

**APPRAISAL REPORT  
1111 Stanford Drive, NE  
Albuquerque, New Mexico 87106**

**Prepared for  
Ms. Deanna Miglio  
Right-of Way Manager  
County of Bernalillo  
2400 Broadway Boulevard S.E.  
Albuquerque, NM 87102**

**Prepared By  
SHIPMAN/FOLEY & ASSOCIATES, INC.  
2420 Midtown Place NE Suite A  
Albuquerque, New Mexico 87107  
File No. 17011**

**Effective Date  
November 30, 2017**

December 26, 2017

Ms. Deanna Miglio  
Right-of-Way Manager  
County of Bernalillo  
2400 Broadway Boulevard SW  
Albuquerque, New Mexico 87102

RE: Appraisal Report  
Leasehold Interest  
1111 Stanford Drive, NE  
Albuquerque, New Mexico 87131

Dear Ms. Miglio:

Per your request, I have inspected and completed an appraisal report on the above referenced property. The accompanying report presents the results of my research regarding the subject and the market in which it competes. The purpose of this appraisal is to provide an opinion of the market value of the leasehold interest in the subject property. UNM owns the underlying land, which was leased to Bernalillo County in May 1958 for a 99-year term. Bernalillo County subsequently constructed a medical/office building on the site. The intended use of the appraisal is to assist Bernalillo County and UNM in negotiations regarding the property. The effective date of appraisal is November 30, 2017, the date of my most recent property inspection.

This appraisal is subject to the assumptions and limiting conditions and hypothetical conditions contained in the report. Please read these assumptions and limitations so you may clearly understand the conclusions. I certify that I have inspected the property and studied and investigated all relevant information upon which to base an opinion of market value. My analysis indicates the following opinion of market value for the leasehold interest in the property.

THREE HUNDRED EIGHTY THOUSAND DOLLARS  
\$380,000

The Uniform Standards of Professional Appraisal Practice (USPAP) and the Standards and Code of Ethics of the Appraisal Institute have governed my conduct in the preparation of this appraisal. The opportunity to provide appraisal services to Bernalillo County and UNM is appreciated, and questions from authorized users are welcomed.

SHIPMAN/FOLEY & ASSOCIATES, INC.



JIM FOLEY, MAI, SRA

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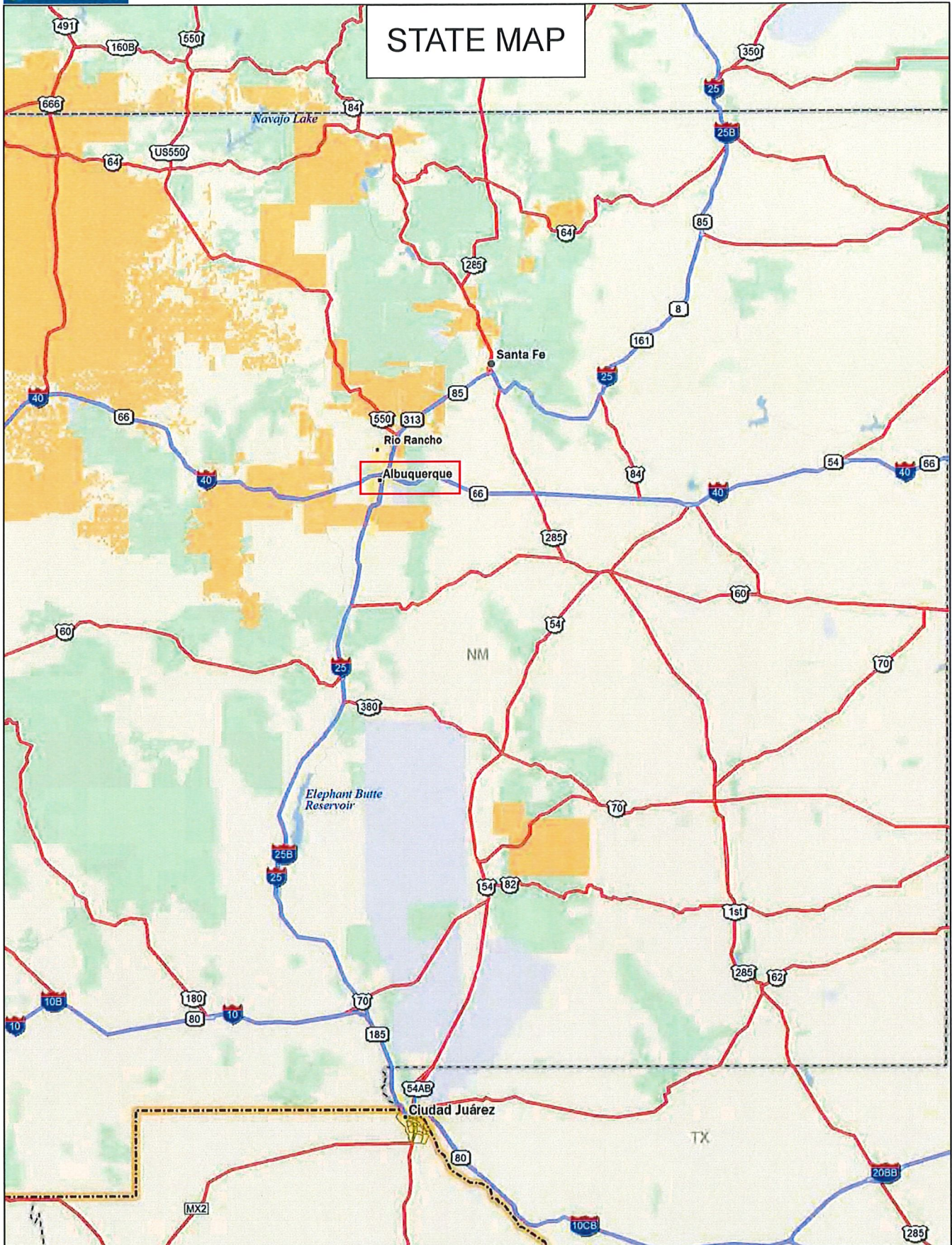
- Appraiser Qualifications
- State Certification
- Land Lease
- Comparable Sale Detail Sheets
- Comparable Sales Map

**SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**

PROPERTY TYPE	Medical/Office Building
LOCATION	1111 Stanford Drive, NE Albuquerque, New Mexico 87106 Zone Atlas Page J-16
LEGAL DESCRIPTION	Lengthy metes and bounds
OWNERSHIP	Leasehold Interest: Bernalillo County Leased Fee Interest: UNM
EFFECTIVE DATE OF APPRAISAL	November 30, 2017
INTEREST UNDER APPRAISAL	Leasehold Interest
SITE AREA	57,393± square feet or 1.3176± acres
ZONING	R-3/Residential
BUILDING AREA	19,395 sf with 1,302 sf basement
FLOOR AREA RATIO (FAR)	0.33
HIGHEST AND BEST USE	Demolition of existing improvements for construction of new facility
MARKET VALUE CONCLUSION	\$380,000

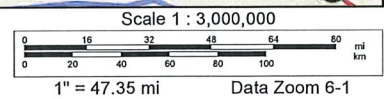
*Preface*

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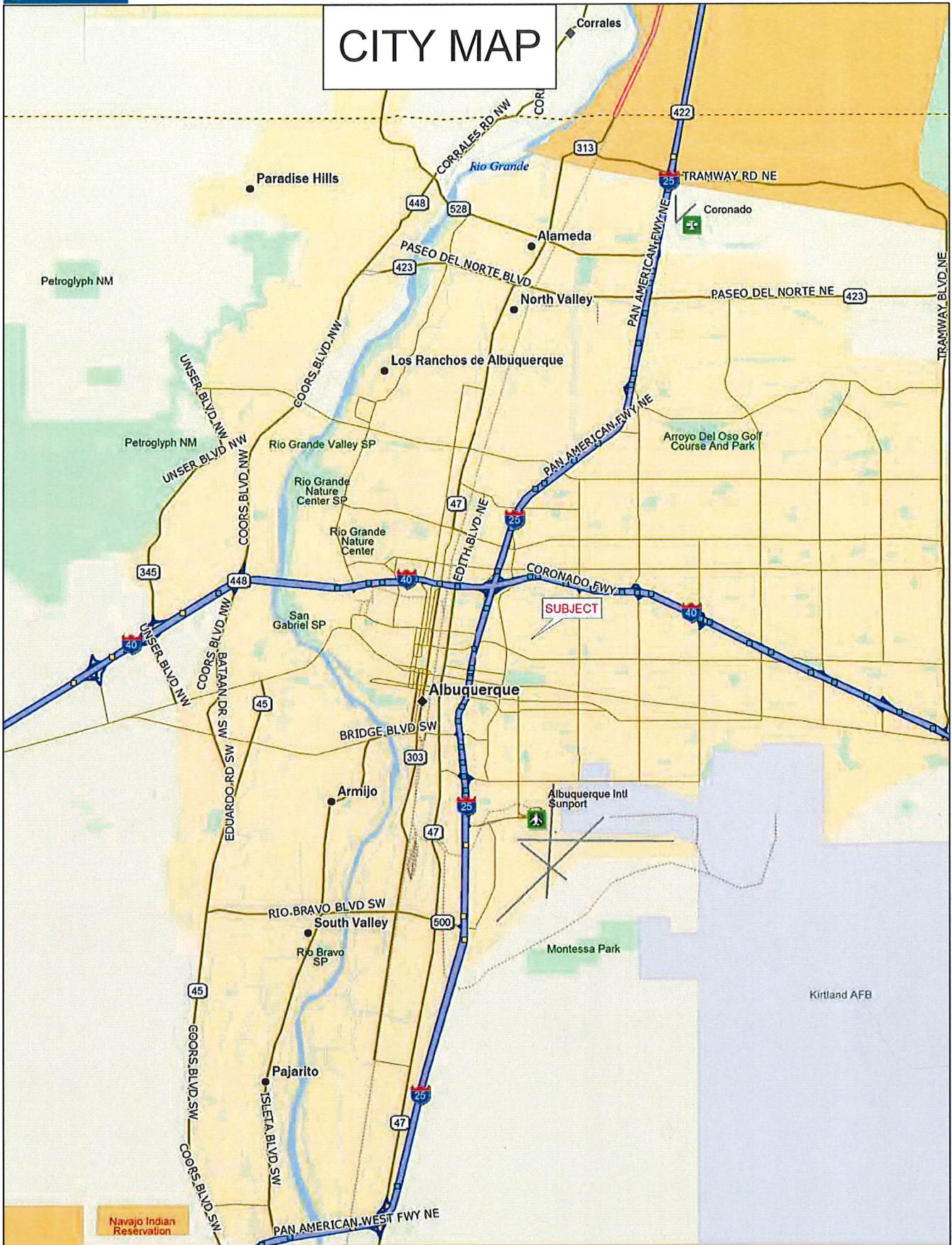


STATE MAP

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# CITY MAP



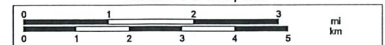
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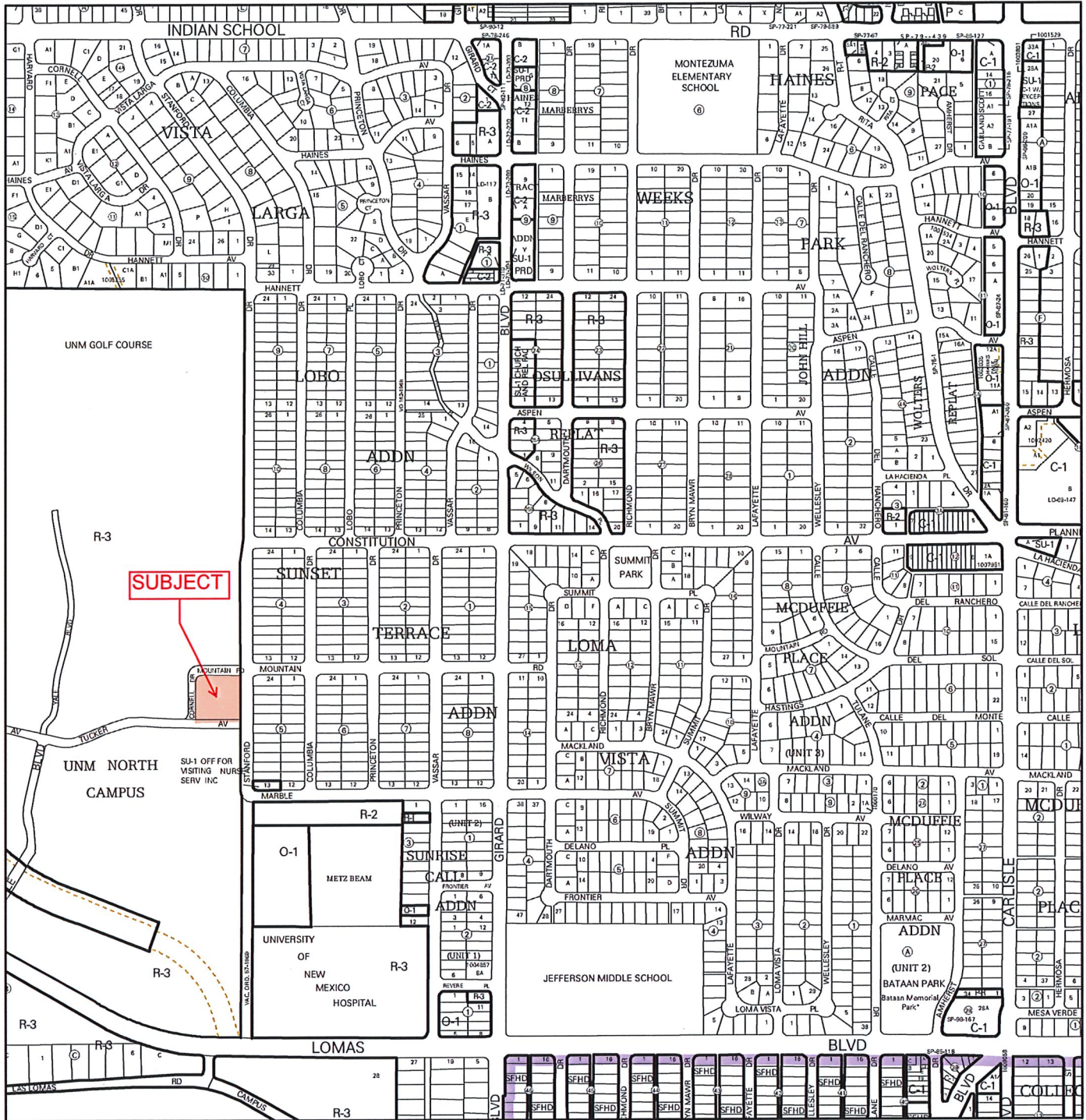


