

**JOSHUA CANNON & ASSOCIATES, INC.**

APPRAISAL & ADVISORY SERVICES FOR NEW MEXICO REAL ESTATE

SELF CONTAINED APPRAISAL REPORT  
UNIVERSITY TOWERS OFFICE BUILDING

1650 University Boulevard NE  
ALBUQUERQUE, NEW MEXICO

Appraisal Project 27143

EFFECTIVE DATE

March 19, 2010

PREPARED FOR

Thomas M. Neale  
Associate Director, Real Estate Department  
The University of New Mexico  
2811 Campus Boulevard NE  
1 University of New Mexico  
MSC06 3593  
Albuquerque, New Mexico 87131

March 24, 2010

Thomas M. Neale  
Associate Director, Real Estate Department  
The University of New Mexico  
2811 Campus Boulevard NE  
1 University of New Mexico  
MSC06 3593  
Albuquerque, New Mexico 87131

Reference: Appraisal Report  
University Towers Office Building  
1650 University Boulevard NE  
Albuquerque, New Mexico

We have completed an appraisal of the above referenced property and we are pleased to submit the accompanying self-contained report of our findings and conclusions. The objective of the appraisal was to estimate the 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	March 19, 2010
Estimated Market Value	\$4,650,000

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

## Table of Contents

### Executive Summary

### Introduction

Overview of the Subject Property .....	1
Legal Identification .....	1
History of Ownership.....	1
Property Rights Defined .....	1
Intended Use of the Appraisal.....	2
Scope of the Appraisal .....	2
Market Value Defined.....	2
Effective Date of Appraisal and Date of Report.....	3
General Underlying Assumptions .....	3
General Limiting Conditions.....	4

### Description and Analysis

Albuquerque Profile .....	5
Neighborhood Description.....	14
Zoning .....	15
Property Tax Information.....	15
Site Description.....	16
Improvements Description .....	17
Market Analysis – Office Market.....	19
Highest and Best Use .....	21

### Valuation

Problem Analysis and Data Interpretation.....	22
Sales Comparison Approach.....	22
Sales Comparison Approach Conclusion .....	27
Income Approach .....	27
Estimate of Market Rent.....	27
Stabilized Vacancy.....	30
Operating Expenses .....	30
Net Operating Income Estimate at Stabilized Occupancy .....	34
Estimate of Lease-Up Cost.....	34
Adjustment for Lease-Up Profit.....	35
Direct Capitalization.....	35
Conclusion of Income Approach .....	36
Reconciliation .....	37
Marketing/Exposure Time.....	37
Certification.....	38

### Appendix

Appendix A	
Regional Map	
Albuquerque Metropolitan Area Map	
Albuquerque Area Map	
Neighborhood Map	
Zoning Map	
Aerial Photograph	
Appendix B	
Photographs of the Subject Property	

**Table of Contents (continued)**

Appendix C

Subject Plat

Floor Plans

Appendix D

Improved Sales Map and Data Sheets

Comparable Rentals Map and Photographs

Appendix E

Qualifications of the Appraiser

## Executive Summary

Project: University Towers Office Building  
Location: 1650 University Boulevard NE  
Albuquerque, New Mexico  
Client: Thomas M. Neale  
Associate Director, Real Estate Department  
The University of New Mexico  
2811 Campus Boulevard NE  
1 University of New Mexico  
MSC06 3593  
Albuquerque, New Mexico 87131

### Project Summary

Land Area: 4.6222 acres or 201,343 square feet  
Zoning: C-3, Heavy Commercial  
Building Area: 99,033 square feet gross, 92,501 square feet rentable  
Floor Area Ratio: 49%  
Construction Type: Class B. Average to good quality construction. Five-story steel frame with curtain wall glass exterior.  
Year Built: 1983  
Current Occupancy: 0%

### Highest and Best Use

Land as Though Vacant: Office, institutional and/or special purpose development  
As Improved: Office building

Property Rights Appraised: Fee Simple

### Value Indications

Cost Approach: Not Included  
Sales Comparison Approach: \$5,110,000  
Income Approach: \$4,220,000

Estimate of Market Value: \$4,650,000  
Effective Date of Appraisal: March 19, 2010  
Marketing Period: Approximately six months

## Overview of the Subject Property

The subject of this appraisal is a vacant office building located at 1650 University Boulevard NE, in Albuquerque, New Mexico. The five-story building was constructed in 1983 and contains a gross building area of 99,033 square feet, and an estimated rentable area of 92,501 square feet. The site contains 4.6222 acres, resulting in a floor area ratio of 49%. There are 435 parking spaces, or 4.70 spaces per 1,000 RSF. This is an adequate parking volume to support the building.

The subject building is 100% vacant as of the date of appraisal. It was previously 100% leased to the University of New Mexico and occupied by administrative departments for UNM medical services. They vacated in September 2009 when their lease expired. UNM has now contracted to purchase the property.

Exhibits are included in the *Appendix* that provide physical and location information for the subject property.

## Legal Identification

The subject legal description is Parcel 1-A, Plat of University Towers, filed for record in the Office of the County Clerk of Bernalillo County, New Mexico on May 17, 2005 in Plat Book 2005C, Page 161, Document Number 2005068684.

## History of Ownership

The ownership history of the subject property is as follows:

- There is a signed purchase agreement for the subject property dated February 19, 2010 from Wells Fargo Bank as seller and the Regents of the University of New Mexico as buyer. The contract purchase price is \$4,600,000 and the closing date is to be the latter of June 30, 2010, or 10 days after the transaction is approved by the New Mexico State Board of Finance. The purchase agreement is contingent upon the buyer's satisfaction with the typical items, including title and property condition.
- Wells Fargo Bank is the current owner of record and they received title by special masters deed on February 12, 2010 from Westly Wellborn, Special Master. Wells Fargo Bank filed a Lis Pendens against the owner of the real estate, For 1031 University LLC, on September 18, 2009. According to information attached to the current purchase agreement, a Foreclosure Action and the Judgment were entered into on December 21, 2009 and were based upon the Wells Fargo Bank mortgage on the property for \$5,590,000 recorded on May 16, 2005.
- For 1031 University LLC received title by special warranty deed on December 16, 2004 from University Towers Partners for an unknown price.
- University Towers Partners received title by warranty deed on December 16, 2004 from Burmount Investments (James Arias) for a reported price of \$8,750,000.

To my knowledge there are no other pending purchase contracts, offers or listings affecting the subject property.

## Property Rights Defined

The property rights appraised for the estimate of market value will be the fee simple interest. 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, Third Edition, Appraisal Institute, Chicago, 1993

## Intended Use of the Appraisal

The intended use of the appraisal is to analyze a potential acquisition by the University of New Mexico. The intended users are UNM and the New Mexico governmental agencies that may review the appraisal as part of the acquisition process.

## Scope of the Appraisal

The assignment is to prepare a market value appraisal of the property identified above, and to deliver a narrative report of our findings and conclusions. The appraisal is intended to be used by the client for decision-making purposes.

The scope of work is intended to mirror the thought process of a potential purchaser. It encompassed an inspection of the property and available architectural plans, research of sales and lease rates for similar improvements, research regarding capitalization rates, analysis of commercial market trends, projection of stabilized income and expenses, and application of the Sales Comparison Approach and Income Approach.

The Cost Approach to value is most reliable when the improvements are new and the land is developed to its highest and best use. The subject office building is consistent with the highest and best use; however, a supported estimate of depreciation is difficult due to the age of the improvements. A Cost Approach for this property is not a reliable indicator of market value and it is excluded from the analysis.

The Sales Comparison Approach is valid when sales data are available regarding properties having similar characteristics of age, design and location. In this instance, the research revealed eleven sales that are relevant to this analysis. The transactional data are used in the Sales Comparison Approach to develop an indication of market value based on price per square foot. This approach is well supported.

In the valuation of an income-producing property, the most important data and analysis relate to estimates of the amount, duration, and predictability of net income potential, and to investment performance required to attract equity capital. These factors are analyzed in the Income Approach. Market rent for the subject property is based on analysis of rents at office buildings considered similar to the subject. A normalized vacancy factor is estimated based on analysis of current and historical vacancy statistics. Expense estimates are drawn from actual performance at the subject and other Albuquerque office buildings. Income estimates are combined with expense estimates in estimating net income potential. The capitalization method applied is direct capitalization using an overall rate.

In the Reconciliation section following the valuation approaches, a summary of important points of each method is presented in support of the final estimate of value.

There is adequate market data to support a reliable indication of value for the subject property. 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, CoStar and LoopNet. Joshua Cannon has personally verified the comparable improved sales and rental data relied upon in the Valuation Section. Joshua Cannon personally inspected the subject property and the comparables.

This appraisal will be presented in a Self Contained Report. No departure will be made from the Appraisal Foundation's Uniform Standards of Professional Appraisal Practice, or the Appraisal Institute's Standards of Professional Practice.

## Market Value Defined

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.

### **Effective Date of Appraisal and Date of Report**

The effective date of this appraisal is March 19, 2010, which is the date of the most recent site inspection. The date of the report is shown on the letter of transmittal.

### **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.



10. It is assumed the utilization of the land and improvements are within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.
11. The Americans with Disabilities Act (“ADA”) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance. If so, this could have a negative effect on the value of the property. Since the appraiser has no direct evidence relating to this issue, the possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

### **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. The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and becomes invalid if so used.
4. 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.
5. The appraiser is not aware of any cross easements or any covenants, conditions, or restrictions impacting the subject property. It is assumed the property has adequate ingress and egress, and a sale of the property would not be inhibited by any covenants, conditions, or restrictions.

## **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 Midtown area 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 July 2008 population was 1,984,356, and the Albuquerque metropolitan area population was 845,913. The Albuquerque Metropolitan Statistical Area includes Bernalillo County, the city of Albuquerque, the city of Rio Rancho as well as Sandoval, Valencia and Tarrant Counties. Santa Fe, the state capital, is 65 miles to the north. The state capital, with a 2007 metropolitan-area population of 142,955, 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. This agrarian society spread north and south along the river in a pattern of farms and small villages. Due to this settlement pattern, the most traditional segments of regional development are found in the valley areas.

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. The Railroad Subdivision was platted near the tracks, and businesses developed in response to the convenience of moving goods and people by rail. 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).

The decline of the Central Business District in the 1970s prompted government support of Downtown redevelopment through tax incentives and municipal bond financing of private projects. By the late 1980s and early 1990s, the Central Business District was the location of some of the heaviest public and private capital investment in the metropolitan area.

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 over the last quarter century 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. Since the 1980s, curved streets and clustered non-residential uses are 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.

The supply of land on the East Mesa is nearly absorbed and development emphasis is now on the West Mesa, 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 are expected to come on-line in 2009. This project has already attracted some major employers and it will eventually capture a significant percentage of new housing permits.

### Population Trends

The 2008 population for Albuquerque was estimated at 521,999, 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 over the 58-year period from 1950 to 2008 in the city of Albuquerque and Bernalillo County is shown in the following chart.

#### US Bureau of the Census Population Figures: 1950 – 2008

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%
2008	521,999	1.91%	635,139	1.66%

\*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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Population growth is attributable to a high quality of life, a favorable business environment, a strong and productive labor force, and aggressive economic development efforts that have been funded by both the state and local municipalities. In recent years, national publications have rated Albuquerque as one of the top places to live and work in the United States. These reports typically cite low labor costs and taxes as well as rising median household income.

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 published

a revised population estimate in August 2008. That estimate for the four counties making up the Albuquerque Metropolitan Area (Bernalillo, Sandoval, Torrance and Valencia Counties) is shown below.

**Albuquerque MSA Projected Population – Revised Estimate from August 2008**

Year	Projected Population					Annual Growth Rate per 5 yr. Period
	Bernalillo County	Sandoval County	Valencia County	Torrance County	Total (Alb. MSA)	
2005	614,508	107,104	71,459	18,282	811,353	-
2010	713,020	125,675	79,894	20,052	938,641	2.96%
2015	811,861	144,087	89,045	22,184	1,067,177	2.60%
2020	905,393	163,315	98,459	24,584	1,191,751	2.23%
2025	993,650	182,592	107,294	26,990	1,310,526	1.92%
2030	1,080,297	200,822	115,416	29,132	1,425,667	1.70%
2030	1,166,590	217,806	123,212	31,007	1,538,615	1.54%

Source: UNMBBER

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The preceding forecast estimates growth approaching three percent per year through 2015 and spread among all four counties. The growth projections appear to be aggressive given the more recent economic forecasts for the metro area, but this is to be determined.

Another population forecast is made by the Mid-Region Council of Governments, which is a governmental agency that provides planning and other services in support of community and regional development, including employment growth, infrastructure planning and development, and resource management. Every four years MRCOG publishes a comprehensive socioeconomic forecast for the four-county area of Bernalillo, Sandoval, Torrance and Valencia, as well as southern Santa Fe County. MRCOG divides the plan area into Data Analysis Subzones (DASZ), which are small units of geography that are compatible with MRCOG's transportation model. The datasets are created by MRCOG to project future travel demand in the region, as well as land use planning, economic development and so on. DASZs are generally bounded by major roads and other physical features, and subdivisions of Census Tracts.

MRCOG published the *2030 Metropolitan Transportation Plan for the Albuquerque Metropolitan Planning Area* on April 26, 2007. This plan projects growth in population, employment, housing units and school enrollment for the plan area, as well as at the county and DASZ level. The forecast is from 2004 to the year 2030. According to MRCOG, resource data for the forecast includes the Bureau of Business and Economic Research, the US Census Bureau, the NM Department of Workforce Solutions, aerial photography, building permits, approved and pending real estate developments, interviews with major developers, land inventory and infrastructure availability.

The MRCOG population forecast for the Albuquerque Metropolitan Area is shown below.

**Albuquerque MSA Projected Population – 2007 Estimate**

Year	Projected Population				
	Bernalillo County	Sandoval County	Valencia County	Torrance County	Total (Alb. MSA)
2004	602,413	102,462	69,754	17,695	792,324
2030	<u>759,000</u>	<u>197,182</u>	<u>128,922</u>	<u>27,479</u>	<u>1,112,583</u>
Total Growth	156,587	94,720	59,168	9,784	320,259
Annual Growth Rate	0.89%	2.55%	2.39%	1.71%	1.31%

Source: MRCOG

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The population forecast by MRCOG is more conservative than the UNM-BBER estimate in terms of the pace of growth, and it also predicts more of the growth will occur outside of Bernalillo County.

### 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.

In recent years the average annual job growth has fluctuated from -1.36% to over 4% in the metropolitan area. The New Mexico Department of Workforce Solutions report the Albuquerque metro area gained approximately 2,000 jobs in 2008. Increases were 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 also slipped.

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 (Civilian 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	364.1	7.27%	3.3%	811.8	6.23%	5.0%	136,891	4.13%	4.0%
2001	365.8	0.48%	3.3%	818.5	0.83%	5.4%	136,933	0.03%	4.7%
2002	365.7	-0.04%	4.7%	829.8	1.38%	5.4%	136,485	-0.33%	5.8%
2003	368.9	0.88%	5.5%	839.7	1.19%	6.4%	137,736	0.92%	6.0%
2004	374.2	1.44%	5.2%	860.0	2.42%	5.7%	139,252	1.10%	5.5%
2005	380.4	1.66%	4.9%	886.7	3.10%	5.3%	141,730	1.78%	5.1%
2006	392.8	3.26%	4.0%	912.1	2.86%	4.3%	144,427	1.90%	4.6%
2007	392.9	0.04%	3.5%	910.0	-0.23%	3.5%	146,047	1.12%	4.6%
2008	394.9	0.50%	4.3%	919.4	1.04%	4.2%	145,362	-0.47%	5.8%

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. Starting in 2002, the reported categories were changed to be consistent with NAICS codes, which replaced the former SIC codes.

**Employment According to Categories: Albuquerque MSA (Nonagricultural)**

	Ann. Avg. 1990	Ann. Avg. 2000	%Δ 1990-00	Ann. Avg. 2006	Ann. Avg. 2007	%Δ 2006-07
Total Nonfarm	271,400	357,400	31.7%	391,500	395,600	1.0%
Total Private	216,300	288,400	33.3%	313,100	316,100	1.0%
Goods Producing	37,600	51,100	35.9%	55,500	54,000	-2.7%
Services Providing	233,800	306,200	31.0%	336,000	341,600	1.7%
Private Services Providing	178,700	237,300	32.8%	257,600	262,200	1.8%
Natural Resources and Mining & Const.	14,800	23,600	59.5%	31,400	30,300	-3.5%
Manufacturing	22,800	27,600	21.1%	24,100	23,700	-1.7%
Trade, Transportation & Utilities	53,700	66,200	23.3%	67,500	68,800	1.9%
Wholesale Trade	13,200	14,200	7.6%	13,200	13,300	0.8%
Retail Trade	32,600	41,400	27.0%	43,700	44,700	2.3%
Transportation, Warehousing & Utilities	8,000	10,700	33.8%	10,500	10,900	3.8%
Information	6,700	11,100	65.7%	9,400	9,200	-2.1%
Financial Activities	16,800	19,400	15.5%	19,200	19,200	0.0%
Professional and Business Services	42,400	58,700	38.4%	62,900	64,200	2.1%
Educational and Health Services	24,200	37,300	54.1%	47,900	49,100	2.5%
Leisure and Hospitality	26,000	33,600	29.2%	38,500	39,500	2.6%
Other Services	8,900	10,900	22.5%	12,100	12,300	1.7%
Government	55,100	69,000	25.2%	78,500	79,400	1.1%
Federal	14,500	14,100	-2.8%	14,500	14,500	0.0%
State	15,100	22,200	47.0%	25,200	25,500	1.2%
Local	25,500	32,700	28.2%	38,700	39,400	1.8%

Source: New Mexico Department of Workforce Solutions

*Joshua Cannon & Associates, Inc.*

The Albuquerque MSA is much more of a service economy than a manufacturing economy. Roughly 86% of the economy is attributable to the service sector. Government of all types, at 20%, constitutes the single largest category of jobs. Overall non-farm employment increased in the Albuquerque MSA by 1.0% from 2006 to 2007.

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 published a quarterly forecast of economic statistics, including employment. The most recent forecast from Winter 2009 is shown on the following page.

**UNIVERSITY OF NEW MEXICO  
BUREAU OF BUSINESS AND ECONOMIC RESEARCH**

SUPPLEMENT To The **FOR-UNM** Bulletin, WINTER 2009

Prepared for

**JOSHUA CANNON & ASSOCIATES, INC.**

<b>ALBUQUERQUE MSA</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Total Nonagricultural Emp.</b>	395.817	394.794	378.373	380.547	389.473	397.698	404.665	410.652
% Change Year Ago	1.1	-0.3	-4.2	0.6	2.3	2.1	1.8	1.5
Logging, Mining and Construction Employment	30.475	28.277	23.862	23.753	24.691	25.522	26.136	26.660
% Change Year Ago	-2.9	-7.2	-15.6	-0.5	4.0	3.4	2.4	2.0
Manufacturing Employment	23.675	22.053	18.271	18.400	19.270	20.134	20.875	21.269
% Change Year Ago	-1.7	-6.9	-17.2	0.7	4.7	4.5	3.7	1.9
Wholesale Trade Employment	13.342	13.149	11.859	11.844	12.108	12.352	12.559	12.737
% Change Year Ago	0.8	-1.4	-9.8	-0.1	2.2	2.0	1.7	1.4
Retail Trade Employment	44.625	44.589	41.268	40.631	41.073	41.680	42.362	42.931
% Change Year Ago	2.1	-0.1	-7.4	-1.5	1.1	1.5	1.6	1.3
Transportation, Warehousing and Utilities Employment	10.900	10.678	9.793	9.464	9.717	10.087	10.366	10.576
% Change Year Ago	3.6	-2.0	-8.3	-3.4	2.7	3.8	2.8	2.0
Information Employment	9.183	9.339	8.888	8.686	9.129	9.273	9.410	9.565
% Change Year Ago	-2.7	1.7	-4.8	-2.3	5.1	1.6	1.5	1.6
Financial Activities Employment	19.192	18.719	18.055	17.799	17.880	18.100	18.143	18.066
% Change Year Ago	-0.3	-2.5	-3.5	-1.4	0.5	1.2	0.2	-0.4
Professional and Business Services Employment	64.275	64.331	60.758	62.540	65.378	67.329	68.618	69.858
% Change Year Ago	2.2	0.1	-5.6	2.9	4.5	3.0	1.9	1.8
Educational Services, Health Care and Social Assistance Employment	49.025	51.163	53.826	55.332	57.451	59.054	60.438	62.028
% Change Year Ago	2.4	4.4	5.2	2.8	3.8	2.8	2.3	2.6
Leisure and Hospitality Employment	39.433	38.818	37.321	37.446	37.492	38.124	38.878	39.192
% Change Year Ago	2.3	-1.6	-3.9	0.3	0.1	1.7	2.0	0.8
Other Services Employment	12.192	12.480	12.060	12.123	12.178	12.187	12.229	12.293
% Change Year Ago	0.6	2.4	-3.4	0.5	0.5	0.1	0.3	0.5
Total Govt. Employment	79.500	81.199	82.412	82.529	83.106	83.857	84.652	85.476
% Change Year Ago	1.3	2.1	1.5	0.1	0.7	0.9	0.9	1.0
City of Albuquerque Total Housing Units	2.817	1.008	0.796	0.820	1.728	2.451	2.824	2.744
% Change Year Ago	-33.4	-64.2	-21.0	3.0	110.8	41.8	15.2	-2.8
City of Albuquerque Single-Family Units	2.087	0.659	0.529	0.634	1.443	1.998	2.167	1.997
% Change Year Ago	-37.4	-68.4	-19.8	20.0	127.5	38.4	8.5	-7.8
City of Albuquerque Multi-Family Units	0.730	0.349	0.267	0.186	0.285	0.453	0.657	0.747
% Change Year Ago	-18.3	-52.2	-23.5	-30.5	53.5	59.0	45.0	13.7

ALL FIGURES IN THOUSANDS

Source: UNM BBER

As shown above, the Albuquerque MSA had negative 0.3% employment growth in 2008, and negative 4.2% in 2009. Positive employment growth is forecast to resume in 2010 and return to the two percent level in 2011.

Following are some bullet points from the most recent UNM BBER forecast:

- Albuquerque MSA employment growth rates for the first three quarters of 2009 were recast as -3.2 percent, -4.5 percent, and -4.8 percent, respectively, which were lower than the published CES rates of

- 1.7 percent, -3.2 percent, and -3.6 percent, also respectively. The third quarter unemployment rate, non-seasonally adjusted, rose to 7.8 percent from 6.8 percent in the preceding quarter.
- The Albuquerque MSA economy lost a net 20,822 jobs between the third quarter of 2008 and the third quarter of 2009. Four sectors were down at least 3,000 jobs, led by manufacturing, where employment was 5,026 (-22.4 percent) lower than a year ago. The closings of the Intel Fab 11 plant last winter and of Eclipse Aviation tell much of the story, but layoffs at Emcore and Aero Mechanical Industries, among others, and the closing of the Sparton microchip plant and Solo Cup also contributed. The professional and business services sector was down 4,876 from a year ago (-7.5 percent). The construction sector lost 4,423 jobs, -15.5 percent. Next in line was the retail trade sector, posting an employment drop of 3,831 (-8.6 percent). Retail trade employment has been pummeled by numerous store closings, many of them national chains. Wholesale trade employment dropped 1,441 jobs in the last year, down 10.9 percent. Major employment declines were experienced by leisure and hospitality (-1,125 jobs, -2.8 percent), TWU (-938 jobs, -8.9 percent), and financial activities (-684 jobs, -3.6 percent). Each of the remaining sectors lost 500-600 jobs, with the exception of the government and health care sectors.
  - The government sector enjoyed an employment gain of 1,299 jobs, mostly a result of the influx of Census 2010 workers. Federal government added 705 jobs (5.3 percent), although both local government (1.2 percent) and state government (0.1 percent) enjoyed small employment gains.
  - The City of Albuquerque housing sector showed a surprising gain of 73.3 percent in total housing unit authorizations, although the total number of units was only 453, of which 201 were single-family and 252 were multi-family. Rio Rancho housing permits posted a 20.4 percent gain, all in single-family. The total dollar value of construction contracts awarded during the third quarter jumped 162.8 percent, mostly as a result of a \$500 million contract at Intel. Residential contracts were off 3.8 percent. Contracts for non-residential buildings jumped 309.5 percent (Intel), while contracts for other than buildings increased 53.9 percent.
  - The Albuquerque MSA economy remains deep in recession, with almost every sector shedding jobs. Only the health care industry is showing any significant employment growth, although the government sector also contributed over 1,000 jobs in the third quarter. Still, by any measure, this is the worst the metro area has experienced in many decades. The Albuquerque MSA economy is slated to remain in recession through the first quarter of 2010. The worst is likely past, and the rate of employment decline will become less negative for the next two quarters before breaking into the positive during the second quarter of 2010. The recovery is expected to pick up steam fairly quickly, helped along by hundreds of new jobs at Fidelity Investments in Mesa del Sol, at various call centers throughout the metro (Hewlett-Packard, T-Mobile, Sitel, Verizon), and also at a number of solar technology firms (Schott Solar, Solar Array Ventures, Signet Solar), among others. Albuquerque MSA employment growth will increase from -4.2 this year to 0.6 percent next year, increasing significantly each quarter as the year wears on.
  - By the first quarter of 2011, growth is expected to reach 2.6 percent, and will average 2.3 percent for the entire year (2011). Following that, growth will subside gradually, reaching 1.5 percent in 2014. Personal income is expected to decline by 2.1 percent in 2009, and increase by 2.4 percent in 2010. Growth will reach 5.0 percent in 2011 and gradually slow thereafter. The unemployment rate will reach 8.3 percent in 2010 and then slowly decline to 6.6 percent in 2014. Although the economy will emerge from recession in 2010, strengths will still be limited. The recovery will take hold with vigor in 2011, when the manufacturing (solar technology firms), construction, and TWU sectors return to growth mode to complement the educational services, health care, and professional and business services sectors. Housing in the city of Albuquerque posted a large percentage gain during the third quarter, but it is unlikely to be the start of a trend. Indeed, housing is expected to follow an up-and-down path for the next twelve months, and not really begin a sustained expansion until 2011.
  - Overall, then, the picture is of a steep recession, ending finally by the second half of 2010, and followed by a moderately strong recovery.



