
Albuquerque, New Mexico 87131

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September 14, 2015

Thomas M. Neale
Director of Real Estate
The University of New Mexico
2811 Campus Boulevard NE
1 University of New Mexico
MSC06 3595
Albuquerque, New Mexico 87131

Reference: Appraisal Report
Vacant Land
Sunshine Terrace Avenue SE
West of University Boulevard
Albuquerque, New Mexico
Property Owner: Steven & Gina DeBlassie

We have completed an appraisal of the above referenced property and we are pleased to submit the accompanying narrative report of our findings and conclusions. The objective of the appraisal was to estimate the fair market value of the fee simple interest in the property, subject to assumptions and limiting conditions stated in the report. Our analysis indicates the following value of the property.

Effective Date	September 6, 2015
Estimated Fair Market Value	\$40,100

The client engaged the engineering firm of Bohannon Huston, Inc. to perform cost estimates relating to the construction of infrastructure and the remediation of uncontrolled fill. A copy of the engineering report provided is included in the Appendix of this report. This appraisal relies on this report to make valuation adjustments for physical conditions present at the subject property and it is assumed to be accurate.

The main body of our report provides you with our method of study as well as the limitations placed on the work product by the undersigned. Please read these limitations carefully so you may understand our conclusions clearly. In preparing this study, our conduct has been governed by the Code of Ethics of the various professional organizations of which we are members.

This opportunity to provide appraisal services to your organization is appreciated, and questions from authorized users of the report will be welcomed if any aspect of the research or analysis requires clarification.

JOSHUA CANNON & ASSOCIATES, INC.


Joshua Cannon, MAI

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Executive Summary

Project: Vacant Land

Location: Sunshine Terrace Avenue SE, west of University Boulevard, Albuquerque, New Mexico

Client: Thomas M. Neale
Director of Real Estate
University of New Mexico
2811 Campus Boulevard NE
MSC06 3595
1 University of New Mexico
Albuquerque, New Mexico 87131

Legal Description: Lot 5, Block A, Sunshine Terrace Addition

Property Owner: Steven & Gina DeBlasie

Property Rights Appraised: Fee simple estate

Land Area per Surveys: 0.1720 acre, or 7,492 square feet

Zoning: R-1, Residential Zone

Important Appraisal Information: The subject property is a portion of 59 platted lots in the Sunshine Terrace Addition located west of University Boulevard. Sunshine Terrace Avenue is not improved with asphalt paving west of University Boulevard, and the only utility service in its right-of-way is sewer. The installation of typical street and utility infrastructure is required to develop the lots. There are three private ownerships in this portion of Sunshine Terrace Addition with a total of five lots, and the University of New Mexico owns the remaining 54 lots. Sunshine Terrace Avenue is a platted and dedicated street, and it is assumed that an improvement district can be created to install infrastructure. In this appraisal, it is assumed that all 59 lots would be assessed a pro rata share of the infrastructure cost.

Highest and Best Use: Apartment development

Estimate of Fair Market Value: \$40,100

Effective Date of Appraisal: September 6, 2015

Overview of the Subject Property

The subject property is a 7,492-square-foot lot in the Sunshine Terrace Addition in Albuquerque, New Mexico. It is located on the north side of Sunshine Terrace Avenue, approximately 1,200 feet west of University Boulevard, in the southeast quadrant of the city. Sunshine Terrace Avenue is not improved with asphalt paving west of University Boulevard, and the only utility service immediately available to the subject is sewer. The lot is zoned for single-family residential use.

Exhibits in the *Appendix* of this report show the subject property's configuration and specific location.

Client, Intended Use & Intended Users of the Appraisal

The appraisal is for use by the Regents of the University of New Mexico in connection with the planned acquisition of the identified property. The intended users are the Regents of the University of New Mexico, their consultants and the New Mexico governmental agencies that may review the appraisal as part of the transaction process. The client is the University of New Mexico.

Effective Date of Appraisal

The effective date of this appraisal is September 6, 2015, which is the date of the primary site inspection. The property was also inspected on multiple other dates. The date of the report is shown on the transmittal letter.

Legal Identification

The subject property is legally described as Lot 5, Block A, Sunshine Terrace Addition. A survey with a metes & bounds legal description for the subject land is included in the *Appendix*.

History of Ownership

The ownership of the subject land is shown to be Steven and Gina DeBlassie. They received title by warranty deed recorded on March 17, 2011. The sellers were Samuel Montoya and Josie Montoya; and the John P. Montoya and Helen S. Montoya Family Trust. The sale price was \$40,000 as confirmed by my interviews with Steven DeBlassie, Samuel Montoya and John Montoya. The property was not listed for sale and the DeBlassie's made an unsolicited offer that was accepted. The Montoya's had owned the property for multiple decades. To my knowledge, the property is not currently listed for sale and there are no pending purchase contracts or offers.

Scope of the Assignment

The assignment is to prepare a fair market value appraisal of the property identified above, and to deliver a narrative Appraisal Report of the findings and conclusions.

The appraisal applies the sales comparison approach to value. The Cost Approach measures the contributory value of improvements from an estimate of replacement cost new, less depreciation. The subject is vacant land and the Cost Approach is not relevant. The Income Approach is based on net income expectancy and the capital requirements of typical investors in the market. The capitalization process converts net income expectancy into a value estimate. The subject property is a small parcel of residential land and its potential to generate rental income is limited. Buyers do not consider rental income when evaluating acquisition prices for this property type and therefore the Income Approach is not applicable. The report is intended to comply with the Appraisal Foundation's Uniform Standards of Professional Appraisal Practice, and the Appraisal Institute's Standards of Professional Practice.

The scope of work is intended to mirror the thought process of potential purchasers, and included inspection of the appraised property and competing market areas, a market study of the multifamily housing real estate markets, and analysis of land sale data relevant to the subject property type.

The collection, confirmation, reporting and interpretation of the market data are presented in the applicable sections of this report. The sources of market data included in-file information, public land records,

interviews with real estate market participants, and databases administered by Southwest Multiple Listing Service, Commercial Association of Realtors – New Mexico, and LoopNet. Joshua Cannon, or individuals regarded as reliable, have personally verified the comparable land sales relied upon in the *Valuation* Section. Joshua Cannon personally inspected the subject property and the comparables.

The estimate of value is subject to an extraordinary assumption set forth in a following section of this report.

Market Value and Fair Market Value Defined

The definition of market value ordinarily used in an appraisal is dictated by the Uniform Standards of Professional Appraisal Practice (USPAP). It is as follows:

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 both acting in what they consider their own best interest;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Source: Department of the Treasury, Office of the Comptroller of the Currency, 12 CFR Part 34 [Docket No. 90-16], Real Estate Appraisals, published in the Federal Register, Vol. 55 No. 165, August 24, 1990: Final Rule.

There is an exception to the USPAP requirement of using this definition of market value where the matter under appraisal may be subject to litigation. Under these circumstances the appraiser must conform to the legal definition of market value used in the appropriate jurisdiction. Because this assignment could potentially be involved in an eminent domain action, the appraisal has deviated from the above definition and applied the definition of market value used by the state courts of New Mexico.

New Mexico case law has defined fair market value for purposes of eminent domain. This definition has been incorporated into the New Mexico Uniform Jury Instructions as follows:

Fair market value is considered to be the highest amount of cash a willing seller would take, and a willing buyer would offer, for the property if it were offered for sale in the open market for a reasonable time to find a purchaser, buying with knowledge of all the uses to which the property is suitable or adaptable, the seller not being required to sell nor the purchaser being required to purchase. *New Mexico Uniform Jury Instruction 13-711.*

The most important difference between these two definitions is that the USPAP definition requires an estimation of the “most probable price,” whereas the UJI definition calls for “the highest amount of cash.”

Property Rights Appraised

Fee simple estate is defined as 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.

Source: Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, 2010

Extraordinary Assumption

The client engaged the engineering firm of Bohannon Huston, Inc. to perform cost estimates relating to the construction of infrastructure and the remediation of uncontrolled fill. A copy of the engineering report provided is included in the *Appendix* of this report. This appraisal relies on this report to make valuation adjustments for physical conditions present at the subject property and it is assumed to be accurate.

General Underlying Assumptions

1. The legal description used in this report is assumed to be correct.
2. No survey of the property has been made by the appraiser; no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.
3. No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and merchantable.
4. Information furnished by others is assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser.
5. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report. The property is appraised as though under responsible ownership and competent management.
6. It is assumed that there are no hidden or unapparent conditions of the property, such as subsoil structures or asbestos containing building materials which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors.
7. The appraiser has noted in the appraisal report any adverse conditions (such as needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he became aware of during the normal research involved in performing the appraisal. Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property.
8. It is assumed that all applicable federal, state and local environmental regulations and laws have been complied with unless otherwise stated, defined and considered in the appraisal report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report.

General Limiting Conditions

1. The appraiser will not be required to give testimony or appear in court because of having made this appraisal, or with reference to the property in question, unless arrangements have been previously made.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser and in any event only with proper written qualification and only in its entirety.
3. Neither all nor any part of the contents of this report, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales or another media without written consent and approval of the appraiser, nor shall the appraiser, firm or professional organization of which the appraiser is a member be identified in public media without written consent of the appraiser.

Albuquerque Profile

This section of the report summarizes the city's economic base, its demographic and land-use trends, and the current development climate for real estate. The appraised property is located in the Sunrise Terrace Addition in the southeast quadrant of Albuquerque, New Mexico.

Geographic Area

The Albuquerque metropolitan area is located near the geographic center of New Mexico, situated on a high plateau along the Rio Grande just west of the Sandia and Manzano Mountains. The city covers 188 square miles and serves as the state's commercial, industrial, and transportation center. According to the U.S. Census Bureau, the state's 2010 population was 2,059,179, and the Albuquerque metropolitan area population was 887,077. The Albuquerque Metropolitan Statistical Area includes Bernalillo County, the city of Albuquerque, the city of Rio Rancho as well as Sandoval, Valencia and Torrance Counties. Santa Fe, the state capital, is 65 miles to the north. The state capital, with a 2010 metropolitan-area population of 144,170, is a much smaller city than is Albuquerque.

Albuquerque is relatively isolated, with no significant sub-regional commerce centers between itself and Phoenix, 450 miles to the west; Denver, 420 miles to the north; Dallas, 650 miles to the east; and El Paso, 300 miles to the south. Albuquerque is well served by interstate highways and major airlines.

Historic Development Pattern

The Albuquerque metropolitan area is geographically divided into three distinct areas: the East Mesa, the Valley, and the West Mesa. Initial European settlement occurred in the valley area, where Spanish colonists settled the flood plain of the Rio Grande in the vicinity of "Old Town" in the 1600s. Downtown Albuquerque originated in the late 1800s, when the railroad placed its tracks about one and one-half miles east of the Old Town Plaza. For approximately 70 years, from the arrival of the railroad to the development of the first suburban shopping mall in 1961, Downtown Albuquerque was the center of government and commerce for the growing area. In subsequent years, Downtown workers and residents followed the national trend of out-migration to the suburbs (1960s and 1970s).

