

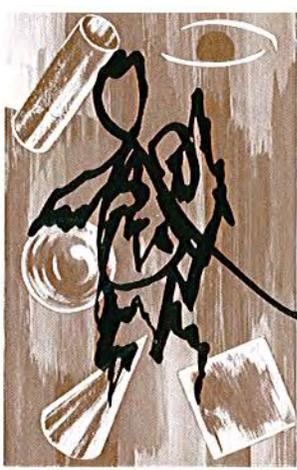


*A MARKET VALUE APPRAISAL OF
UNIMPROVED COMMERCIAL LAND
CENTRAL AVENUE & FIRST STREET
IN ALBUQUERQUE, NEW MEXICO*

A Market Value Appraisal In An Appraisal Report
Vacant Commercial Land Based On Hypothetical Conditions
Considering A Fee Simple Title
As Of April 6, 2014

Prepared For
Mr. James McNeely
Real Estate Department
City of Albuquerque
1 Civic Plaza, Northwest
Albuquerque, New Mexico 87102

Prepared By
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R E A L E S T A T E
A P P R A I S I N G
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April 7, 2014

Mr. James McNeely
Real Estate Department
City of Albuquerque
1 Civic Plaza, Northwest
Albuquerque, New Mexico 87102

Dear Mr. McNeely:

In accordance with our agreement, I have made an investigation, study and appraisal of the land located at the northeast corner of Central Avenue and First Street, on the east side of the CBD, in Albuquerque, Bernalillo County, New Mexico. The subject site, as it is considered in this appraisal, is appraised subject to the hypothetical conditions that the site is rectangular and contains approximately 70,400 square feet of level land located at a conventionally configured intersection. The effective date of valuation is April 6, 2014, the date of my last inspection of the site. As requested, an appraisal using all applicable approaches to value has been developed and is hereby presented in an Appraisal Report (Summary Form).

The following report contains a legal and physical description of the property, and includes maps, plats, and photographs to help visualize the appraised property. Valuation is based on a sales comparison approach to value. Based on the following report, subject to the underlying assumptions, limiting conditions, and term definitions, contained therein, I conclude that

ONE MILLION FOUR HUNDRED THOUSAND DOLLARS

represents the market value of a fee simple title to the real estate, as described in the following report, considering the property in "assumed" condition, as of April 6, 2014, subject to the hypothetical conditions that the site is rectangular and contains approximately 70,400 square feet of level land located at a conventionally configured intersection. Exposure time associated with this value estimate is estimated at up to 24 months, assuming active professional marketing.

Respectfully,

Bryan E. Godfrey, MAI, State Certified General Appraiser G-192



APPRAISAL CONCLUSION SUMMARY

GENERAL INFORMATION

Purpose Of The Appraisal	Market Value Estimate
Type Of Appraisal	Appraisal Using The Sales Comparison Approach
Type Of Report	Appraisal Report (Summary Form)
Property Type	Vacant Commercial Land
Property Location	Northeast Corner Of Central Avenue & First Street Albuquerque, New Mexico
Values Estimated	"Hypothetical Condition" On Date Of Inspection
Rights Appraised	Fee Simple Title
Hypothetical Conditions	Yes – See Report
Extraordinary Assumptions	None
Date Of Appraisal Report	April 7, 2014
Date Of Property Valuation	"Assumed" Condition Subject To Hypothetical Conditions, As Of April 6, 2014

PROPERTY INFORMATION

Site Zoning	SU-3 For Intense Commercial Development
Site Area	70,400 Square Feet (Estimated Area)
Improvement Area	Paved Parking Lot With Lights & Landscaping (Subject To Removal Or Reconfiguration)
Easements	None Known
Highest & Best Use	Future Mixed-Use Development
Potential Environmental Hazards	None Known

VALUATION INFORMATION

Replacement Cost Approach	Not Used
Sales Comparison Approach	\$1,400,000
Income Capitalization Approach	Not Used

Market Value Conclusion ***\$1,400,000 Subject To Hypothetical Conditions***



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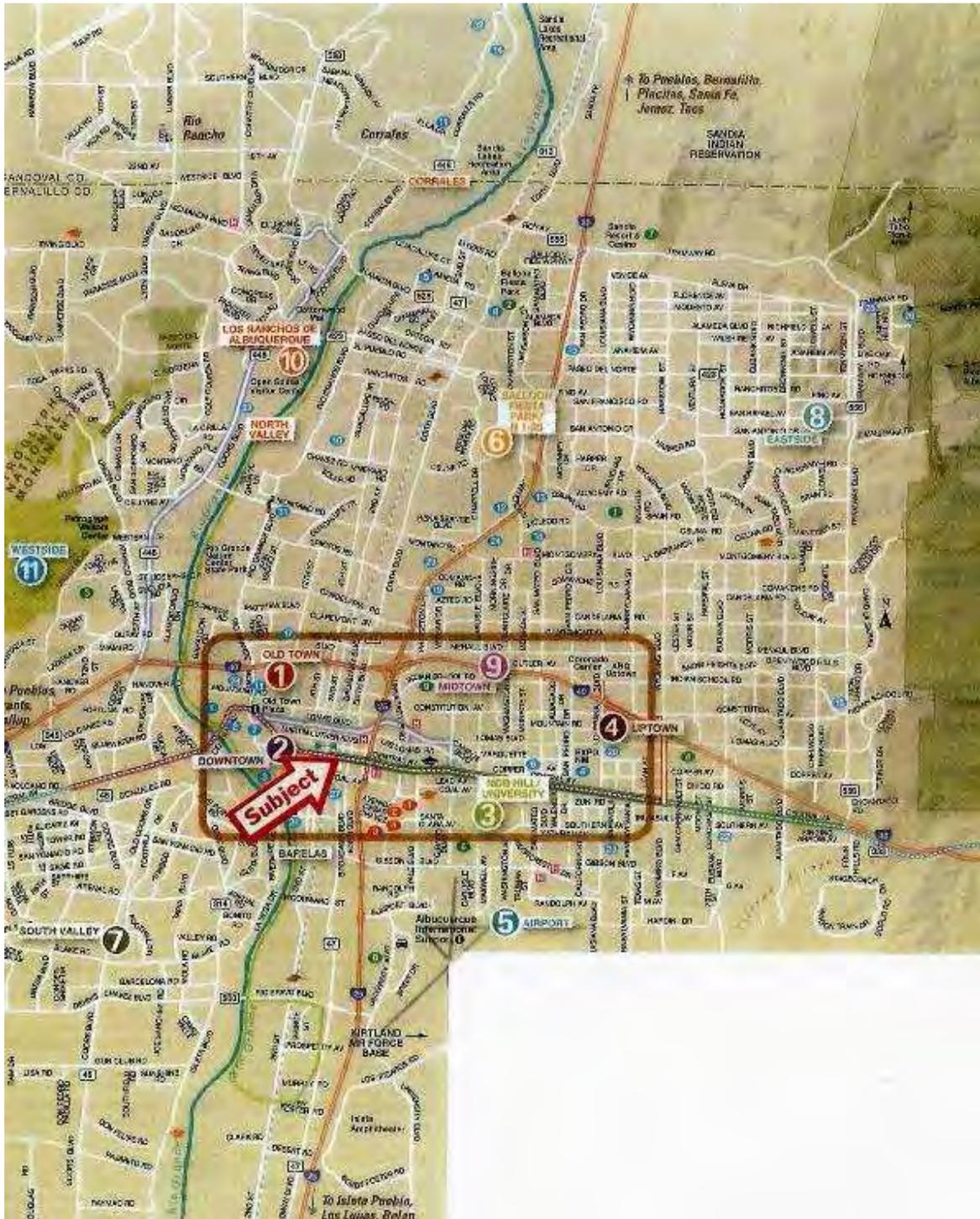
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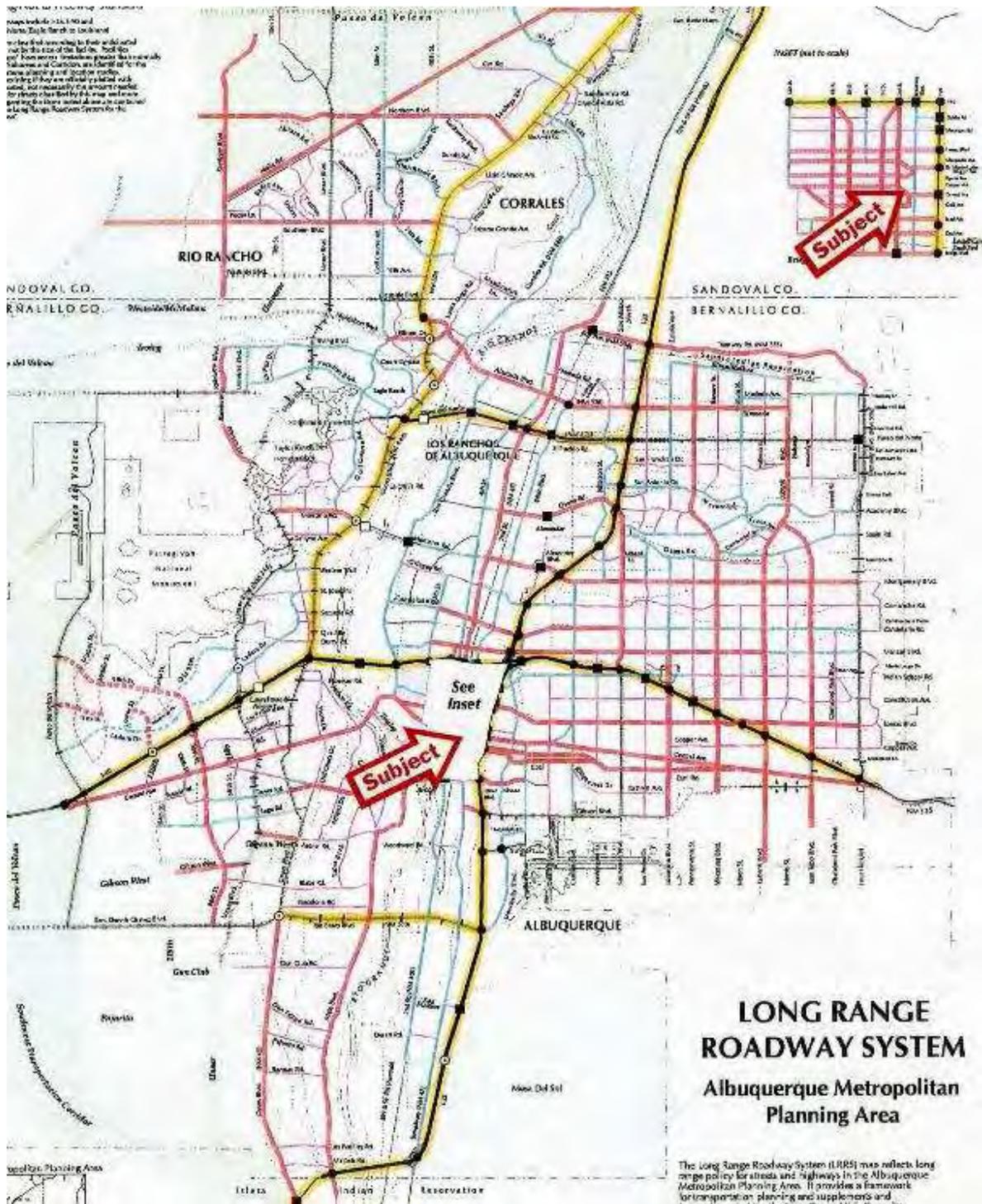
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ALBUQUERQUE CITY MAP



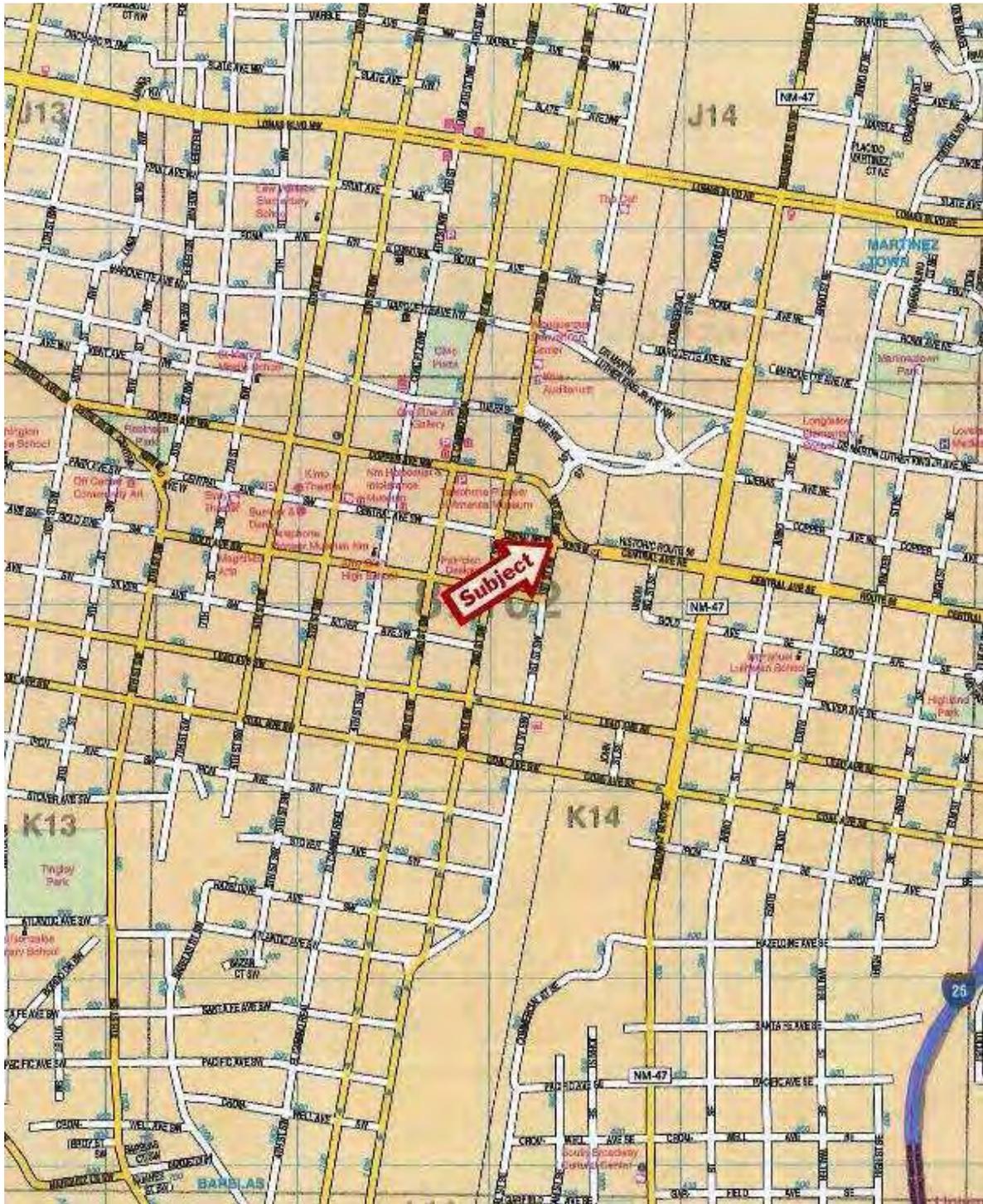
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MAJOR ARTERIAL MAP



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SUBJECT AREA STREET MAP



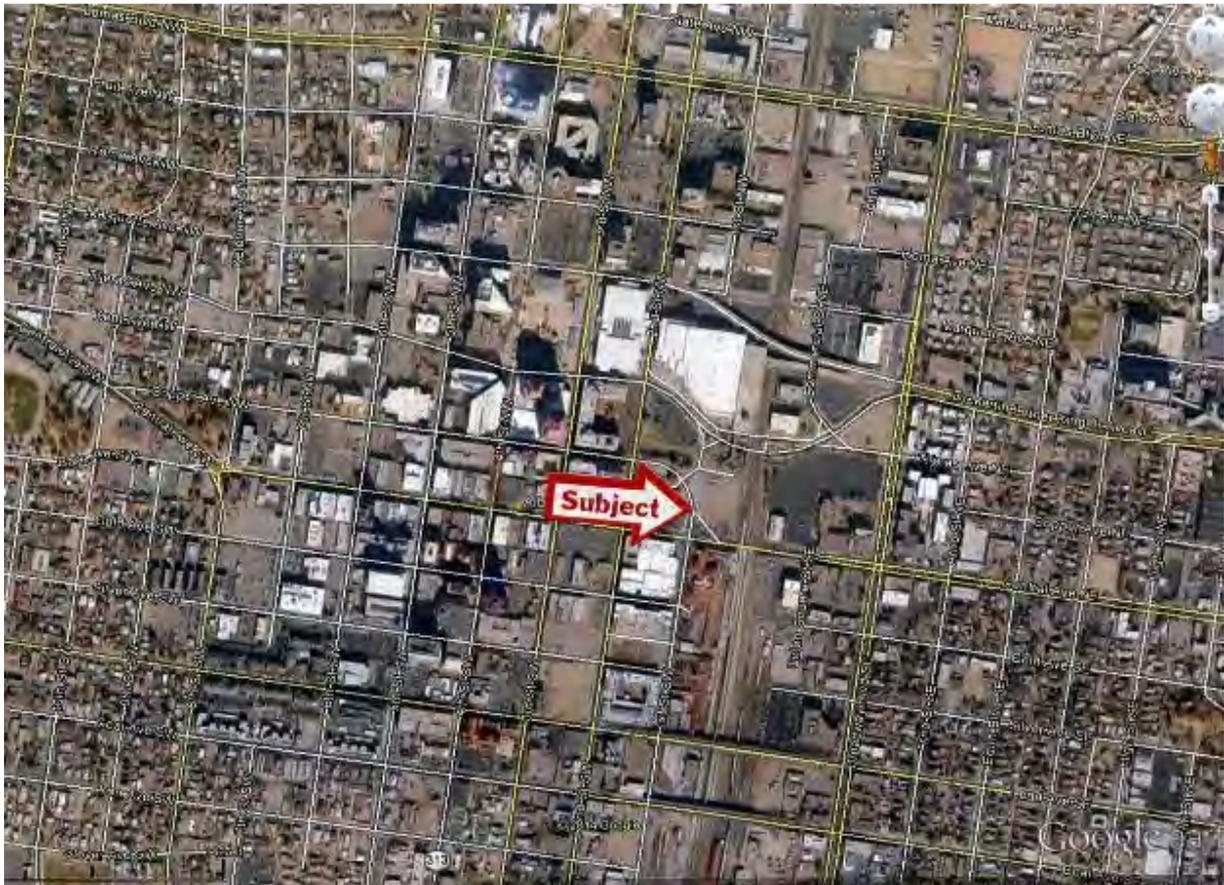
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DOWNTOWN IMPROVEMENT MAP