### Real Estate Markets

The following table summarizes vacancy by market sector from year-end 1986 to Third Quarter 2009. Commercial real estate in Albuquerque is experiencing sharp increases in vacancy in all sectors. This is due to the recession, including a very slow housing market and a decline in retail spending. The rise in retail vacancy is primarily due to large store closings, and the industrial vacancy is also heavily impacted by retailers, as well as building materials. Most market participants expect vacancies to continue to rise somewhat.

#### Real Estate Market Sector Vacancy: Year-end 1986 – Third Quarter 2009

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 Q3	10.9%	15.1%	9.1%	7.1%

Sources: CB Commercial and Grubb & Ellis New Mexico: Retail, Office and Industrial  
Apartment Association of New Mexico

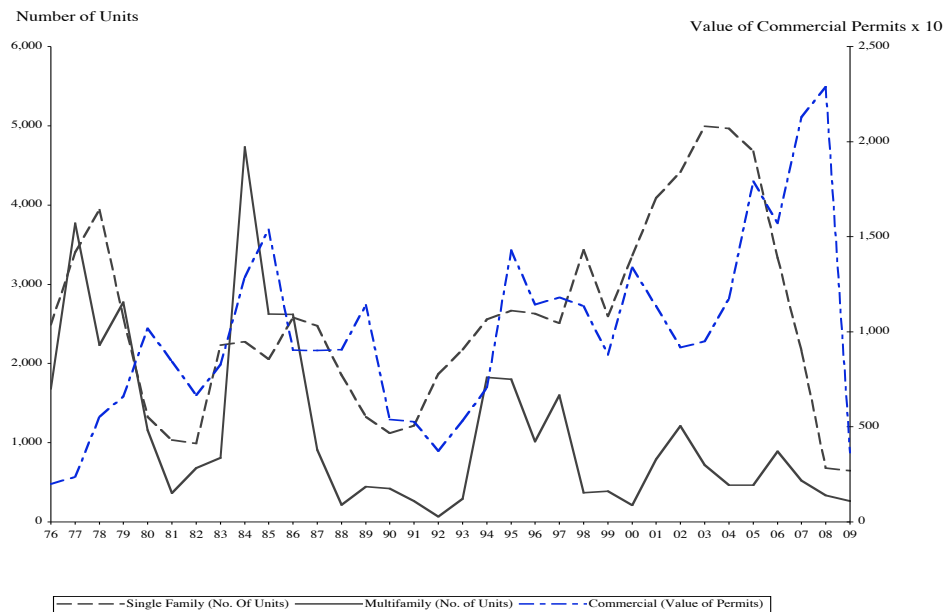
*Joshua Cannon & Associates, Inc.*

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 2009.

**City of Albuquerque Construction Permits: 1976–2009**

	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

\* Value in millions of dollars



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 1,874 in 2008 and 1,669 in 2009. Permits are predicted to begin to increase in 2010.

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. Since 1996, much of the new multifamily development has been either condominiums or affordable apartments financed with Low Income Housing Tax Credits.

Conclusions regarding the real estate markets are that: 1) single-family residential construction was exceptionally strong from 2001 through 2005, then declined into 2009 by significant amounts; 2) apartment construction has had an erratic building pattern for several years and no significant upturn is predicted through 2011; 3) commercial construction was strong in 2005–2008, and then plummeted in 2009 to its lowest level since 1977.

### *Summary*

The Albuquerque metro area has averaged employment growth of approximately two percent per year since the 1960s and this continues to be the long-term projection. Among the distinguishing characteristics of the metro area's overall economy are: 1) its role as a statewide center for trade, transportation, and services; 2) an increasing local diversification in manufacturing and distribution; 3) in-migration of regional and national business interests; 4) a significant economic component from federal government employment and contracting; and 5) a high quality of life. Like the national economy, the metro area is currently within a recession and job growth was negative in 2009.

With the limited supply of remaining developable land in the historically popular northeast quadrant, the primary growth areas of the metro area have been to the west. In the future, growth will also move south with the opening of Mesa del Sol and the continued development in Los Lunas. The northeast quadrant 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 Description**

The subject neighborhood is about one mile in length and encompasses land along a north-south corridor formed by University Boulevard. This corridor is roughly bound by (1) Interstate 40 on the north, which marks a general change in land use that is dominated by hospitality properties, (2) the University of New Mexico north golf course and single-family residential land uses to the east, (3) the main campus of UNM, mixed-use commercial, and single-family housing to the south of Lomas Boulevard, and (4) outlying areas of downtown Albuquerque to the west, beyond Interstate 25 (I-25). The subject property lies in the north portion of the described neighborhood. It is located on the east side of University Boulevard, between Indian School Road and Interstate 40.

The primary north-south arterial through the general neighborhood (excluding I-25) is University Boulevard. South of Lomas, University Boulevard provides direct access to the internal streets of the UNM campus and frontage uses are mostly UNM buildings. North of Lomas up to I-40, University supports a variety of uses including office buildings, limited retail, hospital and medical support facilities, television stations, a mortuary, student parking and child-care facilities owned and operated by the university, and two gasoline stations. The majority of these improvements are either occupied by UNM entities, or by businesses serving the students and employees of UNM. The influence of UNM on University Boulevard frontage land uses effectively ends at Interstate 40.

The University of New Mexico and the UNM Health Sciences Center are in a growth phase that will materially benefit the subject area. The UNM Health Sciences Center is currently constructing the new \$58 million 163,000-square-foot Cancer Research Treatment Center slightly southwest of the subject and to the

west of University Boulevard. Also under construction in this area is the Tri-Services Laboratory, a five-story 190,000-square-foot structure with an estimated building cost of \$72 million. Access to these new properties is from Camino de Salud, which has a signalized intersection with University Boulevard to the south of Indian School Road. UNM also has other longer term development plans in the neighborhood, including a 750,000-square-foot expansion of the hospital, and the redevelopment of their lands along Lomas Boulevard with a mixture of commercial, residential and university buildings.

Indian School Road crosses the neighborhood east-west near its center and roughly divides it into north and south segments. The subject is located in the north segment, or north of Indian School Road. A summary of average daily traffic flows for the neighborhood's arterials follows. The most recent traffic study was performed in 2008.

#### **Average Daily Weekday Traffic Volumes**

<i>Location</i>	<i>1990</i>	<i>1995</i>	<i>2000</i>	<i>2005</i>	<i>2008</i>
University Boulevard, between Indian School Rd. and I-40	21,000	19,700	18,100	19,700	19,600
Indian School Road, east of University Blvd.	10,700	8,400	10,200	11,600	9,400

*Source: Mid Region Council of Governments*

*Joshua Cannon & Associates, Inc.*

Based upon the most recent study, average weekday traffic flow at the subject frontage is 19,600 vehicles. Principal arterials in Albuquerque typically carry about 35,000 to 50,000 vehicles per day. The indicated trend in traffic volumes in the neighborhood has been stable, although the data should be viewed as approximate. The traffic counting procedures by the MRCOG are imprecise and often involve inferring counts at one location based upon actual counts at another. Traffic count at the subject frontage will likely increase once the Cancer Research Treatment Center and the Tri-Services Laboratory are completed.

In summary, the subject neighborhood is a commercial corridor within Albuquerque that is approximately 90% built up with a variety of commercial and institutional uses. The University of New Mexico owns the majority of the real estate in the neighborhood, including both newer construction and older office and special use buildings converted to university uses. The neighborhood has been relatively stable for the past ten years with minimal new development; however, approximately 350,000 square feet of new building is under construction or recently completed southwest of the subject. This will have a moderate impact on the neighborhood in traffic count, demand for services and demand for real estate.

## **Zoning**

The subject property is zoned C-3, Heavy Commercial Zone, as defined in Albuquerque's *Comprehensive City Zoning Code*. This zone permits virtually all commercial uses, including wholesale commercial and some light industrial, which cause no vibration discernible beyond the premises. Examples of approved uses include offices, shopping centers, auto sales and repair, restaurants (including drive-in service), liquor sales, gas stations, hotels and motels. Residential uses are a conditional use in this zone, and apartment development is governed by the R-3, Residential Zone regulations. Permissive uses under R-3 zoning allow apartment projects up to 30 dwelling units per acre. Overall, the C-3 zoning does not materially restrict potential uses and the subject improvements are conforming.

## **Property Tax Information**

Real estate taxes in New Mexico are based on taxable values of 33.3% of assessed values for both non-residential and residential properties. The state operates on a base-year concept that advances every two

years. The mill levy, established in September at the state capital, is released in early October of each year. Property taxes are paid in two installments due in November and the following May. The code number for the subject is 1-015-059-420-032-4-01-06 and the assessed value is \$1,262,400 for the land and \$11,048,500 for the improvements, for a total \$12,310,900. The annual taxes for 2009 are \$191,156.86, or \$2.07 per square foot of rentable building area. This is a gross over-valuation for this building, but the owner did not file a tax protest because they were losing the building in foreclosure proceedings. The subject property is under contract for \$4,600,000 and the buyer will be able to use this acquisition price in a future protest. At an assessed value of \$4,600,000, the annual taxes would be \$71,433, or \$0.77 per square foot. The assessed amount will trend up in the future as the building achieves a stabilized occupancy. Based upon taxes at similar properties, a probable long-term tax rate is \$1.20 per square foot of rentable area, or a total of \$111,001.

## Site Description

Size:	4.6222 acres or 201,343 square feet.
Shape:	It has an irregular shape that is best visualized by viewing the exhibits in the <i>Appendix</i> . The site is part of a three-lot subdivision and the body of the subject is recessed about 150 feet southeast of University Boulevard. The southern boundary of the site has a gooseneck access extension to University Boulevard.
Access:	The subject property has two access points to University Boulevard and both are improved with two-lane asphalt paved driveways. The south access point is part of the subject fee land, and the northeast access point is by easement across the adjoining site.
Topography:	The subject land is relatively level and slightly above the grade of University Boulevard.
Flood Zone:	According to the most recently prepared National Flood Insurance Program flood hazard map (Community Panel Number 35001C0332G, dated September 26, 2008), the subject site is located in Zone X, which is an area determined to be outside the 500-year flood plain.
Utilities:	All typical utilities are available, including water, sewer, natural gas, electricity, and telephone.
Drainage:	Drainage is routed into storm drain infrastructure in University Boulevard.
Soil Conditions:	No soil or engineering reports are available and adequate conditions are assumed.
Environmental:	The site is assumed to be free of contamination from hazardous substances.
Easements:	Typical utility easements around the site perimeter support utility lines and access roads. No detrimental easements are noted.
Adjoining Land Uses:	A large storm drainage channel to the east, vacant land to the north, the former Elks Club to the south, and a partially completed hotel to the west. The former Elks Club was purchased by UNM several years ago and is targeted for redevelopment as the need for space warrants. The incomplete hotel to the west is visible in the property photographs and was planned to be a 121-room Sheraton Four Points. Construction began in approximately early 2007 and was halted in late 2008 when the developer lost financing. This appears to be a good quality structure that is about 50% complete, and it is reasonable to assume construction will be finished once market conditions improve in the hospitality sector.

## Improvements Description

The site is improved with a five-story office building constructed in 1983. The building is triangular in shape, with architectural offsets at the oblique corners on the lower floors (floors 1 through 3). Construction is steel frame with glass curtain walls, and the quality of design and finishes is considered average. The building's interior layout includes entrances at the oblique corners of the building (one on the north and another on the south), canopied by the staggered offsets of "cut away" floors. Angled six-foot-wide hallways access a central elevator lobby with two elevators. Concrete staircases are located at each oblique corner of the building. The interior finish-out has minimal partitioning and the former tenant (UNMH) had an extensive system of removable wall partitioning.

The basement floor plan includes a garage area under a portion of the first floor at the southeast side of the building. The garage area provides six parking spaces and a handicap ramp. Also, there is a loading dock alongside the east ramp to the garage level parking. The basement elevator lobby accesses the garage parking area to the south as well as a partial basement area that includes storage, mechanical equipment and electrical panel rooms. The basement lobby is fully finished and served by both elevators. The basement is fully sprinklered, and heating is provided by electric space heaters. There are six locked storage rooms available for use by the tenants. There is onsite parking for 435 vehicles.

Gross building area is 99,033 square feet, of which 92,501 square feet are rentable. The building areas are based on calculations made by Your Cad Drafting as shown on the floor plans dated December 15, 2003. Copies of these plans are included in the *Appendix* of this report. Gross building area is the total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. Rentable area is computed by measuring to the inside, finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Another term common to office buildings is usable area, which is the actual occupiable area of an office floor and is computed by measuring from the finished surface of the office side of the corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Usable area will vary with tenancy and specific floor plans, and is not applicable to this analysis since the building is 100% vacant and future partitioning is not known.

The estimated building areas are summarized on the following table.

### Estimated Building Areas by Floor in Square Feet

<i>Floor</i>	<i>Gross Area</i>	<i>Rentable Area</i>
Basement	6,587	3,039
First	17,640	16,969
Second	18,254	17,651
Third	18,684	18,159
Fourth	18,934	18,324
Fifth	<u>18,934</u>	<u>18,359</u>
Total with Basement	99,033	92,501
Total without Basement	92,446	89,462

Building efficiency, measured as the ratio of rentable area to gross area, is 93% including the basement. Excluding the basement, the building efficiency is 97%. The comparatively high building efficiency is due to the thin curtain wall system. A description of the building construction is outlined below. The building specifications are based on the subject building plans, interviews with UNM personnel, and an inspection of the property.

Foundation:	Reinforced slab on compacted subgrade with reinforced concrete perimeter and column footings.
Exterior Walls:	Steel frame with glass curtain walls.
Roof Structure:	Reported to be a flat roof with a membrane cover over insulation on structural deck.
Interior finishes:	Floor coverings are a combination of carpet and tile. Entrance vestibules are brick. The interior partitioning is painted and textured gypsum wallboard. Ceilings are acoustical lay-in panels with parabolic fluorescent lighting and specialty lighting. Typical ceiling height is eight feet. The restrooms have ceramic tile partial wall and floor coverings. Interior doors are solid core wood in metal frames. The building partitioning is shown on the plans in the <i>Appendix</i> .
Vertical Penetrations:	There are two elevators and two sets of metal fire stairs with concrete treads.
Plumbing:	Each floor has a set of public restrooms with seven fixtures each. The restrooms are located on the opposite side of the elevator lobby. The basement is sprinklered.
Heating and Cooling:	Chilled water system with two chilled water pumps and a ground level cooling tower. Heat is generated by electric coils in the distribution duct system. The only gas-fired heating is a 40-gallon water heater that feeds faucets in the restrooms. A Honeywell energy management unit was installed in 1986 which automatically audits the outside air temperature for the chiller controls. The heating and cooling are zoned.
Site Improvements:	Site improvements include paving and striping for 435 parking spaces. The parking lot is lighted by standard pole-mounted fixtures, and there are 20 parking spaces under a steel-framed canopy in the southeastern corner of the site. A landscaped area with grass, trees and shrubs surrounds the building.

## Design

The exterior architecture of the building has a distinctive design with glass curtain wall and a triangular footprint. The “cut away” element at the oblique corners also softens the stark geometric lines and provides visual interest. The building is efficient in terms of its usable to rentable area percentage, although this efficiency is achieved at some expense of entrance design. The subject has a minimal lobby at the north end of the building and a vestibule entry at the southwest corner of the building. Most multi-tenant suburban office buildings of this size have a more elaborate lobby/atrium.

The lobby and vestibule connect with the central elevator lobby (located at the building’s right angle at the southern end) via six-foot-wide hallways which turn on a diagonal between the entry and elevator lobby. These hallways provide functional circulation between the building entrances, suite entrances and the elevators/restrooms. The tenant areas are relatively shallow because of the triangular design, and this provides abundant natural light from the glass curtain walls. The views from the building are very good, which are the Sandia Mountains to the east, the Downtown skyline to the south, and the Rio Grande valley to the west.

UNMH occupied much of the building for several years, and in some areas they were the original tenant. Some of the partitioning was reportedly constructed by UNMH without regard to ducting, thermostats, etc. Much of the interior finish-out will likely require reconstruction for new tenants, but this is common in the office marketplace.

Overall, the property improvements are reasonably attractive and of average quality. From a standpoint of general design and construction, the building is considered desirable to a wide range of users, although remodeling of the tenant areas will be required to achieve lease up.

### Condition & Deferred Maintenance

An overview of property condition is as follows:

- The condition of the asphalt parking lot is fair and will require a reseal in the near term. The rounded estimated cost is approximately \$50,000 (160,000 SF x \$0.30/SF).
- The building elevator system requires a major renovation and the process was begun by the prior owner. Currently, one elevator is inoperable and it is used for parts to service the operating unit. According to the property manager, the prior owner negotiated a bid of \$352,000 to renovate the elevator systems and \$91,000 has already been paid for equipment. The remaining balance to complete the renovation is \$261,000
- Clogged weep holes in curtain wall drainage system have damaged the stucco at the lower building perimeter. There is also stucco deterioration a other portions of the exterior. The perimeter of glass curtain wall systems are required to be re-sealed approximately every 15 years, and failure to perform this maintenance can allow water damage. It is not known when this was last performed and is likely required in the near term. The estimated cost to perform these various repairs is \$20,000.
- The interior finishes of the building have not been updated for an extended period and this will be required as the space is leased. This is common for buildings of this age and does not fall under deferred maintenance. The cost of new finishes is accounted for in the Income Approach.
- Some recent improvements to the building include a new cooling tower in 2002 at a cost of ±\$300,000, and a split transformer system was added on the fourth floor and basement in 2007 at a cost of ±\$80,000. The property manager reports no roof leaks.
- The HVAC system in the building is mostly original. The property manager reports the system is fully operational and does not have any recurring problems or need any near term repairs. The age of the system renders it less energy efficient than more modern technology, and personnel with UNM report they will likely perform changes to the heating system if they buy the property (convert to the hot water heat). This does not fall under deferred maintenance, but is a choice specific to this buyer.
- The glass curtain wall system is older technology and not as energy efficient as new systems with “low E” glass. The property manager reports the wall system is operational and leaking is not a problem. Glass panels periodically have seal failure and are replaced at ±\$400 each. UNM reports they may upgrade a portion of the glass to “low E” panels. Again, this does not fall under deferred maintenance, but is a choice to this specific buyer.

Based upon the preceding analysis, the total deferred maintenance is estimated to be a rounded amount of \$330,000.

### Market Analysis – Office Market

Albuquerque has 13.5 million square feet of office space in single-tenant and multi-tenant buildings containing 10,000 square feet or more, including owner-occupied buildings. The distribution of space by market area is shown in the following chart, along with vacancy statistics from fourth quarter 2009, as published by Grubb and Ellis New Mexico.



**Office Market Statistics – Fourth Quarter 2009**

Market Area	4th Quarter 2009				2008	2007	2006	2005	2004	2003*
	Total Sq. Ft.	Sq. Ft. Vacant	4th Qtr. Vacancy	Under Const. Sq. Ft.						
(CBD) Downtown	2,602,323	472,207	18.1%	-	18.5%	15.6%	20.4%	18.0%	20.3%	15.8%
Airport	1,246,469	121,913	9.8%	-	7.7%	10.2%	21.5%	23.2%	30.2%	30.8%
Far NE Heights	962,463	104,214	10.8%	33,734	10.4%	8.8%	9.7%	9.3%	13.0%	13.1%
Mesa del Sol	271,052	37,610	-	-	-	-	-	-	-	-
North I-25	3,229,392	560,587	17.4%	-	13.3%	10.8%	12.4%	8.1%	10.1%	13.8%
Northeast Heights	798,700	128,542	16.1%	-	16.4%	13.2%	10.5%	12.6%	12.1%	12.2%
Rio Rancho	628,056	65,839	10.5%	-	18.7%	13.3%	5.5%	9.8%	15.5%	23.8%
Southeast Heights	592,476	67,431	11.4%	-	10.7%	4.1%	4.4%	5.2%	6.2%	6.4%
University	997,419	242,646	24.3%	-	10.3%	5.3%	8.2%	5.6%	5.5%	7.1%
Uptown	1,837,102	260,275	14.2%	-	8.5%	9.1%	9.0%	10.3%	14.2%	19.3%
West Mesa	353,374	107,673	30.5%	-	26.2%	9.3%	14.0%	20.0%	20.8%	12.8%
Total	13,518,826	2,168,937	16.0%	33,734	13.1%	10.8%	13.4%	12.5%	15.1%	16.1%

\*Third Quarter Vacancy

Source: Grubb &amp; Ellis New Mexico

The metro area office vacancy is reported to be 16.0%. This is up from the recent low of 10.8% in 2007. The recent increase in vacancy is attributed to a decline in economic conditions and an increase in metro area unemployment. The subject property is located in the “University” market area, which has an above average vacancy of 24.3%. This vacancy increased substantially in late 2009 when UNMH vacated 92,501 square feet at the subject property. UNM was formerly leasing this space and relocated the departments to a building on campus. Excluding 1650 University Boulevard, vacancy in the University market drops to 15%, or roughly consistent with the market average.

The following chart shows office absorption statistics since 2003 for the city metro area and various submarkets. These statistics are from Grubb & Ellis New Mexico.

**Office Absorption Statistics**

Year	Net Absorption in Square Feet for Buildings 10,000+ SF							
	Rio Rancho	Far NE Heights	University	Airport	Downtown	Uptown	North I-25	Citywide
2003	-35,473	40,116	-2,294	-123,865	163,071	-84,705	248,468	102,475
2004	26,944	33,925	18,759	-16,322	22,965	99,863	205,908	401,106
2005	16,623	22,331	15,567	71,666	26,047	57,347	219,146	474,184
2006	11,966	35,007	-24,753	12,612	-70,495	68,353	37,012	90,585
2007	46,923	13,115	10,179	157,455	65,458	-7,932	6,598	278,600
2008	4,548	-21,890	-49,694	30,962	-69,458	9,970	149,652	146,064
2009	<u>224,195</u>	<u>33,503</u>	<u>-122,204</u>	<u>-15,465</u>	<u>-15,073</u>	<u>-102,104</u>	<u>-93,716</u>	<u>73,116</u>
Total	295,726	156,107	-154,440	117,043	122,515	40,792	773,068	1,566,130
Avg./Yr.	42,247	22,301	-22,063	16,720	17,502	5,827	110,438	223,733
Capture	18.9%	10.0%	-9.9%	7.5%	7.8%	2.6%	49.4%	100.0%

Source: Grubb &amp; Ellis New Mexico

The preceding chart shows the metro area has an annual average of approximately 223,700 square feet of office absorption over the past seven years for leased buildings in excess of 10,000 square feet. The North I-25 Corridor has captured the majority of this absorption, and this is expected to continue as long as an adequate supply of developable land is available. Recent absorption is bolstered by the occupancy of

±218,000 square feet by Hewlett-Packard in their new build-to-suit office in Rio Rancho. Without Hewlett-Packard, the market would have had negative absorption in 2009.

The subject property is located in the University market area, which has averaged an absorption rate of negative 22,063 square feet per year since 2003. The subject building at 1650 University is the largest vacancy in this submarket. Another large vacancy occurred when a 30,000-square-foot charter school moved out of Pinetree Corporate Center. The balance of the negative absorption has predominantly occurred in older buildings with under-competitive designs. Functional buildings in this submarket typically have stabilized occupancies at 90% or better.

## Highest and Best Use

The four criteria of highest and best use are (1) legally permissible, (2) physically possible, (3) financially feasible, and (4) maximally productive. For appraisal purposes, highest and best use analysis is a two-step process, which first considers the site as if vacant and then the combination of land and existing improvements.

### *Highest and Best Use as Vacant*

*Legally Permissible.* The subject is zoned C-3, Heavy Commercial, which is a very liberal zone that allows any use that is probable for the subject land.

*Physically Possible.* The subject is a 4.6222-acre site with arterial visibility, but it is recessed approximately 150 feet from the University Boulevard frontage. This lack of frontage precludes a retail use, making office development most probable.

*Financially Feasible/Maximally Productive.* Office and institutional buildings are the dominant land use in the subject area, and this is the logical highest and best use of the subject property based upon its setting, general location and zoning. The site's proximity and access to I-25 with good quality perimeter infrastructure also makes it marketable to special purpose users that do not need arterial frontage. Market conditions are currently soft in the office sector, but this is expected to improve as the economy strengthens in late 2010 and early 2011. Also, special purpose buyers are less impacted by the business cycle and they represent a potential buyer/user in the near term. In conclusion, the highest and best use of the subject land is office, institutional and/or special purpose use.

### *Highest and Best Use as Improved*

Under the highest and best use of the subject property "as improved," an office building is the only practical alternative, given the design of the improvements. The subject is an average quality Class B building. Demolishing the existing structure and redeveloping the site for a different use is not feasible. The value "as improved" exceeds the value "as if vacant." The highest and best use of the subject, as improved, is as an office building.

## Problem Analysis and Data Interpretation

The scope of work is intended to mirror the thought process of a potential purchaser. It encompassed an inspection of the property and available architectural plans, research of sales and lease rates for similar improvements, research regarding capitalization rates, analysis of commercial market trends, projection of stabilized income and expenses, and application of the Sales Comparison Approach and Income Approach.

The Cost Approach to value is most reliable when the improvements are new and the land is developed to its highest and best use. The subject office building is consistent with the highest and best use; however, a supported estimate of depreciation is difficult due to the age of the improvements. A Cost Approach for this property is not a reliable indicator of market value and it is excluded from the analysis.

The Sales Comparison Approach is valid when sales data are available regarding properties having similar characteristics of age, design and location. In this instance, the research revealed eleven sales that are relevant to this analysis. The transactional data are used in the Sales Comparison Approach to develop an indication of market value based on price per square foot. This approach is well supported.

In the valuation of an income-producing property, the most important data and analysis relate to estimates of the amount, duration, and predictability of net income potential, and to investment performance required to attract equity capital. These factors are analyzed in the Income Approach. Market rent for the subject property is based on analysis of rents at office buildings considered similar to the subject. A normalized vacancy factor is estimated based on analysis of current and historical vacancy statistics. Expense estimates are drawn from actual performance at the subject and other Albuquerque office buildings. Income estimates are combined with expense estimates in estimating net income potential. The capitalization method applied is direct capitalization using an overall rate.

In the Reconciliation section following the valuation approaches, a summary of important points of each method is presented in support of the final estimate of value.