Residential and institutional growth took place largely on the East Mesa during the period 1930 to 1960. The direction of growth extended east from Downtown along old US Route 66, which was the east-west intra-city and interstate roadway until the freeways were developed in the 1960s. The establishment of the University of New Mexico, the state fair grounds, Albuquerque International Airport, Kirtland Air Force Base, Sandia National Laboratories (scientific and weapons research), and four regional hospitals on the East Side propelled this growth and created the economic base of modern Albuquerque as well. This early growth area is generally identified as the Southeast Heights and University area, and contains several high-demand residential neighborhoods.

Beginning in the early 1960s, development continued on the East Mesa, but shifted north of I-40 and east of I-25 to what is now known as the Northeast Heights. The boom in population growth and housing during the 1960s-1990s made the "Heights" the largest and most prosperous regional development area. This area was laid out on a grid system with primary arterials placed along the section lines in accordance with the government-survey system. Until more recent planning and development, strip commercial and multifamily land uses were placed along the major arterials, forming a buffer for the single-family residential neighborhoods within the square-mile sections. Beginning in the 1980s, curved streets and clustered non-residential uses became the typical style of development. The easternmost area of the Northeast Heights has a preferred location at the base of the Sandia Mountains and should remain in high demand for residential buyers for the foreseeable future. The foothills area contains much of the region's most expensive housing.

The city's second major urban center, called "Uptown," was created near I-40 and Louisiana Boulevard at the approximate center of East Side development. Initiated in the 1960s when two regional shopping centers were developed within a quarter mile of each other, Uptown was Albuquerque's fastest-growing commercial and financial center during the 1970s and 1980s. It continues to be a major retail and office district.

The supply of land on the East Mesa is effectively absorbed and the primary development emphasis is now in the “West Mesa,” or the western portion of the metro area, which includes the submarkets of Southwest Mesa, Northwest Mesa and Rio Rancho. Initially, the West Mesa competed primarily on the basis of less expensive land and suffered due to poor transportation linkages and inferior services. These impediments have been overcome; however, the major employment centers are primarily east of the Rio Grande and commuter traffic congestion is a material problem. The 12,612-acre Mesa del Sol master plan located on I-25 at the south end of Albuquerque is now developing and the first homes came on-line in 2012. This project has already attracted some major employers and it will eventually capture a significant percentage of new housing permits.

Population Trends

The 2010 population for Albuquerque was 545,852, according to the U.S. Census. The city’s population grew at 7.59% per year during the 1950s, and the growth rate has typically averaged near two percent per year from the 1960s through the present.

Population growth 1950 to 2010 in the city of Albuquerque and Bernalillo County is shown in the following chart.

US Bureau of the Census Population Figures: 1950 – 2010

Year	City of Albuquerque		Bernalillo County	
	Total Persons	Growth Rate*	Total Persons	Growth Rate*
1950	96,815	---	145,637	---
1960	201,189	7.59%	262,199	6.05%
1970	244,501	1.97%	315,774	1.88%
1980	332,336	3.12%	420,262	2.90%
1990	386,988	1.53%	480,577	1.35%
2000	448,607	1.49%	556,678	1.48%
2010	545,852	1.98%	662,564	1.76%

*Annual compound rate of growth.

Note: Bernalillo County data encompasses the same land area from year to year. The City of Albuquerque’s land area has undergone changes due to annexation.

Source: US Bureau of the Census

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The University of New Mexico and its Bureau of Business and Economic Research (UNM BBER) is regarded as the leading research and forecasting entity in New Mexico for population and economic data, and they published period population estimates. Their most recent estimate is shown below.

Albuquerque MSA Projected Population – Estimate from November 2012

County	2010	2015	2020	2025	2030	2035	2040
Bernalillo	664,636	721,153	780,244	835,325	886,564	932,091	970,371
Sandoval	132,434	154,048	176,276	198,950	221,644	243,897	265,607
Torrance	16,383	16,927	17,589	18,266	18,865	19,344	19,801
Valencia	<u>76,735</u>	<u>82,644</u>	<u>88,380</u>	<u>93,726</u>	<u>98,589</u>	<u>102,949</u>	<u>106,830</u>
Total Metro Area	892,198	976,787	1,064,509	1,148,292	1,227,692	1,300,316	1,364,649
Annual % Growth	-	1.83%	1.73%	1.53%	1.35%	1.16%	0.97%

Source: Geospatial and Population Studies Group, University of New Mexico. Released November 2012.

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Employment

Albuquerque's economic base is nearly three-fourths trade, services, and government. Federal spending is a significant factor in the local economy, given the influence of Kirtland Air Force Base and Sandia National Laboratories, a major federal contractor in research and development of energy, weapons, and space exploration.

Since 1994, the average annual job growth has fluctuated from -3.9% to over 4% in the metropolitan area. Employment increases have been mainly in transportation, warehousing & utilities, retail trade, information, education & health services, government, and leisure & hospitality. Manufacturing experienced a decline due to the layoffs at Intel, and construction has had significant job losses since 2007.

The following table shows growth in the number of persons employed in the Albuquerque Metropolitan Statistical Area (MSA), the state of New Mexico, and the United States since 1994. The Albuquerque MSA includes Bernalillo, Sandoval, Valencia and Tarrant Counties. (Note that starting in 2004 annual averages for labor force and number employed reflect a new DOL methodology in which workers are counted in the county of residence instead of job location. This may have overstated the growth in employed persons in the MSA for 2004.)

Historical Employment Information (Civillian Labor Force)

	ABQ Metro Area			New Mexico			United States		
	Number Employed (000's)	Percent Change	Unemployment Rate	Number Employed (000's)	Percent Change	Unemployment Rate	Number Employed (000's)	Percent Change	Unemployment Rate
1994	319.8	5.68%	4.4%	729.3	4.51%	6.3%	123,060	2.33%	6.1%
1995	328.9	2.85%	4.1%	741.4	1.66%	6.3%	124,900	1.50%	5.6%
1996	326.7	-0.67%	5.4%	733.6	-1.05%	8.1%	126,708	1.45%	5.4%
1997	339.4	3.88%	4.3%	763.3	4.04%	6.2%	129,558	2.25%	4.9%
1998	344.7	1.57%	4.5%	779.7	2.15%	6.2%	129,558	0.00%	4.5%
1999	339.4	-1.54%	3.9%	764.2	-1.99%	5.6%	131,463	1.47%	4.2%
2000	355.6	4.77%	4.1%	810.0	5.99%	5.0%	136,891	4.13%	4.0%
2001	359.7	1.15%	4.3%	821.0	1.36%	4.9%	136,933	0.03%	4.7%
2002	357.5	-0.61%	5.1%	823.2	0.27%	5.5%	136,485	-0.33%	5.8%
2003	360.0	0.70%	5.5%	835.8	1.53%	5.9%	137,736	0.92%	6.0%
2004	366.5	1.81%	5.3%	850.0	1.70%	5.8%	139,252	1.10%	5.5%
2005	373.1	1.80%	4.9%	866.3	1.92%	5.2%	141,730	1.78%	5.1%
2006	385.2	3.24%	3.9%	886.7	2.35%	4.1%	144,427	1.90%	4.6%
2007	391.4	1.61%	3.4%	903.9	1.94%	3.5%	146,047	1.12%	4.6%
2008	389.8	-0.41%	4.6%	904.7	0.09%	4.5%	145,362	-0.47%	5.8%
2009	373.1	-4.28%	7.1%	870.3	-3.80%	6.9%	139,877	-3.77%	9.3%
2010	365.4	-2.06%	8.3%	856.0	-1.64%	8.0%	139,064	-0.58%	9.6%
2011	363.2	-0.60%	8.0%	854.0	-0.23%	7.6%	139,869	0.58%	8.9%
2012	363.2	0.00%	7.5%	860.0	0.70%	7.1%	142,469	1.86%	8.1%
2013	363.8	0.17%	7.2%	862.6	0.30%	6.9%	143,929	1.02%	7.2%
Dec 14	365.8	0.54%	6.4%	869.8	0.84%	6.1%	147,442	2.44%	5.6%

Source: New Mexico Department of Workforce Solutions and BBER
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Total non-agricultural employment by category is summarized below for the Albuquerque MSA. The most recent year with data available is 2011.

Employment According to Categories: Albuquerque MSA (Nonagricultural)

	Annual 1990	Annual 2000	%Δ 1990-00	Annual 2010	December 2014	%Δ 2010-14
Total Employment	271,400	357,400	31.7%	371,600	374,400	0.8%
Total Private	216,300	288,400	33.3%	288,300	290,500	0.8%
Goods Producing	37,600	51,100	35.9%	38,900	35,700	-8.2%
Services Providing	178,700	237,300	32.8%	249,400	254,800	2.2%
Mining Logging & Const.	14,800	23,600	59.5%	21,300	19,500	-8.5%
Manufacturing	22,800	27,600	21.1%	17,600	16,200	-8.0%
Wholesale Trade	13,200	14,200	7.6%	11,700	11,100	-5.1%
Retail Trade	32,600	41,400	27.0%	40,800	43,200	5.9%
Transportation, Warehousing & Utilities	8,000	10,700	33.8%	9,500	10,200	7.4%
Information	6,700	11,100	65.7%	8,700	7,900	-9.2%
Financial Activities	16,800	19,400	15.5%	17,800	18,200	2.2%
Professional and Business Services	42,400	58,700	38.4%	57,400	54,600	-4.9%
Educational and Health Services	24,200	37,300	54.1%	54,700	60,900	11.3%
Leisure and Hospitality	26,000	33,600	29.2%	37,100	37,300	0.5%
Other Services	8,900	10,900	22.5%	11,800	11,400	-3.4%
Government	55,100	69,000	25.2%	83,300	83,900	0.7%

Source: New Mexico Department of Workforce Solutions

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The Albuquerque MSA is much more of a service economy than a manufacturing economy. Roughly 87% of the economy is attributable to the service sector. Government of all types, at 22%, constitutes the single largest category of jobs.

As described above, the University of New Mexico Bureau of Business and Economic Research (UNM BBER) is regarded as the leading research and forecasting entity in New Mexico for population and economic data, and they periodically publish a forecast of economic statistics, including employment. The forecast from July 2015 is shown on the following page.