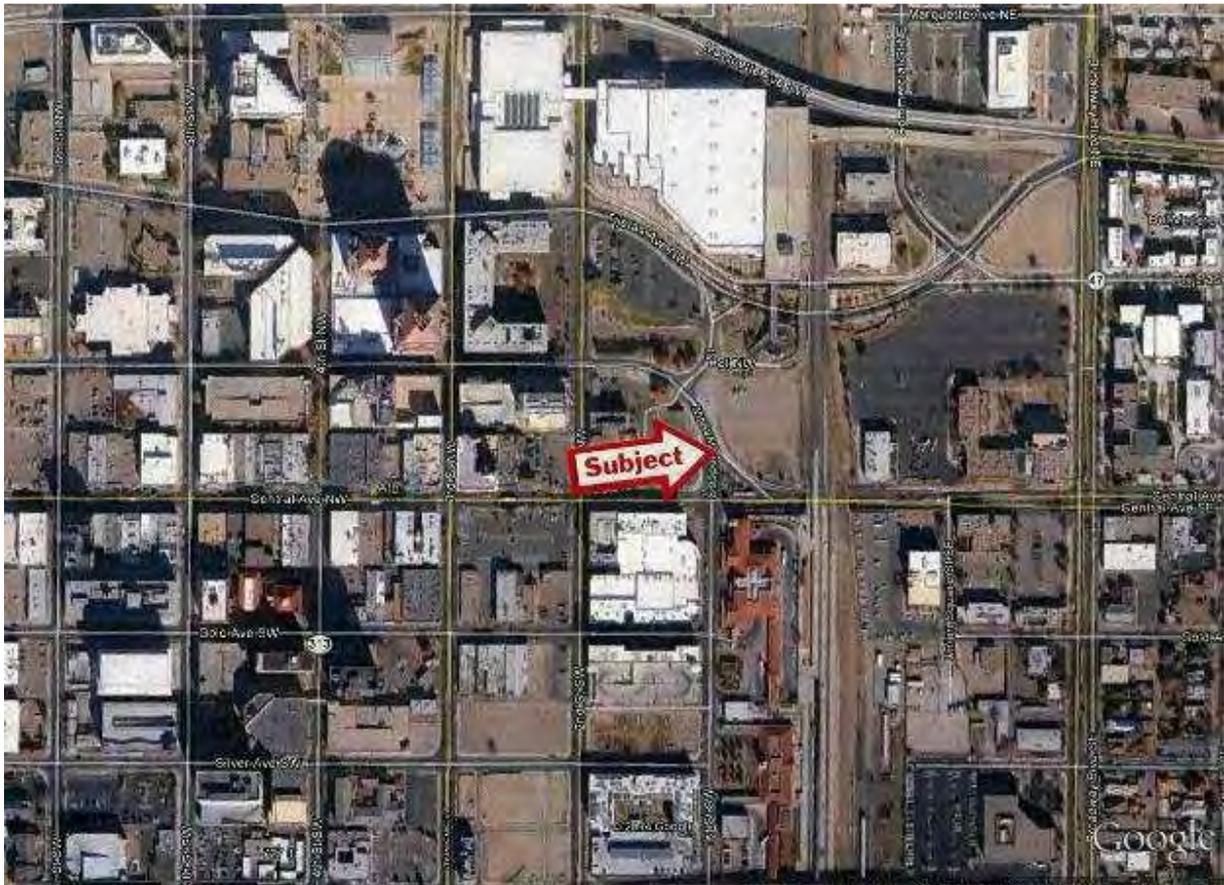
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2013 AERIAL PHOTOGRAPH



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AERIAL ENLARGEMENT



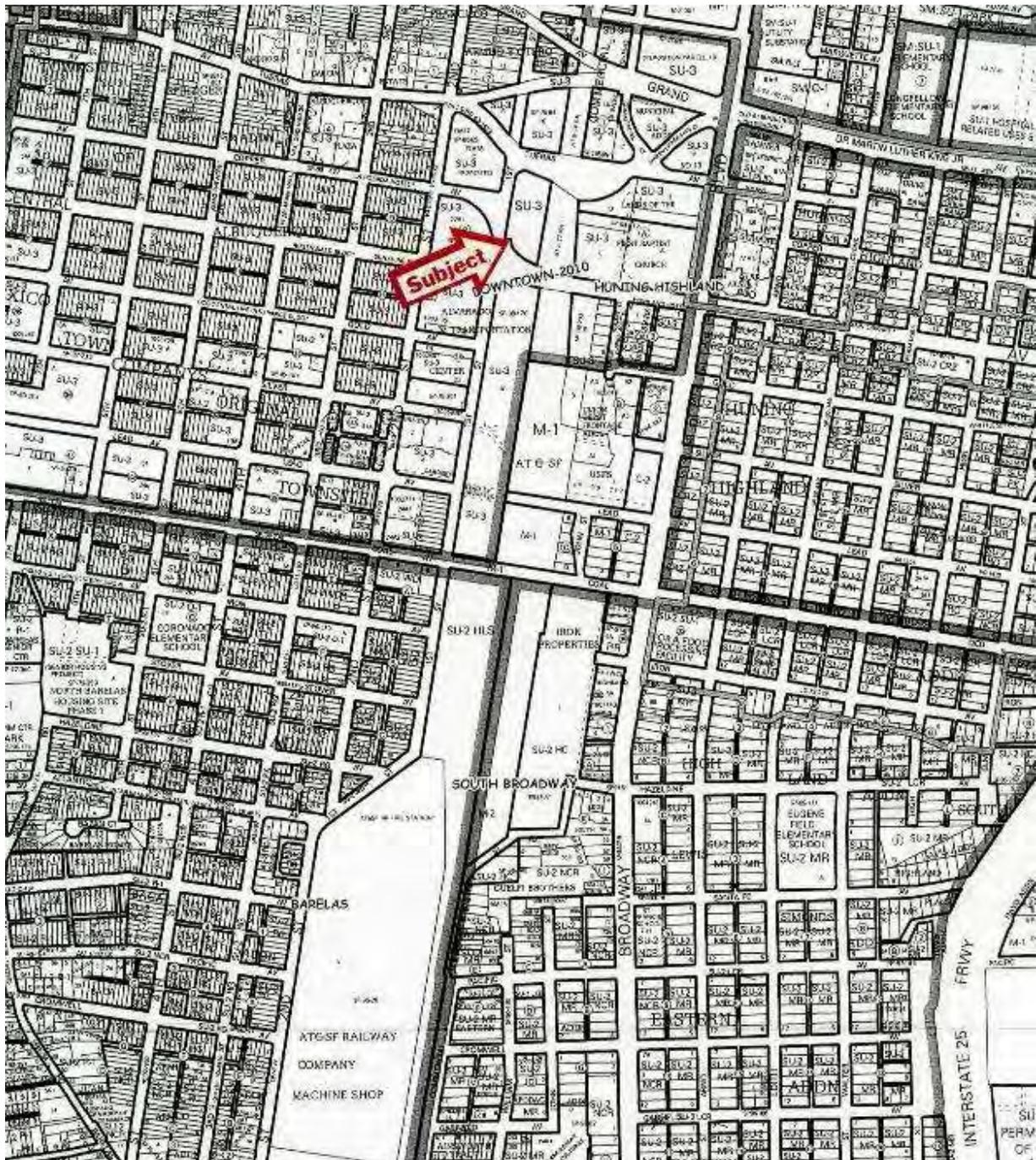
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FEMA FLOOD HAZARD MAP

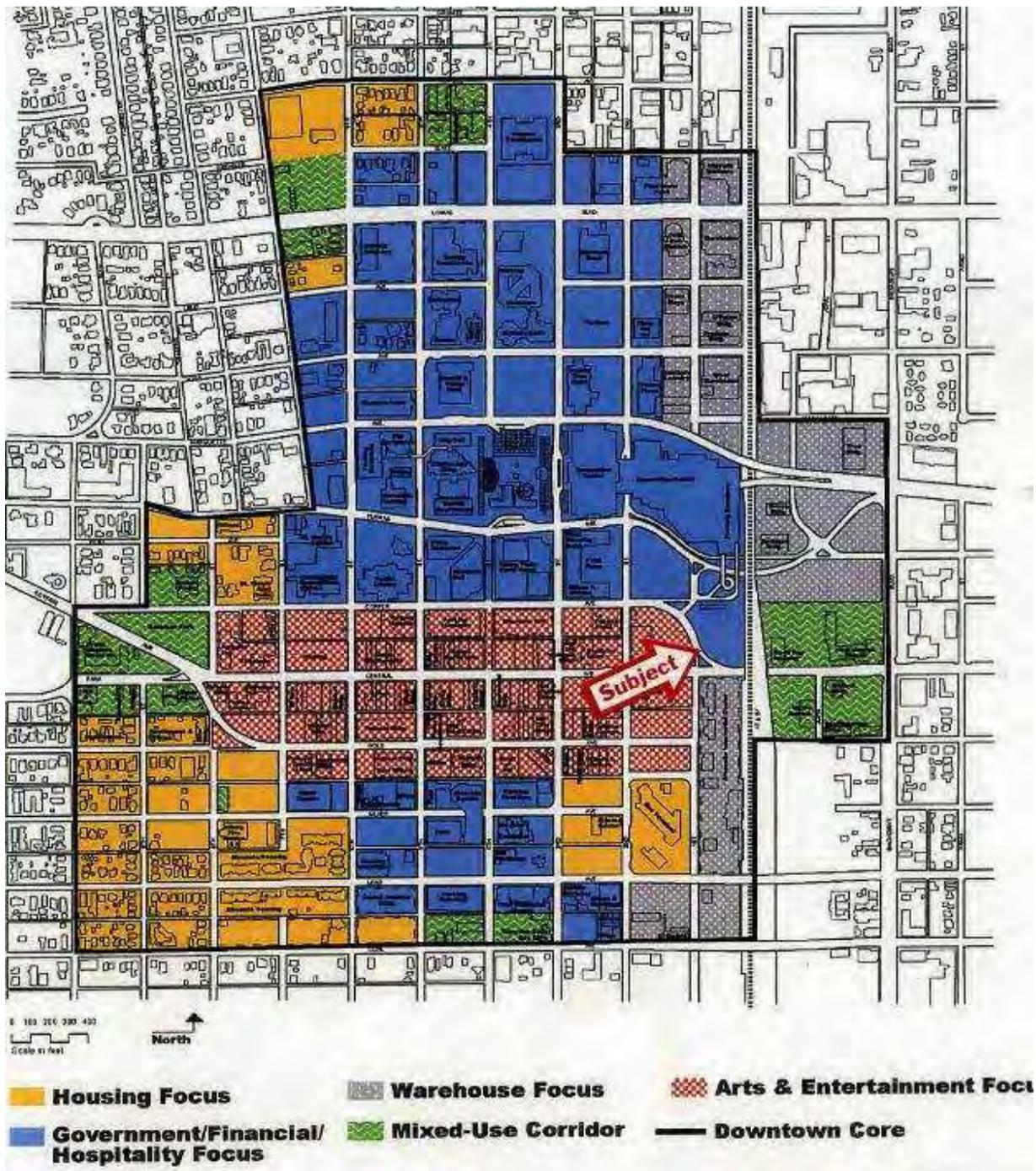


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ZONE ATLAS MAP



DOWNTOWN 2010 SECTOR DEVELOPMENT PLAN ZONING MAP

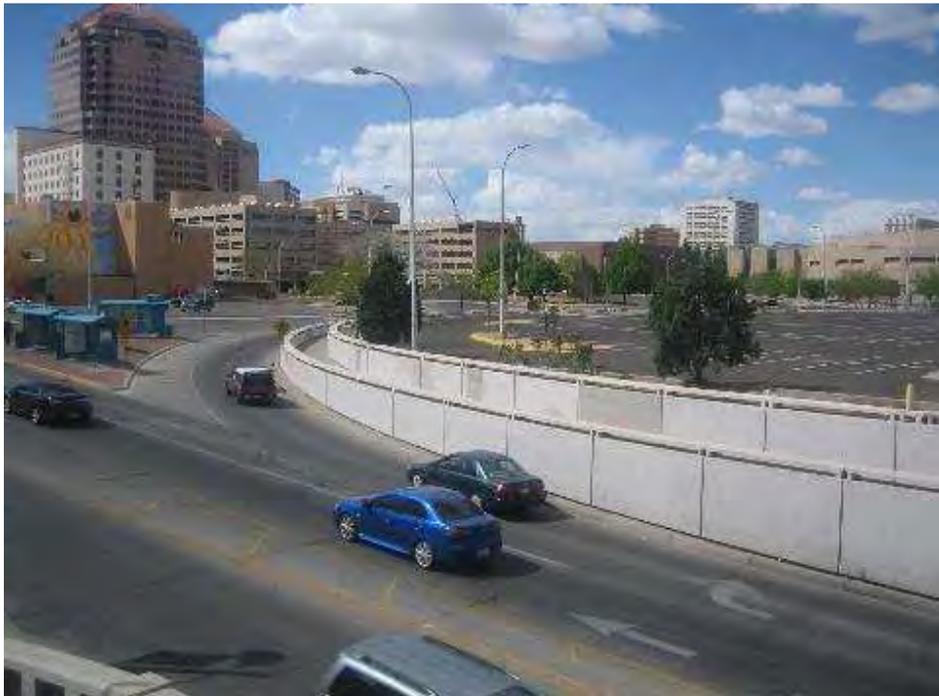


SUBJECT SITE DIAGRAM



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SITE LOOKING NORTHEAST & NORTHWEST FROM CENTRAL AVENUE



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SITE VIEW LOOKING NORTHEAST & SOUTHEAST FROM FIRST STREET



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Identification Of The Property

The subject of this report is property located at the northeast corner of Central Avenue and First Street, near the geographic center of the city of Albuquerque, in Bernalillo County, New Mexico. Broadly, the subject's location is most easily referenced as being on the eastern edge of the downtown central business district (CBD). Though not large, perhaps only about eight blocks by ten blocks, the CBD remains the home of concentrated City, County, State and Federal government offices and judicial facilities, and has one of the city's densest concentrations of professional and institutional offices. Like many downtown districts, Albuquerque's CBD seems constantly in the midst of "revitalization". Federal, County and Metro Courthouse buildings, and office buildings for various government agencies were built in the early to middle 2000s, and with government assistance of one type or another private development groups have been and continue to be in the process of developing entertainment facilities, limited retail/restaurant/office space, and multi-family housing. Together, these arterial and landmark references help to identify the subject's general location within the city.

More specifically, the subject property is situated at the northeast corner of Central Avenue and First Street. In addition to being situated at one of the "gateways" into the heart of the CBD, the site is notable for its frontage on the west side of the BN & SF railroad tracks, and for being opposite the Alvarado Transportation Center and the Century 14 movie theater, which occupy the southeast and southwest corners of the same intersection, respectively. The First Street corridor from Central Avenue south was one of the most recent targets of downtown revival, with the properties noted being the cornerstones of the revitalization efforts that have run on for many years.

The subject property is presently owned by the City of Albuquerque and operated as a paid parking lot (surface parking). The southwest and northwest corners of the site are impacted by curved lanes of traffic for westbound Central Avenue to northbound First Street traffic and for northbound First Street traffic to westbound Tijeras Avenue traffic. For purposes of this appraisal, my client has asked that I consider a conceptual site plan reflecting a rectangular site and normalized intersections at Central Avenue and First Street and at First Street and Tijeras Avenue. Thus, this appraisal involves considering the site subject to one or more hypothetical conditions.

Legal Description

The subject site was not legally described by my client. Based on property tax records related to portions of the site, I offer the following as a working legal description.

A Tract Of Land Within The Northwest ¼ Of The Northeast ¼ Of Section 20, Township 10 North, Range 3 East, N.M.P.M., Said Parcel Estimated To Contain Approximately 70,400 Square Feet Situated Along The North Right-Of-Way Of Central Avenue And The West Right-Of-Way Of The BN & SF Railroad Right-Of-Way, Within The City Of Albuquerque, Bernalillo County, New Mexico.

This working legal description is accepted as accurate, forming the basis for this appraisal. If there is any material change to this working legal description, this appraisal may be rendered invalid or become subject to revision.

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Purpose Of The Appraisal

The purpose of this appraisal is to estimate the market value of a *fee simple title* to the subject property, as it is described in this report, in “assumed” condition, as of April 6, 2014, the date of my last inspection of the property, subject to the hypothetical conditions cited in the following section of this report.

Within this report, the objective is to present and discuss in summary fashion the appraisal process and data considered in developing the estimate of market value. Underlying assumptions, limiting conditions, and term definitions are included in the addendum and should be read. My client did not provide an independent engagement letter, so there are no supplements appraisal guidelines, requirements or term definition to be presented or followed.

Hypothetical Conditions

One or more Hypothetical Condition impacts this appraisal. As defined in the Uniform Standards of Professional Appraisal Practice (2014-2015 edition), a Hypothetical Condition is “a condition directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment, but is used for the purpose of analysis”. That is, a Hypothetical Condition assumes a condition contrary to known facts about physical, legal or economic characteristics of the subject property; or about conditions external to the subject, such as market conditions or trends; or about the integrity of data used in an analysis.

It is a hypothetical condition of this appraisal that:

the subject site is configured as depicted on the site diagram provided by my client, reflecting a rectangular shape, containing approximately 70,400 square feet, and being situated at the northeast corner of a conventional intersection of two perpendicular streets;

The reader is advised that if any hypothetical condition is eliminated, this appraisal could develop different opinions, including a different opinion of market value.

Client And Intended User Identification

My initial discussion regarding an appraisal of the subject property was with a representative of the City of Albuquerque Real Estate Department. The City of Albuquerque subsequently authorized me to complete an appraisal of the subject property. Therefore, the City of Albuquerque is identified as the *sole and exclusive* client and intended user for whom this appraisal was prepared, and the party who may place reliance on it. I assume no responsibility for use of this appraisal by any party other than the client and intended user identified herein. Possession of a copy of this report by other than the client and intended user identified above does not convey client or intended user status.

Intended Use Of The Appraisal

Based on discussions with my client, I understand the intended use of the appraisal to be as an independent estimate of market value that my client may use in an asset management capacity related to their current ownership and future use of the subject property. I am not responsible for any unauthorized or unintended use of this report.

Scope Of Work

As of July 1, 2006, changes in the Uniform Standards of Professional Appraisal Practice (USPAP) effectively eliminated the terms “Complete” or “Limited” when referring to the development of an appraisal. While these terms can still be used to convey a common understanding of the type of process employed in developing an appraisal, the terms have no formal meaning in relation to appraisal standards (USPAP). Nonetheless, for purposes of simple reference, this appraisal was developed in a way consistent with the general understanding of a Complete Appraisal in that it employs all of the applicable approaches to estimating market value.

The Scope Of Work for this appraisal included generic processes like a periodic gathering of relevant data on the greater Albuquerque metro area; information such as population, employment, and other economic data. Similarly, some of the most prominent sectors of the local real estate market are periodically analyzed for trends related to construction activity, occupancy, sales and rental rate movement. More specifically, the neighborhood in which the subject property is located has been surveyed and both historic development patterns and emerging trends are noted. I have gathered information from governmental agencies related to legal descriptions, recorded plats, legal use information, property tax data, etc., and assembled other factual data from a variety of sources. I have made an on-site inspections of the property to serve as the basis for the physical description offered herein.