## Sales Comparison Approach

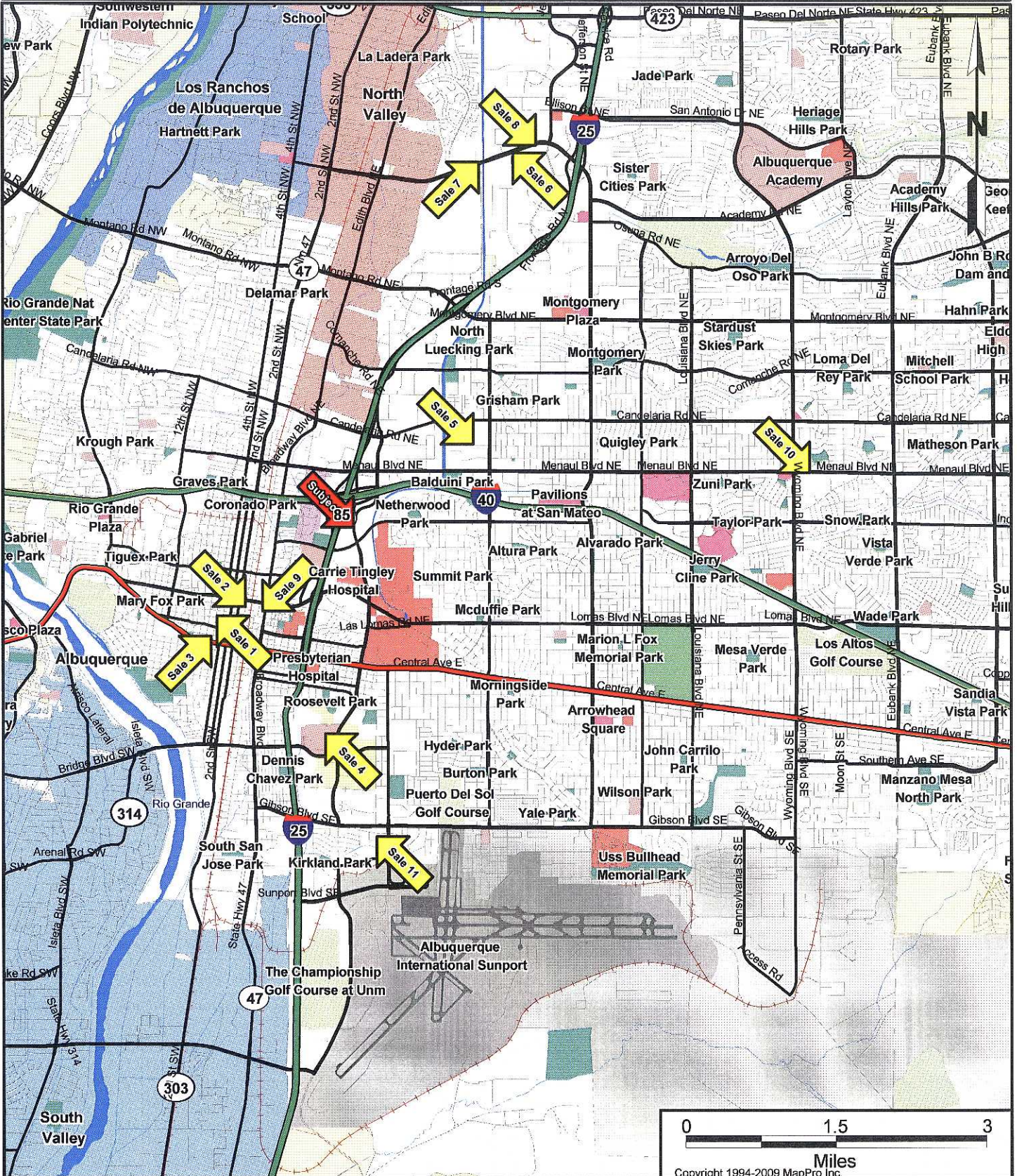
This approach develops an indication of value by analysis of prices paid in actual transactions of similar properties. My research disclosed eleven improved property sales that are considered relevant to this analysis. The subject is an atypical property in that it is a larger office building designed for multi-tenant occupancy and is 100% vacant. The included sales range from office buildings that are 100% vacant to 97% occupied. All of the sales are not directly comparable to the subject, but they do provide valuable perspective on the variables that influence market value. A location map and a summary chart of the sales are on following pages. Individual data sheets and a location map are in the *Appendix*.

# LOCATION MAP

Description: IMPROVED SALES

Subject Address: 1650 University Blvd Ne, Albuquerque, NM 87102

Prepared by: Joshua Cannon & Associates, Inc., PO Box 20088, Albuquerque, NM 87154



### CAUTION:

The location of property arrows shown on this map are approximate only. Inaccuracies may exist on map such as missing, incorrectly drawn, or incorrectly addressed streets. Please report any such inaccuracy to MapPro, Inc. so that appropriate corrections can be made.

## Summary of Albuquerque Office Building Sales

No.	Property Name	Address & Market Area	Sale Price	Sale Date	Gross Bldg. SF	Floor Area Ratio	Onsite Parking Volume	Year Built	Occupancy at Sale Date	Buyer Type	Sale Price per Gross SF	Comments
1	Compass Bank Plaza	505 Marquette NW Downtown	\$7,800,000	8/18/05	246,931	500%	Below average	1966	33%	Investor	\$31.59	19-story building with dated appearance & design. 1.60 parking spaces per 1,000 RSF.
2	Plaza Maya	615 1st Street NW Downtown	\$3,000,000	7/30/07	62,287	171%	Below average	1980	0%	Investor	\$48.16	4-story building with minimal windows. Buyer plans to install glass exterior. 0.65 spaces per 1,000 RSF onsite.
3	Copper Square	500 Copper NW Downtown	\$3,600,000	6/14/07	71,000	235%	None	1930s	±15%	Investor	\$50.70	Built as a hotel and converted to office in 1980. No on-site parking & history of below average occupancy.
4	Former Social Security call center	933 Bradbury SE Airport	\$7,800,000	12/18/07	141,570	31%	Average	1968-78	0%	Owner occupant	\$55.10	Constructed as call center for SSA. Minimal windows and recessed location. On leased land.
5	Former Blue Cross Blue Shield call center	2400 Wellesley NE Midtown	\$3,300,000	9/30/09	57,875	54%	Average	1972	0%	Owner occupant	\$57.02	Constructed as call center for Blue Cross. Dated appearance and recessed location, but good freeway access.
6	Former NM Educators Assist. Foundation	3900 Osuna NE North I-25 Corridor	\$2,435,000	12/19/03	41,855	39%	Average	1980s	0%	Owner occupant	\$58.18	Concrete tilt-up designed for single tenant loan processor. Buyer remodeled for their use.
7	Osuna Corporate Center	2129 Osuna NE North I-25 Corridor	\$2,500,000	3/22/06	30,518	40%	Average	1980s	0%	Owner occupant	\$81.92	Typical suburban average quality office building. Tenant had vacated and purchased by hospice company.
8	Clifford Plaza	4100-4200 Osuna NE North I-25 Corridor	\$9,500,000	10/30/07	115,770	38%	Average	1986	97%	Investor	\$82.06	Average quality office complex with visible location at Jefferson & Osuna. Major tenant may vacate in two years, but rent is below market.
9	7 Broadway	707 Broadway NE Downtown	\$6,450,000	5/1/06	77,581	80%	Below average	1985	94%	Investor	\$83.14	Average quality office building at edge of Downtown. Will lose larger tenant in 7 months.
10	One Executive	8500 Menaul NE Northeast Heights	\$10,212,500	10/23/07	120,000	48%	Average	1983	90%	Investor	\$85.10	Average-good large office building on suburban arterial and removed from other mid-rises. Large atrium lowers NOI per SF.
11	Newport VII	2309 Renard SE Airport	\$6,400,000	7/17/07	73,000	58%	Average	1984	94%	Investor	\$87.67	Typical average quality four-story office building in the Airport submarket.

### Adjustments to the Sales

*Financing Terms.* All of the sales were purchased for cash, or terms equivalent to cash, and no adjustment for financing is required.

*Date of Sale.* Prices for investment commercial property increased rapidly through 2007, were relatively stable from January–September 2008, and have since experienced a significant decline through the current date. The price pattern swung so quickly that it is not possible to support a time adjustment with paired sales, but date of sale must be considered in the analysis. The time adjustment applied in this analysis is based upon the annual change in overall rates for office buildings as reported in the *Korpacz Real Estate Investor Survey* published quarterly by PricewaterhouseCoopers LLP. This information is presented in the following Income Approach. The indications from this survey are tempered somewhat in that overall rates in Albuquerque did not fall as low as other parts of the nation. The specific time adjustments are -15% to sales occurring in 2007, -10% for 2006, and -6% for 2005. No adjustment is needed for sales occurring in the remaining years.

*Location.* The subject property is located in Midtown, which is considered to be an average quality location. Downtown is inferior in rental and occupancy levels and sales from this market are adjusted upward 5%. Sales in the North I-25 Corridor are adjusted down 5%.

*Occupancy.* Sales 8 – 11 are multi-tenant office buildings with occupancies of 90%–97%. Based upon the lease-up cost analysis in the following Income Approach, these sales are adjusted downward \$20.00 per square foot.

*Leased Land.* Sale 4 is on leased land and the buyer purchased the leasehold estate. The estimated fee simple land value at this transaction is \$5.50 per square foot, which equates to \$17.83 per square foot of building area. This is offset by an estimated positive leasehold land value of \$1,020,000, or \$7.20 per square foot of building area. The net rounded adjustment is plus \$10.60 per square foot of building area.

The chart with adjustments is as follows.

### Adjustments to the Improved Sales

<i>Office Sales</i>	<i>SP/GSF</i>	<i>Time Adj.</i>	<i>Time Adj. SP/SF</i>	<i>Location Adj.</i>	<i>Occupancy Adj.</i>	<i>Leased Land Adj.</i>	<i>Final Adj. SP/SF</i>
1	\$31.59	-6%	\$29.69	\$1.48	\$0.00	\$0.00	\$31.18
2	\$48.16	-15%	\$40.94	\$2.05	\$0.00	\$0.00	\$42.98
3	\$50.70	-15%	\$43.10	\$2.15	\$0.00	\$0.00	\$45.25
4	\$55.10	-15%	\$46.84	\$0.00	\$0.00	\$10.60	\$57.44
5	\$57.02	0%	\$57.02	\$0.00	\$0.00	\$0.00	\$57.02
6	\$58.18	0%	\$58.18	-\$2.91	\$0.00	\$0.00	\$55.27
7	\$81.92	-10%	\$73.73	-\$3.69	\$0.00	\$0.00	\$70.04
8	\$82.06	-15%	\$69.75	-\$3.49	-\$20.00	\$0.00	\$46.26
9	\$83.14	-10%	\$74.83	\$3.74	-\$20.00	\$0.00	\$58.57
10	\$85.10	-15%	\$72.34	\$0.00	-\$20.00	\$0.00	\$52.34
11	\$87.67	-15%	\$74.52	\$0.00	-\$20.00	\$0.00	\$54.52

*Joshua Cannon & Associates Inc.*

After adjustment, the sale prices fall into a more narrow range of \$31.18–\$70.04 per square foot, with a central tendency at approximately \$52–\$58 per square foot. The adjusted prices follow a mostly predictable

pattern based upon age/condition and land area. Additional analysis of the sales is provided in the following chart. The sales are re-ranked on the chart from lowest to highest adjusted sale price per square foot.

**Final Sales Comparison Analysis – Sales are Re-Ranked by Adjusted SP/SF**

<i>Office Sales</i>	<i>Property Name</i>	<i>Final Adj. SP/SF</i>	<i>Comparison</i>	<i>Indicated Subject Value</i>
1	Compass Bank Plaza	\$31.18	Built in 1966 and has only 1.6 parking spaces per 1,000 RSF on-site. Inferior to the subject in age, condition and land area ratio.	Higher
2	Plaza Maya	\$42.98	Very limited window area and buyer plans to remove exterior walls to install new glass skin. Only 0.65 parking spaces per 1,000 RSF on-site. Inferior to the subject in quality, condition and land area ratio.	Higher
3	Copper Square	\$45.25	Built in 1930s and has no on-site parking, which has been a significant hindrance to the success of this building for decades. Inferior to the subject in age and land area ratio.	Higher
8	Clifford Plaza	\$46.26	Similar building to subject in age, quality and size. It was almost 100% leased to a single tenant and there was significant concern they would vacate in two years. This had a downward impact and the previously applied -\$20/SF occupancy adjustment is probably overstated.	Higher
10	One Executive	\$52.34	Reasonably similar property, but larger at 120,000 square feet. It has a large atrium and poor building efficiency, plus the other data suggests buyer received a favorable price.	Similar
11	Newport VII	\$54.52	This building is similar to the subject in age, design, size and location. Good comparable.	Similar
6	Former NM Educ. Assist. Foundation	\$55.27	100% vacant building that is similar to subject in age and condition. Smaller in size, but sold in December 2003 so slight upward time adjustment is probable. Overall good comparable.	Similar
5	Former Blue Cross call center	\$57.02	September 2009 purchase of former call center by Bernalillo County. Built in 1972 but reasonably well maintained. Similar to subject in most categories and good comparable.	Similar
4	Former Soc.Sec. call center	\$57.44	Purchased from private investor by UNM for conversion to administrative offices & charter school. Recessed location, but well positioned for UNM. Good comparable.	Similar
9	7 Broadway	\$58.57	This building is similar to the subject in age, design, size and location. Good comparable.	Similar
7	Osuna Corporate Center	\$70.04	100% vacant office building that is similar to the subject in age, but smaller size at 30,518 SF increased its marketability to owner-user buyer. Other data suggests this buyer overpaid.	Lower

*Joshua Cannon & Associates Inc.*

After adjustment and analysis of all of the major variables that impact value per square foot, the sales provide a logical and predictable price pattern from which to estimate the subject value. The sales most similar to the subject indicate a value range of \$52.34–\$58.57 per square foot. Within this group, Sales 4, 5 and 6 are larger office buildings that were 100% vacant at the date of sale and they merit the greatest weight. These three sales have prices of \$55.27, \$57.02 and \$57.44 per square foot, and a reasonable subject value estimate is \$57.00 per square foot.

The final consideration for the subject property is the basement. The subject basement contains a gross area 6,587 square feet, of which 3,039 square feet are rentable and the balance of 3,548 square feet houses mechanical equipment. The mechanical equipment at the majority of the sales is roof or ground mounted. To consistently apply the sale price indication, the area of the subject basement mechanical rooms of 3,548

is excluded from the gross area. This produces an adjusted gross building area of 95,485 square feet (99,033 - 3,548 = 95,485).

### *Sales Comparison Approach Conclusion*

Before adjustment for deferred maintenance, the market value of the subject property by this approach is estimated to be \$57.00 per square foot. A \$330,000 deduction from this amount is made for deferred maintenance.

Gross Building Area in Square Feet Excluding Basement Mechanical Rooms	95,485
Estimate of Value per Square Foot	\$57.00
Subtotal	\$5,442,645
Less Estimated Deferred Maintenance	<u>-\$330,000</u>
Market Value Estimate by Sales Comparison Approach	\$5,112,645
Rounded	\$5,110,000

### **Income Approach**

The Income Approach is based on net income expectancy and the capital requirements of typical investors in the market. Net income is the residual of rental collections after deductions are made for all expenses of normal operation, including professional management fees and an allowance for credit loss or vacancy, but excluding debt service and depreciation (recapture). The capitalization process converts net income expectancy into a value estimate using an overall rate or a market-specific unleveraged yield rate. Direct capitalization using an overall rate is applied in this appraisal.

### *Estimate of Market Rent*

The subject property is within the Midtown market and the data set used to estimate market rent was selected on the combined criteria of location, age, quality and design. Following is rental information on six office buildings, and the properties are ranked on the chart by rental rate per square foot, with Rental 1 at the low end. Property photographs are in the *Appendix*; a location map is on the following page. The buildings are compared to the subject on the chart.

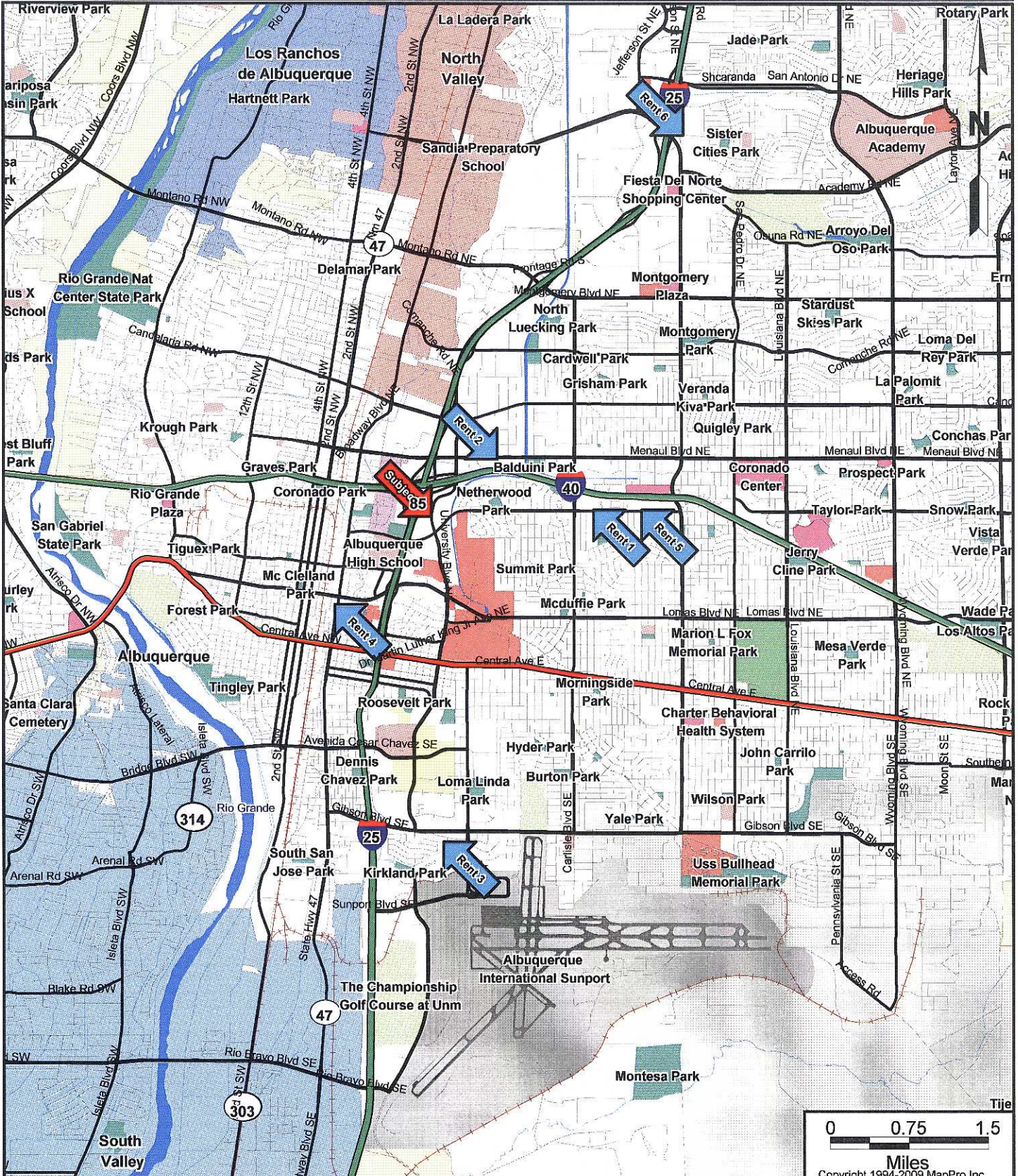


# LOCATION MAP

Description: COMPARABLE RENTALS

Subject Address: 1650 University Blvd Ne, Albuquerque, NM 87102

Prepared by: Joshua Cannon & Associates, Inc., PO Box 20088, Albuquerque, NM 87154



**CAUTION:**

The location of property arrows shown on this map are approximate only. Inaccuracies may exist on map such as missing, incorrectly drawn, or incorrectly addressed streets. Please report any such inaccuracy to MapPro, Inc. so that appropriate corrections can be made.

### Summary of Comparable Rentals

Rental No.	1	2	3
Building	Summit Building	Midtown Center	Newport IX
Address	4001 Indian School NE	2340 Menaul NE	2201 Buena Vista SE
Market Area	Midtown	Midtown	Airport
Rentable Area in SF	41,000	61,958	70,140
Year Built	1980	1975	1983
Space Available in SF	7,000	8,036	11,351
Vacancy Rate	17%	13%	16%
Lease Basis	Full Service	Full Service	Full Service
Asking Rent/RSF	\$13.50	\$14.75	\$15.00
Recent Rent/RSF	\$12.50	\$13.50	\$15.00
TI's by Landlord	\$0.00	\$5.00	\$6.00 - \$8.00
Description	Average quality stucco/glass office building with below average visibility and lower cost common areas. This building competes at the low end of the price range.	Average quality 4-story stucco office building with isolated office location on Menaul. Renovated in mid 1990s. Recent lease is to UNM for 37,314 SF. Smaller tenants pay over \$14.00/SF.	Average quality multi-tenant office building with lower visibility in Airport area, but marketable to federal agencies and contractors. Lower cost common areas.
Location vs. Subject	Inferior	Inferior	Similar
Quality vs. Subject	Inferior	Inferior	Similar
Indicated Subject Market Rent	Higher	Higher	Similar

Rental No.	4	5	6
Building	7 Broadway Place	Pinetree Corporate Center	Northpointe
Address	707 Broadway SE	4665 Indian School NE	5700 Harper Drive NE
Market Area	Downtown	Midtown	North I-25 Corridor
Rentable Area in SF	70,692	203,520	77,974
Year Built	1985	1975	1980s
Space Available in SF	33,835	54,241	66,210
Vacancy Rate	48%	27%	85%
Lease Basis	Full Service	Full Service	Full Service
Asking Rent/RSF	\$15.00	\$13.50 - \$16.00	\$17.00
Recent Rent/RSF	\$15.00	\$13.50 - \$16.00	None
TI's by Landlord	\$5.00 - \$10.00	\$5.00 - \$10.00	Up to \$5.00/SF/YR of Lease
Description	Average quality 5-story office with 9' ceilings. Visible location at an arterial corner, but removed from Downtown core & courthouses. Current vacancy is above typical due to recent loss of large tenant.	Large older concrete tilt-up complex with good landscaping and visibility from I-40. Wide variety in space quality creates range of achievable rental rates. Current vacancy is above typical due to recent loss of 30,000 SF charter school.	Average quality four-story office building that recently lost major tenant. Good general location in North I-25 Corridor, but poor visibility with isolated specific location. Owner has remodeled the common areas. Grubb & Ellis marketing team predicts 12 - 18 months to reach 85% occupancy.
Location vs. Subject	Similar	Similar	Superior
Quality vs. Subject	Similar	Similar	Superior
Indicated Subject Market Rent	Similar	Similar	Lower

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The lease rates range from \$12.50 to \$17.00 per square foot. The leases are based on full service terms with the lessor paying all operating costs including utilities, common area maintenance, janitorial service, real estate taxes, and insurance. The comparison shown on the chart assumes the subject landlord will provide a competitive tenant improvement package. As shown on the chart, the indicated market rent for the subject property is \$15.00 per square foot, full service.

### *Stabilized Vacancy*

The Grubb & Ellis New Mexico market surveys report 2009 year-end vacancy rates of 16.0% for the metro area, which is an increase from 10.8% at year-end 2007. The vacancy rates at the six rent comparables range from 13%–85%, and three of the properties have incurred recent turnover for a large tenant.

It is estimated the subject property will attain stabilized occupancy in approximately two years, or during first quarter 2012. Office market conditions are currently poor due to the recession and negative metro area employment growth of minus 4.2% in 2009. However, employment growth is forecast to be slightly positive in 2010, and return to a normalized rate of over two percent in 2011–2012. Importantly, there is a minimal amount of new office construction and conditions should improve fairly rapidly once the economy goes into recovery.

The subject property is an attractive building in a good location and should outperform the market average. On this basis, a stabilized vacancy rate over the long term of 10.0% is applied. This stabilized rate is forecast to occur in 2012 when the subject completes lease-up.

### *Subject Absorption Estimate*

The subject property is 100% vacant and the estimated stabilized occupancy is 90%. The total rentable area is 92,501 square feet, therefore 83,250 square feet must be rented to achieve stabilized occupancy. There has been no recent construction of speculative multi-tenant office buildings in the Albuquerque metro area; therefore it is not possible to point to recent examples to estimate the pace of lease-up. As described above, employment growth is expected to turn positive in 2010 and then return to a normal rate of slightly above two percent in 2011 and 2012.

Rental 6 in the estimate of market rent is the NorthPointe building on Harper Drive. This building is similar in quality to the subject and recently lost a major tenant. The 77,974-square-foot building has 66,210 square feet vacant and offered for lease. The leasing agents are John Ransom and Tim With of Grubb & Ellis, and these are highly experienced office brokers with a large share of the market. Their estimate to achieve 85% occupancy is 12–18 months, which equals an average lease-up pace of 3,029–4,543 square feet per month. The midpoint of this range is 3,786 square feet, and a subject absorption at this pace would reach stabilized occupancy in 22 months. I also interviewed Scott Throckmorton, president of Argus Investment Realty, which is a leasing company that has the largest market share in the Albuquerque metro area for Class A & B office buildings. Mr. Throckmorton estimated a probable lease-up period for the subject property to be approximately two years, or directly consistent with the Grubb & Ellis data.

Based upon the available data, a reasonable absorption estimate for the subject is that it will attain 90% occupancy after a lease-up period of approximately two years. Specifically, it is forecast that the subject will require four months to begin receiving rent from its first tenant, and then the balance of the building will be occupied over the following 20 months.

### *Operating Expenses*

The University of New Mexico was the major tenant in the building for several years and their lease was subject to a base year expense stop of \$487,655, or \$5.27 per rental square foot. UNM provided the following subject expense data for this assignment, which they report was provided by the former property owner before Wells Fargo gained ownership. UNM has protested the accuracy of the reported expenses, which they believe are artificially high in order to maximize the base year reimbursement. Expense

information from other office buildings supports UNM's position. The subject reported expense history is as follows.