Scale 1 : 137,500

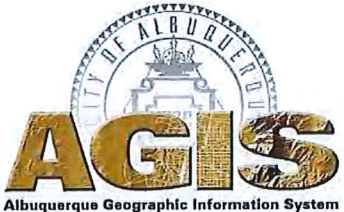


1" = 2.17 mi

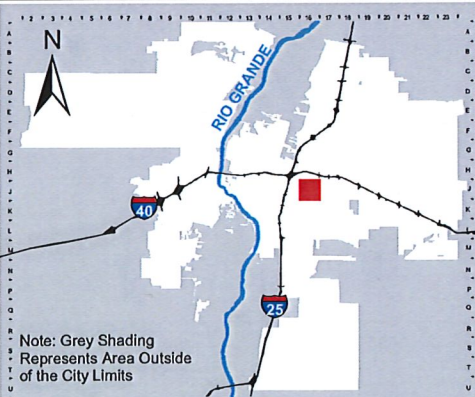
Data Zoom 10-5



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







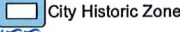




Map amended through: 9/2/2014



Note: Grey Shading Represents Area Outside of the City Limits

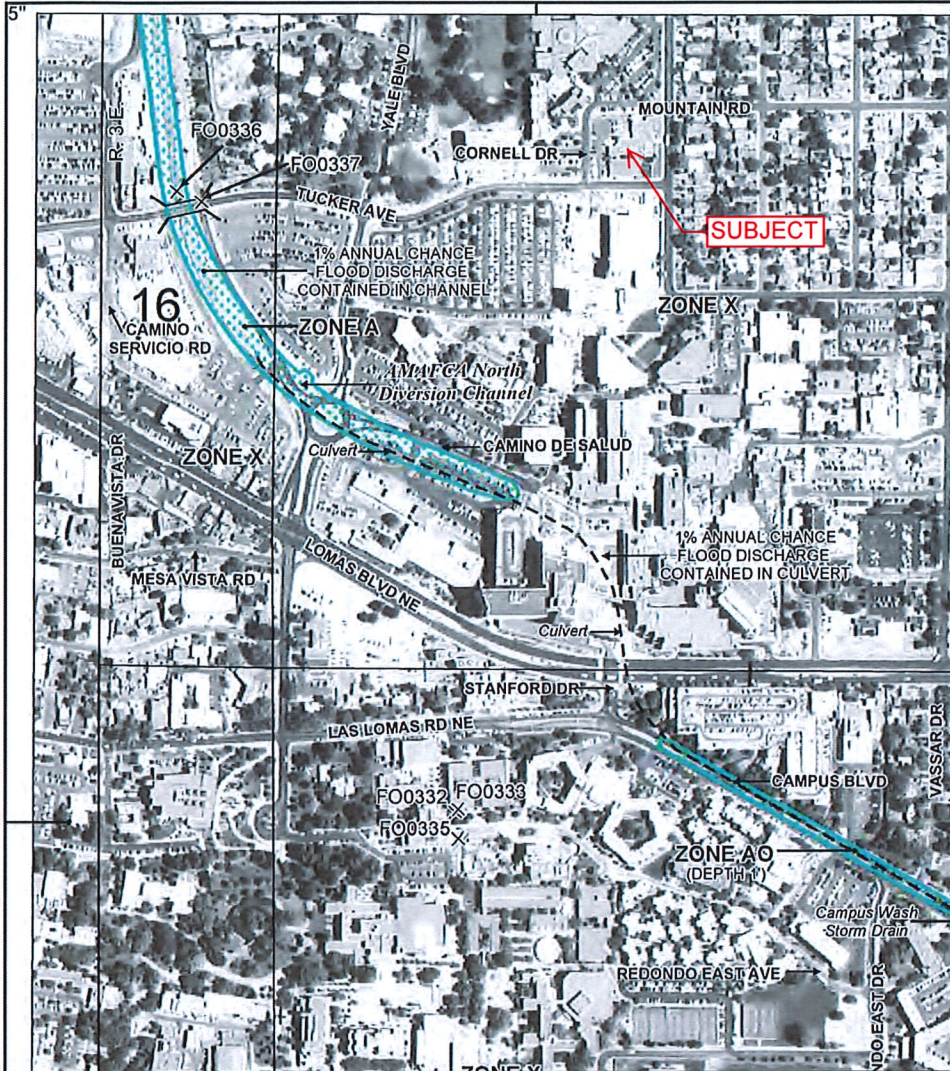
Zone Atlas Page:  
**J-16-Z**

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.		

0 750 1,500 Feet





**MAP NUMBER**  
35001C0353H

**MAP REVISED**  
AUGUST 16, 2012

**LEGEND**

SPECIAL FLOOD HAZARD AREAS (SFHAs) SUBJECT TO INUNDATION BY THE 1% ANNUAL CHANCE FLOOD

The 1% annual chance flood (100-year flood), also known as the base flood, is the flood that has a 1% chance of being equaled or exceeded in any given year. The Special Flood Hazard Area is the area subject to flooding by the 1% annual chance flood. Areas of Special Flood Hazard include Zones A, AE, AH, AO, AR, A99, V, and VE. The Base Flood Elevation is the water-surface elevation of the 1% annual chance flood.

- ZONE A** No Base Flood Elevations determined.
- ZONE AE** Base Flood Elevations determined.
- ZONE AH** Flood depths of 1 to 3 feet (usually areas of ponding); Base Flood Elevations determined.
- ZONE AO** Flood depths of 1 to 3 feet (usually sheet flow on sloping terrain); average depths determined. For areas of alluvial fan flooding, velocities also determined.
- ZONE AR** Special Flood Hazard Area formerly protected from the 1% annual chance flood by a flood control system that was subsequently identified. Zone AR indicates that the former flood control system is being restored to provide protection from the 1% annual chance or greater flood.
- ZONE A99** Area to be protected from 1% annual chance flood by a Federal flood protection system under construction; no Base Flood Elevations determined.
- ZONE VE** Coastal flood zone with velocity hazard (wave action); Base Flood Elevations determined.

FLOODWAY AREAS IN ZONE AE

The floodway is the channel of a stream plus any adjacent floodplain areas that must be kept free of encroachment so that the 1% annual chance flood can be carried without substantial increases in flood heights.

OTHER FLOOD AREAS

**ZONE X** Areas of 0.2% annual chance flood; areas of 1% annual chance flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 1% annual chance flood.

OTHER AREAS

- ZONE X** Areas determined to be outside the 0.2% annual chance floodplain.
- ZONE D** Areas in which flood hazards are undetermined, but possible.

COASTAL BARRIER RESOURCES SYSTEM (CBRS) AREAS

OTHERWISE PROTECTED AREAS (OPAs)

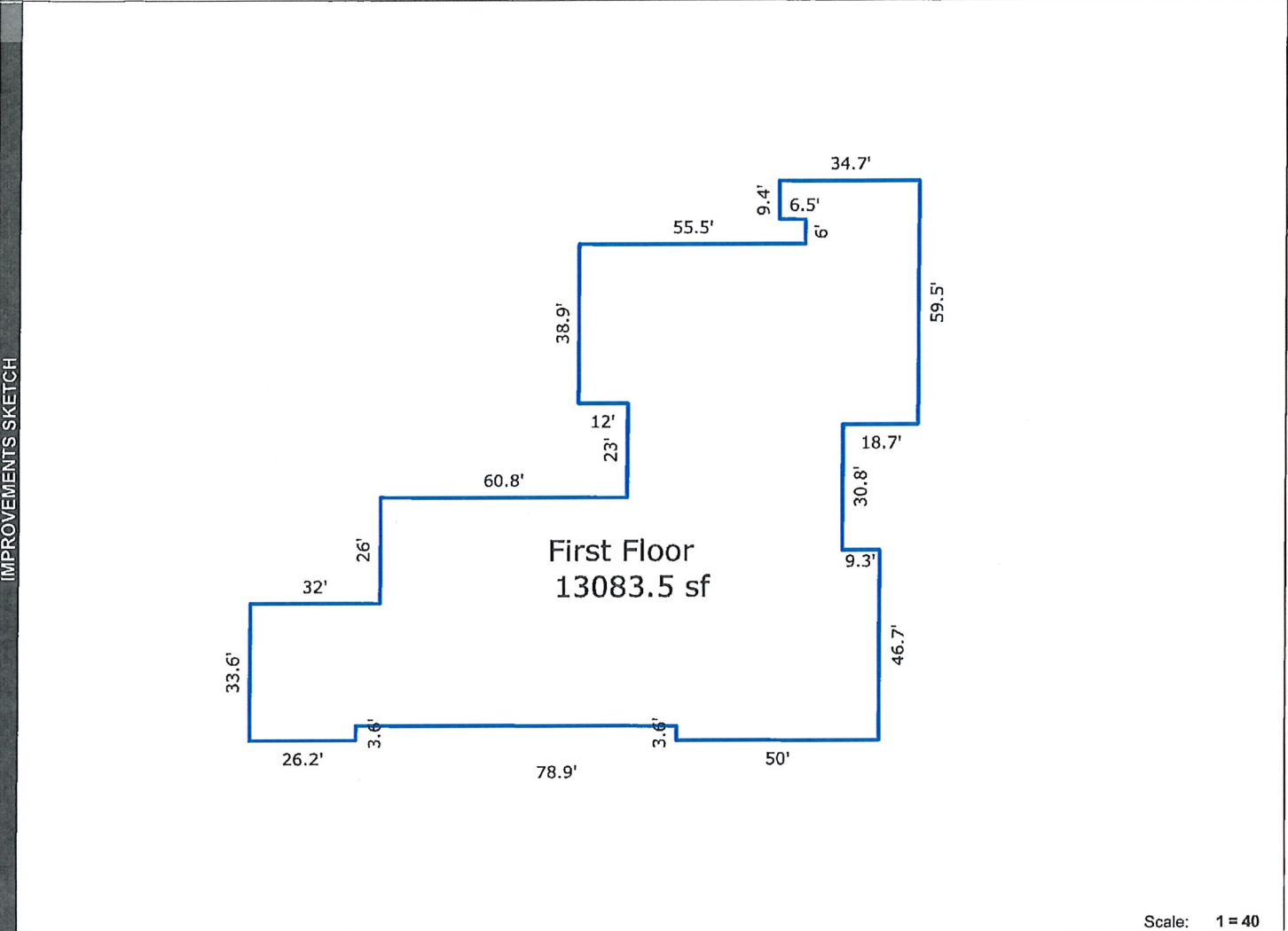
CBRS areas and OPAs are normally localized within or adjacent to Special Flood Hazard Areas.

- 1% annual chance floodplain boundary
- 0.2% annual chance floodplain boundary
- Floodway boundary
- Zone D boundary
- CBRS and OPA Boundary
- Boundary Between Special Flood Hazard Areas Zones and

This is an official copy of a portion of the above referenced flood map. It was extracted using F-MIT On-Line. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest product information about National Flood Insurance Program flood maps check the FEMA Flood Map Store at [www.msc.fema.gov](http://www.msc.fema.gov)

# SKETCH/AREA TABLE ADDENDUM

SUBJECT	Property Address	1111 Stanford NE 3		
	City	State	Zip	
	Borrower			
	Lender/Client			
	Appraiser Name			