For purposes of valuing the subject property, I have made an inspection of the property and conversed with the owner’s representatives to obtain a reliable working knowledge of the property and its physical and functional attributes. I have researched recorded transactions in the subject area and of the same property type in expanded areas, researched sales and listing data, researched income, expenses and occupancy data, and researched the broad economic data related to commercial properties in the greater Albuquerque metro area. All of these data have been analyzed and reconciled in the process of developing the market value estimate for the subject. Analyses included considering the subject’s physical and functional features, analysis of market data and comparisons of market data to the subject for selection of the most applicable indicators of market value for the subject.

I have not knowingly excluded any pertinent data in the development of this appraisal. However, New Mexico is a non-disclosure state, and parties to sales and leases cannot be compelled to provide information on real estate transactions. Therefore, it is possible that there is pertinent data that has not been included in this appraisal because of non-disclosure issues. It is also possible that data provided to me and relied upon in this appraisal is inaccurate. I have attempted to obtain information from knowledgeable and reliable parties, but I assume no responsibility for the accuracy of such data. I have not knowingly excluded any pertinent steps in the development of this appraisal.

My client has requested the appraisal be presented in an Appraisal Report. As of January 1, 2014, the term “Summary Report” was formally retired by the Appraisal Foundation. However, the term Summary Report may still be used as an adjective to refer to a style of reporting that appraisal consumers have utilized for many years. Therefore, this Appraisal Report follows what is commonly known as a Summary Report format with regard to the presentation of narratives and market data. The report type does not impact the appraisal process. I have attempted to develop this appraisal and report in a fashion that satisfies all applicable appraisal standards and our client’s expectations.

In accordance with appraisal standards I hereby advise the reader that I have provided no services, appraisal or other, related to the subject property within the three years leading up to my acceptance of this appraisal assignment.

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Albuquerque City Data

Traditionally, Albuquerque’s single largest source of employment had been various branches of Federal, State and local government. A high percentage of this employment was in defense related jobs at Kirtland Air Force Base, Sandia National Laboratories and the many private contract firms involved in research, development, testing, and the like. Over the last decade, though, government employment has begun to represent less of the employment picture, and as the ‘cold war’ has essentially ended, and government appears headed for down-sizing, this trend will likely continue.

In early March of 1995, the Federal Government announced a plan to cut the civilian and military staffing of Kirtland Air Force Base. Through political actions, the Federal Government was persuaded to leave K.A.F.B. essentially intact. The city escaped a significant negative economic impact in 1995, and since that time K.A.F.B. staffing has increased and decreased periodically. Nonetheless, the employment list presented later shows KAFB remains one of the city’s top employers. In 2005, K.A.F.B. was not listed on government’s base closure list. In fact, K.A.F.B. experienced some modest growth as a result of tasks shifted to K.A.F.B. because of the closure of other bases around the country.

Entering 2014, the business/healthcare/education industries represented 30% of the metro area’s employment, with the government sector representing 23%, retail/wholesale trade sector represented 14% and leisure/hospitality 10%. Though government is no longer the largest sector of the economy, it remains a prominent part. To a certain extent the government employment figures are bloated by classification of employment at Indian Gaming Casinos as government jobs, but this is not a major influence. Based on current budget constrains, government employment could decline in the near future.

ALBUQUERQUE METRO AREA EMPLOYMENT

DATE	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Q-1	360,500	378,000	394,700	389,900	392,300	381,500	377,000	369,983	367,375	369,234
Q-2	388,200	385,400	393,000	391,700	394,400	378,600	377,100	369,431	366,511	371,242
Q-3	380,100	384,800	393,800	397,600	394,500	377,700	373,000	370,472	369,408	364,597
Q-4	374,700	389,500	394,200	393,600	389,300	378,200	374,900	376,326	373,684	368,354
AVG	375,875	384,425	393,925	393,200	392,625	379,000	375,500	371,553	369,245	368,357
CHG	+0.27%	*	+2.47%	-0.18%	-0.15%	-3.47%	-0.92%	-1.05%	-0.62%	-0.24%

*Job growth shows a major increase due to an expanded SMSA

From 2002 through 2004, individual years showed growth from 0.27% to 3.03% (based on the average of quarterly reports), and yield an annual compound growth rate of 0.95%. The implied job growth in 2005 cannot be relied on because of a change in the SMSA composition. Job growth from 2005 to 2006 was very favorable, at 2.47%, but that was the last year of metro area job growth. Albuquerque’s employment growth has been negative since 2006. As a local/national recession set in, job losses started in 2007 and continued through 2013. Comparing peak employment from 2006 with that of 2013 shows the metro area lost over 25,500 jobs.

Though the job count in 2013 is down relative to prior years, it is somewhat encouraging that the level of employment seems to have stabilized a bit at around 370,000 jobs in 2011, 2012 and 2013. Although the metro area unemployment rate has declined to 6.4% as of December 2013, the lower unemployment rate is clearly more a function of people leaving the workforce than any actual increase in the number of jobs in the metro area. The work force as of the third quarter of 2006 was 408,669 and the work force as of the fourth quarter of 2013 was 392,925, indicating almost 15,750 fewer participants in the work force. If the 2013 labor force was the same size as that of 2006, unemployment would be nominally 10%.

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The city's top employers provide a very wide variety of employment types. In the main, however, expansion has been heavily related to various types of 'clean industry'. Examples include manufacturers of computers, microchips, and aircraft systems; technology testing centers, research and development firms, data processing centers; insurance companies, health care companies, reservation centers for hotel and airline companies, and banking, utility and communication companies. Close association of the Albuquerque area with military defense research and development is reflected in a high percentage of business with government related work, much of which is directly related to the D.O.D. and the D.O.E.

ALBUQUERQUE AREA MAJOR EMPLOYERS – 2008/2009

#	EMPLOYER	# EMP	DESCRIPTION
1	Kirtland Air Force Base	26,960	Government (Civilian)
2	University of New Mexico	15,435	Educational Institution
3	Albuquerque Public Schools	14,000	Educational Institution
4	Sandia National Laboratories	8,730	Research & Development
5	Presbyterian	7,315	Hospital & HMO
6	City of Albuquerque	6,500	Government
7	State of New Mexico	5,605	Government
8	Kirtland Air Force Base	4,860	Government (Military)
9	UNM Hospital	4,595	Hospital
10	Lovelace	3,400	Hospital/Medical Services
11	Intel Corporation	3,300	Semiconductor Manufacturer
12	Bernalillo County	2,300	Government
13	Central NM Community College	1,870	Educational Institution
14	Rio Rancho Public Schools	1,835	Educational Institution
15	V. A. Medical Center	1,805	Hospital
16	Sandia Resort/Casino	1,755	Indian Gaming/Resort
17	T-Mobile	1,700	Customer Service Center
18	US Post Office	1,600	Government
19	PNM Electric & Gas	1,585	Utility
20	Los Lunas Public Schools	1,365	Educational Institution

The prior chart of metro Albuquerque's largest employers is dated. In recent years, many companies moved to keep employee totals secret for security purposes. While the specific employee levels have likely changed, the employment categories and even specific employers likely remain unchanged, at least in the top half of the list.

Residential construction and price levels are often good indicators of economic conditions. The following chart shows the area's single family residential development trend based on building permits, and changes in the average price of all homes sold via the Albuquerque Board of Realtors' multiple listing service.

SINGLE-FAMILY RESIDENTIAL PERMITS & HOME SALES

YEAR	PERMITS	% CHANGE	SOLDS	% CHANGE	AVG. PRICE	% CHANGE
2004	4,964	-0.26%	12,025	+11.46%	\$182,490	+9.47%
2005	4,676	-5.80%	14,183	+17.95%	\$204,502	+12.06%
2006	3,334	-28.70%	13,593	-4.16%	\$227,883	+11.41%
2007	1,946	-41.63%	10,993	-19.13%	\$243,089	+6.70%
2008	659	-66.14%	8,174	-25.64%	\$232,626	-4.30%
2009	654	-0.76%	7,965	-2.56%	\$214,662	-7.72%
2010	749	+14.53%	7,484	-6.04%	\$215,989	+0.62%
2011	767	+2.40%	7,373	-1.48%	\$201,176	-6.86%
2012	903	+17.73%	8,387	+13.75%	\$204,513	+1.66%
2013	849	-5.98%	9,741	+16.14%	\$210,488	+2.92%

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Following the sagging market in the late 1980s, strong demand returned to the single-family residential sector in the 1990s. Thereafter, despite some ups and downs, sustained demand was largely attributed to interest rates that hit near record lows in middle 1990s and remained quite low for a protracted period of time. New residential building permits increased steadily from the middle 1990s through 2004. The seemingly sharp drop in 2005 was not indicative of slowing growth in the metro area, but of some growth shifting to Rio Rancho and Los Lunas, which are not counted in the statistics above. Evidence of continued strong demand in the metro area was indicated by sales of existing homes, which continued at a strong pace through 2005 and into 2006.

Reflective of the slowing economy and trouble in the sub-prime lending markets, the residential market suffered its first truly negative performance in many years in 2007. Although average prices increased slightly, issuance of new home permits declined significantly and sales of existing homes were off by 18%. Deterioration continued and accelerated in 2008, with building permits falling precipitously to fewer than 700 and sales of existing homes falling by more than 28%. For the first time in many years, the average home price fell in 2008, marking a 4.30% loss compared to 2007. Deterioration continued in 2009, but at a much slower rate than in the immediately prior years. Building permits rebounded in 2010, 2011 and 2012, but dipped a bit in 2013. An increase in building permits came at the expense of continually deteriorating sales of existing homes and average prices, which decline in 2010 and 2011. However, 2012 showed a more extensive rebound, with permits, sales and average price all increasing, the first time this has happened since 2003. Though permits dipped slightly in 2013, exiting home sales and average price both increased.

Entering 2014, signs are mostly positive for residential markets. Existing inventories and foreclosures are down, financing for qualified buyers remains cheap by historic standards, sales volume and average prices are rising, and building activity is increasing. However, with sustained high unemployment, significant obstacles remain to threaten a sustained recovery in the housing market.

Entering 2014, the multi-family residential sector is showing clear improvement. Massive over-building in the 1980s was overcome by the middle 1990s. However, despite low levels of new construction since then (average of less than 515 units per year over the prior decade), the broader apartment market was not able to regain much strength. Although apartment occupancy generally exceeded 90% for the past 10 years, rentals rates grew very little and rental concessions remained common throughout the market.

In the early years of the real estate and financial market crises, apartments suffered elevated vacancy, high turn-over and flat rental rates. In late 2010, the apartment market appeared to be gaining pricing power and apartments appeared to be regaining their appeal as investment properties. The crisis in single-family residential markets forced many people to return to the apartment market and some are unlikely to go back to home ownership for many years.

MULTI-FAMILY CONSTRUCTION PERMITS & VALUES

YEAR	# UNITS	% CHANGE	PERMIT VALUE	% CHANGE
2004	462	-28.59%	\$24,637,800	-41.15%
2005	465	+0.65%	\$24,830,800	+0.78%
2006	893	+92.04%	\$83,430,652	+236.00%
2007	522	-41.55%	\$42,596,581	-48.94%
2008	349	-33.14%	\$27,612,866	-35.18%
2009	262	-24.93%	\$25,121,477	-9.02%
2010	264	+0.76%	\$35,237,890	+40.27%
2011	255	-3.41%	\$27,462,339	-22.07%
2012	741	+190.59%	\$60,597,624	+120.66%
2013	933	+25.91%	\$79,798,349	+31.69%

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Development of fewer than 515 units per year (average) should have allowed the apartment market to regain strength in occupancy and earnings, but it proved to be the housing crisis that led to improvement in the apartment market. To date, improvements in occupancy and average rental rates have not led to significant new construction. Generally, new construction remains economically infeasible, and almost all building seen over the past few years has been supported by subsidies of some type. However, if the current trends in occupancy and rents continue, demand for apartments could lead to sustained higher levels of construction than have been seen in the recent past. Data for 2012 and 2013 could be a preview of future demand, but the reader is cautioned to remember that housing subsidies remain commonplace in the apartment market, and this artificially influences new construction. Moreover, much of the 2012 and 2013 construction was restricted to or targeted at students of the University of New Mexico.

Starting in middle 1990s, commercial properties also pulled out of a long “down” period. Nonetheless, there are still problem areas within the commercial sectors. For offices, it is the downtown business district that still suffers with high vacancies and stagnant rental rates. For retail properties, it is the older, smaller, unanchored strip centers that struggle to compete with new shopping centers. Industrial markets have performed best and most consistently in recent years, but the rental market was strained by a significant movement from a rental basis to ownership basis that was facilitated by low interest rates.

COMMERCIAL CONSTRUCTION PERMITS & VALUES

YEAR	# PERMITS	% CHANGE	PERMIT VALUE	% CHANGE
2003	112	+9.80%	\$95,001,967	+3.56%
2004	115	+2.68%	\$117,471,395	+23.65%
2005	137	+19.13%	\$174,049,995	+48.16%
2006	119	-13.14%	\$156,947,442	-9.83%
2007	130	+9.24%	\$212,950,246	+35.68%
2008	131	+0.77%	\$326,262,746	+53.21%
2009	46	-64.89%	\$36,421,821	-88.84%
2010	37	-19.27%	\$43,681,054	+19.93%
2011	35	-5.41%	\$47,609,373	+8.99%
2012	35	N/C	\$55,133,473	+15.80%
2013	73	+108.57%	\$64,533,897	+17.05%

The biggest news in the retail market in many years was the 2006 opening of “Abq Uptown”, a lifestyle center in the northeast quadrant of Albuquerque. The center was built on land adjacent to the Coronado and Winrock Malls, two of the three regional malls in the city. Though offering only about 225,000 square feet of space, the center re-introduced an open-air shopping environment to Albuquerque with a number of high-end retailers and restaurants. In its seven-year history the center has proved successful, so much so that modest expansion was undertaken in 2012 and again in 2013. The strength of Abq Uptown and the immediate market spurred the construction on a huge new Target store opposite Abq Uptown. This multi-level Target sells groceries and a full line of retail products. 2012 and 2013 also saw the resumption of redevelopment efforts of Winrock Mall. A new national chain restaurant was erected and a defunct restaurant was re-tenanted. A new multi-screen movie theater was completed near the end of 2013 (and the defunct theater it replaced was razed).

Though on a far smaller scale, retail development has continued throughout the city. Projects have tended to be small in-line centers that sometimes incorporate a freestanding restaurant. These improvements have mostly been seen in the northeast and northwest quadrants of the city. Following a lengthy period of almost no new retail development, even these small projects are positive signs of a firming market. The following chart shows the results of surveys performed by the local office of Colliers International (formerly Grubb & Ellis).

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RETAIL MARKET VACANCY HISTORY

LOCATION	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Cottonwood	7.9%	6.1%	5.2%	3.0%	6.3%	9.0%	9.1%	9.9%	7.3%	5.6%
Downtown	21.3%	25.9%	22.9%	24.0%	18.6%	26.2%	21.1%	16.5%	17.4%	16.0%
Far Northeast	7.5%	6.4%	5.0%	6.7%	8.0%	8.3%	7.4%	7.9%	6.3%	8.0%
North 1-25	7.5%	5.2%	3.3%	5.4%	5.8%	8.8%	6.5%	6.5%	6.7%	6.3%
North Valley	13.6%	9.3%	9.6%	5.5%	10.3%	6.2%	5.3%	9.0%	9.0%	8.5%
Northeast	10.3%	10.9%	9.9%	10.4%	11.6%	17.3%	13.9%	15.2%	12.8%	11.6%
Northwest	12.5%	11.5%	9.2%	10.9%	12.7%	9.6%	7.9%	6.5%	6.5%	5.5%
Rio Rancho	7.5%	5.6%	5.4%	4.3%	5.1%	4.8%	7.2%	6.5%	4.3%	3.8%
Southeast	7.6%	8.1%	8.0%	3.6%	4.1%	5.1%	6.6%	7.8%	6.5%	7.8%
Southwest	18.1%	10.6%	7.0%	6.1%	8.8%	10.0%	9.8%	10.2%	9.9%	8.5%
University	14.8%	16.4%	15.6%	10.1%	10.2%	8.1%	7.4%	6.5%	5.3%	4.1%
Uptown	8.7%	8.4%	17.3%	19.8%	22.3%	21.2%	11.8%	10.4%	10.5%	8.8%
TOTALS	9.7%	8.3%	8.0%	8.0%	9.4%	10.8%	9.1%	9.4%	8.1%	7.6%

Throughout 2009, retail properties suffered deteriorating rents and higher vacancy, plus unexpected vacancies created by some national companies closing local stores. Soft conditions continued in 2010, but many of the big box and department store spaces left vacant in 2009 found new users in 2010, which helped reduce the decade-high vacancy rate of 10.80% in 2009 to 9.10% in 2010. There was a mix of large vacancies and re-absorption in 2011, as stores like Borders Books closed, but stores like Baillio's took over a space vacated by Circuit City. Nonetheless, vacancy inched up in 2011 to 9.40%. The cycle of some large closings and some large re-leasing continued in 2012. In addition, new construction in 2012 was seen in many parts of the city, with some single-tenant national chains erecting new stores, and some developers constructing small strip retail centers. New construction continued and expanded in 2013.

By year-end 2012, the retail market had shown solid improvement, with vacancy down to just 8.10%. Strengthening continued throughout 2013, with almost every sub-market within the city seeing vacancy decline, and the city's overall vacancy rate falling to 7.60%. This was the lowest year-end vacancy in a decade and the fourth consecutive year of declining vacancy. Over the past 10 years, year-end vacancy has averaged 8.84%. Thus, the last two years have registered vacancy rates below the long-term average.

Office occupancy continues to be negatively impacted by nation-wide economic conditions/trends and some associated corporate downsizing. Most sub-markets recovered very well in the middle 1990s, with occupancy returning to almost 95% by the end of the decade. Additional corporate departures in the late 1990s were accompanied by a trend of private companies and government agencies leaving buildings in which they previously leased space in favor of freestanding buildings built for owner-occupancy or as specific responses to government requests for purpose-built buildings. The trend away from renting in favor of owning was not limited to major corporate or government tenants. The long-term availability of low interest rates induced significant numbers of small space users to leave rental space in favor of owner-occupied space, primarily small condominium units. As a result, the local office market has been struggling through one of its worst periods of prolonged high vacancy. The following chart shows the results of surveys performed by the local office of Colliers International (formerly Grubb & Ellis).