**Reported Operating Expenses for 1650 University NE: 2006 – September 2009**

	2006	\$/SF	2007	\$/SF	2008	\$/SF
<i>Operating Expenses</i>						
Management & Admin.	\$152,444	\$1.65	\$166,445	\$1.80	\$146,524	\$1.58
Utilities	\$221,328	\$2.39	\$232,302	\$2.51	\$269,480	\$2.91
Repairs & Maintenance	\$125,303	\$1.35	\$127,292	\$1.38	\$115,210	\$1.25
Landscape & Grounds	\$8,456	\$0.09	\$16,839	\$0.18	\$10,530	\$0.11
Fire Protection & Security	\$29,524	\$0.32	\$25,808	\$0.28	\$2,872	\$0.03
Janitorial	\$115,792	\$1.25	\$111,545	\$1.21	\$109,961	\$1.19
Insurance	\$23,814	\$0.26	\$16,479	\$0.18	\$14,526	\$0.16
Real Estate Taxes	<u>\$122,302</u>	<u>\$1.32</u>	<u>\$139,896</u>	<u>\$1.51</u>	<u>\$136,741</u>	<u>\$1.48</u>
Total Operating Expenses	\$798,963	\$8.64	\$836,606	\$9.04	\$805,844	\$8.71

	Jan. - Sept. 2009	\$/SF	2009 Annualized	\$/SF	2006 - 2009 Average	\$/SF
<i>Operating Expenses</i>						
Management & Admin.	\$64,648	\$0.70	\$86,197	\$0.93	\$137,903	\$1.49
Utilities	\$145,898	\$1.58	\$194,531	\$2.10	\$229,410	\$2.48
Repairs & Maintenance	\$70,471	\$0.76	\$93,961	\$1.02	\$115,442	\$1.25
Landscape & Grounds	\$6,534	\$0.07	\$8,712	\$0.09	\$11,134	\$0.12
Fire Protection & Security	\$1,336	\$0.01	\$1,781	\$0.02	\$14,996	\$0.16
Janitorial	\$81,735	\$0.88	\$108,980	\$1.18	\$111,570	\$1.21
Insurance	\$5,875	\$0.06	\$11,750	\$0.13	\$16,642	\$0.18
Real Estate Taxes	<u>\$143,368</u>	<u>\$1.55</u>	<u>\$143,368</u>	<u>\$1.55</u>	<u>\$135,577</u>	<u>\$1.47</u>
Total Operating Expenses	\$519,865	\$5.62	\$649,281	\$7.02	\$772,673	\$8.35

Source: Property Owner as provided to UNM

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The full year expenses for 2006–2008 are \$8.64–\$9.04 per square foot, which is well above the market norm. An obvious inflated amount is for management at over \$1.50 per square foot, and janitorial expense is also above average. The expense for “fire protection & security” was largely eliminated in 2008, and this will lower future expenses. Real estate taxes will also decline. The high utility expense in 2008 was due to the spike in energy prices, and those have since moderated.

The following chart shows recent operating expenses from eight other multi-tenant office buildings in the Albuquerque metro area. All of the properties are under full service lease arrangements.

**Line Item Expense Comparisons for Multi-Tenant Office Buildings**


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	<i>Aperture Center in MDS</i> 74,630 SF Built 2009 3-Story w/ Surface Parking 2009 Expenses/SF Budget	<i>1128 Pennsylvania NE</i> 16,000 SF Built 1985 2-Story w/ Surface Parking 2009 Expenses	<i>Jefferson Plaza</i> 76,858 SF Built 2008 2-Story w/ Surface Parking 2008 Expenses/SF Budget
Management & Admin.	\$0.35	\$0.68	\$0.65
Utilities	\$1.90	\$2.15	\$1.85
Repairs & Maintenance	\$0.69	\$0.60	\$0.76
Landscape & Grounds	\$0.28	\$0.26	\$0.19
Janitorial	\$0.81	\$0.79	\$0.90
Insurance	\$0.16	\$0.08	\$0.15
Real Estate Taxes	<u>\$1.31</u>	<u>\$1.01</u>	<u>\$1.50</u>
Total	\$5.50	\$5.57	\$6.00

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	<i>The Summit</i> 30,276 SF Built 1997 3-Story w/ Surface Parking 2009 Expenses	<i>Bontierra in Riverside Plaza</i> 35,734 SF Built 2005 2-Story w/ Surface Parking 2007 Expenses/SF Budget	<i>7 Broadway Place</i> 70,692 SF Built 1985 5-Story w/ Surface Parking 2006 Budget Expenses/SF
Management & Admin.	\$0.72	\$0.50	\$0.84
Utilities	\$2.29	\$1.84	\$2.36
Repairs & Maintenance	\$0.80	\$0.50	\$1.23
Landscape & Grounds	\$0.24	\$0.17	\$0.12
Janitorial	\$0.56	\$1.22	\$0.92
Insurance	\$0.16	\$0.38	\$0.16
Real Estate Taxes	<u>\$1.35</u>	<u>\$1.75</u>	<u>\$1.19</u>
Total	\$6.12	\$6.36	\$6.82

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	<i>ACT Office Complex</i> 44,638 SF Built 1985 3-Story w/ Surface Parking 2007 Expenses/SF	<i>Newport VI</i> 24,445 SF Built 1980s 2-Story w/ Surface Parking 2008 Expenses/SF	<i>Average</i> Expenses for the Eight Expense Comparables
Management & Admin.	\$0.05	\$0.63	\$0.55
Utilities	\$2.59	\$3.49	\$2.31
Repairs & Maintenance	\$1.71	\$1.29	\$0.95
Landscape & Grounds	\$0.37	\$0.34	\$0.25
Janitorial	\$1.05	\$0.74	\$0.87
Insurance	\$0.21	\$0.16	\$0.18
Real Estate Taxes	<u>\$1.08</u>	<u>\$1.18</u>	<u>\$1.30</u>
Total	\$7.06	\$7.83	\$6.41

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The eight properties show a range of \$5.50–\$7.83 per square foot. The higher expenses are found at older buildings due to higher utility and repairs & maintenance expense.

Following is the estimate of Year One subject operating expenses. All of the analysis is based upon a rentable area of 92,501 square feet.

Real Estate Taxes:	The stabilized annual subject taxes was estimated in a previous section to be \$1.20 per square foot. This amount is applied in the analysis.
Insurance:	The market data supports an insurance estimate of \$0.16 per square foot.
Utilities:	The subject utility expenses have ranged from \$2.10–\$2.91 per square foot, with an average of \$2.48 per square foot. The high utility expense in 2008 was due to the spike in energy prices, and those have since moderated. The comparison properties show utility expense of \$1.84–\$1.90 for newer properties, and \$2.36–\$3.49 per square foot for buildings constructed in the mid-1980s or before. The \$3.49 amount was also from 2008. The data indicates a reasonable estimate for the subject is \$2.50 per square foot.
Janitorial:	The subject had above average janitorial expense of \$1.18–\$1.25 per square foot, versus an average of \$0.87 per square foot for the comparables. An expense of \$0.90 per square foot is applied.
Repairs & Maintenance:	The subject expense for this component has ranged from \$1.02–\$1.38 per square foot over the past 3.75 years, with an average of \$1.25 per square foot. This is consistent with the comparison properties that are similar in age to the subject and the average amount is applied.
Landscape & Grounds:	The subject expense has ranged from \$0.09–\$0.18 per square foot, with an average of \$0.12 per square foot. The comparison properties have an average of \$0.25 per square foot. The lower historical amount for the subject is due to its below average amount of landscaping and an amount of \$0.12 per square foot is applied.
Management:	Property management is typically available for 5.0% of effective gross income and this rate is applied in the appraisal. The high historical management expense at the subject was due to the owner charging a large annual “asset management” fee in addition to paying a conventional management company.

#### *Reserves for Replacement*

Replacement reserves are an allowance that provides for periodic replacement of building components that deteriorate and must be replaced during the building’s economic life. The sales used in direct comparison in the Sales Comparison Approach were analyzed without reserves for replacement and therefore reflect overall rates exclusive of this expense item. For consistency, reserves are excluded from our stabilized projections since the capitalization process accounts for this omission. Conversely, if reserves were included in the sales and our projections, the overall rate used in direct capitalization would be lower.

**Net Operating Income Estimate at Stabilized Occupancy**

The preceding information is used to develop the following projection of first year stabilized net operating income for the subject property.

**Estimate of Year One Net Operating Income**

	Totals	Per SF
Gross Income - Office Building		
92,501 RSF x \$15.00/RSF	\$1,387,515	\$15.00
Potential Gross Income	\$1,387,515	\$15.00
Less Vacancy @ 10%	<u>(\$138,752)</u>	<u>(\$1.50)</u>
Effective Gross Income	\$1,248,764	\$13.50
Expenses		
Real Estate Taxes	\$111,001	\$1.20
Insurance	\$14,800	\$0.16
Utilities	\$231,253	\$2.50
Janitorial	\$83,251	\$0.90
Repairs & Maintenance	\$115,626	\$1.25
Landscape & Grounds	\$11,100	\$0.12
Management at 5.0% of Effective Gross Income	<u>\$62,438</u>	<u>\$0.68</u>
Total Expenses	\$629,469	\$6.80
Net Operating Income Estimate	\$619,294	\$6.70

**Estimate of Lease-Up Cost**

It is estimated the subject property will require an absorption period of 24 months to be 90% leased. Specifically, it is estimated the building will require four months before occupancy of the first tenant, and then lease up the balance over the following 20 months. The following chart shows the lease-up model for the subject.

**Subject Lease-Up Model for Adjustment Purposes**

Month	SF Occupied at 90%	SF Leased per Month	Total SF Leased	SF Not Leased
1	83,251	0	0	83,251
2	83,251	0	0	83,251
3	83,251	0	0	83,251
4	83,251	0	0	83,251
5	83,251	4,163	4,163	79,088
6	83,251	4,163	8,326	74,925
7	83,251	4,163	12,489	70,762
8	83,251	4,163	16,652	66,599
9	83,251	4,163	20,815	62,436
10	83,251	4,163	24,978	58,273
11	83,251	4,163	29,141	54,110
12	83,251	4,163	33,304	49,947
13	83,251	4,163	37,467	45,784
14	83,251	4,163	41,630	41,621
15	83,251	4,163	45,793	37,458
16	83,251	4,163	49,956	33,295
17	83,251	4,163	54,119	29,132
18	83,251	4,163	58,282	24,969
19	83,251	4,163	62,445	20,806
20	83,251	4,163	66,608	16,643
21	83,251	4,163	70,771	12,480
22	83,251	4,163	74,934	8,317
23	83,251	4,163	79,097	4,154
24	83,251	4,154	83,251	0
Total SF Months Until Stabilized Occupancy:				1,123,803
Divided by SF Occupied at Stabilized Occupancy (83,251)				13.50

The chart shows that the equivalent of 13.5 months of normalized occupancy will be lost during the estimated lease-up phase, or 1.125 years. Accordingly, an adjustment is required to reflect the value of the property “as is” versus at stabilized occupancy. That adjustment is the sum of the carrying costs, tenant improvements and leasing commissions. Tenant refit costs can vary significantly depending on the space requirements of the future tenants. The subject property has a functional design that can accommodate a variety of tenants and refit costs should be about average. Within the subject, tenant improvements will likely range from a low of ±\$5.00 per square foot for a suite that only needs new carpet and paint, to a high of ±\$20.00 per square foot for a suite that needs substantial partitioning. The midpoint of this range is estimated for the typical tenant refit costs, and an amount of \$12.50 per square foot is applied. The average lease term is assumed to be four years and the leasing commission is six percent. Carrying costs for expenses are estimated to be 100% of management, real estate taxes, insurance, repairs & maintenance, and landscape & grounds, and 50% of utilities and janitorial. This equals \$5.00 per square foot. The calculations are shown as follows.

Carrying Costs: \$5.00/SF x 1.125 years x 83,251 SF =	\$468,287
Tenant Improvements: 83,251 SF x \$12.50/SF =	\$1,040,638
Leasing Commissions: 83,251 SF x \$15/SF x 4 years x 6% =	\$299,704
Total	\$1,808,629
Rounded	\$1,810,000

#### *Adjustment for Lease-Up Profit*

The preceding lease-up cost estimate accounts only for the cost of carrying the property during lease up, as well as the cost of placing tenants in the building. A buyer of the subject property in its “as is” condition would be required to achieve a profit to account for the effort and risk associated with lease up, as well as the lack of a full investment return while the property is below stabilized occupancy. This profit is similar to “developer’s profit” for a new project, which is typically 5%–15% of cost. Given that the subject building is already constructed, a rate at the 5%–10% level is supported. Accordingly, a profit factor of 7.5% is deducted from the stabilized value estimate.

#### *Direct Capitalization*

The first capitalization process employed in the valuation of the subject property is direct capitalization using an overall rate. The overall rate represents the relationship between first year net income expectancy and value. Ideally it is developed by analysis of recent transactions in the market involving relatively similar properties. There have been very few sales of income producing office buildings over the past three years, and only one involving a building similar in scale to the subject. A summary of recent Albuquerque office building sales that produce an overall rate follows.

#### **Building Sales Providing Overall Capitalization Rates**

<i>Sale</i>	<i>Address</i>	<i>Single or Multi-Tenant</i>	<i>Sale Price</i>	<i>Sale Date</i>	<i>Overall Rate</i>	<i>Comments</i>
A	3939 San Pedro NE	Multiple	\$651,400	Jan-10	7.98%	Under performing property and the buyer anticipates increasing occupancy and NOI.
B	2600 American NE	Multiple	\$5,600,000	Jan-10	8.34%	Good quality Class A property with history of 100% occupancy.
C	8501 Candelaria NE	Multiple	\$345,000	Sep-08	9.15%	Stabilized occupancy at older property.
D	3736 Eubank NE	Single	\$315,691	Jul-09	9.66%	Single tenant above market lease expires in one year creating risk of rent reduction. However, unit could be sold to owner-occupant at similar price, less sales costs.

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The preceding data provides a range of 7.98%–9.66%, and there is a logical progression based upon perceived income risk and pattern. Under stabilized operations at market rent, this data indicates an overall rate for the subject property of approximately 9.0%.

A second source of support for overall rates is the *Korpacz Real Estate Investor Survey* published quarterly by PricewaterhouseCoopers LLP. This survey identifies performance expectations of institutional real estate investors or investment advisors nationwide. The First Quarter 2010 report identifies the following performance expectations for the National Suburban Office Market. As a point of reference, the previous six years are included on the chart.

**Korpacz Real Estate Investor Survey – National Suburban Office Market**

	1st Qtr 2010	4th Qtr 2009	4th Qtr 2008	4th Qtr 2007	4th Qtr 2006	4th Qtr 2005	4th Qtr 2004
<i>National Suburban Office Market</i>							
Average Overall Rate	8.79%	8.75%	7.59%	7.20%	7.63%	8.02%	8.73%
Basis Point Change from 1st Qtr. 10	-	4	120	159	116	77	6
Average Discount Rate (IRR)	10.07%	10.02%	9.12%	8.75%	9.16%	9.46%	10.21%
Basis Point Change from 1st Qtr. 10	-	5	95	132	91	61	-14

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The survey respondents estimate that current overall rates for suburban office projects have increased by 159 basis points since their low point in 2007. The current average overall rates are reported to be 8.79% for suburban office.

A third source for overall rates is the *RealtyRates.com Investor Survey*. This quarterly survey presents the results of a national polling of appraisers, brokerage firms, developers, investors and lenders. The First Quarter 2010 report shows the average overall rate for suburban office is 9.33%, and the average discount rate is 11.03%.

Based upon the preceding data, the appropriate overall rate for the subject property is 9.0%.

**Conclusion of Income Approach**

The data, analysis and conclusions from the preceding section are combined to reach the following final estimates of value by the Income Approach.

Estimate of Net Operating Income At Stabilized Occupancy	\$619,294
Overall Capitalization Rate:	9.00%
Capitalized Value at Stabilized Occupancy	\$6,881,044
Rounded	<u>\$6,880,000</u>
Less Lease-up Cost Adjustment	-\$1,810,000
Less Deferred Maintenance	-\$330,000
Less Profit at 7.5% of Stabilized Value (rounded)	<u>-\$520,000</u>
Estimate of Market Value by the Income Approach	\$4,220,000

## Reconciliation

The indicated values by the two approaches in preceding sections are:

Sales Comparison Approach	\$5,110,000
Income Approach	\$4,220,000

The value indications by the two methodologies have a spread of approximately 20% and this is not surprising given the soft conditions in the office rental market. The Sales Comparison Approach primarily indicates the market value to an owner-occupant, while the Income Approach indicates the value to an investment buyer planning to operate the subject as a rental property.

The subject property is 100% vacant and an investment buyer is faced with an extended lease-up period, a stabilized vacancy of roughly 10%, market rents that are at a cyclical low, and overall capitalization rates that have increased by approximately 20% over the past two years. Both an investment buyer and owner-occupant would be required to refurbish the property, but the investment buyer would also have to pay leasing commissions of  $\pm$ \$300,000 and achieve a developer's profit of  $\pm$ \$520,000 as payment for risking investment capital. Adding these two items totaling \$820,000 back to the Income Approach value equals a total of \$5,040,000, or very close to the Sales Comparison Approach. During normal economic conditions, the value indications by these two approaches would be relatively close. The large current spread is a function of the recession.

Reconciling between the two value estimates is a function of assigning weight, or a probability rate, to the two buyer types. If multiple owner-occupant buyers are in the marketplace, the subject would likely sell at the higher value. Conversely, if only investment buyers are present, the value is likely at the low end. My research indicates there is moderate interest from both sectors and a value near the middle of the range is best supported. Stated another way, an owner-occupant is the most likely buyer but they do not have to outbid the investment sector by a large margin due to the limited level of competition. The midpoint of the range is \$4,665,000, which is consistent with current contract price to UNM at \$4,600,000. Both UNM and Wells Fargo are represented by highly qualified real estate professionals and a contract price near the indication of market value is reasonable.

Based on the preceding data, analysis and pending purchase contract, it is my opinion that the market value of the fee simple interest in the subject property is \$4,650,000. The effective date of this value estimate is March 19, 2010.

## Marketing/Exposure Time

The building sales in this appraisal have marketing periods of less than one year. A sale within approximately six months is a reasonable expectation for this property, assuming competent marketing at a price consistent with the appraised value.

## Certification

This certifies that the estimated market value of the fee simple interest in the subject property is Four Million Six Hundred and Fifty Thousand Dollars (\$4,650,000). The effective date of this estimate is March 19, 2010.

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 Appraisal Practice*.
- This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or approval of a loan.
- Joshua Cannon has 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.
- 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, Joshua Cannon has completed the continuing education program of the Appraisal Institute.
- Joshua Cannon is a General Certified Real Estate Appraiser, State of New Mexico, Certificate No. 000021-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

3-24-10

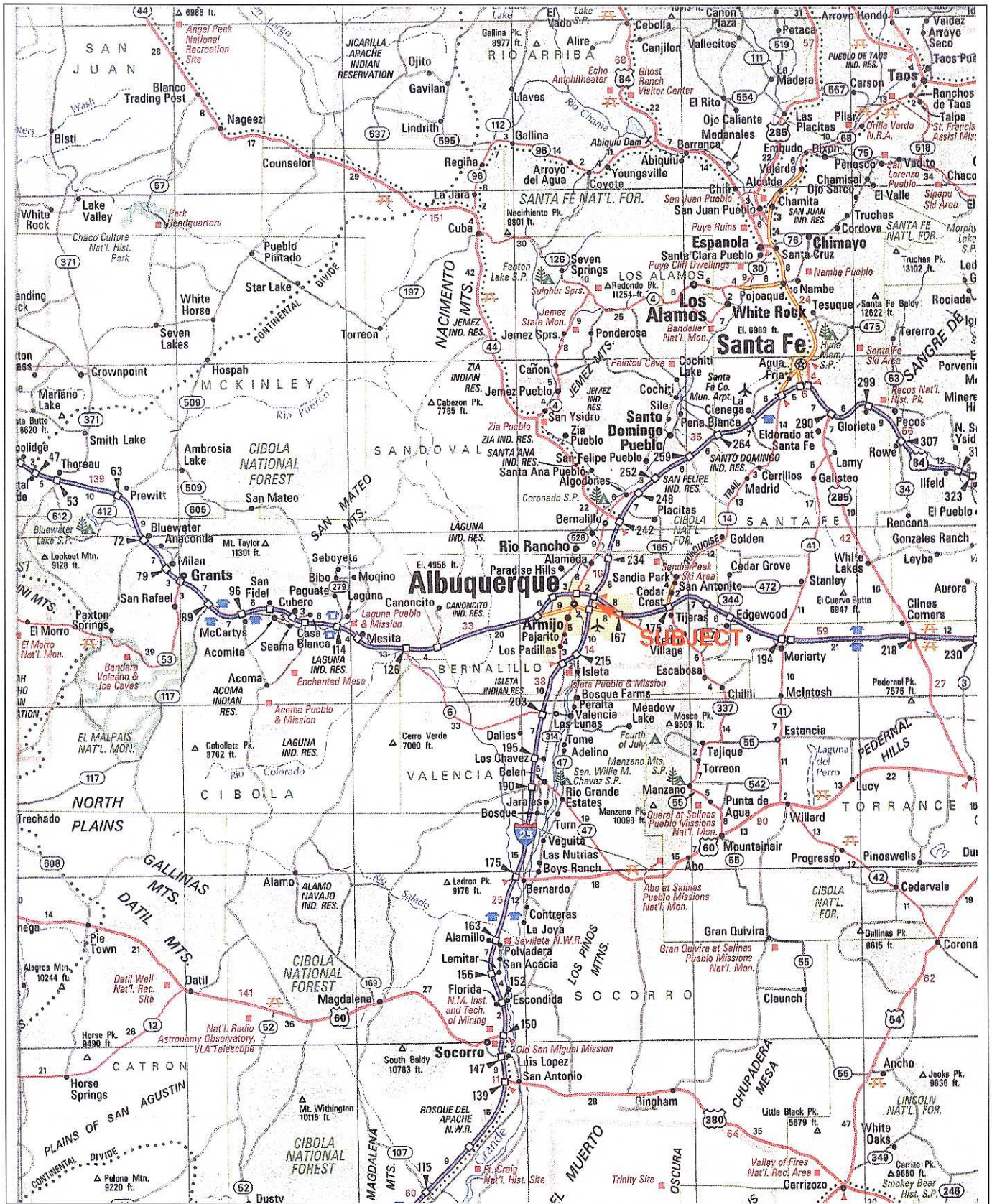
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Appendix

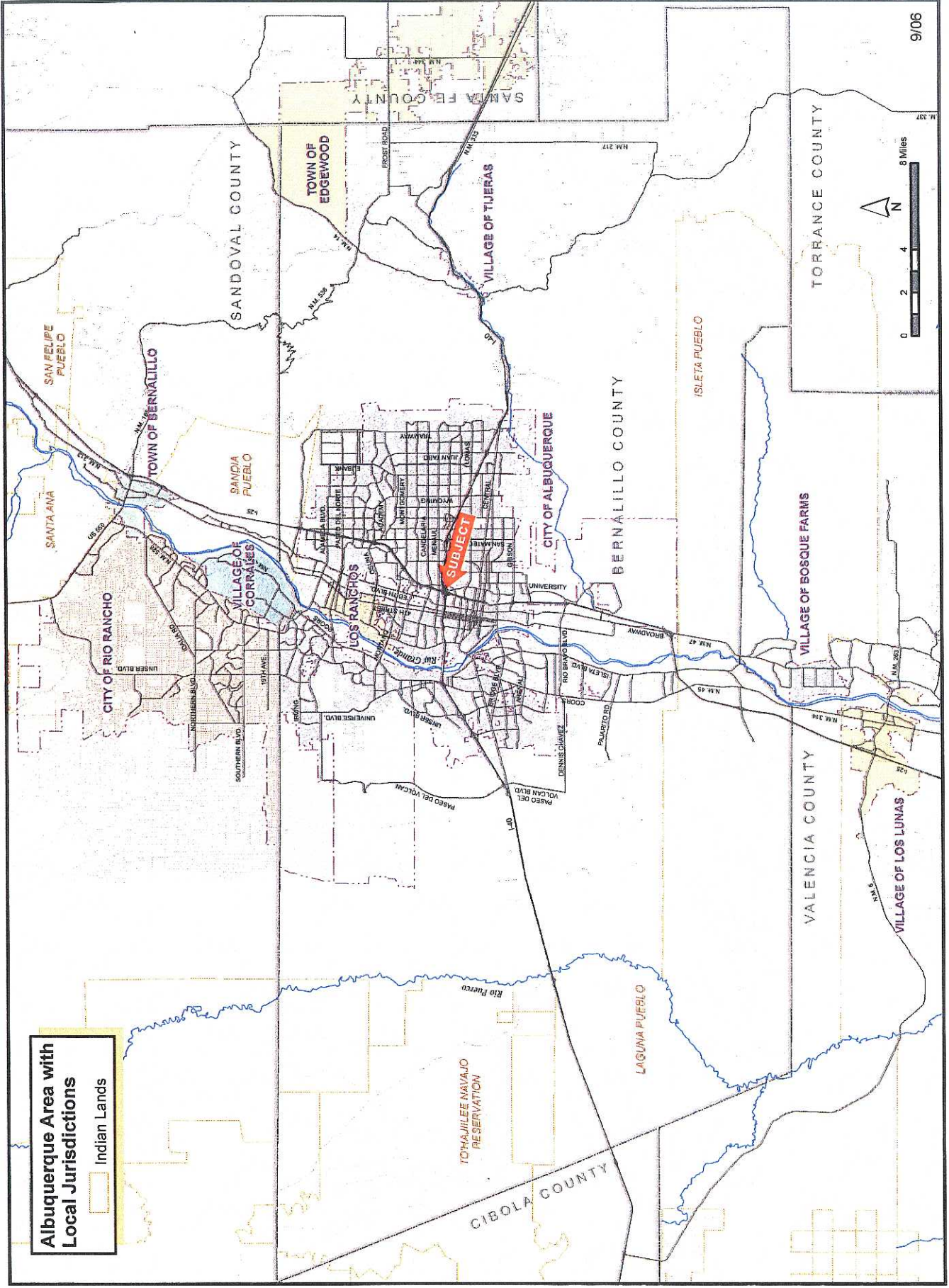
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## Appendix A

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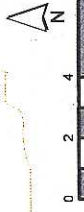