Albuquerque MSA Employment, Thousands
Table Prepared for Joshua Cannon & Associates
July 2015 Forecast

	2013	2014	2015	2016	2017	2018	2019	2020
Total Employment (Thousands)	357.413	359.658	365.370	371.737	377.186	382.576	386.920	390.620
% Change Year Ago	0.7	0.6	1.6	1.7	1.5	1.4	1.1	1.0
Agriculture & Mining	0.742	0.708	0.741	0.752	0.763	0.775	0.785	0.796
% Change Year Ago	-0.3	-4.6	4.7	1.5	1.5	1.5	1.4	1.3
Construction	19.250	19.668	20.548	21.685	22.130	22.554	23.098	23.545
% Change Year Ago	3.5	2.2	4.5	5.5	2.1	1.9	2.4	1.9
Manufacturing	17.305	16.432	16.323	16.199	16.258	16.273	16.290	16.027
% Change Year Ago	-2.3	-5.0	-0.7	-0.8	0.4	0.1	0.1	-1.6
Wholesale Trade	11.329	11.623	11.722	11.859	12.033	12.179	12.317	12.434
% Change Year Ago	-2.3	2.6	0.9	1.2	1.5	1.2	1.1	1.0
Retail Trade	41.166	41.489	42.031	42.435	42.756	43.114	43.228	43.433
% Change Year Ago	0.9	0.8	1.3	1.0	0.8	0.8	0.3	0.5
Transport, Warehousing & Utilities	9.099	8.998	9.110	9.305	9.508	9.766	9.900	10.089
% Change Year Ago	2.2	-1.1	1.2	2.1	2.2	2.7	1.4	1.9
Information	7.902	7.609	7.832	7.870	8.046	8.266	8.278	8.419
% Change Year Ago	-3.0	-3.7	2.9	0.5	2.2	2.7	0.1	1.7
Finance & Insurance	10.824	11.231	11.433	11.520	11.607	11.694	11.781	11.867
% Change Year Ago	1.9	3.8	1.8	0.8	0.8	0.7	0.7	0.7
Real Estate, Rental & Leasing	5.233	5.083	5.124	5.175	5.205	5.250	5.272	5.290
% Change Year Ago	0.6	-2.9	0.8	1.0	0.6	0.9	0.4	0.3
Professional, Scientific & Tech. Svs.	27.859	28.470	29.151	29.934	30.723	31.287	31.712	32.149
% Change Year Ago	-1.1	2.2	2.4	2.7	2.6	1.8	1.4	1.4
Mgmt. of Companies & Enterprises	3.344	3.337	3.337	3.345	3.350	3.353	3.355	3.356
% Change Year Ago	1.1	-0.2	0.0	0.2	0.1	0.1	0.1	0.0
Administrative & Waste Mgmt.	24.414	23.878	24.196	24.796	25.319	25.952	26.307	26.431
% Change Year Ago	2.8	-2.2	1.3	2.5	2.1	2.5	1.4	0.5
Educational Services	4.909	5.190	5.205	5.302	5.403	5.501	5.592	5.681
% Change Year Ago	-0.2	5.7	0.3	1.9	1.9	1.8	1.7	1.6
Health Care & Social Assistance	49.002	49.920	51.618	53.178	54.592	55.837	57.048	58.143
% Change Year Ago	2.4	1.9	3.4	3.0	2.7	2.3	2.2	1.9
Arts, Entertainment & Recreation	4.321	4.311	4.444	4.613	4.717	4.831	4.937	5.033
% Change Year Ago	2.7	-0.2	3.1	3.8	2.3	2.4	2.2	1.9
Accommodation & Food Svs.	35.349	36.703	37.576	38.379	39.034	39.869	40.498	40.997
% Change Year Ago	2.5	3.8	2.4	2.1	1.7	2.1	1.6	1.2
Other Services & Unclassified	9.424	9.546	9.523	9.592	9.633	9.669	9.682	9.677
% Change Year Ago	-5.3	1.3	-0.2	0.7	0.4	0.4	0.1	0.0
Government	75.942	75.463	75.456	75.796	76.109	76.404	76.840	77.254
% Change Year Ago	-0.3	-0.6	0.0	0.5	0.4	0.4	0.6	0.5
	2013	2014	2015	2016	2017	2018	2019	2020
City of Albuquerque Total Housing (Thousands)	1.846	1.179	1.420	2.089	2.535	2.722	2.838	2.922
% Change Year Ago	10.2	-36.1	20.4	47.1	21.4	7.4	4.3	2.9
City of Albuquerque Single Family	0.849	0.873	1.114	1.369	1.771	1.942	2.019	2.069
% Change Year Ago	-8.7	2.8	27.6	22.9	29.4	9.7	3.9	2.5
City of Albuquerque Multi-Family	0.997	0.306	0.306	0.720	0.764	0.780	0.819	0.853
% Change Year Ago	33.8	-69.3	-0.1	135.5	6.2	2.1	5.1	4.1

Source: UNMBBER

The Albuquerque MSA had negative employment growth in 2008–2012 then turning to slightly positive in 2013–2014. UNM BBER forecasts job growth of 1.0%–1.7% per year from 2015–2020.

Following are some bullet points from the July 2015 UNM BBER report.

- In this forecast, 2014Q4 is the most recent quarter of employment data released by the New Mexico Department of Workforce Solutions (NMDWS). In total, 2,400 jobs (0.7%) were added in the Albuquerque MSA economy over the same quarter a year earlier. The private sector was generally the engine of growth as it added 2,836 jobs (1.0%) year-over-year. The government sector continued to drag down the total as 436 jobs (-0.6%) were lost in the quarter. The government sector has now shed jobs in fifteen of the last seventeen quarters.
- The healthcare & social assistance industry also performed strongly, as that sector added 1,332 jobs in the quarter (2.7%). This is the second consecutive quarter of growth at 2.5% or greater after performing sluggishly in 2013Q4 (1.4%), 2014Q1 (0.8%) and 2014Q2 (1.5%). The acceleration in 2014Q3 (2.5%) and 2014Q4 (2.7%) is likely related to the increase in Medicaid (transfer) payments to the state of New Mexico from the Affordable Care Act which began to appear in the income data in the second half of 2014.
- The construction sector is still slowly climbing out of a deep hole as the sector added 575 jobs in the fourth quarter (2.9%); this sector has now added jobs in each of the last nine quarters. Despite the recent gains, the slow rate of growth has kept employment in the sector at extremely low levels. With calendar year 2014 now in the books, employment now stands at 19,668 jobs, which is only 63% of the high reached in 2006. To shine an even brighter light on the depressed employment levels, prior to the Great Recession levels this low haven not been seen since 1993 (17,576 jobs).
- Similar to the last forecast narrative, eight private sector industries lost jobs year-over-year in the fourth quarter; however only two sectors were major drags. The largest losses of any sector in the economy were in manufacturing. That sector lost 872 jobs (-5.1%) in the quarter and has been in a downward spiral for quite some time. In calendar year 2014, the sector only stood at 16,432 jobs, which is down about 7,600 jobs from the peak reached in 2006. Also losing a large number of jobs in the quarter was the administrative & waste services sector (-600 jobs, -2.5%). This sector has been volatile for the last few years; however, employment in calendar year 2014 only averaged 23,878 jobs, which is around 5,500 jobs lower than the peak reached in 2007.
- Losses in the public sector were moderate; 436 jobs (-0.6%) were dropped. This sector has now shed jobs in fifteen of the last seventeen quarters. For the third consecutive quarter, the major drag was the local government subsector, as 551 jobs (-1.3%) were lost. The federal government subsector, while still weak, only lost 95 jobs (-0.7%) in the quarter. State government added a modest 210 jobs (1.0%) year-over-year. State government has now added jobs in each of the last ten quarters.
- For calendar year 2014, the Albuquerque MSA added 2,245 jobs (0.6%). Gains in the private sector totaled 2,724 (1.0%), while the public sector shed 479 jobs (-0.6%). Private sector gains were particularly strong in accommodation & food services (1,355 jobs, 3.8%), healthcare & social assistance (918 jobs, 1.9%) and professional & technical services (610 jobs, 2.2%). Losses were sharp in manufacturing (-873 jobs, -5.0%) and administrative & waste services (-536 jobs, -2.2%). In addition, the public sector was mixed with state government adding jobs (400 jobs, 1.9%) while the federal and local government subsectors combined to lose nearly 900 jobs.
- Total employment in the Albuquerque MSA is forecasted to accelerate in 2015 as the MSA is expected to add 5,712 jobs (1.6%); however, this constitutes a very slight downward revision compared to our April forecast. The private sector is forecasted to add 5,718 jobs for the year and grow at a steady 2.0%. The government sector, on the other hand, is expected to lose 6 jobs (-0.0%) in the year.
- The healthcare & social assistance sector is expected to be particularly strong and add 1,698 jobs (3.4%) as the impacts of Affordable Care Act continue to be felt in the economy. In particular, Medicaid dollars are flowing into the state at higher rates than originally expected. In particular, low and mid-level staff should see increased opportunity in the year.

- In a departure from recent trends, the construction sector should add the second-most jobs in the MSA. That sector should accelerate and add 880 jobs (4.5%), as single-family and multi-family construction slowly pick up pace in the second half of the year and as businesses increase the rate at which they make infrastructure improvements.

Real Estate Markets

The following table summarizes vacancy by market sector from year-end 1986–2014. Commercial real estate in Albuquerque experienced increases in vacancy during the recession and this lower occupancy has persisted for the office and industrial sectors. The average vacancy rate for retail properties has returned to pre-recession levels.

Real Estate Market Sector Vacancy: Year-end 1986–2014

Year	Retail Market	Office Market	Industrial Market	Apartment Market
1986	7.8%	20.9%	8.3%	13.2%
1987	10.4%	19.5%	8.4%	12.4%
1988	11.1%	19.3%	8.4%	11.0%
1989	14.1%	21.1%	8.0%	7.5%
1990	15.5%	22.4%	6.7%	7.2%
1991	15.1%	19.9%	5.5%	3.8%
1992	12.1%	17.6%	4.6%	3.3%
1993	10.1%	13.5%	5.2%	3.0%
1994	6.3%	10.9%	4.3%	3.1%
1995	5.4%	11.4%	4.0%	7.5%
1996	7.5%	10.7%	4.3%	8.5%
1997	8.1%	11.8%	3.8%	9.9%
1998	6.1%	13.3%	3.3%	11.6%
1999	6.4%	14.0%	3.1%	9.8%
2000	6.7%	12.7%	4.3%	7.5%
2001	10.5%	13.3%	3.2%	6.95%
2002	10.4%	14.2%	6.1%	10.0%
2003	10.3%	17.3%	8.1%	10.0%
2004	9.1%	13.4%	6.5%	5.8%
2005	8.8%	12.4%	10.5%	5.7%
2006	8.4%	13.4%	6.5%	7.1%
2007	8.0%	10.8%	5.9%	4.8%
2008	9.4%	13.1%	7.5%	7.3%
2009	10.8%	16.0%	9.3%	6.1%
2010	9.2%	18.0%	10.3%	4.2%
2011	9.4%	18.0%	10.3%	6.4%
2012	8.1%	18.9%	10.3%	6.7%
2013	7.6%	19.3%	9.3%	6.9%
2014	6.6%	20.9%	6.9%	5.7%