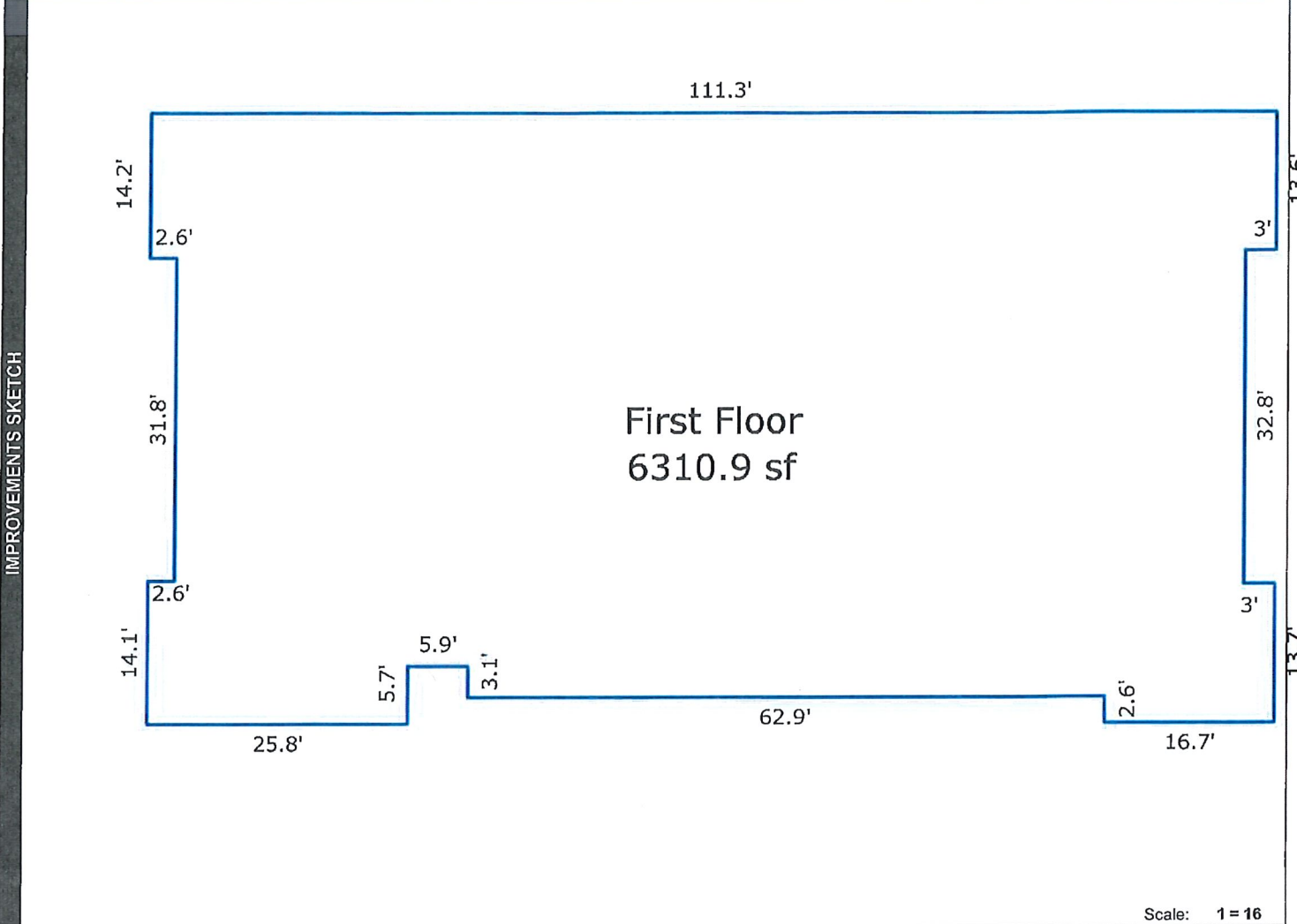
Scale: 1 = 40

AREA CALCULATIONS

AREA CALCULATIONS SUMMARY				BUILDING AREA BREAKDOWN		
Code	Description	Net Size	Net Totals	Breakdown		Subtotals
GBA1	First Floor	13083.5	13083.5	First Floor		
				0.5 x	0.1 x	78.9
					155.1 x	30.0
					50.0 x	3.7
					3.6 x	26.2
					13.0 x	123.1
					17.8 x	53.0
					13.0 x	113.8
					83.7 x	38.9
					5.2 x	71.7
					6.0 x	28.2
					34.7 x	9.4
						3.9
						4653.0
						185.0
						94.3
						1600.3
						943.4
						1479.4
						3255.9
						372.8
						169.2
						326.2
	Net BUILDING Area	(rounded)	13084	11 Items		(rounded) 13084

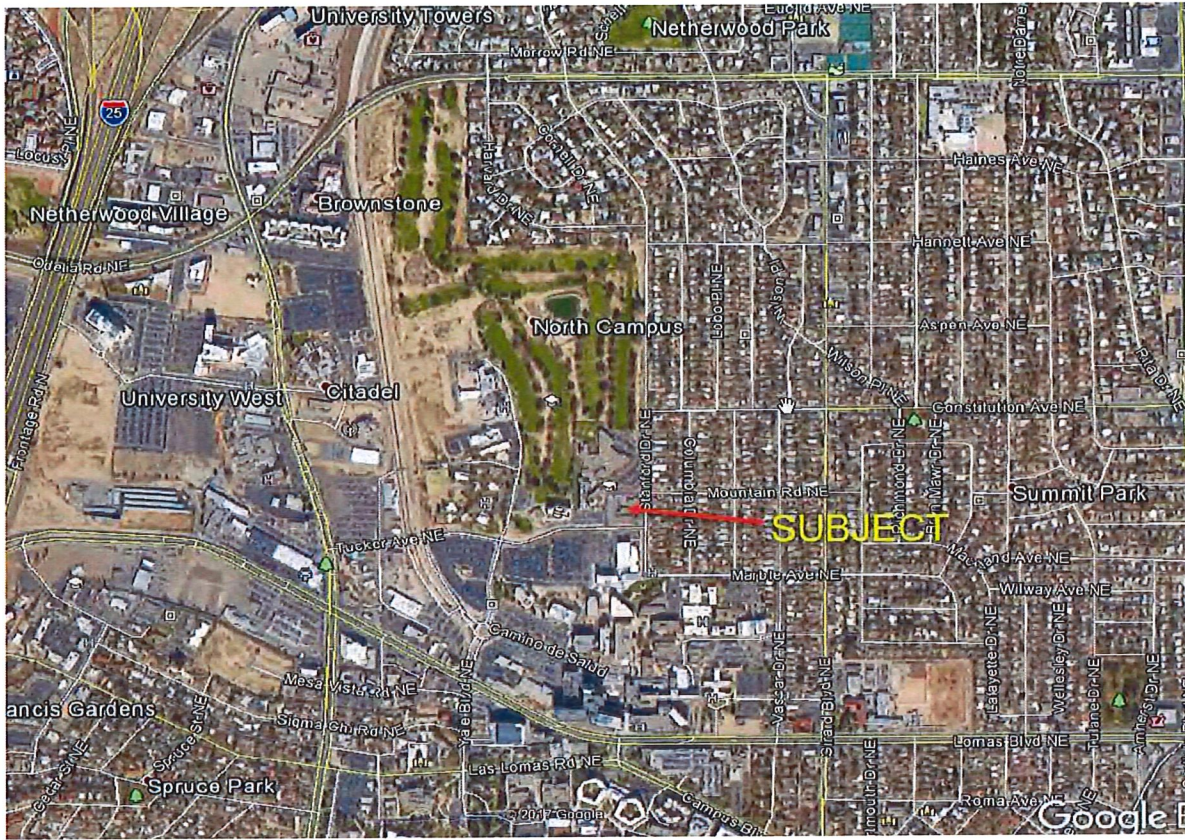
# SKETCH/AREA TABLE ADDENDUM

SUBJECT	Property Address	1111 Stanford, NE 2		
	City	State	Zip	
	Borrower			
	Lender/Client			
	Appraiser Name			

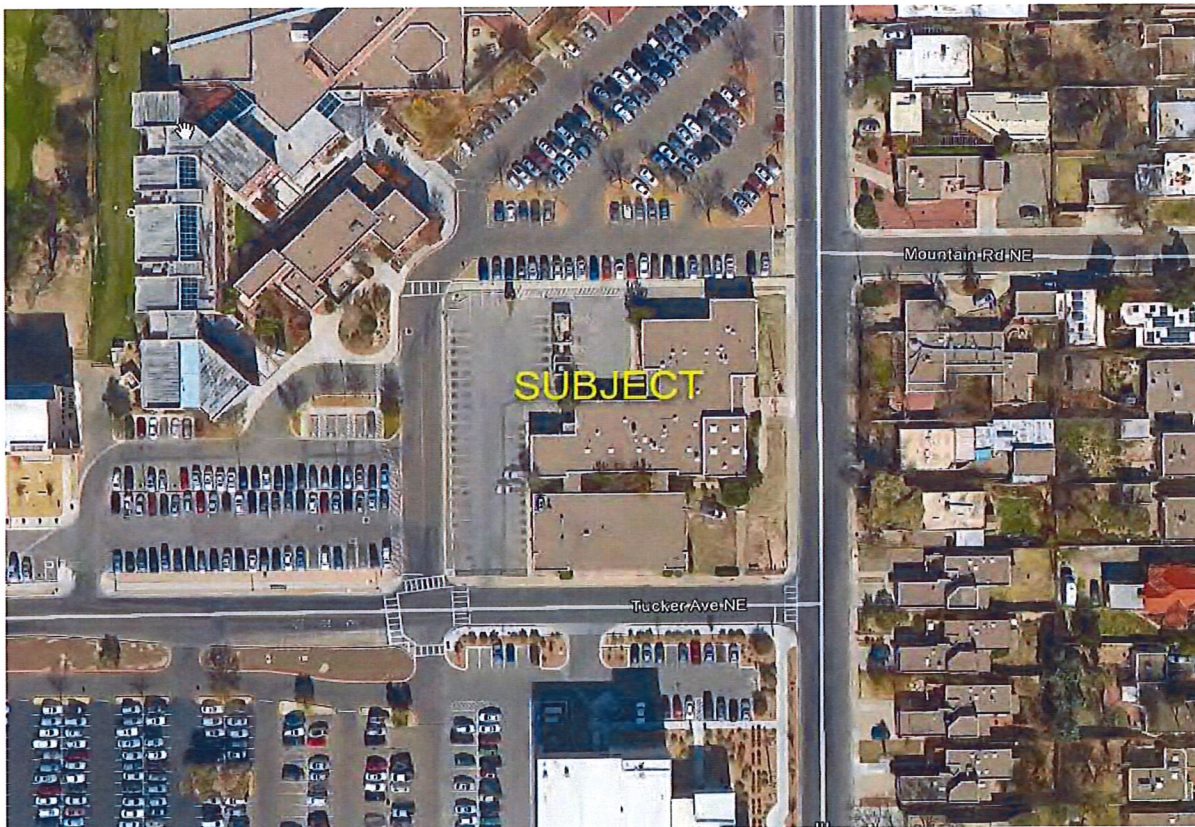


AREA CALCULATIONS SUMMARY				LIVING AREA BREAKDOWN		
Code	Description	Net Size	Net Totals	Breakdown		Subtotals
GLA1	First Floor	6310.9	6310.9	First Floor		
				13.6	x 111.3	1513.7
				31.8	x 105.7	3361.3
				0.6	x 108.3	65.0
				108.3	x 0.4	43.3
				5.7	x 25.8	147.1
				3.1	x 79.6	246.8
				8.0	x 111.3	890.4
				2.6	x 16.7	43.4
	Net LIVABLE Area	(rounded)	6311	8 Items	(rounded)	6311

BROADER AERIAL



CLOSE-IN AERIAL



## SUBJECT PROPERTY PHOTOGRAPHS



View Looking Southwest



View Looking Northwest



View Looking Southeast



View Looking East



Interior of North Building



Interior of North Building



Interior of North Building



Interior of North Building



Interior South Building



Conference Room South Building



Interior South Building



Mechanical Room South Building



Stanford Drive Looking North



Stanford Drive Looking South



Tucker Avenue Looking West



Tucker Avenue Looking East



Cornel Drive Looking North

## *Introduction*

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***OVERVIEW OF SUBJECT PROPERTY***

The subject of this appraisal report consists of an existing medical/office building located at 1111 Stanford Drive, NE, which is situated at the northwest corner of Stanford Drive and Tucker Avenue on the North Campus of the University of New Mexico (UNM). The site contains 1.3176 acres and was leased to Bernalillo County (from UNM) in May 1958 for a 99-year term with an annual rent of \$1.00. The purpose of the land lease was to facilitate construction of a County Health Center wherein UNM provided the land and Bernalillo County constructed the facility. In 1958, the county constructed phase one of the office building and added an additional phase in 1970. The property had historically been occupied by the New Mexico Department of Health operating as a public health clinic until late 2009 when the clinic moved to a new location. Bernalillo County Health and Social Services currently occupies the southern portion of the building.

In general, market conditions for office space have been soft with citywide vacancy remaining at or above 18.0 percent since 2010 (currently about 21 percent). Job growth in the sectors that drive office demand has been slow to recover since the Great Recession. The one bright spot has been the Education and Health Services category, which has increased nearly 21 percent since 2009.

***PURPOSE OF APPRAISAL***

The purpose of this appraisal is to provide an opinion of the as-is market value of the leasehold interest in the identified subject property.

***DEFINITION OF MARKET VALUE***

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

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and each acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

[Source: Department of the Treasury, Office of the Comptroller of the Currency, 12 CFR 34.42(f), [Docket No. 90-16], Real Estate Appraisals, Final rule, August 24, 1990.]

***INTENDED USE AND INTENDED USER OF REPORT***

Bernalillo County and UNM are identified as co-clients; and by definition, are thereby intended users of this report. This appraisal may not be used by any entity other than the identified clients. It is my understanding this report will be used to assist Bernalillo County and UNM in negotiations regarding the property.

***EFFECTIVE DATE OF APPRAISAL***

The effective date of this appraisal is November 30, 2017, the date of property inspection. The date of this report is December 26, 2017.

***PROPERTY RIGHTS APPRAISED***

The property rights appraised are identified as the leasehold interest. *The Dictionary of Real Estate Appraisal*, Sixth Edition, published by the Appraisal Institute in 2015, defines leasehold interest as "The right held by the lessee to use and occupy the real estate for a stated term and under the conditions specified in the lease."

***LEGAL DESCRIPTION***

The subject parcel has a lengthy metes and bounds legal description that can be found on the first page of the land lease, which is included in the *Addenda*.

***OWNERSHIP AND HISTORY***

Fee simple title to the land is vested in the Regents of the University of New Mexico. In May 1958, UNM leased the land to Bernalillo County for a 99-year term. Bernalillo County subsequently constructed a medical/office building on the site as they have a leasehold interest in the property. The ownership has been in place since the lease began. To my knowledge the property is not currently listed for sale or under contract.

***SCOPE OF THE APPRAISAL***

This assignment calls for an estimate of the market value of the leasehold interest in the subject property. In developing the appraisal, I personally inspected the property, investigated the subject trade area, and researched applicable sales and related market data in order to derive a reliable opinion of value. General area developers, real estate brokers, leasing agents, and appraisers were contacted for supply/demand relationships, comparable sales and rental data, listings, marketing times, and absorption and occupancy rates. Data sources include MLS, CARNM, CoStar and an inhouse database. Additionally, public records were searched for applicable information, and personnel from the city of Albuquerque were interviewed for pertinent data relating to the appraised property and immediate and surrounding areas. New Mexico is a non-disclosure state where real estate price, income, and expense information is confidential and not available from public sources. The comparable data used in this report were obtained and confirmed by our office personnel in a standard and accepted appraisal manner. Moreover, every effort was made to acquire the most current and relevant information for analysis purposes.