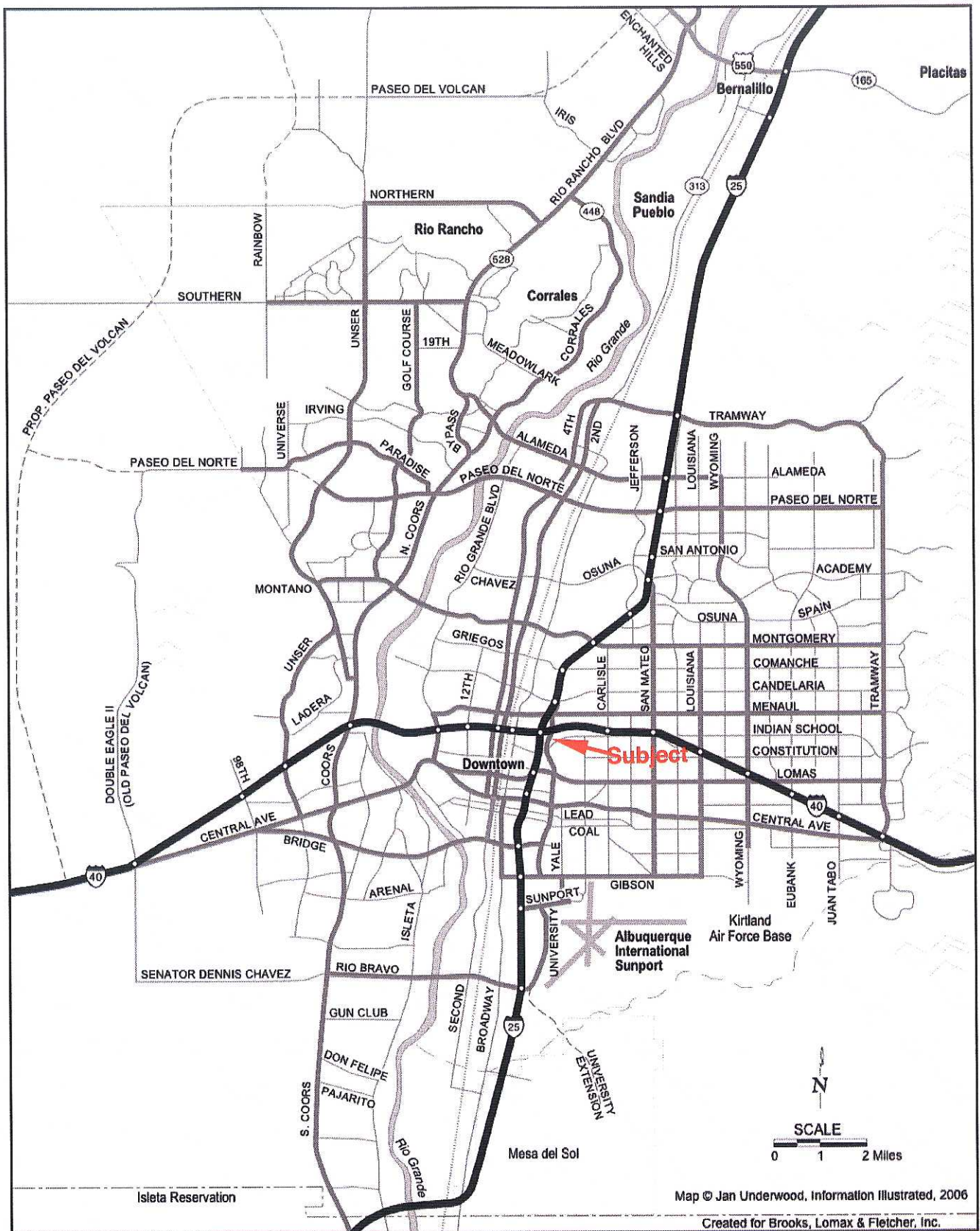
Regional Map



Albuquerque Area with Local Jurisdictions

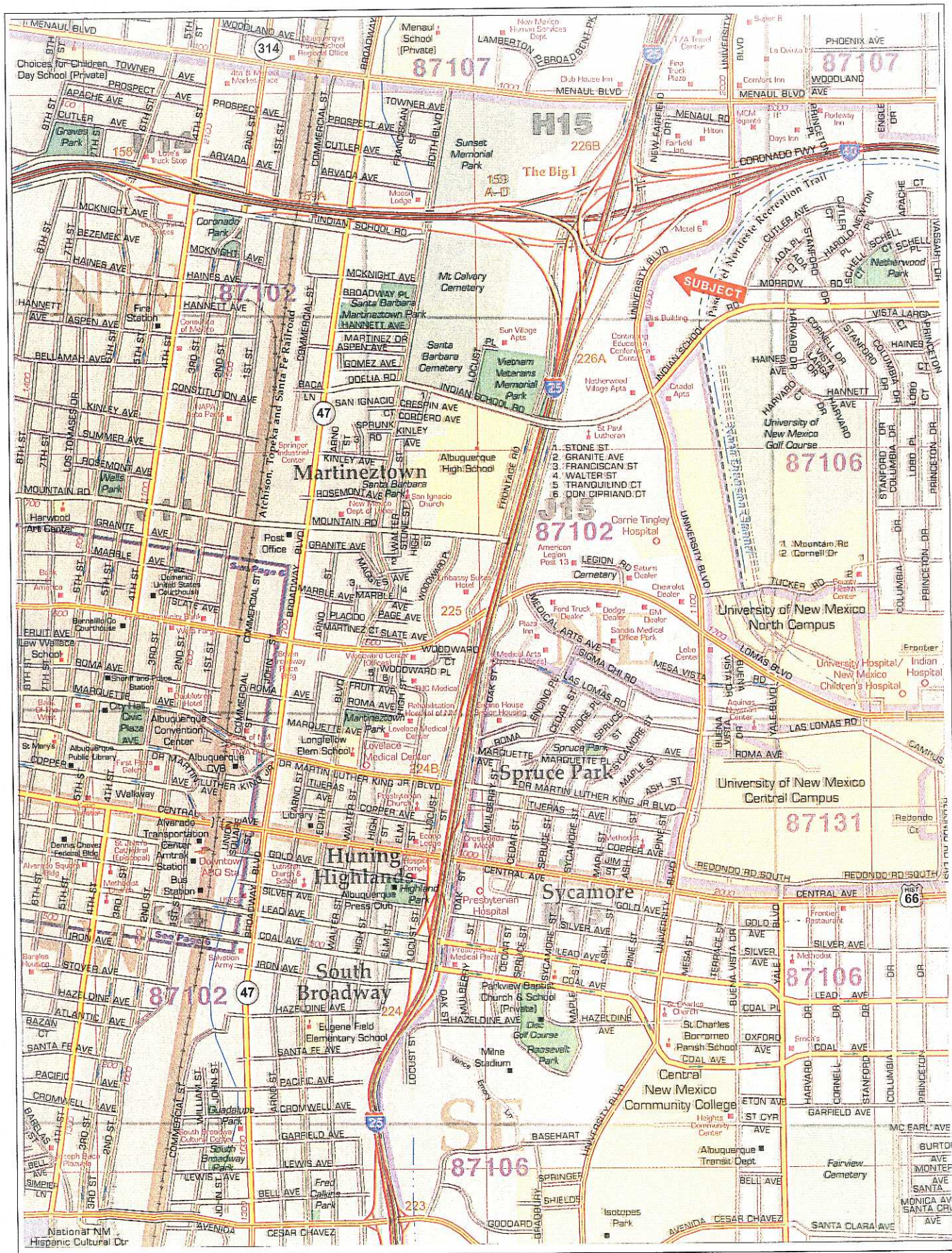
Indian Lands



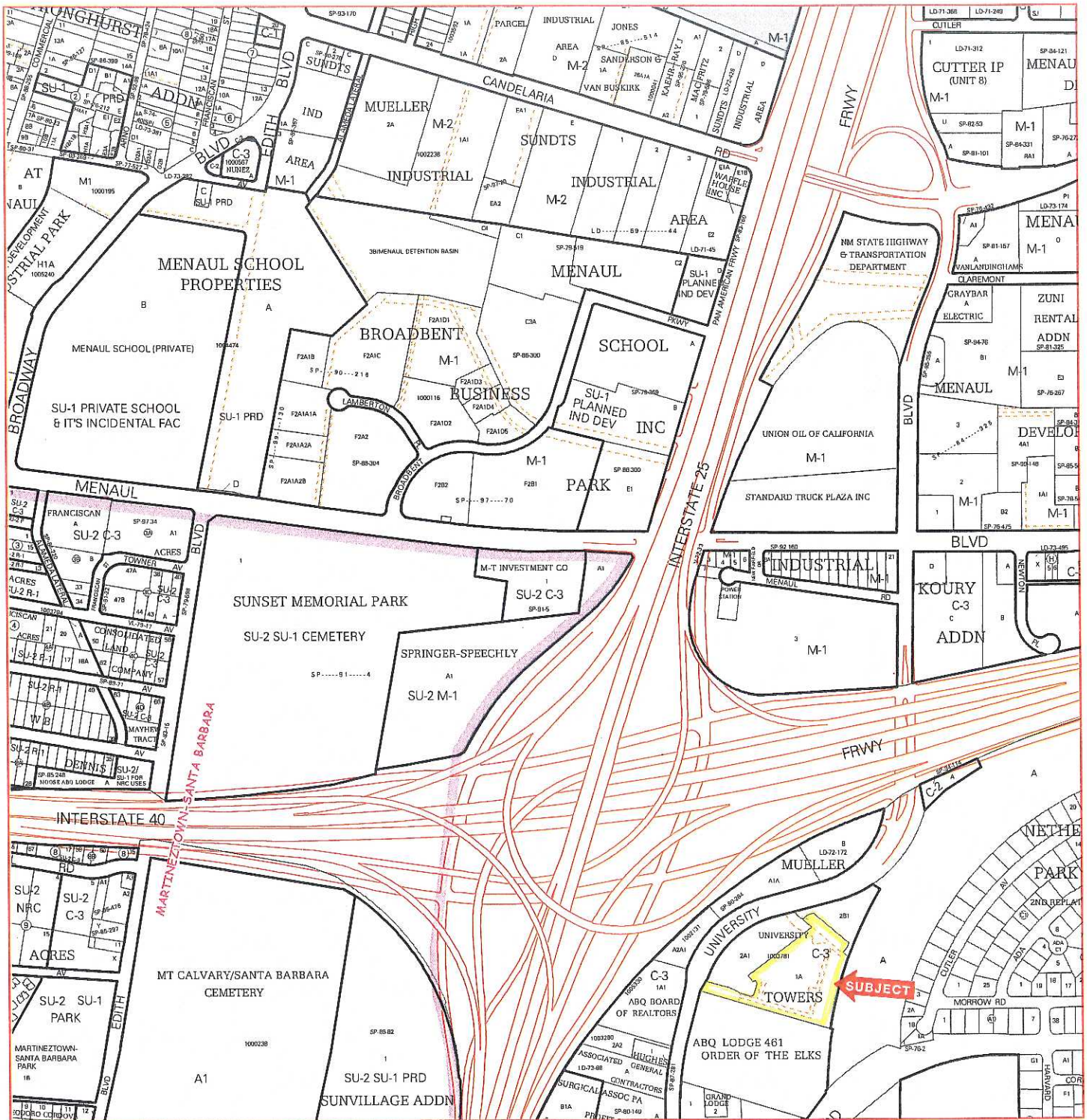


Albuquerque Area





Neighborhood Map



For more current information and more details visit: <http://www.cabq.gov/gis>

Map amended through: 3/10/2009

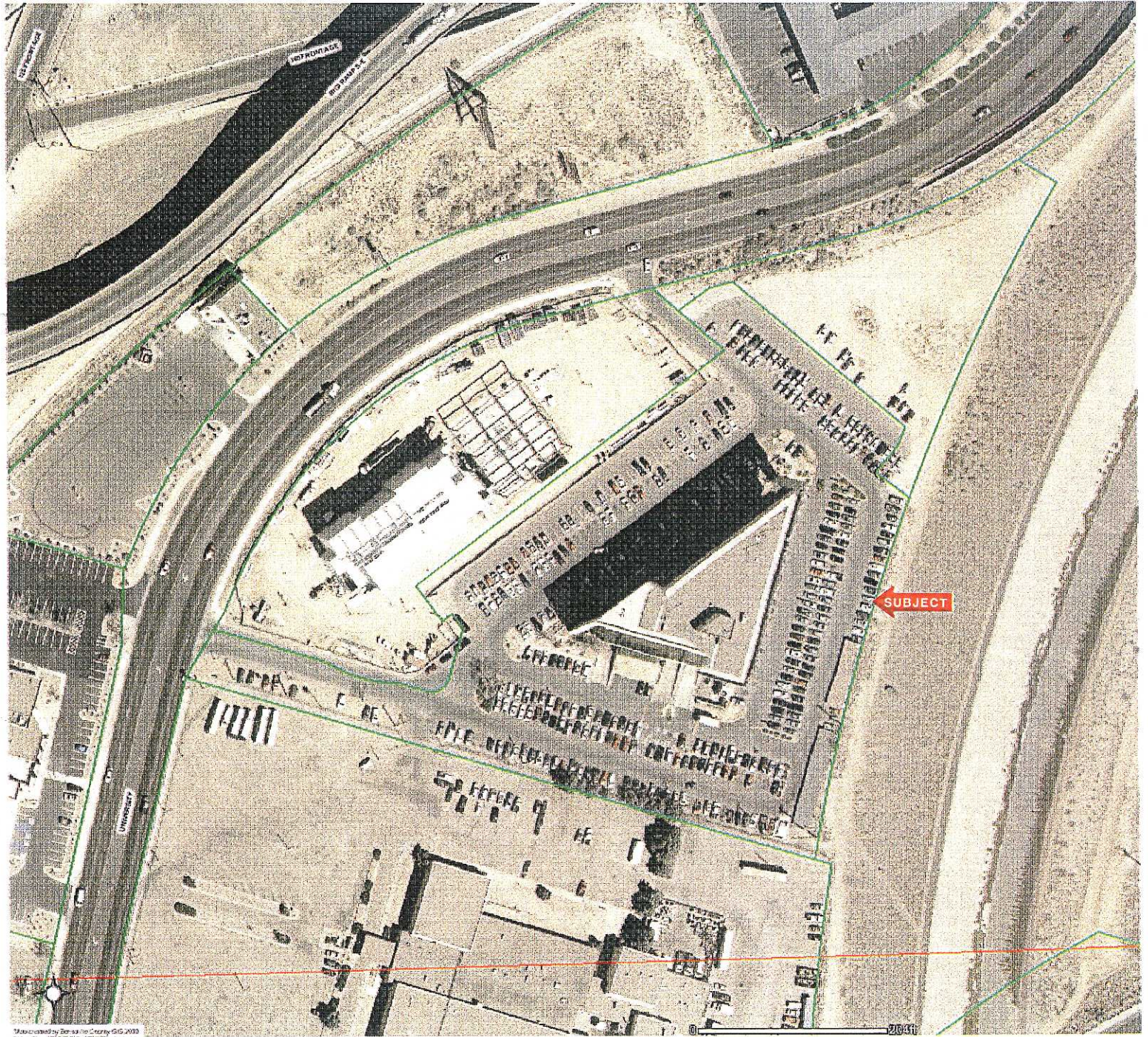
Note: Grey Shading Represents Area Outside of the City Limits

Zone Atlas Page:  
**H-15-Z**

Selected Symbols

	SECTOR PLANS		Escarpment
	Design Overlay Zones		2 Mile Airport Zone
	City Historic Zones		Airport Noise Contours
	H-1 Buffer Zone		Wall Overlay Zone
	Petroglyph Mon.		

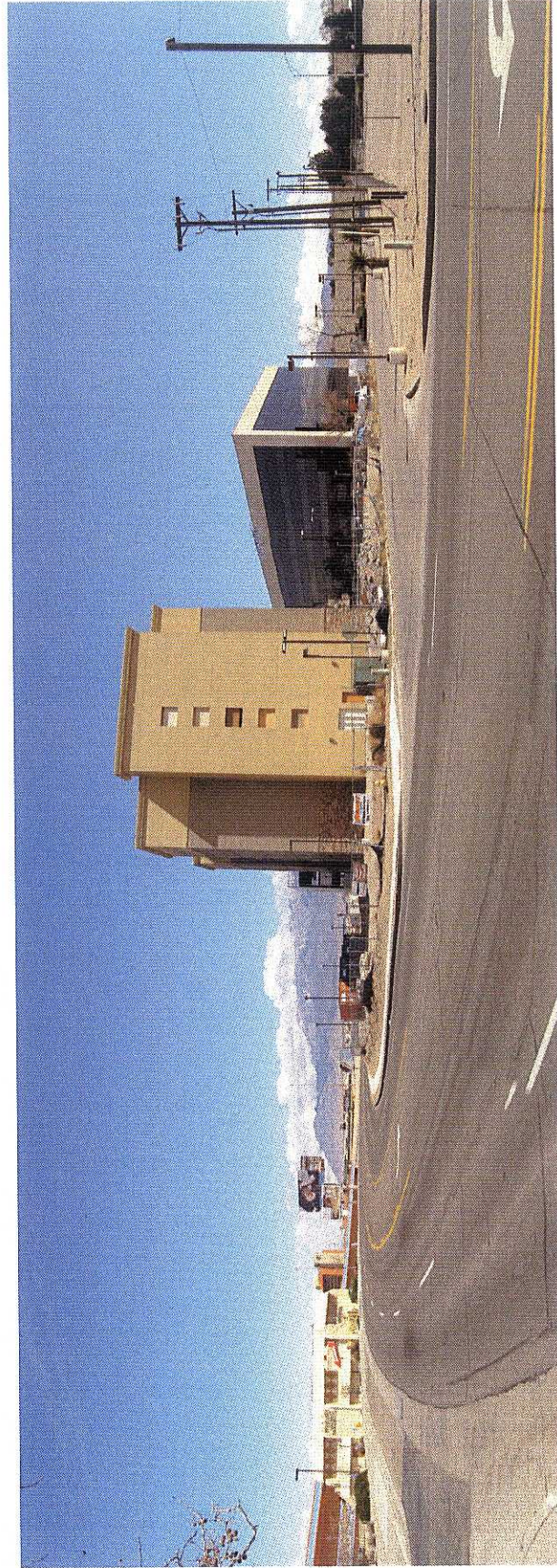
Feet



Appendix B

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**Property Photographs**  
**Office Building**  
**1650 University Boulevard NE**  
**Albuquerque, New Mexico**



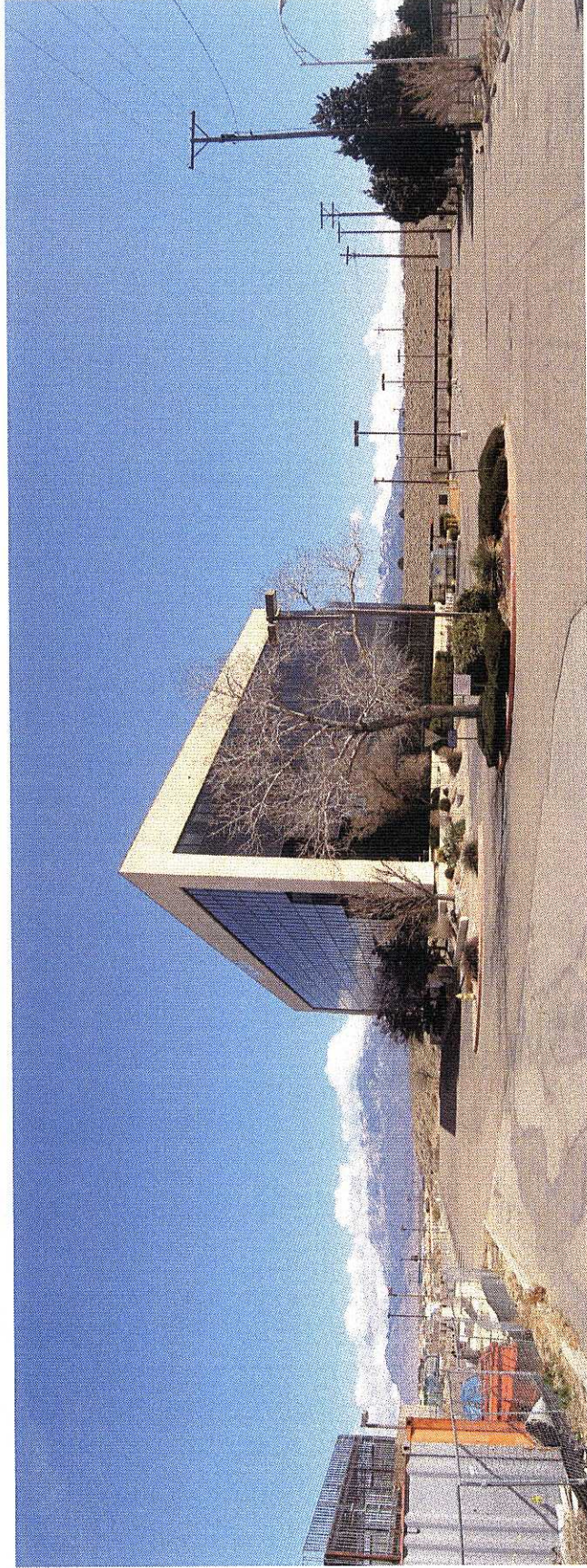
View northeast on University Boulevard. The southern entrance to the subject property is on the right.

**Property Photographs**  
**Office Building**  
**1650 University Boulevard NE**  
**Albuquerque, New Mexico**



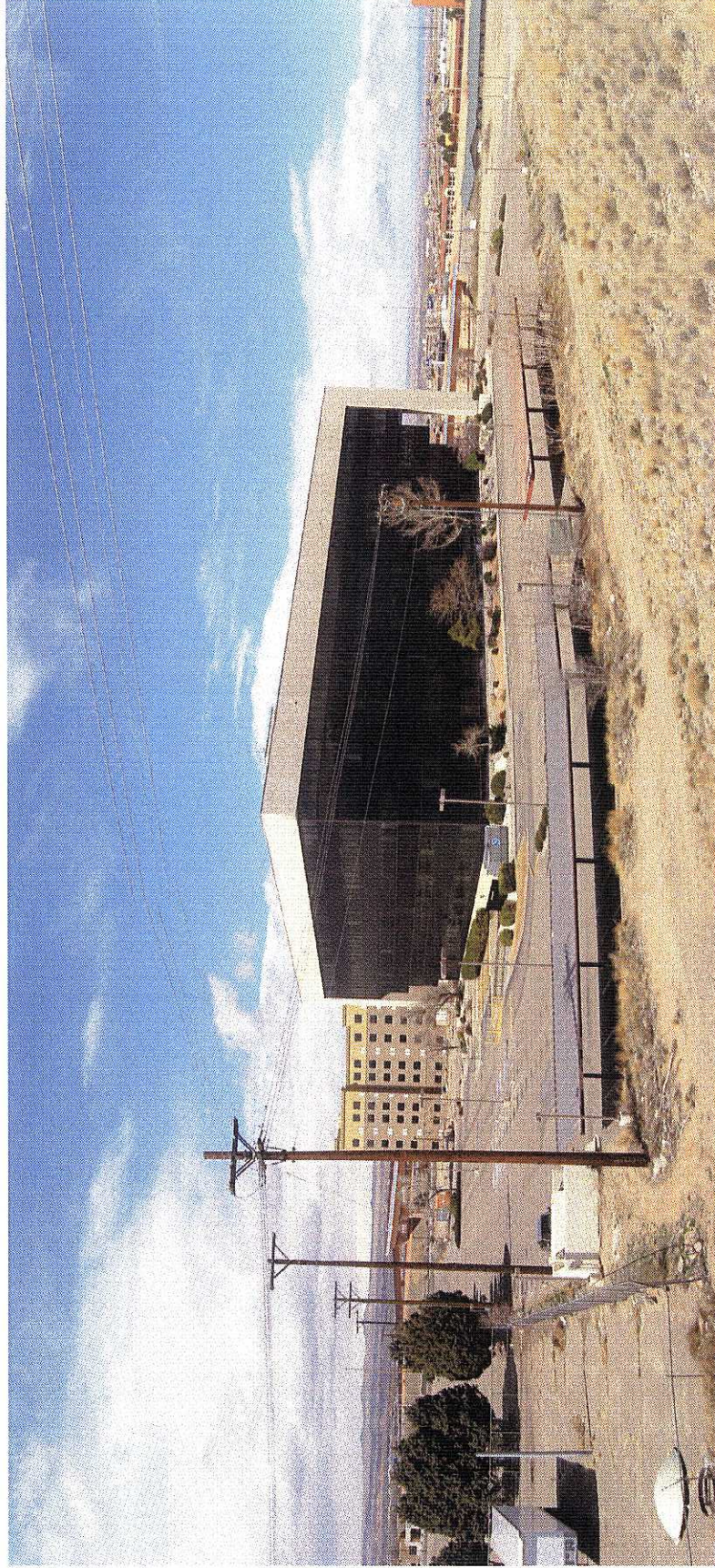
View southwest on University Boulevard. The northern entrance to the subject property is on the left.

**Property Photographs**  
**Office Building**  
**1650 University Boulevard NE**  
**Albuquerque, New Mexico**



Viewing northeast across the subject property from its southwest corner.

**Property Photographs**  
**Office Building**  
**1650 University Boulevard NE**  
**Albuquerque, New Mexico**



Viewing northwest toward the subject property from beyond its southeast corner.



**Property Photographs  
Office Building  
1650 University Boulevard NE  
Albuquerque, New Mexico**



North building entrance



North building entrance

**Property Photographs**  
**Office Building**  
**1650 University Boulevard NE**  
**Albuquerque, New Mexico**



South building entrance



South building entrance

**Property Photographs  
Office Building  
1650 University Boulevard NE  
Albuquerque, New Mexico**



Typical office suite



Typical office corridor

**Property Photographs  
Office Building  
1650 University Boulevard NE  
Albuquerque, New Mexico**



Typical restroom



Basement lobby

**Property Photographs  
Office Building  
1650 University Boulevard NE  
Albuquerque, New Mexico**



Basement parking area

## Appendix C

---

PLAT OF  
**PARCELS I-A, IIA-1 AND IIB-1**  
**UNIVERSITY TOWERS**  
 ALBUQUERQUE, BERNALILLO COUNTY, NEW MEXICO  
 OCTOBER 2004

**LEGAL DESCRIPTION**

PARCELS I, II AND IIB, AS SHOWN AND DESIGNATED ON THE PLAT, TRACT A, (NOW TRACT A-1) AND TRACT B, (NOW TRACT B-1) ARE LOCATED IN BERNALILLO COUNTY, NEW MEXICO, AND ARE MORE FULLY DESCRIBED IN THE COUNTY CLERK'S OFFICE OF BERNALILLO COUNTY, NEW MEXICO, ON FEBRUARY 27, 1985, IN VOLUME 626, FOLIO 106, AS DOCUMENT NO. 86, 1438.