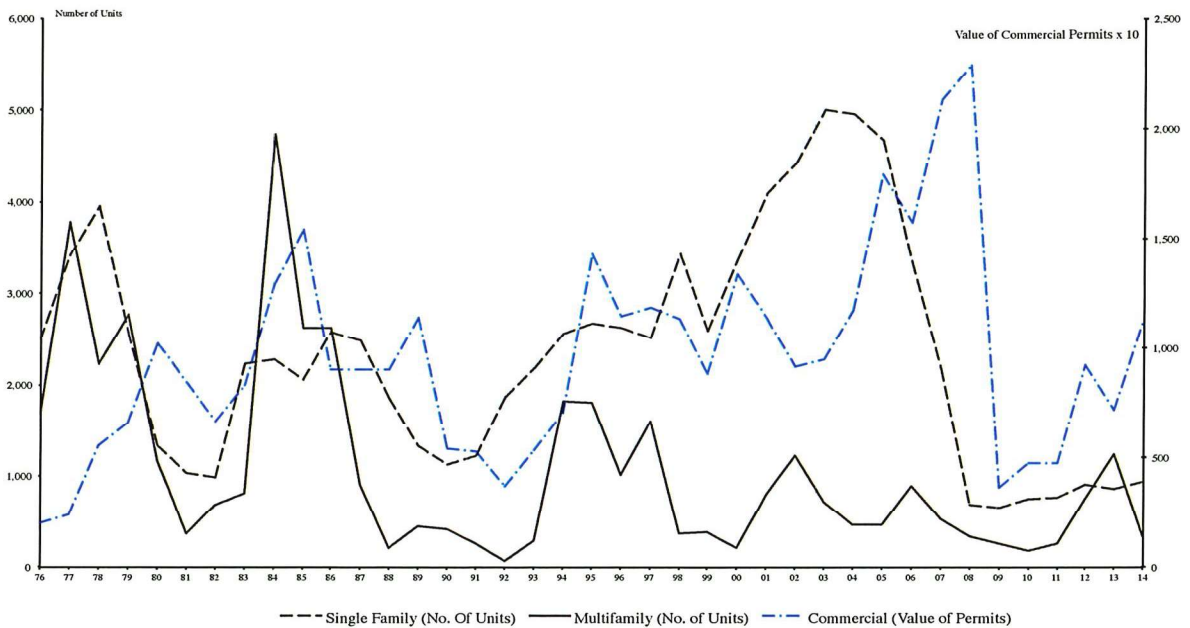
Sources: CBRE for Apartments and Colliers International for Retail, Office and Industrial

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The behavior of Albuquerque's real estate markets over the long term is shown in the following graph, which covers the period from 1976 to 2014.

City of Albuquerque Construction Permits: 1976–2014

	Single Family		Multi Family		Commercial	
	No. of Units	Value*	No. of Units	Value*	No. of Pmts.	Value*
1976	2,490	\$95.90	1,680	\$19.32	173	\$19.99
1977	3,406	\$128.46	3,768	\$50.86	171	\$23.79
1978	3,941	\$155.53	2,231	\$35.91	200	\$55.25
1979	2,579	\$120.34	2,771	\$50.24	239	\$65.97
1980	1,328	\$72.90	1,158	\$22.75	151	\$101.78
1981	1,033	\$58.93	362	\$7.83	141	\$84.43
1982	989	\$57.12	682	\$11.57	122	\$66.67
1983	2,231	\$136.71	811	\$17.56	179	\$82.76
1984	2,275	\$177.94	4,729	\$107.26	211	\$128.68
1985	2,054	\$136.26	2,623	\$61.62	394	\$153.87
1986	2,583	\$183.94	2,617	\$50.34	228	\$90.30
1987	2,475	\$180.40	912	\$27.26	176	\$90.11
1988	1,853	\$141.91	214	\$4.79	142	\$90.56
1989	1,327	\$109.90	443	\$15.39	108	\$114.16
1990	1,122	\$98.56	421	\$17.80	80	\$53.82
1991	1,217	\$114.86	265	\$12.13	71	\$52.62
1992	1,868	\$176.62	66	\$2.64	52	\$37.27
1993	2,176	\$205.55	294	\$9.11	82	\$53.34
1994	2,557	\$249.93	1,823	\$81.18	106	\$70.57
1995	2,667	\$247.17	1,801	\$78.55	119	\$142.95
1996	2,629	\$256.01	1,013	\$43.60	132	\$114.34
1997	2,510	\$243.34	1,601	\$43.53	118	\$118.16
1998	3,434	\$215.39	367	\$12.98	129	\$113.53
1999	2,593	\$340.44	390	\$18.14	102	\$88.00
2000	3,363	\$318.34	210	\$10.51	122	\$133.83
2001	4,087	\$385.60	792	\$36.50	119	\$113.62
2002	4,413	\$449.49	1,212	\$50.57	102	\$91.74
2003	4,996	\$553.32	720	\$46.05	112	\$95.00
2004	4,964	\$628.72	465	\$24.64	115	\$117.47
2005	4,676	\$740.48	465	\$24.83	145	\$179.15
2006	3,334	\$586.13	893	\$83.43	119	\$156.95
2007	2,158	\$363.37	522	\$42.60	130	\$212.95
2008	682	\$110.72	334	\$26.14	80	\$228.79
2009	645	\$100.61	262	\$25.12	46	\$36.42
2010	747	\$117.52	177	\$27.16	39	\$47.73
2011	767	\$128.66	255	\$27.47	35	\$47.61
2012	903	\$167.15	741	\$60.60	57	\$91.92
2013	858	\$159.60	1,230	\$84.64	72	\$71.53
2014	935	\$165.35	338	\$29.71	109	\$112.69



The single-family housing market’s new construction for the metropolitan area peaked in 2005 after an unprecedented, sustained building cycle that began in 1991. Single-family building permits in the metro area

(Bernalillo, Sandoval & Valencia Counties) totaled 8,818 in 2005. New single-family permits for the metro area declined to 1,192 in 2011 before rising in 2012 – 2014.

For apartment construction, the city's previous cycle peaked in 1994 and 1995 with approximately 1,800 apartment units permitted in each of those years. Most of that new construction was upper-end projects and was split almost evenly between the Far Northeast Heights and the West Side. From 1996–2011, much of the new multifamily development was either condominiums or affordable apartments financed with Low Income Housing Tax Credits. Non-subsidized multifamily permits had a rebound in 2012 and 2013.

Retail market conditions are slowly improving and some new construction is occurring. Most of the big box stores vacated during the recession have been absorbed and new retailers coming into the market will generate new construction. Office market conditions remain depressed due to continued job losses and shrinking space needs per office employee. Market experts are uncertain on when conditions in this sector will improve. Industrial market conditions are steadily improving.

The following chart shows single family building permits for the Albuquerque metro area and divided into the major submarkets.

Market Share of Single Family Permits by Sub-area: 1990–2014

	Southwest Albuquerque		Southeast Albuquerque		Northeast Albuquerque		Northwest Albuquerque		City of Rio Rancho		Valencia County		Total Metro Area	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1990	62	3.0%	19	0.9%	529	25.5%	523	25.2%	411	19.8%	200	9.6%	2,073	100%
1991	9	0.4%	36	1.5%	663	28.3%	510	21.8%	605	25.8%	216	9.2%	2,344	100%
1992	23	0.7%	28	0.9%	948	28.8%	860	26.2%	631	19.2%	257	7.8%	3,288	100%
1993	33	0.8%	117	2.8%	728	17.2%	1,287	30.4%	1,045	24.6%	421	9.9%	4,240	100%
1994	28	0.6%	250	5.3%	684	14.4%	1,606	33.9%	853	18.0%	520	11.0%	4,740	100%
1995	488	10.3%	193	4.1%	371	07.8%	1,618	34.1%	808	17.0%	596	12.6%	4,741	100%
1996	461	10.2%	176	3.9%	460	10.2%	1,548	34.2%	735	16.2%	560	12.4%	4,528	100%
1997	272	6.5%	94	2.2%	626	14.9%	1,533	36.5%	664	15.8%	502	11.9%	4,205	100%
1998	819	16.9%	86	1.8%	740	15.3%	1,874	38.7%	627	12.9%	423	8.7%	4,844	100%
1999	767	15.9%	289	6.0%	772	16.0%	1,837	38.0%	510	10.5%	356	7.4%	4,836	100%
2000	854	18.8%	208	4.6%	809	17.8%	1,502	33.0%	567	12.5%	247	5.4%	4,552	100%
2001	1,101	19.7%	255	4.6%	778	14.0%	1,986	35.6%	814	14.6%	271	4.9%	5,576	100%
2002	1,075	18.0%	216	3.6%	894	15.0%	2,263	38.0%	901	15.1%	244	4.1%	5,960	100%
2003	1,204	17.5%	132	1.9%	1,189	17.3%	2,470	35.9%	1,198	17.4%	202	2.9%	6,879	100%
2004	1,489	19.9%	261	3.5%	794	10.6%	2,433	32.5%	1,715	22.9%	296	4.0%	7,478	100%
2005	1,371	15.5%	124	1.4%	488	05.5%	2,622	29.7%	2,920	33.1%	716	8.1%	8,818	100%
2006	1,232	18.5%	301	4.5%	240	03.6%	1,667	25.0%	2,048	30.7%	731	11.0%	6,675	100%
2007	796	18.9%	173	4.1%	165	03.9%	1,024	24.3%	1,046	24.8%	540	12.8%	4,216	100%
2008	228	12.2%	75	4.0%	80	04.3%	299	16.0%	713	38.0%	287	15.3%	1,874	100%
2009	121	7.2%	96	5.8%	36	02.2%	392	23.5%	688	41.2%	221	13.2%	1,669	100%
2010	131	9.1%	45	3.1%	125	08.7%	446	31.0%	455	31.6%	155	10.8%	1,440	100%
2011	145	12.2%	165	13.8%	108	09.1%	349	29.3%	301	25.3%	61	5.1%	1,192	100%
2012	118	8.3%	188	13.2%	56	03.9%	541	37.9%	417	29.2%	31	2.2%	1,428	100%
2013	116	8.0%	156	10.7%	57	03.9%	529	36.3%	479	32.9%	34	2.3%	1,457	100%
2014	172	10.9%	160	10.2%	50	03.2%	553	35.1%	479	30.4%	76	4.8%	1,576	100%
Total	13,115	13.0%	3,843	3.8%	12,390	12.3%	32,272	32.1%	21,630	21.5%	8,163	8.1%	100,629	100%

Source: Home Builders Association of Central New Mexico

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The subareas in the preceding table are broad in scope, basically intended to identify quadrants of the metropolitan area. Northwest Albuquerque, as delineated for use in the table, includes the North Valley and Northwest Mesa areas. Southwest Albuquerque includes the South Valley and Southwest Mesa.