Subject property information was supplied by Bernalillo County. In developing this appraisal, I have complied with the Uniform Standards of Professional Appraisal Practice as promulgated by The Appraisal Foundation, and to the Appraisal Institute's Standards of Professional Appraisal Practice. A further

discussion of the scope of work as applied to the subject valuation can be found in the *Valuation* section of this report.

***REPORT TYPE***

This appraisal is reported in an "Appraisal Report" format, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice (2014-2015). The report is meant to contain sufficient information to enable the client and any named intended user(s) of the appraisal to understand the report properly. At times the report is very detailed and at other times it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. The appraiser is not responsible for unauthorized use of this report.

***EXTRAORDINARY ASSUMPTIONS***

1. The appraisal involves an estimate of the cost to demolish the existing improvements and remediate the asbestos contained in the building. An estimate by a qualified company has not been provided. It is an extraordinary assumption of this report that the estimate is reasonably accurate. Use of this assumption may have affected the assignment results.

***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 the title is free and clear, and under responsible ownership and competent management.
6. It is assumed there are no hidden or unapparent conditions of the property, including soils and subsoils, which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering, which may be required to discover them.
7. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. However, the appraiser is not qualified to detect such substances, and no opinion regarding such matters is implied beyond specific statements contained within the text. The presence of substances such as asbestos, PCBs, urea-formaldehyde foam insulation, radon gas or other potentially hazardous materials may affect the value of the property. The value estimates are predicated on the assumption that there is no material on or in the

property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is encouraged to retain an expert in this field, if such factors are critical to their purposes.

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 is within the boundaries or property lines of the property described, and there is no encroachment or trespass unless otherwise stated in the report.
11. Adequate legal ingress and egress to the subject property is assumed. It is assumed that a sale of the property for a typical use would not be inhibited by any unknown easements, covenants, conditions or restrictions. The appraiser is not aware of any easements or any other agreement or restriction impacting the subject property, other than those discussed in the body of the report.
12. The Americans with Disabilities Act (ADA) became effective January 26, 1992. A specific compliance survey and analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the ADA has not been made. 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 I have no direct evidence relating to this issue, I did not consider the possible noncompliance with the requirements of ADA in estimating the value of the property.

**GENERAL LIMITING CONDITIONS**

1. The appraiser will not be required to give testimony or appear in court as a result of having prepared this appraisal, or in any 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. Any allocation of the total value estimated in this report between the land and improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any appraisal and are invalid if so used.
4. Neither all nor any part of the contents of this report or copy thereof (especially any conclusions as to value, the identity of the appraiser, firm or professional organization with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales or other media without the prior written consent and approval of the appraiser.

*Description & Analysis*

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**METROPOLITAN AREA PROFILE**

CITY OF ALBUQUERQUE

*Population*

The city of Albuquerque is located in Bernalillo County, New Mexico and is the largest city in the state. In January 1994, the Albuquerque Metropolitan Statistical Area (MSA) was revised to include Bernalillo, Sandoval, Valencia, and Tarrant Counties. Prior to this time the MSA included only Bernalillo County. The following table presents U.S. Bureau of the Census information for the state and local region and BBER (Bureau of Business and Economic Research, UNM) projections.

POPULATION ESTIMATES AND PROJECTIONS

	2000	2010	2015	2020	2025	2030	2035	2040
New Mexico	1,820,861	2,059,179	2,208,450	2,351,724	2,487,227	2,613,332	2,727,118	2,827,692
Albuquerque MSA	731,717	887,077	N/A	N/A	N/A	N/A	N/A	N/A
Bernalillo	557,167	662,564	721,153	780,244	835,325	886,564	932,091	970,371
Sandoval	91,246	131,561	154,048	176,276	198,950	221,644	243,897	265,607
Valencia	66,358	76,769	82,644	88,380	93,726	98,589	102,949	106,830
Tarrant	16,946	16,911	16,927	17,589	18,266	18,865	19,344	19,801
4-County Total	731,717	890,805	974,772	1,062,489	1,146,267	1,225,662	1,298,281	1,362,609

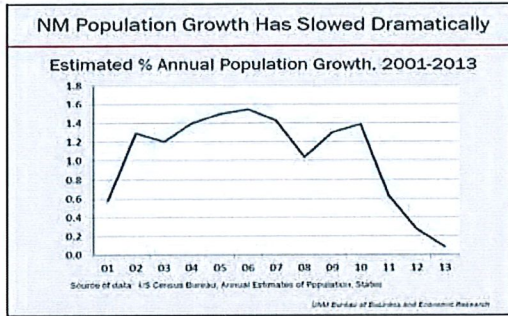
Census data for 2010 showed the New Mexico population at 2,059,179, an increase of 13.1 percent from 2000 (1.24%/yr. compound). This rate of growth outpaced the nation as a whole, which saw a 9.7 percent increase. The state growth rate slowed from the prior decade’s (1990 – 2000) growth rate of 20.1 percent. In 2015, the population was estimated at 2,085,109, a 1.25 percent increase over the 2010 population (0.25%/yr.).

The population within the Albuquerque MSA as of April 1, 2010 was 887,077, which was an increase of 21.2 percent (1.94%/yr.) over the 2000 count. For Bernalillo County, the 2010 population was 662,564, an increase of 18.9 percent (1.75%/yr.). For Sandoval County, the 2010 population was 131,561, an increase of 44.2 percent (3.73%/yr.), Valencia County had a 2010 population of 76,569, an increase of 15.39 percent (1.44%/yr.), and Tarrant County had a slight decline to 16,383 (-0.02%). The fastest growing area was Sandoval County, which is home to the city of Rio Rancho, a bedroom community adjacent to Albuquerque and the fastest growing city in the state. In 2000, the city of Albuquerque’s population was 448,607 and grew 16.2 percent to 545,852 in 2010 (1.98%/yr.). In 2000, the city of Rio Rancho’s population was 51,765 and grew 69.07 percent to 87,521 in 2010 (5.39%/yr.).

The projections in the table above are revised 2012 projections, and the revised estimates show far less growth than was anticipated in prior 2005 projections. As an example, the former projection for Bernalillo County population in 2025 was 993,850 and is now 835,325 – a downward variance of 15.95 percent. The revised figures appear to reflect consideration of the effects of the Great Recession.

Census Bureau data showed the 2013 New Mexico population at 2,085,287 or a 1.27 percent increase since 2010. At 0.42 percent per year compounded, the rate of increase is less than half of one percent and well below the 1.24 percent per year increase from 2000 to 2010. The increase is due to a *natural increase* – births outpacing deaths by 27,475. On a *net migration* basis, there was a net out-migration of

1,069. Unfortunately, New Mexico continues to lose population as the 2015 Census Bureau population estimate was 2,085,109. From 2010 through 2014, there was an outmigration of 9,750 people.



Recent Census Bureau estimates show the population for the MSA at 889,649 (July 2010) and 907,301 (July 2015). The increase was 17,652 (1.98%) or 0.39 percent per year compounded over the four-year period. This is higher than the state increase (0.25%/year) but is less than one half of one percent and well below the 1.94 percent per year increase from 2000 to 2010.

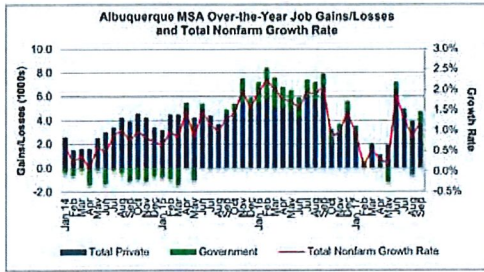
*Employment*

The New Mexico Department of Labor shows the following average annual civilian employment for key jurisdictions for the period from 2006 through 2015. Figures in the following table represent the average monthly amount during the year.

AVERAGE ANNUAL CIVILIAN EMPLOYMENT										
<i>Jurisdiction</i>	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<i>Employment</i>										
New Mexico	889,448	898,988	902,411	869,491	860,154	860,305	862,556	859,428	859,305	859,242
Albuquerque MSA	386,439	389,243	388,753	372,776	390,182	388,518	387,448	386,660	386,065	388,263
Bernalillo County	298,859	301,166	299,763	286,763	301,830	300,468	299,716	299,084	298,629	299,513
Abq. MSA % of NM	43.4%	43.3%	43.1%	42.9%	45.4%	45.2%	44.9%	45.0%	44.9%	45.2%
Bern. Co. % Abq. MSA	77.3%	77.4%	77.1%	76.9%	77.4%	77.3%	77.4%	77.4%	77.4%	77.1%
<i>Unemployment</i>										
New Mexico	4.2%	3.8%	4.5%	7.5%	8.1%	7.6%	7.1%	6.9%	6.5%	6.6%
Albuquerque MSA	3.9%	3.7%	4.6%	7.8%	8.0%	7.6%	7.2%	6.8%	6.4%	6.2%
Bernalillo County	3.8%	3.6%	4.4%	7.5%	7.7%	7.3%	6.9%	6.5%	6.1%	5.9%

From 2000 through 2007, civilian employment in New Mexico increased at an annual rate of 1.64 percent (straight-line). Over the same time period, the Albuquerque MSA grew at a 1.47 percent average annual rate, and in Bernalillo County, the annual average rate was 1.31 percent. All three jurisdictions reached unemployment lows in 2007 with the state at 3.8 percent, the MSA at 3.7 percent and the county at 3.6 percent. The 2008 recession impacted all three jurisdictions and by 2010, unemployment in the state rose to 8.1 percent, the MSA rose to 8.0 and the county rose to 7.7 percent. The unemployment rate in all three jurisdictions has steadily fallen (5.9 to 6.6 percent in 2015) since 2010. However the actual number employed in all three jurisdictions remains less than in 2007. The falling unemployment rate is primarily due to the shrinking labor force in all three jurisdictions.

In September 2017, seasonally adjusted unemployment in the MSA was 5.8 percent, unchanged from August and down from 6.2 percent a year ago. Year-over-year, not seasonally adjusted total nonfarm payroll



employment in the MSA grew by 1.2 percent or 4,700 jobs (393,100). Total private sector growth was 3,600 jobs (+1.2%) while the public sector increased by 1,100 jobs (+1.3%). Nine industries reported a yearly gain, and three reported losses. Within the private sector, Financial Activities and Mining, Logging & Construction led all sectors (+1,100 each) followed by Education & Health Services (+1,000). Year-over-year losses were led by Manufacturing (-400). The Service-Providing category added 4,000 jobs (year over year) while the Goods-Producing added 700 jobs.

*Income*

The following table summarizes per capita personal income in the United States, State of New Mexico and the Albuquerque MSA. The data is supplied by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA).

PER CAPITA PERSONAL INCOME

	2006	2007	2008	2009	2010	2011	2012	2013	2014
United States	\$38,144	\$39,821	\$41,082	\$39,376	\$40,277	\$42,453	\$44,266	\$44,438	\$46,049
New Mexico	\$30,497	\$31,832	\$33,374	\$32,293	\$33,019	\$34,556	\$35,585	\$35,254	\$37,091
Albuquerque MSA	\$32,967	\$33,888	\$35,011	\$34,077	\$34,183	\$35,426	\$36,093	\$35,881	\$37,345

The data show a steady gain for both the nation, state and the MSA through 2008. All three suffered retractions in 2009 reflecting the financial crisis and recession. The MSA is shown to continually outperform the state in the income category, but income was nearly identical in 2014. Both the state and the MSA underperform the nation.

*Gross Receipts from Retail Trade*

The following table shows gross receipt taxes collected by the city of Albuquerque since 2005.

GROSS RECEIPTS TAXES FROM RETAIL TRADE — CITY OF ALBUQUERQUE

Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Totals	Δ
2005	\$60,430,558	\$63,952,773	\$61,672,005	\$75,646,934	\$261,702,270	
2006	\$64,318,814	\$68,088,055	\$68,837,651	\$78,186,935	\$279,431,455	6.77%
2007	\$68,356,122	\$79,825,907	\$71,816,592	\$83,931,567	\$303,930,188	8.77%
2008	\$71,233,855	\$78,129,199	\$74,061,626	\$63,400,111	\$286,824,791	-5.63%
2009	\$63,388,854	\$66,930,497	\$64,750,736	\$73,875,049	\$268,945,136	-6.23%
2010	\$59,549,063	\$63,763,631	\$65,718,102	\$74,402,855	\$263,433,651	-2.05%
2011	\$62,902,480	\$69,155,814	\$67,857,126	\$73,577,716	\$273,493,136	3.82%
2012	\$66,439,829	\$67,954,691	\$70,197,325	\$68,766,735	\$273,353,580	-0.05%
2013	\$66,273,922	\$66,881,108	\$69,569,658	\$74,864,656	\$277,589,344	1.55%
2014	\$65,781,127	\$61,961,352	\$68,965,065	\$78,841,561	\$275,549,105	-0.73%
2015	\$63,734,291	\$70,595,949	\$72,401,645	\$77,033,275	\$283,765,160	2.98%
2016	\$69,864,359	\$74,739,822	\$48,191,391	\$81,400,471	\$274,196,043	-3.37%

Source: NM Taxation & Revenue



Consistent with strong economic conditions, gross receipt taxes increased steadily from 2005 through the first three quarters of 2008. From 2008 through 2014, gross receipt taxes declined each year except in 2011 and 2013. In 2015, gross receipts increased 2.98 percent, but were less than in 2007 and 2008.