**OWNER'S CERTIFICATION**

THE SUBMISSION SHOWN HEREON IS WITH THE FREE CONSENT AND IN ACCORDANCE WITH THE DESIRES OF THE UNDERSIGNED OWNER(S) AND/OR PROPRIETOR(S) HEREBY, SAID OWNERS WARRANT THAT THEY HOLD THE PROPERTY SHOWN HEREON AS OWNERS AND/OR PROPRIETORS AND HAVE THE FULL AND COMPLETE AUTHORITY TO MAKE THE SUBMISSION SHOWN HEREON FOR THE PURPOSES NOTED, SAID OWNERS AND/OR PROPRIETORS DO HEREBY CONSENT TO ALL OF THE FOREGOING AND DO HEREBY CERTIFY THAT THIS SUBMISSION IS THEIR FREE ACT AND DEED.

*James A. Aris*  
 JAMES A. ARIS, Notary Public  
 11-10-04

**ACKNOWLEDGEMENT**

STATE OF New Mexico  
 COUNTY OF Bernalillo

THIS INSTRUMENT WAS ACKNOWLEDGED BEFORE ME ON 10<sup>th</sup> DAY OF Nov. 2004, BY James A. Aris



*Robert M. Meyer*  
 ROBERT M. MEYER, Notary Public

*James A. Aris*  
 JAMES A. ARIS, Notary Public  
 11-10-04

**ACKNOWLEDGEMENT**

STATE OF New Mexico  
 COUNTY OF Bernalillo

THIS INSTRUMENT WAS ACKNOWLEDGED BEFORE ME ON 10<sup>th</sup> DAY OF Nov. 2004, BY James A. Aris



*Robert M. Meyer*  
 ROBERT M. MEYER, Notary Public

*James A. Aris*  
 JAMES A. ARIS, Notary Public  
 11-10-04

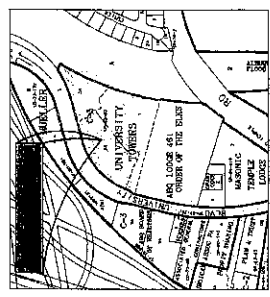
**ACKNOWLEDGEMENT**

STATE OF New Mexico  
 COUNTY OF Bernalillo

THIS INSTRUMENT WAS ACKNOWLEDGED BEFORE ME ON 10<sup>th</sup> DAY OF Nov. 2004, BY James A. Aris



*Robert M. Meyer*  
 ROBERT M. MEYER, Notary Public



**LOCATION MAP**  
 ZONE ATLAS PAGE H-15-Z

**SUBMISSION DATA**

1. PROJECT NO.: \_\_\_\_\_
2. ZONE ATLAS INDEX NO.: 14-15-Z
3. TOTAL NUMBER OF PROPOSED LOTS: 3 LOTS
4. TOTAL NUMBER OF EXISTING LOTS: 3 LOTS
5. DATE OF SURVEY: OCTOBER 2004
6. SURVEYOR: ROBERT M. MEYER
7. ZONING: C-3

**NOTES**

1. BEARINGS SHOWN ARE BASED ON THE RECORDED PLAT. DISTANCES ARE GROUND. BEARING AND DISTANCES ARE FIELD AND RECORD DATA. ROUTE BEARINGS OUTSIDE CLOCKWISE TO OTHER GRID BEARINGS (ON STATE PLANE COORDINATE SYSTEM, CENTRAL ZONE, NAD 83 DATUM).
2. UNLESS SHOWN OTHERWISE ALL PROPERTY CORNERS ARE MARKED WITH P.C. NAIL WITH SHANK, CHISEL "X" IN CONCRETE OR 1/2" REBAR AND CAP STAMPED "RS 10484".
3. THE PURPOSE OF THIS PLAT IS TO ADJUST LOCATION OF PROPERTY LINES BETWEEN EXISTING PARCELS AND TO GRANT ADDITIONAL ACCESS EASEMENTS AS SHOWN.
4. ACCESS EASEMENTS GRANTED BY THIS PLAT ARE TO ADJUST PARCELS M-1 (SOUTH EASEMENT) AND PARCELS M-1 (NORTH EASEMENT). THE MAINTENANCE OF EACH EASEMENT IS THE RESPONSIBILITY OF OWNERS OF PARCELS BENEFITING FROM THE EASEMENTS.
5. THE CURVE PROPERTY IS SUBJECT TO RECORDING FINANCE EASEMENT, DOCUMENT NO. 88 38300, FILED JUNE 28, 1988 IN BOOK U.S.S. SERIAL PAGE 580.
6. THE SUBJECT PROPERTY IS LOCATED WITHIN THE TOWN OF ALBUQUERQUE GRANT, PROJECTED SECTION 14, T19N, R2E, W4E.

THIS IS TO CERTIFY THAT PAGES ARE CURRENT AND PAID ON UPFE.  
 10:45:05 9/15/2014 10:45:05 2014 10:45:05 2014 10:45:05 2014  
 PROPERTY OWNER OF RECORD: BURBANK INVESTMENTS, INC. OWNER ETAL  
 BERNALILLO COUNTY TREASURER'S OFFICE: Rosie Aldrette 517-05

**APPROVED AND ACCEPTED BY:**

PROJECT NO. 04088-0168 / 1003781  
*Shawn Matson*  
 SHAWN MATSON  
 C.O.A. TRAINING DEPARTMENT  
 4/13/05

*James M. Meyer*  
 JAMES M. MEYER  
 ALABAMA  
 4-14-05

*Robert M. Meyer*  
 ROBERT M. MEYER  
 CITY SURVEYOR  
 11-12-04

*Bradley D. Hughes*  
 BRADLEY D. HUGHES  
 CITY ENGINEER  
 4/13/05

*Robert M. Meyer*  
 ROBERT M. MEYER  
 UTILITIES DEPARTMENT  
 CITY OF ALBUQUERQUE PUBLIC WORKS  
 4-13-05

*Ursula S. Standaert*  
 URSULA S. STANDAERT  
 PARKS & RECREATION  
 4/13/05

*d/a*  
 PROPERTY MANAGEMENT  
 4-13-05

*Robert M. Meyer*  
 ROBERT M. MEYER  
 TRAFFIC ENGINEER  
 4-13-05



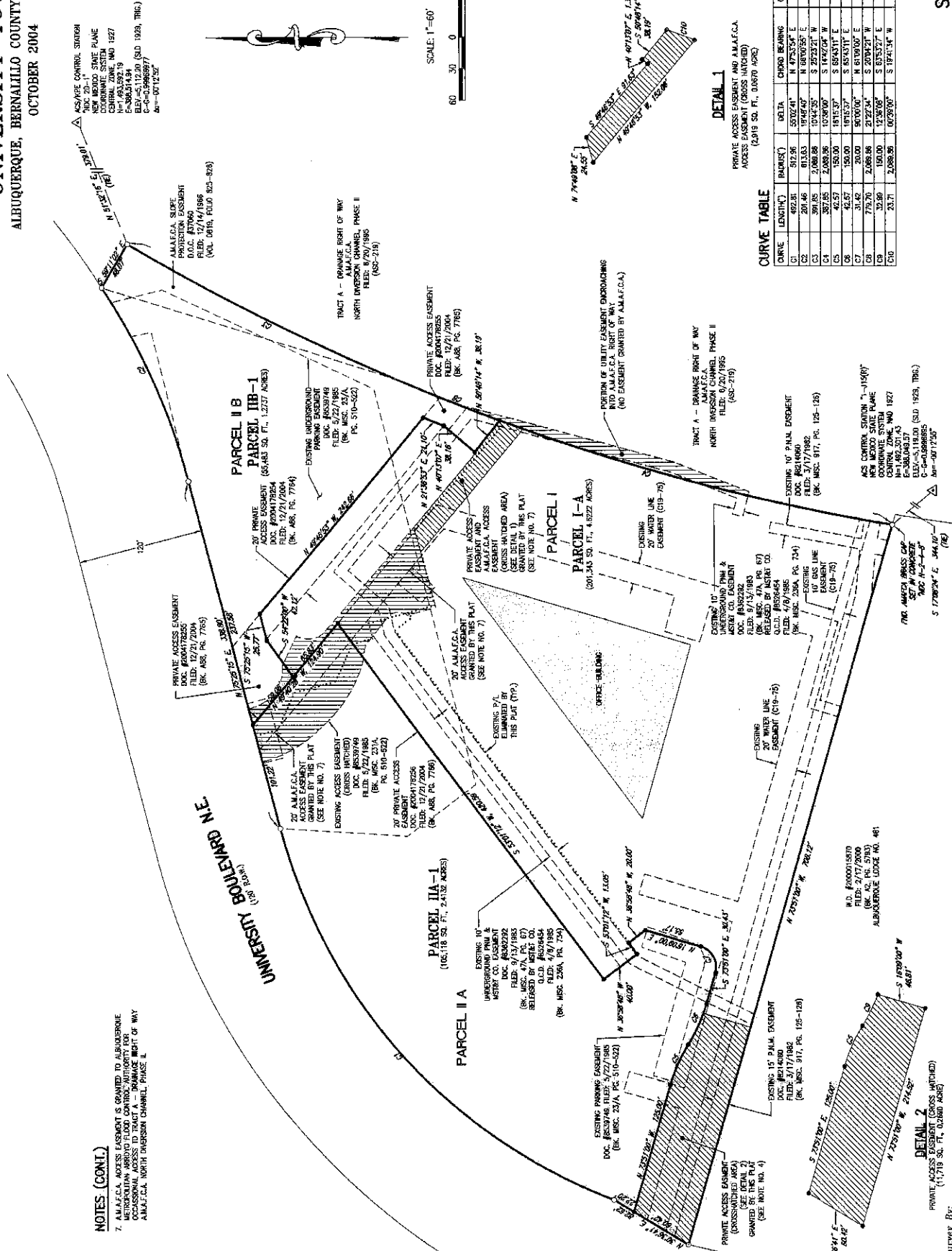
**SURVEYOR'S CERTIFICATION**

I, ROBERT M. MEYER, A DULY QUALIFIED PROFESSIONAL SURVEYOR REGISTERED UNDER THE LAWS OF THE STATE OF NEW MEXICO, DO HEREBY CERTIFY THAT THIS PLAT WAS PREPARED BY ME OR UNDER MY DIRECT SUPERVISION, AND THAT I AM A MEMBER OF THE NATIONAL SOCIETY OF PROFESSIONAL SURVEYORS AND AM A MEMBER IN GOOD STANDING WITH THE NATIONAL SOCIETY OF PROFESSIONAL SURVEYORS OF THE STATE OF NEW MEXICO. I HAVE REVIEWED THE PLAT AND THE ORIGINAL RECORDS FOR LAND SURVEYS IN THE STATE OF NEW MEXICO, AND I AM TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

*Robert M. Meyer*  
 ROBERT M. MEYER  
 NOV 10 2004  
 DATE



PLAT OF  
**PARCELS I-A, IIA-1 AND IIB-1**  
**UNIVERSITY TOWERS**  
 ALBUQUERQUE, BERNALILLO COUNTY, NEW MEXICO  
 OCTOBER 2004



**NOTES (CONT.)**

- 7. AMAJZ.C.A. ACCESS EASEMENT IS GRANTED TO ALBUQUERQUE UNIVERSITY TOWERS, INC. TO PROVIDE OCCASIONAL ACCESS TO TRACT A - DRAINAGE RIGHT OF WAY ALMAJZ.C.A. NORTH INVERSION CHANNEL, PHASE I.

**CURVE TABLE**

CURVE LENGTH (') (MIDPOINT)	CHORD BEARING	CHORD LENGTH (')	AREA (SQ. FT.)
01	S 89°28'11" E	117.55	117.55
02	S 89°28'11" E	117.55	117.55
03	S 89°28'11" E	117.55	117.55
04	S 89°28'11" E	117.55	117.55
05	S 89°28'11" E	117.55	117.55
06	S 89°28'11" E	117.55	117.55
07	S 89°28'11" E	117.55	117.55
08	S 89°28'11" E	117.55	117.55
09	S 89°28'11" E	117.55	117.55
10	S 89°28'11" E	117.55	117.55
11	S 89°28'11" E	117.55	117.55
12	S 89°28'11" E	117.55	117.55
13	S 89°28'11" E	117.55	117.55
14	S 89°28'11" E	117.55	117.55
15	S 89°28'11" E	117.55	117.55
16	S 89°28'11" E	117.55	117.55
17	S 89°28'11" E	117.55	117.55
18	S 89°28'11" E	117.55	117.55
19	S 89°28'11" E	117.55	117.55
20	S 89°28'11" E	117.55	117.55
21	S 89°28'11" E	117.55	117.55
22	S 89°28'11" E	117.55	117.55
23	S 89°28'11" E	117.55	117.55
24	S 89°28'11" E	117.55	117.55
25	S 89°28'11" E	117.55	117.55
26	S 89°28'11" E	117.55	117.55
27	S 89°28'11" E	117.55	117.55
28	S 89°28'11" E	117.55	117.55
29	S 89°28'11" E	117.55	117.55
30	S 89°28'11" E	117.55	117.55
31	S 89°28'11" E	117.55	117.55
32	S 89°28'11" E	117.55	117.55
33	S 89°28'11" E	117.55	117.55
34	S 89°28'11" E	117.55	117.55
35	S 89°28'11" E	117.55	117.55
36	S 89°28'11" E	117.55	117.55
37	S 89°28'11" E	117.55	117.55
38	S 89°28'11" E	117.55	117.55
39	S 89°28'11" E	117.55	117.55
40	S 89°28'11" E	117.55	117.55
41	S 89°28'11" E	117.55	117.55
42	S 89°28'11" E	117.55	117.55
43	S 89°28'11" E	117.55	117.55
44	S 89°28'11" E	117.55	117.55
45	S 89°28'11" E	117.55	117.55
46	S 89°28'11" E	117.55	117.55
47	S 89°28'11" E	117.55	117.55
48	S 89°28'11" E	117.55	117.55
49	S 89°28'11" E	117.55	117.55
50	S 89°28'11" E	117.55	117.55
51	S 89°28'11" E	117.55	117.55
52	S 89°28'11" E	117.55	117.55
53	S 89°28'11" E	117.55	117.55
54	S 89°28'11" E	117.55	117.55
55	S 89°28'11" E	117.55	117.55
56	S 89°28'11" E	117.55	117.55
57	S 89°28'11" E	117.55	117.55
58	S 89°28'11" E	117.55	117.55
59	S 89°28'11" E	117.55	117.55
60	S 89°28'11" E	117.55	117.55

**DETAIL 1**

PRIVATE ACCESS EASEMENT AND AMAJZ.C.A. ACCESS EASEMENT (GROSS HATCHED)  
 (2,019 SQ. FT., 0.0670 ACRES)

**DETAIL 2**

PRIVATE ACCESS EASEMENT (GROSS HATCHED)  
 (1,176 SQ. FT., 0.0340 ACRES)



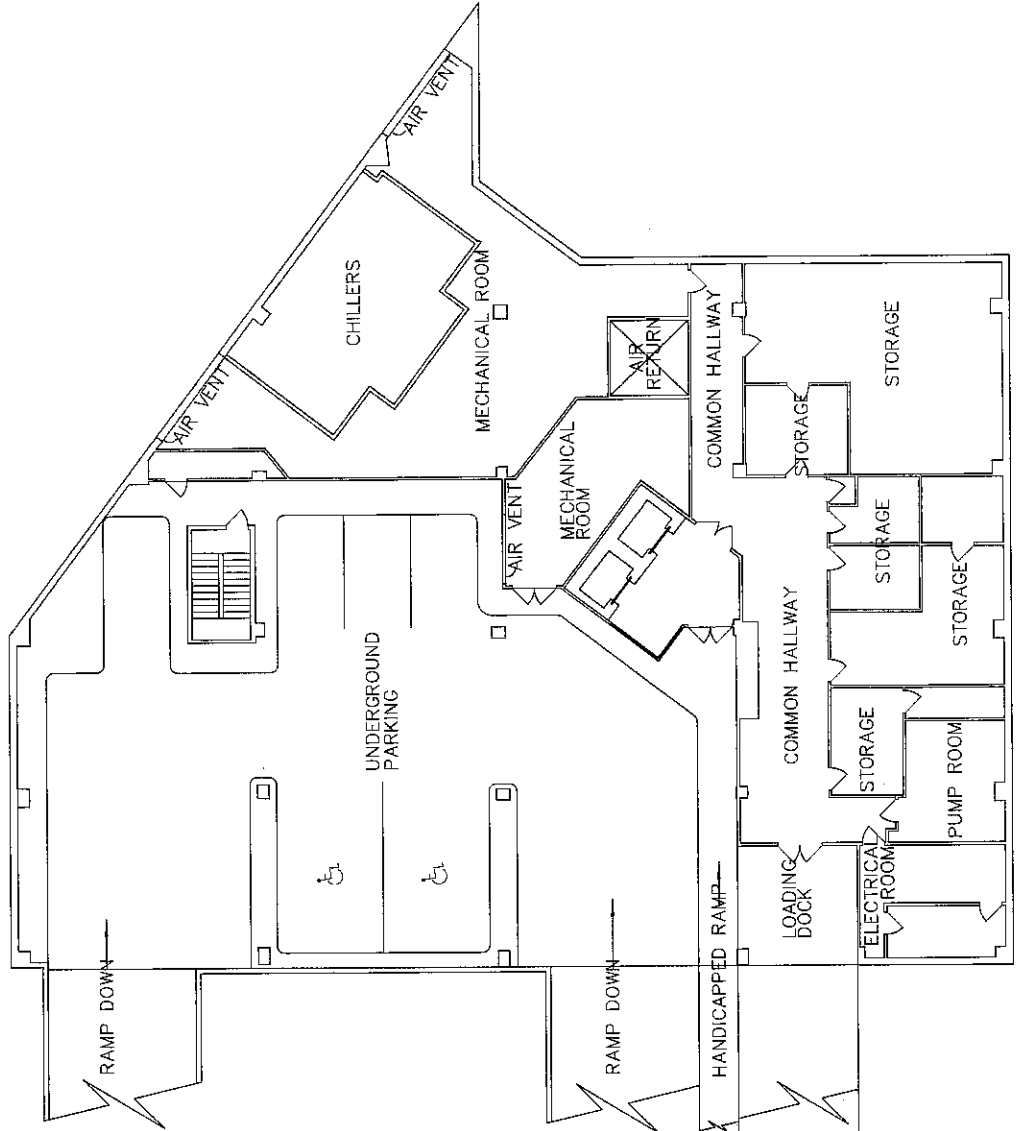
**NOTES**

1. ALL CALCULATIONS INDICATE "USABLE" AREA AS PER "BOMA" STANDARDS.
2. ALL FIXTURES INDICATED ARE BUILT-IN.

**AREA CALCULATIONS:**

MECHANICAL/ELEC ROOM 2853.32 SQ. FT.  
 PARKING AREA 5599.04 SQ. FT.  
 STORAGE ROOMS 1915.27 SQ. FT.

COMMON AREA 1123.68 SQ. FT.  
 VERTICAL PENETRATIONS 403.45 SQ. FT.  
 (INCLUDES ELEVATORS AND STAIRS)  
 GROSS FLOOR 12186.47 SQ. FT.



PROJECT:  
 1650  
 UNIVERSITY  
 N.E.  
 BASEMENT  
 DESCRIPTION:  
 AS-BUILT  
 DRAWING

CLIENT:  
 UNMH

SHEET #  
 01  
 OF 01

CLIENT REFERENCE #

COMPUTER DRAFTING  
 & DESIGN BY:  
 YOUR CAD  
 DRAFTING  
 CALL: 505-899-1199

REFERENCE #  
 03371

ORIENTATION:

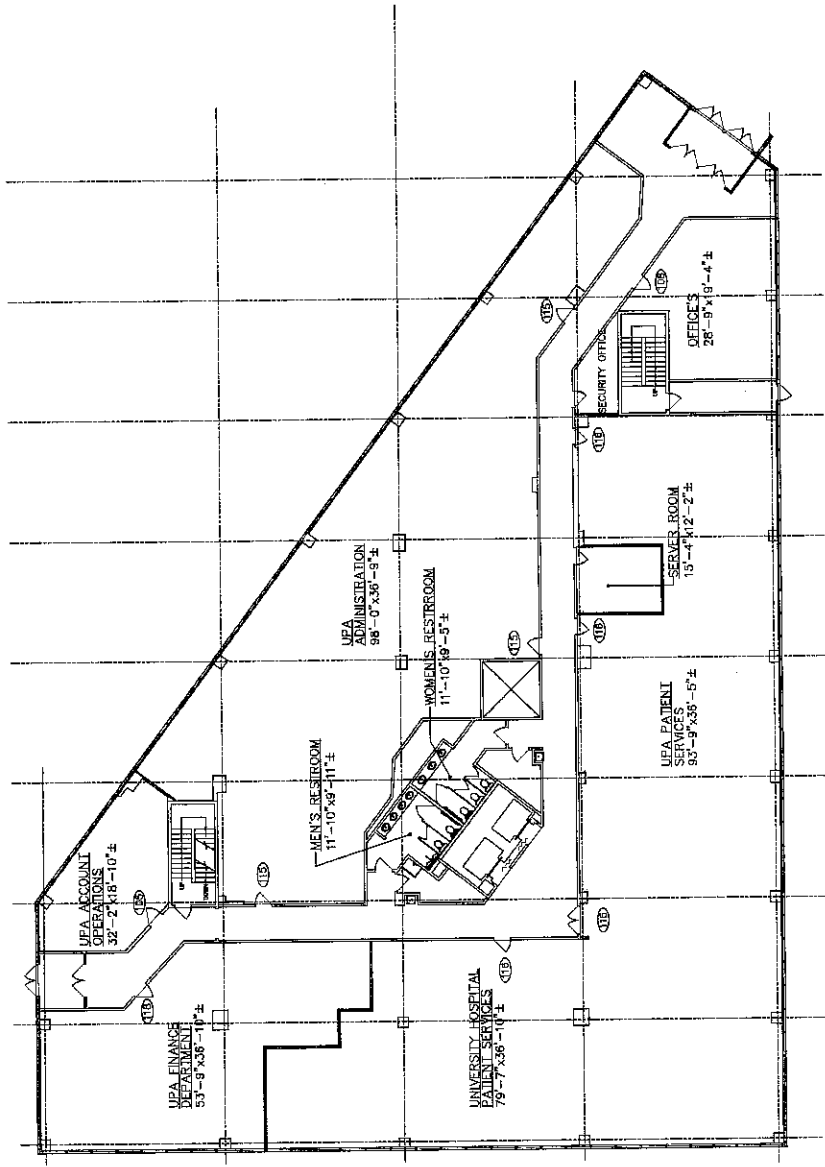
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 DRAFTED BY: P.M.  
 CHECKED BY: M.G.  
 REVISED ON: [diagonal lines]  
 SCALE: 1/8" = 1'-0" DATE: 12/30/05

**NOTES**

1. ALL CALCULATIONS INDICATE "USABLE" AREA AS PER "BOMA" STANDARDS.
2. ALL FIXTURES INDICATED ARE BUILT-IN.

**AREA CALCULATIONS:**

SUITE 105	505.95 SQ. FT.
SUITE 108	610.70 SQ. FT.
SUITE 115	4378.10 SQ. FT.
SUITE 116	6400.51 SQ. FT.
SUITE 118	1585.63 SQ. FT.
SERVER ROOM	189.06 SQ. FT.
SECURITY OFFICE	105.43 SQ. FT.
TOTAL USABLE	13776.38 SQ. FT.
COMMON AREA (INCLUDES RESTROOMS AND HALLWAY)	2829.43 SQ. FT.
VERTICAL PENETRATIONS	670.80 SQ. FT.
GROSS FLOOR	17640.40 SQ. FT.



PROJECT:  
1650  
UNIVERSITY  
N.E.  
FIRST FLOOR  
DESCRIPTION:  
AS-BUILT  
DRAWING

CLIENT:  
UNMH

SHEET #  
01  
OF 05

CLIENT REFERENCE #

COMPUTER DRAFTING  
& DESIGN BY:



CALL: 505-899-1191

03371

ORIENTATION:



MSK'D BY: P.M.

DRAFTED BY: P.M.

CHECKED BY: M.G.