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OFFICE MARKET VACANCY HISTORY

LOCATION	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Airport	30.2%	23.2%	21.5%	10.2%	7.7%	9.7%	12.0%	11.8%	15.8%	15.2%
Downtown	20.3%	18.0%	20.4%	15.6%	18.5%	18.0%	18.7%	21.1%	21.7%	29.6%
Far Northeast	13.0%	9.3%	9.7%	8.8%	10.4%	10.8%	13.7%	14.8%	12.1%	11.6%
Mesa Del Sol					0.0%	13.9%	15.4%	15.4%	16.1%	16.1%
North I-25	10.1%	8.1%	12.4%	10.8%	13.3%	14.3%	18.9%	20.9%	18.5%	14.2%
Northeast	12.1%	12.6%	10.5%	13.2%	16.4%	15.7%	20.7%	15.4%	19.3%	19.2%
Rio Rancho	15.5%	9.8%	5.5%	13.3%	18.7%	10.5%	11.2%	11.9%	11.7%	11.5%
Southwest	6.2%	5.2%	4.4%	4.1%	10.7%	11.4%	23.4%	23.4%	24.0%	23.2%
University	5.5%	5.6%	8.2%	5.3%	10.3%	23.4%	23.2%	14.3%	12.5%	11.2%
Uptown	14.2%	10.3%	9.0%	9.1%	8.5%	13.2%	17.2%	19.6%	22.3%	21.0%
West Mesa	20.8%	20.0%	14.0%	9.3%	26.2%	29.1%	27.5%	30.0%	33.9%	32.0%
TOTALS	15.1%	12.5%	13.4%	10.8%	13.1%	15.0%	18.0%	18.5%	18.9%	19.3%

It is noted that inclusion of sub-lease space would lead to increases in this accounting. These figures have been impacted by some new construction in emerging sub-markets and/or conversions of defunct industrial shells into large office complexes, but new construction has been insufficient to cause these current conditions. Unlike in previous periods of high vacancy, over-building is not to blame. Rather, the crises in real estate and financial markets that emerged in the fourth quarter of 2008, the lingering effects of a serious recession, and persistently high unemployment are the prime causes of the currently high vacancy rate in offices. These factors are likely being compounded by technology factors that are reducing requirements for conventional office space. Older buildings with less efficient HVAC and telecommunications infrastructure suffer the most, but current market conditions have resulted in high vacancy in all classes of office space.

The Albuquerque market ended 2011 with an 18.50% vacancy rate. The negative trend continued in 2012 and 2013, with vacancy increasing to 18.90% and 19.3%, respectively, by year-end. The year-end 2013 vacancy rate is a record for the modern era and marks the sixth consecutive year of increasing vacancy. Absent clear signs of job growth in the local market, erosion of occupancy in office space is likely to continue. As in other segments of the market, the lower occupancy and rental rates that emerged in 2008 combined with higher capital requirements have resulted in falling property values.

Clearly, the city's central business district (Downtown sub-market) is the most distressed, with standing vacancy of nominally 30%. With some large office tenants known to be vacating space in 2014, conditions in Downtown are likely to get worse in the immediate future. With over 950,000 square feet of vacant space, it would take massive job growth to absorb existing vacancies. Therefore, politicians and property owners are exploring alternative property uses, such as partial conversions of office space into residential quarters. Although the Downtown market has seen increased apartment construction and high occupancy in recent years, subsidies of various types have been highly influential in this sector of the market, so it remains unclear if market forces are sufficient to justify conversions costs.

Industrial markets were better able to maintain their health than commercial markets through the late 1980s and into the 1990s. Being more oriented to owner-occupancy than speculative multiple tenancy, industrial property, as a class, avoided the very heavy over-building of the mid 1980s and through the 1990s. However, in the early 2000's, the move to owner-occupied space clearly impacted the industrial marketplace, being at least partly to blame for increased vacancy. Heavy construction of office-warehouse condominium projects in the middle 2000s has allowed many former tenants to become owners, with low interest rates making the move beneficial from an economic standpoint. The following chart shows the results of surveys performed by the local office of Colliers International (formerly Grubb & Ellis).

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INDUSTRIAL MARKET VACANCY HISTORY

LOCATION	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Airport	9.5%	7.6%	3.4%	10.1%	9.1%	11.6%	10.3%	18.9%	17.3%	15.1%
Downtown	18.9%	21.6%	14.5%	16.5%	13.4%	18.7%	12.1%	12.3%	14.9%	14.2%
Far Northeast	3.4%	31.1%	1.5%	32.5%	0.9%	0.9%	0.9%	0.9%	1.9%	0%
Mesa Del Sol					0.0%	0.0%	1.0%	1.0%	31.9%	31.9%
North I-25	11.7%	4.1%	6.8%	5.9%	6.9%	8.1%	8.5%	9.6%	8.3%	7.7%
North Valley	13.1%	11.5%	12.4%	14.2%	13.4%	11.6%	7.7%	15.4%	17.5%	17.9%
Northeast	4.9%	5.2%	9.7%	6.8%	14.0%	21.0%	7.0%	15.9%	12.9%	13.7%
Northwest	9.0%	19.3%	5.3%	2.4%	8.7%	12.7%	13.5%	12.8%	10.3%	3.5%
Rio Rancho	5.6%	5.9%	0.6%	0.7%	2.0%	1.6%	2.5%	4.6%	4.1%	4.4%
Southeast	9.2%	11.8%	3.9%	2.9%	18.0%	17.3%	14.1%	11.4%	12.9%	11.3%
Southwest	5.9%	12.7%	8.2%	3.1%	6.3%	12.5%	35.1%	19.1%	17.9%	19.0%
University	3.2%	1.6%	14.1%	12.1%	5.4%	2.9%	9.6%	12.4%	17.2%	24.1%
TOTALS	10.7%	10.5%	6.5%	5.9%	7.5%	9.3%	10.3%	10.3%	10.3%	9.3%

Over the past few years, the lack of availability of large industrial facilities was cited by some companies interested in locating/re-locating to this area as a problem. Some companies want to enter the market immediately, and not wait for construction of new improvements. Entering 2014, this remains something of a problem because the limited number of large buildings that have been available have attracted greater interest in an era when new construction is price-prohibitive. Unfortunately, the economic crises that have impacted all markets have also weighed heavily on the industrial market, as vacancy rose sharply after 2007.

Year-end vacancy for 2010, 2011 and 2012 was 10.30%. While these rates were near 10-year highs for the industrial market, they at least show that the market had stabilized and was not continuing to deteriorate. The year-end 2013 vacancy rate of 9.3% reflects the continued firming of the local market. The 10-year average for vacancy stands at 9.06%. Therefore, while the 2013 year-end vacancy rate remained fractionally higher than the long-term average for the industrial market, it appears vacancy is trending back toward the long-term average.

Overall, economic conditions in the Albuquerque area were generally good through the middle 2000s. Population continued to grow, as did employment. With the exception of the local office market, most segments of the real estate market were performing well, with the single-family residential market having record-setting performance in the middle years of the decade. Residential markets began deteriorating in late 2006, with problems growing worse in 2007 and reaching crisis levels in 2008. Most commercial markets sustained good performance until the latter part of 2008 when a serious banking crisis led to essentially frozen financial markets. As crisis conditions spread to equities, the nation's economy slipped into deep recession (technically starting in late 2007). Economic conditions impacting the nation rippled throughout the entire county and consumers significantly curtailed spending. In addition to prominent national banks closing, closings spread to prominent national retail and restaurant chains, and virtually every company, large or small, enacted cut-backs wherever possible. Now more than five years after these crises emerged, signs of recovery mixed and often segmented.

Entering 2014, the local retail market has shown strong and consistent signs of recovery, the industrial market has stabilized and shown hints of improvements, but the office market continues to experience increasing vacancy. All sectors of commercial real estate are impacted by employment, but it seems the declining employment in recent years has impacted the office market hardest and for the longest period of time. There has been seven consecutive years of job losses in the Albuquerque metro area, but at least the past three years have seen very nearly stable employment at around 370,000 jobs.

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The impact of these individual features of the economy on the subject, or any individual property, is subtle. But, all signs point to a recent past of elevated vacancies, lower rental rates, increased/sustained difficulty in obtaining financing, and real estate investors, being fewer in numbers, expecting higher rates of return on invested monies. In sum, lower property values, compared to those of the middle 2000s, emerged in 2009 and persisted for varying lengths of time. While the local retail market appears to have experienced good recovery and signs of increasing values, other segments of the market remain flat or still in decline.

City Data Summary And Conclusions

The four influences on real estate and values that have just been discussed can sometimes work one against the other. However, in Albuquerque, all appear to have worked together to the betterment of the city, its residents business and property values, at least until late 2007 and early 2008.

Environment features of mild weather, easy movement and good social services make Albuquerque a very attractive place to live and work. Political elements (mostly passively) favor growth, offering a non-restrictive zoning structure, moderate tax rates, and, on occasion, development incentives like favorable tax rates and/or financing.

All these efforts have helped diversify the city's economy. Heavy dependence on government spending and employment has been reduced somewhat via expansion of the retail and service sectors. The character of new industry attracted to the city, partly because of close relations with military defense spending, is generally "future oriented" and "clean" industry. While gains in employment have not been overly impressive, job growth remained positive and very steady through the first half of 2008. However, the crises in real estate and financial markets that emerged in the latter part of 2008 combined with a serious recession introduced declining employment in the latter part of 2008, and this trend continued through the end of 2013. There are signs job losses have largely ceased or at least been marginal, but true growth in employment remains elusive and is likely to be weak when it does emerge.

Serious and widespread problems in the real estate markets largely disappeared in the early 1990s and most markets enjoyed an extended period of growth and prosperity that lasted until 2006 or slightly later. Single-family residential markets showed the first signs of weakening in late 2006, growing worse in 2007, with the decline progressing and reaching crisis levels in the fourth quarter of 2008 and suffering falling sales volumes through 2011. Though coming off of very low figures, 2012 and 2013 posted modest growth in existing home sales and average price. Commercial real estate markets sustained themselves a bit longer, with softness not appearing until 2008. By the end of 2008, commercial properties began to feel the impact of the deep recession and a financial market was/is seriously restricted in its ability to extend credit. Accordingly, commercial property values have suffered moderately to significantly since 2008.

As real estate development and prosperity are ultimately related to a population that presents a demand for goods and services, economic conditions that threaten jobs and income outweigh other factors and will serve as a drag on real estate markets for the foreseeable future. These conditions will have varying levels of influence on any individual property, but are fundamentally unfavorable to all types of property, including the subject property. However, each property has individual attributes that must be considered against these broader market conditions and influences.

Subject Neighborhood Discussion

Generally, the subject neighborhood is regarded as Albuquerque's Central Business District ("CBD"), with the subject property located along or the northwestern edge thereof. In broad terms, the CBD is depicted on the prefacing aerial photographs and accompanying maps. It is more specifically identified by the dotted outline on the Downtown Improvement Map included herein. The immediate subject neighborhood lies along the eastern edge of the maps and aeriels, with the subject property identified thereon by arrows.

Generalities

Although some retail outlets have survived, downtown Albuquerque is truly a central "business" district. Development is dominated by numerous mid-rise office buildings, with premiere occupants being federal, state, county, and city government offices and judicial facilities, City of Albuquerque convention center facilities, major legal firms, commercial banks, and the corporate headquarters of a local utility company. Luxury office space for private sector firms is also present in the CBD, but does not represent the main character of the CBD.

The immediate CBD is surrounded on all sides by older residential neighborhoods/properties. Those neighborhoods that immediately abut the CBD are periodically pressured for conversion to commercial use or complete redevelopment. For the most part, the surrounding commercial buildings and residences are quite old and functionally obsolete when compared to more modern buildings and homes. A few of the residential areas have become "fashionable" and evidence strong cohesion and pride of ownership. However, most are typical of old neighborhoods subject to periodic transitional pressure.

The subject property is located in the south half of the CBD, which I consider to be the area south of Copper Avenue. Through the 1990s and early 2000s, the north side of the CBD grew ever more separate from the south side of the CBD. The north side experienced almost all of the major modern era government building development during that time. Although most of the recently-past developments in the CBD focused attention on the north side of the CBD, year 2000 saw the start of a return to development on the south side of the CBD, with government offices, transportation facilities and entertainment facilities introduced. In the most recent of times, the south side of the CBD has experienced a greater share of new building, most of which has been residential in nature.

Development Background

Downtown Albuquerque has been in the process of Urban Renewal and core area redevelopment since the late 60s. Urban Renewal started in the late 1960s in the area east of 4th Street and west of 1st Street between Copper Avenue and Lomas Boulevard. The properties acquired for "renewal" were virtually all razed and the sites made available at attractive prices for redevelopment. Illustrative of this era are Wells Fargo (formerly United New Mexico Bank) building, Plaza Maya, Plaza Del Sol building, First Plaza, and Bank of America (formerly NationsBank) building (augmented since).

Following downtown's Urban Renewal phase, a dramatic exodus from the CBD to the Winrock-Coronado Regional Shopping Center area, or "Uptown District", created a demand for governmental assistance in "redevelopment" of CBD buildings. This avenue took the guise of low interest rate funding through industrial revenue bonds for rehabilitation of interesting, though mostly functionally obsolete, structures. Evidence of such developments are the La Posada de Albuquerque Hotel, Old First National Bank Building, Copper Square building, Hudson Hotel Building, Shufflebarger Building, Rosenwald building, and others.

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Coincident with the Urban Renewal program, and continuing through the latest bout with CBD redevelopment, were acquisitions for, and new construction of Civic Plaza, the City-County complex, the Sheriff and Police Building, Detention Center, the Metropolitan Court building, and most recently new buildings for Federal Courts, County Courts, another Metropolitan Court building, and the County's District Attorney's offices, all of which are on the north side of the CBD.

Private sector growth was attempted by First City National Bank (MONCOR), which acquired numerous land tracts in the area north of Lomas Boulevard in the early 1980s and was successful in assembling the full block from Lomas to Slate Avenue between 3rd and 4th Streets, plus half block to the east and west. Due to various banking problems, this site was never developed. It was more than a decade before this site would become important to CBD development, when in 1998 the site was acquired for development of a new Federal Courthouse building.

In the middle 1980s, Cavan and Associates acquired the lands between 5th and 6th Streets on the south side of Marquette for "500 Marquette", a 230,000 square foot high-rise office building project. This project was completed with some assistance from the City of Albuquerque. As with most CBD office projects, 500 Marquette subsequently failed to satisfy its economic expectations/requirements and was soon sold at a fraction of its original construction cost.

On a smaller scale, the northeast corner of Lomas and 2nd Street was developed with a multi-level office building that was in the planning stages for several years. This 100,000 square foot office structure, with an adjacent parking structure, also failed to meet economic expectations and stood only partly finished for several years. The property did not receive final interior build-out until the late 1990s, and has since been home to First Community Bank (fka First State Bank).

More recently, the City completed expansion of the Convention Center and multi-level parking garage. Aerial walkways spanning Second Street connected the new structure to the old convention center. The new convention center is on the north side of the CBD, on its far eastern periphery.

Built at about the same time, and in close proximity to the new "expanded" Convention Center, was a new high rise office and hotel complex known as the Albuquerque Plaza Office and Hyatt Regency Hotel. This project was also sponsored to a degree by the City of Albuquerque. And like almost all other CBD developments, its economic performance fell far short of expectations/requirements and the property sold within a few years of being completed at only about 70% of its construction cost. This property is also on the north side of the CBD.

Following a few years of no new construction, the aforementioned Federal Courthouse structure was built in 1998 and 1999. As only the second major CBD project on the north side of Lomas, this project had the effect of stretching the core area to the north. Further, since the GSA's original intention was to place the building on the far south side of the CBD, its eventual placement on the far north side was something of a double blow to the status of the south side of the CBD.

Lastly, site acquisitions were completed and construction of new facilities for Bernalillo County were completed on the south side of Lomas, between Fourth and Sixth Streets. Two buildings, for the District Attorney's office and for the County Court have been built, and a supporting parking garage was also erected. Though the D.A.'s offices were immediately occupied, dissatisfaction with parts of the County Courthouse necessitated renovations before the space was ever occupied. It has since moved to full

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occupancy by the County. On the northwest corner of Lomas Boulevard and Fourth Street, a new Metropolitan Courthouse and adjacent parking garage were built.

Effectively, these assemblies and acquisitions for new development, redevelopment, and/or rehabilitation of existing structures, have left a dearth of lands in the CBD. Without a potentially expensive assembly process, lands sizeable enough to accommodate large-scale CBD projects like those noted above, with unified ownership, are very rare.

Demand for future development must, therefore, concentrate on very few available vacant sites, or compete with other market entities in assemblage of small improved properties. When/if market-based demand returns to the CBD, the acquisition of already-assembled vacant lands, or assembly of many smaller improved tracts, implies the possibility of inclining values. Currently, however, over-supplied conditions do not bode well for appreciation in the foreseeable future.

While limited acquisitions by some groups have taken place in the past few years, the real demand for new commercial development is considered moderate to very low at this time. Since the early 1980s, the CBD office market has been dramatically over-built. Reaching back to the late 1985 and early 1986 time frames, and running to the present, occupancy in the overall market has approximated only 75% to 85%, even with some owner occupied buildings included. Even Class A space, which is often thought to out-perform the market at large, suffers from persistent vacancy problems.

The few real gains in occupancy that have taken place have been almost immediately, and often more than equally, off-set by the development of new buildings like 500 Marquette, First State Bank, and Albuquerque Plaza, for example. Adding to these new buildings were redevelopment projects that brought back into service, as offices, buildings that had been out of service for a few to many years, as in the case of Silver Square, the Springer Building, and the “Old Sears Building”, to name a few. Those gains not off-set by new construction have generally been overshadowed by relocation of some major tenants, namely Federal Government agencies, to buildings outside the CBD.

While new buildings often appeared to be leasing up and increasing overall occupancy, the real effect, to a large degree, was simply a shuffling in occupancy from one building to another, and sometimes a decrease in overall occupancy rates. Very little new occupancy was generated. And in many cases, tenancy has only been preserved through renegotiations (reductions) in lease rates. The economic failure or precarious status of many core area offices attests to the unfavorable economic conditions in the private sector of the CBD.

Activity & Status

The City of Albuquerque is strongly committed to downtown, and continues to make every effort to revitalize the area. Because of the lack of private sector economic interest or strength, the City must generally be the driving force in development, offering various forms of assistance. As of 2014, the City is trying to take advantage of plans by the University of New Mexico to utilize a large building on the eastern edge of the CBD as something akin to incubator space to promote new technology and business. The City envisions an “innovation corridor” that would link downtown with areas to the east, and eventually to the Sandia Science & Technology Park and Sandia National Laboratories.

Government Offices

City and County government offices are concentrated in the City/County building at 5th and Marquette and the Plaza Del Sol building at Second and Roma. Some County offices moved east of the CBD core to buildings east of the railroad tracks several years ago. With completion of new structures at Lomas and Fifth Street, most County offices returned to the heart of the CBD. The south side of the CBD also experienced some growth with the development of a building for the Social Security Administration. The 130,000+ square foot facility was the first major government project in the south CBD in many years.

There have also been some losses in this sector. A developer received approval for construction of a new office building to house the Forest Service, which was previously located in the southwest quadrant of the CBD. While the move outside the traditional CBD was questioned, the new building was built on the far eastern edge of the CBD, east of the BN & SF railroad tracks. Another government office building was built along Broadway and is occupied by the Bureau of Reclamation and some Social Security offices. Finally, new offices for the F.B.I. and Bureau of Indian Affairs were built far away from the CBD resulting in the exodus of these tenants from CBD buildings.