Conclusions regarding the real estate markets are that: 1) single-family residential construction was exceptionally strong from 2001 through 2005, dramatically declined into 2011, and the strength of the

following recovery has been modest; 2) apartment construction has had an erratic building pattern for several years with an upturn in 2013; 3) commercial construction was strong in 2005–2008, and then plummeted in 2009–2013. Commercial construction volume in 2014 increased by 57% over 2013.

Summary

Like the national economy, the metro area is currently suffering from a soft economy and job growth was negative in 2008–2011. Metro area job growth in 2012–2014 was slightly positive. The Albuquerque metro area averaged employment growth of approximately two percent per year through 2007, but the long-term projection is below that level.

The primary growth areas of the metro area will be to the west. Growth will also move south with the ongoing development of Mesa del Sol and the continued development in Los Lunas. The northeast quadrant has a nominal remaining land supply, but is expected to remain a desirable residential and commercial area of the city due to the quality of existing infrastructure and improvements, as well as its proximity to employment centers and the Sandia Mountains.

Neighborhood Profile

The subject neighborhood covers approximately one- and one-half square miles in Albuquerque's southeast quadrant. The boundaries are Interstate 25 on the west, Coal Avenue on the north, Yale Boulevard on the east, and the Albuquerque International Sunport on the south. The airport and the interstate form defined physical boundaries, while the other boundaries delineate approximate transition areas into neighborhoods that are more predominantly developed with residential improvements.

Lands within the subject neighborhood are about seventy percent developed. Commercial, apartments and institutional uses are located on major arterials, with mostly single-family homes and apartments recessed on local streets. A majority of the vacant land is located at the south and west portions of the neighborhood and the major owner is the University of New Mexico.

Traffic Patterns

The primary north-south arterials in the neighborhood are University, Girard and Yale Boulevards. The primary east-west arteries are Gibson Boulevard, Avenida Cesar Chavez, Coal Avenue and Lead Avenue. Gibson Boulevard is the southernmost east-west arterial in the southeast quadrant of the city. It carries traffic from the Interstate east to the airport, Kirtland, VA Hospital, and Sandia National Labs, all major employers in the city. Avenida Cesar Chavez is classified as a major arterial between I-25 and Yale Boulevard, and carries heavy traffic during larger sporting events at the nearby complexes. Both Gibson and Avenida Cesar Chavez have interchanges with I-25 and provide the subject area with convenient freeway access.

Recent weekday traffic counts for major streets in the subject neighborhood are tabled below.

Estimated Daily Traffic Flows in Subject Vicinity: 1992 – 2013

Location	1992	1996	2000	2004	2008	2012	2013
University Blvd., south of Ave. Cesar Chavez	7,900	7,900	8,500	7,700	6,900	7,400	7,300
Avenida Cesar Chavez, west of University	18,900	22,500	27,200	21,300	28,400	26,000	25,200
Gibson Blvd., west of University	42,000	46,300	27,800	37,400	28,100	20,500	27,000

Source: Middle Rio Grande Council of Governments

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Traffic volumes along University Boulevard near the subject have been stable over the past several years, and this is consistent with the area's relatively limited level of new development. Traffic volumes on Gibson Boulevard to the south declined after the completion of Sunport Boulevard into the airport.

Institutional Development

A notable influence on this neighborhood is its proximity to the airport, Kirtland Air Force Base and Sandia National Laboratories. Albuquerque International Sunport, located south of Gibson Boulevard, is the only commercial passenger airport in the region. Kirtland AFB and Sandia Labs are located to the east of the airport.

Improvements owned by or related to the University of New Mexico are the major influence in the neighborhood. The Science and Technology Park (S&TP) at the University of New Mexico is located at the northwest quadrant of Avenida Cesar Chavez and University Boulevard. This park was originated in 1965 by UNM on 26 acres, and over the past thirty years UNM has acquired additional surrounding land for a total of approximately 150 acres. UNM's primary mission for the park is to lease sites and/or buildings in the promotion of technology transfer between UNM, the national scientific labs and private industry. The conceptual master plan would permit 2,400,000 square feet of space at full build-out, including a hotel, office and research & development. Over 300,000 square feet of good quality office and lab space now exist in the park.

At the southwest quadrant of Avenida Cesar Chavez and University is the Wise Pies Arena, (also known as "The Pit"), which is used by the UNM basketball program. The Pit had a \$60 million renovation that was completed in November 2010. South of the Pit is the UNM baseball & softball complex. At the southeast quadrant is University Stadium (the UNM football stadium), while the northeast quadrant is improved with Isotopes Stadium. (the triple A farm club for the Colorado Rockies). North of S&TP along University Boulevard is the Central New Mexico Community College campus (CNM). The main UNM campus is approximately one mile north at the northeast quadrant of University Boulevard and Central Avenue.

UNM partnered with American Campus Communities (ACC) in 2010 to develop Lobo Village, an 864-bed student housing community on 18.5 acres to the west of the Pit and the southeast quadrant of I-25 and Avenida Cesar Chavez. ACC leased the land from UNM for a 40-year term and constructed the improvements. The project cost \$40 million and opened in August 2011. In addition to the student apartments, the project includes study rooms, computer labs, and recreation amenities. A shuttle bus transports students to the main campus. It is located northwest of Sunshine Terrace Addition and visible on the aerial photo exhibits.

Residential Development

Existing residential development is predominantly located in the eastern portion of the neighborhood, or between University Boulevard and Yale Boulevard. Closest to the subject is the portion of Sunshine Terrace Addition located east of University Boulevard, which is comprised of approximately 63 lots on either side of Sunshine Terrace Avenue. These lots are nearly 100% built-out with a mixture of single-family homes, apartments, an elementary school and a church. As described above, an 864-bed UNM student housing project was constructed slightly northwest of the subject in 2011.

Rows of residential blocks are also aligned north-south at the east edge of the neighborhood between Buena Vista Drive and Yale Boulevard. Home and apartment types in this area are similar to Sunshine Terrace in age and price. Approximately 40 acres at the northeast quadrant of University Boulevard and Gibson Boulevard are built up with a mixture of single-family homes, apartments, townhouses and a mobile home park.

The most recent residential project in the neighborhood is a renovated former hotel about one-quarter mile south of the subject on University Boulevard. A group of investors purchased the vacant 155-room Vagabond Hotel in September 2012 and renovated it into an extended stay property named University Village. The project is marketed as studio apartments to UNM students, and as extended stay motel units. The owner reports the acquisition and renovation cost at \$6.2 million.

Commercial Development

Commercial development in the neighborhood is concentrated along Gibson Boulevard and dominated by businesses supporting the airport. These include hotels, motels, restaurants, gas stations, and fee parking

lots. Gibson Boulevard continues east past the airport area and is a suburban commercial arterial until it enters Kirtland Air Force Base at Louisiana Boulevard. There are no significant shopping services in the area and there are no commercial improvements along Avenida Cesar Chavez and University Boulevard near the athletic facilities.

The 45 acres of land platted as the UNM Gibson Commercial District located south of the UNM baseball complex is planned for eventual mixed-use commercial and high-density residential development. In 2012, it was proposed for a major shopping center anchored by Walmart, but these plans subsequently fell through. UNM continues to actively market this area for commercial development.

Conclusion

The subject neighborhood is a stable area with good proximity to many of Albuquerque's major employers, including UNM, Kirtland Air Force Base, CNM, Sandia National Laboratories, the airport, major hospitals and Downtown. Much of the neighborhood, including land immediately surrounding the subject, is owned by UNM and improved with sports facilities or buildings within the Science and Technology Park, or targeted for eventual improvements of this type. A newer UNM student housing project has been developed slightly to the northwest of the subject property and a major shopping center is in the planning stages to the south.

Site to do Business Demographic Information

Population data surrounding the subject is generated by *Site to do Business*, which uses data from leading database providers such as ESRI, TeleAtlas, GlobeXplorer and Acxiom. Data can be presented in drive-time form, and the following chart shows demographic data for one, three and five mile rings around the subject property.

StdB Demographic Information

Location	1 Mile Radius	3 Mile Radius	5 Mile Radius
2015 Total Population	13,896	83,117	220,454
2015 Median Age	29.4	34.3	34.6
2015 Total Households	6,177	38,171	91,961
2015 Average Household Size	2.23	2.06	2.32
2000 - 2010 Annual Population Growth	0.20%	0.11%	0.27%
2010 - 2015 Annual Population Growth	-0.07%	0.25%	0.21%
2015 - 2020 Annual Pop. Growth Estimate	0.14%	0.32%	0.28%
2015 Median Household Income	\$22,341	\$29,181	\$31,440
2015 Per Capita Income	\$14,414	\$22,114	\$20,133

Joshua Cannon & Associates, Inc.

The chart shows minimal population change in the subject area since 2000 and this is consistent with the concentration of land under government ownership. Privately owned land in the neighborhood is almost fully built up.

Sunshine Terrace Addition

Sunshine Terrace Addition was originally platted and filed in 1923 as Blocks 1–26 with approximately 150 lots. A replat was performed in 1950 that reconfigured Blocks 2–25 into Blocks A–F. Several replats since 1950, along with the creation of University Boulevard and Interstate 25, have formed the subdivision as it exists today.

Sunshine Terrace Addition is a linear subdivision with an east-west alignment and rows of lots located on either side of Sunshine Terrace Avenue. It has two distinct components that are separated by the north-south alignment of University Boulevard. The first component is approximately 63 lots located east of University Boulevard. These lots front on paved Sunshine Terrace Avenue and are primarily improved with a mix of apartments and single-family homes. Also in this section are a small church, Lowell Elementary School and a few scattered vacant lots. The portion of the subdivision east of University Boulevard is referred to as East Sunshine Terrace Addition for descriptive purposes in this appraisal.

The westerly component of Sunshine Terrace Addition is bordered by the AMAFCA South Diversion Channel on the west and University Boulevard on the east. This area west of University Boulevard is referred to as West Sunshine Terrace Addition in this appraisal. West Sunshine Terrace contains 59 platted lots held by four ownerships. Sunshine Terrace Avenue west of University Boulevard has been bladed but contains no paving or curbing. A sewer line runs beneath Sunshine Terrace Avenue through the entire subdivision; electrical, natural gas and water lines end at University Boulevard.

Lot owners in West Sunshine Terrace Addition are listed below.

Summary of Lot Owners in West Sunshine Terrace Addition

<i>Owner</i>	<i>Block</i>	<i>Lots</i>	<i>Number of Lots Owned</i>	<i>Percent of Total Lots</i>
University of New Mexico	Block 2	Lots 2-6	54	91.53%
	Block 25	Lots 2-6		
	Block A	Lots 1, 3, 4 & 6-10		
	Block B	Lots 1-8, 9-13*		
	Block C	Lots 1-2		
	Block F	Lots 1-4, 5, 7-9		
	Block G	Lots 2-13*		
	Block H	Lot 1		
Robert DeBlassie, et. al.	Block A	Lot 2	3	5.08%
	Block F	Lot 10		
	Block G	Lot 1		
Steven & Gina DeBlassie	Block A	Lot 5	1	1.69%
Walter & Cecilia Sanchez	Block F	Lot 6	1	1.69%
Totals			59	100.00%

* The term "Lot 13" in Blocks B and G is used for descriptive purposes only. These lots are actually vacated portions of Sycamore Street.