REVISED ON: / /

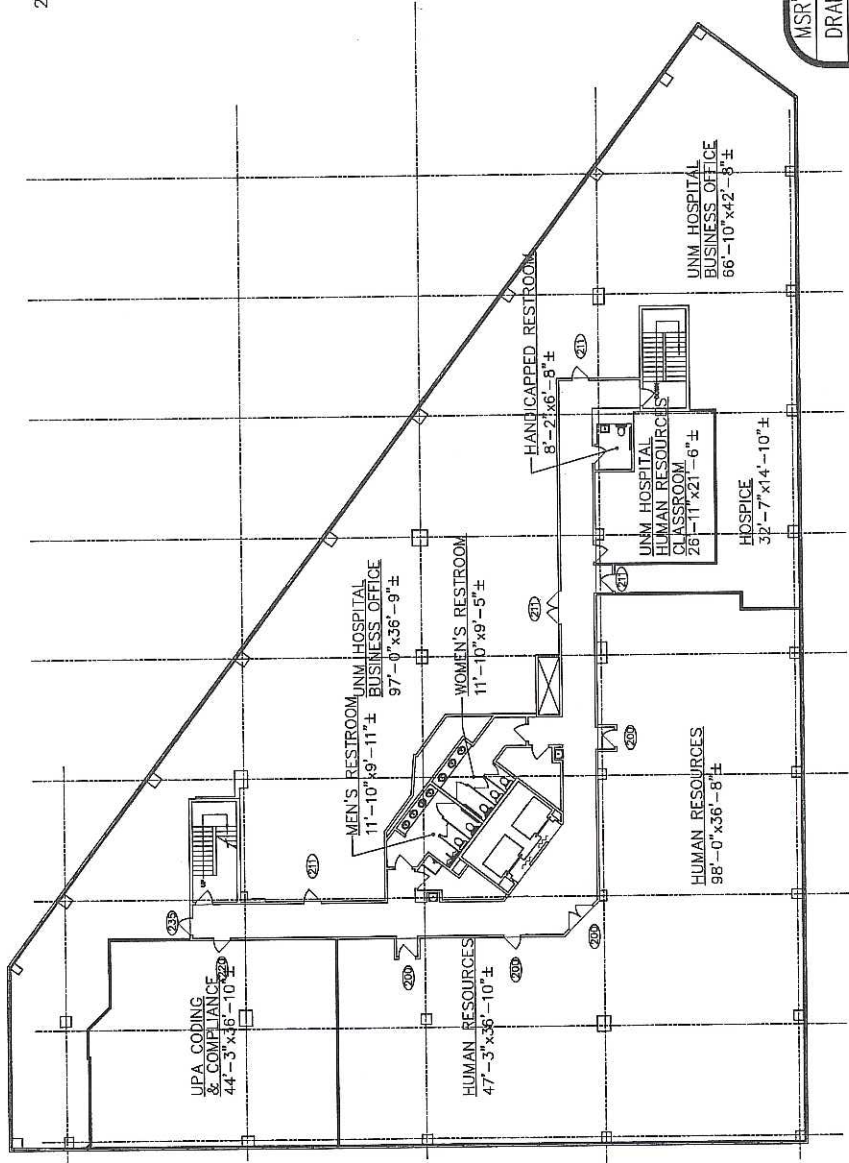
SCALE: 3/32" = 1'-0" DATE: 12/15/07

NOTES

1. ALL CALCULATIONS INDICATE "USABLE" AREA AS PER "BOMA" STANDARDS.
2. ALL FIXTURES INDICATED ARE BUILT-IN.

AREA CALCULATIONS:

SUITE 200	5385.90 SQ. FT.
SUITE 211	7964.48 SQ. FT.
SUITE 220	2575.66 SQ. FT.
HR CLASSROOM	514.04 SQ. FT.
TOTAL USABLE	16440.08 SQ. FT.
COMMON AREA	1972.66 SQ. FT.
(INCLUDES RESTROOMS AND HALLWAY)	
VERTICAL PENETRATIONS	605.00 SQ. FT.
GROSS FLOOR	18294.06 SQ. FT.



PROJECT:  
1650  
UNIVERSITY  
N.E.  
2ND FLOOR

DESCRIPTION:  
AS-BUILT  
DRAWING

CLIENT:  
UNMH

SHEET #  
02  
OF 05

CLIENT REFERENCE #

COMPUTER DRAFTING  
& DESIGN BY:  
YourCAD  
DRAFTING

CALL: 505-899-1191

REFERENCE #  
033371



MSRD BY: P.M.  
DRAFTED BY: P.M.  
CHECKED BY: M.G.  
REVISED ON: [diagonal lines]

SCALE: 3/32" = 1'-0" DATE: 12/15/03

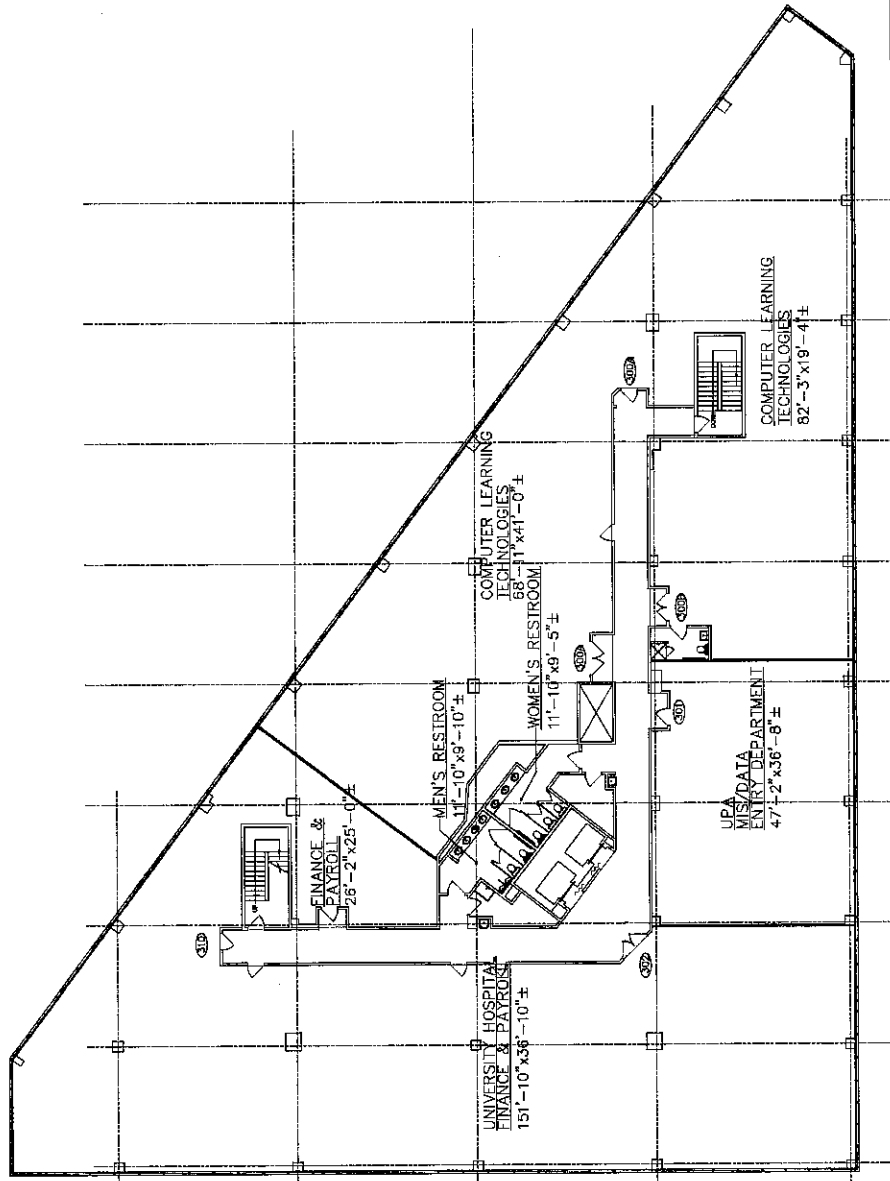
**NOTES**

1. ALL CALCULATIONS INDICATE "USABLE" AREA AS PER "BOMA" STANDARDS.
2. ALL FIXTURES INDICATED ARE BUILT-IN.

**AREA CALCULATIONS:**

SUITE 300 7075.54 SQ. FT.  
 SUITE 301 1752.96 SQ. FT.  
 SUITE 302 7067.45 SQ. FT.  
 TOTAL USABLE 15895.95 SQ. FT.

COMMON AREA 1943.75 SQ. FT.  
 (INCLUDES RESTROOMS AND HALLWAY)  
 VERTICAL PENETRATIONS 825.39 SQ. FT.  
 GROSS FLOOR 18684.10 SQ. FT.



PROJECT: 1650  
 UNIVERSITY N.E.  
 3RD FLOOR  
 DESCRIPTION: AS-BUILT DRAWING

CLIENT: UNMH

SHEET # 03  
 OF 05

CLIENT REFERENCE #

COMPUTER DRAFTING & DESIGN BY:  
 YOUR CAD DRAFTING  
 CALL: 505-899-1199

033371

ORIENTATION:



MSR'D BY: P.M.

DRAFTED BY: P.M.

CHECKED BY: M.G.

REVISED ON: / /

SCALE: 3/32" = 1'-0" DATE: 12/15/05



**NOTES**

1. ALL CALCULATIONS INDICATE "USABLE" AREA AS PER "BOMA" STANDARDS.
2. ALL FIXTURES INDICATED ARE BUILT-IN.

**AREA CALCULATIONS:**

SUITE 500	10054.08 SQ. FT.
SUITE 5-100	2875.27 SQ. FT.
SUITE 502	2523.79 SQ. FT.
TOTAL USABLE	15453.14 SQ. FT.

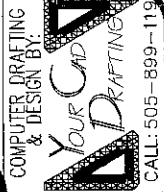
COMMON AREA 1948.77 SQ. FT.  
 (INCLUDES RESTROOMS AND HALLWAY)  
 VERTICAL PENETRATIONS 575.02 SQ. FT.  
 GROSS FLOOR 18934.40 SQ. FT.

PROJECT:  
 1650  
 UNIVERSITY  
 (N.E.  
 5TH FLOOR  
 DESCRIPTION:  
 AS-BUILT  
 DRAWING

CLIENT:  
 UNMH

SHEET #  
 05  
 OF 05

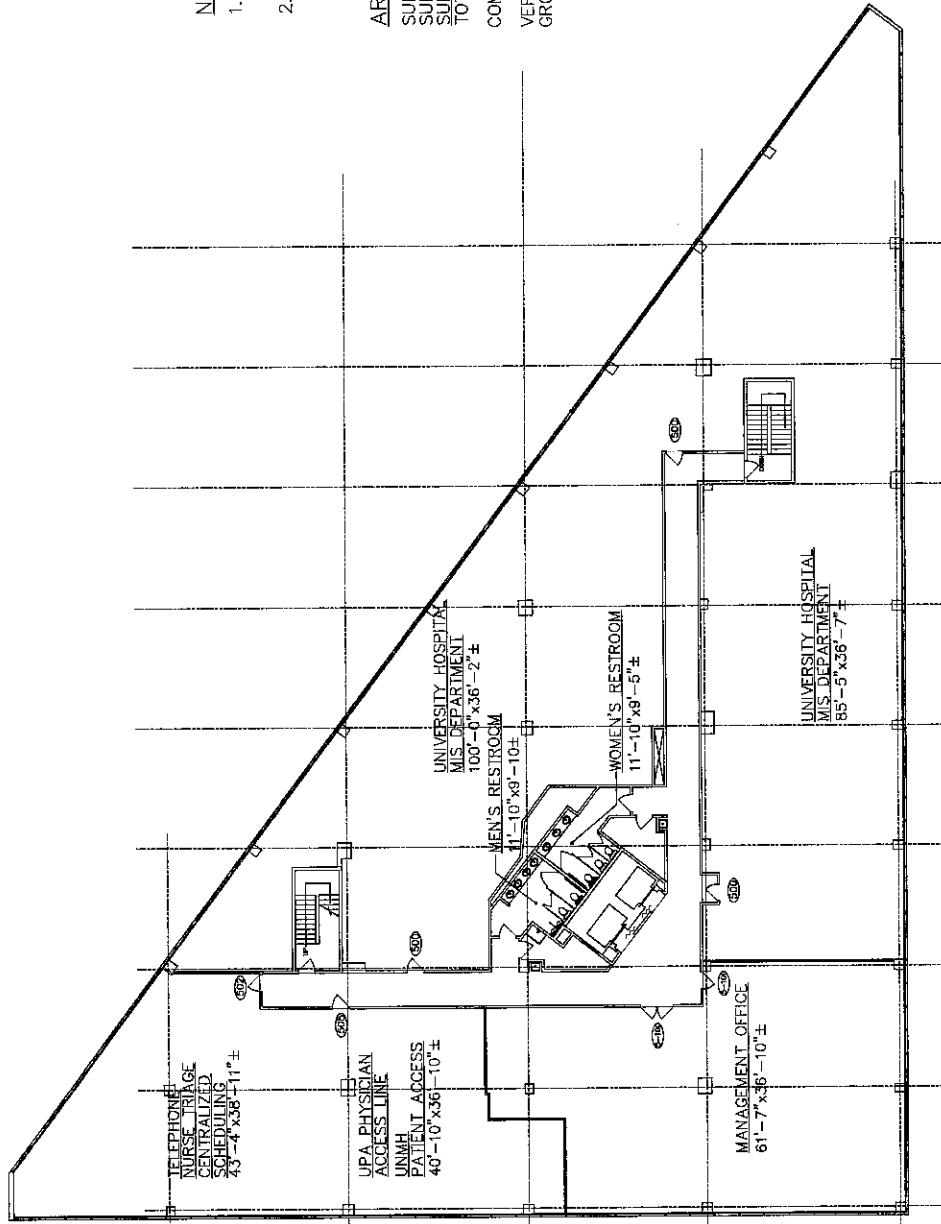
CLIENT REFERENCE #



COMPUTER DRAFTING & DESIGN BY:  
 033371  
 CALL: 505-899-1191



MSRD BY: P.M.  
 DRAFTED BY: P.M.  
 CHECKED BY: M.G.  
 REVISED ON: / /  
 SCALE: 3/32" = 1'-0" DATE: 12/15/07



Appendix D

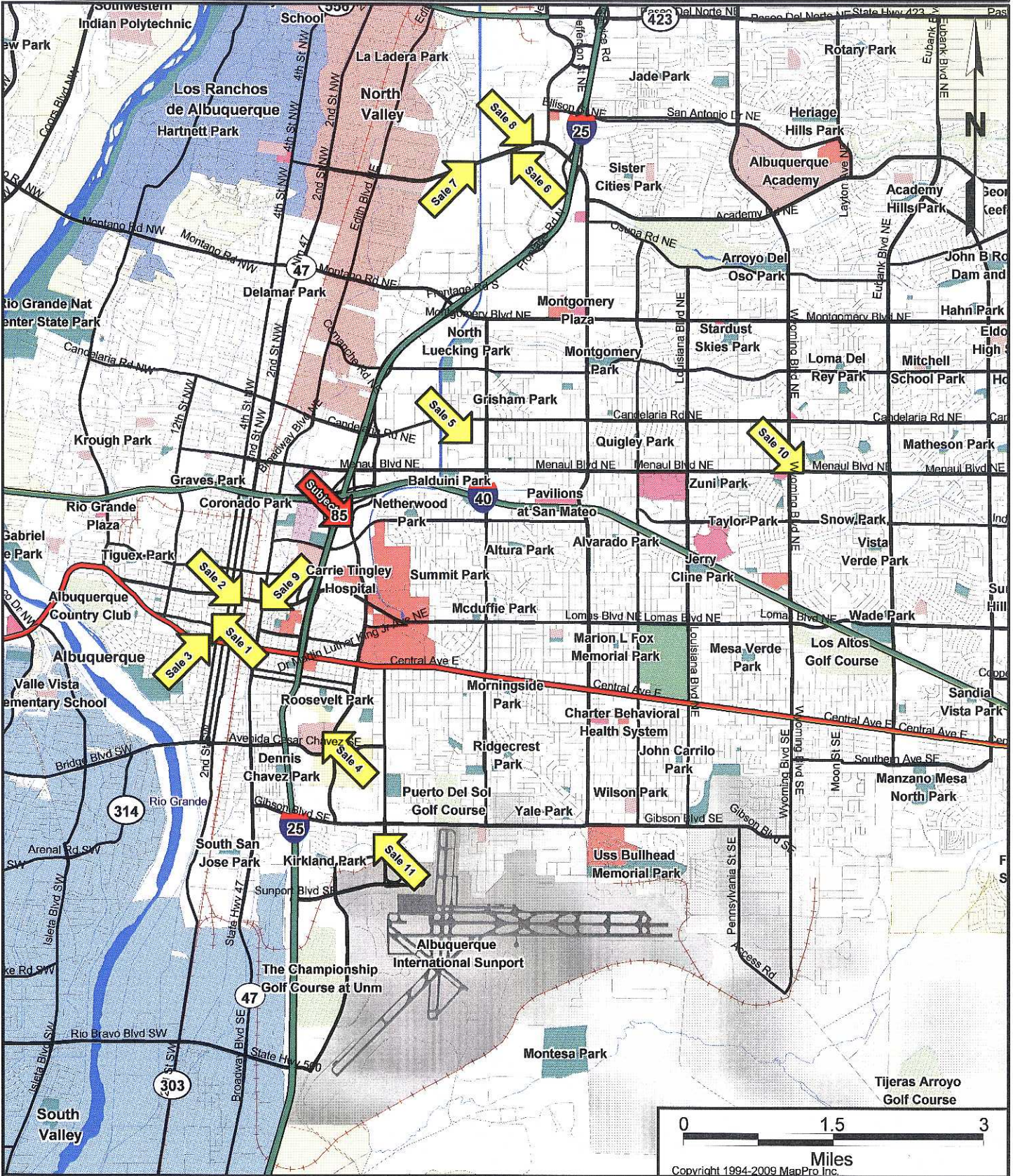
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# LOCATION MAP

Description: IMPROVED SALES

Subject Address: 1650 University Blvd Ne, Albuquerque, NM 87102

Prepared by: Joshua Cannon & Associates, Inc., PO Box 20088, Albuquerque, NM 87154



**CAUTION:**

The location of property arrows shown on this map are approximate only. Inaccuracies may exist on map such as missing, incorrectly drawn, or incorrectly addressed streets. Please report any such inaccuracy to MapPro, Inc. so that appropriate corrections can be made.



# Improved Sale 1

Office  
Multi-Tenant

Entry Date 3-6-2007

Comp # 20570

<b>Project Name</b>	Compass Bank Plaza	<b>Sale Price</b>	\$7,800,000
<b>Location</b>	North side of Marquette Avenue NW between 5th & 6th south of Lomas	<b>Date of Sale</b>	18 Aug 2005
<b>Street Address</b>	505 Marquette Avenue NW	<b>Gross Building Area</b>	246,931
<b>City, County, State</b>	Albuquerque Bernalillo	<b>Rentable Area</b>	232,518
<b>Legal Description</b>	Perfecto Armijo and Brothers, Block 9, Lots 104 - 115	<b>\$/SF Gross/Rentable</b>	\$31.59 / \$33.55
		<b>Land Area (Ac/SF)</b>	0.9780 / 42,600
		<b>Effective Gross Expenses</b>	
		<b>Net Income</b>	
<b>Plat</b>	D-116	<b>Tax ID</b>	1-014-058-138-043-3-14-02
<b>Market Area</b>	Downtown	<b>Map Page</b>	J-14
<b>Arterial Location</b>	Major		
<b>Zoning</b>	SU-3	<b>FAR</b>	500%+
		<b>Year Built</b>	1966

**Grantor** CMAT 1999-C1 Marquette Avenue L L C (Steven D Ferreira, Miami Beach, FL)

**Grantee** Centurion Southwest L L C (Aaron Hazelrigg)

**Terms** Cash to seller

**Document Number** 05-125110

**Type** Special Warranty Deed

## Property Description

This is a 19-story building with office space on floors 1 & 7-18, a parking garage on floors 2 - 6, and a 2,000-SF office penthouse on floor 19. It also has a 31,867-RSF basement that is included in the building area. Construction is concrete encased steel frame. Exterior has dated appearance with concrete panels and glass. Four elevators and fully sprinklered. HVAC is oil-fired hot water and roof mounted chilled water system. Typical office ceiling heights are 8 feet.

**Parking Ratio** 372 spaces, or 1.60/1,000 RSF. 335 spaces in parking garage & 37 surface.

**Vacancy** 67% vacant at sale

**Marketing Time**

**Rental Information** Asking rate after sale is \$14.50/SF full service

## Comments

This buyer specializes in turning around older buildings and they increase occupancy from 33% to 74% within a few months after the sale. The property had recently lost a large tenant - the Bureau of Indian Affairs - after they moved to their own building. The listing brochure estimated the property required \$350,000± in renovations to be competitive, including HVAC repairs and lobby renovations, and these were apparently performed by the buyer. The surface parking lot and drive-up bank lanes are on land leased from the City of Albuquerque at \$500 per month with no escalations for the 60-year remaining term.



## Improved Sale 2

Entry Date 5- 3-2004

Office  
Multi-Tenant

Comp # 20297

<b>Project Name</b>	Plaza Maya	<b>Sale Price</b>	\$3,000,000
<b>Location</b>	W/s 1st St. NW just S/o Lomas	<b>Date of Sale</b>	30 Jul 2007
<b>Street Address</b>	615 1st Street NW	<b>Gross Building Area</b>	62,287
<b>City, County, State</b>	Albuquerque Bernalillo New Mexico	<b>Rentable Area</b>	60,000
<b>Legal Description</b>	Francisco Armijo y Otero, Lot B	<b>\$/SF Gross/Rentable</b>	\$48.16 / \$50.00
		<b>Land Area (Ac/SF)</b>	0.8361 /36,421
		<b>Effective Gross Expenses</b>	
		<b>Net Income</b>	
<b>Plat</b>	B14-96	<b>Tax ID</b>	1-014-058-298-070-4-08-03
<b>Market Area</b>	Downtown	<b>Map Page</b>	J-14
<b>Arterial Location</b>	Local		
<b>Zoning</b>	SU-3		

<b>Grantor</b>	Bryan Sheehan Maya Green Operating Associates (Edward M Gilbert, Santa Fe, NM)		
<b>Grantee</b>	Platinum Assets II L L C (David Dronet/ Kristian Peter)		
<b>Terms</b>	Cash		
<b>Document Number</b>	07-112309	<b>Type</b>	Special Warranty Deed

### Property Description

Four-story office building constructed of steel and stucco-covered Styrofoam. It is fully sprinkled with typical floor plans. Two passenger elevators and two interior stairways. Ceiling heights are 14' at first floor and 12' at upper floors. The building has a plain government building appearance and limited windows. The condition of the improvements is reported to be average to fair.

<b>Parking Ratio</b>	106 spaces total with 67 spaces on leased land at \$1,300± per month		
<b>Vacancy</b>	100%	<b>Marketing Time</b>	2+ years
<b>Rental Information</b>	Asking \$12.00/SF full service for full floors only prior to the sale.		

### Comments

This building was constructed for the federal government and was fully occupied by the BIA until they vacated in July 2004. The buyer plans to demolish the building down to its columns and reconstruct office condominium units. The exterior of the building will be 75% glass.



# Improved Sale 3

Entry Date 10-12-2007

Office  
Multi-Tenant

Comp # 20643

<b>Project Name</b>	Copper Square	<b>Sale Price</b>	\$3,600,000
<b>Location</b>	SW/c 5th Street & Copper Avenue NW just N/o Central Avenue	<b>Date of Sale</b>	14 Jun 2007
<b>Street Address</b>	500 Copper Avenue NW	<b>Gross Building Area</b>	71,000
<b>City, County, State</b>	Albuquerque Bernalillo	<b>Rentable Area</b>	67,784
<b>Legal Description</b>	New Mexico Town Co's Original Townsite, Block 12, Lots 1 - 8, Ely 1/2 of Lot 9	<b>\$/SF Gross/Rentable</b>	\$50.70 / \$53.11
<b>Plat</b>	D-140	<b>Tax ID</b>	1-014-057-123-462-2-39-07
<b>Market Area</b>	Downtown	<b>Map Page</b>	K-14
<b>Arterial Location</b>	Minor/Collector	<b>Effective Gross Expenses</b>	
<b>Zoning</b>	SU-3	<b>Net Income</b>	
		<b>EGIM</b>	
		<b>Overall Rate</b>	
		<b>FAR</b>	2.35
		<b>Year Built</b>	1930s

<b>Grantor</b>	Copper Square L P (Gordon L Skarsgard)/ Aim Management Corp (Jeffrey Jesionowski)/ Dimension Cientifico Ltd Co (Gordon Skarsgard/ Joseph P O'Connell)/ Smith, Karl)		
<b>Grantee</b>	Downtown ABQ Partners L L C (Vincent J Garcia)		
<b>Terms</b>	Cash to seller		
<b>Document Number</b>	07-088220	<b>Type</b>	Warranty Deed

### Property Description

This building was originally constructed as the El Fidel Hotel in the 1930s, and it was converted to an office building in 1980. It is primarily masonry construction with a frame/stucco and glass addition. There is a large atrium and good quality lobby finishes, but the office space is average quality in fair to average condition. The gross building area shown above is estimated and does not include the basement. The rentable area is reported by the grantor.

<b>Parking Ratio</b>	No on-site parking
<b>Vacancy</b>	
<b>Rental Information</b>	See comments

### Marketing Time

### Comments

This building was operated as a multi-tenant office building after its conversion from a hotel, but it has persistent occupancy problems due to inadequate parking. There is no on-site parking and it is leased at adjoining lots. It was nearly vacant at the date of sale and the buyer intends to convert the entire building into office condominiums.



# Improved Sale 4

Office  
Mixed Use

Entry Date 3-19-2010

Comp # 20804

<b>Project Name</b>	Former Social Security Building	<b>Sale Price</b>	\$7,800,000
<b>Location</b>	Just W/o Bradbury Dr. SE W/o University N/o Cesar Chavez E/o I-25	<b>Date of Sale</b>	18 Dec 2007
<b>Street Address</b>	933 Bradbury Dr. SE	<b>Gross Building Area</b>	141,570
<b>City, County, State</b>	Albuquerque Bernalillo	<b>Rentable Area</b>	
<b>Legal Description</b>	Third Replat of UNM South Campus Research Park, Tracts 1A, B & C (leasehold interest)	<b>\$/SF Gross/Rentable</b>	\$55.10 /
<b>Plat</b>	90C-203	<b>Land Area (Ac/SF)</b>	10.5362 /458,957
<b>Market Area</b>	Airport Area	<b>Effective Gross Expenses</b>	
<b>Arterial Location</b>	Local	<b>Net Income</b>	
<b>Zoning</b>	O-1	<b>EGIM</b>	
<b>Tax ID</b>	1-015-056-163-467-2-15-17-B1	<b>Overall Rate</b>	
<b>Map Page</b>	L-15	<b>FAR</b>	30.8%
		<b>Year Built</b>	1968-78

<b>Grantor</b>	NWD Venture L L P (Dana Pitt)		
<b>Grantee</b>	The Regents of the University of New Mexico		
<b>Terms</b>	Cash to seller. Purchase of leasehold interest. Sale price apportioned at \$1,020,000 positive leasehold value in the land lease and \$6,780,000 to the contributory value of the improvements.		
<b>Document Number</b>	07-170967/68	<b>Type</b>	Warranty Deed (Improvements)

## Property Description

The improvements consist of two buildings connected by an enclosed corridor that were constructed as build-to-suit call center for the Social Security Administration. Construction dates were 68,880 SF in 1968 and 72,690 in 1978. Construction is steel frame with brick elevations. Roof heights are 15' - 20' at single story & 29' at two story. HVAC is hot/chilled water with equipment in separate mechanical building. Office is mostly open with some perimeter partitioning. Cafeteria and restrooms had original finishes. Two-story area has passenger & freight elevator. Wet pipe fire sprinklers throughout. Supply room with truck dock. Average quality parking lot. A Property Condition Report at the time of sale found \$1,235,000 in deferred maintenance, including a new roof, re-seal the parking lot and other smaller items. The HVAC condition was adequate for the designed use, but UNM replaced most of the system.