In 2008, Bernalillo County considered acquiring the 230,000 square foot building at 500 Marquette, adjacent to the City/County building. In 2010, Bernalillo County revisited the possible acquisition of this property, underscoring the need of Bernalillo County to acquire or build new office space to accommodate government growth, but no agreement was reached. In 2013, Bernalillo County turned its attention to the Public Service Company of New Mexico headquarters building in the southwest quadrant of the CBD. This 282,500 square foot building has been vacated by PNM and it is available. As of this writing, Bernalillo County has had an appraisal performed and investigated an acquisition, but my understanding is that the parties could not reach an agreement.

Judicial Facilities

Judicial facilities include federal courthouses, as well as district, County and City courts. The Albuquerque Police Dept. and the County Detention Center are also counted in this group. Clearly, the status of this group has been dynamic over the past few years, with new Federal, District, County and Metro courthouse having been completed. A huge parking garage built to serve these facilities has been completed, and ground floor retail space along the front of the garage is available for lease. In some cases, courts moved from old buildings on the south side of the CBD, leaving old obsolete structures empty. New buildings have left some older courthouse and jail buildings empty or underutilized, but their functionally obsolete designs make reuse of the buildings challenging. Substantial redevelopment of the buildings may be the only way to make them usable in the current market.

Private Offices

The largest office buildings in the CBD are typically anchored by local, regional or national banks. Included in this group are Bank of The West, Wells Fargo Bank, Compass Bank, First Community Bank, New Mexico Bank & Trust, Bank of America and Bank of Albuquerque. Some small banks and credit unions occupy smaller facilities. Interestingly, only one of these major banking institutions is based in the south side of the CBD, all others in the north side.

Notable exceptions to the banking association are Plaza Compana, Simms Tower, 500 Marquette (Bank of The West has signage rights) and the Albuquerque Plaza buildings (Bank of Albuquerque has signage

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rights). While the latter two have space controlled by banks, the buildings were never strongly associated with institutions, nor does the presence of the banks serve to “define” the buildings. Simms Tower is an old building on the south side of the CBD. The property has been in need of modernization for years. The property was sold in the latter part of 2007, but the new owner was forced to declare bankruptcy almost immediately. In 2013, a local developer acquired the property and has long-range plans for a major renovation. Still, the property remains dated and is struggling for economic viability. Conversely, 500 Marquette and Albuquerque Plaza are on the north side of the CBD, have modern and more efficient construction, and are very attractive buildings. Despite its location in the north half of the CBD, the Plaza Compana building’s design and its limited parking availability seriously hinder its competitive position in the marketplace.

Additional details will follow, but the CBD’s office market has long suffered from over-building, resulting in relatively low rental rates and high vacancy. If space available for sub-lease is included, there has rarely been a period over the last 15 to 20 years when CBD vacancy has been less than 15% to 20%. To be sure, vacancy is normally lower in Class A buildings, but over the years, these buildings have not been immune to depressed rents and high vacancy. Repeated buy-outs and takeovers by major banks, and changes impacting utility companies have resulted in consolidation and down-sizing, periodically making large amounts of space available in some of the CBD’s nicest buildings.

Whether real or perceived, agents say that prospective tenants believe the CBD has poor access, poor parking, and has a danger element that is not associated with alternative office districts or emerging suburban office locations. Generally, it is often heard that unless a person/firm has a specific reason to be in the CBD, they are rarely drawn to the CBD.

In the middle 2000s, construction of new office condominiums, or conversion of older buildings to condominiums, was very popular throughout Albuquerque. This concept came to the CBD mostly in the context of buildings offering primarily residential condominiums, with perhaps some commercial units on the ground floor. Combined live/work spaces have also been offered. Despite only modest success in the CBD, enormous success elsewhere in the city led developers to initiate conversions of a couple of large multi-tenant office buildings into condominium projects. These include the Copper Square building at Copper and Sixth, and the Plaza Maya building at Second and Roma. Given that the “condo craze” was closely tied to readily available financing, the deteriorating financial markets in 2008 severely stifled demand for condominiums throughout the city. The two large CBD projects encountered serious problems and both failed. Those condos that got completed in the CBD have mostly been forced to compete as rental units, and this has exacerbated an office rental market with chronic high vacancy.

Based on the lack of success of these major projects, and other smaller ones, it is something of a surprise that the owners of the Springer Building at 121 Tijeras Avenue on the eastern periphery of the CBD have announced plans to convert the building to condominiums. The building is generally well occupied by tenants, which could provide something of a base of prospective buyers. It is my understanding that suites will remain available for lease, but also be available for sale.

The newest speculative lease office building erected at Lomas Boulevard and Eighth Street stood totally vacant more than a year after construction was completed. After more than two years on the market, the building achieved about a 50% occupancy rate. Occupancy has improved over time, but this last gasp of construction shows the poor demand for office space in the CBD.

Corporate Offices

Major corporate offices are associated with local utility companies or suppliers. On the south side of the CBD, Public Service Company of New Mexico controlled the majority of space within the Alvarado Square, a two-tower office complex, and several neighboring buildings for many years. In 2012/2013, PNM vacated the Alvarado Square building, leaving over 280,000 square feet vacant. On the north side of the CBD, Qwest and AT&T control two buildings along Copper. Before down-sizing, Qwest had occupied a considerable amount of space in Albuquerque Plaza. That space has been available on a sub-lease, some having been occupied. Qwest recently closed its call center space within the Plaza Compana (Qwest) building in the CBD, leaving over 100,000 square feet vacant. A part of this space has been re-leased, and Qwest recently completed development of a “data center” within the building, but a sizeable amount of space remains vacant.

Hospitality Industry

There are currently three major hotels operating in the CBD. Following numerous attempts, the former La Posada de Albuquerque hotel was thoroughly renovated as reopened as Hotel Andaluz. This property joins the Double Tree and the Hyatt Regency hotels. An old Holiday Inn facility on the far west side of the CBD was completely renovated in 1997/1998 and reentered the market thereafter. However, its location on the far west side of the CBD, and its use of exterior walks to guest rooms diminish the ability of this property to compete with more traditional hotel facilities; this property no longer carries a national franchise and has changed names several times. Both east and west of the CBD, old motels offer very budget-oriented rooms.

The City has long promoted the need for additional quality hotel rooms in the CBD. The lack of an adequate number of rooms is cited by some as the reason for Albuquerque not being able to attract some of the large convention business it could otherwise get. Without City assistance, however, the private sector has largely been unwilling or unable to be the development force. In the middle 2000, a moderate expansion of the Double Tree hotel was discussed, but not undertaken. A similar consideration and dismissal took place at La Posada hotel. In 2006, new owners reported another plan of renovation for the La Posada hotel. Renovations finally started in 2008, but moved very slowly as the economy turned down. Renovation was finally completed and The Andaluz hotel eventually reopen in 2009 with a “silver” LEED certification.

A local development group acquired the Old First National Bank building in late 1999. The buyer planed to renovate the structure into a first class hotel facility, with 151 rooms and several unique suite options. A parking garage necessary to support the project was started in early 2001. Throughout most of 2001 the developer reported the hotel redevelopment was expected to start in the fourth quarter of 2001. However, near the end of the year the developer abandoned the idea of a hotel renovation, and planned to renovate the property into residential units. The property was subsequently sold in 2003, and the new owner started gutting the interior to prepare the building for renovation into residential loft-style condominium units, with some ground floor commercial space envisioned. The lofts have extremely high price-points, and absorption has been nearly non-existent. The ground level has attracted a small bank facility as a tenant, but not a buyer.

Though the City had long hoped a new hotel would locate in the CBD, the City supported and provided financial incentives to the developer of a 300-room Embassy Suites constructed east of the CBD at Lomas Boulevard and Interstate 25. Even though Lomas Boulevard is a main gateway to the CBD, the specific location of the new hotel is certainly outside the boundaries of the CBD.

Civic/Social Facilities

Facilities that fall into this category include the public library, the post office, bus and train stations, churches, the convention center, and civic plaza. It is these last two uses that have been major factors in the CBD.

The convention center was expanded in 1990. Albuquerque has been able to attract larger and more varied events/conventions since, and the City believes that further expansion is warranted. There is talk of another expansion, but this is likely an event tied to the expansion of the area's hospitality facilities. As such, no certainty surrounds expansion. Although the convention center has not been expanded, a significant renovation project started in 2013 and is expected to be completed in 2014. This process involves exterior and interior renovations to modernize and refurbish elements of the facility.

Civic plaza is situated between the City/County building and the old convention center. It has long been used by the City as the site for political/social rallies, various forms of entertainment, and ethnic "fairs". The plaza was recently renovated, and is now considered more pedestrian friendly.

After long planning, one of the City projects for the CBD broke ground in 2000. The Alvarado Transportation Center is a project that combined, in a unified facility, terminals for train and bus transportation, as well as cab service. This project is positioned on land at the southeast corner of First and Central Avenue and extends a couple of blocks south, between the railroad tracks and First Street. The first phase of the project progressed slowly, not opening until late 2002, and not including all the users the City had expected. In 2006, relocation of bus terminals to the property was completed, and in the summer of 2006, a light-rail service began, originally linking Albuquerque to Bernalillo. Since then, light-rail service has expanded to Los Lunas and Belen, and as of December 2008, to Santa Fe.

Eating/Drinking & Entertainment Establishments

This has been one of the strong areas of growth for the CBD in recent years. Concentrated along Central Avenue, a variety of new establishments have opened. These include medium to mid-priced restaurants, espresso bars, a number of bars/nightclubs that are oriented to young adults, and some specialty theaters.

While this has been an area of growth, it is not associated with strong economics. The names of spots like "The Zone", "Brewster's Pub", "University Draft House", and others suggest an appeal to a young adult or college type crowd, as opposed to professionals. Not surprisingly, not all of these facilities have been long-lived, and not all are seen as desirable for the broad downtown revitalization effort.

As a result of City and private development group collaborations, significant changes are starting to take place in this sector. Following condemnation or friendly acquisition, the City has sold land to the Historic Downtown Improvement Company (HDIC) for redevelopment. The area termed the "arts and entertainment district" covers several blocks, and is concentrated along Central Avenue, from the railroad tracks to Fourth Street. The highlight and focal point of the redevelopment is the newly built modern stadium-seating movie theater. Century Theaters occupy a 14-screen theater complex at First and Central Avenue, having opened in November of 2001. The theaters are supported by a modest amount of retail and restaurant space developed in the same structure, and a large parking garage on the adjacent site. To date, several restaurant spaces have been leased/occupied, but none of the retail space has been leased.

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The only private-sector development in this category has been the re-development of buildings at Central Avenue and Third Street. The building has one of the most unique facades in the entire city, and the second floor was leased to an up-scale billiards club. In early 2008, the owners renamed the facility and promoted the restaurant and nightclub attributes of the property over billiards. The restaurant eventually closed and in 2013 the space was reconfigured for an office user and leased in 2013. The ground floor remains in the lease-up phase. Several tenants have been attracted, but the space struggles to maintain occupancy and tenant turn-over is high.

On a more long-term basis, the City has periodically explored development of a sports or entertainment arena on the east side of Second Street, north of Central Avenue. However, budget considerations make such a development project highly speculative. A private development company attempted to work with the City in 2004 to develop an arena at no cost to the city except for a land contribution, but poor financials forced the Mayor to terminate the agreement. The neighboring City of Rio Rancho announced plans to build an arena, and this quickly re-ignited the City of Albuquerque's interest in construction of an arena. In late 2006, the Mayor announced that a developer had been selected, but timing of construction was to be subject to funding and condemnation of private property. Since then, plans have started and stopped. An inverse condemnation action was brought by a key property owner in the target area, and that further stalled the development efforts. The city eventually shifted the target site east of the BN & SF railroad tracks to the site of the First Baptist Church, but did not attempt an acquisition. In 2010, Albuquerque Public Schools contracted to buy the First Baptist Church site, seemingly scooping the City of Albuquerque. Subsequent discovery of environmental issues with the property voided the APS purchase, and put future use of the property in question.

Following continued marketing of the First Baptist Church facility, the University Of New Mexico has moved to acquire the property. UNM plans to use the property as something of an incubator facility to try to help new business emerge and move to profitability. The acquisition is not yet complete, as there remain environmental issues that must be resolved. Assuming these issues can be resolved to the satisfaction of the parties involved, transformative work could begin in 2014 and parts of the facility could be ready for use by the end of the year or early part of 2015. In an attempt to be a part of and expand upon the efforts of UNM, the Central New Mexico Community College (CNM) has agreed to lease a sizeable amount of office space in the First Plaza office building at Second Street and Tijeras Avenue. CNM plans to implement similar programs as those proposed by UNM.

The City of Albuquerque has concurrently announced a vision for an "innovation corridor" that would eventually extend east of the CBD to the main UNM campus, on to Nob Hill, and eventually as far east and south as the Sandia Science & Technology Park and Sandia National Laboratory facilities in the southeast region of the city. These ideas are in their infancy and will probably not progress much until the UNM acquisition and renovation of the First Baptist Church facility is completed.

In early 2005, the City promoted redevelopment of part of the rail yards on the south side of the CBD, with some film industry facilities the initial driving force behind the plans. This project failed to materialize in the CBD area, but the film industry user moved forward with development of a large facility in the emerging Mesa Del Sol project in the southeast quadrant of the city. In the first quarter of 2007, talks started with another film industry user who was interested in the rail yard property. In late 2007, the City of Albuquerque acquired the land and several defunct railroad service buildings from a local development group. The buildings have historical significance and had been planned as the site for museums, possible convention facilities, etc., but the private development group had not been able to bring the plans to fruition. The City still plans to use part of the space for the Wheels Museum, and already has lease obligations for some of

the space to the film industry. I consider it likely that extensive planning will be needed before any significant work to the property is started. This property is off the far southeast corner of the CBD and is considered a peripheral component as the present time.

Retailing

Retailing has all but vanished in the downtown area. There remain scattered stores along Central and Gold Avenues, but there are also many vacancies. The last departure of a major retailer from the CBD was by Walgreens in 1998. Outside of some ground level space in major offices or hotels, retailing has only a token presence in the CBD.

As noted, part of the theater project is a small amount of retail and restaurant development. It is considered pertinent to point out that the huge success of the other Century Theater property in Albuquerque spawned considerable restaurant development in immediate proximity to the theater, with the first retail additions coming in very small quantities, and only four years after the theater opened and demonstrated its staying power. Thus far, the downtown theater has sparked only limited restaurant development/tenancy, and no retailing.

It is also noted that the Acropolis Garage building also incorporates retail space on the perimeter of the ground level. This is consistent with new zoning guidelines introduced in 2000 that promote “pedestrian friendly” building fronts, regardless of the building’s overall use. Though the garage opened in 2002, none of the retail space has been leased under market terms.

To date, the only location where retail uses have emerged with any success is along Gold Avenue, primarily between Second and Third Streets. This limited success has had comparatively little impact on the CBD, and 2007 saw the departure of a couple of retailers who had relatively long-term operations in the Gold Avenue corridor.

Given the fact that Gold Avenue has been about the only section of the CBD with any recent retail success, it is natural that a long-awaited grocery store will be part of a mixed-use development planned for the block bounded by Gold and Silver Avenues, and by Second and Third Streets. The multi-story project won approval in early 2013 and a developer was selected. The grocery store element is to be somewhat unique, as the developer envisions multiple independent suites for a grocer, butcher, and all other related specialties along the grocery spectrum. Construction could start in 2014.

Housing

This was clearly the least active sector of the market for many years. Aside from City assisted apartments built in the early 1980s (Alvarado Apartments), there had been no measurable growth in the residential market in or around the CBD.

Over the past several years, the City has acquired numerous tracts of land along the south periphery of the CBD with the intention of the land being used for subsidized housing (apartments of some type). After calling for bids from private developers, the City awarded the development rights to the lands along Coal to a local developer. The inability to obtain acceptable financing led the developer to sell the project (plans) to a major national apartment developer who constructed a 161-unit apartment project in 2001. The apartments provide housing at market rent and under lower-income housing guidelines.

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The City also awarded a development group with local ties the rights to redevelop the old Albuquerque High School property east of the CBD, at Central Avenue and Broadway. This project includes a mix of commercial and residential uses, including apartment units. The first phase of the renovation started in early 2001 with approximately 70 units. The initial occupancy of units took place in early 2002. New units have continued to be renovated, and the project has also come to include a new parking garage that incorporates ground-floor commercial space. The final phase was completed in 2007. This project has performed well, with all early condominium units having been sold, and all early apartments rented. The most recently completed condominiums saw only limited sales, but nearly 100% occupancy as rentals.

The Gold Street Lofts are one of the most recent developments in the CBD. Located on the south side of Gold, between First and Second Streets, the lofts were built backing up to a parking garage. The lofts reported were in high demand and were mostly pre-sold before construction was finished. However, since being finished, absorption has been extremely slow and is still not complete more than five years after the property came to market. A few of the office condominiums on the second floor were sold and the remaining units were leased. None of the commercial condominiums on the ground floor sold, and the only occupancy has come by virtue of space being let to users for free or at exceptionally low cost.

In the far southwest corner of the CBD, a local developer specializing in in-fill projects developed the Silver Lofts along Silver Avenue, between Eighth and Ninth Streets. The project was highly successful in its first phase, prompting a national home builder to acquire the rights to develop the second and third phases, which proved equally successful. Ultimately, full sell-out of 47 condominiums was achieved prior to residential markets experiencing the 2008 crisis.

As noted previously, the owner of the Old First National Bank building initially planned to renovate the property into a hotel, but switched the end use to residential condominium units. The latter plan also failed, but new owners acquired the property in 2003, and in early 2005 started gutting the building in preparation for developing lofts on the upper floors. The ground floor has been built-out for a bank, and might eventually contain limited retail/restaurants tenants like large residential buildings in major urban areas. The developer originally targeted unit delivery by late 2005, then by late 2006. Completion was extended to 2007. The units are aimed at very up-scale residents, with prices ranging from \$500,000 to over \$1,000,000 per unit. Only two units have sold, and those two sales were to related parties. There has reportedly been some transition from a sale to a rental platform, but formal market ceasing in 2008.

One other residential condominium project in the CBD has fared quite well. Office space was converted to residential condominium units in the Quickel Building at Central Avenue and Sixth Street. All units sold quickly in 2005/2006. The success of this project prompted the developer to acquire additional property at the southeast corner of the same intersection. Defunct retail improvements were razed and the developer launched construction of a 9-story condominium building. The building was to feature very modern and unique architecture and was targeted to up-scale buyers. Partway through construction the project lost funding and has been left idle for nearly one year. After sitting unfinished and in disrepair for several years, the property was sold out of foreclosure to an Arizona company that is currently finishing the building for its originally intended use.