*Real Estate Markets*

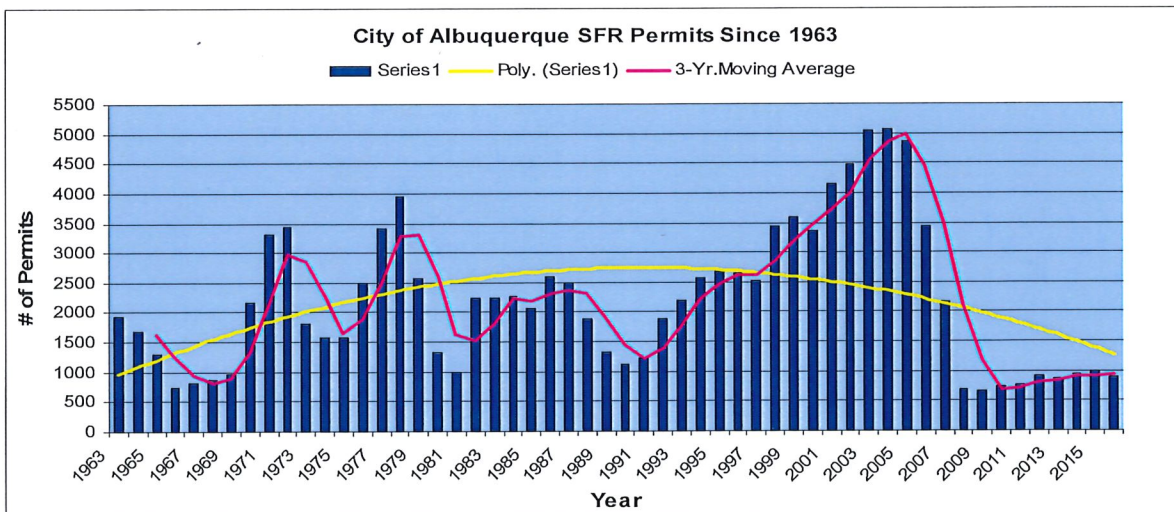
*Residential*

The following table provides historic single family and multifamily residential permit data within the city of Albuquerque followed by a graph of the long-term history dating back to 1963.

NEW RESIDENTIAL PERMITS — CITY OF ALBUQUERQUE

Year	SF Units	% Change	MF Units	% Change
1994	2,576	17.3%	1,823	520.1%
1995	2,674	3.8%	1,801	( 1.2%)
1996	2,645	(1.1%)	1,013	(43.8%)
1997	2,525	(4.5%)	1,061	57.8%
1998	3,449	36.6%	367	(65.4%)
1999	3,602	4.4%	390	6.3%
2000	3,373	(6.4%)	210	(46.2%)
2001	4,158	23.3%	792	277.1%
2002	4,491	8.0%	1,212	53.0%
2003	5,041	12.2%	720	(40.6%)
2004	5,071	0.6%	462	(35.8%)
2005	4,851	(4.3%)	470	1.7%
2006	3,440	(29.1%)	389	(17.2%)
2007	2,158	(37.3%)	1,083	178.4%
2008	682	(68.4%)	638	(41.1%)
2009	654	(4.1%)	198	(69.0%)
2010	749	14.5%	168	(15.2%)
2011	767	1.0%	278	65.5%
2012	929	21.1%	350	25.9%
2013	858	(7.64%)	945	170.0%
2014	935	8.97%	898	(5.0%)
2015	984	5.24%	449	(50.0%)
2016	884	(10.2%)	N/A	N/A

Source: City of Albuquerque Planning Department, HBACNM & DataTraQ – SFR on Calendar Year Basis – Multifamily on Fiscal Year Basis

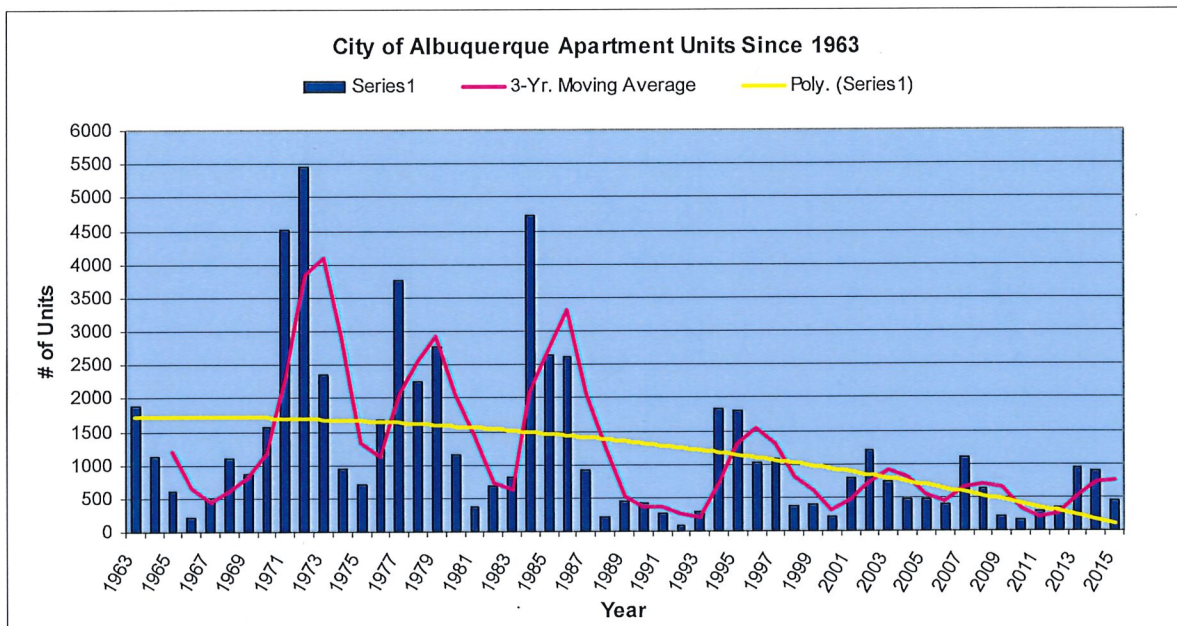


Single-family permits issuance was very strong for eight consecutive years from 1998 through 2005. In 2006, permits fell 29.1 percent and in 2007, they fell an additional 37.3 percent. In 2008, permits fell to 682, a 68.4 percent decrease compared to 2007. Annual single family residential permitting in 2008 was only 13.5 percent of the peak in 2003 and 2004. This was the first time in 27 years (1981) that city single family permits had fallen below the 1,000 level. Single family permits within the MSA did not fare any better, ending 2008 with 1,954, a 53.7 percent decline from 2007, and only 20.7 percent of peak year 2005's 9,445 permits. In 2011 MSA permitting reached its low point at 1,192, an 87.4 percent decline from peak year 2005.

Permit growth has been basically flat over the last five years, and there was a 10.2 percent decline in 2016. The annual volume remains less than half the long-term 54-year average of 2,184, and it has not reached the 1,000 mark since 2007. At the metro level, the 2016 volume was slightly less than 2015 (1,645 vs. 1,632). MSA annual permits also remain far below the long-term 25-year average of 4,021. Through Q2 of 2017, there have been 485 city permits versus 416 during the same period last year. For the metro area, there have been 832 versus 830 during the same period last year.

*Multifamily*

With 1,083 multifamily permits issued in 2007, there was an increase of 178.4 percent over 2006. In 2008 however, multifamily permits declined 41.1 percent to 638, and declined again in 2009 by 69.0 percent to 198 units. Multifamily permits bottomed out in 2009 and 2010. Many of the projects over the few years have been subsidized or tax credit projects. Without the assistance, rents usually could not justify the cost of new construction. But rents have improved steadily the last few years, and in 2013 there were 945 new units permitted, which was nearly three times as many as in 2012 and the highest volume since 2007. Volume moderated in 2015 at 449. Although there has been improvement, apartment unit permits have not reached the 1,000 mark since 2002 and remain well below the long-term 52-year average of 1,214.



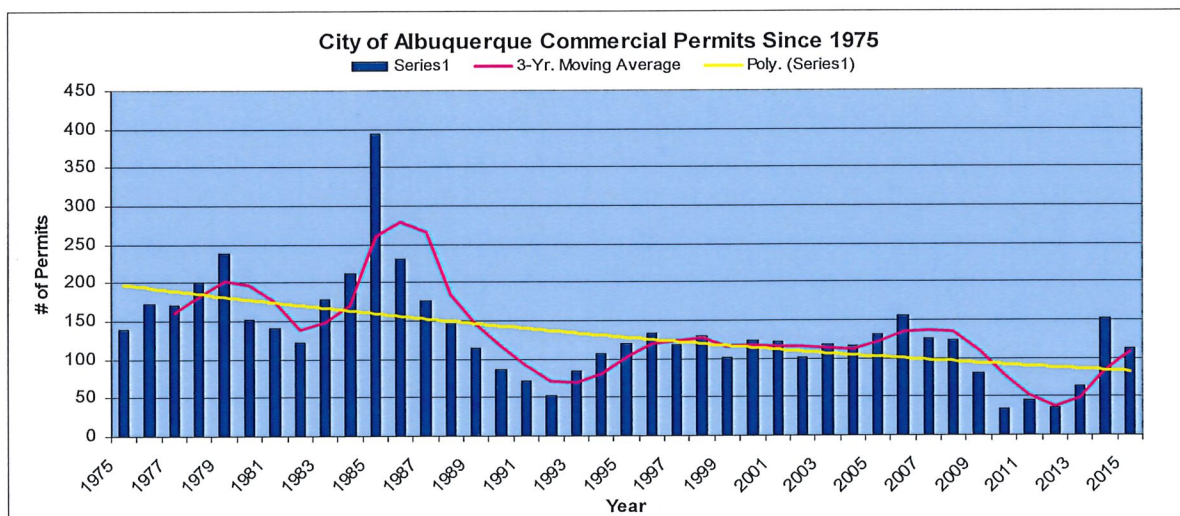
*Commercial*

Historical permits for the city of Albuquerque are shown in the following table.

COMMERCIAL PERMITS & VALUE—CITY OF ALBUQUERQUE

<i>Year</i>	<i>Permits</i>	<i>% Change</i>	<i>Value</i>
1985	394		\$153,869,454
1986	231	(41.4%)	\$90,746,083
1987	176	(23.8%)	\$88,993,329
1988	147	(16.5%)	\$92,021,983
1989	115	(21.8%)	\$114,529,492
1990	87	(24.4%)	\$57,556,239
1991	72	(17.2%)	\$53,097,778
1992	53	(26.4%)	\$37,500,195
1993	84	58.5%	\$59,082,184
1994	106	26.2%	\$70,568,139
1995	120	13.2%	\$143,204,347
1996	133	10.8%	\$114,345,530
1997	119	(10.5%)	\$118,174,223
1998	129	8.4%	\$113,526,149
1999	102	(20.9%)	\$88,001,238
2000	123	20.6%	\$133,839,520
2001	121	(1.6%)	\$113,707,767
2002	102	(15.7%)	\$91,737,800
2003	118	15.7%	\$95,467,862
2004	117	(0.8%)	\$117,591,103
2005	131	12.0%	\$113,672,827
2006	156	19.1%	\$213,525,989
2007	125	(19.9%)	\$206,558,035
2008	124	(0.8%)	\$220,788,429
2009	81	(34.7%)	\$103,040,438
2010	34	(58.0%)	\$26,197,123
2011	45	32.4%	\$65,940,484
2012	36	(20.0%)	\$46,257,090
2013	63	75.0%	\$78,523,292
2014	152	141.3%	\$103,214,914
2015	112	(26.1%)	\$116,776,561

Source: City of Albuquerque Planning Department – Fiscal Year Basis



After an all time high in 1985 of 394 permits, in response to a soft oversupplied market, commercial permits continually declined from 1986 through 1992. The trend was reversed beginning in 1993 when the number of permits increased by 58.5 percent. From 1994 through 2008 permits exceeded the 100 level for 15 straight years. Permits were below the 100 mark from 2009 through 2013. In 2014, permit volume jumped 141.3 percent with 152 new permits issued. Volume moderated in 2015 declining by 26.3 percent.

*Summary*

Population is forecast to grow over the next few decades in New Mexico and the Albuquerque MSA, although at rates far less than were forecast in the mid-2000s. Recently, New Mexico has lost population and the MSA is growing at a rate of less than half of one percent per year. The state and the MSA lag the region in job growth, which has once again turned positive but at a very low level. New Mexico and Albuquerque remain vulnerable to federal sequestration because both are heavily dependent on federal revenues. MSA single-family permitting grew consistently from 2000 through 2005 setting new records. Growth that was experienced vastly exceeded forecasts by BBER for the period. The strong housing market appeared inconsistent with local employment and income growth. The housing market was driven by low interest rates, lax lending policies and an increase in speculative housing demand. The trend was not sustainable, and permit volume began a steady decline in 2006. From 2008 through 2011, the volume was the lowest it's been in over 20 years. Single family permitting has bounced around the last few years below the 1,000 threshold and well below the long-term average. Multifamily construction showed significant improvement in 2012 and 2013, but moderated in 2014 and 2015. Although still below the long-term average, commercial permits have improved after a 5-year lull from 2009 through 2013.

*Conclusions*

In 2009, the nation officially emerged from the recession that began in December 2007. While the recovery is reasonably well established nationally, local economic recovery continues to lag the nation. The real estate market and MSA employment growth have improved over the last year, but are still not robust. Longer term conditions depend on future events that are difficult to predict. After the financial crisis, the Fed kept its key interest rate near zero to prop up the economy. With its quantitative easing program ending, the Fed's first rate hike occurred in December 2015, and there have been four more hikes to date with more planned next year. The Fed is finally moving toward the end of its 9-year-old economic stimulus, which began in the depths of the financial crisis, as it plans to start unloading much of its \$4.5 trillion in bond holdings that built up after the Great Recession.