The University of New Mexico owns 92% of the lots in West Sunshine Terrace Addition and these were acquired by either gift or purchase between 1975 and 2015. The remaining lots are held by three private owners. The most recent acquisitions by UNM were one lot from Juan & Dahlia Chavez on May 11, 2015, three lots from Chong Sanchez on May 11, 2015, and 24 lots from the John Gutierrez estate on January 10, 2014. The Gutierrez ownership periodically operated a portion of their ownership as a fee parking lot when events were held at the nearby UNM stadiums. The easterly portion of the land nearest University Boulevard had been improved with pole lighting and a water line. All of this land is now owned by UNM.

West Sunshine Terrace Addition has varying terrain with a significant amount of fill dirt. The natural slope of the land is downward to the west and south. For roughly the east 900 feet of the subdivision (between University Boulevard and approximately the alignment of Cedar Street), the terrain is fairly level and near the grade of University Boulevard. From this point, the terrain has a moderate downward slope to the west with an overall grade change of about five feet. Portions of this western area appear to have fill dirt to an estimated depth up to 30 feet. This dirt was apparently placed on the land by local earth moving contractors at the request of John Gutierrez (now deceased).

As stated above, the only utility in Sunshine Terrace Avenue is an 8-inch concrete pipe sewer line. Natural gas, water and electric lines are in place at University Boulevard and could be extended through the subdivision. A water line can also be extended from the north through the UNM ownership.

The Improvement of West Sunshine Terrace Avenue

The subject land lacks paved street frontage and all utilities except sewer. Without this infrastructure, the land probably cannot be developed with typical improvements. The logical method of creating developable parcels of land is to pave West Sunshine Terrace Avenue and install the needed utilities. In that the subject is a portion of 59 total lots, the ideal method of paying for these improvements is via a joint effort among all or a large portion of the lot owners.

A common method of installing these types of improvements is via an "Improvement District." This is also commonly known as a "Special Assessment District" or S.A.D. An improvement district is essentially a government-driven means of installing infrastructure, and then assessing all beneficiaries of the infrastructure a pro rata amount sufficient to cover the cost. Legal counsel for the University of New Mexico in a prior assignment provided me with the following language on improvement districts. (For clarity, I have edited from the language references to specific statutes.)

The New Mexico Statutes provide for improvement districts. Whenever the governing body of a municipality determines that the creation of an improvement district is necessary, the governing body may create an improvement district by the (1) provisional order method or (2) petition method.

The provisional order method is one by which the initiative is taken by the governing body.

The petition method is one by which the owners of 66.67% or more of the total assessed valuation of the property to be benefited, exclusive of any land owned by the United States or the State of New Mexico, petition in writing the governing body to create an improvement district and construct the improvements described in the petition. If such a petition is presented, the governing body may create the improvement district and otherwise proceed in accordance with the improvement district statutory provisions.

Based upon the foregoing information, it is assumed in this appraisal that an improvement district could be created for the lots in Sunshine Terrace Addition located west of University Boulevard. From the standpoint of estimating value for each privately owned lot, this is a reasonable and equitable assumption.

Another alternative is to estimate the value of the lots "as is," assuming the property owners have no means of jointly installing the infrastructure. Under this scenario, the only probable buyer would be the University of New Mexico.

Uncontrolled Fill within the Sunshine Terrace Subdivision

The natural grade of the land in the Sunshine Terrace Addition to the west of University is a downward slope to the west and south. Some of the land in this area has significant undulations due to either its natural terrain, or possibly prior sand and gravel operations. The primary private owner in the subdivision for many years was John Gutierrez. He passed away in 2010 and the University of New Mexico purchased the land from his estate in January 2014. Mr. Gutierrez apparently allowed the construction and trucking industry to place fill dirt on the land. Most of this fill occurred on the Gutierrez land, but it has also been placed on some of the other ownerships, including the subject property. The fill has occurred in Sunshine Terrace Addition and not on the adjoining UNM land to the south. This manner of filling has created a slope along the south boundary of the subdivision and this allows for the observation of both the general depth of the fill, as well as the type of fill material. Photographs of this slope are in the *Appendix*. The grade difference created by the fill is generally higher at the western portion of the subdivision due to the natural grade of the land. The slope appears close to 30 feet at its highest point, and various rubble and debris are visible in the exposed fill. According to engineering and soil testing at the property over the past several years, this is classified as "uncontrolled fill" and is not suitable for construction without remediation. The remediation process involves removing the fill, screening out rubble and debris, and then re-compacting the clean fill.

Bohannon Huston, Inc. Report on Infrastructure Construction and Earthwork

The engineering firm of Bohannon Huston, Inc. was engaged by the University of New Mexico to estimate the cost of (1) installing the roadway/utility infrastructure in Sunshine Terrace Avenue, (2) the cost of remediating the uncontrolled fill to construct the roadway, and (3) the cost of remediating the uncontrolled fill within the fee simple area of the subject lot. Bohannon Huston, Inc. provided their analysis and estimates in a written report and a copy is included in the *Appendix* of this appraisal. The cost analysis was performed in 2014 and it reasonable to assume is remains consistent with current conditions given the recent low level of inflation.

Infrastructure Cost Estimate

The type of street to be installed is assumed to be similar to Sunshine Terrace Avenue to the east of University Boulevard. The street design has a curb-to-curb width of 32 feet with an asphalt paved roadway, and a concrete gutter, curb and sidewalk on each side. Other required items include lines for water, electricity and natural gas (sewer is already in-place), utility connections, street lights, fire hydrants, storm drainage, and professional design fees. An added cost for this property is dealing with the uncontrolled fill that has been placed on the land. This fill will have to be excavated, screened for debris and re-compacted.

The Bohannon Huston, Inc. engineering firm estimates the cost to install the street and other utility infrastructure is \$15,390 per lot. The subject contains one lot, thus the estimate for the subject is \$15,390. The subject has a total land area of 7,492 square feet, thus the infrastructure cost estimate equals \$2.05 per square foot. Note that the Bohannon Huston, Inc. report also shows the cost of a water meter for each ownership, but this item is not included for adjustment purposes as all properties in Albuquerque require a water meter prior to development.

Bohannon Huston Inc. Estimate of Sunshine Terrace Avenue Construction Cost per Lot

<i>Owner</i>	<i>Block</i>	<i>Lot</i>	<i>Roadway Construction Cost per Lot</i>	<i>Land in SF</i>	<i>Roadway Construction Cost per SF</i>
Steven & Gina DeBlassie	Block A	5	\$15,390	7,492	\$2.05

Earthwork Cost Estimate for the Uncontrolled Fill

The majority of the land in the Sunshine Terrace Subdivision to the west of University Boulevard has been leveled with uncontrolled fill. According to the Bohannon Huston, Inc. report, land with this type of fill cannot be developed without remediation, which involves removing the uncontrolled fill, screening out rubble and debris, and re-depositing the clean fill with the proper compaction. The cost estimate to perform this task on the subject lots is summarized as follows.

Bohannon Huston Inc. Estimate of Earthwork Cost per Lot due to Uncontrolled Fill

<i>Owner</i>	<i>Block</i>	<i>Lot</i>	<i>Avg. Fill Depth in Feet</i>	<i>Earthwork Cost per Lot</i>	<i>Land in SF</i>	<i>Earthwork Cost per SF</i>
Steven & Gina DeBlassie	Block A	5	17.8	\$23,937	7,492	\$3.20

As shown above, the estimated cost to remediate the uncontrolled fill within the boundaries of the subject land is \$23,937, or \$3.20 per square foot.

Subject Property Description

Size & Shape:	The subject lot is rectangular in shape with 60 feet of frontage on Sunshine Terrace Avenue and a depth of ± 124.9 feet. Total area according to the survey is 7,492 square feet.
Access:	Access is via Sunshine Terrace Avenue, a two-lane gravel street with a dedicated right-of-way of 60 feet. Sunshine Terrace Avenue intersects with University Boulevard approximately 1,200 feet east of the subject property.
Topography & Drainage:	This lot has been filled and leveled and is roughly at road grade. The terrain drops sharply away at the south boundary and the estimated drop to the adjoining property is approximately 15–20 feet.
Utilities & Services:	According to Albuquerque Public Works Department, an 8-inch concrete sewer line runs the entire length of Sunshine Terrace Avenue. Water, natural gas and electricity are available at the intersection of Sunshine Terrace Avenue and University Boulevard, but have not been extended along the right-of-way.
Soil & Subsoil Conditions:	Soil and subsoil conditions for this property are discussed in the preceding section of this appraisal.
Easements:	No easements are shown to exist on the recorded plat of Sunshine Terrace Addition.

Zoning

The subject is within the city limits of Albuquerque and zoned R-1, Residential Zone. According to the city zoning code, this zone provides suitable sites for houses and uses incidental thereto in the Established and Central Urban areas. Permitted uses include one house per lot, and various accessory uses such as a non-commercial garage, family day care and limited home occupations.

There are 59 lots in West Sunshine Terrace Addition and 34 are zoned R-1. Of the remaining lots, 21 are zoned R-3 and four are zoned R-2. R-3 is the city's most intense residential zone and allows apartment development up to 30 dwelling units per acre. A notable requirement of R-3 zoning is a minimum lot width and depth of 150 feet. The subject does not comply with this size requirement.

Given the multifamily re-zoning that has already occurred, it is assumed in this appraisal that the subject lot could be re-zoned for apartment use. Specifically, this valuation incorporates the assumption that the subject could be zoned R-2, Residential Zone. This district requires a minimum lot size of 6,000 square feet, and a minimum width of 60 feet. Maximum development density is 30 units per acre, up to a floor area ratio of 0.50 (building area equals one-half land area). Minimum setbacks are 15 feet at front and rear, and five feet at sides. Parking requirements are one space per bath, but not less than one- and one-half spaces per unit.

Note that land to the east of the subject property in the Sunshine Terrace Addition was periodically used in the past as a fee parking lot. This is not a permitted use under the R-1, R-2 or R-3 zones.

Declaration of Building Restrictions

A Declaration of Building Restrictions was filed with the recording of the Sunshine Terrace plat in 1950. The document states the restrictions will be binding until September 1, 1976, at which time they will be automatically extended for successive periods of ten years unless changed by a vote of the majority of the lot owners. The primary function of the document is to restrict development to one detached single-family dwelling per lot.