Despite serious trouble in the residential markets, additional residential product has been developed in the CBD. At First Street and Silver Avenue, a new apartment complex with adjacent parking garage was completed in 2009. All 66 units rented, the majority of which are on a subsidized basis. A second phase for this project, containing 70 units, was initiated and completed in 2011. Nearby, land along Lead Avenue between Second and Third Streets has been developed with the first eight of a planned 72 townhouse

project; only one of the units sold, and the others rented. In 2013, the remainder of The Elements was constructed, with occupancy following immediately. In addition, land at the corner of Lomas Boulevard and Second Street was improved with 72 residential units targeted directly at low-income residents under City of Albuquerque sponsorship. The project opened in 2010 and reached full lease-up in just a few months. Commercial space associated with this apartment property took nearly two years to gain occupancy.

Outside Influences

Generally, the CBD is considered to have good access. Interstate access is available from multiple interchanges. Interchanges with I-25 include those at Lead/Coal, Central Avenue, Grand and Lomas. From I-40, there are interchanges and/or frontage roads accessible from 2nd, 4th and 6th.

Summary

In summary, then, the subject is located on the south side of the CBD. The core area, despite the significant construction that took place in the 1990s, has not really added new tenants/employees, at least not of a significant nature, since that time. Tenant shuffling represents the bulk of the activity, and this often develops a weaker overall market.

For more than 20 years, the City of Albuquerque, or other governmental agencies, has been the driving force in the development of the CBD. Aside from their own facilities, the City has assisted in almost all development, from multi-family residential to commercial construction. Despite assistance, commercial office developments have consistently failed to satisfy economic requirements, forcing foreclosures or sales at heavily discounted prices. Currently, the economic vacancy of commercial office space is over 20%, with sub-lease space adding to total physical vacancy. An attempt by some developers to capitalize on the mid-2000s demand for office condominiums came too late in the cycle, and projects initiated were devastated by the 2008 recession and near total lack of mortgage financing.

The City's constant push for revitalization and reinvigoration of the CBD continues. The City is working on refurbishment of the convention center. The City has also acquired considerable property on the south side of the CBD and turned the land over to the HDIC for commercial development, a national company for apartment development, and internally handled construction of the intermodal transportation center.

No City participation was required for the Federal Courthouse built on Lomas, on the far north side of the CBD. County monies were obviously used for acquisition of land that was improved with the County Courthouse and D.A.'s office, and the City was obviously responsible for development of the Metro Courthouse. Considerable participation was required on the part of the City for the Social Security Administration building on the south side of the CBD.

Extremely high hopes were placed on the multi-screen movie theater development and the surrounding retail and restaurant space. Residents of Albuquerque responded so favorably to the first Century Theater project, and the success of the theater led to development of numerous restaurants and retail centers adjacent to the theater. While the CBD theater has survived, its influence has not been very broad, as only a few adjacent restaurants have survived, and no retail development has been fostered. The City continues to express interest in developing an arena facility in the CBD, but numerous missteps and economic conditions beyond the control of the City have brought the City to a point where such a project may no longer be possible.

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A hopeful start to the residential condominium market in 2005 and 2006 was largely choked off by the deteriorating housing market, a recession, and then a near total collapse of the financial markets. This perfect storm has resulted in prominent projects failing to find buyers, or not even be completed. Some of the projects completed as condominiums have transitioned to rental properties and generally found a ready tenant base. However, property values associated with rental units is generally a fraction of that targeted as sale units. Despite the problems with ownership housing, subsidized rental housing has been an active part of downtown's development scene over the past few years, with new projects experiencing rapid absorption.

Specific Subject Location

The subject property is located at the northeast corner of Central Avenue and First Street. This location is within the CBD, but on its eastern edge. Because the site backs to the BN & SF railroad lines on its east side, there is no opportunity for vehicular traffic to be exposed to the site except along its south and west sides.

The subject property abuts the BN & SF railroad tracks to the east. This location subjects the property to a level of noise, vibration and exposure that is not typical of sites further removed from the railroad frontage, and this is an influence on the property. To the north, the subject abuts the south side of the east wing of the convention center and the convention center's parking garage's exit. The subject stands across from the Alvarado Transportation Center to the south, the Century 14 movie theater and abutting restaurants to the southwest, and a commercial building used as a data center and surface parking lot to the west.

Access to the subject's specific location is average for the CBD. Central Avenue is a main east/west arterial leading into and out of the CBD, and Central Avenue intersects with all north/south streets within the CBD and more prominent arterials outside the CBD. First Street is a two-way street south of Central Avenue, but carries only one-way northbound traffic north of Central Avenue. As part of the proposed reconfiguration of the subject site and adjacent streets, I anticipate First Street will carry two-way traffic north of Central Avenue.

Growth in the immediate area has been limited for many years by a lack of vacant land, with crises-level economic conditions exacerbating this situation for the past five to six years. The most recent construction close to the subject is of apartment and townhouse buildings two to three blocks to the south/southwest. Benefitting from subsidies, the rental units have been quick to lease-up. Though a construction schedule is not yet fixed, a proposed grocery store and additional residential units are planned for land just a block southwest of the subject.

Overall, this location is considered average for the CBD. As considered herein, the subject is a site of about 1.6 acres of level ground at a reconfigured and convention perpendicular street intersection. The site is opposite the CBD's premier entertainment and restaurant property, and is opposite a transportation facility for bus, commuter train and long-range rail. Perhaps the most notable drawback to the subject's location is that it abuts the BN & SF rail lines, which are responsible for periodic noise and vibration that are not common elsewhere in the CBD.

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Description Of The Subject Site

A copy of a diagram provided by my client representing the way in which the subject site is to be considered is included in the preface for the reader's reference. This diagram differs from the way in which the site actually exists as of the effective date of appraisal. Accordingly, this appraisal is subject to the hypothetical condition that the subject site is a rectangular located at the northeast corner of Central Avenue and First Street, which is assumed to be configured as a conventional intersection of two perpendicular streets.

Location: The northeast corner of Central Avenue and First Street. The site abuts the BN & ST rail right-of-way to the east and the east wing of the convention center and its associated parking garage.

Size: My client did not provide a plat or survey. Therefore, I have used the diagram provided and analyzed it and various aerial photographs to estimate the size of the subject site. I estimate the site to be nominally 220' by 320', deriving a gross site area of 70,400 square feet, or 1.6162 acres. This area is subject to verification upon demising of the site as depicted by my client.

Shape: As considered herein, the site's shape is rectangular. Pertinent dimensions include 220' of frontage along the north side of Central Avenue and 320' of frontage on the east side of First Street. Based on these dimensions, the site offers favorable frontage to depth ratios to either street, with the corner location enhancing overall visibility and accessibility. Therefore, I consider the shape of the site to be good and readily usable.

Topography: Inspection of the site in "as is" condition reveals the site to be essentially level, with perhaps just the slightest downward slope from east to west. At present, the site is at the street/curb grade of First Street, but mostly super-grade to Central Avenue, as Central Avenue "dips" to pass under the BN & SF rail lines that abut the east side of the subject site. Overall, reconfiguration of the site as it is considered herein should not have any measurable impact on topography, so topography is considered mild and readily usable.

Flood Zone: According to my reading of FEMA Map #35001C-0334G (September 2008), the site is in a Zone 'X' (un-shaded), defined as "areas outside the 500-year flood".

Soil: Absent current or past soil bearing or composition data, this appraisal is predicated on the underlying assumption that the site is sufficiently stable to support any legal and reasonably probable future improvements. Discovery of any adverse soil conditions could make this appraisal invalid.

Environmental: Absent a current Phase I or other environmental evaluation, this appraisal is predicated on the underlying assumption there are no above/below ground conditions or contaminants that could negatively impact the value of the site or property. Discovery of any adverse environmental condition could make this appraisal invalid.

Zoning: Under the authority of the City of Albuquerque, the site is zoned SU-3 for intense development. The zoning is very permissive regarding property types and development density, but still has restrictions related to property lines, building height restrictions and providing adequate on or off-site parking, etc. Recently, the City enacted the Downtown 2010 plan that details the City's desires for the redevelopment and revitalization of downtown, and provides a streamlined approval process for conforming developments. For additional details, the SU-3 section of the zoning code is reprinted in the addendum.

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Utilities: Public/private utilities extended to the site include water, sewer, electricity, natural gas and telephone. The Albuquerque Bernalillo County Water Utility Authority provides water and sewer, while private utility companies provide the remaining utility services. All are within standard overhead or underground easements. In addition, the property has high-speed telecommunication services of various types available to it. It is my understanding that some of the most intense telecommunication lines are located within the adjacent rail right-of-way.

Easements: The diagram provided by my client does not show any easement information. Generally, original recorded plats for most of the surrounding lands also fail to show easements. Absent a detailed title report or a current survey, I cannot state for certain that there are no other easements on the site. Therefore, it becomes an underlying assumption of this appraisal that there are no unknown detrimental easements on the subject site.

Access: Legal access to the site is assumed to be possible from both fronting streets. Based on the super-grade status of the site relative to Central Avenue, I consider it unlikely that the City of Albuquerque would grant a driveway cut to Central Avenue, most likely citing police power and public safety. Given the length of frontage the site controls along First Street, I would anticipate multiple driveway cuts would be approved depending on the specific development scheme proposed for the site.

Streets: As considered in this appraisal, I assume that the adjacent section of Central Avenue would remain a four-lane street with raised concrete and/or painted median dividers east of First Street, with traffic lanes narrowing to one lane in each direction west of First Street. This implies the north lane of westbound Central Avenue traffic would be required to turn north onto Second Street. I assume that Second Street south of Central Avenue would remain a two-lane street with a painted center lane serving as a median divider and turning lane, and that this configuration would be extended to Second Street north of Central Avenue. I assume that the traffic light that now controls the intersection of Central Avenue and First Street would remain.

Summary: Overall, the site is considered well suited to all variety of commercial and industrial uses in accordance with underlying SU-3 zoning, as well as the existing self-storage use. Aside from immediate proximity to railroad tracks, there are no obvious impediments to development or use of the site.

Existing Improvements

The subject property is owned by the City of Albuquerque and has a lengthy history of operating as a surface parking lot. The parking lot historically has a graveled surface, with concrete parking blocks and landscaped planters along the perimeters. Pole-mounted lights illuminate the parking lot. In 2013, the subject lot was paved and striped.

Clearly, these improvements would be subject to modification, or removal, for the site to be configured as considered in this appraisal. Therefore, no further description of the improvements is offered.

Assessed Value And Property Taxes

The property is not independently assessed. There are several assessment parcels that fall within the subject site and/or include lands outside the subject site. Similarly, there are parts of the subject site, as considered herein, that are not covered by any assessment parcel. Therefore, it is impossible to provide an accurate

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accounting of the subject's assessed market value. Nonetheless, I have included information from one of the assessment parcels that is wholly contained within the subject site for example purposes.

UPC #1-014-057-287-422-1-19-22

YEAR	ASSESSED	AREA	\$/SF	TAXES
2013	\$236,800	16,988	\$13.94	\$0

Assuming this one example of assessment data related to a part of the site were a proxy for the whole of the site, the assessed value approximates \$14.00 per square foot. Based on the estimate of market value developed in this appraisal, I conclude that the assessed market value is well below the actual market value of the subject site, as it is considered herein.

The relative assessment of the land is immaterial at present because property owned by the City of Albuquerque is not subject to ad valorem taxes. However, if the property were sold to a non-tax-exempt entity, the assessment would lead to a specific tax bill.

Subject Property Sales & Listing History

My investigation of the property did not reveal any arms-length sales of the property within the past three years leading up to the date of appraisal. Therefore, this appraisal has not been influenced by any recent sales of the subject property.

To the best of my knowledge, the subject property is not now, nor has it recently been, listed for sale on the open market. Therefore, there is no pertinent listing history to analyze.

Highest And Best Use

Prime concerns within a highest and best use study are the legal, possible, probable, and profitable use of land and/or improvements. These elements are examined as they apply to the subject site as vacant, and to the property with the existing improvements. The existing improvements are assumed to either be wiped out by the proposed reconfiguration of the site or be subject to reconfiguration. Therefore, the highest and best use is analyzed for the land as though vacant, without consideration of the parking lot improvements.

Land As Vacant

Zoning is the determinant of legal use. Under the existing SU-3 zoning and the 2010 Downtown Sector Development Plan, the land can legally be used for a great many purposes and can be developed to a high intensity level. The subject falls within the "Government/Financial/Hospitality District", which is oriented to government and private offices, encourages hospitality use, requires ground-level retail-commercial use, and permits residential uses above the ground floor. In essence a mixed-use is mandated by zoning, but market forces would also naturally support a mix of uses.

Physically possible uses of the subject site, as considered herein, are numerous. The land is appraised as though containing about 1.60 acres of level land with a corner location at a signalized intersection. Given these factors and the zoning of the land, the site is considered physically able to support any legal and reasonably probable use.

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Financial feasibility is the single most important element in assessing highest and best use. Unfortunately, this is an exceptionally difficult task in the CBD. The last market-driven development of a significant office building in the CBD was more than 20 years ago and the property was an almost instant financial failure, as was the last one to have been built before it. Government development experienced its last significant flurry well over 10 years ago, when various courthouse buildings were erected in the Lomas Boulevard corridor. The last notable market-driven retail-commercial and residential developments/re-developments in the CBD are now roughly 10 years old, and these properties at Central Avenue and Third Street, Central Avenue and Fourth Street, and at Central Avenue and Sixth Street have struggled since inception.

Developments evidencing some level of financial success are all beneficiaries of government support or subsidies of one type or another, including everything from the multi-screen movie theater and adjacent restaurant spaces at Central Avenue and First Street to the multi-family housing projects that have recently been built at Lomas Boulevard and Second Street, and at Second Street and Lead Avenue. As assessed by the local office of Colliers Real Estate, the condition of the primary market sectors within the CBD is as follows.

DOWNTOWN MARKET VACANCY HISTORY

LOCATION	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Office	20.3%	18.0%	20.4%	15.6%	18.5%	18.0%	18.7%	21.1%	21.7%	29.6%
Retail	21.3%	25.9%	22.9%	24.0%	18.6%	26.2%	21.1%	16.5%	17.4%	16.0%
Industrial	18.9%	21.6%	14.5%	16.5%	13.4%	18.7%	12.1%	12.3%	14.9%	14.2%

Based on the current levels of vacancy that exist in all sectors of the market, and especially in the office market, it is difficult to foresee any development that would meet the tests of financial feasibility. In fact, private-sector markets are so negatively impacted by existing vacancy and rental rates that it is not reasonable to reliably forecast a time at which development will become feasible within the private sector.

Therefore, based on traditional measures of the marketplace, I conclude that development of the subject site, as considered herein, is not financially feasible within the private sector. Therefore, the highest and best use of the land would be a speculative holding use awaiting improvement in market conditions such that development of the land becomes financially feasible.

This stated, the reader is advised that government, at the city, county, state and federal levels has a presence in the CBD and acquisition of lands for government buildings has been a consistent theme in the CBD over the decades. The reader will recall that Bernalillo County has been seeking a building in the CBD for several years, and if an existing building that satisfies their needs cannot be found, at some point the Bernalillo County could move to acquire land and build a building. The purpose in stating this is to acknowledge that such acquisitions, while not being triggered by financial feasibility in the way a private sector development must, have the potential to occur at any time. Absent immediate evidence that a government acquisition is likely, the same conclusion of a speculative holding use applies.

Appraisal Procedure

Standard approaches to market value include the depreciated cost approach, sales comparison approach, and net income capitalization approach. While the three approaches may use some common data, the analysis of data is usually different for each, and each focuses on a different attribute of property value. Since any analysis can include certain variables, this report may develop low, high, and most probable indications from each study used. A final review of the approaches, in light of each other, is the basis for the final value estimate.

The depreciated cost approach considers the property from a developer's standpoint. Thus, all aspects of land acquisition, planning costs, construction costs, and financing costs must be considered, as well as a developer's incentive. When "new" cost is estimated, deductions, if appropriate, may be made for areas where the property is concluded to suffer from depreciation, be it physical, functional, or economic.

The sales comparison approach is essentially a comparison-shopping study that reflects "typical" buyers and sellers. This approach considers the property as an item to be bought or sold like other goods. Common denominators like price per square foot or net/gross income multipliers are used as units of comparison, developed from the sales and applied to the subject. The approach pays particular attention to aspects of quality, condition, size, and potential.

Finally, the capitalization of net revenue is the basis for the income approach, which considers real estate as an investment. Prime concerns are the quantity and quality of income that the property can be expected to produce, subject to the anticipated expenses of operating the property. Capitalization of the net income is based on required and desired capital returns, as may be extracted from sales, or developed from other sources.

Applicable Approaches

As a tract of functionally vacant land, the subject is not reproducible, so the cost approach is not applicable. Though vacant land is sometimes leased, the subject is not the type of land that is customarily made subject to a lease. Thus, the income capitalization approach, while technically possible, is not considered a reliable indicator of value for the subject and it is excluded from this appraisal. The subject land is valued through the sales comparison approach. This is the approach that market participants consistently apply in assessing the value of vacant land.

Sales Comparison Approach

The market value of vacant land is best estimated through a sales comparison process. This process involves analysis of sales of similar lands that have sold within a reasonably proximate period of time. Unit values like price per square foot or price per acre are taken from the sales as indicators for the subject property's market value. If there are significant differences between the sale and subject properties, and if the market's reaction to the differences can be isolated and demonstrated, then adjustments to the sales can be made. If sound, the adjustments make a sale, or its value indication, more applicable to the subject. Where limited data is available, or adequate support for quantitative adjustment(s) cannot be demonstrated, sales must normally be used in a "raw" form, possibly subject to qualitative adjustments.

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Sales Selection

I concentrated my search for comparable sales in the CBD. As one might imagine based on the market statistics previously presented showing high to extreme vacancy in the CBD, land sales are comparatively few. For this reason, I have been forced to consider sales that cover an extended period of time, including sales that occurred prior to the market crash in 2008. While I would generally not consider sales prior to such a significant market event, the dearth of CBD land sales makes them relevant to some degree.

I have selected eight sales for direct comparison to the subject. In keeping with a Summary Report format, the comparable sales are not discussed in individual narratives. Pertinent sale details are tabulated for easy reference and analysis, with additional details/location maps presented in the addendum.

Sales Presentation

Pertinent data from the sale properties is presented in the following chart.

SALE SUMMARY – BY SALE DATE

#	STREET	DATE	SIZE	SITE	SHAPE	ZONED	USE	\$/SF
1	6 th /Marquette/7 th	02/03/2005	21,907	Corner	Oblong	SU-3	Parking	\$26.48
2	6 th /Fruit	03/01/2006	27,843	Corner	Oblong	SU-3	Parking	\$33.50
3	Central/Broadway	04/14/2007	35,500	Corner	Rectangular	SU-3	Parking	\$32.39
4	4 th /Rosemont/5 th	05/14/2008	42,602	Corner	Rectangular	C-2	Service	\$22.30
5	Lomas/Broadway	07/24/2008	120,596	Corner	Rectangular	SU-2	Excess	\$17.41
6	Central/7 th /Copper	05/14/2010	32,725	Corner	Rectangular	SU-3	Parking	\$29.65
7	Central/6 th	06/15/2011	24,850	Corner	Rectangular	SU-3	Parking	\$33.52
8	Central/10 th	06/26/2013	60,019	Corner	Semi-Rec.	SU-3	None	\$19.58

The sales are analyzed for relevant adjustments.