New Mexico and Albuquerque continue in their struggle to recover from the Great Recession. The state remains next to the last in job growth within the 10-state region. After having the highest unemployment rate of any state in the nation for several months, New Mexico has improved to third in the nation. In June of 2014, Brookings noted that Albuquerque was one of the few and maybe one of the only big metros to be in the midst of a double-dip recession. In July of 2015, they ranked Albuquerque 99<sup>th</sup> out of the 100 largest metro areas for overall economic performance (changes in jobs, unemployment, output (gross product) and house prices). Job growth in the MSA has improved somewhat, but overall, the MSA economy and the real estate market remain sluggish. In the near-term, until meaningful job growth can be sustained, there is little reason to expect that things will change in any significant way.

**TRADE AREA DESCRIPTION**

In April of 2000, the City of Albuquerque Planning Department published *Urban Growth Projections, 1999–2010, Employment, Population, and Housing*. The report was prepared by the University of New Mexico's Bureau of Business and Economic Research. The study area includes the broader metropolitan area, which is divided into 25 smaller Planning Information Areas (PIA). Although the projections were only to 2010, the descriptions provide a good picture of the various characteristics of the subject area which is located in PIA 5. Following is a description of PIA 5.

*PIA 5*

From page 41 of the report, PIA 5 is described as follows:

PIA 5 in the near Northeast Heights and the city's Southeast quadrant extends to I-40 to the north, Gibson Boulevard and Kirtland AFB to the south, Wyoming Boulevard to the east, and I-25 to the west.

PIA 5, the largest employment center in the study area, is dominated by jobs in the services (health, in particular) and government, which together accounted for 71.2 percent of the 64,195 jobs in 1998. Notably, this area contains five large hospitals and Albuquerque's two largest educational institutions (UNM and TVI). However, because of the maturity of PIA 5, recent job growth has been below that of the study area. Its total share of study area employment has fallen from 28.9 percent in 1977 to a still high 19.8 percent in 1998.

The near Northeast Heights and Southeast Heights is also a mature residential area with the study area's second largest population at 73,089 in 1998. Population growth during the 1980s was essentially stagnant, and has declined in the 1990s, losing about 4,500 people since 1990. The housing stock of 36,089 in 1990 contains the highest concentration of multi-family housing in the study area. Apartments make up 51.2 percent of all housing in PIA 5; 27.8 percent of all apartments in the Albuquerque study area are located in PIA 5. Note that population and housing within Kirtland AFB's base housing area north of Gibson South East between Carlisle and Maxwell has been excluded from PIA 5 in this report and included instead in Kirtland AFB PIA 23.

*Population*

As previously noted PIA 5 had the study area's second largest population at 73,089 in 1998, but this was a decline of 2,428 from the 75,517 in the 1990 Census. As noted on page 101:

PIA 5 includes the University of New Mexico area, the Near Heights, and much of the Southeast Heights. Older apartments are heavily concentrated in PIA 5, and this PIA saw an increase in apartment vacancies in the 1995-1998 time period. Local homebuilders targeted the entry-level single family housing market in this time period and attracted many first time homebuyers away from apartment living arrangements. Net migration was heavily negative in the 1995-1998 time period, as PIA lost residents to PIA 9 and PIA 12 where much of the affordable, entry-level housing was built within the study area.

Further on page 120:

PIA 5 has an estimated population of 71,731 in 2000 and this is expected to decline slightly to 70,037 by 2010. PIA 5 is the second largest PIA by population and includes the near Northeast Heights, the university area, and the Southeast Heights. This is primarily an older population with less natural increase in population. There is also expected to be little new residential development in PIA 5 during the forecast period.

*Employment*

Additional data in the report with respect to employment is taken from pages 165.

The largest concentration of jobs is in PIA 5 with 64,195 in 1998. PIA 5 encompasses the University of New Mexico south to Gibson SE and includes many health care facilities such as the VA Regional Medical Center, Lovelace Medical Center, University of New Mexico Hospital, the Indian Health Services Hospital, and Presbyterian Hospital. Services (health care) and government (UNM, TVI, and APS Administration) account for the largest number of jobs in PIA 5. The retail jobs in PIA 5 reflect the agglomeration of car dealerships along Lomas Boulevard NE between I-25 and Wyoming Street NE. Retail trade and services are responsible for this PIA's job growth in the last few years.

Further on page 182:

PIA 5 includes the mature developed area around the University of New Mexico stretching to Gibson SE and the Albuquerque International Sunport. It has the second largest concentration of employment in the study area. There has been recent new development around the airport and the UNM South Campus, which is expected to continue, UNM's North Campus continues to expand and may eventually encroach on the north golf course site. And health services, a major employer in this PIA, should expand with the recent expansion of Presbyterian Healthcare. Because of limited developable land, PIA 5 has lost employment share since 1977 to other developing areas. PIA 5 is expected to continue to lose share in the future, but not at the same rate. PIA 5 employment is forecast to increase from 64,195 in 1998 to 70,291 in 2010.

*Housing*

In 1990, total housing stock in PIA 5 was 36,089 including 17,664 single family units and 18,425 multifamily units. This total accounted for 18.2 percent of the study area's total housing stock (12.6 percent of total single family units and 31.5 percent of multifamily units). By 1998, PIA 5 accounted for 14.8 percent of the study area's total housing stock. In 1990, the occupancy rate was 96.1 percent for single family units and 85.9 percent for multifamily units. The report forecasts that by 2010, the total housing stock in PIA 5 will be 36,961 units, a growth rate of 2.4 percent which is well below the growth rate of 48.3 percent for the study area. At that time PIA's share of the study area's total housing stock will decrease to 12.6 percent. In spite of the decline, it will still have the largest share of any PIA. From 1999 through 2010, forecasts are for 180 new single family units and 55 new multifamily units.

*Planning Areas & Subject's Immediate Trade Area*

The city of Albuquerque is governed by the *Albuquerque/Bernalillo Comprehensive Plan*. This is the highest ranking plan in the city, and it guides overall land use and development at the metro level. Within the plan, the subject area is located in the Established Urban zone. Rank II plans are area plans, and the subject is not situated within the borders of an area plan. Rank III plans are Sector Plans (SP), and the subject is not situated within the borders of a sector plan.

*Access and Linkage*

The major city east/west arterial through the area is Lomas Boulevard, which spans nearly the entire city. *The Current Roadway Functional Classification System* (August 2010) published by MRCOG defines Lomas Boulevard as an Existing Principal Arterial, and it is fully improved with three traffic lanes in each direction with a raised center median in the subject area. Additional east/west streets include Indian School

Road to the north. North/south streets include University Boulevard to the west and Girard Boulevard to the east. I-25 and I-40 provide linkage to the broader metropolitan area. The intersection of the two Interstates (the Big I) is about one mile northwest of the subject and access is via Lomas Boulevard to the south. Access to I-25 and I-40 is close but somewhat circuitous given the system of frontage roads that were created during the reconstruction of the Big I in 2002. The subject itself is located at the northwest corner of Tucker Avenue and Stanford Drive. Both are two-way local streets that are fully improved.

*Subject's Immediate Area*

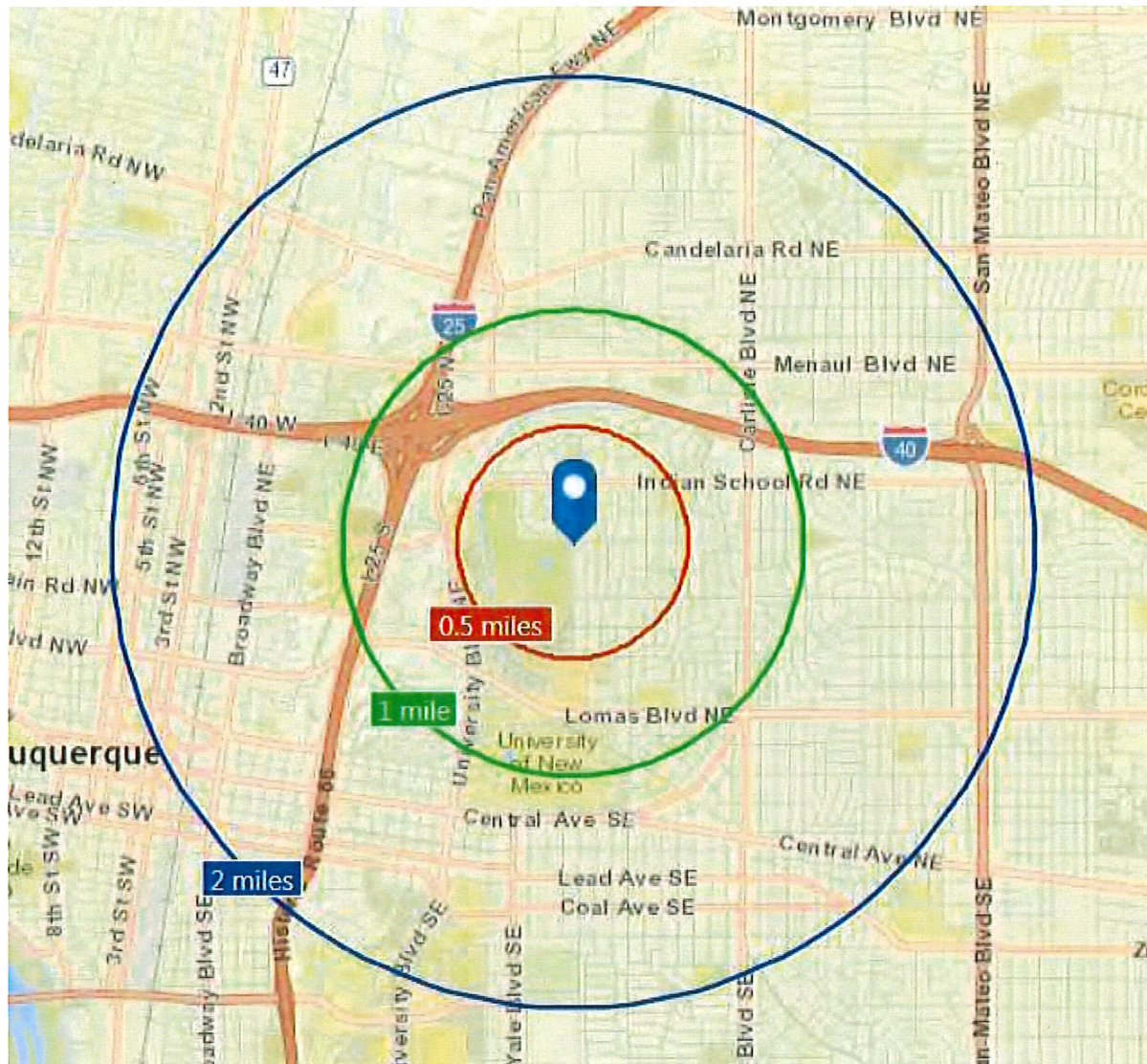
The subject property is located in the eastern periphery of the North UNM Main Campus at the northwest corner of Tucker Avenue and Stanford Drive. Land use on the North Campus is dominated by UNM Hospital (UNMH) and the Health Sciences Center (HSC) and related facilities including the College of Nursing, College of Pharmacy and School of Medicine. The main hospital runs along the north side of Lomas Boulevard from Stanford Drive west to Yale Boulevard. UNMH is the only Level 1 trauma center in the state and it treats nearly 6,000 patients a year. It has 308 available beds and last year turned away about 800 people because it was at capacity. UNM has proposed a new \$600 million facility that would add 360 new beds for adult medical and surgical patients, and 48 behavioral patients. The new hospital would replace and expand beds at the current hospital. In addition to the hospital, the project would include a new medical office building. Nearly five years ago UNM sought to build a new 96-bed, \$146 million facility. Although the proposed project had widespread support, it stalled at the state board of finance and never got off the ground.

Adjacent to the subject to the north is the UNM School of Law, which is the only law school in the state. The school has about 350 students. The New Mexico Court of Appeals is located next door to the School of Law.

Just north and northwest of the law school is the UNM North Golf Course. Originally built as an 18-hole course in 1942, the course today has nine holes. UNM had proposed converting the golf course to residential use, which drew a loud outcry from residents throughout the city. UNM partnered with Bernalillo County and in 2012 agreed to a 15-year term to keep the course and perimeter walking trail as open space. Bernalillo County agreed to contribute \$1.5 million to rehabilitate the aging sprinkler system and upgrade the surrounding trail and overall landscaping, which was done in 2014. UNM continues to own and maintain the 79-acre course. Complete in 2010, the HSC Master Plan covers the area of campus north of Lomas Boulevard, from Girard Boulevard west to I-25. The Master Plan builds upon the UNM Mater Plan Update and offers a more detailed strategy for future development of the area. The UNM North Golf Course and its perimeter walking trail are designated as part of the overall pedestrian experience. Citizen input showed a strong desire to keep the North Golf Course and its perimeter walking trail. On page 18 of Part Two: UNM Health Sciences Center Master Plan 2010, under the specific strategies for each campus, UNMHSC Campus, the plan states: *...The Update proposes strategies to preserve open space; the North Golf Course is left intact with improvements to the perimeter walking/running trail circuit.*

*Immediate Area Demographics*

I have examined demographic data on a 0.5, 1.0 and 2.0-mile radius basis relative to the subject's location. The chart on the following page is taken from *The Site To Do Business*, and the data is from the U.S. Bureau of the Census with forecasts by Esri, which is an international supplier of geographic/demographic information. The map identifies the various areas.