The restrictions encompass all the lots within Sunshine Terrace Addition, including those east of University Boulevard. Given that various lots east of University have been improved with apartments, a church and a school, it is assumed that the restrictions have been effectively voided by a majority of the lot owners.

Multifamily Residential Market Study

It is assumed the subject can be re-zoned to allow apartment development. Following is an overview of multifamily market conditions in the metro area.

The chart below provides a summary of metro area vacancy rates and average rents per square foot since 2000 as published by the New Mexico Apartment Association and CB Richard Ellis. (Starting in 2006, the Apartment Association published its survey sporadically; CB Richard Ellis has now assumed responsibility.) As shown, vacancies were generally below 10% with only a few quarters of higher vacancy in 2002 and 2003. Some of higher rates were attributed to the time of year, as apartments typically have their lowest vacancies in the third quarter of the year and highest vacancies in the fourth quarter.

The most recent vacancy estimate is 5.6%, or near frictional vacancy, which is typically regarded to be 5%. Average rents are at \$0.93 per square foot.

Albuquerque Metro Area Apartment Statistics: 2000 – 2015

Survey Date	Average % Occupied	Average % Vacant	Avg. Mo. Rent/SF	% Annual Rent Increase
2000	92.5%	7.5%	\$0.72	-
2001	93.0%	7.0%	\$0.73	1.39%
2002	90.0%	10.0%	\$0.73	0.00%
2003	90.0%	10.0%	\$0.73	0.00%
2004	94.2%	5.8%	\$0.75	2.74%
2005	94.3%	5.7%	\$0.77	2.67%
2006	92.9%	7.1%	\$0.79	2.60%
2007	95.2%	4.8%	\$0.80	1.27%
2008	94.7%	5.3%	\$0.86	7.50%
2009	93.2%	6.8%	\$0.86	0.00%
2010	95.8%	4.2%	\$0.88	2.33%
2011	95.4%	4.6%	\$0.90	2.27%
2012	94.7%	5.3%	\$0.91	1.11%
2013	94.4%	5.6%	\$0.91	0.00%
2014	94.3%	5.7%	\$0.93	2.20%
2015 (May)	94.4%	5.6%	\$0.93	0.00%

Source: Apartment Assoc. of New Mexico (years 1998-2007 and CBRE, Inc. (2008-14)

There is a moderate level of apartment construction ongoing in the metro area and market conditions are expected to remain stable into the foreseeable future.

The CBRE apartment survey divides the metro area into market areas using the same boundaries as the Albuquerque Multiple Listing Service, and the subject property is in MLS Area 42. The statistics for January 2014 survey for MLS Area 42 are as follows.

Statistics from the CBRE Apartment Market Survey for May 2015

MLS Area	Units Reporting	Vacant Units	Vacancy	Total Sq. Ft.	Average Sq. Ft.	Average Rent	Avg. Rent/ Sq. Ft.
42	967	35	3.62%	750,970	777	\$783	\$1.01
Total	39,094	2,180	5.58%	31,728,375	812	\$755	\$0.93

Source: CB Richard Ellis Multi-Housing Group/Apartment Market Survey

As shown, the subject area vacancy rate is lower than the metro area and its average rent per square foot is higher. The dominant driver for apartment demand in this area is students attending UNM and CNM.

Highest and Best Use

Highest and best use is the most probable and profitable use to which a property might be adapted, based on consideration of alternative legal uses for which the property is physically suited and for which there is a market. The four criteria of highest and best use are (1) physically possible, (2) legally permissible, (3) financially feasible, and (4) maximally productive.

Physically Possible. The subject property is one undeveloped lot with a total land area of 7,492 square feet. The subject lot has uncontrolled fill dirt and remediation of this condition will be required for development. Sewer service is within the Sunshine Terrace Avenue right-of-way. A physical drawback to the site is the lack of paved access and the availability of water, electricity, natural gas and storm drainage. As analyzed in a preceding section, it is assumed that needed infrastructure can be installed via an improvement district. Once complete infrastructure is in-place and the uncontrolled fill has been remediated, the only physical constraint on potential development is tract size and shape.

Legally Permissible. The subject is zoned R-1 for single-family residential use. Based upon re-zoning that has occurred in West Sunshine Terrace Addition, it is assumed in this appraisal that R-2 zoning could be achieved. This zoning allows apartment development up to a density of 30 dwelling units per acre and an FAR of 0.50.

Financially Feasible/Maximally Productive. Probable private sector uses that are permitted by zoning are apartment or single-family development. Market conditions for single-family development continue to be soft and near-term development is unlikely. Market conditions for apartments are comparatively good and indicated to be stable. Based upon market evidence, the highest and best use of the subject land within the private sector is estimated to be for apartment use.

Another potential use for the subject property is incorporation into the campus of the University of New Mexico. The West Sunshine Terrace Addition has an atypical setting in that the University of New Mexico owns most of the surrounding land. To the north of the West Sunshine Terrace Addition are the UNM baseball fields, the basketball arena (the Pit), a newer student housing project (Lobo Village), and vacant land. The vacant land south of West Sunshine Terrace Addition has long-term plans for commercial and higher density residential development. Interstate 25 adjoins on the west and University Boulevard is on the east. West Sunshine Terrace Addition is largely an island of private land surrounded by institutional ownership. Land uses within the UNM ownership are not typically considered to be consistent with the definition of highest and best use because of the feasibility requirement; however, in the subject area, UNM has been active in creating ground leases to the private sector to generate rental income. UNM is seeking to charge a market rent for their assets and this type of activity is consistent with the definition of highest and best use.

Valuation

The valuation technique used in this appraisal is a sales comparison approach. The first section of the valuation involves an estimate of fair market value assuming Sunshine Terrace Avenue is in-place and all infrastructure required to develop apartments is available. It also assumes the uncontrolled fill on the subject property has been remediated. The estimated cost to install the infrastructure and remediate the fill is then deducted to reach a fair market value estimate for the property in its current "as is" condition.

The fair market value estimate assuming all infrastructure is in-place is based on a comparison of the subject to properties that have been sold or leased. Factors that should be considered in selecting and analyzing comparables are size of tract, topography of land, availability of infrastructure, terms of sale, zoning, location and highest and best use.

The subject is 0.1720 acre (7,492 square feet) of land recessed west of University Boulevard with a highest and best use of multifamily development. The price ratio used in this analysis is sale price per square foot. A comprehensive search was made for sales and leases of similar land and this produced ten closed sales and one closed land lease. This market data is presented and analyzed in the following section. Note that the University of New Mexico has purchased lots from multiple owners in Sunshine Terrace in 2014–2015. These purchases occurred under the threat of condemnation and the sale prices were based upon an appraisal. The sales are not relevant in a fair market value appraisal.

The primary points of consideration in the valuation of vacant land include the following.

1. Property Rights Conveyed
2. Financing Terms of Sale
3. Conditions of Sale
4. Market Conditions (Date of Sale)
5. Location
6. Physical Characteristics (Size, Terrain & Infrastructure)

Property Rights Conveyed

All of the sales involve the transfer of fee simple title and this component has no influence on the data set. Land Lease 5 in the data set is a long-term land lease. The price per square foot was calculated using a multiplier of ten times the starting annual land rent, which is the best-supported ratio for the Albuquerque metro area.

Financing Terms of Sale

The included sales were either cash, or at seller terms that were similar to market rates, and no adjustment is required.

Conditions of Sale

This consideration applies to sales involving distressed or unusually motivated buyers or sellers. None of the sales is known to require an adjustment for conditions of sale.

Adjustment for Date of Sale (Time)

The eleven transactions in the data set occurred between June 2007 and August 2015. Available market data indicates land values for multifamily tracts have remained relatively stable over this period, although a moderate upward trend is implied with the improving economy. The overview of multifamily market conditions presented previously in this report showed the 2007 vacancy rate for the metro area was 4.8% and the average rent was \$0.80 per square foot. The vacancy rate in May 2015 is higher at 5.6%, but the average rent is also higher at \$0.93 per square foot. Construction costs have increased somewhat since 2007, which works to erase the benefit of increasing rent. Overall, the market study data supports a relatively flat to modest upward trend in multifamily land values over the past eight years. No time adjustment is applied on the sale summary chart.

Location

The spread in price per square foot among the sales is impacted by differences in quality of location. A specific adjustment for location cannot be supported with available market data and is not applied. However, a general location comparison of Inferior, Superior or Similar is made on the summary chart.

Physical Characteristics

To simplify the valuation, the comparative analysis of the sales to the subject is performed assuming all of the work needed for the subject infrastructure and uncontrolled fill is complete. A final adjustment for the subject physical characteristics is then made in the concluding section.

Site Work & Infrastructure Adjustment. Sloping terrain or the requirement that the buyer has to complete off-site improvements impacts development costs at some of the included sales. The specific adjustments are as follows.

Sale 3 has sloped terrain that the buyer will be required to cure prior development. It is adjusted upward by \$1.00 per square foot.

Land Lease 5 had major infrastructure and terrain costs that require adjustment. The buyer was required to construct a new roadway along the west and south perimeter, and the engineer's cost estimate equaled \$2.01 per square foot. The site had large slopes that required leveling into building tiers. No actual grading costs for this site are available; however, the 45-acre site immediately south of the subject has similar terrain and the engineer's grading cost estimate is \$1.89 per square foot. Nearly all sites require some amount of grading, and the terrain adjustment applied to Land Lease 5 is \$1.75 per square foot.

Sale 7 has sloping terrain and the added cost of development is estimated at \$0.50 per square foot.

The buyer of Sale 8 is required to pave an adjoining alley and this cost equals \$1.41 per square foot of site area.

Sale 10 is the subject property and consists of a single platted lot in the Sunshine Terrace subdivision. As previously analyzed, the pro rata cost to construct Sunshine Terrace Avenue equals \$2.05 per square foot and the cost to remediate the uncontrolled fill is \$3.20 per square foot. These amounts are added to the sale price as adjustments.

The following chart summarizes the land sales and lease. Individual data sheets for each transaction are in the *Appendix*. The sales are ranked on the chart from lowest to highest adjusted sale price per square foot.