Analysis . . . Sale Conditions

The first consideration in analyzing sales is whether or not there are “conditions of sale” unique to one sale that might influence the sale price. Such conditions could be some form of distress on the part of the seller, favorable financing by the seller, or some other factor that is atypical of the normal conditions of sale for real property.

I note that Sale #2 was reported as part of an assembly. I also note that Sale #3 was sold to the owner of the abutting property. It is not uncommon for these types of sales to reflect above average motivation on the part of the buyer. However, in a downtown market, such transactions are such a typical and common part of the marketplace that I do not believe any adjustment can be extracted from area sales. Therefore, no adjustments are applied for these conditions of sale.

Expenditures After Sale

Sale #4 was improved with defunct service-class buildings that the buyer was responsible for razing. No specific cost of demolition was reported, but in investigations with companies who perform such work I have learned at a cost near \$5 per square foot of building area is reasonable. There was reportedly about 15,000 square feet of buildings to raze, suggesting a cost to the buyer of about \$75,000. This estimated

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demolition cost equates to \$1.76 per square foot, increasing the cost of acquiring a vacant site to \$24.06 per square foot, which I have rounded to \$24.00 per square foot. Thus, Sale #4 is adjusted to \$24.00 per square foot for expenses after sale.

Date Of Sale (Time)

The sales cover a period of more than eight years from the first to the last sale, and roughly nine years from the first sale to the effective date of appraisal. Over such an extended period of time, it is reasonable that market conditions would have changed and that they could have impacted prices positively or negatively.

Overall, while market conditions have certainly changed in the broader market, the CBD has been in a state of elevated office vacancy for an extended period of time. While there are retail and industrial uses present in or on the fringe of the CBD, offices have been the life blood of the CBD and their stagnant condition suggests a market that changes little with regard to land value. This stated, the significant worsening of vacancy in the CBD office market in 2013 has the potential for a dampening of land values in the CBD.

DOWNTOWN MARKET VACANCY HISTORY

SECTOR	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Office	20.3%	18.0%	20.4%	15.6%	18.5%	18.0%	18.7%	21.1%	21.7%	29.6%

I have examined the comparable sales presented herein and cannot find a reliable pairing to try to extract a time adjustment from the marketplace. Therefore, absent any specific indication of a change in land values within the CBD over the study period, I elect not to make any adjustment for date of sale.

Site Size

It is often the case that large sites command lower unit values than otherwise similar small sites, reflecting economy of scale. The sales are sorted in order of site size to test for a correlation to unit price.

SALE SUMMARY – BY SITE SIZE

#	STREET	DATE	SIZE	SITE	SHAPE	ZONED	USE	\$/SF
1	6 th /Marquette/7 th	02/03/2005	21,907	Corner	Oblong	SU-3	Parking	\$26.48
7	Central/6 th	06/15/2011	24,850	Corner	Rectangular	SU-3	Parking	\$33.52
2	6 th /Fruit	03/01/2006	27,843	Corner	Oblong	SU-3	Parking	\$33.50
6	Central/7 th /Copper	05/14/2010	32,725	Corner	Rectangular	SU-3	Parking	\$29.65
3	Central/Broadway	04/14/2007	35,500	Corner	Rectangular	SU-3	Parking	\$32.39
4	4 th /Rosemont/5 th	05/14/2008	42,602	Corner	Rectangular	C-2	Service	\$24.00
8	Central/10 th	06/26/2013	60,019	Corner	Semi-Rec.	SU-3	None	\$19.58
5	Lomas/Broadway	07/24/2008	120,596	Corner	Rectangular	SU-2	Excess	\$17.41

Assuming size is the only factor influencing unit price, the sales support the common correlation between site size and unit price, as is better seen in the following graphic.

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I think it is also possible to make one paired-sales comparisons. Sales #3 and #5 are located along Broadway Boulevard at Central Avenue and Lomas Boulevard, respectively. Sale #3 at 35,500 square feet sold for \$33.50 per square foot compared to Sale #5 at 120,596 square feet at \$17.41 per square foot. This comparison indicates a 48% decline in value for nearly a 3.5 times increase in site size. Based on this indications, I will use a downward 40% adjustment on sites under 30,000 square feet, a downward 10% adjustment on sites between 30,000 and 45,000 square feet, and a positive 15% adjustment on sites over 100,000 square feet.

Site Location

The sales used herein are scattered all about the traditional CBD, and one of the sales is a few blocks to the north. I have studied the sales to see if location is a discernable influence, but cannot find any consistent indication that location was influential on the sales. Therefore, no adjustment for location is employed.

Application Of Adjustments

My analysis of the comparables presented herein indicates multiple adjustments are applicable. The following chart shows the sales and all applicable adjustments, with the sales sorted by price per square foot.

SALE SUMMARY – BY ADJUSTED PRICE PER SQUARE FOOT

#	STREET	\$/SF	C.O.S.	EXP	DATE	SIZE	SHAPE	LOCATION	\$/SF
1	6 th /Marquette/7 th	\$26.48				-\$10.59			\$15.89
8	Central/10 th	\$19.58							\$19.58
5	Lomas/Broadway	\$17.41				+\$2.61			\$20.02
2	6 th /Fruit	\$33.50				-\$13.40			\$20.10
7	Central/6 th	\$33.52				-\$13.41			\$20.11
4	4 th /Rosemont/5 th	\$22.30		+\$1.70		-\$2.40			\$21.60
6	Central/7 th /Copper	\$29.65				-\$2.97			\$26.69
3	Central/Broadway	\$32.39				-\$3.24			\$29.15

Following adjustments, the sales indicate a range of values from \$15.89 to \$29.15 per square foot. Within this broad range, there is better support for a narrow bracketing of \$19.58 to \$21.60 per square foot, and

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within that bracketing three sales indicate \$20.02 to \$20.11 per square foot. Based on the narrow bracketing, I conclude that \$20.00 per square foot is most applicable to the subject site.

Conclusion

The prior analyses indicate a unit value of \$20.00 per square foot is applicable to the subject site.

Estimated Unit Value	\$	20.00
<u>Subject Land Area</u>	<u>X</u>	<u>70,400</u>
Indicated Site Value	\$	1,408,000

Incidental rounding leads to a conclusion of \$1,400,000 (\$19.89 per square foot).

Final Value Estimate

The subject property is a conceptual site located at the northeast corner of Central Avenue and First Street, near the eastern edge of the CBD. As is, the land is comprised of multiple tax parcels and its shape is rendered irregular because of a slip-lane from westbound Central Avenue to northbound First Street. My client has provided a diagram that shows the site reconfigured into a rectangle and the intersection of Central Avenue and First Street reconfigured into a conventional perpendicular street intersection. This appraisal is based on the hypothetical condition that the subject land is so shaped and that the adjacent streets are so reconfigured. I have estimated the site area of the conceptual site at 70,400 square feet.

Eight comparable sales spanning roughly nine years comprise the database for this appraisal. I concluded several adjustments were applicable to the sales, with size being the primary adjustment. The adjusted sales yield a rather narrow bracketing among five sales, with three yielding almost the exact same unit value. The analysis led me to conclude a unit value of \$20.00 per square foot, or \$1,400,000 (rounded) for the subject site.

Therefore, based on information provided by my client, a review of documentation provided by my client, my personal inspection of the property, and analysis of pertinent market data, I conclude that

ONE MILLION FOUR HUNDRED THOUSAND DOLLARS

represents the market value of a fee simple title the subject site, as it is described in this report, considering “assumed” condition, as of April 6, 2014, subject to the hypothetical condition that the subject site is rectangular, contains approximately 70,400 square feet, and is located at a conventional perpendicular street intersection.

Exposure Time

Exposure time is the theoretical time a property would have had to be exposed to the market, prior to the date of appraisal, to realize a sale at or near the appraised value. Estimating exposure time is made difficult by several factors. The motivations of buyers and sellers can be very strong or just passing. Listing prices can be set excessively high and discourage all inquiries. And conditions impacting the overall market or certain sub-markets can be very influential. The ability of any or all of these elements to change quickly is also a factor.

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Working against the subject is the fact that there have been less than one sale per year over the past decade of lands similar to the subject in or close to the CBD. In the subject's favor, the CBD market is virtually devoid of vacant sites, especially of sites as large as the subject. Also in the subject's favor is its location close to prominent transportation and entertain, as well as most of the newer housing stock (apartments and homes) having been built in the CBD over the past few years. The subject is similarly close to planned development of a grocery store and additional residential units. Finally, the subject is benefitted by close proximity to a large commercial property that is under contract for sale to the University of New Mexico for use as an incubator facility to foster and promote new technology, industry and business. Given these factors, but the consistently slow pace of development in the CBD, I estimate exposure time of not less than 12 months and probably not more than 24 months, with proper marketing.

This estimate of exposure time assumes that if the property had been placed on the market for sale, that it would have been listed with a qualified commercial broker, that it would have been actively marketed through all reasonably available sources, that the asking price would not have been inflated, and that the seller would have responded promptly to all offers made on the property. Failure to properly expose the property would conflict with estimates of value and exposure time expressed within this report and may render them invalid.

Certificate Of Appraisal

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

- the statements of fact contained in this report are true and correct;
- the report analyses, opinions, and conclusions are limited only by the reported assumptions, extraordinary assumptions, limiting conditions and hypothetical conditions, and are my personal, unbiased professional analyses, opinions and conclusions;
- I have performed no services (appraisal or otherwise) regarding the subject property within the three-year period immediately preceding acceptance this assignment;
- I have no present or prospective interest in the property appraised that is the subject of this report and no personal interest with respect to the parties involved;
- I have no bias with respect to the property appraised that is the subject of this report or to the parties involved with this assignment;
- the engagement of this assignment was not based on or contingent upon developing or reporting a requested minimum valuation, a specific valuation, approval of a loan, the occurrence of any subsequent event, or any other predetermined result;
- the compensation for completing this assignment was not based on or contingent upon developing or 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, of the occurrence of a subsequent event directly related to the intended use of this appraisal;
- the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformance with the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;
- the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformance with 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, Bryan E. Godfrey, MAI has completed the requirements under the continuing education program of the Appraisal Institute;
- my contractual agreement with my client does not authorize the out of context quoting from or partial reprinting of this appraisal report, nor does it permit all or any part of this appraisal report to be disseminated to the general public by the use of media for public communication without my written consent;
- Bryan E. Godfrey, MAI has made a personal inspection of the appraised property;
- no one provided significant professional appraisal assistance to me in the preparation of this report.

This certification is prepared specifically for the appraisal, subject to hypothetical conditions, of vacant land located at the northeast corner of Central Avenue and First Street, on the eastern edge of the CBD, in Albuquerque, Bernalillo County, New Mexico.

Respectfully submitted,



Bryan E. Godfrey, MAI, State Certified General Appraiser #G-192

UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

Opinions of value and/or other conclusions contained in this appraisal report are based on the following basic assumptions and limiting conditions.

1. This report is based in part upon information carefully selected from a variety of sources, including public records and other sources deemed to be reliable. While a reasonable effort has been made to verify such information, the appraiser for its accuracy assumes no responsibility.

2. Legal descriptions of the property were furnished by my Client, or were obtained from public records, and are assumed to be accurate. Plans, sketches, aerial photography, and the like included in this report are intended only to assist the reader in visualizing the property and are not to be construed as engineering drawings or surveys unless so identified.

3. Property proposed for construction has been examined to the extent possible. Available plans and specifications have been examined and conclusions based on such examination reported herein. I assume no responsibility for the quantity or quality of such material provided to me and I restrict my analyses and conclusions to information so obtained.

4. The appraiser assumes no responsibility for matters legal in nature, nor does the appraiser render any opinion as to the property title, which is assumed to be marketable. Unless otherwise stated within the report, any and all liens and encumbrances have been disregarded and the property appraised as though free and clear under responsible ownership and competent management.

5. I assume that all applicable zoning and use regulations and restrictions have been complied with unless non-conformity has been stated, defined, and considered in this report.

6. I assume that all required licenses, consents, or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value opinion contained within this report is based.

7. I assume that the utilization of the land and improvements of the subject is within the boundaries or property lines described and that there is no encroachment or trespass unless otherwise noted within the report.

8. I assume that there is full compliance with applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined, and considered in this report.

9. No soil borings or analyses have been made of the subject. I assume that soil conditions are adequate to support standard construction consistent with the highest and best use as stated in this report, and that there are no surface or sub-surface conditions or contaminants present that would materially impact value.

10. No responsibility is assumed for engineering matters, mechanical or structural. Good mechanical and structural condition is assumed to exist.

11. I did not observe, during inspection of the subject, any materials considered to be hazardous including, but not limited to, asbestos, urea formaldehyde foam insulation, and aluminum wiring. However, no guarantees against the presence of such hazardous materials are implied by this report.

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12. No environmental impact studies were either requested or conducted in conjunction with this appraisal and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions bases on any subsequent environmental impact studies, research, or investigation.

13. This appraisal report was prepared for the confidential use of the Client for the purpose specified and must not be used in any other manner. Possession of this report, or a copy thereof, does not carry with it the right of publication, nor may it be used by anyone but the Client and Intended User(s), for any purpose, without the written consent of the Client and the Appraiser, and in any event, only with the proper qualification.

14. The appraiser is not required to provide further consultation nor to appear or give testimony before any Court or Tribunal with reference to this report and/or the property in question unless previous arrangements have been made therefore.

15. This appraisal report and/or valuations stated herein shall not be relied upon or utilized in any matters pertaining to any syndication, or any State or Federal Securities and Exchange Commission registrations.

16. 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 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 conformance with one or more of the requirements of the act. If so, this fact could have a negative impact on the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which the appraiser is connected or reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, any public relations media, news media, sales media or any other public means of communication without the prior written consent of the appraiser(s).

COMMON DEFINITIONS AND RESTRICTIONS

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 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 paid for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

(Source: Financial Institutions Recovery, Reform, and Enforcement Act of 1989 (FIRREA), Title 12 CFR, Part 34.42(g))

“As Is” Market Value . . . “The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal’s effective date.”

(Source: Interagency Appraisal & Evaluation Guidelines, Department of Treasury, 2010)

Prospective Opinion Of Value . . . “A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.”

Fee Simple Title . . . “Absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power, and taxation.”

Leased Fee Estate . . . “An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; usually consists of the right to receive rent and the right to repossession at the termination of the lease.”

Leasehold Estate . . . “The right to use and occupy real estate for a stated term and under certain conditions; conveyed by a lease.”

Highest And Best Use . . . “The reasonable and probable use that supports the highest present value of land or improved property, as defined, as of the date of appraisal.”

Cash Equivalent . . . “A price expressed in terms of cash, as distinguished from a price which is expressed all or partly in terms of the face amounts of notes or other securities which cannot be sold at face.”

(Source: The Dictionary of Real Estate Appraisal, American Institute of Real Estate Appraisers, 1984 & 2010)

**QUALIFICATIONS OF BRYAN E. GODFREY, MAI
REAL ESTATE APPRAISER**

BASIC EDUCATION

Highland High School, Albuquerque, Graduated 1977
University of New Mexico, Albuquerque, B.A. 1983

RECENT SPECIALIZED EDUCATION

Uniform Appraisal Standards For Federal Land Acquisition (Yellow Book), March 2007
Real Estate Investment & Development, July 2007
Rates & Ratios: GIMs, OARs, And DCF, July 2007
Business Practices & Ethics, December 2007
Appraisal Operations, December 2007
Valuometrics (Stats & Graphs), July 2009
Valuometrics I (Stats & Graphs), March 2010
Lending World In Crisis, November 2010
Conservation Easements, June 2011
Appraisal Curriculum Overview, September 2011
Uniform Standards OF Professional Appraisal Practice (Update), January 2012
Evaluating Commercial Construction, September 2012
Practical Linear Regression, October 2012
Business Practices & Ethics, December 2012

PROFESSIONAL EXPERIENCE

Real Estate Appraiser, Godfrey Appraisal Services, Inc., since 1976
Appraisal Witness Before Albuquerque City Zoning Commission
Appraisal Expert Witness Before NM District Court

SAMPLE CLIENTELE

State of New Mexico
City of Albuquerque
County of Bernalillo
Native American Pueblos
Attorneys At Law
Real Estate Investment Trusts
Banks, Mortgage Companies, and Savings And Loans
Private Lending-Investment Institutions
Insurance Companies
Private Individuals and Corporations

PROFESSIONAL MEMBERSHIPS

The Appraisal Institute [MAI #8030], 1988
State Of New Mexico, Certified Real Estate Appraiser [#00192-G]

*Market Value Appraisal-Appraisal Report
Unimproved Commercial Land
Central Avenue & First Street
Albuquerque, NM, Page 51*

LAND SALE #1

DB #: 36 ID #: 11353CP City: ABQ Doc: WD Rec #: 5- 17159
Street Name: MARQUETTE/6TH/7TH Quad: NW Zoning Map: J14D
Subdivision: PERFECTO ARMIJO Block: 2 Lot: 18-24ptn
Seller: VO, LLC Buyer: PARKING CO Date: 02/03/05
Square Feet: 21,907 Acres: 0.50 End Use: PARKIN
Zoning: SU-3 Site: COR Imp: CSP Util: WSGE Topo: LEVEL
Sale Price: \$ 580,000 DOM: Pr/Sft: \$ 26.48 Pr/Ac: \$1,153,275
Downpayment: 100% Rate: Term: Special:
Comments: PROPERTY USED AS PARKING LOT.

LAND SALE #2

DB #: 381 ID #: 11318CP City: ABQ Doc: REC Rec #: 6- 31199
Street Name: SIXTH/FRUIT Quad: NW Zoning Map: J14D
Subdivision: PERFECTO ARMIJO Block: 18 Lot: 223-228p
Seller: AJAX PTN Buyer: KARSTEN, S Date: 03/01/06
Square Feet: 27,843 Acres: 0.64 End Use: OFFICE
Zoning: SU-3 Site: COR Imp: CSP Util: WSGE Topo: LEVEL
Sale Price: \$ 932,759 DOM: Pr/Sft: \$ 33.50 Pr/Ac: \$1,459,289
Downpayment: 50% Rate: Term: Special: ASSEMBLY
Comments: PART OF AN ASSEMBLY FOR A NEW OFFICE.

LAND SALE #3

DB #: 751 ID #: 11786CP City: ABQ Doc: WD Rec #: 7- 70690
Street Name: CENTRAL/BROADWAY Quad: SE Zoning Map: K14B
Subdivision: HUNING'S HIGHLAND Block: 2 Lot: 1-5
Seller: FIRST BAPTIS Buyer: HUDSON ABQ Date: 05/14/07
Square Feet: 35,500 Acres: 0.81 End Use: PARKIN
Zoning: SU-3 Site: COR Imp: CSP Util: WSGE Topo: LEVEL
Sale Price: \$ 1,150,000 DOM: Pr/Sft: \$ 32.39 Pr/Ac: \$1,411,099
Downpayment: 100% Rate: Term: Special: ADJACENT
Comments: SOLD TO TENANT. PRICE INFLATED BY OUTSIDE OFFER TO BUY.