**Market Profile**

Stanford Dr NE, Albuquerque, New Mexico, 87106  
Rings: 0.5, 1, 2 mile radii

Prepared by Esri  
Latitude: 35.09818  
Longitude: -106.61751

	0.5 miles	1 mile	2 miles
<b>Population Summary</b>			
2000 Total Population	3,358	8,291	44,595
2010 Total Population	3,299	8,296	44,974
2015 Total Population	3,238	8,253	45,735
2015 Group Quarters	137	446	3,697
2020 Total Population	3,219	8,282	46,560
2015-2020 Annual Rate	-0.12%	0.07%	0.36%
<b>Household Summary</b>			
2000 Households	1,730	3,890	19,930
2000 Average Household Size	1.86	2.03	2.04
2010 Households	1,732	3,925	20,888
2010 Average Household Size	1.83	2.00	1.98
2015 Households	1,700	3,926	21,463
2015 Average Household Size	1.82	1.99	1.96
2020 Households	1,689	3,942	21,906
2020 Average Household Size	1.82	1.99	1.96
2015-2020 Annual Rate	-0.13%	0.08%	0.41%
2010 Families	662	1,699	8,318
2010 Average Family Size	2.58	2.70	2.81
2015 Families	643	1,666	8,318
2015 Average Family Size	2.57	2.69	2.80
2020 Families	634	1,654	8,358
2020 Average Family Size	2.57	2.69	2.80
2015-2020 Annual Rate	-0.28%	-0.14%	0.10%
<b>Housing Unit Summary</b>			
2000 Housing Units	1,891	4,195	21,896
Owner Occupied Housing Units	43.0%	50.7%	40.8%
Renter Occupied Housing Units	48.4%	42.1%	50.2%
Vacant Housing Units	8.6%	7.3%	9.0%
2010 Housing Units	1,891	4,215	22,693
Owner Occupied Housing Units	39.7%	47.7%	38.1%
Renter Occupied Housing Units	51.9%	45.4%	54.0%
Vacant Housing Units	8.4%	6.9%	8.0%
2015 Housing Units	1,902	4,253	23,224
Owner Occupied Housing Units	39.0%	47.0%	37.7%
Renter Occupied Housing Units	50.5%	45.3%	54.7%
Vacant Housing Units	10.6%	7.7%	7.6%
2020 Housing Units	1,917	4,310	23,828
Owner Occupied Housing Units	38.8%	46.8%	37.5%
Renter Occupied Housing Units	49.3%	44.7%	54.4%
Vacant Housing Units	11.9%	8.5%	8.1%
<b>Median Household Income</b>			
2015	\$42,765	\$49,102	\$31,978
2020	\$47,633	\$53,512	\$36,025
<b>Median Home Value</b>			
2015	\$250,560	\$257,178	\$212,444
2020	\$279,942	\$280,781	\$238,985
<b>Per Capita Income</b>			
2015	\$30,901	\$33,329	\$25,114
2020	\$34,471	\$37,277	\$28,039
<b>Median Age</b>			
2010	36.7	36.3	32.3
2015	37.3	36.8	32.9
2020	37.7	37.0	33.6

**Data Note:** Household population includes persons not residing in group quarters. Average Household Size is the household population divided by total households. Persons in families include the householder and persons related to the householder by birth, marriage, or adoption. Per Capita Income represents the income received by all persons aged 15 years and over divided by the total population.  
Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020. Esri converted Census 2000 data into 2010 geography.

April 18, 2016

Due to the institutional nature of the area, it has a relatively sparse population. In the 0.5-mile ring, the 2015 population is shown at 3,238 people, which is 120 fewer than in 2000. The population becomes denser as one gets further away from the campus. This situation is similar for households, families and housing units. From 2015 to 2020, housing units are forecast to increase by only 15 units from 1,902 to 1,917. The 2015 housing unit data shows that in the 0.5-mile ring, there are fewer owner occupied units (39.0%) than renter occupied units (50.5%), with 10.6 percent vacant. This pattern is not significantly different in the 1.0 and 2.0-mile rings. In the MSA, the situation is reversed as 62.0 percent are owner occupied and 30.7 percent of the housing units are renter occupied.

The *Business Summary* report from Esri for the same geographic area shows that in the 1.0-mile ring, there are 717 businesses and 18,604 employees and a residential population of 8,253. The employee to residential population ratio is 2.25:1, which is far higher than the MSA average (0.5:1) and demonstrates the business and institutional orientation of the trade area. The report also segregates business and employees by SIC code. The largest group of businesses is in the services category with 53.1 percent of the total (381), followed by retail trade at 15.3 percent. With respect to employees, 55.2 percent (10,270) of the total employment (18,604) is in Health Services reflecting the immediate area impact of the UNM Health Sciences Center.

*Comparative Demographics*

The following chart compares the broader area demographics (2.0-mile ring) with the city and the broader MSA.

<i>2015</i>	<i>Subject Area</i>	<i>City of Albuquerque</i>	<i>MSA</i>
Average Household Size	1.82	2.38	2.50
Median Household Income	\$42,765	\$46,431	\$48,813
Per Capita Income	\$30,901	\$26,709	\$26,397
Median Home Value	\$250,560	\$207,624	\$202,318
Median Age	37.30	36.1	37.2

The area has a smaller household size than the city and the MSA. With respect to income and age, the immediate area is about equal in Median Age with more Per Capita Income (note Median Household Income is less because of the lower average household size). Median Home Values are higher than in the city or MSA by just over 20 percent.

*Summary*

The subject area is dominated by UNM. Due to the immediate proximity of both the north and main campuses, employment density in the area is one of the highest in the city. In addition to UNM Hospital and Health Sciences Center situated on the north campus, two other large hospitals (Presbyterian and Lovelace) are located within one mile of the subject. Housing is mature by city standards and population is established with only nominal growth forecast due to the scarcity of vacant land available for residential development. Access and linkages are good with I-25 bordering the west of the immediate trade area and the Big I a short distance to the northwest. The subject is situated on the UNM North Campus adjacent to the UNM School of Law and the UNM North Golf Course.

***SITE DESCRIPTION***

The subject is located at the northwest corner of Stanford Drive and Tucker Avenue on the North UNM Campus. The city of Albuquerque provides police and fire protection, and public bus transportation is found along Lomas Boulevard to the south as well as Girard Boulevard to the east and University Boulevard to the west. The site is located in Census Tract 18.00 and can be found on city Zone Atlas Page J-16.

*Size and Shape*

Tract size is 1.3176± acres or 57,393± square feet, which is taken from the land lease that is included in the *Addenda*. The site's shape is nearly square with 250± feet of frontage along the west side of Stanford Drive and 230± feet of frontage along the north side of Tucker Avenue. The zone map is included in the *Preface* for visual reference.

*Topography & Drainage*

The general area slopes from east to west toward the river. The subject is essentially level with very gradual slopes from east to west and south to north. Based on Google Earth, I estimate the average elevation of the tract at 5,167± feet. Drainage appears to be routed offsite to the adjacent streets although there are no storm drains in the immediate vicinity of the subject.

*Utilities*

All public utilities are available to the area and to the subject (in the street). The City of Albuquerque/Bernalillo County Water Utility Authority provides water and sewer service. Public (city) trash collection also serves the area. The Public Service Company of New Mexico (PNM) provides electricity, and Gas Company of New Mexico provides natural gas. CenturyLink provides telephone service, and Comcast provides cable TV.

*Easements and Encroachments*

Neither a current survey nor title policy has been provided. Standard perimeter utility easements are assumed. I know of no adverse easements or encroachments encumbering the subject, and none were noted at inspection. This appraisal is subject to a current survey.

*Flood Zone and Drainage*

The subject's immediate neighborhood is included on Community Panel Number 35001C0353H of the Flood Insurance Rate Map for the City of Albuquerque from the National Flood Insurance Program. The map is dated August 16, 2012. The site is located in unshaded Flood Zone X, which is considered an area which is outside the 0.2% annual chance of flood. A copy of the map is included in the *Preface*.

*Soil and Subsoil Conditions*

No engineering reports regarding soils and subsoils were made available. I have no reason to suspect any physical limitations associated with this location.

*Access and Offsite Improvements*

Access to the site is available from a curb cut along the north side of Tucker Avenue at the southwest corner of the property. Tucker Avenue and Stanford Drive are both two-way local streets that are fully

improved with bordering curb/gutter and sidewalk. There is no street parking on either street. The site is bordered on the west by old Cornell Drive, which leads to the law school.

*Site Improvements*

Outside the building footprint, the east side of the site is devoted to landscaping, which has largely died away. On the west side of the site there is an asphalt-surfaced open parking lot, which I estimate includes 50 spaces and is judged to be in average condition. The parking lot has fencing and a gate along the southern border.

*Hazardous Materials*

Although a Phase I study has not been made to my knowledge. It has been reported by staff that there is asbestos within portions of the building. In the era in which the improvements were constructed, it was common to have asbestos in floor tile. It was also commonly used in pipe insulation. I know of no other adverse hazardous materials contained within the property, and this appraisal assumes there are none.

*Adjacent Land Uses*

To the west is a surface parking lot and the Court of Appeals building. To the north and northwest is the law school and its related parking lot. To the south is the Domenici Center for Health Sciences Education, and to the west are single family residential subdivisions.

*Conclusions Regarding the Site*

The site is located at the northwest corner of Stanford Drive and Tucker Avenue on the North UNM Campus. The parcel contains 57,393± square feet or 1.3176± acres, and is nearly square in shape. It is at curb grade, all utilities are available, and the tract is not within the flood plain. The immediate trade area is dominated by the North UNM Campus with land use to the east composed of mature single family residential subdivisions.

***ASSESSED VALUE AND PROPERTY TAXES***

Because the property is owned by UNM, it does not have a UPC number, and is not assessed.

***ZONING***

The controlling municipality for zoning in this area is the city of Albuquerque, and the subject is zoned R-3, which provides sites for the highest density housing outside of urban centers. UNM is a political subdivision within the State of New Mexico and is therefore exempt from local zoning ordinances.

**IMPROVEMENTS DESCRIPTION**

The following descriptions are based upon my inspection of the improvements. The descriptions are intended to assist the reader in visualizing the improvements. My observation of the improvements consisted of a walk-through of the building. Since subsequent highest and best use analysis will conclude that the improvements have reached the end of their economic life, the improvements description will be cursory.

The northern portion of the building was constructed in 1958-59. It was designed by Brittelle, Ginner & Decker Architects and Engineers and was constructed by Bradbury & Stamm Construction. The building is therefore nearly 60 years old. Construction is masonry (CMU) with a stucco exterior and a flat roof, and this portion of the building contains 13,084± square feet. The space consists of small exam rooms, large open area record keeping areas and standard office spaces. The building has not been occupied in roughly a decade, and it has essentially received no maintenance during this time. The condition of the building is poor, and it has a large measure of functional obsolescence. Examples include but are not limited to mostly concrete interior walls, little to no insulation, single-pane windows, etc. The water has been disconnected and the gas service has been shut off. Given these conditions, the building has reached the end of its physical and economic life.

The southern portion of the building was constructed in 1970-71. It was designed by Richard P. Miller Architect and was constructed by Nation Construction. The building is therefore nearly 47 years old. Construction is masonry (CMU) with a stucco exterior and a flat roof, and this portion of the building contains 6,311± square feet. The building continues to be occupied by Bernalillo County Health and Social Services. The building has received very little maintenance over the last decade. The condition of the building is fair, and it has a large measure of functional obsolescence. Examples include but are not limited to mostly concrete interior walls, little to no insulation, single-pane windows, etc. Interior ceilings are lay-in acoustical tile, flooring is carpet and VAT and ceramic tile in the restrooms. Lighting is fluorescent, and most doors are solid-core wood. Heat is by a boiler system and cooling is by roof mounted HVAC. The design of this portion of the building is good with offices situated on the perimeter to capture natural light. Restrooms, storage closets, etc. are situated in the center of the building. Like the northern portion of the building, many of the interior walls are concrete block limiting reconfiguration possibilities.

**HIGHEST AND BEST USE ANALYSIS**

*MARKET ANALYSIS*

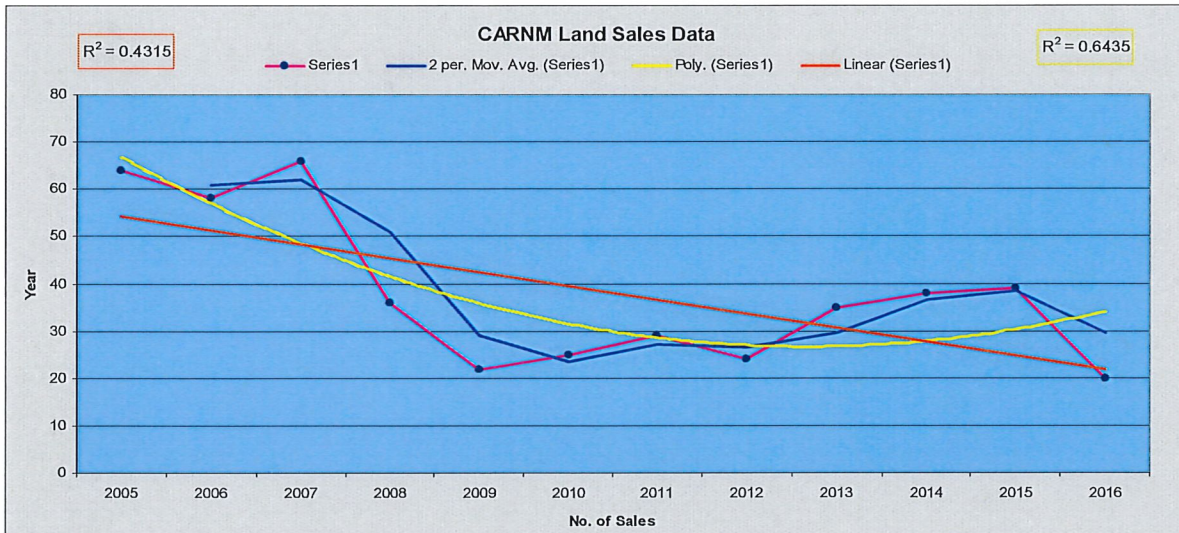
*Commercial Vacant Land in Albuquerque*

A search of CARNM (Commercial Association of Realtors New Mexico) for closed vacant land sales in Albuquerque is summarized in the following table. The data includes all vacant land sales.