Summary of Land Sales & Lease

Data No.	Subject Property	Sale 1	Sale 2	Sale 3
Market Area	SE Heights	SE Heights	North Valley	SE Heights
Location	Sunshine Terrace Ave., west of University	SWC Sunshine Terrace & Buena Vista Drive	SEC Candelaria & 10th Street	Buena Vista Drive, north of Gibson
Sale Price		\$80,000	\$260,000	\$38,000
Sale Date	Current Appraisal	August 26, 2015	May 13, 2011	December 19, 2007
Land in Acres	0.1720	0.3659	0.8690	0.1435
Zoning	R-1, assumed R-2	R-1	SU-2 R-T	R-2
Terrain	Assumed Level	Level	Level	Sloped
Site Development Cost	Assumed Average	Average	Average	Above Average
Planned Use		Single family	16 townhouses	Apartments
Sale Price/SF		\$5.02	\$6.87	\$6.08
Infrastructure Cost Adj./SF	Assumed Complete	\$0.00	\$0.00	\$0.00
Terrain Cost Adj.	Assumed Complete	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$1.00</u>
Adj. SP/SF		\$5.02	\$6.87	\$7.08
Location vs. Subject		Inferior	Inferior	Inferior
Size vs. Subject		Larger	Larger	Similar
Indicated Subject Value		Higher	Higher	Higher
<hr/>				
Data No.	Sale 4	Land Lease 5	Sale 6	Sale 7
Market Area	Downtown	SE Heights	SE Heights	SE Heights
Location	Coal Avenue, east of 8th Street	Avenida Cesar Chavez, east of I-25	Wilmore Drive, north of Gibson	Yale Boulevard, north of Gibson
Sale Price	\$75,000	\$3,336,430	\$50,000	\$180,000
Sale Date	July 11, 2014	May 28, 2010	June 22, 2007	November 17, 2011
Land in Acres	0.2282	18.4976	0.1435	0.5510
Zoning	SU-2 R-3	SU-1 PDA, O-1, O-2, IP	R-2	SU-2 YCC
Terrain	Level	Significant slope	Level	Sloped
Site Development Cost	Average	Above Average	Average	Above Average
Planned Use	Two single family lots	Lobo Village Apts	Apartments	Investment
Sale Price/SF	\$7.55	\$4.14	\$8.00	\$7.50
Infrastructure Cost Adj./SF	\$0.00	\$2.01	\$0.00	\$0.00
Terrain Cost Adj.	<u>\$0.00</u>	<u>\$1.75</u>	<u>\$0.00</u>	<u>\$0.50</u>
Adj. SP/SF	\$7.55	\$7.90	\$8.00	\$8.00
Location vs. Subject	Inferior	Similar	Inferior	Inferior
Size vs. Subject	Similar	Larger	Similar	Similar
Indicated Subject Value	Higher	Higher	Higher	Higher
<hr/>				
Data No.	Sale 8	Sale 9	Sale 10	Sale 11
Market Area	Downtown	SE Heights	SE Heights	SE Heights
Location	8th Street, between Roma & Fruit	NEC Stanford Drive & Garfield Avenue	Sunshine Terrace Ave., west of University	SWC Girard & Garfield
Sale Price	\$55,000	\$135,000	\$40,000	\$275,000
Sale Date	April 16, 2013	March 27, 2015	March 17, 2011	September 28, 2011
Land in Acres	0.1630	0.3260	0.1720	0.4865
Zoning	SU-2 DNA-MR	SU-2 RTD/DR	R-1	R-3
Terrain	Level	Level	Level	Level
Site Development Cost	Above Average	Average	Above Average	Average
Planned Use	Apartments	TH & apartments	Investment/Apartments	Apartments
Sale Price/SF	\$7.75	\$9.51	\$5.34	\$12.98
Infrastructure Cost Adj./SF	\$1.41	\$0.00	\$2.05	\$0.00
Terrain Cost Adj.	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$3.20</u>	<u>\$0.00</u>
Adj. SP/SF	\$9.16	\$9.51	\$10.59	\$12.98
Location vs. Subject	Similar	Superior	Similar	Superior
Size vs. Subject	Similar	Similar	Similar	Similar
Indicated Subject Value	Similar	Similar	Similar	Lower

The ten sales and one lease have an adjusted price range of \$5.02–\$12.98 per square foot. The sales have been adjusted for physical characteristics and the price spread is attributed primarily to location and tract size.

Following is an analysis of the market data.

- Sale 1 at \$5.02/SF: This land is located about one-half mile east of the subject in the portion of Sunshine Terrace Subdivision located east of University Boulevard. This land is level and platted into two lots. It is zoned for single-family residential. The buyer intends to construct a home on one lot and sell the other. A large single-pole electrical transmission line runs along the site's east boundary, or along Buena Vista Drive. The land's single-family zoning and presence of the transmission line support a higher value for the subject.
- Sale 2 at \$6.87/SF: This site is in the North Valley and zoned for townhouse development. It is a level corner site, but it cannot be developed at a density equal to R-2 zoning. Also, the buyer of this site was required to build a common area access street down the center to access the new townhouse lots. The subject land value is higher.
- Sale 3 at \$7.08/SF: This site is located one-half mile southeast of the subject on a recessed street improved primarily with lower-cost apartments. The land was sloped and the buyer incurred added costs for grading and retaining walls. This location is inferior to the subject due to inferior proximity to UNM and the quality of surrounding improvements.
- Sale 4 at \$7.55/SF: This land is located in the south portion of Downtown along Coal Avenue. The marketability of this area is improving for apartments and single-family homes. The 0.2283-acre site was platted into three narrow lots and the buyer will replat into two lots with more functional dimensions. The land is zoned for apartment use, but the buyer will develop two single-family homes. This land is rated comparable to the subject and the price appears low in comparison to the other sales. This is consistent with the buyer's opinion that they received a favorable price. For this reason, the indicated subject value is higher.
- Land Lease 5 at \$7.90/SF: This property is located slightly northwest of the subject and is similar in location. A notable characteristic of this site is its large size at 18.4976 acres, which had a downward influence on price per square foot. The indicated value of the subject is higher due to this factor. This transaction required large adjustments for physical characteristics, which detracts from its reliability as a direct value indicator. It does provide general support to the final value estimate.
- Sale 6 at \$8.00/SF: This property is located near Sale 3 and rated inferior in location for the same reasons.
- Sale 7 at \$8.00/SF: This property is located approximately one-half mile east of the subject property on Yale Boulevard. The site is zoned to allow either commercial or multifamily use. There is minimal demand for commercial space at this location and the most likely use is apartments. The subject location near University Boulevard and the UNM sports facilities is rated superior.
- Sale 8 at \$9.16/SF: This is a small site located a few blocks west of the Downtown business district. The site is within walking distance to Downtown, but it is in a pocket of older buildings in below-average condition that detract from its value. All factors considered, it is rated similar to the subject land for apartment development.
- Sale 9 at \$9.51/SF: The site is located about one mile northeast of the subject property on Garfield Avenue, about four blocks south of Central Avenue. This location is within

walking distance to both UNM and the Nob Hill area, which increases its value. The site consists of two lots with different zoning. One lot is zoned to allow two townhouses and the other for low-density apartments. The subject is assumed to have R-2 apartment zoning, which is superior. Overall, this is a reasonable value indicator for the subject land.

Sale 10 at \$10.59/SF:

This is the subject property, which a platted lot within the Sunshine Terrace Subdivision. The buyers were Steven and Gina DeBlassie, the current owners. Steven DeBlassie's parents were longtime owners of three other lots in Sunshine Terrace and also related to the Gutierrez family, who owned 24 lots. The parents have passed away and Steven DeBlassie now owns those three lots with his siblings. Mr. DeBlassie was interviewed for this appraisal assignment regarding this purchase (Sale 10). He said his motivation to purchase was to assemble lots in Sunshine Terrace Subdivision and then combine ownerships with the Gutierrez family for a mixed-use development. He envisioned commercial uses along University Boulevard and primarily multifamily uses recessed to the west. He also believed a motel use was possible. He said a larger ownership would allow the feasible development of infrastructure and buildings could be placed on those lots with the least amount of uncontrolled fill. The Gutierrez family subsequently sold their 24 lots to UNM in January 2014 and Mr. DeBlassie said it is no longer practical to initiate a development with the few remaining privately held lots. However, this is an arms length sale and merits weight in this appraisal. Its price is generally consistent with the other market data.

Sale 11 at \$12.98/SF:

The site is located 1.25 miles northeast of the subject property on Girard Boulevard, about four blocks south of Central Avenue. Like Sale 9, this location is within walking distance to both UNM and the Nob Hill area, which increases its value. The land is zoned R-3 and was purchased for development with 14 apartments, or 29 units per acre. It is a corner site with dual entrances, which produces a functional site plan. Overall, this is a superior apartment site to the subject in terms of both its location and allowable development density. The subject's value per square foot is lower.

Conclusion of Valuation for Multifamily Use Land Before Infrastructure/Uncontrolled Fill Adjustment

The adjusted sales provide a consistent and logical sale price pattern based upon their comparative locations and physical characteristics. The indicated value of the subject property is higher than Sales 1–7, similar to Sales 8, 9 and 10, and lower than Sale 11. Based upon the preceding data and analysis, the estimate of value of the subject land is \$10.60 per square foot, before adjustment for the cost to install infrastructure and remediate the uncontrolled fill.

Adjustment for Physical Conditions

As described previously in this report, the development of the subject land with buildings will require the construction of Sunshine Terrace Avenue and the remediation of the uncontrolled fill. The engineering firm of Bohannon Huston, Inc. was engaged by the client to estimate the cost of these items and a copy of their report is in the *Appendix*. The cost estimate for the subject property is as follows:

Bohannon Huston, Inc. Cost Estimate

<i>Item</i>	<i>Total Cost Estimate For Subject Share</i>	<i>Cost per Square Foot</i>
Subject Pro Rata Cost to Construct Sunshine Terrace Avenue	\$15,390	\$2.05
Cost to Remediate Uncontrolled Fill within the Subject Property	<u>\$23,937</u>	<u>\$3.20</u>
Total	\$39,327	\$5.25

As shown above, Bohannon Huston, Inc. estimates the cost to construct infrastructure for Sunshine Terrace Avenue and remediate the uncontrolled fill is equal to \$5.25 per square foot of subject land area.

Conclusion of Fair Market Value Estimate – As Is Condition

The indicated fair market value of the subject land before the physical condition adjustment is \$10.60 per square foot. The adjustment estimated by Bohannon Huston is minus \$5.25 per square foot, thus the final indication is \$5.35 per square foot ($\$10.60 - \$5.25 = \5.35).

Based upon the preceding data, the estimate of fair market value for the subject property is \$5.35 per square foot. The total calculation is as follows.

Estimate of Fair Market Value for the Subject Property

Subject Land Area in Square Feet	7,492
Estimate of Fair Market Value Per Square Foot	\$5.35
Final Estimate of Fair Market Value	\$40,082
Rounded	\$40,100

Certification

This certifies that the estimate of fair market value of the subject property is \$40,100. The effective date of the estimate is September 6, 2015.

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

- The statements of fact contained in this report are true and correct.
- 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.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Practice*.
- This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or approval of a loan.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- I have performed services as an appraiser regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- 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 Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the continuing education program of the Appraisal Institute.
- Joshua Cannon is a General Certified Real Estate Appraiser, State of New Mexico, Certificate No. 21-G.

This opportunity to provide appraisal services to your organization is appreciated, and questions from authorized users of the report will be welcomed if any aspect of the research or analysis requires clarification.

JOSHUA CANNON & ASSOCIATES, INC.



Joshua Cannon, MAI

9-14-15

Date