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Albuquerque, NM, Page 52*

LAND SALE #4

DB #: 950 ID #: 12042CP City: ABQ Doc: WD Rec #: 8- 55297
Street Name: FOURTH/ROSEMONT/5 Quad: NW Zoning Map: J14
Subdivision: ROMERO Block: 5 Lot: 1-12 ++
Seller: SAG PROPERTY Buyer: RIO GRANDE C Date: 05/14/08
Square Feet: 42,602 Acres: 0.98 End Use: BANK
Zoning: C-2/SR Site: DBCR Imp: CSP Util: WSGE Topo: LEVEL
Sale Price: \$ 950,000 DOM: Pr/Sft: \$ 22.30 Pr/Ac: \$ 971,363
Downpayment: 100% Rate: Term: Special:
Comments: BUYER TO RAZE 15,000sf BLDG TO BUILD CREDIT UNION.

LAND SALE #5

DB #: 971 ID #: 12163C City: ABQ Doc: SWD Rec #: 8- 84493
Street Name: BROADWAY/LOMAS Quad: NE Zoning Map: J14C
Subdivision: SLADE-OLSEN Block: TRACT Lot: A-1
Seller: US POSTAL SE Buyer: CITY ABQ Date: 07/24/08
Square Feet: 120,596 Acres: 2.77 End Use: PONDIN
Zoning: SU-H-M Site: COR Imp: CSP Util: WSGE Topo: LEVEL
Sale Price: \$ 2,100,000 DOM: Pr/Sft: \$ 17.41 Pr/Ac: \$ 758,533
Downpayment: 100% Rate: Term: Special:
Comments:

LAND SALE #6

DB #: 1265 ID #: 12479^ City: ABQ Doc: LSE Rec #: 10-
Street Name: CENTRAL/7TH/COPPER Quad: NW Zoning Map: K14
Subdivision: ORIGINAL TOWNSITE Block: 13 Lot: 8-12/20-
Seller: PUCCINI TRUS Buyer: P & C DOWNTON Date: 05/17/10
Square Feet: 33,725 Acres: 0.77 End Use: PARKIN
Zoning: SU-3 Site: DBCR Imp: CSP Util: WSGE Topo: LEVEL
Sale Price: \$ 1,000,000 DOM: Pr/Sft: \$ 29.65 Pr/Ac: \$1,291,623
Downpayment: % Rate: Term: Special:
Comments: 60-YEAR LEASE BASED ON VALUE OF \$1,000,000. SEE FILE.

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Unimproved Commercial Land
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LAND SALE #7

DB #: 1721 ID #: 12936C City: ABQ Doc: WD Rec #: 11- 56133
Street Name: CENTRAL/SIXTH Quad: NW Zoning Map: K14
Subdivision: ORIGINAL TOWNSITE Block: 13 Lot: 13-19
Seller: UNITED ENTER Buyer: PARKING MNGM Date: 06/15/11
Square Feet: 24,850 Acres: 0.57 End Use: PARKIN
Zoning: SU-3 Site: COR Imp: CSP Util: WSGE Topo: LEVEL
Sale Price: \$ 833,000 DOM: Pr/Sft: \$ 33.52 Pr/Ac: \$1,460,180
Downpayment: 100% Rate: Term: Special:
Comments: SALE OF PARKING LOT. SELLER THOUGH HAD SOME VALUE.

LAND SALE #8

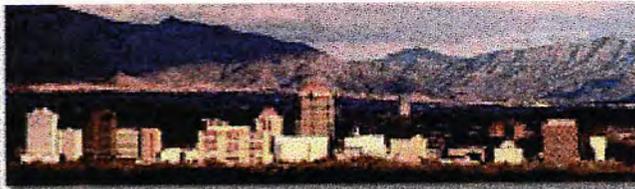
DB #: 1684 ID #: 12897C City: ABQ Doc: WD Rec #: 13- 73245
Street Name: CENTRAL/10TH Quad: SW Zoning Map: K13
Subdivision: NM ORIG TOWNSITE Block: 48 Lot: 13-A
Seller: SILVER MOON Buyer: SILVER MOON Date: 06/26/13
Square Feet: 60,019 Acres: 1.38 End Use: APARTM
Zoning: SU-3 Site: COR Imp: CSP Util: WSGE Topo:
Sale Price: \$ 1,175,000 DOM: Pr/Sft: \$ 19.58 Pr/Ac: \$ 852,780
Downpayment: 100% Rate: Term: Special:
Comments: FORMER MOTEL THAT HAD BEEN DEMOLISHED.

LAND SALES LOCATION MAP



ITEMS TO FOLLOW THIS PAGE

- Zoning



development & building process

The *Downtown 2010 Plan* introduces a new, innovative approach to Downtown development. This Plan creates an easy four-step approach to building in Downtown.

STEP 1. DISTRICTS MAP - locate your property and the Downtown district it's in. (Color Coded)

STEP 2. DISTRICT USES MATRIX - identify which uses are permitted, regulated or prohibited in your district. (Color Coded)

STEP 3. BUILDING TYPES - identify the building types authorized for your district. (Color Coded)

STEP 4. BUILDING STANDARDS - apply the building standards applicable to your project.

Once you have gone through these four steps, you are ready to begin the expedited site development plan approval process.

The *Districts Map* shall be used to guide Downtown development. The *Districts Map* identifies and locates five (5) distinct Downtown districts, each with unique land uses and development characteristics. The *District Map* is color-coded to correspond to the *District Uses Matrix and Building Types chart*. By using this color-coding system, you are able to conveniently follow steps 1, 2, and 3.

The *Districts Map* strategically locates and concentrates complementary land uses within each district. The title designated for each district (Housing, Arts & Entertainment, Government, Financial & Hospitality, Warehouse, Mixed-Use) is intended to be descriptive of the primary function(s) of each district. Other compatible uses are envisioned and encouraged. The *District Uses Matrix* clearly spells out permitted, regulated and prohibited uses in each district. Regulated uses must go through the Environmental Planning Commission (EPC) process, which includes neighborhood notification.

The color-coded *Building Types* chart outlines the types of buildings to be built in each Downtown district. It is intended to provide predictability on how Downtown will develop as far as types, layout and scale of buildings. A key component of the *Downtown Plan* is to build quality urban pedestrian-friendly buildings that will stand the test of time and the multiple uses of buildings over time.

The *Building Standards* consolidates the more than 70 current standards and guidelines required for Downtown development into 21 simple building standards. The new standards are intended to be far more user-friendly and to remove much of the subjectivity in the prior standards/guidelines. Each standard is graphically illustrated and reduced to the most basic form.

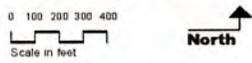
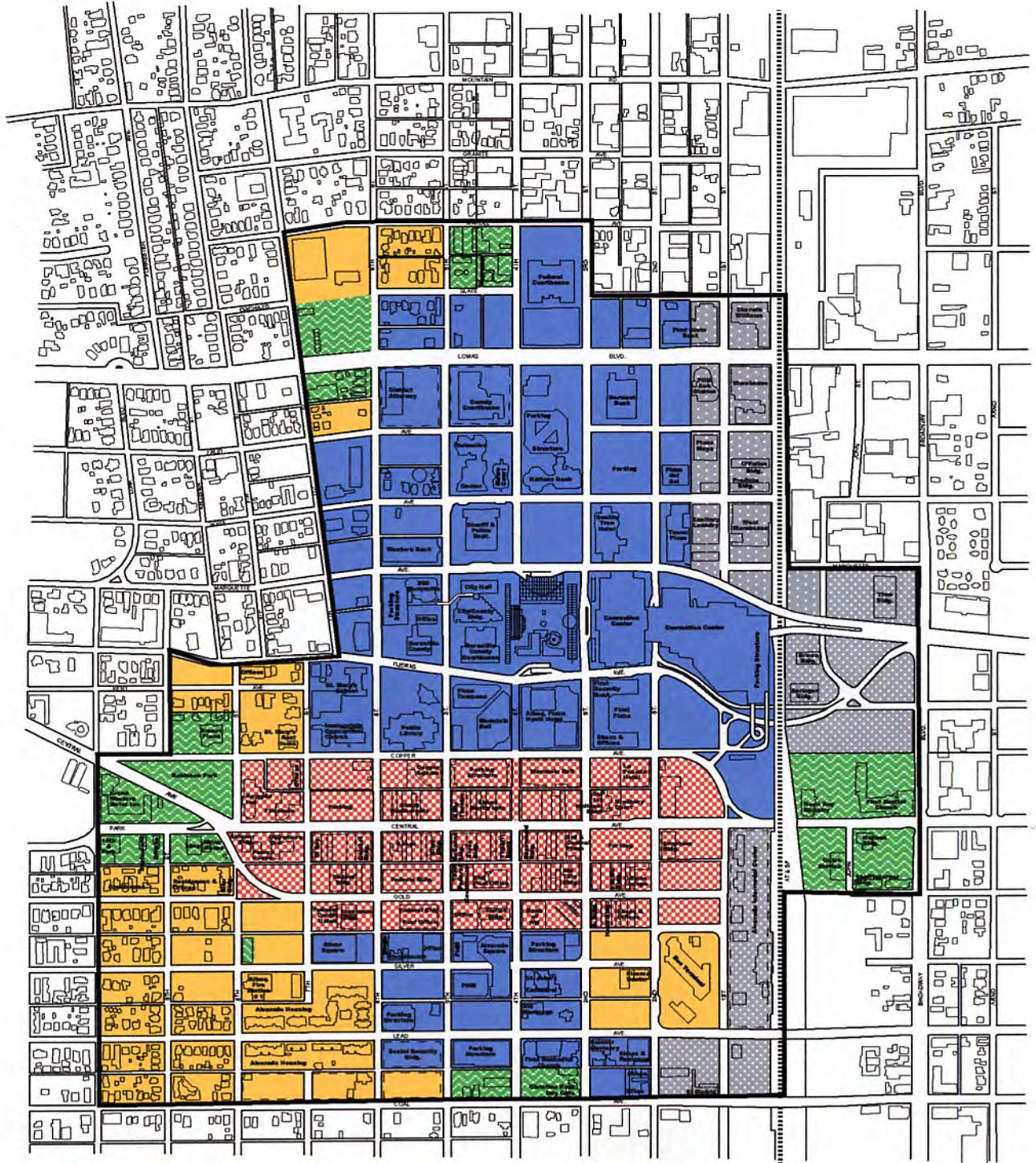
.....
The Site Development Plan Approval Process has been streamlined to accommodate Downtown development. For quality Downtown projects, approval will be “short on the process and long on the results.”

.....
The Downtown Development and Building Process is adopted to ensure that building development is predictable and real estate values are stable. This process puts the pedestrian first in all new projects and ensures that developments are compatible with each other and with the existing urban fabric. The Building Types and Building Standards set forth in this Plan are mandatory, however, the Planning Director, and/or the Director’s designee, may approve minor changes or deviations from the Building Types and/or Building Standards pursuant to regulations and procedures to be adopted by the City.

.....
Notes: a) *The Downtown Districts Map represents the Downtown Core. Surrounding neighborhoods boundaries are amended to correspond with the Downtown Core.*

b) *The Building Types and Building Standards are adopted to facilitate and encourage Downtown developments. Adherence to the types and standards within each district are required to obtain a building permit.*

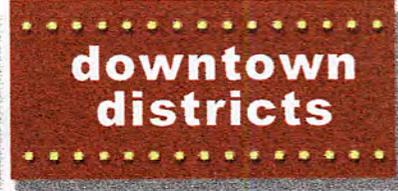
step one



- Housing Focus**
- Government/Financial/Hospitality Focus**
- Warehouse Focus**
- Mixed-Use Corridor**
- Arts & Entertainment Focus**
- Downtown Core**

IMPORTANT NOTE

This Plan includes maps showing property zoning and platting which is dated as of the Plan's adoption. Refer to the Albuquerque Geographic Information System or current Zone Atlas for up-to-date zoning and platting information.



downtown districts

Following is a general description of each of the Downtown districts and the uses envisioned in each district:

Housing District

Residential development is allowed and encouraged in all districts of Downtown. Residential is the primary use within the Housing District. The Housing District should be medium to high density with a range of housing types: 3-4 story townhouses, 4-6 story urban apartments, housing above retail or office, housing integrated into mixed use office structures, loft apartments converted from older mercantile buildings. Other neighborhood serving retail and ancillary office activity are allowed to provide diversity but must be compatible with the residential focus of this district.

Arts and Entertainment District

The Arts & Entertainment District is the primary center for arts, entertainment, cultural, and specialty retail shopping experiences. The Arts & Entertainment District will serve as Downtown’s Main Street and host a variety of activities and experiences. The ground floor of all buildings will have exciting street level arts, entertainment and retail presence in this district. Compatible office, hotel institutional, commercial and residential uses are encouraged above the street level. The street level design of buildings should be visually interesting and reinforce the image of a premier urban shopping district and entertainment district. The street level environment will be active, visually exciting and accommodating to the pedestrian. The Arts & Entertainment District is a logical location for a new arena, multi-plex theater, restaurants, clubs, and assorted visual and performing arts venues. It is the logical location for community festivals and celebrations.

Government/Financial/Hospitality District

Downtown will maintain its position as the government, financial, and hospitality center of the metropolitan region. Downtown is the seat of government for the City of Albuquerque, Bernalillo County, and regional Federal Government facilities. These and other State departments and agencies will be located Downtown. It is also the center of the federal, state and local judicial complex. Concentrate new government and private office development in this District. Locate high and medium density office development in the district. Convention and hospitality facilities are strongly encouraged to locate in this district as well. Street level retail is required in the district to provide services and street level vitality.

Warehouse District

The Warehouse District is a lasting remembrance of Downtown’s early commercial district along the railroad. Therefore, it is important to protect its historic character by preserving the existing stock of older buildings, while promoting compatible infill development. Within the Warehouse District the reuse and rehabilitation of existing older commercial buildings is strongly encouraged. A broad range and diverse mix of uses are allowed and encouraged in the Warehouse District. These uses include: commercial, office, retail, residential, transportation and sports facilities. Types of development envisioned for this district include mixed use buildings which combine

residents with workplaces, small office blocks, outdoor sports facilities, and product showrooms. The Warehouse District offers several logical locations of an outdoor ballpark. It is an ideal location for live/work artist studios and “funky” off-beat retail and restaurant venues.

.....
Mixed Use Corridors District

Mixed use developments are allowed and strongly encouraged for all of Downtown. No predominant or primary uses are prescribed for the Mixed Use Corridors District. This district is located on the transit corridors through Downtown (Lomas Blvd.-Central Avenue-Fourth Street). Compatible office, institutional, residential, retail, commercial, educational and other uses are encouraged along this district. These developments should be concentrated and of a density to encourage transit use along these principal corridors.

.....



step two

The Downtown Core is zoned SU-3 Special Center, with uses allowed in the R-3 and C-2 zones of the Comprehensive City Zoning Code as further governed by this Sector Development Plan. All uses are encouraged in the Downtown, however the principal uses are: residential, arts, entertainment, office, cultural, hospitality, and specialty retail. *The Plan* strongly encourages a mixture of compatible land uses (office/residential, retail/office, arts/entertainment). Residential development is allowed and encouraged throughout all districts of Downtown.

All types of land uses are encouraged Downtown, however certain uses are not appropriate in some districts. To assure that uses most conducive to achieving *The Plan's* objectives are developed in the appropriate districts, it is important to permit, prohibit, or regulate uses by district. There are no parking requirements in the SU-3 Special Center Zone.

The SU-3 zone creates a clear and defined (hard) boundary between the Downtown Core and surrounding neighborhoods. The Plan and zoning intent is to protect, retain and enhance the integrity of neighborhoods surrounding the Downtown Core. Commercial and office intrusion into the surrounding neighborhoods is strongly discouraged.

Following is a general color-coded District/Use Matrix to guide in determining if a use is appropriate in a District:

	HOUSING ¹	GOVERNMENT FINANCIAL/ HOSPITALITY	WAREHOUSE	MIXED USE	ARTS & ENTERTAINMENT
RESIDENTIAL²					
Ground Floor	P	R	P	P	R
Above Ground Floor	P	P	P	P	P
RETAIL/SERVICES	R ³	P	P	P	P
OFFICE/INSTITUTIONAL	R ⁴	P	P	P	P
WAREHOUSE/WHOLESALE	R	R	P	R	X
MANUFACTURING	X	X	R ⁵	X	X

P = Permitted

R = Review Required

X = Prohibited

1. Housing district area between Central Avenue and Lomas Boulevard is restricted to residential development only to buffer the Downtown Neighborhood Association (DNA). The remaining housing district areas are controlled by the Uses Matrix.
2. Home occupations are allowed as regulated by the R-1 zone.
3. The purpose of *The Plan* is to encourage neighborhood serving retail.
4. The purpose of *The Plan* is to allow ancillary office activity in the Housing District.
5. The purpose of *The Plan* is to allow manufacturing as regulated by the M-1 zone.

Additional Notes:

- Emergency Shelters proposed in the Downtown Core shall be Review Required.
 - Any arena or any sports stadium, whether indoor or outdoor, shall be Review Required.
 - Proposed developments in areas of the Downtown Core covered by a historic overlay zone shall be reviewed and approved by the Landmarks and Urban Conservation Commission.
-

Prohibited Uses

Some uses are clearly prohibited or regulated in all Downtown districts. Following is a list of those uses:

- Drive-in/drive-through facilities are not allowed, except that unenclosed outdoor seating is permitted. Existing drive-in/drive-through uses shall be legal, non-conforming uses.
- Adult amusement establishments, and adult stores are not allowed. Existing adult amusement establishments and adult stores shall be legal, non-conforming uses.
- Commercial surface parking lots are not allowed. Existing commercial surface parking lots shall be legal, non-conforming uses and must meet the landscaping, lighting, buffering and paving requirements identified in the building standards section of *The Plan*.
- Alcoholic drink sales for consumption off-premises are allowed, provided however:
 - a) there shall be no dispensing (sales) of any miniatures;
 - b) there shall be no dispensing (sales) of any fortified wines by volume of alcohol no more than twelve percent; and
 - c) there shall be no dispensing (sales) of any alcoholic beverages in broken packages (singles).

Existing establishments engaged in the sale of alcoholic drink sales for consumption off-premises shall be required to meet the above restrictions within ninety (90) days of The Plan adoption.

d) Alcoholic drink sales within 500 feet of the boundary of a residential zone in an adjacent neighborhood or within 500 feet of the boundary of any adjacent sector development plan shall be Review Required, except this provision shall not apply to a full service grocery store.

- Jails or correctional institutions are not allowed, but temporary detention facilities shall be allowed to accommodate police investigative activities and related activities.
- Off-premise free-standing signs are not permitted.
- Existing uses within the Housing district area between Central Avenue and Lomas Boulevard that are inconsistent with the District/Use Matrix are nonconforming and the City's nonconformance regulations shall apply.