ALBUQUERQUE CLOSED VACANT LAND SALES

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CARNM Closed Sales	64	58	66	36	22	25	29	24	35	38	39	20

The average number from 2005 through 2007 was (63) sales per year. The average number from 2008 through 2012 was (27) sales per year, which was 43 percent of the annual average from 2005 through 2007. With the gradual improvement in the local economy, the average number of sales from 2013 through 2015 was (37) sales per year, which is only 59 percent of the 2005-2007 average but a 37 percent increase over the 2008-2012 period. In 2016, the volume declined by nearly 50 percent, but through mid-December 2017, there have been 39 transactions. The current number of active listings for sale is 290, and at 39 sales per year, there is an implied 7.4-year supply of land on the market. The CARNM data is graphed in the following chart.

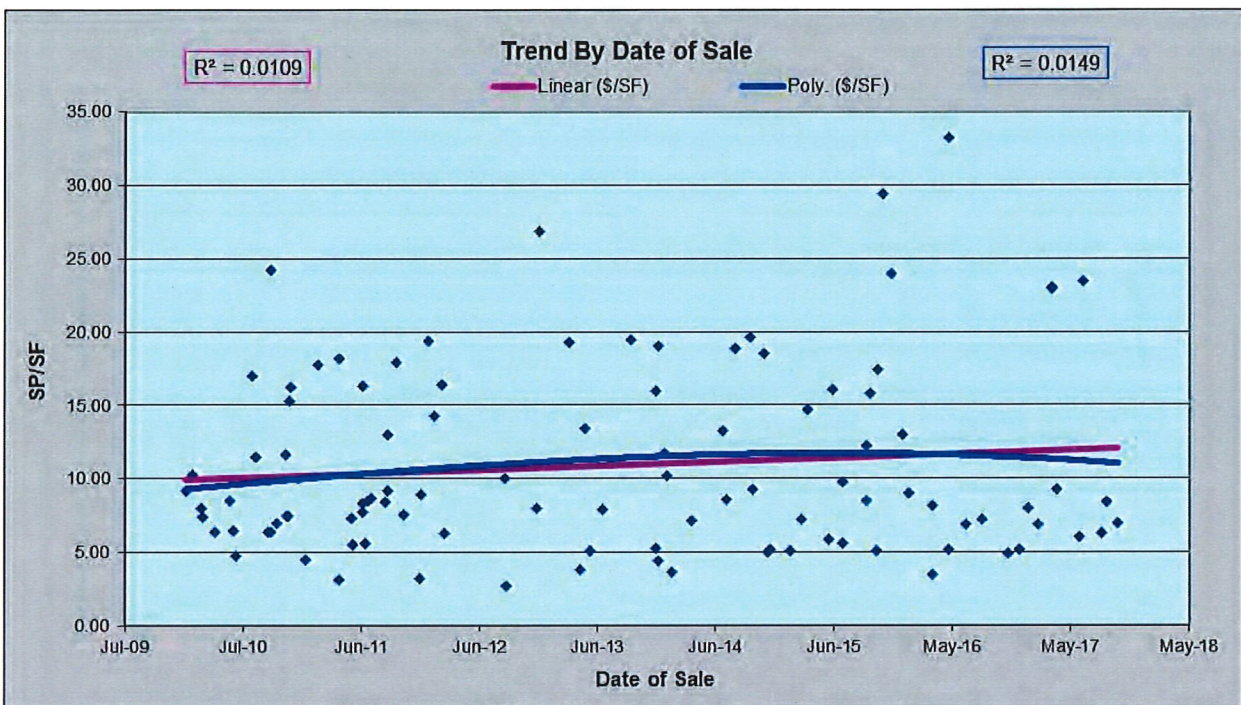


The data is grouped by year and reflected by the magenta line. The graph reflects the dramatic decline in activity from 2005 through 2009, and the gradual increase in activity since that time. The blue line is a moving average, which smoothes data. The orange line is a linear trendline, which suggests a steady decrease in activity. The R<sup>2</sup> of the linear trendline (how much of the change in sales volume is explained by time) is only 43 percent, which is not especially strong. The yellow line is a polynomial trendline, and it reveals that the change in sales volume explained by time is not linear. It shows what my interviews with market participants reflect—that sales volume fell off substantially after the market collapse, and

since 2012 volume has gradually increased (note that the  $R^2$  for the polynomial trendline is much stronger at 64 percent).

*Market Conditions*

The CARNM data clearly shows an increase in overall sales activity, although at far less rates than were seen prior to the market collapse. Does the increase in activity translate into an appreciating market? To test for this, I have run my database for commercial land sales in the Albuquerque area since 2010. The database does not capture all land sales (difficult to do in a non-disclosure state), but it is considered sufficient to reflect a reasonably accurate picture of the market (there are 104 sales). The following chart graphs the data from 2010 forward.



If you look at the graph and ignore the trendlines, the data appears random with no discernable pattern. Mathematically derived trendlines (linear and polynomial) can be applied to any data group no matter how random they appear. The linear line shows a slight increase in unit price, while the polynomial line shows a slight upward trend followed by a flattening and then a slight downward trend. The  $R^2$  of both trendlines is less than two percent, which means that the trendlines are really reflecting a flat market, (i.e., over 98 percent of the change in unit price is unexplained by time). From 2014 forward, there are 46 transactions and the trendline is nearly identical with  $R^2$  for the linear and polynomial line at less than two percent. Both data groups suggest a flat market. The data support the views of the market participants that although there has been an increase in overall activity, it is not yet sufficient to generate any meaningful appreciation in price on a market-wide basis. However, for exceptionally well-located sites, there is upward pressure on price. As previously noted, CARNM shows a 7.4-year supply of land still on the market.

*Conceptual Definition*

Highest and best use of a property is defined by *The Dictionary of Real Estate Appraisal*, Fifth Edition (Appraisal Institute, 2010), as "the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest present value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability." Alternatively, the highest and best use is the most profitable likely use to which a property can be put.

*The Lease*

The lease began on May 9, 1958, and the term is 99 years. It therefore has approximately 39.5 years remaining. The Lessor is UNM and Bernalillo County is the Lessee, and the lease rate (rent) is \$1.00 per year. The land use is restricted to "a County Health Center". Assignment or subletting is not permitted without the written consent of the Lessor, but such consent shall not be unreasonably withheld.

All buildings and improvements made to the site shall become the property of the Lessor at the end of the term or the earlier termination of the lease. The Lessee is required to maintain and keep in sound repair all buildings and structures on the site including site improvements and perimeter sidewalks, etc. All operating expenses are the responsibility of the Lessee.

In the event the Lessee abandons the buildings during the term of the lease or fails to fulfill the terms and conditions of the lease for a period of 60 days, the Lessor may serve notice of default. If not remedied for a period of 60 days, the Lessor may declare the lease terminated and re-enter and re-possess the premises.

The Lessee can remove or raze the building(s) at any time for the purpose of erecting new improvements. If the existing improvements are razed, new improvements must be erected within a two-year window, and the plans for any new improvements must be approved by the Lessor.

*Highest and Best Use*

Physically, the subject contains 57,393± square feet, is nearly square in shape, and it occupies a corner location on the North UNM Campus. It is of sufficient size to accommodate a wide variety of uses. At a 25 percent FAR, the subject could accommodate about 14,350± square feet of improvements.

UNM is not constrained by zoning, so theoretically, any use is possible. Stanford Drive is a local residential street, and Tucker Avenue is a local street that threads through the campus flanked by various institutional uses. To the south is medically oriented office use and to the northwest is the law school. Conformity suggests some type of office use is most probable. Under the terms of the land lease, the use is confined to "a County Health Center". This use is not defined in any detail. Historically, the use has been medical/office.

The improvements (buildings) are judged to be at the end of their economic life. The northern portion of the building has no gas and the water supply has been disconnected. This portion of the building has been vacant since 2009 and has received little to no repairs or maintenance over the last decade. The southern portion of the building remains marginally functional as office space (it is still in use by the County). Repairs and maintenance have been minimal over the last decade on this portion of the building as well. The roof of the entire building is reported to be at or near the end of its physical life. It is not uncommon for buildings to be



demolished before the end of their physical life, as it often said, “more buildings are torn down than fall down”. In the subsequent valuation, Sale 1 is an example of this. An additional example is an office building at the northwest corner of Lomas Boulevard and Washington Street, which was torn down and replaced with a Starbucks.

My database shows 184 office sales in the metro area since 2010. Price range from \$15.39 to \$311.28 per square foot with a mean of \$109.61 and a median of \$100.09 per square foot. The lowest portion of the range contains sales of buildings that were in poor condition. If the northern portion of the subject were given no value, and the southern portion (the portion still in use by the County containing 6,311±sf) were valued at \$30.00 per square foot, the property value would be \$189,330, which subsequent analysis will show is far less than the value of the land as vacant.

When this condition exists, the improvements no longer provide a return to the land and have reached the end of their economic life. At this point, the highest and best use of the subject is to demolish the improvements and utilize the land to its highest and best use. Note that the land lease does permit demolition of the existing structure and replacement with new improvements.

*Valuation*

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***VALUATION PROCESS***

The three standard valuation procedures in the appraisal process are the income capitalization approach, sales comparison approach and cost approach.

The income capitalization approach converts projected future cash flows for an income producing property into an estimate of its present value. The primary elements of the cash flow are net operating income and sale of the property at the end of the investment period (reversion). While capitalization factors are sometimes applied to an estimate of annual gross income (typically a gross income multiplier), it is more common for net income to be considered in this approach.

The sales comparison approach estimates the subject's value by comparing it with similar improved properties that have sold. This analysis is most useful when the subject property is part of a uniform market in which recent sales are available. The individual value indications from the sales are adjusted to reflect the physical characteristics of the subject. The most similar comparables are normally given the greatest consideration in the final conclusion. Typical units of comparison for the approach are physical, such as price per square foot and price per unit. Financial ratios such as gross income multipliers also may be derived from the sales.

The cost approach is based on the premise that a buyer will not pay more for a property than it would cost to acquire the land and create an equally desirable substitute property. This approach combines an estimate of market value for the vacant land with the estimated cost of replacing or reproducing the improvements, less deductions for accrued depreciation. It is most reliable when estimating the value of new or nearly new improvements, which are consistent with best use of the land and current market standards.

With respect to this assignment, the appraisal seeks to value the leasehold interest in the property. It is the rights that are valued, not any specific program of use by Bernalillo County, and market value assumes that each party will act in their own best interest. The appraisal will show that there is a substantial leasehold advantage in the land due to the rent (\$1.00/sf/yr.) being significantly below market. This leasehold advantage continues for the next 39.5 years, which is within the range of economic life of office buildings as shown in *Marshall Valuation Service*. If the remaining term of the lease were only 10 years, the leasehold interest may have little to no value. The Highest and Best Use has shown that there is no remaining value in the existing improvements. The subject is therefore valued as vacant land. In addition, the relationship between the fee simple interest and the leasehold interest will be analyzed and a deduction for demolition of the improvements and asbestos remediation will be applied to reach an as-is value. The income approach is not considered applicable to the assignment and will not be developed. The cost approach is relevant to improved properties that are new or nearly new and not to vacant land. The sales comparison approach is the most widely applied and accepted approach utilized in the market for vacant land, and it is the approach that will be developed in this report. The most common unit of comparison is price per square foot.

**SALES COMPARISON APPROACH**

The land value analysis utilizes the sales comparison approach wherein a direct comparison is made between the appraised property and similar properties that have sold. This valuation method measures the actions of typically informed buyers and sellers through direct observation of prices paid in the market for properties that are reasonably similar in terms of probable use and development potential. Factors affecting value including property rights, financing terms, conditions of sale, market conditions, location, and various physical characteristics are considered in the approach.

A search for comparison sales in the competitive market area has been completed. The search focused on recent sales of sites with similar use potential and similar size. Comparable selection is difficult because there are no comparison sales of sites situated on the North UNM Campus. Ideally, the sales would all come from the subject's submarket. Given the limited number of sales over the last few years, the search was expanded to the broader Albuquerque area. Six comparison vacant land sales were identified and confirmed. The sales are summarized in the following table, with detail sheets and a location map included in the *Addenda*.

SUMMARY OF VACANT LAND SALES

No.	Location	Sale Date	Size (sf)	Price/sf	Zoning	End Use
1	W/s San Mateo, N/o McLeod Rd., NE	Oct-17	115,181	\$6.95	C-3	Trampoline Park
2	N/s Marble, N/o Lomas, W/o San Pedro, NE	Sep-17	103,464	\$7.06	O-1	Apartments
3	NE/c Lomas Blvd. & Chelwood Pk., NE	Aug-17	31,930	\$6.26	C-1	Apartments
4	NW/c Venice Ave. & I-25 Frontage Rd., NE	Jul-17	76,446	\$10.53	SU-2/IP/C	Brew Pub
5	NE/c Louisiana Blvd. & Signal Ave., NE	Jun-17	43,560	\$11.48	SU-1/C-1	Allergy Clinic
6	S/s Copper Ave., E/o Eubank Blvd., NE	Jan-17	58,345	\$7.97	SU-2/IP	Dialysis Clinic

ANALYSIS

*Property Rights*

The adjustment for property rights conveyed considers differences in the legal estate between the subject property and the comparable sales. All comparison sales reflect transfer of the fee simple estate. Thus, no adjustment is needed for property rights conveyed.

*Financing*

Adjustment for financing terms seeks to convert the transaction price of the comparison sale into cash equivalency. All sales were either cash or cash to seller. Therefore, no adjustments for financing are applied.

*Conditions of Sale*

Adjustment for condition of sale is made when a transaction is not arm's-length. None of the sales were bank owned and all sales are reported to be arm's-length. Overall, I have made no adjustment for conditions of sale.

*Market Conditions/Time*

Market condition or time adjustments reflect price change over time. The sales span a time frame of about one year from the effective date of appraisal. Earlier in the report, trends in commercial land values were