**Parking Ratio** 522 spaces

**Vacancy** 100% at sale

## Marketing Time

**Rental Information** Including options, land leases expire in 2041. 2007 land rent was \$97,568. UNM is land lessor.

## Comments

UNM was the land lessor and this is the purchase of the leasehold interest, who leased the land and constructed the buildings for Social Security. SSA vacated in 2001 and moved Downtown. The building owner attempted to lease the space for several years but was not successful. UNM purchased the building to house a charter school and for administrative space. The land lease rate was well below market and increases were capped at a below market level. The leasehold value was calculated as the net present value of the spread between market land rent and contract land rent, discounted at 16%. The fee simple land value was estimated to be \$5.50 per square foot at the date of sale.



## Improved Sale 5

Office  
Single Tenant

Entry Date 3-14-2010

Comp # 20803

<b>Project Name</b>	Former Blue Cross Blue Shield			<b>Sale Price</b>	\$3,300,000
<b>Location</b>	NE/c Wellesley Dr. & Prospect Ave NE just W/o Carlisle just S/o Menaul just N/o I-40			<b>Date of Sale</b>	30 Sep 2009
<b>Street Address</b>	2400 Wellesley Dr.		NE	<b>Gross Building Area</b>	57,875
<b>City, County, State</b>	Albuquerque	Bernalillo	New Mexico	<b>Rentable Area</b>	54,400
<b>Legal Description</b>	Mountain Bell, Tract A			<b>\$/SF Gross/Rentable</b>	\$57.02 / \$60.66
				<b>Land Area (Ac/SF)</b>	2.4416 /106,354
				<b>Effective Gross Expenses</b>	
				<b>Net Income</b>	
<b>Plat</b>	B9-17	<b>Tax ID</b>	1-016-059-456-217-4-17-12	<b>EGIM</b>	
<b>Market Area</b>	North I-25	<b>Map Page</b>	H-16	<b>Overall Rate</b>	
<b>Arterial Location</b>	Local			<b>FAR</b>	54.4%
<b>Zoning</b>	C-3			<b>Year Built</b>	1972

**Grantor** Anderson-Wellesley L L C (John H Anderson/ Joan M Anderson, trustees) etc.

**Grantee** County of Bernalillo (Julie Morgas Baca)

**Terms** Cash to seller

**Document Number** 09-109761

**Type** Warranty Deed

### Property Description

Average quality three-story concrete-stucco office building with dated appearance and average quality site improvements. The building was partially renovated in 2002 and condition is average. It was used by Blue Cross as a claims center and is mostly open office floor plans. The building was leased on gross building area and rentable was not calculated. The rentable area shown of 54,400 SF is estimated as 94% of GBA.

**Parking Ratio** 177 spaces, or 3.35 spaces per 1,000 SF of RBA. Street parking also available.

**Vacancy**

**Marketing Time** Approximately one year

**Rental Information** Previously 100% leased to Blue Cross Blue Shield through 2-29-07. Vacant at sale.

### Comments

The building was formerly leased to Blue Cross Blue Shield and was 100% vacant at the date sale. It previously sold as a 100% leased building on May 20, 2004 for \$4,500,000. Bernalillo County intends to use the building as a health clinic and foster care center.

The property has a recessed location with few other nearby office buildings. It has good proximity to I-40 at the Carlisle Boulevard interchange.



# Improved Sale 6

Office  
Single Tenant

Entry Date 4-6-2005

Comp # 20385

<b>Project Name</b>	Former NM Educators Assistance Foundation	<b>Sale Price</b>	\$2,435,000
<b>Location</b>	Southeast corner of Osuna Road & Gulton Court NE	<b>Date of Sale</b>	19 Dec 2003
<b>Street Address</b>	3900 Osuna Road NE	<b>Gross Building Area</b>	41,855
<b>City, County, State</b>	Albuquerque Bernalillo New Mexico	<b>Rentable Area</b>	41,855
<b>Legal Description</b>	Interstate Industrial Tract, Unit II, Block A, Lot 3-B7-A	<b>\$/SF Gross/Rentable</b>	\$58.18 / \$58.18
<b>Plat</b>	C25-118	<b>Land Area (Ac/SF)</b>	2.4706 / 107,621
<b>Market Area</b>	North I-25	<b>Effective Gross Expenses</b>	
<b>Arterial Location</b>	Major	<b>Net Income</b>	
<b>Zoning</b>	IP	<b>EGIM</b>	
		<b>Overall Rate</b>	
		<b>FAR</b>	39%
		<b>Year Built</b>	1980s

<b>Grantor</b>	New Mexico Educational Assistance Foundation (Elwood G Farber)		
<b>Grantee</b>	Adelante Development Center Inc. (Michael Kivitz)		
<b>Terms</b>	Cash to seller		
<b>Document Number</b>	03-230211	<b>Type</b>	Warranty Deed

### Property Description

Two-story office building of average quality tilt-up concrete construction and adequate window volume. The building and site improvements are in average condition. The floor plan of the building is 100% office with approximately one-half open and one-half partitioned. The buyer plans to spend \$600,000 to make the building completely ADA compliant and update the HVAC system.

<b>Parking Ratio</b>	163 spaces, or 3.89 spaces per 1,000 SF building area		
<b>Vacancy</b>	100% owner-occupied	<b>Marketing Time</b>	One year
<b>Rental Information</b>	Seller leased back for 8 months at \$10.00/SF, triple net.		

### Comments

The seller constructed this building for loan processing. It was designed for a single tenant and conversion to multiple tenants would have been difficult. The buyer is also a single-tenant owner-occupant that provides services for people with disabilities, including job training, job placement and adaptive equipment testing. The location on Osuna Road provides good visibility. The seller leased the building back at \$10.00 per square foot, triple net, for eight months after the sale.



**Improved Sale 7**

Entry Date 10-22-2008

Office  
Multi-Tenant

Comp # 20716

<b>Project Name</b>	Osuna Corporate Center		<b>Sale Price</b>	\$2,500,000
<b>Location</b>	NE/c Osuna Rd. & Chappell Dr. NE E/o Edith Blvd. W/o Jefferson St.		<b>Date of Sale</b>	22 Mar 2006
<b>Street Address</b>	2129 Osuna Road	NE	<b>Gross Building Area</b>	30,518
<b>City, County, State</b>	Albuquerque	Bernalillo	<b>Rentable Area</b>	
<b>Legal Description</b>	Sego-Cox, Lot 7		<b>\$/SF Gross/Rentable</b>	\$81.92 /
<b>Plat</b>	C28-127	<b>Tax ID</b> 1-016-062-468-309-1-01-11	<b>Land Area (Ac/SF)</b>	1.7596 /76,648
<b>Market Area</b>	North I-25	<b>Map Page</b> E-16	<b>Effective Gross Expenses</b>	
<b>Arterial Location</b>	Major		<b>Net Income</b>	
<b>Zoning</b>	M-1		<b>EGIM</b>	
			<b>Overall Rate</b>	
			<b>FAR</b>	40%
			<b>Year Built</b>	1987

<b>Grantor</b>	Cox, Roger S (1/2)/ Sego, William A, trustee (1/2)		
<b>Grantee</b>	Monaco Properties Inc (Michael J Merrell/ Mary Merrell, Belen, NM)		
<b>Terms</b>	Cash to seller		
<b>Document Number</b>	06-040638	<b>Type</b>	Warranty Deed

**Property Description**

Average quality three-story office building with steel frame and stucco/metal panel/glass exterior. Building has package HVAC units and one elevator. Site improvements are average.

<b>Parking Ratio</b>	Average	<b>Marketing Time</b>	
<b>Vacancy</b>	100%		
<b>Rental Information</b>	100% vacant at time of sale		

**Comments**

This building was 100% vacant and was purchased for owner occupancy by Ambercare Hospice. It has an average location on Osuna Road near the western edge of the North I-25 Corridor.



# Improved Sale 8

Entry Date 10-22-2008

Office  
Multi-Tenant

Comp # 20717

<b>Project Name</b>	Clifford Plaza I & II	<b>Sale Price</b>	\$9,500,000
<b>Location</b>	SW corner of Osuna Road and Jefferson Street	<b>Date of Sale</b>	30 Oct 2007
<b>Street Address</b>	4100 & 4200 Osuna Road NE	<b>Gross Building Area</b>	115,770
<b>City, County, State</b>	Albuquerque Bernalillo	<b>Rentable Area</b>	110,823
<b>Legal Description</b>	Interstate Industrial Tract, Unit 2, Tract C-4-A, C-4-B; Group Nine Industrial Park, Tract C-3-G, C-3-F, C-3-A-1	<b>\$/SF Gross/Rentable</b>	\$82.06 / \$85.72
<b>Plat</b>	C32-115/ Tax ID 1-017-062-265-370-2-01-45*	<b>Land Area (Ac/SF)</b>	6.7307 /293,189
<b>Market Area</b>	North I-25 Map Page E-17	<b>Effective Gross</b>	\$1,482,115
<b>Arterial Location</b>	Major	<b>Expenses</b>	\$743,855
<b>Zoning</b>	IP	<b>Net Income</b>	\$738,260
		<b>EGIM</b>	6.41
		<b>Overall Rate</b>	7.77%
		<b>FAR</b>	38%
		<b>Year Built</b>	1986

<b>Grantor</b>	Clifford Plaza Ltd - II (Robert C Wharton)		
<b>Grantee</b>	Carlo Inc (Victor J Bachechi)		
<b>Terms</b>	Cash to seller (Sale price is approximate based upon interviews with broker, seller and buyer.)		
<b>Document Number</b>	07-151530 & 07-151531	<b>Type</b>	Warranty Deed

**Property Description**  
The improvements consist of two average quality three-story steel frame/stucco office buildings. Average quality site improvements. Cardinal Healthcare with 100,865 RSF leases 91% of the buildings and their lease expires 12/31/09. Two other tenants lease 6% of the buildings.

<b>Parking Ratio</b>	Average	<b>Marketing Time</b>	
<b>Vacancy</b>	3%		
<b>Rental Information</b>	See comments.		

**Comments**  
This is a two-building complex that is 97% leased at a rate of \$13.37 per rentable square foot, full service. The remaining lease term to Cardinal is 25 months and there is a reasonable chance they will vacate. The buyer reports the downside of losing this tenant is mitigated by their estimated market rental rate of about \$16.00 per square foot to new tenants.





# Improved Sale 9

Office  
Multi-Tenant

Entry Date 11- 5-2006

Comp # 20508

<b>Project Name</b>	7 Broadway Place	<b>Sale Price</b>	\$6,450,000
<b>Location</b>	Southwest corner of Broadway Boulevard & Lomas Boulevard NE	<b>Date of Sale</b>	1 May 2006
<b>Street Address</b>	707 Broadway Boulevard NE	<b>Gross Building Area</b>	77,581
<b>City, County, State</b>	Albuquerque Bernalillo New Mexico	<b>Rentable Area</b>	70,692
<b>Legal Description</b>	Rakestraw Family Trust Lands, Tract A-1	<b>\$/SF Gross/Rentable</b>	\$83.14 / \$91.24
<b>Plat</b>	B21-16	<b>Tax ID</b>	1-014-058-396-085-4-11-11
<b>Market Area</b>	Downtown	<b>Map Page</b>	J-14
<b>Arterial Location</b>	Major	<b>Land Area (Ac/SF)</b>	2.2680 /98,794
<b>Zoning</b>	M-1	<b>Effective Gross</b>	\$1,053,071
		<b>Expenses</b>	\$488,601
		<b>Net Income</b>	\$564,470
		<b>EGIM</b>	6.12
		<b>Overall Rate</b>	8.75%
		<b>FAR</b>	.80
		<b>Year Built</b>	1985

<b>Grantor</b>	Fourth & Cushman [New Mexico] L L C (Leonard B Hyde, Anchorage, AK)/ 707 Broadway L L C (Stuart C Bond, Anchorage, AK)		
<b>Grantee</b>	Kathuria, Ram L and Kathuria, Satya, trustees (55%)/ Kathuria, Hemant and Simran (45%) [Newark, CA]		
<b>Terms</b>	Cash to seller		
<b>Document Number</b>	06-063810	<b>Type</b>	Special Warranty Deed

## Property Description

Five-story Class B office building, steel frame construction, with precast concrete exterior walls, and typical quality finishes. Overall quality and condition are average. The building has adequate access and parking, and some covered parking.

## Parking Ratio

**Vacancy** 6%

**Marketing Time** Less than six months

## Rental Information

## Comments

Property is located on the northern edge of the Downtown core. It has a history of high occupancy and was 94% occupied at the time of sale (7 tenants). The typical rent is approximately \$14.50/SF full service. The largest tenant is Atkinson and Company, an accounting firm that occupies a full floor at 14,000± square feet; however, their lease expires near the end of 2006 and they will likely vacate. This building sold in December 2004 for \$5,650,000.



# Improved Sale 10

Office  
Multi-Tenant

Entry Date 2-26-2008

Comp # 20652

<b>Project Name</b>	One Executive Center	<b>Sale Price</b>	\$10,212,500
<b>Location</b>	SW/c Menaul Blvd. & Lester St. NE E/o Wyoming Blvd.	<b>Date of Sale</b>	23 Oct 2007
<b>Street Address</b>	8500 Menaul Boulevard NE	<b>Gross Building Area</b>	120,000
<b>City, County, State</b>	Albuquerque Bernalillo New Mexico	<b>Rentable Area</b>	111,914
<b>Legal Description</b>	Snow Heights, Portion of Block A, Tract 1	<b>\$/SF Gross/Rentable</b>	\$85.10 / \$91.25
		<b>Land Area (Ac/SF)</b>	5.6981 /248,209
		<b>Effective Gross Expenses</b>	
<b>Plat</b>	C18-189 <b>Tax ID</b> 1-020-059-082-239-3-13-36	<b>Net Income</b>	\$868,063
<b>Market Area</b>	Near NE Heights <b>Map Page</b> H-20	<b>EGIM</b>	
<b>Arterial Location</b>	Major	<b>Overall Rate</b>	8.50%
<b>Zoning</b>	C-2 (SC)	<b>FAR</b>	.48
		<b>Year Built</b>	1983

<b>Grantor</b>	Mountain States Constructors Inc (Jolene Benoit)
<b>Grantee</b>	FOR 1031 One Executive Center L L C (David Swenson, Boise, ID)
<b>Terms</b>	Cash to seller
<b>Document Number</b>	07-148676 <b>Type</b> Special Warranty Deed

## Property Description

Well maintained five-story suburban office building constructed in 1983 at a time when large atrium lobbies were popular. This building has a larger actual load than the 15% rate charged to the tenants. Construction is steel frame, poured-in-place floor decks with insulated glass and stucco exterior. Central boiler and chilled-water cooling. Site has attractive, mature landscaping.

<b>Parking Ratio</b>	3.8 spaces per 1,000; ±425 total spaces, 62 are covered.
<b>Vacancy</b>	±90% occupancy at sale <b>Marketing Time</b> See comments
<b>Rental Information</b>	Typical rent at time of sale was \$17.50/SF, full service lease on 3-5 year lease.

## Comments

The property previously sold for \$7,300,000 in October 1996 and \$8,110,000 in April 2001. Between the 2001 and 2007 sales, net grew by only 2%, but the sale price increased by 26% due to a 198 basis point drop in the cap rate. This is an attractive building, but it is one mile east of Uptown and somewhat isolated from other office buildings. The face sale price of this transaction was \$11,220,000; however, there were multiple seller credits that were driven by the buyer's accounting criteria (the buyer is a tenant-in-common company). The buyer's broker reports the net sale price was \$10,212,500 based upon an overall rate of 8.5% applied to actual scheduled income. The broker reports this transaction required in excess of one year to close, and the sale price would likely be higher if the property was re-listed as of the closing date.



# Improved Sale 11

Office  
Multi-Tenant

Entry Date 10-12-2007

Comp # 20642

<b>Project Name</b>	Newport VII	<b>Sale Price</b>	\$6,400,000
<b>Location</b>	NE/c Renard Pl. & Buena Vista Dr. SE S/s Miles just S/o Gibson W/o Yale	<b>Date of Sale</b>	17 Jul 2007
<b>Street Address</b>	2309 Renard Place	<b>Gross Building Area</b>	73,000
<b>City, County, State</b>	Albuquerque Bernalillo	<b>Rentable Area</b>	70,000
<b>Legal Description</b>	Newport Industrial Park-West, Unit 2, Tract 1-A-1	<b>\$/SF Gross/Rentable</b>	\$87.67 / \$91.43
<b>Plat</b>	C29-199	<b>Land Area (Ac/SF)</b>	2.9134 /126,908
<b>Market Area</b>	Airport Area	<b>Effective Gross</b>	\$921,000
<b>Arterial Location</b>	Local	<b>Expenses</b>	\$377,000
<b>Zoning</b>	IP	<b>Net Income</b>	\$544,000
		<b>EGIM</b>	6.95
		<b>Overall Rate</b>	8.50%
		<b>FAR</b>	57.5%
		<b>Year Built</b>	1984

<b>Grantor</b>	Newport VII-2000 L L C (N Jay Haskin)		
<b>Grantee</b>	Faussner, Robert E/ Faussner, Veronica S, trustees (San Bruno, CA)		
<b>Terms</b>	Cash to seller		
<b>Document Number</b>	07-103348	<b>Type</b>	Warranty Deed

## Property Description

Average quality four-story multi-tenant office building in the airport market area. Exterior is brick, stucco and glass veneer on a steel frame. One set of common restrooms per floor, three stairwells and one elevator. Average condition per selling broker with no significant deferred maintenance.

**Parking Ratio** Adequate

**Vacancy** 6%

## Marketing Time

**Rental Information** The selling broker reports the average rental rate at \$14.00/SF full service.

## Comments

This is a typical multi-tenant office building in the airport market, which has rent levels toward the lower end of the metro area scale. The broker confirmed the selling price, the 8.5% cap rate and the \$14.00 per square foot average rental rate, and the expenses are estimated by the appraiser.

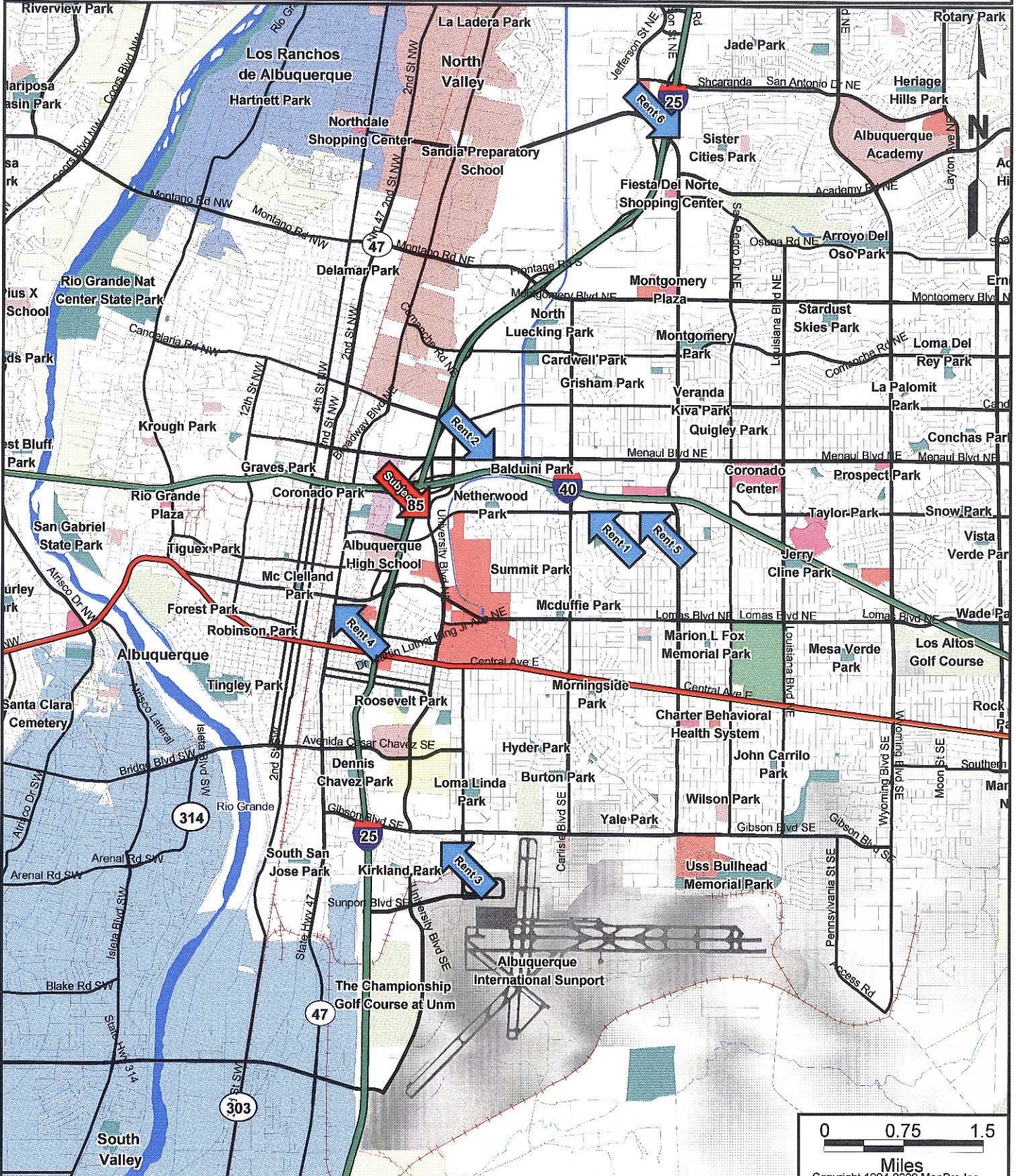


# LOCATION MAP

Description: COMPARABLE RENTALS

Subject Address: 1650 University Blvd Ne, Albuquerque, NM 87102

Prepared by: Joshua Cannon & Associates, Inc., PO Box 20088, , Albuquerque, NM 87154



**CAUTION:**

The location of property arrows shown on this map are approximate only. Inaccuracies may exist on map such as missing, incorrectly drawn, or incorrectly addressed streets. Please report any such inaccuracy to MapPro, Inc. so that appropriate corrections can be made.

**Property Photographs  
Comparable Rentals  
Albuquerque, New Mexico**



**Rental 1 – Summit Building  
4001 Indian School Road NE**



**Rental 2 – Midtown Center  
2340 Menaul Boulevard NE**

**Property Photographs  
Comparable Rentals  
Albuquerque, New Mexico**



**Rental 3 – Newport IX  
2201 Buena Vista Drive SE**



**Rental 4 – 7 Broadway Place  
707 Broadway Boulevard NE**

**Property Photographs  
Comparable Rentals  
Albuquerque, New Mexico**



**Rental 5 – Pinetree Corporate Center  
4665 Indian School Road NE**



**Rental 6 – Northpointe  
5700 Harper Drive NE**

## Appendix E

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## **Qualifications of Joshua Cannon, MAI**

### **Professional Memberships and Licenses**

MAI, Member of the Appraisal Institute, Certificate No. 8661  
Certified Real Estate Appraiser, State of New Mexico, General Certificate No. 21-G  
Past Member of the Board of Directors, Rio Grande Chapter of the Appraisal Institute

### **Education**

Bachelor of Science, New Mexico State University, Las Cruces, New Mexico, 1983

### **Appraisal Courses and Seminars**

Principles in Real Estate Appraisal, New Mexico State University  
Real Estate Appraisal Principles, Course 1A-1, AIREA  
Real Estate Valuation Procedures, Course 1A-2, AIREA  
Capitalization Theory and Techniques, Part A, Course 1B-A, AIREA  
Capitalization Theory and Techniques, Part B, Course 1B-B, AIREA  
Case Studies in Real Estate Valuation, Course 2-1, AIREA  
Report Writing and Valuation Analysis, Course 2-2, AIREA  
Standards of Professional Practice, Parts A and B, AIREA and Appraisal Institute  
Standards of Professional Practice, Part C, Appraisal Institute  
Subdivision Analysis Seminar, Appraisal Institute  
Rates, Ratios and Reasonableness Seminar, Appraisal Institute  
Current Issues and Misconceptions in the Appraisal Process Seminar, Appraisal Institute  
Understanding Limited Appraisals and Reporting Options Seminar, Appraisal Institute  
Highest & Best Use and Market Analysis, Course 520, Appraisal Institute  
Water Rights and Issues Seminar, Appraisal Institute  
The Internet and Appraising Seminar, Appraisal Institute  
Eminent Domain & Condemnation Appraising Seminar, Appraisal Institute  
Internet Search Strategies for Real Estate Appraising Seminar, Appraisal Institute  
Valuation of Detrimental Conditions in Real Estate Seminar, Appraisal Institute  
Appraising from Blueprints and Specifications Seminar, Appraisal Institute  
Flood Zone Issues Seminar, Appraisal Institute  
Real Estate Fraud: The Appraiser's Responsibilities and Liabilities Seminar, Appraisal Institute  
Conservation Easements Seminar, Appraisal Institute and ASFMRA  
Appraisal Consulting: A Solutions Approach for Professionals Seminar, Appraisal Institute  
Natural Resource Appraisal Seminar, Appraisal Institute  
Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book Seminar)

### **Experience**

Joshua Cannon & Associates, Inc. from July 2007 to present.

Associated with Brooks, Lomax & Fletcher, Inc., October 1983 to June 2007. Appraisal assignments have involved a wide variety of property types, including multifamily, retail, office, industrial, subdivisions, special purpose, eminent domain and rural. Other assignments include market studies, feasibility analyses and consultation on a variety of property types.

### **Expert Witness**

District Court – New Mexico  
District Court – Utah

### **Sample Clients**

Bank of America, Bank of Albuquerque, Bank of the West, Wells Fargo Bank, KeyBank, Comerica Bank, New Mexico Bank & Trust, First State Bank, First Federal Bank, Los Alamos National Bank, Imperial Thrift and Loan, Fremont Investment & Loan, Realty Mortgage Investment Company, Charter Bank, University of New Mexico, Sandia Foundation, Transamerica Realty Services, Trust for Public Land, Albuquerque Publishing Company, Ford Motor Company, Chrysler Corporation, and many government entities, insurance companies, private developers, attorneys and individuals.